

JULY 21, 2021

## Initiating Coverage

## APL APOLLO TUBES LTD (APAT)

### Stock Details

Market cap (Rs mcr)	:	19,958
52-wk Hi/Lo (Rs)	:	1678 / 344
Face Value (Rs)	:	2
3M Avg. daily vol (nos)	:	288518
Shares o/s (cr)	:	12.5

Source: Moneycontrol, BSE

### Financial Summary

Y/E Mar (Rs cr)	FY21	FY22E	FY23E
Sales	8,500	9,540	11,656
Growth (%)	10.05	12.24	22.18
EBITDA	679	867	1,077
EBITDA margin (%)	8.0	9.1	9.2
Net profit	360	506	663
Adj EPS (Rs)	29	41	53
Growth (%)	51.3	40.6	30.9
BV (Rs/share)	135.7	174.4	223.3
ROE (%)	23.6	26.2	26.7
ROCE (%)	20.7	24.2	25.4
P/E (x)	55.8	39.7	30.3
EV/EBITDA (x)	30.3	23.2	18.3

Source: Company, Kotak Securities - PCG

### Shareholding Pattern (%)

(%)	Mar-21	Dec-20	Sep-20
Promoters	37.0	39.5	39.5
FII	24.2	17.8	0.0
DII	9.3	11.8	13.5
Public	29.5	30.9	47.0

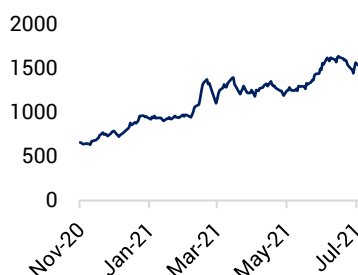
Source: Moneycontrol, BSE

### Price Performance (%)

(%)	1M	3M	6M
APAT	3.8	27.8	67.0
Nifty	-0.3	9.3	6.7

Source: Moneycontrol, BSE

### Price chart (Rs)



Source: Moneycontrol, BSE

### Jatin Damania

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PRICE RS.1609

TARGET RS.1910

BUY

APL Apollo Tubes Limited (APAT) is India's leading branded steel tubes manufacturer in the structural tube segment. The company currently operates eight manufacturing facilities with a total installed capacity of 2.6 MTPA (with value added products), operating at over ~63% utilisation with management expecting it to cross over 80% utilisation in the coming years. The company clocked volume growth of ~13% CAGR in the last 5 years, we expect volume to grow at ~16% CAGR during FY21-FY23E. APAT's market share currently stands at 50% (structural steel), and expect it to increase further in the coming years, as the company is slowly capturing pie of unorganised sector (25-30% market share) by selling tubes at slightly lower prices than unorganised players. Supported by higher volume growth, revenue is expected to grow at 18% CAGR during FY21-23E. On the back of improved operating efficiency, EBITDA and PAT is expected to post a CAGR of ~26% and ~36%, respectively. We initiate coverage with BUY rating, with a target price of Rs1910, valuing it at 36x FY23E earnings.

### Investment argument

- **Largest player in the structural steel space with primary focus on pipes business:** The company is India's largest player with a capacity of 2.6 MT (including Apollo Tricoat) solely focused on the pipes and tubes business unlike some of the major competitors. APAT's installed capacity is more than double that of its nearest competitor, which gives the company an edge of economies of scale in raw material procurement (discount on bulk buying). In addition, due to multi location facilities, the company also has an advantage of lower freight costs with facilities and depots located close to demand hubs. APAT's market shares currently stands at 50%, and expect this to increase by the end of FY22E, as the company is slowly capturing pie of unorganised sector (40% market share) by selling tubes at slightly lower prices than unorganised players.
- **Pan India footprint, wide product basket and strong distribution network support the volume growth:** APAT is the only player in the industry with a pan India footprint, having three plants located in Sikandrabad (U.P), two in South India, one each in Tamil Nadu (Hosur), Karnataka, Maharashtra (Murbad) and Chhattisgarh (Raipur). The strategic location gives edge over competitors in terms of freight costs. In addition, the company has total dealer network of 800+ (4x higher than the nearest competitors), of which 54 dealers account for 50% of the volume and another 119 dealers accounts for 19-20% of the sales volume. The company is changing its selling strategy and focussing on smaller dealers who have potential to push volumes.
- **Pioneer in adopting the latest technologies with innovative product offerings:** The company was the pioneer in launching color coated and pre-galvanized pipes in the domestic market. APAT is the first company to introduce latest global technologies including Direct Forming Technology (DFT) and In-line galvanizing in India. DFT is expected to lead to savings in raw material costs of ~3-7%, reduce rollover time and increase design flexibility leading to higher product customization. Value added products (VAP), helps the company to garner Rs2,500-3,500/t additional EBITDA/t compares to the normal structural pipes.

- ❑ **Higher share of VAP and economies of scale to support EBITDA/T:** We believe with the higher volume growth, operating profit will also improve, driven by increase in proportion of value added products and economies of scale (discount on bulk raw materials). We expect EBITDA/T to improve to Rs4,700/tonne in FY22 and Rs4,850 in FY23E as against Rs4,138 in FY21. At expected level of EBITDA/T we expect, the company to report EBITDA of Rs867 cr and Rs1,077 cr in FY22E and FY23E, respectively.
- ❑ **Strong balance sheet; lean working capital structure:** APAT had net debt of Rs170 cr at end of FY21. The focus on cash sale from credit sales and robust inventory management helped to keep net working capital days at mere 5 days (24 days in FY20). We expect APAT to become net cash company in FY22E (net cash of Rs206 cr in FY22E and Rs667 cr in FY23E). We expect capex of ~Rs225 cr/year in FY22E and FY23E to set up 0.4mtpa capacity. RoE is expected to expand to over 26% by end of FY23.

### Valuations and outlook

With an improvement in operating efficiencies (higher volume) and cost savings in terms of discount on bulk buying, commissioning of CRF and increasing share of value added products (including Tricoat), operating performance is expected to improve further. In addition, all these measures will further help APAT to improve its profitability and return ratios. We expect the company's net profit to grow at a CAGR of ~36% during FY21-23E period. APAT is expected to continue gaining market share driven by capacity expansion, capitalizing on the company's brand strength and pent-up demand from the infrastructure, construction, and automobile and energy sectors. At CMP, the stock is trading at 39.7x and 30.3x FY22E and FY23E earnings, respectively. We initiate coverage on APAT, with a BUY rating and a target price of Rs1,910, valuing the stock at 36x FY23E earnings, at a premium to its historical multiples on account of change in product mix and economies of scale, which is expected to support the improvement in EBITDA/t.

### Key Risks

- ❑ The product prices are impacted by the volatility in steel prices. Historically the company has shown strength in passing out any volatility to the end users. In case of any delays in passing the same, can have an adverse impact on its earnings.
- ❑ The volume growth depends on the fortune of infrastructure, construction, agriculture, etc. Any slowdown in the stated sectors can have an impact on overall volume growth.

## COMPANY BACKGROUND

APL Apollo Tubes Limited is the largest producer of Electric Resistance Welded (ERW) Steel Pipes and Sections in India, with a capacity to produce 2.6 MT (includes Tricoat and Shankara Building assets). It extensively cater to the domestic markets and exports to over 20 countries globally. The company's vast distribution network is spread across India, with warehouses and branch offices in 24 cities.

APAT believes in pioneering changes to cater to an ever-evolving economy by infusing superior cutting-edge Technology and Innovation. The company is recognized globally as one of the Lowest Cost Manufacturers. This has been achieved by bringing in the Latest Technology, scaling up capacities and optimum utilization of resources. APAT constantly looks at innovating to meet new requirements of our customers. The company has been creating new value propositions with the help of latest technologies and its Consumer Centric Approach.

### KEY MANAGEMENT

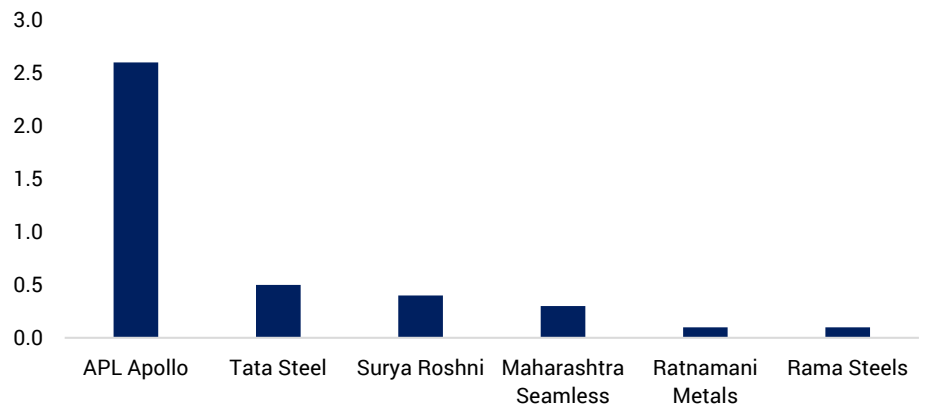
Name	Designation	Profile
Mr. Sanjay Gupta	Executive Chairman	Has around 21 years of experience in diverse steel industry segments. Under his visionary and dynamic leadership, the company has evolved and developed from a steel tube manufacturer into a global leader of branded steel products.
Mr. Vinay Gupta	Director	With 18 years of industry experience, he has in-depth knowledge in manufacturing and trading of pipes, tubes, sheets and other varieties of steel products. He has been assigned with the responsibility of driving the company's pre-galvanized and international market businesses.
Mr. Arun Agarwal	COO	He is a Chartered Accountant with 20 years of experience in the Steel Industry. He is in charge of leading Sales, Purchase and Production activities across India and the domestic markets.
Mr. Romi Sehgal	Director Technical	He has made an excellent contribution to the Steel and Tubes Industry for more than three and a half decade, right from designing and manufacturing of Tube Mills to putting up Greenfield projects, successful commissioning of the projects and ensuring uninterrupted optimum production from factories.

Source: Company

### Largest player in the structural steel space with primary focus on pipes business

The company is India's largest player with a capacity of 2.6 MT solely focused on the pipes and tubes business unlike some of the major competitors. APAT installed capacity is more than double that of its nearest competitor, which gives the company an edge of economies of scale in raw material procurement (discount on bulk buying). In addition, due to multi location facilities, the company also has an advantage of lower freight costs with facilities and depots located close to demand hubs. APAT market share at the end of FY21 stands at 50%, as the company is slowly capturing pie of unorganised sector (40% market share) by selling tubes at slightly lower prices than unorganised players.

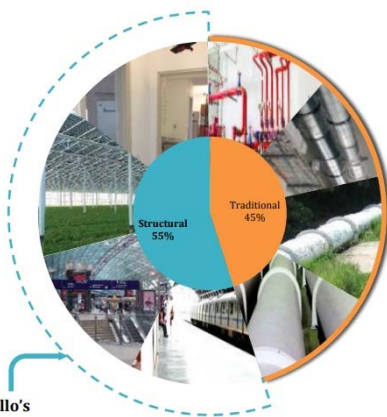
**APAT capacity (tonnes) more than double its nearest competitor**



Source: Company, Kotak Securities – Private Client Group

Traditionally, ERW pipes were used in water/sewage transportation, especially in domestic plumbing, last mile gas distribution and automobiles. With an improvement in load bearing strength of ERW pipes, it has found new applications in industries like infrastructure, commercial real estate, pre-fabricated structures and furniture. As per the management, the industry size of steel tubes and pipes in the India is ~7 MT. The domestic market size of the industry is Rs350-400 bn and is expected to grow in line with the steel industry. Large portion (~40%) is served by unorganized players, but the same is steadily shifting in favor of organized players (due to change in their sales strategy)

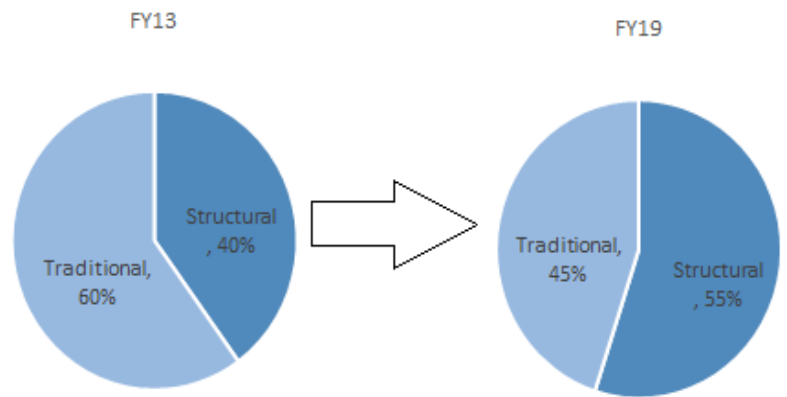
**APAT focus area**



APL Apollo's Focus Area

Source: Company, Kotak Securities – Private Client Group

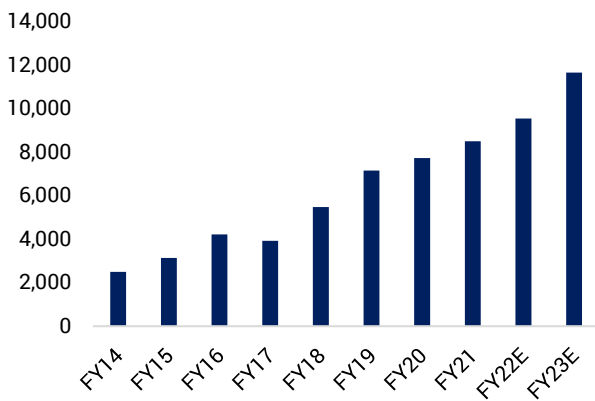
**Structural applications gaining momentum**



Source: Company, Kotak Securities – Private Client Group

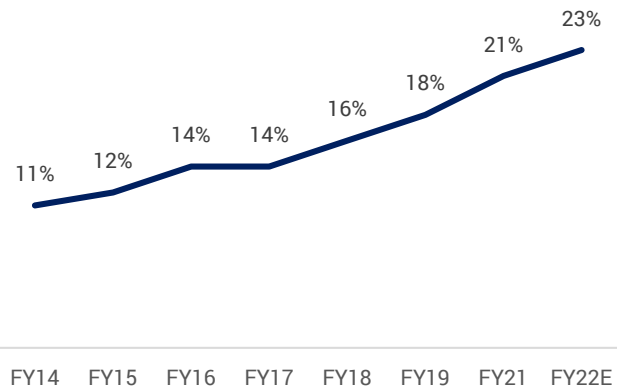
The company has managed to grow its revenue faster than the sector that was supported by capacity expansion of 2MT (during the period when capacity of the overall industry has grown at a slower pace), innovation, branding and strengthening distribution channels. Management expects to increase its market share further by 300bps by end of FY22E, by changing selling strategy of its small dealers and capturing market share of unorganised players.

**Revenue Trend (Rs cr)**



Source: Company, Kotak Securities – Private Client Group

**Market Share – product basket (%)**



Source: Company, Kotak Securities – Private Client Group

The demand for steel pipes is expected to come primarily from construction and infrastructure activities, Urbanisation (smart cities and housing for all) and agriculture (includes sprinkling, drill rods, submersible water, etc.). As per the management, the segments growing in the ERW pipes are the pre-galvanised (GP), consumed in coastal and hilly areas and are used as a replacement for wood in applications of roofing structures providing shelter from rains. Additional applications for the products are fencing and grilling. Hollow sections are also witnessing growth in airports/metro. GI pipes and Black round pipes are witnessing decline and being replaced by structural pipes. APAT is slowly moving away from low growth segment.

**APAT to benefit from India’s ~10% demand CAGR in structural tubes**

Rising use of steel in various applications and government’s thrust on infrastructure are expected to propel ~10% demand CAGR in India’s structural tubes market over FY21-25E. Structural steel tubes market expansion is linked to construction activity. APAT is set to grab this opportunity, ably supported by its pan India presence, surplus capacity and future expansion. To capitalise the growth in the structural steel space, the company intends to expand its capacity to 3MT by end of FY22E and 4MT by end of FY25E. We expect APL to clock 17% volume CAGR over FY21-23E to 2.25 MT. Moreover, it is merging its 55% subsidiary, Apollo Tricoat with itself (1:1 ratio), expected in 2HFY22 which will be EPS accretive.

**Global Structural Steel Tubes Market expansion**



**Indian Structural Steel Tubes market expansion**



Source: Company

We believe, APAT is well positioned to capitalize on the steel pipe demand, given its unique position to capitalize on the growing structural steel pipe demand, An unique position is backed by APAT’s Pan India presence with extensive distribution network and wide reach; 2.6 MT installed capacity; pioneer in introducing innovative technologies such as DFT and In-line galvanizing in India and wide product portfolio with over 400 varieties of pipes/tubes

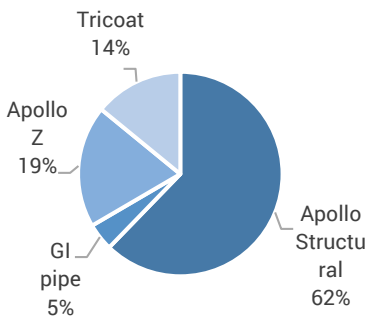
**Pan India footprint, wide product basket with strong distribution network support the volume growth**

APAT is the only player in the industry with a pan India footprint, with 10 manufacturing facilities. With the acquisition of Shankara Building Products, the company has marked its presence in Hyderabad also. The strategic location gives edge over competitors in terms of freight costs. In addition, the company has total dealer network of over 800 (4x higher than the nearest competitors), of which 54 dealers account for 50% of the volume and another 119 dealers accounts for 19-20% of the sales volume. Given its strong product mix, ~400 products which is nearly 3x bigger than its nearest competitors, helps the company to cater demand across the segments. The company is changing its selling strategy and focussing on smaller dealers who have potential to push volumes. Its’s distribution network also includes ~40,000 retailers spread across India, with warehouses cum-branch offices in over 24 cities.

**Product portfolio = 4-5x to its nearest competitors...**

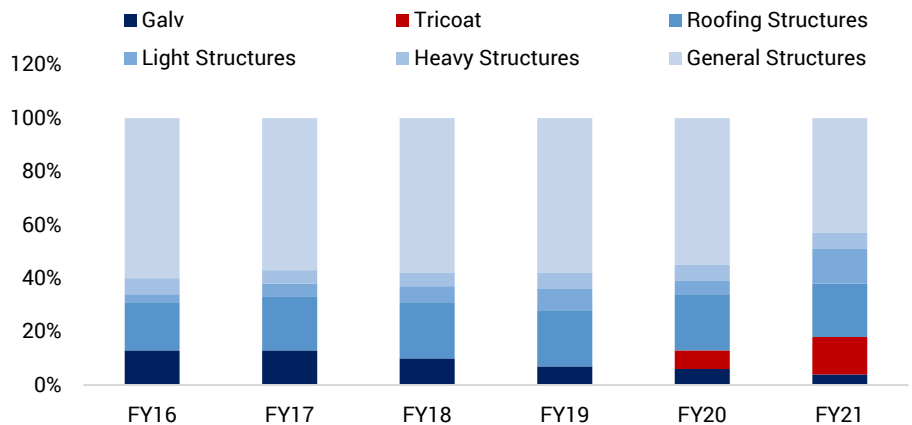
APAT has developed close to 1500+ products, which is 4-5x more than the offerings of its closes competitors. The company product basket includes, hollow sections, pre-galvanised tubes, galvanised tubes, round tubes and special value added products. Of the total product basket, 70% of its offerings are into niche categories with limited competition. APAT products cover various industries starting from infrastructure, automobile, housing, solar panels, to name few.

**FY21: Sales volume**



Source: Company

**Rising value added product portfolio for APAT**

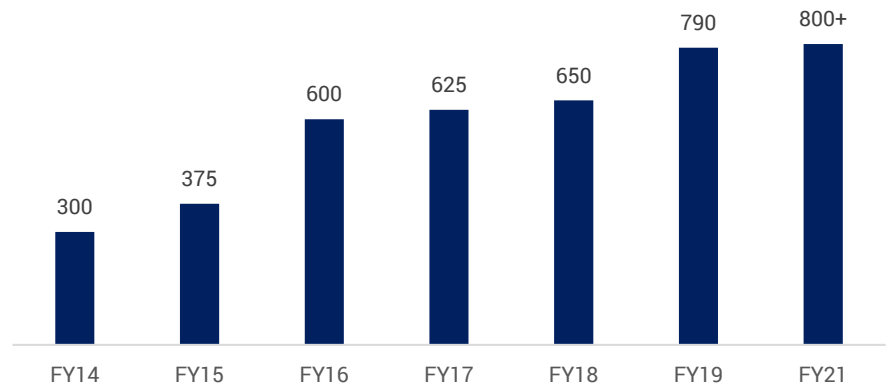


Source: Company, Kotak Securities – Private Client Research

*Only company to have a PAN India presence  
10 manufacturing facilities;  
29 warehouses,  
800+ dealers,  
40,000 retailers  
50,000 + Fabricators*

The company has total dealer network of over 800+ (4x higher than the nearest competitors), of which 54 dealers accounts for 50% of the volume and remaining 119 dealers accounts for 19-20% of the sales volume. The company is changing is selling strategy and focussing on smaller dealers who has potential to push volumes. The company derives 80% of its sales from distributors.

**Strengthening dealers' network**

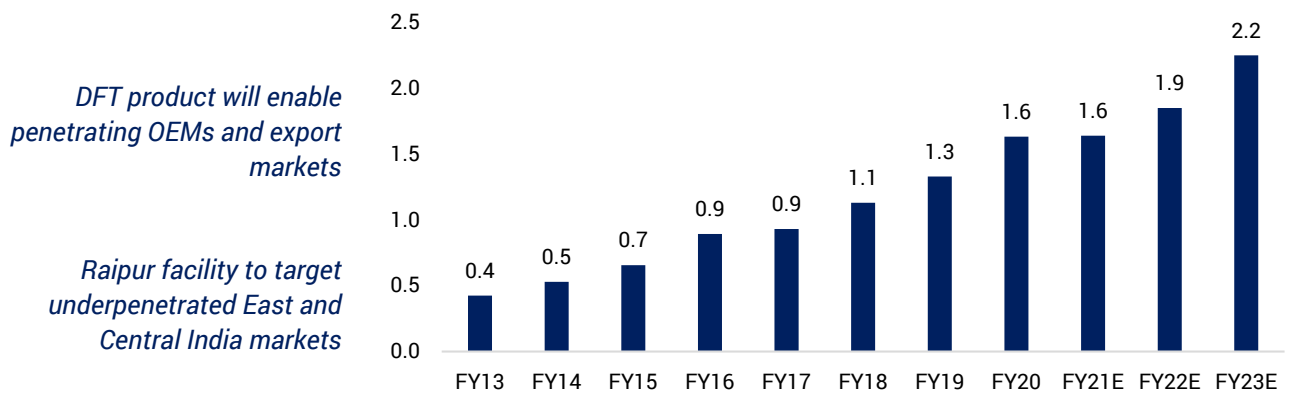


Source: Company, Kotak Securities – Private Client Group

**...to support volume growth....**

APAT is the largest player with 2.6MT capacity solely focused on pipes and tubes. The company enjoys economies of scale in raw material procurement (which forms 84-85% of the total costs) and also has an advantage of lower freight costs, due to strategic locations of its manufacturing units closer to demand hubs. The company garners 5-6% of its revenue from the export market which is expected to increase to 15-17% by end of FY22E, as there is strong acceptance of APAT's special value added products from DFT segment in overseas markets. Given its strong dealer network, the company had clocked volume CAGR of 12% in the last five years. Volume growth in FY21 was subdued due to impact of the pandemic. We expect volume to grow at ~17% CAGR during FY21-FY23E, against management guidance of 20%.

**Strong volume growth (MT)**



Source: Company, Kotak Securities – Private Client Group

Given the acceptance of APAT products in the overseas market (thanks to innovation and upgradation of technology), the company is looking to tap newer areas such as OEM's and Untapped export markets, which can be additional volume drivers for the volume growth across the business. OEMs account for 6-7% of total revenue and is expected to increase at a faster pace. As management believes, product manufactured through DFT, will enable the company to penetrate OEMs and export markets. In addition, with the commissioning of new facility in Raipur, the company will target the underpenetrated East and Central market, which will also support the volume growth.

### Higher volumes, value added products to drive profits

The company is geared to command a premium on its products with improved branding and higher share of value added products. We expect that higher contribution of value added products should enable the company to generate EBITDA/t of Rs4,500/Rs4,700 in FY22E/FY23E, respectively. We estimate ~26% EBITDA CAGR over FY21-23E, buoyed by ~17% volume growth, higher premium and increase proportion of value-added products.

#### Product-wise EBITDA/t (Rs)

		FY17	FY18	FY19	FY20	FY21
Apollo Structural	Heavy Structures	3,900	3,707	3,775	4,000	4,722
	Light Structures	3,800	3,658	3,707	3,800	4,718
	General Structures	2,471	2,052	1,615	1,361	1,657
Apollo Z	Rust-Proof Structure	5,722	5,691	5,568	5,021	6,728
	Rust-Proof Sheer	5,000	4,704	4,703	5,000	4,720
Apollo Tricoat	Home Improvement	-	-	-	6,589	7,072
Apollo Galv	Agri/Industrial	4,925	4,880	4,362	3,952	6,040

Source: Company, Kotak Securities – Private Client Group

### Higher share of VAP and economies of scale to support EBITDA/T

We believe with the higher volume growth, operating profit will also improve, driven by increase in proportion of value added products and economies of scale (discount on bulk raw materials). The margin will also be supported by increase in proportion of DFT products and home improvement products. We expect EBITDA/T to improve to Rs4,700 in FY22 and Rs4,850 in FY23E, as against Rs4,138/tonne, reported in FY21. At expected level of EBITDA/T we expect, the company to report EBITDA of Rs867 cr, Rs1,077 cr in FY22E and FY23E, respectively.

*High margin products garner additional EBITDA/T of Rs3,000-3,500/t*

#### Product Mix

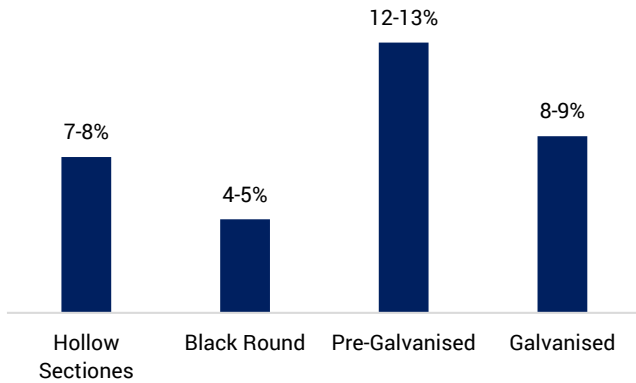
		FY17	FY18	FY19	FY20	FY21
Apollo Structural	Heavy Structures	5%	5%	6%	6%	6%
	Light Structures	5%	6%	8%	5%	13%
	General Structures	57%	58%	58%	55%	43%
Apollo Z	Rust-Proof Structure	20%	21%	21%	20%	18%
	Rust-Proof Sheer	1%	-	-	0%	1%
Apollo Tricoat	Home Improvement	-	-	-	7%	14%
Apollo Galv	Agri/Industrial	13%	10%	7%	6%	4%

Source: Company, Kotak Securities – Private Client Group

APAT earns EBITDA margin of 7-8% in hollow sections, 4-5% in standard pipes, 12-14% in pre-galvanised tubes and 8-9% and galvanised tubes. The management expects, EBITDA/T to strengthen with increasing share of higher value added products.

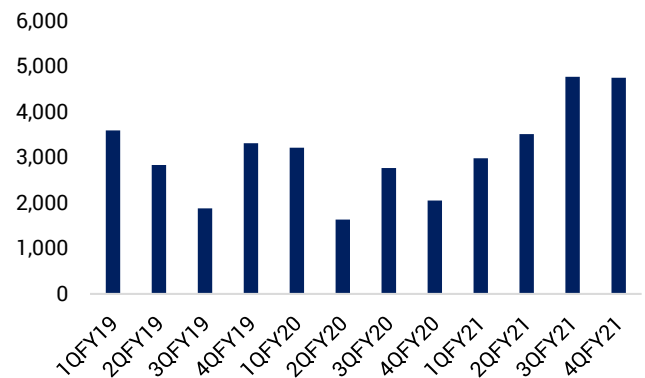


**EBITDA Margin across products**



Source: Company, Kotak Securities – Private Client Group

**Quarterly EBITDA/T (Rs)**



Source: Company, Kotak Securities – Private Client Group

**Merger of Tricoat to strengthen operating performance**

APAT acquired stake in Apollo Tricoat which is the first company to introduce global ‘Galvant Technology’, and will enable the company to expand its portfolio in the high margin segment. APAT acquired stake in Apollo Tricoat which is the first company to introduce global ‘Galvant Technology’, and will enable the company to expand its portfolio in the high margin segment.

Tricoat has a production capacity of ~3,50,000 MTPA which includes ~250,000 MTPA of designer pipes, 75,000 MTPA of Door Frames and balance 25,000 MTPA of narrow sections. As per management, EBITDA/tonne on ILG and designer pipes is in the range of Rs 6000-7000, while that on door frames and narrow sections is lower at Rs 4000-5000.

**Efficient working capital management and comfortable leverage**

APAT has improved its working capital cycle over the last few years, with reduction in debtor from 40 days in FY13 to 6 days in FY21. It has also reduced inventory days through improvement in efficiencies in manufacturing and leveraging the dealers’ network. Management expect working capital cycle to remain below 10 days going ahead.

*Improvement in operating efficiencies and leveraging the dealer network, helped the company improving working capital*

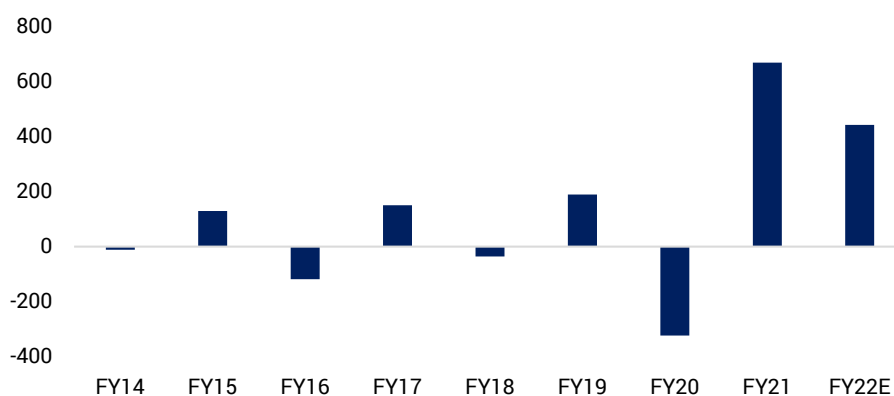
**Working Capital days**

	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
Inventory	47	41	59	42	46	45	38	34
Debtors	40	23	22	26	34	31	23	6
Creditors	20	26	25	35	29	40	38	35
Working Capital Days	67	38	56	33	50	36	23	5

Source: Company, Kotak Securities – Private Client Group

The total debt on the book stands at ~Rs520 cr at the end of FY21. We expect capex of ~Rs225 cr/year in FY22E and F23E to set up 0.4mtpa capacity and expand the capacity to 3 mt. The capex will be funded through internal accruals, as the company is expected to generate the cumulative free cashflow of Rs10 bn in FY22E and FY23E. We expect the company to be net cash company from FY22E onwards

**Free cashflow to increase (Rs cr)**

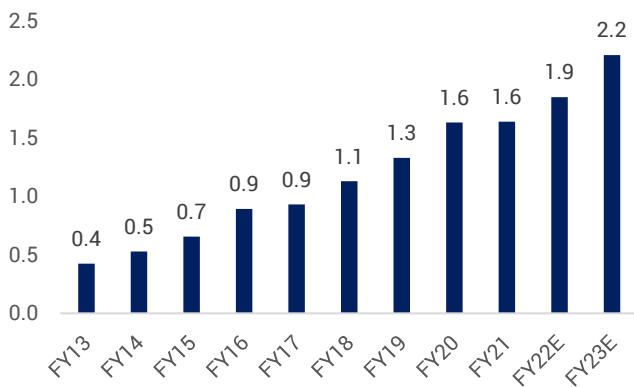


Source: Company, Kotak Securities – Private Client Group

## FINANCIAL ANALYSIS

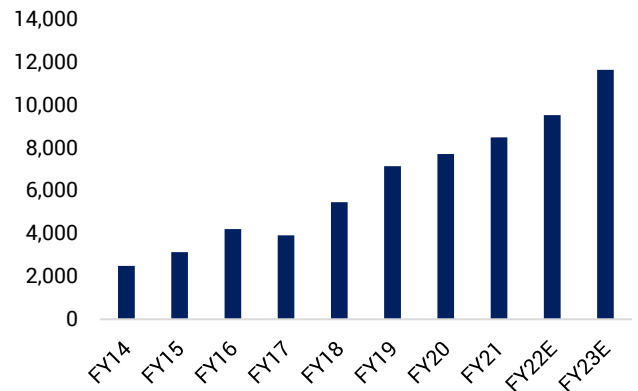
Backed by double digit growth in volume and increase in share of value added products, we expect revenue to grow at 17% CAGR during FY21-FY23E period. Based on the benefit of operating leverage, economies of scale (discount on purchase of bulk raw materials) and higher share of high margin products, we expect EBITDA to grow at ~26% CAGR during the same period, with an EBITDA/t in the range of Rs4,700-4,900/tonne and margin in the range of 8-9%. PAT is expected to register ~36% CAGR during the same period. Strong operating performance will further help the company to improve its return ratios.

### Strong volume growth...



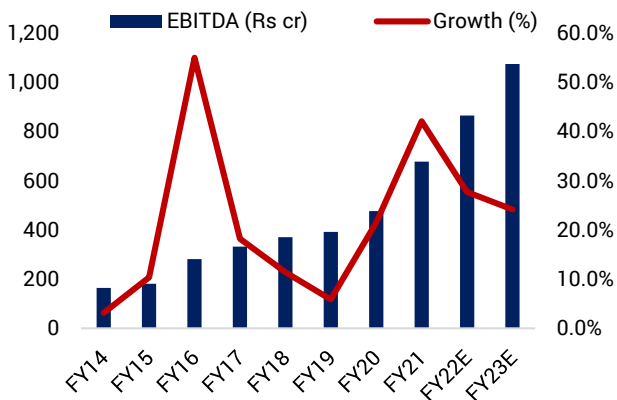
Source: Company, Kotak Securities – Private Client Group

### ...to support revenue (Rs cr)



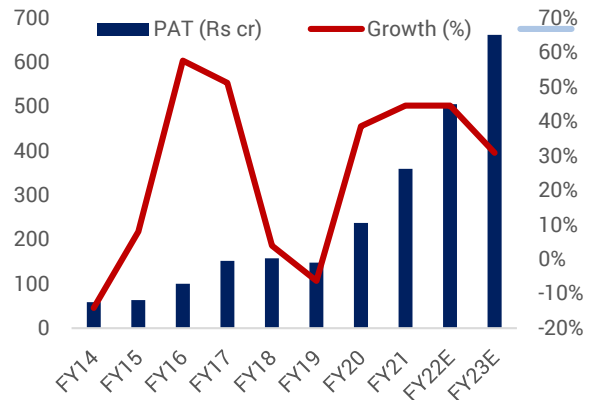
Source: Company, Kotak Securities – Private Client Group

### Operating leverage to support EBITDA



Source: Company, Kotak Securities – Private Client Group

### PAT to grow at ~36% CAGR

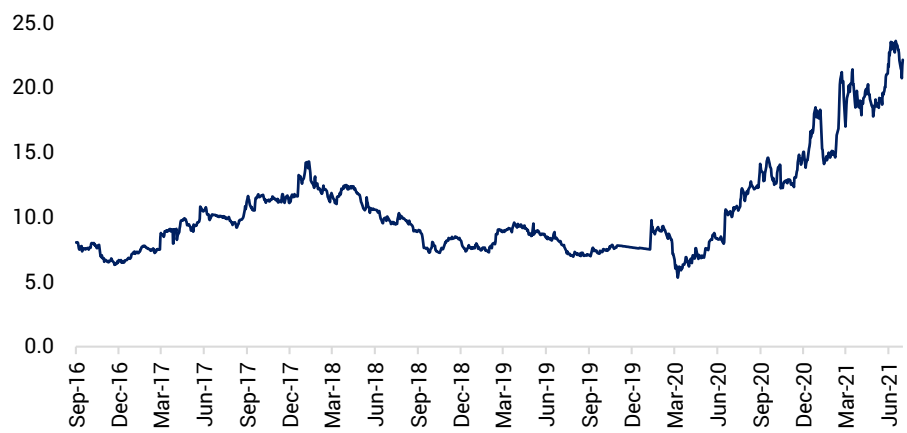


Source: Company, Kotak Securities – Private Client Group

## VALUATION

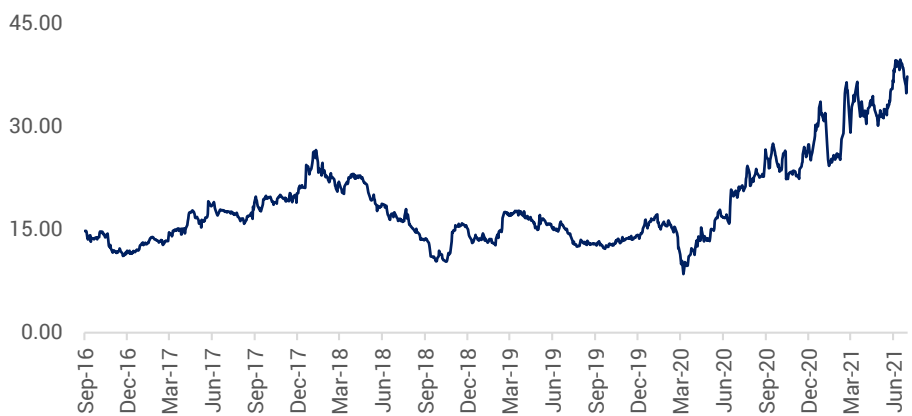
APAT return ratios have improved over the past few years, with the improvement in an operating performance. Average ROE and ROCE during the last 5 years was in the range of ~20% and ~17%, respectively. But, with an improvement in operating efficiencies (higher volume) and cost savings in terms of discount on bulk buying, commissioning of CRF and increasing share of value added products, operating performance is expected to improve further from FY22, which will improve its profitability and RoE and RoCE to 26.7% and 25.4%, respectively by end of FY23E. At CMP, the stock is trading at 39.7x and 30.3x FY22E and FY23E, respectively. We initiate coverage on APAT, with a BUY rating and a target price of Rs1,910, valuing the stock at 36x FY23E earnings.

### One year forward EV/EBITDA (x)



Source: Bloomberg, Company, Kotak Securities – Private Client Group

### One Year forward P/E band (x)



Source: Bloomberg, Company, Kotak Securities – Private Client Group

## Financials: Consolidated

### Profit and Loss Statement (Rs cr)

(Year-end March)	FY20	FY21	FY22E	FY23E
<b>Net Revenues</b>	<b>7,723</b>	<b>8,500</b>	<b>9,540</b>	<b>11,656</b>
<b>EBITDA</b>	<b>477</b>	<b>679</b>	<b>867</b>	<b>1,077</b>
Non-operating Income	22	36	30	33
<b>OPBIDTA</b>	<b>500</b>	<b>715</b>	<b>897</b>	<b>1,110</b>
Depreciation & Amortization	96	103	110	120
<b>EBIT</b>	<b>404</b>	<b>612</b>	<b>787</b>	<b>990</b>
Interest Expenses	107	66	48	43
<b>PBT</b>	<b>296</b>	<b>546</b>	<b>739</b>	<b>947</b>
Taxes	40	138	185	237
Add/(Less): Associates/(Minorities) 18	48	48	48	48
<b>Adjusted PAT (LHS)</b>	<b>238</b>	<b>360</b>	<b>506</b>	<b>663</b>
Add/Less: - Extra-ordinaries	-	-	-	-
<b>Reported PAT</b>	<b>238</b>	<b>360</b>	<b>506</b>	<b>663</b>
EPS	19	29	41	53

Source: Company, Kotak Securities – Private Client Group

### Cash Flow Statement (Rs cr)

(Year-end March)	FY20	FY21	FY22E	FY23E
PBT	296	546	739	947
Add: Depreciation	96	103	110	120
Add: Finance cost	107	66	48	43
Less: Int & div earned	(22)	(36)	(30)	(33)
Change in working capital	(62)	396	(12)	(20)
Inc taxes paid during the year	(66)	(129)	(185)	(237)
Others	82	(53)	-	-
<b>Operating activities</b>	<b>431</b>	<b>893</b>	<b>671</b>	<b>820</b>
Change in fixed assets	(755)	(223)	(204)	(250)
Change in net Investments	48	0	-	-
Int & div received	22	36	30	33
Other non-current assets	78	(59)	9	-
<b>Investing activities</b>	<b>(606)</b>	<b>(246)</b>	<b>(165)</b>	<b>(218)</b>
Inc/(Dec) in Debt	98	(301)	(65)	(55)
Inc/(Dec) in other long term liab	26	9	-	-
Inc/(Dec) in Equity	198	24	-	-
Interest expense	(107)	(66)	(48)	(43)
Dividend & tax paid	(42)	-	(76)	(99)
<b>Financing activities</b>	<b>173</b>	<b>(335)</b>	<b>(189)</b>	<b>(197)</b>
Cash generated	(2)	312	316	406
<b>Cash at the end of the year</b>	<b>46</b>	<b>358</b>	<b>674</b>	<b>1,079</b>

Source: Company, Kotak Securities – Private Client Group

### Balance sheet (Rs cr)

(Year-end March)	FY20	FY21	FY22E	FY23E
Share Capital	25	25	25	25
Reserves	1,331	1,670	2,153	2,764
Borrowings	727	441	376	321
Current Liabilities	902	920	1,008	1,161
Deferred Tax (Net)	101	111	111	111
Minority Interest	95	138	138	138
Other Liabilities	84	93	93	93
<b>Total Liabilities</b>	<b>3,266</b>	<b>3,399</b>	<b>3,905</b>	<b>4,614</b>
Net Block	1,573	1,598	1,643	1,723
Capital work in progress	10	108	153	203
Goodwill on Consolidation	138	138	138	138
Investments	2	1	1	1
Cash & cash equivalents	46	358	674	1,079
Current Assets	1,403	1,041	1,141	1,314
Other Assets	96	155	155	155
<b>Total Assets</b>	<b>3,266</b>	<b>3,399</b>	<b>3,905</b>	<b>4,614</b>

Source: Company, Kotak Securities – Private Client Group

### Ratio Analysis

(Year-end March)	FY20	FY21	FY22E	FY23E
<b>Income Statement Ratios (%)</b>				
Revenue Growth	8.0	10.1	12.2	22.2
EBITDA Growth	21.5	42.2	27.8	24.2
PAT Growth	60.5	51.3	40.6	30.9
EBITDA Margin	6.2	8.0	9.1	9.2
Net Margin	3.1	4.2	5.3	5.7
<b>Return &amp; Liquidity Ratios</b>				
Int/PBIT	26.6	10.8	6.1	4.3
Net Debt/Equity (x)	0.6	0.1	(0.1)	(0.2)
ROE (%)	20.5	23.6	26.2	26.7
ROCE (%)	17.9	20.7	24.2	25.4
<b>Per Share data &amp; Valuation Ratios</b>				
EPS Growth (%)	54.0	50.6	40.6	30.9
Book Value	109.1	135.7	174.4	223.3
DPS (INR/Share)	2.8	-	6.1	8.0
P/E Ratio (x)	84.1	55.8	39.7	30.3
EV/EBITDA (x)	43.5	30.3	23.2	18.3
Price/Book (x)	14.8	11.9	9.2	7.2

Source: Company, Kotak Securities – Private Client Group

## RATING SCALE (PRIVATE CLIENT GROUP)

### Definitions of ratings

<b>BUY</b>	– We expect the stock to deliver more than 15% returns over the next 12 months
<b>ADD</b>	– We expect the stock to deliver 5% - 15% returns over the next 12 months
<b>REDUCE</b>	– We expect the stock to deliver -5% - +5% returns over the next 12 months
<b>SELL</b>	– We expect the stock to deliver < -5% returns over the next 12 months
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<b>NM</b>	– <b>Not Meaningful.</b> The information is not meaningful and is therefore excluded.
<b>NOTE</b>	– Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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