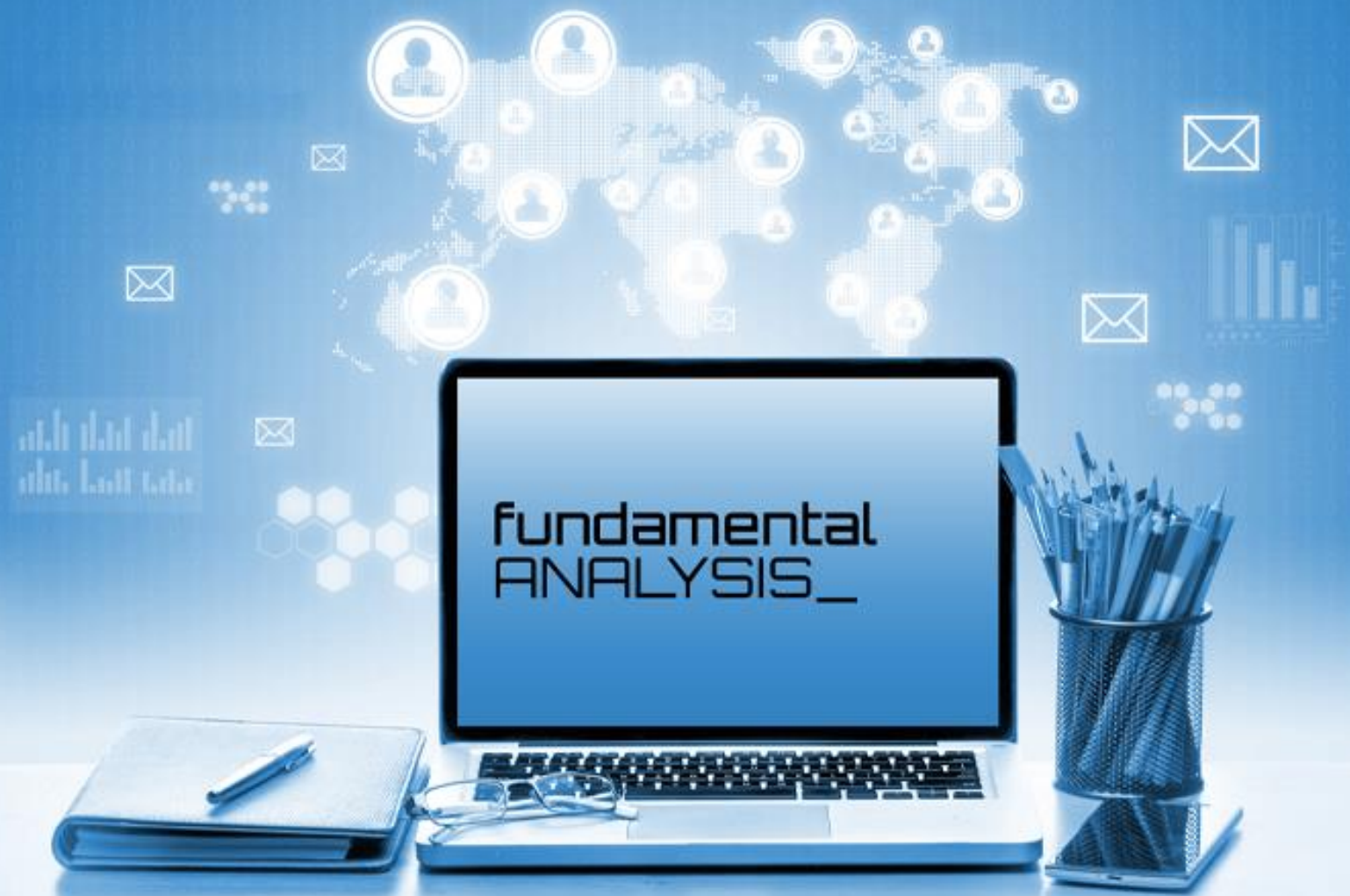


# Initiating Coverage

# Poly Medicure Ltd.

May 02, 2023





# Poly Medicure Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Medical Consumables	Rs 978.8	Buy in the band of Rs 978-987 & add more on dips to Rs 885	Rs 1068	Rs 1138	2 quarters

HDFC Scrip Code	POLMED
BSE Code	531768
NSE Code	POLYMED
Bloomberg	PLM IN
CMP Apr 28, 2023	978.8
Equity Capital (Rs cr)	48
Face Value (Rs)	5
Equity Share O/S (cr)	9.6
Market Cap (Rs cr)	9401
Book Value (Rs)	128
Avg. 52 Wk Volumes	203312
52 Week High	1045
52 Week Low	652

Share holding Pattern % (Mar, 2023)	
Promoters	53.3
Institutions	19.7
Non Institutions	27.0
Total	100.0



HDFCsec Retail research  
stock rating meter

for details about the ratings, refer at the end of the report

\* Refer at the end for explanation on Risk Ratings

Fundamental Research Analyst

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### Our Take:

Poly Medicure Ltd. (Polymed) is a leading player in the organized medical disposable devices market with strong brand positioning due to high quality products used in infusion therapy, blood management, surgery, dialysis, and other segments. Company is the largest exporter of medical devices from India. Polymed is among the top three IV Cannula manufacturers in the world and the first indigenous dialyzer manufacturer. 70% of the sales are from exports to the highly regulated developed markets like EU, LatAm, South East Asia etc. Key raw materials include plastic granules, PVC sheets, boxes, medical paper and film. So, any large fluctuations in crude and related prices could impact its gross margin.

Tailwinds from new capacity additions and additional cost curtailment efforts through automation will drive incremental growth from FY24E. Company is looking at expansion opportunities both organically and inorganically in India and abroad. Polymed's return ratios got impacted in FY22 on the back of higher cash & equivalents on back of QIP fund raising and flattish earnings growth impacted due to cost inflation. With improving profitability and asset turnover, we expect return ratios to expand over FY22-25E.

As of March, 2022, distribution network included over 275 personnel in sales and marketing teams. Company distributed products in 6,500+ private and government hospitals and nursing homes in India. Polymed has long-term relationships with a majority of distributors. Polymed planned to launch new products such as ECG-Electrode, PICC Line, Polygyard+, Bedside Filter, Dialyzer Reprocessor, Hubber Needle, Polyfit Range etc.

At the end Sep-2023, Polymed had cash & equivalents of Rs 328cr and we expect healthy FCF generation in the coming years. Company raised Rs 400cr at Rs 524 per share through QIP in Feb-2021 to fund capital expenditure requirements and to reduce debt. The growth will be driven by a) Infusion therapy segment which is expected to grow at healthy pace b) Renal segment has a tailwind from government schemes and Polymed is targeting hospitals in tier-2 and tier-3 markets. Renal consists of Dialysis and Diagnostics segments and is expected to contribute around 14% in FY25E. Renal segment is expected to grow at 40% CAGR from FY22-25E. Diagnostics segment is expected to grow in strong double digit over the next 3 years.

### Valuation & Recommendation:

Being a market leader in infusion therapy, Polymed is poised to grow at robust pace by tapping strong demand in both domestic and international markets, given wide scale of operations across geographies. Since 70% of the medical devices are imported currently, we see



huge opportunity in the domestic market. In addition, new capacity expansion will drive incremental growth. With higher focus on the domestic market and overall demand expected to remain robust for medical disposables, dialysis and diagnostics, operating margin could see steady improvement in the coming years.

We estimate Revenue/EBITDA/PAT CAGR of 19.5%/22.5%/22.5% over FY22-25E. We believe industry tailwinds, changing regulatory landscape in domestic market, new capacity additions in renal and diagnostic, steady infusion therapy growth and scale up of US business would drive the earnings growth. Pick up in elective surgeries, new product launches, better capacity utilization and operating leverage would lead to strong revenue growth along with margin expansion over the next 3 years. Company has a healthy balance sheet, robust margin profile, and strong return ratios. Polymed enjoys three tailwinds – growing base of hospital beds, market share gains and import substitution. The dialysis market offers a large scope in a country like India where the current installed number of such machines is limited. Polymed can tap the vast consumables market in dialysis in addition to targeting the machine market. At CMP, the stock trades at 44.7x/35x of FY24E/FY25E EPS. We feel investors can buy the stock in the band of Rs 978-987 and add more on declines to Rs 885 (31.5x FY25E EPS) for base case target of Rs 1068 (38x FY25E EPS) and bull case target of Rs 1138 (40.5x FY25E EPS) over the next two quarters.

### Financial Summary

Particulars (Rs cr)	Q3FY23	Q3FY22	YoY (%)	Q3FY22	QoQ (%)	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Total Revenues	285	230	23.8	275	3.7	611	687	787	923	1,108	1,307	1,582
EBITDA	71	51	38.7	65	9.7	129	164	214	213	258	317	392
Depreciation	14	14	5.2	14	-0.7	37	41	48	54	58	65	73
Other Income	14	7	102.8	9	65.5	18	19	18	38	36	32	42
Interest Cost	5	1	700.0	1	860.0	12	18	9	4	8	5	4
Tax	17	11	48.7	16	6.3	35	30	44	49	60	73	93
PAT	50	35	44.9	44	14.9	65	96	136	147	171	210	269
EPS (Rs)						7.4	10.9	14.2	15.3	17.8	21.9	28.1
RoE (%)						18.2	23.5	19.4	14.3	14.8	16.0	17.8
P/E (x)						132.3	90.1	69.2	64.2	55.0	44.7	34.9
EV/EBITDA (x)						72.9	57.5	44.0	44.3	36.6	29.8	24.1

(Source: Company, HDFC sec)

### Q3FY23 result update

Total revenue grew 23.8% YoY at Rs 285cr. EBITDA margin improved 270bps YoY at 24.9%. Gross margin increased 350bps YoY at 64%. Net profit increased 45% YoY at Rs 50cr. EPS for the quarter stood at Rs 5.2 and it stood at Rs 12.5 for 9MFY23.

Management guided for at least 100 to 200bps improvement in operating margin in the coming quarters.



Dr. Ambrish Mithal joined as non-executive independent director in Aug-2022. Dr. Mithal (Padma Bhushan & B. C. Roy Awardee) is the Chairman and Head of Endocrinology and Diabetes Department at Max Healthcare (pan Max), a group of 16 hospitals. His current research interests include vitamin D nutrition, primary hyperparathyroidism, osteoporosis, cardiovascular outcome trials in diabetes.

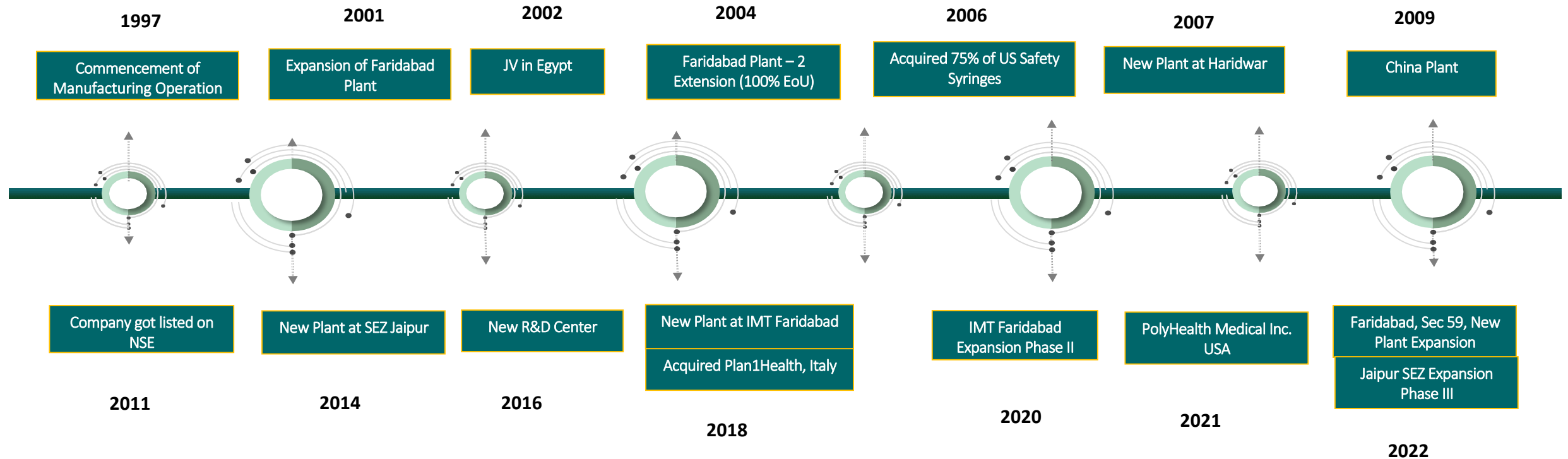
### Conference call Highlights

- Management maintained its FY23 revenue guidance of 20% and also guided for revenue growth of 20% for FY24.
- With the softening of raw material prices, EBITDA margin is expected to improve by 100-200bps in subsequent quarters.
- Capex guidance for FY24 is in the range of Rs 75-100cr.
- Company expected the renal segment to grow 60-70%, however due to Chinese dumping in India. Management expects the segment to grow 45-50% in FY23E.
- Out of the total domestic sales, 70% contribution came from infusion therapy sales in Q3FY23.
- Around 140 dialysis machine has been installed till H1FY23, which were CKD machines. The company expects to install more 60 to 70 dialysis and ramp up to 200+ machines by FY24 and 350-400 machines by FY25. Management expects to gain 10% market share in next two years (~4000 dialysis machine total market in India).
- Company's growth drivers in Europe are 1) direct presence in the market and 2) product parity that helps to gain market share.
- Company had submitted two products under class II category for US FDA approval but was asked to conduct genomic testing on the products which took 4-5 months. Poly Medicure will be submitting their findings soon and expect an approval in 60-90 days post submission. Potential sales generation from this product could be around US\$ 15mn over 3 years.
- In export business 75% of business is branded and 25% is white label which is scattered across 120 countries.
- Two new plant construction is in its final stage. New plant at IMT Faridabad will be partially operational by Jun-2023 and fully operational by Sep-2023. Jaipur SEZ plant will be operational by FY24. It will be utilized to enhance manufacturing for Europe.
- Other income was higher during the quarter on account of investments worth around Rs 300cr in deposits and mutual funds. Finance cost increased on the back of increase in working capital requirements.
- Increase in other expenses was on the back of increase in field activity as the company has been attending road shows in international markets to enhance its brand visibility.
- Top five customers contribute around 20-25% of revenue.
- Domestic business EBITDA margin is at 18-20%, while export business EBITDA margin is around 30%.
- Management expects to deliver in-house assembled 150 dialysis machines in FY23. Big cities of North, West and South India are the focused regions for Poly Medicure. Price for the dialysis machine is 5-7% cheaper than MNC companies.
- Company has hired New VP sales with 18 to 20 years of experience to strengthen reach in the US market & assigned for project signed with the distributor company.



- 60-70% of total raw material are imported from Korea, Malaysia, Taiwan, Japan, China Germany, Denmark, US & Italy.
- During Q1FY23, the company received an order from big customer from Germany as the customer shifted from China to India.

### Poly Medicure Journey





## Business and its outlook

Poly Medicure Ltd. (Polymed) is a leading player in the organized medical disposable devices market with strong brand positioning due to high quality products used in infusion therapy, blood management, surgery, dialysis, and other segments. Company is the largest exporter of medical devices from India. Poly Med is among the top three IV Cannula manufacturers in the world and the first indigenous dialyzer manufacturer out of India. 70% of the sales are from exports to the highly regulated developed markets like EU, LatAm, South East Asia etc.

The medical device market is currently dominated by MNC players like Nipro, B Braun and Becton Dickinson and Polymed is gradually making inroads here and achieving credibility to carve out a meaningful share of the pie. There is an unorganised segment in the space that management believes would gradually get weeded out, as regulatory standards get stringent. Renal is a focus area in which the company is targeting the dialysis market through high-value products.

The company has nine manufacturing plants across India, China, Egypt and Italy. Company owns six manufacturing facilities in India, four of which are situated at Faridabad (Haryana), and one each in Jaipur (Rajasthan) and Haridwar (Uttarakhand). In addition, the company is in the process of expanding the manufacturing capacities at Faridabad (Haryana) and Jaipur. Indian and international manufacturing facilities have been accredited with several international quality certifications.

Company also operates one manufacturing facility in China through wholly-owned subsidiary Poly Medicure (Liayang) Company Limited that is certified to be compliant with Korea Good Manufacturing Practices by the Korea Food and Drug Administration. In addition, it operates one manufacturing facility in Assuit, Egypt, through associate Ultra for Medical Products that is also accredited with EC certificates or quality assurance system. Company operates one manufacturing facility in Italy through step-down subsidiary Plan 1 Health S.R.L., which is accredited with EC certification for quality assurance system and EN 13485:2016 for its quality management system by DEKRA Certification B.V. Netherlands.

To address the need of growing healthcare market and changing dynamics, Polymed continues to invest in newer technologies. Company will also focus on fast tracking its new product offerings and to strengthen manufacturing infrastructure. Currently, the company holds more than 300 patents for its diverse range of product portfolio in the area of vascular access, renal care, transfusion & diagnostics system, and caters to a vast range of therapeutic segments covering infusion therapy, dialysis, respiratory care, cardiology, oncology, urology, gastroenterology, critical care, blood collection & management, anaesthesia, and surgery & wound drainage. Renal will be a growth driver as this segment is growing at 15-20% CAGR and is expected to double in next 4-5 years.



Polymed plans to launch new products such as ECG-Electrode, PICC Line, Polygyard+, Bedside Filter, Dialyzer Reprocessor, Hubber Needle, Polyfit Range etc.

### **Infusion therapy to remain key focus**

Infusion therapy is the key business vertical contributed to 63% of revenues in FY22. Poly Med is amongst top three IV cannula manufacturer globally. Company is manufacturing IV cannula with a patented safety needle guard technology and needleless connector which prevents the spread of HIV, Hepatitis and hospital acquired infection. It has a market share of ~10% in IV cannula market globally. Sales from Infusion therapy was impacted in FY22 due to global supply chain disruption and non-availability of containers. Infusion therapy would continue to be then focus area with new launches and differentiated products. We expect Infusion therapy revenues to be steady and show 17% CAGR over FY22-25E.

Currently, the company holds more than 300 patents for its expansive range of product portfolio in the area of vascular access, renal care, transfusion & diagnostics system, and caters to a vast range of therapeutic segments covering infusion therapy, dialysis, respiratory care, cardiology, oncology, urology, gastroenterology, critical care, blood collection & management, anaesthesia, and surgery & wound drainage.

Renal will be a growth driver for Polymed as this segment is expected to double in next 3-5 years. Better quality products continue to make it one of the most preferred brands of healthcare professionals.

### **Focusing on fast growing renal care segment**

In India, diabetes and hypertension account for 40-60% cases for Chronic Kidney Disease (CKD). End stage renal disease (ESRD), is the last stage of CKD. When ESRD is diagnosed, patients need dialysis or a kidney transplant to stay alive. According to Ministry of Health and Family Welfare, under the Pradhan Mantri National Dialysis Program, every year over 2 lakh new patients of ESRD get added. Polymed is an active participant in National Dialysis programme.

The renal consumables and equipment market size is Rs 1000cr and majorly import dependent. Currently, some players with higher market share in the Indian dialysis equipment market are Fresenius, B Braun, Baxter-Gambro, and Nipro. Polymed got approval for 5-6 products under renal care segment- Dialyzer, Dialysis machine, Peritoneal Dialysis kit, Bloodline, Fistula and Transducer Protector. It is the first indigenous dialyzer manufacturer in India. Polymed will be launching indigenously developed dialysis machine in Q1FY23E which are currently under clinical trials. Another company under PLI scheme is Nipro, who will be manufacturing dialysis products indigenously and will be competing with Polymed. With higher focus on renal care segment, we expect renal care segment to show revenue CAGR of 40% over FY22-25E and increase its contribution to 11% in FY25E from 7% in FY22.



### **Strong export growth**

Export revenues contributed 67% of total revenues and showed strong growth of 30% YoY led by Infusion therapy segment (contributed 85-90% of exports) in FY22. Poly Medicure has filed for few infusion-based therapy products in the US and awaits approval for one product in near term for which company can generate potential sales of US\$ 15mn over next 3-5 years. We expect Export revenue CAGR of 21% over FY22-25E as the company is looking to increase its penetration in Europe, US and Asia by leveraging its distributor network. In Q3FY23, exports contributed to 63% of sales and infusion therapy was 90% of exports.

### **US Business to see strong growth from FY24E**

Polymed supplies consumables to veterinary business in the US and the sales are insignificant. Around 80-90% of medical devices in the US are imported and therefore US will remain a lucrative market for Polymed. Company is focusing on increasing its penetration and has filed few major products and has set up sales and R&D team in the US. It has already applied for few infusion therapy products, which are awaiting US FDA clearance and expects to apply for catheters for the US market in next 18 months. Company is in talks with US based companies for few products (mainly Infusion Therapeutic Products). Earlier, the management expected to get US FDA approval in Dec-2022, however due to some additional genomic testing requirements, it has got delayed and now expects the same by May-2023. We expect strong growth in the US market FY24E onwards.

### **Long term relationship with distributors**

Polymed supplies the products to over 100 countries, in Europe, Africa, Americas, Australia, and Asia through a network of over 250 distributors. For many distributors, the company offers local or regional exclusivity as well. Polymed has a country-wide sales and distribution network in India which enables to have a wide market base. As of March, 2022, distribution network included over 275 personnel in sales and marketing teams, comprising product and clinically trained graduates, as well as supply chain management personnel. Company distributed products in over 6,500 private and government hospitals and nursing homes in India. Polymed has long-term relationships with a majority of distributors.

Its target is to grow its sales per hospital significantly from current level. It expects to achieve this by expanding its portfolio and gaining higher share in existing products. B Braun, Nipro and Becton Dickinson are its key competitors in the space. Company remains committed to establishing itself as a quality and innovative product brand.

R&D efforts are primarily focused on developing new products within existing product verticals as well as introduce products to enter into new product verticals, particularly focusing on fluid management within non-communicable diseases segment, including oncology, nephrology and cardiology, and further improving existing processes and production cost efficiency. As of March 31, 2022, the company





has been granted over 340 patents and has also filed for grant of over 105 patents in India and worldwide, including in the USA, Europe and South Africa, Russia, China and Australia.

### **Raised Rs 400cr through QIP in Feb-2021**

Polymed issued 76.33 lakh equity shares at Rs 524 per share and raised Rs 400cr in Feb-2021 to fund expansion opportunities both organically and inorganically in India and abroad, greenfield expansion in Faridabad and capacity expansion in Jaipur SEZ plant to cater to the renal products and to reduce debt. Company has used Rs 61.8cr in repayment of debt, Rs 17cr invested in subsidiary and invested Rs 313cr in capital expenditure as on Dec-2022. Key investors include Smallcap World Fund Inc. (Rs 109cr), Lighthouse India III equity investors (Rs 62cr), UTI MF (Rs 71cr) and Max Life Insurance. As on Dec-2022, Smallcap World Fund holds 4.57% stake while Lighthouse India holds 4.3% stake and UTI Healthcare Fund has 2.9% stake.

### **PLI scheme and its details**

The Govt. has introduced Product linked incentive scheme with an outlay of Rs 3400cr to incentivize manufacturers in four target segments of high-end medical devices based on achieving investment and incremental production targets over a period of FY21-28E.

PLI scheme proposes a financial incentive to boost domestic manufacturing and attract large investment in medical devices segments such as cancer care devices, radiology and imaging devices, anesthetics devices, implants etc.

Following are the four target segments selected on the basis of domestic requirement with a view to build self-sufficiency:

- i) Cancer Care /Radiotherapy medical devices,
- ii) Radiology & Imaging medical devices (both ionizing and non-ionizing radiation products) and nuclear imaging devices
- iii) Anaesthetics & Cardio-Respiratory medical devices including Catheters of Cardio Respiratory Category and Renal Care medical devices
- iv) All implants including Implantable Electronic devices

The scheme is applicable only to the Greenfield projects and intends to boost domestic manufacturing and attract large investments in the Medical devices sector. Under the Scheme, financial incentive will be given to selected companies at the rate of 5% of incremental sales of medical devices manufactured in India and covered under the target segments of the scheme, for a period of five years.

Setting up Medical device Parks in four states – Under the “Make in India” program for the medical device sector, the government announced to set up 4 medical device parks for an investment of Rs 400cr. The first such park is to come up in Andhra Pradesh. Andhra Pradesh MedTech Zone (AMTZ), a company established under Government of Andhra Pradesh has already received funding approval by the state cabinet on 1st June, 2016 for setting up Asia’s first dedicated medical device park at Visakhapatnam in Andhra Pradesh.



Setting of Medical device testing labs in two states – Union government planned to set up two dedicated medical device testing laboratories in the country at Vadodara in Gujarat and Noida in UP, based on a survey conducted by NHSRC. The medical device testing lab in Gujarat would be the first and only dedicated biomaterials and implants testing lab in the country. The lab at Noida will be set up primarily to test electrical and electronic medical devices in the country.

Subsidies and exemptions to MSMEs – 25% of the project cost is provided as subsidy by the Government of India, balance amount is to be funded through loan from SIDBI / Banks / Financial Institutions. 75% Subsidy is provided to MSME manufacturing units towards licensing of products to National / International standards.

### **Polymed to invest Rs 120cr over FY22-28 in PLI Scheme**

Polymed got approval under Renal care segment for products such as Dialyzer, Dialysis Machine, Peritoneal Dialysis Kit, Bloodline and Transducer Protector etc. Company has committed investment of Rs 70cr under the scheme over FY22-28E. It has already invested Rs 12cr up-to Mar-2022 under the scheme.

Polymed got approval of Vitro Diagnostic Medical devices for few products. New range of molecular chemicals, reagents and diagnostic kits to be added. Company has committed investment of Rs 50cr under the scheme over FY22-28E. It has already invested Rs 11cr up-to Mar-2022 under the scheme.

### **Key Concerns**

#### **Large fluctuations in raw material prices**

Price of the key material (plastic) is directly linked to the highly volatile crude oil prices. Raw material supply and pricing of products particularly plastic granules, PVC sheets, medical paper and film can be volatile. Any large variation could have a material adverse effect on gross margin.

#### **Susceptibility to change in regulations**

The company exports products to highly quality-conscious markets such as Europe. Unit-II at Faridabad, Haryana, was audited by the US Food and Drug Authority (US FDA). All plants have certifications, permitting exports to Europe. Any change in the policies or adverse action can impact revenue and profitability. Delay in approvals from various authorities (specially US FDA) could impact its growth prospects.



### **Competitive Intensity**

Intense competitive pressure, both locally (from unorganised players) and globally (from players such as Becton Dickinson, B Braun and Boston Scientific), may continue to constrain scalability, pricing power and profitability. Further, lower expenditure than international players on R&D activities limits the capability to develop new products for global markets.

### **Distributor led business model**

Failure to establish or maintain relationships with distributors could impact its business and financials. Company competes for distributors domestically and internationally with other leading consumable manufacturers that may have higher visibility and broader portfolio selection.

**Related party transactions (Rs.58cr in FY22) by way of job work charges paid) with Vitromed Healthcare (a firm in which promoters are partners) raises concern about the need and pricing of such transactions.**

**Delay in commercializing new facilities could impact expected growth rate in topline and bottom line.**

**High dependence on exports and imports of raw materials could expose the company to forex fluctuations.**

### **Company Background**

Poly Medicure was incorporated in 1995 and is promoted by Mr. Himanshu Baid and Mr. Rishi Baid. Company manufactures disposable medical items, such as IV cannula, blood bags, blood collection tubes, and infusion and transfusion sets. Company is the largest exporter of medical devices from India. Polymed spends 1.5-2% of revenue as R&D expenses.

PolyMed also has a joint venture, Ultra for Medical Products Co, Egypt, with the El-Agar group, which directly caters to the African and other markets. In FY19, PolyMed also acquired Plan1Health SRL (100% subsidiary of Poly Medicure B.V., Netherlands), an Italy-based company that manufactures mainly cancer related devices and other critical devices.

Polymed operates nine manufacturing plants across India, China, Egypt and Italy. Company owns six manufacturing facilities in India, four of which are situated at Faridabad (Haryana), and one each in Jaipur (Rajasthan) and Haridwar (Uttarakhand). In addition, the company is in the process of expanding the manufacturing capacities at Faridabad (Haryana) and Jaipur.



## Key Management Profile

Mr. Devendra Raj Mehta is Chairman and a non-executive, Independent Director of the company. He holds a bachelor's degree in economics and law and is a retired officer of the Indian Administrative Services. He is an alumnus of MIT Sloan School of Management, Massachusetts Institute of Technology, Boston, USA and the Royal Institute of Public Administration, London, United Kingdom. He has over 51 years of experience in civil services.

Prior to joining the Board of the company, he held positions including, chairman of SEBI, deputy governor of RBI and Director General of Foreign Trade, Government of India and has held various positions with the Government of Rajasthan and the Government of India. He has been on the Board since May, 2005.

Mr. Himanshu Baid is the Managing Director of the company. He holds a bachelor's degree in engineering (electronics and communication) from Karnataka University, Dharwad. He has over 25 years of experience in manufacturing, sales and marketing of medical devices. He has been associated with Poly Med since its incorporation.

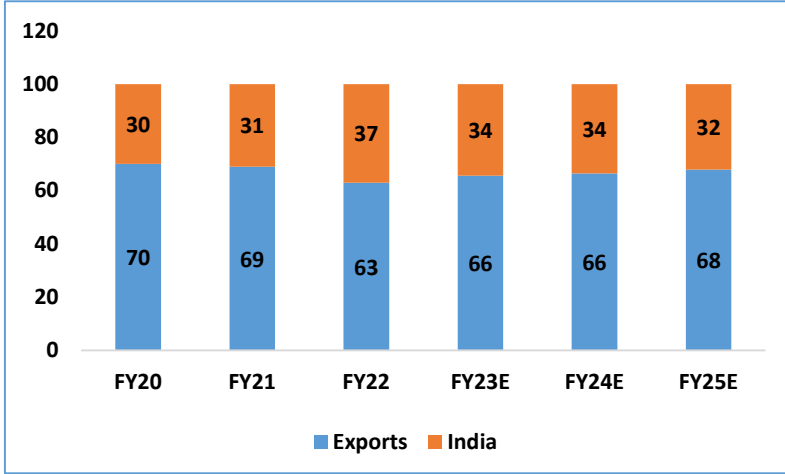
Mr. Rishi Baid is an Executive Director of the Company. He holds a Bachelor of Science degree in mechanical engineering and a master's degree of science in mechanical engineering from West Virginia University, USA. He has over 25 years of experience in manufacturing, operations and R&D of medical devices. He has been associated with the Company since its incorporation.

Mr. Naresh Vijayvergiya is with the Company since Apr-2020 as President. Currently, he serves as CFO of the company. Prior to joining Polymed, he has worked with various companies in Infrastructure/Pharma/Automobiles/Print Media in the area of Finance/Accounts/Audit/Risk and Strategy for over 30 years.

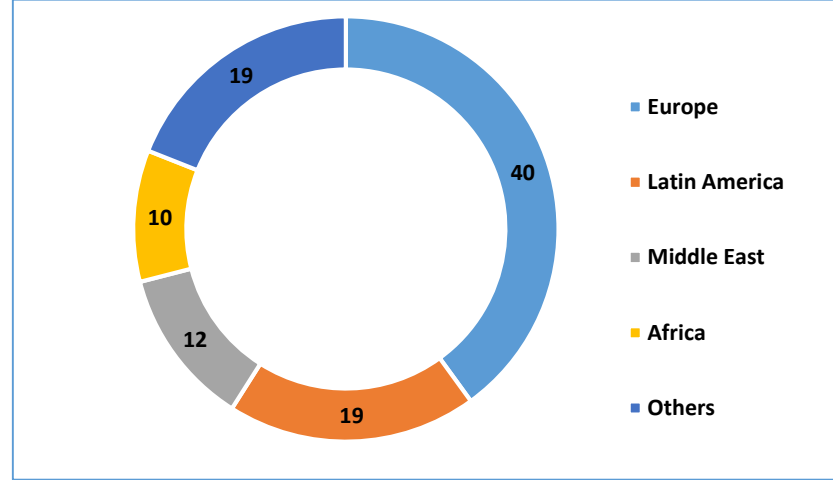
Dr. Ambrish Mithal joined as non-executive independent director in Aug-2022. Dr. Mithal (Padma Bhushan & B. C. Roy Awardee) is the Chairman and Head of Endocrinology and Diabetes Department at Max Healthcare (pan Max), a group of 16 hospitals. He is the domain expert on the Governing Board of National Health Authority (2019) of India and President of AIIMS Gorakhpur. Dr. Mithal has been the recipient of the Fogarty Fellowship (Harvard Medical School), Japan International Cooperation Agency Fellowship, Boy Frame award of the ASBMR, IOF Amgen Health Professionals Award and the Springer citation prize for his paper on "Global Vitamin D Status" 2013. He received the IOF President's Award (2016). His current research interests include vitamin D nutrition, primary hyperparathyroidism, osteoporosis, cardiovascular outcome trials in diabetes and NAFLD.



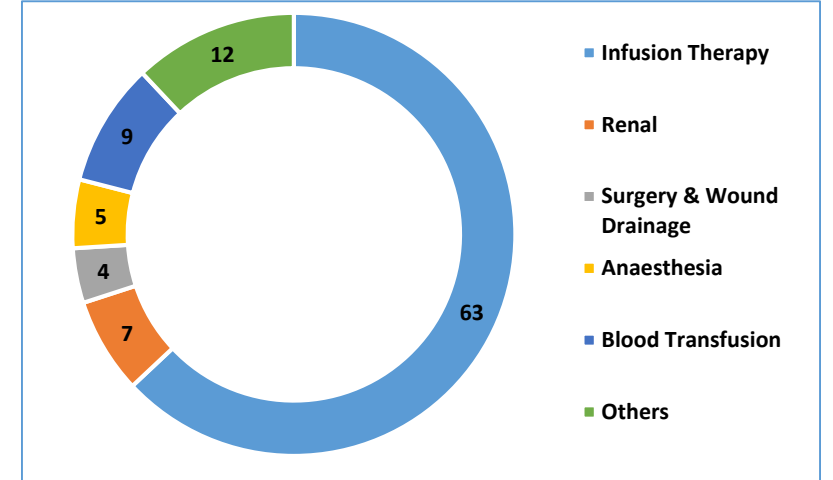
### Revenue Split



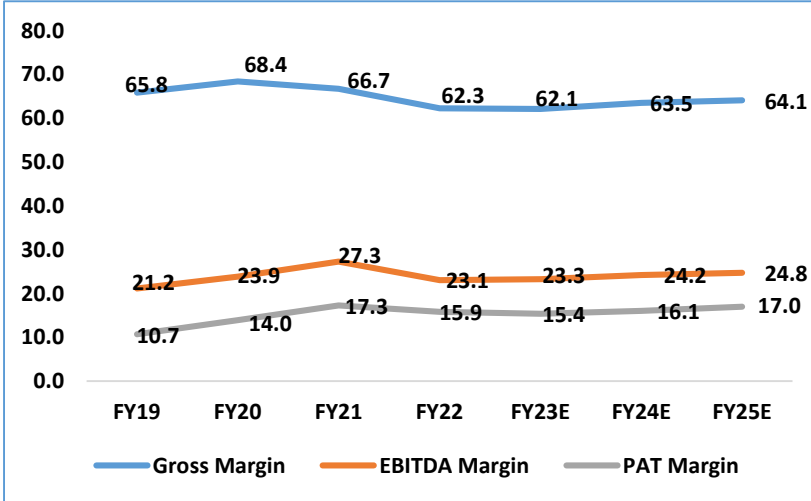
### Exports Revenue Split (%)



### Segment Mix (%)

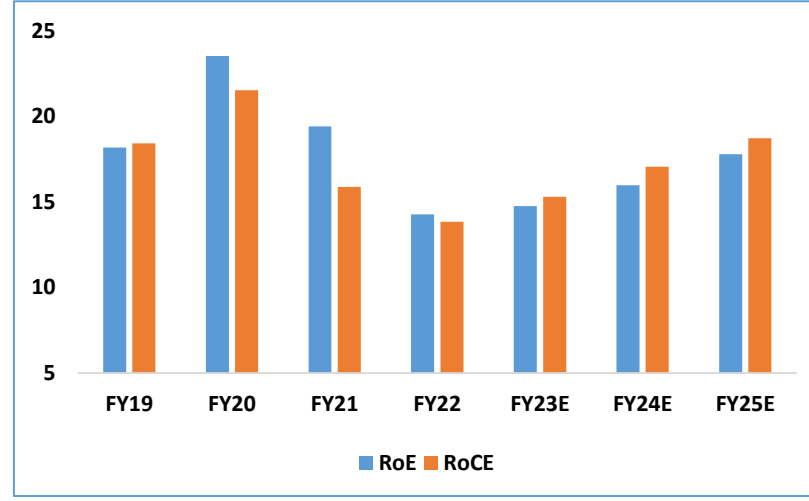


### Margin Trend (%)



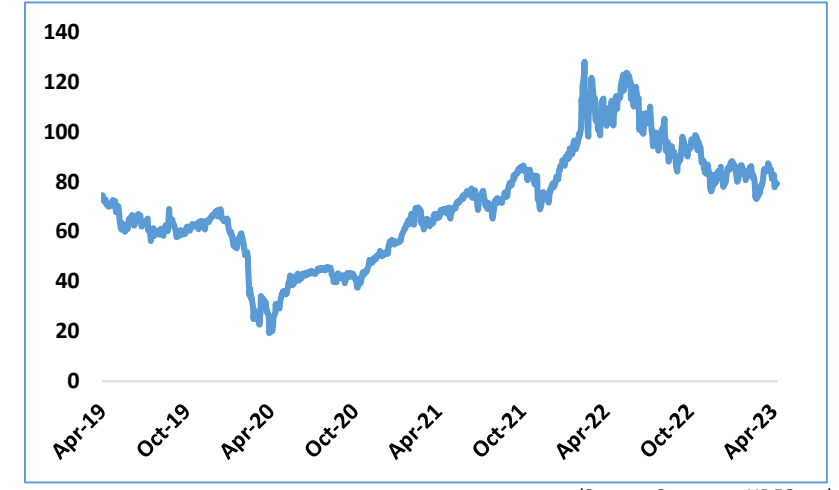
(Source: Company, HDFC sec)

### Strong Return Ratios



(Source: Company, HDFC sec)

### Brent Crude Oil (US \$)



(Source: Company, HDFC sec)



## Financials

### Income Statement

(Rs Cr)	FY20	FY21	FY22	FY23E	FY24E	FY25E
<b>Net Revenue</b>	<b>687</b>	<b>787</b>	<b>923</b>	<b>1108</b>	<b>1307</b>	<b>1582</b>
Growth (%)	12.5	14.4	17.4	20.0	18.0	21.0
Operating Expenses	523	572	710	850	990	1190
<b>EBITDA</b>	<b>164</b>	<b>214</b>	<b>213</b>	<b>258</b>	<b>317</b>	<b>392</b>
Growth (%)	26.7	30.8	-0.7	20.9	23.0	23.6
EBITDA Margin (%)	23.9	27.3	23.1	23.3	24.2	24.8
Depreciation	41	48	54	58	65	73
EBIT	124	167	159	200	252	318
Other Income	19	18	38	36	32	42
Interest expenses	18	9	4	8	5	4
PBT	126	180	195	231	283	363
Tax	30	44	49	60	73	93
<b>RPAT</b>	<b>96</b>	<b>136</b>	<b>147</b>	<b>171</b>	<b>210</b>	<b>269</b>
Growth (%)	46.8	41.5	7.8	16.7	23.0	28.2
EPS	10.9	14.2	15.3	17.8	21.9	28.1

### Balance Sheet

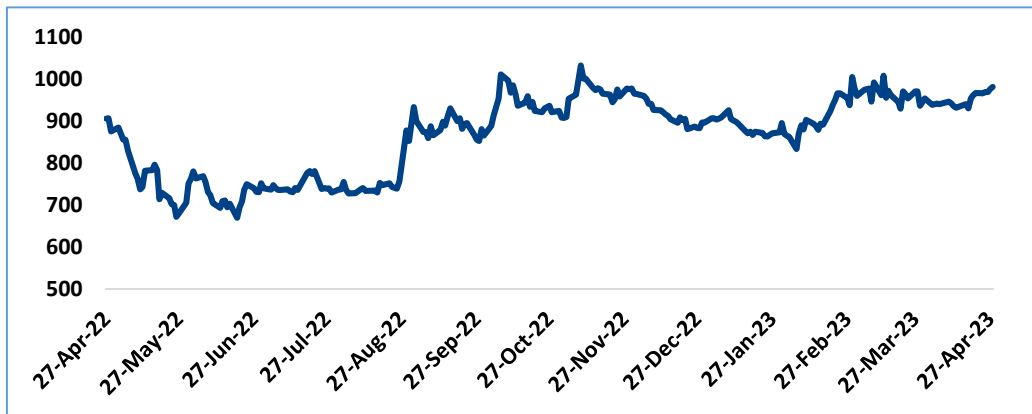
As at March	FY20	FY21	FY22	FY23E	FY24E	FY25E
<b>SOURCE OF FUNDS</b>						
Share Capital	44.1	47.9	48.0	48.0	48.0	48.0
Reserves	391	918	1040	1181	1355	1579
<b>Shareholders' Funds</b>	<b>435</b>	<b>966</b>	<b>1087</b>	<b>1229</b>	<b>1403</b>	<b>1627</b>
Long Term Debt	114	63	38	47	37	30
Net Deferred Taxes	11	9	-3	-3	-3	-3
Long Term Provisions & Others	10	11	24	29	35	41
<b>Total Source of Funds</b>	<b>571</b>	<b>1048</b>	<b>1146</b>	<b>1301</b>	<b>1472</b>	<b>1695</b>
<b>APPLICATION OF FUNDS</b>						
Net Block	332	391	477	601	626	642
Intangible Assets	44	45	44	44	44	44
Non-Current Investments	10	9	10	12	14	21
Long Term Loans & Advances	60	70	59	65	73	78
<b>Total Non-Current Assets</b>	<b>446</b>	<b>515</b>	<b>590</b>	<b>722</b>	<b>757</b>	<b>785</b>
Current Investments	16	345	337	229	293	360
Inventories	112	127	168	188	226	275
Trade Receivables	127	156	207	236	285	341
Cash & Equivalents	25	30	15	67	44	69
Other Current Assets	37	47	56	67	76	90
<b>Total Current Assets</b>	<b>318</b>	<b>704</b>	<b>783</b>	<b>788</b>	<b>926</b>	<b>1139</b>
Short-Term Borrowings	53	71	87	50	36	25
Trade Payables	66	65	89	101	112	135
Other Current Liab & Provisions	73	35	50	57	62	68
<b>Total Current Liabilities</b>	<b>193</b>	<b>171</b>	<b>227</b>	<b>208</b>	<b>211</b>	<b>229</b>
Net Current Assets	125	533	557	580	715	909
<b>Total Application of Funds</b>	<b>571</b>	<b>1048</b>	<b>1146</b>	<b>1301</b>	<b>1472</b>	<b>1695</b>



## Cash Flow Statement

(Rs Cr)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Reported PBT	126	180	195	231	283	363
Non-operating & EO items	-19	-18	-38	-36	-32	-42
Interest Expenses	18	9	4	8	5	4
Depreciation	41	48	54	58	65	73
Working Capital Change	-2	-54	-45	28	-158	-170
Tax Paid	-36	-45	-48	-60	-73	-93
<b>OPERATING CASH FLOW ( a )</b>	<b>128</b>	<b>119</b>	<b>123</b>	<b>230</b>	<b>90</b>	<b>135</b>
Capex	-106	-95	-155	-182	-90	-90
Free Cash Flow	22	24	-32	48	0	45
Investments	-20	-359	32	-8	-11	-12
Non-operating income	19	18	38	36	32	42
<b>INVESTING CASH FLOW ( b )</b>	<b>-108</b>	<b>-435</b>	<b>-85</b>	<b>-154</b>	<b>-69</b>	<b>-59</b>
Debt Issuance / (Repaid)	41	322	-7	14	-3	-2
Interest Expenses	-18	-9	-4	-8	-5	-4
FCFE	45	337	-43	53	-8	39
Share Capital	0	4	0	0	0	0
Dividend/Buyback	-43	0	-24	-30	-36	-45
<b>FINANCING CASH FLOW ( c )</b>	<b>-20</b>	<b>317</b>	<b>-35</b>	<b>-24</b>	<b>-44</b>	<b>-51</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>1</b>	<b>0</b>	<b>3</b>	<b>51</b>	<b>-23</b>	<b>25</b>

## One Year Price Chart



## Key Ratios

	FY20	FY21	FY22	FY23E	FY24E	FY25E
<b>Profitability (%)</b>						
Gross Margin	68.4	66.7	62.3	62.1	63.5	64.1
EBITDA Margin	23.9	27.3	23.1	23.3	24.2	24.8
EBIT Margin	18.0	21.2	17.2	18.0	19.3	20.1
PAT Margin	14.0	17.3	15.9	15.4	16.1	17.0
RoE	23.5	19.4	14.3	14.8	16.0	17.8
RoCE	21.5	15.9	13.8	15.3	17.1	18.7
<b>Solvency Ratio</b>						
Net Debt/EBITDA (x)	0.8	-1.1	-1.1	-0.8	-0.8	-0.9
D/E	0.4	0.14	0.1	0.1	0.1	0.0
Net D/E	0.3	-0.2	-0.2	-0.2	-0.2	-0.2
<b>PER SHARE DATA</b>						
EPS	10.9	14.2	15.3	17.8	21.9	28.1
CEPS	15.5	19.1	20.9	23.9	28.7	35.8
BV	49	101	113	128	146	170
Dividend	2.0	2.5	2.5	3.0	3.5	4.5
<b>Turnover Ratios</b>						
Debtor days	68	72	82	78	80	79
Inventory days	52	55	58	62	63	64
Creditors days	83	70	75	71	68	68
<b>VALUATION</b>						
P/E	90.1	69.2	64.2	55.0	44.7	34.9
P/BV	19.9	9.7	8.6	7.7	6.7	5.8
EV/EBITDA	57.5	44.0	44.3	36.6	29.8	24.1
EV / Revenues	13.7	12.0	10.2	8.5	7.2	6.0
Dividend Payout	18.4	17.6	16.4	16.8	16.0	16.0



# Poly Medicure Ltd.

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