

CMP: ₹ 2020

Target: ₹ 2600(28%)

Target Period: 12 months

BUY

May 7, 2024

## Strong visibility going ahead..

About the stock: The Anup Engineering (TAEI) is one of the leading manufacturers of process equipment like heat exchangers, vessels, reactors, columns etc. Company supplies this equipment to sectors like oil & gas, petrochemicals, chemicals, fertiliser, power, aerospace and other process Industries in India and worldwide.

- Company has backlog of ₹ 854 crore, which provides strong visibility
- Exports now constitute 40% of FY24 revenues

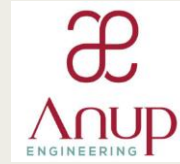
Q4FY24 performance: Anup reported robust Q4FY24 results across all parameters. Revenues came in at ₹156.9 crore up 9% YoY and 22% QoQ. Order backlog is up 61% YoY at ₹ 854 crore thereby ensuring strong growth prospects going ahead Inflows for FY24 grew by 59% YoY. EBITDA came in at 23.8% on back of robust execution and operating leverage vs. 20.9% in Q4FY23. Consequently Adjusted PAT (tax reversal of Rs 14 crore in Q4FY24) came in at ₹ 28.6 crore up 46.7% YoY. The company has a cash balance of ₹ 115 crore. Export revenues were at 41% of total sales which was as per management guidance.

### Investment Rationale

- Export market to lead the growth trajectory: From a 10-15% revenue share few years back; Anup has come a long way in capitalising the export market opportunities as 40% of FY24 revenues came in from the export segment. Going ahead, the management expects this share to rise to 50% in FY25E as 50% of the order backlog of ₹ 854 crore come from export markets and 65% of the current business pipeline augurs from the export market. Currently markets like US, Nigeria, Australia and Middle east provide strong opportunities in the segment of petrochemical and blue hydrogen.
- Strong backlog and pipeline to ensure 25% + growth over next 2-3 years: FY24 ending backlog of ₹854 crore ensures solid revenue booking for FY25E. The management has guided for ₹ 700 crore plus revenues for FY25E, which we believe is easily achievable. Coupled with this a rolling bid pipeline of ₹ 1000 crore ( 65% exports) will drive 25% revenue growth over 2-3 years thereby helping to cross ₹ 1000 crore sales by FY27E.

### Rating and Target Price

- New leadership, thrust on export markets and strong capex cycle in India puts Anup in a sweet spot. The company is clearly marching towards its aspiration of ₹1000 crore sales by FY27E. We believe the company will be able to deliver 25% plus growth over the next 2-3 years given the strong backlog and order pipeline. We continue to maintain our Buy rating with a revised target of ₹ 2600



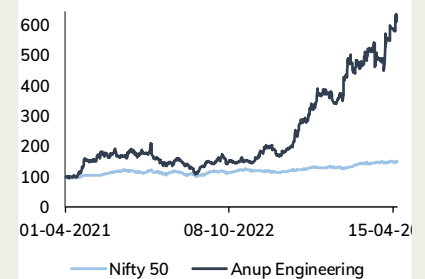
### Particulars

Particular	Amount
Market Capitalization (Rs)	4,000
Total Debt (FY24) (Rs crore)	0
Cash and Inv (FY24) (Rs)	115
EV (FY24) (Rs crore)	3,885
52 week H/L	3176 / 950
Equity capital (Rs crore)	19.8
Face value (Rs)	10

### Shareholding pattern

	Sep-23	Dec-23	Mar-24	Jun-24
Promoter	42.9	42.9	42.7	42.7
FII	1.1	0.8	0.9	1.0
DII	11.4	11.1	10.8	10.7
Others	44.5	45.2	45.7	45.6

### Price Chart



### Key risks

- Slowdown in domestic business
- Rise in input costs can impact margins as most of the orders are fixed price orders

### Research Analyst

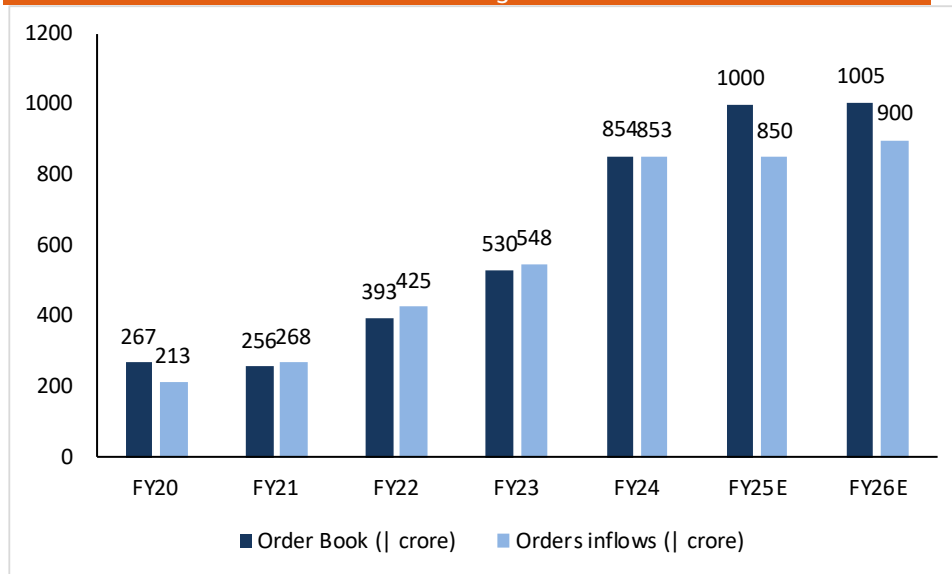
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## Key Financial Summary

(Rs Crore)	FY21	FY22	FY23	3 year CAGR (FY21-23)	FY24E	FY25E	FY26E	2 Year CAGR (FY24-26E)
Net Sales	279.1	288.2	411.3	21.4	550.4	704.5	894.7	27.5
EBITDA	68.8	70.0	82.7	9.7	126.7	169.1	214.7	30.2
EBITDA margin (%)	24.6	24.3	20.1		23.0	24.0	24.0	
PBT	61.7	62.7	70.0		114.3	154.9	197.7	
Net Profit	53.5	62.1	51.4	(2.0)	86.1	115.4	147.3	30.8
EPS (Rs)	54.4	62.8	52.0		43.5	58.3	74.4	
P/E (x)	57.2	49.6	59.9		71.6	53.4	41.9	
EV/EBITDA (x)	44.2	43.2	37.3		48.8	36.4	28.4	
RoCE (%)	17.7	15.3	14.7		22.0	26.4	28.9	
RoE (%)	15.9	15.8	11.8		17.8	20.9	22.6	

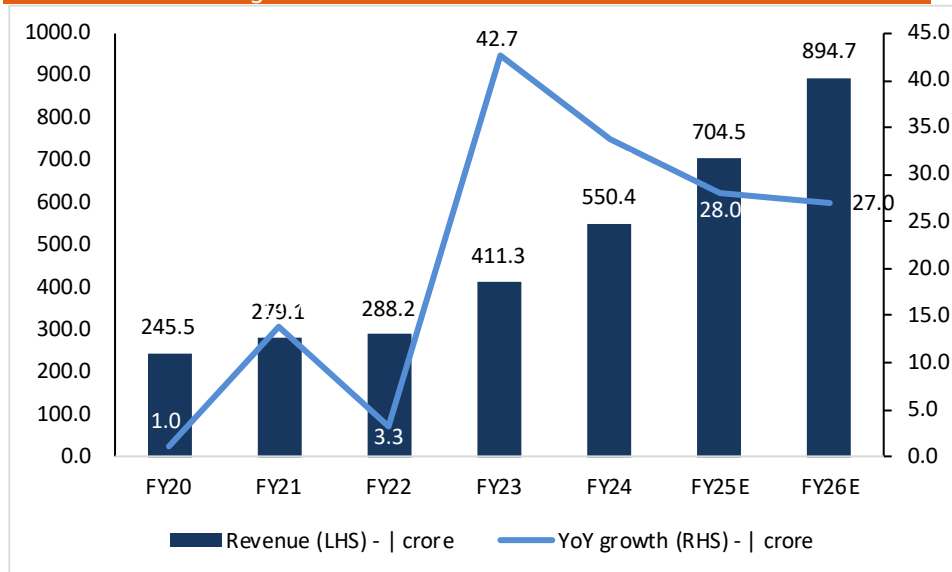
Exhibit 1: Trend in order inflows and Backlog



The company has strong bid pipeline of Rs 1000 crore out of which Rs 650 crore comes from the export market.

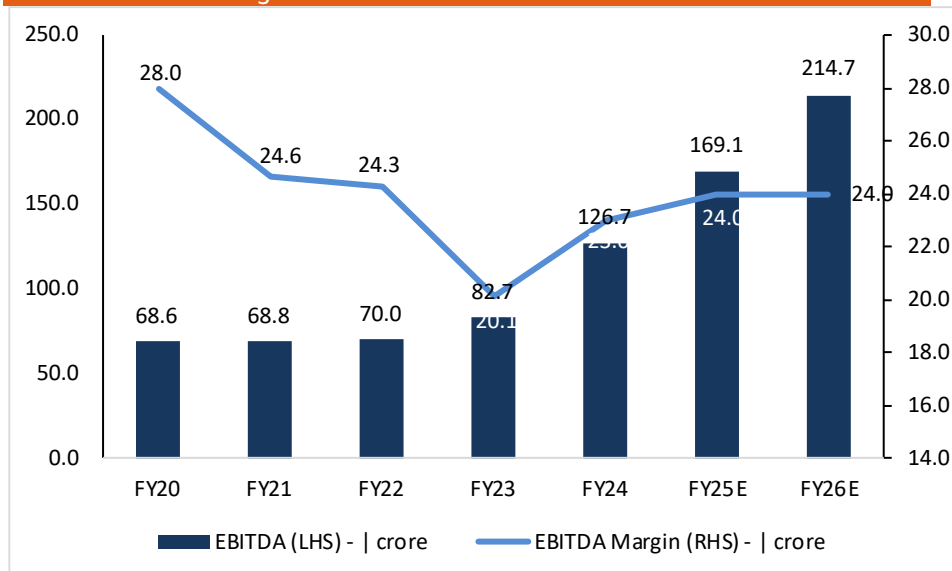
Source: Company, ICICI Direct Research

Exhibit 2: Revenue to grow at 27% CAGR over FY24-26E



Source: Company, ICICI Direct Research

Exhibit 3: EBITDA margins to bet 24% levels over FY25E-FY26E



Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 4: Profit and loss statement		₹ crore			
(Year-end March)	FY23	FY24E	FY25E	FY26E	
Net Sales	411	550	704	895	
Total Operating Income	411	550	704	895	
% Growth (Operating Income)	42.7	33.8	28.0	27.0	
Other Income	1.2	7	10	12	
Total Revenue	412.6	557.7	714.5	906.7	
Cost of materials consumed	222	285	352	447	
Employee cost	21	32	42	54	
Other Expenses	86	107	141	179	
Total expenditure	329	424	535	680	
EBITDA	82.7	126.7	169.1	214.7	
% Growth (EBITDA)	18.2	53.2	33.4	27.0	
Interest	1.4	2.2	3.0	4.0	
PBDT	83	132	176	223	
Depreciation	13	17	21	25	
PBT	70	114	155	198	
Tax	19	28	40	50	
PAT	51.4	86.1	115.4	147.3	
% Growth (PAT)	(17.1)	67.4	34.1	27.6	
EPS	52.0	43.5	58.3	74.4	

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement		₹ crore			
(Year-end March)	FY23	FY24E	FY25E	FY26E	
Profit after Tax	51	86	115	147	
Depreciation	13	17	21	25	
Interest	1	2	3	4	
Other income	(1)	(7)	(10)	(12)	
Prov for Taxation	19	28	40	50	
Change in Working Capital	(34)	(17)	(46)	(30)	
Taxes Paid	(18)	(28)	(40)	(50)	
Cash from Opeations	30	82	84	134	
(Purchase)/Sale of Fixed Assets	(83)	(60)	(20)	(40)	
(Purchase)/Sale of Investments	6	-	-	-	
Other Income	1	7	10	12	
Cash from Investing	(76)	(53)	(10)	(28)	
Changes in Network	8	(0)	-	-	
Interest	(1)	(2)	(3)	(4)	
Dividend paid	(15)	(40)	(48)	(48)	
Cash from Fin	(9)	(42)	(51)	(52)	
Changes in Cash	(20)	(13)	23	55	
Opening Cash/Cash Equivalent	53	33	20	43	
Closing Cash/ Cash Equivalent	33	20	43	98	

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet		₹ crore			
(Year-end March)	FY23	FY24E	FY25E	FY26E	
Share Capital	9.9	19.8	19.8	19.8	
Reserves & Surplus	428	464	532	632	
Total Shareholders fund	438	484	552	652	
Total debt	34.3	34.3	34.3	34.3	
Other liabilities	12.1	12.1	12.1	12.1	
Total Liabilities	484	531	599	698	
Gross Block	253	380	400	440	
Acc: Depreciation	52	69	91	116	
Net Block	201	310	309	324	
Capital WIP	87	20	20	20	
Investments	4	4	4	4	
Inventory	127	173	226	282	
Sundry debtors	149	187	240	286	
Cash	33	20	43	98	
Inv+Other current assets	26	26	26	26	
CL& Prov.	159	227	286	359	
Net Current Assets	175	179	248	333	
Total Assets	484	531	599	698	

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios					
(Year-end March)	FY23	FY24E	FY25E	FY26E	
Per Share Data					
EPS	52.0	43.5	58.3	74.4	
Cash EPS	64.6	52.3	69.0	87.1	
BV	442.3	244.6	279.0	329.4	
DPS	15.0	20.0	24.0	24.0	
Cash Per Share	52.5	35.1	45.8	58.4	
Operating Ratios (%)					
EBITDA Margin	20.1	23.0	24.0	24.0	
PBT / Net Sales	17.1	19.9	21.0	21.2	
PAT Margin	12.5	15.6	16.4	16.5	
Inventory days	112.6	115.0	117.0	115.0	
Debtor days	131.8	124.1	124.1	116.8	
Creditor days	140.9	150.7	148.4	146.6	
Return Ratios (%)					
RoE	11.8	17.8	20.9	22.6	
RoCE	14.7	22.0	26.4	28.9	
RoIC	22.1	24.6	30.3	35.6	
Valuation Ratios(x)					
P/E	59.9	71.6	53.4	41.9	
EV / EBITDA	37.3	48.8	36.4	28.4	
EV / Net Sales	7.5	11.2	8.7	6.8	
Market Cap / Sales	7.5	11.2	8.8	6.9	
Price to Book Value	7.0	12.7	11.2	9.5	
Solvency Ratios					
Net Debt / Equity	0	0	-	-	
Current Ratio	1.7	1.6	1.6	1.6	
Quick Ratio	0.9	0.8	0.8	0.8	

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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