Ramco Systems

BUY

Software | Q4FY24 Result Update

DOLAT ANALYSIS & RESEARCH THEMES
IN-DEPTH• PRECISE• ACTIONABLE

Performance revives; Commentary confident on EBIDTA neutral

- **RMCS reported USD revenue growth of 2.3% QoQ (DE: -2.6%) led by Aviation segment growth of 14% QoQ. EBITDA margins finally turned positive after 10 quarters and stood at +1.6% against -3.5% in Q3 (DE: +2.9%) led by steady focus on cost optimization, which management aims to sustain throughout FY25. EBIDTA (Ex of Fx) stood at Rs 76mn.**
- **Management refrained from providing specific guidance but emphasized three key priorities: 1) Maintaining a healthy order book, which ensures revenue visibility; 2) Sustaining robust growth in recurring revenues; and 3) Continued focus on improving EBITDA and conserving cash.**
- **RMCS expects growth to accelerate by FY26, while in the interim focus will be on improving profitability. Taking this commentary into account, we have revised our FY25/FY26 revenue growth estimates by 3%/2% and in-turn expect it to turn PAT positive by H2FY26. Maintain 'BUY' rating with a DCF-based TP of Rs450 (implies P/S of ~2.7x on FY26E basis).**

Order Book Surges; Secures Record Deal in Q4: Fuels Confidence.

The order book stood at $27.9 (highest in 4 years) which was up 6% on TTM basis, raising confidence on continued momentum. The unexecuted order book stands at $188mn (up 4% QoQ), indicating a good start for FY25. In Q4, RMCS secured its largest ever deal with Korean Air (deal size: around $10mn), spanning 5-7 years, & is expected to enhance market credibility given its niche.

Recurring Revenue Thrives, License Bounces Back.

Recurring Rev. continued good momentum for Q4, growing 14% YoY (13% in Q3). Within Non-Recurring Rev, License reported strong growth, up by 389% YoY at $1.8mn. The implementation Rev (22.6% of Rev, lowest ever) further declined 38% YoY. Rev from Cloud orders were up 6% YoY, comprising 60% of Rev.

RMCS Unveils Streamlined Payroll Solution, Poised for H2FY25.

RMCS revamped its HRP software by launching Ramco Payce, a platform-based payroll solution that ensures swift implementation, lightning-fast processing, and high accuracy. During recent roadshows, management shared that it witnessed compelling response (did 9 roadshows in last 2 months) and numerous demo requests, expecting this demand to drive deal wins in H2 FY25.

Q4FY24 Result (Rs Mn)

Particulars	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)
Revenue	1,312	1,262	4	1,283	2.3
Total Expense	1,291	1,620	(20.3)	1,327	(2.7)
EBITDA	21	(358)	LTP	(44)	LTP
Depreciation	227	204	11.7	213	6.5
EBIT	(206)	(561)	LTL	(258)	LTL
Other Income	11	21	(44.6)	6	82.6
Interest	15	29	(48.9)	16	(10.3)
EBT	(210)	(570)	LTL	(268)	LTL
Tax	21	(116)	N.M	(7)	N.M
RPAT	(231)	(453)	LTL	(264)	LTL
APAT	(231)	(453)	LTL	(264)	LTL
			(bps)		(bps)
Gross Margin (%)	49.2	32.7	1651	42.7	651
EBITDA Margin (%)	1.6	(28.4)	LTP	(3.5)	LTP
NPM (%)	(17.6)	(35.9)	LTL	(20.5)	LTL
Tax Rate (%)	(10)	20.3	N.M	2.5	N.M
EBIT Margin (%)	(15.7)	(44.5)	LTL	(20.1)	LTL

CMP	Rs 369
Target / Upside	Rs 450 / 22%
NIFTY	22,598

Scrip Details

Equity / FV	Rs 355mn / Rs 10
Market Cap	Rs 13bn
	USD 157.5mn
52-week High/Low	Rs 450/ 216
Avg. Volume (no)	3,94,876
Bloom Code	RMCS IN

Price Performance	1M	3M	12M
Absolute (%)	(8)	21	65
Rel to NIFTY (%)	(10)	20	41

Shareholding Pattern

	Sep'23	Dec'23	Mar'24
Promoters	52.1	52.0	51.9
MF/Banks/FIs	5.9	5.9	5.9
FIIs	9.7	10.1	10.1
Public / Others	33.8	32.0	32.1

Valuation (x)

	FY24E	FY25E	FY26E
P/E	(5.4)	(28.3)	(127.3)
EV/EBITDA	(8.3)	35.9	18.6
ROE (%)	(57.3)	(15.9)	(3.9)
RoACE (%)	(56.1)	(14.6)	(2.7)

Estimates (Rs bn)

	FY24E	FY25E	FY26E
Revenue	5.3	5.6	6.4
EBITDA	(1.5)	0.4	0.8
PAT	(2.4)	(0.5)	(0.1)
EPS (Rs.)	(68.4)	(13.0)	(2.9)

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Exhibit 1: Quarterly performance versus estimates (Consensus N/A)

Particulars (Rs mn)		Estimates		% Variation		Comment
	Actual	Dolat	Consensus	Dolat	Consensus	
USD Revenue	16	15	NA	5.1	NA	Beat was led by strong traction in Aviation.
INR Revenue	1,312	1,249	NA	5.1	NA	
EBIT	(206)	(178)	NA	16.1	NA	Higher Fx losses led to OPM miss.
EBIT, margin	(15.7)	(14.2)	NA	(150 bps)	NA	
PAT	(230)	(176)	NA	31.1	NA	Lower than exp ETR led PAT miss.

Source: Company, DART

Change in Estimates

Given steady order wins leading to higher revenue conversion, we believe there will be steady growth recovery and thus we have inched up our revenue estimates by +3%/+2% for FY25E/26E respectively. We believe that operating performance will continue to improve driven by cost optimization and thus we have also scaled FY25E/FY26E OPM estimates upwards by 41bps/293bps. Overall, losses reduced for FY25E/FY26E respectively.

Exhibit 2: Change in Estimates

Particulars (Rs. mn)	FY23	FY24	FY25E			FY26E		
	Actual	Actual	Old	New	Chg.(%)	Old	New	Chg.(%)
USD Revenue	62	64	66	68	2.3	75	76	1.5
YoY growth,	(14.1)	3.5	4.8	5.9		13.7	12.8	
INR Revenue	4,922	5,258	5,495	5,639	2.6	6,283	6,413	2.1
YoY growth,	(7.3)	6.8	5.8	7.2		14.4	13.7	
EBIT	(2,162)	(2,416)	(548)	(539)	1.5	(360)	(180)	50.1
EBIT Margin,	(43.9)	(46.0)	(10.0)	(9.6)	41 bps	(5.7)	(2.8)	293 bps
Net Profit	(2,069)	(2,420)	(469)	(461)	1.8	(279)	(103)	63.3
EPS (Rs)	(66.8)	(68.6)	(12.8)	(13.0)	(2.0)	(7.6)	(2.9)	61.9

Source: Company, DART

What to expect Next Quarter

We expect flattish sequential revenue growth (+0.2%), anticipating ERP pain to continue. Operating Performance is likely to improve by 198bps QoQ as benefits of cost optimization & normalized SG&A will play out, resulting in OPM loss lowering to -13.7%.

Exhibit 3: What to expect next Quarter

Particulars	Q1FY25E	Q4FY24	Q1FY24	QoQ (%)	YoY (%)
USD Revenue	15.9	15.9	17.1	0.2	(6.9)
INR Revenue	1,324	1,312	1,395	0.9	(5.1)
EBIT	(182)	(206)	(471)	11.8	61.4
PAT	(167)	(231)	(468)	27.8	64.5
EPS (Rs)	(4.7)	(6.5)	(13.3)	27.8	64.5
EBIT Margin (%)	(13.7)	(15.7)	(33.8)	198 bps	2004 bps

Source: Company, DART

Valuation

Near term operating performance in terms of growth and margins are not the relevant tools to derive at ideal valuation for any software business with sub-scale operating size (all 3 segments are in $20-$30mn) and thus we believe that such Biz. are better valued on DCF basis. We have built in overall Revenue CAGR of 12% (earlier 11%) over FY24-40E, average EBIT margin of 12% and Terminal growth rate of 2% (unchanged). Taking these assumptions, we have arrived at TP of Rs. 450 per share (earlier Rs. 400) and we maintain 'BUY' rating on the stock.

Exhibit 4: Key Assumptions in Our Estimates

Key assumptions	FY22	FY23	FY24	FY25E	FY26E
Growth in $ HRP Biz.	(7.4)	(0.1)	1.2	14.9	27.8
Growth in $ ERP Biz.	(25.6)	(27.3)	(0.9)	(12.9)	(20.3)
Growth in $ AAD Biz.	(10.9)	(16.2)	10.3	10.1	14.7
Growth in $ Revenue	(15.3)	(14.1)	3.4	5.9	12.8
Growth in INR Revenue	(15.2)	(7.3)	6.8	7.2	13.7
INR/US$ realized rate	73.8	79.7	82.2	83.3	84.0
EBIT Margin	(14.5)	(43.9)	(46.0)	(9.6)	(2.8)

Source: Company, DART

Exhibit 5: Quarterly Trend (Rs mn)

Particulars (Rs mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ (%)	FY23	FY24	YoY (%)
USD Revenue	15	17	15	16	16	2.9	2.3	62	64	3.5
INR Revenue	1,262	1,395	1,268	1,283	1,312	4.0	2.3	4,922	5,258	6.8
Operating Exp	1,620	1,650	2,535	1,327	1,291	(20.3)	(2.7)	6,276	6,802	8.4
Cost of revenue	849	860	807	735	666	(21.6)	(9.3)	3,416	3,068	(10.2)
as % of sales	*67.3*	*61.6*	*63.6*	*57.3*	*50.8*	(1651 bps)	(651 bps)	*69*	*58*	(1104 bps)
SG&A expense	771	790	1,728	592	625	(19.0)	5.5	2,861	3,734	30.5
as % of sales	*61.1*	*56.6*	*136.2*	*46.2*	*47.6*	(1345 bps)	144 bps	*84*	*122*	3795 bps
EBITDA	(358)	(255)	(1,266)	(44)	21	(105.9)	(147.8)	(1,354)	(1,544)	14.0
Depreciation	204	217	215	213	227	11.7	6.5	808	872	7.9
EBIT	(561)	(471)	(1,481)	(258)	(206)	(63.3)	(20.0)	(2,162)	(2,416)	11.7
Other Income	(8)	(12)	4	(10)	(3)	(59.3)	(66.7)	(45)	(22)	(51.5)
PBT	(570)	(483)	(1,477)	(268)	(210)	(63.2)	(21.8)	(2,207)	(2,438)	10.5
Total Tax	(116)	(15)	(20)	(7)	21	(118.1)	(413.2)	(138)	(21)	(85.1)
Adjusted PAT	(454)	(468)	(1,458)	(261)	(230)	(49.3)	(11.8)	(2,069)	(2,417)	16.8
Minority Interest	2	(0)	1	(2)	(0)	(114.8)	(89.4)	0	(2)	(927.6)
Reported PAT	(453)	(468)	(1,457)	(264)	(231)	(49.0)	(12.5)	(2,069)	(2,420)	17.0
Reported EPS	(14)	(13)	(41)	(7)	(7)	(54.9)	(12.7)	(67)	(69)	2.7
Margins (%)						**(bps)**	**(bps)**			
EBIDTA	(28.4)	(18.2)	(99.8)	(3.5)	1.6	2997 bps	506 bps	(27.5)	(29.4)	(185 bps)
EBIT	(44.5)	(33.8)	(116.8)	(20.1)	(15.7)	2876 bps	438 bps	(43.9)	(46.0)	(202 bps)
EBT	(45.1)	(34.6)	(116.5)	(20.9)	(16.0)	2917 bps	492 bps	(44.8)	(46.4)	(153 bps)
PAT	(35.9)	(33.6)	(114.9)	(20.5)	(17.6)	1827 bps	296 bps	(42.0)	(46.0)	(399 bps)
ETR (%)	20.3	3.1	1.3	2.5	(10.0)	(3025 bps)	(1246 bps)	6.3	0.8	(542 bps)

.Source: Company, DART

Exhibit 6: Revenue Trend for Q4FY24

Segment Revenue	Amount ($ mn)	Mix (%)	QoQ (%)	YoY (%)	Incremental Revenue ($ mn)	% Contribution of Incremental Revenue
Recurring Revenue (a+b+c)	**10.3**	**65**	**5.6**	**12.6**	**0.6**	**157**
a) AMC / Subscription	6.8	43	9.3	16.4	0.6	166
b) BPO Services	2.1	13	1.0	10.0	0.0	6
c) Hosting Charges	1.5	9	(3.3)	1.4	(0.1)	(14)
Non-recurring (d+e+f)	**5.5**	**35**	**(3.5)**	**(11.7)**	**(0.2)**	**(57)**
d) License	1.8	11	166.2	389.2	1.1	323
e) Service	3.6	23	(28.1)	(38.1)	(1.4)	(400)
f) Resale of Material	0.1	1	100.0	20.0	0.1	17
Total	**15.9**	**100**	**2.3**	**2.9**	**0.4**	**100**

Source: Company, DART

Exhibit 7: Segmental Revenue Trend for Q4FY24

Revenue	Amount ($ mn)	Mix (%)	QoQ (%)	YoY (%)	Incremental Revenue ($ mn)	% Contribution of Incremental Revenue
ERP	4.0	25	1.3	(6.3)	0.0	14
HCM	5.9	37	(6.7)	(5.5)	(0.4)	(117)
Aviation	6.0	38	13.9	21.3	0.7	203
Total	**15.9**	**100**	**2.3**	**2.9**	**0.4**	**100**

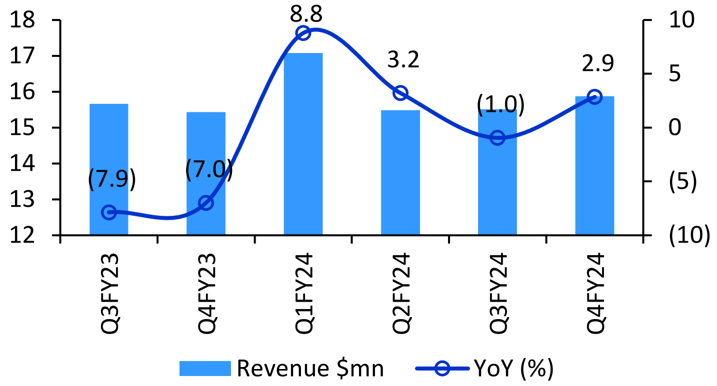
Source: Company, DART

Earnings Call KTAs

- **Revenue:** USD Revenue was down 1% YoY but was almost flat QoQ (+0.2%) at $15.5mn, lower than our estimate of $16.3mn. In this quarter, ERP segment witnessed weakness and was down by 6% QoQ, given steady decline in its deal wins over last four quarters (deal win down 41% on LTM basis), HRP segment also declined by 6% QoQ while Aviation segment saw growth of 23% QoQ.
- **Stream-wise Revenues:** Recurring Revenues (52% of Rev) delivered strong growth, up 7% QoQ at $8.3mn. Within non-recurring items: - 1) Growth was led by License Revenues (11% of Revenues), which was up 166% QoQ and 389% YoY, while Implementation Revenues (23% of Revenues) declined sharply by 28% QoQ.
- **Bookings & Order Book:** Bookings in this quarter were robust, which stood at $27.9mn (highest in 3 years) was up 19% YoY. Growth in bookings was led by Aviation segment which stood at $18.8mn (highest ever) and was up by 135% YoY led by marquee deal win with Korean Air announced in Apr’24. However, ERP and HCM bookings were down by 33% and 43% YoY respectively. APAC region reported a significant jump in bookings at $21.3mn (Last 8 qtr avg: $8.9mn). The unexecuted order book stands at $188mn, up 4% QoQ.
- **ERP Segment (26% of Revenue):** ERP segment reported 1.3% QoQ growth but was down 6.3% YoY. ERP Bookings in this quarter were weak and stood at $2.2Mn (lowest ever).
- **HRP Segment (37% of Revenue):** HRP segment continues to decline sequentially, down by 7% QoQ and 6% YoY. Bookings in Q4FY24 bounced back and stood at $6.9mn (LQ: $2.6mn), but still below its 8-quarter average: $9.1mn
- **Aviation Segment (38% of Rev):** Aviation segment continues to improve, reporting 14% sequential growth at $6mn. This segment reported highest ever bookings in this quarter and witnessed a stupendous growth of 839% QoQ and 135% YoY at $18.8mn (Avg last 4 qtr $7.9Mn), which was attributed to marquee deal win with Korean Air.
- **Operating Performance:** EBITDA for the quarter turned positive after 10 quarters and stood at INR21mn, however EBITDA ex of FX loss stood at INR 76mn. EBIT loss for the quarter stood at Rs. 206mn (loss narrowed by 20% QoQ). OPM stood at -15.7%, an improvement of 438bps sequentially. Employee cost down by 9% QoQ led by reversal of ESOP charge on cancellation of shares and headcount rationalisation. SG&A expenses were up by 7% QoQ. Management indicated that the collaboration with Deloitte will help reduce sales and marketing costs in regions where RMCS lacks a presence.
- **Geography:** Growth in this quarter was led by APAC (39% of Rev), MEA (11% of Rev) and America (25% of Rev) region which were up by 8% / 16% / 1.6% QoQ respectively. However, India (22% of Rev) and Europe (3% of Rev) witnessed a decline of 7.4% / 23% QoQ respectively. APAC region reported a significant jump in bookings at $21.3mn (Last 8 qtr avg: $8.9mn) attributed to Korean Air deal win.
- **Outlook:** The management is committed to a focused turnaround strategy, prioritizing key market segments for growth and modernization. The primary focus is on the payroll market, recognized for its substantial size and horizontal nature, offering significant growth potential. Additionally, the aviation sector, particularly in MRO services, presents a niche opportunity for expansion, with successful models being scalable to other regions. While these two verticals remain the highest priorities, the company continues to modernize and refine other industry verticals to ensure overall growth and improvement.

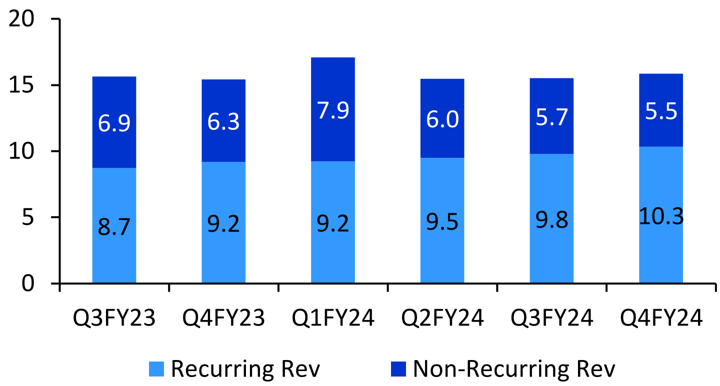
Story in Charts

Exhibit 8: Revenue grew by 2.9% YoY led by Aviation



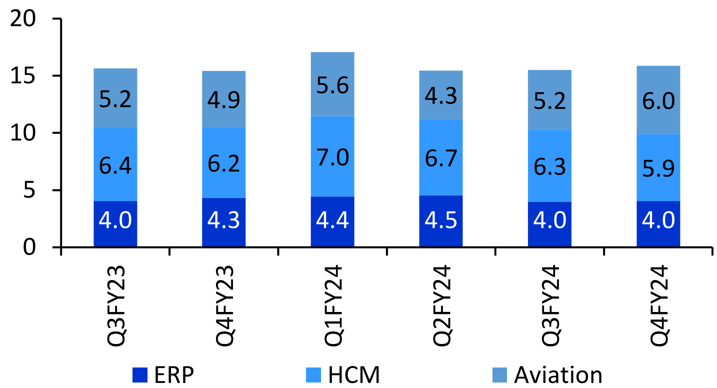
Source: DART, Company

Exhibit 9: Recurring rev continues to see increased share



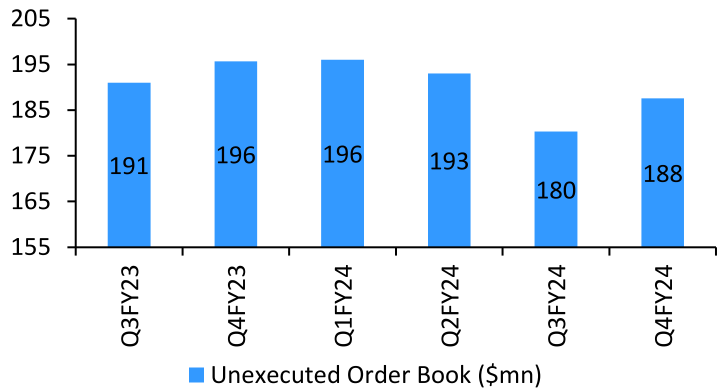
Source: DART, Company

Exhibit 10: Aviation drove the traction, while ERP was flat



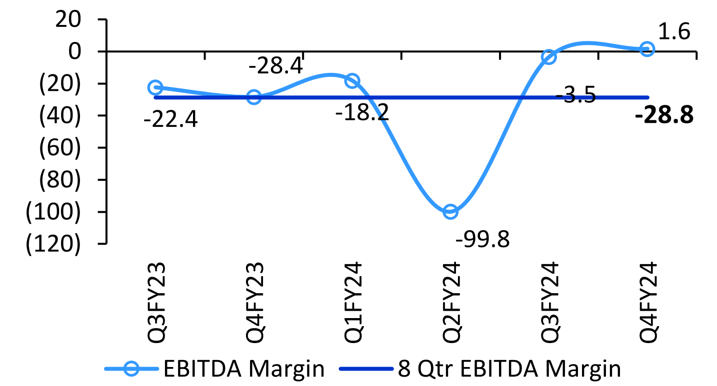
Source: DART, Company

Exhibit 11: Order book stood at $188mn, up 4% QoQ



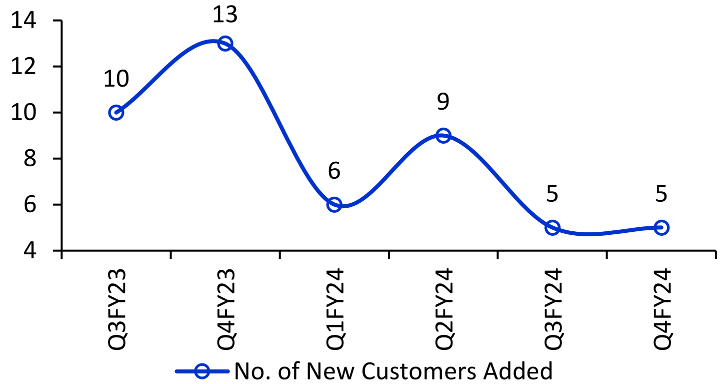
Source: DART, Company

Exhibit 12: EBITDA Margin positive after 10 qtrs



Source: DART, Company

Exhibit 13: 5 customers added in Q4FY24



Source: DART, Company

Exhibit 14: Operating Metrics

Metrics	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
USD Growth QoQ	(11.2)	(2.4)	(5.4)	(4.5)	4.4	(1.5)	10.7	(9.4)	0.2	2.3
USD Growth YoY	(27.2)	(19.5)	(18.4)	(21.7)	(7.9)	(7.0)	8.8	3.2	(1.0)	2.9
LTM Revenues rolling	76.0	72.0	68.4	64.3	63.0	61.8	63.2	63.7	63.5	63.9
Growth YoY	(8.4)	(15.3)	(19.2)	(21.9)	(17.1)	(14.1)	(7.7)	(1.0)	0.9	3.5
Bookings - Business ($mn)										
ERP	4.3	3.6	4.5	4.9	6.9	3.3	2.6	3.3	2.4	2.2
HCM	7.0	6.4	11.9	5.4	10.9	12.2	12.5	10.6	2.6	6.9
Aviation	2.2	1.8	5.4	7.0	9.8	8.0	8.0	2.7	2.0	18.8
Total	13.6	11.8	21.8	17.3	27.6	23.4	23.1	16.6	7.0	27.9
Unexecuted Order Book	185.4	174.1	177.8	181.7	191.0	195.7	196.0	193.0	180.3	187.6
YoY	4.3	(4.7)	(6.1)	(4.2)	3.0	12.4	10.3	6.2	(5.6)	(4.2)
Revenue segments ($mn)										
Recurring	**8.4**	**8.0**	**8.0**	**8.4**	**8.7**	**9.2**	**9.2**	**9.5**	**9.8**	**10.3**
AMC / Subscription	5.6	5.3	5.1	5.3	5.5	5.9	5.6	5.8	6.2	6.8
BPO Services	1.7	1.7	1.8	1.8	1.9	1.9	2.2	2.1	2.1	2.1
Hosting Charges	1.2	1.1	1.2	1.3	1.3	1.4	1.5	1.6	1.5	1.5
Non-recurring	**8.6**	**8.6**	**7.7**	**6.6**	**6.9**	**6.3**	**7.9**	**6.0**	**5.7**	**5.5**
License	1.4	1.2	1.7	1.0	1.5	0.4	1.0	0.6	0.7	1.8
Service	7.0	7.2	5.8	5.5	5.3	5.8	6.7	5.2	5.0	3.6
Resale of Material	0.1	0.2	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.1
Segment Growth (YoY)										
Recurring	0.4	(10.1)	(7.5)	(2.0)	3.2	14.2	14.9	13.5	12.4	12.6
AMC / Subscription	0.4	(10.1)	(7.5)	(2.0)	(1.1)	11.2	9.8	10.8	13.5	16.4
BPO Services	18.3	17.8	18.5	17.8	13.1	10.5	21.2	17.9	8.9	10.0
Hosting Charges	34.1	(2.8)	0.0	17.0	9.0	34.9	27.6	19.1	12.8	1.4
Non-recurring	(44.7)	(29.9)	(30.7)	(40.4)	(18.9)	(26.9)	2.3	(9.8)	(17.6)	(11.7)
License	(78.6)	(56.9)	(35.0)	(60.5)	4.2	(69.4)	(44.5)	(33.3)	(54.1)	389.2
Service	(18.6)	(14.1)	(30.1)	(35.9)	(24.2)	(19.2)	14.4	(5.4)	(6.6)	(38.1)
Resale of Material	(45.5)	(81.3)	66.7	55.6	8.3	(50.0)	110.0	(14.3)	(53.8)	20.0
Revenue by Practice ($mn)										
ERP	4.8	4.8	4.5	4.3	4.0	4.3	4.4	4.5	4.0	4.0
HCM	6.3	6.5	6.5	6.5	6.4	6.2	7.0	6.7	6.3	5.9
Aviation	5.8	5.3	4.7	4.2	5.2	4.9	5.6	4.3	5.2	6.0
Industry Practice Growth (YoY)										
ERP	(0.5)	(0.3)	(0.4)	(0.4)	(0.2)	(0.1)	(0.0)	0.0	(0.0)	(0.1)
HCM	(0.0)	(0.1)	0.0	0.0	0.0	(0.0)	0.1	0.0	(0.0)	(0.1)
Aviation	(0.3)	(0.2)	(0.2)	(0.3)	(0.1)	(0.1)	0.2	0.0	0.0	0.2
Geography segments ($mn)										
America	4.7	4.0	3.9	3.7	3.5	4.4	4.2	4.4	3.9	3.9
Europe	0.9	1.1	0.8	0.7	0.9	0.6	0.9	(0.5)	0.6	0.5
APAC	5.6	5.2	5.2	5.5	6.3	5.2	6.5	6.0	5.7	6.2
India	3.7	4.0	4.0	3.0	3.0	3.5	3.7	4.3	3.8	3.5
Middle East and North Africa	2.0	2.4	1.7	2.2	1.9	1.8	1.9	1.2	1.6	1.8
Customer Metrics										
No. of New Customers Added	7	10	13	9	10	13	6	9	5	5
% Rev from New Customers	10	13	8	7	15	10	4	6	8	16
Bookings carried over	12.2	10.3	20.0	16.1	23.4	21.1	22.2	15.6	6.4	23.4
Revenues from existing customers	15.3	14.4	14.4	14.0	13.3	13.9	16.4	14.6	14.3	13.3

Source: DART, Company

Financial Performance

Profit and Loss Account

(Rs Mn)	FY23A	FY24E	FY25E	FY26E
Revenue	**4,922**	**5,258**	**5,639**	**6,413**
Total Expense	**6,276**	**6,802**	**5,258**	**5,658**
COGS	3,416	3,068	2,855	3,072
Employees Cost	0	0	0	0
Other expenses	2,861	3,734	2,402	2,586
EBIDTA	**(1,354)**	**(1,544)**	**382**	**755**
Depreciation	808	872	921	935
EBIT	**(2,162)**	**(2,416)**	**(539)**	**(180)**
Interest	100	62	10	8
Other Income	55	41	79	83
Exc. / E.O. items	0	0	0	0
EBT	**(2,207)**	**(2,438)**	**(470)**	**(105)**
Tax	(138)	(21)	(9)	(2)
RPAT	(2,069)	(2,420)	(461)	(103)
Minority Interest	0	2	0	0
Profit/Loss share of associates	**0**	**0**	**0**	**0**
APAT	**(2,069)**	**(2,420)**	**(461)**	**(103)**

Balance Sheet

(Rs Mn)	FY23A	FY24E	FY25E	FY26E
Sources of Funds				
Equity Capital	353	355	377	377
Minority Interest	34	37	37	37
Reserves & Surplus	4,979	2,759	2,298	2,196
Net Worth	**5,331**	**3,114**	**2,676**	**2,573**
Total Debt	380	0	850	1,500
Net Deferred Tax Liability	(219)	(276)	(276)	(276)
Total Capital Employed	**5,527**	**2,874**	**3,286**	**3,834**
Applications of Funds				
Net Block	**4,198**	**4,298**	**4,427**	**4,550**
CWIP	0	0	0	0
Investments	17	17	17	17
Current Assets, Loans & Advances	**4,901**	**2,089**	**2,260**	**2,670**
Inventories	0	0	0	0
Receivables	1,525	952	1,097	1,230
Cash and Bank Balances	678	284	202	475
Loans and Advances	527	203	288	267
Other Current Assets	2,071	649	673	698
Less: Current Liabilities & Provisions	**3,589**	**3,530**	**3,418**	**3,403**
Payables	725	726	605	574
Other Current Liabilities	2,864	2,804	2,813	2,830
sub total				
Net Current Assets	1,312	(1,441)	(1,158)	(733)
Total Assets	**5,527**	**2,874**	**3,286**	**3,834**

E – Estimates

Important Ratios

Particulars	FY23A	FY24E	FY25E	FY26E
(A) Margins (%)				
Gross Profit Margin	30.6	41.7	49.4	52.1
EBIDTA Margin	(27.5)	(29.4)	6.8	11.8
EBIT Margin	(43.9)	(46)	(9.6)	(2.8)
Tax rate	6.3	0.8	2	2
Net Profit Margin	(42)	(46)	(8.2)	(1.6)
(B) As Percentage of Net Sales (%)				
COGS	69.4	58.3	50.6	47.9
Employee	0	0	0	0
Other	58.1	71	42.6	40.3
(C) Measure of Financial Status				
Gross Debt / Equity	0.1	0	0.3	0.6
Interest Coverage	(21.7)	(38.8)	(53.9)	(22.4)
Inventory days	0	0	0	0
Debtors days	113	66	71	70
Average Cost of Debt	52.4	32.8	2.4	0.7
Payable days	54	50	39	33
Working Capital days	97	(100)	(75)	(42)
FA T/O	1.2	1.2	1.3	1.4
(D) Measures of Investment				
AEPS (Rs)	(66)	(68.4)	(13)	(2.9)
CEPS (Rs)	(40.2)	(43.7)	13	23.5
DPS (Rs)	0	0	0	0
Dividend Payout (%)	0	0	0	0
BVPS (Rs)	170.2	88	75.6	72.7
RoANW (%)	(37.1)	(57.3)	(15.9)	(3.9)
RoACE (%)	(34.7)	(56.1)	(14.6)	(2.7)
RoAIC (%)	(41.1)	(65)	(19)	(5.6)
(E) Valuation Ratios				
CMP (Rs)	369	369	369	369
P/E	(5.6)	(5.4)	(28.3)	(127.3)
Mcap (Rs Mn)	13,052	13,052	13,052	13,052
MCap/ Sales	2.7	2.5	2.3	2
EV	12,654	12,768	13,700	14,077
EV/Sales	2.6	2.4	2.4	2.2
EV/EBITDA	(9.3)	(8.3)	35.9	18.6
P/BV	2.2	4.2	4.9	5.1
Dividend Yield (%)	0	0	0	0
(F) Growth Rate (%)				
Revenue	(7.3)	6.8	7.2	13.7
EBITDA	6823.3	LTL	LTP	97.8
EBIT	LTL	LTL	LTL	LTL
PBT	LTL	LTL	LTL	LTL
APAT	LTL	LTL	LTL	LTL
EPS	LTL	LTL	LTL	LTL

E – Estimates

Cash Flow

Particulars	FY23A	FY24E	FY25E	FY26E
Profit before tax	**(2,207)**	**(2,438)**	**(470)**	**(105)**
Depreciation & w.o.	856	924	921	935
Net Interest Exp	46	9	10	8
Direct taxes paid	(29)	(50)	9	2
Change in Working Capital	774	1,044	(365)	(152)
Non Cash	963	1,548	0	0
(A) CF from Operating Activities	**403**	**1,037**	**105**	**688**
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(1,274)	(784)	(1,050)	(1,057)
Free Cash Flow	**(872)**	**254**	**(945)**	**(369)**
(Inc)./ Dec. in Investments	4	2	0	0
Other	0	14	0	0
(B) CF from Investing Activities	**(1,271)**	**(767)**	**(1,050)**	**(1,057)**
Issue of Equity/ Preference	1,201	14	23	0
Inc./(Dec.) in Debt	480	(578)	850	650
Interest exp net	(205)	4	(10)	(8)
Dividend Paid (Incl. Tax)	0	0	0	0
Other	1,476	(560)	863	642
(C) CF from Financing	**(59)**	**(103)**	**0**	**0**
Net Change in Cash	609	(289)	(82)	273
Opening Cash balances	**128**	**678**	**286**	**204**
Closing Cash balances	**678**	**286**	**204**	**477**

E – Estimates

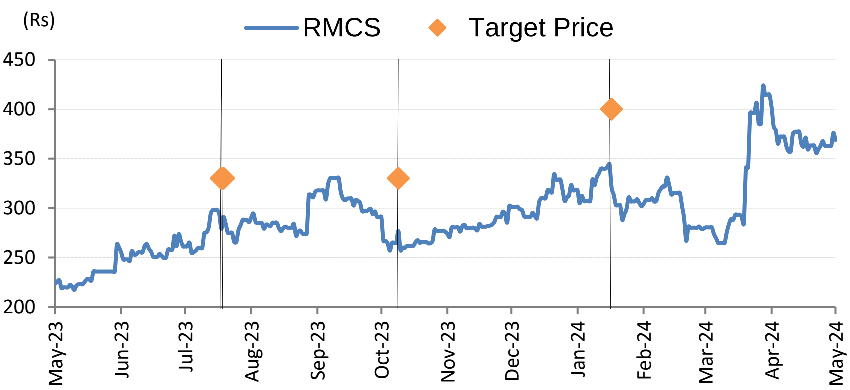
Notes

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	**> 20%**
Accumulate	**10 to 20%**
Reduce	**0 to 10%**
Sell	**< 0%**

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Aug-23	Accumulate	330	279
Aug-23	Accumulate	330	291
Oct-23	Accumulate	330	277
Feb-24	Buy	400	320

**Price as on recommendation date*

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