



EMERGING AS A GLOBAL PURE-PLAY API PLAYER

We initiating coverage on SOLARA with BUY rating and a target price of Rs 1,350 (P/E of 18x for FY23E earnings) which implies an upside of 25% from the current levels. Solara being a global pure-play API player having highest 80+ commercial APIs could be benefitted due to dual source qualification by global Pharma players and import substitution from China after Covid-19 outbreak. Solara has the highest gross margins ~57% in the industry that reflects the company has pricing power and value added products in the portfolio. Solara has filed 150+ DMs across the globe and adopted strategy of geographical expansion and new products launch every year to drive topline growth. We expect revenue & PAT CAGR of 20.8% and 33.0% over the period FY20-FY23E.

OUR INVESTMENT THESIS IS BASED ON THE FOLLOWING PREMISES

India' APIs Industry: dual source qualification and import substitution a structural tailwind

The Indian API market is estimated to be ~INR 798 bn, growing at 8.8% annually. Out of this market, INR 525 bn is domestic consumption and API exports are INR 273 bn. Further, India' API imports INR 249 bn from China has increased up to 68% of overall API import in last 8 years. We believe dual source qualification by global Pharma players and import substitution from China could generate a structural demand from Indian APIs manufacturers after a Covid-19 outbreak. Solara, being a pure-API player with 80+ molecules in the product basket is well placed to grab this opportunity. Further, GoI has launched the production-linked INR 100 bn incentive scheme for 53 products that could strengthen the domestic APIs manufacturing and less import from China.

Strong product portfolio of generics and commercial APIs across niche therapeutic categories

Solara has strong product portfolio (80+ commercial APIs and 25+ APIs under development) that comprises high volume APIs like Ibuprofen, Gabapentin, and Ranitidine, low volume (niche) products like Oseltamivir, Sevelamer, Venlafaxine and Nizatidine. Solara has the highest gross margins ~57% in the industry that reflects the company has pricing power and value added products in the portfolio. The company's top 10 products accounted for 77% of revenue and new products accounted for 7% of overall revenue. We believe, Solara' API portfolio could deliver revenue CAGR of 19.0% over the period FY20-FY23E.

Contract Research and Manufacturing Services (CRAMS)

Solara offers contract development and manufacturing services that accounts for 10% of total revenue pie. Solara has earmarked funds, raised through equity subscription from promoters (INR 260 crore) and the TPG group (INR 200 crore), for inorganic acquisition. Solara expects to win some new business in FY21E, based on new bids for new proposals. **We believe, CRAMS business could generate INR 330 crore revenue in FY23E (from INR 135 crore in FY20.).**

High APIs' realizations have improved industry' Gross margins

Industry trend reveals gross margins of API players were almost sustainable in last 10 years while in last 2 quarters these were majorly driven by increase in APIs' realizations after the breakout of Covid-19. We believe high realizations of API could sustain till the stabilization of supply chain disruptions and Covid-19 pandemic. Solara has the highest gross margins ~57% in the industry due to niche products in the portfolio as compare to peers.

Key Financials (Consolidated)

(Rs. Cr)	FY20	FY21E	FY22E	FY23E
Net Sales	1,322	1,636	1,894	2,331
EBITDA	259	362	411	499
Net Profit	115	158	196	270
EPS (Rs.)	42.6	44.0	54.6	75.0
PER (x)	25.3	24.5	19.8	14.4
EV/EBITDA (x)	13.2	11.4	10.0	7.8
P/BV (x)	2.7	2.7	2.4	2.1
ROE (%)	10.5	11.1	12.2	14.6

Source: Company, Axis Research

(CMP as of Nov 23, 2020)

CMP (Rs)	1,080
Upside /Downside (%)	25%
High/Low (Rs)	1,310/364
Market cap (Rs Cr)	3,877
Avg. daily vol. (6m) Shrs.	176,922
No. of shares (Cr)	3.59

Shareholding (%)

	Mar-20	Jun-20	Sep-20
Promoter	41.9	41.9	44.2
FII's	16.4	16.7	12.2
MFs / UTI	5.7	5.7	4.2
Banks / FIIs	0.2	0.2	0.0
Others	35.8	35.6	39.4

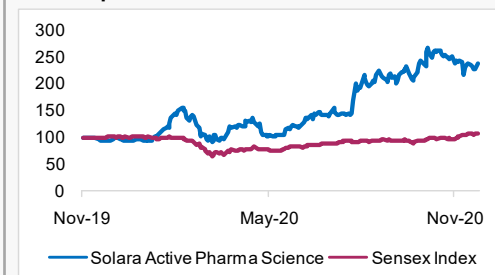
Financial & Valuations

Y/E Mar (Rs. bn)	FY21E	FY22E	FY23E
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Key Drivers (%) (Growth in %)

Y/E Mar	FY21E	FY22E	FY23E
Net Sales	23.8%	15.8%	23.1%
EBITDA	39.4%	13.7%	21.4%
Net Profit	38.3%	24.0%	37.4%

Relative performance



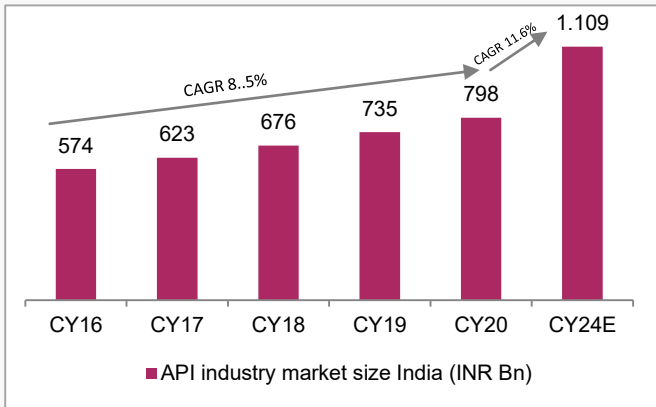
Source: Capitaline, Axis Securities

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 Research Analyst

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Story in charts

Exhibit 1: Covid-19 opportunity - We believe dual source qualification by global Pharma players and import substitution from China could generate a structural demand from Indian APIs manufacturers



Source: KPMG CII API Industry Report, Axis Securities Research

Exhibit 2: India imported around INR 249 bn worth of bulk drugs in 2019 that accounted for about 40% of the overall domestic consumption. This is an increase of around 20% over 2018

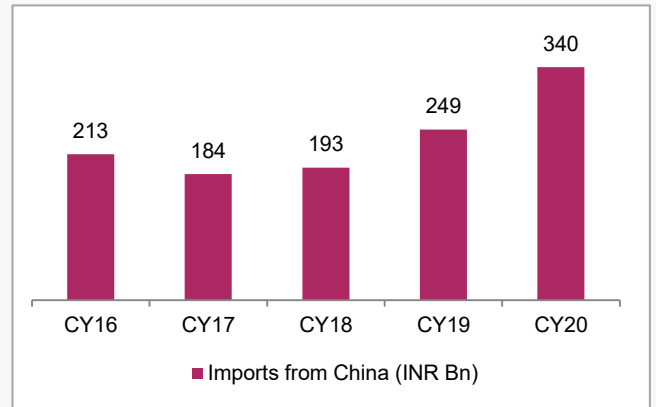
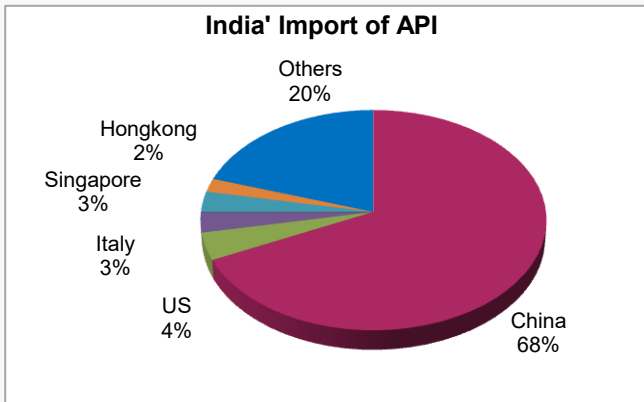


Exhibit 3: China accounts for close to 70% of India's imports of bulk drugs and intermediates, which are used for the manufacture of formulations.



Source: KPMG CII API Industry Report, Axis Securities Research

Exhibit 4: Cost comparison between India and China (Cost of production in China is 20-30% lower than in India)

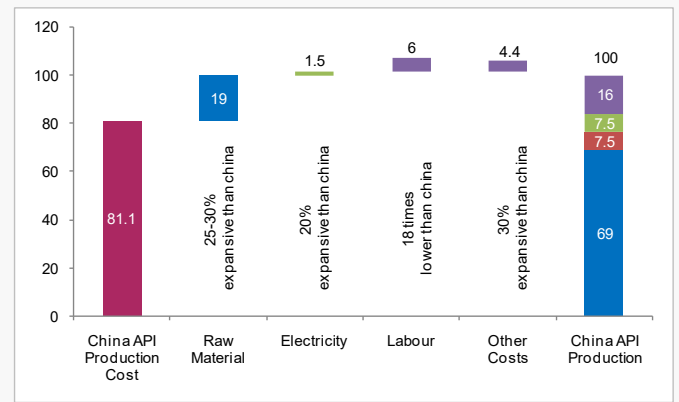
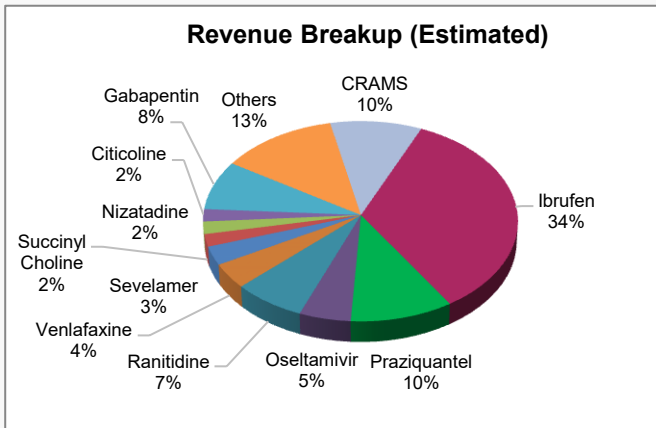


Exhibit 5: Solara' top 10 products accounted for 77% and new products accounted for 7% of overall revenue respectively. Further, top 10 customers accounted for 50% of revenues and company has commercialized 4 new products last year.



Source: KPMG CII API Industry Report, Axis Securities Research

Exhibit 6: North America, the European Union and Japan continue to be key markets, with focus also emerging on Latin America, South East Asia and Africa. Solara has 150+ DMFs filed world over and last year the company has extended market portfolio for 6 of existing products into 8 new geographies.

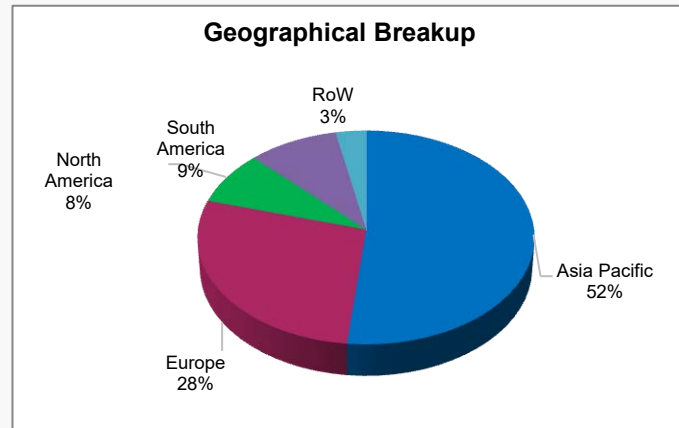
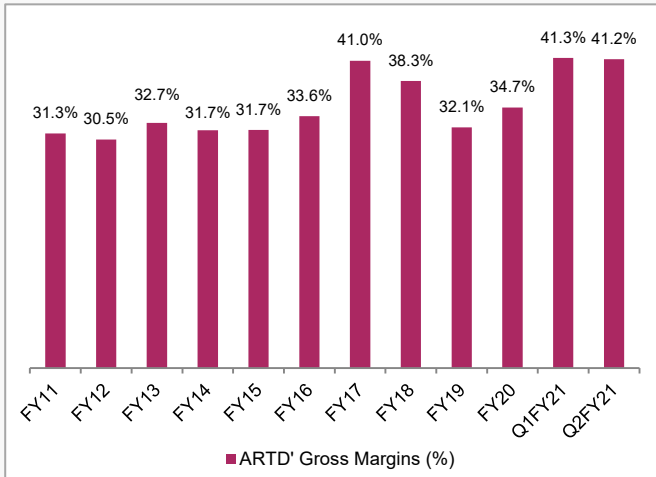


Exhibit 7: Aarti Drugs - last 10 years gross margins cycle for Aarti Drugs reveals API prices moreover stable in this period. Trend Shows that gross margins have improved in last 2 quarters majorly driven by increase in realizations.



Source: Aarti Drugs, Company, Axis Securities

Exhibit 8: Solara has the highest gross margins ~57% in the industry that reflects the company has pricing power and value added products in the portfolio.

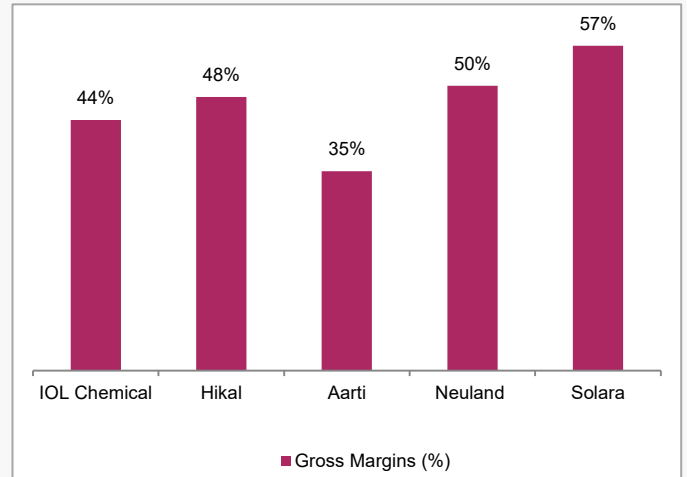
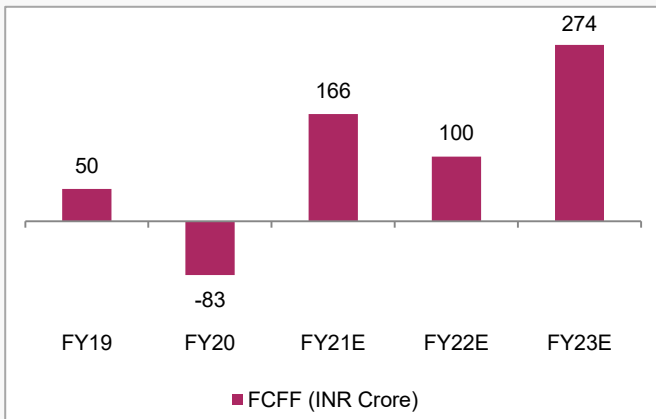


Exhibit 9: Positive FCFF in next 3 years based on strong topline growth and improving profitability.



Source: Aarti Drugs, Company, Axis Securities

Exhibit 10: Improvement in operating profitability with increase in asset turns could lead to improvement in RoEs over next 2 years

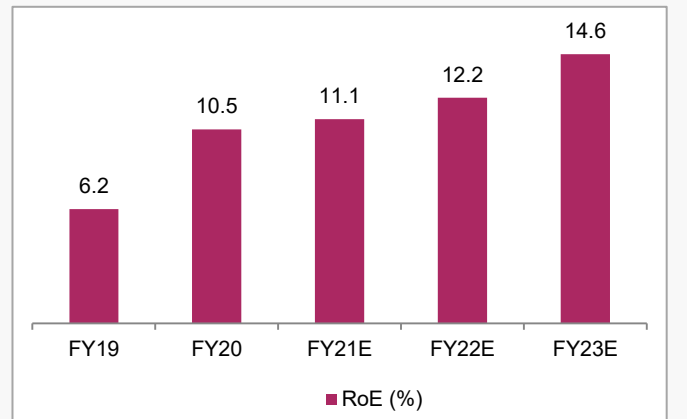
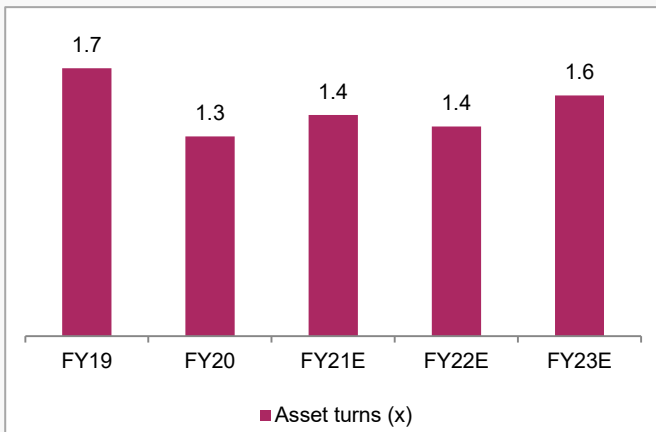
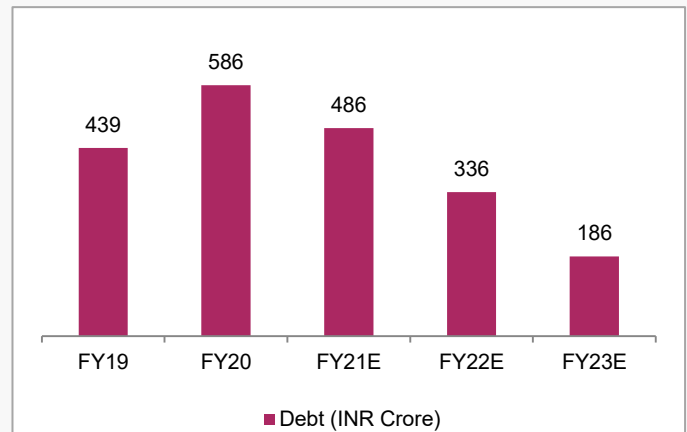


Exhibit 11: Limited capex and high capacity utilization could lead to increase in improvement in assets turns.



Source: Aarti Drugs, Company, Axis Securities

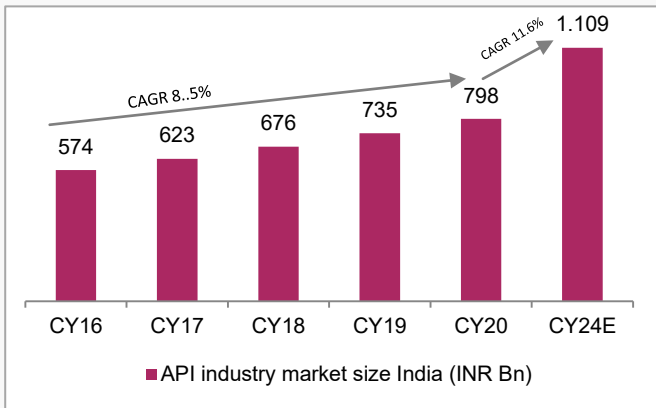
Exhibit 12: Continues fall in Gross Debt based on strong cashflow generation.



India APIs Industry: Beneficial of dual source qualification and import substitution a structural tailwind

The Indian API market is estimated to be ~INR 798 bn, growing at 8.8% annually. Out of this market, INR 525 bn is domestic consumption and API exports are INR 273 bn. Further, India's API imports INR 249 bn from China has increased up to 68% of overall API import in last 7-8 years. We believe dual source qualification by global Pharma players and import substitution from China could generate a structural demand from Indian APIs manufacturers due to Covid-19 outbreak. Solara, being a pure-API player with 80+ molecules in the product basket is well placed to grab this opportunity. Further, Govt has launched the production-linked INR 100 bn incentive scheme for 53 products that could strengthen the domestic APIs manufacturing and less import from China.

Exhibit 13: Covid-19 opportunity - We believe dual source qualification by global Pharma players and import substitution from China could generate a structural demand from Indian APIs manufacturers



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Exhibit 14: India imported around INR 249 bn worth of bulk drugs in 2019 that accounted for about 40% of the overall domestic consumption. This is an increase of around 20% over 2018

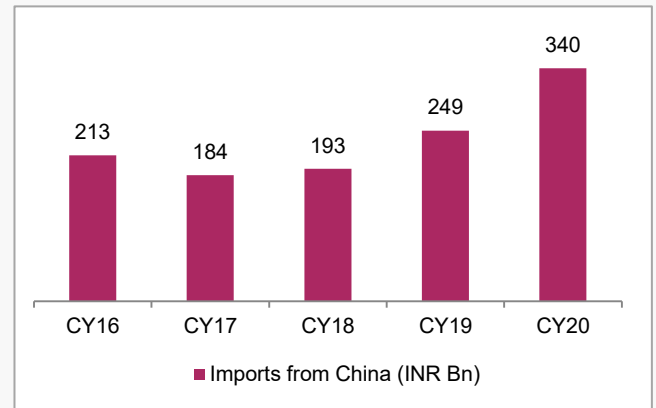
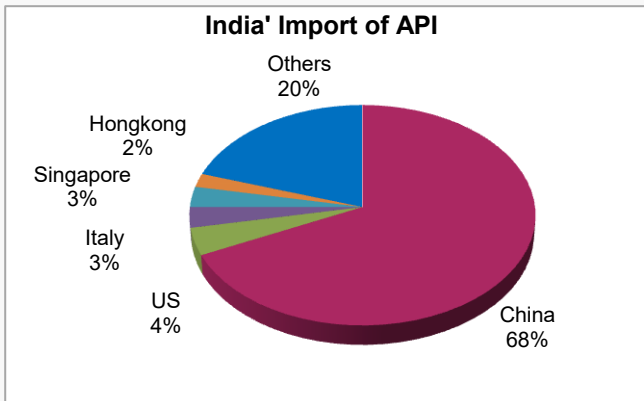
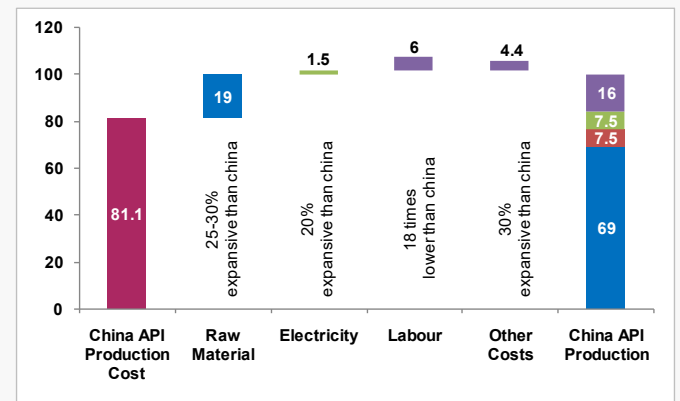


Exhibit 15: China accounts for close to 70% of India's imports of bulk drugs and intermediates, which are used for the manufacture of formulations.



Source: KPMG CII API Industry Report, Axis Securities Research

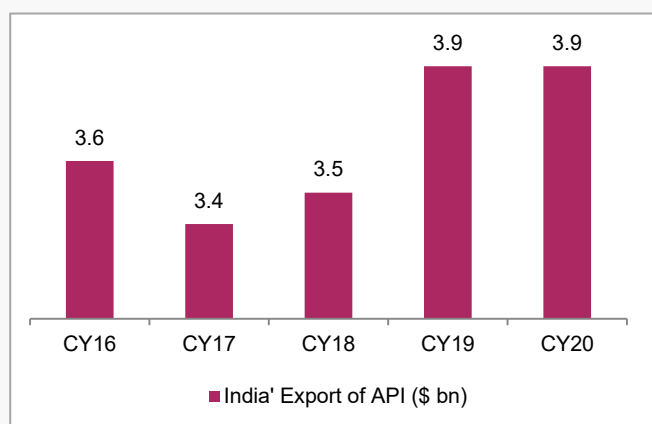
Exhibit 16: Cost comparison between India and China (cost of production in China is 20-30% lower than in India)



The global API market is estimated to be US\$180bn, growing at ~6% annually. Out of the total global API market size, ~42% (US\$75bn) comprises generic APIs. Including domestic consumption, the size of the Indian API industry is ~US\$11bn. Out of this US\$11bn, US\$7bn is domestic consumption and API exports are US\$4bn.

The destinations of APIs produced and exported by China comprise of 189 countries and regions, mainly in Asia, Europe and North America. Over 2019, API export grew in Asia and Europe, but dropped in America, largely due to the Sino-US trade war. In fact, the volume of API produced and exported by China to the U.S. decreased 11% year-on-year. So much so that an increase in average export price of 11% did not compensate enough for the trade friction.

Exhibit 17: Including domestic consumption, the size of the Indian API industry is ~US\$11bn. Out of this US\$11bn, US\$7bn is domestic consumption and API exports are US\$4bn.



Source: KPMG CII API Industry Report, Axis Securities Research

Exhibit 18: Over 2019, API export grew in Asia and Europe, but dropped in America, largely due to the Sino-US trade war.

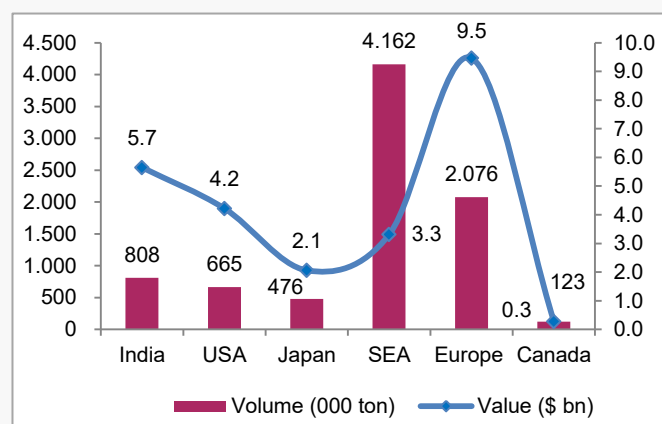


Exhibit 19: Few APIs and Import Value

Few APIs	Import Value (Rs Cr)
Penicillin Salts	1318
Azithromycin	1050
Potassium Clavunate	1034
Ceftriaxone	803
Vitamin B	507
Amoxicilin	403
Artemisinin	392
Gabapentin	392
Lamivudine	352
Vitamin E	315
Meropenem	284
Thiamine	244
Insulin	232
Clarithromycin	230
Acyclovir	213
Alpha Lipoic Acid	200

Source: TIFAC, Axis Securities Research

Solara Active Pharma Sciences Limited – Emerging as a global pure-play API player

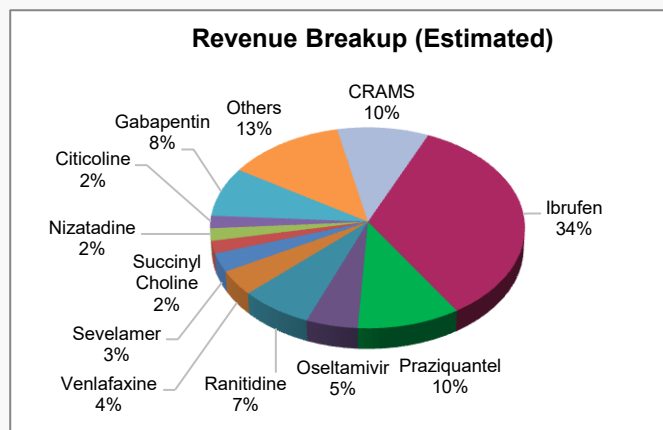
Solara is a global, R&D focused, pureplay API engaged company in the manufacturing and development of APIs and offering Contract Manufacturing and Development Services for global companies. The company has highly compliant manufacturing footprint spread over six large scale multi-product facilities. The company's business is spread across 75 countries with extensive operations in the key markets of North America, Europe, Japan, South Korea and the Middle East and North Africa.

Strong product portfolio of generics and commercial APIs across niche therapeutic categories

Solara develop and produce generics and commercial APIs across niche therapeutic categories, with proven capabilities in complex products like APIs based on polymers and for injectables. The existing portfolio includes 80+ commercial APIs and 25+ APIs under development across high-value product segments, such as anthelmintic, anti-malarias, beta blockers, muscle relaxants, novel oral anti-coagulants, anti-infective and other niche segments.

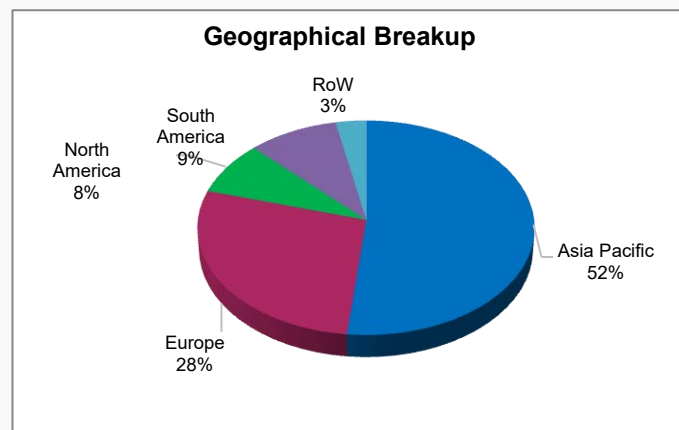
APIs portfolio comprises high volume APIs like Ibuprofen, Gabapentin, and Ranitidine, low volume (niche) products like Osetamivir, Sevelamer, Venlafaxine and Nizatidine. Solara has the highest gross margins ~57% in the industry that reflects the company has pricing power and value added products in the portfolio. The company's top 10 products accounted for 77% of revenue and new products accounted for 7% of overall revenue.

Exhibit 20: Solara' top 10 products accounted for 77% and new products accounted for 7% of overall revenue respectively. Further, top 10 customers accounted for 50% of revenues and company has commercialized 4 new products last year.



Source: Axis Securities Research

Exhibit 21: North America, the European Union and Japan continue to be key markets, with focus also emerging on Latin America, South East Asia and Africa. Solara has 150+ DMFs filed world over and last year the company has extended market portfolio for 6 of existing products into 8 new geographies.



Ibuprofen: A non steroidal anti-inflammatory (NSAID) indicated for relieving pain caused by various conditions like headache, dental pain, muscle aches, and arthritis. Solara is the third largest manufacturer of Ibuprofen globally, with a 20% share in the regulated market. Solara has increased Ibuprofen capacity from 4,800 MT to 8,400 MT while IOL Chemical and Granules India comprise 12,000 MT and 5,000 MT respectively. Solara manufactures derivatives of Ibuprofen (value added products) which has high margins. Solara comprises high gross margins (~57%) as compare to IOL Chemicals (~43.8%) and Granules India (~44.8%) respectively.

In last 2 years, Ibuprofen (\$1.1 bn market size) prices has surged from \$10/ kg to \$18/ kg while Solara has rationalized its prices in the range of \$14-\$15 per kg in order to secure long term contracts from customers. We believe, Ibuprofen revenue could increase to 38% (from 34%) to overall revenue in FY23E.

Praziquantel: This drug is used in anti-worm medication and also has market size of \$1 bn globally. Solara has dedicated facility for the production of Praziquantel and this drug comprises 10% of overall revenue.

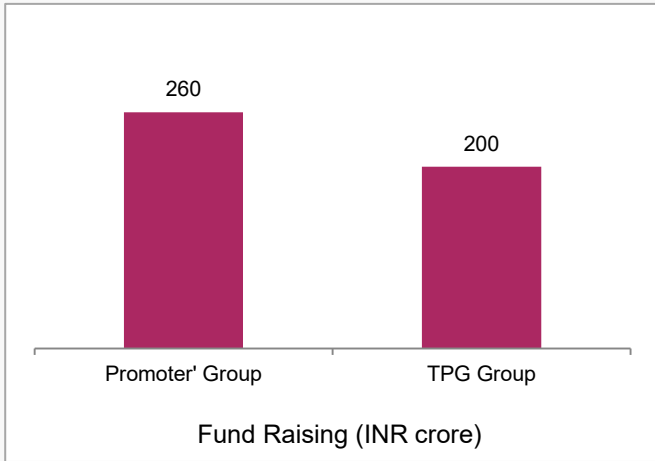
Gabapentin: Gabapentin is a medication used to treat epilepsy, neuropathic pain, hot flashes, and restless legs syndrome. This drug has a market size of \$1.4 bn globally while Solara has strong presence in this space. This drug comprises 10% of overall revenue.

Low Volume APIs (Niche APIs): Solara has filed DMFs for multiple niche APIs which have either recently generalized or are yet to go generic. Some of the key APIs in this category include Sevelamer (Renvela), Oseltamivir (Tamiflu), Venlafaxine (Antidepressant) and Nizatidine (Axiid). A higher contribution of these APIs will lead to improved product mix and expand margins.

We believe COVID-19 has opened up opportunities for the Solara, excess dependence on China has led to dual source qualification, while stocking of essential medicines has led to increase demand in short to medium term. We believe, Solara' API portfolio could deliver revenue CAGR of 20.8% over the period FY20-FY23E.

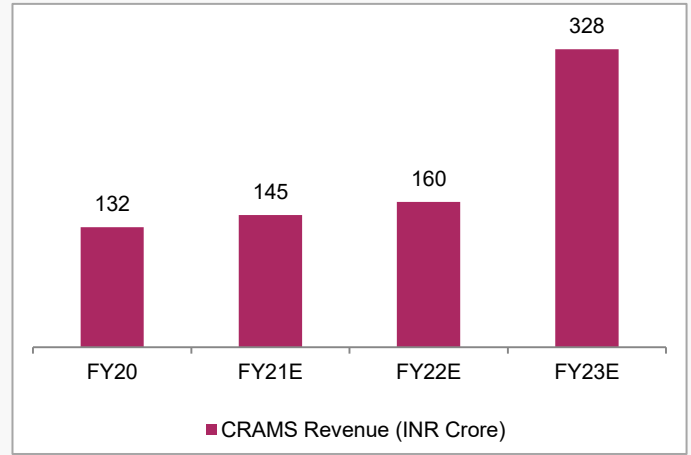
Contract Research and Manufacturing Services (CRAMS): Solara offers contract development and manufacturing services that includes the entire value chain of a new chemical entity, from pre-clinical to commercial phases. CRAMS today accounts for 10% of our total revenue pie. Solara has earmarked funds, raised through equity subscription from promoters (INR 260 crore) and the TPG group (INR 200 crore), for inorganic acquisition. Solara expects to win some new business in FY21E, based on new bids for new proposals. Solara could get new opportunities to arise for the Indian pharmaceutical sector operating in this space, to mitigate risk of over-dependence on China. We believe, CRAMS business could generate INR 330 crore revenue in FY23E (from INR 135 crore in FY20.).

Exhibit 22: The Promoter's group will infuse INR 2.6bn for 6.5mn warrants at Rs 400/sh. TPG will infuse INR 2bn for 4.0mn warrants at Rs 500/sh. Solara has earmarked funds, raised through equity subscription from promoters and the TPG group for inorganic acquisition.



Source: Axis Securities Research

Exhibit 23: CRAMS today accounts for 10% of our total revenue pie. Solara expects to win some new business in FY21E, based on new bids for new proposals. We believe, CRAMS business could generate INR 330 crore revenue in FY23E (from INR 135 crore in FY20).



Emerging as a global pure-play API Player

North America, the European Union and Japan continue to be key markets, with focus also emerging on Latin America, South East Asia and Africa. Solara has 150+ DMFs filed world over and last year the company has extended market portfolio for 6 of existing products into 8 new geographies.

New products launched contributed towards 7% of our overall sales in the year. The company has 25+ products in our development pipeline spread over niche therapy segments, such as anthelmintic, anti-malarials, beta blockers, muscle relaxants, novel oral anti-coagulants, anti-infective and other niche segments.

Exhibit 24: Strong product pipeline: Solara has 150+ DMFs filed world over, 4 of which were filed in the last year.

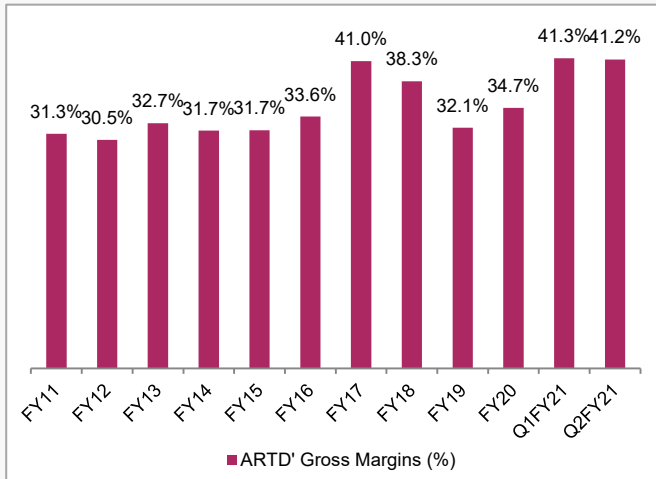


Source: Axis Securities Research

High APIs' realizations have improved industry' Gross margins

Solara has the highest gross margins ~57% in the industry that reflects the company has pricing power and value added products in the portfolio. Exhibit 3.0 - last 10 years gross margins cycle for Aarti Drugs reveals API prices moreover stable in this period. During FY17-FY18, API prices surged due to upward movement of in Crude and Currency (70% API imports from China). Trend shows that gross margins have improved in last 2 quarters majorly driven by increase in realizations of APIs after the breakout of Covid-19. We believe high realizations for API could sustain till stabilization of supply chain disruptions and Covid-19 breakout.

Exhibit 25: Aarti Drugs - last 10 years gross margins cycle for Aarti Drugs reveals API prices moreover stable in this period. Trend shows that gross margins have improved in last 2 quarters majorly driven by increase in realizations.



Source: Aarti Drugs, Company, Axis Securities

Exhibit 26: Solara has the highest gross margins ~57% in the industry that reflects the company has pricing power and value added products in the portfolio.

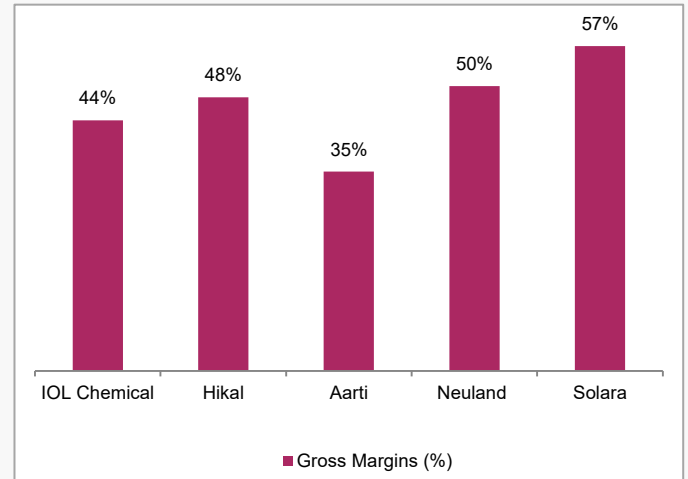


Exhibit 27: Product basket of domestic API players

Hikal	Solara	Aarti	Neuland
Gabapentin	Ibuprofen	Ciprofloxacin	Ciprofloxacin
Pregabalin	Gabapentin	Enrofloxacin	Levetiracetam
Bupropion	Ranitidine	Metronidazole	Levofloxacin
Venlafaxine	Praziquantel	Celecoxib	Mirtazapine
Quetiapine	Oseltamivir	Ketoconazole	Enalapril Maleate
	Venlafaxine	Metformin	Sotalol
	Sevelamer	Oflaxcin	Labetalol
	Nizatadine	Efavirenz	Salbutamol
DMF Filed	DMF Filed	DMF Filed	DMF Filed
26	82	50	55

Source: Company, Axis Securities

Solara has 150+ DMFs filed world over and last year the company has extended market portfolio for 6 of existing products into 8 new geographies. Solara has made strong presence in SEA and Europe while Aarti Drugs has major presence in domestic market. We expect US market could add next level of growth for these API players.

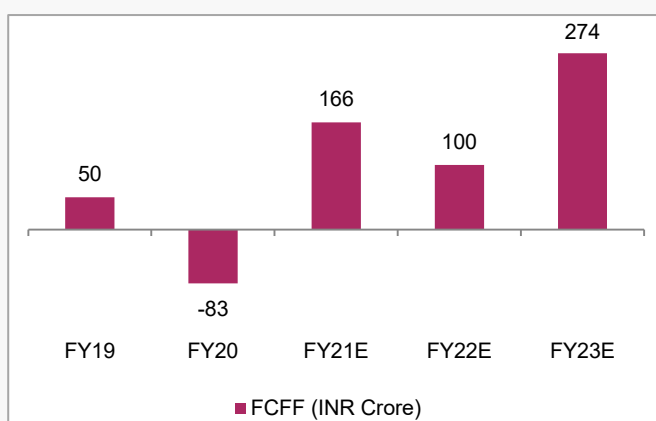
Exhibit 28: Revenue Breakup: Geographical wise

(INR Cr)	Hikal	Solara	Aarti	Neuland
India	484	155	1,084	254
US	171	103	77	116
Europe	477	352	143	241
SEA	437	500	0	-
South America	0	118	198	-
Others	20	40	121	152
Total	1,589	1,267	1,623	763

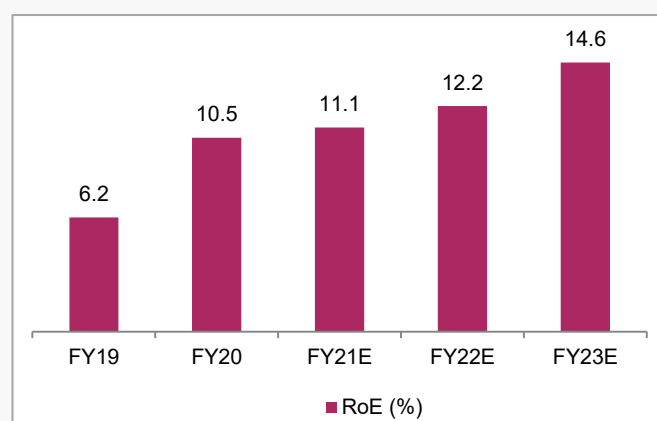
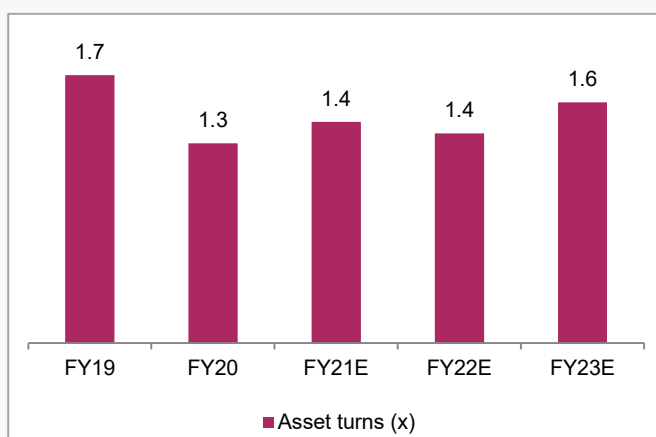
Source: Company, Axis Securities

Financials: Strong FCFF generation, 70% of EBITDA, with improvement RoEs

Following the strong improvement in operating performance and limited capex needs owing to additional capacity with the recently acquired Ambernath plant, FCF has seen a healthy turnaround from next year. We believe the capex needs would remain low over the next few years with only one Greenfield expansion planned as of now, whereas the co could go for acquisitions to boost its CRAMS business. This would be funded by a part of the funds raised recently.

Exhibit 29: Positive FCFF in next 3 years based on strong topline growth and improving profitability.


Source: Aarti Drugs, Company, Axis Securities

Exhibit 30: Improvement in operating profitability with increase in asset turns could lead to improvement in RoEs over next 2 years

Exhibit 31: Limited capex and high capacity utilization could lead to increase in improvement in assets turns.


Source: Aarti Drugs, Company, Axis Securities

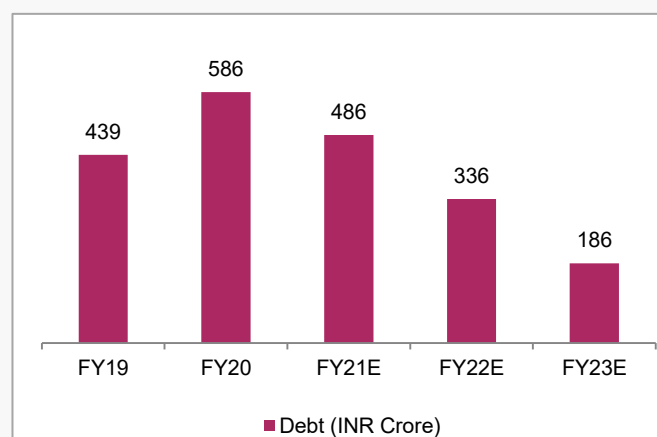
Exhibit 32: Continues fall in Gross Debt based on strong cashflow generation.


Exhibit 33: Key management team

Key Management Personnel	Experience
Mr. Bharath.R.Shah <i>MD & CEO</i>	He has over two decades of experience and a decade leading diverse businesses including pharmaceuticals and has held CXO level positions in companies like Philips, DSM Sinochem Pharmaceuticals, Royal DSM NV.
Mr. Hariharan S <i>Executive Director Finance</i>	Mr. Hariharan is a Cost Accountant with rich and varied experience of over 30 years in the field of Corporate Finance, Accounts and Strategic Planning. He played a vital role in the merger process of Shasun with Strides.
Mr. Subhash Anand <i>Chief Financial Officer</i>	Mr. Subhash is a qualified CA with 30+ years of managerial and professional experience. His last held position was as President & CFO at PI Industries Ltd (PIIL). Prior to PIIL, he worked in Whirlpool, Sterile Industries, Hindustan Copper Ltd and Calcom in senior finance roles.
Mr. Sreenivasa Reddy B <i>Chief Operating Officer</i>	Mr. Sreeni did his Master of Pharmacy in Pharmaceutical Management from KMC, Manipal of Mangalore University and had over 24 years of experience in Pharmaceutical Manufacturing, Technology Transfer, Project Management in setting up facilities, Quality Assurance, Plant operations and Sales & Marketing.
Mr. Rajesh Salwan <i>Chief Operating Officer</i>	Mr. Rajesh brings a wealth of Leadership experience working in Global organizations spread across Pharmaceuticals and Agrochemicals, spanning nearly 3 decades. He has operated in countries like China, Netherlands, Spain, Mexico, Egypt & Singapore.

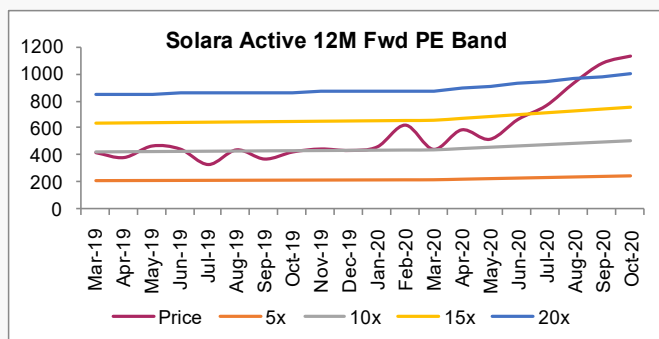
Source: Company, Axis Research

Valuations and Outlook

We believe dual source qualification by global Pharma players and import substitution from China could generate a structural demand from Indian APIs manufacturers due to Covid-19 outbreak. Solara, being a pure-API player with 80+ molecules in the product basket is well placed to grab this opportunity.

Therefore, we recommend “BUY” on SOLARA with TP of INR 1,350 (PE multiple 18x for FY23E earnings).

Exhibit 34: Solara Active 12M Fwd PE Band



Source: KPMG CII API Industry Report, Axis Securities Research

Exhibit 35: Solara Active 1Y Fwd PE Chart

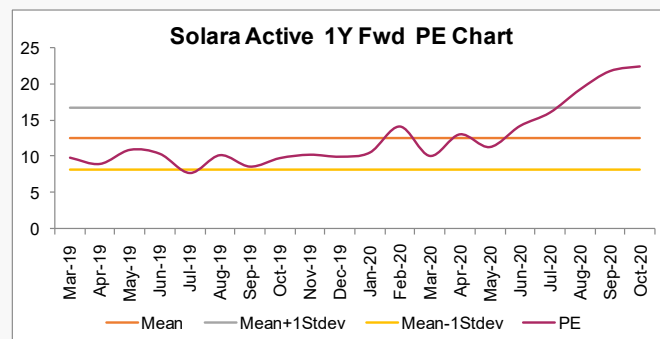


Exhibit 36: Peers comparison

	CMP (INR)	MCAP (INR Cr)	PE(x)			EV/EBITDA (x)			RoE(%)		
			FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Aarti Drugs	711	6,769	27.9	22.2	18.4	17.3	14.1	11.7	29.4	28.7	27.1
Neuland	1,060	1,355	23.2	16.3	13.5	12.6	9.8	7.4	8.0	11.0	14.0
Laurus	290	15,558	27.1	24.3	19.7	16.6	14.6	12.1	25.0	22.1	22.4
Solara	1,080	3,888	24.5	19.8	14.4	11.4	10.0	7.8	11.1	12.2	14.6
Average			25.7	20.6	16.5	14.5	12.1	9.7	18.4	18.5	19.5

Source: Company, Axis Securities Research

Key Risks

- Sharp fall in APIs prices could shrink the Gross Margins of the company.
- Increase in KSM prices and ,non availability could impact profitability.
- Lockdown extension could impact the incremental sales due to Covid -19 across the global.
- Delay in regulatory approval to launch gloal portfolio in US & Europe market. As company has big plan to tap these markets.

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY20	FY21E	FY22E	FY23E
Net sales	1,322	1,636	1,894	2,331
Other operating income	0	0	0	0
Net Revenue	1,322	1,636	1,894	2,331
Cost of goods sold	599	704	824	1,026
Contribution (%)	45.3%	43.0%	43.5%	44.0%
Other operating costs	463	571	659	807
EBITDA	259	362	411	499
Other income	28	20	22	24
PBIDT	287	382	433	523
Depreciation	94	106	129	138
Interest & Fin Chg.	78	63	40	22
E/o income / (Expense)	0	0	0	0
Pre-tax profit	115	213	264	362
Tax provision	0	54	67	92
(-) Minority Interests	0	0	0	0
Associates	0	0	0	0
Adjusted PAT	115	158	196	270
Other Comprehensive Income	0	0	0	0
Reported PAT	115	158	196	270

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March	FY20	FY21E	FY22E	FY23E
Total assets	2,154	2,474	2,585	2,819
Net Block	849	863	984	946
CWIP	40	40	40	40
Investments	0	0	0	0
Wkg. cap. (excl cash)	(114)	7	148	341
Cash / Bank balance	57	243	133	208
Misc. Assets	0	0	0	0
Capital employed	2,153	2,474	2,584	2,819
Equity capital	27	36	36	36
Reserves	1,063	1,396	1,573	1,816
Pref. Share Capital	0	0	0	0
Minority Interests	0	0	0	0
Borrowings	586	486	336	186
Def tax Liabilities	12	12	12	12

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E March	FY20	FY21E	FY22E	FY23E
PBT	115	213	264	362
Add: depreciation	94	106	129	138
Add: Interest	78	63	40	22
Cash flow from operations	287	382	433	523
Change in working capital	96	51	26	67
Taxes	0	54	67	92
Miscellaneous expenses	0	0	0	0
Net cash from operations	190	276	340	364
Capital expenditure	-274	-110	-240	-90
Change in Investments	0	0	0	0
Net cash from investing	-274	-110	-240	-90
Increase/Decrease in debt	147	-100	-150	-150
Dividends	-16	-16	-20	-27
Proceedings from equity	1	199	-190	0
Interest	-78	-63	-40	-22
Others	9	0	190	0
Net cash from financing	63	20	-210	-199
Net Inc./(Dec.) in Cash	-20	186	-110	75
Opening cash balance	76	57	243	133
Closing cash balance	57	243	133	208

Source: Company, Axis Securities

Ratio Analysis

(%)

Y/E March	FY20	FY21E	FY22E	FY23E
Sales growth	(4.7)	23.8	15.8	23.1
OPM	19.6	22.1	21.7	21.4
Oper. profit growth	17.5	39.4	13.7	21.4
COGS / Net sales	45.3	43.0	43.5	44.0
Overheads/Net sales	35.1	34.9	34.8	34.6
Depreciation / G. block	9.3	9.3	9.3	9.3
Effective interest rate	0.3	25.5	25.5	25.5
Net wkg.cap / Net sales	14.7	15.0	14.3	14.5
Net sales / Gr block (x)	1.3	1.4	1.4	1.6
RoCE	9.9	13.3	14.5	17.7
Debt / equity (x)	0.5	0.3	0.2	0.1
Effective tax rate	0.3	25.5	25.5	25.5
RoE	10.5	11.1	12.2	14.6
Payout ratio (Div/NP)	48.0	44.0	54.6	75.0
EPS (Rs.)	42.6	44.0	54.6	75.0
EPS Growth	92.8	38.3	24.0	37.4
CEPS (Rs.)	77.7	73.4	90.4	113.4
DPS (Rs.)	4.8	4.4	5.5	7.5

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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