

# Indoco Remedies Ltd

**Product diversification to propel revenue and profitability**




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**BUY @ CMP INR 327**

**Target: INR 658 in 24 months**

**Upside Potential: 101.2%**

## Product diversification to propel revenue and profitability

Indoco Remedies Ltd (IRL) FY24 poor performance was a one-off marred by a decline in regulatory market sales and remedial costs incurred to rectify certain USFDA observations. Alongwith this competitive intensity in the domestic acute segment led to drop in realizations. In addition, IRL incurred significant one-time promotional spend related to building awareness around the Sensodent K brand.

However, we believe that constructive strategic initiatives undertaken by IRL should take the company back on the growth path. We forecast revenues to grow at a CAGR of 15.4% to INR 2,794 cr driven by:

- Domestic sales set to grow at a CAGR of 11.5% to INR 1,711 cr by improving geographical presence in north & east while also focusing more on the sub-chronic and chronic segments. Several blockbuster formulations (like Sensodent, Rexitin, etc) are being farmed out to be distributed via OTC (subsidiary Warren Remedies), with a dedicated FMCG product manager.
- International sales expected to grow at CAGR of 18.9% to INR 1,282 cr on the back of revamped distribution through newly acquired subsidiary FPP in place of profit sharing partnerships and dossier licensing. Incremental injectables capacity at Goa plant to come on stream in FY26.
- API sales to grow at 20.0% CAGR to INR 219 cr on a low base.
- The CRO & analytics vertical to continue to grow revenues at a steady CAGR of 15% coming of a high base.

This strategic shift along with automation spends should lead to EBITDA margins ploughing back to a steady state of 17-18%. R&D spends are expected to be maintained at erstwhile levels of 5-6%. INR 400 cr capex is primarily catering to new facility at Aurangabad & modernization of existing facilities.

Over FY24-27E, we forecast EBITDA and net earnings to grow at 28.7% and 41.0% CAGR to INR 520 cr and INR 276. The return ratios - RoE and RoIC - are set to expand by 813bps to 17.0% and 1000bps to 18.8% respectively by FY27E, warranting a valuation re-rating. We initiate coverage with a BUY for a price target of INR 658 (23X FY27 P/E) representing an upside of 101.2% over the next 24 months.

**Industry** Pharmaceutical

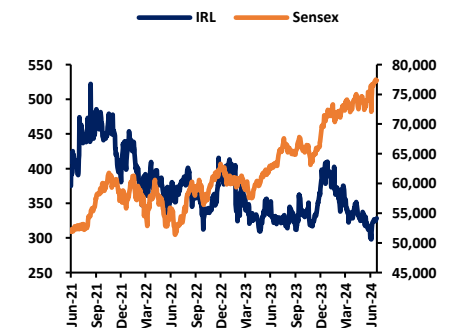
### Scrip Details

Face Value (INR)	2.0
Market Cap (INR Cr)	3,014
Price (INR)	327
No of Sh O/S (Cr)	9.2
3M Avg Vol (000)	160.3
52W H/L (INR)	417/286
Dividend Yield (%)	0.69

### Shareholding (%) Mar 2024

Promoter	58.7
Institution	21.4
Public	19.9
<b>TOTAL</b>	<b>100.0</b>

### Price Chart



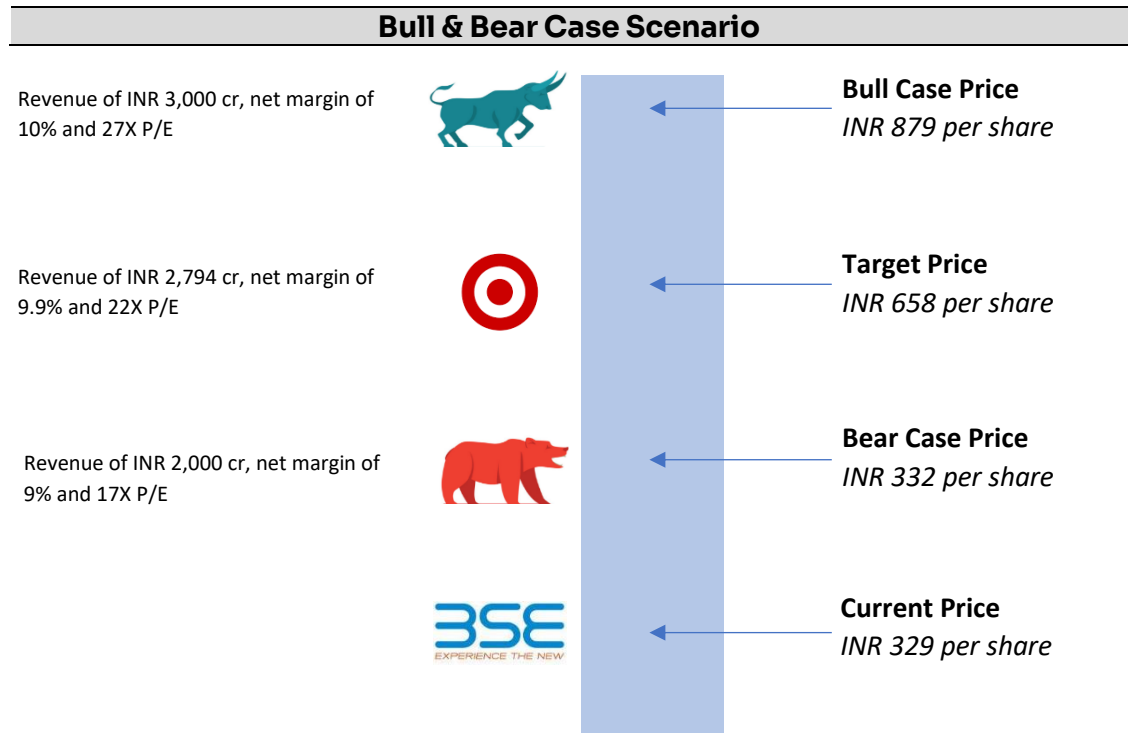
### Key consolidated financial data (INR Cr, unless specified)

	Net Revenue	EBITDA	Net Profit	EBITDA (%)	Net (%)	EPS (₹)	BVPS (₹)	RoE (%)	RoIC (%)	P/E (X)	EV/EBITDA (X)
FY23	1,668.6	286.0	142.3	17.1	8.5	15.4	111.5	13.8	16.2	21.2	11.6
FY24	1,817.3	244.3	98.5	13.4	5.4	10.7	120.4	8.9	8.8	30.6	14.9
FY25E	2,107.0	334.1	140.4	15.9	6.7	15.2	133.2	11.4	12.6	21.5	10.9
FY26E	2,433.8	422.0	203.5	17.3	8.4	22.1	151.6	14.6	15.8	14.8	8.6
FY27E	2,793.6	520.4	275.9	18.6	9.9	29.9	176.1	17.0	18.8	10.9	6.8

## Our Bull and Bear Case Scenarios

We have prepared likely Bull and Bear case scenarios for FY27 price, based on revenue growth, net margins and P/E multiples.

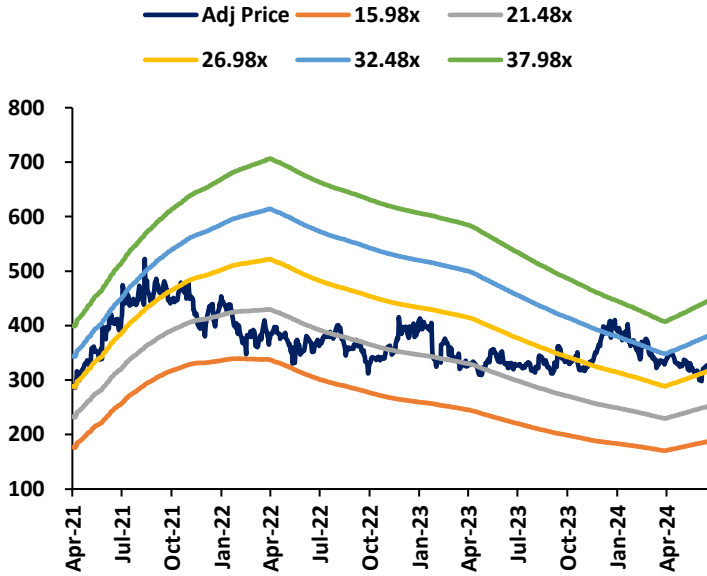
- Bull Case:** We have assumed revenue of INR 3,000 cr (FY24-27E CAGR of 18.2%) and a net margin of 10% at a P/E of 27X, which will result in a Bull Case price target of INR 879 per share (an upside of 167% from CMP).
- Bear Case:** We have assumed revenue of INR 2,000 (FY24-27E CAGR of 3.2%) cr and a net margin of 9% at a P/E of 17X, which will result in a Bear Case price target of INR 332 per share (an upside of 0.9% from CMP).



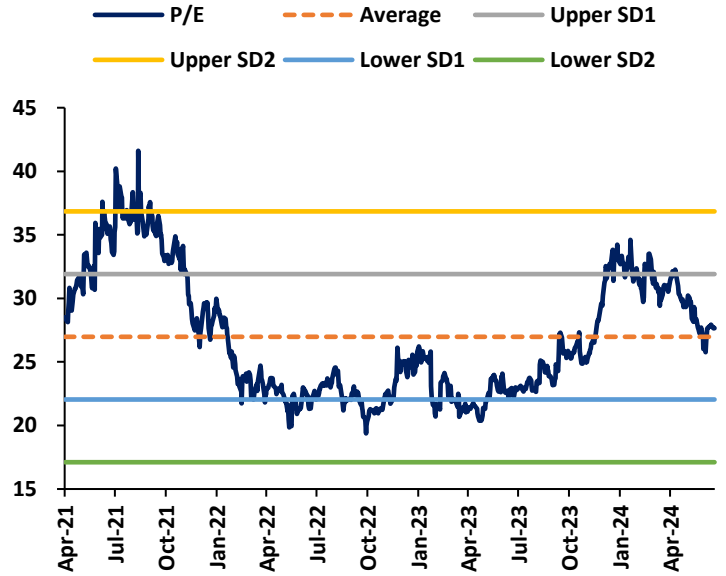
Source: BSE & Ventura Research

**Strong growth outlook, improving profitability and healthy balance sheet could sustain valuation**

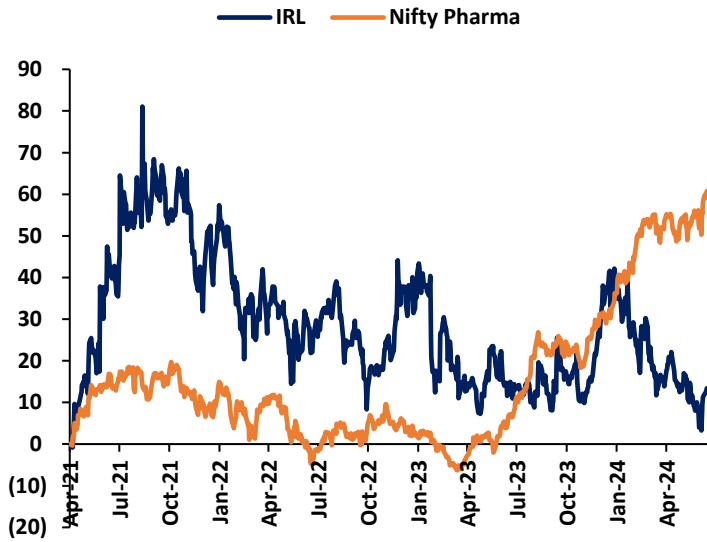
**1 year forward P/E**



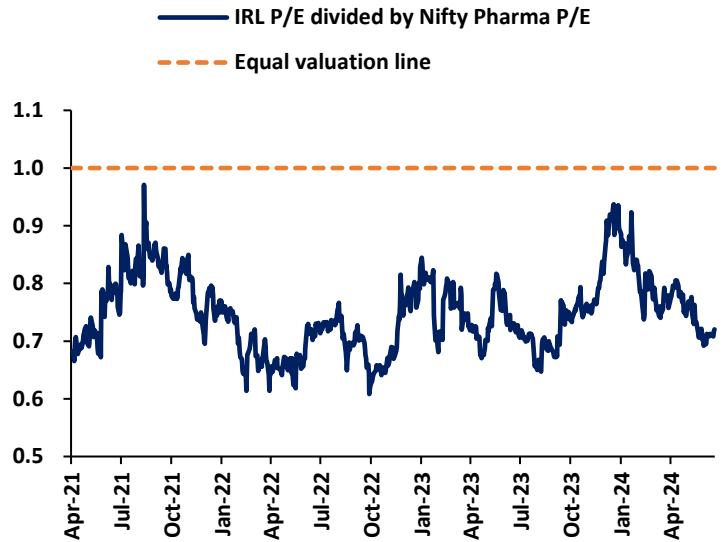
**1 year forward P/E and standard deviation**



**Price performance - IRL has underperformed vs Nifty Pharma index**



**IRL stock is significantly undervalued compared to Nifty Pharma index**



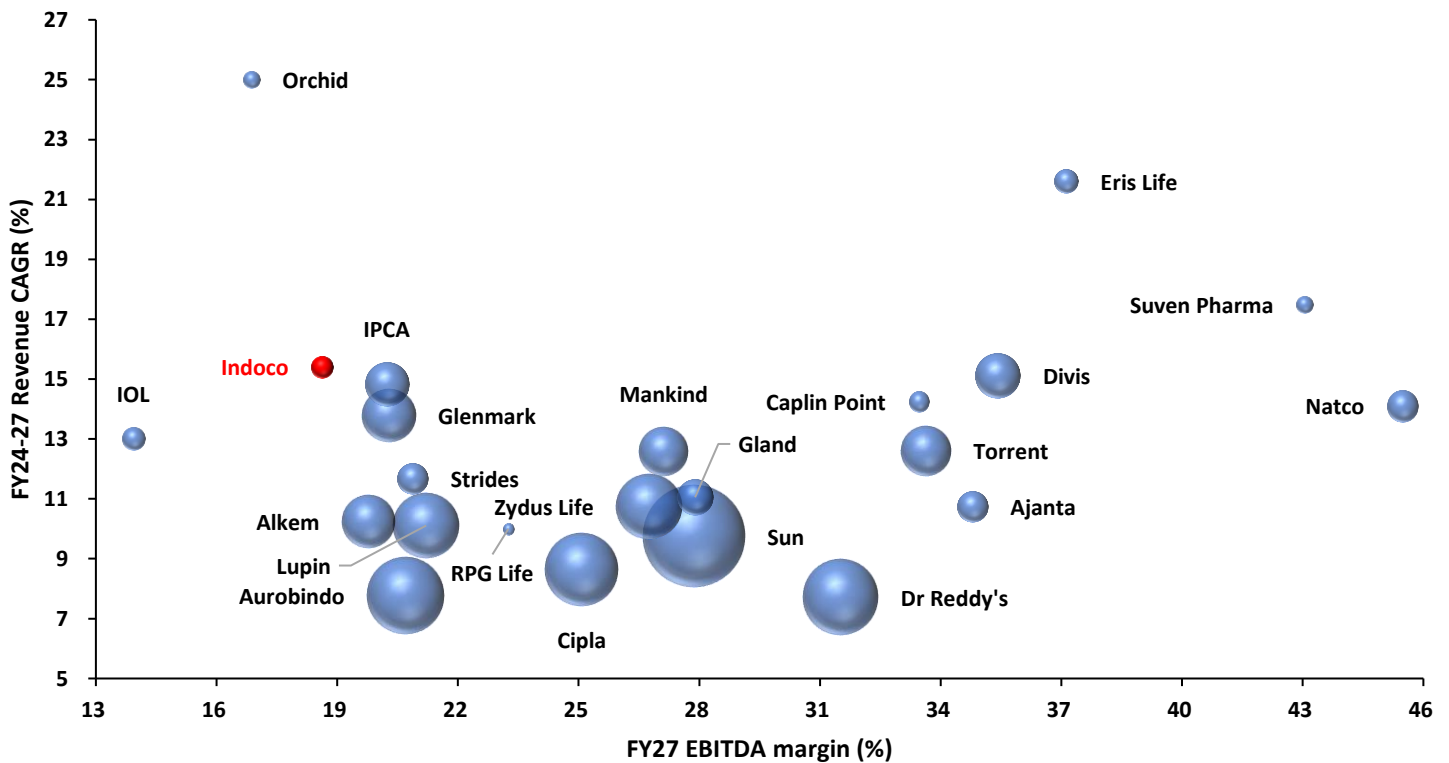
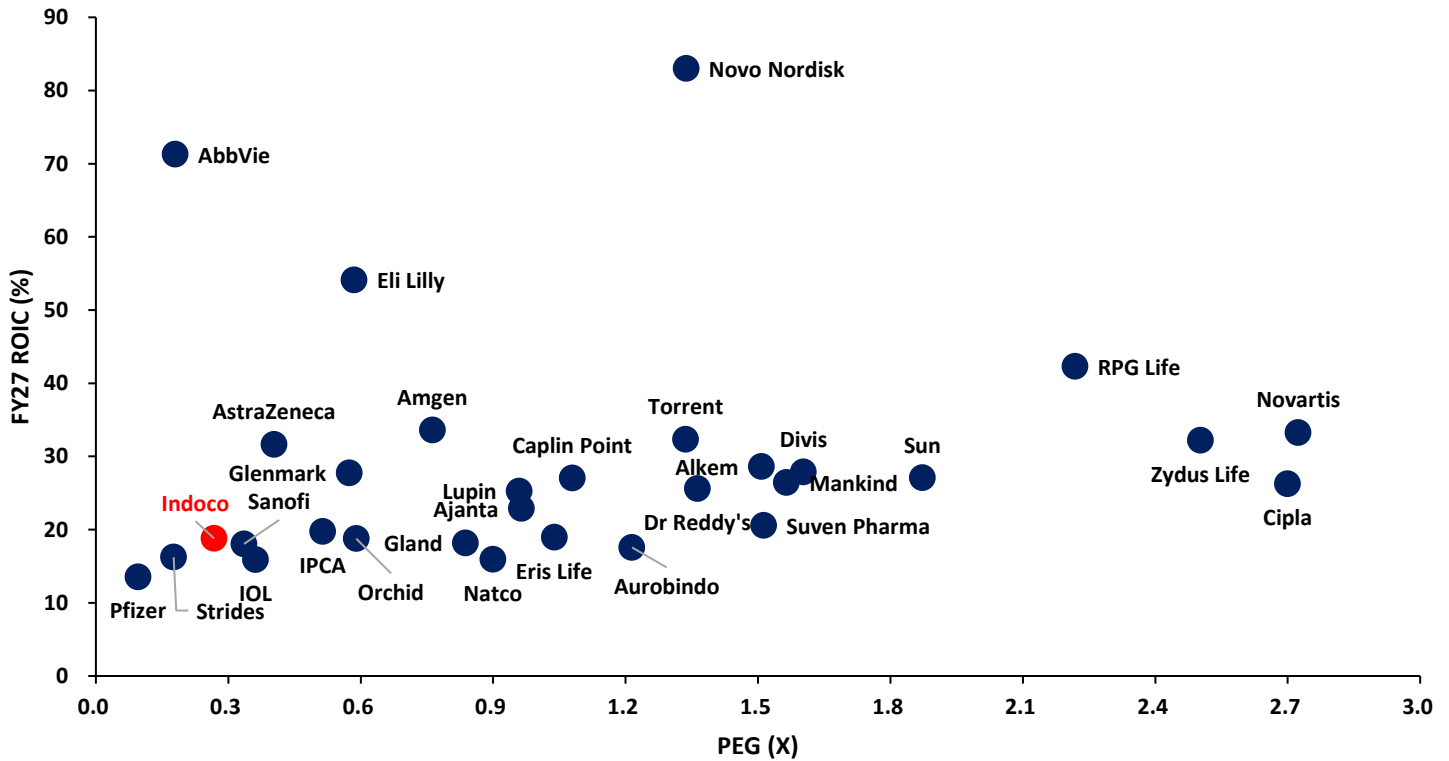
Source: Ventura Research



## Valuation and comparable metrics of domestic and global companies

Company Name	Mkt Cap	Price	PEG (x)	P/E (x)			EV/Sales (x)			EV/EBIDTA (x)			RoE (%)			RoIC (%)			Sales			EBITDA Margin (%)			Net Margin (%)		
				2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027
Domestic Peers (fig in INR cr, unless specified)																											
Indoco Remedies	3,014	327	0.3	21.5	14.8	10.9	1.7	1.5	1.3	10.9	8.6	6.8	11.4	14.6	17.0	12.6	15.8	18.8	2,107	2,434	2,794	15.9	17.3	18.6	6.7	8.4	9.9
Sun Pharma	363,298	1,514	1.9	33.1	28.3	25.9	6.4	5.7	5.2	23.7	20.0	18.7	15.3	15.8	15.9	23.1	26.5	27.1	53,299	58,927	63,112	27.2	28.4	27.9	20.6	21.8	22.3
Cipla	119,283	1,477	2.7	25.7	22.9	22.6	4.0	3.5	3.2	16.0	14.0	12.9	15.2	15.0	13.5	25.6	26.9	26.3	28,036	30,812	32,636	25.0	25.2	25.1	16.5	16.9	16.1
Zydus Lifesciences	108,155	1,075	2.5	25.4	24.0	21.8	4.8	4.3	3.7	17.7	16.1	13.9	18.0	16.5	16.1	25.3	27.3	32.2	21,816	23,481	25,829	27.3	26.8	26.8	19.6	19.2	19.2
Dr Reddy's Lab	103,455	6,202	1.4	16.9	15.4	14.0	3.1	2.8	2.4	10.3	8.9	7.7	18.6	17.8	17.7	29.2	29.6	25.6	29,865	31,705	34,875	30.4	31.5	31.5	20.5	21.3	21.3
Aurobindo Pharma	70,831	1,208	1.2	18.1	15.7	15.5	2.2	1.9	1.7	10.0	8.6	8.3	11.8	12.1	10.9	17.1	18.5	17.6	31,605	34,595	35,923	21.5	22.1	20.7	12.4	13.0	12.7
Lupin	72,901	1,599	1.0	30.2	25.0	21.2	3.4	3.0	2.6	16.8	14.3	12.3	14.8	15.5	15.8	20.0	22.7	25.2	21,676	23,855	26,240	20.1	20.9	21.2	11.1	12.2	13.1
Alkem Labs	59,733	4,996	1.5	28.4	24.3	22.1	4.1	3.6	3.2	22.5	19.0	16.1	17.9	18.1	17.3	25.5	27.6	28.6	13,972	15,435	16,974	18.1	19.0	19.8	15.1	15.9	15.9
Glenmark Pharma	34,767	1,232	0.6	26.3	21.6	18.6	2.5	2.2	1.9	14.2	11.7	9.4	13.5	14.3	14.9	19.5	22.3	27.7	13,812	15,250	17,044	17.8	18.8	20.3	9.6	10.6	10.9
Mankind Pharma	86,119	2,150	1.6	38.9	32.8	27.6	7.3	6.4	5.6	28.6	24.3	20.6	19.2	18.8	18.6	26.0	27.0	26.4	11,617	13,087	14,741	25.3	26.2	27.1	19.1	20.1	21.2
IPCA	28,103	1,108	0.5	31.6	23.8	19.4	3.1	2.7	2.4	17.1	13.4	12.0	12.5	14.5	15.3	17.2	21.0	19.8	9,081	10,329	11,603	18.4	20.2	20.2	9.8	11.4	12.5
Natco Pharma	21,120	1,179	0.9	13.1	11.9	10.8	5.0	4.9	4.4	10.9	10.7	9.7	22.2	20.4	19.4	19.4	16.0	16.0	4,828	5,400	5,941	46.2	45.5	45.5	33.3	33.0	33.0
IOL Chemicals & Pharma	2,397	408	0.4	11.3	9.9	9.0	0.9	0.8	0.7	6.7	5.9	5.3	11.7	11.9	11.9	15.7	16.0	15.9	2,625	2,799	3,079	13.1	13.9	13.9	8.1	8.6	8.6
Eris Lifesciences	14,313	1,052	1.1	34.6	25.6	21.1	5.7	5.0	4.3	16.4	13.9	11.7	14.2	16.6	16.6	14.7	16.7	18.9	2,915	3,291	3,581	34.7	35.6	37.1	14.2	17.0	18.9
Ajanta Pharma	29,417	2,336	1.0	31.2	26.9	20.3	6.6	6.0	5.6	23.3	20.8	16.1	21.5	20.9	25.6	20.5	18.8	22.9	4,703	5,266	5,651	28.3	28.9	34.8	20.0	20.8	25.6
Caplin Point Lab	10,636	1,399	1.1	22.9	20.0	15.5	5.1	4.5	3.9	16.0	13.9	11.6	16.1	15.4	18.1	28.7	26.4	27.0	1,922	2,185	2,527	32.0	32.4	33.5	24.2	24.4	27.2
Suven Pharma	18,983	746	1.6	55.8	40.2	35.0	16.5	13.0	11.1	41.7	30.1	25.9	14.8	17.3	16.7	18.8	22.2	20.6	1,153	1,460	1,705	39.5	43.3	43.0	29.5	32.3	31.8
Orchid Pharma	6,195	1,221	0.6	41.7	28.5	24.8	5.9	4.0	3.7	35.2	24.0	22.2	11.3	17.0	17.8	11.3	19.1	18.8	1,028	1,484	1,600	16.7	16.8	16.9	14.4	14.6	15.6
RPG Life Sciences	2,706	1,636	2.3	28.1	25.5	23.2	4.0	3.7	3.3	17.3	15.8	14.3	23.4	23.4	23.4	45.5	43.8	42.3	640	704	775	23.3	23.3	23.3	15.1	15.1	15.1
Torrent Pharma	94,810	2,805	1.3	46.6	36.6	30.6	8.0	7.0	6.3	24.9	21.1	18.6	25.5	26.2	23.4	29.9	33.6	32.4	12,072	13,627	15,077	32.3	33.3	33.6	16.9	19.0	20.5
Divis Labs	120,770	4,549	1.6	58.5	47.1	39.3	12.9	11.0	9.6	40.9	32.7	27.1	14.0	15.6	16.2	23.9	27.1	27.9	9,051	10,518	11,968	31.4	33.7	35.4	22.8	24.4	25.7
Strides Pharma	8,802	958	0.2	20.7	15.3	13.9	2.4	2.1	1.9	11.9	10.2	9.3	16.9	18.8	18.8	14.7	15.6	16.2	4,617	5,131	5,644	19.9	20.9	20.9	9.2	11.2	11.2
Gland Pharma	29,727	1,804	0.8	28.5	23.9	20.1	4.4	3.8	3.4	17.4	14.6	12.1	10.7	11.5	12.2	16.1	18.5	18.2	6,357	7,083	7,758	25.0	26.1	27.9	16.4	17.5	19.1
Global Peers (fig in USD mn, unless specified)																											
Pfizer Inc	157,191	28	0.1	11.6	10.0	9.5	3.3	3.5	3.4	7.8	7.9	7.5	15.3	17.4	18.2	13.4	13.0	13.5	60,577	62,678	63,007	42.2	44.0	45.7	22.3	25.0	26.4
AstraZeneca PLC	244,011	157	0.4	19.4	17.0	15.5	5.1	4.7	4.3	14.5	12.6	11.2	29.4	29.6	28.5	26.5	28.4	31.6	51,832	55,598	58,589	35.3	37.0	38.3	24.2	25.8	26.9
Novartis AG	234,124	107	2.7	15.0	14.3	13.6	5.0	4.7	4.5	12.7	11.9	11.3	31.6	32.1	30.2	28.0	30.8	33.3	49,268	51,356	52,218	39.1	39.7	39.7	31.6	31.9	32.9
AbbVie Inc	300,886	170	0.2	15.0	14.1	12.6	6.4	5.9	5.4	13.7	12.2	10.9	307.8	381.0	327.9	42.0	53.0	71.3	55,249	58,384	62,692	46.9	48.7	49.2	36.2	36.6	38.1
Sanofi SA	120,665	95	0.3	11.9	10.4	9.7	2.6	2.4	2.1	8.4	7.3	6.4	12.5	13.4	13.7	14.6	16.1	18.0	49,777	53,024	56,226	30.5	32.3	32.5	20.4	21.8	22.2
Eli Lilly & Co	840,044	884	0.6	67.8	48.2	36.9	20.0	16.1	13.4	53.4	38.8	29.6	67.9	59.6	50.7	39.8	47.4	54.1	42,988	52,942	62,909	37.4	41.5	45.3	28.8	32.9	36.2
Novo Nordisk	633,804	142	1.3	41.8	34.2	29.0	15.3	12.6	10.8	31.3	25.2	21.1	70.5	64.7	62.3	77.2	77.6	83.0	41,752	50,284	58,779	48.8	50.0	51.0	36.3	36.8	37.2
Amgen Inc	165,308	308	0.8	15.7	15.1	14.6	6.4	6.1	5.8	11.9	11.5	11.2	147.1	113.6	93.0	27.7	30.9	33.6	33,004	33,973	34,663	53.7	52.6	51.7	31.8	32.2	32.7

Revenue growth and margin expansion deserves re-rating in valuation



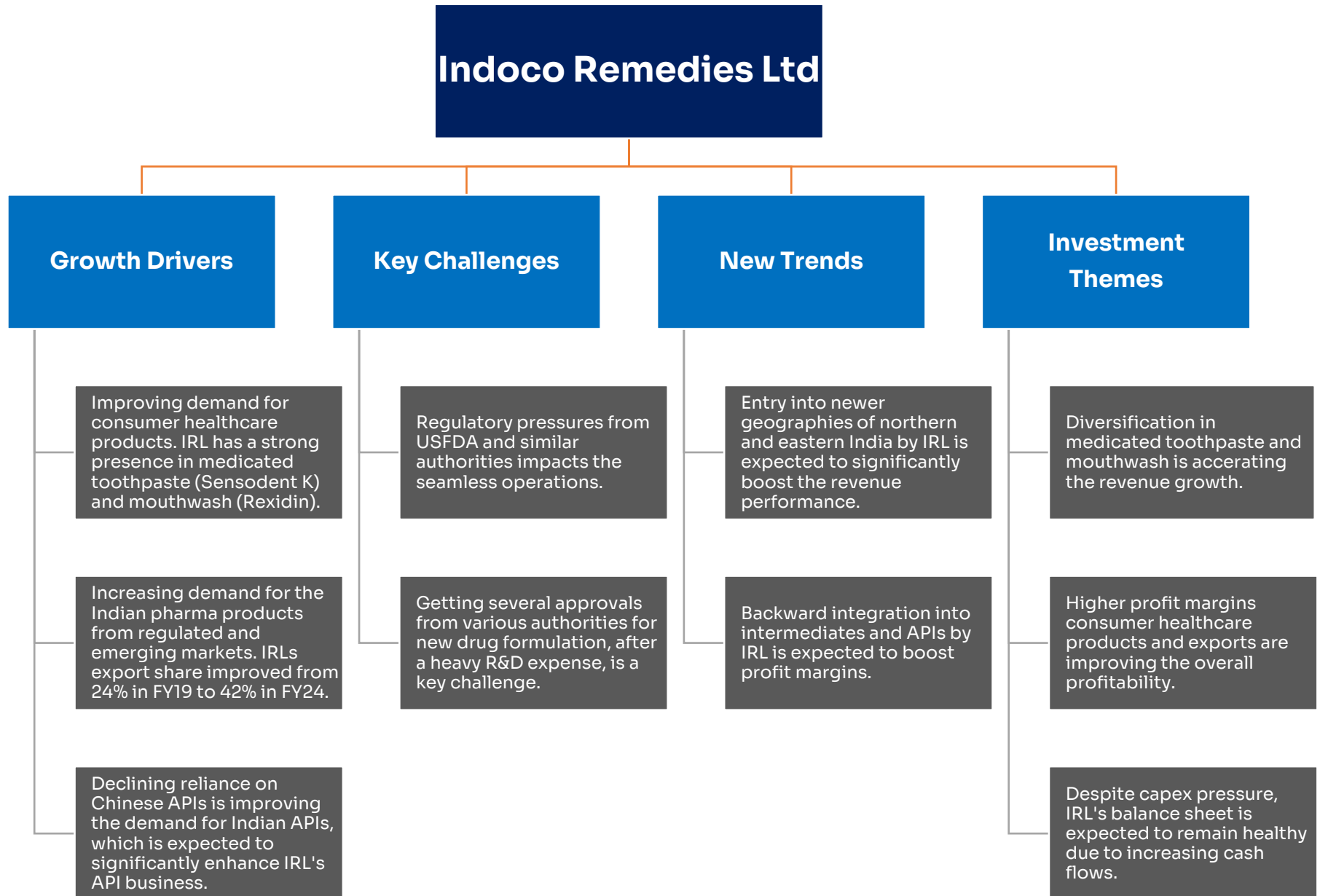
## IRL's Financial Summary

Fig in INR Cr (unless specified)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E
<b>Domestic formulations</b>	606.2	686.2	619.0	803.1	796.7	844.9	946.3	1,055.1	1,171.2	1,294.1	1,423.6	1,558.8
<i>YoY Growth (%)</i>	1.9	13.2	(9.8)	29.7	(0.8)	6.0	12.0	11.5	11.0	10.5	10.0	9.5
<i>Share in total revenue (%)</i>	62.6	62.0	49.9	52.1	47.7	46.5	44.9	43.4	41.9	40.6	39.3	38.1
<b>International formulations</b>	233.5	296.3	492.4	620.5	753.7	763.3	914.4	1,088.0	1,281.8	1,500.6	1,743.8	2,009.8
<i>YoY Growth (%)</i>	(32.8)	26.9	66.2	26.0	21.5	1.3	19.8	19.0	17.8	17.1	16.2	15.3
<i>Share in total revenue (%)</i>	24.1	26.8	39.7	40.3	45.2	42.0	43.4	44.7	45.9	47.0	48.1	49.1
<b>Regulated markets</b>	160.9	217.5	399.8	503.6	634.0	580.1	667.1	766.5	880.0	1,009.3	1,156.7	1,324.4
<i>YoY Growth (%)</i>	(41.6)	35.2	83.8	25.9	25.9	(8.5)	15.0	14.9	14.8	14.7	14.6	14.5
<i>Share in total revenue (%)</i>	68.9	73.4	81.2	81.2	84.1	76.0	73.0	70.5	68.6	67.3	66.3	65.9
<b>Emerging markets</b>	72.6	78.7	92.5	117.0	119.7	183.2	247.3	321.5	401.9	491.3	587.1	685.4
<i>YoY Growth (%)</i>	1.3	8.4	17.5	26.4	2.3	53.0	35.0	30.0	25.0	22.3	19.5	16.8
<i>Share in total revenue (%)</i>	31.1	26.6	18.8	18.9	15.9	24.0	27.0	29.5	31.4	32.7	33.7	34.1
<b>API</b>	82.2	86.0	94.0	63.4	70.7	126.5	153.1	183.7	218.6	257.9	301.8	350.0
<i>YoY Growth (%)</i>	35.1	4.6	9.3	(32.6)	11.5	78.9	21.0	20.0	19.0	18.0	17.0	16.0
<i>Share in total revenue (%)</i>	8.5	7.8	7.6	4.1	4.2	7.0	7.3	7.5	7.8	8.1	8.3	8.6
<b>CRO &amp; Analytical Services</b>	20.2	11.5	13.3	16.7	19.0	36.3	41.8	47.6	53.8	60.3	66.9	73.6
<i>YoY Growth (%)</i>	12.9	(43.1)	15.9	25.7	13.5	91.6	15.0	14.0	13.0	12.0	11.0	10.0
<i>Share in total revenue (%)</i>	2.1	1.0	1.1	1.1	1.1	2.0	2.0	2.0	1.9	1.9	1.8	1.8
<b>Other Operating Revenue</b>	26.4	26.6	22.8	37.0	28.5	46.2	51.4	59.4	68.1	77.8	88.4	99.8
<i>YoY Growth (%)</i>	26.1	0.9	(14.2)	62.2	(22.9)	62.0	11.1	15.5	14.8	14.2	13.6	12.9
<i>Share in total revenue (%)</i>	2.7	2.4	1.8	2.4	1.7	2.5	2.4	2.4	2.4	2.4	2.4	2.4
<b>Revenue from operations</b>	968.4	1,106.6	1,241.5	1,540.8	1,668.6	1,817.3	2,107.0	2,433.8	2,793.6	3,190.8	3,624.5	4,092.1
<i>YoY Growth (%)</i>	(7.1)	14.3	12.2	24.1	8.3	8.9	15.9	15.5	14.8	14.2	13.6	12.9
<b>Raw Material Cost</b>	320.3	330.4	354.1	456.8	521.3	559.2	653.2	754.5	866.0	989.2	1,123.6	1,268.6
<i>RM Cost to Sales (%)</i>	33.1	29.9	28.5	29.6	31.2	30.8	31.0	31.0	31.0	31.0	31.0	31.0
<b>Employee Cost</b>	231.7	256.5	274.0	296.3	322.6	361.9	399.1	439.5	485.3	540.8	606.1	681.2
<i>Employee Cost to Sales (%)</i>	23.9	23.2	22.1	19.2	19.3	19.9	18.9	18.1	17.4	16.9	16.7	16.6
<b>Other Expenses</b>	339.9	398.8	395.1	461.4	538.7	651.9	720.6	817.8	921.9	1,033.8	1,170.7	1,317.7
<i>Other Expenses to Sales (%)</i>	35.1	36.0	31.8	29.9	32.3	35.9	34.2	33.6	33.0	32.4	32.3	32.2
<b>EBITDA</b>	76.6	120.8	218.3	326.3	286.0	244.3	334.1	422.0	520.4	627.0	724.1	824.7
<i>EBITDA Margin (%)</i>	7.9	10.9	17.6	21.2	17.1	13.4	15.9	17.3	18.6	19.7	20.0	20.2
<b>PAT</b>	(2.9)	24.1	93.0	154.8	142.3	97.0	138.7	201.5	273.6	353.7	428.9	507.2
<i>PAT Margin (%)</i>	(0.3)	2.2	7.5	10.0	8.5	5.3	6.6	8.3	9.8	11.1	11.8	12.4
<b>Net Profit</b>	(2.9)	24.1	93.0	154.8	142.3	98.5	140.4	203.5	275.9	356.2	431.8	510.5
<i>Net Margin (%)</i>	(0.3)	2.2	7.5	10.0	8.5	5.4	6.7	8.4	9.9	11.2	11.9	12.5
<b>Adjusted EPS</b>	(0.3)	2.6	10.1	16.8	15.4	10.7	15.2	22.1	29.9	38.6	46.8	55.4
<i>P/E (X)</i>	(1,038.2)	125.0	32.4	19.5	21.2	30.6	21.5	14.8	10.9	8.5	7.0	5.9
<b>Adjusted BVPS</b>	71.7	73.7	83.4	98.1	111.5	120.4	133.2	151.5	176.0	207.3	244.8	288.5
<i>P/BV (X)</i>	4.6	4.4	3.9	3.3	2.9	2.7	2.5	2.2	1.9	1.6	1.3	1.1
<b>Enterprise Value</b>	3,274.0	3,237.8	3,258.9	3,238.4	3,314.2	3,637.6	3,640.5	3,615.2	3,556.0	3,460.0	3,332.7	3,172.9
<i>EV/EBITDA (X)</i>	42.7	26.8	14.9	9.9	11.6	14.9	10.9	8.6	6.8	5.5	4.6	3.8
<b>Net Worth</b>	660.6	679.6	769.0	904.6	1,028.2	1,109.9	1,227.8	1,396.7	1,622.9	1,911.5	2,256.9	2,660.2
<i>Return on Equity (%)</i>	(0.4)	3.5	12.1	17.1	13.8	8.9	11.4	14.6	17.0	18.6	19.1	19.2
<b>Capital Employed</b>	956.9	941.3	1,028.2	1,148.8	1,342.8	1,765.1	1,917.8	2,056.7	2,232.9	2,431.5	2,636.9	2,900.2
<i>Return on Capital Employed (%)</i>	0.2	4.5	10.0	14.1	11.8	6.2	9.1	11.5	13.6	15.6	16.8	17.6
<b>Invested Capital</b>	920.7	903.3	1,013.8	1,129.1	1,328.4	1,733.5	1,854.3	1,997.9	2,165.0	2,357.5	2,575.7	2,819.1
<i>Return on Invested Capital (%)</i>	0.6	5.5	14.3	21.9	16.2	8.8	12.6	15.8	18.8	21.4	23.0	24.3
<b>Cash Flow from Operations</b>	132.1	122.8	82.2	173.8	178.8	156.7	188.1	242.6	305.8	374.3	435.5	499.8
<b>Cash Flow from Investing</b>	(103.8)	(55.9)	(66.7)	(121.4)	(208.2)	(433.8)	(109.2)	(123.3)	(141.3)	(161.3)	(183.2)	(206.7)
<b>Cash Flow from Financing</b>	(16.1)	(63.9)	(29.9)	(44.4)	22.8	280.4	(48.1)	(125.3)	(156.8)	(208.5)	(266.9)	(275.1)
<b>Net Cash Flow</b>	12.2	3.0	(14.3)	8.0	(6.5)	3.3	30.8	(6.0)	7.7	4.5	(14.5)	18.0
<b>Free Cash Flow</b>	45.7	86.6	21.3	58.7	(8.8)	(241.8)	22.7	166.4	208.9	252.8	284.6	316.0
<i>FCF to Revenue (%)</i>	4.7	7.8	1.7	3.8	(0.5)	(13.3)	1.1	6.8	7.5	7.9	7.9	7.7
<i>FCF to EBITDA (%)</i>	59.6	71.7	9.7	18.0	(3.1)	(99.0)	6.8	39.4	40.1	40.3	39.3	38.3
<i>FCF to Net Profit (%)</i>	(1,573.5)	359.3	22.9	37.9	(6.2)	(245.5)	16.2	81.8	75.7	71.0	65.9	61.9
<i>FCF to Net Worth (%)</i>	6.9	12.7	2.8	6.5	(0.9)	(21.8)	1.8	11.9	12.9	13.2	12.6	11.9
<b>Total Debt</b>	296	262	259	244	315	655	690	660	610	520	380	240
<b>Net Debt</b>	260	224	245	224	300	624	627	601	542	446	319	159
<i>Net Debt to Equity (X)</i>	0.4	0.3	0.3	0.2	0.3	0.6	0.5	0.4	0.3	0.2	0.1	0.1
<i>Net Debt to EBITDA (X)</i>	3.4	1.9	1.1	0.7	1.0	2.6	1.9	1.4	1.0	0.7	0.4	0.2
<i>Interest Coverage Ratio (X)</i>	0.2	1.9	6.5	17.5	8.6	4.0	3.9	5.2	7.1	9.9	14.7	24.5
<b>Fundamental scores</b>												
<b>Altman Z Score</b>	1.2	1.5	2.0	2.3	2.8	3.2	3.3	3.4	3.6	3.7	3.9	4.1
<b>Piotroski F-score</b>	4.0	8.0	7.0	7.0	4.0	4.0	7.0	7.0	7.0	7.0	7.0	6.0
<b>Beneish M-score</b>	(2.8)	(2.3)	(1.9)	(1.9)	(1.8)	(2.2)	(2.1)	(2.0)	(2.0)	(2.0)	(1.9)	(1.9)

Source: ACE Equity, Company Reports & Ventura Research

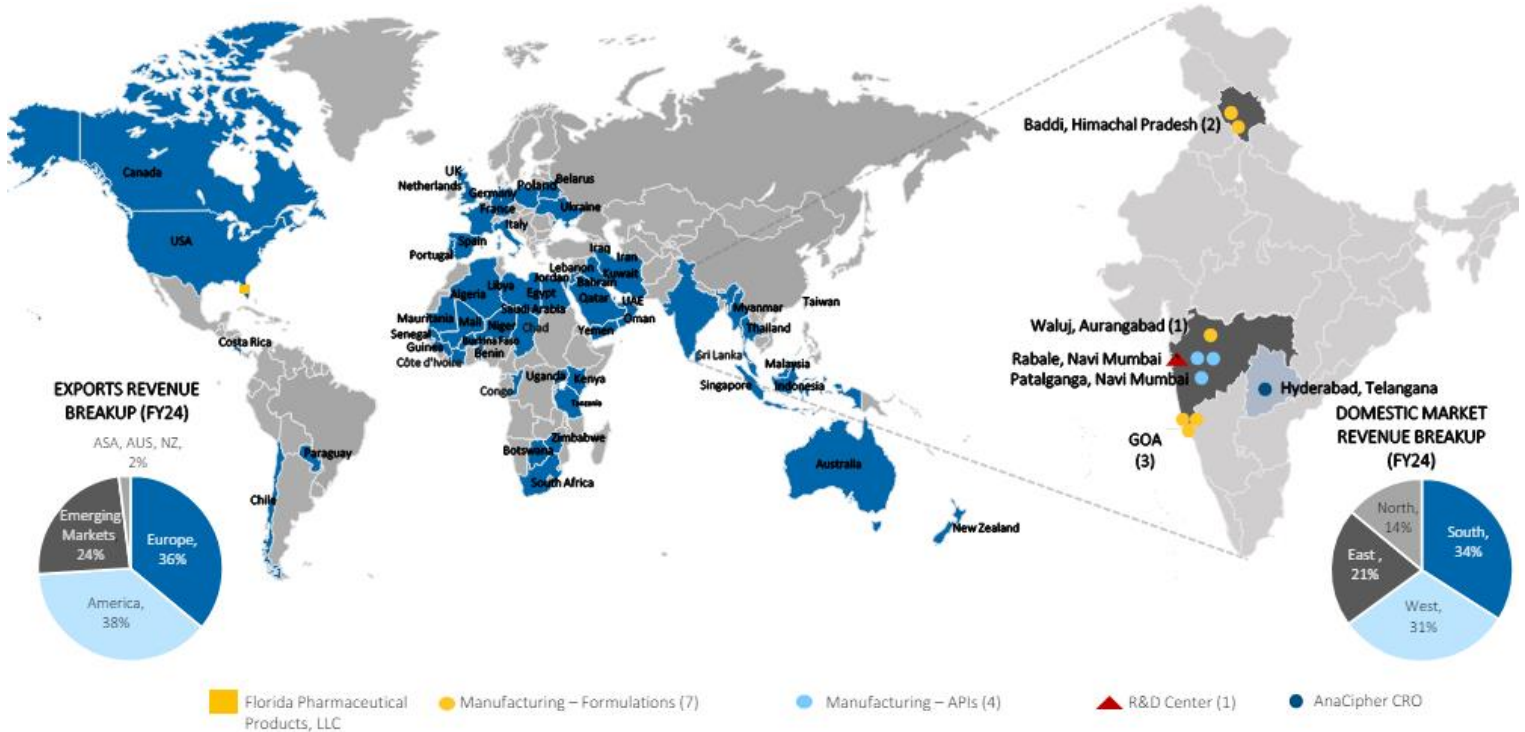


## Indoco Remedies Ltd SWOT Analysis in a nutshell



## Diversified markets and manufacturing footprints

IRL has fully backward integrated robust domestic manufacturing infrastructure and an R&D base that produces formulations and APIs, serving over 55 countries.



Formulation plants are located in Goa, Aurangabad, Baddi and Waluj. All the plants have sufficient capacities to cater to 3-4 years of revenue.

<p><b>GOA PLANT I</b></p>	<p>Dosages manufactured  <b>Solid Orals (Tablets Coated / Uncoated)</b>  <b>Liquid Orals</b>  <b>Creams &amp; Ointments</b>  <b>Capsules (Hard Gelatin)</b>                  Approved by UK-MHRA, TGA-Australia, Darmstadt-Germany and WHO-GMP</p>	<p><b>BADDI PLANT I</b></p>	<p>Dosages manufactured  <b>Solid Orals (Tablets)</b>  <b>Liquid Orals</b>  <b>External Preparations (Creams &amp; Ointments)</b>  <b>Oral Hygiene preparation (Toothpaste)</b>                  Approved by UK-MHRA (for Solid Dosages), World Health Organization, Ministry of Health - Nepal and also successfully faced audit from Ministry of Health, Slovenia.</p>
<p><b>GOA PLANT II</b></p>	<p>Dosages manufactured  <b>Ampoules</b>  <b>Vials/ Bottles</b>                  This is a state-of-the-art sterile facility for Ophthalmic and Injectables approved by <b>USFDA</b> and also by Ministry of Health - Tanzania, UKMHRA, ANVISA, ENVIMA &amp; NAFDAC-NIGERIA.</p>	<p><b>BADDI PLANT II</b></p>	<p>Dosages manufactured  <b>Solid Orals (Tablets)</b>                  This facility has been approved by UK-MHRA and WHO-GMP</p>
<p><b>GOA PLANT III</b></p>	<p>Dosages manufactured  <b>Aqueous, Non-Aqueous and photo sensitive products</b>                  The facility is approved by <b>USFDA</b>, TGA-Australia and Bavarian Health Authority-Germany.</p>	<p><b>WALUJ PLANT</b></p>	<p>Dosages manufactured  <b>Solid Orals (Tablets)</b>  <b>Liquid Orals</b>  <b>External Preparations</b>                  This facility has been inspected by World Health Organization, National Drug Authority - Uganda, Drug Regulatory Unit - Botswana, PPB Kenya, TMDA Tanzania, MEDS Kenya, TPML France (FWA), ZAMRA - Zambia</p>
<p><b>AURANGABAD PLANT</b></p>	<p><b>Formulation Plant – Warren</b>                  Proposed view of Formulation Plant, Warren, Aurangabad                  Dosages manufactured                  Semi Solids i.e. Toothpastes &amp; External Liquids manufacturing facility.                  Currently commissioned and further construction in progress.</p>		

**All the manufacturing plants are backed by the API facilities located in Rabale, Patalganga and Aurangabad**



**API Plant I – Rabale**

- Medium volume multipurpose APIs, and intermediates manufacturing facility that supplies API to Domestic as well as ROW market and intermediates supplies to Patalganga site as well as Kilolab facility.
- Approved by Indian FDA schedule M compliant.



**API Plant II Kilolab - Rabale**

- Small volume and high value APIs, and its intermediates manufacturing facility for Export as well as Domestic supplies.
- Approved by **USFDA**, EDQM, TGA, KFDA, WHO GMP, Indian FDA and PMDA Japan.



**API Plant III - Patalganga**

- Medium and High-volume multipurpose APIs and Intermediates manufacturing facility, that supplies API to Export, Domestic as well as ROW market and Intermediates to Rabale Plant I as well as Kilolab facility.
- Approved by **USFDA**, EDQM, WHO GMP, TGA and PMDA Japan.



**API Plant - Warren, Aurangabad**

- Proposed view of Warren Remedies API & Intermediates manufacturing site.
- High volume APIs, and intermediates manufacturing facility. Currently manufacturing intermediates for supplies to Patalganga site as well as Plant I Rabale site.
- Project Phase I completed and Phase II under commissioning.

**State-of-the-art R&D center at Rabale (Navi Mumbai) for the development of formulations and APIs**



**Formulation R&D Focus:**

- Complex Ophthalmic and Injectables
- Controlled Release Technologies
- Development of “Difficult to Formulate” Products
- Dental Care Products
- Nutraceutical Product Development
- Development of all kinds of dosage forms

**API R&D Focus:**

- Custom chemical synthesis of molecules & intermediates (R & D, Preclinical and Clinical Phase)
- Contract Research: Process Chemistry Research & Development
- Non-Infringing process design & scale up Analytical Research (Analytical Method Development, Validation, Impurity Characterization, Impurity profiling & Polymorphic Studies)
- Intellectual Property Management

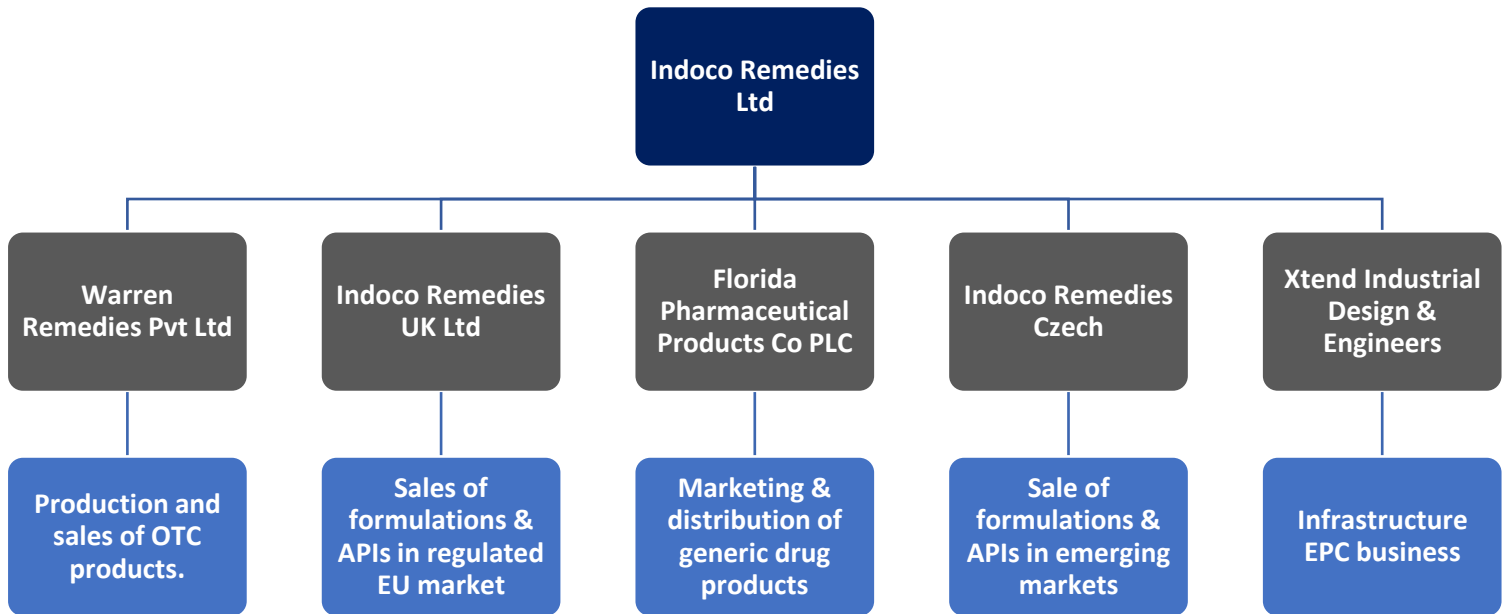
- 1,00,000 Sq. ft. R&D facility in Navi Mumbai
- Over 400 Scientists
- Custom Synthesis
- New Drug Delivery Systems & New Platform Technologies

- Development of Complex Ophthalmic & Injectables.
- Multiple Unit Pallet System (MUPS) in Solid Orals
- Development of FDFs & APIs
- Development of first to file products.

- Indoco Analytical Solution (USFDA approved facility)
- 113 Process Patents: -41 formulations -72 APIs
- Expertise in platform technology developments
- NDMA
- E&L

## Strategic subsidiaries – Promoting exports and OTC business

IRL operates through three strategic subsidiaries—Indoco Remedies UK, Florida Pharmaceutical Products, and Indoco Remedies Czech—to boost its exports in both regulatory and emerging markets. Additionally, Warren Remedies specializes in OTC products. Florida Pharmaceutical Products is an 85% subsidiary, whereas the other three subsidiaries are fully owned at 100%.



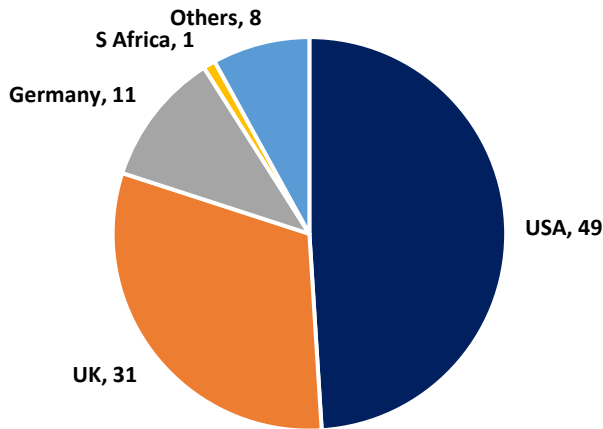


**IRL's revenues to grow at 15.4% CAGR to INR 2,794 cr by FY27E.**

**Export formulation – A significant growth ahead**

**IRL's expected mid-teen revenue growth is projected to be driven by a 18.9% CAGR in export formulations, which is expected to reach INR 1,282 cr.**

**FY24 regulated market break-up (%)**

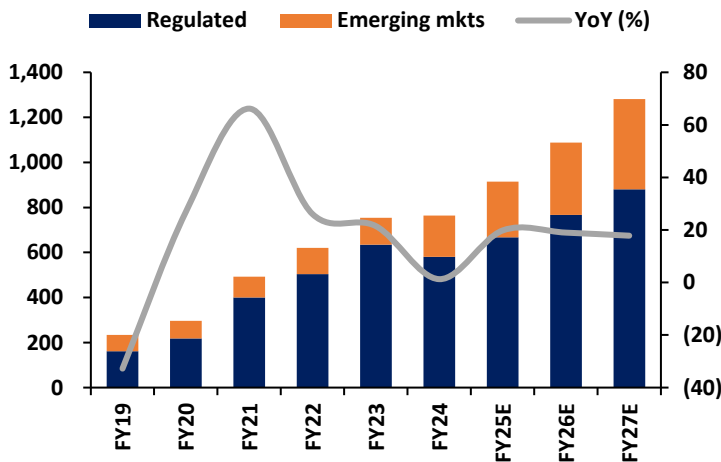


**Export formulation growth will be supported by:**

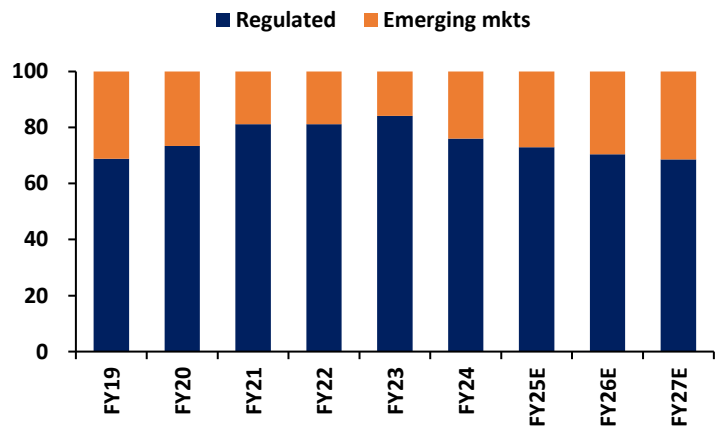
- A presence in 55+ countries, with 56 ANDAs under USFDA (30 approved and 26 pending) and 17 dossiers with the EU CTD.
- A strategic focus on the ophthalmic segment in Europe and on injectables & solid oral formulations in the US, Europe & emerging markets, including efforts to build brands in emerging markets.
- Direct sales through subsidiary, Florida Pharmaceutical Products Holding Company (FPP, 85% subsidiary) in the US, which aims to enhance sales and margins in the US, moving away from previous profit-sharing and dossier out-licensing arrangements.

Our growth projections are more conservative than the management's CAGR forecast of 20% in export revenue, due to ad-hoc pricing pressures.

**Significant growth in export formulations**



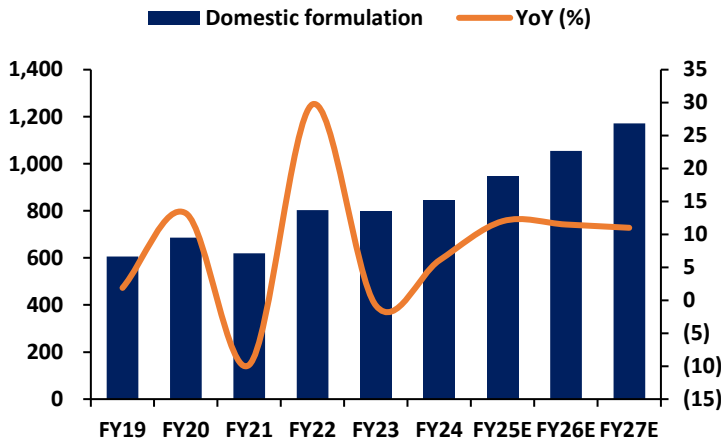
**New product launches and brand building is expected to drive emerging markets' revenue**



**Domestic formulations – OTC products and business expansion are driving the performance**

**Despite increasing competition in the domestic pharma market, IRL is expected to record low double digit profitable growth in domestic formulations. We are expecting 11.5% revenue CAGR to INR 1,171 cr by FY27E.**

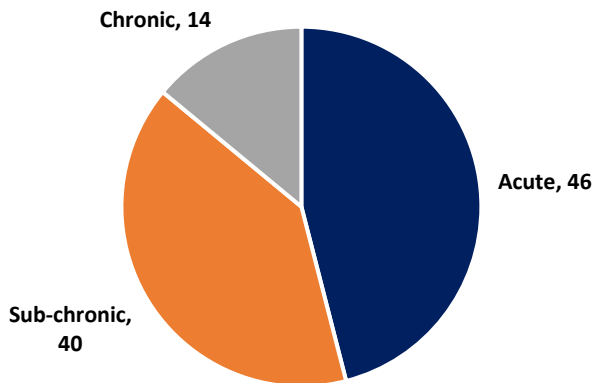
**Domestic business to deliver double digit revenue growth**



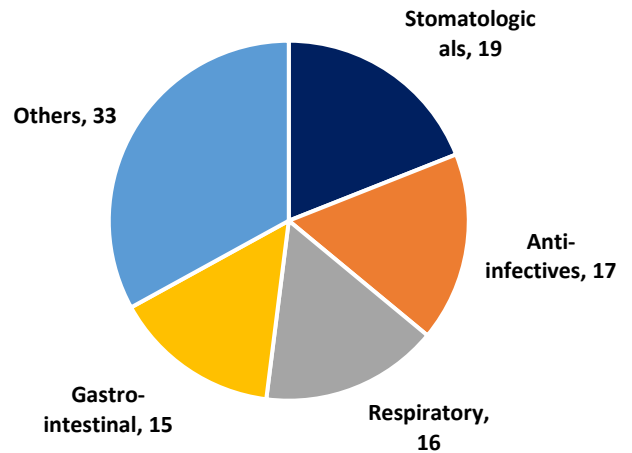
**Domestic formulation growth will be supported by:**

- 43 leading products (out of 75 products in 13 therapeutic segments), which are ranked among the top 5 in respective sub-segments.
- Secular revenue growth from southern & western India (65% revenue share) due to strong field force of 2,300 MRs and 25 C&F agents which are catering to 2.35+ lakhs doctors.
- Beefing up of MR strength in northern & eastern India (35% revenue share) is expected to enhance IRL presence and network.
- Strong growth in OTC products (cosmetics & oral care). Sensodent commands 90% market share in INR 300 cr domestic medicated toothpaste market.
- IRL has appointed a dedicated FMCG manager to fast-track the sale of OTC products and setting up a dedicated facility in Aurangabad for cosmetics and oral OTC products.

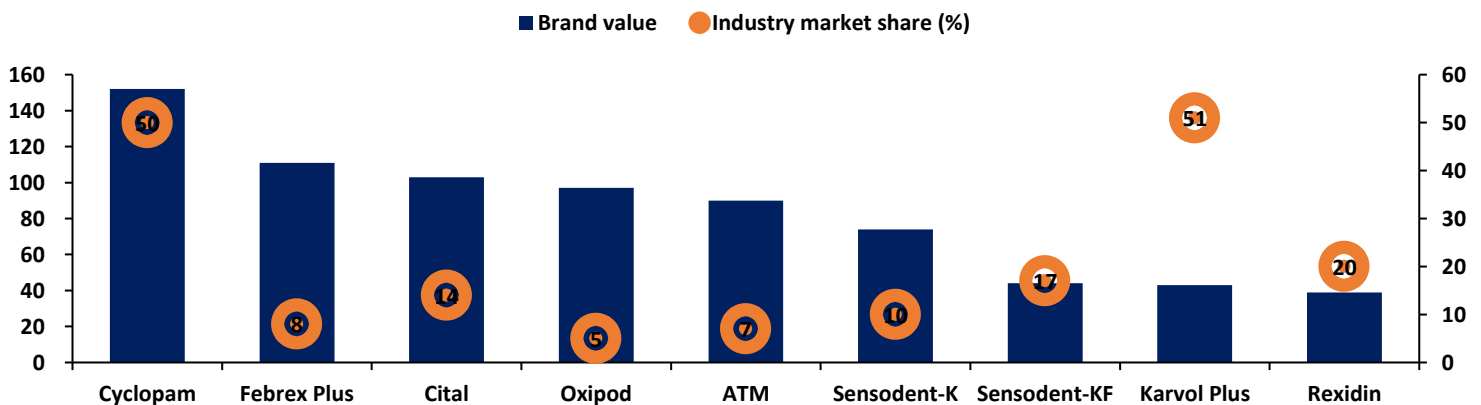
**Domestic revenue segment breakup (%)**



**Domestic revenue therapeutic breakup (%)**



**Domestic formulations - IRL's top brands and their respective market share**

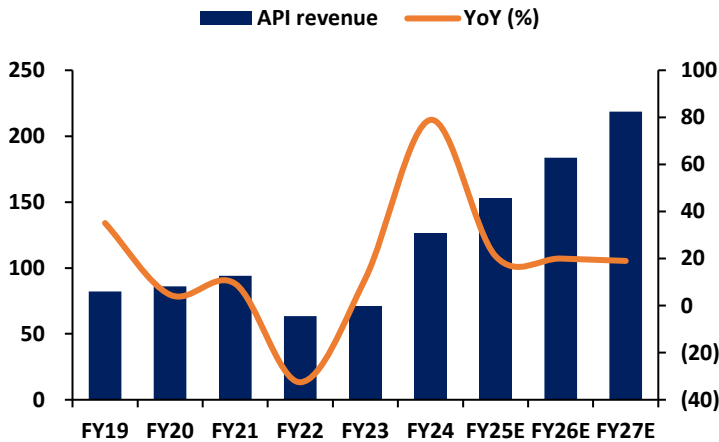




## APIs & intermediaries – Backward integration and external sales

IRL's API vertical caters to captive requirements by providing backward integration and also adds value through rising demand for Indian APIs in domestic as well as global regulated markets. We are expecting 20% revenue CAGR to INR 219 cr by FY27E.

Increasing demand for API from regulated markets is expected to drive IRL's API revenue

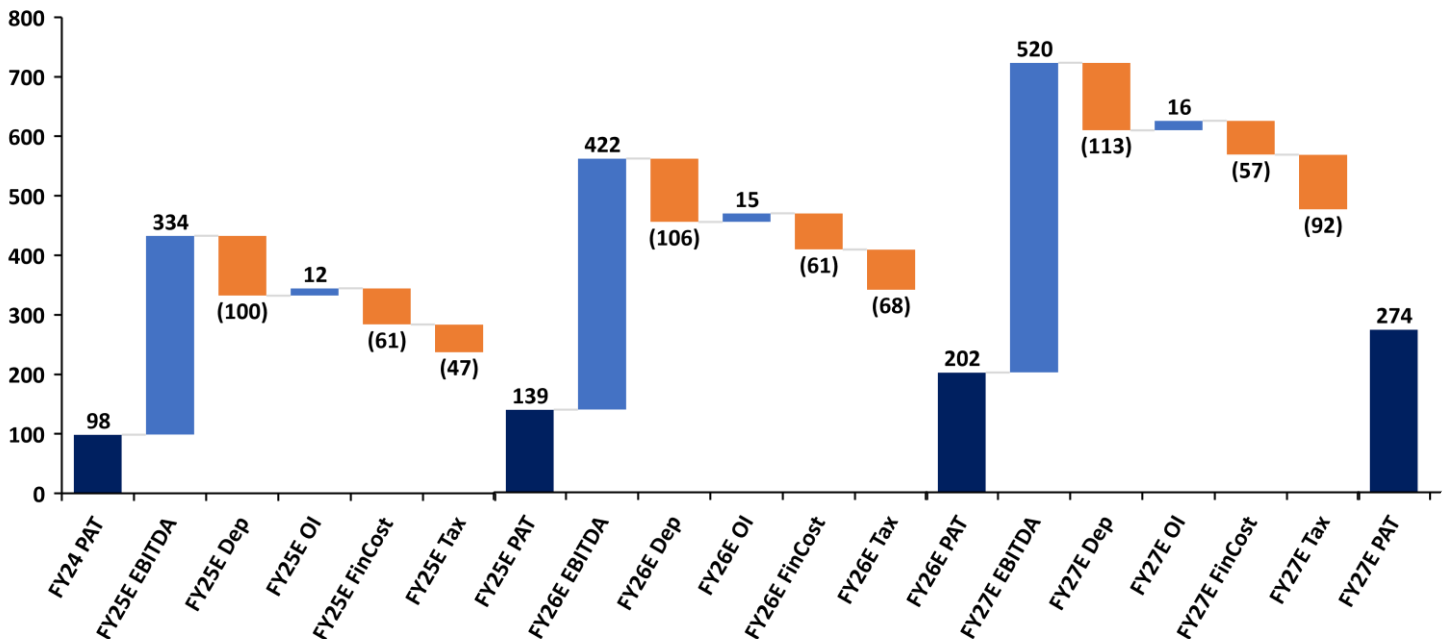


### API growth will be supported by:

- Increase in demand for APIs from the global pharmaceutical industry, which is valued at \$1.6 trillion in 2023, and is projected to reach \$2.0 trillion by 2027 (CAGR of 4.8%), driven by rising demand in emerging markets, technological innovations & the availability of affordable generics.
- IRL's secular growth in the domestic market and expansion in export market is increasing the demand for captive APIs.
- Four API plants – 2 at Rable, 1 at Patalganga and 1 at Aurangabad. Fully operational new Patalganga facility has started catering to captive as well as external API demands. Majority of the company's ANDAs and Dossier filings are backed by its APIs.

## We expect IRL's net earnings to see ~41% CAGR

EBITDA and PAT are expected to grow at a CAGR of 28.7% to INR 520 cr and 41% to INR 276 cr respectively during FY24-27E, while EBITDA and net margins are expected to improve by 518bps to 18.6% and 446bps to 9.9% respectively.

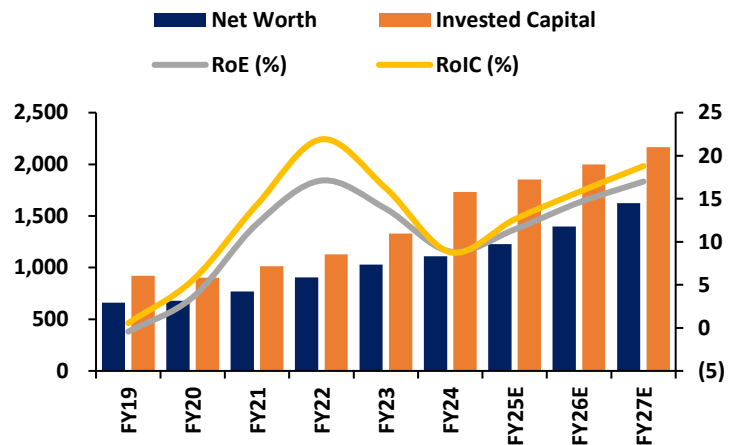


### Return ratios are set to improve

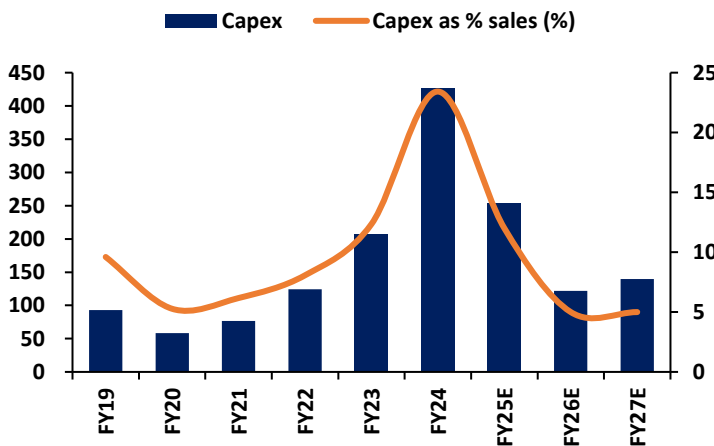
Return ratios are expected to improve due to strong earnings growth driven by:

- Significant revenue growth across all business verticals.
- Improving profit margins due to backward integration and favorable change in product mix.

### Return ratios to be driven by strong revenue growth and profit margin expansion



### Most of the capex has already been done, and sufficient to cater to 3-4 years of business



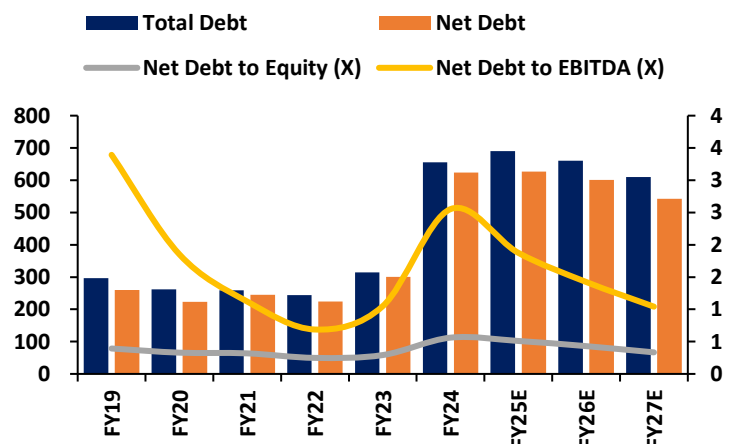
### Capex plan in place to enhance capacities

- IRL incurred a capex of ~INR 750 cr towards the upgradation of its existing facilities and API/OTC plant at Aurangabad.
- The company is targeting a capex of INR 250 cr in FY25, which will be sufficient for the sales requirements of the next 3-4 years.
- Most of the capex has already been done. Limited capex requirements are expected to improve FCF and reduce the debt burden.

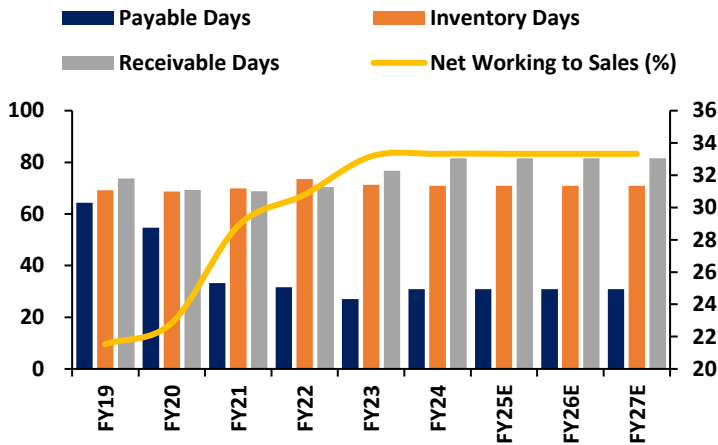
### Recent capex was largely funded through debt

- The recent capex was largely funded through debt, which increased the debt burden on the balance sheet.
- With most of the capex already done, we are expecting the debt levels to reduce after FY25.
- Though the decline in the absolute debt will be slower, the net-debt-to-equity and net-debt-to-EBITDA are expected to reduce sharply due to improving margins and earnings growth.

### Debt levels reached at its peak in FY24, expected to reduce after FY25



### Business expansion is expected to keep working capital requirements on the higher side



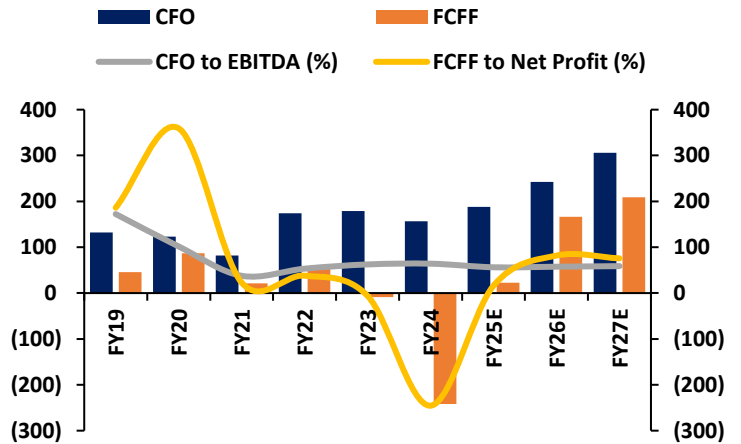
### Working capital pressure to sustain

- Expansion in emerging markets and newer geographies of eastern & northern India are expected to keep working capital requirements on the higher side.
- However, strong revenue growth and margin expansion is expected to reduce working capital pressure on the balance sheet.

### Revenue growth and profit margin expansion to improve cash flows

Despite capex and working capital pressure, IRL is expected to report positive cash flows due to strong revenue growth and profit margin expansion

### Strong revenue growth and profit margin expansion to improve cash flows



Source: ACE Equity, Company Reports & Ventura Research

## Ventura Business Quality Score

Key Criteria	Score	Risk	Comments
<b>Management &amp; Leadership</b>			
Management Quality	8	Low	The management is of high quality. It has been able to deliver on its guidance; investor-friendly with timely updates on developments
Promoters Holding Pledge	8	Low	The promoter holding in the company is 58.7%, and there is no promoter pledge.
Board of Directors Profile	8	Low	The average experience of the directors is >25 years with significant experience in their respective sectors and expert areas
<b>Industry Consideration</b>			
Industry Growth	8	Low	Demand for Indian pharmaceutical products has been on rise in regulatory as well as emerging markets due to strong expertise.
Regulatory Environment or Risk	6	Medium	Pharmaceutical industry is a highly regulated market and requires approvals from various local and international authorities.
Entry Barriers / Competition	8	Low	Pharmaceutical industry is highly regulated, hence its B2B relations are long term, which itself is an entry barrier. In addition, product development requires significant R&D investment in the initial phase, which is again an entry barrier.
<b>Business Prospects</b>			
New Business / Client Potential	8	Low	IRL has been consistently launching new products in the pharmaceutical segments. In addition, the company is also diversifying into consumer healthcare.
Business Diversification	8	Low	IRL is expanding its presence in OTC and API industry.
Market Share Potential	8	Low	IRL is gaining market share in OTC consumer healthcare industry. Sensodent K/KF are leading in their respective segments.
Margin Expansion Potential	8	Low	OTC products generate better profit margins and their rising revenue share are expected to improve the overall profitability.
Earnings Growth	8	Low	Strong revenue growth along with improving profit margins is expected to accelerate earnings growth.
<b>Valuation and Risk</b>			
Balance Sheet Strength	8	Low	Improving cash flow is expected to improve balance sheet health in the coming years
Debt Profile	8	Low	IRL is incurring a capex for capacity upgradation and automation, which is largely funded through debt.
FCF Generation	8	Low	Despite capax and increase in debt, IRL is expected to report positive FCF in the forecasted period.
Dividend Policy	6	Medium	Despite its growth phase, IRL has sustained an 15% dividend payout ratio.
<b>Total Score</b>	<b>116</b>	<b>Low</b>	<b>The overall risk profile of the company is good and we consider it a</b>
<b>Ventura Score (%)</b>	<b>77.3%</b>		<b>LOW-risk company for investments</b>

Source: Company Reports & Ventura Research

## Management Team

Key Person	Designation	Details
Mr. Suresh G. Kare	Chairman	He is the promoter and has been at the helm of the company's affairs for over 50 years. He has been the President of the Indian Drug Manufacturers' Association (IDMA) and has significantly contributed to the growth of the Indian pharmaceutical industry.
Ms. Aditi Kare Panandikar	Managing Director	She is a third generation entrepreneur. She holds a Bachelors Degree in Pharmacy and a Masters Degree in Pharmaceutical Administration from the Ohio State University, USA. Patent Law and practices is another area in which she has pursued an in-depth study. Prior to her current stint as Managing Director, she has successfully headed key departments within the organisation.
Mr. Sundeep V. Bambolkar	Joint Managing Director	He has over 30 years of pharma experience. Prior to his appointment as Jt. Managing Director, he has headed departments such as Finance, Operations, Purchase, Projects and International Business within the company. He holds Bachelors Degree in Science, a Post Graduate Diploma in Entrepreneurship Management and a Masters in Administrative Management (MAM). He has also undergone a Management Development Programme at the Kellogg School of Management, Chicago, USA.

Source: Company Reports

### Key Risks & Concerns

- **Regulated business:** Pharma sector is heavily regulated and all the business activities require various approvals, registrations and permissions from regional/local governments and authorities.
- **Currency risk:** IRL generates more than 40-45% of its sales from outside India and thus it is exposed to the volatility in the currency market.
- **Interest rate risk:** IRL has debt (short term working capital debt and term loans). The debt levels are at their peak. Increase in interest rates could increase the interest burden on P&L and affect the net earnings.

## IRL's quarterly and annual performance

Fig in INR Cr (unless specified)	FY19	FY20	FY21	FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	FY24	FY25E	FY26E	FY27E
Revenue from operations	968.4	1,106.6	1,241.5	1,540.8	408.2	433.0	399.2	428.2	1,668.6	426.5	481.7	459.4	449.6	1,817.3	2,107.0	2,433.8	2,793.6
<i>YoY Growth (%)</i>	<i>(7.1)</i>	<i>14.3</i>	<i>12.2</i>	<i>24.1</i>	<i>5.6</i>	<i>11.9</i>	<i>11.5</i>	<i>4.7</i>	<i>8.3</i>	<i>4.5</i>	<i>11.2</i>	<i>15.1</i>	<i>5.0</i>	<i>8.9</i>	<i>15.9</i>	<i>15.5</i>	<i>14.8</i>
Raw Material Cost	320.3	330.4	354.1	456.8	132.1	127.4	130.4	131.5	521.3	128.7	147.3	142.3	140.9	559.2	653.2	754.5	866.0
<i>RM Cost to Sales (%)</i>	<i>33.1</i>	<i>29.9</i>	<i>28.5</i>	<i>29.6</i>	<i>32.4</i>	<i>29.4</i>	<i>32.7</i>	<i>30.7</i>	<i>31.2</i>	<i>30.2</i>	<i>30.6</i>	<i>31.0</i>	<i>31.3</i>	<i>30.8</i>	<i>31.0</i>	<i>31.0</i>	<i>31.0</i>
Employee Cost	231.7	256.5	274.0	296.3	83.4	80.4	82.1	76.7	322.6	91.5	92.1	90.0	88.3	361.9	399.1	439.5	485.3
<i>Employee Cost to Sales (%)</i>	<i>23.9</i>	<i>23.2</i>	<i>22.1</i>	<i>19.2</i>	<i>20.4</i>	<i>18.6</i>	<i>20.6</i>	<i>17.9</i>	<i>19.3</i>	<i>21.5</i>	<i>19.1</i>	<i>19.6</i>	<i>19.6</i>	<i>19.9</i>	<i>18.9</i>	<i>18.1</i>	<i>17.4</i>
Other Expenses	339.9	398.8	395.1	461.4	121.3	137.4	124.7	155.2	538.7	145.1	170.9	164.2	171.6	651.9	720.6	817.8	921.9
<i>Other Expenses to Sales (%)</i>	<i>35.1</i>	<i>36.0</i>	<i>31.8</i>	<i>29.9</i>	<i>29.7</i>	<i>31.7</i>	<i>31.2</i>	<i>36.3</i>	<i>32.3</i>	<i>34.0</i>	<i>35.5</i>	<i>35.7</i>	<i>38.2</i>	<i>35.9</i>	<i>34.2</i>	<i>33.6</i>	<i>33.0</i>
EBITDA	76.6	120.8	218.3	326.3	71.5	87.8	62.0	64.8	286.0	61.2	71.4	62.9	48.9	244.3	334.1	422.0	520.4
<i>EBITDA Margin (%)</i>	<i>7.9</i>	<i>10.9</i>	<i>17.6</i>	<i>21.2</i>	<i>17.5</i>	<i>20.3</i>	<i>15.5</i>	<i>15.1</i>	<i>17.1</i>	<i>14.3</i>	<i>14.8</i>	<i>13.7</i>	<i>10.9</i>	<i>13.4</i>	<i>15.9</i>	<i>17.3</i>	<i>18.6</i>
PAT	(2.9)	24.1	93.0	154.8	38.6	49.7	28.2	25.8	142.3	24.2	35.2	15.6	22.0	97.0	137.1	200.0	272.1
<i>PAT Margin (%)</i>	<i>(0.3)</i>	<i>2.2</i>	<i>7.5</i>	<i>10.0</i>	<i>9.4</i>	<i>11.5</i>	<i>7.1</i>	<i>6.0</i>	<i>8.5</i>	<i>5.7</i>	<i>7.3</i>	<i>3.4</i>	<i>4.9</i>	<i>5.3</i>	<i>6.5</i>	<i>8.2</i>	<i>9.7</i>
Net Profit	(2.9)	24.1	93.0	154.8	38.6	49.7	28.2	25.8	142.3	24.4	35.1	16.3	22.7	98.5	138.8	201.9	274.3
<i>Net Margin (%)</i>	<i>(0.3)</i>	<i>2.2</i>	<i>7.5</i>	<i>10.0</i>	<i>9.4</i>	<i>11.5</i>	<i>7.1</i>	<i>6.0</i>	<i>8.5</i>	<i>5.7</i>	<i>7.3</i>	<i>3.5</i>	<i>5.0</i>	<i>5.4</i>	<i>6.6</i>	<i>8.3</i>	<i>9.8</i>
Adjusted EPS	(0.3)	2.6	10.1	16.8					15.4					10.7	15.1	21.9	29.8
<i>P/E (X)</i>	<i>(1,038.2)</i>	<i>125.0</i>	<i>32.4</i>	<i>19.5</i>					<i>21.2</i>					<i>30.6</i>	<i>21.7</i>	<i>14.9</i>	<i>11.0</i>
Adjusted BVPS	71.7	73.7	83.4	98.1					111.5					120.4	133.0	151.2	175.6
<i>P/BV (X)</i>	<i>4.6</i>	<i>4.4</i>	<i>3.9</i>	<i>3.3</i>					<i>2.9</i>					<i>2.7</i>	<i>2.5</i>	<i>2.2</i>	<i>1.9</i>
Enterprise Value	3,274.0	3,237.8	3,258.9	3,238.4					3,314.2					3,637.6	3,639.9	3,613.7	3,553.7
<i>EV/EBITDA (X)</i>	<i>42.7</i>	<i>26.8</i>	<i>14.9</i>	<i>9.9</i>					<i>11.6</i>					<i>14.9</i>	<i>10.9</i>	<i>8.6</i>	<i>6.8</i>
Net Worth	660.6	679.6	769.0	904.6					1,028.2					1,109.9	1,226.5	1,394.1	1,619.1
<i>Return on Equity (%)</i>	<i>(0.4)</i>	<i>3.5</i>	<i>12.1</i>	<i>17.1</i>					<i>13.8</i>					<i>8.9</i>	<i>11.3</i>	<i>14.5</i>	<i>16.9</i>
Capital Employed	956.9	941.3	1,028.2	1,148.8					1,342.8					1,765.1	1,916.5	2,054.1	2,229.1
<i>Return on Capital Employed (%)</i>	<i>0.2</i>	<i>4.5</i>	<i>10.0</i>	<i>14.1</i>					<i>11.8</i>					<i>6.2</i>	<i>9.0</i>	<i>11.4</i>	<i>13.6</i>
Invested Capital	920.7	903.3	1,013.8	1,129.1					1,328.4					1,733.5	1,852.4	1,993.8	2,158.8
<i>Return on Invested Capital (%)</i>	<i>0.6</i>	<i>5.5</i>	<i>14.3</i>	<i>21.9</i>					<i>16.2</i>					<i>8.8</i>	<i>12.5</i>	<i>15.7</i>	<i>18.8</i>
Cash Flow from Operations	132.1	122.8	82.2	173.8					178.8					156.7	188.6	243.2	306.4
Cash Flow from Investing	(103.8)	(55.9)	(66.7)	(121.4)					(208.2)					(433.8)	(109.4)	(123.3)	(141.3)
Cash Flow from Financing	(16.1)	(63.9)	(29.9)	(44.4)					22.8					280.4	(47.9)	(125.1)	(156.5)
Net Cash Flow	12.2	3.0	(14.3)	8.0					(6.5)					3.3	31.4	(5.1)	8.6
Free Cash Flow	45.7	86.6	21.3	58.7					(8.8)					(241.8)	(18.9)	167.0	209.5
<i>FCF to Revenue (%)</i>	<i>4.7</i>	<i>7.8</i>	<i>1.7</i>	<i>3.8</i>					<i>(0.5)</i>					<i>(13.3)</i>	<i>(0.9)</i>	<i>6.9</i>	<i>7.5</i>
<i>FCF to EBITDA (%)</i>	<i>59.6</i>	<i>71.7</i>	<i>9.7</i>	<i>18.0</i>					<i>(3.1)</i>					<i>(99.0)</i>	<i>(5.7)</i>	<i>39.6</i>	<i>40.3</i>
<i>FCF to Net Profit (%)</i>	<i>(1,573.5)</i>	<i>359.3</i>	<i>22.9</i>	<i>37.9</i>					<i>(6.2)</i>					<i>(245.5)</i>	<i>(13.6)</i>	<i>82.7</i>	<i>76.4</i>
<i>FCF to Net Worth (%)</i>	<i>6.9</i>	<i>12.7</i>	<i>2.8</i>	<i>6.5</i>					<i>(0.9)</i>					<i>(21.8)</i>	<i>(1.5)</i>	<i>12.0</i>	<i>12.9</i>
Total Debt	296	262	259	244					315					655	690	660	610
Net Debt	260	224	245	224					300					624	626	600	540
<i>Net Debt to Equity (X)</i>	<i>0.4</i>	<i>0.3</i>	<i>0.3</i>	<i>0.2</i>					<i>0.3</i>					<i>0.6</i>	<i>0.5</i>	<i>0.4</i>	<i>0.3</i>
<i>Net Debt to EBITDA (X)</i>	<i>3.4</i>	<i>1.9</i>	<i>1.1</i>	<i>0.7</i>					<i>1.0</i>					<i>2.6</i>	<i>1.9</i>	<i>1.4</i>	<i>1.0</i>
<i>Interest Coverage Ratio (X)</i>	<i>0.2</i>	<i>1.9</i>	<i>6.5</i>	<i>17.5</i>					<i>8.6</i>					<i>4.0</i>	<i>3.8</i>	<i>5.2</i>	<i>7.1</i>
<b>Fundamental scores</b>																	
Altman Z Score	1.2	1.5	2.0	2.3					2.8					3.2	3.2	3.4	3.5
Piotroski F-score	4.0	8.0	7.0	7.0					4.0					4.0	7.0	7.0	7.0
Beneish M-score	(2.8)	(2.3)	(1.9)	(1.9)					(1.8)					(2.2)	(2.0)	(2.0)	(2.0)

Source: ACE Equity, Company Reports & Ventura Research



## IRL's consolidated financials & projections

Fig in INR Cr (unless specified)	FY23	FY24	FY25E	FY26E	FY27E	Fig in INR Cr (unless specified)	FY23	FY24	FY25E	FY26E	FY27E
<b>Income Statement</b>						<b>Per share data &amp; Yields</b>					
Revenue	1,668.6	1,817.3	2,107.0	2,433.8	2,793.6	Adjusted EPS (INR)	15.4	10.7	15.1	21.9	29.8
<i>YoY Growth (%)</i>	<i>8.3</i>	<i>8.9</i>	<i>15.9</i>	<i>15.5</i>	<i>14.8</i>	Adjusted Cash EPS (INR)	23.1	20.6	26.2	33.7	42.3
Raw Material Cost	521.3	559.2	653.2	754.5	866.0	Adjusted BVPS (INR)	111.5	120.4	133.1	151.3	175.7
<i>RM Cost to Sales (%)</i>	<i>31.2</i>	<i>30.8</i>	<i>31.0</i>	<i>31.0</i>	<i>31.0</i>	Adjusted CFO per share (INR)	19.4	17.0	20.5	26.4	33.2
Employee Cost	322.6	361.9	399.1	439.5	485.3	CFO Yield (%)	5.9	5.2	6.3	8.1	10.2
<i>Employee Cost to Sales (%)</i>	<i>19.3</i>	<i>19.9</i>	<i>18.9</i>	<i>18.1</i>	<i>17.4</i>	Adjusted FCF per share (INR)	(1.0)	(26.2)	(2.0)	18.1	22.7
Other Expenses	538.7	651.9	720.6	817.8	921.9	FCF Yield (%)	(0.3)	(8.0)	(0.6)	5.5	6.9
<i>Other Exp to Sales (%)</i>	<i>32.3</i>	<i>35.9</i>	<i>34.2</i>	<i>33.6</i>	<i>33.0</i>	<b>Solvency Ratio (X)</b>					
EBITDA	286.0	244.3	334.1	422.0	520.4	Total Debt to Equity	0.3	0.6	0.6	0.5	0.4
<i>Margin (%)</i>	<i>17.1</i>	<i>13.4</i>	<i>15.9</i>	<i>17.3</i>	<i>18.6</i>	Net Debt to Equity	0.3	0.6	0.5	0.4	0.3
<i>YoY Growth (%)</i>	<i>(12.3)</i>	<i>(14.6)</i>	<i>36.8</i>	<i>26.3</i>	<i>23.3</i>	Net Debt to EBITDA	1.0	2.6	1.9	1.4	1.0
Depreciation & Amortization	70.6	91.9	102.5	108.6	115.6	<b>Return Ratios (%)</b>					
EBIT	215.4	152.4	231.6	313.5	404.8	Return on Equity	13.8	8.9	11.3	14.5	16.9
<i>Margin (%)</i>	<i>12.9</i>	<i>8.4</i>	<i>11.0</i>	<i>12.9</i>	<i>14.5</i>	Return on Capital Employed	11.8	6.2	9.0	11.4	13.6
<i>YoY Growth (%)</i>	<i>(12.9)</i>	<i>(29.2)</i>	<i>51.9</i>	<i>35.3</i>	<i>29.1</i>	Return on Invested Capital	16.2	8.8	12.5	15.7	18.8
Other Income	2.4	9.9	12.2	14.5	16.0	<b>Working Capital Ratios</b>					
Finance cost	25.0	38.0	60.5	60.8	57.2	Payable Days (Nos)	27	31	31	31	31
Interest Coverage (X)	8.6	4.0	3.8	5.2	7.1	Inventory Days (Nos)	71	71	71	71	71
Exceptional Item	0.0	11.5	0.0	0.0	0.0	Receivable Days (Nos)	77	82	82	82	82
PBT	192.8	135.8	183.2	267.2	363.6	Net Working Capital Days (Nos)	121	122	122	122	122
<i>Margin (%)</i>	<i>11.6</i>	<i>7.5</i>	<i>8.7</i>	<i>11.0</i>	<i>13.0</i>	Net Working Capital to Sales (%)	33.2	33.3	33.3	33.3	33.3
<i>YoY Growth (%)</i>	<i>(18.5)</i>	<i>(29.6)</i>	<i>34.9</i>	<i>45.8</i>	<i>36.1</i>	<b>Valuation (X)</b>					
Tax Expense	50.5	38.8	46.1	67.3	91.5	P/E	21.2	30.6	21.7	14.9	11.0
<i>Tax Rate (%)</i>	<i>26.2</i>	<i>28.6</i>	<i>25.2</i>	<i>25.2</i>	<i>25.2</i>	P/BV	2.9	2.7	2.5	2.2	1.9
PAT	142.3	97.0	137.1	200.0	272.1	EV/EBITDA	11.6	14.9	10.9	8.6	6.8
<i>Margin (%)</i>	<i>8.5</i>	<i>5.3</i>	<i>6.5</i>	<i>8.2</i>	<i>9.7</i>	EV/Sales	2.0	2.0	1.7	1.5	1.3
<i>YoY Growth (%)</i>	<i>(8.1)</i>	<i>(31.8)</i>	<i>41.3</i>	<i>45.8</i>	<i>36.1</i>	<b>Cash Flow Statement</b>					
Min Int/Sh of Assoc	0.0	1.5	1.7	2.0	2.2	PBT	192.8	135.8	183.2	267.2	363.6
Net Profit	142.3	98.5	138.8	201.9	274.3	Adjustments	115.6	111.8	148.1	152.1	154.2
<i>Margin (%)</i>	<i>8.5</i>	<i>5.4</i>	<i>6.6</i>	<i>8.3</i>	<i>9.8</i>	Change in Working Capital	(79.0)	(52.2)	(96.5)	(108.9)	(119.9)
<i>YoY Growth (%)</i>	<i>(8.1)</i>	<i>(30.8)</i>	<i>41.0</i>	<i>45.5</i>	<i>35.9</i>	Less: Tax Paid	(50.5)	(38.8)	(46.1)	(67.3)	(91.5)
<b>Balance Sheet</b>						Cash Flow from Operations	178.8	156.7	188.6	243.2	306.4
Share Capital	18.4	18.4	18.4	18.4	18.4	Net Capital Expenditure	(206.1)	(425.6)	(252.8)	(121.7)	(139.7)
Total Reserves	1,009.8	1,092.1	1,208.7	1,376.3	1,601.2	Change in Investments	(2.1)	(8.2)	143.5	(1.6)	(1.6)
Shareholders Fund	1,028.2	1,110.5	1,227.1	1,394.7	1,619.7	Cash Flow from Investing	(208.2)	(433.8)	(109.4)	(123.3)	(141.3)
Long Term Borrowings	143.5	351.7	450.0	400.0	350.0	Change in Borrowings	68.6	333.2	34.9	(30.0)	(50.0)
Deferred Tax Assets / Liabilities	6.1	11.8	11.8	11.8	11.8	Less: Finance Cost	(25.0)	(38.0)	(60.5)	(60.8)	(57.2)
Other Long Term Liabilities	22.4	24.7	28.6	33.0	37.9	Proceeds from Equity	0.0	0.0	0.0	0.0	0.0
Long Term Trade Payables	0.0	0.0	0.0	0.0	0.0	Buyback of Shares	0.0	0.0	0.0	0.0	0.0
Long Term Provisions	88.9	33.7	37.1	40.9	45.2	Dividend Paid	(20.7)	(14.8)	(22.2)	(34.3)	(49.4)
Total Liabilities	1,289.2	1,532.4	1,754.7	1,880.5	2,064.6	Cash flow from Financing	22.8	280.4	(47.9)	(125.1)	(156.5)
Net Block	678.3	960.6	1,111.0	1,124.1	1,148.2	Net Cash Flow	(6.5)	3.3	31.4	(5.1)	8.6
Capital Work in Progress	55.4	102.9	0.0	0.0	0.0	Forex Effect	0.0	0.0	0.0	0.0	0.0
Intangible assets under developme	58.2	0.0	0.0	0.0	0.0	Opening Balance of Cash	17.5	10.9	24.3	55.7	50.6
Non Current Investments	1.5	1.5	1.7	2.0	2.1	Closing Balance of Cash	10.9	14.2	55.7	50.6	59.2
Long Term Loans & Advances	110.0	3.1	3.6	4.2	4.8						
Other Non Current Assets	2.2	122.0	141.4	163.4	187.5						
Net Current Assets	383.7	342.3	497.0	586.9	721.9						
Total Assets	1,289.2	1,532.4	1,754.7	1,880.5	2,064.6						

Source: Company Reports & Ventura Research

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