



Viatris deal - High risk-reward play with leverage...

About the stock: Biocon is a leading biopharma company operating in biologics, contract research (Syngene), small molecules and branded formulations.

- Biosimilar US pipeline: (approvals - Pegfilgrastim, Trastuzumab, Glargine, Adalimumab); filed - Aspart and Bevacizumab
- Revenue breakup FY21: biosimilars (37%), generics (31%), CRAMS (29%)

Event: Biocon Biologics to acquire Viatris' biosimilars asset

- Biocon Biologics (BBL), a subsidiary of Biocon plans to acquire Viatris' biosimilars assets for up to US\$3.335 billion in stock and cash to create a unique fully integrated global biosimilars enterprise
- BBL will pay a consideration up to US\$3.335 billion, including upfront cash up to US\$2 billion and compulsorily convertible preference shares (CCPS) in BBL, valued at US\$1 billion (equivalent to an equity stake of 12.9% in BBL). Viatris will also receive up to US\$335 million as additional cash payments in 2024 and an option to acquire bAflibercept
- Viatris will contribute to Biocon Biologics' biosimilars portfolio and related commercial and operational capabilities, amounting to CY22E revenues ~ US\$875 million and CY22E estimated adjusted EBITDA ~ US\$200 million, in exchange for pre-tax consideration of up to US\$3.335 billion, which represents a transaction multiple of 16.5x of CY22E EBITDA
- Acquisition of the Viatris biosimilars business will accelerate BBL's direct commercialisation strategy for its current and future biosimilars portfolio and enable it to move up the value chain

What should investors do? Biocon's share price has grown by ~1.9x over the past five years (from ~₹ 178 in March 2017 to ~₹ 338 levels in March 2022).

- Maintain HOLD due to 1) sheer magnitude of this deal leads to significant balance sheet expansion, 2) Incremental execution risks and 3) Legacy Issues of competition and price erosion besides regulatory clearances

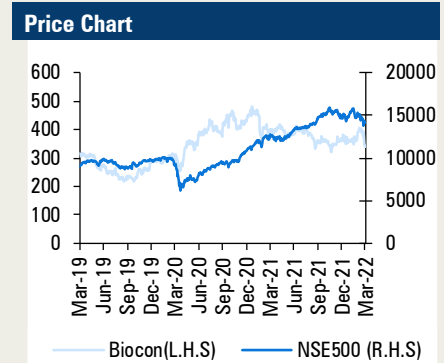
Target Price and Valuation: We value Biocon at ₹ 390 on SOTP basis

Key triggers for future price performance:

- **Biosimilars-** 1) market share gains in existing biosimilars, 2) approvals and launches of bBevacizumab and bAspart, 3) bGlargine ramp up, 4) Expected Adalimumab launch in FY24
- Developments on the vaccines front post strategic alliance with Serum
- **CRAMS-** Syngene Mangalore facility customer validations and approvals
- **Generics-** Ramp-up in US and branded business along with new launches

| Particulars | |
|-------------------------|---------------|
| Particular | Amount |
| Market Capitalisation | ₹ 41421 crore |
| Debt (FY21) | ₹ 4259 crore |
| Cash (FY21) | ₹ 1988 crore |
| EV | ₹ 43691 crore |
| 52 week H/L | 424/315 |
| Equity capital (₹Crore) | ₹ 600 crore |
| Face value (₹) | ₹ 5 |

| Shareholding pattern | | | | | |
|----------------------|--------|--------|--------|--------|--------|
| (in %) | Dec-20 | Mar-21 | Jun-21 | Sep-21 | Dec-21 |
| Promoter | 60.7 | 60.7 | 60.6 | 60.6 | 60.6 |
| Others | 39.3 | 39.3 | 39.4 | 39.4 | 39.4 |



Recent Event & Key risks

- CRL for Insulin Aspart
- **Key Risk:** (i) Better-than-expected launch traction, (ii) increased competition

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 (₹ crore) | 6367.2 | 7105.8 | 16.0 | 8146.0 | 11030.2 | 13930.5 | 25.2 |
| EBITDA (₹ crore) | 1603.1 | 1640.0 | 20.9 | 1859.1 | 2803.8 | 3686.3 | 31.0 |
| EBITDA margins (%) | 25.2 | 23.1 | | 22.8 | 25.4 | 26.5 | |
| Net Profit (₹ crore) | 698.2 | 730.3 | 6.1 | 684.5 | 1039.5 | 1648.9 | 31.2 |
| EPS (₹) | 5.8 | 6.1 | | 5.7 | 8.7 | 13.7 | |
| P/E (x) | 55.4 | 55.9 | | 65.9 | 39.8 | 25.1 | |
| RoCE (%) | 10.2 | 7.6 | | 7.9 | 5.3 | 7.1 | |
| RoE (x) | 10.4 | 9.6 | | 8.4 | 4.6 | 6.8 | |

Conference Call Highlights

BBL Acquires:

- Viatris’ global commercial infrastructure in developed and emerging markets. Viatris’ global biosimilars business with an estimated revenue of US\$875 million and EBITDA of US\$200 million for CY22 and estimated to exceed US\$1 billion in revenue next year. Viatris’ rights in all biosimilars assets including its in-licensed portfolio and an option to acquire Viatris’ rights in bAflibercept. Transition services for an expected two-year period to ensure a seamless transition with partners and continued services to patients and customers
- The transaction is expected to close in H2CY22. The companies will also enter into a transition services agreement, pursuant to which Viatris will provide certain transition services, including commercialisation services, for an expected two-year period. Viatris also will pay US\$50 million to BBL to fund certain capital expenditures

Deal Financing

- The cash payment of US\$2 billion to be funded by ~US\$800 million raised through equity infusion in BBL and the remainder to be funded by debt, additional equity or a combination thereof
- Debt – US\$1.2 billion and current debt of US\$300 million. Hence, total debt of US\$1.5 billion. Cost of debt in line with current debt commitments, should be below 4-5%. Net debt / EBITDA would be 4x and the company to bring it down to below 3
- Biocon Biologics will target an initial public offering (IPO) in India as early as late 2023
- The management expects Biocon’s stake in BBL to reduce to ~63% from ~76% post the deal
- The management is not expecting a dilution in margin as core EBITDA margin is sustainable. There are certain inter-company revenues, which will be eliminated. Hence, EBITDA margin will be largely in line

Valuation

| Exhibit 1: Valuation | | | |
|--|---------------------|--------------|-----------------|
| Particulars | FY24E EBITDA (₹ cr) | Multiple (x) | Value (₹) |
| Biocon Biologics | 2118.1 | 18.0 | 38,125.3 |
| Biocon's Holding | | | 63% |
| Holding Company Discount | | | 20% |
| Biocon Biologics valuation | | | 19215.18 |
| Biocon (ex-Biologics and Syngene) | 398.7 | 8.0 | 3,189.7 |
| Total EV | | | 41,315.1 |
| Implied Mcap | | | 26,785.4 |
| Per share valuation | | | 223.1 |
| NPV (Vaccines) | | | 31.3 |
| Syngene | | | |
| Targeted Market Cap | | | 28400 |
| Biocon's Holding | | | 71.1% |
| Holding Company Discount | | | 20.0% |
| Syngene valuation | | | 16145 |
| Per share valuation | | | 135 |
| SOTP valuation | | | 390 |

Source: Company, ICICI Direct Research

Exhibit 2: 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 | 4918 | 5,480 | Buy | 70710 | 7.9 | 66.6 | 80.7 | 104.4 | 625.7 | 73.9 | 61.0 | 47.1 | 6.3 | 16.3 | 18.1 | 20.6 | 2.5 | 17.3 | 18.0 | 19.7 |
| Narayana Hrudalaya | NARHRU | 884 | 765 | Buy | 18070 | -0.7 | -0.7 | 19.9 | 22.6 | NA | NA | 44.3 | 39.2 | 1.2 | 1.2 | 22.3 | 21.3 | -1.3 | -1.3 | 22.1 | 20.2 |
| Shalby | SHALIM | 821 | 170 | Buy | 8867 | 3.9 | 3.9 | 5.8 | 7.3 | 209.1 | 209.1 | 141.6 | 112.9 | 6.5 | 6.5 | 9.6 | 10.6 | 5.1 | 5.1 | 6.7 | 7.9 |
| Aster DM | ASTDM | 167 | 250 | Buy | 8342 | 3.0 | 3.0 | 17.5 | NA | 56.5 | 56.5 | 9.5 | NA | 5.4 | 9.2 | 12.8 | NA | 4.4 | 13.5 | 18.4 | NA |
| Healthcare Global | HEAGLO | 2414 | 240 | Hold | 30262 | -21.7 | 9.9 | 12.4 | NA | NA | 245.0 | 194.3 | NA | -0.9 | 7.7 | 10.4 | NA | NA | NA | 10.7 | NA |
| MNC Pharma | | | | | | | | | | | | | | | | | | | | | |
| Abbott India | ABBIND | 17432 | 19,840 | Buy | 37042 | 325.0 | 370.4 | 429.0 | 496.0 | 53.6 | 47.1 | 40.6 | 35.1 | 33.8 | 35.7 | 34.4 | 33.4 | 26.5 | 28.1 | 26.8 | 25.8 |
| P&G Health | MERLIM | 7246 | 5,365 | Hold | 12028 | 106.5 | 110.9 | 119.1 | 134.1 | 68.0 | 65.4 | 60.8 | 54.0 | 32.2 | 35.5 | 33.3 | 32.6 | 25.1 | 27.4 | 25.5 | 24.9 |
| Sanofi India | SANOFI | 126 | 8,965 | Buy | 290 | 207.4 | 410.1 | 312.4 | 298.9 | 0.6 | 0.3 | 0.4 | 0.4 | 32.3 | 33.3 | 43.1 | 40.8 | 24.5 | 25.9 | 34.0 | 32.0 |
| Pfizer | PFIZER | 4521 | 5,350 | Buy | 20683 | 108.8 | 135.2 | 133.0 | 148.6 | 41.6 | 33.4 | 34.0 | 30.4 | 27.6 | 27.4 | 23.6 | 22.9 | 20.8 | 21.7 | 18.6 | 18.1 |
| Pharma | | | | | | | | | | | | | | | | | | | | | |
| Ajanta Pharma | AJAPHA | 1736 | 2,605 | Buy | 15020 | 74.0 | 86.1 | 86.7 | 100.1 | 23.5 | 20.2 | 20.0 | 17.3 | 29.0 | 27.2 | 23.7 | 23.5 | 21.8 | 22.5 | 19.4 | 19.2 |
| Alembic Pharma | ALEMPHA | 732 | 770 | Hold | 14397 | 59.9 | 34.4 | 34.9 | 38.6 | 12.2 | 21.3 | 21.0 | 19.0 | 24.2 | 12.3 | 12.3 | 12.6 | 23.0 | 12.1 | 11.2 | 11.4 |
| Aurobindo Pharma | AURPHA | 618 | 765 | Hold | 36237 | 55.0 | 55.0 | 55.6 | 63.6 | 11.2 | 11.2 | 11.1 | 9.7 | 16.9 | 16.9 | 14.7 | 15.6 | 14.7 | 14.7 | 11.8 | 12.0 |
| Biocon | BIOCON | 340 | 390 | Hold | 40826 | 6.1 | 6.1 | 8.7 | 13.7 | 55.9 | 55.9 | 39.3 | 24.8 | 7.6 | 7.6 | 5.3 | 7.1 | 9.6 | 9.6 | 4.6 | 6.8 |
| Cadila Healthcare | CADHEA | 722 | 475 | Hold | 73909 | 21.5 | 21.5 | 21.8 | 24.8 | 33.6 | 33.6 | 33.1 | 29.1 | 12.6 | 12.6 | 13.4 | 14.3 | 16.9 | 16.9 | 13.7 | 13.9 |
| Cipla | CIPLA | 4159 | 1,100 | Buy | 335524 | 29.9 | 29.9 | 40.3 | 44.6 | 139.2 | 139.2 | 103.3 | 93.3 | 16.3 | 16.3 | 18.3 | 18.3 | 13.1 | 13.1 | 14.0 | 13.9 |
| Dr Reddy's Labs | DRREDD | 441 | 5,160 | Buy | 7337 | 117.3 | 117.3 | 192.9 | 238.4 | 3.8 | 3.8 | 2.3 | 1.8 | 13.1 | 13.1 | 18.8 | 22.8 | 11.1 | 11.1 | 14.1 | 15.2 |
| Glenmark Pharma | GLEPHA | 289 | 550 | Hold | 8155 | 32.9 | 44.2 | 44.2 | 49.1 | 8.8 | 6.5 | 6.5 | 5.9 | 13.9 | 15.5 | 15.2 | 15.4 | 13.1 | 13.1 | 11.7 | 11.6 |
| Ipca Laboratories | IPCLAB | 415 | 1,175 | Buy | 10529 | 44.9 | 44.9 | 42.9 | 48.9 | 9.2 | 9.2 | 9.7 | 8.5 | 27.1 | 27.1 | 19.3 | 18.6 | 24.2 | 24.2 | 16.3 | 15.7 |
| Jubilant Pharmova | JUBLIF | 544 | 490 | Hold | 8665 | 37.4 | 28.7 | 32.5 | 40.8 | 14.6 | 19.0 | 16.7 | 13.3 | 13.7 | 10.1 | 10.4 | 12.2 | 12.6 | 8.9 | 9.2 | 10.4 |
| Lupin | LUPIN | 668 | 960 | Hold | 30334 | 26.9 | 26.9 | 30.2 | 40.0 | 24.9 | 24.9 | 22.1 | 16.7 | 9.1 | 9.1 | 10.5 | 12.8 | 8.8 | 8.8 | 9.6 | 11.4 |
| Natco Pharma | NATPHA | 4314 | 955 | Hold | 78680 | 24.2 | 24.2 | 19.6 | 23.1 | 178.5 | 178.5 | 220.6 | 186.9 | 13.1 | 13.1 | 9.7 | 10.7 | 10.7 | 10.7 | 7.8 | 8.5 |
| Sun Pharma | SUNPHA | 509 | 1,075 | Buy | 122150 | 30.0 | 30.0 | 33.6 | 38.3 | 16.9 | 16.9 | 15.2 | 13.3 | 14.2 | 14.2 | 16.9 | 17.0 | 15.5 | 15.5 | 13.6 | 13.6 |
| Torrent Pharma | TORPHA | 352 | 3,235 | Hold | 5950 | 74.0 | 74.0 | 95.6 | 115.5 | 4.8 | 4.8 | 3.7 | 3.0 | 17.7 | 17.7 | 21.2 | 23.5 | 21.4 | 21.4 | 20.3 | 20.7 |
| Indoco Remedies | INDREM | 969 | 510 | Buy | 8927 | 10.1 | 10.1 | 23.3 | 28.3 | 95.9 | 95.9 | 41.6 | 34.2 | 11.7 | 11.7 | 21.5 | 26.3 | 12.1 | 12.1 | 19.8 | 20.0 |
| Caplin Point | CAPPOI | 935 | 1,010 | Buy | 7084 | 81.7 | 76.7 | 55.5 | 60.4 | 11.4 | 12.2 | 16.9 | 15.5 | 25.6 | 24.1 | 23.5 | 0.0 | 20.4 | 20.5 | 18.8 | 18.3 |
| Advanced Enzymes | ADVENZ | 317 | 380 | Buy | 3541 | 13.1 | 11.3 | 13.6 | 15.8 | 24.2 | 28.1 | 23.3 | 20.1 | 19.4 | 15.4 | 16.7 | 17.2 | 15.1 | 11.6 | 12.4 | 12.7 |
| Hester Biosciences | HESPHA | 373 | 2,780 | Hold | 317 | 44.4 | 47.2 | 52.0 | 71.4 | 8.4 | 7.9 | 7.2 | 5.2 | 16.2 | 12.8 | 14.3 | 17.3 | 16.5 | 15.5 | 15.1 | 17.8 |
| API/CRAMS | | | | | | | | | | | | | | | | | | | | | |
| Divi's Lab | DIVLAB | 3719 | 5,335 | Buy | 98724 | 74.7 | 74.7 | 108.9 | 127.1 | 49.8 | 49.8 | 34.1 | 29.3 | 27.6 | 27.6 | 27.6 | 27.5 | 21.3 | 21.3 | 21.7 | 21.6 |
| Hikal | HIKCHE | 380 | 500 | Buy | 4679 | 10.8 | 10.8 | 17.1 | 22.6 | 35.1 | 35.1 | 22.1 | 16.8 | 15.1 | 15.1 | 16.0 | 19.1 | 14.3 | 14.3 | 16.8 | 18.8 |
| Syngene Int. | SYNINT | 2815 | 710 | Buy | 112818 | 10.1 | 10.1 | 13.1 | 17.8 | 278.1 | 278.1 | 214.9 | 158.2 | 11.5 | 11.5 | 14.9 | 17.9 | 13.5 | 13.5 | 14.2 | 16.2 |
| Granules India | GRANUL | 238 | 360 | Buy | 5895 | 22.2 | 16.2 | 19.4 | 25.8 | 10.7 | 14.7 | 12.2 | 9.2 | 24.0 | 16.2 | 17.4 | 20.2 | 25.3 | 15.8 | 16.1 | 17.8 |
| Laurus Labs | LAULAB | 720 | 625 | Buy | 38663 | 18.3 | 15.1 | 20.7 | 26.1 | 39.3 | 47.8 | 34.7 | 27.6 | 31.7 | 21.3 | 24.3 | 26.2 | 37.9 | 24.3 | 25.7 | 25.1 |
| Suven Pharmaceuticals | SUVPH | 538 | 555 | Hold | 13685 | 14.2 | 18.3 | 17.7 | 19.8 | 37.8 | 29.4 | 30.4 | 27.2 | 31.2 | 35.0 | 28.7 | 26.6 | 30.7 | 29.6 | 23.2 | 21.3 |

Source: ICICI Direct Research

Financial Summary

| Exhibit 3: Profit and loss statement | | | | | ₹ crore |
|--------------------------------------|---------------|---------------|----------------|----------------|---------|
| Year-end March | FY21 | FY22E | FY23E | FY24E | |
| Total Operating Income | 7105.8 | 8146.0 | 11030.2 | 13930.5 | |
| Growth (%) | 11.6 | 14.6 | 35.4 | 26.3 | |
| Raw Material Expenses | 2208.5 | 2648.8 | 3325.3 | 4039.8 | |
| Employee Expenses | 1741.0 | 1949.6 | 2544.5 | 3220.6 | |
| R&D Expenditure | 553.0 | 579.1 | 804.8 | 1035.2 | |
| Other Expenditures | 963.3 | 1109.6 | 1551.8 | 1948.6 | |
| Total Operating Expenditure | 5465.8 | 6287.0 | 8226.3 | 10244.2 | |
| Operating Profit (EBITDA) | 1640.0 | 1859.1 | 2803.8 | 3686.3 | |
| Growth (%) | 2.3 | 13.4 | 50.8 | 31.5 | |
| Depreciation | 715.1 | 807.7 | 886.4 | 998.8 | |
| Interest | 57.7 | 99.7 | 552.9 | 552.9 | |
| Other Income | 267.1 | 253.1 | 220.6 | 278.6 | |
| PBT before Exceptional Items | 1134.3 | 1204.8 | 1585.1 | 2413.2 | |
| Less: Exceptional Items | -12.6 | 70.1 | 0.0 | 0.0 | |
| Total Tax | 221.5 | 227.7 | 348.7 | 530.9 | |
| PAT before MI | 925.4 | 906.9 | 1236.4 | 1882.3 | |
| Minority Interest | 105.7 | 121.0 | 182.5 | 219.0 | |
| Adjusted PAT | 730.3 | 684.5 | 1039.5 | 1648.9 | |
| Growth (%) | 4.6 | -6.3 | 51.9 | 58.6 | |
| EPS (Adjusted) | 6.1 | 5.7 | 8.7 | 13.7 | |

Source: Company, ICICI Direct Research

| Exhibit 4: Cash flow statement | | | | | ₹ crore |
|--|----------------|---------------|-----------------|----------------|---------|
| Year-end March | FY21 | FY22E | FY23E | FY24E | |
| Profit/(Loss) after taxation | 652.4 | 628.5 | 1039.5 | 1648.9 | |
| Add: Depreciation & Amortization | 715.1 | 807.7 | 886.4 | 998.8 | |
| Net Increase in Current Assets | -734.0 | -996.7 | -1870.5 | -1512.6 | |
| Net Increase in Current Liabilities | 310.2 | 469.3 | 1119.8 | 1133.5 | |
| Other Operating Activities | 216.0 | 99.7 | 552.9 | 552.9 | |
| CF from operating activities | 1159.7 | 1008.4 | 1728.1 | 2821.5 | |
| (Purchase)/Sale of Fixed Assets | -1297.1 | -931.0 | -1250.0 | -1000.0 | |
| (Increase)/Decrease in Investments | -567.0 | 0.0 | 0.0 | 0.0 | |
| Increase/ (Decrease) in Minority Intere: | 0.0 | 88.1 | 96.9 | 106.6 | |
| Other Investing Activities | -842.8 | 69.7 | -22452.2 | -854.1 | |
| CF from investing activities | -2706.9 | -773.2 | -23605.3 | -1747.5 | |
| Proceeds from issues of Equity Shares | 797.7 | 0.0 | 13500.0 | 0.0 | |
| Inc/(dec) in loan funds | 1882.3 | -100.0 | 8600.0 | 0.0 | |
| (Payment) of Dividend and Dividend Ta | 0.0 | -62.8 | -103.9 | -164.9 | |
| Interest Paid | -116.0 | -99.7 | -552.9 | -552.9 | |
| Other Financing Activities | 0.0 | 0.0 | 0.0 | 0.0 | |
| CF from financing activities | 2564.0 | -262.5 | 21443.1 | -717.8 | |
| Net Cash flow | 1016.8 | -27.2 | -434.1 | 356.2 | |
| Opening Cash | 998.5 | 2015.3 | 1988.1 | 1554.0 | |
| Closing Cash | 2015.3 | 1988.1 | 1554.0 | 1910.2 | |
| Free Cash Flow | 592.7 | 1008.4 | 1728.1 | 2821.5 | |

Source: Company, ICICI Direct Research

| Exhibit 5: Balance Sheet | | | | | ₹ crore |
|-----------------------------|----------------|----------------|----------------|----------------|---------|
| Year-end March | FY21 | FY22E | FY23E | FY24E | |
| Liabilities | | | | | |
| Equity Capital | 600.0 | 600.0 | 600.0 | 600.0 | |
| Reserve and Surplus | 7026.9 | 7592.5 | 22028.0 | 23512.0 | |
| Total Shareholders funds | 7626.9 | 8192.5 | 22628.0 | 24112.0 | |
| Total Debt | 4358.6 | 4258.6 | 12858.6 | 12858.6 | |
| Minority Interest | 880.7 | 968.8 | 1065.6 | 1172.2 | |
| Other NCL & LT Provisions | 2843 | 3125.7 | 3436.6 | 3778.4 | |
| Source of Funds | 15709.2 | 16545.6 | 39988.9 | 41921.3 | |
| Assets | | | | | |
| Gross Block - Fixed Assets | 10194.5 | 10775.5 | 11825.4 | 13325.4 | |
| Accumulated Depreciation | 3857.0 | 4664.7 | 5551.1 | 6549.9 | |
| Net Block | 6337.5 | 6110.8 | 6274.3 | 6775.5 | |
| Capital WIP | 2800.2 | 3150.2 | 3350.2 | 2850.2 | |
| Total Fixed Assets | 9137.7 | 9261.0 | 9624.5 | 9625.7 | |
| Goodwill on Consolidation | 26.4 | 26.4 | 19151.4 | 19151.4 | |
| Investments | 1951.9 | 1951.9 | 1951.9 | 1951.9 | |
| Inventory | 1866.6 | 2363.0 | 3324.2 | 3816.6 | |
| Debtors | 1217.6 | 1384.7 | 1874.9 | 2368.0 | |
| Cash | 2015.4 | 1988.1 | 1554.0 | 1910.2 | |
| Other Current Assets | 1292.1 | 1625.3 | 2044.4 | 2571.6 | |
| Total Current Assets | 6391.7 | 7361.1 | 8797.5 | 10666.4 | |
| Creditors | 1513.9 | 1646.3 | 2350.0 | 2967.9 | |
| Provisions | 109.4 | 139.6 | 169.7 | 199.9 | |
| Other Current Liabilities | 1189.7 | 1496.5 | 1882.4 | 2367.8 | |
| Total Current Liabilities | 2813.0 | 3282.3 | 4402.1 | 5535.6 | |
| Net Current Assets | 3578.7 | 4078.8 | 4395.4 | 5130.7 | |
| Deferred Tax Assets | 307.7 | 338.5 | 372.3 | 409.5 | |
| Other Non Current assets | 706.8 | 889.1 | 4493.3 | 5652.0 | |
| Application of Funds | 15709.2 | 16545.6 | 39988.9 | 41921.3 | |

Source: Company, ICICI Direct Research

| Exhibit 6: Key ratios | | | | |
|-----------------------------|------|-------|-------|-------|
| Year-end March | FY21 | FY22E | FY23E | FY24E |
| Per share data (₹) | | | | |
| Reported EPS | 6.2 | 5.2 | 8.7 | 13.7 |
| BV per share | 63.5 | 68.2 | 188.5 | 200.8 |
| Dividend per share | 0.0 | 0.5 | 0.9 | 1.4 |
| Cash Per Share | 16.8 | 16.6 | 12.9 | 15.9 |
| Operating Ratios (%) | | | | |
| Gross Margin | 68.9 | 67.5 | 69.9 | 71.0 |
| EBITDA margin | 23.1 | 22.8 | 25.4 | 26.5 |
| EBIT Margin | 13.0 | 12.9 | 17.4 | 19.3 |
| PAT Margin | 10.3 | 8.4 | 9.4 | 11.8 |
| Inventory days | 95.9 | 105.9 | 110.0 | 100.0 |
| Debtor days | 62.5 | 62.0 | 62.0 | 62.0 |
| Creditor days | 77.8 | 73.8 | 77.8 | 77.8 |
| Asset Turnover | 0.5 | 0.5 | 0.3 | 0.3 |
| EBITDA Conversion Ratio | 70.7 | 54.2 | 61.6 | 76.5 |
| Return Ratios (%) | | | | |
| RoE | 9.6 | 8.4 | 4.6 | 6.8 |
| RoCE | 7.6 | 7.9 | 5.3 | 7.1 |
| RoIC | 9.9 | 10.7 | 13.4 | 16.4 |
| Valuation Ratios (x) | | | | |
| P/E | 55.9 | 65.9 | 39.8 | 25.1 |
| EV / EBITDA | 25.9 | 22.9 | 18.4 | 13.9 |
| EV / Net Sales | 6.0 | 5.2 | 4.7 | 3.7 |
| Market Cap / Sales | 5.8 | 5.1 | 3.8 | 3.0 |
| Price to Book Value | 5.4 | 5.1 | 1.8 | 1.7 |
| Solvency Ratios | | | | |
| Debt / EBITDA | 2.7 | 2.3 | 4.6 | 3.5 |
| Debt / Equity | 0.6 | 0.5 | 0.6 | 0.5 |
| Current Ratio | 1.6 | 1.6 | 1.6 | 1.6 |

Source: Company, ICICI Direct Research

RATING RATIONALE

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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**

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