

## Good quarter amid lower expectation and base

Engineering &amp; Capital Goods ▶ Result Update ▶ July 30, 2024

TARGET PRICE (Rs): 950

We maintain our ADD rating on KEC International and TP of Rs950/share (unchanged). Despite a challenging environment, order inflow growth has been robust (+70% YoY), led by T&D, civil, and renewables. The management has maintained FY25 guidance of Rs250bn, supported by its robust L1 position and tender pipeline (Rs1.5trn) across businesses. In Q1, KEC faced challenges related to heat waves, the general elections, and supply chain which we believe should recede Q3FY25 onward. We expect EBITDA margin to gradually normalize from Q3FY25. Debt remains at elevated levels, albeit seeing marginal reduction during the quarter. The company has announced demerging its Cable business (8% FY24 consolidated revenue) into a separate subsidiary, given improved business visibility and value unlocking. The management also announced raising Rs60bn in due course, to be used for any organic/inorganic growth opportunities across businesses.

## KEC International: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	172,817	199,142	229,160	249,267	279,798
EBITDA	8,297	12,203	18,498	22,115	25,943
Adj. PAT	1,760	3,525	8,301	11,329	14,539
Adj. EPS (Rs)	6.8	13.7	32.2	43.9	56.4
EBITDA margin (%)	4.8	6.1	8.1	8.9	9.3
EBITDA growth (%)	(8.2)	47.1	51.6	19.6	17.3
Adj. EPS growth (%)	(47.0)	100.2	135.5	36.5	28.3
RoE (%)	4.8	9.0	18.7	21.4	22.5
RoIC (%)	10.4	14.5	21.0	24.0	26.8
P/E (x)	128.1	64.0	27.2	19.9	15.5
EV/EBITDA (x)	30.6	21.4	14.0	11.4	9.5
P/B (x)	6.0	5.5	4.7	3.9	3.2
FCFF yield (%)	0.1	(0.9)	3.4	5.8	5.4

Source: Company, Emkay Research

## Muted execution due to general elections; BoD approves fund-raising

Q1 revenue for KEC was muted at Rs45bn (+6% YoY) due to the general elections during the quarter. Within segments, the T&D (including SAE)/Civil segments grew 14%/11% YoY. However, slowdown in railways segment execution persists, with KEC registering a 38% YoY decline. Meanwhile, EBITDAM expanded marginally to 6% (+23bps YoY). PAT doubled to Rs876mn YoY, on the back of soaring 'other income' at Rs431mn (+1,424% YoY), comprising Rs240mn received in a decade-old arbitration case. KEC's BoD have approved i) subsidization of the Cables segment, to tap into growing opportunities in the RE segment, ii) fund-raising up to ~Rs60bn (issuance of Equity/NCDs: Rs45bn/Rs15bn), to invest in superior capabilities, and organic/inorganic growth avenues. The management maintains FY25 revenue guidance of +15% YoY growth/7.5% EBITDAM.

## Strong inflows, despite a slow quarter

Strong order inflow of Rs76bn (+70% YoY) provides assurance on KEC achieving its FY25 inflow target of Rs250bn during FY25 (~30% target achieved; no change in inflow guidance). Resurgence in the domestic T&D pipeline is visible in KEC's inflow rising to ~Rs44bn (64% YoY). Order backlog+L1 stood at Rs420bn (BB ratio: 1.6x), with T&D (including SAE)/Civil contributing the lion's share of ~51%/31% in the backlog.

## Delay in Receivables hinder NWC days; net debt position remains range-bound

NWC days soared to 122 (vs Q4FY24: 112 days) owing to funding blockages in certain GoI projects, coupled with delay in receivables prior to the interim budget being passed. Net Debt (including acceptances) stands at Rs56bn (vs Q1FY24: Rs57bn); it remains range bound (FY25 targeted range: Rs5-6bn). This reflects the improvement in finance cost as a % of sales decline to 3.4% (vs Q1FY24: 3.7%). With fund raising on the cards (albeit not in the near future), issuance of NCDs could be primarily utilized towards improving KEC's NWC and balance-sheet positions.

## Valuations

We maintain KEC's revenue/EBITDA/PAT CAGR at 12%/29%/61%, respectively, during FY24-27E, culminating into ROE/ROCE of 23%/24% during FY27E (vs FY24: 9%/15%). The recent run-up in the stock price (3M: ~20%) leaves limited upside from current levels. We maintain an ADD rating and TP of Rs950/share, based on 20x Jun-26E earnings, which is a 9% upside.

Target Price – 12M	Jun-25
Change in TP (%)	-
Current Reco.	ADD
Previous Reco.	ADD
Upside/(Downside) (%)	8.8
CMP (29-Jul-24) (Rs)	873.8

Stock Data	Ticker
52-week High (Rs)	969
52-week Low (Rs)	550
Shares outstanding (mn)	257.1
Market-cap (Rs bn)	225
Market-cap (USD mn)	2,683
Net-debt, FY25E (Rs mn)	34,243
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	787.8
ADTV-3M (USD mn)	9.4
Free float (%)	-
Nifty-50	24,836
INR/USD	83.7
<b>Shareholding, Jun-24</b>	
Promoters (%)	51.9
FPIs/MFs (%)	12.7/25.3

Price Performance			
(%)	1M	3M	12M
Absolute	(1.5)	19.5	37.7
Rel. to Nifty	(4.8)	8.9	8.9

## 1-Year share price trend (Rs)



## Ashwani Sharma

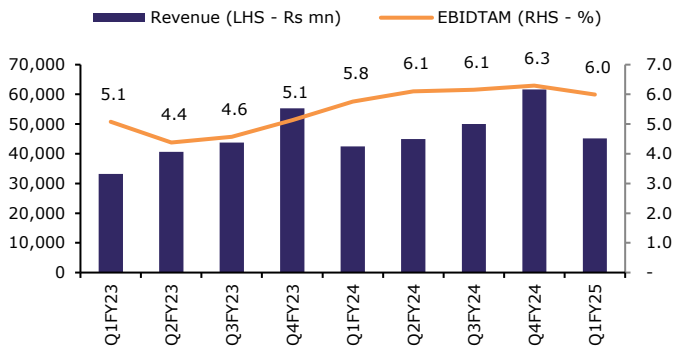
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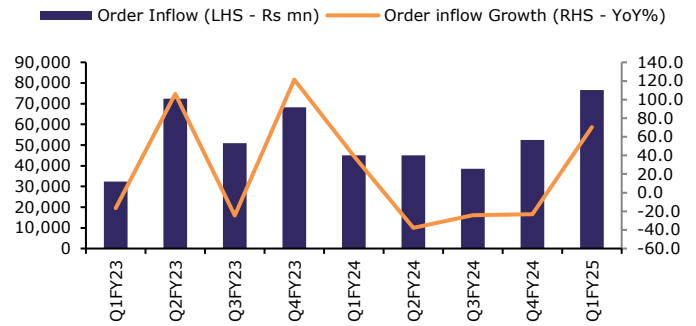
# Story in Charts

**Exhibit 1: Q1FY25 revenue/EBITDAM grew by 6%/23bps YoY**



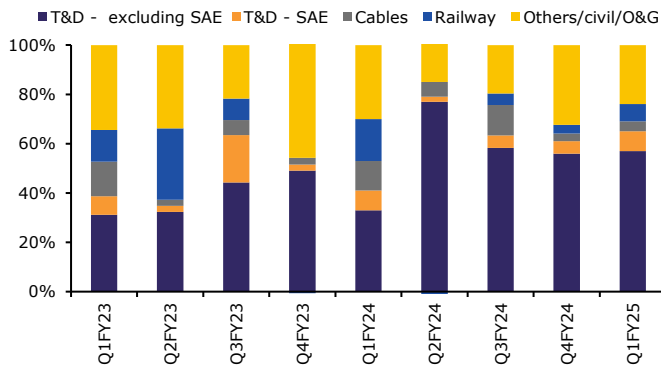
Source: Company, Emkay Research

**Exhibit 2: Total inflows soared to Rs76bn (+70% YoY); T&D (ex SAE) inflow grew ~3x YoY to Rs44bn**



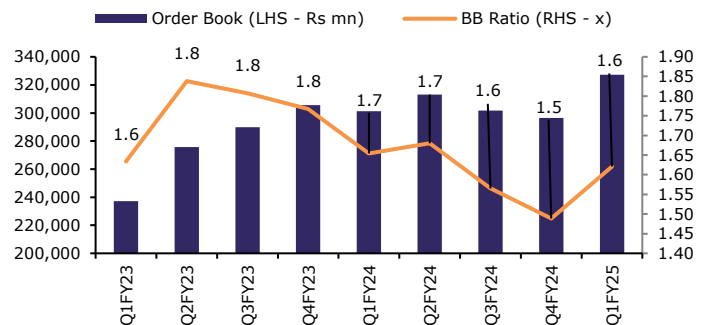
Source: Company, Emkay Research

**Exhibit 3: T&D (ex SAE) has 57% share in Q1FY25 inflows (vs Q1FY24/Q4FY24 share at 33%/56%)**



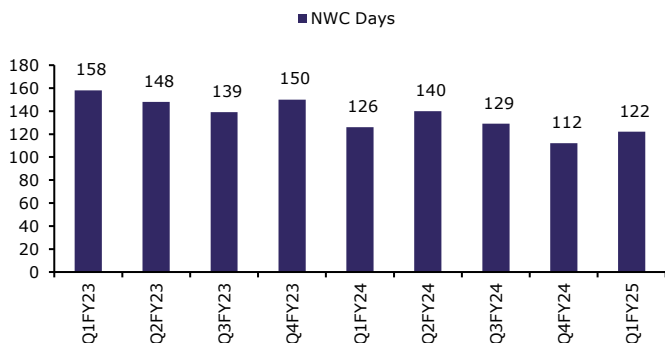
Source: Company, Emkay Research

**Exhibit 4: Order book+L1 position of Rs420bn remains strong**



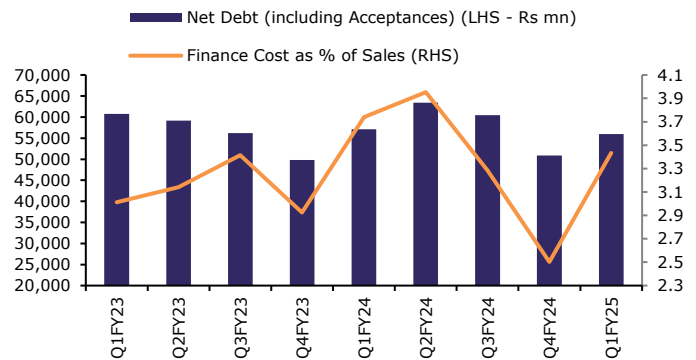
Source: Company, Emkay Research

**Exhibit 5: NWC days rose to 122 on account of delay in collection of receivables**



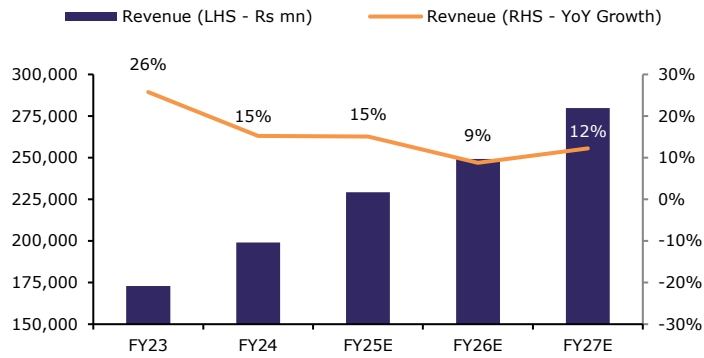
Source: Company, Emkay Research

**Exhibit 6: Net Debt continues to be range-bound**



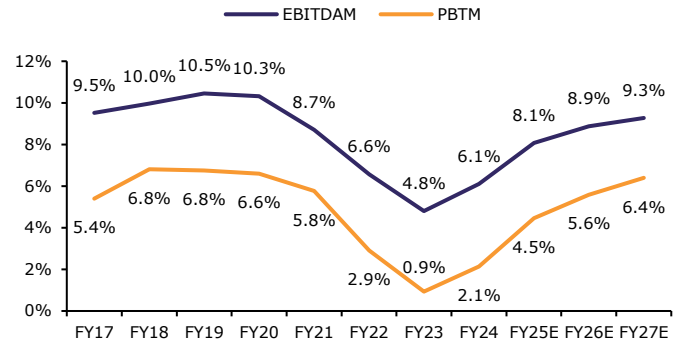
Source: Bloomberg, Emkay Research

**Exhibit 7: Revenue CAGR at ~12% during FY24-27E**



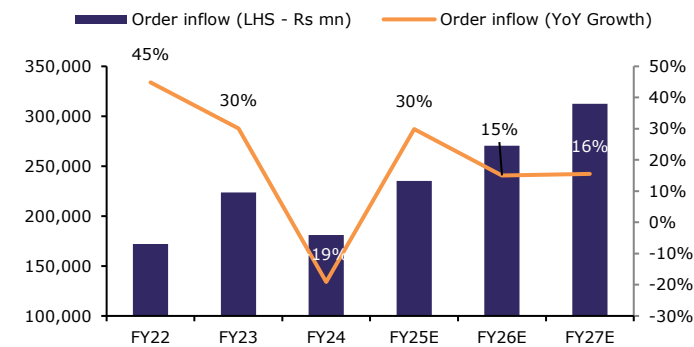
Source: Company, Emkay Research

**Exhibit 8: Margins steadily rebounding towards double-digits**



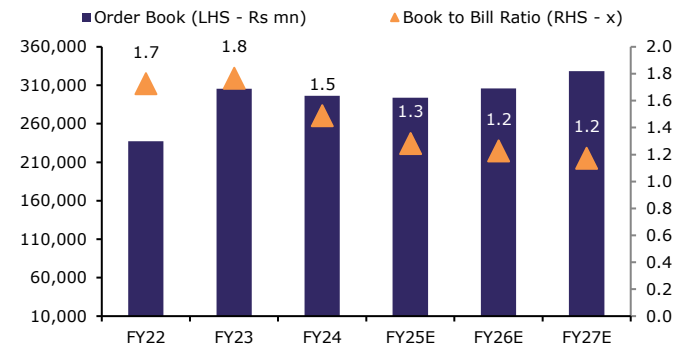
Source: Company, Emkay Research

**Exhibit 9: We expect order inflow to breach the Rs300bn mark by FY27E**



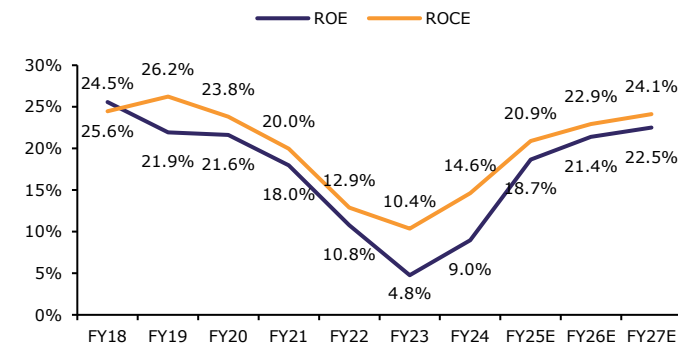
Source: Company, Emkay Research

**Exhibit 10: B/B ratio expected to remain above the 1x level ahead**



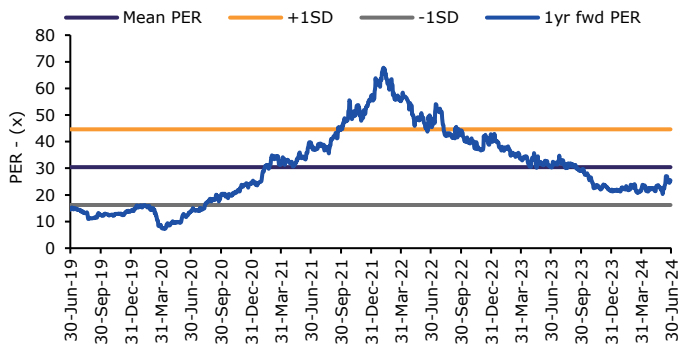
Source: Company, Emkay Research

**Exhibit 11: Range-bound debt level and liquidity management to help improve ROE/ROCE**



Source: Company, Emkay Research

**Exhibit 12: KEC trading at mean PER**



Source: Bloomberg, Emkay Research

**Exhibit 13: Quarterly Financial Result Analysis**

Consolidated Financial Result Analysis (Rs mn)	Q1FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)	FY23	FY24	YoY (%)
Revenue	42,436	61,648	45,119	6.3	(26.8)	172,817	199,142	15.2
Material cost	31,938	49,646	34,378	7.6	(30.8)	136,208	155,848	14.4
as % of sales	75.3	80.5	76.2	93bps	-434bps	78.8	78.3	-56bps
Employee Cost	3,539	3,443	3,696	4.4	7.3	13,562	14,406	6.2
as % of sales	8.3	5.6	8.2	-15bps	261bps	7.8	7.2	-61bps
Other expenditure	4,515	4,680	4,342	(3.8)	(7.2)	14,749	16,742	13.5
as % of sales	10.6	7.6	9.6	-102bps	203bps	8.5	8.4	-13bps
Total expenditure	39,992	57,768	42,415	6.1	(26.6)	164,520	186,996	14
EBITDA	2,444	3,880	2,704	10.6	(30.3)	8,297	12,146	46
Depreciation	418	483	465	11.3	(3.6)	1,615	1,854	15
EBIT	2,026	3,398	2,239	10.5	(34.1)	6,683	10,292	54
Other Income	28	78	191	576.0	145.6	313	524	67
Interest	1,587	1,543	1,550	(2.4)	0.5	5,386	6,551	22
PBT	467	1,933	880	88.5	(54.5)	1,610	4,265	165
Taxes	44	415	178	307.0	(57.2)	(151)	797	(630)
<b>PAT</b>	<b>423</b>	<b>1,518</b>	<b>703</b>	<b>66.0</b>	<b>(53.7)</b>	<b>1,760</b>	<b>3,468</b>	<b>97</b>
Extra ordinary / Exceptional item	-	-	-	-	-	-	-	-
<b>Reported PAT</b>	<b>423</b>	<b>1,518</b>	<b>703</b>	<b>66.0</b>	<b>(53.7)</b>	<b>1,760</b>	<b>3,468</b>	<b>97</b>
<b>Margins (%)</b>								
Gross margin	24.7	19.5	23.8	-93bps	434bps	21.2	21.7	56bps
EBITDAM	5.8	6.3	6.0	23bps	-30bps	4.8	6.1	130bps
EBITM	4.8	5.5	5.0	19bps	-55bps	3.9	5.2	130bps
PBTM	1.1	3.1	2.0	85bps	-118bps	0.9	2.1	121bps
PATM	1.0	2.5	1.6	56bps	-90bps	1.0	1.7	72bps
Effective Tax rate	9.4	21.5	20.2	1085bps	-129bps	(9.3)	18.7	2804bps

Source: Company, Emkay Research

**Exhibit 14: Segmental revenue break-up**

Consolidated revenue (Rs mn)	Q1FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)	FY23	FY24	YoY (%)
Transmission excluding SAE	18,790	29,180	21,530	14.6	(26.2)	74,850	90,080	20
Transmission - SAE	3,090	4,660	3,460	12.0	(25.8)	13,240	14,470	9
<b>Transmission - Total</b>	<b>21,880</b>	<b>33,840</b>	<b>24,990</b>	<b>14.2</b>	<b>(26.2)</b>	<b>88,090</b>	<b>104,550</b>	<b>19</b>
Cables	3,890	4,610	3,630	(6.7)	(21.3)	16,150	16,450	2
Railway	7,640	9,220	4,710	(38.4)	(48.9)	37,010	31,150	(16)
Civil (incl Water )	9,550	12,620	10,590	10.9	(16.1)	33,190	43,700	32
Solar, smart infra, Oil & Gas	1,040	3,750	1,260	21.2	(66.4)	4,830	10,690	121
<b>Less: Inter Segment</b>	<b>(1,560)</b>	<b>(2,390)</b>	<b>(790)</b>	<b>(49.4)</b>	<b>(66.9)</b>	<b>(6,440)</b>	<b>(7,410)</b>	<b>15</b>
<b>Total</b>	<b>42,440</b>	<b>61,650</b>	<b>45,120</b>	<b>6.3</b>	<b>(26.8)</b>	<b>172,830</b>	<b>199,130</b>	<b>15</b>

Source: Company, Emkay Research

**Exhibit 15: Order inflow segmental break-up; T&D (ex SAE) inflows rose 3x on YoY basis**

Consolidated Order Inflow (Rs mn)	Q1FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)	FY23	FY24	YoY (%)
Transmission excluding SAE	14,850	29,411	43,685	194	49	89,512	101,371	13.2
Transmission - SAE	3,600	2,626	6,131	70	133	15,665	9,051	-42.2
Transmission - Total	18,450	32,037	49,816	170	55	105,177	110,422	5.0
Cables	5,400	1,632	3,066	(43)	88	11,189	14,482	29.4
Railway	7,650	1,866	5,365	(30)	187	29,091	10,861	-62.7
Others/civil/O&G	13,500	16,985	18,394	36	8	78,323	45,255	-42.2
<b>Total</b>	<b>45,000</b>	<b>52,520</b>	<b>76,640</b>	<b>70</b>	<b>46</b>	<b>223,780</b>	<b>181,020</b>	<b>-19.1</b>
Share in order inflow (%)	Q1FY24	Q4FY24	Q1FY25	YoY	QoQ	FY23	FY24	YoY
Transmission excluding SAE	33.0	56.0	57.0	2,400bps	100bps	40.0	56.0	1,600bps
Transmission - SAE	8.0	5.0	8.0	0bps	300bps	7.0	5.0	-200bps
<b>Transmission - Total</b>	<b>41.0</b>	<b>61.0</b>	<b>65.0</b>	<b>2,400bps</b>	<b>400bps</b>	<b>47.0</b>	<b>61.0</b>	<b>1,400bps</b>
Cables	12.0	3.1	4.0	-800bps	89.3bps	5.0	8.0	300bps
Railway	17.0	3.6	7.0	-1,000bps	344.7bps	13.0	6.0	-700bps
Civil (incl Water )	30.0	32.3	24.0	-600bps	-834bps	35.0	25.0	-1,000bps

Source: Company, Emkay Research

**Exhibit 16: Order Book + L1 position at Rs420bn (BB ratio: 1.6x)**

Consolidated Order Book (Rs mn)	Q1FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)	FY23	FY24	YoY (%)
Transmission excluding SAE	117,488	136,362	157,032	34	15	128,323	136,362	6.3
Transmission - SAE	15,063	8,893	9,815	(35)	10	15,277	8,893	-41.8
Transmission - Total	132,550	145,256	166,847	26	15	143,599	145,256	1.2
Cables	6,025	5,929	6,543	9	10	3,055	5,929	94.0
Railway	45,188	32,608	32,715	(28)	0	39,719	32,608	-17.9
Civil (incl Water )	105,438	100,790	101,417	(4)	1	100,825	100,790	0.0
Solar, smart infra and Oil & Gas	12,050	11,858	19,629	63	66	18,332	11,858	-35.3
<b>Total</b>	<b>301,250</b>	<b>296,440</b>	<b>327,150</b>	<b>9</b>	<b>10</b>	<b>305,530</b>	<b>296,440</b>	<b>-3.0</b>

BB Ratio (x)	Q1FY24	Q4FY24	Q1FY25	FY23	FY24
Transmission excluding SAE	1.5	1.5	1.7	1.7	1.5
Transmission - SAE	1.2	0.6	0.7	1.2	0.6
<b>Transmission - Total</b>	<b>1.4</b>	<b>1.4</b>	<b>1.5</b>	<b>1.6</b>	<b>1.4</b>
Cables	0.4	0.4	0.4	0.2	0.4
Railway	1.2	1.0	1.2	1.1	1.0
Civil (incl Water )	2.9	2.3	2.3	3.0	2.3
Solar, smart infra and Oil & Gas	2.3	1.2	1.9	3.8	1.1
<b>Total</b>	<b>1.7</b>	<b>1.5</b>	<b>1.6</b>	<b>1.8</b>	<b>1.5</b>

Source: Company, Emkay Research

## Concall KTAs

### Q1FY25 Financial Result Analysis:

- Revenue grew to Rs45bn (+6% YoY); EBITDAM marginally expanded to 6% (+23bps YoY). Growth could have been higher, but acute shortage of manpower across businesses owing to the general elections, and persistent supply chain pressures across selective products acted as obstacles in registering strong growth during the quarter.
- Railways segment revenue declined to Rs4.7bn (-38% YoY); the management claims that execution in the segment is ramping up, albeit order inflow of Rs5.4bn (-30% YoY) remains tepid. The management is hopeful of tendering opportunities ramping up going ahead.
- KAVACH-related tendering is expected to improve, with an additional Rs10bn allocated for this in the budget; the management believes the GoI must also approve additional vendors, for enhancing capacity to take up KAVACH orders.
- PAT doubled to Rs876mn YoY, on the back of soaring other income of Rs431mn (+1,424% YoY), comprising Rs240mn received against a decade old arbitration case. PAT (ex-arbitration income and its tax impact) stood at Rs703mn (+66% YoY).

### Guidance and BoD approvals

- The management maintains its revenue guidance of +15% YoY growth, and order inflows of Rs250bn for FY25.
- The management targets conducting capex of ~Rs3.5bn during FY25, catering to enhancement of backward integration, funding expansion of capacity in the Jaipur facility, expansion of hardware capacity, setting up aluminium conductor capacity by Q3FY25.
- During the quarter, the BoD approved raising of funds through one or more QIPs and/or any other method, for an aggregate amount of up to Rs60bn by way of issue of equity shares and/or any other equity-based instruments (including fully or partly convertible debentures).
- The BoD has approved subsidization of the Cable business which is expected to be concluded by the end of FY25. The management projects the cable industry CAGR at 10% till FY28. The Cables business clocked revenue of Rs16bn during FY24, which the management expects will improve to ~Rs20bn (+20% YoY) in FY25, and maintain growth at 20-25% going ahead.
- If the management invests Rs1bn in the existing cables business capacity, it is are confident of achieving ~Rs30bn revenue going ahead. Additionally, the management feels subsidization of the business will assist in i) exclusively raising a larger share of funds, particularly for the cable business, leading to significant expansion of operations going ahead; ii) helping the company expand its margins from existing levels to ~9% (+200-300bps) in coming years.

### Order inflow and Order Backlog

- Order inflow shot up, to Rs75bn (+70% YoY), benefitting from a low base effect. T&D (including SAE) share in inflow stood at 65% during the quarter, followed by 24% inflow share from the Civil business.
- The quarter saw the company's civil business securing its largest order in the residential building segment, marking its entry in northern India.
- Order backlog+L1 position came in at Rs420bn (BB ratio: 1.6x). Tendering pipeline remains strong, at ~Rs1.5trn (40-45% share of this pertains to T&D; the balance comprises of renewable, civil, and railways tendering opportunities).
- The company has secured significant orders, especially in the UAE and Africa. The management continues to widen its presence in the tower supply business; it has secured a large tower supply order from Australia.
- The management is positive on the ordering opportunities in the renewable segment, and is currently bidding for two large orders in the solar segment. The management is making efforts to enhance its capabilities, to further tap into the RE space and acquire larger orders.

- The Oil and Gas segment remains robust, on the back of strong tendering activities in the Middle East; the management is focusing on enhancing its bidding capabilities to target larger orders in the respective segment.

#### T&D

- The T&D (including SAE) segment logged revenue of Rs25bn (+14% YoY); order inflow grew to Rs44bn (3x YoY), contributing 57% to the total order inflow during the quarter. Order backlog further strengthened to Rs166bn (BB ratio: 1.5x).
- The management indicates that the overall tender pipeline in T&D continues to be strong in both, domestic and international markets. The business continues to witness opportunities across ME, SAARC, Africa, and the Far East and has a record order book and L1 in T&D, at >Rs265bn; it is also seeing an increase in tendering activities across regions.
- SAE's revenue/inflow stood at Rs3.5bn/Rs6bn (+12%/+70% YoY), assuring the market about SAE's improving financial position, along with its efforts of tapping into strong tendering opportunities. Its order backlog + L1 position stands at Rs25bn, and the business is well positioned to secure orders for supply of towers and hardware going ahead. During the quarter, SAE's management paid off a high cost debt of ~Rs1bn, and successfully reduced its debt to ~Rs3bn (-40% YoY).

#### Other points

- Collections from Afghanistan during the quarter stood at Rs1.6bn; going forward, Rs2bn is the outstanding balance, which the management is confident of clearing during FY25.
- With the management focusing on enhancing its backward integration capabilities, the cables business assists through 30% captive consumption; the balance is available for sale to a third party. The aluminium conductor, expected to commence operations from Q3FY25, is highly likely to have a captive consumption of 60%.



## KEC International: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Revenue</b>	<b>172,817</b>	<b>199,142</b>	<b>229,160</b>	<b>249,267</b>	<b>279,798</b>
Revenue growth (%)	25.8	15.2	15.1	8.8	12.2
<b>EBITDA</b>	<b>8,297</b>	<b>12,203</b>	<b>18,498</b>	<b>22,115</b>	<b>25,943</b>
EBITDA growth (%)	(8.2)	47.1	51.6	19.6	17.3
Depreciation & Amortization	1,615	1,854	1,905	2,036	2,179
<b>EBIT</b>	<b>6,683</b>	<b>10,349</b>	<b>16,593</b>	<b>20,079</b>	<b>23,763</b>
EBIT growth (%)	(10.4)	54.9	60.3	21.0	18.3
Other operating income	0	0	0	0	0
Other income	313	524	603	656	736
Financial expense	5,386	6,551	6,988	6,802	6,619
<b>PBT</b>	<b>1,610</b>	<b>4,322</b>	<b>10,209</b>	<b>13,933</b>	<b>17,881</b>
Extraordinary items	0	0	0	0	0
Taxes	(151)	797	1,908	2,604	3,342
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
<b>Reported PAT</b>	<b>1,760</b>	<b>3,525</b>	<b>8,301</b>	<b>11,329</b>	<b>14,539</b>
PAT growth (%)	(47.0)	100.2	135.5	36.5	28.3
<b>Adjusted PAT</b>	<b>1,760</b>	<b>3,525</b>	<b>8,301</b>	<b>11,329</b>	<b>14,539</b>
<b>Diluted EPS (Rs)</b>	<b>6.8</b>	<b>13.7</b>	<b>32.2</b>	<b>43.9</b>	<b>56.4</b>
Diluted EPS growth (%)	(47.0)	100.2	135.5	36.5	28.3
<b>DPS (Rs)</b>	<b>4.0</b>	<b>3.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>
<b>Dividend payout (%)</b>	<b>58.4</b>	<b>21.9</b>	<b>15.5</b>	<b>11.4</b>	<b>8.9</b>
EBITDA margin (%)	4.8	6.1	8.1	8.9	9.3
EBIT margin (%)	3.9	5.2	7.2	8.1	8.5
Effective tax rate (%)	(9.3)	18.4	18.7	18.7	18.7
<b>NOPLAT (pre-IndAS)</b>	<b>7,307</b>	<b>8,440</b>	<b>13,492</b>	<b>16,326</b>	<b>19,322</b>
Shares outstanding (mn)	258.0	258.0	258.0	258.0	258.0

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	1,610	4,322	10,209	13,933	17,881
Others (non-cash items)	0	0	0	0	0
Taxes paid	(2,215)	(2,521)	(1,908)	(2,604)	(3,342)
Change in NWC	(3,595)	(9,651)	(4,768)	(3,057)	(7,501)
<b>Operating cash flow</b>	<b>2,487</b>	<b>30</b>	<b>11,822</b>	<b>16,454</b>	<b>15,099</b>
Capital expenditure	(2,156)	(2,333)	(3,000)	(1,900)	(1,900)
Acquisition of business	126	0	0	0	0
Interest & dividend income	234	157	603	656	736
<b>Investing cash flow</b>	<b>(1,717)</b>	<b>(1,809)</b>	<b>(2,397)</b>	<b>(1,244)</b>	<b>(1,164)</b>
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	3,317	6,179	(500)	(500)	(500)
Payment of lease liabilities	(301)	(266)	0	0	0
Interest paid	(5,386)	(6,551)	(6,988)	(6,802)	(6,619)
Dividend paid (incl tax)	(1,029)	(772)	(1,290)	(1,290)	(1,290)
Others	3,019	2,052	0	0	0
<b>Financing cash flow</b>	<b>(78)</b>	<b>908</b>	<b>(8,778)</b>	<b>(8,592)</b>	<b>(8,409)</b>
Net chg in Cash	692	(871)	647	6,618	5,527
OCF	2,487	30	11,822	16,454	15,099
Adj. OCF (w/o NWC chg.)	(1,108)	(9,621)	7,054	13,398	7,598
FCFF	331	(2,303)	8,822	14,554	13,199
FCFE	(4,821)	(8,697)	2,437	8,408	7,317
OCF/EBITDA (%)	30.0	0.2	63.9	74.4	58.2
FCFE/PAT (%)	(273.9)	(246.7)	29.4	74.2	50.3
<b>FCFF/NOPLAT (%)</b>	<b>4.5</b>	<b>(27.3)</b>	<b>65.4</b>	<b>89.1</b>	<b>68.3</b>

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	514	514	514	514	514
Reserves & Surplus	37,200	40,443	47,453	57,493	70,742
<b>Net worth</b>	<b>37,714</b>	<b>40,957</b>	<b>47,968</b>	<b>58,007</b>	<b>71,256</b>
Minority interests	0	0	0	0	0
Deferred tax liability (net)	72	0	0	0	0
<b>Total debt</b>	<b>31,945</b>	<b>38,123</b>	<b>37,623</b>	<b>37,123</b>	<b>36,623</b>
<b>Total liabilities &amp; equity</b>	<b>69,731</b>	<b>79,080</b>	<b>85,591</b>	<b>95,130</b>	<b>107,879</b>
Net tangible fixed assets	10,672	11,412	12,508	12,372	12,092
Net intangible assets	3,010	2,918	2,918	2,918	2,918
Net ROU assets	2,146	1,952	1,952	1,952	1,952
Capital WIP	115	139	139	139	139
Goodwill	2,685	2,721	2,721	2,721	2,721
Investments [JV/Associates]	0	0	0	0	0
<b>Cash &amp; equivalents</b>	<b>3,442</b>	<b>2,733</b>	<b>3,380</b>	<b>9,998</b>	<b>15,526</b>
Current assets (ex-cash)	153,402	171,160	194,911	209,136	233,597
Current Liab. & Prov.	103,055	111,234	130,218	141,386	158,346
<b>NWC (ex-cash)</b>	<b>50,347</b>	<b>59,926</b>	<b>64,694</b>	<b>67,750</b>	<b>75,252</b>
<b>Total assets</b>	<b>69,731</b>	<b>79,080</b>	<b>85,591</b>	<b>95,130</b>	<b>107,879</b>
Net debt	28,503	35,390	34,243	27,125	21,098
Capital employed	69,731	79,080	85,591	95,130	107,879
<b>Invested capital</b>	<b>66,175</b>	<b>76,208</b>	<b>82,072</b>	<b>84,992</b>	<b>92,214</b>
BVPS (Rs)	146.2	158.7	185.9	224.8	276.2
Net Debt/Equity (x)	0.8	0.9	0.7	0.5	0.3
Net Debt/EBITDA (x)	3.4	2.9	1.9	1.2	0.8
Interest coverage (x)	0.8	0.6	0.4	0.3	0.3
<b>RoCE (%)</b>	<b>10.4</b>	<b>14.6</b>	<b>20.9</b>	<b>22.9</b>	<b>24.1</b>

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	128.1	64.0	27.2	19.9	15.5
P/CE(x)	66.8	41.9	22.1	16.9	13.5
P/B (x)	6.0	5.5	4.7	3.9	3.2
EV/Sales (x)	1.5	1.3	1.1	1.0	0.9
EV/EBITDA (x)	30.6	21.4	14.0	11.4	9.5
EV/EBIT(x)	38.0	25.2	15.7	12.6	10.4
EV/IC (x)	3.8	3.4	3.2	3.0	2.7
FCFF yield (%)	0.1	(0.9)	3.4	5.8	5.4
FCFE yield (%)	(2.1)	(3.9)	1.1	3.7	3.2
Dividend yield (%)	0.5	0.3	0.6	0.6	0.6
<b>DuPont-RoE split</b>					
Net profit margin (%)	1.0	1.8	3.6	4.5	5.2
Total asset turnover (x)	2.6	2.7	2.8	2.8	2.8
Assets/Equity (x)	1.8	1.9	1.9	1.7	1.6
<b>RoE (%)</b>	<b>4.8</b>	<b>9.0</b>	<b>18.7</b>	<b>21.4</b>	<b>22.5</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	4.2	4.2	5.9	6.5	6.9
IC turnover (x)	0.0	0.0	0.0	0.0	0.0
<b>RoIC (%)</b>	<b>10.4</b>	<b>14.5</b>	<b>21.0</b>	<b>24.0</b>	<b>26.8</b>
<b>Operating metrics</b>					
Core NWC days	106.3	109.8	103.0	99.2	98.2
<b>Total NWC days</b>	<b>106.3</b>	<b>109.8</b>	<b>103.0</b>	<b>99.2</b>	<b>98.2</b>
Fixed asset turnover	7.1	7.6	7.9	8.0	8.4
Opex-to-revenue (%)	54.3	51.7	50.2	49.6	49.3

Source: Company, Emkay Research

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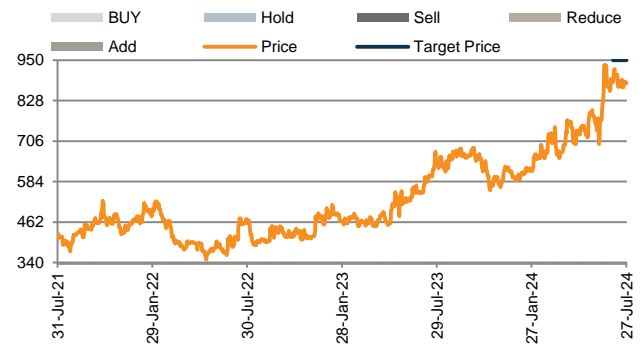


## RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
01-Jul-24	884	950	Add	Ashwani Sharma

Source: Company, Emkay Research

## RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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