

## Stellar numbers, margins in Q1...

**About the stock:** Indoco manufactures and markets branded formulations and APIs for the domestic and export markets. In domestic formulations, through its nine marketing divisions the company serves a range of specialties.

- Domestic formulations accounted for 51% of revenues. Major therapies are: respiratory, anti-infectives, stomatologicals, gastrointestinal & vitamins
- Formulation exports accounted for 40% (regulated markets:81%) of revenues while APIs contributed 8% with remaining coming from CRAMS

**Q1FY22 Results:** Indoco reported robust Q1FY22 results.

- Sales were up 40.2% YoY to ₹ 386.8 crore
- EBITDA in Q1FY22 was at ₹ 86.9 crore, up 78% YoY with margins at 22%
- Consequent adjusted PAT was at ₹ 39.7 crore (up 132.7% YoY)

**What should investors do?** Indoco's share price has grown by ~1.4x over the past five years (from ~₹ 307 in July 2016 to ~₹ 449 levels in July 2021).

- We retain BUY rating on this stock.

**Target Price and Valuation:** We value Indoco at ₹ 575 i.e. 24x P/E on FY23E EPS

### Key triggers for future price performance:

- Restructuring exercise for improvement in MR productivity & therapy calibration is likely to yield productive growth in Indian formulations
- Clearance from UK-MHRA & lifting of USFDA warning letters for Goa plant II and III is likely to improve operating leverage for export formulations
- Indoco will benefit as domestic sales normalise while export formulations are likely to grow with a strong pipeline and visible launch schedule

**Alternate Stock Idea:** Apart from Indoco, in healthcare coverage we like Ajanta.

- It is mainly into domestic as well as exports formulations with focus on launching maximum number of first time launches
- BUY with a target price of ₹ 2695

### Key Financial Summary

Key Financials (₹ Crore)	FY19	FY20	FY21	5 year CAGR (FY16-21)	FY22E	FY23E	2 year CAGR (FY21-23E)
Revenues	968.5	1106.6	1241.5	4.3	1597.9	1816.8	21.0
EBITDA	76.7	123.2	224.3	5.0	331.9	385.1	31.0
EBITDA margins (%)	7.9%	11.1%	18.1%		20.8%	21.2%	
Adjusted PAT	-2.9	24.1	93.1	1.5	154.3	220.2	53.8
EPS (Adjusted)	-0.3	2.6	10.1		16.7	23.9	
PE (x)	-1429.8	172.0	44.6		26.9	18.8	
EV to EBITDA (x)	57.5	35.5	19.6		13.0	11.0	
RoNW (%)	-0.4	3.5	12.1		17.1	20.2	
RoCE (%)	0.9	4.6	11.8		19.4	21.8	



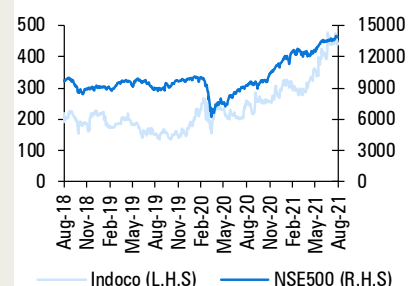
### Particulars

Particular	Amount
Market Cap	₹ 7582 crore
Debt (FY21)	₹ 610 crore
Cash (FY21)	₹ 37 crore
EV	₹ 8155 crore
52 week H/L (₹)	653/132
Equity capital	₹ 24.7 crore
Face value	₹ 2

### Shareholding pattern

(in %)	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Promoter	68.8	68.8	68.8	68.8	68.8
Others	31.2	31.2	31.2	31.2	31.2

### Price Chart



### Recent Event & Key risks

- Goa Plant – I USFDA inspection awaited
- Key Risk:** (i) CGMP regulatory concerns (ii) Competition in domestic power brands

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## Key takeaways of recent quarter & conference call highlights

### Q1FY22 Results: Robust performance continues

- Q1FY22 growth was led by strong growth in domestic markets due to traction for Covid portfolio during the pandemic's second wave. Revenues grew 40.2% YoY, 26.7%QoQ to ₹ 386.8 crore. Export formulations grew 60.5% YoY, 15.7% QoQ to ₹ 152.5 crore driven by strong growth in Regulated and Emerging markets. Domestic formulations grew 46.3% YoY, 54.5% QoQ to ₹ 215.1 crore due while API segment de-grew 50.6% YoY, 45.4% QoQ to ₹ 10.9 crore. EBITDA margins expanded 107 bps YoY, 29 bps QoQ to 22.5% on account of lower employee expenses. Subsequent EBITDA grew 78.6% YoY, 58.8% QoQ to ₹ 86.9 crore. PAT for the quarter came in at ₹ 39.7 crore, up 132.7% YoY, 58.6% QoQ
- After going through rough patches in FY18-20, where Indoco faced headwinds on the domestic front (structural issues, pandemic) and exports front (regulatory setbacks), the situation is returning to normalcy. Indoco is expected to post strong FY22 topline growth as domestic sales normalise and grow amid opportunities arising out of post-Covid complications. Export formulations are also expected to post a robust growth on the back of strong pipeline and visible launch schedule. Additionally, the management expects 80-90 bps margin improvement in FY22 to ~19%. With better visibility, we expect the company to maintain consistency and generate strong FCF

### Q1FY22 Earnings Conference Call highlights

- Domestic:** Indoco is ranked 29th (21st by prescription) by value with a market share of 0.66%
- Revenue growth was driven by traction in anti-infective & respiratory segment
- Indoco launched two new products in Q1: Naricover lozenges (respiratory) & Methycal 60K (VMN)
- Karvol+ (nasal decongestant) & ATM (Azithromycin) posted strong growth due to tailwinds in April and May due to Covid. Indoco is now third largest player in Azithromycin in India
- Indoco is now ranked eighth in the domestic ophthalmology segment
- International Formulations:** Major growth in US was driven by Brinzolamide, which is supplied to Teva and Indoco derives profit share based on sales
- The company has 16 products in the US: four solid dosages, 10 injectable, two ophthalmic suspension
- Management is planning six filings in the US & Europe in FY22
- One ophthalmic product is planned for launch in April, 2022 (three to four players on day 1) with estimated market size of US\$500 million and another sustained release product launch in November, 2022
- In the next two to three years, 13 ophthalmic products are planned for approval; all pending approvals for this duration have an estimated market size of ~ US\$4.6 billion
- From Teva's legacy portfolio, two products will be launched in November/December and another two in April, 2022
- UK sales were driven by demand for Analgesics while AOK Germany tender also contributed to Europe revenues
- Management guided for visible order pipeline for next three to four months in Europe
- API:** External sales de-grew on account of 63% captive consumption

- The management guided for strong performance in APIs after two quarters
- Patalganga running at 60% capacity utilisation
- Gross margin increased in Q1FY22 mainly due to product mix in Indian business
- The management is confident of maintaining EBITDA margins, going forward (earlier guidance of 20% for FY22)
- Total 60% of promotional cost have come back and travel cost is also bound to increase soon
- R&D expenses have increased and will continue for the next two to three quarters due to work on product pipeline in US & EU (complex injectable, ophthalmic suspension, sustained release)
- The company has appointed a chief marketing officer in India to drive growth and increase market share
- The management is confident of achieving earlier guidance of ₹ 850 crore India business in FY22
- Cash flow before capex for Q1: ₹ 65-70 crore
- Q1 capex - ₹ 21 crore; estimated FY22 capex - ₹ 75-80 crore
- Indoco is currently in full tax credit regime and will utilise all MAT credit this year and move to new tax regime of 25% tax rate from FY23. (For FY22: Tax rate – 35%, half of it to come from MAT credit)

**Exhibit 1: Variance Analysis**

	Q1FY22	Q1FY21	Q4FY21	YoY (%)	QoQ (%)	Comments
Revenue	386.8	275.9	305.1	40.2	26.7	Growth driven by lower base and strong growth across geographies
Raw Material Expense	110.3	81.6	87.9	35.2	25.5	
Gross margins (%)	71.5	70.4	71.2	107 bps	29 bps	
Employee Expenses	75.0	65.8	60.2	13.9	24.6	
Other Expenditure	98.0	69.5	85.9	41.1	14.1	
R&D	16.5	10.3	16.4	61.1	0.7	
EBITDA	86.9	48.7	54.7	78.6	58.8	
EBITDA (%)	22.5	17.6	17.9	483 bps	454 bps	Improvement mainly due to operational leverage and 107 bps improvement in gross margins
Interest	4.2	5.8	4.6	-26.3	-7.6	
Depreciation	22.2	19.1	18.6	16.2	19.8	
Other Income	0.9	0.3	2.0	230.8	-56.6	
PBT before EO & Forex	61.3	24.0	33.6	155.1	82.6	
Forex & EO	0.0	0.0	0.0	0.0	0.0	
PBT	61.3	24.0	33.6	155.1	82.6	
Tax	21.6	7.0	8.6	209.4	152.7	
Net Profit	39.7	17.0	25.0	132.7	58.6	YoY growth mainly due to strong operational performance and lower interest cost
<b>Key Metrics</b>						
Domestic Formulations	215.1	147.0	139.2	46.3	54.5	YoY growth mainly due to robust growth in anti-infective and respiratory sales largely driven by Covid products
Export formulations	152.5	95.0	131.8	60.5	15.7	YoY growth mainly due to sharp growth across geographies amid lower base
APIs	10.9	22.0	19.9	-50.6	-45.4	Decline mainly due to higher captive consumption

Source: Company, ICICI Direct Research

**Exhibit 2: Change in estimates**

	FY22E			FY23E			Comments
(₹ Crore)	Old	New	% Change	Old	New	% Change	
Revenue	1,627.7	1,597.9	-1.8	1,873.3	1,816.8	-3.0	
EBITDA	299.8	331.9	10.7	349.6	385.1	10.2	
EBITDA Margin (%)	18.4	20.8	235 bps	18.7	21.2	254 bps	Changed mainly due to better than expected margins in Q1FY22
PAT	144.0	154.3	7.2	180.3	220.2	22.1	Changed mainly in sync with operational performance and decline in tax rate
EPS (₹)	15.6	16.7	7.4	19.6	23.9	21.9	

Source: ICICI Direct Research

**Exhibit 3: Assumptions**

	Current				Earlier		Comments
(₹ crore)	FY20	FY21	FY22E	FY23E	FY22E	FY23E	
Domestic Formulations	686.2	618.2	780.5	848.3	803.6	900.1	Changed as per management guidance
US Formulations	56.8	148.3	241.4	301.7	247.9	309.8	Changed as per management guidance
Export Formulations(Ex US)	296.3	491.9	696.2	836.7	675.7	813.0	
APIs	86.0	93.8	85.6	94.1	112.5	123.8	Changed as per management guidance

Source: ICICI Direct Research

**Exhibit 4: Financial Summary**

	Revenues	Growth	Adj. EPS	Growth	P/E	EV/EBITDA	RoE	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY20	1107	14.3	2.6	NA	172.0	35.5	3.5	4.6
FY21	1242	12.2	10.1	285.9	44.6	19.6	12.1	11.8
FY22E	1598	28.7	16.7	65.9	26.9	13.0	17.1	19.4
FY23E	1817	13.7	23.9	42.7	18.8	11.0	20.2	21.8

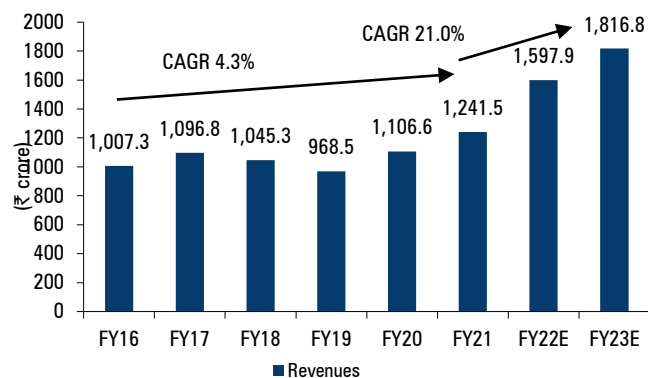
Source: ICICI Direct Research

**Exhibit 5: Trends in Quarterly Performance**

(₹ Crore)	1FY19	2FY19	3FY19	4FY19	1FY20	2FY20	3FY20	4FY20	1FY21	2FY21	3FY21	4FY21	1FY22	YoY (%)	QoQ (%)
Net Sales	212.5	235.9	248.0	245.0	247.2	286.2	283.5	263.1	266.8	323.1	333.7	295.1	381.4	43.0	29.3
Other Operating Income	5.0	-0.3	14.6	7.1	5.5	6.4	5.9	8.9	9.1	5.2	-1.4	10.0	5.3	-41.3	-47.0
Revenues	217.5	235.6	262.6	252.1	252.7	292.6	289.4	272.0	275.9	328.2	332.3	305.1	386.8	40.2	26.7
Raw Material Expenses	71.3	79.6	88.2	81.1	85.6	89.6	82.8	72.4	81.6	90.2	94.4	87.9	110.3	35.2	25.5
% of Revenues	32.8	33.8	33.6	32.2	33.9	30.6	28.6	26.6	29.6	27.5	28.4	28.8	28.5	-107 bps	-29 bps
Gross Profit	146.2	156.0	174.3	170.9	167.1	203.0	206.5	199.6	194.2	238.0	237.9	217.2	276.4	42.3	27.3
Gross Profit Margin (%)	67.2	66.2	66.4	67.8	66.1	69.4	71.4	73.4	70.4	72.5	71.6	71.2	71.5	107 bps	29 bps
Employee Expenses	56.1	58.5	58.9	58.1	60.9	64.1	68.2	63.2	65.8	75.2	72.9	60.2	75.0	13.9	24.6
% of Revenues	25.8	24.8	22.4	23.0	24.1	21.9	23.6	23.2	23.9	22.9	21.9	19.7	19.4	-448 bps	-33 bps
Research & Development	13.2	12.8	12.4	13.1	11.1	11.6	12.9	14.0	10.3	15.7	17.4	16.4	16.5	61.1	0.7
% of Revenues	6.1	5.4	4.7	5.2	4.4	4.0	4.5	5.2	3.7	4.8	5.2	5.4	4.3	55 bps	-111 bps
Other Manufacturing Expenses	65.4	73.0	78.2	71.3	72.6	94.6	90.5	89.0	69.5	86.5	87.5	85.9	98.0	41.1	14.1
% of Revenues	30.0	31.0	29.8	28.3	28.7	32.3	31.3	32.7	25.2	26.4	26.3	28.2	25.3	15 bps	-280 bps
Total Expenditure	206.0	223.8	237.8	223.7	230.3	259.9	254.5	238.7	227.2	267.5	272.1	250.4	299.9	32.0	19.7
% of Revenues	94.7	95.0	90.6	88.7	91.1	88.8	87.9	87.8	82.4	81.5	81.9	82.1	77.5	-483 bps	-454 bps
EBITDA	11.6	11.8	24.8	28.4	22.4	32.6	34.9	33.3	48.7	60.7	60.2	54.7	86.9	78.6	58.8
EBITDA Margin (%)	5.3	5.0	9.4	11.3	8.9	11.2	12.1	12.2	17.6	18.5	18.1	17.9	22.5	483 bps	454 bps
Depreciation	16.7	17.7	17.7	19.5	17.0	18.0	17.6	18.2	19.1	18.6	16.9	18.6	22.2	16.2	19.8
Interest	7.2	5.0	3.7	4.6	6.1	5.4	6.9	7.8	5.8	5.9	6.0	4.6	4.2	-26.3	-7.6
Other Income	0.3	0.3	0.6	5.0	0.6	0.6	0.7	0.5	0.3	0.5	0.4	2.0	0.9	230.8	-56.6
PBT	-12.0	-10.5	3.9	9.3	-0.1	9.8	11.1	7.8	24.0	36.8	37.6	33.6	61.3	155.1	82.6
Total Tax	0.0	-2.7	-1.4	-2.2	-1.9	2.0	2.0	2.4	7.0	11.1	12.3	8.6	21.6	209.4	152.7
Tax Rate (%)	0.0	26.0	-36.9	-24.2	NA	20.3	17.8	30.9	29.1	30.3	32.6	25.5	35.3	620 bps	978 bps
Net Profit	-12.0	-7.8	5.3	11.5	1.8	7.8	9.1	5.4	17.0	25.7	25.4	25.0	39.7	132.7	58.6
PAT Margin (%)	-5.5	-3.3	2.0	4.6	0.7	2.7	3.1	2.0	6.2	7.8	7.6	8.2	10.3	408 bps	206 bps

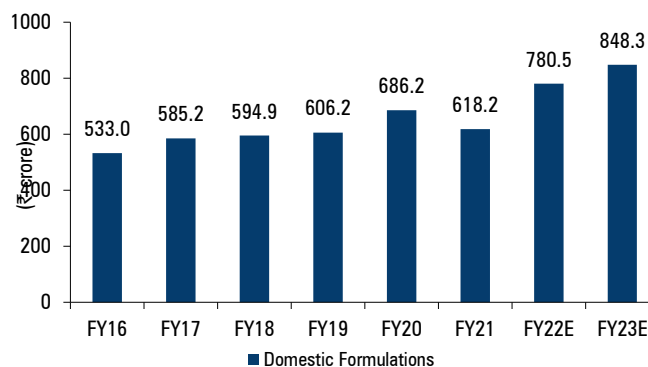
Source: ICICI Direct Research

**Exhibit 6: Revenues to grow at CAGR of 21% over FY21-23E**



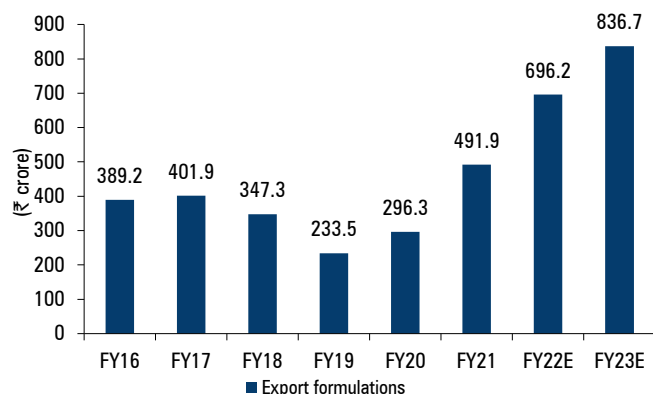
Source: ICICI Direct Research, Company

**Exhibit 7: Domestic formulation to grow 17% in FY21-23E**



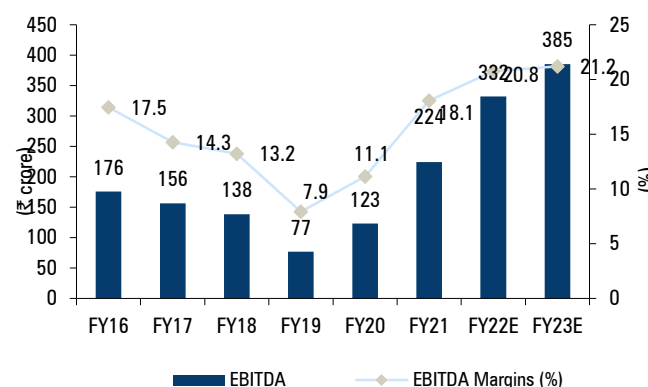
Source: ICICI Direct Research, Company

**Exhibit 8: Export formulations to grow 30% in FY21-23E**



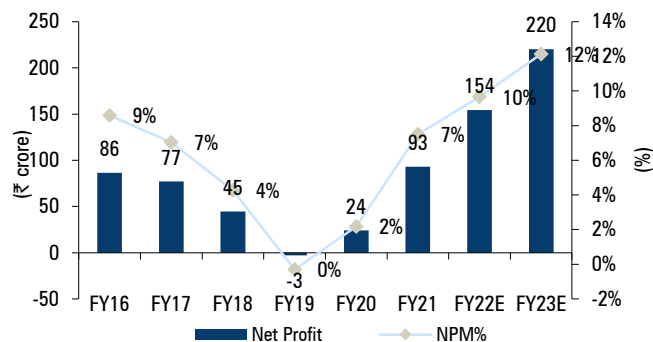
Source: ICICI Direct Research, Company

**Exhibit 9: EBTDA & EBITDA margins trend**



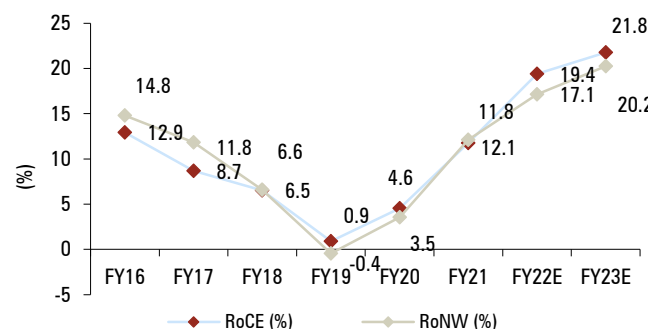
Source: ICICI Direct Research, Company

**Exhibit 10: PAT & PAT margins trend**



Source: ICICI Direct Research, Company

**Exhibit 11: Return ratios trend**



Source: ICICI Direct Research, Company

**Exhibit 12: ICICI Direct Coverage Universe (Healthcare)**

Company	I-Direct	CMP	TP Rating	M Cap	EPS (₹)				PE(x)				RoCE (%)				RoE (%)				
	Code	(₹)	(₹)		(₹ cr)	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E
Ajanta Pharma	AJAPHA	2254	2,695	Buy	19504	53.4	74.0	80.8	89.8	42.2	30.5	27.9	25.1	24.7	29.0	24.9	24.0	18.1	21.8	20.2	19.2
Alembic Pharma	ALEMPHA	762	885	Hold	14982	44.4	59.9	35.2	44.3	17.2	12.7	21.7	17.2	21.0	24.2	12.7	14.8	27.1	23.0	12.3	13.8
Apollo Hospitals	APOHOS	4025	3,870	Buy	57873	22.6	7.9	55.2	81.4	178.2	512.1	72.9	49.5	10.2	6.3	13.7	18.0	9.7	2.5	15.1	18.8
Aurobindo Pharma	AURPHA	857	1,165	Buy	50186	48.8	55.0	61.4	69.3	17.6	15.6	14.0	12.4	17.2	16.8	16.3	16.5	17.0	14.7	14.2	13.9
Biocon	BIOCON	373	400	Hold	44718	5.8	6.1	6.1	12.5	64.0	61.2	60.9	29.7	10.2	7.6	8.7	12.5	10.4	9.6	8.9	15.6
Cadila Healthcare	CADHEA	563	583	Hold	57637	14.0	21.5	20.8	22.0	40.3	26.2	27.0	25.6	10.7	12.6	13.1	12.9	13.8	16.9	12.6	12.1
Cipla	CIPLA	909	1,205	Buy	73267	19.2	29.9	35.5	41.6	47.3	30.4	25.6	21.8	12.0	16.3	17.9	18.4	9.8	13.1	14.0	14.5
Divi's Lab	DIVLAB	4911	5,815	Buy	130378	51.9	74.7	94.7	116.3	94.7	65.7	51.9	42.2	23.9	27.6	28.8	29.2	18.8	21.3	22.5	23.0
Dr Reddy's Labs	DRREDD	4750	5,250	Hold	79014	121.8	117.3	126.8	197.3	39.0	40.5	37.5	24.1	9.6	13.1	12.9	16.5	13.0	11.1	10.8	14.7
Glenmark Pharma	GLEPHA	578	750	Buy	16321	26.4	32.9	42.1	50.1	21.9	17.6	13.7	11.5	12.7	13.7	15.5	16.5	12.2	13.1	14.5	14.8
Hikal	HIKCHE	647	590	Hold	7981	8.1	10.8	16.5	19.6	79.9	59.9	39.3	33.0	12.8	15.1	17.2	18.4	12.2	14.3	18.1	17.9
Ipca Laboratories	IPCLAB	2400	2,560	Buy	30444	47.6	89.9	88.2	102.4	50.5	26.7	27.2	23.4	17.6	27.1	22.2	21.5	16.6	24.2	19.3	18.4
Jubilant Pharmova	JUBLIF	672	850	Buy	10703	44.6	37.4	59.9	84.9	15.1	18.0	11.2	7.9	11.7	13.7	18.2	22.4	12.7	12.6	16.9	19.5
Lupin	LUPIN	1050	1,160	Hold	47660	-12.7	26.9	40.0	44.6	NA	39.1	26.2	23.6	9.7	9.0	12.6	13.2	-4.6	8.8	11.8	11.9
Narayana Hrudalaya	NARHRU	511	620	Buy	10434	6.4	-0.7	12.3	15.6	80.4	NA	41.4	32.8	11.0	1.2	14.5	16.8	11.4	-1.3	18.6	19.3
Natco Pharma	NATPHA	1009	1,010	Hold	18398	25.3	24.2	19.5	23.3	39.9	41.7	51.7	43.3	14.0	13.1	10.1	11.2	12.2	10.7	8.1	9.1
Sun Pharma	SUNPHA	779	800	Hold	186968	16.8	30.0	25.1	28.6	46.4	25.9	31.0	27.3	10.0	14.4	15.1	15.3	8.9	15.5	12.0	12.2
Syngene Int.	SYNINT	629	780	Buy	25140	10.3	10.1	11.0	15.6	61.0	62.1	57.0	40.4	14.5	11.5	13.1	16.6	16.8	13.5	13.6	16.1
Torrent Pharma	TORPHA	2899	3,250	Buy	49056	60.6	74.0	78.5	101.5	47.9	39.2	36.9	28.5	15.4	17.7	20.8	22.2	21.2	21.4	19.4	21.1
Shalby	SHALIM	186	130	Hold	2229	2.6	3.9	4.9	5.5	72.6	47.3	37.8	33.5	7.2	6.5	9.0	8.5	3.5	5.1	6.0	6.5
Aster DM	ASTDM	160	210	Buy	8217	5.7	3.0	10.5	13.7	28.0	54.0	15.3	11.6	7.2	5.4	9.1	10.6	8.7	4.4	13.4	15.0
Indoco Remedies	INDREM	450	575	Buy	3945	2.6	10.1	16.7	23.9	172.0	44.6	26.9	18.8	4.6	11.8	19.4	21.8	3.5	12.1	17.1	20.2
Caplin Point	CAPPOI	840	1,135	Buy	6756	28.4	32.0	40.8	47.4	29.6	26.2	20.6	17.7	26.5	25.4	26.1	25.6	22.7	20.4	21.1	20.0
Granules India	GRANUL	368	430	Buy	9741	12.4	22.2	23.6	28.7	29.6	16.6	15.6	12.8	15.2	24.0	23.4	24.2	16.7	25.3	21.5	21.0
Laurus Labs	LAULAB	703	785	Buy	34493	4.8	18.3	22.6	28.0	147.8	38.4	31.1	25.1	13.0	31.7	30.6	30.6	14.4	37.9	32.9	29.8
Advanced Enzymes	ADVENZ	382	480	Buy	4272	11.6	13.1	14.6	18.4	33.0	29.2	26.2	20.8	19.6	19.4	19.2	20.9	15.4	15.1	14.5	15.6

Source: ICICI Direct Research

## Financial Summary

Exhibit 13: Profit and loss statement ₹ crore				
(Year-end March)	FY20	FY21	FY22E	FY23E
<b>Revenues</b>	<b>1,106.6</b>	<b>1,241.5</b>	<b>1,597.9</b>	<b>1,816.8</b>
Growth (%)	14.3	12.2	28.7	13.7
Raw Material Expenses	330.4	354.1	455.5	508.7
Employee Expenses	256.5	274.0	309.8	354.3
Other Manufacturing Expenses	346.7	329.4	432.4	491.0
Total Operating Expenditure	983.4	1,017.3	1,266.0	1,431.6
<b>EBITDA</b>	<b>123.2</b>	<b>224.3</b>	<b>331.9</b>	<b>385.1</b>
Growth (%)	60.7	82.0	48.0	16.0
Interest	26.3	22.3	17.0	16.1
Depreciation	70.8	73.1	81.7	84.3
Other Income	2.4	3.1	4.5	10.9
PBT	28.6	132.0	237.7	295.6
Total Tax	4.5	39.0	83.4	75.4
<b>PAT</b>	<b>24.1</b>	<b>93.1</b>	<b>154.3</b>	<b>220.2</b>
Adjusted PAT	24.1	93.1	154.3	220.2
Growth (%)	NA	285.9	65.9	42.7
EPS	2.6	10.1	16.7	23.9
<b>EPS (Adjusted)</b>	<b>2.6</b>	<b>10.1</b>	<b>16.7</b>	<b>23.9</b>

Source: Company, ICICI Direct Research

Exhibit 14: Cash flow statement ₹ crore				
(Year-end March)	FY20	FY21	FY22E	FY23E
<b>Profit/(Loss) after taxation</b>	<b>24.8</b>	<b>112.3</b>	<b>154.3</b>	<b>220.2</b>
Add: Depreciation & Amortization	70.8	73.1	81.7	84.3
Net Increase in Current Assets	-27.7	-99.1	-149.0	-98.2
Net Increase in Current Liabilities	26.2	-40.8	132.6	39.7
Other	28.7	36.6	17.0	16.1
<b>CF from operating activities</b>	<b>122.8</b>	<b>82.2</b>	<b>236.5</b>	<b>262.2</b>
(Inc)/dec in Fixed Assets	-58.4	-76.7	-80.0	-80.0
(Inc)/dec in Investments	0.0	0.0	-30.0	-70.0
Others	1.1	0.7	-3.3	-3.8
<b>CF from investing activities</b>	<b>-57.2</b>	<b>-75.9</b>	<b>-113.3</b>	<b>-153.8</b>
Inc / (Dec) in Equity Capital	0.0	0.0	0.0	0.0
Proceeds/(Repayment) Loan	-38.3	-3.9	-50.0	-10.0
Others	-25.7	-26.0	-39.8	-48.8
<b>CF from financing activities</b>	<b>-64.0</b>	<b>-29.9</b>	<b>-89.8</b>	<b>-58.8</b>
Net Cash flow	1.7	-23.6	33.4	49.7
Opening Cash	36.3	37.9	14.3	47.7
Closing Cash	37.9	14.3	47.7	97.4
<b>Free Cash flow</b>	<b>64.5</b>	<b>5.6</b>	<b>156.5</b>	<b>182.2</b>

Source: Company, ICICI Direct Research

Exhibit 15: Balance Sheet ₹ crore				
(Year-end March)	FY20	FY21	FY22E	FY23E
Equity Capital	18.4	18.4	18.4	18.4
Reserve and Surplus	661.1	750.6	882.0	1,069.6
Total Shareholders fund	679.6	769.0	900.4	1,088.0
Total Debt	262.8	257.3	207.3	197.3
Deferred Tax Liability	0.0	0.0	0.0	0.0
Other Non Current Liabilities	12.8	14.4	15.2	15.9
Long term Provisions	23.3	27.8	29.2	30.6
<b>Source of Funds</b>	<b>978.5</b>	<b>1,068.5</b>	<b>1,152.1</b>	<b>1,331.9</b>
Gross Block - Fixed Assets	1,126.7	1,180.1	1,280.1	1,360.1
Accumulated Depreciation	537.0	610.1	691.9	776.1
Net Block	589.7	569.9	588.2	583.9
Capital WIP	50.7	68.1	48.1	48.1
Net Fixed Assets	640.4	638.0	636.3	632.0
Goodwill on Consolidation	0.1	0.1	0.1	0.1
Investments	0.0	0.0	30.0	100.0
Inventory	208.3	237.9	306.1	348.1
Cash	37.9	14.3	47.7	97.4
Debtors	210.1	233.8	300.9	342.2
Loans & Advances & Other CA	106.7	136.5	150.2	165.2
Total Current Assets	563.1	622.5	805.0	952.8
Creditors	165.6	113.2	239.1	271.9
Provisions & Other CL	127.5	133.3	140.0	147.0
Total Current Liabilities	293.1	246.5	379.1	418.8
Net Current Assets	270.0	376.0	425.9	533.9
LT L&A, Other Assets	32.1	35.0	38.5	42.4
Deferred Tax Assets	35.9	19.4	21.3	23.4
<b>Application of Funds</b>	<b>978.5</b>	<b>1,068.5</b>	<b>1,152.1</b>	<b>1,331.9</b>

Source: Company, ICICI Direct Research

Exhibit 16: Key ratios				
(Year-end March)	FY20	FY21	FY22E	FY23E
<b>Per share data (₹)</b>				
EPS	2.6	10.1	16.7	23.9
BV per share	73.7	83.4	97.7	118.1
Dividend per share	0.3	1.5	2.5	3.5
<b>Operating Ratios (%)</b>				
Gross margins	70.1	71.5	71.5	72.0
EBITDA margins	11.1	18.1	20.8	21.2
Net Profit margins	2.2	7.5	9.7	12.1
Inventory days	69	70	70	70
Debtor days	69	69	69	69
Creditor days	55	33	55	55
Asset Turnover	0.9	0.9	1.2	1.3
EBITDA conversion rate	99.7	36.7	71.3	68.1
<b>Return Ratios (%)</b>				
RoE	3.5	12.1	17.1	20.2
RoCE	4.6	11.8	19.4	21.8
RoIC	4.7	12.3	20.6	23.4
<b>Valuation Ratios (x)</b>				
P/E	172.0	44.6	26.9	18.8
EV / EBITDA	35.5	19.6	13.0	11.0
EV / Net Sales	4.0	3.5	2.7	2.3
Market Cap / Sales	3.7	3.3	2.6	2.3
Price to Book Value	6.1	5.4	4.6	3.8
<b>Solvency Ratios</b>				
Debt / Equity	0.4	0.3	0.2	0.2
Debt / EBITDA	2.1	1.1	0.6	0.5
Current Ratio	1.8	2.5	2.0	2.0

Source: Company, ICICI Direct Research



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