

Well-positioned to Capitalise Fast-growing Generic Injectibles Market

We initiate coverage on Gland Pharma Ltd with a “BUY” rating and a target price of Rs 2,900 (P/E of 32x for FY23E earnings), implying an upside potential of 15% from the current levels. In the US, Injectables Market is expected to grow at 15.3% CAGR primarily due to doubling of the value (~USD\$ 67.7 bn) of molecules losing exclusivity over 2020-2025E. Gland Pharma has developed complex injectables such as lyophilized products, high-potent drugs, and long-acting suspensions having 282 ANDA filings in the United States, of which 226 were approved and 56 pending approval. The manufacturing facilities' audit is conducted by Marketer companies partners ensures its compliance with the regulatory requirements all the time. This has resulted into zero USFDA warnings letters since the inception to any of the company's facility. Gland has high EBIT margins of ~36% and Asset turns of 2x culminating into healthy RoIC of ~34% which stands best in the industry.

Huge growth opportunity in the US Injectable Market

The United States injectable market is estimated to reach US\$ 489 bn valuation by 2025 and grow at ~15.3% CAGR from 2020 to 2025, faster than other segments. The value of injectables molecules which may lose patent protection during 2020-2025 stands ~US\$67.7 bn, double the value of the last 5 years. In the US, the injectables market is fairly concentrated with a few therapies (including small molecules) forming approximately 80% of the market by value. Registering a growth of ~38% CAGR from 2014 to 2019, Gland Pharma Ltd. is the fastest growing small-molecule generic injectables company in the US market. We expect the US revenue to grow at 20.5% CAGR over the period FY22-FY23E.

Portfolio of complex products supported by R&D and regulatory capabilities

Gland has established internal capabilities in developing complex injectables such as lyophilized products, high-potent drugs, and long-acting suspensions. Extensive portfolio comprises major drugs like Huminsulin (USD\$ 2.1 bn), Heparin Sodium (USD\$ 2.0 bn), Daptomycin (USD\$ 4.5 bn), Vanomycin (USD\$ 3.1 bn), among others. Gland's new launches add ~10%-12% growth for the company every year and outpace the revenue growth of peers. Gland along with partners had 282 ANDA filings in the United States, of which 226 were approved and 56 pending approval.

Integrated manufacturing capabilities with a consistent compliance track record

Gland has seven manufacturing facilities comprising two sterile injectables facilities, one dedicated Penems facility, one oncology facility, and three API facilities. The 3 API facilities provide in-house manufacturing capabilities for critical APIs enabling the company to control costs and quality while mitigating supply chain related risks around key products. Gland's scalable manufacturing capacities, unequivocal focus on product quality, and ability to provide reliable product supply at competitive rates have helped it capture high market share in high volume products across different dosage/delivery systems. The facility audit is conducted by Marketer companies partners that has helped the company to handle compliance in a better way that results in no USFDA warnings letters since the inception of each facility.

Superior return ratios (ROIC) over the peers

Gland has high EBIT margins ~36% and Asset turns (2x) that reflects into health return ratios, RoIC ~34% which is best in the industry. The company generates Rs 600-800 crore of free cash flow per year despite high working capital requirements (172 days). Gland's asset turn range of 2.0x-2.3x stands higher than the peers in the industry.

Key Financials (Consolidated)

(Rs Cr)	FY20	FY21E	FY22E	FY23E
Net Sales	2,633	3,314	3,960	4,727
EBITDA	956	1,253	1,505	1,806
Net Profit	773	953	1,166	1,406
EPS (Rs.)	49.9	61.5	75.3	90.7
PER (x)	51.1	41.5	33.9	28.1
EV/EBITDA (x)	40.0	30.2	24.7	20.1
P/BV (x)	10.8	8.9	7.2	5.9
ROE (%)	21.2%	21.4%	21.3%	20.9%

Source: Company, Axis Research

(CMP as March of 9, 2021)

CMP (Rs)	2,530
Upside /Downside (%)	15%
High/Low (Rs)	2,693/1,701
Market cap (Rs Cr)	39,200
Avg. daily vol. (6m) Shrs.	3,40,280
No. of shares (Cr)	15.5

Shareholding (%)

	Mar-20	Jun-20	Dec-20
Promoter	-	-	58.4
FII's	-	-	12.7
MFs / UTI	-	-	9.7
Banks / FIIs	-	-	0.0
Others	-	-	19.2

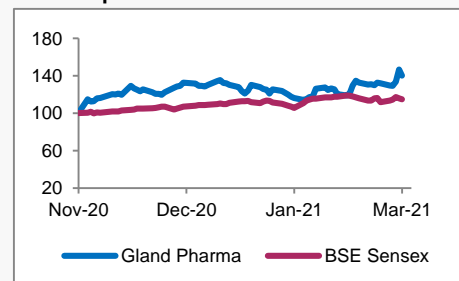
Financial & Valuations

Y/E Mar (Rs. bn)	FY21E	FY22E	FY23E
Net Sales	3,314	3,960	4,727
EBITDA	1,253	1,505	1,806
Net Profit	953	1,166	1,406
EPS (Rs.)	61.5	75.3	90.7
PER (x)	41.5	33.9	28.1
EV/EBITDA (x)	30.2	24.7	20.1
P/BV (x)	8.9	7.2	5.9
ROE (%)	21.4%	21.3%	20.9%

Key Drivers (%) (Growth in %)

Y/E Mar	FY21E	FY22E	FY23E
Net Sales	3,314	3,960	4,727
EBITDA	1,253	1,505	1,806
Net Profit	953	1,166	1,406

Relative performance



Source: Capitaline, Axis Securities

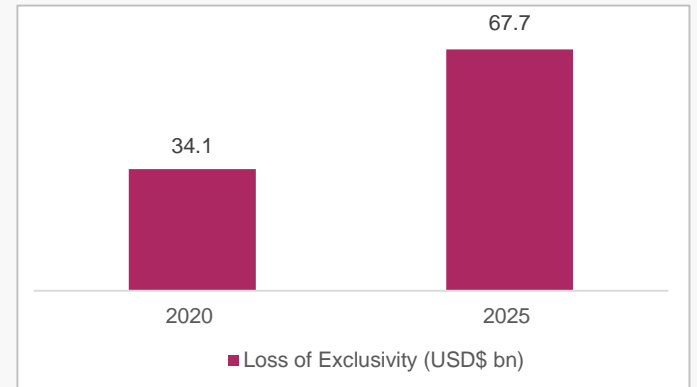
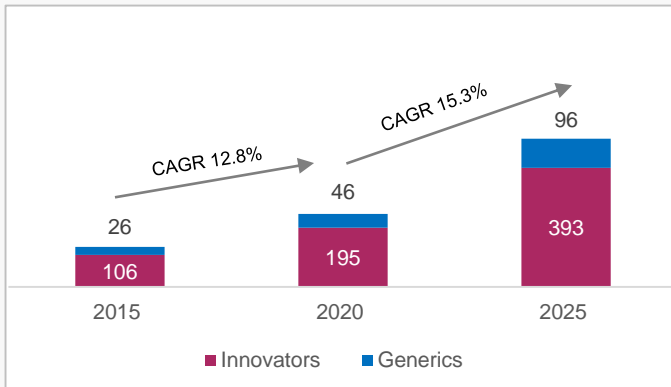
Ankush Mahajan
 Research Analyst

email: ankush.mahajan@axissecurities.in

Chart Story

Exhibit 1: The United States injectable market is estimated to be US\$489 bn in 2025, growing at a CAGR of approximately 15.3% from 2020 to 2025, faster than the other segments. (USD\$ bn)

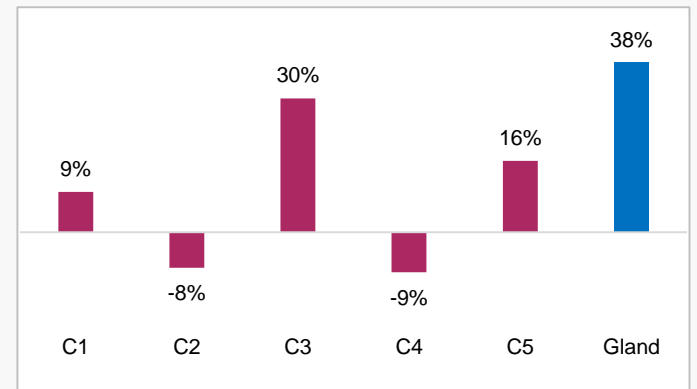
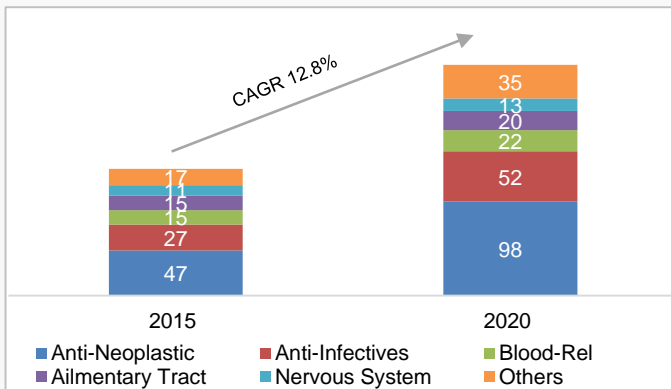
Exhibit 2: The value of injectables molecules which could lose patent protection during 2020-2025 is approx. US\$67.7 bn that is double the value of last 5 years. (USD\$ bn)



Source: RHP, Company, Axis Securities

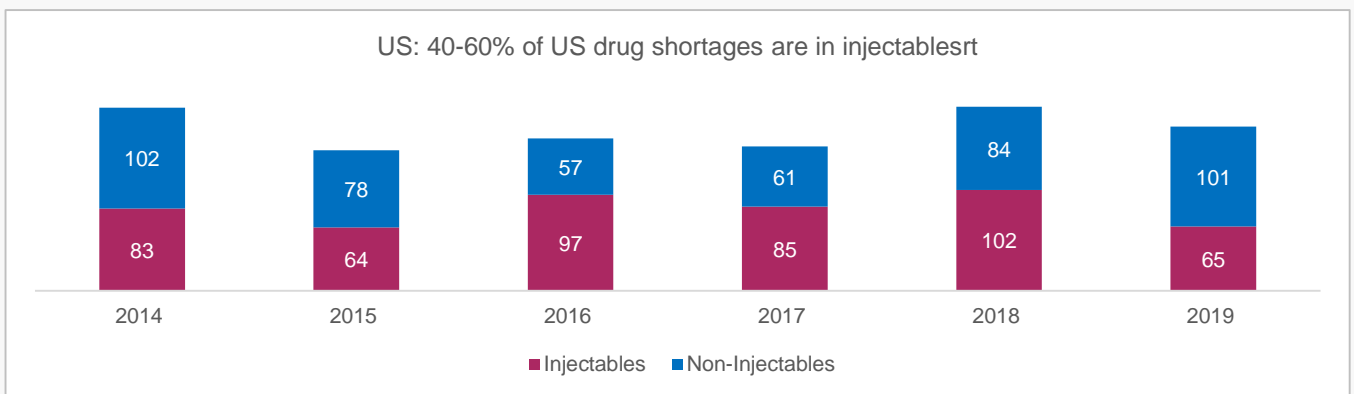
Exhibit 3: In US, injectables market is fairly concentrated with a few therapies forming approximately 80% of the market by value (source: RHP, IQVIA). (USD\$ bn)

Exhibit 4: Gland Pharma Ltd grew at a CAGR of approximately 38% from 2014 to 2019 and was the fastest growing small molecule generic injectables company in the United States market. Gland Pharma Ltd ranked 23rd in the list of small molecule generic injectables player in the United States market. (Source: RHP, IQVIA).



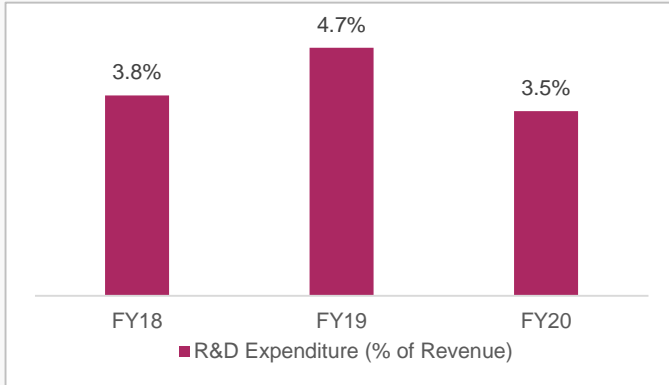
Source: RHP, Company, Axis Securities

Exhibit 5: US: Demand Driven by Drug Shortages and 40-60% of US drug shortages are in injectables



Source: RHP, Company, Axis Securities

Exhibit 6: Significant R&D Investment: Centralized R&D Team comprises highly skilled 265 members



Source: RHP, Company, Axis Securities

Exhibit 7: Translating revenue from new Launches, strong track record of coming up with new complex products

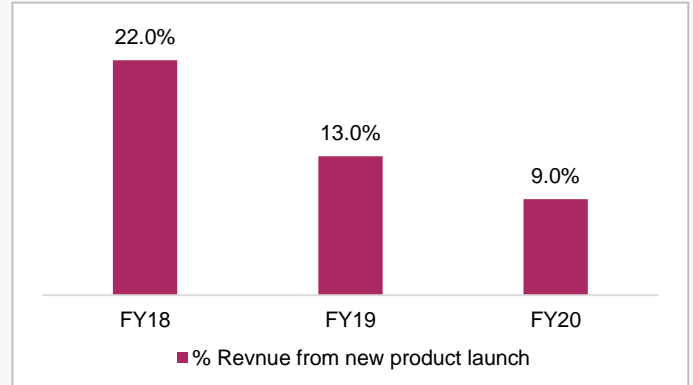
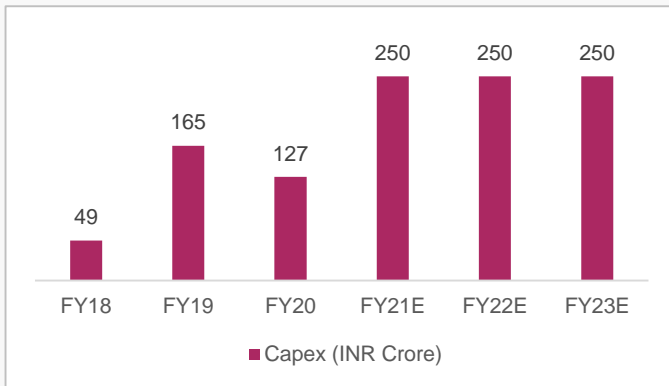


Exhibit 8: The Company has consistently invested in capacities across various injectable dosage formulations and has emerged as one of the largest injectable manufacturers globally.



Source: RHP, Company, Axis Securities

Exhibit 9: Gland's asset turns are in the range of 2.0x-2.3x which is higher than the peers in the industry

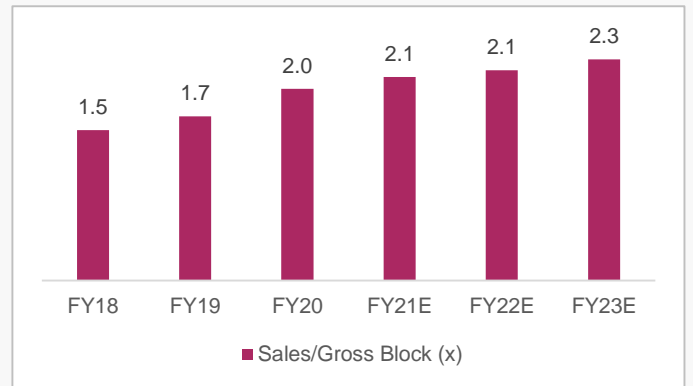
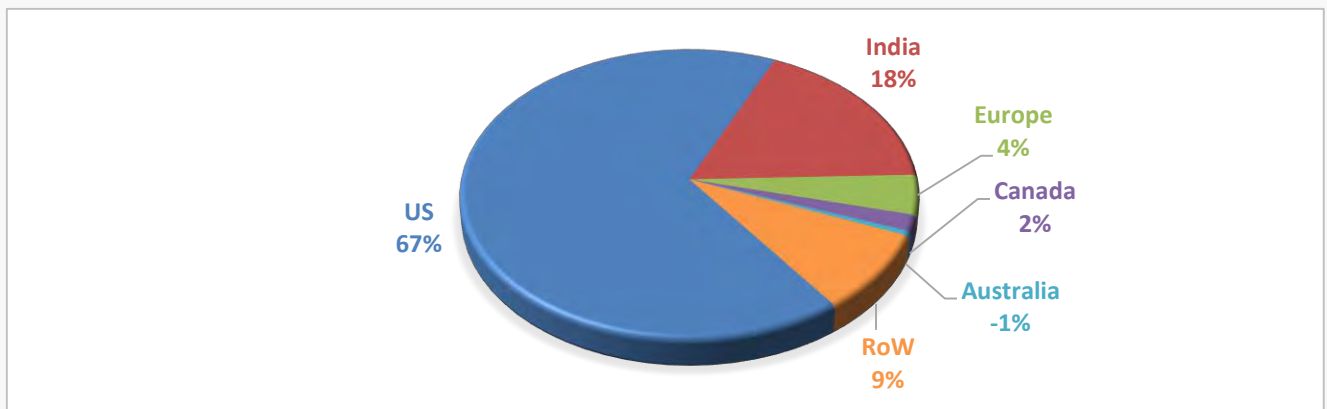


Exhibit 10: Revenue Break (INR Crore) - Geographic Revenue Breakdown



Source: Company, Axis Securities

Global Injectable Market: One of the Largest and Fastest Growing Segment

The global injectable market, estimated to be US\$432 billion in 2019, grew at ~10.1% CAGR from 2014 to 2019. The injectable is the second largest form of drug delivery and it has grown faster than the global pharma market. Its market share by value has increased from 32% in 2014 to 39% in 2019. Faster-than-average growth has been primarily driven by:

- Immediate onset of action and higher bioavailability compared to other forms
- A unique capability of giving the administrator control over drug delivery to a specific location in a measured manner
- Development of self-injection devices like pen-injectors and auto-injectors improving the convenience of administration for patients
- Growth of Biologics
- Increase in the number of new drug formulations that are not very water-soluble and/or have very low permeability to allow for their adequate absorption from the gastrointestinal tract following oral administration.

Global Generic Injectables Market

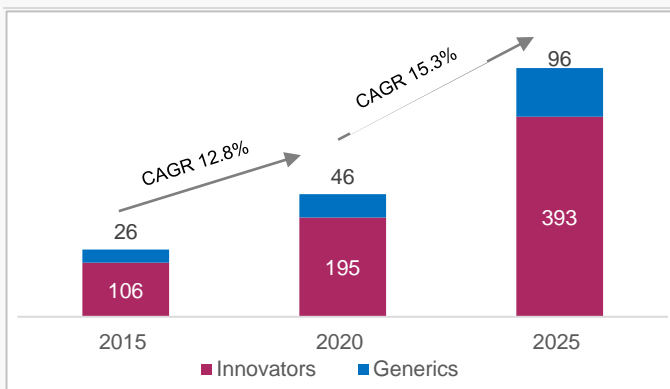
North America formed approximately 35% of the generic injectable market by value and grew at a CAGR of ~12.5% from 2014 to 2019. Over the same period, the generic injectable market by value grew at a CAGR of ~8.9% and 9.8% in India and Europe, respectively.

The United States Injectable Market

Injectables in the United States constituted the largest format of drug delivery systems, accounting for approximately 46% share of the pharmaceutical market by value in 2019. The country's injectable market outpaced other segments and grew at ~13.6% CAGR from 2014 to 2019.

The value of injectables molecules that could lose patent protection during 2020-2025 is ~US\$67.7 bn is double the value of the last 5 years. (source: RHP, IQVIA).

Exhibit 11: The United States injectable market was estimated to be US\$489 bn in 2025, growing at a CAGR of approximately 15.3% from 2020 to 2025, faster than the other segments. (USD\$ bn)



Source: RHP, Company, Axis Securities

Exhibit 12: The value of injectables molecules which could lost patent protection during 2020-2025 is approx. US\$67.7 bn that is double the value of last 5 years. (USD\$ bn)

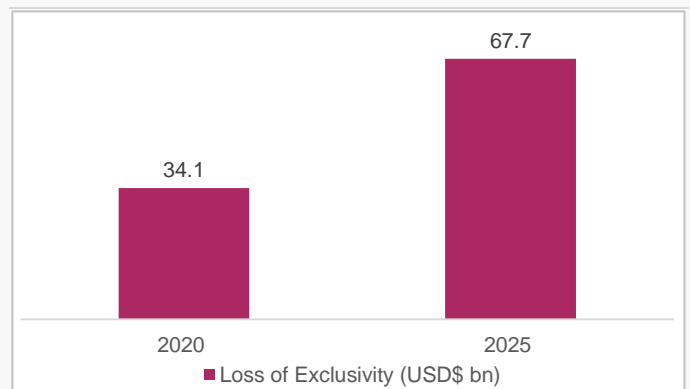
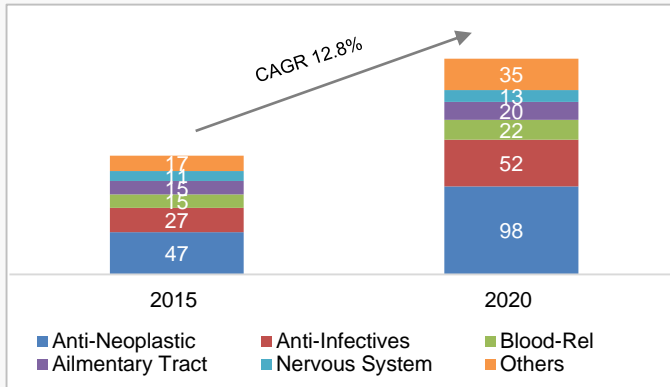


Exhibit 13: In US, injectables market is fairly concentrated with a few therapies forming approximately 80% of the market by value (source: RHP, IQVIA). (USD\$ bn)



Source: RHP, Company, Axis Securities

Exhibit 14: Gland Pharma Ltd grew at a CAGR of approximately 38% from 2014 to 2019 and was the fastest growing small-molecule generic injectables company in the United States market. Gland Pharma Ltd ranked 23rd in the list of small molecule generic injectables player in the United States market. (Source: RHP, IQVIA).

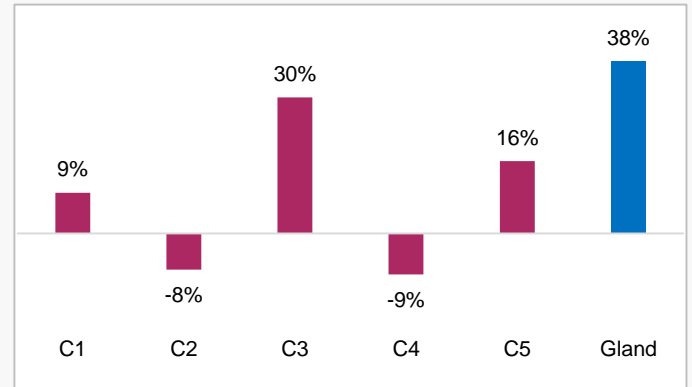
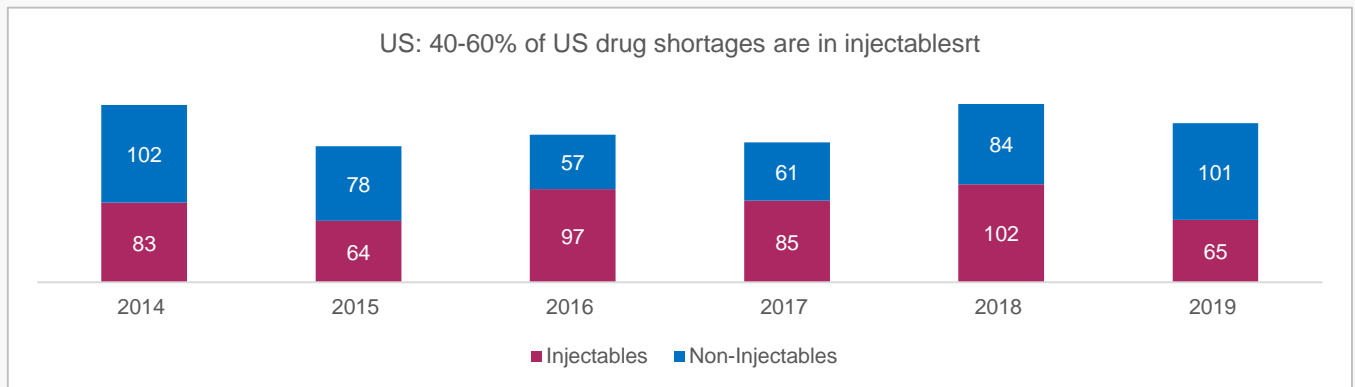


Exhibit 15: US: Demand Driven by Drug Shortages and 40-60% of US drug shortages are in injectables



Source: RHP, Company, Axis Securities

Exhibit 16: Growth of injectables has been among the fastest across all drug delivery formats

- Rising prevalence of chronic diseases**
 - Increase in the prevalence of diabetes and other chronic diseases where treatment is primarily via injectables
- Convenience and benefits of New Drug Delivery Systems ("NDDS")**
 - There is a rising demand for self-administered medications such as auto injectors, pen injectors, prefilled syringes ("PFS") and needle-free injectors
- New market opportunities**
 - Pharmaceutical companies are developing and investing heavily in the development of new complex molecules to target new ailments that are now being treated through injectables solutions
- Drug Shortages in the United States**
 - Approximately 40% of the overall drug shortages in the United States are in the injectables category

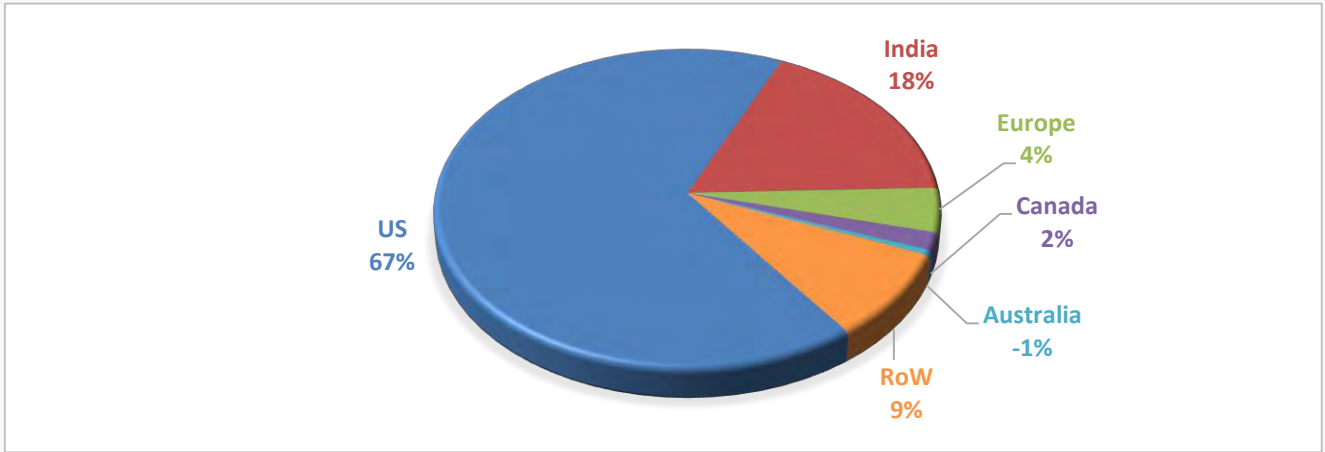
Source: Company, Axis Research

Diversified B2B-led Model Across Markets Complemented by B2C Model in India

Gland Pharma is one of the fastest-growing generic injectables-focused companies in the US market. It has established a successful track record of operating the B2B model with leading companies. Leveraging its brand strength and sales network, Gland has successfully established the B2C model in India which complements its B2B model overseas. It operates in 60+ countries, including the United States, Europe, Canada, Australia, India, and the rest of the world.

US filings update: As of December 31, 2020, Gland along with partners had 282 ANDA filings in the United States, of which 226 were approved and 56 pending approval.

Exhibit 17: Revenue Break (INR Crore) - Geographic Revenue Breakdown



Source: Company, Axis Securities

The revenue breakup between B2B and B2C businesses is 97% and 3% respectively. B2B IP-Led business accounted for ~69% of the revenue of B2B business. B2B Technology business model involved the transfer of technology by clients accounted for 27% of revenue. In this business, the client has developed the products, the technology required to manufacture, testing and packaging of such product is subsequently transferred to Gland Pharma.

Exhibit 18: Gland's B2B Model: Salient Features

	B2B (Global)			B2C (India)	
	B2B – IP Led		B2B Tech Transfer	B2B CMO	B2C
	Own Filing	Partner Filing			
Overview	<ul style="list-style-type: none"> Out-license to Marketing partners Long term product supply contracts 	<ul style="list-style-type: none"> Co-development with partner Manufacturing by Gland 	<ul style="list-style-type: none"> Fill and finish service Loan and license agreements 	<ul style="list-style-type: none"> Direct marketing of products 	
Revenue Model	<ul style="list-style-type: none"> License and milestone payments Selling price per unit dose + Profit Share 	<ul style="list-style-type: none"> Tech transfer fee Selling price per unit dose + Royalty 	<ul style="list-style-type: none"> Fixed per unit price 	<ul style="list-style-type: none"> Direct sale of products 	
ANDA Ownership	✓	✗	✗	✗	✓
IP Ownership	✓	Co-owned	✗	✗	✓

Source: RHP, Company, Axis Securities

Extensive product portfolio supported by internal R&D and regulatory capabilities

Based on strong R&D, Gland has created capabilities in the synthesis of low molecular weight injectables drugs, steroids and oncology drugs, and developing complex injectables such as lyophilized products, high-potent drugs, and long-acting suspensions. In small molecules, Gland has reported a CAGR of 38% in the last 5 years. Gland' presence in large size molecules (given in the below table) will drive growth over a longer period. Further, new launches add almost 10%-12% growth for the company every year.

Exhibit 19: Gland' presence in large size molecules could drive growth over a longer period

Drug	Size (USD Mn)	No of players (Approx.)
Huminsulin	2,126	>10
Paclitaxel	150	>12
Heparin Sodium	2,013	>10
Enoxaprin Sodium	2,882	>10
Daptomycin	4,500	>8
Vancomycin	3,140	>20
Caspofungin	487	>6
Levetiracetam	1,150	>7

Source: RHP, Company, Axis Securities

US filings update:

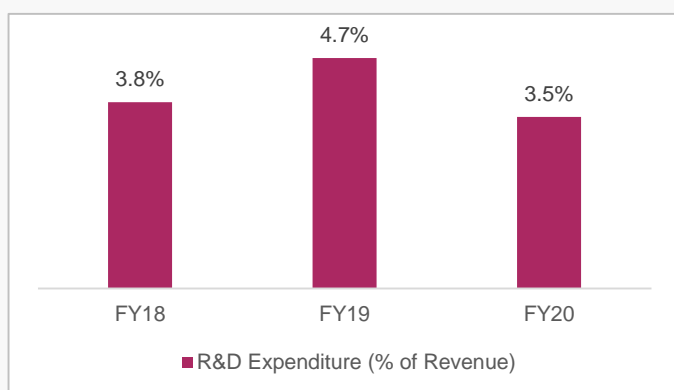
As of December 31, 2020, Gland along with partners had 282 ANDA filings in the United States, of which 226 were approved and 56 pending approval.

Exhibit 20: Gland has outpaced the peers by leveraging its strong product portfolio in generic injectables.

Revenue (Mn \$)	CY17	CY18	CY19	CY20	CAGR %
Gland	178	184	249	309	20.1%
Auro	155	222	378	374	34.1%
ikma	586	607	636	662	4.1%
Pfizer (Hospira)	2,600	2,800	3,081	3,362	8.9%
Fresenius Kabi	703	810	835	810	4.8%

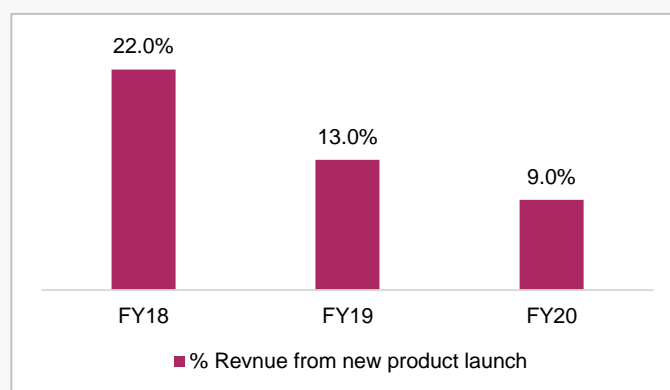
Source: Company, Axis Securities

Exhibit 21: Significant R&D Investment: Centralised R&D Team comprises highly skilled 265 members



Source: RHP, Company, Axis Securities

Exhibit 22: Translating revenue from new Launches, strong track record of coming up with new complex products



Extensive and Vertically Integrated Manufacturing Capabilities With Consistent Compliance Track Record:

Gland has seven manufacturing facilities including two sterile injectables facilities, one dedicated Penems facility one oncology facility and three API facilities. The 3 API facilities provide in-house manufacturing capabilities for critical APIs, thereby controlling costs and quality and mitigating supply chain-related risks around key products. These facilities could manufacture 76.7 crore units for finished formulation and 11,000 kg of APIs per year.

Gland's manufacturing capacities provides strong scale benefits and its strong focus on quality and ability to provide reliable supplies to partners at competitive costs has helped the company capture a high market share in high volume products across different dosage/delivery systems. The facilities audit done by Grand' key partners helped the company to handle compliance in a better way that results in no USFDA warnings letters since the inception of each facility.

Consistent Compliance Track Record

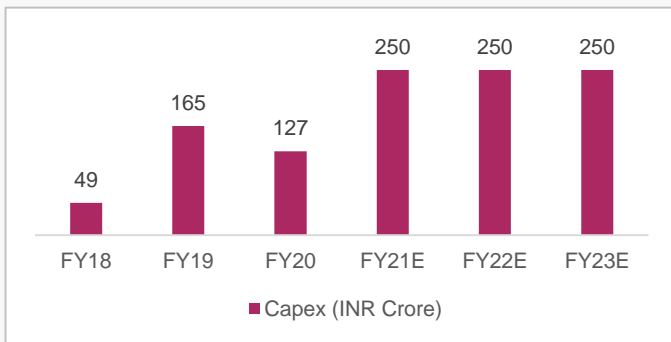
- No USFDA warnings letters since the inception of each facility
- Certified as GMP compliant at all manufacturing facilities by the USFDA
- Certain facilities certified by the MHRA (UK), ANVISA (Brazil), AGES (Austria), TGA (Australia) and BGV Hamburg (Germany)
- 35+ audits per year on average, including customer audits and regulatory agency audits
- GMP certifications for facilities

Exhibit 23: Key facilities:

Dundigal, Hyderabad	Pashamylaram, Hyderabad	Vishakhapatnam
<ul style="list-style-type: none"> • Sterile Injectables Facility (Flagship) • APIFacility 	<ul style="list-style-type: none"> • Sterile InjectablesFacility • PenemsFacility 	<ul style="list-style-type: none"> • OncologyFacility • 2 APIFacilities

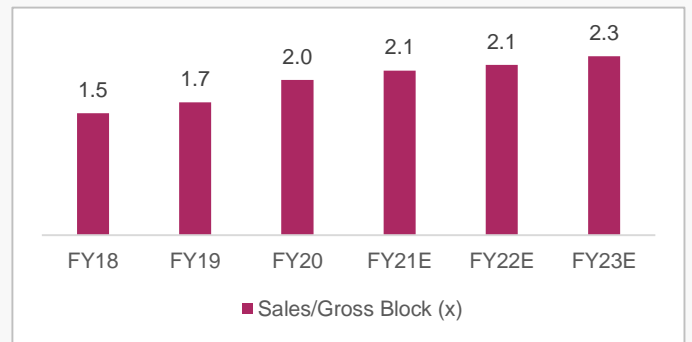
Source: Company, Axis Securities

Exhibit 24: The Company has consistently invested in capacities across various injectable dosage formulations and has emerged as one of the largest injectable manufacturers globally.



Source: RHP, Company, Axis Securities

Exhibit 25: Gland's asset turns are in the range of 2.0x-2.3x which is higher than the peers in the industry



High entry barriers

According to the IQVIA Report, injectable manufacturers face high entry barriers such as high capital investments, operational costs, manufacturing complexities, stricter compliance requirement (because of the sterile nature of products) and high-quality standards resulting in limited competition in the market. Many pharmaceutical companies generally outsource the manufacturing of injectables due to significant costs involved in setting up injectables facilities, the length of time required for the development and manufacturing of injectables as well as stringent requirements relating to the quality and safety of injectable products, among other things. Accordingly, Gland Pharma face and will face significant competition from pharmaceutical companies that adopt the B2B model and focus on the generic injectables markets such as Recipharm AB, Catalent, Inc., Lonza Group AG and Piramal Pharma Solutions. In the B2C market, they also compete in India with other injectables manufacturers and distributors. The primary competitive factors consist of compliance record, price, and size of product portfolio. To stay ahead of its competitors, Gland Pharma regularly updates existing technology and develops new technology for its manufacturing activities.

Details of the Promoters

The company was incorporated as 'Gland Pharma Private Limited' on March 20, 1978 as a private limited company. Fosun Singapore and Shanghai Fosun Pharma are the Promoters of the company.

As on the date Fosun Singapore holds 114,662,620 Equity Shares which aggregates to 74% of the pre-Offer, issued, subscribed and paid-up Equity Share capital of the company.

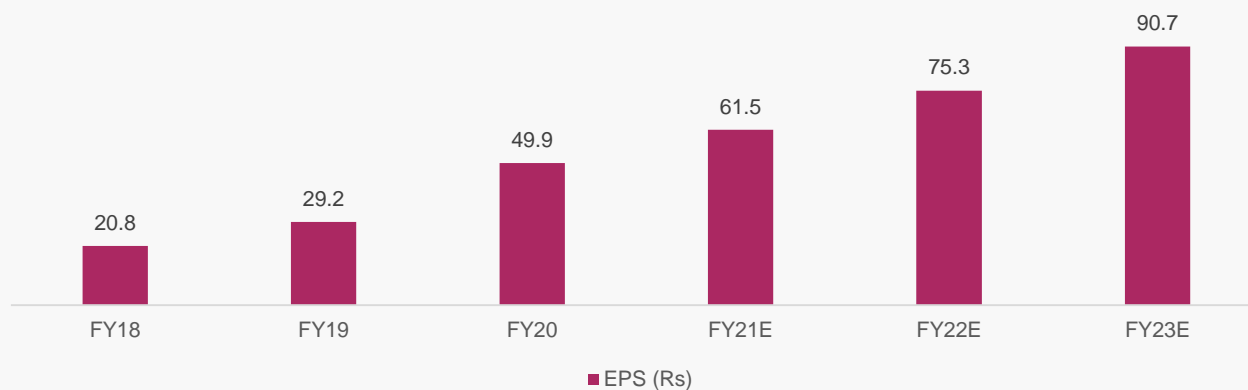
Shanghai Fosun Pharma holds 100% of the share capital of Fosun Industrial Co., Limited, which holds 100% of the share capital of Fosun Singapore. Shanghai Fosun Pharma does not directly hold any of the pre-Offer, issued, subscribed and paid-up Equity Share capital of the Gland Pharma Ltd.

Key Management Personnel	Experience
Yiu Kwan Stanley Lau	He is the Chairman and Independent Director of the company. He is a director on the board of directors of Solasia Pharma K. K. and TaiLai Bioscience Ltd. He was previously the chief executive officer of Amsino Medical Group, the chief operating officer of Eddingpharm Investment Co. Ltd, and the president of China Biologic Products, Inc. He has also worked with Merck Sharp & Dohme (Asia) Ltd and Baxter (China) Investment Co., Ltd.
Srinivas Sadu	He is the MD and CEO of the company. He has previously worked at Natco Pharma Limited and is presently a director on the board of Sadu Advisory Services Pvt. Ltd. He has over 21 years of experience in business operations and management.
Qiyu Chen	He is the Non-Executive Nominee Director of the company. He is the global partner of the Fosun group. He is also the executive director and chairman on the board of Shanghai Fosun Pharmaceutical (Group) Co. Ltd., chairman of Shanghai Fosun High Technology (Group) Co
Dongming Li	He is the Non-Executive Nominee Director of the company. He has served as a senior vice president of Shanghai Fosun Pharmaceutical Industry Co., Ltd since April 2017. He is also the vice president of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.
Xiaohui Guan	He is the Non-Executive Nominee Director of the company. She joined the Fosun group in May 2000. She is the senior vice president and chief financial officer of Shanghai Fosun Pharmaceutical (Group) Co. Ltd. and nonexecutive director of Sinopharm Group Co. Ltd.
Yifang Wu	He is a Non-Executive Nominee Director of the company. He was the chairman and chief executive officer of Wanbang Biopharma from April 2011 to July 2020. He has been associated with Shanghai Fosun Pharmaceutical (Group) Co. Ltd since 2004, and is presently an executive director and chairman on its board of directors and its chief executive officer.
Udo Johannes Vetter	He is a Non-Executive Nominee Director of the company. He has been associated with the Vetter/ Vetter Pharma group of companies since 1987, and is currently the chairman on the board of directors of Vetter Pharma
Ravi Shekhar Mitra	He is the CFO of the company. He has over 20 years of experience in finance. Prior to joining the company, he has worked at Indian Oil Corporation Ltd, Vedanta-Sterlite Industries (India) Ltd, Ranbaxy Laboratories Ltd (now merged with Sun Pharmaceutical Industries Ltd) and Wockhardt Ltd. He joined the company as the CFO on September 30, 2019.

Valuations and Outlook

We initiate coverage on Gland Pharma Ltd with a “BUY” rating and a target price of Rs 2,900 (P/E of 32x for FY23E earnings), implying an upside potential of 15% from the current levels. In the US, Injectables Market is expected to grow at 15.3% CAGR primarily due to doubling of the value (~USD\$ 67.7 bn) of molecules losing exclusivity over 2020-2025E. Gland Pharma has developed complex injectables such as lyophilized products, high-potent drugs, and long-acting suspensions having 282 ANDA filings in the United States, of which 226 were approved and 56 pending approval. The manufacturing facilities’ audit is conducted by Marketer companies partners ensures its compliance with the regulatory requirements all the time. This has resulted into zero USFDA warnings letters since the inception to any of the company’s facility. Gland has high EBIT margins of ~36% and Asset turns of 2x culminating into healthy RoC of ~34% which stands best in the industry.

Exhibit 26: EPS



Source: Company, Axis Securities Research

Exhibit 27: Peers comparison

	CMP (INR)	Mcap (INR Cr)	PE (x)			EV/EBITDA (x)			RoE (%)		
			FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
DR REDDY	4,485	74,541	27.2	24.3	22	16.1	14	12.1	15.3	14.8	14.3
CIPLA	810	65,155	28	24.8	16.9	15.3	13.8	9.6	13.3	13.4	16.9
AUROBINDO	861	50,369	15.6	13.9	12.1	9.6	8.2	6.9	16.3	15.7	15.5
TORRENT PHARMA	2,475	41,885	34.5	28.3	23.9	17.1	14.9	13.2	21.4	22.7	22.6
SUN PHARMA	614	1,44,000	28	25	21.5	16.4	14.1	12.1	10.9	11.6	11.6
BIOCON LTD	393	47,160	55.3	43.1	31.8	27.6	22.4	17.3	10.5	12.1	14.3
LUPIN LTD	1,050	47,565	46.6	30.9	23.6	20.4	15.3	12.3	7.6	10.3	12.1
Gland Pharma Ltd	2,550	39,512	41.5	33.9	28.1	30.2	24.7	20.1	21.4	21.3	20.9
Average			34.6	28	22.5	19.1	15.9	12.9	14.6	15.2	16

Source: RHP, Company, Axis Securities

Key Risks:

- Top-5 products account for 40-45% of Gland's US sales, where competition is still limited in Enoxaparin and Caspofungin.
- Discontinuation of export incentives can impact Gland's Ebitda margins by ~200bps in the near-term. Gland could offsets this impact, through operational cost improvements.
- Higher USFDA scrutiny on injectables facilities, although frequent customer audits have helped Gland to stay clear of USFDA issues so far.

Financials (Consolidated)
Profit & Loss

(Rs Cr)

Y/E March	FY20	FY21E	FY22E	FY23E
Net sales	2,633	3,314	3,960	4,727
Other operating income	0	0	0	0
Net Revenue	2,633	3,314	3,960	4,727
Cost of goods sold	1,102	1,392	1,655	1,967
Contribution (%)	41.8%	42.0%	41.8%	41.6%
Other operating costs	576	670	800	955
EBITDA	956	1,253	1,505	1,806
Other income	139	139	190	228
PBITD	1,095	1,391	1,695	2,034
Depreciation	95	112	129	147
Interest & Fin Chg.	7	0	0	0
E/o income / (Expense)	0	0	0	0
Pre-tax profit	993	1,280	1,566	1,887
Tax provision	220	326	399	481
(-) Minority Interests	0	0	0	0
Associates	0	0	0	0
Adjusted PAT	773	953	1,166	1,406
Other Comprehensive Income	0	0	0	0
Reported PAT	773	953	1,166	1,406

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March	FY20	FY21E	FY22E	FY23E
Total assets	4,086	4,969	6,076	7,438
Net Block	1,156	1,295	1,415	1,519
CWIP	188	188	188	188
Investments	0	0	0	0
Wkg. cap. (excl cash)	1,109	1,371	1,617	1,904
Cash / Bank balance	1,325	1,687	2,307	3,136
Misc. Assets	0	0	0	0
Capital employed	4,086	4,969	6,076	7,438
Equity capital	15.5	15.5	15.5	15.5
Reserves	3,631	4,440	5,462	6,723
Pref. Share Capital	0	0	0	0
Minority Interests	0	0	0	0
Borrowings	4	4	4	4
Def tax Liabilities	74	74	74	74

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E March	FY20	FY21E	FY22E	FY23E
PBT	993	1,280	1,566	1,887
Add: depreciation	95	112	129	147
Add: Interest	7	0	0	0
Cash flow from operations	1,095	1,391	1,695	2,034
Change in working capital	74	309	281	329
Taxes	220	326	399	481
Miscellaneous expenses	0	0	0	0
Net cash from operations	800	756	1,015	1,223
Capital expenditure	-198	-250	-250	-250
Change in Investments	0	0	0	0
Net cash from investing	-198	-250	-250	-250
Increase/Decrease in debt	-1	0	0	0
Dividends	0	-144	-144	-144
Proceedings from equity	0	0	0	0
Interest	-7	0	0	0
Others	-23	0	0	0
Net cash from financing	-31	-145	-145	-145
Net Inc./(Dec.) in Cash	572	362	620	829
Opening cash balance	753	1,325	1,687	2,307
Closing cash balance	1,325	1,687	2,307	3,136

Source: Company, Axis Securities

Ratio Analysis

(%)

Y/E March	FY20	FY21E	FY22E	FY23E
Sales growth	28.8	25.9	19.5	19.4
OPM	36.3	37.8	38.0	38.2
Oper. profit growth	35.3	31.1	20.1	20.0
COGS / Net sales	41.8	42.0	41.8	41.6
Overheads/Net sales	21.9	20.2	20.2	20.2
Depreciation / G. block	7.0	7.0	7.0	7.0
Effective interest rate	22.2	25.5	25.5	25.5
Net wkg.cap / Net sales	0.4	0.4	0.4	0.4
Net sales / Gr block (x)	2.0	2.1	2.1	2.3
RoCE	34.4	38.2	39.9	42.0
Debt / equity (x)	0.0	0.0	0.0	0.0
Effective tax rate	22.2	25.5	25.5	25.5
RoE	21.2	21.4	21.3	20.9
Payout ratio (Div/NP)	0.0	15.1	12.4	10.3
EPS (Rs.)	49.9	61.5	75.3	90.7
EPS Growth	70.9	23.3	22.4	20.5
CEPS (Rs.)	45.5	37.1	30.5	25.4
DPS (Rs.)	0.0	9.3	9.3	9.3

Source: Company, Axis Securities

About the analyst**Analyst:** Ankush Mahajan**Contact Details:** ankush.mahajan@axissecurities.in**Sector:**Midcaps/ Pharma Sector**Analyst Bio:** Ankush Mahajan is MBA (Finance) from SMVDU with over 12 years of research experience in the Midcaps/ Pharma Sector**Disclosures:**

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