

Stock Update

# Bharat Electronics Ltd.

Aug 16, 2022





# Bharat Electronics Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Aerospace & Defence	Rs. 290.90	Buy in the Rs 288-294 band & add more on dips to Rs. 261.50	Rs. 319.50	Rs. 342.50	2 quarters

HDFC Scrip Code	BHAELE
BSE Code	500049
NSE Code	BEL
Bloomberg	BHE IN
CMP Aug 12, 2022	290.90
Equity Capital (Rs cr)	243.7
Face Value (Rs)	1.0
Equity Share O/S (cr)	243.7
Market Cap (Rs cr)	70,888.5
Book Value (Rs)	50.4
Avg. 52 Wk Volumes	7,598,855
52 Week High	292.2
52 Week Low	169.3

Share holding Pattern % (Jun, 2022)	
Promoters	51.1
Institutions	43.8
Non Institutions	5.1
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](mailto: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 has been continuously focusing on sustainable growth plans and has taken various initiatives like focus on enhancing its R&D capability, enhancing manufacturing capabilities through timely modernisation and expansion of facilities and enter into joint ventures in existing and emerging businesses to enhance growth visibility. The company is planning to invest heavily on capex as well as spend considerable expenditure in R&D.

Over the last five years, indigenisation level in India's overall defence sector has increased from ~39% in FY15 to ~48% in FY21. Government's focus on research and development, increased indigenisation levels and completion of key projects like Brahmos missile, Aakash air defence systems, LAC Tejas, light combat helicopter and submarines provide enough room to grow domestic defence ecosystem. BEL has a strong manufacturing base and execution capabilities of delivering products across all three defence verticals, making it the preferred partner.

The company is the second largest defence PSU (in terms of revenue), next only to Hindustan Aeronautics Ltd. Its 78%-80% revenue comes from communications equipment, radars and sonars, electronic warfare systems, avionics, electro optics, electronic systems for tanks and armoured fighting vehicles, etc. BEL is the primary defence supplier of strategic electronic assemblies and sub-assemblies. The Indian government has set an ambitious defence production target at US\$25 billion by 2025 (including US\$5 billion from exports by 2025). Out of the 101 defence equipment items banned for import, BEL has capabilities to produce 55 items, while 23 items are under the advanced stages of indigenisation.

We had initiated coverage report ([Link](#)) on Oct 18, 2021, 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:

Over the past, India has been among the top importers of defence equipment. To modernise its armed forces and reduce dependency on imports, several initiatives have been taken by the government to encourage 'Make in India' policy, Vocal to Local and Atmanirbhar Bharat. We expect that BEL could play an important role on India's defence theme, given its indigenization capabilities, healthy order book, promising order inflow pipeline, and strong execution capabilities. BEL continues to enjoy 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. Bharat Electronics (BEL) has reported an impressive Q1FY23 earnings, and has started FY23 on a strong note.

State of the art internal processes/systems and thrust on R&D / localization gives unique competitive strength to BEL. **We feel investor can buy the stock in the Rs 288-294 band and add more on dips to Rs. 261.50 band (22.5x FY24E EPS) for the base target of Rs. 319.50 (27.5x FY24E EPS) and bull case target of Rs. 342.5 (29.5x FY24E EPS) over the next two quarters. The stock is currently trading at 25.1x FY24E EPS.**

### Financial Summary (Consolidated)

Particulars (Rs Cr)	Q1FY23	Q1FY22	YoY-%	Q4FY22	QoQ-%	FY20	FY21	FY22	FY23E	FY24E
Total Operating Income	3141	1649	90.5	6340	-50.5	12,968	14,109	15,368	17,503	19,577
EBITDA	522	70	645.9	1578	-66.9	2,754	3,211	3,341	3,833	4,297
Depreciation	99	97	1.9	106	-6.4	372	387	401	421	463
Other Income	82	45	81.4	64	28.6	99	125	232	245	255
Interest Cost	1	0	684.6	4	-76.0	4	6	5	5	5
Tax	148	5	3044.6	385	-61.5	686	872	812	1,169	1,307
RPAT	356	13	2629.0	1147	-68.9	1,793	2,069	2,354	2,484	2,776
APAT	356	24	1359.0	1147	-68.9	1,824	2,099	2,399	2,530	2,825
Diluted EPS (Rs)	1.5	0.1	1359.0	4.7	-68.9	7.5	8.6	9.8	10.4	11.6
RoE-%						18.9	19.9	20.6	19.5	19.7
P/E (x)						38.9	33.8	29.5	28.0	25.1
EV/EBITDA (x)						25.1	20.5	20.2	17.5	15.7

(Source: Company, HDFC sec)

### Q1FY23 Result Review

- BEL reported Q1FY23 numbers that were with above expectations, revenue grew 91% YoY to Rs 3,141 crore supported by strong executions during the quarter, Q1FY22 was largely impacted by second wave of COVID and shortage of chip supply. EBITDA stood at Rs 522 crore, vs. Rs 70 crore in Q1FY22. Adjusted PAT came in at Rs 356 crore, vs. Rs 24 crore in Q1FY22.



- Order backlog stood at Rs 55,333 crore as of June 30, 2022, which is ~3.3x TTM revenue. Out of Rs 2,600 crore revenue impacted due to chip shortages in FY22, Rs 821 crore got liquidated in Q1FY23; balance expected during the year. Orders inflow during the year is expected at Rs 18,000-20,000 crore.
- The company has maintained its revenue growth guidance of 15% and EBITDA margin guidance of 21-23% for FY23E. The chips supply situation is better now than previous year. Therefore, we expect better FY23E revenue growth and margin than given guidance.

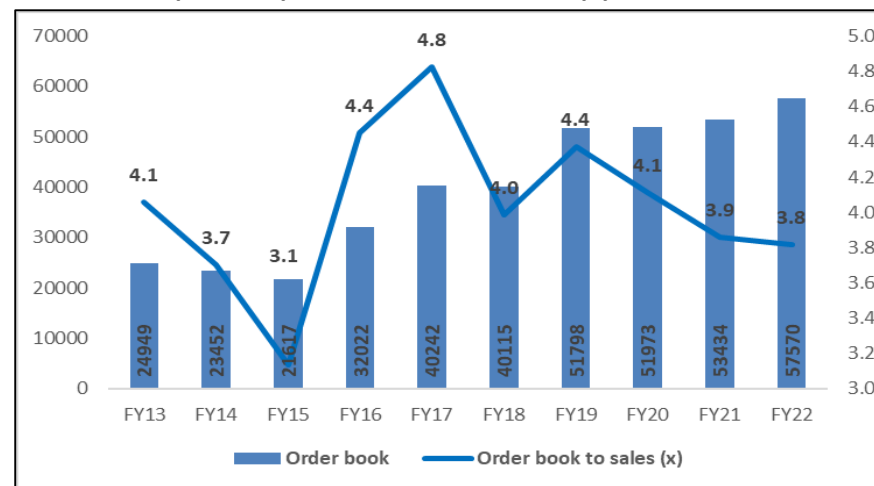
### Key Updates

#### Strong order book brings better earning visibility going forward

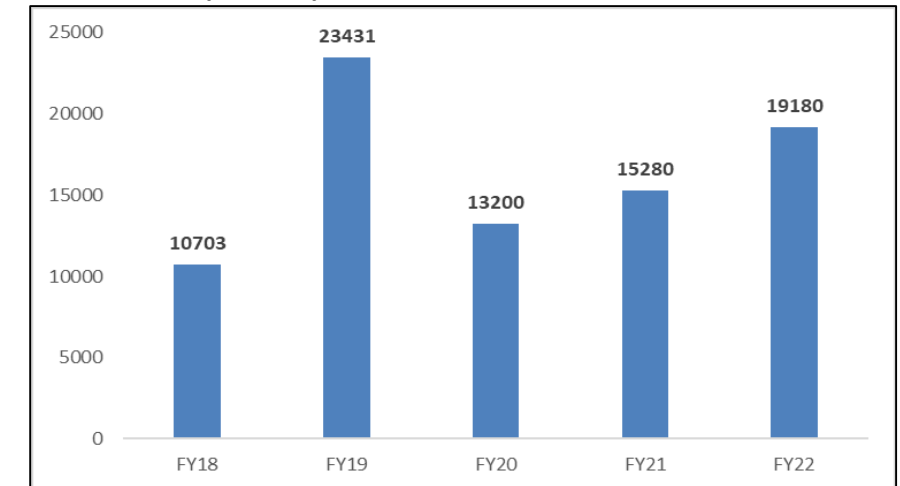
The company's unexecuted order book stood at Rs 55,333 crore as of June 30, 2022. The order book stands at 3.3 times of the operating income on TTM basis, which provides adequate revenue visibility over the medium term. Order inflows in FY22 came in at Rs 19180 crore, taking the order book to a record high of Rs 57570, providing strong revenue visibility over the coming few years. ~91-92% of the order book is on nomination basis from the government and the rest is through bidding process.

Key order wins in FY22 were a Rs 4000 crore for Akash Prime from Bharat Dynamic Ltd (deliverable over 3-4 years), Himshakti EWS worth Rs 3000 crore, upgrade of EW System MI17 for Rs 1600 crore, Medium power radar Arudhra for Rs 3000 crore, fire control system worth Rs 1400 crore, 12 WDR (Weapon Detecting Radars) worth Rs 1,000 crore and GSL worth Rs 2000 crore.

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



Order inflow (Rs in Cr)





Order inflow is expected at Rs 18,000-20,000 in FY23E. 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.

Additionally, the Government's focus on rolling out enabling reforms to increase India's defence product manufacturing capability and gradually reduce imports will support the order inflow in the medium-to-long term. BEL expects strong order pipeline in FY23E and 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.

### **BEL is moving to non-defence sector to reduce dependence from defence business**

BEL is a principal supplier of many electronic products like radars, naval systems, EWS, avionics, weapon systems, etc. to all the 3 armed forces. In order to diversify away from defence business, the company is targeting sectors such as civil aviation, e-mobility, metro rail, etc. It also intends to penetrate emerging markets for both defence and non-defence business to improve the share of exports. Other than its core Defence business, BEL has ventured into non-defence areas as Homeland Security, Smart City, Energy Storage Products, Solar, Space Electronics, Network & Cyber Security, Railways & Metro Solutions, Weather Radars, VVPAT, etc.

In order to reduce its dependence on defence sector, the company has diversified into medical electronics, energy storage, unmanned system, space electronics and systems, SAAS, ammunition, metro rail, etc. Recently, BEL initiated two major activities for DMRC (Delhi Metro Railway Corporation) - Super-Supervisory Control & Data Acquisition (SCADA) System and Indigenous Automatic Train Supervision System (i-ATS). Order for EVM/VVPAT worth Rs 1500 crore will be executed during Q4FY23E (~40%) and Q1FY24E (~60%).

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 crore-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 non-defence segment contributed ~12% of revenue in FY22 and is expected to contribute ~25% of its revenues by FY24E.





### **Strategic alliances in emerging businesses:**

The company is working in many strategic alliances in emerging businesses through Co-development, Co-production and Manufacturing Transfer of Technology (ToT), such as Weapon systems, Surveillance, tracking and multifunction AESA-based radars, Naval & Airborne applications, Next Generation Electronic Warfare Suites and Counter Measure Systems, Air Defence Systems, including Seekers & Missiles, Unmanned Systems for Land, Air, surface & underwater applications, Anti-Submarine Warfare Systems, Software Defined Radios for Tactical applications, C4I Systems, Night Vision Devices, Multi-sensor Stabilization Systems, Arms and Ammunitions, Transportation Solutions for Railways and Metro, Composite Products for Land, Marine & Avionics segments, Artificial Intelligence & Robotics, Space Electronics & Launch Vehicles, Solar, medical equipment and related solutions, Energy Storage Products etc.

The company 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.

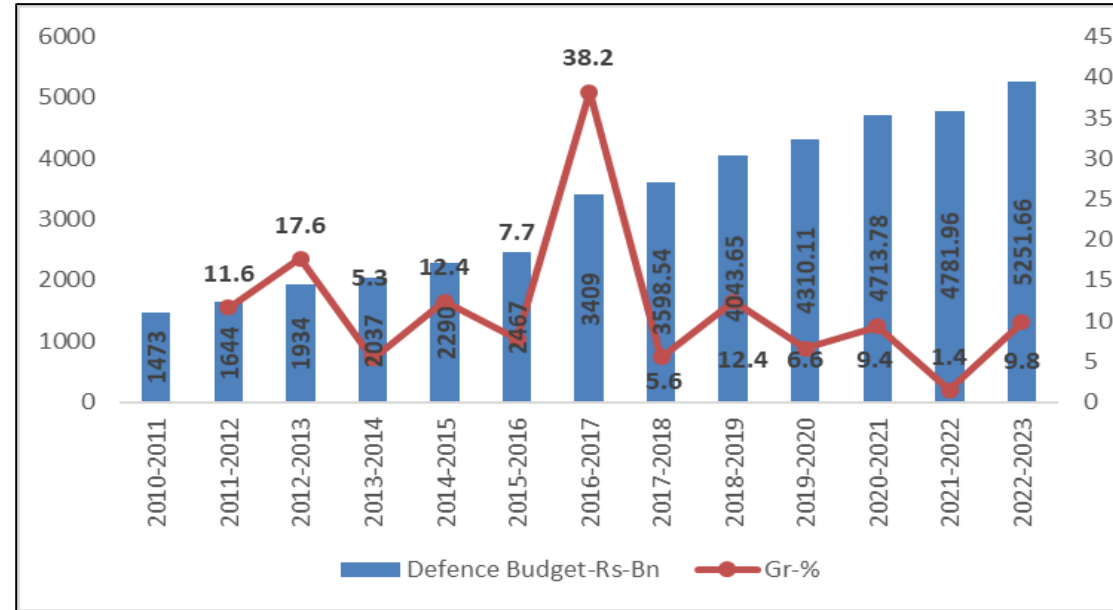
Besides, Defence Industry has witnessed the semiconductor (or chip) shortage in the past two years. Now, Chip supplies situation is improving for the company and most of the suppliers have started giving commitments in terms of supply. If the supply situation gets better, the higher revenue growth, BEL could report going forward.

### **Government thrust on defence spending aided by indigenous domestic ecosystem**

The defence industry of India has played strategically important role over the past, primarily due to volatile northern and western borders. India has been amongst top 10 defence spenders globally since 1985. India's overall defence spending has witnessed an average growth rate of 11.5% in the last 10 years. The government's allocation to defence, at 9.8% of the total budget expenditure, was highest among all the sectors for FY22-23. The near double-digit rise in the defence allocation comes amidst India's ongoing military stand-off with China in eastern Ladakh.

The salaries and pensions account for a significant portion i.e., ~69% of India's defence spend, while capital outlay, stores and consumables accounted for ~31%. This provides limited budget for capex towards new weapons acquisition or development of defense ecosystem in India.

### India's Defence Budget over the last 10 years



### Key Components of MoD's Budget (FY2022-23)

	MoD (Civil)	Defence Pensions	Defence Services	MoD Total
2021-22 (BE) (INR Billion)	152.57 (3%)	1158.50 (24%)	3470.88 (73%)	4781.96 (100%)
2021-22 (RE) (INR Billion)	175.87 (3%)	1168.78 (23%)	3684.18 (73%)	5028.84 (100%)
2022-23 (BE) (INR Billion)	201.00 (4%)	1196.96 (23%)	3853.70 (73%)	5251.66 (100%)
% Increase in 2022-23 (BE) over 2021-22 (BE)	31.7	3.3	11.0	9.8
% Increase in 2022-23 (BE) over 2021-22 (RE)	14.3	2.4	4.6	4.4

### Revenue and Capital Share in MoD's Budget (FY2022-23)

	Revenue Expenditure	Capital Expenditure	Total
MoD (Civil) (INR Billion)	120.50	80.50	201.00
Defence Pension (INR Billion)	1196.96	0.00	1196.96
Defence Services (INR Billion)	2330.01	1523.70	3853.70
Total (INR Billion)	3647.47	1604.20	5251.66
% of Total	69	31	100



## Robust financial profile led by healthy profitability 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 FY12 to FY22) at 10% and the company reported margin at a range of 19-23% over the last six years. We expect, the company could report revenue CAGR at 13% over the FY22 to FY24E.
- BEL reported net profit CAGR of 11% over the last one decade, and we expect 9% PAT CAGR over the FY22 to FY24E.
- 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. It has also sufficient liquidity with healthy cash and bank balance of about Rs 3300 crore as on March 31, 2022.
- The company has been regular for paying dividends. Taking the availability of sufficient cash for dividend payment to shareholders, we expect Rs 5 and Rs 5.5 dividend per share to shareholders in FY23E and FY24E, respectively. Besides, the company continues to invest heavily on capex at ~Rs. 600 crore p.a 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?

- BEL has been improving share of non-defense revenues in total revenues but it has put pressure on the company's margin profile. In the past, overall margin trajectory has been good due to nomination based contracts from defence.
- BEL's major customer- India Defence Sector, contributed ~ 80% of the revenue in FY22. 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 and other relevant PSUs over the longer term.
- The company has seen semi-conductor Chips shortage over the last two to three quarters, and it has impacted the execution of orders. Now, the suppliers are receiving the orders to supply Chips in near future. Any shortage of semi-conductor could impact its revenue and future guidance.
- 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.
- Changing a 15-year old policy, the Defence Ministry came up with its latest Defence Acquisition Procedure 2020 (DAP 2020) effective from October 1, 2021. The government has now decided to remove the clause for offsets, if the equipment is being bought either through deals or agreements between two countries, or through an ab initio single-vendor deal (Ab initio single vendor means that





when you start the process you have only one vendor). An offset provision in a contract makes it obligatory on the supplier to either reverse purchase, execute export orders or invest in local industry or in research and development in the buyer's domestic industry. With the recent change, BEL may lose the chance of benefitting from defence offset clause in the above categories of defence purchases.

- 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.
- Obsolescence of critical components, continued dependency on the OEMs and requirement to support the entire product lifecycle are the other critical challenges. 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.

### 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%.

### **Subsidiaries**

**BEL Optronics Devices Ltd:** BEL Optronics Devices Ltd has been established for conducting research, development and manufacture of Image Intensifier Tubes and associated high voltage Power Supply Units for use in military, security and commercial systems. The company is located in Bhosari Industrial Area, Pune.

**BEL- Thales Systems Ltd:** BEEL-Thales Systems Ltd is a Joint Venture Company (JVC) between Bharat Electronics Limited and Thales, located in the BEL Industrial Estate, Jalahalli, Bengaluru. The company is presently engaged in the co-development of a multi-target tracking Radar with Thales Netherlands to address forthcoming Indian weapon systems projects as well as the global requirements. The company is also involved in providing technical and product support for Air Traffic Management Radars.



## Product & Services and Customers

PRODUCTS AND SERVICES	CUSTOMERS
Telecommunication, Terminals & Networks	Department of Telecom, Paramilitary Forces, Railways, Defence Research & Development Organization (DRDO)
Broadcast Systems & Satcom Products	All India Radio (AIR), Doordarshan (DD), Indian Space Research Organization (ISRO)
Electronic Voting Machine	Election Commission of India
Solar Products & Systems	Police, Government & Private Organizations, Individuals
Turnkey Systems, e-Governance Networks	ISRO, Police, State Governments, Public Sector Undertakings
Components	AIR & DD, the National Radio & TV Broadcasters, Instrumentation Industry, Switching Industry, Entertainment Industry, Telephone Industry, Individuals

## Manufacturing Units

Units	Specific operatio
Bangalore, Karnataka	Military Communications, Network Centric Systems, Military Radars, Weapon Systems, Naval Systems, Airborne Electronic Warfare & Avionic Systems, Strategic Communication & Unmanned Systems, Homeland Security & Smart City Business, Components, Coastal Surveillance Systems, Electronic Voting Machines, Solar Products, Traffic Signals
Chennai, Tamil Nadu	Tank Electronics, Optical Fire Control Systems
Panchkula (Haryana)	Military Communication Equipment, Encryption products
Kotdwar, (Uttarakhand)	Tele-communication Systems, Military Communication Systems
Ghaziabad, (Uttar Pradesh)	Network Centric Systems, Radars Antennae, Satcom (Defence), Microwave Components
Pune, Maharashtra	Batteries [Ni Cd ,Li-SO2, Li-Ion, Ni-MH ], Electro Optics [Laser Range Finders (LRF), Laser Target Designator (LTD), Multi-purpose Reflex Weapon Sight (MRWS), Chemical Agent Monitor(CAM), XBIS [X-Ray Baggage Inspection System, X-Ray Mail Inspection Scanner, Vehicle Mounted], Systems [Armoured Engineer Reconnaissance Vehicle (AERV), Nuclear Biological Chemical Recce Vehicle (NBC RV), Remotely Operated Vehicle (Daksh)], Electro Explosive (Electronic Fuses – Percussion, Proximity, Time)
Hyderabad, Telangana	Electronic Warfare Systems
Navi Mumbai	Shelters for systems, Homeland Security Systems
Machilipatnam, Andhra Pradesh	Electro Optics ( Night Vision Devices)



### Business Segments

Defence	Non Defence
Defence Communication products	Cyber Security
Land-based Radars	E-Mobility
Naval Systems	Railways
Electronic Warfare Systems	e-Governance Systems
Avionics	Homeland Security
Electro Optics	Civilian Radars
Tank & Armoured Fighting Vehicle Electronic Systems	Turnkey Projects
Weapon Systems	Components / Devices
C4I Systems	Telecom, Broadcast System
Shelters & Masts	<b>Software Services</b>
Simulators	<b>Electronic Manufacturing Services</b>
Batteries	<b>Exports</b>
Components / Devices	

### Industry Overview

The Indian defence manufacturing industry is likely to accelerate with rising concerns of national security. Due to the ongoing territorial disputes with Pakistan and China over the ownership of the Northern State of Kashmir and the North Eastern State of Arunachal Pradesh, demand for defence equipment in India has been growing. Over the last five years from 2017 to 2021, India has been ranked among the top importers of defence equipment to gain technological advantages over rival countries such as China and Pakistan. However, to modernise its armed forces and reduce dependency over external dependence for defence procurement, the government has taken several initiatives. The Indian government has set the defence production target at US\$ 25 billion by 2025 (including US\$ 5 billion from exports by 2025). Defence exports in the country witnessed strong growth in the last two years. India targets to export military hardware worth US\$ 5 billion (Rs. 35,000 crore) in the next 5 years.

### **Key developments**

- In November 2021, GoI started the first private operationalised defence manufacturing facility in the Uttar Pradesh Defence Industrial Corridor (UPDIC), in Lucknow. The facility operated by Aerolloy Technologies — a wholly owned subsidiary of PTC industries — will manufacture parts for aircraft and helicopter engines, structural parts for aircrafts, drones and UAVs, submarines, ultra-light artillery guns, space launch vehicles and strategy systems.



- The MoD has set a target of 70% self-reliance in weaponry by 2027, creating huge prospects for industry players and introduced Green Channel Status Policy (GCS) to promote and encourage private sector investments in defence production to promote the role of private sector in defence production.
- The MoD has introduced the Strategic Partnership model (SP) for the Indian private sector. The model aims to progressively build indigenous capabilities in the private sector to design, develop and manufacture complex weapon systems and platforms.
- To promote indigenous Defence manufacturing, the Government has undertaken initiatives like liberalisation of Industrial Licensing, development of Defence Corridors, funding for Innovation in Defence and Aerospace through iDEX / DIO, continuous updation of DPP, thrust on exports, etc. The MoD has released a simplified Make-II procedure to help import substitution and promote innovative solutions. Suo moto proposals can also be submitted under Make-II category.
- In defence sector, FDI up to 74% is allowed through the automatic route and above 74% under the Government route, wherever it needs to access modern technology.

### Peer comparison

Company	Mkt Cap-Cr	Sales			EBITDA			PAT			EBITDAM-%			PATM-%			P/E-x		
		FY20	FY21	FY22	FY20	FY21	FY22	FY20	FY21	FY22	FY20	FY21	FY22	FY20	FY21	FY22	FY20	FY21	FY22
BEL	70889	12968	14109	15368	2754	3211	3341	1824	2099	2399	21.2	22.8	21.7	14.1	14.9	15.6	38.9	33.8	29.5
HAL	75913	21445	22882	24620	4880	5341	5420	2842	3239	5086	22.8	23.3	22.0	13.3	14.2	20.7	26.7	23.4	14.9
Bharat Dynamic	15059	3105	1914	2817	756	346	726	535	258	500	24.3	18.1	25.8	17.2	13.5	17.7	28.1	58.4	30.0



## Financials – Consolidated Income Statement

(Rs Cr)	FY20	FY21	FY22	FY23E	FY24E
<b>Net Revenues</b>	<b>12968</b>	<b>14109</b>	<b>15368</b>	<b>17503</b>	<b>19577</b>
Growth (%)	6.6	-37.7	67.9	28.1	21.2
Operating Expenses	10213	10898	12027	13670	15280
<b>EBITDA</b>	<b>2754</b>	<b>3211</b>	<b>3341</b>	<b>3833</b>	<b>4297</b>
<b>Growth (%)</b>	<b>-5.2</b>	<b>16.6</b>	<b>4.1</b>	<b>14.7</b>	<b>12.1</b>
<b>EBITDA Margin (%)</b>	<b>21.2</b>	<b>22.8</b>	<b>21.7</b>	<b>21.9</b>	<b>22.0</b>
Depreciation	372	387	401	421	463
<b>EBIT</b>	<b>2383</b>	<b>2823</b>	<b>2940</b>	<b>3413</b>	<b>3834</b>
Other Income	99	125	232	245	255
Interest expenses	4	6	5	5	5
<b>PBT</b>	<b>2478</b>	<b>2942</b>	<b>3166</b>	<b>3653</b>	<b>4083</b>
Tax	686	872	812	1169	1307
<b>RPAT</b>	<b>1793</b>	<b>2069</b>	<b>2354</b>	<b>2484</b>	<b>2776</b>
<b>APAT</b>	<b>1824</b>	<b>2099</b>	<b>2399</b>	<b>2530</b>	<b>2825</b>
Growth (%)	-3.3	15.1	14.3	5.5	11.7
EPS	7.5	8.6	9.8	10.4	11.6

## Balance Sheet

As at March	FY20	FY21	FY22	FY23E	FY24E
<b>SOURCE OF FUNDS</b>					
Share Capital	244	244	244	244	244
Reserves	9828	10816	12042	13357	14845
<b>Shareholders' Funds</b>	<b>10072</b>	<b>11060</b>	<b>12286</b>	<b>13601</b>	<b>15089</b>
Long Term Debt	0	0	0	0	0
Net Deferred Taxes	-499	-463	-619	-526	-447
Long Term Provisions & Others	1397	1585	2026	2127	2233
<b>Minority Interest</b>	<b>14</b>	<b>15</b>	<b>16</b>	<b>16</b>	<b>16</b>
<b>Total Source of Funds</b>	<b>10984</b>	<b>12197</b>	<b>13709</b>	<b>15218</b>	<b>16892</b>
<b>APPLICATION OF FUNDS</b>					
Net Block & Goodwill	3294	3137	3235	3783	4019
CWIP	247	397	446	424	381
Other Non-Current Assets	1571	1778	2315	2061	1848
<b>Total Non Current Assets</b>	<b>5112</b>	<b>5313</b>	<b>5996</b>	<b>6268</b>	<b>6248</b>
Current Investments	0	0	0	0	0
Inventories	3958	4968	5592	6234	7187
Trade Receivables	6724	6562	6108	6905	7885
Cash & Equivalents	1661	5074	3332	3768	3453
Other Current Assets	6395	7112	12262	10423	9380
<b>Total Current Assets</b>	<b>18738</b>	<b>23716</b>	<b>27294</b>	<b>27330</b>	<b>27905</b>
Short-Term Borrowings	0	0	0	0	0
Trade Payables	2450	3298	3369	3788	4130
Other Current Liab & Provisions	10416	13534	16212	14591	13132
<b>Total Current Liabilities</b>	<b>12866</b>	<b>16832</b>	<b>19581</b>	<b>18379</b>	<b>17262</b>
<b>Net Current Assets</b>	<b>5872</b>	<b>6884</b>	<b>7713</b>	<b>8950</b>	<b>10643</b>
<b>Total Application of Funds</b>	<b>10984</b>	<b>12197</b>	<b>13709</b>	<b>15218</b>	<b>16892</b>





## Cash Flow Statement

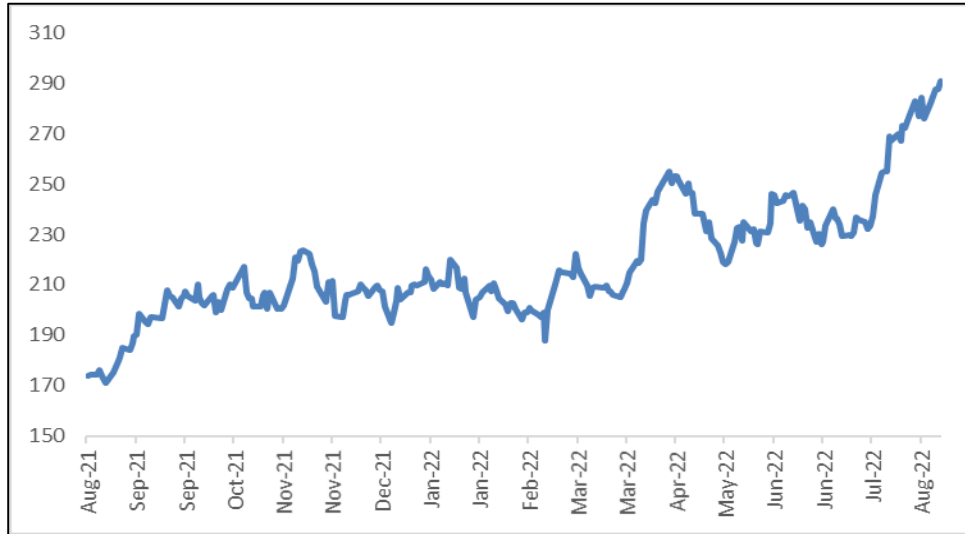
(Rs Cr)	FY20	FY21	FY22	FY23E	FY24E
Reported PBT	2,510	2,972	3,212	3,701	4,133
Non-operating & EO items	-47	56	-137	-245	-255
Interest Expenses	3	6	2	5	5
Depreciation	372	387	401	421	463
Working Capital Change	306	2,204	1,534	-802	-2,008
Tax Paid	-574	-533	-804	-1,169	-1,307
<b>OPERATING CASH FLOW ( a )</b>	<b>2,570</b>	<b>5,093</b>	<b>4,207</b>	<b>1,911</b>	<b>1,033</b>
Capex	-747	-468	-547	-750	-470
Free Cash Flow	229	241	172	431	317
Investments	-146	-196	-266	-23	-26
Non-operating income	243	-1,932	-4,058	522	493
<b>INVESTING CASH FLOW ( b )</b>	<b>-650</b>	<b>-2,595</b>	<b>-4,872</b>	<b>-252</b>	<b>-2</b>
Debt Issuance / (Repaid)	-25	-8	0	0	0
Interest Expenses	-3	-6	-2	-5	-5
FCFE	79	120	18	373	262
Share Capital Issuance	0	0	0	0	0
Dividend	-980	-1,023	-1,024	-1,218	-1,340
Other	-52	-39	-52	0	0
<b>FINANCING CASH FLOW ( c )</b>	<b>-1,061</b>	<b>-1,076</b>	<b>-1,078</b>	<b>-1,223</b>	<b>-1,345</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>860</b>	<b>1,422</b>	<b>-1,742</b>	<b>436</b>	<b>-314</b>

## Key Ratios

Particulars	FY20	FY21	FY22	FY23E	FY24E
<b>Profitability Ratio (%)</b>					
EBITDA Margin	21.2	22.8	21.7	21.9	22.0
EBIT Margin	18.4	20.0	19.1	19.5	19.6
APAT Margin	14.1	14.9	15.6	14.5	14.4
RoE	18.9	19.9	20.6	19.5	19.7
RoCE	19.8	25.2	27.7	23.5	23.2
<b>Solvency Ratio (x)</b>					
Net Debt/EBITDA	-0.6	-1.6	-1.0	-1.0	-0.8
Net D/E	-0.2	-0.5	-0.3	-0.3	-0.2
<b>PER SHARE DATA (Rs)</b>					
EPS	7.5	8.6	9.8	10.4	11.6
CEPS	9.0	10.2	11.5	12.1	13.5
Dividend	2.8	4.0	4.5	5.0	5.5
BV	41.3	45.4	50.4	55.8	61.9
<b>Turnover Ratios (days)</b>					
Debtor days	189	170	145	144	147
Inventory days	111	129	133	130	134
Creditors days	69	85	80	79	77
<b>VALUATION (x)</b>					
P/E	38.9	33.8	29.5	28.0	25.1
P/BV	7.0	6.4	5.8	5.2	4.7
EV/EBITDA	25.1	20.5	20.2	17.5	15.7
EV / Revenues	5.3	4.7	4.4	3.8	3.4
Dividend Yield (%)	1.0	1.4	1.5	1.7	1.9



## One Year Price Chart



### 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.

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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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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: Mr. Murli Karkera, Email: [complianceofficer@hdfcsec.com](mailto:complianceofficer@hdfcsec.com) Phone: (022) 3045 3600

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