

Crop protection drives growth; tracking compliance...

About the stock: Hikal is predominantly a B2B player that provides intermediates and active ingredients to global pharmaceutical, animal health, crop protection and specialty chemical companies.

- Pharma and crop protection are 62% and 38% of operating revenues, respectively. The pharma business is currently divided in 50:50 ratio of APIs and CDMO. Animal health business accounts for 20-25% of CDMO business
- In crop protection, 69% revenues are derived from CDMO while remaining is from proprietary products, specialty chemicals & specialty biocides
- One of the largest suppliers of Gabapentin API (CNS) and in crop protection, one of the largest suppliers of Thiabendazole (TBZ)

Q3FY22 Results: Pharma remained flat while growth was driven by crop protection.

- Revenues were up 11.1% YoY to ₹ 514.5 crore
- EBITDA was at ₹ 92.9 crore, up 1.7% YoY with margins at 18.1%
- Consequent PAT was at ₹ 45.2 crore (up 12.2% YoY)

What should investors do? Hikal's share price has grown by ~2.5x over the past five years (from ~₹ 153 in Feb 2017 to ~₹ 389 levels in Feb 2022).

- Maintain BUY on account of 1) consistency in offtake for crop protection CDMO, 2) expected recovery in Pharma, 3) Visibility capex. **That said we continue to monitor developments on recent critical issues- 1) Surat (Gujrat) GIDC incident and 2) MPCB notice for Taloja.**

Target Price and Valuation: Valued at ₹ 500 i.e. 22x P/E on FY24E EPS of ₹ 22.6

Key triggers for future price performance:

- Capex progress in both pharma and crop protection
- Margin improvement on the back of several cost rationalisation & efficiency improvement measures undertaken during the pandemic
- The crop protection segment maintaining growth due to sustained product offerings and optimum capacity utilisation
- Received manufacturing license for the production of APIs at Panoli site, to resume post validations over the next quarters
- Raw material challenges expected to continue in the next few months

Alternate Stock Idea: Apart from Hikal, in our healthcare coverage we like Laurus.

- Laurus Labs operates in the segment of generic APIs & FDFs (formulations), custom synthesis and biotechnology
- BUY with target price of ₹ 625



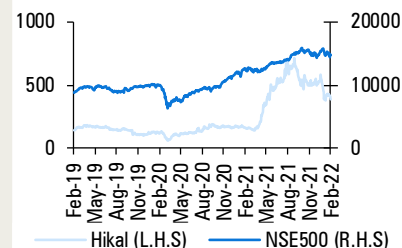
Particulars

Particular	Amount
Market Cap	₹ 4796 crore
Debt (FY21)	₹ 610 crore
Cash (FY21)	₹ 6 crore
EV	₹ 5401 crore
52 week H/L (₹)	742/143
Equity capital	₹ 24.7 crore
Face value	₹ 2

Shareholding pattern

(in %)	Dec-20	Mar-21	Jun-21	Sep-21	Dec-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

- MPCB notice for Taloja unit
- Key Risk:** (i) Less than expected margin expansion (ii) Legal challenges arising from Surat incident

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	1507.3	1720.4	13.2	1919.1	2189.8	2484.9	13.0
EBITDA	273.2	322.9	12.3	366.3	438.8	534.1	18.3
EBITDA Margins (%)	18.1	18.8		19.1	20.0	21.5	
Adjusted PAT	99.8	133.2	26.4	180.5	211.4	279.3	28.0
EPS (₹)	8.1	10.8		14.6	17.1	22.6	
PE (x)	48.0	36.0		26.6	22.7	17.2	
EV to EBITDA (x)	19.7	16.6		14.7	12.5	9.9	
Price to book (x)	5.9	5.1		4.4	3.8	3.2	
RoE (%)	12.2	14.3		16.7	16.8	18.8	
RoCE (%)	12.8	15.1		15.7	16.0	19.1	

Source: Company, ICICI Direct Research

Key takeaways of recent quarter & conference call highlights

Q3FY22 Results: Robust crop protection, pharma muted

- Revenues grew 11.1% YoY to ₹ 514.5 crore on the back strong growth in crop protection segment. Pharma was flat YoY at ₹ 268.2 crore in Q3FY22, whereas crop protection grew 26.8% YoY to ₹ 246.4 crore. EBITDA margins declined 165 bps YoY to 18.1% despite better gross margins due to higher employee and other expenditure. EBITDA grew a mere 1.7% YoY to ₹ 92.9 crore while net profit increased 12.2% YoY to ₹ 45.2 crore
- Quarterly revenues were almost in line with I-direct estimates except for segment traction wherein pharma remained flat with weaker margins while profitability was driven by crop protection. Pharma segment is more API heavy and remains muted as has been the trend this quarter while crop protection for Hikal is a CRAMS business and had good traction. Hikal continues to expand in both pharma, crop protection segments with separate focus and a calibrated approach. This bodes well in recent times when China + 1 strategy and government incentives are likely to create opportunities for Indian players both in APIs, crop protection CDMO. However, we keep tab on the compliance issues related to Hikal's facility.

Q3FY22 Earnings Conference Call highlights

- **Surat Incident:** The company informed about full cooperation with legal authorities and maintained their stance about variation in the tanker, which left the Taloja facility and the one which disposed chemical in Surat
- **MPCB Notice:** The management indicated at legal follow up. However, there will be some short term impact operationally due to Taloja plant shutdown.
- Revenue grew due to some growth in pharma own products and crop protection CDMO segment
- Pharmaceuticals growth was subdued due to Inventory correction by customers and slowdown in demand from US generics. The company is receiving CDMO inquiries on back of China+1 policy. Hikal has received orders for manufacturing of 2 KSM from Global Innovator
- In crop protection, Hikal has multiple enquiries in CDMO while also working on products for multipurpose facility. Estimated market for products in initial phase is ~ ₹ 100 crore while full potential at ~ ₹ 500 crore
- Volume growth is ~ 10% in both pharma and crop protection
- Long Term contracts in pharma at ~ 50% while in crop protection at ~ 65%
- Hikal has proposed to raise debt of ~ ₹ 375 crores from International Finance Corporation
- Capacity utilisation: 85%
- Asset turnover (optimum level) for new capacity to be at 1.5x

Exhibit 1: Variance Analysis

₹ crore	Q3FY22	Q3FY21	YoY (%)	Q2FY22	QoQ (%)	Comments
Revenue	514.5	463.3	11.1	469.1	9.7	YoY growth on the back strong growth in crop protection segment
Raw Material Expenses	261.8	246.8	6.1	232.1	12.8	
Gross Margins (%)	49.1	46.7	238 bps	50.5	-139 bps	YoY improvement amid higher product mix of crop protection
Employee Expenses	53.1	41.1	29.2	48.6	9.3	
Other Expenditure	106.7	84.1	26.9	97.5	9.5	
Operating Profit (EBITDA)	92.9	91.3	1.7	90.9	2.2	
EBITDA (%)	18.1	19.7	-165 bps	19.4	-132 bps	YoY decline due to higher employee and other expenditure
Interest	7.2	8.1	-10.8	8.0	-9.8	
Depreciation	24.7	21.8	13.2	24.2	2.0	
Other Income	0.6	0.5	9.6	0.9	-34.5	
PBT	61.6	62.0	-0.6	59.6	3.4	
Exceptional Items	0.0	0.0	NA	0.0	NA	
Tax	16.4	21.7	-24.3	15.6	5.6	
Tax Rate (%)	26.6	35.0	-23.9	26.1	2.2	
Reported PAT	45.2	40.3	12.2	44.1	2.6	
Adjusted PAT	45.2	40.3	12.2	44.1	2.6	YoY improvement amid strong operational performance coupled with a move to the new corporate tax regime and lower interest
EPS (₹)	3.7	3.3	12.2	3.6	2.6	
Key Metrics						
Pharma	268.2	269.0	-0.3	279.6	-4.1	Flat due to inventory destocking by customers
Crop Protection	246.4	194.3	26.8	189.5	30.0	Increased sales from existing as well as new products

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

	FY22E			FY23E			FY24E	Comments
(₹ Crore)	Old	New	Change	Old	New	Change	ntroduced	
Revenue	1,995.4	1,919.1	-3.8	2,311.9	2,189.8	-5.3	2,484.9	Changed mainly due to slower offtake for pharma
EBITDA	407.7	366.3	-10.1	503.6	438.8	-12.9	534.1	
EBITDA Margin (%)	20.4	19.1	-134 bps	21.8	20.0	-175 bps	21.5	Changed amid inflation in input cost and logistic cost
PAT	211.9	180.5	-14.8	263.4	211.4	-19.7	279.3	Changed mainly in sync with operational performance
EPS (₹)	17.2	14.6	-14.8	21.4	17.1	-19.7	22.6	

Source: ICICI Direct Research

Exhibit 3: Assumptions

	Current				Earlier			
(₹ crore)	FY20	FY21	FY22E	FY23E	FY24E	FY22E	FY23E	
Pharma	886.9	1,059.6	1,098.6	1,230.5	1,378.1	1,171.6	1,312.2	Changed mainly due to slower offtake amid inventory destocking
Crop Protection	620.4	660.8	813.1	937.7	1,082.2	812.1	974.6	

Source: ICICI Direct Research

Exhibit 4: Financial Summary

	Revenues		Growth	Adj. EPS	Growth	P/E	EV/EBITDA	RoE	RoCE
	(₹ crore)		(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY21	1720		14	10.8	33	36.0	16.6	14.3	15.1
FY22E	1919		11.5	14.6	35.5	26.6	14.7	16.7	15.7
FY23E	2190		14.1	17.1	17.1	22.7	12.5	16.8	16.0
FY24E	2485		13.5	22.6	32.1	17.2	9.9	18.8	19.1

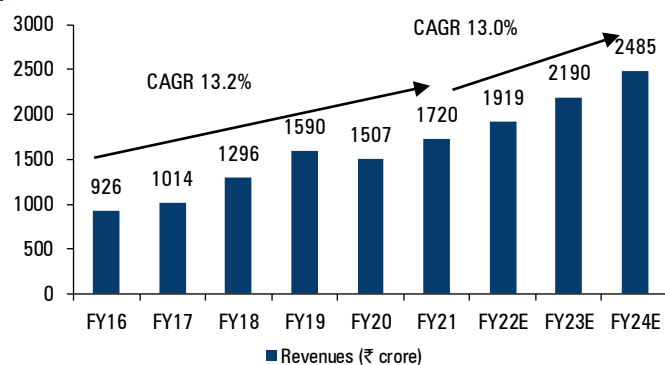
Source: ICICI Direct Research

Exhibit 5: Trends in Quarterly Performance

(₹ Crore)	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	YoY (%)	QoQ (%)
Total Operating Income	406.0	457.5	403.2	321.1	404.1	379.0	352.8	371.9	463.3	532.5	456.8	469.1	514.5	11.1	9.7
Raw Material Expenses	223.0	260.3	228.3	145.0	208.9	194.2	193.3	188.6	246.8	279.7	224.9	232.1	261.8	6.1	12.8
% of revenue	54.9	56.9	56.6	45.2	51.7	51.2	54.8	50.7	53.3	52.5	49.2	49.5	50.9		
Gross Profit	183.0	197.3	174.9	176.1	195.2	184.8	159.4	183.4	216.5	252.7	231.9	236.9	252.7	16.7	6.7
Gross Profit Margin (%)	45.1	43.1	43.4	54.8	48.3	48.8	45.2	49.3	46.7	47.5	50.8	50.5	49.1	238 bps	-139 bps
Employee Expenses	39.3	36.2	42.2	43.8	41.9	40.0	42.0	39.0	41.1	42.3	48.1	48.6	53.1	29.2	9.3
% of revenue	9.7	7.9	10.5	13.6	10.4	10.6	11.9	10.5	8.9	7.9	10.5	10.4	10.3		
Other Expenses	71.0	77.0	64.2	74.0	77.7	74.2	64.9	74.6	84.1	101.2	88.0	97.5	106.7	26.9	9.5
% of revenue	17.5	16.8	15.9	23.0	19.2	19.6	18.4	20.1	18.2	19.0	19.3	20.8	20.7		
Total Expenditure	333.4	373.5	334.7	262.7	328.4	308.4	300.2	302.2	372.0	423.2	361.0	378.2	421.6	13.3	11.5
% of revenue	82.1	81.6	83.0	81.8	81.3	81.4	85.1	81.2	80.3	79.5	79.0	80.6	81.9		
EBITDA	72.6	84.0	68.5	58.4	75.7	70.6	52.5	69.8	91.3	109.3	95.8	90.9	92.9	1.7	2.2
EBITDA Margins (%)	17.9	18.4	17.0	18.2	18.7	18.6	14.9	18.8	19.7	20.5	21.0	19.4	18.1	-165 bps	-132 bps
Depreciation	23.5	23.2	20.3	20.5	20.7	20.9	20.7	21.2	21.8	21.6	22.6	24.2	24.7	13.2	2.0
Interest	13.4	12.6	12.1	13.6	13.1	13.7	9.7	8.5	8.1	10.0	8.0	8.0	7.2	-10.8	-9.8
Other Income	0.5	0.1	0.7	0.8	0.5	1.7	0.6	1.0	0.5	2.9	3.2	0.9	0.6	9.6	-34.5
Forex & EO	0.0	0.0	0.0	-15.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
PBT	36.3	48.2	36.8	9.7	42.3	37.7	22.8	41.1	62.0	80.6	68.4	59.6	61.6	-0.6	3.4
Total Tax	12.6	14.8	11.6	3.3	14.0	13.3	7.8	14.1	21.7	29.7	17.9	15.6	16.4	-24.3	5.6
Tax rate (%)	34.7	30.8	31.5	34.3	33.0	35.1	34.2	34.3	35.0	36.8	26.1	26.1	26.6	-836.4	56.1
Adjusted PAT	23.7	33.3	25.2	21.8	28.4	24.5	15.0	27.0	40.3	50.9	50.5	44.1	45.2	12.2	2.6
EPS (₹)	1.9	2.7	2.0	1.8	2.3	2.0	1.2	2.2	3.3	4.1	4.1	3.6	3.7	12.2	2.6

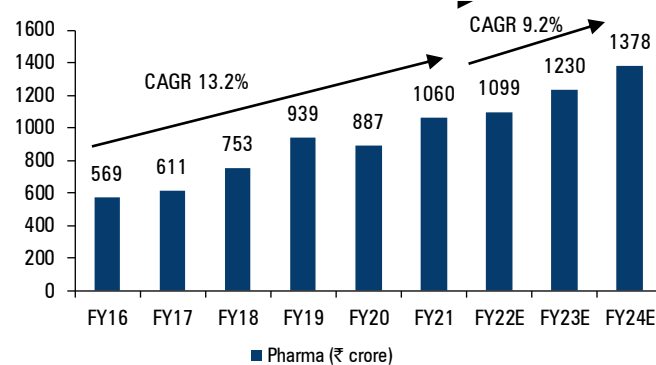
Source: ICICI Direct Research

Exhibit 6: Revenues to grow at 13% CAGR over FY21-24E



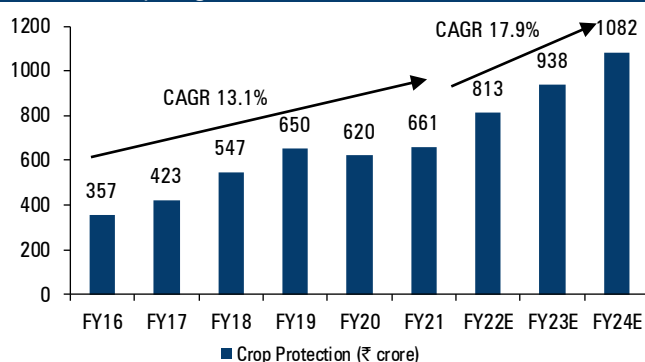
Source: ICICI Direct Research, Company

Exhibit 7: Pharma to grow at 9.2% CAGR over FY21-24E



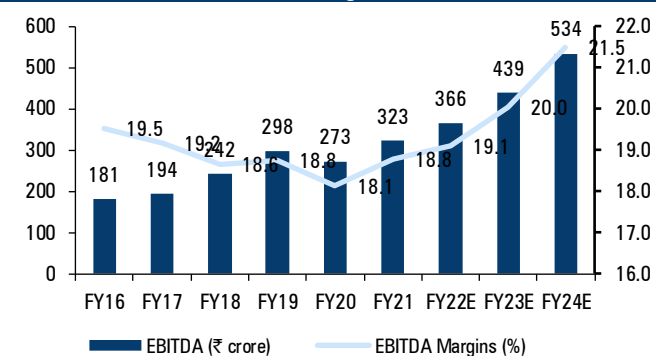
Source: ICICI Direct Research, Company

Exhibit 8: Crop to grow at 17.9% CAGR over FY21-24E



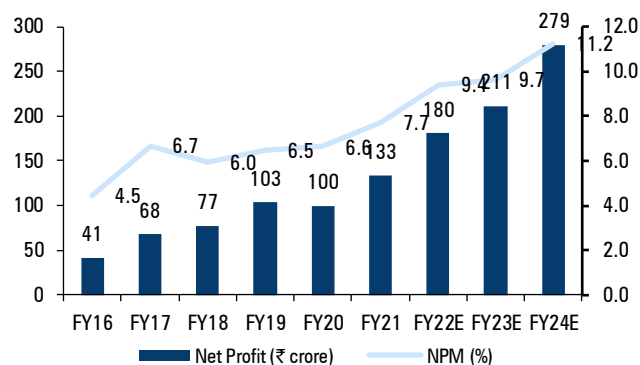
Source: ICICI Direct Research, Company

Exhibit 9: EBITDA & EBITDA margins trend



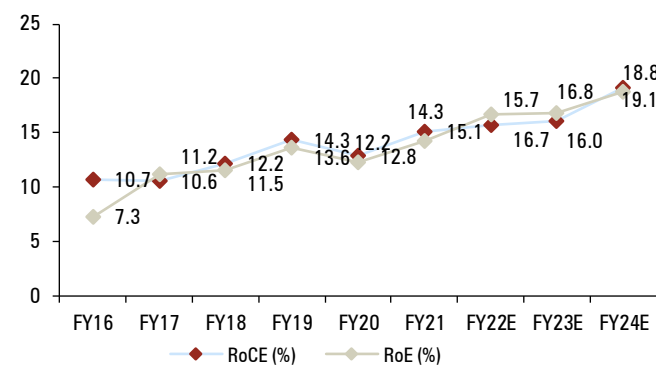
Source: ICICI Direct Research, Company

Exhibit 10: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 11: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 12: ICICI Direct Coverage Universe (Healthcare)

Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹ cr)	EPS (₹)				PE(x)				RoCE (%)				RoE (%)			
						FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E
Hospitals																					
Apollo Hospitals	APOHOS	4472	5,480	Buy	64294	7.9	66.6	80.7	104.4	568.9	67.2	55.4	42.8	6.3	16.3	18.1	20.6	2.5	17.3	18.0	19.7
Narayana Hrudalaya	NARHRU	656	765	Buy	13406	-0.7	-0.7	19.9	22.6	NA	NA	32.9	29.1	1.2	1.2	22.3	21.3	-1.3	-1.3	22.1	20.2
Shalby	SHALIM	136	170	Buy	1465	3.9	3.9	5.8	7.3	34.5	34.5	23.4	18.6	6.5	6.5	9.6	10.6	5.1	5.1	6.7	7.9
Aster DM	ASTDM	190	250	Buy	9471	3.0	3.0	17.5	NA	64.1	64.1	10.8	NA	5.4	9.2	12.8	NA	4.4	13.5	18.4	NA
Healthcare Global	HEAGLO	235	240	Hold	2945	-21.7	9.9	12.4	NA	NA	23.8	18.9	NA	-0.9	7.7	10.4	NA	NA	NA	10.7	NA
MNC Pharma																					
Abbott India	ABBIND	16379	19,840	Buy	34805	325.0	370.4	429.0	496.0	50.4	44.2	38.2	33.0	33.8	35.7	34.4	33.4	26.5	28.1	26.8	25.8
P&G Health	MERLIM	4676	5,365	Hold	7762	106.5	110.9	119.1	134.1	43.9	42.2	39.2	34.9	32.2	35.5	33.3	32.6	25.1	27.4	25.5	24.9
Sanofi India	SANOFI	7300	9,800	Buy	16812	179.8	207.4	431.8	280.0	40.6	35.2	16.9	26.1	26.0	32.3	34.2	41.9	19.4	24.5	22.2	33.5
Pfizer	PFIZER	4343	5,350	Buy	19868	108.8	135.2	133.0	148.6	39.9	32.1	32.6	29.2	27.6	27.4	23.6	22.9	20.8	21.7	18.6	18.1
Pharma																					
Ajanta Pharma	AJAPHA	1973	2,605	Buy	17071	74.0	86.1	86.7	100.1	26.7	22.9	22.7	19.7	29.0	27.2	23.7	23.5	21.8	22.5	19.4	19.2
Alembic Pharma	ALEMPHA	700	770	Hold	13763	59.9	34.4	34.9	38.6	11.7	20.4	20.1	18.1	24.2	12.3	12.3	12.6	23.0	12.1	11.2	11.4
Aurobindo Pharma	AURPHA	656	765	Hold	38426	55.0	55.0	55.6	63.6	11.9	11.9	11.8	10.3	16.9	16.9	14.7	15.6	14.7	14.7	11.8	12.0
Biocon	BIOCON	393	410	Hold	47148	6.1	6.1	9.5	13.7	64.6	64.6	41.4	28.6	7.6	7.6	10.2	13.0	9.6	9.6	12.3	15.4
Cadila Healthcare	CADHEA	377	475	Hold	38549	21.5	21.5	21.8	24.8	17.5	17.5	17.3	15.2	12.6	12.6	13.4	14.3	16.9	16.9	13.7	13.9
Cipla	CIPLA	909	1,100	Buy	73345	29.9	29.9	40.3	44.6	30.4	30.4	22.6	20.4	16.3	16.3	18.3	18.3	13.1	13.1	14.0	13.9
Dr Reddy's Labs	DRREDD	4321	5,160	Buy	71914	117.3	117.3	192.9	238.4	36.8	36.8	22.4	18.1	13.1	13.1	18.8	22.8	11.1	11.1	14.1	15.2
Glenmark Pharma	GLEPHA	470	550	Hold	13270	32.9	44.2	44.2	49.1	14.3	10.6	10.6	9.6	13.9	15.5	15.2	15.4	13.1	13.1	11.7	11.6
Ipca Laboratories	IPCLAB	980	1,175	Buy	24859	44.9	44.9	42.9	48.9	21.8	21.8	22.8	20.0	27.1	27.1	19.3	18.6	24.2	24.2	16.3	15.7
Jubilant Pharmova	JUBLIF	444	490	Hold	7068	37.4	28.7	32.5	40.8	11.9	15.5	13.6	10.9	13.7	10.1	10.4	12.2	12.6	8.9	9.2	10.4
Lupin	LUPIN	768	960	Hold	34871	26.9	26.9	30.2	40.0	28.6	28.6	25.4	19.2	9.1	9.1	10.5	12.8	8.8	8.8	9.6	11.4
Natco Pharma	NATPHA	871	955	Hold	15884	24.2	24.2	19.6	23.1	36.0	36.0	44.5	37.7	13.1	13.1	9.7	10.7	10.7	10.7	7.8	8.5
Sun Pharma	SUNPHA	863	1,075	Buy	207039	30.0	30.0	33.6	38.3	28.7	28.7	25.7	22.5	14.2	14.2	16.9	17.0	15.5	15.5	13.6	13.6
Torrent Pharma	TORPHA	2650	3,235	Hold	44847	74.0	74.0	95.6	115.5	35.8	35.8	27.7	23.0	17.7	17.7	21.2	23.5	21.4	21.4	20.3	20.7
Indoco Remedies	INDREM	380	510	Buy	3500	10.1	10.1	23.3	28.3	37.6	37.6	16.3	13.4	11.7	11.7	21.5	26.3	12.1	12.1	19.8	20.0
Caplin Point	CAPPOI	768	1,010	Buy	5820	81.7	76.7	55.5	60.4	9.4	10.0	13.9	12.7	25.6	24.1	23.5	0.0	20.4	20.5	18.8	18.3
Advanced Enzymes	ADVENZ	297	380	Buy	3321	13.1	11.3	13.6	15.8	22.7	26.4	21.9	18.8	19.4	15.4	16.7	17.2	15.1	11.6	12.4	12.7
Hester Biosciences	HESPHA	2460	2,780	Hold	2093	44.4	47.2	52.0	71.4	55.4	52.2	47.3	34.5	16.2	12.8	14.3	17.3	16.5	15.5	15.1	17.8
API/CRAMS																					
Divi's Lab	DIVLAB	4353	5,335	Buy	115569	74.7	74.7	108.9	127.1	58.2	58.2	40.0	34.3	27.6	27.6	27.6	27.5	21.3	21.3	21.7	21.6
Hikal	HIKCHE	387	500	Buy	4772	10.8	10.8	17.1	22.6	35.8	35.8	22.6	17.1	15.1	15.1	16.0	19.1	14.3	14.3	16.8	18.8
Syngene Int.	SYNINT	564	710	Buy	22595	10.1	10.1	13.1	17.8	55.7	55.7	43.0	31.7	11.5	11.5	14.9	17.9	13.5	13.5	14.2	16.2
Granules India	GRANUL	303	360	Buy	7513	22.2	16.2	19.4	25.8	13.7	18.7	15.6	11.8	24.0	16.2	17.4	20.2	25.3	15.8	16.1	17.8
Laurus Labs	LAULAB	553	625	Buy	29716	18.3	15.1	20.7	26.1	30.2	36.7	26.7	21.2	31.7	21.3	24.3	26.2	37.9	24.3	25.7	25.1
Suven Pharmaceuticals	SUVPH	551	555	Hold	14033	14.2	18.3	17.7	19.8	38.7	30.2	31.2	27.8	31.2	35.0	28.7	26.6	30.7	29.6	23.2	21.3

Source: ICICI Direct Research

Financial Summary

Exhibit 13: Profit and loss statement ₹ crore				
(Year-end March)	FY21	FY22E	FY23E	FY24E
Revenues	1,720.4	1,919.1	2,189.8	2,484.9
Growth (%)	14.1	11.5	14.1	13.5
Raw Material Expenses	908.4	962.4	1,091.9	1,224.0
Employee Expenses	164.3	200.0	221.5	242.3
Other Manufacturing Expenses	324.9	390.4	437.7	484.6
Total Operating Expenditure	1,397.6	1,552.8	1,751.0	1,950.8
EBITDA	322.9	366.3	438.8	534.1
Growth (%)	18.2	13.5	19.8	21.7
Interest	36.2	30.3	34.3	29.3
Depreciation	85.2	96.1	122.9	131.6
Other Income	5.0	5.2	6.6	7.5
PBT before Exceptional Items	206.4	245.0	288.2	380.7
Less: Forex & Exceptional Items	0.0	0.0	0.0	0.0
PBT	206.4	245.0	288.2	380.7
Total Tax	73.3	64.6	76.8	101.4
PAT before MI	133.2	180.5	211.4	279.3
Minority Interest	0.0	0.0	0.0	0.0
PAT	133.2	180.5	211.4	279.3
Adjusted PAT	133.2	180.5	211.4	279.3
Growth (%)	33.4	35.5	17.1	32.1
EPS	10.8	14.6	17.1	22.6
EPS (Adjusted)	10.8	14.6	17.1	22.6

Source: Company, ICICI Direct Research

Exhibit 14: Cash flow statement ₹ crore				
(Year-end March)	FY21	FY22E	FY23E	FY24E
Profit/(Loss) after taxation	159.9	180.5	211.4	279.3
Add: Depreciation & Amortization	85.2	96.1	122.9	131.6
Add: Interest Cost	36.2	30.3	34.3	29.3
Net Increase in Current Assets	-98.9	7.2	-113.7	-124.0
Net Increase in Current Liabilities	41.0	14.9	42.1	46.0
Others	5.5	0	0	0
CF from operating activities	229.0	329.0	297.0	362.1
(Inc)/dec in Fixed Assets	-157.6	-300.0	-300.0	-75.0
(Inc)/dec in Investments	0.1	0.0	0.0	0.0
Others	-1.4	0.8	1.1	1.3
CF from investing activities	-158.9	-299.2	-298.9	-73.7
Inc / (Dec) in Equity Capital	0.0	0.0	0.0	0.0
Inc / (Dec) in sec. Loan	-33.3	0.0	75.0	-100.0
Dividend & Dividend Tax	-14.8	-30.8	-37.0	-49.3
Others	-48.8	-30.3	-34.3	-29.3
CF from financing activities	-96.9	-61.1	3.7	-178.6
Net Cash flow	-26.8	-31.3	1.8	109.8
Opening Cash	63.6	36.8	5.5	7.3
Closing Cash	36.8	5.5	7.3	117.1
Free Cash Flow	71.4	29.0	-3.0	287.1

Source: Company, ICICI Direct Research

Exhibit 15: Balance Sheet ₹ crore				
(Year-end March)	FY21	FY22E	FY23E	FY24E
Equity Capital	24.7	24.7	24.7	24.7
Reserve and Surplus	908.7	1,058.4	1,232.8	1,462.7
Total Shareholders fund	933.4	1,083.0	1,257.4	1,487.4
Total Debt	610.3	610.3	685.3	585.3
Others Liabilities	59.6	63.8	68.4	73.4
Source of Funds	1,603.2	1,757.1	2,011.0	2,146.0
Gross Block - Fixed Assets	1,127.5	1,427.5	1,777.5	1,902.5
Accumulated Depreciation	414.9	511.1	634.0	765.6
Net Block	712.6	916.4	1,143.5	1,136.9
Capital WIP	254.2	254.2	204.2	154.2
Net Fixed Assets	966.8	1,170.7	1,347.7	1,291.2
Investments	0.6	0.6	0.6	0.6
Inventory	266.7	315.5	360.0	408.5
Cash	36.8	5.5	7.3	117.1
Debtors	485.5	420.6	480.0	544.6
Loans & Advances & Other CA	0.0	0.0	0.0	0.0
Total Current Assets	878.6	840.1	955.6	1,189.4
Creditors	229.6	236.6	270.0	306.4
Provisions & Other CL	80.4	88.3	97.1	106.7
Total Current Liabilities	310.0	324.9	367.0	413.0
Net Current Assets	568.6	515.2	588.6	776.4
LT L& A, Other Assets	67.2	70.6	74.1	77.8
Application of Funds	1,603.2	1,757.0	2,011.0	2,146.0

Source: Company, ICICI Direct Research

Exhibit 16: Key ratios				
(Year-end March)	FY21	FY22E	FY23E	FY24E
Per share data (₹)				
EPS	10.8	14.6	17.1	22.6
Cash EPS	15.7	19.9	24.1	29.3
BV	75.7	87.8	102.0	120.6
DPS	2.0	2.5	3.0	4.0
Cash Per Share	33.7	41.4	51.4	62.1
Operating Ratios (%)				
Gross Margins	47.2	49.9	50.1	50.7
EBITDA margins	18.8	19.1	20.0	21.5
Net Profit margins	7.7	9.4	9.7	11.2
Inventory days	56.6	60.0	60.0	60.0
Debtor days	103.0	80.0	80.0	80.0
Creditor days	48.7	45.0	45.0	45.0
Asset Turnover	1.5	1.3	1.2	1.3
Return Ratios (%)				
RoE	14.3	16.7	16.8	18.8
RoCE	15.1	15.7	16.0	19.1
RoIC	18.1	18.0	17.6	21.5
Valuation Ratios (x)				
P/E	36.0	26.6	22.7	17.2
EV / EBITDA	16.6	14.7	12.5	9.9
EV / Revenues	3.1	2.8	2.5	2.1
Market Cap / Revenues	2.8	2.5	2.2	1.9
Price to Book Value	5.1	4.4	3.8	3.2
Solvency Ratios				
Debt / Equity	0.7	0.6	0.5	0.4
Debt/EBITDA	1.9	1.7	1.6	1.1
Current Ratio	2.7	2.6	2.6	2.6

Source: Company, ICICI Direct Research

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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

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