

Indian Hume Pipe Co. Limited

COMPANY SNAPSHOT					
*CMP	Initiation Price	Target	Potential Upside	Recommendation	MCap (Rsbn)
Rs225	Rs341	Rs300	33%	BUY	10.9

*as on 11th June, 2021

About the Company:

The growth in the country's economy and efforts to further sustain it has led to an increased pressure on infrastructure development. One of the major beneficiaries in this whole scenario is the pipe industry. This sector plays a vital role in water management and general constructional activities. This is one of the many reasons that we have narrowed down on The Indian Hume Pipe Company Limited (IHP), established in 1926, a major player in this promising sector and having presence in most water related activities. The company's services include right from designing of custom made pipes to total engineering packages for pipeline projects. Thereby, IHP has transformed itself from a mere pipe manufacturer to a total engineering solution provider executing most projects on turnkey basis.

Results Declared:

- The net sales for the quarter grew by 15.6% to Rs4,587mn as compared to Rs3,969mn in the same quarter last year.
- The EBITDA margins for the quarter under review came in at 11% as against 14% in Q4FY20.
- The net profit for the quarter came in at Rs385mn as against Rs253mn in the comparative quarter; growth of 51.7%. This was majorly led by the higher other income during the quarter
- The EPS stands at Rs7.94.
- For the full year, Revenues and PAT de-grew by 23.5% and 42.8% respectively; whereas the Ebitda margins came in at 9%.
- The Board of Directors recommended a dividend of Rs2/- (100%) per equity share of Rs2 each for FY21, subject to shareholders approval at the ensuing AGM.
- The estimated balance value of the work as at 31st May, 2021 is Rs45.19bn as against Rs50.07bn as at 20th June, 2020. The company is L1 in two projects having value of Rs4.19bn as at 31st May, 2021.

Other Highlights:

- In spite of pandemic, lockdown etc., the concentrated efforts of the company has resulted in bill collections during the year of Rs14,800mn, on the backdrop of revenue from operations of Rs12,414mn.
- The company's push on its old lock up of indirect taxes has borne fruits in collecting old VAT outstanding of Rs119.1mn and GST of Rs177.1mn, realised on 3rd April, 2021.
- In last few orders, availability of 10% interest free mobilisation advance has also helped the company in strengthening its fund position. As a result of above inflows, the company was able to reduce its total borrowings by Rs1,100mn and its creditors by Rs300mn which has resulted in lowering of interest burden in Q4FY21.

Financials:

Result Update (Q4&FY21)								
Q4&FY21 (Rs mn)	Mar-21	Mar-20	y-o-y	Dec-20	q-o-q	FY21	FY20	y-o-y
Total Revenue	4587	3969	15.6%	2799	63.9%	12414	16236	(23.5%)
EBITDA	492	563	(12.6%)	268	83.9%	1174	1822	(35.6%)
Other Income	224	13	-	22	898.5%	273	51	439.7%
Interest	149	185	(19.8%)	176	(15.5%)	678	685	(1.1%)
Depreciation	50	56	(11.1%)	50	(0.8%)	199	184	7.8%
Exceptional Items	-	-	-	-	-	-	-	-
Tax	133	82	63.1%	20	578.4%	150	270	(44.4%)
Net Profit	385	253	51.7%	44	766.9%	420	734	(42.8%)

Outlook and Recommendations:

It was a tepid close to the year by the company majorly due to the pandemic lockdowns which had slowed construction work across the country. However, the noticeable aspect was the operating margins that remained range bound over the last 3 quarters, which indicates the cost efficiency maintained. Even on the borrowings, there has been reduction seen led by the fund inflows which has reduced the interest burden as well. With regard to the order book, the company is decently placed considering the macro factors prevailing currently. Going forward, one needs to watch how the pandemic shapes up with regard to the gradual unwinding happening and the anticipated third wave which should impact the construction activities. This would define the project execution as well as normalizing the overall supply chain management. Having achieved our target of Rs225, we revise our target with a cautious view to Rs300.

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