

## Sequential recovery but margins still below par...

**About the stock:** Advanced Enzyme Technologies (AET) is a focused, research driven Indian enzymes company with a product basket of 400+ proprietary products developed from 68 indigenous enzymes and probiotics.

- The business is divided into three segments - 1) human healthcare, 2) animal healthcare and 3) industrial processing business
- It has nine manufacturing and seven R&D facilities, which consist of three integrated fermentations, recovery & formulation facilities, one extraction and recovery facility and one satellite blending, mixing & formulation facility

### Q2FY23 Results: Beat on sales but margins miss.

- Revenues grew 14.1% QoQ to ₹ 139 crore
- EBITDA grew 28.2% YoY to ₹ 40 crore while EBITDA margins improved 307 bps to 28.6%
- Net profit increased 45.8% QoQ to ₹ 26.1 crore

**What should investors do?** AET's share price has grown by ~1.6x over the past three years (from ~₹ 169 in November 2019 to ~₹ 273 levels in November 2022).

- We upgrade the stock from REDUCE to **HOLD** with a neutral stance as we wait for 1) consistency in core businesses 2) improvement in margin profile

**Target Price and Valuation:** We value AET at ₹ 300 i.e. 22x FY24E EPS of ₹ 13.6.

### Key triggers for future price performance:

- Easing of input cost inflation, logistical challenges and demand for enzymes and probiotics in key geographies
- Introducing more products (20 in the pipeline) in the domestic and international markets along with expansion of sales and marketing team in the US, MENA and Asian market
- Developments in global enzymes landscape that is estimated at ~US\$10 billion and poised to grow as more applications across usage industries incorporate enzymatic technologies
- Going ahead, AET plans to augment its R&D capability that bodes well in the long run in its quest to improve scalability & foray into complex enzymes

**Alternate Stock Idea:** Apart from AET, in our 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



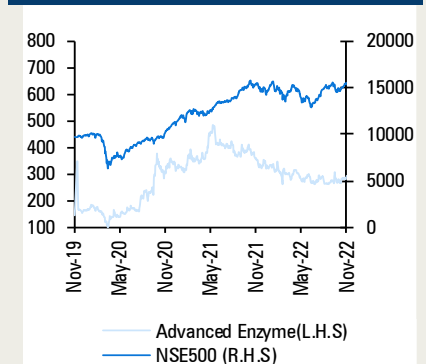
### Particulars

Particular	Amount
Market Capitalisation	₹ 3041 crore
Debt (FY22)	₹ 29 crore
Cash (FY22)	₹ 274 crore
EV	₹ 2797 crore
52 week H/L	430/257
Equity capital	₹ 22 crore
Face value	₹ 2 crore

### Shareholding pattern

(in %)	Dec-21	Mar-22	Jun-22	Sep-22
Promoter	52.7	52.7	52.7	49.9
Others	47.3	47.3	47.3	50.1

### Price Chart



### Recent Event & Key risks

- Strategic partnership with Symrise Cosmetic Ingredients
- Key Risk:** (i) Higher reliance on large customers (ii) Better than expected improvement in demand

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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)
Net Sales	444.0	501.8	529.4	9.8	541.7	603.1	6.7
EBITDA	202.3	231.5	201.4	6.0	162.2	225.3	5.8
EBITDA Margins (%)	45.6	46.1	38.0		29.9	37.4	
Adj. Profit	129.3	146.2	119.6	5.7	105.6	151.6	12.6
Adj. EPS (₹)	11.6	13.1	10.7		9.4	13.6	
PE (x)	23.5	20.8	25.4		28.8	20.1	
RoE (%)	15.4	15.1	11.0		8.9	11.5	
RoCE (%)	19.6	19.4	14.3		10.8	14.2	

## Key takeaways of recent quarter & conference call highlights

### Q2FY23 Results: Strong sales with margins miss

- Revenues grew 14.1% QoQ to ₹ 139 crore (9.1% YoY). EBITDA grew 28.2% YoY to ₹ 40 crore (down 19.5% YoY) while EBITDA margins improved 307 bps QoQ to 28.6%(down 1018 bps YoY). Net profit increased 45.8% QoQ to ₹ 26.1 crore (down 12.3% YoY)
- Strong sequential recovery and beat on our estimates on the back of good human HC traction. However, margins are still below expectations and below the normalised range of 38-42%, which we expect it to reach in the next few quarters. Historically, strong margins and healthy return ratios is testament to the pricing power and balance sheet strength of the company. Going ahead, the business environment is likely to improve from H2FY23. The management intends to augment its R&D capability for better facilitation and strengthening of in-house R&D capability in its quest to improve scalability and a possible foray into more complex enzymes and launch more products in the target market of probiotics

### Q2FY23 Earnings Conference Call highlights

- The company witnessed continued challenges on logistics and input cost
- Raw material inflation along with higher logistic cost is likely to ease in the coming quarters. EBITDA margins declined YoY due to higher raw material cost and higher other expenses comprising higher consulting/legal charges, promotional activities, fuel cost and expense due to annual increments
- Evoxx revenue was at ₹ 4.8 crore, with EBITDA of ₹ 4 crore. Revenues from JC Biotech revenue were at ₹ 13.7 crore with EBITDA of ₹ 4.0 crore, PAT of ₹ 50 lakh during this quarter. Revenues from Scitech were ₹ 8.4 crore with loss of ₹ 85 lakh
- AET's largest selling product, anti-inflammatory enzyme sales in Q2FY23 were at ₹ 35.2 crore
- Top 10 customers of AET contributed 28% in Q2FY23
- B2C segment contributed US\$1.1 million in Q2FY23
- R&D expense at ₹ 7.2 crore (6% of sales) in Q2FY23. R&D will be ramped up gradually and be around 5-7% of sales
- The management has indicated that promotional expenses will continue to go up as the market opens up in quarters ahead

**Exhibit 1: Variance Analysis**

	Q2FY23	Q2FY23E	Q2FY22	Q1FY23	YoY (%)	QoQ (%)	Comments
Revenue	138.7	125.1	127.1	121.1	9.1	14.5	Revenues grew 9.1% YoY to ₹ 139 crore
Raw Material Expenses	33.6	27.8	24.6	27.2	36.4	23.6	
Employee Expenses	27.7	26.3	25.7	28.1	7.8	-1.5	
Other Expenditure	37.7	33.1	27.5	34.9	37.3	8.1	
EBITDA	39.7	37.8	49.3	30.9	-19.5	28.2	
EBITDA (%)	28.6	30.3	38.8	25.5	-1018 bps	307 bps	EBITDA de-grew 19.5% YoY to ₹ 40 crore while EBITDA margins declined 1018 bps to 28.6%
Interest	0.6	0.6	0.3	0.6	77.1	3.1	
Depreciation	8.8	9.4	8.6	8.6	2.4	1.9	
Other Income	3.7	1.5	0.9	2.0	308.2	84.1	
PBT before EO & Forex	33.9	29.4	41.2	23.7	-17.7	43.2	
Forex & EO	0.0	0.0	0.0	0.0			
PBT	33.9	29.4	41.2	23.7	-17.7	43.2	
Tax	7.8	7.3	11.0	6.1	-28.8	27.8	
PAT before MI	26.1	22.0	30.3	17.6	-13.7	48.5	
MI	0.1	0.8	0.6	-0.3	-90.7	-118.2	
Net Profit	26.1	21.3	29.7	17.9	-12.3	45.8	Net profit declined 12.3% to ₹26.1 crore
<b>Key Metrics</b>							
Human HC	93.9	81.0	92.0	80.7	2.1	16.4	YoY decline due to Probiotics and bio-catalysis division
Animal HC	17.2	15.6	13.6	15.6	26.5	10.3	
Industrial Processing	19.3	18.3	11.8	18.3	63.6	5.5	Food business de-grew 14% YoY to ₹ 14.7 crore, non food categories grew 13% YoY to ₹ 3.7 crore
Specialised Manu. (SSPL)	8.3	10.2	9.7	6.5	-14.4	27.7	

Source: Company, ICICI Direct Research

**Exhibit 2: Change in estimates**

	FY23E			FY24E			Comments
	Old	New	% Change	Old	New	% Change	
(₹ Crore)							
Revenue	520.8	534.4	2.6	579.9	594.6	2.5	Declined mainly due to management guidance for continued challenging environment and lower-than-expected sales in Q1
EBITDA	162.1	164.0	1.1	216.6	221.9	2.5	Changed mainly due to rise in input cost and operational expenditure
EBITDA Margin (%)	31.1	30.7	-45 bps	37.4	37.3	-3 bps	
PAT	94.7	106.8	12.8	134.7	148.8	10.4	Changed mainly in sync with EBITDA
EPS (₹)	8.5	9.6	12.8	12.1	13.3	10.4	

Source: ICICI Direct Research

**Exhibit 3: Assumptions**

	Current				Earlier			Comments
	FY20	FY21	FY22	FY23E	FY24E	FY23E	FY24E	
(₹ crore)								
Human HC	322.5	376.7	359.5	352.6	387.9	371.6	416.2	Declined mainly due to management guidance for challenging environment and lower-than-expected sales in Q1
Animal HC	53.6	47.6	56.1	64.6	72.4	64.5	72.2	
Industrial Processi	64.2	69.8	66.9	76.5	85.7	79.1	88.6	
Specialised Manu. (SSPL)			46.9	40.7	48.7	52.5	60.4	

Source: ICICI Direct Research

**Exhibit 4: Financial Summary**

	Revenues	Growth	Adj. EPS	Growth	P/E	EV/EBITDA	RoNW	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY21	502	13.0	13.1	13.1	20.8	11.8	15.1	19.4
FY22	529	5.5	10.7	-18.2	25.4	13.4	11.0	14.3
FY23E	542	2.3	9.4	-11.7	28.8	16.0	8.9	10.8
FY24E	603	11.3	13.6	43.6	20.1	10.9	11.5	14.2

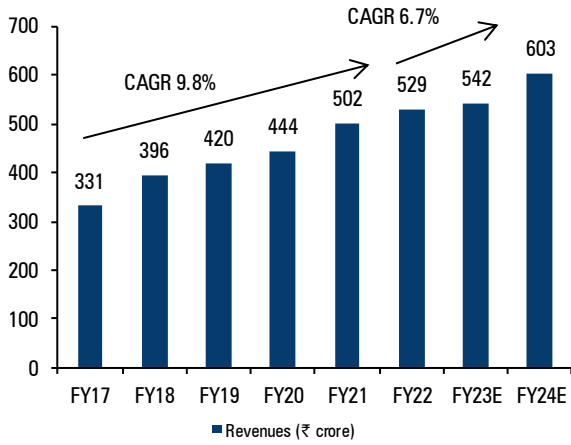
Source: ICICI Direct Research

Exhibit 5: Trends in Quarterly Performance

₹ Crore	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	YoY (%)	QoQ (%)
Revenues	111.4	111.9	110.3	110.5	120.4	137.7	133.2	137.0	127.1	133.6	131.7	121.1	138.7	9.1	14.5
Raw Material Expe	24.2	20.0	18.0	21.1	18.6	29.0	30.4	22.4	24.6	31.0	31.6	27.2	33.6	36.4	23.6
% of Revenues	21.7	17.8	16.3	19.1	15.4	21.1	22.8	16.4	19.4	23.2	24.0	22.4	24.2	483 bps	178 bps
Gross Profit	87.2	92.0	92.3	89.4	101.8	108.7	102.8	114.6	102.4	102.5	100.1	93.9	105.1	2.6	11.9
Gross Profit Margir	78.3	82.2	83.7	80.9	84.6	78.9	77.2	83.6	80.6	76.8	76.0	77.6	75.8	-483 bps	-178 bps
Employee Expense:	20.5	19.1	20.1	21.1	21.4	21.4	23.2	26.9	25.7	25.4	25.9	28.1	27.7	7.8	-1.5
% of Revenues	18.4	17.1	18.3	19.1	17.8	15.5	17.4	19.7	20.2	19.0	19.7	23.2	20.0	-24 bps	-324 bps
Other Expenses	19.5	20.0	23.4	16.6	21.9	21.0	24.7	24.9	27.5	28.1	33.8	34.9	37.7	37.3	8.1
% of Revenues	17.5	17.9	21.3	15.0	18.2	15.2	18.6	18.2	21.6	21.0	25.7	28.8	27.2	559 bps	-161 bps
Total Expenditure	64.2	59.1	61.6	58.8	61.9	71.4	78.3	74.3	77.8	84.5	91.4	90.2	99.0	27.3	9.8
% of Revenues	57.6	52.8	55.8	53.2	51.4	51.8	58.8	54.2	61.2	63.3	69.4	74.5	71.4	1018 bps	-307 bps
EBITDA	47.3	52.9	48.7	51.7	58.5	66.4	54.9	62.8	49.3	49.1	40.3	30.9	39.7	-19.5	28.2
EBITDA Margins(%)	42.4	47.2	44.2	46.8	48.6	48.2	41.2	45.8	38.8	36.7	30.6	25.5	28.6	-1018 bps	307 bps
Depreciation	6.5	6.4	6.7	6.7	6.8	6.5	8.4	8.5	8.6	8.8	9.1	8.6	8.8	2.4	1.9
Interest	0.7	0.8	0.7	0.5	0.4	0.3	0.4	0.5	0.3	0.3	0.7	0.6	0.6	77.1	3.1
Other income	1.5	1.2	1.8	5.2	0.6	1.3	1.7	0.9	0.9	1.2	3.4	2.0	3.7	308.2	84.1
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	41.6	46.9	43.2	49.8	51.9	60.9	47.8	54.7	41.2	41.1	33.9	23.7	33.9	-17.7	43.2
Total Tax	9.8	12.3	10.5	15.0	13.4	16.6	14.0	15.0	11.0	12.6	8.7	6.1	7.8	-28.8	27.8
Tax rate (%)	23.5	26.3	24.3	30.1	25.7	27.3	29.3	27.4	26.6	30.6	25.6	25.8	23.0		
PAT before MI	31.8	34.6	32.7	34.8	38.6	44.3	33.8	39.7	30.3	28.6	25.3	17.6	26.1	-13.7	48.5
PAT Margin (%)	28.6	30.9	29.6	31.5	32.0	32.2	25.4	29.0	23.8	21.4	19.2	14.5	18.8	-499 bps	431 bps
Minority Interest	0.9	1.0	1.3	0.6	1.4	1.2	2.1	1.8	0.6	1.1	0.8	-0.3	0.1		
PAT after MI	31.0	33.6	31.3	34.2	37.2	43.1	31.7	38.0	29.7	27.5	24.4	17.9	26.1	-12.3	45.8
Adj PAT	31.0	33.6	31.3	34.2	37.2	43.1	31.7	38.0	29.7	27.5	24.4	17.9	26.1	-12.3	45.8

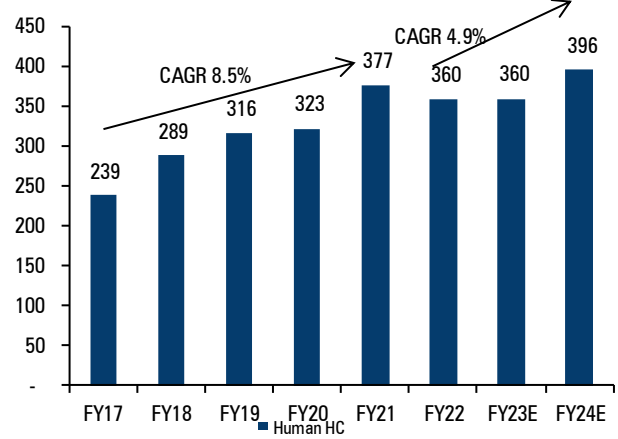
Source: ICICI Direct Research

Exhibit 6: Revenues grow at CAGR of 6.7% over FY22-24E



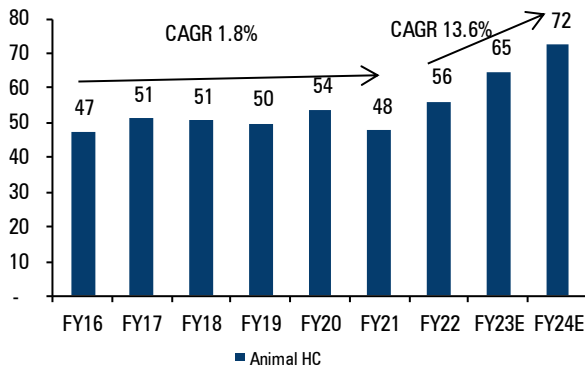
Source: ICICI Direct Research, Company

Exhibit 7: Human HC to grow at 4.9% CAGR over FY22-24E



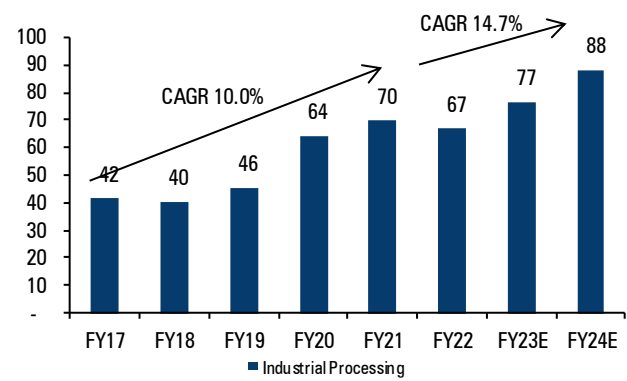
Source: ICICI Direct Research, Company

Exhibit 8: Animal HC to grow at 13.6% CAGR over FY22-24E



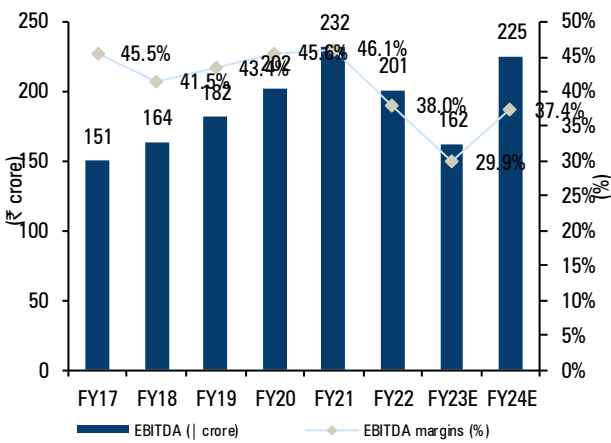
Source: ICICI Direct Research, Company

Exhibit 9: Industrial processing to grow ~14.7% in FY22-24E



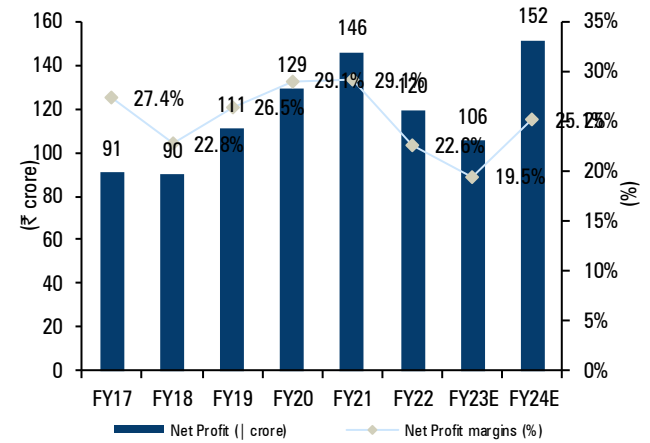
Source: ICICI Direct Research, Company

Exhibit 10: EBITDA & EBITDA margins trend



Source: ICICI Direct Research, Company

Exhibit 11: PAT & PAT margins 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	4448	5,230	Buy	64053	7.9	59.1	79.0	101.0	565.9	75.2	56.3	44.0	6.3	15.1	15.3	18.8	2.5	15.1	17.4	18.9
Narayana Hrudalaya	NARHRU	753	855	Buy	15353	-0.7	16.7	20.6	22.7	NA	45.0	36.6	33.2	1.2	20.5	19.6	19.7	-1.3	23.0	22.3	19.9
Shalby	SHALIM	143	150	Buy	1549	3.9	5.4	7.5	9.9	36.5	26.5	19.2	14.5	6.5	8.4	11.7	14.3	5.1	6.7	8.6	10.4
Aster DM	ASTDM	223	250	Buy	11153	3.0	10.5	10.8	16.7	75.4	21.2	20.7	13.4	5.4	9.0	9.4	12.5	4.4	13.3	12.0	15.6
Healthcare Global	HEAGLO	310	380	Buy	4305	-13.9	3.9	4.5	8.8	-13.9	80.1	68.1	35.1	-0.9	5.0	9.4	12.1	-0.9	5.0	6.8	11.6
<b>MNC Pharma</b>																					
Abbott India	ABBIND	19716	21,725	Hold	41403	325.0	375.9	427.7	528.6	60.7	52.5	46.1	37.3	33.8	36.6	37.1	37.3	26.5	28.3	28.9	28.8
P&G Health	MERLIM	4160	5,235	Hold	7072	106.5	116.0	124.8	140.6	39.1	35.9	33.3	29.6	32.2	39.8	36.0	33.8	25.1	31.2	28.1	26.2
Sanofi India	SANOFI	5471	6,385	Hold	12583	207.4	410.1	270.5	264.8	26.4	13.3	20.2	20.7	32.3	33.3	41.1	50.7	24.5	25.9	31.2	38.7
Pfizer	PFIZER	4411	4,480	Hold	20289	108.8	133.9	140.4	149.3	40.5	32.9	31.4	29.5	27.6	26.1	22.4	21.8	20.8	21.4	17.9	17.7
<b>Pharma</b>																					
Ajanta Pharma	AJAPHA	1218	1,505	Buy	15588	51.0	55.6	60.1	71.1	23.9	21.9	20.3	17.1	29.0	27.0	24.4	24.5	21.8	21.8	19.9	19.9
Alembic Pharma	ALEMPHA	617	625	Reduce	12145	62.8	27.8	15.3	26.9	9.8	22.2	40.3	22.9	25.1	10.6	6.5	10.5	24.1	10.4	5.6	9.1
Aurobindo Pharma	AURPHA	460	540	Hold	26979	55.0	47.4	41.1	51.3	8.4	9.7	11.2	9.0	16.9	12.9	11.5	13.3	14.7	11.3	9.0	10.1
Biocon	BIOCON	282	290	Hold	33850	6.3	5.7	5.5	11.3	45.0	49.5	51.7	24.9	7.7	7.5	4.1	6.5	9.9	8.1	2.8	5.5
Zydus Lifesciences	CADHEA	393	480	Hold	40185	23.3	21.0	21.0	23.8	16.8	18.7	18.7	16.5	13.8	12.0	11.8	11.7	18.4	12.6	11.4	11.6
Cipla	CIPLA	1102	1,350	Buy	88931	29.9	32.9	38.6	45.8	36.9	33.5	28.6	24.0	16.3	16.7	17.9	19.0	13.1	12.7	13.3	14.1
Dr Reddy's Labs	DRREDD	4336	4,750	Buy	71979	117.3	126.9	203.4	191.0	37.0	34.2	21.3	22.7	13.1	13.0	19.1	18.1	11.1	11.0	15.4	13.0
Glenmark Pharma	GLEPHA	420	440	Hold	11852	32.9	42.7	39.5	44.9	12.8	9.8	10.6	9.4	13.9	14.8	14.7	14.4	13.1	13.2	11.0	11.2
Ipsa Laboratories	IPCLAB	862	925	Hold	21901	44.9	34.8	27.5	35.1	19.2	24.7	31.4	24.6	27.1	17.4	14.3	16.3	24.2	16.1	11.4	13.0
Jubilant Pharmova	JUBLIF	383	340	Hold	6082	37.4	26.0	15.9	26.1	10.2	14.7	24.1	14.6	13.7	9.0	6.1	8.6	12.6	7.8	4.6	7.0
Lupin	LUPIN	718	680	Reduce	32667	26.9	11.9	11.8	27.7	26.7	60.5	61.0	25.9	9.6	3.4	5.8	10.9	8.8	4.4	4.2	9.2
Natco Pharma	NATPHA	568	680	Hold	10395	24.2	9.3	41.6	42.3	23.5	61.0	13.7	13.4	13.1	4.6	18.1	16.9	10.7	4.0	15.5	13.9
Sun Pharma	SUNPHA	1006	1,225	Buy	241423	30.0	32.0	34.8	40.1	33.5	31.5	28.9	25.1	14.2	18.2	18.0	18.7	15.5	16.0	15.2	15.2
Torrent Pharma	TORPHA	1629	1,730	Hold	55074	37.0	32.0	40.0	46.7	44.0	50.9	40.7	34.9	17.6	19.7	19.1	21.4	21.4	18.2	19.8	19.7
Indoco Remedies	INDREM	378	465	Buy	3475	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	733	955	Buy	5573	81.7	85.3	70.4	73.0	9.0	8.6	10.4	10.0	25.3	23.7	22.6	0.0	20.4	20.2	18.7	17.5
Advanced Enzymes	ADVENZ	273	300	Hold	3060	13.1	10.7	8.5	12.1	20.9	25.5	32.3	22.7	19.4	14.3	10.2	13.2	15.1	11.0	8.1	10.4
Hester Biosciences	HESPHA	2000	2,070	HOLD	1712	44.4	45.7	35.9	51.8	42.9	41.6	53.0	36.8	16.2	10.9	9.3	11.8	16.5	15.0	10.8	14.0
<b>API/CRAMS</b>																					
Divi's Lab	DIVLAB	3298	3,685	HOLD	87400	74.7	111.5	93.0	113.5	44.1	29.6	35.5	29.1	27.6	30.2	22.8	24.4	21.3	25.2	18.4	19.2
Hikal	HIKCHE	330	330	Reduce	4063	10.8	13.0	3.8	14.4	30.6	25.4	86.2	22.9	15.1	13.6	5.6	13.8	14.3	15.0	4.3	14.2
Syngene Int.	SYNINT	598	710	Buy	23998	10.1	9.9	11.5	14.6	59.1	60.7	51.9	41.1	11.5	11.7	12.8	15.2	13.5	12.9	12.4	13.7
Granules India	GRANUL	361	375	Buy	8940	22.2	16.6	21.9	26.8	16.3	21.7	16.5	13.4	24.0	15.6	18.6	20.5	25.3	16.0	17.6	17.9
Laurus Labs	LAULAB	457	675	Buy	24541	18.3	15.4	20.7	27.0	25.0	29.7	22.0	17.0	31.7	21.3	23.6	26.0	37.9	24.7	25.6	25.6
Suven Pharmaceutical	SUVPH	469	530	BUY	11965	14.2	17.8	17.0	17.6	33.0	26.3	27.6	26.6	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>501.8</b>	<b>529.4</b>	<b>541.7</b>	<b>603.1</b>
Growth (%)	13.0	5.5	2.3	11.3
Raw Material Expenses	99.0	109.7	127.0	123.5
Employee Expenses	87.1	104.0	110.8	118.9
Other Manufacturing Expenses	84.2	114.3	141.7	135.4
Total Operating Expenditure	270.3	328.0	379.5	377.8
<b>EBITDA</b>	<b>231.5</b>	<b>201.4</b>	<b>162.2</b>	<b>225.3</b>
Growth (%)	14.4	-13.0	-19.5	38.9
Interest	1.6	1.8	2.4	2.4
Depreciation	28.4	35.0	35.1	35.7
Other Income	8.8	6.4	13.1	14.6
PBT before Exceptional Items	210.4	171.1	137.9	201.9
Less: Forex & Exceptional Items	0.0	0.0	0.0	0.0
PBT	210.4	171.1	137.9	201.9
Total Tax	58.9	47.3	32.4	50.5
PAT before MI	151.5	123.8	105.5	151.4
Minority Interest	5.3	4.2	-0.1	-0.2
<b>PAT</b>	<b>146.2</b>	<b>119.6</b>	<b>105.6</b>	<b>151.6</b>
Adjusted PAT	146.2	119.6	105.6	151.6
Growth (%)	13.1	-18.2	-11.7	43.6
EPS	13.1	10.7	9.4	13.6
<b>EPS (Adjusted)</b>	<b>13.1</b>	<b>10.7</b>	<b>9.4</b>	<b>13.6</b>

Source: Company, ICICI Direct Research

Exhibit 14: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit/(Loss) after taxation	153.7	116.5	105.6	151.6
Add: Depreciation & Amortization	28.4	35.0	35.1	35.7
Net Increase in Current Assets	-13.9	-26.8	-22.1	-7.4
Net Increase in Current Liabilities	-1.2	-0.6	4.8	1.5
Others	-4.2	-1.8	2.4	2.4
<b>CF from operating activities</b>	<b>162.9</b>	<b>122.3</b>	<b>125.7</b>	<b>183.7</b>
(Inc)/dec in Fixed Assets	-19.4	-26.9	-15.0	-12.0
(Inc)/dec in Investments	-7.5	0.7	0.0	0.0
Others	5.1	7.1	-4.3	-3.9
<b>CF from investing activities</b>	<b>-21.8</b>	<b>-19.1</b>	<b>-19.3</b>	<b>-15.9</b>
Inc / (Dec) in Equity Capital	0.3	0.4	0.0	0.0
Inc / (Dec) in Debt	-17.1	-14.2	0.0	0.0
Dividend & Dividend Tax	-8.0	-11.9	-11.2	-14.0
Others	-1.5	-1.8	-2.4	-2.4
<b>CF from financing activities</b>	<b>-26.3</b>	<b>-27.4</b>	<b>-13.6</b>	<b>-16.4</b>
Net Cash flow	114.8	75.9	92.9	151.4
Opening Cash	83.0	197.8	273.6	366.5
Closing Cash	197.8	273.6	366.5	518.0
<b>Free Cash Flow</b>	<b>143.5</b>	<b>95.4</b>	<b>110.7</b>	<b>171.7</b>
EBITDA conversion	0.7	0.6	0.8	0.8
FCF Yield	5%	3%	4%	6%

Source: Company, ICICI Direct Research

Exhibit 15: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Equity Capital	22.3	22.4	22.4	22.4
Reserve and Surplus	948.3	1,066.2	1,160.6	1,298.2
Total Shareholders funds	970.7	1,088.6	1,183.0	1,320.6
Total Debt	18.1	29.3	29.3	29.3
Deferred Tax Liability	39.6	39.3	35.3	31.8
Minority Interest	60.1	51.8	52.8	53.9
Long term Provisions	1.4	1.1	1.1	1.2
Other Non Current Liabilities	0.0	0.0	0.0	0.0
<b>Source of Funds</b>	<b>1,089.8</b>	<b>1,210.0</b>	<b>1,301.6</b>	<b>1,436.7</b>
Gross Block - Fixed Assets	497.8	545.1	565.1	575.1
Accumulated Depreciation	187.1	222.1	257.2	292.8
Net Block	310.7	323.0	308.0	282.3
Capital WIP	10.4	15.1	10.1	12.1
Net Fixed Assets	321.1	338.1	318.0	294.4
Goodwill on Consolidation	290.1	296.1	296.1	296.1
Investments	121.4	102.0	102.0	102.0
Inventory	93.9	120.9	140.0	136.1
Cash	197.8	273.6	366.5	518.0
Debtors	86.3	88.2	90.3	100.5
Loans & Advances & Other CA	16.8	19.7	20.7	21.8
Total Current Assets	394.8	502.5	617.5	776.3
Creditors	15.2	17.9	20.7	20.1
Provisions & Other CL	62.9	57.6	62.4	63.9
Total Current Liabilities	62.9	57.6	62.4	63.9
Net Current Assets	331.9	444.9	555.1	712.4
LT L& A, Other Assets	18.5	21.5	22.6	23.7
Deferred Tax Assets	6.9	7.4	7.8	8.2
<b>Application of Funds</b>	<b>1,089.8</b>	<b>1,210.0</b>	<b>1,301.6</b>	<b>1,436.7</b>

Source: Company, ICICI Direct Research

Exhibit 16: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
<b>Per share data (₹)</b>				
EPS	13.1	10.7	9.4	13.6
Cash EPS	14.7	12.8	11.6	15.5
BV	86.8	97.4	105.8	118.1
DPS	0.9	1.0	1.0	1.3
Cash Per Share	17.7	24.5	32.8	46.3
<b>Operating Ratios (%)</b>				
Gross Profit Margins	80.3	79.3	76.6	79.5
EBITDA margins	46.1	38.0	29.9	37.4
PAT Margins	29.1	22.6	19.5	25.1
Inventory days	346.0	402.3	402.3	402.3
Debtor days	62.7	60.8	60.8	60.8
Creditor days	56.1	59.5	59.5	59.5
Asset Turnover (x)	1.0	1.0	1.0	1.0
<b>Return Ratios (%)</b>				
RoE	15.1	11.0	8.9	11.5
RoCE	19.4	14.3	10.8	14.2
RoIC	26.7	20.3	15.4	23.6
<b>Valuation Ratios (x)</b>				
P/E	20.8	25.4	28.8	20.1
EV / EBITDA	11.8	13.4	16.0	10.9
EV / Revenues	5.5	5.1	4.8	4.1
Market Cap / Revenues	6.1	5.7	5.6	5.0
Price to Book Value	3.1	2.8	2.6	2.3
<b>Solvency Ratios</b>				
Debt / Equity	0.0	0.0	0.0	0.0
Debt/EBITDA	0.1	0.1	0.2	0.1
Current Ratio	3.1	4.0	4.0	4.0
Working Capital Cycle	352.6	403.5	403.5	403.5

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%



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