



High Paracetamol sales drive growth; margins improving...

About the stock: Granules is a large-scale vertically integrated company that manufactures API, intermediates and finished dosages and has seven manufacturing facilities along with B2B & B2C marketing & distribution.

- Revenue mix FY22: Formulations – 52%, API (API+PFI) – 48%
- Top five products (Paracetamol, Ibuprofen, Metformin, Methocarbamol, Guaifenesin) contributed 81% to FY22 revenues

Q2FY23 Results: Growth mainly driven by high paracetamol API sales in US market.

- Sales were up 29.5% YoY to ₹ 1150.7 crore
- EBITDA margins grew 409 bps YoY to 21.1%. EBITDA grew 60.7% YoY to ₹ 243 crore
- Adjusted PAT grew 79.9% YoY to ₹ 145 crore

What should investors do? Granules' share price has grown by ~3.55x over the past three years (from ~₹ 98 in October 2017 to ~₹ 348 levels in October 2022).

- We maintain **BUY** rating on the back of 1) Focus on diversification of API portfolio, 2) Focus on margin improvement via proposed product mix changes and capex on backward integration, 3) Compelling risk-reward matrix based on FY24E earnings

Target Price and Valuation: Valued at ₹ 410 i.e. 15x FY24E EPS of ₹ 33.8.

Key triggers for future price performance:

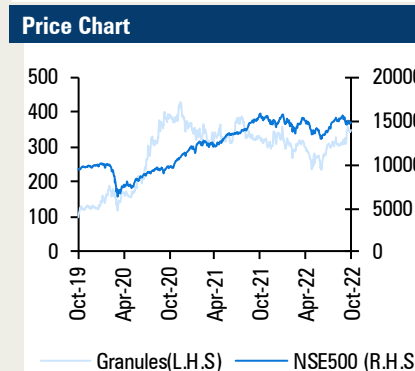
- Ability to pass on input cost inflation and margin improvement through focus on cost management
- Extending its core products via additional strength/different forms in US, launching in other geographies is likely to provide better operating leverage
- In the US, it also focuses on select small but high value launches where competition is less, which bodes well in a crowded generics market
- Timely completion of new block construction in Gagillapur and other expansion activities along with rationalising R&D portfolio

Alternate Stock Idea: Apart from Granules, in healthcare coverage we like Laurus.

- Laurus is evolving as a strong vertically integrated player with strong order book visibility and incremental traction from custom synthesis
- BUY with a target price of ₹ 630

Particulars	
Particular	Amount
Market Capitalisation	₹ 8630 crore
Debt (FY22)	₹ 1106 crore
Cash (FY22)	₹ 409 crore
EV	₹ 9327 crore
52 week H/L	362/227
Equity capital	₹ 24.2 crore
Face value	₹ 1

Shareholding pattern				
(in %)	Dec-21	Mar-22	Jun-22	Sep-22
Promoter	42.0	42.0	42.0	41.9
Others	58.0	58.0	58.0	58.1



- ### Recent Event & Key risks
- Buyback of shares
 - Key Risk:** (i) Lower ramp-up in core molecules (ii) Continued challenges in KSM and logistics

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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	2598.6	3237.5	3764.9	21.7	4432.3	5013.7	15.4
EBITDA	525.3	853.6	722.2	19.5	941.3	1102.3	23.5
EBITDA Margins (%)	20.2	26.4	19.2		21.2	22.0	
Net Profit	309.9	549.5	412.8	24.2	563.6	674.0	27.8
EPS (Adjusted)	12.4	22.2	16.6		22.7	27.2	
PE (x)	25.7	15.7	20.9		15.3	12.8	
EV to EBITDA (x)	17.6	10.8	12.9		9.9	8.0	
RoCE (%)	15.2	24.0	15.6		20.5	21.7	
RoE (%)	16.7	25.3	16.0		19.7	19.3	

Key takeaways of recent quarter & conference call highlights

Q2FY23 Results: Steady quarter amid margin pressure

- Revenues grew 29.5% YoY to ₹ 1150.7 crore, driven by YoY growth of 73.4% in API to ₹ 330 crore and 22.9% growth in PFI to ₹ 234.9 crore. Formulations grew 15.6% YoY to ₹ 585 crore. EBITDA margins grew 409 bps YoY to 21.1%. EBITDA grew 60.7% YoY to ₹ 243 crore while PAT grew 79.9% YoY to ₹ 145 crore
- Granules' revenue growth in this quarter has beaten our estimates, mainly driven by higher paracetamol sales in the US, increased market share and new launches. Contribution of revenue from paracetamol increased 46.8% compared to 33% in Q2FY22. API sales contribution also increased to 29% vs. 21% in Q2FY22. EBITDA margins were better than our estimates. They are recovering (up 36 bps QoQ) on account of higher sales and Granules reducing R&D expense to 2.1% of revenue vis-à-vis 3.1% in Q1FY23. Granules remains a decent player with clear vision to play on its strength of economies of scale and gradual expansion into more complex products/forms to improve margins.

Q2FY23 Earnings Conference Call highlights

- Supply of PAP and DCDA is stable and improving
- R&D spend in Q2FY23 was ₹ 25 crore vs. ₹ 45 crore in Q2FY22. Guided for R&D spend at ₹ 40-45 crore in coming quarters
- Paracetamol revenues: Total ₹ 529 crore of sales in Q2FY23 vs. ₹ 293 crore in Q2FY22. Capacity utilisation of paracetamol was at 90-95%. GPM for paracetamol is low compared to other products
- There is no one-off in paracetamol sales. Increase in sales is due to raw material (PAP) prices being high last year and availability not being enough
- Launch of paracetamol formulation is expected in Q3FY23
- The management has an aspirational EBITDA margins target of 25% to be achieved over five years
- There is no pent up demand in paracetamol. Customers were waiting for the raw material situation to normalise. There is a shift from a competitor to Granules for paracetamol
- Granules has some loyal customers in the US. The company is trying to convert them from Paracetamol API to formulation
- Granules imports DCDA and PAP from China. There was shortage of PAP in China but the situation has normalised. Indian manufacturers also started manufacturing PAP while other international manufacturers came up. For DCDA, they had suppliers from Europe but now energy costs have gone up. Hence, Granules is buying it from China

Exhibit 1: Variance Analysis

	Q2FY23	Q2FY23E	Q2FY22	YoY (%)	Q1FY23	QoQ (%)	Comments
Revenue	1,150.7	1,067.7	888.3	29.5	1,019.6	12.9	YoY growth on back of volume growth in most markets and also on account of new launches in US
Raw Material Expenses	578.5	533.8	436.6	32.5	513.5	12.6	
Gross margins (%)	49.7	50.0	50.9	-113 bps	49.6	10 bps	Gross margin impacted YoY due to inflation in KSMS and solvents along with price erosion in US
Employee Expenses	117.7	113.9	92.5	27.2	108.7	8.3	
Other Expenditure	211.6	202.9	208.0	1.7	185.8	13.9	
Total Operating Expenditure	907.8	850.5	737.2	23.2	808.1	12.3	
EBITDA	242.9	217.1	151.2	60.7	211.5	14.8	
EBITDA (%)	21.1	20.3	17.0	409 bps	20.7	36 bps	EBITDA margin declined YoY due to lower gross margins along with higher logistic cost
Interest	13.2	6.9	5.5	142.0	6.9	90.6	
Depreciation	44.1	43.4	39.8	10.6	43.4	1.6	
Other income	4.8	4.9	4.4	10.1	4.7	2.6	
PBT before EO	190.4	171.7	110.2	72.7	165.9	14.8	
Less: Exceptional Items	0.0	0.0	0.0	0.0	0.0	0.0	
PBT	190.4	171.7	110.2	72.7	165.9	14.8	
Tax	45.3	44.7	29.6	53.3	38.3	18.3	
MI & Share of loss/ (gain) asso.	0.0	0.0	0.0	0.0	0.0	0.0	
Adj. Net Profit	145.1	127.0	80.7	79.9	127.6	13.8	
Key Metrics							
API	330.3	247.7	190.5	73.4	234.1	41.1	
PFI	234.9	248.6	191.2	22.9	236.8	-0.8	
Formulations	585.6	571.5	506.6	15.6	548.7	6.7	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY23E			FY24E			Comments
	Old	New	Change	Old	New	Change	
Revenue	4,362.3	4,432.3	1.6	4,953.3	5,013.7	1.2	
EBITDA	863.2	941.3	9.1	1,053.1	1,102.3	4.7	
EBITDA Margin (%)	19.8	21.2	145 bps	22.2	22.0	-22 bps	
PAT	489.3	563.6	15.2	613.2	674.0	9.9	
EPS (₹)	19.7	22.7	15.2	24.7	27.2	9.9	

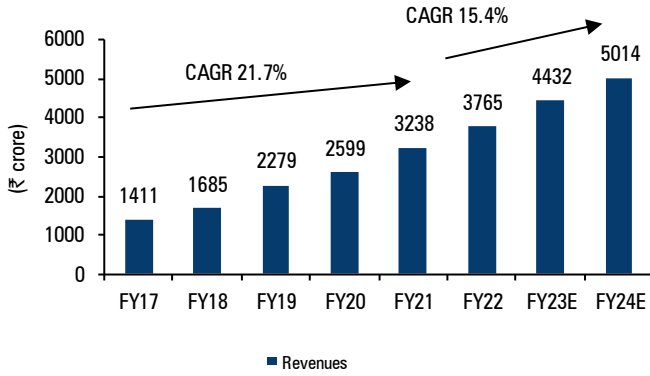
Source: ICICI Direct Research

Exhibit 3: Assumptions

(₹ crore)	Current				Earlier		
	FY20	FY21	FY22	FY23E	FY24E	FY23E	FY24E
API	817.0	912.6	975.0	1,131.1	1,244.2	1,088.4	1,219.0
PFI	421.4	626.6	845.6	985.4	1,103.7	1,020.1	1,142.6
Formulations	1,360.1	1,698.8	1,944.5	2,316.0	2,665.9	2,253.7	2,591.7

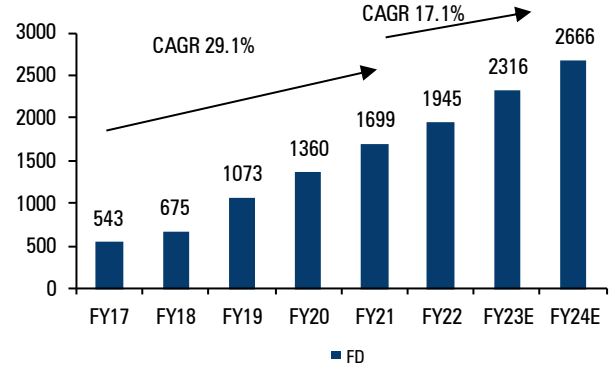
Source: ICICI Direct Research

Exhibit 4: Revenues to grow at 15.4% CAGR in FY22-24E



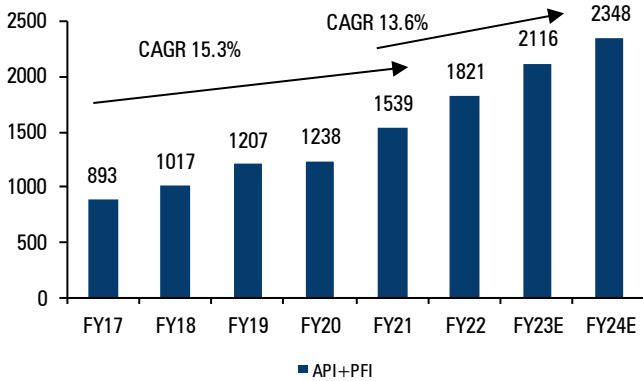
Source: ICICI Direct Research, Company

Exhibit 5: Formulations to grow at 17.1% CAGR in FY22-24E



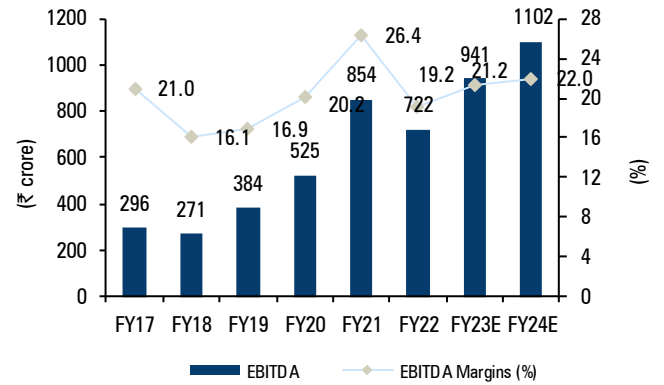
Source: ICICI Direct Research, Company

Exhibit 6: API+PFI to grow at 13.6% CAGR over FY22-24E



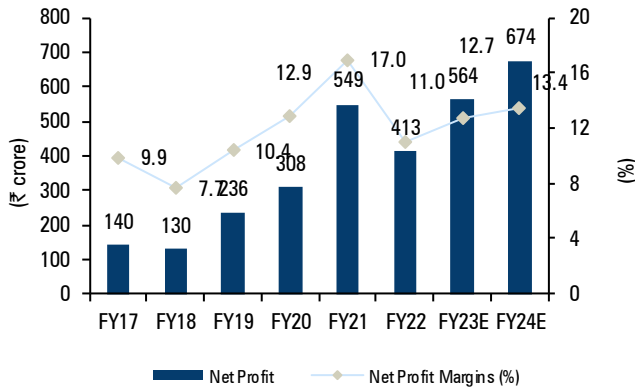
Source: ICICI Direct Research, Company

Exhibit 7: EBITDA & EBITDA margins trend



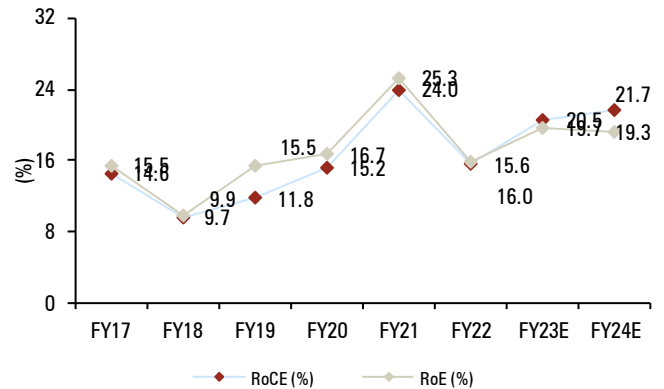
Source: ICICI Direct Research, Company

Exhibit 8: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 9: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 10: Trends in Quarterly Performance

(₹ crore)	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	YoY (%)	QoQ (%)
Net Sales	699.5	704.0	599.9	735.6	858.1	844.5	799.3	849.8	888.3	996.8	1030.0	1019.6	1150.7	29.5	12.9
Raw Material Exper	359.4	347.1	279.0	297.6	361.1	391.0	341.6	389.1	436.6	531.9	526.0	513.5	578.5	32.5	12.6
% of Revenue	51.4	49.3	46.5	40.5	42.1	46.3	42.7	45.8	49.1	53.4	51.1	50.4	50.3	113 bps	-10 bps
Gross Profit	340.1	356.9	320.8	438.0	497.0	453.5	457.8	460.8	451.7	464.8	503.9	506.0	572.2	26.7	13.1
Gross Profit Margin	48.6	50.7	53.5	59.5	57.9	53.7	57.3	54.2	50.9	46.6	48.9	49.6	49.7	-113 bps	10 bps
Employee Expenses	63.4	64.8	73.8	83.7	79.7	83.1	99.9	95.4	92.5	105.3	108.2	108.7	117.7	27.2	8.3
% of Revenue	9.1	9.2	12.3	11.4	9.3	9.8	12.5	11.2	10.4	10.6	10.5	10.7	10.2	-19 bps	-43 bps
Other Expenditure	133.1	129.0	147.1	170.8	160.9	158.9	155.9	164.0	208.0	185.8	203.1	185.8	211.6	1.7	13.9
% of Revenue	19.0	18.3	24.5	23.2	18.7	18.8	19.5	19.3	23.4	18.6	19.7	18.2	18.4	-503 bps	17 bps
Total Expenditure	555.9	540.8	499.9	552.0	601.7	633.0	597.3	648.4	737.2	823.0	837.3	808.1	907.8	23.2	12.3
% of Revenue	79.5	76.8	83.3	75.0	70.1	74.9	74.7	76.3	83.0	82.6	81.3	79.3	78.9	-409 bps	-36 bps
EBITDA	143.6	163.2	99.9	183.6	256.4	211.6	202.0	201.4	151.2	173.7	192.7	211.5	242.9	60.7	14.8
EBITDA Margin (%)	20.5	23.2	16.7	25.0	29.9	25.1	25.3	23.7	17.0	17.4	18.7	20.7	21.1	409 bps	36 bps
Depreciation	30.3	39.0	39.0	34.1	36.1	36.8	44.5	39.4	39.8	39.2	40.2	43.4	44.1	10.6	1.6
Interest	6.9	6.7	6.6	6.0	6.3	7.2	6.8	6.8	5.5	4.6	6.4	6.9	13.2	142.0	90.6
Other Income	8.7	3.5	82.3	5.6	3.2	16.4	3.3	7.6	4.4	4.9	4.0	4.7	4.8	10.1	2.6
Less: Exceptional It	0.0	32.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
PBT	115.1	88.9	136.7	149.2	217.3	183.9	154.0	162.9	110.2	134.8	150.1	165.9	190.4	72.7	14.8
Total Tax	19.3	24.9	44.4	37.7	53.7	37.1	26.4	42.7	29.6	33.9	39.1	38.3	45.3	53.3	18.3
Tax rate (%)	16.8	28.0	32.5	25.3	24.7	20.2	17.2	26.2	26.8	25.2	26.1	23.1	23.8	-301 bps	70 bps
PAT before MI	95.8	64.0	92.3	111.5	163.6	146.8	127.6	120.2	80.7	100.9	111.0	127.6	145.1	79.9	13.8
Minority Interest	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		
Adjusted PAT	95.8	96.1	92.3	111.5	163.6	146.8	127.6	120.2	80.7	100.9	111.0	127.6	145.1	79.9	13.8
PAT Margin (%)	13.7	13.6	15.4	15.2	19.1	17.4	16.0	14.1	9.1	10.1	10.8	12.5	12.6	353 bps	10 bps
EPS (₹)	3.9	3.9	3.7	4.5	6.6	5.9	5.1	4.8	3.3	4.1	4.5	5.1	5.9		

Source: ICICI Direct Research

Exhibit 11: 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
Hospitals																					
Apollo Hospitals	APOHOS	4393	5,080	Buy	63256	7.9	59.1	79.0	101.0	558.9	74.3	55.6	43.5	6.3	15.1	15.3	18.8	2.5	15.1	17.4	18.9
Narayana Hrudalaya	NARHRU	726	800	Buy	14817	-0.7	16.7	20.6	22.7	NA	43.4	35.3	32.0	1.2	20.5	19.6	19.7	-1.3	23.0	22.3	19.9
Shalby	SHALIM	145	150	Buy	1563	3.9	5.4	7.5	9.9	36.9	26.7	19.3	14.7	6.5	8.4	11.7	14.3	5.1	6.7	8.6	10.4
Aster DM	ASTDM	243	250	Buy	12165	3.0	10.5	10.8	16.7	82.3	23.1	22.6	14.6	5.4	9.0	9.4	12.5	4.4	13.3	12.0	15.6
Healthcare Global	HEAGLO	288	345	Buy	3998	-13.9	3.9	4.5	8.8	-13.9	74.4	63.2	32.6	-0.9	5.0	9.4	12.1	-0.9	5.0	6.8	11.6
MNC Pharma																					
Abbott India	ABBIND	18626	21,140	Hold	39114	325.0	375.9	427.7	528.6	57.3	49.6	43.5	35.2	33.8	36.6	37.1	37.3	26.5	28.3	28.9	28.8
P&G Health	MERLIM	4003	4,500	Hold	6805	106.5	116.0	124.8	140.6	37.6	34.5	32.1	28.5	32.2	39.8	36.0	33.8	25.1	31.2	28.1	26.2
Sanofi India	SANOFI	5578	6,885	Hold	12829	207.4	410.1	270.5	264.8	26.9	13.6	20.6	21.1	32.3	33.3	41.1	50.7	24.5	25.9	31.2	38.7
Pfizer	PFIZER	4341	4,480	Hold	19968	108.8	133.9	140.4	149.3	39.9	32.4	30.9	29.1	27.6	26.1	22.4	21.8	20.8	21.4	17.9	17.7
Pharma																					
Ajanta Pharma	AJAPHA	1264	1,495	Buy	16182	51.0	55.6	60.1	71.1	24.8	22.7	21.0	17.8	29.0	27.0	24.4	24.5	21.8	21.8	19.9	19.9
Alembic Pharma	ALEMPHA	550	590	Reduce	10834	62.8	27.8	15.3	26.9	8.8	19.8	36.0	20.4	25.1	10.6	6.5	10.5	24.1	10.4	5.6	9.1
Aurobindo Pharma	AURPHA	521	615	Hold	30528	55.0	47.4	41.1	51.3	9.5	11.0	12.7	10.2	16.9	12.9	11.5	13.3	14.7	11.3	9.0	10.1
Biocon	BIOCON	273	320	Hold	32763	6.3	5.7	5.5	11.3	43.6	47.9	50.0	24.1	7.7	7.5	4.1	6.5	9.9	8.1	2.8	5.5
Zydus Lifesciences	CADHEA	418	405	Hold	###	23.3	21.0	21.0	23.8	17.9	19.9	19.9	17.6	13.8	12.0	11.8	11.7	18.4	12.6	11.4	11.6
Cipla	CIPLA	1155	1,135	Buy	93209	29.9	32.9	38.6	45.8	38.7	35.1	29.9	25.2	16.3	16.7	17.9	19.0	13.1	12.7	13.3	14.1
Dr Reddy's Labs	DRREDD	4458	4,750	Buy	73995	117.3	126.9	203.4	191.0	38.0	35.1	21.9	23.3	13.1	13.0	19.1	18.1	11.1	11.0	15.4	13.0
Glenmark Pharma	GLEPHA	406	440	Hold	11459	32.9	42.7	39.5	44.9	12.4	9.5	10.3	9.1	13.9	14.8	14.7	14.4	13.1	13.2	11.0	11.2
Ipca Laboratories	IPCLAB	935	985	Hold	23740	44.9	34.8	27.5	35.1	20.8	26.8	34.0	26.6	27.1	17.4	14.3	16.3	24.2	16.1	11.4	13.0
Jubilant Pharmova	JUBLIF	336	340	Reduce	5342	37.4	26.0	15.9	26.1	9.0	12.9	21.2	12.9	13.7	9.0	6.1	8.6	12.6	7.8	4.6	7.0
Lupin	LUPIN	688	610	Reduce	31304	26.9	11.9	11.8	27.7	25.6	57.9	58.5	24.8	9.6	3.4	5.8	10.9	8.8	4.4	4.2	9.2
Natco Pharma	NATPHA	591	735	Hold	10810	24.2	9.3	41.6	42.3	24.5	63.4	14.2	14.0	13.1	4.6	18.1	16.9	10.7	4.0	15.5	13.9
Sun Pharma	SUNPHA	991	1,125	Buy	237813	30.0	32.0	34.8	40.1	33.0	31.0	28.5	24.7	14.2	18.2	18.0	18.7	15.5	16.0	15.2	15.2
Torrent Pharma	TORPHA	1578	1,730	Buy	53343	37.0	32.0	40.0	46.7	42.7	49.3	39.4	33.8	17.6	19.7	19.1	21.4	21.4	18.2	19.8	19.7
Indoco Remedies	INDREM	341	525	Buy	3137	10.1	16.8	21.6	29.2	33.8	20.3	15.8	11.7	11.7	17.5	17.6	23.9	12.1	17.1	18.6	20.6
Caplin Point	CAPPOI	742	1,000	Buy	5639	81.7	85.3	70.4	73.0	9.1	8.7	10.5	10.2	25.3	23.7	22.6	0.0	20.4	20.2	18.7	17.5
Advanced Enzymes	ADVENZ	284	265	Reduce	3181	13.1	10.7	8.5	12.1	21.7	26.6	33.5	23.6	19.4	14.3	10.2	13.2	15.1	11.0	8.1	10.4
Hester Biosciences	HESPHA	2001	2,015	Reduce	1801	44.4	45.7	35.9	51.8	45.1	43.8	55.8	38.7	16.2	10.9	9.3	11.8	16.5	15.0	10.8	14.0
API/CRAMS																					
Divi's Lab	DIVLAB	3590	4,315	Buy	95135	74.7	111.5	93.0	113.5	48.0	32.2	38.6	31.6	27.6	30.2	22.8	24.4	21.3	25.2	18.4	19.2
Hikal	HIKCHE	331	290	Hold	4075	10.8	13.0	3.8	14.4	30.7	25.4	86.5	23.0	15.1	13.6	5.6	13.8	14.3	15.0	4.3	14.2
Syngene Int.	SYNINT	589	710	Buy	23607	10.1	9.9	11.5	14.6	58.2	59.7	51.0	40.4	11.5	11.7	12.8	15.2	13.5	12.9	12.4	13.7
Granules India	GRANUL	355	375	Buy	8814	22.2	16.6	21.9	26.8	16.0	21.4	16.2	13.3	24.0	15.6	18.6	20.5	25.3	16.0	17.6	17.9
Laurus Labs	LAULAB	455	675	Buy	24458	18.3	15.4	20.7	27.0	24.9	29.6	22.0	16.9	31.7	21.3	23.6	26.0	37.9	24.7	25.6	25.6
Suven Pharmaceutical	SUVPH	413	530	Hold	10521	14.2	17.8	17.0	17.6	29.0	23.1	24.3	23.4	31.2	37.5	28.7	25.0	30.7	29.7	23.0	20.0

Source: ICICI Direct Research

Financial Summary

Exhibit 12: Profit and loss statement					₹ crore
(Year-end March)	FY21	FY22	FY23E	FY24E	
Total Operating Income	3,237.5	3,764.9	4,432.3	5,013.7	
Growth (%)	24.6	16.3	17.7	13.1	
Raw Material Expenses	1,391.3	1,883.6	2,206.0	2,418.9	
Gross Profit	1,846.3	1,881.3	2,226.3	2,594.9	
Gross Profit Margins (%)	57.0	50.0	50.2	51.8	
Employee Expenses	346.3	401.4	457.8	540.0	
Other Expenditure	646.4	757.7	827.2	952.6	
Total Operating Expenditure	2,384.0	3,042.7	3,491.0	3,911.5	
EBITDA	853.6	722.2	941.3	1,102.3	
Growth (%)	62.5	-15.4	30.3	17.1	
Interest	26.3	23.2	46.6	41.9	
Depreciation	151.5	158.6	175.5	201.0	
Other Income	28.5	17.6	18.9	25.1	
PBT before Exceptional Items	704.4	558.0	738.1	884.5	
Less: Exceptional Items	0.0	0.0	0.0	0.0	
PBT after Exceptional Items	704.4	558.0	738.1	884.5	
Total Tax	154.9	145.2	174.5	210.5	
PAT before MI	549.5	412.8	563.6	674.0	
PAT	549.5	412.8	563.6	674.0	
Growth (%)	77.3	-24.9	36.5	19.6	
EPS (Adjusted)	22.2	16.6	22.7	27.2	

Source: Company, ICICI Direct Research

Exhibit 13: Cash flow statement					₹ crore
(Year-end March)	FY21	FY22	FY23E	FY24E	
Profit/(Loss) after taxation	513.0	412.9	563.6	674.0	
Add: Depreciation & Amortization	151.5	158.6	175.5	201.0	
Net Increase in Current Assets	-427.8	-331.2	-246.9	-116.3	
Net Increase in Current Liabilities	152.8	74.0	112.1	75.0	
Others	43.0	17.7	46.6	41.9	
CF from Operating activities:	432.5	332.1	650.9	875.6	
(Purchase)/Sale of Fixed Assets	-161.2	-396.7	-300.0	-300.0	
Investments	-131.4	4.5	0.0	0.0	
Others	146.5	8.6	-1.0	-1.0	
CF from Investing activities	-146.0	-383.6	-301.0	-301.0	
(inc)/Dec in Loan	-75.3	247.6	-190.0	-190.0	
Dividend & Dividend tax	-24.7	-37.2	-37.2	-37.2	
Other	-199.3	-20.5	-296.6	-41.9	
CF from Financing activities	-299.3	190.0	-523.8	-269.1	
Net Cash Flow	-12.9	138.4	-173.9	305.5	
Cash and Cash Equivalent	283.9	271.1	409.5	235.6	
Cash	271.1	409.5	235.6	541.1	
Free Cash Flow	271.3	-64.7	350.9	575.6	

Source: Company, ICICI Direct Research

Exhibit 14: Balance Sheet		₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E	
Equity Capital	24.8	24.8	24.2	24.2	
Reserve and Surplus	2,148.5	2,561.7	2,838.8	3,475.6	
Total Shareholders funds	2,173.3	2,586.5	2,863.0	3,499.8	
Minority Interest	0.0	0.6	0.6	0.6	
Total Debt	849.2	1,106.3	916.3	726.3	
Net Deferred Tax Liability	0.3	12.5	12.8	13.0	
Long-Term Provisions	0.0	0.0	0.0	0.0	
Other Non Current Liabilities	24.8	28.3	28.9	29.5	
Source of Funds	3,047.6	3,734.3	3,821.5	4,269.1	
Gross Block - Fixed Assets	2,145.1	2,461.8	2,761.8	3,161.8	
Accumulated Depreciation	813.2	920.6	1,096.1	1,297.1	
Net Block	1,332.0	1,541.2	1,665.6	1,864.7	
Capital WIP	239.1	356.2	356.2	256.2	
Fixed Assets	1,571.1	1,897.4	2,021.9	2,120.9	
Investments	19.0	19.7	19.7	19.7	
Other non-Current Assets	125.6	89.5	91.3	93.1	
Inventory	782.2	978.6	1,057.7	1,027.2	
Debtors	765.4	925.0	1,088.9	1,231.8	
Other Current Assets	178.4	192.0	195.9	199.8	
Cash	271.1	409.5	235.6	541.1	
Total Current Assets	1,997.0	2,505.0	2,578.0	2,999.8	
Creditors	541.1	638.6	747.9	820.1	
Provisions	6.8	22.8	23.3	23.8	
Other Current Liabilities	117.2	115.8	118.1	120.5	
Total Current Liabilities	665.0	777.3	889.3	964.3	
Net Current Assets	1,332.0	1,727.7	1,688.7	2,035.5	
Application of Funds	3,047.6	3,734.2	3,821.5	4,269.1	

Source: Company, ICICI Direct Research

Exhibit 15: Key ratios		FY21	FY22	FY23E	FY24E
(Year-end March)					
Per share data (₹)					
Reported EPS		22.2	16.6	22.7	27.2
Cash EPS		26.8	21.5	28.3	33.8
BV per share		87.6	104.3	115.4	141.1
Cash per Share		10.9	16.5	9.5	21.8
Dividend per share		1.5	1.5	1.5	1.5
Operating Ratios (%)					
Gross Profit Margins		57.0	50.0	50.2	51.8
EBITDA margins		26.4	19.2	21.2	22.0
PAT Margins		17.0	11.0	12.7	13.4
Cash Conversion Cycle		149.6	155.5	140.9	120.9
Asset Turnover		1.5	1.5	1.6	1.6
EBITDA conversion Rate		50.7	46.0	69.1	79.4
Return Ratios (%)					
RoE		25.3	16.0	19.7	19.3
RoCE		24.0	15.6	20.5	21.7
RoIC		27.7	19.0	23.7	26.0
Valuation Ratios (x)					
P/E		15.7	20.9	15.3	12.8
EV / EBITDA		10.8	12.9	9.9	8.0
EV / Net Sales		2.8	2.5	2.1	1.8
Market Cap / Sales		2.7	2.3	1.9	1.7
Price to Book Value		4.0	3.3	3.0	2.5
Solvency Ratios					
Debt / EBITDA		1.0	1.5	1.0	0.7
Debt / Equity		0.4	0.4	0.3	0.2
Current Ratio		2.6	2.7	2.6	2.5
Quick Ratio					
Inventory days		205.2	189.6	175.0	155.0
Debtor days		86.3	89.7	89.7	89.7
Creditor days		141.9	123.7	123.7	123.7

Source: Company, ICICI Direct Research

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