



Diwali

Sushil Finance
ACTIONABLE KNOWLEDGE

Muhurat Pick 2023

HAPPY RESETWALI & REBOOTOUS NEW YEAR





KILITCH DRUGS (INDIA) LTD.

RE-INSTATING COVERAGE REPORT

PHRM

BUY

CMP Rs.300	TARGET Rs.393	
Reuters Code	KIDI.BO	
Bloomberg Code	KILD IN	
BSE Code	524500	
NSE Symbol	KILITCH	
Face Value	Rs. 10	
Market Cap.	Rs. 482 cr	
52 Week H/L	Rs. 300 / 121	
Shares Outstanding	1.6 cr.	
Avg. Daily Vol. (6m)	18,248 shares	
Price Performance (%)		
1M	3M	6M
15	49	64
200 Days EMA Rs.185		

SHARE HOLDING (%)

Promoters	69.2
FII	-
FI/Bank	-
Body Corporate	1.0
Public & Others	29.8

RESEARCH ANALYST

Kashish Shah | +91 22 4093 4082
kashish.shah@sushilfinance.com

SALES:

Devang Shah | +91 22 4093 6060/61
devang.shah@sushilfinance.com

EXPANSION IN ETHIOPIA LIKELY TO DRIVE COMPANY'S FUTURE GROWTH.

The company has expanded in Addis Ababa, Ethiopia for manufacturing of Cephalosporin Injectable. KDIL has one of the largest capacities in Ethiopia with a manufacturing capacity of ~26.4 mn vials per annum. The expansion is expected to increase the company's revenues by ~Rs. 200 crore with EBITDA margins of 18-20%. Further, the US Dollar availability issues in Ethiopia is gradually improving, which will help the company drive topline and bottom line growth in near to long term period.

STRONG FUNDAMENTALS ALONG WITH CAPEX PLANS TO STEER THE COMPANY ON A GROWTH PATH.

The company has a strong operating history of over 4 decades and the company is on the path to create a robust presence in Ethiopia. The company is currently undergoing a capex in Khapoli, Maharashtra to the tune of ~Rs.100-120 crore which is likely to be completed by FY25. From FY19 to FY23, the turnover grew at a CAGR of ~14%, from Rs. 82.5 cr to Rs. 139.5 cr; the company is virtually a debt-free company and holds net cash (including investments) of Rs. 60 cr. Further, the company's cash accruals are expected to remain healthy over the next two fiscals with stable cash flows back by domestic and international demand.

INDIA BEING A NEW GLOBAL CENTER FOR PHARMA COMPANIES

According to industry reports in the 2020-2030 period, Indian pharma industry is expected to grow at a compounded annual growth rate (CAGR) of ~12% to reach at US\$130 bn by 2030 from US\$ 41.7 bn in 2021. Though the pharmaceutical industry has grown at a CAGR of approx. 13% over the two decades, in the last decade, the CAGR has been ~ 8.5% and it has currently been ~6.2% over the past five years. India has attracted higher investments in R&D over the last couple of years.

Y/E Mar	Revenue (Rs. Cr)	EBITDA (Rs. Cr)	EBITDA Margin (%)	PAT (Rs. Cr)	NPM (%)	EPS (Rs.)	P/E (X)	P/S (X)	P/BV (X)
FY22	114.2	10.4	9.1%	6.2	5.4%	4.0	75.2	4.2	3.5
FY23	139.6	17.6	12.6%	8.3	5.9%	5.3	56.4	3.5	3.1
FY24E	167.5	27.5	16.4%	14.6	8.7%	9.1	33.0	2.9	2.8
FY25E	209.4	35.2	16.8%	17.6	8.4%	11.0	27.4	2.3	2.6
FY26E	272.2	46.5	17.1%	22.6	8.3%	14.0	21.4	1.8	2.3

OUTLOOK & VALUATION

We expect the company to deliver top line growth of 95% for the year FY26E over FY23, backed by expected pickup in revenues from Ethiopia. Additionally, we expect the company to deliver strong EBITDA and PAT margins of ~17.1% and ~8.3% respectively in FY26E. Our estimates for EPS for the year FY24E, FY25E & FY26E are projected to be Rs. 9.1, Rs. 10.2 & Rs. 13.1 respectively. We have assigned a P/E multiple of 28X and arrived at a target price of Rs.393 that provides an upside of ~31% from the current market price of Rs. 300 with an investment horizon of 24 to 30 months. Hence, we reinstate coverage on Kilitch Drugs (India) Ltd with a 'BUY' rating.

KEY RISK

- **Foreign Exchange Fluctuation Risk:** The company has started its operations in Africa and forex translation gain/loss of the subsidiary may have a substantial impact on the financials of the parent.
- **Political Uncertainty:** Ethiopia is not as stable a region as other countries in the world, political uncertainty and social unrest plays an important role in ascertaining the business sustainability of the company.
- **Competition Risk:** The products manufactured by the company are generally off patent and for general usage, this can create competition risk.
- **Price Risk:** The pricing of the products depends on the RM sourced from different parts of the world and their prices tend to fluctuate through the year.

COMPANY OVERVIEW

Incorporated in the year 1978 by first generation entrepreneur Late. Mr Pratap Mehta, Kilitch has evolved from a small pharma company to a CRM company with multiple drugs in the oral and non-oral segment. The company is currently promoted by Mr. Mukund Mehta, Mr. Bhavin Mehta, Mrs. Mira Mehta and other. The company has more than 25 years of experience in the development, manufacturing and marketing of quality finished dosages. The company has taken steps to build a well diversified business model in terms of markets and products. However, the largest contribution of the business comes from countries in Africa and Asia. Kilitch continues to deliver quality injectables on contract manufacturing for reputed pharmaceutical companies. Kilitch has planned capex of around Rs.100-120 crore to increase the capacity that will increase the company's revenues and market share in the business.

CATEGORY	TYPE OF PRODUCTS
PARENTERALS AND NASAL PRODUCTS	GASTROENTEROLOGY, NSAIDS, ANTIEPILEPTIC, ANTI – INFLAMMATORY, ANTI – MALARIALS, AMINOGLYCOSIDES, ANTI-BACTERIALS, ETC.
ORAL	ORS, CARDIOVASCULAR, ANTIDIABETIC, ARTLUF
EFFERVESCENT	ROIPAR, DUREGRA, ROIVIT,
NUTRITIONAL PRODUCTS	CELTINE
MEDICAL DEVICES	C-SEAL
COSMETIC AND HERBAL PRODUCTS	OILS, CREAMS, LOTIONS, MELT CAPSULES, BON BON FORTE, ORTHO REHABILITATION & IMPLANTS

KEY PRODUCTS





INVESTMENT RATIONALE- Expansion in Ethiopia and Capex in Domestic Market Likely to Drive Topline Growth.

Kilitch has joined hands with Estro Import & Export Pvt. Ltd. Co. to setup a manufacturing unit dedicated to produce Cephalosporin injectables along with other oral dosage forms. Initially, the allocated land for the facility was 6,700 sqm. and based on the progress and proposal submitted for expansion, Oromia region investment commission has allocated an additional 5,700 sqm. of land, hence total land allocated is 12,400 sqm.

Cephalosporin antibiotics treat a variety of bacterial infections. Some infections that Cephalosporins can be used to treat include respiratory tract infections, otitis media (middle ear infection), strep throat, skin infections, skin structure infections, bone infections, and urinary tract infections. The drug works by preventing bacteria from making cell walls. Stopping cell wall synthesis causes the bacteria to die. Cephalosporins are similar to penicillin. All drugs in the Cephalosporin class are approved by the USFDA (United States Food and Drug Administration) and are available as prescription drugs.

The company has one of the largest manufacturing capacities in Ethiopia of ~26.4 mn vials per annum. The company expects to generate revenues, by exports to other African countries as well, in the range of Rs.200 crore with EBITDA margins likely to remain between 18%-20%.

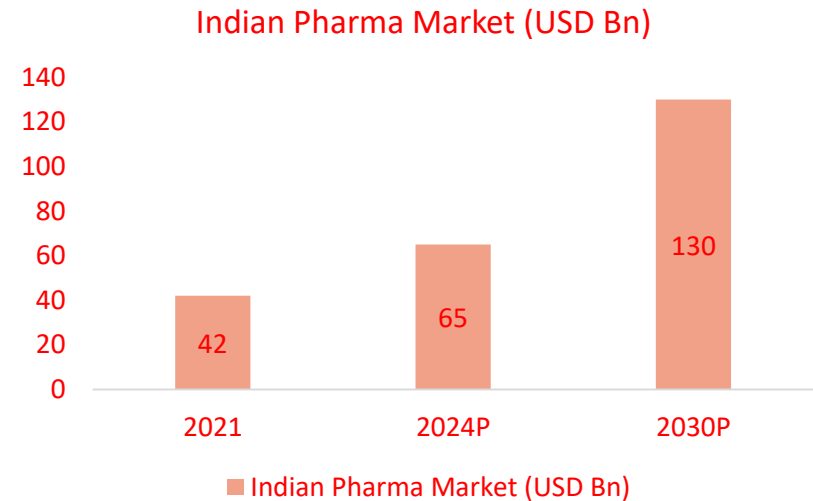
The company has achieved a total revenues of Rs.140 crore in FY23 with EBITDA margins of 12.6% and PAT margins at 5.9%. The company has planned a capacity expansion in Khapoli, Maharashtra of around Rs.100-120 crores which is likely to complete by March 2025. We expect, the company to generate additional revenues from Q1FY26 to tune of Rs.50-75 crore.

- **Ethiopia business to pick up, generating additional revenues for the company**
- **Domestic business growth to steer additional support from Capex in Khapoli**

INVESTMENT RATIONALE- India to Become a New Global Hub for Pharma Companies

India is the largest provider of generic drugs globally and is known for its affordable vaccines and generic medications. The Indian Pharmaceutical industry is currently ranked third in pharmaceutical production by volume after evolving over time into a thriving industry growing at a CAGR of 9.43% since the past nine years. Indian pharmaceutical sector supplies over 50% of global demand for various vaccines, 40% of generic demand in the US and 25% of all medicine in the UK. The domestic pharmaceutical industry includes a network of 3,000 drug companies and ~10,500 manufacturing units. India enjoys an important position in the global pharmaceuticals sector. The country also has a large pool of scientists and engineers with a potential to steer the industry ahead to greater heights. Presently, over 80% of the antiretroviral drugs used globally to combat AIDS (Acquired Immune Deficiency Syndrome) are supplied by Indian pharmaceutical firms. India is rightfully known as the "pharmacy of the world" due to the low cost and high quality of its medicines.

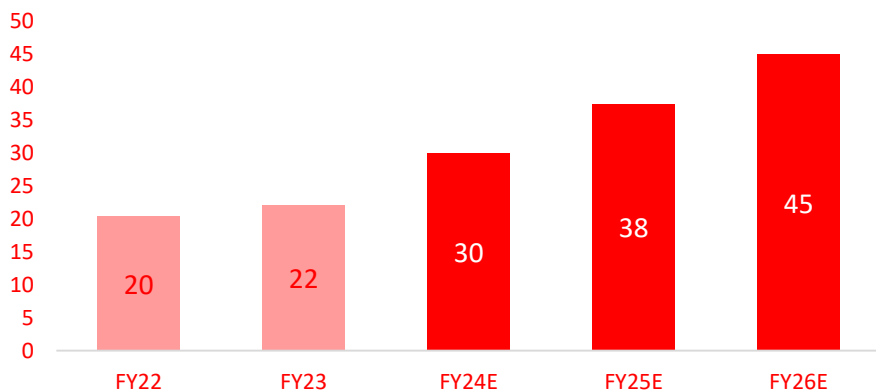
Market size of India pharmaceuticals industry is expected to reach US\$ 65 billion by 2024, and ~US\$ 130 billion by 2030. According to the government data, the Indian pharmaceutical industry is worth approximately US\$ 50 billion with over US\$ 25 billion of the value coming from exports. About 20% of the global exports in generic drugs are met by India. India is among the top 12 destinations for biotechnology worldwide and 3rd largest destination for biotechnology in Asia Pacific. In 2022, India's Biotechnology industry has crossed US\$ 80.12 billion, growing 14% from the previous year. The Indian pharmaceutical industry has seen a massive expansion over the last few years and is expected to reach about 13% of the size of the global pharma market while enhancing its quality, affordability, and innovation.



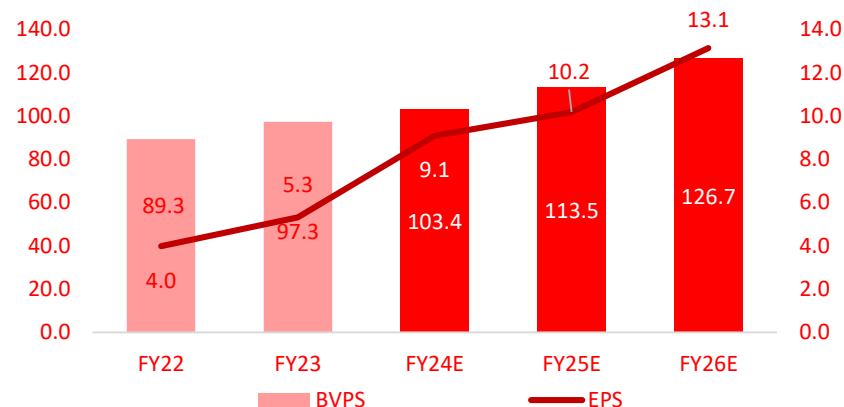
Source: Sushil Finance Research, Company Research

INVESTMENT RATIONALE- Strong Fundamentals to Steer the Company on a Growth Path.

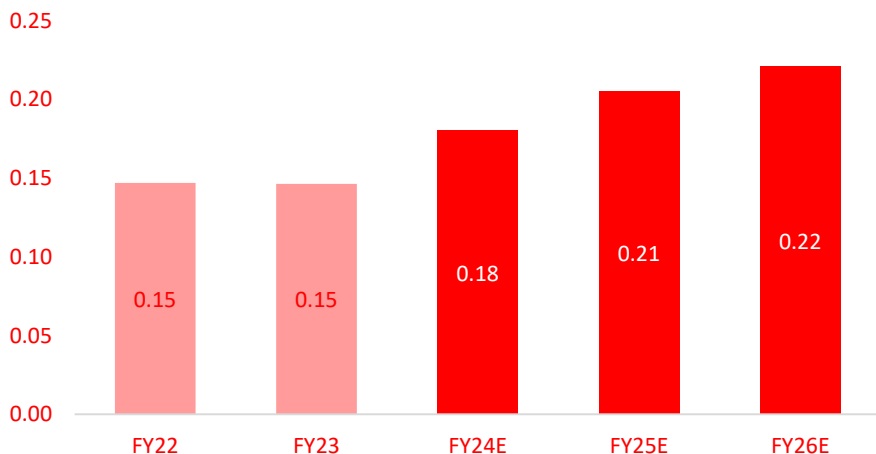
Total Debt (Rs. Crs)



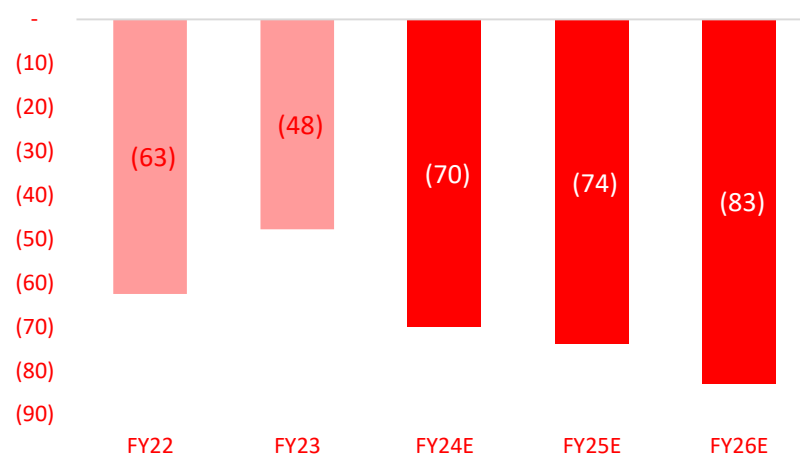
EPS & BVPS (Rs.)



Debt to Equity Ratio (x)

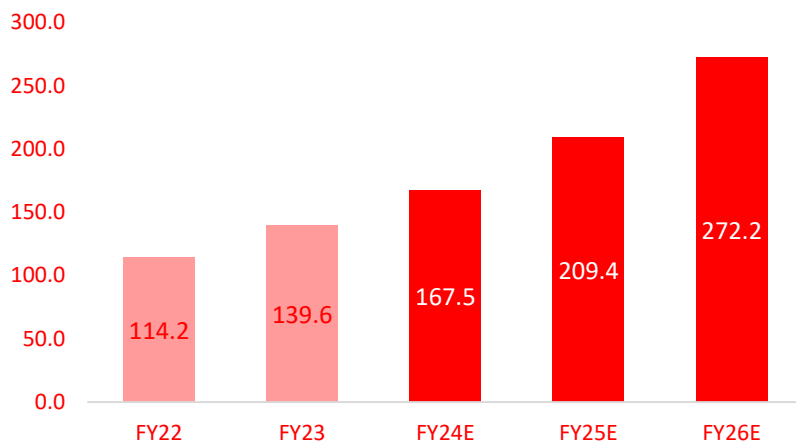


Net Working Capital Cycle (days)

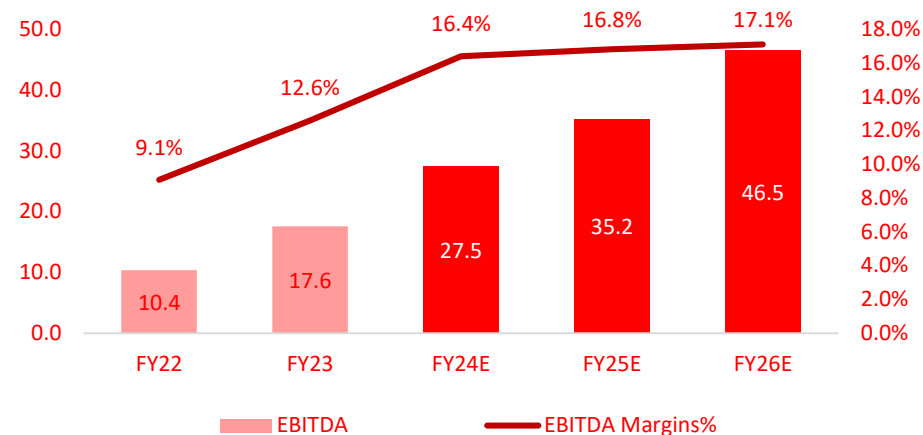


Source: Sushil Finance Research, Company Research

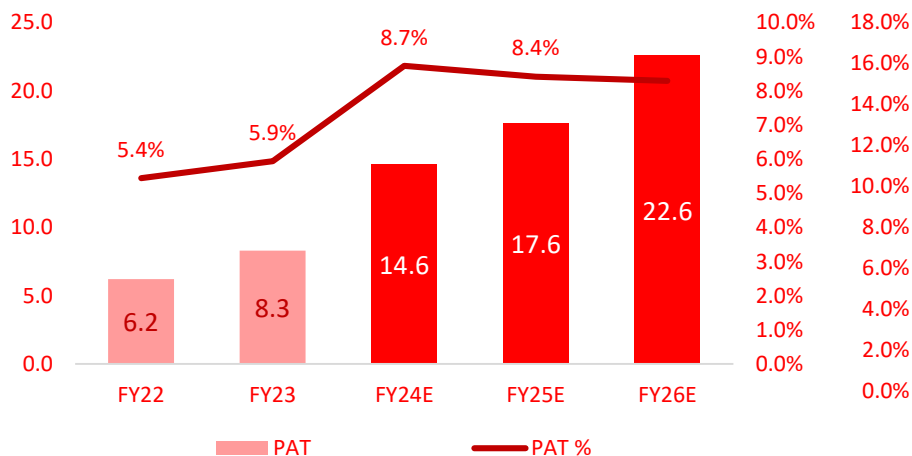
Total Income (Rs. Crs)



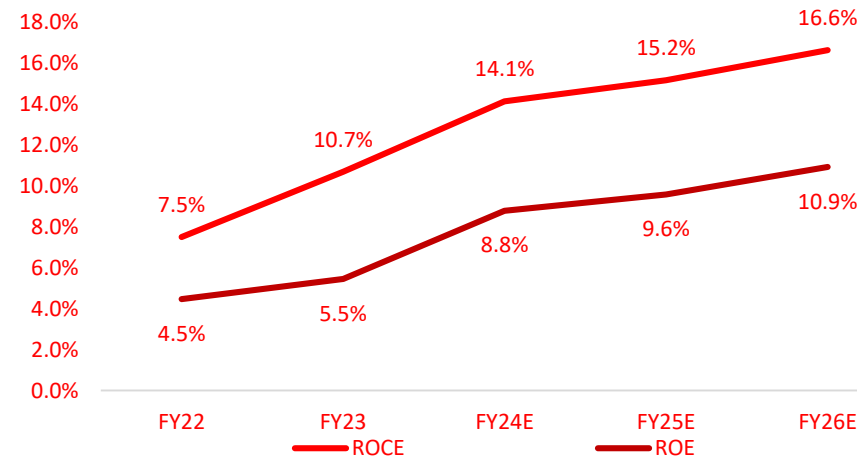
EBITDA (Rs. Crs) & EBITDA (%)



Net Profit (Rs. Crs) & Net Profit (%)



ROCE & ROE



Source: Sushil Finance Research, Company Research

PROFIT & LOSS STATEMENT

(Rs. cr)

Y/E Mar.	FY22	FY23	FY24E	FY25E	FY26E
Revenue	114	140	168	209	272
Raw Material Cost	71	75	84	104	134
Employee Cost	6	12	14	18	24
Other Expenses	27	36	42	52	67
EBITDA	10	18	27	35	47
<i>EBITDA Margin (%)</i>	<i>9.1%</i>	<i>12.6%</i>	<i>16.4%</i>	<i>16.8%</i>	<i>17.1%</i>
Depreciation	2	4	4	4	7
EBIT	8	14	24	31	39
<i>EBIT Margin (%)</i>	<i>6.9%</i>	<i>10.0%</i>	<i>14.3%</i>	<i>14.7%</i>	<i>14.4%</i>
Finance Costs	1	5	6	9	10
Other Income	3	3	3	3	3
Profit before Tax	10	12	21	25	32
Tax Expense	4	4	6	8	10
Net Profit	6	8	15	18	23
<i>Net Margin (%)</i>	<i>5.4%</i>	<i>5.9%</i>	<i>8.7%</i>	<i>8.4%</i>	<i>8.3%</i>
EPS	4.0	5.3	9.1	11.0	14.0

Source: Sushil Finance Research, Company Research

BALANCE SHEET STATEMENT

(Rs. cr)

Y/E Mar.	FY22	FY23	FY24E	FY25E	FY26E
PP&E (incl. CWIP)	46	47	89	139	159
Right of Use Assets / Investment Property	-	-	-	-	-
Other Non-Current	23	22	22	22	22
Inventories	5	2	3	6	9
Trade Receivables	41	54	62	78	102
Cash and Bank Balances	10	20	12	10	16
Other Current Assets	84	73	73	54	59
Total Assets	209	220	262	310	368
Equity Share Capital	16	16	16	16	16
Reserves & Surplus	124	136	151	168	191
Borrowings (LT)	-	-	-	-	-
Other Non-Current Liabilities	-	-	-	-	-
Trade Payables	43	41	50	65	90
Other Financial Liabilities	0	0	0	0	0
Current Borrowings	20	22	40	55	65
Other Current Tax Liab & Provisions	6	6	7	7	8
Total Liabilities	209	221	263	311	369

Source: Sushil Finance Research, Company Research

CASH FLOW STATEMENT

(Rs. cr)

Y/E Mar.	FY22	FY23	FY24E	FY25E	FY26E
PBT	10	12	21	25	32
Depreciation	2	4	4	4	7
Interest	1	5	6	9	10
CFO before Working Cap chg	13	20	31	38	50
Chg in Inventories	(1)	3	(1)	(2)	(4)
Chg in Trade Receivables	(18)	(13)	(8)	(16)	(24)
Chg in Trade Payables	(11)	(2)	10	15	25
Chg in Current Assets & Liabilities					
Income Taxes Paid	(4)	(4)	(6)	(8)	(10)
Cash Flow from Operations	6	3	31	35	47
Interest Paid	(1)	(5)	(6)	(9)	(10)
Dividend Paid	-	-	-	-	-
Other Adjustments	12	8	18	13	6
Cash Flow from Financing	7	(1)	6	(4)	(14)
Capital Expenditure	25	(5)	(45)	(55)	(27)
Other Adjustments	(40)	12	-	22	-
Cash Flow from Investing	(15)	8	(45)	(33)	(27)
Opening Cash	13	10	20	12	10
Total Cash Flow	(2)	10	(8)	(2)	6
Closing Cash	10	20	12	10	16

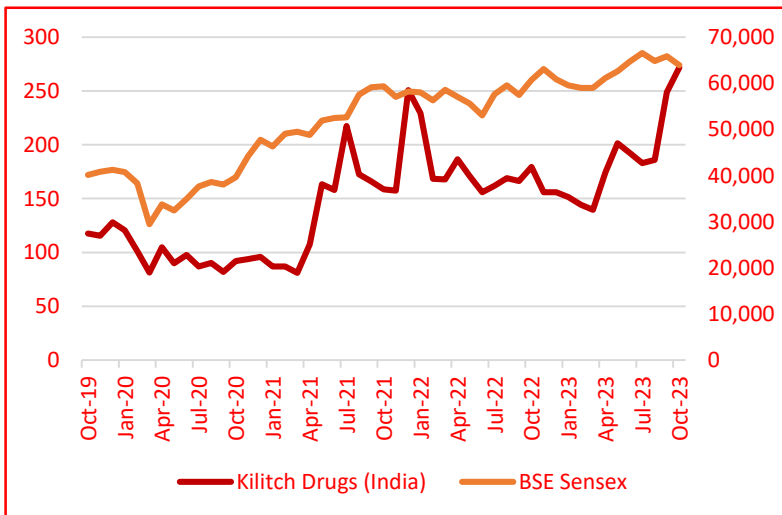
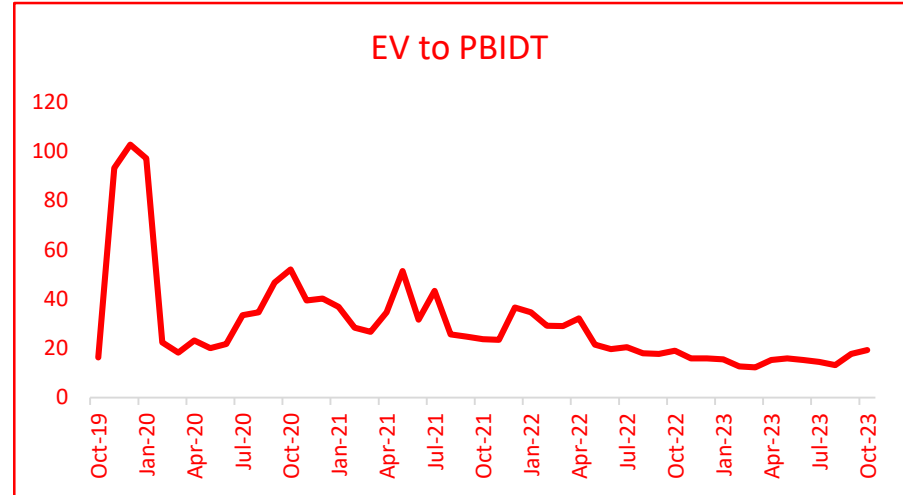
Source: Sushil Finance Research, Company Research

FINANCIAL RATIOS STATEMENT

Y/E Mar.	FY22	FY23	FY24E	FY25E	FY26E
<u>Growth (%)</u>					
Revenue	66.7%	22.2%	20.0%	25.0%	30.0%
EBITDA	99.6%	69.4%	56.4%	28.0%	32.3%
Net Profit	64.9%	33.3%	76.5%	20.5%	28.0%
<u>Profitability (%)</u>					
EBITDA Margin	9.1%	12.6%	16.4%	16.8%	17.1%
Net Profit Margin	5.4%	5.9%	8.7%	8.4%	8.3%
ROCE	7.5%	10.7%	14.1%	15.2%	16.6%
ROE	4.5%	5.5%	8.8%	9.6%	10.9%
<u>Per Share Data (Rs.)</u>					
EPS	4.0	5.3	9.1	11.0	14.0
BVPS	89.3	97.3	103.4	114.3	128.3
CEPS	5.6	7.6	11.3	13.7	18.5
<u>Valuation (x)</u>					
P/E	62.7	47.0	27.5	22.8	17.8
P/BV	2.9	2.7	2.4	2.2	1.9
EV/EBITDA	39.0	23.0	14.7	11.5	8.7
P/Sales	3.5	2.9	2.4	1.9	1.5
<u>Turnover</u>					
Inventory days	26	10	15	20	25
Debtor days	132	142	135	136	137
Creditor days	221	200	220	230	245
<u>Gearing (x)</u>					
D/E	0.1	0.1	0.2	0.2	0.2

Source: Sushil Finance Research, Company Research

MARKET INFORMATION



Source: Sushil Finance Research, Company Research

Rating Scale : This is a guide to the rating system used by our Institutional Research Team. Our rating system comprises of three rating categories.

Total Expected Return Matrix (Rating and Return)

BUY : Over 12%

HOLD : -12% to 12%

SELL : Below -12%

Disclaimer & Disclosures : <http://goo.gl/1sOHeV>

This report has been furnished to you for your general information only and should not be reproduced, re-circulated, published in any media, website or otherwise, in any form or manner, in part or as a whole, without the express consent in writing of Sushil Financial Services Private Limited. This Research Report is meant solely for use by the original recipient to whom it is sent and is not for circulation. Any unauthorized use, disclosure or public dissemination or copying of information (either whole or partial) contained herein is prohibited.

This Report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice/offer for the purpose of purchase or sale of any securities mentioned herein. Past performance is not a guide for future performance, future returns are not guaranteed. Opinions expressed herein are subject to change without notice. Investor should rely on information/data arising out of their own investigations. The Sushil Equity Universe consists of ## Sushil's Classic- the company's where fundamental reports are published and # Sushil's Bonanza - the other company's under study.

Investors are advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments. The price and value of the investments referred to in this material and the income from them may go down as well as up, and investor may realize losses on any investments. This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by us to be reliable. A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental and Technical Research. Sushil Financial Services Private Limited or its directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information / opinions / views. None of the directors, employees, affiliates or representatives of company shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages/loss etc whatsoever from the information/opinions/views contained in this Report and investors are requested to use the information contained at their risk.

Sushil Financial Services Private Limited (SFSP) and its connected companies, and their respective Directors, Officers and employees or their relative, may have a long or short position in the subject companies mentioned in the report and it may not be construed as potential conflict of interest with respect to any recommendation and related information and opinions. Reports based on technical and derivative analysis centre on studying charts company's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamental analysis. SFSP has different business segments/Divisions with independent research and maintains arm's length distance catering to different set of customers having various objectives, risk profiles, investment horizon, etc. and therefore may at times have different contrary views on stocks sector and markets. Research Report may differ between SFSP's RAs on account of differences in research methodology, personal judgment and difference in time horizons for which recommendations are made. User should keep this risk in mind and not hold - SFSP, its employees and associates responsible for any losses, damages of any type whatsoever.

This Report is not intended to be a complete statement or summary of the securities, market or developments referred to in this document. SFSP or its affiliates or employees are under no obligation to update the information. SFSP or its affiliates or employees shall not be in any way responsible and liable for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report.

SFSP or its affiliates and/or its employees/its associates or his relative does not have financial interest in the subject companies. SFSP or its affiliates and/or its employees/its associates or his relative may or may not have beneficial ownership of one per cent or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report. SFSP/its Associates/ Research Analyst have not received any compensation from the subject company in the past twelve months. Further the subject company is/was not a client during twelve months preceding the date of distribution of the research report and the types of services provided. SFSP or its research analyst has not served as an officer, director or employee of the subject company. SFSP or its affiliates and/or its research analysts have not been engaged in market making activity for the subject company. SFSP or its associates or its Research Analyst have not received any compensation or other benefits from the subject companies or third party in connection with the research report. SFSP/its Associates/ Research Analyst/ his Relatives not have any other material conflict of interest at the time of publication of the research report.

SFSP/its Associates/ Research Analyst have not managed or co-managed public offering of securities, have not received compensation for investment banking or merchant banking or brokerage services, have not received any compensation for product or services other than investment banking or merchant banking or brokerage services from the subject companies in the last twelve months. There is no material disciplinary action that been taken by any regulatory authority impacting equity research analysis activities.

Research Disclaimer : "Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors".

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Sushil Financial Services Private Limited

Member : BSE / NSE - SEBI Regn. No. INZ000165135

Research Analyst – SEBI Registration No. INH000000867

Compliance officer / Grievance Officer : Mr. Suresh Nemani – Phone : +91 22-40935000 | Email :

suresh.nemani@sushilfinance.com | Grievance Email - compliance@sushilfinance.com

Regd. Office : 12, Homji Street, Fort, Mumbai 400 001.

Phone: +91 22 40936000 Fax: +91 22 22665758 | Email : info@sushilfinance.com

Analyst Stock Ownership	Yes
Stock Recommended to Clients	Yes
Remuneration/Benefits received from company in 12 months	No
Merchant Banking Market Making activities / projects	No
Sushil Financial Services Pvt. Ltd and Group Companies Holding	No
Sushil Financial Services Pvt. Ltd and Group Directors Holding	Yes
Broking Relationship with the company covered	No