

## gRevlimid drives Q1; focus shifts to other drivers...

**About the stock:** Natco has, over the years, developed a knack for manufacturing complex generic products with few competitors, especially for the US market.

- India formulations mainly comprise oncology products (38 brands). For the US, it follows partnership products for risky launches and acquired Dash Pharma for front-end presence. It has six FDF, two API manufacturing facilities and two crop health sciences units
- Maiden entry into crop protection was via launch of pheromone product, Natmate PBW for controlling pink bollworm in cotton
- FY22 revenue break-up - domestic business: 25%, international business: 62% (mainly from the US), APIs: 13%

**Q1FY23 Results:** Revenues were buoyed by gains from gRevlimid, in the export formulation segment as almost all the gains were booked from gRevlimid supplies, next leg of gRevlimid profits are expected in Q4FY23 and Q1FY24.

- Sales were up 116% YoY to ₹ 884.6 crore
- EBITDA was at ₹ 395.3 crore, with margins at 44.7%
- Adjusted PAT was up 327% YoY to ₹ 320.4 crore

**What should investors do?** Natco's share price grew 1.2x over past three years.

- We maintain **HOLD** rating on the stock due to 1) impending competition in gRevlimid in US and lack of other growth drivers, 2) high risk-reward play in crop protection with ~ ₹ 100 crore of CTPR inventory and 3) stagnancy in domestic formulations, especially oncology

**Target Price and Valuation:** Valued at ₹ 735 (base business at ₹ 634 with 15x P/E on FY24E EPS of ₹ 42.3 + ₹ 100 NPV for gRevlimid).

**Key triggers for future price performance:**

- US:** Momentum likely amid contribution from gRevlimid, key being market formation post new competition. Focus on Para IV and FTF opportunities
- India:** Natco is a leading player in oncology segment with 39 products & new launches in cardio/diabetology, expanding portfolio remains key for growth
- Plans to expand in other geographies & agrochemicals with India, Brazil, Canada, China, agrochemical segment, together likely to contribute 70-80% of revenues in the medium to long term
- Inorganic opportunities in both domestic and export formulations

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

- Ajanta Pharma is a focused player in the branded space with strategy to launch maximum first time launches with new drug delivery system
- BUY with a target price of ₹ 1495

HOLD



Natco Pharma Limited

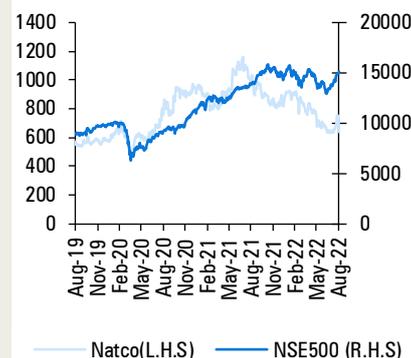
### Particulars

Particular	Amount
Market Capitalisation	₹ 11798 crore
Debt (FY22)	₹ 412 crore
Cash (FY22)	₹ 206 crore
EV	₹ 12004 crore
52 week H/L (₹)	1049/608
Equity capital	₹ 36.5 crore
Face value	₹ 2

### Shareholding pattern

(in %)	Sep-21	Dec-21	Mar-22	Jun-22
Promoter	48.9	48.9	48.8	48.8
Others	51.1	51.1	51.2	51.2

### Price Chart



### Recent Event & Key risks

- US launch of gRevlimid
- Key Risk:** (i) Competition in US key products (ii) Better market share gain for new launches

### 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	FY22	5 year CAGR (FY17-22)	FY23E	FY24E	2 year CAGR (FY22-24E)
Revenues	1915.0	2052.1	1944.8	-1.2	2674.7	2807.8	20.2
EBITDA	582.6	606.2	263.5	-17.4	1015.5	1057.6	100.3
EBITDA Margins (%)	30.4	29.5	13.5		38.0	37.7	
Net Profit	460.8	440.9	170.0	-18.9	759.3	771.8	113.1
EPS (₹)	25.2	24.2	9.3		41.6	42.3	
PE (x)	25.6	26.8	69.4		15.5	15.3	
EV to EBITDA (x)	20.6	19.2	44.8		11.1	10.0	
RoNW (%)	12.2	10.7	4.0		15.5	13.9	
RoCE (%)	14.0	13.1	4.6		18.1	16.9	

## Key takeaways of recent quarter & conference call highlights

### Q1FY23 Results: gRevlimid drives revenues, margins in Q1

- Revenues grew 116% YoY to ₹ 885 crore driven by 407% YoY growth in the export formulation business to ₹ 737 crore, mainly on the back of gRevlimid sales. This was partly offset by de-growth of 55% YoY in the domestic formulation business to ₹ 89 crore and 17% YoY decline in APIs to ₹ 51 crore. EBITDA margins were up 1793 bps YoY at 44.7% while EBITDA grew 260% YoY to ₹ 395 crore. Profit for the quarter increased 327% YoY to ₹ 320 crore in Q1FY23. The Board of Directors has declared an interim dividend of ₹ 3.5 per equity share during Q1FY23
- Natco's numbers in Q1 were better than our estimates as both revenue and margins grew on account of a sharp uptick in exports for gRevlimid to US. The bump in profit share income for gRevlimid is on account of almost all gains being booked in the two consecutive quarters. We expect this to taper down in Q2 and Q3 of FY23. The company remains focused on the export business of gRevlimid to drive growth but post the generic entry, opportunity is expected to be squeezed significantly. Going forward, launch momentum in the US post gRevlimid and traction for domestic business (organic/inorganic) remain key aspects to watch

### Q1FY23 Earnings Conference Call highlights

- Natco has booked almost all gains (profit share and manufacturing margin) in Q4FY22 and Q1FY23 for gRevlimid supplies to US as it is supplied on campaign basis. Traction from gRevlimid is expected to diminish significantly in Q2 and Q3. The next supplies expected in Q4FY23 will see improvement, Natco books manufacturing margin when supplies happen and profit share when sales take place. Copaxone market share is at steady state although volumes have declined in US
- The management is focused on the R&D earmarked to oligo-peptide and oncology products. Natco is looking to file eight to 10 products in FY23
- The domestic business is steady but not growing. The management is looking to move out from its niche presence. The company is looking for acquisitions in the domestic business and will look to close a transaction this year. The management is looking to acquire a business with a turnover of more than ₹ 100 crore and in the space of physician and general physician
- On the crop protection side, Natco has invested ₹ 165 crore on the facility and is currently holding ₹ 108 crore of agro inventory. Judges have appointed third party experts for verification whether Natco has infringed process patent for CTPR. The company cannot launch till verdict. Agro business (ex-CTPR) is expected to do ₹ 10-12 crore in FY23

**Exhibit 1: Variance Analysis**

	Q1FY23	Q1FY22	Q4FY22	YoY (%)	QoQ (%)	Comments
Revenue	884.6	410.3	596.8	115.6	48.2	YoY increase due to uptick in exports contribution from gRevlimid
Raw Material Expenses	147.7	79.1	296.3	86.7	-50.2	
Employee Expenses	151.9	108.1	109.3	40.5	39.0	
Other Expenditure	189.7	113.3	209.8	67.4	-9.6	
Total Operating Expenditure	489.3	300.5	615.4	62.8	-20.5	
EBITDA	395.3	109.8	-18.6	260.0	LP	
EBITDA (%)	44.7	26.8	-3.1	1793 bps	4780 bps	EBITDA margins improved mainly on back of change in revenue mix towards more remunerative gRevlimid
Interest	4.2	2.0	6.7	110.0	-37.3	
Depreciation	39.6	33.8	38.1	17.2	3.9	
Other Income	34.3	17.0	13.8	101.8	148.6	
EO	0.0	0.0	0.0	0.0	0.0	
PBT	385.8	91.0	-49.6	324.0	LP	
Tax	65.4	16.0	0.9	308.8	7,166.7	
PAT before MI	320.4	75.0	-50.5	327.2	LP	
MI	0.0	0.0	0.0	0.0	0.0	
Adj.Net Profit	320.4	75.0	-50.5	327.2	LP	
<b>Key Metrics</b>						
Domestic formulations	89.5	201.1	76.9	-55.5	16.4	YoY decline amid high Covid contribution in base of Q1FY22
Export Formulations	736.9	145.4	465.1	406.8	58.4	YoY increase due to gains from gRevlimid
APIs	50.8	61.6	48.6	-17.5	4.5	

Source: Company, ICICI Direct Research

**Exhibit 2: Change in estimates**

(₹ Crore)	FY23E			FY24E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	2,051.9	2,674.9	30.4	2,237.7	2,808.0	25.5	
EBITDA	745.9	1,015.7	36.2	860.9	1,057.7	22.9	
EBITDA Margin (%)	36.4	38.0	157 bps	38.5	37.7	-83 bps	Changed FY23 due to contribution from gRevlimid and FY24 due to expectation of tapering down of gRevlimid contribution
PAT	515.7	759.5	47.3	605.6	771.9	27.5	
EPS (₹)	28.3	41.6	47.3	33.2	42.3	27.5	

Source: ICICI Direct Research

**Exhibit 3: Assumptions**

	Current				Earlier			Comments
	FY20	FY21	FY22	FY23E	FY24E	FY23E	FY24E	
APIs	355.2	512.2	248.2	251.2	281.4	261.6	293.0	Declined mainly due to lower-than-expected sales in Q1FY23
Domestic formulations	540.8	414.4	486.8	410.9	449.2	396.5	435.4	
Exports formulations	932.6	1,077.1	1,184.1	1,991.4	2,054.0	1,361.5	1,474.1	Increased mainly due to gRevlimid estimates

Source: ICICI Direct Research

**Exhibit 4: Financial Summary**

	Revenues	Growth	EPS	Growth	P/E	EV/EBITDA	RoE	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY21	2052	7.2	24.2	-4.3	26.8	19.2	10.7	13.1
FY22	1945	-5.2	9.3	-61.4	69.4	44.8	4.0	4.6
FY23E	2675	37.5	41.6	346.7	15.5	11.1	15.5	18.1
FY24E	2808	5.0	42.3	1.6	15.3	10.0	13.9	16.9

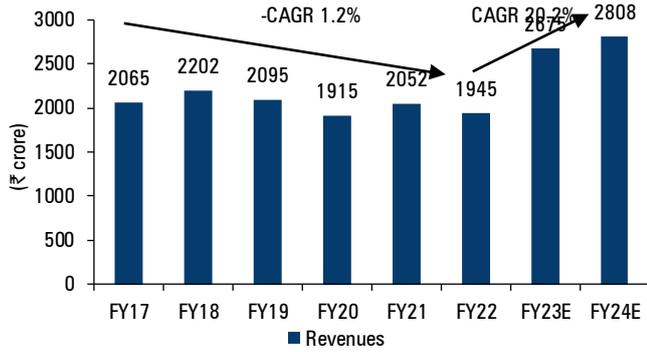
Source: ICICI Direct Research

**Exhibit 5: Trends in Quarterly Performance**

₹ Crore	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	YoY (%)	QoQ (%)
Revenues	492.3	485.7	482.2	454.8	563.4	802.2	361.1	331.3	410.3	377.2	560.5	596.8	884.6	115.6	48.2
Raw Material Expens	76.0	119.2	91.5	94.9	178.9	194.9	83.1	54.5	79.1	92.5	93.0	296.3	147.7	86.7	-50.2
% of Revenues	15.4	24.5	19.0	20.9	31.8	24.3	23.0	16.5	19.3	24.5	16.6	49.6	16.7	-258 bps	-3295 bps
Gross Profit	416.3	366.5	390.7	359.9	384.5	607.3	278.0	276.8	331.2	284.7	467.5	300.5	736.9	122.5	145.2
Gross Profit Margin (%)	84.6	75.5	81.0	79.1	68.2	75.7	77.0	83.5	80.7	75.5	83.4	50.4	83.3	258 bps	3295 bps
Employee Expenses	93.2	102.4	97.8	81.6	95.2	123.7	101.4	94.6	108.1	109.2	118.2	109.3	151.9	40.5	39.0
% of Revenues	18.9	21.1	20.3	17.9	16.9	15.4	28.1	28.6	26.3	29.0	21.1	18.3	17.2	-917 bps	-114 bps
Other Expenses	131.8	129.8	164.2	150.0	118.2	207.2	88.2	106.0	113.3	105.0	247.5	209.8	189.7	67.4	-9.6
% of Revenues	26.8	26.7	34.1	33.0	21.0	25.8	24.4	32.0	27.6	27.8	44.2	35.2	21.4	-617 bps	-1371 bps
Total Expenditure	301.0	351.4	353.5	326.5	392.3	525.8	272.7	255.1	300.5	306.7	458.7	615.4	489.3	62.8	-20.5
% of Revenues	61.1	72.3	73.3	71.8	69.6	65.5	75.5	77.0	73.2	81.3	81.8	103.1	55.3	-1793 bps	-4780 bps
EBITDA	191.3	134.3	128.7	128.3	171.1	276.4	88.4	76.2	109.8	70.5	101.8	-18.6	395.3	260.0	-2225.3
EBITDA Margins(%)	38.9	27.7	26.7	28.2	30.4	34.5	24.5	23.0	26.8	18.7	18.2	-3.1	44.7	1793 bps	4780 bps
Depreciation	22.0	21.9	25.4	30.5	28.0	28.7	29.8	30.4	33.8	34.7	36.0	38.1	39.6	17.2	3.9
Interest	6.5	6.2	5.3	3.5	3.7	2.7	3.4	3.5	2.0	4.0	5.0	6.7	4.2	110.0	-37.3
Other income	21.0	33.2	30.8	22.4	18.7	25.7	30.8	28.4	17.0	38.0	30.2	13.8	34.3	101.8	148.6
Less: Exceptional Ite	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		
PBT	183.8	139.4	128.8	116.7	158.1	270.7	86.0	70.7	91.0	69.8	91.0	-49.6	385.8	324.0	-877.8
Total Tax	41.0	21.7	24.4	23.5	36.0	66.8	16.7	17.7	16.0	4.7	10.6	0.9	65.4	308.8	7166.7
Tax rate (%)	22.3	15.6	18.9	20.1	22.8	24.7	19.4	25.0	17.6	6.7	11.6	-1.8	17.0		
PAT	142.8	117.7	104.4	93.2	122.1	203.9	69.3	53.0	75.0	65.1	80.4	-50.5	320.4	327.2	-734.5
PAT Margin (%)	29.0	24.2	21.7	20.5	21.7	25.4	19.2	16.0	18.3	17.3	14.3	-8.5	36.2	1794 bps	4468 bps
Minority Interest	-0.4	-1.3	-0.1	-0.9	-0.7	1.5	0.7	0.0	0.0	0.0	0.0	0.0	0.0		
PAT after MI	143.2	119.0	104.5	94.1	122.8	202.4	68.6	53.0	75.0	65.1	80.4	-50.5	320.4	327.2	-734.5
EPS (₹)	7.8	6.5	5.7	5.2	6.7	11.1	3.8	2.9	4.1	3.6	4.4	-2.8	17.6		
Adj PAT	143.2	119.0	104.5	94.1	122.8	202.4	68.6	53.0	75.0	65.1	80.4	-50.5	320.4	327.2	-734.5

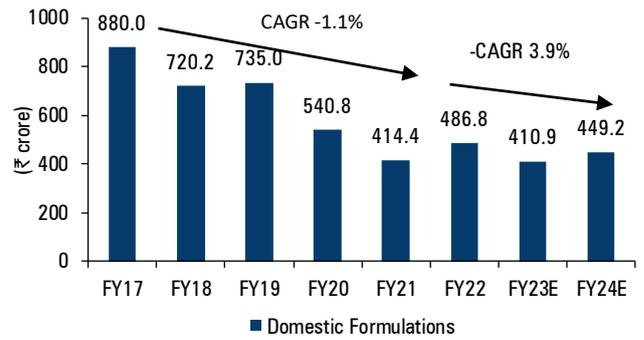
Source: ICICI Direct Research

Exhibit 6: Revenue to grow at ~20.2% CAGR in FY22-24E



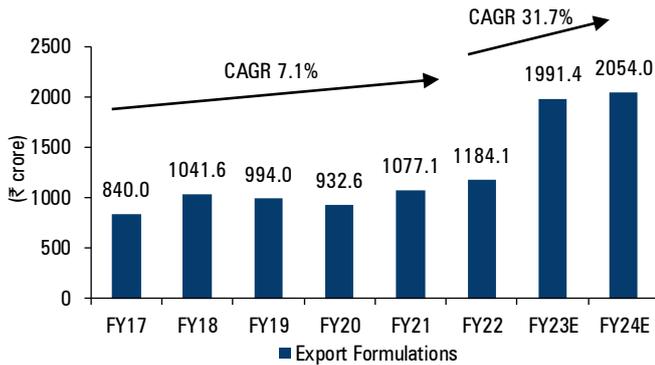
Source: ICICI Direct Research, Company

Exhibit 7: Domestic to decline at 3.9% CAGR over FY22-24E



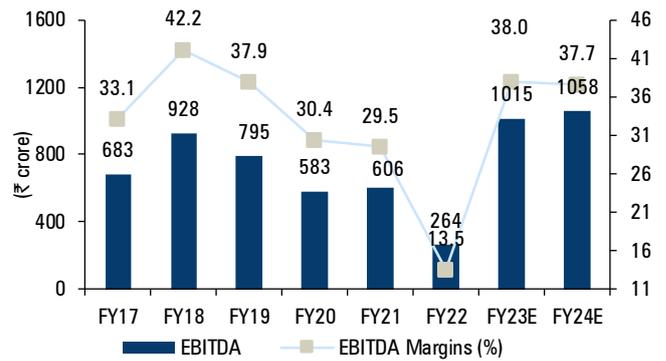
Source: ICICI Direct Research, Company

Exhibit 8: Exports to grow at CAGR of 31.7% over FY22-24E



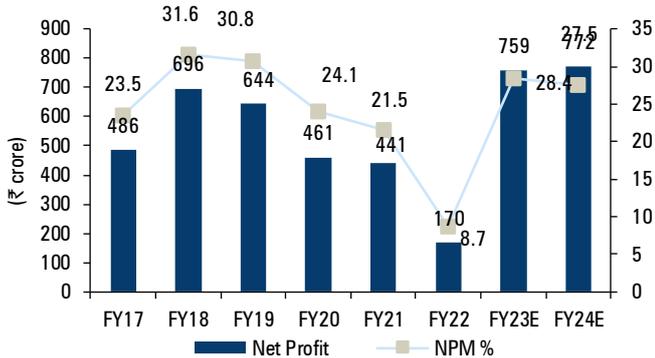
Source: ICICI Direct Research, Company

Exhibit 9: EBITDA & EBITDA margins trend



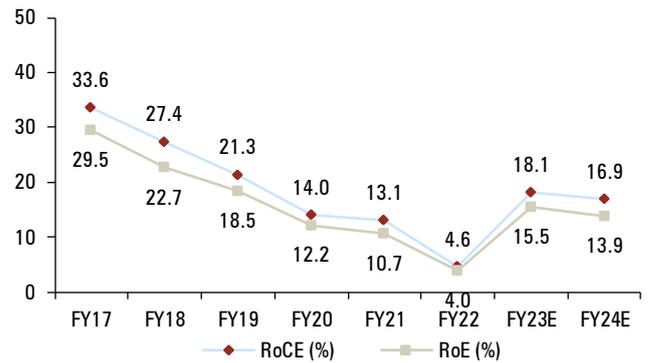
Source: ICICI Direct Research, Company

Exhibit 10: Net profit & net profit margins trend



Source: ICICI Direct Research, Company

Exhibit 11: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 12: ICICI Direct Coverage Universe (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
<b>Hospitals</b>																					
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
<b>MNC Pharma</b>																					
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
<b>Pharma</b>																					
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
<b>API/CRAMS</b>																					
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
<b>Revenues</b>	<b>2,052.1</b>	<b>1,944.8</b>	<b>2,674.9</b>	<b>2,808.0</b>
Growth (%)	7.2	-5.2	37.5	5.0
Raw Material Expenses	511.4	560.9	453.3	454.3
Employee Expenses	414.9	444.8	555.5	562.3
Other expenses	519.6	675.6	650.4	733.7
Total Operating Expenditure	1,445.9	1,681.3	1,659.3	1,750.3
<b>EBITDA</b>	<b>606.2</b>	<b>263.5</b>	<b>1,015.7</b>	<b>1,057.7</b>
Growth(%)	4.1	-56.5	285.4	4.1
Depreciation	116.9	142.6	158.4	164.5
Interest	13.3	17.7	16.8	16.8
Other Income	103.6	99.0	123.1	139.2
PBT	579.6	202.2	963.5	1,015.7
Total Tax	137.2	32.2	204.1	243.8
PAT before MI	442.4	170.0	759.5	771.9
Minority Interest	1.5	0.0	0.0	0.0
<b>Adjusted PAT</b>	<b>440.9</b>	<b>170.0</b>	<b>759.5</b>	<b>771.9</b>
Growth(%)	-4.3	-61.4	346.7	1.6
<b>EPS (Adjusted)</b>	<b>24.2</b>	<b>9.3</b>	<b>41.6</b>	<b>42.3</b>

Source: Company, ICICI Direct Research

Exhibit 14: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit/(Loss) after taxation	449.6	154.0	759.5	771.9
Add: Depreciation	116.9	142.6	158.4	164.5
(Inc)/dec in Current Assets	-122.5	-223.1	-93.2	-44.1
Inc/(dec) in CL and Provisions	-90.4	-8.3	-19.5	12.8
Others	-54.8	-18.7	16.8	16.8
<b>CF from operating activities</b>	<b>298.8</b>	<b>46.5</b>	<b>822.0</b>	<b>921.8</b>
(Purchase)/Sale of Fixed Assets	-207.2	-188.8	-125.0	-125.0
(Increase)/Decrease in Investments	-177.3	203.9	0.0	0.0
Others	488.9	-173.8	2.5	2.7
<b>CF from investing activities</b>	<b>104.4</b>	<b>-158.7</b>	<b>-122.5</b>	<b>-122.3</b>
Inc / (Dec) in Equity Capital	0.1	0.0	0.0	0.0
Inc / (Dec) in Loan	0.0	0.0	0.0	0.0
Dividend & Dividend tax	-113.9	-82.2	-136.9	-109.5
Others	-71.9	117.0	-16.8	-16.8
<b>CF from financing activities</b>	<b>-185.7</b>	<b>34.8</b>	<b>-153.7</b>	<b>-126.3</b>
Net Cash flow	217.5	-77.4	545.8	673.2
Opening Cash	66.0	283.5	206.1	751.9
<b>Closing Cash</b>	<b>283.5</b>	<b>206.1</b>	<b>751.9</b>	<b>1,425.1</b>
<b>Free Cash Flow</b>	<b>91.6</b>	<b>-142.3</b>	<b>697.0</b>	<b>796.8</b>

Source: Company, ICICI Direct Research

Exhibit 15: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Equity Capital	36.5	36.5	36.5	36.5
Reserve and Surplus	4,085.1	4,227.1	4,849.6	5,512.0
Total Shareholders funds	4,121.6	4,263.6	4,886.2	5,548.5
Total Debt	267.6	412.0	412.0	412.0
Deferred Tax Liability	41.3	30.1	32.5	35.1
Minority Interest / Others	2.9	1.3	1.4	1.5
Long Term Provisions	99.6	95.7	95.7	95.7
<b>Total Liabilities</b>	<b>4,533.0</b>	<b>4,802.7</b>	<b>5,427.8</b>	<b>6,092.8</b>
Gross Block - Fixed Assets	2,702.1	3,082.6	3,257.6	3,382.6
Accumulated Depreciation	678.9	821.5	979.9	1,144.4
Net Block	2,023.2	2,261.1	2,277.7	2,238.2
Capital WIP	223.4	129.5	79.5	79.5
Total Fixed Assets	2,246.6	2,390.6	2,357.2	2,317.7
Goodwill on Consolidation	0.0	50.7	50.7	50.7
Investments	303.7	308.1	308.1	308.1
Inventory	798.2	762.0	615.8	617.2
Debtors	412.9	620.6	860.0	902.8
Cash	283.5	206.1	751.9	1,425.1
Other Current Assets	698.4	704.8	704.8	704.8
Total Current Assets	2,193.0	2,293.5	2,932.5	3,649.8
Creditors	146.2	161.8	130.8	131.1
Provisions	12.8	17.0	18.4	19.8
Other Current Liabilities	99.9	127.6	137.8	148.8
Total Current Liabilities	258.9	306.4	286.9	299.7
Net Current Assets	1,934.1	1,987.1	2,645.6	3,350.1
LT L & A & Other Non CA	48.6	66.2	66.2	66.2
<b>Application of Funds</b>	<b>4,533.0</b>	<b>4,802.7</b>	<b>5,427.8</b>	<b>6,092.8</b>

Source: Company, ICICI Direct Research

Exhibit 16: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
<b>Per share data (₹)</b>				
Adjusted EPS	24.2	9.3	41.6	42.3
BV per share	225.8	233.5	267.7	303.9
Dividend per share	5.3	4.5	7.5	6.0
Cash Per Share	15.5	11.3	41.2	78.1
<b>Operating Ratios (%)</b>				
Gross Profit Margins	75.1	71.2	83.1	83.8
EBITDA Margins	29.5	13.5	38.0	37.7
PAT Margins	21.5	8.7	28.4	27.5
Inventory days	569.7	495.9	495.9	495.9
Debtor days	73.4	116.5	117.3	117.3
Creditor days	104.3	105.3	105.3	105.3
Asset Turnover	0.8	0.6	0.8	0.8
EBITDA Conversion Rate	49.3	17.6	80.9	87.2
<b>Return Ratios (%)</b>				
RoE	10.7	4.0	15.5	13.9
RoCE	13.1	4.6	18.1	16.9
RoIC	12.6	2.8	19.5	20.4
<b>Valuation Ratios (x)</b>				
P/E	26.8	69.4	15.5	15.3
EV / EBITDA	19.2	44.8	11.1	10.0
EV / Net Sales	5.7	6.1	4.2	3.8
Market Cap / Sales	5.7	6.1	4.4	4.2
Price to Book Value	2.9	2.8	2.4	2.1
<b>Solvency Ratios</b>				
Debt / EBITDA	0.4	1.6	0.4	0.4
Debt / Equity	0.1	0.1	0.1	0.1
Current Ratio	7.4	6.8	7.6	7.4

Source: Company, ICICI Direct Research

## RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

[pankaj.pandey@icicisecurities.com](mailto: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](mailto:research@icicidirect.com)

## ANALYST CERTIFICATION

We, Siddhant Khandekar, Inter CA, Raunak Thakur, PGDM, Kush Mehta, CA, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

## Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH00000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com).

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icicidirect.com](http://icicidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.