

Mankind Pharma

22 April, 2023

Not Rated

Sector: Pharmacuetical

Mitesh Shah, CFA

Research Analyst

mitesh.shah@nirmalbang.com

+91 76668 04995

Bhavya Sanghavi

Research Associate

bhavya.sanghavi@nirmalbang.com

+91 22 6273 8188

Shareholding Pattern (%)

	Pre Issue	Post Issue
Promoter shareholding	79.0	76.5
Public - Investor Shareholders	21.0	13.5
Public - Others	-	10.0
Total	100	100

Mankind Pharma

Established in 1991, Mankind Pharma (Mankind) is a domestic market focused fourth largest pharmaceutical company in the IPM with a pan-India presence. The company has a presence across verticals of Pharmaceuticals and Consumer Health. For FY22, Mankind derived ~98% revenue from Domestic Formulations, with the rest coming from export markets, including the US. Mankind has a diversified therapy presence in the Acute segment (~67% of domestic sales); it has presence in Anti-Infective (AI; rank 5), Gastro-Intestinal (GI; rank 6), Vitamins (VMN; rank 2) and Pain Management (rank 8). It also has a growing presence in the Chronic therapy areas of CNS, CVS, Anti-Diabetes, Dermatology and Respiratory. Mankind ranks first in terms of prescriptions generated in the IPM, led by one of the largest field forces of 11,500+ MRs in India. In the Consumer Health segment, the company has some marquee brands, including Manforce, Prega News, Gas-O-Fast and Unwanted Kit. The company's future growth strategy revolves around: (1) Increased covered market presence, especially in the Chronic segment (2) Gaining scale in the Consumer Health business (3) Increasing penetration in Metro and Class I cities and (4) Increasing doctor engagement.

One of the fastest growing companies in IPM: As per IQVIA, over FY20-Dec'22, Mankind's revenue grew at a CAGR of ~12%, outpacing industry growth of ~10% during the same period on the back of multiple factors: (1) Market-beating growth in the Chronic segment (2) Strong positioning in the Acute segment (3) New product launches, notably Dydrogesteron and multiple line extensions of existing products and (5) Covid-related tailwinds.

Extensive distribution reach through strong MR network: As of Dec'22, Mankind has one of the largest and extensive distribution networks in IPM, which consists of ~11,500+ MRs and 3,500+ field managers, which help it to penetrate the domestic market across Metro and Tier I-IV towns. Mankind has leveraged its MR network and currently ranks first in terms of prescriptions generated in the IPM.

Established Consumer Health franchise: According to IQVIA, the Consumer Health market is expected to grow by ~10-11% annually. Mankind entered the Consumer Health industry in 2007 and has continued to scale up its presence in categories such as condoms, pregnancy detection, emergency contraceptives, among others. Mankind is the category leader in: (1) The male condom category through its brand Manforce (2) Pregnancy detection kit category through Prega News and (3) Emergency contraceptives category through Unwanted-72 brand.

Valuation: At the upper band of the IPO price, PE ratio comes to 32.9x/26.1x/21.4x for FY23E/FY24E/FY25E and EV/EBITDA at 21.9x/17.4x/14.2x. FY25E PE valuation is in line with Large Cap peers and discount to Torrent Pharma. We believe this valuation is justified due to almost pure play domestic player with strong financials and better visibility.

Key downside risks: Increased competition, additional products under NLEM and regulatory challenges.

Y/E March (Rsmn)	FY21	FY22	FY23E	FY24E	FY25E
Net sales	62,144	77,816	86,814	97,622	1,09,138
EBITDA	16,658	19,894	19,096	23,273	27,329
Net profit	12,789	14,335	13,161	16,579	20,170
EPS (Rs)	31.9	35.8	32.9	41.4	50.4
EPS growth (%)	16.6	12.1	(8.2)	26.0	21.7
EBITDA margin (%)	26.8	25.6	22.0	23.8	25.0
PER (x)	33.8	30.2	32.9	26.1	21.4
EV/Sales (x)	6.7	5.5	4.8	4.1	3.6
EV/EBITDA (x)	24.9	21.5	21.9	17.4	14.2
RoCE (%)	28.5	23.5	17.6	19.1	19.6
RoE (%)	31.2	26.4	19.3	20.3	20.7

Source: RHP, Nirmal Bang Institutional Equities Research; Note: All of Mankind's valuation calculation is based on upper Band of Rs1080 (as per media source)

Key Investment thesis

One of the fastest growing companies in IPM with a diversified presence across therapies

Mankind is the fourth largest branded generics company in India with a market share of 4.3% (source: IQVIA MAT Dec'22). As per IQVIA, over FY20-Dec'22, Mankind's revenue grew at a CAGR of ~12%, outpacing industry growth of ~10% during the same period. The company is heavily focused on the Indian market and has historically derived a substantial portion of its revenue (~97.6% in FY22) from India with a strong presence across AI, cardiovascular and GI therapeutic areas. Despite a predominately Acute-heavy portfolio, the company has continuously outpaced industry growth. As of MAT Dec'22, Mankind had 10 brand families, 19 brand families and 36 brand families with Domestic sales over Rs2bn, Rs1bn and Rs500mn, respectively.

Exhibit 1: Deriving majority revenue from Domestic market (FY22)

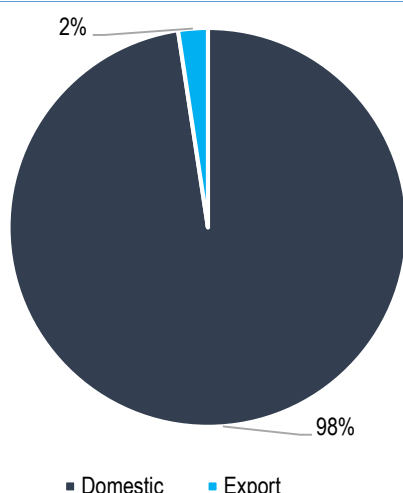
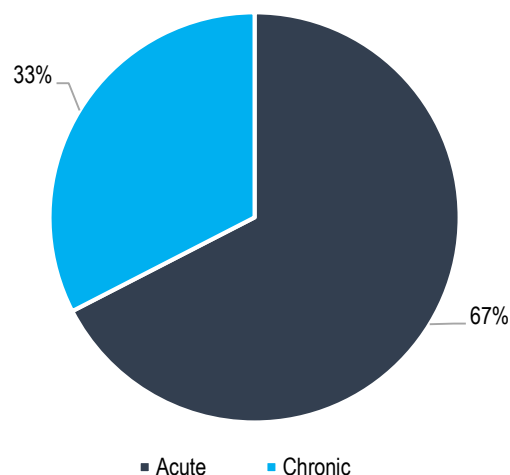


Exhibit 2: Bifurcation of Acute and Chronic therapies (FY22)



Source: RHP, Nirmal Bang Institutional Equities Research

Source: RHP, Nirmal Bang Institutional Equities Research

Exhibit 3: Formidable presence across Acute therapies complemented with strong growth in Chronic therapies

Therapy Area	% of domestic sales	Market share	Market ranking In Covered Markets	Mankind CAGR (FY20-MAT Dec'22)	IPM CAGR (FY20-MAT Dec'22)
Anti-infectives	14%	5.5%	5	9%	7%
Cardiovascular	13%	4.5%	4	16%	11%
Gastrointestinal	11%	4.5%	6	11%	12%
Vitamins/minerals/nutrients	9%	4.7%	2	9%	10%
Respiratory	9%	4.7%	3	15%	11%
Anti-diabetic	8%	3.9%	3	16%	8%
Dermatology	6%	4.0%	3	2%	7%
Gynaecology	8%	6.6%	2	31%	11%
Pain/analgesics	5%	2.8%	8	5%	10%
Neuro/CNS	3%	2.0%	5	10%	11%

Source: RHP, Nirmal Bang Institutional Equities Research

Exhibit 4: Mankind's top selling brands

Key brands	MAT Dec'22 sales (Rsmn)	Rank	Market Share	CAGR (FY20- MAT Dec'22)
Manforce (Rx)	3,862	1	48.1%	18%
Moxikind-CV	3,123	3	8.9%	10%
Dydroboon	2,050	2	22.3%	177%
Unwanted-kit	2,047	1	48.6%	19%
PregaNews	1,844	1	79.7%	24%
Amlokind-AT	1,820	1	29.0%	10%
Candiforce	1,725	1	18.2%	1%
Gudcef	1,676	2	13.7%	14%
Glimestar-M	1,588	6	5.1%	13%
Codistar	1,408	2	25.2%	34%

Source: RHP, Nirmal Bang Institutional Equities Research

Established Consumer Health franchise

Mankind entered the Consumer Health industry in 2007 and has since established several brands in condoms, pregnancy detection, emergency contraceptives, antacid powders, vitamin and mineral supplements and anti-acne preparation categories. As per the management, the Consumer Health segment contributes ~8-9% to total domestic revenue. According to IQVIA, the Consumer Health market is growing at a strong pace and is expected to grow by ~10-11% annually.

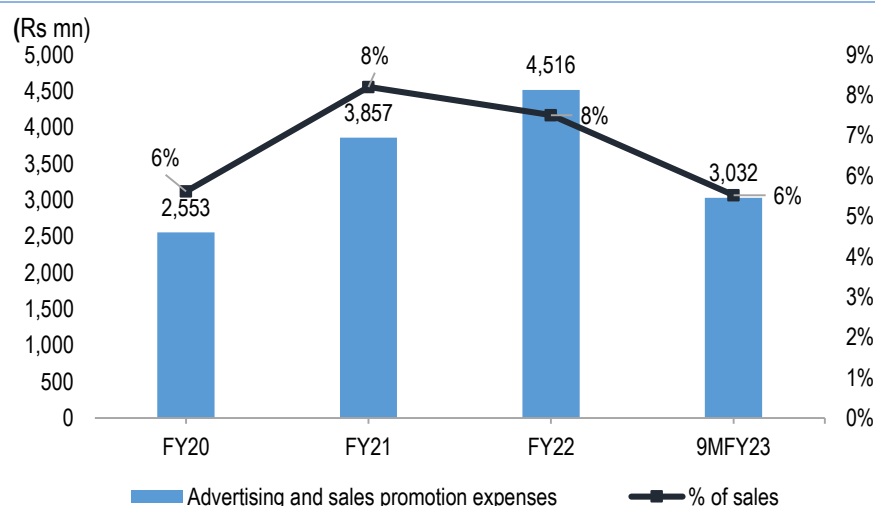
Mankind is the category leader in: (1) The male condom category through its brand Manforce (2) Pregnancy detection kit category through Prega News and (3) Emergency contraceptives category through Unwanted-72 brand.

Exhibit 5: Leadership position in Consumer Health brands

Key brands	MAT Dec'22 sales (Rsmn)	Rank	Market Share	CAGR (FY20-Dec'22)
Manforce (Rx)	3,862	1	48.1%	18%
Unwanted-kit	2,047	1	48.6%	19%
PregaNews	1,844	1	79.7%	24%
Unwanted-72	1,083	1	61.7%	19%

Source: RHP, Nirmal Bang Institutional Equities Research

Exhibit 6: Marketing and promotional spends

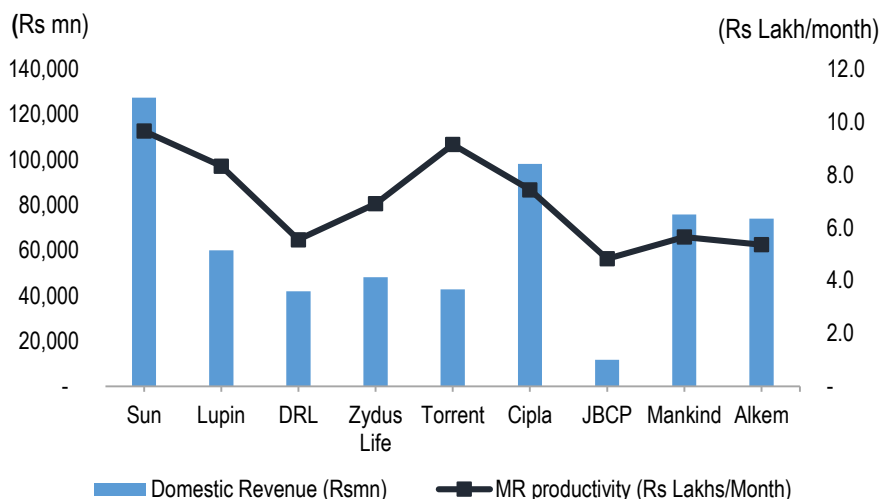


Source: RHP, Nirmal Bang Institutional Equities Research

Extensive distribution reach through strong MR network

As of Dec'22, Mankind has one of the largest and extensive distribution networks in IPM, which consists of ~11,500+MRs with additional 3,500+ field managers, that help it to penetrate the domestic market across Metro as well as rural markets. As of March'22, the MR productivity stood at Rs0.6mn, lower compared to its peers given the higher contribution from the Acute therapy. The company's focus continues to remain on increasing penetration in Metro and Class I cities, which constitute 53% of the total domestic sales (Source: IQVIA MAT Dec'22).

Exhibit 7: Domestic Sales and MR productivity of select companies (FY22)



Source: RHP, Nirmal Bang Institutional Equities Research

Backward integration for key products

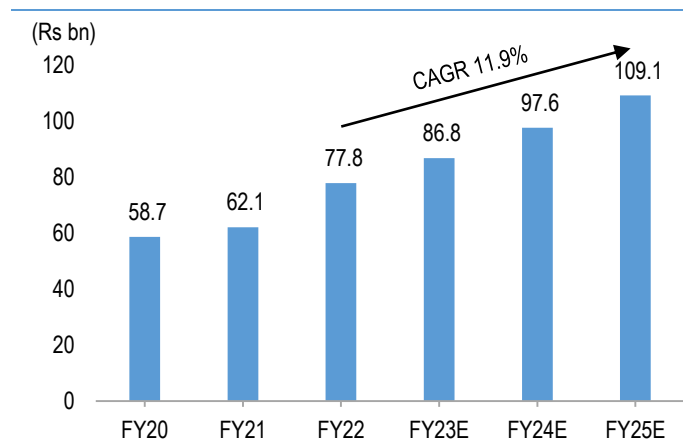
Although backward integration is just ~5% of total sales, Mankind has developed in-house capabilities to manufacture complex APIs (including APIs, intermediates and key starting materials) for key products such as Telmkind and Dydroboon. Mankind launched Dydroboon (Dydrogesterone) in 2019, an API used to treat female infertility - being only the second player to launch the product in India. It is one of the few players to manufacture this complex API as well as market the formulation in India. Being vertically integrated allows the company to partially control operating costs, quality & stability in the supply of essential raw materials for its formulations, giving it a solid competitive advantage.

Healthy Financials

Strong profitability and robust revenue growth

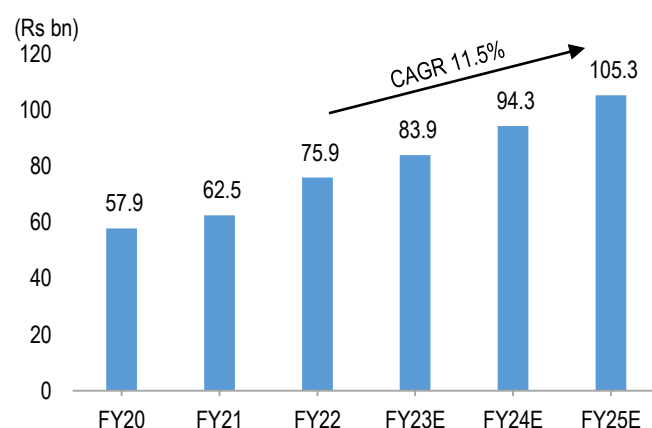
Mankind has demonstrated consistent growth in terms of revenue and profitability. Sales have grown at a CAGR of ~15.2% over FY20-FY22, led by 14.5% growth in the domestic business (aided by covid tailwinds) and 56.4% growth in the exports business (albeit on a small base). Over the same period, EBITDA has grown by 14.1% whereas EBITDA margin has remained range-bound ~25-26%. However, for FY23E, EBITDA margin is expected to compress by ~360bps, owing to cost inflation and one-off expenditure due to acquisition & consolidation of Panacea Biotec's formulation brands. However, the same is expected to improve gradually going forward. The company's adjusted PAT grew at 14.3% CAGR over FY20-FY22 mainly on the back of strong operational performance. We are building in ~12% PAT CAGR over FY22-FY25E.

Exhibit 8: Revenue to grow at ~12% CAGR over FY22-FY25E



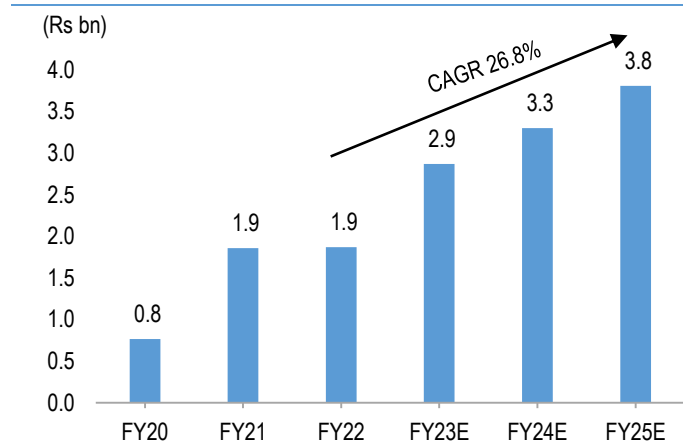
Source: RHP, Nirmal Bang Institutional Equities Research

Exhibit 9: Domestic business to grow at ~11.5% CAGR over FY22-FY25E



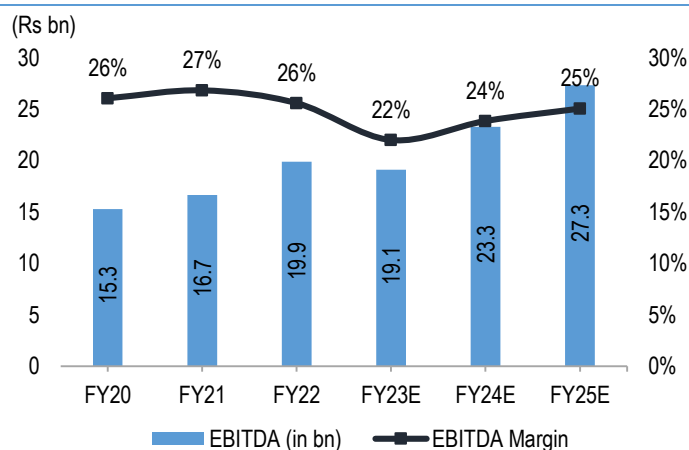
Source: RHP, Nirmal Bang Institutional Equities Research

Exhibit 10: Exports to grow at ~27% CAGR over FY22-FY25E



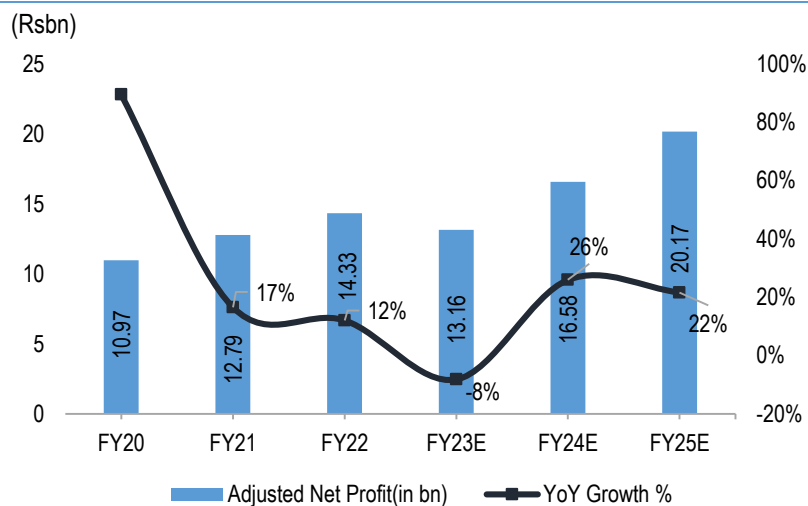
Source: RHP, Nirmal Bang Institutional Equities Research

Exhibit 11: EBITDA margin is expected to improve gradually



Source: RHP, Nirmal Bang Institutional Equities Research

Exhibit 12: Adjusted net profit expected to grow at ~12% CAGR over FY22-FY25E

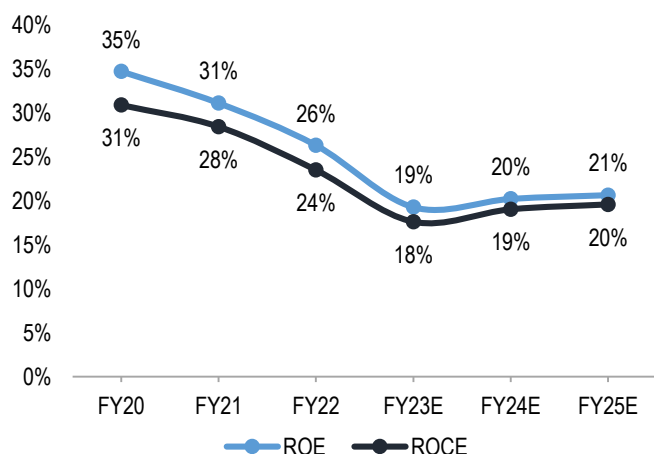


Source: RHP, Nirmal Bang Institutional Equities Research

Healthy balance sheet and robust return ratios

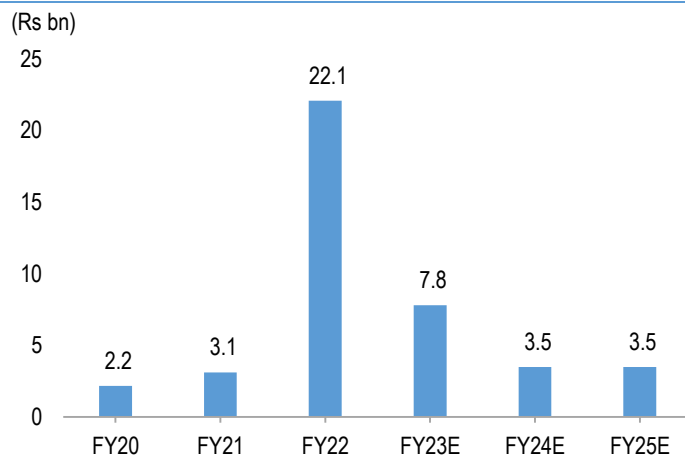
Mankind has a strong balance sheet with a negative net debt position. As of March'22, it had a fixed asset turnover of ~3x. The company had a working capital cycle of ~50 days in FY22. Working capital cycle was higher in FY22 and 9MFY23 mainly due to stocked up inventories amid supply chain constraints. The company's ROE and ROCE declined by 842bps and 740bps to 26.4% and 23.5%, respectively over FY20-FY22 mainly due to acquisition of Panacea's formulations brands. We expect the company's ROE and ROCE to remain decent at 20.7% and 19.6% by FY25-end. Going forward, the return ratios are expected to improve in tandem with revenue growth and improvement in margins.

Exhibit 13: ROE and ROCE trends



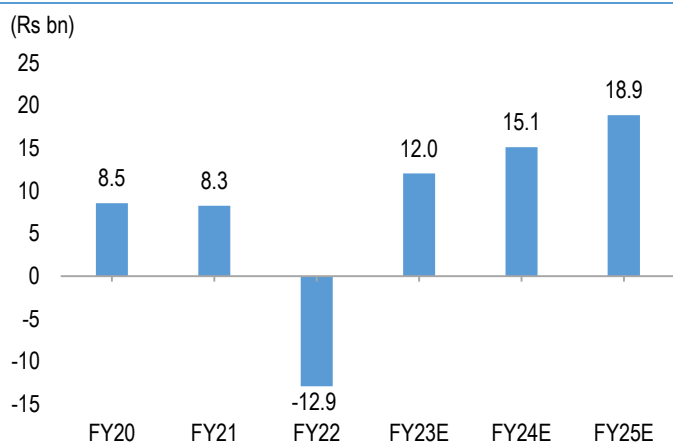
Source: RHP, Nirmal Bang Institutional Equities Research

Exhibit 14: No major large capex plan expected in near term



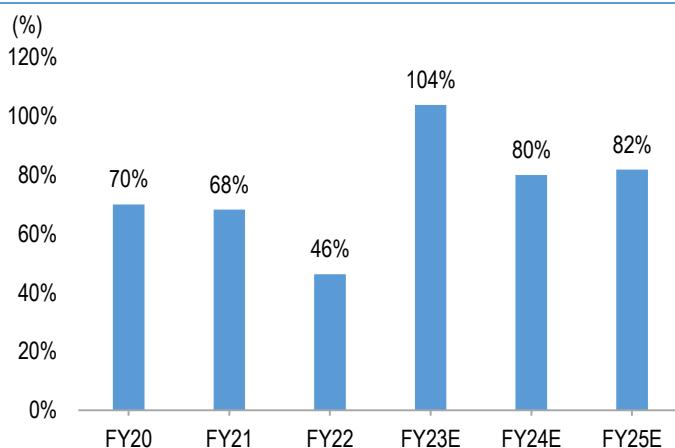
Source: RHP, Nirmal Bang Institutional Equities Research

Exhibit 15: ~Rs46bn FCF expected over FY23E-FY25E



Source: RHP, Nirmal Bang Institutional Equities Research

Exhibit 16: Strong OFC/EBITDA



Source: RHP, Nirmal Bang Institutional Equities Research

Peer comparison table

	RATING	CMP	TP	M Cap	PE (x)			EV/EBITDA (x)			ROE (%)			RoCE (%)			Net D/E (x)		
	(Rs)	(Rs)	(Rsbn)		FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Cipla	Buy	909	1,021	733	22.6	19.2	16.7	13.0	11.0	9.5	14.6	15.2	15.3	13.9	14.5	14.7	(0.2)	(0.3)	(0.4)
Dr Reddy's	Acc	4,846	4,482	804	20.6	20.3	21.7	12.2	11.7	11.9	18.4	15.9	13.3	16.0	14.7	12.7	(0.0)	(0.2)	(0.2)
Lupin	Sell	692	586	315	76.1	23.9	18.9	21.0	12.9	10.7	3.4	10.1	11.7	3.3	8.3	9.5	0.3	0.3	0.2
Pfizer	Acc	3,762	3,954	172	28.5	28.0	24.7	18.3	16.9	15.2	19.6	17.7	17.8	18.6	16.9	17.1	(0.6)	(0.7)	(0.7)
Sanofi	Buy	5,968	6,651	137	26.1	23.0	21.5	18.1	16.2	14.5	30.0	42.8	38.8	28.8	41.0	37.4	(0.8)	(0.9)	(0.9)
Sun	Buy	990	1,265	2,375	27.9	24.3	21.9	19.1	16.5	14.5	16.5	16.5	16.1	14.8	14.9	14.9	(0.2)	(0.3)	(0.4)
Zydus	Buy	512	545	518	24.6	20.6	19.3	15.5	12.8	11.5	12.0	13.1	12.4	9.2	10.2	9.8	0.1	(0.0)	(0.1)
Alkem	Buy	3,401	3,968	407	32.7	23.9	18.9	24.1	18.3	14.6	12.5	14.4	16.3	10.3	12.3	14.3	(0.1)	(0.1)	(0.2)
Torrent Pharma	Buy	1,601	1,909	542	42.7	33.6	28.3	20.8	17.4	15.2	19.9	22.1	22.7	13.4	15.5	17.6	0.8	0.5	0.3
Mankind	NA	1,080	NA	433	32.9	26.1	21.4	21.9	17.4	14.2	19.3	20.3	20.7	17.6	19.1	19.6	(0.2)	(0.3)	(0.4)
Average					33.5	24.3	21.3	18.4	15.1	13.2	16.6	18.8	18.5	14.6	16.7	16.8	(0.1)	(0.2)	(0.3)

	Revenue (Rsmn)				EBITDA Margin (%)				Adjusted PAT (Rsmn)				EPS (Rs)				CAGR FY23E-FY25E		
	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	Rev	EPS	EBITDA
Cipla	2,17,633	2,28,092	2,56,560	2,78,750	20.9	22.8	23.0	23.2	26,502	32,438	38,247	43,962	32.8	40.2	47.4	54.5	10.5	16.4	11.5
Dr Reddy's	2,12,617	2,46,622	2,59,097	2,64,418	21.3	25.2	24.2	22.5	28,475	38,996	39,722	37,116	171.5	234.9	239.3	223.6	3.5	(2.4)	(2.1)
Lupin	1,60,321	1,59,991	1,86,078	1,99,731	12.4	10.4	14.6	16.1	10,045	4,133	13,133	16,635	22.1	9.1	28.9	36.6	11.7	100.6	38.9
Pfizer	26,110	24,791	26,991	29,147	32.0	33.6	32.3	32.0	6,126	6,031	6,154	6,958	133.9	131.8	134.5	152.1	8.4	7.4	5.8
Sanofi	29,566	27,701	29,595	31,665	25.8	25.4	25.8	26.5	5,770	5,258	5,977	6,374	250.9	228.6	259.8	277.1	6.9	10.1	9.2
Sun	3,86,545	4,40,294	4,79,736	5,20,970	26.9	26.8	27.4	27.7	66,658	85,217	97,634	1,08,394	27.8	35.5	40.7	45.2	8.8	12.8	10.5
Zydus	1,52,652	1,69,668	1,80,625	1,90,784	23.1	20.3	22.3	22.5	23,121	21,088	25,207	26,831	22.8	20.8	24.9	26.5	6.0	12.8	11.5
Alkem	1,06,342	1,13,919	1,27,172	1,38,967	19.3	14.6	17.0	19.0	16,593	12,417	17,034	21,561	138.8	103.9	142.5	180.4	10.4	31.8	25.9
Torrent Pharma	84,279	96,157	1,07,550	1,18,627	27.9	29.6	30.9	31.4	9,919	12,686	16,133	19,147	29.3	37.5	47.7	56.6	11.1	22.9	14.3
Mankind	77,816	86,814	97,622	1,09,138	25.6	22.0	23.8	25.0	14,335	13,161	16,579	20,170	35.8	32.9	41.4	50.4	12.1	23.8	11.5

Note: All of Mankind's valuation calculation is based on upper band of Rs1,080 (as per media source)

Source: RHP, NirmalBang Institutional Equities Research

In the past, the company has outperformed in the domestic market, but we believe that due to the large size (4th largest company in India), scope to outpace domestic market growth over the medium to long term is limited. MR strength is also among the highest and hence scope of aggressive MR addition remains limited. Moreover, we see little room for improvement in MR productivity (Rs6 lakh/month in FY23E) due to the portfolio being skewed towards Acute therapies (Acute segment is ~67% of domestic sales).

Risks and concerns

Drug Price Control: Mankind's ~98% of revenue comes from the domestic market. Currently, ~380 drugs and ~900 formulations are covered under the National List of Essential Medicines (NLEM). As of FY22, the company has ~12.7% of total domestic portfolio under price control. It is likely that the Indian government may bring more such drugs and formulations under price control, which in turn will have an adverse impact on the company's domestic value growth.

Competition Risk: The Indian Pharma Market is highly competitive, with presence of several major players. As a result, products face intense competition in various therapeutic areas. Hence, any intense competition in the company's key product or segment is likely to affect its future growth.

Regulatory Compliance: Post Covid-19, the USFDA is in an overdrive with multiple inspections and subsequent Form 483's/warning letters issued to various companies. An adverse observation from the USFDA could affect future product launches and in extreme cases could even lead to a ban on export of a given product.

Company background

Mankind is India's fourth largest pharmaceutical company in terms of domestic sales and third largest in terms of sales volume. It has presence in several Acute and Chronic therapeutic areas in India, including anti-infectives, cardiovascular, gastrointestinal, anti-diabetic, Neuro/CNS, vitamins/minerals/nutrients and respiratory. Additionally, it has presence in Consumer Healthcare category.

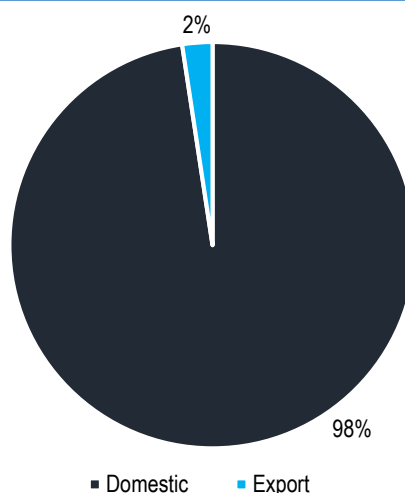
The company has a strong domestic focus; as of March'22, it generated ~97.6% of its revenue from India, which is one of the highest among listed peers. Mankind commenced its international operations in 2011 with its products being sold in 21 countries, including in regulated and semi-regulated Emerging Markets (EM) such as the US, Latin America, Southeast Asia, Africa, the Middle East and the Commonwealth of Independent States.

Mankind operates 25 manufacturing facilities across India in the states of Himachal Pradesh, Sikkim, Rajasthan, Andhra Pradesh and Uttarakhand. The formulation manufacturing facilities have a total installed capacity of 42.05bn units per annum across a wide range of dosage forms, including tablets, capsules, syrups, vials, ampoules, blow fill seal, soft & hard gels, eye drops, creams, contraceptives and other over-the-counter (OTC) products.

The company has a dedicated R&D center with four units located in IMT Manesar, Gurugram, Haryana and Thane with a dedicated team of 600+ scientists. It has filed 55 ANDAs with the USFDA and has 455 product approvals in various international markets.

Mankind is one of the prominent players in India in the Acute therapy areas of AI, GI, Pain Management and VMN. The company also has a growing presence in the Chronic therapy areas of Neuro/CNS, Cardiac, Anti-diabetes and Dermatology. The company's product portfolio includes megabrands like Nurokind, Telmikind, Manforce and Unwanted, among others, which are some of the largest brands in their respective sub-therapies.

Exhibit 17: Geographical bifurcation



Source: RHP, Nirmal Bang Institutional Equities Research

Key Management Personnel and Board of Directors

Mr. Ramesh Juneja– Chairman and a Whole-Time Director: Mr. Ramesh Juneja is the founder and promoter of the company. He has been associated with the company since its incorporation as a Director and Promoter. He does not hold any formal educational qualifications. He has experience of over 31 years in the pharmaceutical industry.

Mr. Rajeev Juneja– Vice-Chairman and Managing Director: Mr. Rajeev Juneja is the promoter of the company and has been associated with the company since December 22, 1992. He does not hold any formal educational qualifications. He has experience of over 29 years in the pharmaceutical industry.

Mr. Sheetal Arora – Chief Executive Officer and a Whole-Time Director: Mr. Sheetal Arora is the promoter of the company and has been associated with the company since September 21, 2007. He holds a Bachelor's degree in commerce from the Srikrishnadevaraya University, Anantapur. He has experience of over 14 years in the pharmaceutical industry.

Mr. Satish Kumar Sharma - Whole-Time Director: Mr. Satish Kumar Sharma has been associated with the company since September 23, 2016. He holds a bachelor's degree in pharmacy from the Gulbarga University, Karnataka. He was previously associated with T.C. Health Care Private Limited as senior officer – validation; Nicholas Piramal India Limited as assistant manager – production and Wockhardt Limited as a supervisor.

Exhibit 18: Timeline

Year	Events and Milestones
2004	Entered the chronic pharmaceutical segment with the launch of 'Amlokind' tablets and 'Glimestar' tablets amongst others
2005	Set up our first manufacturing facility at Paonta Sahib, Himachal Pradesh Entered the ophthalmic pharmaceutical segment with the launch of 'Lubistar Eye Drops' and 'Tobastar Eye Drops' amongst others
2007	Entered the consumer healthcare segment with the launch of 'Manforce' brand Entered the animal healthcare segment with launch of 'Bandykind' and 'Ceftiforce' amongst others Raised ₹ 720 million from Monet Limited
2009	Set up our manufacturing facility at Unit II, Paonta Sahib, Himachal Pradesh
2010	Launched 'Preganews' brand in the consumer healthcare segment
2012	Setup our first R&D centre at IMT Manesar, Haryana
2014	Acquired Shree Jee Laboratory Private Limited (along with its API manufacturing site situated at Behror, Rajasthan) Set up our manufacturing facility at Unit III, Paonta Sahib, Himachal Pradesh
2015	Incorporated our Subsidiary, LifestarPharma LLC in the US Incorporated our Subsidiary, Mankind Pharma Pte. Limited in Singapore
2017	Set up our manufacturing facility in Sikkim
2018	Our manufacturing facility at Paonta Sahib, Himachal Pradesh was inspected by the USFDA for the first time
2019	Entered the female infertility segment with the launch of 'Dydroboon' tablets
2020	Incorporated our Subsidiary, Lifestar Pharmaceuticals Private Limited in Nepal Launched a dedicated specialty therapeutic division for cardiovascular diseases drugs segment with launch of 'Cilaheart' tablets and 'Statpure' tablets Launched a dedicated specialty therapeutic division for diabetes pharmaceuticals segment with launch of 'Zukanorm' tablets
2021	Incorporated our Subsidiary, Mankind Pharma FZ-LLC in Dubai, UAE Launched a specialty division for therapeutic respiratory pharmaceuticals with launch of 'Mlife' tablets Entered the specialty therapeutic neuro/central nervous system pharmaceuticals segment with launch of 'Trugaba-NT' tablets and 'Prebris-MNT' tablets
2022	Acquired the pharmaceutical formulations brands in India and Nepal from Panacea BiotecPharma Limited and Panacea Biotec Limited Entered into transplant segment with the launch of 'Pangraf Capsules' and 'Mycept' tablets amongst others Entered into oncology segment with the launch of 'Pacliall' injection amongst others Acquired the brands 'Daffy' and 'Combihale' from Dr. Reddy's Laboratories

Source: RHP, Nirmal Bang Institutional Equities Research

Financials

Exhibit 19: Income statement

Y/E March (Rsmn)	FY21	FY22	FY23E	FY24E	FY25E
Net sales	62,144	77,816	86,814	97,622	1,09,138
% growth	6.0	25.2	11.6	12.4	11.8
Raw material costs	17,806	24,217	28,949	31,727	34,924
Staff costs	14,158	16,206	18,791	21,045	23,150
Other expenditure	13,522	17,499	19,979	21,577	23,735
Total expenditure	45,486	57,922	67,718	74,350	81,809
Gross profit	44,338	53,598	57,865	65,895	74,214
% growth	11.2	20.9	8.0	13.9	12.6
EBITDA	16,658	19,894	19,096	23,273	27,329
% growth	9.1	19.4	-4.0	21.9	17.4
EBITDA margin (%)	26.8	25.6	22.0	23.8	25.0
Other income	1,709	1,960	1,736	1,952	2,728
Interest costs	201	586	552	162	106
Depreciation	1,190	1,666	3,337	3,589	3,834
Profit before tax & Exceptional Items	16,976	19,602	16,944	21,474	26,117
Exceptional Items	-177	0	0	0	0
Profit before tax	16,799	19,602	16,944	21,474	26,117
% growth	11.9	15.5	-13.6	26.7	21.6
Tax	3,986	5,216	3,727	4,832	5,876
Effective tax rate (%)	23.5	26.6	22.0	22.5	22.5
PAT before Minority Interest	12,814	14,385	13,217	16,642	20,241
Share of MI	276	195	217	244	273
Share of Profit & Loss in Associates	117	144	161	181	203
Reported PAT	12,654	14,335	13,161	16,579	20,170
Adjusted PAT	12,789	14,335	13,161	16,579	20,170
% growth	16.6	12.1	-8.2	26.0	21.7

Source: RHP, Nirmal Bang Institutional Equities Research

Exhibit 21: Balance sheet

Y/E March (Rsmn)	FY21	FY22	FY23E	FY24E	FY25E
Share Capital	401	401	401	401	401
Reserves & Surplus	46,819	61,152	74,369	88,524	1,05,739
Net worth	47,220	61,552	74,769	88,925	1,06,140
Minority Interest	1,409	1,611	1,828	2,073	2,346
Net deferred tax liabilities	-360	163	559	559	559
Total Loans	632	522	366	366	366
Other Long Term Liabilities	801	1,002	1,256	1,413	1,580
Total Equities & Liabilities	49,702	64,850	78,779	93,335	1,10,990
Net Block	16,201	17,197	21,001	20,912	20,577
CWIP	3,716	6,699	8,213	8,213	8,213
Intangible Assets and Goodwill	392	18,946	18,089	18,089	18,089
Non-Current Investments	2,058	2,350	2,723	2,834	2,952
Other Non Current Assets	1,803	1,824	2,709	3,040	3,392
Inventories	11,835	17,602	15,308	17,214	19,245
Debtors	3,306	3,882	4,817	5,417	6,056
Cash (including other bank balances)	7,007	4,059	10,060	19,654	35,043
Investments	13,062	8,745	7,096	9,596	9,596
Other current assets	3,829	9,750	7,054	7,933	8,868
Total current assets	39,039	44,038	44,336	59,815	78,808
Creditors	6,670	10,764	10,305	11,294	12,432
Other current liabilities	6,864	15,471	8,017	8,302	8,639
Total current liabilities	13,534	26,235	18,321	19,596	21,071
Net current assets	25,505	17,804	26,015	40,219	57,737
Assets held for sale	27	30	28	28	28
Total assets	49,702	64,850	78,779	93,335	1,10,990

Source: RHP, Nirmal Bang Institutional Equities Research

Exhibit 20: Cash flow

Y/E March (Rsmn)	FY21	FY22	FY23E	FY24E	FY25E
PBT	16,799	19,602	16,944	21,474	26,117
Depreciation	1,190	1,666	3,337	3,589	3,834
Net Chg in WC	(1,623)	(2,228)	899	(1,517)	(1,532)
Taxes	(4,541)	(4,995)	(3,331)	(4,832)	(5,876)
Others	(654)	(5,433)	1,425	(267)	(284)
CFO	11,171	8,612	19,273	18,448	22,259
Capex	(3,116)	(22,086)	(7,798)	(3,500)	(3,500)
Net Investments made	(6,183)	4,921	1,277	(2,611)	(118)
Others	(2,585)	3,274	-	-	-
CFI	(11,883)	(13,890)	(6,522)	(6,111)	(3,618)
Change in Share capital	-	-	-	-	-
Change in Debts	1,094	6,224	(6,968)	(500)	(500)
Div. & Div Tax	-	-	-	(2,487)	(3,026)
Others	(970)	408	217	244	273
CFF	123	6,632	(6,751)	(2,742)	(3,252)
Total Cash Generated	(589)	1,354	6,001	9,595	15,388
Cash Opening Balance	2,261	1,672	3,025	9,026	18,620
Cash Closing Balance	1,672	3,025	9,026	18,620	34,009

Source: RHP, Nirmal Bang Institutional Equities Research

Exhibit 22: Key ratios

Y/E March	FY21	FY22	FY23E	FY24E	FY25E
Profitability & return ratios					
EBITDA margin (%)	26.8	25.6	22.0	23.8	25.0
Net profit margin (%)	20.6	18.4	15.2	17.0	18.5
RoE (%)	31.2	26.4	19.3	20.3	20.7
RoCE (%)	28.5	23.5	17.6	19.1	19.6
RoIC (%)	37.7	29.7	21.6	25.5	30.1
Working capital & liquidity ratios					
Receivables (days)	19	18	20	20	20
Inventory (days)	70	83	64	64	64
Payables (days)	39	50	43	43	43
Current ratio (x)	2.9	1.7	2.4	3.1	3.7
Quick ratio (x)	2.0	1.0	1.6	2.2	2.8
Valuation ratios					
EV/sales (x)	6.7	5.5	4.8	4.1	3.6
EV/EBITDA (x)	24.9	21.5	21.9	17.4	14.2
P/E (x)	33.8	30.2	32.9	26.1	21.4
P/BV (x)	8.9	6.8	5.6	4.8	4.0

Source: RHP, Nirmal Bang Institutional Equities Research

DISCLOSURES

This Report is published by Nirmal Bang Equities Private Limited (hereinafter referred to as “NBEPL”) for private circulation. NBEPL is a registered Research Analyst under SEBI (Research Analyst) Regulations, 2014 having Registration no. INH000001436. NBEPL is also a registered Stock Broker with National Stock Exchange of India Limited and BSE Limited in cash and derivatives segments.

NBEPL has other business divisions with independent research teams separated by Chinese walls, and therefore may, at times, have different or contrary views on stocks and markets.

NBEPL or its associates have not been debarred / suspended by SEBI or any other regulatory authority for accessing / dealing in securities Market. NBEPL, its associates or analyst or his relatives do not hold any financial interest in the subject company. NBEPL or its associates or Analyst do not have any conflict or material conflict of interest at the time of publication of the research report with the subject company. NBEPL or its associates or Analyst or his relatives do not hold beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of this research report.

NBEPL or its associates / analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months. NBEPL or its associates have not received any compensation or other benefits from the company covered by Analyst or third party in connection with the research report. Analyst has not served as an officer, director or employee of Subject Company and NBEPL / analyst has not been engaged in market making activity of the subject company.

Analyst Certification: I, Mitesh Shah, Research Analyst and Bhavya Sanghavi, Research Associate, the author of this report, hereby certify that the views expressed in this research report accurately reflects my personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst is principally responsible for the preparation of this research report and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Disclaimer

Stock Ratings Absolute Returns

BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. NBEPL is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. In preparing this research, we did not take into account the investment objectives, financial situation and particular needs of the reader.

This research has been prepared for the general use of the clients of NBEPL and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. NBEPL will not treat recipients as customers by virtue of their receiving this report. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject NBEPL & its group companies to registration or licensing requirements within such jurisdictions.

The report is based on the information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up-to-date and it should not be relied upon as such. We accept no obligation to correct or update the information or opinions in it. NBEPL or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. NBEPL or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This information is subject to change without any prior notice. NBEPL reserves its absolute discretion and right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, NBEPL is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Before making an investment decision on the basis of this research, the reader needs to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of their particular investment needs, objectives and financial circumstances. There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment. Opinions expressed are subject to change without any notice. Neither the company nor the director or the employees of NBEPL accept any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research. Here it may be noted that neither NBEPL, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profit that may arise from or in connection with the use of the information contained in this report.

Copyright of this document vests exclusively with NBEPL.

Our reports are also available on our website www.nirmalbang.com

Access all our reports on Bloomberg, Thomson Reuters and Factset.

Team Details:			
Name		Email Id	Direct Line
Rahul Arora	CEO	rahul.arora@nirmalbang.com	-
Krishnan Sambamoorthy	Head of Research	krishnan.si@nirmalbang.com	+91 22 6273 8210
Dealing			
Ravi Jagtiani	Dealing Desk	ravi.jagtiani@nirmalbang.com	+91 22 6273 8230, +91 22 6636 8833
Michael Pillai	Dealing Desk	michael.pillai@nirmalbang.com	+91 22 6273 8102/8103, +91 22 6636 8830

Nirmal Bang Equities Pvt. Ltd.

Correspondence Address

B-2, 301/302, Marathon Innova,
 Nr. Peninsula Corporate Park,
 Lower Parel (W), Mumbai-400013.
 Board No. : 91 22 6273 8000/1; Fax. : 022 6273 8010