

Stellar performance across all divisions...

About the stock: Syngene is a contract research, development and manufacturing organisation catering mainly to global innovator pharmaceutical companies offering integrated scientific services from early discovery to commercial supply.

- Syngene serves these players, which outsource some or substantial part of their business in the product development life cycle and operates via full time equipment (FTE) and fee for services (FFS) models
- Discovery services: FTE engagements with high renewability; dedicated services: long-term strategic alliances that last usually five years or more, Development and manufacturing: FFS engagements, which increase in volume/scale over time

Q1FY23 Results: Beat on estimates led by robust demand across board.

- Revenues grew 25.9% YoY to ₹ 768.1 crore
- EBITDA margins de-grew 89 bps YoY to 28.3%, EBITDA was at ₹ 216.5 crore
- Net profit was at ₹ 102 crore (up 4.7% YoY)

What should investors do? Syngene's share price grew 1.7x over past three years.

- We maintain **BUY** as the recent Zoetis agreement provides vindication on Syngene's capabilities, which could be an inflection point to evolve from clinical scale to commercial scale manufacturing for innovators

Target Price & Valuation: We value Syngene at ₹ 710 i.e. 25x FY24E EV/EBITDA.

Key triggers for future price performance:

- Regulatory approvals from regulated markets for Mangalore facility (FY24) and Librela manufacturing for Zoetis (H2FY23)
- Multiple year extension of Amgen, BMS, Baxter contracts make it well poised to capitalise on growing opportunities globally
- SynVent, Syngene's Integrated Drug Discovery (IDD) platform's ability to expand business from existing clients and attract new clients
- Expansion of Biopharma manufacturing business by commissioning cGMP microbial facility and expanding the mammalian cell manufacturing facility

Alternate Stock Idea: Apart from Syngene, in CRO/CRAMS space we like Divi's.

- Divi's stays a quintessential play on Indian API/CRAMS segment with its product offering, execution prowess
- BUY with a target price of ₹ 4655



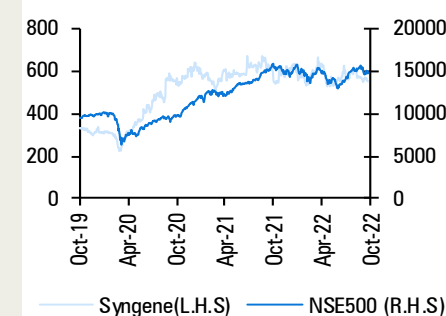
Particulars

Particular	Amount
Market Capitalisation	₹ 23258 crore
Debt (FY22)	₹ 1022 crore
Cash (FY22)	₹ 518 crore
EV	₹ 23762 crore
52 week H/L	682/508
Equity capital	₹ 401.0 crore
Face value	₹ 10

Shareholding pattern

(in %)	Dec-21	Mar-22	Jun-22	Sep-22
Promoter	70.4	70.4	70.3	64.9
Public	28.9	28.9	28.9	34.7
Others	0.7	0.7	0.8	0.5

Price Chart



Recent Event & Key risks

- Ten-year agreement with Zoetis for commercial manufacturing of Librela
- **Key Risk:** (i) Delay in capex execution (i) Negative regulatory outcome

Research Analyst

Siddhant Khandekar
siddhant.khandekar@icicisecurities.com

Utkarsh Jain
utkarsh.jain@icicisecurities.com

Key Financial Summary

(₹ crore)	(FY 17-22)				FY23E	FY24E	2 year CAGR (FY22-24E)
Revenues (₹ crore)	2011.8	2184.3	2604.2	16.7	3124.1	3748.8	20.0
EBITDA (₹ crore)	617.8	671.8	796.1	14.3	927.1	1125.6	18.9
EBITDA margins (%)	30.7	30.8	30.6		29.7	30.0	
Adjusted Net Profit (₹ crore)	366.1	382.1	426.5	8.2	464.9	575.1	16.1
EPS (₹)	9.2	9.6	10.6		11.6	14.3	
P/E (x)	53.4	54.4	55.8		47.5	38.4	
RoE (x)	16.8	13.5	12.9		12.5	13.5	
RoCE (%)	14.5	11.5	11.7		12.9	15.1	

Key takeaways of recent quarter & conference call highlights

Q1FY23 Results:

- Revenues grew 25.9% YoY to ₹ 768.1 crore driven by continued momentum in dedicated and discovery services and incremental contribution from development and manufacturing services. GPM improved 154 bps YoY to 74.1%. EBITDA margins declined 89 bps YoY to 28.2%. GPM improvement was partly offset by forex loss (₹ 18 crore) at the EBITDA level. EBITDA grew 22% YoY to ₹ 216.5 crore. Net profit grew 4.7% YoY to ₹ 102 crore
- Syngene's Q2FY23 revenue growth was led by positive performances across all divisions. Growth in development services was led by existing clients renewing contracts and setting up collaborations on additional projects. Manufacturing division continues to do well and revenues from commercial manufacturing of librela are expected from Q4FY23
- Syngene continues to build capability and capacity in the research business by upgrading technology capabilities across platforms, therapeutic areas along with expansion for Hyderabad centre. Operating investments in FY23 will focus on building new scientific capabilities, IT and digitisation initiatives along with expanding presence in client locations in the US, Europe and other key markets. This will lead to additional cost in the P&L and put pressure on margins but operating leverage from improved performance from the development and manufacturing business will provide a balancing factor for EBITDA margins to be around 30%
- Going ahead, Syngene's revenue mix is expected to showcase visible shift towards development and manufacturing business, with manufacturing starting to play a more prominent role while Syngene remains a compelling play in the CRO space with elite client profile and is well positioned for sustainable growth

Q1FY23 Earnings Conference Call highlights

- The management indicated that Q2FY23 was on expected lines due to contract renewals and demand traction. Q2FY23 witnessed good traction for all divisions, Discovery Chemistry, in particular, saw buoyant customer demand. Growth is likely to pick up across the year and guidance has been kept to high teens mainly due to currency depreciation and robust demand
- Syngene has signed a 10- year agreement with Zoetis. The new agreement initially focuses on the commercial manufacturing of drug substance for Librela, a first-of-its-kind injectable monoclonal antibody used for the alleviation of pain associated with osteoarthritis in dogs. The agreement, initially centred on Librela, paves the way for the development and manufacturing of other molecules in the coming years and is expected to be worth up to US\$500 million over 10 years. The multi-year agreement marks an inflection point for the development and manufacturing services divisions. This is a major strategic step for biologics business and gives Syngene a pathway towards FDA and EMA regulatory approvals anticipated later in FY23. This agreement is likely to benefit revenues largely in FY24
- Syngene has fully hedged receivables in advance and hedge rate for Q2FY23 was at 78 ₹/US\$. Depreciating currency improved topline in Q2FY23 while not benefitting EBITDA, which was further aggravated by forex loss (₹ 18 crore), thus leading to 89 bps YoY decline in EBITDA margins
- The management guided for 30% EBITDA margins for this year
- The management said Growth in Development Services was led by existing clients renewing contracts and setting up collaborations on additional projects. Highlight in manufacturing services was the successful completion of the process performance qualification batches at a commercial scale for Zoetis. Syngene is on track for the next important regulatory audits, which will pave the way for the commercial manufacturing of the drug substance for Librela®, a Zoetis product, from the fourth quarter of FY23

Exhibit 1: Variance Analysis

	Q2FY23	Q2FY23E	Q2FY22	YoY (%)	Q1FY23	QoQ (%)	Comments
Revenue	768.1	732.2	610.2	25.9	644.5	19.2	Revenues grow 25.9% YoY to ₹ 768.1 crore driven by continued momentum in Dedicated and Discovery services
Raw Material Expenses	199.0	203.2	167.5	18.8	161.2	23.4	
Gross margins	74.1	72.3	72.5	154 bps	75.0	-90 bps	YoY increase of 154 bps.
Employee Expenses	207.2	201.4	184.6	12.2	186.1	11.3	YoY increase largely reflects hiring for Mangalore facility
Other Expenditure	145.4	109.8	80.7	80.2	124.4	16.9	
EBITDA	216.5	217.8	177.4	22.0	172.8	25.3	
EBITDA (%)	28.2	29.8	29.1	-89 bps	26.8	137 bps	YoY decline due to forex loss of ₹ 18 crore
Interest	11.7	10.9	1.2	875.0	9.4	24.5	
Depreciation	90.2	94.8	76.2	18.4	86.1	4.8	
Other Income	15.4	17.6	12.9	19.4	15.5	-0.6	
PBT	130.0	129.8	82.2	58.2	92.8	40.1	
Tax	28.0	27.9	15.5	80.6	18.9	48.1	
PAT before MI	102.0	101.9	66.7	52.9	73.9	38.0	
Net Profit	102.0	101.9	97.4	4.7	73.9	38.0	Delta vis-à-vis EBITDA mainly due to forex losses

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY23E			FY24E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	3,124.1	3,124.1	0.0	3,748.8	3,748.8	0.0	No change in estimates
EBITDA	927.1	927.1	0.0	1,125.6	1,125.6	0.0	
EBITDA Margin (%)	29.7	29.7	0 bps	30.0	30.0	0 bps	
PAT	463.9	464.9	0.2	586.0	575.1	-1.9	
EPS (₹)	11.6	11.6	0.3	14.6	14.3	-1.8	

Source: ICICI Direct Research

Exhibit 3: Financial Summary

	Revenues	Growth	Adj. EPS	Growth	P/E	EV/EBITDA	RoE	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY21	2184	8.6	9.6	4.4	57.3	34.3	13.5	11.5
FY22	2604	19.2	10.6	11.6	58.8	28.8	12.9	11.7
FY23E	3124	20.0	11.6	9.0	50.0	24.8	12.5	12.9
FY24E	3749	20.0	14.3	23.7	40.4	19.8	13.5	15.1

Source: ICICI Direct Research

Exhibit 4: Assumptions

US\$ million	FY21	FY22	FY23E	FY24E
Discovery Services	103.0	127.3	142.6	159.7
Dedicated Centres	94.2	105.1	115.6	127.2
Development Services	68.4	78.6	88.1	98.7
Manufacturing Services	28.8	38.4	46.1	85.3
Total	294.4	349.6	392.5	471.0
Total (₹ crore)	2184.3	2604.2	2923.9	3748.8

Source: Company, ICICI Direct Research

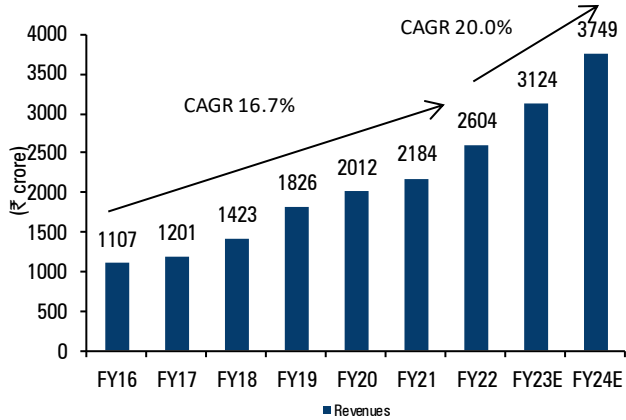
Exhibit 5: Valuation

Particulars	FY24E EBITDA (₹ cr)	Multiple (x)	Value (₹)
Syngene	1125.6	25.0	28,139.5
Net Debt FY24E (₹ cr)			-174.42
Targeted MCap (₹ cr)			28313.87
No of shares (cr)			40
Per Share Value (₹)			710.0

Source: Company, ICICI Direct Research

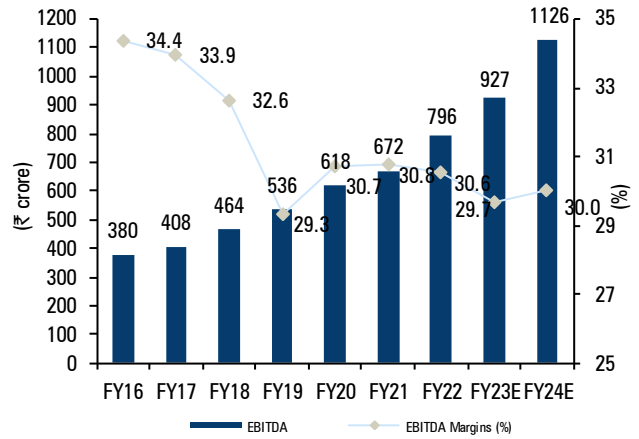
Key Metrics

Exhibit 6: Revenue to grow at CAGR of 20% over FY22-24E



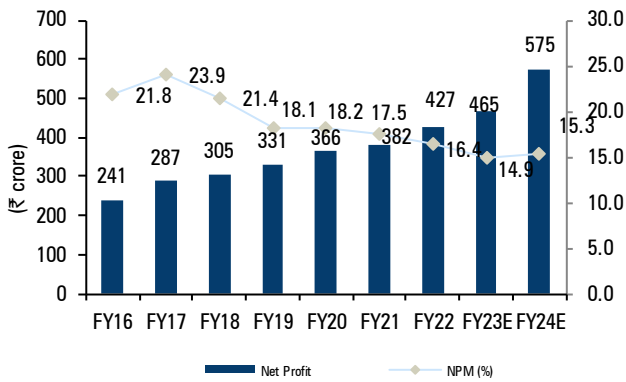
Source: ICICI Direct Research, Company

Exhibit 7: EBITDA and EBITDA margins trend



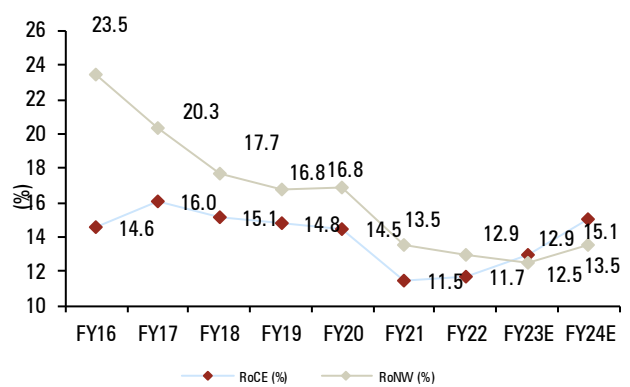
Source: ICICI Direct Research, Company

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)	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	YoY (%)	QoQ(%)
Total Operating In	464.5	519.1	607.3	421.6	519.6	584.5	658.6	594.5	610.2	641.4	758.1	644.5	768.1	25.9	19.2
Raw Material Exp	125.1	144.6	144.2	89.7	127.6	147.7	161.5	194.6	167.5	172.1	214.8	161.2	199.0	18.8	23.4
% to revenues	26.9	27.9	23.7	21.3	24.6	25.3	24.5	32.7	27.5	26.8	28.3	25.0	25.9		
Gross Profit	339.4	374.5	463.1	331.9	392.0	436.8	497.1	399.9	442.7	469.3	543.3	483.3	569.1	28.6	17.8
Gross Profit Marg	73.1	72.1	76.3	78.7	75.4	74.7	75.5	67.3	72.5	73.2	71.7	75.0	74.1	154 bps	-90 bps
Employee Expens	131.8	152.3	164.1	140.4	161.2	176.0	182.6	171.1	184.6	188.8	173.6	186.1	207.2	12.2	11.3
% to revenues	28.4	29.3	27.0	33.3	31.0	30.1	27.7	28.8	30.3	29.4	22.9	28.9	27.0	-328 bps	-190 bps
Other Manufactur	68.5	68.7	94.9	67.0	75.1	84.6	99.1	63.8	80.7	77.1	119.4	124.4	145.4	80.2	16.9
% to revenues	14.7	13.2	15.6	15.9	14.5	14.5	15.0	10.7	13.2	12.0	15.7	19.3	18.9	570 bps	-37 bps
Total Expenditure	325.4	365.6	403.2	297.1	363.9	408.3	443.2	429.5	432.8	438.0	507.8	471.7	551.6	27.4	16.9
% to revenues	70.1	70.4	66.4	70.5	70.0	69.9	67.3	72.2	70.9	68.3	67.0	73.2	71.8		
EBIDTA	139.1	153.5	204.1	124.5	155.7	176.2	215.4	165.0	177.4	203.4	250.3	172.8	216.5	22.0	25.3
EBITDA Margin (%)	29.9	29.6	33.6	29.5	30.0	30.1	32.7	27.8	29.1	31.7	33.0	26.8	28.2	-89 bps	137 bps
Depreciation	52.6	57.0	62.3	66.1	68.7	69.7	70.0	74.7	76.2	78.5	80.3	86.1	90.2	18.4	4.8
Interest	8.4	9.8	9.3	7.4	6.6	7.1	6.6	7.9	1.2	9.4	5.6	9.4	11.7	875.0	24.5
Other Income	20.6	20.0	20.5	15.3	13.8	17.1	18.4	12.3	12.9	12.9	14.7	15.5	15.4	19.4	-0.6
PBT	98.7	106.7	153.0	66.3	94.2	116.5	157.2	94.7	112.9	128.4	179.1	92.8	130.0	15.1	40.1
Total Tax	42.0	14.9	32.8	8.3	10.1	14.3	31.6	17.4	15.5	24.4	31.3	18.9	28.0	80.6	48.1
PAT	56.7	91.8	120.2	58.0	84.1	102.2	125.6	77.3	97.4	104.0	147.8	73.9	102.0	4.7	38.0
PAT Margin (%)	12.2	17.7	19.8	13.8	16.2	17.5	19.1	13.0	16.0	16.2	19.5	11.5	13.3	-268 bps	181 bps

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 (%)			
						FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E
Hospitals																					
Apollo Hospitals	APOHOS	4320	5,080	Buy	62208	7.9	59.1	79.0	101.0	549.6	73.0	54.7	42.8	6.3	15.1	15.3	18.8	2.5	15.1	17.4	18.9
Narayana Hrudalaya	NARHRU	721	800	Buy	14698	-0.7	16.7	20.6	22.7	NA	43.1	35.0	31.8	1.2	20.5	19.6	19.7	-1.3	23.0	22.3	19.9
Shalby	SHALIM	147	150	Buy	1584	3.9	5.4	7.5	9.9	37.4	27.0	19.6	14.9	6.5	8.4	11.7	14.3	5.1	6.7	8.6	10.4
Aster DM	ASTDM	250	250	Buy	12493	3.0	10.5	10.8	16.7	84.5	23.7	23.2	15.0	5.4	9.0	9.4	12.5	4.4	13.3	12.0	15.6
Healthcare Global	HEAGLO	296	345	Buy	4112	-13.9	3.9	4.5	8.8	-13.9	76.5	65.0	33.5	-0.9	5.0	9.4	12.1	-0.9	5.0	6.8	11.6
MNC Pharma																					
Abbott India	ABBIND	18172	21,140	Hold	38161	325.0	375.9	427.7	528.6	55.9	48.3	42.5	34.4	33.8	36.6	37.1	37.3	26.5	28.3	28.9	28.8
P&G Health	MERLIM	4085	4,500	Hold	6945	106.5	116.0	124.8	140.6	38.4	35.2	32.7	29.1	32.2	39.8	36.0	33.8	25.1	31.2	28.1	26.2
Sanofi India	SANOFI	5558	6,885	Hold	12782	207.4	410.1	270.5	264.8	26.8	13.6	20.5	21.0	32.3	33.3	41.1	50.7	24.5	25.9	31.2	38.7
Pfizer	PFIZER	4350	4,480	Hold	20010	108.8	133.9	140.4	149.3	40.0	32.5	31.0	29.1	27.6	26.1	22.4	21.8	20.8	21.4	17.9	17.7
Pharma																					
Ajanta Pharma	AJAPHA	1239	1,495	Buy	15853	51.0	55.6	60.1	71.1	24.3	22.3	20.6	17.4	29.0	27.0	24.4	24.5	21.8	21.8	19.9	19.9
Alembic Pharma	ALEMPHA	545	590	Reduce	10735	62.8	27.8	15.3	26.9	8.7	19.6	35.6	20.2	25.1	10.6	6.5	10.5	24.1	10.4	5.6	9.1
Aurobindo Pharma	AURPHA	526	615	Hold	30797	55.0	47.4	41.1	51.3	9.6	11.1	12.8	10.3	16.9	12.9	11.5	13.3	14.7	11.3	9.0	10.1
Biocon	BIOCON	270	320	Hold	32451	6.3	5.7	5.5	11.3	43.2	47.4	49.6	23.8	7.7	7.5	4.1	6.5	9.9	8.1	2.8	5.5
Zydus Lifesciences	CADHEA	414	405	Hold	###	23.3	21.0	21.0	23.8	17.7	19.7	19.7	17.4	13.8	12.0	11.8	11.7	18.4	12.6	11.4	11.6
Cipla	CIPLA	1137	1,135	Buy	91740	29.9	32.9	38.6	45.8	38.1	34.5	29.5	24.8	16.3	16.7	17.9	19.0	13.1	12.7	13.3	14.1
Dr Reddy's Labs	DRREDD	4349	4,750	Buy	72194	117.3	126.9	203.4	191.0	37.1	34.3	21.4	22.8	13.1	13.0	19.1	18.1	11.1	11.0	15.4	13.0
Glenmark Pharma	GLEPHA	398	440	Hold	11229	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	908	985	Hold	23063	44.9	34.8	27.5	35.1	20.2	26.1	33.1	25.9	27.1	17.4	14.3	16.3	24.2	16.1	11.4	13.0
Jubilant Pharmova	JUBLIF	324	340	Reduce	5152	37.4	26.0	15.9	26.1	8.7	12.5	20.4	12.4	13.7	9.0	6.1	8.6	12.6	7.8	4.6	7.0
Lupin	LUPIN	680	610	Reduce	30926	26.9	11.9	11.8	27.7	25.3	57.2	57.8	24.5	9.6	3.4	5.8	10.9	8.8	4.4	4.2	9.2
Natco Pharma	NATPHA	590	735	Hold	10792	24.2	9.3	41.6	42.3	24.4	63.3	14.2	13.9	13.1	4.6	18.1	16.9	10.7	4.0	15.5	13.9
Sun Pharma	SUNPHA	980	1,125	Buy	235186	30.0	32.0	34.8	40.1	32.6	30.7	28.2	24.4	14.2	18.2	18.0	18.7	15.5	16.0	15.2	15.2
Torrent Pharma	TORPHA	1594	1,730	Buy	53879	37.0	32.0	40.0	46.7	43.1	49.8	39.8	34.1	17.6	19.7	19.1	21.4	21.4	18.2	19.8	19.7
Indoco Remedies	INDREM	336	525	Buy	3087	10.1	16.8	21.6	29.2	33.2	20.0	15.5	11.5	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	280	265	Reduce	3139	13.1	10.7	8.5	12.1	21.4	26.2	33.1	23.3	19.4	14.3	10.2	13.2	15.1	11.0	8.1	10.4
Hester Biosciences	HESPHA	2022	2,015	Reduce	1820	44.4	45.7	35.9	51.8	45.6	44.2	56.4	39.1	16.2	10.9	9.3	11.8	16.5	15.0	10.8	14.0
API/CRAMS																					
Divi's Lab	DIVLAB	3652	4,315	Buy	96775	74.7	111.5	93.0	113.5	48.9	32.7	39.3	32.2	27.6	30.2	22.8	24.4	21.3	25.2	18.4	19.2
Hikal	HIKCHE	326	290	Hold	4007	10.8	13.0	3.8	14.4	30.2	25.0	85.1	22.6	15.1	13.6	5.6	13.8	14.3	15.0	4.3	14.2
Syngene Int.	SYNINT	582	710	Buy	23338	10.1	9.9	11.5	14.6	57.5	59.0	50.5	39.9	11.5	11.7	12.8	15.2	13.5	12.9	12.4	13.7
Granules India	GRANUL	348	375	Buy	8629	22.2	16.6	21.9	26.8	15.7	20.9	15.9	13.0	24.0	15.6	18.6	20.5	25.3	16.0	17.6	17.9
Laurus Labs	LAULAB	526	675	Buy	28257	18.3	15.4	20.7	27.0	28.7	34.2	25.4	19.5	31.7	21.3	23.6	26.0	37.9	24.7	25.6	25.6
Suven Pharmaceutical	SUVPH	410	530	Hold	10450	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 12: Profit and loss statement					₹ crore
(Year-end March)	FY21	FY22	FY23E	FY24E	
Total Operating Income	2,184.3	2,604.2	3,124.1	3,748.8	
Growth (%)	8.6	19.2	20.0	20.0	
Raw Material Expenses	526.5	749.0	866.9	1,030.9	
Gross Profit	1,657.8	1,855.2	2,257.2	2,717.9	
Gross Profit Margins (%)	75.9	71.2	72.3	72.5	
Employee Expenses	660.2	718.1	861.5	1,033.7	
Other Expenditure	671.8	796.1	927.1	1,125.6	
Total Operating Expenditure	1,858.5	2,263.2	2,655.5	3,190.2	
Operating Profit (EBITDA)	671.8	796.1	927.1	1,125.6	
Growth (%)	8.7	18.5	16.5	21.4	
Interest	27.7	24.1	44.5	38.7	
Depreciation	274.5	309.7	356.7	398.3	
Other Income	64.6	52.8	65.2	78.3	
PBT after Exceptional Item	469.2	484.4	591.1	766.8	
Total Tax	64.3	88.6	126.2	191.7	
PAT before MI	404.9	395.8	464.9	575.1	
Minority Interest	0.0	0.0	0.0	0.0	
PAT	404.9	395.8	464.9	575.1	
Adjusted PAT	382.1	426.5	464.9	575.1	
Growth (%)	4.4	11.6	9.0	23.7	
EPS (Adjusted)	9.6	10.6	11.6	14.3	

Source: Company, ICICI Direct Research

Exhibit 13: Cash flow statement					₹ crore
(Year-end March)	FY21	FY22	FY23E	FY24E	
Profit/(Loss) after taxation	321.3	290.0	464.9	575.1	
Add: Depreciation & Amortization	274.5	309.7	356.7	398.3	
Other operating activities	41.0	143.1	0.0	0.0	
Net Increase in Current Assets	41.8	-234.3	-139.5	-167.8	
Net Increase in Current Liabilities	-5.1	54.6	80.1	111.9	
CF from operating activities	701.2	580.6	806.6	956.2	
(Inc)/dec in Fixed Assets	-446.5	-475.5	-796.0	-138.8	
(Inc)/dec in Investments	-243.6	-162.3	0.0	0.0	
Other Investing Activities	292.0	-36.2	4.3	-0.9	
CF from investing activities	-398.1	-674.0	-791.7	-139.7	
Inc / (Dec) in Equity Capital	0.8	0.0	0.0	0.0	
Inc / (Dec) in Loan funds	89.2	-5.8	-150.0	-150.0	
Dividend & Dividend Tax	0.0	0.0	-40.1	-30.1	
Others	-32.0	-25.5	-44.5	-38.7	
CF from financing activities	58.0	-31.3	-234.6	-218.8	
Net Cash flow	361.1	-124.7	-219.6	597.7	
Opening Cash	281.5	642.6	517.9	298.3	
Closing Cash	642.6	517.9	298.3	896.0	
Free Cash Flow	254.7	105.1	10.6	817.4	

Source: Company, ICICI Direct Research

Exhibit 14: Balance Sheet					₹ crore
(Year-end March)	FY21	FY22	FY23E	FY24E	
Equity Capital	400.0	400.8	400.8	400.8	
Reserve and Surplus	2,421.4	2,896.8	3,321.6	3,866.6	
Total Shareholders funds	2,821.4	3,297.6	3,722.4	4,267.4	
Total Debt	892.9	1,021.6	871.6	721.6	
Long Term Provisions	52.0	34.4	37.8	41.6	
Other Non Current Liabilities	259.2	261.2	287.3	316.1	
Source of Funds	4,025.5	4,614.8	4,919.1	5,346.7	
Gross Block	3,460.0	3,943.5	4,739.5	4,978.3	
Accumulated Depreciation	1,259.0	1,550.7	1,907.4	2,305.7	
Net Block	2,201.0	2,392.8	2,832.1	2,672.6	
Capital WIP	237.2	346.4	346.4	246.4	
Fixed Assets	2,438.2	2,739.2	3,178.5	2,919.0	
Investments	702.0	1,034.1	1,034.1	1,034.1	
Other Non current assets	270.5	282.8	301.5	327.7	
Inventory	59.6	179.4	201.9	226.0	
Debtors	339.2	507.7	609.1	730.8	
Loans and Advances	0.0	0.0	0.0	0.0	
Other Current Assets	342.0	237.1	252.7	274.7	
Cash	642.6	517.9	298.3	896.0	
Total Current Assets	1,383.4	1,442.1	1,362.0	2,127.5	
Creditors	241.6	232.8	269.5	320.4	
Provisions	46.5	58.2	58.2	58.2	
Deferred tax assets	89.1	65.6	72.2	79.4	
Other Current Liabilities	569.6	658.0	701.4	762.4	
Total Current Liabilities	857.7	949.0	1,029.1	1,141.0	
Net Current Assets	525.7	493.1	332.9	986.5	
Application of Funds	4,025.5	4,614.8	4,919.1	5,346.7	

Source: Company, ICICI Direct Research

Exhibit 15: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
Per share data (₹)				
EPS	9.6	10.6	11.6	14.3
BV	70.5	82.2	92.8	106.4
DPS	0.3	1.0	0.8	1.0
Cash Per Share	16.1	12.9	7.4	22.3
Operating Ratios (%)				
Gross Profit Margins	75.9	71.2	72.3	72.5
EBITDA margins	30.8	30.6	29.7	30.0
Net Profit margins	17.5	16.4	14.9	15.3
Inventory days	41.3	87.4	85.0	80.0
Debtor days	56.7	71.2	71.2	71.2
Creditor days	167.5	113.4	113.4	113.4
EBITDA Conversion Rate	104.4	72.9	87.0	85.0
Gross Asset Turnover	0.6	0.7	0.7	0.8
Return Ratios (%)				
RoE	13.5	12.9	12.5	13.5
RoCE	11.5	11.7	12.9	15.1
RoIC	16.8	18.4	18.2	24.0
Valuation Ratios (x)				
P/E	57.3	58.8	50.0	40.4
EV / EBITDA	34.3	28.8	24.8	19.8
EV / Revenues	10.5	8.8	7.4	5.9
Market Cap / Revenues	10.6	8.9	7.4	6.2
Price to Book Value	8.2	7.1	6.2	5.5
Solvency Ratios (x)				
Debt / Equity	0.3	0.3	0.2	0.2
Debt / EBITDA	1.3	1.3	0.9	0.6
Current Ratio	0.9	1.0	1.0	1.1

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruiti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Siddhant Khandekar, Inter CA, Utkarsh Jain, MBA, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.