

# Glenmark Pharma

Estimate change 

TP change 

Rating change 

**CMP: INR872**

**TP: INR820 (-6%)**

**Neutral**

## India business re-set drags earnings

### Work-in progress to address the USFDA issues

Bloomberg	GNP IN
Equity Shares (m)	282
M.Cap.(INRb)/(USD\$b)	246.1 / 3
52-Week Range (INR)	923 / 414
1, 6, 12 Rel. Per (%)	-2/-4/78
12M Avg Val (INR M)	960

### Financials & Valuations (INR b)

Y/E March	FY24E	FY25E	FY26E
Sales	119.7	131.9	143.6
EBITDA	12.3	23.5	26.6
Adj. PAT	0.4	10.6	12.9
EBIT Margin (%)	5.6	13.9	15.0
Adj EPS (INR)	1.5	37.7	45.9
EPS Gr. (%)	-88.3	2336.7	21.8
BV/Sh. (INR)	347.0	381.0	426.9

### Ratios

Net D-E	0.0	0.0	-0.1
RoE (%)	0.5	10.3	11.4
RoCE (%)	10.7	11.6	12.3
Payout (%)	-19.8	9.6	0.0

### Valuations

P/E (x)	564.3	23.2	19.0
EV/EBITDA (x)	20.4	10.4	8.8
Div. Yield (%)	0.3	0.3	0.3
FCF Yield (%)	10.3	4.0	4.5
EV/Sales (x)	2.1	1.9	1.6

### Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	46.7	46.7	46.7
DII	11.0	10.4	10.7
FII	23.7	24.8	23.2
Others	18.7	18.7	19.4

FII Includes depository receipts

- Glenmark Pharma (GNP) delivered a miss on its 3QFY24 earnings, largely due to the inventory reset in the domestic formulation (DF) business and an inferior show in the US generics segment. GNP has completed its remediation measures at Monroe and would be requesting the USFDA for a re-inspection.
- We cut our FY24/FY25/FY26 estimates by 94%/4%/4% to factor in: a) the significant reduction in the domestic formulation business due to stock consolidation and inventory rationalization, and b) a prolonged delay in ANDA approvals due to regulatory issues. This is partly offset by: a) robust traction in the EU business. We value GNP at 17x 12M forward earnings to arrive at our TP of INR820.
- GNP is implementing efforts to improve outlook in its core markets through: a) the new launches/operational efficiency in the DF segment, b) filing complex respiratory products in the US segment, and c) resolving regulatory issues at its manufacturing site. However, we **reiterate our Neutral rating** as the current valuation factors in the upside in the earnings.

### Sharp operating deleverage drags margins

- GNP's revenue declined 28% YoY to INR25b (our estimate of INR32b).
- NA revenue grew 22% YoY to INR8.1b (USD98m; 24% of sales). Europe generics revenue rose 73.7% YoY to INR5.7b (17% of sales). RoW (RoW+LatAm) sales increased 30.4% YoY to INR5.5b (16% of sales). API sales rose 15.9% YoY to INR3.8b (11% of sales). India formulations (DF) grew 2.8% YoY to INR10.6b (31% of sales) during the quarter.
- Gross margin (GM) contracted 750bp YoY to 58.8% due to higher RM costs.
- There was a forex loss of INR162m and a hyper-inflationary impact of INR480m in Argentina in 3QFY24.
- Adjusting for this, there was an operational loss of INR1.4b (our estimate: +INR5.4b) during the quarter.
- Additionally, there was an exceptional item, including the remediation cost of manufacturing sites in India and the US of INR767m.
- Adjusting for this, there was a loss after tax of INR3.5b (our estimate: INR2b).

### Highlights from the management commentary

- GNP implemented changes in its overall distribution model through the consolidation of stock points and rationalization of channel inventories for the DF market. This has led to a one-time impact on sales.
- The US sales were hit in 3QFY24 due to the continued price erosion in the base business and a lack of significant new product launches in the preceding quarters.
- GNP launched seven ANDAs in 3QFY24. IT has five injectable products in the US market. The company has filed two ANDAs for generic nasal sprays.
- GNP is hoping to restart commercialization of further injectable products from the Monroe manufacturing site from FY25 onwards.

**Tushar Manudhane - Research Analyst** (Tushar.Manudhane@MotilalOswal.com)

**Research Analyst: Sumit Gupta** (Sumit.G@MotilalOswal.com) | **Akash Manish Dobhada** (Akash.Dobhada@MotilalOswal.com)

**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](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

## Quarterly performance (Consolidated)

(INRb)

Y/E March	FY23				FY24				FY23	FY24E	Estimate	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	% Var
<b>Net Revenues (Core)</b>	<b>27.8</b>	<b>30.2</b>	<b>34.6</b>	<b>33.7</b>	<b>30.4</b>	<b>32.1</b>	<b>25.1</b>	<b>32.2</b>	<b>114.9</b>	<b>119.7</b>	<b>32.4</b>	<b>-22.6</b>
YoY Change (%)	-6.3	0.5	15.4	11.7	9.3	6.3	-27.6	-4.6	-5.3	4.2	-6.5	
<b>EBITDA</b>	<b>4.7</b>	<b>5.2</b>	<b>6.2</b>	<b>6.0</b>	<b>4.4</b>	<b>5.1</b>	<b>-1.4</b>	<b>4.3</b>	<b>15.8</b>	<b>12.3</b>	<b>5.4</b>	<b>NA</b>
YoY Change (%)	-17.6	0.0	18.8	20.5	-7.5	-3.2	PTL	-29.0	-27.7	-22.4	-12.8	
Margins (%)	17.0	17.3	17.9	17.9	14.4	15.8	-5.8	13.4	13.8	10.3	16.7	
Depreciation	1.5	1.5	1.6	1.5	1.4	1.4	1.5	1.2	5.7	5.5	1.4	
<b>EBIT</b>	<b>3.3</b>	<b>3.8</b>	<b>4.6</b>	<b>4.6</b>	<b>3.0</b>	<b>3.6</b>	<b>-2.9</b>	<b>3.1</b>	<b>10.1</b>	<b>6.8</b>	<b>4.0</b>	<b>NA</b>
YoY Change (%)	-29.2	-6.7	13.6	23.7	-9.4	-3.3	PTL	-32.9	-40.5	-33.3	-12.9	
Margins (%)	11.7	12.5	13.2	13.6	9.7	11.3	-11.6	9.6	8.8	5.6	12.3	
Interest	0.6	0.8	1.0	1.1	1.1	1.2	1.3	1.3	3.5	5.0	1.1	
Other Income	0.2	0.9	0.3	0.4	0.2	0.0	0.5	0.4	0.2	1.1	0.0	
<b>PBT before EO Expense</b>	<b>2.8</b>	<b>3.8</b>	<b>3.9</b>	<b>3.9</b>	<b>2.0</b>	<b>2.4</b>	<b>-3.8</b>	<b>2.2</b>	<b>6.9</b>	<b>2.8</b>	<b>2.9</b>	<b>NA</b>
One-off loss/(gain)	-1.3	0.4	-0.8	8.8	0.5	3.7	1.4	0.0	4.5	5.6	-1.2	
<b>PBT after EO Expense</b>	<b>4.1</b>	<b>3.4</b>	<b>4.7</b>	<b>-4.9</b>	<b>1.5</b>	<b>-1.2</b>	<b>-5.2</b>	<b>2.2</b>	<b>2.4</b>	<b>-2.8</b>	<b>4.1</b>	<b>NA</b>
Tax	2.0	1.6	1.8	-0.9	1.1	0.6	-0.7	0.6	3.3	1.5	1.3	
Rate (%)	48.3	49.0	38.3	17.9	75.1	-45.0	13.8	25.4	137.3	-55.0	31.5	
<b>Reported PAT</b>	<b>2.1</b>	<b>1.7</b>	<b>2.9</b>	<b>-4.0</b>	<b>0.4</b>	<b>-1.8</b>	<b>-4.5</b>	<b>1.6</b>	<b>-0.9</b>	<b>-4.3</b>	<b>2.8</b>	<b>NA</b>
<b>Adj PAT (excl one-offs)</b>	<b>1.7</b>	<b>2.3</b>	<b>2.2</b>	<b>2.3</b>	<b>1.1</b>	<b>1.4</b>	<b>-3.5</b>	<b>1.4</b>	<b>3.7</b>	<b>0.4</b>	<b>2.0</b>	<b>NA</b>
YoY Change (%)	-39.8	2.3	-1.9	19.7	-34.0	-39.9	PTL	-38.6	-61.8	-88.3	-11.7	
Margins (%)	6.1	7.7	6.4	6.8	3.7	4.4	-13.9	4.4	3.2	0.4	6.1	

E: MOSL Estimates

## Key performance Indicators (Consolidated)

Y/E March	FY23				FY24E				FY23	FY24E	FY24E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE
India formulations	10.4	10.9	10.7	8.3	10.6	11.2	2.6	9.8	40.3	29.9	11.5
YoY Change (%)	-15.5	12.7	6.7	-6.4	2.8	2.8	-75.6	18.0	-1.4	-15.0	7.0
US	6.6	7.5	8.4	8.5	8.1	7.4	7.6	8.7	31.0	24.4	7.8
YoY Change (%)	-15.9	-0.1	10.7	15.3	22.0	-1.9	-8.9	2.6	2.2	2.6	-7.0
ROW	3.5	5.2	5.3	5.5	4.7	6.3	5.7	6.2	19.5	22.8	6.0
YoY Change (%)	30.2	-21.0	27.4	33.6	34.3	22.3	6.5	11.3	11.3	17.0	12.0
Europe	3.3	3.8	4.9	6.1	5.7	6.0	6.4	6.9	18.1	14.8	5.8
YoY Change (%)	7.9	11.9	29.6	22.3	73.7	58.4	28.9	13.3	18.9	38.0	18.0
API	3.3	3.7	3.8	3.8	3.8	3.9	4.1	4.1	14.6	11.3	4.0
YoY Change (%)	6.9	11.6	23.9	16.7	15.9	5.0	9.9	6.1	14.7	9.0	7.0
<b>Cost Break-up</b>											
RM Cost (% of Sales)	36.4	35.6	33.7	35.3	39.1	37.3	41.2	37.9	37.1	38.8	37.4
Staff Cost (% of Sales)	22.9	22.7	21.8	19.5	22.4	22.8	30.0	23.0	22.6	24.3	22.4
R&D Expenses(% of Sales)	10.7	10.9	8.0	10.0	9.3	10.1	12.3	8.7	13.7	10.0	8.3
Other Cost (% of Sales)	12.9	13.5	18.6	17.3	14.7	13.9	22.2	17.0	12.9	16.7	15.2
Gross Margins (%)	63.6	64.4	66.3	64.7	60.9	62.7	58.8	62.1	62.9	61.2	62.6
EBITDA Margins (%)	17.0	17.3	17.9	17.9	14.4	15.8	-5.8	13.4	13.8	10.3	16.7
EBIT Margins (%)	11.7	12.5	13.2	13.6	9.7	11.3	-11.6	9.6	8.8	5.6	12.3

E: MOSL Estimates

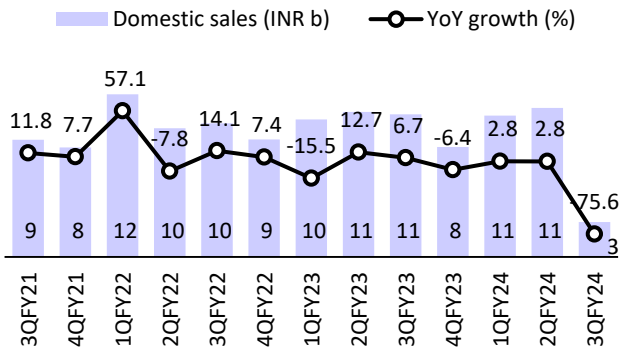


## Highlights from the management commentary

- GNP expects to file ANDA with respect to g-Flovent in 1QFY25. GNP also plans to file at least one more generic respiratory PMDI in the US in FY25.
- Marketing applications for RYALTRIS have been submitted in more than 70 countries across the world. The product has been commercialized in 31 markets. GNP's commercial partner, Hikma, continued to see strong new prescriptions with a full-strength field force focusing on the high-prescribing physicians.
- The transaction with respect to the sale of API business (Glenmark Life Sciences) is subject to customary closing conditions precedent, including receipt of regulatory and shareholder approvals.
- Net Debt was INR35b at the end of 3QFY24.

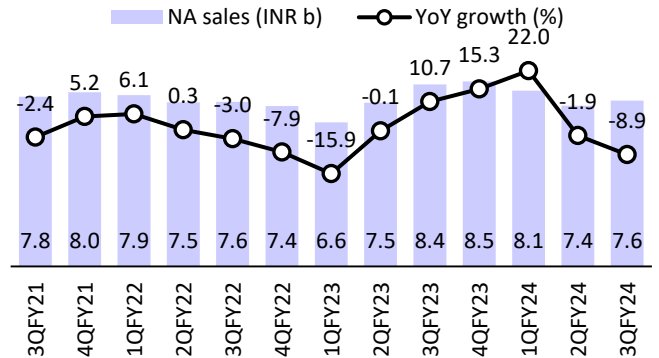
## Key exhibits (including GLS revenue)

**Exhibit 1: DF sales declined 76% YoY in 3QFY24**



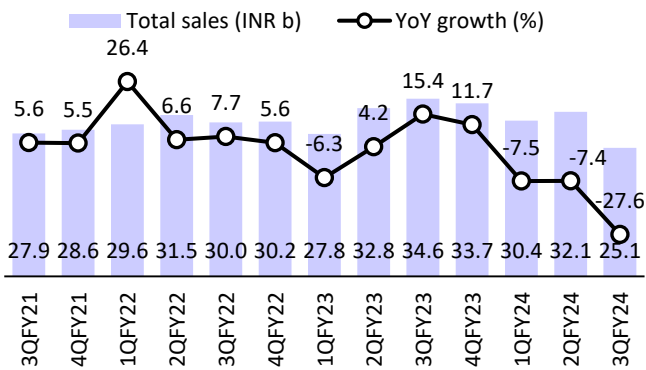
Source: MOFSL, Company

**Exhibit 2: NA sales declined 9% YoY in 3QFY24**



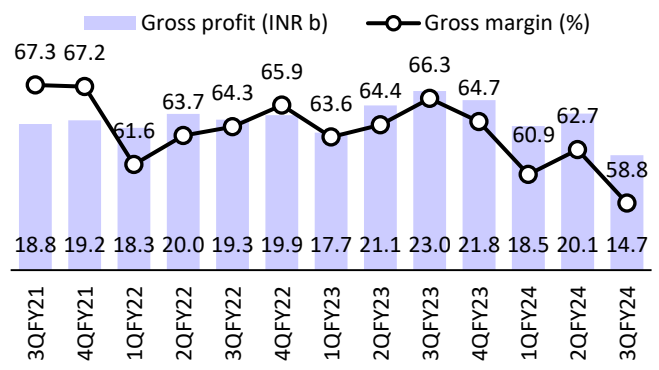
Source: MOFSL, Company

**Exhibit 3: Total revenue declined 28% YoY in 3QFY24**



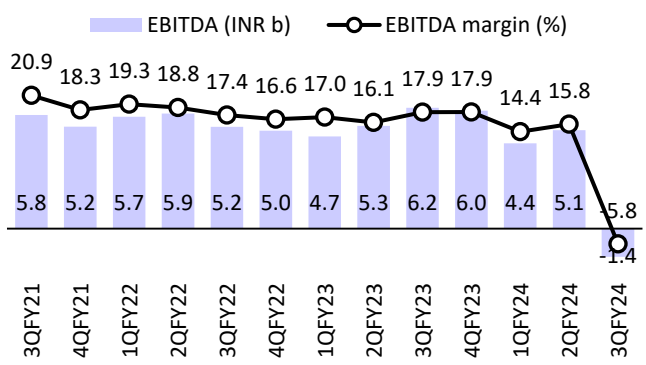
Note: Sales includes GLS; Source: Company, MOFSL

**Exhibit 4: Gross margin contracted 750bp in 3QFY24**



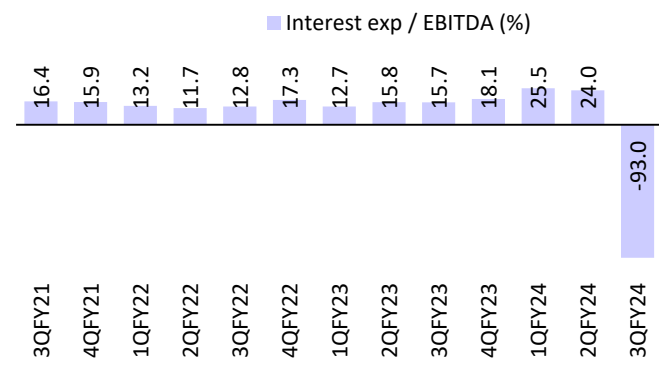
Note: Sales includes GLS; Source: Company, MOFSL

**Exhibit 5: GNP reported an operational loss in 3QFY24**



Note: Sales includes GLS; Source: Company, MOFSL

**Exhibit 6: Interest coverage ratio was negative in 3QFY24**



Note: Sales includes GLS; Source: Company, MOFSL

## Valuation and view

### DF: Strategic reset/better operational efficiency to aid better growth prospects

- In 9MFY24, GNP's DF sales declined 23.5% YoY to INR24.5b due to the one-time impact of stock points and the rationalization of channel inventories. However, GNP continued to witness robust traction in Cardiac/Derma therapies.
- As per IMS, GNP was in line with IPM during 9MFY24 as its key therapies, (Antidiabetic/Respiratory), underperformed IPM, which was offset by a growth in Cardiac and Derma therapies.
- In 3QFY24, GCC's primary sales grew 18% YoY, driven largely by core brands such as Candid powder and La Shield (both up 20% YoY).
- We expect a 14% CAGR in DF sales to INR44.5b over FY24-26 led by niche launches/market share gains and inflation-linked upward revisions in prices.

### US: addressing regulatory issues/niche pipeline remains the key for growth

- In 9MFY24, the US sales grew 3% YoY to INR23b (CC: up 1% to USD283m) due to new launches offset by moderating price erosion in the base business.
- GNP filed six ANDAs in 9MFY24 and plans to file five ANDAs in 4QFY24. It also plans to launch 8-10 products in the US market.
- It expects two products to be commercialized from the Monroe site in FY25. After FY25, it plans to launch products in the injectables segment every year.
- We anticipate the US sales to clock a CAGR of 5.5% to USD427m over FY24-26.

### EU: new launches/expansion in new geographies driving growth

- In 9MFY24, GNP's EU sales jumped 51% YoY to INR18b, driven by steady expansion in the generics market and strong growth in the branded market.
- The overall growth was due to Czech, Slovakia, and Poland, which registered a double-digit growth in addition to the strong uptake in respiratory therapy.
- Across the CEE markets, key brands such as Ryaltris and Salmex/Asthmex continue to sustain their market share, both in terms of volume as well as value.
- Menarini, Glenmark's partner for Ryaltris in the EU, also recorded strong growth across multiple markets where it launched the product.
- Consequently, we expect 13% sales CAGR to INR31.9b over FY24-26.

### RoW – Robust performance across regions

- In 9MFY24, RoW sales grew 19% to INR20b. This growth was due to respiratory launches driving strong growth in the base business across all the sub-regions of the ROW market. Additionally, GNP is seeing strong traction in key therapies such as Derma.
- Further, Ryaltris is a leading nasal spray in markets like South Africa. In LATAM, respiratory is the key contributor to growth with Glenmark achieving its highest market share in the respiratory category in Mexico.
- Over FY24-26, we expect an 8% sales CAGR to INR26.6b on the back of market share gains in respiratory/derma new launches across these regions.

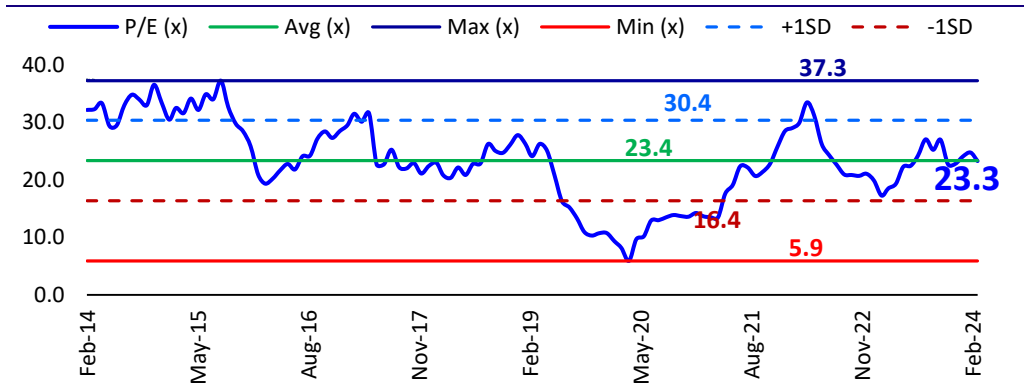
### Maintain Neutral

- We cut our FY24/FY25/FY26 estimates by 94%/4%/4% to factor in: a) the significant reduction in the domestic formulation business due to stock consolidation and inventory rationalization, and b) a prolonged delay in ANDA approvals due to regulatory issues. This is partly offset by: a) robust traction in

the EU business. We value GNP at 17x 12M forward earnings to arrive at our TP of INR820.

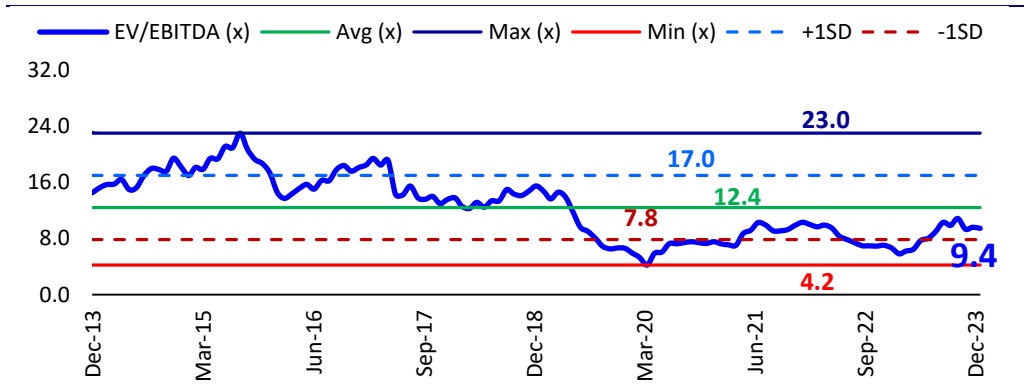
- GNP is implementing efforts to improve outlook in its core markets through: a) the new launches/operational efficiency in the DF segment, b) filing complex respiratory products in the US segment, and c) resolving regulatory issues at its manufacturing site. However, we **reiterate our Neutral rating** as the current valuation factors in the upside in the earnings.

Exhibit 7: P/E chart



Source: MOFSL, Company, Bloomberg

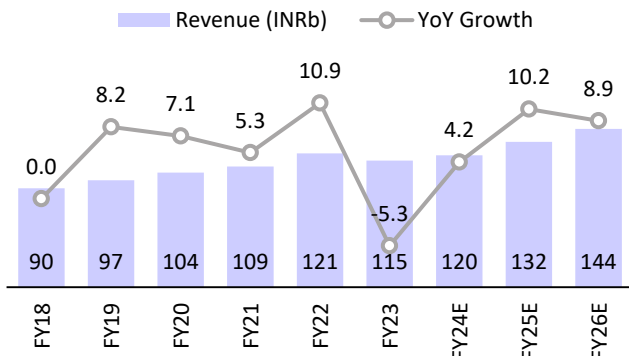
Exhibit 8: EV/EBITDA chart



Source: MOFSL, Company, Bloomberg

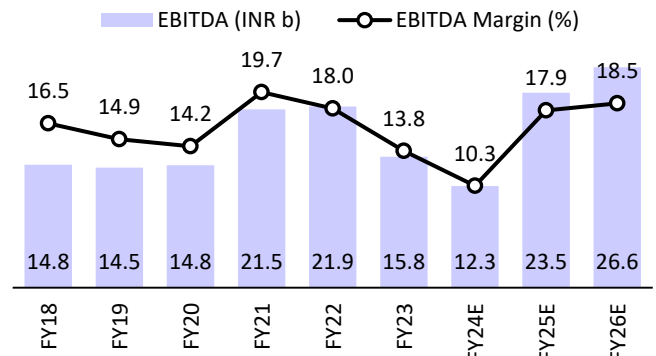
## Story in charts

**Exhibit 9: Expect sales CAGR of 9.5% over FY24–26**



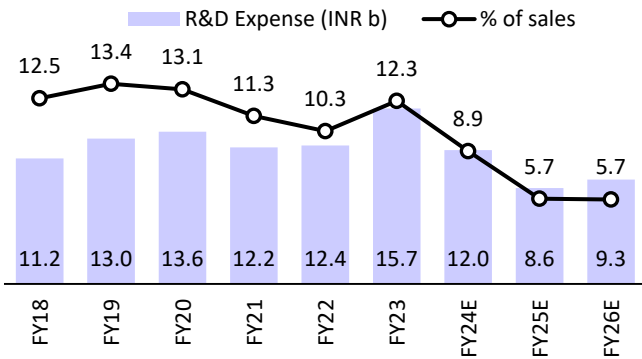
Source: Company, MOFSL

**Exhibit 10: EBITDA margin to expand 820bp over FY24–26**

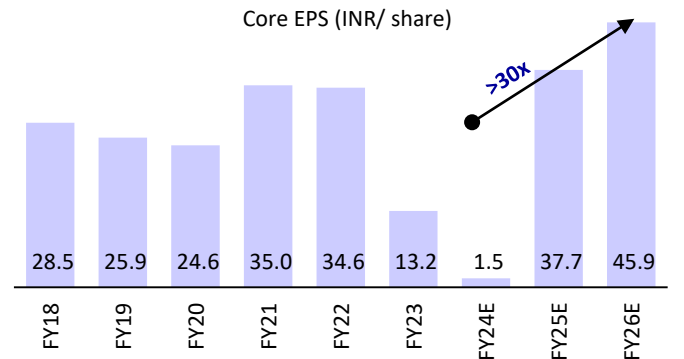


Source: Company, MOFSL

**Exhibit 11: R&D spending as a percentage of sales to be stable over FY24-26**

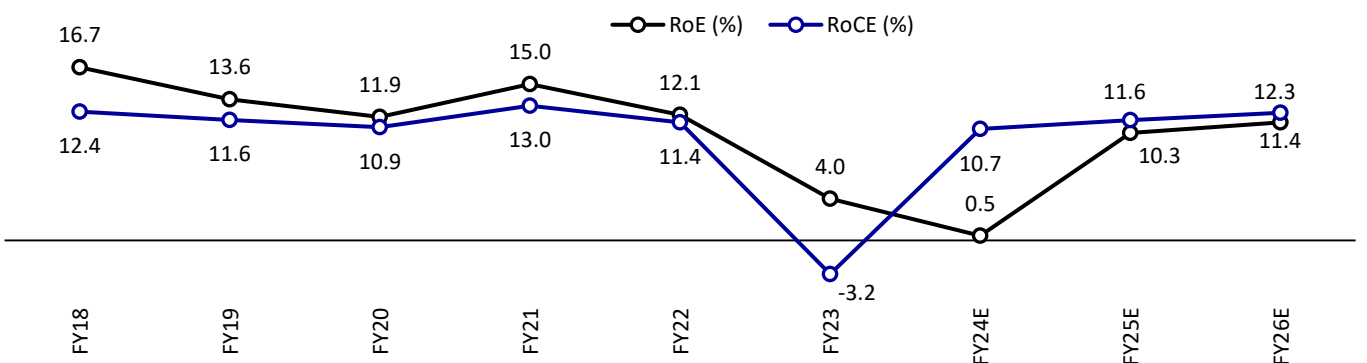


**Exhibit 12: Expect EPS to grow >30x over FY24–26**



Source: Company, MOFSL

**Exhibit 13: Return ratios improving over FY24-26**



Source: Company, MOFSL

Note: Above Charts excludes GLS consolidation

## Financials and valuations

Income Statement								(INRm)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Net Sales</b>	<b>97,051</b>	<b>103,972</b>	<b>109,439</b>	<b>121,339</b>	<b>114,890</b>	<b>119,688</b>	<b>131,880</b>	<b>143,559</b>
Change (%)	8.2	7.1	5.3	10.9	-5.3	4.2	10.2	8.9
<b>EBITDA</b>	<b>14,504</b>	<b>14,793</b>	<b>21,544</b>	<b>21,881</b>	<b>15,818</b>	<b>12,279</b>	<b>23,543</b>	<b>26,627</b>
Change (%)	-2.3	2.0	45.6	1.6	-27.7	-22.4	91.7	13.1
Margin (%)	14.9	14.2	19.7	18.0	13.8	10.3	17.9	18.5
Depreciation	3,259	4,172	4,436	4,867	5,692	5,528	5,157	5,108
<b>EBIT</b>	<b>11,245</b>	<b>10,622</b>	<b>17,108</b>	<b>17,014</b>	<b>10,126</b>	<b>6,751</b>	<b>18,387</b>	<b>21,519</b>
Interest	3,346	3,773	3,531	2,981	3,490	4,984	2,640	2,301
OI & forex gains/losses	2,105	2,623	501	617	228	1,068	350	390
<b>PBT before EO Expense</b>	<b>10,004</b>	<b>9,472</b>	<b>14,078</b>	<b>14,650</b>	<b>6,863</b>	<b>2,835</b>	<b>16,097</b>	<b>19,608</b>
Change (%)	-10.6	-5.3	48.6	4.1	-53.1	-58.7	467.8	21.8
Extra Ordinary Expense	-3,002	-1,489	255	237	4,465	5,614	0	0
<b>PBT after EO Exp.</b>	<b>13,006</b>	<b>10,961</b>	<b>13,824</b>	<b>14,412</b>	<b>2,398</b>	<b>-2,779</b>	<b>16,097</b>	<b>19,608</b>
Tax	3,756	3,201	4,124	4,476	3,294	1,528	5,473	6,667
Tax Rate (%)	28.9	29.2	29.8	31.1	137.3	-55.0	34.0	34.0
<b>Reported PAT</b>	<b>9,250</b>	<b>7,760</b>	<b>9,700</b>	<b>9,417</b>	<b>-1,697</b>	<b>-5,149</b>	<b>10,624</b>	<b>12,941</b>
Minority Interest	0	0	0	519	802	841	0	0
Addn due to acquisition*								
<b>Adj PAT from continuing ops.</b>	<b>7,312</b>	<b>6,938</b>	<b>9,871</b>	<b>9,752</b>	<b>3,728</b>	<b>436</b>	<b>10,624</b>	<b>12,941</b>
Change (%)	-9.0	-5.1	42.3	-1.2	-61.8	-88.3	NA	21.8
Margin (%)	7.5	6.7	9.0	8.0	3.2	0.4	8.1	9.0
<b>Adj. PAT from discontinuing ops</b>					<b>4,670</b>	<b>3,752</b>		
<b>Overall PAT</b>	<b>7,312</b>	<b>6,938</b>	<b>9,871</b>	<b>9,752</b>	<b>8,398</b>	<b>4,188</b>	<b>10,624</b>	<b>12,941</b>
Change (%)	-9.0	-5.1	42.3	-1.2	-13.9	-50.1	153.7	21.8

Balance Sheet								(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	282	282	282	282	282	282	282	282
Reserves	55,770	60,423	70,364	90,584	94,457	97,625	107,229	120,170
<b>Net Worth</b>	<b>56,052</b>	<b>60,705</b>	<b>70,646</b>	<b>90,866</b>	<b>94,739</b>	<b>97,907</b>	<b>107,512</b>	<b>120,452</b>
Minority Interest	-4	-4	-4	3,515	3,653	3,653	3,653	3,653
Loans	38,768	44,856	44,018	36,703	43,477	18,822	18,406	18,002
Deferred liabilities	-13830	-14393	-15059	-16546	-18054	-18053	-18052	-18051
<b>Capital Employed</b>	<b>80,986</b>	<b>91,164</b>	<b>99,602</b>	<b>114,538</b>	<b>123,816</b>	<b>102,329</b>	<b>111,518</b>	<b>124,056</b>
Gross Block	59,080	76,501	82,266	93,966	94,115	90,165	96,165	102,165
Less: Accum. Deprn.	20,732	24,903	29,339	34,206	39,898	45,426	50,583	55,691
<b>Net Fixed Assets</b>	<b>38,348</b>	<b>51,598</b>	<b>52,927</b>	<b>59,760</b>	<b>54,217</b>	<b>44,739</b>	<b>45,582</b>	<b>46,474</b>
Capital WIP	12,344	10,906	12,178	9,211	11,896	11,896	11,896	11,896
Investments	297	246	246	496	446	446	446	446
Intangibles (net)	17,370	21,821	23,349	22,854	22,925	22,925	22,925	22,925
<b>Curr. Assets</b>	<b>68,070</b>	<b>69,541</b>	<b>75,338</b>	<b>84,504</b>	<b>103,507</b>	<b>85,077</b>	<b>94,995</b>	<b>110,033</b>
Inventory	22,521	21,356	22,768	24,998	23,736	24,921	26,376	28,712
Account Receivables	21,946	24,090	25,721	31,011	36,652	31,152	32,518	35,398
Cash and Bank Balance	9,378	11,112	11,392	14,115	11,603	14,820	20,473	28,911
Others	14,226	12,982	15,457	14,379	31,516	14,184	15,629	17,013
<b>Curr. Liability &amp; Prov.</b>	<b>38,072</b>	<b>41,127</b>	<b>41,087</b>	<b>39,433</b>	<b>46,251</b>	<b>39,828</b>	<b>41,401</b>	<b>44,793</b>
Account Payables	33,689	35,975	35,944	34,519	41,331	36,726	38,299	41,691
Provisions	4,384	5,152	5,143	4,914	4,920	3,102	3,102	3,102
<b>Net Current Assets</b>	<b>29,998</b>	<b>28,414</b>	<b>34,250</b>	<b>45,071</b>	<b>57,256</b>	<b>45,248</b>	<b>53,594</b>	<b>65,240</b>
<b>Appl. of Funds</b>	<b>80,986</b>	<b>91,164</b>	<b>99,602</b>	<b>114,538</b>	<b>123,816</b>	<b>102,329</b>	<b>111,518</b>	<b>124,056</b>

E: MOFSL Estimates



## Financials and valuations

### Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Basic (INR)</b>								
<b>EPS (Fully diluted)*</b>	<b>25.9</b>	<b>24.6</b>	<b>35.0</b>	<b>34.6</b>	<b>13.2</b>	<b>1.5</b>	<b>37.7</b>	<b>45.9</b>
Cash EPS	37.5	39.4	50.7	51.8	33.4	21.1	55.9	64.0
BV/Share	198.6	215.1	250.4	322.0	335.8	347.0	381.0	426.9
DPS	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Payout (%)	11.0	9.0	7.3	10.8	60.0	-19.8	9.6	0.0
<b>Valuation (x)</b>								
P/E (Fully diluted)	33.6	35.5	24.9	25.2	66.0	564.3	23.2	19.0
Cash P/E	23.3	22.1	17.2	16.8	26.1	41.3	15.6	13.6
P/BV	4.4	4.1	3.5	2.7	2.6	2.5	2.3	2.0
EV/Sales	2.8	2.7	2.5	2.2	2.4	2.1	1.9	1.6
EV/EBITDA	19.0	18.9	12.9	12.3	17.6	20.4	10.4	8.8
Dividend Yield (%)	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
<b>Return Ratios (%)</b>								
RoE	13.6	11.9	15.0	12.1	4.0	0.5	10.3	11.4
RoCE	11.6	10.9	13.0	11.4	-3.2	10.7	11.6	12.3
RoIC	17.3	15.3	17.8	15.3	-5.6	11.7	11.7	13.4
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	2.8	2.3	2.1	2.2	2.0	2.4	2.9	3.1
Debtor (Days)	83	85	86	93	116	95	90	90
Inventory (Days)	85	75	76	75	75	76	73	73
Working Capital (Days)	78	61	76	93	145	93	92	92
<b>Leverage Ratio (x)</b>								
Current Ratio	1.8	1.7	1.8	2.1	2.2	2.1	2.3	2.5
Net Debt/Equity	0.5	0.6	0.5	0.2	0.3	0.0	0.0	-0.1

### Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>(INRm)</b>								
Op. Profit/(Loss) before Tax	14,504	14,793	21,544	21,881	15,818	12,279	23,543	26,627
Interest/Dividends Recd.	2,105	2,623	501	617	228	1,068	350	390
Direct Taxes Paid	-4,383	-3,764	-4,791	-5,963	-4,802	-1,527	-5,472	-6,666
(Inc)/Dec in WC	8,169	3,318	-5,557	-8,097	-14,698	15,225	-2,693	-3,208
<b>CF from Operations</b>	<b>20,395</b>	<b>16,971</b>	<b>11,697</b>	<b>8,438</b>	<b>-3,454</b>	<b>27,045</b>	<b>15,729</b>	<b>17,143</b>
EO Expense	-3,002	-1,489	255	237	4,465	5,614	0	0
<b>CF frm Op.incl EO Exp.</b>	<b>13,242</b>	<b>13,242</b>	<b>13,242</b>	<b>8,201</b>	<b>-7,919</b>	<b>21,431</b>	<b>15,729</b>	<b>17,143</b>
(Inc)/Dec in FA	-12,437	-15,984	-7,036	-8,733	-2,834	3,950	-6,000	-6,000
<b>Free Cash Flow</b>	<b>805</b>	<b>-2,742</b>	<b>6,205</b>	<b>-533</b>	<b>-10,752</b>	<b>25,381</b>	<b>9,729</b>	<b>11,143</b>
(Pur)/Sale of Investments	-150	51	0	-250	50	0	0	0
<b>CF from Investments</b>	<b>-6,990</b>	<b>-6,990</b>	<b>-6,990</b>	<b>-8,983</b>	<b>-2,784</b>	<b>3,950</b>	<b>-6,000</b>	<b>-6,000</b>
Change in Networth	-3,814	-2,409	952	11,822	6,589	9,336	-1	-1
Inc/(Dec) in Debt	-5,601	6,088	-837	-3,797	6,912	-24,656	-416	-403
Interest Paid	-3,346	-3,773	-3,531	-2,981	-3,490	-4,984	-2,640	-2,301
Dividend Paid	-1,019	-698	-710	-1,019	-1,019	-1,019	-1,019	0
<b>CF from Fin. Activity</b>	<b>-7,387</b>	<b>-7,387</b>	<b>-7,387</b>	<b>3,516</b>	<b>8,992</b>	<b>-21,323</b>	<b>-4,076</b>	<b>-2,705</b>
<b>Inc/Dec of Cash</b>	<b>-1,136</b>	<b>-1,136</b>	<b>-1,136</b>	<b>2,733</b>	<b>-1,711</b>	<b>4,058</b>	<b>5,653</b>	<b>8,438</b>
Add: Beginning Balance	12,347	9,378	11,112	11,392	14,115	11,603	14,820	20,473
Effect of exchange rate	-1,833	2,871	1,415	0	-802	-436	0	0
<b>Closing Balance</b>	<b>9,378</b>	<b>11,113</b>	<b>11,392</b>	<b>14,115</b>	<b>11,603</b>	<b>15,225</b>	<b>20,473</b>	<b>28,911</b>

Note: Above financial are excluding the GLS consolidation

**Investment in securities market are subject to market risks. Read all the related documents carefully before investing**

NOTES

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

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

#### Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on [www.motilaloswal.com](http://www.motilaloswal.com). MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf>

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage services transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

A graph of daily closing prices of securities is available at [www.nseindia.com](http://www.nseindia.com), [www.bseindia.com](http://www.bseindia.com). Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

#### Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

#### For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg. No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

#### For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

#### For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co. Reg. No. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act of Singapore. Accordingly, if a Singapore person is not, or ceases to be, such an investor, they must immediately discontinue any use of this Report and inform MOCMSPL .

#### Specific Disclosures

- 1 MOFSL, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
- 2 MOFSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
- 3 MOFSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
- 4 MOFSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
- 5 Research Analyst has not served as director/officer/employee in the subject company
- 6 MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- 7 MOFSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
- 8 MOFSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
- 9 MOFSL has not received any compensation or other benefits from third party in connection with the research report
- 10 MOFSL has not engaged in market making activity for the subject company

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance.
- received compensation/other benefits from the subject company in the past 12 months
- any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.
- Served subject company as its clients during twelve months preceding the date of distribution of the research report.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

**Analyst Certification**

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

**Terms & Conditions:**

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

**Disclaimer:**

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is meant for the clients of Motilal Oswal only.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 - 71934200 / 71934263; www.motilaloswal.com.

Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal,

Email Id: na@motilaloswal.com, Contact No.:022-40548085.

**Grievance Redressal Cell:**

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN : 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.