

CMP: ₹ 1275

Target: ₹ 1495 (17%)

Target Period: 12 months

July 29, 2022

## Margins weak but branded generics outlook strong...

**About the stock:** Ajanta Pharma is a focused player in branded, which constitutes ~72% of overall sales, spread across geographies including India.

- As of FY22, overall exports: domestic formulations ratio was at 70:30
- Among exports, Asia accounts for ~35% of export formulations, Africa 34% & US 30%. The company also participates in anti-malarial tenders in Africa (included in Africa)

**Q1FY23 Results:** Revenues were above estimates amid strong traction in India and export branded business while margins were sub-par amid 654 bps YoY decline in gross margins to 70.5%.

- Sales were up 27% YoY to ₹ 951 crore
- EBITDA was at ₹ 222 crore while margins contracted 612 bps YoY to 23.3%
- Adjusted PAT was at ₹ 175 crore versus ₹ 174 crore in Q1FY22

**What should investors do?** Ajanta's share price has grown by ~2.14x over the past three years (from ~₹ 595 in July 2019 to ~₹ 1275 levels in July 2022).

- We maintain **BUY** as it remains a compelling play on branded generics (~72% exposure) with strong execution track record and financials

**Target Price and Valuation:** Valued at ₹ 1495 i.e. 21x P/E on FY24E EPS of ₹ 71.1

### Key triggers for future price performance:

- Focus on maximum number of first time launches (Q1FY23 launches:7, first to market:2 in India) with focus on new drug delivery system (NDDS)
- In emerging markets, front-end marketing for direct interaction with doctors
- Calculated focus, healthy margins, return profile and lighter balance sheet are some key differentiators for Ajanta
- Margins are likely to improve amid operational leverage, expected softening of raw material cost and incremental focus on branded business

**Alternate Stock Idea:** Apart from Ajanta, we like Indoco Remedies.

- Indoco manufactures and markets branded formulations and APIs for the domestic and export markets.
- BUY with a target price of ₹ 510

### Key Financial Summary

Key Financials (₹ Crore)	FY20	FY21	FY22	5 year CAGR (FY17-22)	FY23E	FY24E	2 year CAGR (FY22-24E)
Revenues	2587.9	2889.7	3341.0	10.8	3777.8	4178.5	11.8
EBITDA	683.3	998.6	929.3	6.2	985.0	1164.8	12.0
EBITDA margins (%)	26.4	34.6	27.8		26.1	27.9	
Net Profit	467.7	653.9	712.7	7.1	769.9	911.4	13.1
EPS (₹)	36.8	51.0	55.6		60.1	71.1	
PE (x)	34.9	25.0	22.9		21.2	17.9	
EV to EBITDA (x)	23.6	16.0	17.2		15.9	13.0	
RoCE (%)	24.7	29.0	27.0		24.4	24.5	
ROE (%)	18.1	21.8	21.8		19.9	19.9	

Source: Company, ICICI Direct Research

BUY



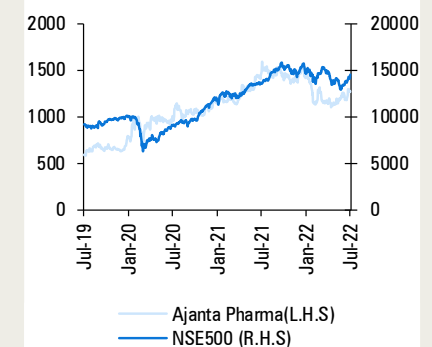
### Particulars

Particular	Amount
Market Capitalisation	₹ 16336 crore
Debt (FY22)	₹ 2 crore
Cash (FY22)	₹ 212 crore
EV	₹ 16126 crore
52 week H/L	1614/1063
Equity capital	₹ 25.7 crore
Face value	₹ 2

### Shareholding pattern

(in %)	Jun-21	Sep-21	Dec-21	Mar-22
Promoter	70.3	70.3	70.3	70.5
Others	29.7	29.7	29.7	29.5

### Price Chart



### Recent Event & Key risks

- 7 launches in domestic formulations in Q1FY23
- Key Risk:** (i) Regulatory delays (ii) Volatility in tender business

### Research Analyst

Siddhant Khandekar  
siddhant.khandekar@icicisecurities.com

Raunak Thakur  
raunak.thakur@icicisecurities.com

Kush Mehta  
kush.mehta@icicisecurities.com

## Key takeaways of recent quarter & conference call highlights

### Q1FY23 Results: Robust branded performance while margins dive

- Ajanta's revenues grew 27% YoY to ₹ 951 crore driven by domestic business growth of 22% YoY to ₹ 279 crore and Emerging markets (branded), which grew 40% YoY to ₹ 409 crore. US sales grew 6.5% YoY to ₹ 179 crore while Africa tender business sales also increased by 43% YoY to ₹ 77 crore. EBITDA margins declined 612 bps YoY to 23.3% due to lower gross margins (down 654 bps YoY to 70.5%) and higher other expenses. EBITDA largely flat YoY at ₹ 222 crores while PAT was flat YoY at ₹ 175 crores.
- Ajanta's domestic business was driven by growth of 10% in Cardiology, 21% in Ophthalmology, 20% in Dermatology and 23% in Pain Management. Traction in Africa branded business and Asia markets was on back of low base last year. US business witnessed slower price erosion this quarter and management expects muted growth of 5% in FY23. Margins declined due to, 1) write-off of inventory (contributing ~2% decline), 2) US price erosion (contributing ~1% decline) and raw material price inflation (contributing ~1% decline). However, margins are likely to recover by ~300 bps sequentially, with guidance to end FY23 with 26-27% EBITDA margins. Ajanta is likely to maintain mid-teen domestic growth momentum leveraging on the new launches and price hike. Company is well placed to leverage its branded position in emerging markets as well through market share gain and new launches. Overall, calculated focus, steady gross margins and lighter balance sheet are some key differentiators for Ajanta.

### Q1FY23 Earnings Conference Call highlights

- **India:** Growth break-up: Volume- 6%, Price- 7% and rest coming from new launches. Q1FY23 Therapy break-up – cardio:41%, opthal:31%, derma:20%, pain:8%. Trade generics contributed ₹ 33 crore in Q1FY23. Total 7 new products launched in Q1FY23 and 2 were first-to-market. Management is guiding for mid-teen growth.
- **Exports:** Q1FY23 Sales break-up – Asia branded:36%, US:27%, Africa branded:25%, Africa institutional:12%. Ajanta's branded presence has strengthened as management is guiding for mid-teen growth, while Africa tender business remains unpredictable.
- **US:** Company has not witnessed any sequential increase in price erosion this quarter. Ajanta filed 1 product in Q1FY23 while another 10-12 ANDAs scheduled in FY23. US is likely to grow by ~4-5% in FY23 before new launches expected to kick in from FY24.
- Gross margins decline was also due to, 1) write-off of inventory (contributing ~2% decline), 2) US price erosion (contributing ~1% decline), raw material price inflation (contributing ~1% decline). Management expects about 300 bps improvement from next quarter on back of 100 bps due to price increase and 200 bps impact was one-off. Consequently, EBITDA margins guidance at 26-27% for FY23.
- R&D expense ₹ 54 crore (6% of sales) in Q1FY23

Exhibit 1: Variance Analysis

	Q1FY23	Q1FY23E	Q1FY22	Q4FY22	YoY (%)	QoQ (%)	Comments
Revenue	950.9	852.3	748.0	870.3	27.1	9.3	YoY growth driven by all business verticals
Raw Material Expenses	280.4	221.6	171.7	239.3	63.4	17.2	
gross margins (%)	70.5	74.0	77.1	72.5	-654 bps	-199 bps	Material cost was higher due to elevated API prices and price erosion in US
Employee Expenses	182.9	166.2	158.0	165.5	15.8	10.5	
Other Expenditure	265.8	242.9	198.1	258.8	34.2	2.7	
Total Operating Expenditure	729.2	630.7	527.8	663.6	38.2	9.9	
EBITDA	221.8	221.6	220.2	206.7	0.7	7.3	
EBITDA (%)	23.3	26.0	29.4	23.7	-612 bps	-43 bps	YoY sharp margins decline was also due to, 1) write-off of inventory (contributing ~2% decline), 2) US price erosion (contributing ~1% decline), raw material price inflation (contributing ~1% decline)
Interest	0.9	0.0	1.5	7.3	-41.7	-88.0	
Depreciation	31.8	36.3	30.9	31.2	2.9	2.0	
Other income	32.8	10.7	32.6	29.5	0.4	11.1	Forex gain of ₹ 28 crore in Q1FY23
PBT before EO	221.9	196.0	220.5	197.7	0.6	12.2	
Less: Exceptional Items	0.0	0.0	0.0	0.0	0.0	0.0	
PBT	221.9	196.0	220.5	197.7	0.6	12.2	
Tax	47.2	44.1	46.7	46.5	1.2	1.7	
MI & Share of loss/ (gain) ass	0.0	0.0	0.0	0.0	0.0	0.0	
Adj. Net Profit	174.6	151.9	173.8	151.2	0.5	15.5	
<b>Key Metrics</b>							
<b>India</b>	<b>279.0</b>	<b>271.3</b>	<b>229.0</b>	<b>245.0</b>	<b>21.8</b>	<b>13.9</b>	YoY growth of 10% in Cardiology, 21% in Ophthalmology, 20% in Dermatology and 23% in Pain Management
<b>Total Export</b>	<b>665.0</b>	<b>568.4</b>	<b>513.0</b>	<b>616.0</b>	<b>29.6</b>	<b>8.0</b>	
Emerging Branded Markets	409.0	347.7	291.0	399.0	40.5	2.5	
Africa - Branded	168.0	141.5	125.0	136.0	34.4	23.5	YoY growth backed by new launches and higher field force
Africa - Tender	77.0	50.2	54.0	50.0	42.6	54.0	
Asia	240.0	206.3	165.0	263.0	45.5	-8.7	YoY growth on low base of Q1FY22
US	179.0	170.5	168.0	168.0	6.5	6.5	Ajanta's US price erosion increase has stopped QoQ in Q1FY23

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

₹ Crore)	FY23E			FY24E			
	Old	New	% Change	Old	New	% Change	
Revenue	3,669.4	3,777.8	3.0	4,076.9	4,178.5	2.5	Changed in accordance with guidance of mid-teen growth in branded
EBITDA	1,018.9	985.0	-3.3	1,182.3	1,164.8	-1.5	
EBITDA Margin (%)	27.8	26.1	-169 bps	29.0	27.9	-112 bps	Change in accordance with continued high input and freight cost
PAT	711.8	769.9	8.2	835.4	911.4	9.1	
EPS (₹)	55.6	60.1	8.2	65.2	71.1	9.1	

Source: ICICI Direct Research

Exhibit 3: Assumptions

₹ crore)	Current					Earlier		
	FY20	FY21	FY22	FY23E	FY24E	FY23E	FY24E	
Domestic	769.0	813.0	982.0	1,121.1	1,256.3	1,089.6	1,221.7	Guidance for mid-teen growth
Africa	594.0	673.0	793.0	899.0	979.5	862.9	947.8	Guidance for mid-teen growth in Branded business
Asia	674.0	713.0	813.0	935.3	1,047.5	908.6	1,017.6	Guidance for mid-teen growth
US	515.0	637.0	696.0	772.7	840.3	754.2	829.6	FY23 likely to witness 4-5% growth amid diminishing price erosion

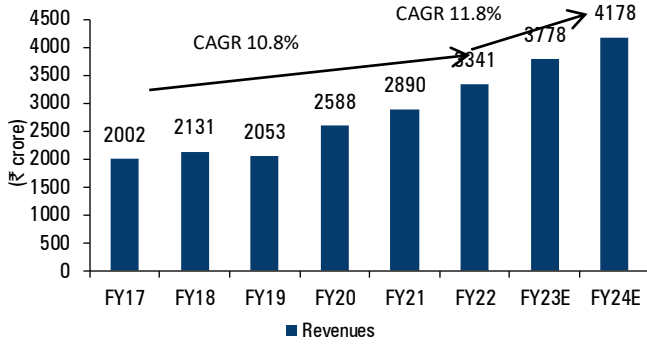
Source: ICICI Direct Research

Exhibit 4: Financial Summary

	Revenues	Growth	EPS	Growth	P/E	EV/EBITDA	RoE	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY21	2890	11.7	51.0	39.8	25.0	16.0	21.8	29.0
FY22	3341	15.6	55.6	9.0	22.9	17.2	21.8	27.0
FY23E	3778	13.1	60.1	8.0	21.2	15.9	19.9	24.4
FY24E	4178	10.6	71.1	18.4	17.9	13.0	19.9	24.5

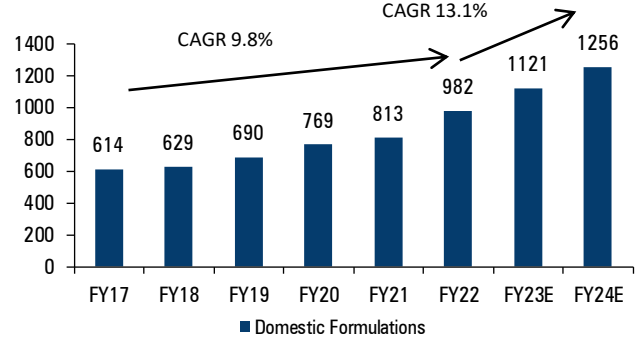
Source: ICICI Direct Research

Exhibit 5: Revenue to grow at ~11.8% CAGR over FY22-24E



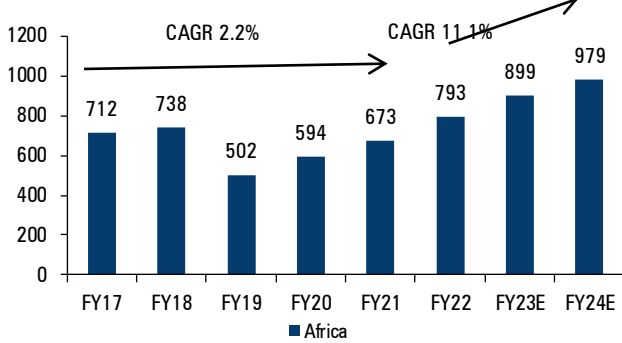
Source: ICICI Direct Research, Company

Exhibit 6: Domestic formulations (₹ crore)



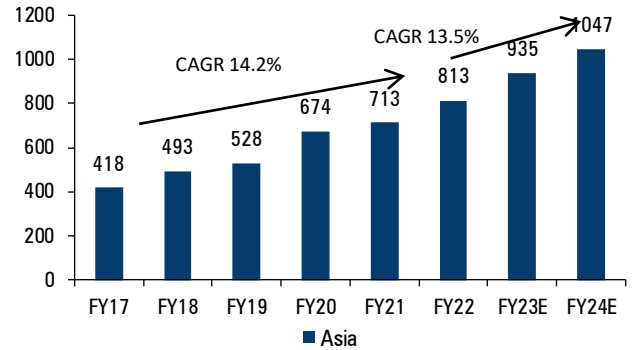
Source: ICICI Direct Research, Company

Exhibit 7: Africa formulations (₹ crore)



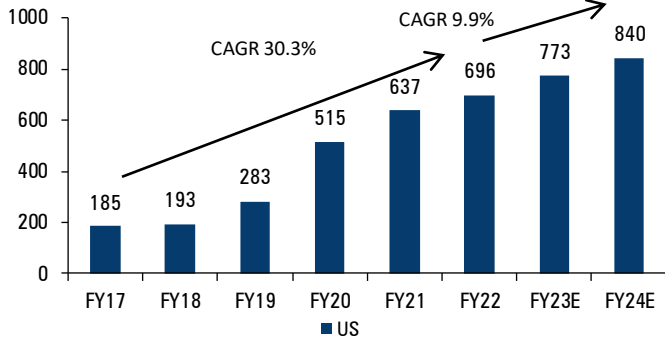
Source: ICICI Direct Research, Company

Exhibit 8: Asia formulations (₹ crore)



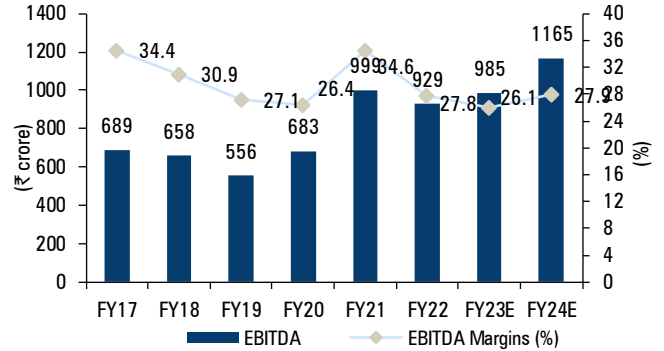
Source: ICICI Direct Research, Company

Exhibit 9: US revenues (₹ crore)



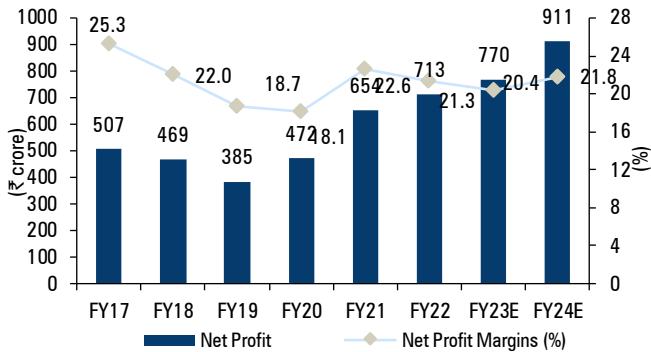
Source: ICICI Direct Research, Company

Exhibit 10: EBITDA & EBITDA margins trend



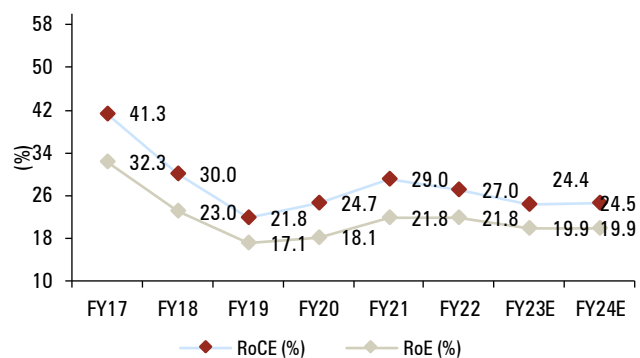
Source: ICICI Direct Research, Company

Exhibit 11: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 12: Return ratios



Source: ICICI Direct Research, Company

**Exhibit 13: Trends in quarterly performance**

(₹ crore)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	YoY (%)	QoQ (%)
Total Operating Income	611.9	642.8	651.2	682.0	668.2	715.9	748.7	756.8	748.0	884.8	837.9	870.3	950.9	27.1	9.3
Raw Material Expenses	142.5	166.5	169.1	177.6	153.1	155.4	168.7	167.9	171.7	232.2	189.1	239.3	280.4	63.4	17.2
% of Revenue	23.3	25.9	26.0	26.0	22.9	21.7	22.5	22.2	22.9	26.2	22.6	27.5	29.5	654 bps	199 bps
Gross Profit	469.4	476.3	482.1	504.4	515.1	560.6	580.1	588.9	576.3	652.6	648.9	631.0	670.5	16.3	6.3
GPM (%)	76.7	74.1	74.0	74.0	77.1	78.3	77.5	77.8	77.1	73.8	77.4	72.5	70.5	-654 bps	-199 bps
Employee Expenses	118.3	117.4	120.4	129.5	135.8	130.5	136.2	145.8	158.0	160.1	162.2	165.5	182.9	15.8	10.5
% of Revenue	19.3	18.3	18.5	19.0	20.3	18.2	18.2	19.3	21.1	18.1	19.4	19.0	19.2	-188 bps	22 bps
Other Expenditure	182.7	181.2	175.8	223.5	156.1	155.8	202.2	183.8	198.1	229.7	247.1	258.8	265.8	34.2	2.7
% of Revenue	29.9	28.2	27.0	32.8	23.4	21.8	27.0	24.3	26.5	26.0	29.5	29.7	28.0	146 bps	-178 bps
Total Expenditure	443.6	465.1	465.2	530.6	445.0	441.7	507.1	497.4	527.8	622.0	598.3	663.6	729.2	38.2	9.9
% of Revenue	72.5	72.4	71.4	77.8	66.6	61.7	67.7	65.7	70.6	70.3	71.4	76.3	76.7	612 bps	43 bps
EBITDA	168.4	177.6	186.0	151.3	223.2	274.3	241.7	259.4	220.2	262.8	239.6	206.7	221.8	0.7	7.3
EBITDA Margin (%)	27.5	27.6	28.6	22.2	33.4	38.3	32.3	34.3	29.4	29.7	28.6	23.7	23.3	-612 bps	-43 bps
Other Income	7.6	13.2	14.6	56.7	13.1	4.9	5.5	2.5	32.6	29.5	24.0	29.5	32.8	0.4	11.1
Interest	1.8	4.9	1.6	3.6	1.6	1.5	2.6	2.6	1.5	0.4	1.0	7.3	0.9	-41.7	-88.0
Depreciation	22.8	23.3	23.6	26.0	28.0	28.3	29.1	30.6	30.9	31.5	31.7	31.2	31.8	2.9	2.0
PBT	151.5	162.6	175.4	178.4	206.7	249.2	215.5	228.8	220.5	260.4	230.9	197.7	221.9	0.6	12.2
Total Tax	36.8	45.2	67.6	46.7	58.9	79.0	38.8	69.5	46.7	64.5	39.2	46.5	47.2	1.2	1.7
Tax rate (%)	24.3	27.8	38.5	26.2	28.5	31.7	18.0	30.4	21.2	24.8	17.0	23.5	21.3	11 bps	-221 bps
PAT	114.6	116.4	107.6	129.2	147.8	170.2	176.6	159.3	173.8	195.9	191.8	151.2	174.6	0.5	15.5
PAT Margin (%)	18.7	18.1	16.5	18.9	22.1	23.8	23.6	21.0	23.2	22.1	22.9	17.4	18.4	-487 bps	99 bps

Source: ICICI Direct Research

**Exhibit 14: 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	4199	4,500	Buy	60379	7.9	59.1	80.9	107.4	534.2	71.0	51.9	39.1	6.3	15.1	16.7	19.3	2.5	15.1	17.7	19.9
Narayana Hrudalaya	NARHRU	659	750	Buy	13464	-0.7	16.7	18.9	21.6	NA	39.4	34.9	30.5	1.2	20.5	18.8	19.5	-1.3	23.0	20.8	19.4
Shalby	SHALIM	116	150	Buy	1251	3.9	5.4	7.5	9.9	29.5	21.4	15.5	11.7	6.5	8.4	11.7	14.3	5.1	6.7	8.6	10.4
Aster DM	ASTDM	227	270	Buy	11331	3.0	10.5	14.4	18.4	76.7	21.5	15.8	12.3	5.4	9.0	11.4	12.9	4.4	13.3	15.4	16.4
Healthcare Global	HEAGLO	270	340	Buy	3752	-13.9	3.9	3.6	8.0	-13.9	69.8	74.5	33.6	-0.9	5.0	7.6	10.2	-0.9	5.0	5.5	10.8
<b>MNC Pharma</b>																					
Abbott India	ABBIND	19950	20,560	Buy	42392	325.0	375.9	439.8	514.0	61.4	53.1	45.4	38.8	33.8	36.6	37.9	36.3	26.5	28.3	29.5	28.1
P&G Health	MERLIM	4398	4,955	Hold	7300	106.5	121.5	130.5	141.6	41.3	36.2	33.7	31.1	32.2	37.3	34.7	32.8	25.1	29.3	27.0	25.4
Sanofi India	SANOFI	6345	6,885	Hold	14613	207.4	410.1	270.5	264.8	30.6	15.5	23.5	24.0	32.3	33.3	41.1	50.7	24.5	25.9	31.2	38.7
Pfizer	PFIZER	4194	4,810	Hold	19185	108.8	133.9	140.4	160.3	38.6	31.3	29.9	26.2	27.6	26.1	23.5	23.0	20.8	21.4	19.2	18.7
<b>Pharma</b>																					
Ajanta Pharma	AJAPHA	1276	1,495	Buy	16355	51.0	55.6	60.1	71.1	25.0	22.9	21.2	17.9	29.0	27.0	24.4	24.5	21.8	21.8	19.9	19.9
Alembic Pharma	ALEMPHA	703	720	Hold	13816	62.8	27.8	29.7	35.9	11.2	25.3	23.7	19.6	25.1	10.6	11.2	13.8	24.1	10.4	10.3	11.3
Aurobindo Pharma	AURPHA	549	610	Hold	32168	55.0	47.4	45.6	51.0	10.0	11.6	12.0	10.8	16.9	12.9	12.5	13.1	14.7	11.3	9.9	10.0
Biocon	BIOCON	306	320	Hold	36678	6.3	5.7	5.5	11.3	48.8	53.6	56.0	26.9	7.7	7.5	4.1	6.5	9.9	8.1	2.8	5.5
Zydus Lifesciences	CADHEA	346	475	Hold	35442	23.3	21.0	20.2	24.0	14.8	16.5	17.1	14.4	13.8	12.0	11.2	12.4	18.4	12.6	11.0	11.7
Cipla	CIPLA	961	1,095	Buy	77519	29.9	32.9	36.2	42.5	32.2	29.2	26.5	22.6	16.3	16.7	16.7	17.7	13.1	12.7	12.6	13.3
Dr Reddy's Labs	DRREDD	4100	4,750	Buy	68241	117.3	126.9	203.4	191.0	35.0	32.3	20.2	21.5	13.1	13.0	19.1	18.1	11.1	11.0	15.4	13.0
Glenmark Pharma	GLEPHA	378	460	Hold	10667	32.9	42.7	41.0	48.3	11.5	8.9	9.2	7.8	13.9	14.8	14.5	15.4	13.1	13.2	11.4	11.9
Ipca Laboratories	IPCLAB	994	1,000	Hold	25217	44.9	34.8	32.7	39.9	22.1	28.5	30.4	24.9	27.1	17.4	16.2	17.4	24.2	16.1	13.4	14.4
Jubilant Pharmova	JUBLIF	360	410	Hold	5741	37.4	26.0	24.2	31.4	9.6	13.9	14.9	11.5	13.7	9.0	7.7	9.4	12.6	7.8	6.8	8.2
Lupin	LUPIN	639	610	Hold	29034	26.9	11.9	18.7	30.5	23.8	53.8	34.1	21.0	9.6	3.4	7.6	11.2	8.8	4.4	6.6	9.8
Natco Pharma	NATPHA	679	820	Hold	12396	24.2	9.3	28.3	33.2	28.1	72.9	24.0	20.5	13.1	4.6	13.3	14.1	10.7	4.0	11.0	11.6
Sun Pharma	SUNPHA	887	1,070	Buy	212893	30.0	32.0	32.6	38.3	29.5	27.8	27.2	23.2	14.2	18.2	17.7	18.2	15.5	16.0	14.3	14.7
Torrent Pharma	TORPHA	1519	1,615	Hold	51395	37.0	32.0	43.4	53.9	41.1	47.4	35.0	28.2	17.6	19.7	24.3	29.1	21.4	18.2	20.8	21.6
Indoco Remedies	INDREM	385	510	Buy	3548	10.1	16.8	21.8	28.4	38.1	22.9	17.6	13.6	11.7	17.5	18.8	24.9	12.1	17.1	18.7	20.2
Caplin Point	CAPPOI	767	895	Buy	5815	81.7	85.3	68.3	70.8	9.4	9.0	11.2	10.8	25.3	23.7	22.5	0.0	20.4	20.2	18.5	17.5
Advanced Enzymes	ADVENZ	289	290	Hold	3230	13.1	10.7	10.2	13.2	22.1	27.0	28.3	22.0	19.4	14.3	12.6	14.7	15.1	11.0	9.6	11.1
Hester Biosciences	HESPHA	2212	2,445	Hold	1882	44.4	45.7	41.3	63.2	49.8	48.4	53.6	35.0	16.2	10.9	9.9	13.4	16.5	15.0	12.2	16.3
<b>API/CRAMS</b>																					
Divi's Lab	DIVLAB	3861	4,655	Buy	102492	74.7	111.5	105.7	122.5	51.7	34.6	36.5	31.5	27.6	30.2	25.8	25.5	21.3	25.2	20.3	20.0
Hikal	HIKCHE	252	340	Buy	3107	10.8	13.0	11.1	19.0	23.3	19.4	22.8	13.3	15.1	13.6	10.9	16.3	14.3	15.0	11.5	16.8
Syngene Int.	SYNINT	570	710	Buy	22880	10.1	9.9	11.5	14.6	56.3	57.8	49.4	39.1	11.5	11.7	12.8	15.2	13.5	12.9	12.4	13.7
Granules India	GRANUL	304	345	Buy	7532	22.2	16.6	19.6	24.6	13.7	18.2	15.5	12.3	24.0	15.6	16.8	18.6	25.3	16.0	16.0	16.9
Laurus Labs	LAULAB	525	675	Buy	28193	18.3	15.4	20.7	27.0	28.7	34.1	25.3	19.5	31.7	21.3	23.6	26.0	37.9	24.7	25.6	25.6
Suven Pharmaceuticals	SUVPH	470	555	Hold	11966	14.2	17.8	17.0	18.5	33.0	26.4	27.6	25.3	31.2	37.5	28.5	26.0	30.7	29.7	23.0	20.8

Source: ICICI Direct Research

## Financial Summary

Exhibit 15: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Total Operating Income	2,889.7	3,341.0	3,777.8	4,178.5
Growth (%)	11.7	15.6	13.1	10.6
Raw Material Expenses	645.1	832.3	1,010.8	1,044.6
Gross Profit	2,244.6	2,508.7	2,767.0	3,133.9
Gross Profit Margins (%)	77.7	75.1	73.2	75.0
Employee Expenses	548.3	645.8	734.2	814.8
Other Expenditure	697.8	933.6	1,047.9	1,154.2
Total Operating Expenditure	1,891.1	2,411.7	2,792.8	3,013.6
<b>EBITDA</b>	<b>998.6</b>	<b>929.3</b>	<b>985.0</b>	<b>1,164.8</b>
Growth (%)	46.1	-6.9	6.0	18.3
Interest	8.3	10.2	1.0	0.1
Depreciation	116.1	125.3	136.0	150.7
Other Income	26.0	115.7	130.1	144.0
<b>PBT before Exceptional Items</b>	<b>900.2</b>	<b>909.5</b>	<b>978.1</b>	<b>1,158.0</b>
Less: Exceptional Items	0.0	0.0	0.0	0.0
PBT after Exceptional Items	900.2	909.5	978.1	1,158.0
Total Tax	246.3	196.8	208.3	246.6
PAT before MI	653.9	712.7	769.9	911.4
<b>PAT</b>	<b>653.9</b>	<b>712.7</b>	<b>769.9</b>	<b>911.4</b>
Growth (%)	39.8	9.0	8.0	18.4
<b>EPS (Adjusted)</b>	<b>51.0</b>	<b>55.6</b>	<b>60.1</b>	<b>71.1</b>

Source: Company, ICICI Direct Research

Exhibit 16: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit/(Loss) after taxation	669.8	670.4	769.9	911.4
Add: Depreciation & Amortization	116.1	125.3	136.0	150.7
Net Increase in Current Assets	-268.5	-245.0	-305.4	-156.9
Net Increase in Current Liabilities	59.7	44.6	76.6	19.8
Others	-0.8	-33.2	1.0	0.1
<b>CF from Operating activities</b>	<b>576.3</b>	<b>562.1</b>	<b>678.0</b>	<b>925.1</b>
(Purchase)/Sale of Fixed Assets	-158.9	-130.5	-200.0	-150.0
Investments	-123.5	56.4	0.0	0.0
Others	28.7	-25.7	0.8	0.8
<b>CF from Investing activities</b>	<b>-253.7</b>	<b>-99.8</b>	<b>-199.2</b>	<b>-149.2</b>
(inc)/Dec in Loan	-44.0	0.2	0.0	0.0
Dividend & Dividend tax	-82.9	-82.2	-173.0	-198.6
Other	-191.4	-378.1	-1.0	-0.1
CF from Financing activities	-318.3	-460.0	-173.9	-198.7
<b>Net Cash Flow</b>	<b>4.4</b>	<b>2.2</b>	<b>304.9</b>	<b>577.3</b>
Cash and Cash Equivalent	205.3	209.6	211.8	516.7
<b>Cash</b>	<b>209.6</b>	<b>211.8</b>	<b>516.7</b>	<b>1,094.0</b>
<b>Free Cash Flow</b>	<b>417.4</b>	<b>431.6</b>	<b>478.0</b>	<b>775.1</b>

Source: Company, ICICI Direct Research

Exhibit 17: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Equity Capital	17.4	17.2	25.7	25.7
Reserve and Surplus	2,978.2	3,247.2	3,835.5	4,548.3
Total Shareholders funds	2,995.6	3,264.4	3,861.2	4,574.0
Total Debt	1.7	1.9	1.9	1.9
Deferred Tax Liability	92.2	101.9	103.9	106.0
Long-Term Provisions	17.9	19.3	19.7	20.1
Other Non Current Liabilities	22.8	21.0	21.4	21.9
<b>Source of Funds</b>	<b>3,130.2</b>	<b>3,408.5</b>	<b>4,008.2</b>	<b>4,723.9</b>
Gross Block - Fixed Assets	2,140.8	2,217.8	2,417.8	2,567.8
Accumulated Depreciation	599.7	705.8	841.8	992.6
Net Block	1,541.1	1,512.0	1,576.0	1,575.2
Capital WIP	108.2	152.9	152.9	152.9
Fixed Assets	1,649.3	1,664.9	1,728.8	1,728.1
Investments	175.7	147.0	147.0	147.0
Other non-Current Assets	101.8	101.2	103.2	105.3
Inventory	766.5	791.1	960.7	992.9
Debtors	738.4	1,019.8	1,153.1	1,275.4
Other Current Assets	137.4	119.9	122.3	124.8
Cash	209.6	211.8	516.7	1,094.0
Total Current Assets	1,851.9	2,142.6	2,752.9	3,487.1
Creditors	373.9	327.2	397.3	410.6
Provisions	11.7	10.8	11.0	11.2
Other Current Liabilities	263.0	309.1	315.3	321.6
Total Current Liabilities	648.5	647.1	723.7	743.5
Net Current Assets	1,203.4	1,495.5	2,029.2	2,743.6
<b>Application of Funds</b>	<b>3,130.2</b>	<b>3,408.5</b>	<b>4,008.2</b>	<b>4,723.9</b>

Source: Company, ICICI Direct Research

Exhibit 18: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
<b>Per share data (₹)</b>				
Reported EPS	51.0	55.6	60.1	71.1
Cash EPS	47.4	55.9	57.2	67.4
BV per share	233.8	254.8	301.4	357.0
Cash per Share	16.4	16.5	40.3	85.4
Dividend per share	12.7	9.5	13.5	15.5
<b>Operating Ratios (%)</b>				
Gross Profit Margins	77.7	75.1	73.2	75.0
EBITDA margins	34.6	27.8	26.1	27.9
PAT Margins	22.6	21.3	20.4	21.8
Cash Conversion Cycle	315.4	314.9	314.9	314.9
Asset Turnover	1.3	1.5	1.6	1.6
EBITDA conversion Rate	57.7	60.5	68.8	79.4
<b>Return Ratios (%)</b>				
RoE	21.8	21.8	19.9	19.9
RoCE	29.0	27.0	24.4	24.5
RoIC	33.5	27.5	26.4	30.2
<b>Valuation Ratios (x)</b>				
P/E	25.0	22.9	21.2	17.9
EV / EBITDA	16.0	17.2	15.9	13.0
EV / Net Sales	5.5	4.8	4.2	3.6
Market Cap / Sales	5.7	4.9	4.3	3.9
Price to Book Value	5.5	5.0	4.2	3.6
<b>Solvency Ratios</b>				
Debt / EBITDA	0.0	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	2.5	3.0	3.1	3.2

Source: Company, ICICI Direct Research

## RATING RATIONALE

ICICI Direct endeavors to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

[pankaj.pandey@icicisecurities.com](mailto:pankaj.pandey@icicisecurities.com)

ICICI Direct Research Desk,  
ICICI Securities Limited,  
1st Floor, Akruiti Trade Centre,  
Road No 7, MIDC,  
Andheri (East)  
Mumbai – 400 093  
[research@icicidirect.com](mailto:research@icicidirect.com)



## ANALYST CERTIFICATION

We, Siddhant Khandekar, Inter CA, Raunak Thakur, PGDM, Kush Mehta, CA, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

## Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH00000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com).

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icicidirect.com](http://icicidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.