

CMP: ₹ 283

Target: ₹ 355 (25%)

Target Period: 12 months

January 28, 2023

BUY



## High paracetamol sales drive growth; margins stable...

**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 Q3FY23: Formulations – 46%, API (API+PFI) – 54%
- Top five products (Paracetamol, Ibuprofen, Metformin, Methocarbamol, Guaifenesin) contributed 81% to FY22 revenues

**Q3FY23 Results:** Growth mainly driven by high paracetamol API sales in US market.

- Sales were up 14.9% YoY to ₹ 1145.6 crore
- EBITDA margins grew 271 bps YoY to 20.1%. EBITDA grew 32.8% YoY to ₹ 230.8 crore
- Adjusted PAT grew 22.7% YoY to ₹ 124 crore

**What should investors do?** Granules' share price has grown at 35% CAGR over the past three years.

- 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 FY25E earnings

**Target Price and Valuation:** Valued at ₹ 355 i.e. 12x FY25E EPS of ₹ 29.5.

**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 Caplin Point Laboratories.

- Caplin derives 90% of revenues from Emerging Markets (LatAm + RoW) where it has an end-to-end business model through last mile logistical solutions for its exclusive distributors.
- BUY with a target price of ₹ 955.

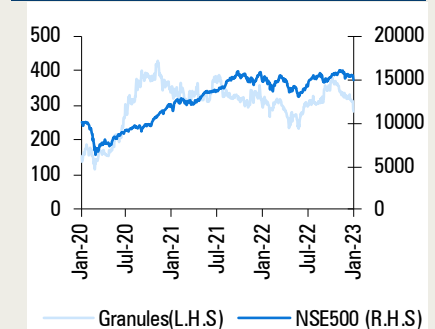
### Particulars

Particular	Amount
Market Capitalisation	₹ 7018 crore
Debt (FY22)	₹ 1106 crore
Cash (FY22)	₹ 409 crore
EV	₹ 7715 crore
52 week H/L	362/227
Equity capital	₹ 24.2 crore
Face value	₹ 1

### Shareholding pattern

(in %)	Mar-22	Jun-22	Sep-22	Dec-22
Promoter	42.0	42.0	42.0	42.0
Others	58.0	58.0	58.0	58.0

### Price Chart



### Recent Event & Key risks

- Tie up with Greenko for green molecule solution.
- Key Risk:** (i) Lower ramp-up in core molecules (ii) Continued challenges in KSM and logistics.

### Research Analyst

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### Key Financial Summary

Key Financials (₹ Crore)	FY21	FY22	FY23E	5 year CAGR (FY17-22)	FY24E	FY25E	2 year CAGR (FY23E-25E)
Revenues	3237.5	3764.9	4489.3	21.7	5136.7	5797.4	13.6
EBITDA	853.6	722.2	929.2	28.0	1039.2	1230.8	15.1
EBITDA Margins (%)	26.4	19.2	20.7		20.2	21.2	
Net Profit	549.5	412.8	530.2	32.6	595.5	731.1	17.4
EPS (Adjusted)	22.2	16.6	21.4		24.0	29.5	
PE (x)	12.8	17.0	13.2		11.8	9.6	
EV to EBITDA (x)	8.9	10.7	8.3		7.1	5.6	
RoCE (%)	24.0	15.6	20.0		20.5	21.9	
RoE (%)	25.3	16.0	18.7		17.6	17.9	

Source: Company, ICICI Direct Research

## Key takeaways of recent quarter & conference call highlights

### Q3FY23 Earnings Summary: Robust sales from API pushes performance northwards...

- Revenues grew 14.9% YoY to ₹ 1145.6 crore, driven by YoY growth of 31% in API, which was at ₹ 411 crore. Formulations showed an up move of 14% YoY ₹ 552 crore. PFI de grew 6% YoY ₹ 213 crore. EBITDA grew 33% YoY to ₹ 213 crore whereas margins expanded 271 bps YoY to 20.1%. Higher sales of API and lower FD sales in the US, impacted by 3PL partner transition impacted margins. PAT grew 22.7% YoY to ₹ 124 crore during the quarter
- Granules numbers were more or less in line with expectations but skewed towards APIs on the back of higher than expected Paracetamol sales in the US. Its segment wise contribution was 46% from FD, 35% from API and 19% from PFI during the quarter. The share of Paracetamol in the molecule mix improved from 43% to 49% in Q3FY23 on a YoY basis followed by Metformin, Ibuprofen, Guaifenesin, which contributed 21.2%, 8.9%, 3.9% respectively. The revenue from regulated market came at 73% of total revenues during the quarter. Overall 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

### Q3FY23 Earnings Conference Call highlights:

#### Business performance:

- The overall growth is primarily attributed to increased efforts across geographies, mainly US
- Other regions suffered a marginal slowdown due to a change of the retail partner, which impacted its FD sales from GPI in the US despite having orders in hand
- The company faced logistical issues during the period, which caused deferral of a certain amount of sales in the US
- The management has guided for double digit growth in Paracetamol for the next few years
- Value addition during Q3FY23 was down 1.3% YoY, primarily on account of higher sales of low margin APIs and lower FD sales, which is a high margin business. Sales were overall impacted by the 3PL partner transition
- The company intends to mitigate price erosion challenges in its markets by geography expansion and product mix rationalisation

#### Capex:

- It has deployed funds of about ₹ 50 crore in the new expansion plan with green initiatives in Kakinada and ₹ 42.5 crore for land parcel in Visakhapatnam
- R&D spending will be in the range of ₹ 35 crore to ₹ 40 crore in each quarter, going forward
- It spent ₹ 280 crore to ₹ 290 crore on MUPS block
- It has proposed to set up additional capacities for its products Paracetamol & Metformin to meet more than 50% of the global requirement

#### Other highlights:

- The company has made an arrangement with Greenko for certain chemicals at fixed price contracts with a tenure of about 10 years
- It plans to use greener chemicals for two products, paracetamol and metformin to begin with and then slowly expand into other products, which it has started working on
- It intends to manufacture 90% of raw materials in-house at a single site and reduce its dependency on outsourcing unless it is green chemicals
- The management mentioned that it is facing less supply challenges of PAP lately, and are running at full capacity
- The company has received approval for uncontrolled substances whose sales are expected to commence shortly. It also expects more approvals in Q4FY23. This is expected to increase its share in new products

**Exhibit 1: Variance Analysis**

	Q3FY23	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	Comments
Revenue	1,145.6	1,108.4	996.8	14.9	1,150.7	-0.4	YoY growth mainly driven by higher Paracetamol sales in the US, increased market shares and new launches
Raw Material Expenses	591.8	548.6	531.9	11.2	578.5	2.3	
Gross margins (%)	48.3	50.5	46.6	171 bps	49.7	-138 bps	
Employee Expenses	119.2	113.4	105.3	13.1	117.7	1.2	
Other Expenditure	203.9	210.6	185.8	9.8	211.6	-3.6	
Total Operating Expenditure	914.8	872.6	823.0	11.2	907.8	0.8	
EBITDA	230.8	235.8	173.7	32.8	242.9	-5.0	
EBITDA (%)	20.1	21.3	17.4	271 bps	21.1	-97 bps	EBITDA margins have recovering (up 36 bps QoQ) on account of higher sales and company reduced R&D expense to 2.1 % of revenue vis-à-vis 3.1% in Q1FY23
Interest	17.0	13.2	4.6	269.5	13.2	28.4	
Depreciation	48.4	44.1	39.2	23.3	44.1	9.8	
Other income	0.9	4.6	4.9	-80.7	4.8	-80.4	
PBT before EO	166.4	183.1	134.8	23.4	190.4	-12.6	
Less: Exceptional Items	0.0	0.0	0.0	0.0	0.0	0.0	
PBT	166.4	183.1	134.8	23.4	190.4	-12.6	
Tax	42.6	43.6	33.9	25.6	45.3	-6.0	
MI & Share of loss/ (gain) asso.	0.0	0.0	0.0	0.0	0.0	0.0	
Adj. Net Profit	123.8	139.5	100.9	22.7	145.1	-14.7	Impacted due to high paracetamol sales in US
<b>Key Metrics</b>							
API	410.6	281.7	313.0	31.2	330.3	24.3	
PFI	213.0	244.1	226.0	-5.8	234.9	-9.3	
Formulations	522.0	582.6	458.0	14.0	585.6	-10.9	

Source: Company, ICICI Direct Research

**Exhibit 2: Change in estimates**

(₹ Crore)	FY23E			FY24E			Comments
	Old	New	Change	Old	New	Change	
Revenue	4,362.3	4,489.3	2.9	4,953.3	5,136.7	3.7	Guidance for Higher paracetamol sales.
EBITDA	863.2	929.2	7.7	1,053.1	1,039.2	-1.3	Formulations, which is high margin business came in below expectations
EBITDA Margin (%)	19.8	20.7	91 bps	22.2	20.2	-197 bps	
PAT	489.3	530.2	8.4	613.2	595.5	-2.9	
EPS (₹)	19.7	21.4	8.4	24.7	24.0	-2.9	Delta vis-à-vis EBITDA

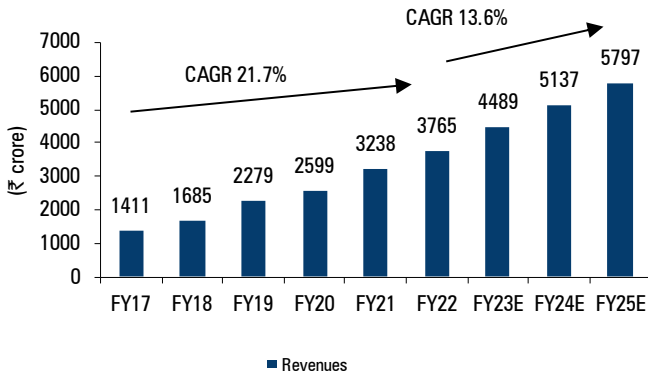
Source: ICICI Direct Research

**Exhibit 3: Assumptions**

(₹ crore)	Current			Earlier				
	FY20	FY21	FY22	FY23E	FY24E	FY23E	FY24E	
API	817.0	912.6	975.0	1,260.0	1,386.0	1,088.4	1,219.0	Guidance for Higher Paracetamol Sales
PFI	421.4	626.6	845.6	954.3	1,068.9	1,020.1	1,142.6	
Formulations	1,360.1	1,698.8	1,944.5	2,275.1	2,681.9	2,253.7	2,591.7	

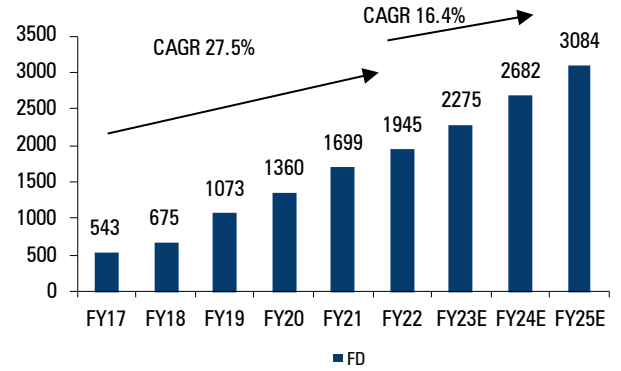
Source: ICICI Direct Research

Exhibit 4: Revenues to grow at 13.6% CAGR in FY23E-25E



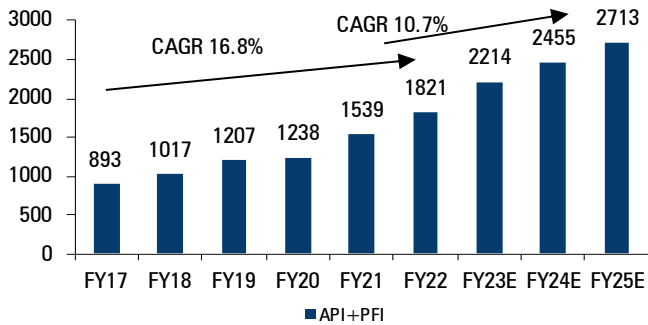
Source: ICICI Direct Research, Company

Exhibit 5: Formulations to grow at 16.4% CAGR FY23E-25E



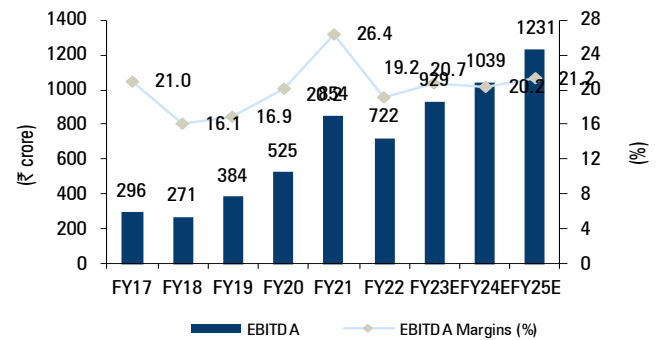
Source: ICICI Direct Research, Company

Exhibit 6: API+PFI to grow at 10.7% CAGR over FY23E-25E



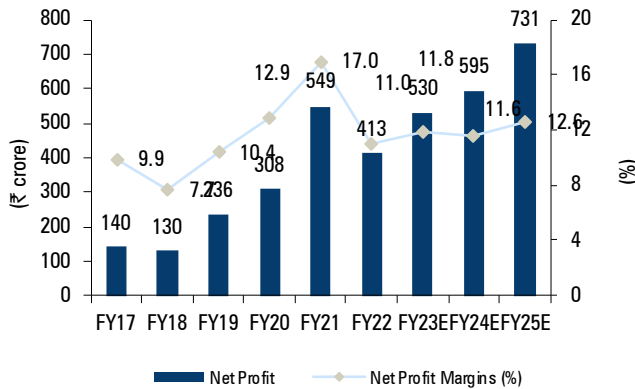
Source: ICICI Direct Research, Company

Exhibit 7: EBITDA & EBITDA margins trend



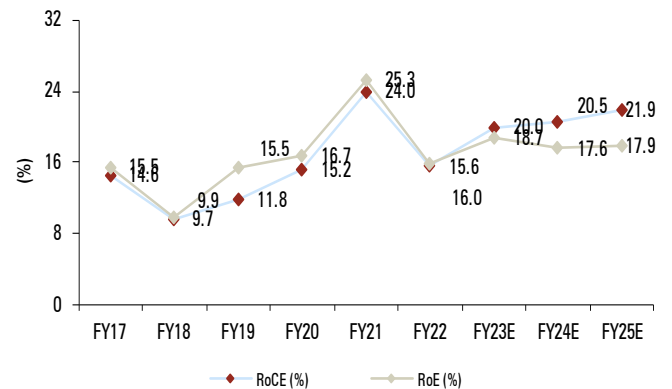
Source: ICICI Direct Research, Company

Exhibit 8: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 9: RoE & RoCE trend



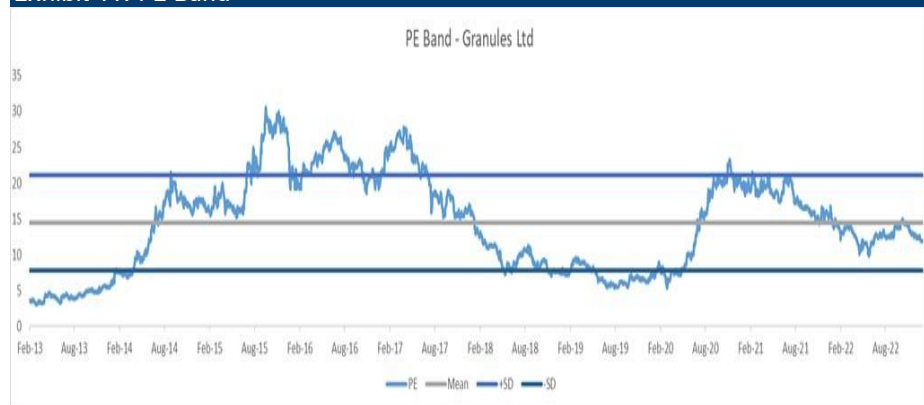
Source: ICICI Direct Research, Company

Exhibit 10: Trends in Quarterly Performance

(₹ crore)	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	YoY (%)	QoQ (%)
Net Sales	704.0	599.9	735.6	858.1	844.5	799.3	849.8	888.3	996.8	1030.0	1019.6	1150.7	1145.6	14.9	-0.4
Raw Material Exper	347.1	279.0	297.6	361.1	391.0	341.6	389.1	436.6	531.9	526.0	513.5	578.5	591.8	11.2	2.3
% of Revenue	49.3	46.5	40.5	42.1	46.3	42.7	45.8	49.1	53.4	51.1	50.4	50.3	51.7	-171 bps	138 bps
Gross Profit	356.9	320.8	438.0	497.0	453.5	457.8	460.8	451.7	464.8	503.9	506.0	572.2	553.9	19.1	-3.2
Gross Profit Margin	50.7	53.5	59.5	57.9	53.7	57.3	54.2	50.9	46.6	48.9	49.6	49.7	48.3	171 bps	-138 bps
Employee Expenses	64.8	73.8	83.7	79.7	83.1	99.9	95.4	92.5	105.3	108.2	108.7	117.7	119.2	13.1	1.2
% of Revenue	9.2	12.3	11.4	9.3	9.8	12.5	11.2	10.4	10.6	10.5	10.7	10.2	10.4	-16 bps	17 bps
Other Expenditure	129.0	147.1	170.8	160.9	158.9	155.9	164.0	208.0	185.8	203.1	185.8	211.6	203.9	9.8	-3.6
% of Revenue	18.3	24.5	23.2	18.7	18.8	19.5	19.3	23.4	18.6	19.7	18.2	18.4	17.8	-84 bps	-59 bps
Total Expenditure	540.8	499.9	552.0	601.7	633.0	597.3	648.4	737.2	823.0	837.3	808.1	907.8	914.8	11.2	0.8
% of Revenue	76.8	83.3	75.0	70.1	74.9	74.7	76.3	83.0	82.6	81.3	79.3	78.9	79.9	-271 bps	97 bps
EBITDA	163.2	99.9	183.6	256.4	211.6	202.0	201.4	151.2	173.7	192.7	211.5	242.9	230.8	32.8	-5.0
EBITDA Margin (%)	23.2	16.7	25.0	29.9	25.1	25.3	23.7	17.0	17.4	18.7	20.7	21.1	20.1	271 bps	-97 bps
Depreciation	39.0	39.0	34.1	36.1	36.8	44.5	39.4	39.8	39.2	40.2	43.4	44.1	48.4	23.3	9.8
Interest	6.7	6.6	6.0	6.3	7.2	6.8	6.8	5.5	4.6	6.4	6.9	13.2	17.0	269.5	28.4
Other Income	3.5	82.3	5.6	3.2	16.4	3.3	7.6	4.4	4.9	4.0	4.7	4.8	0.9	-80.7	-80.4
Less: Exceptional It	32.0	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	88.9	136.7	149.2	217.3	183.9	154.0	162.9	110.2	134.8	150.1	165.9	190.4	166.4	23.4	-12.6
Total Tax	24.9	44.4	37.7	53.7	37.1	26.4	42.7	29.6	33.9	39.1	38.3	45.3	42.6	25.6	-6.0
Tax rate (%)	28.0	32.5	25.3	24.7	20.2	17.2	26.2	26.8	25.2	26.1	23.1	23.8	25.6	44 bps	180 bps
PAT before MI	64.0	92.3	111.5	163.6	146.8	127.6	120.2	80.7	100.9	111.0	127.6	145.1	123.8	22.7	-14.7
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	96.1	92.3	111.5	163.6	146.8	127.6	120.2	80.7	100.9	111.0	127.6	145.1	123.8	22.7	-14.7
PAT Margin (%)	13.6	15.4	15.2	19.1	17.4	16.0	14.1	9.1	10.1	10.8	12.5	12.6	10.8	68 bps	-180 bps
EPS (₹)	3.9	3.7	4.5	6.6	5.9	5.1	4.8	3.3	4.1	4.5	5.1	5.9	5.0		

Source: ICICI Direct Research

Exhibit 11: PE Band



Source: ICICI Direct Research

Exhibit 12: ICICI Direct Coverage Universe (Healthcare)

Company	I-Direct	CMP	TP	Rating	M Cap	EPS (₹)				EV/EBITDA(x)				RoCE (%)			RoE (%)				
	Code	(₹)	(₹)		(₹ cr)	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E
<b>Hospitals</b>																					
Apollo Hospitals	APOHOS	4261	5,230	Buy	61265	7.8	59.1	67.8	85.2	57.7	29.8	29.3	24.6	6.3	15.1	14.7	16.7	6.3	15.1	14.7	16.7
Narayana Hrudalaya	NARHRU	720	855	Buy	14714	-0.7	16.7	27.9	25.6	86.0	23.8	18.1	16.4	1.2	20.5	23.6	19.0	-1.3	23.0	28.0	20.6
Shalby	SHALIM	142	180	Buy	1534	3.9	5.4	7.9	11.1	17.6	13.3	9.4	7.2	6.5	8.4	12.9	15.8	5.1	6.7	9.1	11.5
Aster DM	ASTDM	213	300	Buy	10664	3.0	10.5	8.1	18.5	16.0	11.5	10.6	7.2	5.4	9.0	9.1	14.0	4.4	13.3	9.3	17.5
Healthcare Global	HEAGLO	284	370	Buy	3952	-13.9	3.9	4.0	8.4	39.4	20.1	14.9	12.0	-0.9	5.0	9.3	12.3	-0.9	5.0	6.0	11.1
<b>MNC Pharma</b>																					
Abbott India	ABBIND	21279	21,725	Hold	45232	325.0	375.9	452.0	543.1	65.5	56.6	47.1	39.2	33.8	36.6	38.6	37.5	26.5	28.3	30.1	29.0
P&G Health	MERLIM	4056	5,235	Buy	6735	106.5	116.0	150.0	163.6	38.1	35.0	27.0	24.8	32.2	39.8	42.5	38.0	25.1	31.2	32.0	28.5
Sanofi India	SANOFI	5599	6,385	Hold	12895	207.4	410.1	265.9	255.5	27.0	13.7	21.1	21.9	32.3	33.3	40.9	50.2	24.5	25.9	30.8	38.1
Pfizer	PFIZER	4004	4,505	Hold	18302	108.8	133.9	151.4	150.2	36.8	29.9	26.5	26.7	27.6	26.1	25.0	23.7	20.8	21.4	18.8	18.1
<b>Pharma</b>																					
Ajanta Pharma	AJAPHA	1170	1,505	Buy	14993	51.1	55.7	55.9	68.4	22.9	21.0	20.9	17.1	29.0	27.0	23.4	24.4	21.8	21.8	18.8	19.5
Alembic Pharma	ALEMPHA	539	625	Hold	10605	62.6	27.7	14.6	21.0	8.6	19.5	36.8	25.7	25.1	10.6	6.3	8.6	24.1	10.4	5.3	7.3
Aurobindo Pharma	AURPHA	418	540	Hold	24495	55.0	47.4	34.7	44.8	7.6	8.8	12.0	9.3	16.9	12.9	9.6	11.9	14.7	11.3	7.7	9.1
Biocon	BIOCON	235	290	Hold	28250	6.3	5.7	3.0	4.8	37.5	41.3	78.1	48.5	7.7	7.5	3.8	6.1	9.9	8.1	1.5	2.4
Zydus Lifesciences	CADHEA	433	480	Hold	43864	23.3	21.0	21.1	25.3	18.5	20.6	20.5	17.1	13.8	12.0	11.7	12.2	18.4	12.6	11.4	12.2
Cipla	CIPLA	1052	1,290	Buy	84894	29.8	32.9	39.9	49.6	35.3	32.0	26.4	21.2	17.0	16.3	18.6	20.5	13.1	12.7	13.8	15.2
Dr Reddy's Labs	DRREDD	4321	5,210	Buy	71957	117.6	127.2	226.6	205.5	36.8	34.0	19.1	21.0	13.1	13.0	21.9	19.8	11.1	11.0	16.8	13.6
Glenmark Pharma	GLEPHA	383	440	Hold	10808	32.9	42.7	36.4	50.0	11.7	9.0	10.5	7.7	13.9	14.8	16.0	16.0	13.1	13.2	10.2	12.4
Ipca Laboratories	IPCLAB	848	925	Hold	21514	44.9	34.8	24.5	35.7	18.9	24.3	34.6	23.8	27.1	17.4	13.3	16.5	24.2	16.1	10.3	13.3
Jubilant Pharmova	JUBLIF	341	395	Hold	5439	37.4	26.0	22.5	32.8	9.1	13.1	15.1	10.4	13.7	9.0	7.8	9.7	12.6	7.8	6.4	8.6
Lupin	LUPIN	743	680	Hold	33797	26.9	11.9	9.1	26.4	27.7	62.6	81.3	28.2	9.6	3.4	5.9	11.3	8.8	4.4	3.3	8.8
Natco Pharma	NATPHA	538	660	Hold	9819	24.2	9.3	38.6	46.3	22.3	57.8	14.0	11.6	13.1	4.6	16.8	18.5	10.7	4.0	14.6	15.2
Sun Pharma	SUNPHA	1040	1,225	Buy	249513	30.1	32.0	34.3	40.9	34.6	32.5	30.3	25.4	14.2	18.2	17.4	19.0	15.5	16.0	15.0	15.5
Torrent Pharma	TORPHA	1538	1,722	Hold	52045	37.0	32.0	37.6	45.6	41.6	48.0	40.9	33.7	17.6	19.7	18.3	21.1	21.4	18.2	18.8	19.4
Indoco Remedies	INDREM	338	440	Buy	3119	10.1	16.8	17.9	26.7	33.5	20.1	18.8	12.6	11.7	17.5	15.6	21.9	12.1	17.1	15.9	19.8
Caplin Point	CAPPOI	687	955	Buy	5128	81.7	85.3	79.0	74.8	8.4	8.1	8.7	9.2	25.3	24.2	23.4	0.0	20.4	20.2	20.2	18.2
Advanced Enzymes	ADVENZ	273	265	Reduce	3053	13.1	10.7	9.6	13.3	20.9	25.5	28.6	20.5	19.4	14.3	10.9	14.0	15.1	11.0	9.0	11.3
Hester Biosciences	HESPHA	1752	2,280	Hold	1488	44.4	45.7	37.8	58.6	39.5	38.3	46.4	29.9	16.2	10.9	9.5	12.7	16.5	15.0	11.3	15.4
<b>API/CRAMS</b>																					
Divi's Lab	DIVLAB	3386	3,685	Hold	89876	74.7	111.5	87.7	96.9	45.3	30.4	38.6	34.9	27.6	30.2	21.1	21.8	21.3	25.2	17.7	17.2
Hikal	HIKCHE	358	330	Hold	4414	10.8	13.0	6.8	16.6	33.2	27.5	52.8	21.6	15.1	13.6	7.8	14.9	14.3	15.0	7.4	15.6
Syngene Int.	SYNINT	565	610	Hold	22681	10.1	9.9	11.6	14.3	55.8	57.2	48.7	39.4	11.5	11.7	12.9	15.1	13.5	12.9	12.5	13.5
Granules India	GRANUL	283	355	Buy	7082	22.2	16.6	22.7	27.2	12.8	17.0	12.5	10.4	24.0	15.6	20.5	21.7	25.3	16.0	19.7	19.3
Laurus Labs	LAULAB	342	630	Buy	18408	18.3	15.4	17.0	23.3	18.7	22.2	20.1	14.7	31.7	21.3	20.8	24.3	37.9	24.7	21.9	23.6
Suven Pharmaceuticals	SUVPH	490	530	Buy	12467	14.2	17.8	14.7	17.7	34.4	27.5	33.2	27.7	31.2	37.5	26.0	25.6	30.7	29.7	20.6	20.5

Source: ICICI Direct Research

## Financial Summary

Exhibit 13: Profit and loss statement					
	₹ crore				
(Year-end March)	FY21	FY22	FY23E	FY24E	FY25E
Total Operating Income	3,237.5	3,764.9	4,489.3	5,136.7	5,797.4
Growth (%)	24.6	16.3	19.2	14.4	12.9
Raw Material Expenses	1,391.3	1,883.6	2,282.3	2,568.4	2,840.7
Gross Profit	1,846.3	1,881.3	2,207.1	2,568.4	2,956.7
Gross Profit Margins (%)	57.0	50.0	49.2	50.0	51.0
Employee Expenses	346.3	401.4	467.6	553.2	624.3
Other Expenditure	646.4	757.7	810.2	976.0	1,101.5
Total Operating Expenditure	2,384.0	3,042.7	3,560.1	4,097.5	4,566.6
<b>EBITDA</b>	<b>853.6</b>	<b>722.2</b>	<b>929.2</b>	<b>1,039.2</b>	<b>1,230.8</b>
Growth (%)	62.5	-15.4	28.7	11.8	18.4
Interest	26.3	23.2	54.1	53.8	39.7
Depreciation	151.5	158.6	184.2	210.8	237.5
Other Income	28.5	17.6	11.4	25.7	29.0
<b>PBT before Exceptional Items</b>	<b>704.4</b>	<b>558.0</b>	<b>702.3</b>	<b>800.3</b>	<b>982.6</b>
Less: Exceptional Items	0.0	0.0	0.0	0.0	0.0
PBT after Exceptional Items	704.4	558.0	702.3	800.3	982.6
Total Tax	154.9	145.2	172.2	204.8	251.5
PAT before MI	549.5	412.8	530.2	595.5	731.1
<b>PAT</b>	<b>549.5</b>	<b>412.8</b>	<b>530.2</b>	<b>595.5</b>	<b>731.1</b>
Growth (%)	77.3	-24.9	28.4	12.3	22.8
<b>EPS (Adjusted)</b>	<b>22.2</b>	<b>16.6</b>	<b>21.4</b>	<b>24.0</b>	<b>29.5</b>

Source: Company, ICICI Direct Research

Exhibit 14: Cash flow statement					
	₹ crore				
(Year-end March)	FY21	FY22	FY23E	FY24E	FY25E
Profit/(Loss) after taxation	513.0	412.9	530.2	595.5	731.1
Add: Depreciation & Amortization	151.5	158.6	184.2	210.8	237.5
Net Increase in Current Assets	-427.8	-331.2	-297.5	-159.4	-282.0
Net Increase in Current Liabilities	152.8	74.0	137.9	99.8	95.2
Others	43.0	17.7	54.1	53.8	39.7
<b>CF from Operating activities:</b>	<b>432.5</b>	<b>332.1</b>	<b>608.8</b>	<b>800.5</b>	<b>821.6</b>
(Purchase)/Sale of Fixed Assets	-161.2	-396.7	-300.0	-300.0	-300.0
Investments	-131.4	4.5	0.0	0.0	0.0
Others	146.5	8.6	-1.0	-1.0	0.0
<b>CF from Investing activities</b>	<b>-146.0</b>	<b>-383.6</b>	<b>-301.0</b>	<b>-301.0</b>	<b>-301.0</b>
(inc)/Dec in Loan	-75.3	247.6	-190.0	-190.0	-190.0
Dividend & Dividend tax	-24.7	-37.2	-37.2	-37.2	-37.2
Other	-199.3	-20.5	-304.1	-53.8	0.0
CF from Financing activities	-299.3	190.0	-531.3	-281.0	-266.9
<b>Net Cash Flow</b>	<b>-12.9</b>	<b>138.4</b>	<b>-223.4</b>	<b>218.5</b>	<b>253.7</b>
Cash and Cash Equivalent	283.9	271.1	409.5	186.0	404.5
<b>Cash</b>	<b>271.1</b>	<b>409.5</b>	<b>186.0</b>	<b>404.5</b>	<b>658.2</b>
<b>Free Cash Flow</b>	<b>271.3</b>	<b>-64.7</b>	<b>308.8</b>	<b>500.5</b>	<b>521.6</b>

Source: Company, ICICI Direct Research

Exhibit 15: Balance Sheet					
	₹ crore				
(Year-end March)	FY21	FY22	FY23E	FY24E	FY25E
Equity Capital	24.8	24.8	24.2	24.2	24.2
Reserve and Surplus	2,148.5	2,561.7	2,805.3	3,363.6	4,057.5
Total Shareholders funds	2,173.3	2,586.5	2,829.5	3,387.8	4,081.7
Minority Interest	0.0	0.6	0.6	0.6	0.6
Total Debt	849.2	1,106.3	916.3	726.3	536.3
Net Deferred Tax Liability	0.3	12.5	12.8	13.0	13.3
Long-Term Provisions	0.0	0.0	0.0	0.0	0.0
Other Non Current Liabilities	24.8	28.3	28.9	29.5	30.0
<b>Source of Funds</b>	<b>3,047.6</b>	<b>3,734.3</b>	<b>3,788.1</b>	<b>4,157.1</b>	<b>4,661.9</b>
Gross Block - Fixed Assets	2,145.1	2,461.8	2,761.8	3,161.8	3,561.8
Accumulated Depreciation	813.2	920.6	1,104.8	1,315.6	1,553.1
Net Block	1,332.0	1,541.2	1,657.0	1,846.2	2,008.7
Capital WIP	239.1	356.2	356.2	256.2	156.2
Fixed Assets	1,571.1	1,897.4	2,013.2	2,102.4	2,164.9
Investments	19.0	19.7	19.7	19.7	19.7
Other non-Current Assets	125.6	89.5	91.3	93.1	94.9
Inventory	782.2	978.6	1,094.2	1,090.7	1,206.3
Debtors	765.4	925.0	1,102.9	1,262.0	1,424.3
Other Current Assets	178.4	192.0	195.9	199.8	203.8
Cash	271.1	409.5	186.0	404.5	658.2
Total Current Assets	1,997.0	2,505.0	2,579.0	2,957.0	3,492.6
Creditors	541.1	638.6	773.8	870.8	963.1
Provisions	6.8	22.8	23.3	23.8	24.2
Other Current Liabilities	117.2	115.8	118.1	120.5	122.9
Total Current Liabilities	665.0	777.3	915.2	1,015.0	1,110.2
Net Current Assets	1,332.0	1,727.7	1,663.9	1,942.0	2,382.4
<b>Application of Funds</b>	<b>3,047.6</b>	<b>3,734.2</b>	<b>3,788.0</b>	<b>4,157.1</b>	<b>4,661.9</b>

Source: Company, ICICI Direct Research

Exhibit 16: Key ratios					
(Year-end March)	FY21	FY22	FY23E	FY24E	FY25E
<b>Per share data (₹)</b>					
Reported EPS	22.2	16.6	21.4	24.0	29.5
Cash EPS	26.8	21.5	27.3	31.0	37.6
BV per share	87.6	104.3	114.1	136.6	164.6
Cash per Share	10.9	16.5	7.5	16.3	26.5
Dividend per share	1.5	1.5	1.5	1.5	1.5
<b>Operating Ratios (%)</b>					
Gross Profit Margins	57.0	50.0	49.2	50.0	51.0
EBITDA margins	26.4	19.2	20.7	20.2	21.2
PAT Margins	17.0	11.0	11.8	11.6	12.6
Cash Conversion Cycle	149.6	155.5	140.9	120.9	120.9
Asset Turnover	1.5	1.5	1.6	1.6	1.6
EBITDA conversion Rate	50.7	46.0	65.5	77.0	66.8
<b>Return Ratios (%)</b>					
RoE	25.3	16.0	18.7	17.6	17.9
RoCE	24.0	15.6	20.0	20.5	21.9
RoIC	27.7	19.0	23.0	23.7	25.8
<b>Valuation Ratios (x)</b>					
P/E	12.8	17.0	13.2	11.8	9.6
EV / EBITDA	8.9	10.7	8.3	7.1	5.6
EV / Net Sales	2.3	2.0	1.7	1.4	1.2
Market Cap / Sales	2.2	1.9	1.6	1.4	1.2
Price to Book Value	3.2	2.7	2.5	2.1	1.7
<b>Solvency Ratios</b>					
Debt / EBITDA	1.0	1.5	1.0	0.7	0.4
Debt / Equity	0.4	0.4	0.3	0.2	0.1
Current Ratio	2.6	2.7	2.6	2.5	2.6

Source: Company, ICICI Direct Research

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