motilal oswal Financial Services

25 October 2025

2QFY26 Results Update | Sector: Healthcare

# Dr Reddy's Labs

| | |
|---|---|
| Estimate change | ↓ |
| TP change | ↓ |
| Rating change | ↔ |

| | |
|---|---|
| Bloomberg | DRRD IN |
| Equity Shares (m) | 835 |
| M.Cap.(INRb)/(USDb) | 1067.8 / 12.2 |
| 52-Week Range (INR) | 1406 / 1020 |
| 1, 6, 12 Rel. Per (%) | -5/1/-9 |
| 12M Avg Val (INR M) | 2543 |

**Financials & Valuations (INR b)**

| Y/E MARCH | FY26E | FY27E | FY28E |
|---|---|---|---|
| Sales | 348.5 | 374.7 | 402.7 |
| EBITDA | 84.4 | 84.3 | 91.8 |
| Adj. PAT | 57.4 | 52.6 | 57.1 |
| EBITDA Margin (%) | 24.2 | 22.5 | 22.8 |
| Adj. EPS (INR) | 68.9 | 63.1 | 68.5 |
| EPS Gr. (%) | 2.4 | -8.4 | 8.6 |
| BV/Sh. (INR) | 467 | 526 | 589 |
| **Ratios** | | | |
| Net D:E | -0.3 | -0.6 | -0.7 |
| RoE (%) | 15.8 | 12.7 | 12.3 |
| RoCE (%) | 12.0 | 10.0 | 10.0 |
| Payout (%) | 7.4 | 7.9 | 7.3 |
| **Valuations** | | | |
| P/E (x) | 18.6 | 20.3 | 18.7 |
| EV/EBITDA (x) | 11.9 | 11.1 | 9.6 |
| Div. Yield (%) | 0.3 | 0.3 | 0.3 |
| FCF Yield (%) | 3.7 | 6.7 | 4.8 |
| EV/Sales (x) | 2.9 | 2.5 | 2.2 |

**Shareholding Pattern (%)**

| As On | Sep-25 | Jun-25 | Sep-24 |
|---|---|---|---|
| Promoter | 26.6 | 26.6 | 26.6 |
| DII | 28.0 | 26.7 | 21.5 |
| FII | 35.8 | 36.6 | 41.9 |
| Others | 9.6 | 10.0 | 10.0 |

FII includes depository receipts

**CMP: INR1,279 TP: INR1,250 (-2%) Neutral**

## Earnings steady despite US pressure

### Key milestones related to Semaglutide in the offing

- Dr Reddy's Labs (DRRD) delivered slightly better-than-expected revenue/EBITDA (3%/5% beat) in 2QFY26. Higher other income and a lower tax rate led to a 14% beat in PAT.
- Except for North America, other geographies reported healthy YoY/QoQ growth in revenue, driven by steady traction in base products and new introductions.
- North America sales continued to deteriorate for the second consecutive quarter due to increased competition in g-Revlimid and other select products. This affected the gross margin as well as the overall performance.
- DRRD is gearing up for the GLP1 opportunity through capacity build-up and implementing efforts to secure timely regulatory approvals across multiple geographies.
- DRRD is also building a biologics portfolio for developed and emerging markets to offset g-Revlimid impact and further support earnings.
- We largely maintain our estimates for FY26/FY27/FY28. We value DRRD at 19x 12M forward earnings to arrive at a TP of INR1,250.
- We expect earnings to remain stable over FY25-28, as a significant reduction in g-Revlimid business (4QFY26 onward) is expected to be offset by new launches and a higher off-take of legacy products in key markets. Maintain Neutral as the current valuation adequately factors in the earnings upside.

### Product mix impact marginally offset by lower R&D spending YoY

- 2Q revenue grew 9.8% YoY to INR88.1b (est. of INR85.5b).
- Europe sales jumped 1.4x YoY to INR13.8b (16% of sales), largely driven by revenue from the acquired NRT portfolio, new product launches, volume growth in existing products and favorable forex movements.
- India sales rose 13% YoY to INR15.8b (18% of Sales). Emerging market sales grew 22% YoY to INR11b (12% of sales).
- Pharmaceutical Services and Active Ingredients (PSAI) segment revenue grew 12.4% YoY to INR9.5b (11% of sales).
- NA sales fell 13% YoY to INR32.4b (~USD365m; 37% of sales) due to increased price erosion in certain key products, including Lenalidomide, partly offset by favorable forex and contributions from new product launches.
- Gross margin (GM) contracted 490bp YoY to 54.7%, largely due to lower margins in PSAI (down 1,200bp YoY) and Global Generics (down 400bp YoY).
- EBITDA margin contracted 330bp YoY to 24% (est. 23.6%) as lower GM was offset by lower expenses (R&D down 200 YoY as % of sales).
- Adj. for one-time VAT impact, EBITDA declined 3.5% YoY to INR21.3b (est. INR20.2b).
- PAT grew 13.5% YoY to INR15.4b.
- 1HFY26 revenue/PAT grew 10.6%/7.6% YoY to INR173b/INR30b, whereas EBITDA declined 1.3% to INR42b.

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## Highlights from the management commentary

- DRRD expects feedback on its Semaglutide application from the Canadian health authority in a few weeks. Management expects competition would be subject to approval timeline in the Canadian market.
- It remains confident of selling 12m pens of Semaglutide in global markets, including Canada, Brazil, India and other emerging markets.
- DRRD is in the process of addressing a complete response letter (CRL) related to Retuximab biosimilar.
- The company remains confident of filing Abatacept by the end of CY25. It is also exploring a CMO partner in the US for this product to add a manufacturing site and overcome any US tariffs-related issues.

**Quarterly Performance - IFRS** (INRb)

| Y/E March | FY25 | | | | FY26E | | | | FY25 | FY26E | Estimates | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2QE | 3QE | 4QE | | | 2QE | Var |
| **Sales** | **76.7** | **80.2** | **82.3** | **85.1** | **85.5** | **88.1** | **83.3** | **91.6** | **324.3** | **348.5** | **85.5** | **-3%** |
| YoY Change (%) | 13.9 | 16.5 | 14.1 | 20.1 | 11.4 | 9.8 | 1.2 | 7.7 | 16.2 | 7.5 | 6.7 | |
| **EBITDA** | **21.3** | **22.0** | **21.7** | **20.5** | **21.5** | **21.3** | **17.3** | **24.3** | **85.5** | **84.4** | **20.2** | **-5%** |
| YoY Change (%) | 4.0 | 10.3 | 7.1 | 16.1 | 1.1 | -3.5 | -20.2 | 18.4 | 9.1 | **-1.4** | -8.4 | |
| Margins (%) | 27.7 | 27.5 | 26.4 | 24.1 | 25.2 | 24.1 | 20.8 | 26.5 | 26.4 | 24.2 | 23.6 | |
| Amortization | 3.8 | 4.0 | 4.7 | 4.6 | 4.8 | 5.1 | 4.4 | 4.8 | 17.1 | 19.0 | 4.6 | |
| **EBIT** | **17.5** | **18.1** | **17.0** | **16.0** | **16.7** | **16.2** | **12.9** | **19.5** | **68.5** | **65.3** | **15.6** | |
| Other Income | 1.4 | 2.6 | 0.5 | 3.4 | 2.3 | 3.5 | 2.4 | 2.2 | 7.8 | 10.4 | 2.3 | |
| **PBT before EO expenses** | **18.8** | **20.7** | **17.5** | **19.3** | **19.0** | **19.7** | **15.3** | **21.7** | **76.3** | 75.7 | **17.9** | **-9%** |
| One-off income/(expense) | 0.0 | -1.5 | 1.3 | 0.7 | 0.0 | -1.4 | 0.0 | 0.0 | 0.5 | -1.4 | 0.0 | |
| **Profit before Tax** | **18.8** | **19.2** | **18.7** | **20.1** | **19.0** | **18.4** | **15.3** | **21.7** | **76.8** | 74.3 | **17.9** | **-2%** |
| Tax | 4.9 | 5.8 | 4.7 | 4.2 | 5.0 | 4.1 | 3.8 | 5.5 | 19.5 | 18.4 | 4.6 | |
| Rate (%) | 26.0 | 30.0 | 25.1 | 20.8 | 26.0 | 22.2 | 25.0 | 25.5 | 25.4 | 24.7 | 25.5 | |
| **PAT** | **13.9** | **13.4** | **14.0** | **15.9** | **14.1** | **14.3** | **11.5** | **16.1** | **57.2** | **56.0** | **13.4** | **-6%** |
| **Adjusted PAT** | **13.9** | **13.6** | **13.2** | **15.4** | **14.2** | **15.4** | **11.6** | **16.2** | **56.1** | 57.4 | **13.4** | **-13%** |
| YoY Change (%) | 2.0 | 2.4 | -4.3 | 26.7 | 1.8 | 13.5 | -12.3 | 5.8 | 6.1 | 2.4 | -1.1 | |
| Margins (%) | 18.1 | 17.0 | 16.0 | 18.1 | 16.6 | 17.5 | 13.9 | 17.7 | 17.3 | 16.5 | 15.7 | |
| **EPS** | **16.7** | **16.3** | **15.8** | **18.4** | **17.0** | **18.5** | **13.9** | **19.5** | **67.3** | **68.9** | **16.1** | **-13%** |

E: MOFSL Estimates

**Key performance Indicators (Consolidated)** (INRb)

| Y/E March | FY25 | | | | FY26 | | | | FY25 | FY26 | FY26 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| INRm | 1Q | 2Q | 3Q | 4Q | 1Q | 2QE | 3QE | 4QE | | | 2QE |
| North America | 38.5 | 37.3 | 33.8 | 35.6 | 34.1 | 32.4 | 28.5 | 35.7 | 145.2 | 130.8 | 32.5 |
| YoY Change (%) | 20.3 | 17.6 | 1.0 | 9.1 | -11.3 | -13.1 | -15.6 | 0.3 | 11.8 | -9.9 | -12.7 |
| Europe | 5.3 | 5.8 | 12.1 | 12.8 | 12.7 | 13.8 | 13.9 | 14.3 | 35.9 | 54.7 | 13.8 |
| YoY Change (%) | 3.8 | 9.2 | 143.4 | 144.8 | 142.1 | 138.5 | 15.0 | 12.0 | 74.9 | 52.4 | 140.0 |
| India | 13.3 | 14.0 | 13.5 | 13.0 | 14.7 | 15.8 | 14.6 | 14.9 | 53.7 | 60.0 | 15.4 |
| YoY Change (%) | 15.4 | 17.8 | 14.1 | 15.8 | 11.0 | 12.9 | 8.5 | 14.0 | 15.8 | 11.6 | 10.0 |
| Russia & Others CIS | 7.4 | 9.0 | 9.4 | 8.9 | 9.1 | 11.0 | 10.7 | 10.1 | 34.7 | 40.9 | 8.8 |
| YoY Change (%) | -2.6 | 12.5 | 14.6 | 23.6 | 23.0 | 22.2 | 14.0 | 13.5 | 12.3 | 17.9 | -1.9 |
| Others | 3.7 | 5.6 | 5.0 | 5.1 | 4.9 | 5.5 | 5.5 | 5.5 | 19.4 | 21.4 | 5.3 |
| YoY Change (%) | -5.3 | 32.1 | 7.0 | 3.9 | 32.1 | -0.9 | 10.0 | 10.0 | 9.2 | 10.5 | -5.0 |
| PSAI | 7.7 | 8.4 | 8.2 | 9.6 | 8.2 | 9.5 | 9.9 | 10.8 | 33.8 | 38.3 | 9.4 |
| YoY Change (%) | 14.1 | 19.5 | 4.8 | 16.4 | 6.8 | 12.4 | 20.0 | 13.0 | 13.6 | 13.2 | 12.0 |
| **Cost Break-up** | | | | | | | | | | | |
| COGS (% of Sales) | 39.6 | 40.4 | 42.0 | 44.4 | 43.1 | 45.3 | 48.0 | 42.0 | 41.7 | 44.5 | 44.8 |
| SG&A (% of Sales) | 24.6 | 23.0 | 23.6 | 22.9 | 24.4 | 23.5 | 24.0 | 24.0 | 23.5 | 24.0 | 24.1 |
| R&D Expenses (% of Sales) | 8.1 | 9.1 | 8.1 | 8.5 | 7.3 | 7.0 | 7.2 | 7.5 | 8.4 | 7.3 | 7.5 |
| Gross Margins (%) | 60.4 | 59.6 | 58.0 | 55.6 | 56.9 | 54.7 | 52.0 | 58.0 | 58.3 | 55.5 | 55.2 |
| EBITDA Margins (%) | 27.7 | 27.5 | 26.4 | 24.1 | 25.2 | 24.1 | 20.8 | 26.5 | 26.4 | 24.2 | 23.6 |
| EBIT Margins (%) | 22.8 | 22.5 | 20.7 | 18.8 | 19.6 | 18.4 | 15.5 | 21.2 | 21.1 | 18.7 | 18.3 |

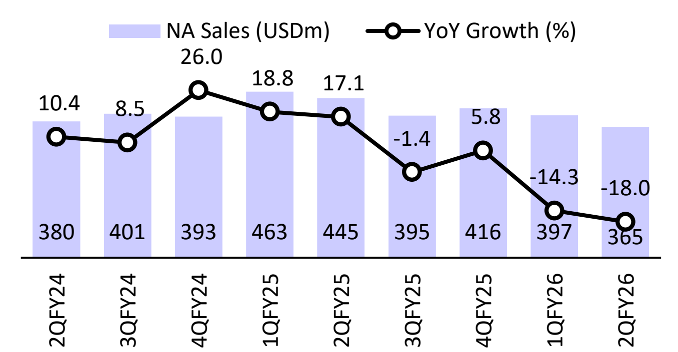
E: MOFSL Estimates


## Management call highlights

- The Stugeron brand franchise has annual sales of INR1b. DRRD paid INR4.4b for acquiring these brands.
- The company has the capacity to produce 800kg of peptides API and is well-placed to address the GLP-1 opportunity going forward.
- G-Revlimid sales in 3Q would be lower than that in 2QFY26.
- Notably, DRRD has been able to overcome GST-related disruption in the domestic formulation market.
- R&D spending is expected to be 7% of sales in FY26.
- Out of 13% YoY growth in DF in 2Q, about 5% was driven by price and the remaining was driven by volume.
- India business gained from innovation-led acquisitions and legacy portfolio strength, with continued investments planned across emerging markets through two upcoming expansion waves.
- DRRD remains focused on strengthening the biosimilar franchise and peptide-based pipeline to drive medium-term growth.
- The company expects operating expenses to remain at 28-30% of sales through FY27, balancing cost control with sustained investments in R&D and market expansion.
- EBITDA margin stood at 26.7%, with guidance to normalize to ~25% over the next two years as operational efficiencies and product mix improvements offset normalization in Revlimid.

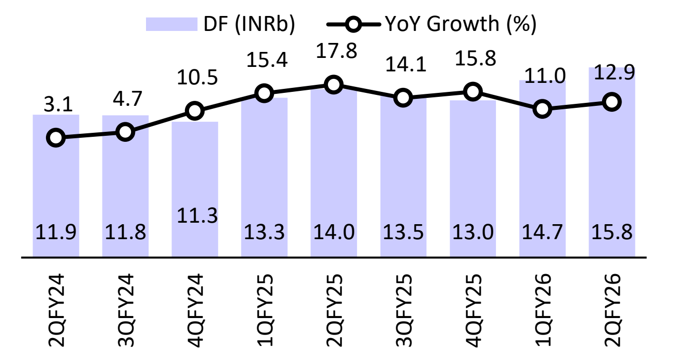
## Key exhibits

**Exhibit 1: In CC terms, NA sales fell 18% YoY in 2QFY26**



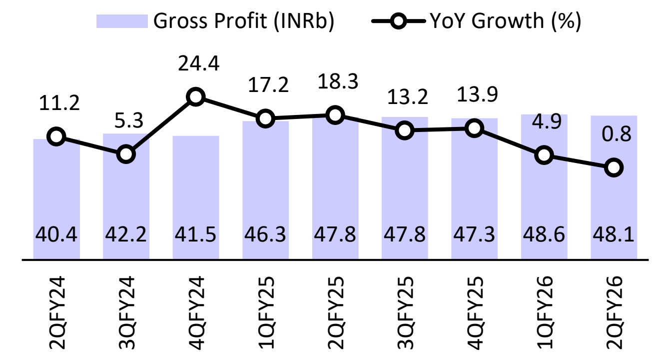

Source: MOFSL, Company

**Exhibit 2: DF sales grew 13% YoY in 2QFY26**



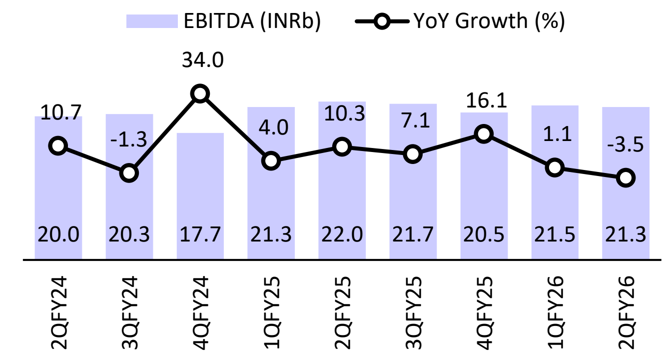

Source: MOFSL, Company

**Exhibit 3: Gross profit showed muted growth YoY**



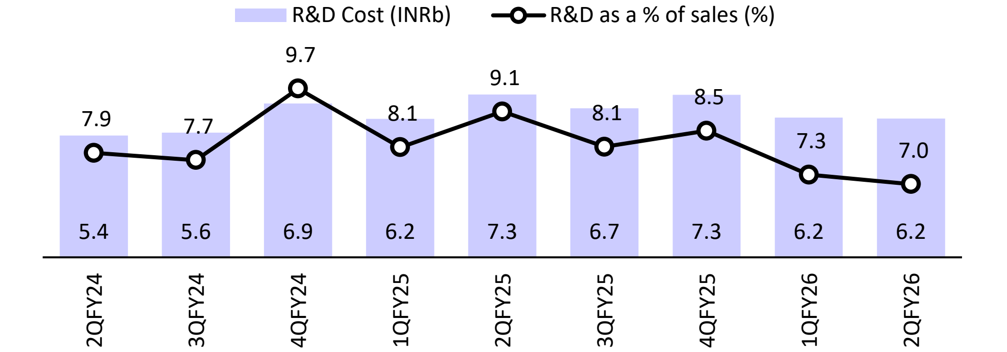

Source: Company, MOFSL

**Exhibit 4: EBITDA declined 3.5% YoY**




Source: Company, MOFSL

**Exhibit 5: R&D expenses as a proportion of sales at 7% in 2QFY26**




Source: MOFSL, Company

## Improving base business/new launches - the key across markets

### NA: Building pipeline to outweigh g-Revlimid competition/better growth

- NA sales declined 19% YoY to USD762m in 1HFY26. After almost four years, DRRD is witnessing YoY decline in US sales in 1HFY26.
- The NA sales run rate is expected to remain on a declining trajectory, driven by continued price erosion in g-Revlimid business and lower Lenalidomide sales.
- Specifically, 3Q g-Revlimid sales are expected to see a sharper decline compared to 2Q.
- It filed five ANDAs in 2Q, taking the total ANDAs to six for 1HFY26.
- For 1HFY26, DRRD had 75 USFDA filings pending for approval, comprising 73 ANDAs (including 45 Paragraph IV and 22 potential First-to-File) and two NDAs under Section 505(b)(2).
- In 2Q, DRRD launched seven new products, including Sacubitril Valsartan Tablets (g-Entresto)/generic of Fluorouracil Cream. These launches contributed to a total of 12 new products introduced in 1HFY26, supporting growth in US sales.
- DRRD remains on track to file Abatacept by the end of CY25 and is exploring a US CMO partnership to expand its manufacturing capacity and mitigate potential tariff-related risks.
- Semaglutide/Denosumab/Abatacept are expected to drive US business growth and offset g-Revlimid revenue loss, with Semaglutide approvals planned in 87 countries, including key markets like India/Brazil/Japan/Canada.
- At the same time, development of GLP-1 products is progressing through a mix of in-house and partner-led initiatives, which should support future growth.
- Considering the a) expanding market opportunities and strategic investments in the development of GLP-1 products, b) Abatacept serving as a key growth driver, DRRD expects its NA sales to remain stable at around USD0.9b over FY25-28E.

### DF: Growth bounced back owing to strategic launches/high-impact brands

- For 2Q, DRRD delivered 13% YoY growth, driven by contributions from new product launches, improved pricing, and higher volumes.
- During the quarter, DRRD launched 11 new brands, including Tegoprazan (PCAB)/Linaclotide (Colozo) taking the total to 16 in 1H. This was in addition to the acquired Stugeron portfolio, further strengthening the domestic franchise.
- Respiratory/Pain/vaccines were major growth drivers for DRRD in 2Q.

- Interestingly, Atarax/Voveran/Ketorol have crossed annual sales of INR2.4b/INR2.4b/INR2.3b as per IMS.
- We expect a sales CAGR of 12% to reach INR75b over FY25-28E.

## Emerging markets: Superior execution in Russia despite political headwinds

- In 1HFY26, EM sales grew 16% YoY to INR30.6b, led by new product launches across markets amid favorable forex movements.
- In 2Q, Russia sales grew 26% YoY to INR8.7b, while CIS sales rose 9.5% YoY to INR2.3b.
- ROW markets declined 1% YoY largely on account of pricing pressure.
- Overall, we expect a sales CAGR of 25% to reach INR106b over FY25-28E.

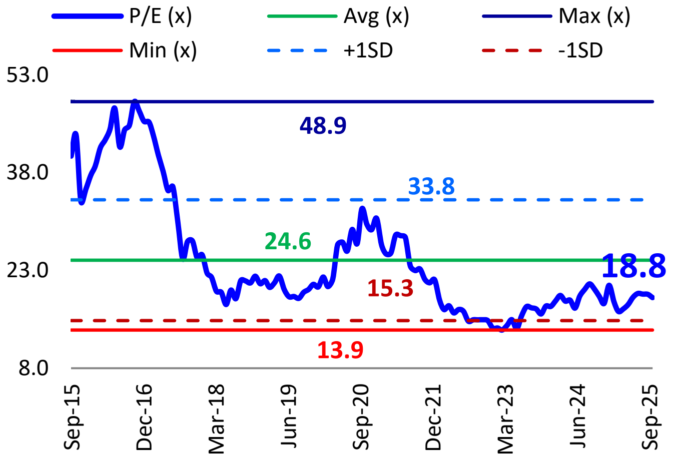
## PSAI segment: Margins recover QoQ

- The PSAI segment's revenue growth moderated to 12% YoY in 2Q to INR17.6b, driven by the launch of new API products and favorable forex.
- DRRD maintains the DMF momentum, with 37 filed in 2Q, taking the total to 49 for 1HFY26.
- We expect the PSAI business to post a 10% sales CAGR to reach INR44.8b over FY25-28E.

## Reiterate Neutral

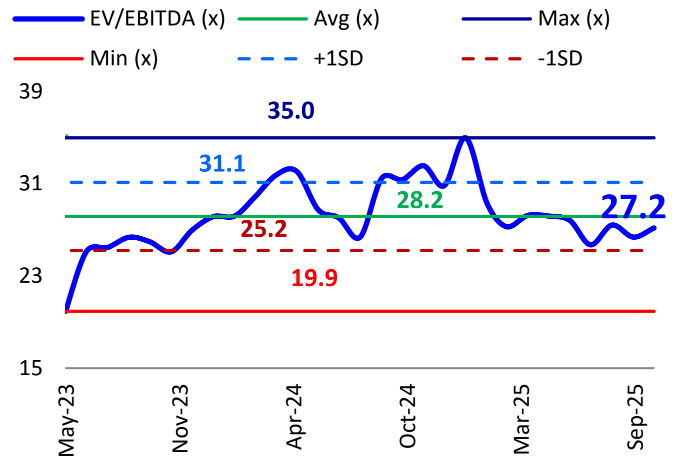
- We largely maintain our estimates for FY26/FY27/FY28. We value DRRD at 19x 12M forward earnings to arrive at a TP of INR1,250.
- We expect earnings to remain stable over FY25-28, as a significant reduction in g-Revlimid business (4QFY26 onward) is expected to be counterbalanced by new launches and a higher off-take of legacy products across key markets. Maintain Neutral as the current valuation adequately factors in the earnings upside.

**Exhibit 6: P/E chart**




Source: MOFSL, Company, Bloomberg

**Exhibit 7: EV/EBITDA chart**




Source: MOFSL, Company, Bloomberg

## Story in charts

**Exhibit 8: Expect sales CAGR of ~7.5% over FY25-28**

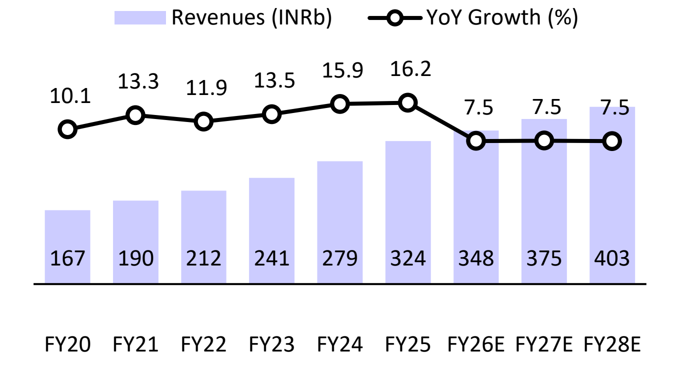



**Exhibit 9: NA sales to decline over FY25-28**

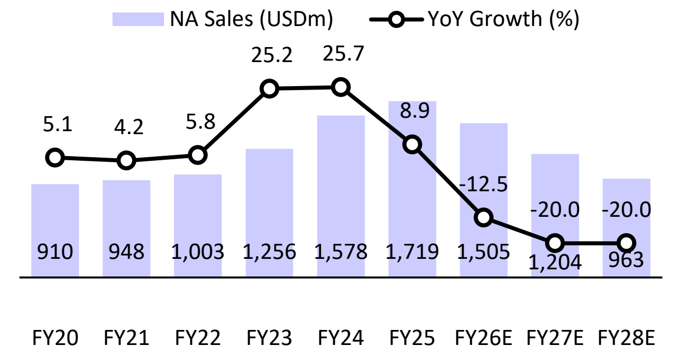



**Exhibit 10: DF sales to clock 12% CAGR over FY25-28**

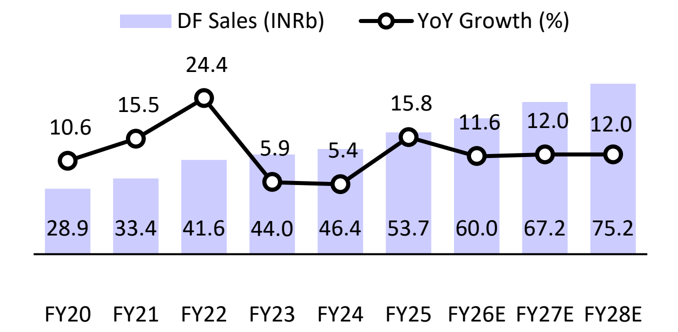



**Exhibit 11: PSAI to post 9.8% sales CAGR over FY25-28**

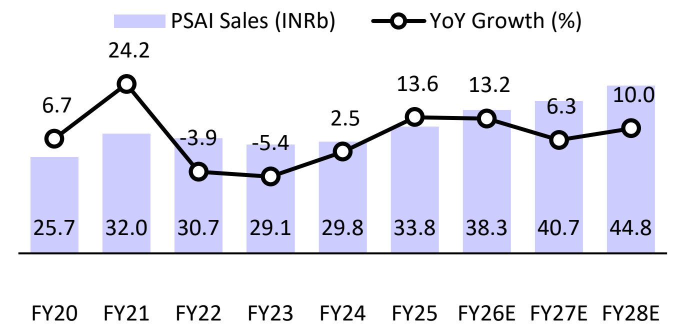



**Exhibit 12: Gross margin to contract 570bps over FY25-28**

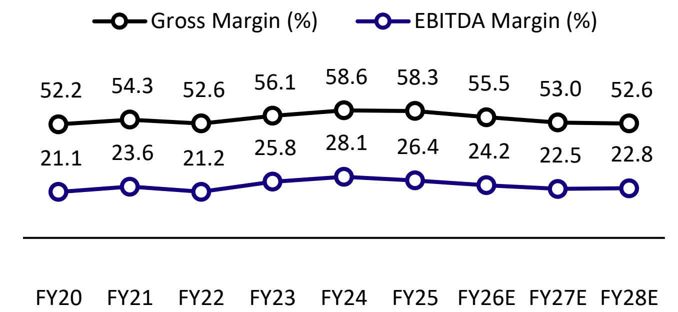



**Exhibit 13: EBITDA to rise steadily over FY25-28**

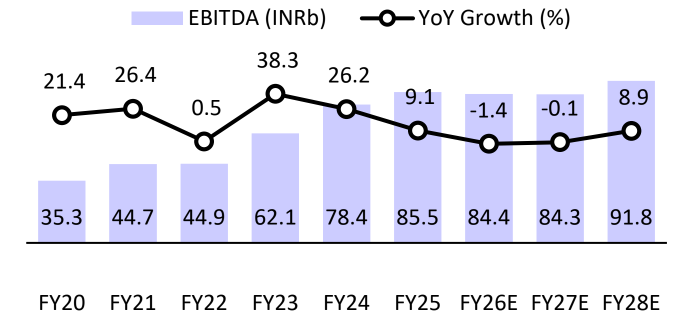
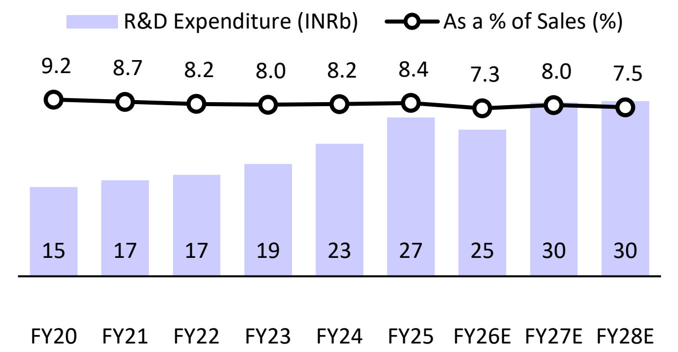
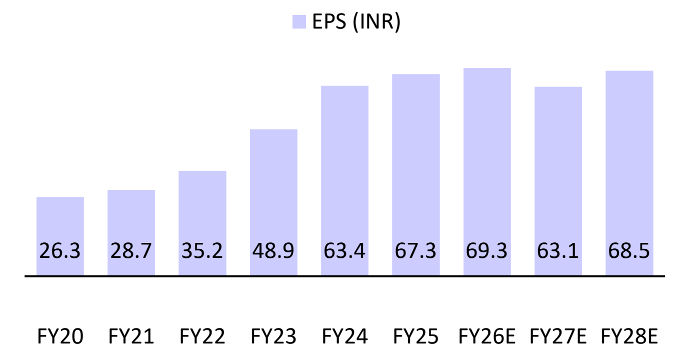



**Exhibit 14: R&D expenses to settle at 7.5% of sales by FY28**




Source: Company, MOFSL

**Exhibit 15: EPS to slightly increase over FY25-28**




Source: Company, MOFSL

# Financials and valuations

| Income Statement | | | | | | | (INR m) |
|---|---|---|---|---|---|---|---|
| **Y/E March** | **FY22** | **FY23** | **FY24** | **FY25** | **FY26E** | **FY27E** | **FY28E** |
| **Net Sales** | **2,12,227** | **2,40,936** | **2,79,164** | **3,24,269** | **3,48,480** | **3,74,744** | **4,02,668** |
| Change (%) | 11.9 | 13.5 | 15.9 | 16.2 | 7.5 | 7.5 | 7.5 |
| Total Expenditure | 1,67,306 | 1,78,813 | 2,00,784 | 2,38,731 | 2,64,107 | 2,90,427 | 3,10,860 |
| **EBITDA** | **44,921** | **62,123** | **78,380** | **85,538** | **84,372** | **84,317** | **91,808** |
| Change (%) | 0.5 | 38.3 | 26.2 | 9.1 | -1.4 | -0.1 | 8.9 |
| Margin (%) | 21.2 | 25.8 | 28.1 | 26.4 | 24.2 | 22.5 | 22.8 |
| Depreciation & Amort. | 11,825 | 12,663 | 14,847 | 17,064 | 19,036 | 19,487 | 20,939 |
| Net Interest Exp | -2,119 | -2,853 | -3,494 | -4,724 | -5,544 | -4,648 | -4,648 |
| One-off (Gains)/Loss | 6,381 | -5,445 | -1,981 | -509 | 1,362 | 0 | 0 |
| **PBT before EO Expense** | **38,679** | **53,943** | **69,889** | **76,275** | **75,707** | **70,579** | **76,618** |
| Change (%) | 10.5 | 39.5 | 29.6 | 9.1 | -0.7 | -6.8 | 8.6 |
| **PBT after EO Expense** | **32,298** | **59,388** | **71,870** | **76,784** | **74,345** | **70,579** | **76,618** |
| Tax | 8,730 | 15,300 | 16,186 | 19,538 | 18,378 | 17,998 | 19,538 |
| Tax Rate (%) | 27.0 | 25.8 | 22.5 | 25.4 | 24.7 | 25.5 | 25.5 |
| **Reported PAT** | **23,568** | **44,088** | **55,684** | **56,545** | **56,358** | **52,582** | **57,081** |
| **Adjusted Net Profit** | **29,265** | **40,775** | **52,827** | **56,060** | **57,417** | **52,582** | **57,081** |
| Change (%) | 22.8 | 39.3 | 29.6 | 6.1 | 2.4 | -8.4 | 8.6 |
| Margin (%) | 13.8 | 16.9 | 18.9 | 17.3 | 16.5 | 14.0 | 14.2 |

| Balance Sheet | | | | | | | (INR m) |
|---|---|---|---|---|---|---|---|
| **Y/E March** | **FY22** | **FY23** | **FY24** | **FY25** | **FY26E** | **FY27E** | **FY28E** |
| Equity Share Capital | 832 | 833 | 833 | 833 | 833 | 833 | 833 |
| Reserves | 1,89,695 | 2,30,158 | 279717 | 336333 | 388512 | 436916 | 489818 |
| **Net Worth** | **1,90,527** | **2,30,991** | **2,80,550** | **3,37,166** | **3,89,345** | **4,37,749** | **4,90,651** |
| Loans | 33,845 | 13,472 | 20020 | 46766 | 45766 | 44766 | 43766 |
| Deferred Liabilities/Tax | -12,721 | -6,363 | -9865 | -4400 | -4400 | -4400 | -4400 |
| **Capital Employed** | **2,11,651** | **2,38,100** | **2,90,705** | **3,79,532** | **4,30,711** | **4,78,115** | **5,30,017** |
| Gross Block | 1,60,797 | 1,77,753 | 2,03,024 | 2,40,963 | 2,55,551 | 2,64,413 | 2,73,276 |
| Less: Accum. Deprn. | 98,628 | 1,11,291 | 1,26,138 | 1,43,202 | 1,62,238 | 1,81,725 | 2,02,663 |
| **Net Fixed Assets** | **62,169** | **66,462** | **76,886** | **97,761** | **93,313** | **82,688** | **70,612** |
| Investments | 38,393 | 62,180 | 81250 | 59428 | 59428 | 59428 | 59428 |
| Goodwill | 31,664 | 35,094 | 41204 | 108613 | 108613 | 108613 | 108613 |
| **Curr. Assets** | **1,51,647** | **1,50,922** | **1,77,404** | **2,08,679** | **2,64,801** | **3,28,742** | **4,00,500** |
| Inventory | 50,884 | 48,670 | 63552 | 71085 | 74509 | 75736 | 82072 |
| Account Receivables | 66,818 | 72,485 | 80298 | 90420 | 106732 | 99411 | 114872 |
| Cash and Bank Balance | 14,852 | 5,779 | 7107 | 14654 | 51640 | 119311 | 166759 |
| Others | 19,093 | 23,988 | 26447 | 32520 | 31920 | 34284 | 36797 |
| **Curr. Liability & Prov.** | **72,222** | **76,558** | **86,039** | **94,949** | **95,442** | **1,01,356** | **1,09,135** |
| Account Payables | 25,572 | 26,444 | 30919 | 35523 | 35857 | 34874 | 37791 |
| Other Current Liabilities | 46,650 | 50,114 | 55120 | 59426 | 59585 | 66482 | 71344 |
| **Net Current Assets** | **79,425** | **74,364** | **91,365** | **1,13,730** | **1,69,358** | **2,27,386** | **2,91,365** |
| **Appl. of Funds** | **2,11,651** | **2,38,100** | **2,90,705** | **3,79,532** | **4,30,711** | **4,78,115** | **5,30,018** |

# Financials and valuations

## Ratios

| Y/E March | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|---|---|
| **Basic (INR)** | | | | | | | |
| **EPS** | **35.2** | **48.9** | **63.4** | **67.3** | **68.9** | **63.1** | **68.5** |
| Cash EPS | 49.4 | 64.2 | 81.2 | 87.8 | 91.8 | 86.5 | 93.7 |
| BV/Share | 229.0 | 277.3 | 336.8 | 404.8 | 467.4 | 525.5 | 589.0 |
| DPS | 4.1 | 4.1 | 4.3 | 4.3 | 4.3 | 4.3 | 4.3 |
| Payout (%) | 16.9 | 9.0 | 7.5 | 7.4 | 7.4 | 7.9 | 7.3 |
| **Valuation (x)** | | | | | | | |
| P/E | 36.4 | 26.2 | 20.2 | 19.0 | 18.6 | 20.3 | 18.7 |
| Cash P/E | 26.0 | 20.0 | 15.8 | 14.6 | 14.0 | 14.8 | 13.7 |
| P/BV | 5.6 | 4.6 | 3.8 | 3.2 | 2.7 | 2.4 | 2.2 |
| EV/Sales | 4.9 | 4.2 | 3.6 | 3.2 | 2.9 | 2.5 | 2.2 |
| EV/EBITDA | 23.3 | 16.3 | 12.8 | 12.2 | 11.9 | 11.1 | 9.6 |
| Dividend Yield (%) | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| **Return Ratios (%)** | | | | | | | |
| ROIC | 18.0 | 23.1 | 27.6 | 21.0 | 17.0 | 16.1 | 18.1 |
| RoE | 16.0 | 19.3 | 20.7 | 18.2 | 15.8 | 12.7 | 12.3 |
| RoCE | 12.3 | 15.9 | 18.4 | 14.9 | 12.0 | 10.0 | 10.0 |
| **Working Capital Ratios** | | | | | | | |
| Fixed Asset Turnover (x) | 1.4 | 1.4 | 1.5 | 1.5 | 1.4 | 1.4 | 1.5 |
| Debtor (Days) | 100 | 106 | 100 | 96 | 103 | 100 | 97 |
| Inventory (Days) | 83 | 75 | 73 | 76 | 76 | 73 | 72 |
| Payable (Days) | 38 | 39 | 38 | 37 | 37 | 34 | 33 |
| **Leverage Ratio** | | | | | | | |
| Current Ratio (x) | 2.1 | 2.0 | 2.1 | 2.2 | 2.8 | 3.2 | 3.7 |
| Net Debt/Equity (x) | -0.2 | -0.3 | -0.3 | -0.1 | -0.3 | -0.6 | -0.7 |

## Cash Flow Statement (INR m)

| Y/E March | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|---|---|
| **Op. Profit before Tax** | **30,614** | **60,485** | **72,010** | **76,795** | **75,707** | **70,579** | **76,618** |
| Depreciation | 11,652 | 12,502 | 14,700 | 17,037 | 19,036 | 19,487 | 20,939 |
| Interest/Div. Recd. | -7 | 248 | -567 | 152 | -3,465 | -1,101 | -1,101 |
| Direct Taxes Paid | -7,437 | -10,714 | -20,047 | -19,993 | -18,378 | -17,998 | -19,538 |
| (Inc)/Dec in WC | -18,407 | -7,855 | -20,182 | -29,989 | -18,642 | 9,643 | -16,531 |
| Other Items | 11,693 | 4,209 | -481 | 2,426 | | | |
| **CF from Operations** | **28,108** | **58,875** | **45,433** | **46,428** | **54,258** | **80,610** | **60,388** |
| EO Expense | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **CF from Operations** | **28,108** | **58,875** | **45,433** | **46,428** | **54,258** | **80,610** | **60,388** |
| (inc)/dec in FA | -15,733 | -18,784 | -26,350 | -33,154 | -14,588 | -8,863 | -8,863 |
| **Free Cash Flow** | **12,375** | **40,091** | **19,083** | **13,274** | **39,670** | **71,748** | **51,525** |
| (Pur)/Sale of Inv | -11,201 | -23,366 | -15,716 | 25,118 | 0 | 0 | 0 |
| **Others** | **1,280** | **1,063** | **1,724** | **-42,985** | | | |
| **CF from Inv.** | **-25,654** | **-41,087** | **-40,342** | **-51,021** | **-14,588** | **-8,863** | **-8,863** |
| Change in net worth | 334 | 368 | 805 | 193 | 0 | 0 | 0 |
| (Inc)/Dec in Debt | 2,735 | -20,397 | 4,346 | 23,196 | -1,000 | -1,000 | -1,000 |
| Other Items | -1,345 | -1,853 | -2,266 | -4,872 | 1,355 | 938 | 938 |
| Dividend Paid | -4,146 | -4,979 | -6,648 | -6,662 | -4,178 | -4,076 | -4,076 |
| **CF from Fin. Activity** | **-2,422** | **-26,861** | **-3,763** | **11,855** | **-3,823** | **-4,138** | **-4,138** |
| **Inc/Dec of Cash** | **32** | **-9,073** | **1,328** | **7,262** | **35,847** | **67,610** | **47,387** |
| Add: Beg. Balance | 14,829 | 14,852 | 5,779 | 7,107 | 14,654 | 51,640 | 1,19,311 |
| **Closing Balance** | **14,861** | **5,779** | **7,107** | **14,369** | **50,501** | **1,19,250** | **1,66,698** |
| **BB/OD** | **-9** | **0** | **0** | **61** | **61** | **61** | **61** |
| **Closing Balance** | **14,852** | **5,779** | **7,107** | **14,654** | **50,562** | **1,19,311** | **1,66,759** |

| 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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