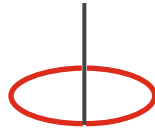


Initiating Coverage

4th July, 2023



DALAL & BROACHA
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A steadfast player in the booming sector

Investment Argument:

We initiate coverage on Avalon Technology with a BUY rating with a target price of 781 (35x FY25E P/E). Avalon is one of India's leading vertically integrated EMS player and the only one with a global footprint. Avalon leverages its low-cost manufacturing base in India (72% of manufacturing in FY23) to cater to its clients in the US (which contributes 59% of FY23 revenue). Avalon is the leader in highly complex, long product lifecycle, higher margin manufacturing and is present across multiple industry verticals with a focus on box build. They are well diversified across long product lifecycle verticals like railways, aerospace, and industrials and are focused on establishing their presence in emerging industries like clean energy and mobility. **The management aspires to double its revenue over the next three years.**

➤ **Rising Share of India in the Global EMS Industry**

Globally post Covid-19 Electronics companies have realized the need to diversify and reduce their dependency on China. India's share in the Global EMS space is currently 2-3% in CY22 which is expected to rise to around 7-8% by CY25. The introduction of the recent PLI schemes by the government, rising labor costs in China, and the rapidly growing electronics market in India all bode well for Indian EMS companies. **Globally EMS Industry is set to reach \$1tn by CY25 and Indian EMS Industry is set to reach \$81bn by CY25 (growing at 40.6% CAGR over CY23-CY25).**

➤ **Operating leverage to kick in:**

Avalon is currently operating at ~60%-65% capacity at 2 shifts and they are building 2 new facilities around 160,000 sqft which should come online in the next 6 months. A large portion of the capex is for Box builds and the second part is for cable and harness assembly.

Avalon has delivered EBITDA margins of 12% in FY23 due to its focus on high complex, high margin B2B space rather than on low margin, high volume segments. **The management aspires to deliver margins upwards of 13% over a long period, but there is enough room to improve margins by 200-300 bps.** This will be achieved by the kicking in of operating leverage, improvement of product mix with higher revenue from higher margin verticals like Aerospace and Clean Energy, along with the freight costs coming down to pre-COVID levels.

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Net sales	6,905	8,407	9,447	12,045	15,358
EBIDTA	661	975	1,128	1,586	2,204
Margins	9.6	11.6	11.9	13.2	14.4
PAT (adj)	231	517	525	1,028	1,456
Growth (%)	86.7	192.3	-22.2	95.8	41.6
EPS	28.91	84.48	9.06	15.75	22.30
P/E (x)	21	7	67	39	27
P/B (x)	8	5	7	4	4
EV/EBITDA (x)	4	3	34	22	16
RoE (%)	39	58	10	11	13
ROCE (%)	16	24	13	14	18
RoIC (%)	14	19	18	21	24

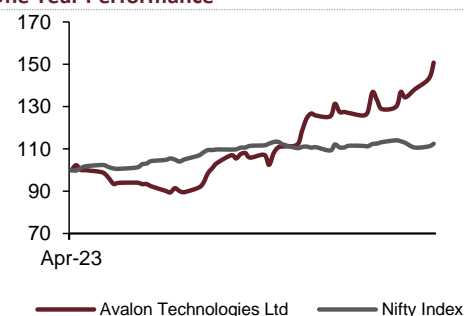
Source: Dalal and Broacha

Rating	TP (Rs)	Up/Dn (%)
BUY	781	30

Market data

Current price	Rs	600
Market Cap (Rs.Bn)	(Rs Bn)	39
Market Cap (US\$ Mn)	(US\$ Mn)	478
Face Value	Rs	2
52 Weeks High/Low	Rs	616 / 347.3
Average Daily Volume	('000)	403
BSE Code		543896
Bloomberg		AVALON .IN

Source: Bloomberg

One Year Performance

Source: Bloomberg

% Shareholding	Mar-23
Promoters	70.75
Public	29.25
Total	100

Source: Bloomberg

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➤ **Strengthening of Working Capital & Reducing debt**

With the easing of supply chain issues the working capital days are expected to reduce by 10 to 15 days. Due to supply chain constraints, the inventory days were at elevated levels which are expected to reduce by the end of this year.

Avalon has repaid about 200 cr of outstanding debt and on the group level they should be left with 100 cr of debt, their Indian entities will be debt free by the end of FY24. This should directly trickle down to the bottom line.

➤ **Vertically integrated solutions provider with a focus on box build**

Avalon is a one stop shop offering box built (contributes to 47% of FY23 revenues) solutions that involve everything from PCB design, PCB assembly, new product development, cable assembly, sheet metal, plastics, and magnetics along with testing and logistics. They do end-to-end development for PCB design to manufacturing of the final box.

➤ **Global presence both in manufacturing and customer base**

Avalon has 10 manufacturing facilities currently in India (which contributes to 72% of manufacturing in FY23) and 2 units located in the US. Through their hybrid model, they can take advantage of government schemes present in both countries by doing its major labor intensive portion in India followed by the final assembly in the US. Customers can take advantage of Govt. Schemes like the Inflation Reduction Act in the US which is primarily for Renewable energy. Avalon has a strong presence in the US (59% of FY23 revenue) and with Japanese origin customers (~21% of FY23 revenue)

➤ **Focus on winning opportunities in mainstream and emerging sectors**

The company is well diversified with a presence across all verticals except consumer electronics, they are focused on high-mix, flexible volume products which results in better margins. Avalon is targeting emerging sectors like Clean Energy (est. to grow to Rs 76 bn at 88% CAGR by FY26) and Communication Technology (est. to grow to Rs 109 bn at 17.6% CAGR by FY26).

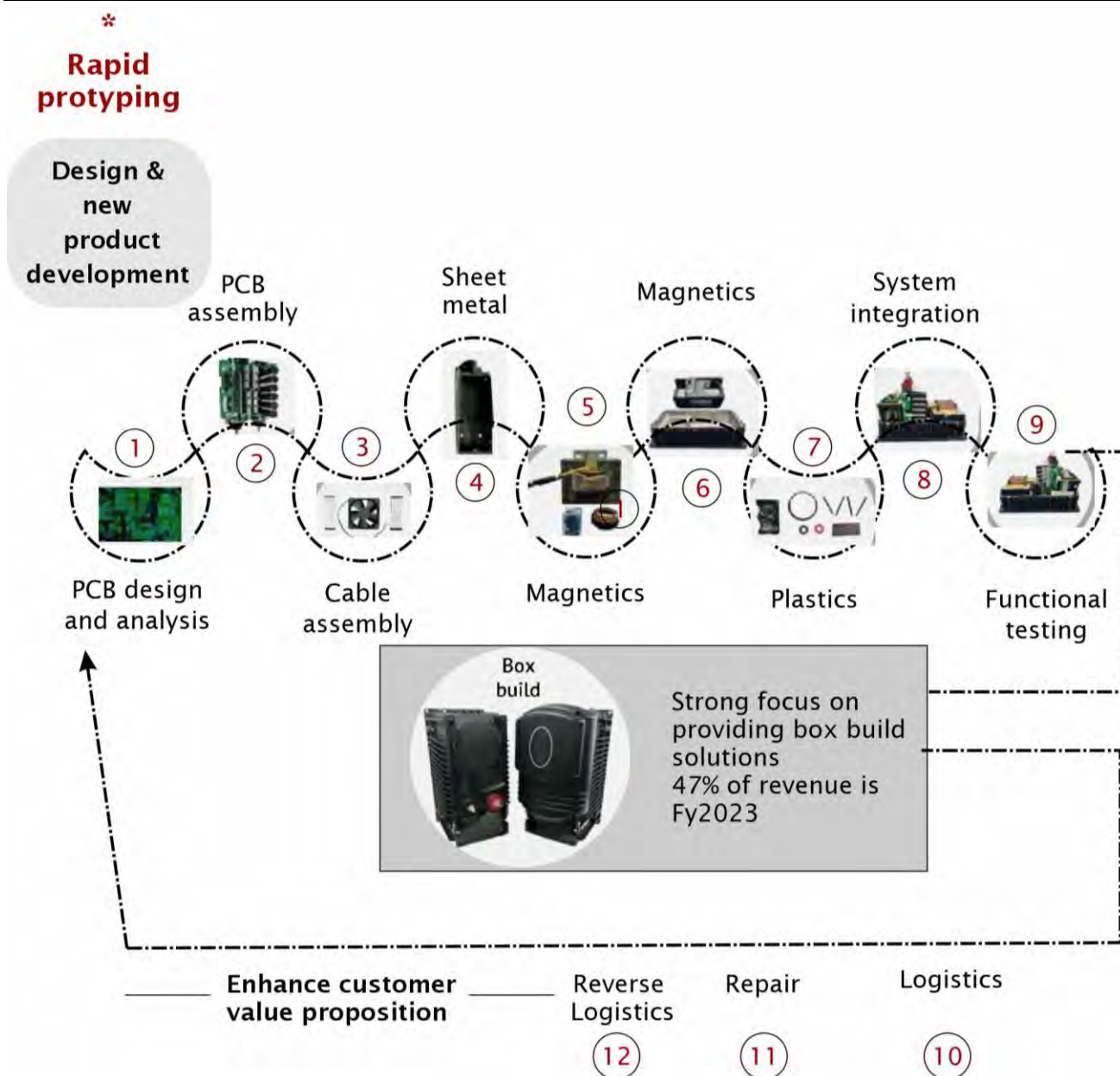
Vertically integrated offerings

Avalon is well diversified and vertically integrated in terms of their offerings, namely PCBA, cable assembly and wire harnesses, sheet metal fabrication, machining, magnetics and injection molded plastics, and end-to-end box-build. Each of these verticals exists as separate profit and loss centers, besides serving as a captive supplier for their EMS offering. The diversification on this front enables them to grow in multiple verticals. The diversification and expansion of their portfolio are primarily driven by the needs of their customers and technological advancements in the industry. Avalon’s evolving portfolio has helped them to accelerate its growth and enables them to retain both new and existing customers.

Focus on New product development (NPD) helps them to be a part of the entire value chain and builds long-term customer relationships. They can support NPD initiatives through their diversified offerings and ability to catalyze the transformation of products from the prototype stage to production.

Being vertically integrated helps Avalon to initially attract customers with any one of its offerings and then cross-sell its services and finally get them to box build.

Exhibit 1: One Stop Shop (Vertically Integrated Solutions)



Source: Company, Dalal & Broacha Research

Avalon is currently operating at 60-65% capacity operating on 2 shift bases. With the current capacity, they can easily deliver 40-50% growth. Apart from that they are adding two new facilities of around 160,000 sq ft which should be operational in the next six months. The Capex is primarily for adding box build capacity and for cable harness assembly. The renovation of the plastic and sheet metal fabrication lines should help them to win orders from the aero industry.

Avalon being vertically integrated and with adequate capacity across their services can easily enter the customer's value chain with PCBA and cross-sell higher margin products and finally ramp up to box build for their customers. With an increasing share of clean energy, the capacity utilization of Magnetics should increase. On average there are 2 vendors for a customer so their vertical integrated capabilities should help them gain wallet share.

Exhibit 2: Enough capacity to support the upcoming growth in the industry

Capacity	FY20	FY21	FY22
1 PCBA Capability			
Number of PCBA SMT Lines	8	9	10
Production Capacity (in millions of component placements / year)	244	279	366
Percentage Utilization (%)	74	50	64
<i>Available capacity has been calculated based on two shifts</i>			
2 Sheet Metal Fabrication			
Production Capacity (in millions of parts/ year)	2.7	2.3	2.7
Actual parts achieved (in millions of parts / year)	1.7	1.2	1.6
Percentage Utilization (%)	62	55	60
<i>Have the ability to add a third shift for capacity expansion with additional manpower and other resources.</i>			
3 Cable and Wire Harness Assembly Facilities			
Production Capacity (in millions of lead wires cut/ year)	17.2	15.1	17.2
Actual lead wires cut (in millions of lead wires cut/ year)	7.8	8.8	10.2
Percentage Utilization (%)	45	58	59
<i>Adding facility for cable and harness</i>			
4 Magnetics Facilities			
Production Capacity (in thousands of transformers varnished / year)	25	26	34
Total transformers varnished (in thousands / year)	13	12	22
Percentage Utilization (%)	55	47	64
<i>In FY21, an accidental fire incident at our magnetics facility rendered the plant inoperable for one month and hence available capacity was accordingly adjusted</i>			
5 Plastics/Injection Molded Plastics Facilities			
Production Capacity (in millions of parts / year)	1.0	1.0	1.0
Actual parts achieved (in millions of parts / year)	0.4	0.4	0.5
Percentage Utilization (%)	39	38	53
Group Capacity Utilization (%)	67	52	63

Source: Company, DRHP, Dalal & Broacha Research

Global presence both in manufacturing and customer

Avalon currently operates through 12 manufacturing units, two units in the US (California and Georgia) and 10 units in India (Karnataka and Tamil Nadu). Avalon through their hybrid model leverages both global manufacturing and local manufacturing capabilities. Avalon can take advantage of both government schemes by doing the major component sub-assembly level manufacturing in India and the final automated part in the US.

Despite 59% of revenues coming from the US, 72% of their manufacturing is done in India leveraging the high value markets and optimal cost manufacturing in India.

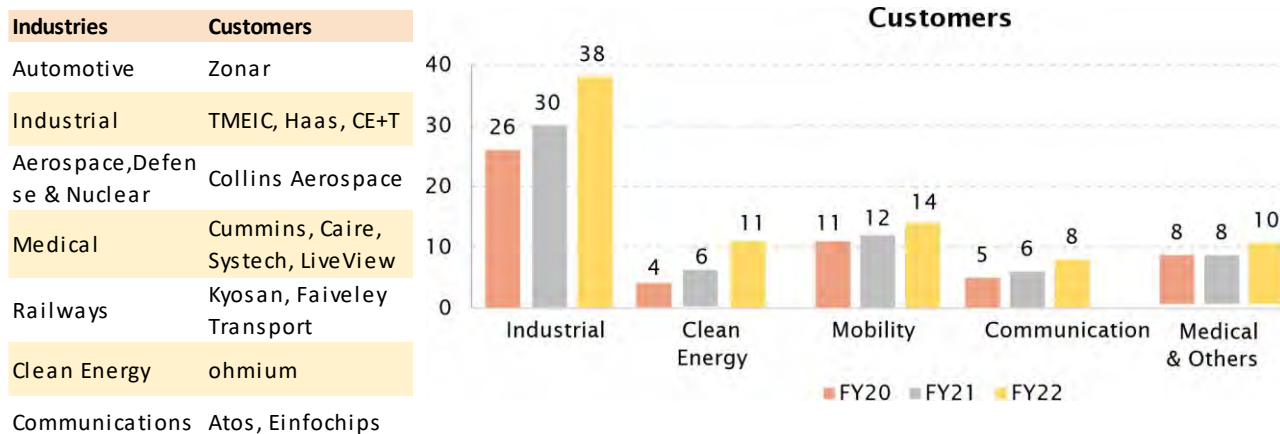
Avalon has a long term relationship with a marquee customer base, with 80% of their revenue coming from customers with 8 years of relationship and ~21% of revenue coming from customers having Japanese origins. Their strength is in protecting and developing IPs for their marquee customers which has helped them to create a moat around their customer base.

Exhibit 3: Major portion of revenue comes from exports (chart)



Source : Company, Dalal & Broacha Research

Exhibit 4: Key Customers



Source : Company, Dalal & Broacha Research

Focus on winning opportunities in mainstream and emerging sectors

Avalon is well-diversified in terms of end-user industries, with a focus on new emerging industries like clean energy to major industries like industrial and aerospace. This diversified industry presence helps them to hedge against industry cycle volatility.

Presently 25% of their revenue comes from clean energy and they expect this to increase to northward of 30-35% in the next 12 to 18 months. Currently in the Clean energy industry their key vertical presently is solar and they expect growth from hydrogen and EV over the next 12 to 24 months.

Avalon through its hybrid model can help its customers take advantage of the newly introduced Inflation Reduction Act in the US, which is predominantly for renewable energy and it mandates that a certain percentage of the product gets manufactured in the US.

The digitization and modernization of Indian railways will require the introduction of products like electronic interlocking systems, signaling systems, etc. which should boost demand for PCBs, cables, metals, and box build products.

Aerospace is a higher margin business compared to other verticals due to the mission critical components. The company recently won a new business from one of the world's largest aerospace conglomerates including a factory transfer project to India. For the aerospace segments they majorly do metals, cables, and plastics which the company is expecting to grow at 30 to 40% YoY.

Exhibit 5: Sector wise growth opportunity in India and North America

Sector wise growth opportunity in INDIA

Sector	Verticals	FY22 (Rs. Bn)	FY26 (Rs. Bn)	CAGR %
Industrial	Power & Automation	58	115	18.7%
Communications	Telecom & Satellite and Digital Infra	57	109	17.6%
Mobility	Automotive, Railways and Aerospace	78	171	21.7%
Medical & Others	NA	23	94	42.2%
Clean Energy	Solar, EV and Hydrogen	6	76	88.7%
Total India EMS industry		222	565	26.3%

Sector	Verticals	CY21 (\$ Bn)	CY26 (\$ Bn)	CAGR %
Industrial	Power & Automation	11	14	4.9%
Communications	Telecom & Satellite and Digital Infra	29	37	5.0%
Mobility	Automotive, Railways and Aerospace	5	6	3.7%
Medical & Others	NA	8	11	6.6%
TOTAL		53	68	5.1%
Total North America EMS industry		91	114	4.6%

Source: Company, Frost & Sullivan, Dalal & Broacha Research

Tailwinds In The Sector To Accelerate Growth

China has been the epicenter of global supply chain in the last decade, post Covid and due to rising labor costs in China the companies have realized the importance of diversifying their supply chain. With major companies like Apple setting up their manufacturing plants out of India has put India in the prime position to take advantage of the china +1 strategy.

The Global renewable capacity is expected to increase by almost 75 % to 2400 GW from 2022 to 2027. The growth in renewable capacity should result demand for electronics and EMS companies. With digitization of industries along with industry 4.0 concepts should create opportunities for EMS companies. With the easing of supply chain globally should benefit the EMS companies.

Exhibit 6: Indian EMS market share is expected to increase significantly

(\$ bn)	CY21	CY22	CY23	CY25	CY23-25 CAGR	CY21-25 CAGR
China	390	419	431	445	1.6%	3.4%
Market share %	46.7%	47.6%	46.8%	44.4%		
USA	134	134	150	164	4.6%	5.2%
Market share %	16.0%	15.2%	16.3%	16.4%		
Europe	55	57	58	59	0.9%	1.8%
Market share %	6.6%	6.5%	6.3%	5.9%		
SEA Countries	55	58	61	66	4.0%	4.7%
Market share %	6.6%	6.6%	6.6%	6.6%		
India	21	29	41	81	40.6%	40.1%
Market share %	2.5%	3.3%	4.5%	8.1%		
Others	181	184	180	187	1.9%	0.8%
Market share %	21.7%	20.9%	19.5%	18.7%		
Total	836	881	921	1002	4.3%	4.6%

Exhibit 7: Global EMS market breakup

(\$bn)	CY21	CY22	CY23	CY25	CY23-25 CAGR	CY21-25 CAGR
Mobile Phones	208	217	224	238	3.2%	3.5%
Market share %	24.9%	24.6%	24.3%	23.8%		
IT	171	181	190	206	4.4%	4.8%
Market share %	20.5%	20.5%	20.6%	20.6%		
CEA	137	144	150	163	4.5%	4.5%
Market share %	16.4%	16.3%	16.2%	16.3%		
Telecom	90	96	101	110	4.4%	5.1%
Market share %	10.8%	10.9%	11.0%	11.0%		
Industrial	76	82	87	96	5.0%	6.0%
Market share %	9.1%	9.3%	9.4%	9.6%		
Automotive	60	64	67	74	5.1%	5.4%
Market share %	7.2%	7.3%	7.3%	7.4%		
Aerospace & Defence	32	33	33	34	1.5%	1.5%
Market share %	3.8%	3.7%	3.6%	3.4%		
Medical	26	28	29	32	5.0%	5.3%
Market share %	3.1%	3.2%	3.1%	3.2%		
Lighting	15	16	17	18	2.9%	4.7%
Market share %	1.8%	1.8%	1.8%	1.8%		
Others	21	21	24	30	11.8%	9.3%
Market share %	2.5%	2.4%	2.6%	3.0%		
Total	836	881	921	1002	4.3%	4.6%

Exhibit 8: Indian EMS market breakup

(Rs Bn)	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	CAGR % (FY23-26)
Mobile Phone:	704	1,035	1,449	2,028	2,874	4,035	40.7%
Market Share	65.9%	66.3%	66.9%	67.0%	67.3%	67.5%	
CEA	136	199	277	387	549	774	40.8%
Market Share	12.7%	12.8%	12.8%	12.8%	12.9%	12.9%	
Telecom	42	54	65	94	134	189	42.7%
Market Share	3.9%	3.5%	3.0%	3.1%	3.1%	3.2%	
Lighting	47	74	111	162	237	344	45.8%
Market Share	4.4%	4.7%	5.1%	5.4%	5.5%	5.8%	
Automotive	40	58	79	112	138	183	32.3%
Market Share	3.7%	3.7%	3.6%	3.7%	3.2%	3.1%	
Industrial	33	45	56	68	85	105	23.3%
Market Share	3.1%	2.9%	2.6%	2.2%	2.0%	1.8%	
IT	21	31	42	57	79	109	37.4%
Market Share	2.0%	2.0%	1.9%	1.9%	1.8%	1.8%	
Medical	14	20	29	41	58	82	41.4%
Market Share	1.3%	1.3%	1.3%	1.4%	1.4%	1.4%	
Others	32	44	57	78	117	156	39.9%
Market Share	3.0%	2.8%	2.6%	2.6%	2.7%	2.6%	
Total	1069	1560	2165	3027	4271	5977	40.3%

Exhibit 9: North America EMS market breakup

(\$ bn)	CY21	CY22E	CY23E	CY24E	CY25E	CY26E	CAGR % (CY23-26)
Telecom	29	30	31	33	35	37	6.1%
Market Share	31.9%	31.9%	31.6%	32.0%	32.4%	32.2%	
IT	18	18	19	20	21	22	5.1%
Market Share	19.8%	19.1%	19.4%	19.4%	19.4%	19.1%	
CEA	11	12	12	13	13	14	5.1%
Market Share	12.1%	12.8%	12.2%	12.6%	12.0%	12.2%	
Industrial	11	11	12	12	13	14	5.1%
Market Share	12.1%	11.7%	12.2%	11.7%	12.0%	12.2%	
Medical	8	9	9	10	10	11	6.1%
Market Share	8.8%	9.6%	9.2%	9.7%	9.3%	9.6%	
Aerospace & Defence	7	7	8	8	8	9	4.1%
Market Share	7.7%	7.4%	8.2%	7.8%	7.4%	7.8%	
Automotive	5	5	5	5	6	6	6.1%
Market Share	5.5%	5.3%	5.1%	4.9%	5.6%	5.2%	
Others	2	2	2	2	2	2	0.1%
Market Share	2.2%	2.1%	2.0%	1.9%	1.9%	1.7%	
Total	91	94	98	103	108	115	5.1%

Source: Company, Frost & Sullivan, Dalal & Broacha Research

Peer Comparison

		KAYNES	SYRMA	DIXON	AVALON (DnB Est)	V/s BB Consensus	Difference
CMP (₹)		1,577	448	4,384	600	600	
Mcap (₹ Mn)		91,682	79,143	2,61,127	39,176	39,176	
Revenue (₹ Mn)	FY23	11,261	20,484	1,21,920	9,447	9,447	-
	FY24E	16,677	27,520	1,71,238	12,045	11,623	423
	FY25E	22,403	35,975	2,15,806	15,358	14,086	1,272
EBITDA (₹ Mn)	FY23	1,683	1,878	5,128	1,128	1,128	0
	FY24E	2,526	2,649	7,271	1,586	1,368	218
	FY25E	3,469	3,576	9,310	2,204	1,676	528
PAT (₹ Mn)	FY23	952	1,193	2,555	525	525	0
	FY24E	1,657	1,766	4,067	1,028	907	122
	FY25E	2,241	2,318	5,396	1,456	1,144	312
Adj EPS	FY23	16.4	6.7	42.9	9.1	9.3	-0.2
	FY24E	28.5	10.0	68.5	15.7	14.8	0.9
	FY25E	38.5	13.1	90.9	22.3	18.6	3.7
PE (x)	FY23	96.3	66.3	102.1	66.2	64.7	1.5
	FY24E	55.3	44.8	64.0	38.1	40.5	-2.5
	FY25E	40.9	34.1	48.2	26.9	32.3	-5.4
Revenue CAGR	(FY23-25E)	41%	33%	33%	28%	22%	5%
EBITDA CAGR	(FY23-25E)	44%	38%	35%	40%	22%	18%
EPS	(FY23-25E)	53%	39%	46%	57%	42%	15%

*Bloomberg Consensus for other EMS

Source: Company, Bloomberg, Dalal & Broacha Research

Outlook & Valuation

Avalon is currently operating on ~65% capacity on 2 shifts and an order book of 1231 cr. With the Indian EMS industry expected to grow at more than 30% for the next 3 years, Avalon is well placed to take advantage of the forthcoming demand both from India and the US. Avalon is expected to grow inline with the industry at 25%-30% taking into account the recent concerns of a slowdown in the US. We believe that the concerns in the US should ease out in a couple of months and Avalon can deliver better growth.

With Avalon's vertically integrated capabilities, they can focus on increasing their wallet share by cross-selling higher margin services and eventually ramping up to box build. Avalon has long term relations with their customers with 59% of revenue coming from the US and ~21% of revenue coming from Japanese origin customers, which shows the stickiness of its customers so any new customer addition or incremental orders should help add larger incremental revenue.

Post the pandemic global companies have realized the importance of diversifying their supply chain and reducing their dependence on China, and global MNCs setting up shop in India has boosted the confidence of other companies in India's capabilities.

We expect Sales/EBITDA/PAT to grow at 27.5%/39.8%/66.5% from FY23-FY25, we initiate coverage on **Avalon with a BUY rating, valuing the company on 35x FY25E, arriving at a target price of 781 (+30%).**

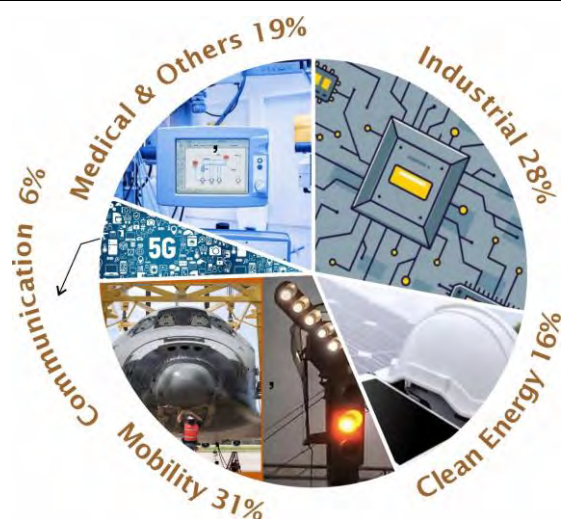
About The Company

Avalon is one of the leading fully integrated Electronic Manufacturing Services (“EMS”) companies with end-to-end capabilities in delivering box build solutions in India, with a focus on high value precision engineered products. Through a unique global delivery model, they provide a full stack product and solution suite, right from printed circuit board (“PCB”) design and assembly to the manufacture of complete electronic systems (“Box Build”), to certain global original equipment manufacturers (“OEMs”), including OEMs located in the United States, China, Netherlands, and Japan.

Avalon’s capabilities include PCB design and assembly, cable assembly and wire harnesses, sheet metal fabrication and machining, magnetics, injection molded plastics, and end-to-end box build of electronic systems. Avalon specializes in manufacturing and providing design support for critical integrated assemblies, sub-assemblies, components, and enclosures for multiple industry verticals. The end-user industries they cater to include a mix of established and long product lifecycle industries, such as industrial, mobility, and medical devices, and high growth “sunrise” industries, such as solar, electric vehicles, and hydrogen in the clean energy sector and digital infrastructure in the communications sector.

Certain of Avalon’s key customers include Kyosan India Private Limited, Zonar Systems Inc., Collins Aerospace, e-Infochips Private Limited, The US Malabar Company, Meggitt (Securaplane Technologies Inc), and Systech Corporation, with whom they have had relationships for more than seven years.

Exhibit 10: Catering to Diverse Industries

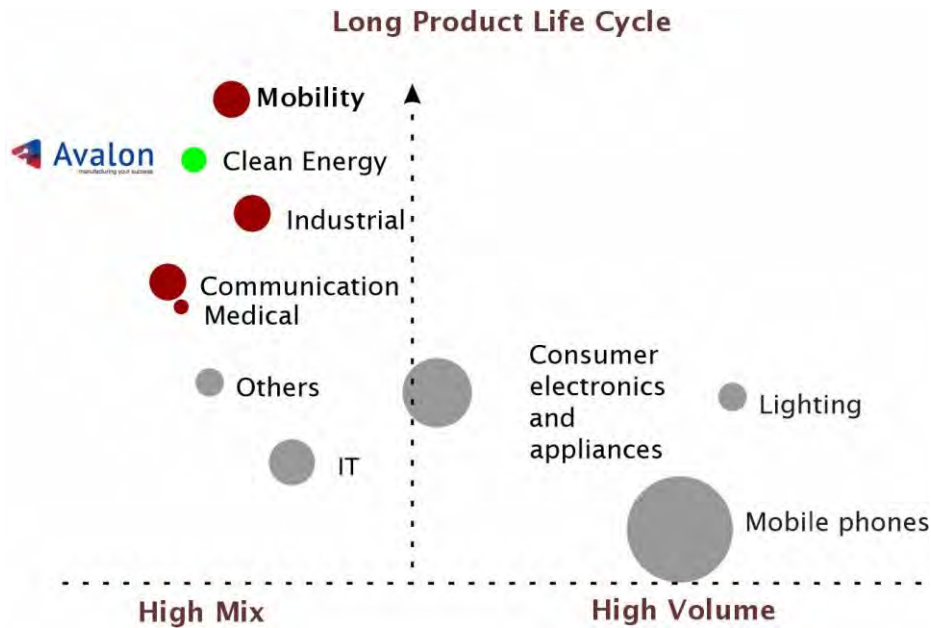


Rev Mix Industry wise %	FY20	FY21	FY22	FY23
Industrial	28	29	30	29
Clean Energy	16	18	20	25
Mobility	31	29	27	21
Communication	6	8	7	10
Medical & Others	19	17	16	15

Source: Company, Dalal & Broacha Research




Avalon is well diversified and is present in virtually every major industry vertical, including clean energy, mobility, industrial, communication, and medical. They serve a variety of industries, which are characterized by long life cycles like power, clean energy, railways, aerospace, and medical industries. This diversified industry presence hedges them against global market and industry cycle volatilities. They are focusing on sunrise industries such as clean energy like solar, hydrogen, and electric vehicles industries. They also cater to industries that require high precision manufacturing, including aerospace, defense, and medical.

Exhibit 11: Operating in Highly complex long product Life cycle products



Source: Company, Dalal & Broacha Research

Avalon Milestone

	Mile Stone Customer Presence	Customer served	Capabilities	Key Focus Area	
PHASE I	 1999 Avalon Incorporated 2003 Commercial production of metal & plastics 2005 Inauguration of new facility in MEPZ-SEZ, Chennai	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Power <input checked="" type="checkbox"/> Communication 	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> PCB assembly 	Small Clients & PCB	
	PHASE II	 2007 Expansion of manufacturing capabilities in the US 2009 Acquired design capabilities 2010 Enter Into Aerospace Vertical	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Power <input checked="" type="checkbox"/> Communication <input checked="" type="checkbox"/> Aerospace <input checked="" type="checkbox"/> Industrial 	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> PCB assembly <input checked="" type="checkbox"/> Metal, Cables assembly and wire harness <input checked="" type="checkbox"/> In-house design 	Large Customer and diversified product offering
		PHASE III	 2011 Strategic entry into Railway Vertical 2016 Enhanced Box build capabilities TODAY Fully integrated EMS service provider	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Power & Industrial <input checked="" type="checkbox"/> Communication <input checked="" type="checkbox"/> Aerospace & Mobility <input checked="" type="checkbox"/> Medical and Others 	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> PCB assembly <input checked="" type="checkbox"/> In-house design <input checked="" type="checkbox"/> Metal, Cables assembly and wire harness <input checked="" type="checkbox"/> Plastics <input checked="" type="checkbox"/> Megnetics <input checked="" type="checkbox"/> System Integratiron

Source: Company, Dalal & Broacha Research

Financial

P&L (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Net Sales	6,905	8,407	9,447	12,045	15,358
Operating Expenses	-4,560	-5,541	-6,067	-7,733	-9,860
Employee Cost	-1,192	-1,314	-1,605	-1,927	-2,312
Other Expenses	-491	-577	-647	-800	-982
Operating Profit	661	975	1,128	1,586	2,204
Depreciation	-157	-180	-197	-210	-234
PBIT	504	795	931	1,376	1,970
Other income	54	109	144	144	144
Interest	-270	-248	-348	-91	-91
PBT	288	656	727	1,428	2,022
Profit before tax (post exceptional)	288	856	727	1,428	2,022
Provision for tax	-57	-182	-202	-400	-566
Profit & Loss from Associates/JV	-	-	-	-	-
Reported PAT	231	675	525	1,028	1,456
MI	-16	-43	-	-	-
Owners PAT	215	632	525	1,028	1,456
Adjusted Profit (excl Exceptionals)	215	485	525	1,028	1,456

Balance Sheet (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Equity capital	16	16	116	131	131
Reserves	583	872	5,254	9,466	10,922
Net worth	599	888	5,370	9,597	11,053
MI	-317	-	-	-	-
Non Current Liabilites	1,051	1,016	1,072	878	884
Current Liabilites	3,792	3,990	5,361	3,846	4,390
TOTAL LIABILITIES	5,125	5,894	11,803	14,320	16,327
Non Current Assets	1,329	1,391	1,667	1,663	1,735
Fixed Assets	841	918	1,086	1,073	1,136
Right of Use Assets	200	244	342	342	342
Financial Assets	43	53	53	56	59
Deferred Tax Asset	232	159	130	134	138
Long Term Loans and Advances	-	-	-	-	-
Other Non Current Assets	12	18	55	58	61
Current Assets	3,796	4,503	10,137	12,657	14,591
Current investments	-	-	-	-	-
Inventories	1,458	2,330	3,179	3,835	4,808
Trade Receivables	1,819	1,774	2,062	2,640	3,282
Cash and Bank Balances	335	101	4,222	5,508	5,824
Short Term Loans and Advances	-	-	-	-	-
Other Financial Assets	14	13	38	40	42
Other Current Assets	170	284	635	635	635
TOTAL ASSETS	5,125	5,894	11,803	14,320	16,327

Cashflow (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
PBT	288	856	727	1,428	2,022
Depreciation	157	180	197	210	234
Net Chg in WC	-555	-760	-1,273	-845	-1,118
Taxes	-35	-125	-189	-400	-566
Others	200	6	405	35	137
CFO	55	157	-133	429	709
Capex	-192	-177	-273	-350	-450
Net Investments made	-99	-6	2	-	-
Others	29	-	-	-	-
CFI	-263	-184	-271	-350	-450
Change in Share capital	73	-68	4,815	-	-
Change in Debts	440	86	48	-2,050	-
Div. & Div Tax	-37	-38	-37	-	-
Others	-201	-189	-5,034	3,256	58
CFF	275	-209	-209	1,206	58
Total Cash Generated	67	-236	-613	1,285	317
Cash Opening Balance	266	335	101	4,222	5,508
Cash Closing Balance	333	99	-511	5,508	5,824

Ratios	FY21	FY22	FY23	FY24E	FY25E
OPM	9.6	11.6	11.9	13.2	14.4
NPM	3.1	5.7	5.5	8.4	9.4
Tax rate	-19.9	-21.2	-27.8	-28.0	-28.0

Growth Ratios (%)

Net Sales	7.6	21.8	12.4	27.5	27.5
Operating Profit	2.6	47.5	15.6	40.6	39.0
PBIT	2.9	57.8	17.1	47.7	43.2
PAT	86.7	192.3	-22.2	95.8	41.6

Per Share (Rs.)

Net Earnings (EPS)	26.92	79.16	9.06	15.75	22.30
Cash Earnings (CPS)	46.64	101.70	12.45	18.97	25.89
Dividend	-	-	-	-	-
Book Value	75.07	111.19	92.66	146.98	169.28
Free Cash Flow	-25.25	-7.90	-13.59	0.10	1.29

Valuation Ratios

P/E(x)	22	8	66	38	27
P/B(x)	8	5	6	4	4
EV/EBIDTA(x)	4	3	34	22	16
Div. Yield(%)	-	-	-	-	-
FCF Yield(%)	-4.21	-1.32	-2.26	0.02	0.21

Return Ratios (%)

ROE	36%	55%	10%	11%	13%
ROCE	16%	24%	13%	14%	18%
RoIC	14%	19%	18%	21%	24%

Source: Company, Dalal & Broacha Research

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