

Retail Equity Research

Par Drugs & Chemicals Ltd

CMP Rs. 290

Rating: Overweight

Pharmaceuticals

NSE CODE: PAR

The company demonstrated robust performance in Sep-24, with sales surging by 53% YoY to ₹34.66 crore, driven by a significant boost in demand. This marked an impressive recovery following a flat growth trajectory in the previous quarters. Operating profit rose 169% YoY to ₹11.41 crore, highlighting effective cost management and increased operational efficiency despite higher expenses, which rose to ₹23.25 crore. Other income also contributed positively, growing from ₹0.05 crore in Sep-23 to ₹1.02 crore. On the net profit front, the company registered a 71% YoY increase, achieving ₹8.60 crore after tax. This was facilitated by strategic tax management, with tax expenses growing less proportionately compared to pre-tax profits. Depreciation and interest costs remained stable, indicating controlled capital expenditure and borrowing.

The company's performance in Sep-24 signals a strong comeback, with operational improvements and higher profitability. Going forward, sustained

Company Data

| Market Cap (cr) | Rs. | 368.19 | |
|--------------------------|-------|--------|-------|
| Enterprise Value (cr) | Rs. | 228.35 | |
| Outstanding Shares (cr) | | 1.23 | |
| 52 week high | Rs. | 325.00 | |
| 52 week low | Rs. | 190.00 | |
| 1m average volume (lacs) | | 1.38 | |
| Face value | Rs. | 10.00 | |
| Consolidated (cr) | FY22 | FY23 | FY24 |
| Sales | 75.07 | 95.75 | 95.64 |
| Growth(%) | 24% | 28% | 0% |
| EBITDA | 16.43 | 18.44 | 23.06 |
| EBITDA Margin(%) | 21.9% | 19.3% | 24.1% |
| PAT | 9.21 | 11.33 | 14.50 |
| Growth(%) | -21% | 23% | 28% |
| EPS | 7.5 | 9.2 | 11.8 |
| P/E | 21.3 | 15.2 | 18.3 |
| P/B | 3.3 | 2.4 | 3.1 |
| EV/EBITDA | 11.0 | 8.1 | 9.9 |
| ROE(%) | 15% | 15.9% | 17% |
| ROCE(%) | 22% | 21.4% | 22.9% |
| ROIC(%) | 16% | 16.0% | 17.0% |
| D/E | 0.00 | 0.00 | 0.00 |

Stable Revenue, Margin Expansion The company posted flat revenue growth in FY24 at ₹95.64 crore, signaling a saturation phase after FY23's robust 28% growth. Despite stagnant sales, EBITDA margins expanded to 24.1% (up from 19.3% in FY23), reflecting superior operational efficiency and cost control.

Strong Profitability Metrics PAT increased by 28% YoY to ₹14.50 crore in FY24, driven by margin improvement. EPS growth to ₹11.8 underscores enhanced shareholder value, while the company maintained a zero-debt position, ensuring financial stability.

Valuation and Returns Return metrics like ROE (17%) and ROCE (22.9%) showcased consistent improvement, signaling efficient capital allocation. Despite higher P/E and EV/EBITDA in FY24 due to a subdued sales trajectory, the company's strong fundamentals and zero leverage position provide an attractive long-term outlook.

Key Highlights

- **Established Player in API and Fine Chemicals Manufacturing:** Incorporated in 1982, Par Drugs & Chemicals Ltd (PACL) specializes in manufacturing Active Pharmaceutical Ingredients (APIs) and Fine Chemicals, catering to both domestic and international markets. The company boasts a comprehensive portfolio of 15 APIs and 10 Fine Chemicals, focusing primarily on the Antacid Molecules segment.
- **Diverse Product Portfolio:** PACL's product range includes Magnesium-based salts (e.g., Magnesium Hydroxide, Magnesium Carbonate), Dried Aluminum Hydroxide Gel (used in antacids and other industries), and blended formulations like Magaldrate. It also produces specialty chemicals such as Precipitated Silica, Sodium Aluminum Silicate, and Sucralfate USP, catering to varied applications across antacids, cosmetics, pharmaceuticals, and industrial sectors.
- **Production Capacity and Infrastructure:** The company operates a manufacturing facility in Bhavnagar, Gujarat, with an annual production capacity of 9,700 MT. To meet growing demand, PACL has initiated the development of a new manufacturing block to enhance capacity further, ensuring scalability and operational efficiency.
- **Clientele and Trusted Partnerships:** PACL has established relationships with leading pharmaceutical and industrial players such as Cipla Ltd, Pfizer Ltd, United Phosphorus Ltd, and Essential Drugs Company Ltd. This client base underscores its credibility and expertise in delivering high-quality products.
- **Export Presence Across 16 Countries:** PACL exports its products to key global markets, including Germany, the United Kingdom, Bangladesh, Iran, and the UAE, contributing approximately 21% of its total revenue in FY23. The remaining 79% comes from a strong domestic presence, showcasing a balanced geographical revenue mix.
- **Strategic Business Mix:** In the 9 months of FY23, APIs contributed 57% of the company's revenue, while Fine Chemicals accounted for 42%. This strategic mix allows PACL to cater to multiple industries and mitigate dependency on a single revenue stream.
- **Growth Potential in Antacid Molecules and Specialty Chemicals:** PACL's extensive range of antacid molecules and value-added specialty chemicals, like Colloidal Silicon Dioxide and Magnesium Silicate, positions it well to leverage the increasing demand for pharmaceuticals, healthcare products, and industrial applications.
- **Focused on Innovation and Quality:** With its robust product portfolio, increasing production capacity, and established presence in both domestic and international markets, PACL remains committed to innovation and delivering high-quality products. These efforts ensure long-term growth potential in a competitive market landscape.

Quarterly Financial Consolidated

Profit and loss account

(Rs Cr)

| | Sep-23 | Dec-23 | Mar-24 | Jun-24 | Sep-24 |
|-------------------|--------|--------|--------|--------|--------|
| Sales | 25.89 | 24.00 | 22.82 | 22.61 | 34.66 |
| Growth(%) | 13% | -7% | -5% | -1% | 53% |
| Expenses | 18.53 | 18.77 | 16.72 | 18.37 | 23.25 |
| Operating Profit | 7.36 | 5.23 | 6.10 | 4.24 | 11.41 |
| Growth(%) | 78% | -29% | 17% | -30% | 169% |
| Other Income | 0.05 | 0.23 | -0.05 | 0.07 | 1.02 |
| Depreciation | 0.85 | 0.87 | 0.89 | 0.90 | 0.91 |
| Interest | 0.03 | 0.02 | 0.05 | 0.02 | 0.03 |
| Profit before tax | 6.53 | 4.57 | 5.11 | 3.39 | 11.49 |
| Tax | 1.65 | 1.15 | 1.39 | 0.85 | 2.89 |
| Net profit | 4.89 | 3.42 | 3.72 | 2.53 | 8.60 |
| Growth(%) | 49% | -43% | 8% | -47% | 71% |

Financial Consolidated

Profit & Loss

(Rs Cr)

| | Mar-20 | Mar-21 | Mar-22 | Mar-23 | Mar-24 |
|-------------------|--------|--------|--------|--------|--------|
| Sales | 55.85 | 60.75 | 75.07 | 95.75 | 95.64 |
| Growth(%) | 21% | 9% | 24% | 28% | 0% |
| Expenses | 46.41 | 44.74 | 58.82 | 77.55 | 72.82 |
| Operating Profit | 9.44 | 16.01 | 16.25 | 18.20 | 22.82 |
| Growth(%) | 15% | 70% | 1% | 12% | 25% |
| Other Income | 0.10 | 2.18 | 0.18 | 0.24 | 0.24 |
| Depreciation | 2.76 | 2.82 | 3.28 | 3.23 | 3.44 |
| Interest | 0.79 | 0.64 | 0.45 | 0.13 | 0.11 |
| Profit before tax | 5.99 | 14.73 | 12.70 | 15.08 | 19.51 |
| Tax | 1.23 | 3.11 | 3.49 | 3.75 | 5.02 |
| Net profit | 4.76 | 11.61 | 9.21 | 11.33 | 14.50 |
| Growth(%) | 90% | 144% | -21% | 23% | 28% |

Balance Sheet

(Rs Cr)

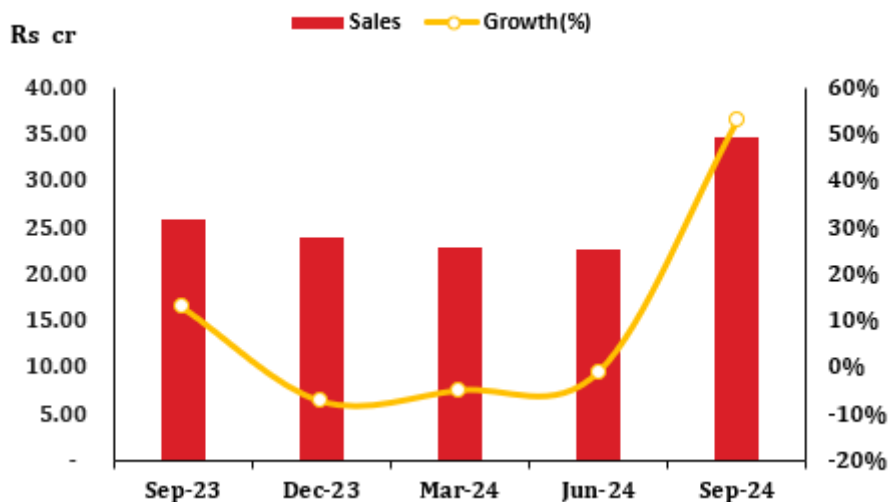
| Report Date | Mar-20 | Mar-21 | Mar-22 | Mar-23 | Mar-24 |
|--------------------------|--------------|--------------|--------------|--------------|---------------|
| Equity Share Capital | 6.15 | 6.15 | 12.30 | 12.30 | 12.30 |
| Reserves | 34.46 | 46.06 | 47.57 | 58.93 | 73.33 |
| Borrowings | 6.01 | 8.32 | - | - | - |
| Other Liabilities | 13.49 | 15.86 | 18.82 | 17.64 | 15.98 |
| Total | 60.11 | 76.39 | 78.69 | 88.87 | 101.61 |
| Net Block | 34.40 | 29.91 | 34.10 | 38.45 | 41.31 |
| Capital Work in Progress | 0.74 | 4.52 | 0.25 | 0.25 | 0.03 |
| Investments | 0.06 | 0.01 | 0.01 | 0.01 | 0.01 |
| Other Assets | 24.91 | 41.95 | 44.33 | 50.16 | 60.26 |
| Total | 60.11 | 76.39 | 78.69 | 88.87 | 101.61 |

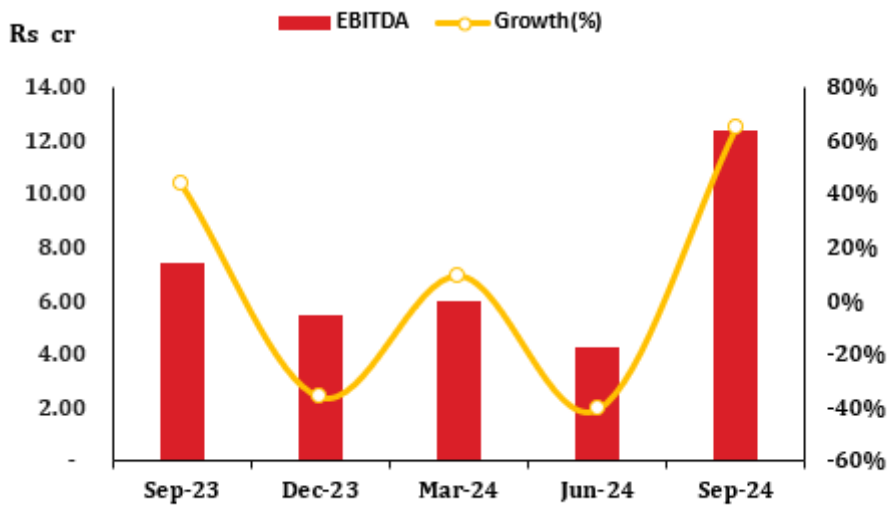
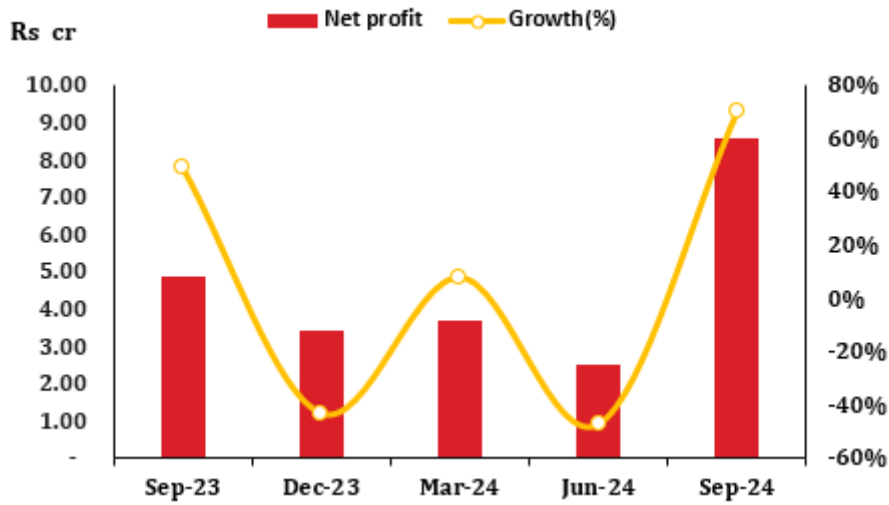
Cash Flow

(Rs Cr)

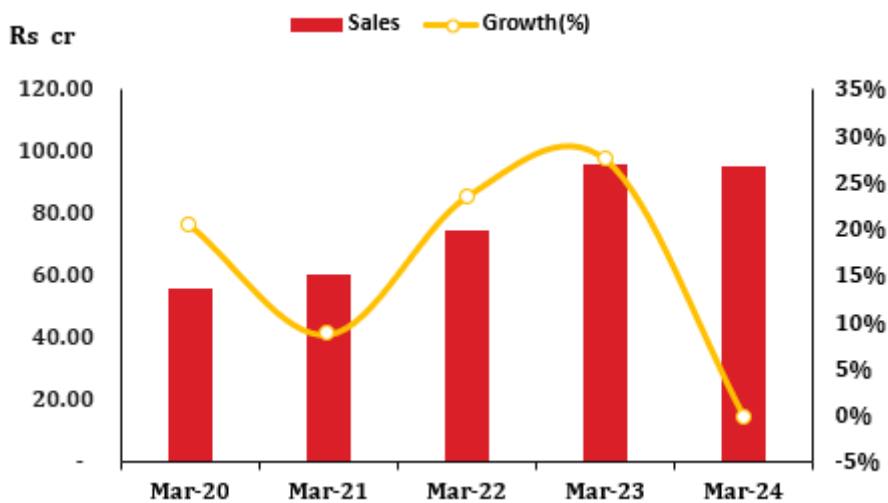
| | Mar-20 | Mar-21 | Mar-22 | Mar-23 | Mar-24 |
|------------------------------|--------|--------|--------|--------|--------|
| Cash from Operating Activity | 7.69 | 12.09 | 7.62 | 13.38 | 20.25 |
| Cash from Investing Activity | -1.46 | 0.05 | -3.02 | -7.34 | -5.84 |
| Cash from Financing Activity | 1.11 | 1.65 | -9.55 | 0 | 0 |
| Net Cash Flow | 7.35 | 13.78 | -4.96 | 6.04 | 14.41 |

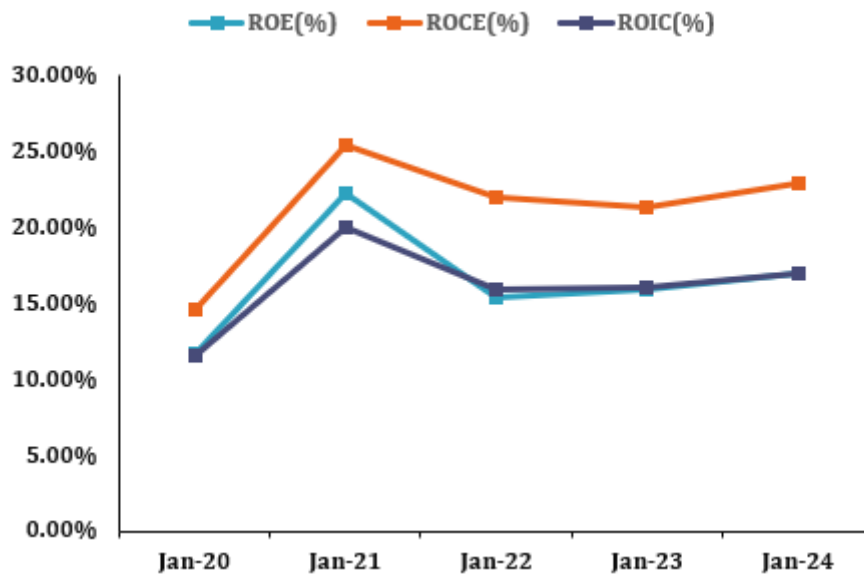
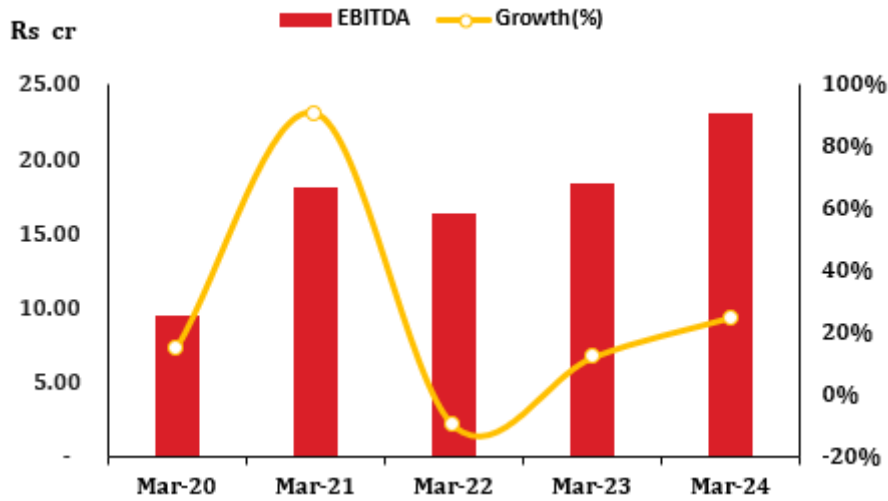
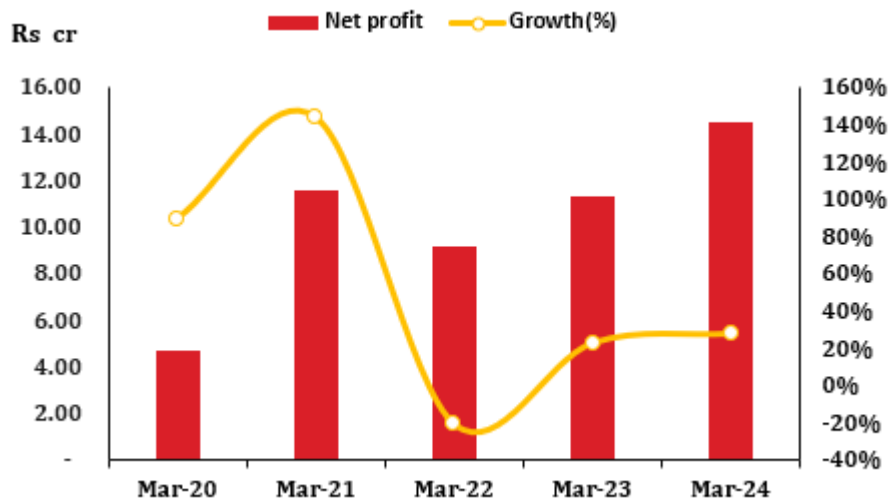
Key Metrics: Quarterly





Key Metrics: Yearly





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