

Strong FY20 Performance on back of increased and new engagements from customers

CMP: Rs 59

Rating: BUY

Target Price: Rs 73

Stock Info

BSE	532395
NSE	AXISCADES
Bloomberg	AXET IN
Reuters	AXIT.BO
Sector	IT
Face Value (Rs)	5
Equity Capital (Rs mn)	189
Mkt Cap (Rs mn)	2,962
52w H/L (Rs)	87 / 27
Avg Yearly Vol (in 000')	134

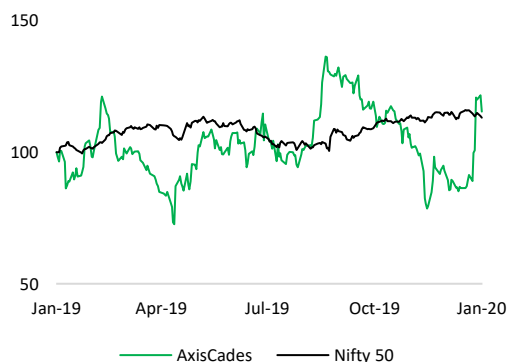
Shareholding Pattern %

(As on Mar, 2020)

Promoters	67.95
Public & Others	32.05

Stock Performance (%)	3m	6m	12m
AxisCades	-3.6	4.2	12.8
Nifty	2.3	7.7	13.1

AxisCades Vs Nifty



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AXISCADES Engineering Technologies reported good set of numbers in Q4FY20. Consolidated revenue for the quarter stood at Rs 1,924 mn, registering +14.3% QoQ/+18.4% YoY growth. Reported EBITDA stood at Rs 332 mn against Rs 85 mn in the corresponding quarter of previous year. On a sequential basis EBITDA saw a growth of +33%. EBITDA margin expanded +243 bps QoQ/+1202 bps YoY to 17.3%, against 5.2% in Q4FY19. The company saw expansion in margin after closer alignment to customers. Consolidated PAT for the quarter stood at Rs 164 mn, registering a sequential growth of +98.0% QoQ. The Company delivered significant improvement in Revenue, EBITDA Margins and Net Profits on back of increased and new engagements from customers. With a longer-term perspective and after factoring in good Q4FY20 results, we have revised our FY21E/FY22E estimates. We maintain our Buy rating on AXISCADES with a target price of Rs 73.

Q4FY20 Highlights

- Costs remained flat in FY20 at INR 6,422 Mn as compared to INR 6,391 Mn in FY19.
- Cash Generated from Operations: 1.75x growth to INR 649 Mn vs 371 Mn.
- The company bagged 2 multiyear, multi-million contracts.
- Expanded relationship with prestigious European systems OEM to USD 10 Mn.
- Added 3 clients in the Digital domain
- Added 9 new customers during the year mostly in heavy engineering and in automotive domain. Some of the customers have the potential to translate into USD 1 Mn+ accounts in the near future.
- Asia-Pacific region (contributing 17% of Group revenues) declined by 16.6% largely owing to lockdown imposed in the last week of March'20 due to which product shipments could not take place.

Outlook & Valuation

We expect that AxisCades Engineering will keep on adding several multi-million dollar contracts in the future as well and its engagements in the defense sector revenue yields to boost its margins as well. At CMP of Rs 59, AXISCADES Engineering Technologies Ltd., currently trades at FY20 P/E of 7.4x. Factoring in good Q4FY20 results, we revised our FY21E/FY22E estimates to build in higher margin and profitability in the future. We value the stock on a P/E (x) multiple of 7x its FY22E earnings, which yields a target price of Rs 73 per share. **We maintain our Buy rating on AXISCADES with a target price of Rs 73, giving an upside potential of 23%.**

Particulars (Rs mn)	FY19	FY20	FY21E	FY22E
Net Sales	6,077	6,729	7,317	8,051
EBITDA	119	917	923	1,015
PAT	-77	303	319	393
EPS (per share)	-2.0	8.0	8.5	10.4
ROE	-2.7%	9.6%	9.6%	9.5%
P/E	-33.5	7.4	7.0	5.7

Source: Arihant Research, Company Filings, Ace Equity, Bloomberg

Q4 FY20 - Quarterly Performance (Consolidated)

(in Rs Mn)

Particulars (Rs Mn)	Q4FY20	Q3FY20	Q4FY19	Q-o-Q	Y-o-Y
Net Revenue	1,924	1,683	1,624	14.3%	18.4%
Raw Material Cost	408	184	276	121.7%	47.6%
Employee cost	867	951	907	-8.7%	-4.3%
Other Expenses	316	299	356	5.9%	-11.2%
EBITDA	332	250	85	33.0%	290.0%
EBITDA margin %	17.3%	14.8%	5.2%	243bps	1202bps
Other Income	14	23	49	-40.8%	-72.1%
Depreciation	117	70	48	67.8%	140.9%
EBIT	229	203	85	12.7%	168.0%
Finance cost	65	79	77	-17.9%	-16.6%
Exceptional Item	-	-	-	-	-
PBT	164	124	8	32.1%	1965.9%
Tax Expense	2	42	-5	-96.4%	-128.0%
Effective tax rate %	0.9%	33.9%	-68.1%	-	-
PAT	163	82	13	98.0%	NA
MI & Associates	1	-1	-5	-	-
Consolidated PAT	164	82	7.90	100.4%	
PAT margin %	8.5%	4.9%	0.8%	358bps	764bps
EPS (Rs)	4.3	2.2	0.2	100.4%	

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

Key Financials

Income Statement				
Y/E March (Rs Mn)	FY19	FY20	FY21E	FY22E
Revenues	6,077	6,729	7,317	8,051
Change (%)	17.1%	10.7%	8.7%	10.0%
Raw materials	945	1,026	1,171	1,288
Stock Adjustments	0	0	0	0
Employee costs	3,501	3,612	4,179	4,598
Other expenses	1,512	1,175	1,045	1,149
Total Expenses	5,958	5,812	6,394	7,036
EBITDA	119	917	923	1,015
Other Income	90	76	102	113
Depreciation	197	327	327	315
Interest	236	283	273	290
PBT	-224	382	424	523
Extra-ordinary	-145	0	0	0
PBT after ext-ord.	-78	382	424	523
Tax	-7	81	107	132
Rate (%)	9.2%	21.2%	25.2%	25.2%
PAT	-71	301	318	391
MI & Associates	-5	2	2	2
Consolidated PAT	-77	303	319	393
Change (%)	-7.0%	494.7%	5.5%	23.2%

Cash Flow Statement				
Y/E March (Rs Mn)	FY19	FY20	FY21E	FY22E
PBT	-78	382	424	523
Depreciation	197	327	327	315
Interest & others	140	208	173	180
Cash flow before WC changes	259	918	925	1,018
(Inc)/dec in working capital	378	-1,140	113	14
Operating CF after WC changes	637	-221	1,038	1,032
Less: Taxes	7	-81	-107	-132
Operating cash flow	645	-302	931	900
(Inc)/dec in F.A + CWIP	20	1,278	100	100
(Pur)/sale of investment	-237	-44	-18	-18
Cash flow from investing	-217	1,233	82	82
Free cash flow (FCF)	839	1,088	1,031	1,000
Loan raised/(repaid)	-63	-93	80	80
Equity raised	0	0	0	0
Interest & others	-401	-336	-464	196
Dividend	0	0	0	0
Cash flow from financing activities	-464	-429	-384	276
Net inc/(dec) in cash	-36	120	630	1,304
Opening balance of cash	619	583	702	1,331
Closing balance of cash	583	702	1,331	2,635

Balance Sheet				
Y/E March (Rs Mn)	FY19	FY20	FY21E	FY22E
Sources of Funds				
Share Capital	189	189	189	189
Reserves & Surplus	2,658	2,962	3,139	3,953
Net Worth	2,847	3,151	3,328	4,142
Loan Funds				
Deferred Tax & other liabilities	973	630	630	630
Capital Employed	5,172	5,197	5,304	6,198
Application of Funds				
Gross Block	3,748	2,686	2,586	2,486
Less: Accumulated				
Depreciation	489	816	1,143	1,459
Net Block	3,259	1,870	1,443	1,028
CWIP	6	6	6	6
Other non current assets	446	494	494	494
Deferred tax assets	255	301	301	301
Net fixed assets	3,966	2,671	2,243	1,828
Investments	299	344	361	380
Debtors	1,529	1,664	1,810	1,991
Inventories	202	196	225	247
Cash & bank balance	583	702	1,331	2,635
Loans & advances & other CA	998	1,306	1,423	1,566
Total current assets	3,312	3,868	4,789	6,440
Current liabilities	3,876	3,184	3,588	3,948
Provisions	189	179	179	179
Net current assets	-753	505	1,021	2,312
Total Assets	5,172	5,197	5,304	6,198

Key Ratios				
Y/E March (Rs Mn)	FY19	FY20	FY21E	FY22E
Per share (Rs)				
EPS	-2.0	8.0	8.5	10.4
CEPS	3.2	16.7	17.1	18.8
BVPS	75.3	83.4	88.1	109.6
DPS	0.0	0.0	0.0	0.0
Valuation (x)				
P/E	-33.5	7.4	7.0	5.7
P/CEPS	21.3	3.5	3.5	3.2
P/BV	0.9	0.7	0.7	0.5
Return Ratio (%)				
EBIDTA Margin	2.0%	13.6%	12.6%	12.6%
PAT Margin	-1.3%	4.5%	4.4%	4.9%
ROE	-2.7%	9.6%	9.6%	9.5%
ROCE	-1.5%	11.3%	11.2%	11.3%
Leverage Ratio (%)				
Total D/E	0.5	0.4	0.4	0.3
Net D/E	0.3	0.2	0.0	-0.3
Turnover Ratios				
Asset Turnover (x)	1.2	1.3	1.4	1.3
Inventory Days	78	70	70	70
Receivable Days	92	90	90	90
Payable days	244	182	179	179

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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