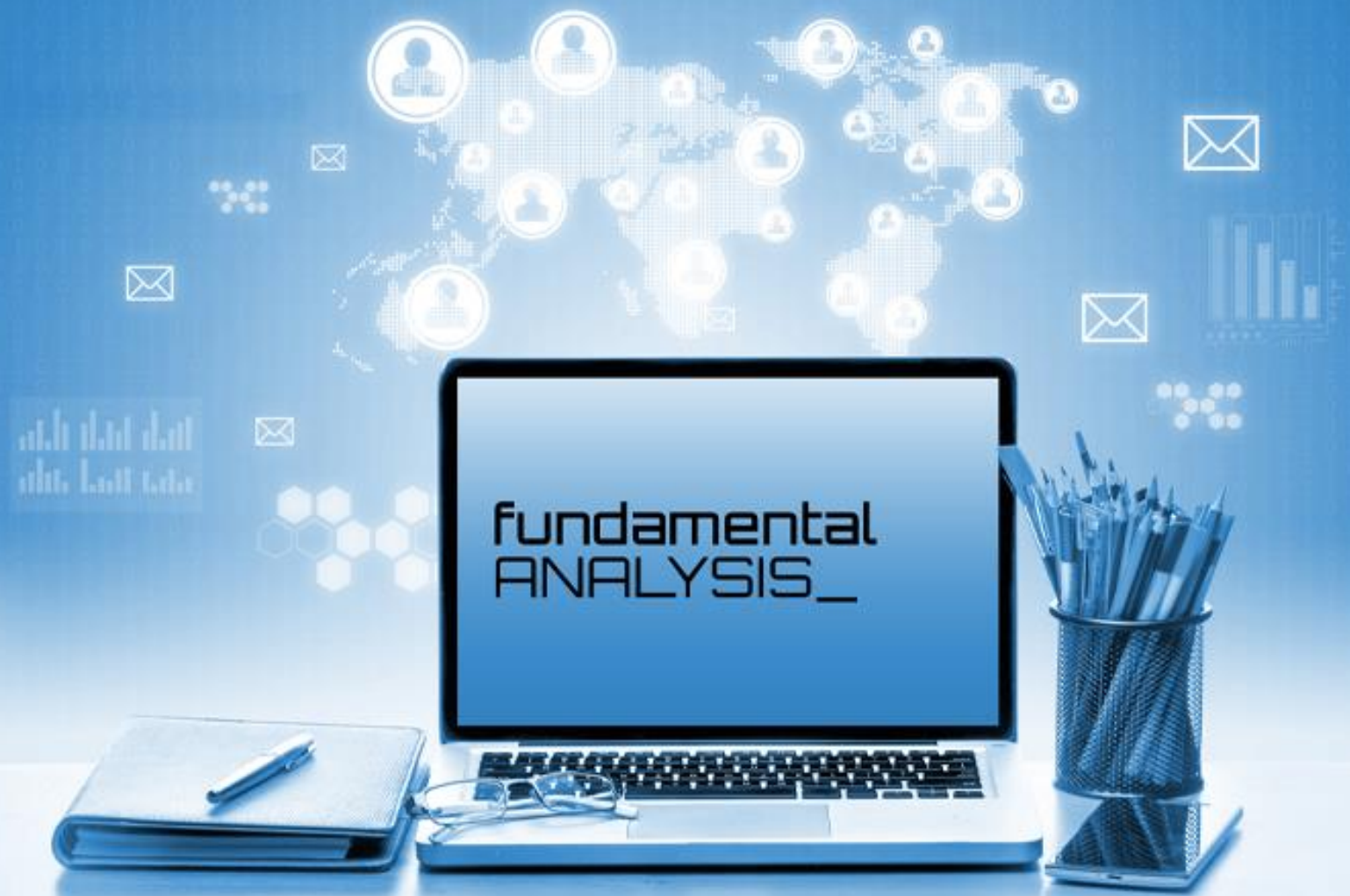


Initiating Coverage Bharat Bijlee Ltd. (Smallcap Value Pick)

December 24, 2021





Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Electrical Equipments	Rs 1816.5	Buy in the band of Rs 1812-1822 & add more on dips to Rs 1520-1530 band	Rs 2148	Rs 2344	4-6 quarters

HDFC Scrip Code	BHABIJEQNR
BSE Code	503960
NSE Code	BBL
Bloomberg	BIJL IN
CMP Dec 23, 2021	1816.5
Equity Capital (Rs cr)	0.57
Face Value (Rs)	10
Equity Share O/S (cr)	5.65
Market Cap (Rs cr)	1026.6
Book Value (Rs)	1720.4
Avg. 52 Wk Volumes	31600
52 Week High	2052.0
52 Week Low	811.2

Share holding Pattern % (Sep 2021)	
Promoters	33.5
Institutions	12.8
Non Institutions	53.7
Total	100.0



HDFCsec Retail research
stock rating meter

for details about the ratings, refer at the end of the report

* Refer at the end for explanation on Risk Ratings

Fundamental Research Analyst

Hemanshu Parmar

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Our Take:

Bharat Bijlee Limited (BBL) is one of the leaders in the electrical engineering industry in India. The company has two primary business segments: Power Systems (~40%) that comprise Transformers and Projects divisions; and Industrial Systems segment (~60%) comprising Electric Motors, Drives & Industrial Automation and Elevator Systems divisions. It caters to an array of industries such as power, refineries, steel, cement, railways, machinery, construction and textiles. It continues to be focused on growth; through expansion of its manufacturing range and capacities, related diversifications and foray into new markets through strategic partnerships.

Valuation & Recommendation:

Bharat Bijlee is a pioneer in electrical engineering in India, and one of the most trusted names in the industry. Visibility of higher spending in power transmission business could benefit BBL in terms of higher order flows and execution; which enjoys higher repeat orders. Strong unexecuted order book in motor business provides revenue visibility. The Magnet Technology Machines business continues to hold a strong position in the domestic market for gearless elevator machines, with ongoing inroads into export markets through its technology partner in Spain.

We like BBL for its status as one of the leading players in transformer segment and energy efficient motors business coupled with favourable liquidity position and capital structure. Favourable government schemes like Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) and Integrated Power Development Scheme (IPDS) coupled with likely capex revival in power and capital goods sector would augur well for the company. The company's balance sheet is healthy on the back of listed equity holdings with fair value of Rs 650cr (~65% of Mcap of the company) and corporate deposits (Rs 230cr as at March-end 2021). Recovery in capex cycle and raw material price pressures would be key monitorables. The company is a deep value buy as its core business is trading at cheap valuation; we value the core business at 10x/12x Sep'23E EPS for base/bull case target. We have considered equity holdings at 40% discount (mainly because of uncertainty of realization in terms of timelines), while corporate deposits are taken at 10% discount to our Sep'23E projected numbers. **We think the fair value of the stock is Rs 2148 (SOTP Value (see table below) ~16.6x Sep'23E EPS) and the bull case fair value is Rs 2344 (SOTP Value ~18.1x Sep'23E EPS) over the next 4-6 quarters. Investors can buy the stock in the band of Rs 1812-1822 (14x Sep'23E EPS) and add on dips to Rs 1520-1530 band (11.8x Sep'23E EPS).** Any move to monetize land asset could result in much higher targets for the stock as we have not considered it in our SOTP calculation.



Financial Summary:

Particulars (Rs cr)	Q2FY22	Q2FY21	YoY-%	Q1FY22	QoQ-%	FY20	FY21	FY22E	FY23E	FY24E
Total Operating Income	305.4	146.2	108.9	288.0	6.0	928.7	731.1	1,091.8	1,243.3	1,389.4
EBITDA	22.5	9.3	141.6	22.0	2.5	68.1	36.5	77.1	97.6	116.0
Depreciation	3.1	2.3	37.1	2.8	11.7	9.0	9.7	11.6	12.7	13.5
Other Income	5.7	6.3	-9.4	4.3	32.3	30.1	26.8	25.1	27.4	30.6
Interest Cost	5.7	3.9	46.8	5.4	5.9	20.3	17.0	21.2	24.2	25.7
Tax	5.0	3.4	47.5	4.4	13.1	23.3	10.6	17.5	22.2	27.0
PAT	14.4	6.1	137.9	13.7	5.2	45.6	26.1	51.9	65.8	80.3
EPS (Rs)	25.5	10.7	137.9	24.2	5.2	80.7	46.1	91.9	116.5	142.0
RoE-%						6.1	3.0	5.0	5.8	6.7
P/E (x)						22.5	39.4	19.8	15.6	12.8
EV/EBITDA						18.7	34.4	16.6	13.2	11.3

(Source: Company, HDFC sec)

Q2FY22 Result Review:

Bharat Bijlee Ltd reported strong topline of Rs 305.4cr (up 108.9%/6.0% YoY/QoQ) on the back of healthy growth in industrial products segment. Higher raw material prices impacted gross margins which came at 25.8% in Q2FY22 as against 26.9% in the previous quarter (32.6% in Q2FY21). The company reported EBITDA of Rs 22.5cr (up 141.6%/2.5% YoY/QoQ). EBITDA Margins for the quarter fell 25bps QoQ and stood at 7.4% (6.4% in Q2FY21). BBL reported PAT of Rs 14.4cr and PAT margin of 4.7% vs 4.1% in the corresponding quarter last year.

Both the segments reported decent growth during the quarter. Industrial products segment reported revenue to the tune of Rs 169.7cr (+71.8%/+23% YoY/QoQ), while Power Systems reported topline of Rs 135.6cr (+186.5%/-9.6% YoY/QoQ). Industrial products segment reported EBIT margins of 13.5% (down ~440bps/~80bps YoY/QoQ). Power systems recorded EBIT margin of 5.3% as against 6.9% in the previous quarter (-4.4% in Q2FY21).

Key Triggers:

Leading Manufacturer of Transformers:

Bharat Bijlee Ltd is one of the leading manufacturers of transformers in India. It specializes in manufacturing Power Transformers, Generator Transformers, Unit Auxiliary Transformers and Special Application Transformers. It offers upto 200MVA, 200kV, 3 phase transformers; catering to State Electricity Boards, Utilities, PSUs, Industries and overseas customers. Power Grid, NTPC, Tata Power,



Torrent Power are few clients that it catered in this segment. It is one of leaders in 220KV class transformers in India; with more than 170,000 MVA (mega volt-amp) of transformers installed. It enjoys high rates of repeat orders due to its design competence, manufacturing processes, testing facilities and quality assurance procedures. BBL maintains quick delivery time for customized transformers. The company has a well-established all-India marketing network that ensures responsive pre- and after-sales service.

Bharat Bijlee has a state-of-the-art plant with a production capacity of 15,000 MVA and a full-fledged testing laboratory which is NABL accredited. The company has recently enhanced its technical capabilities with completion of stringent safety norm certification issued by notified international bodies and the Central Power Research Institute for its motors and transformers, respectively. This would further strengthen its brand image and expand the scope of bidding avenues for the company in the near term. This along with high unexecuted order book due to supply chain challenges support decent topline growth for medium term. This division has in the past witnessed over-capacity and stagnant demand; thereby depressing prices and margins. However now with Chinese competition ebbing and shakeout among the domestic players, the balance players could enjoy a good run.

Projects - Start-to-end support and quality services:

Bharat Bijlee has been a key player in the country's power sector, providing turnkey solutions for EHV (extra-high voltage) switchyards, HV (high voltage) and MV (medium voltage) substations, Electrical Balance of Plant, Industrial Power Distribution and Illumination Systems. Their services encompasses design and engineering, supply of equipment and materials, installation, testing and commissioning. After commissioning, the company continues its partnership by providing technical assistance and imparting training to customers in the operation and maintenance of systems. The company works in close cooperation with consultants and clients in various inter-related activities such as analysing load and system requirements, formulating technical specifications and design parameters. Qualified engineers and managers with years of experience in the field of electrical project management work together seamlessly to execute projects within optimum time. BBL has commissioned over 150+ substations (90+ substations of 132KV). In the past the company has catered to the needs of various industries (cement, steel, paper, textiles). Although order booking in this segment is tepid among the industrial customers; the company is widening its scope to secure potential orders.

Electric Motors - Wide industry application and industry tailwinds:

Bharat Bijlee is one of the leading Electrical Motor manufacturers in India; started in 1958 in technical collaborations with Siemens. It offers a complete range of motors from 0.12kW to 1250kW that are used across industries and applications. It manufactures customized motors for special applications as well as MV motors upto 1000 kW. It serves customers across India through an extensive network of 100+ authorized service centres. It also customises motors designs & manufactures that suit application specific needs. The company has



been a pioneer in providing energy efficient standard motors and special electric motors for a range of industries. The motors are suited for all applications i.e. Pumps, compressors, fans & blowers, conveyors, lifts, screen, vibrators, centrifuges, stone crusher and many more. Expansion in medium voltage motors (developed in-house) and strong order book makes a case for decent revenue growth. However, margins for this segment have to be monitored due to raw material pressures.

Motors are the prime movers for machinery across all sectors of the economy; market growth in the long run tends to mirror GDP growth, with greenfield and brownfield expansions being the major demand drivers. As capacity utilization moves up in core infrastructure sectors there is optimism for higher growth. The ongoing upgradation of Minimum Efficiency Performance Standards (MEPS) by countries around the world will escalate demand for energy efficient motors. Motors are also increasingly becoming part of a digitalised and interconnected manufacturing ecosystem via the Industrial Internet of Things (IIoT). The company is working on all these areas and is likely to launch new products to meet its customer needs.

Magnet Technology Machines – Robust domestic and export demand:

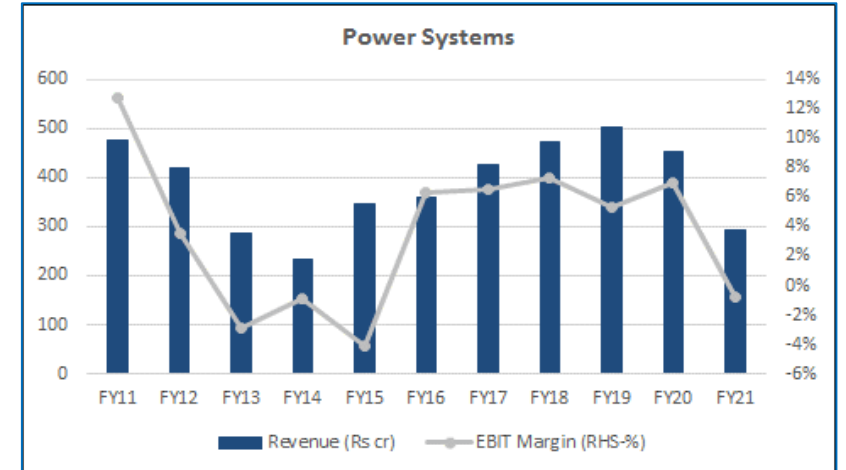
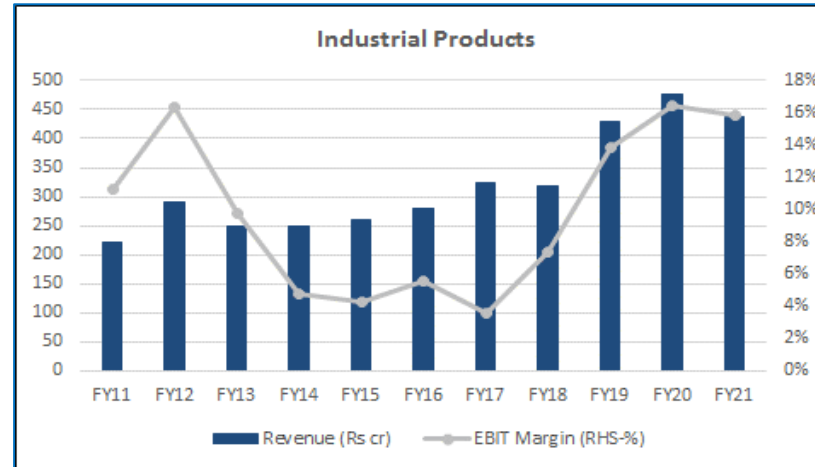
Bharat Bijlee is the first Indian manufacturer of Gearless Machines for Elevators. From 1973 upto 2004, Bharat Bijlee manufactured elevators under the brand name Olympus. In 2004, it divested the Elevator division. Later in 2007, the company made a comeback, leveraging its understanding of motors and automation business. The company became the first manufacturers of gearless Permanent Magnet Synchronous Motors (PMSM) for elevators in India. It is the OEM supplier to elevator companies in India and Europe. The company is domestic leader in Elevator Drive solutions, and exports Permanent Magnet Gearless Machines to Europe and South America via its partner Permagsa (Spain). Its GreenStar range of Permanent Magnet Gearless Machines are suitable for machine-room less applications and are relatively maintenance free; additional offering upto to 30% energy savings. The GreenStar range of PMSMs cater to every type of elevator requirement – from small home lifts to high capacity goods lifts that can carry upto 5000 kgs. SynchroTorq™ is another range of permanent magnet machines that are high-torque and used for direct drive applications. It has higher efficiency, provides significant power saving and has no oil spillage and cleaning issues. It has obtained CE marking for gearless machines and for the new range of SynchroTorq® AC synchronous Servo motors. In FY21, the division was able to execute all its export products. Given the robust demand, the management is evaluating the need to enhance its manufacturing capacity in the near term.

Drives and Automation – Focus on new customer acquisitions and application development:

Bharat Bijlee offers Variable Speed Drives, and Industrial Automation solutions. Variable speed AC Industrial Drives are offered in an exclusive partnership with Karl E Brinkmann (KEB) of Germany, a world-class manufacturer of AC Drives, Motion Controllers, Servo Drives and Industrial Automation solutions. KEB drives are designed for applications demanding the best performance in accuracy, speed and response time. Bharat Bijlee, provides a comprehensive range of KEB drives as standalone modules, or as integrated



engineering systems with automation up to 900kW (415V/ 690Volts). BBL offers KEB drives and industrial automation solutions for a variety of applications in industries such as Plastic, Textile, Machine Tools and others. This division managed to clock modest growth of 8% YoY in FY21. Management’s focus is on new customer acquisitions and new application development with an eye on widening its sectoral reach.



(Source: Company, HDFC sec)

Large equity investment - acts as a safety net:

Bharat Bijlee has liquid largecap stocks (Siemens, HDFC, HDFC Bank, ICICI Bank, etc) in its book which have fair value of over Rs 650cr (as of date of the report) (~65% of its total Mcap). Per share value of these holdings comes to ~Rs 1145. Apart from listed equity shares, it also holds corporate deposits (~Rs 230cr as at March-end FY21) and mutual funds which further improves its liquidity position. Healthy unencumbered cash balances and considerable liquid investments in the form of corporate deposits and presence of high market value, non-current investments in equities is a big positive.

Use of vacant land would add value:

The company's manufacturing facilities are located in Airoli, Navi Mumbai on a 193,000 square meters campus, with a working area of approximately 50,000 square meters. We believe that the company has vacant land that can be used to either increase existing capacities or perhaps put to use for product extensions. The management could even consider monetising the land which would further improve its balance sheet strength.



Revival in Capex:

India has lacked an investment cycle for the past ten years since peaking in FY2011, post recovery from the GFC. This is characterised by the absence of large-scale capex in sectors like power and metals. India's long awaited capex cycle is now showing initial signs of revival. Launch of \$41bn power reforms funding in the budget should also help kickstart power capex from FY23 after cleaning up discom balance sheets in FY22. Power demand might continue at 6-7% CAGR due to 3x increase in captive power capacity. The national infrastructure pipeline has outlay a capex of Rs 11,760 bn over FY20-25 towards the power sector, which would indirectly support companies like BBL.

Industry Insights:

The Global Transformer Market is estimated to reach US\$80.1 billion by 2025, growing at a CAGR of 6.7% from 2020 to 2025. The transformers are electrical machines designed to transfer electricity from one circuit to another with varying voltage level. Increase in current brings increase in voltage levels therefore transformers are designed to bring the required voltage level by setting or stepping the voltages as per the requirement.

The Indian Power & Distribution Transformers Market was valued at USD 2065.4 million in FY20 and is anticipated to grow at a CAGR of over 6.89% in the next six years. Factors such as increasing energy demands from the industries and expansion of transmission and distribution systems are likely going to drive the India transformer market. However, delay in the implementation of the projects due to lengthy government procedures is expected to restrain the India transformer market. Government schemes like Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) for strengthening and enhancement of sub-transmission distribution infrastructure in rural areas, involve an increased demand for distribution transformers in the future. Also, the Integrated Power Development Scheme (IPDS) for fulfilling the power demand of urban areas add to the demand for the transformers.

The Indian transformer industry, which had substantially added capacities over the past years in anticipation of domestic and overseas demand, had witnessed overcapacity. This has been compounded by stagnant demand due to slowdown in project approvals, lack of funds, and a slowdown in private investment in the manufacturing sector. UDAY (Ujwal DISCOM Assurance Yojana), a Scheme for the financial turnaround of power distribution companies (DISCOMs), was approved by the Government of India with the objective to improve operational and financial efficiency of State DISCOMs. Many DISCOMs have not been able to adhere to the reform paths envisaged under UDAY for a variety of reasons: tariffs not being reflective of costs; inadequate budgeting of subsidies; high aggregate technical and commercial (AT&C) losses etc. This has kept investment in the power sector muted.

India Electric Motors Market is projected to grow at a CAGR of 5.9% during 2020-2026; driven by the rising use of the product in the various industries. The market is propelled forward by the rising construction activities across the country. Moreover, trending



government focus towards adopting energy-efficient motors is aiding the market growth. India Electric Motors Market is driven by growing awareness towards energy conservation, surging acceptance of electric vehicles, and improving industrial infrastructure in the country. The market is further fueled by the growing HVAC industry, rapid urbanization, and stringent regulations toward power consumption. Electric motors are attributable to nearly 30% of the power consumption in the industries. Increasing innovations by manufacturers in electric motors are driving the growth of the market. The energy-efficient motor is the upcoming trend in the electric motors market. Electric motor market is highly fragmented in India with presence of a large number of players. The market is competitive due to the presence of un-organized players in the industry. The government of India plays a significant role in the expansion of this market, by introducing initiatives, such as Make in India, Smart City Mission, AMRUT, affordable housing, and others. This is expected to promote the electric motor market growth in India.

Concerns:

Subdued revenue growth & tepid margins in transformers segment: BBL's transformers business has not picked up in last 2-3 years. It reported contraction in sales as the sector suffers from overcapacity due to sluggish demand. Intense competition lead to lower realisations in the transformer business.

High Dependence on Power & Utility sector: BBL is performance is linked to investments in power/utility and capital goods sector. Such investments will remain critical for the company to ramp up its scale of operations in the medium term and, thereby, improve its profitability and return indicators.

Sluggish economic growth and slow Infrastructure Development: The domestic economy witnessed the sluggish economic growth and slower infrastructure development which resulted in lower electricity requirement at industrial levels which in turn become a concern for the players in capital goods and engineering sector; and their dependent companies like BBL.

Competition intensity: BBL faces competition from local (organized large and small players) and from imports. This could in tough times bring pricing and margin pressure like in the past few years.

Elongated receivable cycle: BBL's receivable days remain stretched (over 100 days) due to slow payments from state power distribution utilities. In FY21, the company's debtor days stretched to 133 days from 107 days in FY20.

Triggers for unlocking value may test patience of investors: The timing of sale of equity shares held by BBL and the vacant land monetization is uncertain and may take longer than most investors expect.

Poor Return ratios: Poor return ratios due to excess cash/investment and low PAT margin hurts the financial wellbeing of the company.



Limited data about the company: Limited data/insights about the segments and businesses is available in public forum and hence the actual results can deviate from projections.

About the company:

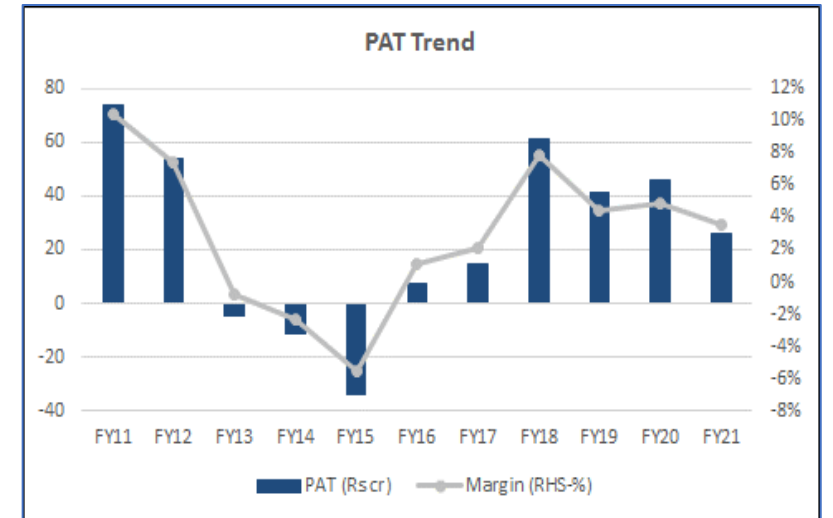
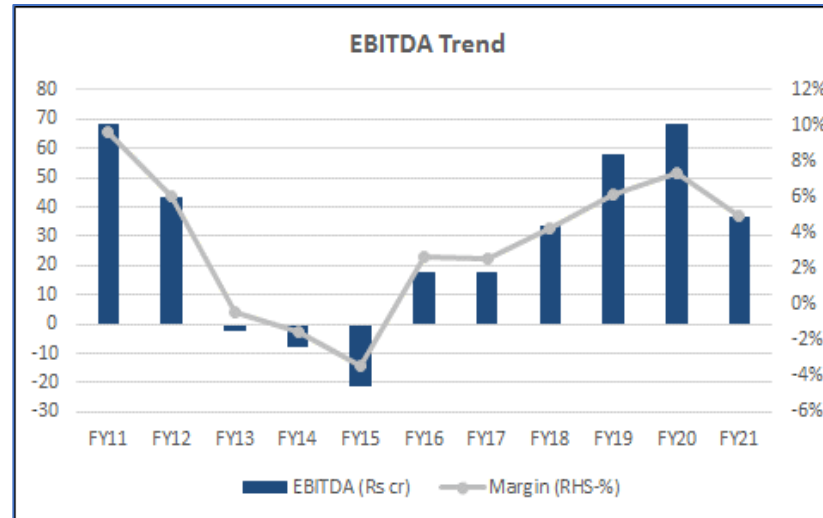
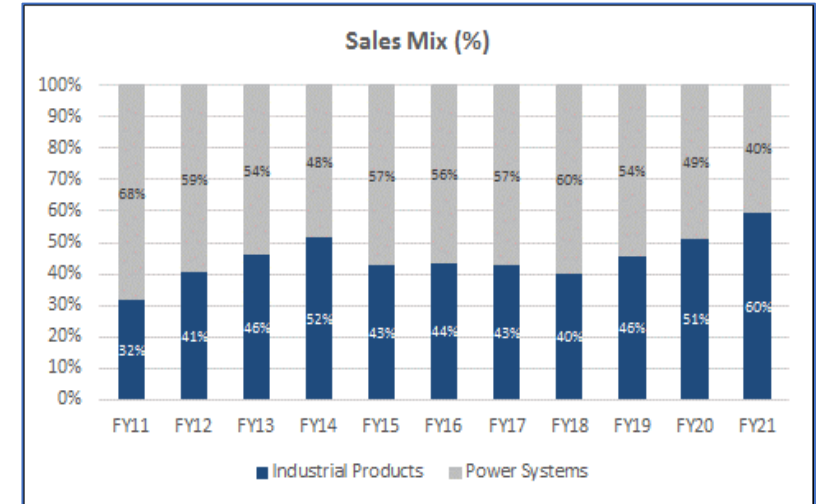
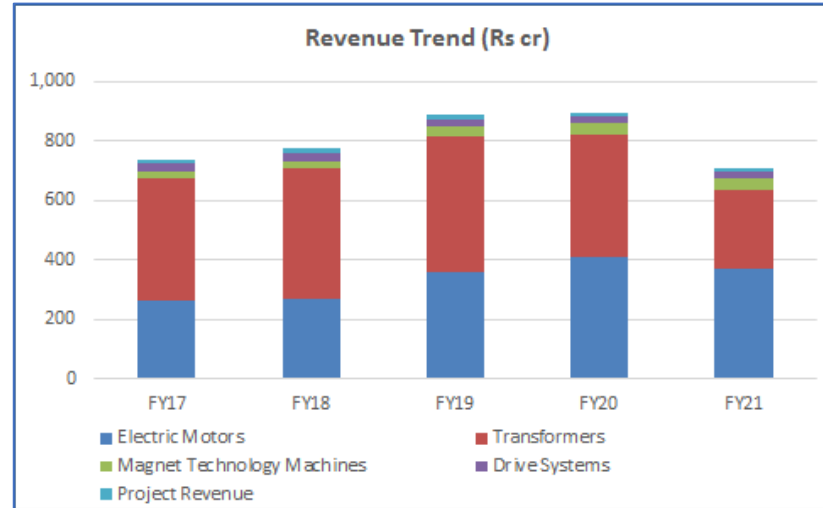
Bharat Bijlee Limited (BBL) is one of the leaders in the electrical engineering industry in India. A multi-product, multi-divisional organisation, its main products are transformers, electric motors, magnet technology machines and drives & automation system. The company also undertakes turnkey projects (switchyards) and is well positioned to provide complete 'concept to commissioning' services. It caters to an array of industries such as power, refineries, steel, cement, railways, machinery, construction and textiles.

Bharat Bijlee is a pioneer in electrical engineering in India, and one of the most trusted names in the industry. The company has two primary business segments: Power Systems (~60%) that comprise Transformers and Projects divisions; and Industrial Systems segment (~40%) comprising Electric Motors, Drives & Industrial Automation and Elevator Systems divisions. The company's manufacturing facilities are located in Airoli, Navi Mumbai on a 193,000 square meters campus, with a working area of approximately 50,000 square meters. It has state-of-the-art plants for its Power Transformer and Electric Motors Bharat Bijlee's factory that are certified for ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007. It has an extensive sales and service network across India for its Power Transformers, Electric Motors, Elevator Systems and Drives & Industrial Automation divisions; serving international markets as well.

Business Mix:

Power Systems (40.2% of FY21 revenue) - This segment comprises of Power Transformers upto 200 MVA, 220 KV voltage class and EPC projects for electrical substations upto 400 KV. Product range for transformer includes sub-station transformers, generator transformers, unit auxiliary transformer & single phase traction transformers. The power systems segment consists of the design, commissioning and marketing of power transformers, and engineering, procurement and construction (EPC) projects for electrical substations, including delivery, rectification, commissioning, and servicing of transformers and marketing of maintenance products. The projects division focuses on the design, engineering supply, installation, testing and commissioning of turnkey projects for power system study, illumination systems, and testing and commissioning.

Industrial Systems (59.8% of FY21 revenue) - The Industrial Systems segment consists of the development, marketing and manufacture of a range of standard and customized electric motors, and magnet technology machines and the engineering and supply of alternating current (AC) variable-speed drives and drive systems.



(Source: Company, HDFC sec)



Segmental Performance:

Industrial Products	FY18	FY19	FY20	FY21	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Revenue	318.78	428.98	475.22	437.5	34.62	98.81	145.23	158.84	138.04	169.74
EBIT	23.6	59.38	78.32	69.42	-2.89	17.7	27.09	27.52	19.73	22.92
EBIT Margin (%)	7.4%	13.8%	16.5%	15.9%	-8.3%	17.9%	18.7%	17.3%	14.3%	13.5%

Power Systems	FY18	FY19	FY20	FY21	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Revenue	471.03	503.34	453.51	293.55	37.88	47.34	77.07	131.26	149.98	135.63
EBIT	34.33	27.03	31.52	-2.41	-4.02	-2.1	4.06	-0.35	10.34	7.16
EBIT Margin (%)	7.3%	5.4%	7.0%	-0.8%	-10.6%	-4.4%	5.3%	-0.3%	6.9%	5.3%

SOTP Calculation:

Particulars	Base case	Bull case
EPS (core) (Sep'23E EPS)	97.94	97.94
P/E Multiple	10	12
Core value per share	979	1,175
Equity Holdings per share (@40% discount)	648	648
Cash & Cash Equivalents per share	61	61
Corporate Deposits per share (@10% discount)	459	459
Value per Equity Share	2,148	2,344

Peer Comparison:

	Mcap (Rs cr)	Sales				EBITDA Margin-%				PAT			
		FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E
Bharat Bijlee	1,027	731.1	1,091.8	1,243.3	1,389.4	5.0	7.1	7.9	8.4	26.1	51.9	65.8	80.3
Voltamp Transformers	1,941	692.3	912.9	1,092.5	-	11.1	9.6	11.4	-	112.2	90.8	120.8	-

	RoE-%				P/E			
	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E
Bharat Bijlee	3.0	5.0	5.8	6.7	39.1	19.6	15.5	12.7
Voltamp Transformers	14.2	10.5	12.9	-	17.4	21.5	16.1	-

(Source: Bloomberg, Company, HDFC sec)



Financials

Income Statement

(Rs Cr)	FY20	FY21	FY22E	FY23E	FY24E
Net Revenues	928.7	731.1	1091.8	1243.3	1389.4
Growth (%)	-0.4	-21.3	49.3	13.9	11.8
Operating Expenses	860.7	694.5	1014.7	1145.7	1273.4
EBITDA	68.1	36.5	77.1	97.6	116.0
Growth (%)	18.1	-46.3	111.0	26.6	18.9
EBITDA Margin (%)	7.3	5.0	7.1	7.9	8.4
Depreciation	9.0	9.7	11.6	12.7	13.5
EBIT	59.1	26.8	65.5	84.9	102.5
Other Income	30.1	26.8	25.1	27.4	30.6
Interest expenses	20.3	17.0	21.2	24.2	25.7
PBT	68.9	36.7	69.4	88.0	107.3
Tax	23.3	10.6	17.5	22.2	27.0
PAT	45.6	26.1	51.9	65.8	80.3
Growth (%)	9.8	-42.9	99.3	26.8	21.9
EPS	80.7	46.1	91.9	116.5	142.0

Balance Sheet

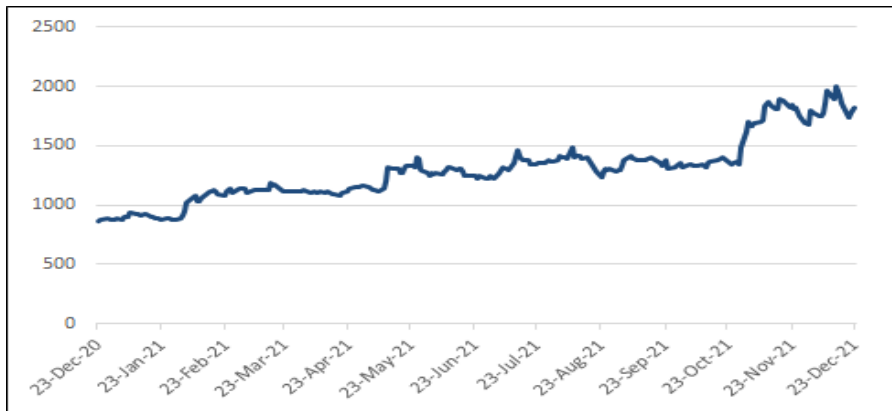
As at March	FY20	FY21	FY22E	FY23E	FY24E
SOURCE OF FUNDS					
Share Capital	5.7	5.7	5.7	5.7	5.7
Reserves	749.9	966.6	1091.6	1151.8	1225.0
Shareholders' Funds	755.5	972.3	1097.2	1157.4	1230.6
Long Term Debt	0.1	7.0	7.8	9.8	9.8
Net Deferred Taxes	0.5	20.2	28.2	28.2	28.2
Long Term Provisions & Others	1.2	1.2	1.4	1.6	1.8
Total Source of Funds	757.3	1000.6	1134.6	1197.0	1270.4
APPLICATION OF FUNDS					
Net Block & Goodwill	73.6	102.3	113.6	120.9	127.4
CWIP	23.9	2.9	0.0	0.0	0.0
Other Non-Current Assets	376.1	574.0	664.2	672.3	678.8
Total Non Current Assets	473.6	679.2	777.8	793.2	806.2
Current Investments	27.0	28.5	28.5	28.5	28.5
Inventories	196.4	257.2	263.2	272.5	293.1
Trade Receivables	292.5	240.9	305.1	347.4	399.7
Cash & Equivalents	4.3	15.5	34.9	46.8	22.3
Other Current Assets	246.5	254.7	284.2	299.7	335.0
Total Current Assets	766.6	796.8	915.9	995.0	1078.6
Short-Term Borrowings	247.9	238.8	276.4	296.4	296.4
Trade Payables	165.5	179.7	209.4	218.0	243.6
Other Current Liab & Provisions	69.5	57.0	73.4	76.8	74.4
Total Current Liabilities	482.9	475.4	559.2	591.2	614.4
Net Current Assets	283.7	321.4	356.8	403.8	464.2
Total Application of Funds	757.3	1000.6	1134.6	1197.0	1270.4



Cash Flow Statement

(Rs Cr)	FY20	FY21	FY22E	FY23E	FY24E
Reported PBT	68.9	36.7	69.4	88.0	107.3
Non-operating & EO items	-4.2	-3.8	-3.6	-8.0	-6.5
Interest Expenses	-1.4	-1.0	21.2	24.2	25.7
Depreciation	9.0	9.7	11.6	12.7	13.5
Working Capital Change	-46.6	3.3	-53.3	-55.0	-84.7
Tax Paid	-13.2	-6.0	-17.5	-22.2	-27.0
OPERATING CASH FLOW (a)	12.5	38.8	27.8	39.7	28.3
Capex	-27.6	-17.3	-20.0	-20.0	-20.0
Free Cash Flow	-15.1	21.5	7.8	19.7	8.3
Investments	0.0	0.0	0.0	0.0	0.0
Non-operating income	5.5	4.7	0.0	0.0	0.0
INVESTING CASH FLOW (b)	-22.1	-12.6	-20.0	-20.0	-20.0
Debt Issuance / (Repaid)	46.7	-2.3	38.5	22.0	0.0
Interest Expenses	-19.5	-17.9	-21.2	-24.2	-25.7
FCFE	12.1	1.4	25.1	17.5	-17.4
Share Capital Issuance/ (Buy Back)	0.0	0.0	0.0	0.0	0.0
Dividend	-17.1	0.0	-5.7	-5.7	-7.1
Others	0.0	0.1	0.0	0.0	0.0
FINANCING CASH FLOW (c)	10.2	-20.1	11.6	-7.9	-32.8
NET CASH FLOW (a+b+c)	0.5	6.2	19.4	11.9	-24.5

One Year Price Chart



(Source: Company, HDFC sec)

Key Ratios

Particulars	FY20	FY21	FY22E	FY23E	FY24E
PROFITABILITY RATIOS (%)					
EBITDA Margin	7.3	5.0	7.1	7.9	8.4
EBIT Margin	9.6	7.3	8.3	9.0	9.6
APAT Margin	4.9	3.6	4.8	5.3	5.8
RoE	6.1	3.0	5.0	5.8	6.7
RoCE	9.1	4.8	7.0	7.9	8.9
Solvency Ratio (x)					
Debt/EBITDA	3.6	6.7	3.7	3.1	2.6
D/E	0.3	0.3	0.3	0.3	0.2
PER SHARE DATA (Rs)					
EPS	80.7	46.1	91.9	116.5	142.0
CEPS	96.6	63.2	112.4	139.0	166.0
Dividend	12.5	5.0	10.0	10.0	12.5
BVPS	1336.8	1720.4	1941.4	2047.9	2177.5
Turnover Ratios (days)					
Debtor days	108	133	91	96	98
Inventory days	68	113	87	79	74
Creditors days	62	86	65	63	61
VALUATION					
P/E (x)	22.5	39.4	19.8	15.6	12.8
P/BV (x)	1.4	1.1	0.9	0.9	0.8
EV/EBITDA (x)	18.7	34.4	16.6	13.2	11.3
EV/Revenues (x)	1.4	1.7	1.2	1.0	0.9
Dividend Yield (%)	0.7	0.3	0.6	0.6	0.7
Dividend Payout (%)	15.5	10.8	10.9	8.6	8.8

(Source: Company, HDFC sec)



HDFC Sec Retail 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. This 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.

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