

August 29, 2023

Analyst Meet Update

■ Change in Estimates | ☒ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	5,418		4,100	
Sales (Rs. m)	1,64,972	1,90,403	1,64,972	1,90,403
% Chng.	-	-	-	-
EBITDA (Rs. m)	11,966	14,173	11,966	14,172
% Chng.	-	-	-	-
EPS (Rs.)	153.3	190.5	153.3	190.5
% Chng.	-	-	-	-

Key Financials - Consolidated

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	1,43,522	1,64,972	1,90,403	2,18,580
EBITDA (Rs. m)	12,270	11,966	14,172	16,707
Margin (%)	8.5	7.3	7.4	7.6
PAT (Rs. m)	6,377	5,866	7,291	8,718
EPS (Rs.)	166.6	153.3	190.5	227.8
Gr. (%)	148.5	(8.0)	24.3	19.6
DPS (Rs.)	40.0	46.0	57.2	68.3
Yield (%)	0.8	0.9	1.1	1.4
RoE (%)	32.3	24.0	25.1	25.2
RoCE (%)	49.4	38.8	39.4	39.7
EV/Sales (x)	1.3	1.2	1.0	0.9
EV/EBITDA (x)	15.5	15.9	13.4	11.3
PE (x)	30.3	32.9	26.5	22.2
P/BV (x)	8.6	7.3	6.1	5.1

Key Data

APAR.BO | APR IN

52-W High / Low	Rs.5,353 / Rs.1,175
Sensex / Nifty	64,997 / 19,306
Market Cap	Rs.193bn/ \$ 2,338m
Shares Outstanding	38m
3M Avg. Daily Value	Rs.521.86m

Shareholding Pattern (%)

Promoter's	60.64
Foreign	7.47
Domestic Institution	17.97
Public & Others	13.92
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	30.8	119.5	275.9
Relative	33.2	99.1	240.2

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Apar Industries (APR IN)

Rating: ACCUMULATE | CMP: Rs5,047 | TP: Rs5,418

Cables & Conductors to drive healthy growth

We attended Apar Industries (APR) investor day, where management maintained its optimistic outlook across all its business, driven by increasing spends on infrastructure (T&D, renewables, transportation, telecom etc), product premiumization, strong exports opportunity and new product launches. Management highlighted 1) Conductors segment growth will be driven by increasing adoption of premium products in domestic market (AL59, OPGW, HTLS), while exports market will continue to witness demand for conventional products in near to medium term, 2) Cables segment, will continue with its growth momentum driven by strong growth in Elastomeric/E-beam cables from renewables & defence sector, 5G rollouts and growth in B2C business and 3) Speciality oil segment growth will be driven by growth in Transformer Oil (T-Oil - ~33% of segment revenue).

We believe, APR's focus towards value added products and strong traction in exports business will drive strong topline and profitability in the long run. The stock is currently trading at PE of 32.9x/26.5x/22.2x FY24/25/26E. We roll forward to Sep'25E and maintain 'Accumulate' rating on stock, with revise SoTP of Rs5,418 (Rs4,100 earlier) valuing Conductors/Cables/Speciality Oil segment at 25x/32x/12x Sep25E (21x/27x/10x FY25E earlier), factoring multi-year growth visibility and evolving product mix in cables and conductors business while T-Oil to continue its improved performance. However, given the recent sharp run-up in stock price, we expect returns to be back ended.

Conductors- Transformational shift driving growth: Conductors accounts for 47% of revenue as on Q1FY24 with EBITDA/MT of Rs38,740/MT. Conductors demand stands strong in domestic as well as overseas market on back of growing demand for electricity, focus on renewable energy and opportunity from upgradation of outdated and inefficient existing power transmission infrastructure. Investment in domestic Going ahead, 28,000 ckm of Transmission line and 1,80,000km of Distribution lines are likely to be added over next 5 years, translating to ~1.25mn MT (0.25mn MT/year) of conductor's requirement. While in next five years' global overhead conductors demand is pegged at 4.5mn MT (0.9mn MT/year).

Cables- Exports and product mix to be key growth drivers: Cables accounts for ~26% of total revenue as on Q1FY24 with capacity utilization level of ~88%. Over last five years APR has outperformed its peers in cables with revenue CAGR of ~23%. New product launches (500+ products), innovation, capacity expansion (only Cable company with 4 e-Beam irradiation facilities), strong growth in Elastomeric cables mainly coming from sectors such as renewables, Defence & railways and channel expansion in B2C segment backed with China + 1 strategy and increasing focus on renewable energy to be key growth driver going forward.

Speciality Oil- Leader in T-Oil: Speciality Oil segment accounts for ~32% of revenue with EBITDA/KL of ~Rs6,035/KL as on Q1FY24. APR is 3rd largest manufacturer of T-Oil. Going forward, growth will be driven by healthy growth in T-Oil (7-8% volume growth), increasing manufacturing activity driving lubricant demand and product premiumization.

Conductors: Transformational shift driving growth

Conductors accounts for 47% of revenue as on Q1FY24 with EBITDA/MT of Rs38,740/MT. Outlook for conductors stands strong in domestic as well as overseas market on back of growing demand for electricity, focus on renewable energy and opportunity from upgradation of outdated and inefficient existing power transmission infrastructure.

Investment in domestic T&D is expected to reach US\$30bn over next 10 years. 28,000 ckm of Transmission line and 1,80,000km of Distribution lines are expected to be added, translating to ~1.25mn MT of requirement for conductors over next five years. Additionally, augmentation of existing 18,000 ckm of transmission line to increase power capacity and quality is lined up over next few couple of years.

- Indian market is shifting to AL-59 from ACSR conductors where completion has being reduced to 4-5 player's vs 32-33 players earlier.
- APR is undertaking capacity expansion for AL59 conductor to meet growing demand.

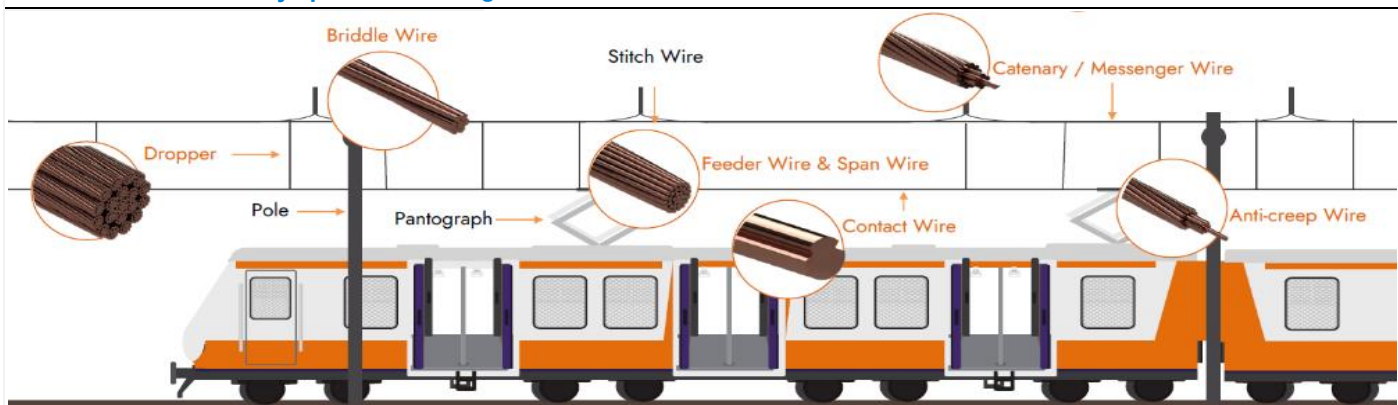
Exhibit 1: APR's Product Offerings in Conductors segment



Source: Company, PL

APR is a market leader in supply of conductors for Indian railway electrification with ~70% market share in Railways overhead conductors. It has also developed Copper magnesium conductors for Bullet Trains.

Exhibit 2: APR's Railways product offerings



Source: Company, PL

Turnkey Solution gaining focus: APR is also focusing on re-conducting EPC space and has completed ~150 turnkey projects till date. Turnkey segment currently contributes ~10-12% of conductor's revenue. Most projects have milestone-based payments. Re-conducting opportunity is worth ~2,000 ckm and is expected to grow by ~30% in FY24.

Exports revenue driven by conventional conductors: Exports contribution has increased from ~40% in FY16 to ~51% in FY23, driven by increasing focus on expanding geographical footprint. Increasing traction for conventional conductors from key geographies like US and Europe resulted in strong exports growth in last couple of years.

Global T&D market is expected to attract investments worth US\$2.2trn over next 10 years. While in next five years' global overhead conductors demand is pegged at 4.5mn MT. Traction is being witnessed from markets such as America, Australia, Europe, Africa, Middle East, Latin America and SAARC.

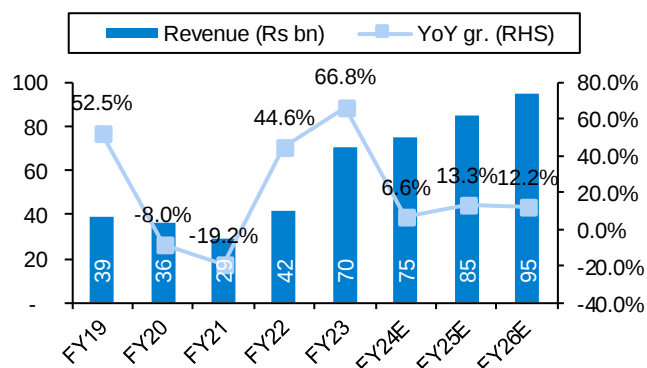
Exhibit 3: APR competitive advantage in conductors segment

Premium products	Conventional products (exports)	R&D, testing and manufacturing excellence
Technology & know-how involved in product and design, acting as a barrier to enter for competition	Customers criteria being massive capacity delivering large volumes within a short period of time with quality & reliability.	In-house advanced R&D and Testing facility, accreditation by international agency
Customers look at life-cycle costs and lowering the transmission losses thereby requiring pre-specifications for their purchases	Customers preferring parties can depend upon including ability to have a strong risk management framework.	Fastest delivery due to Large production Capacity 2,00,000 MT. competitive price. End to End Solution by Turnkey projects execution Completed 165 turnkey projects.
Solution-oriented ecosystem of trained manpower, gangs required to get complex work done with no/minimal power outages	Tight audit requirements, documentation & transparency making some of the weak players ineligible	Technology tie-up with CTC-Global, USA, for ACCC conductors.

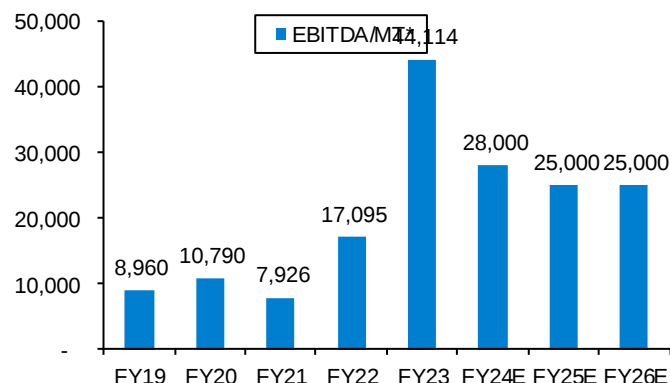
Source: Company, PL

Going forward APR will be focusing on 1) development of HTLS products (to meet export & domestic re-conducting demand) 2) increasing capacity for AL59 conductors 3) developing products for import substitution, 4) increasing export market share and 4) focus on market development of Copper Magnesium and Copper Silver Conductors for high speed Trains.

We expect increasing spends in T&D infrastructure in domestic and exports market will continue to drive demand for conductors in medium to long run. Going forward, APR's conductor business will be driven by demand for premium product from domestic market and conventional as well as premium conductor from exports. We expect Conductor segment to report revenue CAGR of ~10.6% over FY23-26E. EBITDA/MT is expected to be ~Rs25,000/MT in long run vs Rs7,606/MT in FY16, mainly driven by exports and premiumisation.

Exhibit 4: Revenue to report ~10.6% CAGR from FY23-26E


Source: Company, PL

Exhibit 5: EBITDA/MT to stabilize at ~Rs25,000/MT


Source: Company, PL, EBITDA/MT* Post forex Adjustments

Cables: Exports and product mix to be key growth drivers

Cables segment contributed ~26% of total revenue and reported EBITDA margin of 11.4% in Q1FY24. Over last five years APR outperformed its peers in cables with revenue CAGR of ~23%. Company aspires to be top 3 cables & wires manufacturer in India. Capacity utilization level stood at ~88% in FY23.

Domestic cables market stood at ~Rs647bn (up 235 YoY) in FY23, comprising of LV cables-43%, Low duty Cables – 37%, MV cables – 9%, EHV cables – 5% and Elastomeric cables ~6%.

APR caters to various speciality sectors like railways, naval ships, submarines, solar, windmills, telecoms etc. with widest ranges of medium-voltage & low-voltage XLPE cables, elastomeric cables, specialty cables and fibre optic cables.

- The company is market leader in India for specialty cables with ~70% market share in domestic wind energy sector.
- APR is also largest suppliers of cable for Vande Bharat trains with supply of ~98% cables being used. It is also the only approved vendor for supply of cables to Siemens (recently won a large order for 1,200 locomotives from Indian Railways).

Exhibit 6: APR's Cables product offerings

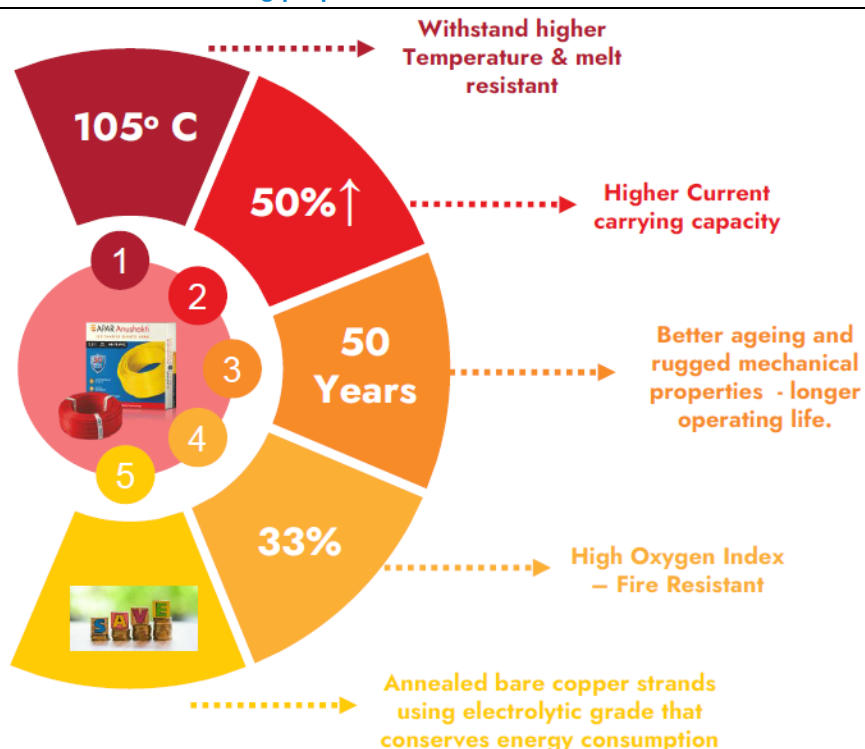
POWER CABLES & WIRES	ELASTOMERIC & E-BEAM CABLES	HOUSE WIRES AND FLEXIBLES	CABLES FOR LISTED USA MARKET	CABLE HARNESS
- XLPE LV Power Cables - XLPE MV Power Cables - XLPE LV Control Cables - Medium Voltage Covered Conductors (MVCC) - LV & HV ABC Cables - Instrumentation Cables - Concentric Core (Anti-Theft) Cables - Railway Signaling Cables - Fire Survival Cables	- Solar Cables - Windmill Cables (72 kV) - Automotive Cables - Ship Wiring Cables - Trailing Cables - Welding Cables - Mining Cables - LFH Cables & Wires - EPR, Silicon, EVA - Auto Cables	- House Wires - E-Beam Cross Linked House Wires 3 Core Flat Cables - Round Multicore Flexible Cables - Cat 6 LAN Cables - CCTV Cables - Coaxial Cables - Telephone Cables	Building Wire - RW75/RW90/RHH/RHW/RHW-2/XHHW/XHHW-2 Wire (UL - 44) - USE/USE-2/SERVICE ENTRANCE SER & SEU Wire (UL - 854) - THHN/THWN/THW/ THW-2 Wire (UL - 83) - Sec. Underground (URD) / Service Drop Cables (As per ICEA) Renewable (Solar & Wind) PV Wire - Single Core PV Wire (UL - 4703) - Our cables comply to PR-I, PR-II, -40°C, FT1, FT2, FT4, VVW1, SR (Sun Resistant) Rating.	- Automotive & EV - Locomotives - Railway Coach - Solar Projects - Wind Projects - Aerospace & ship building - Data Centers - Defence Trucks & armed vehicles, communication systems

Source: Company, PL

Increasing presence in APR's Light duty cables (B2C): APR launched Anushakti house wire with E-beam technology. It offers differentiated wires which offers, higher current capacity, withstanding higher temperature, melt resistant and 50+ years of life. Anushakti house wire is priced at 7-8% premium compared to other wires.

- Currently it has presence in 19 states and plans to expand it further in FY24. It is initially targeting Tier 2/3 cities and then moving towards major cities.
- APR is also planning to roll out electrician loyalty program going forward.
- B2C segment currently contributes ~6% of revenue and managements targets to increase it to 10% in near to medium term.

Exhibit 7: Differentiating properties of Anushakti wires



Source: Company, PL

Exhibit 8: Channel expansion in retail segment

Particulars	FY 22	FY 23	FY 24 Projection
Distributor presence	19	120	267
Retail count presence	276	2,395	6,700
Active state presence	2	13	19
No. of Electrician	-	72,900	1,46,300
Demo's	6,348	35,353	61,150
Electrician Meets	474	3,373	6,860

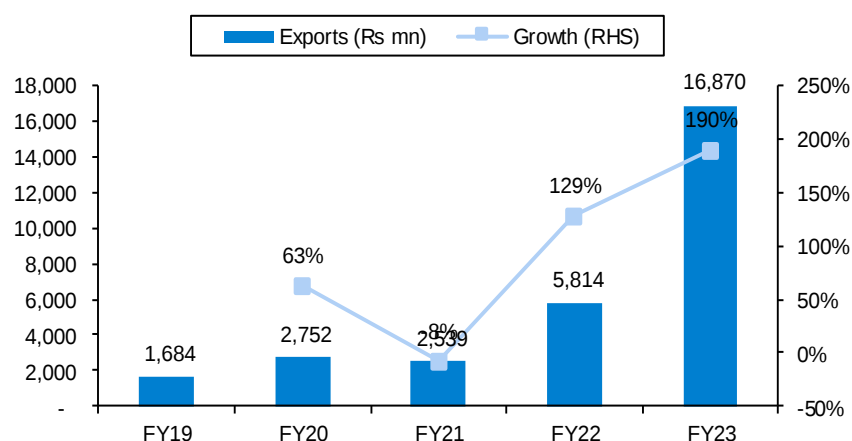
Source: Company, PL

Focus on expanding exports business: Exports contributed ~52% of cables sales as on Q1FY24. APR is a leading Indian player for exports of wires and cables, supplying to countries such as America, Africa, Middle East, Africa, Europe, Australia and SAARC region.

- APR has 18 approvals (key requirement is to export to the US), highest from Indian Player for LV cables.
- UL approval for MV cables is under process; expects to export MV cables by 4QFY24.
- The company supplied ~Rs11bn worth of cables to the US in FY23.
- Received global approvals from Wind Turbine manufacturers like Vestas, Siemens Gamesa, GE etc.

Going forward, we expect growth momentum in exports driven by increasing geographical presence, products approval, superior product quality, increasing acceptance for products, backed with strong demand from key geographies such as US, Europe etc. increasing traction in renewable energy and China + 1 strategy.

Exhibit 9: Geographical expansion drives cables export revenue



Source: Company, PL

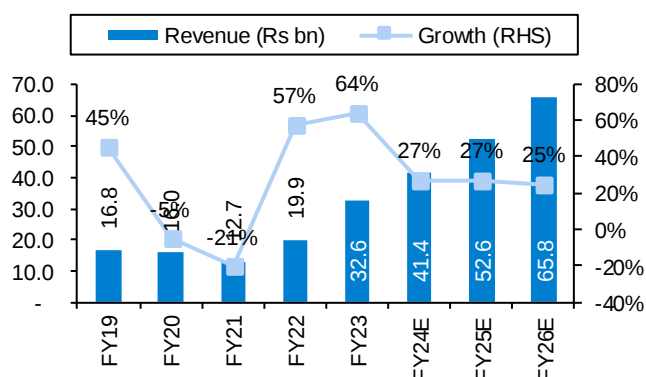
Expanding capacity to meet growing demand: Company plans to incur capex of ~Rs2.6bn over next 18-24 months to meet growing demand, new product launches and additional 1.2MeV E-beam facility.

Exhibit 10: APR competitive advantage in cable segment

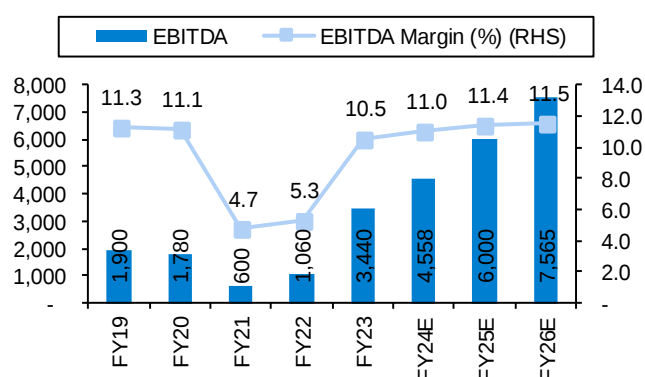
E-beam tech. for housing wire -giving the product a 50- year life, melt resistant and flame retardant till 105 degrees. The only India Cable company with 4 e-beam irradiation facilities	Wide range of cable & industries served viz., railway locomotive & coaches, shipping, mining, defence, solar, wind etc.
Leading player in the renewable space in India (solar & wind cables)	Development of torpedo fibre optic guide for submarine application
Highest number of UL certificate of compliance from India for sale of cable in the United States.	APAR supports Indian Navy by supplying specialized cables

Source: Company, PL

We expect Cables to report a healthy ~26% revenue CAGR from FY23- 26E, driven by new product launches, geographical expansion, increasing product approvals in exports market, benefit from China + 1 strategy, import substitution in defence sectors, healthy growth in elastomeric cables, growth in B2C segment with increasing distribution reach and increasing demand from key sectors such as railways, defence and renewables.

Exhibit 11: Revenue to report ~26% CAGR from FY23-26E


Source: Company, PL

Exhibit 12: EBITDA margin to expand to 11.5% by FY26


Source: Company, PL

Foraying into Telecom Solutions

Telecom solutions is expected to witness healthy growth in coming year driven by increasing mobile penetration, rising per capita consumption and introduction of the 5G network.

APR telecom solution comprises of OFC solutions, LAN & 5G solutions, Convergence solutions and Network services.

Segment revenue stood at ~Rs2bn in FY23 with EBITDA margin in range of 25-30%. Management targets revenue to reach ~Rs10bn over medium term with EBITDA margins to be maintained at same level.

Competitive Advantage:

- Largest product range for evolving market needs
- Readily available NABL LAB for extensive testing
- Capability to provide customized solutions with innovation mindset
- Experience in exporting to more than 140 countries

Exhibit 13: APR's telecom solutions



Source: Company, PL

Speciality Oil: Leader in T-Oil

- Speciality Oil segment accounts for ~32% of revenue with EBITDA/KL of ~Rs6,035/KL as on Q1FY24. APAR is India's largest private manufacturer & exporter of Speciality oils and World's 3rd Largest Transformer Oil manufacturer. Production capacity stands at 5,00,000+ KL in India & 1,20,000+ KL in UAE.
- Segment offers comprehensive product range including transformer oil (T-oil), white & pharmaceutical oils, petroleum jelly, industrial process oils, industrial lubricants, automotive lubricants and greases.
- It is focusing on introducing biodegradable Specialty Oil products. APAR is the only player in biodegradable specialty oil with ~90% biodegradable properties.
- It also has developed Hot Melt Adhesives. APAR is one of the three global manufacturer of Hot Melt Adhesives, offerings product for technical and hygiene applications.

Exhibit 14: APR's Product offerings under Speciality Oil

TRANSFORMER OILS	TECHNICAL GRADE WHITE OILS	PHARMACEUTICAL GRADE WHITE OILS	RUBBER PROCESS OILS
Heart of a transformer, used in dielectric cooling	Used in the textile industry and incense perfume	Used in cosmetics & personal care products	Used in EPDM, tyres and rubbers
-	-	-	-
30+ grades	15+ grades	15+ grades	15+ grades
-	-	-	-
Brands POWEROIL POWEROIL NE PREMIUM	Brands POWEROIL TOPAZ	Brands POWEROIL PEARL	Brands POWEROIL SAPPHIRE

Source: Company, PL

Exhibit 15: Key Clientele of APR's Transformer Oil

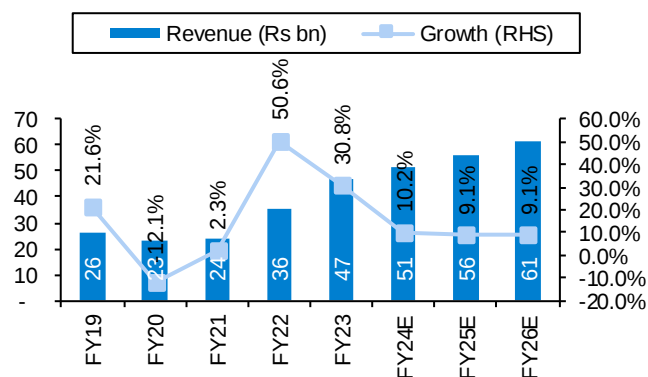


Source: Company, PL

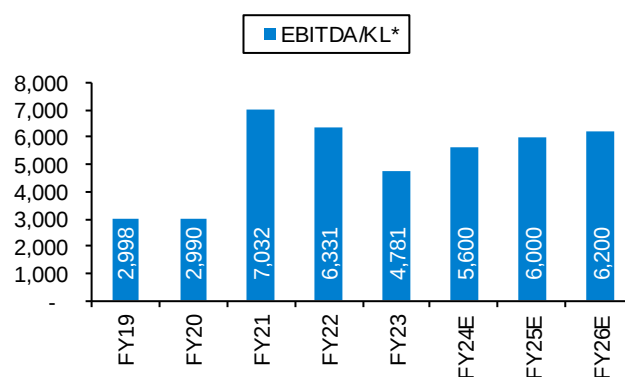
APR entered into Lubricant business in 2007, through a technology arrangement with Eni of Italy. Indian industrial Lubricant market stands at 2.3MMT with APR market share of 6-7%. APR sells Lubricants through 485 distributors comprising of 373 retailers and 112 industrial distributors. Exports is a key area of focus for the company and targets geographies like Indian Subcontinent, Middle East and Africa.

Going forward, increasing manufacturing activity to drive growth for industrial lubricant demand (which are consumables in nature) which will lead to utilization of equipment resulting in increasing use of lubricants. Also premiumisation is taking place in Industrial to significantly drive both volume and value. While Auto Lubricant is expected to grow in-line with GDP growth rate.

We believe that within Speciality Oil segment, T-Oil is going to be key growth driver in near to medium term, driven by increasing capex in Transmission sector, strong HVDC pipeline and new product launches in new range (765KV & 800KV HVDC). Although, auto lubricant is expected to decline or be muted due to increasing adoption of EV segment. Overall we expect revenue growth of ~9% CAGR from FY23-26E with EBITDA/KL of ~Rs5,600-6,200/KL for FY24-26.

Exhibit 16: Revenue to report ~9% CAGR from FY23-26E


Source: Company, PL

Exhibit 17: EBITDA/KL to be in range of Rs5,600-6,200/KL


Source: Company, PL * EBITDA/KL Post forex adjustments

Outlook and Valuation

We believe that continued strong traction for Conductors and Cables in exports market coupled with strong demand for premium products in domestic and exports market will drive strong performance over the medium term. We expect Revenue/PAT CAGR of 15.1%/11% over FY23-26E (amid high PAT base). The stock currently trades at PE of 32.9x/26.5x/22.2x FY24/25/26E.

We roll forward to Sep'25E and maintain Accumulate rating, with revise SoTP of Rs5,418 (Rs4,100 earlier) valuing Conductors/Cables/Speciality Oil segment at 25x/32x/12x Sep25E (21x/27x/10x FY25E earlier), factoring multi-year growth visibility and evolving product mix in cables and conductors business while T-Oil to continue its improved performance. However, given the recent sharp run-up in stock price, we expect returns to be back ended.

Exhibit 18: Cables accounts for 64% of SoTP

	Segmental PAT Sep25E (Rs mn)	Valuation basis	Target multiple (X)	Targeted Value (Rs mn)	Value/ Share
Conductors Segment	2,016	P/E	25	50,390	1,317
Cables Segment	4,262	P/E	32	136,368	3,563
Speciality Oil Segment	1,717	P/E	12	20,601	538
Total Target (Rs. Mn)				207,359	5,418

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	1,43,522	1,64,972	1,90,403	2,18,580
YoY gr. (%)	54.0	14.9	15.4	14.8
Cost of Goods Sold	1,07,088	1,24,845	1,43,900	1,64,758
Gross Profit	36,434	40,127	46,503	53,822
Margin (%)	25.4	24.3	24.4	24.6
Employee Cost	2,205	2,590	3,008	3,454
Other Expenses	21,960	25,571	29,322	33,661
EBITDA	12,270	11,966	14,172	16,707
YoY gr. (%)	124.0	(2.5)	18.4	17.9
Margin (%)	8.5	7.3	7.4	7.6
Depreciation and Amortization	1,043	1,244	1,373	1,519
EBIT	11,226	10,722	12,799	15,187
Margin (%)	7.8	6.5	6.7	6.9
Net Interest	3,055	3,308	3,527	4,078
Other Income	375	429	476	546
Profit Before Tax	8,546	7,842	9,747	11,655
Margin (%)	6.0	4.8	5.1	5.3
Total Tax	2,168	1,976	2,456	2,937
Effective tax rate (%)	25.4	25.2	25.2	25.2
Profit after tax	6,377	5,866	7,291	8,718
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	6,377	5,866	7,291	8,718
YoY gr. (%)	148.5	(8.0)	24.3	19.6
Margin (%)	4.4	3.6	3.8	4.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	6,377	5,866	7,291	8,718
YoY gr. (%)	148.5	(8.0)	24.3	19.6
Margin (%)	4.4	3.6	3.8	4.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	6,377	5,866	7,291	8,718
Equity Shares O/s (m)	38	38	38	38
EPS (Rs)	166.6	153.3	190.5	227.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	14,827	16,827	18,827	20,827
Tangibles	14,814	16,814	18,814	20,814
Intangibles	14	14	14	14
Acc: Dep / Amortization	5,320	6,564	7,938	9,457
Tangibles	5,320	6,564	7,938	9,457
Intangibles	-	-	-	-
Net fixed assets	9,507	10,263	10,890	11,370
Tangibles	9,494	10,249	10,876	11,357
Intangibles	14	14	14	14
Capital Work In Progress	991	1,091	1,091	1,091
Goodwill	-	-	-	-
Non-Current Investments	67	42	42	42
Net Deferred tax assets	(217)	(217)	(217)	(217)
Other Non-Current Assets	1,153	1,980	2,475	3,060
Current Assets				
Investments	501	501	501	501
Inventories	25,756	29,831	34,429	39,524
Trade receivables	32,256	37,062	42,775	49,106
Cash & Bank Balance	5,301	5,721	6,324	7,600
Other Current Assets	6,008	7,127	8,759	10,055
Total Assets	82,177	94,359	1,08,523	1,23,768
Equity				
Equity Share Capital	383	383	383	383
Other Equity	21,981	26,088	31,191	37,294
Total Networth	22,364	26,470	31,574	37,677
Non-Current Liabilities				
Long Term borrowings	1,514	1,814	2,014	2,214
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	1,528	1,528	1,528	1,528
Trade payables	52,066	59,661	68,336	77,251
Other current liabilities	4,488	4,669	4,854	4,882
Total Equity & Liabilities	82,177	94,359	1,08,523	1,23,768

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	8,546	7,842	9,747	11,655
Add. Depreciation	1,043	1,244	1,373	1,519
Add. Interest	1,553	3,308	3,527	4,078
Less Financial Other Income	375	429	476	546
Add. Other	794	-	-	-
Op. profit before WC changes	11,936	12,395	14,648	17,253
Net Changes-WC	(2,763)	(3,130)	(4,074)	(4,547)
Direct tax	2,190	1,976	2,456	2,937
Net cash from Op. activities	6,983	7,288	8,118	9,769
Capital expenditures	(2,467)	(2,100)	(2,000)	(2,000)
Interest / Dividend Income	-	-	-	-
Others	(222)	-	-	-
Net Cash from Invt. activities	(2,689)	(2,100)	(2,000)	(2,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	(67)	300	200	200
Dividend paid	(574)	(1,760)	(2,187)	(2,615)
Interest paid	(1,200)	(3,308)	(3,527)	(4,078)
Others	-	-	-	-
Net cash from Fin. activities	(1,841)	(4,768)	(5,515)	(6,494)
Net change in cash	2,453	420	603	1,275
Free Cash Flow	4,505	5,188	6,118	7,769

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	166.6	153.3	190.5	227.8
CEPS	193.9	185.8	226.4	267.5
BVPS	584.4	691.7	825.0	984.5
FCF	117.7	135.6	159.9	203.0
DPS	40.0	46.0	57.2	68.3
Return Ratio(%)				
RoCE	49.4	38.8	39.4	39.7
ROIC	49.5	37.5	37.3	37.7
RoE	32.3	24.0	25.1	25.2
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.1)	(0.1)
Net Working Capital (Days)	15	16	17	19
Valuation(x)				
PER	30.3	32.9	26.5	22.2
P/B	8.6	7.3	6.1	5.1
P/CEPS	26.0	27.2	22.3	18.9
EV/EBITDA	15.5	15.9	13.4	11.3
EV/Sales	1.3	1.2	1.0	0.9
Dividend Yield (%)	0.8	0.9	1.1	1.4

Source: Company Data, PL Research

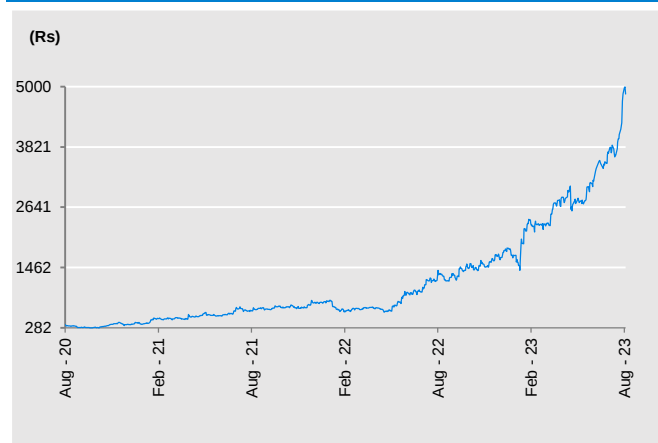
Quarterly Financials (Rs m)

Y/e Mar	Q2FY23	Q3FY23	Q4FY23	Q1FY24
Net Revenue	32,349	39,389	40,886	37,730
YoY gr. (%)	42.6	76.7	35.7	22.0
Raw Material Expenses	24,517	29,377	29,820	28,475
Gross Profit	7,832	10,012	11,066	9,255
Margin (%)	24.2	25.4	27.1	24.5
EBITDA	2,259	3,432	4,239	3,462
YoY gr. (%)	77.0	196.5	144.3	45.8
Margin (%)	7.0	8.7	10.4	9.2
Depreciation / Depletion	261	261	273	272
EBIT	1,998	3,171	3,966	3,189
Margin (%)	6.2	8.1	9.7	8.5
Net Interest	711	940	791	696
Other Income	122	66	107	139
Profit before Tax	1,409	2,298	3,282	2,632
Margin (%)	4.4	5.8	8.0	7.0
Total Tax	383	599	855	657
Effective tax rate (%)	27.2	26.1	26.0	25.0
Profit after Tax	1,026	1,699	2,428	1,975
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,026	1,699	2,428	1,975
YoY gr. (%)	80.4	209.1	193.9	61.3
Margin (%)	3.2	4.3	5.9	5.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,026	1,699	2,428	1,975
YoY gr. (%)	80.4	209.1	193.9	61.3
Margin (%)	3.2	4.3	5.9	5.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,026	1,699	2,428	1,975
Avg. Shares O/s (m)	38	38	38	38
EPS (Rs)	26.8	44.4	63.4	51.6

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	01-Aug-23	Accumulate	4,100	3,782
2	06-Jul-23	BUY	3,725	3,493
3	14-Jun-23	BUY	3,725	2,993
4	09-May-23	BUY	3,832	3,056
5	11-Apr-23	UR	-	2,695
6	31-Jan-23	BUY	2,260	1,687
7	04-Jan-23	BUY	1,834	1,789
8	04-Nov-22	BUY	1,834	1,464
9	04-Oct-22	UR	-	1,445

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	5,013	4,511
2	Apar Industries	Accumulate	4,100	3,782
3	Bharat Electronics	Accumulate	140	130
4	BHEL	Reduce	67	93
5	Carborundum Universal	BUY	1,482	1,259
6	Cummins India	Hold	1,788	1,796
7	Engineers India	Accumulate	165	155
8	GE T&D India	Hold	260	273
9	Grindwell Norton	BUY	2,604	2,215
10	Harsha Engineers International	Accumulate	474	432
11	Kalpataru Projects International	BUY	732	635
12	KEC International	Hold	645	658
13	Larsen & Toubro	BUY	2,955	2,560
14	Praj Industries	BUY	475	416
15	Siemens	Accumulate	4,241	3,779
16	Thermax	Hold	2,613	2,721
17	Triveni Turbine	Accumulate	419	398
18	Voltamp Transformers	Hold	4,611	4,802

PL's Recommendation Nomenclature (Absolute Performance)

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

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