

CMP: ₹ 272

Target: ₹ 290 (7%)

Target Period: 12 months

HOLD

May 24, 2022

## Outlook remains challenging in medium term...

**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 seven manufacturing and six R&D facilities, which consist of three integrated fermentations, recovery & formulation facilities, one extraction and recovery facility and one satellite blending, mixing & formulation facility

**Q4FY22 Results:** Margin pressure and poor demand offtake continues to weigh.

- Revenues were down 1% YoY to ₹ 132 crore
- EBITDA was at ₹ 40.3 crore, down 26.6% YoY with margins at 30.6%
- Adjusted PAT was at ₹ 24.4 crore (down 22.9% YoY)

**What should investors do?** AET's share price has grown by ~1.4x over the past three years (from ~₹ 193 in May 2019 to ~₹ 272 levels in May 2022).

- Downgrade from BUY to **HOLD** as we wait for normalcy to return in core businesses of Human Nutrition as well as improvement in margin profile.

**Target Price and Valuation:** We value AET at ₹ 290 i.e. 22x FY24E EPS of ₹ 13.2

**Key triggers for future price performance:**

- Easing of input cost inflation, logistical challenges and demand for enzymes and probiotics in key geographies
- AET remains a marginal player in the global enzymes landscape that is estimated at ~US\$10 billion and poised to grow as more applications across usage industries incorporate enzymatic technologies
- It has got proven capabilities and stable financials, thanks to a mix of organic and inorganic growth strategy employed by management
- Going ahead, AET plans to augment its R&D capability that bodes well in the long run in its quest to improve scalability & foraying 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 ₹ 690



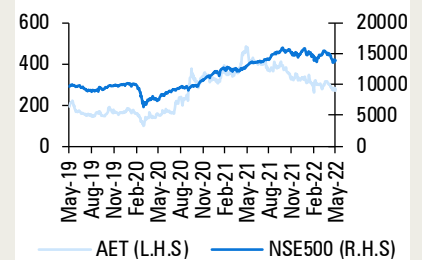
### Particulars

Particular	Amount
Market Capitalisation	₹ 3040 crore
Debt (FY22)	₹ 29 crore
Cash (FY22)	₹ 274 crore
EV	₹ 2796 crore
52 week H/L	498/257
Equity capital	₹ 22 crore
Face value	₹ 2 crore

### Shareholding pattern

(in %)	Jun-21	Sep-21	Dec-21	Mar-22
Promoter	52.3	52.6	52.7	52.7
Others	44.7	47.5	47.3	47.3

### Price Chart



### Recent Event & Key risks

- Exclusive distribution agreement with Azelis Singapore for the distribution of food enzymes and probiotics
- 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	567.8	637.5	9.7
EBITDA	202.3	231.5	201.4	6.0	197.3	244.3	10.1
EBITDA Margins (%)	45.6	46.1	38.0		34.8	38.3	
Adj. Profit	129.3	146.2	119.7	5.7	114.2	147.1	10.9
Adj. EPS (₹)	11.6	13.1	10.7		10.2	13.2	
PE (x)	23.5	20.8	25.4		26.6	20.7	
RoE (%)	15.4	15.1	11.0		9.6	11.1	
RoCE (%)	19.6	19.4	14.3		12.6	14.7	

Source: Company, ICICI Direct Research

## Key takeaways of recent quarter & conference call highlights

### Q4FY22 Results: Margin pressure continues amid challenging environment

- Revenues declined 1% YoY to ₹ 132 crore on the back of 7% YoY de-growth in Human nutrition segment to ₹ 86 crore being partially offset by growth of 16% YoY in animal nutrition to ₹ 15 crore. Bio processing segment de-grew 5% YoY to ₹ 19 crore while specialised manufacturing sales was at ₹ 11 crore this quarter. EBITDA margins contracted 1060 bps YoY to 31% mainly due to higher other expenditure. Subsequently, EBITDA de-grew 27% YoY to ₹ 40 crore while net profit declined 23% YoY to ₹ 24 crore
- Advanced Enzyme reported below par performance this quarter and margins was significantly below I-direct estimates. We believe lower margins is due to cost attributable to SSPL integration, higher freight cost and employee expenses. However, historically, strong margins and healthy return ratios is testament to the pricing power and balance sheet strength of the company. Going ahead, the management intends to augment its R&D capability for better facilitation and strengthening of in-house R&D capability, which bodes well in the long run in its quest to improve scalability and a possible foray into more complex enzymes and launch more products in target market of probiotics

### Q4FY22 Earnings Conference Call highlights

- The company witnessed continued challenges on logistics and input cost
- Raw material inflation impact was ~ 1% on gross margins. EBITDA margins declined due to higher raw material cost and higher other expenses comprising consulting charges, promotional activities, fuel cost, laboratory cost and payroll expense amid new hiring and freight and forwarding expense
- Revenues from Evoxx this quarter was at ₹ 5 crore, EBITDA was at ₹ 1.5 crore, profit of ₹ 60 lakh. Revenues from JC Biotech was ₹ 13.9 crore while EBITDA was at ₹ 3.5 crore and PAT at ₹ 1.7 crore
- AET's largest selling product, anti-inflammatory enzyme sales in Q4FY22 was at ₹ 24.7 crore vs. ₹ 28.1 crore in Q4FY21 and ₹ 103.9 crore in FY22 (28% of sales) vs. ₹ 113.5 crore in FY23 (31% of sales)
- Top 10 customers of AET contributed 28% in FY22 vs. 31% in FY21
- B2C segment was flat YoY in Q4FY22. US revenues grew mostly in nutraceutical and food business while non-food saw de-growth. Probiotics sales were impacted due to inventory at customer's end
- The management has indicated at some enquiries from Russian markets stemming from ongoing geopolitical conflict. Increase in API cost for Bio-catalyst products is on declining trend
- Capacity utilisation: 55-60%
- The management did not guide for H1FY23 but is hopeful to see low double-digit growth in FY23

**Exhibit 1: Variance Analysis**

	Q4FY22	Q4FY21	Q3FY22	YoY (%)	QoQ (%)	Comments
Revenue	131.7	133.2	133.6	-1.1	-1.4	YoY decline amid de-growth in human HC and industrial processing being partially offset by growth in Animal HC and SSPL
Raw Material Expenses	31.6	30.4	31.0	4.2	2.0	YoY increase in GPM on account of rise in input cost
Employee Expenses	25.9	23.2	25.4	11.7	2.1	
Other Expenditure	33.8	24.7	28.1	36.9	20.4	Higher YoY growth attributable to SSPL integration
EBITDA	40.3	54.9	49.1	-26.6	-17.8	
EBITDA (%)	30.6	41.2	36.7	-1060 bps	-612 bps	YoY decline mainly due to higher input and freight cost along with higher employee and other expenditure
Interest	0.7	0.4	0.3	60.2	116.5	YoY increase due to lease accounting treatment
Depreciation	9.1	8.4	8.8	8.2	2.9	YoY increase in depreciation due to inclusion of SSPL in FY22
Other Income	3.4	1.7	1.2	101.0	180.4	
PBT before EO & Forex	33.9	47.8	41.1	-28.9	-17.5	
Forex & EO	0.0	0.0	0.0			
PBT	33.9	47.8	41.1	-28.9	-17.5	
Tax	8.7	14.0	12.6	-37.8	-30.8	
PAT before MI	25.3	33.8	28.6	-25.3	-11.6	
MI	0.8	2.1	1.1	-61.2	-23.1	
Net Profit	24.4	31.7	27.5	-22.9	-11.1	YoY delta vis-a-vis EBITDA due to higher other income and lower tax expense
<b>Key Metrics</b>						
Human HC	86.5	92.5	91.8	-6.5	-5.8	YoY decline due to inventory at customers end and logistic issues
Animal HC	15.2	13.1	13.2	16.0	15.2	
Industrial Processing	18.8	19.7	16.0	-4.6	17.5	Food business grew 14% YoY, non food categories declined 39% YoY
Specialised Manu. (SSPL)	11.3	-	12.5		-9.6	

Source: Company, ICICI Direct Research

**Exhibit 2: Change in estimates**

(₹ Crore)	FY23E			FY24E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	602.6	567.8	-5.8	674.8	637.5	-5.5	Declined mainly due to management guidance for continued challenging environment and lower-than-expected sales in Q4
EBITDA	248.0	197.3	-20.4	284.3	244.3	-14.1	Changed mainly due to rise in input cost and operational expenditure
EBITDA Margin (%)	41.2	34.8	-641 bps	42.1	38.3	-380 bps	Guidance for margins to return to 40% levels
PAT	151.9	114.2	-24.8	176.4	147.1	-16.6	Changed mainly in sync with EBITDA
EPS (₹)	13.6	10.2	-24.8	15.8	13.2	-16.6	

Source: ICICI Direct Research

**Exhibit 3: Assumptions**

(₹ crore)	Current				Earlier			Comments
	FY20	FY21	FY22	FY23E	FY24E	FY23E	FY24E	
Human HC	322.5	376.7	359.5	371.6	416.2	394.8	434.3	Declined mainly due to management guidance for challenging environment and lower-than-expected sales in Q4
Animal HC	53.6	47.4	56.0	64.5	72.2	62.0	69.6	
Industrial Processing	64.2	69.8	67.0	79.1	88.6	81.0	93.1	
Specialised Manu. (SSPL)			46.9	52.5	60.4	64.8	77.8	

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	568	7.3	10.2	-4.5	26.6	13.2	9.6	12.6
FY24E	637	12.3	13.2	28.8	20.7	10.1	11.1	14.7

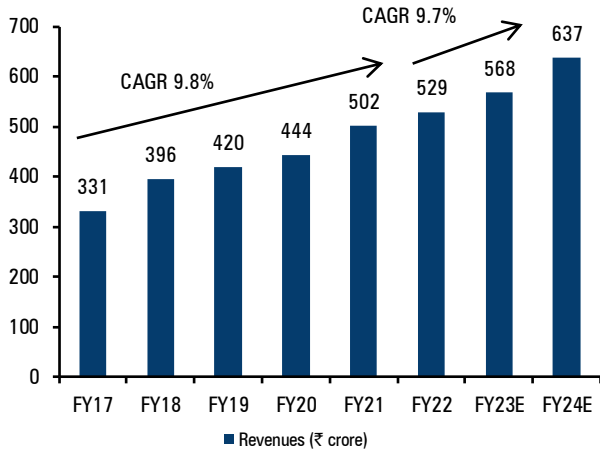
Source: ICICI Direct Research

Exhibit 5: Trends in Quarterly Performance

₹ Crore	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	YoY (%)	QoQ (%)
Revenues	110.4	110.3	111.4	111.9	110.3	110.5	120.4	137.7	133.2	137.0	127.1	133.6	131.7	-1.1	-1.4
Raw Material Expens	21.9	18.7	24.2	20.0	18.0	21.1	18.6	29.0	30.4	22.4	24.6	31.0	31.6	4.2	2.0
% of Revenues	19.8	17.0	21.7	17.8	16.3	19.1	15.4	21.1	22.8	16.4	19.4	23.2	24.0	123 bps	80 bps
Gross Profit	88.5	91.6	87.2	92.0	92.3	89.4	101.8	108.7	102.8	114.6	102.4	102.5	100.1	-2.7	-2.4
Gross Profit Margin (%)	80.2	83.0	78.3	82.2	83.7	80.9	84.6	78.9	77.2	83.6	80.6	76.8	76.0	-123 bps	-80 bps
Employee Expenses	18.5	20.4	20.5	19.1	20.1	21.1	21.4	21.4	23.2	26.9	25.7	25.4	25.9	11.7	2.1
% of Revenues	16.8	18.5	18.4	17.1	18.3	19.1	17.8	15.5	17.4	19.7	20.2	19.0	19.7	225 bps	66 bps
Other Expenses	20.3	17.7	19.5	20.0	23.4	16.6	21.9	21.0	24.7	24.9	27.5	28.1	33.8	36.9	20.4
% of Revenues	18.4	16.0	17.5	17.9	21.3	15.0	18.2	15.2	18.6	18.2	21.6	21.0	25.7	712 bps	465 bps
Total Expenditure	60.7	56.8	64.2	59.1	61.6	58.8	61.9	71.4	78.3	74.3	77.8	84.5	91.4	16.7	8.2
% of Revenues	55.0	51.5	57.6	52.8	55.8	53.2	51.4	51.8	58.8	54.2	61.2	63.3	69.4	1060 bps	612 bps
EBITDA	49.7	53.5	47.3	52.9	48.7	51.7	58.5	66.4	54.9	62.8	49.3	49.1	40.3	-26.6	-17.8
EBITDA Margins(%)	45.0	48.5	42.4	47.2	44.2	46.8	48.6	48.2	41.2	45.8	38.8	36.7	30.6	-1060 bps	-612 bps
Depreciation	5.3	6.3	6.5	6.4	6.7	6.7	6.8	6.5	8.4	8.3	8.6	8.8	9.1	8.2	2.9
Interest	0.6	0.8	0.7	0.8	0.7	0.5	0.4	0.3	0.4	0.5	0.3	0.3	0.7	60.2	116.5
Other income	2.6	1.1	1.5	1.2	1.8	5.2	0.6	1.3	1.7	0.9	0.9	1.2	3.4	101.0	180.4
Less: Exceptional Ite	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	46.5	47.5	41.6	46.9	43.2	49.8	51.9	60.9	47.8	54.9	41.2	41.1	33.9	-28.9	-17.5
Total Tax	13.0	13.5	9.8	12.3	10.5	15.0	13.4	16.6	14.0	15.1	11.0	12.6	8.7	-37.8	-30.8
Tax rate (%)	28.0	28.4	23.5	26.3	24.3	30.1	25.7	27.3	29.3	27.4	26.6	30.6	25.6		
PAT before MI	33.5	34.0	31.8	34.6	32.7	34.8	38.6	44.3	33.8	39.9	30.3	28.6	25.3	-25.3	-11.6
PAT Margin (%)	30.3	30.8	28.6	30.9	29.6	31.5	32.0	32.2	25.4	29.1	23.8	21.4	19.2	-620 bps	-221 bps
Minority Interest	1.2	0.6	0.9	1.0	1.3	0.6	1.4	1.2	2.1	1.8	0.6	1.1	0.8		
PAT after MI	32.2	33.4	31.0	33.6	31.3	34.2	37.2	43.1	31.7	38.0	29.7	27.5	24.4	-22.9	-11.1
Adj PAT	32.2	33.4	31.0	33.6	31.3	34.2	37.2	43.1	31.7	38.0	29.7	27.5	24.4	-22.9	-11.1

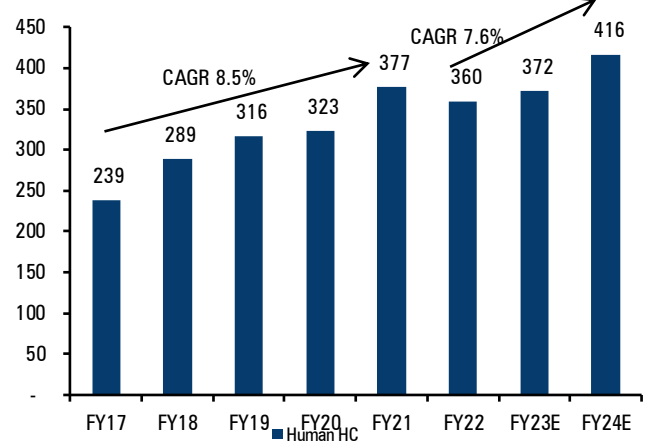
Source: ICICI Direct Research

Exhibit 6: Revenues grow at CAGR of ~10% over FY22-24E



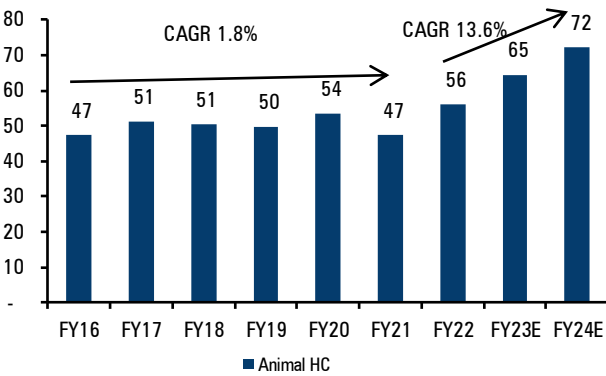
Source: ICICI Direct Research, Company

Exhibit 7: Human HC to grow at 8% CAGR over FY22-24E



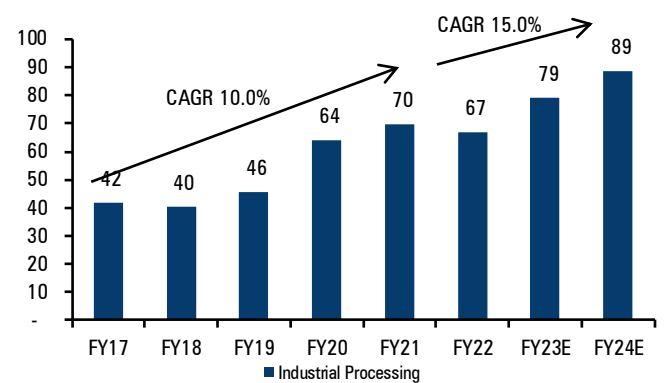
Source: ICICI Direct Research, Company

Exhibit 8: Animal HC to grow at 14% CAGR over FY22-24E



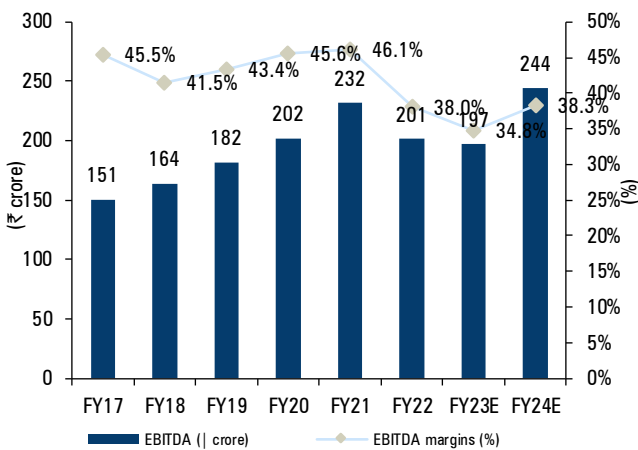
Source: ICICI Direct Research, Company

Exhibit 9: Industrial processing to grow ~15% in FY22-24E



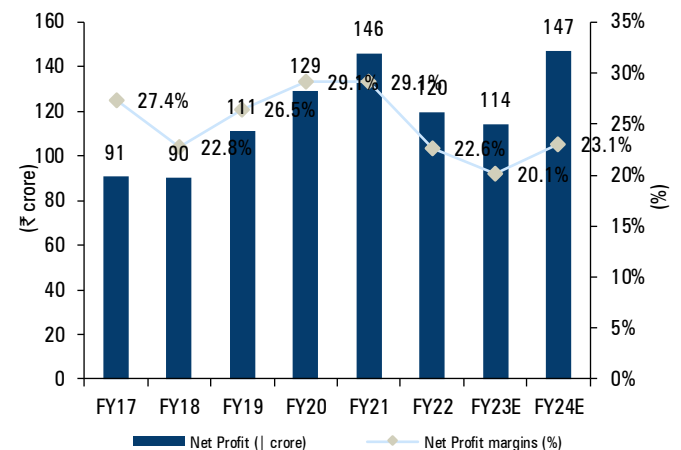
Source: ICICI Direct Research, Company

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	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E
<b>Hospitals</b>																					
Apollo Hospitals	APOHOS	3652	5,480	Buy	52514	7.9	67.2	81.3	105.5	464.6	54.3	44.9	34.6	6.3	16.4	18.2	20.7	2.5	17.5	18.1	19.9
Narayana Hrudalaya	NARHRU	616	750	Buy	12587	-0.7	16.7	18.9	21.6	NA	36.8	32.6	28.6	1.2	20.5	18.8	19.5	-1.3	23.0	20.8	19.4
Shalby	SHALIM	107	170	Buy	1158	3.9	5.9	5.7	7.2	27.3	18.2	18.7	14.9	6.5	8.9	9.6	10.5	5.1	7.2	6.7	7.9
Aster DM	ASTDM	172	250	Buy	8589	3.0	10.6	17.6	NA	58.1	16.3	9.7	NA	5.4	9.2	12.9	NA	4.4	13.5	18.4	NA
Healthcare Global	HEAGLO	278	240	Hold	3481	-21.7	6.0	3.5	NA	NA	46.3	78.7	NA	-0.9	5.2	7.7	NA	NA	NA	3.4	NA
<b>MNC Pharma</b>																					
Abbott India	ABBIND	17551	20,560	Buy	37294	325.0	375.9	439.8	514.0	54.0	46.7	39.9	34.1	33.8	36.6	37.9	36.3	26.5	28.3	29.5	28.1
P&G Health	MERLIM	4368	4,955	Hold	7251	106.5	121.5	130.5	141.6	41.0	35.9	33.5	30.9	32.2	37.3	34.7	32.8	25.1	29.3	27.0	25.4
Sanofi India	SANOFI	6615	7,740	Hold	15235	207.4	410.1	285.7	276.4	31.9	16.1	23.2	23.9	32.3	33.3	42.3	40.8	24.5	25.9	32.6	31.3
Pfizer	PFIZER	4369	4,810	Hold	19986	108.8	133.9	140.4	160.3	40.2	32.6	31.1	27.3	27.6	26.1	23.5	23.0	20.8	21.4	19.2	18.7
<b>Pharma</b>																					
Ajanta Pharma	AJAPHA	1698	1,955	Buy	14507	74.0	83.4	83.3	97.8	22.9	20.4	20.4	17.4	29.0	27.0	22.9	22.9	21.8	21.8	18.4	18.3
Alembic Pharma	ALEMPHA	768	720	Hold	15096	62.8	27.8	29.7	35.9	12.2	27.7	25.9	21.4	25.1	10.6	11.2	13.8	24.1	10.4	10.3	11.3
Aurobindo Pharma	AURPHA	545	765	Hold	31934	55.0	44.3	53.4	61.2	9.9	12.3	10.2	8.9	16.9	12.5	14.3	15.2	14.7	10.7	11.5	11.7
Biocon	BIOCON	336	380	Hold	40340	6.3	5.7	6.1	11.7	53.7	59.0	55.5	28.8	7.7	7.5	5.0	6.9	9.9	8.1	3.2	5.9
Zydus Lifesciences	CADHEA	363	475	Hold	37203	21.5	21.1	22.4	25.4	16.9	17.2	16.2	14.3	12.6	13.5	13.7	14.6	16.9	14.8	14.0	14.1
Cipla	CIPLA	970	1,095	Buy	78265	29.9	32.9	36.2	42.5	32.5	29.5	26.8	22.8	16.3	16.7	16.7	17.7	13.1	12.7	12.6	13.3
Dr Reddy's Labs	DRREDD	4323	4,800	Buy	71946	117.3	127.9	192.4	224.6	36.9	33.8	22.5	19.2	13.1	13.0	18.3	21.3	11.1	11.1	14.7	15.0
Glenmark Pharma	GLEPHA	396	550	Hold	11160	32.9	44.2	44.2	49.1	12.0	8.9	8.9	8.1	13.9	15.5	15.2	15.4	13.1	13.1	11.7	11.6
Ipca Laboratories	IPCLAB	973	1,175	Buy	24697	44.9	36.6	42.4	48.2	21.7	26.6	23.0	20.2	27.1	19.8	19.1	18.5	24.2	16.6	16.1	15.6
Jubilant Pharmova	JUBLIF	416	490	Hold	6625	37.4	28.7	32.5	40.8	11.1	14.5	12.8	10.2	13.7	10.1	10.4	12.2	12.6	8.9	9.2	10.4
Lupin	LUPIN	617	610	Hold	28039	26.9	11.9	18.7	30.5	23.0	52.0	32.9	20.2	9.6	3.4	7.6	11.2	8.8	4.4	6.6	9.8
Natco Pharma	NATPHA	692	955	Hold	12625	24.2	15.1	19.6	23.1	28.6	45.8	35.4	30.0	13.1	7.3	9.7	10.7	10.7	6.4	7.8	8.5
Sun Pharma	SUNPHA	920	1,075	Buy	220763	30.0	33.5	33.8	38.6	30.6	27.5	27.2	23.8	14.2	18.3	17.8	17.8	15.5	16.4	14.4	14.3
Torrent Pharma	TORPHA	2579	3,235	Hold	43640	74.0	67.6	94.7	114.5	34.9	38.1	27.2	22.5	17.7	18.2	21.1	23.5	21.4	17.1	20.3	20.7
Indoco Remedies	INDREM	365	510	Buy	3359	10.1	16.8	21.8	28.4	36.1	21.7	16.7	12.8	11.7	17.5	18.8	24.9	12.1	17.1	18.7	20.2
Caplin Point	CAPPOI	748	895	Buy	5666	81.7	85.3	68.3	70.8	9.1	8.8	10.9	10.6	25.3	23.7	22.5	0.0	20.4	20.2	18.5	17.5
Advanced Enzymes	ADVENZ	274	290	Hold	3058	13.1	10.7	10.2	13.2	20.9	25.6	26.8	20.8	19.4	14.3	12.6	14.7	15.1	11.0	9.6	11.1
Hester Biosciences	HESPHA	2260	2,445	Hold	1923	44.4	45.7	41.3	63.2	50.9	49.4	54.7	35.8	16.2	10.9	9.9	13.4	16.5	15.0	12.2	16.3
<b>API/CRAMS</b>																					
Divi's Lab	DIVLAB	3699	4,655	Buy	98189	74.7	111.5	105.7	122.5	49.5	33.2	35.0	30.2	27.6	30.2	25.8	25.5	21.3	25.2	20.3	20.0
Hikal	HIKCHE	396	500	Buy	4888	10.8	14.6	17.1	22.6	36.7	27.1	23.1	17.5	15.1	15.7	16.0	19.1	14.3	16.7	16.8	18.8
Syngene Int.	SYNINT	558	730	Buy	22360	10.1	9.9	11.4	15.5	55.1	56.5	49.1	36.0	11.5	11.7	12.2	15.7	13.5	12.9	12.3	14.4
Granules India	GRANUL	283	345	Buy	7014	22.2	16.6	19.6	24.6	12.8	17.0	14.4	11.5	24.0	15.6	16.8	18.6	25.3	16.0	16.0	16.9
Laurus Labs	LAULAB	570	690	Buy	30632	18.3	15.4	20.6	26.5	31.1	37.0	27.7	21.5	31.7	21.3	22.6	24.7	37.9	24.7	25.5	25.3
Suven Pharmaceuticals	SUVPH	525	555	Hold	13363	14.2	17.8	17.0	18.5	36.9	29.4	30.8	28.3	31.2	37.5	28.5	26.0	30.7	29.7	23.0	20.8

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>567.8</b>	<b>637.5</b>
Growth (%)	13.0	5.5	7.3	12.3
Raw Material Expenses	99.0	109.7	131.1	140.2
Employee Expenses	87.1	104.0	110.7	124.3
Other Manufacturing Expenses	84.2	114.3	128.7	128.6
Total Operating Expenditure	270.3	328.0	370.5	393.2
<b>EBITDA</b>	<b>231.5</b>	<b>201.4</b>	<b>197.3</b>	<b>244.3</b>
Growth (%)	14.4	-13.0	-2.0	23.8
Interest	1.6	1.8	1.9	1.9
Depreciation	28.4	34.8	37.6	38.3
Other Income	8.8	6.4	5.7	6.4
PBT before Exceptional Items	210.4	171.2	163.5	210.5
Less: Forex & Exceptional Items	0.0	0.0	0.0	0.0
PBT	210.4	171.2	163.5	210.5
Total Tax	58.9	47.3	45.2	58.1
PAT before MI	151.5	123.9	118.3	152.3
Minority Interest	5.3	4.3	4.1	5.3
<b>PAT</b>	<b>146.2</b>	<b>119.7</b>	<b>114.2</b>	<b>147.1</b>
Adjusted PAT	146.2	119.7	114.2	147.1
Growth (%)	13.1	-18.2	-4.5	28.8
EPS	13.1	10.7	10.2	13.2
<b>EPS (Adjusted)</b>	<b>13.1</b>	<b>10.7</b>	<b>10.2</b>	<b>13.2</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	114.2	147.1
Add: Depreciation & Amortization	28.4	35.0	37.6	38.3
Net Increase in Current Assets	-13.9	-26.8	-30.9	-22.7
Net Increase in Current Liabilities	-1.2	-0.6	5.5	3.6
Others	-4.2	-1.8	1.9	1.9
<b>CF from operating activities</b>	<b>162.9</b>	<b>122.3</b>	<b>128.3</b>	<b>168.1</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	-1.9	-1.9
<b>CF from financing activities</b>	<b>-26.3</b>	<b>-27.4</b>	<b>-13.1</b>	<b>-15.9</b>
Net Cash flow	114.8	75.9	95.9	136.3
Opening Cash	83.0	197.8	273.6	369.6
Closing Cash	197.8	273.6	369.6	505.9
<b>Free Cash Flow</b>	<b>143.5</b>	<b>95.4</b>	<b>113.3</b>	<b>156.1</b>

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	1,169.3	1,302.4
Total Shareholders funds	970.7	1,088.6	1,191.6	1,324.7
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>1,310.2</b>	<b>1,440.9</b>
Gross Block - Fixed Assets	497.8	544.9	564.9	574.9
Accumulated Depreciation	187.1	221.9	259.5	297.8
Net Block	310.7	323.0	305.4	277.1
Capital WIP	10.4	15.1	10.1	12.1
Net Fixed Assets	321.1	338.1	315.5	289.2
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	144.5	154.6
Cash	197.8	273.6	369.6	505.9
Debtors	86.3	88.2	94.6	106.2
Loans & Advances & Other CA	16.8	19.7	20.7	21.8
Total Current Assets	394.8	502.5	629.4	788.4
Creditors	15.2	17.9	21.4	22.9
Provisions & Other CL	62.9	57.6	63.1	66.7
Total Current Liabilities	62.9	57.6	63.1	66.7
Net Current Assets	331.9	444.9	566.3	721.7
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>1,310.2</b>	<b>1,440.9</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	10.2	13.2
Cash EPS	14.7	12.8	12.6	15.3
BV	86.8	97.4	106.6	118.5
DPS	0.9	1.0	1.0	1.3
Cash Per Share	17.7	24.5	33.1	45.2
<b>Operating Ratios (%)</b>				
Gross Profit Margins	80.3	79.3	76.9	78.0
EBITDA margins	46.1	38.0	34.8	38.3
PAT Margins	29.1	22.6	20.1	23.1
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	1.1
<b>Return Ratios (%)</b>				
RoE	15.1	11.0	9.6	11.1
RoCE	19.4	14.3	12.6	14.7
RoIC	26.7	20.3	19.3	25.1
<b>Valuation Ratios (x)</b>				
P/E	20.8	25.4	26.6	20.7
EV / EBITDA	11.8	13.4	13.2	10.1
EV / Revenues	5.5	5.1	4.6	3.9
Market Cap / Revenues	6.1	5.7	5.4	4.8
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	0.1	0.1
Current Ratio	3.1	4.0	4.1	4.2

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%



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