

CMP: ₹ 645

Target: ₹ 765 (19%)

Target Period: 12 months

February 8, 2022

BUY



Rebound in elective surgeries continues...

About the stock: NHL operates a chain of multispecialty, tertiary & primary healthcare facilities that initially focused on cardiac & renal but expanded to cancer, neurology, neurosurgery, orthopaedics & gastroenterology facilities.

- NHL's network comprises 22 hospitals (including two managed hospitals), five heart centres, 19 primary care facilities (including clinics and information centres) and a multi-speciality hospital in Cayman Islands)
- Revenue mix Q3FY22 – India: ₹ 771.7 crore; (Bangalore:34%, Southern Peripheral:7%, Kolkata:26%, Eastern Peripheral: 5%, Western: 15%, Northern: 13%); Cayman Islands: US\$24.9 million

Q3FY22 Results: NHL reported strong numbers led by flagship hospitals amid recovery in high-end cardiac elective work as well as international patient mix.

- Revenues were up 27.9% YoY to ₹ 959.6 crore
- EBITDA was at ₹ 175 crore, up 66.8% YoY with margins at 18.2%
- Adjusted PAT was at ₹ 97.5 crore (up 138.9% YoY)

What should investors do? NHL's share price has grown by ~1.9x over the past five years (from ~₹ 335 in February 2017 to ~₹ 645 levels in February 2022).

- We maintain BUY due to 1) consistency in pick-up for elective surgeries in India, 2) steady performance at Cayman Islands and 3) judicious plan to convert/add margin accretive beds or units at existing hospitals

Target Price and Valuation: We value Narayana at an SOTP of ₹ 765 by valuing matured India & Cayman hospitals at 14x FY24E EV/EBITDA, new hospitals at 2x and other business at 1x FY23E EV/sales.

Key triggers for future price performance:

- Waning Covid and increase in footfalls for medical tourism expected to lead flagship hospitals on a steady growth path amid better returns
- New hospitals (SRCC, Gurugram, Dharamshila) are likely to see reduction in losses and turn profitable in medium term with ramp up in occupancies
- Improvement in numbers on the back of judicious case mix identification (more focus on oncology, transplants and non-invasive procedures)
- Expansion at Cayman Islands in oncology while being margin dilutive in near term is likely to provide significant additional operating leverage

Alternate Stock Idea: Apart from NHL, in our healthcare coverage we like Apollo.

- Apollo Hospitals is an integrated healthcare provider undergoing an optical transformation towards creating an omni-channel healthcare platform while turning the new hospitals profitable on the back of a judicious case mix
- BUY with a target price of ₹ 5930

Particulars	
Particular	Amount
Market Capitalisation	₹ 13186 crore
Debt (FY21)	₹ 626 crore
Cash (FY21)	₹ 248 crore
EV	₹ 13564 crore
52 week H/L (₹)	679/380
Equity capital	₹ 204.4 crore
Face value	₹ 10

Shareholding pattern					
(in %)	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
Promote	63.9	63.9	63.9	63.9	63.9
Others	36.2	36.2	36.2	36.2	36.2



- ### Recent Event & Key risks
- Winding up of operation and management of Cardiac Sciences, Imperial Hospital, Bangladesh
 - Key Risk:** (i) Another Covid wave (ii) Delayed break-even for newer hospitals

Research Analyst

Siddhant Khandekar
siddhant.khandekar@icicisecurities.com

Raunak Thakur
raunak.thakur@icicisecurities.com

Kush Mehta
kush.mehta@icicisecurities.com

Key Financial Summary

Key Financials (₹ Crore)	FY20	FY21	5 year CAGR (FY16-21)	FY22E	FY23E	FY24E	3 year CAGR (FY21-24E)
Revenues	3127.8	2582.3	9.9	3707.2	4186.2	4562.6	20.9
EBITDA	422.9	182.1	0.8	644.3	772.5	849.9	67.1
EBITDA Margins (%)	13.5	7.1		17.4	18.5	18.6	
Adjusted PAT	129.8	-14.3	NA	355.8	407.7	461.0	LP
EPS (₹)	6.4	-0.7		17.4	19.9	22.6	
PE (x)	101.6	NA		37.1	32.3	28.6	
EV to EBITDA (x)	33.0	75.6		20.9	16.9	14.8	
Price to book (x)	11.6	11.8		9.1	7.2	5.8	
RoE (%)	11.4	-1.3		24.4	22.1	20.2	
RoCE (%)	11.0	1.2		21.0	22.3	21.3	

Source: Company, ICICI Direct Research

Key takeaways of recent quarter & conference call highlights

Q3FY22 Results: Robust performance continues

- Narayana posted strong numbers, better than our estimates across all fronts due to a recovery in high-end cardiac elective work as well as international patient mix. Revenues grew 27.9% YoY to ₹ 959.6 crore. On the EBITDA front, margins improved 425 bps YoY to 18.2% amid a change in case mix towards higher margins elective surgeries. Subsequently, EBITDA grew 66.8% YoY to ₹ 175 crore while adjusted PAT for the quarter was at ₹ 97.5 crore with 138.9% YoY growth
- Narayana's Indian operations posted strong numbers led by flagship hospitals amid international patients-mix rising to 6% in Q3FY22 from 1% in Q2FY22. The India performance was further boosted by momentum in operations at Cayman Islands. The margin performance has improved on the back of lower consumable expense (due to non-Covid case mix) and lower manpower expenses (due to restructuring oriented towards variables). The improvement in numbers over the last few quarters is on the back of judicious case mix identification (more focus on oncology, transplants and non-invasive procedures). We continue to believe in the long term prospects of the company on the back of an asset-right model and affordability philosophy

Q3FY22 Earnings Conference Call highlights

- Occupancy levels on census beds (~85% of operational beds) for India at ~ 53% and Cayman Islands at ~ 52%
- The management guided for an oncology facility in Cayman, which would require some near term investments and is likely to dilute margins till the facility is fully operational
- Cayman Islands – Operating revenue: US\$24.9 million (US\$19.1 million in Q3FY21). EBITDA for Cayman in Q3FY22: US\$10.2 million
- Q3FY22 vaccine revenues: ₹ 3.9 crore with consumption cost: ₹ 3.8 crore
- Business mix: Owned/operated hospitals: 95%, heart centres: 4%, ancillary business: 1%
- Q3FY22 average revenue per operating bed (ARPOB) for India was ~₹ 117 lakh and US\$2.0 million for HCCI (Cayman)
- Indian operations payee profile – Domestic walk in:48%, insured patients: 24%, schemes: 22%, international patients:6%
- Indian operations specialty profile – cardiac:35%, gastro:13%, oncology: 13%, renal:9%, neuro:8%, ortho:4%, others:18%
- Indian operations cluster wise revenue mix – Bangalore:34%, Southern Peripheral: 7%, Kolkata: 26%, Eastern Peripheral: 5%, Western: 15%, Northern: 13%
- Jammu facility reported operational revenues of ₹ 23.6 crore
- Cost structure in Q3FY22– consumable expense: 26.2%, manpower: 41.2% (doctors' cost: 29.3%), overhead:19%
- Capex plans: Ahmedabad and Jaipur: radiation oncology; Howrah and Ahmedabad: bed addition; Health City, Bangalore: OPD Plaza; Dharamshila: bed addition (bone marrow and ICU); Gurgaon: More floors (approval required from authorities); Mysore: 30 beds and Shimoga: oncology

Exhibit 1: Variance Analysis

	Q3FY22	Q3FY21	YoY (%)	Q2FY22	QoQ (%)	Comments
Revenue	959.6	750.4	27.9%	940.3	2.1%	YoY and sequential improvement amid recovery in high-end cardiac elective work as well as international patient mix
Raw Material Expenses	236.4	198.8	18.9%	237.5	-0.5%	
Employee Expenses	192.5	156.7	22.8%	189.3	1.7%	
Other Expenditure	355.8	289.9	22.7%	344.6	3.3%	
Operating Profit (EBITDA)	175.0	104.9	66.8	168.9	3.6	
EBITDA (%)	18.2%	14.0%	425 bps	18.0%	27 bps	YoY improvement mainly due to change in case mixed towards higher margins elective surgeries from lower margins Covid patients
Interest	16.3	18.6	-12.2%	16.7	-2.2%	
Depreciation	46.1	46.5	-0.8%	45.9	0.4%	
Other Income	6.9	4.6	50.3%	12.1	-43.4%	
PBT before EO & Forex	119.5	44.5	168.7	118.5	0.8	
Forex & EO	0.0	0.0	0.0	0.0	0.0	
PBT after Exceptional Items	119.5	44.5	168.7	118.5	0.8	
Tax	19.6	0.8	2,421.7	16.8	16.6	
PAT before MI	99.8	43.7	128.6	101.6	-1.8	
MI	0.0	0.0	84.6	0.1	-7.7	
Adjusted Net Profit	97.5	40.8	138.9	99.3	-1.8	YoY Delta vis-à-vis EBITDA mainly due to higher other income and lower interest expense being partially offset by higher tax
Key Metrics						
Owned/Operated Hospitals	919.9	725.5	26.8%	871.4	5.6%	YoY improvement mainly due to strong numbers led by flagship hospitals
Heart Centres	30.9	24.4	26.7%	30.6	1.0%	YoY improvement due to easing of travel restrictions leading to recovery in high-end cardiac elective work

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

₹ Crore	FY22E			FY23E			FY24E	
	Old	New	% Change	Old	New	% Change	Introduced	
Revenue	3,626.9	3,707.2	2.2	4,217.4	4,186.2	-0.7	4,562.6	
EBITDA	617.7	644.3	4.3	723.7	772.5	6.7	849.9	
EBITDA Margin	17.0	17.4	35 bps	17.2	18.5	129 bps	18.6	Changed mainly due to better than expected margins in Q3FY22
PAT	334.3	355.8	6.4	373.4	407.7	9.2	461.0	Changed mainly in sync with operational performance
EPS (₹)	16.4	17.4	6.4	18.3	19.9	9.2	22.6	

Source: ICICI Direct Research

Exhibit 3: Assumptions

₹ crore	Current				Earlier				Comments
	FY20	FY21	FY22E	FY23E	FY24E	FY22E	FY23E		
Owned/Operated Hospitals	2,991.0	2,478.2	3,532.9	4,033.3	4,398.6	3,446.6	4,063.0	Hospitals to ramp up contribution with increasing maturity profile	
Heart Centres	108.1	78.9	112.3	129.9	140.3	117.5	129.2		
Other businesses	26.6	21.6	21.0	23.0	23.7	22.9	25.2		

Source: ICICI Direct Research

Exhibit 4: Financial Summary

	Revenues	Growth	Adj. EPS	Growth	P/E	EV/EBITDA	RoE	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY21	2582.3	13.2%	-0.7	-128.0%	-922.0	75.6	-1.3	1.2
FY22E	3707.2	43.6%	17.4	-2587.6%	37.1	20.9	24.4	21.0
FY23E	4186.2	12.9%	19.9	14.6%	32.3	16.9	22.1	22.3
FY24E	4562.6	9.0%	22.6	13.1%	28.6	14.8	20.2	21.3

Source: ICICI Direct Research

Exhibit 5: Trends in Quarterly Performance

(₹ Crore)	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	YoY (%)	QoQ (%)
Total Operating Inc	732.1	765.2	777.4	822.3	785.2	742.9	393.5	600.7	750.4	837.8	859.8	940.3	959.6	27.9	2.1
Raw Material Expense	175.9	185.6	190.3	191.5	184.8	178.8	110.5	161.6	198.8	206.9	215.4	237.5	236.4	18.9	-0.5
% of revenue	24.0	24.3	24.5	23.3	23.5	24.1	28.1	26.9	26.5	24.7	25.1	25.3	24.6		
Gross Profit	556.2	579.6	587.0	630.8	600.4	564.2	283.0	439.1	551.5	630.8	644.4	702.8	723.3	31.1	2.9
Gross Profit Margin (%)	76.0	75.7	75.5	76.7	76.5	75.9	71.9	73.1	73.5	75.3	74.9	74.7	75.4	186.5	62.8
Employee Expenses	158.0	159.6	165.7	176.0	171.7	168.0	152.9	147.6	156.7	169.6	190.6	189.3	192.5	22.8	1.7
% of revenue	21.6	20.9	21.3	21.4	21.9	22.6	38.9	24.6	20.9	20.2	22.2	20.1	20.1		
Other Manufacturing	320.2	330.5	318.5	333.1	326.1	300.5	221.0	264.8	289.9	319.8	320.1	344.6	355.8	22.7	3.3
% of revenue	43.7	43.2	41.0	40.5	41.5	40.4	56.2	44.1	38.6	38.2	37.2	36.6	37.1		
Total Expenditure	654.1	675.7	674.6	700.6	682.5	647.2	484.5	574.0	645.4	696.4	726.1	771.4	784.6	21.6	1.7
% of revenue	89.4	88.3	86.8	85.2	86.9	87.1	123.1	95.5	86.0	83.1	84.5	82.0	81.8		
EBITDA	78.0	89.5	102.8	121.7	102.7	95.7	-91.0	26.8	104.9	141.4	133.7	168.9	175.0	66.8	3.6
EBITDA Margins (%)	10.6	11.7	13.2	14.8	13.1	12.9	-23.1	4.5	14.0	16.9	15.5	18.0	18.2	425.1	27.3
Depreciation	34.8	35.9	41.4	42.9	46.4	55.1	46.4	46.2	46.5	44.5	44.7	45.9	46.1	-0.8	0.4
Interest	18.4	17.5	22.2	21.7	20.6	20.8	19.7	19.4	18.6	18.2	17.1	16.7	16.3	-12.2	-2.2
Other Income	3.3	7.2	4.8	6.4	5.5	7.0	4.7	10.4	4.6	8.5	6.7	12.1	6.9	50.3	-43.4
PBT before forex & EC	28.1	43.4	44.0	63.4	41.2	26.9	-152.4	-28.5	44.5	87.2	78.6	118.5	119.5	168.7	0.8
Forex & EO	0.0	0.0	0.0	0.0	0.0	10.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PBT	28.1	43.4	44.0	63.4	41.2	16.0	-152.4	-28.5	44.5	87.2	78.6	118.5	119.5	168.7	0.8
Total Tax	13.0	9.9	13.0	16.8	8.8	3.6	-33.7	-26.1	0.8	17.2	0.9	16.8	19.6	2,421.7	16.6
Tax rate (%)	46.3	22.8	29.5	26.5	21.4	22.4	22.1	NA	1.8	19.8	1.1	14.2	16.4		
PAT after MI	12.7	37.2	30.3	45.3	31.4	12.0	-119.7	-3.4	40.8	68.0	76.2	99.3	97.5	138.9	-1.8
Adjusted PAT	12.7	37.2	30.3	45.3	31.4	22.8	-119.7	-3.4	40.8	68.0	76.2	99.3	97.5	138.9	-1.8
EPS (₹)	0.6	1.8	1.5	2.2	1.5	1.1	-5.9	-0.2	2.0	3.3	3.7	4.9	4.8	138.9	-1.8

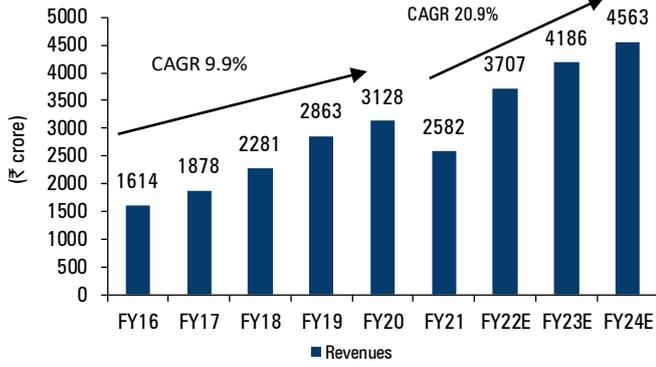
Source: ICICI Direct Research

Exhibit 6: Valuation

Particulars	FY24E (₹ cr)	Valuation Matrix	Multiple (x)	Enterprise value (₹ cr)
Hospital (Matured)	742.8	EV/EBITDA	14.0	10399.0
Cayman	252.5	EV/EBITDA	14.0	3534.8
Hospital (New)	516.4	EV/Sales	2.0	1032.9
Other Business	164.0	EV/Sales	1.0	164.0
Net Debt FY24E (₹ cr)				-540.5
EV (₹ cr)				15671.1
No of shares (cr)				20.4
Per Share Value (₹)				765.0

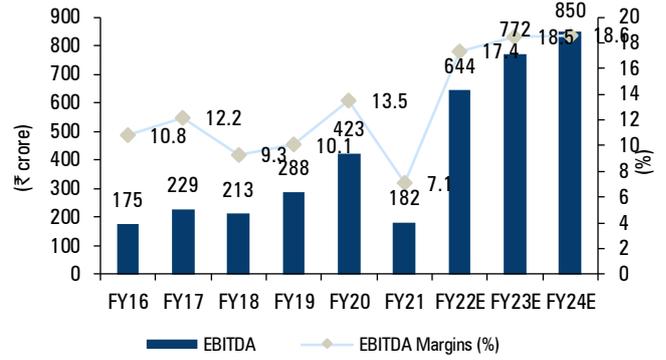
Source: Company

Exhibit 7: Revenues to grow at CAGR of 21% over FY21-24E



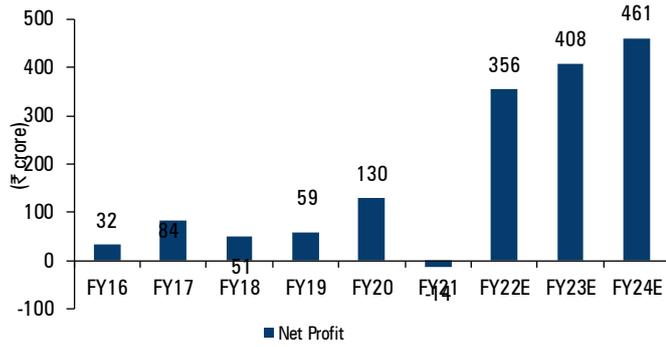
Source: ICICI Direct Research, Company

Exhibit 8: EBITDA & EBITDA margins trend



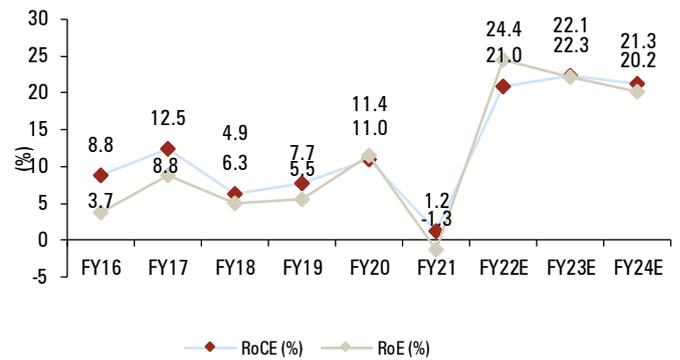
Source: ICICI Direct Research, Company

Exhibit 9: PAT to turn profitable over FY21-24E



Source: ICICI Direct Research, Company

Exhibit 10: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 11: ICICI Direct Coverage Universe (Healthcare)

Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹ cr)	EPS (₹)				PE(x)				RoCE (%)				RoE (%)			
						FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E
Hospitals																					
Apollo Hospitals	APOHOS	4479	5,930	Buy	64405	22.6	7.9	72.9	99.4	198.4	569.9	61.4	45.1	10.2	6.3	18.1	21.7	9.7	2.5	18.6	20.9
Narayana Hrudalaya	NARHRU	645	765	Buy	13187	6.4	-0.7	17.4	19.9	101.6	NA	37.1	32.3	11.0	1.2	21.0	22.3	11.4	-1.3	24.4	22.1
Shalby	SHALIM	140	170	Buy	1507	2.6	3.9	5.9	5.8	54.6	35.5	23.6	24.1	7.2	6.5	8.9	9.6	3.5	5.1	7.2	6.7
Aster DM	ASTDM	182	250	Buy	9106	5.7	3.0	10.6	17.2	32.0	61.6	17.2	10.6	7.2	5.4	8.7	12.1	8.7	4.4	13.5	18.0
Healthcare Global	HEAGLO	247	240	Hold	3098	-12.0	-21.7	15.6	8.4	NA	NA	15.9	29.3	1.0	-0.9	7.6	10.4	NA	NA	NA	7.2
MNC Pharma																					
Abbott India	ABBIND	15622	20,360	Buy	33196	279.0	325.0	362.3	471.9	56.0	48.1	43.1	33.1	30.7	33.8	35.3	37.2	24.4	26.5	27.6	28.9
P&G Health	MERLIM	5075	6,555	Buy	8424	102.0	106.5	135.7	145.7	49.8	47.6	37.4	34.8	24.0	32.2	41.0	37.7	18.7	25.1	31.6	28.8
Sanofi India	SANOFI	7375	9,800	Buy	16985	179.8	207.4	431.8	280.0	41.0	35.6	17.1	26.3	26.0	32.3	34.2	41.9	19.4	24.5	22.2	33.5
Pfizer	PFIZER	4447	5,350	Buy	20343	111.3	108.8	135.2	133.0	40.0	40.9	32.9	33.4	18.5	27.6	27.4	23.6	15.0	20.8	21.7	18.6
Pharma																					
Ajanta Pharma	AJAPHA	2105	2,500	Buy	18212	53.4	74.0	79.3	89.3	39.4	28.4	26.5	23.6	24.7	29.0	25.2	23.8	18.1	21.8	19.9	19.2
Alembic Pharma	ALEMPHA	731	790	Hold	14366	44.4	59.9	33.3	39.6	16.5	12.2	22.0	18.5	21.0	24.2	11.9	13.9	27.1	23.0	11.7	12.6
Aurobindo Pharma	AURPHA	645	795	Hold	37811	48.8	55.0	50.3	61.2	13.2	11.7	12.8	10.5	17.2	16.9	13.8	15.2	17.0	14.7	11.9	12.8
Biocon	BIOCON	408	380	Hold	48972	5.8	6.1	5.4	9.3	70.1	67.1	75.9	44.0	10.2	7.6	7.8	10.0	10.4	9.6	7.9	12.2
Cadila Healthcare	CADHEA	399	477	Hold	40832	14.0	21.5	20.9	21.8	28.6	18.6	19.1	18.3	10.7	12.6	13.4	13.4	13.8	16.9	14.7	13.7
Cipla	CIPLA	944	1,085	Buy	76110	19.2	29.9	34.6	41.8	49.1	31.6	27.3	22.6	12.0	16.3	17.8	18.4	9.8	13.1	13.7	14.6
Dr Reddy's Labs	DRREDD	4327	5,170	Hold	71987	121.8	117.3	181.2	204.2	35.5	36.9	23.9	21.2	9.6	13.1	16.3	17.3	13.0	11.1	14.9	14.7
Glenmark Pharma	GLEPHA	484	580	Hold	13646	26.4	32.9	37.7	43.7	18.3	14.7	12.8	11.1	12.7	13.9	15.3	15.9	12.2	13.1	12.5	12.7
Ipca Laboratories	IPCLAB	1011	2,490	Buy	12825	47.6	89.9	78.0	95.8	21.3	11.3	13.0	10.5	17.6	27.1	20.5	20.9	16.6	24.2	17.5	17.7
Jubilant Pharmova	JUBLIF	474	490	Hold	7544	44.6	37.4	28.7	32.5	10.6	12.7	16.5	14.6	11.7	13.7	10.1	10.4	12.7	12.6	8.9	9.2
Lupin	LUPIN	789	960	Hold	35824	-12.7	26.9	16.2	30.2	NA	29.4	48.7	26.1	9.7	9.1	6.1	10.5	-4.6	8.8	5.8	9.6
Natco Pharma	NATPHA	903	925	Hold	16457	25.3	24.2	17.1	20.1	35.7	37.3	52.8	44.8	14.0	13.1	8.4	9.9	12.2	10.7	7.2	8.0
Sun Pharma	SUNPHA	888	965	Buy	212941	16.8	30.0	30.6	32.2	52.9	29.5	29.0	27.5	10.0	14.2	16.7	16.3	8.9	15.5	14.2	13.2
Torrent Pharma	TORPHA	2591	3,110	Hold	43839	60.6	74.0	78.3	103.7	42.8	35.0	33.1	25.0	15.4	17.7	21.0	22.6	21.2	21.4	19.4	21.5
Indoco Remedies	INDREM	372	575	Buy	3432	2.6	10.1	17.3	23.9	142.0	36.8	21.4	15.6	4.6	11.7	19.8	21.5	3.5	12.1	17.6	20.2
Caplin Point	CAPPOI	790	1,010	Buy	5976	17.2	81.7	76.7	55.5	46.0	9.7	10.3	14.2	25.4	25.6	24.1	23.5	22.7	20.4	20.5	18.8
Advanced Enzymes	ADVENZ	320	420	Buy	3577	11.6	13.1	13.0	16.1	27.7	24.5	24.5	19.9	19.6	19.4	16.8	18.3	15.4	15.1	13.2	14.1
Hester Biosciences	HESPHA	2461	2,780	Hold	2093	34.3	44.4	47.2	52.0	71.8	55.5	52.2	47.3	14.0	16.2	12.8	14.3	14.5	16.5	15.5	15.1
API/CRAMS																					
Divi's Lab	DIVLAB	4218	5,815	Buy	111971	51.9	74.7	90.6	107.5	81.3	56.4	46.5	39.2	23.9	27.6	27.7	27.7	18.8	21.3	21.8	21.8
Hikal	HIKCHE	408	640	Buy	5034	8.1	10.8	17.2	21.4	50.4	37.8	23.8	19.1	12.8	15.1	17.7	18.5	12.2	14.3	18.7	19.1
Syngene Int.	SYNINT	570	710	Buy	22800	10.3	10.1	9.8	13.9	55.3	56.3	58.3	40.9	14.5	11.5	12.6	15.5	16.8	13.5	13.2	14.9
Granules India	GRANUL	309	350	Hold	7646	12.4	22.2	15.0	23.3	24.9	13.9	20.6	13.2	15.2	24.0	16.1	21.7	16.7	25.3	14.8	18.9
Laurus Labs	LAULAB	518	670	Buy	27775	4.8	18.3	17.6	23.9	108.8	28.2	29.4	21.6	13.0	31.7	25.1	28.0	14.4	37.9	27.4	27.9
Suven Pharmaceuticals	SUVPH	557	600	Buy	14169	12.5	14.2	15.0	18.7	44.7	39.1	37.0	29.7	35.6	31.2	25.7	24.7	37.5	30.7	24.9	23.9

Source: ICICI Direct Research

Financial Summary

Exhibit 12: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E
Revenues	2,582.3	3,707.2	4,186.2	4,562.6
Growth (%)	-17.4	43.6	12.9	9.0
Raw Material Expenses	677.9	922.7	1,021.6	1,080.7
Employee Expenses	626.8	762.4	860.9	938.3
Other Manufacturing Expenses	1,095.6	1,377.8	1,531.2	1,693.7
Total Operating Expenditure	2,400.2	3,062.9	3,413.7	3,712.7
EBITDA	182.1	644.3	772.5	849.9
Growth (%)	-56.9	253.8	19.9	10.0
Interest	76.0	66.3	66.3	66.3
Depreciation	183.5	182.8	196.6	205.8
Other Income	28.2	32.5	37.7	41.1
PBT before Exceptional Items	-49.2	427.6	547.2	618.8
Less: Forex & Exceptional Items	0.0	0.0	0.0	0.0
PBT	-49.2	427.6	547.2	618.8
Total Tax	-41.8	65.7	139.5	157.8
PAT before MI	-7.5	361.9	407.7	461.0
Minority Interest	0.0	0.2	0.0	0.0
PAT	-14.3	355.8	407.7	461.0
Adjusted PAT	-14.3	355.8	407.7	461.0
Growth (%)			14.6	13.1
EPS	-0.7	17.4	19.9	22.6
EPS (Adjusted)	-0.7	17.4	19.9	22.6

Source: Company, ICICI Direct Research

Exhibit 13: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E
Profit/(Loss) after taxation	-14.3	355.8	407.7	461.0
Add: Depreciation & Amortization	183.5	182.8	196.6	205.8
Net Increase in Current Assets	-20.8	-94.8	-58.9	-47.6
Net Increase in Current Liabilities	83.5	84.3	70.4	57.3
Others	76.0	66.3	66.3	66.3
CF from operating activities	307.9	594.4	682.1	742.8
(Inc)/dec in Fixed Assets	-47.5	-200.0	-200.0	-150.0
(Inc)/dec in Investments	-34.0	0.0	0.0	0.0
Others	-6.6	8.0	8.4	8.8
CF from investing activities	-88.1	-192.0	-191.6	-141.2
Inc / (Dec) in Equity Capital	0.0	0.0	0.0	0.0
Inc / (Dec) in Debt	-126.5	-200.0	0.0	0.0
Dividend & Dividend Tax	0.0	-20.4	-20.4	-20.4
Others	-76.0	-66.3	-66.3	-66.3
CF from financing activities	-202.5	-286.8	-86.8	-86.8
Net Cash flow	17.3	115.5	403.7	514.8
Opening Cash	114.8	132.1	247.6	651.3
Closing Cash	132.1	247.6	651.3	1,166.1
Free Cash Flow	260.3	394.4	482.1	592.8

Source: Company, ICICI Direct Research

Exhibit 14: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E
Equity Capital	204.4	204.4	204.4	204.4
Reserve and Surplus	915.9	1,251.3	1,638.5	2,079.1
Total Shareholders fund	1,120.3	1,455.6	1,842.8	2,283.4
Total Debt	825.7	625.7	625.7	625.7
Deferred Tax Liability	13.0	13.7	14.4	15.1
Minority Interest	0.5	0.6	0.6	0.6
Other liabilities	259.5	272.4	286.1	300.4
Source of Funds	2,219.0	2,368.0	2,769.6	3,225.2
Gross Block - Fixed Assets	2,916.4	3,016.4	3,216.4	3,366.4
Accumulated Depreciation	1,013.7	1,196.5	1,393.1	1,599.0
Net Block	1,902.8	1,819.9	1,823.3	1,767.5
Capital WIP	19.9	119.9	119.9	119.9
Net Fixed Assets	1,922.7	1,939.9	1,943.2	1,887.4
Goodwill on Consolidation	58.1	58.1	58.1	58.1
Investments	120.3	120.3	120.3	120.3
Inventory	47.9	60.9	68.8	75.0
Cash	132.1	247.6	651.3	1,166.1
Debtors	278.5	355.5	401.4	437.5
Loans & Advances & Other CA	96.7	101.5	106.6	112.0
Total Current Assets	555.2	765.6	1,228.2	1,790.6
Creditors	410.3	487.5	550.5	600.0
Provisions & Other CL	140.8	147.8	155.2	162.9
Total Current Liabilities	551.1	635.3	705.7	763.0
Net Current Assets	4.1	130.3	522.5	1,027.7
LT L& A, Other Assets	111.9	117.5	123.4	129.5
Deferred Tax Assets	1.8	1.9	2.0	2.1
Application of Funds	2,219.0	2,368.0	2,769.6	3,225.2

Source: Company, ICICI Direct Research

Exhibit 15: Key ratios				
(Year-end March)	FY21	FY22E	FY23E	FY24E
Per share data (₹)				
EPS	-0.7	17.4	19.9	22.6
Cash EPS	8.3	25.4	28.6	31.6
BV	54.8	71.2	90.2	111.7
DPS	0.0	1.0	1.0	1.0
Cash Per Share	49.6	58.5	68.2	78.2
Operating Ratios (%)				
EBITDA margins	7.1	17.4	18.5	18.6
Net Profit margins	-0.6	9.6	9.7	10.1
Cash Conversion cycle	-11.9	-7.0	-7.0	-7.0
Asset Turnover	0.9	1.3	1.3	1.4
Return Ratios (%)				
RoE	-1.3	24.4	22.1	20.2
RoCE	1.2	21.0	22.3	21.3
RoIC	-0.1	24.6	30.7	35.5
Valuation Ratios (x)				
P/E	-922.0	37.1	32.3	28.6
EV / EBITDA	75.6	20.9	16.9	14.8
EV / Revenues	5.3	3.6	3.1	2.7
Market Cap / Revenues	5.1	3.6	3.1	2.9
Price to Book Value	11.8	9.1	7.2	5.8
Solvency Ratios				
Net Debt / Equity	0.6	0.4	0.3	0.2
Net Debt / EBITDA	3.2	0.4	-0.2	-0.8
Current Ratio	0.8	0.8	0.8	0.8

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

**ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruiti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com**

ANALYST CERTIFICATION

I/We, Siddhant Khandekar, Inter CA, Raunak Thakur, PGDM, Kush Mehta, CA, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc. as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.