



# Stock Update

## Action Construction Equipment Ltd.

September 23, 2024



Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Construction Vehicles	Rs 1398.4	Buy in Rs. 1384-1412 band and add on dips in Rs. 1236-1261 band	Rs. 1537	Rs. 1632	2-3 quarters

HDFC Scrip Code	ACTCONEQNR
BSE Code	532762
NSE Code	ACE
Bloomberg	ACCE:IN
CMP Sep 20, 2024	1398.4
Equity Capital (Rs Cr)	23.82
Face Value (Rs)	2
Equity Share O/S (Cr)	11.91
Market Cap (Rs Cr)	16655
Book Value (Rs)	103.3
Avg. 52 Wk Volumes	4,64,757
52 Week High	1695
52 Week Low	654

Share holding Pattern % (Jun, 2024)	
Promoters	65.41
Institutions	11.92
Non Institutions	22.67
Total	100



\* Refer at the end for explanation on Risk Ratings

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### Our Take:

Action Construction Equipment Limited (ACE) is one of the established players engaged in manufacturing and marketing of Cranes, Construction Equipment, Material Handling and Agricultural equipment. The company is a major player of Mobile & Tower Cranes and has more than 63% market share. ACE is also largest manufacturer of pick and carry cranes. It is also one of the few players in manufacturing of Forklifts. The revenue of the company is well diversified in various segments, and has a strong order book from the Defense sector for manufacturing and supply of specialized equipment. Its revenue comprised of 94% from Crane, Construction Equipment, Material handling segment and 6% from Agri Equipment respectively.

ACE is a market leader in cranes in the domestic market and is in a well position to capitalize on the strong capex outlook in infrastructure, manufacturing and real estate. With a strong diversified portfolio and a lean cost structure, company is poised to achieve it targeted revenue by 15-20% YoY and ultimately increase its bottom line by backward integration. Continuous order inflow from the defence sector and increasing exports, ACE plans to grow 15-20% by volume over FY24-27E. Its planned foray in larger size equipment through JV with Kato Works Limited presents long term upside. It is also expanding its business by carrying out more Capex by way of both organic and inorganic expansion. The company is also expanding its capacities in cranes as well as material handling segment. ACE has strong financial position with no long term debt and strong revenue generation capabilities.

**On account of its healthy order book and diversified product portfolio, strong revenue forecasts and market share in cranes segment, foray into defence sector and increased revenue share of exports leading to improvement in EBITDA margins, we remain positive on the stock.** We had issued an initiating coverage report on ACE on January 23, 2023 ([link](#)) and the given targets were met.

### Valuation & Recommendation:

ACE offers a strong long term outlook and revenue growth in the upcoming years on account of capex and expansion. We expect revenue/EBITDA/PAT to grow at a CAGR of 19.6%/20.9%/18.1% over FY24–26E. **We think the base case fair value of the stock is Rs. 1537 (40x FY26E EPS) and the bull case fair value is Rs.1632 (42.5x FY26E EPS) over the next 2-3 quarters. Investors can buy the stock in the band of Rs.1384-1412 (36.4x FY26E EPS) and add more on dips to Rs. 1236-1261 band (32.5x FY26E EPS).**

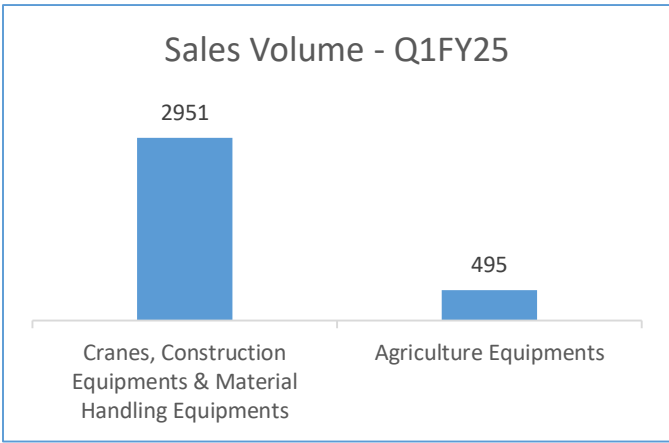
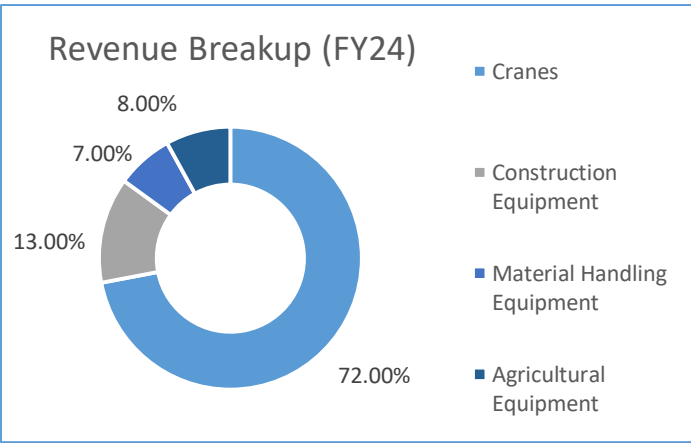
### Financial Summary:

(Rs cr)	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)	FY23	FY24	FY25E	FY26E
Operating Income	734	652	12.7	836	-12.2	2,160	2,914	3,503	4,166
EBITDA	99	82	20.8	130	-23.9	221	403	487	589
APAT	84	68	24.6	98	-14.5	172	328	384	457
Diluted EPS (Rs)	7	6	25	8	-14	14.4	27.6	32.2	38.4
RoE-%						20.5	30.5	27.2	25.3
P/E (x)						97.1	50.8	43.4	36.4
EV/EBITDA						74.2	40.1	32.6	26.1

(Source: Company, Hdfcsec)

### Q1FY25 Result Update (Consolidated):

- Operating Revenue of Q1FY25 stood at Rs.734.3 cr, +12.7% YoY/- 12.2% QoQ. The Consolidated EBITDA stood at Rs. 98.6 cr, +20.8% YoY/- 23.9% QoQ.
- EBITDA margin for Q1FY25 stood at 13.4%. The company's EBITDA margins declined from previous quarter on account of increase in material costs, admin expenses and decline in revenues due to elections.
- The revenue from the Crane, Construction equipment and Material Handling segment business stood at Rs.691.3 cr, with an operating margin of 15.1%. This Segment witnessed a robust growth in revenues with +20% YoY growth. The Agricultural Equipment segment a registered a degrowth of 43% standing at Rs. 43 cr on account of subdued demand and flat growth in tractor industry.
- PAT reported for the quarter was at Rs. 84.2 cr, +24.6% YoY/-14.5% QoQ with PAT margins of 11.5% vs 10.4% in Q1FY24.

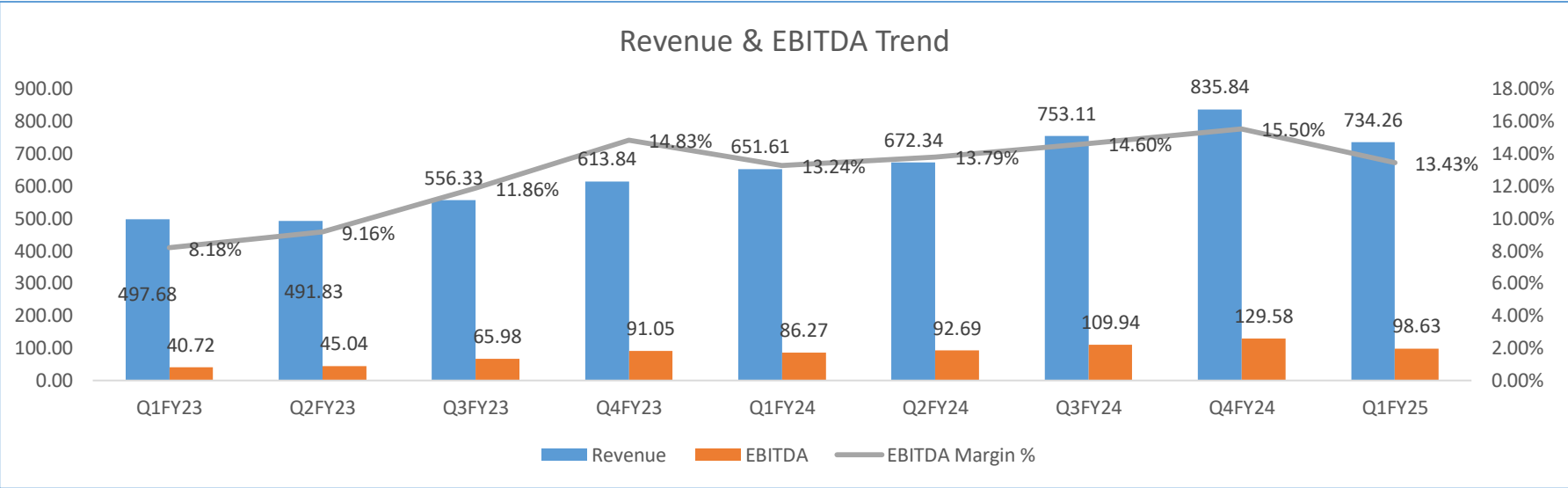


(Source: Company, Hdfcsec)

## Q1FY25 Concall Summary:

- **Revenue guidance for FY25:** Despite general elections in the country and monsoon season in H1, the company registered a good quarter and the management is optimistic and is expecting a growth of at least 15-20% in Cranes, Material Handling and Agri portfolios. For the Construction Equipment segments, it is looking at growth rates of atleast 30%. Also going forward, with further advancement of monsoon across the country, adequate water reservoir levels, better liquidity and consumer credit availability, it expects the demand momentum to improve in the agri space.
- On the margin front, company finished the quarter with a ~13.4% plus EBITDA level and will target sustainable margins of 16-17% going forward considering that commodity prices don't fluctuate much. The company expects that for every Rs.400-500 cr increase in Revenue, margins can increase by 75-100 bps. The crawler cranes and truck cranes business is currently at around 10% margin which is poised to increase and normalize to ~15% once the expanded capacities become totally functional and volumes increase.
- The contribution of export sales to the overall revenues has increased to 8.5% as compared to 6.7% FY23. Management expects that going forward in the medium-term, export segment will contribute 10% of the overall revenue which is in line with the long-term target of 15% to 20% profitability.
- Manufacturing and Logistics contribute approximately 35% of its revenue while Agriculture and Export each account for 8% to 9%. Real estate sector makes up around 10% and Institutional sales is about 3%. The Construction and Infrastructure sector represents the remaining 35%. This balanced revenue distribution is the outcome of its strategic efforts to steer the company towards counter-cyclical domains.
- In-principle agreement has been reached with Kato Works Limited, a Japanese global construction equipment manufacturer of mobile cranes and excavators, to establish a 50-50 joint venture in India. The joint venture intends to produce medium and large-sized cranes, mainly truck cranes, crawler cranes and rough terrain cranes, for the growing Indian market. And in future, the JV also plans to utilize the technology which will be cultivated by the expertise of ACE and Kato to introduce a wide range of value-added products for the export market. It will target a revenue potential of Rs. 300-400 cr within 2-3 years and upwards of Rs. 1,000 cr in 5 years.
- Company plans to further enhance its operational capabilities with modernization and automation aimed at boosting its capabilities and market competitiveness. In line with the focus on product improvement, ACE is upgrading its products to meet the revised CEV -V emission norms which will be effective from January-2025. This transition is not only about compliance but also about elevating the overall performance and eco-friendliness of its products. During this transition, management expects that in the end of Q2, Q3 there will be a lot of pre-buying for machines which are moving straight from BS-III to BS-V.
- **Capex:** Capex plans are on target and the new manufacturing facility for higher capacity SLU cranes, that is truck cranes, crawler cranes and rough terrain cranes along with expanded capacities for pick and carry cranes, forklifts and tower cranes is being set-up. By Q3, cranes capacity will increase to 15,000 to 18,000 which will be utilized by Q4 or early next year. Looking at the buoyancy in the Indian economy and keeping in mind about future expansion plans, the company has finalized to acquire additional 80 acres of land in close vicinity of its existing manufacturing setup as the existing land parcel of around 100 acres would have limited its growth prospects beyond Rs. 5,000 cr

- of revenue. Company will be doing an overall capex of ~50-60 cr and some maintenance capex.
- With respect to electric crane, approvals are pending at Ministry of road transport and highways which is expected to go through very soon. Company is also working on another new product called a Reach Stacker, which is used for container handling.
  - A revenue of 2-2.5% comes from the defense sector. Currently there are special 8-ton forklifts, special purpose cranes for MRSA project, 60-ton truck mounted crane, 330 units of three ton forklifts, and the company is working with the army for 1800 RTFLT special purpose tele-handler forklifts, which is one of the biggest order from army and the expected revenue is about Rs 700 cr. Company expects to target the revenue share to be around 5% in next 2-3 years.
  - Company targets inventory days to be around 90 days, receivable days to be around 21 days and creditor days to be around 85-90 days.
  - Capacity Utilization: In the crane segment, the company is working at around 65% of the capacities; Backhoe loaders and the construction equipment is ~ 55%, Agri is at 35% - 40% and material handling is also close to 70% to 75%.



(Source: Company, Hdfcsec)

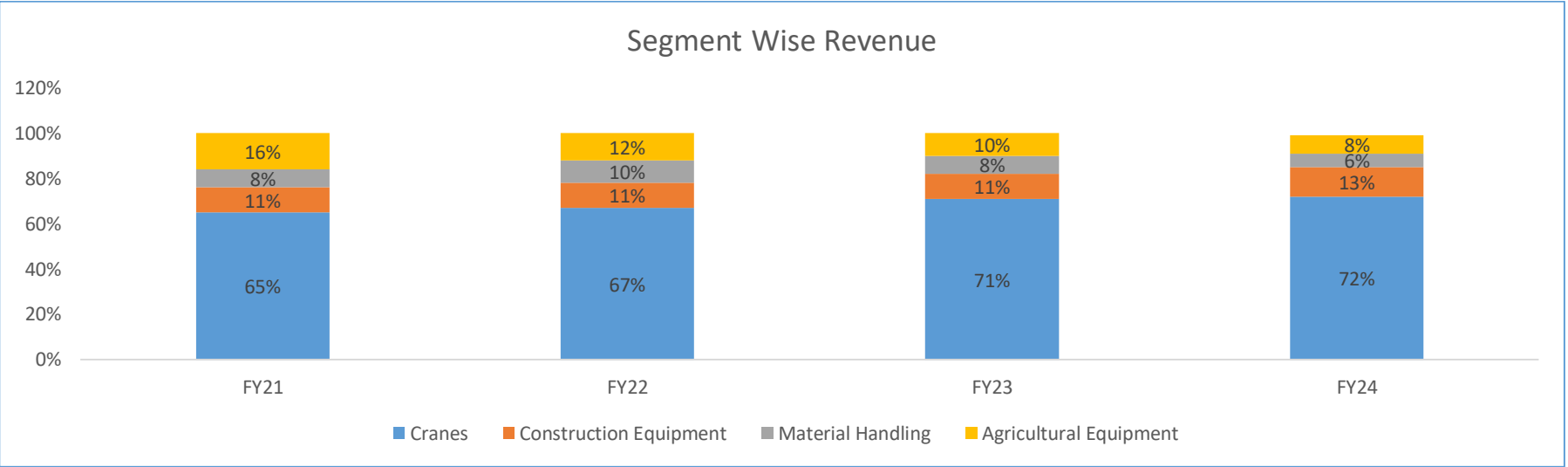
Key Triggers

Diversified & Strong Product Portfolio and New Product Launches:

ACE Ltd. has wide range of diversified product portfolio of Cranes, Material Handling equipment, Construction Equipment & Agricultural Equipment. The company has its dominance in manufacturing and selling of Cranes, which comprises of almost 72% of total revenue of company. The company has strong presence in Infrastructure sector equipment. The company has more than 63% market share in Mobile

cranes segment and more than 60% share in Tower cranes segment. The company will have first mover advantage in one of the product which is imported and not manufactured in India till date. The company is expecting better margins from new product launches.

Segment Wise Revenue:



(Source: Company, Hdfcsec)

**Sectoral Growth:** The capital expenditure outlay has been stepped up by 11.1% to Rs. 11.11 lakh cr in 2024-2025. Allocation towards capital expenditure and infrastructure layout will enhance opportunities for investment in sectors like railways, roads, urban infra housing and defense. The company is well prepared and is optimistic about the medium to long-term prospects and believes that the building blocks are firmly in place for sustainable growth in all of the four business segments. The following are sector wise developments in the country which can pose significant opportunities for ACE.

**Urban Infra:** Total Capex outlay increased by 11.1% to approx. Rs.11.11 lakh cr in FY25 interim budget; major outlay for roads at Rs. 2.72 lakh cr and railways at Rs. 2.52 lakh cr. Investment of Rs. 75,000 Crs, for one hundred critical transport infrastructure projects, for last and first mile connectivity for ports, coal, steel, fertilizer, and food grains sectors. Allocation of Rs. 10,400 Crs towards investment in Smart Cities Mission for FY24.

**Railways:** Implementation of three major economic railway corridor programs and Expansion of Metro Rail and NaMo Bharat to be supported in large cities, focusing on transit-oriented development. 400 new Vande Bharat trains to be developed in the next three years and ‘One Station-One Product’ to help local businesses and supply chains.

The Manufacturing sector of India has the potential to reach US\$ 1 Tn by 2025. PLI in 14 sectors for achieving the vision of ‘Atmanirbhar

Bharat' with the potential to have additional production of Rs. 3,00,000 Crs during next 5 years. Industrial Capex cycle has revived owing to other initiatives such as 'Vocal for Local' and 'China +1 Strategy.'

Roads: As per Budget 2023-24 Expansion of the National Highways network by 14,000 km in FY24, Rs. 20,000 Crs to be mobilized through innovative ways of financing. The roads sector is likely to account for 18% capital expenditure over FY 2019-25 and Roads worth \$200 Bn to be built in next 2 years.

Housing: Outlay for PM Awas Yojana is being enhanced by 66% to over Rs. 80,671 Crs. Housing scheme for middle income class who are currently renting premises to enable them to buy or build their own houses coupled with 2 cr additional houses to be built under the Pradhan Mantri Awas Yojana (Grameen) will offer a significant boost to construction Housing activities

Ports: The Ministry of Ports, Shipping and Waterways aims to complete projects worth Rs. 2,00,000 Cr in the next financial year under the Sagarmala Programme.

New Products: With respect to electric cranes, approvals are pending at Ministry of road transport and highways which is expected to go through anytime soon. Other technical innovation is aerial work platforms, self-propelled aerial work platforms which are ready to go to the market within February or March. Company is also working on another new product called a Reach Stacker, which is used for container handling. Loaded container handling, 40-tons, 45-tons weight up to four or five high. With exports increasing, company is working at evolving the technology for the same.

#### **New Capex Plans Underway:**

Capex plans are on target and the new manufacturing facility for higher capacity SLU cranes, that is truck cranes, crawler cranes and rough terrain cranes along with expanded capacities for pick and carry cranes, forklifts and tower cranes have been made partially operational in the previous quarter and will become operational soon. Looking at the buoyancy in the Indian economy and keeping in mind about future expansion plans, the company has finalized to acquire additional 80 acres of land in close vicinity of its existing manufacturing setup as the existing land parcel of around 100 acres would have limited its growth prospects beyond Rs. 5,000 cr of revenue.

#### **Defence opportunities:**

Company garners a revenue of 2-2.5% from the defense sector. Currently there are special 8-ton forklifts, special purpose cranes for MRSA project, 60-ton truck mounted crane, 330 units of three ton forklifts, and the company is working with the army for 1800 RTFLT special purpose tele-handler forklifts, which is one of the biggest order from army and the expected revenue is about Rs 700 cr. Company expects to target the revenue share to be around 5% in next 2-3 years. Company has also orders from Navy which would be supplied within this quarter.

#### Orders:

Recently the company was awarded with a prestigious order from the Ministry of Defence (MoD) for the supply of 99 forklifts. It was also



awarded with a prestigious order for supply of 285 numbers for Special Forklifts and 6 numbers of Rough Terrain Cranes with 30 tonne Lifting capacity from Ministry of Defence (MoD) in the month of August.

**Exports:** The Infrastructure and manufacturing sector is gaining the traction with company analyzing export opportunities across some territories. It is not witnessing any headwinds from exports and has evolved over 3-4 years. It is aiming to get 10-15% export revenue contribution, majorly coming from Middle east, some African countries and now also from Uzbekistan, Kyrgyzstan and even Russia. ACE is currently exporting tractors, cranes and backhoe loaders.



(Source: Company, Hdfcsec)

### Industry Triggers:

**Indian Crane market:** In 2024, the Indian crane market is estimated to be valued at USD 1.39 billion, with expectations to soar to USD 1.92 billion by 2029, exhibiting a robust CAGR of 6.79% during the forecast period (2024-2029). This surge in the crane market can be largely attributed to India's rapid urbanization and extensive infrastructural development endeavours. Key government initiatives such as the construction of smart cities, highways, and metro projects have significantly bolstered the demand for cranes. Moreover, the burgeoning residential and commercial real estate sectors are also playing a pivotal role in driving this demand. The construction sector stands out as the primary consumer, extensively employing cranes for erecting high-rise buildings, bridges, and various other infrastructure projects. Similarly, the manufacturing and industrial sectors are harnessing the power of cranes for heavy lifting in plants and warehouses, while the transport and logistics sector relies on them for cargo operations in ports and transportation projects. Among the various types of cranes, mobile cranes are leading the market owing to their flexibility and ease of mobility, making them particularly well-suited for urban construction sites. Tower cranes are indispensable for constructing high-rise structures, whereas crawler cranes are sought after for projects requiring heavy lifting over softer terrains.

**Material Handling Equipment Industry** was valued at US\$ 38 billion, with expectations to reach US\$ 52 billion by 2027. Similarly, the India Automated Material Handling Market was estimated at USD 1.47 billion in 2024 and is anticipated to grow to USD 2.66 billion by 2029,



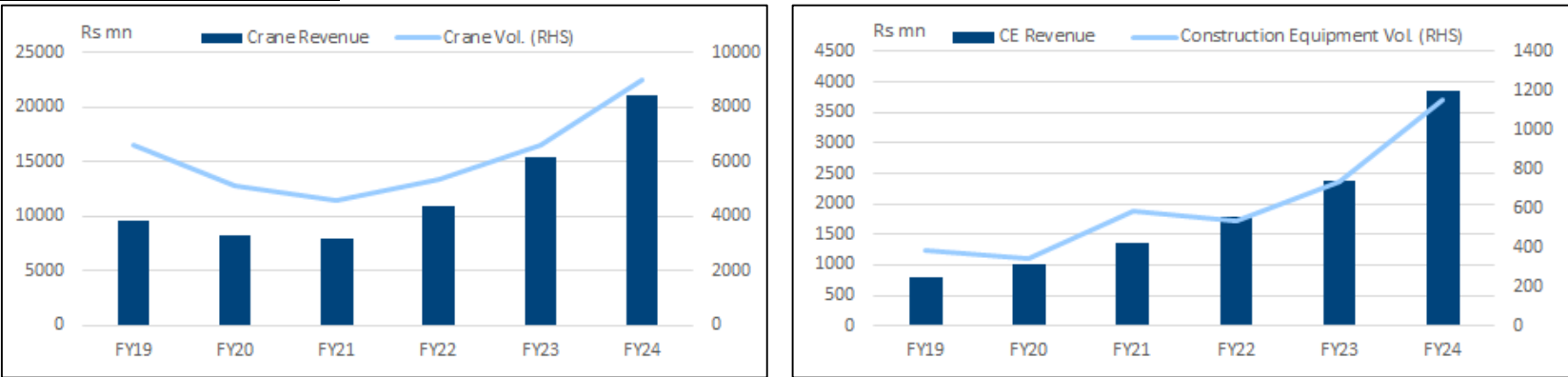
showing a robust CAGR of 12.70% during the forecast period (2024-2029). India's contribution to the global material handling equipment market was 7.0% in 2022, and it is expected to rise to 8.0% by FY27. India is forecasted to have a CAGR of 9.38%, with incremental growth of US\$ 1508.97 million during the period of 2022-2027. Companies are utilizing manual, semi-automated, and automated equipment to support their supply chains. Standard equipment not only enhances workflow efficiency but also improves customer service, production costs, product quality, and delivery times, thereby boosting global market growth. Increased globalization and the rapid growth of online shopping are major drivers of the material handling equipment industry's growth.

**Agriculture Equipment Industry:** The India Agricultural Machinery Market is estimated to be USD 16.73 billion in 2024, with expectations to grow to USD 25.15 billion by 2029, demonstrating a robust CAGR of 8.5% during the forecast period (2024-2029). India holds vast potential for growth in the agricultural machinery sector, driven by factors such as its expanding population, significant economic reliance on agriculture, shifting demographics, and concerns regarding food security. In the Asia-Pacific region, India stands out as a key player fuelling the growth of its agricultural equipment market due to its heavy dependence on agriculture and a growing inclination towards technological advancements.

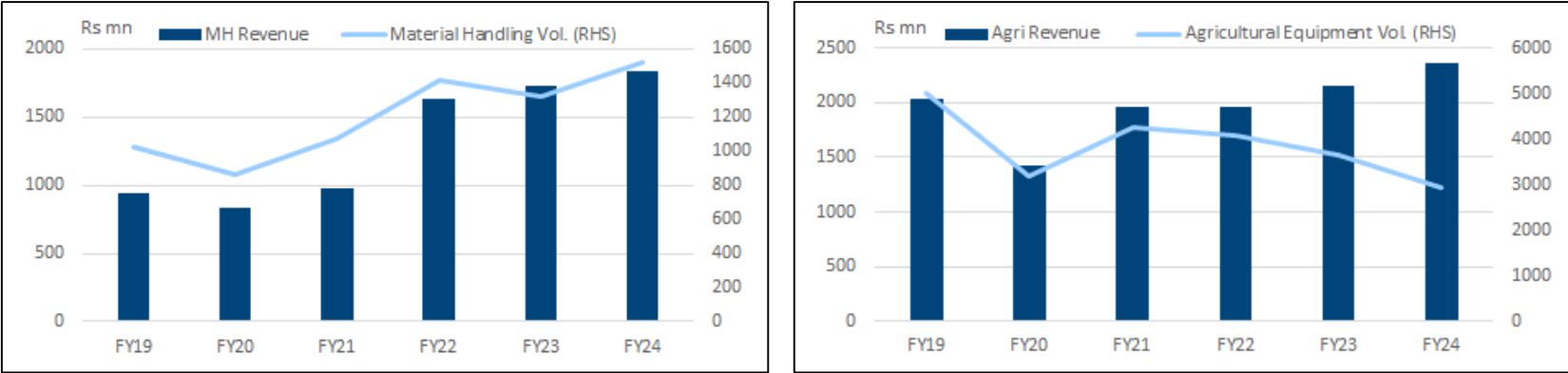
**Key strategy for ACE to sustain the leadership in the cranes market includes the following**

- Upgrade the market to NX series – multi activity cranes.
- Gain market share in truck cranes by leveraging on strong brand activity.
- Introduce bigger models of crawler cranes.
- Capitalize on demand for bigger capacity tower cranes (precast construction).
- Increase the export contribution to revenue.

**Segmental Revenue Trend:**



(Source: Company, Hdfcsec)



(Source: Company, Hdfcsec)

**Risks & Concerns:**

**Higher Input Costs & Raw material prices:** 60% of the input cost comprises of steel. Majority of it comprises of Mild steel, Flat steel and Long steel is used for major types of the cranes. The prices of Flat steel have corrected significantly in recent past but prices of Long steel has not corrected the same way. Therefore, the significant movement in raw material prices may impose risk on the improvement margins going forward as passing on the increased prices to the customers may be a concern, the company also has many contracts on fixed price basis including the recent contract from government of Ghana and some defense orders.

**Cyclical & Industrial nature of Business:** The growth of company is mainly dependent on the performance and demand of various other sectors and end user industries like Infrastructure, real Estate, Warehousing, Logistics and Agriculture. Though, the Government’s focus on increasing infrastructure spending, construction activity has seen sustained recovery in last few quarters and has supported volumes but ACE faces the risk of cyclical slowdown in demand.

**Stiff Competition from Local as well as MNC players:** The Company is facing stiff competition from established foreign and domestic players in the construction and Agricultural equipment Industry. In the construction equipment segment, company faces intense competition from players like JCB in the backhoe loader segment, Escorts, Volvo and Hitachi in the soil compactor segment. In the agricultural equipment sector is also company faces high competition from players like Escorts and M&M. The Agricultural Equipment revenue grew by only 6% in last quarter on yearly basis.

**Slow Demand & Growth from Agriculture Equipment Segment:** The agricultural equipment segment constitutes 9000 units of installed capacity (i.e nearly 42% of total installed capacity) but is currently at only 40-45% utilization, the company is facing stiff competition from Local

players in this segment and thus affecting the margins of this segment. The company has the lowest margins in this segment, but is trying to turnaround in this segment.

## Company Background:

Established back in 1995, Action Construction Equipment Ltd (ACE Ltd.) is construction equipment and material handling company engaged in business of manufacturing and marketing of Cranes, Construction Equipment, Material Handling and Agricultural equipment. The company has its manufacturing facility located in Haryana. The company is a market leader in Mobile with over 63% market share and Tower cranes having more than 60% market share domestically. The company is also the largest manufacturer of pick and carry cranes. The company has one of the widest Sales and Service network, with over 100+ locations supported by 13 regional offices in India and also exports to over 37 countries across Middle East, Africa, Asia and Latin America. The company also has received some of the orders from Ministry of Defense for and is also solely authorized to manufacture Missile handling system in India.

The company has diversified revenue structure with majority of its revenue comprising from various sectors like Infrastructure, Construction, Logistics & Agricultural sector. The company exports its products to 25+ countries globally across Middle East, Africa, Asia and Latin America. The company has 4 manufacturing units with its main plant located in Palwal (Haryana) and 2 fabrication units and R&D unit located in Faridabad.

ACE Ltd. has unblemished debt servicing and impressive credit ratings with stable outlook for both short and long-term borrowings ICRA AA; Stable for Long-Term and ICRA A1+ for Short-Term Loans.

## Tractor and backhoe loaders designed for European markets



## Defence: Customised cranes, forklifts, loaders and tractors



(Source: Company, Hdfcsec)

**Product Line:**

 <b>Cranes</b>	 Pick & Carry Cranes	 Lorry Loaders	 Rough Terrain Cranes	 Crawler Cranes	 Truck Cranes	 Tower Cranes
 <b>Construction Equipment</b>	 Backhoe Loaders	 Tele Handlers	 Vibratory Rollers	 Motor Graders	 Access Platforms	
 <b>Material Handling Equipment</b>	 Forklift Trucks	 Warehousing Equipment	 Piling Rigs			
 <b>Agri Equipment</b>	 Tractors	 Track Harvesters				

(Source: Company, Hdfcsec)



Kato Works existing product portfolio

Mobile cranes	Construction equipment	Industrial equipment
		
<b>Mobile cranes</b> They can be used in various sites due to their superior traveling performance. They can work on narrow roads, and thus are used for the construction of buildings, houses and infrastructures. <b>Line up</b> <b>Rough terrain cranes</b> (cabin integrated for traveling and crane operation) 10 models with 4.9-80t maximum lifting capacity in Japan and 8 models with 13-70t maximum lifting capacity overseas <b>All terrain cranes</b> (cabins separated for traveling and crane operation) 4 models with 110-300t maximum lifting capacity in Japan and 3 models with 110-130t maximum lifting capacity overseas <b>Crawler cranes</b> 6 models in Japan and 6 models overseas	<b>Hydraulic excavators</b> They have superior traveling performance on rough terrain, and are used for developing land for construction and demolishing structures. <b>Mid- and large-sized excavators</b> (vehicle body weight: 8-50 tons) <b>Line up</b> 8 models in Japan and 11 models overseas <b>Mini excavators</b> (vehicle body weight: 0.9-10 tons) <b>Line up</b> 13 models in Japan and 24 models overseas	<b>Street sweepers</b> Having both high ability to clean up and a compact size <b>Line up</b> 2 models in Japan
		
	<b>Crawler carriers</b> They are used for carrying materials on rough terrain, such as civil works and forestry. <b>Line up</b> 7 models in Japan and 5 models overseas	<b>Vacuum trucks</b> Sucking various objects from sludge to powder and granular materials <b>Line up</b> 9 models in Japan
		
		<b>Snow sweepers</b> Adopting a powerful brush and blowing method, and realizing speedy and efficient snow removal <b>Line up</b> 5 models in Japan

(Source: KatoWorks Company, Hdfcsec)

## Financials (Consolidated)

### Income Statement

(Rs cr)	FY23	FY24	FY25E	FY26E
<b>Net Revenues</b>	<b>2160</b>	<b>2914</b>	<b>3503</b>	<b>4166</b>
<b>Growth (%)</b>	<b>32.5</b>	<b>34.9</b>	<b>20.2</b>	<b>18.9</b>
Operating Expenses	1939	2511	3016	3577
<b>EBITDA</b>	<b>221</b>	<b>403</b>	<b>487</b>	<b>589</b>
<b>Growth (%)</b>	<b>45.9</b>	<b>82.5</b>	<b>20.8</b>	<b>21.0</b>
<b>EBITDA Margin (%)</b>	<b>10.2</b>	<b>13.8</b>	<b>13.9</b>	<b>14.1</b>
Depreciation	18	23	28	31
Other Income	41	77	84	92
<b>EBIT</b>	<b>244</b>	<b>457</b>	<b>543</b>	<b>650</b>
Interest expenses	10	23	31	40
<b>PBT</b>	<b>234</b>	<b>434</b>	<b>511</b>	<b>610</b>
Tax	61	106	128	152
<b>PAT</b>	<b>173</b>	<b>328</b>	<b>384</b>	<b>457</b>
Share of Asso./Minority Int.	1	0	0	0
<b>Adj. PAT</b>	<b>172</b>	<b>328</b>	<b>384</b>	<b>457</b>
<b>Growth (%)</b>	<b>63.4</b>	<b>91.2</b>	<b>16.9</b>	<b>19.3</b>
EPS	14.4	27.6	32.2	38.4

### Balance Sheet

Particulars	FY23	FY24	FY25E	FY26E
<b>SOURCE OF FUNDS</b>				
Share Capital	24	24	24	24
Reserves	895	1206	1566	1999
<b>Shareholders' Funds</b>	<b>919</b>	<b>1230</b>	<b>1590</b>	<b>2023</b>
Minority Interest	2	2	2	2
Total Debt	7	4	9	19
Net Deferred Taxes	13	9	9	9
Other Non-curr. Liab.	0	0	0	0
<b>Total Sources of Funds</b>	<b>941</b>	<b>1245</b>	<b>1610</b>	<b>2053</b>
<b>APPLICATION OF FUNDS</b>				
Net Block & Goodwill	487	580	623	653
CWIP	24	44	22	11
Investments	349	594	894	1394
Other Non-Curr. Assets	40	48	58	69
<b>Total Non Current Assets</b>	<b>900</b>	<b>1265</b>	<b>1597</b>	<b>2127</b>
Inventories	419	553	662	788
Debtors	169	164	202	251
Cash & Equivalents	49	110	138	132
Other Current Assets	63	75	86	91
<b>Total Current Assets</b>	<b>700</b>	<b>903</b>	<b>1088</b>	<b>1262</b>
Creditors	501	688	816	982
Other Current Liab & Provisions	158	236	259	354
<b>Total Current Liabilities</b>	<b>659</b>	<b>924</b>	<b>1075</b>	<b>1335</b>
Net Current Assets	41	-20	13	-73
<b>Total Application of Funds</b>	<b>941</b>	<b>1245</b>	<b>1610</b>	<b>2053</b>

## Cash Flow Statement

(Rs cr)	FY23	FY24	FY25E	FY26E
Reported PBT	234	434	511	610
Non-operating & EO items	4	-15	-10	-11
Interest Expenses	0	2	31	40
Depreciation	18	23	28	31
Working Capital Change	83	91	-6	81
Tax Paid	-65	-103	-128	-152
<b>OPERATING CASH FLOW ( a )</b>	<b>274</b>	<b>433</b>	<b>427</b>	<b>598</b>
Capex	-36	-165	-50	-50
Free Cash Flow	238	268	377	548
Investments	-165	-199	-300	-500
Non-operating income	-16	-4	0	0
<b>INVESTING CASH FLOW ( b )</b>	<b>-218</b>	<b>-368</b>	<b>-350</b>	<b>-550</b>
Debt Issuance / (Repaid)	-24	-3	5	10
Interest Expenses	-10	-18	-31	-40
FCFE	22	43	51	18
Share Capital Issuance	0	0	0	0
Dividend	-7	-12	-24	-24
Others	1	-5	0	0
<b>FINANCING CASH FLOW ( c )</b>	<b>-41</b>	<b>-39</b>	<b>-50</b>	<b>-54</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>16</b>	<b>27</b>	<b>27</b>	<b>-6</b>

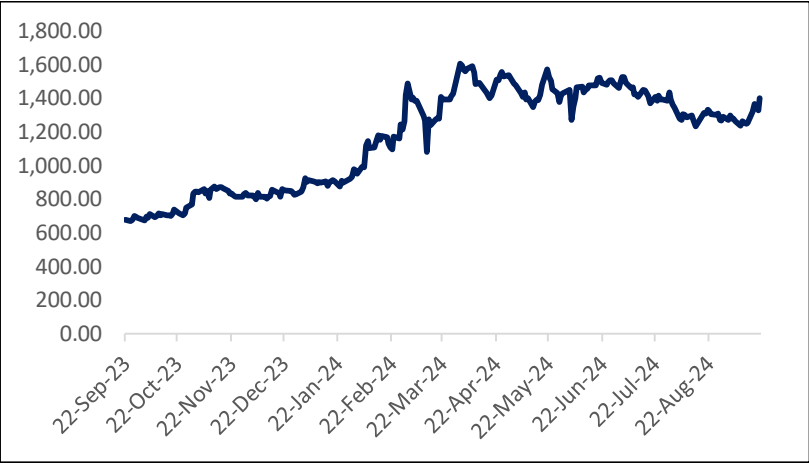
## Key Ratios

(Rs cr)	FY23	FY24	FY25E	FY26E
<b>Profitability Ratios (%)</b>				
EBITDA Margin	10.2	13.8	13.9	14.1
EBIT Margin	11.3	15.7	15.5	15.6
APAT Margin	7.9	11.3	10.9	11.0
RoE	20.5	30.5	27.2	25.3
RoCE	28.5	42.3	38.3	35.7
<b>Solvency Ratio (x)</b>				
Net Debt/EBITDA	-0.2	-0.3	-0.3	-0.2
Net D/E	0.0	-0.1	-0.1	-0.1
<b>PER SHARE DATA (Rs)</b>				
EPS	14.4	27.6	32.2	38.4
CEPS	15.9	29.5	34.6	41.0
BV	77.1	103.3	133.5	169.9
Dividend	1.0	2.0	2.0	2.0
<b>Turnover Ratios (days)</b>				
Debtor days	30.3	20.9	19.1	19.8
Inventory days	63.5	60.9	63.3	63.5
Creditors days	77.4	74.5	78.3	78.7
<b>VALUATION</b>				
P/E	97.1	50.8	43.4	36.4
P/BV	18.1	13.5	10.5	8.2
EV/EBITDA	74.2	40.1	32.6	26.1
EV / Revenues	7.6	5.6	4.5	3.7
Dividend Yield (%)	0.1	0.1	0.1	0.1
Dividend Payout (%)	6.9	7.3	6.2	5.2

(Source: Company, Hdfcsec)



Price chart



(Source: Company, Hdfcsec)

**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 cyclicity 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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