

## Subdued performance; focus shifts to crop protection

**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 (39 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%

**Q2FY23 Results:** Subdued performance with results below estimates on all fronts.

- Revenue increased 14.6% YoY to ₹ 432 crore
- EBITDA margins increased 336 bps YoY to 22.1% but missed our expectation of 27%. EBITDA increased 35.2% YoY to ₹ 95.3 crore
- Adjusted PAT declined 12.7% YoY to ₹ 56.8 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 other complex products, 2) high risk-reward play in crop protection with possible new entrants and 3) stagnancy in domestic formulations, especially oncology (yet to finalise inorganic target)

**Target Price and Valuation:** Valued at ₹ 660 (base business at ₹ 556 with 12x P/E on FY24E EPS of ₹ 46.3 + ₹ 104 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 and crop protection with India, Brazil, Canada, China, crop protection 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 ₹ 1505

HOLD



Natco Pharma Limited

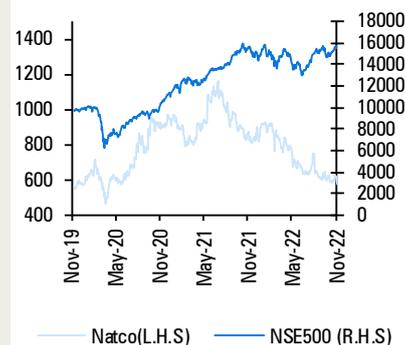
### Particulars

Particular	Amount
Market Capitalisation	₹ 10680 crore
Debt (FY22)	₹ 412 crore
Cash (FY22)	₹ 206 crore
EV	₹ 10885 crore
52 week H/L (₹)	942/563
Equity capital	₹ 36.5 crore
Face value	₹ 2

### Shareholding pattern

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

### Price Chart



### Recent Event & Key risks

- Launch of CTPR
- Key Risk:** (i) Competition in key products in the US and other export markets (ii) Better traction in crop protection and a value accretive domestic acquisition

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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	1915.0	2052.1	1944.8	-1.2	2623.8	3042.0	25.1
EBITDA	582.6	606.2	263.5	-17.4	949.5	1147.6	108.7
EBITDA Margins (%)	30.4	29.5	13.5		36.2	37.7	
Net Profit	460.8	440.9	170.0	-18.9	703.9	845.6	123.0
EPS (₹)	25.2	24.2	9.3		38.6	46.3	
PE (x)	23.2	24.2	62.8		15.2	12.6	
EV to EBITDA (x)	18.7	17.4	40.5		10.8	8.4	
RoNW (%)	12.2	10.7	4.0		14.6	15.2	
RoCE (%)	14.0	13.1	4.6		16.8	18.5	

## Key takeaways of recent quarter & conference call highlights

### Q2FY23 Results: Missed estimates on all fronts

- Revenue increased 14.6% YoY to ₹ 432 crore. EBITDA margins increased 336 bps YoY to 22.1% but missed our expectation of 27%. EBITDA increased 35.2% YoY to ₹ 95.3 crore. Adjusted PAT declined 12.7% YoY to ₹ 56.8 crore. Domestic formulations de-grew 9.5% YoY to ₹ 94 crore while export formulations jumped 48.8% YoY to ₹ 283 crore
- Numbers were below our expectations especially on the margins front due to lower-than-expected profit share for gRevlimid, which was launched in Q1. In domestic formulations, we believe the oncology franchisee is still far away from pre-Covid levels. Competitive scenario in the US generics and pricing pressure in the domestic oncology business has forced the company to explore the branded agrochem space, which is a long-drawn strategy

### Q2FY23 Earnings Conference Call highlights

- Profit share from gRevlimid was miniscule during the quarter. The management expects gRevlimid traction in Q4FY23 and Q1FY24
- EBITDA in Q2FY23 was entirely driven by the base business
- Subsidiaries - Brazil, Australia and Canada are performing well and together account for 40-50% of the profitability
- Launched Apixaban in Brazil and Canada
- Launched Pomalidomide in Australia. Natco is the only generics player in Australia besides Sandoz
- Natco is planning to globalise the export segment
- Target area for the US would be oncology, peptides and oligopeptides
- Domestic oncology was at ₹ 55 crore during the quarter. Few launches are expected in the coming months
- The management continues to seek a ₹ 100-150 crore turnover company for acquisition in the domestic space to fill up its portfolio gap
- The management expects CTPR traction in crop care to generate momentum in the coming quarters
- CTPR sales- 60-65% via third party and 35-40% via own brand
- The company is offering ~25% discount to the MRP
- It is hiring sales representatives for both Rabi and Kharif seasons
- Few competitors have entered the CTPR market with one confirmed launch
- Crop care inventory as of September 30, 2022 was ₹ 110 crore
- CTPR market size- ₹ 2000 crore for pure and ₹ 1000 crore for combinations
- Natco is targeting 10-20% of the combined market

**Exhibit 1: Variance Analysis**

	Q2FY23	12FY23E	Q2FY22	Q1FY23	YoY (%)	QoQ (%)	Comments
Revenue	432.1	492.2	377.2	884.6	14.6	-51.2	Revenue increased 14.6% YoY to ₹ 432 crore
Raw Material Expenses	105.8	86.1	92.5	147.7	14.4	-28.4	
Employee Expenses	110.3	136.5	109.2	151.9	1.0	-27.4	
Other Expenditure	120.7	136.7	105.0	189.7	15.0	-36.4	
Total Operating Expenditure	336.8	359.4	306.7	489.3	9.8	-31.2	
EBITDA	95.3	132.8	70.5	395.3	35.2	-75.9	
EBITDA (%)	22.1	27.0	18.7	44.7	336 bps	-2263 bps	EBITDA margins increased 336 bps YoY to 22.1% but missed our expectation of 27%, EBITDA increased 35.2% YoY to ₹ 95.3
Interest	3.8	4.2	4.0	4.2	-5.0	-9.5	
Depreciation	41.7	39.6	34.7	39.6	20.2	5.3	
Other Income	20.5	24.4	38.0	34.3	-46.1	-40.2	
EO	0.0	0.0	0.0	0.0	0.0	0.0	
PBT	70.3	113.4	69.8	385.8	0.7	-81.8	
Tax	13.5	27.2	4.7	65.4	187.2	-79.4	
PAT before MI	56.8	86.2	65.1	320.4	-12.7	-82.3	
MI	0.0	0.0	0.0	0.0	0.0	0.0	
Adj.Net Profit	56.8	86.2	65.1	320.4	-12.7	-82.3	Adjusted PAT declined 12.7% YoY to ₹ 56.8 crore
<b>Key Metrics</b>							
Domestic formulations	93.5	101.8	103.3	89.5	-9.5	4.5	YoY decline amid high Covid contribution in base of Q1FY22
Export Formulations	283.4	329.1	190.5	736.9	48.8	-61.5	YoY increase due to gains from gRevlimid
APIs	44.1	57.2	76.3	50.8	-42.2	-13.2	

Source: Company, ICICI Direct Research

**Exhibit 2: Change in estimates**

	FY23E			FY24E			Comments
	Old	New	% Change	Old	New	% Change	
(₹ Crore)							
Revenue	2,655.2	2,582.6	-2.7	2,792.9	2,759.3	-1.2	
EBITDA	1,001.7	919.7	-8.2	1,046.8	1,050.3	0.3	
EBITDA Margin (%)	37.7	35.6	-212 bps	37.5	38.1	58 bps	Changed FY23 due to contribution from gRevlimid and FY24 due to expectation of tapering down of gRevlimid contribution
PAT	748.1	679.8	-9.1	763.0	760.9	-0.3	
EPS (₹)	41.0	37.2	-9.1	41.8	41.7	-0.3	

Source: ICICI Direct Research

**Exhibit 3: Assumptions**

	Current				Earlier			Comments
	FY20	FY21	FY22	FY23E	FY24E	FY23E	FY24E	
APIs	355.2	512.2	248.2	238.1	266.7	251.2	281.4	Reduced mainly due to lower-than-expected sales in Q1FY23
Domestic formulations	540.8	414.4	486.8	409.4	446.8	410.9	449.2	
Exports formulations	932.6	1,077.1	1,184.1	1,925.4	2,038.0	1,971.9	2,038.9	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	24.2	17.4	10.7	13.1
FY22	1945	-5.2	9.3	-61.4	62.8	40.5	4.0	4.6
FY23E	2624	34.9	38.6	314.1	15.2	10.8	14.6	16.8
FY24E	3042	15.9	46.3	20.1	12.6	8.4	15.2	18.5

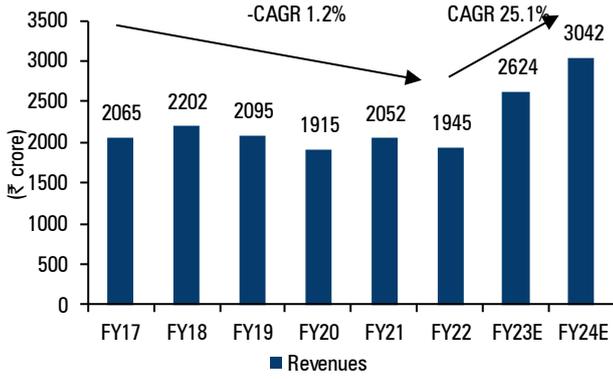
Source: ICICI Direct Research

Exhibit 5: Trends in Quarterly Performance

₹ Crore	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	YoY (%)	QoQ (%)
Revenues	485.7	482.2	454.8	563.4	802.2	361.1	331.3	410.3	377.2	560.5	596.8	884.6	432.1	14.6	-51.2
Raw Material Expe	119.2	91.5	94.9	178.9	194.9	83.1	54.5	79.1	92.5	93.0	296.3	147.7	105.8	14.4	-28.4
% of Revenues	24.5	19.0	20.9	31.8	24.3	23.0	16.5	19.3	24.5	16.6	49.6	16.7	24.5	-4 bps	779 bps
Gross Profit	366.5	390.7	359.9	384.5	607.3	278.0	276.8	331.2	284.7	467.5	300.5	736.9	326.3	14.6	-55.7
Gross Profit Margin	75.5	81.0	79.1	68.2	75.7	77.0	83.5	80.7	75.5	83.4	50.4	83.3	75.5	4 bps	-779 bps
Employee Expense:	102.4	97.8	81.6	95.2	123.7	101.4	94.6	108.1	109.2	118.2	109.3	151.9	110.3	1.0	-27.4
% of Revenues	21.1	20.3	17.9	16.9	15.4	28.1	28.6	26.3	29.0	21.1	18.3	17.2	25.5	-342 bps	835 bps
Other Expenses	129.8	164.2	150.0	118.2	207.2	88.2	106.0	113.3	105.0	247.5	209.8	189.7	120.7	15.0	-36.4
% of Revenues	26.7	34.1	33.0	21.0	25.8	24.4	32.0	27.6	27.8	44.2	35.2	21.4	27.9	10 bps	649 bps
Total Expenditure	351.4	353.5	326.5	392.3	525.8	272.7	255.1	300.5	306.7	458.7	615.4	489.3	336.8	9.8	-31.2
% of Revenues	72.3	73.3	71.8	69.6	65.5	75.5	77.0	73.2	81.3	81.8	103.1	55.3	77.9	-336 bps	2263 bps
EBITDA	134.3	128.7	128.3	171.1	276.4	88.4	76.2	109.8	70.5	101.8	-18.6	395.3	95.3	35.2	-75.9
EBITDA Margins(%)	27.7	26.7	28.2	30.4	34.5	24.5	23.0	26.8	18.7	18.2	-3.1	44.7	22.1	336 bps	-2263 bps
Depreciation	21.9	25.4	30.5	28.0	28.7	29.8	30.4	33.8	34.7	36.0	38.1	39.6	41.7	20.2	5.3
Interest	6.2	5.3	3.5	3.7	2.7	3.4	3.5	2.0	4.0	5.0	6.7	4.2	3.8	-5.0	-9.5
Other income	33.2	30.8	22.4	18.7	25.7	30.8	28.4	17.0	38.0	30.2	13.8	34.3	20.5	-46.1	-40.2
Less: Exceptional It	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	139.4	128.8	116.7	158.1	270.7	86.0	70.7	91.0	69.8	91.0	-49.6	385.8	70.3	0.7	-81.8
Total Tax	21.7	24.4	23.5	36.0	66.8	16.7	17.7	16.0	4.7	10.6	0.9	65.4	13.5	187.2	-79.4
Tax rate (%)	15.6	18.9	20.1	22.8	24.7	19.4	25.0	17.6	6.7	11.6	-1.8	17.0	19.2		
PAT	117.7	104.4	93.2	122.1	203.9	69.3	53.0	75.0	65.1	80.4	-50.5	320.4	56.8	-12.7	-82.3
PAT Margin (%)	24.2	21.7	20.5	21.7	25.4	19.2	16.0	18.3	17.3	14.3	-8.5	36.2	13.1	-411 bps	-2307 bps
Minority Interest	-1.3	-0.1	-0.9	-0.7	1.5	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
PAT after MI	119.0	104.5	94.1	122.8	202.4	68.6	53.0	75.0	65.1	80.4	-50.5	320.4	56.8	-12.7	-82.3
EPS (₹)	6.5	5.7	5.2	6.7	11.1	3.8	2.9	4.1	3.6	4.4	-2.8	17.6	3.1		
Adj PAT	119.0	104.5	94.1	122.8	202.4	68.6	53.0	75.0	65.1	80.4	-50.5	320.4	56.8	-12.7	-82.3

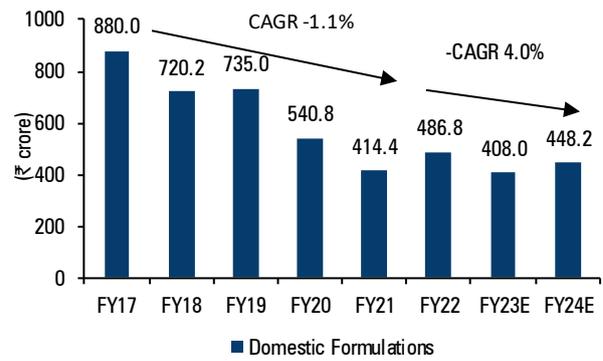
Source: ICICI Direct Research

Exhibit 6: Revenue to grow at ~25.1% CAGR in FY22-24E



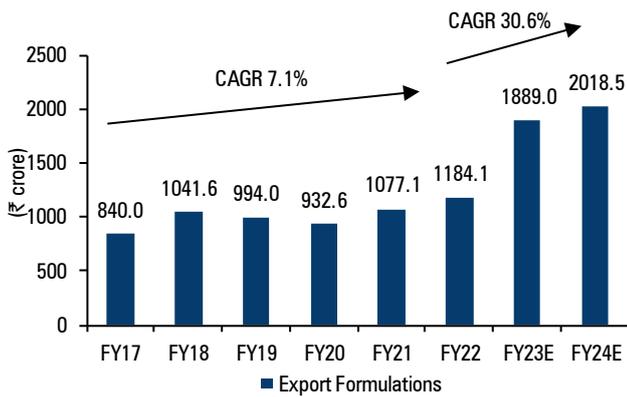
Source: ICICI Direct Research, Company

Exhibit 7: Domestic to decline at 4% CAGR over FY22-24E



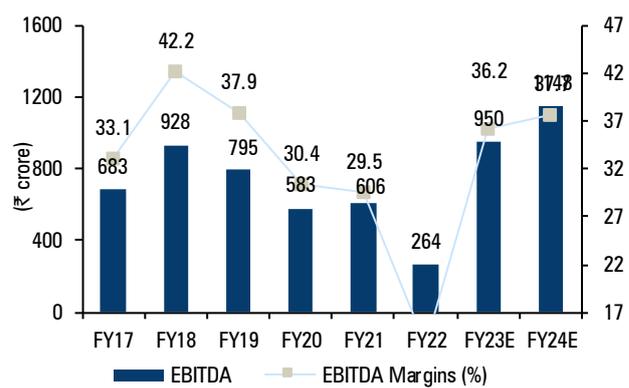
Source: ICICI Direct Research, Company

Exhibit 8: Exports to grow at CAGR of 30.6% over FY22-24E



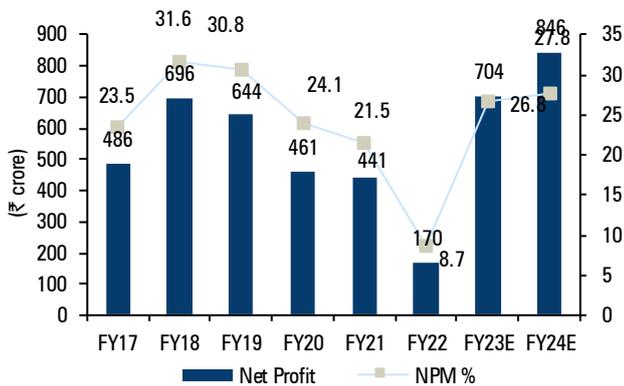
Source: ICICI Direct Research, Company

Exhibit 9: EBITDA & EBITDA margins trend



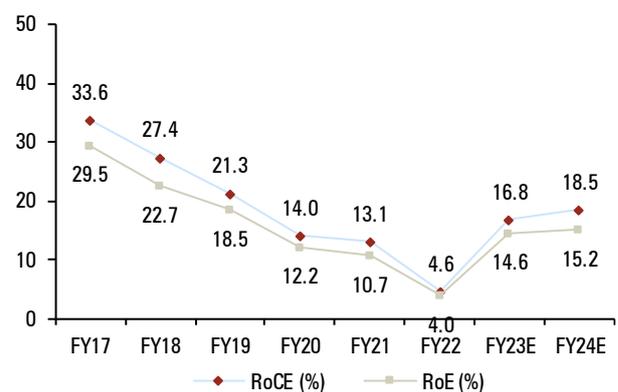
Source: ICICI Direct Research, Company

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	4551	5,230	Buy	65540	7.9	59.1	79.0	101.0	579.0	77.0	57.6	45.1	6.3	15.1	15.3	18.8	2.5	15.1	17.4	18.9
Narayana Hrudalaya	NARHRU	749	855	Buy	15285	-0.7	16.7	20.6	22.7	NA	44.8	36.4	33.0	1.2	20.5	19.6	19.7	-1.3	23.0	22.3	19.9
Shalby	SHALIM	147	150	Buy	1591	3.9	5.4	7.5	9.9	37.5	27.2	19.7	14.9	6.5	8.4	11.7	14.3	5.1	6.7	8.6	10.4
Aster DM	ASTDM	226	250	Buy	11320	3.0	10.5	10.8	16.7	76.5	21.5	21.0	13.6	5.4	9.0	9.4	12.5	4.4	13.3	12.0	15.6
Healthcare Global	HEAGLO	302	380	Buy	4194	-13.9	3.9	4.5	8.8	-13.9	78.1	66.3	34.2	-0.9	5.0	9.4	12.1	-0.9	5.0	6.8	11.6
<b>MNC Pharma</b>																					
Abbott India	ABBIND	19551	21,140	Hold	41057	325.0	375.9	427.7	528.6	60.1	52.0	45.7	37.0	33.8	36.6	37.1	37.3	26.5	28.3	28.9	28.8
P&G Health	MERLIM	4300	4,500	Hold	7310	106.5	116.0	124.8	140.6	40.4	37.1	34.5	30.6	32.2	39.8	36.0	33.8	25.1	31.2	28.1	26.2
Sanofi India	SANOFI	5572	6,385	Hold	12815	207.4	410.1	270.5	264.8	26.9	13.6	20.6	21.0	32.3	33.3	41.1	50.7	24.5	25.9	31.2	38.7
Pfizer	PFIZER	4530	4,480	Hold	20836	108.8	133.9	140.4	149.3	41.6	33.8	32.3	30.3	27.6	26.1	22.4	21.8	20.8	21.4	17.9	17.7
<b>Pharma</b>																					
Ajanta Pharma	AJAPHA	1279	1,505	Buy	16375	51.0	55.6	60.1	71.1	25.1	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	646	625	Reduce	12728	62.8	27.8	15.3	26.9	10.3	23.3	42.3	24.0	25.1	10.6	6.5	10.5	24.1	10.4	5.6	9.1
Aurobindo Pharma	AURPHA	483	540	Hold	28313	55.0	47.4	41.1	51.3	8.8	10.2	11.8	9.4	16.9	12.9	11.5	13.3	14.7	11.3	9.0	10.1
Biocon	BIOCON	285	290	Hold	34235	6.3	5.7	5.5	11.3	45.5	50.0	52.3	25.1	7.7	7.5	4.1	6.5	9.9	8.1	2.8	5.5
Zydus Lifesciences	CADHEA	416	480	Hold	41941	23.3	21.0	21.0	23.8	17.8	19.8	19.8	17.5	13.8	12.0	11.8	11.7	18.4	12.6	11.4	11.6
Cipla	CIPLA	1123	1,350	Buy	90634	29.9	32.9	38.6	45.8	37.6	34.1	29.1	24.5	16.3	16.7	17.9	19.0	13.1	12.7	13.3	14.1
Dr Reddy's Labs	DRREDD	4497	4,750	Buy	74644	117.3	126.9	203.4	191.0	38.3	35.4	22.1	23.5	13.1	13.0	19.1	18.1	11.1	11.0	15.4	13.0
Glenmark Pharma	GLEPHA	431	440	Hold	12144	32.9	42.7	39.5	44.9	13.1	10.1	10.9	9.6	13.9	14.8	14.7	14.4	13.1	13.2	11.0	11.2
Ipca Laboratories	IPCLAB	864	925	Hold	21951	44.9	34.8	27.5	35.1	19.2	24.8	31.5	24.6	27.1	17.4	14.3	16.3	24.2	16.1	11.4	13.0
Jubilant Pharmova	JUBLIF	398	340	Hold	6330	37.4	26.0	15.9	26.1	10.7	15.3	25.1	15.2	13.7	9.0	6.1	8.6	12.6	7.8	4.6	7.0
Lupin	LUPIN	742	680	Reduce	33775	26.9	11.9	11.8	27.7	27.6	62.5	63.1	26.8	9.6	3.4	5.8	10.9	8.8	4.4	4.2	9.2
Natco Pharma	NATPHA	586	680	Hold	10732	24.2	9.3	41.6	42.3	24.3	63.0	14.1	13.9	13.1	4.6	18.1	16.9	10.7	4.0	15.5	13.9
Sun Pharma	SUNPHA	1014	1,225	Buy	243343	30.0	32.0	34.8	40.1	33.8	31.7	29.1	25.3	14.2	18.2	18.0	18.7	15.5	16.0	15.2	15.2
Torrent Pharma	TORPHA	1624	1,730	Hold	54898	37.0	32.0	40.0	46.7	43.9	50.7	40.6	34.8	17.6	19.7	19.1	21.4	21.4	18.2	19.8	19.7
Indoco Remedies	INDREM	354	465	Buy	3256	10.1	16.8	21.6	29.2	35.0	21.1	16.4	12.1	11.7	17.5	17.6	23.9	12.1	17.1	18.6	20.6
Caplin Point	CAPPOI	754	955	Buy	5729	81.7	85.3	70.4	73.0	9.2	8.8	10.7	10.3	25.3	23.7	22.6	0.0	20.4	20.2	18.7	17.5
Advanced Enzymes	ADVENZ	278	265	Reduce	3109	13.1	10.7	8.5	12.1	21.2	26.0	32.8	23.0	19.4	14.3	10.2	13.2	15.1	11.0	8.1	10.4
Hester Biosciences	HESPHA	2000	2,070	HOLD	1754	44.4	45.7	35.9	51.8	43.9	42.6	54.3	37.7	16.2	10.9	9.3	11.8	16.5	15.0	10.8	14.0
<b>API/CRAMS</b>																					
Divi's Lab	DIVLAB	3279	3,685	HOLD	86891	74.7	111.5	93.0	113.5	43.9	29.4	35.2	28.9	27.6	30.2	22.8	24.4	21.3	25.2	18.4	19.2
Hikal	HIKCHE	332	330	Reduce	4084	10.8	13.0	3.8	14.4	30.7	25.5	86.7	23.0	15.1	13.6	5.6	13.8	14.3	15.0	4.3	14.2
Syngene Int.	SYNINT	613	710	Buy	24573	10.1	9.9	11.5	14.6	60.5	62.2	53.1	42.1	11.5	11.7	12.8	15.2	13.5	12.9	12.4	13.7
Granules India	GRANUL	366	375	Buy	9073	22.2	16.6	21.9	26.8	16.5	22.0	16.7	13.6	24.0	15.6	18.6	20.5	25.3	16.0	17.6	17.9
Laurus Labs	LAULAB	466	675	Buy	25005	18.3	15.4	20.7	27.0	25.4	30.2	22.5	17.3	31.7	21.3	23.6	26.0	37.9	24.7	25.6	25.6
Suven Pharmaceutical	SUVPH	444	530	BUY	11327	14.2	17.8	17.0	17.6	31.2	24.9	26.1	25.2	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>2,623.8</b>	<b>3,042.0</b>
Growth (%)	7.2	-5.2	34.9	15.9
Raw Material Expenses	511.4	560.9	509.5	582.4
Employee Expenses	414.9	444.8	529.3	544.6
Other expenses	519.6	675.6	635.5	767.5
Total Operating Expenditure	1,445.9	1,681.3	1,674.3	1,894.4
<b>EBITDA</b>	<b>606.2</b>	<b>263.5</b>	<b>949.5</b>	<b>1,147.6</b>
Growth(%)	4.1	-56.5	260.3	20.9
Depreciation	116.9	142.6	164.7	171.0
Interest	13.3	17.7	15.6	15.6
Other Income	103.6	99.0	116.8	151.7
PBT	579.6	202.2	886.0	1,112.6
Total Tax	137.2	32.2	182.1	267.0
PAT before MI	442.4	170.0	703.9	845.6
Minority Interest	1.5	0.0	0.0	0.0
<b>Adjusted PAT</b>	<b>440.9</b>	<b>170.0</b>	<b>703.9</b>	<b>845.6</b>
Growth(%)	-4.3	-61.4	314.1	20.1
<b>EPS (Adjusted)</b>	<b>24.2</b>	<b>9.3</b>	<b>38.6</b>	<b>46.3</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	703.9	845.6
Add: Depreciation	116.9	142.6	164.7	171.0
(Inc)/dec in Current Assets	-122.5	-223.1	-157.9	-234.2
Inc/(dec) in CL and Provisions	-90.4	-8.3	-3.3	33.5
Others	-54.8	-18.7	15.6	15.6
<b>CF from operating activities</b>	<b>298.8</b>	<b>46.5</b>	<b>723.1</b>	<b>831.5</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	-15.6	-15.6
<b>CF from financing activities</b>	<b>-185.7</b>	<b>34.8</b>	<b>-152.5</b>	<b>-125.1</b>
Net Cash flow	217.5	-77.4	448.1	584.1
Opening Cash	66.0	283.5	206.1	654.2
<b>Closing Cash</b>	<b>283.5</b>	<b>206.1</b>	<b>654.2</b>	<b>1,238.3</b>
<b>Free Cash Flow</b>	<b>91.6</b>	<b>-142.3</b>	<b>598.1</b>	<b>706.5</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	4,794.1	5,530.2
Total Shareholders funds	4,121.6	4,263.6	4,830.6	5,566.7
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>5,372.2</b>	<b>6,111.0</b>
Gross Block - Fixed Assets	2,702.1	3,082.6	3,257.6	3,382.6
Accumulated Depreciation	678.9	821.5	986.2	1,157.2
Net Block	2,023.2	2,261.1	2,271.4	2,225.4
Capital WIP	223.4	129.5	79.5	79.5
Total Fixed Assets	2,246.6	2,390.6	2,350.9	2,304.9
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	692.2	791.2
Debtors	412.9	620.6	848.3	983.5
Cash	283.5	206.1	654.2	1,238.3
Other Current Assets	698.4	704.8	704.8	704.8
Total Current Assets	2,193.0	2,293.5	2,899.5	3,717.8
Creditors	146.2	161.8	147.0	168.0
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	303.1	336.7
Net Current Assets	1,934.1	1,987.1	2,596.3	3,381.1
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>5,372.2</b>	<b>6,111.0</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	38.6	46.3
BV per share	225.8	233.5	264.6	304.9
Dividend per share	5.3	4.5	7.5	6.0
Cash Per Share	15.5	11.3	35.8	67.8
<b>Operating Ratios (%)</b>				
Gross Profit Margins	75.1	71.2	80.6	80.9
EBITDA Margins	29.5	13.5	36.2	37.7
PAT Margins	21.5	8.7	26.8	27.8
Inventory days	569.7	495.9	495.9	495.9
Debtor days	73.4	116.5	118.0	118.0
Creditor days	104.3	105.3	105.3	105.3
Asset Turnover	0.8	0.6	0.8	0.9
EBITDA Conversion Rate	49.3	17.6	76.2	72.5
<b>Return Ratios (%)</b>				
RoE	10.7	4.0	14.6	15.2
RoCE	13.1	4.6	16.8	18.5
RoIC	12.6	2.8	17.7	21.3
<b>Valuation Ratios (x)</b>				
P/E	24.2	62.8	15.2	12.6
EV / EBITDA	17.4	40.5	10.8	8.4
EV / Net Sales	5.1	5.5	3.9	3.2
Market Cap / Sales	5.2	5.5	4.1	3.5
Price to Book Value	2.6	2.5	2.2	1.9
<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	7.4	7.4
Working Capital Cycle	538.8	507.0	508.6	508.6

Source: Company, ICICI Direct Research

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