Cipla Ltd (CIPLA)

CMP: ₹ 915 | Target: ₹ 1085 (19%) | Target Period: 12 months | BUY

October 27, 2021

Decent numbers led by domestic growth momentum

About the stock: Cipla is a global pharma company with over 1,500+ products in 65 therapeutic categories, with over 50 dosage forms. Cipla supplies branded and generic medicines to over 170 countries globally.

- Indian branded formulations business accounts for ~40% of revenues and enjoys leadership in therapies like respiratory, anti-infective, cardiac, gynaecology & gastro-intestinal
- Cipla derives 21% of its export revenues from the US followed by 12% from South Africa, 5% from Europe and 16% from RoW markets

Q2FY22 Results: Cipla reported good Q2FY22 results.

- Sales were up 9.6% YoY to ₹ 5519.8 crore
- EBITDA in Q2FY22 was at ₹ 1226.2 crore, up 4% YoY with margins at 22%
- Consequent adjusted PAT was at ₹ 711.4 crore (up 6.9% YoY)

What should investors do? Cipla's share price has grown by ~5.7x over the past five years (from ~₹ 527 in July 2016 to ~₹ 915 levels in Oct 2021).

- We maintain BUY as we continue to focus on its core strength of following a calibrated approach of focusing more on branded products and core therapies across the world

Target Price and Valuation: We value Cipla at ₹ 1085 i.e. 25x P/E on FY23E EPS + ₹ 42 NPV for gRevlimid.

Key triggers for future price performance:

- The management's long-drawn strategy of targeting four verticals viz. One-India, South Africa & EMs, US generics & specialty and lung leadership
- Across the board transformation from tenderised model to private model in exports market and more focus towards consumerisation of important TGx, Rx products in Indian branded formulations
- The company is focusing on front-end model, especially for the US, along with a gradual shift from loss making HIV and other tenders to more lucrative respiratory and other opportunities in the US and EU
- Expects significant momentum from H2FY23 onwards in the US on the back of possible approvals and launches of gRevlimid, gAdvair and gAbraxane besides momentum gains from Albuterol portfolio

Alternate Stock Idea: Apart from Cipla, in healthcare coverage we like Sun Pharma.

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

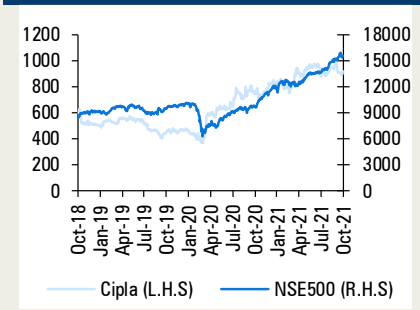
Particulars

Particular	Amount
Market Capitalisation	₹ 73795 crore
Debt (FY21)	₹ 1756 crore
Cash (FY21)	₹ 1401 crore
EV	₹ 74150 crore
52 week H/L (₹)	1005/706
Equity capital	₹ 161.3 crore
Face value	₹ 2

Shareholding pattern

(in %)	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
Promoter	36.7	36.7	36.7	36.7	36.1
Others	63.3	63.3	63.3	63.3	63.9

Price Chart



Recent Event & Key risks

- Received final USFDA approval for generic version of Brovana
- **Key Risk:** (i) Regulatory hurdles (ii) Increased competition

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Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

Key Financials (₹ crore)	FY19	FY20	FY21	5 year CAGR (FY16-21)	FY22E	FY23E	2 year CAGR (FY21-23E)
Revenues	16362.4	17132.0	19159.6	7.0	21563.3	23135.5	9.9
EBITDA	3097.3	3206.0	4252.4	11.4	4859.0	5363.8	12.3
EBITDA margins (%)	18.9	18.7	22.2		22.5	23.2	
Adjusted PAT	1496.1	1546.5	2404.9	10.1	2788.3	3362.1	18.2
Adj. EPS (₹)	18.6	19.2	29.9		34.6	41.8	
PE (x)	49.2	47.6	30.6		27.3	21.9	
EV to EBITDA (x)	24.2	23.2	16.8		14.7	12.9	
RoNW (%)	10.0	9.8	13.1		13.7	14.6	
RoCE (%)	10.9	12.0	16.3		17.8	18.4	

Source: Company, ICICI Direct Research

Key takeaways of recent quarter & conference call highlights

Q2FY22 Results: Robust performance continues

- Revenues grew 9.6% YoY to ₹ 5519.8 crore (I-direct estimate: ₹ 5147.5 crore) led by 15.6% YoY growth domestic formulations to ₹ 2416 crore (I-direct estimate: ₹ 2286.5 crore) due to sustained volume traction across core therapies even as Covid portfolio continued to trend downwards. Despite high base, US was flat at ₹ 1055 crore (I-direct estimate: ₹ 1152.1 crore) owing to steady momentum in core products offsetting price erosion in rest of the portfolio. South Africa business grew 24.8% YoY to ₹ 710 crore (I-direct estimate: ₹ 614.5 crore) while RoW market grew 2.8% YoY to ₹ 1105 crore (I-direct estimate: ₹ 860 crore). API was down 9% YoY to ₹ 172 crore (I-direct estimate: ₹ 198.5 crore). EBITDA margins was at ~22.2%, down 114 bps YoY due to non-recurring inventory adjustments and China induced cost inflation. EBITDA grew 4.2% YoY to ₹ 1226.2 crore (I-direct estimate: ₹ 1168.9 crore). Subsequently, net profit was up 6.9% YoY to ₹ 711.4 crore (I-direct estimate: ₹ 687.7 crore)
- Cipla's Q2FY22 revenue was higher than I-direct estimates mainly due to better than expected growth in India, RoW and South Africa business. We continue to focus on the management's long-drawn strategy of targeting four verticals viz. One-India, South Africa & EMs, US generics & specialty and lung leadership. FY21 launch of Albuterol sulphate (Proventil HFA) amid rise in demand for Albuterol products in the ongoing Covid-19 pandemic is a vindication of its lung leadership quest. While US focus will be on specialty including hospitals, value accretive generics, India focus will be on branded (Rx), trade generics (TGx). On the Africa front, Cipla continues to rebase its business model towards private business in the backdrop of shrinking tender opportunities

Q2FY22 Earnings Conference Call highlights

India business

- Covid-19 portfolio has declined ~60% QoQ
- Strong traction across branded prescription, trade generics and consumer wellness
- Trade generics business order flow strong across regions benefiting from strong momentum in flagship brands
- Consumer health business witnessed robust traction in anchor brands & transitioned brands
- Strategic partnership with Eli Lilly for diabetic products Humalog and Trulicity

US

- Expects significant momentum from H2FY23 onwards on the back of possible approvals and launches of gRevlimid, gAdvair and gAbraxane besides momentum gains from Albuterol portfolio
- In Albuterol, Cipla's TRx market share was at 18.2% of the generic market, 14.6% for the overall market as per IQVIA week ending October 8, 2021
- In Arformoterol, Cipla's TRx market was at 39% of the generic market and 24% of the overall market as per IQVIA week ending October 8, 2021
- New approval- Difluprednate Ophthalmic Emulsion 0.05%
- Approved ANDAs/NDAs: 166, Tentative approval: 18, Pending approval: 72

SAGA – South Africa, Sub-Saharan Africa & Global Access

- SAGA grew 8% YoY in US$ terms
- South Africa private market growth was 20% in ZAR terms
- Market beating growth in CNS, respiratory and anti-infective therapies in South Africa
- Emerging markets business resumed Middle Eastern supplies, witnessing strong direct to market (DTM) performance and contribution from Covid therapy products
- Bevacizumab Biosimilar launched under partnership in Spain
- Revenue break up: India – 44%, US – 19%, SAGA – 18%, International Markets – 15%, API – 3%, Others – 1%
- Capex to remain between ₹ 800 crore and ₹ 900 crore
- R&D investments were at ₹ 274 crore; priority projects spends on track
- Prepaid US$137.5 million outstanding InvaGen acquisition debt during the quarter

Exhibit 1: Variance Analysis

	Q2FY22	Q2FY22E	Q2FY21	YoY (%)	Q1FY22	QoQ (%)	Comments
Revenue	5,519.8	5,147.5	5,038.3	9.6	5,504.4	0.3	YoY growth led by strong growth in India, South Africa and RoW segments
Raw Material Expenses	2,136.7	1,956.1	1,946.5	9.8	2,068.8	3.3	
Gross Profit	3,383.1	3,191.5	3,091.8	9.4	3,435.5	-1.5	
Gross Margin (%)	61.3	62.0	61.4	-7 bps	62.4	-112 bps	QoQ decline due to China induced cost inflation and some inventory related non-recurring adjustments
Employee Expenses	877.8	838.7	820.9	6.9	887.3	-1.1	
Other Expenditure	1,279.1	1,183.9	1,094.3	16.9	1,202.3	6.4	
Total Operating Expenditur	4,293.6	3,978.6	3,861.7	11.2	4,158.5	3.2	
EBITDA	1,226.2	1,168.9	1,176.6	4.2	1,345.9	-8.9	
EBITDA (%)	22.2	22.7	23.4	-114 bps	24.5	-224 bps	YoY decline trending flat GPM and higher other expenses due to sales related variable overheads
Interest	38.0	29.6	39.3	-3.4	29.6	28.5	
Depreciation	253.1	261.1	265.1	-4.5	261.1	-3.1	
Other income	60.7	61.1	53.5	13.5	64.9	-6.6	
PBT before EO	995.8	939.3	925.7	7.6	1,120.1	-11.1	
Less: Exceptional Items	0.0	0.0	0.0	0.0	124.6	0.0	
PBT	995.8	939.3	925.7	7.6	995.5	0.0	
Tax	283.8	253.7	263.8	7.6	283.7	0.0	
Tax Rate (%)	28.5	27.0	28.5	0 bps	28.5	0 bps	
MI & Share of loss/ (gain)	-2.2	-4.6	-6.1	NA	-4.8	NA	
Adjusted PAT	711.4	687.7	665.4	6.9	803.8	-11.5	YoY PAT growth on the back of strong operational performance. Beat vis-à-vis I-direct estimates amid better EBITDA performance
Key Metrics							
Domestic	2416.0	2286.5	2090.0	15.6	2710.0	-10.8	YoY growth driven by branded prescription business on the back of sustained volume growth across therapies in core portfolio. QoQ decline due to lower Covid-19 related sales
US	1055.0	1152.1	1049.0	0.6	1038.0	1.6	YoY flattish despite base business price erosion. Albuterol / Arformoterol provided cusion
South Africa	710.0	614.5	569.0	24.8	634.0	12.0	YoY 20% growth in ZAR term driven by private business
RoW	1105.0	860.0	1075.0	2.8	784.0	40.9	YoY muted growth due to delays in order confirmation from select clients
API	172.0	198.5	189.0	-9.0	302.0	-43.0	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

	FY22E			FY23E		
(₹ Crore)	Old	New	Change	Old	New	Change
Revenues	21,324.1	21,563.3	1.1	23,046.8	23,135.5	0.4
EBITDA	4,851.9	4,859.0	0.1	5,315.2	5,363.8	0.9
EBITDA Margin (%)	22.8	22.5	-27 bps	23.1	23.2	8 bps
PAT	2,766.5	2,699.2	-2.4	3,351.9	3,362.1	0.3
EPS (₹)	34.4	33.5	-2.5	41.6	41.8	0.4

Source: ICICI Direct Research

Exhibit 3: Assumptions

	Current			Earlier			Comments
(₹ crore)	FY20	FY21	FY22E	FY23E	FY22E	FY23E	
Domestic	6,640.0	7,736.0	9,603.9	10,431.2	9,486.9	10,300.2	
Export Formulations	9,243.0	10,396.0	10,816.9	11,565.5	10,746.1	11,684.1	Changed mainly due to lower than expected growth in Q2
API	751.0	798.0	920.3	890.8	946.7	918.5	

Source: ICICI Direct Research

Exhibit 4: Financial Summary

	Revenues	Growth	EPS	Growth	P/E	EV/EBITDA	RoNW	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY20	17132	4.7	19.2	3.4	47.6	23.2	9.8	12.0
FY21	19160	11.8	29.9	55.5	30.6	16.8	13.1	16.3
FY22E	21563	12.5	34.6	15.9	27.3	14.7	13.7	17.8
FY23E	23135	7.3	41.8	20.6	21.9	12.9	14.6	18.4

Source: ICICI Direct Research

Exhibit 5: Revenue Breakup

(₹ crore)	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	CAGR FY21-23E %
Domestic	5036.0	5523.0	5867.0	6273.0	6640.0	7736.0	9603.9	10431.2	16.1
Export Formulations	7798.0	8145.2	8321.8	9005.0	9243.0	10396.0	10816.9	11565.5	5.5
US	2037.9	2625.0	2589.5	3420.0	3874.0	4109.0	4321.3	4538.2	5.1
South Africa (Cipla Medpro)	1562.4	1828.8	2061.8	2148.0	2204.0	2302.0	2623.8	2833.7	10.9
RoW	3396.5	3146.4	3670.5	3437.0	3165.0	3985.0	3871.8	4193.6	2.6
APIs	752.0	523.0	626.0	699.0	751.0	798.0	920.3	890.8	5.7

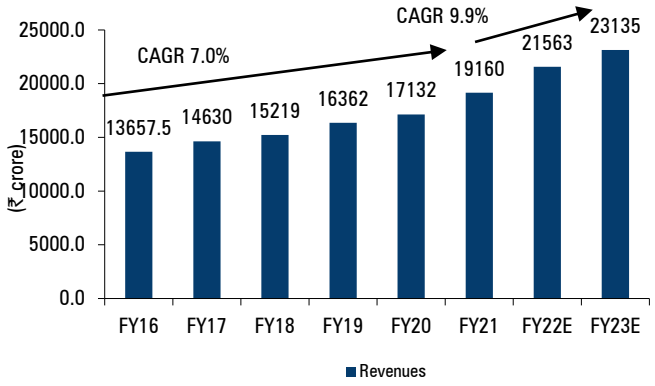
Source: ICICI Direct Research

Exhibit 6: Trends in Quarterly Performance

(₹ crore)	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	YoY (%)	QoQ. (%)
Net Sales	3947.9	3906.2	4271.0	3894.5	4264.2	4234.6	4301.6	4276.9	4972.6	5154.2	4584.9	5470.7	5485.8	10.3	0.3
Other Operating Income	64.0	101.3	133.0	94.6	131.5	136.5	74.6	69.3	65.7	14.5	21.6	33.6	34.0	-48.3	1.0
Total Operating Income	4011.9	4007.5	4404.0	3989.0	4395.8	4371.0	4376.2	4346.2	5038.3	5168.7	4606.5	5504.4	5519.8	9.6	0.3
Raw Material Expenses	1412.1	1462.7	1485.8	1196.3	1461.2	1645.0	1688.9	1589.5	1946.5	1993.5	1822.4	2068.8	2136.7	9.8	3.3
Gross Profit	2599.8	2544.9	2918.2	2792.7	2934.6	2726.0	2687.3	2756.7	3091.8	3175.2	2784.0	3435.5	3383.1	9.4	-1.5
Gross Profit Margins	64.8	63.5	66.3	70.0	66.8	62.4	61.4	63.4	61.4	61.4	60.4	62.4	61.3	-7.5	-112.4
Employee Expenses	712.2	717.9	712.5	756.1	761.6	745.5	763.7	771.9	820.9	844.4	814.7	887.3	877.8	6.9	-1.1
% of revenues	17.8	17.9	16.2	19.0	17.3	17.1	17.5	17.8	16.3	16.3	17.7	16.1	15.9	-39.0	-21.7
Other Expenditure	1185.3	1119.3	1244.7	1131.9	1263.4	1222.2	1290.0	936.1	1094.3	1100.0	1173.1	1202.3	1279.1	16.9	6.4
% of revenues	29.5	27.9	28.3	28.4	28.7	28.0	29.5	21.5	21.7	21.3	25.5	21.8	23.2	145.4	133.0
Total Expenditure	3309.7	3299.9	3442.9	3084.4	3486.3	3612.7	3742.7	3297.4	3861.7	3937.8	3810.2	4158.5	4293.6	11.2	3.2
EBITDA	702.2	707.7	961.0	904.6	909.5	758.3	633.5	1048.7	1176.6	1230.9	796.2	1345.9	1226.2	4.2	-8.9
EBITDA (%)	17.5	17.7	21.8	22.7	20.7	17.3	14.5	24.1	23.4	23.8	17.3	24.5	22.2	-113.8	-223.7
Interest	44.4	44.2	44.8	52.1	46.1	46.2	53.0	46.0	39.3	47.9	27.5	29.6	38.0	-3.4	28.5
Depreciation	281.9	293.1	510.3	268.0	283.0	277.9	345.8	269.0	265.1	248.4	285.2	261.1	253.1	-4.5	-3.1
Other Income	132.6	78.5	95.4	78.4	100.5	72.1	93.2	65.5	53.5	86.9	60.1	64.9	60.7	13.5	-6.6
PBT	508.5	448.9	501.3	662.9	681.0	506.4	327.9	799.2	925.7	1021.5	543.7	1120.1	995.8	7.6	-11.1
Total Tax	142.4	125.7	127.8	192.2	200.6	152.8	85.6	227.8	263.8	269.0	128.2	283.7	283.8	7.6	0.0
PAT before MI	366.1	323.2	373.6	470.7	480.4	353.6	242.3	571.4	661.9	752.5	415.5	711.8	712.0	7.6	0.0
Minority Interest	10.1	-10.0	-9.5	-31.0	9.7	-11.7	-7.5	-11.9	-6.1	3.5	-1.9	-4.8	-2.2	-63.7	-54.0
PAT	356.8	332.2	367.2	476.2	464.8	351.0	246.0	577.9	665.4	748.2	413.4	714.7	711.4	6.9	-0.5
EPS (₹)	4.4	4.1	4.6	5.9	5.8	4.4	3.1	7.2	8.3	9.3	5.1	8.9	8.8		

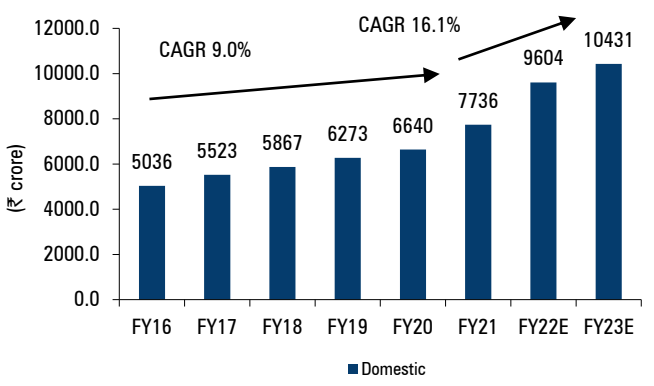
Source: ICICI Direct Research

Exhibit 7: Revenues to grow at 9.9% CAGR over FY21-23E



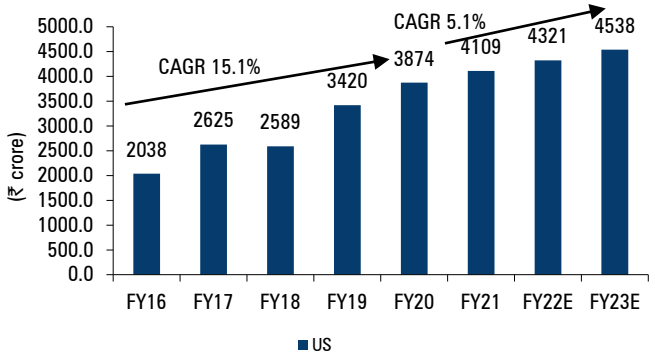
Source: ICICI Direct Research, Company

Exhibit 8: Domestic to grow at 16.1% CAGR over FY21-23E



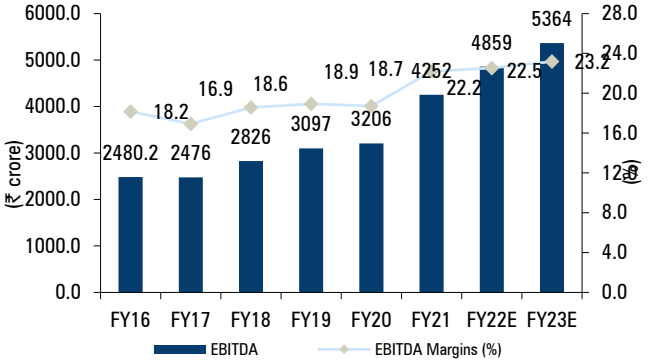
Source: ICICI Direct Research, Company

Exhibit 9: US to grow at CAGR of 5.1% over FY21-23E



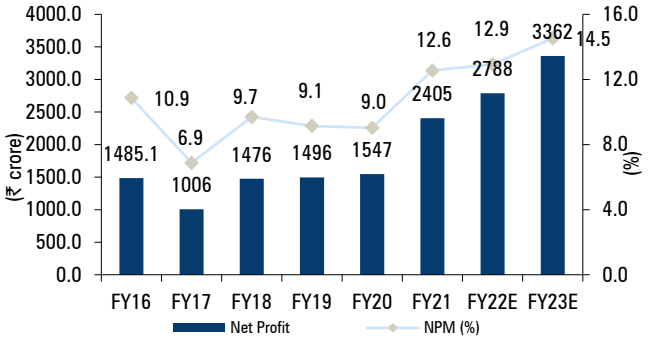
Source: ICICI Direct Research, Company

Exhibit 10: EBITDA & EBITDA margins trend



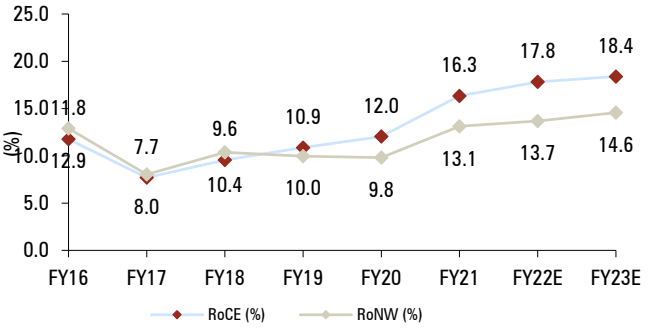
Source: ICICI Direct Research, Company

Exhibit 11: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 12: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 13: ICICI Direct Healthcare coverage Universe

Company	I-Direct	CMP	TP	Rating	M Cap	EPS (₹)				PE(x)				RoCE (%)				RoE (%)			
	Code	(₹)	(₹)		(₹ cr)	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E
Ajanta Pharma	AJAPHA	2100	2,695	Buy	18171	53.4	74.0	80.8	89.8	39.3	28.4	26.0	23.4	24.7	29.0	24.9	24.0	18.1	21.8	20.2	19.2
Alembic Pharma	ALEMPHA	761	885	Hold	14953	44.4	59.9	35.1	44.2	17.1	12.7	21.7	17.2	21.0	24.2	12.7	14.8	27.1	23.0	12.3	13.8
Apollo Hospitals	APOHOS	4312	4,510	Hold	62001	22.6	7.9	61.2	76.8	191.0	548.6	70.5	56.1	10.2	6.3	15.6	18.2	9.7	2.5	16.0	17.2
Aurobindo Pharma	AURPHA	708	865	Hold	41511	48.8	55.0	54.4	64.6	14.5	12.9	13.0	11.0	17.2	16.9	14.5	15.8	17.0	14.7	12.8	13.3
Biocon	BIOCON	340	380	Hold	40830	5.8	6.1	5.4	9.3	58.5	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	512	583	Hold	52436	14.0	21.5	20.9	22.0	36.7	23.8	24.6	23.3	10.7	12.6	13.1	12.9	13.8	16.9	12.7	12.1
Cipla	**CIPLA**	**915**	**1,085**	**Buy**	**73791**	**19.2**	**29.9**	**34.6**	**41.8**	**47.6**	**30.6**	**26.4**	**21.9**	**12.0**	**16.3**	**17.8**	**18.4**	**9.8**	**13.1**	**13.7**	**14.6**
Divi's Lab	DIVLAB	5168	5,815	Buy	137197	51.9	74.7	94.7	116.3	99.7	69.1	54.6	44.4	23.9	27.6	28.8	29.2	18.8	21.3	22.5	23.0
Dr Reddy's Labs	DRREDD	4689	5,250	Hold	78005	121.8	117.3	129.1	199.7	38.5	40.0	36.3	23.5	9.6	13.1	13.2	16.6	13.0	11.1	11.0	14.9
Glenmark Pharma	GLEPHA	505	680	Buy	14248	26.4	32.9	35.8	48.1	19.1	15.4	14.1	10.5	12.7	13.9	15.9	17.1	12.2	13.1	11.9	13.9
Hikal	HIKCHE	554	590	Hold	6836	8.1	10.8	16.5	19.6	68.5	51.3	33.6	28.2	12.8	15.1	17.2	18.4	12.2	14.3	18.1	17.9
Ipca Laboratories	IPCLAB	2186	2,560	Buy	27735	47.6	89.9	89.6	102.4	46.0	24.3	24.4	21.4	17.6	27.1	22.5	21.4	16.6	24.2	19.6	18.3
Jubilant Pharmova	JUBLIF	608	625	Hold	9690	44.6	37.4	44.0	62.6	13.6	16.3	13.8	9.7	11.7	13.7	14.9	18.1	12.7	12.6	13.0	15.7
Lupin	LUPIN	940	1,025	Hold	42674	-12.7	26.9	40.1	44.8	NA	35.0	23.4	21.0	9.7	9.1	13.7	14.2	-4.6	8.8	13.0	12.7
Narayana Hrudalaya	NARHRU	521	620	Buy	10639	6.4	-0.7	12.3	15.6	82.0	NA	42.2	33.4	11.0	1.2	14.5	16.8	11.4	-1.3	18.6	19.3
Natco Pharma	NATPHA	829	1,040	Hold	15121	25.3	24.2	19.4	22.6	32.8	34.3	42.8	36.7	14.0	13.1	9.7	10.9	12.2	10.7	8.1	8.8
Sun Pharma	SUNPHA	833	800	Hold	199961	16.8	30.0	25.6	28.5	49.7	27.7	32.6	29.3	10.0	14.2	15.2	15.1	8.9	15.5	12.2	12.1
Syngene Int.	SYNINT	555	710	Buy	22180	10.3	10.1	9.8	13.9	53.8	54.8	56.7	39.8	14.5	11.5	12.6	15.5	16.8	13.5	13.2	14.9
Torrent Pharma	TORPHA	2855	3,250	Buy	48311	60.6	74.0	76.1	100.1	47.1	38.6	37.5	28.5	15.4	17.7	20.3	22.0	21.2	21.4	18.9	21.0
Shalby	SHALIM	159	210	Hold	1888	2.6	3.9	4.8	5.3	62.3	40.5	32.9	29.8	7.2	6.5	8.3	8.2	3.5	5.1	6.0	6.3
Aster DM	ASTDM	191	200	Buy	10572	5.7	3.0	11.1	15.4	33.4	64.5	17.2	12.4	7.2	5.4	9.3	11.2	8.7	4.4	14.1	16.4
Indoco Remedies	INDREM	474	575	Buy	4299	2.6	10.1	16.7	23.9	181.2	47.0	28.3	19.8	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	323	430	Buy	8249	12.4	22.2	23.6	28.7	26.0	14.6	13.7	11.3	15.2	24.0	23.4	24.2	16.7	25.3	21.5	21.0
Laurus Labs	LAULAB	574	785	Buy	34053	4.8	18.3	22.6	28.0	120.6	31.3	25.4	20.5	13.0	31.7	30.6	30.6	14.4	37.9	32.9	29.8

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 14: Profit and loss statement ₹ crore

(Year-end March)	FY20	FY21	FY22E	FY23E
Revenues	**17,132.0**	**19,159.6**	**21,563.3**	**23,135.5**
Growth (%)	4.7	11.8	12.5	7.3
Raw Material Expenses	5,991.4	7,351.9	8,166.7	8,560.1
Gross Profit	11,140.6	11,807.7	13,396.5	14,575.4
Employee Expenses	3,027.0	3,251.8	3,555.6	3,923.3
Other Expenditure	4,907.6	4,303.4	4,982.0	5,288.3
Total Operating Expenditure	13,926.0	14,907.2	16,704.3	17,771.7
EBITDA	**3,206.0**	**4,252.4**	**4,859.0**	**5,363.8**
Growth (%)	3.5	32.6	14.3	10.4
Depreciation	1,174.7	1,067.7	1,059.8	1,179.2
Interest	197.4	160.7	143.6	44.2
Other Income	344.2	266.0	242.2	393.3
PBT	2,178.2	3,290.1	3,773.2	4,533.7
Total Tax	631.2	888.8	1,075.4	1,178.8
PAT before MI	1,547.0	2,401.3	2,697.8	3,354.9
Minority Interest	-47.0	-16.4	-11.0	-16.8
Adjusted PAT	**1,546.5**	**2,404.9**	**2,788.3**	**3,362.1**
Growth (%)	3.4	55.5	15.9	20.6
EPS (Adjusted)	**19.2**	**29.9**	**34.6**	**41.8**

Source: Company, ICICI Direct Research

Exhibit 15: Cash flow statement ₹ crore

(Year-end March)	FY20	FY21	FY22E	FY23E
Profit/(Loss) after taxation	1,329.9	2,252.6	2,699.2	3,362.1
Add: Depreciation	1,174.7	1,067.7	1,059.8	1,179.2
(inc)/Dec in Current Assets	-114.3	168.6	-2,813.6	-900.8
inc/(Dec) in Current Liabilities	487.3	203.1	638.4	302.4
Others	190.9	63.2	143.6	44.2
CF from Operating activities	**3,068.5**	**3,755.2**	**1,727.3**	**3,987.1**
(Purchase)/Sale of Fixed Assets	-985.7	-791.4	-800.0	-900.0
Change In Investment	1,178.0	-1,256.0	-850.0	-850.0
Others	73.2	19.4	-25.5	-32.0
CF from Investing activities	**265.5**	**-2,028.0**	**-1,675.5**	**-1,782.0**
Change in Equity	0.1	0.1	0.0	0.0
Change in Loan	-1,760.0	-1,167.9	-518.1	-500.0
Dividend & Dividend tax	-664.2	0.0	-644.1	-674.8
Others	-524.7	-162.1	-143.6	-44.2
CF from Financing activities	**-2,948.8**	**-1,329.9**	**-1,305.7**	**-1,219.0**
Net Cash Flow	385.1	397.3	-1,253.9	986.0
Cash and Cash equ. at beginning	618.8	1,003.9	1,401.2	147.3
Cash	**1,003.9**	**1,401.2**	**147.3**	**1,133.3**
Free Cash Flow	**2,082.8**	**2,963.8**	**927.3**	**3,087.1**

Source: Company, ICICI Direct Research

Exhibit 16: Balance Sheet ₹ crore

(Year-end March)	FY20	FY21	FY22E	FY23E
Equity Capital	161.3	161.3	161.3	161.3
Reserve and Surplus	15,601.8	18,165.2	20,220.3	22,907.6
Total Shareholders funds	15,763.0	18,326.5	20,381.6	23,068.9
Total Debt	2,816.4	1,755.6	1,237.5	737.5
Deferred Tax Liability	365.2	296.6	311.4	327.0
Long Term Provision	133.3	116.2	122.0	128.1
MI & Other Liabilities	638.7	618.7	625.7	627.8
Source of Funds	**19,716.6**	**21,113.6**	**22,678.2**	**24,889.3**
Gross Block - Fixed Assets	11,979.6	12,639.8	13,639.8	14,739.8
Accumulated Depreciation	5,355.0	6,253.3	7,313.0	8,492.2
Net Block	6,624.6	6,386.5	6,326.7	6,247.5
Capital WIP	824.5	968.9	768.9	568.9
Fixed Assets	7,449.1	7,355.4	7,095.6	6,816.4
Investments	1,595.3	2,831.8	3,681.8	4,531.8
Goodwill on Consolidation	2,934.0	3,007.3	3,007.3	3,007.3
Long term Loans & Advances	52.4	53.0	55.6	58.4
Other Non current assets	944.4	1,009.8	1,060.3	1,113.3
Inventory	4,377.6	4,669.2	5,305.4	5,710.1
Debtors	3,891.3	3,445.7	5,554.1	5,977.9
Loans and Advances	5.6	2.6	2.7	2.8
Other Current Assets	1,408.9	1,376.0	1,444.8	1,517.0
Cash	1,003.9	1,401.2	147.3	1,133.3
Total Current Assets	10,687.3	10,894.7	12,454.3	14,341.2
Creditors	2,281.8	2,066.8	2,606.6	2,805.5
Provisions	948.2	1,078.3	1,132.2	1,188.8
Other current libilities	716.0	893.2	937.8	984.7
Total Current Liabilities	3,946.0	4,038.3	4,676.7	4,979.1
Net Current Assets	6,741.3	6,856.3	7,777.6	9,362.1
Application of Funds	**19,716.6**	**21,113.6**	**22,678.2**	**24,889.3**

Source: Company, ICICI Direct Research

Exhibit 17: Key ratios

(Year-end March)	FY20	FY21	FY22E	FY23E
Per share data (₹)				
Adjusted EPS	19.2	29.9	34.6	41.8
BV per share	195.8	227.6	253.2	286.5
Cash per Share	12.5	17.4	1.8	14.1
Dividend per share	4.8	8.0	8.4	10.4
Operating Ratios (%)				
Gross Margins	65.0	61.6	62.1	63.0
EBITDA margins	18.7	22.2	22.5	23.2
PAT Margins	9.0	12.6	12.9	14.5
Inventory days	93.3	89.0	89.8	90.1
Debtor days	82.9	65.6	94.0	94.3
Creditor days	48.6	39.4	44.1	44.3
Asset Turnover	0.9	0.9	1.0	0.9
EBITDA convsion rate	95.7	88.3	35.5	74.3
Return Ratios (%)				
RoE	9.8	13.1	13.7	14.6
RoCE	12.0	16.3	17.8	18.4
RoIC	12.0	19.4	20.4	21.8
Valuation Ratios (x)				
P/E	47.6	30.6	27.3	21.9
EV / EBITDA	23.2	16.8	14.7	12.9
EV / Net Sales	4.3	3.7	3.3	3.0
Market Cap / Sales	4.3	3.8	3.4	3.2
Price to Book Value	4.7	4.0	3.6	3.2
Solvency Ratios				
Debt / EBITDA	0.9	0.4	0.3	0.1
Debt / Equity	0.2	0.1	0.1	0.0
Current Ratio	2.5	2.4	2.6	2.7

Source: Company, ICICI Direct Research

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