

June 29, 2022

## Annual Report Analysis

■ Change in Estimates | ■ Target | ■ Reco

### Change in Estimates

|                | Current    |          | Previous   |          |
|----------------|------------|----------|------------|----------|
|                | FY23E      | FY24E    | FY23E      | FY24E    |
| Rating         | ACCUMULATE |          | ACCUMULATE |          |
| Target Price   | 451        |          | 451        |          |
| Sales (Rs. m)  | 1,54,400   | 1,78,013 | 1,54,400   | 1,78,013 |
| % Chng.        | -          | -        | -          | -        |
| EBITDA (Rs. m) | 12,661     | 17,107   | 12,661     | 17,107   |
| % Chng.        | -          | -        | -          | -        |
| EPS (Rs.)      | 22.4       | 34.7     | 22.4       | 34.7     |
| % Chng.        | -          | -        | -          | -        |

### Key Financials - Consolidated

| Y/e Mar        | FY21     | FY22     | FY23E    | FY24E    |
|----------------|----------|----------|----------|----------|
| Sales (Rs. m)  | 1,31,142 | 1,37,423 | 1,54,400 | 1,78,013 |
| EBITDA (Rs. m) | 11,412   | 9,035    | 12,661   | 17,107   |
| Margin (%)     | 8.7      | 6.6      | 8.2      | 9.6      |
| PAT (Rs. m)    | 5,527    | 3,684    | 5,763    | 8,915    |
| EPS (Rs.)      | 21.5     | 14.3     | 22.4     | 34.7     |
| Gr. (%)        | (2.3)    | (33.4)   | 56.4     | 54.7     |
| DPS (Rs.)      | 4.0      | 4.0      | 3.4      | 5.2      |
| Yield (%)      | 1.0      | 1.0      | 0.8      | 1.3      |
| RoE (%)        | 18.0     | 10.6     | 14.9     | 19.9     |
| RoCE (%)       | 19.1     | 12.4     | 15.8     | 20.1     |
| EV/Sales (x)   | 0.9      | 1.0      | 0.9      | 0.8      |
| EV/EBITDA (x)  | 10.9     | 14.9     | 10.6     | 7.8      |
| PE (x)         | 19.3     | 29.0     | 18.5     | 12.0     |
| P/BV (x)       | 3.2      | 2.9      | 2.6      | 2.2      |

### Key Data

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|                     |                     |
|---------------------|---------------------|
| 52-W High / Low     | Rs.550 / Rs.345     |
| Sensex / Nifty      | 53,177 / 15,850     |
| Market Cap          | Rs.107bn/ \$ 1,354m |
| Shares Outstanding  | 257m                |
| 3M Avg. Daily Value | Rs.124.48m          |

### Shareholding Pattern (%)

|                         |       |
|-------------------------|-------|
| Promoter's              | 51.82 |
| Foreign                 | 9.84  |
| Domestic Institution    | 26.04 |
| Public & Others         | 12.30 |
| Promoter Pledge (Rs bn) | -     |

### Stock Performance (%)

|          | 1M   | 6M     | 12M   |
|----------|------|--------|-------|
| Absolute | 8.5  | (11.0) | (8.5) |
| Relative | 12.0 | (3.1)  | (9.3) |

### Amit Anwani

amitanwani@plindia.com | 91-22-66322250

### Nilesh Soni

nileshsoni@plindia.com | 91-22-66322214

## Healthy outlook across business segment

KEC International's (KEC) FY22 annual report analysis suggests that Non Transmission and Distribution (T&D) segments likely to be key growth driver going forward, specially driven by Civil and Railway segments, while T&D segment will be driven by international orders. Within T&D segment, KEC strengthened its position in India, SAARC, UAE, Saudi Arabia etc. with healthy order inflows. Railways segment has deepened its presence in technology-enabled areas of Urban Infrastructure with new orders in metro electrification, overhead electrification, third rail, power supply systems and track laying. Civil segment forayed into the public spaces segment with maiden orders to construct an airport and a high court complex. Cables continued its focus on new product development and has commercialized new cables for railways and large private utility. It has accelerated Oil & Gas (O&G) business by acquisition of Spur Infrastructure Pvt. Ltd.

We believe government spending on infrastructure will continue, thereby translating into healthy ordering activity across sectors such as transmission & distribution, railways, metros, water infrastructure etc. KEC is well placed to capitalize on this opportunity given 1) its presence across various business verticals, 2) strong OB position, 3) healthy execution track record and 4) strong management capability. The stock is currently trading at PE of 18.5x/12x FY23/24E. We maintain 'Accumulate' rating on stock with TP of Rs 451 (same as earlier) valuing it at PE of 13x FY24E.

**Transmission and Distribution; International T&D drives order inflows:** Order inflow came in at Rs74bn (down 6%), while revenue declined by ~10% to Rs69bn in FY22. Strengthened its presence in India with large orders of ~Rs15bn from PGCIL (under Tariff Based Competitive Bidding), private players and state utilities, including Green Energy Corridor projects.

**Railway; Diversification on track:** The business continued its growth momentum with revenue growth of 13% YoY to Rs39bn and order inflow growth of 45% YoY to Rs24bn. Delivered 23% of India's railway network electrified in FY22, totaling to 1,441 Route Kilometer (RKM) and commissioned track laying of 131 RKM.

**Civil; Key growth driver going forward:** This segment has become a key growth driver for the company in short span of time reporting a stellar revenue growth of ~76% YoY to Rs19bn and order inflow came in at Rs58bn. It expanded client portfolio in industrial sector with new orders in chemicals, minerals and FMCG segment. Also delivered 11 high rise residential towers in Bangalore and Pune.

**Cables; New product development to drive growth:** This segment reported revenue of Rs15.2bn, up 44% YoY in FY22, driven by railway cables (up 100%) and LT cables (up 45%). It exports cables and solutions to 35 countries, including 7 new countries. 40% of export business was contributed by new customers.

**Oil and Gas; New growth segment:** The segment reported a revenue of Rs1.8bn in FY22 and order inflow of Rs3bn. Successfully integrated operations of Spur Infrastructure into KEC post acquisition. Business is currently executing 20 projects.

## Segment Analysis Highlights

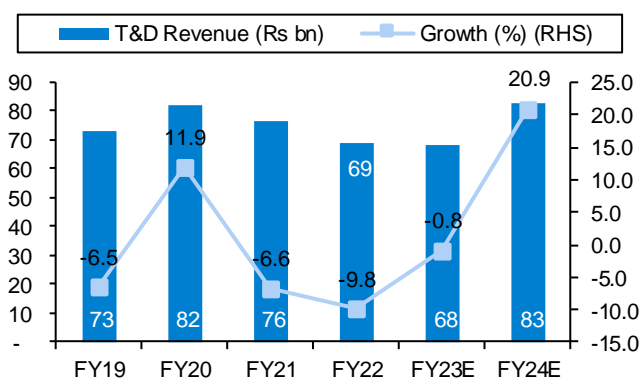
### T&D: International T&D drives order inflows

T&D segment witnessed continued traction during the year and secured orders worth Rs74bn (down 6% YoY). Currently, order book stands strong at Rs119bn. While on execution front, revenue declined 10% owing to Covid related restrictions and profitability was impacted due to volatility in commodity prices, freight cost and cost overrun in SAE Brazil.

**Domestic and SAARC:** During the year KEC enhanced its presence in India & SAARC region and secured orders worth Rs30bn. It won large orders of Rs15bn from PGCIL, private players and state utility including Green Energy Corridor projects in FY22. While in SAARC region it maintained a strong footprint in neighboring countries with healthy order book of Rs24bn. KEC strengthened its foothold in Bangladesh by securing largest T&D order to construct, 400 kV Transmission Lines from Power Grid Company of Bangladesh. It registered revenue CAGR of 13% in last four years from SAARC regions. Currently order book from India and SAARC region stands healthy at Rs53bn.

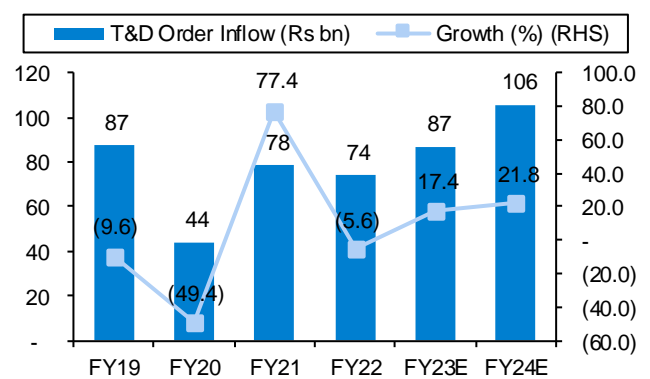
**International market:** While from international market (exl. SAARC and SAE Brazil) FY22 order intake including L1 stood at Rs40bn from Middle East, Africa, CIS and Europe. KEC secured significant orders in Burundi and UAE worth Rs7bn, including its first substation order in Abu Dhabi. SAE tower secured orders worth Rs14bn (up 50% YoY), including supply of towers hardware and poles. During the year SAE successfully delivered three EPC projects. However, this business continued to face significant challenges on account of unavailability of steel, delays in execution and cost escalations in EPC projects.

Exhibit 1: Revenue declined 10% in FY22



Source: Company, PL

Exhibit 2: Order inflow came in at Rs74bn down 6% in FY22



Source: Company, PL

**Healthy outlook in domestic and International market:** We believe Government of India's focus to increase capacity of Green Energy Corridor (GEC) projects, setting up of ultramega solar power parks and solar & wind energy zones in renewable energy-rich states will stimulate demand for transmission and distribution network in domestic market. While in international market geographies like Brazil, Middle East, North America, SAARC and Africa will likely continue with tractions.

### Railway: Diversification on track

This business continued with its growth momentum during the year with healthy revenue growth of 13% YoY to Rs39bn, backed by robust execution across projects. Company widened its presence in conventional railways with projects in areas such as speed upgradation, port connectivity and railway sidings. Order inflow grew 45% YoY to ~Rs24bn, of which 50% comprises of order from new/emerging segments.

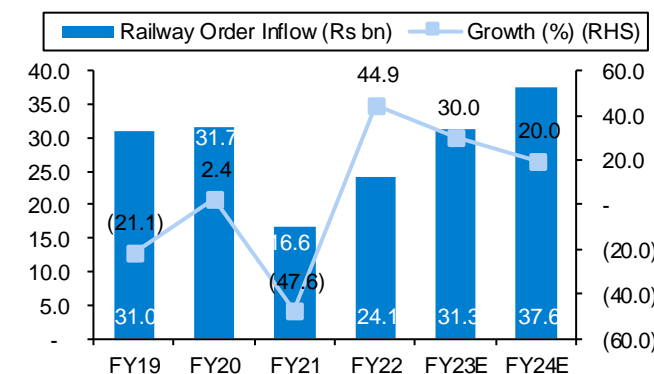
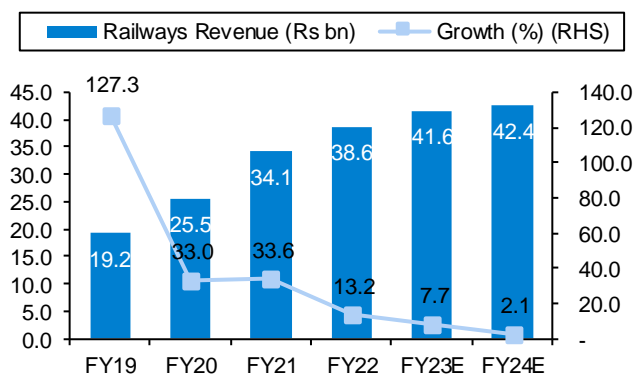
**Enhanced foothold in technology-enabled areas:** KEC enhanced foothold in technology-enabled areas of urban infrastructure which includes electrification, power supply systems and track laying for metros. It delivered 23% of India’s railway network electrified during the year, totaling to 1,441 RKM and commissioned railway track laying of 131 RKM.

**Signaling and Telecommunication:** KEC is also executing advanced Signaling & Telecommunication (S&T) systems for Dedicated Freight Corridor (DFC) and is further targeting opportunities in DFC and bullet train segments. Order book including L1 stands healthy at Rs60bn as on FY22.

**Enhanced supply chain:** KEC further strengthened its supply chain through backward integration for enhanced supply security with better control over costs and quality. It has introduced new railway cables, contact wires, feeder, jumper and dropper wires, catenary conductors, signaling power cables, railway OFC cables and Quad cables for railway applications at its cables manufacturing units. Additionally, the company is also targeting international markets by leveraging on the global strengths and experience of its T&D business.

**Exhibit 3: Revenue up 13% in FY22, on back better execution**

**Exhibit 4: New and emerging segment drive order inflow**



Source: Company, PL

Source: Company, PL

**Healthy Railway Opportunity:** As per Vision 2024 document of Indian Railways, the sector will likely see investment of Rs2.2trn between FY22-26, along with allocation of Rs1trn towards station redevelopment. Railway received budgetary allocation of Rs1.4trn and outlay for capital expenditure of Rs2.45trn for FY23. Given the robust opportunity in both domestic and international markets, railway business continues to be one of the growth drivers and we expect this momentum to continue going forward.

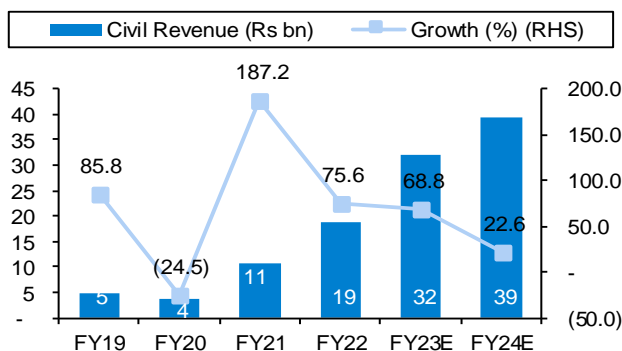
### Civil: Key growth driver going forward

Civil segment has become a key growth driver for the company in short span of time. It reported a stellar revenue growth of ~76% YoY to Rs19bn. Order inflow came in at highest level at Rs58bn in FY22 with orders across sectors likes Industrials, Residential, Water Pipelines, Public spaces, Defense and Data Center. Order book including L1 stands healthy at Rs75bn as on FY22.

**Foraying into new verticals:** KEC continued with its diversification journey in this segment and secured breakthrough orders in growing public spaces segment for construction of an airport and a High Court building. Post foraying into water pipeline segment last year, the business reinforced its presence in this segment with four new orders from Jal Jeevan Mission. Expanded client portfolio in industrial sector with new orders in chemicals, minerals & mining and FMCG segments.

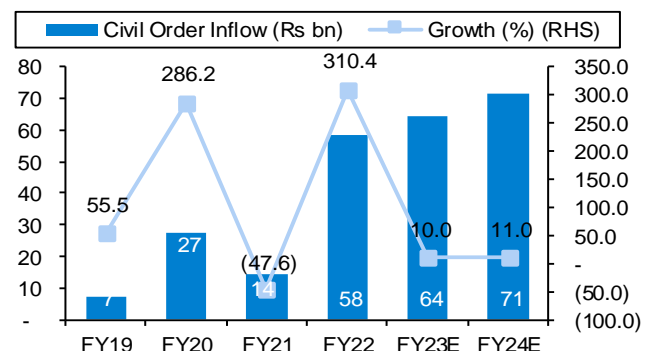
**Private capex to drive growth:** In residential segment it has widened its footprint with multiple new order including high rise towers. In data center, KEC secured 2<sup>nd</sup> order from private player. With pickup in capex cycle (government and private player), we expect segment such as industrial, residential, data center, warehouse, water segment, public space etc. to gain traction. Given the healthy track record and diversified presence, Civil segment is likely to be the key growth driver.

Exhibit 5: Revenue grew 76% in FY22



Source: Company, PL

Exhibit 6: Order inflow grew 3X in FY22



Source: Company, PL

### Oil and Gas: New growth segment

With a view to fast track and scale up O&G segment, KEC acquired 100% stake in Spur Infrastructure Pvt. Ltd. an EPC company engaged in setting up of cross-country O&G pipelines. The segment reported revenue of Rs1.8bn in FY22. Order inflow post acquisition came in at Rs3bn from PSUs such as IOCL and GAIL and a large order for laying slurry pipelines for a reputed steel major. Order book stands strong at Rs8bn comprising of government as well as private players.

**O&G Opportunity:** Under the One Nation-One Grid programme, India is expected to add 17,000 km of cross country gas pipelines and an additional 800-1,000km of crude and product pipelines will be laid every year. Government of India has announced investment of Rs7.5 trn on oil and gas infrastructure in next five years, which include refineries, pipelines, and new LNG import terminals, amongst other assets. These provide a healthy opportunity for KEC in O&G segment.

### Cables: New product development to drive growth

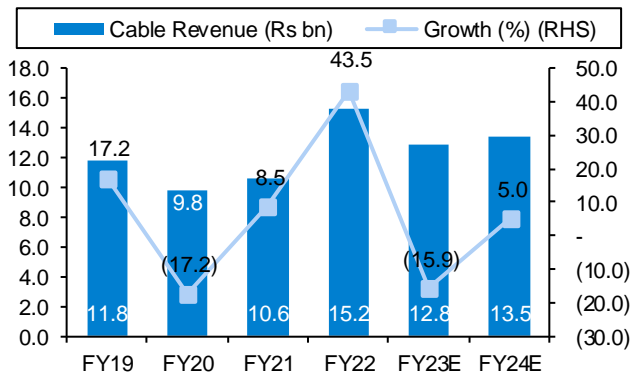
Segment reported revenue of Rs15.2bn, up 44% YoY in FY22, with 100% growth in railway cables and 45% growth in LT cables. Profitability improved significantly in FY22 on back of higher sales in power and railway cables and improved operational efficiency.

**New product developments:** Segment continues its thrust on new product development and has commercialized wide range of cables, which include new varieties of contact wires, catenary conductors, feeder, jumper, and dropper wires, railway OFC cables and Quad cables for Railway applications, Hybrid cables for a large private utility. It also received approval for manufacturing LV & MV multicore mining cables and signaling power cables.

**Exports markets:** Exported cables and cabling solutions to 35 countries, including 7 new countries. 40% of export business was contributed by new customers.

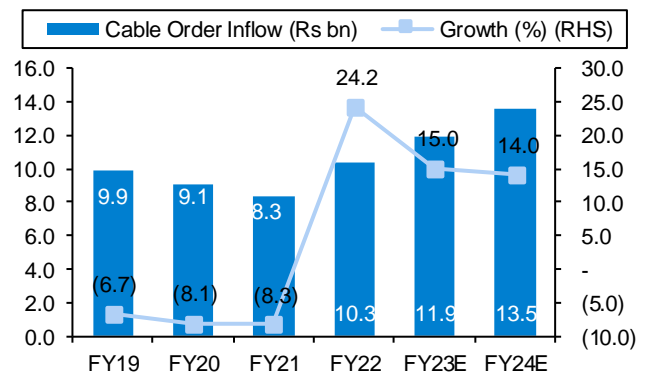
**Healthy Outlook:** Given the company's product portfolio and manufacturing capability, we believe KEC is well placed to capitalize on increasing demand for cables in India as well as domestic market.

Exhibit 7: Revenue grew 44% in FY22



Source: Company, PL

Exhibit 8: Order inflow came in at Rs10.3bn in FY22.



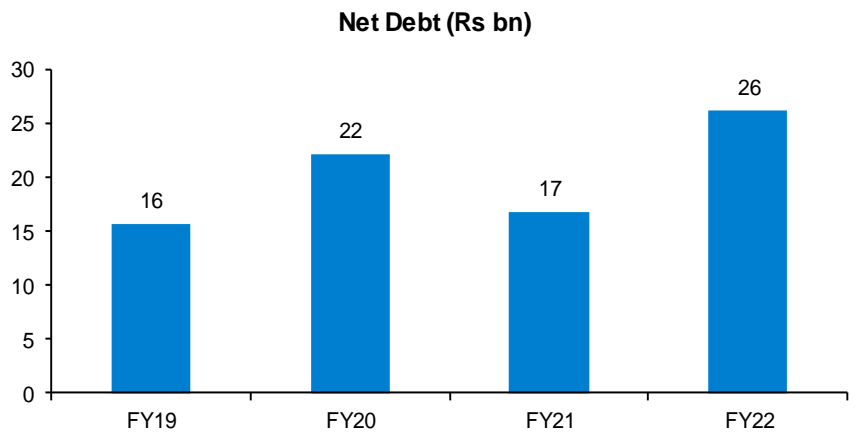
Source: Company, PL

## Financial Analysis

### Net debt increased in FY22

Net debt increased to ~Rs26bn in FY22, mainly led by delay in receivables from Railways resulting in higher requirement of working capital loan. Though it has been declined by Rs3bn compared to Dec'21. Higher debt level and interest rate resulted in slight increase in interest cost to sales ratio at 2.3% in FY22 vs 2.0% in FY21. Management is confident to bring it down to targeted level of Rs25bn.

**Exhibit 9: Net debt increased in FY23**

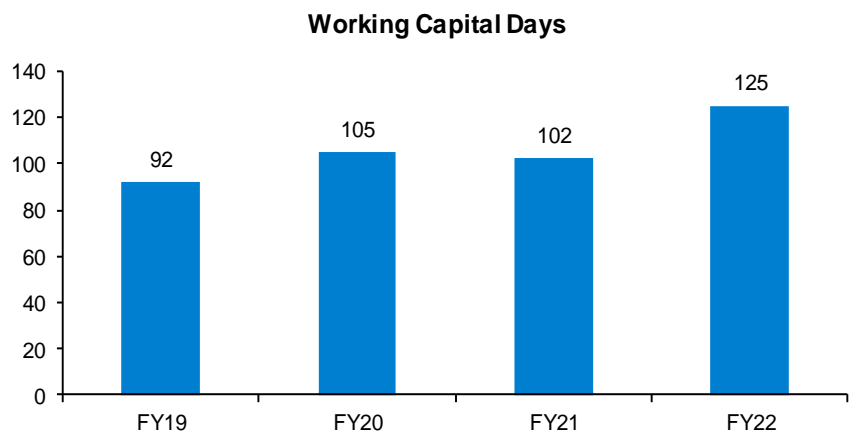


Source: Company, PL

### Net working capital increased due to delayed receivable

Net working capital days increased in FY22 to 125 days due to delay in receivables. Management has taken steps such as strong focus on receivables, monitoring cash flow and increasing credit period of key vendors for bringing down net working capital days going forward.

**Exhibit 10: Delay in receivables resulted in higher working capital days**

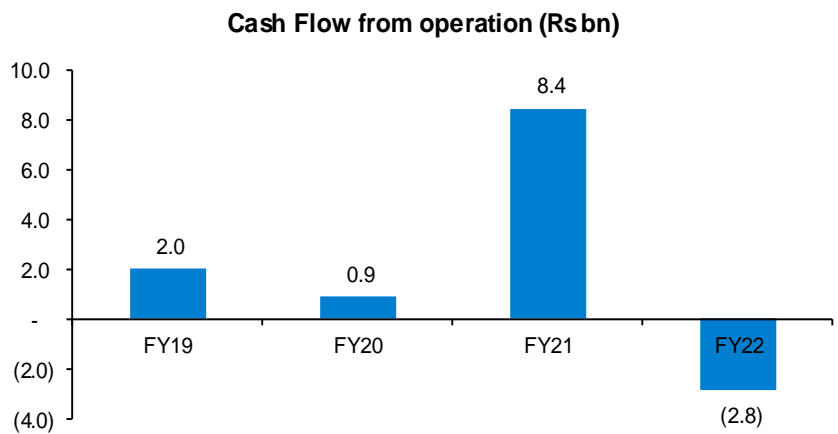


Source: Company, PL

### Negative Cash flow from operations

KEC reported negative cash flow from operation for 1<sup>st</sup> time since FY17, owing to lower profitability (due to higher commodity prices, freight cost and cost overrun in SAE Brazil) and higher working capital requirement due to delay in receivables. We believe with commodity and freight cost softening, improved execution, completion of legacy order and improving receivables KEC will generate positive cash flow from operation, FY23 onwards.

#### Exhibit 11: Lower profitability and higher WC requirement, drags CFO



Source: Company, PL

## Financials

### Income Statement (Rs m)

| Y/e Mar                       | FY21            | FY22            | FY23E           | FY24E           |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|
| <b>Net Revenues</b>           | <b>1,31,142</b> | <b>1,37,423</b> | <b>1,54,400</b> | <b>1,78,013</b> |
| YoY gr. (%)                   | 9.6             | 4.8             | 12.4            | 15.3            |
| Cost of Goods Sold            | 57,006          | 59,490          | 67,936          | 76,546          |
| Gross Profit                  | 74,136          | 77,932          | 86,464          | 1,01,467        |
| Margin (%)                    | 56.5            | 56.7            | 56.0            | 57.0            |
| Employee Cost                 | 11,151          | 12,587          | 13,896          | 16,502          |
| Other Expenses                | 6,922           | 5,956           | 6,022           | 8,313           |
| <b>EBITDA</b>                 | <b>11,412</b>   | <b>9,035</b>    | <b>12,661</b>   | <b>17,107</b>   |
| YoY gr. (%)                   | (7.5)           | (20.8)          | 40.1            | 35.1            |
| Margin (%)                    | 8.7             | 6.6             | 8.2             | 9.6             |
| Depreciation and Amortization | 1,525           | 1,579           | 1,664           | 1,748           |
| <b>EBIT</b>                   | <b>9,887</b>    | <b>7,456</b>    | <b>10,997</b>   | <b>15,359</b>   |
| Margin (%)                    | 7.5             | 5.4             | 7.1             | 8.6             |
| Net Interest                  | 2,627           | 3,160           | 3,426           | 3,579           |
| Other Income                  | 299             | 134             | 216             | 267             |
| <b>Profit Before Tax</b>      | <b>7,559</b>    | <b>3,994</b>    | <b>7,787</b>    | <b>12,047</b>   |
| Margin (%)                    | 5.8             | 2.9             | 5.0             | 6.8             |
| Total Tax                     | 2,032           | 674             | 2,025           | 3,132           |
| Effective tax rate (%)        | 26.9            | 16.9            | 26.0            | 26.0            |
| <b>Profit after tax</b>       | <b>5,527</b>    | <b>3,321</b>    | <b>5,763</b>    | <b>8,915</b>    |
| Minority interest             | -               | -               | -               | -               |
| Share Profit from Associate   | -               | -               | -               | -               |
| <b>Adjusted PAT</b>           | <b>5,527</b>    | <b>3,684</b>    | <b>5,763</b>    | <b>8,915</b>    |
| YoY gr. (%)                   | (2.3)           | (33.4)          | 56.4            | 54.7            |
| Margin (%)                    | 4.2             | 2.7             | 3.7             | 5.0             |
| Extra Ord. Income / (Exp)     | -               | (363)           | -               | -               |
| <b>Reported PAT</b>           | <b>5,527</b>    | <b>3,321</b>    | <b>5,763</b>    | <b>8,915</b>    |
| YoY gr. (%)                   | (2.3)           | (39.9)          | 73.5            | 54.7            |
| Margin (%)                    | 4.2             | 2.4             | 3.7             | 5.0             |
| Other Comprehensive Income    | -               | -               | -               | -               |
| Total Comprehensive Income    | 5,527           | 3,321           | 5,763           | 8,915           |
| <b>Equity Shares O/s (m)</b>  | <b>257</b>      | <b>257</b>      | <b>257</b>      | <b>257</b>      |
| <b>EPS (Rs)</b>               | <b>21.5</b>     | <b>14.3</b>     | <b>22.4</b>     | <b>34.7</b>     |

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

| Y/e Mar                               | FY21            | FY22            | FY23E           | FY24E           |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|
| <b>Non-Current Assets</b>             |                 |                 |                 |                 |
| <b>Gross Block</b>                    | <b>17,118</b>   | <b>21,594</b>   | <b>23,594</b>   | <b>25,594</b>   |
| Tangibles                             | 17,118          | 21,594          | 23,594          | 25,594          |
| Intangibles                           | -               | -               | -               | -               |
| <b>Acc: Dep / Amortization</b>        | <b>7,323</b>    | <b>9,161</b>    | <b>10,825</b>   | <b>12,573</b>   |
| Tangibles                             | 7,323           | 9,161           | 10,825          | 12,573          |
| Intangibles                           | -               | -               | -               | -               |
| <b>Net fixed assets</b>               | <b>9,795</b>    | <b>12,433</b>   | <b>12,769</b>   | <b>13,021</b>   |
| Tangibles                             | 9,795           | 12,433          | 12,769          | 13,021          |
| Intangibles                           | -               | -               | -               | -               |
| Capital Work In Progress              | 4,360           | 2,968           | 2,968           | 2,968           |
| Goodwill                              | -               | -               | -               | -               |
| Non-Current Investments               | 132             | 410             | 154             | 178             |
| Net Deferred tax assets               | 68              | 1,703           | 1,703           | 1,703           |
| Other Non-Current Assets              | 4,918           | 3,890           | 5,404           | 6,230           |
| <b>Current Assets</b>                 |                 |                 |                 |                 |
| Investments                           | 11              | 126             | 139             | 153             |
| Inventories                           | 8,422           | 10,665          | 10,575          | 12,193          |
| Trade receivables                     | 55,668          | 55,738          | 61,337          | 70,717          |
| Cash & Bank Balance                   | 2,492           | 2,619           | 3,124           | 4,215           |
| Other Current Assets                  | 7,048           | 10,368          | 8,492           | 9,791           |
| <b>Total Assets</b>                   | <b>1,39,860</b> | <b>1,61,248</b> | <b>1,71,046</b> | <b>1,92,096</b> |
| <b>Equity</b>                         |                 |                 |                 |                 |
| Equity Share Capital                  | 514             | 514             | 514             | 514             |
| Other Equity                          | 33,083          | 35,685          | 40,583          | 48,161          |
| <b>Total Networkth</b>                | <b>33,597</b>   | <b>36,199</b>   | <b>41,098</b>   | <b>48,675</b>   |
| <b>Non-Current Liabilities</b>        |                 |                 |                 |                 |
| Long Term borrowings                  | 3,318           | 5,607           | 6,107           | 6,607           |
| Provisions                            | -               | -               | -               | -               |
| Other non current liabilities         | -               | -               | -               | -               |
| <b>Current Liabilities</b>            |                 |                 |                 |                 |
| ST Debt / Current of LT Debt          | 16,521          | 25,039          | 25,039          | 25,039          |
| Trade payables                        | 61,840          | 68,473          | 67,682          | 78,033          |
| Other current liabilities             | 24,653          | 27,632          | 32,824          | 35,445          |
| <b>Total Equity &amp; Liabilities</b> | <b>1,39,860</b> | <b>1,61,248</b> | <b>1,71,046</b> | <b>1,92,096</b> |

Source: Company Data, PL Research



**Cash Flow (Rs m)**

| Y/e Mar                              | FY21           | FY22           | FY23E          | FY24E          |
|--------------------------------------|----------------|----------------|----------------|----------------|
| PBT                                  | 7,559          | 3,994          | 7,787          | 12,047         |
| Add. Depreciation                    | 1,525          | 1,579          | 1,664          | 1,748          |
| Add. Interest                        | 2,627          | 3,160          | 3,426          | 3,579          |
| Less Financial Other Income          | 299            | 134            | 216            | 267            |
| Add. Other                           | 1,071          | 109            | -              | -              |
| Op. profit before WC changes         | 12,782         | 8,842          | 12,877         | 17,374         |
| Net Changes-WC                       | (2,249)        | (9,253)        | (4,545)        | (6,721)        |
| Direct tax                           | (2,088)        | (2,863)        | (2,025)        | (3,132)        |
| <b>Net cash from Op. activities</b>  | <b>8,445</b>   | <b>(3,274)</b> | <b>6,308</b>   | <b>7,521</b>   |
| Capital expenditures                 | (1,137)        | (1,417)        | (2,013)        | (2,014)        |
| Interest / Dividend Income           | 34             | 106            | -              | -              |
| Others                               | (170)          | (736)          | -              | -              |
| <b>Net Cash from Inv. activities</b> | <b>(1,274)</b> | <b>(2,047)</b> | <b>(2,013)</b> | <b>(2,014)</b> |
| Issue of share cap. / premium        | -              | -              | -              | -              |
| Debt changes                         | (564)          | 1,567          | 500            | 500            |
| Dividend paid                        | (5)            | (1,025)        | (864)          | (1,337)        |
| Interest paid                        | (3,551)        | (2,725)        | (3,426)        | (3,579)        |
| Others                               | (2,519)        | 7,141          | -              | -              |
| <b>Net cash from Fin. activities</b> | <b>(6,639)</b> | <b>4,959</b>   | <b>(3,790)</b> | <b>(4,416)</b> |
| <b>Net change in cash</b>            | <b>533</b>     | <b>(362)</b>   | <b>505</b>     | <b>1,091</b>   |
| Free Cash Flow                       | 6,645          | (4,705)        | 4,308          | 5,521          |

Source: Company Data, PL Research

**Key Financial Metrics**

| Y/e Mar                    | FY21  | FY22   | FY23E | FY24E |
|----------------------------|-------|--------|-------|-------|
| <b>Per Share(Rs)</b>       |       |        |       |       |
| EPS                        | 21.5  | 14.3   | 22.4  | 34.7  |
| CEPS                       | 27.4  | 20.5   | 28.9  | 41.5  |
| BVPS                       | 130.7 | 140.8  | 159.9 | 189.3 |
| FCF                        | 25.8  | (18.3) | 16.8  | 21.5  |
| DPS                        | 4.0   | 4.0    | 3.4   | 5.2   |
| <b>Return Ratio(%)</b>     |       |        |       |       |
| RoCE                       | 19.1  | 12.4   | 15.8  | 20.1  |
| ROIC                       | 14.7  | 10.8   | 12.3  | 15.8  |
| RoE                        | 18.0  | 10.6   | 14.9  | 19.9  |
| <b>Balance Sheet</b>       |       |        |       |       |
| Net Debt : Equity (x)      | 0.5   | 0.8    | 0.7   | 0.6   |
| Net Working Capital (Days) | 6     | (5)    | 10    | 10    |
| <b>Valuation(x)</b>        |       |        |       |       |
| PER                        | 19.3  | 29.0   | 18.5  | 12.0  |
| P/B                        | 3.2   | 2.9    | 2.6   | 2.2   |
| P/CEPS                     | 15.1  | 20.3   | 14.4  | 10.0  |
| EV/EBITDA                  | 10.9  | 14.9   | 10.6  | 7.8   |
| EV/Sales                   | 0.9   | 1.0    | 0.9   | 0.8   |
| Dividend Yield (%)         | 1.0   | 1.0    | 0.8   | 1.3   |

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

| Y/e Mar                           | Q1FY22        | Q2FY22        | Q3FY22        | Q4FY22        |
|-----------------------------------|---------------|---------------|---------------|---------------|
| <b>Net Revenue</b>                | <b>25,400</b> | <b>35,875</b> | <b>33,400</b> | <b>42,748</b> |
| YoY gr. (%)                       | 15.1          | 10.1          | 1.5           | (2.0)         |
| Raw Material Expenses             | 10,540        | 16,968        | 13,385        | 18,597        |
| Gross Profit                      | 14,861        | 18,907        | 20,015        | 24,150        |
| Margin (%)                        | 58.5          | 52.7          | 59.9          | 56.5          |
| <b>EBITDA</b>                     | <b>1,599</b>  | <b>2,530</b>  | <b>2,390</b>  | <b>2,517</b>  |
| YoY gr. (%)                       | (18.0)        | (13.7)        | (20.0)        | (29.0)        |
| Margin (%)                        | 6.3           | 7.1           | 7.2           | 5.9           |
| Depreciation / Depletion          | 381           | 386           | 393           | 419           |
| <b>EBIT</b>                       | <b>1,217</b>  | <b>2,144</b>  | <b>1,997</b>  | <b>2,098</b>  |
| Margin (%)                        | 4.8           | 6.0           | 6.0           | 4.9           |
| Net Interest                      | 649           | 733           | 824           | 954           |
| Other Income                      | 17            | 33            | 50            | 34            |
| <b>Profit before Tax</b>          | <b>585</b>    | <b>1,008</b>  | <b>1,223</b>  | <b>1,178</b>  |
| Margin (%)                        | 2.3           | 2.8           | 3.7           | 2.8           |
| Total Tax                         | 124           | 205           | 287           | 58            |
| Effective tax rate (%)            | 21.2          | 20.3          | 23.5          | 4.9           |
| <b>Profit after Tax</b>           | <b>461</b>    | <b>803</b>    | <b>936</b>    | <b>1,120</b>  |
| Minority interest                 | -             | -             | -             | -             |
| Share Profit from Associates      | -             | -             | -             | -             |
| <b>Adjusted PAT</b>               | <b>461</b>    | <b>1,151</b>  | <b>936</b>    | <b>1,120</b>  |
| YoY gr. (%)                       | (34.8)        | (19.3)        | (35.5)        | (42.3)        |
| Margin (%)                        | 1.8           | 3.2           | 2.8           | 2.6           |
| Extra Ord. Income / (Exp)         | -             | (348)         | -             | -             |
| <b>Reported PAT</b>               | <b>461</b>    | <b>803</b>    | <b>936</b>    | <b>1,120</b>  |
| YoY gr. (%)                       | (34.8)        | (43.7)        | (35.5)        | (42.3)        |
| Margin (%)                        | 1.8           | 2.2           | 2.8           | 2.6           |
| Other Comprehensive Income        | -             | -             | -             | -             |
| <b>Total Comprehensive Income</b> | <b>461</b>    | <b>803</b>    | <b>936</b>    | <b>1,120</b>  |
| Avg. Shares O/s (m)               | 257           | 257           | 257           | 257           |
| <b>EPS (Rs)</b>                   | <b>1.8</b>    | <b>4.5</b>    | <b>3.6</b>    | <b>4.4</b>    |

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


| No. | Date      | Rating     | TP (Rs.) | Share Price (Rs.) |
|-----|-----------|------------|----------|-------------------|
| 1   | 10-May-22 | Accumulate | 451      | 367               |
| 2   | 05-May-22 | Accumulate | 451      | 375               |
| 3   | 08-Apr-22 | Accumulate | 559      | 399               |
| 4   | 02-Feb-22 | Accumulate | 572      | 517               |
| 5   | 11-Jan-22 | Accumulate | 445      | 482               |
| 6   | 05-Oct-21 | Accumulate | 445      | 456               |
| 7   | 02-Aug-21 | Accumulate | 445      | 419               |
| 8   | 06-Jul-21 | UR         | -        | 420               |

**Analyst Coverage Universe**

| Sr. No. | Company Name                 | Rating     | TP (Rs) | Share Price (Rs) |
|---------|------------------------------|------------|---------|------------------|
| 1       | ABB India                    | Hold       | 2,293   | 2,221            |
| 2       | Apar Industries              | BUY        | 855     | 691              |
| 3       | Bharat Electronics           | BUY        | 265     | 232              |
| 4       | BHEL                         | Sell       | 36      | 53               |
| 5       | Cummins India                | Accumulate | 1,087   | 1,015            |
| 6       | Engineers India              | BUY        | 89      | 69               |
| 7       | GE T&D India                 | Hold       | 102     | 100              |
| 8       | Kalpataru Power Transmission | BUY        | 421     | 342              |
| 9       | KEC International            | Accumulate | 451     | 367              |
| 10      | Larsen & Toubro              | BUY        | 2,091   | 1,526            |
| 11      | Siemens                      | Accumulate | 2,602   | 2,372            |
| 12      | Thermax                      | Accumulate | 2,181   | 2,025            |
| 13      | Triveni Turbine              | BUY        | 240     | 174              |
| 14      | Voltamp Transformers         | Accumulate | 2,220   | 1,997            |

**PL's Recommendation Nomenclature (Absolute Performance)**

|                          |                                   |
|--------------------------|-----------------------------------|
| <b>Buy</b>               | : > 15%                           |
| <b>Accumulate</b>        | : 5% to 15%                       |
| <b>Hold</b>              | : +5% to -5%                      |
| <b>Reduce</b>            | : -5% to -15%                     |
| <b>Sell</b>              | : < -15%                          |
| <b>Not Rated (NR)</b>    | : No specific call on the stock   |
| <b>Under Review (UR)</b> | : Rating likely to change shortly |

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**Prabhudas Lilladher Pvt. Ltd.**

**3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209**

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