ador
peace of mind

Buy Range	**₹890-900**
Target	**₹1060-1080**
Recommendation	**BUY**

Highlights

- **Ador Welding Ltd (AWL) has strong market share of ~15% in welding consumables segment and around 9% in equipment & automation segment.**
- With a presence across 40+ countries in the Middle East, Africa, and Southeast Asia, Ador maintains a robust sales and distribution network across the globe and provides solutions to a wide spectrum of industries including defense, shipbuilding, oil and gas, railways, infrastructure, nuclear energy, power and automotive sector. **AWL Revenue distribution across segments (%) - Heavy Engg: Automotive: Construction: Rail: Shipbuilding: Others - 32:21:13:8:4:22**.
- AWL is likely to be a one of the **major beneficiaries from capex upcycle within the Industrial consumable space.** The company was always a strong player in consumables space **and now it has cleaned up its EPC (FPED) business and renewed focus on Equipment segment as well**.
- Capex cycle driven industry tailwind, revamp of sales and distributor network and changing product mix will help drive growth and improve margins (from low base in Equipments + FPED and from changing mix in consumables).The company is constantly introducing improved products in the market to fill gaps and unlike most other players, **AWL manufactures equipments in India rather than importing it**.
- It is also **likely to benefit additionally from business restructuring with Ador Fontech Ltd merger into AWL**. Regulatory approval pending with merger expected to be completed by Dec'23.
- AWL is undertaking capex to expand consumables capacity from currently ~71,000 MT to ~76,000 MT. Not only capacity is expanding but product mix is shifting towards higher value items (from comparatively commoditised products). Currently, capacity utilisation is ~65% for commoditised consumables products while ~90% for higher value consumables. Capacity utilisation for welding equipment is roughly at 60-65%.
- Exports market is again under renewed focus and AWL has set up a new sales team & restructured distribution network, opened office in Jebel Ali Free trade zone (UAE) and entered in Brazil market. Exports delivered ₹310mn revenues in FY22 and the company's target is to achieve ~60-70% growth in FY23 and reach ~₹1bn exports revenue possible by FY25/26.

COMPANY BACKGROUND

ADOR WELDING Ltd (AWL) formerly known as Advani Oerlikon Ltd was promoted on 22 October 1951 by J B Advani & Co and the Oerlikon-Buhrle group (now Unaxis) Switzerland. The company changed to its present name in Sep'03 from Advani Oerlikon Ltd. It is one of the leading manufacturers of high quality welding consumables, equipment and automation solutions. Additionally, Ador has seen in the Flares & Process Equipment Division (FPED) for more than +30 years. **AWL has strong market share of ~15% in welding consumables segment and around 9% in equipment & automation segment.** With a presence across 40+ countries in the Middle East, Africa, and Southeast Asia, Ador maintains a robust sales and distribution network across the globe and provides solutions to a wide spectrum of industries including defense, shipbuilding, oil and gas, railways, infrastructure, nuclear energy, power and automotive sector. **AWL Revenue distribution across segments (%) – Heavy Engg: Automotive: Construction: Rail: Shipbuilding: Others – 32:21:13:8:4:22. Business Segments – Consumables *(Revenue Mix 9MFY23 – 79%)* -** Electrodes, wires, agency items related to consumables from Silvassa, Raipur and Chennai plant. AWL clocked ~50.1 thousand MT of welding consumables volume in FY22 which is likely to grow at 12% CAGR over FY22-25. Majority of consumables sales (~65%) is through distributor network and remaining through direct sales. The company is gradually changing product mix away from commoditized consumables and expanding capacity as well to cater to higher value product. **Equipment & Automation *(Revenue Mix 9MFY23 – 14.6%)*** - Equipment, spares, cutting products and agency items related to equipment, cutting products etc. from Chinchwad plant. Equipments segment clocked volume of 10,300 units in FY22 and is likely to grow at 6-7% CAGR over FY22-25 as per the management. **Flares & Process Equipment Division (FPED) *(Revenue Mix 9MFY23 – 6.4%)*** is a multi-disciplined SBU that provides services like design, manufacture, erection & commissioning, mechanical, electrical and instrumentation of process packages, process equipment, flare system & components and EPC contracts from Chinchwad plant. The Project Engineering Division (PED) is also gaining strong repute in providing world class Environmental Engineering products & Welding Automation Systems Recently won ₹1.45bn order from ONGC ltd for demountable flare project. Execution timeline is 30 months and revenue flow to start from Q4FY23.

Reasons to Buy

- AWL is likely to be a one of the **major beneficiaries from capex upcycle within the Industrial consumable space.** The company was always a strong player in consumables space **and now it has cleaned up its EPC (FPED) business and renewed focus on Equipment segment as well**.
- Capex cycle driven industry tailwind, revamp of sales and distributor network and changing product mix will help drive growth and improve margins (from low base in Equipments + FPED and from changing mix in consumables).
- AWL is constantly introducing improved products in the market to fill gaps and unlike most other players, **AWL manufactures equipments in India rather than importing it**.
- It has been consistently investing in capacity, internal processes and new product development
- It is also **likely to benefit additionally from business restructuring** (Ador Fontech merger) **and margin expansion which makes the company a good story to play capex upcycle.**

Important Data

Nifty	17,360
Sensex	58,992
CMP	₹916.5
Market Cap (₹)	₹12.5bn
52W High/Low	₹1038/590
Shares o/s (mn)	13.6
Daily Vol. (3M NSE Avg.)	80,418
BSE Code	517041
NSE Code	ADORWELD
Bloomberg Code	AWL:IN

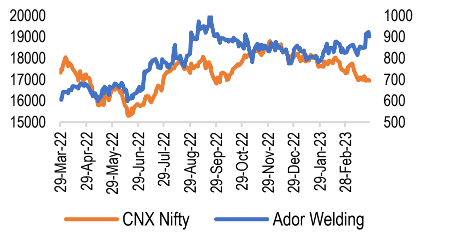
Shareholding Pattern (%)	Dec'22
Promoter	56.9
DIIs	4.5
FIIs	0.2
Public	38.4

Financials & Valuations

Particulars (₹mn)	FY19	FY20	FY21	FY22
Operating Revenue	**5,133**	**5,265**	**4,477**	**6,615**
EBITDA	**439**	**430**	**201**	**584**
EBITDA Margin (%)	***8.6***	***8.2***	***4.5***	***8.8***
Net Profit	**245**	**288**	**(104)**	**452**
EPS (₹)	18.0	21.2	(7.6)	33.2
DPS (₹)	6.5	6.5	-	12.5
RoE (%)	9.4	10.8	(4.4)	16.0
RoCE (%)	8.0	7.2	2.4	12.1
P/E (x)	50.8	43.3	(119.8)	27.6
EV/EBITDA (x)	29.5	31.2	63.2	21.5
P/BV (x)	4.8	4.7	5.2	4.4

Particulars (₹mn)	FY23E	FY24E	FY25E
Operating Revenue	**7,964**	**9,099**	**10,203**
EBITDA	**763**	**1,051**	**1,178**
EBITDA Margin (%)	***9.6***	***11.6***	***11.5***
Net Profit	**528**	**733**	**825**
EPS (₹)	38.8	53.9	60.7
DPS (₹)	10.0	11.0	12.0
RoE (%)	16.9	18.7	19.3
RoCE (%)	19.4	23.1	24.1
P/E (x)	23.6	17.0	15.1
EV/EBITDA (x)	16.8	12.0	10.8
P/BV (x)	3.7	3.1	2.6

Relative performance



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INVESTMENT RATIONALE

1. **Capex upcycle in progress, to drive industrial consumables growth cycle –** Welding materials is directly correlated with steel consumption and capex cycle. Heavy engineering and automotive are the biggest user of welding materials. India's steel demand to be strongest among major economic regions, feeding to welding demand estimated at 112.7 MT and 120.3 MT in CY22 & CY23 respectively. Multiple data points suggest, India to witness accelerating capex cycle over next couple years atleast. The central government's capital expenditure increased 63.4% YoY during the first eight months of the current fiscal (Apr-Nov'22), according to the Economic Survey for FY23. **New project investments picking up –** Total value of proposed investments was ₹3,942bn in first ten months of CY22, with 984 number of proposal (1,489 projects in CY21), indicating companies are confident of undertaking newer expansion projects. Maharashtra, Rajasthan and Madhya Pradesh are the leading States in terms of proposed investment of ₹70.7bn, ₹62.8bn and ₹41.1bn respectively during the month of Oct'22. NHAI awarded 6,306km of orders in FY22 – v/s 4,788/3,211km in FY21/20.As per the latest data from the ministry of road transport and highways (MoRTH), till Dec'22 in FY23, a total of 7,263 km of highways had been awarded by NHAI, a jump of 17.5% over the 6,185 km awarded over the same period in the previous year. A record 1,881 km of highways was awarded in Dec'23 alone and is now looking to award +12,000km in FY23. Most EPC companies order book is ~3x of sales. Capital goods companies' revenues has fully recovered from Pandemic lows and has now surpassed pre-Pandemic level. Similarly, order book accretion is quite strong and now stands at ~₹1.6tn (v/s ₹1.39tn in FY21 and close to pre-Pandemic peak of ~₹1.63tn in FY18). As per RBI's Order Books, Inventories and Capacity Utilisation Survey (OBICUS) data, the aggregate level capacity utilisation (CU) for the manufacturing sector Improved to 74.0% in Q2FY23 from 72.4% in the previous quarter. *(Source - https://rbi.org.in/Scripts/PublicationsView.aspx?id=21733)*.New orders received by manufacturing companies during Q2FY23 were close to their level in the previous quarters but they were substantially higher than that in the corresponding quarter a year ago. Both raw material inventory (RMI) to sales and finished goods inventory (FGI) to sales ratios declined in Q2FY23 as compared to the previous quarter, which was commensurate with higher sales growth and similar level of new orders on sequential basis. Government of India continued its focus on capital expenditure for FY24 to aid economic recovery with capex pegged at ₹10tn higher than ₹7.5tn in FY23.

   AWL is likely to be a one of the major beneficiaries from capex upcycle within the Industrial consumable space. The company was always a strong player in consumables space and now it has cleaned up its EPC (FPED) business and renewed focus on Equipment segment as well.

WAPS: Welding Automation Products and Systems

- State-of-art Customized Welding Solutions since 1970. Full fledged technology and demonstration center at Pune
- Plasma Mig Technology for high end solutions.
- Integrated operations to design and implement state-of the - art systems
- Typical industries include nuclear, wind-turbine, boiler, ship building, off-shore etc.

Source – Company, Way2Wealth

Capex cycle driven industry tailwind, revamp of sales and distributor network and changing product mix will help drive growth and improve margins (from low base in Equipments + FPED and from changing mix in consumables). AWL is constantly introducing improved products in the market to fill gaps and unlike most other players, **AWL manufactures equipments in India rather than importing it**.

Welding Industry is estimated worth ₹51bn with organised players having 70% and 65% share in the Welding Consumables & Welding Equipment respectively.

Competitive Landscape

Consumable Segment	Equipment Segment
• ESAB India	• ESAB
• Ador Welding / Ador Fontech	• Ador Welding
• D&H Scheron	• Kemppi
• Lincoln Electric	• Lincoln Electric
• Mailan India	• Fronius
• G-Weld	• Panasonic
• Malu Electrodes	• Various Importers

Source – Company, Way2Wealth

Ador Welding Ltd Management team

- **Mr. Aditya.T. Malkani – MD –** Prior experience in Marketing & Finance functions of MNCs in FMCG industry. Involved across varied functions ranging from corporate marketing & exports to strategic planning & new business initiatives across Ador Group of Companies.
- **Mr, Suryakant Sethia – CFO**
- **Mr. Mustafa Faizullabhoy- Head of – International Operations**
- **Mr. Vineet Bansal – Head – India Welding Business & Customer Success**
- **Mr. Sunanda Kumar Palit – Head – Strategy & Customer Experience**
- **Mr. Sachin H. Dobhada – Head – Research, Development & Quality**
- **Mr. Rakesh Choudhary – Head – Welding Automation Products & Services**

2. **Growth oriented Capex and expanding addressable market –** AWL is undertaking capex to expand consumables capacity from currently ~71,000 MT to ~76,000 MT. Not only capacity is expanding but product mix is shifting towards higher value items (from comparatively commoditised products).Currently, capacity utilisation is ~65% for commoditised consumables products while ~90% for higher value consumables. Capacity utilisation for welding equipment is roughly at 60-65%. It has been consistently investing in capacity, internal processes and new product development.

Capex (actual incurred in 1HFY23 v/s Planned in 2HFY23)

Segment	Purpose	1HFY23	2HFY23	FY23
Welding Business	Technology upgradation and capacity enhancement	25	100	125
FPED		12	25	37
Corporate/ Others		20	50	70
TOTAL		57	175	232

Capex across Yrs	
FY16	150
FY17	140
FY18	120
FY19	220
FY20	190
FY21	60
FY22	120
FY23E	232

Source – Company, Way2Wealth

Ador Welding – Few of the new products introduced in last 3-4 years

Welding Equipment	Welding Consumables	Flares & Process Equipment
Champ 400 X	Tenalloy 15, 90 D3	Sonic Flare System
Champ T400	Supabase X Plus S	Segmented Air
Multistep Diode based Mig/Mag welder	Tenalloy Z Plus S , 70CL	Assisted Flare
Sile Challenger 2x 301	Striker 308L	Flare Gas recovery system
Champ Pulse 500	King Steel - 18/8	Duplex piping spools
Champ MIG 300 / 400	Cromoten G	High definition CNC plasma & fume
OmniMIG 250	Automig 70S 6N	
Champ TIG 300SP / 400P	Auto melt ES1	
Tricycle Welding Head	Stainless Steel Strips	

Source – Company, Way2Wealth

3. **AWL existing strong customer in exports market provides stable base for growth –** AWL also good presence in the export market, especially in the Middle- East (ME) region. After FY17, exports market suffered as Kuwait project faced unexpected headwinds. Now exports market is again under renewed focus and AWL has a) set up a new sales team & restructured distribution network, b) opened office in Jebel Ali Free trade zone (UAE), and c) entered in Brazil market. Exports delivered ₹310mn revenues in FY22 and the company's target is to achieve ~60-70% growth in FY23 (grew 100% YoY in Q3FY23) and reach ~₹1bn exports revenue possible by FY25/26.

Exports share in Revenues (%)	
FY16	10
FY17	22
FY18	21
FY19	9
FY20	7
FY21	3
FY22	5

Source – Company, Way2Wealth

Source – Company, Way2Wealth

4. **AWL benefit additionally from business restructuring (Ador Fontech Ltd-ADFL merger) and margin expansion which makes the company along with ESAB India as a good story to play capex upcycle –**The amalgamation (merger by absorption) of Ador Fontech Ltd with Ador Welding Ltd has happened. For every five equity shares of AWL, having a face value of ₹10 each fully paid up, shall be issued for every 46 equity shares held in ADFL, having a face value of ₹2 each fully paid up. Pursuant to this, the shareholders of Ador Fontech would have ~21.86% stake in Ador Welding. Post-merger, promoter group holding will be ~53.04% and public holding will be ~46.96%. As per the management, this merger will achieve Ador group's vision of becoming a market leader and consolidate market position. Also provide diversified portfolio of products, economies of scale, optimal use of distribution network, sales force, human resources, manufacturing units, supply chain, research & training facilities. The company has filed an application with NCLT. The management is hopeful that merger will get completed by Dec'23.

Ador Fontech Ltd.

	FY22	9MFY23	AWL + ADFL – FY24E	AWL + ADFL - FY25E
Revenue	₹2,091mn	₹1,567mn	₹11,499mn	₹13,103mn
EBITDA	Rs287mn	₹184mn	₹1,401mn	₹1,618mn
EBITDA Margin	*13.7%*	*11.7%*	*12.2%*	*12.3%*
PAT	₹214mn	₹117mn	₹933mn	₹1,055mn
EPS	₹6.1	₹3.4	₹53.6	₹60.6

Source – Company, Way2Wealth

Risks

- Headwinds in overall infrastructure and project execution
- Volatile raw material costs, further headwinds in projects business

View

AWL is likely to be a one of the major beneficiaries from capex upcycle within the Industrial consumable space. The company was always a strong player in consumables space and now it has cleaned up its EPC (FPED) business and renewed focus on Equipment segment as well. The company aims to focus on core welding business, reduce legacy costs while streamlining projects business to regain growth and improve profitability. Capex cycle driven industry tailwind, revamp of sales and distributor network and changing product mix will help drive growth and improve margins (from low base in Equipments + FPED and from changing mix in consumables). AWL is constantly introducing improved products in the market to fill gaps and unlike most other players. The company focus is more on improving margins and realisations with cost rationalisation, enhance advanced product portfolio, improving strike ratio of order wins and optimised product mix within the Domestic welding & automation business. It is also likely to benefit additionally from business restructuring (Ador Fontech merger) and margin expansion which makes the company as a good story to play capex upcycle. Hence, we recommend it as a **BUY** with **target range ₹1060-1080** trading at **P/E 15.1x FY25E EPS ₹60.7.**

Q3FY23 Revenue/ EBITDA/ PAT ~+14%/+46.4%/+60% with health performance in all segments

AWL registered healthy revenue growth across Consumables (+13.3% YoY), Equipment (~+15% YoY) and Flares & Process Equipment (Project) division (~+19% YoY). AWL witnessed healthy demand emanating from sectors such as general infra, railways, fabrication segments, cement and steel. Steady expansion is being seen in the cement and the steel sectors. Volume growth for Q3FY23 came in at 10-11%. Margins rebounded by 269bps upwards sequentially to 12.1% as the high cost inventory of steel in Q2FY23 was replenished by steel at stabilized prices. Healthy margin improvement was seen in the Equipment and process division +447 bps and +862 bps respectively as well with benefits of operating leverage playing out.

General demand remains robust for the quarter. Also, the government's capital expenditure outlay will be at Rs 10tn for FY24. This will be fairly positive for the company as well. Lot of traction coming from sectors like general infra/heavy engineering, railways, oil & gas, steel and cement etc. Those will remain a key driver for the company going forward.

Consumables segment is the key driver for AWL. The company has seen a volume growth of ~11-12% for the quarter. The same will be targeted for the next year. In Q3FY23, EBITDA margins in consumables segment were strong. This will be sustainable, going forward, as per the management. The company has overcome the inventory issue that it was facing.

In the equipment segment the demand is quite strong. Increasing automation and equipment sales are poised to bring good revenues for coming quarters. Recently, the company launched new products. It is getting a few large orders from two to three big customers. The company has a decent order book in this division. However, a few challenges in the supply chain are still there.

FPED segment revenue is expected to grow significantly next year as ONGC revenues have not yet started. They will start from Q4FY23 with execution timeline of 30 months. Total ~7-8% of the order value (Rs 1450mn including GST) will come in Q4FY23. Also, 75-80% will come in FY24, and balance after that. Going forward, AWL plans to build up an order book step by step. The management is focusing on orders worth Rs100-300 mn in the FPED division. The company is looking to grow this segment on a steady state rate with healthy margins. The pipeline for this business is encouraging. Gross margins for the FPED business are at ~20%.

Q3FY23 FINANCIALS

(₹ mn)

Particulars	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	9MFY23	9MFY22	YoY (%)
Revenue	**1,985.3**	**1,742.8**	**13.9**	**1,848.7**	**7.4**	**5,412.0**	**4,616.7**	**17.2**
Cost of Matl	*1,382.7*	*1,141.6*	*21.1*	*1,128.2*	*22.6*	*3,665.4*	*3,152.3*	*16.3*
Stock Purchases	*68.5*	*216.8*	*(68.4)*	*72.1*	*(5)*	*205.9*	*384*	*(46.4)*
Inventory Changes	*(129)*	*(142.8)*	*(9.7)*	*102.7*	*(225.6)*	*(203)*	*(256.4)*	*(20.8)*
Raw Matl Cost	1,322.2	1,215.6	8.8	1,303.0	1.5	3,668.3	3,279.9	11.8
Employee Exps	141.9	132.1	7.4	140.6	0.9	418.9	366.5	14.3
Other Exps	280.9	231	21.6	253.6	10.8	771.2	563.3	36.9
EBITDA	**240.3**	**164.1**	**46.4**	**151.5**	**58.6**	**554.4**	**407**	**36.2**
EBIDTA Margin (%)	***12.1***	***9.4***	***269***	***8.2***	***391***	***10.2***	***8.8***	***143***
Other Income	18.4	12.1	52.1	15.6	17.9	54.3	40.4	34.4
Finance Cost	7.6	9	(15.6)	5	52	16.7	29.8	(44)
Depreciation	29.1	26.8	8.6	28.7	1.4	85.6	80.7	6.1
Exceptional Item- Gain/(Loss)	(2.1)	1.6	(231.3)	-	NA	(14.6)	73.1	(120)
PBT	219.9	138.8	58.4	133.4	64.8	491.8	263.8	86.4
Tax	56.3	36.2	55.5	33.6	67.6	124.3	90.3	37.7
Net Profit	**163.6**	**102.6**	**59.5**	**99.8**	**63.9**	**367.5**	**173.5**	**111.8**
EPS (₹)	12.0	7.5	59.5	7.3	63.9	27.0	12.8	111.8
Adjus. Net Profit	**165.7**	**101**	**64.1**	**99.8**	**66**	**382.1**	**100.4**	**280.6**
Adjus.EPS (₹)	12.2	7.4	64.1	7.3	66	28.1	7.4	280.6

Source- Company, Way2Wealth

Cost as % of Sales	Q3FY23	Q3FY22	YoY (BPS)	Q2FY23	QoQ (BPS)	9MFY23	9MFY22	YoY (BPS)
Raw Matl	66.6	69.7	(315)	70.5	(388)	67.8	71	(327)
Gross Margin	33.4	30.3	315	29.5	388	32.2	29	327
Employee Exps	7.1	7.6	(43)	7.6	(46)	7.7	7.9	(20)
Other Exps	14.1	13.3	89	13.7	43	14.2	12.2	205

Segmental Revenue (₹ mn)	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	9MFY23	9MFY22	YoY (%)
Consumables	1,580.8	1,395.3	13.3	1,480.7	6.8	4,275.3	3,696.9	15.6
Equipments& Automation	282.3	246.4	14.6	284.5	(0.8)	794.2	720.1	10.3
Flares & Process Equipment	124.3	104.6	18.8	84.8	46.6	348.4	213.0	63.6
Intersegment	(2.1)	(3.5)	(40.0)	(1.3)	61.5	(5.1)	(13.3)	(61.7)
TOTAL	**1,985.3**	**1,742.8**	**13.9**	**1,848.7**	**7.4**	**5,412.8**	**4,616.7**	**17.2**

Segmental EBIT (₹ mn)	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	9MFY23	9MFY22	YoY (%)
Consumables	240.5	179.5	34.0	164.1	46.6	588.3	420.1	40.0
Equipments& Automation	24.3	10.2	138.2	17.0	42.9	48.2	63.1	(23.6)
Flares & Process Equipment	16.3	4.7	246.8	(0.4)	4,175.0	35.9	(10.0)	459.0

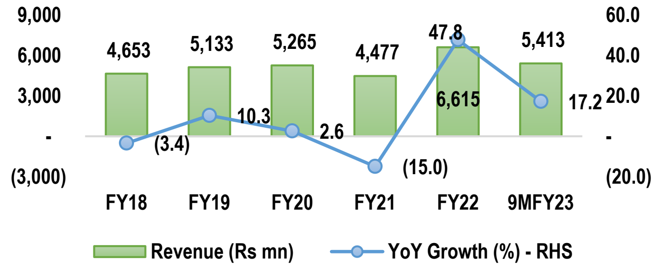
EBIT Margin (%)	Q3FY23	Q3FY22	YoY (BPS)	Q2FY23	QoQ (BPS)	9MFY23	9MFY22	YoY (BPS)
Consumables	15.2	12.9	235	11.1	413	13.8	11.4	240
Equipments& Automation	8.6	4.1	447	6.0	263	6.1	8.8	(269)
Flares & Process Equipment	13.1	4.5	862	(0.5)	1,359	10.3	(4.7)	1,500

Revenue Mix (%)	Q3FY23	Q3FY22	YoY (BPS)	Q2FY23	QoQ (BPS)	9MFY23	9MFY22	YoY (BPS)
Consumables	79.6	80.1	(44)	80.1	(47)	79.0	80.1	(109)
Equipments & Automation	14.2	14.1	8	15.4	(117)	14.7	15.6	(93)
Flares & Process Equipment	6.3	6.0	26	4.6	167	6.4	4.6	182

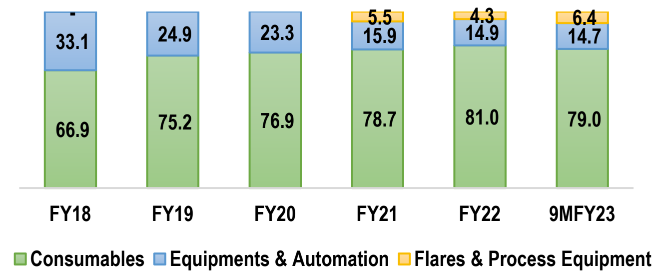
Source – Company, Way2Wealth

PAST PERFORMANCE

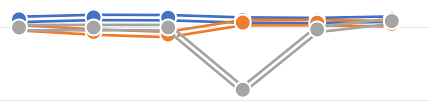
Revenue 9.2% CAGR FY18-22



Revenue Mix (%) with consumables ~15% CAGR FY18-22

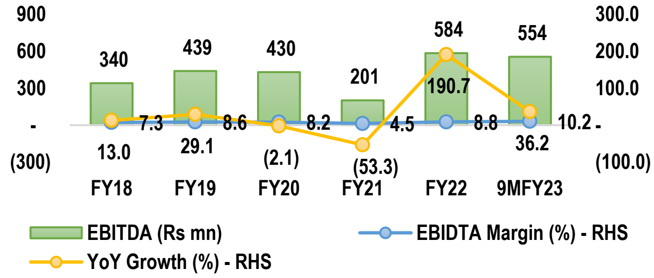


Segmental Margin Trend (%)

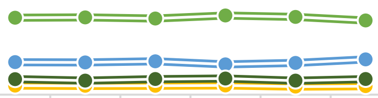


	FY18	FY19	FY20	FY21	FY22	9MFY23
Consumables	13.3	16.4	15.9	12.1	11.3	13.8
Equipments & Automation	(0.4)	(7.3)	(11.3)	8.0	7.9	6.1
Flares & Process Equipment	-	-	-	(100.9)	(3.2)	10.3

EBITDA 14.5% CAGR FY18-22

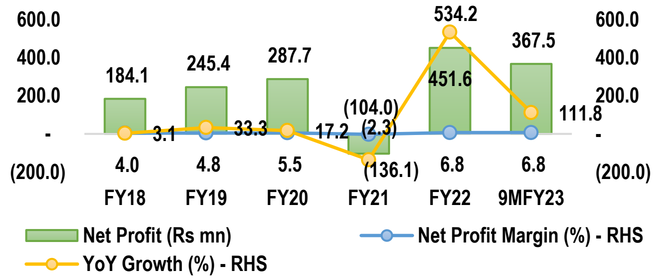


Cost as % to sales

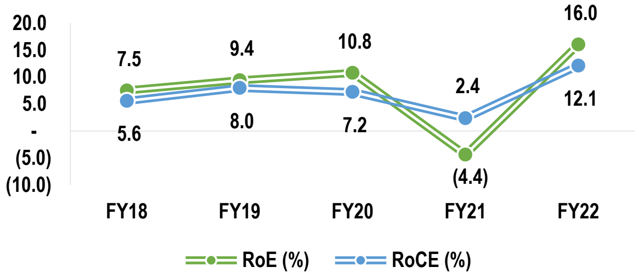


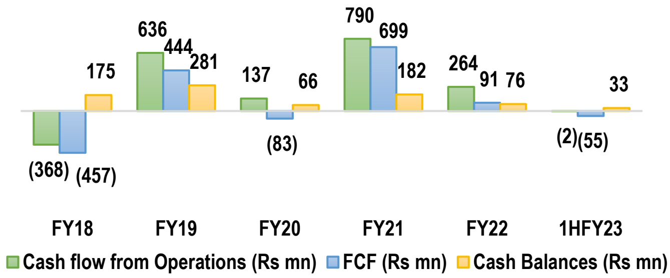
	FY18	FY19	FY20	FY21	FY22	9MFY23
Raw Matl	70.3	70.6	69.6	72.3	71.0	67.8
Gross Margin	29.7	29.4	30.4	27.7	29.0	32.2
Employee Exps	8.3	8.0	8.1	8.4	7.4	7.7
Other Exps	14.1	12.9	14.2	14.8	12.8	14.2

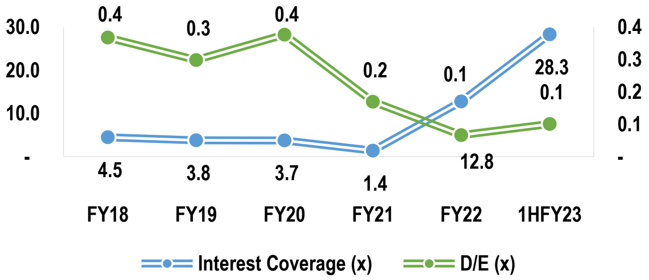
PAT 25.1% CAGR FY18-22

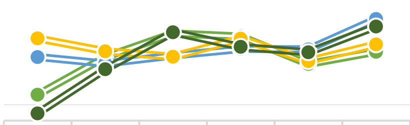


Stable WC mgmt enabling strong balance sheet and return ratios









	FY18	FY19	FY20	FY21	FY22	1HFY23
Receivables days	13	60	90	86	51	67
Inventories days	60	52	62	70	70	108
Payables days	84	67	61	83	55	76
NWC Days	(11)	45	91	73	66	99

Source- Company, Way2Wealth

FINANCIALS & FORECASTING

(₹ mn)

Particulars	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Consumables	*3,113*	*3,860*	*4,050*	*3,523*	*5,357*	*6,429*	*7,393*	*8,354*
Equipments& Automation	*1,540*	*1,276*	*1,229*	*713*	*988*	*1,037*	*1,079*	*1,111*
Flares & Process Equipment	*-*	*-*	*-*	*247*	*284*	*498*	*628*	*738*
Revenue	**4,653**	**5,133**	**5,265**	**4,477**	**6,615**	**7,964**	**9,099**	**10,203**
EBITDA	**340**	**439**	**430**	**201**	**584**	**763**	**1,051**	**1,178**
EBITDA Margin (%)	***7.3***	***8.6***	***8.2***	***4.5***	***8.8***	***9.6***	***11.6***	***11.5***
Net Profit	**184**	**245**	**288**	**(104)**	**452**	**528**	**733**	**825**
EPS (Rs)	13.5	18.0	21.2	(7.6)	33.2	38.8	53.9	60.7
DPS (Rs)	5.0	6.5	6.5	-	12.5	10	11	12
RoE (%)	7.5	9.4	10.8	(4.4)	16.0	16.9	18.7	19.3
RoCE (%)	5.6	8.0	7.2	2.4	12.1	19.4	23.1	24.1
FCF	(457)	444	(83)	699	91	901	854	948
Cash Balances	175	281	66	182	76	208	301	576
Receivable Days	13	60	90	86	51	60	59	58
Inventory Days	60	52	62	70	70	75	73	70
Payable Days	84	67	61	83	55	70	72	75
Net Debt/ Equity (x)	0.3	0.2	0.4	0.1	0.0	0.03	0.02	0.02
P/E (x)	67.7	50.8	43.3	(119.8)	27.6	23.6	17.0	15.1
EV/EBITDA (x)	38.8	29.5	31.2	63.2	21.5	16.8	12.0	10.8
P/BV (x)	5.1	4.8	4.7	5.2	4.4	3.7	3.1	2.6

Source- Company, Way2Wealth

PEER COMPARISON

Company	CMP	MCAP	Revenue (Rs mn)				EBITDA (Rs mn)				EBITDA Margin (%)				Net Profit (Rs mn)				EPS (Rs)				DPS (Rs)		
	(Rs)	(Rs mn)	FY20	FY21	FY22	9MFY23	FY20	FY21	FY22	9MFY23	FY20	FY21	FY22	9MFY23	FY20	FY21	FY22	9MFY23	FY20	FY21	FY22	9MFY23	FY20	FY21	FY22
Ador Welding	**916.5**	**12,462.30**	**5,265**	**4,477**	**6,615**	**5,413**	**430**	**201**	**584**	**554**	**8.2**	**4.5**	**8.8**	**10.2**	**287.7**	**-104**	**451.6**	**367.5**	**21.2**	**-7.6**	**33.2**	**27**	**6.5**	**-**	**12.5**
ESAB India	3,536.30	54,433.60	6,980	6,812	8,928	7,891	970	805	1,138	1,300	13.9	11.8	12.8	16.5	714.1	592.9	843.1	938.2	46.4	38.5	54.8	60.9	70	44	60

Company	CMP	MCAP	RoE (%)			RoCE (%)			P/E (x)			EV/ EBITDA (x)			P/BV (x)		
	(Rs)	(Rs mn)	FY20	FY21	FY22	FY20	FY21	FY22	FY20	FY21	FY22	FY20	FY21	FY22	FY20	FY21	FY22
Ador Welding	**916.5**	**12,462.30**	**10.8**	**-4.4**	**16**	**7.2**	**2.4**	**12.1**	**43.3**	**-119.8**	**27.6**	**31.2**	**63.2**	**21.5**	**4.7**	**5.2**	**4.4**
ESAB India	3,536.30	54,433.60	21.1	22.9	34.5	28.3	30.4	45.4	76.2	91.8	64.6	55.2	67.2	47.5	16.1	21	22.3

Company	CMP	MCAP	D/E (x)			MCAP/ Sales (x)			FCF (Rs mn)			Cash Balances (Rs mn)			NWC Days		
	(Rs)	(Rs mn)	FY20	FY21	FY22	FY20	FY21	FY22	FY20	FY21	FY22	FY20	FY21	FY22	FY20	FY21	FY22
Ador Welding	**916.5**	**12,462.30**	**0.4**	**0.2**	**0.1**	**2.4**	**2.8**	**1.9**	**-83**	**699**	**91**	**66**	**182**	**76**	**91**	**73**	**66**
ESAB India	3,536.30	54,433.60	0.03	0.04	0.04	**7.8**	**8**	**6.1**	374	619	733	1,001	420	450	36	34	30

Source – Company, Way2Wealth

TECHNICAL VIEW

The stock has been forming bulling flag pattern since July 2021 with steady volumes on the weekly chart suggests buying as well as accumulation can be witnessed at current levels. On the weekly chart, the stock has given a clear upside break out from the symmetrical triangle pattern last week indicates strong buy signal in the stock. The daily RSI is already in strong buy mode, indicating that the prices are set to rally from the current levels with applying buy on dips. ADORWELD has closed above its respective short term exponential moving averages 3 & 9 DEMA. This indicates the stock might be expected to move on the upside in near term. The monthly momentum suggests that the stock has immediate resistance at 1024/1078. If the stock sustains above 1078 levels with good volumes, it can move towards the level of 1150. On the downs side, the stock has found the support at 840 and 753 levels. Going forward, **Overall, we advocate to Buy ADORWELD around 890-900 range and add on dips till 859-840 for above mentioned targets 1078/1150 levels. On the downside 753 would the act as strong support and slip below that would negate above positive view.**

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Disclosure of Interest Statement ADOR WELDING LTD as on 03 April 2023

Name of the Security	ADOR WELDING LTD
Name of the analyst	Jayakanth Kasthuri
Analysts' ownership of any stock related to the information contained Financial Interest Analyst : Analyst's Relative : Yes / No Analyst's Associate/Firm : Yes/No	NIL No No No
Conflict of Interest	No
Receipt of Compensation	No
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