

Aurobindo Pharma

Estimate change

TP change

Rating change



| | |
|-----------------------|-------------|
| Bloomberg | ARBP IN |
| Equity Shares (m) | 586 |
| M.Cap.(INRb)/(USD\$) | 358.1 / 4.3 |
| 52-Week Range (INR) | 648 / 397 |
| 1, 6, 12 Rel. Per (%) | -4/31/2 |
| 12M Avg Val (INR M) | 912 |

Financials & Valuations (INR b)

| Y/E MARCH | FY23 | FY24E | FY25E |
|----------------------|-------|-------|-------|
| Sales | 248.6 | 272.4 | 289.7 |
| EBITDA | 40.3 | 47.4 | 52.4 |
| Adj. PAT | 22.5 | 26.0 | 29.3 |
| EBIT Margin (%) | 11.2 | 12.3 | 13.1 |
| Cons. Adj. EPS (INR) | 38.4 | 44.4 | 50.0 |
| EPS Gr. (%) | -12.8 | 15.7 | 12.4 |
| BV/Sh. (INR) | 458.4 | 497.9 | 541.8 |

Ratios

| | | | |
|------------|------|------|------|
| Net D:E | 0.0 | 0.0 | -0.1 |
| RoE (%) | 8.7 | 9.3 | 9.6 |
| RoCE (%) | 8.0 | 8.5 | 9.0 |
| Payout (%) | 10.9 | 11.2 | 12.0 |

Valuations

| | | | |
|----------------|------|------|------|
| P/E (x) | 15.9 | 13.7 | 12.2 |
| EV/EBITDA (x) | 8.6 | 7.6 | 6.5 |
| Div. Yield (%) | 0.7 | 0.8 | 1.0 |
| FCF Yield (%) | -2.2 | -3.3 | 5.9 |
| EV/Sales (x) | 1.4 | 1.3 | 1.2 |

Shareholding pattern (%)

| As On | Mar-23 | Dec-22 | Mar-22 |
|----------|--------|--------|--------|
| Promoter | 51.8 | 51.8 | 51.8 |
| DII | 15.1 | 14.9 | 17.5 |
| FII | 23.0 | 22.3 | 20.8 |
| Others | 10.1 | 11.0 | 9.9 |

FII Includes depository receipts

CMP: INR610
TP: INR600 (-2%)
Neutral

Earnings decline for second consecutive year

Levers in place to deliver growth over next two years

- Aurobindo Pharma (ARBP) delivered a better-than-expected operating performance in 4QFY23, driven by healthy growth in the US/EU/ROW formulation and API segments. In addition to robust ANDA filings, ARBP continues to work toward building a niche portfolio in the biosimilar/peptide space. Its ambitious Pen-G project is also on track for commercialization in FY25.
- We raise our FY24/FY25 EPS estimates by 3%/4% to factor in 1) additional new business opportunities due to regulatory issues at peers, 2) limited-competition product launches, and 3) a better outlook on operational costs, particularly raw material and freight costs. We value ARBP at 11x 12M forward earnings to arrive at a TP of INR600.
- Growth prospects look encouraging for the next 2-3 years on the back of 1) better scope to garner US generics business, given its presence across the manufacturing value chain, 2) regulatory-compliant facilities, and 3) work-in-progress to develop complex products. However, the current valuation adequately prices in the upside in earnings. Maintain Neutral.

Higher opex/R&D spending affect profitability on YoY basis

- 4QFY23 sales grew 11% YoY to INR65b (est. INR63b). Total formulation sales rose 11% YoY to INR54.6b. US generics revenue grew 12% YoY to INR31b (flat YoY in CC terms at USD370m; 47% of sales). Growth Market sales jumped 51% YoY to INR6b (9% of sales). Europe formulation sales grew 8% YoY to INR16.6b (26% of sales). ARV sales declined 33% YoY to INR1.6b (2% of sales). API sales rose 11% YoY to INR10.2b (16% of sales).
- Gross margin contracted 190bp YoY to 54.7% due to product mix change.
- EBITDA margin declined 130bp to 15.5% (est. 15%). Lower gross margin and higher other expenses (+210bp YoY as a % of sales) hurt profitability for the quarter, marginally offset by a decline in employee/R&D expenses (-150bp/-110bp as a % of sales).
- EBITDA grew 3% YoY to INR10b (est. INR9.5b).
- Adjusting for the forex gain of INR227m, PAT declined 10% YoY to INR5.2b (est. INR4.7b), due to higher depreciation/interest cost.
- In FY23, revenue grew 6% YoY to INR249b, while EBITDA/PAT declined 8%/14% YoY to INR40b/INR22b.

Highlights from the management commentary

- ARBP has guided for double double-digit YoY growth in Eugia revenue in FY24.
- It plans to launch g-Revlimid in Oct'23.
- The company intends to file b-Xolair for the US market in CY25, three to six months ahead of patent expiry (Nov'25).
- ARBP plans to spend USD130-140m for the Pen-G project in FY24 (USD120m spent in FY23).

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Quarterly performance (Consolidated)

(INR b)

| Y/E March | FY22 | | | | FY23 | | | | FY22 | FY23 | FY23E | |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|-------------|--------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | | 4QE | vs Est |
| Net Sales | 57.0 | 59.4 | 60.0 | 58.1 | 62.4 | 57.4 | 64.1 | 64.7 | 234.6 | 248.6 | 63.2 | 2.4% |
| YoY Change (%) | -3.8 | -8.4 | -5.7 | -3.2 | 9.4 | -3.4 | 6.7 | 11.4 | -5.3 | 6.0 | 8.8 | |
| EBITDA | 12.1 | 11.9 | 10.2 | 9.7 | 10.2 | 10.5 | 9.5 | 10.0 | 43.9 | 40.3 | 9.5 | 6.0% |
| YoY Change (%) | -8.2 | -17.2 | -25.7 | -23.6 | -15.3 | -11.3 | -6.1 | 2.9 | -18.7 | -8.1 | -2.9 | |
| Margins (%) | 21.2 | 20.0 | 16.9 | 16.8 | 16.4 | 18.3 | 14.9 | 15.5 | 18.7 | 16.2 | 15.0 | |
| Depreciation | 2.8 | 2.9 | 3.0 | 2.5 | 2.8 | 3.0 | 3.2 | 3.5 | 11.3 | 12.4 | 3.2 | |
| EBIT | 9.3 | 8.9 | 7.2 | 7.2 | 7.5 | 7.5 | 6.3 | 6.6 | 32.6 | 27.9 | 6.3 | |
| YoY Change (%) | -12.4 | -24.1 | -34.3 | -28.5 | -19.8 | -15.5 | -11.7 | -8.9 | -24.8 | -14.5 | -13.1 | |
| Interest | 0.1 | 0.1 | 0.2 | 0.1 | 0.1 | 0.3 | 0.4 | 0.6 | 0.5 | 1.4 | 0.5 | |
| Other Income | 0.8 | 0.9 | 0.5 | 0.3 | 0.4 | 0.6 | 0.8 | 1.1 | 2.5 | 2.9 | 0.8 | |
| PBT before EO expense | 10.0 | 9.8 | 7.5 | 7.4 | 7.7 | 7.9 | 6.7 | 7.1 | 34.6 | 29.4 | 6.6 | 8.6% |
| Forex loss/(gain) | -0.3 | 0.0 | -0.2 | -0.2 | 0.3 | 0.5 | -0.1 | -0.2 | -0.7 | 0.4 | 0.0 | |
| Exceptional (expenses)/income | 0.0 | 0.0 | 0.3 | -1.6 | -0.6 | 0.0 | 0.0 | 0.0 | -1.3 | -0.6 | 0.0 | |
| PBT | 10.3 | 9.8 | 8.0 | 6.0 | 6.8 | 7.4 | 6.8 | 7.4 | 34.0 | 28.4 | 6.6 | 12.1% |
| Tax | 2.5 | 2.7 | 1.9 | 0.2 | 1.6 | 1.1 | 1.9 | 2.2 | 7.3 | 6.8 | 1.6 | |
| Rate (%) | 24.1 | 27.7 | 23.7 | 2.9 | 23.2 | 15.3 | 27.8 | 30.4 | 21.3 | 24.1 | 24.4 | |
| Minority Interest | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.3 | 0.1 | 0.0 | |
| Reported PAT | 7.7 | 7.0 | 6.0 | 5.8 | 5.2 | 6.2 | 4.9 | 5.1 | 26.5 | 21.4 | 4.9 | 2.5% |
| Adj PAT | 7.5 | 7.0 | 5.6 | 5.7 | 5.9 | 6.6 | 4.8 | 5.1 | 25.8 | 22.5 | 4.7 | 9.5% |
| YoY Change (%) | -7.4 | -13.2 | -26.5 | -27.4 | -21.4 | -4.5 | -14.3 | -10.3 | -18.5 | -12.8 | -18.1 | |
| Margins (%) | 13.1 | 11.7 | 9.4 | 9.9 | 9.4 | 11.6 | 7.5 | 7.9 | 11.0 | 9.0 | 7.4 | |

E: MOFSL Estimates

Key performance Indicators (Consolidated)

(INR b)

| Y/E March | FY22 | | | | FY23E | | | | FY22 | FY23 | FY23E |
|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|-------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | | 4QE |
| Formulations | 48.9 | 51.6 | 49.9 | 49.0 | 53.3 | 47.7 | 54.5 | 54.6 | 199.4 | 210.1 | 53.6 |
| YoY Change (%) | -4.9 | -8.7 | -12.1 | -5.9 | 9.0 | -7.6 | 9.2 | 11.4 | -8.1 | 5.4 | 9.5 |
| ARV form. | 3.0 | 1.5 | 1.6 | 2.4 | 3.8 | 1.6 | 2.5 | 1.6 | 8.3 | 9.5 | 2.4 |
| YoY Change (%) | -30.3 | -71.2 | -64.9 | -51.9 | 28.1 | 13.1 | 61.3 | -32.6 | -55.3 | 24.0 | 0.9 |
| US generic form. | 26.8 | 29.7 | 27.5 | 27.3 | 29.7 | 26.4 | 30.0 | 30.5 | 111.2 | 116.5 | 30.7 |
| YoY Change (%) | -13.7 | -7.0 | -13.4 | -4.5 | 10.8 | -11.1 | 9.3 | 11.6 | -9.8 | 4.8 | 12.6 |
| EU and ROW form. | 19.1 | 20.5 | 20.9 | 19.3 | 19.8 | 19.7 | 22.0 | 22.5 | 79.8 | 84.0 | 20.5 |
| YoY Change (%) | 18.6 | 4.5 | 1.2 | 4.0 | 3.5 | -3.9 | 5.2 | 16.6 | 6.5 | 5.2 | 6.3 |
| APIs | 8.1 | 7.8 | 10.1 | 9.1 | 9.1 | 9.7 | 9.5 | 10.2 | 35.2 | 38.5 | 9.6 |
| YoY Change (%) | 4.1 | -5.8 | 48.0 | 14.9 | 11.6 | 24.1 | -5.5 | 11.4 | 13.9 | 9.5 | 5.0 |
| Cost Break-up | | | | | | | | | | | |
| RM Cost (% of Sales) | 41.5 | 42.2 | 45.7 | 43.5 | 46.3 | 41.0 | 45.4 | 45.3 | 43.2 | 44.3 | 44.6 |
| Staff Cost (% of Sales) | 15.3 | 14.5 | 14.5 | 14.7 | 14.1 | 15.1 | 14.4 | 13.2 | 14.7 | 14.2 | 14.8 |
| R&D Expenses(% of Sales) | 6.3 | 6.7 | 6.5 | 7.4 | 5.0 | 4.8 | 6.5 | 6.3 | 6.7 | 5.7 | 6.8 |
| Other Cost (% of Sales) | 15.8 | 16.7 | 16.3 | 17.7 | 18.2 | 20.7 | 18.9 | 19.7 | 16.6 | 19.6 | 18.8 |
| Gross Margins(%) | 58.5 | 57.8 | 54.3 | 56.5 | 53.7 | 59.0 | 54.6 | 54.7 | 56.8 | 55.7 | 55.4 |
| EBITDA Margins(%) | 21.2 | 20.0 | 16.9 | 16.8 | 16.4 | 18.3 | 14.9 | 15.5 | 18.7 | 16.2 | 15.0 |
| EBIT Margins(%) | 16.3 | 15.0 | 11.9 | 12.4 | 12.0 | 13.1 | 9.9 | 10.1 | 13.9 | 11.2 | 9.9 |

E: MOFSL Estimates

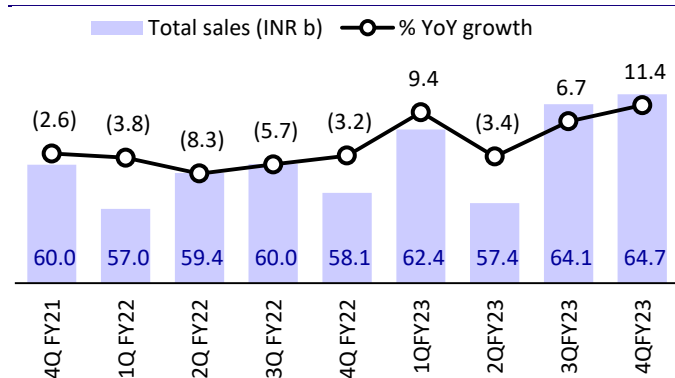


Conference call highlights

- ARBP intends to file b-Herceptin for the US market by 4QFY24.
- It has filed five oral solid products from its China plant. The initial focus will be on supplying to EU markets (1QFY25 onwards). Subsequently, it would be utilized for Chinese markets as well.
- The company indicated ~20 ANDA launches in FY24.
- ARBP has started manufacturing exhibit batches at the Vizag plant. It will supply to the EU and US markets.
- It has filed DMF for Liraglutide (peptide product) and hopes to file one more peptide DMF by FY24-end.
- The company has invested INR1.9b so far in the biosimilar segment.

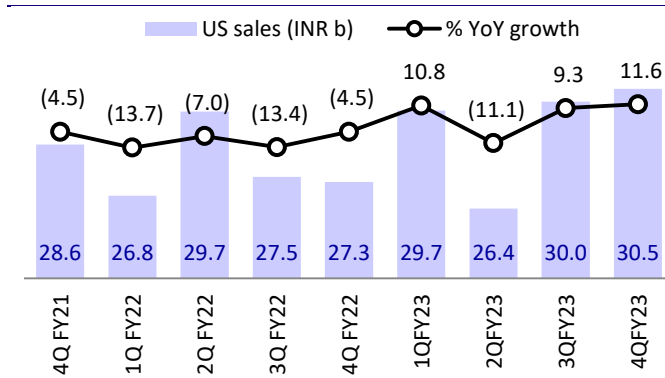
Key Exhibits

Exhibit 1: Revenue grew 11% YoY in 4QFY23



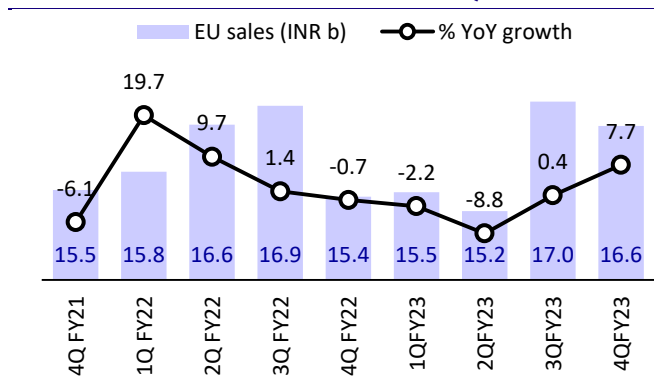
Source: MOFSL, Company

Exhibit 2: US sales up 12% YoY in 4QFY23 in INR terms



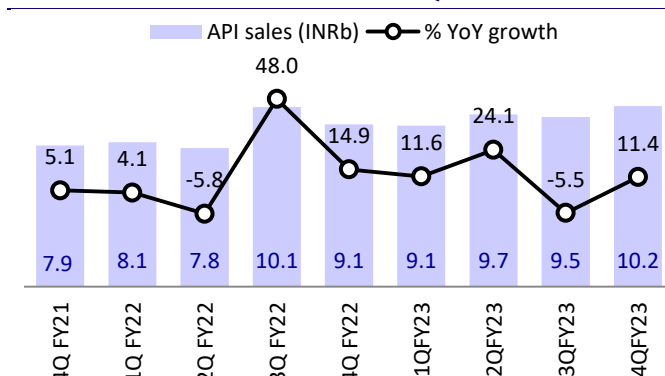
Source: MOFSL, Company

Exhibit 3: EU sales increased 8% YoY in 4QFY23

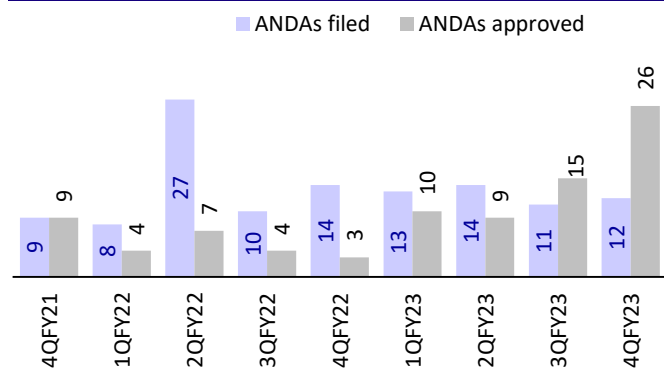


Source: MOFSL, Company

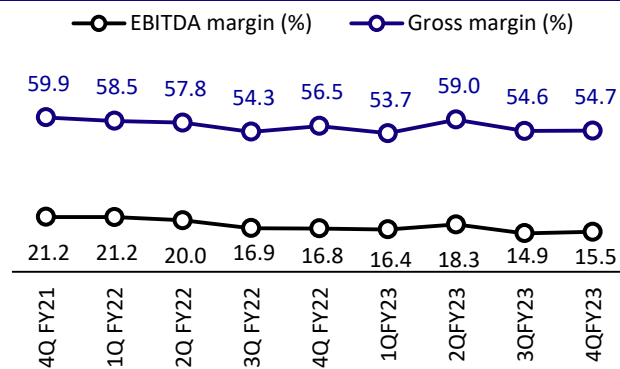
Exhibit 4: API sales rose 11% YoY in 4QFY23



Source: MOFSL, Company

Exhibit 5: ARBP filed 12 ANDAs in 4QFY23

Source: MOFSL, Company

Exhibit 6: EBITDA margin contracted 130bp YoY

Source: MOFSL, Company

Enhanced effort to revive earnings growth over next 2-3 years

US generics - Niche launches and reduced price erosion to drive growth

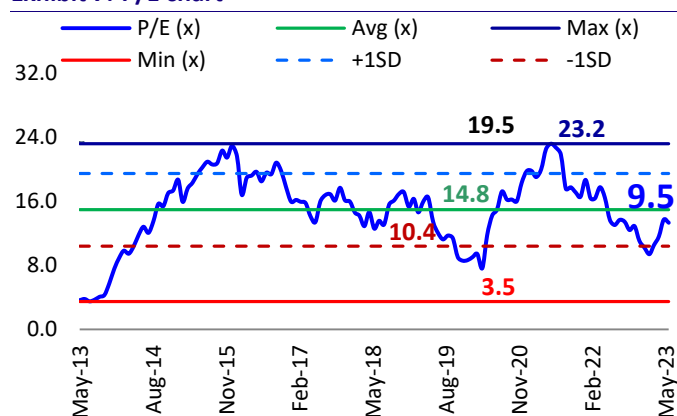
- In FY23, ARBP's US sales declined 3% in CC terms to USD1.5b. Considering the YoY price erosion of 15-20% at the industry level, ARBP's performance was decent with a low single-digit YoY decline. Amid currency tailwinds, revenue grew by 5% YoY in INR terms to INR117b.
- ARBP is positioned well on the regulatory front as well for developed markets.
- We believe that ARBP is well positioned to gain better traction given the increasing number of drugs in shortage, easing competition and a consistent pace of approvals for ARBP.
- Further, a pipeline of 175 ANDAs pending for approval gives ARBP an upper hand on the opportunities present in the US markets.
- Additionally, the contribution from g-revlimid from 3QFY24 onward would aid growth in the US business.
- After considering the above factors, we expect an 11% sales CAGR over FY23-25 to INR144b (USD1.8b).

Biosimilars/peptides: work in progress for building additional levers for growth

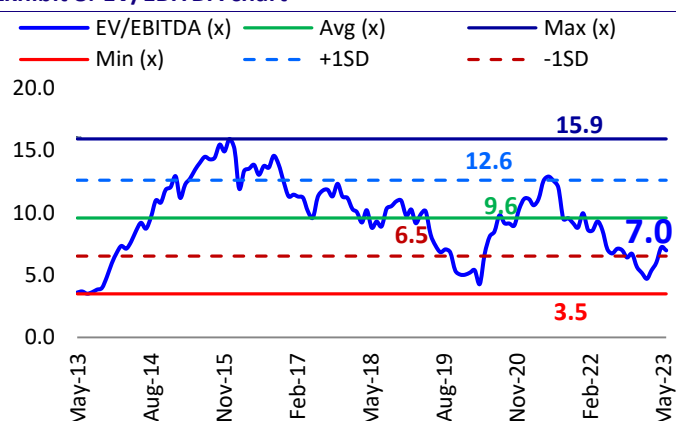
- ARBP has been working towards development as well as filing biosimilars globally. Particularly, ARBP plans to file b-Herceptin in India in Jul'23, followed by a filing in EU in Sep'23 and the US in 4QFY24. It has b-Xolair (indicated for chronic idiopathic urticarial) under phase III clinical trial. It intends to file this product before patent expiry. With USD4b market size and limited competition, it can be a growth opportunity for ARBP. There is another immunology biosimilar for which 40% of the recruitment requirement is met. For the third immunology biosimilar, ARBP has submitted the phase-3 application to the European medicine agency and is likely to start phase-3 trials from 3QFY24 onward. ARBP plans to file this product in FY25 in India and emerging markets.
- ARBP is focusing on oncology peptides and anti-diabetic peptides. It has filed DMF for Liraglutide. It is in the process of filing another DMF of GLP-1 analogue by the end of FY24.

Valuation and view

- We raise our FY24/FY25 EPS estimates by 3%/4% to factor in 1) additional new business opportunities due to regulatory issues at peers, 2) limited-competition product launches, and 3) a better outlook on operational costs, particularly raw material and freight costs. We value ARBP at 11x 12M forward earnings to arrive at a TP of INR600.
- Growth prospects encouraging for the next 2-3 years on the back of 1) better scope to garner US generics business, given its presence across the manufacturing value chain, 2) regulatory-compliant facilities, and 3) work-in-progress to develop complex products. However, the current valuation adequately prices in the upside in earnings. Maintain Neutral.

Exhibit 7: P/E chart

Source: MOFSL, Company, Bloomberg

Exhibit 8: EV/EBITDA chart

Source: MOFSL, Company, Bloomberg

Story in charts

Exhibit 9: Expect sales CAGR of 8% over FY23-25

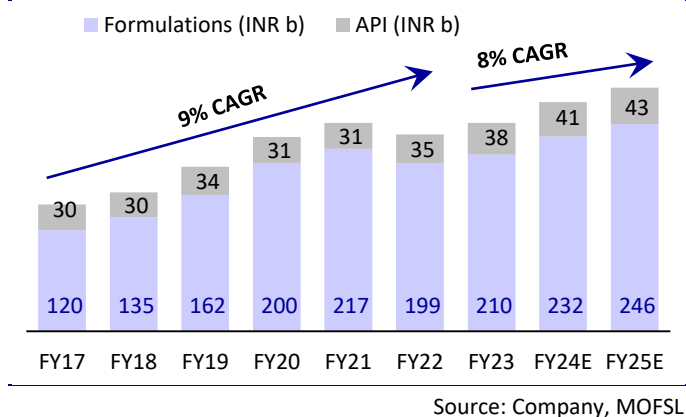


Exhibit 10: US sales to clock 11% CAGR over FY23-25

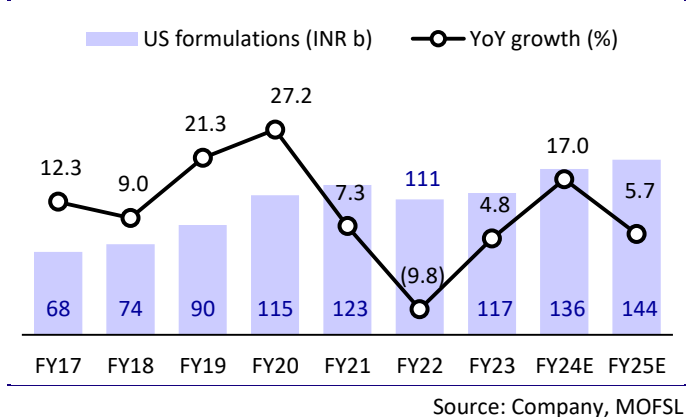


Exhibit 11: EBITDA margin to expand over FY23-25

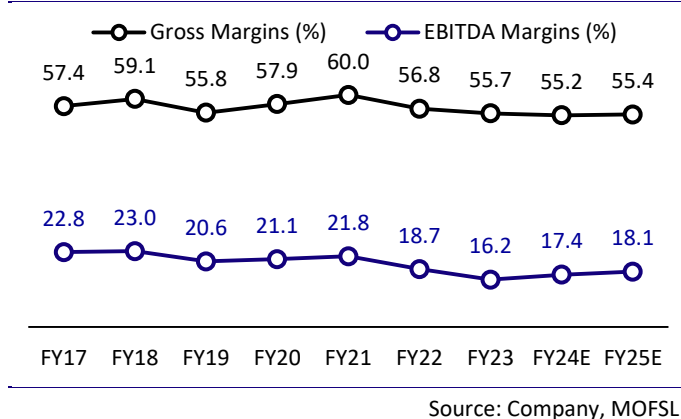


Exhibit 12: EBITDA to clock a 14% CAGR over FY23-25

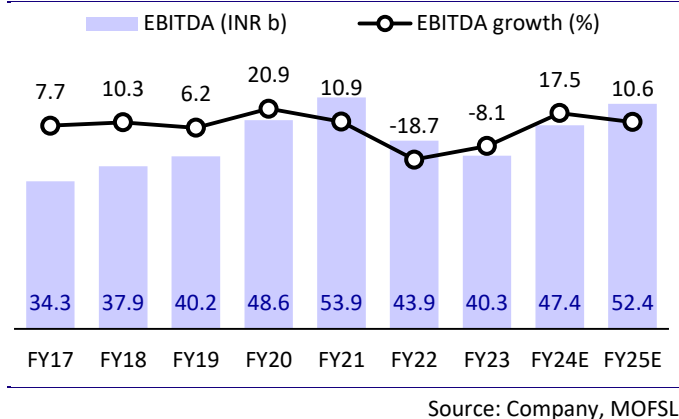


Exhibit 13: R&D expense to increase over FY23-25

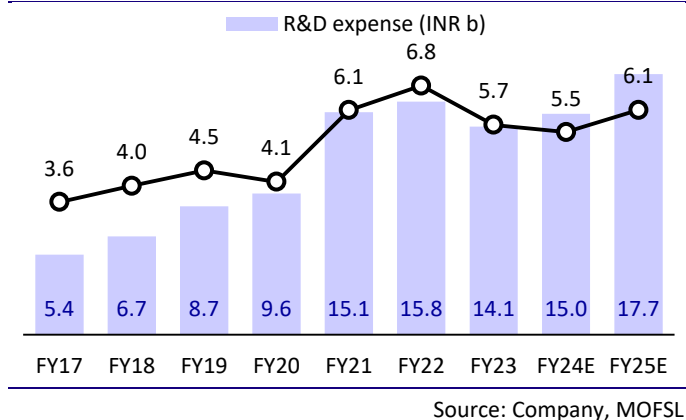
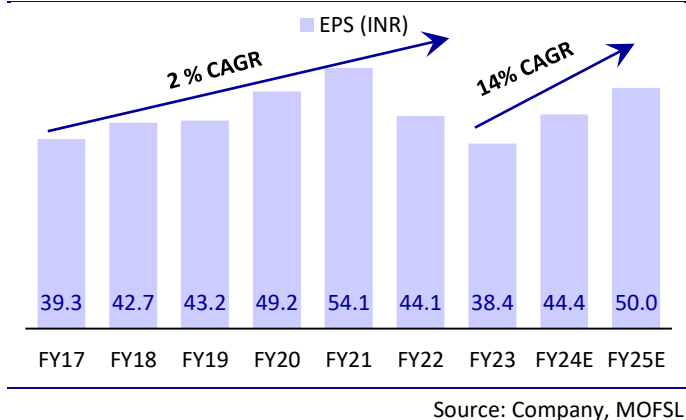


Exhibit 14: Expect EPS CAGR of 14% over FY23-25



Financials and valuations

Consolidated - Income Statement

(INR b)

| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Total Income from Operations | 150.9 | 165.0 | 195.6 | 231.0 | 247.7 | 234.6 | 248.6 | 272.4 | 289.7 |
| Change (%) | 8.1 | 9.3 | 18.6 | 18.1 | 7.3 | -5.3 | 6.0 | 9.6 | 6.4 |
| Total Expenditure | 116.6 | 127.1 | 155.4 | 182.3 | 193.8 | 190.7 | 208.2 | 225.0 | 237.3 |
| EBITDA | 34.3 | 37.9 | 40.2 | 48.6 | 53.9 | 43.9 | 40.3 | 47.4 | 52.4 |
| Margin (%) | 22.8 | 23.0 | 20.6 | 21.1 | 21.8 | 18.7 | 16.2 | 17.4 | 18.1 |
| Depreciation | 4.3 | 5.6 | 6.7 | 9.7 | 10.6 | 11.3 | 12.4 | 13.9 | 14.6 |
| EBIT | 30.1 | 32.3 | 33.5 | 39.0 | 43.4 | 32.6 | 27.9 | 33.5 | 37.9 |
| Int. and Finance Charges | 0.7 | 0.8 | 1.6 | 1.6 | 0.7 | 0.5 | 1.4 | 1.8 | 1.4 |
| Other Income | 0.5 | 1.0 | 1.2 | 0.9 | 2.4 | 2.5 | 2.9 | 3.3 | 3.5 |
| PBT bef. EO Exp. | 29.9 | 32.5 | 33.1 | 38.2 | 45.0 | 34.6 | 29.4 | 34.9 | 40.0 |
| EO Items | 0.6 | -0.2 | -2.2 | -0.7 | 29.0 | -0.6 | -1.0 | 0.0 | 0.0 |
| PBT after EO Exp. | 30.6 | 32.4 | 30.9 | 37.6 | 74.0 | 34.0 | 28.4 | 34.9 | 40.0 |
| Current Tax | 7.6 | 8.2 | 7.3 | 9.1 | 20.1 | 7.3 | 6.8 | 8.8 | 10.6 |
| Tax Rate (%) | 24.9 | 25.3 | 23.5 | 24.3 | 27.2 | 21.3 | 24.1 | 25.2 | 26.5 |
| Less: Minority Interest | -0.1 | 0.0 | 0.0 | 0.1 | 0.6 | 0.3 | -0.1 | 0.1 | 0.1 |
| Reported PAT | 23.0 | 24.2 | 23.6 | 28.3 | 53.3 | 26.5 | 21.4 | 26.0 | 29.3 |
| Adjusted PAT | 23.0 | 25.0 | 25.3 | 28.8 | 31.7 | 25.8 | 22.5 | 26.0 | 29.3 |
| Change (%) | 13.6 | 8.7 | 1.1 | 13.9 | 9.9 | -18.5 | -12.8 | 15.7 | 12.4 |
| Margin (%) | 15.3 | 15.2 | 12.9 | 12.5 | 12.8 | 11.0 | 9.0 | 9.6 | 10.1 |

Consolidated - Balance Sheet

(INR b)

| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Equity Share Capital | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| Total Reserves | 93.1 | 116.2 | 138.3 | 167.5 | 218.7 | 245.2 | 267.8 | 290.9 | 316.7 |
| Net Worth | 93.7 | 116.8 | 138.9 | 168.1 | 219.3 | 245.8 | 268.4 | 291.5 | 317.2 |
| Minority Interest | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 |
| Deferred Liabilities | -1.2 | 0.8 | 1.0 | 1.4 | 1.2 | 1.2 | -2.9 | -2.9 | -3.0 |
| Total Loans | 30.8 | 44.8 | 67.5 | 54.2 | 49.7 | 23.7 | 48.6 | 38.6 | 30.6 |
| Capital Employed | 123.4 | 162.4 | 207.4 | 223.7 | 270.2 | 270.7 | 314.3 | 327.3 | 345.0 |
| Gross Block | 53.6 | 70.7 | 98.0 | 116.4 | 134.3 | 158.4 | 175.4 | 195.9 | 208.9 |
| Less: Accum. Deprn. | 7.2 | 11.8 | 18.3 | 28.0 | 38.5 | 49.8 | 62.2 | 76.2 | 90.7 |
| Net Fixed Assets | 46.5 | 58.9 | 79.7 | 88.4 | 95.8 | 108.7 | 113.2 | 119.8 | 118.2 |
| Goodwill on Consolidation | 4.1 | 8.2 | 8.3 | 9.2 | 4.3 | 4.8 | 6.0 | 6.0 | 6.0 |
| Capital WIP | 12.4 | 14.0 | 13.4 | 16.2 | 24.3 | 29.4 | 45.0 | 45.0 | 45.0 |
| Total Investments | 2.5 | 3.1 | 3.6 | 5.5 | 5.9 | 10.0 | 5.4 | 5.4 | 5.4 |
| Curr. Assets, Loans&Adv. | 95.4 | 125.3 | 157.7 | 168.3 | 203.8 | 183.6 | 222.6 | 215.5 | 237.3 |
| Inventory | 43.3 | 58.6 | 72.5 | 77.0 | 90.3 | 75.5 | 85.1 | 100.7 | 106.9 |
| Account Receivables | 35.0 | 38.7 | 34.1 | 43.2 | 35.0 | 40.1 | 44.7 | 50.8 | 54.8 |
| Cash and Bank Balance | 5.1 | 12.6 | 19.6 | 28.4 | 54.7 | 41.9 | 60.8 | 37.3 | 48.8 |
| Loans and Advances | 12.0 | 15.4 | 31.5 | 19.7 | 23.7 | 26.0 | 31.9 | 26.8 | 26.8 |
| Curr. Liability & Prov. | 37.4 | 47.1 | 55.3 | 63.9 | 63.8 | 65.6 | 77.9 | 64.4 | 66.9 |
| Account Payables | 24.9 | 26.3 | 25.5 | 25.4 | 27.9 | 27.0 | 38.7 | 33.8 | 36.3 |
| Other Current Liabilities | 11.4 | 18.2 | 26.1 | 33.5 | 32.6 | 35.2 | 35.4 | 30.0 | 30.0 |
| Provisions | 1.1 | 2.6 | 3.6 | 4.9 | 3.3 | 3.4 | 3.7 | 0.6 | 0.6 |
| Net Current Assets | 58.0 | 78.3 | 102.4 | 104.3 | 140.0 | 117.9 | 144.7 | 151.1 | 170.4 |
| Deferred Tax assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Misc Expenditure | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Appl. of Funds | 123.4 | 162.4 | 207.4 | 223.7 | 270.2 | 270.7 | 314.3 | 327.3 | 345.0 |

E: MOFSL Estimates

Financials and valuations

Ratios

| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Basic (INR) | | | | | | | | | |
| EPS | 39.3 | 42.7 | 43.2 | 49.2 | 54.1 | 44.1 | 38.4 | 44.4 | 50.0 |
| Cash EPS | 46.6 | 52.2 | 54.6 | 65.7 | 72.0 | 63.3 | 59.7 | 68.2 | 74.9 |
| BV/Share | 160.0 | 199.4 | 237.1 | 286.9 | 374.3 | 419.5 | 458.4 | 497.9 | 541.8 |
| DPS | 1.9 | 3.7 | 2.5 | 2.5 | 2.5 | 3.5 | 4.0 | 5.0 | 6.0 |
| Payout (%) | 6.0 | 10.9 | 6.8 | 5.2 | 2.7 | 7.7 | 10.9 | 11.2 | 12.0 |
| Valuation (x) | | | | | | | | | |
| P/E | 15.5 | 14.3 | 14.1 | 12.4 | 11.3 | 13.8 | 15.9 | 13.7 | 12.2 |
| Cash P/E | 13.1 | 11.7 | 11.2 | 9.3 | 8.5 | 9.6 | 10.2 | 8.9 | 8.1 |
| P/BV | 3.8 | 3.1 | 2.6 | 2.1 | 1.6 | 1.5 | 1.3 | 1.2 | 1.1 |
| EV/Sales | 2.5 | 2.4 | 2.1 | 1.7 | 1.4 | 1.4 | 1.4 | 1.3 | 1.2 |
| EV/EBITDA | 11.2 | 10.3 | 10.1 | 7.9 | 6.5 | 7.7 | 8.6 | 7.6 | 6.5 |
| Dividend Yield (%) | 0.3 | 0.6 | 0.4 | 0.4 | 0.4 | 0.6 | 0.7 | 0.8 | 1.0 |
| FCF per share | 27.0 | 7.2 | 1.6 | 50.4 | 12.5 | 35.7 | -13.5 | -20.3 | 36.0 |
| Return Ratios (%) | | | | | | | | | |
| RoE | 27.6 | 23.8 | 19.8 | 18.8 | 16.3 | 11.1 | 8.7 | 9.3 | 9.6 |
| RoCE | 19.0 | 17.4 | 14.4 | 14.1 | 13.6 | 10.3 | 8.0 | 8.5 | 9.0 |
| RoIC | 22.5 | 20.4 | 16.9 | 17.1 | 17.6 | 13.7 | 10.8 | 11.3 | 11.5 |
| Working Capital Ratios | | | | | | | | | |
| Fixed Asset Turnover (x) | 2.8 | 2.3 | 2.0 | 2.0 | 1.8 | 1.5 | 1.4 | 1.4 | 1.4 |
| Inventory (Days) | 238 | 275 | 277 | 280 | 308 | 298 | 266 | 278 | 293 |
| Debtor (Days) | 98 | 82 | 68 | 61 | 58 | 58 | 62 | 64 | 66 |
| Creditor (Days) | 140 | 138 | 109 | 96 | 98 | 99 | 109 | 108 | 99 |
| Working Cap. (Days) | 196 | 219 | 235 | 246 | 267 | 258 | 219 | 233 | 261 |
| Leverage Ratio (x) | | | | | | | | | |
| Current Ratio | 2.6 | 2.7 | 2.9 | 2.6 | 3.2 | 2.8 | 2.9 | 3.3 | 3.5 |
| Interest Cover Ratio | 45 | 42 | 21 | 24 | 58 | 67 | 20 | 18 | 27 |
| Net Debt/Equity | 0.3 | 0.3 | 0.3 | 0.2 | 0.0 | -0.1 | 0.0 | 0.0 | -0.1 |

Consolidated - Cash Flow Statement

| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| (INR b) | | | | | | | | | |
| OP/(Loss) before Tax | 30.6 | 32.4 | 30.9 | 37.4 | 45.0 | 34.6 | 29.4 | 34.9 | 40.0 |
| Depreciation | 4.3 | 5.6 | 6.7 | 9.7 | 10.6 | 11.3 | 12.4 | 13.9 | 14.6 |
| Interest / Dividend received | 0.4 | 0.5 | 1.4 | 1.2 | -1.6 | -2.0 | -1.5 | -1.5 | -2.1 |
| Direct Taxes Paid | -7.7 | -7.0 | -7.7 | -7.3 | -20.1 | -7.3 | -6.8 | -8.8 | -10.6 |
| (Inc)/Dec in WC | 5.3 | -10.4 | -14.8 | 2.8 | -9.3 | 9.2 | -7.8 | -30.0 | -7.8 |
| CF from Operations | 32.9 | 21.2 | 16.4 | 43.8 | 24.5 | 45.8 | 25.7 | 8.6 | 34.1 |
| Others | -0.1 | -1.6 | 0.1 | 0.0 | 8.7 | 4.4 | -1.0 | 0.0 | 0.0 |
| CF from Operating incl EO | 32.8 | 19.5 | 16.5 | 43.8 | 33.3 | 50.2 | 24.7 | 8.6 | 34.1 |
| (inc)/dec in FA | -16.9 | -15.3 | -15.6 | -14.3 | -26.0 | -29.2 | -32.6 | -20.5 | -13.0 |
| Free Cash Flow | 15.8 | 4.2 | 0.9 | 29.5 | 7.3 | 20.9 | -7.9 | -11.9 | 21.1 |
| (Pur)/Sale of Investments | -0.9 | -4.0 | -13.4 | -1.4 | 0.4 | 4.1 | -4.5 | 0.0 | 0.0 |
| CF from Investments | -17.9 | -19.3 | -29.0 | -15.7 | 6.0 | -32.1 | -39.8 | -20.5 | -13.0 |
| Inc/(Dec) in Debt | -17.3 | 2.9 | 26.2 | -13.1 | -4.5 | -26.0 | 25.0 | -10.0 | -7.9 |
| Interest Paid | -0.6 | -0.7 | -1.5 | -1.3 | -0.7 | -0.5 | -1.4 | -1.8 | -1.4 |
| Dividend Paid | -1.4 | -2.6 | -1.6 | -1.9 | -1.5 | -2.1 | -2.3 | -2.9 | -3.5 |
| Others | 1.5 | 7.7 | -3.4 | -2.8 | -6.9 | -1.2 | 12.8 | 3.1 | 3.3 |
| CF from Fin. Activity | -17.7 | 7.2 | 19.8 | -19.1 | -13.6 | -29.7 | 34.0 | -11.7 | -9.5 |
| Inc/Dec of Cash | -2.8 | 7.5 | 7.3 | 9.1 | 25.6 | -11.6 | 18.9 | -23.6 | 11.5 |
| Opening Balance | 7.9 | 5.1 | 12.6 | 19.6 | 28.4 | 54.7 | 41.9 | 60.8 | 37.3 |
| Others incl. impact of fx | 0.0 | 0.0 | -0.3 | -0.2 | 0.7 | -1.2 | 0.0 | 0.0 | 0.0 |
| Closing Balance | 5.1 | 12.6 | 19.6 | 28.4 | 54.7 | 41.9 | 60.8 | 37.3 | 48.8 |

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| Explanation of Investment Rating | |
|----------------------------------|--|
| Investment Rating | Expected return (over 12-month) |
| BUY | >=15% |
| SELL | < - 10% |
| NEUTRAL | < - 10 % to 15% |
| UNDER REVIEW | Rating may undergo a change |
| NOT RATED | We have forward looking estimates for the stock but we refrain from assigning recommendation |

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