

September 24, 2020

Turns ex-bonus today...

Elgi Equipments (Elgi) turns ex-bonus from September 24, 2020 pursuant to the approval granted by shareholders for the issue of bonus shares. The record date for the same has been fixed as September 26, 2020. The board has recommended the issue of bonus shares in the proportion of one bonus share (face value of ₹ 1 each) for every share held by shareholders (i.e. 1:1). Consequently the current market price has changed from ₹ 254/ share to ₹ 127/ share. Accordingly, we have adjusted the target price for ex-bonus and revised it further to ₹ 130/ share.

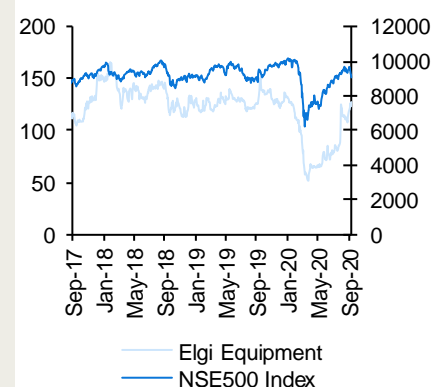
Valuation & Outlook

Going ahead, traction in international market, new products like oil free compressors (AB series) would aid growth while a revival is expected in the India business, which continues to face challenges across verticals. However, its strategy on cost reduction, focus on cash business would help deal with working capital, debt and liquidity situation. We expect revenue, EBITDA growth of 7.1%, 30.1% CAGR, respectively, in FY20-22E. We revise our target price to ₹ 130 (31.5x FY22 EPS) after adjusting for 1:1 bonus issue and maintain our **HOLD** rating.



Particulars	Amount
Market Capitalization	₹4025 Crore
Total Debt (FY 20)	₹390 Crore
Cash & Inv. (FY 20)	₹86 Crore
EV (FY 20)	₹4329 Crore
52 week H/L (₹)	155 / 55
Equity capital	₹31.7 Crore
Face value	₹1

Price Chart



Research Analyst

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Key Financial Summary

(₹ crore)	FY19	FY20	FY21E	FY22E	CAGR (FY20-22E)
Revenue	1,863.5	1,829.4	1,536.7	2,097.6	7.1%
EBITDA	191.8	133.9	77.6	226.5	30.1%
EBITDA Margin (%)	10.3	7.3	5.0	10.8	
Net Profit	103.1	42.6	9.3	128.6	73.8%
EPS (₹)	3.3	1.3	0.3	4.1	
P/E (x)	39.1	94.5	432.4	31.3	
EV/EBITDA (x)	21.4	32.3	56.5	19.0	
RoCE (%)	13.8	6.5	2.2	13.6	
RoE (%)	13.4	5.5	1.3	15.4	
Growth	36.0	(1.8)	(16.0)	36.5	

Source: ICICI Direct Research, Company

Financial Summary

Exhibit 1: Profit and loss statement (₹ crore)				
(₹Crore)	FY19	FY20	FY21E	FY22E
Net Sales	1,863.5	1,829.4	1,536.7	2,097.6
Other Operating Incon	-	-	-	-
Total Operating Incom	1,863.5	1,829.4	1,536.7	2,097.6
% Growth	36.0	(1.8)	(16.0)	36.5
Other Income	10.3	15.2	11.1	23.5
Total Revenue	1,873.8	1,844.6	1,547.8	2,121.1
Growth (%)	35.6	(1.6)	(16.1)	37.0
Total Raw Material Co	1,031.1	980.6	829.8	1,134.8
Employee Expenses	340.8	404.6	358.0	398.5
Other expenses	299.8	310.3	271.2	337.7
Total Operating Expen	1,671.7	1,695.5	1,459.1	1,871.0
EBITDA	191.8	133.9	77.6	226.5
Growth (%)	37.8	(30.2)	(42.1)	191.9
Interest	9.0	15.5	17.7	8.3
PBDT	193.1	133.6	71.0	241.7
Depreciation	51.7	65.2	59.9	67.0
PBT before Exception	141.3	68.3	11.1	174.7
Total Tax	40.4	27.0	3.0	47.3
PAT before MI	100.9	41.3	8.1	127.4
Minority Interest	-	-	-	-
PAT	103.1	42.6	9.3	128.6
Growth (%)	39.3	(58.7)	-	-
EPS*	3.3	1.3	0.3	4.1

Source: Company, ICICI Direct Research, *EPS adjusted ex-bonus

Exhibit 3: Balance Sheet (₹ crore)				
(₹Crore)	FY19	FY20	FY21E	FY22E
Equity Capital	15.8	15.8	31.7	31.7
Reserve and Surplus	755.1	753.1	698.0	801.3
Total Shareholders func	770.9	769.0	729.7	832.9
Minority Interest	-	-	-	-
Other Non Current Liabi	12.5	37.1	37.1	37.1
Total Debt	193.1	389.7	412.0	362.0
Total Liabilities	993.8	1,211.8	1,194.8	1,248.0
Gross Block	679.2	814.8	833.5	883.5
Acc: Depreciation	167.6	207.1	267.0	334.1
Net Block	511.6	607.6	566.4	549.4
Capital WIP	5.1	3.7	-	-
Total Fixed Assets	516.8	611.4	566.4	549.4
Non Current Assets	49.3	41.9	41.9	41.9
Inventory	278.7	343.4	378.9	413.8
Debtors	366.9	346.8	408.4	442.5
Loans and Advances	7.3	6.9	7.7	10.5
Other Current Assets	61.3	114.0	119.1	125.9
Cash	110.2	85.7	51.5	93.3
Total Current Assets	824.4	896.7	965.5	1,086.0
Current Liabilities	246.7	208.8	241.2	275.8
Provisions	13.1	12.2	14.1	16.1
Net Current Assets	420.3	553.6	581.2	651.4
Total Assets	993.8	1,211.8	1,194.8	1,248.0

Source: Company, ICICI Direct Research

Exhibit 2: Cash Flow Statement (₹ crore)				
(₹Crore)	FY19	FY20	FY21E	FY22E
Profit after Tax	103.1	42.6	9.3	128.6
Depreciation	51.7	65.2	59.9	67.0
Interest	9.0	15.5	17.7	8.3
Cash Flow before WC cha	163.8	123.4	87.0	203.9
Changes in inventory	(5.0)	(64.7)	(35.5)	(34.9)
Changes in debtors	(23.5)	20.2	(61.6)	(34.1)
Changes in loans & Advan	2.0	0.4	(0.7)	(2.8)
Changes in other current a	(20.6)	(52.7)	(5.1)	(6.8)
Net Increase in Current As	(47.1)	(96.9)	(103.0)	(78.5)
Changes in creditors	33.3	(37.9)	32.5	34.6
Changes in provisions	(4.7)	(1.0)	1.9	2.0
Net Increase in Current Lie	69.4	(61.0)	41.2	50.2
CF from operations	186.1	(34.5)	25.2	175.6
Changes in deferred tax a	(22.6)	8.8	-	-
(Purchase)/Sale of Fixed /	(114.8)	(159.9)	(15.0)	(50.0)
CF from Investing	(81.6)	(126.5)	(15.0)	(50.0)
Dividend and Dividend Tax	(20.6)	(55.5)	(15.8)	(25.4)
CF from Financing	(59.8)	136.5	(44.0)	(83.7)
Net Cash flow	44.8	(24.5)	(33.8)	41.9
Opening Cash/Cash Equiv	65.4	110.2	85.7	51.5
Closing Cash/ Cash Equiv	110.2	85.7	51.5	93.3

Source: Company, ICICI Direct Research

Exhibit 4: Key Ratios				
	FY19	FY20	FY21E	FY22E
Per Share Data				
EPS	3.3	1.3	0.3	4.1
BVS	24.3	24.3	23.0	26.3
Dividend per share	0.7	1.8	0.5	0.8
Dividend payout ratio	20.0	130.3	170.2	19.7
Operating Ratios				
EBITDA Margin	10.3	7.3	5.0	10.8
PAT Margin	5.5	2.3	0.6	6.1
Inventory days	54.6	68.5	90.0	72.0
Debtor days	71.9	69.2	97.0	77.0
Creditor days	48.3	41.7	57.3	48.0
Return Ratios				
RoE	13.4	5.5	1.3	15.4
RoCE	13.8	6.5	2.2	13.6
RoIC	14.4	5.7	1.4	12.7
Valuation Ratios				
EV / EBITDA	21.4	32.3	56.5	19.0
P/E	39.1	94.5	432.4	31.3
EV / Net Sales	2.2	2.4	2.9	2.0
Sales / Equity	2.4	2.4	2.1	2.5
Market Cap / Sales	2.2	2.2	2.6	1.9
Price to Book Value	5.2	5.2	5.5	4.8
Turnover Ratios				
Asset turnover	1.7	1.4	1.2	1.6
Debtors Turnover Ra	5.2	5.1	4.1	4.9
Creditors Turnover R	8.1	8.0	6.8	8.1
Solvency Ratios				
Debt / Equity	0.3	0.5	0.6	0.4
Current Ratio	2.7	3.7	3.6	3.4
Quick Ratio	1.7	2.1	2.1	2.0

Source: Company, ICICI Direct Research, *per share Nos. adjusted Ex-bonus

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Buy : > 15%

Hold : -5% to 15%;

Reduce : -5% to -15%;

Sell : < -15%



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