

Steady Q2 numbers amid better margins...

About the stock: Biocon mainly operates in biologics (biosimilars), small molecules (generics), branded formulations and contract research (Syngene).

- Robust biosimilar portfolio with partners like Viartis, Sandoz (for future launches), Adagio among others. Biosimilar US pipeline: (Approvals - Pegfilgrastim, Trastuzumab, Glargine, Adalimumab); filed - Aspart and Bevacizumab. Global footprint in +120 countries for biosimilars
- In generics, it is among the world's largest manufacturers of immunosuppressant and statin APIs
- Revenue breakup FY21: Biosimilars (37%), Generics (31%), CRAMS (29%)

Q2FY22 Results: Biocon reported steady Q2FY22 results.

- Revenue was up 5.5% YoY to ₹ 1840.4 crore
- EBITDA in Q2FY22 was ₹ 445.8 crore, down 13.9% YoY with margins at 24%
- Consequent PAT was at ₹ 138.3 crore (down 18.3% YoY)

What should investors do? Biocon's share price has grown by ~2.7x over the past five years (from ~₹ 123 in June 2016 to ~₹ 340 levels in October 2021).

- We maintain HOLD as we await regaining of biosimilars momentum

Target Price and Valuation: We value Biocon at ₹ 380 on SOTP basis

Key triggers for future price performance:

- **Biosimilars-** 1) market share gains in existing biosimilar products in US, 2) expected approvals and launches of bBevacizumab and bAspart, 3) bGlargine ramp up post interchangeability approval and formulary registration in the US
- Geographical expansion and marketing authorisation for bBevacizumab in Australia, UK and overall biosimilar performances in MOW markets
- Developments on the vaccines front post strategic alliance with Serum
- **CRAMS-** Syngene Mangalore facility customer validations and approvals
- **Generics-** Ramp-up of Tacrolimus along with Labetalol & Esomeprazole opportunity in US with market-size ~ US\$63 million & US\$230 million, respectively

Alternate Stock Idea: Besides Biocon, in formulations space we like Sun Pharma.

- US specialty product pipeline and steady progress
- Higher contribution from specialty and strong domestic franchise is likely to change the product mix towards more remunerative businesses by FY23



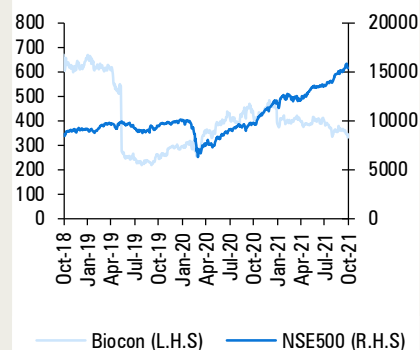
Particulars

Particular	Amount
Market Capitalisation	₹ 40800 crore
Debt (FY21)	₹ 4259 crore
Cash (FY21)	₹ 1096 crore
EV	₹ 43963 crore
52 week H/L	488/328
Equity capital (₹Crore)	₹ 600 crore
Face value (₹)	₹ 5

Shareholding pattern

(in %)	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
Promoter	60.7	60.7	60.7	60.6	60.6
Others	39.3	39.3	39.3	39.4	39.4

Price Chart



Recent Event & Key risks

- Biocon Biologics and Serum Institute Life Sciences Strategic Alliance
- **Key Risk:** (i) Good launches in pipeline, (ii) Pricing pressure in US.

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Key Financial Summary

Key Financials (₹ crore)	FY20	FY21	5 year CAGR (FY16-21)	FY22E	FY23E	FY24E	3 year CAGR (FY21-24E)
Revenues (₹ crore)	6367.2	7105.8	16.0	7786.9	9467.4	11274.0	16.6
EBITDA (₹ crore)	1603.1	1640.0	20.9	1852.5	2547.7	3261.5	25.8
EBITDA margins (%)	25.2	23.1		23.8	26.9	28.9	
Net Profit (₹ crore)	698.2	730.3	6.1	645.6	1113.1	1554.3	28.6
EPS (₹)	5.8	6.1		5.4	9.3	13.0	
P/E (x)	54.5	55.1		69.0	36.7	26.2	
RoCE (%)	10.2	7.6		7.8	10.0	12.2	
RoE (x)	10.4	9.6		7.9	12.2	14.7	

Key takeaways of recent quarter & conference call highlights

Q2FY22 Results: Numbers in line with estimates, better margins

- Revenues grew 5.5% YoY to ₹ 1840.4 crore (I-direct estimate: ₹ 1921.1 crore). Biosimilars grew 9.8% YoY to ₹ 742.5 crore, lower than I-direct estimates of ₹ 840.6 crore. Research services segment grew 17.4% YoY at ₹ 610.2 crore, above I-direct estimate of ₹ 571.6 crore. Generic sales de-grew 11.5% YoY to ₹ 530 crore (I-direct estimate: ₹ 509 crore) due to continued pricing pressure in US and slower ramp up of demand for some APIs
- EBITDA margins improved 179 bps YoY to 24.2% (I-direct estimate: 22%) mainly due to steady gross margin at 69.3% and lower other expenditure. EBITDA improved 13.9% YoY to ₹ 445.8 crore against I-direct estimate of ₹ 423 crore
- Net profit de-grew 18.3% YoY to ₹ 138.3 crore (I-direct estimate: ₹ 107 crore). Delta vis-a vis EBITDA was on account of higher interest cost, depreciation and tax expenses

Q2FY22 Earnings Conference Call highlights

- **Generics**
 - Pricing pressure in US for formulations portfolio, and a slower than expected ramp up of demand for some key APIs
 - Expanding formulations portfolio with the launch of Everolimus tablets in US in October 2021
 - In September, USFDA conducted a Remote Interactive Evaluation for oral solid dosage manufacturing facility in Bengaluru, as part of a pre-approval review for previously filed ANDAs. The final close-out report from the agency is awaited
 - Greenfield immunosuppressant's API manufacturing facility in Visakhapatnam, remains on track to be commissioned in the latter part of FY22, with qualification and validation in FY23
- **Novel Biologics**
 - Equillium to initiate a Phase-3 Pivotal Study for use of Itolizumab in First-Line treatment of Acute Graft Versus Host Disease (aGVHD) and is on track to initiate the study in Q4 of CY21
 - During Q2FY22, Bicara Therapeutics continued to make progress in the dose finding part of the Phase 1 trial for BCA101, as single agent and in combination with a PD1 inhibitor. Anticipated recommended dose for expansion by the end of CY21
- **Biosimilars**
 - Interchangeable bGlargine (brand name Semglee) to be listed as a preferred insulin brand on National Preferred Formulary of Express Scripts, a leading US pharmacy benefit management organisation
 - Commercialised bBevacizumab in several EU markets, and Malaysia
 - Received approval for bAspart from Health Canada
 - Entered into a strategic alliance with Serum Institute Life Sciences (SILS) for a foray into vaccines; will get committed access to 100 million doses of SILS' vaccines annually for 15 years in exchange for ~15% stake at a post-money valuation of ~US\$4.9 billion
 - Partnered with Adagio Therapeutics to manufacture and commercialise a broadly neutralising antibody, ADG20, for the prevention and treatment of Covid-19, for select markets across GCC & Asia, including India

- Market shares of bPegfilgrastim and bTrastuzumab continue to grow in Europe, with bTrastuzumab being the leading biosimilar in some EU markets
- In US, bTrastuzumab (Ogivri) and bPegfilgrastim (Fulphila) maintained a high single-digit market share while bGlargine (Semglee) continues to report a steady increase in market share.
- bTrastuzumab continues to be a leading biosimilar in Canada and Australia
- Biocon Biologics has submitted a Corrective and Preventive Action Plan (CAPA) to USFDA, in response to the pre-approval inspection of the manufacturing facility in Malaysia, for bAspart, held in September 2021
- **Emerging Markets**
 - In the AFMET region, launched bGlargine, bPegfilgrastim and bTrastuzumab in some new markets like Tunisia, Belarus, Israel, etc
 - In LatAm, bTrastuzumab (Zedora) continued to retain its leadership position in Brazil with a strong double-digit market share while in Argentina further inroads made with bTrastuzumab
- **Research Services**
 - Strong performances in all divisions. In Discovery Services, there was a positive demand for new services like Protein Degradation Technology (PROTACS) and Peptide Synthesis
 - Expanded the client base in biologics powered by expansion of microbial manufacturing and capacity building in mammalian manufacturing

Exhibit 1: Variance Analysis

	Q2FY22	Q2FY22E	Q2FY21	YoY (%)	Q1FY22	QoQ (%)	Comments
Revenue	1,840.4	1,921.1	1,744.8	5.5	1,760.6	4.5	Subdued growth and miss vis-à-vis I-direct estimates mainly due to less than expected traction in Biosimilars
Raw Material co:	565.1	653.2	531.4	6.3	612.1	-7.7	
Gross margins	69.3	66.0	69.5	-25 bps	65.2	406 bps	Gross margins improved on back of less product mix towards lower margin Covid portfolio in Q2
Employee cost	478.8	475.8	431.9	10.9	436.0	9.8	
R & D Expenditur	146.0	147.5	148.0	-1.4	120.0	21.7	Gross R&D spend was ₹ 165 crore in Q2FY22
Other Expenditure	204.7	221.7	242.1	-15.4	203.2	0.7	
Total Expenditure	1,394.6	1,498.2	1,353.4	3.0	1,371.3	1.7	
EBITDA	445.8	423.0	391.4	13.9	389.3	14.5	
EBITDA (%)	24.2	22.0	22.4	179 bps	22.1	211 bps	Margins Improvement better than I-direct estimates mainly due to lower other expenditure and higher margin realizations in Biosimilars
Interest	22.5	19.9	6.5	246.2	19.9	13.1	
Depreciation	201.5	197.3	177.7	13.4	194.8	3.4	
Other income	104.9	51.5	15.5	576.8	47.2	122.2	
EO	70.1	0.0	0.0	0.0	0.0	0.0	
PBT	256.6	257.3	222.7	15.2	221.8	15.7	
Tax	46.3	59.2	22.3	107.6	57.3	-19.2	
MI	21.4	35.0	26.1	-18.0	24.0	-10.8	
Adj. PAT	138.3	107.0	169.3	-18.3	84.4	63.9	Delta vis-a vis EBITDA was on account of higher interest cost, depreciation and tax expenses
Key Metrics							
Generics	530.0	509.0	598.8	-11.5	486.3	9.0	YoY decline and miss vis-à-vis I-direct estimates amid 1) slower ramp up in demand for key APIs, 2) continuous pricing pressure in generic portfolio
Biosimilars	742.5	840.6	676.1	9.8	758.1	-2.1	Lower than I-direct estimates due to lower than expected market share gain
Contract Researc	610.2	571.6	519.6	17.4	594.5	2.6	YoY growth amid demand from all verticals and manufacturing of Remdesivir

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY22E			FY23E			FY24E			Comments
	Old	New	% Change	Old	New	% Change	Old	New	% Change	
Revenues	8,262.0	7,786.9	-5.8	10,572.0	9,467.4	-10.4	NA	11,274.0	NA	Decline mainly due to slower than expected ramp-up in biosimilar segment
EBITDA	2,014.3	1,852.5	-8.0	3,033.8	2,547.7	-16.0	NA	3,261.5	NA	
EBITDA Margin (%)	24.4	23.8	-61 bps	28.7	26.9	-179 bps	NA	28.9	NA	Better than expected margins in FY21, lower adverse product mix of Covid and margin improvement in Biosimilars
Net Profit	734.7	645.6	-12.1	1,505.4	1,113.1	-26.1	NA	1,554.3	NA	
EPS (₹)	6.1	5.4	-11.8	12.5	9.3	-25.8	NA	13.0	NA	Changed mainly in sync with operational performance and increase in depreciation

Source: ICICI Direct Research

Exhibit 3: Assumptions

Growth (%)	Current					Earlier				Comments
	FY20	FY21	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E		
Generics	2,207.3	2,335.9	2,182.9	2,357.5	2,540.8	2,522.8	2,724.6	NA	Changed mainly due to lower than expected sales in Q1FY22 and continuous pricing pressure in existing portfolio	
Biosimilars	2,315.0	2,800.2	3,209.0	4,174.7	5,218.4	3,629.2	5,080.9	NA	Changed mainly due to less than expected traction in gain of market share	
Contract Research	2,012.0	2,184.3	2,515.6	2,935.2	3,514.9	2,516.9	3,078.4	NA		

Source: ICICI Direct Research

Exhibit 4: Valuation

Particulars	FY24E EPS (₹ cr)	Multiple (x)	Per share (₹)
Biocon (ex Syngene)	9.0	24.0	215.1
NPV (Vaccines)			31.5
Syngene			
	Targeted Market Cap		28400
	Biocon's Holding		71.1%
	Holding Company Discount		20.0%
	Syngene valuation		16145
	Per share valuation		135
SOTP valuation			380

Source: Company, ICICI Direct Research

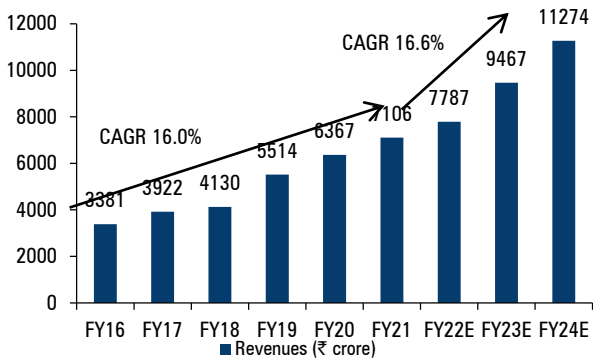
Exhibit 5: Financial Summary

	Revenues (₹ crore)	Growth (%)	EPS (₹)	Growth (%)	P/E (x)	EV/EBITDA (X)	RoNW (%)	RoCE (%)
FY21	7106	11.6	6.1	4.6	55.1	25.6	9.6	7.6
FY22E	7787	9.6	5.4	-11.6	69.0	23.1	7.9	7.8
FY23E	9467	21.6	9.3	72.4	36.7	16.8	12.2	10.0
FY24E	11274	19.1	13.0	39.6	26.2	12.9	14.7	12.2

Source: Company, ICICI Direct Research

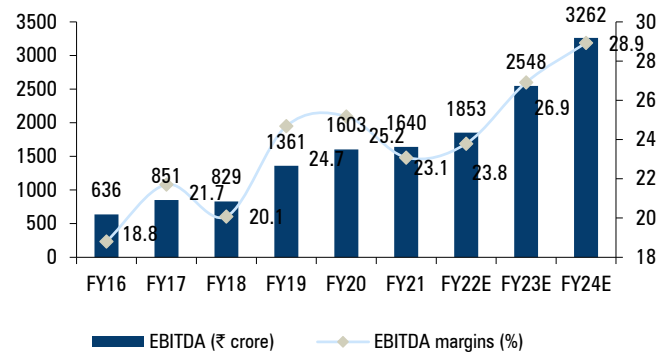
Key Metrics

Exhibit 6: Revenues to grow at CAGR of 17% over FY21-23E



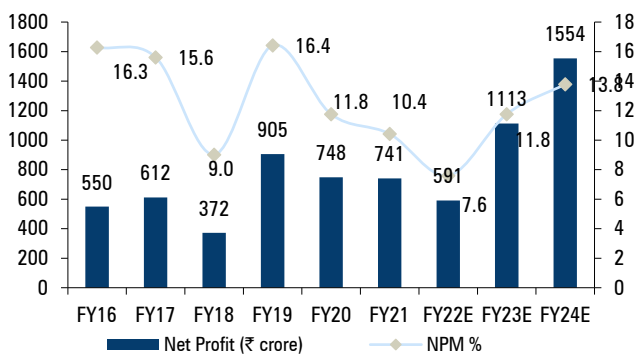
Source: ICICI Direct Research, Company

Exhibit 7: EBITDA and EBITDA margins trend



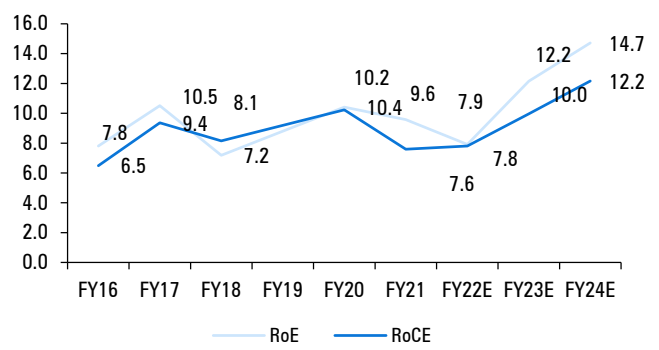
Source: ICICI Direct Research, Company

Exhibit 8: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 9: Return ratios



Source: ICICI Direct Research, Company

Exhibit 10: Trends in Quarterly Performance

(₹ Crore)	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	YoY (%)	QoQ(%)
Revenues	1321.0	1540.8	1528.8	1465.9	1572.2	1748.1	1581.0	1671.3	1744.8	1851.0	1838.7	1760.6	1840.4	5.5	4.5
Raw Material Cost	446.7	528.1	487.9	424.5	477.9	577.3	572.5	541.6	531.4	559.9	575.6	612.1	565.1	6.3	-7.7
% to revenues	33.8	34.3	31.9	29.0	30.4	33.0	36.2	32.4	30.5	30.2	31.3	34.8	30.7		
Gross Profit	874.3	1012.7	1040.9	1041.4	1094.3	1170.8	1008.5	1129.7	1213.4	1291.1	1263.1	1148.5	1275.3	5.1	11.0
Gross Profit Margin (%)	66.2	65.7	68.1	71.0	69.6	67.0	63.8	67.6	69.5	69.8	68.7	65.2	69.3	-25 bps	406 bps
Employee cost	288.9	294.4	320.6	341.0	353.3	376.1	388.4	393.7	431.9	463.3	452.1	436.0	478.8	10.9	9.8
% to revenues	21.9	19.1	21.0	23.3	22.5	21.5	24.6	23.6	24.8	25.0	24.6	24.8	26.0	126 bps	125 bps
R & D	77.0	77.0	92.0	79.0	104.0	131.0	125.0	107.0	148.0	171.0	127.0	120.0	146.0		
% to revenues	5.8	5.0	6.0	5.4	6.6	7.5	7.9	6.4	8.5	9.2	6.9	6.8	7.9	-55 bps	112 bps
Other Expenditure	168.8	260.6	225.3	183.9	234.2	219.5	176.5	215.7	242.1	257.3	248.2	203.2	204.7	-15.4	0.7
% to revenues	12.8	16.9	14.7	12.5	14.9	12.6	11.2	12.9	13.9	13.9	13.5	11.5	11.1	-275 bps	-42 bps
Total Expenditure	981.4	1160.1	1125.8	1028.4	1169.4	1303.9	1262.4	1258.0	1353.4	1451.5	1402.9	1371.3	1394.6	3.0	1.7
% to revenues	74.3	75.3	73.6	70.2	74.4	74.6	79.8	75.3	77.6	78.4	76.3	77.9	75.8		
EBIDTA	339.6	380.7	403.0	437.5	402.8	444.2	318.6	413.3	391.4	399.5	435.8	389.3	445.8	13.9	14.5
EBITDA Margin (%)	25.7	24.7	26.4	29.8	25.6	25.4	20.2	24.7	22.4	21.6	23.7	22.1	24.2	179 bps	211 bps
Depreciation	112.2	116.7	119.8	124.2	131.6	144.0	152.4	166.8	177.7	186.3	184.3	194.8	201.5	13.4	3.4
Interest	18.8	18.6	15.9	16.6	13.8	17.7	16.8	12.5	6.5	4.8	33.9	19.9	22.5	246.2	13.1
OI	54.4	25.6	28.2	24.1	38.4	35.8	63.1	18.3	15.5	27.9	205.4	47.2	104.9	576.8	122.2
PBT	263.0	271.0	295.5	320.8	295.8	318.3	212.5	252.3	222.7	236.3	423.0	221.8	326.7	46.7	47.3
Tax	73.2	46.1	40.9	85.2	100.1	84.8	45.0	80.9	22.3	48.9	69.4	57.3	46.3	107.6	-19.2
Tax Rate (%)	27.8	17.0	13.8	26.6	33.8	26.6	21.2	32.1	10.0	20.7	16.4	25.8	14.2		
PAT	189.8	224.9	254.6	235.6	195.7	233.5	167.5	171.4	200.4	187.4	353.6	164.5	280.4	39.9	70.5
PAT Margin (%)	14.4	14.6	16.7	16.1	12.4	13.4	10.6	10.3	11.5	10.1	19.2	9.3	15.2		
Exceptional Items (EI)	-188.8	-5.8	0.0	0.0	-67.5	0.0	0.0	0.0	0.0	0.0	-12.6	0.0	70.1		
Net Profit before MI	378.6	230.7	254.6	235.6	263.2	233.5	167.5	171.4	200.4	187.4	366.2	164.5	210.3	4.9	27.8
Add/(less) MI	23.0	26.0	29.7	21.4	38.1	27.5	35.7	18.4	26.1	18.0	43.2	24.0	21.4		
Net Profit after MI	355.6	204.7	224.9	214.2	225.1	206.0	131.8	153.0	174.3	169.4	323.0	140.5	188.9	8.4	34.4
Adjusted Net Profit	165.9	212.4	213.7	206.3	189.0	202.8	123.4	149.4	169.3	168.6	242.6	84.4	195.8	15.6	131.9

Source: ICICI Direct Research

Exhibit 11: ICICI Direct Coverage Universe (Healthcare)

Company	I-Direct Code	CMP (₹)	TP Rating	M Cap (₹ cr)	EPS (₹)				PE(x)				RoCE (%)			RoE (%)					
					FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	
Ajanta Pharma	AJAPHA	2160	2,695	Buy	18690	53.4	74.0	80.8	89.8	40.5	29.2	26.7	24.1	24.7	29.0	24.9	24.0	18.1	21.8	20.2	19.2
Alembic Pharma	ALEMPHA	775	885	Hold	15230	44.4	59.9	35.1	44.2	17.4	12.9	22.1	17.5	21.0	24.2	12.7	14.8	27.1	23.0	12.3	13.8
Apollo Hospitals	APOHOS	4076	4,510	Hold	58602	22.6	7.9	61.2	76.8	180.5	518.5	66.6	53.1	10.2	6.3	15.6	18.2	9.7	2.5	16.0	17.2
Aurobindo Pharma	AURPHA	699	865	Hold	40951	48.8	55.0	54.4	64.6	14.3	12.7	12.8	10.8	17.2	16.9	14.5	15.8	17.0	14.7	12.8	13.3
Biocon	BIOCON	340	380	Hold	40800	5.8	6.1	5.4	9.3	58.4	55.9	63.2	36.7	10.2	7.6	7.8	10.0	10.4	9.6	7.9	12.2
Cadila Healthcare	CADHEA	505	583	Hold	51694	14.0	21.5	20.9	22.0	36.1	23.5	24.2	23.0	10.7	12.6	13.1	12.9	13.8	16.9	12.7	12.1
Cipla	CIPLA	899	1,205	Buy	72497	19.2	29.9	35.3	41.8	46.8	30.1	25.5	21.5	12.0	16.3	17.8	18.5	9.8	13.1	13.9	14.6
Divi's Lab	DIVLAB	5140	5,815	Buy	136451	51.9	74.7	94.7	116.3	99.1	68.8	54.3	44.2	23.9	27.6	28.8	29.2	18.8	21.3	22.5	23.0
Dr Reddy's Labs	DRREDD	4654	5,250	Hold	77419	121.8	117.3	129.1	199.7	38.2	39.7	36.0	23.3	9.6	13.1	13.2	16.6	13.0	11.1	11.0	14.9
Glenmark Pharma	GLEPHA	495	680	Buy	13956	26.4	32.9	35.8	48.1	18.7	15.0	13.8	10.3	12.7	13.9	15.9	17.1	12.2	13.1	11.9	13.9
Hikal	HIKCHE	501	590	Hold	6177	8.1	10.8	16.5	19.6	61.9	46.4	30.4	25.5	12.8	15.1	17.2	18.4	12.2	14.3	18.1	17.9
Ipca Laboratories	IPCLAB	2262	2,560	Buy	28693	47.6	89.9	89.6	102.4	47.6	25.2	25.2	22.1	17.6	27.1	22.5	21.4	16.6	24.2	19.6	18.3
Jubilant Pharmova	JUBLIF	608	850	Buy	9691	44.6	37.4	59.8	84.5	13.6	16.3	10.2	7.2	11.7	13.7	18.3	22.3	12.7	12.6	16.9	19.4
Lupin	LUPIN	921	1,025	Hold	41825	-12.7	26.9	40.1	44.8	NA	34.3	23.0	20.6	9.7	9.1	13.7	14.2	-4.6	8.8	13.0	12.7
Narayana Hrudalaya	NARHRU	505	620	Buy	10320	6.4	-0.7	12.3	15.6	79.5	NA	41.0	32.4	11.0	1.2	14.5	16.8	11.4	-1.3	18.6	19.3
Natco Pharma	NATPHA	841	1,040	Hold	15333	25.3	24.2	19.4	22.6	33.3	34.8	43.4	37.2	14.0	13.1	9.7	10.9	12.2	10.7	8.1	8.8
Sun Pharma	SUNPHA	810	800	Hold	194370	16.8	30.0	25.6	28.5	48.3	27.0	31.7	28.4	10.0	14.2	15.2	15.1	8.9	15.5	12.2	12.1
Syngene Int.	SYNINT	597	710	Buy	23880	10.3	10.1	9.8	13.9	58.0	59.0	61.0	42.8	14.5	11.5	12.6	15.5	16.8	13.5	13.2	14.9
Torrent Pharma	TORPHA	2987	3,250	Buy	50549	60.6	74.0	76.1	100.1	49.3	40.4	39.3	29.8	15.4	17.7	20.3	22.0	21.2	21.4	18.9	21.0
Shalby	SHALIM	165	210	Hold	1888	2.6	3.9	4.8	5.3	64.7	42.1	34.2	30.9	7.2	6.5	8.3	8.2	3.5	5.1	6.0	6.3
Aster DM	ASTDM	196	200	Buy	10572	5.7	3.0	11.1	15.4	34.3	66.2	17.7	12.7	7.2	5.4	9.3	11.2	8.7	4.4	14.1	16.4
Indoco Remedies	INDREM	469	575	Buy	4299	2.6	10.1	16.7	23.9	179.2	46.4	28.0	19.6	4.6	11.7	19.4	21.7	3.5	12.1	17.1	20.2
Caplin Point	CAPPOI	862	1,135	Buy	6936	28.4	32.0	40.8	47.4	30.3	26.9	21.1	18.2	26.5	25.4	26.1	25.6	22.7	20.4	21.1	20.0
Granules India	GRANUL	320	430	Buy	8249	12.4	22.2	23.6	28.7	25.8	14.4	13.6	11.1	15.2	24.0	23.4	24.2	16.7	25.3	21.5	21.0
Laurus Labs	LAULAB	533	785	Buy	34053	4.8	18.3	22.6	28.0	111.9	29.1	23.6	19.0	13.0	31.7	30.6	30.6	14.4	37.9	32.9	29.8

Source: ICICI Direct Research

Financial Summary

Exhibit 12: Profit and loss statement				
₹ crore				
Year-end March	FY21	FY22E	FY23E	FY24E
Total Operating Income	7105.8	7786.9	9467.4	11274.0
Growth (%)	11.6	9.6	21.6	19.1
Raw Material Expenses	2208.5	2474.8	2792.9	3325.8
Employee Expenses	1741.0	2003.8	2272.2	2480.3
R&D Expenditure	553.0	582.2	718.5	853.5
Other Expenditures	963.3	873.5	1136.1	1352.9
Total Operating Expenditure	5465.8	5934.3	6919.7	8012.5
Operating Profit (EBITDA)	1640.0	1852.5	2547.7	3261.5
Growth (%)	2.3	13.0	37.5	28.0
Depreciation	715.1	799.3	952.1	1082.9
Interest	57.7	87.4	87.4	87.4
Other Income	267.1	235.8	189.3	225.5
PBT before Exceptional Items	1134.3	1201.6	1697.5	2316.7
Less: Exceptional Items	-12.6	70.1	0.0	0.0
Total Tax	221.5	253.8	390.4	532.8
PAT before MI	925.4	877.7	1307.1	1783.8
Minority Interest	105.7	125.6	179.6	215.1
Adjusted PAT	730.3	645.6	1113.1	1554.3
Growth (%)	4.6	-11.6	72.4	39.6
EPS (Adjusted)	6.1	5.4	9.3	13.0

Source: Company, ICICI Direct Research

Exhibit 13: Cash flow statement				
₹ crore				
Year-end March	FY21	FY22E	FY23E	FY24E
Profit/(Loss) after taxation	652.4	591.2	1113.1	1554.3
Add: Depreciation & Amortization	715.1	799.3	952.1	1082.9
Net Increase in Current Assets	-734.0	-529.9	-1127.2	-1288.4
Net Increase in Current Liabilities	310.2	515.2	781.3	908.2
Other Operating Activities	216.0	87.4	87.4	87.4
CF from operating activities	1159.7	1463.2	1806.7	2344.4
(Purchase)/Sale of Fixed Assets	-1297.1	-2294.0	-1680.0	-1680.0
(Increase)/Decrease in Investments	-567.0	0.0	-500.0	-500.0
Increase/(Decrease) in Minority Intere:	0.0	88.1	96.9	106.6
Other Investing Activities	-842.8	69.6	47.8	16.3
CF from investing activities	-2706.9	-2136.3	-2035.4	-2057.2
Proceeds from issues of Equity Shares	797.7	0.0	0.0	0.0
Inc/(dec) in loan funds	1882.3	-100.0	0.0	0.0
(Payment) of Dividend and Dividend Ta	0.0	-59.1	-111.3	-155.4
Interest Paid	-116.0	-87.4	-87.4	-87.4
Other Financing Activities	0.0	0.0	0.0	0.0
CF from financing activities	2564.0	-246.5	-198.7	-242.8
Net Cash flow	1016.8	-919.6	-427.4	44.4
Opening Cash	998.6	2015.4	1095.8	668.4
Closing Cash	2015.4	1095.8	668.4	712.8
Free Cash Flow	592.7	1463.2	1306.7	1844.4

Source: Company, ICICI Direct Research

Exhibit 14: Balance Sheet				
₹ crore				
Year-end March	FY21	FY22E	FY23E	FY24E
Liabilities				
Equity Capital	600.0	600.0	600.0	600.0
Reserve and Surplus	7026.9	7559.0	8560.7	9959.6
Total Shareholders funds	7626.9	8159.0	9160.7	10559.6
Total Debt	4358.6	4258.6	4258.6	4258.6
Minority Interest	880.7	968.8	1065.6	1172.2
Other NCL & LT Provisions	2843	3125.7	3436.6	3778.4
Source of Funds	15709.2	16512.0	17921.5	19768.9
Assets				
Gross Block - Fixed Assets	10194.5	13188.5	15868.5	18048.5
Accumulated Depreciation	3857.0	4656.3	5608.4	6691.3
Net Block	6337.5	8532.2	10260.1	11357.2
Capital WIP	2800.2	2100.2	1100.2	600.2
Total Fixed Assets	9137.7	10632.4	11360.3	11957.4
Goodwill on Consolidation	26.4	26.4	26.4	26.4
Investments	1951.9	1951.9	2451.9	2951.9
Inventory	1866.6	1456.7	1771.1	2109.1
Debtors	1217.6	1824.1	2217.8	2641.0
Cash	2015.4	1095.8	668.4	712.8
Other Current Assets	1292.1	1625.3	2044.4	2571.6
Total Current Assets	6391.7	6002.0	6701.7	8034.5
Creditors	1513.9	1692.1	2057.3	2449.9
Provisions	109.4	139.6	169.7	199.9
Other Current Liabilities	1189.7	1496.5	1882.4	2367.8
Total Current Liabilities	2813.0	3328.2	4109.4	5017.6
Net Current Assets	3578.7	2673.8	2592.3	3016.9
Deferred Tax Assets	307.7	338.5	372.3	409.5
Other Non Current assets	706.8	889.1	1118.3	1406.7
Application of Funds	15709.2	16512.0	17921.5	19768.9

Source: Company, ICICI Direct Research

Exhibit 15: Key ratios				
Year-end March	FY21	FY22E	FY23E	FY24E
Per share data (₹)				
Reported EPS	6.2	4.9	9.3	13.0
BV per share	63.6	68.0	76.3	88.0
Dividend per share	0.0	0.5	0.9	1.3
Cash Per Share	16.8	9.1	5.6	5.9
Operating Ratios (%)				
Gross Margin	68.9	68.2	70.5	70.5
EBITDA margin	23.1	23.8	26.9	28.9
EBIT Margin	13.0	13.5	16.9	19.3
PAT Margin	10.3	8.3	11.8	13.8
Inventory days	95.9	68.3	68.3	68.3
Debtor days	62.5	85.5	85.5	85.5
Creditor days	77.8	79.3	79.3	79.3
Asset Turnover	0.5	0.5	0.5	0.6
EBITDA Conversion Ratio	70.7	79.0	70.9	71.9
Return Ratios (%)				
RoE	9.6	7.9	12.2	14.7
RoCE	7.6	7.8	10.0	12.2
RoIC	9.9	9.0	11.4	13.8
Valuation Ratios (x)				
P/E	55.1	69.0	36.7	26.2
EV / EBITDA	25.6	23.1	16.8	12.9
EV / Net Sales	5.9	5.5	4.5	3.7
Market Cap / Sales	5.7	5.2	4.3	3.6
Price to Book Value	5.3	5.0	4.5	3.9
Solvency Ratios				
Debt / EBITDA	2.7	2.3	1.7	1.3
Debt / Equity	0.6	0.5	0.5	0.4
Current Ratio	1.6	1.5	1.5	1.5

Source: Company, ICICI Direct Research

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