

Below-par custom synthesis deflates Q2; focus on opportunities

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

Q2FY23 Results: In line revenues with a significant miss on margins.

- Revenues de-grew 6.7% YoY to ₹ 1855 crore
- EBITDA margins declined 767 bps YoY to 33.5% due to high energy and transport costs
- Adjusted PAT declined 18.6% YoY to ₹ 494 crore

What should investors do? Divi's share price grew by ~5.7x over past three years.

- Downgrade from BUY to **HOLD** as we keep tab on future custom synthesis ex-Covid opportunities and execution besides steady generics traction

Target Price and Valuation: Valued at ₹ 3685 i.e. 38x FY24E EPS of ₹ 96.9.

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 and 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

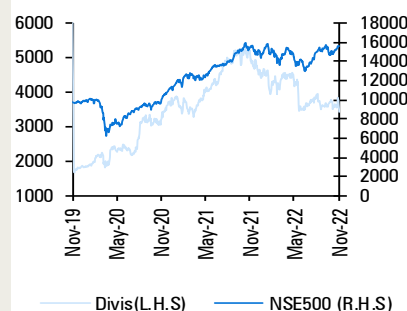
Particulars

Particular	Amount
Market Capitalisation	₹ 90843 crore
Debt (FY22)	₹ 4 crore
Cash & equivalents (FY22)	₹ 2228 crore
EV	₹ 88619 crore
52 week H/L	5425/3365
Equity capital	₹ 53.1 crore
Face value	₹ 2

Shareholding pattern

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

Price Chart



Recent Event & Key risks

- Divi's became MSD's authorised API manufacturer for Molnupiravir
- Key Risk:** (i) Opportunities in contrast media (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	7942.0	9100.3	0.8
EBITDA	1816.1	2859.9	3881.9	21.8	2885.5	3644.8	-3.1
EBITDA margins (%)	33.7	41.0	43.3		36.3	40.1	
Adj. Net Profit	1376.5	1984.3	2960.5	22.8	2328.1	2573.3	-6.8
Adjusted EPS (₹)	51.9	74.7	111.5		87.7	96.9	
PE (x)	66.0	45.8	30.7		39.0	35.3	
EV to EBITDA (x)	48.4	29.9	21.7		28.3	22.0	
RoNW (%)	18.8	21.3	25.2		17.5	17.1	
RoCE (%)	23.9	27.6	30.2		20.8	21.6	

Key takeaways of recent quarter & conference call highlights

Q2FY23 Results: Divis reports muted set of numbers, which missed our expectations on every front except Generics and gross profit margins

- Revenues de-grew 6.7% YoY to ₹ 1855 crore. Generics business increased 34% YoY to ₹ 895 crore. Nutraceuticals fell 3% YoY at ₹ 163 crore. Custom synthesis declined 31% YoY to ₹ 797 crore. Significant deviation from our estimates was attributable to significantly lower molnupiravir (Covid drug) execution. Gross margins declined ~343 bps over the previous year to 63.6%. EBITDA margins fell 767 bps YoY to 33.5%, due to high energy and transport costs. Adjusted PAT declined 18.6% YoY to ₹ 494 crore
- Q2 numbers were affected due to slowdown in custom synthesis segment as the company has started perusing non-Covid related opportunities especially at phase 2, phase 3 stages. Although the management remains optimistic about the opportunities, the full impact of that potential may take four to six quarters. On the generics front, the management is looking at opportunities from patent expiries in 2023-25 (~US\$20 billion addressable market). Overall, we expect the performance in custom synthesis to weigh on sentiments for the next few quarters

Q2FY23 Earnings Conference Call highlights

- Divis' witnessed higher energy (power and fuel) cost and transport cost in this quarter. Some stability is being seen in cost of raw materials
- Revenue mix for Q2FY23: Generics: Custom Synthesis: 42.4%: 57.6%. Carotenoid sales at ₹ 163 crore in Q2FY23 vs. ₹ 186 crore in Q1FY23
- Exploring opportunities in Phase 2 and phase 3 in custom synthesis and expects good order wins. Execution can be visible in four to six quarters
- The company has identified at least two molecules in contrast media where the innovator has termed the products unviable
- In generics the main focus is on patent expiries scheduled in 2023-25 worth US\$20 billion
- Capacity utilisation at 80-83%

Exhibit 1: Variance Analysis

	Q2FY23	Q2FY23E	Q2FY22	Q1FY23	YoY (%)	QoQ (%)	Comments
Revenue	1,854.5	2,073.7	1,987.5	2,254.5	-6.7	-17.7	YoY growth supported by strong growth in CS and carotenoid segment
Raw Material Expense	674.6	740.3	654.8	812.0	3.0	-16.9	
Gross Margins (%)	63.6	64.3	67.1	64.0	-343 bps	-36 bps	
Employee Expenses	232.1	230.2	224.0	246.4	3.6	-5.8	
Other Expenditure	326.8	311.1	290.6	349.5	12.4	-6.5	
Total Expenditure	1,233.5	1,281.5	1,169.4	1,407.8	5.5	-12.4	
EBITDA	621.0	792.2	818.1	846.7	-24.1	-26.7	
EBITDA (%)	33.5	38.2	41.2	37.6	-767 bps	-407 bps	YoY decline due to rise in input cost, logistic cost and power cost
Interest	0.2	0.1	0.2	0.1	-19.0	30.8	
Depreciation	85.7	83.7	77.4	83.7	10.8	2.5	
Other income	80.1	26.4	19.1	88.4	319.0	-9.4	
PBT Before EO	615.2	734.7	759.6	851.3	-19.0	-27.7	
EO	0.0	0.0	0.0	0.0	NA	NA	
PBT	615.2	734.7	759.6	851.3	-19.0	-27.7	
Tax	121.6	176.3	153.2	149.3	-20.6	-18.5	
Net Profit	493.6	558.4	606.5	702.0	-18.6	-29.7	YoY delta vis-à-vis EBITDA due to lower tax expense and higher other income
Key Metrics							
Generic	895.0	901.6	667.8	873.6	34.0	2.4	
CS	797.0	978.9	1,151.7	1,194.9	-30.8	-33.3	
Carotenoid	163.0	193.2	168.0	186.0	-3.0	-12.4	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY23E			FY24E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	8,536.2	7,942.0	-7.0	9,831.6	9,100.3	-7.4	Changed due to lower-than-expected Custom Synthesis in Q1 as Molnupiravir opportunity is supplied
EBITDA	3,335.7	2,885.5	-13.5	4,206.0	3,644.8	-13.3	
EBITDA Margin (%)	39.1	36.3	-274 bps	42.8	40.1	-273 bps	Changed on the back of persisting inflationary environment
Net Profit	2,463.3	2,328.1	-5.5	3,012.0	2,573.3	-14.6	
EPS (₹)	92.8	87.7	-5.5	113.5	96.9	-14.6	

Source: ICICI Direct Research

Exhibit 3: Assumptions

(₹ Crore)	Current				Earlier		Comments
	FY21	FY22	FY23E	FY24E	FY23E	FY24E	
Generic API & Intermediates	3,561.6	3,044.5	3,571.2	4,106.8	3,341.7	3,843.0	New facility commissioned in generics will drive ramp-up
Carotenoids	597.6	629.0	723.0	831.5	710.1	816.6	Higher-than-expected ramp up in generics in Q1FY23
Custom Synthesis	2,805.1	5,286.3	3,648.3	4,162.0	4,979.6	5,689.2	

Source: ICICI Direct Research

Exhibit 4: Financial Summary

	Revenues	Growth	EPS	Growth	P/E	EV/EBITDA	RoNW	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY21	6969	29.2	74.7	44.2	45.8	29.9	21.3	27.6
FY22	8960	28.6	111.5	49.2	30.7	21.7	25.2	30.2
FY23E	7942	-11.4	87.7	-21.4	39.0	28.3	17.5	20.8
FY24E	9100	14.6	96.9	10.5	35.3	22.0	17.1	21.6

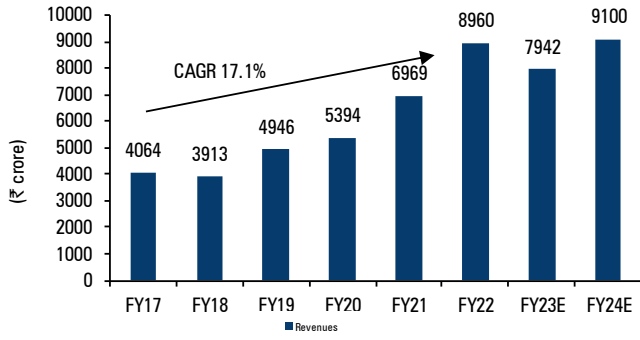
Source: ICICI Direct Research

Exhibit 5: Trends in Quarterly Performance

(₹ crore)	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	YoY (%)	QoQ (%)
Total Operating Income	1445.6	1396.3	1389.7	1730.5	1749.3	1701.4	1788.2	1960.6	1987.5	2493.2	2518.4	2254.5	1854.5	-6.7	-17.7
Raw Material Expenses	593.7	547.1	515.4	639.8	576.3	526.6	581.4	642.1	654.8	831.6	838.6	812.0	674.6	3.0	-16.9
% of revenues	41.1	39.2	37.1	37.0	32.9	31.0	32.5	32.8	32.9	33.4	33.3	36.0	36.4	343.0	36.2
Gross Profit	851.9	849.1	874.3	1090.6	1173.0	1174.8	1206.8	1318.5	1332.7	1661.7	1679.8	1442.6	1179.9	-11.5	-18.2
Gross Profit Margin (%)	58.9	60.8	62.9	63.0	67.1	69.0	67.5	67.2	67.1	66.6	66.7	64.0	63.6	-343.0	-36.2
Employee Expenses	150.6	156.5	173.1	183.9	193.2	233.6	215.1	220.8	224.0	244.6	256.8	246.4	232.1	3.6	-5.8
% of revenues	10.4	11.2	12.5	10.6	11.0	13.7	12.0	11.3	11.3	9.8	10.2	10.9	12.5	124.7	158.8
Other Expenses	210.8	198.7	256.7	206.7	238.7	250.0	275.5	245.7	290.6	319.9	318.6	349.5	326.8	12.4	-6.5
% of revenues	14.6	14.2	18.5	11.9	13.6	14.7	15.4	12.5	14.6	12.8	12.7	15.5	17.6	299.6	211.8
Total Expenditure	955.0	902.4	945.3	1030.4	1008.2	1010.2	1071.9	1108.6	1169.4	1396.1	1414.0	1407.8	1233.5	5.5	-12.4
% of revenues	66.1	64.6	68.0	59.5	57.6	59.4	59.9	56.5	58.8	56.0	56.1	62.4	66.5	767.3	406.8
EBITDA	490.6	493.9	444.5	700.1	741.1	691.2	716.3	852.1	818.1	1097.2	1104.4	846.7	621.0	-24.1	-26.7
EBITDA Margins (%)	33.9	35.4	32.0	40.5	42.4	40.6	40.1	43.5	41.2	44.0	43.9	37.6	33.5	-767.3	-406.8
Interest	3.8	1.6	0.4	0.2	0.2	0.3	0.2	0.3	0.2	0.2	0.1	0.1	0.2	-19.0	30.8
Depreciation	45.9	46.7	49.8	56.2	61.1	68.2	70.1	73.3	77.4	79.9	81.0	83.7	85.7	10.8	2.5
Other Income	47.0	41.7	76.7	17.3	13.6	19.3	23.5	36.0	19.1	16.6	52.4	88.4	80.1	319.0	-9.4
PBT before forex & EO	487.9	487.3	471.0	661.0	693.5	642.1	669.5	814.5	759.6	1033.7	1075.7	851.3	615.2	-19.0	-27.7
Total Tax	131.1	128.2	82.7	168.9	173.9	171.5	167.5	257.4	153.2	131.4	181.1	149.3	121.6	-20.6	-18.5
Tax rate (%)	26.9	26.3	17.6	25.6	25.1	26.7	25.0	31.6	20.2	12.7	16.8	17.5	19.8	-39.4	223.2
PAT	356.8	359.1	388.2	492.1	519.6	470.6	502.0	557.1	606.5	902.2	894.6	702.0	493.6	-18.6	-29.7
PAT Margin (%)	24.7	25.7	27.9	28.4	29.7	27.7	28.1	28.4	30.5	36.2	35.5	31.1	26.6		
EPS (₹)	13.4	13.5	14.6	18.5	19.6	17.7	18.9	21.0	22.8	34.0	33.7	26.4	18.6		

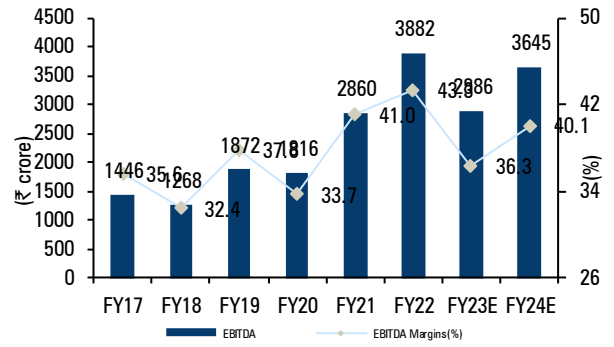
Source: ICICI Direct Research

Exhibit 6: Revenues to grow at CAGR of 0.8% over FY22-24E



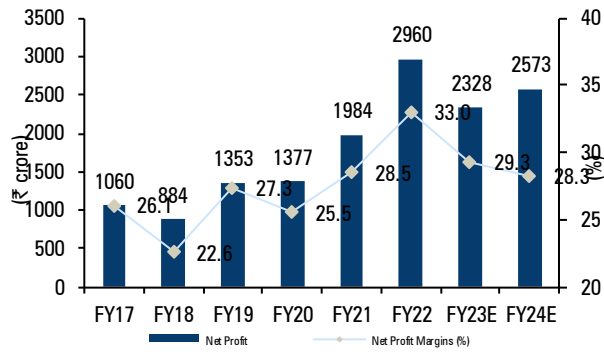
Source: ICICI Direct Research, Company

Exhibit 7: EBITDA & EBITDA margins trend



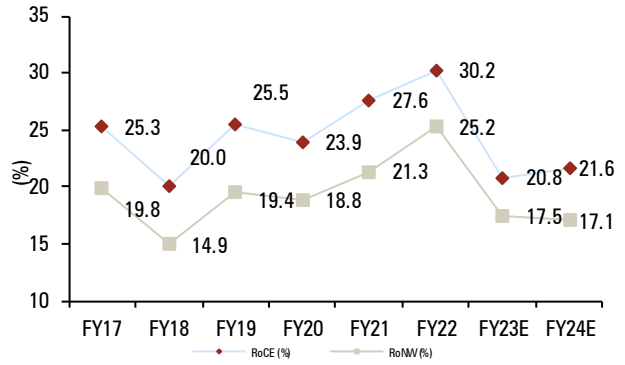
Source: ICICI Direct Research, Company

Exhibit 8: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 9: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 10: ICICI Direct Universe Coverage (Healthcare)

Company	I-Direct	CMP	TP	Rating	M Cap	EPS (₹)				PE(x)				RoCE (%)			RoE (%)				
	Code	(₹)	(₹)		(₹ cr)	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E
Hospitals																					
Apollo Hospitals	APOHOS	4370	5,080	Buy	62930	7.9	59.1	79.0	101.0	556.0	73.9	55.3	43.3	6.3	15.1	15.3	18.8	2.5	15.1	17.4	18.9
Narayana Hrudalaya	NARHRU	739	800	Buy	15076	-0.7	16.7	20.6	22.7	NA	44.2	35.9	32.6	1.2	20.5	19.6	19.7	-1.3	23.0	22.3	19.9
Shalby	SHALIM	144	150	Buy	1553	3.9	5.4	7.5	9.9	36.6	26.5	19.2	14.6	6.5	8.4	11.7	14.3	5.1	6.7	8.6	10.4
Aster DM	ASTDM	264	250	Buy	13220	3.0	10.5	10.8	16.7	89.4	25.1	24.5	15.9	5.4	9.0	9.4	12.5	4.4	13.3	12.0	15.6
Healthcare Global	HEAGLO	299	345	Buy	4155	-13.9	3.9	4.5	8.8	-13.9	77.3	65.7	33.8	-0.9	5.0	9.4	12.1	-0.9	5.0	6.8	11.6
MNC Pharma																					
Abbott India	ABBIND	19330	21,140	Hold	40593	325.0	375.9	427.7	528.6	59.5	51.4	45.2	36.6	33.8	36.6	37.1	37.3	26.5	28.3	28.9	28.8
P&G Health	MERLIM	4200	4,500	Hold	7140	106.5	116.0	124.8	140.6	39.4	36.2	33.7	29.9	32.2	39.8	36.0	33.8	25.1	31.2	28.1	26.2
Sanofi India	SANOFI	5620	6,385	Hold	12926	207.4	410.1	270.5	264.8	27.1	13.7	20.8	21.2	32.3	33.3	41.1	50.7	24.5	25.9	31.2	38.7
Pfizer	PFIZER	4477	4,480	Hold	20594	108.8	133.9	140.4	149.3	41.2	33.4	31.9	30.0	27.6	26.1	22.4	21.8	20.8	21.4	17.9	17.7
Pharma																					
Ajanta Pharma	AJAPHA	1247	1,495	Buy	15962	51.0	55.6	60.1	71.1	24.4	22.4	20.8	17.5	29.0	27.0	24.4	24.5	21.8	21.8	19.9	19.9
Alembic Pharma	ALEMPHA	627	590	Reduce	12348	62.8	27.8	15.3	26.9	10.0	22.6	41.0	23.3	25.1	10.6	6.5	10.5	24.1	10.4	5.6	9.1
Aurobindo Pharma	AURPHA	557	615	Hold	32655	55.0	47.4	41.1	51.3	10.1	11.8	13.6	10.9	16.9	12.9	11.5	13.3	14.7	11.3	9.0	10.1
Biocon	BIOCON	278	320	Hold	33388	6.3	5.7	5.5	11.3	44.4	48.8	51.0	24.5	7.7	7.5	4.1	6.5	9.9	8.1	2.8	5.5
Zydus Lifesciences	CADHEA	451	405	Hold	###	23.3	21.0	21.0	23.8	19.3	21.5	21.5	18.9	13.8	12.0	11.8	11.7	18.4	12.6	11.4	11.6
Cipla	CIPLA	1129	1,350	Buy	91147	29.9	32.9	38.6	45.8	37.8	34.3	29.3	24.6	16.3	16.7	17.9	19.0	13.1	12.7	13.3	14.1
Dr Reddy's Labs	DRREDD	4486	4,750	Buy	74463	117.3	126.9	203.4	191.0	38.3	35.3	22.0	23.5	13.1	13.0	19.1	18.1	11.1	11.0	15.4	13.0
Glenmark Pharma	GLEPHA	421	440	Hold	11879	32.9	42.7	39.5	44.9	12.8	9.9	10.7	9.4	13.9	14.8	14.7	14.4	13.1	13.2	11.0	11.2
Ipsca Laboratories	IPCLAB	906	985	Hold	23005	44.9	34.8	27.5	35.1	20.2	26.0	33.0	25.8	27.1	17.4	14.3	16.3	24.2	16.1	11.4	13.0
Jubilant Pharmova	JUBLIF	380	340	Hold	6042	37.4	26.0	15.9	26.1	10.2	14.6	23.9	14.5	13.7	9.0	6.1	8.6	12.6	7.8	4.6	7.0
Lupin	LUPIN	710	610	Reduce	32282	26.9	11.9	11.8	27.7	26.4	59.7	60.3	25.6	9.6	3.4	5.8	10.9	8.8	4.4	4.2	9.2
Natco Pharma	NATPHA	621	735	Hold	11364	24.2	9.3	41.6	42.3	25.7	66.7	14.9	14.7	13.1	4.6	18.1	16.9	10.7	4.0	15.5	13.9
Sun Pharma	SUNPHA	1030	1,225	Buy	247013	30.0	32.0	34.8	40.1	34.3	32.2	29.6	25.6	14.2	18.2	18.0	18.7	15.5	16.0	15.2	15.2
Torrent Pharma	TORPHA	1676	1,730	Hold	56649	37.0	32.0	40.0	46.7	45.3	52.3	41.9	35.9	17.6	19.7	19.1	21.4	21.4	18.2	19.8	19.7
Indoco Remedies	INDREM	361	525	Buy	3324	10.1	16.8	21.6	29.2	35.8	21.5	16.7	12.4	11.7	17.5	17.6	23.9	12.1	17.1	18.6	20.6
Caplin Point	CAPPOI	738	1,000	Buy	5609	81.7	85.3	70.4	73.0	9.0	8.6	10.5	10.1	25.3	23.7	22.6	0.0	20.4	20.2	18.7	17.5
Advanced Enzymes	ADVENZ	285	265	Reduce	3194	13.1	10.7	8.5	12.1	21.8	26.7	33.7	23.7	19.4	14.3	10.2	13.2	15.1	11.0	8.1	10.4
Hester Biosciences	HESPHA	1990	2,015	Reduce	1791	44.4	45.7	35.9	51.8	44.8	43.5	55.5	38.4	16.2	10.9	9.3	11.8	16.5	15.0	10.8	14.0
API/CRAMS																					
Divi's Lab	DIVLAB	3420	4,315	Buy	90630	74.7	111.5	93.0	113.5	45.8	30.7	36.8	30.1	27.6	30.2	22.8	24.4	21.3	25.2	18.4	19.2
Hikal	HIKCHE	347	290	Hold	4265	10.8	13.0	3.8	14.4	32.1	26.6	90.5	24.0	15.1	13.6	5.6	13.8	14.3	15.0	4.3	14.2
Syngene Int.	SYNINT	620	710	Buy	24870	10.1	9.9	11.5	14.6	61.3	62.9	53.8	42.6	11.5	11.7	12.8	15.2	13.5	12.9	12.4	13.7
Granules India	GRANUL	366	375	Buy	9077	22.2	16.6	21.9	26.8	16.5	22.0	16.7	13.7	24.0	15.6	18.6	20.5	25.3	16.0	17.6	17.9
Laurus Labs	LAULAB	461	675	Buy	24748	18.3	15.4	20.7	27.0	25.2	29.9	22.2	17.1	31.7	21.3	23.6	26.0	37.9	24.7	25.6	25.6
Suven Pharmaceutical	SUVPH	436	530	Hold	11118	14.2	17.8	17.0	17.6	30.6	24.5	25.7	24.7	31.2	37.5	28.7	25.0	30.7	29.7	23.0	20.0

Source: ICICI Direct Research

Financial Summary

Exhibit 11: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Revenues	6,969.4	8,959.8	7,942.0	9,100.3
Growth (%)	29.2	28.6	-11.4	14.6
Raw Material Expenses	2,324.1	2,967.1	2,835.6	3,094.1
Employee Expenses	825.8	946.2	900.1	1,001.0
Other Expenses	959.6	1,164.6	1,320.7	1,360.3
EBITDA	2,859.9	3,881.9	2,885.5	3,644.8
Growth (%)	57.5	35.7	-25.7	26.3
Depreciation	255.6	311.5	340.8	374.5
Interest	0.9	0.8	0.6	0.1
Other Income	62.6	113.9	334.0	115.7
PBT	2,666.0	3,683.5	2,878.1	3,385.9
Total Tax	681.8	723.1	549.9	812.6
Adjusted PAT	1,984.3	2,960.5	2,328.1	2,573.3
Growth (%)	44.2	49.2	-21.4	10.5
EPS (Adjusted)	74.7	111.5	87.7	96.9
Other Income as % of Investm€	3%	4%	6%	2%

Source: Company, ICICI Direct Research

Exhibit 12: Cash flow statement				
	₹ crore			
(Year-end March)/(₹ crore)	FY21	FY22	FY23E	FY24E
Profit/(Loss) after taxation	2,021.7	3,042.5	2,328.1	2,573.3
Add: Depreciation & Amortization	255.6	311.5	340.8	374.5
(Inc)/dec in Current Assets	-503.6	-1,484.4	774.9	-538.0
Inc/(dec) in CL and Provisions	239.5	114.0	12.6	123.0
Other Operating Activities	-66.3	-71.8	0.6	0.1
CF from operating activities	1,946.9	1,911.8	3,457.1	2,532.9
(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	-0.6	-0.1
CF from financing activities	-34.9	-532.4	-744.0	-796.5
Net Cash flow	2,033.4	662.9	2,251.3	1,179.4
Opening Cash	122.6	2156.0	2818.9	5070.2
Closing Cash	2,156.0	2,818.9	5,070.2	6,249.6
Free Cash Flow	1,036.9	1,198.6	2,957.1	1,932.9
FCF Yield %	1.1	1.3	3.3	2.1

Source: Company, ICICI Direct Research

Exhibit 13: 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	13,259.9	15,036.8
Total Shareholders funds	9,294.6	11,728.2	13,313.0	15,089.9
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 Provision	25.3	26.7	29.9	33.5
Total Liabilities	9,662.8	12,180.0	13,818.6	15,655.7
Assets				
Gross Block - Fixed Assets	4,691.9	5,624.3	6,074.3	6,674.3
Accumulated Depreciation	988.0	1,299.2	1,640.0	2,014.5
Net Block	3,703.9	4,325.1	4,434.2	4,659.7
Capital WIP	710.6	469.9	519.9	519.9
Total Fixed Assets	4,414.5	4,795.0	4,954.2	5,179.7
Investments	0.0	72.0	72.0	72.0
Inventory	2,145.2	2,828.6	2,703.2	2,949.7
Debtors	1,676.5	2,423.9	1,740.7	1,994.6
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	5,070.2	6,249.6
Total Current Assets	6,174.7	8,351.5	9,827.9	11,545.3
Creditors	763.2	795.7	760.4	829.7
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	1,207.3	1,330.3
Net Current Assets	5,063.4	7,156.8	8,620.5	10,215.0
Other Non CA & LT L & A	184.9	156.2	171.8	189.0
Application of Funds	9,662.8	12,180.0	13,818.6	15,655.7

Source: Company, ICICI Direct Research

Exhibit 14: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
Per share data (₹)				
Adjusted EPS	74.7	111.5	87.7	96.9
BV per share	350.1	441.8	501.5	568.4
Dividend per share	20.0	30.0	28.0	30.0
Cash Per Share	81.2	106.2	191.0	235.4
Operating Ratios (%)				
Gross margins	66.7	66.9	64.3	66.0
EBITDA margins	41.0	43.3	36.3	40.1
Net Profit margins	28.5	33.0	29.3	28.3
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	1.2	1.3
EBITDA conversion rate	68.1	49.2	119.8	69.5
Return Ratios (%)				
RoE	21.3	25.2	17.5	17.1
RoCE	27.6	30.2	20.8	21.6
RoIC	73.0	67.9	60.6	73.4
Valuation Ratios (x)				
P/E	45.8	30.7	39.0	35.3
EV / EBITDA	29.9	21.7	28.3	22.0
Price to Book Value	9.8	7.7	6.8	6.0
EV / Net Sales	12.3	9.4	10.3	8.8
Market Cap / Sales	13.0	10.1	11.4	10.0
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	3.9	4.0

Source: Company, ICICI Direct Research

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