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Pick of the Week

Kalpataru Projects International Ltd.

July 08, 2024

RETAIL RESEARCH

Kalpataru Projects International Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Power Infra and Civil Construction	Rs. 1228	Buy in Rs. 1216-1240 band and add on dips in Rs. 1099-1121 band	Rs. 1346	Rs. 1461	2-3 quarters

HDFC Scrip Code	KALPROEQNR
BSE Code	522287
NSE Code	KPIL
Bloomberg	KPIL IN
CMP July 05, 2024	1228
Equity Capital (Rs Cr)	32.5
Face Value (Rs)	2
Equity Share O/S (Cr)	16.25
Market Cap (Rs Cr)	19948
Book Value (Rs)	354
Avg. 52 Wk Volumes	407622
52 Week High	1370
52 Week Low	538

Share holding Pattern % (Mar, 2024)	
Promoters	40.59
Institutions	51.81
Non Institutions	7.60
Total	100

* Refer at the end for explanation on Risk Ratings

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Our Take:

Kalpataru Projects International Limited (KPIL) is among the largest players in the global power transmission & distribution, railways, oil & gas and civil infrastructure space. The Company offers comprehensive solutions encompassing design, testing, fabrication, erection and construction of transmission lines, oil and gas infrastructure and railway projects on a turnkey basis. The company is a major player of T&D projects having global footprint across 73 countries and ongoing projects in 30+ countries.

The order-book of the company is well diversified in various segments like Transmission, Railways, Building & Factory construction, Urban Infrastructure and Water segments. The order book as on FY24 end was 58,415 cr; it significantly increased by 27.2% compared to the same period in FY23. Orders worth Rs. 30,022 (excluding the Rs. 5,000 cr L1 orders) were secured in FY24. This increased by 19% over FY23. The order-book indicates a robust visibility of 3.5x of FY24 standalone revenue.

Company sees a visibility of tenders in domestic T&D market to be around Rs. 50,000 cr for the next 2-3 years. B&F business to maintain a double-digit growth, supported by a healthy order book and excellent business visibility in residential and commercial buildings, airports, industrial plants, data centres, etc. In Oil & Gas business, the company successfully established its presence in the Middle East securing LOI for a large gas pipeline. Government's capex outlay to drive the Urban Infra projects. It also secured 2 underground metro rail tunnel projects enhancing execution capabilities and strengthening its competitive position to effectively handle large size projects. In the railways segment, KPIL is maintaining its focus on key areas like metro electrification, S&T (Signal & Telecommunications), RRTS (Regional Rapid Transit System) and high speed rail. KPIL along with JVs and International subsidiaries have recently secured new orders worth Rs. 2,333 cr in T&D, EPC and residential building segments.

KPIL's robust order book, strong financial profile, increased overseas expansion, strong domestic demand in T&D segment, expertise in diverse EPC sectors, extensive global presence, divesting non-core assets for RoCE improvement and capacity to handle large-scale projects positions it well to capitalize on significant infrastructure investments, particularly in sectors like power transmission, urban mobility, oil & gas, water in India and international markets.

We had issued an initiating coverage report on Kalpataru Projects on April 17, 2023 (link) giving targets of Rs.586 and Rs.629. These targets were achieved in the given time frame.

Valuation & Recommendation:

KPIL's robust order booking driven by T&D and Civil, increasing market share in local and international markets, improving growth outlook, strong balance sheet and NWC give us comfort. The space has enough revenue visibility for the medium term. **We expect revenue/EBITDA/PAT to grow at a CAGR of 24/32%/53% over FY24–26E. We think the base case fair value of the stock is Rs.1346 (17.5x FY26E EPS) and the bull case fair value is Rs.1461 (19x FY26E EPS) over the next two-three quarters. Investors can buy the stock in the band of Rs.1216-1240 (16x FY26E EPS) and add more on dips to Rs.1099-1121 band (14.5x FY26E EPS).**

Financial Summary (Standalone):

Particulars (Rs cr)	Q4FY24	Q4FY23	YoY-%	Q3FY24	QoQ-%	FY21	FY22	FY23	FY24	FY25E	FY26E
Total Operating Income	5,147.0	4,396.0	17.1	4,147.0	24.1	11,359.8	12,407.0	14,337.0	16,760.0	20,698.6	25,873.3
EBITDA	400.0	311.0	28.6	344.0	16.3	1,138.8	853.0	1,161.0	1,366.0	1,759.4	2,380.3
PAT	150.0	152.0	-1.3	144.0	4.2	686.6	350.0	531.0	533.0	812.8	1,247.4
Adjusted PAT	183.8	111.5	64.8	144.0	27.6	560.6	302.0	513.0	580.5	812.8	1,247.4
EPS (Rs)	11.3	6.9	64.8	8.9	27.6	34.5	20.3	31.6	35.7	50.0	76.8
RoE-%						11.5	6.1	9.6	10.1	12.6	16.5
P/E (x)						35.6	60.5	38.9	34.4	24.5	16.0
EV/EBITDA						18.9	23.4	19.0	16.4	12.9	9.7

(Source: Company, HDFC Sec)

Q4FY24 Result Update:

Revenue in Q4FY24 increased to Rs. 5147 cr (+17/+24% YoY/QoQ). EBITDA increased to Rs. 400 cr (+28/+16% YoY/QoQ) with EBITDA margins standing at 7.8% (69/-54bps YoY/QoQ) and APAT stood at Rs. 184 cr (+65/+28% YoY/QoQ).

Q4FY24 Concall Summary:

Revenue outlook: Management is optimistic about the business because of a large capital outlay and spend on infrastructure development domestically. Management continues to target a revenue growth of ~20%+ and PBT of ~5% with improvement of 25-50 bps for FY25.

T&D segment: In the T&D business, KPIL has secured record order inflows of over Rs. 11,150 crores with order booking in the domestic market up by 48% in FY24. The order book has reached Rs. 20,678 crores at the end of March 24. In terms of revenue, the T&D business saw a 30% Y-o-Y growth driven by strong project progress and a healthy order book. The LMG Sweden business witnessed strong momentum with order inflows of Rs. 1,656 crores, a growth of over 150% compared to FY23. LMG's order book stands at Rs. 2,000 crores. In FY24, its Brazil subsidiary Fasttel achieved a revenue growth of around 60%. Order inflows have nearly doubled in FY24 compared to last year, reaching a total of Rs. 1,400 crores, resulting in a closing order book of around Rs. 1,500 crores.

Buildings and Factories segment: Order inflows in the B&F business in FY24 amounted to Rs. 6,528 crores, with the year end order book reaching Rs. 11,000 crores. Additionally, KPIL has an L1 position of Rs. 1,900 crores. The business achieved a commendable growth of 16% for FY24, driven by robust in-house execution capabilities. Company made a significant progress in design-built EPC projects and secured several large and prestigious projects in residential buildings, airports, data centres and industrial plants

Water Business: Water business revenue grew strongly by 34% Y-o-Y to reach Rs. 3,500 crores in FY24. It secured orders worth Rs. 1,600 crores resulting in an order book of Rs. 10,667 crores in FY24. The current focus is on enhancing its execution capabilities and strengthening its competitive position to effectively handle large size projects.

Railways segment: In the railway business, it generated revenue of Rs. 1,425 crores maintaining its focus on project closure and selective order bidding in response to increased competition. During FY24, KPIL secured orders totaling Rs. 1,000 crores resulting in a closer order book of Rs. 3,900 crores. It is increasingly prioritizing the enhancement of its business in key areas such as metro electrification, S&T, RRTS and high speed rail.

Oil and gas segment: In the oil & gas business, efforts to establish its presence in the international hydro markets, fructified in FY24 by securing LOI for a large gas pipeline order in Middle East. This project will help it immensely to improve its competitive position and propel the oil & gas business on a strong growth trajectory moving forward. The oil & gas business reported order inflows of Rs. 7,953 crores with revenue of Rs. 822 crores in FY24.

Urban Infra segment: The Urban Infra business witnessed a remarkable revenue growth of 75%. KPIL achieved significant progress in this business by securing two underground metro rail tunnel projects.

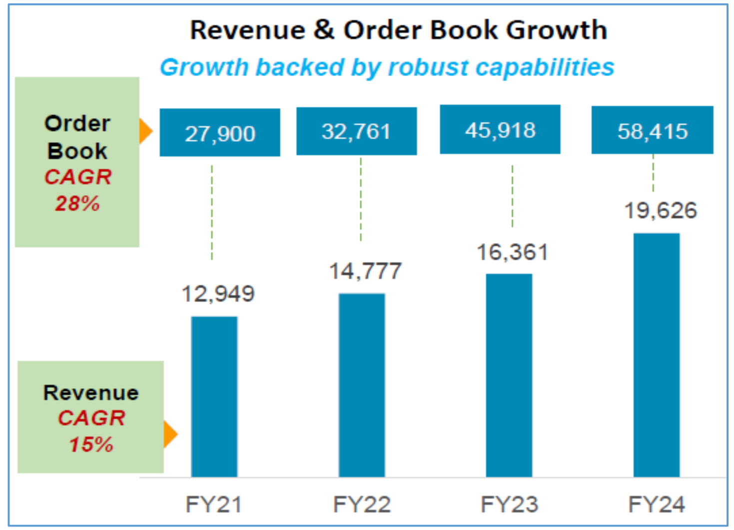
Road BOOT projects: On the road BOOT projects, revenue per day has increased to Rs. 58 lakhs per day for FY24 compared to Rs. 54 lakhs per day in FY23.

Working capital: Target is to achieve WC days below 100 days and finance costs at 2% of sales in its core EPC business.

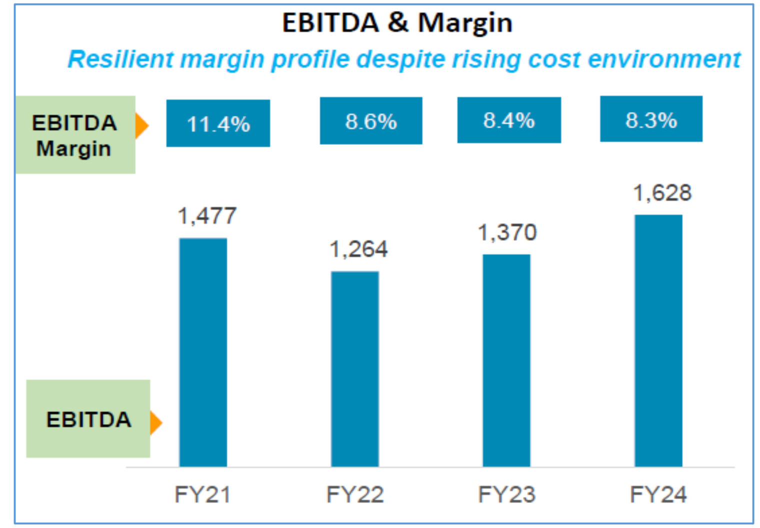
Capex: KPIL is targeting a capex of closer to Rs. 500 crores with significant focus in Urban infra, the tunnel boring machines which should be coming in in the current year and B&F. Urban infra and B&F would be closer to 75% of capex for the current year.

Debt: Equity Infusion would be in the same range of Rs. 85 cr primarily for repayment of debt and major maintenance on a few projects. Net debt in the standalone business decreased by 29% compared to previous quarter, reaching Rs. 1,833 cr at the end of March 24.

Consolidated Revenue and Order Book:



Consolidated EBITDA and Margin:



(Source: Company, HDFC Sec)

Key Triggers

Healthy Order Book & Strong revenue Outlook: KPIL expects to continue with the current growth momentum and aim to achieve a historic high in terms of physical project execution, revenue and profit. Its robust financial profile, expertise in diverse EPC sectors, extensive global presence and capacity to handle large-scale projects positions it well to capitalize on significant infrastructure investments, particularly in sectors like power transmission, urban mobility, oil & gas, water in India and international markets. Company sees a visibility of tenders in domestic T&D market to be around Rs. 50,000 cr for the next 2-3 years. B&F business to maintain a double-digit growth, supported by a healthy order book and excellent business visibility in residential and commercial buildings, airports, industrial plants, data centres, etc. In Oil & Gas business, the company successfully established its presence in the Middle East securing LOI for a large gas pipeline. Government's capex outlay to drive the Urban Infra projects. It also secured 2 underground metro rail tunnel projects enhancing execution capabilities and strengthening its competitive position to effectively handle large size projects. In the railways segment, KPIL is maintaining its focus on key areas like metro electrification, S&T, RRTS and high speed rail.

Positive Segmental Outlook: In the **T&D business**, the business outlook has significantly improved over the last 12 to 15 months due to increasing adoption of renewables and rise in power demand resulting in the development and upgradation of grid infrastructure globally. The visibility of tenders in the domestic T&D market is estimated to be around Rs. 50,000 cr annually at least for the next 2 to 3 years.

Similarly, in the targeted international markets in Latin America, Middle East, Africa and Europe, KPIL is a witnessing good traction in the T&D Capex. Overall, T&D business is anticipated to remain robust and achieve substantial growth in the coming years.

Linjemontage (Sweden) is expected to grow by at least 25%, with EBITDA margins more in the range of 5% to 6%. Fasttel (Brazil) is expected to grow at 20% plus for the current year. And they are expected be positive at both EBITDA and PBT levels. **B&F business** to maintain a double-digit growth, supported by a healthy order book and excellent business visibility in residential and commercial buildings, airports, industrial plants, data centres, etc. **Oil & Gas** business is set to experience strong momentum on the back of high oil prices especially in the Middle eastern markets where it has received a large order expected to complete in 3 years. In the **Urban Infra Segment,** company will be selective in bidding for metro projects as it already secured 2 major orders for metro in terms of capex. **Water segment** sees a visibility for the next 3 years with an order book of Rs. 12,000 cr focusing more on building and strengthening the team.

Expectation of Improvement in Operational Performance:
The Company is expecting margins to be in the range of 8-8.5% at EBITDA level, 4-5% at PBT levels, going forward after witnessing pressure in its operating margins in previous few quarters. It remains watchful of competitive intensity, volatile commodity prices, tight labour markets, and tough global geopolitical conditions. The company has provided a guidance for overall revenue growth of 20% across all the segments (majorly contributed by T&D, B&F & Oil & gas segment) the majority of order-book is expected to convert in revenue on account of strong inflow and improved execution capabilities. The International T&D segment is likely to start execution of large project in next financial year, providing growth to the revenue of approximately 20% and execution pace. Working capital, Finance costs and Debt levels have remained stable and are in line with business growth. During FY24, KPIL successfully commissioned a new scaffolding capacity of 12,000 MTPA at its Raipur plant for captive consumption. NWC remained stable at 113 days, through a reduction in receivable days. Receivable days improved by 10 days and stood at 120 days. The management aims to further optimize NWC days by ensuring timely collection of payments and prompt filing of invoices. It aims to keep its net working capital days below 100 days and finance costs at 2% of sales in its core EPC business. Net debt increased by 16%, in line with revenue growth of 17%.

Expansion in International geographies: Company has presence in 73 countries and has ventured into new geographies like Madagascar, Poland, Niger and Tanzania for supply of tower parts. Europe with its ambitious climate and energy goals is expected to require investments of EUR 584 bn in T&D grids by 2030. Africa also is witnessing a shift towards renewable energy and would require investments of USD 45 bn in the next 8 years. GCC is expected to become one of the largest markets globally in terms of renewable energy capacity by 2030, which would entail significant investments in developing and strengthening the T&D infrastructure to the tune of around USD 50 bn by 2030. Latin America and the Caribbean need more than USD 577 billion to close the electric power gap. Of that total, the region will need around USD 397 billion to build new generation, transmission, and distribution infrastructure, and more than USD 180 billion to replace and maintain existing assets. We expect KPIL to benefit from all these investments at the international level driven mainly by T&D segment.

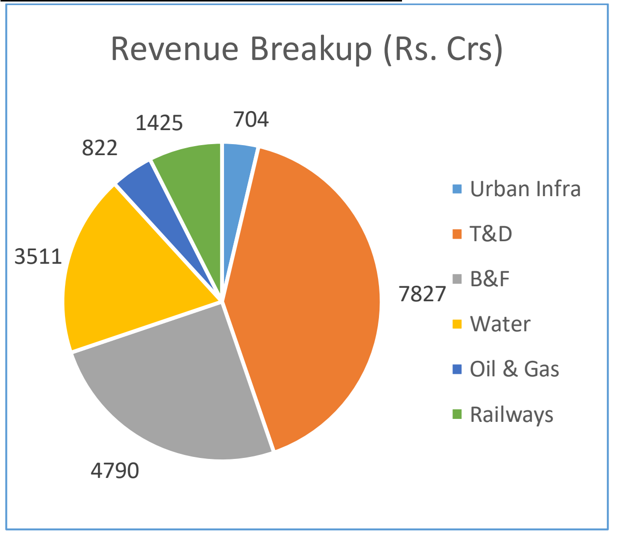
Growth drivers for the Construction Sector in India - Major opportunities for transport infrastructure

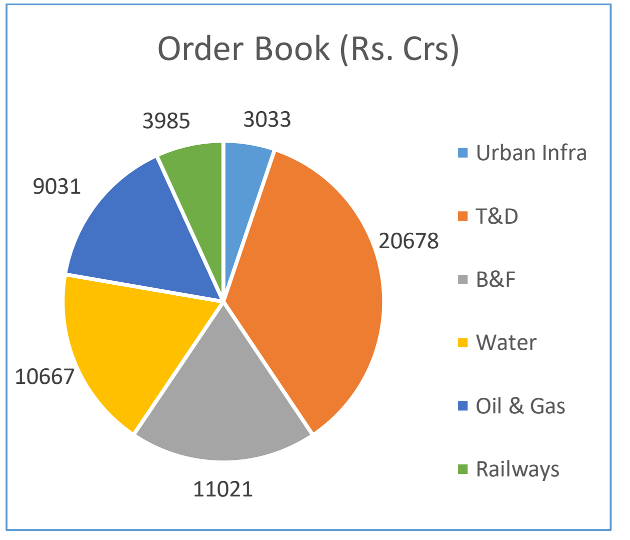
Businesses	Plans & Outlook	Key Enabling Policy Framework
Roads, Elevated Expressways, Bridges & Tunnels	India's national highway network is expected to grow to 200,000 km by 2025. As part of Bharatmala Pariyojana, a total of 27 greenfield expressways and access-controlled corridors, spanning over 9,000 km, are planned in the next five to six years.	Bharatmala Pariyojana
Airports	The target is to increase the total number of airports from 140 in 2022 to 220 in 2025 The government plans to spend Rs. 98,000 crore by 2025 on modernizing existing airports and constructing new ones to cope with this traffic and provide enhanced connectivity	UDAAN Scheme
Railways	The Indian Railways is set to receive a capex push of Rs. 2.52 lakh crore for FY25, an increase of 5% YoY. The funds will be spent on building railway tracks, wagons, trains, electrification, signalling, and developing facilities at stations while focusing on safety. National Rail Plan (NRP) is a roadmap to create a 'future-ready' railway system by 2030. The objective is to create capacity ahead of demand and increase the share of railways in freight operations to 45% from 27% in 2023. The Indian Railways intends to double its cargo loading to 3,000 million tonnes (mt) by 2027. It is widely understood that DFCs will play a key role in this endeavour. Three new DFC (Dedicated Freight Corridor) cover the east coast route, the north-south trail and an east-west one, covering a total length of 4,300 km, with the estimated project cost being C 2,00,000 crore. India is currently constructing its first HSR (High-speed rail) project linking Mumbai to Ahmedabad. Another twelve projects (7,396 km) requiring an investment of around Rs. 15 trillion are in various stages of planning. The government is also expected to invite tenders to cover 4,000-5,000 km of railway tracks with its collision prevention system, Kavach. The station redevelopment program aims to transform existing railway stations into city centres with state-of-the-art facilities. Around 400 railway stations will be redeveloped at an investment of over Rs. 1 trillion.	National Rail Plan Vision -2030
Urban Transport – Metro Rail	India's metro rail network has grown remarkably since 2014. It started from a network spread across five cities and 229 km and has grown to over 900 km across 20 cities in March 2024. Additionally, the introduction of India's first State of Art Namo Bharat train, operating on the Delhi-Meerut RRTS (Regional Rapid Transit System) corridor, further underscores the nation's commitment to enhancing regional connectivity and modernizing its transportation infrastructure. Approved additional metro rail network of 1,032km will expand the reach of metro systems up to 27 cities. In addition, lighter urban rail systems such as Metrolite and Metro Neo are being conceptualised and developed by many small and medium-sized cities. India is set to increase its metro network from an existing operational 851 km to a planned 1,985 km over the next five to seven years. This will take India's investment in metros to Rs. 6,838 billion. The target is to increase ports' handling capacity from 2,600 million tons per annum in FY23 to 10,000 MTPA by 2047. The government aims to operationalize 23 waterways by 2030. The capital outlay in the	Atal Mission for Rejuvenation and Urban Transformation - AMRUT

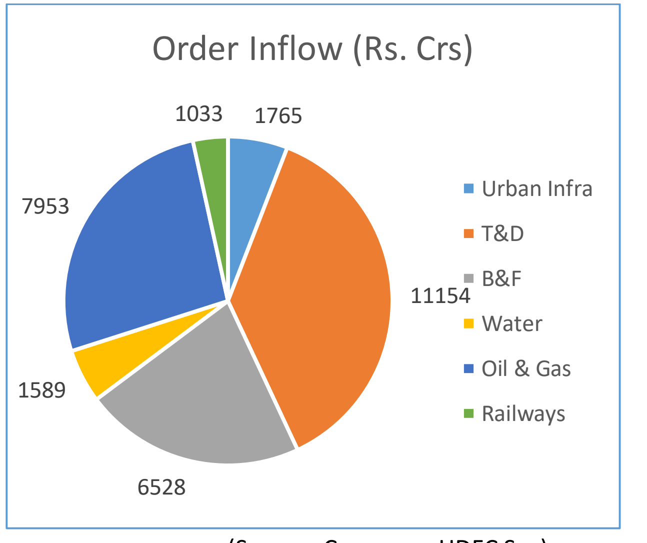
	port industry is projected to increase at a CAGR of 4.5% from Rs. 10.7 billion in the Financial Year 2024 to Rs. 12.7 billion in the Financial Year 2028.	
Ports	There are 802 projects worth investment of Rs. 5.40 trillion for implementation under the Sagarmala Programme by 2035, out of which, 220 projects worth Rs. 1.12 trillion have been completed and 231 projects worth Rs. 2.21 trillion are under implementation. In addition to the above, 351 projects worth Rs. 2.07 trillion are under various stages of development.	Sagarmala National Logistics Policy

(Source: Company, HDFC Sec)

Revenue Split and Order-book







(Source: Company, HDFC Sec)

Risks & Concerns:

- **Promoter Pledge:** Promoters have pledged 31.5% of their shareholding which the management aims to reduce to 30% by March 25.
- Slow execution pace of existing orders.
- **Project execution risk:** Infrastructure projects involve complex design and engineering, significant procurement of equipment and supplies, extensive construction management, and other activities conducted over extended periods, sometimes in remote locations. This could lead to cost and time overruns, thereby impacting its profitability. Also it faces the risk of being blacklisted due to quality or delay issues.

- **Contractual Risk:** Contractual obligations for quality, timeliness and other specific terms and conditions are crucial for orders. Inability to adhere to them could attract legal action.
- **Raw materials price risk:** The price of key raw materials such as cement, bricks, sand, and steel/copper constantly fluctuates with the changing demand-supply dynamics which may lead to a rise in input cost, which in turn, put pressure on the company's margins and profitability.
- **Political Risk / State Elections:** Typically, when there is change in the political party in a state; infrastructure works & projects awarded by the old party is questioned and could face problem of termination.

Company Background:

With more than 4 decades of rich experience, Kalpataru Projects International Limited (KPIL) is among the largest players in the global power transmission & distribution, railways, oil & gas and civil infrastructure space. The Company offers comprehensive solutions encompassing design, testing, fabrication, erection and construction of transmission lines, oil and gas infrastructure and railway projects on a turnkey basis. The company also provides civil contracting services for Buildings & Factories, Water Infrastructure, Highways and Metro construction after its merger with JMC Projects. The company is also operating three BOOT Road assets.

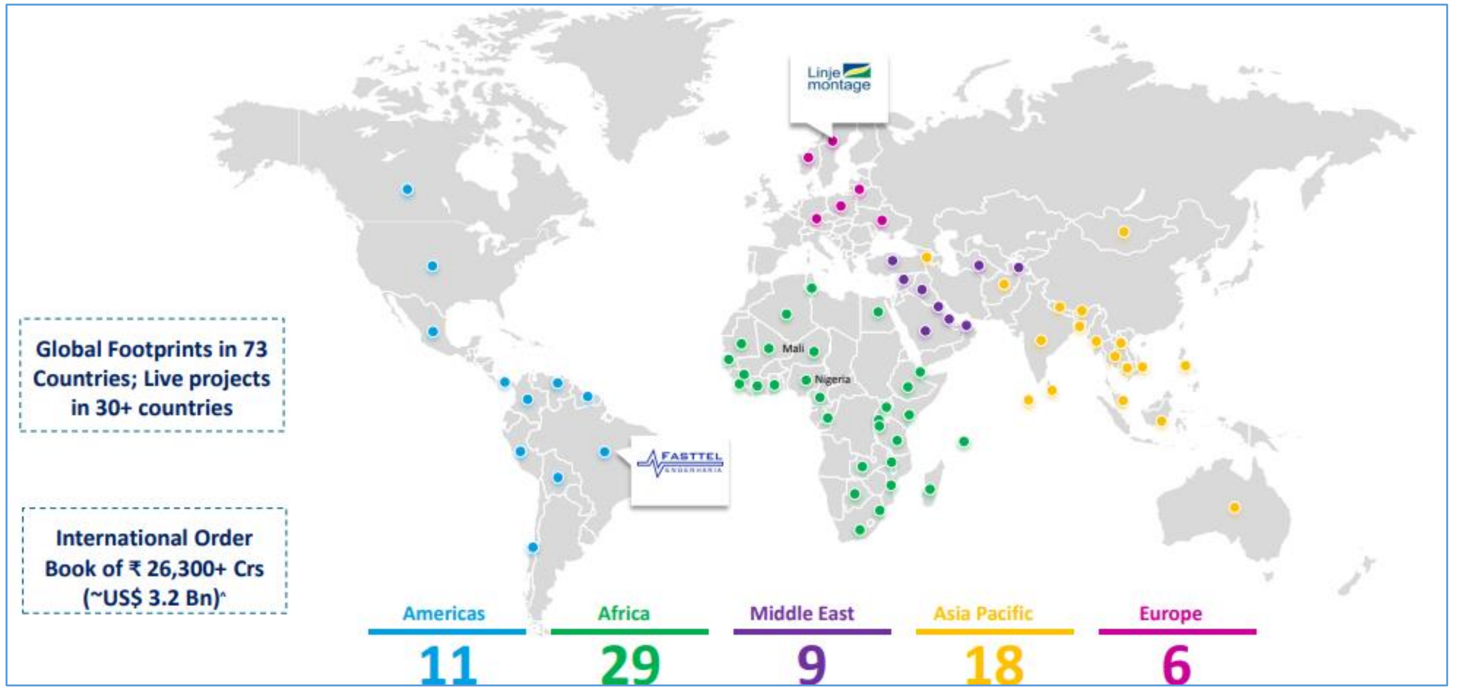
The company owns and operates 2 tower fabrication facilities primarily for its Transmission & Distribution segment with a capacity of 2,40,000 MTPA of tower fabrication capacity. The company owns and operates 2 biomass-based power generation plants of 16 MW in Rajasthan India which uses agricultural waste and crop residues as their fuel source.

KPIL is also present in the agri-commodity warehousing sector through its subsidiary Shree Shubham Logistics Limited. The company has global presence across 67 countries. The company has also established its local presence in Sweden and Brazil. The International Business accounts for approximately 45% of total revenue of the company. KPTL has an all-time high consolidated order-book of Rs. 58,415 cr. The orderbook comprises 35% of orderbook from Transmission & Distribution segment, 19% from Building and Factory, Water comprises of 18%, 5% from Urban Infra and Railways 7%, while Oil and Gas accounts for 16% of total order-book.

Areas of Operation:

(Source: Company, HDFC Sec)

Global Footprint:



(Source: Company, HDFC Sec)

Peer Comparision:

Company	Market Cap (Rs cr)	Sales (cr)			EBITDA (cr)			PAT (cr)			ROE (%)			P/E		
		FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
KPIL (Standalone)	**19948**	**16760.0**	**20698.6**	**25873.3**	**1366.0**	**1759.4**	**2380.3**	**533.0**	**812.8**	**1247.4**	**10.1**	**12.6**	**16.5**	**34.4**	**24.5**	**16.0**
L&T	498678	221112.9	253658.6	287787.7	23493.7	28255.1	33773.5	13059.1	16082.3	20097.3	14.9	17.1	18.6	38.6	31.1	25.1
KEC International	23155	19914.2	22747.9	25868.3	1214.6	1730.7	2368.1	346.8	740.6	1204.7	8.8	16.8	22.7	56.9	26.6	16.4

Financials (Standalone)

Income Statement

(Rs Cr)	FY21	FY22	FY23	FY24	FY25E	FY26E
Net Revenues	11,359.8	12,407.0	14,337.0	16,760.0	20,698.6	25,873.3
Growth (%)	-2	9	16	17	24	25
Operating Expenses	10,221.0	11,554.0	13,176.0	15,394.0	18,939.2	23,492.9
EBITDA	**1138.8**	**853.0**	**1161.0**	**1366.0**	**1759.4**	**2380.3**
Growth (%)	**-10**	**-25**	**36**	**18**	**29**	**35**
EBITDA Margin (%)	**10.02**	**6.88**	**8.10**	**8.15**	**8.50**	**9.20**
Depreciation	257.0	272.0	295.0	368.0	393.0	416.2
EBIT	**881.8**	**581.0**	**866.0**	**998.0**	**1366.4**	**1964.1**
Other Income	105.9	98.0	112.0	113.0	113.8	116.4
Interest expenses	222.4	244.0	294.0	337.0	374.3	383.3
PBT	**765.4**	**435.0**	**684.0**	**774.0**	**1105.9**	**1697.2**
Tax	247.1	149.0	207.0	206.0	293.1	449.7
PAT	686.6	350.0	531.0	533.0	812.8	1,247.4
Adjusted PAT	560.6	302.0	513.0	580.5	812.8	1,247.4
Growth (%)	**3**	**-46**	**70**	**13**	**40**	**53**
EPS	34.5	20.3	31.6	35.7	50.0	76.8

Balance Sheet

As at March	FY21	FY22	FY23	FY24	FY25E	FY26E
SOURCE OF FUNDS						
Share Capital	63.4	29.8	32.5	32.5	32.5	32.5
Reserves	4,817.8	4,907.3	5,287.2	5,718.0	6,417.1	7,534.5
Shareholders' Funds	**4,881**	**4,937**	**5,320**	**5,750**	**6,450**	**7,567**
Long Term Debt	702.6	804.6	924.5	1,144.0	1,144.0	1,144.0
Net Deferred Taxes	-79.5	-88.0	-133.8	-139.0	-139.0	-139.0
Long Term Provisions & Others	943.6	1,067.8	548.4	200.5	200.5	200.5
Total Source of Funds	**6,448**	**6,721**	**6,659**	**6,956**	**7,655**	**8,773**
APPLICATION OF FUNDS						
Net Block & Goodwill	1,257.5	1,362.6	1,745.2	1,693.0	1,800.0	1,883.7
CWIP	0.0	0.0	0.0	0.0	0.0	0.0
Other Non-Current Assets	1,019.2	726.4	1,131.8	867.0	867.0	867.0
Total Non Current Assets	**2,277**	**2,089**	**2,877**	**2,560**	**2,667**	**2,751**
Investments	855.2	892.1	874.1	859.0	859.0	859.0
Inventories	830.8	919.3	1,087.4	1,240.0	1,639.8	1,709.5
Trade Receivables	4,785.1	4,108.7	4,943.9	5,393.0	6,634.9	8,577.2
Cash & Equivalents	526.3	988.6	858.1	849.0	675.3	464.1
Other Current Assets	4,873.1	6,036.2	6,963.7	8,953.0	10,491.1	12,050.6
Total Current Assets	**11,819**	**12,945**	**14,727**	**17,294**	**20,300**	**23,660**
Short-Term Borrowings	1,367.4	1,850.5	2,010.1	2,119.0	2,269.0	2,469.0
Trade Payables	4,207.0	3,756.6	4,582.5	5,236.0	6,521.5	8,081.0
Other Current Liab & Provisions	2,124.9	2,705.3	4,352.7	5,543.0	6,521.5	7,088.6
Total Current Liabilities	**7,699**	**8,312**	**10,945**	**12,898**	**15,312**	**17,639**
Net Current Assets	4,120.1	4,632.5	3,781.9	4,396.0	4,988.1	6,021.8
Total Application of Funds	**6,448**	**6,721**	**6,659**	**6,956**	**7,655**	**8,773**

(Source: Company, HDFC Sec)

Cash Flow Statement

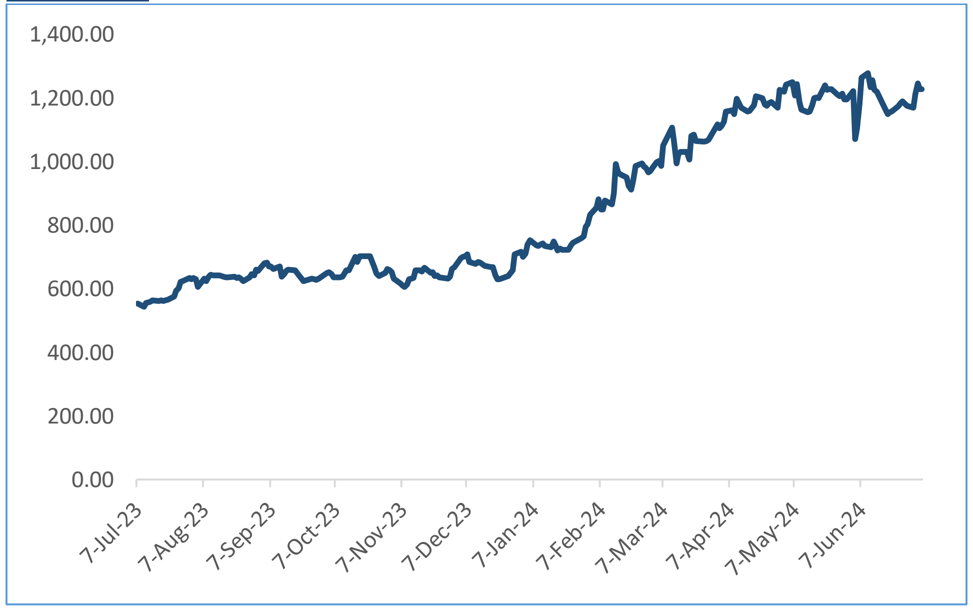
(Rs Cr)	FY21	FY22	FY23	FY24	FY25E	FY26E
Reported PBT	933.4	499.5	738.7	739.0	1,105.9	1,697.2
Non-operating & EO items	265.8	103.6	-63.3	53.0	0.0	0.0
Interest Expenses	-10.9	243.6	293.9	368.0	374.3	383.3
Depreciation	27.8	272.0	294.8	337.0	393.0	416.2
Working Capital Change	-289.2	-535.5	-451.2	-580.0	-915.9	-1,444.8
Tax Paid	-208.7	-206.7	-253.4	-203.0	-293.1	-449.7
OPERATING CASH FLOW (a)	**718.2**	**376.4**	**559.4**	**714.0**	**664.3**	**602.2**
Capex	-215.0	-211.3	-707.8	-289.0	-500.0	-500.0
Free Cash Flow	503.2	165.1	-148.5	425.0	164.3	102.2
Investments	179.9	-124.5	156.8	-218.0	0.0	0.0
Non-operating income	91.9	49.5	104.4	40.0	0.0	0.0
INVESTING CASH FLOW (b)	**56.7**	**-286.2**	**-446.7**	**-467.0**	**-500.0**	**-500.0**
Debt Issuance / (Repaid)	-108.7	576.8	191.1	254.0	150.0	200.0
Interest Expenses	-219.5	-251.7	-312.0	-316.0	-374.3	-383.3
FCFE	175.0	490.1	-269.3	363.0	-60.0	-81.2
Share Capital Issuance/ (Buy Back)	-176.9	0.0	0.0	0.0	0.0	0.0
Dividend	-138.3	-26.1	-102.2	-114.0	-113.7	-130.0
Others	0.0	0.0	0.0	0.0	0.0	0.0
FINANCING CASH FLOW (c)	**-643.4**	**298.9**	**-223.1**	**-176.0**	**-338.0**	**-313.3**
NET CASH FLOW (a+b+c)	**131.5**	**389.1**	**-110.4**	**71.0**	**-173.7**	**-211.1**

Key Ratios

	FY21	FY22	FY23	FY24	FY25E	FY26E
PROFITABILITY RATIOS						
EBITDA Margin	10.0	6.9	8.1	8.2	8.5	9.2
EBIT Margin	7.8	4.7	6.0	6.0	6.6	7.6
PAT Margin	4.9	2.4	3.6	3.5	3.9	4.8
RoE	11.5	6.1	9.6	10.1	12.6	16.5
RoCE	10.4	6.2	8.8	9.3	11.2	13.8
SOLVENCY RATIOS						
Debt/EBITDA (x)	1.8	3.1	2.5	2.4	1.9	1.5
D/E	0.3	0.3	0.4	0.4	0.4	0.4
PER SHARE DATA						
EPS	34.5	20.3	31.6	35.7	50.0	76.8
CEPS	50.3	38.5	49.7	58.4	74.2	102.4
DPS	0.1	0.0	0.0	0.0	7.0	8.0
BVPS	300.5	331.6	327.5	354.0	397.0	465.8
TURNOVER RATIOS						
Debtor days	154	121	126	117	117	121
Inventory days	27	27	28	27	29	24
Creditors days	135	111	117	114	115	114
VALUATION						
P/E	35.6	60.5	38.9	34.4	24.5	16.0
P/BV	4.1	3.7	3.7	3.5	3.1	2.6
EV/EBITDA	18.9	23.4	19.0	16.4	12.9	9.7
EV/Revenues	1.9	1.6	1.5	1.3	1.1	0.9

(Source: Company, HDFC Sec)

Price chart



(Source: Company, HDFC sec)

RISHAB A JAIN

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HDFC Sec Retail Research Rating description

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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.

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