

Stock Note

Jash Engineering Ltd.

July 03, 2023





Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Engineering and Capital Goods	Rs. 1136	Buy in Rs. 1125-1148 band and add more on dips in Rs. 1018-1039 band	Rs. 1240	Rs. 1383	2 -3 quarters

HDFC Scrip Code	JASENGEQNR
BSE Code	-
NSE Code	JASH
Bloomberg	JASH IN
CMP (June 30, 2023)	1136
Equity Capital (RsCr)	12
Face Value (Rs)	10
Equity Share O/S (Cr)	1.2
Market Cap (RsCr)	1357
Book Value (Rs)	198
Avg. 52 Wk Volumes	8859
52 Week High	1189
52 Week Low	605

Share holding Pattern % (March, 2023)	
Promoters	51.08
Institutions	5.19
Non Institutions	43.73
Total	100.0



* Refer at the end for explanation on Risk Ratings

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Our Take:

Incorporated in 1973, Jash Engineering Ltd. (JEL), a part of Jash Group, is engaged in the business of manufacturing of varied equipment used in water/wastewater/sea water conveyance, pumping and treatment. JEL's products find application in water intake systems, water and wastewater pumping stations and treatment plants, storm water pumping stations, water transmission lines, and process industries (power, steel, cement, paper & pulp, petrochemicals, chemical, fertilizers). The business is based on brand approval from end users. The company markets its products under Jash, Jash-Schuette, Jash-Rehart, Mahr Maschinenbau, Rodney Hunt, E&M Jash, Shivpad and Sureseal brands. These brands are approved by major municipal corporations, sewerage boards, consultants and large EPC companies in India and abroad.

The acquisition of Rodney Hunt in USA, Mahr Maschinenbau in Austria, E&M in Hongkong and Waterfront in UK has ensured that the company has now access in all the principal markets that it is targeting through these brands. JEL has also entered into technical & financial collaboration with multiple foreign manufacturers to expand its product portfolio, geographical reach and provide end-to-end solutions for water & waste water industry and bulk solid handling segment in India and abroad. Exports accounted for ~52% of company's revenues in FY23. JEL continues to enjoy leadership position in most of the product groups in the domestic market. In the international markets, the company is progressing towards leadership position in products like water control gates, screens and knife gate valves.

Demand for wastewater treatment facilities is anticipated to increase with the implementation of stringent government requirements, such as the zero liquid discharge regulation, for the treatment of sewage prior to release into aquatic bodies. Several government initiatives (such as Namami Gange Program) drive water and waste water treatment markets and help build the foundation of the Industry in the coming future. The framework developed for such projects can be used for projects further along in the future.

Valuation & Recommendation:

Water Treatment equipment industry has high entry barriers due to high capital requirement, highly customised products with lengthy approval time, and specialised skillset required for manufacturing such equipments. JEL with its portfolio of well recognised brands, well diversified and reputed clientele is well placed to sustain strong growth rate over near to medium term. The company has a strong order book of Rs 638 cr as of Q4FY23, which is executable over the next 4-6 quarters. Though the stock has run up lately, given its leadership position and the scope of the industry in which it is present means that the stock may continue to outperform.



We think the base case fair value of the stock is Rs 1240 (21x FY25E EPS) and the bull case fair value is Rs 1383 (23.5x FY25E EPS). Investors can buy the in stock Rs 1125-1148 band (19x FY25E EPS) and add more on dips in Rs 1018-1039 band (17.5x FY25E EPS).

Financial Summary

Particulars (in Rs Cr)	Q4FY23	Q4FY22	YoY-%	Q3FY23	QoQ-%	FY22	FY23P	FY24E	FY25E
Operating Income	169	157	7%	114	48%	368	402	507	613
EBITDA	36	27	30%	20	76%	47	64	81	100
APAT	33	23	42%	17	96%	32	52	60	71
Diluted EPS (Rs)	27.3	19.4	41%	14.0	95%	26.9	43.0	49.6	59.0
RoE-%						18.8	24.3	22.5	22.0
P/E (x)						42	26	23	19
EV/EBITDA						30	22	17	14

(Source: Company, HDFC sec)

Key Triggers

JEL has the most comprehensive product portfolio

Types of product offered by JEL and its application

Categories	Offerings	Sales (in Rs cr) - FY23
Water control gates & Equipment	Varied types of gates used to isolate & control flow of water in various applications	211 (Exports – 167)
Screening Equipment	Varied types of screens used to remove floating waste from water in various applications	76 (Exports – 29)
Knife gate valves and Bulk solids valves	Varied types of valves used to handle solids and solid-liquid mixes in various applications	35 (Exports – 9)
Treatment Process Equipment	Varied types of equipment used in the process of water, waste water and effluent treatment	38
Water intake Equipment	Varied types of gates and screens used in river/ sea / reservoir water intake station for Industrial , Irrigation and Desalination plants	14
Hydropower Screws	Used for generating renewable energy using low heads (0.8 m to 6 m) of water in various applications	
Archimedes Screw pumps	Used for pumping high volume of water (upto 8 cubic meters per second) for low heads (0.8 m to 6 m) in Terminal sewage pumping station and storm water pumping application	



Water Hammer Control valves	Varied types of valves used in long distance water transmission lines to prevent water hammer	11.5
Disc Filters	Used to reduce the total suspended solids present in treated waste water so as to improve water quality	

(Source: Company, HDFC sec)

<p>Water intake Systems</p>	<p>Heavy Fabricated Gates</p>	<p>Coarse Screening Equipment</p>	<p>Fine Screening Equipment</p>	<p>Screening Conveying Equipment</p>	<p>Heavy Fabricated Gates</p>	<p>Knife Gate Valves</p> <p>Special Purpose Valves</p>	<p>Bulk Solid Handling Valve</p>
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<p>Process Equipment</p>	<p>Hydro Power Equipment</p>	<p>Screw Pumps</p>	<p>Filtering Equipment</p>
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(Source: Company, HDFC sec)



Application of products offered by JEL

Human Drinking Water Cycle	
Stages in Human Drinking Water Cycle	Product Offerings
Collection / storage of water in dams and reservoirs Water control	Water control gates
Intake systems to take fresh water from dams / reservoirs or take seawater from sea for desalination	Water control gates Screens
Pumping stations to pump water to distant cities	Water control gates Screens
Water transmission lines to take water to distant cities	Water hammer control valves
Water treatment plant / Desalination plants where water is treated and made fit for human consumption	Water control gates
Long distance water transmission lines to cities and homes	Process equipment
Human waste water and Industrial waste water cycle	
Stage is human waste water and Industrial waste water cycle	Product Offerings
Pumping stations to collect and pump waste water to distant sewerage treatment plant	Water control gates Screens Knife gate valves Archimedes screw pumps
Waste water transmission lines to take water to distant plants	Water hammer control valves Knife gate valves
Sewerage treatment plant where waste water is treated and made fit for disposal or in some cases for human consumption	Water control gates Screens Knife gate valves Process equipment Disc filters
Outfalls of treated water to sea or rivers	Water control gates Hydropower Screw Generators
Storm water cycle	
Stages in Storm Water Cycle	Product Offerings
Pumping stations to collect and pump storm water to sea / river / treatment plant	Water control gates Screens Knife gate valves Archimedes Screw pumps
Storm water treatment plant where storm water is treated and made fit for disposal to river / sea or for other uses:	Water control gates Screens Knife gate valves



Renewable Energy Generation	
Stages in renewable energy generation	Product Offerings
Canal based power generation Run of river based power generation	Hydropower screw generator Water Control Gates Screens
Outfalls of Sewage treatment plants based power generation Outfalls of Power plants based power generation Replacement of water wheels and other old technologies for power generation	Hydropower screws Water Control Gates

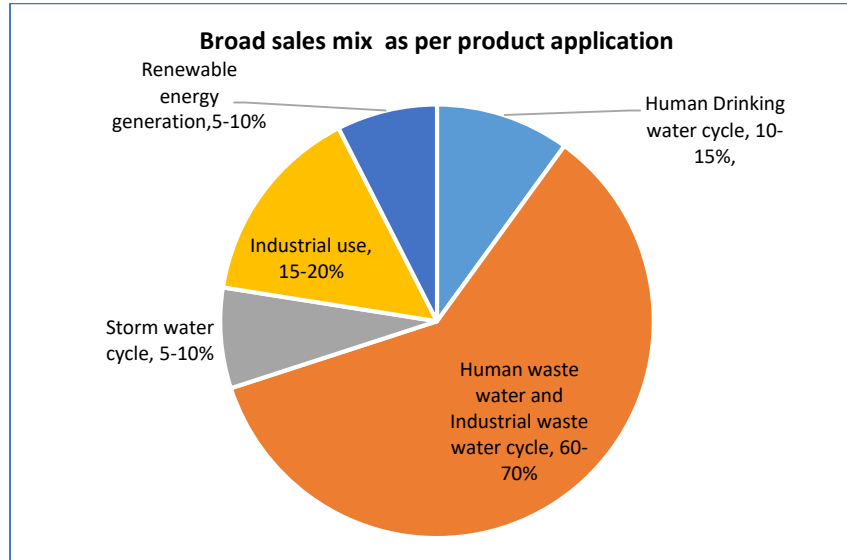
Types of customers

Human Drinking water cycle	Direct buyer if an EPC contractor and end buyer is City/ Municipal corporation / Government Board
Human waste water and Industrial waste water cycle	Direct buyer if an EPC contractor and end buyer is City/ Municipal corporation / Government Board.
Storm water cycle	Direct buyer if an EPC contractor and end buyer is City/ Municipal corporation / Government Board
Industrial use	Direct buyer is an EPC contractor and end buyer can be either Public sector company or a Private company
Renewable energy generation	direct buyer is a Private developer for small projects and EPC contractor in case of large projects doing turnkey job for either Public sector company or a Private company

(Source: Company, HDFC sec)



(Source: Company, HDFC sec)



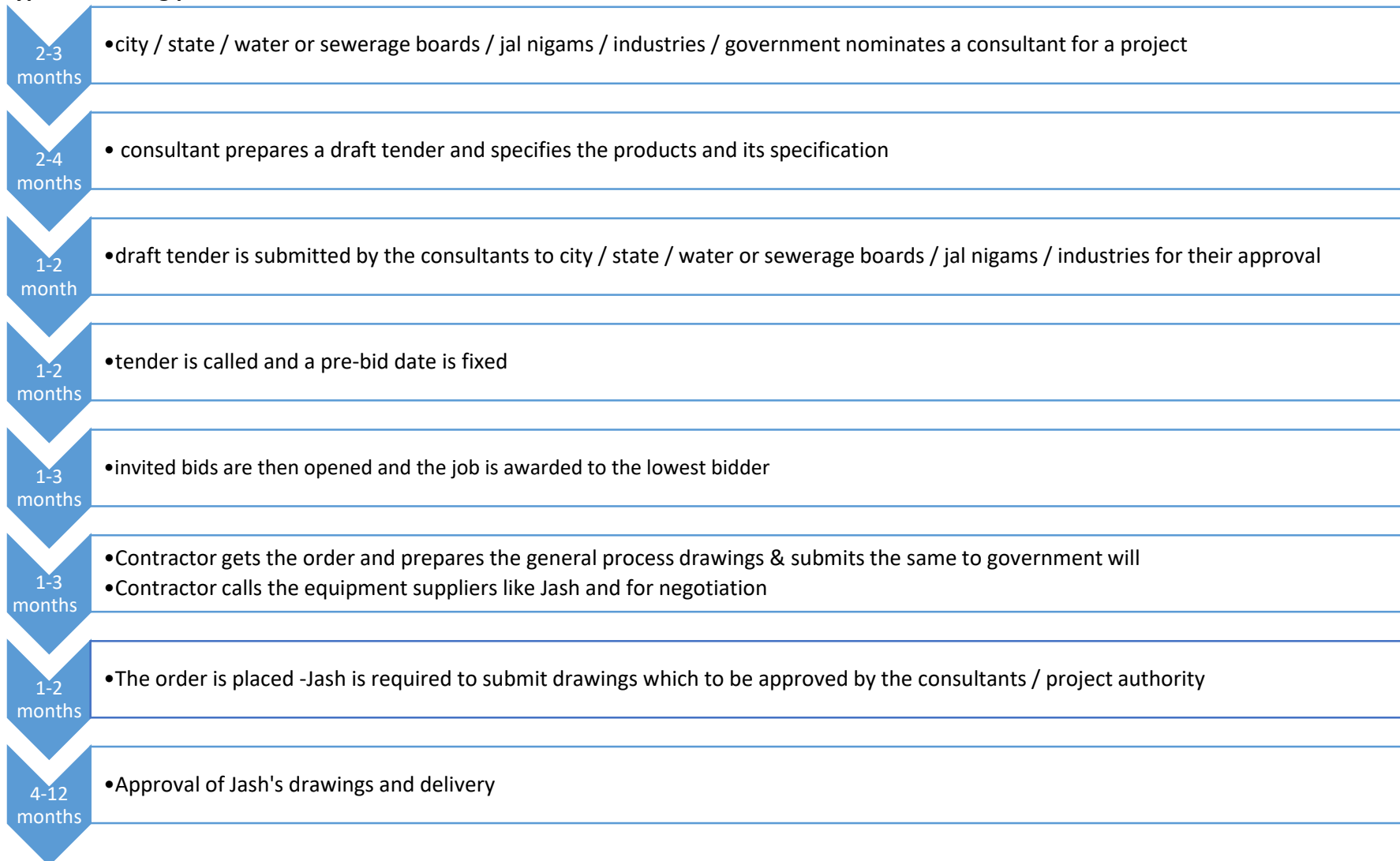
(Source: Company, HDFC sec)

Types of customer and ordering process

Human Drinking water cycle	Direct buyer if an EPC contractor and end buyer is City/ Municipal corporation / Government Board
Human waste water and Industrial waste water cycle	Direct buyer if an EPC contractor and end buyer is City/ Municipal corporation / Government Board.
Storm water cycle	Direct buyer if an EPC contractor and end buyer is City/ Municipal corporation / Government Board
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Typical ordering process



(Source: Company, HDFC sec)

Thus, depending upon size of the project it takes anywhere from 12-24 months from the time the project is conceived to the time we deliver the material.



Typical delivery timeline of project

Size of project	~% of revenues	Timeline
Rs 5 lakhs -1 cr	40%	4-7 months
Rs 1 cr - 5 cr	30%	5-12 months
Rs 5 cr - 10 cr	30%	6-18 months

(Source: Company, HDFC sec)

For medium and large projects, the delivery is done in lots and is spread over multiple lots during the whole period. Generally the first lot is delivered in 5-6 months and each subsequent lot is delivered within 1-2 months thereafter and the last lot is delivered by the end of the agreed delivery period.

New products to be introduced by the company

JEL is planning for new product addition in collaboration (50-50 JV) with Invent AG., Germany who are world leaders in Mixing & Aeration technology. The tie up with Invent will enable JEL to produce for Indian market and for possible export to Invent / surrounding countries depending upon approval of product quality by Invent. In FY24, other products from Invent portfolio like Mixers, Agitator, Decanters, Turbo Blowers etc. will be added up under a JV company. All these products are required in secondary treatment process of waste water. Demand for these products will pick up as implementation of new sewage disposal policy mandated by National Green Tribunal (NGT) & Ministry of Environment (MOE) starts becoming effective.

JEL will have first mover advantage and product superiority in these products and will need nominal infrastructural investment for their manufacture. These products will result into stronger package offering from Jash and average order size will grow 2 times. As a result marketing cost will come down, margin improvement will take place and turnover will grow.

What gives JEL an edge over its competitors?

Approved Brands: The business is based on brand approval from end users. The company markets its products under Jash, Jash-Schuetze, Jash-Rehart, Mahr Maschinenbau, Rodney Hunt, E&M Jash, Shivpad and Sureseal brands. These brands are approved by major municipal corporations, sewerage boards, consultants and large EPC companies in India and abroad (US, Europe, Middle East, South East Asia and Africa).

The acquisition of Rodney Hunt in USA, Mahr Maschinenbau in Austria, E&M in Hongkong and Waterfront in UK recently, has ensured that the company has now access in all the principal markets that it is targeting through these brands. Availability of internationally known



brands like Rodney Hunt, Mahr, Schuette and E&M Jash ensures easy acceptance of company products in international market and faster approval in new markets worldwide.

Comprehensive Product Base: No other peers or company in India or in world manufactures more than 3 products. This diversified product base ensures that adverse market condition due to competition in any one product or by any one company will not severely affect company performance. This also allows company to package a project thereby insulating it from price competition in any one or two products.

Products	Domestic Competitors	International Competitors
Water control gates & Equipment	Indian Valve Company, Yeshwant , Durga Engineering, Oriental Casting, Bharat Industrial Corporation	Hambaker-UK, Fontaine-Canada, Whipps-USA, Waterman-USA, RW Gates-USA, Hydrogate-USA, Orbinox-Spain, Muhr- Germany
Screening Equipment	Johnson, Huber , Eurotek, Gujarat Apollo, Triveni Engineering	Miand-Italy, Huber-Germany, Headworks-USA
Knife gate valves and Bulk solids valves	Fouress Engineering, Bray valves, Orbinox Flowlink, Galaxy	Bray valves-Canada, Orbinox- Spain, Erhard-Germany, Stafzo-Sweden, ITT Valve -USA, CMO-Spain
Treatment Process Equipment	Emico-KCP, Triveni Engineering, Voltas, Parchure	Sismet-Turkey, Misc small local players
Water intake Equipment	Triveni Engineering, Gujarat Machinery Works, MacMet	Sismet-Turkey, Misc small local players
Renewable Energy & Pumping		WAM group- Italy , Spaans Babcock – Netherland, Landustrie-Germany, Andritz-Austria
Water Hammer Control valves	WAM group- Italy , Spaans Babcock - Netherland	
Disc Filters	Aquaerobic-USA, Nordic-Denmark, Siemens – USA, Premier Tech	Aquaerobic-USA, Nordic-Denmark, Siemens – USA, Veolia- France

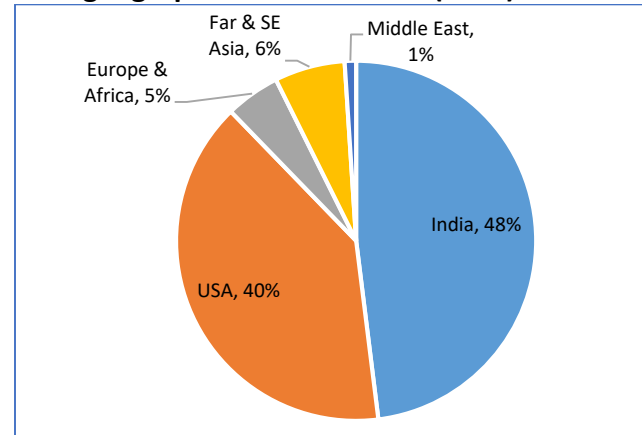
(Source: Company, HDFC sec)

Diversified markets and global reach: Unlike most of its peers the company is not focused only on Indian market. Its markets are diversified with supplies in over 30 countries. To reduce dependency on any one markets the company targets to have between 30-40% business each from its 3 major business markets of India, North & South America & Rest of World.

This focus of spreading the markets is helping exports grow and today company is in vicinity of achieving 50% sales from markets outside India. The company is presently on course with its target of achieving 60-65% sales (~52% in FY23) from export markets in next 3 year time so as to reduce its dependency on Indian market.



JEL's geographical revenue mix (FY23)



(Source: Company, HDFC sec)

Infrastructural investment: The company has put in place one of the most comprehensive facilities for manufacturing of these products and has created capacities and capabilities which are biggest amongst its peers. This ensures that when there are big projects or projects needing fast delivery or complex projects the clients prefer to opt for the company instead of its peers.

Evolution through acquisitions

Over the years, JEL has done acquisitions for bringing in new product addition with a view to scale up business or to acquire brands for the purpose of entrance into new markets. The company has carried out following acquisitions:

Company	Country	Year of acquisition	Amount of Acquisition	Rationale for Acquisition
Rodney Hunt Inc.	USA	2016	USD 4 mn	To get access into north American market of water control gates. To get access to top representatives in states so that they can help in selling screens & knife gate valves
Mahr Maschinenbau GmbH	Austria	2014	Euro 2 mn	To add Screening Technology and brand for leveraging it in export market and help push gates and screens as a package
Shivpad Engineers	India	2011	Rs 6 Cr	To add treatment process equipment and increase the package size of products offered in a particular project
Sureseal	India	2009	Rs 1 Cr	To add niche products of water hammer control in the water conveyance cycle



Waterfront Fluid Controls*	UK	2023	~GBP 2 mn (80%)	To increase market share in water control gates in the UK market
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*under process

(Source: Company, HDFC sec)

The company is presently in the process of acquiring a company (Waterfront Fluid Controls Ltd.) in UK. The process of due diligence is on and acquisition is expected to be completed by Sept/Oct 2023. According to the management, the revenue from Waterfront can grow from Rs 28 cr in FY23 to Rs 100 cr in next 3-4 years. After the acquisition of this company in UK, JEL is not contemplating any further acquisitions in the near future. The reason for this that the company will still take 3 years to realize the full potential of the acquisitions in UK and the acquisition of Rodney Hunt in USA.

Financial Summary:

Pricing of contract: Most of the orders placed on the company are on fixed price basis. In such cases the risk and benefit of price increase or reduction in raw material rests with the company. To mitigate this, JEL always considers somewhat higher prices for raw materials based on market scenario and bids for those orders where delivery time is over 12 months. However, this cannot take care of huge increases in raw material prices and this exposes the company to any sharp increase in RM prices. But on the flip side, since the costing on new projects is done on revised prices of raw materials the company stands to benefit on these orders when the prices come down. So a hit in profitability in a particular year is generally accompanied by higher profits in subsequent year.

Additionally, sharp rally in commodity prices is normally accompanied by devaluation in INR and since over 50% of company revenue is coming from projects outside India, the gains due to devaluation of INR on such export orders helps in partially offsetting the price rise due to raw materials on domestic orders.

Limited risk of debtors turning bad - 80% of JEL's clients have payment terms of either before delivery or post-dated cheque or LC with a credit period of 45-90 days. With such payment terms, the risk of high receivable is very less. Every order above a certain value is delivered in multiple lots. This means that the value of a lot is of significantly smaller in comparison to order value. On an average a lot is valued between Rs 50-100 lacs, and in case a client does not pay within the agreed period, then JEL may stop delivering or manufacturing of subsequent lots thereby limiting its exposure to the client.

Limited scope to improve working capital cycle in near term: Inventory & Account Payables has been same in last three years i.e. inventory around 100-105 days & account payables of 120-130 days. However, during this period accounts receivables days increased from 165 days to 175 days. This was due to Rodney Hunt acquisition and subsequent financial issues and once Rodney Hunt becomes profitable then this too will be reduced, possibly after the end of this year.

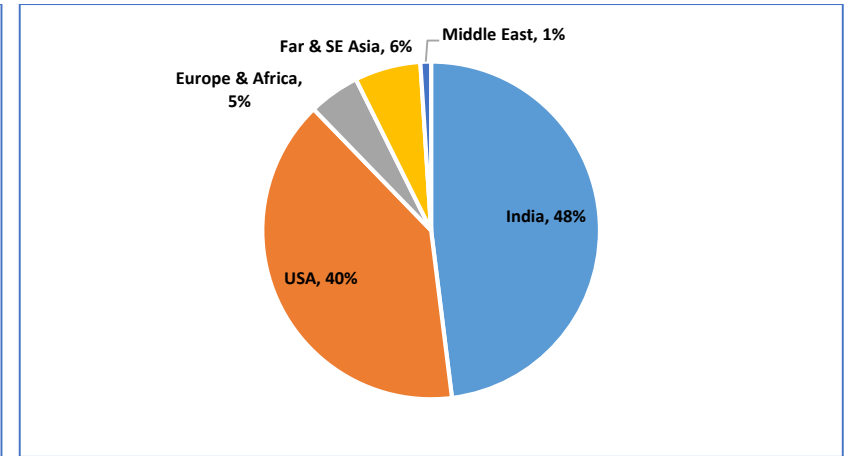
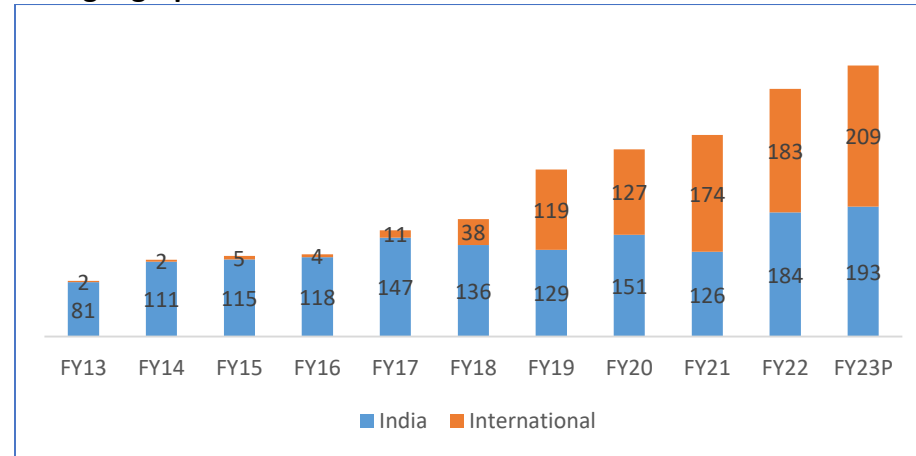


Revenues to grow at 23% CAGR over FY23-25E

In FY23, JEL reported a revenue growth of 9.4% YoY to Rs 402 cr. We expect the company to report 23% CAGR over FY23-25E, given the strong order book and acquisition from Waterfront. This turnover can be achieved with the current installed infrastructure. However to increase this turnover substantially in future so as to reach a turnover of Rs. 1000 cr by 2029-30, the company will have to invest approx. Rs. 100 crores in new infrastructure in next 3 years.

The company aims to invest in a new SS Fabricated products facility at Unit 2 by Sept 2023 and a new production facility for process equipment at Shivpad, Chennai by Sept 2024 and a new manufacturing facility in Houston, USA for Gates and Screens by March 2025. Finally a new facility to manufacture gates for UK/European markets is also planned to be built up in FY26.

JEL's geographical revenue mix



(Source: Company, HDFC sec)

Strong order book: Order book is largely diversified in terms of product mix and geographical locations. As on March 31, 2023, its total order book stood at an all-time high of Rs. 638 cr of which Rs. 443 cr worth of orders are for supply outside India.

What's stopping company from rapidly despite strong visibility?

To reach Rs. 1000 cr turnover, JEL has to develop infrastructure by investing about Rs. 100 cr in across its facilities and also size up its team. JEL is a custom engineered products company and not a mass production company and for such businesses, building team takes time. Hence, even if investment of Rs. 100 cr can be done in one go it will not be advisable to do so as pace of building infrastructure and pace of building a team is different, according to the management. JEL plans to invest gradually in both i.e. in infrastructure as well as in team



building so as to be ready to cater to a Rs. 1000 crores business without stretching the entire operations. This will lend company enough time to grow the market and product range so as to cater to increased manufacturing capability

PAT is expected to grow by 17% CAGR over FY23-25E aided by robust revenue growth and scale benefits. In addition to this, the company is constantly investing in offering new products having higher value addition and relatively better profit margins, upgrading its manufacturing efficiency and operational efficiency and reducing errors which is common in custom manufactured products company. This too should lead to reduction in costs and if these reductions are not passed on to the market to gain market share then this too shall help the company in improving its profits

Improvement in PAT due to increasing profitability of Rodney Hunt: Presently Rodney Hunt has no significant contribution to the consolidated PAT of the company. In FY23, Rodney Hunt had revenue of USD 19.6 million and PAT of USD 1 million amounting to standalone PAT of 5%. In FY24, the management expects the revenue to grow above USD 24 million and at this revenue it expects at least USD 1.7 million in profit amounting to standalone PAT of 7%. This should improve JEL’s consolidated PAT by 0.5%. As Rodney Hunt continues to improve its performance over the next few years, it can achieve standalone PAT in excess of 10% and thereby contribute to improvement in consolidated PAT margin by 1-2%.

(in Rs cr)	Jash Engineering Ltd. (Standalone)		Shivpad Engineering		Rodney Hunt (USA)	
	Revenue	PAT	Revenue	PAT	Revenue	PAT
FY22	264.5	24.8	23.6	4.1	143.2	5.1
FY23	281	40.8	27.2	4.9	163.9	8.4

(Source: Company, HDFC sec)

Key Concerns

Working capital intensive - JEL’s operations are working capital intensive in nature due to high level of customization and order specifications with large number of products leading to high inventory holding period. Receivables period was also high primarily on account of skewness of sales in the last quarter of a financial year.

Susceptible to volatility in RM prices and competition: JEL receives fixed price orders from its clientele, while prices of its major raw materials such as steel and castings are volatile in nature. This, along with high competition in the industry and tender-based order system for government contracts limits the bargaining power of players. Thus, JEL’s profitability remains exposed to volatile raw material prices and competition.



Dependence on Govt bodies for orders: In most orders received by JEL, the final customer is the Govt or Govt bodies. Any cutback in spending by the Govt or change in ordering norms by them could impact the orderflow and revenue growth of JEL. Around election time, there may be a slowdown in ordering/execution.

Seasonality: Q4 is the best quarter for JEL due to majority of Govt orders that have to be executed by the fiscal year end. Q1 is the leanest quarter for JEL. Hence, there may be large variation in results from quarter to quarter.

Company Overview

Jash Engineering Limited is a leading member of the Jash Group which was founded by Mr. Jashbhai Patel in the year 1948. Over time it has evolved into a specialized manufacturer of varied equipment used in water / waste water / sea water conveyance, pumping and treatment with over 50% of its revenue coming from exports. Headquartered in Indore –India, Jash has five well-integrated state-of-art manufacturing facilities, four in India and one in the USA.

Key milestones of JEL

Year	Particulars
1973	Formation of Jash Engineering Pvt Ltd
1996	Technical & Financial collaboration with Schuette, Germany for Bulk solids valves
2000	First company to introduce fine screen in India in Technical collaboration with Hollung , Sweden
2005	Expanded Screen manufacturing facility and became largest manufacturer of fine screen in India
2006	New facility to manufacture bulk solids handling valves
2008	Technical collaboration with Weco Armaturen , Germany to offer its range of Valves in Asian market
2009	Acquisition of Sureseal to add Water Hammer control valve range
2010	Established UNIT 3 of 50,000 Sqft . At SEZ Pithampur for Valves & Gates
2011	Technical collaboration with Rehart, Germany for Archimedes screw pumps & hydro power generation
	Acquisition of Shivpad to add Process Equipment range
2012	Established UNIT 2 of 150,000 Sqft . For Fabricated products.
	Technical collaboration with Mahr Maschinenbau , Austria for various Screens
2014	Acquisition of Mahr Maschinenbau, Austria
2016	Acquisition of Rodney Hunt Brand in USA
2017	Company listed on NSE
2018	Established plant of 60,000 sqft at Orange Massachusetts, USA for Fabricated products
2019	Established UNIT 4 of 50,000 Sqft at SEZ for Fabricated products



	Technical Collaboration with Invent, Germany for Disc Filters
2023	Joint Venture with Invent , Germany to manufacture their range of aeration and mixing equipment

(Source: Company, HDFC sec)

JEL's geographical presence and revenue mix (FY23)



(Source: Company, HDFC sec)



Financials

Income Statement

Particulars (in Rs Cr)	FY20	FY21	FY22	FY23P	FY24E	FY25E
Net Revenues	278	299	368	402	507	613
Growth (%)	12.1	7.8	22.8	9.4	26.0	21.0
Operating Expenses	240	248	321	338	425	513
EBITDA	38	52	47	64	81	100
Growth (%)	68.1	36.0	-9.4	36.4	26.9	23.3
EBITDA Margin (%)	13.7	17.3	12.7	15.9	16.0	16.3
Depreciation	8	9	10	11	12	15
Other Income	8	3	6	13	10	12
EBIT	38	46	43	66	79	97
Interest expenses	10	10	9	10	10	11
PBT	28	36	35	56	69	87
Tax	8	6	2	5	9	16
PAT	20	31	32	52	60	71
Share of Asso./Minority Int.	0	0	0	0	0	0
Adj. PAT	20	31	32	52	60	71
Growth (%)	161.0	51.8	5.4	60.7	15.3	19.0
EPS	17.0	25.8	26.9	43.0	49.6	59.0

Balance Sheet

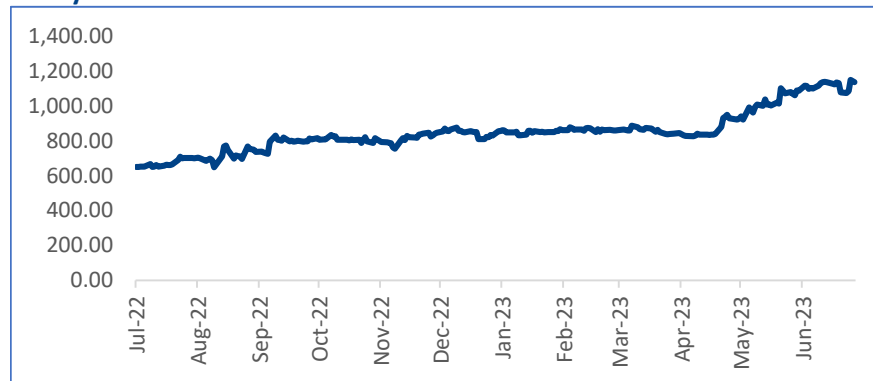
Particulars (in Rs Cr) - As at March	FY20	FY21	FY22	FY23P	FY24E	FY25E
SOURCE OF FUNDS						
Share Capital	12	12	12	12	12	12
Reserves	114	145	175	227	279	342
Shareholders' Funds	125	156	187	239	291	354
Minority Interest	0	0	0	0	0	0
Total Debt	73	72	82	82	78	77
Net Deferred Taxes	2	1	0	0	0	0
Total Sources of Funds	201	229	269	321	370	431
APPLICATION OF FUNDS						
Net Block & Goodwill	81	78	91	94	116	136
CWIP	6	10	1	4	4	4
Investments	0	0	0	0	0	0
Other Non-Curr. Assets	2	3	7	13	16	20
Total Non-Current Assets	89	91	99	111	136	159
Inventories	61	71	76	112	128	151
Debtors	84	96	135	156	181	222
Cash & Equivalents	18	22	27	33	26	30
Other Current Assets	12	15	12	15	20	22
Total Current Assets	175	204	250	316	355	425
Creditors	40	45	59	59	77	94
Other Current Liab & Provisions	44	42	41	69	72	87
Total Current Liabilities	84	87	101	128	149	181
Net Current Assets	91	117	149	188	206	244
Total Application of Funds	201	229	269	321	370	431



Cash Flow Statement

Particulars (in Rs Cr)	FY20	FY21	FY22	FY23P	FY24E	FY25E
Reported PBT	28	36	35	56	69	87
Non-operating & EO items	1	1	-4	-10	-3	-3
Interest Expenses	9	9	7	10	10	11
Depreciation	8	9	10	11	12	15
Working Capital Change	-21	-9	-26	-26	-25	-34
Tax Paid	-6	-11	-7	-8	-9	-16
OPERATING CASH FLOW (a)	18	35	14	34	54	60
Capex	-4	-9	-13	-15	-40	-35
Free Cash Flow	14	26	2	19	14	25
Investments	0	0	0	0	0	0
Non-operating income	-4	-3	-3	0	0	0
INVESTING CASH FLOW (b)	-8	-12	-16	-16	-40	-35
Debt Issuance / (Repaid)	5	-11	11	0	-3	-1
Interest Expenses	-10	-10	-7	-9	-10	-11
FCFE	6	2	2	9	0	13
Share Capital Issuance	0	0	1	1	0	0
Dividend	-4	-1	-4	-4	-7	-8
FINANCING CASH FLOW (c)	-9	-22	2	-13	-21	-20
NET CASH FLOW (a+b+c)	1	1	0	6	-7	4

One-year Share Price Chart



Key Ratios

Particulars	FY20	FY21	FY22	FY23P	FY24E	FY25E
Profitability Ratios (%)						
EBITDA Margin	13.7	17.3	12.7	15.9	16.0	16.3
EBIT Margin	13.7	15.4	11.8	16.5	15.6	15.8
APAT Margin	7.2	10.2	8.8	12.9	11.8	11.6
RoE	17.1	21.7	18.8	24.3	22.5	22.0
RoCE	20.6	21.6	17.4	22.5	22.8	24.3
Solvency Ratio (x)						
Net Debt/EBITDA	1.5	1.0	1.2	0.8	0.6	0.5
Net D/E	0.4	0.3	0.3	0.2	0.2	0.1
PER SHARE DATA (Rs)						
EPS	17.0	25.8	26.9	43.0	49.6	59.0
CEPS	23.6	33.0	35.1	51.8	59.8	71.5
Book Value	106.0	132.0	156.3	198.4	242.0	294.0
Dividend	2.4	3.2	3.6	6.0	6.0	7.0
Turnover Ratios (days)						
Debtor days	104	110	114	132	122	120
Inventory days	80	81	73	86	86	83
Creditors days	65	52	52	53	49	51
Valuation (X)						
P/E	66.9	44.1	42.2	26.4	22.9	19.3
P/BV	10.7	8.6	7.3	5.7	4.7	3.9
EV/EBITDA	37.2	27.2	30.2	22.0	17.4	14.0
EV / Revenues	5.1	4.7	3.8	3.5	2.8	2.3
Dividend Yield (%)	0.2	0.3	0.3	0.5	0.5	0.6

(Source: Company, HDFC sec)



HDFC Sec Retail Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling 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.

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