

Robust execution to aid growth in FY21E...

Anup reported robust Q2FY21 numbers with strong topline growth, improved orderbook and robust execution. Optically margins look to have deteriorated as the base quarter had one-off execution with free issue materials wherein the customer had supplied raw materials for the job. However, the management has asserted their guidance of sustaining 26% EBIDTA margins on a longer horizon. Revenue for the quarter came in at ₹ 87 crore, up 40% YoY led by robust execution and strong order pipeline. The same grew 188% QoQ. EBIDTA came in at ₹18 crore, down 8% YoY entailing a margin of 21% vs. 32% YoY. Employee cost increased 20% YoY while other expenses declined 22% YoY. PAT declined 9% YoY to ₹ 11.7 crore with a tax rate of 29%. During H1FY21, Anup registered a CFO of ₹ ~35 crore and ended the half year with a cash balance of ~ 78 crore.

Order inflow traction to support execution & improve backlog...

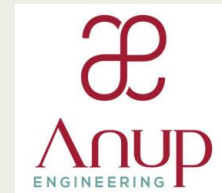
Orderbook was at ₹ 334 crore at the end of Q2FY21, up 25% from March levels. Our back of the envelope calculation indicates the company saw order inflows of ~₹ 185 crore in H1FY21. These orders were largely from conventional refineries (upstream & downstream), fertiliser industry & power sector. Going ahead, the management expects order inflow momentum to continue on the same lines as the current enquiry cycle seems quite strong. We model order inflows to the tune of ₹ 380 crore for FY21E.

Phase I of Kheda, Odhav heavy bay to propel growth in FY22...

Phase I of Kheda is expected to get commissioned by September 2021, post which the facility would be ready for commercialisation. This, along with the recent commissioning of heavy bay at Odhav would likely propel growth in FY22E. Further, the company is carrying out renovation of low capacity bay to debottleneck the capacity constraint in the current product mix and upgrade for new market of exotic metallurgy. This combined would help Anup achieve its target of ₹ 1000 crore topline in the next four to five years.

Valuation & Outlook

Anup is one of the top three process equipment manufacturers in India with a strong orderbook, debt free b/s and ample liquidity (₹ 75 crore in FDs) to support execution. Ongoing debottlenecking of capacity and new greenfield capex are expected to open up new opportunities in heavy & complex equipment orders with higher ticket size. Taking cognisance of the above and Anup's H1FY21 performance, we slightly revise our topline numbers to reflect the better-than-expected performance in H1 while slightly trimming down operating margins. We build in revenue, EBIDTA & PAT CAGR of 20.8%, 18.7% & 21.9% for FY20-22E, respectively. We maintain our **BUY** rating on the stock with a revised target price of ₹ 750/share.



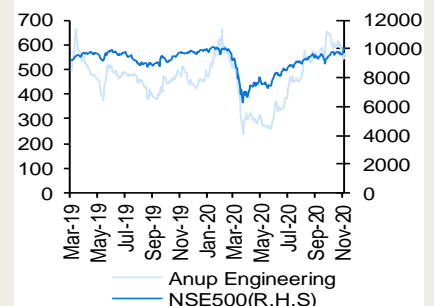
Particulars

| Particular | Amount |
|--------------------------------|-----------|
| Market Capitalization (₹crore) | 575 |
| Total Debt (FY 20) (₹crore) | 0 |
| Cash and Inv (FY 20) (₹crore) | 2 |
| EV (FY 20) (₹crore) | 573 |
| 52 week H/L (₹) (BSE) | 700 / 219 |
| Equity capital (₹crore) | 10.2 |
| Face value (₹) | 10.0 |

Key Highlights

- Robust order inflows to the tune of ~ 185 crore in H1FY21.
- Management assertive of maintaining 26% EBIDTA margins in broader time frame
- Maintain our BUY rating on the stock with a target price of ₹ 750 per share

Price chart



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Key Financial Summary

| (₹Crore) | FY19 | FY20 | FY21E | FY22E | CAGR (FY20-22E) |
|-------------------|-------|-------|-------|-------|-----------------|
| Net Sales | 243.0 | 245.5 | 270.3 | 357.9 | 20.8 |
| EBITDA | 63.9 | 68.6 | 68.9 | 96.6 | 18.7 |
| EBITDA margin (%) | 26.3 | 28.0 | 25.5 | 27.0 | |
| Net Profit | 42.0 | 43.0 | 45.4 | 63.8 | 21.9 |
| EPS (₹) | 41.2 | 42.1 | 44.6 | 62.5 | |
| P/E (x) | 13.7 | 13.4 | 12.7 | 9.0 | |
| P/BV | 2.0 | 1.8 | 1.6 | 1.4 | |
| EV/EBITDA (x) | 9.0 | 8.3 | 8.3 | 5.9 | |
| RoCE (%) | 20.1 | 18.9 | 17.0 | 20.7 | |
| RoE (%) | 14.6 | 13.3 | 12.6 | 15.3 | |

Source: Company, ICICI Direct Research

Financial summary

| Exhibit 1: Profit and loss statement | | | | |
|--------------------------------------|--------------|--------------|--------------|--------------|
| (₹Crore) | FY19 | FY20 | FY21E | FY22E |
| Net Sales | 243 | 245 | 270 | 358 |
| Total Operating Income | 243 | 245 | 270 | 358 |
| % Growth (Operating Income) | | 1.0 | 10.1 | 32.4 |
| Other Income | 4.6 | 4.1 | 6.0 | 8.0 |
| Total Revenue | 247.6 | 249.5 | 276.3 | 365.9 |
| Cost of materials consumed | 121 | 143 | 157 | 200 |
| Purchase of stock-in-trade | 19 | - | - | - |
| Change in inventories | (24) | (33) | (22) | (32) |
| Employee cost | 15 | 16 | 16 | 24 |
| Other Expenses | 48 | 50 | 50 | 69 |
| Total expenditure | 179 | 177 | 201 | 261 |
| EBITDA | 63.9 | 68.6 | 68.9 | 96.6 |
| % Growth (EBITDA) | | 7.3 | 0.5 | 40.2 |
| Interest | 1.8 | 0.8 | 1.0 | 1.0 |
| PBDT | 67 | 72 | 74 | 104 |
| Depreciation | 8 | 9 | 11 | 15 |
| PBT | 59 | 63 | 63 | 89 |
| Tax | 17 | 20 | 18 | 25 |
| PAT | 42.0 | 43.0 | 45.4 | 63.8 |
| % Growth (PAT) | | 2.3 | 5.8 | 40.4 |
| EPS | 41.2 | 42.1 | 44.6 | 62.5 |

Source: Company, ICICI Direct Research

| Exhibit 2: Cash flow statement | | | | |
|------------------------------------|-------------|-------------|-------------|-------------|
| (₹Crore) | FY19 | FY20 | FY21E | FY22E |
| Profit after Tax | 42.0 | 43.0 | 45.4 | 63.8 |
| Depreciation | 7.9 | 8.9 | 10.8 | 15.0 |
| Interest | 1.8 | 0.8 | 1.0 | 1.0 |
| Other income | (4.6) | (4.1) | (6.0) | (8.0) |
| Prov for Taxation | 16.8 | 20.0 | 17.7 | 24.8 |
| Change in Working Capital | 6.6 | (25.5) | 4.4 | (11.7) |
| Taxes Paid | (15.7) | (17.6) | (17.7) | (24.8) |
| Cashflow from Operating Act | 55 | 26 | 56 | 60 |
| (Purchase)/Sale of Fixed Assets | (46.0) | (17.8) | (50.6) | (57.0) |
| (Purchase)/Sale of Investments | 7.4 | (1.0) | - | - |
| Other Income | 4.6 | 4.1 | 6.0 | 8.0 |
| Cashflow from Investing Act | (34) | (15) | (45) | (49) |
| Changes in Networkth | - | (1.1) | (0.0) | (0.0) |
| Interest | (1.8) | (0.8) | (1.0) | (1.0) |
| Dividend paid | - | (7.1) | (7.1) | (7.1) |
| Cashflow from Financing Act | (2) | (9) | (8) | (8) |
| Changes in Cash | (0.7) | 1.8 | 2.9 | 3.0 |
| Opening Cash/Cash Equivalent | 2.4 | 0.2 | 2.0 | 5.0 |
| Closing Cash/ Cash Equivalent | 1.7 | 2.0 | 5.0 | 8.0 |

*calculated, Source: Company, ICICI Direct Research

| Exhibit 3: Balance sheet | | | | |
|-------------------------------|------------|------------|------------|------------|
| (₹Crore) | FY19 | FY20 | FY21E | FY22E |
| Share Capital | 10 | 10 | 10 | 10 |
| Reserves & Surplus | 278 | 313 | 351 | 408 |
| Total Shareholders fun | 288 | 323 | 361 | 418 |
| Goodwill | - | - | - | - |
| Total debt | - | - | - | - |
| Other liabilities | 12.6 | 15.1 | 15.1 | 15.1 |
| Total Liabilities | 301 | 338 | 376 | 433 |
| Gross Block | 151 | 161 | 211 | 271 |
| Acc: Depreciation | 8 | 17 | 28 | 43 |
| Net Block | 142 | 144 | 183 | 228 |
| Capital WIP | 2 | 12 | 15 | 15 |
| Investments | 1 | 2 | 2 | 2 |
| Inventory | 88 | 106 | 104 | 132 |
| Sundry debtors | 70 | 64 | 71 | 94 |
| Cash | 0 | 2 | 5 | 8 |
| Loans & Advances | 44 | - | - | - |
| Inv +Other current assets | 18 | 64 | 64 | 54 |
| CL& Prov. | 96 | 84 | 93 | 122 |
| Net Current Assets | 125 | 152 | 151 | 166 |
| Total Assets | 301 | 338 | 376 | 433 |

Source: Company, ICICI Direct Research

| Exhibit 4: Key ratios | | | | |
|-----------------------|-------|-------|-------|-------|
| (Year-end March) | FY19 | FY20 | FY21E | FY22E |
| EPS | 41.2 | 42.1 | 44.6 | 62.5 |
| Cash EPS | 49.0 | 50.9 | 55.2 | 77.3 |
| BV | 282.7 | 316.6 | 354.2 | 409.7 |
| DPS | - | 7.0 | 7.0 | 7.0 |
| Cash Per Share | 8.3 | 17.0 | 27.6 | 42.4 |
| EBITDA Margin | 26.3 | 28.0 | 25.5 | 27.0 |
| PBT / Net Sales | 23.0 | 24.3 | 21.5 | 22.8 |
| PAT Margin | 17.3 | 17.5 | 16.8 | 17.8 |
| Inventory days | 132.9 | 157.9 | 140.0 | 135.0 |
| Debtor days | 104.4 | 95.7 | 95.7 | 95.7 |
| Creditor days | 143.6 | 125.0 | 124.9 | 124.9 |
| RoE | 14.6 | 13.3 | 12.6 | 15.3 |
| RoCE | 20.1 | 18.9 | 17.0 | 20.7 |
| RoIC | 22.5 | 25.9 | 21.9 | 24.6 |
| P/E | 13.7 | 13.4 | 12.7 | 9.0 |
| EV / EBITDA | 9.0 | 8.3 | 8.3 | 5.9 |
| EV / Net Sales | 2.4 | 2.3 | 2.1 | 1.6 |
| Market Cap / Sales | 2.4 | 2.3 | 2.1 | 1.6 |
| Price to Book Value | 2.0 | 1.8 | 1.6 | 1.4 |
| Net Debt / Equity | - | - | - | - |
| Current Ratio | 2.1 | 2.0 | 1.9 | 1.8 |
| Quick Ratio | 1.2 | 0.8 | 0.8 | 0.8 |

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: < -15%



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