

Q1-FY22 Result Update

- IOL Chemicals and Pharmaceuticals Limited (IOLCP) reported revenue at ₹ 5,185.1 million during Q1FY22 against ₹ 4,601.1 million during Q1FY21, an increase of 12.7% YoY mainly on account of good performance from Chemical Segment both in terms of top line and bottom line.
- During the quarter, EBITDA came in at ₹ 1,101.5 million as against ₹ 1,521.2 million during corresponding period of the previous year, a decline of 27.6% YoY on account of stressed demand primarily due to 2nd wave of Covid-19. PAT stood at ₹ 670 million during Q1FY22 as against ₹ 1,275.4 million in the Corresponding period of the previous year, down by 47.5% YoY.
- In the Pharmaceutical segment the revenue stood at ₹ 2,127.7 million during Q1FY22 as against ₹ 3,130.5 million during Q1FY21, recording a decline of ~32% on year-on-year basis. EBIT came in at ₹ 483.8 million during the quarter as compared to ₹ 1379.3 million during corresponding period of previous year.
- The chemicals segment continued to outperform, registering a growth of 103.5% YoY to ₹ 3,170.9 million during Q1FY22 as compared to ₹ 1,557.8 million during Q1FY21. EBIT came in at ₹ 493 million during Q1FY22 as against ₹ 83.6 million during Q1FY21.
- The company has recorded an exceptional items amounting to ~ ₹ 139.3 million representing one time cost towards Right of Recompense (RoR) payable to the lenders against sacrifices made by them in FY 2014-15 on account of restructuring done under Joint Lenders Forum (JLF) route.
- The Company completed the installation of new manufacturing facilities 'Unit -10' to manufacture multiple Pharma (API's) products including Fenofibrate, Lamotrigine and Ursodeoxycholic Acid (UDCA) with a capex of ₹ 286.9 million, to cater the growing demand. However the installation of new manufacturing facilities 'Unit -9' for manufacturing Gabapentin & other pharma (APIs) products is slightly delayed of its schedule due to 2nd wave of Covid-19 and expected to complete in 3rd quarter of FY22 without any cost overrun. The capital expenditure for installation of both the new manufacturing facilities has been/ is being met through internal accruals only.
- IOLCP is one of the leading APIs/ bulk drugs Company and is significant player in the specialty chemicals space with world class facilities. Company is World's largest producer of the Ibuprofen with an installed capacity of 12,000 TPA and having backward integrated manufacturing facility. Company currently hold about 35% of the world market share in Ibuprofen. We remain positive on the stock and reiterate our **BUY** rating on the stock, with a revised TP of ₹ **741** based on 8x FY23E Adj. EPS.

Quarterly Results

Financial Results

Consolidated			
(In ₹ mn)	Q1-FY22	Q1-FY21	Chg
Net Sales	5,185	4,601	12.7%
Operating Expense	4,084	3,080	32.6%
EBITDA	1,102	1,521	-27.6%
Other Income	57	58	-1.4%
Depreciation	103	94	10.3%
EBIT	1,056	1,486	-29.0%
Interest	18	18	-2.7%
PBT	1,037.8	1,467.4	-29.3%
Tax	229	192	19.0%
Consolidated PAT	809	1,275	-36.5%
Consolidated			
Margins	Q1-FY22	Q1-FY21	Chg
Operating Margin %	21.2%	33.1%	-1182
PBT Margin %	15.6%	27.7%	-1211

Source: Company, Anand Rathi Research

Consolidated Financials

(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
Net Sales	18,945	19,670	21,842	24,027
Operating Expense	13,206	13,751	15,121	16,634
EBITDA	5,739	5,918	6,721	7,393
Other Income	160	243	328	360
Depreciation	357	389	396	435
EBIT	5,542	5,772	6,653	7,318
Interest	209	58	71	71
PBT	5,332	5,714	6,582	7,247
Tax	1,720	1,268	1,646	1,812
PAT	3,613	4,446	4,937	5,436

Margins	FY-20	FY-21	FY-22E	FY-23E
Sales Growth %	12.4%	3.8%	11.0%	10.0%
Operating Margin %	30.3%	30.1%	30.8%	30.8%
Net Margin %	19.1%	22.6%	22.6%	22.6%

(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
Liabilities				
Equity Share Capital	662	587	587	587
Reserves & Surplus	7,473	12,017	16,954	22,389
Total Shareholder's Funds	8,135	12,604	17,541	22,976
Other Long-term Liabilities	71	59	59	59
Deferred Tax Liability	726	532	532	532
Short-term Liabilities	4,594	2,905	3,762	3,938
Total	13,527	16,101	21,894	27,505
Assets				
Net Fixed Assets	4,882	5,606	5,323	5,566
Long-Term L&A	106	221	221	221
Other Non-Current Assets	58	50	50	50
Current Asset	8,481	10,223	16,300	21,668
Total	13,527	16,101	21,894	27,505

Particulars	FY-20	FY-21	FY-22E	FY-23E
EPS (₹)	63.5	75.7	84.1	92.6
P/E (x)	10.3	8.7	7.8	7.1
P/B (x)	4.6	3.1	2.2	1.7
ROE	44.4%	35.3%	28.1%	23.7%



Rating and Target Price History:

IOLCP rating history & price chart



Source: Ace Equity, Anand Rathi Research

NOTE: Prices are as on 20 August 2021 close.

IOLCP rating details

Date	Rating	Target Price	Share Price
18-Sep-20	BUY	1003	827
10-July-21	BUY	820	656
19-August-21	BUY	741	577

Source: Ace Equity, Anand Rathi Research

Risks :

- A delay in product approvals.
- Environmental Regulations.

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