

## Strong Q2 driven by crop protection, pharma flat...

**About the stock:** Hikal is predominantly a B2B player that provides intermediates and active ingredients to global pharmaceutical, animal health, crop protection and specialty chemical companies.

- Pharma and crop protection are 62% and 38% of operating revenues, respectively. The pharma business is currently divided in 50:50 ratio of APIs and CDMO. Animal health business accounts for 20-25% of CDMO business
- In crop protection, 69% revenues are derived from CDMO while remaining is from proprietary products, specialty chemicals & specialty biocides
- One of the largest suppliers of Gabapentin API (CNS) and in crop protection, one of the largest suppliers of Thiabendazole (TBZ)

**Q2FY22 Results:** Hikal reported robust Q2FY22 results.

- Sales were up 26.1% YoY to ₹ 469.1 crore
- EBITDA in Q2FY22 was at ₹ 90.9 crore, up 30% YoY with margins at 19.4%
- Consequent adjusted PAT was at ₹ 44.1 crore (up 63.5% YoY)

**What should investors do?** Hikal's share price has grown by ~4.5x over the past five years (from ~₹ 123 in July 2016 to ~₹ 550 levels in Oct 2021).

- We change our view from HOLD to BUY on account of persistent guidance and visibility capex, which, in turn, can maintain the growth tempo

**Target Price and Valuation:** We value Hikal at ₹ 640 i.e. 30x P/E on FY23E EPS

**Key triggers for future price performance:**

- Hikal continues to expand in both pharma, crop protection segments with separate focus and a calibrated approach
- Margin improvement on back of several cost rationalisation & efficiency improvement measures undertaken during the pandemic
- The crop protection segment maintaining growth due to sustained product offerings and optimum capacity utilisation
- Received manufacturing license for the production of APIs at Panoli site, to resume post validations over the next two quarters
- Raw material challenges expected to continue in the next few months.

**Alternate Stock Idea:** Apart from Hikal, in our healthcare coverage we like Laurus.

- Laurus Labs operates in the segment of generic APIs & FDFs (formulations), custom synthesis and biotechnology
- BUY with target price of ₹ 785

# HIKAL

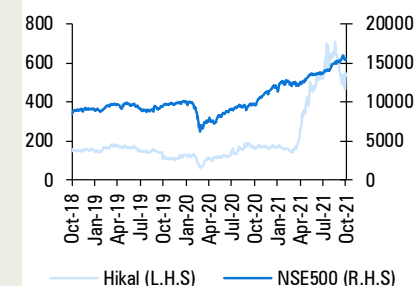
### Particulars

Particular	Amount
Market Cap	₹ 6772 crore
Debt (FY21)	₹ 610 crore
Cash (FY21)	₹ 37 crore
EV	₹ 7346 crore
52 week H/L (₹)	742/143
Equity capital	₹ 24.7 crore
Face value	₹ 2

### Shareholding pattern

(in %)	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
Promoter	68.8	68.8	68.8	68.8	68.8
Others	31.2	31.2	31.2	31.2	31.2

### Price Chart



### Recent Event & Key risks

- Signed a 10-year contract with a leading global pharma company to develop and supply a portfolio of niche APIs over 10 years.
- Key Risk:** (i) Less than expected Margin expansion (ii) Lumpiness in crop protection segment

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### Key Financial Summary

Key Financials (₹ Crore)	FY19	FY20	FY21	5 year CAGR (FY16-21)	FY22E	FY23E	2 year CAGR (FY21-23E)
Revenues	1589.6	1507.3	1720.4	13.2	1995.4	2311.9	15.9
EBITDA	298.1	273.2	322.9	12.3	407.7	503.6	24.9
EBITDA Margins (%)	18.8	18.1	18.8		20.4	21.8	
Adjusted PAT	103.1	99.8	133.2	26.4	211.9	263.4	40.7
EPS (₹)	8.4	8.1	10.8		17.2	21.4	
PE (x)	65.7	67.8	50.9		32.0	25.7	
EV to EBITDA (x)	24.8	26.9	22.7		18.1	14.7	
Price to book (x)	9.0	8.3	7.3		6.0	4.9	
RoE (%)	13.6	12.2	14.3		18.7	19.1	
RoCE (%)	14.3	12.8	15.1		17.7	18.5	

Source: Company, ICICI Direct Research

## Key takeaways of recent quarter & conference call highlights

### Q2FY22 Results: Robust performance continues

- Q2FY22 revenues grew a robust 26.1% YoY to ₹ 469.1 crore on the back strong growth in crop protection segment. Pharma was flat at ₹ 279.6 crore in Q2FY22 vs ₹ 279.3 crore in Q2FY21 whereas crop protection grew 104.6% YoY to ₹ 189.5 crore. EBITDA margins expanded 62bps YoY to 19.4%. Subsequently, EBITDA grew 30.3% YoY to ₹ 90.9 crore. PAT grew 63.5% YoY to ₹ 44.1 crore
- Q2 performance was in line with I-direct estimates across all fronts except for segment traction wherein pharma remained flat with weaker margins while profitability was driven by crop protection. Q2 performance showcases Hikal's focus on high margin products and backward integration. Despite the recent run-up, Hikal remains a fair value proposition as it continues to expand in both pharma, crop protection segments with separate focus and a calibrated approach. This bodes well in recent times when China + 1 strategy and government incentives are likely to create opportunities for Indian players both in APIs, crop protection CDMO. We will get more insights post discussion with management

### Q2FY22 Earnings Conference Call highlights

- Revenue recorded an increase of 26% YoY mainly due to –
  - Higher sales volumes for existing products augmented by addition of new products
  - Strong performance in both segments - own products and CDMO
- EBITDA increased to ₹ 91 crore, growth of 30% YoY due to higher demand compared to Q2 last year resulting in higher operating leverage
- Improved EBITDA margins by 62 bps YoY to reach 19.4% due to improved product mix and higher operating leverage
- PAT was at ₹ 44 crore, YoY growth of 63% mainly driven by product mix
- Shutdown of the Mahad facility for 27 days in Q2FY22 due to heavy rains led to a substantial impact on revenue & profitability

### Pharmaceuticals

- Recorded flat revenue at ₹ 280 crore compared to Q2FY21. Growth in volumes for several own products
- Slower offtake by customers in this quarter. This was primarily due to several raw material shortages and global logistics issues
- The management expects raw material challenges to continue in the next few months
- EBIT at ₹ 37 crore, de-growth of 25% YoY due to withdrawal of export incentives by Gol and product mix change coupled with increased raw material price
- Commissioned new capacity in Unit-2, Jigani, Bangalore for CDMO Projects
- Having received the manufacturing license, the production of APIs at Panoli site to resume post validations for the next two quarters
- Anti-diabetic portfolio of APIs for future is receiving healthy traction from customers

### Crop Protection

- Revenue recorded an increase of 105% YoY due to increased sales volume of existing as well as new products and efficient pass through of raw material price increase
- The management expects this positive momentum to continue in the next few quarters based on a healthy pipeline of products at various stages
- EBIT of ₹ 34 crore, up 335% YoY due to higher operational leverage due to increased revenue and business excellence initiatives have resulted in increased throughput and reduction in costs, enabling the company to meet increased market demand and improve margins
- Increase in new inquiries from CDMO customers in Q2FY22
- Significant capex investment for multipurpose facility is on-track for new products

### Guidance

- Capex guidance: H2FY22 - ₹ 175 crore, FY23 - ₹ 300 crore
- Asset turnover (optimum level) for new capacity to be at 1.5x
- Capacity utilisation: 85%
- The management guided for new product contribution to increase from 10% to 20% in the coming two to three years; also guided for pharma and crop protection revenue mix to be 50:50 in two to three years
- The management guided for high teens growth to continue and improvement in EBITDA margins

**Exhibit 1: Variance Analysis**

₹ crore	Q2FY22	Q2FY21	YoY (%)	Q1FY22	QoQ (%)	Comments
Revenue	469.1	371.9	26.1	456.8	2.7	YoY growth on the back strong growth in crop protection segment
Raw Material Expenses	232.1	188.6	23.1	224.9	3.2	
Gross Margins (%)	50.5	49.3	121 bps	50.8	-25 bps	YoY improvement amid higher product mix of crop protection
Employee Expenses	48.6	39.0	24.7	48.1	1.0	
Other Expenditure	97.5	74.6	30.6	88.0	10.7	
Operating Profit (EBITDA)	90.9	69.8	30.3	95.8	-5.1	
EBITDA (%)	19.4	18.8	62 bps	21.0	-158 bps	YoY improvement owing to better product mix and operational leverage
Interest	8.0	8.5	-6.4	8.0	-0.4	
Depreciation	24.2	21.2	14.3	22.6	7.3	
Other Income	0.9	1.0	-8.4	3.2	-72.6	
PBT	59.6	41.1	45.2	68.4	-12.8	
Exceptional Items	0.0	0.0	NA	0.0	NA	
Tax	15.6	14.1	10.3	17.9	-12.9	
Tax Rate (%)	26.1	34.3	-24.1	26.1	-0.1	
Reported PAT	44.1	27.0	63.5	50.5	-12.8	
Adjusted PAT	44.1	27.0	63.5	50.5	-12.8	YoY improvement amid strong operational performance coupled with a move to the new corporate tax regime
EPS (₹)	3.6	2.2	63.5	4.1	-12.8	
<b>Key Metrics</b>						
Pharma	279.6	279.3	0.1	274.1	2.0	Flat due to slower offtake by customers due to several raw material shortages and global logistics issues
Crop Protection	189.5	92.6	104.6	182.7	3.7	Increased sales volume of existing as well as new products

Source: Company, ICICI Direct Research

**Exhibit 2: Change in estimates**

	FY22E			FY23E			Comments
(₹ Crore)	Old	New	Change	Old	New	Change	
Revenue	2,005.7	1,995.4	-0.5	2,309.2	2,311.9	0.1	
EBITDA	408.6	407.7	-0.2	482.8	503.6	4.3	
EBITDA Margin (%)	20.4	20.4	6 bps	20.9	21.8	88 bps	Changed amid management guidance and better-than-expected improvement, going forward
PAT	203.3	211.9	4.2	242.2	263.4	8.8	Changed mainly in sync with operational performance
EPS (₹)	16.5	17.2	4.2	19.6	21.4	8.8	

Source: ICICI Direct Research

**Exhibit 3: Assumptions**

	Current			Earlier			
(₹ crore)	FY20	FY21	FY22E	FY23E	FY22E	FY23E	
Pharma	886.9	1,059.6	1,171.6	1,312.2	1,230.6	1,415.2	
Crop Protection	620.4	660.8	812.1	974.6	767.3	882.4	Changed mainly due to positive guidance for crop protection

Source: ICICI Direct Research

**Exhibit 4: Financial Summary**

	Revenues	Growth	Adj. EPS	Growth	P/E	EV/EBITDA	RoE	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY20	1507	-5	8.1	-3	67.8	26.9	12.2	12.8
FY21	1720	14.1	10.8	33.4	50.9	22.7	14.3	15.1
FY22E	1995	16.0	17.2	59.1	32.0	18.1	18.7	17.7
FY23E	2312	15.9	21.4	24.3	25.7	14.7	19.1	18.5

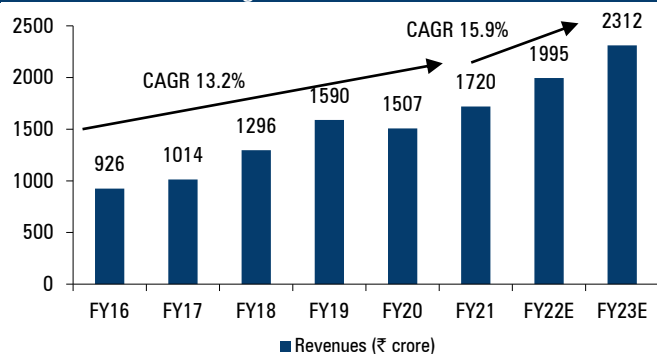
Source: ICICI Direct Research

**Exhibit 5: Trends in Quarterly Performance**

(₹ Crore)	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	YoY (%)	QoQ (%)
Total Operating Income	394.8	406.0	457.5	403.2	321.1	404.1	379.0	352.8	371.9	463.3	532.5	456.8	469.1	26.1	2.7
Raw Material Expenses	205.8	223.0	260.3	228.3	145.0	208.9	194.2	193.3	188.6	246.8	279.7	224.9	232.1	23.1	3.2
% of revenue	52.1	54.9	56.9	56.6	45.2	51.7	51.2	54.8	50.7	53.3	52.5	49.2	49.5		
Gross Profit	189.0	183.0	197.3	174.9	176.1	195.2	184.8	159.4	183.4	216.5	252.7	231.9	236.9	29.2	2.2
Gross Profit Margin (%)	47.9	45.1	43.1	43.4	54.8	48.3	48.8	45.2	49.3	46.7	47.5	50.8	50.5	121 bps	-25 bps
Employee Expenses	38.6	39.3	36.2	42.2	43.8	41.9	40.0	42.0	39.0	41.1	42.3	48.1	48.6	24.7	1.0
% of revenue	9.8	9.7	7.9	10.5	13.6	10.4	10.6	11.9	10.5	8.9	7.9	10.5	10.4		
Other Expenses	75.2	71.0	77.0	64.2	74.0	77.7	74.2	64.9	74.6	84.1	101.2	88.0	97.5	30.6	10.7
% of revenue	19.1	17.5	16.8	15.9	23.0	19.2	19.6	18.4	20.1	18.2	19.0	19.3	20.8		
Total Expenditure	319.6	333.4	373.5	334.7	262.7	328.4	308.4	300.2	302.2	372.0	423.2	361.0	378.2	25.2	4.7
% of revenue	81.0	82.1	81.6	83.0	81.8	81.3	81.4	85.1	81.2	80.3	79.5	79.0	80.6		
EBITDA	75.2	72.6	84.0	68.5	58.4	75.7	70.6	52.5	69.8	91.3	109.3	95.8	90.9	30.3	-5.1
EBITDA Margins (%)	19.0	17.9	18.4	17.0	18.2	18.7	18.6	14.9	18.8	19.7	20.5	21.0	19.4	62 bps	-158 bps
Depreciation	23.6	23.5	23.2	20.3	20.5	20.7	20.9	20.7	21.2	21.8	21.6	22.6	24.2	14.3	7.3
Interest	16.4	13.4	12.6	12.1	13.6	13.1	13.7	9.7	8.5	8.1	10.0	8.0	8.0	-6.4	-0.4
Other Income	0.3	0.5	0.1	0.7	0.8	0.5	1.7	0.6	1.0	0.5	2.9	3.2	0.9	-8.4	-72.6
Forex & EO	0.0	0.0	0.0	0.0	-15.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
PBT	35.5	36.3	48.2	36.8	9.7	42.3	37.7	22.8	41.1	62.0	80.6	68.4	59.6	45.2	-12.8
Total Tax	11.1	12.6	14.8	11.6	3.3	14.0	13.3	7.8	14.1	21.7	29.7	17.9	15.6	10.3	-12.9
Tax rate (%)	31.3	34.7	30.8	31.5	34.3	33.0	35.1	34.2	34.3	35.0	36.8	26.1	26.1	-826.2	-1.4
Adjusted PAT	24.4	23.7	33.3	25.2	21.8	28.4	24.5	15.0	27.0	40.3	50.9	50.5	44.1	63.5	-12.8
EPS (₹)	2.0	1.9	2.7	2.0	1.8	2.3	2.0	1.2	2.2	3.3	4.1	4.1	3.6	63.5	-12.8

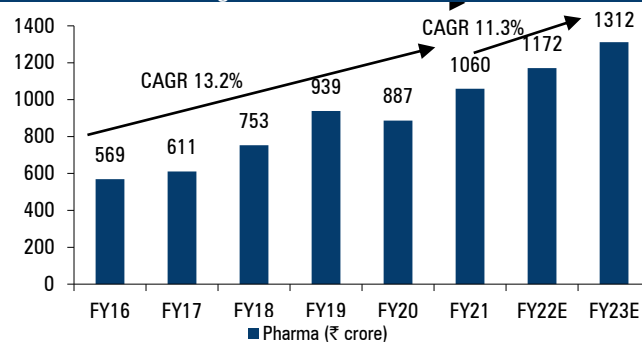
Source: ICICI Direct Research

**Exhibit 6: Revenues to grow at 15.9% CAGR over FY21-23E**



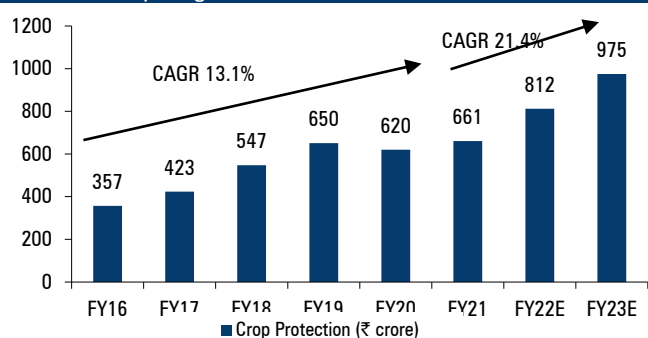
Source: ICICI Direct Research, Company

**Exhibit 7: Pharma to grow at 11.3% CAGR over FY21-23E**



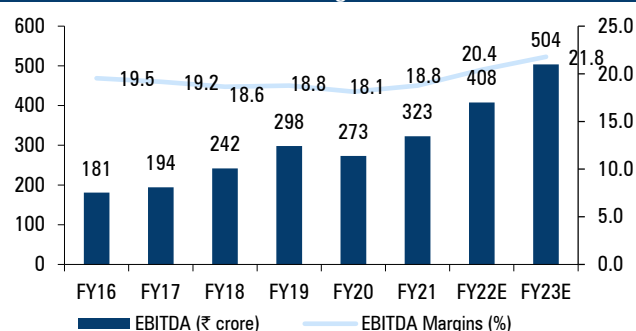
Source: ICICI Direct Research, Company

**Exhibit 8: Crop to grow at 21.4% CAGR over FY21-23E**



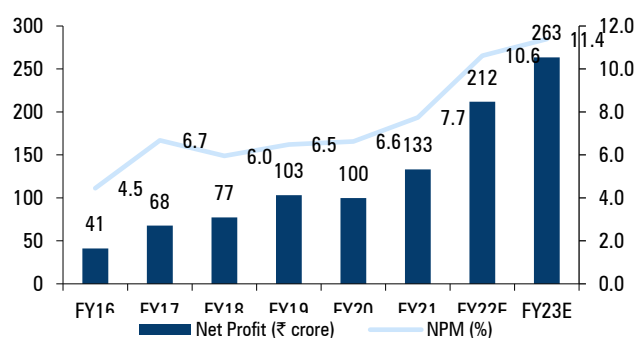
Source: ICICI Direct Research, Company

**Exhibit 9: EBITDA & EBITDA margins trend**



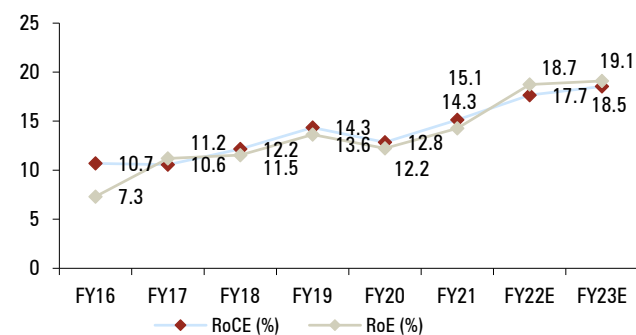
Source: ICICI Direct Research, Company

**Exhibit 10: PAT & PAT margins trend**



Source: ICICI Direct Research, Company

**Exhibit 11: RoE & RoCE trend**



Source: ICICI Direct Research, Company

**Exhibit 12: ICICI Direct Coverage Universe (Healthcare)**

Company	I-Direct Code	CMP (₹)	TP Rating (₹)	M Cap (₹ cr)	EPS (₹)				PE(x)				RoCE (%)				RoE (%)				
					FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	
Ajanta Pharma	AJAPHA	2107	2,695	Buy	18234	53.4	74.0	80.8	89.8	39.5	28.5	26.1	23.5	24.7	29.0	24.9	24.0	18.1	21.8	20.2	19.2
Alembic Pharma	ALEMPHA	750	885	Hold	14745	44.4	59.9	35.1	44.2	16.9	12.5	21.4	17.0	21.0	24.2	12.7	14.8	27.1	23.0	12.3	13.8
Apollo Hospitals	APOHOS	4240	4,510	Hold	60965	22.6	7.9	61.2	76.8	187.8	539.4	69.3	55.2	10.2	6.3	15.6	18.2	9.7	2.5	16.0	17.2
Aurobindo Pharma	AURPHA	695	865	Hold	40723	48.8	55.0	54.4	64.6	14.3	12.6	12.8	10.8	17.2	16.9	14.5	15.8	17.0	14.7	12.8	13.3
Biocon	BIOCON	338	380	Hold	40530	5.8	6.1	5.4	9.3	58.0	55.5	62.8	36.4	10.2	7.6	7.8	10.0	10.4	9.6	7.9	12.2
Cadila Healthcare	CADHEA	499	583	Hold	51059	14.0	21.5	20.9	22.0	35.7	23.2	23.9	22.7	10.7	12.6	13.1	12.9	13.8	16.9	12.7	12.1
Cipla	CIPLA	916	1,085	Buy	73896	19.2	29.9	34.6	41.8	47.7	30.7	26.5	21.9	12.0	16.3	17.8	18.4	9.8	13.1	13.7	14.6
Divi's Lab	DIVLAB	5178	5,815	Buy	137460	51.9	74.7	94.7	116.3	99.9	69.3	54.7	44.5	23.9	27.6	28.8	29.2	18.8	21.3	22.5	23.0
Dr Reddy's Labs	DRREDD	4643	5,250	Hold	77241	121.8	117.3	129.1	199.7	38.1	39.6	36.0	23.2	9.6	13.1	13.2	16.6	13.0	11.1	11.0	14.9
Glenmark Pharma	GLEPHA	495	680	Buy	13967	26.4	32.9	35.8	48.1	18.8	15.1	13.8	10.3	12.7	13.9	15.9	17.1	12.2	13.1	11.9	13.9
Hikal	HIKCHE	549	640	Buy	6769	8.1	10.8	17.2	21.4	67.8	50.8	31.9	25.7	12.8	15.1	17.7	18.5	12.2	14.3	18.7	19.1
Ipca Laboratories	IPCLAB	2113	2,560	Buy	26806	47.6	89.9	89.6	102.4	44.4	23.5	23.6	20.6	17.6	27.1	22.5	21.4	16.6	24.2	19.6	18.3
Jubilant Pharmova	JUBLIF	598	625	Hold	9525	44.6	37.4	44.0	62.6	13.4	16.0	13.6	9.5	11.7	13.7	14.9	18.1	12.7	12.6	13.0	15.7
Lupin	LUPIN	925	1,025	Hold	41977	-12.7	26.9	40.1	44.8	NA	34.4	23.1	20.7	9.7	9.1	13.7	14.2	-4.6	8.8	13.0	12.7
Narayana Hrudalaya	NARHRU	521	620	Buy	10646	6.4	-0.7	12.3	15.6	82.0	NA	42.3	33.5	11.0	1.2	14.5	16.8	11.4	-1.3	18.6	19.3
Natco Pharma	NATPHA	814	1,040	Hold	14842	25.3	24.2	19.4	22.6	32.2	33.7	42.0	36.1	14.0	13.1	9.7	10.9	12.2	10.7	8.1	8.8
Sun Pharma	SUNPHA	818	800	Hold	196278	16.8	30.0	25.6	28.5	48.8	27.2	32.0	28.7	10.0	14.2	15.2	15.1	8.9	15.5	12.2	12.1
Syngene Int.	SYNINT	540	710	Buy	21586	10.3	10.1	9.8	13.9	52.4	53.3	55.2	38.7	14.5	11.5	12.6	15.5	16.8	13.5	13.2	14.9
Torrent Pharma	TORPHA	2791	3,110	Hold	47224	60.6	74.0	78.3	103.7	46.1	37.7	35.6	26.9	15.4	17.7	21.0	22.6	21.2	21.4	19.4	21.5
Shalby	SHALIM	153	210	Hold	1888	2.6	3.9	4.8	5.3	59.9	39.0	31.6	28.6	7.2	6.5	8.3	8.2	3.5	5.1	6.0	6.3
Aster DM	ASTDM	187	200	Buy	10572	5.7	3.0	11.1	15.4	32.7	63.1	16.8	12.1	7.2	5.4	9.3	11.2	8.7	4.4	14.1	16.4
Indoco Remedies	INDREM	461	575	Buy	4299	2.6	10.1	16.7	23.9	176.3	45.7	27.5	19.3	4.6	11.7	19.4	21.7	3.5	12.1	17.1	20.2
Caplin Point	CAPPOI	840	1,135	Buy	6936	28.4	32.0	40.8	47.4	29.6	26.2	20.6	17.7	26.5	25.4	26.1	25.6	22.7	20.4	21.1	20.0
Granules India	GRANUL	316	430	Buy	8249	12.4	22.2	23.6	28.7	25.4	14.2	13.4	11.0	15.2	24.0	23.4	24.2	16.7	25.3	21.5	21.0
Laurus Labs	LAULAB	558	785	Buy	34053	4.8	18.3	22.6	28.0	117.3	30.5	24.7	19.9	13.0	31.7	30.6	30.6	14.4	37.9	32.9	29.8

Source: ICICI Direct Research

## Financial Summary

Exhibit 13: Profit and loss statement					₹ crore
(Year-end March)	FY20	FY21	FY22E	FY23E	
<b>Revenues</b>	<b>1,507.3</b>	<b>1,720.4</b>	<b>1,995.4</b>	<b>2,311.9</b>	
Growth (%)	-5.2	14.1	16.0	15.9	
Raw Material Expenses	776.3	908.4	991.3	1,140.0	
Employee Expenses	167.8	164.3	205.9	234.5	
Other Manufacturing Expenses	290.0	324.9	390.5	433.8	
<b>Total Operating Expenditure</b>	<b>1,234.1</b>	<b>1,397.6</b>	<b>1,587.7</b>	<b>1,808.3</b>	
<b>EBITDA</b>	<b>273.2</b>	<b>322.9</b>	<b>407.7</b>	<b>503.6</b>	
Growth (%)	-8.4	18.2	26.3	23.5	
Interest	52.4	36.2	31.9	34.4	
Depreciation	82.5	85.2	95.2	119.7	
Other Income	3.7	5.0	6.0	6.9	
<b>PBT before Exceptional Items</b>	<b>142.0</b>	<b>206.4</b>	<b>286.7</b>	<b>356.4</b>	
Less: Forex & Exceptional Items	15.4	0.0	0.0	0.0	
<b>PBT</b>	<b>126.6</b>	<b>206.4</b>	<b>286.7</b>	<b>356.4</b>	
Total Tax	42.1	73.3	74.8	93.0	
PAT before MI	84.4	133.2	211.9	263.4	
Minority Interest	0.0	0.0	0.0	0.0	
<b>PAT</b>	<b>84.4</b>	<b>133.2</b>	<b>211.9</b>	<b>263.4</b>	
<b>Adjusted PAT</b>	<b>99.8</b>	<b>133.2</b>	<b>211.9</b>	<b>263.4</b>	
Growth (%)	-3.2	33.4	59.1	24.3	
EPS	6.8	10.8	17.2	21.4	
EPS (Adjusted)	8.1	10.8	17.2	21.4	

Source: Company, ICICI Direct Research

Exhibit 14: Cash flow statement					₹ crore
(Year-end March)	FY20	FY21	FY22E	FY23E	
Profit/(Loss) after taxation	117.7	159.9	211.9	263.4	
Add: Depreciation & Amortization	82.5	85.2	95.2	119.7	
Add: Interest Cost	52.4	36.2	31.9	34.4	
Net Increase in Current Assets	34.6	-98.9	-58.1	-137.0	
Net Increase in Current Liabilities	-3.5	41.0	44.6	51.0	
Others	1.3	5.54	0	0	
<b>CF from operating activities</b>	<b>284.9</b>	<b>229.0</b>	<b>325.5</b>	<b>331.6</b>	
(Inc)/dec in Fixed Assets	-158.0	-157.6	-300.0	-300.0	
(Inc)/dec in Investments	0.0	0.1	0.0	0.0	
Others	5.8	-1.4	0.8	1.1	
<b>CF from investing activities</b>	<b>-152.2</b>	<b>-158.9</b>	<b>-299.2</b>	<b>-298.9</b>	
Inc / (Dec) in Equity Capital	0.0	0.0	0.0	0.0	
Inc / (Dec) in sec. Loan	-25.0	-33.3	0.0	50.0	
Dividend & Dividend Tax	-23.8	-14.8	-14.8	-14.8	
Others	-52.1	-48.8	-31.9	-34.4	
<b>CF from financing activities</b>	<b>-100.9</b>	<b>-96.9</b>	<b>-46.7</b>	<b>0.8</b>	
Net Cash flow	31.8	-26.8	-20.3	33.4	
Opening Cash	31.7	63.6	36.8	16.5	
<b>Closing Cash</b>	<b>63.6</b>	<b>36.8</b>	<b>16.5</b>	<b>49.9</b>	
<b>Free Cash Flow</b>	<b>126.9</b>	<b>71.4</b>	<b>25.5</b>	<b>31.6</b>	

Source: Company, ICICI Direct Research

Exhibit 15: Balance Sheet					₹ crore
(Year-end March)	FY20	FY21	FY22E	FY23E	
Equity Capital	24.7	24.7	24.7	24.7	
Reserve and Surplus	791.8	908.7	1,105.8	1,354.4	
Total Shareholders fund	816.5	933.4	1,130.5	1,379.1	
Total Debt	645.9	610.3	610.3	660.3	
Others Liabilities	50.9	59.6	63.8	68.4	
<b>Source of Funds</b>	<b>1,513.2</b>	<b>1,603.2</b>	<b>1,804.5</b>	<b>2,107.7</b>	
Gross Block - Fixed Assets	1,064.9	1,127.5	1,477.5	1,827.5	
Accumulated Depreciation	329.7	414.9	510.1	629.8	
Net Block	735.2	712.6	967.4	1,197.7	
Capital WIP	160.8	254.2	204.2	154.2	
Net Fixed Assets	896.0	966.8	1,171.6	1,351.9	
Investments	0.7	0.6	0.6	0.6	
Inventory	312.5	266.7	309.3	358.4	
Cash	63.6	36.8	16.5	49.9	
Debtors	340.4	485.5	492.0	570.1	
Loans & Advances & Other CA	0.0	0.0	0.0	0.0	
Total Current Assets	774.8	878.6	916.3	1,086.7	
Creditors	201.2	229.6	266.3	308.6	
Provisions & Other CL	53.6	80.4	88.3	97.1	
Total Current Liabilities	254.8	310.0	354.6	405.6	
Net Current Assets	520.0	568.6	561.7	681.1	
LT L& A, Other Assets	96.5	67.2	70.6	74.1	
<b>Application of Funds</b>	<b>1,513.2</b>	<b>1,603.2</b>	<b>1,804.5</b>	<b>2,107.7</b>	

Source: Company, ICICI Direct Research

Exhibit 16: Key ratios					
(Year-end March)	FY20	FY21	FY22E	FY23E	
<b>Per share data (₹)</b>					
EPS	8.1	10.8	17.2	21.4	
Cash EPS	13.6	15.7	23.7	29.9	
BV	66.2	75.7	91.7	111.8	
DPS	1.2	2.0	1.2	1.2	
Cash Per Share	26.7	33.7	41.4	51.1	
<b>Operating Ratios (%)</b>					
Gross Margins	48.5	47.2	50.3	50.7	
EBITDA margins	18.1	18.8	20.4	21.8	
Net Profit margins	6.6	7.7	10.6	11.4	
Inventory days	75.7	56.6	56.6	56.6	
Debtor days	82.4	103.0	90.0	90.0	
Creditor days	48.7	48.7	48.7	48.7	
Asset Turnover	1.4	1.5	1.4	1.3	
<b>Return Ratios (%)</b>					
RoE	12.2	14.3	18.7	19.1	
RoCE	12.8	15.1	17.7	18.5	
RoIC	14.8	18.1	19.7	20.2	
<b>Valuation Ratios (x)</b>					
P/E	67.8	50.9	32.0	25.7	
EV / EBITDA	26.9	22.7	18.1	14.7	
EV / Revenues	4.9	4.3	3.7	3.2	
Market Cap / Revenues	4.5	3.9	3.4	2.9	
Price to Book Value	8.3	7.3	6.0	4.9	
<b>Solvency Ratios</b>					
Debt / Equity	0.8	0.7	0.5	0.5	
Debt/EBITDA	2.4	1.9	1.5	1.3	
Current Ratio	2.8	2.7	2.5	2.6	

Source: Company, ICICI Direct Research



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