

## Rebound in elective surgeries continues...

**About the stock:** NHL operates a chain of multispecialty, tertiary & primary healthcare facilities that initially focused on cardiac & renal but expanded to cancer, neurology, neurosurgery, orthopaedics & gastroenterology facilities.

- NHL's network comprises 22 hospitals (including two managed hospitals), five heart centres, 19 primary care facilities (including clinics and information centres) and a multi-speciality hospital in Cayman Islands)
- Revenue mix Q3FY22 – India: ₹ 771.7 crore; (Bangalore:34%, Southern Peripheral:7%, Kolkata:26%, Eastern Peripheral: 5%, Western: 15%, Northern: 13%); Cayman Islands: US\$24.9 million

**Q3FY22 Results:** NHL reported strong numbers led by flagship hospitals amid recovery in high-end cardiac elective work as well as international patient mix.

- Revenues were up 27.9% YoY to ₹ 959.6 crore
- EBITDA was at ₹ 175 crore, up 66.8% YoY with margins at 18.2%
- Adjusted PAT was at ₹ 97.5 crore (up 138.9% YoY)

**What should investors do?** NHL's share price has grown by ~1.9x over the past five years (from ~₹ 335 in February 2017 to ~₹ 645 levels in February 2022).

- We maintain BUY due to 1) consistency in pick-up for elective surgeries in India, 2) steady performance at Cayman Islands and 3) judicious plan to convert/add margin accretive beds or units at existing hospitals

**Target Price and Valuation:** We value Narayana at an SOTP of ₹ 765 by valuing matured India & Cayman hospitals at 14x FY24E EV/EBITDA, new hospitals at 2x and other business at 1x FY23E EV/sales.

### Key triggers for future price performance:

- Waning Covid and increase in footfalls for medical tourism expected to lead flagship hospitals on a steady growth path amid better returns
- New hospitals (SRCC, Gurugram, Dharamshila) are likely to see reduction in losses and turn profitable in medium term with ramp up in occupancies
- Improvement in numbers on the back of judicious case mix identification (more focus on oncology, transplants and non-invasive procedures)
- Expansion at Cayman Islands in oncology while being margin dilutive in near term is likely to provide significant additional operating leverage

**Alternate Stock Idea:** Apart from NHL, in our healthcare coverage we like Apollo.

- Apollo Hospitals is an integrated healthcare provider undergoing an optical transformation towards creating an omni-channel healthcare platform while turning the new hospitals profitable on the back of a judicious case mix
- BUY with a target price of ₹ 5930



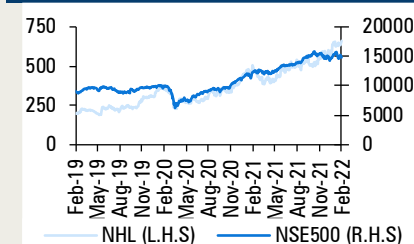
### Particulars

Particular	Amount
Market Capitalisation	₹ 13186 crore
Debt (FY21)	₹ 626 crore
Cash (FY21)	₹ 248 crore
EV	₹ 13564 crore
52 week H/L (₹)	679/380
Equity capital	₹ 204.4 crore
Face value	₹ 10

### Shareholding pattern

(in %)	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
Promote	63.9	63.9	63.9	63.9	63.9
Others	36.2	36.2	36.2	36.2	36.2

### Price Chart



### Recent Event & Key risks

- Winding up of operation and management of Cardiac Sciences, Imperial Hospital, Bangladesh
- Key Risk:** (i) Another Covid wave (ii) Delayed break-even for newer hospitals

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### Key Financial Summary

Key Financials (₹ Crore)	FY20	FY21	5 year CAGR (FY16-21)	FY22E	FY23E	FY24E	3 year CAGR (FY21-24E)
Revenues	3127.8	2582.3	9.9	3707.2	4186.2	4562.6	20.9
EBITDA	422.9	182.1	0.8	644.3	772.5	849.9	67.1
EBITDA Margins (%)	13.5	7.1		17.4	18.5	18.6	
Adjusted PAT	129.8	-14.3	NA	355.8	407.7	461.0	LP
EPS (₹)	6.4	-0.7		17.4	19.9	22.6	
PE (x)	101.6	NA		37.1	32.3	28.6	
EV to EBITDA (x)	33.0	75.6		20.9	16.9	14.8	
Price to book (x)	11.6	11.8		9.1	7.2	5.8	
RoE (%)	11.4	-1.3		24.4	22.1	20.2	
RoCE (%)	11.0	1.2		21.0	22.3	21.3	

Source: Company, ICICI Direct Research

## Key takeaways of recent quarter & conference call highlights

### Q3FY22 Results: Robust performance continues

- Narayana posted strong numbers, better than our estimates across all fronts due to a recovery in high-end cardiac elective work as well as international patient mix. Revenues grew 27.9% YoY to ₹ 959.6 crore. On the EBITDA front, margins improved 425 bps YoY to 18.2% amid a change in case mix towards higher margins elective surgeries. Subsequently, EBITDA grew 66.8% YoY to ₹ 175 crore while adjusted PAT for the quarter was at ₹ 97.5 crore with 138.9% YoY growth
- Narayana's Indian operations posted strong numbers led by flagship hospitals amid international patients-mix rising to 6% in Q3FY22 from 1% in Q2FY22. The India performance was further boosted by momentum in operations at Cayman Islands. The margin performance has improved on the back of lower consumable expense (due to non-Covid case mix) and lower manpower expenses (due to restructuring oriented towards variables). The improvement in numbers over the last few quarters is on the back of judicious case mix identification (more focus on oncology, transplants and non-invasive procedures). We continue to believe in the long term prospects of the company on the back of an asset-right model and affordability philosophy

### Q3FY22 Earnings Conference Call highlights

- Occupancy levels on census beds (~85% of operational beds) for India at ~ 53% and Cayman Islands at ~ 52%
- The management guided for an oncology facility in Cayman, which would require some near term investments and is likely to dilute margins till the facility is fully operational
- Cayman Islands – Operating revenue: US\$24.9 million (US\$19.1 million in Q3FY21). EBITDA for Cayman in Q3FY22: US\$10.2 million
- Q3FY22 vaccine revenues: ₹ 3.9 crore with consumption cost: ₹ 3.8 crore
- Business mix: Owned/operated hospitals: 95%, heart centres: 4%, ancillary business: 1%
- Q3FY22 average revenue per operating bed (ARPOB) for India was ~₹ 117 lakh and US\$2.0 million for HCCI (Cayman)
- Indian operations payee profile – Domestic walk in:48%, insured patients: 24%, schemes: 22%, international patients:6%
- Indian operations specialty profile – cardiac:35%, gastro:13%, oncology: 13%, renal:9%, neuro:8%, ortho:4%, others:18%
- Indian operations cluster wise revenue mix – Bangalore:34%, Southern Peripheral: 7%, Kolkata: 26%, Eastern Peripheral: 5%, Western: 15%, Northern: 13%
- Jammu facility reported operational revenues of ₹ 23.6 crore
- Cost structure in Q3FY22– consumable expense: 26.2%, manpower: 41.2% (doctors' cost: 29.3%), overhead:19%
- Capex plans: Ahmedabad and Jaipur: radiation oncology; Howrah and Ahmedabad: bed addition; Health City, Bangalore: OPD Plaza; Dharamshila: bed addition (bone marrow and ICU); Gurgaon: More floors (approval required from authorities); Mysore: 30 beds and Shimoga: oncology

**Exhibit 1: Variance Analysis**

	Q3FY22	Q3FY21	YoY (%)	Q2FY22	QoQ (%)	Comments
Revenue	959.6	750.4	27.9%	940.3	2.1%	YoY and sequential improvement amid recovery in high-end cardiac elective work as well as international patient mix
Raw Material Expenses	236.4	198.8	18.9%	237.5	-0.5%	
Employee Expenses	192.5	156.7	22.8%	189.3	1.7%	
Other Expenditure	355.8	289.9	22.7%	344.6	3.3%	
Operating Profit (EBITDA)	175.0	104.9	66.8	168.9	3.6	
EBITDA (%)	18.2%	14.0%	425 bps	18.0%	27 bps	YoY improvement mainly due to change in case mixed towards higher margins elective surgeries from lower margins Covid patients
Interest	16.3	18.6	-12.2%	16.7	-2.2%	
Depreciation	46.1	46.5	-0.8%	45.9	0.4%	
Other Income	6.9	4.6	50.3%	12.1	-43.4%	
PBT before EO & Forex	119.5	44.5	168.7	118.5	0.8	
Forex & EO	0.0	0.0	0.0	0.0	0.0	
PBT after Exceptional Items	119.5	44.5	168.7	118.5	0.8	
Tax	19.6	0.8	2,421.7	16.8	16.6	
PAT before MI	99.8	43.7	128.6	101.6	-1.8	
MI	0.0	0.0	84.6	0.1	-7.7	
Adjusted Net Profit	97.5	40.8	138.9	99.3	-1.8	YoY Delta vis-à-vis EBITDA mainly due to higher other income and lower interest expense being partially offset by higher tax
<b>Key Metrics</b>						
Owned/Operated Hospitals	919.9	725.5	26.8%	871.4	5.6%	YoY improvement mainly due to strong numbers led by flagship hospitals
Heart Centres	30.9	24.4	26.7%	30.6	1.0%	YoY improvement due to easing of travel restrictions leading to recovery in high-end cardiac elective work

Source: Company, ICICI Direct Research

**Exhibit 2: Change in estimates**

	FY22E			FY23E			FY24E
(₹ Crore)	Old	New	% Change	Old	New	% Change	Introduced
Revenue	3,626.9	3,707.2	2.2	4,217.4	4,186.2	-0.7	4,562.6
EBITDA	617.7	644.3	4.3	723.7	772.5	6.7	849.9
EBITDA Margin	17.0	17.4	35 bps	17.2	18.5	129 bps	18.6
PAT	334.3	355.8	6.4	373.4	407.7	9.2	461.0
EPS (₹)	16.4	17.4	6.4	18.3	19.9	9.2	22.6

Source: ICICI Direct Research

**Exhibit 3: Assumptions**

	Current			Earlier			Comments
(₹ crore)	FY20	FY21	FY22E	FY23E	FY24E	FY22E	FY23E
Owned/Operated Hospitals	2,991.0	2,478.2	3,532.9	4,033.3	4,398.6	3,446.6	4,063.0
Heart Centres	108.1	78.9	112.3	129.9	140.3	117.5	129.2
Other businesses	26.6	21.6	21.0	23.0	23.7	22.9	25.2

Source: ICICI Direct Research

**Exhibit 4: Financial Summary**

	Revenues	Growth	Adj. EPS	Growth	P/E	EV/EBITDA	RoE	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY21	2582.3	13.2%	-0.7	-128.0%	-922.0	75.6	-1.3	1.2
FY22E	3707.2	43.6%	17.4	-2587.6%	37.1	20.9	24.4	21.0
FY23E	4186.2	12.9%	19.9	14.6%	32.3	16.9	22.1	22.3
FY24E	4562.6	9.0%	22.6	13.1%	28.6	14.8	20.2	21.3

Source: ICICI Direct Research

**Exhibit 5: Trends in Quarterly Performance**

(₹ Crore)	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	YoY (%)	QoQ (%)
<b>Total Operating Inc</b>	<b>732.1</b>	<b>765.2</b>	<b>777.4</b>	<b>822.3</b>	<b>785.2</b>	<b>742.9</b>	<b>393.5</b>	<b>600.7</b>	<b>750.4</b>	<b>837.8</b>	<b>859.8</b>	<b>940.3</b>	<b>959.6</b>	<b>27.9</b>	<b>2.1</b>
Raw Material Expense	175.9	185.6	190.3	191.5	184.8	178.8	110.5	161.6	198.8	206.9	215.4	237.5	236.4	18.9	-0.5
% of revenue	24.0	24.3	24.5	23.3	23.5	24.1	28.1	26.9	26.5	24.7	25.1	25.3	24.6		
Gross Profit	556.2	579.6	587.0	630.8	600.4	564.2	283.0	439.1	551.5	630.8	644.4	702.8	723.3	31.1	2.9
Gross Profit Margin (%)	76.0	75.7	75.5	76.7	76.5	75.9	71.9	73.1	73.5	75.3	74.9	74.7	75.4	186.5	62.8
Employee Expenses	158.0	159.6	165.7	176.0	171.7	168.0	152.9	147.6	156.7	169.6	190.6	189.3	192.5	22.8	1.7
% of revenue	21.6	20.9	21.3	21.4	21.9	22.6	38.9	24.6	20.9	20.2	22.2	20.1	20.1		
Other Manufacturing	320.2	330.5	318.5	333.1	326.1	300.5	221.0	264.8	289.9	319.8	320.1	344.6	355.8	22.7	3.3
% of revenue	43.7	43.2	41.0	40.5	41.5	40.4	56.2	44.1	38.6	38.2	37.2	36.6	37.1		
Total Expenditure	654.1	675.7	674.6	700.6	682.5	647.2	484.5	574.0	645.4	696.4	726.1	771.4	784.6	21.6	1.7
% of revenue	89.4	88.3	86.8	85.2	86.9	87.1	123.1	95.5	86.0	83.1	84.5	82.0	81.8		
<b>EBITDA</b>	<b>78.0</b>	<b>89.5</b>	<b>102.8</b>	<b>121.7</b>	<b>102.7</b>	<b>95.7</b>	<b>-91.0</b>	<b>26.8</b>	<b>104.9</b>	<b>141.4</b>	<b>133.7</b>	<b>168.9</b>	<b>175.0</b>	<b>66.8</b>	<b>3.6</b>
EBITDA Margins (%)	10.6	11.7	13.2	14.8	13.1	12.9	-23.1	4.5	14.0	16.9	15.5	18.0	18.2	425.1	27.3
Depreciation	34.8	35.9	41.4	42.9	46.4	55.1	46.4	46.2	46.5	44.5	44.7	45.9	46.1	-0.8	0.4
Interest	18.4	17.5	22.2	21.7	20.6	20.8	19.7	19.4	18.6	18.2	17.1	16.7	16.3	-12.2	-2.2
Other Income	3.3	7.2	4.8	6.4	5.5	7.0	4.7	10.4	4.6	8.5	6.7	12.1	6.9	50.3	-43.4
PBT before forex & EC	28.1	43.4	44.0	63.4	41.2	26.9	-152.4	-28.5	44.5	87.2	78.6	118.5	119.5	168.7	0.8
Forex & EO	0.0	0.0	0.0	0.0	0.0	10.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PBT	28.1	43.4	44.0	63.4	41.2	16.0	-152.4	-28.5	44.5	87.2	78.6	118.5	119.5	168.7	0.8
Total Tax	13.0	9.9	13.0	16.8	8.8	3.6	-33.7	-26.1	0.8	17.2	0.9	16.8	19.6	2,421.7	16.6
Tax rate (%)	46.3	22.8	29.5	26.5	21.4	22.4	22.1	NA	1.8	19.8	1.1	14.2	16.4		
PAT after MI	12.7	37.2	30.3	45.3	31.4	12.0	-119.7	-3.4	40.8	68.0	76.2	99.3	97.5	138.9	-1.8
<b>Adjusted PAT</b>	<b>12.7</b>	<b>37.2</b>	<b>30.3</b>	<b>45.3</b>	<b>31.4</b>	<b>22.8</b>	<b>-119.7</b>	<b>-3.4</b>	<b>40.8</b>	<b>68.0</b>	<b>76.2</b>	<b>99.3</b>	<b>97.5</b>	<b>138.9</b>	<b>-1.8</b>
EPS (₹)	0.6	1.8	1.5	2.2	1.5	1.1	-5.9	-0.2	2.0	3.3	3.7	4.9	4.8	138.9	-1.8

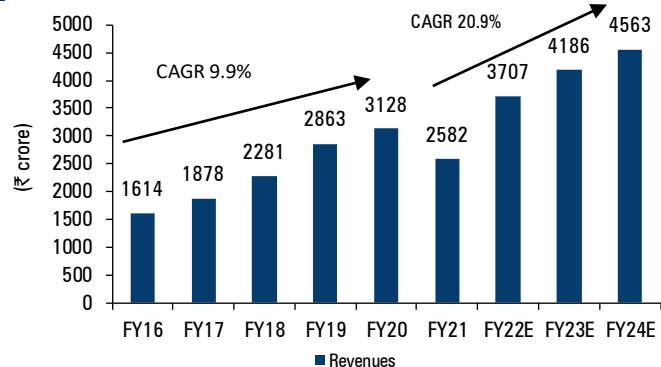
Source: ICICI Direct Research

**Exhibit 6: Valuation**

Particulars	FY24E (₹ cr)	Valuation Matrix	Multiple (x)	Enterprise value (₹ cr)
Hospital (Matured)	742.8	EV/EBITDA	14.0	10399.0
Cayman	252.5	EV/EBITDA	14.0	3534.8
Hospital (New)	516.4	EV/Sales	2.0	1032.9
Other Business	164.0	EV/Sales	1.0	164.0
Net Debt FY24E (₹ cr)				-540.5
EV (₹ cr)				15671.1
No of shares (cr)				20.4
<b>Per Share Value (₹)</b>				<b>765.0</b>

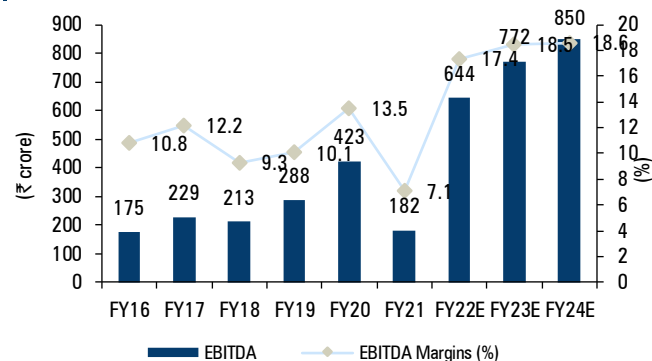
Source: Company

**Exhibit 7: Revenues to grow at CAGR of 21% over FY21-24E**



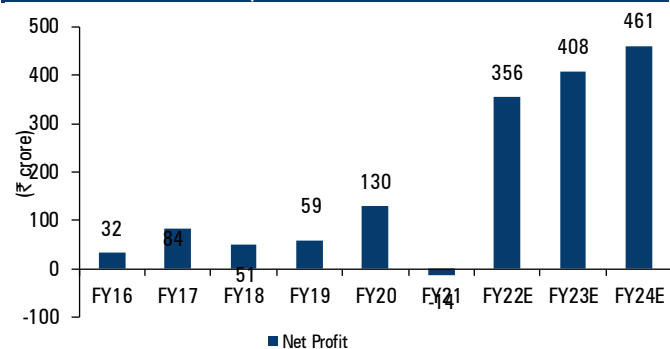
Source: ICICI Direct Research, Company

**Exhibit 8: EBITDA & EBITDA margins trend**



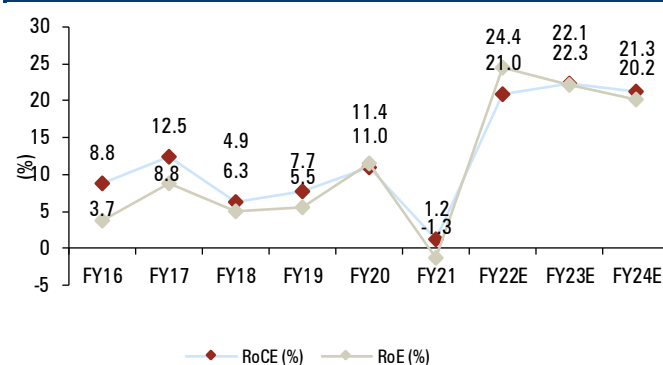
Source: ICICI Direct Research, Company

**Exhibit 9: PAT to turn profitable over FY21-24E**



Source: ICICI Direct Research, Company

**Exhibit 10: RoE & RoCE trend**



Source: ICICI Direct Research, Company

**Exhibit 11: 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
Hospitals																					
Apollo Hospitals	APOHOS	4479	5,930	Buy	64405	22.6	7.9	72.9	99.4	198.4	569.9	61.4	45.1	10.2	6.3	18.1	21.7	9.7	2.5	18.6	20.9
Narayana Hrudalaya	NARHRU	645	765	Buy	13187	6.4	-0.7	17.4	19.9	101.6	NA	37.1	32.3	11.0	1.2	21.0	22.3	11.4	-1.3	24.4	22.1
Shalby	SHALIM	140	170	Buy	1507	2.6	3.9	5.9	5.8	54.6	35.5	23.6	24.1	7.2	6.5	8.9	9.6	3.5	5.1	7.2	6.7
Aster DM	ASTDM	182	250	Buy	9106	5.7	3.0	10.6	17.2	32.0	61.6	17.2	10.6	7.2	5.4	8.7	12.1	8.7	4.4	13.5	18.0
Healthcare Global	HEAGLO	247	240	Hold	3098	-12.0	-21.7	15.6	8.4	NA	NA	15.9	29.3	1.0	-0.9	7.6	10.4	NA	NA	NA	7.2
MNC Pharma																					
Abbott India	ABBIND	15622	20,360	Buy	33196	279.0	325.0	362.3	471.9	56.0	48.1	43.1	33.1	30.7	33.8	35.3	37.2	24.4	26.5	27.6	28.9
P&G Health	MERLIM	5075	6,555	Buy	8424	102.0	106.5	135.7	145.7	49.8	47.6	37.4	34.8	24.0	32.2	41.0	37.7	18.7	25.1	31.6	28.8
Sanofi India	SANOFI	7375	9,800	Buy	16985	179.8	207.4	431.8	280.0	41.0	35.6	17.1	26.3	26.0	32.3	34.2	41.9	19.4	24.5	22.2	33.5
Pfizer	PFIZER	4447	5,350	Buy	20343	111.3	108.8	135.2	133.0	40.0	40.9	32.9	33.4	18.5	27.6	27.4	23.6	15.0	20.8	21.7	18.6
Pharma																					
Ajanta Pharma	AJAPHA	2105	2,500	Buy	18212	53.4	74.0	79.3	89.3	39.4	28.4	26.5	23.6	24.7	29.0	25.2	23.8	18.1	21.8	19.9	19.2
Alembic Pharma	ALEMPHA	731	790	Hold	14366	44.4	59.9	33.3	39.6	16.5	12.2	22.0	18.5	21.0	24.2	11.9	13.9	27.1	23.0	11.7	12.6
Aurobindo Pharma	AURPHA	645	795	Hold	37811	48.8	55.0	50.3	61.2	13.2	11.7	12.8	10.5	17.2	16.9	13.8	15.2	17.0	14.7	11.9	12.8
Biocon	BIOCON	408	380	Hold	48972	5.8	6.1	5.4	9.3	70.1	67.1	75.9	44.0	10.2	7.6	7.8	10.0	10.4	9.6	7.9	12.2
Cadila Healthcare	CADHEA	399	477	Hold	40832	14.0	21.5	20.9	21.8	28.6	18.6	19.1	18.3	10.7	12.6	13.4	13.4	13.8	16.9	14.7	13.7
Cipla	CIPLA	944	1,085	Buy	76110	19.2	29.9	34.6	41.8	49.1	31.6	27.3	22.6	12.0	16.3	17.8	18.4	9.8	13.1	13.7	14.6
Dr Reddy's Labs	DRREDD	4327	5,170	Hold	71987	121.8	117.3	181.2	204.2	35.5	36.9	23.9	21.2	9.6	13.1	16.3	17.3	13.0	11.1	14.9	14.7
Glenmark Pharma	GLEPHA	484	580	Hold	13646	26.4	32.9	37.7	43.7	18.3	14.7	12.8	11.1	12.7	13.9	15.3	15.9	12.2	13.1	12.5	12.7
Ipsca Laboratories	IPCLAB	1011	2,490	Buy	12825	47.6	89.9	78.0	95.8	21.3	11.3	13.0	10.5	17.6	27.1	20.5	20.9	16.6	24.2	17.5	17.7
Jubilant Pharmova	JUBLIF	474	490	Hold	7544	44.6	37.4	28.7	32.5	10.6	12.7	16.5	14.6	11.7	13.7	10.1	10.4	12.7	12.6	8.9	9.2
Lupin	LUPIN	789	960	Hold	35824	-12.7	26.9	16.2	30.2	NA	29.4	48.7	26.1	9.7	9.1	6.1	10.5	-4.6	8.8	5.8	9.6
Natco Pharma	NATPHA	903	925	Hold	16457	25.3	24.2	17.1	20.1	35.7	37.3	52.8	44.8	14.0	13.1	8.4	9.9	12.2	10.7	7.2	8.0
Sun Pharma	SUNPHA	888	965	Buy	212941	16.8	30.0	30.6	32.2	52.9	29.5	29.0	27.5	10.0	14.2	16.7	16.3	8.9	15.5	14.2	13.2
Torrent Pharma	TORPHA	2591	3,110	Hold	43839	60.6	74.0	78.3	103.7	42.8	35.0	33.1	25.0	15.4	17.7	21.0	22.6	21.2	21.4	19.4	21.5
Indoco Remedies	INDREM	372	575	Buy	3432	2.6	10.1	17.3	23.9	142.0	36.8	21.4	15.6	4.6	11.7	19.8	21.5	3.5	12.1	17.6	20.2
Caplin Point	CAPPOI	790	1,010	Buy	5976	17.2	81.7	76.7	55.5	46.0	9.7	10.3	14.2	25.4	25.6	24.1	23.5	22.7	20.4	20.5	18.8
Advanced Enzymes	ADVENZ	320	420	Buy	3577	11.6	13.1	13.0	16.1	27.7	24.5	24.5	19.9	19.6	19.4	16.8	18.3	15.4	15.1	13.2	14.1
Hester Biosciences	HESPHA	2461	2,780	Hold	2093	34.3	44.4	47.2	52.0	71.8	55.5	52.2	47.3	14.0	16.2	12.8	14.3	14.5	16.5	15.5	15.1
API/CRAMS																					
Divi's Lab	DIVLAB	4218	5,815	Buy	111971	51.9	74.7	90.6	107.5	81.3	56.4	46.5	39.2	23.9	27.6	27.7	27.7	18.8	21.3	21.8	21.8
Hikal	HIKCHE	408	640	Buy	5034	8.1	10.8	17.2	21.4	50.4	37.8	23.8	19.1	12.8	15.1	17.7	18.5	12.2	14.3	18.7	19.1
Syngene Int.	SYNINT	570	710	Buy	22800	10.3	10.1	9.8	13.9	55.3	56.3	58.3	40.9	14.5	11.5	12.6	15.5	16.8	13.5	13.2	14.9
Granules India	GRANUL	309	350	Hold	7646	12.4	22.2	15.0	23.3	24.9	13.9	20.6	13.2	15.2	24.0	16.1	21.7	16.7	25.3	14.8	18.9
Laurus Labs	LAULAB	518	670	Buy	27775	4.8	18.3	17.6	23.9	108.8	28.2	29.4	21.6	13.0	31.7	25.1	28.0	14.4	37.9	27.4	27.9
Suven Pharmaceuticals	SUVPH	557	600	Buy	14169	12.5	14.2	15.0	18.7	44.7	39.1	37.0	29.7	35.6	31.2	25.7	24.7	37.5	30.7	24.9	23.9

Source: ICICI Direct Research

## Financial Summary

Exhibit 12: Profit and loss statement					₹ crore
(Year-end March)	FY21	FY22E	FY23E	FY24E	
<b>Revenues</b>	<b>2,582.3</b>	<b>3,707.2</b>	<b>4,186.2</b>	<b>4,562.6</b>	
Growth (%)	-17.4	43.6	12.9	9.0	
Raw Material Expenses	677.9	922.7	1,021.6	1,080.7	
Employee Expenses	626.8	762.4	860.9	938.3	
Other Manufacturing Expenses	1,095.6	1,377.8	1,531.2	1,693.7	
Total Operating Expenditure	2,400.2	3,062.9	3,413.7	3,712.7	
<b>EBITDA</b>	<b>182.1</b>	<b>644.3</b>	<b>772.5</b>	<b>849.9</b>	
Growth (%)	-56.9	253.8	19.9	10.0	
Interest	76.0	66.3	66.3	66.3	
Depreciation	183.5	182.8	196.6	205.8	
Other Income	28.2	32.5	37.7	41.1	
PBT before Exceptional Items	-49.2	427.6	547.2	618.8	
Less: Forex & Exceptional Items	0.0	0.0	0.0	0.0	
PBT	-49.2	427.6	547.2	618.8	
Total Tax	-41.8	65.7	139.5	157.8	
PAT before MI	-7.5	361.9	407.7	461.0	
Minority Interest	0.0	0.2	0.0	0.0	
<b>PAT</b>	<b>-14.3</b>	<b>355.8</b>	<b>407.7</b>	<b>461.0</b>	
Adjusted PAT	-14.3	355.8	407.7	461.0	
Growth (%)			14.6	13.1	
EPS	-0.7	17.4	19.9	22.6	
<b>EPS (Adjusted)</b>	<b>-0.7</b>	<b>17.4</b>	<b>19.9</b>	<b>22.6</b>	

Source: Company, ICICI Direct Research

Exhibit 13: Cash flow statement					₹ crore
(Year-end March)	FY21	FY22E	FY23E	FY24E	
Profit/(Loss) after taxation	-14.3	355.8	407.7	461.0	
Add: Depreciation & Amortization	183.5	182.8	196.6	205.8	
Net Increase in Current Assets	-20.8	-94.8	-58.9	-47.6	
Net Increase in Current Liabilities	83.5	84.3	70.4	57.3	
Others	76.0	66.3	66.3	66.3	
<b>CF from operating activities</b>	<b>307.9</b>	<b>594.4</b>	<b>682.1</b>	<b>742.8</b>	
(Inc)/dec in Fixed Assets	-47.5	-200.0	-200.0	-150.0	
(Inc)/dec in Investments	-34.0	0.0	0.0	0.0	
Others	-6.6	8.0	8.4	8.8	
<b>CF from investing activities</b>	<b>-88.1</b>	<b>-192.0</b>	<b>-191.6</b>	<b>-141.2</b>	
Inc / (Dec) in Equity Capital	0.0	0.0	0.0	0.0	
Inc / (Dec) in Debt	-126.5	-200.0	0.0	0.0	
Dividend & Dividend Tax	0.0	-20.4	-20.4	-20.4	
Others	-76.0	-66.3	-66.3	-66.3	
<b>CF from financing activities</b>	<b>-202.5</b>	<b>-286.8</b>	<b>-86.8</b>	<b>-86.8</b>	
Net Cash flow	17.3	115.5	403.7	514.8	
Opening Cash	114.8	132.1	247.6	651.3	
Closing Cash	132.1	247.6	651.3	1,166.1	
<b>Free Cash Flow</b>	<b>260.3</b>	<b>394.4</b>	<b>482.1</b>	<b>592.8</b>	

Source: Company, ICICI Direct Research

Exhibit 14: Balance Sheet					₹ crore
(Year-end March)	FY21	FY22E	FY23E	FY24E	
Equity Capital	204.4	204.4	204.4	204.4	
Reserve and Surplus	915.9	1,251.3	1,638.5	2,079.1	
Total Shareholders fund	1,120.3	1,455.6	1,842.8	2,283.4	
Total Debt	825.7	625.7	625.7	625.7	
Deferred Tax Liability	13.0	13.7	14.4	15.1	
Minority Interest	0.5	0.6	0.6	0.6	
Other liabilities	259.5	272.4	286.1	300.4	
<b>Source of Funds</b>	<b>2,219.0</b>	<b>2,368.0</b>	<b>2,769.6</b>	<b>3,225.2</b>	
Gross Block - Fixed Assets	2,916.4	3,016.4	3,216.4	3,366.4	
Accumulated Depreciation	1,013.7	1,196.5	1,393.1	1,599.0	
Net Block	1,902.8	1,819.9	1,823.3	1,767.5	
Capital WIP	19.9	119.9	119.9	119.9	
Net Fixed Assets	1,922.7	1,939.9	1,943.2	1,887.4	
Goodwill on Consolidation	58.1	58.1	58.1	58.1	
Investments	120.3	120.3	120.3	120.3	
Inventory	47.9	60.9	68.8	75.0	
Cash	132.1	247.6	651.3	1,166.1	
Debtors	278.5	355.5	401.4	437.5	
Loans & Advances & Other CA	96.7	101.5	106.6	112.0	
Total Current Assets	555.2	765.6	1,228.2	1,790.6	
Creditors	410.3	487.5	550.5	600.0	
Provisions & Other CL	140.8	147.8	155.2	162.9	
Total Current Liabilities	551.1	635.3	705.7	763.0	
Net Current Assets	4.1	130.3	522.5	1,027.7	
LT L& A, Other Assets	111.9	117.5	123.4	129.5	
Deferred Tax Assets	1.8	1.9	2.0	2.1	
<b>Application of Funds</b>	<b>2,219.0</b>	<b>2,368.0</b>	<b>2,769.6</b>	<b>3,225.2</b>	

Source: Company, ICICI Direct Research

Exhibit 15: Key ratios					
(Year-end March)	FY21	FY22E	FY23E	FY24E	
<b>Per share data (₹)</b>					
EPS	-0.7	17.4	19.9	22.6	
Cash EPS	8.3	25.4	28.6	31.6	
BV	54.8	71.2	90.2	111.7	
DPS	0.0	1.0	1.0	1.0	
Cash Per Share	49.6	58.5	68.2	78.2	
<b>Operating Ratios (%)</b>					
EBITDA margins	7.1	17.4	18.5	18.6	
Net Profit margins	-0.6	9.6	9.7	10.1	
Cash Conversion cycle	-11.9	-7.0	-7.0	-7.0	
Asset Turnover	0.9	1.3	1.3	1.4	
<b>Return Ratios (%)</b>					
RoE	-1.3	24.4	22.1	20.2	
RoCE	1.2	21.0	22.3	21.3	
RoIC	-0.1	24.6	30.7	35.5	
<b>Valuation Ratios (x)</b>					
P/E	-922.0	37.1	32.3	28.6	
EV / EBITDA	75.6	20.9	16.9	14.8	
EV / Revenues	5.3	3.6	3.1	2.7	
Market Cap / Revenues	5.1	3.6	3.1	2.9	
Price to Book Value	11.8	9.1	7.2	5.8	
<b>Solvency Ratios</b>					
Net Debt / Equity	0.6	0.4	0.3	0.2	
Net Debt / EBITDA	3.2	0.4	-0.2	-0.8	
Current Ratio	0.8	0.8	0.8	0.8	

Source: Company, ICICI Direct Research

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