

## Domestic outperformance offset by drag in exports...

**About the stock:** Ipca is a fully integrated pharma company manufacturing over 350 formulations and 80 APIs with exports contributing 50% of revenues in FY21.

- Major therapeutic segments include pain management, cardiovascular and anti-diabetics, anti-infectives, anti-malarials, which together account for 75% of revenues
- Revenue break-up FY21 – Formulations:66% (Domestic:37%, Export:29% - Export Generic:15%, Export Institutional:7%, Export Branded:7%), API:28% (Export API:21%, Domestic API: 7%), Subsidiaries: 5%

**Q3FY22 Results:** Ipca reported in-line results on the back of domestic formulations.

- Sales were up 1.5% YoY to ₹ 1430.5 crore
- EBITDA was at ₹ 307.8 crore, down 16.1%YoY with margins at 21.5%
- Consequent PAT was at ₹ 197 crore (down 25.8% YoY)

**What should investors do?** Ipca's share price has grown by ~4.3x over the past five years (from ~₹ 275 in February 2017 to ~₹ 980 levels in February 2022).

- Upgraded from HOLD to BUY due to good traction in domestic formulations and sustainable growth amid some margin pressure in medium term

**Target Price and Valuation:** Valued at ₹ 1175 i.e. 24x P/E on FY24E EPS of ₹ 48.9

**Key triggers for future price performance:**

- Incremental growth in other therapies (excluding malaria), especially non-communicable diseases like pain management, cardio-diabetology, etc. The overall portfolio is poised for steady growth
- Sustained traction from branded and generics exports sales with a revival in the EU likely to mitigate the US void
- Commissioning of Devas plant and additional capacities from Ratlam
- US traction will take longer due to USFDA import alerts for the Ratlam facility that is the only API source for Silvassa and Pithampur formulations

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

- Ajanta Pharma is a focused player in branded, which constitutes ~70% of overall sales that are spread across geographies including India. Focus is on launching maximum number of first time launches with new drug delivery system (NDDS)
- BUY with target price of ₹ 2605



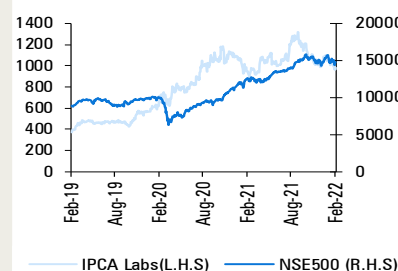
### Particulars

Particular	Amount
Market Capitalisation	₹ 24736 crore
Debt (FY21)	₹ 215 crore
Cash (FY21)	₹ 581 crore
EV	₹ 24371 crore
52 week H/L (₹)	1384/893
Equity capital	₹ 25.4 crore
Face value	₹ 1

### Shareholding pattern

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

### Price Chart



### Recent Event & Key risks

- Acquisition of stake in Lyka Labs
- Key Risk:** (i) Delayed resolution by USFDA (ii) Less traction for domestic segments

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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	4648.7	5419.9	13.3	5868.9	6416.7	7059.6	9.2
EBITDA	903.7	1544.3	39.8	1375.7	1474.9	1659.0	2.4
EBITDA Margins (%)	19.4	28.5		23.4	23.0	23.5	
Net Profit	603.4	1139.9	65.0	944.3	1089.5	1240.4	2.9
EPS (₹)	23.8	44.9		37.2	42.9	48.9	
PE (x)	41.0	21.7		26.2	22.7	19.9	
EV to EBITDA (x)	27.5	15.7		17.4	15.6	13.2	
RoNW (%)	16.6	24.2		16.8	16.3	15.7	
RoCE (%)	17.6	27.1		20.0	19.3	18.6	

## Key takeaways of recent quarter & conference call highlights

### Q3FY22 Results: Robust performance in Domestic Formulations

- Revenues grew a mere 1.5% YoY to ₹ 1430.5 crore. Strong YoY growth of 23.3% in domestic formulations to ₹ 645.3 crore was offset by 19.4% YoY de-growth in export formulations to ₹ 347.5 crore. In exports, branded business grew 41% YoY ₹ 109.2 crore. APIs sales declined 12.1% YoY to ₹ 309.4 crore. EBITDA margins declined 451 bps YoY to 21.5% despite better gross margins due to higher employee and other expenditure. Subsequently, EBITDA de-grew 16.1% YoY to ₹ 307.8 crore. Adjusted PAT de-grew 25.8% YoY to ₹ 197 crore. Delta vis-à-vis EBITDA was mainly due to higher tax rate and lower other income
- Ipca Laboratories' results were marginally lower than I-direct estimates, mainly due to below expected performance across all segments, except for domestic formulations and branded exports. Ipca remains a decent player with a judicious mix of strong domestic franchise and a spread out exports model with healthy balance sheet

### Q3FY22 Earnings Conference Call highlights

- Domestic formulations:** Segment wise YoY growth: pain-management: 22%, cardio & anti-diabetic: 14%, anti-bacterial: 20%, dermatology: 32%, anti-malarial: 34%, cough & cold: 51%, CNS: 29%, urology: 42%
- Segment wise percentage of revenue: pain management: 48%, cardio & anti-diabetic: 17%, anti-bacterial: 8%, dermatology: 5%, anti-malarial: 6%, cough & cold: 5%, CNS and urology: 3% each
- In India business, the 9MFY22 growth was 31% out of which 25% is attributed to volume growth and balance is price growth. Ipca's only ₹ 60-70 crore portfolio is in a declining phase while others are witnessing growth. Total 25% of Ipca's portfolio is under NLEM and will be due for a price hike in FY23 (guiding additional ₹ 50 crore realisation)
- Ipca has 5000 MRs and the management plans to add 700-800 MRs next year to add three more divisions. Ipca plans to increase focus on ortho and cardio therapy areas
- Exports formulations:** Institutional business declined YoY on the back of exceptional one time gain in the base of Q3FY21. The management reiterated to close FY22 at ~ ₹ 350 crore
- Generics segment in the UK was impacted by logistic issues and distribution challenges in the UK. The company has stopped supplying to distributors on account of payment issues and expects this challenge to remain in the next three to four quarters
- Ipca plans to register Lyka products in global markets. This is likely to take some time on the back of required gestation period
- API:** API decline is mainly due to Azido impurity in Sartans (issue resolved and company undergoing validation). The management is guiding for normalisation from Q1FY23. In APIs, base of Q3FY21 was also high due to HCQ business
- Devas is expected to get commercialised in FY23. One section of a smaller unit in Devas was commercialised to deal with shortfall in intermediates
- Gross margins were affected by rise in raw material cost but was offset by change in product mix. The management guided for gross margins to sustain at present levels, going forward. Raw material inflation is expected to gradually normalise from Q1FY23
- EBITDA margins were affected by higher shipping, energy and marketing cost
- The management guided for 20% YoY growth on a standalone basis in Q4FY22

**Exhibit 1: Variance Analysis**

	Q3FY22	3FY22E	Q3FY21	YoY (%)	12FY22	QoQ (%)	Comments
Revenue	1,430.5	1,486.7	1,409.8	1.5	1,544.4	-7.4	Steady YoY due to growth in domestic formulations across therapies being offset by exports and APIs
Raw Material Expenses	498.6	542.6	515.4	-3.3	544.4	-8.4	
Gross margins (%)	65.1	63.5	63.4	170 bps	64.8	40 bps	YoY improvement mainly due to change in product mix offsetting the inflation in input cost
Employee Expenses	283.7	285.3	245.1	15.8	296.4	-4.3	
Other Expense	340.4	327.1	282.4	20.5	338.1	0.7	YoY increase mainly due to higher freight and energy cost and normalisation of promotional cost
Operating Profit (EBITDA)	307.8	331.7	366.9	-16.1	365.6	-15.8	
EBITDA (%)	21.5	22.3	26.0	-451 bps	23.7	-215 bps	YoY decline mainly due to higher employee and other expenditure
Interest	1.4	1.1	2.3	-37.6	1.1	34.9	
Depreciation	58.7	57.0	53.5	9.6	57.0	3.0	
Other Income	12.9	17.4	15.4	-15.9	18.1	-28.5	
PBT	260.7	291.1	326.5	-20.2	325.6	-20.0	
Tax	57.3	53.9	56.7	1.1	67.9	-15.6	
Tax Rate (%)	22.0	18.5	17.4	462 bps	20.9	114 bps	
Reported PAT	197.0	233.7	265.5	-25.8	250.2	-21.3	YoY delta vis-à-vis EBITDA mainly due to lower other income
EPS (₹)	7.8	9.2	10.5	-25.8	9.9	-21.3	
<b>Key Metrics</b>							
Domestic formulations	645.3	606.9	523.2	23.3	698.2	-7.6	Reported strong YoY growth across segments
Export - Generic	179.1	204.4	215.1	-16.8	192.5	-7.0	YoY impacted amid slow pick-up across geographies and distribution challenges in UK
Export - Institutional	59.2	75.8	138.6	-57.3	63.0	-6.0	YoY decline mainly due to disruption in logistics
Export - Branded	109.2	100.8	77.5	41.0	95.5	14.4	
API	309.4	369.7	352.1	-12.1	359.7	-14.0	YoY decline mainly due to sartans impurity issue and HCQ sales in base

Source: Company, ICICI Direct Research

**Exhibit 2: Change in estimates**

	FY22E			FY23E			FY24E	Comments
(₹ Crore)	Old	New	Change	Old	New	Change	Introduced	
Revenue	5,905.8	5,868.9	-0.6	6,540.3	6,416.7	-1.9	7,059.6	Changed mainly due to lower-than-expected exports in Q3FY22
EBITDA	1,405.8	1,375.7	-2.1	1,641.7	1,474.9	-10.2	1,659.0	
EBITDA Margin (%)	23.8	23.4	-36 bps	25.1	23.0	-212 bps	23.5	Changed mainly due to margin pressure in short to medium term and guidance for ~ 22% margins
PAT	991.5	944.3	-4.8	1,214.6	1,089.5	-10.3	1,240.4	Changed tax rate as per guidance
EPS (₹)	39.1	37.2	-4.8	47.9	42.9	-10.3	48.9	

Source: ICICI Direct Research

**Exhibit 3: Assumptions**

	Current			Earlier			Comments
	FY20	FY21	FY22E	FY23E	FY24E	FY22E	FY23E
Domestic formulations	1,912.6	1,981.7	2,498.5	2,798.3	3,134.1	2,416.7	2,706.7
Export formulations	1,221.6	1,597.2	1,512.5	1,562.1	1,663.6	1,585.3	1,718.3
API	1,173.1	1,506.3	1,390.7	1,529.8	1,682.8	1,439.6	1,583.6

Source: ICICI Direct Research

**Exhibit 4: Financial Summary**

	Revenues	Growth	Adj. EPS	Growth	P/E	EV/EBITDA	RoNW	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY21	5420	16.6	44.9	88.9	21.7	15.7	24.2	27.1
FY22E	5869	8.3	37.2	-17.2	26.2	17.4	16.8	20.0
FY23E	6417	9.3	42.9	15.4	22.7	15.6	16.3	19.3
FY24E	7060	10.0	48.9	13.8	19.9	13.2	15.7	18.6

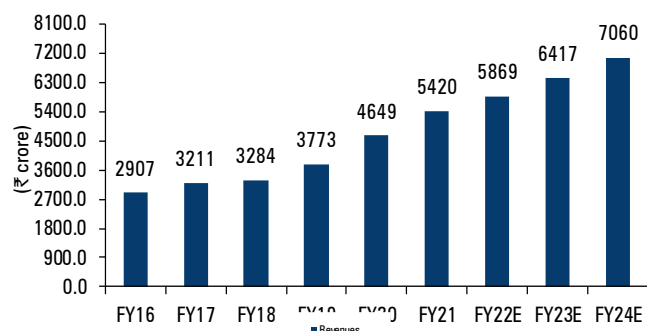
Source: ICICI Direct Research

**Exhibit 5: Trends in Quarterly Performance**

₹ Crore	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	YoY (%)	QoQ (%)
Net Sales	1006.1	879.6	1078.2	1283.9	1212.9	1073.8	1534.4	1361.1	1409.8	1114.6	1565.8	1544.4	1430.5	13.5	-1.4
Other Operating Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	NA
Revenues	1006.1	879.6	1078.2	1283.9	1212.9	1073.8	1534.4	1361.1	1409.8	1114.6	1565.8	1544.4	1430.5	13.5	-1.4
Raw Material Expenses	338.9	306.7	406.0	449.7	423.8	364.6	431.6	442.7	515.4	338.6	545.7	544.4	498.6	23.0	-0.2
% of Revenue	33.7	34.9	37.7	35.0	34.9	34.0	28.1	32.5	36.6	30.4	34.9	35.2	34.9	272bps	40bps
Gross Profit	667.3	572.9	672.2	834.2	789.1	709.2	1102.8	918.4	894.4	776.0	1020.1	1000.0	931.9	8.9	-2.0
GPM (%)	66.3	65.1	62.3	65.0	65.1	66.0	71.9	67.5	63.4	69.6	65.1	64.8	65.1	-272bps	-40bps
Employee Expenses	185.7	187.1	215.7	232.0	231.3	242.2	256.3	254.5	245.1	257.6	299.6	296.4	283.7	16.4	-1.1
% of Revenue	18.5	21.3	20.0	18.1	19.1	22.6	16.7	18.7	17.4	23.1	19.1	19.2	19.8	49bps	6bps
Other expense	247.1	222.2	259.4	337.6	284.1	298.5	258.1	303.7	282.4	289.5	304.0	338.1	340.4	11.3	11.2
% of Revenue	24.6	25.3	24.1	26.3	23.4	27.8	16.8	22.3	20.0	26.0	19.4	21.9	23.8	-42bps	248bps
Total Expenditure	771.7	716.0	881.1	1019.4	939.2	905.3	946.1	1000.9	1042.9	885.8	1149.3	1178.9	1122.7	17.8	2.6
% of Revenue	76.7	81.4	81.7	79.4	77.4	84.3	61.7	73.5	74.0	79.5	73.4	76.3	78.5	279bps	293bps
EBIDTA	234.5	163.6	197.1	264.5	273.7	168.5	588.3	360.2	366.9	228.8	416.5	365.6	307.8	1.5	-12.2
EBIDTA Margin (%)	23.3	18.6	18.3	20.6	22.6	15.7	38.3	26.5	26.0	20.5	26.6	23.7	21.5	-279bps	-293bps
Depreciation	45.7	44.8	46.1	49.6	50.8	63.9	51.0	52.1	53.5	52.5	55.9	57.0	58.7	9.3	2.0
Interest	5.1	6.4	4.6	4.2	4.0	3.7	2.7	2.3	2.3	1.7	1.8	1.1	1.4	-54.1	-41.8
Other Income	13.3	15.3	20.3	14.8	18.1	13.7	12.1	15.5	15.4	19.9	21.0	18.1	12.9	17.0	-14.0
PBT	196.9	127.7	166.8	225.4	237.0	114.6	546.6	321.2	326.5	194.5	379.9	325.6	260.7	1.4	-14.3
Tax	37.4	31.7	37.4	31.9	36.9	29.2	99.9	52.6	56.7	30.9	70.8	67.9	57.3	29.1	-4.0
Tax Rate (%)	19.0	24.8	22.4	14.1	15.6	25.5	18.3	16.4	17.4	15.9	18.6	20.9	22.0	448bps	222bps
PAT	159.2	98.6	129.6	193.1	197.6	86.0	446.2	267.1	265.5	161.2	306.7	250.2	197.0	-6.3	-18.4
PAT Margin (%)	15.8	11.2	12.0	15.0	16.3	8.0	29.1	19.6	18.8	14.5	19.6	16.2	13.8	-342bps	-338bps
EPS (₹)	6.3	3.9	5.1	7.6	7.8	3.4	17.6	10.5	10.5	6.4	12.1	9.9	7.8	-6.3	-18.4

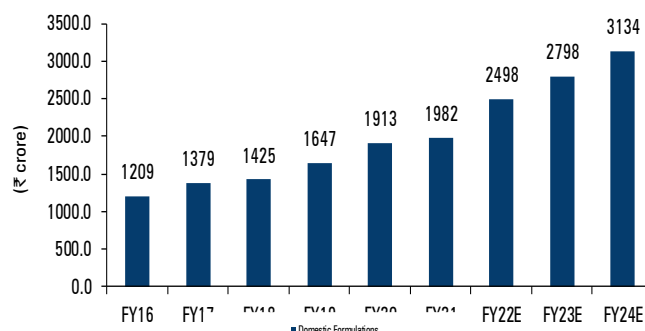
Source: ICICI Direct Research

Exhibit 6: Revenues to grow at ~9.2% CAGR in FY21-24E



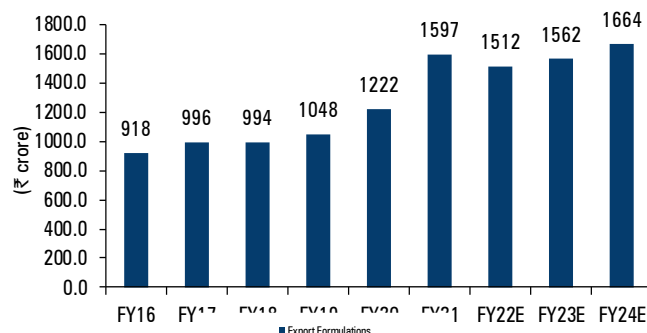
Source: ICICI Direct Research, Company

Exhibit 7: India to grow at 16.5% CAGR over FY21-24E



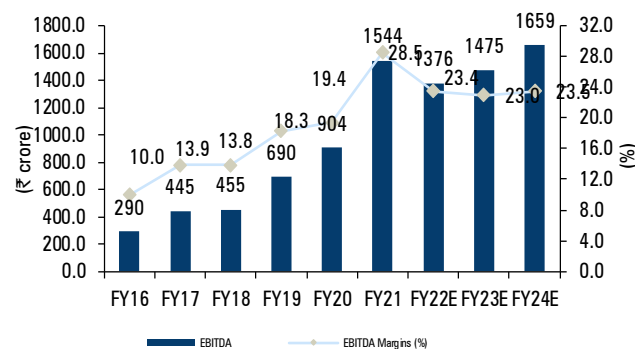
Source: ICICI Direct Research, Company

Exhibit 8: Export to grow at 1.4% CAGR over FY21-24E



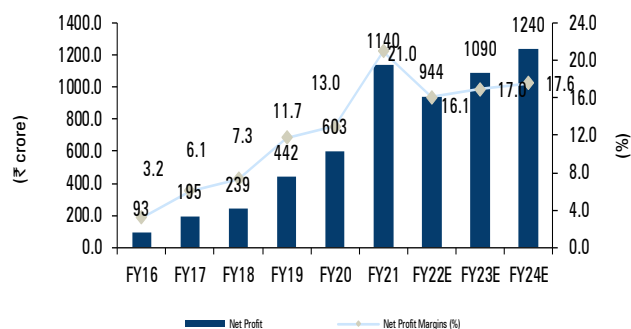
Source: ICICI Direct Research, Company

Exhibit 9: EBITDA & EBITDA margins trend



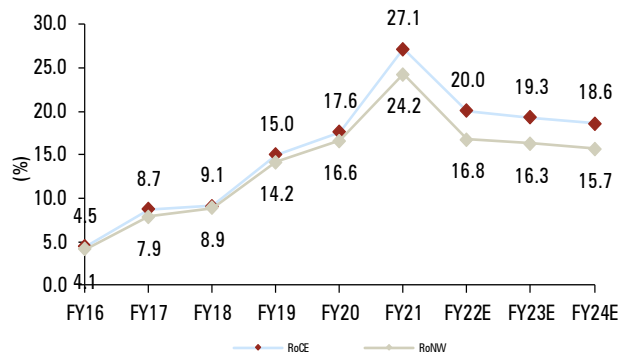
Source: ICICI Direct Research, Company

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 Healthcare coverage Universe**

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
<b>Hospitals</b>																					
Apollo Hospitals	APOHOS	4555	5,480	Buy	65492	22.6	7.9	66.6	80.7	201.7	579.5	68.4	56.5	10.2	6.3	16.3	18.1	9.7	2.5	17.3	18.0
Narayana Hrudalaya	NARHRU	658	765	Buy	13456	6.4	-0.7	17.4	19.9	103.7	NA	37.8	33.0	11.0	1.2	21.0	22.3	11.4	-1.3	24.4	22.1
Shalby	SHALIM	137	170	Buy	1475	2.6	3.9	5.9	5.8	53.5	34.8	23.1	23.6	7.2	6.5	8.9	9.6	3.5	5.1	7.2	6.7
Aster DM	ASTDM	189	250	Buy	9463	5.7	3.0	10.5	17.5	33.2	64.1	18.0	10.8	7.2	5.4	9.2	12.8	8.7	4.4	13.5	18.4
Healthcare Global	HEAGLO	230	240	Hold	2883	-12.0	-21.7	15.6	8.4	NA	NA	14.8	27.3	1.0	-0.9	7.6	10.4	NA	NA	NA	7.2
<b>MNC Pharma</b>																					
Abbott India	ABBIND	16573	19,840	Buy	35216	279.0	325.0	370.4	429.0	59.4	51.0	44.7	38.6	30.7	33.8	35.7	34.4	24.4	26.5	28.1	26.8
P&G Health	MERLIM	4630	5,365	Hold	7686	102.0	106.5	110.9	119.1	45.4	43.5	41.8	38.9	24.0	32.2	35.5	33.3	18.7	25.1	27.4	25.5
Sanofi India	SANOFI	7300	9,800	Buy	16813	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	4384	5,350	Buy	20056	111.3	108.8	135.2	133.0	39.4	40.3	32.4	33.0	18.5	27.6	27.4	23.6	15.0	20.8	21.7	18.6
<b>Pharma</b>																					
Ajanta Pharma	AJAPHA	1986	2,605	Buy	17187	53.4	74.0	86.1	86.7	37.2	26.8	23.1	22.9	24.7	29.0	27.2	23.7	18.1	21.8	22.5	19.4
Alembic Pharma	ALEMPHA	704	770	Hold	13842	44.4	59.9	34.4	34.9	15.9	11.7	20.5	20.2	21.0	24.2	12.3	12.3	27.1	23.0	12.1	11.2
Aurobindo Pharma	AURPHA	663	765	Hold	38871	48.8	55.0	46.4	55.6	13.6	12.1	14.3	11.9	17.2	16.9	13.1	14.7	17.0	14.7	11.1	11.8
Biocon	BIOCON	395	410	Hold	47382	5.8	6.1	5.9	9.5	67.9	64.9	67.3	41.6	10.2	7.6	7.9	10.2	10.4	9.6	8.6	12.3
Cadila Healthcare	CADHEA	378	475	Hold	38733	14.0	21.5	20.9	21.8	27.1	17.6	18.1	17.3	10.7	12.6	13.4	13.4	13.8	16.9	14.7	13.7
Cipla	CIPLA	906	1,100	Buy	73095	19.2	29.9	37.1	40.3	47.2	30.3	24.4	22.5	12.0	16.3	18.8	18.3	9.8	13.1	14.5	14.0
Dr Reddy's Labs	DRREDD	4329	5,160	Buy	72040	121.7	117.3	163.6	192.9	35.6	36.9	26.5	22.4	9.6	13.1	16.1	18.8	13.0	11.1	13.6	14.1
Glenmark Pharma	GLEPHA	478	550	Hold	13496	26.4	32.9	44.2	44.2	18.1	14.6	10.8	10.8	12.7	13.9	15.5	15.2	12.2	13.1	13.1	11.7
Ipca Laboratories	IPCLAB	981	1,175	Buy	24896	23.8	44.9	37.2	42.9	41.3	21.8	26.4	22.8	17.6	27.1	20.0	19.3	16.6	24.2	16.8	16.3
Jubilant Pharmova	JUBLIF	445	490	Hold	7093	44.6	37.4	28.7	32.5	10.0	11.9	15.5	13.7	11.7	13.7	10.1	10.4	12.7	12.6	8.9	9.2
Lupin	LUPIN	770	960	Hold	34973	-12.7	26.9	16.2	30.2	NA	28.7	47.5	25.5	9.7	9.1	6.1	10.5	-4.6	8.8	5.8	9.6
Natco Pharma	NATPHA	883	955	Hold	16104	25.3	24.2	15.1	19.6	35.0	36.5	58.4	45.2	14.0	13.1	7.3	9.7	12.2	10.7	6.4	7.8
Sun Pharma	SUNPHA	862	1,075	Buy	206931	16.8	30.0	32.9	33.6	51.4	28.7	26.2	25.7	10.0	14.2	17.4	16.9	8.9	15.5	15.2	13.6
Torrent Pharma	TORPHA	2614	3,235	Hold	44229	60.6	74.0	70.4	95.6	43.2	35.3	37.1	27.3	15.4	17.7	18.8	21.2	21.2	21.4	17.7	20.3
Indoco Remedies	INDREM	379	510	Buy	3490	2.6	10.1	16.5	23.3	144.7	37.5	22.9	16.3	4.6	11.7	17.9	21.5	3.5	12.1	16.9	19.8
Caplin Point	CAPPOI	780	1,010	Buy	5910	17.2	81.7	76.7	55.5	45.4	9.5	10.2	14.1	25.4	25.6	24.1	23.5	22.7	20.4	20.5	18.8
Advanced Enzymes	ADVENZ	301	380	Buy	3363	11.6	13.1	11.3	13.6	26.0	23.0	26.7	22.1	19.6	19.4	15.4	16.7	15.4	15.1	11.6	12.4
Hester Biosciences	HESPHA	2364	2,780	Hold	2011	34.3	44.4	47.2	52.0	68.9	53.3	50.1	45.5	14.0	16.2	12.8	14.3	14.5	16.5	15.5	15.1
<b>API/CRAMS</b>																					
Divi's Lab	DIVLAB	4360	5,335	Buy	115746	51.9	74.7	109.9	108.9	84.1	58.3	39.7	40.0	23.9	27.6	30.5	27.6	18.8	21.3	25.7	21.7
Hikal	HIKCHE	386	640	Buy	4759	8.1	10.8	17.2	21.4	47.7	35.7	22.5	18.1	12.8	15.1	17.7	18.5	12.2	14.3	18.7	19.1
Syngene Int.	SYNINT	572	710	Buy	22932	10.3	10.1	9.4	13.1	55.5	56.5	60.7	43.7	14.5	11.5	12.4	14.9	16.8	13.5	12.8	14.2
Granules India	GRANUL	304	360	Buy	7539	12.4	22.2	16.2	19.4	24.5	13.7	18.8	15.7	15.2	24.0	16.2	17.4	16.7	25.3	15.8	16.1
Laurus Labs	LAULAB	555	625	Buy	29807	4.8	18.3	15.1	20.7	116.8	30.3	36.8	26.7	13.0	31.7	21.3	24.3	14.4	37.9	24.3	25.7
Suven Pharmaceuticals	SUVPH	544	555	Hold	13841	12.5	14.2	18.3	17.7	43.7	38.2	29.8	30.8	35.6	31.2	35.0	28.7	37.5	30.7	29.6	23.2

Source: ICICI Direct Research

## Financial Summary

Exhibit 13: Profit and loss statement					₹ crore
(Year-end March)	FY21	FY22E	FY23E	FY24E	
<b>Revenues</b>	<b>5,419.9</b>	<b>5,868.9</b>	<b>6,416.7</b>	<b>7,059.6</b>	
Growth (%)	16.6	8.3	9.3	10.0	
Raw Material Expenses	1,728.3	2,051.5	2,165.9	2,329.7	
Employee Expenses	1,013.6	1,143.0	1,283.3	1,411.9	
Other Expense	1,133.8	1,298.6	1,492.5	1,659.0	
Total Operating Expenditure	3,875.6	4,493.1	4,941.8	5,400.6	
<b>EBITDA</b>	<b>1,544.3</b>	<b>1,375.7</b>	<b>1,474.9</b>	<b>1,659.0</b>	
Growth (%)	70.9	-10.9	7.2	12.5	
Interest	9.0	5.7	4.4	4.4	
Depreciation	209.2	230.1	243.1	256.1	
Other Income	62.8	64.0	128.3	141.2	
PBT after EO/Forex	1,388.9	1,203.9	1,355.8	1,539.7	
Total Tax	240.1	238.8	244.0	277.1	
MI & Profit from associates	-6.6	-13.1	-14.5	-14.5	
<b>PAT</b>	<b>1,139.9</b>	<b>944.3</b>	<b>1,089.5</b>	<b>1,240.4</b>	
Growth (%)	88.9	-17.2	15.4	13.8	
Adjusted PAT	1,139.9	944.3	1,089.5	1,240.4	
<b>EPS</b>	<b>44.9</b>	<b>37.2</b>	<b>42.9</b>	<b>48.9</b>	
<b>EPS (Adjusted)</b>	<b>44.9</b>	<b>37.2</b>	<b>42.9</b>	<b>48.9</b>	

Source: Company, ICICI Direct Research

Exhibit 14: Cash flow statement					₹ crore
(Year-end March)	FY21	FY22E	FY23E	FY24E	
Profit after Tax	1,135.7	944.3	1,089.5	1,240.4	
Add: Depreciation	209.2	230.1	243.1	256.1	
(Inc)/dec in Current Assets	-198.9	-378.1	-190.6	-315.9	
Inc/(dec) in CL and Provisions	-37.5	-5.8	78.5	90.2	
Others	-18.4	5.7	4.4	4.4	
<b>CF from operating activities</b>	<b>1,090.1</b>	<b>796.4</b>	<b>1,224.9</b>	<b>1,275.2</b>	
(Inc)/dec in Fixed Assets	-359.0	-500.0	-200.0	-200.0	
(Inc)/dec in Investments	-81.1	0.0	0.0	0.0	
Others	-160.1	-1.2	-1.2	-1.3	
<b>CF from investing activities</b>	<b>-600.2</b>	<b>-501.2</b>	<b>-201.2</b>	<b>-201.3</b>	
Issue/(Buy back) of Equity	35.8	0.0	0.0	0.0	
Inc/(dec) in loan funds	-231.7	-50.0	-50.0	0.0	
Dividend paid & dividend tax	-101.5	-23.6	-27.2	-31.0	
Other	223.3	44.3	45.6	-4.4	
<b>CF from financing activities</b>	<b>-305.8</b>	<b>-79.3</b>	<b>-81.6</b>	<b>-35.4</b>	
Net Cash flow	184.2	215.8	942.1	1,038.5	
Opening Cash	180.9	365.1	580.9	1,523.0	
<b>Closing Cash</b>	<b>365.1</b>	<b>580.9</b>	<b>1,523.0</b>	<b>2,561.4</b>	
<b>Free Cash Flow</b>	<b>731.2</b>	<b>296.4</b>	<b>1,024.9</b>	<b>1,075.2</b>	

Source: Company, ICICI Direct Research

Exhibit 15: Balance Sheet					₹ crore
(Year-end March)	FY21	FY22E	FY23E	FY24E	
Equity Capital	25.4	25.4	25.4	25.4	
Reserve and Surplus	4,676.3	5,597.0	6,659.3	7,868.7	
Total Shareholders funds	4,701.7	5,622.4	6,684.7	7,894.1	
Total Debt	265.4	215.4	165.4	165.4	
Deferred Tax Liability	133.6	142.9	152.9	163.6	
Minority Interest	14.53	16.0	17.6	19.3	
LTP & Other LTL	40.7	43.6	46.6	49.9	
<b>Total Liabilities</b>	<b>5,155.8</b>	<b>6,040.2</b>	<b>7,067.2</b>	<b>8,292.3</b>	
Gross Block - Fixed Assets	3,149.7	3,549.7	3,749.7	3,949.7	
Accumulated Depreciation	1,123.9	1,354.0	1,597.1	1,853.1	
Net Block	2,025.8	2,195.7	2,152.6	2,096.5	
Capital WIP	234.8	334.8	334.8	334.8	
Total Fixed Assets	2,260.7	2,530.5	2,487.4	2,431.4	
Goodwill on Consolidation	46.6	46.6	46.6	46.6	
Investments	505.3	505.3	505.3	505.3	
LT L&A, Non Current Assets	212.7	227.6	243.5	260.5	
Inventory	1,594.8	1,688.3	1,758.0	1,934.1	
Debtors	811.8	1,077.3	1,177.9	1,295.9	
Loans and Advances	2.5	2.6	2.8	3.0	
Other Current Assets	269.0	287.9	308.0	329.6	
Cash	365.1	580.9	1,523.0	2,561.4	
Total Current Assets	3,043.1	3,637.0	4,769.7	6,124.0	
Creditors	666.2	643.2	703.2	773.7	
Provisions	103.1	110.4	118.1	126.4	
Other current liabilities	143.2	153.2	164.0	175.5	
Total Current Liabilities	912.5	906.8	985.3	1,075.5	
Net Current Assets	2,130.6	2,730.3	3,784.4	5,048.6	
<b>Application of Funds</b>	<b>5,155.8</b>	<b>6,040.2</b>	<b>7,067.2</b>	<b>8,292.3</b>	

Source: Company, ICICI Direct Research

Exhibit 16: Key ratios				
(Year-end March)	FY21	FY22E	FY23E	FY24E
<b>Per share data (₹)</b>				
Adjusted EPS	44.9	37.2	42.9	48.9
BV per share	185.3	221.6	263.5	311.2
Dividend per share	5.0	5.7	6.3	6.9
<b>Operating Ratios (%)</b>				
Gross Profit Margins	68.1	65.0	66.2	67.0
EBITDA Margins	28.5	23.4	23.0	23.5
PAT Margins	21.0	16.1	17.0	17.6
Inventory days	107.4	105.0	100.0	100.0
Debtor days	54.7	67.0	67.0	67.0
Creditor days	44.9	40.0	40.0	40.0
Asset Turnover	1.7	1.7	1.7	1.8
EBITDA conversion Rate	70.6	57.9	83.1	76.9
<b>Return Ratios (%)</b>				
RoE	24.2	16.8	16.3	15.7
RoCE	27.1	20.0	19.3	18.6
RoIC	34.2	25.7	27.2	29.9
<b>Valuation Ratios (x)</b>				
P/E	21.7	26.2	22.7	19.9
EV / EBITDA	15.7	17.4	15.6	13.2
EV / Net Sales	4.5	4.1	3.6	3.1
Market Cap / Sales	4.6	4.2	3.9	3.5
Price to Book Value	5.3	4.4	3.7	3.1
<b>Solvency Ratios</b>				
Debt / EBITDA	0.2	0.2	0.1	0.1
Debt / Equity	0.1	0.0	0.0	0.0
Current Ratio	2.9	3.4	3.3	3.3

Source: Company, ICICI Direct Research



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