RETAIL EQUITY RESEARCH
MTAR Technologies Ltd.

Precision Engineering

Sensex: 49,100

Nifty: 14,529

SUBSCRIBE

Price Range Rs. 574 - Rs. 575

A strong player in booming high precision engineering...

MTAR Technologies is a leading national player in the precision engineering industry. Incorporated in 1999, their offerings are primarily served in the nuclear, space and defence, and clean energy sectors where they manufacture critical and differentiated engineered products customized to meet the specific requirements of the customers. They currently operate through seven manufacturing facilities, situated in Hyderabad, including an export-oriented unit (EOU). Some of the clients are ISRO, NPCIL, DRDO, Bloom Energy, Rafael and Elbit.

- **MTAR manufactures hi-precision indigenous components with stress on low tolerance for errors (5-10 microns) to produce machinery and equipment of perfect dimension and size to serve projects of high national importance in nuclear, space & defence and clean energy sectors.**
- **For FY18-20, revenue grew at a CAGR of 17% while PAT grew by 140% CAGR.**
- **As on December 31st, 2020, 54% of the revenue amounting to Rs.94cr is generated from customers located outside India.**
- **For the nine months ended December 31st, 2020 the revenue from customers in the clean energy sector, nuclear sector and space & defence sectors accounted for 49.3%,27%,20.6% respectively, of the revenue from operations.**
- **MTAR has an aggregate order book of Rs.336.2cr, comprising Rs.80.2cr, Rs.93.2cr and Rs.160.6cr in the clean energy sector, the nuclear sector and the space & defence sectors respectively as on December 31st, 2020.**
- **An additional manufacturing facility at Adibatla in Hyderabad which is expected to become operational in FY22.**
- **Under Govt's policy to construct 10 units of nuclear reactors as a single project will increase opportunities for domestic suppliers like MTAR. Large refurbishment and maintenance market, expected to increase by 1.6x.**
- **Over the next five years, the private sector will receive the mandate for ~70% of all the upcoming space missions of ISRO which is positive for MTAR.**
- **MTAR will start manufacturing Hydrogen boxes and electrolyzers for Bloom Energy, a key player in fuel cell technology.**
- **At the upper price band of Rs.575, MTAR is available at a P/E of 47.3x (annualized basis on FY21E EPS of Rs.12.2) which is aggressively priced. With no listed peers and a positive sentiment in the space & defence sectors due to Make in India and Atmanirbhar Bharat with limited competition for the products they manufacture, we assign a Subscribe rating, with a long term perspective.**

Purpose of IPO

The offer comprises of fresh issue and offer for sale. The proceeds of the offer for sale shall be received by the selling shareholders. The net proceeds of the fresh issue will be utilized for funding working capital requirements, to partly or fully repay company's borrowings and general corporate purposes.

Key Risks

- Over dependence on Bloom Energy that constitutes ~65% of the revenue.
- Change in Govt. policies.

Issue Details	
Date of Opening	03rd March, 2021
Date of Closing	5th March, 2021
Total no. of Shares offered(cr)	1.037
Post Issue No. of shares (cr)	3.08
Price Band	Rs. 574- 575
Face Value	Rs. 10
Bid Lot	26 shares
Minimum application for retail (upper price band for 1 lot)	Rs. 14,950
Maximum application for retail (upper price band for 13 lot)	Rs. 1,94,350
Listing	BSE & NSE
Lead Manager	JM Financial Ltd & IIFL Securities Ltd
Registrars	KFin Technologies Private Ltd.

Issue size (upper price)	Rs. Cr
Fresh Issue	123.51
OFS	472.90
Total Issue	**596.41**

Shareholding (%)	Pre Issue	Post Issue
Promoters	62.2	50.2
Public	37.8	49.7
Total	100	100

Issue structure	Allocation %	Size Rs.cr
Retail	35	208.74
Non -Institutional	15	89.46
QIB	50	298.21
Total	**100**	**596.41**

Y.E March (Rs cr)	FY19	FY20	9MFY21
Sales	**184**	**214**	**177**
Growth (%)	17.3	16.4	-
EBITDA	54	58	53
Margin%	**29.2**	**27.1**	**29.9**
PAT Adj	39	31	28
Growth (%)	623	-20	-
EPS	12.7	10.2	12.2*
P/E (x)	45.1	56.5	47.3*
EV/EBITDA	33.5	31.0	26.0*
RoE (%)	17.8	13.6	15.4*

**Annualised*

Company Description

MTAR Technologies is a leading precision engineering solutions company engaged in the manufacture of mission critical precision components with close tolerances (5-10 microns), and in critical assemblies, to serve projects of high national importance. They primarily serve customers in the clean energy, nuclear and space and defence, sectors. Since inception, they have been contributing to the Indian civilian nuclear power programme, Indian space programme, Indian defence and aerospace sector, as well as to the global clean energy sector and the global defence and aerospace sector. As on November 30, 2020, their major product portfolio includes 14 kinds of products in the nuclear sector, 6 kinds of products in the space and defence sectors, and 3 kinds of products in the clean energy sector. Over the years, they have also developed import substitutes such as ball screws and water lubricated bearings that are specialized and used in the sectors they cater to (*Source: Company Commissioned CRISIL Report*). They manufacture critical and differentiated engineered products with a healthy mix of developmental and volume-based production, customized to meet the specific requirements of the customers. Currently, the firm has 7 state-of-the-art manufacturing facilities in Hyderabad, Telangana that undertake precision machining, assembly, specialized fabrication, brazing and heat treatment, testing and quality control, and other specialized processes.

Product Offerings

MTAR develops and manufactures high precision components and equipment which they serve to customers in the clean energy, nuclear and space and defence sectors in India, and abroad.

14 kinds of products for the Nuclear sector	•Fuel Machining Head •Bridge and Column-Loading&Unloading of nuclear fuel •Grid plate •Drive Mechanisms-For regulating& shutdown of reactor •Top Hatch Cover Beams and Deck Plate assembly •Sealing Plug, Shielding Plug, Linear tubes and end fittings
6 kinds of products for the Space&Defence sector	•Base Shroud Assembly and Air Frames- Used in Agni Missiles •Various missile products. •Electro-pneumatic Modules- Used in Space launch vehicles •Liquid propulsion Engines-Used in Space launch vehicles •Cryogenic engines(Turbo pumps, Booster pumps,Gas generators,injector head assemblies. •Actuator assembly components •Satellite valves
3 kinds of products in Clean energy sector	•Hot boxes-Use Methane to generate power. •Hydrogen boxes- Use Hydrogen to generate power(under Development) •Electrolyzers-generate methane free hydrogen that shall be used in power units to generate power with zero carbon emission s(under development).
Import substitute products	•Ball screws-useed in various assemblies in missiles,space launch vehicles and nuclear reactors •Water lubricated bearings- used in nuclear reactors •Roller screws- Used in various assemblies in missiles, space launch vehicles and nuclear reactors

Source: RHP, Company website

❖ Clean Energy sector

Clean energy is one of the key customer sectors and MTAR is involved in the manufacturing and specialized fabrication of critical assemblies to customers such as Bloom Energy, Andritz, among others. MTAR supply power units, specifically hot boxes to Bloom Energy USA with which, MTAR has been associated with, for over nine years, and currently, involved in the development and manufacture of hydrogen boxes and electrolyzers, to serve Bloom Energy. While hot boxes use methane to generate power, hydrogen boxes shall use methane to generate hydrogen that shall in-turn, be used to generate power. In addition, electrolysers will produce methane-free hydrogen that shall be used to produce power. MTAR has also commenced manufacturing shafts for Andritz Hydropower in Clean Energy sector. MTAR is spearheading in the direction to become a major contributor in Hydro Economy & Clean Energy.

MTAR is the only supplier to Bloom from India as of FY20. Bloom is one of the largest and the fastest growing player globally in the hydrogen fuel cell segment and has 70% of its revenues coming from products segment and balance from services. The company has an order book of 80.2cr from clean energy sector as of December 31, 2020.

During FY18,19 and 20, and for the nine months ended December 31, 2019 and for the nine months ended December 31, 2020, the revenue from customers in the clean energy sector accounted for 49.14%, 61.42%, 64.34%, 71.01% and 49.33%, respectively, of the revenue from operations.

❖ Defence & Aerospace

Over past four decades MTAR has played a prominent role in defence sector and supplied hi-precision indigenous components, Subsystems, Systems in India's defence and aerospace programs. MTAR has been involved in strategic missile program since development stages and provide various hi-precision components and subassemblies for strategic missile program. MTAR has been supplying Hi-Precision Machined ,fabricated systems to most of the leading programmes of DRDO labs(ADA, GTRE, DRDL,…) , DPSUs (BDL, BEL,HAL,..) and other defence R&D and Defence public sector Units (DPSUs) establishments of the Indian Defence and international players like ELBIT Israel, Rafael Israel etc..

Association with ISRO

They have been associated with ISRO over three decades to whom MTAR have been supplying a wide variety of mission critical assemblies for its various missions. Specifically, MTAR manufactures liquid propulsion engines, cryogenic engines (turbo pumps, booster pumps, gas generators and injector heads for such engines) and electro-pneumatic modules to serve space launch vehicles. The engine for the PSLV-C25, which launched the Mars Orbiter Mission Spacecraft, as part of the Mangalyaan mission, was supplied to ISRO by MTAR. Further, the engine for the PSLV-C49, which recently injected the EOS-01, an earth observation satellite, was also supplied to ISRO by them. The Company was also integral for the GSLV Mark III engine for the Chandrayaan II mission.
During FY18,19 and 20, and for the nine months ended December 31, 2019 and for the nine months ended December 31, 2020, the revenue from customers in the space and defence sectors accounted for 16.39%, 20.06%, 18.40%, 18.56% and 20.59%, respectively, of the revenue from operations.

❖ Nuclear segment

They manufacture and supply specialized products such as fuel machining head, drive mechanisms, bridge and column and coolant channel assemblies, among others, not just for the new pressurised heavy water nuclear reactors, but also for refurbishment of the existing reactors. They have also supplied critical products such as grid plate, control plug and inclined fuel transfer machine for the prototype fast breeder reactor. MTAR has been associating with Nuclear power corporation of India limited(NPCIL) for the past 16 years, which controls all operational, under construction and planned reactors in the country given India does not allow private participation.

During the FY18, 19 and 20, and for the nine months ended December 31, 2019 and for the nine months ended December 31, 2020, the revenue from customers belonging to the nuclear sector accounted for 28.89%, 13.05%, 14.27%, 7.33% and 27.13%, respectively, of the revenue from operations.

❖ Import substitute products

- **Ball Screws**

MTAR has developed highly specialized ball screws that are import substitutes through in-house R&D efforts. MTAR is the sole manufacturer of ball screws in India and MTAR supply these highly specialized products to the demanding sectors such as Nuclear, Defence and Space.

- **Planetary Roller Screws**

MTAR has commenced the developmental activity for roller screws that are import substitutes and the company is involved in developing the associated technology.

- **Water Lubricated Bearings**

Water Lubricated Bearings works under chemistry controlled water environment. The water acts as lubricant to reduce friction while Bearings are functioning. MTAR manufactures WLBs of various sizes and types i.e., Deep Groove Bearings, Angular Contact Bearings and Thrust Bearings.

Order Book

The aggregate Order Book as on December 31, 2020 was 336.2cr, comprising Order Book in the clean energy sector, the nuclear sector and the space and defence sectors of Rs.80.2cr, Rs.93.2cr and Rs.160.6cr, respectively. Historically, The Order Book was Rs.201.8cr, Rs.243.7cr and Rs.345.1cr, as on March 31, 2018, March 31, 2019 and March 31, 2020, respectively.

Precision engineering expertise with complex product manufacturing capability

The Company develops and manufactures a wide range of mission critical assemblies and precision components with close tolerances (5-10 microns), through its precision machining, assembly, and specialized fabrication facilities, for onward usage by the customers in the clean energy, nuclear, and space and defence sectors in India, and abroad. Most of the manufacturing facilities, including the EOU have accreditations such as the ISO 9001:2015 certification and AS9100D certification (technically equivalent to the EN 9100:2018 and JISQ 9100:2016 certifications) for quality management systems.

Wide product portfolio leading to long-standing relationships with the customers

As on December 31st, 2020, the major product portfolio includes three kinds of products in the clean energy sector, 14 kinds of products in the nuclear sector and six kinds of products in the space and defence sectors. They cater to customers in the clean energy sector through the supply of power units, specifically, hot boxes to Bloom Energy. Within the nuclear sector, the company has long standing relationship of over 16 years with NPCIL due to its ability to manufacture and supply specialized products such as fuel machining head, bridge and column and coolant channel assemblies, among others, not just for the new pressurized heavy water nuclear reactors, but also for refurbishment of the existing reactors. The experience in manufacturing these, has not only been acquired by MTAR over a period of time, but also has, in the process, created entry barriers for other players.

Within the space sector, they have established relationship with ISRO. Specifically, they manufacture liquid propulsion engines, cryogenic engines (turbo pumps, booster pumps, gas generators and injector heads for such engines) and electro-pneumatic modules to serve space launch vehicles. In addition, while catering to organizations such as the DRDO, among others, the Company not only undertook complex

assemblies such as the base shroud assembly (for Agni missiles) and the assembly of SITVC valves and HFTC valves, but also manufactured actuators for light combat aircrafts (LCAs). They also supplied critical defence products such as aluminium weldments and other machined components to the international customers including an Israeli defense technology company.
They have also invested in the development of roller screws, which is an import substitute, and are involved in developing the associated technology. Once this development has been completed, according to Company Commissioned CRISIL Report, they will, in India, be the first manufacturer of roller screws, while this product shall be used for a wide variety of applications in the nuclear, space and defence sectors.
A significant demand for the products is generated in India owing to the customers' objective to enhance domestic sourcing as well as self-reliance, especially in areas of national importance, and that the ability to supply technologically advanced products enables MTAR to nurture such established relationships with these customers.

MTAR to capitalize on upward trend of nuclear sector in India, increasing indigenization and policy initiatives in the defence sector, and commercialization of Indian space sector

According to the Company Commissioned CRISIL Report, the Government of India has sanctioned manufacture of 10 fleet reactors with a combined generation capacity of 7,000 MWe. This presents an opportunity for the Company and while the competitors have, from time to time, forayed into manufacturing products for the nuclear sector, but they have not been able to sustain in the market owing to the complexities involved in the manufacturing operations, quality assurance, and production capabilities. MTAR is well positioned to not only capitalize on this opportunity, especially in view of the fact that they have manufacturing facilities to undertake projects for four reactors at any given point of time, but also take advantage of future orders placed by the NPCIL and other Indian public sector undertakings.

Further, according to the Company Commissioned CRISIL Report, the Indian defence sector is currently focused on indigenization of various defence technologies in view of the recent announcement made on the indigenization of 108 systems and sub-systems. The Government of India has also recently announced import ban on 101 defence based items which will allow a wide spread manufacturing base, introduce global best practices and aide job creation. In addition, in terms of the Defence Acquisition Procedure, 2020, issued by the Ministry of Defence, Government of India, any order released by the government shall mandatorily require 50% of indigenous content. Further, to the 'Review of Foreign Direct Investment (FDI) Policy in Defence Sector' dated September 17, 2020, the foreign direct investment limit in the Indian defence sector was increased to 74% from 49% under the automatic route, and this is expected to attract global players to India, according to the Company Commissioned CRISIL Report. MTAR is well-poised to capitalize on these opportunities and thereby contribute to the 'Atma-Nirbhar Bharat' initiatives by the Government of India, creating value for all of the stakeholders involved, in the process.

Focus on deepening and strengthening relationships with existing customers as well as catering to new customers
In addition, the Company, along with a nuclear research facility is engaged in developing Channel Health Assessment System (CHAS) and the detailed design, engineering, manufacturing and assembly is under process at one of the manufacturing facilities. As a result of this, it may be difficult to replace MTAR, especially given the steep learning curve and the investment in advanced manufacturing facilities and precision requirements. Further, the Company Commissioned CRISIL Report states that Bloom Energy has installed majority of the solid oxide fuel cell installation in the United States is now targeting the South Korean market.

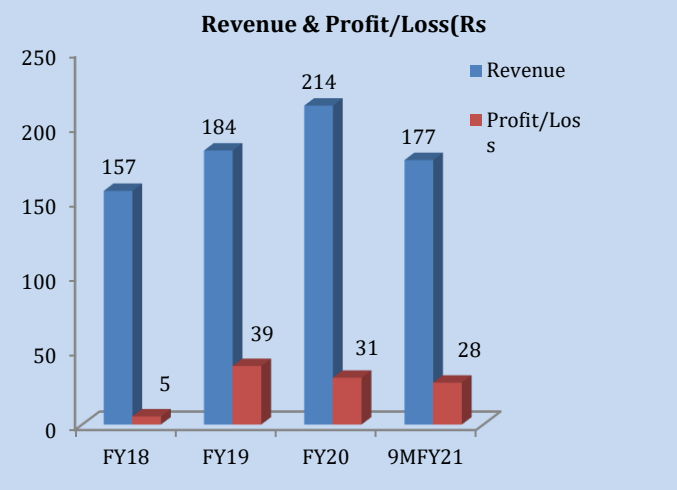
Expand international presence including through increase in exports
Further, the Company has recently acquired a new international customer operating in the clean energy sector. In addition, they also supplied critical defence products such as aluminium weldments and other machined components to the international customers including, an Israeli defense technology company. For the year ended March 31, 2020 and as on the nine months ended December 31st, 2020, the revenue from contracts with customers located in India amounted to Rs.67.6cr and Rs.80.4cr, reflecting 32.42% and 46.18% of the revenue from contracts with customers, respectively, whereas the revenue from contracts with customers located outside India amounted to Rs.140.9cr and Rs.93.8cr, reflecting 67.58% and 53.82% of the revenue from contracts with customers, respectively during the same period.

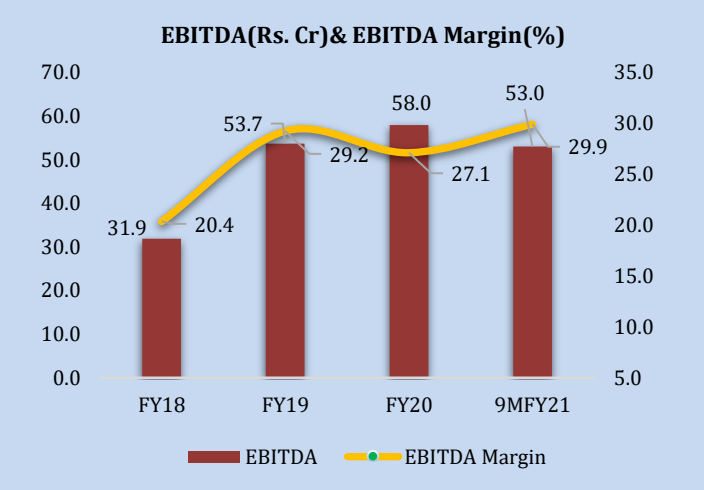
Grow the manufacturing capacity and increase market share through organic and inorganic routes
The Company is in the process of establishing an additional manufacturing facility at Adibatla in Hyderabad which is expected to become operational in Fiscal 2022. This establishment shall be a sheet metal facility which shall allow MTAR to undertake sheet metal jobs for Bloom Energy, ISRO and certain other customers. In addition, they also intend to continue to increase the machining, fabrication and assembly capacities in the existing facilities by (i) upgrading the existing manufacturing facilities by implementing new technology; and (ii) releasing bottlenecks in the production capacity by reducing cycle time of various operations.

Competition
The competitors in nuclear sector are Larsen & Toubro Heavy Engineering and Godrej & Boyce Manufacturing Company Limited and in the space and defence sectors are Larsen & Toubro, Godrej & Boyce Manufacturing Company Limited, Hindustan Aeronautics Limited, and Walchandnagar Industries. The Company was a sole supplier from the Indian market to Bloom Energy as of Fiscal 2020.

Financial track record…

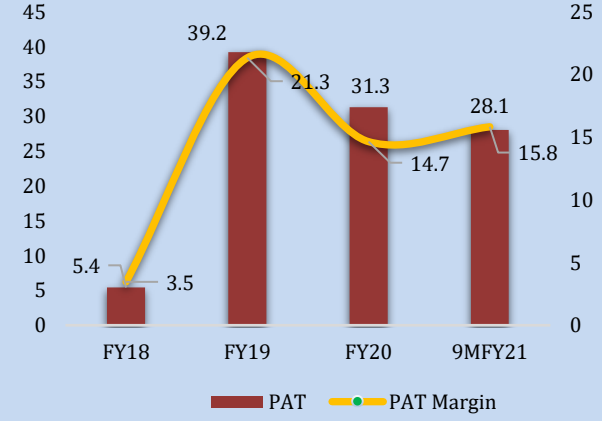
MTAR has been able to increase the total income at a CAGR of 16.56% during the last three Fiscals, from Rs. 160.5cr in FY18 to Rs.218.1cr in FY20. The total income in the nine months ended December 31st, 2020 was Rs. 178cr. The revenue from operations in Fiscals ended 2018, 2019, 2020, and in the nine months ended December 31st, 2019 and in the nine months ended December 31st, 2020, was Rs.159.6cr, Rs.183.7cr, Rs.213.8cr, Rs.152.2cr and Rs. 177.3cr, respectively. In the Fiscals ended 2018, 2019 and 2020, and in the nine months ended December 31st, 2019 and in the nine months ended December31, 2020, they reported EBITDA of Rs.32.8cr, Rs.55.9cr, Rs.62.3cr, Rs.44.6cr and Rs.53.7cr, respectively.

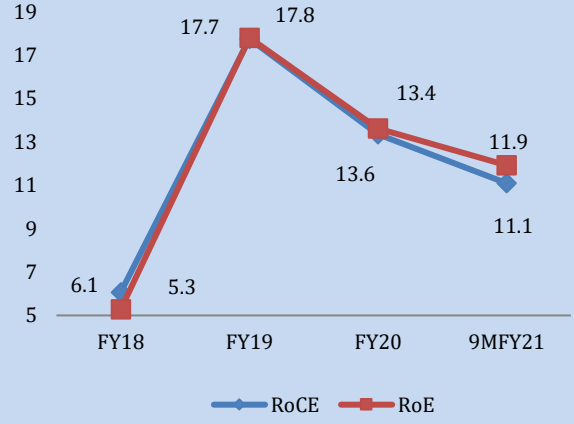




Source: RHP, Geojit research

The EBITDA has grown at a CAGR of 37.80% from Fiscal 2018 to Fiscal 2020. In the Fiscals ended 2018, 2019 and 2020, and in the nine months ended December 31st, 2020, the return on capital employed was for 6.1%, 17.7%, 13.4% and 11.1%,respectively. Further, as on March 31, 2020 and as on December 31st, 2020, the debt equity ratio was 0.13 and 0.27, respectively, as compared to 0.07 as on December 31st, 2019, 0.12 as on Fiscal 2019 and 0.10 as on Fiscal 2018. The restated profit for the period / year has grown at a CAGR of 140.31%, from Rs.5.4cr in FY18 to Rs.31.4cr in FY20 and was Rs.22.5cr and Rs.28.1cr for the nine months ended December 31st, 2019 and for the nine months ended December 31st, 2020, respectively.

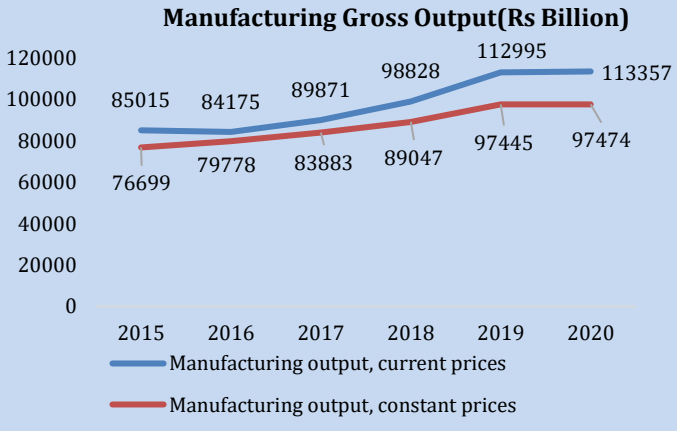


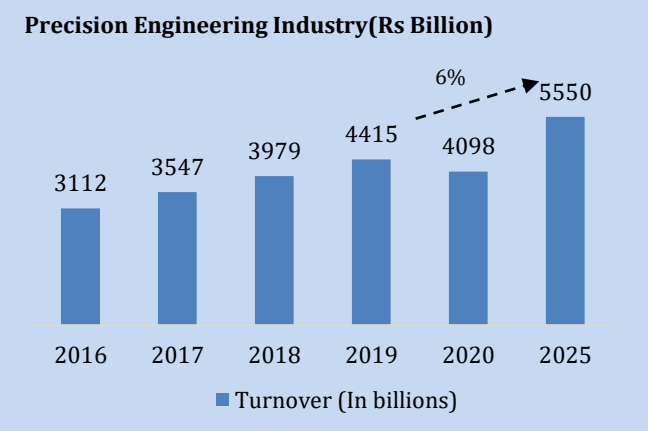


Source: RHP

Industry Outlook

The Rs. 4,098 billion precision engineering industry mainly caters to automobile components and industrial plant and equipment segments. The industry is estimated to contribute 3-4% of overall manufacturing output. India's manufacturing output increased at a CAGR of 4.9% in nominal terms between FY 2015-2020. Manufacturing gross value added (GVA) accounts for 14-15% of India's GDP.

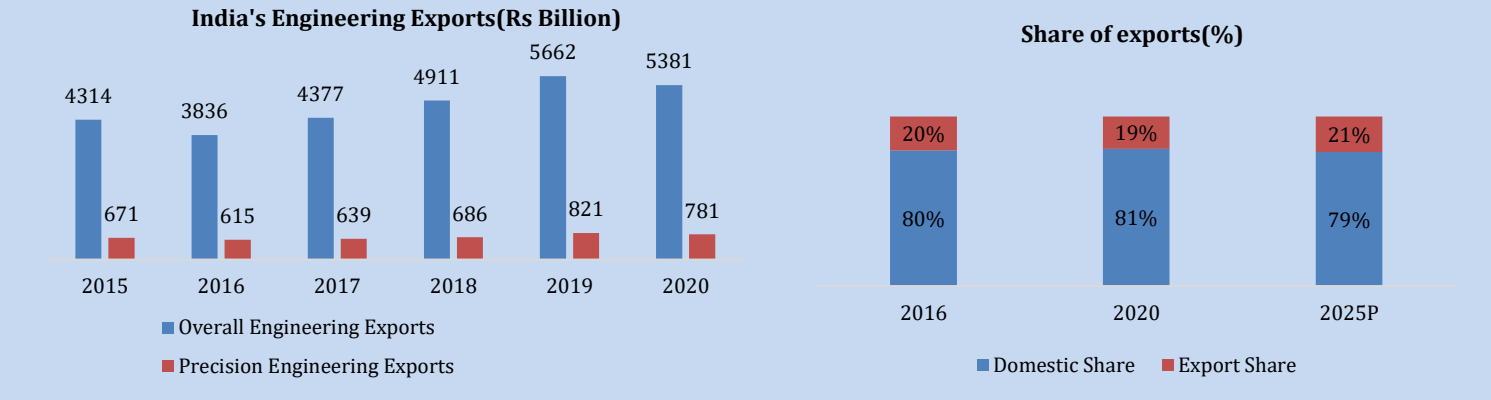




Source: RHP, Geojit research

India's engineering sector is divided into two segments: heavy and light engineering. The classification is based on the nature of the product and the technology used for processing. The domestic precision engineering industry's turnover is estimated at Rs. 4415 billion for FY 2019, clocking a CAGR of 7.1% between FY 2016 and 2020. India's GVA constitutes 17-18% of the total GVA; it increased from 17.4% in FY2012 to 18.1% in FY2020. GVA at basic current prices from the manufacturing sector in India logged a CAGR of 9.8% and 6.5% during FY 2016-2020. This growth was supported by the Make in India initiative and sector-specific initiatives to boost manufacturing.

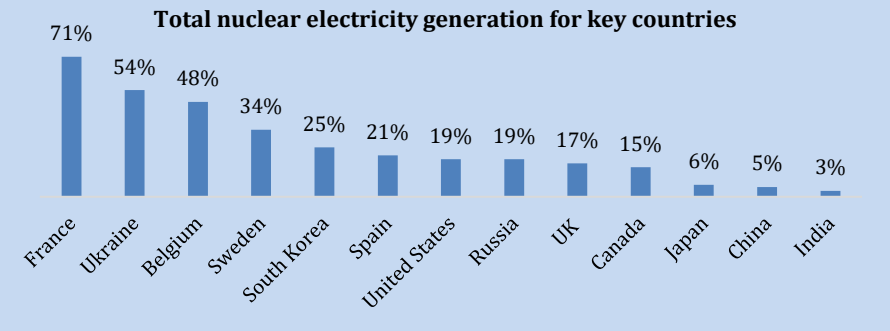
Precision engineering industry is projected to log 6-7% CAGR between FY 2020-2025. The growth in the industry will be driven by growth in auto-components domestic as well as export demand, and indigenous manufacturing in defence segment. Exports contributed 19% of precision engineering turnover in FY2020.The share of exports is expected to increase to 19-20% of industry turnover going forward, as India focuses more on manufacturing.



Source: RHP, Geojit research

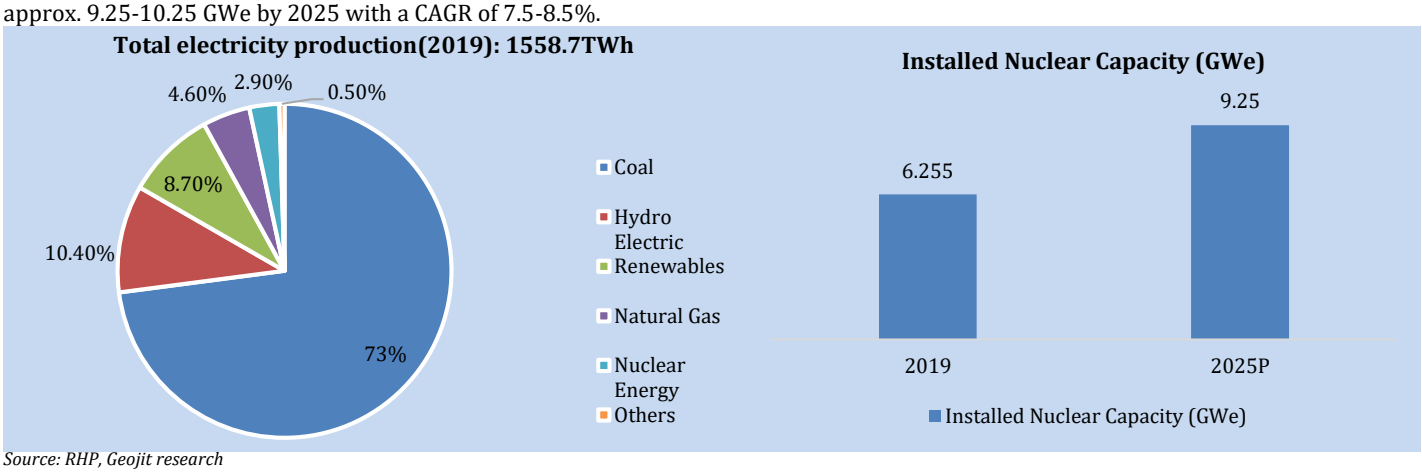
Nuclear Equipment Industry

Currently, nuclear power plants account for 10% of the world's total generated power. This is supplied by around 440 reactors across the globe. Around 50 more nuclear reactors are also under construction, which equals to 15% of the world's current capacity. France, Ukraine, Belgium and Sweden are at the forefront of capitalizing on power generation through nuclear technology.



Source: RHP, Geojit research

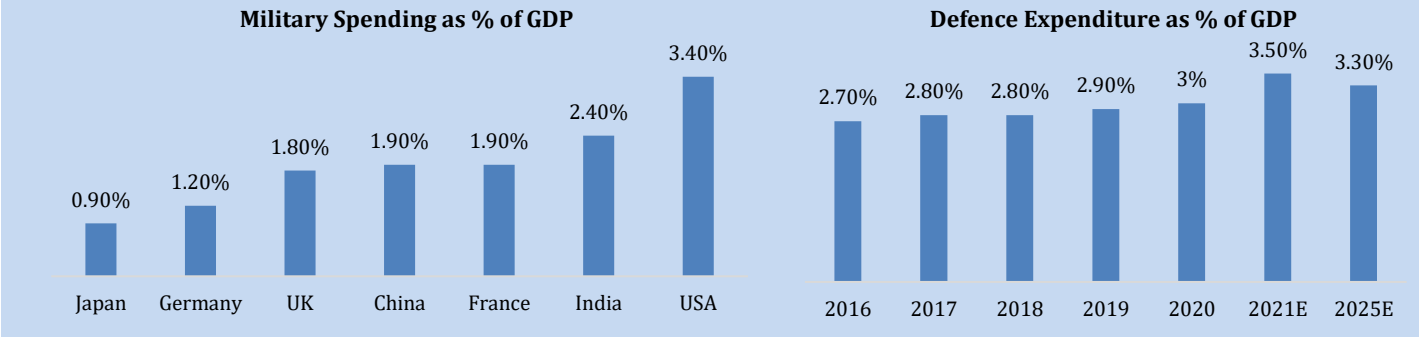
Currently, India has 22 operational reactors and an additional seven are under construction. The country's operational nuclear capacity is 6.255GWe. Currently the share of nuclear power in India's total generation is 2.9%. India's installed nuclear capacity is expected to rise to approx. 9.25-10.25 GWe by 2025 with a CAGR of 7.5-8.5%.



Source: RHP, Geojit research

Defence Equipment Industry

Military spends worldwide have witnessed a consistent rise over the past 5 years; reaching USD 1,922 Bn in CY2019. The 2019 global military expenditure constitutes 2.2% of the global GDP with the US, China, India, Russia and Saudi Arabia being the 5 largest spenders. The Indian Defence Expenditure has continued on the growth trajectory even during economic down cycles. India's military spending peaked in 2019 at about 3% of GDP.

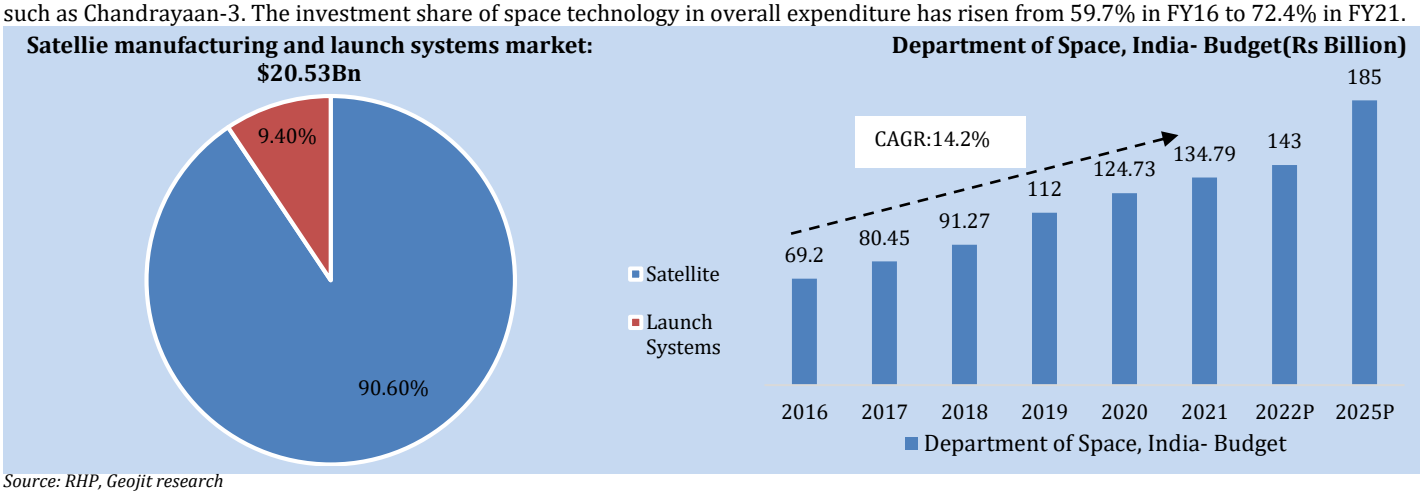


Source: RHP, Geojit research

The arms and ammunition exports from India have risen at a robust CAGR of 21% to reach INR 9.3Bn from FY18 to FY20. However in the same period, the imports rose faster (38% CAGR) to reach INR 4.4 Bn.

Space Equipment Manufacturing Industry

Currently the global space economy is estimated to be valued at about $360 billion. The COVID-19 pandemic has majorly affected the industry with several launch schedule postponements, work force scarcity and reduced revenue streams etc. The Indian space programme has revolved around the Indian Space Research Organisation (ISRO). ISRO has plans to expand its tech prowess in the future with missions such as Chandrayaan-3. The investment share of space technology in overall expenditure has risen from 59.7% in FY16 to 72.4% in FY21.



Source: RHP, Geojit research

Promoter and Promoter Group

P. Leelavathi, Parvat Srinivas Reddy, Kalpana Reddy, Saranya Loka Reddy, C. Usha Reddy, G. Kavitha Reddy, D.Anitha Reddy, K. Shalini and A.Manogna are the promoters of the Company. MTAR has 10 Directors on its Board, out of which 6 are Independent Directors among which 1 is a woman Director.

Brief Biographies of Directors:

- **Subbu Venkata Rama Behara** is the Chairman of the Board, and an Independent Director of the Company. Apart from his association with the Company, he is a director on the boards of Ola Electric Mobility Private Limited, Greaves Cotton Limited and Ampere Vehicles Private Limited, amongst others.
- **Parvat Srinivas Reddy** is the Managing Director of the Company. He has been entrusted with the overall responsibility of management of the Company and its affairs. He has over 29 years of work experience.
- **Mathew Cyriac** is a Nominee Director on the Board of the Company. He has previously worked with Blackstone Advisors India Private Limited and is currently a director on the board of Florintree Advisors Private Limited.
- **Venkatasatishkumar Reddy Gangapatnam** is a Non-Executive Director on the Board of the Company.
- **Praveen Kumar Reddy Akepati** is an Additional Director on the Board of the Company. Prior to becoming a Director of the Company, he worked with the Company for over 18 years, and has previously served as the vice president of projects.
- **Gnana Sekaran Venkatasamy** is an Independent Director on the Board of the Company.
- **Vedachalam Nagarajan** is an Independent Director on the Board of the Company.
- **Udaymitra Chandrakant Muktibodh** is an Independent Director on the Board of the Company. He has formerly served with the Nuclear Power Corporation of India Limited in various capacities, including as its technical director.
- **Krishna Kumar Aravamudan** is an Independent Director on the Board of the Company. He has previously served the State Bank of India as its managing director.
- **Ameeta Chatterjee** is an Independent Director on the Board of the Company.

Financials

Profit & Loss Account

Y.E March (Rscr)	FY19	FY20	9MFY21
Sales	**184**	**214**	**177**
% change	*17*	*16*	-17
EBITDA	**54**	**58**	**53**
% change	*69*	*8*	*-9*
Depreciation	**11**	**12**	**9**
EBIT	42	46	44
Interest	4.5	4.8	5
Other Income	2.2	4.4	0.7
Exceptional Items	1.3	0	0
PBT	**42**	**46**	**40**
% change	*142*	*9.6*	*-13*
Tax	2	14	12
Tax Rate (%)	*5.7*	*31*	*29*
Reported PAT	**39**	**31**	**28**
Adj	-	-	-
Adj PAT	**39**	**31**	**28**
% change	*623*	*-20*	*79*
No. of shares (cr)	3.08	3.08	3.08
Adj EPS (Rs)	**12.7**	**10.2**	**12.2***

Balance Sheet

Y.E March (Rscr)	FY19	FY20	9MFY21
Cash	10.8	23.2	21.5
Accounts Receivable	50.4	61.6	73.1
Inventories	41	75.5	79.1
Other Cur. Assets	7	11.2	20
Investments	23	3.3	7.2
Net Fixed Assets	162	155	155
CWIP	5.6	11.7	18.9
Intangible Assets	0.1	0.1	0.9
Other Assets	4.14	3.99	4.63
Total Assets	**305**	**346**	**382**
Current Liabilities	39	80	53
Provisions	1	6	6
Debt Funds	29	29	68
Minority Interests	-	-	-
Def. Tax	1	6	10
Equity Capital	235	225	246
Reserves & Surplus	-	-	-
Shareholder's Fund	235	225	246
Total Liabilities	**305**	**346**	**382**
BVPS (Rs)	**76**	**73**	**160***

Cash Flow

Y.E March (Rs cr)	FY19	FY20	9MFY21
PBT	42	46	40
Non-cash adj.	15.7	15.4	13.4
Changes in W.C	(15.1)	(4.7)	(59.4)
C.F.O	**42.1**	**56.2**	**(6.43)**
Capital exp.	(24.3)	(11.9)	(16.3)
Change in inv.	0	0	0
Sale of investment	(9.1)	(1.1)	(0.5)
Other invest.CF	0.66	0.92	0.86
C.F - investing	**(33)**	**(12)**	**(16)**
Issue of equity	0	(18)	(6)
Issue/repay debt	8.9	(0.5)	38
Dividends paid	(10)	(17)	(8)
Other finance.CF	(6.2)	(5.9)	(4.2)
C.F - Financing	**(7.5)**	**(41.3)**	**19.8**
Chg. in cash	1.85	2.78	(2.53)
Closing cash	10.9	13.5	11.0

**Annualized*

Ratios

Y.E March	FY19	FY20	9MFY21
Profitab. & Return			
EBITDA margin (%)	29.2	27.1	29.9*
EBIT margin (%)	23.1	21.5	24.7
Net profit mgn.(%)	21.3	14.7	15.8*
ROE (%)	17.8	13.6	15.4*
ROCE (%)	17.8	13.4	13.2*
W.C & Liquidity			
Receivables (days)	98.7	95.7	135.9
Inventory (days)	242.1	294.7	369.3
Payables (days)	19.5	31.2	46.4
Current ratio (x)	3.27	2.04	3.44
Quick ratio (x)	1.57	1.06	1.80
Turnover &Levg.			
Net asset T.O (x)	1.2	1.3	1.1
Total asset T.O (x)	0.6	0.7	0.5
Int. covge. ratio (x)	9.5	9.7	9.0
Adj. debt/equity (x)	0.1	0.1	0.3
Valuation ratios			
EV/Sales (x)	9.8	8.4	7.8*
EV/EBITDA (x)	33.5	31.0	26.0*
P/E (x)	45.1	56.5	47.3*
P/BV (x)	7.5	7.9	3.6*

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SHEEN Digitally signed by SHEEN Date: 2021.02.27 15:44:06 +05'30'

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