

CMP: INR 50

Rating: Accumulate

Target Price: INR 57

Stock Info

BSE	532395
NSE	AXISCADES
Bloomberg	AXET IN
Reuters	AXIT.BO
Sector	IT
Face Value (INR)	5
Equity Capital (INR mn)	189
Mkt Cap (INR mn)	1,901
52w H/L (INR)	74 / 27
Avg Yearly Vol (in 000')	67

Shareholding Pattern %

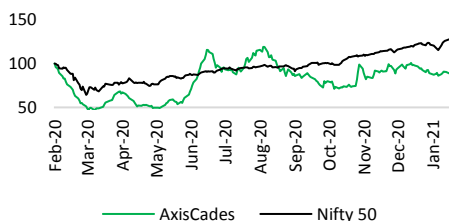
(As on Dec, 2020)

Promoters	67.95
Public & Others	32.05

Stock Performance (%)

	3m	6m	12m
AxisCades	15.7	-6.15	-17.0
Nifty	21.2	34.7	24.8

AxisCades Vs Nifty



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AXISCADES Engineering Technologies has reported Consolidated revenue for Q3FY21 at INR 1,255 mn, registering -25.4% YoY/-12.3QoQ decline. Reported EBITDA stood at INR 176 mn against INR 250 mn in Q3FY20. On a sequential basis EBITDA saw a de-growth of -0.4%. EBITDA margin expanded +169bps QoQ/-77 bps YoY to 14.1%, against 14.8% in Q3FY20. The Consolidated PAT for the quarter stood at INR 55 mn, against loss of -155 mn in Q3FY20. The Company has delivered significant improvement in PAT. The company has reported EPS of INR.1.45 for the Q3FY21, 2020 as compared to INR.2.2 for the Q3FY20 and (-4.1 in Q2FY21).

Q3FY21 Highlights

- Management is expecting double-digit EBITDA Margin growth by FY22.
- Traction largely depends on Aerospace and it will improve over 12-18 months because flights resume and that will be the challenge.
- In defense, there is a lot of potential as many more tender and order participating and government pushes.
- In segment Engineering design services stood at INR 876 mn registering -34% YoY/-5% QoQ.
- In Strategic technology solutions stood at INR 379 mn registering 6% YoY/-25% QoQ.

Outlook & Valuation

We expect that AxisCades Engineering will keep on adding several multi-million dollar contracts in the future as well as its engagements in the defense sector and also management expecting double digit margin growth by FY22.

At CMP of INR 50, AXISCADES Engineering Technologies Ltd., is trading at FY23 P/E of 7x. We reduce our FY21E/FY22E PAT estimates as the world continues to face an unprecedented situation due to the COVID-19 pandemic. The aviation sector has been particularly hard hit globally, including India due to evolving situation and uncertain economic impact of the pandemic. While On the defense side of the industry, the situation appears less dire, with demand protected by budgeted government spending and a supply chain with minimal exposure.

We value the stock on a P/E (x) multiple of 8x its FY23E earnings, which yields a target price of INR 57 per share. **We assign Accumulate rating from Buy earlier on AXISCADES.**

Particulars (INR mn)	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	6,077	6,729	6,317	6,633	6,965
EBITDA	119	917	694	729	765
PAT	-71	301	207	218	268
EPS (per share)	-2.0	8.0	5.5	5.8	7.2
ROE	-2.7%	9.6%	9.6%	9.5%	9.5%
P/E	-33.5	6.2	9.0	8.5	7.0

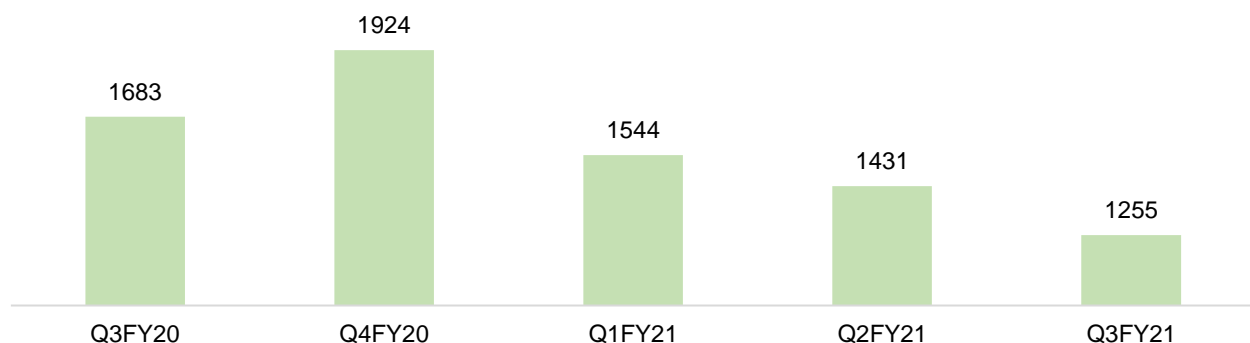
Source: Arihant Research, Company Filings, Ace Equity, Bloomberg

Q3 FY21 - Quarterly Performance (Consolidated)

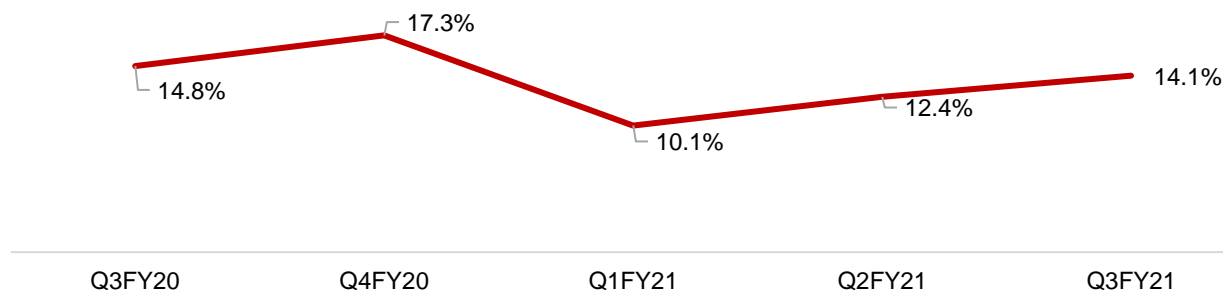
(in INR Mn)

Particulars (INR Mn)	Q3FY21	Q3FY20	Q2FY21	Q-o-Q	Y-o-Y
Net Revenue	1,255	1,683	1,431	-12.3%	-25.4%
Raw Material Cost	201	184	383	-47.6%	9.1%
Employee cost	657	951	637	3.1%	-30.9%
Other Expenses	221	299	234	-5.6%	-26.1%
EBITDA	176	250	177	-0.4%	-29.3%
EBITDA margin %	14.1%	14.8%	12.4%	169bps	-77bps
Other Income	30	23	41	-26.5%	30.5%
Depreciation	60	70	72	-16.6%	-14.3%
EBIT	147	203	146	0.3%	-27.7%
Finance cost	52	79	60	-12.2%	-33.4%
Exceptional Item	-	-	-210		
PBT	94	124	-123	-176.7%	-24.2%
Tax Expense	40	42	32	22.8%	-6.0%
Effective tax rate %	42.0%	33.9%	-26.2%		
PAT	55	82	-155	-135.3%	-33.4%
MI & Associates	-1	-1	-1	-	-
Consolidated PAT	56	82	-154	-136.2%	-31.6%
PAT margin %	4.4%	4.9%	-10.8%	1521bps	-52bps
EPS (INR)	1.48	2.2	-4.1		

Quarterly Revenue Trend



EBITDA Margin



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

Key Financials

Income Statement					
Y/E March (INR Mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenues	6,077	6,729	6,317	6,633	6,965
<i>Change (%)</i>	17.1%	10.7%	-5.0%	5.0%	5.0%
Raw materials	945	1,026	948	995	1,045
Stock Adjustments	0	0	0	0	0
Employee costs	3,501	3,612	3,608	3,788	3,978
Other expenses	1,512	1,175	1,068	1,121	1,177
Total Expenses	5,958	5,812	5,623	5,904	6,200
EBITDA	119	917	694	729	765
Other Income	90	76	114	93	98
Depreciation	197	327	269	249	229
Interest	236	283	252	270	261
PBT	-224	382	287	303	373
Extra-ordinary	-145	0	0	0	1
PBT after ext-ord.	-78	382	287	303	372
Tax	-7	81	80	85	104
<i>Rate (%)</i>	9.2%	21.2%	28.0%	28.0%	28.0%
PAT	-71	301	207	218	268
MI & Associates	-5	2	2	2	3
Consolidated PAT	-77	303	209	221	271
<i>Change (%)</i>	-7.0%	494.7%	-31.2%	5.9%	22.8%

Balance Sheet					
Y/E March (INR Mn)	FY19	FY20	FY21E	FY22E	FY23E
Sources of Funds					
Share Capital	189	189	189	189	189
Reserves & Surplus	2,658	2,962	1,983	2,136	2,666
Net Worth	2,847	3,151	2,172	2,325	2,855
Loan Funds					
Deferred Tax & other liabilities	973	630	630	630	630
Capital Employed	5,172	5,197	4,248	4,497	4,978
Application of Funds					
Gross Block	3,748	2,686	2,486	2,285	2,083
Less: Accumulated Depreciation	489	816	1,041	1,213	1,559
Net Block	3,259	1,870	1,445	1,072	524
CWIP	6	6	6	6	6
Other non current assets	446	494	494	494	494
Deferred tax assets	255	301	301	301	301
Net fixed assets	3,966	2,671	2,246	1,872	1,325
Investments	299	344	344	344	344
Debtors	1,529	1,664	1,731	1,835	1,927
Inventories	202	196	221	234	249
Cash & bank balance	583	702	873	1,511	2,573
Loans & advances & other CA	998	1,306	1,038	1,109	1,183
Total current assets	3,312	3,868	3,863	4,689	5,933
Current liabilities	3,876	3,184	3,704	3,907	4,122
Provisions	189	179	179	179	179
Net current assets	-753	505	-20	603	1,632
Total Assets	5,172	5,197	4,248	4,497	4,978

Cash Flow Statement					
Y/E March (INR Mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT	-78	382	287	303	372
Depreciation	197	327	269	249	229
Interest & others	140	208	141	179	166
Cash flow before WC changes	259	918	696	731	767
(Inc)/dec in working capital	378	-1,140	696	16	36
Operating CF after WC changes	637	-221	1,392	747	803
Less: Taxes	7	-81	-80	-85	-104
Operating cash flow	645	-302	1,312	662	699
(Inc)/dec in F.A + CWIP	20	1,278	200	201	202
(Pur)/sale of investment	-237	-44	0	0	0
Cash flow from investing	-217	1,233	200	201	202
Free cash flow (FCF)	839	1,088	1,512	863	901
Loan raised/(repaid)	-63	-93	-50	-50	-50
Equity raised	0	0	0	0	0
Interest & others	-401	-336	-1,290	-176	212
Dividend	0	0	0	0	0
Cash flow from financing activities	-464	-429	-1,340	-226	162
Net inc /(dec) in cash	-36	120	172	638	1,062
Opening balance of cash	619	583	702	873	1,511
Closing balance of cash	583	702	873	1,511	2,573

Key Ratios					
Y/E March (INR Mn)	FY19	FY20	FY21E	FY22E	FY23E
Per share (INR)					
EPS	-2.0	8.0	5.5	5.8	7.2
CEPS	3.2	16.7	12.6	12.4	13.2
BVPS	75.3	83.4	57.5	61.5	75.6
DPS	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Valuation (x)					
P/E	-33.5	6.2	9.0	8.5	7.0
P/CEPS	21.3	3.0	4.0	4.0	3.8
P/BV	0.9	0.6	0.9	0.8	0.7
EV/EBITDA	23.1	2.9	3.7	2.8	1.2
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Return Ratio (%)					
EBIDTA Margin	2.0%	13.6%	11.0%	11.0%	11.0%
PAT Margin	-1.3%	4.5%	3.3%	3.3%	3.9%
ROE	-2.7%	9.6%	9.6%	9.5%	9.5%
ROCE	-1.5%	11.3%	10.0%	10.7%	10.8%
Leverage Ratio (%)					
Total D/E	0.5	0.4	0.6	0.6	0.5
Net D/E	0.3	0.2	0.2	0.0	-0.4
Turnover Ratios					
Asset Turnover (x)	1.2	1.3	1.5	1.5	1.4
Inventory Days	78	70	85	86	87
Receivable Days	92	90	100	101	101
Payable days	244	182	214	215	216

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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