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The Anup Engineering Ltd (ANUP IN)

Strong operating performance will lead re-rating.

INDIA | MIDCAP| INITIATING COVERAGE REPORT

9 January 2020

Why we like the company:

- Demerger acted as a catalyst to participate in an emerging opportunity.
- Robust operating performance;
  - Revenue / EBIDTA / PAT grew by CAGR of 18.4% / 27.2% / 29.9% respectively during FY14-19 period.
  - Strong balance sheet with net cash of Rs.60 crs as on FY19
- Anup is engaged in design and fabrication of process plant equipment which mainly includes heat exchangers, pressure vessels, centrifuges, columns / towers and reactors; globally it's a very large industry and growing at 8-9% pa; domestic market is fragmented with only 4-5 focused companies.
- The company aspires to reach Rs.1000 crs revenue over next 5 years; translating to 33% CAGR growth.
- Strong opening order book for FY20, 1.4x FY19 sales; management confident of 30% revenue growth.
- The company spent ~Rs.100 crs in last two years and planning to spend additional Rs.200 crs for green field plant at Kheda and expansion at existing Odhav plant.

Outlook and view:

ANUP has started FY20 on very strong order book of Rs.300 crs, executable over next 3-4 quarters, management is confident of 30% revenue growth in FY20. ANUP is a well-established name amongst end users / consultants; this is demonstrated by its industry beating operating margins, consistent growth and strong balance sheet. The domestic industry is estimated at USD 6bn with only 4-5 major players.

The management aspires to reach Rs.1000 crs revenue over next five years. It has adopted a multi-pronged strategy 1) Capex of Rs.300 crs over FY18-22 period, 2) Enhance technical capabilities and 3) expand into new geographies and user industries. Based on existing environment and management's focused approach we expect topline to grow by CAGR of 21.5% for next 3 years (vs. 33% CAGR growth expected by the company). The stock has a potential of re-rating based on promising outlook and strong operating performance.

At CMP of Rs.494 the stock is trading at 8.7x FY21E earnings of Rs.56.8 and 5.8x EV / EBIDTA. We recommend a buy with price target of Rs.668, implying a 35% upside from current level.

Key Financials: **Rs. mn**

Year	Net Sales	EBIDTA	PAT	EPS	P/E	EV/EBIDTA	P / BV	ROE	ROCE
FY18	2224.7	527.1	424.3	31.2	15.8	9.7	3.2	20.1	23.5
FY19	2429.9	639.3	419.8	41.2	12.0	8.0	1.8	14.9	19.4
FY20E	2801.4	739.4	494.1	48.5	10.2	6.9	1.6	15.4	19.6
FY21E	3495.2	879.1	578.9	56.8	8.7	5.8	1.4	15.8	20.1
FY22E	4361.7	1096.9	725.9	71.2	6.9	4.7	1.2	17.2	21.7

BUY

CMP Rs 494

TARGET Rs 668 (+35%)

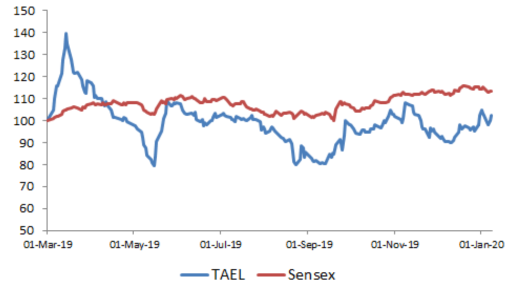
COMPANY DATA

O/S SHARES (MN) :	10.2
MARKET CAP (RS BN) :	5.0
MARKET CAP (USD MN) :	70.7
52 - WK HI/LO (RS) :	680/ 351
TRADING VOL. 3M (000) :	19.6
PAR VALUE (RS) :	10

SHARE HOLDING PATTERN, %

PROMOTERS :	41.7
FII / FPI :	6.1
FI / MF :	12.6
PUBLIC & OTHERS :	39.6

PRICE Vs. SENSEX



Source: Phillip Capital India Research

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Company Background:

The Anup Engineering Limited (ANUP) is promoted by Mr. Sanjay Lalbhai and his family; earlier it was a subsidiary of Arvind Limited and as a part of group restructuring it got demerged and listed separately on exchanges in March 2019. ANUP is engaged in the business of process plant equipment which includes heat exchangers (~70-80% of revenue), Pressure Vessels, columns / Towers etc. It finds applications in process industries like refineries, petrochemicals, chemicals, fertilizers etc. In last 5 years ANUP's revenue / EBIDTA / PAT grew by CAGR of 18.4% / 27.2% / 29.9% respectively.

Anup was originally started as a manufacturer of dish heads / pipe caps (components of a pressure vessel) to cater growing textile & chemical industry in Ahmedabad. Gradually it started manufacturing of centrifuges, pressure vessels, heat exchangers and column. The company supplies directly to user industries or through PMC / EPC companies. *Mr. Rishi Roop Kapoor, CEO* is heading helm of affairs at Anup, he is a metallurgist from IIT Roorkee. Mr. Kapoor has been associated with the process equipment industry for over two decades in diverse assignments. He has been with Anup since 2010 and has successfully led Anup to become one of the most preferred and accomplished Process equipment manufactures in India.

ANUP is amongst the few focused player in ~USD6 bn domestic process plant equipment industry which is largely dominated by small and medium enterprises. As per industry estimates more than 250+ companies are engaged in production of process plant machinery. Some of the large Names include L&T, Godrej & Boyce, ISGEC Heavy Engineering, TEMA India etc.

The Company has supplied equipment to global projects in Nigeria, South Africa, Europe, Far East Asia etc. and has a Marquee clients with long standing relationships, some of the major clients are listed below

- EPC / PMC: Bechtel, Linde, Technip, Jacobs, EIL, Air Liquid, Mitsubishi
- End Users: Dangote, IFFCO, RIL, SASOL, ISRO, SABIC, KNPC, Kuwait Oil Company

Major products manufactured

Product	Description.
Heat Exchangers	A heat exchanger is a device used to transfer heat from one medium to another. They are widely used in heating equipment, refrigeration, air conditioning, power plants, chemical plants, petrochemical plants, petroleum refineries, natural gas processing and sewage treatment
Reactors	An apparatus or structure in which fissile material can be made to undergo a controlled, self-sustaining nuclear reaction with the consequent release of energy
Pressure Vessels	The Pressure vessels (cylinder or tank) are used to store, handling or processing fluids under pressure. Pressure vessel stores pressurised product in it depending on the requirements of process. It is majorly used in oil refinery, Pharmaceutical, Nuclear reactors, submarines etc
Columns / Towers	Towers and Columns are used for separation of gases or liquids by using of trays. Column word is mostly used when vertical height is much greater than its diameter. It is majorly used in oil refineries and chemical industry.

License agreement: Anup has an agreement with Eminent Technology Providers for fabrication and supply of special kind of Heat exchanger on a fixed royalty system.

Industry Background:

Process Plant Equipment can be defined as a heavy equipment that is used in various process industries like oil & gas, refinery, Chemical, Fertilizers, Petrochemical, Power, Food & Beverages, Paper & Pulp among others. Indian Process plant industry is estimated at USD 6 bn (as per PPMAI); there are over 250+ units engaged in the manufacturing of process plant machinery in the country out of which 65% are SMEs. Major process plant machineries include tanks, pressure vessels, evaporators, heat exchangers, towers & columns, crystallizer, furnace, etc.

Key Players: Godrej & Boyce Mfg. co. ltd, Larsen & Toubro Ltd, Tema India, ISGEC Heavy engineering etc. We have compared ANUP's financials with companies engaged only in similar businesses; the major companies like L&T, Godrej & Boyce and ISGEC have larger revenue coming from other businesses.

Parameters	TAEL	TEMA India*	Loyal Equipment
Revenue (Rs. mn)	2429.9	2987.5	414.5
EBIDTA (Rs. Mn)	639.3	383.1	74.8
EBIDTA margin	26.3%	12.8%	18.0%
Gross Block (Rs. mn)	1863.5	1783.5	115.5
Last 3 years sales CAGR growth	18.9%	8.7%	55.0%
Last 3 years EBIDTA CAGR growth	20.1%	-0.7%	53.7%
Avg. GM last 3 years	52.0%	51.3%	47.6%
Avg. OPM last 3 years	25.5%	12.0%	19.8%
Avg. WC cycle 3 years (Days)	134	172	121

* As on FY18

Major Product and its applications:

In last three years heat exchangers contributed 70-80% of ANUP's revenue while balance is contributed by pressure vessels and other products.

- **Heat Exchangers**

  Heat exchangers are devices that transfer heat from one fluid (liquid or gas) to another fluid without being in direct contact with each other. Heat exchanger is a critical component for any process industry, and its performance has a direct impact not only on the capital cost but also on operating costs. Heat exchangers are one of the most efficient options for energy saving. They help in reducing power costs by 20–40%, as they do not require electricity. Thus, the increasing focus on saving energy costs plays an important role in driving the demand for heat exchangers. Following table highlights major applications of heat exchangers in major user industries.

Industry	Major Application
Petrochemicals / Refinery	The heat exchangers can both cool and heat water, steam, gases and hydrocarbons within a petrochemical plant. According to Hydrocarbon Processing. "A typical refinery has anywhere from 200 exchangers, on the low end, to almost 350 for a large, complex refinery".
Chemical	Heat exchangers used for cooling and heating of base, intermediate and final products. Varying temperature requirements of streams in a chemical process facilitates the use of heat exchanger.
Power Generation	In power Industry the heat is generated through burning of conventional fuel which is used to run the turbines. During the whole process a lot of heat losses occur. To minimize that heat loss heat exchangers plays a major role at various stages of energy conversion process.
HVAC Systems	Heat transfer is one of the most important aspects in industrial processes. Throughout any industrial facility, heat must be efficiently added, removed or moved from one process stream to another. In all industries no matter whether it's small or big, HVACR (Heat- Ventilation- Air Conditioning-Refrigeration) are installed.
Food & Beverages	Heat exchangers are extensively used for drying process involved in Food & Agriculture; achieving the desired taste, a stable shelf life and commercial sterility of food products.
Pulp & Paper	Heat exchangers are used to heat the liquids used to create pulp from wood, a process involving chemical compounds that pull apart the wood structure, leaving a gloopy like substance that can be formed into paper after more processing.

Heat exchangers are designed as per end-user industry's requirements. The global demand for heat exchangers is expected to increase in the near future considering the vital role they play in the major energy intensive industries, such as petrochemical, petroleum refining, and power. Various industry reports suggests global heat exchanger market to be around ***USD 18-20 bn and expected to grow by 8-9% CAGR till 2023.***

Heat exchangers are highly labor-intensive to produce, which is attributed to the long welding hours that are required. This is one of the major reasons for production being shifted to developing countries owing to availability of cheap labor. The leading companies invest in R&D to innovate and improve the efficiencies of the product whereas smaller companies focus on manufacturing of standard products and licensing of products.

- ## Pressure Vessels

Pressure vessels are containers, which are designed to store high-pressure liquids or gasses and have wide applications in industries like oil & Gas, chemicals, petrochemicals, distillation towers, nuclear reactor vessels etc. The particular parameters of pressure vessels differ according to regional regulations and the application, but the primary requirement of pressure vessels is the ability to withstand the high internal pressure. Pressure vessels are categorized into three main types horizontal, vertical, and spherical.

Based on the end-use industry type, the pressure vessel market is segmented into oil & gas, chemical, power generation, and others. The chemicals segment is estimated to witness the highest growth in the coming years, driven by an increased demand for specialty chemicals. The oil & gas segment is also likely to generate a healthy demand for pressure vessels in the coming five years. As per various industry reports, the global pressure Vessel market is estimated around USD 130-140 bn and expected to grow at 4-5% pa.

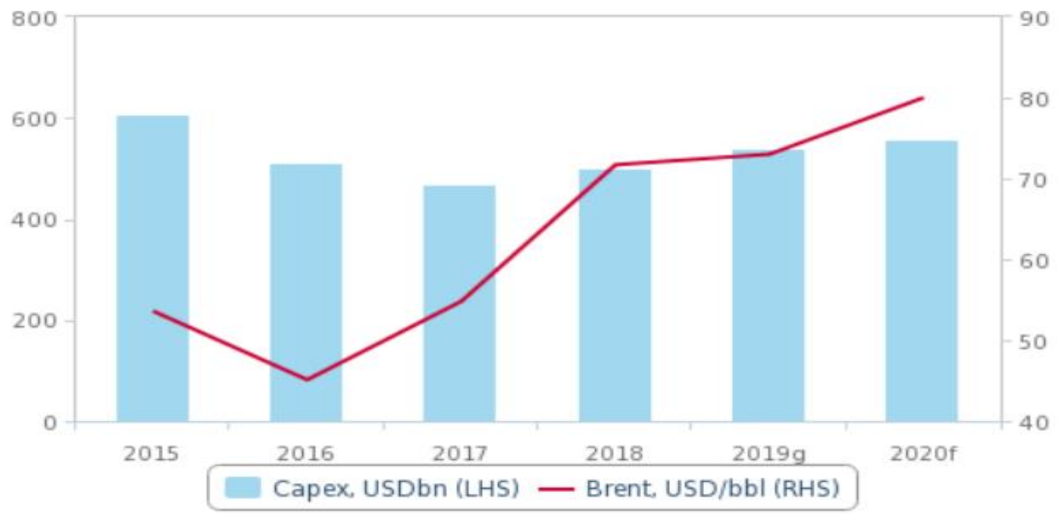
Investment Argument:

Large addressable opportunity and user industry capex

In last three years, heat exchangers contributed 70-80% of ANUP's total revenue while balance is contributed by pressure vessels and other products. In the existing opening order book of Rs. 300 crs, heat exchanger constitutes 87% of total orders. As of now majority of ANUP's revenue is coming from refinery / petrochemicals, chemicals and fertilizer industry.

- **Oil & Gas:**

  Crude is a global commodity and the prevailing crude prices will be a determining factor for overall capex in Oil & Gas sector. Most producers make profit above USD 40 / bbl, so it is anticipated that if crude price remain around USD 60-70 / bbl there should be sustained capex globally. Since 2005 the global oil & gas capex has closely correlated with prevailing crude prices; but even in worst scenario the capex has not gone below $450-500 bn. From a basket of 112 of the world's largest oil and gas companies the capital expenditure for 2019 is expected to grow by 7.7% to USD 540 bn against USD497.1bn in 2018. Click here for more details.



A Petrochemical, which turn oil and gas into all sorts of daily products – such as plastics, fertilizers, packaging, medical equipment, detergents etc are integral part of modern societies and becoming the largest driver of global oil consumption. The global petrochemical industry is experiencing a gradual shift and poised for a considerable growth over next decades.

According to Hydrocarbon Processing's construction Boxscore database, more than 280 new petrochemicals projects were announced from 2016-18. The database tracks 470 active projects announced worth nearly USD 510bn in the world. Asia expected to be the major contributor of global petrochemical capacity addition by 2030. For more details click here and here.

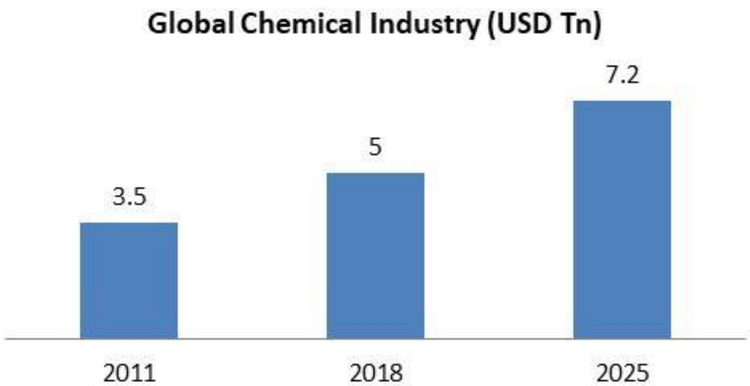
Major capex requirement in domestic market

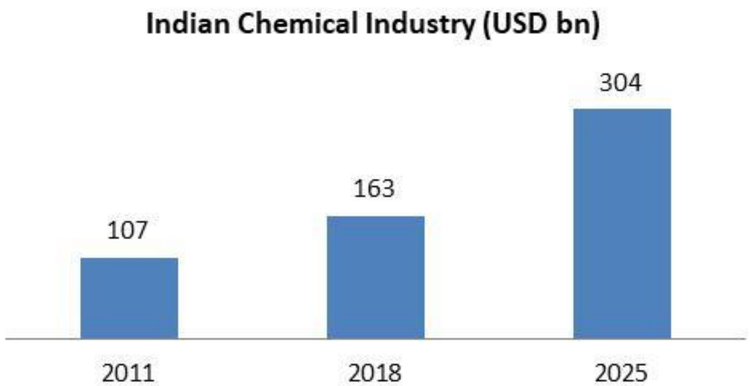
Huge investments are underway in the Oil & Gas industry in India from public as well as private sector companies over the next 5-7 years. Business growth in the near term will also be supported by the introduction of new emission norms (BS-VI) that would also require modification / revamp of heat exchangers currently deployed in oil refineries.

- As of May 2019, the oil refining capacity of India stood at 249.4 million tons, making it the second largest refiner in Asia. Refining capacity in the country is expected to increase to 667 MTPA by 2040.
- The industry is expected to attract USD 25 billion investments in exploration and production by 2022.
- Oil Marketing companies estimate total brownfield investments of USD 40 bn for up gradation to BS VI
- Indian Oil Corp plans to make an investment of USD22.91 billion, including USD 7.64 billion for expanding its existing brownfield refineries, in the next 5 to 7 years.
- India targets USD 100 billion worth investments in gas infrastructure by 2022, including an addition of another 228 cities to city gas distribution (CGD) network.

- **Chemicals:**

The global chemical industry is a USD5 trillion in size which impacts virtually every sector of the economy. Over 95% of manufactured goods are touched by chemistry. As per estimates chemical industry is expected to grow at 1.3x GDP





Chemicals industry in India is highly diversified, covering more than 80,000 commercial products. The current Market size of the Chemicals industry in India stood at USD 163 bn in 2017-18 which is expected to reach USD 304 bn by 2025 which will require huge capex. The domestic chemical and petrochemical market is expected to grow at a CAGR of 9-10% over the next five years.

Aspire to reach Rs. 1000 crs revenue in next five years

The management has an aspiration to reach revenue of Rs. 1000 crs in coming five years (~33% revenue CAGR from FY19). To achieve that growth company has adopted following strategy:

- Capacity expansion: ANUP has already spent ~Rs. 100 crs in last two years in expanding Odhav facility and acquiring land for green field plant at Kheda. It will invest additional Rs. 200 crs over next three years; the management believes that post this capex phase it wouldn't require huge incremental capex to reach the stated goal.

  As on FY19 Heat exchanger was a major contributor to the total revenue; the product mix would change post Kheda plant becomes operational in July 2020. Kheda facility will be majorly utilized for pressure vessels and Odhav plant will be utilized for manufacturing of large & complex equipment. Focus on large equipment and critical metallurgy will increase revenue per equipment.

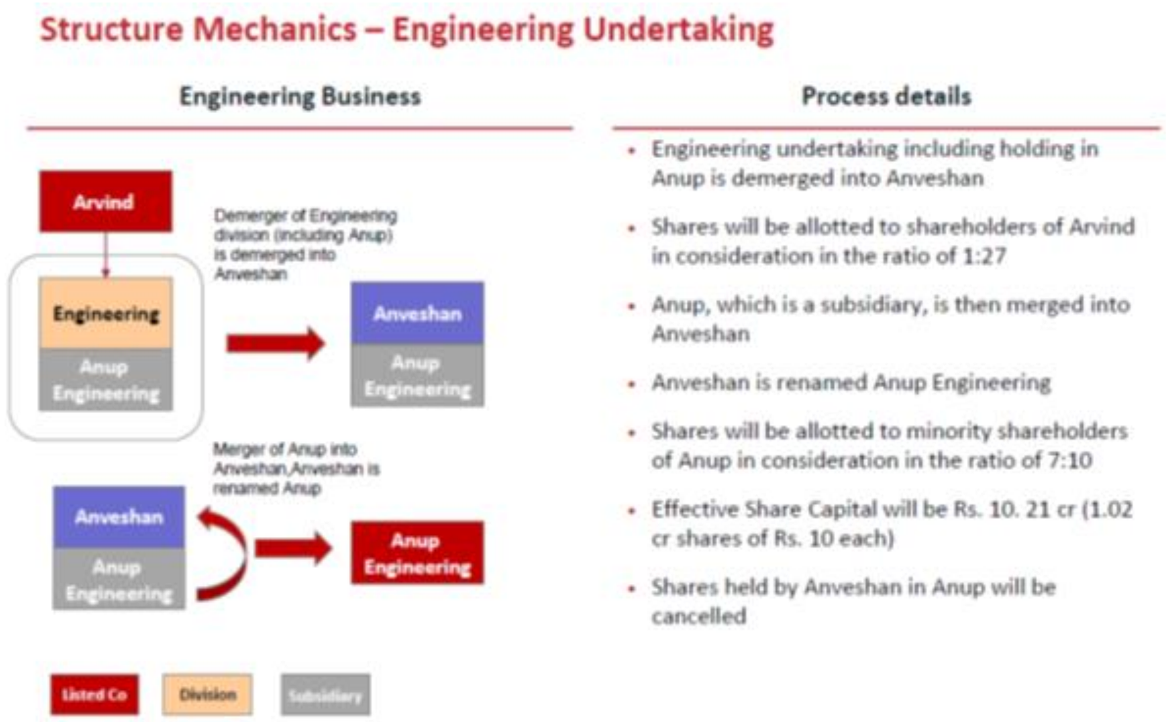
- Enhance technical capabilities: Technological capability is one of the differentiating factors in the fragmented industry. ANUP is striving to add proprietary / special equipment through tie ups / collaborations with global technology providers. Such arrangement will enhance existing product range

- Focus on end users in global market: ANUP is an approved vendor with most of the major EPC / PMC companies, with new capacity addition it plans to open regional office in Middle East and USA which can enhance company's market visibility and reach. It will focus on relatively newer sectors for company like LNG, Coal gasification, water, pharmaceuticals and power.

ANUP is already an approved vendor to global PMC / EPC companies, its core strength lies in project execution, to handle complicated equipment and on-time delivery record. We believe that the management has done all the hard work to establish the company which is testified from its strong operating performance and marquee client list. Looking at promising outlook, its reputation among user industries and adopted strategy, the aspiration seems realistic; we have considered 21.5% CAGR growth for FY19-22 period (vs. 33% CAGR growth to attain the goal).

Demerger acted as catalyst to participate in an emerging opportunity

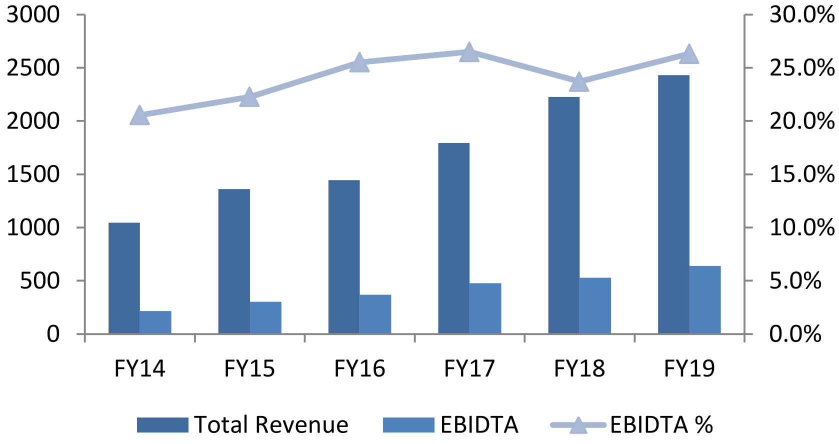
- Anup is a very old name in process equipment field; it has worked with many renowned clients in domestic and export markets. It is an approved vendor to many energy giants and EPC / PMC companies globally.
- Anup was a subsidiary of Arvind Ltd and as a part of group restructuring it got demerged and listed separately. Initially it was demerged from Arvind Limited and amalgamated into Anveshan Heavy Engineering Limited and subsequently the name of the company was changed to The Anup Engineering Limited.

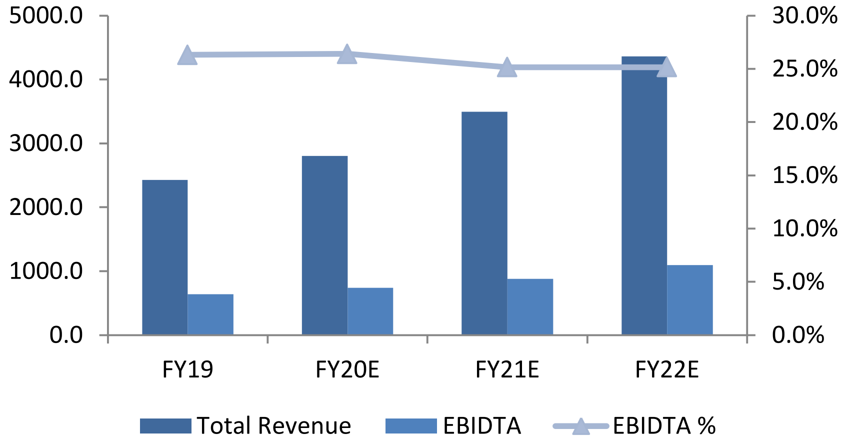


Requirement of a focused player in a huge market

The domestic process plant equipment industry is estimated at ~USD 6bn and has more than 250+ small players with only 4-5 large players. Most of the companies are engaged into fabrication work or light engineering business where as the larger players are diversified (where heavy engineering is not a major revenue contributor) e.g. L&T and Godrej & Boyce. Huge industry prospect along with industry structure offers an excellent opportunity to a focused player like ANUP. Past financials and strong order book position seems to be outcome of its adopted strategy, it also reflects its credibility in the fragmented market.

Excellent financial track record: ANUP has demonstrated combination of sustained growth and superior operating margin; in last 5 years revenue has grown by 18.4% CAGR while EBIDTA and PAT grew by CAGR of 27% and 30% respectively.



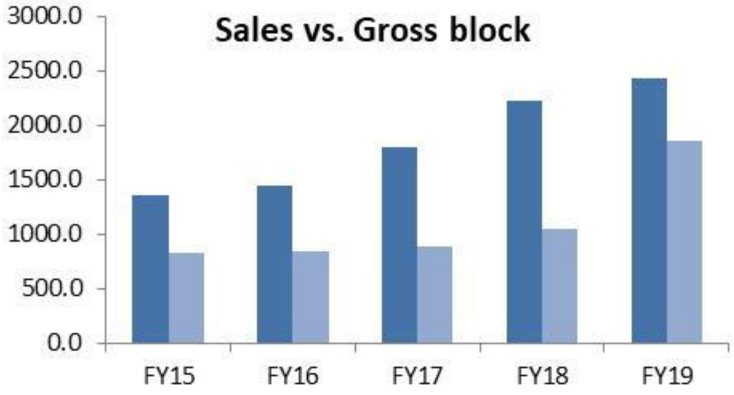


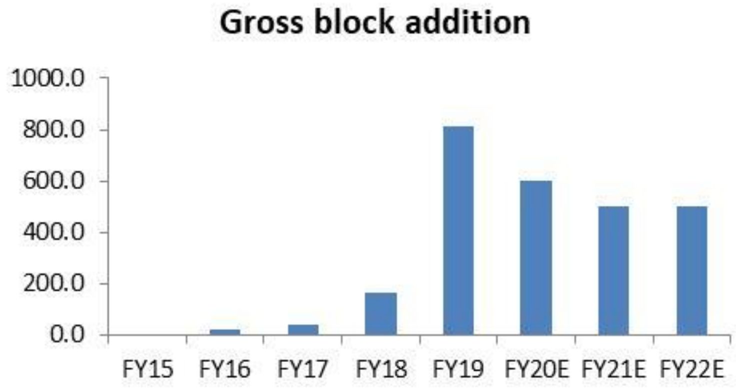
Strong order book position backed by expansion plan

- Strong order book
  Anup started FY20 with a strong opening order book of Rs 300 crs against Rs. 155 crs in FY19; it offers strong revenue visibility for the company as typical delivery schedule is 12-15 months. Based on the existing order book the management expects 30% revenue growth in FY20. As shown below 87% of existing order book is from heat exchangers.

Equipment Type	Order Value (Rs. Mn)
Heat Exchangers	2621.7
Pressure Vessels	344.1
Centrifuge & Spares	22.8
Tower & Reactors	7.2
Dished Ends	2.2
Total	**2998.0**

- On-going capex phase:
  With a promising market outlook and aspiration to reach Rs. 1000 crs revenue ANUP has to enhance the manufacturing capabilities. In order to align with the requirements of high end process equipment this includes advanced Shell & Tube exchangers, heavy wall pressure vessels, reactors and columns and sophisticated equipment with exotic metallurgies. Anup is planning to spend Rs. 300 crs during FY18-22 period. This seems a massive capex considering its FY17 gross block of Rs. 89 crs and FY17 revenue of Rs. 180 crs. It has already spent Rs. 100 crs on expansion of Odhav plant and land acquisition at Kheda for green field plant. It will spend additional Rs. 200 crs over next three years for plant set up at Kheda and capacity expansion at Odhav.



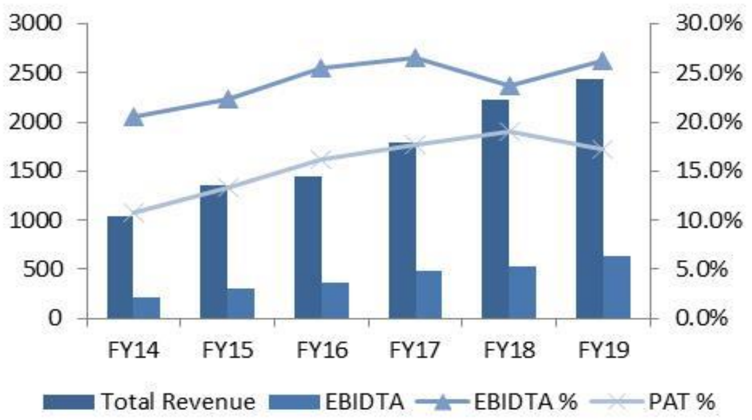


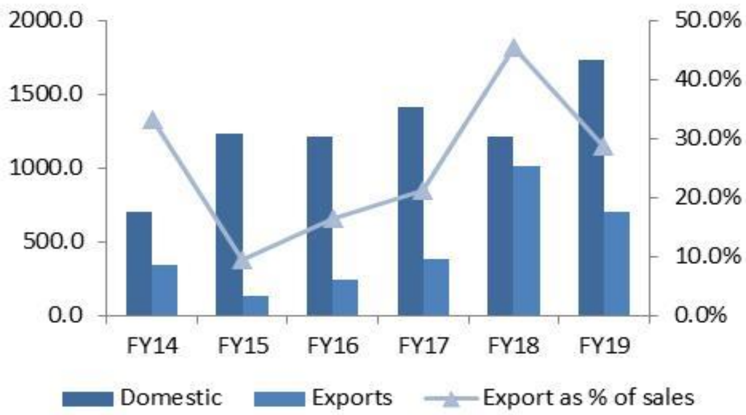
The Kheda plant will allow the company to alter the product mix and to execute large and more complex equipment orders; it will also help to cater export market. This facility would be utilized for manufacturing of pressure vessel and other equipment which constituted more than 20% revenue as on FY19.

Financials snapshot:

Since FY13 the transformation of the company is visible in consistent growth, margin enhancement and balance sheet strength. In the earlier period the revenue were stagnated between Rs. 75-95 crs range and post that it has shown sales / PAT CAGR of 18% and 30% respectively. The operating margin improved from 18.4% to 26.3%.

As process equipment forms a portion of large capex for end user industries, ANUP has to fulfil the orders within contractual commitment made to customers. Its quarterly revenues and margins may depend upon the shipment and deliveries made to the customers and subsequently the customer guided timelines in the contracts. So we may witness lumpiness in its quarterly numbers. The reported margins get impacted due to change in domestic and export revenue mix and change in overall product mix. The management is fairly confident of maintaining 25% margins in coming years (excluding export incentives).





Geography wise revenue mix:

Revenue Mix	FY14	FY15	FY16	FY17	FY18	FY19
Domestic	699.6	1232.5	1211.2	1444.3	1215.0	1730.1
Exports	346.4	127.4	236.8	380.7	1009.7	699.9
Export as % of sales	33.1%	9.4%	16.4%	21.2%	45.4%	28.8%

H1 Result highlights:

Prior to demerger ANUP had revenue contribution from trading business which was discontinued post demerger; so after adjusting for trading revenue in H1 FY19 the revenue has grown by 27.5% (against 6.6% in reported numbers).

Rs. Mn	Reported			Adjusting for trading revenue		
Particulars	H1 FY19	H1 FY20	% change	H1 FY19	H1 FY20	% change
Sales	873.5	954.6	9.3%	720.8	954.6	32.4%
Other operating income	54.8	34.6	-36.9%	54.8	34.6	-36.9%
Total Revenue	928.3	989.2	6.6%	775.6	989.2	27.5%
Expense breakup						
Raw material consumed	357.9	313.2	-12.5%	204.5	313.2	53.2%
Employees expense	82.8	85.7	3.5%	82.8	85.7	3.5%
Other expenses	228.8	270.3	18.1%	228.8	270.3	18.1%
Total Expenses	669.5	669.2	0.0%	516.1	669.2	29.7%
EBIDTA	258.7	320.0	23.7%	259.5	320.0	23.3%
EBIDTA %	27.9%	32.3%		33.5%	32.3%	
Other Income	23.0	19.6	-14.7%	23.0	19.6	-14.8%
Finance Cost	5.9	9.5	60.3%	5.9	9.5	61.0%
Depreciation	38.9	41.1	5.7%	38.9	41.1	5.7%
PBT	236.9	289.0	22.0%	237.7	289.0	21.6%
Tax	73.6	81.3	10.5%	73.6	81.3	10.5%
PAT	163.4	207.7	27.1%	164.1	207.7	26.6%
PAT %	17.6%	21.0%		21.2%	21.0%	
Tax rate	31.1%	28.1%		31.0%	28.1%	

Key Concerns:

- Lumpy business: Due to nature of its business, quarterly revenue and margins are dependent upon deliveries made to customers so revenue can remain volatile on quarterly basis based on dispatches and orders in hand.
- User industry dependence: Currently 80-90% of ANUP's revenue is coming from oil & gas and petrochemical industry, any adverse movement due to crude price may impact the outlook of the company. Since the company has repeat business from trusted clients, volatility in crude price is mitigated due to its strong relationships.
- Working capital intensive business – ANUP's revenue is dependent on large project by the user industry and typically the delivery period may vary from 30-150 days. If we look at its overall working capital days it remains between 100 - 150 days. These will also depend on dispatches during the year end.
- Margin dilution: Post commencement of Kheda plant (around Q1 FY20), the product mix will change and with surplus capacity management will focus on taking incremental orders in other categories. We will revisit the margin guidance and expected change in product mix based on order book; we believe that sustainable operating margins should be lower than reported in recent quarters.

Outlook and valuation:

ANUP has started FY20 on very strong order book of Rs.300 crs, executable over next 3-4 quarters, management is confident of 30% revenue growth in FY20. ANUP is a well-established name amongst end users / consultants; this is demonstrated by its industry beating operating margins, consistent growth and strong balance sheet. The domestic industry is estimated at USD 6bn with only 4-5 major players.

The management aspires to reach Rs.1000 crs revenue over next five years. It has adopted a multi-pronged strategy 1) Capex of Rs.300 crs over FY18-22 period, 2) Enhance technical capabilities and 3) expand into new geographies and user industries. Based on existing environment and management's focused approach we expect topline to grow by CAGR of 21.5% for next 3 years (vs. 33% CAGR growth expected by the company). The stock has a potential of re-rating based on promising outlook and strong operating performance.

At CMP of Rs.494 the stock is trading at 8.7x FY21E earnings of Rs.56.8 and 5.8x EV / EBIDTA. We recommend a buy with price target of Rs.668, implying a 35% upside from current level.

Income Statement

Y/E March, Rs. Mn	FY19	FY19	FY20E	FY21E	FY22E
Net sales	**2224.7**	**2429.9**	**2801.4**	**3495.2**	**4361.7**
Growth %	21.9%	9.2%	15.3%	24.8%	24.8%
Total expenses					
Raw Material Cost	1134.3	1157.5	1310.3	1703.7	2147.7
Employee costs	114.8	154.6	193.2	241.5	301.9
Other Manufacturing Cost	448.5	478.5	558.5	670.8	815.3
EBITDA	**527.1**	**639.3**	**739.4**	**879.1**	**1096.9**
Growth %	10.8%	21.3%	15.7%	18.9%	24.8%
EBIDTA margin (%)	23.7%	26.3%	26.4%	25.2%	25.1%
Depreciation	31.3	79.3	98.5	130.4	152.4
EBIT	**495.8**	**560.0**	**640.9**	**748.7**	**944.5**
Interest	1.9	18.0	8.9	8.9	8.9
Other income	42.5	45.8	28.5	34.0	34.8
PBT	**536.4**	**587.9**	**660.5**	**773.9**	**970.5**
Less: Taxation	112.1	168.0	166.5	195.0	244.6
Effective tax rate (%)	20.9%	28.6%	25.2%	25.2%	25.2%
Recurring PAT	**424.3**	**419.8**	**494.1**	**578.9**	**725.9**
Growth %	33.3%	-1.1%	17.7%	17.2%	25.4%
PAT margin (%)	19.1%	17.3%	17.6%	16.6%	16.6%
Exceptional items (net of tax)					
Reported PAT	**424.3**	**419.8**	**494.1**	**578.9**	**725.9**
Wtd. Avg. Shares (Crs)	13.6	10.2	10.2	10.2	10.2

Balance Sheet

Y/E March, Rs. Mn	FY19	FY19	FY20E	FY21E	FY22E
Equity capital	136.0	101.9	101.9	101.9	0.0
Reserves	1976.6	2714.6	3097.3	3553.9	4120.5
Net worth	2112.6	2816.5	3199.2	3655.9	4222.5
Minority Interest + others					
Total borrowings	0.0	73.8	73.8	73.8	73.8
Current Liabilities	681.0	947.7	1106.9	1275.4	1442.4
Non Current Liabilities	113.1	133.6	134.5	136.6	139.2
Total liabilities	**2906.7**	**3971.6**	**4440.6**	**5067.8**	**5804.1**
Net block	1005.7	1747.2	2251.8	2621.4	2969.0
Investments	0.0	0.0	0.0	0.0	0.0
Others	406.4	450.3	251.4	253.3	255.7
Current assets					
Inventories	353.0	884.6	921.0	861.8	1075.5
Debtors	966.7	695.3	690.8	861.8	956.0
Cash	58.7	8.3	115.6	207.4	220.8
Other Current assets	116.2	185.8	210.1	262.1	327.1
Total assets	**2906.7**	**3971.6**	**4440.6**	**5067.8**	**5804.1**

Cash Flow

Y/E March, Rs. Mn	FY19	FY19	FY20E	FY21E	FY22E
PAT	424.3	419.8	494.1	578.9	725.9
Depreciation	31.3	79.3	98.5	130.4	152.4
Change in WC	-215.9	-40.5	235.7	4.7	-205.6
Cash Flow from Operating activities	**239.7**	**458.7**	**828.3**	**714.0**	**672.7**
Capital Expenditure	-167.3	-825.0	-603.1	-500.0	-500.0
Change in Investments	0.0	0.0	0.0	0.0	0.0
Other investing activities	0.0	0.0	0.0	0.0	0.0
Cash Flow from Investing activities	**-167.3**	**-825.0**	**-603.1**	**-500.0**	**-500.0**
Dividend (incl. Tax)	0.0	-85.6	-111.4	-122.2	-159.3
Change in Equity	0.0	-34.1	0.0	0.0	0.0
Change in Debt	-39.0	73.8	0.0	0.0	0.0
Others	-44.3	408.0	0.0	0.0	0.0
Cash Flow from Financing activities	**-83.3**	**362.2**	**-111.4**	**-122.2**	**-159.3**
Net Change in Cash	-10.9	-4.1	113.7	91.8	13.4

Valuation Ratios

	FY19	FY19	FY20E	FY21E	FY22E
EPS	31.2	41.2	48.5	56.8	71.2
Book NAV / Share	155.3	276.3	313.8	358.6	414.2
DPS	0.0	7.0	9.1	10.0	13.0
Growth Ratios					
Net Sales (%)	21.9	9.2	15.3	24.8	24.8
EBIDTA (%)	10.8	21.3	15.7	18.9	24.8
PAT (%)	33.3	-1.1	17.7	17.2	25.4
Return Ratios					
ROA (%)	14.6	10.6	11.1	11.4	12.5
ROE (%)	20.1	14.9	15.4	15.8	17.2
ROCE (%)	23.5	19.4	19.6	20.1	22.0
Turnover Ratios					
Asset Turnover (x)	0.8	0.6	0.6	0.7	0.8
Receivable Days	158.6	104.4	90.0	90.0	80.0
Inventory Days	57.9	132.9	120.0	90.0	90.0
Payable Days	96.8	73.0	70.0	70.0	70.0
Liquidity Ratios					
Current Ratio (x)	2.2	1.7	1.8	1.7	1.8
Interest Cover (x)	260.9	31.1	72.3	84.5	106.6
Total Debt / Equity (x)	0.0	0.0	0.0	0.0	0.0
Valuation Ratios					
PER (x)	15.8	12.0	10.2	8.7	6.9
Price / Book (x)	3.2	1.8	1.6	1.4	1.2
Price / Sales (x)	2.3	2.1	1.8	1.4	1.2
EV / Sales (x)	2.3	2.1	1.8	1.5	1.2
EV / EBIDTA (x)	9.7	8.0	6.9	5.8	4.7

Rating Methodology

We rate stock on absolute return basis. Our target price for the stocks has an investment horizon of one year. We have different threshold for large market capitalisation stock and Mid/small market capitalisation stock. The categorisation of stock based on market capitalisation is as per the SEBI requirement.

Large cap stocks

Rating	Criteria	Definition
BUY	>= +10%	Target price is equal to or more than 10% of current market price
NEUTRAL	-10% > to < +10%	Target price is less than +10% but more than -10%
SELL	<= -10%	Target price is less than or equal to -10%.

Mid cap and Small cap stocks

Rating	Criteria	Definition
BUY	>= +15%	Target price is equal to or more than 15% of current market price
NEUTRAL	-15% > to < +15%	Target price is less than +15% but more than -15%
SELL	<= -15%	Target price is less than or equal to -15%.

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