

Headwinds in exports; margins tepid...

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 FY22 – Formulations:69% (domestic:43%, export:26% - export generic: 13%, export institutional:5%, export branded: 7%), API: 23% (export API: 17%, domestic API: 6%), subsidiaries: 7%

Q1FY23 Results: Higher input cost and other expenditure leads to low margins.

- Sales were up 1.3% YoY to ₹ 1586 crore
- EBITDA was at ₹ 269 crore, down 35%YoY with margins at 17%
- Consequent PAT was at ₹ 143 crore (down 53% YoY)

What should investors do? Ipca's share price has grown by ~1.9x over the past three years (from ~₹ 470 in August 2019 to ~₹ 928 levels in August 2022).

- We maintain **HOLD** rating due to challenges in exports generics and delay in traction from API exports besides impending margin pressure in medium term and valuation constraints

Target Price and Valuation: Valued at ₹ 985 i.e. 28x P/E on FY24E EPS of ₹ 35.1

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 due to launch of new divisions and additional MRs (1200) in FY23
- Sustained traction from branded and generics exports sales with a revival in the EU likely to mitigate the US void. Better offtake and market gains in export of Sartan APIs remains key, going forward
- Commissioning of Devas plant and additional capacities from Ratlam
- US traction will take longer due to USFDA import alerts for the Ratlam facility, which 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, launching maximum number of first time launches with new drug delivery system (NDDS)
- BUY with target price of ₹ 1495



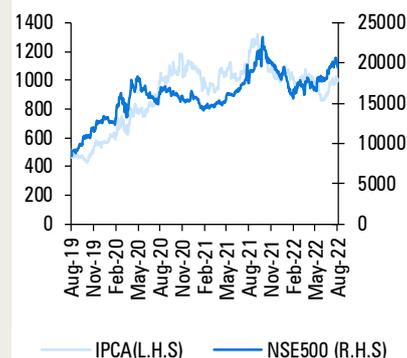
Particulars

Particular	Amount
Market Capitalisation	₹ 23544 crore
Debt (FY22)	₹ 807 crore
Cash (FY22)	₹ 641 crore
EV	₹ 23710 crore
52 week H/L (₹)	1384/831
Equity capital	₹ 25.4 crore
Face value	₹ 1

Shareholding pattern

(in %)	Sep-21	Dec-21	Mar-22	Jun-22
Promoter	46.3	46.3	46.3	46.3
Others	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) Better traction for domestic segments

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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	4648.7	5419.9	5829.8	12.7	6314.1	7026.3	9.8
EBITDA	903.7	1544.3	1309.2	24.1	1191.7	1461.8	5.7
EBITDA Margins (%)	19.4	28.5	22.5		18.9	20.8	
Net Profit	603.4	1139.9	884.1	35.4	696.6	891.0	0.4
EPS (₹)	23.8	44.9	34.8		27.5	35.1	
PE (x)	39.0	20.7	26.6		33.8	26.4	
EV to EBITDA (x)	26.1	14.9	17.6		18.9	15.0	
RoNW (%)	16.6	24.2	16.1		11.4	13.0	
RoCE (%)	17.6	27.1	17.4		14.3	16.3	

Key takeaways of recent quarter & conference call highlights

Q1FY23 Results: Muted revenues, margins trending low

- Revenues grew 1.3% YoY to ₹ 1586 crore, mainly on the back of strong YoY growth of 12% in domestic formulations to ₹ 685 crore. Export formulations de-grew 9% YoY to ₹ 402 crore. In exports, branded business de-grew 14% YoY ₹ 93 crore, Generics business de-grew 2% YoY to ₹ 212 crore and institutional business de-grew 17% YoY to ₹ 97 crore. API sales declined by 9% YoY to ₹ 375 crore. EBITDA margins declined 962 bps YoY to 17% (I-direct estimates of 20.8%) amid 164 bps YoY decline in gross margins to 63.5% and higher other expenditure. Subsequently, EBITDA de-grew 35% YoY to ₹ 270 crore. PAT de-grew 53% YoY to ₹ 143 crore. Delta vis-à-vis EBITDA was mainly due to higher tax rate and depreciation
- Revenues were better than I-direct estimates but margins were a significant miss. Sequential decline of 343 bps in gross margins indicates the company is facing higher inflation in raw material than anticipated. Ipca remains a decent player with a judicious mix of strong domestic franchise and a spread out exports model with healthy balance sheet. Going ahead, with firm growth tempo in domestic formulations, good prospects both for API exports, formulation exports, we expect a further improvement in financial parameters

Q1FY23 Earnings Conference Call highlights

- Domestic formulations:** Anti-malarial de-grew 68% YoY to ₹ 12.6 crore in this quarter. Excluding the anti-malarial (AM) in the base of Q1FY22, Ipca's domestic formulations grew 17%YoY. The pain segment grew 20% YoY while CVS grew 5% YoY. Ipca has created two more divisions in CVS, which caused near term disruptions in Q1. The company did not take a WPI based price hike last quarter. The management is guiding for 12-13% growth in FY23. The growth number appears lower due to high AM and anti-bacterial (Azithromycin) base last year. In India, MR count by FY23 end will be 6,000, PCPM: ₹ 4 lakh. There is lower productivity in new divisions while older divisions PCPM ranges from ₹ 7-12 lakhs. Ipca is also adding MRs to existing divisions to increase penetration
- Export Branded:** Situation in Russia, Ukraine and Sri Lanka remains challenging. However, the management is guiding for better offtake from Russia and 13-15% growth in FY23
- Export Generic:** UK sales continue to decline amid distributor issues. About 43 dossiers were registered with existing distributor, Ipca has now received approval for six products (launched) and is guiding for six more launches in FY23. About eight to 10 more approvals are expected in FY23. The company hopes for mere 5% growth in FY23
- Export tender:** The tender business is expected to remain under pressure in FY23 and could see a decline of 8-10% in FY23
- API:** Sales are lower due to losartan sales return. API business is expected to grow 5% in FY23. A Chinese supplier has entered the supply chain. It will take time for Ipca to ramp up market share. The Devas facility will undergo stability tests and validation process for the next six months. Subsequently data will be filed with regulators for approval before being commercialised in FY24. The management has set an aspirational target of ₹ 2000 crore sales in three years
- Overall on a consolidated basis, growth guidance for FY23 at 9-10%

- Margins: Q1 margins came in lower as higher cost inventory was consumed in this quarter. The management is witnessing a softening of input cost and subsequently material cost as percentage of sales will go down from next quarter. Freight and fuel cost are still at a very high level. Margins were further impacted by expansion of field staff and low base of promotional activities in Q1FY22. Due to inflationary environment total impact was about ₹ 70 crore. Cost improvement measures like internalisation of two intermediates with low cost rather than procuring from China are likely to help. The management has revised its margin guidance for FY23 to 21% and FY24 for possible 23% margins mainly due to inflationary pressures and additional cost for new field force
- Post tax, profit is expected to decline from FY23 as Ipca opts for the new tax regime of 25% due to exhaustion of MAT credits. However, cash tax is expected to be 27-28% due to taxation on promotional expenses

Exhibit 1: Variance Analysis

	Q1FY23	1FY23E	Q1FY22	YoY (%)	14FY22	QoQ (%)	Comments
Revenue	1,585.7	1,443.0	1,565.8	1.3	1,289.1	23.0	Steady YoY due to growth in domestic formulations across therapies being offset by exports and APIs
Raw Material Expenses	578.7	476.2	545.7	6.1	426.2	35.8	
Gross margins (%)	63.5	67.0	65.1	-164 bps	66.9	-343 bps	YoY decline amid inflation in input cost
Employee Expenses	322.7	288.6	299.6	7.7	297.7	8.4	YoY increase amid annual increments and additional MRs
Other Expense	415.1	378.8	304.0	36.6	345.8	20.0	YoY increase mainly due to higher freight, energy cost and promotional and marketing expenses
Operating Profit (EBITDA)	269.2	299.4	416.5	-35.4	219.3	22.8	
EBITDA (%)	17.0	20.8	26.6	-962 bps	17.0	-3 bps	YoY decline mainly due to higher employee and other expenditure along with lower gross margins
Interest	6.9	3.2	1.8	281.3	3.4	105.3	
Depreciation	61.7	61.2	55.9	10.5	60.9	1.3	
Other Income	22.1	16.5	21.0	5.2	14.5	52.1	
PBT	222.7	251.5	379.9	-41.4	169.5	31.4	
Tax	74.3	62.9	70.8	4.9	28.8	158.2	
Tax Rate (%)	33.3	25.0	18.6	1472 bps	17.0	1638 bps	
Reported PAT	143.1	179.8	306.7	-53.3	130.2	9.9	YoY Delta vis-à-vis EBITDA was mainly due to higher tax rate and depreciation
EPS (₹)	5.6	7.1	12.1	-53.3	5.1	9.9	
Key Metrics							
Domestic formulations	684.8	692.7	613.0	11.7	551.8	24.1	YoY growth on a high base of anti-materials in Q1FY22
Export - Generic	211.9	173.4	216.8	-2.2	163.9	29.3	Slow pick-up amid distribution challenges in UK
Export - Institutional	97.0	75.7	116.5	-16.7	79.9	21.4	
Export - Branded	92.9	114.0	108.6	-14.4	102.7	-9.6	Slow pick-up in Russia and Sri Lanka amid challenging environment
API	375.1	275.6	414.4	-9.5	257.8	45.5	YoY decline mainly due to Sartans impurity issue

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY23E			FY24E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	6,401.4	6,314.1	-1.4	7,085.7	7,026.3	-0.8	Changed mainly due to lower-than-expected exports in Q1FY23
EBITDA	1,345.1	1,191.7	-11.4	1,594.3	1,461.8	-8.3	
EBITDA Margin (%)	21.0	18.9	-214 bps	22.5	20.8	-169 bps	Changed mainly due to margin pressure in short to medium term and guidance for ~ 21% margins
PAT	829.5	696.6	-16.0	1,012.9	891.0	-12.0	Changed tax rate as per guidance
EPS (₹)	32.7	27.5	-16.0	39.9	35.1	-12.0	

Source: ICICI Direct Research

Exhibit 3: Assumptions

	Current					Earlier		Comments
	FY20	FY21	FY22	FY23E	FY24E	FY23E	FY24E	
Domestic formulations	1,912.6	1,981.7	2,508.3	2,812.9	3,206.7	2,804.1	3,140.6	
Export formulations	1,221.6	1,597.2	1,486.7	1,537.1	1,654.7	1,578.6	1,724.0	Changed mainly due to lower-than-expected Q1FY23 and challenges in UK along with tender business
API	1,173.1	1,506.3	1,341.4	1,411.6	1,545.8	1,476.1	1,623.7	Changed mainly due to lower-than-expected Q1FY23 and slower offtake from plants

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	20.7	14.9	24.2	27.1
FY22	5830	7.6	34.8	-22.4	26.6	17.6	16.1	17.4
FY23E	6314	8.3	27.5	-21.2	33.8	18.9	11.4	14.3
FY24E	7026	11.3	35.1	27.9	26.4	15.0	13.0	16.3

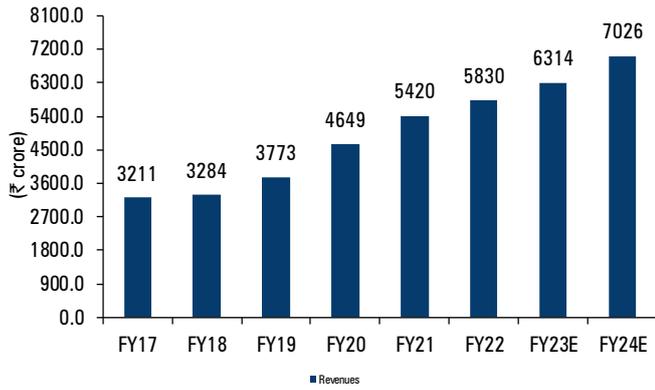
Source: ICICI Direct Research

Exhibit 5: Trends in Quarterly Performance

₹ Crore	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	YoY (%)	QoQ (%)
Net Sales	1078.2	1283.9	1212.9	1073.8	1534.4	1361.1	1409.8	1114.6	1565.8	1544.4	1430.5	1289.1	1585.7	15.7	-9.9
Revenues	1078.2	1283.9	1212.9	1073.8	1534.4	1361.1	1409.8	1114.6	1565.8	1544.4	1430.5	1289.1	1585.7	15.7	-9.9
Raw Material Expenses	406.0	449.7	423.8	364.6	431.6	442.7	515.4	338.6	545.7	544.4	498.6	426.2	578.7	25.9	-14.5
% of Revenue	37.7	35.0	34.9	34.0	28.1	32.5	36.6	30.4	34.9	35.2	34.9	33.1	36.5	269bps	-179bps
Gross Profit	672.2	834.2	789.1	709.2	1102.8	918.4	894.4	776.0	1020.1	1000.0	931.9	862.9	1007.0	11.2	-7.4
GPM (%)	62.3	65.0	65.1	66.0	71.9	67.5	63.4	69.6	65.1	64.8	65.1	66.9	63.5	-269bps	179bps
Employee Expenses	215.7	232.0	231.3	242.2	256.3	254.5	245.1	257.6	299.6	296.4	283.7	297.7	322.7	15.6	5.0
% of Revenue	20.0	18.1	19.1	22.6	16.7	18.7	17.4	23.1	19.1	19.2	19.8	23.1	20.4	-2bps	327bps
Other expense	259.4	337.6	284.1	298.5	258.1	303.7	282.4	289.5	304.0	338.1	340.4	345.8	415.1	19.4	1.6
% of Revenue	24.1	26.3	23.4	27.8	16.8	22.3	20.0	26.0	19.4	21.9	23.8	26.8	26.2	85bps	303bps
Total Expenditure	881.1	1019.4	939.2	905.3	946.1	1000.9	1042.9	885.8	1149.3	1178.9	1122.7	1069.8	1316.5	20.8	-4.7
% of Revenue	81.7	79.4	77.4	84.3	61.7	73.5	74.0	79.5	73.4	76.3	78.5	83.0	83.0	352bps	451bps
EBIDTA	197.1	264.5	273.7	168.5	588.3	360.2	366.9	228.8	416.5	365.6	307.8	219.3	269.2	-4.2	-28.8
EBIDTA Margin (%)	18.3	20.6	22.6	15.7	38.3	26.5	26.0	20.5	26.6	23.7	21.5	17.0	17.0	-352bps	-451bps
Depreciation	46.1	49.6	50.8	63.9	51.0	52.1	53.5	52.5	55.9	57.0	58.7	60.9	61.7	16.1	3.9
Interest	4.6	4.2	4.0	3.7	2.7	2.3	2.3	1.7	1.8	1.1	1.4	3.4	6.9	98.8	136.4
Other Income	20.3	14.8	18.1	13.7	12.1	15.5	15.4	19.9	21.0	18.1	12.9	14.5	22.1	-27.0	12.5
PBT	166.8	225.4	237.0	114.6	546.6	321.2	326.5	194.5	379.9	325.6	260.7	169.5	222.7	-12.9	-35.0
Tax	37.4	31.9	36.9	29.2	99.9	52.6	56.7	30.9	70.8	67.9	57.3	28.8	74.3	-7.0	-49.8
Tax Rate (%)	22.4	14.1	15.6	25.5	18.3	16.4	17.4	15.9	18.6	20.9	22.0	17.0	33.3	106bps	-503bps
PAT	129.6	193.1	197.6	86.0	446.2	267.1	265.5	161.2	306.7	250.2	197.0	130.2	143.1	-19.2	-33.9
PAT Margin (%)	12.0	15.0	16.3	8.0	29.1	19.6	18.8	14.5	19.6	16.2	13.8	10.1	9.0	-437bps	-367bps
EPS (₹)	5.1	7.6	7.8	3.4	17.6	10.5	10.5	6.4	12.1	9.9	7.8	5.1	5.6	-19.2	-33.9

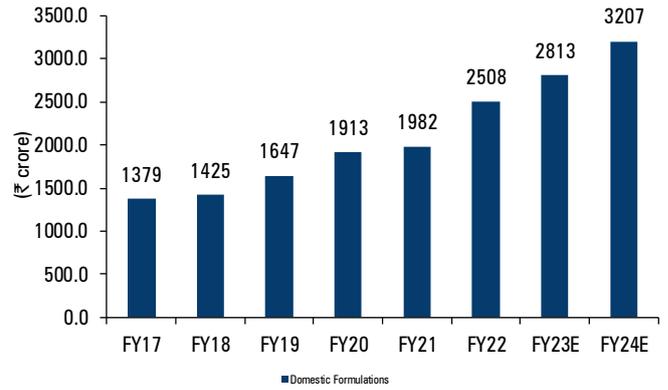
Source: ICICI Direct Research

Exhibit 6: Revenues to grow at 9.8% CAGR in FY22-24E



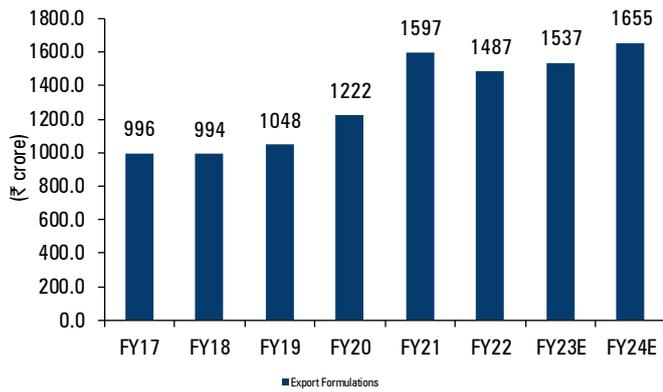
Source: ICICI Direct Research, Company

Exhibit 7: India to grow at 13% CAGR over FY22-24E



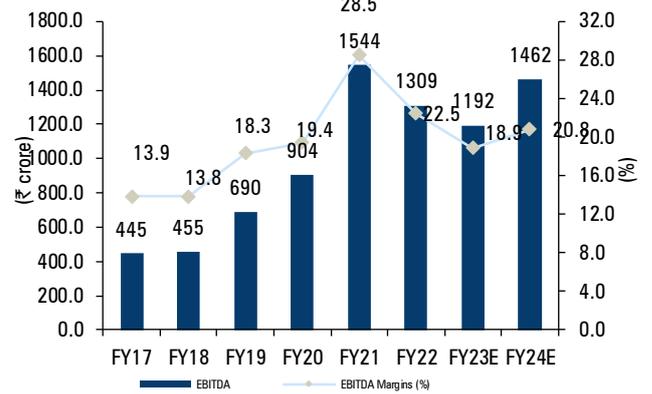
Source: ICICI Direct Research, Company

Exhibit 8: Export to grow at 5% CAGR over FY22-24E



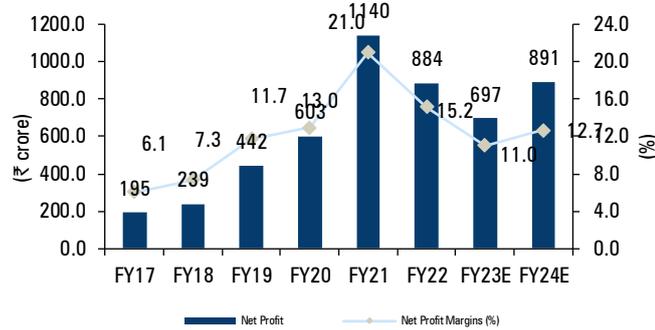
Source: ICICI Direct Research, Company

Exhibit 9: EBITDA & EBITDA margins trend



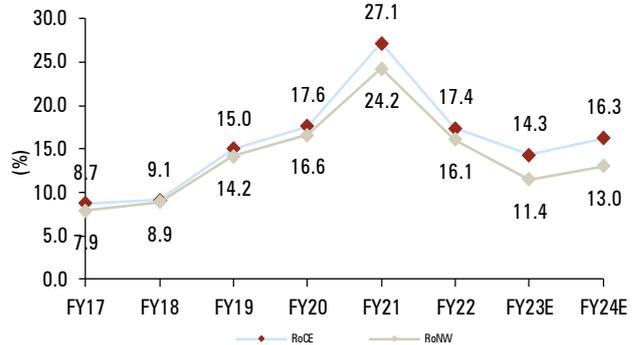
Source: ICICI Direct Research, Company

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 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	4313	5,080	Buy	62011	7.9	59.1	79.0	101.0	548.7	72.9	54.6	42.7	6.3	15.1	15.3	18.8	2.5	15.1	17.4	18.9
Narayana Hrudalaya	NARHRU	682	800	Buy	13937	-0.7	16.7	20.6	22.7	NA	40.8	33.2	30.1	1.2	20.5	19.6	19.7	-1.3	23.0	22.3	19.9
Shalby	SHALIM	117	150	Buy	1269	3.9	5.4	7.5	9.9	29.9	21.7	15.7	11.9	6.5	8.4	11.7	14.3	5.1	6.7	8.6	10.4
Aster DM	ASTDM	216	250	Buy	10797	3.0	10.5	10.8	16.7	73.1	20.5	20.1	13.0	5.4	9.0	9.4	12.5	4.4	13.3	12.0	15.6
Healthcare Global	HEAGLO	285	345	Buy	3965	-13.9	3.9	4.5	8.8	-13.9	73.8	62.7	32.3	-0.9	5.0	9.4	12.1	-0.9	5.0	6.8	11.6
MNC Pharma																					
Abbott India	ABBIND	18870	20,560	Buy	40097	325.0	375.9	439.8	514.0	58.1	50.2	42.9	36.7	33.8	36.6	37.9	36.3	26.5	28.3	29.5	28.1
P&G Health	MERLIM	4375	4,955	Hold	7262	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	6375	6,885	Hold	14682	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	4224	4,480	Hold	19324	108.8	133.9	140.4	149.3	38.8	31.5	30.1	28.3	27.6	26.1	22.4	21.8	20.8	21.4	17.9	17.7
Pharma																					
Ajanta Pharma	AJAPHA	1278	1,495	Buy	16380	51.0	55.6	60.1	71.1	25.0	23.0	21.3	18.0	29.0	27.0	24.4	24.5	21.8	21.8	19.9	19.9
Alembic Pharma	ALEMPHA	652	590	Reduce	12824	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	593	615	Hold	34732	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	37357	6.3	5.7	5.5	11.3	49.7	54.6	57.1	27.4	7.7	7.5	4.1	6.5	9.9	8.1	2.8	5.5
Zydus Lifesciences	CADHEA	387	405	Hold	39157	23.3	21.0	21.0	23.8	16.6	18.4	18.4	16.3	13.8	12.0	11.8	11.7	18.4	12.6	11.4	11.6
Cipla	CIPLA	1027	1,135	Buy	82881	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	4261	4,750	Buy	70917	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	388	460	Hold	10950	32.9	42.7	41.0	48.3	11.8	9.1	9.5	8.0	13.9	14.8	14.5	15.4	13.1	13.2	11.4	11.9
Ipca Laboratories	IPCLAB	928	985	Hold	23545	44.9	34.8	27.5	35.1	20.7	26.6	33.8	26.4	27.1	17.4	14.3	16.3	24.2	16.1	11.4	13.0
Jubilant Pharmova	JUBLIF	350	340	Reduce	5579	37.4	26.0	15.9	26.1	9.4	13.5	22.1	13.4	13.7	9.0	6.1	8.6	12.6	7.8	4.6	7.0
Lupin	LUPIN	683	610	Reduce	31044	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	647	735	Hold	11818	24.2	9.3	41.6	42.3	26.8	69.5	15.6	15.3	13.1	4.6	18.1	16.9	10.7	4.0	15.5	13.9
Sun Pharma	SUNPHA	913	1,125	Buy	219167	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	1540	1,800	Buy	52119	37.0	32.0	43.7	54.6	41.6	48.1	35.3	28.2	17.6	19.7	24.7	29.4	21.4	18.2	20.9	21.8
Indoco Remedies	INDREM	378	525	Buy	3483	10.1	16.8	21.6	29.2	37.4	22.5	17.5	13.0	11.7	17.5	17.6	23.9	12.1	17.1	18.6	20.6
Caplin Point	CAPPOI	792	1,000	Buy	6005	81.7	85.3	70.4	73.0	9.7	9.3	11.3	10.9	25.3	23.7	22.6	0.0	20.4	20.2	18.7	17.5
Advanced Enzymes	ADVENZ	264	265	Reduce	2951	13.1	10.7	8.5	12.1	20.2	24.7	31.2	21.9	19.4	14.3	10.2	13.2	15.1	11.0	8.1	10.4
Hester Biosciences	HESPHA	2245	2,445	Hold	1910	44.4	45.7	41.3	63.2	50.6	49.1	54.4	35.5	16.2	10.9	9.9	13.4	16.5	15.0	12.2	16.3
API/CRAMS																					
Divi's Lab	DIVLAB	3726	4,315	Buy	98919	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	270	340	Buy	3329	10.8	13.0	11.1	19.0	25.0	20.7	24.4	14.2	15.1	13.6	10.9	16.3	14.3	15.0	11.5	16.8
Syngene Int.	SYNINT	592	710	Buy	23771	10.1	9.9	11.5	14.6	58.5	60.1	51.3	40.6	11.5	11.7	12.8	15.2	13.5	12.9	12.4	13.7
Granules India	GRANUL	311	375	Buy	7704	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	567	675	Buy	30441	18.3	15.4	20.7	27.0	30.9	36.8	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	11585	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 13: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Revenues	5,419.9	5,829.8	6,314.1	7,026.3
Growth (%)	16.6	7.6	8.3	11.3
Raw Material Expenses	1,728.3	2,014.9	2,234.3	2,388.9
Employee Expenses	1,013.6	1,177.4	1,290.9	1,436.5
Other Expense	1,133.8	1,328.3	1,597.1	1,739.0
Total Operating Expenditure	3,875.6	4,520.6	5,122.3	5,564.4
EBITDA	1,544.3	1,309.2	1,191.7	1,461.8
Growth (%)	70.9	-15.2	-9.0	22.7
Interest	9.0	7.7	29.7	29.7
Depreciation	209.2	232.4	246.8	259.4
Other Income	62.8	66.6	76.1	84.7
PBT after EO/Forex	1,388.9	1,135.7	991.3	1,257.4
Total Tax	240.1	224.8	274.1	345.8
MI & Profit from associates	-6.6	-15.5	-4.9	-4.9
PAT	1,139.9	884.1	696.6	891.0
Growth (%)	88.9	-22.4	-21.2	27.9
Adjusted PAT	1,139.9	884.1	696.6	891.0
EPS	44.9	34.8	27.5	35.1

Source: Company, ICICI Direct Research

Exhibit 14: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit after Tax	1,135.7	933.7	696.6	891.0
Add: Depreciation	209.2	232.4	246.8	259.4
(Inc)/dec in Current Assets	-198.9	-328.0	-301.0	-278.5
Inc/(dec) in CL and Provisions	-37.5	55.2	96.3	80.8
Others	-18.4	-37.3	29.7	29.7
CF from operating activities	1,090.1	856.0	768.3	982.5
(Inc)/dec in Fixed Assets	-359.0	-476.1	-200.0	-200.0
(Inc)/dec in Investments	-81.1	-235.8	0.0	0.0
Others	-160.1	-295.4	8.4	9.2
CF from investing activities	-600.2	-1,007.3	-191.6	-190.8
Issue/(Buy back) of Equity	35.8	0.0	0.0	0.0
Inc/(dec) in loan funds	-231.7	533.2	-50.0	0.0
Dividend paid & dividend tax	-101.5	-101.5	-104.5	-133.7
Other	223.3	-538.1	20.3	-29.7
CF from financing activities	-305.8	426.8	-184.1	-163.3
Net Cash flow	184.2	275.6	392.6	628.4
Opening Cash	180.9	365.1	640.7	1,033.3
Closing Cash	365.1	640.7	1,033.3	1,661.6
Free Cash Flow	731.2	379.9	568.3	782.5

Source: Company, ICICI Direct Research

Exhibit 15: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Equity Capital	25.4	25.4	25.4	25.4
Reserve and Surplus	4,676.3	5,466.6	6,058.7	6,816.0
Total Shareholders funds	4,701.7	5,492.0	6,084.1	6,841.4
Total Debt	265.4	807.2	757.2	757.2
Deferred Tax Liability	133.6	152.6	163.3	174.7
Minority Interest	14.53	76.9	84.6	93.1
LTP & Other LTL	40.7	44.8	48.0	51.3
Total Liabilities	5,155.8	6,573.5	7,137.1	7,917.7
Gross Block - Fixed Assets	3,149.7	3,719.6	3,919.6	4,119.6
Accumulated Depreciation	1,123.9	1,356.3	1,603.1	1,862.6
Net Block	2,025.8	2,363.4	2,316.5	2,257.1
Capital WIP	234.8	306.4	306.4	306.4
Total Fixed Assets	2,260.7	2,669.8	2,623.0	2,563.5
Goodwill on Consolidation	46.6	54.2	54.2	54.2
Investments	505.3	989.2	989.2	989.2
LT L&A, Non Current Assets	212.7	187.9	201.0	215.0
Inventory	1,594.8	1,858.0	2,060.3	2,202.9
Debtors	811.8	910.8	986.4	1,097.7
Loans and Advances	2.5	10.3	11.1	11.8
Other Current Assets	269.0	318.1	340.4	364.2
Cash	365.1	640.7	1,033.3	1,661.6
Total Current Assets	3,043.1	3,737.9	4,431.5	5,338.3
Creditors	666.2	557.7	618.4	661.2
Provisions	103.1	101.5	108.6	116.2
Other current liabilities	143.2	406.1	434.5	465.0
Total Current Liabilities	912.5	1,065.3	1,161.6	1,242.4
Net Current Assets	2,130.6	2,672.5	3,269.9	4,095.9
Application of Funds	5,155.8	6,573.5	7,137.1	7,917.7

Source: Company, ICICI Direct Research

Exhibit 16: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
Per share data (₹)				
Adjusted EPS	44.9	34.8	27.5	35.1
BV per share	185.3	216.5	239.8	269.7
Dividend per share	5.0	5.4	5.9	6.7
Operating Ratios (%)				
Gross Profit Margins	68.1	65.4	64.6	66.0
EBITDA Margins	28.5	22.5	18.9	20.8
PAT Margins	21.0	15.2	11.0	12.7
Inventory days	336.8	336.6	336.6	336.6
Debtor days	54.7	57.0	57.0	57.0
Creditor days	140.7	101.0	101.0	101.0
Asset Turnover	1.7	1.6	1.6	1.7
EBITDA conversion Rate	70.6	65.4	64.5	67.2
Return Ratios (%)				
RoE	24.2	16.1	11.4	13.0
RoCE	27.1	17.4	14.3	16.3
RoIC	34.2	23.1	19.6	24.2
Valuation Ratios (x)				
P/E	20.7	26.6	33.8	26.4
EV / EBITDA	14.9	17.6	18.9	15.0
EV / Net Sales	4.3	3.9	3.6	3.1
Market Cap / Sales	4.3	4.0	3.7	3.4
Price to Book Value	5.0	4.3	3.9	3.4
Solvency Ratios				
Debt / EBITDA	0.2	0.6	0.6	0.5
Debt / Equity	0.1	0.1	0.1	0.1
Current Ratio	2.9	2.9	2.9	3.0

Source: Company, ICICI Direct Research

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