

# The Anup Engineering (THEANU)

CMP: ₹ 1030

Target: ₹ 1265 (23%)

Target Period: 12 months

BUY

July 28, 2021

## Decent show amid challenging environment...

**About the stock:** Anup Engineering is one of the leading process equipment manufacturers with special focus on heat exchangers.

- The company has a facility in Odhav, Gujarat and is currently in the process of making a greenfield expansion in Kheda
- The company aims to achieve a topline target of ₹ 1000 crore by 2025

**Q1FY22 Results:** Anup reported decent Q1FY22 results.

- Revenue for the quarter was at ₹ 52 crore, up 72% YoY, down 61% QoQ
- EBIDTA margins contracted ~355 bps YoY & ~270 bps QoQ coming in at 24%. Absolute EBIDTA came in at ₹ 12.5 crore, up 50% YoY
- Ensuing PAT came in at ₹ 7.9 crore. Tax rate for the quarter was at 19.6%

**What should investors do?** Anup Engineering is on the cusp of entering into a new trajectory led by strong growth in topline.

- We revise our rating from HOLD to **BUY** on the stock.

**Target Price and Valuation:** We value Anup at ₹ 1265 i.e. 18x P/E on FY23E EPS.

**Key triggers for future price performance:**

- Upcoming clean room facility expanding Anup's reach into exotic metallurgy
- Timely commercialisation of Kheda capex ensuring sustained growth
- Sustained EBIDTA margins in the range of 24-26%

**Alternate Stock Idea:** Apart from Anup Engineering, in our capital goods coverage we also like NRB Bearings.

- It offers a play on needle roller bearings, which are largely used in auto applications
- BUY with a target price of ₹ 175 per share



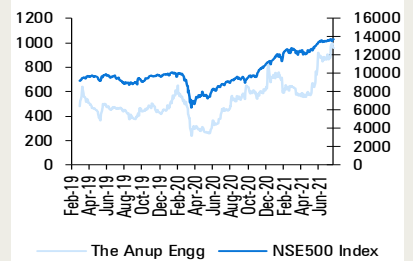
### Particulars

Particular	Amount
Market Capitalization (₹ crore)	1,013
Total Debt (FY21) (₹ crore)	0
Cash and Inv (FY21) (₹ crore)	24
EV (FY21) (₹ crore)	989
52 week H/L (₹) (BSE)	1030 / 444
Equity capital (₹ crore)	9.8
Face value (₹)	10.0

### Shareholding pattern

	Sep-20	Dec-20	Mar-21	Jun-21
Promoter	41.7%	41.6%	43.3%	43.2%
FII	1.6%	1.5%	1.7%	2.1%
DII	16.8%	16.9%	16.7%	11.3%
Others	39.9%	40.0%	38.4%	43.5%

### Price Chart



### Recent event & key risks

- Received regulatory approval for Kheda capex
- Key Risk:** (i) Commodity inflation, (ii) Inability to secure orders for new capacities

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### Key Financial Summary

(₹ Crore)	FY19	FY20	FY21	FY22E	FY23E	CAGR (FY21-23E)
Net Sales	243.0	245.5	279.1	341.9	400.6	19.8
EBITDA	63.9	68.6	68.8	80.2	105.4	23.7
EBITDA margin (%)	26.3	28.0	24.7	23.5	26.3	
Net Profit	42.0	43.0	53.8	51.7	69.2	13.5
EPS (₹)	41.2	42.1	54.7	52.6	70.4	
P/E (x)	25.0	24.4	18.8	19.6	14.6	
P/BV	3.6	3.3	3.0	2.6	2.6	
EV/EBITDA (x)	16.4	15.3	14.4	11.6	8.8	
RoCE (%)	20.1	18.9	17.7	17.9	24.0	
RoE (%)	14.6	13.3	15.9	13.5	18.1	

Source: Company, ICICI Direct Research

## Key takeaways of recent quarter & conference call highlights

### Q1FY22 Results: Sturdy performance

- Revenue for the quarter came in at ₹ 52 crore, up 72% YoY, down 61% QoQ. It is important to note that Q1FY21 had a low base whereas Q4FY21 was exceptionally strong given some spillover from Q3FY21. Hence, the YoY & QoQ performance is not comparable
- EBIDTA margins contracted ~355 bps YoY & ~270 bps QoQ coming in at 24%. Absolute EBIDTA came in at ₹ 12.5 crore, up 50% YoY
- Ensuing PAT came in at ₹ 7.9 crore, with a margin of 15.2%. Tax rate for the quarter was at 19.6%
- Order book was at ₹ 299 crore comprising 77%- 23 domestic & export orders, respectively

### Q1FY22 Earnings Conference Call highlights

- Current orderbook is at ₹ 299 crore. The company has received ₹ 51 crore worth of orders in Q2FY22TD
- EBIDTA margin guidance of ~24%, going ahead
- Acquired 25 new customers in the last 12-16 months
- Regulatory approval received for Kheda capex. Kheda facility will come online in three phases (each phase having revenue potential of ~ ₹ 150 crore). The first phase is expected to come online in the next calendar year, followed by one phase each year
- Maintain guidance of ₹ 1000 crore by 2025, and ₹ 750 crore by FY24

## Financial Summary

Exhibit 1: Profit and loss statement				
₹ crore				
(₹ Crore)	FY20	FY21	FY22E	FY23E
Net Sales	245	279	342	401
Total Operating Income	245	279	342	401
% Growth (Operating Income)		13.7	22.5	17.2
Other Income	4.1	3.7	5.0	6.0
<b>Total Revenue</b>	<b>249.5</b>	<b>282.9</b>	<b>346.9</b>	<b>406.6</b>
Cost of materials consumed	143	140	201	228
Purchase of stock-in-trade	-	-	-	-
Change in inventories	(33)	8	(19)	(28)
Employee cost	16	17	22	26
Other Expenses	50	45	58	69
Total expenditure	177	210	262	295
<b>EBITDA</b>	<b>68.6</b>	<b>68.8</b>	<b>80.2</b>	<b>105.4</b>
% Growth (EBITDA)		0.3	16.5	31.4
Interest	0.8	0.3	1.0	1.0
PBDT	72	72	84	110
Depreciation	9	11	14	17
PBT	63	62	70	94
Tax	20	8	18	24
<b>PAT</b>	<b>43.0</b>	<b>53.8</b>	<b>51.7</b>	<b>69.2</b>
% Growth (PAT)		25.1	(3.9)	34.0
EPS	42.1	54.7	52.6	70.4

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet				
₹ crore				
(₹ Crore)	FY20	FY21	FY22E	FY23E
Share Capital	10	9.8	9.8	9.8
Reserves & Surplus	313	328	372	435
<b>Total Shareholders fund</b>	<b>323</b>	<b>337</b>	<b>382</b>	<b>445</b>
Goodwill	-	-	-	-
Total debt	-	-	-	-
Other liabilities	15.1	12.6	12.6	12.6
<b>Total Liabilities</b>	<b>338</b>	<b>350</b>	<b>395</b>	<b>457</b>
Gross Block	161	161	211	261
Acc: Depreciation	17	28	42	59
Net Block	144	188	169	202
Capital WIP	12	2	15	15
Investments	2	1	1	1
Inventory	106	67	126	148
Sundry debtors	64	110	90	105
<b>Cash</b>	<b>2</b>	<b>24</b>	<b>82</b>	<b>104</b>
Loans & Advances	-	-	-	-
Inv+Other current assets	64	16	6	(4)
CL& Prov.	84	81	117	137
Net Current Assets	152	135	187	216
<b>Total Assets</b>	<b>338</b>	<b>350</b>	<b>395</b>	<b>457</b>

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement				
₹ crore				
(₹ Crore)	FY20	FY21	FY22E	FY23E
Profit after Tax	43	54	52	69
Depreciation	9	11	14	17
Interest	1	0	1	1
Other income	(4)	(4)	(5)	(6)
Prov for Taxation	20	8	18	24
Change in Working Capital	(25)	39	7	(7)
Taxes Paid	(18)	(10)	(18)	(24)
<b>Cash from Opeations</b>	<b>26</b>	<b>97</b>	<b>69</b>	<b>74</b>
(Purchase)/Sale of Fixed Assets	(18)	(40)	(7)	(50)
(Purchase)/Sale of Investments	(1)	1	-	-
Other Income	4	4	5	6
<b>Cash from Investing</b>	<b>(15)</b>	<b>(36)</b>	<b>(2)</b>	<b>(44)</b>
Changes in Networth	(1)	(32)	(0)	(0)
Interest	(1)	(0)	(1)	(1)
Dividend paid	(7)	(7)	(7)	(7)
<b>Cash from Fin</b>	<b>(9)</b>	<b>(40)</b>	<b>(8)</b>	<b>(8)</b>
Changes in Cash	2	22	59	22
Opening Cash/Cash Equivalent	0	2	24	82
Closing Cash/ Cash Equivalent	2	24	82	104

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
(Year-end March)	FY20	FY21	FY22E	FY23E
EPS	42.1	54.7	52.6	70.4
Cash EPS	50.9	65.4	67.2	87.5
BV	316.6	343.2	388.7	388.7
DPS	7.0	7.0	7.0	7.0
Cash Per Share	17.0	28.3	42.9	42.9
EBITDA Margin	28.0	24.7	23.5	26.3
PBT / Net Sales	24.3	20.9	19.3	22.1
PAT Margin	17.5	19.3	15.1	17.3
Inventory days	157.9	87.3	135.0	115.2
Debtor days	95.7	144.2	95.7	81.7
Creditor days	125.0	105.9	124.7	106.4
RoE	13.3	15.9	13.5	18.1
RoCE	18.9	17.7	17.9	24.0
RoIC	25.9	25.4	24.5	33.0
P/E	24.4	18.8	19.6	14.6
EV / EBITDA	15.3	14.4	11.6	8.8
EV / Net Sales	4.3	3.5	2.7	2.3
Market Cap / Sales	4.3	3.6	3.0	2.5
Price to Book Value	3.3	3.0	2.6	2.6
Net Debt / Equity	-	-	-	-
Current Ratio	2.0	2.2	1.9	1.9
Quick Ratio	0.8	1.4	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%



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