



Pick of the Week



BEML Ltd.

Nov 25, 2024



Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Construction Vehicles	Rs 3815.15	Buy in Rs 3777-3853 band and add on dips in Rs 3475-3545 band	Rs 4155	Rs 4397	2-3 quarters

HDFC Scrip Code	BEMLTD
BSE Code	500048
NSE Code	BEML
Bloomberg	BEML IN
CMP Nov 22, 2024	3815.15
Equity Capital (Rs Cr)	41.8
Face Value (Rs)	10
Equity Share O/S (Cr)	4.18
Market Cap (Rs Cr)	15,937.6
Book Value (Rs)	646.2
Avg. 52 Wk Volumes	600,642
52 Week High	5489.2
52 Week Low	2374.6

Share holding Pattern % (Sept, 2024)	
Promoters	54.0
Institutions	24.2
Non Institutions	21.8
Total	100

Our Take:

BEML Ltd. (BEML) is a public sector undertaking established in May 1964. The company operates under three major business verticals: mining and construction, defence and aerospace, and rail and metro. The company is exploring new business areas such as overhauling Armoured Recovery Vehicles and High Mobility Vehicles, supplying platforms for gun systems, and developing strategic equipment like Futuristic Wheeled and Armoured Combat Vehicles. At its Bangalore complex, the company manufactures coaches for defence and aerospace, coaches for rail and metro, spare parts, and mining equipment for mining and construction.

After subdued first quarter, BEML management is confident of 20% growth guidance for FY25 and expect strong growth in order book for the rest of the year. EBIDTA margins are likely to improve on the back of large capacity expansion leading to a ramp-up in execution.

BEML's unexecuted order book stood at Rs 11,500 crore as of Sept 30, 2024, order book stands at 2.8 times of the operating income on TTM basis, which provides adequate revenue visibility over the medium term. Order inflow stood at Rs 440 crore in Q2FY25, Rs 613 crore in Q1FY25 and Rs 7,299 crore in FY24. The company is expecting order book to grow at 30% from current levels and order inflow will grow by 65% for the remaining year. We expect that the company's order book position will remain robust with orders coming from all three segments despite growth in the R&M segment is expected to be higher.

BEML is focused on sustainable growth plans supported by various initiatives, like enhancing its R&D capability, and manufacturing capabilities through timely modernisation and expansion of facilities. BEML's revenue is expected to grow by 18-20% over FY25-27E led by strong opportunity in defence and Rail & Metro space, and healthy order book execution capability.

Valuation & Recommendation:

The government's proactive efforts to strengthen indigenous design, development, and manufacturing of defence equipment are poised to generate substantial opportunities for the domestic sector. The push for Atmanirbhar Bharat and the Positive Indigenisation List are accelerating its growth journey towards self-reliance. BEML has an 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. Government ownership leads to a sizeable inflow of orders on a nomination basis.

BEML'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 ratios and better profitability makes us positive towards the stock.



Fundamental Research Analyst

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We believe investors can buy the stock in the Rs 3777-3853 band and add more on dips to Rs. 3475-3545 band (21.75x FY27E EPS) for the base case target of Rs. 4155 (25.75x FY27E EPS) and bull case target of Rs. 4397 (27.25x FY27E EPS) over the next two to three quarters. The stock is currently trading at 23.6x FY27E EPS.

Financial Summary:

Particulars (Rs Cr)	Q2FY25	Q2FY24	YoY-%	Q1FY25	QoQ-%	FY23	FY24	FY25E	FY26E	FY27E
Total Operating Income	860	917	-6.2	634	35.6	3,899	4,054	4,672	5,429	6,599
EBITDA	73	59	23.5	-50	-245.5	364	442	551	711	957
Depreciation	17	16	9.9	17	2.7	64	64	68	67	67
Other Income	15	10	54.8	1	2703.8	24	42	47	46	49
Interest Cost	16	11	46.6	9	76.7	46	39	37	39	41
Tax	4	-10	-138.6	-5	-175.6	120	100	123	163	225
RPAT	51	52	-1.4	-70	-172.4	158	282	370	488	674
APAT	51	52	-1.4	-70	-172.4	158	282	370	488	674
Diluted EPS (Rs)	12.2	12.4	-1.4	-16.9	-172.4	37.8	67.5	88.5	116.9	161.4
RoE-%						6.6	11.1	13.2	15.5	18.6
P/E (x)						100.9	56.6	43.1	32.6	23.6
EV/EBITDA (x)						44.7	36.2	29.0	22.5	16.7

(Source: Company, HDFC sec)

Q2FY25 Result Update

- BEML's consolidated revenue was in line with estimates on account of weaker defence revenue booking due to delayed clearance from clients and profitability was above expectations, with revenue fall by 6.2% YoY to Rs 860 crore in Q2FY25.
- The company's EBITDA came in at Rs 73 crore vs. Rs 59 crore in Q2FY24, EBITDA margin stood at 8.5%, increased 210 bps YoY. Net profit was down by 1.4% YoY to Rs 51 crore in Q2FY25.
- The order book position of the company as on Sept 30, 2024 stood at ~Rs 11,500 crore led by a strong order inflow of ~Rs 440 crore in Q2FY25.

Recent Triggers

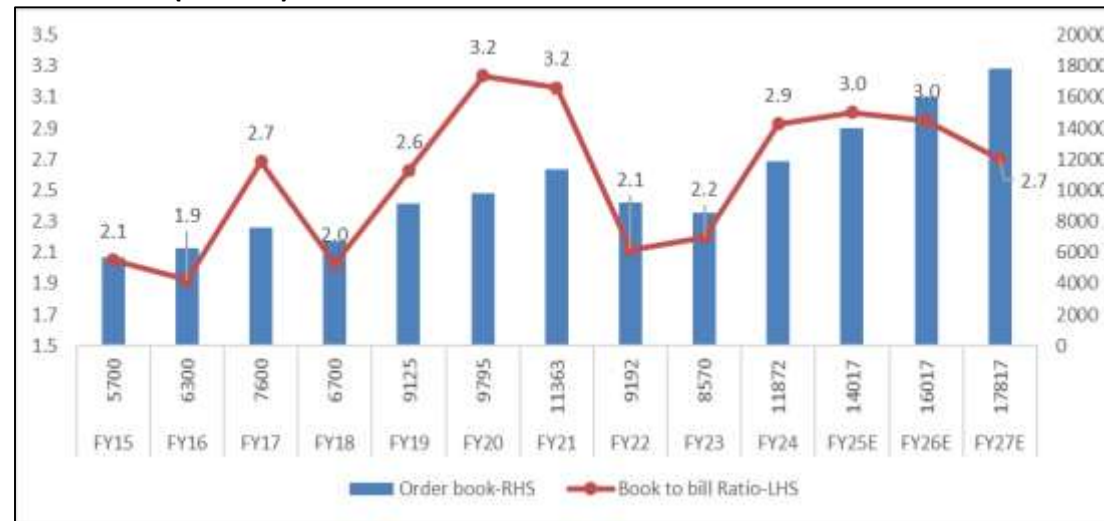
Strong order book brings better earning visibility going forward

BEML's unexecuted order book stood at ~Rs 11,500 crore as of Sept 30, 2024, order book stands at 2.8 times of the operating income on TTM basis, which provides adequate revenue visibility over the medium term. Order inflow stood at ~Rs 440 crore in Q2FY25, Rs 613 crore in Q1FY25 and Rs 7,299 crore in FY24. BEML's order book stood at Rs 11872 crore as on April 01, 2024 as against Rs 8570 crore in FY23, improved by over 38%. R&M comprise the highest share of 46% (Rs 5493 crore) followed by defence 40% (Rs 4790 crore) and the balance 13% (Rs 1589 crore) from M&C. This translates to almost three years of orders to be executed considering turnover of FY24.

The company expects are expecting order book to grow at 30% from current levels and order inflow will grow by 65% for the remaining year. BEML's year-end order book is projected to consist of about 50% from rail and metro, 30% from defence, aerospace, and maritime, and the remaining 20% from mining.

Orders from R&M and defence are to be serviced by FY27 as it has longer execution time period, however, for M&C, execution time is about 2-3 months and the company received orders in this segment mostly in the second half of the financial year. We expect that the company's order book position will remain robust with orders coming from all three segments despite growth in the R&M segment is expected to be higher.

Order Book (Rs in Cr)



(Source: Company, HDFC sec)

Speeding on metro & railways projects

BEML is a premier, Metro car manufacturer in the country. BEML has ventured into manufacturing state of the art Stainless Steel Metro cars since 2002 onwards. BEML indigenously manufactures the passenger rail coaches (of broad gauge) for the use of Indian Railways. BEML's Rail Coach Factory has manufactured and supplied over 900 Nos. of Electrical Multiple Units (EMUs) to Indian Railways for use in its sub-urban and mainline routes. BEML has also manufactured and supplied self-propelled equipment viz., 20Nos. Rail Bus (for public transport), over 40 Nos. other maintenance vehicles to Indian Railways and over 120 Nos. 8W-DHTCs (for OHE inspection & maintenance), to Indian Railways and various Metro Corporations of India.

BEML is at the forefront of supplying Vande Bharat coaches and maintenance equipment. The first Vande Bharat Sleeper prototype is in production, with rollout expected this year, BEML was awarded a contract of Rs 675 crore from Indian Railway Integral Coach Factory (ICF) to produce India's first 10 Vande Bharat sleeper trainset. Significant orders will drive revenue growth. BEML is also positioning itself to meet emerging demands for semi-high-speed train sets and aluminium coaches, reinforcing its commitment to India's rail infrastructure development.

BEML signed an MoU with Delhi Metro Rail Corporation to supply rolling stock for Bahrain Metro Rail Project Phase-1. Out of the Rs 2.65trn railway capex budget in FY25, maximum allocation has been given to rolling stock at Rs 531bn. The government's target of 800 Vande Bharat trains by 2030 has led to a healthy opportunity pipeline over the next few years to manufacture rolling stock.

There is growing demand in the rolling stock market, which includes various types of rail and metro vehicles, BEML is seeing huge opportunities in the sector, mentioning ongoing projects like the Vande Bharat trains and other variants, including Amrit Bharat and Amrit Metro. The company could enhance its value proposition in mainline rail coaches, and the company has Secured a prestigious order for 160 Vande Bharat sleeper trainsets and another for 318 cars for the Bangalore Metro (valued at Rs 3,177 crore). The company has near-term order prospects of Rs 100bn+ for metro cars including the Bangalore, Mumbai, Hyderabad, Chennai and Patna projects. The rising demand for suburban trains—including Electric Multiple Units, RRTS, and upcoming tenders for maintenance vehicles like RBMV and UTV—presents a robust revenue opportunity. To establish a global footprint, BEML is actively bidding for metro and rail projects internationally. Further, growth avenues are opening in export markets such as Latin America and Middle East.

Government's push to reduce import dependency could boost domestic mining & construction equipment, BEML is likely to be one of the leading beneficiaries

Government of India's push to reduce import dependency and enhance coal production, BEML is intensifying efforts to boost output. The current geopolitical landscape has also prompted CIS countries to seek collaborations with Indian companies for their mining needs.

Given the surge in coal production and infrastructure development, alongside increased export efforts, the demand for Mining & Construction equipment is expected to remain strong. BEML is strategically positioned to capitalize on this growth, with comprehensive plans to expand its product portfolio. On Nov 22, 24, BEML has secured an order worth Rs 246.78 crore from Central Coalfields Ltd (CCL) for the supply of rear dump trucks which are used in mining operations. As part of the order, BEML said it will supply 48 BH60M rear dump trucks, along with spares, and also provide after-sales service support.

BEML offers a comprehensive and diverse range of mining machinery for both opencast and underground mines. BEML produces machines such as Hydraulic Excavators, Bulldozers, Wheel Loaders, Wheel Dozers, Dump Trucks, Motor Graders, Pipe Layers, Tyre Handler, Water Sprinklers and Backhoe Loaders. BEML has ventured into Underground Mining with products such as Side Discharge Loader, Under Ground Mine Cruiser, Load Haul Dumper, Battery Operated Mine Locomotives and Granby Cars. BEML also manufactured and supplied Walking

Draglines and Electric Rope Shovels to meet the coal companies' requirements. Besides, BEML has ventured into Underground Mining with products such as Side Discharge Loader, Under Ground Mine Cruiser, Load Haul Dumper and Granby Car.

BEML is developing high-capacity Motor Graders, Tyre Handlers, and Loaders to capture a larger share of the high-capacity mining sector. In the construction sector, new product innovations and variants are on the horizon to enhance market penetration.

BEML is forming partnerships with technology providers to adopt modern equipment such as Continuous Miners, Surface Miners, and High Walls.

Long term Triggers

Well-positioned with a wide range of products, long track record of operations, and experienced management

BEML is an established player with a wide range of products, engaged in mining & construction, defence & aerospace and rail & metro. The company has a track record of nearly six decades and it has been supplying products and services to reputed clients including Coal India, Ministry of Defence, and metro rail corporations among others. The company also exports its products to over 72 countries. In FY24, the mining & construction segment contributed about 42% to the revenue, followed by Rail & Metro 39% and the balance 19% from defence. Over 75% of BEML's business are on competition mode.

Expanding its diversification strategy, BEML is advancing into the Maritime sector. This diversification strategy aims to capitalize on emerging opportunities and foster indigenous development of marine systems. The company is to invest significantly in the maritime business this year through various joint ventures and development projects and planning to engage on designing and developing innovative products, including: Hydrogen Aspirated Kits, Hydrogen Engines, Hydrogen Fuel Cells, Stern Drives for Boats, Non-magnetic Engines for Deep Sea Mining.

As on Sept 30, 2024, the government of India (through the Ministry of Defence) holds 54.03% of the company's total equity share capital. However, GOI has 'in-principle' decided to disinvest 26% equity share capital of BEML through strategic disinvestment with transfer of management control. The progress and impact of this would be a key monitorable in the future.

BEML's leadership team comprises highly qualified and experienced personnel. Mr Shantanu Roy assumed charge as Chairman, CEO and Managing Director, BEML, on August 01, 2023. Earlier, Shantanu Roy was Director (Mining & Construction business). He has more than 30 years of extensive experience in the capital goods sectors for defence, M&C, transportation, transmission, renewable and large power projects. He is supported by Ajit Kumar Srivastav, Director (defence business), who has served the organisation for more than three decades.

Major Products Manufactured by BEML Limited

DEFENCE & AEROSPACE	MINING & CONSTRUCTION	RAIL & METRO
<ul style="list-style-type: none"> > High Mobility Vehicles (HMV) <ul style="list-style-type: none"> ❖ Bridge Systems ❖ Missile Launchers ❖ Radar Systems > Combat Mobility Vehicles <ul style="list-style-type: none"> ❖ Armoured Recovery Vehicle ❖ Armoured Repair & Recovery vehicle ❖ Mine Ploughs > Aggregates for Combat Vehicles <ul style="list-style-type: none"> ❖ Transmission ❖ Ejector & Air Cleaner ❖ Hull for Combat Vehicles > 1500 HP Engine > Aircraft Towing tractors > Aircraft Weapon Loader > Ground Support & Handling Equip. > Tank Transportation Trailers > Milrail Wagons > Rocket Motor Casings for Missile > Airborne Structure & Assemblies > Construction eqpt to E-in-C, DGBR 	<ul style="list-style-type: none"> > Bull Dozers (90 – 860 FHP) > Dump Trucks (35 Ton–205 Ton) > Excavators (0.3 - 12 Cu.m) > Shovels / Walking Dragline > Water Sprinklers (28000 – 70000 Litres) > Motor Graders (137, 145 & 285 HP) > Loaders > Pipe Layers > Wheeled Dozers > Tyre Handlers > Under Ground Mining Equipment 	<ul style="list-style-type: none"> > Metro Cars - Delhi, Bengaluru, Jaipur, Kolkata, Mumbai (Driverless) > Electrical Multiple Units > Maintenance Vehicles – Diesel Electric Tower Car, Rail Grinding Machine, Catenary Maintenance Vehicle > Semi high speed Vande Bharat Sleeper Train > Steel and Aluminum Wagons > Passenger Trains

Extensive presence, strong clientele and focused in-house R&D

BEML's client base consists of major Government organisations and PSUs including Coal India, Ministry of Defence, metro rail corporation among others. BEML has repeat orders, specifically in R&M segment, owing to its track record in providing products and services to metro rail corporations. BEML has been manufacturing products through technology transfer and have systematically indigenised products over the years.

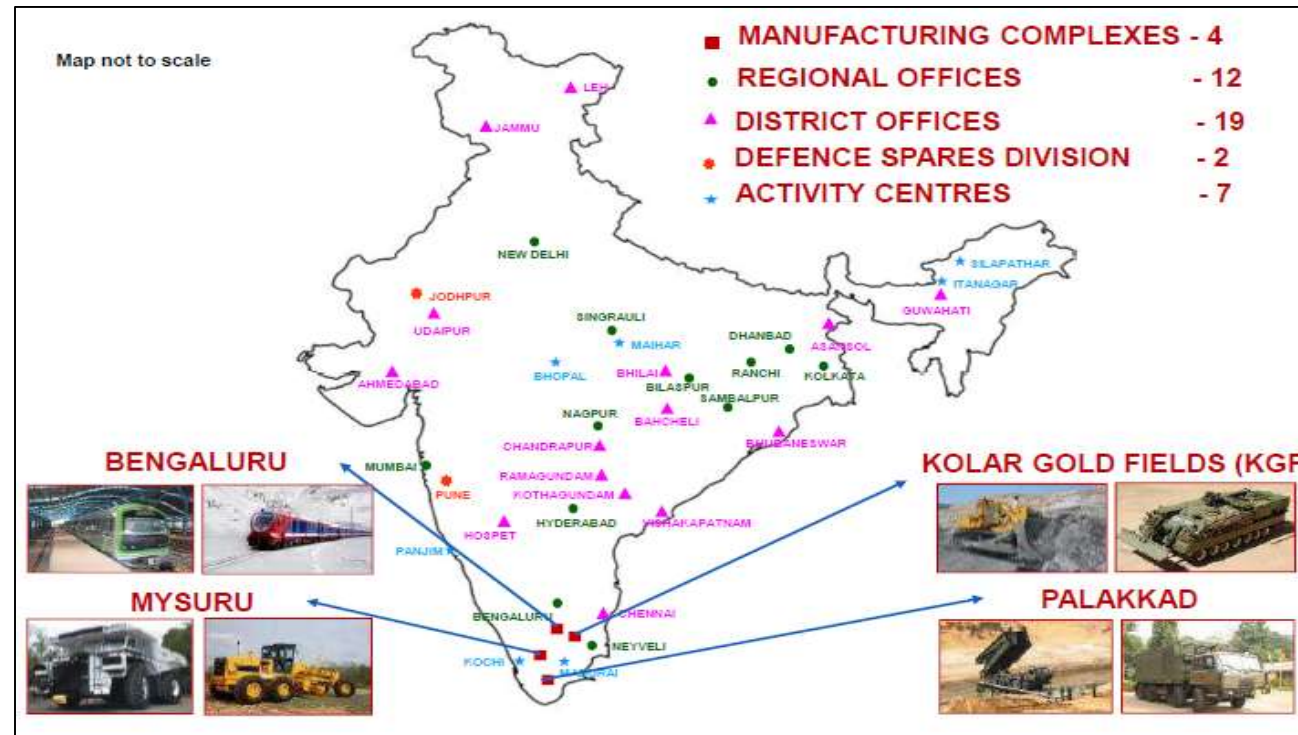
BEML's products are sold and serviced through its marketing network spread all over the country and are exported to more than 72 countries. BEML's nationwide network of sales offices enables buyers with ready access to its wide range of products. BEML offers product support through 12 regional offices and 19 district offices across the country. The company also establishes temporary activity centres at customer locations to support and service equipment.

BEML offers support plans, annual maintenance contracts (AMC), annual service contracts (ASC), full maintenance contract, maintenance

and repair contracts (MARC), guaranteed availability and spare consumption, and contract and cost cap contracts among others, contract management cell at KGF complex Bangalore. The company primarily focuses on monitoring and ensuring instant round-the-clock support for equipment deployed at customer’s project sites under different types of contracts.

The company spent Rs 87 crore on R&D in FY24, which is about 2.17% of sales turnover. The company submitted total 105 IPRs for registration, of which, 69 are patents, 16 are designs, 12 are copyrights and eight are trademarks.

Presence:



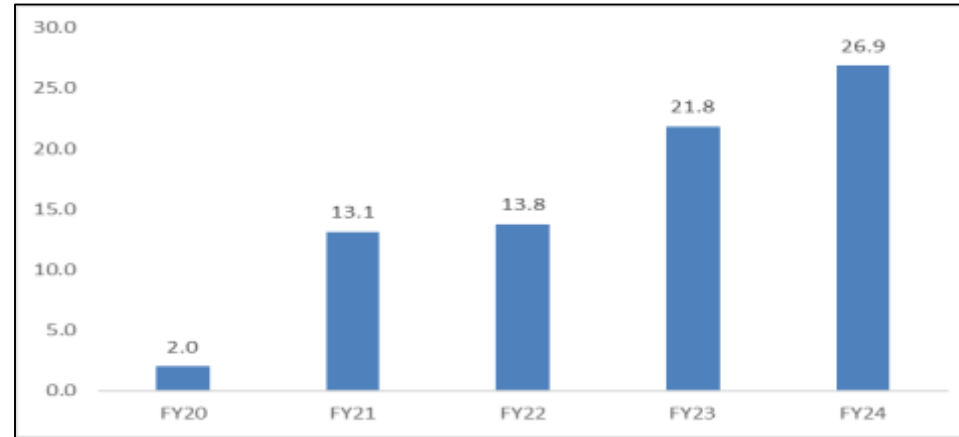
Expanding global presence

Exports are poised to play a crucial role in BEML’s growth trajectory and the company is expanding global presence for value creation and market diversification. The company has secured orders from Africa, Central Asia, Indonesia etc for Mining & Construction equipment. The company is pursuing opportunities valued at Rs 2,000 crore across all three business verticals.

The company made exports aggregating Rs 1065.6 crores (which includes physical exports of Rs 153.2 crore and deemed export of Rs 912.4

crore) and got export incentive of Rs 2.5 crore in FY24 as against exports of Rs 830.14 crore (which includes physical exports of Rs 178.4 crores and deemed exports of Rs 651.7 crore) and export incentive of Rs 1.92 crore in FY23.

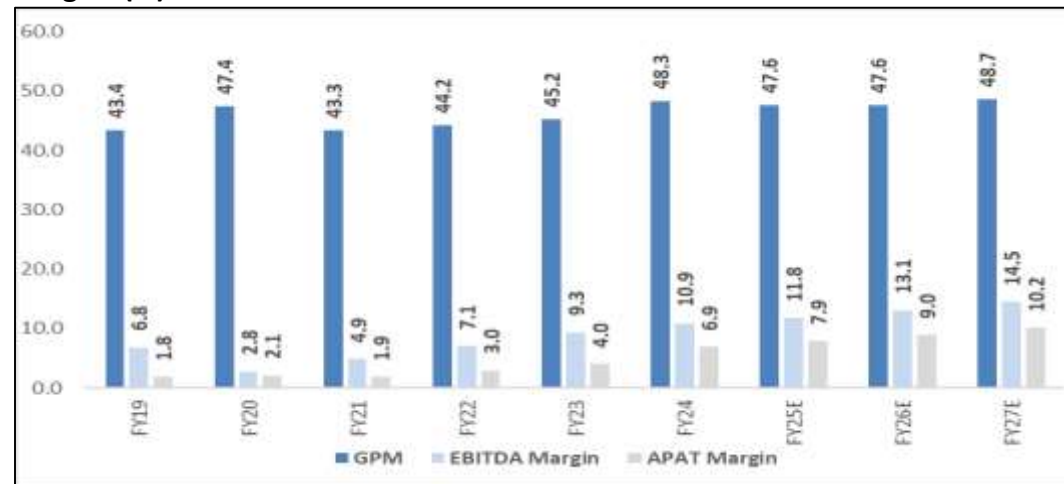
Export-%



Expectation of margins stability

BEML’s gross profit margin increased to 48.3% in FY24 from 45.2% in FY23, and EBITDA margin was at 10.9% in FY24 vs. 9.3% in FY23, supported by strong revenue growth and lower operational costs on YoY basis. Its net profit margin stood at 6.9% in FY24 vs. 4% in FY23.

Margins (%)



(Source: Company, HDFC sec)

On account of robust revenue growth and cost rationalisation efforts, the company expects significant growth going forward and is optimistic about the current and next financial year's performance. With 25% of BEML's employees are expected to retire in next two years, employee costs as a % of sales will likely drop to 18% vs. 20.3% in FY24. The EBITDA margins are expected to be sustainable, and the company anticipates strong revenue and profitability growth in the next few years. We expect, the company to report a EBITDA margin at 11-14% range over the next two to three years.

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

- BEML's financial profile remains strong because of healthy profitability and return indicators, zero debt, superior liquidity and strong debt coverage metrics.
- BEML reported revenue CAGR at ~8% over a decade (from FY20 to FY24), net profit CAGR of ~45% over the same period and the company's margin has been remaining in single digit till FY23, the company reported operating margin at 10.9% in FY24. We expect, the company to report revenue and PAT CAGR at ~18% and ~34% over the FY24 to FY27E, respectively.
- BEML has focused on cost-control measures and extensive indigenisation efforts to improve profitability. BEML has met its entire working capital requirement through internal accruals over the last 5 years.
- Besides, BEML continues to invest on capex at Rs 70-80 crore for the year and the company has considerable expenditure on R&D at 2-2.5% of revenue.
- BEML 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 21.50 and Rs 22.5 dividend per share to shareholders in FY25E and FY26E, respectively.
- The working capital position is expected to remain stable in the second half of the year.
- BEML reported double-digit return ratios, supported by healthy and sustainable margins in FY24, and continues to maintain at ~12-~18% over the FY25E-FY27E.

What could go wrong?

- Any changes in the procurement policy of the defence forces or a significant reduction in defence and railway spending could impact its revenue and order book position. Besides, any adverse change in government policy/terms for Defense PSUs could impact BEML's operation over the longer term.
- Due to the high concentration of the Government sector orders, BEML's revenue generation and cash flows are vulnerable to delays in project execution or final payment clearance in some cases. BEML is targeting to increase the share of export revenues, it's contribution increased to 26.9% in FY24 from 13.1% from FY21 to reduce business dependence.
- 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.

- BEML'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.
- Raw material cost is the major cost component and accounted for around 53% of the total cost of sales in FY24 vs. 55% in FY23. Fluctuations in price of raw material could impact BEML's profitability.
- The company imports raw materials for its products and forex fluctuations also have an impact on profitability. Though impact of forex fluctuations is usually covered in contracts with customers.
- The company could face strong competition in Rail & Metro space, especially from technologically superior foreign OEMs such as Alstom may impact its market share.
- Due to diversification efforts, geo political and external environment, BEML is exposed to a variety of risks which are dynamic in nature.

About the company

BEML Limited is a public sector undertaking established in May 1964. At its Bangalore complex, the company manufactures coaches for defence and aerospace, coaches for rail and metro, spare parts, and mining equipment for mining and construction. The company operates under three major business verticals: mining and construction, defence and aerospace, and rail and metro.

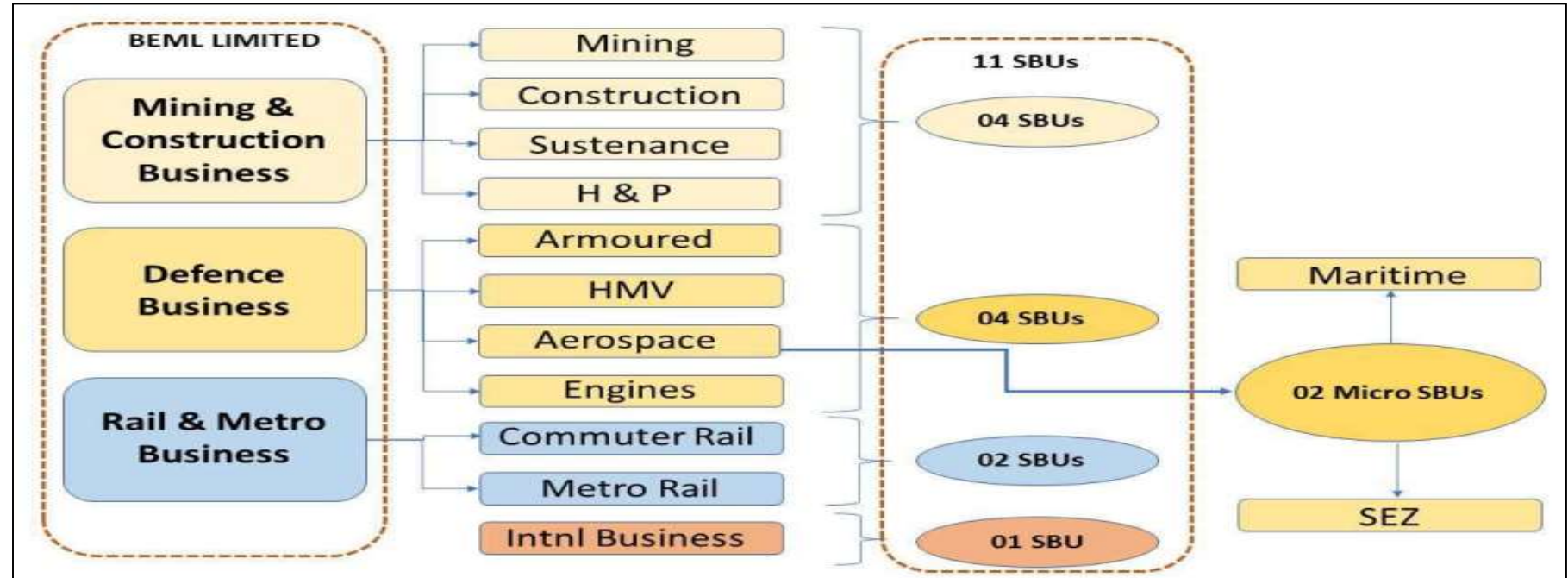
Under the defence vertical, the key products are Tatra-based high-mobility trucks, vehicles for missile projects, bridge systems, aircraft towing tractors and weapon loading trolleys, along with other equipment; under the M&C vertical, a wide variety of heavy earth moving equipment such as bulldozers, loaders, excavators, pipe layers and under mining equipment; and under the R&M vertical, integral rail coaches, metro cars and broad gauge rail bus for the metro and Indian Railways.

GOI owns 54.03% of total equity as on Sept 30, 2024 and the balance is held by the public, financial institutions, foreign institutional investors, banks, and employees.

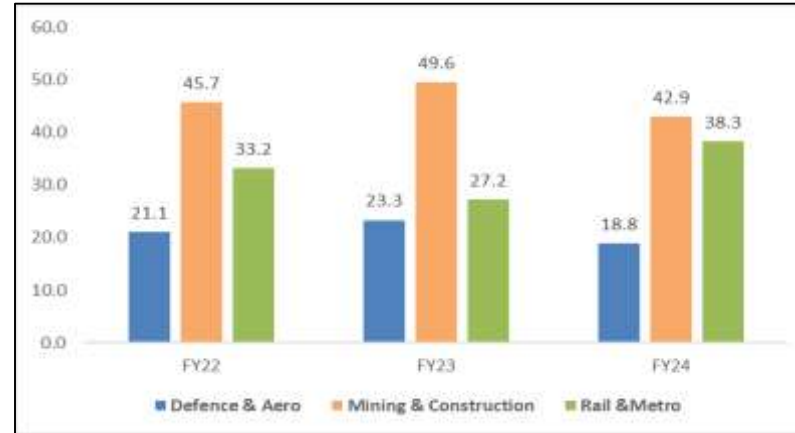
Major Accomplishment

8950 BEML High Mobility Vehicles	Defence
350 Armoured Recovery Vehicles	
3210 Trailers / Military Wagons	
6 sets (330 Nos.) Pontoon Bridge System	
33300 Mining & Construction Equipment	Mining & Construction
28400 Engines (76HP – 700HP)	
18000 Rail Coaches, 80 RGM and 970 EMUs	Rail & Metro
1950 Metro Cars	
Rs 7000 Crores to 71 Countries	Exports

Business overview



Revenue Mix-%



Financials

Income Statement

(Rs Cr)	FY23	FY24	FY25E	FY26E	FY27E
Net Revenues	3899	4054	4672	5429	6599
Growth (%)	-10.1	4.0	15.2	16.2	21.5
Operating Expenses	3535	3612	4121	4718	5642
EBITDA	364	442	551	711	957
Growth (%)	17.6	21.3	24.7	29.0	34.5
EBITDA Margin (%)	9.3	10.9	11.8	13.1	14.5
Depreciation	64	64	68	67	67
EBIT	300	378	483	644	890
Other Income	24	42	47	46	49
Interest expenses	46	39	37	39	41
PBT	278	382	493	651	899
Tax	120	100	123	163	225
RPAT	158	282	370	488	674
APAT	158	282	370	488	674
Growth (%)	22.8	78.5	31.1	32.2	38.0
EPS	37.8	67.5	88.5	116.9	161.4

Balance Sheet

As at March, Rs Cr	FY23	FY24	FY25E	FY26E	FY27E
SOURCE OF FUNDS					
Share Capital	42	42	42	42	42
Reserves	2380	2626	2906	3300	3870
Shareholders' Funds	2421	2668	2948	3342	3912
Long Term Debt	10	9	10	12	13
Net Deferred Taxes	-108	-113	-108	-102	-97
Long Term Provisions & Others	793	882	902	947	1006
Minority Interest	0	0	0	0	0
Total Source of Funds	3115	3445	3752	4198	4833
APPLICATION OF FUNDS					
Net Block & Goodwill	519	528	532	522	531
CWIP	9	37	39	40	42
Other Non-Current Assets	119	120	108	97	88
Total Non Current Assets	647	685	678	660	661
Current Investments	0	0	0	0	0
Inventories	2061	2256	2432	2678	3073
Trade Receivables	1237	1439	1536	1785	2169
Cash & Equivalents	39	9	44	59	81
Other Current Assets	917	943	990	1039	1091
Total Current Assets	4254	4647	5002	5560	6415
Short-Term Borrowings	372	61	76	86	96
Trade Payables	678	760	794	922	1175
Other Current Liab & Provisions	736	1066	1058	1013	971
Total Current Liabilities	1786	1887	1928	2022	2242
Net Current Assets	2468	2760	3074	3539	4172
Total Application of Funds	3115	3445	3752	4198	4833

(Source: Company, HDFC sec)

Cash Flow Statement

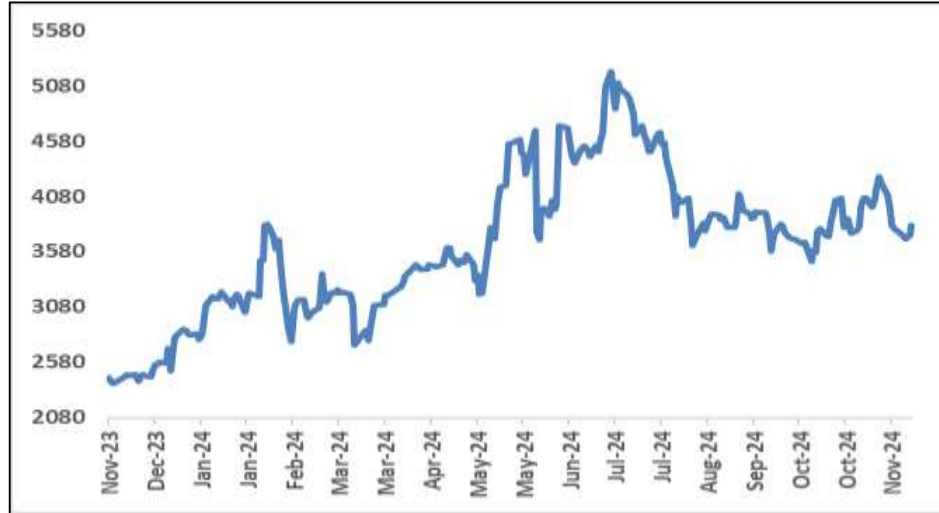
(Rs Cr)	FY23	FY24	FY25E	FY26E	FY27E
Reported PBT	278	382	493	651	899
Non-operating & EO items	-26	38	-47	-46	-49
Interest Expenses	46	36	37	39	41
Depreciation	64	64	68	67	67
Working Capital Change	289	-3	-239	-366	-527
Tax Paid	-91	-60	-123	-163	-225
OPERATING CASH FLOW (a)	560	458	189	183	205
Capex	-9	-100	-70	-80	-85
Free Cash Flow	551	358	119	103	120
Investments	0	0	0	0	0
Non-operating income	-11	32	59	57	59
INVESTING CASH FLOW (b)	-20	-68	-11	-23	-26
Debt Issuance / (Repaid)	-100	0	-16	-12	-11
Interest Expenses	-50	-39	-37	-39	-41
FCFE	401	319	66	52	68
Share Capital Issuance	0	0	0	0	0
Dividend	-32	-42	-90	-94	-104
Other	-150	-49	0	0	0
FINANCING CASH FLOW (c)	-331	-130	-143	-145	-156
NET CASH FLOW (a+b+c)	208	260	35	15	22

Key Ratios

Particulars	FY23	FY24	FY25E	FY26E	FY27E
Profitability Ratio (%)					
EBITDA Margin	9.3	10.9	11.8	13.1	14.5
EBIT Margin	7.7	9.3	10.3	11.9	13.5
APAT Margin	4.0	6.9	7.9	9.0	10.2
RoE	6.6	11.1	13.2	15.5	18.6
RoCE	4.3	8.7	10.8	12.7	15.3
Solvency Ratio (x)					
Net Debt/EBITDA	0.9	0.1	0.1	0.1	0.0
Net D/E	0.1	0.0	0.0	0.0	0.0
PER SHARE DATA (Rs)					
EPS	37.8	67.5	88.5	116.9	161.4
CEPS	53.1	82.7	104.8	133.0	177.3
Dividend	10.0	20.5	21.5	22.5	25.0
BV	579.7	638.7	705.6	800.0	936.4
Turnover Ratios (days)					
Debtor days	116	130	120	120	120
Inventory days	193	203	190	180	170
Creditors days	63	68	62	62	65
VALUATION (x)					
P/E	100.9	56.6	43.1	32.6	23.6
P/BV	6.6	6.0	5.4	4.8	4.1
EV/EBITDA	44.7	36.2	29.0	22.5	16.7
EV / Revenues	4.2	3.9	3.4	2.9	2.4
Dividend Yield (%)	0.3	0.5	0.6	0.6	0.7

(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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