BUY

Kalpataru Projects

Muted Quarter; growth levers intact

Engineering & Capital Goods ▸ Result Update ▸ **July 30, 2024**

TARGET PRICE (Rs): 1,550

We maintain our BUY rating on Kalpataru Projects International (KPIL), with revised up TP of Rs1,550/share (Rs1,400/share earlier), mainly led by 8%/11% increase in execution during FY26E/FY27E, respectively, given strong order back-log and gradually-receding labor challenges. The management is confident of achieving 20% revenue growth in FY25, coupled with gradual improvement in profitability. This would be mainly led by the T&D (domestic and international), Building and Factories, and Water (drinking, sanitation, and irrigation) segments. The company continues to focus on exiting the non-core business (Indore realty, road boot assets) which is likely to further deleverage an already-lean balance sheet. With the cyclical turnaround being in favor of engineering companies, KPIL stands to benefit the most among peers, due to its disciplined approach in order picking and impeccable execution track-record. Pledged shares have come down, from 31% at the end of FY24 to 28.8% now; we expect this to keep declining going ahead.

Kalpataru Projects: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	143,370	167,600	202,909	244,844	287,600
EBITDA	11,610	13,660	17,530	22,407	27,801
Adj. PAT	4,770	5,680	8,093	11,235	14,815
Adj. EPS (Rs)	32.7	32.8	49.8	69.2	91.2
EBITDA margin (%)	8.1	8.2	8.6	9.2	9.7
EBITDA growth (%)	36.1	17.7	28.3	27.8	24.1
Adj. EPS growth (%)	51.7	0.4	51.8	38.8	31.9
RoE (%)	9.3	10.3	13.1	15.8	17.9
RoIC (%)	14.5	14.8	17.4	20.7	23.8
P/E (x)	45.2	37.9	26.6	19.2	14.5
EV/EBITDA (x)	20.3	17.5	13.7	10.7	8.4
P/B (x)	4.0	3.7	3.3	2.8	2.4
FCFF yield (%)	(0.8)	0.1	0.9	1.8	3.5

Source: Company, Emkay Research

Muted Quarter; execution to pick up Q2FY25 onwards

Q1FY25 witnessed muted execution due to the general elections and delay in collections, leading to only a 3% YoY growth in revenue to Rs37bn (T&D/Civil YoY growth: 32%/23%), and EBITDAM contracting to 8.4% (-23bps YoY). NWC days deteriorated to 124 (vs Q1FY24/Q4FY24: 106/99); finance cost as a % of sales rose to 2.3% (vs Q1FY24/Q4FY24: 2.1%/1.8%). From Q2FY25, ordering and tendering activities are seen gaining momentum, and we believe KPIL is well positioned to meet its revenue guidance of ~20% YoY growth. The management is confident of recovery on the margin front, H2FY25 onward, and provided a PBT/EBITDA margin guidance range of 4.5-5%/8.5-9% during FY25. The management maintains its FY25 guidance to restricting NWC days below 100, and capping its finance cost as a % of sales at 2%. Additionally, to enhance KPIL's execution capabilities, the management maintains its capital expenditure guidance to ~Rs5-6bn during FY25. We enhance FY25E execution by 3.5%, keeping margins unchanged, on the back of ease in operations ahead and project KPIL likely registering revenue growth/EBITDAM of 21%/8.6% during FY25E, in line with the management estimates.

Robust order backlog provides strong revenue visibility

YTD order inflow was Rs70bn (-5% YoY, on a higher base), led by the T&D/water segments registering 30%/82% YoY growth. Order backlog was maintained at Rs571bn (BB ratio: 2.9x), along with L1 position of Rs50bn; 75% of L1 pertains to the T&D and B&F segments. The management targets order inflow of Rs220-230bn during FY25 (31% of target achieved in Q1FY25) which we believe is on the conservative side. We expect the T&D segment (tender pipeline of ~Rs4.8trn) to lead inflow growth from the front, albeit we expect the railways segment continue degrowing during FY25.

Non-core-investment exit plans on track

KPIL is well on track to divest the non-core investments which is likely to result in freeing up capital. The management has been approached by a large global investor regarding the Vindhyachal Expressway (VEPL), which has the largest exposure among road assets of ~70%. The management is confident of selling this asset at a valuation that covers its entire investment of Rs3.9bn; the asset-sale amount is expected to be received in FY25. We are confident that the balance 20% inventory in Indore Real Estate will be sold out during FY25, and hence we build in cash-flow of Rs1.7bn received over the course of the year.

Valuations

KPIL offers a play on multiple high-growth end-markets, and has managed its margins and NWC volatility across cycles. This, along with ease in operations post-Q1FY25, has led us to expand our FY26E/FY27E revenue by +8%/+11%. We maintain our BUY rating on KPIL, continuing to value it at 20x 1YF PER, arriving at SoTP-based TP of Rs1,550/share (Jun-26E earnings).

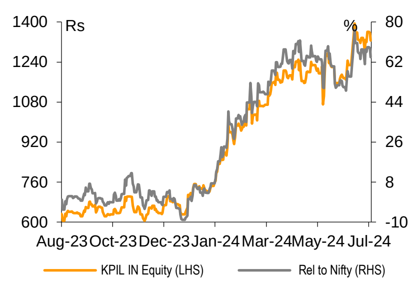
Target Price – 12M	Jun-25
Change in TP (%)	**10.7**
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	16.9
CMP (30-Jul-24) (Rs)	1,326.0

Stock Data	Ticker
52-week High (Rs)	1,428
52-week Low (Rs)	574
Shares outstanding (mn)	162.4
Market-cap (Rs bn)	215
Market-cap (USD mn)	2,573
Net-debt, FY25E (Rs mn)	23,930
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	904.8
ADTV-3M (USD mn)	10.8
Free float (%)	-
Nifty-50	24,857
INR/USD	83.7
Shareholding, Jun-24	
Promoters (%)	35.2
FPIs/MFs (%)	10.1/45.6

Price Performance

(%)	1M	3M	12M
Absolute	12.8	8.2	112.6
Rel. to Nifty	8.9	(1.6)	68.1

1-Year share price trend (Rs)

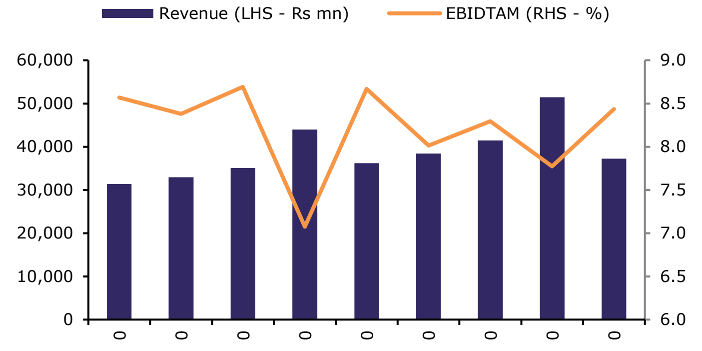


Ashwani Sharma
ashwani.sharma@emkayglobal.com
+91 22 6612 1377

Chinmay Kabra
chinmay.kabra@emkayglobal.com
+91 22 6624 2453

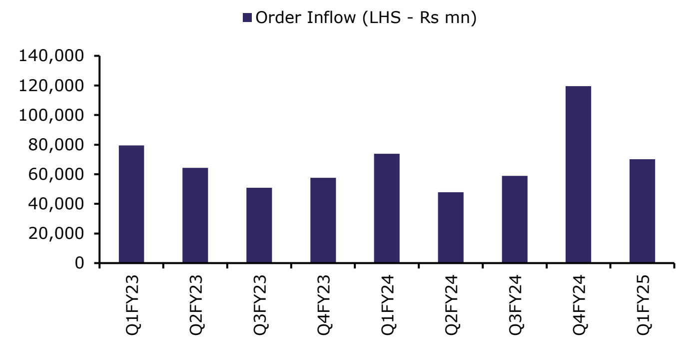
Story in Charts

Exhibit 1: Revenue grew 3% YoY; EBITDAM contracted to 8.4% (-23bps YoY)



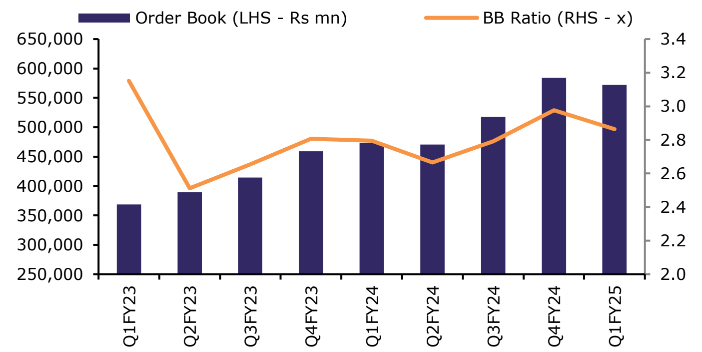
Source: Company, Emkay Research

Exhibit 2: Order inflow stood at Rs70bn (-5% YoY, on account of a higher base)



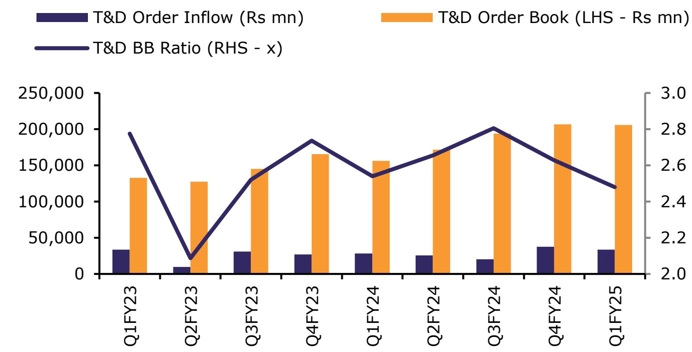
Source: Company, Emkay Research

Exhibit 3: Order Book at Rs571bn (BB ratio: 2.9x); L1 Position at Rs50bn



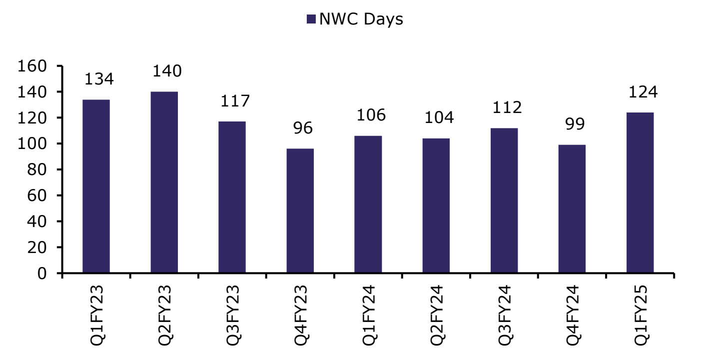
Source: Company, Emkay Research

Exhibit 4: Order inflow/order backlog – majority share is composed of the T&D segment



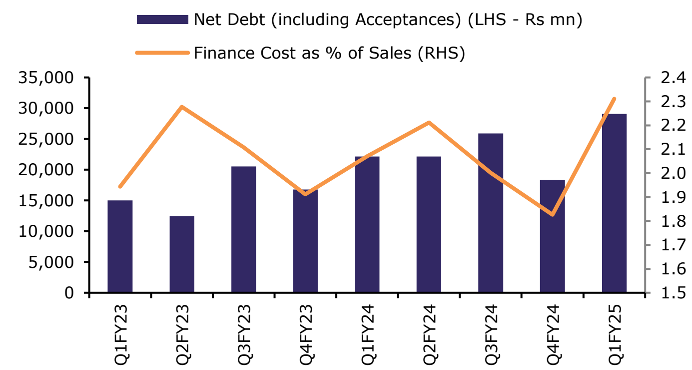
Source: Company, Emkay Research

Exhibit 5: NWC days expected to normalize to 100 during FY25



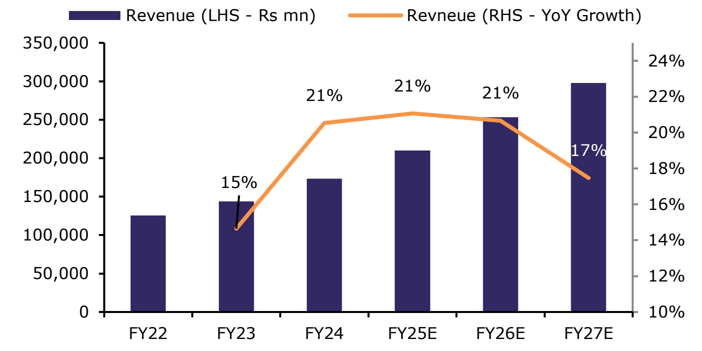
Source: Company, Emkay Research

Exhibit 6: Finance cost as a % of sales expected to normalize to 2%



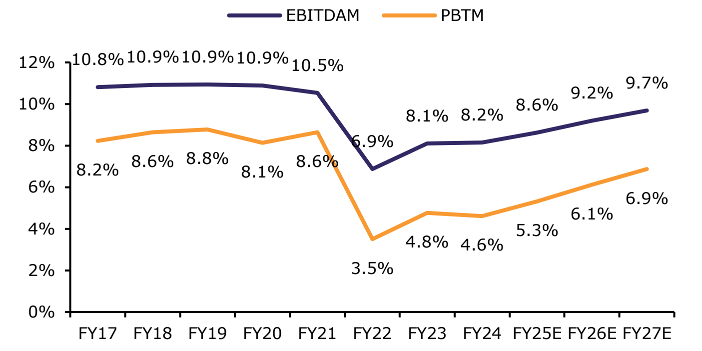
Source: Company, Emkay Research

Exhibit 7: Revenue CAGR at ~20% during FY24-27E



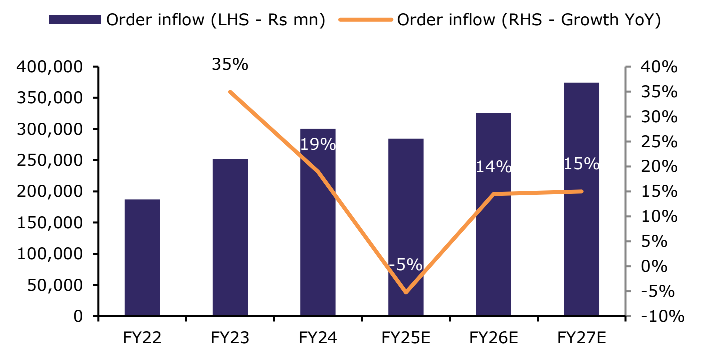
Source: Company, Emkay Research

Exhibit 8: We expect KPIL to log a high single-digit EBITDAM by the end of FY27E



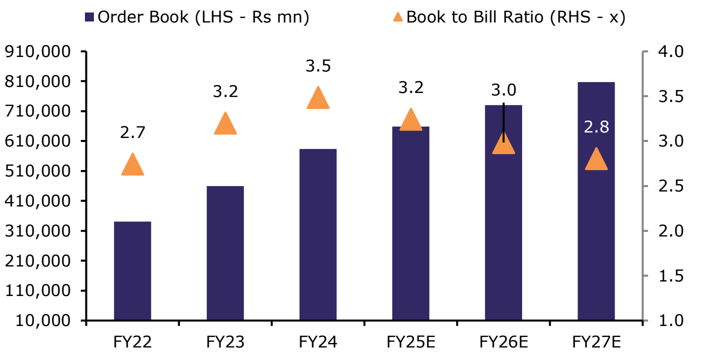
Source: Company, Emkay Research

Exhibit 9: FY25E inflows expected to decline due to a high base effect; FY25 management inflow guidance is Rs220-230bn



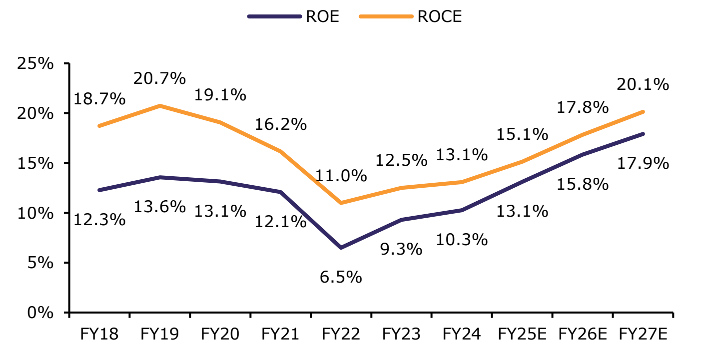
Source: Company, Emkay Research

Exhibit 10: Order book is likely to maintain ~3x BB ratio ahead



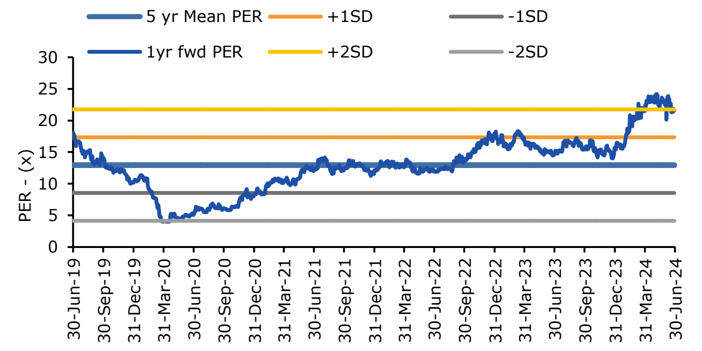
Source: Company, Emkay Research

Exhibit 11: RoE/ROCE expected to rise to ~18%/20% by FY27E



Source: Company, Emkay Research

Exhibit 12: KPIL trading above +2SD PER



Source: Bloomberg, Emkay Research

Exhibit 13: Quarterly Standalone Results – Financial Analysis

Standalone Financial Result Analysis (Rs mn)	Q1FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)	FY23	FY24	YoY (%)
Revenue	36,220	51,470	37,220	2.8	(27.7)	143,370	167,600	16.9
Material cost	27,920	39,360	28,530	2.2	(27.5)	111,630	129,980	16.4
as % of sales	77.1	76.5	76.7	-43bps	18bps	77.9	77.6	-31bps
Employee Cost	3,000	3,150	3,120	4.0	(1.0)	10,340	11,940	15.5
as % of sales	8.3	6.1	8.4	10bps	226bps	7.2	7.1	-9bps
Other expenditure	2,160	4,960	2,430	12.5	(51.0)	9,790	12,020	22.8
as % of sales	6.0	9.6	6.5	57bps	-311bps	6.8	7.2	34bps
Total expenditure	33,080	47,470	34,080	3.0	(28.2)	131,760	153,940	17
EBITDA	3,140	4,000	3,140	-	(21.5)	11,610	13,660	18
Depreciation	930	930	930	-	-	2,950	3,680	25
EBIT	2,210	3,070	2,210	-	(28.0)	8,660	9,980	15
Other Income	290	320	290	-	(9.4)	1,120	1,130	1
Interest	750	940	860	14.7	(8.5)	2,940	3,370	15
PBT	1,750	2,450	1,640	(6.3)	(33.1)	6,840	7,740	13
Taxes	490	600	470	(4.1)	(21.7)	2,070	2,060	(0)
PAT	1,260	1,850	1,170	(7.1)	(36.8)	4,770	5,680	19
Extra ord / Exceptional item	-	(350)	-			540	(350)	(165)
Reported PAT	1,260	1,500	1,170	(7.1)	(22.0)	5,310	5,330	0
Margins (%)								
Gross margin	22.9	23.5	23.3	43bps	-18bps	22.1	22.4	31bps
EBITDAM	8.7	7.8	8.4	-23bps	66bps	8.1	8.2	5bps
EBITM	6.1	6.0	5.9	-16bps	-3bps	6.0	6.0	-9bps
PBTM	4.8	4.8	4.4	-43bps	-35bps	4.8	4.6	-15bps
PATM	3.5	3.6	3.1	-34bps	-45bps	3.3	3.4	6bps
Effective Tax rate	28.0	24.5	28.7	66bps	417bps	30.3	26.6	-365bps

Source: Company, Emkay Research

Exhibit 14: Segmental Breakup of consolidated revenue (Rs mn)

Consolidated Revenue (Rs mn)	Q1FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)	FY23	FY24	YoY (%)
T&D	14,000	29,190	18,430	31.6	(36.9)	60,380	78,270	29.6
B&F	10,010	13,880	12,260	22.5	(11.7)	41,360	47,900	15.8
Water	9,020	7,480	7,040	(22.0)	(5.9)	26,220	35,110	33.9
Oil & Gas	2,150	2,370	2,540	18.1	7.2	9,850	8,220	(16.5)
Railways	4,370	3,840	2,420	(44.6)	(37.0)	16,520	14,250	(13.7)
Urban Infra	1,540	1,930	1,810	17.5	(6.2)	4,030	7,040	74.7
Others	1,330	1,010	1,370	3.0	35.6	5,250	5,450	3.8
Total	42,420	59,700	45,870	8.1	(23.2)	163,610	196,240	19.9

Source: Company, Emkay Research

Exhibit 15: YTD order inflow declined by 5% on account of slowdown in tendering activities, and high base effect

Consolidated Order Inflow (Rs mn)	Q1FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)	FY23	FY24	YoY (%)
T&D	28,055	37,504	33,770	20.4	(10.0)	100,964	111,570	10.5
B&F	28,794	246	22,910	(20.4)	9,213.0	37,862	65,280	72.4
Water	7,383	(369)	13,470	82.4	(3,755.4)	75,723	15,890	(79.0)
Oil & Gas	2,215	74,081	-	(100.0)	(100.0)	7,572	79,500	949.9
Railways	7,383	(509)	-	(100.0)	(100.0)	15,145	10,330	(31.8)
Urban Infra	-	8,618	-		(100.0)	15,145	17,650	16.5
Total	73,830	119,570	70,150	(5.0)	(41.3)	252,410	300,220	18.9
Consolidated Order Inflow Growth (YoY %)	**Q1FY24**	**Q4FY24**	**Q1FY25**					
T&D	(16)	39	20					
B&F	179	(95)	(20)					
Water	(67)	(101)	82					
Oil & Gas	39	(1,321)	(100)					
Railways	(38)	14	(100)					
Total	(7)	108	(5)					

Source: Company, Emkay Research

Exhibit 16: Order backlog remains strong at Rs571bn (BB ratio: 2.9x); L1 position: Rs50bn, mostly comprising of T&D orders

Consolidated Order Book (Rs mn)	Q1FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)	FY23	FY24	YoY (%)
T&D	156,196	206,780	205,970	32	(0)	165,305	206,780	25.1
B&F	104,130	110,210	113,660	9	3	87,244	110,210	26.3
Water	123,063	106,670	98,000	(20)	(8)	123,979	106,670	(14.0)
Oil & Gas	14,200	90,310	87,910	519	(3)	18,367	90,310	391.7
Railways	42,599	39,850	37,960	(11)	(5)	36,734	39,850	8.5
Urban Infra	33,132	30,330	28,450	(14)	(6)	27,551	30,330	10.1
Total	473,320	584,150	571,950	21	(2)	459,180	584,150	27.2
Consolidated BB ratio (x)	**Q1FY24**	**Q4FY24**	**Q1FY25**					
T&D	2.5	2.6	2.5					
B&F	2.5	2.3	2.3					
Water	4.2	3.0	3.0					
Oil & Gas	1.6	11.0	10.2					
Railways	2.5	2.8	3.1					
Urban Infra	6.8	4.1	3.7					
Total	**2.8**	**3.0**	**2.9**					

Source: Company, Emkay Research

Exhibit 17: Change in estimates

(Rs mn)	FY25E			FY26E			FY27E		
	Old	New	Change (%)	Old	New	Change (%)	Old	New	Change (%)
Revenue	196,053	202,909	3.5	225,848	244,844	8.4	258,671	287,600	11.2
EBITDA	16,922	17,530	3.6	20,773	22,407	7.9	25,049	27,801	11.0
EBITDA Margin (%)	8.6	8.6	0.0bps	9.2	9.2	0.0bps	9.7	9.7	0.0bps
PAT	7,820	8,093	3.5	10,363	11,235	8.4	13,324	14,815	11.2
EPS (Rs/share)	48.1	50	3.5	63.8	69	8.4	82.0	91	11.2
PER (x)	28.0	26.6		21.1	19.2		16.4	14.5	

Source: Emkay Research

Exhibit 18: KPIL's SOTP-based TP updated to Rs1,550/share

Company name	Value base	Multiple (x)	Value in FY26E (Rs mn)	Total Value (Rs mn)	Rs per share
Kalpataru project (SA)	1YF PER	20	12,130	242,597	1,493
Road BOT projects		1	7,620	3,048	56
Total			**19,750**	**251,741**	**1,550**

Source: Emkay Research

Concall KTAs

Q1FY25 Financial Result Analysis:

- Revenue grew only to Rs37bn (by a marginal 3% YoY), and EBITDAM contracted slightly to 8.4% (-23bps YoY). Growth could have been higher, but an acute shortage of manpower across businesses owing to the general elections and delayed collections acted as obstacles in registering strong growth during the quarter. The management saw improvement in collections, especially from the water segment, in Jul-24.
- As part of financial prudence, financial reporting policies state 1.5% of revenue toward the warranty-guarantee provision. FY25 onward, the management has migrated its JMC business provisioning from 0.5% previously to 1.5% (in line with KPIL's provisioning policy), leading to an increase of Rs300mn in provision during Q1FY25.
- Finance cost as a % of sales rose to 2.3% (vs Q1FY24/Q4FY24: 2.1%/1.8%), owing to rise in working capital intensity. Forex loss of Rs170mn was recognized, on account of volatility in Brazilian currency, against a loan taken by Fattsel; going ahead, the loan is hedged for the next 5-6 quarters.
- Higher finance cost payments, coupled with higher number of NWC days (Q1FY25: 124 vs Q1FY24: 106) led to lower liquidity balance of Rs6.3bn (vs Q1FY24/Q4FY24: Rs7.2bn/Rs11bn), in turn leading to flattish non-operating income earned during the quarter (Q1FY24 and Q1FY25 non-operating income: Rs290mn; flattish YoY).

Guidance

- With the uncertainty imposed by the general elections and the budget now out of the way, tailwinds continuing to blow in favor of the industry, and ordering and tendering activities gaining momentum, the management believes KPIL is well placed to register revenue growth of ~20% during FY25.
- The management targets order inflow of Rs220-230bn during FY25 (31% of target achieved in Q1FY25) which we believe is conservative, given the swift ramping up of ordering activities in the T&D and B&F segments.
- FY25 targeted PBT/EBITDA margins to fall in the 4.5-5%/8.5-9% range. The management is confident of recovery on the margin front, from H2FY25. The management maintains its guidance of restricting NWC days to below 100, and capping standalone finance cost as a % of sales at 2% during FY25.
- To enhance its execution capabilities, the management is eyeing capital expenditure of ~Rs5-6bn during FY25 which is expected to gradually reduce in the next few years.

Order inflow and backlog

- YTD order inflow reported was Rs70bn (-5% YoY) due to the general elections impacting tendering activities, coupled with a high base effect. Order backlog stood at Rs571bn (BB ratio: 2.9x), with L1 position remaining strong at Rs50bn; 75% of the L1 collectively pertains to the T&D and B&F segments, depicting robust ordering in the respective segments.
- Order inflows are largely driven by the domestic market, which has a 64% gargantuan share in YTD inflows, with international market share declining to a mere 36%. The management is confident of the GoI's sustained focus on establishment and enhancement of infrastructure capabilities across India, largely driven by the Power segment, thus acting as a strong tailwind for EPC players, including KPIL.
- Basis commentary, the management expects the T&D segment to lead the inflow growth from the front, and is projecting a strong tender pipeline of nearly Rs4.8trn of projects to be awarded over FY23-27.
- The management has clearly stated that the railways segment will continue to degrow during FY25. It is hopeful that once competition in the segment reduces, it will gain opportunities in the domestic market. The management is also looking to the international market for the railways business. In the next 12-18 months, it is confident of winning orders on the international front.

Subsidiaries (LMG and Fattsel)

- **LMG:** Reported the highest-ever quarterly revenue, of Rs4.5bn (+84% YoY), recording inflow of Rs13.7bn; its order backlog is at an all-time high of Rs31bn (BB ratio: 2.5x). Its robust international T&D order pipeline provides conviction on the management delivering ~25% YoY topline growth (FY24/25: Rs10bn/13bn), with EBITDAM expected to be in the 5-6% range.
- **Fattsel:** Reported revenue of Rs2.3bn (+40% YoY), with focused progress on closure of legacy orders; order backlog has grown to Rs12bn. The management is projecting a 20% YoY topline growth (FY25E revenue: Rs8.4bn), and is confident of delivering positive EBITDA and PBT by H2FY25, leading to a turnaround in its profitability.

Non-core businesses

- **Vindhyachal Expressway (VEPL):** The management has previously received multiple offers for sale of VEPL which are now in advanced stages of discussions with a large global investor. The management is confident of receiving more than the total investment, of Rs3.9bn (Debt:Equity investment in VEPL till date is Rs2.8bn:Rs1.1bn) it made in this non-core asset. Among all road assets, VEPL has the largest exposure of ~70%.
- **Wainganga Expressway (WPL):** Brij Bhoomi Expressway and WPL are still at early stages of their life cycle and will be divested in coming years.
- **Indore Real Estate:** The management was able to sell 80% of the inventory by the end of FY24 (FY23/FY22: 65%/60% inventory sold out). Th management is confident of selling the balance 20% inventory during FY25. Total collection from the project at the end of Q1FY25 stood at Rs3.5bn, and the company was able to clock sales of Rs230mn. Collection from the balance inventory has come down, to ~Rs1.5bn (end-FY24 outstanding collection: Rs1.7bn), which the management is confident of receiving during FY25.
- **Shubham Logistics:** KPIL will be conducting a capital restructuring process in FY25, i.e. converting its loan into equity, and intends to defer its stake sale. The management expects the company to continue facing challenges during FY25; nevertheless, it is hopeful of SSL clocking positive EBITDA and PBT by FY26E. The management is currently focusing on enhancing the effectiveness and operational capabilities of the company, and will look to divesting this in time.

Others

- Promoter pledge is currently 28.8%, lower than 31.5% as of end-Q4FY24. The promoters have also repaid some of the loan against shares in the last one month. The management's understanding is that promoters pledge will only continue to reduce from here.

Kalpataru Projects: Standalone Financials and Valuations

Profit & Loss

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	**143,370**	**167,600**	**202,909**	**244,844**	**287,600**
Revenue growth (%)	15.6	16.9	21.1	20.7	17.5
EBITDA	**11,610**	**13,660**	**17,530**	**22,407**	**27,801**
EBITDA growth (%)	36.1	17.7	28.3	27.8	24.1
Depreciation & Amortization	2,950	3,680	4,409	4,979	5,486
EBIT	**8,660**	**9,980**	**13,121**	**17,429**	**22,316**
EBIT growth (%)	49.1	15.2	31.5	32.8	28.0
Other operating income	0	0	0	0	0
Other income	1,120	1,130	1,110	1,276	1,467
Financial expense	2,940	3,370	3,440	3,725	4,030
PBT	**6,840**	**7,740**	**10,791**	**14,980**	**19,753**
Extraordinary items	0	0	0	0	0
Taxes	2,070	2,060	2,698	3,745	4,938
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	**5,310**	**5,330**	**8,093**	**11,235**	**14,815**
PAT growth (%)	51.7	0.4	51.8	38.8	31.9
Adjusted PAT	**4,770**	**5,680**	**8,093**	**11,235**	**14,815**
Diluted EPS (Rs)	**32.7**	**32.8**	**49.8**	**69.2**	**91.2**
Diluted EPS growth (%)	51.7	0.4	51.8	38.8	31.9
DPS (Rs)	**7.0**	**8.0**	**8.0**	**8.0**	**8.0**
Dividend payout (%)	**21.4**	**24.4**	**16.1**	**11.6**	**8.8**
EBITDA margin (%)	8.1	8.2	8.6	9.2	9.7
EBIT margin (%)	6.0	6.0	6.5	7.1	7.8
Effective tax rate (%)	30.3	26.6	25.0	25.0	25.0
NOPLAT (pre-IndAS)	**6,039**	**7,324**	**9,841**	**13,072**	**16,737**
Shares outstanding (mn)	162.4	162.4	162.4	162.4	162.4

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	325	325	325	325	325
Reserves & Surplus	52,870	57,180	65,674	75,609	89,124
Net worth	**53,195**	**57,505**	**65,999**	**75,934**	**89,449**
Minority interests	0	0	0	0	0
Deferred tax liability (net)	(1,340)	(1,410)	(1,410)	(1,410)	(1,410)
Total debt	**29,350**	**32,630**	**34,630**	**36,130**	**37,630**
Total liabilities & equity	**81,205**	**88,725**	**99,219**	**110,654**	**125,669**
Net tangible fixed assets	15,840	15,570	18,618	17,639	16,153
Net intangible assets	370	310	310	310	310
Net ROU assets	760	670	670	670	670
Capital WIP	480	320	320	320	320
Goodwill	0	0	0	0	0
Investments [JV/Associates]	8,740	8,590	8,590	8,590	8,590
Cash & equivalents	**8,580**	**8,490**	**10,700**	**12,752**	**18,579**
Current assets (ex-cash)	141,275	164,535	198,025	234,710	276,547
Current Liab. & Prov.	94,080	109,090	137,344	163,667	194,830
NWC (ex-cash)	**47,195**	**55,445**	**60,681**	**71,043**	**81,716**
Total assets	**81,205**	**88,725**	**99,219**	**110,654**	**125,669**
Net debt	20,770	24,140	23,930	23,378	19,051
Capital employed	81,205	88,725	99,219	110,654	125,669
Invested capital	**63,405**	**71,325**	**79,609**	**88,992**	**98,180**
BVPS (Rs)	327.5	354.0	406.3	467.4	550.6
Net Debt/Equity (x)	0.4	0.4	0.4	0.3	0.2
Net Debt/EBITDA (x)	1.8	1.8	1.4	1.0	0.7
Interest coverage (x)	0.3	0.3	0.2	0.2	0.2
RoCE (%)	**12.5**	**13.1**	**15.1**	**17.8**	**20.1**

Source: Company, Emkay Research

Cash flows

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	6,840	7,740	10,791	14,980	19,753
Others (non-cash items)	0	0	0	0	0
Taxes paid	(2,530)	(2,030)	(2,698)	(3,745)	(4,938)
Change in NWC	(3,990)	(8,320)	(5,236)	(10,362)	(10,673)
Operating cash flow	**5,090**	**3,310**	**9,595**	**8,301**	**12,190**
Capital expenditure	(7,040)	(3,190)	(7,456)	(4,000)	(4,000)
Acquisition of business	180	150	0	0	0
Interest & dividend income	1,040	400	1,110	1,276	1,467
Investing cash flow	**(5,740)**	**(1,910)**	**(6,347)**	**(2,724)**	**(2,533)**
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	2,790	3,280	2,000	1,500	1,500
Payment of lease liabilities	(510)	(410)	0	0	0
Interest paid	(2,940)	(3,370)	(3,440)	(3,725)	(4,030)
Dividend paid (incl tax)	(1,137)	(1,300)	(1,300)	(1,300)	(1,300)
Others	627	(100)	1,700	0	0
Financing cash flow	**(660)**	**(1,490)**	**(1,039)**	**(3,524)**	**(3,830)**
Net chg in Cash	(1,310)	(90)	2,210	2,052	5,827
OCF	5,090	3,310	9,595	8,301	12,190
Adj. OCF (w/o NWC chg.)	1,100	(5,010)	4,359	(2,061)	1,517
FCFF	(1,950)	120	2,139	4,301	8,190
FCFE	(3,850)	(2,850)	(191)	1,852	5,627
OCF/EBITDA (%)	43.8	24.2	54.7	37.0	43.8
FCFE/PAT (%)	(72.5)	(53.5)	(2.4)	16.5	38.0
FCFF/NOPLAT (%)	**(32.3)**	**1.6**	**21.7**	**32.9**	**48.9**

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	45.2	37.9	26.6	19.2	14.5
P/CE(x)	27.9	23.0	17.2	13.3	10.6
P/B (x)	4.0	3.7	3.3	2.8	2.4
EV/Sales (x)	1.6	1.4	1.2	1.0	0.8
EV/EBITDA (x)	20.3	17.5	13.7	10.7	8.4
EV/EBIT(x)	27.3	24.0	18.2	13.7	10.5
EV/IC (x)	3.7	3.4	3.0	2.7	2.4
FCFF yield (%)	(0.8)	0.1	0.9	1.8	3.5
FCFE yield (%)	(1.8)	(1.3)	(0.1)	0.9	2.6
Dividend yield (%)	0.5	0.6	0.6	0.6	0.6
DuPont-RoE split					
Net profit margin (%)	3.3	3.4	4.0	4.6	5.2
Total asset turnover (x)	1.8	2.0	2.2	2.3	2.4
Assets/Equity (x)	1.5	1.5	1.5	1.5	1.4
RoE (%)	**9.3**	**10.3**	**13.1**	**15.8**	**17.9**
DuPont-RoIC					
NOPLAT margin (%)	4.2	4.4	4.8	5.3	5.8
IC turnover (x)	0.0	0.0	0.0	0.0	0.0
RoIC (%)	**14.5**	**14.8**	**17.4**	**20.7**	**23.8**
Operating metrics					
Core NWC days	120.2	120.7	109.2	105.9	103.7
Total NWC days	**120.2**	**120.7**	**109.2**	**105.9**	**103.7**
Fixed asset turnover	7.4	5.7	5.8	6.2	6.6
Opex-to-revenue (%)	14.0	14.3	14.1	14.0	13.9

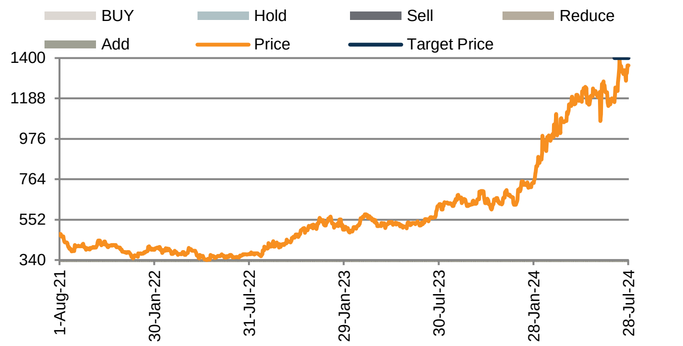
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
01-Jul-24	1,169	1,400	Buy	Ashwani Sharma

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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BUY	>15% upside
ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	<15% downside

Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India
Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

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