

Initiating Coverage Zen Technologies Ltd.

June 05, 2023





Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Aerospace & Defence	Rs. 398.85	Buy in the Rs 394-403 band & add more on dips to Rs. 341-349	Rs. 441	Rs. 475	2-3 quarters

HDFC Scrip Code	ZEN TEC
BSE Code	533339
NSE Code	ZEN TEC
Bloomberg	ZEN IN
CMP June 02, 2023	398.85
Equity Capital (Rs cr)	8.4
Face Value (Rs)	1.0
Equity Share O/S (cr)	8.4
Market Cap (Rs cr)	3,171
Book Value (Rs)	39.8
Avg. 52 Wk Volumes	747,312
52 Week High	400.7
52 Week Low	162.9

Share holding Pattern % (May 24, 2023)	
Promoters	57.5
Institutions	4.3
Non Institutions	38.2
Total	100.0



**HDFCsec Retail research
stock rating meter**

for details about the ratings, refer at the end of the report

* Refer at the end for explanation on Risk Ratings

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Our Take:

Zen Technologies Ltd (ZTL) is a leading company in designing, manufacturing and developing land-based military training simulators, driving simulators, live-range equipment, and anti-drone systems. ZTL has its own training platform to provide a realistic battle experience by integrating its entire range of product offerings. The company has applied for over 112 patents, of which 27 have been granted. It has shipped more than 1,000 training systems around the world. Its demonstration center at Abu Dhabi is progressing as per plans and will be operational soon.

With adequate liquidity in hand and a favorable industry environment, ZTL is remain committed to delivering sustainable and profitable growth. ZTL's order book has been robust, and stood at Rs 472.8 crore as on March 31, 2023; it is 2.2x FY23 revenue. ZTL's revenue from AMC business reached an annual rate of Rs 36 crore. In the next couple of years, the contributions from AMC stream will cover the fixed operating expenses of the business. This will provide stability and predictability to the business operation. The huge order wins of equipment can then offer huge operating leverage and boost revenues going forward. ZTL targets to achieve aspirational revenue guidance of Rs 1,000 crore in the next five years.

Valuation & Recommendation:

ZTL has continually focused on innovation-led growth and delivering long-term value for its stakeholders over the years. The foray into anti-drone technology marked the beginning of a new chapter in the company's growth story. With this, ZTL has positioned itself to capitalise on emerging market opportunities by leveraging its inherent capabilities. The company is expected to report strong performance in the future, led by its strong indigenization capabilities, healthy order book, promising order inflow pipeline, and strong execution capabilities.

We feel investor can buy the stock in the Rs 394-403 band and add more on dips to Rs. 341-349 band (30.5x FY25E EPS) for the base target of Rs. 441 (39x FY25E EPS) and bull case target of Rs. 475 (42x FY25E EPS) over the next two to three quarters. At a CMP of Rs 398.85, the stock is trading at 35.3x FY25E EPS.



Financial Summary (Consolidated)

Particulars (Rs cr)	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY21	FY22	FY23P	FY24E	FY25E
Total Operating Income	95.9	27.8	245.1	52.5	82.7	54.6	69.8	218.8	384.5	478.4
EBITDA	35.2	4.6	673.3	16.7	110.4	7.4	4.3	72.6	125.0	151.9
Depreciation	1.5	1.2	25.6	1.5	-1.3	5.0	4.8	6.1	6.4	6.7
Other Income	0.0	2.6	-100.6	1.9	-100.8	3.0	5.4	7.2	8.3	9.6
Interest Cost	0.6	0.7	-5.1	2.1	-70.2	1.1	1.5	4.1	3.0	2.9
Tax	9.6	0.2	5929.9	5.1	90.3	1.6	0.7	21.8	37.8	43.3
Reported PAT	23.4	5.2	353.0	10.0	134.7	3.1	2.0	40.7	71.9	95.0
Adjusted PAT	20.2	3.6	461.0	9.5	113.5	3.1	2.2	42.7	71.9	95.0
Diluted EPS (Rs)	2.5	0.5	461.0	1.2	113.5	0.4	0.3	5.2	8.6	11.3
RoE-%						1.6	0.9	14.3	20.7	22.7
P/E (x)						1,019.7	1,435.0	76.7	46.6	35.3
EV/EBITDA (x)						424.5	724.8	41.5	24.5	19.8

(Source: Company, HDFC sec)

Q4FY23 Result Update

- ZTL reported robust performance with strong execution and secured multiple orders. Revenue grew by 245% YoY to Rs 95.9 crore in Q4FY23 vs. Rs 27.8 crore in Q4FY22, led by strong order execution in the quarter.
- EBITDA was at Rs 35.2 crore in Q4FY23 vs. Rs 4.8 crore in Q4FY22, supported by robust operating income in the quarter. Net profit stood at Rs 23 crore vs. Rs 5.1 crore in same quarter previous year. EBITDA and PAT margin ramped up to 36.7% and 24.4% in Q4FY23, respectively.
- The company bagged order book of Rs 141.7 crore in Q4FY23. Total order book stood at Rs 473 crore as on March 31, 2023. It has placed bids for substantial orders and expect the results to be out by H1FY24. To capitalise on these potential opportunities, it is taking steps to enhance the bandwidth of its key functions, including supply chain, procurement, and production planning. It has also initiated the recruitment of technical and non-technical manpower to support its growth,

Recent Triggers

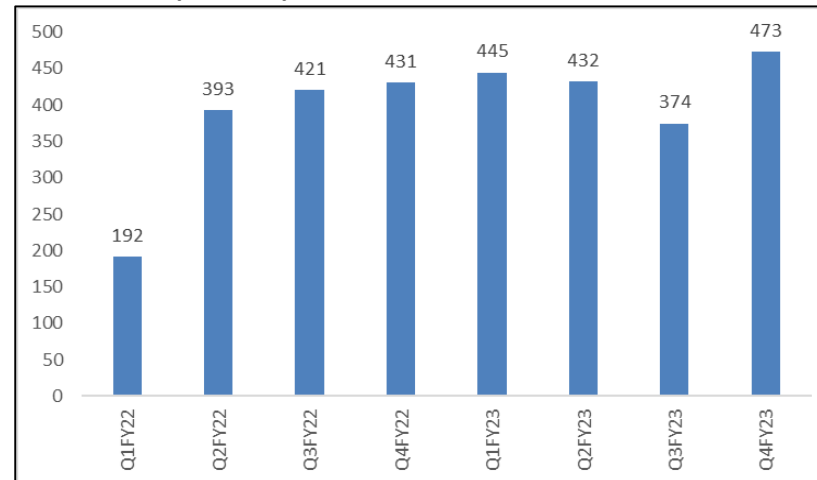
Strong order book brings better earning visibility going forward

The company's unexecuted order book stood at Rs 472.8 crore as of March 31, 2023. The order book stands at 2.2 times of the operating income in FY23, which provides adequate revenue visibility over the medium term. The company reported record high of order inflows of Rs.203 cr in FY23, providing strong revenue visibility over the coming few years. ~91-92% of the order book is on nomination basis from the government and the rest is through bidding process.



Order inflow is expected at Rs 360-400 cr in next two years. Its robust outlook depends on the potential opportunities owing to government's thrust on indigenization and the company expects to be a prime beneficiary of the same given its level of expertise, technical abilities and successful track record of execution.

Order Book (Rs in Cr)



Quarterly Order Book Status



(Source: Company, HDFC sec)

Simplification of New Drone Rule-2022 and ban on drone imports in India could bring ample opportunity to ZTL

Drones are becoming increasingly popular for both recreational and commercial purposes all over the world. In India, the publication of the Drone Rules, 2021 and the Drone (Amendment) Rules, 2022 make the operation of drones simpler than ever before. The government has passed Drone (Amendment) Rules, 2022 which states that remote pilot certificate (earlier it was called license) will not be required for flying small to medium size drones of up to 2kg for non-commercial purposes.

Along with the notification of these Rules, a ban on the import of drones seeks to push the Indian manufacturing sector to rapidly assimilate technology to cater to the needs of the Indian market. The Indian government's ambitious goal of becoming a global drone hub by 2030 is supported by new regulations and rules.

As of February 2022, India has banned the import of all drones and components to encourage the domestic drone manufacturing industry to become a global drone hub by 2030.



Long term Triggers

Established market position in the design, manufacturing and development of training Simulators with extensive experience of management

ZTL is a pioneer and leader in developing defence training, drones and anti-Drones solutions. With a rich experience of almost three decades, the company specialises in developing state-of-the art simulation solutions that cater to the armed forces, security forces and paramilitary forces. ZTL enjoys the privilege of serving the Ministry of Defence and the Government of India. With a dedicated R&D (recognized by the Ministry of Science and Technology, Government of India) and production facility in Hyderabad, the company has applied for over 112 patents and shipped more than 1000 training systems across the globe. Further the market position is strengthened by the continuous research and development which the company undertakes for its new products, which has aided the company to secure an order of Rs 155 crore for the supply of anti-drone systems to the Indian Air Force. Along with other orders, the total order book stand strong at around Rs 445 crore as on date.

The company is also expected to benefit from the extensive experience of its promoters over the medium term.

Asset-light business model to support profitability based on innovative and scalable offerings Sale of equipment

ZTL is a leader in manufacturing defence training solutions with over 95% market share in tank simulators. Infrequent but large order size with long closing cycles is an inherent characteristic of this segment. The company has a huge opportunity size in existing products with strong focus on R&D for continuous new additions to the product basket.

Combat Training Centre

- A training platform could provide realistic battle experiences by integrating Zen's entire range of product offerings.
- Big ticket size offerings with potential order wins worth \$ 25 Million for single installation.
- Expected growth in the export market on the back of attractive EXIM financing options.

Annual Maintenance Contract

- AMC revenues start kicking in after 3 years of equipment installation.
- A recurring revenue stream with exceptional profitability margins.
- Addition in the simulator installation base leads to growth in revenues from AMC.
- Growing service revenue from AMC ensures profitability even in the absence and/or lumpiness of the new equipment orders.

ZTL outsources a very large part of its manufacture and does only the final assembly at its Hyderabad unit.



Government's PLI scheme notification for Drone manufacturer could be big boost for ZTL

The government of India issued a notification regarding Rs 120 crore production-linked incentive scheme for drone manufacturers. It is expected that the drone companies are likely to invest around Rs 5000 crore on the back of this scheme. ZTL is only listed company in this business segment. The total PLI per manufacturer is capped at Rs 30 crore which is 25% of the total financial outlay of Rs 120 crore. For Indian non-MSMEs that are into making drones, the annual sales turnover requirement will be Rs 4 crore for claiming the PLIs. The minimum level will be Rs 1 crore in the case of non-MSME drone component makers. Subject to the norms, developers of software for drones and drone components, inertial measurement unit, navigation system, detect and avoid system will also be eligible for PLI. Being a leader in the industry for Anti Drone technology, ZTL could get more opportunity and benefits, supported by PLI scheme going forward.

Robust financial profile led by healthy profitability supported by cost control measures and return ratio

- ZTL's financial profile has been volatile over the past due to tender based nature of operation and dependence on government orders. However, profitability and return indicators, zero debt, superior liquidity and strong debt coverage metrics looks sound as of FY23.
- ZTL reported revenue CAGR over a decade (from FY12 to FY23) stood at ~26%. We expect, the company could report revenue CAGR at 48% over the FY23 to FY25E.
- ZTL has focused on cost-control measures and extensive indigenisation efforts to improve profitability. ZTL has met its entire working capital requirement through internal accruals over the last 5 years. The company has also sufficient liquidity with healthy cash and bank balance of about ~Rs 170 crore on consolidated basis, as on March 31, 2023.
- ZTL is debt free company and liquidity profile is superior, supported by comfortable cash flow from operations, which are expected to be adequate to meet the capital expenditure outlay and dividend outflows. Besides, the company continues to invest heavily on R&D at 12-14% of revenue which is charged to the P&L account from year to year. It has made R&D spend of ~Rs 73 crores in the last 5 years.

What could go wrong?

- Any changes in the procurement policy of the defence forces or a significant reduction in defence spending could impact its revenue and order book position. Besides, any adverse change in government policy/terms for Defense units could impact ZTL's operation over the longer term.
- Defence sector has been opened up to the private sector, and the ZTL has a competition threat from big private players like Adani Defence and Aerospace, L&T, Bharat Forge etc and PSU players like BEL and Data Patterns etc.



- Volatility in revenue profile restricts the group's operating efficiency, as reflected in the volatile operating profitability in the range of 8% to 43% over the period. Improvement and sustainability of the revenue growth will remain a key monitorable over the medium term.
- Its large working capital requirements arise from its high debtor and inventory levels. ZTL is required to extend long credit period. Furthermore, due to its business needs, it holds large work in process and inventory. However, improvement is expected over the medium term backed by the faster debtor realization terms as per the defence procurement policy.
- Due to the high concentration of the Government sector orders, ZTL's revenue generation and cash flows are vulnerable to delays in project execution or final payment clearance in some cases. ZTL is looking to tap the opportunity in non-defence business going forward including exports.
- Most of the Company's simulators are built in accordance with specific feedback from the clients, without any guarantee of buying the resultant end-product, putting the Company at a significant risk financially.
- The Government's standard policy of buying from the lowest bidder could be potentially harmful to the company. Sometimes other vendors, whose development costs are already amortized, provide cheaper solutions due to their greater bandwidth.
- Any large debt funded capital expenditure and/or any further stretch in working capital cycle could impact its business and future capex plan going forward.
- Due to continuous change in the business, geo political and external environment, the company is exposed to a variety of risks which are dynamic in nature.
- In standalone entity, ZTL made exports of Rs 55.5 crore in FY23, mainly of simulators to Govt entities abroad. This results in risk of adverse change in regulations by importing countries and forex fluctuations.

About the company

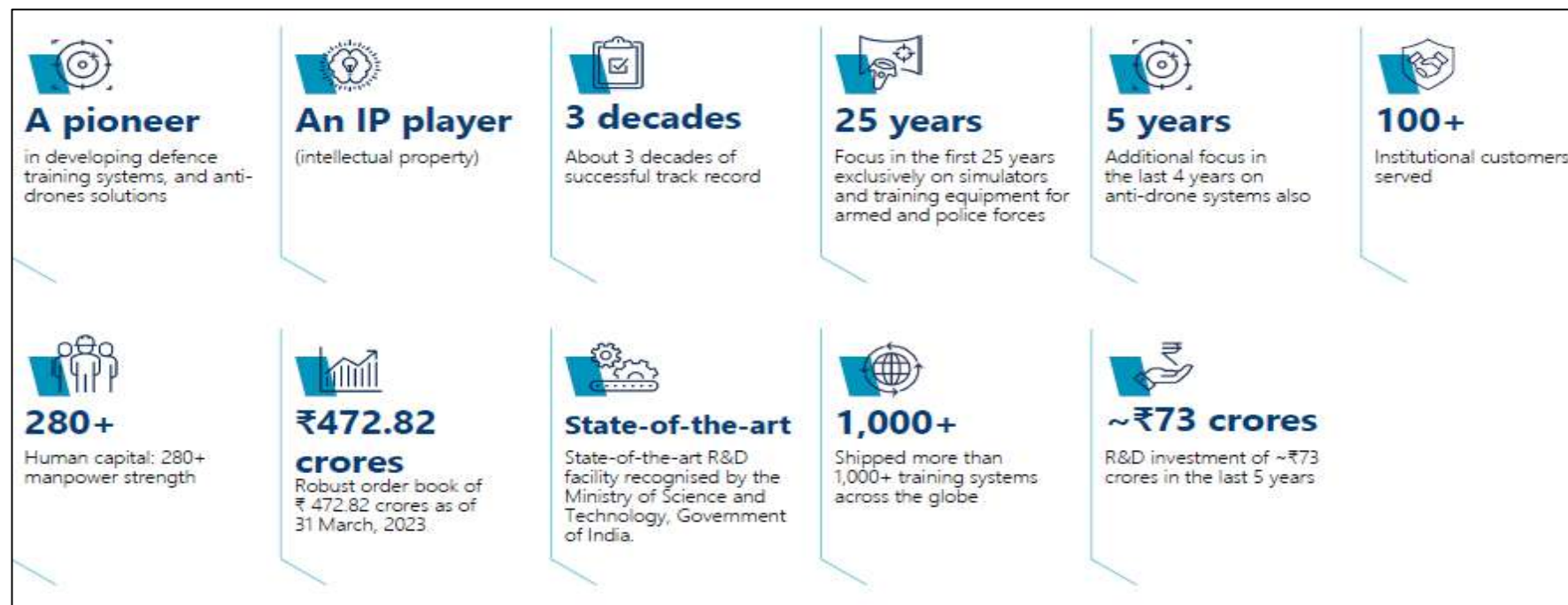
Zen Technologies Ltd. (ZTL) is the sole manufacturer of training base Simulator in India and the company designs, develops and manufactures state-of-the-art combat training solutions for the training of defence and security forces worldwide. The company manufactures land based military training simulators, driving simulators, Live range equipment and Anti Drone Systems. ZTL produces over 40 different Live Fire, Live Instrumented, Virtual and Constructive training systems to support individual and collective training capabilities.

With a dedicated R&D (recognized by the Ministry of Science and Technology, Government of India) and production facility in Hyderabad, the company has applied for over 112 patents and shipped more than 1,000 training systems around the world. ZTL's headquarter office is in Hyderabad, India with offices in India and USA.



With over 1,000 training systems shipped around the world, ZTL is a proven leader in building training systems for developing and measuring Combat Readiness. ZTL has built strong R&D capabilities and has filed or received over 90 patents and the company is an ISO 9001:2015 (QMS), ISO 14001:2015 (EMS), ISO/IEC 27001:2013 (ISMS) and CMMI Maturity Level 5 company.

Overview



(Source: Company, HDFC sec)

Business Overview

The company is principally engaged in design, development and manufacture of Training Simulators for Police and Para-military Forces, Armed Forces, Security Forces, Government Departments like Transport, Mining, Infrastructure and Civilian market. The products of the company are divided into 3 major categories viz. Land-based Military Simulators, Driving Simulators and Mining & Special Equipment Simulators. The company caters to both domestic and international market. The Company's manufacturing unit is located at Hardware Park, Maheswaram Mandal, Telangana, India.

AMCs can potentially generate around 120% of the equipment sale value as revenues over the product lifespan. AMC revenues will continue to grow as the installation base of simulators increase and these steady revenues will help reduce the unevenness in the Company's annual performance.






ZTL approved the conversion of up to 40,64,627 Compulsorily Convertible Debentures ("CCDs") to marquee non promoter investors and 4,69,633 Convertible Warrants to promoters into equity share in May 2023. These were issued in Nov 2021 and were convertible into shares @ Rs. 213/- each.

On 14 August 2018, the Board of directors of Zen Tech approved acquisition of 51% shareholding in Unistring Tech Solutions (UTS) on 14 August 2018. UTS is in the business of development of electronic warfare (EW) solutions, advanced communication systems for defence, telemetry systems and simulators for radar and EW system evaluation. Unistring Tech Solutions Private Limited in Nov 2021 bagged an order worth Rs 61 crore from a public sector undertaking in the Defence sector. It achieved this order by ensuring laser-like focus on developing electronic warfare and counter-drone technologies.

ZTL also has a wholly owned subsidiary Zen Technolgies US, which is a marketing company.

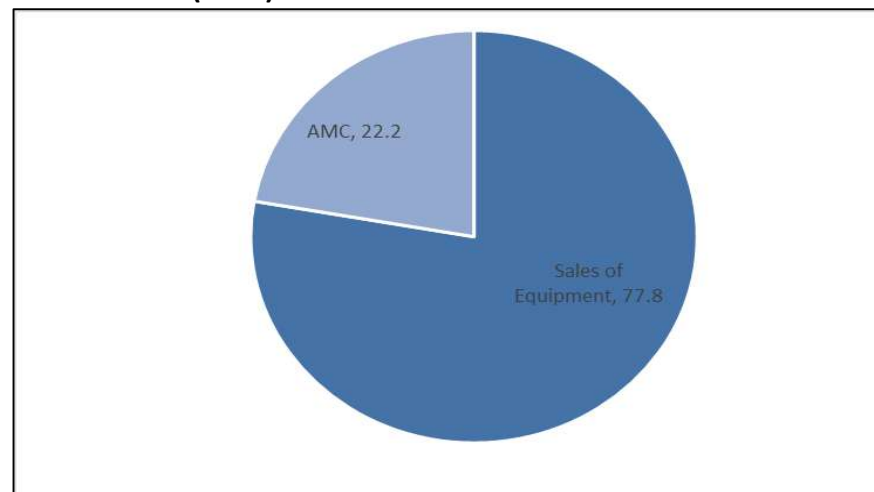
Business Model

 01 Training Simulation Equipment	 02 Counter-Drone Solutions	 03 Annual Maintenance Contract
<ul style="list-style-type: none">▪ A leader in defence training solutions.▪ Infrequent but large orders with long closing cycles.▪ 90% of order from repeat customers.	<ul style="list-style-type: none">▪ Anti drone systems are used to detect and/or intercept unwanted drones and unmanned aerial vehicles (UAVs).▪ System can detect and deactivate drones of any size within a 4-km radius.▪ Remote demonstration – getting positive response.▪ Expect big orders in the coming years.	<ul style="list-style-type: none">▪ A recurring revenue stream with exceptional profitability margins▪ New simulator sales leading to growth in revenues from AMC▪ Growing service revenue from AMC ensuring sustainability▪ Have already reached about ₹ 40 crores of annual AMC revenues.▪ Will soon achieve ₹ 50 crores of AMC annual revenues.

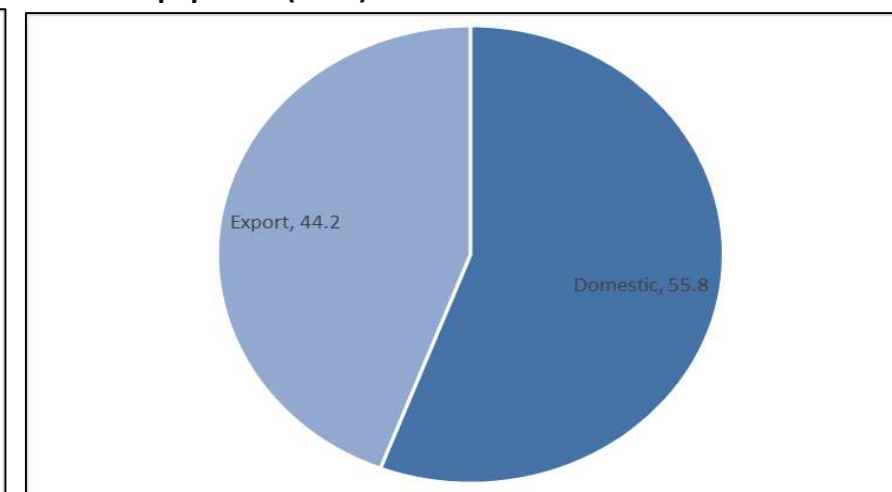
(Source: Company, HDFC sec)



Revenue Mix (FY23)-%



Sales of Equipment (FY23)-%



(Source: Company, HDFC sec)

Segmental Performance (Standalone)

Rs in Cr	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Sales of Equipment	12.61	1.79	8.62	3.01	7.96	24.24	11.77	23.25	66.8
AMC	6	7	8	9	8.0	9	9	10	8
Total	19	9	16	12	16	33	21	32.9	74.7
Sales of Equipment									
Domestic	11.12	1.79	5.8	3.01	7.96	4.29	7.44	23.25	35.1
Export	1.49	0	2.8	0	0	19.95	4.32	0	31.2
Total	12.61	1.79	8.62	3.01	7.96	24.24	11.76	23.25	66.3
R&D Expenses									
R&D Expenses		3.46	4.51	2.88	3.39	4.15	4.01	3.37	7.5
Sales-%	0.0	37.9	27.8	23.3	21.2	12.5	19.0	10.2	10

(Source: Company, HDFC sec)

R&D Exp-%

Rs in Cr.	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
R&D Expenses	14.3	13	12.8	12.3	14.8	12.9	13.8	19.9
Sales (Cons)	52.6	61.7	92.2	149.3	54.6	69.8	218.8	384.5
R&D on Sales-%	27.2	20.6	13.9	8.2	27.1	18.5	6.3	5.2

(Source: Company, HDFC sec)



Subsidiaries

- a. Zen Medical Technologies Private Ltd.
- b. Zen Technologies USA, Inc
- c. Unistring Tech Solutions Private Ltd.
- d. Zen Defence Technologies LLC, UAE

Financial Summary

Company	Holding - %	Sales Turnover				Profit After Tax				Country
		FY23	FY22	FY21	FY20	FY23	FY22	FY21	FY20	
Zen Technologies USA Inc	100	0.0	0.0	0.0	-	-1.7	-0.6	-0.6	-1.6	U.S.
Zen Medical Technologies Pvt Ltd	100	0.0	0.0	0.0	-	0.0	-0.1	-0.2	-	India
Unistring Tech Solutions Pvt Ltd	51	65.8	17.0	5.1	5.0	14.7	1.3	0.0	-0.3	India
Zen Defence Technologies LLC	100	0.0	-	-	-	-0.1	-	-	-	UAE

(Source: Company, HDFC sec)

Industry Overview

India's defence industry is strategically essential to the country. India is the third largest spender on the military and has the second largest army in the world. With the Indian Government pushing for self-reliance, the Indian defence industry, too, has received a much-anticipated boost in recent years. The Government has announced various schemes and initiatives to increase indigenous defence manufacturing capability and boost defence exports.

- The Government, in Sept 2021, promulgated a Policy Document titled 'Framework of Simulators in the Armed Forces. This document aims to lay down the framework for synergized and enhanced exploitation of simulators by the three Services and the Indian Coast Guard (ICG). The policy framework calls for an overarching vision to encourage simulation-based training across all military domains for combatants, leaders, maintainers, administrators, life science experts, procurement, and financial agencies. This move aims to reduce live equipment utilization, thus also achieving cost-effectiveness, efficiency, safety, and fast-paced, innovative training.
- A new category of capital procurement, i.e., 'Buy Indian - Indigenously Designed, Developed and Manufactured (IDDM),' has been introduced to encourage indigenous design, development, and manufacturing of defence equipment.
- The Ministry of Defense has also notified three 'Positive Indigenisation' lists containing 310 defence equipment that are prohibited from being imported and must be manufactured indigenously.

Taking into the consideration of revolution brought about by Unmanned Aerial Systems (UAS), particularly small drones, the Government has taken several measures to promote indigenous capability for drone development in the country, both in the offensive domain and in the area of counter-drone solutions. In addition, the Government has liberalized its Drone Rules, 2021 and developed a PLI program for drones and drone components. All of these policies have substantially enhanced the nation's overall drone capability. In addition, counter-drone systems are anticipated to be added to the PLI program.



Financials – Consolidated Income Statement

(Rs Cr)	FY21	FY22	FY23P	FY24E	FY25E
Net Revenues	54.6	69.8	218.8	384.5	478.4
Growth (%)	-63.4	27.7	213.8	75.7	24.4
Operating Expenses	47.3	65.5	146.2	259.5	326.5
EBITDA	7.4	4.3	72.6	125.0	151.9
Growth (%)	-88.2	-42.0	1596.5	72.1	21.6
EBITDA Margin (%)	13.5	6.1	33.2	32.5	31.8
Depreciation	5.0	4.8	6.1	6.4	6.7
Other Income	3.0	5.4	7.2	8.3	9.6
EBIT	5.5	4.8	73.8	126.8	154.8
Interest expenses	1.1	1.5	4.1	3.0	2.9
PBT	4.4	3.3	69.7	123.8	151.9
Tax	1.6	0.7	21.8	37.8	43.3
RPAT	2.8	2.6	48.0	86.1	108.6
Minority Interest &EOI	-0.3	0.4	5.2	14.2	13.6
APAT	3.1	2.2	42.7	71.9	95.0
Growth (%)	-94.7	-28.9	1833.9	68.1	32.2
EPS	0.4	0.3	5.2	8.6	11.3

Balance Sheet

As at March	FY21	FY22	FY23P	FY24E	FY25E
SOURCE OF FUNDS					
Share Capital	8.0	8.0	8.0	8.4	8.4
Reserves	196.5	275.1	308.2	369.6	452.0
Shareholders' Funds	204.4	283.0	316.2	378.0	460.4
Long Term Debt	1.2	4.2	0.0	0.0	0.0
Net Deferred Taxes	0.0	0.0	0.0	0.0	0.0
Long Term Provisions & Others	1.8	2.9	3.3	3.4	3.6
Minority Interest	6.3	6.9	14.1	28.3	41.9
Total Source of Funds	213.6	297.0	333.5	409.7	505.8
APPLICATION OF FUNDS					
Net Block & Goodwill	69.6	66.2	75.2	79.2	82.5
CWIP	0.0	2.5	1.9	4.5	4.5
Other Non-Current Assets	23.6	24.0	20.0	22.0	24.2
Total Non Current Assets	93.2	92.7	97.2	105.7	111.2
Current Investments	0.0	0.0	0.0	0.0	0.0
Inventories	14.7	25.0	49.0	115.9	137.6
Trade Receivables	18.6	31.7	85.4	158.0	186.1
Cash & Equivalents	40.3	82.9	167.4	119.3	169.3
Other Current Assets	56.5	136.7	74.8	78.5	82.5
Total Current Assets	130.1	276.2	376.5	471.7	575.5
Short-Term Borrowings	0.7	9.7	5.9	10.9	10.9
Trade Payables	3.2	3.9	6.7	22.1	27.5
Other Current Liab & Provisions	5.8	58.3	127.5	134.7	142.4
Total Current Liabilities	9.7	72.0	140.2	167.7	180.9
Net Current Assets	120.4	204.2	236.4	304.0	394.6
Total Application of Funds	213.6	297.0	333.5	409.7	505.8

(Source: Company, HDFC sec)



Cash Flow Statement

(Rs Cr)	FY21	FY22	FY23P	FY24E	FY25E
Reported PBT	4.4	3.3	71.7	123.8	151.9
Non-operating & EO items	0.4	0.2	-5.5	-8.3	-9.6
Interest Expenses	-1.5	-3.0	3.5	3.0	2.9
Depreciation	5.0	4.8	6.1	6.4	6.7
Working Capital Change	0.5	-47.5	55.1	-122.2	-42.5
Tax Paid	-2.8	-2.2	-14.4	-37.8	-43.3
OPERATING CASH FLOW (a)	5.9	-44.3	116.4	-35.0	66.2
Capex	-1.4	-4.3	-13.1	-12.6	-10.0
Free Cash Flow	4.5	-48.6	103.2	-47.6	56.2
Investments	0.0	0.0	0.0	-0.2	-0.2
Non-operating income	-8.4	-39.3	9.4	8.3	9.6
INVESTING CASH FLOW (b)	-9.8	-43.6	-3.7	-4.5	-0.7
Debt Issuance / (Repaid)	-0.2	87.2	-7.6	5.0	0.0
Interest Expenses	1.5	3.0	-3.5	-3.0	-2.9
FCFE	5.8	41.7	92.2	-45.6	53.3
Share Capital Issuance	0.0	0.0	-9.7	0.0	0.0
Dividend	-5.7	-4.8	-0.8	-10.5	-12.6
Others	13.4	2.5	-0.4	0.0	0.0
FINANCING CASH FLOW (c)	9.0	88.0	-21.9	-8.5	-15.5
NET CASH FLOW (a+b+c)	5.1	0.1	90.8	-48.0	50.0

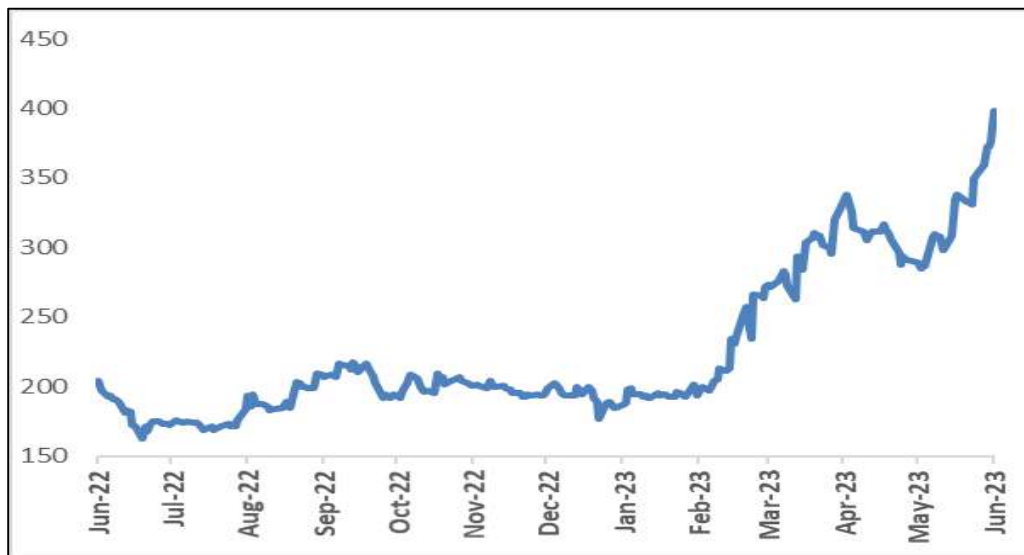
Key Ratios

Particulars	FY21	FY22	FY23P	FY24E	FY25E
Profitability Ratio (%)					
EBITDA Margin	13.5	6.1	33.2	32.5	31.8
EBIT Margin	10.0	6.9	33.7	33.0	32.3
APAT Margin	5.7	3.2	19.5	18.7	19.9
RoE	1.6	0.9	14.3	20.7	22.7
RoCE	3.0	3.0	30.8	28.8	33.7
Solvency Ratio (x)					
Net Debt/EBITDA	0.3	3.3	0.1	0.1	0.1
Net D/E	0.0	0.0	0.0	0.0	0.0
Per Share Data (Rs)					
EPS	0.4	0.3	5.2	8.6	11.3
CEPS	1.0	0.9	6.1	9.8	12.8
Dividend	0.1	0.1	0.2	1.3	1.5
BVPS	25.7	35.6	39.8	47.5	57.9
Turnover Ratios (days)					
Debtor days	124	166	142	150	142
Inventory days	98	131	82	110	105
Creditors days	21	21	11	21	21
Valuation (x)					
P/E	1019.7	1435.0	76.7	46.6	35.3
P/BV	15.5	11.2	10.0	8.4	6.9
EV/EBITDA	424.5	724.8	41.5	24.5	19.8
EV / Revenues	57.3	44.5	13.8	8.0	6.3
Dividend Yield (%)	0.0	0.0	0.1	0.3	0.4
Dividend Payout (%)	25.6	36.0	3.8	14.6	13.3

(Source: Company, HDFC sec)



One Year Price Chart



(Source: Company, HDFC sec)

HDFC Sec Retail Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. These stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicalities of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

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