

PHARMACEUTICALS

13 June 2022

Management meet: Rising Covid cases cast cloud over FDA approvals

- Managements of DRRD, ARBP and LAURUS confident of near-term growth drivers but see many moving parts in long run
- Growing Covid cases could spell trouble for Indian players with sizeable US exposure as key drug approvals may be delayed further
- We maintain our view on ARBP (BUY) and DRRD (HOLD); raise LAURUS from HOLD to BUY post correction

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Key takeways from our Hyderabad visit: DRRD, ARBP and LAURUS:

India better prepared for potential fourth wave: Regarding the rising Covid-19 infections in some states, the pharma players we met all felt that India is now better prepared with a sizeable part of the population doubly vaccinated and vaccine supply is no longer an issue (unlike the first and second waves). While the concern now is the poor uptake of booster doses, on the positive side, improving collective immunity means symptoms do not appear to be very serious and long lasting.

Rising cases may further delay resumption of inspections: Several companies are awaiting clearance of their facilities and product approvals. If Covid cases continue to rise globally, the resumption of normal USFDA inspections may be impeded and the agency could prioritise warning letters and OAI (official action indicated) over other less serious inspections.

Pricing pressure in the US unlikely to abate: Increased competition and a higher number of approvals per product would continue to intensify pricing pressure in the US market over the medium term, especially in the absence of new, high-value products in the pipeline (ex-DRRD's Revlimid). Companies would need to find an edge either in terms of limited-competition products or complex/biosimilar launches, find a niche in terms of physician/distributor connect or scale-up low-cost manufacturing.

Inventory stock-up slow: Covid-led inventory stocking at the distribution channel and patient level remains weak in FY22 and this trend will continue to some extent in FY23, especially in areas such as antiretrovirals.

BUY ARBP and LAURUS; HOLD DRRD: We retain BUY on ARBP and HOLD on DRRD with unchanged TP of Rs 680 and Rs 4,450 respectively. For LAURUS, we retain our TP of Rs 645 based on an unchanged 17x FY24E EV/EBITDA multiple, but upgrade to BUY (from HOLD) following the 10% stock correction over the past three months.

Recommendation snapshot

Ticker	Price	Target	Rating
ARBP IN	517	680	BUY
DRRD IN	4,267	4,450	HOLD
LAURUS IN	527	645	BUY

Price & Target in Rupees | Price as of 13 Jun 2022



Management meet takeaways

Aurobindo Pharma (ARBP) | BUY, TP Rs 680

- **Only a few approvals pending from plants under FDA scrutiny:** While three of ARBP's units (1, 9, 11) have received USFDA warning letters, management stated that only 5-10 pending ANDAs have been filed on APIs/intermediates from these plants and that final approval of ANDAs would be delayed till these plants find resolution with the regulator. For faster resolution, ARBP has filed replies with the required data and is awaiting the regulator's response.
- **Eugia to be growth driver for injectables and specialty portfolio:** The Eugia unit has injectable and non-injectable plants for manufacturing high-value, complex products in oncology and hormones. Management expects Eugia to drive its injectable and specialty portfolios in global markets, including the US and EU, from FY23. The plant premises has four units (Eugia Unit 1 – Original, Eugia 2 – Auronext, Eugia 3 – Unit IV, Eugia 4 – Unit XVI), with a fifth (Aurocure) under construction,
- **Vancomycin to be launched from Unit-IV:** ARBP plans to launch its Vancomycin injectable in the US in FY23. While it has secured the necessary APIs (fermentation product sourced from China), launch was delayed due to a lack of available capacity at Unit-IV previously.
- **Tazo-Pip becomes ARBP's largest injectable product:** The Tazo-Pip combination injectable in the anti-infective segment is the highest revenue earner for ARBP, drawing US\$ 120mn from the US and EU in FY22. Revenue from injectable sales in the EU totalled US\$ 75mn-80mn, of which US\$ 10mn-15mn came from Tazo-Pip in FY22. ARBP began filing for oncology injectables in the EU along with the US in FY22 itself.
- **Bullish revenue guidance for specialty portfolio:** Specialty product revenue from global markets (including non-branded US injectables) stood at US\$ 438mn in FY22 and is guided to reach to US\$ 550mn in FY23 and US\$ 650mn-700mn in FY24. US injectables contributed US\$ 350mn in FY22 and can reach US\$ 375mn-400mn by FY24. FY23 guidance is at US\$ 70mn-75mn in Q1 and an average run-rate of US\$ 85mn for the rest of the quarters.
- **Branded oncology portfolio to grow in the US:** The branded oncology portfolio (incl. injectables) delivered revenue of US\$ 105mn-110mn in FY22 vs. US\$ 97mn in FY19 when it was acquired. Its current run-rate is US\$ 27mn per quarter, up from US\$ 23mn. The branded portfolio has eight products and is marketed through channel partners in hospitals and clinics via a team of 60 representatives.
- **Inhalation filings to rise:** ARBP plans to file seven ANDAs over a period of 3-5 years. It currently has two molecules under phase-1 clinical trials and expects to file ANDAs on them in two years. The costs on R&D and validation batches are capitalised in inhalation products and not allocated in the P&L account as yet.
- **Two biosimilar filings in FY23:** Management plans to file two biosimilar products in Europe – one in Q2FY23 and one in Q4FY23 – that have a market size of

US\$ 2bn-3bn each. Two more products are in phase 3 and an additional two will be entering the third phase. The company is also working on another product. All of these are ~US\$ 4bn opportunities on average. It will take a minimum of nine months for biosimilar approval post filings in Europe, if everything goes to plan. There is no interchangeability status for biosimilars in the EU.

- Beneficiary of PLI scheme:** ARBP is among the shortlisted companies for the Indian government's PLI scheme for the pharma sector. Under the scheme, the company will be eligible to receive Rs 2.5bn p.a. for five years for the production of every 10,000t of an API (6-APA). Supply could start from FY24. Currently, India imports 6-APA, a key ingredient for the production of cephalosporins. ARBP will convert Penicillin-G into 6-APA and meet major requirements internally along with the demands of peers in the domestic market. Currently, Pen-G costs US\$ 20-22/kg and realisation is at US\$ 25-26/kg.
- US revenue robust:** ARBP's US sales stood at US\$ 363mn in Q4FY22, of which US\$ 70mn came from injectables (US\$ 290mn from non-injectables). The company expects US injectable generics to earn quarterly revenue of US\$ 85mn from Q2FY23 onwards. With its plan to launch 50-60 products and expectations of price erosion in the mid-teens, we anticipate a quarterly US revenue run-rate of US\$ 275mn from non-injectables. This will lead to US revenue of US\$ 350mn-360mn per quarter in FY23.

Our view

- Maintain BUY, TP Rs 680:** ARBP is trading at attractive FY23E/FY24E EV/EBITDA valuations of 5.7x/5.4x. We retain BUY with an unchanged TP of Rs 680, based on 7x FY24E EV/EBITDA.

Dr Reddy's Laboratories (DRRD) | HOLD, TP Rs 4,450

- Focus on bigger products with global launches:** DRRD's strategy to further optimise R&D assets (without committing large investments) is to focus on global product launches instead of country- or region-specific launches. It aims to roll out large molecules (mainly biosimilars) globally over CY26-CY30, which are likely to be off-patent in key markets. At present, it expects to introduce Peg-filgrastim and Rituximab across geographies by CY25 (both biosimilars and partnered products with Fresenius Kabi). It is also working on 4-5 more large-value biosimilars.
- India formulations to outperform IPM growth:** With the benefits of a lower base and the launch of 20 brands, DRRD's India formulation sales grew 56% YoY in FY22. The company maintains a strong focus on India formulations due to large private and branded markets that help sustain sales growth and drive operating margins. It endeavours to launch products in niche segments and acquire brands that strategically fit, boost and leverage its existing portfolio.

Management expects to sustain its normalised mid-teens growth in the domestic market and to beat IPM growth by 200-300bps in the near term. Its NLEM portfolio forms 15-20% of total India formulations, which will see a maximum 10% price rise as per the WPI increase in FY22 (per NLEM regulations).

- **Field force productivity to be core focus:** The company does not see any immediate need for addition to the field force. Instead, it plans to further optimise its workforce and increase productivity of reps across branded formulation markets.
- **Strong launch pipeline in US business:** Apart from Revlimid, the other significant product for growth in US generics will be Kuvan in the medium term. DRRD expects double-digit price erosion in the US though it plans to compensate for the loss of sales through new generics (20-25 launches planned in FY23 vs. 17 in FY22). The company currently has 95 ANDAs pending approval by the USFDA (92 ANDAs and 3 NDAs), of which 47 are Para IVs including 23 FTFs.
- **China to contribute sizably FY24E onwards:** DRRD has 12-14 products in China, including 1-2 in the tender market. While revenue from the China foray remains subdued in comparison to expectations, management believes that its portfolio expansion in both private and tender markets will contribute sizably from FY24 onwards.
- **Limited impact of Russia-Ukraine war:** Russia business is intact though some patient stocking was seen in Q4FY22. Operation-wise, DRRD has not been impacted. The company believes overall growth in Russia and CIS markets should remain intact as the loss of sales in Ukraine due to the war is not meaningful.
- **Proprietary products largely hived off:** After either out-licensing or selling off its portfolio of proprietary products, DRRD freed up a third of its R&D expenses for biosimilars (and NCEs) which are to be launched in key global markets, including the US and EU. The company spent two-third of R&D expenses on its core generics portfolio. Currently, it is working on 8-10 partnered NCEs, which are funded by partners and will receive royalties on achieving milestones. Its focus areas here are oncology and immunology.
- **PSAI growth to normalise:** Most PSAI revenue (75-80%) is from APIs, and management expects the business to return to normal growth despite a shortage of APIs globally due to lockdowns in China. About 20-25% of PSAI business is from custom synthesis.
- **Fierce competition in Copaxone:** DRRD believes that significant value is being eroded due to aggressive marketing strategies by the existing two generics players (Natco and Sandoz) to capture market share from Teva. With expected approval in Copaxone, DRRD will be the third player in the market.

Our view

- **Maintain HOLD, TP Rs 4,450:** DRRD is trading at 13.3x/12x FY23E/FY24E EV/EBITDA. We retain HOLD and maintain our TP of Rs 4,450, based on an unchanged 12.5x FY24E EV/EBITDA multiple.

Laurus Labs (LAURUS) | BUY, TP Rs 645

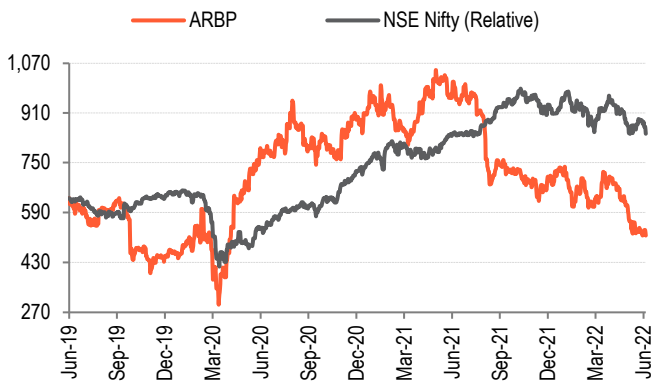
- **Confident of achieving US\$ 1bn sales target:** Management is confident of reaching US\$ 1bn in revenue in FY23 (+50% YoY), as guided in the Q4 earnings call, led by continued traction in CDMO, additional formulations capacity by Q1FY23 (4bn tabs/caps via brownfield expansion) and operating leverage. It plans to continue investing in backward integration, debottlenecking and capacity upgrades.
- **Focus on diabetes and CVS segments:** Laurus is increasingly focusing on non-ARV and non-oncology therapies to diversify away from its high dependence on ARV business assets. With large capacities in APIs and formulations, it is now looking to diabetes and cardiovascular therapies to grow its non-ARV non-oncology business in 3-5 years. Management aims to build at least one significant product a year focusing on therapy areas that will endure for the next 10-15 years.
- **Formulation filings on track:** Laurus filed 31 ANDAs with the USFDA till FY22, consisting of 14 Para IV filings and 10 FTF opportunities. It also filed 73 DMFs in the US. In FDF, it is increasing focus on different delivery systems, such as extended-release medicines, and has identified a score of products with high volume and moderate value. It filed ANDAs on eight products through the USFDA 505 (b2) route. With additional capacities in FDF, Laurus plans to market generic metformin in FY23 despite high price erosion on gGlumetza and gFortamet in the recent past.
- **CDMO progressing well:** Apart from brownfield expansion in FDF, the company's expansion in CDMO capability remains on track to include new opportunities and extended service. Laurus has entered into a long-term contract with one major life sciences company in the CDMO space. Its greenfield investment to set up a dedicated R&D centre and manufacturing units is progressing as per expectations.
- **Laurus Bio ramping up capacity:** Laurus recorded revenue of Rs 1bn from Laurus Bio in FY22 (2% of sales). The company continues to ramp up the 180KL fermentation facility and to work on improving product offerings and improving go-to-market by leveraging relationships. It plans to acquire additional land for the biotech business in order to create ~1mn litres of fermentation capacity in phase-1. The biotech business currently offers services such as clone development, strain engineering, process development, large-scale commercial manufacturing, and close support for the microbial precision fermentation value chain.
- **Innovating via CAR-T technology:** The company had invested in new disruptive CAR-T technology last year and began working with various hospitals and organisations to help bring innovative and more affordable medicines to the general population. This investment will also strengthen Laurus's biologics business and help it stay on top of the innovative areas of research.

Our view

- **Upgrade to BUY, TP Rs 645:** Laurus is trading at 18.7x/15.6x FY23E/FY24E EV/EBITDA. We retain our TP of Rs 645, based on an unchanged 17x FY24E EV/EBITDA multiple, but upgrade the stock to BUY (earlier HOLD) as it offers 22% upside potential after a 10% correction over the past three months.

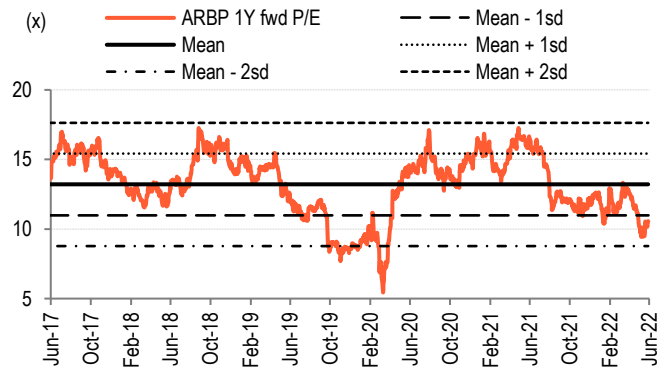
Stock performance & Valuation

Fig 1 – ARBP



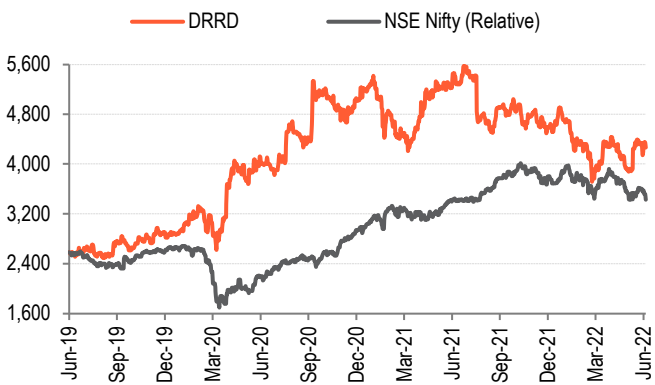
Source: NSE

Fig 2 – 1Y fwd P/E



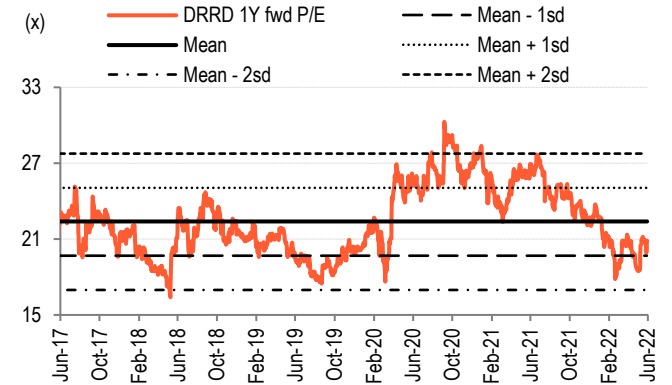
Source: Bloomberg consensus estimates, BOBCAPS Research

Fig 3 – DRRD



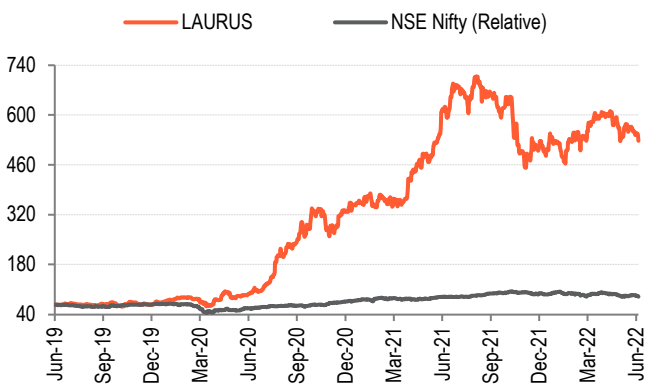
Source: NSE

Fig 4 – 1Y fwd P/E



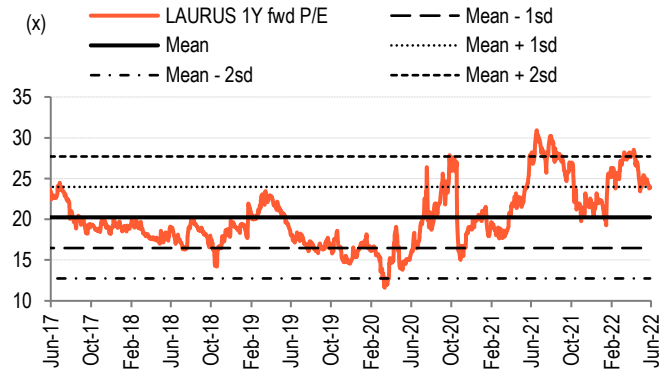
Source: Bloomberg consensus estimates, BOBCAPS Research

Fig 5 – LAURUS



Source: NSE

Fig 6 – 1Y fwd P/E



Source: Bloomberg consensus estimates, BOBCAPS Research

Financials – ARBP

Income Statement

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22P	FY23E	FY24E
Total revenue	2,30,986	2,47,749	2,34,555	2,49,104	2,63,993
EBITDA	48,247	53,337	43,868	50,174	53,865
Depreciation	9,667	10,554	11,265	12,377	13,531
EBIT	38,580	42,783	32,603	37,797	40,334
Net interest inc./(exp.)	(1,598)	(745)	(486)	(389)	(340)
Other inc./(exp.)	862	2,773	2,504	2,514	3,975
Exceptional items	0	0	0	0	0
EBT	37,844	44,811	34,620	39,922	43,968
Income taxes	8,994	20,098	7,256	9,980	10,992
Extraordinary items	(261)	29,182	(580)	0	0
Min. int./Inc. from assoc.	137	543	302	0	0
Reported net profit	28,452	53,351	26,482	29,941	32,976
Adjustments	261	(29,182)	580	0	0
Adjusted net profit	28,714	24,170	27,062	29,941	32,976

Balance Sheet

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22P	FY23E	FY24E
Accounts payables	25,450	27,947	27,030	30,711	32,547
Other current liabilities	30,745	29,831	30,400	29,892	31,679
Provisions	4,914	3,291	3,424	3,636	3,853
Debt funds	56,867	52,373	28,513	22,810	19,959
Other liabilities	0	0	0	0	0
Equity capital	586	586	586	586	586
Reserves & surplus	1,68,912	2,19,923	2,46,378	2,73,409	3,03,456
Shareholders' fund	1,69,498	2,20,509	2,46,964	2,73,995	3,04,042
Total liab. and equities	2,87,473	3,33,950	3,36,331	3,61,045	3,92,080
Cash and cash eq.	28,421	54,680	41,900	66,247	91,285
Accounts receivables	43,552	35,033	40,123	40,949	43,396
Inventories	76,999	90,266	75,539	78,485	79,559
Other current assets	19,130	23,711	26,006	20,177	21,383
Investments	5,547	5,910	9,972	9,972	9,972
Net fixed assets	64,948	68,866	77,284	79,708	80,977
CWIP	19,859	30,615	37,472	37,472	37,472
Intangible assets	29,017	24,870	28,036	28,036	28,036
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	2,87,474	3,33,950	3,36,331	3,61,045	3,92,080

Cash Flows

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22P	FY23E	FY24E
Cash flow from operations	45,455	55,282	45,361	48,149	45,959
Capital expenditures	(17,500)	(14,000)	(14,800)	(14,800)	(14,800)
Change in investments	(1,945)	(363)	(4,061)	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(19,445)	(14,363)	(18,861)	(14,800)	(14,800)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(12,800)	(4,494)	(23,860)	(5,703)	(2,851)
Interest expenses	(1,598)	(745)	(486)	(389)	(340)
Dividends paid	(2,930)	(2,930)	(2,930)	(2,930)	(2,930)
Other financing cash flows	144	(6,492)	(12,003)	19	0
Cash flow from financing	(17,184)	(14,660)	(39,279)	(9,002)	(6,121)
Chg in cash & cash eq.	8,827	26,258	(12,780)	24,347	25,038
Closing cash & cash eq.	28,421	54,680	41,900	66,247	91,285

Per Share

Y/E 31 Mar (Rs)	FY20A	FY21A	FY22P	FY23E	FY24E
Reported EPS	48.6	91.1	45.2	51.1	56.3
Adjusted EPS	49.0	41.3	46.2	51.1	56.3
Dividend per share	2.5	2.5	2.5	2.5	2.5
Book value per share	289.6	376.8	422.0	468.2	519.6

Valuations Ratios

Y/E 31 Mar (x)	FY20A	FY21A	FY22P	FY23E	FY24E
EV/Sales	1.5	1.4	1.3	1.2	1.0
EV/EBITDA	7.2	6.4	7.2	5.9	5.1
Adjusted P/E	10.5	12.5	11.2	10.1	9.2
P/BV	1.8	1.4	1.2	1.1	1.0

DuPont Analysis

Y/E 31 Mar (%)	FY20A	FY21A	FY22P	FY23E	FY24E
Tax burden (Net profit/PBT)	75.9	53.9	78.2	75.0	75.0
Interest burden (PBT/EBIT)	98.1	104.7	106.2	105.6	109.0
EBIT margin (EBIT/Revenue)	16.7	17.3	13.9	15.2	15.3
Asset turnover (Rev./Avg TA)	26.5	24.8	21.4	21.8	21.3
Leverage (Avg TA/Avg Equity)	1.4	1.3	1.2	1.1	1.1
Adjusted ROAE	18.6	12.4	11.6	11.5	11.4

Ratio Analysis

Y/E 31 Mar	FY20A	FY21A	FY22P	FY23E	FY24E
YoY growth (%)					
Revenue	18.1	7.3	(5.3)	6.2	6.0
EBITDA	22.1	10.5	(17.8)	14.4	7.4
Adjusted EPS	19.0	(15.8)	12.0	10.6	10.1
Profitability & Return ratios (%)					
EBITDA margin	20.9	21.5	18.7	20.1	20.4
EBIT margin	16.7	17.3	13.9	15.2	15.3
Adjusted profit margin	12.4	9.8	11.5	12.0	12.5
Adjusted ROAE	18.6	12.4	11.6	11.5	11.4
ROCE	18.1	18.2	12.8	14.1	14.3
Working capital days (days)					
Receivables	69	52	62	60	60
Inventory	122	133	118	115	110
Payables	40	41	42	45	45
Ratios (x)					
Gross asset turnover	1.9	1.8	1.6	1.5	1.5
Current ratio	2.8	3.3	3.0	3.2	3.5
Net interest coverage ratio	24.1	57.4	67.0	97.1	118.5
Adjusted debt/equity	0.2	0.0	(0.1)	(0.2)	(0.2)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

Financials – DRRD

Income Statement

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22P	FY23E	FY24E
Total revenue	1,74,601	1,89,722	2,14,391	2,41,446	2,60,353
EBITDA	40,942	45,247	44,889	52,635	58,579
Depreciation	12,471	12,288	11,652	12,424	13,140
EBIT	28,471	32,959	33,237	40,211	45,440
Net interest inc./(exp.)	(983)	(970)	(958)	(1,117)	(1,185)
Other inc./(exp.)	3,294	3,605	5,838	3,106	3,703
Exceptional items	0	0	0	0	0
EBT	30,782	35,594	38,117	42,200	47,958
Income taxes	(1,466)	9,175	8,730	10,550	11,990
Extraordinary items	(12,739)	(6,903)	(7,562)	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	19,509	19,516	21,825	31,650	35,969
Adjustments	(12,739)	(6,903)	(7,562)	0	0
Adjusted net profit	32,248	26,419	29,387	31,650	35,969

Balance Sheet

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22P	FY23E	FY24E
Accounts payables	16,659	21,916	25,572	23,152	24,965
Other current liabilities	32,188	34,129	42,335	41,046	44,260
Provisions	3,854	3,493	4,315	4,860	5,240
Debt funds	22,011	30,299	33,845	33,845	33,845
Other liabilities	0	0	0	0	0
Equity capital	831	832	832	832	832
Reserves & surplus	1,42,174	1,63,832	1,76,974	2,04,464	2,36,273
Shareholders' fund	1,43,005	1,64,664	1,77,806	2,05,296	2,37,105
Total liab. and equities	2,17,717	2,54,501	2,83,873	3,08,198	3,45,415
Cash and cash eq.	2,053	14,829	14,852	21,621	58,099
Accounts receivables	50,278	49,759	66,818	66,150	71,329
Inventories	35,066	45,412	50,884	57,550	53,497
Other current assets	19,557	19,457	19,987	24,145	26,035
Investments	26,778	27,717	37,499	39,749	39,749
Net fixed assets	52,332	57,111	62,169	64,745	63,605
CWIP	0	0	0	0	0
Intangible assets	31,653	40,216	31,664	34,240	33,100
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	2,17,717	2,54,501	2,83,873	3,08,198	3,45,415

Cash Flows

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22P	FY23E	FY24E
Cash flow from operations	25,282	29,884	24,058	31,871	52,683
Capital expenditures	(11,917)	(10,000)	(14,700)	(15,000)	(12,000)
Change in investments	(907)	(939)	(9,782)	(2,250)	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(12,824)	(10,939)	(24,482)	(17,250)	(12,000)
Equities issued/Others	1	1	0	0	0
Debt raised/repaid	(16,370)	8,288	3,546	0	0
Interest expenses	(983)	(970)	(958)	(1,117)	(1,185)
Dividends paid	(4,155)	(4,160)	(4,160)	(4,160)	(4,160)
Other financing cash flows	8,874	(9,328)	2,019	(2,576)	1,140
Cash flow from financing	(12,633)	(6,169)	447	(7,853)	(4,205)
Chg in cash & cash eq.	(175)	12,776	23	6,769	36,478
Closing cash & cash eq.	2,053	14,829	14,852	21,621	58,099

Per Share

Y/E 31 Mar (Rs)	FY20A	FY21A	FY22P	FY23E	FY24E
Reported EPS	117.5	117.6	131.5	190.7	216.7
Adjusted EPS	194.3	159.1	177.0	190.7	216.7
Dividend per share	25.0	25.0	25.0	25.0	25.0
Book value per share	861.5	992.0	1,071.1	1,236.7	1,428.3

Valuations Ratios

Y/E 31 Mar (x)	FY20A	FY21A	FY22P	FY23E	FY24E
EV/Sales	4.2	3.8	3.3	2.9	2.7
EV/EBITDA	17.8	15.8	15.7	13.3	11.8
Adjusted P/E	22.0	26.8	24.1	22.4	19.7
P/BV	5.0	4.3	4.0	3.5	3.0

DuPont Analysis

Y/E 31 Mar (%)	FY20A	FY21A	FY22P	FY23E	FY24E
Tax burden (Net profit/PBT)	104.8	74.2	77.1	75.0	75.0
Interest burden (PBT/EBIT)	108.1	108.0	114.7	104.9	105.5
EBIT margin (EBIT/Revenue)	16.3	17.4	15.5	16.7	17.5
Asset turnover (Rev./Avg TA)	25.7	26.4	26.4	26.8	25.5
Leverage (Avg TA/Avg Equity)	1.2	1.2	1.2	1.2	1.2
Adjusted ROAE	23.1	17.2	17.2	16.5	16.3

Ratio Analysis

Y/E 31 Mar	FY20A	FY21A	FY22P	FY23E	FY24E
YoY growth (%)					
Revenue	13.5	8.7	13.0	12.6	7.8
EBITDA	30.7	10.5	(0.8)	17.3	11.3
Adjusted EPS	80.2	(18.3)	11.2	7.7	13.6
Profitability & Return ratios (%)					
EBITDA margin	23.4	23.8	20.9	21.8	22.5
EBIT margin	16.3	17.4	15.5	16.7	17.5
Adjusted profit margin	18.5	13.9	13.7	13.1	13.8
Adjusted ROAE	23.1	17.2	17.2	16.5	16.3
ROCE	18.7	20.3	19.2	19.2	19.3
Working capital days (days)					
Receivables	105	96	114	100	100
Inventory	73	87	87	87	75
Payables	35	42	44	35	35
Ratios (x)					
Gross asset turnover	0.9	0.9	0.9	1.0	1.0
Current ratio	2.0	2.2	2.1	2.5	2.8
Net interest coverage ratio	29.0	34.0	34.7	36.0	38.4
Adjusted debt/equity	0.0	0.1	0.0	0.0	0.0

Source: Company, BOBCAPS Research | Note: TA = Total Assets

Financials – LAURUS

Income Statement

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22P	FY23E	FY24E
Total revenue	28,317	48,135	49,360	63,206	73,090
EBITDA	5,658	15,331	14,229	17,698	21,196
Depreciation	1,873	2,051	2,515	3,145	4,120
EBIT	3,785	13,280	11,714	14,553	17,076
Net interest inc./(exp.)	(896)	(682)	(1,024)	(1,246)	(1,454)
Other inc./(exp.)	59	237	153	122	110
Exceptional items	0	0	0	0	0
EBT	2,948	12,835	10,843	13,429	15,732
Income taxes	383	3,173	2,514	3,357	3,933
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	2	45	0	0
Reported net profit	2,565	9,660	8,284	10,071	11,799
Adjustments	0	0	0	0	0
Adjusted net profit	2,565	9,660	8,284	10,071	11,799

Balance Sheet

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22P	FY23E	FY24E
Accounts payables	6,156	11,787	8,764	12,987	14,017
Other current liabilities	1,625	3,158	5,661	3,792	5,116
Provisions	568	757	892	1,142	1,320
Debt funds	11,456	15,799	20,774	20,774	20,774
Other liabilities	0	0	0	0	0
Equity capital	1,069	1,073	1,075	1,075	1,075
Reserves & surplus	16,623	24,934	32,516	41,604	52,423
Shareholders' fund	17,692	26,007	33,591	42,679	53,498
Total liab. and equities	37,497	57,507	69,680	81,374	94,725
Cash and cash eq.	17	485	759	336	1,788
Accounts receivables	7,914	13,061	13,542	17,143	19,824
Inventories	9,052	15,755	17,603	19,914	22,027
Other current assets	2,545	2,845	2,811	3,160	4,385
Investments	34	34	308	308	308
Net fixed assets	17,068	19,150	23,953	30,808	36,689
CWIP	672	3,622	8,132	7,132	7,132
Intangible assets	195	2,556	2,571	2,571	2,571
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	37,497	57,507	69,680	81,374	94,725

Cash Flows

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22P	FY23E	FY24E
Cash flow from operations	2,474	6,914	8,118	9,560	12,432
Capital expenditures	(2,374)	(7,000)	(9,500)	(10,000)	(10,000)
Change in investments	0	0	(274)	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(2,374)	(7,000)	(9,774)	(10,000)	(10,000)
Equities issued/Others	5	4	2	0	0
Debt raised/repaid	388	4,343	4,975	0	0
Interest expenses	0	0	0	0	0
Dividends paid	0	(1,006)	(1,008)	(1,008)	(1,008)
Other financing cash flows	(506)	(2,787)	(2,038)	1,024	27
Cash flow from financing	(113)	554	1,931	17	(981)
Chg in cash & cash eq.	(13)	468	275	(423)	1,452
Closing cash & cash eq.	17	485	759	336	1,788

Per Share

Y/E 31 Mar (Rs)	FY20A	FY21A	FY22P	FY23E	FY24E
Reported EPS	4.8	18.0	15.4	18.8	22.0
Adjusted EPS	4.8	18.0	15.4	18.8	22.0
Dividend per share	1.5	1.5	1.5	1.5	1.5
Book value per share	33.0	48.4	62.5	79.3	99.5

Valuations Ratios

Y/E 31 Mar (x)	FY20A	FY21A	FY22P	FY23E	FY24E
EV/Sales	10.4	6.1	6.0	4.8	4.1
EV/EBITDA	51.9	19.2	20.8	17.0	14.3
Adjusted P/E	110.3	29.3	34.2	28.1	24.0
P/BV	16.0	10.9	8.4	6.6	5.3

DuPont Analysis

Y/E 31 Mar (%)	FY20A	FY21A	FY22P	FY23E	FY24E
Tax burden (Net profit/PBT)	87.0	75.3	76.4	75.0	75.0
Interest burden (PBT/EBIT)	77.9	96.6	92.6	92.3	92.1
EBIT margin (EBIT/Revenue)	13.4	27.6	23.7	23.0	23.4
Asset turnover (Rev./Avg TA)	25.4	33.9	25.7	26.8	26.5
Leverage (Avg TA/Avg Equity)	1.7	1.6	1.6	1.5	1.4
Adjusted ROAE	15.4	44.2	27.8	26.5	24.6

Ratio Analysis

Y/E 31 Mar	FY20A	FY21A	FY22P	FY23E	FY24E
YoY growth (%)					
Revenue	23.6	70.0	2.5	28.1	15.6
EBITDA	58.1	171.0	(7.2)	24.4	19.8
Adjusted EPS	168.0	276.6	(14.3)	21.6	17.2
Profitability & Return ratios (%)					
EBITDA margin	20.0	31.9	28.8	28.0	29.0
EBIT margin	13.4	27.6	23.7	23.0	23.4
Adjusted profit margin	9.1	20.1	16.8	15.9	16.1
Adjusted ROAE	15.4	44.2	27.8	26.5	24.6
ROCE	13.8	38.1	24.7	24.9	25.0
Working capital days (days)					
Receivables	102	99	100	99	99
Inventory	117	119	130	115	110
Payables	79	89	65	75	70
Ratios (x)					
Gross asset turnover	1.2	1.6	1.2	1.3	1.2
Current ratio	2.3	2.0	2.3	2.3	2.3
Net interest coverage ratio	4.2	19.5	11.4	11.7	11.7
Adjusted debt/equity	0.6	0.6	0.6	0.5	0.4

Source: Company, BOBCAPS Research | Note: TA = Total Assets

Disclaimer

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HOLD – Expected return from -6% to +15%

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Note: Recommendation structure changed with effect from 21 June 2021

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