

Weak poultry performance continues to weigh on numbers...

About the stock: Hester is one of India's leading animal healthcare companies & the second largest poultry vaccine manufacturer in the country. It has a strategic presence in 30+ countries with key markets being India, Nepal and Tanzania.

- It operates through four broad verticals: poultry vaccines, poultry health products, animal vaccines and animal health products
- Revenue segment wise: poultry healthcare:73%, animal healthcare: 27%

Q1FY23 Results: Numbers weak as poultry farm economics turned adverse.

- Sales were down 16% YoY to ₹ 50.7 crore
- EBITDA was at ₹ 7.4 crore, down 56% YoY with margins at 14.7%. Margins declined amid higher spends on market expansion in the animal health
- Adjusted PAT was at ₹ 4 crore (down 68% YoY)

What should investors do? Hester's share price has grown by ~1.3x over the past three years (from ~₹ 1591 in August 2019 to ~₹ 2154 levels in August 2022).

- Downgraded from HOLD to **REDUCE** due to adverse demand environment for poultry vaccines, slower ramp-up in Africa business, delay and uncertainty in execution of tenders along with dwindling margins

Target Price and Valuation: We value Hester at ₹ 2015 (base business at ₹ 1967 i.e. 38x FY24E EPS of ₹ 51.8 + NPV of ₹ 49 for Covaxin DS opportunity)

Key triggers for future price performance:

- Opportunities in animal vaccines such as classical swine fever, lumpy skin disease (only player), sheep pox (only player) in the domestic space and expected launch of the modified Inactivated Coryza Vaccine, along with additional revenue from PPR national tender
- Increased focus on health products & widening of portfolio with differentiated herbal line of products looks promising for growth prospects
- Traction from manufacturing from Tanzania facility, Hester Africa and strengthened distribution network in Africa, along with increase in bulk antigen capacity and fill finish line for animal vaccines
- Foray into pet care with 11 products and new marketing teams in four zones

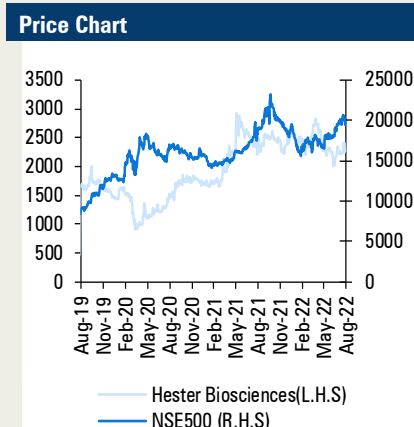
Alternate Stock Idea: Apart from Hester, in our healthcare coverage we like Indoco.

- Indoco manufactures and markets branded formulations and APIs for the domestic and export markets.
- BUY with target price of ₹ 525



Particulars	
Particular	Amount
Market Capitalisation	₹ 1832 crore
Debt (FY22)	₹ 223 crore
Cash (FY22)	₹ 25 crore
EV	₹ 2030 crore
52 week H/L (₹)	2852/1964
Equity capital	₹ 8.5 crore
Face value (₹)	₹ 10

Shareholding pattern				
(in %)	Sep-21	Dec-21	Mar-22	Jun-22
Promoter	53.7	53.7	53.7	53.7
Others	46.3	46.3	46.3	46.3



Recent Event & Key risks

- Acquired 50% stake in Thrishool Exim, Tanzania
- **Key Risk:** (i) Prolonged logistical challenges in exports (ii) Faster ramp up of new launches

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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)
Revenues	183.3	214.3	235.0	13.8	252.8	281.7	9.5
EBITDA	55.4	68.7	60.0	8.0	59.6	77.8	13.9
EBITDA margins(%)	30.2	32.0	25.5		23.6	27.6	
Adjusted Net Profit	29.2	37.8	38.9	10.7	30.5	44.0	6.4
EPS (₹)	34.3	44.4	45.7		35.9	51.8	
PE (x)	62.8	53.2	47.1		60.0	41.6	
EV to EBITDA (x)	34.9	27.9	33.8		33.7	25.4	
RoNW (%)	14.5	16.5	15.0		10.8	14.0	
RoCE (%)	14.0	16.2	10.9		9.3	11.8	

Key takeaways of recent quarter & conference call highlights

Q1FY23 Results: Below-par numbers

- Revenue witnessed a 16% decline YoY to ₹ 51 crore on back of 14% YoY de-growth in poultry business to ₹ 38 crore and 20% YoY decline in animal business to ₹ 12 crore. EBITDA margins declined 1370 bps YoY to 14.7%, mainly due to higher market development cost in Animal health and petcare divisions on account of the company's continuous efforts in expansion activities. EBITDA declined 56% YoY to ₹ 7.4 crore. Subsequently, PAT was down 68% YoY to ₹ 4 crore
- Hester's poultry vaccines continued to face strong headwinds on account of increased cost of inputs (mainly feed) and pricing pressure on eggs and broiler birds. Overall margins are down due to the increase in the proportion of health products sales, which have lower gross margins compared to vaccines. Health products sales constituted 34% of total sales in Q1FY23, vs. 20% in Q1FY22. Going ahead, Hester is expected to focus on vaccine tailwinds on the back of LSD outbreak and PPR tender while improving sales productivity and scaling-up health products remain key for better operating leverage. As the company strengthens its hold in the animal healthcare space, order flow and pricing power is likely to improve

Q1FY23 Earnings Conference Call highlights

- Vaccine sales declined 30% YoY in Q1FY23 due to high base as Q1FY22 hugely benefited from one-off sales on account of the then prevailing poultry disease outbreak while in this quarter poultry industry continued to face strong headwinds on account of increased cost of inputs (mainly feed) and pricing pressure on eggs and broiler birds. Consequent to severe margin pressure, the poultry industry sharply reduced new bird placements along-with initiatives towards input cost optimisation
- Sales of health products grew by 42% on back of a strong momentum gained from new product and territorial expansion. Overall margins have reduced due to the increase in the proportion of health products sales which have lower gross margins compared to vaccines. Health products sales constituted 34% of the total sales in Q1FY23, vs. 20% in Q1FY22
- EBITDA and PAT margin declined in Q1FY23 due to reduction in vaccine sales, increase in marketing expenses on a low base, increased market development cost in animal health and petcare divisions on account of company's continuous efforts in expansion activities
- Going forward, management expects the recent outbreak of lumpy skin disease (LSD) to result in additional sales in Q2FY23 while supplies for government tender for PPR vaccine for sheep & goat to start from September 2022
- Over the next couple of quarters, Hester will focus on growing sales of health products on back of improving the sales productivity of the marketing team as well as launching new products and entering new territories
- In pet care division, 11 products were launched in the market and sales force has been employed. The company is implementing distributorship model for supply chain on similar lines to poultry and health products
- Hester Nepal has registered 16% growth in domestic revenues but there were no tender sales due to delay in tendering by FAO and other multilateral institutions. Hester Tanzania started commercial operations and received regulatory approval for four products with two additional products under approval process. Revenues are expected to start in Q2FY23
- Bulk antigen production capacity expansion project is completed and trial runs are ongoing with commercialisation expected from Q3FY23. Expansion of Fill-Finish line capacity is expected to be completed by Q4
- Government of India has allowed the manufacture and sale of Avian Influenza Inactivated vaccine, H9N2 strain, to contribute from Q3

Exhibit 1: Variance Analysis

	Q1FY23	Q1FY22	Q4FY22	YoY (%)	QoQ (%)	Comments
Revenue	50.7	60.2	56.5	-15.8	-10.2	YoY decline as sales of vaccines declined by 30% YoY
Raw Material Expenses	14.4	17.9	15.4	-19.6	-6.8	
Gross Margin (%)	71.7	70.3	72.7	135.5	-105.2	Sequential decline impacted due to increase in proportion of sales of Health Products coupled with an increase in raw material prices
Employee Expenses	11.8	11.3	12.3	5.0	-3.4	
Other Expenditure	17.1	14.0	18.5	22.1	-7.7	
EBITDA	7.4	17.1	10.3	-56.5	-28.0	
EBITDA (%)	14.7	28.4	18.3	-1,370.4	-362.8	YoY decline amid higher spends in marketing expenses and market development cost in Animal Health and Petcare Divisions on account of company's continuous efforts in expansion activities
Interest	1.6	0.9	1.5	86.2	6.7	
Depreciation	5.1	3.2	5.1	56.7	-1.4	
Other Income	3.1	2.3	7.2	33.0	-56.6	
PBT before EO & Forex	5.5	15.3	11.3	-64.4	-51.7	
Forex & EO	0.0	0.0	0.0			
PBT	5.5	15.3	11.3	-64.4	-51.7	
Tax	1.9	4.3	2.3	-55.8	-17.3	
PAT before MI	3.6	11.0	9.0	-67.7	-60.5	
MI	-0.4	-1.5	1.3	-72.3	-131.8	
Adjusted Net Profit	4.0	12.5	7.7	-68.2	-48.6	Delta vis-à-vis EBITDA mainly due to higher interest and depreciation
Key Metrics						
Poultry Healthcare	38.4	44.8	39.7	-14.3	-3.2	YoY decline as poultry industry continued to face strong headwinds on account of increased cost of inputs (mainly feed) and pricing pressure on eggs and broiler birds
Animal Healthcare	12.3	15.4	16.8	-20.1	-26.7	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY23E			FY24E			Comments
	Old	New % Change	Old	New % Change	Old	New % Change	
Revenue	268.2	252.8	-5.7	302.6	281.7	-6.9	Changed on back of poor offtake in Africa and lower than expected sales in poultry business
EBITDA	63.4	59.6	-6.1	88.2	77.8	-11.8	
EBITDA Margin (%)	23.6	23.6	-9 bps	29.2	27.6	-154 bps	Changed mainly because of increasing operational expenses and lower margin profile for animal health
PAT	35.1	30.5	-13.1	53.8	44.0	-18.1	
EPS (₹)	41.3	35.9	-13.1	63.2	51.8	-18.1	

Source: ICICI Direct Research

Exhibit 3: Assumptions

(₹ crore)	Current				Earlier			Comments
	FY20	FY21	FY22	FY23E	FY24E	FY23E	FY24E	
Poultry Healthcare	120.3	156.5	171.8	181.4	199.5	192.0	215.1	Changed due to adverse demand environment
Animal Healthcare	47.3	50.5	63.2	71.5	82.2	76.1	87.5	Changed as the offtake is slower than anticipated

Source: ICICI Direct Research

Exhibit 4: Trends in Quarterly Performance

(₹ crore)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	YoY (%)	QoQ (%)
Total Operating Income	44.8	44.2	50.7	43.6	39.9	53.4	56.9	64.2	60.2	62.7	55.7	56.5	50.7	-15.8	-10.2
Raw Material Expenses	5.6	5.6	5.7	2.9	5.0	15.2	13.7	17.7	17.9	16.2	13.3	15.4	14.4	-19.6	-6.8
% of Revenue	12.5	12.6	11.2	6.5	12.4	28.5	24.0	27.5	29.7	25.8	23.9	27.3	28.3	-135 bps	105 bps
Gross Profit	39.2	38.6	45.0	40.8	34.9	38.2	43.2	46.5	42.3	46.5	42.4	41.1	36.3	-14.1	-11.5
Gross Profit Margin (%)	87.5	87.4	88.8	93.5	87.6	71.5	76.0	72.5	70.3	74.2	76.1	72.7	71.7	135 bps	-105 bps
Employee Expenses	8.6	9.4	10.3	12.4	8.6	8.4	10.8	11.1	11.3	11.1	10.7	12.3	11.8	5.0	-3.4
% of Revenue	19.3	21.2	20.3	28.5	21.5	15.8	19.0	17.4	18.8	17.7	19.1	21.7	23.4	461 bps	165 bps
Other Expenditure	13.0	18.2	14.0	21.2	14.4	14.0	11.2	15.6	14.0	17.8	16.7	18.5	17.1	22.1	-7.7
% of Revenue	29.0	41.2	27.7	48.5	36.2	26.2	19.8	24.3	23.2	28.5	30.0	32.7	33.7	1044 bps	93 bps
Total Expenditure	27.2	33.1	30.0	36.4	28.0	37.6	35.7	44.4	43.1	45.1	40.7	46.1	43.3	0.3	-6.2
% of Revenue	60.7	75.0	59.2	83.5	70.1	70.4	62.8	69.2	71.6	72.0	73.0	81.7	85.3	1370 bps	363 bps
EBITDA	17.6	11.1	20.7	7.2	11.9	15.8	21.2	19.8	17.1	17.6	15.0	10.3	7.4	-56.5	-28.0
EBITDA Margin (%)	39.3	25.0	40.8	16.5	29.9	29.6	37.2	30.8	28.4	28.0	27.0	18.3	14.7	-1370 bps	-363 bps
Other Income	0.6	0.7	0.3	4.8	0.7	0.2	1.3	2.5	2.3	1.4	2.8	7.2	3.1	33.0	-56.6
Interest	1.9	1.4	2.6	2.5	1.5	2.1	1.5	1.4	0.9	0.7	1.0	1.5	1.6	86.2	6.7
Depreciation	3.2	3.2	3.4	3.2	3.2	3.2	3.3	3.6	3.2	3.1	5.2	5.1	5.1	56.7	-1.4
PBT	13.0	7.1	15.0	6.2	7.9	10.7	17.7	17.2	15.3	15.2	11.7	10.9	3.9	-74.6	-64.2
Total Tax	4.9	0.9	3.0	1.5	2.8	4.0	4.8	3.8	4.3	4.1	3.3	2.3	1.9	-55.8	-17.3
Tax rate (%)	37.9	12.7	20.1	23.7	35.9	37.5	27.1	21.9	28.1	26.7	28.7	21.1	48.9	2078 bps	2775 bps
PAT	8.4	6.5	11.5	2.7	5.7	6.7	12.3	9.7	12.5	10.6	8.5	7.7	4.0	-68.2	-48.6
PAT Margin (%)	18.7	14.8	22.7	6.3	14.3	12.5	21.7	15.1	20.8	17.0	15.2	13.7	7.8		
EPS (₹)	9.9	7.7	13.5	3.2	6.7	7.9	14.5	11.4	14.7	12.5	10.0	9.1	4.7		

Source: ICICI Direct Research

Exhibit 5: 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
Hospitals																					
Apollo Hospitals	APOHOS	4352	5,080	Buy	62577	7.9	59.1	79.0	101.0	553.7	73.6	55.1	43.1	6.3	15.1	15.3	18.8	2.5	15.1	17.4	18.9
Narayana Hrudalaya	NARHRU	697	800	Buy	14240	-0.7	16.7	20.6	22.7	NA	41.6	33.9	30.7	1.2	20.5	19.6	19.7	-1.3	23.0	22.3	19.9
Shalby	SHALIM	120	150	Buy	1292	3.9	5.4	7.5	9.9	30.5	22.1	16.0	12.1	6.5	8.4	11.7	14.3	5.1	6.7	8.6	10.4
Aster DM	ASTDM	206	250	Buy	10300	3.0	10.5	10.8	16.7	69.7	19.6	19.1	12.4	5.4	9.0	9.4	12.5	4.4	13.3	12.0	15.6
Healthcare Global	HEAGLO	284	345	Buy	3947	-13.9	3.9	4.5	8.8	-13.9	73.5	62.4	32.1	-0.9	5.0	9.4	12.1	-0.9	5.0	6.8	11.6
MNC Pharma																					
Abbott India	ABBIND	19152	21,140	Hold	40696	325.0	375.9	427.7	528.6	58.9	51.0	44.8	36.2	33.8	36.6	37.1	37.3	26.5	28.3	28.9	28.8
P&G Health	MERLIM	4403	4,955	Hold	7309	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	6355	6,885	Hold	14637	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	4257	4,480	Hold	19475	108.8	133.9	140.4	149.3	39.1	31.8	30.3	28.5	27.6	26.1	22.4	21.8	20.8	21.4	17.9	17.7
Pharma																					
Ajanta Pharma	AJAPHA	1272	1,495	Buy	16298	51.0	55.6	60.1	71.1	24.9	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	663	590	Reduce	13030	62.8	27.8	15.3	26.9	10.6	23.9	43.4	24.6	25.1	10.6	6.5	10.5	24.1	10.4	5.6	9.1
Aurobindo Pharma	AURPHA	588	615	Hold	34430	55.0	47.4	41.1	51.3	10.7	12.4	14.3	11.5	16.9	12.9	11.5	13.3	14.7	11.3	9.0	10.1
Biocon	BIOCON	315	320	Hold	37819	6.3	5.7	5.5	11.3	50.3	55.3	57.8	27.8	7.7	7.5	4.1	6.5	9.9	8.1	2.8	5.5
Zydus Lifesciences	CADHEA	394	405	Hold	39891	23.3	21.0	21.0	23.8	16.9	18.8	18.8	16.6	13.8	12.0	11.8	11.7	18.4	12.6	11.4	11.6
Cipla	CIPLA	1030	1,135	Buy	83148	29.9	32.9	38.6	45.8	34.5	31.3	26.7	22.5	16.3	16.7	17.9	19.0	13.1	12.7	13.3	14.1
Dr Reddy's Labs	DRREDD	4306	4,750	Buy	71668	117.3	126.9	203.4	191.0	36.7	33.9	21.2	22.5	13.1	13.0	19.1	18.1	11.1	11.0	15.4	13.0
Glenmark Pharma	GLEPHA	387	460	Hold	10911	32.9	42.7	41.0	48.3	11.8	9.1	9.4	8.0	13.9	14.8	14.5	15.4	13.1	13.2	11.4	11.9
Ipca Laboratories	IPCLAB	929	985	Hold	23560	44.9	34.8	27.5	35.1	20.7	26.7	33.8	26.4	27.1	17.4	14.3	16.3	24.2	16.1	11.4	13.0
Jubilant Pharmova	JUBLIF	345	340	Reduce	5495	37.4	26.0	15.9	26.1	9.2	13.3	21.7	13.2	13.7	9.0	6.1	8.6	12.6	7.8	4.6	7.0
Lupin	LUPIN	681	610	Reduce	30980	26.9	11.9	11.8	27.7	25.4	57.4	57.9	24.6	9.6	3.4	5.8	10.9	8.8	4.4	4.2	9.2
Natco Pharma	NATPHA	656	735	Hold	11969	24.2	9.3	41.6	42.3	27.1	70.4	15.8	15.5	13.1	4.6	18.1	16.9	10.7	4.0	15.5	13.9
Sun Pharma	SUNPHA	918	1,125	Buy	220151	30.0	32.0	34.8	40.1	30.5	28.7	26.4	22.9	14.2	18.2	18.0	18.7	15.5	16.0	15.2	15.2
Torrent Pharma	TORPHA	1580	1,800	Buy	53459	37.0	32.0	43.7	54.6	42.7	49.3	36.2	29.0	17.6	19.7	24.7	29.4	21.4	18.2	20.9	21.8
Indoco Remedies	INDREM	372	525	Buy	3429	10.1	16.8	21.6	29.2	36.9	22.2	17.2	12.8	11.7	17.5	17.6	23.9	12.1	17.1	18.6	20.6
Caplin Point	CAPPOI	811	1,000	Buy	6146	81.7	85.3	70.4	73.0	9.9	9.5	11.5	11.1	25.3	23.7	22.6	0.0	20.4	20.2	18.7	17.5
Advanced Enzymes	ADVENZ	270	265	Reduce	3017	13.1	10.7	8.5	12.1	20.6	25.2	31.9	22.4	19.4	14.3	10.2	13.2	15.1	11.0	8.1	10.4
Hester Biosciences	HESPHA	2125	2,015	Reduce	1808	44.4	45.7	35.9	51.8	47.9	46.5	59.2	41.1	16.2	10.9	9.3	11.8	16.5	15.0	10.8	14.0
API/CRAMS																					
Divi's Lab	DIVLAB	3745	4,315	Buy	99406	74.7	111.5	93.0	113.5	50.1	33.6	40.3	33.0	27.6	30.2	22.8	24.4	21.3	25.2	18.4	19.2
Hikal	HIKCHE	293	290	Hold	3618	10.8	13.0	3.8	14.4	27.2	22.5	76.6	20.3	15.1	13.6	5.6	13.8	14.3	15.0	4.3	14.2
Syngene Int.	SYNINT	587	710	Buy	23568	10.1	9.9	11.5	14.6	58.0	59.5	50.9	40.3	11.5	11.7	12.8	15.2	13.5	12.9	12.4	13.7
Granules India	GRANUL	316	375	Buy	7837	22.2	16.6	21.9	26.8	14.3	19.0	14.4	11.8	24.0	15.6	18.6	20.5	25.3	16.0	17.6	17.9
Laurus Labs	LAULAB	572	675	Buy	30737	18.3	15.4	20.7	27.0	31.3	37.1	27.6	21.2	31.7	21.3	23.6	26.0	37.9	24.7	25.6	25.6
Suven Pharmaceuticals	SUVPH	449	530	Hold	11436	14.2	17.8	17.0	17.6	31.6	25.2	26.4	25.5	31.2	37.5	28.7	25.0	30.7	29.7	23.0	20.0

Source: ICICI Direct Research

Financial Summary

Exhibit 6: Profit and loss statement		₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E	
Revenues	214.3	235.0	252.8	281.7	
Growth (%)	17.0	9.6	7.6	11.4	
Raw Material Expenses	51.5	62.7	69.9	71.7	
Employee Expenses	38.9	45.3	50.5	54.9	
Other Expenditure	55.3	67.0	72.9	77.3	
Total Operating Expenditure	145.7	175.0	193.3	203.9	
EBITDA	68.7	60.0	59.6	77.8	
Growth (%)	23.9	-12.6	-0.7	30.6	
Interest	6.6	4.1	6.6	6.7	
Depreciation	13.3	16.6	21.6	23.3	
Other Income	4.7	13.7	13.2	14.1	
PBT before Exceptional Items	53.4	53.1	44.6	61.9	
Less: Forex & Exceptional Items	3.3	0.0	0.0	0.0	
PBT	50.1	53.1	44.6	61.9	
Total Tax	15.4	14.0	12.6	16.3	
PAT	34.4	38.9	30.5	44.0	
Adjusted PAT	37.8	38.9	30.5	44.0	
Growth (%)	29.4	3.0	-21.5	44.3	
EPS	40.5	45.7	35.9	51.8	
EPS (Adjusted)	44.4	45.7	35.9	51.8	

Source: Company, ICICI Direct Research

Exhibit 7: Cash flow statement		₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E	
Profit/(Loss) after taxation	36.2	36.4	30.5	44.0	
Add: Depreciation & Amortization	13.3	16.6	21.6	23.3	
Add: Interest	4.0	2.6	6.6	6.7	
Net Increase in Current Assets	14.2	-29.1	-14.8	-11.0	
Net Increase in Current Liabilities	-15.0	-9.5	2.8	1.6	
CF from operating activities	52.7	16.9	46.8	64.6	
(Inc)/dec in Fixed Assets	-40.7	-95.5	-30.0	-20.0	
(Inc)/dec in Investments	0.0	-21.3	21.2	0.0	
Other Investing Activities	-1.0	-0.1	0.7	0.7	
CF from investing activities	-41.7	-116.9	-8.1	-19.3	
Proceeds from issues of Equity Shares	0.0	0.4	0.0	0.0	
Proceeds/(Repayment) Loan	-22.9	116.9	0.0	0.0	
(Payment) of Dividend and Dividend Tax	-5.6	-8.5	-7.7	-11.5	
Other Financing Activities	10.3	2.9	-6.6	-6.7	
CF from financing activities	-18.2	111.6	-14.3	-18.2	
Net Cash flow	-7.2	11.6	24.5	27.2	
Opening Cash	23.5	21.7	25.2	49.7	
Closing Cash	16.4	33.3	49.7	76.8	
FCF	12.0	-78.7	16.8	44.6	

Source: Company, ICICI Direct Research

Exhibit 8: Balance Sheet		₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E	
Equity Capital	8.5	8.5	8.5	8.5	
Reserve and Surplus	219.8	251.5	274.3	306.9	
Total Shareholders funds	228.3	260.0	282.8	315.4	
Total Debt	104.5	222.6	222.6	222.6	
Deferred Tax Liability	7.3	6.5	6.8	7.2	
Minority Interest	7.7	7.4	7.8	8.2	
Other Non Current Liabilities	23.6	26.8	28.2	29.6	
Source of Funds	371.4	523.3	548.2	582.9	
Gross Block - Fixed Assets	228.2	348.2	368.2	388.2	
Accumulated Depreciation	95.4	111.0	132.6	155.9	
Net Block	132.8	237.2	235.5	232.3	
Capital WIP	109.0	81.9	91.9	91.9	
Net Fixed Assets	241.8	319.1	327.5	324.2	
Total Intangible Assets	0.0	0.0	0.0	0.0	
Investments	0.0	21.2	0.0	0.0	
Inventory	62.2	75.4	84.0	86.1	
Cash	21.7	25.2	49.7	76.8	
Debtors	49.2	55.3	59.5	66.3	
Loans & Advances & Other CA	28.4	38.9	40.8	42.9	
Total Current Assets	161.5	194.8	234.0	272.1	
Creditors	28.1	18.0	20.1	20.6	
Provisions & Other CL	11.6	20.9	21.6	22.7	
Total Current Liabilities	39.7	38.9	41.7	43.3	
Net Current Assets	121.8	155.9	192.3	228.9	
LT L& A, Other Assets	7.8	27.1	28.4	29.9	
Deferred Tax Assets	0.0	0.0	0.0	0.0	
Application of Funds	371.4	523.3	548.2	582.9	

Source: Company, ICICI Direct Research

Exhibit 9: Key ratios					
(Year-end March)	FY21	FY22	FY23E	FY24E	
Per share data (₹)					
EPS	44.4	45.7	35.9	51.8	
Cash EPS	34.4	35.7	26.9	38.3	
BV	268.4	305.6	332.5	370.8	
DPS	10.0	10.0	9.0	13.5	
Cash Per Share	112.1	130.5	155.9	183.3	
Operating Ratios (%)					
Gross Profit Margins	76.0	73.3	72.4	74.6	
EBITDA margins	32.0	25.5	23.6	27.6	
Net Profit margins	17.6	16.6	12.1	15.6	
Inventory days	441.0	438.7	438.7	438.7	
Debtor days	83.8	85.9	85.9	85.9	
Creditor days	199.1	104.9	104.9	104.9	
Asset Turnover	0.9	0.7	0.7	0.7	
EBITDA conversion rate	76.8	28.1	78.6	83.1	
Return Ratios (%)					
RoE	16.5	15.0	10.8	14.0	
RoCE	16.2	10.9	9.3	11.8	
RoIC	23.0	10.4	9.3	13.2	
Valuation Ratios (x)					
P/E	53.2	47.1	60.0	41.6	
EV / EBITDA	27.9	33.8	33.7	25.4	
EV / Revenues	8.9	8.6	7.9	7.0	
Market Cap / Revenues	8.5	7.8	7.2	6.5	
Price to Book Value	8.0	7.0	6.5	5.8	
Solvency Ratios					
Debt / Equity	0.5	0.9	0.8	0.7	
Debt/EBITDA	1.5	3.7	3.7	2.9	
Current Ratio	3.5	4.4	4.4	4.5	

Source: Company, ICICI Direct Research

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