

Swan Energy Ltd

Q3FY24 result update





CMP: INR 676

Q3FY24 result update

In Q3FY24, Swan Energy Ltd (SWEL) reported a better-than-expected performance both in terms of revenue and profitability. The company's revenue surged by 1474.4% year-over-year, reaching INR 1,592 cr. This increase was largely fueled by INR 1,324 cr from Veritas India Ltd (a subsidiary partially owned by SWEL, included in the Q4FY23 consolidation) and INR 191 cr from the FSRU lease income, which started contributing in Q3FY23. Notably, these segments had no revenue impact in the same quarter of the previous year. However, SWEL's traditional textile sector experienced a 10.5% decline in revenue in Q3FY24, dropping to INR 50 cr.

Mirroring the revenue trends, SWEL's EBIT for Q3FY24 was a robust INR 229 cr, a significant turnaround from the EBIT loss of INR 32 cr in Q3FY23. This shift from loss to profit in EBIT primarily stems from the substantial contributions of the Veritas India and FSRU segments. Despite the downturn in textile revenue, this segment's EBIT soared by 119.2% year-over-year to INR 9 cr. Additionally, the textile segment's EBIT margins notably improved by 1107 basis points to 18.7% in Q3FY24, thanks to reduced input costs. Consistent with the operational achievements, the company's net PAT for Q3FY24 was a profitable INR 220 cr, a stark contrast to the INR 70 cr loss recorded in Q3FY23.

Over FY23–26E, SWEL's consolidated revenue and EBITDA are expected to grow at a CAGR of 147.9% and 146.8% to INR 21,896 cr and INR 3,477 cr respectively. The company is expected to report a net profit of INR 958 cr in FY26 compared to a net loss of INR 39 cr reported in FY23. EBITDA margins are expected to decline marginally by 19 bps to 15.9% due to the initial overhead cost burden on new business verticals. Net margins are expected to improve by 710bps to 4.4% due to higher tax benefits in UAE and Dighi projects. Subsequently, return ratios – RoE and RoIC are expected to improve by 2614bps to 24.4% and 7077bps to 73.0% respectively by FY26E.

Key Financial Data (INR Cr, unless specified)

	Net Revenue	EBITDA	PAT	EBITDA (%)	PAT (%)	EPS (₹)	BVPS (₹)	RoE (%)	RoIC (%)	P/E (X)	P/BV (X)	EV/EBITDA (X)
FY22	487.2	68.3	(87.5)	14.0	(18.0)	(3.3)	64.4	(7.0)	0.0	(203.8)	10.5	307.2
FY23	1,438.1	231.1	(28.8)	16.1	(2.7)	(1.5)	141.5	(1.7)	2.2	(459.4)	4.8	96.8
FY24E	4,965.6	1,218.7	414.1	24.5	8.3	15.7	155.9	15.6	18.9	38.6	4.3	14.1
FY25E	11,577.2	2,514.8	513.4	21.7	4.4	19.5	173.4	16.4	35.8	31.6	3.9	7.7
FY26E	21,896.4	3,476.7	963.7	15.9	4.4	36.5	204.4	24.4	73.0	16.6	3.2	5.5

Industry Diversified

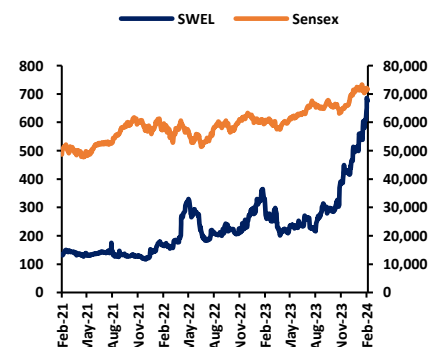
Scrip Details

Face Value (INR)	1.0
Market Cap (INR Cr)	17,873
Price (INR)	676
No of Shares O/S (Cr)	26.4
3M Avg Vol (mn)	0.8
52W High/Low (INR)	699/193
Dividend Yield (%)	0.01

Shareholding (%) Dec 2023

Promoter	64.1
Institution	16.3
Public	19.6
TOTAL	100.0

Price Chart



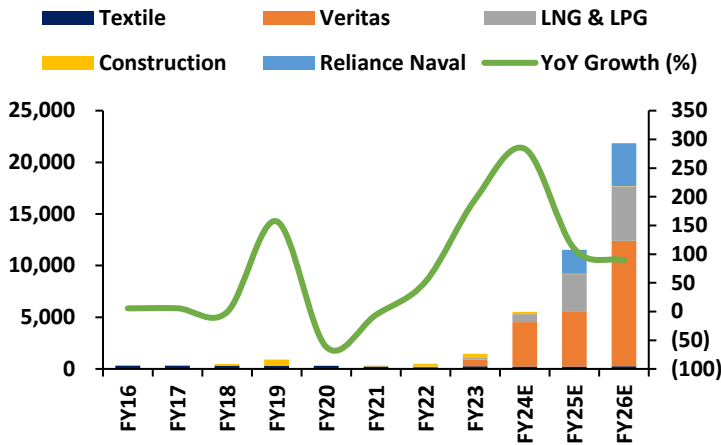
SWEL's Quarterly Performance

Fig in INR Cr (unless specified)	FY20	FY21	FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	FY23	Q1FY24	Q2FY24	Q3FY24	FY24E	FY25E	FY26E
Textile	272.2	214.7	170.8	62.6	62.7	55.5	64.4	245.2	57.0	55.6	49.6	225.0	236.3	248.1
YoY Growth (%)	(16.6)	(21.1)	(20.5)					43.6	(8.8)	(11.2)	(10.8)	(8.2)	5.0	5.0
Share in revenue (%)	77.9	66.2	34.6	23.8	42.9	54.1	6.9	16.9	7.1	4.5	3.1	4.1	2.0	1.1
Veritas India Ltd	0.0	0.0	0.0	0.0	0.0	0.0	659.0	659.0	495.2	940.9	1,323.8	4,309.2	5,349.5	12,159.2
YoY Growth (%)												553.9	24.1	127.3
Share in revenue (%)	0.0	0.0	0.0	0.0	0.0	0.0	70.3	45.5	61.6	76.9	83.2	78.1	46.3	55.6
Energy	0.0	34.9	51.5	1.7	1.5	0.9	201.3	205.5	186.9	189.3	191.2	760.0	3,580.9	5,259.9
YoY Growth (%)			47.7					298.9	(9.0)	1.3	1.0	269.9	371.2	46.9
Share in revenue (%)	0.0	10.8	10.4	0.7	1.0	0.9	21.5	14.2	23.2	15.5	12.0	13.8	31.0	24.1
Construction & others	77.1	74.8	271.8	198.4	81.9	46.2	12.7	339.3	65.1	37.5	27.0	222.4	36.5	38.3
YoY Growth (%)	(86.8)	(3.0)	263.5					24.8	(80.8)	(42.5)	(27.9)	(34.5)	(83.6)	5.0
Share in revenue (%)	22.1	23.1	55.0	75.5	56.1	45.0	1.4	23.4	8.1	3.1	1.7	4.0	0.3	0.2
Reliance Naval	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2,340.0	4,155.1
YoY Growth (%)														77.6
Share in revenue (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	20.3	19.0
Revenue from operations	340.8	320.5	487.2	260.4	143.5	101.1	933.2	1,438.1	804.3	1,223.3	1,591.7	5,516.8	11,543.1	21,860.6
YoY Growth (%)	(61.8)	(6.0)	52.0	464.1	141.3	45.9	198.8	195.2	208.9	752.6	1,474.4	283.6	109.2	89.4
Raw Material Cost	193.9	158.8	288.5	233.8	112.4	73.4	647.9	1,025.2	537.3	925.3	1,287.5	3,916.9	8,080.2	15,302.4
RM Cost to Sales (%)	56.9	49.6	59.2	89.8	78.3	72.6	69.4	71.3	66.8	75.6	80.9	71.0	70.0	70.0
Employee Cost	12.2	18.1	25.1	6.6	6.7	7.5	10.9	31.6	7.3	8.3	10.7	44.1	115.4	218.6
Employee Cost to Sales (%)	3.6	5.6	5.2	2.5	4.6	7.4	1.2	2.2	0.9	0.7	0.7	0.8	1.0	1.0
Other Expenses	82.6	75.8	105.3	14.5	23.1	33.8	36.5	150.1	22.3	32.7	37.7	159.0	824.3	2,854.1
Other Expenses to Sales (%)	24.2	23.7	21.6	5.6	16.1	33.4	3.9	10.4	2.8	2.7	2.4	2.9	7.1	13.1
EBITDA	52.1	67.7	68.3	5.5	1.3	(13.6)	237.9	231.1	237.4	257.0	255.8	1,396.7	2,523.2	3,485.5
EBITDA Margin (%)	15.3	21.1	14.0	2.1	0.9	(13.4)	25.5	16.1	29.5	21.0	16.1	25.3	21.9	15.9
PAT	(4.8)	(68.6)	(157.9)	(49.5)	(58.0)	(69.6)	116.1	(61.0)	144.8	165.6	220.0	684.5	796.9	1,516.1
PAT Margin (%)	(1.4)	(21.4)	(32.4)	(19.0)	(40.4)	(68.9)	12.4	(4.2)	18.0	13.5	13.8	12.4	6.9	6.9
Net Profit	(5.8)	(38.2)	(87.5)	(49.5)	(32.0)	16.9	62.1	(38.8)	144.8	84.6	115.1	462.4	565.2	1,073.7
Net Margin (%)	(1.7)	(11.9)	(18.0)	(19.0)	(22.3)	16.7	6.7	(2.7)	18.0	6.9	7.2	8.4	4.9	4.9
Adjusted EPS	(0.2)	(1.4)	(3.3)					(1.5)				17.5	21.4	40.7
P/E (X)	(2,934.1)	(448.6)	(195.9)					(441.6)				37.1	30.3	16.0
Adjusted BVPS	34.7	33.1	47.2					86.5				102.6	121.9	156.5
P/BV (X)	18.7	19.6	13.8					7.5				6.3	5.3	4.2
Enterprise Value	18,269.8	20,085.9	20,291.1					21,696.7				19,015.6	18,799.9	18,637.5
EV/EBITDA (X)	350.9	296.7	297.1					93.9				13.6	7.5	5.3
Net Worth	914.8	874.3	1,245.3					2,283.7				2,708.5	3,217.2	4,129.9
Return on Equity (%)	(0.6)	(4.4)	(7.0)					(1.7)				17.1	17.6	26.0
Capital Employed	2,090.1	3,920.1	5,340.4					7,048.5				5,880.2	6,763.7	7,727.2
Return on Capital Employed (%)	2.0	0.6	(0.0)					2.1				10.5	12.5	16.6
Invested Capital	2,033.7	3,809.3	4,385.6					6,829.5				4,573.2	4,866.3	5,616.6
Return on Invested Capital (%)	1.8	0.7	(0.0)					2.2				17.2	22.6	28.7
Cash Flow from Operations	(95.1)	302.5	28.8					(490.9)				1,108.3	2,098.4	1,821.1
Cash Flow from Investing	(323.9)	(2,000.7)	(494.3)					(860.0)				1,938.7	(1,030.8)	(694.0)
Cash Flow from Financing	427.4	1,760.1	1,309.0					598.5				(2,008.3)	(549.9)	(1,038.5)
Net Cash Flow	8.4	61.9	843.4					(752.4)				1,038.6	517.7	88.6
Free Cash Flow	(43.8)	(1,373.0)	161.4					(2,342.2)				(211.1)	1,858.0	2,082.5
FCF to Revenue (%)	(12.9)	(428.4)	33.1					(162.9)				(3.8)	16.1	9.5
FCF to EBITDA (%)	(84.2)	(2,027.9)	236.4					(1,013.3)				(15.1)	73.6	59.7
FCF to Net Profit (%)	750.1	3,591.1	(184.4)					6,031.1				(45.6)	328.7	194.0
FCF to Net Worth (%)	(4.8)	(157.0)	13.0					(102.6)				(7.8)	57.8	50.4
Total Debt	1,175	3,046	4,095					4,765				3,172	3,547	3,597
Net Debt	1,119	2,935	3,140					4,546				1,865	1,649	1,487
Net Debt to Equity (X)	1.2	3.4	2.5					2.0				0.7	0.5	0.4
Net Debt to EBITDA (X)	21.5	43.3	46.0					19.7				1.3	0.7	0.4
Interest Coverage Ratio (X)	0.7	0.2	(0.0)					0.7				3.0	2.2	3.0
Fundamental scores														
Altman Z Score	0.2	0.2	0.2					1.5				2.8	2.7	2.6
Piotroski F-score	2.0	4.0	5.0					4.0				9.0	6.0	6.0
Beneish M-score	(1.2)	1.8	1.5					1.9				(0.5)	(2.2)	(1.5)

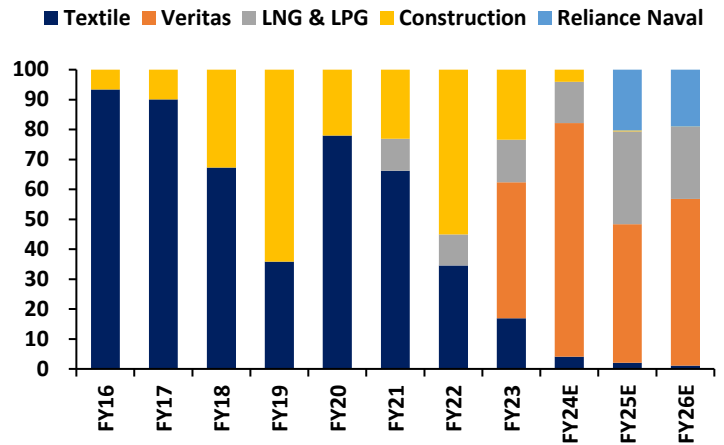
Source: Ventura Research



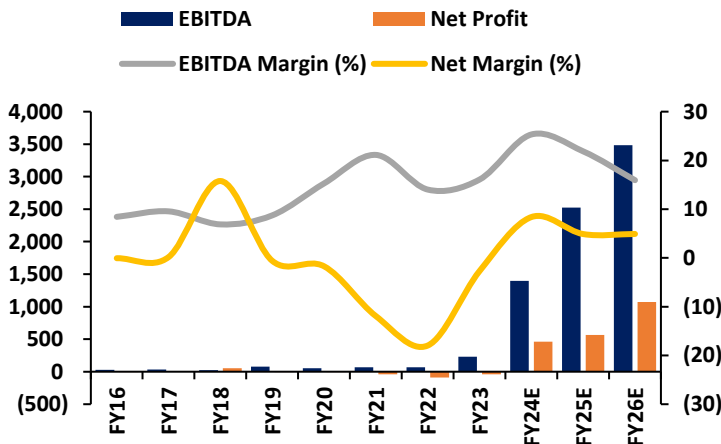
Business diversification to accelerate revenue growth in the coming years



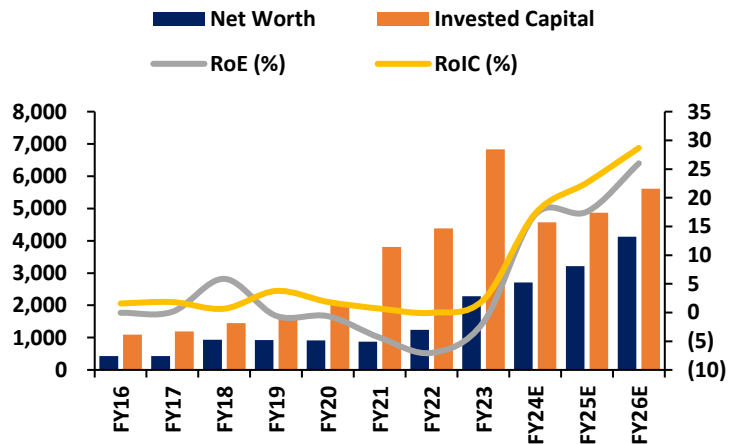
Revenue share of new business verticals to expand significantly



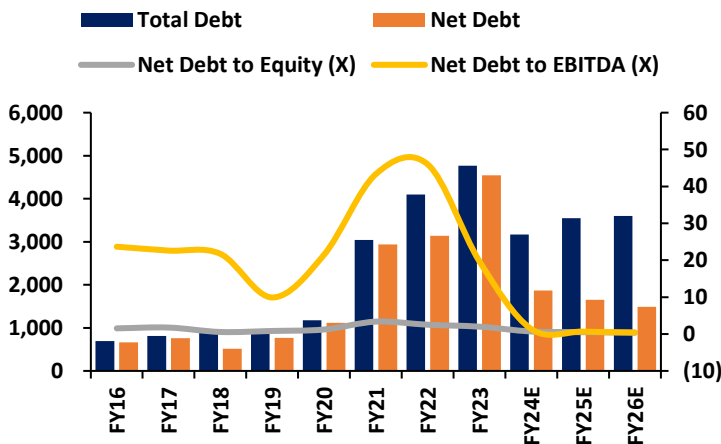
Higher margins in new business verticals to enhance overall profitability



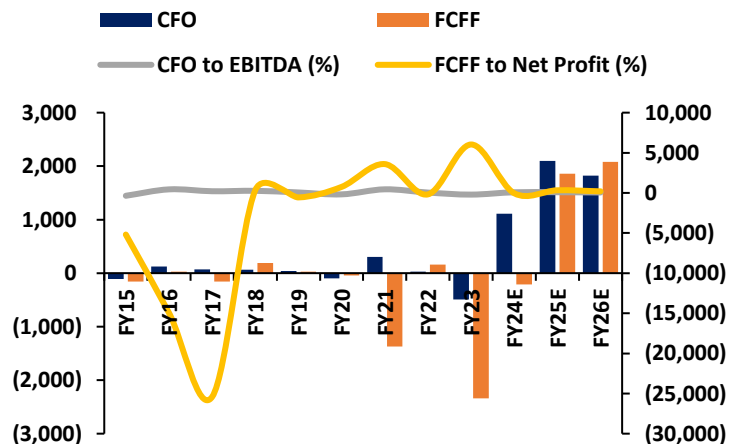
Return ratios are expected to improve on higher profit margins



Debt is expected to remain at current levels to fund the new business verticals



Improvement in profitability to accelerate future cash flows



Source: Company Reports & Ventura Research

SWEL's financial analysis

Fig in INR Cr (unless specified)	FY22	FY23	FY24E	FY25E	FY26E	Fig in INR Cr (unless specified)	FY22	FY23	FY24E	FY25E	FY26E
Income Statement						Per share data & Yields					
Revenue	487.2	1,438.1	5,516.8	11,543.1	21,860.6	Adjusted EPS (INR)	(3.3)	(1.5)	17.5	21.4	40.7
<i>YoY Growth (%)</i>	<i>52.0</i>	<i>195.2</i>	<i>283.6</i>	<i>109.2</i>	<i>89.4</i>	Adjusted Cash EPS (INR)	(0.7)	1.6	25.7	45.4	66.5
Raw Material Cost	288.5	1,025.2	3,916.9	8,080.2	15,302.4	Adjusted BVPS (INR)	64.4	141.5	157.6	176.9	211.5
<i>RM Cost to Sales (%)</i>	<i>59.2</i>	<i>71.3</i>	<i>71.0</i>	<i>70.0</i>	<i>70.0</i>	Adjusted CFO per share (INR)	1.1	(18.6)	42.0	79.5	69.0
Employee Cost	25.1	31.6	44.1	115.4	218.6	CFO Yield (%)	0.2	(2.8)	6.2	11.8	10.2
<i>Employee Cost to Sales (%)</i>	<i>5.2</i>	<i>2.2</i>	<i>0.8</i>	<i>1.0</i>	<i>1.0</i>	Adjusted FCF per share (INR)	6.1	(88.8)	(8.0)	70.4	78.9
Other Expenses	105.3	150.1	159.0	824.3	2,854.1	FCF Yield (%)	0.9	(13.1)	(1.2)	10.4	11.7
<i>Other Exp to Sales (%)</i>	<i>21.6</i>	<i>10.4</i>	<i>2.9</i>	<i>7.1</i>	<i>13.1</i>	Solvency Ratio (X)					
EBITDA	68.3	231.1	1,396.7	2,523.2	3,485.5	Total Debt to Equity	2.4	1.3	0.8	0.8	0.6
<i>Margin (%)</i>	<i>14.0</i>	<i>16.1</i>	<i>25.3</i>	<i>21.9</i>	<i>15.9</i>	Net Debt to Equity	1.8	1.2	0.4	0.4	0.3
<i>YoY Growth (%)</i>	<i>0.9</i>	<i>238.4</i>	<i>504.3</i>	<i>80.7</i>	<i>38.1</i>	Net Debt to EBITDA	46.0	19.7	1.3	0.7	0.4
Depreciation & Amortization	70.3	81.3	216.6	632.9	682.3	Return Ratios (%)					
EBIT	(2.0)	149.8	1,180.1	1,890.3	2,803.2	Return on Equity	(7.0)	(1.7)	17.1	17.6	26.0
<i>Margin (%)</i>	<i>(0.4)</i>	<i>10.4</i>	<i>21.4</i>	<i>16.4</i>	<i>12.8</i>	Return on Capital Employed	(0.0)	2.1	10.5	12.5	16.6
<i>YoY Growth (%)</i>	<i>(107.6)</i>	<i>(7,700.4)</i>	<i>687.9</i>	<i>60.2</i>	<i>48.3</i>	Return on Invested Capital	(0.0)	2.2	17.2	22.6	28.7
Other Income	6.9	10.8	82.8	18.5	25.8	Working Capital Ratios					
Bill discounting & other charges	189.1	222.8	392.0	868.2	928.2	Payable Days (Nos)	155	244	58	37	42
Fin Charges Coverage (X)	(0.0)	0.7	3.0	2.2	3.0	Inventory Days (Nos)	128	66	22	15	13
Exceptional Item	0.0	0.0	0.0	0.0	0.0	Receivable Days (Nos)	160	453	113	75	87
PBT	(184.2)	(62.2)	871.0	1,040.6	1,900.8	Net Working Capital Days (Nos)	134	275	78	53	58
<i>Margin (%)</i>	<i>(37.8)</i>	<i>(4.3)</i>	<i>15.8</i>	<i>9.0</i>	<i>8.7</i>	Net Working Capital to Sales (%)	36.6	75.4	21.3	14.5	15.8
<i>YoY Growth (%)</i>	<i>136.0</i>	<i>(66.2)</i>	<i>(1,499.3)</i>	<i>19.5</i>	<i>82.7</i>	Valuation (X)					
Tax Expense	(26.3)	(1.2)	186.5	243.7	384.6	P/E	(203.8)	(459.4)	38.6	31.6	16.6
<i>Tax Rate (%)</i>	<i>14.3</i>	<i>1.9</i>	<i>21.4</i>	<i>23.4</i>	<i>20.2</i>	P/BV	10.5	4.8	4.3	3.8	3.2
PAT	(157.9)	(61.0)	684.5	796.9	1,516.1	EV/EBITDA	307.2	96.8	14.1	7.7	5.5
<i>Margin (%)</i>	<i>(32.4)</i>	<i>(4.2)</i>	<i>12.4</i>	<i>6.9</i>	<i>6.9</i>	EV/Sales	43.1	15.6	3.6	1.7	0.9
<i>YoY Growth (%)</i>	<i>130.1</i>	<i>(61.3)</i>	<i>(1,221.2)</i>	<i>16.4</i>	<i>90.3</i>	Cash Flow Statement					
Min Int/Sh of Assoc	70.4	22.2	(222.0)	(231.6)	(442.4)	PBT	(184.2)	(62.2)	871.0	1,040.6	1,900.8
Net Profit	(87.5)	(38.8)	462.4	565.2	1,073.7	Adjustments	224.5	249.6	536.8	1,575.4	1,689.7
<i>Margin (%)</i>	<i>(18.0)</i>	<i>(2.7)</i>	<i>8.4</i>	<i>4.9</i>	<i>4.9</i>	Change in Working Capital	(37.8)	(679.4)	(113.0)	(274.0)	(1,384.8)
<i>YoY Growth (%)</i>	<i>129.0</i>	<i>(55.6)</i>	<i>(1,290.8)</i>	<i>22.2</i>	<i>90.0</i>	Less: Tax Paid	26.3	1.2	(186.5)	(243.7)	(384.6)
Balance Sheet						Cash Flow from Operations	28.8	(490.9)	1,108.3	2,098.4	1,821.1
Share Capital	26.4	26.4	26.4	26.4	26.4	Net Capital Expenditure	(29.4)	(2,069.9)	(1,627.4)	(905.2)	(478.9)
Total Reserves	1,672.0	3,708.7	4,133.5	4,642.2	5,554.9	Change in Investments	(464.8)	1,209.8	3,566.1	(125.6)	(215.1)
Shareholders Fund	1,698.4	3,735.1	4,159.9	4,668.6	5,581.3	Cash Flow from Investing	(494.3)	(860.0)	1,938.7	(1,030.8)	(694.0)
Long Term Borrowings	3,540.0	3,927.9	3,171.7	3,546.5	3,597.3	Change in Borrowings	1,182.1	823.9	(1,593.2)	374.8	50.8
Deferred Tax Assets / Liabilities	(37.6)	(45.2)	(45.2)	(45.2)	(45.2)	Less: Finance Cost	(189.1)	(222.8)	(392.0)	(868.2)	(928.2)
Other Long Term Liabilities	23.8	71.6	73.1	152.9	289.7	Proceeds from Equity	318.5	0.0	0.0	0.0	0.0
Long Term Trade Payables	0.0	226.1	206.6	432.3	818.7	Buyback of Shares	0.0	0.0	0.0	0.0	0.0
Long Term Provisions	1.5	2.8	3.9	10.3	19.5	Dividend Paid	(2.4)	(2.6)	(23.1)	(56.5)	(161.1)
Total Liabilities	5,226.1	7,918.3	7,570.0	8,765.4	10,261.2	Cash flow from Financing	1,309.0	598.5	(2,008.3)	(549.9)	(1,038.5)
Net Block	1,833.0	3,827.1	5,237.9	5,510.1	5,306.7	Net Cash Flow	843.4	(752.4)	1,038.6	517.7	88.6
Capital Work in Progress	2,389.0	3,252.9	0.0	0.0	0.0	Forex Effect	0.0	0.0	0.0	0.0	0.0
Intangible assets under developm	0.0	0.0	0.0	0.0	0.0	Opening Balance of Cash	110.6	954.1	201.7	1,240.3	1,758.0
Non Current Investments	2.1	12.6	48.4	101.2	191.7	Closing Balance of Cash	954.1	201.7	1,240.3	1,758.0	1,846.6
Long Term Loans & Advances	114.3	98.1	376.1	787.0	1,490.5						
Other Non Current Assets	0.0	0.0	0.0	0.1	0.2						
Net Current Assets	887.7	727.6	1,907.5	2,367.0	3,272.2						
Total Assets	5,226.1	7,918.3	7,570.0	8,765.4	10,261.2						

Source: Company Reports, ACE Equity & Ventura Research

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Corporate Office: I-Think Techno Campus, 8th Floor, 'B' Wing, Off Pokhran Road No 2, Eastern Express Highway, Thane (W) – 400608