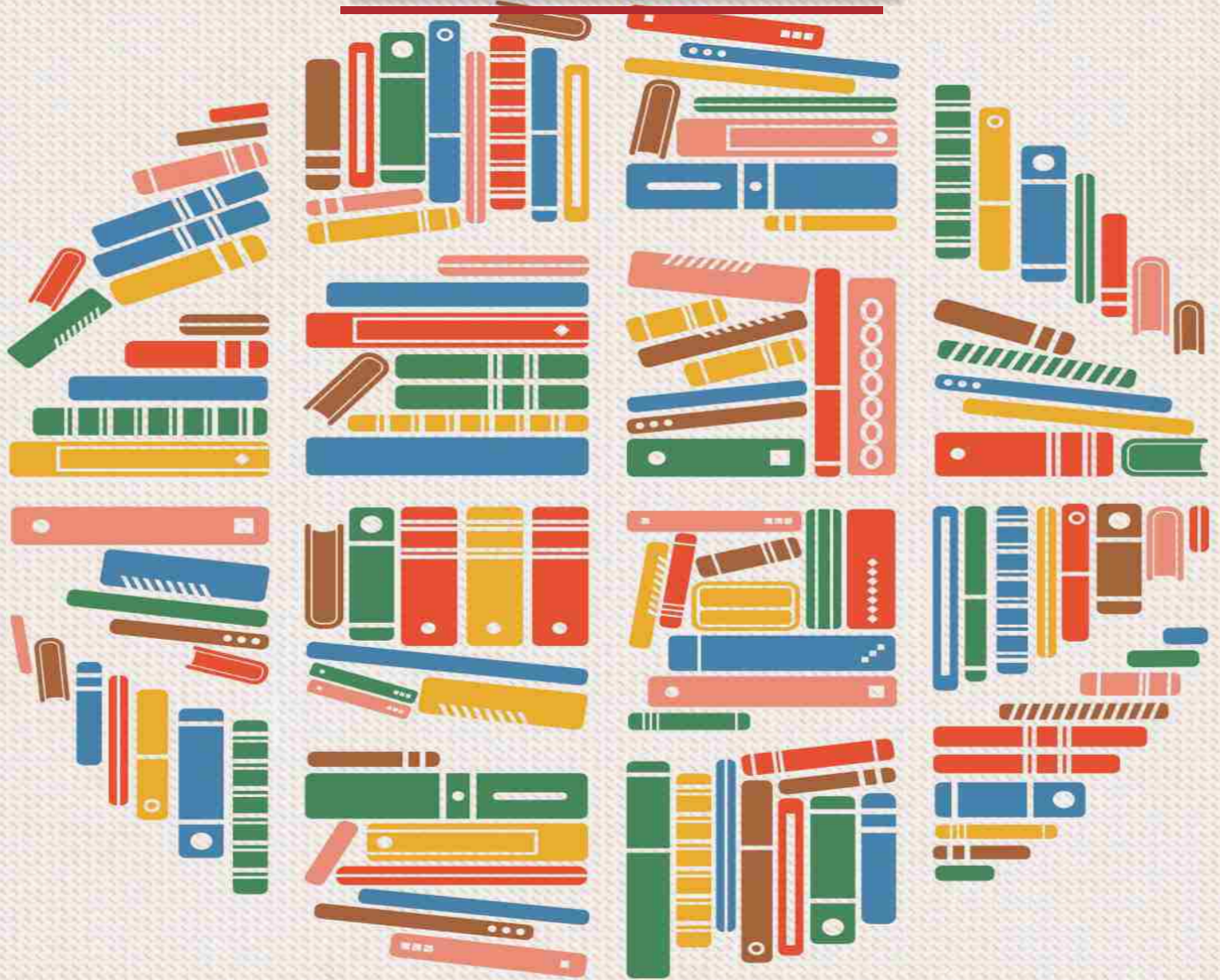


January 8, 2021



Stock TALES



Stock Tales are concise, holistic stock reports across wider spectrum of sectors. Updates will not be periodical but based on significant events or change in price.

Leading player in domestic welding market...

Esab India (Esab) is a leading player in the Indian welding consumables and equipment industry with a market share of over 23% in the domestic structural welding consumable market and ~30% in domestic equipment market. It mainly operates in two segments viz. welding consumables (70%) and welding equipment (30%). Esab's balance product portfolio, debt free status, strong global brand image and parentage (Colfax Corp) augur well in the long run. However, there could be short-term Covid-19 impact in FY21E.

Welding consumable segment to sustain superior returns...

Esab's consumable segment (70% of revenue) has grown at a CAGR of 9.3% in FY15-20 while it is expected to grow at 8.7% CAGR in FY20-23E factoring in the Covid-19 impact and expected demand revival in high performance products like electrodes, wires and fluxes led by gradual economic recovery. Consumable EBIT margin has expended more than ~450 bps to ~17% levels in FY16-20 and is expected to sustain at similar levels in coming years. Consequently, consumable segment RoCE has been at 35-40% over the last few years and is expected to sustain, aided by mix of operating efficiencies, product mix, cost control, technological innovation and growing investments in infrastructure and manufacturing sectors.

New launches, automation, robotics to aid equipment business

Esab's welding equipment (~30% to revenue) segment has grown at a decent CAGR of 11.5% in FY15-20. However, the recent domestic slowdown and muted incremental capex for new projects is expected to have some short term impact with a rebound in the medium term over FY20-23E with CAGR estimated at 7.4%. Esab is focusing on R&D to develop and introduce new advanced technology based products to improve capacity utilisation, which will subsequently help improve EBIT margins in the long run, which is hovering at around 6.5-7.5% over the last few years. The expected recovery in manufacturing, railways, auto and other infrastructure and heavy engineering sectors to further aid the segment performance.

Valuation & Outlook

Overall, the company is expected to further strengthen its leadership position through value added new product offerings, penetrating automation and robotics products in the welding industry, which will drive growth and help gain market share. Esab's debt free status would help further enhance its return ratios and operating cash flows earnings momentum and superior margins in the long run led by cost efficiencies, product mix and global capabilities through Colfax Corp. Further, Esab is currently trading at 26.8x P/E on FY23E (vs. forward median P/E band of 28x, up cycle and down cycle average TTM P/E of 35x and 12x, respectively). We value Esab at ₹ 2230/share, implying multiple of 33x on FY23E EPS with a **BUY** rating on the stock.

Key Financial Summary

(₹Crоре)	FY19	FY20	FY21E	FY22E	FY23E	CAGR FY20-23E
Revenue (₹crore)	671.6	698.0	646.4	777.2	887.0	8.3%
EBITDA (₹crore)	78.8	96.8	76.7	108.9	130.4	10.4%
EBITDA margin (%)	11.7	13.9	11.9	14.0	14.7	
Net Profit (₹crore)	57.6	71.4	58.5	86.9	103.9	13.3%
EPS (₹)	37.4	46.4	38.0	56.5	67.5	
P/E (x)	48.1	38.8	47.3	31.9	26.7	
Price / Book (x)	10.4	8.2	10.4	8.0	7.1	
EV/EBITDA (x)	34.4	27.6	35.5	24.7	20.5	
RoCE (%)	31.8	28.9	29.5	33.7	35.4	
RoE (%)	21.8	21.1	22.0	25.2	26.5	

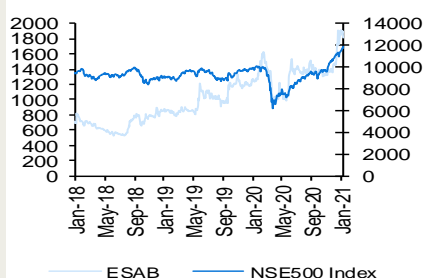
Source: Company, ICICI Direct Research



Particulars

Particular	Amount
Market Capitalization	₹ 2732 Crore
Total Debt (FY20)	₹ 0 Crore
Cash and Inv (FY20)	₹ 100 Crore
EV (FY20)	₹ 2632 Crore
52 week H/L (₹)	1727 / 870
Equity capital	₹ 15.4 Crore
Face value (₹)	10.0

Price Performance



Key Highlights

- Consumables segment to command 16-17% EBIT margins and 35-40% RoCE over FY20-23E
- Assign BUY rating on stock with target price of ₹ 2230 per share

Risk to our call

- Headwinds in overall infrastructure and engineering projects executions could impact growth
- Volatile Raw material cost could have direct impact on performance.

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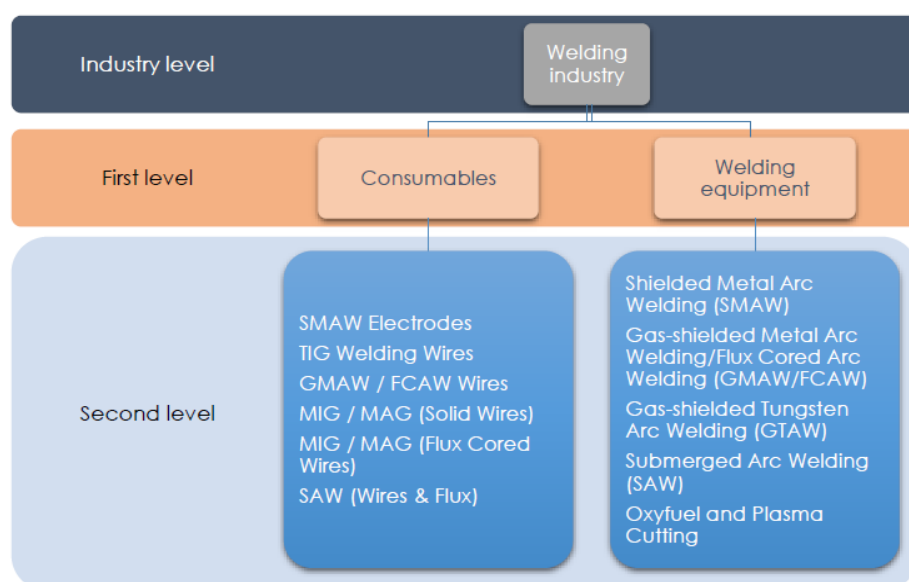
Industry Background

Indian welding industry

Welding is a joining process that is extensively used across industries such as automotive, aerospace, medical, consumer electronics, construction and oil & gas, railways, heavy engineering, etc. It is a precise, reliable, cost effective and high tech method for joining materials in manufacturing industries. Welding is applied to a wide variety of materials and products, using advanced technology such as lasers and plasma arcs while the future holds promise for joining dissimilar and non-metallic materials.

In India, the market currently is primarily dominated by low technology and very rare technological innovation. However, in recent years, demand for automatic and semi-automatic welding production systems is rising.

Exhibit 1: Indian welding & consumable industry structure

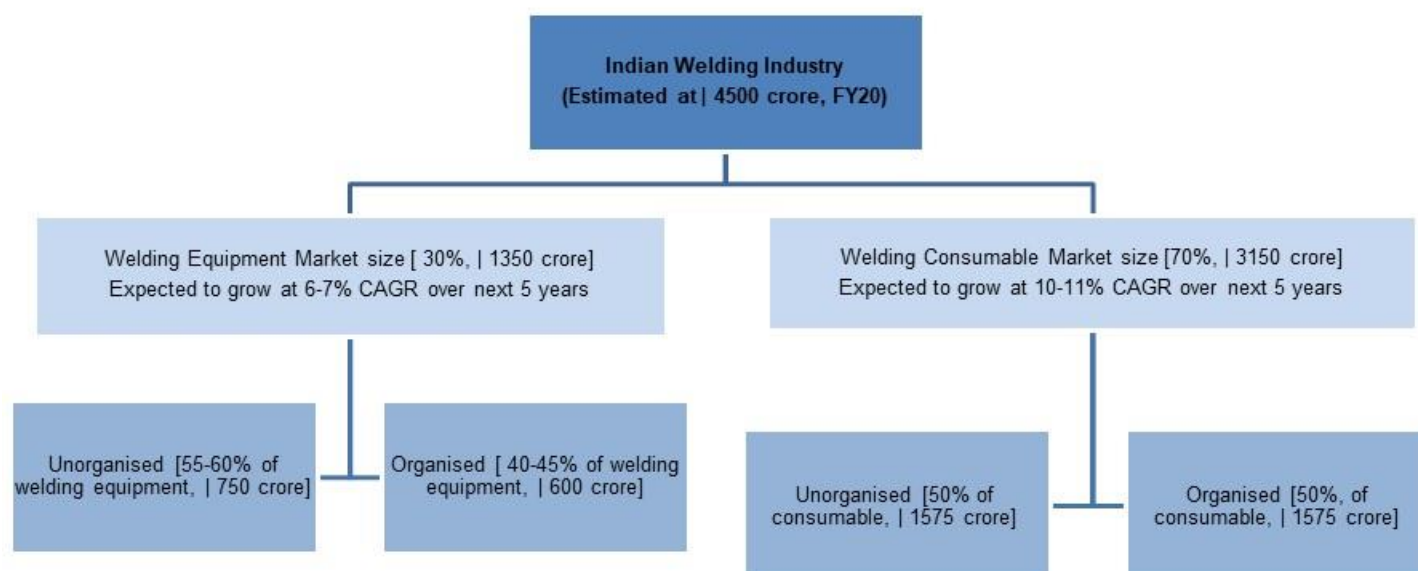


Source: Company, Industry data, ICICI Direct Research

Indian welding industry comprising of welding consumables like sticks, wires/ fluxes, welding equipment, cutting equipment and welding automation is estimated at ~₹ 4500 crore market with 71% share of consumables (~₹ 3150 crore consumable industry). Within consumable industry, around ₹ 700 crore is reclamation welding and ₹ 2450 crore is structural welding market. It is very fragmented industry with ~50% being controlled by unorganized players. While organized market is dominated by ESAB India, Ador Welding, EWAC Alloys, GEE and D&H Welding Electrodes etc. Esab India holds ~23% in domestic structural welding followed by Ador Welding which holds ~19% market share. Considering robust outlook on infrastructure and industrial sectors and the government's thrust to promote 'Make in India', 'Atmanirbhar Bharat' initiatives to boost local and indigenous manufacturing for Self-reliance India. Hence, consumable market is expected to grow at the CAGR of 10-11% over next 5 years driven by higher demand for continuous electrodes compared to manual electrodes.

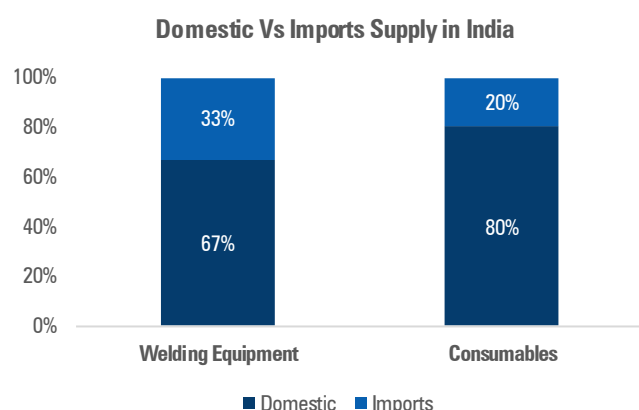
The welding equipment has a share of ~29% (₹ 1350 crore of Welding Industry) with unorganized market contributing ~55-60% while organised market is mainly addressed by players like ESAB, Ador Welding, Lincoln Electric Co. India, Kemppi India, Miraj Electricals & Mechanicals, ITW India. Within welding equipment, ~ ₹ 700 crore is equipment market, ₹ 450 crore is cutting tools market and ~ ₹ 200 crore is welding automation. Import constitutes significant portion in organized market. Welding equipment market is expected to grow at the CAGR of 6-7% over next 5 years driven by revival of capex cycle and product innovations.

Exhibit 2: Indian welding and consumable industry analysis



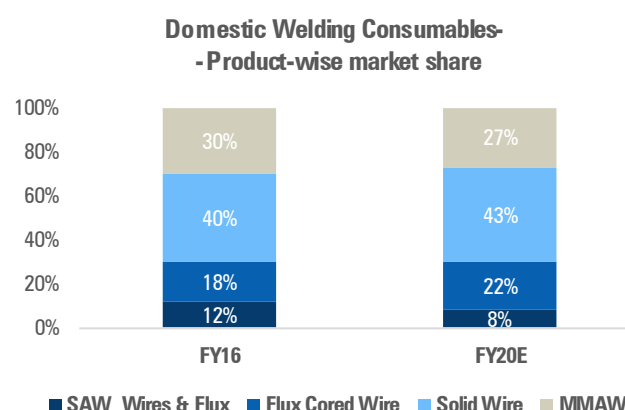
Source: Company, Industry data, ICICI Direct Research

Exhibit 3: Domestic vs imports supply in India



Source: Company, ICICI Direct Research

Exhibit 4: Consumables - Product-wise market share



Source: Company, ICICI Direct Research

Exhibit 5: Welding technology-wise equipment market share (%)

Welding Technology	Market share (%)
MMAW (Manual Machine Arc Welding)	• 30%-35%
GMAW (Gas Metal Arc Welding)	• 40%-45%
GTAW (Gas Tungsten Arc Welding)	• 10%-15%
SAW (Submerged Arc Welding)	• 8% -10%

Source: Company, ICICI Direct Research

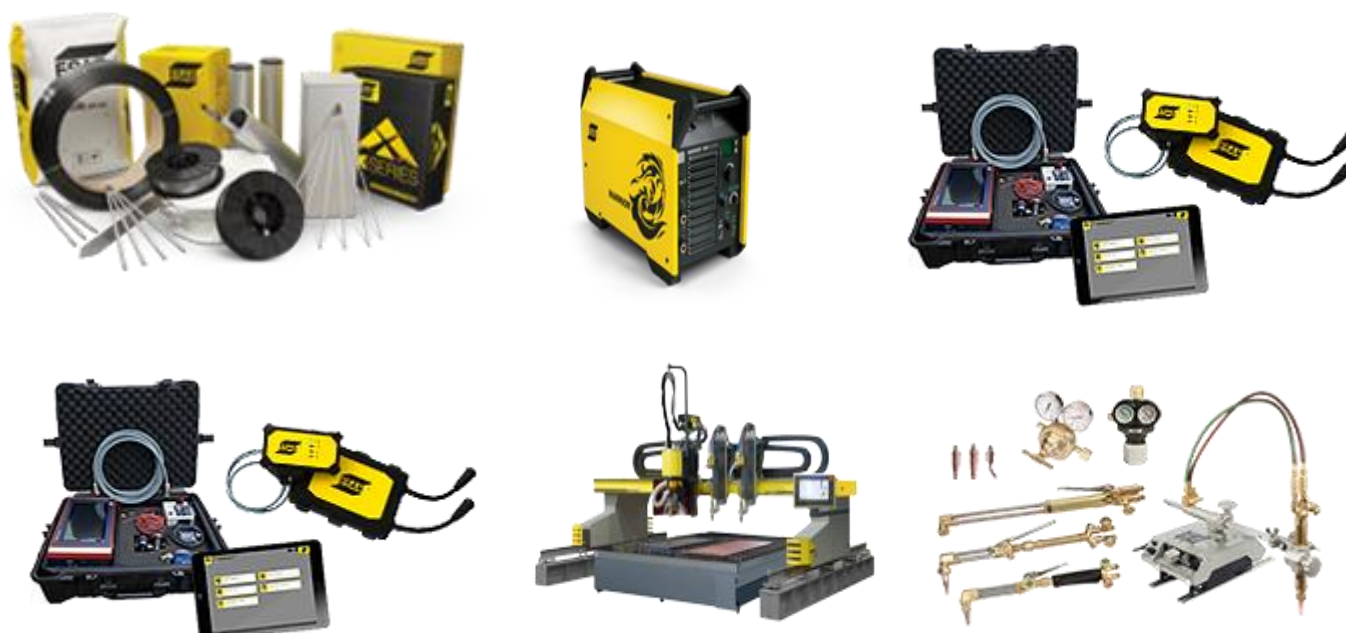
Company Background

Esab India (Esab) started its operations in 1987 by acquiring the welding business of Peico Electronics & Electrical (Now Philips India). It further expended by acquiring Indian Oxygen's welding business and Flowtech Welding in 1991 and 1992, respectively followed by merger of Maharashtra Weldaids in 1994. Esab India is 73.7% owned by Esab Holdings UK and Eelvia group, Netherlands, which were subsequently acquired by Colfax Corporation in 2012 making it an indirect wholly owned subsidiary. Colfax Corporation is a Delaware, US based industrial group with existing global business interests in medical devices, fabrication technology products and services. Colfax Corp also acquired EWAC Alloys from L&T in 2017 through Esab Holdings UK further gaining its strength in the Indian welding consumable market. Esab India has established itself as leading supplier of welding and cutting products in India with products widely used in industries like shipbuilding, petrochemical, construction, transport, offshore, energy, general engineering and in repair and maintenance of steel, mills, cement, sugar industry, etc. It has over ~23% market share in the structural welding market with market leading position in the Indian welding industry. Esab has four manufacturing facilities in India of which two are located in Chennai and one each in Nagpur and Kolkata.

The company operates mainly in two segments viz. welding consumables and welding equipment. For FY20, overall consumables contributed 71% followed by equipment (29%). Geography-wise, domestic business contributed ~92%, and exports business contributed 8%.

Welding consumable segment consists of products like covered electrodes (MMA/ stick), solid wires, gas shielded flux-cored wires, submerged arc wires (SAW) wires and fluxes, metal cored wires (MCAW), TIG rods, etc while welding equipment segment consists of products like SMAW, GMAW, FCAW, and MMAW, cutting equipment, gas equipment, etc. Welding Automation & Robotics provides high end technology oriented automated products and solutions like plasma cutting, SAW, FSW friction stir welding (FSW), GMAW, GTAW to industries like nuclear, wind-turbine, boiler, ship building etc. while Esab Digital Solutions brings digital services to take total control of cutting, welding and gas operations with one platform. It also provides welding PPE and accessories.

Exhibit 6: Esab's segment-wise product details



Source: Company, ICICI Direct Research

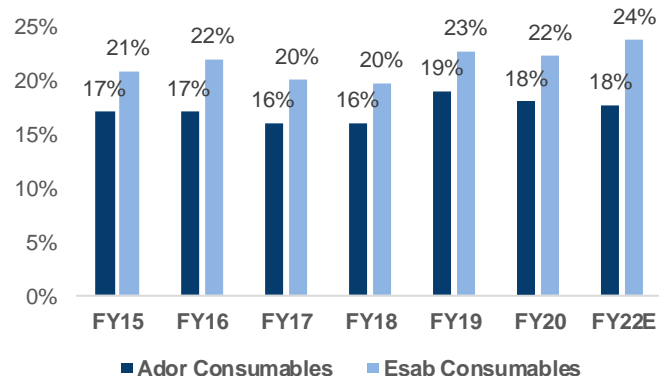
Investment Rationale

Welding consumable segment likely to drive superior returns...

Esab currently derives ~70% of its revenue from welding consumable segment with products ranging from electrodes, fluxes, flux cored wires to industries like oil & gas, heavy engineering, shipbuilding, power, sugar, construction, railways and automotive, etc, (accounting for ~70% of consumption). Esab is well placed to gain from overall infrastructure and manufacturing spending in India led by 'Make in India' and 'Atmanirbhar' initiatives that will further boost welding consumables demand in the long run. Esab is one of the largest players in the domestic consumables market having increased its market share from 20% to 22% in FY16-20. It is expected to further strengthen its position with increased penetration in unorganised market, new product development, technology innovation, etc. Within the organised consumable market, Esab hold ~30% market share followed by Ador (26%). Colfax group companies (Esab India, EWAC Alloys) together command ~32% of the domestic consumables market and ~40% of the organised consumable market in India.

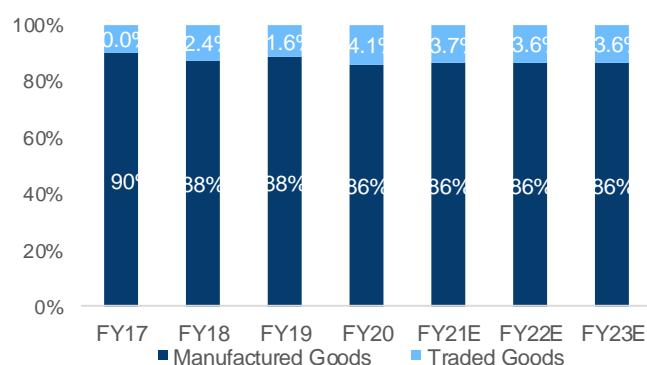
Esab's consumable segment (70% of revenue) has grown at 9.3% CAGR in FY15-20 while we expect it to grow at a CAGR of 8.7% in FY20-23E factoring in Covid-19 impact in FY21E and expect a gradual economic recovery to aid volumes on the back of demand in high performance products like stick electrodes, wires and fluxes. Consumable EBIT margin has expanded by more than ~450 bps to 17% in FY16-20 and is expected to sustain the same over the next two years owing to various initiatives taken through a mix of cost control, product pricing, improved capacity utilisation and innovation. The consumable segment RoCE has been between 35% and 40% over the last few years. We expect it improve further with higher margins. The consumables segment capacity utilisation and sales volume is estimated at ~59% and ~43950 MT for FY20, respectively.

Exhibit 7: Consumable – Esab's Domestic Market share



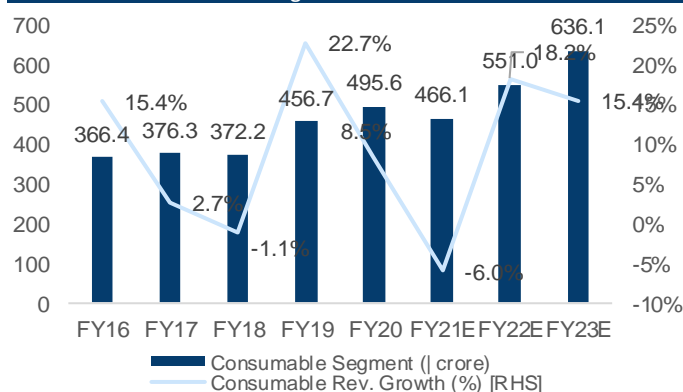
Source: Company, ICICI Direct Research

Exhibit 8: Consumables: Mfg. Vs Traded contribution (%)



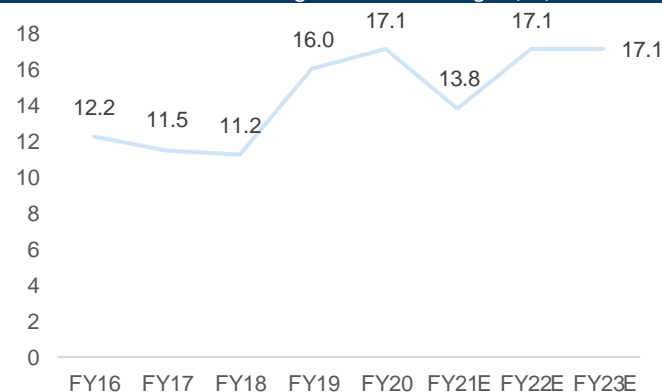
Source: Company, ICICI Direct Research

Exhibit 9: Consumable segment revenue trends



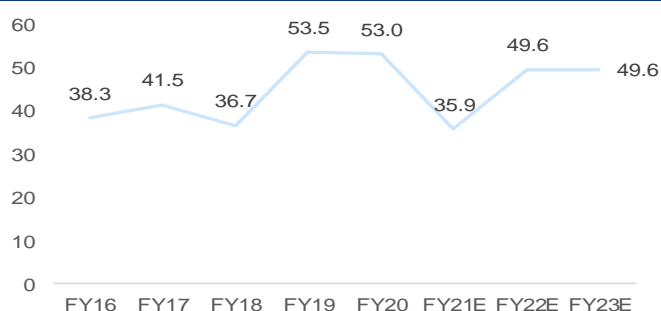
Source: Company, ICICI Direct Research

Exhibit 10: Consumable segment EBIT margin (%)



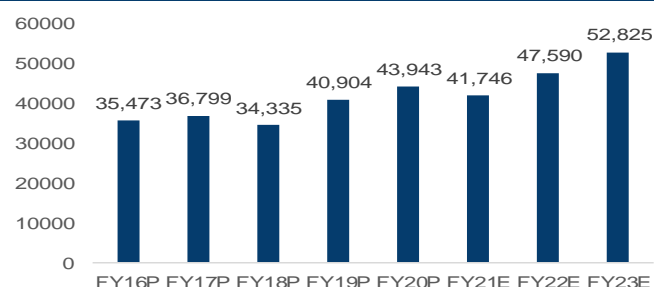
Source: Company, ICICI Direct Research

Exhibit 11: Consumable segment RoCE (%)



Source: Company, ICICI Direct Research

Exhibit 12: Consumable segment volume trend



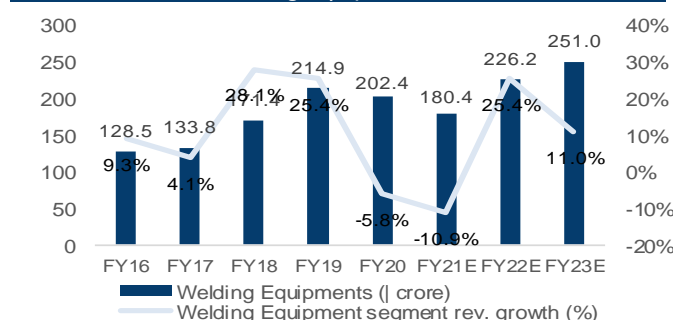
P – the Nos. are extrapolated from given data, actual volume Nos not provided
Source: Company, ICICI Direct Research

New product launches, utilisation to boost equipment business

Esab's welding equipment contributes ~30% to revenue. Its gas & electric cutting/welding equipment & accessories is estimated to have a capacity of around 651756 units per year with capacity utilisation estimated at ~30% over the last few years. This segment has grown at a decent CAGR of 11.5% over FY15-20. However, recent domestic slowdown and muted incremental capex for new projects had a short-term impact but long term prospects remain intact backed by a pick-up in capital goods project executions over FY20-23E. We estimate this segment will deliver 7.4% CAGR in FY20-23E. Esab manufactures a wide range of standard manufacturing equipment like MIG, TIG, metal arc welding (MSAW), equipment, multi-process equipment, gas shielded arc welding (GSAW), submerged arc welding (SAW), etc.

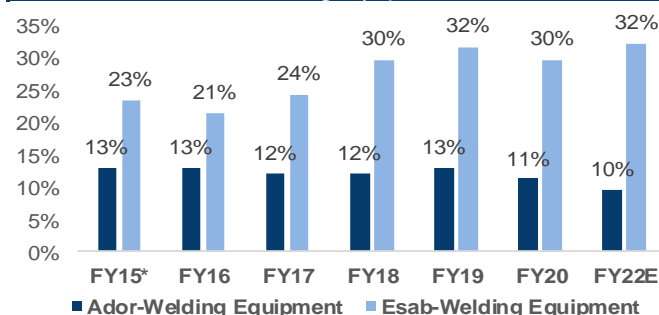
Esab is focusing on R&D to develop and introduce new advanced technology based products to improve capacity utilisation that will subsequently help improve EBIT margins in the long run, which is hovering at ~6.5-7.5% over the last few years. The expected recovery in manufacturing, auto and other infrastructure and engineering sectors is expected to further aid the performance.

Exhibit 13: Esab's welding equipment revenue trend



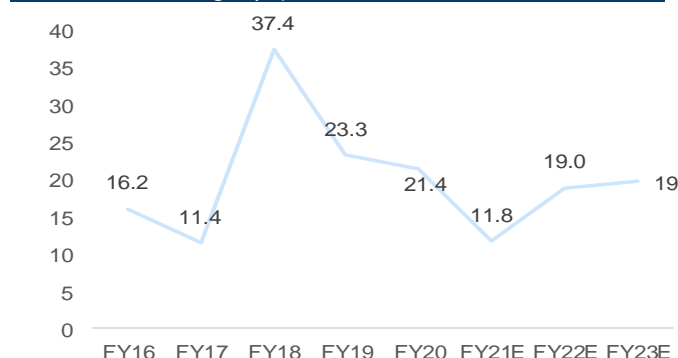
Source: Company, ICICI Direct Research

Exhibit 14: Domestic welding equipment market share



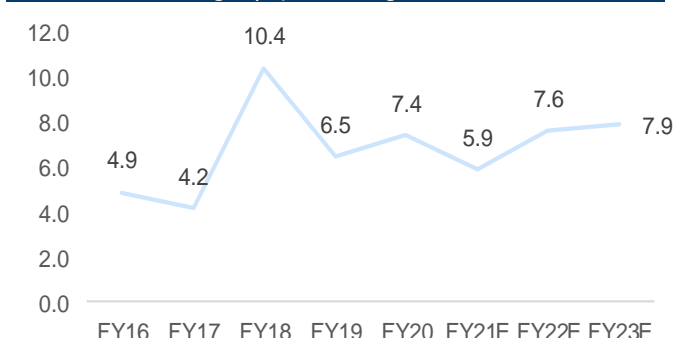
Source: Company, ICICI Direct Research

Exhibit 15: Welding equipment RoCE (%) trend



Source: Company, ICICI Direct Research

Exhibit 16: Welding equipment segment EBIT trend (%)



Source: Company, ICICI Direct Research

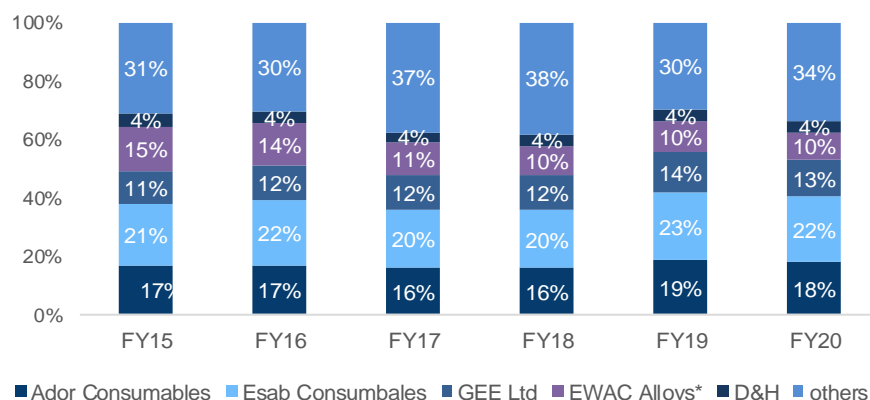
Product innovation, automation to drive growth, market share

Esab operates welding automation & robotics, plasma division with a variety of products under different categories like friction stir welding (FSW), gas tungsten arc welding (GTAW), SAW, and gas metal arc welding. Also, Esab's plasma cutting equipment are top of the line high-end solutions to critical industries like nuclear, wind-turbine, boiler, ship building, etc.

Further, new product offerings, technologies advancements, R&D, patents and product development in tandem with industrial automation is likely drive growth for the Esab over next two years and help further strengthen its leadership position. Robotics and automation are increasingly being deployed by industries to achieve welding quality and improve productivity. Esab's automation & robotics business is likely to inch up further aided by new product development and launches.

Esab's digital solution (EDS) division is a complete suite of revolutionary digital services that helps take total real time control of cutting, welding, gas operations with one platform such as plat optimisation, cutting/ welding productivity, cutting maintenance, etc, providing further growth opportunities and a competitive advantage in the long run.

Exhibit 17: Domestic consumables market share of leading companies

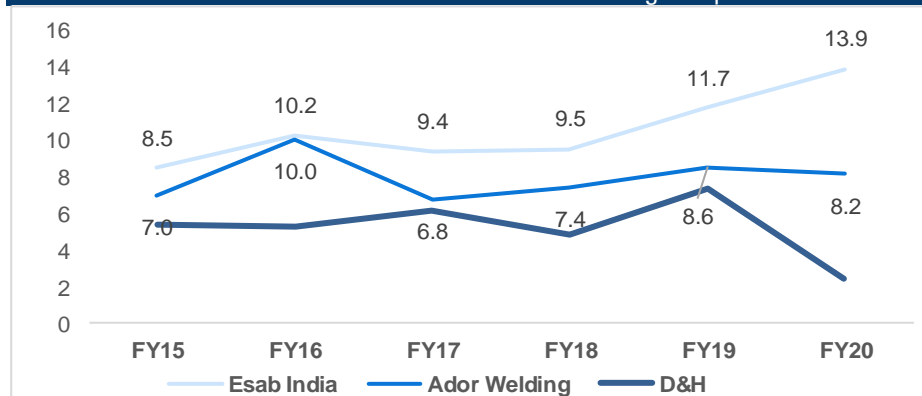


Source: Company, Capitaline, ICICI Direct Research

Product mix, operational efficiencies to drive superior margins.

Esab continues to focus on productivity improvements, operational efficiencies, cost optimisation, resourcing, quality, including improvement in packaging, costs, indigenisation of raw materials components, range rationalisation and enrichment of product mix to enhance market share, operating margins and gain competitive advantage. Esab's consumable EBIT margin has expanded by more than ~450 bps to 17% over FY16-20 and is expected to sustain the same over the next two years owing to various initiatives taken through mix of cost control, product pricing and innovation.

Exhibit 18: Domestic consumables market share of leading companies



Source: Company, Capitaline, ICICI Direct Research

Industrial, infrastructure sector capex to aid growth

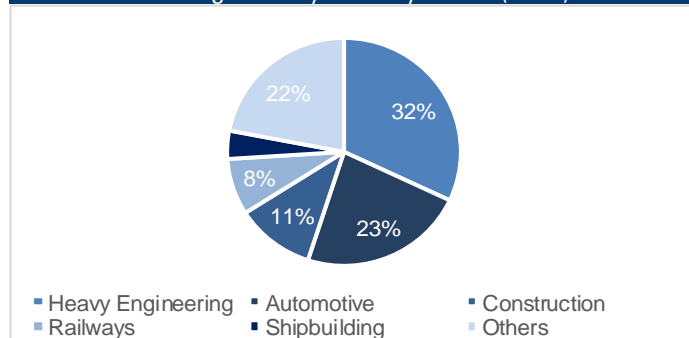
Indian welding consumable market is slated to be mainly driven by expansion in building and construction industry, railway, heavy engineering, energy and oil & gas sector along with revival in automobile sector. Industrial reforms and policies like 'Make in India' and 'Atmanirbhar' initiatives and the government's long term spending plan like ₹ 111 lakh crore worth National Infrastructure plan (NIP) to drive capex aid further growth in these sectors.

Currently, ~65-70% of welding consumables are consumed by industries like oil & gas, heavy engineering, shipbuilding, infrastructure, railways, power, transportation & mobility and automotive. Esab is well placed to gain from overall infrastructure spending in India coupled with augmentation of its distribution network and direct customers.

Investment in the Indian manufacturing industry has been on the rise with gross fixed capital formation for FY20 at ₹ 43 lakh crore for FY20 indicating continued interest and momentum in the Indian manufacturing industry. The manufacturing sector gross value added (GVA) in India grew at 5% over FY16-20. The sector's GVA at current prices is estimated at US\$397.1 billion in FY20PE. The Indian manufacturing sector has the potential to reach US\$ 1 trillion by 2025.

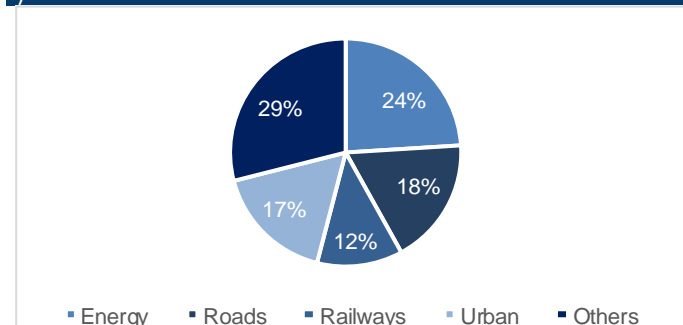
The NIP task force has projected ₹ 111 lakh crore infrastructure investment in FY20-25 in sectors such as energy (24%), roads (18%), urban infra (17%) railways (12%) and other providing major thrust to infrastructure spending in India in the long run. In addition, steel consumption in India is expected to grow at a CAGR of 10% to 140 MT by FY22E driven by higher infrastructure spend and expansion in per capita steel consumption.

Exhibit 19: Welding industry sales by sector (FY20)



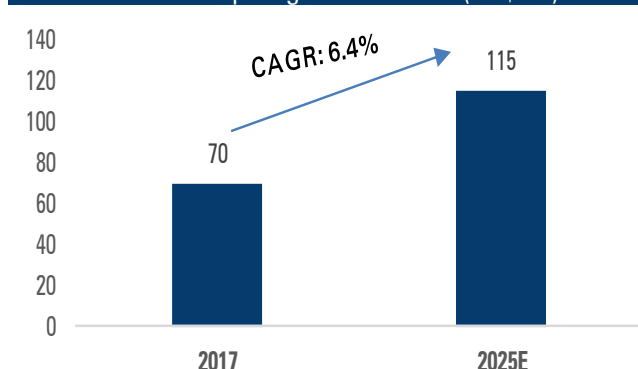
Source: Company, ICICI Direct Research, Industry Estimates

Exhibit 20: Sector-wise break-up of NIP capex in next five years



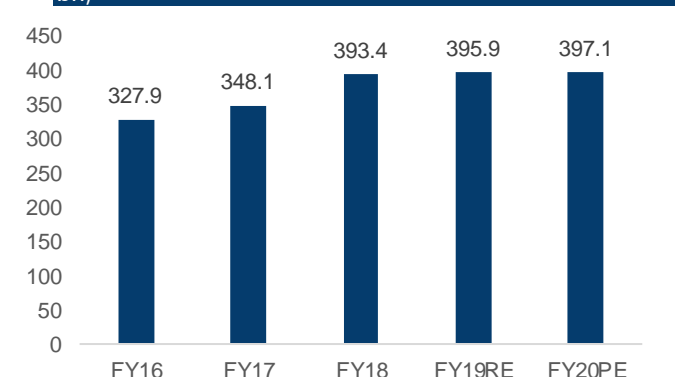
Source: Company, ICICI Direct Research, ibef.org, economic survey

Exhibit 21: Indian capital goods turnover (US\$ bn)



Source: Company, ICICI Direct Research, ibef.org

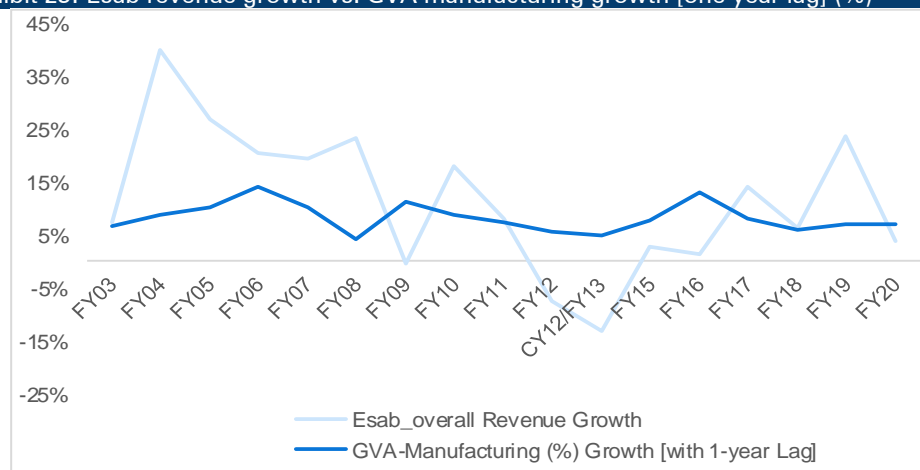
Exhibit 22: GVA of manufacturing at current prices (US\$ bn)



Source: Company, ICICI Direct Research, ibef.org

We have plotted Esab's overall revenue growth against GVA-manufacturing growth with one year lag. The trend suggests that the welding consumables industry leads the manufacturing growth. India's ambitious focus to become a global manufacturing hub is likely to bolster the prospects of the welding consumable & equipment industry in future. Esab Welding being one of the market leaders in the industry would gain and further strengthen its market leadership position in the long run.

Exhibit 23: Esab revenue growth vs. GVA manufacturing growth [one year lag] (%)

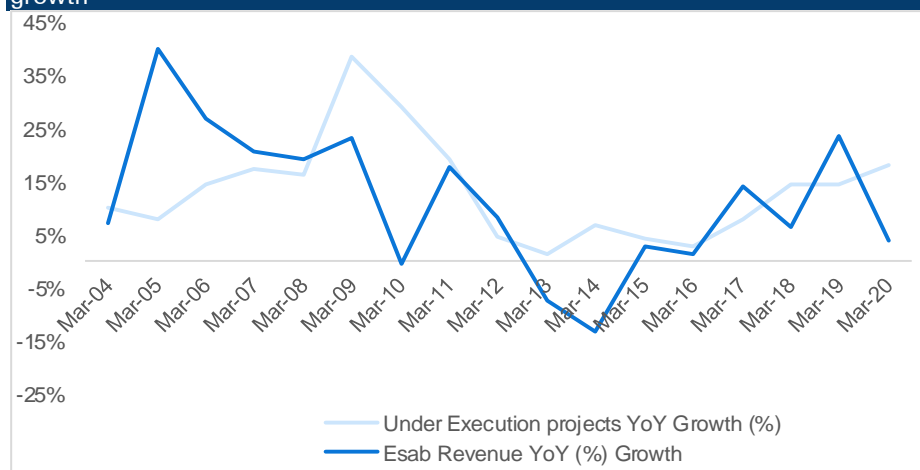


Source: Company, ICICI Direct Research, Bloomberg

Traction in under execution projects to drive demand for welding products and consumables

With a gradual improvement in fresh announcement of capex and gradual execution pick-up in execution of existing projects on ground, demand for short cycle products like welding equipment and welding consumables is expected to witness an uptick and drive revenue growth market leading companies like Esab India. We have plotted Esab revenue YoY (%) growth against overall projects under execution YoY (%) growth over more than a decade's capex cycle indicating reasonable correlation and suggesting uptake in revenue growth of Esab ahead of pick-up in under execution projects in the infrastructure space. We estimate 20% revenue growth for Esab in FY22E over a low base and 14% growth in FY23E considering uptake in project execution over the next two years.

Exhibit 24: Esab revenue growth vs. overall projects under execution YoY (%) growth



Source: Company, Projects Today, Capitaline, ICICI Direct research

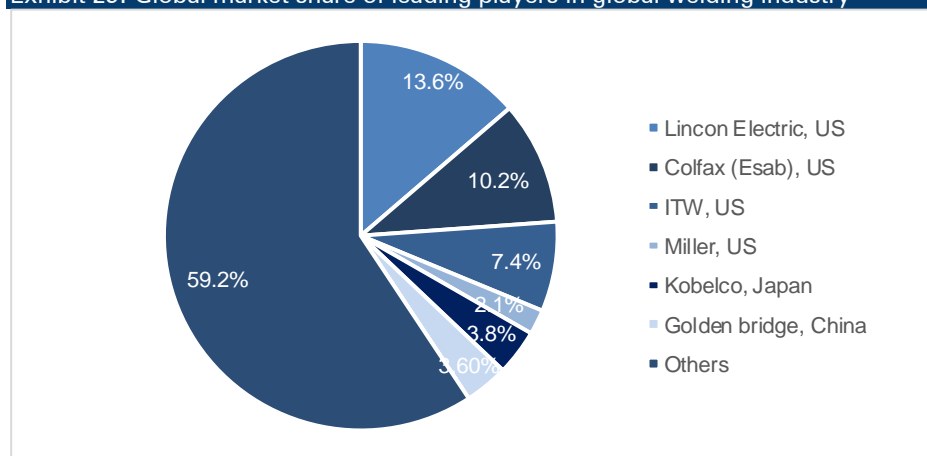
Strong global parentage provides technology edge, market reach

Esab India is 73.7% owned by Esab Holdings UK and Exelvia group, Netherlands, which were subsequently acquired by Colfax Corporation in 2012, making it indirect wholly owned subsidiaries. Colfax Corporation is a Delaware, US based industrial group with existing global business interests and leading positions in medical devices technology under 'DJO' brand, fabrication technology products and services under 'Esab' brand, which is well known in international welding industry. Esab is a world leader in production of welding equipment & consumables with a strong global footprint and 40+ leading product brands under Esab and strong sales channels with independent distributors and direct sale people.

In CY19, Colfax reported US\$3.33 billion revenue comprising US\$2.25 billion (68%) from fabrication tech (Esab) and US\$1.08 billion (32%) from medical tech (DJO).

Colfax Corp is one of the world leaders in the global welding market through 'ESAB' brand. Global arc welding, brazing & cutting industry is estimated at ~ US\$22 billion with Lincoln Electric being the largest player with 13.6% market share followed by Colfax Corp (Esab) (10.2%), ITW (7.4%), Miller (2.2%), Kobelco (3.8%), Golden Bridge (3.5%) and others. Top five to six players globally command ~40% of the welding market.

Exhibit 25: Global market share of leading players in global welding industry



Source: Company, ICICI Direct Research, Industry

Valuations & Outlook

Esab's debt free status would help further enhance its return ratios and operating cash flows with strong margin profile over the next few years. Esab is expected to further expand its margin profile over the next few years by leveraging its strong product profile, cost efficiencies, product mix, innovation and global brand image and network through Colfax Corp to build market leadership position. It has outperformed its domestic peers on the margin front.

We expect the earnings momentum to continue in the long term led by product innovation through R&D, further up-tick in investment activities in key infrastructure and manufacturing sectors in the long run to further enhance welding equipment business. Overall, the company is expected to further strengthen its leadership position through value added new product offerings, penetrating automation and robotics products in welding industry which will drive growth and help gain market share. It currently commands domestic welding consumable market share of ~23%. Further, Esab is currently trading at 26.8x P/E on FY23E (vs. forward median P/E band of 28x, up cycle and down cycle average TTM P/E of 35x and 12x, respectively). We value Esab at ₹ 2230/share, implying multiple of 33x on FY23E EPS with a **BUY** rating on the stock.

Peer comparison:

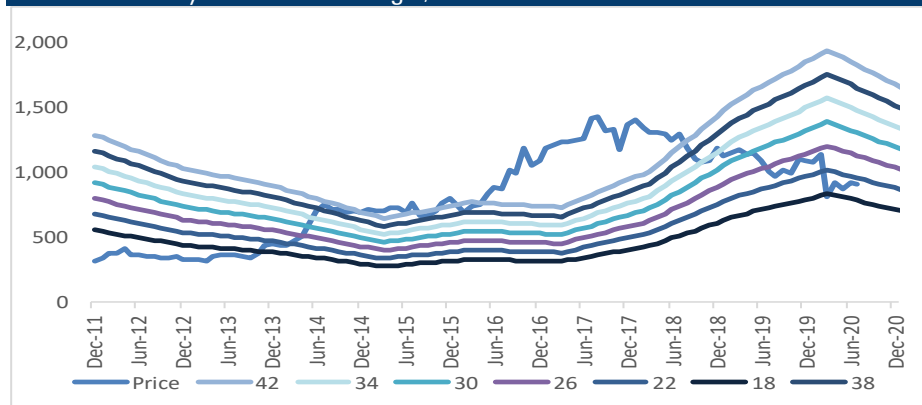
Exhibit 26: Peer Comparison

Companies	CMP	Mcap	P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)			P/BV (x)		
	(₹)	(₹crore)	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E
Esab India	1800	2772	39.0	47.6	32.1	27.7	35.7	24.8	28.9	29.5	33.7	21.1	22.0	25.2	8.2	10.5	8.1
Ador Welding	309	421	14.6	32.3	14.9	11.6	17.5	10.0	12.0	7.2	12.7	10.8	4.8	9.7	1.6	1.5	1.5

Source: Company, ICICI Direct Research

One Year forward P/E band

Exhibit 27: One year forward rolling P/E Band



Source: Company, ICICI Direct Research

Key risk & concerns

International competition to pose challenge to Indian welding players

South East Asia is foreseen to witness high demand in coming years owing to the availability of cheaper manufacturing facilities of welding consumables creating more competition in the region. Delivering welding consumables at lower prices and launching new welding consumable products to cater to the growing demands of customers is a major concern among suppliers of Indian welding consumables.

Shortage of skilled labour poses challenges

Welding companies in India operate welding training academies to enhance skill sets, job performance to meet industry requirement for best manufacturing practices and inspire and instil highest standards of welding skills & practices. However, due to lack of knowledge of its application, cost economies, higher productivity welding consumables like CO2 continuous welding wires and flux cored wires fail to find higher demand. In view of this, it is pertinent to start vigorous marketing efforts by existing leading manufacturers of consumables, equipment to educate users.

Limited R&D, testing facilities in India hurdle to industry growth

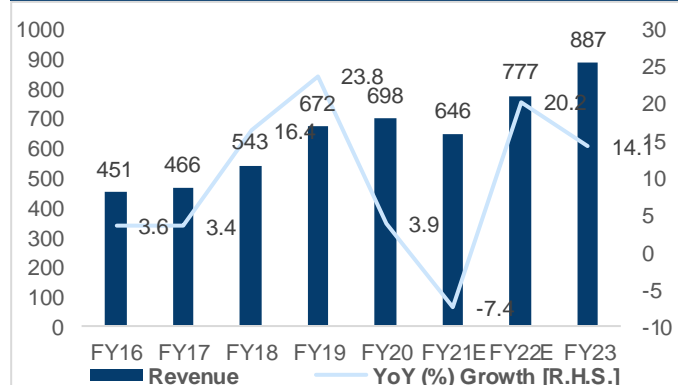
With almost 45-50% of manufacturers in the unorganised segment, the R&D inclination towards material, technology and techniques is very minimal and limited. Public/third party facilities in this direction can prove to be a good value add for largest welding community.

Increasing steel prices may impact prices of welding consumables

Increase in raw material cost could have a direct impact on manufacturing. Hence, for the larger unorganised community, the competitiveness in marketplace reduces thereby affecting overall revenues.

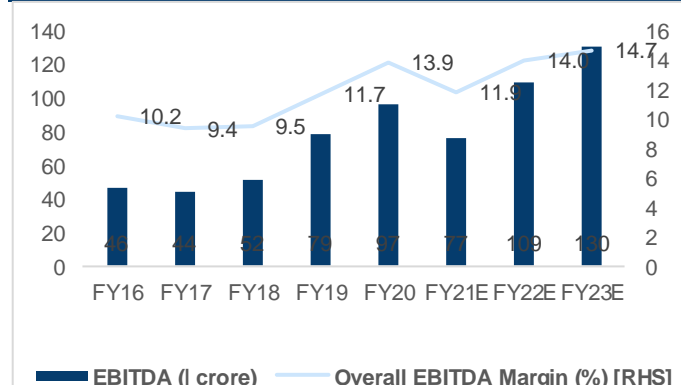
Financial story in charts:

Exhibit 28: Revenue trend...



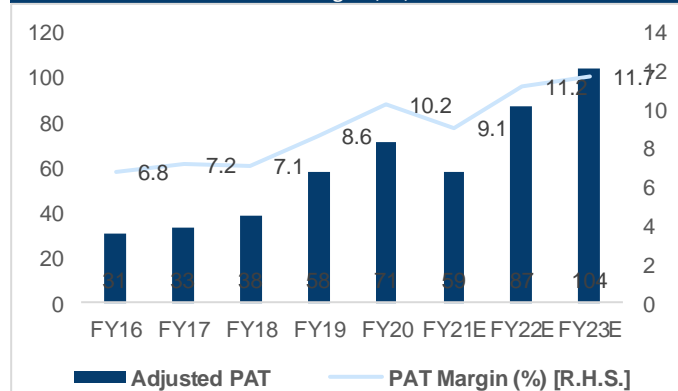
Source: ICICI Direct Research, Company

Exhibit 29: EBITDA and EBITDA margin trend



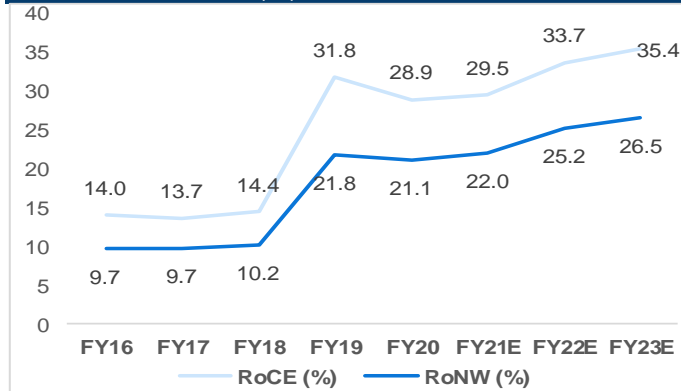
Source: ICICI Direct Research, Company

Exhibit 30: PAT and PAT margin (%) trend...



Source: Company, ICICI Direct Research

Exhibit 31: RoE, RoCE (%) trend...



Source: Company, ICICI Direct Research

Top 10 Shareholders & SHP:

Exhibit 32: Top 10 shareholders

Rank	Investor Name	Filing Date	% O/S	Position (%)	Change
1	Esab Holdings Ltd	30-Sep-20	37.3	5.74m	0.00m
2	Exelvia Group India	30-Sep-20	36.4	5.60m	0.00m
3	Acacia Partners Lp	30-Sep-20	5.3	0.82m	0.00m
4	Bajaj Allianz Life I	30-Sep-20	2.8	0.43m	0.01m
5	Acacia Institutional	30-Sep-20	1.8	0.27m	0.00m
6	Acacia Banyan Partne	30-Sep-20	1.7	0.26m	0.00m
7	Sundaram Asset Manag	30-Sep-20	1.1	0.17m	0.00m
8	Government Of India	30-Sep-20	0.3	0.05m	0.00m
9	Investment Trust Of	30-Nov-20	0.2	0.02m	0.00m
10	Vivaldi Asset Manage	30-Sep-20	0.0	0.00m	0.00m

Source: Reuters, ICICI Direct Research

Exhibit 33: Shareholding Pattern

(in %)	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Promoter	73.7	73.7	73.7	73.7	73.7
FII	10.0	10.0	10.0	9.9	10.0
DII	4.2	4.4	4.4	4.5	4.4
Others	12.1	11.9	11.9	11.9	11.9

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 34: Profit & loss statement (₹ crore)

(₹Crore)	FY20	FY21E	FY22E	FY23E
Net Sales	698.0	646.4	777.2	887.0
Other Operating Income	-	-	-	-
Total Operating Incon	698.0	646.4	777.2	887.0
% Growth	3.9	(7.4)	20.2	14.1
Other Income	13.5	14.2	20.2	22.2
Total Revenue	711.5	660.7	797.4	909.2
Cost of materials consu	350.0	334.0	396.3	449.7
Purchase of stock-in-tra	89.8	83.5	99.4	111.9
Other Expenses	89.8	84.0	99.5	112.7
Total expenditure	601.2	569.8	668.3	756.7
EBITDA	96.8	76.7	108.9	130.4
% Growth	22.9	(20.8)	42.0	19.7
Interest	0.5	0.3	-	-
Depreciation	12.6	12.4	12.9	13.7
PBT	97.2	78.2	116.2	138.9
Tax	25.8	19.7	29.2	35.0
PAT	71.4	58.5	86.9	103.9
% Growth	24.0	(18.0)	48.5	19.5
EPS	46.4	38.0	56.5	67.5

Source: Company, ICICI Direct Research

Exhibit 35: Cash flow statement (₹ crore)

(₹Crore)	FY20	FY21E	FY22E	FY23E
Profit after Tax	71.4	58.5	86.9	103.9
Depreciation	12.6	12.4	12.9	13.7
Interest	0.5	0.3	-	-
Other income	(0.9)	-	-	-
Prov for Taxation	25.8	19.7	29.2	35.0
Cash Flow before WC chang	109.4	90.9	129.1	152.5
Change in Working Capital	(26.4)	(50.0)	(30.5)	(10.7)
Taxes Paid	(25.8)	(19.7)	(29.2)	(35.0)
Cashflow from Operating	57.2	21.2	69.4	106.9
(Purchase)/Sale of Fixed As	(19.3)	(9.5)	(16.9)	(22.0)
(Purchase)/Sale of Investmer	(39.7)	65.0	(10.0)	(15.0)
Other Income	-	-	-	-
Cashflow from Investing	(59.0)	55.5	(26.9)	(37.0)
Issue/(Repayment of Debt)	-	-	-	-
Changes in Minority Interest	-	-	-	-
Changes in Networth	38.3	(129.7)	(9.3)	(55.6)
Interest	(0.5)	(0.3)	-	-
Others	-	-	-	-
Cashflow from Financing	37.8	(130.1)	(9.3)	(55.6)
Changes in Cash	43.9	(53.3)	33.2	14.3
Opening Cash/Cash Equivale	56.2	100.1	46.9	80.1
Closing Cash/ Cash Equivaler	100.1	46.9	80.1	94.4

Source: Company, ICICI Direct Research

Exhibit 36: Balance Sheet (₹ crore)

(₹Crore)	FY20	FY21E	FY22E	FY23E
Share Capital	15.4	15.4	15.4	15.4
Reserves & Surplus	322.4	251.2	328.9	377.2
Networth	337.8	266.6	344.3	392.6
Total Debt	-	-	-	-
Deferred tax liability (net)	-	-	-	-
Total Liabilities	344.9	273.1	352.0	401.5
Gross Block	118.4	121.4	133.4	145.4
Acc: Depreciation	39.1	45.0	49.9	55.6
Net Block	85.0	82.1	83.5	89.9
Capital WIP	6.5	6.5	9.0	11.0
Investments	70.0	5.0	15.0	30.0
Inventory	78.4	90.3	93.7	104.5
Sundry debtors	84.6	100.2	106.5	111.8
Cash and bank balances	100.1	46.9	80.1	94.4
Loans and advances	-	-	-	-
Other Current Assets	20.2	32.3	52.1	59.4
Total current Assets	288.2	274.2	337.8	376.3
CL& Prov.	96.0	103.9	103.7	117.2
Net Current Assets	173.7	154.2	214.7	239.6
Total Assets	344.8	273.1	351.9	401.5

Source: Company, ICICI Direct Research

Exhibit 37: Key ratios

(Year-end March)	FY20	FY21E	FY22E	FY23E
EPS	46.4	38.0	56.5	67.5
Cash EPS	54.6	46.1	64.9	76.4
BV	219.5	173.2	223.6	255.0
DPS	-	70.0	5.0	30.0
Cash Per Share	25.4	29.2	32.4	36.1
EBITDA Margin	13.9	11.9	14.0	14.7
PBT / Net Sales	12.1	9.9	12.3	13.2
PAT Margin	10.2	9.1	11.2	11.7
Inventory days	41.0	51.0	44.0	43.0
Debtor days	44.2	56.6	50.0	46.0
Creditor days	46.1	54.2	45.0	45.0
RoE	21.1	22.0	25.2	26.5
RoCE	28.9	29.5	33.7	35.4
RoIC	35.6	32.1	38.8	41.9
P/E	38.3	46.7	31.4	26.3
EV / EBITDA	27.2	35.0	24.4	20.2
EV / Net Sales	3.8	4.2	3.4	3.0
Market Cap / Sales	3.9	4.2	3.5	3.1
Price to Book Value	8.1	10.2	7.9	7.0
Debt/EBITDA	0.0	0.0	0.0	0.0
Net Debt / Equity	-0.3	-0.2	-0.2	-0.2
Current Ratio	1.9	2.1	2.4	2.4
Quick Ratio	1.1	1.3	1.5	1.5

Source: Company, ICICI Direct Research

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Sell: <-15%



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