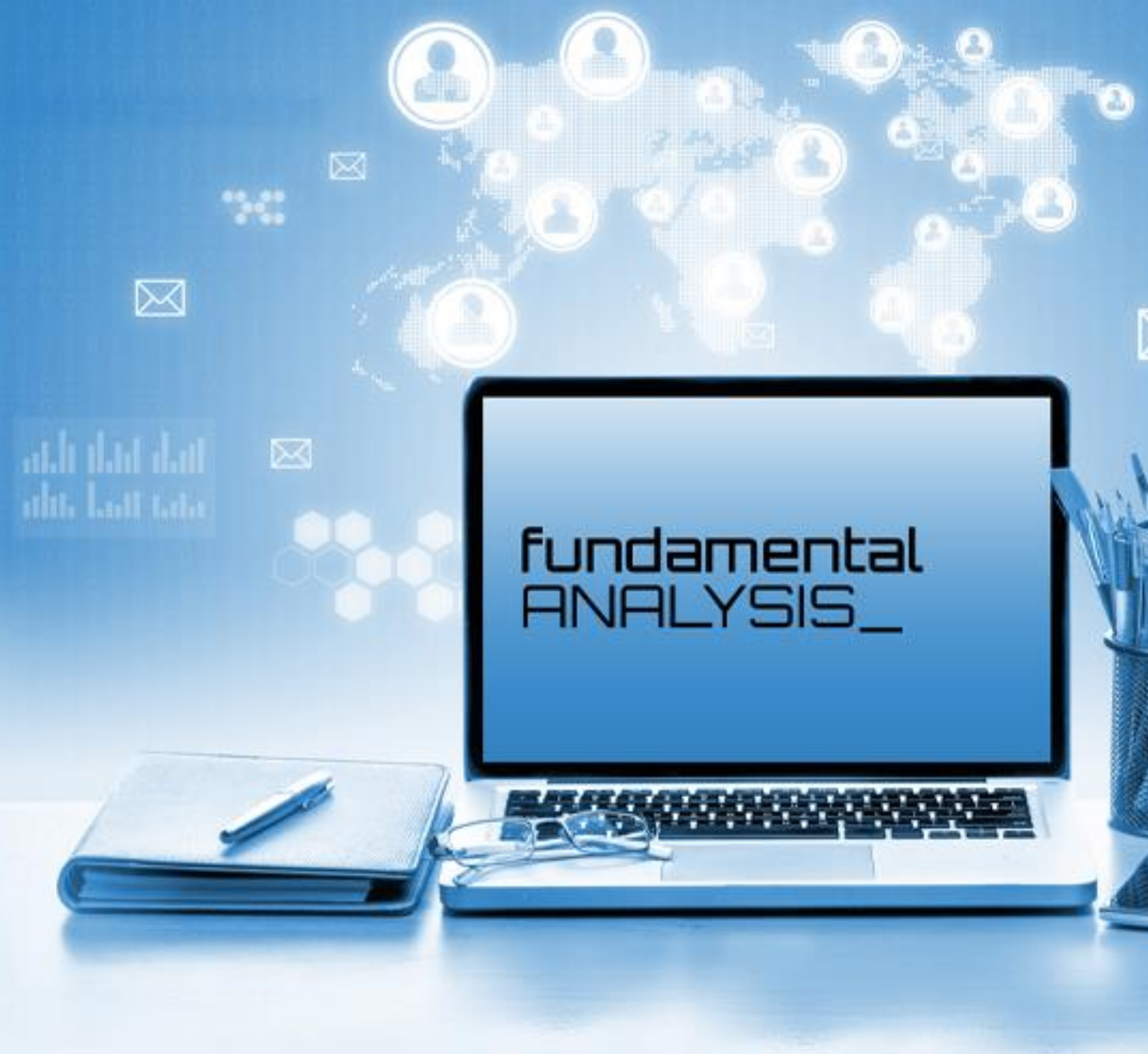
Stock Note

The Anup Engineering Ltd.

Jan 12, 2023



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The Anup Engineering Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Industrial Products	Rs 917.4	Buy in the band of Rs 908-925 & add more on dips to Rs 825-845 band	Rs 1021	Rs 1115	2-3 quarters

HDFC Scrip Code	ANUENGEQNR
BSE Code	542460
NSE Code	ANUP
Bloomberg	ANUP IN
CMP Jan 11, 2023	917.4
Equity Capital (Rs cr)	9.8
Face Value (Rs)	10
Equity Share O/S (cr)	0.9
Market Cap (Rs cr)	907
Book Value (Rs)	408.7
Avg. 52 Wk Volumes	20530
52 Week High	1236.9
52 Week Low	615.9

Share holding Pattern % (Dec 2022)	
Promoters	43.0
Institutions	12.2
Non Institutions	44.8
Total	100.0

* Refer at the end for explanation on Risk Ratings

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Our Take:

The Anup Engineering Limited (AEL) is engaged in business of design and fabrication of process equipment, which mainly includes heat exchangers, pressure vessels, centrifuges, columns & towers and small reactors that find application in refineries, petrochemicals, chemicals, pharmaceuticals, fertilizers and other allied industries. It is one of the leading process equipment manufacturers having distinctive focus and expertise in heat exchangers (~70-75% of revenue). The company has added proprietary and special equipments through tie-ups and collaboration with global technology providers thereby enhancing existing product range. It has been upgrading its bays to enable handling of higher weight equipment in line with the evolving product mix. The company has also undertaken a greenfield expansion in Kheda (Ahmedabad) which is expected to be operational from Q4FY23. AEL is a well-established name amongst end users and consultants that is reflected in shealthy operating margins and strong balance sheet.

Anup Engineering has strengthened its order book on the back of strong order inflows in FY22 & H1FY23. Order book increased from Rs 393cr as of Mar’22 to Rs 536cr in Sep’22 (Rs 256cr in Mar’21). Healthy order book reflects its focus on specialised products (Helixchanger and heavier complex & larger diameter equipment) and exports given its capacities at existing facility at Odhav and upcoming one at Kheda. We expect healthy order inflows to sustain on the back of robust demand environment of underlying industries, sticky nature of the clients and track record of timely delivery execution. In the process manufacturing segment, Anup Engineering has a special focus on heat exchangers which plays a critical role in in large scale industries like oil & gas refining and petrochemicals.

Anup Engineering is well positioned to lead a higher growth trajectory on the back of higher capex and debottlenecking its existing facility in the past and upcoming greenfield expansion. The new state-of-the-art facility at Kheda will allow the company to alter the product mix and to execute large and more complex equipment orders; and help to cater export market. On completion, this facility is gradually expected to deliver topline of Rs 500-550cr. Focus on large equipment and critical metallurgy will increase revenue per equipment. AEL is approved vendor with most of the major EPC/ PMC domestic companies. Anup has a technological tie-up with Lummus Technology for the manufacture of Helixchangers (a shell & tube heat exchanger with helical baffles), which forms a large part of its heat exchanger revenue. The company plans to be licensee of such similar technologies, to include proprietary items in its portfolio and thus improving its order book position. Going forward, the product mix would continue to remain tilted towards Shell & Tube Heat Exchanger with more advanced designs.

Valuation & Recommendation:

Anup Engineering has demonstrated combination of sustained growth and superior operating margin. It reported revenue/EBITDA/PAT growth of 9.5%/7.8%/14.2% CAGR over FY17-22. Over the years, the company has been able to maintain superior operating margins ~24-27% and PAT margin of 17-22%. The company has a strict control over its overheads while keeping optimum product mix. Strong order book (Rs 536cr) and capex plans by companies in oil and gas industry has strengthened its growth trajectory going forward. The new CEO has articulated its vision with a clear agenda to diversify product categories (move up the value chain in terms of higher thicknesses, exotic metallurgy and by acquiring technology of proprietary products), improving exports share and expanding capacities & capabilities. We expect revenue/EBITDA/PAT to grow at CAGR of 24.6%/22.8%/9.8% over FY22-25E. **We think the base case fair value of the stock is Rs 1021 (13.75x Sep'24E EPS) and the bull case fair value is Rs 1115 (15x Sep'24E EPS) over the next two-three quarters. Investors can buy the stock in the band of Rs 908-925 and add more on dips to Rs 825-845 band (11.25x Sep'24E EPS). At CMP, the stock trades at 12.3x Sep'24E EPS.**

Financial Summary

Particulars (Rs cr)	Q2FY23	Q2FY22	YoY-%	Q1FY23	QoQ-%	FY21	FY22	FY23E	FY24E	FY25E
Total Operating Income	101.0	89.1	13.4	51.8	94.9	279.1	288.2	374.6	475.3	557.0
EBITDA	20.5	22.7	-9.7	9.4	117.1	68.8	70.0	74.6	105.3	129.5
PAT	12.9	15.7	-17.7	5.2	150.3	53.5	62.1	48.2	64.6	82.3
Adjusted PAT	12.9	15.7	-17.7	5.2	150.3	53.5	62.1	48.2	64.6	82.3
Diluted EPS (Rs)	13.1	15.9	-17.7	5.2	150.3	54.4	62.8	48.8	65.4	83.2
RoE-%						16.2	17.0	11.7	14.0	15.7
P/E (x)						16.9	14.6	18.8	14.0	11.0
EV/EBITDA (x)						13.0	12.4	12.5	8.6	6.9

(Source: Company, HDFC sec)

Q2FY23 Result Review:

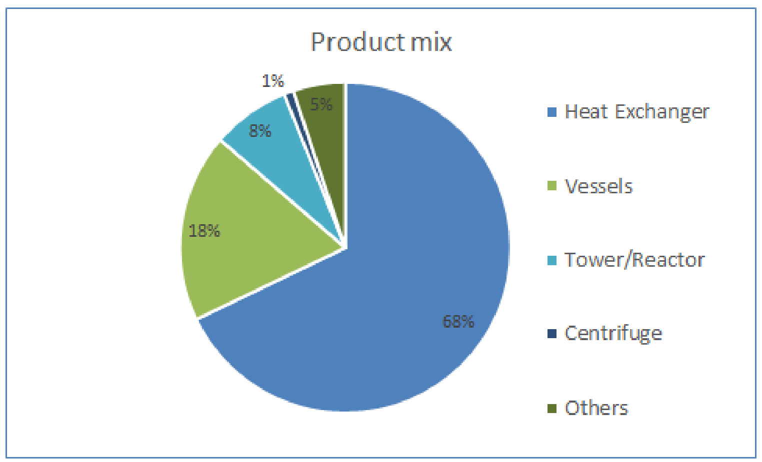
The Anup Engineering Ltd reported healthy topline of Rs 100.9cr (up 13.4%/ 94.9% YoY/QoQ). Gross margins contracted to 43.5% from 49.4% in the previous quarter, on account of raw material price pressures. The company, however, clocked higher EBITDA margin on sequential basis to 20.3% as against 18.2% in the previous quarter (vs 25.5% in Q2FY22) on account of positive operating leverage. It clocked EBITDA of Rs 20.5cr (-9.7%/117.1% YoY/QoQ). Since much of orders were awarded in H2FY22, second half of FY23 would see higher revenue bookings. The pressure on EBITDA margins in H1FY23 is mainly due to a sharp increase in raw material prices. The management alluded that margins in H2FY23 would be around 20% level. AEL reported PAT of Rs 12.9cr, -17.7%/+150.3% YoY/QoQ.

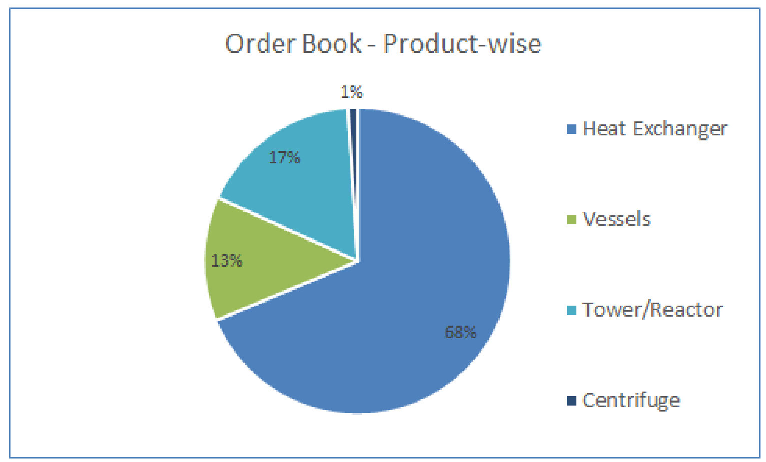
Company's order book as of Sep 30, 2022 stood at Rs 536cr, which provides healthy revenue visibility. Around 87% of order book is towards refinery and petrochemical industry. Domestic business constitutes 83% of order book. Around 60% of order book is at historical margin levels of 24-25% which would be executed in next fiscal.

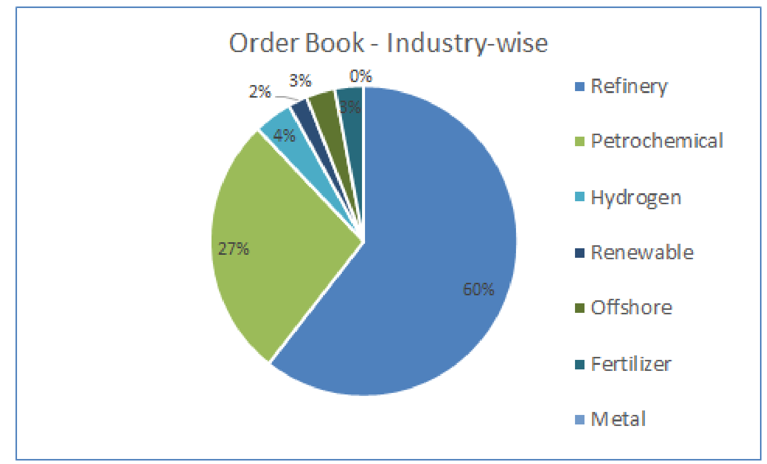
Key Triggers:

Healthy order book improves revenue visibility:

Anup Engineering has strengthened its order book on the back of strong order inflows in FY22 & H1FY23. Order book increased from Rs 393cr as of Mar'22 to Rs 536cr in Sep'22 (Rs 256cr in Mar'21). Book-to-bill ratio has increased from 1.03x in FY19 to 1.13x in FY22. Healthy order book reflects its focus on specialised products (Helixchanger and heavier complex & larger diameter equipment) and exports given its capacities at existing facility at Odhav and upcoming one at Kheda. Although order execution has been subdued recently, its robust order flows indicates strong client relationship and technical manufacturing expertise. The company received a huge order of ~Rs 100cr from public sector refinery for Heat Exchangers in Q1FY23. It booked ~Rs 295cr of orders in H1FY23, and expects similar traction in the second half. Order execution period typically ranges between 9-12 months. Anup's order book predominantly consists of heat exchangers (~70%). Going forward, the company targets to bring it down to 60% to reduce product concentration. We expect healthy order inflows to sustain on the back of robust demand environment of underlying industries, sticky nature of the clients and track record of timely delivery execution.







(Note: Product Mix is for FY22 Revenue, Order book classification is as of Sep'22; Source: Company, HDFC sec)

Robust demand from end use industries coupled with company's expertise in manufacturing of Heat Exchangers:
ANUP is amongst the few focused established player in the domestic process plant equipment industry, which is largely dominated by small and medium enterprises. Some of the large names include L&T, Godrej & Boyce, ISGEC Heavy Engineering, TEMA India, among others. In the process manufacturing segment, Anup Engineering has a special focus on heat exchangers which plays a critical role in in large scale industries like oil & gas refining and petrochemicals. The value of process equipment required is low in relation to the total capital cost involved; the average order size is ~Rs 2.5-3cr which discourages expansion of larger capital goods companies into the process plant equipment market. All process equipment is specifically tailored as per clients' specifications requiring high levels of customization making a case for ordering from established suppliers who meet the complexity and quality standards. Anup Engineering has demonstrated combination of sustained growth and superior operating margin.

The India heat exchanger market is expected to exhibit a CAGR of 7% during 2022-2027. The heat exchanger component removes the sulphur content in oil to the extent required to comply with fuel quality standards. Replacement demand is also expected to stay strong on the back of technological upgradation. In the recent years, the heat exchangers market has witnessed significant advancements in technology owing to increasing demand for recovering valuable energy, reducing costs and limiting environmental emissions. These developments include deployment of new and efficient heat exchangers, innovative heat transfer equipment as well as the introduction of systems of heat exchangers in various industrial processes.

Anup's growth prospects are dependent on capex budgets of companies engaged in oil refineries, petrochemicals, chemicals, pharmaceuticals, fertilizers and other allied industries. Anup derives ~70% of its revenue from oil and gas refining and the balance ~30% from petrochemical and fertilizer sectors. Outlook for oil and gas industry is expected to remain stable in medium term. Refining and petrochemical specifically is here to stay for the next 10 years despite all the focus on renewables. Energy demand of India is anticipated to grow faster than energy demand of all major economies globally on the back of continuous robust economic growth. While India would be the 5th largest economy, it is already the 3rd largest energy consumer in the world. The country's share in global primary energy consumption is projected to increase two-fold by 2035. According to IEA, primary energy demand is expected to nearly double to 1,123 million tonnes of oil equivalent, as the country's gross domestic product (GDP) is expected to increase to US$ 8.6 trillion by 2040. India's oil consumption is forecast to rise from 4.05 MBPD in FY22 to 7.2 MBPD in 2030 and 9.2 MBPD in 2050. Crude oil consumption is expected to grow at a CAGR of 5.14% to 500 million tonnes by FY40 from 202.7 million tonnes in FY22. India is planning to double its refining capacity to 450-500 million tonnes by 2030.

Improving technical capabilities backed by expansion plan:
Anup Engineering, one of the leading process equipment manufacturers in India, is well positioned to lead a higher growth trajectory on the back of higher capex and debottlenecking its existing facility in the past and upcoming greenfield expansion. In such a fragmented

industry, technology capability is one of the differentiating factors. Anup Engineering has added proprietary and special equipments through tie-ups and collaboration with global technology providers thereby enhancing existing product range. It has been upgrading its bays to enable handling of higher weight equipment in line with the evolving product mix; to align with the requirements of high end process equipment this includes advanced Shell & Tube exchangers, heavy wall pressure vessels, reactors and columns and sophisticated equipment with exotic metallurgies. At its Odhav facility, the company had completed heavy bay extension (Jan’20) which allowed to execute larger more complex equipment orders. It had undertaken renovation of low capacity bay to debottleneck the capacity constraint in the current product mix and to upgrade themselves for new market of exotic metallurgy. Capex for development of L1 bay with lifting capacity of 150 Ton along with clean room facility at Odhav opened the door to new product segment and cater to the elite group of global fabricators having the necessary infrastructure for fabrication of exotic materials.

The new state-of-the-art facility at Kheda will allow the company to alter the product mix and to execute large and more complex equipment orders; and also help to cater export market. For better synergy, fungibility and optimally utilize the capacity of Odhav and Kheda plant, the management has decided to operate Kheda as plant to the existing company rather than subsidiary of the company. The first phase at Kheda plant (one and half bay) is likely to be commissioned by end of Q4FY23 and entail capex of around Rs 115cr. The management expects good utilisation levels from H2FY24 once it receives technical qualification, approvals and audits from customers. Overall the expansion at Kheda plant would happen in three phases (total of 7 bays); the third phase is expected to complete by FY26. On completion this facility is expected to deliver topline of Rs 500-550cr. Focus on large equipment and critical metallurgy will increase revenue per equipment.

Longstanding Relationship with reputed clientele and focus on exports:
Anup Engineering’s products mainly cater to the industries like oil refineries, petrochemical, fertilizer, power generation plants, among others. The company bids for tenders which are largely from PSUs and also enters into contracts with private companies. Over the years, the company has been adding new clientele in domestic as well as export markets. Anup Engineering is approved vendor with most of the major EPC/ PMC domestic companies. The company has supplied equipment in more than 20 countries and is in compliance with global construction codes. Recently, the company has added new customer from South America, Europe & Middle East. On the back of its strong project execution skills, ability to handle complicated equipment and timely delivery record, the company has established relationship with reputed customers. Anup has established its presence in the niche Helical Baffle heat exchanger known as ‘Helixchanger’ under license from Lummus Technology Heat Transfer B.V, Netherlands. Recent upgradation and debottlenecking at existing facility has enhanced its existing product range in line with evolving product mix. The company is focused to increase the share of export revenue. With new capacity addition, it plans to open regional office in Middle East and USA which would enhance company’s market visibility and reach.

HDFC securities Click. Invest. Grow. 20 YEARS

(Source: Company, HDFC sec)

Wide product range and technology tie-ups:

Anup engineering caters to wide range of process industries including Oil & Gas, Petrochemicals, LNG, Fertilizers, Chemicals, Pharmaceuticals, Power, Water, Paper & Pulp and Aerospace with its extensive product range. The company offers wide range Heat Exchangers, Reactors, Pressure Vessels, Columns & Towers and Custom Fabrication. Its range of heat exchangers includes Sulphur Condensers, Bayonet Tube exchangers, Catalyst Coolers, Transfer Line Exchangers, Evaporators, High Pressure Feed Water Heaters, Surface Condensers, Waste Heat Exchangers, Multi-Tube Hairpin Exchangers, RG Boilers, etc. Heat Exchangers form major part of its revenue mix ~68%, which was earlier 75%. The company targets to reduce exposure to about 60%. Its collection of high pressure, high temperature and high metallurgy reactors finds application in oil and gas refineries, petrochemical, fertilizer and chemical industries. AEL also offers pre-fabrication engineering services for static process equipment to customers and a complete range of industrial centrifuges – from basket centrifuges (top and bottom discharge) to the horizontal peeler centrifuge.

Anup Engineering has a technological tie-up with Lummus Technology for the manufacture of Helixchangers (a shell & tube heat exchanger with helical baffles), which forms a large part of its heat exchanger. The company plans to be licensee of such similar technologies, to include proprietary items in its portfolio and thus improving its order book position. It is already in advanced stages of discussion for technological tieups and collaborations for more complex and advanced designs equipment. Product innovation and strengthening capabilities improves customer stickiness in this highly fragmented market. Going forward, the product mix would continue to remain tilted towards Shell & Tube Heat Exchanger with more advanced designs like the Helical Heat Exchanger and EMBaffle kind of

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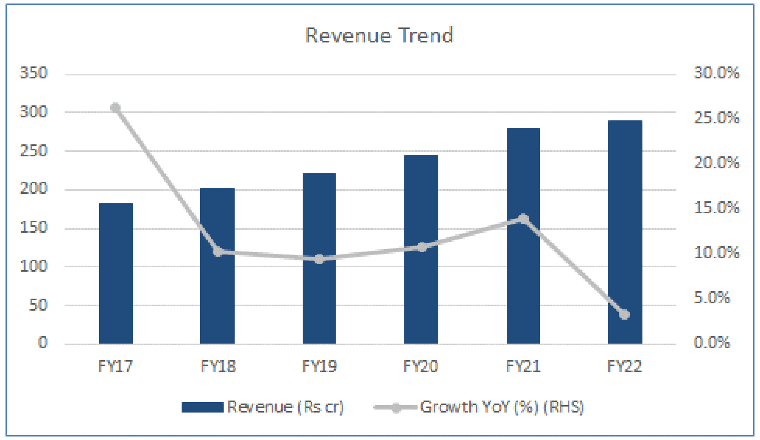
heat exchangers. Focus on increasing orders in exports and exotic metallurgy segment coupled with high proportion of specialty/proprietary equipment in revenue mix; would improve margins and gain traction from new and existing customers.

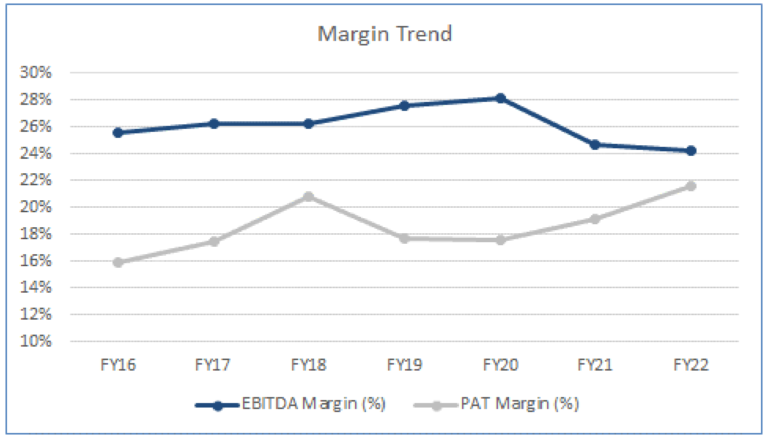
Strong promoter group; Change in CEO gives renewed vigor:

Anup has strong management linkages with Arvind Ltd, which is a diversified conglomerate having presence in textile, apparel retailing, chemicals, engineering and real estate businesses. It has a track record of more than five decades in the business of design and fabrication of process equipment and engineering goods. The company has an established position in process equipment business as is reflected in its reputed customer profile. Recently, there was change in the top management. Mr. Reginaldo Dsouza was appointed as CEO of the company, and Mr. Rishi Roop Kapoor has decided to move into larger role within the Arvind Group. The new CEO, Reginaldo Dsouza, is Mechanical Engineer and a PGPX from Great Lakes Institute, Chennai. He has held multiple roles at Godrej and Boyce Manufacturing Company Limited. Reginaldo comes with strong experience around sales and marketing, operations and supply chain, information technology and business excellence for the process equipment division of Godrej. He articulated its vision with a clear agenda to diversify product categories (move up the value chain in terms of higher thicknesses, exotic metallurgy and by acquiring technology of proprietary products), improving exports share and expanding capacities & capabilities. Under the new leadership, the company targets to grow at a CAGR of over 25% for the next 3 years.

Healthy financials with decent and consistent operating margins:

AEL reported revenue/EBITDA/PAT growth of 9.5%/7.8%/14.2% CAGR over FY17-22. Over the years, the company has been able to maintain superior operating margins ~24-27% and PAT margin of 17-22%. The company has a strict control over its overheads while keeping optimum product mix. The high level of criticality and customization involved in the manufacture of process plant equipment is visible from its higher gross margins. Moreover, its technical expertise and specialized products like ‘Helixchanger’ and ‘Embaffle Heat Exchangers’ offer significant benefits over conventional heat exchangers that supports its profitability. Its return ratios remain robust in high-teens, and is expected to remain healthy in medium term backed by efficient capital allocation. Strong order book (Rs 536cr) and capex plans by companies in oil and gas industry has strengthened its growth trajectory going forward.





(Source: Company, HDFC sec)

Concerns:

Product and end-user industry concentration: AEL's product mix and end-user industry mix is quite concentrated. Around 70% of topline come from manufacturing of heat exchangers. As of Sep'22, 68% of order book is towards heat exchangers. The management targets to bring it down to 60% of topline in the near term. Refinery and petrochemical industry constitute around 87% of this order book. Higher concentration to one industry could impact its operations in case of slowdown/ downturn in the capex cycle in that sector. Any adverse movement in crude oil price may impact company's revenue trajectory.

Working capital intensive nature of business: Anup Engineering operates at elongated working capital cycle mainly to large inventory holding and high debtor days. The company typically hold inventory of ~30-35% of outstanding order-book. High collection period is due to high tendered business which is largely with PSUs. Given the nature of business, dramatic reduction of inventory days and debtor days seems less plausible.

Delay in capacity expansion and related margin dilution: The company is setting up new manufacturing facility at Kheda, which will be commissioned in phases. Phase I is expected to be operational by end of Q4FY23. The company would plan the next two phases after stabilisation of the first phase. Delay in commissioning of the plant, stability of the plant and capacity utilisation would impact company's financial. Order inflow pipeline and execution for the new plant would be key monitorable. Commissioning of the new plant and capacity management could be margin dilutive in the near term.

Volatility in raw material prices: Metal sheets, plates, tubes, pipes and other components are the basic raw material used for fabrication of process equipment. Although the company buys raw material for a particular order as soon as the order is received to protect itself from the volatility in the raw material prices, sharp movement in raw material prices in last year resulted in margin compression recently. Anup is exposed to volatility in raw material price between the submission of price quotation and receipt of orders.

About the company:

The Anup Engineering Limited (AEL) is engaged in business of design and fabrication of process equipment which mainly includes heat exchangers, pressure vessels, centrifuges, columns & towers and small reactors that find application in refineries, petrochemicals, chemicals, pharmaceuticals, fertilizers and other allied industries. The company was formed as a part of group restructuring of Arvind Ltd. Anup Engineering is one of the leading process equipment manufacturers having distinctive focus and expertise in heat exchangers (~70-75% of revenue). The manufacturing facility in Odhav (Ahmedabad) is spread across an area of 45,000 sq. mtrs. with 6 heavy and 4 light fabrication bays. The high-end as well as versatile nature of the facility can manufacture equipment with weights ranging from 20 MT to 450 MT. Anup Engineering has added proprietary and special equipments through tie-ups and collaboration with global technology providers thereby enhancing existing product range. It has been upgrading its bays to enable handling of higher weight equipment in line with the evolving product mix. The company has also undertaken a greenfield expansion in Kheda (Ahmedabad) which is expected to be operational from Q4FY23. AEL is a well-established name amongst end users and consultants that have displayed healthy operating margins and strong balance sheet. The company has supplied equipment in more than 20 countries. It mainly exports to South Africa, Europe, Far East Asia and has marquee clients with long standing relationships.

Peer Comparison:

	Mcap (Rs cr)	Revenue			EBITDA Margin (%)			PAT		
		FY20	FY21	FY22	FY20	FY21	FY22	FY20	FY21	FY22
The Anup Engineering Ltd	907	245	279	288	28.0	24.6	24.3	43	54	62
ISGEC Heavy Engineering Ltd	3,382	5,882	5,426	5,499	5.5	8.4	5.7	145	248	109

	RoE (%)			RoCE (%)			P/E		
	FY20	FY21	FY22	FY20	FY21	FY22	FY20	FY21	FY22
The Anup Engineering Ltd	13.3	16.2	17.0	18.5	17.6	16.0	21.8	16.9	14.6
ISGEC Heavy Engineering Ltd	8.8	13.0	5.3	9.8	12.3	6.6	23.4	13.6	31.1

(Source: Company, HDFC sec)

Financials

Income Statement

(Rs Cr)	FY21	FY22	FY23E	FY24E	FY25E
Net Revenues	**279.1**	**288.2**	**374.6**	**475.3**	**557.0**
Growth (%)	**13.7**	**3.3**	**30.0**	**26.9**	**17.2**
Operating Expenses	210.4	218.3	300.1	370.0	427.5
EBITDA	**68.8**	**70.0**	**74.6**	**105.3**	**129.5**
Growth (%)	**0.2**	**1.8**	**6.5**	**41.2**	**23.0**
EBITDA Margin (%)	**24.6**	**24.3**	**19.9**	**22.2**	**23.3**
Depreciation	10.5	11.6	13.3	19.8	20.4
EBIT	**58.3**	**58.4**	**61.2**	**85.5**	**109.1**
Other Income	3.6	3.8	3.0	3.3	3.9
Interest expenses	0.3	1.0	1.2	3.3	3.0
PBT	**61.5**	**61.1**	**63.0**	**85.5**	**110.0**
Tax	7.9	-0.9	14.8	21.0	27.7
RPAT	**53.5**	**62.1**	**48.2**	**64.6**	**82.3**
APAT	**53.5**	**62.1**	**48.2**	**64.6**	**82.3**
Growth (%)	**24.6**	**16.0**	**-22.3**	**33.9**	**27.4**
EPS	54.4	62.8	48.8	65.4	83.2

Balance Sheet

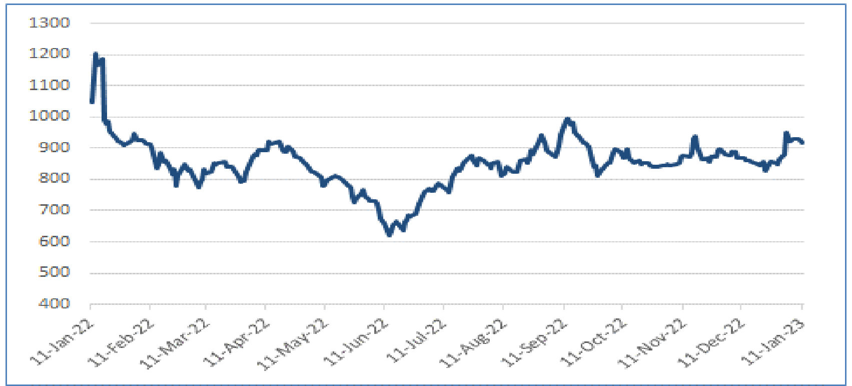
As at March (Rs Cr)	FY21	FY22	FY23E	FY24E	FY25E
SOURCE OF FUNDS					
Share Capital	9.8	9.9	9.9	9.9	9.9
Reserves	327.3	383.5	423.8	479.5	551.9
Shareholders' Funds	**337.2**	**393.4**	**433.7**	**489.4**	**561.8**
Minority's Interest	0.0	0.0	0.0	0.0	0.0
Long Term Debt	0.0	0.0	15.0	25.0	25.0
Net Deferred Taxes	12.5	11.7	11.7	11.7	11.7
Long Term Provisions & Others	0.1	0.3	0.5	0.7	0.8
Total Source of Funds	**349.7**	**405.4**	**460.9**	**526.7**	**599.2**
APPLICATION OF FUNDS					
Net Block & Goodwill	211.8	203.1	319.8	330.0	359.5
CWIP	1.5	30.7	10.7	10.7	10.7
Other Non-Current Assets	1.2	10.5	9.6	12.1	14.2
Total Non-Current Assets	**214.5**	**244.3**	**340.0**	**352.7**	**384.4**
Current Investments	0.0	0.0	0.0	0.0	0.0
Inventories	66.8	90.2	112.9	138.0	160.2
Trade Receivables	110.1	124.8	133.4	162.8	184.7
Cash & Equivalents	23.6	52.8	5.9	37.2	54.6
Other Current Assets	15.7	13.2	15.4	19.5	22.9
Total Current Assets	**216.2**	**281.0**	**267.7**	**357.6**	**422.4**
Short-Term Borrowings	0.0	0.0	0.0	0.0	0.0
Trade Payables	27.0	43.3	53.4	67.7	76.3
Other Current Liab & Provisions	54.1	76.6	93.4	115.9	131.2
Total Current Liabilities	**81.0**	**119.9**	**146.8**	**183.6**	**207.5**
Net Current Assets	135.2	161.1	120.9	174.0	214.8
Total Application of Funds	**349.7**	**405.4**	**460.9**	**526.7**	**599.2**

The Anup Engineering Ltd.

Cash Flow Statement

(Rs Cr)	FY21	FY22	FY23E	FY24E	FY25E
Reported PBT	61.5	61.1	63.0	85.5	110.0
Non-operating & EO items	1.1	2.2	1.0	-2.6	-2.1
Interest Expenses	-1.7	-2.6	1.2	3.3	3.0
Depreciation	10.5	11.6	13.3	19.8	20.4
Working Capital Change	-6.1	-14.0	-6.5	-21.6	-23.4
Tax Paid	-12.3	15.7	-14.8	-21.0	-27.7
OPERATING CASH FLOW (a)	**53.0**	**74.0**	**57.2**	**63.4**	**80.2**
Capex	-40.0	-41.4	-110.0	-30.0	-50.0
Free Cash Flow	13.0	32.7	-52.8	33.4	30.2
Investments	44.9	0.0	0.0	0.0	0.0
Non-operating income	-16.8	-20.0	0.0	0.0	0.0
INVESTING CASH FLOW (b)	**-11.9**	**-61.3**	**-110.0**	**-30.0**	**-50.0**
Debt Issuance / (Repaid)	0.0	0.0	15.0	10.0	0.0
Interest Expenses	-0.3	-1.0	-1.2	-3.3	-3.0
FCFE	12.6	31.6	-39.0	40.2	27.2
Share Capital Issuance	0.5	0.8	0.0	0.0	0.0
Dividend	-7.0	-6.8	-7.9	-8.9	-9.9
Others	-31.1	0.0	0.0	0.0	0.0
FINANCING CASH FLOW (c)	**-38.0**	**-7.1**	**5.9**	**-2.1**	**-12.9**
NET CASH FLOW (a+b+c)	**3.1**	**5.6**	**-46.9**	**31.3**	**17.3**

One Year Price Chart:



(Source: Company, HDFC sec)

Key Ratios

	FY21	FY22	FY23E	FY24E	FY25E
PROFITABILITY RATIOS (%)					
EBITDA Margin	24.6	24.3	19.9	22.2	23.3
EBIT Margin	20.9	20.3	16.3	18.0	19.6
APAT Margin	19.2	21.5	12.9	13.6	14.8
RoE	16.2	17.0	11.7	14.0	15.7
RoCE	17.6	16.0	14.5	17.7	19.8
Solvency Ratio (x)					
Debt/EBITDA	0.0	0.0	0.2	0.2	0.2
D/E	0.0	0.0	0.0	0.1	0.0
PER SHARE DATA (Rs)					
EPS	54.4	62.8	48.8	65.4	83.2
CEPS	65.1	74.5	62.3	85.4	103.9
Dividend	7.0	8.0	8.0	9.0	10.0
BVPS	342.9	398.1	439.0	495.4	568.6
Turnover Ratios (days)					
Debtor days	114	149	126	114	114
Inventory days	113	99	99	96	98
Creditors days	33	44	47	46	47
VALUATION					
P/E (x)	16.9	14.6	18.8	14.0	11.0
P/BV (x)	2.7	2.3	2.1	1.9	1.6
EV/EBITDA (x)	13.0	12.4	12.5	8.6	6.9
EV/Revenues (x)	3.2	3.0	2.5	1.9	1.6
Dividend Yield (%)	0.8	0.9	0.9	1.0	1.1
Dividend Payout (%)	12.9	12.7	16.4	13.8	12.0

(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.

Disclosure:

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