

## Muted Q3; launches in place for momentum pick-up

**About the stock:** Hester is one of India's leading animal healthcare companies & the second largest poultry vaccine manufacturer in the country. It has a strategic presence in 30+ countries with key markets being India, Nepal and Tanzania.

- It operates through four broad verticals: poultry vaccines, poultry health products, animal vaccines and animal health products
- Revenue segment wise: poultry healthcare:73%, animal healthcare: 19%, others:8%; by geography: domestic:81%, exports:10%, others:9%

**Q3FY22 Results:** Numbers were impacted by base effect.

- Sales were down 2.1% YoY to ₹ 55.7 crore
- EBITDA was at ₹ 15 crore, down 29% YoY with margins at 27%
- Adjusted PAT was at ₹ 8.5 crore (down 31.3% YoY). [Base of Q3FY21 had ₹ 3.3 crore of license fee income]

**What should investors do?** Hester's share price has grown by ~3.3x over the past five years (from ~₹ 760 in January 2017 to ~₹ 2509 levels in January 2022).

- We change our recommendation from BUY to HOLD on the back of rich valuations even as we focus on future launches and execution

**Target Price and Valuation:** We value Hester at ₹ 2780 (base business at ₹ 2712 i.e. 38x FY24E EPS of ₹ 71.4 + NPV of ₹ 67.8 for Covaxin DS opportunity).

**Key triggers for future price performance:**

- Opportunities in animal vaccines such as classical swine fever, lumpy skin disease (only player) and sheep pox (only player) in the domestic space along with additional revenue from PPR national tender
- Increased focus on health products & widening of portfolio with differentiated herbal line of products looks promising for growth prospects
- Traction from manufacturing from Tanzania facility, Hester Africa along with increase in bulk antigen capacity and fill finish line for animal vaccines
- Proposed maiden foray into pet care

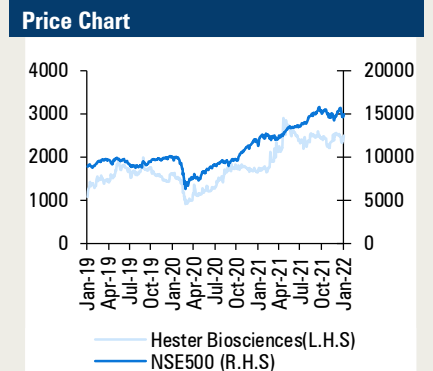
**Alternate Stock Idea:** Apart from Hester, in our healthcare coverage we like Indoco.

- Indoco manufactures and markets branded formulations and APIs for the domestic and export markets.
- BUY with target price of ₹ 575



Particulars	
Particular	Amount
Market Capitalisation	₹ 2130 crore
Debt (FY21)	₹ 155 crore
Cash (FY21)	₹ 38 crore
EV	₹ 2246 crore
52 week H/L (₹)	3180/1651
Equity capital	₹ 8.5 crore
Face value (₹)	₹ 10

Shareholding pattern					
(in %)	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
Promoter	53.7	53.7	53.7	53.7	53.7
Others	46.3	46.3	46.3	46.3	46.3



- Recent Event & Key risks**
- Acquired 50% stake in Thrishool Exim, Tanzania
  - **Key Risk:** (i) Prolonged logistical challenges in exports (ii) Faster ramp up of new launches

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### Key Financial Summary

Key Financials (₹ Crore)	FY20	FY21	5 year CAGR (FY16-21)	FY22E	FY23E	FY24E	3 year CAGR (FY21-24E)
Revenues	183.3	214.3	16.3	240.9	296.8	344.9	17.2
EBITDA	55.4	68.7	15.5	67.1	89.3	113.1	18.1
EBITDA margins(%)	30.2	32.0		27.9	30.1	32.8	
Adjusted Net Profit	29.2	37.8	14.5	40.1	44.2	60.7	17.2
EPS (₹)	34.3	44.4		47.2	52.0	71.4	
PE (x)	73.0	61.9		53.1	48.2	35.1	
EV to EBITDA (x)	40.3	32.2		33.5	25.1	19.5	
RoNW (%)	14.5	16.5		15.5	15.1	17.8	
RoCE (%)	14.0	16.2		12.8	14.3	17.3	

## Key takeaways of recent quarter & conference call highlights

### Q3FY22 Results: Below-par numbers, new products to trigger growth

- Revenue witnessed a 2.1% decline YoY to ₹ 55.7 crore on back of 5.9% YoY growth in poultry business to ₹ 41.9 crore being offset by 20.4% YoY decline in animal business to ₹ 13.8 crore. EBITDA margins declined 1023 bps YoY to 27%, mainly due to higher other expenditure. EBITDA declined 29% YoY to ₹ 15 crore. Subsequently, PAT was down 31.3% YoY to ₹ 8.5 crore [note: base of Q3FY21 had ₹ 3.3 crore of license fee income]
- Hester's animal business was impacted due to logistical challenges while poultry registered normal growth in Q3 amid no major outbreaks in poultry health. Going ahead, opportunities panning out from animal vaccines such as classical swine fever, lumpy skin disease (only player) and sheep pox (only player) in the domestic space besides increased focus on health products, growth prospects looks promising for Hester. The company is in the final stage of launching the pet division. However, this is a competitive space and we are watchful of the product and geographies launched. As the company strengthens its hold in the overall animal healthcare space, the next important aspect would be its progress in the human vaccines space (via maiden Covaxin adjuvant foray from its BSL-3 facility) in the long run

### Q3FY22 Earnings Conference Call highlights

- Revenues declined YoY as a result of high demand for poultry vaccines in Q3FY21 resulting in a higher base. Q3FY22 did not have any licence fees, which also impacted total sales
- Hester is on track to launch three vaccines viz. (i) Classic Swine Fever (ii) Lumpy skin disease (iii) sheep pox vaccine in Q1FY23
- Hester has secured a Gol tender for PPR vaccines where they will be supplying around 20 crore doses over the next two years. The same would result in addition of sales by 20-25%
- The company is all set to launch the modified Inactivated Coryza vaccine (an advanced version of the conventional Coryza Vaccine from the existing poultry vaccine portfolio) by the end of Q4FY22
- The company's outlook is to grow faster in animal health segment compared to vaccine segment
- Hester has undertaken two projects, one for the increase of capacity for bulk antigen and second for the finished vaccine.
- The company is set to launch a division where they would be starting off with the business of pharma products for the pets and gradually move towards vaccines as well. The first product is expected to launch in Q4FY22 and the contemplates to make it fully operational by Q3FY23.
- Hester's BSL-3 facility for Covaxin drug substance is likely to be completed by Q4FY22
- African business breakeven to be reached at 20-25% capacity utilization
- Revenue from Nepal, Texas and Tanzania is ₹ 7 crore, ₹ 20 crore and ₹ 2 crore, respectively. In contrast, profit from Nepal, Texas and Tanzania is loss of ₹ 80 lakh, profit of ₹ 1 crore and loss of ₹ 11 lakh, respectively

**Exhibit 1: Variance Analysis**

	Q3FY22	Q3FY21	Q2FY22	YoY (%)	QoQ (%)	Comments
Revenue	55.7	56.9	62.7	-2.1	-11.1	YoY decline due to ₹ 3.3 crores of license fee income in base of Q3FY21
Raw Material Expenses	13.3	13.7	16.2	-2.7	-17.6	
Gross Margin (%)	76.1	76.0	74.2	14.4	188.1	Increase amid change in product mix
Employee Expenses	10.7	10.8	11.1	-1.2	-4.1	
Other Expenditure	16.7	11.2	17.8	48.4	-6.4	
EBITDA	15.0	21.2	17.6	-29.0	-14.4	
EBITDA (%)	27.0	37.2	28.0	-1,023.1	-102.9	YoY decline amid higher other expenditure and lower base in Q3FY21 due to Covid restrictions
Interest	1.0	1.5	0.7	-36.8	29.6	
Depreciation	5.2	3.3	3.1	58.3	69.5	
Other Income	2.8	1.3	1.4	118.5	95.0	
PBT before EO & Forex	11.7	17.7	15.2	-33.9	-23.1	
Forex & EO	0.0	0.0	0.0			
PBT	11.7	17.7	15.2	-33.9	-23.1	
Tax	3.3	4.8	4.1	-30.2	-17.6	
PAT before MI	8.3	12.9	11.1	-35.3	-25.1	
MI	-0.2	0.5	0.5			
Adjusted Net Profit	8.5	12.3	10.6	-31.3	-20.1	
<b>Key Metrics</b>						
Poultry Healthcare	41.9	39.6	45.5	5.9	-7.8	YoY steady amid no major outbreaks in poultry health and high base
Animal Healthcare	13.8	17.3	17.2	-20.4	-20.0	YoY decline was due to logistic challenges

Source: Company, ICICI Direct Research

**Exhibit 2: Change in estimates**

(₹ Crore)	FY22E		FY23E		FY24E		Comments
	Old	New % Change	Old	New % Change	Introduced		
Revenue	262.1	240.9	-8.1	298.2	296.8	-0.5	344.9 FY24 to see traction from multiple launches scheduled going ahead
EBITDA	74.1	67.1	-9.4	99.9	89.3	-10.6	113.1
EBITDA Margin (%)	28.3	27.9	-40 bps	33.5	30.1	-340 bps	32.8 Changed mainly because of lower than expected Q3FY22
PAT	47.8	40.1	-16.0	58.6	44.2	-24.6	60.7
EPS (₹)	56.1	47.2	-16.0	68.9	52.0	-24.6	71.4

Source: ICICI Direct Research

**Exhibit 3: Assumptions**

(₹ crore)	Current				Earlier			Comments
	FY20	FY21	FY22E	FY23E	FY24E	FY22E	FY23E	
Poultry Healthcare	120.3	156.5	179.6	213.8	239.5	193.0	212.3	
Animal Healthcare	47.3	50.5	61.3	83.0	105.4	58.0	81.2	Changed on back of Hester getting PPR national tender

Source: ICICI Direct Research

Exhibit 4: Trends in Quarterly Performance

(₹ crore)	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	YoY (%)	QoQ (%)
Total Operating Income	45.7	49.8	44.8	44.2	50.7	43.6	39.9	53.4	56.9	64.2	60.2	62.7	55.7	-2.1	-11.1
Raw Material Expenses	7.1	11.1	5.6	5.6	5.7	2.9	5.0	15.2	13.7	17.7	17.9	16.2	13.3	-2.7	-17.6
% of Revenue	15.6	22.3	12.5	12.6	11.2	6.5	12.4	28.5	24.0	27.5	29.7	25.8	23.9	-14 bps	-188 bps
Gross Profit	38.6	38.6	39.2	38.6	45.0	40.8	34.9	38.2	43.2	46.5	42.3	46.5	42.4	-1.9	-8.9
Gross Profit Margin (%)	84.4	77.7	87.5	87.4	88.8	93.5	87.6	71.5	76.0	72.5	70.3	74.2	76.1	14 bps	188 bps
Employee Expenses	7.3	8.1	8.6	9.4	10.3	12.4	8.6	8.4	10.8	11.1	11.3	11.1	10.7	-1.2	-4.1
% of Revenue	16.0	16.4	19.3	21.2	20.3	28.5	21.5	15.8	19.0	17.4	18.8	17.7	19.1	18 bps	140 bps
Other Expenditure	11.1	12.8	13.0	18.2	14.0	21.2	14.4	14.0	11.2	15.6	14.0	17.8	16.7	48.4	-6.4
% of Revenue	24.3	25.7	29.0	41.2	27.7	48.5	36.2	26.2	19.8	24.3	23.2	28.5	30.0	1020 bps	151 bps
Total Expenditure	25.5	32.0	27.2	33.1	30.0	36.4	28.0	37.6	35.7	44.4	43.1	45.1	40.7	13.8	-9.9
% of Revenue	55.8	64.4	60.7	75.0	59.2	83.5	70.1	70.4	62.8	69.2	71.6	72.0	73.0	1023 bps	103 bps
EBITDA	20.2	17.7	17.6	11.1	20.7	7.2	11.9	15.8	21.2	19.8	17.1	17.6	15.0	-29.0	-14.4
EBITDA Margin (%)	44.2	35.6	39.3	25.0	40.8	16.5	29.9	29.6	37.2	30.8	28.4	28.0	27.0	-1023 bps	-103 bps
Other Income	0.3	5.7	0.6	0.7	0.3	4.8	0.7	0.2	1.3	2.5	2.3	1.4	2.8	118.5	95.0
Interest	1.1	2.1	1.9	1.4	2.6	2.5	1.5	2.1	1.5	1.4	0.9	0.7	1.0	-36.8	29.6
Depreciation	2.7	3.6	3.2	3.2	3.4	3.2	3.2	3.2	3.3	3.6	3.2	3.1	5.2	58.3	69.5
PBT	16.7	17.7	13.0	7.1	15.0	6.2	7.9	10.7	17.7	17.2	15.3	15.2	11.7	-33.9	-23.1
Total Tax	4.3	3.6	4.9	0.9	3.0	1.5	2.8	4.0	4.8	3.8	4.3	4.1	3.3	-30.2	-17.6
Tax rate (%)	25.5	20.5	37.9	12.7	20.1	23.7	35.9	37.5	27.1	21.9	28.1	26.7	28.7	153 bps	192 bps
PAT	12.8	13.2	8.4	6.5	11.5	2.7	5.7	6.7	12.3	9.7	12.5	10.6	8.5	-31.3	-20.1
PAT Margin (%)	28.0	26.5	18.7	14.8	22.7	6.3	14.3	12.5	21.7	15.1	20.8	17.0	15.2		
EPS (₹)	15.0	15.5	9.9	7.7	13.5	3.2	6.7	7.9	14.5	11.4	14.7	12.5	10.0		

Source: ICICI Direct Research

Exhibit 5: 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
<b>Hospitals</b>																					
Apollo Hospitals	APOHOS	4511	5,930	Buy	64861	22.6	7.9	72.9	99.4	199.8	573.9	61.9	45.4	10.2	6.3	18.1	21.7	9.7	2.5	18.6	20.9
Narayana Hrudalaya	NARHRU	646	650	Buy	13203	6.4	-0.7	16.4	18.3	101.7	NA	39.5	35.3	11.0	1.2	17.5	18.4	11.4	-1.3	23.3	20.9
Shalby	SHALIM	143	170	Hold	1542	2.6	3.9	4.3	5.7	55.9	36.4	32.8	25.2	7.2	6.5	8.9	8.8	3.5	5.1	5.4	6.7
Aster DM	ASTDM	188	250	Buy	9386	5.7	3.0	10.6	17.2	32.9	63.5	17.8	11.0	7.2	5.4	8.7	12.1	8.7	4.4	13.5	18.0
Healthcare Global	HEAGLO	248	240	Hold	3111	-12.0	-21.7	15.6	8.4	NA	NA	16.0	29.4	1.0	-0.9	7.6	10.4	NA	NA	NA	7.2
<b>MNC Pharma</b>																					
Abbott India	ABBIND	16126	20,360	Buy	34266	279.0	325.0	362.3	471.9	57.8	49.6	44.5	34.2	30.7	33.8	35.3	37.2	24.4	26.5	27.6	28.9
P&G Health	MERLIM	5073	6,555	Buy	8421	102.0	106.5	135.7	145.7	49.7	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	7548	9,800	Buy	17383	179.8	207.4	431.8	280.0	42.0	36.4	17.5	27.0	26.0	32.3	34.2	41.9	19.4	24.5	22.2	33.5
Pfizer	PFIZER	4526	6,020	Buy	20705	111.3	108.8	139.7	158.4	40.7	41.6	32.4	28.6	18.5	27.6	27.5	26.3	15.0	20.8	22.3	21.2
<b>Pharma</b>																					
Ajanta Pharma	AJAPHA	2178	2,605	Buy	18847	53.4	74.0	86.1	86.7	40.8	29.4	25.3	25.1	24.7	29.0	27.2	23.7	18.1	21.8	22.5	19.4
Alembic Pharma	ALEMPHA	762	790	Hold	14981	44.4	59.9	32.5	39.7	17.2	12.7	23.5	19.2	21.0	24.2	11.6	14.0	27.1	23.0	11.5	12.7
Aurobindo Pharma	AURPHA	657	795	Hold	38511	48.8	55.0	50.5	61.7	13.5	11.9	13.0	10.6	17.2	16.9	13.9	15.3	17.0	14.7	12.0	12.9
Biocon	BIOCON	376	410	Hold	45132	5.8	6.1	5.9	9.5	64.7	61.8	64.1	39.7	10.2	7.6	7.9	10.2	10.4	9.6	8.6	12.3
Cadila Healthcare	CADHEA	407	563	Hold	41646	14.0	21.5	22.1	22.8	29.1	18.9	18.4	17.9	10.7	12.6	13.8	14.0	13.8	16.9	15.4	14.1
Cipla	CIPLA	945	1,100	Buy	76227	19.2	29.9	37.1	40.3	49.2	31.6	25.5	23.5	12.0	16.3	18.8	18.3	9.8	13.1	14.5	14.0
Dr Reddy's Labs	DRREDD	4311	5,160	Buy	71720	121.7	117.3	163.6	192.9	35.4	36.8	26.3	22.3	9.6	13.1	16.1	18.8	13.0	11.1	13.6	14.1
Glenmark Pharma	GLEPHA	494	580	Hold	13948	26.4	32.9	37.7	43.7	18.7	15.0	13.1	11.3	12.7	13.9	15.3	15.9	12.2	13.1	12.5	12.7
Ipca Laboratories	IPCLAB	1037	1,245	Hold	26305	23.8	44.9	39.1	47.9	43.6	23.1	26.5	21.7	17.6	27.1	20.6	20.9	16.6	24.2	17.5	17.7
Jubilant Pharmova	JUBLIF	521	625	Hold	8298	44.6	37.4	44.0	62.6	11.7	13.9	11.8	8.3	11.7	13.7	14.9	18.1	12.7	12.6	13.0	15.7
Lupin	LUPIN	904	1,015	Hold	41047	-12.7	26.9	44.5	37.5	NA	33.7	20.3	24.1	9.7	9.1	8.1	12.8	-4.6	8.8	16.0	11.7
Natco Pharma	NATPHA	903	925	Hold	16456	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	892	1,075	Buy	214033	16.8	30.0	32.9	33.6	53.2	29.7	27.1	26.5	10.0	14.2	17.4	16.9	8.9	15.5	15.2	13.6
Torrent Pharma	TORPHA	2679	3,235	Hold	45335	60.6	74.0	70.4	95.6	44.2	36.2	38.1	28.0	15.4	17.7	18.8	21.2	21.2	21.4	17.7	20.3
Indoco Remedies	INDREM	401	575	Buy	3701	2.6	10.1	17.3	23.9	153.1	39.7	23.1	16.8	4.6	11.7	19.8	21.5	3.5	12.1	17.6	20.2
Caplin Point	CAPPOI	800	1,080	Buy	6049	28.4	32.0	38.3	45.0	28.1	25.0	20.9	17.8	26.5	25.4	25.1	24.8	22.7	20.4	20.1	19.4
Advanced Enzymes	ADVENZ	318	420	Buy	3552	11.6	13.1	13.0	16.1	27.5	24.3	24.4	19.8	19.6	19.4	16.8	18.3	15.4	15.1	13.2	14.1
Hester Biosciences	HESPHA	2503	2,780	Hold	2130	34.3	44.4	47.2	52.0	73.0	56.4	53.1	48.2	14.0	16.2	12.8	14.3	14.5	16.5	15.5	15.1
<b>API/CRAMS</b>																					
Divi's Lab	DIVLAB	4105	5,600	Buy	108970	51.9	74.7	91.6	111.0	79.2	54.9	44.8	37.0	23.9	27.6	27.9	28.4	18.8	21.3	22.0	22.3
Hikal	HIKCHE	423	640	Buy	5211	8.1	10.8	17.2	21.4	52.2	39.1	24.6	19.8	12.8	15.1	17.7	18.5	12.2	14.3	18.7	19.1
Syngene Int.	SYNINT	577	710	Buy	23076	10.3	10.1	9.4	13.1	56.0	57.0	61.2	44.1	14.5	11.5	12.4	14.9	16.8	13.5	12.8	14.2
Granules India	GRANUL	311	350	Hold	7696	12.4	22.2	15.0	23.3	25.0	14.0	20.7	13.3	15.2	24.0	16.1	21.7	16.7	25.3	14.8	18.9
Laurus Labs	LAULAB	524	625	Buy	28139	4.8	18.3	15.1	20.7	110.4	28.6	34.8	25.3	13.0	31.7	21.3	24.3	14.4	37.9	24.3	25.7
Suven Pharmaceuticals	SUVPH	539	600	Buy	13721	12.5	14.2	15.0	18.7	43.3	37.9	35.8	28.8	35.6	31.2	25.7	24.7	37.5	30.7	24.9	23.9

Source: ICICI Direct Research

## Financial Summary

Exhibit 6: Profit and loss statement		₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E	
<b>Revenues</b>	<b>214.3</b>	<b>240.9</b>	<b>296.8</b>	<b>344.9</b>	
Growth (%)	17.0	12.4	23.2	16.2	
Raw Material Expenses	51.5	62.1	69.5	78.4	
Employee Expenses	38.9	44.9	54.1	59.5	
Other Expenditure	55.3	66.7	83.8	94.0	
Total Operating Expenditure	145.7	173.8	207.5	231.8	
<b>EBITDA</b>	<b>68.7</b>	<b>67.1</b>	<b>89.3</b>	<b>113.1</b>	
Growth (%)	23.9	-2.2	33.1	26.6	
Interest	6.6	3.5	9.3	9.3	
Depreciation	13.3	16.6	22.1	23.3	
Other Income	4.7	7.8	3.0	3.4	
PBT before Exceptional Items	53.4	54.8	60.9	84.0	
Less: Forex & Exceptional Items	3.3	0.0	0.0	0.0	
PBT	50.1	54.8	60.9	84.0	
Total Tax	15.4	15.3	17.5	24.1	
<b>PAT</b>	<b>34.4</b>	<b>40.1</b>	<b>44.2</b>	<b>60.7</b>	
Adjusted PAT	37.8	40.1	44.2	60.7	
Growth (%)	29.4	6.3	10.2	37.3	
EPS	40.5	47.2	52.0	71.4	
<b>EPS (Adjusted)</b>	<b>44.4</b>	<b>47.2</b>	<b>52.0</b>	<b>71.4</b>	

Source: Company, ICICI Direct Research

Exhibit 7: Cash flow statement		₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E	
Profit/(Loss) after taxation	36.2	40.1	44.2	60.7	
Add: Depreciation & Amortization	13.3	16.6	22.1	23.3	
Add: Interest	4.0	3.5	9.3	9.3	
Net Increase in Current Assets	14.2	-12.1	-29.8	-25.9	
Net Increase in Current Liabilities	-15.0	-1.1	6.7	5.9	
<b>CF from operating activities</b>	<b>52.7</b>	<b>47.1</b>	<b>52.5</b>	<b>73.2</b>	
(Inc)/dec in Fixed Assets	-40.7	-70.0	-30.0	-20.0	
(Inc)/dec in Investments	0.0	0.0	0.0	0.0	
Other Investing Activities	-1.0	1.5	1.6	1.7	
<b>CF from investing activities</b>	<b>-41.7</b>	<b>-68.5</b>	<b>-28.4</b>	<b>-18.3</b>	
Proceeds from issues of Equity Shares	0.0	0.0	0.0	0.0	
Proceeds/(Repayment) Loan	-22.9	50.0	0.0	0.0	
(Payment) of Dividend and Dividend Tax	-5.6	-9.0	-10.0	-13.7	
Other Financing Activities	10.3	-3.5	-9.3	-9.3	
<b>CF from financing activities</b>	<b>-18.2</b>	<b>37.4</b>	<b>-19.2</b>	<b>-23.0</b>	
<b>Net Cash flow</b>	<b>-7.2</b>	<b>16.1</b>	<b>4.9</b>	<b>32.0</b>	
Opening Cash	23.5	21.7	37.8	42.6	
Closing Cash	16.4	37.8	42.6	74.6	
<b>FCF</b>	<b>12.0</b>	<b>-22.9</b>	<b>22.5</b>	<b>53.2</b>	
FCF Yield %	1%	-1%	1%	2%	

Source: Company, ICICI Direct Research

Exhibit 8: Balance Sheet		₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E	
Equity Capital	8.5	8.5	8.5	8.5	
Reserve and Surplus	219.8	250.9	285.1	332.2	
Total Shareholders funds	228.3	259.4	293.6	340.7	
Total Debt	104.5	154.5	154.5	154.5	
Deferred Tax Liability	7.3	7.6	8.0	8.4	
Minority Interest	7.7	8.0	8.4	8.9	
Other Non Current Liabilities	23.6	24.8	26.0	27.3	
<b>Source of Funds</b>	<b>371.4</b>	<b>454.4</b>	<b>490.6</b>	<b>539.8</b>	
Gross Block - Fixed Assets	228.2	348.2	368.2	388.2	
Accumulated Depreciation	95.4	112.0	134.1	157.4	
Net Block	132.8	236.2	234.1	230.8	
Capital WIP	109.0	59.0	69.0	69.0	
Net Fixed Assets	241.8	295.2	303.1	299.8	
Total Intangible Assets	0.0	0.0	0.0	0.0	
Investments	0.0	0.0	0.0	0.0	
Inventory	62.2	66.0	81.3	94.5	
Cash	21.7	37.8	42.6	74.6	
Debtors	49.2	56.1	69.1	80.3	
Loans & Advances & Other CA	28.4	29.8	31.3	32.8	
Total Current Assets	161.5	189.6	224.3	282.3	
Creditors	28.1	26.4	32.5	37.8	
Provisions & Other CL	11.6	12.2	12.8	13.4	
Total Current Liabilities	39.7	38.6	45.3	51.2	
Net Current Assets	121.8	151.0	179.0	231.0	
LT L&A, Other Assets	7.8	8.2	8.6	9.0	
Deferred Tax Assets	0.0	0.0	0.0	0.0	
<b>Application of Funds</b>	<b>371.4</b>	<b>454.4</b>	<b>490.7</b>	<b>539.8</b>	

Source: Company, ICICI Direct Research

Exhibit 9: Key ratios					
(Year-end March)	FY21	FY22E	FY23E	FY24E	
<b>Per share data (₹)</b>					
EPS	44.4	47.2	52.0	71.4	
Cash EPS	34.4	36.5	40.3	55.3	
BV	268.4	304.9	345.2	400.5	
DPS	10.0	10.6	11.7	16.1	
Cash Per Share	112.1	131.6	157.6	185.0	
<b>Operating Ratios (%)</b>					
Gross Profit Margins	76.0	74.2	76.6	77.3	
EBITDA margins	32.0	27.9	30.1	32.8	
Net Profit margins	17.6	16.7	14.9	17.6	
Inventory days	106.0	100.0	100.0	100.0	
Debtor days	83.8	85.0	85.0	85.0	
Creditor days	47.8	40.0	40.0	40.0	
Asset Turnover	0.9	0.7	0.8	0.9	
EBITDA conversion rate	76.8	70.1	58.7	64.8	
<b>Return Ratios (%)</b>					
RoE	16.5	15.5	15.1	17.8	
RoCE	16.2	12.8	14.3	17.3	
RoIC	23.0	14.1	17.7	22.7	
<b>Valuation Ratios (x)</b>					
P/E	61.9	53.1	48.2	35.1	
EV / EBITDA	32.2	33.5	25.1	19.5	
EV / Revenues	10.3	9.3	7.6	6.4	
Market Cap / Revenues	9.9	8.8	7.2	6.2	
Price to Book Value	9.3	8.2	7.3	6.3	
<b>Solvency Ratios</b>					
Debt / Equity	0.5	0.6	0.5	0.5	
Debt/EBITDA	1.5	2.3	1.7	1.4	
Current Ratio	3.5	3.9	4.0	4.1	

Source: Company, ICICI Direct Research

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