

INITIATING COVERAGE



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Laurus Labs Ltd.

Playing in its own league with strong growth trajectory

Laurus Lab (LAURUS) is a young, R&D led, Pharma Company, with strong expertise in Anti-retro viral (ARV) therapy. By leveraging its proven expertise in the realm of chemistry, it has become an integrated pharma player having strong presence across the value chain. The company's major business segments are Formulations (38%), Synthesis (19%) and API business (41%) and Bio business (2%). In formulations business, the company has healthy pipeline of 30 ANDAs (Abbreviated New drug Approval) which will fuel the revenue growth going forward. In the Synthesis business, growth will be driven by optimum utilization of installed capacity, which will help to scale-up the business along with addition of new clients. Higher growth will also be aided by growth in API business, which is forward integrated to its formulations business. The major revenue of the API business is generated from ARV API followed by Onco API and Other API. Going forward, we believe that increasing demand of low cost drugs will lead to ramp up in exports in the US and emerging markets, which will aid higher growth in revenues. Strong business fundamentals such as diversified segments mix and strong product portfolio along with high return ratios, strong net cash position, and consistent payouts to shareholders make Laurus a compelling investment proposition. We expect the company to deliver Revenue/EBITDA /PAT CAGR of 26%/31%/32% during FY22-FY24E and hence, initiate coverage on Laurus Labs with a BUY and a target price of Rs 677.

Foray in formulations business - a multi-year high growth opportunity:

The Indian Pharmaceutical market is growing at a steady pace and presents USD 42bn opportunity. The increasing demand of low cost drugs will lead to ramp up in exports in the US and EU markets. We believe that the company is all set to increase its revenue base on the back of higher revenue from US and EU market where it has pipeline of 31 ANDAs and 15 PARA IV opportunities. Apart from this, the LMIC (Low and middle-income countries) tender market is also a major contributor (75%) to the formulations revenue, which make Laurus poised for growth.

Synthesis business to take charge of growth going forward:

In order to diversify its business Laurus plans to increase its capacity in synthesis business and revenue contribution from the synthesis business to hit 25% by FY25 from 19% in FY21. Addition of new clients and geographies will increase the reach and visibility of the company. Currently the company has collaborated with Aspen group entity to manufacture and supply certain hormonal intermediates. Aspen funded the investment of about EUR26m. Another partner is C2 Pharma where company manufactures Digoxin. It has built a dedicated block for this task. Due to higher demand in CDMO business, the company has planned to expand its capacity to 550KL by FY25 from 287KL in FY22, which will be a dedicated capacity for synthesis business.

API business will be driven by volume growth:

The key molecules that Laurus sells in this segment are Efavirenz, Tenofovir, Disoproxil, Fumarate, and Emticitabine. Apart from ARV, the company also sells Onco and Other API. 40% of the ARV business of Laurus is exports. The company has consistently expanded its capacities in API segment from 220KL in FY16 to 5,600 KL in FY22. The API capacities are currently running at optimum utilization, new capacity will lead to higher volume growth going forward.

Valuation:

A high growth company with strong client relationship in a business with strong entry barriers and superior EBITDA margins as compared to peers deserves valuation re-rating. We expect Laurus Labs to report a CAGR of 26%/31%/32% at Revenue/EBITDA/PAT level over FY22-24E. The stock is trading at P/E of 19.4x on FY24 EPS and EV/EBITDA of 12.5x on FY24 EBITDA. We assign 25x as target multiple and arrive at target price of INR 677 per share, which offers 29% upside from current valuations.

Y/E Mar (mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj PAT	YoY (%)	EPS	RoE (%)	RoCE (%)	P/E(x)	EV/EBITDA (x)
FY20	28,317	23.6%	5,610	19.8%	2,553	9.0%	4.8	15.3%	17.2%	18.0	10.2
FY21	48,135	70.0%	15,507	32.2%	9,836	20.4%	18.4	45.1%	38.8%	18.8	12.9
FY22	49,356	2.5%	14,224	28.8%	8,275	16.8%	15.5	28.0%	26.3%	37.4	23.1
FY23E	65,631	33.0%	19,936	30.4%	11,867	18.1%	22.2	30.7%	28.7%	23.7	15.1
FY24E	78,210	19.2%	24,226	31.0%	14,463	18.5%	27.1	28.7%	28.3%	19.4	12.5



Rating: **Buy** Upside/(Downside): **29%**
 Current Price: **526** Target Price: **677**

I Market Data

Bloomberg:	LAURUS IN
52-week H/L (Rs):	724 / 433
Mcap (Rs bn/USD bn):	313.6/3.9
Shares outstanding (mn):	534.3
Free float:	73.0%
Avg. daily vol. 3mth (3M Avg.):	1.6 Mn
Face Value (Rs):	2
Group:	S&P BSE 200

Source: Bloomberg, SMIFS Research

I Shareholding pattern

	Mar-22	Dec-21	Sep-21	Jun-21
Promoter	27.2	27.3	27.3	27.3
FIIs	22.4	22.1	22.8	21.5
DIIIs	7.9	6.8	4.8	4.2
Public/others	42.5	43.8	45.1	47.0

Source: BSE

I Price Performance (%)*

YE Mar (R)	1M	3M	12M	36M
S&P BSE 200	-0.3	-5.2	-0.9	37.3
LAURUS	-1.9	-8.7	-13.6	680.4

*As on 13th June 2022; Source: AceEquity, SMIFS research

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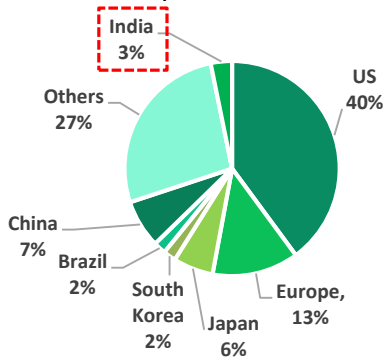
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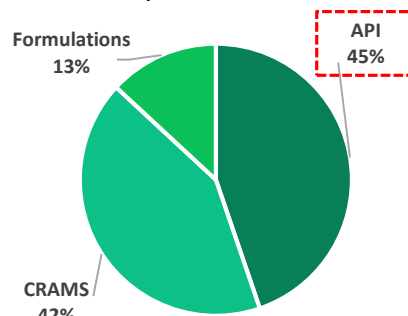
Investment Thesis in Charts

India commands 3-3.5% market share in global pharma market



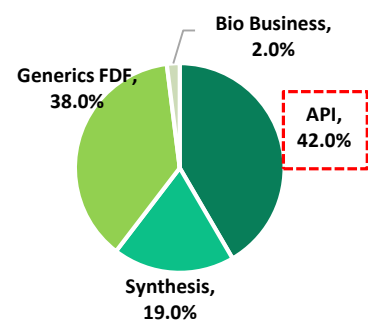
Source: Industry, SMIFS Research

API business constitute 45% of the total Indian pharma market



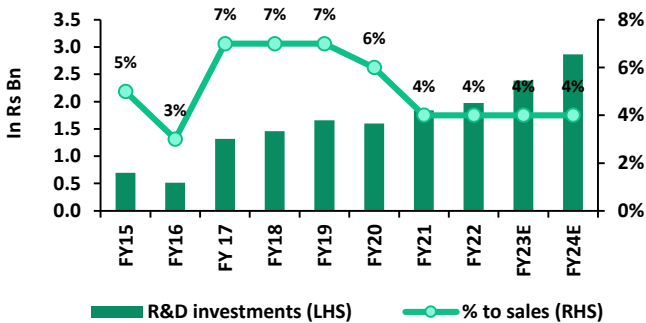
Source: Industry, SMIFS Research

API business constitutes 42% of the Laurus's total business



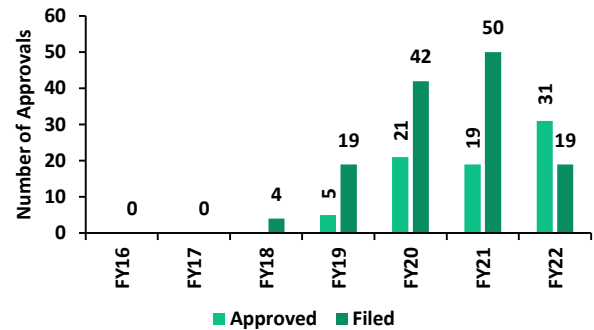
Source: Company, SMIFS Research

Continuous investments in R&D



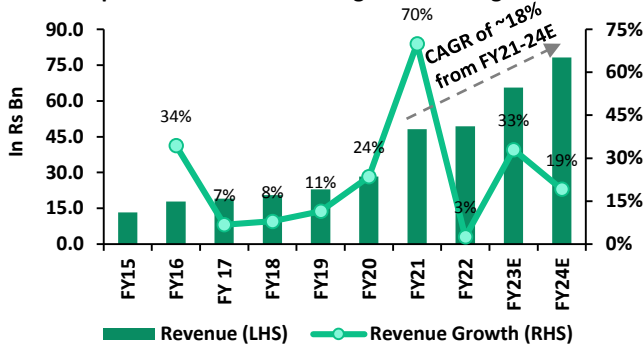
Source: Company, SMIFS Research

will lead to higher ANDA Filings....



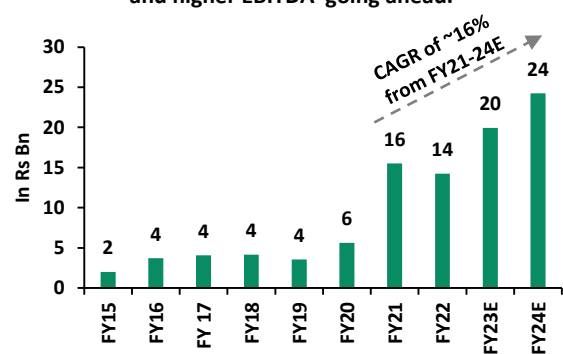
Source: Company, SMIFS Research

R&D capitalisation will lead to higher revenue growth....



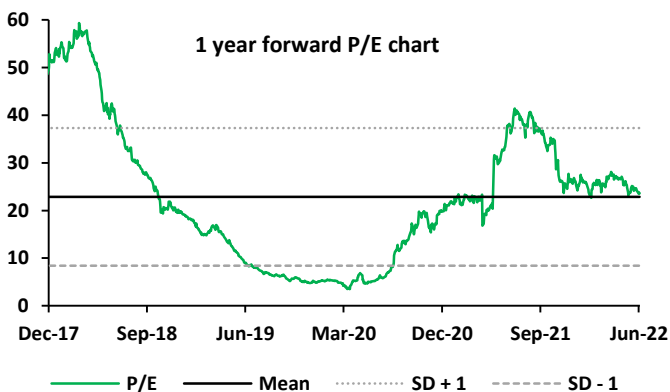
Source: Company, SMIFS Research

and higher EBITDA going ahead.

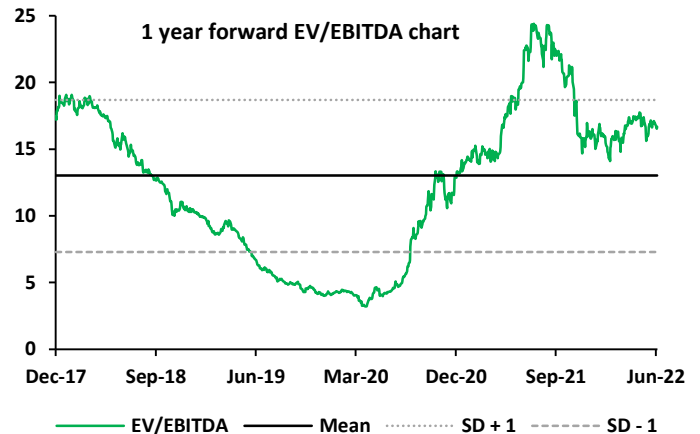


Source: Company, SMIFS Research

A big jump in EBITDA margins from 20% in FY20 to 29% in FY22 led to revival in valuations.



Source: Company, SMIFS Research

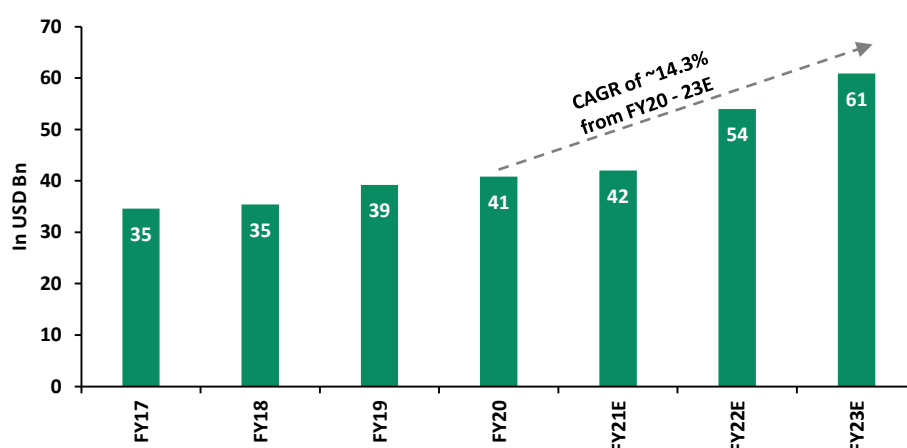


Source: Company, SMIFS Research

Global Pharma Landscape is changing...

- The global pharma landscape is undergoing a change and is mixed with basket of opportunities and challenges. Where there is demand for medicines due to spurt in ageing population, high-unmet medical need and demand for reducing healthcare cost. At the same time, the industry is facing challenges such as increasing competition, price reduction and customer consolidation. With the growing challenges, there is a need to change the business strategies and to focus on new opportunities available in the industry.
- The Indian Pharma Industry has shown a tremendous growth in the last decade on the back of capitalising generic opportunities of blockbuster small molecules such as Lipitor, Gleevec, Alimta etc along with Para IV filings and FTF (First to file) by tapping the opportunities of major drugs going off-patent. According to **IBEF India's domestic pharmaceutical market is estimated at US\$ 42 billion in FY21 and likely to reach US\$ 65 billion by FY24 and further expand to reach ~US\$ 120-130 billion by FY30.**

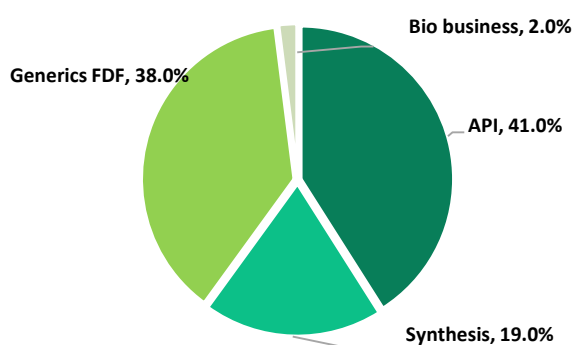
Fig 1: Steady performance of Indian Pharma Market



Source: Company, SMIFS Research, IBEF

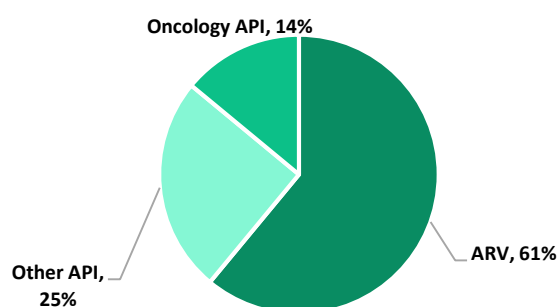
- Despite the challenges, a player like Laurus Labs has emerged strongly in the fast changing global pharma space by offering low cost drugs and developing huge clientele for supplying APIs and formulations on contracts. The company has increased its filings momentum from 3 ANDA in FY17 to 31 ANDA in FY22 and it plans to file more ANDA filings in coming years. The Synthesis business (CDMO) of the company has shown a tremendous growth from INR 3.1 Bn in FY19 to INR 9.1 Bn in FY22, CAGR growth of 43% over FY19-FY22 on the back of strong order book and healthy relationships with leading global players like Aspen, C2 Pharma, Cipla etc which ensures long term visibility of revenues.

Fig 2: Segment Spilt of FY22 revenues of Laurus Labs



Source: Company, SMIFS Research

Fig 3: Revenue split of API business of Laurus

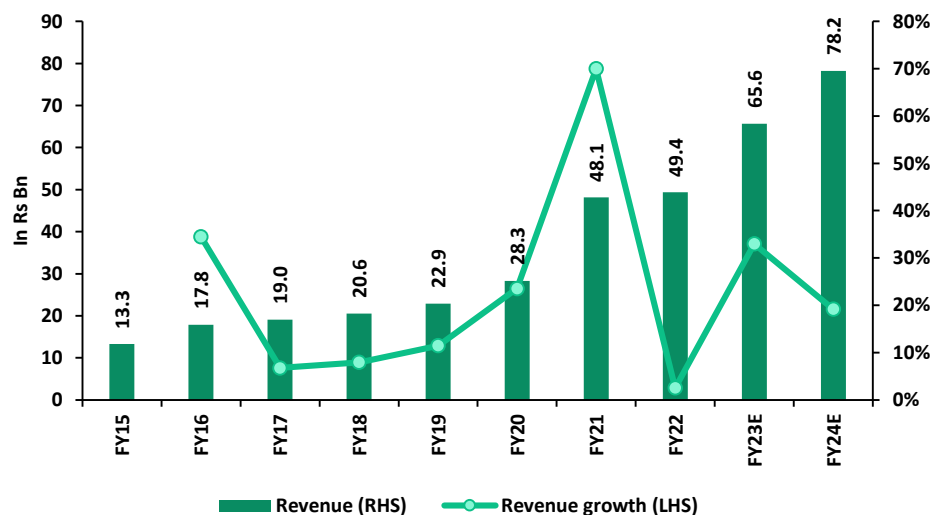


Source: Company, SMIFS Research

Which makes Laurus a compelling investment idea.

- Laurus's formulation business has been backward integrated with its own API. This business is entirely into generics and has grown from low base where LMIC market contributes 75% to the revenues. Going ahead the contribution from LMIC will decline and growth will be driven by North America and EU regions where the company wants to grow aggressively by launching more drugs.
- In order to mitigate the risk of product concentration, the company has slowly diversified its business segment from API to CDMO (contract development and manufacturing company) business. Due to higher demand in CDMO business, the company has planned to expand its capacity to 550KL by FY25 from 287KL in FY22, which will be a dedicated capacity for synthesis business. By FY25, we expect that 25% of its total revenue will come from Synthesis business. This goal will be achieved on the back of new projects and addition of new clients.
- The API business the company caters to ARV, Onco and other therapies such as Cardiovascular and gastrointestinal. In the ARV business, Laurus is the market leader in Efavirenz and in order to meet the changing demand in HIV business, it has diversified its business to other HIV API's, which include Tenofovir, Lamivudine, and Dolutegravir. As the market preference has shifted to Dolutegravir based formulations from tenofovir based formulations, Laurus has been agile to gauge the changing demand and has been successful in capitalising the opportunity. Most of the ARV API is sold under long-term contracts to third-party formulators. The company has consistently expanded its capacities from 220KL in FY16 to 5,600 KL in FY22. Consistent capacity addition was on the back of rapidly expanding manufacturing base of ARV API industry.
- Laurus is currently into a **large capex cycle that will increase its gross block (vs FY21 base) by 87% in FY24** with investments in API, Finished Dosage and Custom Synthesis. The company acquired Richcore in FY20, which has given it an entry into high-barrier biotechnology segment. Richcore has large-scale fermentation capabilities and manufactures animal origin-free recombinant products. We build in 26%/31%/32% revenue/EBITDA/PAT growth over FY22-FY24E and value Laurus at 25x FY24E EPS.

Fig 4: Higher revenue growth due to venturing into new business segments



Source: Company, SMIFS Research

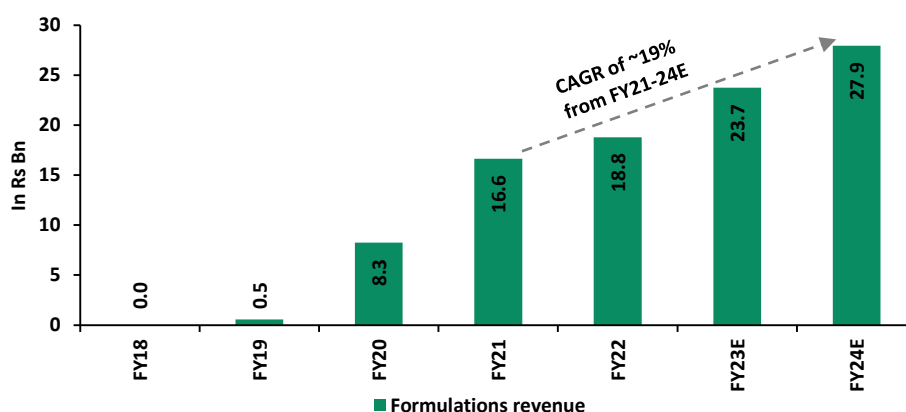
Investment Thesis

Foray in formulations business - a multi-year high growth opportunity

- The formulations business of the company was started in 2015 and it accounts for 38% of Laurus total revenue. Laurus develops and manufactures oral solid formulations for the LMIC, North America and EU markets. By leveraging its API skills it has backward integrated its formulations business.
- Company manufactures generics in US and EU markets and focuses on anti-viral, anti-diabetic, cardiovascular, proton pump inhibitors, and central nervous system (CNS) drugs.
- In formulations business, LMIC tender markets accounts for 75% of the total revenue of FY21 and the remaining comes from North America and EU markets. Going ahead, the company expects the revenue mix will be more of 60:40 share due to higher revenues from few ANDAs.
- The major drugs in this segment are **Lyrica used for neuropathic pain, TLE400 and TLE 600 used for HIV-1 infection etc.** The company has pipeline of 31 ANDAs out of which 15 are Para IV opportunities and 10 are FTF (First to file).
- Laurus is expanding its **OSD (Oral solid dosage) capacities from 6bn (in FY22) to 10bn** in FY23 and is focusing on those products where it has backward integration capabilities.

Major firms in the generic ARV market in LMIC are Laurus Labs, Cipla, Aurobindo, Hetero, and Mylan.

Fig 5: Growth momentum to continue going ahead due to new product launches



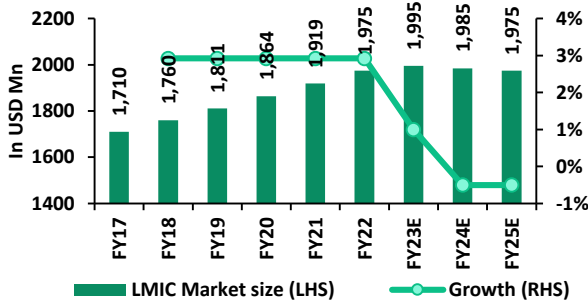
Source: Company, SMIFS Research

LMIC Generic Accessible HIV Market is growing....

- Laurus is a major supplier for HIV drugs in LMIC market and it supplies the drugs through the ARV tender, which signalled a broad and aggressive switch to TLD.
- TLD is a generic HIV combination. It contains tenofovir disoproxil, lamivudine and dolutegravir. Given their market power, South Africa's tender results have broad implications in terms of pricing and market competition.
- The current market size of LMIC market is USD 1.9 bn which is expected to decline in next 10 years owing to decrease in drug prices, better efficacy and reduction in HIV patients population due to measures taken by government to reduce the spread of the disease.
- In order to reduce the spread of HIV infections United Nations had set a goal of 90-90-90 target by CY20 period according to which the world had to reach the following goals: 90% of people with HIV would have known their status, 90% of people with HIV who know their status would be on ART (Anti-retroviral therapy), and 90% of those who are on ART would be virally suppressed.

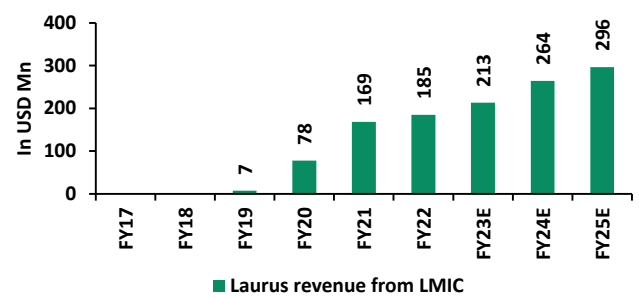
- By CY20, global community reached 84-87-90 instead of 90-90-90, achieving the target on only one of the three goals.
- The next goal for all countries set by UN is to adopt a 95-95-95 target for CY25, and, if the target is achieved, new infections per year would come down to just 0.37 Mn from 1.5 Mn currently.
- Globally, there were 37.7 million people living with HIV at the end of CY20, over two thirds of whom (25.4 million) are in the WHO African Region. By CY20, ART global coverage had reached 73%.
- Despite the decline in HIV generic market, we expect Laurus to have market share of 12% in FY23, which will help the company to garner revenues of USD 200+ Mn.

Fig 6: LMIC Generic Accessible HIV Market is growing....



Source: Company, SMIFS Research

Fig 7: which will help Laurus to gain sizeable market share



Source: Company, SMIFS Research

We expect ART coverage to touch 93% by end-FY25, which translates into 7% patient volume CAGR; pricing would continue to be under pressure as DTG regimen aims to lower PPPY to USD 62.

Fig 8: ART coverage to touch 93% by end-FY25

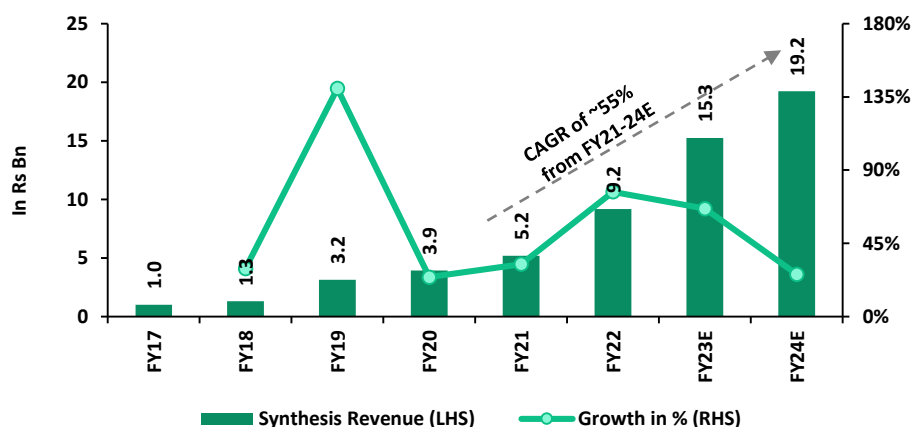
GA LMIC market	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Market size (USD Mn)	1864	1919	1975	1995	1985	1975	1965
Growth	2.9%	2.9%	2.9%	1.0%	-0.5%	-0.5%	-0.5%
People aware of HIV STATUS in USD Mn	26	27	27	27	28	28	28
	1%	1%	1%	1%	1%	1%	1%
ART Coverage	62%	66%	71%	76%	81%	87%	93%
	6.9%	7%	7%	7%	7%	7%	7%
Pricing 1L - adults (USD, PPPY)	82	73	69	67	65	63	62
	-8%	-11%	-5%	-4%	-3%	-2%	-2%

Source: Clinton Health Access Initiative, SMIFS Research

Synthesis business to take charge of growth going forward

- Laurus' synthesis business provides CDMO services in supporting drug development and manufacturing programs of global pharmaceutical and biotech companies. Its revenue for FY22 was at Rs 9.1bn (18% of total revenue). **This segment of the business has the highest EBITDA margin of 45% which will lead to expanded margins going forward.**
- We expect this high margin segment of Laurus to grow at average growth rate of 45% to INR 19.2 bn in FY24E from INR 9.2 Bn in FY22. This will be driven by addition of new clients, higher revenue from existing projects and capacity expansion where the company want to focus on **one product one customer strategy**.
- The synthesis business has 50 ongoing projects and 4 commercial projects. There are 100+ R&D scientists working in LSPL, and the company has 4 Big Pharma clients.
- LSPL has signed a multi-year development & manufacturing contract with a leading Global Life science company where it will work for a portfolio of niche APIs. The commercial supplies of the same started in Q4 FY22.
- Due to higher demand in CDMO business, the company has planned to expand its capacity to 550KI by FY25 from 287KL in FY22, which will be a dedicated capacity for synthesis business. By FY25, the company has guided that 25% of its total revenue will come from Synthesis business.

Fig 9: Synthesis segment growth will be driven by strong backlog and addition of new clients

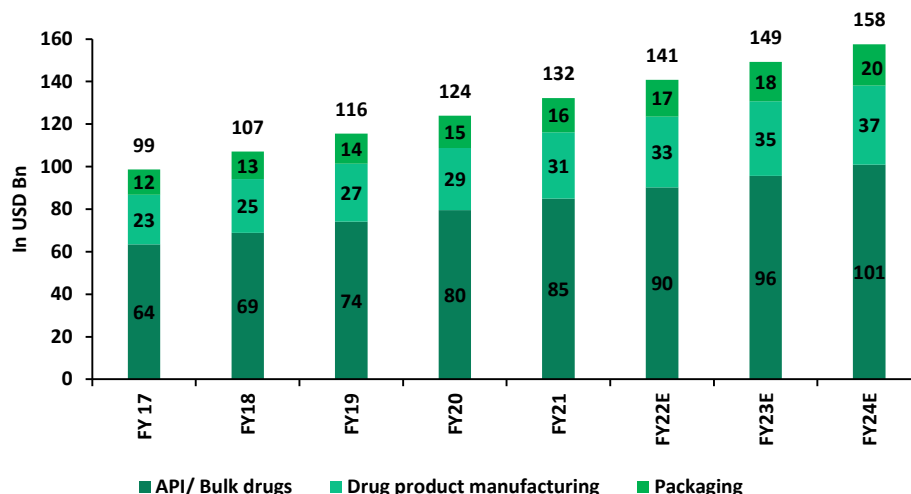


Source: Company, SMIFS Research

CDMO Business: A sweet spot

- Due to increase in R&D activities, the pharma cos are finding it profitable to outsource all aspects from R&D to commercialisation to trusted partners in low-cost countries. Indian pharma players have a promising opportunity here.
- Over the last decade, the Indian industry came into spotlight as the world's destination for contract research and manufacturing services or CRAMS. CDMOs will have many opportunities to grab in the coming years, as outsourcing will be becoming more prevalent.
- The global CDMO market was valued at \$124 bn in FY21 and is expected to reach \$157.7 Bn in FY25, growing at CAGR growth of 8.2%.
- The global API drug market accounted for the highest share of the market and is expected to grow in future owing to growing number of biologics APIs in pipeline stage and growing adoption of multiple therapies.

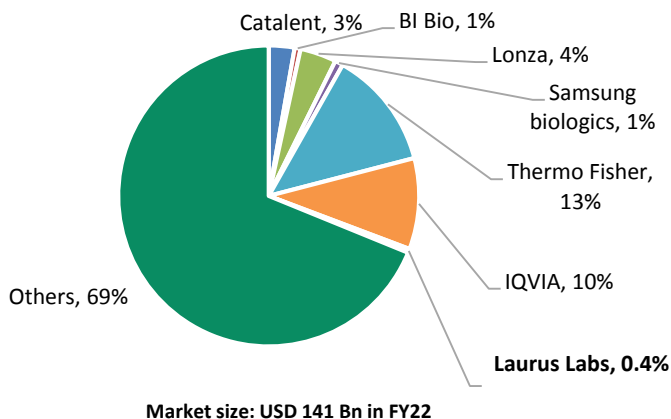
Fig 10: Global API drug market has the highest share in the CDMO Pie



Source: PWC, SMIFS Research

- The next big market after API is of drug product manufacturing which accounts for 24% of the total CDMO market. Commercial drug product manufacturing helps pharma companies to bridge capacity shortages. This segment is expected to grow further on the back of higher new drug approvals and increasing investments in R&D projects.
- Going ahead, Indian CDMO’s companies are continuously evaluating various business within this space and are offering different solutions to the innovator pharma company’s right from the preclinical services to high volume manufacturing and creating new products at a higher speed. Going ahead, it will look to offer end-to-end product development, and will provide regulatory approval solutions.

Fig 11: Laurus is still a small player in the global CDMO business

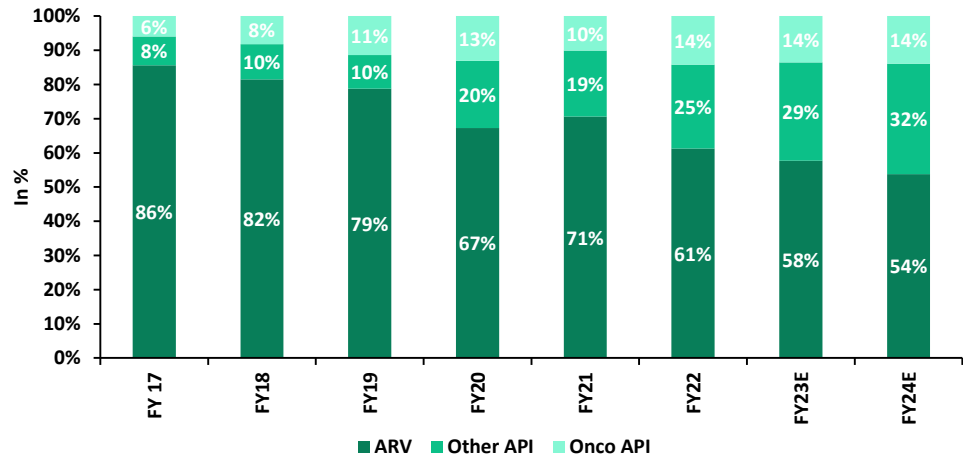


Source: Industry, SMIFS Research

API business will be driven by volume growth

- The API segment of the company is divided into three sub segments namely ARV – Antiretro viral that caters to HIV infections, Oncology API and Other API (Cardiovascular, Proton pump inhibitors, Anti-Diabetic & Ophthalmology). Over a period, the contribution from the ARV segment has reduced due to higher sales from Other API and Oncology API.
- Laurus Labs is in the process of diversifying away from its ARV business, which it believes can still grow at single digits. The company has increased its capacity of total reactor volume from ~4600KL in FY21 to 5600KL in FY22 and it further plans to expand it to 7000 KL by FY23.

Fig 12: Strong Volume growth for Non ARV API will lead to higher API sales

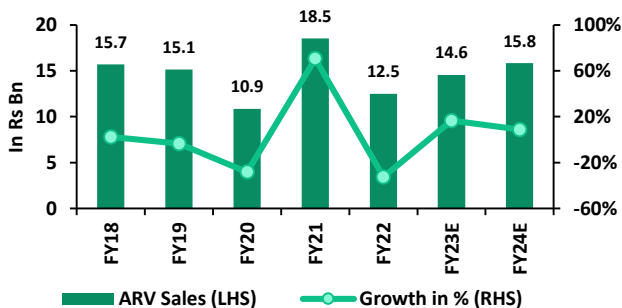


Source: Company, SMIFS Research

ARV segment will still be a major contributor to API revenue

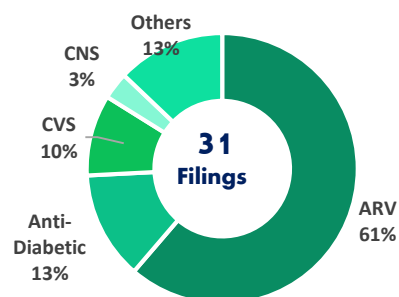
- The company started the ARV API segment in FY09 and the company has scaled this business to INR12.5 Bn in FY22. Laurus has significant market share in the API segment in the ARV category, mainly due to its cost efficiency. By forward integrating the API segment to the formulations business, company is poised to deliver higher margins going forward.
- It currently manufactures the first line API regimen namely Lamivudine, Dolutegravir (DTG), Tenofovir, Efavirenz and Emtricitabine. By capacity expansion, it plans to increase volume into second line API as well which includes Lopinavir, ritonavir, darunavir etc.

Fig 13: Lower sales in ARV due to shift to DTG regimen



Source: Company, SMIFS Research

Fig 14: ARV has the major ANDA filings



Source: Company, SMIFS Research

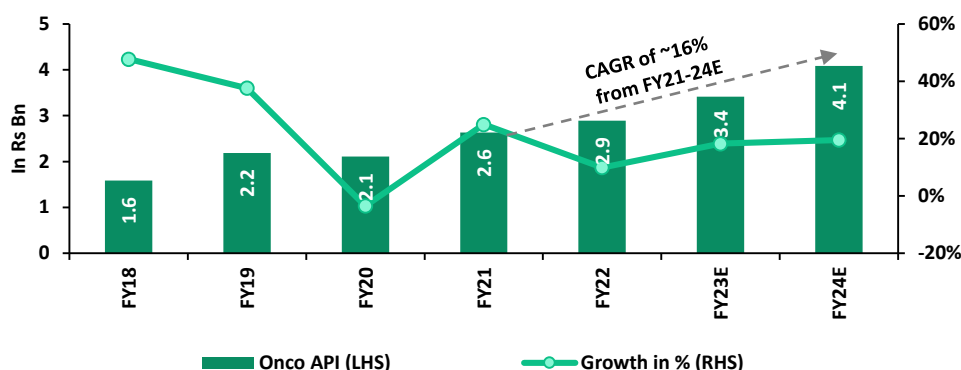
- The sales in ARV segment witnessed a decline of 28% in FY20 due to lower volume off take due to delay in awarding supplementary tender in South Africa where the company's key customers were not building up inventory.

- However, in FY21 the revenue saw growth of 70% to INR 18.5 Bn sales on the back of higher volumes for all key first-line and second line APIs. Due to the demand increase from third-party API sales, Laurus is expanding capacities for key APIs in FY22.
- **The company has strong pipeline of 18 ANDA in ARV with addressable market size of USD 7.8 bn.** We expect the company to garner revenue of INR 14.6 Bn in FY23E and INR 15.8 Bn in FY24E on the back of higher sales of DTG regimen and additional sales from second line regimens.

New product launches in Onco API will lead to margin expansion

- Onco API contributes 5% to the total revenue. The company has one of the largest High Potency API capacity in India, and it is expanding its capacity in one of the units, Unit-4 at Vishakhapatnam.
- The **oncology API segment offers high margins (north of 25%-28%)** therefore, growth in revenues from oncology APIs would improve business mix and expand overall margins.
- This segment is a high margin segment for the company, which will help to expand the margins going forward. Gemcitabine and Imatinib are the largest contributor to growth in this segment, which led to CAGR growth of 22% from FY17-FY22 for the Onco API segment driven by expanded capacity and new products launches.
- Growth in Oncology API segment would be led by new launches and increase in market share in the existing products. We expect 16% CAGR growth in revenues over the next three years.

Fig 15: Onco API to grow on the back of new launches



Source: Company, SMIFS Research

List of approved Onco API for Laurus Labs

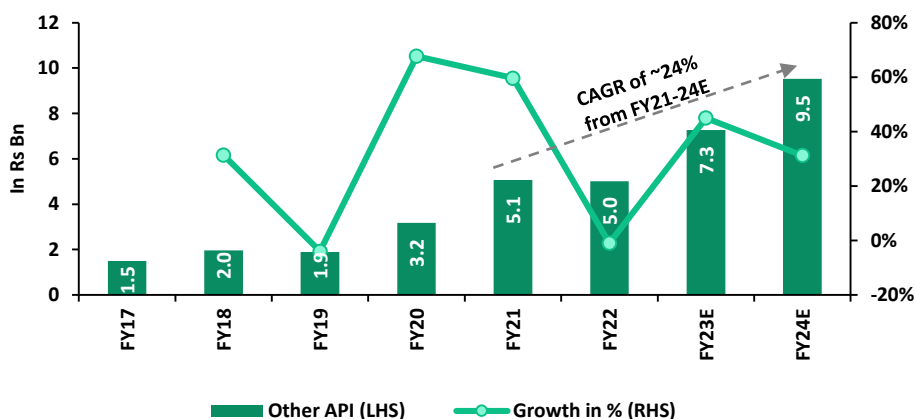
API	Brand Name	Innovator	Indication	Competitors
Imatinib mesylate	Gleevec	Novartis	Blood cancer	Sunpharma, Dr Reddy's, Natco Pharma, Teva, Zydus
Gemcitabine	Gemzar	Eli Lilly	NSCLC	Gland Pharma, Shilpa Medicare, Sunpharma, Dr Reddy's
Erlotinib hydrochloride	Tarceva	Roche	NSCLC	Alembic Pharma, Zydus, Natco Pharma, Teva
Carfilzomib	Kyprolis	Amgen	Blood cancer	Dr Reddy's Labs, Breckenridge

Source: Company, SMIFS Research

High Metformin and Pantoprazole sales are key drivers for Other API segment

- In the Other APIs segment, revenues grew at 27% CAGR over the years from FY17 to FY22, due to low base and lower contribution to sales. This segment contributes 10% to total revenue and 25% to the total API revenue.
- The company mainly offers drugs in cardiac, anti-diabetic and ophthalmic in Other API segment. The major contributor to growth is Metformin and Pantoprazole, which continues to **deliver higher revenue growth**. We estimate 24% CAGR from FY21-FY24E in Other API business.

Fig 16: Addition of new capacity to drive growth in Other API segment



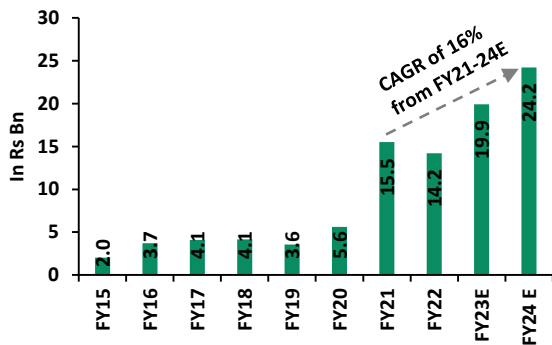
Source: Company, SMIFS Research

- In order to meet the growing demand, the company is adding brownfield capacity in Vizag with capacity of 1,000KI, and land is getting acquired for further Greenfield expansion. The Greenfield will be commissioned in FY24/FY25.
- It has a total of 73 DMF filings, and future filings are largely expected in Other API segment. In the anti-diabetic segment, key products include DPP-IV inhibitors, including Sitagliptin and Vildagliptin, which will be losing its patent from FY23 onward. These are high-volume products.

EBITDA margins to consolidate around 31% by FY24E

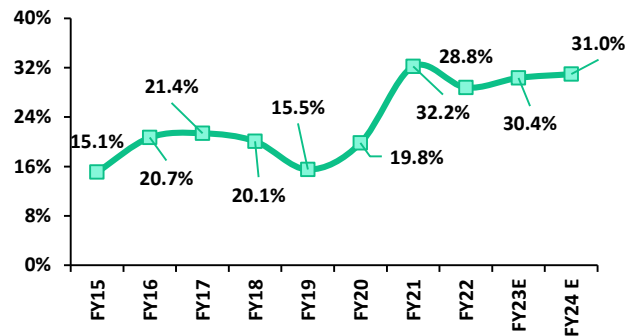
- Over the 5-year period (FY16-21), the company has significantly improved its segment mix by focussing more on high value segments such as Synthesis business and tender markets. Optimization in COGS expenses and reduction in employee expenses has further led to improvement in EBITDA margins from 15.1% in FY15 to 32.2% in FY21.

Fig 17: EBITDA to grow at CAGR of ~13% from FY21-24E



Source: Company, SMIFS Research

Fig 18: EBITDA margins to be around 31% by FY24E



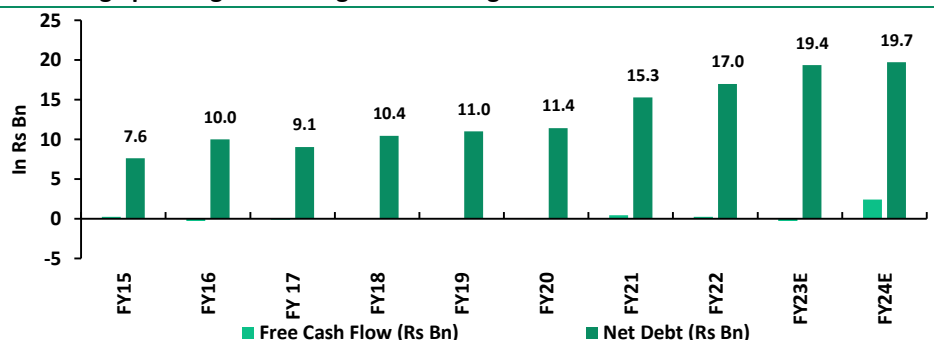
Source: Company, SMIFS Research

- Strong momentum in the CDMO business along with healthy rebound in API business (ex-ARV) with activity levels picking up led to increase in Laurus's EBITDA margins by 12% in FY21, as better mix compensated for negative operating leverage.
- The company reported EBITDA margins of 32.2% in FY21 as compared to 19.8% in FY20. The increase was majorly due to operating leverage wherein other expenses reduced by 200 bps to 10% as % of sales and R&D costs as well declined by 200 bps to 4% as % of sales in FY21.
- In FY22 due to higher employee cost and power and fuel expenses, the EBITDA margins witnessed decline to 28.8%. Since, the company is more focused on cost optimization measures it will help to pick up the margins going ahead. We expect subdued EBITDA margins in FY23E at 30.4% and with subsequent pickup in demand from FY24E onwards, EBITDA margins to be reach at 31%.

Strong operating cash flow augurs well

- Cash flow from operations has increased from Rs 1.9bn in FY16 to Rs 7.3bn in FY21. However, capital expenditures for increasing API, synthesis and formulations greenfield and brownfield capacities has led to a considerably high amount of investments. This has resulted in poor free cash flow over FY16-22. Capex was at Rs 8.7 bn for FY22.
- Both, API and formulations facilities are operating at sub-optimal level and have sufficient capacity to cater increase in demand over the near-term. However, the due to high demand and opportunities the company plans to increase its capex further to Rs 25 bn for FY24. We expect net debt to increase from Rs 17bn in FY22 to Rs 19.7 bn in FY24E.

Fig 19: Strong operating cash flow generation augurs well



Source: Company, SMIFS Research

Capex to drive growth momentum in API and Synthesis business

- Laurus will incur ~INR20-25bn capex during FY22-23.
- 1) Debottlenecking Project completed during Q1 – expected to add 20% of the current capacity 2) further FDF capacity expansion at Unit 2 (to add 4bn units) is expected to get commercialized by Jun FY22. Together these would double the FDF capacity to 10bn units.

Fig 20: Laurus will incur ~INR20-25bn capex during FY22-23

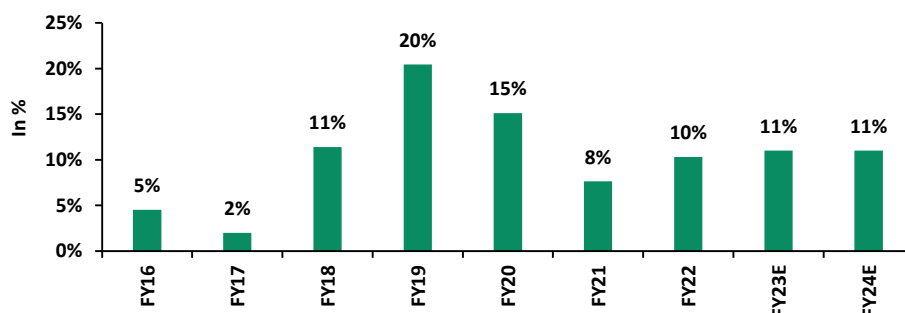
Expansion type	Division	Location	Status & Capacity	Operational Timelines
Brownfield	Formulation	Vizag	Unit 2 - 4 billion units (New building)	Completion by Jun 22
Brownfield	Formulation	Vizag	Unit 2 - 1 billion units (De-bottlenecking)	Completed
Brownfield	API	Vizag	Unit 3, 4, and 6 (1,000KL)	Completed
Brownfield	Custom Synthesis	Vizag	Unit 1 (LSPL)	Completed
Greenfield	Custom Synthesis	Vizag	Land acquired (Unit 2 & Unit 4 - LSPL)	FY24
Greenfield	API	Vizag	Land acquired	FY24/FY25
Greenfield	Formulation	Hyderabad	Land acquired	Phase 1 – FY24
Greenfield	R&D Centre (Synthesis)	Hyderabad	Land acquired	FY23

Source: Company Presentation, SMIFS Research;

Consistent dividend paying status stems confidence in the company

- The company in the past has consistently paid dividend to reward minority shareholders.
- Dividend pay-out ratio has increased from 4.5% in FY16 to 10% in FY22. The retained money management has prudently decided to re-invest into the business for expansion purposes.

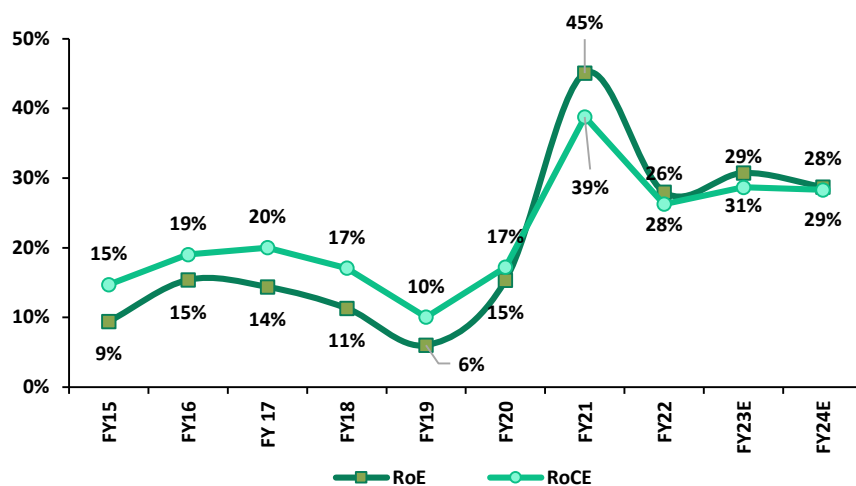
Fig 21: Dividend Payout to remain fairly stable going forward



Source: Company, SMIFS Research

Return ratios to improve on the back of synthesis and formulations business

- Return ratios for the past 5 years is hovering around 10-15%. ROE jumped from 15.3% in FY20 to 45.1% in FY21 due to expansion of API capacity & operating leverage benefit.
- Going ahead, we expect the return ratios to get stabilized between 29%-30% on the back of higher sales contribution from synthesis and Other API business.

Fig 22: Return ratios to increase in FY23E


Source: Company, SMIFS Research; Note: ROE is excluding Non-controlling interest & ROCE is post tax indicative

Fig 23: Key Assumptions

Revenue in INR Mn	2020	2021	2022	2023E	2024E
Formulations	8,253	16,643	18,800	23,737	27,933
% growth		1412%	102%	13%	26%
Synthesis	3,925	5,190	9,170	15,255	19,221
% growth		24%	32%	77%	66%
API	16,140	26,210	20,390	25,242	29,449
% growth		-16%	62%	-22%	24%
Biologics segment	0	90	996	1,398	1,607
% growth			1009%	40%	15%
Total Revenue	28,318	48,133	49,356	65,631	78,210

Source: Company, SMIFS Research;

Fig 24: Peer Comparison

Company Name	Net Sales			EBITDA			PAT			EBITDA Margin %			PAT Margin %		
	FY20	FY21	FY22	FY20	FY21	FY22	FY20	FY21	FY22	FY20	FY21	FY22	FY20	FY21	FY22
Ajanta Pharma Ltd	25,880	28,900	33,410	6,830	10,010	9,293	4,680	6,540	7,127	38.7	32.2	14.0	18.1	22.6	21.3
Alembic Pharmaceuticals Ltd	46,060	53,930	53,058	12,230	15,580	8,742	8290	11780	5,209	33.8	16.2	15.6	18.0	21.8	9.8
Alkem Laboratories Ltd	83,440	88,650	106,342	14,760	19,450	20,529	11270	15,850	16,574	23.3	23.2	10.6	13.5	17.9	15.6
Aurobindo Pharma Ltd	230,990	247,750	234,555	48,490	52,780	43,555	28450	53,350	27,476	22.8	17.6	12.1	12.3	21.5	11.7
Divis Labs	53,940	69,690	89,598	18,260	28,670	38,819	13,770	19,840	29,605	53.2	55.7	15.4	25.5	28.5	33.0
Ipca Labs	46,190	53,950	58,298	9,040	15,440	13,093	6,060	11,400	8,841	33.4	24.3	10.4	13.1	21.1	15.2
Laurus Labs	28,317	48,135	49,356	5,610	15,507	14,244	2,553	9,838	8,324	19.8	32.2	28.9	9	20.4	16.9
Lupin Ltd	153,750	151,630	164,055	23,550	25,670	2,872	-2690	12170	-15,094	16.7	1.9	-1.6	-1.7	8.0	-9.2
Natco Pharma Ltd	19,150	20,520	19,448	5,830	6,060	2,635	4,610	4,410	1,700	31.6	12.8	23.7	24.1	21.5	8.7

Source: AceEquity, SMIFS Research

Company Name	Mcap Rs mn	CAGR FY19-22			ROE (%)			P/E			EV/EBITDA		
		Revenue	EBITDA	PAT	FY20	FY21	FY22	FY20	FY21	FY22	FY20	FY21	FY22
Ajanta Pharma Ltd	149,689	17.6	17.9	22.6	27.0	32.0	22.7	25.5	23.7	21.0	15.2	14.9	14.3
Alembic Pharmaceuticals Ltd	143,845	10.5	0.0	-3.7	24.0	26.0	10.0	12.1	16.1	27.6	9.6	12.4	16.2
Alkem Laboratories Ltd	376,451	13.1	22.4	29.6	19.0	22.0	20.7	24.7	20.9	22.7	18.0	15.1	16.9
Aurobindo Pharma Ltd	310,519	6.2	3.3	5.1	19.0	18.0	11.8	8.5	9.7	11.3	5.3	9.0	6.4
Divis Labs	929,722	21.9	27.5	29.8	25.0	32.0	28.1	38.3	48.6	31.4	26.2	32.2	22.6
Ipca Labs	220,634	15.9	23.5	25.7	19.0	31.0	17.3	28.9	21.2	25.0	18.3	14.9	16.1
Laurus Labs	295,871	29.1	58.8	107.0	45.1	30.3	28.0	18.0	18.8	37.4	10.2	12.9	23.1
Lupin Ltd	280,981	3.8	-51.8	-235.5	9.0	9.0	-11.6	-99.2	38.1	NA	10.3	18.3	72.5
Natco Pharma Ltd	126,220	-2.4	-30.8	-35.9	14.0	13.0	4.0	20.0	34.2	74.3	13.7	21.2	34.7

Source: AceEquity, SMIFS Research; 3 Year

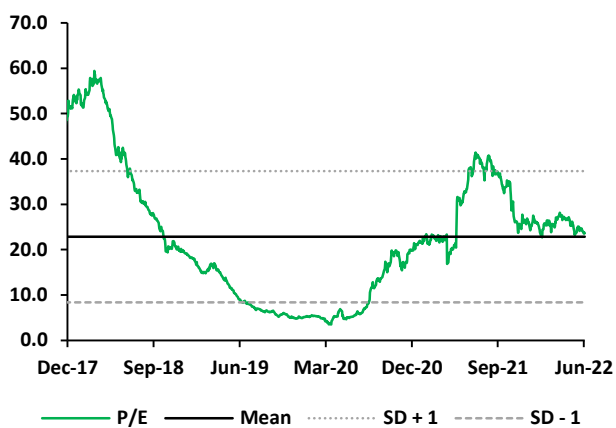
Valuation and Recommendations

At CMP, Laurus is trading at 24x/19.4x FY23E/24E EPS. We believe that investors should use this opportunity to enter the stock due to the following reasons:

Increasing demand of low cost drugs will lead to ramp in exports in US and emerging markets, which will aid higher growth in revenues so we factor in a growth of 33% for FY23E and 19% for FY24E for the company. The company also has healthy pipeline of 31 ANDAs (Abbreviated New drug Approval) out of which 10 are FTFs (First to file) which will fuel the revenue growth going forward. Strong business fundamentals such as diversified segments mix and strong product portfolio along with high return ratios, strong net cash position, and consistent payouts to shareholders make Laurus a compelling investment proposition.

We expect the company to deliver Revenue/EBITDA /PAT CAGR of 26%/31%/32% during FY22-FY24E and hence, initiate coverage on Laurus Labs with a BUY and a target price of Rs 677.

Fig 25: 1 year forward P/E chart



Source: Bloomberg, Company, SMIFS Research

Fig 26: 1 year forward EV/EBITDA chart



Source: Bloomberg, Company, SMIFS Research

Key risks to our thesis

Drop in HIV funding:

- Since ART coverage is increasing rapidly with initiatives to achieve the fast-track target, a growing patient pool will require enough funding to support the treatment.
- Funding constraints would require LMICs to use their limited resources more efficiently. Any reduction in donor funding could lead to pressure on formulation prices, thus reduce the profitability of the FDF segment.
- However, we do not expect a major reduction in donor funding as the funding agencies are aimed at achieving the 95-95-95 target by CY25.

Major overhaul in ART:

- While TLD is expected to remain the preferred regimen for HIV treatment, there are many products currently under development. These could potentially change the landscape in the long-term.

Corporate Governance

We believe that good corporate governance is necessary for enhancing the trust of the shareholders. Hereby, we present a detailed framework on corporate governance for the comfort of the investors of Laurus Labs considering board of directors, remuneration of key managerial personnel, contingent liability etc.

Promoters' Shareholding

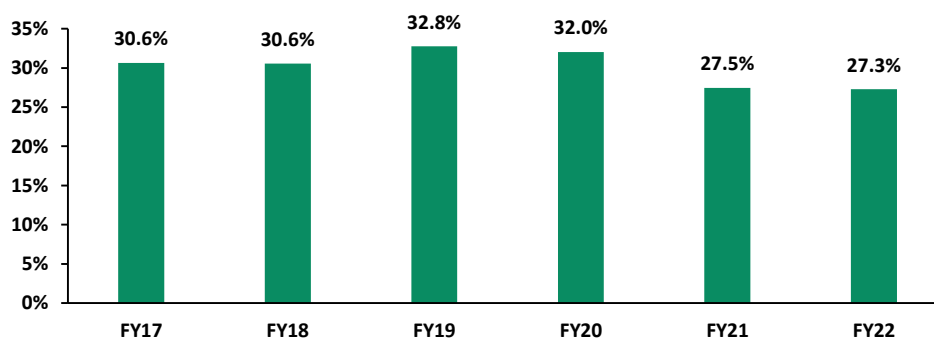
The promoters currently hold ~27.2% of the equity capital. NSN Holdings (Represented by Dr. Satyanarayana Chava) holds the highest equity capital (23.1%) in the company. The details of the shareholding and its movement are indicated in the following table and chart:

Fig 27: Latest Promoter Shareholding

Particulars	% Holding
Mrs. V. Krishnaveni	0.04
Chava Narasimha Rao	0.02
Chunduru Venkata Lakshmana Rao	2.50
Mr. V. V. Ravi Kumar	1.43
Mrs. V. Hymavathi	0.04
Mr. C. Sekhar Babu	0.02
M/S. Nsn Holdings (Represented By Its Managing Partner, Dr. Satyanarayana Chava)	23.10
Mr. S. Narasimha Rao	0.03
Mrs. S. Rama	0.03
Mrs. T. Nagamani	0.02
Mrs. K. Kamala	0.02
Total	27.25

Source: Company Annual Report FY22, SMIFS Research

Fig 28: Promoter Shareholding



Source: Company Annual Report, SMIFS Research

Since the IPO of the company in Dec 2016, the promoter has maintained their shareholding in the company at around 30%. However, in FY21 the promoter shareholding came down from 32% in FY20 to 27.5% in FY21. This decline was partly due to selling of shares by Kalidindi Srihari Raju, Dr.Satyanarayana Chava, who sold 52 lakh equity shares of the Company and Mrs. Nagarani Chava, sold 18 Lakh equity shares of the Company in FY21. Together they sold 1.3% of the paid up capital of the Company.

Since IPO, the promoters have maintained more-or-less similar levels of stakes in Laurus Labs

Promoter Compensation

In FY19, the promoter compensation was 13.8% as a % to PBT due to lower EBITDA and PBT. The promoter compensation was hovering around 2-4% from FY20 to FY22.

Fig 29: Remuneration of promoter

(Rs in mn)

	FY19	FY20	FY21	FY22
Mr. Satyanarayana Chava	124.4	79.8	178.6	275.2
Mr. V Ravi Kumar	28.6	22.5	44	62.42
Mr Lakshmana Rao CV	12.6	15.3	25.4	43.7
Total Remuneration	165.6	117.6	248.0	381.4
As a % of PBT	13.8%	4.0%	1.9%	3.5%

Source: Company Annual Reports, SMIFS Research;

Board Composition

Independent directors constitute 50% of the board composition.

The details are given below:

Fig 30: Board Composition

	FY19	FY20	FY21	FY22
Independent Directors	4	4	4	4
Other Non-Executive Director	1	1	1	1
Executive Chairman, Managing Director	3	3	3	3

Source: Company, SMIFS Research

Contingent Liabilities

The company's contingent liability as a % of net worth is 8.2% in FY19 and 3.5% in FY22. A major portion of contingent liabilities is safe items, which we have taken into consideration in calculating total liability. The actual contingent liabilities are mostly taxation related which is insignificant as a % of net worth.

Fig 31: Contingent Liability

(Rs in mn)

	FY19	FY20	FY21	FY22
Outstanding bank guarantees (excluding performance obligations)	138	445	520	445
Claims arising from disputes not acknowledged as debts - direct taxes	542	42	112	109
Claims arising from disputes not acknowledged as debts - indirect taxes	517	475	509	535
On account of provident fund liability	76	76	76	76
Total	1273	1038	1216	1165
As a % of Net Worth	8.2%	5.9%	4.7%	3.5%

Source: Company Annual Report, SMIFS Research

Related Party Transactions

While investigating the related party transactions we found that there is nothing major related party transactions of Laurus Labs with its subsidiary Laurus Info systems (India) Private Limited. Laurus Labs has given software maintenance of Rs 11.5 mn in FY22, which is insignificant as compared to Laurus Labs net worth.

Fig 32: Related Party Transactions

(Rs in mn)

	FY19	FY20	FY21	FY22
Subsidiary company transactions				
Laurus Infosystems (India) Private Limited	15.7	12.5	11.7	11.5
HRV Global Life Sciences Private Limited	55.2	0.4	117.9	105.9
Laurus Charitable Trust	0	11.3	4.8	14.3
Kapston Facilities Management limited	0	8.2	12	14.1
Sterotherapeutics, LLC	0	0	30.9	3.2

Source: Company, SMIFS Research

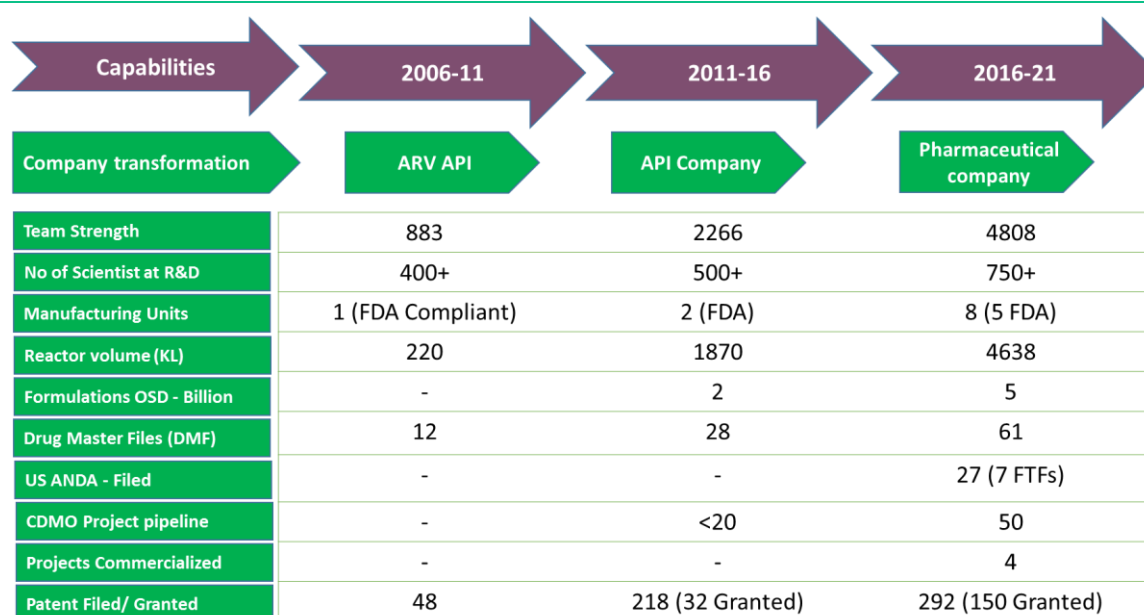
Key management personnel

Fig 33: Details of promoter and director

Name	Designation	Profile
Dr. Satyanarayana Chava	Founder and Chief Executive Officer	Dr. Satyanarayana Chava is an Executive; whole time Director and the Chief Executive Officer of the Company. He has been a Director of the Company since January 21, 2006. He holds a bachelors and master's degree in Science from Andhra University. He was also a research scholar at the College of Science and Technology, Andhra University from 1985 to 1992 and went on to obtain his Ph.D in the year 1992.
Dr. M Venu Gopala Rao	Non-Executive Chairman and Independent Director	Born on December 20, 1940, Dr. M V G Rao graduated with a B.Sc (Hons) in Chemical Engineering from the Andhra University. He also holds a post-graduation degree in Pulp and Paper Technology from the Forest Research Institute, Dehradun. He is conferred Honoris Causa by Rohilkhand University, Bareilly in recognition of his signal services towards promotion of closer Industry-Academic Institute ties. Dr. Rao has a rich and varied industry experience in the Pulp and Paper and Bulk Drug Industries.
Mr. V V Ravi Kumar	Chief Financial Officer	Mr. V V Ravi Kumar is an Executive; whole time Director and Chief Financial Officer of the Company. He has been a Director of the Company since November 30, 2006 and is in-charge of finance; he has also handled the supply chain management department of the company for a significant time.
Dr. C V Lakshmana Rao	Promoter	Dr. C V Lakshmana Rao is one of the Promoters of the Company. He has been associated with the Company for more than a decade and heads Quality function. He holds a Master's degree in Science and a Ph.D. from Andhra University. Dr. C.V. Lakshmana Rao has over 23 years of experience in quality control, quality assurance and regulatory affairs. He has been involved in formulating and executing the core strategy of the Company. Prior to joining the Company in February 2007, he was associated with Mayne Health Pty Ltd., Australia.
Mr. Chandrakanth Chereddi	Independent Director	Mr. Chandrakanth Chereddi is an Executive full-time Director of the Company since August 9, 2016 and has been associated with the Company since February 10, 2012 and is also involved in strategy and operation of the company.
Mrs. Aruna Rajendra Bhinge	Independent Director	Mrs. Aruna Rajendra Bhinge is a Non-Executive, Independent Director of the Company. She holds bachelors and master's degree in Science from the University of Poona and the University of Bombay, respectively. She also holds a master's degree in Management Studies from the University of Mumbai. She has over 15 years of experience in the field of food security and strategic planning. She was the head of Food Security Agenda, APAC at Syngenta India Limited.

Source: Company, SMIFS Research

Fig 34: Key Milestones of Laurus Labs



Source: Company Investor Presentation, SMIFS Research

Company Background

What is Laurus Labs all about?

- Laurus Labs is an R&D driven Pharmaceuticals Company established in 2005 with its headquarters in Hyderabad. It is among the leaders in the manufacture of Active Pharmaceutical Ingredients (APIs) for Antiretroviral (ARV) and Hepatitis C (Hep-C) formulations.
- Other major API segments include therapeutic areas such as Oncology, Cardiovascular, and Anti-Diabetes.
- Apart from manufacturing APIs, it develops and manufactures oral solid formulations, provides CRAMS services to other global pharmaceutical companies, and produces specialty ingredients for nutraceuticals, dietary supplements, and cosmeceuticals.

Fig 35: Laurus Labs capacity details at different locations as on FY22

Unit	Description	Approvals
Kilo Lab - R&D	2021 – Facility Assessment completed by assessment of records by USFDA	USFDA, TGA, KFDA, PMDA, ANVISA Brazil
Unit 1	2019 - EIR Received	USFDA, TGA, MHRA-UK, KFDA, WHO-Geneva, PMDA, NIP-Hungary, Russian GMP, Mexican, ANVISA
Unit 2	2019 – EIR Received	USFDA, BGV-Hamburg, WHO-Geneva, Tanzania-FDA, NDA-Uganda, PMPB-Malawi, KENYA, MCAZ-Zimbabwe, JAZMP-Slovenia, Ethiopia-FDA, Kazakhstan, EMA
Unit 3	2019 – EIR Received	USFDA, WHO-Geneva, NIP-Hungary, Russian GMP, Mexican, JAZMP-Slovenia, KFDA, ANVISA
Unit 4	2019 – EIR Received	WHO-Geneva, USFDA & Mexican
Unit 5	Nil	None
Unit 6	2018 – EIR Received	USFDA
Sriam Labs	Nil	None
LSPL-1	Nil	None

Source: Company Investor Presentation, SMIFS Research

- The company has presence in over 56 countries and enjoys long-term standing relationships with the pharma majors and it works with all the top 10 generic pharmaceutical companies in the world.
- The company has in house R&D team, which works on a continuous basis to improve the quality of product and its properties and also has in house technical team to maintain the technical and quality edge at every production stage.
- Laurus has filed 315 patents in which it own 177 patents. They have commercialised 60+ products since inception across three distinct business units: Generics API, Generics FDF and Synthesis.

Quarterly Financials, Operating Metrics and Key Performance Indicators

Fig 36: Quarterly Financials

Y/E March (Rs mn)	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22
Net Sales	8391	9743	11388	12884	14119	12785	12035	10288	14248
Raw Materials	4183	4461	5013	5831	6278	5538	5327	4240	6833
Employee Costs	881	1116	1081	1006	1138	1273	1229	1220	1294
R&D Costs	400	420	473	473	473	490	420	570	540
Other Expenditure	1009	964	1083	1311	1509	1530	1609	1405	1615
EBITDA	1918	2783	3739	4263	4722	3954	3451	2853	3967
Depreciation	461	488	510	516	536	585	632	640	657
Interest	207	151	137	174	219	266	221	231	306
Other Income	17	71	51	69	45	59	28	53	13
PBT	1267	2215	3143	3642	4012	3161	2626	2035	3017
Tax	166	497	720	913	1043	744	586	485	698
Tax rate (%)	13	22	23	25	26	24	22	24	23
PAT	1102	1718	2423	2729	2969	2416	2040	1550	2319
Extraordinary items	0	0	0	0	0	0	0	0	0
Minority Interest	0	0	0	0	2	2	21	12	14
Consolidated PAT	1102	1718	2423	2729	2967	2414	2019	1537	2305
Y-o-Y Growth (%)									
Revenue	32	77	60	77	68	31	6	-20	1
EBITDA	71	234	171	188	146	42	-8	-33	-16
PAT	155	1040	329	271	170	41	-16	-43	-22
Q-o-Q Growth (%)									
Revenue	15	16	17	13	10	-10	-6	-15	38
EBITDA	29	45	34	14	11	-16	-13	-17	39
PAT	50	56	41	13	9	-19	-16	-24	50
Margin (%)									
EBITDA	23	29	33	33	33	31	29	28	28
PAT	13	18	21	21	21	19	17	15	16

Source: Company, SMIFS Research

Financials Consolidated

Income Statement						
YE March (Rs mn)	FY19	FY20	FY21	FY22	FY23E	FY24E
Revenues	22,919	28,317	48,135	49,356	65,631	78,210
% Growth	11.5	23.6	70.0	2.5	33.0	19.2
Raw Materials	12,356	14,134	21,582	21,938	28,878	34,021
% of sales	53.9	49.9	44.8	44.4	44.0	43.5
Personnel	2,892	3,449	4,341	5,015	7,164	8,615
% of sales	12.6	12.2	9.0	10.2	10.9	11.0
R&D Expenses	1,659	1,600	1,839	2,020	2,625	3,128
% of sales	7.2	5.7	3.8	4.1	4.0	4.0
Other Expenses	2,452	3,524	4,867	6,158	7,029	8,219
% of sales	10.7	12.4	10.1	12.5	10.7	10.5
EBITDA	3,560	5,610	15,507	14,224	19,936	24,226
EBITDA Margin (%)	15.5	19.8	32.2	28.8	30.4	31.0
Depreciation	1,642	1,873	2,051	2,515	3,614	4,394
EBIT	1,918	3,737	13,456	11,709	16,322	19,832
Finance cost	882	896	682	1,024	1,152	1,337
PBT From Operations	1,036	2,841	12,775	10,686	15,169	18,494
Other Income	162	95	237	153	328	391
PBT	1,198	2,936	13,011	10,839	15,497	18,885
Tax-Total	260	383	3,173	2,514	3,564	4,344
Tax Rate (%) - Total	21.7	13.1	24.4	23.2	23.0	23.0
Reported PAT	938	2,553	9,838	8,324	11,933	14,542
Extraordinary items	0	0	0	0	0	0
Minority Interest	0	0	2	49	66	78
Consolidated PAT	938	2,553	9,836	8,275	11,867	14,463
PAT Margin	4.1	9.0	20.4	16.8	18.1	18.5
% Growth	-44.1	172.3	285.3	-15.9	43.4	21.9

Source: Company, SMIFS Research

Key Ratios						
YE March	FY19	FY20	FY21	FY22	FY23E	FY24E
Growth Ratio (%)						
Revenue	11.5	23.6	70.0	2.5	33.0	19.2
EBITDA	-13.9	57.6	176.4	-8.3	40.2	21.5
Consol. PAT	-44.1	172.3	285.4	-15.4	43.4	21.9
Margin Ratios (%)						
EBITDA	15.5	19.8	32.2	28.8	30.4	31.0
PBT from operations	5.2	10.4	27.0	22.0	23.6	24.1
Consol. PAT	4.1	9.0	20.4	16.8	18.1	18.5
Return Ratios (%)						
ROE	6.0	15.3	45.1	28.0	30.7	28.7
ROCE	10.0	17.2	38.8	26.3	28.7	28.3
Turnover Ratios (days)						
Asset Turnover (x)	1.11	1.20	1.75	1.42	1.31	1.30
Debtors	113	102	99	100	90	95
Inventory	109	117	119	130	126	122
Creditors	78	79	89	65	70	75
Cash conversion cycle	144	139	129	166	146	142
Solvency Ratio (x)						
Net debt-equity	0.7	0.6	0.6	0.5	0.4	0.3
Debt-equity	0.7	0.6	0.6	0.5	0.5	0.4
Interest coverage ratio	2.2	4.2	19.7	11.4	14.2	14.8
Current Ratio	1.2	1.2	1.4	1.4	1.5	1.7
Per share Ratios (Rs)						
EPS	8.8	4.8	18.4	15.5	22.2	27.1
BVPS	146.4	33.1	48.6	62.4	82.1	106.2
DPS	1.5	0.6	1.4	2.0	2.4	3.0
Valuation (x)						
P/E	8.4	18.0	18.8	37.4	23.7	19.4
P/BV	0.5	2.6	7.1	9.3	6.4	5.0
EV/EBITDA	5.3	10.2	12.9	23.1	15.1	12.5

Source: Company, SMIFS Research

Balance Sheet						
YE March (Rs mn)	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	1,064	1,069	1,073	1,075	1,075	1,075
Reserves & Surplus	14,520	16,629	24,934	32,516	41,763	54,714
Shareholders' Fund	15,584	17,698	26,007	33,591	42,838	55,789
Total Debt	11,069	11,456	15,799	17,767	19,867	22,667
Deferred Tax Liabilities	0	0	192	691	691	691
Other Liabilities	902	1,026	2,182	2,229	3,872	3,519
Total Liabilities	27,554	30,180	44,180	54,277	67,268	82,666
Gross Block	20,717	23,506	27,508	34,694	50,194	60,194
Less: Accumulated Depreciation	4,645	6,438	8,358	10,741	14,355	18,749
Net Block	16,072	17,068	19,150	23,953	35,839	41,445
Capital WIP	1,096	672	3,622	8,132	2,500	3,200
Intangible and Goodwill	219	195	2,556	2,571	2,571	2,571
Long term Investments	328	372	457	911	853	1,095
Other Non-Current Assets	967	1,076	973	667	1,052	1,241
Total Non-Current Asset	18,682	19,383	26,758	36,234	42,816	49,552
Inventories	6,819	9,052	15,755	17,603	22,656	26,142
Current Investments	4	5	7	6	6	6
Trade receivables	7,099	7,914	13,061	13,542	16,183	20,356
Cash and cash equivalent	30	17	485	759	504	2,931
Other current assets	676	1,132	1,442	1,536	1,313	1,721
Total Current Assets	14,630	18,121	30,749	33,446	40,662	51,156
Trade payables	4,883	6,156	11,787	8,764	12,587	16,071
Other current liabilities	806	919	1,289	6,098	3,282	1,564
Short term Provisions	69	248	251	542	342	408
Total Current Liabilities	5,758	7,323	13,327	15,403	16,210	18,042
Net Current Assets	8,871	10,797	17,422	18,043	24,451	33,113
Total Assets	27,554	30,180	44,180	54,277	67,268	82,666

Source: Company, SMIFS Research

Cash Flow						
YE March (Rs mn)	FY19	FY20	FY21	FY22	FY23E	FY24E
Operating profit before WC changes	3,650	5,868	15,556	14,350	20,264	24,617
Changes in working capital	-445	-1,998	-5,941	-3,416	-5,086	-6,904
Income tax Paid	-253	-396	-2,285	-1,823	-3,564	-4,344
Cash flow from operations	2,976	3,474	7,330	9,111	11,613	13,369
Adj. OCF (OCF - Interest)	2071	2578	6648	8087	10461	12032
Capex	-2538	-2220	-6839	-8767	-16881	-10000
Adj. FCF	-467	358	-190	-680	-6419	2032
Cash flow from investments	-2529	-2211	-9410	-9143	-11511	-10813
Cash flow from financing	-448	-1277	2547	303	-358	-128
Net change in cash	0	-14	467	270	-256	2,427

Source: Company, SMIFS Research

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