Stock Update

Zen Technologies Ltd.

March 01, 2024

RETAILRESEARCH

Zen Technologies Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Aerospace & Defence	Rs. 865.85	Buy in the Rs 856-880 band & add more on dips to Rs. 763-777	Rs. 955	Rs. 1032	2-3 quarters

HDFC Scrip Code	ZENTEC
BSE Code	533339
NSE Code	ZEN TEC
Bloomberg	ZEN IN
CMP Feb 29, 2024	865.85
Equity Capital (Rs cr)	8.4
Face Value (Rs)	1.0
Equity Share O/S (cr)	8.4
Market Cap (Rs cr)	7,276.1
Book Value (Rs)	45.2
Avg. 52 Wk Volumes	747,312
52 Week High	912.6
52 Week Low	256.5

Share holding Pattern % Dec 31, 2023)	
Promoters	55.1
Institutions	7.7
Non Institutions	37.2
Total	100.0

* Refer at the end for explanation on Risk Ratings

Fundamental Research Analyst
Abdul Karim
abdul.karim@hdfcsec.com

Our Take:

Zen Technologies Ltd (ZTL) is a leading company engaged in designing, manufacturing and developing land-based military training simulators, driving simulators, live-range equipment, and anti-drone systems. ZTL has its own training platform to provide a realistic battle experience by integrating its entire range of product offerings. The company has applied for over 150+ patents, and it has shipped more than 1,000 training systems around the world. Its demonstration center at Abu Dhabi is progressing as per plans and will be operational soon. Going forward, the company will also focus on products that use Artificial Intelligence(AI) to ramp up its product portfolio. The company's employee strength as of March 2023 stood at 611+, including contract employees of ~320 people.

ZTL's order book stood at Rs 1434 crore as of Dec 31, 2023 (Simulator products Rs. 634.23 cr, Training Simulators & Equipment Rs. 800.2 cr). The book to bill stands at 3.6x of TTM Sales, which provides adequate revenue visibility over the medium term. Order inflow in Q3FY24 was at Rs 129 crore and Rs 1309 crore in 9MFY24 vs. Rs 61 crore in 9MFY23. ZTL has a success rate of around 80% in winning orders. Its robust outlook depends on the potential opportunities owing to government's thrust on indigenization in defence and the company expects to be a prime beneficiary of the same given its level of expertise, technical abilities and successful track record of execution. ZTL expects significant growth in the next three to four years and targets to achieve aspirational revenue guidance of Rs 450 crore in FY24E and Rs 900 crore in FY25E.

We had issued an Stock Update report on Sept 25, 2023 on Zen Technologies Ltd. (Link) and recommended to buy the stock in the Rs 710-730 band and add more on dips to Rs. 639-653 band for the base target of Rs. 795 and bull case target of Rs. 854 over the next two to three quarters. The stock achieved targets before expiry of the call. Given healthy growth outlook and strong deal intake in 9MFY24, we have now revised earnings and increased target price for the stock.

Valuation & Recommendation:

ZTL has a strong position in the anti-drone systems market, with most competitors relying on imported products while the company is fully utilizing its manufacturing capacity for anti-drone systems and has a network of vendors for manufacturing. The company expects to win a majority of the orders in the anti-drone systems market due to its ability to make software and hardware changes to tackle evolving threats. The market size for military training simulators is estimated to be around Rs 15,000 crores. However, in the simulator market, ZTL is facing competition, especially in specialized products like tank simulators and air defense simulators. With this, ZTL has positioned itself to capitalise on emerging market opportunities by leveraging its inherent capabilities. The company is expected to report strong performance in future, led by its strong indigenization capabilities, healthy order book, promising order inflow pipeline, and strong execution capabilities.

Based on the Q2FY24 and Q3FY24 numbers, optimistic tone of management for earnings outlook and the fresh order inflow post the issue of our earlier report we have revised upwards the estimates for FY24E and FY25E and upped the target price. Considering the revenue visibility for the next few years, we feel that some more rerating is possible**. We feel investor can buy the stock in the Rs 856-880 band and add more on dips to Rs. 763-777 band (25x FY26E EPS) for the base target of Rs. 955 (31x FY26E EPS) and bull case target of Rs. 1032 (33.5x FY26E EPS) over the next two to three quarters. At a CMP of Rs 865.85, the stock is trading at 28.1x FY26E EPS.**

Financial Summary (Consolidated)

Particulars (Rs cr)	Q3FY24	Q3FY23	YoY (%)	Q2FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Total Operating Income	99.5	52.5	89.6	66.5	49.6	69.8	218.8	416.5	860.2	1,063.0
EBITDA	42.5	16.7	154.1	19.0	124.1	4.3	72.6	163.7	321.3	387.5
Depreciation	2.6	1.5	71.4	2.2	19.7	4.8	6.1	9.4	10.3	12.7
Other Income	4.2	1.9	117.5	5.3	-20.7	5.4	7.2	21.5	23.2	25.5
Interest Cost	0.5	2.1	-74.9	0.5	-0.6	1.5	4.1	2.1	2.1	1.8
Tax	13.7	5.1	170.5	7.9	72.8	0.7	21.8	52.1	101.3	121.5
Reported PAT	29.8	10.0	199.7	13.6	118.9	2.6	48.0	121.6	230.8	276.9
Adjusted PAT	30.6	9.5	223.3	15.3	100.2	2.2	42.7	113.7	215.8	258.9
Diluted EPS (Rs)	3.6	1.1	223.3	1.8	100.2	0.3	5.2	13.5	25.7	30.8
RoE-%						0.9	14.3	30.8	41.2	34.7
P/E (x)						3,292.4	166.5	64.0	33.7	28.1
EV/EBITDA (x)						1,683.9	98.0	43.4	22.2	18.2

(Source: Company, HDFC sec)

Q3FY24 Result Update

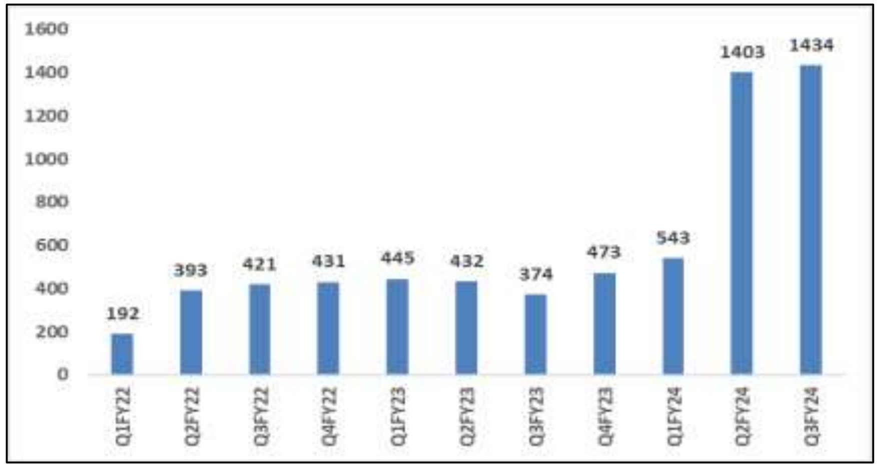
- Zen Technologies Ltd' results were above expectations in Q3FY24. Consolidated revenue grew by and 89.6% YoY and 49.7% QoQ to Rs 99.5 crore in Q3FY24.
- EBITDA stood at Rs 42.5 crore in Q3FY24 vs. Rs 17 crore in Q3FY23 and Rs 19 crore in Q2FY24. EBITDA margin jumped to 42.7% in Q3FY24 from 31.9% in Q3FY23 and 28.5% in Q2FY24.
- Net profit (adj) was at Rs 30.6 crore in Q3FY24, vs. Rs 9.5 crore in Q3FY23 and Rs 15.3 crore in Q2FY24. Net Profit margin stood at 30.7% in the quarter vs. 18% in Q3FY23 and 23% in Q2FY24.
- Total order book stood at Rs 1434 crore as on Dec 31, 2023, 3.6x TTM sales.

Key Updates

Strong order book brings better earning visibility going forward

ZTL's unexecuted order book stood at Rs 1434 crore as of Dec 31, 2023 (Simulator products Rs. 634.23 cr, Training Simulators & Equipment Rs. 800.2 cr). The book to bill stands at 3.6x of TTM Sales, which provides adequate revenue visibility over the medium term. Order inflow during the quarter was at Rs 129 crore and Rs 1309 crore in 9MFY24 vs. Rs 61 crore in 9MFY23. ~91-92% of the order book is on nomination basis from the government and the rest is through bidding process. As on Jan 31, 2024, total order book stood at Rs 1500 crore of which, more than Rs 400 crore were export orders. On Feb 21, 2024, the company received an order worth of Rs 93 crore from Ministry of Defence, Govt. of India.

Order Book (Rs in Cr)



Key orders received till Feb 21, 2023

Descriptions	Month	Order Size, Rs in Cr
Supply of Anti Drone System to MoD	Jul-23	160
Significant order win in the Export Market	Jul-23	340
Supply of Training Equipment to MoD	Aug-23	55
Supply of Training Equipment to MoD	Aug-23	72
Supply of Training Equipment to MoD	Sep-23	104
Supply of Training Equipment to MoD	Sep-23	192
Supply of Training Equipment to MoD	Oct-23	100
Export order for Simulators	Nov-23	42
Supply of Training Equipment to MoD	Feb-24	93

(Source: Company, HDFC sec)

Order book Status as of Dec 31, 2023

Order Book as on 1st October 2023	*New Order bagged in Q3FY24*	*Orders executed in Q3FY24*	***Total Order Book as on 31st December 2023***
AMC: **257.03 Cr** Equipment: **1,146.40 Cr** Total : **1,403.43 Cr**	AMC: **21.41 Cr** Equipment: **107.67 Cr** Total : **129.08 Cr**	AMC: **8.43 Cr** Equipment: **89.65 Cr** Total : **98.08 Cr**	AMC: **270.00 Cr** Equipment: **1,164.38 Cr** Total : **1,434.38 Cr**

ZTL's order inflow could be on a slower pace in rest of Q4FY24 and Q1FY25 due issuing the model code of conduct on account of general election. The company has a success rate of around 80% in winning orders. Its robust outlook depends on the potential opportunities owing to government's thrust on indigenization and the company expects to be a prime beneficiary of the same given its level of expertise, technical abilities and successful track record of execution.

Setting up new manufacturing and R&D facility in Goa to enhance manufacturing capabilities

ZTL is planning to elevate its operations by establishing a new state-of-the-art Research and Development (R&D) and manufacturing facility in Goa, India. The upcoming facility, slated for construction at the Electronic Manufacturing Cluster (EMC) Tuem in Goa, signifies an investment of up to Rs 50 crores and anticipates the creation of employment opportunities for approximately 800 individuals. The Goa facility aims to enhance manufacturing capabilities, particularly in cutting-edge simulators and drone-related technologies.

The new facility will serve as an anchor unit for the EMC. It plans to develop and source sub-assemblies from Goan Micro, Small & Medium Enterprises (MSMEs). With the establishment of this facility in Goa, ZTL will broaden its manufacturing base, reaffirming its commitment to expansion. The facility will operate as a hub, supporting both domestic needs and a measured expansion of the export business.

Planning to expand export business

ZTL's export order book contributed to Rs 437 crore and domestic order book contributed Rs 997.2 crore in Q3FY24. The company is optimistic about the promising prospect of the export market, focusing on achieving leadership in several key areas. The company is looking to expand global presence with a particular focus on the Middle East, Africa, and CIS countries. The company is also confident about growth prospects for the next five years, with a focus on export markets and increasing market share.

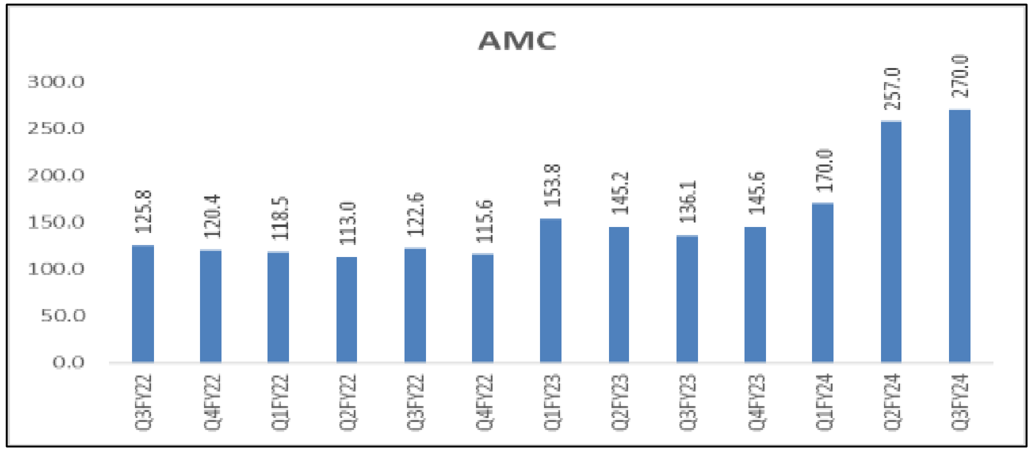
Expectation of huge growth opportunity in AMC business

ZTL has been an industry leader with over three decades of expertise in delivering cutting-edge military training and counter-drone solutions. The company is engaged in manufacturing state-of-the-art land-based military training simulators, driving simulators, live range equipment, and counter-drone systems.

The global military simulation and training market is expected to grow at a 5.6% CAGR over 2022-2027 to US$ 12.2bn by 2027E. Increasing defence spending across the world for development of new technologies to strengthen the defence efficiency and military and training capabilities has led to this buoyancy. Increasing demand for unmanned systems for defence is expected to derive the demand for simulators and drone/anti drone systems.

Taking the Indian context, there is an addressable market of around Rs 15,000 crores for army training simulators. The annual spend on simulators by the armed forces is approximately Rs 1,000 crores. Government's Agnipath Pravesh Yojna (APY) announced on June 14, 2022, could bring an opportunity for the youth of the country to serve in the Armed Forces as Agniveers for a tour-of-duty of 4 years could add more demand going ahead.

AMC's Order book



(Source: Company, HDFC sec)

ZTL is one of the largest player in the training and ground simulators in India. ZTL's supply of simulators carry a warranty period of 36 months. The company receives 10% of order value as AMC (Annual Maintenance Contracts) after the expiry of warranty period of 36 months. The AMC business not only offers high margin but also removes lumpiness of new equipment orders. The company generated ~22% of overall revenue from AMC business in FY23. The lifecycle of a simulator is 15 years and it provides lifetime revenue potential of 120% of product sale. ZTL's AMC revenue could be at Rs ~40 crore as of FY24E and it could increase to ~ Rs 70 crore, as per current order execution by 2025 and Rs 150 crore by 2027-28.

Robust growth outlook in Anti drone system could bring huge opportunity for ZTL

The rising incidence of critical infrastructure security breaches by unauthorized drones and surging adoption of aerial remote sensing technologies to safeguard critical infrastructure are among the factors driving the growth of anti-drone industry. Acceptability of drone by various state government and government agencies increased the scope of anti-drone system in India. The Indian government is giving the drone ecosystem in India a very high priority. India must promote more research and development in drones and unmanned systems to remain globally relevant.

The global commercial drone market size was estimated at USD 19.89 billion in 2022 and is expected to grow at a compound annual growth rate (CAGR) of 13.9% from 2023 to 2030. The global anti-drone market size was valued at USD 1.2 billion in 2022 and is projected to reach USD 5.2 billion by 2028; it is expected to register a CAGR of 26.6% during the forecast period.

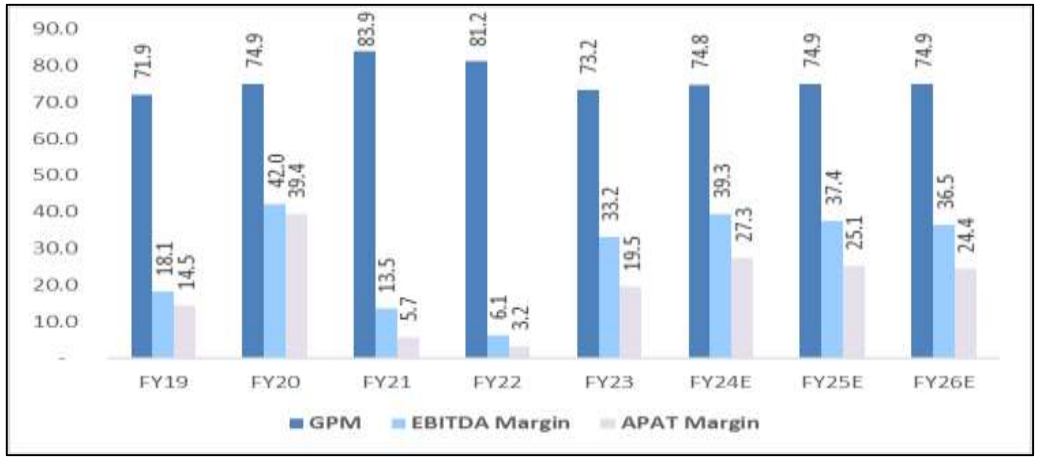
India has invested in radars for detection. Indian security forces also use drones for anti-drone operations. BSF has installed anti-drone systems using integrated surveillance technology equipped with cameras, sensors, and alarms with a command-and-control system at more sensitive points on the Punjab border. They have also created 'drone hunting teams' to shoot down enemy UAVs. The success rate in downing drones is going up. BSF conducts awareness campaigns among the public in border areas to sensitize them about UAVs/drones. With many drone start-ups in India, anti-drone systems can be acquired easily in more significant numbers. As India becomes drone-friendly, there is a need to strengthen regulation and control over drones. Air defense procedures have to be evolved. More no-fly zones may be designated to make vital installations safer.

Recent happenings in the Russia Ukraine and Israel Hamas war also suggest the importance of anti-drone systems. Therefore, implication of anti-drone is much important and ZTL could be one of the big beneficiaries in India.

Expectation of margins stability

ZTL's EBITDA margin jumped to 42.7% in Q3FY24 from 31.8% in Q3FY23 and 28.5% in Q2FY24 and net profit margin stood at 30% in the quarter vs. 22.7% in Q3FY23 and 20.5% in Q2FY24. The company's gross profit margin, EBITDA and PAT margin stood at 76.2%, 43.7% and 31.1% in 9MFY24 vs. 74.1%, 30.4% and 18.3% in 9MFY23, respectively.

Margins (%)



(Source: Company, HDFC sec)

ZTL's profitability has been volatile over the past due to high input cost and other expenses led by R&D expenses. Now, its story has turned into growth phase on account of robust revenue growth and cost rationalisation efforts. The company expects significant growth in the next four to five years and is optimistic about the current and next financial year's performance.

The company expects to maintain a gross margin of the current level, with some variability based on product mix. The EBITDA margins are expected to be sustainable, and the company anticipates strong revenue and profitability growth in the next few years. The company expects to report a EBITDA margin at 35% and net margin of around 25% on a conservative basis going forward.

Robust financial profile led by healthy profitability supported by cost control measures and return ratio

- ZTL's financial profile has been volatile over the past due to tender based nature of operation and dependence on government orders. However, the company expects to report robust growth in revenue and profitability, supported by healthy order book and strong deal pipeline. Profitability and return indicators, zero debt, superior liquidity and strong debt coverage metrics looks sound.
- ZTL reported revenue CAGR over a decade (from FY12 to FY23) stood at ~26%. We expect, the company could report revenue CAGR at ~69% over the FY23 to FY26E.
- ZTL’s net profit has been volatile over the last one decade, the company reported net profit at Rs 42.7 crore in FY23 vs. Rs 2.2 crore in FY22. We expect, the company could report ~82% PAT CAGR over the FY23 to FY26E.
- ZTL has focused on cost-control measures and extensive indigenisation efforts to improve profitability. ZTL has met its entire working capital requirement through internal accruals over the last 5 years. The company has also sufficient liquidity with healthy cash and bank balance of about ~Rs 222 crore on consolidated basis, as on Sept 30, 2023.
- ZTL is debt free company and liquidity profile is superior, supported by comfortable cash flow from operations, which are expected to be adequate to meet the capital expenditure outlay and dividend outflows. Besides, the company continues to invest heavily on R&D at 12-14% of revenue which is charged to the P&L account from year to year. It has made R&D spend of ~Rs 80 crores in the last 5 years, Rs 18.7 crore in 9MFY24 vs. Rs 19.9 crore in FY23.
- Zen is looking at opportunities to expand inorganically through acquisition and the company has passed an enabling resolution to raise funds. This resolution allows for the raising of funds up to an aggregate amount of Rs 1,000 crore.
- ZTL pays an effective tax rate of 30%+ as it has not shifted to the new tax regime. Any such shift could lead to lower tax and higher PAT.

What could go wrong?

- Any changes in the procurement policy of the defence forces (like orders on nomination basis) or a significant reduction in defence spending could impact its revenue and order book position. Besides, any adverse change in government policy/terms from Defense units could impact ZTL’s operation over the longer term.

- Defence sector has been opened up to the private sector, and the ZTL has a competition threat from big private players like Adani Defence and Aerospace, L&T, Bharat Forge, Data Patterns etc and PSU players like BEL and BDL etc.
- Due to the high concentration of the Government sector orders, ZTL's revenue generation and cash flows are vulnerable to delays in project execution or final payment clearance in some cases. ZTL is looking to tap the opportunity in non-defence business going forward including exports.
- Most of the Company’s simulators are built in accordance with specific feedback from the clients, without any guarantee of buying the resultant end-product, putting the Company at a significant risk financially.
- The Government’s standard policy of buying from the lowest bidder could be potentially harmful to the company. Sometimes other vendors, whose development costs are already amortized, may provide cheaper solutions due to their greater bandwidth.
- Any large debt funded capital expenditure and/or any further stretch in working capital cycle could impact its business and future capex plan going forward.
- Due to continuous change in the business, geo political and external environment, the company is exposed to a variety of risks which are dynamic in nature.
- In standalone entity, ZTL made exports of Rs 55.5 crore in FY23, mainly of simulators to Govt entities abroad. This results in risk of adverse change in regulations by importing countries and forex fluctuations.
- Promoter’s holding declined by 5.12% in 9MFY24. Atluri family (Kishore Dutt Atluri, Rama Devi Atluri, Ashish Atluri and Tara Dutt Atluri) and Head of R&D Division and Whole Time Director, Mr. Ravi Midathala made the biggest insider sale in the last 12 months. Further sale of promoters’ holding could hit the sentiment of investors. However institutional shareholding has increased similarly in this period.
- This stock is a part of Additional Surveillance measure Long Term (ASM LT) stage 2.

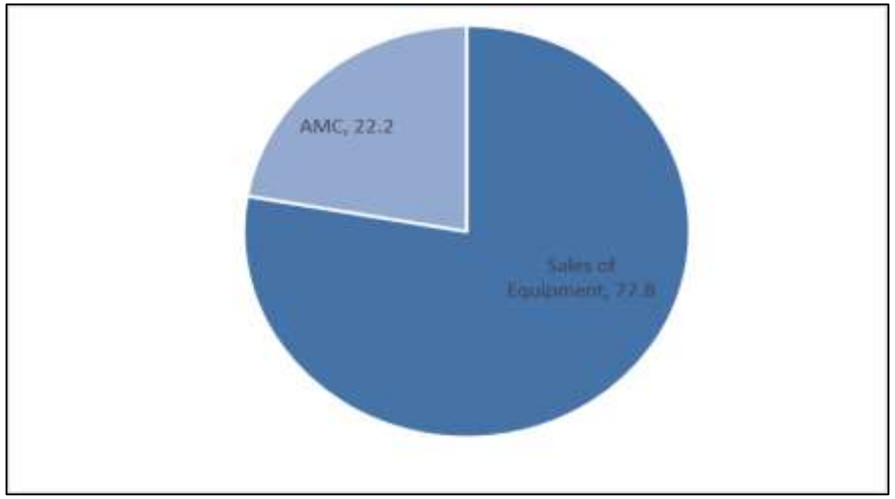
About the company

Zen Technologies Ltd. (ZTL) is the sole manufacturer of training base Simulator in India and the company designs, develops and manufactures state-of-the-art combat training solutions for the training of defence and security forces worldwide. The company manufactures land based military training simulators, driving simulators, Live range equipment and Anti Drone Systems. ZTL produces over 40 different Live Fire, Live Instrumented, Virtual and Constructive training systems to support individual and collective training capabilities.

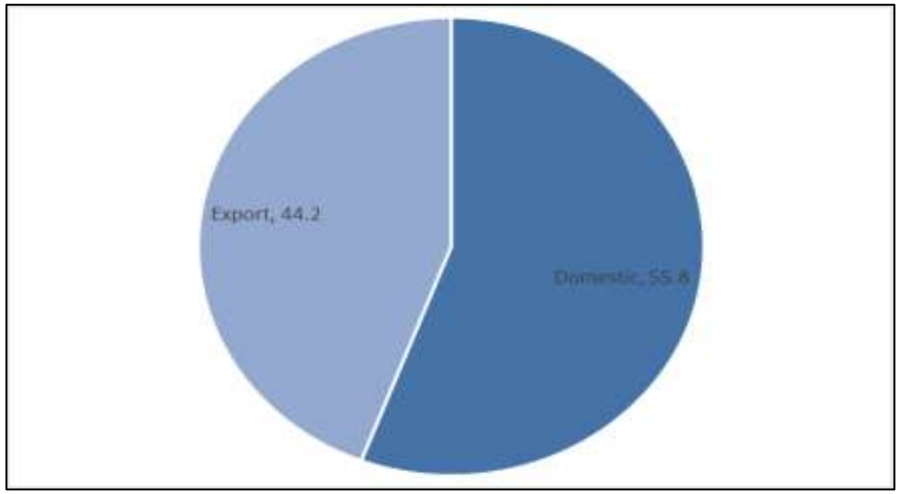
With a dedicated R&D (recognized by the Ministry of Science and Technology, Government of India) and production facility in Hyderabad, the company has applied for over 150 patents and shipped more than 1,000 training systems around the world. ZTL’s headquarter office

is in Hyderabad, India with offices in India and USA. The company has employee strength of ~611, including contract labour of 320 and 120+ employees are dedicated to R&D services, ZTL has built strong R&D capabilities.
Unistring Tech Solutions Private Ltd, Zen Medical Technologies Private Ltd, Zen Technologies USA, Inc; and Zen Defence Technologies L.L.C, UAE are subsidiaries of ZTL Ltd.

Revenue Mix (FY23)-%



Sales of Equipment (FY23)-%



(Source: Company, HDFC sec)

Financials – Consolidated

Income Statement

(Rs Cr)	FY22	FY23	FY24E	FY25E	FY26E
Net Revenues	**69.8**	**218.8**	**416.5**	**860.2**	**1063.0**
Growth (%)	27.7	213.8	90.3	106.5	23.6
Operating Expenses	65.5	146.2	252.8	538.9	675.6
EBITDA	**4.3**	**72.6**	**163.7**	**321.3**	**387.5**
Growth (%)	**-42.0**	**1596.5**	**125.4**	**96.3**	**20.6**
EBITDA Margin (%)	**6.1**	**33.2**	**39.3**	**37.4**	**36.5**
Depreciation	4.8	6.1	9.4	10.3	12.7
Other Income	5.4	7.2	21.5	23.2	25.5
EBIT	**4.8**	**73.8**	**175.7**	**334.2**	**400.3**
Interest expenses	1.5	4.1	2.1	2.1	1.8
PBT	**3.3**	**69.7**	**173.7**	**332.1**	**398.5**
Tax	0.7	21.8	52.1	101.3	121.5
RPAT	**2.6**	**48.0**	**121.6**	**230.8**	**276.9**
Minority Interest &EOI	0.4	5.2	7.9	15.0	18.0
APAT	**2.2**	**42.7**	**113.7**	**215.8**	**258.9**
Growth (%)	-28.9	1833.9	166.0	89.9	20.0
EPS	0.3	5.2	13.5	25.7	30.8

Balance Sheet

As at March (Rs Cr)	FY22	FY23	FY24E	FY25E	FY26E
SOURCE OF FUNDS					
Share Capital	8.0	8.0	8.4	8.4	8.4
Reserves	275.1	308.2	413.5	616.7	858.8
Shareholders' Funds	**283.0**	**316.2**	**421.9**	**625.1**	**867.2**
Long Term Debt	4.2	0.0	0.0	0.0	0.0
Net Deferred Taxes	0.0	0.0	0.0	0.0	0.0
Long Term Provisions & Others	2.9	3.3	3.4	3.6	3.7
Minority Interest	**6.9**	**14.1**	**22.0**	**37.0**	**55.0**
Total Source of Funds	**297.0**	**333.5**	**447.3**	**665.7**	**926.0**
APPLICATION OF FUNDS					
Net Block & Goodwill	66.2	75.2	88.0	113.8	130.9
CWIP	2.5	1.9	3.0	3.1	3.5
Other Non-Current Assets	24.0	20.0	22.0	24.2	26.6
Total Non Current Assets	**92.7**	**97.2**	**113.0**	**141.0**	**161.0**
Current Investments	0.0	0.0	0.0	0.0	0.0
Inventories	25.0	49.0	85.6	165.0	218.4
Trade Receivables	31.7	85.4	154.1	306.4	393.2
Cash & Equivalents	82.9	167.4	175.6	165.7	248.8
Other Current Assets	136.7	74.8	78.5	74.6	85.8
Total Current Assets	**276.2**	**376.5**	**493.8**	**711.6**	**946.2**
Short-Term Borrowings	9.7	5.9	10.9	10.9	10.9
Trade Payables	3.9	6.7	12.6	25.9	32.0
Other Current Liab & Provisions	58.3	127.5	136.0	150.1	138.2
Total Current Liabilities	**72.0**	**140.2**	**159.4**	**186.9**	**181.2**
Net Current Assets	204.2	236.4	334.4	524.7	765.0
Total Application of Funds	**297.0**	**333.5**	**447.3**	**665.7**	**926.0**

(Source: Company, HDFC sec)

Cash Flow Statement

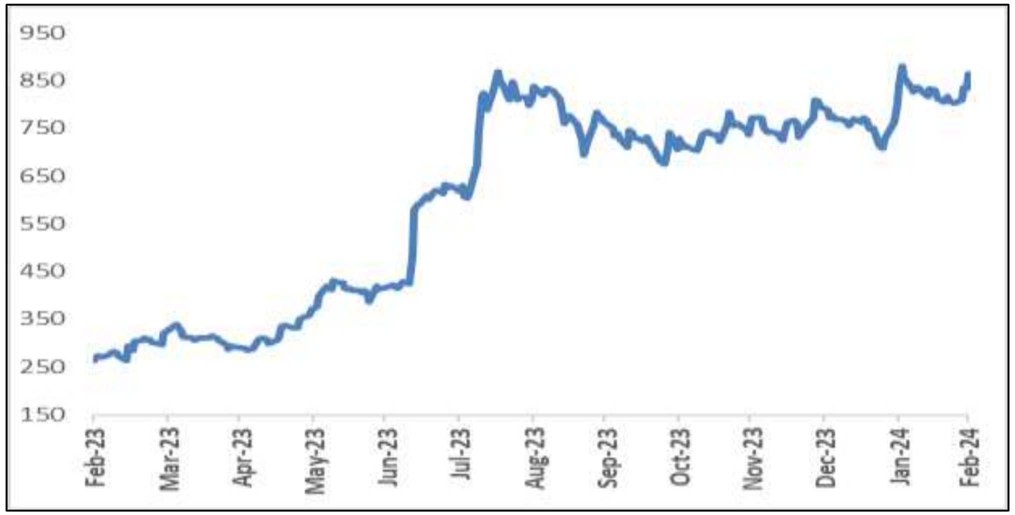
(Rs Cr)	FY22	FY23	FY24E	FY25E	FY26E
Reported PBT	3.3	71.7	173.7	332.1	398.5
Non-operating & EO items	0.2	-5.5	-21.5	-23.2	-25.5
Interest Expenses	-3.0	3.5	2.1	2.1	1.8
Depreciation	4.8	6.1	9.4	10.3	12.7
Working Capital Change	-47.5	55.1	-97.5	-202.2	-159.5
Tax Paid	-2.2	-14.4	-52.1	-101.3	-121.5
OPERATING CASH FLOW (a)	**-44.3**	**116.4**	**14.1**	**17.8**	**106.5**
Capex	-4.3	-13.1	-21.6	-36.0	-30.0
Free Cash Flow	-48.6	103.2	-7.5	-18.2	76.5
Investments	0.0	0.0	-0.2	-0.2	-0.3
Non-operating income	-39.3	9.4	21.5	23.2	25.5
INVESTING CASH FLOW (b)	**-43.6**	**-3.7**	**-0.4**	**-13.0**	**-4.8**
Debt Issuance / (Repaid)	87.2	-7.6	5.0	0.0	0.0
Interest Expenses	3.0	-3.5	-2.1	-2.1	-1.8
FCFE	41.7	92.2	-4.6	-20.3	74.7
Share Capital Issuance	0.0	-9.7	0.0	0.0	0.0
Dividend	-4.8	-0.8	-8.4	-12.6	-16.8
Others	2.5	-0.4	0.0	0.0	0.0
FINANCING CASH FLOW (c)	**88.0**	**-21.9**	**-5.5**	**-14.7**	**-18.6**
NET CASH FLOW (a+b+c)	**0.1**	**90.8**	**8.3**	**-9.9**	**83.1**

Key Ratios

Particulars	FY22	FY23	FY24E	FY25E	FY26E
Profitability Ratio (%)					
EBITDA Margin	6.1	33.2	39.3	37.4	36.5
EBIT Margin	6.9	33.7	42.2	38.9	37.7
APAT Margin	3.2	19.5	27.3	25.1	24.4
RoE	0.9	14.3	30.8	41.2	34.7
RoCE	3.0	30.8	50.0	49.3	44.0
Solvency Ratio (x)					
Net Debt/EBITDA	-16.1	-2.2	-1.0	-0.5	-0.6
Net D/E	-0.2	-0.5	-0.4	-0.2	-0.3
Per Share Data (Rs)					
EPS	0.3	5.2	13.5	25.7	30.8
CEPS	0.8	5.8	14.6	26.9	32.3
Dividend	0.1	0.2	1.0	1.5	2.0
BVPS	33.7	37.6	50.2	74.4	103.2
Turnover Ratios (days)					
Debtor days	166	142	135	130	135
Inventory days	131	82	75	70	75
Creditors days	21	11	11	11	11
Valuation (x)					
P/E	3292.4	166.5	64.0	33.7	28.1
P/BV	25.7	23.0	17.2	11.6	8.4
EV/EBITDA	1683.9	98.0	43.4	22.2	18.2
EV / Revenues	103.3	32.5	17.1	8.3	6.6
Dividend Yield (%)	0.0	0.0	0.1	0.2	0.2
Dividend Payout (%)	38.0	3.8	7.4	5.8	6.5

(Source: Company, HDFC sec)

One Year Price Chart



(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 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.

ABDUL KARIM

Digitally signed by ABDUL KARIM
Date: 2024.03.01 08:19:41 +05'30'

Disclosure:

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

For grievance redressal contact Customer Care Team Email: customercare@hdfcsec.com Phone: (022) 3901 9400

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