

HIKAL LTD.

RECOMMENDATION : BUY

MARKET PRICE : Rs.292.25 (As on 30th Aug 2023)

TARGET PRICE : Rs.366.00

FACE VALUE : Rs.2

BSE CODE : 524735

NSE CODE : HIKAL





Hikal has rich experience in developing active pharmaceutical ingredients and intermediates

Established in 1988, Hikal Ltd. offers solutions across the life sciences value chain. The Company provides world-class active ingredients, intermediates and R&D services to global pharmaceuticals, animal health, biotech, crop protection and specialty chemicals companies.

Hikal Ltd. is the partner of choice for:

Pharmaceuticals: It offers Active pharmaceutical ingredients (APIs), custom manufacturing, intermediates and advanced intermediates.

Crop Protection: The Company offers Active ingredients and advanced intermediates.

Research & Technology: In this the, Company offers Process development, new product development, contract and custom development.

The Company has five manufacturing facilities in India at Maharashtra (Taloja and Mahad), Gujarat (Panoli) and Karnataka (Jigani) and a Research & Technology centre at Maharashtra (Pune). Its facilities are regularly inspected by multinational companies and global regulatory authorities. Hikal is the first Indian life sciences company to receive the Responsible Care® certification granted by the International Council of Chemical Associations (ICCA).

ABOUT THE COMPANY

Q1FY24: Performance Highlights



Revenue – Q1 FY24
Rs. 388 Crore



YoY
+2%



QoQ
-29%



EBITDA – Q1 FY24
Rs. 50 Crore



YoY
+122%



QoQ
-43%



EBITDA Margin – Q1 FY24
12.9%



YoY
+696 bps



QoQ
-321 bps



PAT – Q1 FY24
Rs. 7 Crore



YoY
+177%



QoQ
-81%



EPS – Q1 FY24
Rs. 0.56



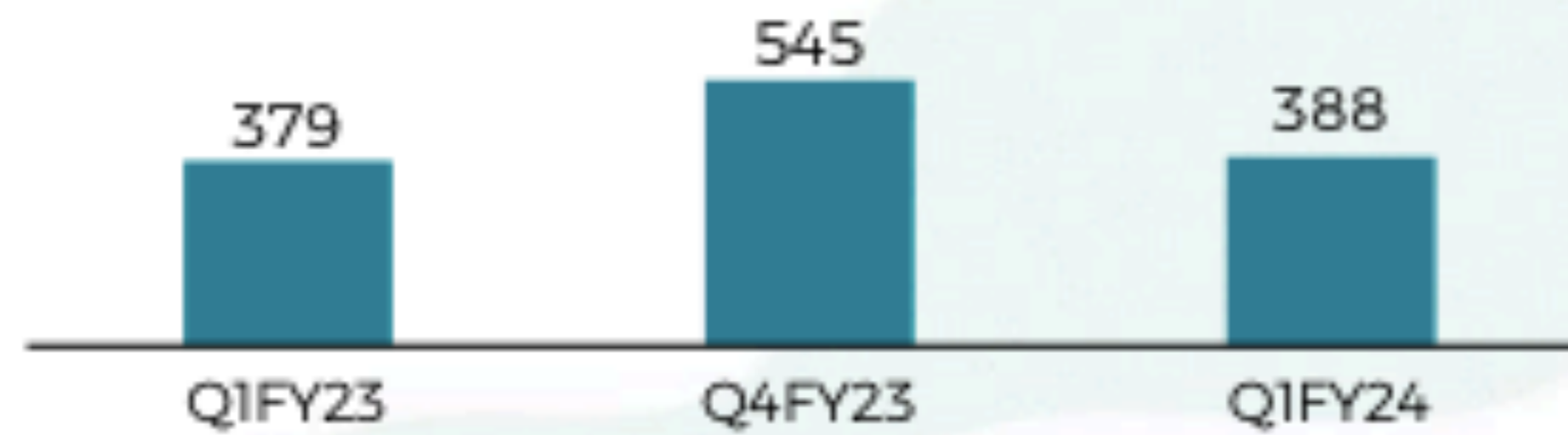
YoY
+177%



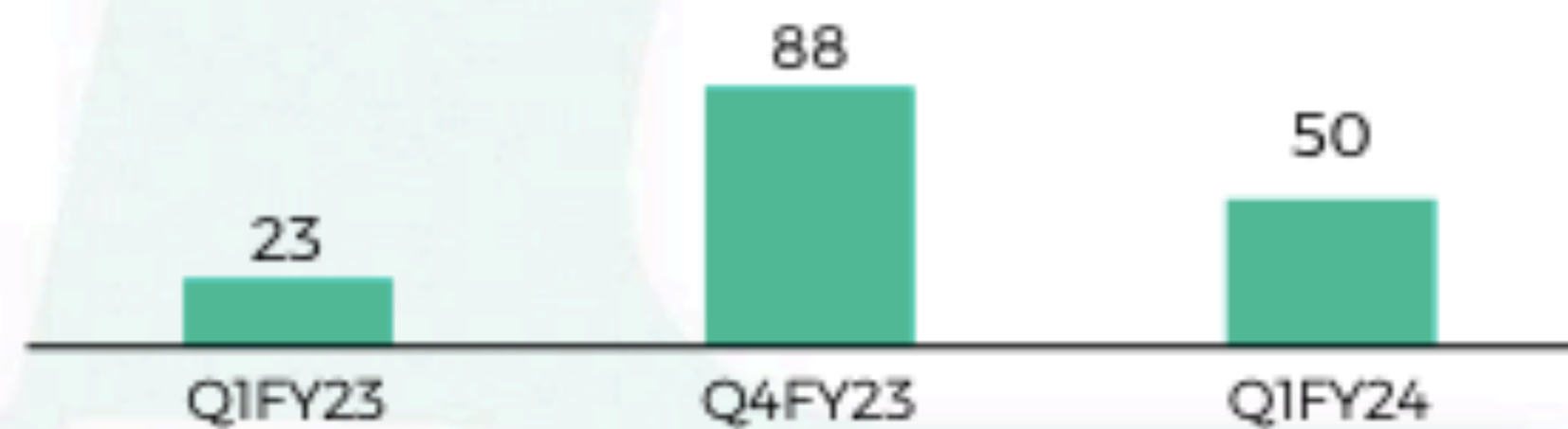
QoQ
-81%

Quarterly Performance Highlights

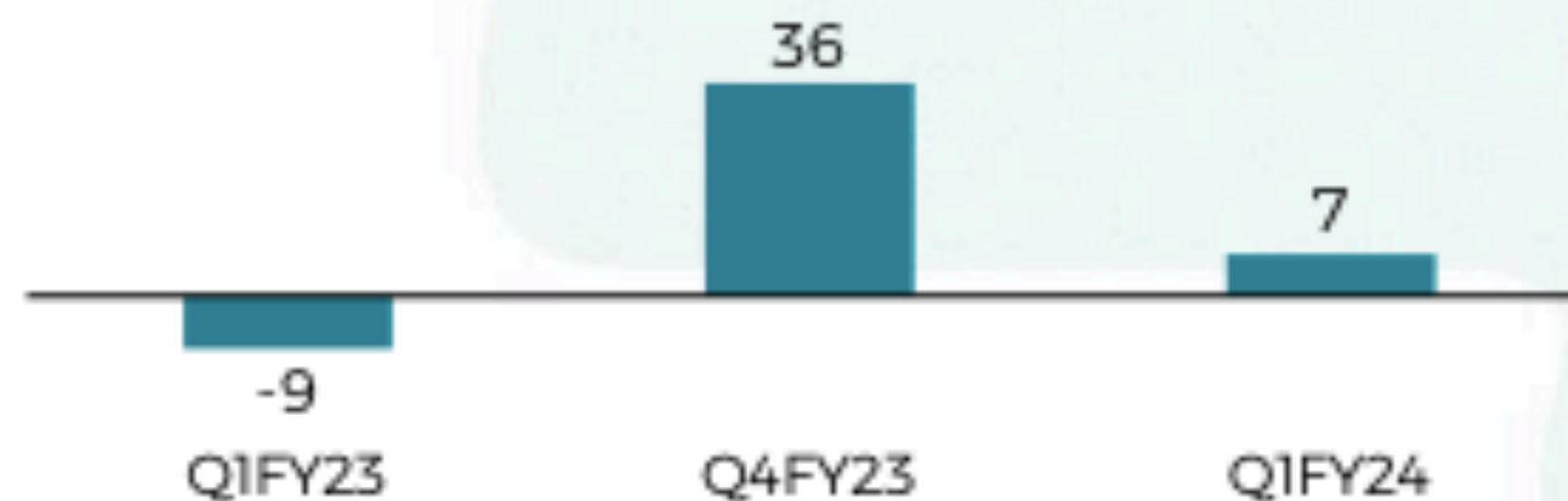
Revenue



EBITDA



PAT

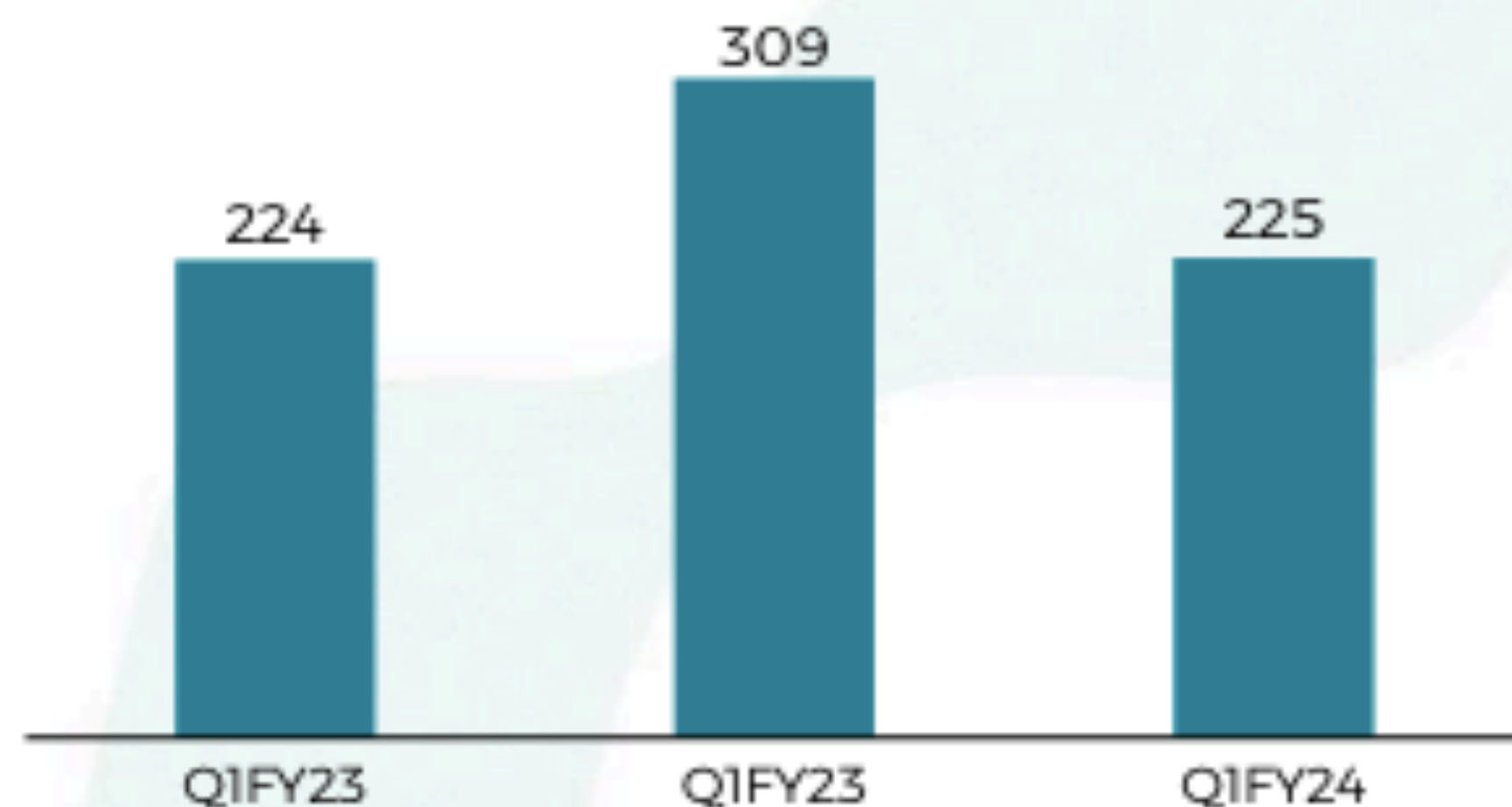


Performance Highlights

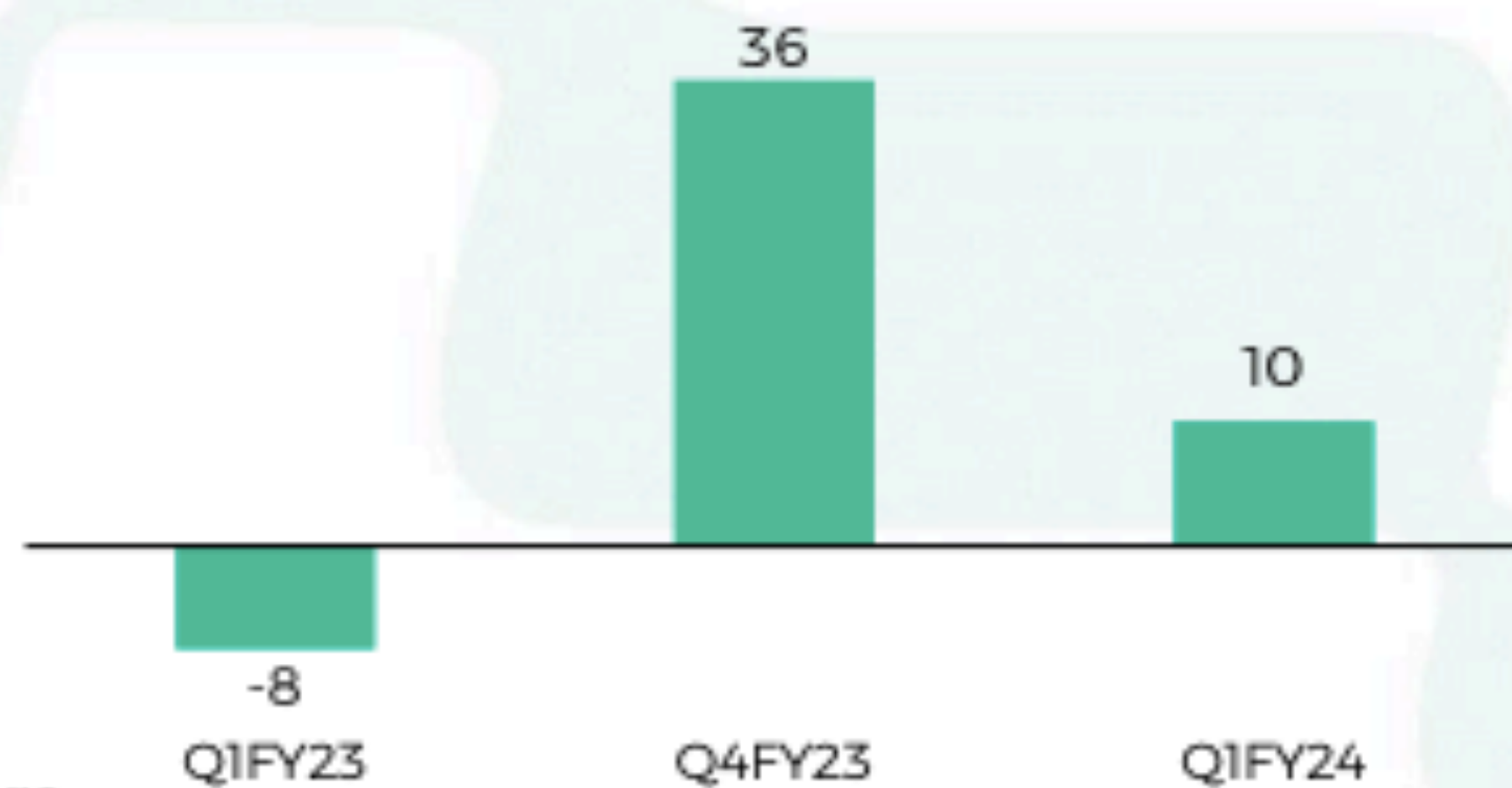
- Revenue recorded at Rs 388 Crore, 2% growth YoY basis
 - Change in product mix
 - Increased demand of select products
- EBITDA stood at Rs 50 Crore, 122% increase on YoY basis
 - Cost improvement initiatives, softening in RM costs and change in product mix
- PAT was Rs. 7 Crore
 - Lower operating leverage sequentially
 - Marginal increase in finance costs in view of interest rate hikes
- Hikal's long term credit rating is maintained at A+ by ICRA
- Sequential growth in revenue and margins is expected for Pharma business in the upcoming quarters
- Panoli site clears US FDA audit for API with 'Zero' 483 observation
 - US FDA approval is in line with derisking strategy for additional API site to service our global customer base

Quarterly Performance Highlights - Pharmaceuticals

Revenue



EBIT



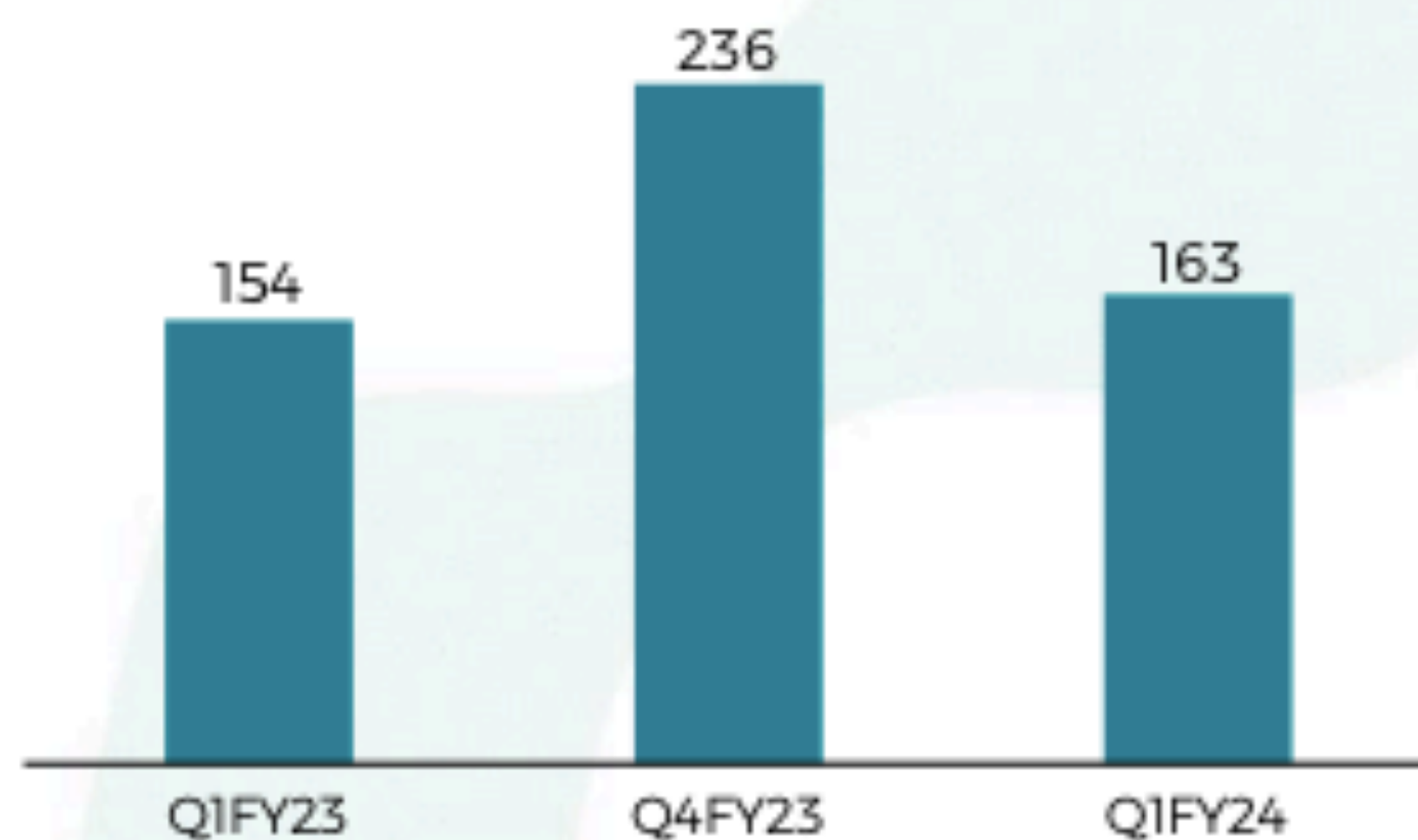
Rs. Crore

Performance Highlights

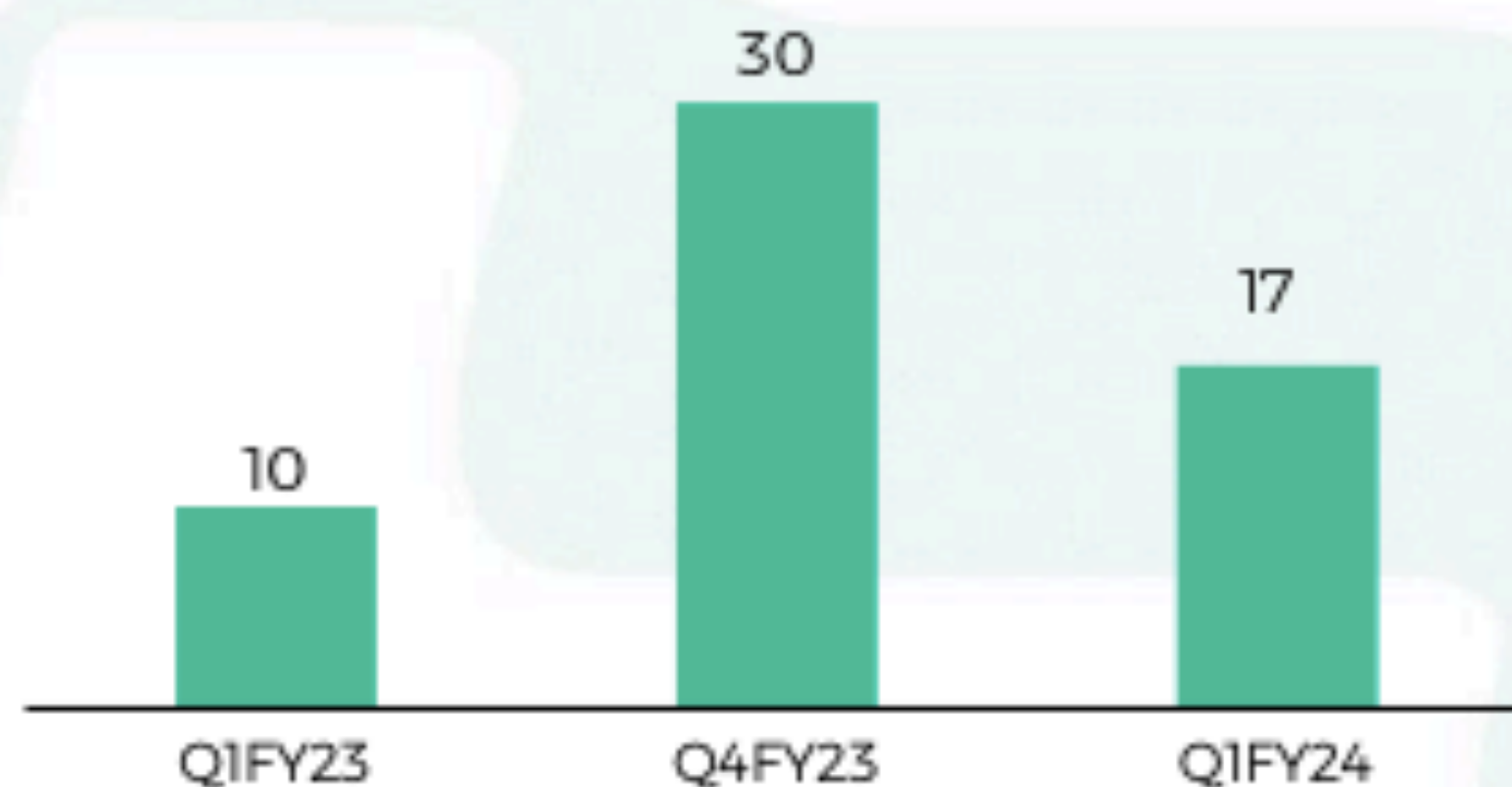
- Revenue stood flat at Rs 225 Crore vs same period last year
- EBIT stood at Rs 10 Crore
 - Softening of key RM prices
 - Lower operating leverage on sequential basis
 - Improvement in margins on account of business excellence initiatives
- New multipurpose plant for Animal Health is on track at Panoli, Gujarat and commissioning is underway
- Good traction in Generics from customers in Japan, Latin America and Middle East geographies for the newer product portfolio
- New opportunities are under advanced stage of discussion with various global innovators in CDMO business

Quarterly Performance Highlights - Crop Protection

Revenue



EBIT



Performance Highlights

- Revenue stood at Rs 163 Crore
 - Disruptive channel inventory correction in Agrochemicals space has reduced the demand of key products in the quarter
 - Demand from customers is expected to recover during H2 FY24 on account of channel inventory normalization
- EBIT stood at Rs 17 Crore
 - Softening of input raw material prices
 - Reduced operating leverage sequentially
 - Successful deployment of business excellence projects
- New multipurpose facility at Panoli, Gujarat is currently stabilizing and commissioning activity is going as per plan
- We have a strong pipeline of opportunities under discussion with various global innovators

OUR OFFERING

Welcome to Hikal. We partner with pharmaceuticals, life sciences, biotechnology, agrochemicals, and specialty chemicals companies to deliver active ingredients, intermediates and R&D services.



Pharmaceuticals



Crop Protection



Specialty Chemicals



Research & Technology

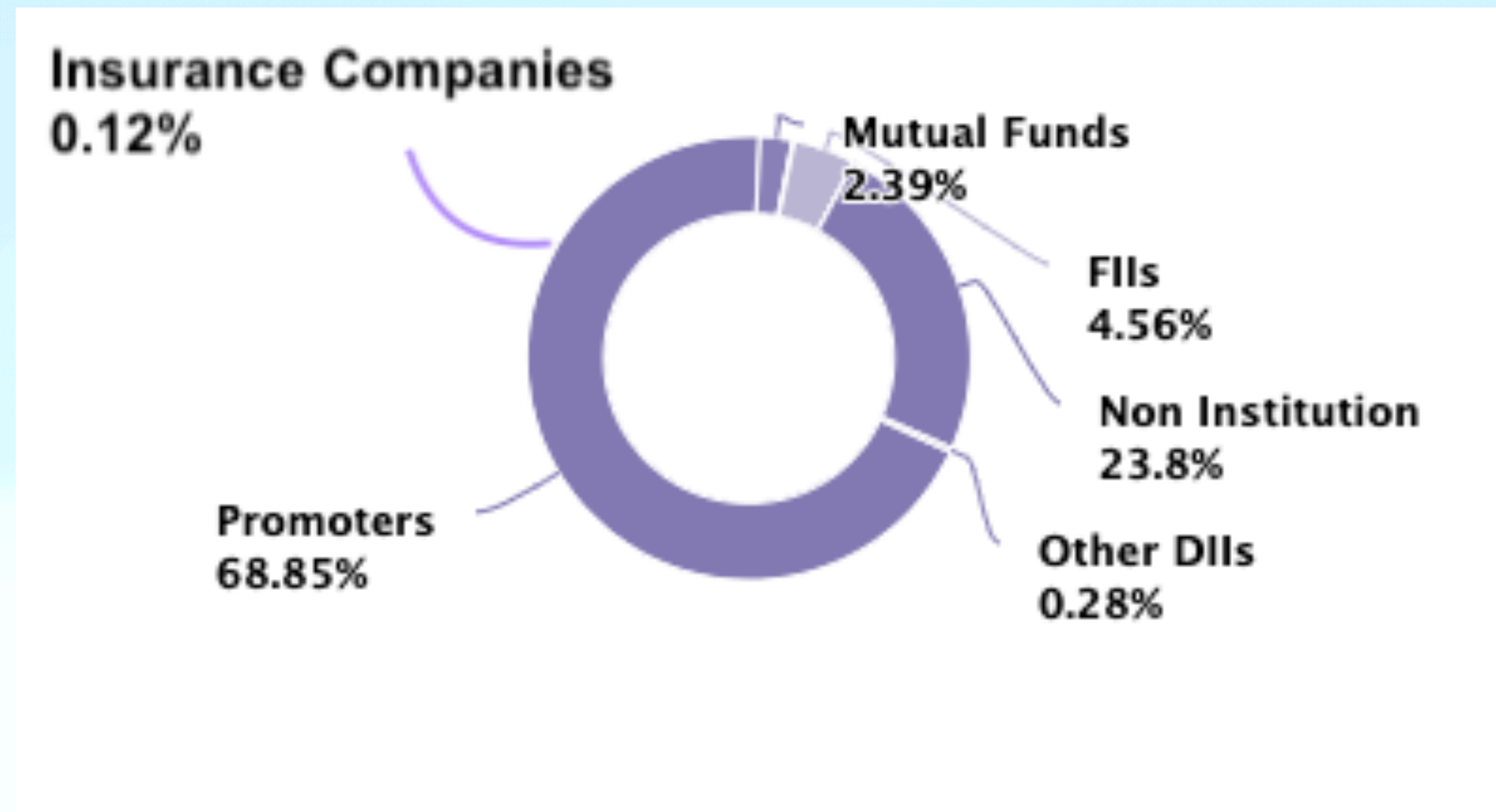
Yearly Results

YEARLY RESULTS OF HIKAL (in Rs. Cr.)	MAR '23	MAR '22	MAR '21	MAR '20	MAR '19
Net Sales/Income from operations	2,004.70	1,942.72	1,707.06	1,462.12	1,567.74
Other Operating Income	18.33	--	13.38	45.14	21.87
Total Income From Operations	2,023.03	1,942.72	1,720.44	1,507.26	1,589.61
EXPENDITURE					
Consumption of Raw Materials	1,121.59	1,032.21	906.71	781.90	868.80
Increase/Decrease in Stocks	-14.56	-35.82	1.67	-5.58	-14.98
Employees Cost	222.44	203.38	164.32	156.57	150.37
Depreciation	109.01	95.67	85.24	82.46	92.88
Other Expenses	436.49	402.39	324.85	301.22	287.30
P/L Before Other Inc., Int., Excpt. Items & Tax	148.06	244.89	237.65	190.69	205.24
Other Income	5.41	4.89	4.98	3.70	2.26
P/L Before Int., Excpt. Items & Tax	153.47	249.78	242.63	194.39	207.50
Interest	48.10	31.21	36.20	52.42	58.43
P/L Before Exceptional Items & Tax	105.37	218.57	206.43	141.97	149.07
Exceptional Items	--	--	--	-15.40	--
P/L Before Tax	105.37	218.57	206.43	126.57	149.07
Tax	26.98	58.06	73.28	42.14	46.01
P/L After Tax from Ordinary Activities	78.39	160.51	133.15	84.43	103.06
Net Profit/(Loss) For the Period	78.39	160.51	133.15	84.43	103.06
Net P/L After M.I & Associates	78.39	160.51	133.15	84.43	103.06
Equity Share Capital	24.66	24.66	24.66	24.66	24.66
Reserves Excluding Revaluation Reserves	1,108.81	1,043.32	908.74	791.84	731.55
EPS BEFORE EXTRA ORDINARY					
Basic EPS	6.36	13.02	10.80	6.85	8.36
Diluted EPS	6.36	13.02	10.80	6.85	8.36
EPS AFTER EXTRA ORDINARY					
Basic EPS.	6.36	13.02	10.80	6.85	8.36
Diluted EPS.	6.36	13.02	10.80	6.85	8.36

Key Financial Ratios

KEY FINANCIAL RATIOS OF HIKAL (in Rs. Cr.)	MAR 23	MAR 22	MAR 21	MAR 20	MAR 19
PER SHARE RATIOS					
Basic EPS (Rs.)	6.36	13.02	10.80	6.85	8.36
Diluted EPS (Rs.)	6.36	13.02	10.80	6.85	8.36
Cash EPS (Rs.)	15.20	20.78	17.71	13.54	15.89
Book Value [ExclRevalReserve]/Share (Rs.)	91.93	86.62	75.70	66.22	61.33
Book Value [InclRevalReserve]/Share (Rs.)	91.93	86.62	75.70	66.22	61.33
Revenue from Operations/Share (Rs.)	164.07	157.56	139.53	122.24	128.92
PBDIT/Share (Rs.)	21.29	28.02	26.59	22.45	24.36
PBIT/Share (Rs.)	12.45	20.26	19.68	15.77	16.83
PBT/Share (Rs.)	8.55	17.73	16.74	10.27	12.09
Net Profit/Share (Rs.)	6.36	13.02	10.80	6.85	8.36
NP After MI And SOA / Share (Rs.)	6.36	13.02	10.80	6.85	8.36
PROFITABILITY RATIOS					
PBDIT Margin (%)	12.97	17.78	19.05	18.36	18.89
PBIT Margin (%)	7.58	12.85	14.10	12.89	13.05
PBT Margin (%)	5.20	11.25	11.99	8.39	9.37
Net Profit Margin (%)	3.87	8.26	7.73	5.60	6.48
NP After MI And SOA Margin (%)	3.87	8.26	7.73	5.60	6.48
Return on Networth/Equity (%)	6.91	15.02	14.26	10.34	13.63
Return on Capital Employed (%)	8.90	17.29	19.31	16.59	19.16
Return on Assets (%)	3.28	7.25	6.95	4.77	6.11
Total Debt/Equity (X)	0.66	0.63	0.55	0.69	0.79
Asset Turnover Ratio (%)	0.88	0.94	89.92	85.25	94.31
LIQUIDITY RATIOS					
Current Ratio (X)	1.42	1.25	1.34	1.30	1.38
Quick Ratio (X)	0.94	0.83	0.93	0.78	0.77
Inventory Turnover Ratio (X)	3.47	3.47	6.45	4.82	4.36
Dividend Payout Ratio (NP) (%)	0.00	16.90	11.11	23.36	13.15
Dividend Payout Ratio (CP) (%)	0.00	10.58	6.77	11.82	6.92
Earnings Retention Ratio (%)	0.00	83.10	88.89	76.64	86.85
Cash Earnings Retention Ratio (%)	0.00	89.42	93.23	88.18	93.08
COVERAGE RATIOS					
Interest Coverage Ratios (%)	5.46	11.07	6.70	3.71	3.55
Interest Coverage Ratios (Post Tax) (%)	5.46	11.07	6.70	3.71	3.55
VALUATION RATIOS					
Enterprise Value (Cr.)	4,164.24	5,587.56	2,246.86	1,360.47	2,725.12
EV/Net Operating Revenue (X)	2.06	2.88	1.31	0.90	1.71
EV/EBITDA (X)	15.86	16.17	6.85	4.91	9.07
MarketCap/Net Operating Revenue (X)	1.72	2.55	1.03	0.57	1.36
Retention Ratios (%)	0.00	83.09	88.88	76.63	86.84
Price/BV (X)	3.07	4.65	1.90	1.06	2.85
Price/Net Operating Revenue	1.72	2.55	1.03	0.57	1.36
Earnings Yield	0.02	0.03	0.08	0.10	0.05

Shareholding Pattern an on Jun'23



Summary

- ❖ With deliverance of robust performance in Q1 of FY'24, the Company's Net Sales grew up by 3.99% i.e. Rs.386.14 crs in Jun'23 as compared to Rs.371.32 crs in Jun'22. However, the Net Profits surged by 178.10% i.e. Rs.6.92 crs versus a loss of Rs.(-8.86) crs in Jun'22.
- ❖ As per fine financials and fair fundamentals, the Company is available at a good price of Rs.292.25 with its 52 week low of Rs.260.75 and 52 week high of Rs.427.80.
- ❖ Since the Promoters are holding majority stake around 68.85% as well as its consistent performance, it is fair to assume that the Management is working efficiently and is growth oriented.
- ❖ In Public Shareholding as on Jun'23, the FIIs and the Other DIIs cumulatively stood with 4.84% stake. Whilst, the Mutual Fund Houses own 2.39% holdings in the Company.
- ❖ It is reassuring to see that Hikal Ltd. is held by TATA MF and a few more.
- ❖ On consolidated basis, the Company registered Return on Equity (ROE) and Return on Capital Employed (ROCE) around 6.91% & 8.90% respectively as on Mar'23.
- ❖ For the year ending Mar'23, Hikal Ltd. has declared an equity dividend of 60.00% i.e. Rs.1.20 per equity share. The Company has a good dividend track report and has consistently declared dividends for the last 5 years.

Disclosure

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2. My daughter, Ms. Palvit Kaur

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Mr. Amiteshwar Singh Proprietor of M/s Amiteshwar.in
SEBI Registered "Research Analyst" Reg. No. INH100010013

Contact: +917973835409

Email: info@Researchlyne.com

Address: Ground Floor, 236 E Block, Bhai Randhir Singh Nagar,
Ludhiana - 141012 (Pb.)