

Small hiccup; long term vision intact...

Anup's Q3FY21 performance was subpar led by lower execution on account of night curfew in Ahmedabad post Diwali (loss of 20 days). Further, dispatch of heat-exchangers remained an issue during the curfew days as the company faced logistic challenges. Bottomline was cushioned, led by reversal of taxation as the company adopted a lower tax rate under Sec-115-BAA. Revenue for the quarter came in at ₹ 29 crore, down 62% YoY, 66% QoQ. Execution was impacted on account of night curfew in Ahmedabad. On the positive side, the company has finished goods stock of ₹ 28 crore value as on December end. EBIDTA came in at ₹ 6.8 crore, down 68% YoY entailing a margin of 23% vs 27% YoY. Employee cost increased 26% YoY to ₹ 4.6 crore while other expenses declined 4% YoY to ₹ 14.2 crore. Employee cost increased 26% YoY to ₹ 4.6 crore while other expenses declined 4% YoY to ₹ 14.2 crore. PAT declined 34% YoY to ₹ 9.1 crore cushioned by negative tax charge of ₹ 4.1 crore.

Execution back on track...

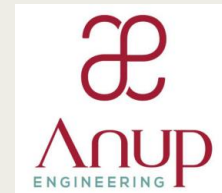
The hiccup faced during the quarter was short lived as normalcy returned and execution levels hit new peaks. We believe there may be a bump in Q4 revenues given a spill over of ₹ 28 crore from Q3, an extra ₹ 12 crore in WIP and normal execution level in Q4. We pencil in FY21E revenue at ₹ 237 crore.

Strong orderbook, upcoming capex give visibility

Anup's Q3FY21 orderbook was at ₹ 363 crore with strong enquiry and robust order pipeline. The company is seeing strong traction from the oil & gas sector that has been the primary bread earner for the company. Citing the current industrial capex activities, we believe order conversion should be healthy. On the capex side, the company has invested in a clean room facility that will aid order inflows from the chemical sector. Further, Phase I of Kheda is expected to come online by September 2021 but there may be an increase in capex to the tune of ~ 10% given the recent hike in steel prices.

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 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. However, it is important to see how Q4FY21 & H1FY22 pans out in terms of execution & order inflows. We, introduce FY23E numbers and pencil in revenue, EBIDTA & PAT CAGR of 31.1% 34.5% & 25.9% for FY21E-FY23E, respectively. We value Anup at 11x FY23E EPS. We revise rating from BUY to **HOLD** with a target price of ₹ 680 (₹ 750 earlier).



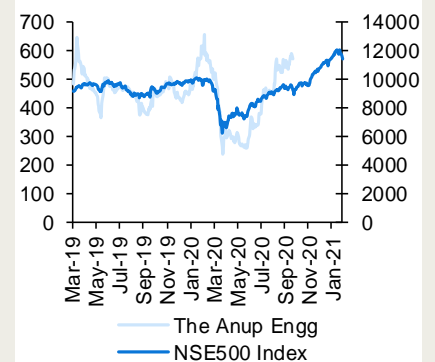
Particulars

Particular	Amount
Market Capitalization (₹crore)	612
Total Debt (FY 20) (₹crore)	0
Cash and Inv (FY 20) (₹crore)	2
EV (FY 20) (₹crore)	610
52 week H/L (₹ (BSE))	839 / 219
Equity capital (₹crore)	10.2
Face value (₹)	10.0

Key risk to our call

- Delay in greenfield expansion of Kheda and any cost overruns thereof
- Better than expected order inflows and higher execution

Price Performance



Research Analyst

Chirag Shah
shah.chirag@icicisecurities.com

Adil Khan
adil.khan@icicisecurities.com

Key Financial Summary

(₹Crore)	FY19	FY20	FY21E	FY22E	FY23E	CAGR (FY21E-23E)
Net Sales	243.0	245.5	237.0	309.6	407.1	31.1
EBITDA	63.9	68.6	54.0	72.7	97.7	34.5
EBITDA margin (%)	26.3	28.0	22.8	23.5	24.0	
Net Profit	42.0	43.0	39.8	45.9	63.1	25.9
EPS (₹)	41.2	42.1	39.0	45.0	61.8	
P/E (x)	14.6	14.2	15.4	13.3	9.7	
P/BV	2.1	1.9	1.7	1.6	1.6	
EV/EBITDA (x)	9.6	8.9	11.2	8.3	6.2	
RoCE (%)	20.1	18.9	12.9	15.8	21.6	
RoE (%)	14.6	13.3	11.2	11.6	16.0	

Source: Company, ICICI Direct Research

Financial summary

Exhibit 1: Profit and loss statement				
	₹ crore			
(₹Crore)	FY20	FY21E	FY22E	FY23E
Net Sales	245	237	310	407
Total Operating Income	245	237	310	407
% Growth (Operating Income)		(3.5)	30.6	31.5
Other Income	4.1	3.5	5.0	8.0
Total Revenue	249.5	240.5	314.6	415.1
Cost of materials consumed	143	139	181	236
Purchase of stock-in-trade	-	-	-	-
Change in inventories	(33)	(19)	(25)	(33)
Employee cost	16	18	21	28
Other Expenses	50	45	59	78
Total expenditure	177	183	237	309
EBITDA	68.6	54.0	72.7	97.7
% Growth (EBITDA)		(21.3)	34.7	34.3
Interest	0.8	1.0	1.0	1.0
PBDT	72	57	77	105
Depreciation	9	10	13	17
PBT	63	47	64	88
Tax	20	7	18	25
PAT	43.0	39.8	45.9	63.1
% Growth (PAT)		(7.4)	15.3	37.4
EPS	42.1	39.0	45.0	61.8

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement				
	₹ crore			
(₹Crore)	FY20	FY21E	FY22E	FY23E
Profit after Tax	43	40	46	63
Depreciation	9	10	13	17
Interest	1	1	1	1
Other income	(4)	(4)	(5)	(8)
Prov for Taxation	20	7	18	25
Change in Working Capital	(25)	15	(8)	(19)
Taxes Paid	(18)	(7)	(18)	(25)
Cashflow from Operating Activities	26	62	47	55
(Purchase)/Sale of Fixed Assets	(18)	(51)	(47)	(50)
(Purchase)/Sale of Investments	(1)	-	-	-
Other Income	4	4	5	8
Cashflow from Investing Activities	(15)	(47)	(42)	(42)
Changes in Network	(1)	-	0	(0)
Interest	(1)	(1)	(1)	(1)
Dividend paid	(7)	(7)	(7)	(7)
Cashflow from Financing Activities	(9)	(8)	(8)	(8)
Changes in Cash	2	6	(3)	5
Opening Cash/Cash Equivalent	0	2	8	5
Closing Cash/ Cash Equivalent	2	8	5	10

*calculated, Source: Company, ICICI Direct Research

Exhibit 3: Balance sheet				
	₹ crore			
(₹Crore)	FY20	FY21E	FY22E	FY23E
Share Capital	10	10	10	10
Reserves & Surplus	313	345	384	440
Total Shareholders fund	323	356	394	450
Goodwill	-	-	-	-
Total debt	-	-	-	-
Other liabilities	15.1	15.1	15.1	15.1
Total Liabilities	338	371	409	465
Gross Block	161	211	261	311
Acc: Depreciation	17	27	40	57
Net Block	144	184	221	254
Capital WIP	12	15	15	15
Investments	2	2	2	2
Inventory	106	91	114	151
Sundry debtors	64	62	81	107
Cash	2	8	5	10
Loans & Advances	-	-	-	-
Inv+Other current assets	64	64	54	44
CL& Prov.	84	81	106	139
Net Current Assets	152	144	149	172
Total Assets	338	371	409	465

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
EPS	42.1	39.0	45.0	61.8
Cash EPS	50.9	48.5	57.7	78.6
BV	316.6	348.6	386.6	386.6
DPS	7.0	7.0	7.0	7.0
Cash Per Share	17.0	26.5	39.3	39.3
EBITDA Margin	28.0	22.8	23.5	24.0
PBT / Net Sales	24.3	18.7	19.3	19.8
PAT Margin	17.5	16.8	14.8	15.5
Inventory days	157.9	140.0	135.0	102.7
Debtor days	95.7	95.7	95.7	72.8
Creditor days	125.0	125.1	125.0	95.1
RoE	13.3	11.2	11.6	16.0
RoCE	18.9	12.9	15.8	21.6
RoIC	25.9	17.3	19.2	25.9
P/E	14.2	15.4	13.3	9.7
EV / EBITDA	8.9	11.2	8.3	6.2
EV / Net Sales	2.5	2.5	2.0	1.5
Market Cap / Sales	2.5	2.6	2.0	1.5
Price to Book Value	1.9	1.7	1.6	1.6
Net Debt / Equity	-	-	-	-
Current Ratio	2.0	1.9	1.8	1.8
Quick Ratio	0.8	0.8	0.8	0.8

Source: Company, ICICI Direct Research

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Buy: > 15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: < -15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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