Initiating Coverage

Kalpataru Power Transmission Ltd.

April 17, 2023

RETAILRESEARCH

Kalpataru Power Transmission Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Power Infrastructure& Civil Construction	Rs.533.8	**Buy in the band of Rs 528-539& add more on dips to Rs 464-473band**	**586**	**629**	**2-3 quarters**

HDFC Scrip Code	KALPOWEQNR
BSE Code	522287
NSE Code	KALPATPOWR
Bloomberg	KPP:IN
CMP April,13- 2023	533.80
Equity Capital (Rs cr)	63.4
Face Value (Rs)	2
Equity Share O/S (cr)	31.7
Market Cap (Rs cr)	8,669
Book Value (Rs)	284
Avg. 52 Wk Volumes	2,85,779
52 Week High	597
52 Week Low	332

Share holding Pattern % (Jan, 2023)	
Promoters	47.23
Institutions	44.25
Non Institutions	8.52
Total	100.0

* Refer at the end for explanation on Risk Ratings

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Our Take:

Kalpataru Power Transmission Limited (KPTL) is among the largest players in the global power transmission & distribution, railways, oil & gas and civil infrastructure space. The Company offers comprehensive solutions encompassing design, testing, fabrication, erection and construction of transmission lines, oil and gas infrastructure and railway projects on a turnkey basis. The company is a major player of T&D projects having global foot print across 67 countries and ongoing projects in 30+ countries.

The order-book of the company is well diversified in various segments like Transmission, Railways, Building && Factory construction, Urban Infrastructure and Water segments. The order book as on FY22 end was 32,761 crores; it significantly increased during 9MFY23 with consolidated order inflow of Rs.19,487 crores (Excluding L1 orders worth Rs.5200 crores). The order-book as at Dec'22 stood at Rs. 41,442 crores (excluding the L1 orders).

KPTL has reiterated its target of revenue growth by 15% YoY with a scope of improvement in its current margin level in EPC business in range of 9% on the back of its prudent bidding discipline. As of Dec'2022, the order book stood at Rs 41,442 Crores indicating a robust visibility of 2.8x of FY22 revenue. The company has healthy bidding pipeline of approximately Rs. 1trillion which indicates further positive outlook on the business generation.

Recently, the company has sold another tranche of its 25% stake in Kohima-Mariani Transmission Limited, the company has done an agreement to sell of balance 26% after obtaining requisite approvals.Also, recently company has been selected with Acciona Construction Australia Pty Ltd and Genus Plus Group Ltd, as the Preferred Proponent to deliver Transgrid's HumeLink (East) transmission line project in Australia. Project involves the construction of an approximately 356km transmission line in New South Wales, Australia.

KPTL has completed amalgamation with JMC projects, it will result in more operating efficiencies in terms of operation, expenses and finance costs. With this, the company will also have higher qualification for larger bids and will be able to bid aggressively for bigger projects with sustainable margins.

On account of its healthy order book, strong execution capabilities, robust order pipeline and stable EBITDA margins, we remain positive on the stock.

Valuation & Recommendation:

We remain bullish on the strong long term outlook and revenue growth in the upcoming years for KPTL.The company has ambitious topline target of Rs.24000 Cr in FY25 and OPM in double digits then. We expect revenue/EBITDA/PAT to grow at a CAGR of 16.45%/21.02%/39.1% over FY22–25E. **We think the base case fair value of the stock is Rs.586 (10x FY25E EPS) and the bull case fair value is Rs.629 (10.75x FY25E EPS) over the next two-three quarters. Investors can buy the stock in the band of Rs.528-539 (9.1x FY25E EPS) and add more on dips to Rs.464-473 band (8x FY25E EPS).**

Financial Summary (Rs Cr)

Particulars (Rs cr)	Q3FY23	Q3FY22	YoY-%	Q2FY23	QoQ-%	FY21	FY22	FY23E	FY24E	FY25E
Total Operating Income	3509	3196	9.8	3293	6.6	11,360	12,415	14,493	16,866	19,604
EBITDA	305	242	26.0	276	10.5	1,139	1,073	1,248	1,480	1,896
Depreciation	75	70	7.1	71	5.6	257	272	294	328	351
Other Income	9	40	-77.5	15	-40.0	106	115	107	92	96
Interest Cost	74	65	13.8	75	-1.3	222	244	283	283	309
Tax	54	74	-27.0	41	31.7	247	149	218	277	382
PAT	111	73	52.1	104	6.7	518	522	560	684	951
Adjusted PAT	111	296	-62.5	104	6.7	687	358	560	684	951
EPS (Rs)	6.8	4.5		6.4		34.5	29.6	34.5	42.1	58.6
RoE-%						11.9	9.5	10.2	11.2	13.8
P/E (x)						15.5	18.0	15.5	12.7	9.1
EV/EBITDA						9.0	10.1	8.0	6.6	4.8

(Source: Company, HDFC sec)

Q3FY23 Earnings Update:

- Standalone Operating Revenue for Q3FY23 stood at Rs.3509 crores, +9.8% YoY/+6.6% QoQ. The Standalone EBITDA for Q3FY23 stood at Rs. 305 crores +26% YoY/+10.5% QoQ.
- EBITDA margin for Q3FY23 stood at 8.7%, up 112bps YoY/31bps QoQ.
- Standalone revenue didn’t report strong anticipated growth due to a lower opening order book in the T&D business and slower progress in select projects. The company is expecting to maintain its current EBITDA margins compared to previous quarter on account of easing of commodity prices and supply chain pressures.
- The company has witnessed a strong momentum in order booking as it have already secured orders of Rs.19,487 crores at the consol level. The consolidated order book is at an all-time high of Rs.41,442 crores as on 31st December, 2022 with visibility of approx. Rs.46,600 crores as of today including L1.

- **Post Q3:** The company has received new orders worth Rs.11,197 crores post third quarter. Water, T&D and B&F segments were major contributors contributing Rs.3,513 crores, Rs.3,310 crores & Rs.1,855 crores respectively.

Q3FY23 Con-Call Highlights:

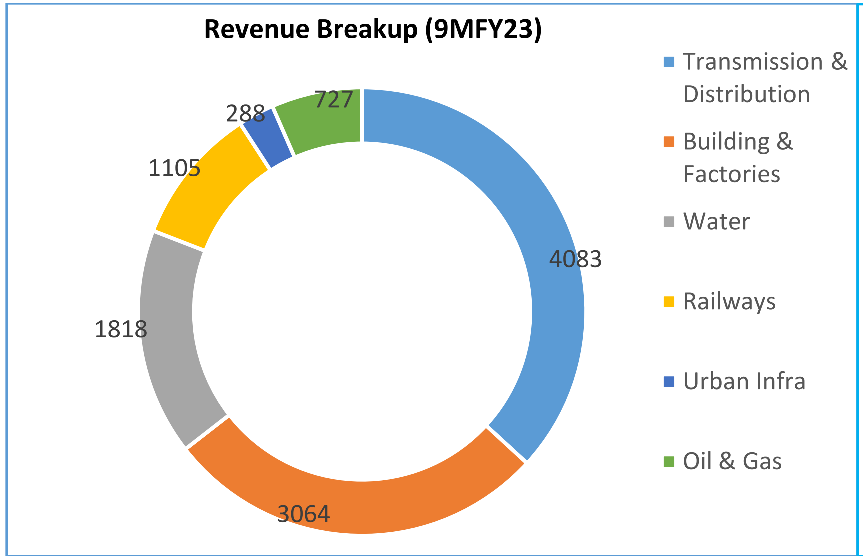
- The company concluded the merger of JMC projects and KPTL in January'23 before the earlier stipulation time of March'23.
- After completion of the merger, KPTL is now the largest listed diversified engineering and construction company with large global presence and order-book. The company has orders of Rs.46,600 crores (including L1 of Rs.5200 cr). The benefits and synergies of the merger will start from Q1FY24.
- The company was not able to book some part of revenue in the last few days of December '22 and the initial days of the month of January '23, due to the procedural delays and modalities arising out of the merger due to replacement of contractual documents.
- The company still expects standalone revenue to grow closer to 15% and consolidated revenue to grow in the range of 12-14% in Q4.
- Net debt stands at Rs.2,053 crores. The increase in net debt is primarily on account of incremental working capital requirements in selected projects and higher capex for new orders largely in the international markets. The company believes net debt levels could reduce next year on account of faster project completion and realization of proceeds from divestment of Non core asset (Indore Real Estate).
- The synergy benefits that the company expects from Q1FY24 is primarily from interest costs, as there is big difference in cost of both organizations. The company is currently in talks with banks at fairly advanced stage. Out of the total synergy benefit of approx. Rs.100 crores that the company calculated, KPTL believes Rs.50 to 70 crore benefit to flow from Interest cost in FY24 itself.
- The company expects all division (expect railways, T&D) to grow at 20% on account of strong order backlog. The company has already received inflows worth Rs.24,687 crores (including L1 of Rs.5200 crores) surpassing the guidance of Rs.21,000 crores.
- The primary reason that the company emphasis for slowdown in T&D business is the delay in execution of lot of projects in Leh-Ladakh, Rajasthan & Gujarat. The company expects growth of around 10% in T&D segment next year, as result of L1 orders to be awarded and execution to flow out.
- On railway front, the company has not grown order-book, due to more focus on the closure of the projects. As new budget has a lot of allocation towards Railway Capex, more tenders are expected to flow.
- With a stable growth in revenue, the company doesn't see any significant contraction in the margins. The company margins to be in range of 8.5-9% respectively. And the Interest cost savings may result in increase in PBIT margins by 0.3-0.5%.
- Out of the total order-book of Rs.41,442 crores, domestic orders constitutes 56% and International Orders constitutes 44%. From current year Inflow, the domestic is 60% & International is 40%. Opportunities are attractive in Transmission, Oil & Gas, Urban Infra.

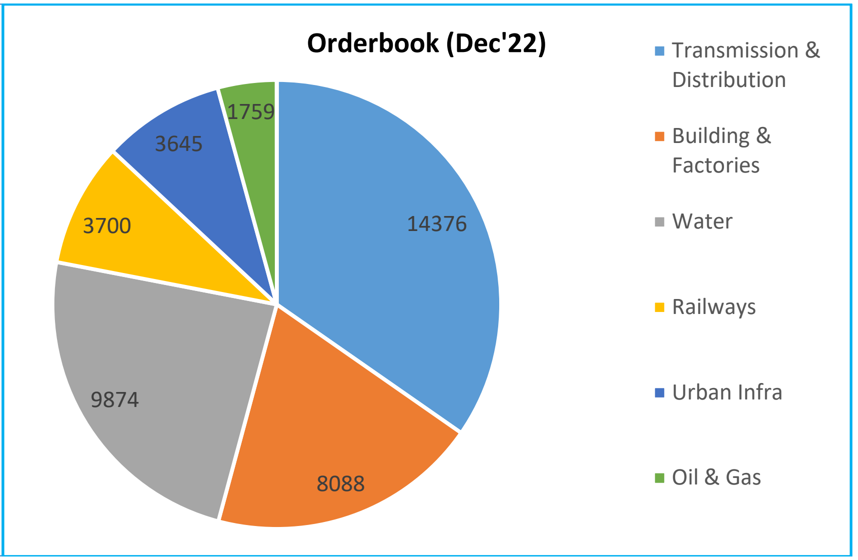
- The company has incurred capex of Rs.500 crores in 9 months, the company has revised the capex target from Rs.300 crores to Rs.550 crores.
- On Indore asset, budgeted an inflow of closer to Rs. 100 crores, out of which in the 9 months, KPTL has got closer to Rs.55 crores & is expecting around Rs. 40 crores- 50 crores to come in soon. In the next year, Rs. 150 crores is expected to come in FY24.
- The promoters and senior management are starting to gradually decrease the pledge on shares, as there is significant improvement in cashflows.

Key Drivers:

Healthy Order Book & Strong revenue Outlook: The company has received fresh orders amounting toRs. 6,312 crores on a consolidated basis in Q3 and Rs.19,487 YTD taking total order-book to Rs.41,442 crores. The company is also L1 of orders worth Rs. 5,200 crores. The current order-book is approximately 2.8x of FY22 revenues. The company has indicated a strong bidding pipeline of approximately Rs. 1 trillion. The company is focused more on International opportunities and company is also looking for good visibility in the T&D business among domestic and international markets given the push for renewables and the requirements for new transmission lines. The company has also been successful in capturing more business in Latin America including some countries like Chile, Brazil, Peru, and Argentina. The company is one of the top 3 contractors in Chile in areas of transmission.

The company’s revenue currently is at 1/3rd international 2/3rd domestic, but in coming years the company aims to be in range of 50-50 or at least 45-55 till 2025 given opportunities in 70+ countries. The company has various diversified revenue sources T&D being major contributor followed by B&F & Water segment. The company is aiming high growth in B&F & Water segment. The revenues in B&F and Water segment has grown by 29% & 40% respectively YoY for 9MFY23.





JMC Projects amalgamation to result in synergies: The Company has concluded the Scheme of Amalgamation with JMC Projects Ltd. The amalgamation can result in more operating efficiency, the company is anticipating the growth in range of 20-25% in JMC's business. After amalgamation of the entity the company will benefit on lower interest rates as the differential interest rate is in the range of 200 to 300 basis points on some of the borrowing. The Interest saving can also result in improving the PBT margins by 30 to 50 bps. Further, saving in the cost out of entire corporate and back-office operations will benefit. The company will also now qualify to bid for large projects on account of stronger balance-sheet, and the civil, mechanical and electrical skillset will also provide an opportunity. Also on the international foray, the company will get an opportunity to expand in different geographies like as company did for transmission segment. The company on account of this has won few high value of projects in past few months.

Expectation of Improvement in Operational Performance: The Company is expecting better operating margins in the coming quarter after witnessing pressure in its operating margins in previous few quarters. The easing in the commodity, freight prices could ease up the pressure on margins. The company has provided its guidance for revenue growth of 20% across all the segments (except T&D and Railways) the majority of orderbook is expected to convert in revenue after Q4. The T&D segment is likely to start execution of large project in next financial year, providing growth to the revenue and execution pace.

Pickup in sale of real Estate Assets: The Company has seen good growth in sale of Indore asset that remains on a good growth trajectory. The company is expecting the sale of balance 35-40% of the assets in coming next 12-18 months. The company was anticipating to receive approx. 100 crores in FY23 out of which it has already received cash flows in the range of around Rs.55 crores till Dec 22. Another, Rs.150 crores is expected to come in the next financial year.The current value of investment post impairment is approx. Rs.275-280 crores. The cost component will be approximately 15-20% of the total value to be sold.

Restructuring and Monetization of BOOT Projects: KPTL is planning to complete restructuring on Wainganga Road Project and refinancing for Vindyachal Road Project in FY23. In case of Kurukshetra Road Project, the company has issued notice of termination and handed over the asset in line with the provisions of the concession agreement to NHAI. Also, the improvement in traffic across all the three road assets is good and per day revenue increased from Rs.46.3 lakh in Q3 last year to Rs.52.6 lakhs per day in Q3 this year witnessing a growth of 14%. The company has a refinancing option but as company is witnessing steady growth in revenues, currently company is not looking into the refinancing option and will wait for right opportunity. The company has received consent from lender for WEPL and is expecting the closure of restructuring.

Upcoming Global Opportunities: KPTLis focusing more towards the international projects in various sectors like oil & gas, the company has qualified in 6-7 countries and also has bid for many projects. It will be trying to capture business on both revenue and the margin front. In T&D segment also the International market is much better as compared to domestic markets as currently the international portfolio contains 90% T&D and 10% Non T&D orders comprising few projects from B&F and water, the company is focusing on growth in International orders across all areas. The current revenues are 1/3rd international & 2/3rd domestic, but getting into the next few years the company anticipates to be in range of 50-50 or at least 45-55 respectively till 2025. The company's International subsidiaries are performing well. The company's Sweden subsidiary posted revenue of Rs. 279 crores in Q3FY23 with EBITDA margins of 8-9%, the order book of subsidiary stood at Rs.840 crores at end of Q3, The Brazil subsidiary, Fasttel had revenue of Rs.95 crores in Q3, with an order book of around Rs.810 crores. The company is confident of turnaround in Brazil by next year.

Key Risks:

Higher Debt levels & Elongated Working Capital Cycle: The company's consolidated net debt stood around Rs.2905 crores and Core debt excluding BOOT and Shubham Logistics stood at Rs.2,046 crores. According to company, the increase in debt from Q2 is mainly due to higher working capital requirements and lower collections from T&D segment. The company is expecting the debt to reduce to its March 2022 levels by year end. The working capital cycle is currently at 140 days from 121 days as on March'22. The company targets to reduce the working capital requirements but nature of business under which company is operating will require higher working capital hence will be difficult for the company to reduce its debt levels beyond a point. The increase in the Interest rates also imposes further burden by way of higher finance costs to the company.

Promoter Pledge: The promoters of the company holds 47.23% of the total capital of the company against which they have pledged 48.84% of their holdings which is significant to the proportion of the total capital held by the promoters.

Slower Execution to impact Revenue: The KPTL T&D segment posted a muted growth in the revenue and management expects it to grow at a lesser pace of 7 to 9% annually. The slow progress in some projects has impacted the execution of some projects for KPTL, the revenues can be adversely impacted in the near term due to slower pace in execution due to approvals and financing of the projects as order-book comprises of many freshly awarded projects. We expect the margins to improve going forward due to softening of commodity prices but revenue growth can be a concern.

Exposure to weaker road SPVs of JMC: The KPTL group is exposed to JMC's exposure in weaker operational toll-based road SPVs wherein there were delays inmaterialisation of various transactions including restructuring and stake sale.

Lesser Traction in T&D Business: Utilisation at Raipur and Gandhinagar tower manufacturing plants remain low at 55% and 70% respectively due to low domestic T&D order flows lately.

Company Background:

With more than 4 decades of rich experience, Kalpataru Power Transmission Limited (KPTL) is among the largest players in the global power transmission & distribution, railways, oil & gas and civil infrastructure space. The Company offers comprehensive solutions encompassing design, testing, fabrication, erection and construction of transmission lines, oil and gas infrastructure and railway projects on a turnkey basis. The company also provides civil contracting services for Buildings & Factories, Water Infrastructure, Highways and Metro construction after its merger with JMC Projects. The company is also operating three BOOT Road assets.

The company owns and operates 2 tower fabrication facilities primarily for its Transmission & Distribution segment with a capacity of 2,40,000 MTPA of tower fabrication capacity.The company owns and operates 2 biomass-based power generation plants of ~16 MW in Rajasthan India which uses agricultural waste and crop residues as their fuel source.

KPTL has also done electrification, railway track laying, signalling & telecommunication (S&T), power systems and civil works associated with railway networks. Company has also electrified 1,786TKM & 1170+ Route Km in 2021-22. Company has contributed 18% to Indian Railways Electrification drive.

KPTL is also present in the agri-commodity warehousing sector through its subsidiary Shree Shubham Logistics Limited. The company has global presence across 67 countries. The company has also established its local presence in Sweden and Brazil. The International

Business accounts for approximately 33% of total revenue of the company. KPTL has all time high consolidated order-book of Rs.41,442 crores. The orderbook comprises 35% of orderbook from Transmission & Distribution segment, 19% from Building and Factory, Water comprises of 24%, 9% from Urban Infra and Railways, while Oil and Gas accounts for 4% of total order-book.

Business Segment Review:

Power Transmission and Distribution: KPTL has emerged as a turnkey integrated EPC solution provider in the power transmission space, in-house capabilities for designing, testing, procurement, tower fabrication, construction, installing, commissioning and operation and maintenance (O&M) for power transmission lines (up to 1,200 KV) & substations (up to 765 KV AIS/GIS). The company has constructed two state-of-the-art tower fabrication facilities in India with installed capacity of 2,40,000 MT per annum and an ultra-modern tower testing facility. The company has order-book in T&D segment as on Dec'22 of Rs.14,376 crores from this segment and has received order inflows worth Rs.7,501 crores YTD. The T&D segment was affected in last quarter due to lower opening order-book. The company has won new orders which will scale up the revenues from Q4 given the robust demand in domestic and international markets.

Growth Prospects: Budgetary allocation of Rs.35,000 Crore for green energy transition & investment of Rs.20,700 Core for evacuation and grid integration of 13 GW of renewable energy from Ladakh is positive. Selected SEBs (Gujarat, Karnataka, West Bengal, Rajasthan and UP) are focusing on new and upgrading existing T&D infrastructure. International business visibility remains high; Over US$ 3 Billion of projects to be bided in Africa, Latin America, MENA & SAARC markets.

Railways: KPTL offers multi-disciplinary services under its Railway arm. Company has made its position in market to be in list among the leading players in overhead electrification, railway track laying, signalling & telecommunication (S&T), power systems and civil works associated with railway networks. KPTL has contributed 18% to the electrification drive in railways in 2021-22. Traditional works like electrification is largely done and hence not much orderflow is expected from here. The company has improved order visibility in this segment across conventional and emerging areas like Metro and High speed rail. The company has order-book in railways as on Sept'22 of Rs.3,700 crores from this segment and has received order inflows worth Rs.1,646 crores YTD. The company is focused on improving competency in this segment, whether it is a signaling or metro electrification. Currently, the company together as merged entity with JMC the company will be qualified for high speed large projects also, the company aims at high opportunity in these areas. Also, the Union budget's allocation of Rs. 2.4 lakh crores & push on Railway Infrastructure will improve order visibility.

Growth Prospects: Record allocation of Rs. 2.4 lakh Crores in the recent Union Budget bodes well & improves order visibility.Also, there is traction witnessed in technology enabled areas like metro electrification, signaling & telecom, sub-station, ballast-less track etc.

Oil & Gas: KPTL has capabilities to execute cross country Oil & Gas pipelines, processing facilities, refineries and fertiliser plants. The company has completed several plant projects of national importance on EPC basis and has till date laid around 6,650 KMs of pipelines along with associated works of more than 385 stations. The space is witnessing high bidding activity with multi-year upcycle; Tender pipeline is in excess of USD 3 billion in next 8-9 months in India & overseas market gives more opportunity to the company. Currently, qualified in 7 countries to bid for Oil & Gas pipeline and related infrastructure works, the company has order-book in Oil & Gas segment as on Dec'22 of Rs.1,759 crores from this segment and has received order inflows worth Rs.1,414 crores YTD.

Growth Prospects: Higher bidding activity with multi-year upcycle; Tender pipeline in excess of USD 3 billion in next 8-9 months in India & overseas market. Currently the company is qualified in 7 countries to bid for Oil & Gas pipeline and related infrastructure works.

Building & Factories: JMC Projects (India) Limited, previously a subsidiary of the Kalpataru Power (now amalgamated with KPTL) engaged in the execution of civil and structural works for commercial, residential and institutional buildings, government infrastructure projects, power plant projects and industrial projects. In this segment, the company have achieved revenue growth of 24% in Q2 on the back of robust execution and a healthy order book. The company is diversifying its client base and is adding new clients in commercial building segment and also into civil work for data centres. The YTD order intake is Rs.3,395 crores and the order book stand at Rs.8,088 crores as on Dec'22.

Growth Prospects: Vibrant market in India given higher absorption of commercial real estate driven by IT, Ecommerce, data centers and growing manufacturing sector to grow demand.Repetitive order wins from large developers, addition of new developers and institutional clients strengthens market position for the company. Foray in pre-cast technology to aid further growth along with margins; Company has successfully completed hybrid pre-cast building in Bangalore.

Water Business: The water business segment recorded a strong growth of 53% led by robust execution. The company has received the orders worth Rs. 4,060 Crs YTD with an aggregate order-book of Rs.9,874 Crs. The company hasmade focused efforts on capability building and have emerged among the leading players in the water business in India with expertise in designing and building of Water Intake, Treatment, Storage, Supply, Distribution, and Operation & Maintenance Projects. The government focus on JJM scheme with good capital allocation is emerging opportunity for the company. Currently, company is executing over 30 projects across 6 states in India.

Growth Prospects: The government has allocated Rs.70,000 crores for JJM up 27% YoY. The company is currently executing 30 projects across 6 states in India. Post-merger, the company's capabilities and bidding for large size projects in India and international markets is likely to enhance.

Financials (Standalone):

Income-Statement:

(Rs Cr)	FY21	FY22	FY23E	FY24E	FY25E
Net Revenues	**11360**	**12415**	**14493**	**16866**	**19604**
Growth (%)	-2.2	9.3	16.7	16.4	16.2
Operating Expenses	10221	11342	13246	15387	17707
EBITDA	**1139**	**1073**	**1248**	**1480**	**1896**
Growth (%)	**-10.4**	**-5.8**	**16.3**	**18.6**	**28.1**
EBITDA Margin (%)	**10**	**8.6**	**8.6**	**8.8**	**9.7**
Depreciation	257	272	294	328	351
EBIT	**882**	**801**	**954**	**1152**	**1546**
Other Income	106	115	107	92	96
Interest expenses	222	244	283	283	309
PBT	**765**	**671**	**778**	**961**	**1333**
Tax	247	149	218	277	382
PAT	518	522	560	684	951
Adjusted PAT	**687**	**358**	**560**	**684**	**951**
Growth (%)	**10.5**	**-47.8**	**56.2**	**22.1**	**39.1**
EPS	34.5	29.6	34.5	42.1	58.6

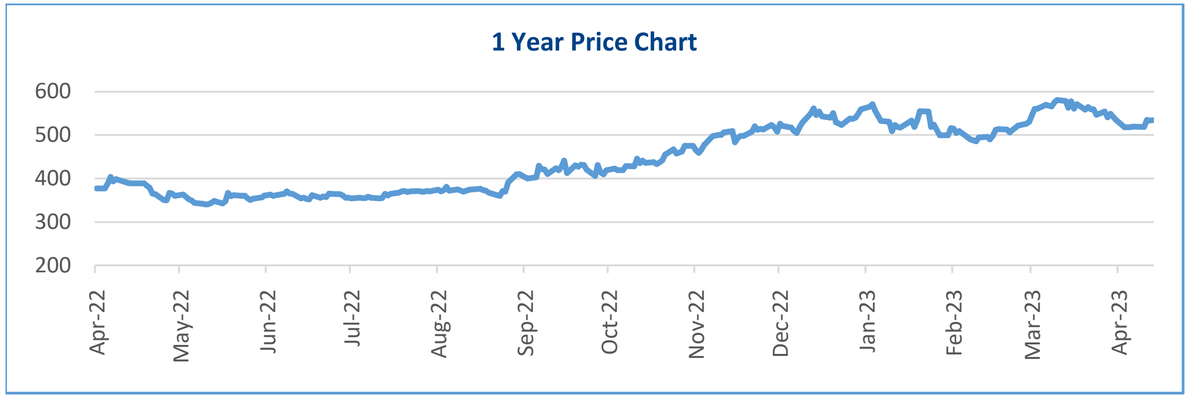
Balance-Sheet:

As at March	FY21	FY22	FY23E	FY24E	FY25E
SOURCE OF FUNDS					
Share Capital	63	63	63	63	63
Reserves	4818	5178	5724	6396	7231
Shareholders' Funds	**4881**	**5241**	**5788**	**6459**	**7294**
Long Term Debt	703	795	884	884	884
Net Deferred Taxes	-80	-88	-88	-88	-88
Long Term Provisions & Others	944	1068	1200	1364	1473
Total Source of Funds	**6448**	**7016**	**7783**	**8619**	**9563**
APPLICATION OF FUNDS					
Net Block & Goodwill	1258	1273	1079	914	868
CWIP	0	0	0	0	0
Other Non-Current Assets	1874	1911	2019	2104	1834
Total Non Current Assets	**3132**	**3183**	**3098**	**3018**	**2702**
Current Investments	0	0	0	0	0
Inventories	831	919	1305	1476	1640
Trade Receivables	4785	4245	5321	6113	6811
Cash & Equivalents	526	989	759	817	1321
Other Current Assets	4873	6011	5124	5451	5782
Total Current Assets	**11015**	**12164**	**12508**	**13857**	**15554**
Short-Term Borrowings	1367	2325	1211	1055	899
Trade Payables	4207	3794	4227	4845	5215
Other Current Liab & Provisions	2125	2212	2385	2357	2578
Total Current Liabilities	**7699**	**8331**	**7823**	**8257**	**8692**
Net Current Assets	3316	3833	4685	5600	6862
Total Application of Funds	**6448**	**7016**	**7783**	**8619**	**9563**

Kalpataru Power Transmission Ltd.

Cash Flow Statement

(Rs Cr)	FY21	FY22	FY23E	FY24E	FY25E
Reported PBT	934	508	589	832	1,076
Non-operating & EO items	266	76	0	0	0
Interest Expenses	-11	247	283	283	309
Depreciation	28	272	294	328	351
Working Capital Change	-289	-577	255	-557	-514
Tax Paid	-209	-149	-221	-266	-299
OPERATING CASH FLOW (a)	**719**	**378**	**1,200**	**620**	**923**
Capex	-215	-214	-134	-163	-305
Free Cash Flow	504	163	1,066	457	618
Investments	180	-183	-135	-65	292
Others	92	121	23	24	24
INVESTING CASH FLOW (b)	**57**	**-276**	**-246**	**-204**	**12**
Debt Issuance / (Repaid)	-109	568	-1,025	-156	-156
Interest Expenses	-358	-282	-335	-334	-361
FCFE	37	450	-293	-34	101
Share Capital Issuance/ (Buy Back)	-177	0	0	0	0
Dividend	0	0	0	0	0
Others	0	0	0	0	0
FINANCING CASH FLOW (c)	**-643**	**286**	**-1,360**	**-491**	**-517**
NET CASH FLOW (a+b+c)	**132**	**388**	**-405**	**-75**	**418**



Key-Ratios

	FY21	FY22	FY23E	FY24E	FY25E
PROFITABILITY RATIOS (%)					
EBITDA Margin	10	8.6	8.6	8.8	9.7
EBIT Margin	7.7	6.4	6.6	6.8	7.9
PAT Margin	4.9	3.8	3.9	4.1	4.8
RoE	11.9	9.4	10.2	11.2	13.8
RoCE	14.4	11.9	13.1	15.3	13
SOLVENCY RATIOS (x)					
Debt/EBITDA	1.8	2.9	1.7	1.3	0.9
D/E	0.4	0.6	0.4	0.3	0.2
PER SHARE DATA (Rs.)					
EPS	34.5	29.6	34.5	42.1	58.6
CEPS	50.3	46.3	52.6	62.3	80.1
Dividend	1	0.6	0	0	0
BVPS	300.5	322.6	356.3	397.6	449
TURNOVER RATIOS					
Debtor days	154	125	134	132	127
Inventory days	27	27	33	32	31
Creditors days	135	112	106	105	97
VALUATION(x)					
P/E	15.5	18	15.5	12.7	9.1
P/BV	1.8	1.7	1.5	1.3	1.2
EV/EBITDA	9	10.1	8	6.6	4.8
EV/Revenues	0.8	0.7	0.6	0.5	0.4

JINESH DHAVAL KOTHARI

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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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