

Custom synthesis outweighs formulations decline...

About the stock: Laurus Labs operates in the segment of generic APIs & FDFs (formulations), custom synthesis and biotechnology. Major focus in APIs is on ARV, oncology and other APIs.

- It owns 11 manufacturing units (six FDA approved sites) with 74 DMFs, 32 ANDAs filed (15 Para IV, 11 first to file) and 192 patents granted
- Laurus acquired Richore Life Sciences to diversify in area of recombinant animal origin free products, enzymes as well as building biologics CDMO

Q2FY23 Results: Beat on estimates propelled by custom synthesis (up 365% YoY).

- Revenues grew 30.9% YoY to ₹ 1575 crore, primarily led by strong performance in custom synthesis business followed by APIs
- EBITDA margins saw minimal decline of ~19 bps to 28.5%, mainly due to higher raw material expenses. EBITDA increased 30% YoY to ₹ 449 crore
- PAT increased 15.6 % YoY to ₹ 233 crore

What should investors do? Laurus Lab's share price has grown by ~7.1x over the past three years (from ~₹ 68 in October 2019 to ~₹ 478 levels in October 2022).

- We continue to remain positive and retain our **BUY** rating on the stock amid incremental contribution from custom synthesis with visible order-book

Target Price and Valuation: Valued at ₹ 630 i.e. 25x P/E on FY24E EPS of ₹ 25.1.

Key triggers for future price performance:

- **Synthesis:** Well-positioned to meet fast growing global demand for NCE drug substance and drug products with ongoing supplies for seven commercial products. Setting up dedicated R&D centre and three greenfield manufacturing units (FY24, FY25)
- **Formulations:** Product launches in anti-diabetic (FY23) & CV portfolio (FY24) in US & Europe with target opportunity at ~ US\$40 billion. Gradual traction from Unit-2 commissioned in Q1FY23 taking total capacity to 10 billion units
- **API:** Robust order book in anti-diabetic, CV & PPI amid capacity expansion in high growth therapeutics with total reactor volume of +7000 KL by FY23
- **Biologics:** Expanding the biologics CDMO at scale. Commercial scale-up of the new fermentation capacity (food proteins). Plans to add 1 million litre fermentation capacity in Phase 1

Alternate Stock Idea: Apart from Laurus, in healthcare coverage we like Granules.

- Granules India is a vertically integrated company that manufactures API, intermediates and finished dosages with vision to play on its strength of economies of scale and expansion into more complex products/forms
- BUY with a target price of ₹ 375



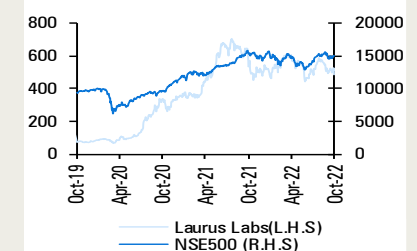
Particulars

Particular	Amount
Market Capitalisation	₹ 26169 crore
Debt (FY22)	₹ 1915 crore
Cash & Equivalents (FY22)	₹ 76 crore
EV (₹ Cr)	₹ 28008 crore
52 week H/L (₹)	724/433
Equity capital	₹ 107.5 crore
Face value	₹ 2

Shareholding pattern

(in %)	Dec-21	Mar-22	Jun-22	Sep-22
Promoter	27.3	27.3	27.3	27.3
Others	72.7	72.7	72.7	72.7

Price Chart



Recent Event & Key risks

- Capacity ramp-up for formulations
- **Key Risk:** (i) Delay in commercialisation of new facility
(ii) Slower offtake and persisting pricing pressure in ARV space

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Key Financial Summary

(₹ Crore)				CAGR (FY17-22)	FY23E	FY24E	3 year CAGR (FY22-24E)
Net Sales	2831.7	4813.5	4935.7	21.0	6391.3	7801.4	25.7
EBITDA	561.0	1550.7	1422.4	30.7	1861.6	2360.4	28.8
EBITDA Margins (%)	19.8	32.2	28.8		29.1	30.3	
Adj. Profit	255.3	983.6	827.5	39.7	1033.9	1348.8	27.7
Adj. EPS (₹)	4.8	18.3	15.4		19.2	25.1	
PE (x)	102.5	26.6	31.6		25.3	19.4	
RoE (%)	14.4	37.9	24.7		24.1	24.5	
RoCE (%)	13.0	31.7	21.3		22.7	25.3	

Key takeaways of recent quarter & conference call highlights

Q2FY23 Results: CRAMS to the fore in Q2 with significant mix change

- Custom synthesis business reported strong growth of 365% YoY, 25% QoQ to ₹ 720 crore, supported by accelerated demand from new and existing clients
- FDF revenues declined 70% to ₹ 149 crore, mainly dragged by lower ARV business. Key factors impacting were lower volumes and lower pricing
- Generic APIs saw 29% growth YoY driven by strong growth in other API which increased 93.5% YoY to ₹ 224 crore, further supported by sustained ARV APIs rebound of 21% YoY to ₹ 408 crore
- Laurus Bio reported a soft quarter, up 3.8% at ₹ 27 crore
- Laurus' numbers were in line with our estimates on the revenue as well as the profitability front. CDMO business continued to deliver stellar numbers but formulations witnessed a significant dent due to poor ARV offtake. The management expects a recovery from next quarter onwards on the back of two big launches in Europe. Oncology API revenues suffered this quarter due to less offtake of a key product, expected to show growth in H2FY23. We remain positive on the company's growth story, especially in the CDMO space

Q2FY23 Earnings Conference Call highlights

- Q2FY23 saw continued pricing pressure and demand slowdown in ARVs
- The management guided for 30% EBITDA margins for the full year
- In formulations space, pricing environment stays at lowest levels for ARVs
- ARVs contribution: 29% of sales for Q2FY23 vs. 42% in Q1FY23
- Laurus will file ANDAs for complex generics products, which have lower competition, from FY25
- For FDF- Expects 75% utilisation of capacity by the end of this fiscal year, more utilisation for non-ARVs
- Laurus will file an ANDA for a Novel Paediatric HIV product this quarter
- Price erosion in ARV and deleveraging of FDF facility impacted EBITDA margins, extent of price erosion – ~20% and 50% volume de-growth. The management expects significant competitive landscape change in ARV, API, formulations and expects price erosions to have bottomed out. It expects growth in H2FY23
- In custom synthesis, there was no one off in the current quarter. Supplies for one global life science company is ongoing currently while for the another multi-year – multi-product contract with a global life science company is on the fast-track with work on-going for dedicated facility. The management has guided for plant qualification by H2FY24. One NCE validation ongoing at current site. Laurus has seven commercial products (three APIs and four intermediates)
- Laurus Bio's new 1 million litre capacity contribution can be expected from FY25. The management guided for flat FY24 amid capacity constraints
- Capex guidance for FY23 and FY24 at ₹ 2,000 crore (50%: custom synthesis, rest all is for non ARV (APIs:66% + formulations:33%))

Exhibit 1: Variance Analysis

	Q2FY23	Q2FY23E	Q2FY22	YoY (%)	Q1FY23	QoQ (%)	Comments
Revenue	1,575.9	1,540.6	1,203.5	30.9	1,538.9	2.4	Growth driven by CDMO-Synthesis
Raw Material Expense	707.4	693.3	532.7	32.8	653.0	8.3	
Gross margins (%)	55.1	55.0	55.7	-62.9	57.6	-246.1	YoY increase amid better mix towards CDMO offsetting depressed pricing in ARV business
Employee Expenses	147.0	154.1	122.9	19.6	152.0	-3.3	
Other Expenditure	272.6	261.9	202.9	34.4	279.8	-2.6	
EBITDA	448.9	431.4	345.1	30.1	454.2	-1.2	
EBITDA (%)	28.5	28.0	28.7	-18.7	29.5	-102.6	YoY decline mainly due to higher other expenses and adverse operating leverage in formulations business
Interest	40.1	30.5	22.1	81.2	29.3	37.1	
Depreciation	81.8	78.9	63.2	29.5	70.8	15.6	
Other Income	1.1	1.8	2.8	-60.8	1.8	-36.6	
PBT before EO & Fore	328.1	323.7	262.6	24.9	355.9	-7.8	
Forex & EO	0.0	0.0	0.0		0.0		
PBT	328.1	323.7	262.6	24.9	355.9	-7.8	
Tax	94.3	75.1	58.6	60.8	103.3	-8.8	
PAT before MI	233.8	248.6	204.0	14.6	252.5	-7.4	
MI	0.4	1.2	2.1		1.0		
Net Profit	233.4	247.4	201.9	15.6	251.3	-7.1	Delta vis-à-vis EBITDA on back of higher depreciation and tax expense .
Key Metrics							
Anti-Viral API	408.0	377.8	337.3	21.0	379.0	7.7	
Oncology API	47.6	77.5	73.8	-35.5	64.1	-25.8	Declined due to lower off take of a key product
Other APIs	224.4	144.9	115.9	93.5	139.9	60.4	
API	680.0	600.1	527.0	29.0	583.0	16.6	YoY gradual recovery in APIs as ARV business continued to witness healthy sequential improvement
Formulations	149.0	445.5	495.0	-69.9	349.0	-57.3	Key factors impacting were lower volumes and lower pricing.
CRAMS	720.0	465.0	155.0	364.5	577.0	24.8	YoY growth led by solid demand from new and existing
Laurus Bio	27.0	30.0	26.0	3.8	30.0	-10.0	Soft quarter, expected to ramp up in H2FY23

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(\$ Crore)	FY23E			FY24E			Comments
	Old	New	% Change	Old	New	Change	
Revenue	6,439.4	6,391.1	-0.7	7,750.4	7,801.4	0.7	Changed estimates due to ramp-up of executions in Synthesis
EBITDA	1,846.2	1,861.6	0.8	2,327.4	2,360.4	1.4	
EBITDA Margin (%)	28.7	29.1	46 bps	30.0	30.3	23 bps	Expect CDMO , which is a higher margin business to contribute more
PAT	1,107.7	1,033.9	-6.7	1,426.0	1,348.8	-5.4	
EPS (\$)	20.6	19.2	-6.7	26.5	25.1	-5.4	

Source: ICICI Direct Research

Exhibit 3: Assumptions

(\$ crore)	Current			Earlier			Comments
	FY21	FY22	FY23E	FY24E	FY23E	FY24E	
Anti Retro Viral API	1,852.0	1,250.5	1,534.0	1,610.7	1,437.2	1,581.0	Changed mainly due to increase in pricing pressure
Oncology API	263.0	287.8	291.1	326.1	343.5	412.2	Changed mainly due to lower-than-expected growth in Q2FY23
Other APIs	506.0	501.1	730.4	913.0	725.6	943.3	
API	2,621.0	2,039.4	2,555.6	2,849.8	2,506.4	2,936.5	
Formulations	1,664.0	1,880.0	1,211.7	1,454.8	2,349.9	2,702.4	Changed mainly due to lower offtake and gradual ramp-up
CRAMS	519.0	917.0	2,497.0	3,369.8	1,423.1	1,921.1	Changed mainly due to better demand outlook and new order inflow

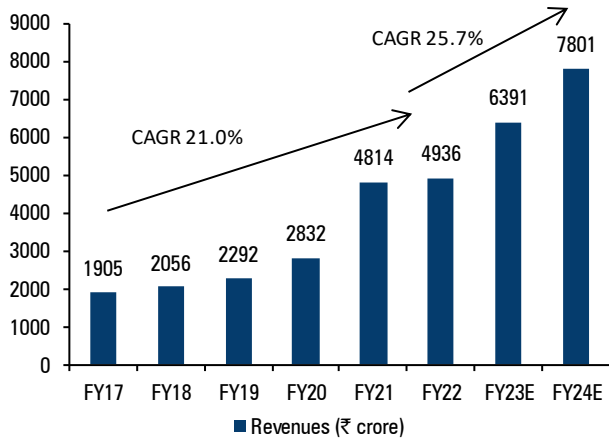
Source: ICICI Direct Research

Exhibit 4: Financial Summary

	Revenues (₹ crore)	Growth (%)	Adj. EPS (₹)	Growth (%)	P/E (x)	EV/EBITDA (X)	RoNW (%)	RoCE (%)
FY21	4814	70.0	18.3	285.3	26.6	17.8	37.9	31.7
FY22	4936	2.5	15.4	-15.9	31.6	19.7	24.7	21.3
FY23E	6391	29.5	19.2	24.9	25.3	15.2	24.1	22.7
FY24E	7801	22.1	25.1	30.5	19.4	11.8	24.5	25.3

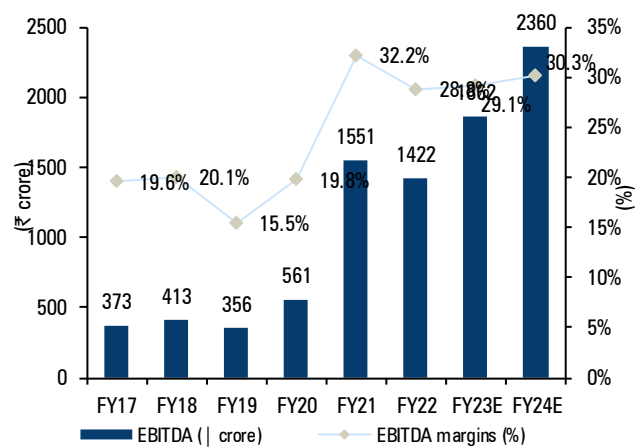
Source: ICICI Direct Research

Exhibit 5: Revenues to grow at 25.7% CAGR in FY22-24E



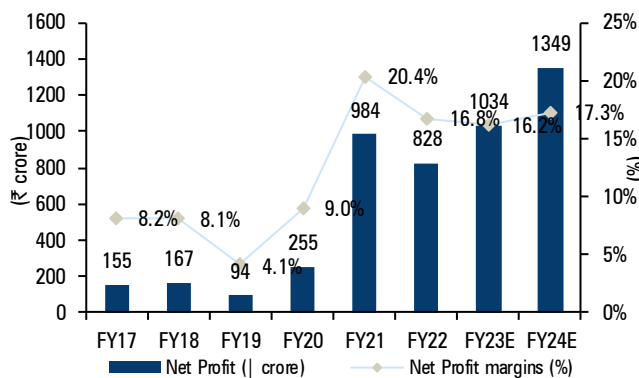
Source: ICICI Direct Research, Company

Exhibit 6: EBITDA & EBITDA margins trend



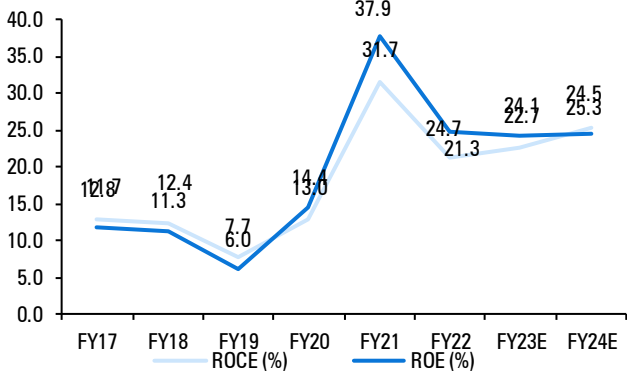
Source: ICICI Direct Research, Company

Exhibit 7: PAT & PAT margins trend



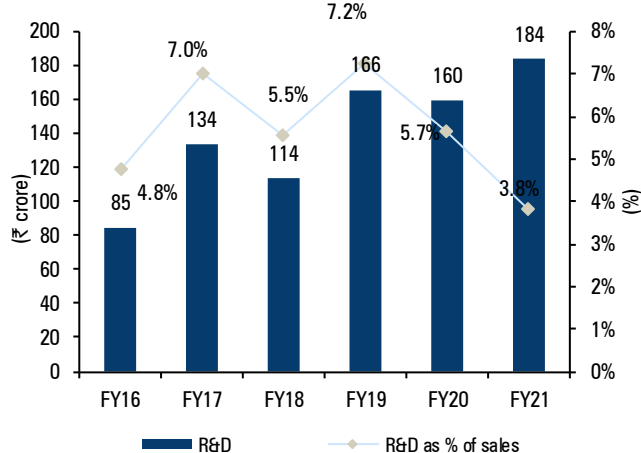
Source: ICICI Direct Research, Company

Exhibit 8: RoE & RoCE trend



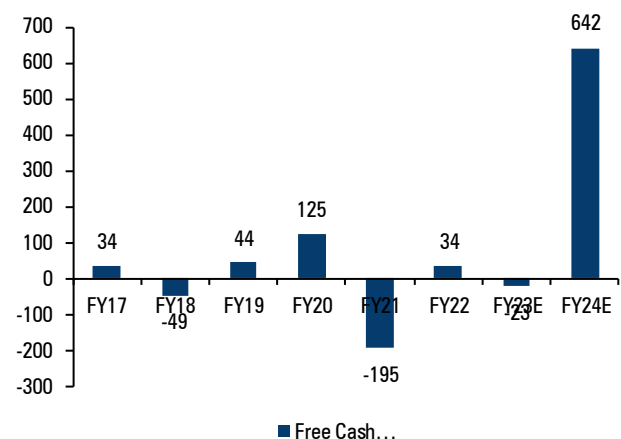
Source: ICICI Direct Research, Company

Exhibit 9: R&D trend



Source: ICICI Direct Research, Company

Exhibit 10: Positive free cash flow generation, going ahead



Source: ICICI Direct Research, Company

Exhibit 11: Trends in Quarterly Performance

(₹ Crore)	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	YoY (%)	QoQ (%)
Total Operating Income	712.4	729.6	839.1	974.3	1138.8	1288.4	1411.9	1278.5	1203.5	1028.8	1424.8	1538.9	1575.9	30.9	2.4
Raw Material Expenses	360.0	360.6	418.3	446.1	501.3	583.1	627.8	553.8	532.7	424.0	683.3	653.0	707.4	32.8	8.3
% of revenue	50.5	49.4	49.8	45.8	44.0	45.3	44.5	43.3	44.3	41.2	48.0	42.4	44.9	63 bps	246 bps
Gross Profit	352.4	369.0	420.8	528.3	637.6	705.3	784.2	724.7	670.8	604.7	741.6	886.0	868.5	29.5	-2.0
Gross Profit Margin (%)	49.5	50.6	50.2	54.2	56.0	54.7	55.5	56.7	55.7	58.8	52.0	57.6	55.1	-63 bps	-246 bps
Employee Expenses	88.0	88.4	88.1	111.6	108.1	100.6	113.8	127.3	122.9	122.0	129.4	152.0	147.0	19.6	-3.3
% of revenue	12.3	12.1	10.5	11.5	9.5	7.8	8.1	10.0	10.2	11.9	9.1	9.9	9.3	-88 bps	-55 bps
Other Manufacturing Expens	126.7	132.4	140.9	138.4	155.6	178.4	198.2	202.0	202.9	197.5	215.5	279.8	272.6	34.4	-2.6
% of revenue	17.8	18.1	16.8	14.2	13.7	13.8	14.0	15.8	16.9	19.2	15.1	18.2	17.3	44 bps	-88 bps
Total Expenditure	574.6	581.4	647.4	696.0	765.0	862.1	939.7	883.2	858.4	743.5	1028.1	1084.8	1127.0	31.3	3.9
% of revenue	80.7	79.7	77.1	71.4	67.2	66.9	66.6	69.1	71.3	72.3	72.2	70.5	71.5	19 bps	103 bps
EBITDA	137.8	148.2	191.8	278.3	373.9	426.3	472.2	395.4	345.1	285.3	396.7	454.2	448.9	30.1	-1.2
EBITDA Margins (%)	19.3	20.3	22.9	28.6	32.8	33.1	33.4	30.9	28.7	27.7	27.8	29.5	28.5	-19 bps	-103 bps
Depreciation	47.8	47.6	46.1	48.8	51.0	51.6	53.6	58.5	63.2	64.0	65.7	70.8	81.8	29.5	15.6
Interest	25.6	20.8	20.7	15.1	13.7	17.4	21.9	26.6	22.1	23.1	30.6	29.3	40.1	81.2	37.1
Other Income	1.4	1.9	1.7	7.1	5.1	6.9	4.5	5.9	2.8	5.3	1.3	1.8	1.1	-60.8	-36.6
Forex & EO	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
PBT	65.8	81.7	126.7	221.5	314.3	364.2	401.2	316.1	262.6	203.5	301.7	355.9	328.1	24.9	-7.8
Total Tax	9.2	8.2	16.6	49.7	72.0	91.3	104.3	74.4	58.6	48.5	69.8	103.3	94.3	60.8	-8.8
Tax rate (%)	14.0	10.1	13.1	22.4	22.9	25.1	26.0	23.6	22.3	23.8	23.1	29.0	28.7	640 bps	-30 bps
PAT	56.6	73.5	110.2	171.8	242.3	272.9	296.9	241.6	204.0	155.0	231.9	252.5	233.8	14.6	-7.4
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2	2.1	1.2	1.2	1.0	0.4		
PAT after MI	56.6	73.5	110.2	171.8	242.3	272.9	296.7	241.4	201.9	153.8	230.7	251.6	233.4	15.6	-7.2
EPS (₹)	1.1	1.4	2.0	3.2	4.5	5.1	5.5	4.5	3.8	2.9	4.3	4.7	4.3		
No. of Equity Shares (Diluter	53.7	53.7	53.7	53.7	53.7	53.7	53.7	53.7	53.7	53.7	53.7	53.7	53.7		

Source: ICICI Direct Research

Exhibit 12: 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	4390	5,080	Buy	63216	7.9	59.1	79.0	101.0	558.5	74.2	55.6	43.5	6.3	15.1	15.3	18.8	2.5	15.1	17.4	18.9
Narayana Hrudalaya	NARHRU	724	800	Buy	14769	-0.7	16.7	20.6	22.7	NA	43.3	35.2	31.9	1.2	20.5	19.6	19.7	-1.3	23.0	22.3	19.9
Shalby	SHALIM	144	150	Buy	1555	3.9	5.4	7.5	9.9	36.7	26.6	19.3	14.6	6.5	8.4	11.7	14.3	5.1	6.7	8.6	10.4
Aster DM	ASTDM	246	250	Buy	12300	3.0	10.5	10.8	16.7	83.2	23.4	22.8	14.8	5.4	9.0	9.4	12.5	4.4	13.3	12.0	15.6
Healthcare Global	HEAGLO	288	345	Buy	3999	-13.9	3.9	4.5	8.8	-13.9	74.4	63.2	32.6	-0.9	5.0	9.4	12.1	-0.9	5.0	6.8	11.6
MNC Pharma																					
Abbott India	ABBIND	18520	21,140	Hold	38892	325.0	375.9	427.7	528.6	57.0	49.3	43.3	35.0	33.8	36.6	37.1	37.3	26.5	28.3	28.9	28.8
P&G Health	MERLIM	4000	4,500	Hold	6800	106.5	116.0	124.8	140.6	37.6	34.5	32.0	28.4	32.2	39.8	36.0	33.8	25.1	31.2	28.1	26.2
Sanofi India	SANOFI	5560	6,885	Hold	12788	207.4	410.1	270.5	264.8	26.8	13.6	20.6	21.0	32.3	33.3	41.1	50.7	24.5	25.9	31.2	38.7
Pfizer	PFIZER	4370	4,480	Hold	20102	108.8	133.9	140.4	149.3	40.2	32.6	31.1	29.3	27.6	26.1	22.4	21.8	20.8	21.4	17.9	17.7
Pharma																					
Ajanta Pharma	AJAPHA	1235	1,495	Buy	15802	51.0	55.6	60.1	71.1	24.2	22.2	20.5	17.4	29.0	27.0	24.4	24.5	21.8	21.8	19.9	19.9
Alembic Pharma	ALEMPHA	542	590	Reduce	10681	62.8	27.8	15.3	26.9	8.6	19.5	35.5	20.1	25.1	10.6	6.5	10.5	24.1	10.4	5.6	9.1
Aurobindo Pharma	AURPHA	524	615	Hold	30677	55.0	47.4	41.1	51.3	9.5	11.1	12.7	10.2	16.9	12.9	11.5	13.3	14.7	11.3	9.0	10.1
Biocon	BIOCON	268	320	Hold	32193	6.3	5.7	5.5	11.3	42.8	47.1	49.2	23.6	7.7	7.5	4.1	6.5	9.9	8.1	2.8	5.5
Zydus Lifesciences	CADHEA	410	405	Hold	#####	23.3	21.0	21.0	23.8	17.6	19.5	19.5	17.2	13.8	12.0	11.8	11.7	18.4	12.6	11.4	11.6
Cipla	CIPLA	1140	1,135	Buy	92014	29.9	32.9	38.6	45.8	38.2	34.6	29.6	24.9	16.3	16.7	17.9	19.0	13.1	12.7	13.3	14.1
Dr Reddy's Labs	DRREDD	4331	4,750	Buy	71890	117.3	126.9	203.4	191.0	36.9	34.1	21.3	22.7	13.1	13.0	19.1	18.1	11.1	11.0	15.4	13.0
Glenmark Pharma	GLEPHA	398	440	Hold	11222	32.9	42.7	39.5	44.9	12.1	9.3	10.1	8.9	13.9	14.8	14.7	14.4	13.1	13.2	11.0	11.2
Ipca Laboratories	IPCLAB	904	985	Hold	22963	44.9	34.8	27.5	35.1	20.1	25.9	32.9	25.7	27.1	17.4	14.3	16.3	24.2	16.1	11.4	13.0
Jubilant Pharmova	JUBLIF	339	340	Reduce	5390	37.4	26.0	15.9	26.1	9.1	13.0	21.3	13.0	13.7	9.0	6.1	8.6	12.6	7.8	4.6	7.0
Lupin	LUPIN	676	610	Reduce	30772	26.9	11.9	11.8	27.7	25.2	57.0	57.5	24.4	9.6	3.4	5.8	10.9	8.8	4.4	4.2	9.2
Natco Pharma	NATPHA	587	735	Hold	10746	24.2	9.3	41.6	42.3	24.3	63.1	14.1	13.9	13.1	4.6	18.1	16.9	10.7	4.0	15.5	13.9
Sun Pharma	SUNPHA	979	1,125	Buy	234850	30.0	32.0	34.8	40.1	32.6	30.6	28.1	24.4	14.2	18.2	18.0	18.7	15.5	16.0	15.2	15.2
Torrent Pharma	TORPHA	1575	1,730	Buy	53235	37.0	32.0	40.0	46.7	42.6	49.2	39.4	33.7	17.6	19.7	19.1	21.4	21.4	18.2	19.8	19.7
Indoco Remedies	INDREM	338	525	Buy	3105	10.1	16.8	21.6	29.2	33.4	20.1	15.6	11.6	11.7	17.5	17.6	23.9	12.1	17.1	18.6	20.6
Caplin Point	CAPPOI	740	1,000	Buy	5624	81.7	85.3	70.4	73.0	9.1	8.7	10.5	10.1	25.3	23.7	22.6	0.0	20.4	20.2	18.7	17.5
Advanced Enzymes	ADVENZ	282	265	Reduce	3158	13.1	10.7	8.5	12.1	21.6	26.4	33.3	23.4	19.4	14.3	10.2	13.2	15.1	11.0	8.1	10.4
Hester Biosciences	HESPHA	1991	2,015	Reduce	1792	44.4	45.7	35.9	51.8	44.9	43.5	55.5	38.5	16.2	10.9	9.3	11.8	16.5	15.0	10.8	14.0
API/CRAMS																					
Divi's Lab	DIVLAB	3563	4,315	Buy	94420	74.7	111.5	93.0	113.5	47.7	32.0	38.3	31.4	27.6	30.2	22.8	24.4	21.3	25.2	18.4	19.2
Hikal	HIKCHE	320	290	Hold	3939	10.8	13.0	3.8	14.4	29.7	24.6	83.6	22.2	15.1	13.6	5.6	13.8	14.3	15.0	4.3	14.2
Syngene Int.	SYNINT	577	710	Buy	23154	10.1	9.9	11.5	14.6	57.0	58.6	50.1	39.6	11.5	11.7	12.8	15.2	13.5	12.9	12.4	13.7
Granules India	GRANUL	345	375	Buy	8547	22.2	16.6	21.9	26.8	15.6	20.7	15.7	12.9	24.0	15.6	18.6	20.5	25.3	16.0	17.6	17.9
Laurus Labs	LAULAB	477	675	Buy	25615	18.3	15.4	20.7	27.0	26.1	31.0	23.0	17.7	31.7	21.3	23.6	26.0	37.9	24.7	25.6	25.6
Suven Pharmaceutical	SUVPH	410	530	Hold	10447	14.2	17.8	17.0	17.6	28.8	23.0	24.1	23.2	31.2	37.5	28.7	25.0	30.7	29.7	23.0	20.0

Source: ICICI Direct Research

Financial Summary

Exhibit 13: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Revenues	4,813.5	4,935.6	6,391.1	7,801.4
Growth (%)	70.0	2.5	29.5	22.1
Raw Material Expenses	2,158.2	2,193.8	2,842.7	3,451.6
Employee Expenses	434.1	501.5	626.7	780.1
Other Manufacturing Expenses	670.6	817.8	1,060.2	1,209.2
Total Operating Expenditure	3,262.8	3,513.1	4,529.6	5,441.0
EBITDA	1,550.7	1,422.4	1,861.6	2,360.4
Growth (%)	176.4	-8.3	30.9	26.8
Interest	68.2	102.4	149.6	138.7
Depreciation	205.1	251.5	316.3	399.7
Other Income	23.7	15.3	6.6	8.0
PBT before Exceptional Items	1,301.1	1,083.9	1,402.3	1,830.0
Less: Forex & Exceptional Items	0.0	0.0	0.0	0.0
PBT	1,301.1	1,083.9	1,402.3	1,830.0
Total Tax	317.3	251.4	364.2	475.3
PAT before MI	983.8	832.4	1,038.0	1,354.7
Minority Interest	0.2	4.7	3.8	5.8
PAT	983.6	827.5	1,033.9	1,348.8
Adjusted PAT	983.6	827.5	1,033.9	1,348.8
Growth (%)	285.3	-15.9	24.9	30.5
EPS	18.3	15.4	19.2	25.1
EPS (Adjusted)	18.3	15.4	19.2	25.1

Source: Company, ICICI Direct Research

Exhibit 14: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit/(Loss) after taxation	1,072.6	901.6	1,033.9	1,348.8
Add: Depreciation & Amortization	205.1	251.5	316.3	399.7
Net Increase in Current Assets	-1,199.1	-241.7	-921.8	-679.5
Net Increase in Current Liabilities	605.1	-100.0	398.6	434.5
Others	49.4	99.6	149.6	138.7
CF from operating activities	733.1	911.1	976.6	1,642.2
(Inc)/dec in Investments	-0.2	-39.3	27.4	0.0
(Inc)/dec in Fixed Assets	-928.4	-876.7	-1,000.0	-1,000.0
Others	-12.4	2.1	16.5	18.2
CF from investing activities	-941.0	-913.9	-956.1	-981.8
Inc / (Dec) in Equity Capital	7.4	4.3	0.0	0.0
Proceeds/(Repayment) Loan	391.1	270.2	300.0	-300.0
Dividend & Dividend Tax	-75.0	-85.9	-103.4	-134.9
Interest	-58.0	-85.0	-149.6	-138.7
Others	-10.67	-73.43	0.00	0.00
CF from financing activities	254.7	30.3	47.0	-573.6
Net Cash flow	46.8	27.4	67.6	86.8
Opening Cash	1.7	48.5	75.9	143.5
Closing Cash	48.5	75.9	143.5	230.3
FCF	-195.3	34.4	-23.4	642.2

Source: Company, ICICI Direct Research

Exhibit 15: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Equity Capital	107.3	107.5	107.5	107.5
Reserve and Surplus	2,490.2	3,243.7	4,174.3	5,388.2
Total Shareholders fund	2,597.6	3,351.2	4,281.7	5,495.7
Total Debt	1,481.7	1,914.6	2,214.6	1,914.6
Minority Interest	3.2	7.9	7.9	7.9
Deferred Tax Liability	19.2	69.1	76.0	83.6
Other Non Current Liabilities	155.0	150.2	165.3	181.8
Long term Provisions	63.2	72.7	79.9	87.9
Source of Funds	4,319.8	5,565.6	6,825.4	7,771.4
Gross Block - Fixed Assets	2,781.7	3,510.7	4,510.7	5,710.7
Accumulated Depreciation	857.4	1,104.5	1,420.8	1,820.6
Net Block	1,924.3	2,406.2	3,089.9	3,890.1
Capital WIP	362.2	813.2	813.2	613.2
Net Fixed Assets	2,286.5	3,219.4	3,903.1	4,503.4
Total Intangible Assets	0.0	0.0	0.0	0.0
Investments	3.4	30.8	3.4	3.4
Goodwill on Consolidation	246.3	246.3	246.3	246.3
Inventory	1,575.5	1,760.3	2,279.4	2,568.7
Cash	48.5	75.9	143.5	230.3
Debtors	1,306.1	1,354.2	1,753.5	2,140.5
Loans & Advances & Other CA	0.0	0.0	0.0	0.0
Total Current Assets	3,074.9	3,344.6	4,334.0	5,100.3
Creditors	1,178.7	876.4	1,222.4	1,599.0
Provisions & Other CL	252.2	526.0	578.6	636.5
Total Current Liabilities	1,430.9	1,402.4	1,801.0	2,235.5
Net Current Assets	1,644.0	1,942.2	2,533.0	2,864.8
LT L& A, Other Assets	139.6	126.9	139.6	153.6
Deferred Tax Assets	0.0	0.0	0.0	0.0
Application of Funds	4,319.8	5,565.7	6,825.4	7,771.5

Source: Company, ICICI Direct Research

Exhibit 16: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
Per share data (₹)				
EPS	18.3	15.4	19.2	25.1
Cash EPS	19.4	18.5	23.2	30.0
BV per share	48.3	62.4	79.7	102.3
DPS	2.7	1.5	1.9	2.5
Cash Per Share	16.0	20.6	26.4	33.9
Operating Ratios (%)				
Gross margins	55.2	55.5	55.5	55.8
EBITDA margins	32.2	28.8	29.1	30.3
Net Profit margins	20.4	16.8	16.2	17.3
Cash Conversion cycle	166.1	247.2	235.9	202.7
Asset Turnover	1.7	1.4	1.4	1.4
EBITDA conversion rate	47.3	64.1	52.5	69.6
Return Ratios (%)				
RoE	37.9	24.7	24.1	24.5
RoCE	31.7	21.3	22.7	25.3
RoIC	34.4	25.0	26.3	28.3
Valuation Ratios (x)				
P/E	26.6	31.6	25.3	19.4
EV / EBITDA	17.8	19.7	15.2	11.8
EV / Revenues	5.7	5.7	4.4	3.6
Market Cap / Revenues	5.4	5.3	4.1	3.4
Price to Book Value	10.1	7.8	6.1	4.8
Solvency Ratios				
Debt / Equity	0.6	0.6	0.5	0.3
Debt / EBITDA	1.0	1.3	1.2	0.8
Current Ratio	2.1	2.3	2.3	2.2
Quick Ratio	1.0	1.1	1.1	1.0
Inventory days	266.4	292.9	292.7	271.6
Debtor days	99.0	100.1	100.1	100.1
Creditor days	199.3	145.8	157.0	169.1

Source: Company, ICICI Direct Research

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