

Retail Equity Research

# Olectra Greentech Ltd.

Automobile

BSE CODE : 532439

NSE CODE: OLECTRA

BLOOMBERG CODE: OLECTRA :IN

SENSEX : 65,676

**Accumulate**

12Months Investment Period

Rating as per Small Cap

**CMP Rs.1,178 TARGET Rs. 1,351 RETURN 15%** ↑

(Closing: 15-11-2023)

**KEY CHANGES:**

**TARGET** ↑

**RATING** ↔

**EARNINGS** ↑

## Accelerating ahead for next gen-transport system

Olectra Greentech Ltd. (OGL), is a subsidiary of Megha Engineering and Infrastructures Ltd. (MEIL). The company is primarily engaged in the manufacturing of electric buses and composite polymer insulators.

- EV adoption in buses is likely to speed up in the current year, and the center announced procurement of 17,000 buses through FAME 2 and PM e-seva service (PPP model).
- OGL currently holds 9,000 electric bus orders from both State and Central contracts. The company is diligently working towards its new Greenfield EV manufacturing facility, which is expected to operational by Q4, with an annual capacity outlay of 5,000 vehicles.
- Q2FY24 revenue grew by 73%YoY (42%QoQ). This was largely driven by superior product mix and better realization per vehicle.
- With the formation of a JV with BYD (Build Your Design) China for electric buses, the company is expanding its product line in the e-mobility segment with electric truck tippers and Hydrogen bus project.
- We value OGL at 45x FY25E EPS and recommend Accumulate rating, considering capacity expansion & strong earnings growth.

### EV adoption in buses likely to speed up.

Given the government intention towards electrification of Buses, Niti Aayog has directed Convergence Energy Services Limited (CESL) to solicit bids for the purchase of more than 50,000 electric buses in the upcoming years. The electric vehicle market for buses is significantly higher and 50 thousand are fewer than 10% of the total buses running. The company has bagged some of the biggest order from various STUs in India in the last financial year, which includes, 550 buss from Telangana State Road Transport Corporation (TSTRC), 2100 electric buses from Brihanmumbai Electric Supply and Transport Undertaking (BEST), 5150 electric buses from Maharashtra State Corporation (MSRTC). In addition, OGL is also eyeing PM e-Bus program's tender for 10,000 buses which is likely to open tender by next month, which the Govt. of India has recently announced. Currently, the company holds 27% of the market share in this segment. Q2FY24 revenue grew by 73%YoY (42%QoQ). This was largely driven by superior product mix and better realization per vehicle.

### Technological tie-up to hold key for the company.

With the formation of a JV with BYD (Build Your Design) China (BYD is the largest EV manufacturer in the world), and after leading in the commercial run of electric buses, the company is expanding its product line in the e-mobility segment for 3-wheeler electric autos and electric truck tippers. Surge in the demand for electric tippers to grow going forward as the success strong in the bus likely to create impetus for E-tucks. The technical partnership between Olectra and Reliance on the Hydrogen Bus project will open the Indian market to a cutting-edge transportation system. The system consists of Type-4 hydrogen cylinders installed on the top of the bus.

### Robust capex plan and strong order book

There are a few more tenders in pipeline in which the company has participated in the bidding and is hope to bag more of such orders. OGL currently holds 9,000 electric bus orders with the same to be delivered in the next 12-24 months. As a result, the company is diligently working towards its new Greenfield EV manufacturing facility in Telangana with an initial capacity of 5000 vehicles per year and extendable to 10,000 vehicles per year. This facility is to be operational by Q4FY24. The company already operates 40 electric buses for BEST in Mumbai, in addition to several STUs like Pune, Hyderabad, Goa, Dehradun, Surat, Ahmedabad, Silvassa, and Nagpur.

### Valuation & Outlook:

We expect the government intention for carbon free emission and technological capability, coupled with strong association with STUs, to drive future growth for the company. Given the strong order book and capacity expansion and scalability of multiple powertrain. we recommend OGL at 45x FY25E EPS, factoring in strong earnings growth with an anticipation of executing the order book on time. While, delay can poses near term risk to valuation. Hence, we recommend Accumulate rating at CMP.

### Company Data

Market Cap (Rs.cr)	9,327
Enterprise Value (Rs.cr)	9,230
Outstanding Shares (cr)	8.2
Free Float	50.0%
Dividend Yield	0.0%
52 week high Rs.	1,465
52 week low Rs.	374
6m average volume (cr)	0.18
Beta	0.97
Face value Rs.	4

Shareholding (%)	Q4FY23	Q1FY24	Q2FY24
Promoters	50.0	50.0	50.0
FII's	9.0	8.6	8.0
MFs/Insti	0.1	0.1	0.1
Public	40.9	41.4	41.9
Total	100.0	100.0	100.0
Promotor pledge	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-3.5%	71.8%	101.3%
Absolute Sensex	-3.6%	4.4%	6.7%
Relative Return*	0.1%	67.4%	94.6%

### \*over or under performance to benchmark index



Consolidated (cr)	FY23A	FY24E	FY25E
Sales	1,091	1,390	2,848
Growth (%)	83.9	27.5	104.8
EBITDA	101	202	427
EBITDA Margin (%)	9.3	14.5	15.0
Adj. PAT	56	96	246
Growth (%)	76.6	72.4	156.8
Adj. EPS	7.8	11.7	30.0
Growth (%)	76.6	72.4	156.8
P/E	177.0	102.7	40.0
P/B	11.1	10.1	8.1
EV/EBITDA	96.1	47.3	23.4
ROE (%)	6.5	10.3	22.4
D/E	0.1	0.1	0.1

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## Quarterly Financials (Consolidated)

### Profit & Loss

Rs cr.	Q2FY24	Q2FY23	YoY Growth (%)	Q1FY24	QoQ Growth (%)
<b>Sales</b>	<b>307</b>	<b>177</b>	<b>73.2</b>	<b>216</b>	<b>42.2</b>
<b>EBITDA</b>	<b>41</b>	<b>20</b>	<b>102.6</b>	<b>40</b>	<b>0.6</b>
EBITDA margins (%)	13.2	11.3	192bps	18.7	-546bps
Depreciation	9	8	8.8	9.0	-2.4
<b>EBIT</b>	<b>32</b>	<b>12</b>	<b>166.1</b>	<b>31</b>	<b>1.4</b>
Interest	10	7	35.7	7.2	34.0
Other Income	5	6	-27.7	1.2	276.7
Exceptional Items	0	0	0.0	0.0	-
<b>PBT</b>	<b>27</b>	<b>11</b>	<b>140.9</b>	<b>25</b>	<b>5.2</b>
Tax	8	4	121.3	7.2	11.3
Share of profit from associates	0	0	0.0	0.0	-
Minority interest	1	0	0.0	0.0	-
<b>Reported PAT</b>	<b>18</b>	<b>8</b>	<b>138.3</b>	<b>18</b>	<b>-</b>
Adjustments	0	0	0.0	0.0	-
<b>Adj PAT</b>	<b>18</b>	<b>8</b>	<b>138.3</b>	<b>18</b>	<b>-0.1</b>
No. of Shares	8	8	-	8.2	-
<b>Adj EPS (Rs)</b>	<b>2.2</b>	<b>0.9</b>	<b>138.3</b>	<b>2.2</b>	<b>-0.1</b>

### Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	1,539	2,067	1,390	2,848	-0.1	0.4
EBITDA	219	320	202	427	-8.0	33.5
Margins (%)	14.2	15.5	14.5	15.0	27bps	-50bps
Adj. PAT	118	173	96	246	-18.7	42.4
EPS	14.4	21.1	11.7	30.0	-18.8	42.3

## Consolidated Financials

### PROFIT & LOSS

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E
<b>Revenue</b>	<b>201</b>	<b>281</b>	<b>593</b>	<b>1,091</b>	<b>1,390</b>	<b>2,848</b>
% change	17.9	40.3	110.8	83.9	27.5	104.8
<b>EBITDA</b>	<b>5</b>	<b>20</b>	<b>82</b>	<b>101</b>	<b>202</b>	<b>427</b>
% change	2.4	7.1	13.8	9.3	14.5	15.0
Depreciation	18	13	29	33	43	59
<b>EBIT</b>	<b>-13</b>	<b>7</b>	<b>53</b>	<b>68</b>	<b>158</b>	<b>368</b>
Interest	14	7	9	0	43	54
Other Income	24	11	8	10	18	34
<b>PBT</b>	<b>17</b>	<b>13</b>	<b>54</b>	<b>87</b>	<b>133</b>	<b>348</b>
% change	-178.7	-27.6	329.5	60.9	53.6	161.3
Tax	4	5	20	23	40	104
Tax Rate (%)	22.0	36.1	36.5	26.0	30.0	30.0
<b>Reported PAT</b>	<b>14</b>	<b>8</b>	<b>34</b>	<b>64</b>	<b>96</b>	<b>246</b>
Adj*	19.4	1.7	2.8	8.5	0.0	0.0
<b>Adj PAT</b>	<b>-6</b>	<b>6</b>	<b>32</b>	<b>56</b>	<b>96</b>	<b>246</b>
% change	-63.6	-207.3	398.6	76.6	72.4	156.8
No. of shares (cr)	8	8	8	8	8	8
<b>Adj EPS (Rs.)</b>	<b>1.6</b>	<b>1.0</b>	<b>4.2</b>	<b>7.8</b>	<b>11.7</b>	<b>30.0</b>
% change	-64	-207	399	77	72	157
DPS (Rs.)	0.0	0.0	0.0	0.4	0.4	0.4
CEPS (Rs.)	1	2	7	11	17	37

### CASH FLOW

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E
<b>Net inc. + Depn.</b>	<b>30</b>	<b>29</b>	<b>81</b>	<b>120</b>	<b>176</b>	<b>408</b>
Non-cash adj.	356	-463	-352	-22	3	-51
Changes in W.C	625	-230	272	147	272	-547
<b>C.F. Operation</b>	<b>1,011</b>	<b>-663</b>	<b>1</b>	<b>245</b>	<b>452</b>	<b>(190)</b>
Capital exp.	0	0	0	-31	-211	-206
Change in inv.	-171	-71	-110	-47	0	0
Other invest.CF	172	-11	55	0	0	0
<b>C.F - Investment</b>	<b>0</b>	<b>-82</b>	<b>-54</b>	<b>-78</b>	<b>-211</b>	<b>-206</b>
Issue of equity	-30	-7	-9	0	0	0
Issue/repay debt	-16	0	0	0	-43	-54
Dividends paid	-3	-15	0	-3	-3	-3
Other finance.CF	21	4	127	0	0	0
<b>C.F - Finance</b>	<b>-49</b>	<b>-22</b>	<b>49</b>	<b>12</b>	<b>-17</b>	<b>3</b>
Chg. in cash	963	-767	-5	179	224	-393
Closing cash	99	89	199	196	423	33

### BALANCE SHEET

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E
Cash	99	89	199	196	423	33
Accounts Receivable	370	274	376	374	373	624
Inventories	81	62	59	115	138	281
Other Cur. Assets	268	162	161	134	114	234
Investments	0	0	0	0	0	0
Gross Fixed Assets	167	317	370	401	602	798
Net Fixed Assets	145	286	312	311	469	606
CWIP	0	0	3	50	50	50
Intangible Assets	6	5	13	13	23	33
Def. Tax (Net)	14	22	16	12	15	31
Other Assets	16	66	77	84	69	179
<b>Total Assets</b>	<b>1,000</b>	<b>966</b>	<b>1,217</b>	<b>1,290</b>	<b>1,675</b>	<b>2,071</b>
Current Liabilities	222	186	327	332	588	649
Provisions	6	9	18	24	30	62
Debt Funds	29	9	66	81	111	171
Other Liabilities	10.1	20.8	28.4	15.1	15.1	15.1
Equity Capital	82	82	82	82	82	82
Reserves & Surplus	660	708	744	805	898	1,141
Shareholder's Fund	733	741	777	838	931	1,174
<b>Total Liabilities</b>	<b>1,000</b>	<b>966</b>	<b>1,217</b>	<b>1,290</b>	<b>1,675</b>	<b>2,071</b>
<b>BVPS (Rs.)</b>	<b>90</b>	<b>96</b>	<b>99</b>	<b>108</b>	<b>119</b>	<b>149</b>

### RATIOS

Angel123\$	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E
<b>Profitab. &amp; Return</b>						
EBITDA margin (%)	2.4	7.1	13.8	9.3	14.5	15.0
EBIT margin (%)	-6.3	2.4	8.9	6.3	11.4	12.9
Net profit mgn.(%)	-2.9	2.2	5.3	5.1	6.9	8.7
ROE (%)	-0.8	0.8	3.9	6.5	10.3	22.4
ROCE (%)	0.8	1.2	3.8	4.7	9.9	17.6
<b>W.C &amp; Liquidity</b>	0.0	0.0	0.0	0.0	0.0	0.0
Receivables (days)	426.4	417.9	199.8	125.4	98.0	63.9
Inventory (days)	175.6	92.7	37.2	29.1	33.3	26.8
Payables (days)	519.1	333.1	176.7	128.4	154.1	101.1
Current ratio (x)	3.4	3.1	2.3	2.3	1.7	1.7
Quick ratio (x)	2.0	1.9	1.7	1.6	1.3	1.0
<b>Turnover &amp; Leverage</b>	0	0	0	0	0	0
Gross asset T.O (x)	1.2	1.2	1.7	2.8	2.8	4.1
Total asset T.O (x)	0.2	0.3	0.5	0.9	0.9	1.5
Int. coverage ratio (x)	-0.9	0.9	5.7	3.5	3.7	6.9
Adj. debt/equity (x)	0.0	0.0	0.1	0.1	0.1	0.1
<b>Valuation</b>	0.0	0.0	0.0	0.0	0.0	0.0
EV/Sales (x)	48.8	34.7	16.4	8.9	6.9	3.5
EV/EBITDA (x)	2004.2	486.3	118.4	96.1	47.3	23.4
P/E (x)	-1672.3	1558.5	312.6	177.0	102.7	40.0
P/BV (x)	13.3	12.5	11.9	11.1	10.1	8.1

## Recommendation summary (Last 3 Years)



Dates	Rating	Target
25-Apr-23	Accumulate	738
16-Nov-23	Accumulate	1,351

Source: Bloomberg, Geojit Research.

### Investment Criteria

Ratings	Large caps	Midcaps	Small caps
<b>Buy</b>	Upside is above 10%	Upside is above 15%	Upside is above 20%
<b>Accumulate</b>	-	Upside is between 10% - 15%	Upside is between 10% - 20%
<b>Hold</b>	Upside is between 0% - 10%	Upside is between 0% - 10%	Upside is between 0% - 10%
<b>Reduce/sell</b>	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
<b>Not rated/Neutral</b>	-	-	-

#### Definition:

**Buy:** Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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