

Near term inflationary pressure; betting on new opportunities in pipeline...

About the stock: Divi's is engaged in manufacturing generic APIs and intermediates, custom synthesis (CS) of active ingredients and advanced intermediates for pharma MNCs, other speciality chemicals like Carotenoids and complex compounds like peptides and Nucleotide revenues.

- In CS, the company maintains a strong relationship with global big pharma players while in generics it enjoys significant market share in products like Naproxen, Dextromethorphan and Gabapentin among others
- Divi's is fully backward integrated in products with high market share. The management intends to follow suit in other products

Q1FY23 Results: In line revenues with a significant miss on margins.

- Sales were up 15% YoY to ₹ 2254 crore
- EBITDA was flat YoY at ₹ 847 crore, margins at 37.6% (down 590 bps YoY)
- Consequent PAT was at ₹ 702 crore (up 26% YoY)

What should investors do? Divi's share price grew by ~2.3x over past three years.

- Maintain **BUY** as the company remains a compelling bet as a structurally well positioned custom synthesis and API company, even after a possible flattish year ahead on a high base in FY22 while some near term margin pressure is transitory in nature

Target Price and Valuation: Valued at ₹ 4315 i.e. 38x P/E on FY24E EPS of ₹ 113.5.

Key triggers for future price performance:

- The company has been building capacity in a few more niche APIs as per the evolving demand scenario in the backdrop of 'China plus one' opportunities and upcoming opportunity size of ~US\$20 billion in molecules going off-patent over FY23-25
- Progress towards six identified growth areas- 1) Established generics, 2) Existing generics, 3) New generics, 4) Sartan APIs, 5) Contrast Media, 6) CS
- Commercialisation of new API and multipurpose facility for custom synthesis and progress on 1) new DMF filings & 2) contrast media APIs
- Progress on Kakinada greenfield project (planned outlay ₹ 1000-2000 crore)

Alternate Stock Idea: Apart from Divi's, in our coverage we like Syngene.

- Syngene has years of experience in operating in the niche CRO/CRM. The company is well poised to capitalise on growing opportunities globally
- BUY with a target price of ₹ 710



Divi's Laboratories Limited

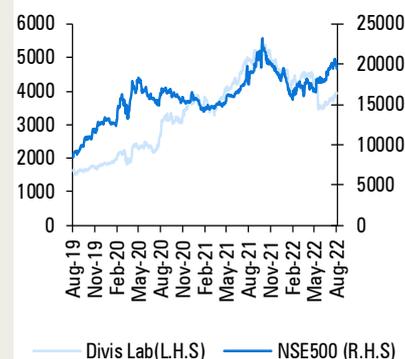
Particulars

Particular	Amount
Market Capitalisation	₹ 100082 crore
Debt (FY21)	₹ 4 crore
Cash & equivalents (FY21)	₹ 2228 crore
EV	₹ 97857 crore
52 week H/L	5425/3365
Equity capital	₹ 53.1 crore
Face value	₹ 2

Shareholding pattern

(in %)	Sep-21	Dec-21	Mar-22	Jun-22
Promoter	52.0	52.0	51.9	51.9
Others	48.1	48.1	48.1	48.1

Price Chart



Recent Event & Key risks

- Divi's became MSDs authorised API manufacturer for Molnupiravir
- Key Risk:** (i) CGMP issues in exports (ii) Delay in capex plans

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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	5394.4	6969.4	8959.8	17.1	8537.4	9834.7	4.8
EBITDA	1816.1	2859.9	3881.9	21.8	3343.9	4207.3	4.1
EBITDA margins (%)	33.7	41.0	43.3		39.2	42.8	
Adj. Net Profit	1376.5	1984.3	2960.5	22.8	2469.5	3013.0	0.9
Adjusted EPS (₹)	51.9	74.7	111.5		93.0	113.5	
PE (x)	71.9	49.9	33.4		40.1	32.9	
EV to EBITDA (x)	52.9	32.7	23.8		26.9	20.9	
RoNW (%)	18.8	21.3	25.2		18.4	19.2	
RoCE (%)	23.9	27.6	30.2		22.8	24.4	

Key takeaways of recent quarter & conference call highlights

Q1FY23 Results: Revenue growth amid some margin decline

- Revenues grew 15% YoY to ₹ 2254 crore. EBITDA margins contracted 590 bps YoY to 37.6% (I-direct estimates of 43%) mainly due to a dip in gross margins (down 326 bps YoY to 64%) and higher other expenditure. Subsequently, EBITDA remained flat YoY at ₹ 847 crore. Net profit grew 26% YoY to ₹ 702 crore. Delta vis-à-vis EBITDA mainly due to lower tax expense and higher other income, which included forex gain of ₹ 56 crore
- Divi's Laboratories' quarterly revenues were in line with I-direct estimates while margins were a significant miss. On account of numbers in Q1, impact of pricing pressure in generic APIs and inflationary cost environment is visible in margin performance. More than strong quarterly performance, the important narrative for Divi's is its unprecedented capex plans to further augment capacities besides preparing for growing opportunities arising due to China plus one factor. It has earmarked an aggressive capex of ~₹ 1000–2000 crore (including greenfield Kakinada plant) over next two years in order to take a chunk of ~US\$20 billion opportunity of APIs going off-patent over FY23-25. Divi's remains a quintessential play on the Indian API/CRAMs segment with its product offerings and execution prowess

Q1FY23 Earnings Conference Call highlights

- Divi's witnessed industry wide inflation in raw materials and solvents (up 50-60%). Logistics challenges are also affecting operations with stretched timelines while freight cost continues to be high. Higher energy (power and fuel) cost has also impacted margins. While some stability is being seen in cost, pricing remains volatile in raw material and solvents with Divi's trying to take advantage in case of any dip in inflationary environment
- Commercial API facility and multipurpose facility for custom synthesis is now complete. In generics, Divi's has filed three new APIs (one contrast media) in multiple countries and completed qualifications while custom synthesis facility is now undergoing validation
- Revenue mix for Q1FY23: Generics: Custom Synthesis: 47%: 53%. Carotenoid sales at ₹ 186 crore in Q1FY23 vs. ₹ 138 crore in Q1FY22
- Divi's six-point strategic approach continues to be -
 - Established generics portfolio: Continue to maintain leadership position in key Generic APIs
 - Generics with growth potential: Invest in capacity expansion to address growing demand and sustain market share
 - Sartans: Expand into all major Sartan APIs based on backward integration strength
 - Contrast media: Continue to develop and expand into multiple products of Contrast media
 - Future generics: Multiple APIs with patents expiring in the next two to three years were developed with sufficient capacities already established
 - Custom synthesis: Newer technology offerings to cater to the requirements of Big Pharma companies
- In contrast media, Divi's capacity has increased and filed products are ongoing validations. The management expects this to be a big growth engine in about two years. One contrast media is for a big pharma where validations are ongoing. Commercial supplies are expected post that
- Capacity utilisation at 83%

Variance Analysis

	Q1FY23	Q1FY23E	Q1FY22	Q4FY22	YoY (%)	QoQ (%)	Comments
Revenue	2,254.5	2,314.5	1,960.6	2,518.4	15.0	-10.5	YoY growth supported by strong growth in CS and carotenoid segment
Raw Material Expense	812.0	773.0	642.1	838.6	26.4	-3.2	
Gross Margins (%)	64.0	66.6	67.2	66.7	-326 bps	-272 bps	
Employee Expenses	246.4	243.0	220.8	256.8	11.6	-4.0	
Other Expenditure	349.5	304.4	245.7	318.6	42.3	9.7	
Total Expenditure	1,407.8	1,320.4	1,108.6	1,414.0	27.0	-0.4	
EBITDA	846.7	994.1	852.1	1,104.4	-0.6	-23.3	
EBITDA (%)	37.6	43.0	43.5	43.9	-590 bps	-630 bps	YoY decline due to rise in input cost, logistic cost and power cost
Interest	0.1	0.2	0.3	0.1	-53.6	62.5	
Depreciation	83.7	84.1	73.3	81.0	14.2	3.3	
Other income	88.4	23.1	36.0	52.4	145.7	68.7	
PBT Before EO	851.3	932.9	814.5	1,075.7	4.5	-20.9	
EO	0.0	0.0	0.0	0.0	NA	NA	
PBT	851.3	932.9	814.5	1,075.7	4.5	-20.9	
Tax	149.3	223.9	257.4	181.1	-42.0	-17.6	
Net Profit	702.0	709.0	557.1	894.6	26.0	-21.5	YoY delta vis-à-vis EBITDA due to lower tax expense and higher other income

Key Metrics

Generic	873.6	783.4	842.3	746.7	3.7	17.0
CS	1,194.9	1,372.4	980.3	1,614.7	21.9	-26.0
Carotenoid	186.0	158.7	138.0	157.0	34.8	18.5

Source: Company, ICICI Direct Research

Exhibit 1: Change in estimates

₹ Crore)	FY23E			FY24E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	9,031.4	8,537.4	-5.5	10,348.8	9,834.7	-5.0	Changed due to lower-than-expected Custom Synthesis in Q1 as Molnupiravir opportunity is supplied
EBITDA	3,938.1	3,343.9	-15.1	4,554.1	4,207.3	-7.6	
EBITDA Margin (%)	43.6	39.2	-444 bps	44.0	42.8	-123 bps	Changed on back of persisting inflationary environment
Net Profit	2,805.3	2,469.5	-12.0	3,252.4	3,013.0	-7.4	
EPS (₹)	105.7	93.0	-12.0	122.5	113.5	-7.4	

Source: ICICI Direct Research

Exhibit 2: Assumptions

₹ Crore)	Current			Earlier			Comments
	FY21	FY22	FY23E	FY24E	FY23E	FY24E	
Generic API & Intermediates	3,561.6	3,044.5	3,514.4	4,041.6	3,341.7	3,843.0	New facility commissioned in generics will drive ramp-up
Carotenoids	597.6	629.0	764.3	878.9	710.1	816.6	Higher-than-expected ramp up in generics in Q1FY23
Custom Synthesis	2,805.1	5,286.3	4,258.7	4,914.2	4,979.6	5,689.2	

Source: ICICI Direct Research

Exhibit 3: Financial Summary

	Revenues	Growth	EPS	Growth	P/E	EV/EBITDA	RoNW	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY21	6969	29.2	74.7	44.2	49.9	32.7	21.3	27.6
FY22	8960	28.6	111.5	49.2	33.4	23.8	25.2	30.2
FY23E	8537	-4.7	93.0	-16.6	40.1	26.9	18.4	22.8
FY24E	9835	15.2	113.5	22.0	32.9	20.9	19.2	24.4

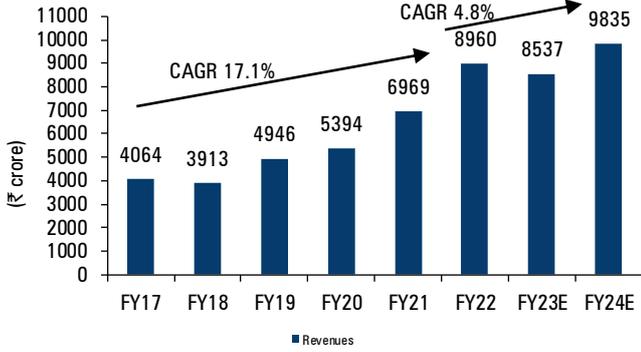
Source: ICICI Direct Research

Exhibit 4: Trends in Quarterly Performance

(₹ crore)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	YoY (%)	QoQ (%)
Total Operating Income	1162.9	1445.6	1396.3	1389.7	1730.5	1749.3	1701.4	1788.2	1960.6	1987.5	2493.2	2518.4	2254.5	15.0	-10.5
Raw Material Expenses	452.3	593.7	547.1	515.4	639.8	576.3	526.6	581.4	642.1	654.8	831.6	838.6	812.0	26.4	-3.2
% of revenues	38.9	41.1	39.2	37.1	37.0	32.9	31.0	32.5	32.8	32.9	33.4	33.3	36.0	326.3	271.6
Gross Profit	710.6	851.9	849.1	874.3	1090.6	1173.0	1174.8	1206.8	1318.5	1332.7	1661.7	1679.8	1442.6	9.4	-14.1
Gross Profit Margin (%)	61.1	58.9	60.8	62.9	63.0	67.1	69.0	67.5	67.2	67.1	66.6	66.7	64.0	-326.3	-271.6
Employee Expenses	140.9	150.6	156.5	173.1	183.9	193.2	233.6	215.1	220.8	224.0	244.6	256.8	246.4	11.6	-4.0
% of revenues	12.1	10.4	11.2	12.5	10.6	11.0	13.7	12.0	11.3	11.3	9.8	10.2	10.9	-33.3	73.3
Other Expenses	182.6	210.8	198.7	256.7	206.7	238.7	250.0	275.5	245.7	290.6	319.9	318.6	349.5	42.3	9.7
% of revenues	15.7	14.6	14.2	18.5	11.9	13.6	14.7	15.4	12.5	14.6	12.8	12.7	15.5	297.2	284.9
Total Expenditure	775.7	955.0	902.4	945.3	1030.4	1008.2	1010.2	1071.9	1108.6	1169.4	1396.1	1414.0	1407.8	27.0	-0.4
% of revenues	66.7	66.1	64.6	68.0	59.5	57.6	59.4	59.9	56.5	58.8	56.0	56.1	62.4	590.2	629.8
EBITDA	387.1	490.6	493.9	444.5	700.1	741.1	691.2	716.3	852.1	818.1	1097.2	1104.4	846.7	-0.6	-23.3
EBITDA Margins (%)	33.3	33.9	35.4	32.0	40.5	42.4	40.6	40.1	43.5	41.2	44.0	43.9	37.6	-590.2	-629.8
Interest	0.3	3.8	1.6	0.4	0.2	0.2	0.3	0.2	0.3	0.2	0.2	0.1	0.1	-53.6	62.5
Depreciation	43.8	45.9	46.7	49.8	56.2	61.1	68.2	70.1	73.3	77.4	79.9	81.0	83.7	14.2	3.3
Other Income	30.3	47.0	41.7	76.7	17.3	13.6	19.3	23.5	36.0	19.1	16.6	52.4	88.4	145.7	68.7
PBT before forex & EO	373.3	487.9	487.3	471.0	661.0	693.5	642.1	669.5	814.5	759.6	1033.7	1075.7	851.3	4.5	-20.9
Total Tax	100.9	131.1	128.2	82.7	168.9	173.9	171.5	167.5	257.4	153.2	131.4	181.1	149.3	-42.0	-17.6
Tax rate (%)	27.0	26.9	26.3	17.6	25.6	25.1	26.7	25.0	31.6	20.2	12.7	16.8	17.5	-1406.3	70.2
PAT	272.4	356.8	359.1	388.2	492.1	519.6	470.6	502.0	557.1	606.5	902.2	894.6	702.0	26.0	-21.5
PAT Margin (%)	23.4	24.7	25.7	27.9	28.4	29.7	27.7	28.1	28.4	30.5	36.2	35.5	31.1		
EPS (₹)	10.3	13.4	13.5	14.6	18.5	19.6	17.7	18.9	21.0	22.8	34.0	33.7	26.4		

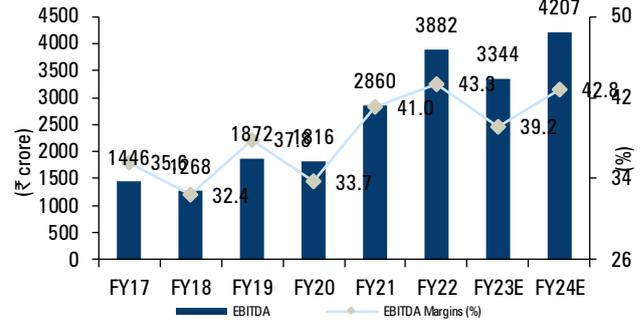
Source: ICICI Direct Research

Exhibit 5: Revenues to grow at CAGR of 5% over FY22-24E



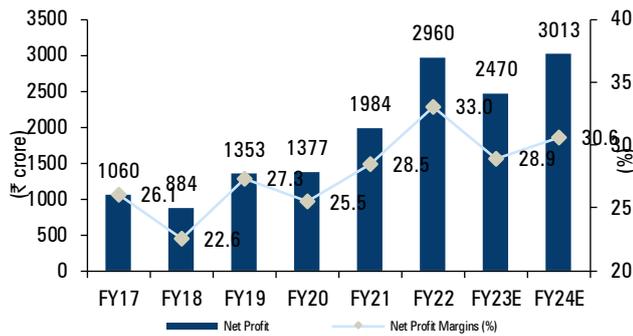
Source: ICICI Direct Research, Company

Exhibit 6: EBITDA & EBITDA margins trend



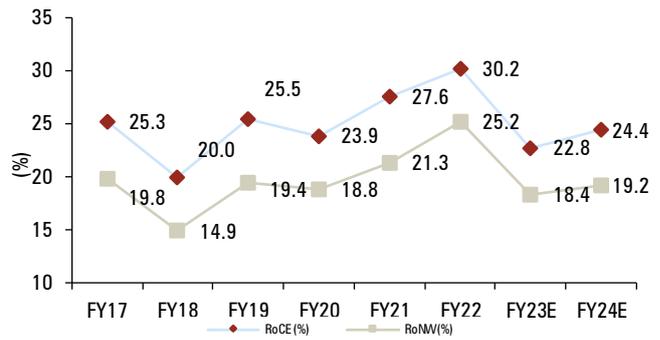
Source: ICICI Direct Research, Company

Exhibit 7: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 8: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 9: ICICI Direct Universe Coverage (Healthcare)

Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹ cr)	EPS (₹)				PE(x)				RoCE (%)				RoE (%)			
						FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E
Hospitals																					
Apollo Hospitals	APOHOS	4310	4,500	Buy	61969	7.9	59.1	80.9	107.4	548.3	72.9	53.3	40.1	6.3	15.1	16.7	19.3	2.5	15.1	17.7	19.9
Narayana Hrudalaya	NARHRU	680	800	Buy	13890	-0.7	16.7	20.6	22.7	NA	40.6	33.0	30.0	1.2	20.5	19.6	19.7	-1.3	23.0	22.3	19.9
Shalby	SHALIM	118	150	Buy	1273	3.9	5.4	7.5	9.9	30.0	21.7	15.8	11.9	6.5	8.4	11.7	14.3	5.1	6.7	8.6	10.4
Aster DM	ASTDM	216	250	Buy	10789	3.0	10.5	10.8	16.7	73.0	20.5	20.0	13.0	5.4	9.0	9.4	12.5	4.4	13.3	12.0	15.6
Healthcare Global	HEAGLO	288	345	Buy	4004	-13.9	3.9	4.5	8.8	-13.9	74.5	63.3	32.6	-0.9	5.0	9.4	12.1	-0.9	5.0	6.8	11.6
MNC Pharma																					
Abbott India	ABBIND	18762	20,560	Buy	39868	325.0	375.9	439.8	514.0	57.7	49.9	42.7	36.5	33.8	36.6	37.9	36.3	26.5	28.3	29.5	28.1
P&G Health	MERLIM	4376	4,955	Hold	7264	106.5	121.5	130.5	141.6	41.1	36.0	33.5	30.9	32.2	37.3	34.7	32.8	25.1	29.3	27.0	25.4
Sanofi India	SANOFI	6372	6,885	Hold	14675	207.4	410.1	270.5	264.8	30.7	15.5	23.6	24.1	32.3	33.3	41.1	50.7	24.5	25.9	31.2	38.7
Pfizer	PFIZER	4250	4,480	Hold	19443	108.8	133.9	140.4	149.3	39.1	31.7	30.3	28.5	27.6	26.1	22.4	21.8	20.8	21.4	17.9	17.7
Pharma																					
Ajanta Pharma	AJAPHA	1276	1,495	Buy	16353	51.0	55.6	60.1	71.1	25.0	22.9	21.2	17.9	29.0	27.0	24.4	24.5	21.8	21.8	19.9	19.9
Alembic Pharma	ALEMPHA	653	590	Reduce	12827	62.8	27.8	15.3	26.9	10.4	23.5	42.7	24.2	25.1	10.6	6.5	10.5	24.1	10.4	5.6	9.1
Aurobindo Pharma	AURPHA	592	615	Hold	34711	55.0	47.4	41.1	51.3	10.8	12.5	14.4	11.6	16.9	12.9	11.5	13.3	14.7	11.3	9.0	10.1
Biocon	BIOCON	311	320	Hold	37375	6.3	5.7	5.5	11.3	49.7	54.7	57.1	27.5	7.7	7.5	4.1	6.5	9.9	8.1	2.8	5.5
Zydus Lifesciences	CADHEA	387	475	Hold	39609	23.3	21.0	20.2	24.0	16.6	18.4	19.2	16.1	13.8	12.0	11.2	12.4	18.4	12.6	11.0	11.7
Cipla	CIPLA	1027	1,135	Buy	82898	29.9	32.9	38.6	45.8	34.4	31.2	26.6	22.4	16.3	16.7	17.9	19.0	13.1	12.7	13.3	14.1
Dr Reddy's Labs	DRREDD	4258	4,750	Buy	70871	117.3	126.9	203.4	191.0	36.3	33.6	20.9	22.3	13.1	13.0	19.1	18.1	11.1	11.0	15.4	13.0
Glenmark Pharma	GLEPHA	389	460	Hold	10976	32.9	42.7	41.0	48.3	11.8	9.1	9.5	8.1	13.9	14.8	14.5	15.4	13.1	13.2	11.4	11.9
Ipca Laboratories	IPCLAB	928	1,000	Hold	23544	44.9	34.8	32.7	39.9	20.7	26.6	28.4	23.2	27.1	17.4	16.2	17.4	24.2	16.1	13.4	14.4
Jubilant Pharmova	JUBLIF	354	340	Reduce	5640	37.4	26.0	15.9	26.1	9.5	13.6	22.3	13.6	13.7	9.0	6.1	8.6	12.6	7.8	4.6	7.0
Lupin	LUPIN	682	610	Reduce	31017	26.9	11.9	11.8	27.7	25.4	57.5	58.0	24.6	9.6	3.4	5.8	10.9	8.8	4.4	4.2	9.2
Natco Pharma	NATPHA	646	820	Hold	11795	24.2	9.3	28.3	33.2	26.8	69.4	22.9	19.5	13.1	4.6	13.3	14.1	10.7	4.0	11.0	11.6
Sun Pharma	SUNPHA	913	1,125	Buy	219155	30.0	32.0	34.8	40.1	30.4	28.6	26.2	22.8	14.2	18.2	18.0	18.7	15.5	16.0	15.2	15.2
Torrent Pharma	TORPHA	1534	1,800	Buy	51918	37.0	32.0	43.7	54.6	41.5	47.9	35.1	28.1	17.6	19.7	24.7	29.4	21.4	18.2	20.9	21.8
Indoco Remedies	INDREM	375	525	Buy	3457	10.1	16.8	21.6	29.2	37.1	22.3	17.3	12.9	11.7	17.5	17.6	23.9	12.1	17.1	18.6	20.6
Caplin Point	CAPPOI	799	1,000	Buy	6055	81.7	85.3	70.4	73.0	9.8	9.4	11.4	10.9	25.3	23.7	22.6	0.0	20.4	20.2	18.7	17.5
Advanced Enzymes	ADVENZ	265	265	Reduce	2959	13.1	10.7	8.5	12.1	20.2	24.7	31.3	22.0	19.4	14.3	10.2	13.2	15.1	11.0	8.1	10.4
Hester Biosciences	HESPHA	2230	2,445	Hold	1897	44.4	45.7	41.3	63.2	50.2	48.8	54.0	35.3	16.2	10.9	9.9	13.4	16.5	15.0	12.2	16.3
API/CRAMS																					
Divi's Lab	DIVLAB	3728	4,315	Buy	98972	74.7	111.5	93.0	113.5	49.9	33.4	40.1	32.8	27.6	30.2	22.8	24.4	21.3	25.2	18.4	19.2
Hikal	HIKCHE	271	340	Buy	3341	10.8	13.0	11.1	19.0	25.1	20.8	24.5	14.3	15.1	13.6	10.9	16.3	14.3	15.0	11.5	16.8
Syngene Int.	SYNINT	591	710	Buy	23729	10.1	9.9	11.5	14.6	58.4	60.0	51.3	40.6	11.5	11.7	12.8	15.2	13.5	12.9	12.4	13.7
Granules India	GRANUL	310	375	Buy	7699	22.2	16.6	21.9	26.8	14.0	18.7	14.2	11.6	24.0	15.6	18.6	20.5	25.3	16.0	17.6	17.9
Laurus Labs	LAULAB	566	675	Buy	30398	18.3	15.4	20.7	27.0	30.9	36.7	27.3	21.0	31.7	21.3	23.6	26.0	37.9	24.7	25.6	25.6
Suven Pharmaceuticals	SUVPH	455	530	Hold	11583	14.2	17.8	17.0	17.6	32.0	25.5	26.8	25.8	31.2	37.5	28.7	25.0	30.7	29.7	23.0	20.0

Source: ICICI Direct Research

Financial Summary

Exhibit 10: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Revenues	6,969.4	8,959.8	8,537.4	9,834.7
Growth (%)	29.2	28.6	-4.7	15.2
Raw Material Expenses	2,324.1	2,967.1	2,989.6	3,219.2
Employee Expenses	825.8	946.2	933.0	1,081.8
Other Expenses	959.6	1,164.6	1,270.9	1,326.4
EBITDA	2,859.9	3,881.9	3,343.9	4,207.3
Growth (%)	57.5	35.7	-13.9	25.8
Depreciation	255.6	311.5	334.6	367.7
Interest	0.9	0.8	0.5	0.1
Other Income	62.6	113.9	168.2	125.0
PBT	2,666.0	3,683.5	3,177.0	3,964.4
Total Tax	681.8	723.1	707.5	951.5
Adjusted PAT	1,984.3	2,960.5	2,469.5	3,013.0
Growth (%)	44.2	49.2	-16.6	22.0
EPS (Adjusted)	74.7	111.5	93.0	113.5

Source: Company, ICICI Direct Research

Exhibit 11: Cash flow statement				
	₹ crore			
(Year-end March)/(₹ crore)	FY21	FY22	FY23E	FY24E
Profit/(Loss) after taxation	2,021.7	3,042.5	2,469.5	3,013.0
Add: Depreciation & Amortization	255.6	311.5	334.6	367.7
(Inc)/dec in Current Assets	-503.6	-1,484.4	497.6	-540.9
Inc/(dec) in CL and Provisions	239.5	114.0	53.9	115.2
Other Operating Activities	-66.3	-71.8	0.5	0.1
CF from operating activities	1,946.9	1,911.8	3,356.2	2,955.1
(Inc)/dec in Fixed Assets	-910.0	-713.2	-500.0	-600.0
(Inc)/dec in Investments	860.1	-1,599.0	0.0	0.0
Other Investing Activities	171.3	1,595.7	38.2	43.0
CF from investing activities	121.4	-716.5	-461.8	-557.0
inc/(dec) in Loan	-34.0	-0.4	0.0	0.0
Dividend & Dividend tax	0.0	-530.9	-743.3	-796.4
Others	-0.9	-1.1	-0.5	-0.1
CF from financing activities	-34.9	-532.4	-743.8	-796.5
Net Cash flow	2,033.4	662.9	2,150.5	1,601.6
Opening Cash	122.6	2156.0	2818.9	4969.4
Closing Cash	2,156.0	2,818.9	4,969.4	6,571.1
Free Cash Flow	1,036.9	1,198.6	2,856.2	2,355.1

Source: Company, ICICI Direct Research

Exhibit 12: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Liabilities				
Equity Capital	53.1	53.1	53.1	53.1
Reserve and Surplus	9,241.5	11,675.1	13,401.3	15,617.9
Total Shareholders funds	9,294.6	11,728.2	13,454.4	15,671.0
Total Debt	4.8	3.7	3.7	3.7
Deferred Tax Liability	338.1	421.4	472.0	528.6
Non CL & Long Term Provisions	25.3	26.7	29.9	33.5
Total Liabilities	9,662.8	12,180.0	13,960.0	16,236.8
Assets				
Gross Block - Fixed Assets	4,691.9	5,624.3	6,074.3	6,674.3
Accumulated Depreciation	988.0	1,299.2	1,633.9	2,001.6
Net Block	3,703.9	4,325.1	4,440.4	4,672.7
Capital WIP	710.6	469.9	519.9	519.9
Total Fixed Assets	4,414.5	4,795.0	4,960.3	5,192.6
Investments	0.0	72.0	72.0	72.0
Inventory	2,145.2	2,828.6	2,850.1	3,068.9
Debtors	1,676.5	2,423.9	1,871.2	2,155.5
Loans and Advances	0.0	0.0	0.0	0.0
Other Current Assets	196.9	280.1	313.7	351.4
Cash	2,156.0	2,818.9	4,969.4	6,571.1
Total Current Assets	6,174.7	8,351.5	10,004.4	12,146.9
Creditors	763.2	795.7	801.7	863.3
Provisions	2.5	4.2	4.6	5.2
Other current Liabilities	345.6	394.9	442.3	495.3
Total Current Liabilities	1,111.3	1,194.7	1,248.6	1,363.8
Net Current Assets	5,063.4	7,156.8	8,755.8	10,783.1
Other Non CA & LT L & A	184.9	156.2	171.8	189.0
Application of Funds	9,662.8	12,180.0	13,960.0	16,236.8

Source: Company, ICICI Direct Research

Exhibit 13: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
Per share data (₹)				
Adjusted EPS	74.7	111.5	93.0	113.5
BV per share	350.1	441.8	506.8	590.3
Dividend per share	20.0	30.0	28.0	30.0
Cash Per Share	81.2	106.2	187.2	247.5
Operating Ratios (%)				
Gross margins	66.7	66.9	65.0	67.3
EBITDA margins	41.0	43.3	39.2	42.8
Net Profit margins	28.5	33.0	28.9	30.6
Inventory days	336.9	348.0	348.0	348.0
Debtor days	87.8	98.7	80.0	80.0
Creditor days	119.9	97.9	97.9	97.9
Asset Turnover	1.3	1.5	1.3	1.4
EBITDA conversion rate	68.1	49.2	100.4	70.2
Return Ratios (%)				
RoE	21.3	25.2	18.4	19.2
RoCE	27.6	30.2	22.8	24.4
RolC	73.0	67.9	67.8	81.4
Valuation Ratios (x)				
P/E	49.9	33.4	40.1	32.9
EV / EBITDA	32.7	23.8	26.9	20.9
Price to Book Value	10.7	8.4	7.4	6.3
EV / Net Sales	13.4	10.3	10.5	9.0
Market Cap / Sales	14.2	11.1	11.6	10.1
Solvency Ratios				
Debt / EBITDA	0.0	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	3.6	4.6	4.0	4.1

Source: Company, ICICI Direct Research

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