

Q3-FY23 Result Update

Poly Medicure reported upbeat results in Q3FY22, Its revenues came in at Rs.2,848 Mn up by 23.7% YoY and 4% QoQ led by strong demand across segments. The company's EBITDA/PAT came in at Rs.7,101 Mn/Rs.5,000 Mn up by 39%/45% YoY respectively.

The company's EBITDA margin in Q3FY23 came in at 24.9% vs 22.2% in Q3FY22 with a jump of 272bps YoY and 139 bps QoQ on account of moderating raw material prices and favourable product mix despite exports remaining muted in Q3FY23. Its PAT margin during the quarter stood at 17.6% vs 15% in the year-ago quarter showing an improvement of 257 bps YoY.

The company's core business i.e, Infusion therapy continued to grow well both in domestic as well as export markets, domestic growth in Q3FY23 came in at 20%, Domestic vs Export share stood at 34% and 66% respectively. Infusion therapy constitutes almost 90% of exports and 70% of domestic sales. Renal business is showing a growth of 45% vs guidance of 60-70% owing to dumping of some products by China.

Poly Medicure has deployed Capex of around Rs.3,000 Mn over the last two years for the next two years it looks to taper down its Capex and guided for a Capex of around Rs.750- Rs.1,000 Mn in FY24-25.

Overall, the company has guided a 20% growth in revenues for FY24 and a further improvement of 100-200 bps in its margins. It expects USFDA approval to come in 60-90 days for class-1,2 & 3 products and the management indicated that it is already in touch with some contractors for supply of these products in the US which is one of the largest market for its product categories.

We remain positive on the company considering its growing presence in fast-growing domestic market, favourable product mix, strong presence in the fast-growing medical disposable segment, entry into larger markets like USA and leading market share in key categories. We expect revenue/EBITDA/PAT growth of 21%/28%/28%. We maintain our **BUY** rating on the stock with a revised target price of **₹1,060 per share**.



Financials:

(In ₹ mn)	Q3-FY23	Q3-FY22	Chg	9M-FY23	9M-FY22	Chg
Net Sales	2,848	2,302	23.7%	8,084	6,655	21.5%
Operating Expense	2,138	1,791	19.4%	6,262	5,082	23.2%
EBITDA	710	512	38.8%	1,822	1,574	15.8%
Other Income	144	72		277	297	
Depreciation	142	136		424	400	
EBIT	713	447	59.3%	1,675	1,471	13.9%
Interest	48	(6)		65	28	
PBT	664	453	46.6%	1,610	1,443	11.6%
Tax	168	113		419	361	
Exceptional Items	-	-		-	-	
PAT	500	345	44.9%	1,191	1,082	10.1%
Minority /Other Adj.	-	-		7	-	
Consolidated PAT	500	345	44.9%	1,198	1,082	10.7%

Margins	Q3-FY23	Q3-FY22	Chg BPS	9M-FY23	9M-FY22	Chg BPS
Operating Margin %	24.9%	22.2%	272	22.5%	23.6%	-111
Net Margin %	17.6%	15.0%	257	14.7%	16.3%	-152



Consolidated Financials:

(In ₹ mn)	FY-21	FY-22	FY-23E	FY-24E
Net Sales	7,865	9,231	11,261	13,626
Operating Expense	5,721	7,100	8,525	10,138
EBITDA	2,144	2,131	2,737	3,488
Other Income	184	379	394	518
Depreciation	475	540	644	752
EBIT	1,853	1,971	2,487	3,254
Interest	85	43	52	55
Misc. items	-	-	-	-
PBT	1,767	1,928	2,435	3,199
Tax	442	487	616	809
Minority Interest	33	24	-	-
PAT	1,359	1,465	1,820	2,391

Margins	FY-21	FY-22	FY-23E	FY-24E
Sales Growth %	14.4%	17.4%	22.0%	21.0%
Operating Margin %	27.3%	23.1%	24.3%	25.6%
Net Margin %	17.3%	15.9%	16.2%	17.5%

Source: Company, Anand Rathi Research

(In ₹ mn)	FY-21	FY-22	FY-23E	FY-24E
Liabilities				
Equity Share Capital	487	480	480	480
Reserves & Surplus	9,168	10,395	12,215	14,605
Total Shareholder's Funds	9,656	10,875	12,694	15,085
Minority Interest	-	-	-	-
Long-Term Liabilities	633	381	381	381
Other Long-term Liabilities	104	84	84	84
Deferred Tax Liability	130	161	161	161
Short-term Liabilities	2,151	2,267	2,352	2,880
Total	12,674	13,768	15,673	18,593
Assets				
Net Fixed Assets	4,424	5,798	7,772	8,374
Long-Term L&A	111	-	-	-
Non Current Investments	139	136	136	136
Other Non-Current Assets	505	-	-	-
Current Asset	7,495	7,834	7,765	10,082
Total	12,674	13,768	15,673	18,593

Key Ratios	FY-21	FY-22	FY-23E	FY-24E
EPS (₹)	14.2	15.3	19.0	24.9
P/E (x)	63.2	58.6	47.2	35.9
P/B (x)	8.9	7.9	6.8	5.7
ROE	14.1%	13.5%	14.3%	15.8%
ROCE	17.6%	17.1%	18.7%	20.7%

Key Risks:

- ❑ **Raw Material Risk-** PLM procures over 70% of its raw material (PVC) from international markets (Korea, Malaysia, Europe. USA etc.) If there is a sudden rise in prices of crude oil, then there is a negative impact to the margins due to high cost of raw materials..
- ❑ **Regulatory Risk-**Medical devices industry is highly regulated. Any adverse changes in the government regulation will impact the business of PLM by bringing compliance challenges.
- ❑ **Distribution led business model-**Any failure to establish or maintain relationships with distributors could impact its business and financials as the company is largely dependent on distributors for the sale of their products.

Rating and Target Price history:

POLYMED’s rating history & price chart



Source: Bloomberg, Anand Rathi Research

NOTE: Prices are as on 8 February 2023 close.

POLYMED’s rating details

Date	Rating	Target Price (₹)	Share Price (₹)
08-Aug-22	Buy	902	730
08-Feb-23	Buy	1,060	890

Source: Bloomberg, Anand Rathi Research



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Large Caps (>₹300Bn.)	15%	5%-10%	Below 5%
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