

# Kabra Extrusion Technik (KABEXT)

CMP: ₹ 490

Target: NA

Target Period: NA

UNRATED

January 31, 2022

## Stable base business, diversifies to exciting EV space

**About the stock:** Kabra Extrusion Technik (KET), incorporated in 1982, is India's prominent player (~40% market share) in the organised plastic extrusion machinery used for manufacturing pipes, profiles & films. It is primarily a capex linked product.

- Interestingly, in the recent past, KET has ventured into manufacturing (assembly) of lithium-ion battery packs for EV under its new division Battrixx
- Export turnover amounts to ~30% of total revenue as of FY21

### Company Highlights

- In the plastic extrusion machinery domain, KET's clientele includes Astral Pipes, Supreme Pipes, Prince Piping Systems, Finolex Pipes among others. It has >14,000 machine installations worldwide
- In the Battrixx domain, its present capacity is pegged at ~1 lakh units, with capex spend for the same at ~₹ 65-70 crore. It serves the electric 2-W space with capabilities being developed for the 3-W, PV and CV domain
- For expanding the business in the Battrixx domain, KET has, in the recent past, raised ~₹ 101 crore in the form of warrants at a price of ₹ 329/share with promoters participating in the funds raise. It has also approved raising ~₹ 200 crore for working capital needs
- These funds will enable Battrixx to enhance its annual production capacity in phases from existing 100,000 battery packs to 700,000 by end of FY24 (~2 Gwh, revenue potential pegged at >₹ 1,000 crore) to meet growing demand in electric vehicles industry and other energy storage applications
- Posts robust Q3FY22. Sales were at ₹ 105 crore, up 27% QoQ with EBITDA margins at 15.4%, up 75 bps QoQ and PAT at ₹ 8.8 crore, up 32% QoQ. Battery division posted revenues of ₹ 37.7 crore and EBIT margins at 9.2%

### Key triggers for future price performance:

- Ramp up in sales at Battrixx division, the sunrise sector. We expect sales at Battrixx to be exponential over FY21-24E given the domestic thrust on electrification particularly led by innovative product launches by start-ups
- Government support in the form of FAME-II, PLI for ACC and PLI for auto ancillary space are also seen as key enablers for electrification domestically
- Capital efficient business model with profitable growth prospects
- Controlled leverage on balance sheet and positive CFO generation



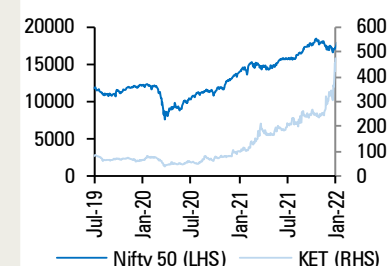
### Particulars

Particulars	₹ crore
Market Cap	1,563.1
Debt (FY21)	24.0
Cash & Investments (FY21)	50.2
EV (FY21)	1,536.9
52 Week H/L	566 \ 98
Equity capital	16.0
Face value (₹/share)	5.0
No. of shares (in Crore)	3.2

### Shareholding pattern

	Mar-21	Jun-21	Sep-21	Dec-21
Promoter	58.6	59.0	59.5	60.2
FII	0.8	0.7	1.0	1.0
DII	0.0	0.0	0.0	0.0
Other	40.6	40.2	39.5	38.8

### Price Chart



### Recent event & key risks

- Announces fresh capex spend, investment in EV battery domain
- Raises equity capital in form of warrants with promoters participating in fund raise

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### Key Financial Summary

(₹ crore)	FY16	FY17	FY18	FY19	FY20	FY21
Sales	299.1	276.1	268.4	245.1	220.2	274.2
EBITDA	19.6	29.9	28.1	20.6	12.5	40.8
EBITDA margin (%)	6.6%	10.8%	10.5%	8.4%	5.7%	14.9%
Net Profit	22.4	20.4	20.0	24.4	7.4	24.6
EPS (₹)	7.0	6.4	6.3	7.6	2.3	7.7
RoE	14.3	9.0	8.6	9.9	3.2	8.8
RoCE	19.2	10.5	9.6	13.0	3.0	11.4

Source: Company, ICICI Direct Research

## Key takeaways from company presentation

### Exhibit 1: Collaborations in base business (plastic extrusion machinery)

#### A CULTURE OF CONTINUOUS INNOVATION

battenfeld-cincinnati

Technical tie-up with Battenfeld-Cincinnati GmbH since 1983 for pipe and profile machinery

EXTRON MECANOR

Joint venture with Extron Mecanor, Finland in October 2016 to provide an integrated approach to pipe producers by offering pipe socketing and belling solutions

Penta  
A Pivon Company

A 50:50 joint venture with Italy-based Penta SRL for auto-feeding systems for the plastics and food processing industries

UNICOR

A technology partnership with Unicor GmbH in October 2016 to make corrugated pipe machines

Source: Company, ICICI Direct Research

### Exhibit 2: Brief on Battrixx

#### BATTRIXX – THE FUTURE ENERGY

Designing and manufacturing of Lithium-Ion Smart Battery Packs with Battery Management System (BMS)

Licensed with the European technology partner with patented technology

State-of-the-art facility spread across 50,000 sqft on a total land parcel of 2,50,000 sqft to design, develop and produce Lithium-Ion Battery Packs at Chakan, Pune



100+ highly skilled R&D, validation & testing professionals with experience in EV industry

- Expertise in Mechanical, Electrical, Electronics, Thermal Management & BMS.
- Proven record of bringing best of the world technology to India and customizing it

Total Capex of Phase-I @ ₹ 65-70 Crores

Commercial production began in March 2020

Source: Company, ICICI Direct Research

### Exhibit 3: Product applications in Battrixx domain (EV battery)

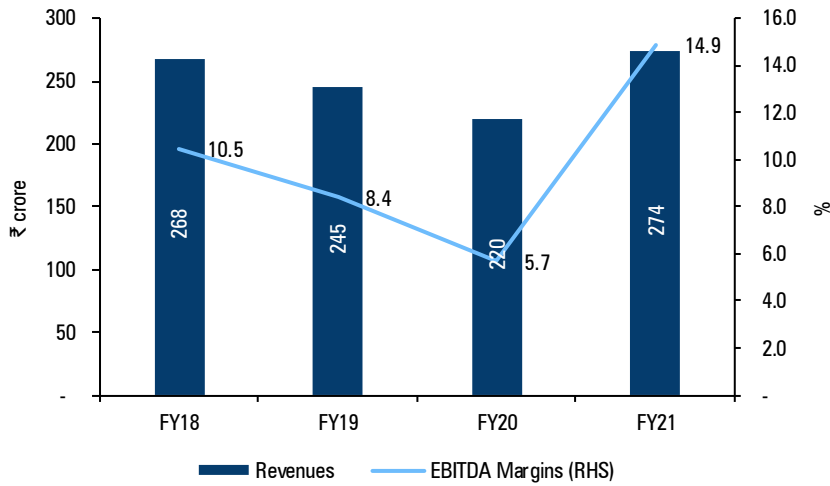
#### PRODUCT APPLICATIONS



Source: Company, ICICI Direct Research

## Financial story in charts

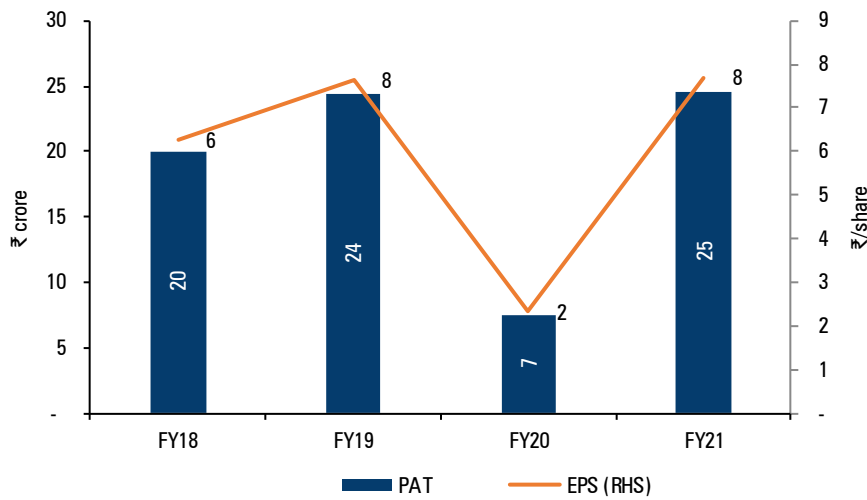
Exhibit 4: Trend in topline and EBITDA margins



Sales at KET have largely been flat over FY18-21 with margin profile improving from ~10.5% to 14.9% in the similar timeframe

Source: Company, ICICI Direct Research

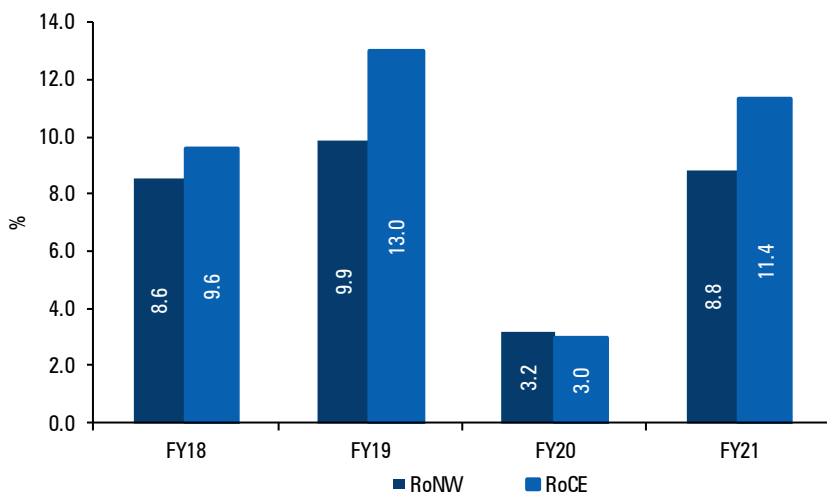
Exhibit 5: Trend in PAT & EPS



PAT at KET has grown at a CAGR of 7.1% over FY18-21 to ₹ 25 crore by FY21

Source: Company, ICICI Direct Research

Exhibit 6: Return ratios trend



Return ratios at KET have been close to the double digit mark i.e. ~10%

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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