



RE-INSTATING COVERAGE REPORT

KILITCH DRUGS (INDIA) LTD.

Market Cap.

Rs.593 Crs.

52 Week H/L

Rs.490 / 266

CMP

Rs. 339

Target Price

Rs. 464

PHRM

STOCK DATA

Recommendation		BUY
Reuters Code	KIDI.BO	
Bloomberg Code	KILD IN	
BSE Code	524500	
NSE Symbol	KILITCH	
Face Value	Rs.10	
Shares Outstanding	1.75 Cr	
Avg. Daily Volume (6m)	31,303 Shares	
Price Performance (%)		
1M	3M	6M
(20)	(22)	16
200 Days EMA Rs. 389		
SHARE HOLDING (%)		
Promoters	69.2	
FII	-	
FI/MF	-	
Body Corporate	1.7	
Public & Others	28.9	

RESEARCH ANALYST

Kashish Shah | +91 22 4093 4078

kashish.shah@sushilfinance.com

SALES:

Devang Shah | +91 22 4093 6060/61

devang.shah@sushilfinance.com

DOMESTIC CAPACITY EXPANSION IN CONJUNCTION WITH ROBUST INSTITUTIONAL DEMANDS TO DRIVE REVENUES

The company has expanded its international footprint by setting up a manufacturing facility for Cephalosporin injectable in Addis Ababa, Ethiopia. With a capacity of ~26.4 million vials per annum, KDIL operates one of the largest facilities of its kind in the region. In February 2024, the company secured an order worth USD 9.13 million, executable over six months, underscoring its growing visibility and strong positioning in the international market. On the domestic front, KDIL is undertaking a capex of Rs. 100-125 crore, scheduled for completion in FY25–26, which is expected to be a key revenue growth driver over the near to medium term.

STRONG FUNDAMENTALS, HEALTHY PROFITABILITY AND HEALTHY GEARING TO DRIVE GROWTH PATH.

The company, with a proven operating track record of over four decades, is now consolidating its position in Ethiopia while strengthening its global footprint. Revenues have delivered a robust CAGR of 30% between FY21–FY25, reaching Rs. 198.3 crore in FY25. Operating performance has improved meaningfully, with EBITDA margins expanding from 7.6% in FY21 to 15.9% in FY25. We expect margins to sustain at healthy levels of 16–17% over FY26–FY28, aided by scale benefits, product mix improvements, and operating leverage. The balance sheet remains robust, with the company being virtually debt-free and holding net cash of Rs. 33 crore (including investments of Rs. 72.4 crore). Strong cash generation and healthy accruals are likely to support future growth capex while ensuring financial flexibility. Overall, the company offers strong earnings visibility, margin sustainability, and balance sheet strength, positioning it well for sustained value creation.

INDIAN PHARMA INDUSTRY – GLOBAL LEADERSHIP AND SUSTAINED GROWTH

According to industry reports, the Indian pharmaceutical industry is projected to grow at a compounded annual growth rate (CAGR) of ~12% during 2020–2030, reaching USD 130 billion by 2030 from USD 41.7 billion in 2021. While the sector delivered a healthy CAGR of ~13% over the past two decades, growth has moderated to ~8.5% in the last decade and further to ~6.2% over the past five years. However, increased investments in R&D in recent years are expected to drive innovation and improve long-term growth prospects. Furthermore, supportive government policies, rising healthcare expenditure, and robust export opportunities are likely to act as key enablers for sustaining industry growth momentum over the medium to long term.

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)
FY24	154.4	24.2	15.6%	13.6	8.8%	8.4	41.9	4.0	3.2
FY25	198.3	31.5	15.9%	24.9	12.6%	15.5	22.8	3.1	2.8
FY26E	224.1	35.5	15.9%	25.4	11.4%	14.5	24.3	2.8	2.2
FY27E	264.4	42.3	16.0%	26.3	9.9%	15.0	23.6	2.3	2.0
FY28E	317.3	51.1	16.1%	32.5	10.2%	18.6	19.1	2.0	1.8

OUTLOOK & VALUATION

We expect Kilitch Drugs (India) Ltd. to deliver topline growth of ~60% by FY28E over FY25, driven by strong international demand and incremental domestic capacity addition. Furthermore, we estimate the company to sustain healthy profitability, with EBITDA and PAT margins at ~16.1% and ~9.0%, respectively, in FY28E. **Our EPS estimates stand at Rs. 14.5, Rs. 15.0, and Rs. 18.6 for FY26E, FY27E, and FY28E, respectively. Assigning a target P/E multiple of 25x FY28E EPS, we arrive at a fair value of Rs. 464 per share, implying an upside of ~37% from the current market price of Rs. 339. With an investment horizon of 24–30 months, 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.

COMPANY OVERVIEW

Incorporated in 1978 by first-generation entrepreneur Late Mr. Pratap Mehta, Kilitch Drugs (India) Ltd. has evolved from a small pharmaceutical company into a contract research and manufacturing (CRM) player with a broad presence across oral and non-oral dosage forms. The company is currently promoted by Mr. Mukund Mehta, Mr. Bhavin Mehta, Mrs. Mira Mehta, and family. With over 25 years of experience in the development, manufacturing, and marketing of finished dosages, Kilitch has established a well-diversified business model across markets and product segments.

The company's largest revenue contribution continues to come from African and Asian markets, where it has built strong distribution linkages and brand recognition. Kilitch has also emerged as a trusted partner in contract manufacturing, supplying high-quality injectables to several reputed pharmaceutical companies. As of March 31, 2023, the company's product portfolio included more than 600 registered products globally, with an additional 450 products under registration.

On the capacity front, Kilitch has announced a planned capex of Rs. 100–125 crore aimed at augmenting its manufacturing base, which is expected to enhance both revenue scale and market share. The company's facilities have a strong production footprint, comprising oral tablets (~260 million units per annum), liquid injectable vials (~31 million units per annum), liquid injectable ampoules (~47 million units per annum), ophthalmic drops (~21.4 million units per annum), and nasal drops (~21.4 million units per annum).

CATEGORY	TYPE OF PRODUCTS
PARENTERALS AND NASAL PRODUCTS	GASTROENTEROLOGY, NSAIDS, ANTIEPILEPTIC, ANTI – INFLAMMATORY, ANTI – MALARIALS, AMINOGLYCOSIDES, ANTI-BACTERIALS, ETC.
ORAL	ORS, CARDIOVASCULAR, ANTIDIABETIC, ARTLUF
EFFERVESENT	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 – DOMESTIC CAPACITY EXPANSION IN CONJUNCTION WITH ROBUST INSTITUTIONAL DEMANDS TO DRIVE REVENUES

Kilitch Drugs has partnered with Estro Import & Export Pvt. Ltd. Co. to set up a manufacturing unit for Cephalosporin injectables alongside other oral dosage forms. Initially, the facility was allocated 6,700 sq. m. of land. Following progress updates and an expansion proposal, the Oromia Region Investment Commission granted an additional 5,700 sq. m., taking the total land allocation to 12,400 sq. m.

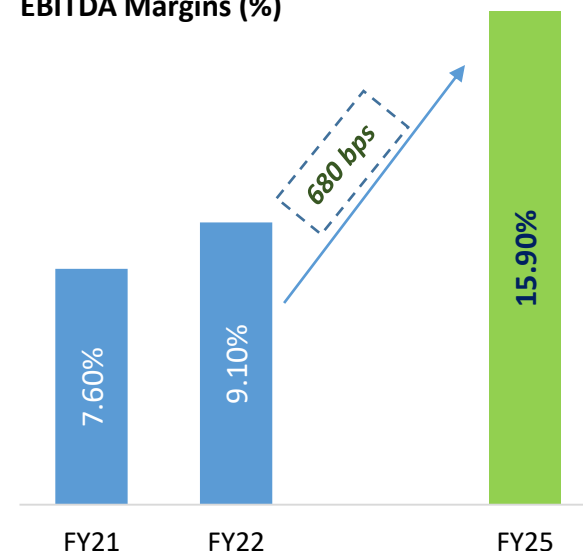
Cephalosporin antibiotics are widely prescribed to treat bacterial infections such as respiratory tract infections, otitis media, strep throat, skin and soft-tissue infections, bone infections, and urinary tract infections. These antibiotics inhibit bacterial cell wall synthesis, leading to bacterial cell death. They share similarities with penicillin, and all drugs in the Cephalosporin class are USFDA-approved prescription medicines.

The company operates one of the largest Cephalosporin injectable manufacturing facilities in Ethiopia, with a capacity of ~26.4 million vials per annum. Management expects this facility to generate revenues of ~Rs. 200 crore, supported by exports to other African countries, with EBITDA margins in the 16–18% range. In February 2024, the company's Ethiopian subsidiary also received a tender order worth USD 9.13 million from the Ethiopian Pharmaceutical Supply Service, executable within six months.

For FY25, Kilitch reported revenues of Rs. 198 crore with EBITDA margins of 15.9% and PAT margins of 12.6%. To further strengthen its growth pipeline, the company has planned a capacity expansion at Khopoli, Maharashtra, with an investment outlay of Rs. 100–125 crore (including Rs. 50 crore via a rights issue), targeted for completion in FY25–26. This project is expected to generate healthy revenues along with stable EBITDA margins in the range of 16%–17% in the near term.

- **Large order of USD 9.13 mn from Ethiopia to propel exports**
- **Domestic business growth to steer additional support from Capex in Khapoli**

EBITDA Margins (%)



INVESTMENT RATIONALE- INDIAN PHARMA INDUSTRY – GLOBAL LEADERSHIP AND SUSTAINED GROWTH

India is the world's largest provider of generic medicines, celebrated globally for its cost-effective vaccines and generic drugs. The Indian pharmaceutical industry ranks **third by volume production**, trailing only the US and China, and falls within the **top 15 globally by value**. It has seen robust growth, with industry revenue expanding at a **CAGR of approximately 9% over the past 7–8 years**. India supplies over **50% of the world's vaccines**, roughly **40% of the US's generic drug demand**, and around **25% of all medicines used in the UK**.

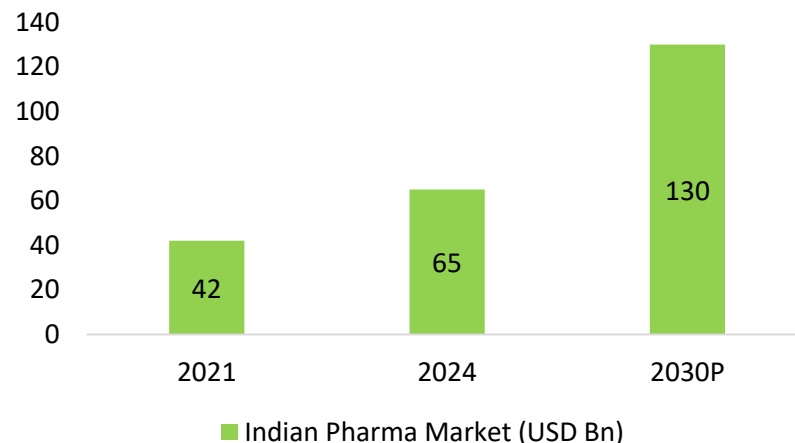
The Indian pharma sector comprises **over 3,000 drug manufacturers** and more than **10,500 manufacturing facilities**, including the largest number of **USFDA-approved plants outside the US**. Indian firms also dominate the global antiretroviral (ARV) market, accounting for **over 80% of ARVs** used worldwide, earning India the widely revered moniker: **"Pharmacy of the World."**

As of **2023–24**, the Indian pharmaceutical market was valued at **USD58 billion**, and is projected to reach **USD65 billion by 2024** and **USD120–130 billion by 2030**, reflecting a **double-digit projected CAGR**. The domestic industry contributes significantly to global trade, with **exports worth approximately USD25.3 billion** in 2022–23, accounting for nearly **20% of global generic drug exports by volume**.

India is also emerging as a key global biotechnology hub. The country's bioeconomy was estimated at **USD80 billion in 2022**, growing about **14% year-over-year**, and is expected to expand to **USD150 billion by 2025** and up to **USD300 billion by 2030**.

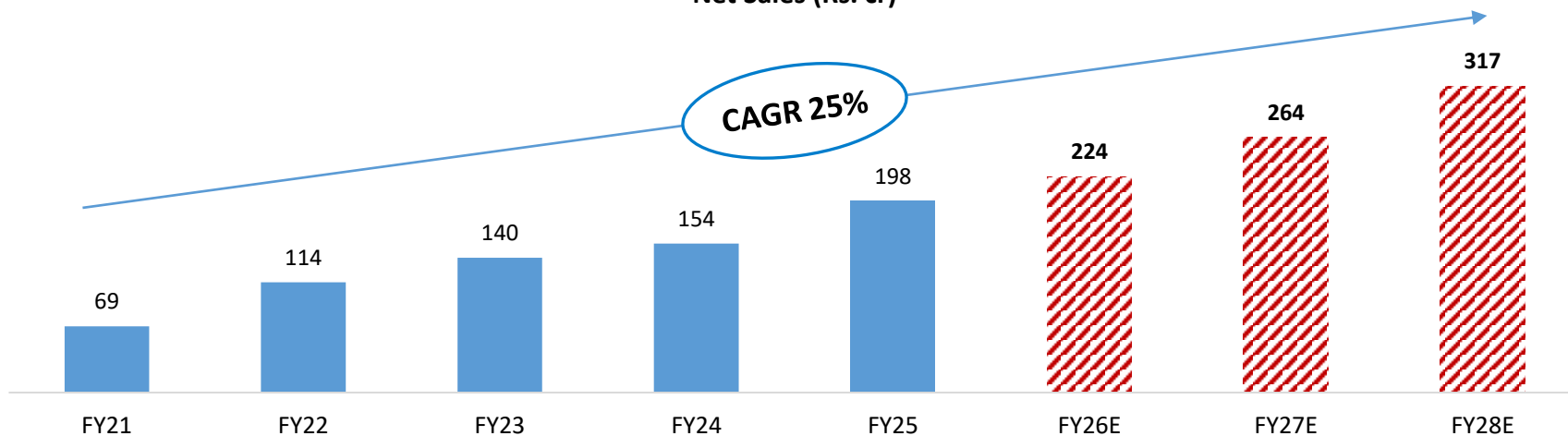
With its expansive scale, high-quality production, and innovation-led growth, India is well-positioned to extend its global leadership as both the **"pharmacy"** and an **emerging biotech powerhouse**.

Indian Pharma Market (USD Bn)

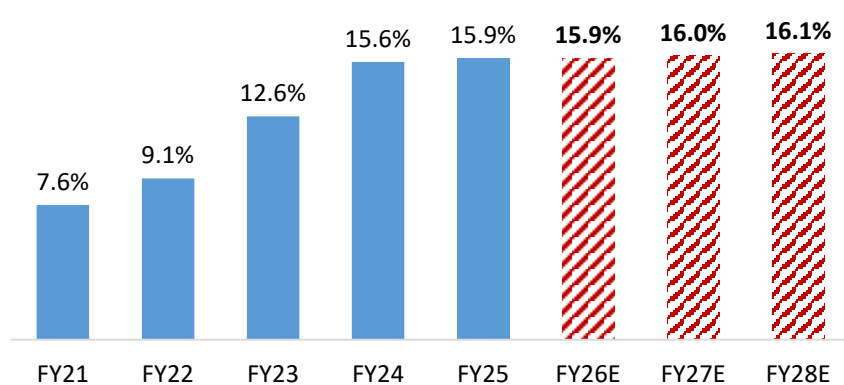


INVESTMENT RATIONALE- STRONG FUNDAMENTALS, HEALTHY PROFITABILITY AND HEALTHY GEARING TO DRIVE GROWTH PATH

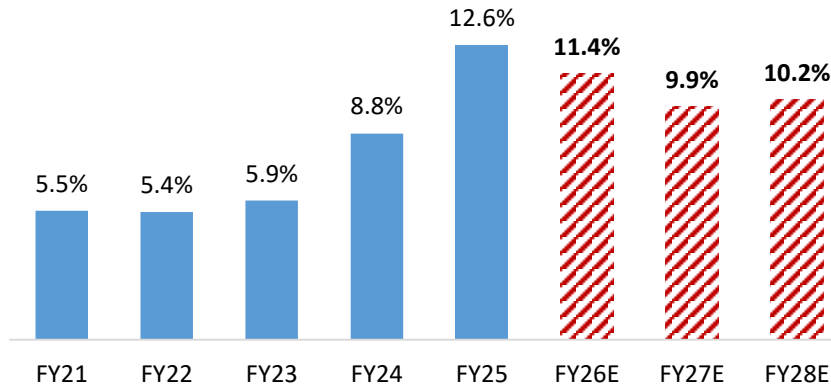
Net Sales (Rs. cr)



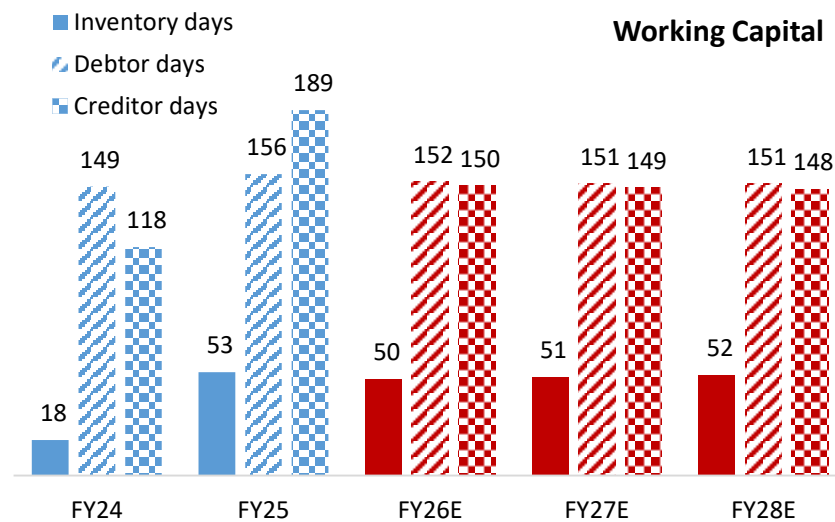
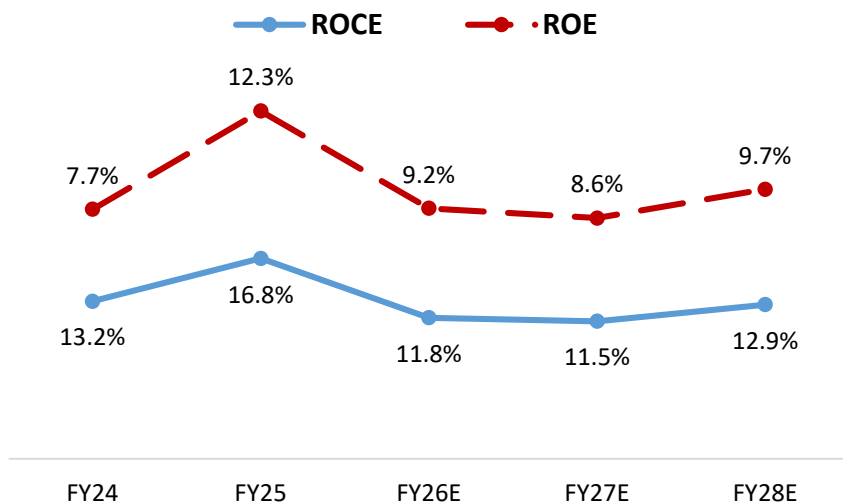
EBITDA Margins



PAT Margins



Debt-Equity



PROFIT & LOSS STATEMENT

(Rs. cr)

Y/E Mar.	FY24	FY25	FY26E	FY27E	FY28E
Revenue	154	198	224	264	317
Raw Material Cost	79	105	118	139	166
Employee Cost	10	11	13	15	19
Other Expenses	41	51	58	68	81
EBITDA	24	31	36	42	51
<i>EBITDA Margin (%)</i>	<i>15.6%</i>	<i>15.9%</i>	<i>15.9%</i>	<i>16.0%</i>	<i>16.1%</i>
Depreciation	3	3	6	11	11
EBIT	21	28	29	31	40
<i>EBIT Margin (%)</i>	<i>13.5%</i>	<i>14.3%</i>	<i>13.2%</i>	<i>11.8%</i>	<i>12.6%</i>
Finance Costs	6	5	6	7	8
Other Income	4	11	12	13	13
Profit before Tax	19	34	35	36	45
Tax Expense	6	10	10	10	13
Net Profit	14	25	25	26	32
<i>Net Margin (%)</i>	<i>8.8%</i>	<i>12.6%</i>	<i>11.4%</i>	<i>9.9%</i>	<i>10.2%</i>
EPS	8.4	15.5	14.5	15.0	18.6

Source: Sushil Finance Research, Company Research

BALANCE SHEET STATEMENT

(Rs. cr)

Y/E Mar.	FY24	FY25	FY26E	FY27E	FY28E
PP&E (incl. CWIP)	48	93	172	176	185
Right of Use Assets / Investment Property	-	-	-	-	-
Other Non-Current	22	19	19	19	19
Inventories	4	15	16	19	24
Trade Receivables	63	85	93	109	131
Cash and Bank Balances	20	10	28	41	46
Other Current Assets	82	90	90	93	97
Total Assets	240	313	419	459	503
Equity Share Capital	16	16	17	17	17
Reserves & Surplus	160	186	260	287	319
Borrowings (LT)	-	28	50	40	30
Other Non-Current Liabilities	-	-	-	-	-
Trade Payables	26	54	48	57	67
Other Financial Liabilities	0	0	0	0	0
Current Borrowings	32	22	40	55	65
Other Current Tax Liab & Provisions	7	9	5	5	6
Total Liabilities	240	313	419	459	503

Source: Sushil Finance Research, Company Research

CASH FLOW STATEMENT

(Rs. cr)

Y/E Mar.	FY24	FY25	FY26E	FY27E	FY28E
PBT	19	34	35	36	45
Depreciation	3	3	6	11	11
Interest	6	5	6	7	8
CFO before Working Cap chg	29	43	47	55	64
Chg in Inventories	(2)	(11)	(1)	(3)	(4)
Chg in Trade Receivables	(9)	(22)	(9)	(16)	(22)
Chg in Trade Payables	(15)	29	(6)	8	11
Chg in Current Assets & Liabilities					
Income Taxes Paid	(6)	(10)	(10)	(10)	(13)
Cash Flow from Operations	(2)	18	32	44	49
Interest Paid	(6)	(5)	(6)	(7)	(8)
Dividend Paid	-	-	-	-	-
Other Adjustments	21	28	86	2	(3)
Cash Flow from Financing	9	13	71	(15)	(24)
Capital Expenditure	(4)	(48)	(85)	(15)	(20)
Other Adjustments	(4)	8	-	-	-
Cash Flow from Investing	(8)	(40)	(85)	(15)	(20)
Opening Cash	20	19	10	28	41
Total Cash Flow	(1)	(9)	18	14	5
Closing Cash	19	10	28	41	46

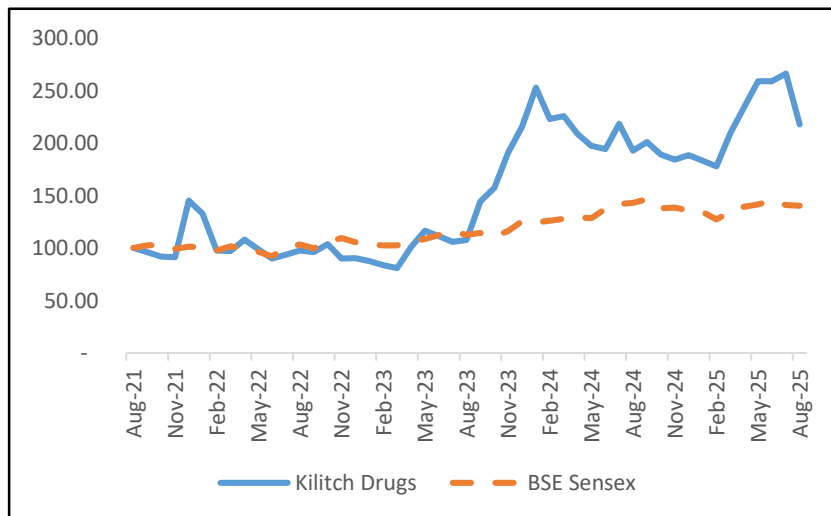
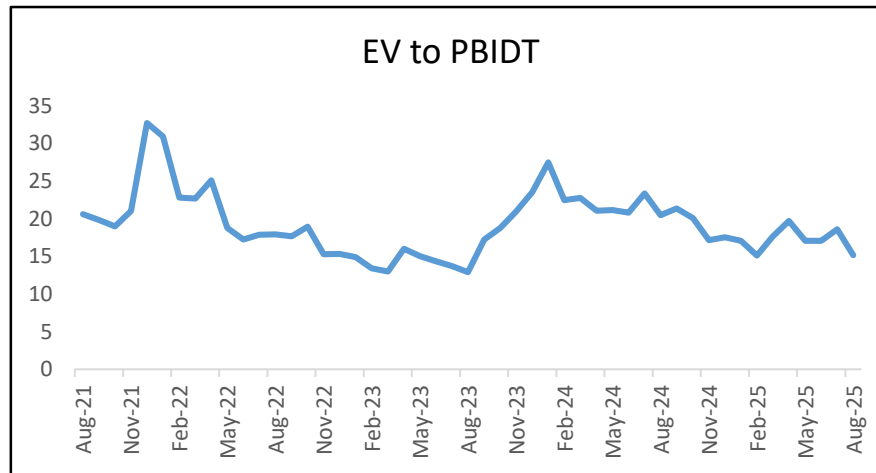
Source: Sushil Finance Research, Company Research

FINANCIAL RATIOS STATEMENT

Y/E Mar.	FY24	FY25	FY26E	FY27E	FY28E
<u>Growth (%)</u>					
Revenue	10.6%	28.5%	13.0%	18.0%	20.0%
EBITDA	37.5%	30.3%	12.9%	19.1%	20.8%
Net Profit	63.9%	83.7%	2.0%	3.2%	23.7%
<u>Profitability (%)</u>					
EBITDA Margin	15.6%	15.9%	15.9%	16.0%	16.1%
Net Profit Margin	8.8%	12.6%	11.4%	9.9%	10.2%
ROCE	13.2%	16.8%	11.8%	11.5%	12.9%
ROE	7.7%	12.3%	9.2%	8.6%	9.7%
<u>Per Share Data (Rs.)</u>					
EPS	8.4	15.5	14.5	15.0	18.6
BVPS	109.6	125.8	158.8	173.8	192.4
CEPS	10.5	17.4	18.0	21.3	24.9
<u>Valuation (x)</u>					
P/E	40.5	22.1	23.5	22.8	18.4
P/BV	3.1	2.7	2.2	2.0	1.8
EV/EBITDA	26.4	20.3	18.0	15.1	12.5
P/Sales	3.9	3.0	2.7	2.3	1.9
<u>Turnover</u>					
Inventory days	18	53	50	51	52
Debtor days	149	156	152	151	151
Creditor days	118	189	150	149	148
<u>Gearing (x)</u>					
D/E	0.2	0.2	0.3	0.3	0.2

Source: Sushil Finance Research, Company Research

MARKET INFORMATION



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

<https://www.sushilfinance.com/Disclaimer/research>

<https://www.sushilfinance.com/InvestorGrievances/researchanalystinvestorgrievancecell>

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 is marked as # and the fundamental reports are marked as ##.

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