

Zydu LifeSciences

Estimate change



TP change



Rating change



| | |
|-----------------------|-------------|
| Bloomberg | ZYDUSLIF IN |
| Equity Shares (m) | 1006 |
| M.Cap.(INRb)/(USDb) | 961.6 / 11 |
| 52-Week Range (INR) | 1300 / 795 |
| 1, 6, 12 Rel. Per (%) | 0/-4/-24 |
| 12M Avg Val (INR M) | 1553 |

Financials & Valuations (INR b)

| Y/E MARCH | FY25 | FY26E | FY27E |
|----------------------|-------|-------|-------|
| Sales | 232.4 | 254.5 | 250.7 |
| EBITDA | 69.9 | 68.7 | 63.3 |
| Adj. PAT | 46.3 | 45.4 | 42.2 |
| EBIT Margin (%) | 26.1 | 23.1 | 20.6 |
| Cons. Adj. EPS (INR) | 46.0 | 45.1 | 42.0 |
| EPS Gr. (%) | 22.3 | -1.9 | -7.1 |
| BV/Sh. (INR) | 238.1 | 278.6 | 315.4 |

Ratios

| | | | |
|------------|------|------|------|
| Net D:E | 0.1 | 0.0 | -0.2 |
| RoE (%) | 21.2 | 17.5 | 14.1 |
| RoCE (%) | 23.9 | 16.9 | 13.9 |
| Payout (%) | 12.6 | 7.8 | 9.5 |

Valuations

| | | | |
|----------------|------|------|------|
| P/E (x) | 19.2 | 19.4 | 20.7 |
| EV/EBITDA (x) | 12.8 | 12.7 | 12.6 |
| Div. Yield (%) | 0.7 | 0.4 | 0.5 |
| FCF Yield (%) | 5.3 | 2.1 | 6.5 |
| EV/Sales (x) | 3.8 | 3.4 | 3.1 |

Shareholding pattern (%)

| As of | Jun-25 | Mar-25 | Jun-24 |
|----------|--------|--------|--------|
| Promoter | 75.0 | 75.0 | 75.0 |
| DII | 11.1 | 11.0 | 12.6 |
| FII | 7.1 | 7.3 | 5.6 |
| Others | 6.7 | 6.7 | 6.8 |

FII Includes depository receipts

CMP: INR956

TP: INR1,000 (+5%)

Neutral

YoY growth takes a breather in 1Q

Biologics CDMO emerges as growth lever; valuation caps upside

- Zydu Lifesciences (ZYDUSLIF) posted a 5%/4%/15% beat on revenue/EBITDA/PAT estimates for 1QFY26. The outperformance was driven by higher-than-expected revenues from the US and emerging markets, along with higher other income. That said, 1QFY26 marks the first YoY decline in EBITDA/PAT in the past 8-10 quarters.
- Despite competition in products like g-Revlimid/Asacol, ZYDUSLIF reported QoQ increase/stable YoY US sales of USD372m. This has been largely led by healthy traction in the base portfolio, new launches, and steady business from g-Myrbetriq.
- ZYDUSLIF sustained its momentum of outpacing the domestic formulation (DF) segment through increased focus on chronic therapies. The cardiology therapy reported a remarkable 22.5% YoY growth in 1QFY26.
- ZYDUSLIF has forayed into the global biologics CDMO business through Agenus' US-based manufacturing facilities. The exclusive manufacturing license for certain products and the addition of in-house developed products serve as additional growth levers for ZYDUSLIF.
- We raise our earnings estimates by 3.5%/2% for FY26/FY27, factoring in: a) incremental US sales despite higher competition and b) superior execution in other international markets, partly offset by adverse seasonality in the consumer health business. We value ZYDUSLIF at 23x 12M forward earnings to arrive at our TP of INR1,000.
- Following the earnings beat in 1QFY26, we have upgraded our earnings estimates for FY26/FY27. However, given the risks to the US portfolio from increasing competition/ongoing litigation, we build an overall 5% decline in EBITDA/PAT over FY25-27. Additionally, the current valuation offers limited upside. Considering these factors, we reiterate our Neutral stance on the stock.

Revenue growth offset by product mix/higher opex on YoY basis

- ZYDUSLIF's sales grew 6% YoY to INR65.7b (our est. INR63b).
- India sales (36% of sales), which comprises the DF and consumer businesses, rose 6% YoY to INR23.7b. Within India sales, branded formulations grew 8% YoY to INR15.2b. Consumer wellness grew 2% YoY to INR8.5b.
- US sales grew 2.9% YoY (stable YoY in CC terms) to INR31b (USD372m; 48% of sales).
- International market sales grew 36.8% YoY to INR7.3b (10% of sales). API sales grew 11% YoY to INR1.6b (2% of sales).
- Gross margin contracted 170bp YoY to 72.8%, due to a better product mix.
- EBITDA margin contracted 310bp YoY at 30.9% (our est. 31.2%) due to contracted GM and higher opex (R&D/employee costs up 110bp YoY each as a % of sales).
- EBITDA declined 4% YoY to INR20.3b (our est. INR19.5b).
- ZYDUSLIF recorded a forex loss of INR570m.
- Adjusting for the same, PAT was stable YoY at INR14.2b (our est: INR12.7b).

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

Eshita Jain - Research Analyst (Eshita Jain @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, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Highlights from the management commentary

- ZYDUSLIF has maintained its FY26 guidance with single-digit growth despite Revlimid price pressure; it has planned for over 30 launches and injectable facility clearances.
- ZYDUS has maintained its guidance of single-digit YoY revenue growth in the US business for FY26, despite rising competition in g-Revlimid. The company's confidence is supported by an uptick in the base business, scale-up of 505b2 products, and favorable offtake of mirabegron.
- Mirabegron's prospects are subject to the outcome of a trial scheduled for Feb'26, though ZYDUSLIF continues to sell the product.
- ZYDUSLIF has guided for high-teens to mid-twenties YoY growth in international emerging markets for FY26.
- In the biologics segment, ZYDUSLIF has initiated plans to scale up the new manufacturing facility acquired from Agenus. Additionally, at the Sterling Biotech facility, the company is undertaking a large capex program to build capabilities for recombinant whey protein and whey isolate production, with commercialization expected to begin next year.

Quarterly Performance (Consolidated)**(INR m)**

| Y/E March | FY25 | | | | FY26E | | | | FY25 | FY26E | FY26 | Chg. |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|---------------|-------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | | 1QE | (%) |
| Net Revenues | 62,075 | 52,370 | 52,691 | 65,279 | 65,737 | 60,452 | 61,674 | 66,600 | 2,32,415 | 2,54,463 | 62,762 | 4.7 |
| YoY Change (%) | 20.8 | 19.9 | 17.0 | 18.0 | 5.9 | 15.4 | 17.0 | 2.0 | 18.9 | 9.5 | 1.1 | |
| Total Expenditure | 40,983 | 38,210 | 39,691 | 43,630 | 45,423 | 43,827 | 46,256 | 50,216 | 1,62,514 | 1,85,722 | 43,181 | |
| EBITDA | 21,092 | 14,160 | 13,000 | 21,649 | 20,314 | 16,624 | 15,419 | 16,384 | 69,901 | 68,740 | 19,582 | 3.7 |
| YoY Change (%) | 37.6 | 33.1 | 20.2 | 33.2 | -3.7 | 17.4 | 18.6 | -24.3 | 31.8 | -1.7 | -7.2 | |
| Margins (%) | 34.0 | 27.0 | 24.7 | 33.2 | 30.9 | 27.5 | 25.0 | 24.6 | 30.1 | 27.0 | 31.2 | |
| Depreciation | 2,153 | 2,336 | 2,290 | 2,379 | 2,381 | 2,432 | 2,495 | 2,602 | 9,158 | 9,910 | 2,656 | |
| EBIT | 18,939 | 11,824 | 10,710 | 19,270 | 17,933 | 14,192 | 12,924 | 13,781 | 60,743 | 58,831 | 16,926 | |
| YoY Change (%) | 40.0 | 34.4 | 20.7 | 35.7 | -5.3 | 20.0 | 20.7 | -28.5 | 33.8 | -3.1 | -10.6 | |
| Margins (%) | 30.5 | 22.6 | 20.3 | 29.5 | 27.3 | 23.5 | 21.0 | 20.7 | 26.1 | 23.1 | 27.0 | |
| Interest | 322 | 251 | 320 | 766 | 847 | 850 | 830 | 790 | 1,659 | 3,317 | 422 | |
| Other Income | 632 | 682 | 575 | 806 | 1,549 | 1,340 | 1,440 | 1,480 | 2,695 | 5,809 | 750 | |
| PBT before EO Income | 19,249 | 12,255 | 10,965 | 19,310 | 18,635 | 14,682 | 13,534 | 14,471 | 61,779 | 61,323 | 17,254 | 8.0 |
| EO Exp/(Inc) | 252 | -454 | -876 | 2,590 | -571 | 0 | 0 | 0 | 1,512 | -571 | 0 | |
| PBT after EO Income | 18,997 | 12,709 | 11,841 | 16,720 | 19,206 | 14,682 | 13,534 | 14,471 | 60,267 | 61,894 | 17,254 | 11.3 |
| Tax | 4,361 | 3,731 | 1,795 | 4,232 | 4,340 | 3,553 | 3,316 | 3,574 | 14,119 | 14,783 | 3,796 | |
| Rate (%) | 23.0 | 29.4 | 15.2 | 25.3 | 22.6 | 24.2 | 24.5 | 24.7 | 23.4 | 23.9 | 22.0 | |
| Min. Int/Adj on Consol | -437 | 131 | 192 | -779 | -198 | -300 | -350 | -400 | -893 | -1,248 | -700 | |
| Reported PAT | 14,199 | 9,109 | 10,238 | 11,709 | 14,668 | 10,829 | 9,868 | 10,497 | 45,255 | 45,862 | 12,758 | 15.0 |
| Adj PAT | 14,393 | 8,788 | 9,495 | 13,643 | 14,226 | 10,829 | 9,868 | 10,497 | 46,320 | 45,420 | 12,758 | 11.5 |
| YoY Change (%) | 28.2 | 19.1 | 26.3 | 16.1 | -1.2 | 23.2 | 3.9 | -23.1 | 22.3 | -1.9 | -11.4 | |
| Margins (%) | 23.2 | 16.8 | 18.0 | 20.9 | 21.6 | 17.9 | 16.0 | 15.8 | 19.9 | 17.8 | 20.3 | |

Key performance Indicators (Consolidated)

| Y/E March | FY25 | | | | FY26E | | | | FY25 | FY26E | FY26 |
|--------------------------|--------|--------|--------|--------|--------|--------|--------|--------|----------|----------|--------|
| INRm | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | | 1QE |
| Domestic formulations | 13,758 | 14,569 | 14,982 | 15,394 | 15,195 | 16,376 | 16,630 | 17,334 | 58,703 | 65,534 | 15,409 |
| YoY Change (%) | 12.1 | 9.2 | 5.0 | 11.5 | 10.4 | 12.4 | 11.0 | 12.6 | 9.3 | 11.6 | 12.0 |
| US sales | 30,929 | 24,168 | 24,096 | 31,307 | 31,817 | 30,100 | 26,815 | 26,100 | 1,10,500 | 1,14,832 | 29,750 |
| YoY Change (%) | 26.0 | 29.6 | 30.8 | 24.1 | 2.9 | 24.5 | 11.3 | -16.6 | 27.2 | 3.9 | -3.8 |
| Consumer healthcare | 8,366 | 4,875 | 4,488 | 9,081 | 8,549 | 5,460 | 5,206 | 10,352 | 26,810 | 29,567 | 9,621 |
| YoY Change (%) | 20.6 | 12.0 | 12.9 | 17.1 | 2.2 | 12.0 | 16.0 | 14.0 | 16.5 | 10.3 | 15.0 |
| Emerging markets | 4,374 | 4,776 | 4,903 | 4,416 | 6,251 | 5,349 | 5,540 | 5,210 | 18,468 | 22,350 | 4,593 |
| YoY Change (%) | 3.0 | 21.3 | 16.8 | 12.9 | 42.9 | 12.0 | 13.0 | 18.0 | 13.3 | 21.0 | 5.0 |
| API | 1,415 | 1,194 | 1,703 | 1,290 | 1,575 | 1,337 | 1,924 | 1,522 | 5,602 | 6,359 | 1,528 |
| YoY Change (%) | 1.9 | -6.5 | 19.0 | -10.2 | 11.3 | 12.0 | 13.0 | 18.0 | -1.0 | 13.5 | 8.0 |
| Cost Break-up | | | | | | | | | | | |
| RM Cost (% of Sales) | 25.6 | 28.1 | 30.1 | 26.0 | 27.2 | 28.0 | 29.5 | 31.0 | 27.3 | 28.9 | 26.5 |
| Staff Cost (% of Sales) | 14.2 | 16.8 | 17.2 | 14.9 | 15.3 | 17.0 | 17.1 | 16.5 | 15.7 | 16.5 | 15.5 |
| R&D Expenses(% of Sales) | 6.3 | 9.2 | 9.5 | 7.4 | 7.4 | 7.4 | 7.1 | 6.5 | 8.0 | 7.1 | 7.0 |
| Other Cost (% of Sales) | 19.9 | 18.9 | 18.5 | 18.6 | 19.2 | 20.1 | 21.3 | 21.4 | 19.0 | 20.5 | 19.8 |
| Gross Margins(%) | 74.4 | 71.9 | 69.9 | 74.0 | 72.8 | 72.0 | 70.5 | 69.0 | 72.7 | 71.1 | 73.5 |
| EBITDA Margins(%) | 34.0 | 27.0 | 24.7 | 33.2 | 30.9 | 27.5 | 25.0 | 24.6 | 30.1 | 27.0 | 31.2 |
| EBIT Margins(%) | 30.5 | 22.6 | 20.3 | 29.5 | 27.3 | 23.5 | 21.0 | 20.7 | 26.1 | 23.1 | 27.0 |

E: MOFSL Estimates

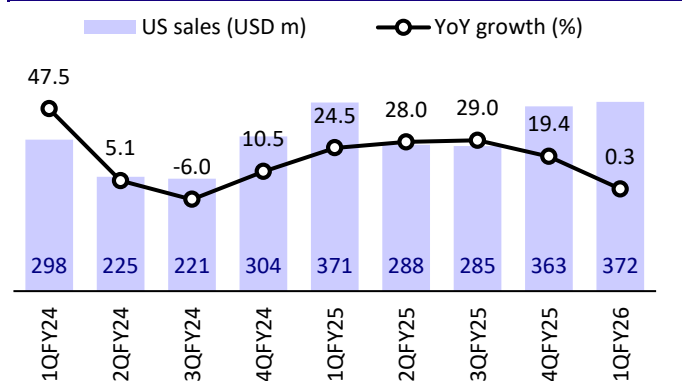


Key highlights from the management commentary

- ZYDUSLIF's biotech JV is progressing large-scale whey protein manufacturing, with commercialization in ~two years.
- ZYDUSLIF plans to acquire the Agenesis biologics manufacturing facility, with USD75m upfront payment and USD50m contingent payment. There is an exclusive manufacturing agreement for immuno-oncology products viz. Botensilimab (BOT) and Balstilimab (BAL) with Agenesis.
- ZYDUSLIF has witnessed a considerable loss of Asacol due to competitive pressures.
- The company exhibited faster growth in therapies like cardiology, respiratory, anti-infectives, pain management, and oncology within chronic therapies.
- The company is fully integrated for semaglutide manufacturing. It has enough capacity to benefit from upcoming opportunities in India/emerging markets.
- With respect to Desidustat, ZYDUSLIF has completed clinical trials and addressed queries from Chinese authorities. It expects approval over the next 12M. ZYDUSLIF will be eligible for a royalty/profit share from its partner in this venture.

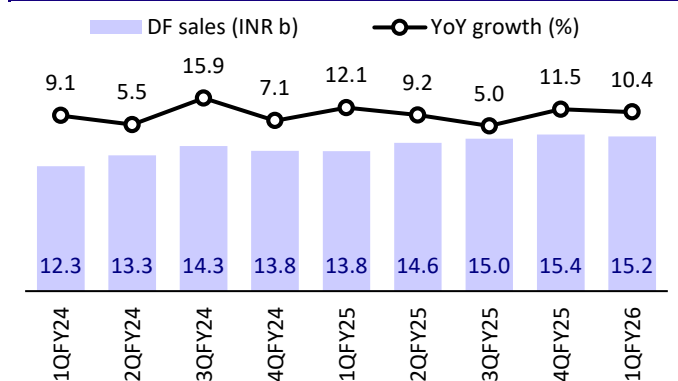
Key exhibits

Exhibit 1: In CC terms, US sales were stable YoY in 1QFY26



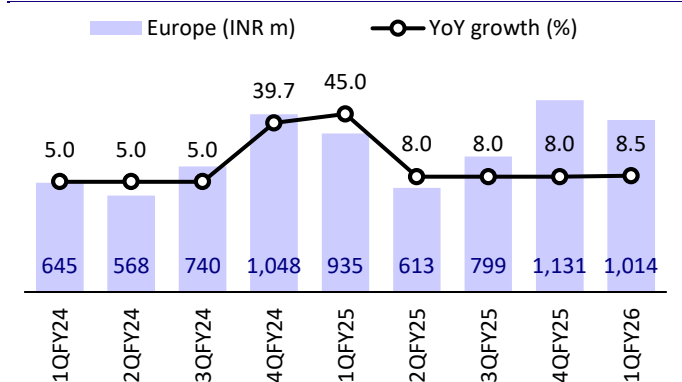
Source: MOFSL, Company

Exhibit 2: DF business grew 10.4% YoY in 1QFY26



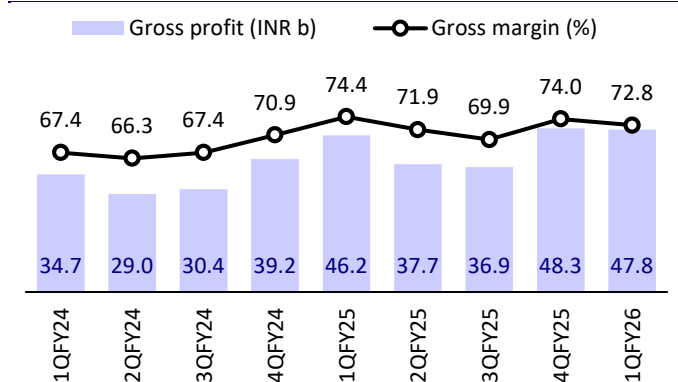
Source: MOFSL, Company

Exhibit 3: Europe sales increased 8.5% YoY



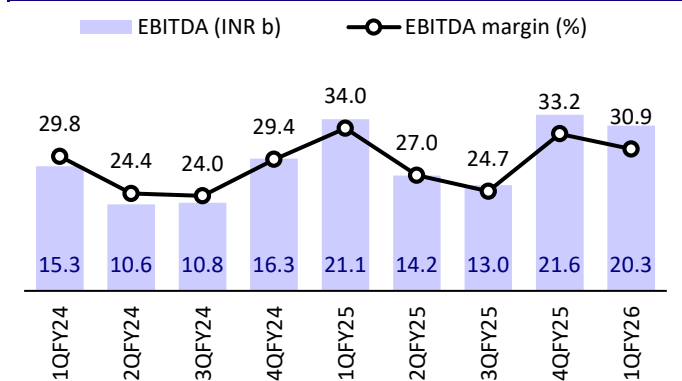
Source: MOFSL, Company

Exhibit 4: Gross margin contracted 170bp YoY in 1QFY26



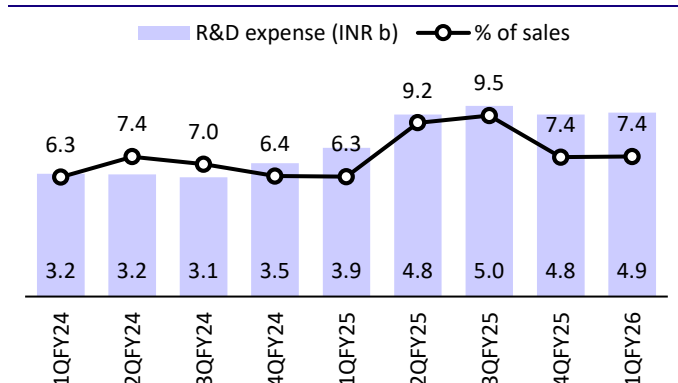
Source: MOFSL, Company

Exhibit 5: EBITDA margin contracted 310bp YoY



Source: MOFSL, Company

Exhibit 6: R&D spending was ~7.4% of sales, remaining constant QoQ



Source: MOFSL, Company

DF and specialty pipeline drives growth amid US generics moderation

US: Pipeline expansion to offset near-term pressure on sales growth

- After a strong pace of growth in US sales in FY25, YoY growth came in at 3% for 1QFY26, bringing the sales to INR32b (stable YoY in CC terms to USD372m).
- Within US, ZYDUSLIF is building a pipeline in generics, specialty, and animal health businesses.
- Within generics, ZYDUSLIF received approvals for six ANDAs in 1QFY26, taking the cumulative approval to 419. It has launched three ANDAs, and about 62 ANDAs are pending for approval.
- It has about 4/11/91 products under development under the drug-device/long acting injections/NCE-1 and other FTFs category.
- Within specialty, post launching three brands of Sitagliptin, ZYDUSLIF has not only partnered with CVS caremark but also has a national contract in place to scale-up the Sitagliptin franchise (Zituvio, Zituvimet, Zituvimet XR). It has about nine molecules in the pipeline in this sub-segment.
- Through Agenus, ZYDUSLIF would be acquiring biologics manufacturing facilities in the US. In addition to exclusivity for certain products, it offers ZYDUSLIF manufacturing set-up for other biologics products, adding newer growth lever.
- Considering certain high-value products could face competition over near term, we estimate a 2% decline in US sales over FY25-27, reaching USD1.3b.

DF: Chronic therapies (including cardiology) led growth, offset partly by muted acute therapies

- ZYDUSLIF exhibited 8% YoY growth in the DF segment, slightly lower than FY25 YoY growth.
- ZYDUSLIF continues to show superior execution in cardiology with 22.5% YoY growth in 1QFY26, as per IMS.
- While MAT-Jun'25 YoY growth was moderate at 7.7%, ZYDUSLIF has shown healthy pick-up in YoY growth, with 12.9% in respiratory therapy for the quarter.
- Chronic therapies have been growing at a faster pace than acute therapies for ZYDUSLIF.
- Notably, the anti-infectives/gastro-intestinal therapies exhibited subdued YoY growth of 8%/3% YoY for 1QFY26.
- Oncology is a segment that holds a leading market share for ZYDUSLIF.
- With new launches and market share gains in existing products, we expect ZYDUSLIF to post 11% YoY growth over FY25-27, reaching INR72b.

Innovative products: Advances progressively towards key clinical milestones/regulatory approval

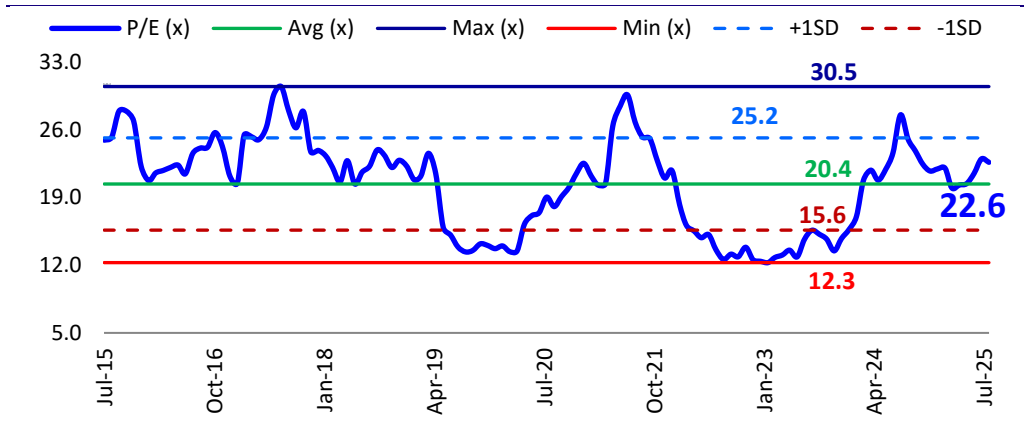
- ZYDUSLIF Initiated Phase II(b) clinical trials of Usnoflast, a novel oral NLRP3 inflammasome inhibitor, in the US, in patients with Amyotrophic Lateral Sclerosis (ALS). The USFDA granted Fast Track designation to the molecule for the ALS indication during the quarter. It would be two-year trial period.
- ZYDUSLIF received marketing authorization approval from the DCGI for Rituximab and Aflibercept biosimilars.
- ZYDUSLIF completed Phase II clinical trials of Hepatitis E vaccine.

- It also initiated Phase IV clinical trials of rabies vaccine to evaluate the long-term immunogenicity and safety viz-a-viz the WHO pre-qualified vaccine in animal bite cases.

Valuation and view

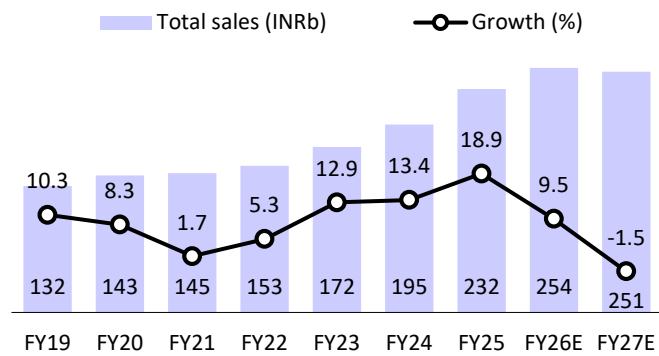
- We raise our earnings estimates by 3.5%/2% for FY26/FY27, factoring in: a) incremental US sales despite higher competition and b) superior execution in other international markets, partly offset by adverse seasonality in the consumer health business. We value ZYDUSLIF at 23x 12M forward earnings to arrive at our TP of INR1,000.
- Post a beat on earnings for 1QFY26, we have upgraded earnings estimates for FY26/FY27. However, considering the risk to the US portfolio due to competition/litigation, we build in an overall 5% decline in EBITDA/PAT over FY25-27. Additionally, the current valuation provides limited upside. Considering these factors, we reiterate our Neutral stance on the stock

Exhibit 7: P/E chart



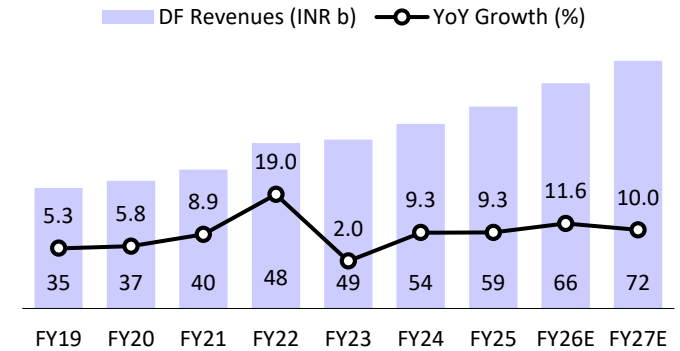
Story in charts

Exhibit 8: Revenue to clock 3.9% CAGR over FY25-27



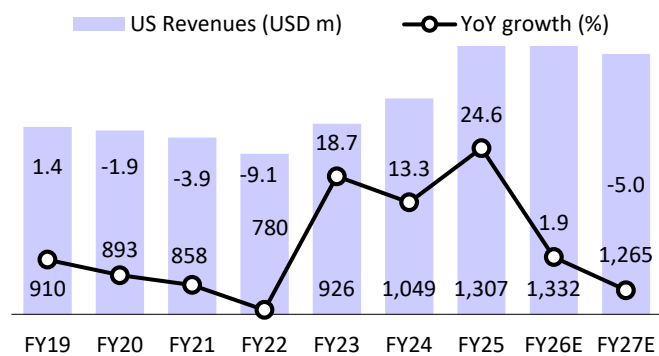
Source: Company, MOFSL

Exhibit 9: DF sales to clock 11% CAGR over FY25-27



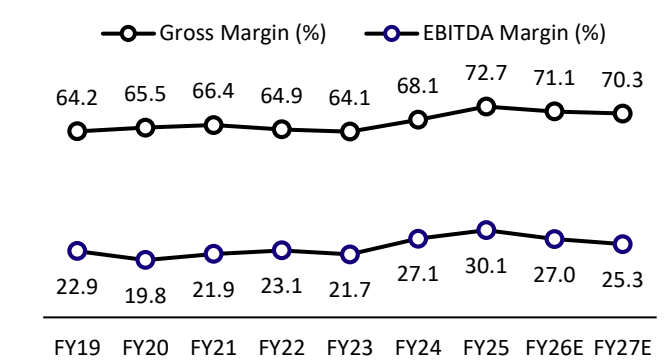
Source: Company, MOFSL

Exhibit 10: Expect US sales to decline over FY25-27



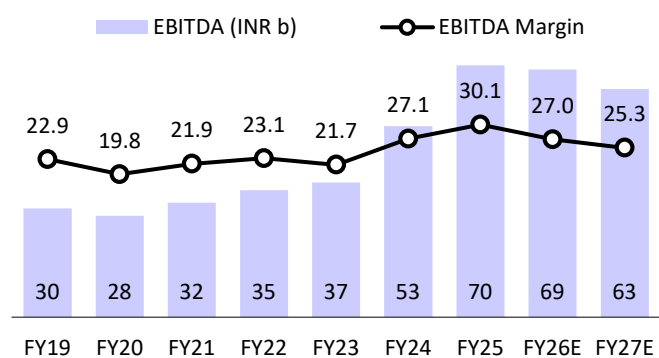
Source: Company, MOFSL

Exhibit 11: EBITDA margin to contract 480bp over FY25-27



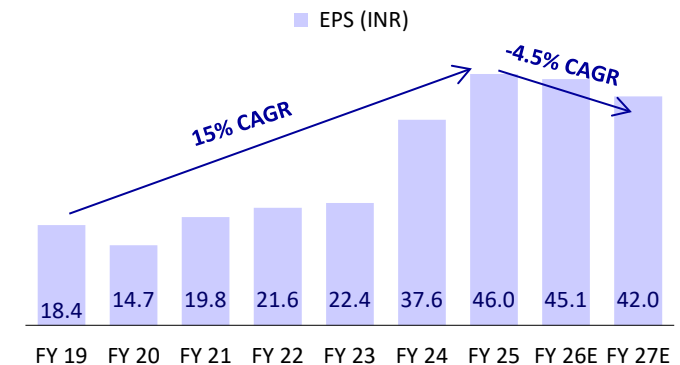
Source: Company, MOFSL

Exhibit 12: Expect EBITDA on a downtrend over FY25-27



Source: Company, MOFSL

Exhibit 13: Expect a 4.5% decline in adj. EPS over FY25-27



Source: Company, MOFSL

Financials and valuations

| Income Statement | | | | | | (INRm) | |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Y/E March | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E |
| Net Sales | 1,44,988 | 1,52,652 | 1,72,374 | 1,95,474 | 2,32,415 | 2,54,463 | 2,50,728 |
| Change (%) | 1.7 | 5.3 | 12.9 | 13.4 | 18.9 | 9.5 | -1.5 |
| EBITDA | 31,760 | 35,239 | 37,403 | 53,033 | 69,901 | 68,740 | 63,334 |
| Margin (%) | 21.9 | 23.1 | 21.7 | 27.1 | 30.1 | 27.0 | 25.3 |
| Depreciation | 7,081 | 7,130 | 7,227 | 7,641 | 9,158 | 9,910 | 11,627 |
| EBIT | 24,679 | 28,109 | 30,176 | 45,392 | 60,743 | 58,831 | 51,707 |
| Int. and Finance Charges | 1,632 | 1,270 | 1,299 | 812 | 1,659 | 3,317 | 2,999 |
| Other Income - Rec. | 468 | 2,247 | 1,866 | 2,841 | 2,695 | 5,809 | 6,250 |
| PBT before EO Expense | 23,515 | 29,086 | 30,743 | 47,421 | 61,779 | 61,323 | 54,958 |
| EO Expense/(Income) | 0 | 705 | 4,846 | -668 | 1,512 | -571 | 0 |
| PBT after EO Expense | 23,515 | 28,381 | 25,897 | 48,089 | 60,267 | 61,894 | 54,958 |
| Current Tax | 1,119 | 5,117 | 5,878 | 9,775 | 3,796 | 14,783 | 12,750 |
| Deferred Tax | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Tax | 1,119 | 5,117 | 5,878 | 9,775 | 3,796 | 14,783 | 12,750 |
| Tax Rate (%) | 4.8 | 18.0 | 22.7 | 20.3 | 6.3 | 23.9 | 23.2 |
| Reported PAT | 22,396 | 23,264 | 20,019 | 38,314 | 56,471 | 47,110 | 42,207 |
| Less: Minority Interest | 2,091 | 848 | 370 | -51 | -893 | 1,248 | 0 |
| PAT from Discontinued oerprations | 1,031 | 22,457 | | | | | |
| Net Profit | 21,336 | 44,873 | 19,649 | 38,365 | 57,364 | 45,862 | 42,207 |
| PAT Adj for EO Items | 20,282 | 22,079 | 22,947 | 37,873 | 46,320 | 45,420 | 42,207 |
| Change (%) | 34.8 | 8.9 | 3.9 | 65.0 | 22.3 | -1.9 | -7.1 |
| Margin (%) | 14.0 | 14.5 | 13.3 | 19.4 | 19.9 | 17.8 | 16.8 |

| Balance Sheet | | | | | | (INRm) | |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Y/E March | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E |
| Equity Share Capital | 1,024 | 1,024 | 1,024 | 1,006 | 1,006 | 1,006 | 1,006 |
| Other Reserves | 1,28,899 | 1,68,972 | 1,74,134 | 1,97,289 | 2,38,525 | 2,79,216 | 3,16,252 |
| Total Reserves | 1,28,899 | 1,68,972 | 1,74,134 | 1,97,289 | 2,38,525 | 2,79,216 | 3,16,252 |
| Net Worth | 1,29,923 | 1,69,996 | 1,75,158 | 1,98,295 | 2,39,531 | 2,80,222 | 3,17,258 |
| Minority Interest | 19373 | 20542 | 21725 | 22721 | 24053 | 25301 | 25301 |
| Deferred liabilities | -9547 | -9420 | -10680 | -11977 | -18312 | -18312 | -18312 |
| Total Loans | 40,450 | 45,823 | 17,046 | 18,519 | 40,747 | 20,685 | 20,686 |
| Capital Employed | 1,80,199 | 2,26,941 | 2,03,249 | 2,27,558 | 2,86,019 | 3,07,896 | 3,44,933 |
| Gross Block | 1,64,257 | 1,72,593 | 1,73,200 | 2,01,546 | 2,17,592 | 2,34,954 | 2,45,218 |
| Less: Accum. Deprn. | 42,929 | 50,059 | 57,286 | 64,743 | 72,515 | 80,372 | 88,123 |
| Net Fixed Assets | 1,21,328 | 1,22,534 | 1,15,914 | 1,36,803 | 1,45,077 | 1,54,582 | 1,57,095 |
| Capital WIP | 7,832 | 6,610 | 11,302 | 11,115 | 13,179 | 3,529 | 2,264 |
| Investments | 8,301 | 32,880 | 15,486 | 8,043 | 4,545 | 4,545 | 4,545 |
| Curr. Assets | 90,642 | 1,04,972 | 1,04,182 | 1,17,308 | 1,85,778 | 2,02,947 | 2,42,365 |
| Inventory | 32,362 | 37,194 | 34,133 | 34,419 | 39,440 | 44,197 | 47,448 |
| Account Receivables | 31,273 | 33,403 | 44,168 | 52,202 | 40,247 | 61,834 | 48,391 |
| Cash and Bank Balance | 8,883 | 11,069 | 5,731 | 11,051 | 29,568 | 20,393 | 70,004 |
| Loans & Advances | 18,124 | 23,306 | 20,150 | 19,636 | 76,523 | 76,523 | 76,523 |
| Curr. Liability & Prov. | 47,904 | 40,055 | 43,635 | 45,711 | 62,560 | 57,706 | 61,336 |
| Account Payables | 44,605 | 36,399 | 39,981 | 41,763 | 54,207 | 49,353 | 52,983 |
| Provisions | 3,299 | 3,656 | 3,654 | 3,948 | 8,353 | 8,353 | 8,353 |
| Net Current Assets | 42,738 | 64,917 | 60,547 | 71,597 | 1,23,218 | 1,45,241 | 1,81,029 |
| Appl. of Funds | 1,80,199 | 2,26,941 | 2,03,249 | 2,27,558 | 2,86,019 | 3,07,896 | 3,44,934 |

E: MOFSL Estimates

Financials and valuations

Ratios

| Y/E March | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| EPS | 19.8 | 21.6 | 22.4 | 37.6 | 46.0 | 45.1 | 42.0 |
| Cash EPS | 27.8 | 50.8 | 26.3 | 45.7 | 66.1 | 55.4 | 53.5 |
| BV/Share | 126.9 | 166.1 | 171.1 | 197.1 | 238.1 | 278.6 | 315.4 |
| DPS | 3.6 | 4.6 | 6.0 | 5.4 | 5.8 | 3.5 | 4.0 |
| Payout (%) | 18.2 | 21.3 | 26.8 | 14.3 | 12.6 | 7.8 | 9.5 |
| Valuation (x) | | | | | | | |
| P/E | 48.3 | 44.3 | 42.6 | 25.4 | 20.8 | 21.2 | 22.8 |
| Cash P/E | 34.4 | 18.8 | 36.4 | 20.9 | 14.5 | 17.2 | 17.9 |
| P/BV | 7.5 | 5.8 | 5.6 | 4.9 | 4.0 | 3.4 | 3.0 |
| EV/Sales | 6.8 | 6.3 | 5.6 | 4.9 | 4.2 | 3.8 | 3.6 |
| EV/EBITDA | 31.0 | 27.3 | 25.6 | 18.1 | 13.9 | 13.9 | 14.3 |
| Dividend Yield (%) | 0.4 | 0.5 | 0.6 | 0.6 | 0.6 | 0.4 | 0.4 |
| Return Ratios (%) | | | | | | | |
| RoE | 17.4 | 14.7 | 13.3 | 20.3 | 21.2 | 17.5 | 14.1 |
| RoCE | 13.8 | 12.9 | 12.1 | 18.8 | 23.9 | 16.9 | 13.9 |
| RoIC | 15.0 | 13.9 | 13.4 | 19.7 | 26.1 | 17.3 | 14.5 |
| Working Capital Ratios | | | | | | | |
| Asset Turnover (x) | 0.8 | 0.7 | 0.8 | 0.9 | 0.8 | 0.8 | 0.7 |
| Fixed Asset Turnover (x) | 1.2 | 1.3 | 1.4 | 1.5 | 1.6 | 1.7 | 1.6 |
| Debtor (Days) | 82 | 77 | 82 | 90 | 73 | 75 | 80 |
| Inventory (Days) | 76 | 83 | 76 | 64 | 58 | 60 | 67 |
| Working Capital T/O (Days) | 85 | 129 | 116 | 113 | 147 | 179 | 162 |
| Leverage Ratio (x) | | | | | | | |
| Net Debt/Equity | 0.3 | 0.2 | 0.1 | 0.0 | 0.1 | 0.0 | -0.2 |

Cash Flow Statement

(INR m)

| Y/E March | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Oper. Profit/(Loss) bef.Tax | 22,848 | 52,323 | 25,827 | 48,381 | 60,267 | 68,740 | 63,334 |
| Interest/Dividends Recd. | 1,059 | 448 | 487 | -525 | -1,862 | 5,809 | 6,250 |
| Direct Taxes Paid | -3,450 | -6,746 | -5,920 | -12,858 | -18,019 | -14,783 | -12,750 |
| (Inc)/Dec in WC | 1,911 | -3,360 | -2,358 | -8,711 | 15,315 | -31,198 | 13,823 |
| CF from Operations | 22,368 | 42,665 | 18,036 | 26,287 | 55,701 | 28,568 | 70,657 |
| Others | 10,571 | -21,620 | 8,852 | 5,992 | 12,066 | | |
| EO Expense / (Income) | 0 | 0 | 0 | 0 | 0 | -571 | 0 |
| CF from Operating incl EO Exp. | 32,939 | 21,045 | 26,888 | 32,279 | 67,767 | 29,139 | 70,657 |
| (inc)/dec in FA | -8,470 | -10,545 | -9,915 | -8,829 | -20,302 | -7,712 | -9,000 |
| Free Cash Flow | 24,469 | 10,500 | 16,973 | 23,450 | 47,465 | 21,427 | 61,657 |
| (Pur)/Sale of Investments | -299 | -23,495 | 17,843 | 3,010 | -45,961 | 0 | 0 |
| Others | 402 | 23,864 | 7,488 | -9,104 | -17,460 | | |
| CF from Investments | -8,367 | -10,176 | 15,416 | -14,923 | -83,723 | -7,712 | -9,000 |
| Inc/(Dec) in Debt | -32,168 | -3,850 | -31,439 | -3,915 | 24,062 | -18,814 | 1 |
| Interest Paid | -1,840 | -1,111 | -1,262 | -729 | -895 | -3,317 | -2,999 |
| Dividend Paid | -15 | -3,722 | -2,671 | -6,210 | -3,025 | -4,318 | -4,935 |
| Others | 8,546 | 0 | -8,632 | -7,250 | 0 | -4,154 | -4,113 |
| CF from Fin. Activity | -25,477 | -8,683 | -44,004 | -18,104 | 20,142 | -30,603 | -12,046 |
| Inc/Dec of Cash | -905 | 2,186 | -1,700 | -748 | 4,186 | -9,176 | 49,611 |
| Add: Beginning Balance | 11,777 | 10,872 | 13,058 | 11,358 | 10,610 | 14,796 | 5,620 |
| Closing Balance | 10,872 | 13,058 | 11,358 | 10,610 | 14,796 | 5,620 | 55,232 |
| Cash and bank balances | 1,989 | 1,989 | 5,627 | -441 | 14,772 | 14,772 | 14,772 |
| Total Cash & Cash Eq | 8,883 | 11,069 | 5,731 | 11,051 | 29,568 | 20,393 | 70,004 |

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|----------------------------------|--|
| 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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Nainesh Rajani

Email: nainesh.rajani@motilaloswal.com

Contact: (+65) 8328 0276

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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 |

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