

Hester Biosciences (HESPHA)

CMP: ₹ 2277

Target: ₹ 2445 (7%)

Target Period: 12 months

May 23, 2022

Poor offtake in poultry; focus on animal business...

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: 27%

Q4FY22 Results: Numbers were impacted as poultry farm economics turned adverse due to rise in feed costs and decline in end-product prices.

- Sales were down 12% YoY to ₹ 56.5 crore
- EBITDA was at ₹ 10.3 crore, down 48% YoY with margins at 18.3%. Margins declined amid higher spends on market expansion in the animal health
- Adjusted PAT was at ₹ 7.7 crore (down 41% YoY). [Base of Q4FY21 had ₹ 6.8 crore of license fee income]

What should investors do? Hester's share price has grown by ~2.7x over the past five years (from ~₹ 832 in May 2017 to ~₹ 2257 levels in May 2022).

- We retain **HOLD** on the stock as we wait for a pick-up in demand scenario for new launches and Africa business

Target Price and Valuation: We value Hester at ₹ 2445 (base business at ₹ 2402 i.e. 38x FY24E EPS of ₹ 63.2 + NPV of ₹ 44.3 for Covaxin DS opportunity).

Key triggers for future price performance:

- Opportunities in animal vaccines such as classical swine fever, lumpy skin disease (only player), sheep pox (only player) in the domestic space and expected launch of the modified Inactivated Coryza Vaccine, 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 and strengthened distribution network in Africa, along with increase in bulk antigen capacity (Q1FY23) and fill finish line (Q3FY23) for animal vaccines
- Foray into pet care with three products, six more launches slated in FY23

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 ₹ 510

HOLD

HESTER

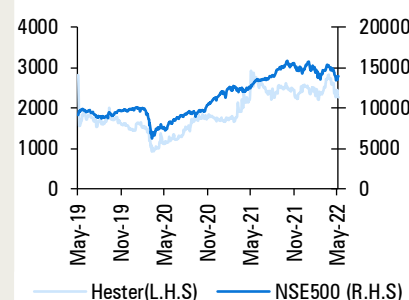
Particulars

Particular	Amount
Market Capitalisation	₹ 1937 crore
Debt (FY22)	₹ 223 crore
Cash (FY22)	₹ 25 crore
EV	₹ 2134 crore
52 week H/L (₹)	3099/2135
Equity capital	₹ 8.5 crore
Face value (₹)	₹ 10

Shareholding pattern

(in %)	Jun-21	Sep-21	Dec-21	Mar-22
Promoter	53.7	53.7	53.7	53.7
Others	46.3	46.3	46.3	46.3

Price Chart



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	FY22	5 year CAGR (FY17-22)	FY23E	FY24E	2 year CAGR (FY22-24E)
Revenues	183.3	214.3	235.0	13.8	268.2	302.6	13.5
EBITDA	55.4	68.7	60.0	8.0	63.4	88.2	21.3
EBITDA margins(%)	30.2	32.0	25.5		23.6	29.2	
Adjusted Net Profit	29.2	37.8	38.9	10.7	35.1	53.8	17.6
EPS (₹)	34.3	44.4	45.7		41.3	63.2	
PE (x)	66.4	56.3	49.8		55.1	36.0	
EV to EBITDA (x)	36.8	29.4	35.6		33.3	23.5	
RoNW (%)	14.5	16.5	15.0		12.2	16.3	
RoCE (%)	14.0	16.2	10.9		9.9	13.4	

Source: Company, ICICI Direct Research

Key takeaways of recent quarter & conference call highlights

Q4FY22 Results: Below-par numbers, new products to trigger growth

- Revenue witnessed a 14% decline YoY to ₹ 56 crore on back of 25% YoY de-growth in poultry business to ₹ 40 crore being partly offset by 46% YoY growth in animal business to ₹ 17 crore. EBITDA margins declined 1253 bps YoY to 18%, mainly due to higher other expenditure amid higher spend on market expansion in animal health. EBITDA declined 48% YoY to ₹ 10 crore. Subsequently, PAT was down 41% YoY to ₹ 8 crore [note: base of Q4FY21 had ₹ 6.8 crore of license fee income]
- Hester's poultry business benefitted from a major disease outbreak in Q4FY21 while this quarter poultry farm economics also turned adverse due to rise in feed costs and decline in end-product prices. Animal business benefitted from new product launches and geographical expansions. Going ahead, Hester is expected to benefit from FAO tenders for PPR vaccines, improvement in demand environment in Africa and opportunities panning out from animal vaccines such as classical swine fever, lumpy skin disease (only player) and sheep pox (only player). Progress was made in pet division with three launches scheduled in May. As the company strengthens its hold in the overall animal healthcare space, consistent order flow and pricing power is likely to improve

Q4FY22 Earnings Conference Call highlights

- The sales of vaccines declined 20% in Q4FY22 but grew 5% in FY22. Sales in Q4FY21 benefitted from a major disease outbreak in the poultry industry which led to a one-time spurt in demand for poultry vaccines. The current year did not experience any such disease outbreak. Further, during the current year, the poultry farm economics also turned adverse due to rise in feed costs and decline in end-product prices
- On an annual basis, gross profit margins on product sales have been marginally impacted due to increase in proportion of sales of health products, which have lower gross margin, coupled with an increase in raw material prices. This, in turn, was not fully passed on to customers due to prevailing poor farm economics in the poultry industry
- Hester Nepal has seen growth of 193% in FY22 sales and net profit of ₹ 2.3 crore in FY22 against a loss of ₹ 0.9 crore in FY21. The management expect to achieve further increase in sales during the coming year upon the commencement of supplies under the FAO tenders for the PPR vaccine. Nepal's domestic market is also building up for the live and inactivated vaccines
- Hester Africa has received the regulatory approvals for the manufacturing of PPR and CBPP vaccines. The production of these vaccines has commenced and is meeting the quality parameters. The impact of its sales will be seen in FY23. This project will enable Hester to become a leading player in Africa and contribute significantly towards the social as well as economic growth of the African continent, besides adding to the topline and bottomline of Hester
- During Q4FY22, Hester India acquired 50% equity stake in Threshold Exim Ltd, Tanzania, a distribution company of vaccines and animal health products in Tanzania. This acquisition will help strengthen the distribution network of Hester in the African continent
- Hester was awarded national tender for supply of 20 crore doses for PPR by the Department of Animal Husbandry and Dairying. There is a delay in receiving the supply orders, and is expected to commence in Q1FY23.
- Hester will launch three pet care products in May, 2022 with six more to follow in FY23. The management guided for ₹ 3- 4 crore revenues from pet care in FY23

Exhibit 1: Variance Analysis

	Q4FY22	Q4FY21	Q3FY22	YoY (%)	QoQ (%)	Comments
Revenue	56.5	64.2	55.7	-12.0	1.4	YoY decline as sales of vaccines declined by 20% YoY
Raw Material Expenses	15.4	17.7	13.3	-12.8	15.7	
Gross Margin (%)	72.7	72.5	76.1	24.4	-337.1	Sequential decline impacted due to increase in proportion of sales of Health Products coupled with an increase in raw material prices
Employee Expenses	12.3	11.1	10.7	10.1	15.1	
Other Expenditure	18.5	15.6	16.7	18.5	10.7	
EBITDA	10.3	19.8	15.0	-47.8	-31.3	
EBITDA (%)	18.3	30.8	27.0	-1,253.3	-870.7	YoY decline amid higher spends on market expansion in the animal health division and higher one-time license and service fees in base of Q4FY21
Interest	1.5	1.4	1.0	4.5	55.9	
Depreciation	5.1	3.6	5.2	41.3	-0.8	
Other Income	7.2	2.5	2.8	190.5	159.0	
PBT before EO & Forex	11.3	17.2	11.7	-34.2	-3.1	
Forex & EO	0.0	3.3	0.0	-100.0		
PBT	11.3	13.9	11.7	-18.4	-3.1	
Tax	2.3	3.8	3.3	-38.9	-31.2	
PAT before MI	9.0	10.1	8.3	-10.8	8.1	
MI	1.3	0.4	-0.2	214.7	-933.8	
Adjusted Net Profit	7.7	13.0	8.5	-40.6	-9.0	
Key Metrics						
Poultry Healthcare	39.7	52.7	41.9	-24.7	-5.3	YoY decline as poultry farm economics also turned adverse due to rise in feed costs and decline in end-product prices.
Animal Healthcare	16.8	11.5	13.8	46.3	21.9	YoY increase largely driven by new product introductions and geographical expansion

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

	FY23E			FY24E			Comments
(₹ Crore)	Old	New	% Change	Old	New	% Change	
Revenue	296.8	268.2	-9.7	344.9	302.6	-12.3	Changed on back of poor offtake in Africa and lower than expected sales in poultry
EBITDA	89.3	63.4	-29.0	113.1	88.2	-22.0	
EBITDA Margin (%)	30.1	23.6	-646 bps	32.8	29.2	-363 bps	Changed mainly because of increasing operational expenses and lower margin profile for animal health
PAT	44.2	35.1	-20.6	60.7	53.8	-11.4	
EPS (₹)	52.0	41.3	-20.6	71.4	63.2	-11.4	

Source: ICICI Direct Research

Exhibit 3: Assumptions

	Current				Earlier			Comments
(₹ crore)	FY20	FY21	FY22	FY23E	FY24E	FY23E	FY24E	
Poultry Healthcare	120.3	156.5	171.8	192.0	215.1	213.8	239.5	Changed due to adverse demand environment
Animal Healthcare	47.3	50.5	63.2	76.1	87.5	83.0	105.4	Changed as the offtake is slower than anticipated

Source: ICICI Direct Research

Exhibit 4: Trends in Quarterly Performance

(₹ crore)	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	YoY (%)	QoQ (%)
Total Operating Income	49.8	44.8	44.2	50.7	43.6	39.9	53.4	56.9	64.2	60.2	62.7	55.7	56.5	-12.0	1.4
Raw Material Expenses	11.1	5.6	5.6	5.7	2.9	5.0	15.2	13.7	17.7	17.9	16.2	13.3	15.4	-12.8	15.7
% of Revenue	22.3	12.5	12.6	11.2	6.5	12.4	28.5	24.0	27.5	29.7	25.8	23.9	27.3	-24 bps	337 bps
Gross Profit	38.6	39.2	38.6	45.0	40.8	34.9	38.2	43.2	46.5	42.3	46.5	42.4	41.1	-11.7	-3.1
Gross Profit Margin (%)	77.7	87.5	87.4	88.8	93.5	87.6	71.5	76.0	72.5	70.3	74.2	76.1	72.7	24 bps	-337 bps
Employee Expenses	8.1	8.6	9.4	10.3	12.4	8.6	8.4	10.8	11.1	11.3	11.1	10.7	12.3	10.1	15.1
% of Revenue	16.4	19.3	21.2	20.3	28.5	21.5	15.8	19.0	17.4	18.8	17.7	19.1	21.7	436 bps	258 bps
Other Expenditure	12.8	13.0	18.2	14.0	21.2	14.4	14.0	11.2	15.6	14.0	17.8	16.7	18.5	18.5	10.7
% of Revenue	25.7	29.0	41.2	27.7	48.5	36.2	26.2	19.8	24.3	23.2	28.5	30.0	32.7	842 bps	275 bps
Total Expenditure	32.0	27.2	33.1	30.0	36.4	28.0	37.6	35.7	44.4	43.1	45.1	40.7	46.1	3.9	13.5
% of Revenue	64.4	60.7	75.0	59.2	83.5	70.1	70.4	62.8	69.2	71.6	72.0	73.0	81.7	1253 bps	871 bps
EBITDA	17.7	17.6	11.1	20.7	7.2	11.9	15.8	21.2	19.8	17.1	17.6	15.0	10.3	-47.8	-31.3
EBITDA Margin (%)	35.6	39.3	25.0	40.8	16.5	29.9	29.6	37.2	30.8	28.4	28.0	27.0	18.3	-1253 bps	-871 bps
Other Income	5.7	0.6	0.7	0.3	4.8	0.7	0.2	1.3	2.5	2.3	1.4	2.8	7.2	190.5	159.0
Interest	2.1	1.9	1.4	2.6	2.5	1.5	2.1	1.5	1.4	0.9	0.7	1.0	1.5	4.5	55.9
Depreciation	3.6	3.2	3.2	3.4	3.2	3.2	3.2	3.3	3.6	3.2	3.1	5.2	5.1	41.3	-0.8
PBT	17.7	13.0	7.1	15.0	6.2	7.9	10.7	17.7	17.2	15.3	15.2	11.7	10.9	-36.7	-6.8
Total Tax	3.6	4.9	0.9	3.0	1.5	2.8	4.0	4.8	3.8	4.3	4.1	3.3	2.3	-38.9	-31.2
Tax rate (%)	20.5	37.9	12.7	20.1	23.7	35.9	37.5	27.1	21.9	28.1	26.7	28.7	21.1	-78 bps	-751 bps
PAT	13.2	8.4	6.5	11.5	2.7	5.7	6.7	12.3	9.7	12.5	10.6	8.5	7.7	-20.3	-9.0
PAT Margin (%)	26.5	18.7	14.8	22.7	6.3	14.3	12.5	21.7	15.1	20.8	17.0	15.2	13.7		
EPS (₹)	15.5	9.9	7.7	13.5	3.2	6.7	7.9	14.5	11.4	14.7	12.5	10.0	9.1		

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 (%)			
Hospitals																					
Apollo Hospitals	APOHOS	3735	5,480	Buy	53703	7.9	67.2	81.3	105.5	475.2	55.6	45.9	35.4	6.3	16.4	18.2	20.7	2.5	17.5	18.1	19.9
Narayana Hrudalaya	NARHRU	641	765	Buy	13094	-0.7	17.5	20.1	22.8	NA	36.7	31.8	28.1	1.2	21.2	22.4	21.5	-1.3	24.5	22.3	20.3
Shalby	SHALIM	109	170	Buy	1180	3.9	5.9	5.7	7.2	27.8	18.5	19.0	15.2	6.5	8.9	9.6	10.5	5.1	7.2	6.7	7.9
Aster DM	ASTDM	176	250	Buy	8804	3.0	10.6	17.6	NA	59.6	16.7	10.0	NA	5.4	9.2	12.9	NA	4.4	13.5	18.4	NA
Healthcare Global	HEAGLO	280	240	Hold	3504	-21.7	6.0	3.5	NA	NA	46.6	79.3	NA	-0.9	5.2	7.7	NA	NA	NA	3.4	NA
MNC Pharma																					
Abbott India	ABBIND	17902	20,560	Buy	38041	325.0	375.9	439.8	514.0	55.1	47.6	40.7	34.8	33.8	36.6	37.9	36.3	26.5	28.3	29.5	28.1
Pfizer Health	MERLIM	4428	4,955	Hold	7351	106.5	121.5	130.5	141.6	41.6	36.4	33.9	31.3	32.2	37.3	34.7	32.8	25.1	29.3	27.0	25.4
Sanofi India	SANOFI	6622	7,740	Hold	15251	207.4	410.1	285.7	276.4	31.9	16.1	23.2	24.0	32.3	33.3	42.3	40.8	24.5	25.9	32.6	31.3
Pfizer	PFIZER	4381	4,810	Hold	20041	108.8	133.9	140.4	160.3	40.3	32.7	31.2	27.3	27.6	26.1	23.5	23.0	20.8	21.4	19.2	18.7
Pharma																					
Ajanta Pharma	AJAPHA	1736	1,955	Buy	14830	74.0	83.4	83.3	97.8	23.5	20.8	20.8	17.8	29.0	27.0	22.9	22.9	21.8	21.8	18.4	18.3
Alembic Pharma	ALEMPHA	772	720	Hold	15175	62.8	27.8	29.7	35.9	12.3	27.8	26.0	21.5	25.1	10.6	11.2	13.8	24.1	10.4	10.3	11.3
Aurobindo Pharma	AURPHA	569	765	Hold	33334	55.0	44.3	53.4	61.2	10.3	12.8	10.6	9.3	16.9	12.5	14.3	15.2	14.7	10.7	11.5	11.7
Biocon	BIOCON	343	380	Hold	41157	6.3	5.7	6.1	11.7	54.8	60.2	56.6	29.4	7.7	7.5	5.0	6.9	9.9	8.1	3.2	5.9
Zydus Lifesciences	CADHEA	365	475	Hold	37392	21.5	21.1	22.4	25.4	17.0	17.3	16.3	14.4	12.6	13.5	13.7	14.6	16.9	14.8	14.0	14.1
Cipla	CIPLA	984	1,095	Buy	79386	29.9	32.9	36.2	42.5	32.9	29.9	27.2	23.1	16.3	16.7	16.7	17.7	13.1	12.7	12.6	13.3
Dr Reddy's Labs	DRREDD	4316	4,800	Buy	71828	117.3	127.9	192.4	224.6	36.8	33.7	22.4	19.2	13.1	13.0	18.3	21.3	11.1	11.1	14.7	15.0
Glenmark Pharma	GLEPHA	404	550	Hold	11398	32.9	44.2	44.2	49.1	12.3	9.1	9.1	8.2	13.9	15.5	15.2	15.4	13.1	13.1	11.7	11.6
Ipca Laboratories	IPCLAB	988	1,175	Buy	25055	44.9	36.6	42.4	48.2	22.0	27.0	23.3	20.5	27.1	19.8	19.1	18.5	24.2	16.6	16.1	15.6
Jubilant Pharmova	JUBLIF	421	490	Hold	6698	37.4	28.7	32.5	40.8	11.3	14.7	12.9	10.3	13.7	10.1	10.4	12.2	12.6	8.9	9.2	10.4
Lupin	LUPIN	640	610	Hold	29098	26.9	11.9	18.7	30.5	23.8	53.9	34.2	21.0	9.6	3.4	7.6	11.2	8.8	4.4	6.6	9.8
Natco Pharma	NATPHA	709	955	Hold	12938	24.2	15.1	19.6	23.1	29.3	46.9	36.3	30.7	13.1	7.3	9.7	10.7	10.7	6.4	7.8	8.5
Sun Pharma	SUNPHA	928	1,075	Buy	222658	30.0	33.5	33.8	38.6	30.9	27.7	27.4	24.1	14.2	18.3	17.8	17.8	15.5	16.4	14.4	14.3
Torrent Pharma	TORPHA	2694	3,235	Hold	45584	74.0	67.6	94.7	114.5	36.4	39.8	28.4	23.5	17.7	18.2	21.1	23.5	21.4	17.1	20.3	20.7
Indoco Remedies	INDREM	374	510	Buy	3445	10.1	16.8	21.8	28.4	37.0	22.3	17.1	13.2	11.7	17.5	18.8	24.9	12.1	17.1	18.7	20.2
Caplin Point	CAPPOI	757	895	Buy	5733	81.7	85.3	68.3	70.8	9.3	8.9	11.1	10.7	25.3	23.7	22.5	0.0	20.4	20.2	18.5	17.5
Advanced Enzymes	ADVENZ	276	380	Buy	3088	13.1	11.3	13.6	15.8	21.1	24.5	20.3	17.5	19.4	15.4	16.7	17.2	15.1	11.6	12.4	12.7
Hester Biosciences	HESPHA	2248	2,445	Hold	1913	44.4	45.7	41.3	63.2	50.7	49.2	54.4	35.6	16.2	10.9	9.9	13.4	16.5	15.0	12.2	16.3
API/CRAMS																					
Divi's Lab	DIVLAB	4400	5,335	Buy	116805	74.7	107.8	108.4	126.4	58.9	40.8	40.6	34.8	27.6	30.1	27.7	27.5	21.3	25.4	21.7	21.6
Hikal	HIKCHE	370	500	Buy	4561	10.8	14.6	17.1	22.6	34.3	25.3	21.6	16.3	15.1	15.7	16.0	19.1	14.3	16.7	16.8	18.8
Syngene Int.	SYNINT	565	730	Buy	22653	10.1	9.9	11.4	15.5	55.8	57.2	49.7	36.5	11.5	11.7	12.2	15.7	13.5	12.9	12.3	14.4
Granules India	GRANUL	280	345	Buy	6935	22.2	16.6	19.6	24.6	12.6	16.8	14.3	11.4	24.0	15.6	16.8	18.6	25.3	16.0	16.0	16.9
Laurus Labs	LAULAB	577	690	Buy	31003	18.3	15.4	20.6	26.5	31.5	37.5	28.0	21.7	31.7	21.3	22.6	24.7	37.9	24.7	25.5	25.3
Suven Pharmaceuticals	SUVPH	523	555	Hold	13312	14.2	17.8	17.0	18.5	36.7	29.3	30.7	28.2	31.2	37.5	28.5	26.0	30.7	29.7	23.0	20.8

Source: ICICI Direct Research

Financial Summary

Exhibit 6: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Revenues	214.3	235.0	268.2	302.6
Growth (%)	17.0	9.6	14.1	12.9
Raw Material Expenses	51.5	62.7	69.3	72.2
Employee Expenses	38.9	45.3	53.5	56.6
Other Expenditure	55.3	67.0	81.9	85.6
Total Operating Expenditure	145.7	175.0	204.8	214.4
EBITDA	68.7	60.0	63.4	88.2
Growth (%)	23.9	-12.6	5.7	39.2
Interest	6.6	4.1	6.7	6.7
Depreciation	13.3	16.6	22.1	23.3
Other Income	4.7	13.7	13.4	15.1
PBT before Exceptional Items	53.4	53.1	48.0	73.3
Less: Forex & Exceptional Items	3.3	0.0	0.0	0.0
PBT	50.1	53.1	48.0	73.3
Total Tax	15.4	14.0	12.7	19.4
PAT	34.4	38.9	35.1	53.8
Adjusted PAT	37.8	38.9	35.1	53.8
Growth (%)	29.4	3.0	-9.7	53.1
EPS	40.5	45.7	41.3	63.2
EPS (Adjusted)	44.4	45.7	41.3	63.2

Source: Company, ICICI Direct Research

Exhibit 7: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit/(Loss) after taxation	36.2	36.4	35.1	53.8
Add: Depreciation & Amortization	13.3	16.6	22.1	23.3
Add: Interest	4.0	2.6	6.7	6.7
Net Increase in Current Assets	14.2	-29.1	-17.7	-13.5
Net Increase in Current Liabilities	-15.0	-9.5	2.6	1.9
CF from operating activities	52.7	16.9	48.9	72.1
(Inc)/dec in Fixed Assets	-40.7	-95.5	-30.0	-20.0
(Inc)/dec in Investments	0.0	-21.3	21.2	0.0
Other Investing Activities	-1.0	-0.1	0.7	0.7
CF from investing activities	-41.7	-116.9	-8.1	-19.3
Proceeds from issues of Equity Shares	0.0	0.4	0.0	0.0
Proceeds/(Repayment) Loan	-22.9	116.9	0.0	0.0
(Payment) of Dividend and Dividend Tax	-5.6	-8.5	-7.7	-11.5
Other Financing Activities	10.3	2.9	-6.7	-6.7
CF from financing activities	-18.2	111.6	-14.3	-18.2
Net Cash flow	-7.2	11.6	26.5	34.7
Opening Cash	23.5	21.7	25.2	51.7
Closing Cash	16.4	33.3	51.7	86.4
FCF	12.0	-78.7	18.9	52.1

Source: Company, ICICI Direct Research

Exhibit 8: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Equity Capital	8.5	8.5	8.5	8.5
Reserve and Surplus	219.8	251.5	278.9	321.2
Total Shareholders funds	228.3	260.0	287.5	329.7
Total Debt	104.5	222.6	222.6	222.6
Deferred Tax Liability	7.3	6.5	6.8	7.2
Minority Interest	7.7	7.4	7.8	8.2
Other Non Current Liabilities	23.6	26.8	28.2	29.6
Source of Funds	371.4	523.3	552.8	597.2
Gross Block - Fixed Assets	228.2	349.1	369.1	389.1
Accumulated Depreciation	95.4	111.9	134.1	157.4
Net Block	132.8	237.2	235.0	231.7
Capital WIP	109.0	81.9	91.9	91.9
Net Fixed Assets	241.8	319.1	326.9	323.6
Total Intangible Assets	0.0	0.0	0.0	0.0
Investments	0.0	21.2	0.0	0.0
Inventory	62.2	75.4	83.3	86.7
Cash	21.7	25.2	51.7	86.4
Debtors	49.2	55.3	63.1	71.2
Loans & Advances & Other CA	28.4	38.9	40.8	42.9
Total Current Assets	161.5	194.8	238.9	287.2
Creditors	28.1	18.0	19.9	20.7
Provisions & Other CL	11.6	20.9	21.6	22.7
Total Current Liabilities	39.7	38.9	41.5	43.4
Net Current Assets	121.8	155.9	197.4	243.8
LT L&A, Other Assets	7.8	27.1	28.4	29.9
Deferred Tax Assets	0.0	0.0	0.0	0.0
Application of Funds	371.4	523.3	552.8	597.2

Source: Company, ICICI Direct Research

Exhibit 9: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
Per share data (₹)				
EPS	44.4	45.7	41.3	63.2
Cash EPS	34.4	35.7	32.3	49.7
BV	268.4	305.6	337.9	387.6
DPS	10.0	10.0	9.0	13.5
Cash Per Share	112.1	131.6	157.6	185.1
Operating Ratios (%)				
Gross Profit Margins	76.0	73.3	74.1	76.2
EBITDA margins	32.0	25.5	23.6	29.2
Net Profit margins	17.6	16.6	13.1	17.8
Inventory days	441.0	438.7	438.7	438.7
Debtor days	83.8	85.9	85.9	85.9
Creditor days	199.1	104.9	104.9	104.9
Asset Turnover	0.9	0.7	0.7	0.8
EBITDA conversion rate	76.8	28.1	77.1	81.8
Return Ratios (%)				
RoE	16.5	15.0	12.2	16.3
RoCE	16.2	10.9	9.9	13.4
RoIC	23.0	10.4	10.1	15.5
Valuation Ratios (x)				
P/E	56.3	49.8	55.1	36.0
EV / EBITDA	29.4	35.6	33.3	23.5
EV / Revenues	9.4	9.1	7.9	6.9
Market Cap / Revenues	9.0	8.2	7.2	6.4
Price to Book Value	8.5	7.5	6.7	5.9
Solvency Ratios				
Debt / Equity	0.5	0.9	0.8	0.7
Debt/EBITDA	1.5	3.7	3.5	2.5
Current Ratio	3.5	4.4	4.5	4.6

Source: Company, ICICI Direct Research

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