

Stock Update

Bharat Electronics Ltd.

Sept 04, 2023





Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Aerospace & Defence	Rs. 137.85	Buy in the Rs 136-140 band & add more on dips to Rs. 121-125 band	Rs. 151	Rs. 163	2-3 quarters

HDFC Scrip Code	BHAELE
BSE Code	500049
NSE Code	BEL
Bloomberg	BHE IN
CMP Sept 01, 2023	137.85
Equity Capital (Rs cr)	731.0
Face Value (Rs)	1.0
Equity Share O/S (cr)	731.0
Market Cap (Rs cr)	100,765.3
Book Value (Rs)	19.0
Avg. 52 Wk Volumes	7,598,855
52 Week High	138.3
52 Week Low	87.0

Share holding Pattern % (June, 2023)	
Promoters	51.1
Institutions	42.2
Non Institutions	6.7
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

Abdul Karim

abdul.karim@hdfcsec.com

Our Take:

Bharat Electronics Ltd. (BEL) is a defence public sector undertaking engaged in the business of Defence Electronics empowering the Nation's Defence Forces and in other chosen areas of Professional Electronics. BEL is the largest domestic electronics manufacturer enjoying benefits associated with the economies of scale. BEL is the dominant supplier of radar, communication and electronic warfare equipment to the Indian armed forces. Besides, the government ownership leads to a sizeable inflow of orders on a nominated basis, providing a steady earnings stream to the company.

BEL reported order inflow at Rs 20,690 crore in FY23, led by several large order awards by Ministry of Defence at the end of FY23. The company achieved its order inflow guidance for FY23, it was expected at Rs 18,000-20,000 crore. The company has guided order inflow at Rs 20,000 crore for FY24E. BEL received order inflows of Rs 8,091 crore in Q1FY24 and order book position stood at Rs 65,356 crore. The company has achieved ~40% of its total order inflow guidance in Q1FY24, which is significantly higher than the Rs 850 crore order inflow in Q1FY23. Big-ticket orders for QRSAM, MRSAM and naval platforms due in FY25 that could provide a multi-year revenue growth opportunity in the medium term.

BEL has been conservative on profitability guidance over the past. It has guided for gross margin at 40 -42% and EBITDA margin in the range of 21-23% for FY24E. BEL has been focused on cost-control measures and extensive indigenization efforts to improve profitability and that could lead to the company achieving its margin guidance as well. We expect gross margin at 43.7%/43.8% and expect EBITDA margin at 22.5%/23.2% for FY24E/FY25E, respectively.

BEL is also focusing on increasing its non-defence revenues by diversifying into civil segments such as smart cities, homeland security, metros, and software as a service (SaaS). The existing metros provide Rs. 7,000 crore opportunity over the next 12-18 months. The company is looking for Rs. 40-50 crore investments in charging infrastructure for 4-5 highways. BEL has also been focusing on exploring the export (primarily non-defence currently) potential of defence electronics products and systems, which bodes well for revenue diversification. BEL's facility in Pune has already set up a Lithium-ion battery unit with talks with Electric Vehicle (EV) manufacturers for business. The company can produce batteries for two-, three- and four-wheelers. The company also has plans to set up charging stations for e-mobility on five highways. BEL's non-defence segment contributed ~11% of revenue in FY23 and is expected to contribute ~25% of its revenues by FY24E/FY25E aided by contribution from EVMs and VVPAT.

We had issued stock update report ([Link](#)) on Aug 16, 2022 and Diwali Pick ([Link](#)) on Oct 17, 2022, on Bharat Electronics Ltd. The stock has achieved its targets before expiry of the calls. Given the healthy growth outlook and expectation of strong order intake, we have now revised earnings and increased target price for the stock.



Valuation & Recommendation:

BEL, one of India's largest defence PSU, specialising in manufacturing defence electronics and is emerging as a key beneficiary of increase in defence capital expenditure. BEL has advantage over its competitors due to its dominant market position, proven track record and association with the armed forces, established infrastructure and manufacturing facilities, along with strong R&D capabilities. BEL's fresh orders pipeline remain healthy, supported by the Government's growing capital budget allocations and continued focus on rolling out enabling reforms to increase India's defence product manufacturing capability and gradually reduce imports. The company is the dominant domestic supplier of defence electronics equipment to the Indian defence forces and it has strategic importance to the GOI. Government ownership leads to a sizeable inflow of orders on a nomination basis and large defence offset requirements of foreign suppliers provide opportunities for business growth over the medium term.

BEL's established track record, large manufacturing capacities, strong R&D base, robust order book with healthy order prospects and strong financial profile led by zero debt, attractive return ratio and better profitability make us positive view towards the stock. **We feel investors can buy the stock in the Rs 136-140 band and add more on dips to Rs. 121-125 band (22x FY25E EPS) for the base target of Rs. 151 (27x FY25E EPS) and bull case target of Rs. 163 (29x FY25E EPS) over the next two to three quarters. The stock is currently trading at 24.6x FY25E EPS.**

Financial Summary (Consolidated)

Particulars (Rs Cr)	Q1FY24	Q1FY23	YoY-%	Q4FY23	QoQ-%	FY21	FY22	FY23	FY24E	FY25E
Total Operating Income	3533	3141	12.5	6479	-45.5	14,109	15,368	17,734	20,727	23,751
EBITDA	673	522	28.7	1832	-63.3	3,211	3,341	4,086	4,671	5,498
Depreciation	109	99	9.7	114	-4.4	387	401	429	428	426
Other Income	140	82	70.6	66	112.0	125	232	281	321	344
Interest Cost	1	1	4.9	2	-56.5	6	5	15	15	16
Tax	174	148	17.6	415	-58.1	872	812	983	1,137	1,350
RPAT	529	356	48.4	1366	-61.3	2,069	2,354	2,940	3,412	4,051
APAT	538	367	46.8	1382	-61.0	2,099	2,399	2,984	3,458	4,099
Diluted EPS (Rs)	0.7	0.5	46.8	1.9	-61.0	2.9	3.3	4.1	4.7	5.6
RoE-%						19.9	20.6	22.8	23.3	24.2
P/E (x)						48.0	42.0	33.8	29.1	24.6
EV/EBITDA (x)						29.8	29.2	23.2	20.0	16.8

(Source: Company, HDFC sec)



Q1FY24 Result Review

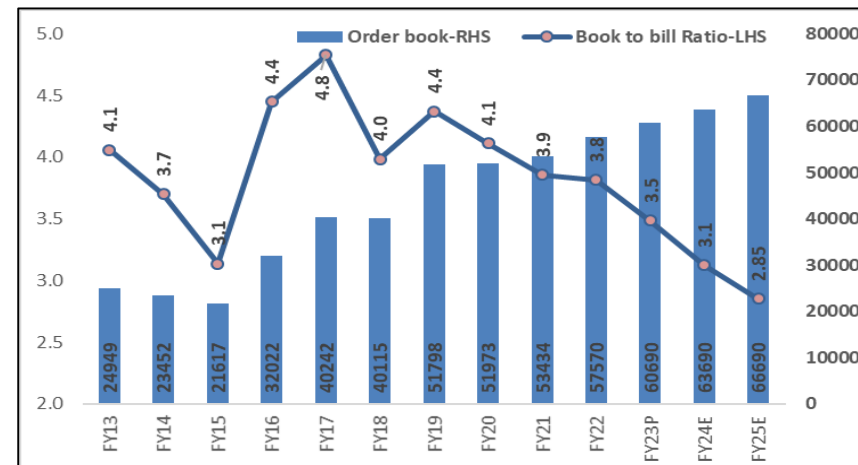
- BEL's revenue was inline with expectations and profitability was above expectations in Q1FY24. With robust order book, the company could report strong revenue growth going forward. Its consolidated revenue grew by 12.5% YoY to Rs 3,533 crore in Q1FY24.
- The company's EBITDA was up by 28.7% on YoY basis to Rs 673 crore in Q1FY24 and EBITDA margin was at 19% in Q1FY24 vs. 16.6% in Q1FY23. Higher EBITDA margin was supported by lower raw material cost on YoY basis.
- The company's net profit increased by 47% on YoY basis to Rs 539 crore and net profit margin stood at 15.2% in Q1FY24 vs. 11.7% in Q1FY23.
- The order book position of the company as on 1st July, 2023 stood at Rs. 65356 crore vs. Rs. 60690 crore as on 1st April, 2023, book to bill stood at 3.6x TTM sales.

Key Updates

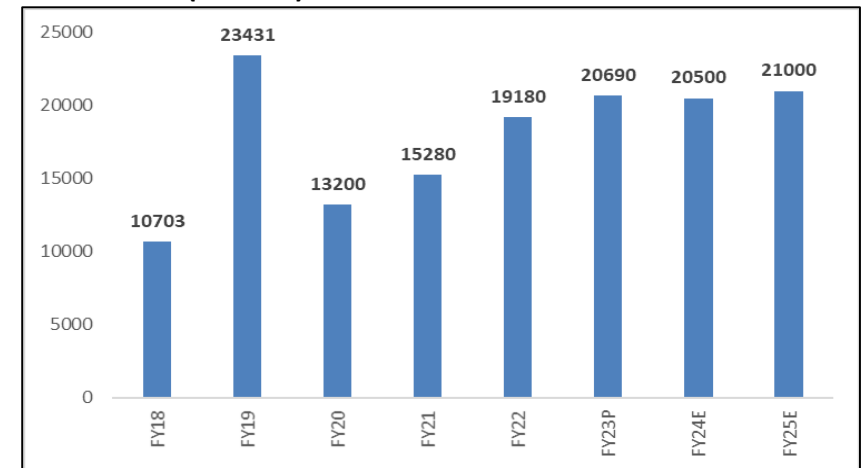
Strong order book brings better earning visibility going forward

The company's unexecuted order book stood at Rs 65,690 crore as of June 30, 2023, 18% YoY and 8% QoQ higher. The order book stands at 3.6 times of the operating income on TTM basis, which provides adequate revenue visibility over the medium term. Order inflows in FY23 came in at Rs 20,690 crore. 95% of the order book is on nomination basis from the government and the rest is through bidding process.

Order book (Rs in Cr) and Book to Bill ratio(x)



Order inflow (Rs in Cr)



(Source: Company, HDFC sec)



BEL received order inflows of Rs 8,091 crore in Q1FY24, which includes orders of Rs 2,191 crore for supply of Long Range Guidance Kit with Warhead, Airborne V/UHF Jammer, Battlefield Surveillance Radar (Short Range) Upgrade, Missile Guidance Radar & Control Centre, Upgraded Radio Relay (F) with Data Modem Encryption Unit Mk II, Identify Friend or Foe Mk XII A, Anti-Submarine Warfare Shallow Water Craft (ASW SWC) Sonar and Spares, and orders for Akash Weapon System (AWS) with upgrades from Bharat Dynamics (BDL) for a value of Rs. 3,914 crore in Q1FY24. Other significant orders valued at Rs. 1,984 crore include orders for Shakti EW & Sanket MK III (Naval Systems), GBMES & GBVU Com Jammer systems, among others.

BEL received defence and non-defence orders aggregating to Rs 3,289 core since July 01, 2023, received total orders of Rs 11,380 crore till now in the FY24E. The received order post July 01, 2023 are for supply of low-level light-weight radars, SONARS, IFF systems, SATCOM systems, EO/IR payloads, TRM/DTRMs, jammers, encryptors, data link systems, fire control systems, radars for directed energy systems, semi-rugged telephone exchanges, software defined radios and various other types of radios, electronic voting machines, AMCs and spares. 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.

BEL expects strong order pipeline in FY24E and the company's major expected orders in FY24E are QRSAM (Quick Reaction Surface-to-Air Missile) worth Rs 20,000 crore and MRSAM (Medium Range Surface to Air Missile) worth Rs 15,000-20,000 crore, the long-term orders for MRSAM and QRSAM, amongst others, could also provide a strong its order inflows visibility. The company also has a Rs 4,500-crore order for electronic fuses from the army and a Rs 5,000-crore order of sensor equipment for shipyards in the pipeline. The orders from Tejas Mk1A and Mk2 and next-generation corvettes are likely to be awarded going forward. Hence, the company has a strong order pipeline of Rs. 60,000-70,000 crore.

The Defence Acquisition Council's Acceptance of Necessity (AoN) is likely to invest Rs 7,800 crore for procurement of electronic warfare suites like Mi-17 V5 helicopters, ground-based autonomous systems for mechanised infantry and armoured regiments, 7.62x51 mm Light Machine Guns (LMGs), Bridge Laying Tanks (BLTs), and ruggedised laptops and tablets for the Indian Army across the Armed Forces, BEL could be one of the beneficiaries.

On March 30, 2023, Ministry of Defence (MoD) has signed ten contracts worth Rs 5,498 crore with BEL, these contracts are:

- (a) BEL Bangalore signed for EW Suite Equipment for Medium Lift Helicopter (90 Nos.). It is indigenously designed and developed by the DRDO lab, Combat Aircraft Systems Development & Integration Centre (CASDIC). It comprises of Radar Warning Receiver (RWR), Missile Approach Warning System (MAWS) and Counter Measure Dispensing System (CMDS) will significantly enhance the combat survivability of IAF helicopters while undertaking operational missions against adversaries — ground-based as well as airborne radars and heat seeking shoulder fired missiles with effective countermeasures.
- (b) BEL Bangalore signed for AMC for Akash Missile System for Maintenance of two Squadrons. AMS is a medium range surface-to-air missile (SAM) system, developed by DRDO and manufacture by BEL. AMS includes Surveillance Radar, Fire Control Radar, Control and Command



Centre developed by BEL. The Akash Missile system can target aircrafts upto 30 km away and has the capabilities to neutralise aerial threats like fighter jets, cruise missiles and Air-to Surface Missiles. It is fully integrated with C4I and equipped with ECCM features.

ARMY PROJECTS:

- (a) BEL Ghaziabad signed for Automated Air Defence Control & Reporting System (Project Akashteer). It will enable monitoring of low level airspace over the battle areas of Indian Army and effectively control the Ground Based Air Defence Weapon Systems.
- (b) BEL Kotdwara signed for Instant Fire Detection and Suppressing System IFDSS for T 72 with IFDSS is indigenously designed by DRDO and will be manufactured by BEL, Kotdwara.

NAVY PROJECTS:

- (a) Software Defined Radio (SDR) (1265 Nos.) - Portables for Indian Navy are latest state-of-the-art radios which have been indigenously developed, jointly by DEAL (DRDO) and BEL. The SDR portables are developed in three configurations viz. SDR Manpack, SDR Fixed Pack and SDR hand held, to meet the specific operational requirements of Indian Navy. SDR Portables are new generation software defined radio that supports multi band, multi-channel, multi role/ mission operation with voice/data to meet the needs of network-centric warfare of Indian Navy.
- (b) HD VLF HF Receiver (1178 Nos.) is communication equipment, designed to Receive and Demodulate Data/ Voice in VLF and HF Band of operation in the ships and submarines of Indian Navy. With induction of this state of the art equipment, Naval forces will be modernized for secure and higher data capability. The equipment is productionised by BEL, Panchkula with ToT from design agency DEAL DRDO Dehradun.
- (c) Sarang (12 Nos.) will be installed on Kamov 31 Helicopters of Indian Navy, which intercepts, detects and identifies the Radar emitters comprising state-of-the-art technologies. The project is indigenously designed and developed by DLRL and manufactured by BEL, Hyderabad.
- (d) Three more projects were signed with Indian Navy - INS-SA, CMS for P17 & P28, Varuna EW.

All these are flagship projects showcasing the indigenous design and manufacturing capabilities of Indian defence industry led by BEL, involving other public sectors, private sectors and MSMEs. These projects will add another milestone to the generate revenue going forward.

Strategic alliances with various companies to focus on emerging business:

BEL has formed many strategic alliances and partnerships with Defence laboratories, the Ordnance Factory Board, DPSUs, Academia, Startups, niche technology companies and reputed global OEMs and Indian companies / agencies for addressing the emerging Defence and Non-Defence businesses, including exports.



On June 21, 2023, BEL has signed an MoU with tech company HFCL Ltd to indigenously develop and deploy emerging technologies and technical solutions to address the requirements of defence, telecom and railway sectors. BEL and HFCL will pursue business opportunities, capitalising on their domain expertise, technological strengths and market presence to enhance the nation's capabilities in Defence and contribute to the growth of telecommunications infrastructure and other critical, developing sectors. BEL and HFCL will in this process explore options such as Transfer of Technology and joint production of mutually identified products and solutions

On May 05, 2023, BEL signed an MoU with Emjay Control Systems Pvt Ltd to jointly manufacture and develop business for state-of-the-art, electro-mechanical bollards for use in various defence, homeland security, paramilitary and export projects. The bollards are envisaged to safeguard vital installations by pre-empting unauthorised entry of heavy vehicles. Emjay Control Systems Pvt Ltd is a Bengaluru-based company having its manufacturing centre at Malur in Kolar district. Emjay is a leading manufacturer of Automatic Retractable Bollards with manual override, having Indian and US patents, with the brand name ISEQ (International Security Equipment).

On Feb 02, 2023, BEL has signed a frame supply agreement with Thales Reliance Defence Systems (TRDS) for the manufacture and supply of TR modules, radar LRUs (line replaceable units) and micro modules. The frame supply agreement, aims at leveraging the complementary strengths and capabilities of BEL and TRDS. As part of the offset commitment under the Rafael-India contract and in line with the make in India policy, BEL and TRDS have entered into an agreement for the manufacture and supply of TR modules and micro modules of radars used in Rafael fighter aircraft.

On Nov 04, 2022, BEL has signed an MoU with Motorola Solutions India Pvt Ltd for co-operation in the field of broadband, push-to-talk service. The MoU aims at leveraging the complementary strengths and capabilities of BEL and Motorola. It will enable BEL and Motorola to address the needs of professional mobile radio segment users to connect their teams with greater speed and efficiency using Motorola WAVE PTX, a push-to-talk (PTT) service. WAVE PTX is a network independent multimedia communication service that instantly connects cross-functional teams at the push of a button without any boundaries. Motorola Solutions is a global leader in public safety and enterprise security. Their solutions in land mobile radio communications, video security & access control and command center software, bolstered by managed and support services.

On Aug 30, 2022, BEL signed an MoU with Smiths Detection, a global leader in threat detection and security inspection technologies, for offering advanced, high-energy scanning systems to the Indian market. The MoU will leverage the high-end, technological capabilities of both the firms to meet India's domestic security needs. BEL will handle front-end requirements in the market, supporting localization of the projects and Smiths Detection will provide its state-of-the-art screening technology and technological expertise for the project. The MoU is for a period of five years and can be extended further by mutual consent.

On Aug 24, 2022, BEL and NHPC have signed a MoU to set up a gigawatt-scale vertically integrated polysilicon-to-solar module manufacturing unit. This MoU is likely to leverage the complementary strengths and capabilities of BEL and NHPC to cooperate and collaborate in conceptualization, structuring, and implementation of the gigawatt-scale vertically integrated solar manufacturing unit. Solar panels



manufactured from this facility will be deployed to set up the rooftop and utility-scale solar power plants to achieve India's renewable energy target of 500 GW by 2030.

On June 25, 2022, BEL signed an MoU with Defense Initiatives (DI), Belarus, and Defense Initiatives Aero Pvt. Ltd., India, a subsidiary of DI Belarus, for supply of Airborne Defense Suite (ADS) for the helicopters of the Indian Air Force (IAF). The cooperation between these companies is also aimed at exploring various business opportunities for India and global markets for ADS.

Besides the recent alliances, the company is working in many strategic alliances in emerging businesses through Co-development, Co-production and Manufacturing Transfer of Technology (ToT).

Diversification into allied non-defence areas to reduce dependency on imports

The company is diversifying into various non-defence areas and energy storage products are one area the company is focusing on. BEL's defence business contributed to ~87% and non-defence business contributed to ~11 of its annual sales in FY23, the company has been continuously exploring diversification into allied non-defence areas, such as energy storage products for electric vehicles with Li-ion & Fuel Cells and charging stations. Contribution from the non-defence sector varied between 11-20% and the company aims to generate 25% of its revenue from the non-defence sector with applications in energy storage, smart city platforms and electric vehicle charging stations in FY24E/FY25E. The export orders in Q1FY24 stood at Rs 87 crore and it targets US\$ 90mn export revenues in FY24.

EV Charging stations: BEL is planning to set up the EV charging station at the HPCL retail outlet at Amravati Enclave near the Pinjore charging station on the Chandigarh-Shimla Highway. The charging station will have two guns of 25kW each of CCS-2 protocol. In addition, BEL has also indigenously developed EV slow and fast chargers. BEL will partner with Hindustan Petroleum Corporation Ltd (HPCL) to set up a fast Electric Vehicle (EV) charging station on the Chandigarh-Shimla Highway. The Ministry of Heavy Industries has entrusted BEL with installing EV charging infrastructure at four highways/expressways.

Semi-conductor fabrication (fab) plant: BEL is planning to set up a semi-conductor fabrication (fab) plant in consortium with HAL and some private companies under the production linked incentive (PLI) scheme. Currently, the discussions are taking place at different levels for scrutiny and it could take three to four years to be operational once approvals are received. The fab project would likely mean investment worth Rs 25,000-30,000 crore. BEL would be chipping in with around Rs 3,000 crore, but these are premature estimates. The remaining comes from partners and the rest from the central and state government subsidy/incentives. We believe setting up of an indigenous plant would reduce dependency on imports and lead to significant cost saving in the long term.



Lithium ion cells: The company is also getting into indigenously manufacturing lithium ion cells, battery management systems, and end-to-end solar cell and panel manufacturing. The company has tied up with automotive OEMs in Pune to supply the battery packs. An R&D plant has come up in Pune with a 5 MW capacity. Once the company runs comfortable level of manufacturing lithium cells, big investments would be made in this business. BEL would be making Li-Ion LFP (Lithium Iron Phosphate – LiFePO₄) chemistry with long cycle life for EV applications. BEL has collaborated with NSTL (DRDO) for the Li-Ion cell technology. BEL has established a pilot plant for Li-Ion prismatic cell development and manufacturing. BEL has constructed a pilot plant for the research and manufacturing of Li-Ion prismatic cells. BEL has designed and realized three varieties of Li-Ion prismatic cells, namely 3.2V, 10 Ah / 25 Ah, using raw materials such as anode, cathode, electrolyte, solvents, binder, and so on. These cells' intended uses include underwater, e-mobility, and remote power systems, among others.

Communication System: BEL has developed communications systems for metro and railways. It has plans to manufacture platform doors for the metro systems.

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

- BEL's financial profile remains strong because of healthy profitability and return indicators, zero debt, superior liquidity and strong debt coverage metrics. BEL reported revenue CAGR over a decade (from FY13 to FY23) at ~11%, net profit CAGR of ~13% over the same period and the company reported margin at a range of 19-23%. We expect, the company could report revenue CAGR at ~16% and 17% PAT CAGR over the FY23 to FY25E.
- BEL has focused on cost-control measures and extensive indigenisation efforts to improve profitability. BEL 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 6000 crore as on March 31, 2023.
- BEL 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, we expect Rs 1.8 and Rs 2.1 dividend per share to shareholders in FY24E and FY25E, respectively. Besides, the company continues to invest heavily on capex at Rs. 700-800 crore for the year and has considerable expenditure in R&D at 6-7% of revenue.
- BEL reported double digit returns ratios, supported by healthy and sustainable margins.

What could go wrong?

- Any changes in the procurement policy of the defence forces or a significant reduction in defence spending could impact its revenue and order book position. Besides, any adverse change in government policy/terms for Defense PSUs could impact BEL's operation over the longer term. BEL's major customer- India Defence Sector, contributed ~ 87% of the revenue in FY23.



- Defence sector has been opened up to the private sector leading to threat of competition from private players like Adani Defence and Aerospace, L&T, Bharat Forge etc. However, BEL will continue to benefit from its strategic importance as the major supplier of defence electronics equipment to the Indian defence forces and the high sectoral entry barriers, which would limit competition.
- Due to the high concentration of the Government sector orders, BEL's revenue generation and cash flows are vulnerable to delays in project execution or final payment clearance in some cases. BEL is targeting to increase the share of non-defence revenues to 25% over the medium term to reduce business dependence.
- BEL's working capital intensity had remained elevated in the past due to high receivables and unbilled revenues on account of long gestation periods for the orders executed.
- Shortage of Lithium and semi-conductor Chips could impact its projects for EV Battery production and providing battery charging point facilities.
- Due to diversification efforts, geo political and external environment, the company is exposed to a variety of risks which are dynamic in nature.

About the company

Bharat Electronics Limited (BEL), a Navratna defence public sector undertaking, is engaged in the business of Defence Electronics empowering the Nation's Defence Forces and in other chosen areas of Professional Electronics. BEL is the dominant supplier of radar, communication and electronic warfare equipment to the Indian armed forces. The company has nine manufacturing units across India and two research units. The Bangalore and the Ghaziabad units are BEL's two major units, with the former contributing the largest share to the company's total revenue and profits. The GOI remains BEL's largest shareholder with the current shareholding of 51.14%, as on March 31, 2023.

Peer comparison

Company	Mkt Cap-Cr	Sales			EBITDA			PAT			RoE-%			P/E-x		
		FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
BEL	100765	17734	20727	23751	4086	4671	5498	2984	3458	4099	22.8	23.3	24.2	33.8	29.1	24.6
HAL	131828	26927	28712	32216	6679	7176	7986	5828	5218	5771	27.2	20.4	19.9	22.6	25.4	22.7
BDL	20967	2489	3128	4124	408	601	877	352	594	819	12.8	15.0	20.3	59.6	36.2	27.6

(BDL & HAL figures are from Bloomberg Estimates)



Financials – Consolidated Income Statement

(Rs Cr)	FY21	FY22	FY23	FY24E	FY25E
Net Revenues	14109	15368	17734	20727	23751
Growth (%)	8.8	8.9	15.4	16.9	14.6
Operating Expenses	10898	12027	13649	16056	18253
EBITDA	3211	3341	4086	4671	5498
Growth (%)	16.6	4.1	22.3	14.3	17.7
EBITDA Margin (%)	22.8	21.7	23.0	22.5	23.2
Depreciation	387	401	429	428	426
EBIT	2823	2940	3657	4243	5072
Other Income	125	232	281	321	344
Interest expenses	6	5	15	15	16
PBT	2942	3166	3923	4549	5401
Tax	872	812	983	1137	1350
RPAT	2069	2354	2940	3412	4051
APAT	2099	2399	2984	3458	4099
Growth (%)	15.1	14.3	24.4	15.9	18.6
EPS	2.9	3.3	4.1	4.7	5.6

Balance Sheet

As at March, Rs Cr	FY21	FY22	FY23	FY24E	FY25E
SOURCE OF FUNDS					
Share Capital	244	244	731	731	731
Reserves	10816	12042	13131	15053	17399
Shareholders' Funds	11060	12286	13862	15784	18129
Long Term Debt	0	0	0	0	0
Net Deferred Taxes	-463	-619	-501	-425	-361
Long Term Provisions & Others	1585	2026	1043	1138	1194
Minority Interest	15	16	18	18	18
Total Source of Funds	12197	13709	14422	16515	18981
APPLICATION OF FUNDS					
Net Block & Goodwill	3137	3235	3457	3768	4186
CWIP	397	446	361	491	515
Other Non-Current Assets	1778	2315	1122	1026	947
Total Non Current Assets	5313	5996	4940	5284	5649
Current Investments	0	0	0	0	0
Inventories	4968	5592	6448	7382	8459
Trade Receivables	6562	6108	7033	8234	9435
Cash & Equivalents	5074	3332	5977	7390	8153
Other Current Assets	7112	12262	10089	9080	8172
Total Current Assets	23716	27294	29547	32087	34220
Short-Term Borrowings	0	0	0	0	0
Trade Payables	3298	3369	3408	3862	4360
Other Current Liab & Provisions	13534	16212	16657	16995	16528
Total Current Liabilities	16832	19581	20065	20856	20887
Net Current Assets	6884	7713	9482	11230	13332
Total Application of Funds	12197	13709	14422	16515	18981

(Source: Company, HDFC sec)



Cash Flow Statement

(Rs Cr)	FY21	FY22	FY23	FY24E	FY25E
Reported PBT	2,972	3,212	3,969	4,597	5,452
Non-operating & EO items	56	-137	-151	-321	-344
Interest Expenses	6	2	11	15	16
Depreciation	387	401	429	428	426
Working Capital Change	2,204	1,534	-2,078	-335	-1,339
Tax Paid	-533	-804	-913	-1,137	-1,350
OPERATING CASH FLOW (a)	5,093	4,207	1,267	3,247	2,860
Capex	-468	-547	-589	-700	-750
Free Cash Flow	4,625	3,660	678	2,547	2,110
Investments	-196	-266	922	-20	-22
Non-operating income	-1,932	-4,058	2,358	437	445
INVESTING CASH FLOW (b)	-2,595	-4,872	2,691	-283	-327
Debt Issuance / (Repaid)	-8	0	0	0	0
Interest Expenses	-6	-2	-11	-15	-16
FCFE	4,610	3,658	667	2,532	2,094
Share Capital Issuance	0	0	0	0	0
Dividend	-1,023	-1,024	-1,243	-1,535	-1,754
Other	-39	-52	-59	0	0
FINANCING CASH FLOW (c)	-1,076	-1,078	-1,313	-1,550	-1,770
NET CASH FLOW (a+b+c)	1,422	-1,742	2,645	1,414	763

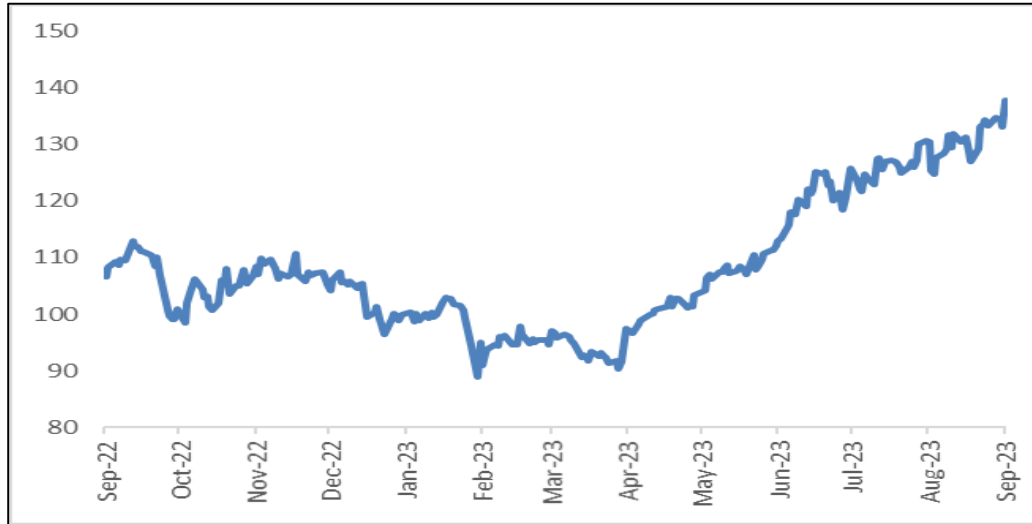
Key Ratios

Particulars	FY21	FY22	FY23	FY24E	FY25E
Profitability Ratio (%)					
EBITDA Margin	22.8	21.7	23.0	22.5	23.2
EBIT Margin	20.0	19.1	20.6	20.5	21.4
APAT Margin	14.9	15.6	16.8	16.7	17.3
RoE	19.9	20.6	22.8	23.3	24.2
RoCE	25.2	27.7	32.1	40.1	42.1
Solvency Ratio (x)					
Net Debt/EBITDA	-1.6	-1.0	-1.5	-1.6	-1.5
Net D/E	-0.5	-0.3	-0.4	-0.5	-0.4
PER SHARE DATA (Rs)					
EPS	2.9	3.3	4.1	4.7	5.6
CEPS	3.4	3.8	4.7	5.3	6.2
Dividend	1.3	1.5	1.8	2.1	2.4
BV	15.1	16.8	19.0	21.6	24.8
Turnover Ratios (days)					
Debtor days	170	145	145	145	145
Inventory days	129	133	133	130	130
Creditors days	85	80	70	68	67
VALUATION (x)					
P/E	48.0	42.0	33.8	29.1	24.6
P/BV	9.1	8.2	7.3	6.4	5.6
EV/EBITDA	29.8	29.2	23.2	20.0	16.8
EV / Revenues	6.8	6.3	5.3	4.5	3.9
Dividend Yield (%)	1.0	1.1	1.3	1.5	1.7

(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. These 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.



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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