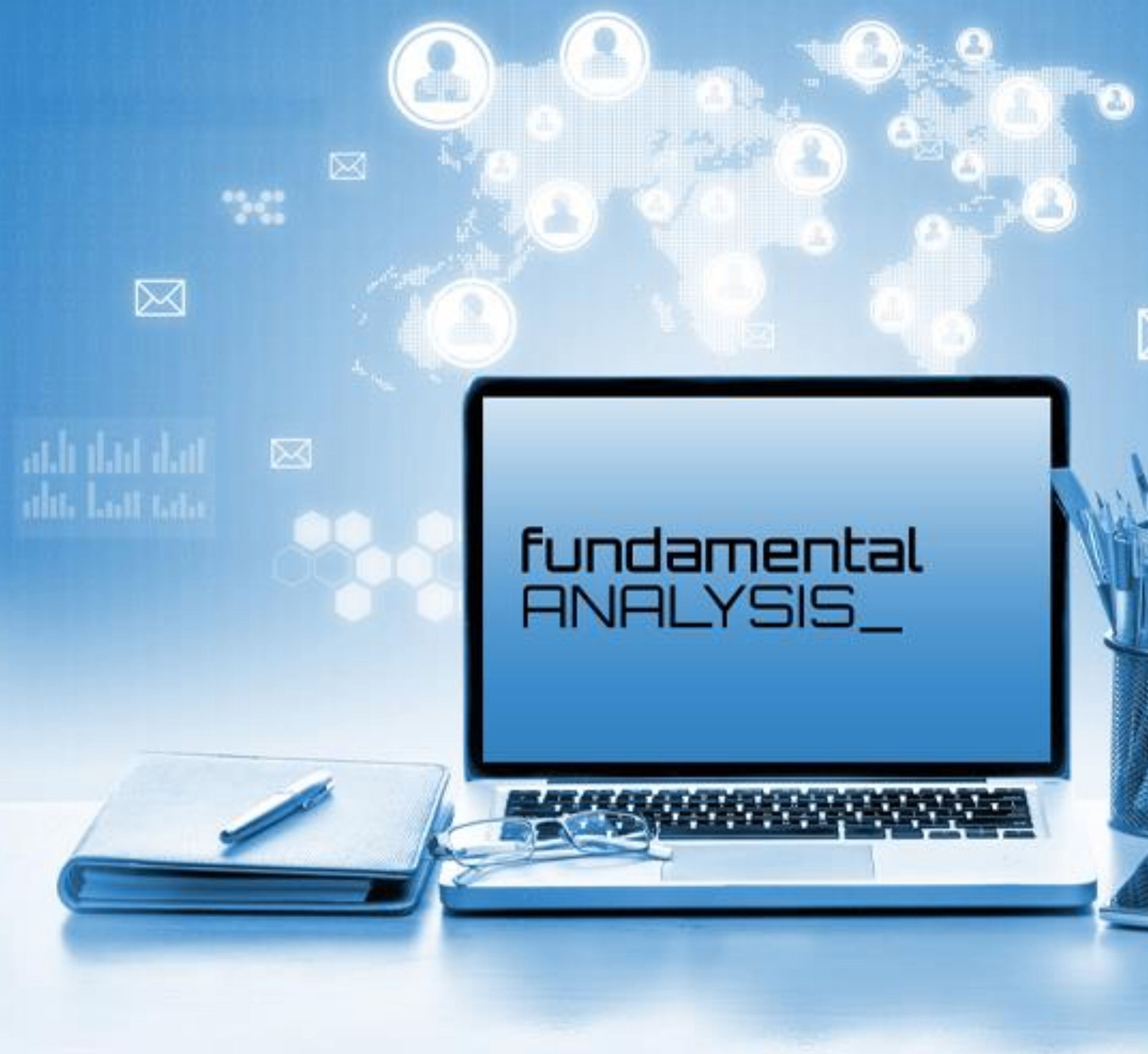
Stock Update

Engineers India Ltd.

July 24, 2023



RETAILRESEARCH

Engineers India Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Consultancy Services-Industrial	Rs 135	Buy in the band of Rs 133-137 & add more on dips to Rs 118-120 band	Rs 149.5	Rs 160	2-3 quarters

HDFC Scrip Code	ENGINDEQNR
BSE Code	532178
NSE Code	ENGINERSIN
Bloomberg	ENGR IN
CMP Jul 21, 2023	135.0
Equity Capital (Rs cr)	281.0
Face Value (Rs)	5
Equity Share O/S (cr)	56.2
Market Cap (Rs cr)	7,588
Book Value (Rs)	34.9
Avg. 52 Wk Volumes	4707612
52 Week High	136.8
52 Week Low	62.4

Share holding Pattern % (June 2023)	
Promoters	51.3
Institutions	26.2
Non Institutions	22.5
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

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Our Take:

Engineers India Ltd (EIL) is a leading global engineering consultancy and EPC company providing services mainly to Hydrocarbons and Petrochemicals sector. The company has strong track record across entire oil & gas value chain – offshore platforms, oil & gas processing, oil refining, petrochemicals and pipeline projects - with experience of landmark/ complex projects. The company is the preferred partner of all major oil & gas PSUs. EIL has established an outstanding track record in design, engineering and execution of cross-country pipelines for transportation of crude oil, refined petroleum products, natural gas and LPG.

Order pipeline in hydrocarbons continue to remain strong and the company continues to participate in turnkey projects. Oil & Gas remains EIL's core end market even though the company is eyeing diversification into non-hydrocarbon areas. It expects a lot of tendering activities in refineries and petrochemical in the next four-five years. EIL is currently working on feasibility projects across multiple hydrocarbon fuels, pipeline and renewable fuels such as hydrogen, ethanol and other biofuels. The company has also initiated business development activities in sectors like Bio Fuels, SMART Cities, LNG Terminals, Ports and Harbours, Defence etc., as part of possible diversification initiatives aligning with Government of India initiatives. Engineers India has maintained a healthy order book over the years providing revenue visibility. Its order book as of Mar'23 stood at Rs 7695cr (2.3x TTM revenue) providing robust revenue visibility over next couple of years. Including go-ahead letters, its order book stood at Rs 9,079cr. Going forward, the management maintained order inflow guidance at ~Rs 4000-5000cr over the next 2-3 years.

We had issued stock note report on Engineers India dated Dec 19, 2022; both the targets were achieved within our investment horizon. On account of healthy order book and pipeline coupled with strong focus on new verticals, we believe there is scope for re-rating.

Valuation & Recommendation:

We believe Engineers India is on a strong footing on the back of strong track record in consultancy of complex and high-value projects, capex in hydrocarbon sector and foray into newer segment coupled with strong clientele base. Company's asset-light business model, zero debt and strong profitability enables it to maintain healthy dividend payout ratio. Increasing interest in green hydrogen gives the company an opportunity to be a part of high growth segment. Although some orders inflows have delayed, its long-term prospects from refinery capacity expansion and foray into newer segments (coal gasification and green hydrogen) looks strong.

Large order book, pick-up in oil demand in both international and domestic areas, coupled with diversification into non-hydrocarbon, bodes well for the company. Moreover, healthy order book, lean balance sheet, robust project pipeline and strong growth visibility augurs well for the long run. We expect revenue/EBITDA/PAT to grow at CAGR of 13.6%/21.2%/15% over FY23-25E. **We think the base case fair value of the stock is Rs 149.5 (17.5x FY25E core EPS + FY25E cash) and the bull case fair value is Rs 160 (19x FY25E core EPS + FY25E cash) over the next two-three quarters. Investors can buy the stock in the band of Rs 133-137 and add more on dips to Rs 118-120 band (13x FY25E core EPS + FY25E cash). At CMP, the stock trades at 15.3x FY25E core EPS + FY25E cash.**

Financial Summary

Particulars (Rs cr)	Q4FY23	Q4FY22	YoY-%	Q3FY23	QoQ-%	FY21	FY22	FY23P	FY24E	FY25E
Total Operating Income	880.1	817.8	7.6	842.2	4.5	3,144.2	2,912.8	3,330.1	3,833.3	4,297.9
EBITDA	166.9	109.5	52.4	49.7	235.6	349.9	344.1	308.4	399.6	453.3
PAT	190.2	79.1	140.4	16.1	1079.0	248.9	139.5	346.3	398.3	458.3
Adjusted PAT	190.2	79.1	140.4	16.1	1079.0	248.9	139.5	346.3	398.3	458.3
Diluted EPS (Rs)	3.4	1.4	140.4	0.3	1079.0	4.4	2.5	6.2	7.1	8.2
RoE-%						12.0	7.9	18.6	19.3	20.1
P/E (x)						30.5	54.4	21.9	19.0	16.6
EV/EBITDA (x)						17.9	18.0	21.1	15.1	12.8

(Source: Company, HDFC sec)

Q4FY23 Result Review

Engineers India Ltd reported upbeat revenue growth of 7.6% YoY to Rs 880.1cr on the back of healthy growth 16% YoY growth in Turnkey project segment, while consulting & engineering segment posted de-growth of 1.4% YoY. The company posted EBITDA of Rs 166.9cr (+52.4%/235.6% YoY/QoQ). EBITDA margin expanded 558bps YoY and stood at 19% (vs 5.9% in Q3FY23). There was a certain reversal of provisions of Rs 78.8cr in relation to write-back of contractual obligation for execution of major projects. EIL reported adjusted PAT of Rs 190.2cr (up 140.4% YoY).

Consultancy segment posted revenue of Rs 385.4cr (-1.4%/6.5% YoY/QoQ). EBIT margin for this segment came in at 49.3% vs 32% in Q4FY23. Write-back of contractual obligation of Rs 78.8cr towards settlement with client in consultancy segment lifted margin of the segment. Current provisions stand at Rs 500cr for projects to be executed over the next few years. Turkey project segment reported healthy performance; posting topline of Rs 494.7cr (+15.9%/+3% YoY/QoQ). EBIT margin of turkey project segment improved ~180bps/220bps YoY/QoQ to 4.1%. Management continues to guide for a margin range of 3-4% / 27-29% for turnkey / consultancy segments on full-year basis.

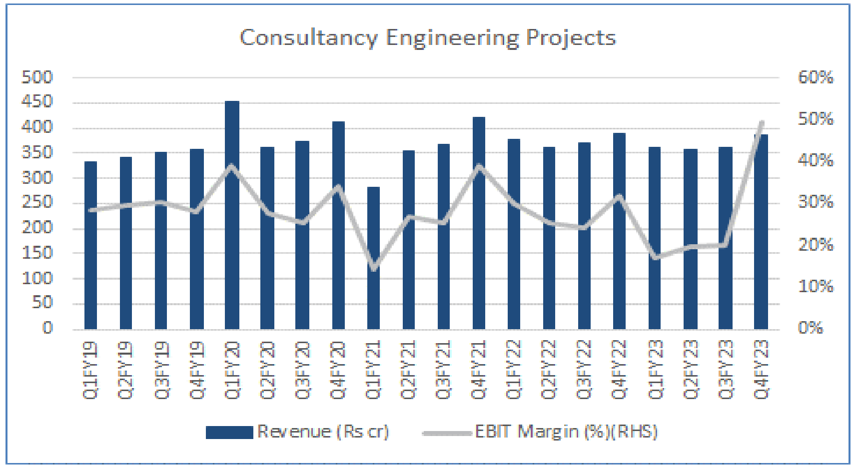
EIL secured over Rs 3800cr orders during the quarter, because of a large Turnkey order win. The company's order book stands at Rs 7694.6cr as at March'23; 2.3x TTM revenue providing revenue visibility for next few quarters. Considering the go-ahead letters secured by the company; its order book stands at Rs 9,079cr. Consultancy business accounts for 63% of the total order book while turnkey contributes to the remaining 37%. Domestic consultancy contributes 83% of the total consultancy order book. During Q4FY23, the company secured change order of Rs 2944cr for execution of Execution of Residual Utilities and Offsites for HPCL Rajasthan Refinery Ltd. (HRRL). It received another change order of BS VI Auto Fuels Projects at Chennai Petroleum worth Rs 259.6cr. The company received overseas consultancy order from Guyana Power and Gas Inc., Ministry of worth Rs 180cr and from Stanch Fertilizer FZE for Consultancy EPCM Services for Green field 4000 TPD Urea and 2300 TPD Ammonia Complex in Nigeria valuing Rs 320cr.

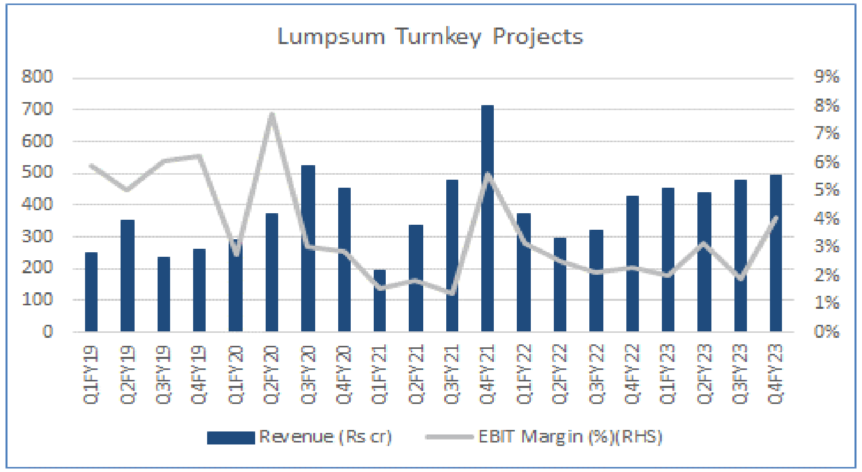
Concall Highlights:

- Order inflows: Order inflows increased significantly from Rs 1687cr in FY22 to Rs 4708cr in FY23. The company has additional received Go-ahead letters of Rs. 1592cr till Mar'23.
- Guidance: The management has guided for double digit revenue growth in FY24 and targets to maintain Consultancy EBIT margin of 27% and Turnkey margins of ~3-4% for FY24. EIL targets to maintain order inflow momentum at same level as FY23; Rs 4000-5000cr. It expects 50/50 mix in terms of order inflows between Consultancy and Turnkey segments.
- Hydrocarbon business will still remain in focus: Hydrocarbon business is expected to be the majority of the business at least for the next 5 years, as these are high value orders compared to green projects. Large green projects will take some time to materialize. EIL will continue to focus on Oil & Gas sector, with increasing opportunity from petrochemical projects. Tender pipeline includes IOCL - Petrochemical facility in Gujarat, BORL - Refinery expansion, private players order for crude to chemical projects etc. Much of the growth is expected to come from the oil and gas sector.
- Cementing presence in New sectors: EIL is exploring opportunities in emerging sectors such as green energy, bioethanol, coal gasification, green hydrogen, etc. The company is getting into electrolyzers – setting up hydrogen plants in the refineries for conversion from the brown hydrogen to green hydrogen. It is also working into the green ammonia segment. In biofuels, the company is executing first bamboo-based refinery.
- Defence: The company is trying to enter the defence sector through modernization of some ordnance factories.
- Focus on International: The company is focused on increasing its focus on export market by strengthening its presence in Middle East (Abu Dhabi) with increasing manpower to target more projects. It is targeting more projects and newer international geographies such as South America and Africa; where it recently secured orders. It secured US$ 22.14 mn for supervision of Guyana integrated NGL plant in the Guyana, South America. A EPCM job of USD 39.04 million for the greenfield 400 TPD urea and 2300 TPD ammonia complex in Nigeria.

- Status on Ramagundam Fertilizer project: RFCL (26% stake) is operating at full capacity during Q4FY23 and showed improved performance reporting Rs 4500cr revenue and PAT (provisional) of Rs 8cr. RFCL facility, which was under a planned shutdown over the last couple of quarters, led to a loss of ~Rs10cr and Rs 34.5cr during Q2FY23 and Q3FY23 respectively. Going forward, the company expects it to generate more profits.
- Dividend received from Numaligarh Refinery: During FY23, the company has received dividend of Rs 55cr from Numaligarh Refinery Ltd. (NRL) (100% subsidiary). EIL received total dividend of Rs 62.4cr in FY23 vs Rs 41.8cr in FY22. The company has invested Rs 700cr in the refinery which is valued at Rs 766cr.
- Reversal of Provisions: The company creates provisions for contractual obligation and reverses the same when the job is over and there is no liability arising for the job order executed. As at Mar’23, the provision stood at Rs 500cr and the management expects reversal of this over a period of time with projects completion.
- Trade receivables: Trade receivables have reduced considerably in FY23. Debtors stood at Rs 353cr vs Rs 371cr in Mar’22. Debtor days for FY23 was 39 days (lowest in the last 10 years) vs 47 days in FY22.

Quarterly Performance:





(Source: Company, HDFC sec)

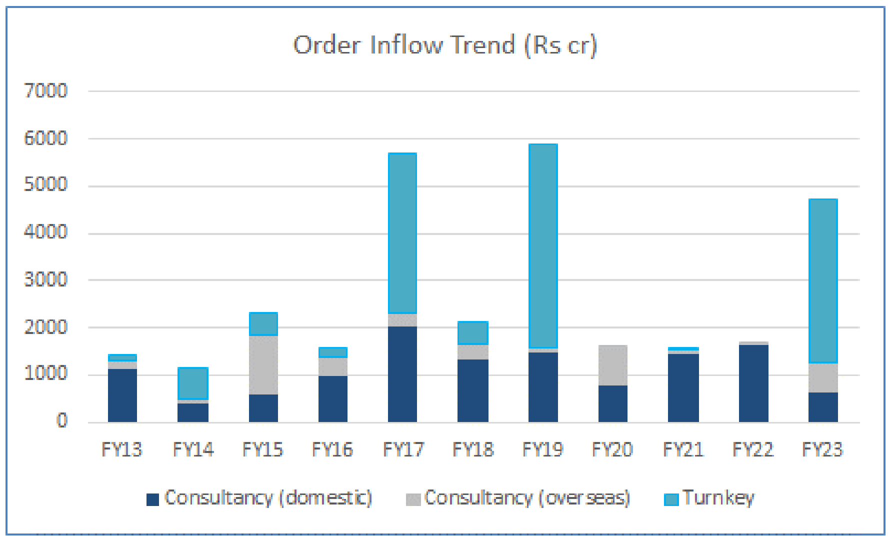
Triggers:

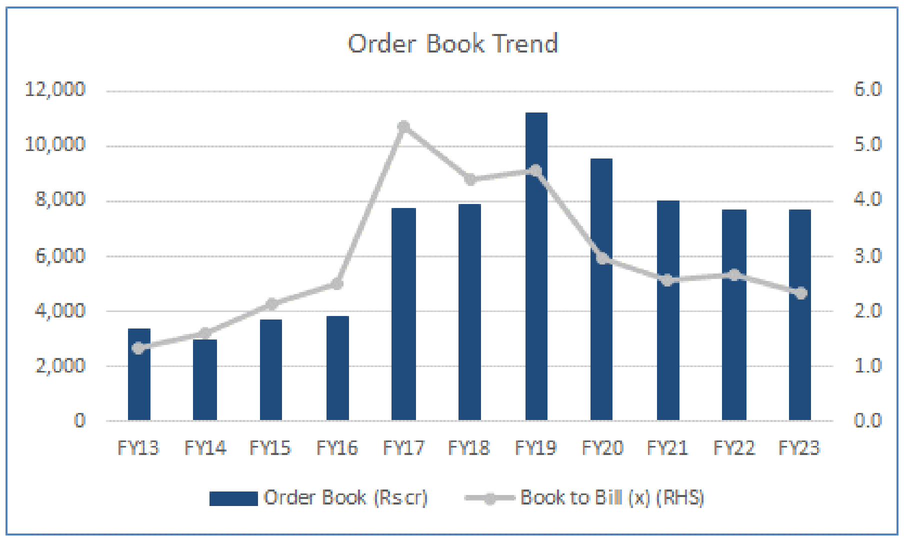
Strong Order Book & order pipeline:

Engineers India has maintained a healthy order book over the years providing revenue visibility. Although its order book declined during FY20-22 due to lower orders secured in turnkey projects; the management secured order wins of Rs 4,708cr in FY23 taking the order book to Rs 7,694.6cr (2.3x TTM revenue) providing robust revenue visibility in next couple of years. Including go-ahead letters, its order book stood at Rs 9,079cr. Going forward, the management maintained order inflow guidance at ~Rs 4000-5000cr over the next 2-3 years.

The company expects strong demand in the refinery and petrochemicals; which would continue to dominate orders in the next 4-5 years. The Oil & Gas industry will play a critical role in fuelling the energy demand for the growing economy and will account for more than 35% of India's primary energy consumption till 2030. Overall, Indian Oil & Gas sector can benefit from key reforms and initiatives, whether it be fiscal, infrastructural or supply enablement. India is likely to attract investments of around $250 bn in Oil and Gas this decade out of which $58 bn expected in E&P, $60 bn in Natural Gas infrastructure and around $130 bn in Refining and Petrochemical infrastructure. Several projects in these segments are lined up such as IOCL- Petrochemical facility in Gujarat, BORL- Refinery expansion, Private sector – Crude to Chemicals, Polymer projects among others.

EIL has been focusing on new verticals like Hydrogen, Biofuel etc. and is strengthening its exports market presence in Middle East, Africa and South America. The company is also working on coal gasification, ethanol projects, data centre projects. In the Bio Fuel Sector, EIL has bagged the prestigious and one of its kind Assam Bio Refinery Project, being executed at Numaligarh with bamboo as a feedstock. In green hydrogen space, company is working on various feasibility studies to understand the ecosystem of hydrogen across distribution network, balance of plants, green ammonia and green urea.





(Source: Company, HDFC sec)

Key player in Hydrocarbon segment; supported by strong industry tailwinds:

Engineers India has unmatched track record of providing services to major petrochemical complexes. EIL has helped in setting up 20 out of 23 refineries in India including 10 greenfield refineries. EIL has been involved in the establishment of 10 of the 11 mega petrochemical complexes in India. EIL has secured many repeat businesses from clients and is the preferred partner of all major Oil & Gas PSUs like BPCL, ONGC, IOC, HPCL, MRPL. It also offers complete solutions to hydrocarbon sector with expertise in design, engineering and project implementation. The company has been involved in the establishment of 10 of the 11 mega petrochemical complexes in India. EIL has established an outstanding track record in design, engineering and execution of cross-country pipelines for transportation of crude oil, refined petroleum products, natural gas and LPG. It has impressive track record of implementing pipeline projects. It has supported implementation of 50 pipeline projects for transportation of crude oil, petroleum products (single as well as multiproduct), gases, LPG, two phase fluids and slurries. EIL has wide capabilities for providing a full range of services for offshore projects such as process and gas compression platforms, well head platforms, water injection platforms, trunk & submarine pipelines etc. EIL has worked extensively with ONGC in developing offshore oil and gas projects in Mumbai High and other offshore fields. It has also developed experience and engineering capabilities for all facets of onshore oil & gas processing projects

Order pipeline in hydrocarbons continue to remain strong and the company continues to participate in turnkey projects. Oil & Gas remains EIL's core end market even though the company is eyeing diversification into non-hydrocarbon areas. It expects a lot of tendering activities in refineries and petrochemical in the next four-five years. It has signed a MoA with Oil India to carry out niche technological studies and feasibility reports for the Upstream, Midstream and the Downstream value chain including HSE aspects pertaining to statutory and regulatory compliances. The company recently bagged order from ONGC for replacement, regeneration of Gas compressors having total order book of Rs 472cr. Tender pipeline includes IOCL - Petrochemical facility in Gujarat, BORL - Refinery expansion, private players order for crude to chemical projects among others. India's energy demand remains robust and is projected to increase two-fold by 2035.

Expanding Horizons – healthy progress in other sectors:

Leveraging its engineering consultancy, EPC capabilities and successful track record, EIL has successfully diversified into high potential sectors - infrastructure, water & waste management, solar & nuclear power and fertilizer. The company has also initiated business development activities in sectors like Bio Fuels, SMART Cities, LNG Terminals, Ports and Harbours, Defence etc., as part of possible diversification initiatives aligning with Government of India initiatives. The company is working on multiple new opportunities in green energy - Green hydrogen, coal to methanol, emission control technology for steel majors and; emission control technologies to help oil & gas companies achieve their net zero targets.

Currently around ~85% of consultancy order book is towards hydrocarbon segment. Going forward, Oil & Gas would continue to be core of its operations; diversification in other sectors would reduce cyclicality associated to its revenues. The company targets 20-25% revenue would come from sectors such as coal gasification, waste to ethanol for steel, green hydrogen, data centres, airports, etc. EIL was recently awarded an assignment from Ministry of Housing and Urban Affairs (MoHUA) for advisory services to setup large scale Bio-Methanation and Waste to Energy projects in many cities. EIL has been entrusted EPCM Services Contract for setting up Gas Based Greenfield 4000 TPD Urea and 2300 TPD Ammonia Complex. The company has done works for various institutional buildings and data centre projects on EPC basis. It entered into defence space where it has bid for a modernisation project for Ordnance Factory Board.

Engineers India has been proactive in exploring opportunities in emerging sectors such as green energy, bioethanol, coal gasification, steel emission control, green hydrogen, etc. The company has realigned its vision statement steering its operations focused towards Sustainability, Climate Change and Energy Transition. The new vision statement – "To be a Global Leader offering Total Energy Solutions for a Sustainable Future". The company is working on various coal gasification projects from both public and private players. Several PSUs have formed JVs to study the technology and its viability of implementation. EIL is also executing a similar project for Nayveli Lignite Corporation (NLC) for its lignite to methanol project; and is expecting more orders of similar nature. In the coal gasification projects, the management sees huge opportunities as it would attract investments of over Rs 35,000cr over five years. The company has bagged two Green Hydrogen projects - hydrogen blending in natural gas pipeline / CGD network for GAIL and conceptual study for setting up of green hydrogen plant for NICDC, Gujarat. The company is in works with Adani on detail engineering and study for transportation of hydrogen line. Although green hydrogen is at very nascent stage of development in India. The economic viability of the new project undertaken remain uncertainty as it is in learning phase. The company wants to be at the frontrunner to tap opportunities in the space over the coming years. EIL is evolving into a "Total Energy Consulting Organization" with leadership position across all the pillars. Although the contract size is small and the cleaner solutions is at nascent stage; as and when the capex cycle picks up, these capabilities would help win execution orders for the company.

Focus on International orders:

EIL has leveraged its strong track record to successfully expand its operations internationally. The company has executed in several countries of Middle East, North Africa and South East Asia including Algeria, Bahrain, Iraq, Kuwait, Qatar, Saudi Arabia, UAE; which signifies its credentials in overseas hydrocarbon space. Most of the major oil & gas companies in these regions like Sonatrach, GASCO, ADCO, ZADCO, KNPC, BAPCO, BANAGAS etc. have utilized EIL's services for their projects. Currently, exports constitute ~17% of its order book. The company is focused on increasing its focus on export market by strengthening its presence in Middle East (Abu Dhabi) by increasing manpower to target more projects. It is targeting more projects and newer international geographies such as South America and Africa; where it recently secured orders. It secured US$ 22.14 mn for supervision of Guyana integrated NGL plant in the Guyana, South America, a EPCM job of USD 39.04 million for the greenfield 400 TPD urea and 2300 TPD ammonia complex in Nigeria.

Concerns:

Dependence on Govt orders: A large part of EIL's order comes from Government entities which requires requisite regulatory clearances and cash flows which are dependent on government policies. Although company's engagement with private players and overseas clients have increased, still it has huge reliance on Govt. entities for order inflows.

Project execution risk: Any delay in execution of orders may result in slowdown in revenue. Also large exposure to turnkey projects could pose higher business risk due to cost overruns impacting its operational performance.

Slowdown in capex: Any slowdown in industrial capex would impact EIL's business. While EIL is fairly diversified into various businesses including petrochemicals, pipelines, fertilisers, power, EPC, etc., its current mainstay is refining and hydrocarbons; any slowdown/cancellations in their planned capex would impact future revenue and profitability of the company.

Change in revenue mix: Higher proportion of turnkey projects could impact margins and working capital and bring volatility to earnings.

About the company:

Engineers India Ltd (EIL) is a leading global engineering consultancy and EPC company providing services mainly to Hydrocarbons and Petrochemicals sector. The company has a strong track record across entire oil & gas value chain – offshore platforms, oil & gas processing, oil refining, petrochemicals and pipeline projects - with experience of landmark/ complex projects. The company is the preferred partner of all major oil & gas PSUs like BPCL, ONGC, IOC, HPCL, CPCL, MRPL, HEML. It has a leadership position in project implementation in almost all major oil & gas verticals. While strengthening its expertise across the hydrocarbon value chain, EIL has also diversified into sectors like infrastructure, water and waste management, solar & nuclear power and fertilizers to leverage its strong technical competencies and track record. EIL is continuously expanding its international operations, providing wide range of engineering consultancy services particularly in Middle East, Africa and Southeast Asia.

Company key business segments – Consultancy Services & Turnkey Projects. In the consultancy segment, the company provides the complete range of services required to conceptualize, design, engineer and construct projects to meet client specific needs. Its association with clients extends beyond the commissioning of their plants through monitoring operations of each plant and accumulating feedback on performance. In Turnkey projects, the company undertakes projects wherein it takes single point responsibility for managing all elements of project execution viz. basic & detailed engineering, procurement, plant erection, construction and commissioning.

EIL has a wholly owned subsidiary, Certification Engineers International Limited (CEIL), which provides services in the field of certification, re-certification, third party inspection services. The company has invested in joint venture - Ramagundam Fertilizers and Chemicals Limited (26% stake) - for setting up Gas based Urea Manufacturing Plant at Ramagundam, Telangana, with capacity of 2200 MTPD Ammonia Unit and 3850 MTPD Urea Unit. EIL is the Project Management Consultant for project execution on EPCM mode. EIL is a 'Total Solutions' engineering consultancy company providing design, engineering, procurement, construction and integrated project management services from 'Concept to Commissioning' with highest quality and safety standards.

Financials

Income Statement

(Rs Cr)	FY21	FY22	FY23P	FY24E	FY25E
Net Revenues	**3144.2**	**2912.8**	**3330.1**	**3833.3**	**4297.9**
Growth (%)	**-2.9**	**-7.4**	**14.3**	**15.1**	**12.1**
Operating Expenses	2794.3	2568.7	3021.8	3433.7	3844.6
EBITDA	**349.9**	**344.1**	**308.4**	**399.6**	**453.3**
Growth (%)	**-22.8**	**-1.6**	**-10.4**	**29.6**	**13.4**
EBITDA Margin (%)	**11.1**	**11.8**	**9.3**	**10.4**	**10.5**
Depreciation	23.7	23.6	25.7	27.4	29.0
EBIT	**326.2**	**320.5**	**282.7**	**372.2**	**424.3**
Other Income	188.8	129.9	164.4	172.5	184.8
Interest expenses	3.7	1.0	1.5	1.9	2.1
PBT	**511.3**	**449.5**	**445.5**	**542.8**	**607.0**
Tax	94.9	106.6	101.3	136.8	153.0
RPAT	**248.9**	**139.5**	**346.3**	**398.3**	**458.3**
APAT	**248.9**	**139.5**	**346.3**	**398.3**	**458.3**
Growth (%)	**-41.3**	**-44.0**	**148.2**	**15.0**	**15.1**
EPS	4.4	2.5	6.2	7.1	8.2

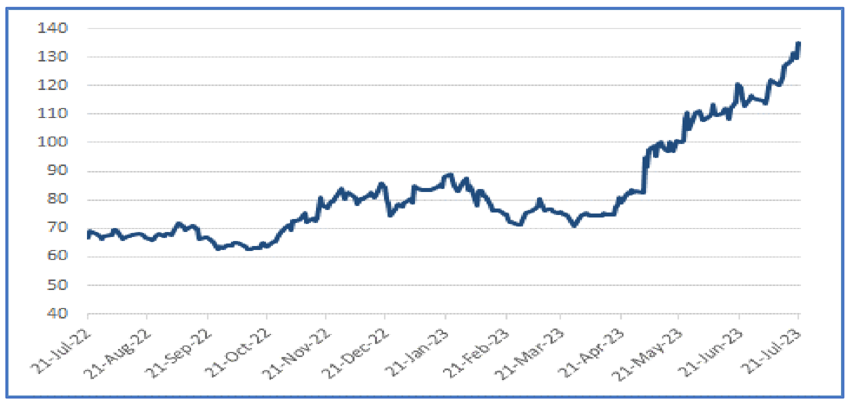
Balance Sheet

As at March (Rs Cr)	FY21	FY22	FY23P	FY24E	FY25E
SOURCE OF FUNDS					
Share Capital	281.0	281.0	281.0	281.0	281.0
Reserves	1469.7	1489.0	1680.5	1882.1	2115.6
Shareholders' Funds	**1750.7**	**1770.0**	**1961.5**	**2163.1**	**2396.6**
Minority's Interest	0.0	0.0	0.0	0.0	0.0
Long Term Debt	2.4	1.3	12.9	17.9	17.9
Net Deferred Taxes	-336.2	-340.1	-337.0	-337.0	-337.0
Long Term Provisions & Others	13.2	12.6	15.2	19.2	21.5
Total Source of Funds	**1430.1**	**1443.8**	**1652.7**	**1863.3**	**2099.1**
APPLICATION OF FUNDS					
Net Block & Goodwill	263.3	263.0	278.9	296.5	302.4
CWIP	1.1	6.2	25.9	25.9	25.9
Other Non-Current Assets	1239.0	1137.0	1245.4	1234.4	1258.8
Total Non-Current Assets	**1503.4**	**1406.3**	**1550.2**	**1556.8**	**1587.2**
Current Investments	207.1	85.2	145.4	145.4	145.4
Inventories	1.9	2.3	1.2	1.6	1.8
Trade Receivables	532.5	386.0	367.7	441.1	494.6
Cash & Equivalents	1321.6	1382.8	1096.4	1557.4	1825.4
Other Current Assets	538.8	574.8	890.3	966.2	1095.1
Total Current Assets	**2601.9**	**2431.1**	**2500.9**	**3111.7**	**3562.2**
Short-Term Borrowings	1.7	2.4	6.0	6.0	6.0
Trade Payables	412.2	320.5	346.6	399.1	435.7
Other Current Liab & Provisions	2261.3	2070.6	2045.8	2400.2	2608.6
Total Current Liabilities	**2675.2**	**2393.5**	**2398.4**	**2805.2**	**3050.3**
Net Current Assets	-73.3	37.6	102.5	306.5	511.9
Total Application of Funds	**1430.1**	**1443.8**	**1652.7**	**1863.3**	**2099.1**

Cash Flow Statement

(Rs Cr)	FY21	FY22	FY23P	FY24E	FY25E
Reported PBT	356.3	449.5	445.5	542.8	607.0
Non-operating & EO items	173.4	-36.3	-100.8	3.4	-19.6
Interest Expenses	-154.6	-64.6	-70.1	1.9	2.1
Depreciation	23.7	23.6	25.7	27.4	29.0
Working Capital Change	-63.9	-185.7	-278.3	260.9	64.4
Tax Paid	-163.5	-138.2	-134.7	-136.8	-153.0
OPERATING CASH FLOW (a)	**171.4**	**48.3**	**-112.7**	**699.7**	**530.0**
Capex	-11.5	-25.5	-34.5	-45.0	-35.0
Free Cash Flow	160.0	22.8	-147.2	654.7	495.0
Investments	-149.7	126.7	-56.5	0.0	0.0
Non-operating income	936.8	-39.9	358.4	0.0	0.0
INVESTING CASH FLOW (b)	**775.6**	**61.3**	**267.4**	**-45.0**	**-35.0**
Debt Issuance / (Repaid)	-2.9	-2.7	-14.1	5.0	0.0
Interest Expenses	0.0	0.0	0.0	-1.9	-2.1
FCFE	157.1	20.1	-161.3	657.8	492.8
Share Capital Issuance	0.0	0.0	0.0	0.0	0.0
Dividend	-174.4	-146.1	-168.6	-196.7	-224.8
Others	-726.5	0.0	7.1	0.0	0.0
FINANCING CASH FLOW (c)	**-903.7**	**-148.8**	**-175.7**	**-193.6**	**-227.0**
NET CASH FLOW (a+b+c)	**43.3**	**-39.2**	**-21.0**	**461.1**	**268.0**

One Year Price Chart:



(Source: Company, HDFC sec)

Key Ratios

	FY21	FY22	FY23P	FY24E	FY25E
PROFITABILITY RATIOS (%)					
EBITDA Margin	11.1	11.8	9.3	10.4	10.5
EBIT Margin	10.4	11.0	8.5	9.7	9.9
APAT Margin	7.9	4.8	10.4	10.4	10.7
RoE	12.0	7.9	18.6	19.3	20.1
RoCE	15.7	18.2	15.1	17.9	18.4
Solvency Ratio (x)					
Debt/EBITDA	0.0	0.0	0.1	0.1	0.1
D/E	0.0	0.0	0.0	0.0	0.0
PER SHARE DATA (Rs)					
EPS	4.4	2.5	6.2	7.1	8.2
CEPS	4.8	2.9	6.6	7.6	8.7
Dividend	2.0	3.0	3.0	3.5	4.0
BVPS	31.1	31.5	34.9	38.5	42.6
Turnover Ratios (days)					
Debtor days	70	58	41	39	40
Inventory days	1	0	0	0	0
Creditors days	40	46	37	36	35
VALUATION					
P/E (x)	30.5	54.4	21.9	19.0	16.6
P/BV (x)	4.3	4.3	3.9	3.5	3.2
EV/EBITDA (x)	17.9	18.0	21.1	15.1	12.8
EV/Revenues (x)	2.0	2.1	2.0	1.6	1.3
Dividend Yield (%)	1.5	2.2	2.2	2.6	3.0
Dividend Payout (%)	45.2	120.9	48.7	49.4	49.1

(Source: Company, HDFC sec)

HEMANSHU VIJAY PARMAR

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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 cyclicality 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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