

# Dr Reddy's Labs

Estimate change



TP change



Rating change



**CMP: INR1,157**

**TP: INR1,220 (5%)**

**Neutral**

## Ex g-Revlimid resilience; India/EU/Russia drive earnings beat Work-in-progress to strengthen growth outlook

Bloomberg	DRRD IN
Equity Shares (m)	835
M.Cap.(INRb)/(USDb)	965.8 / 10.5
52-Week Range (INR)	1380 / 1020
1, 6, 12 Rel. Per (%)	-6/-8/-19
12M Avg Val (INR M)	2409

### Financials & Valuations (INR b)

Y/E MARCH	FY26E	FY27E	FY28E
Sales	345.9	393.9	411.3
EBITDA	81.3	88.6	92.1
Adj. PAT	55.1	55.1	57.1
EBITDA Margin (%)	23.5	22.5	22.4
Adj. EPS (INR)	66.2	66.1	68.5
EPS Gr. (%)	-1.7	-0.1	3.7
BV/Sh. (INR)	463	524	588

### Ratios

Net D:E	-0.3	-0.6	-0.7
RoE (%)	15.2	13.4	12.3
RoCE (%)	11.6	10.6	10.1
Payout (%)	7.9	7.6	7.3

### Valuations

P/E (x)	17.5	17.5	16.9
EV/EBITDA (x)	11.1	9.4	8.5
Div. Yield (%)	0.4	0.4	0.4
FCF Yield (%)	4.2	7.1	5.7
EV/Sales (x)	2.6	2.1	1.9

### Shareholding Pattern (%)

As On	Dec-25	Sep-25	Dec-24
Promoter	26.6	26.6	26.6
DII	30.4	28.0	22.9
FII	33.5	35.8	40.2
Others	9.5	9.6	10.2

FII includes depository receipts

- Dr Reddy's Labs (DRRD) posted better-than-expected financial performance in 3QFY26. Superior execution in India, Europe and Russia and favorable currency movement more than offset the impact of lower g-Revlimid business for the quarter, driving a beat on earnings.
- DRRD's India business outperformed the industry, aided by its focus on portfolio innovation and the addition of its acquired portfolio (Stugeron).
- In Russia, the highest-ever quarterly sales were driven by product launches and better traction in existing products, supported by forex benefits.
- In Europe, Germany/France and NRT portfolio led growth, partly offset by YoY decline in UK sales.
- DRRD is geared up for the launch of semaglutide in Canada, India and many others through its own as well as partnered launches.
- We reduce our estimates for FY26 by 4% to factor in a delay in semaglutide launch in Canada and raise our estimate for FY27 by 6% to factor in better growth prospects in India/EU/Russia. We value DRRD at 18x 12M forward earnings to arrive at a TP of INR1,220.
- While DRRD is implementing efforts to improve growth across key markets, the overall earnings would be stable over FY26-28 due to anticipated competition in g-Revlimid and some gestation period for certain niche opportunities (Semaglutide/Abatacept) to provide commercial benefits. Maintain Neutral.

## Geographic mix shifts drive YoY growth, margin compression persists

- 3Q revenue grew 6.0% YoY to INR87.3b (vs. est. of INR80.9b).
- NA sales fell 12% YoY to INR29.6b (~USD329; 34% of sales) due to lower lenalidomide sales and higher price erosion in certain key products. Europe sales rose 20% YoY to INR14.5b (17% of sales), driven by growth in NRT portfolio and favorable forex movement, partly offset by pricing pressure in generics.
- India sales grew 19% YoY to INR16.0b (18% of Sales). Emerging market sales rose 32% YoY to INR19.0b (22% of sales), majorly driven by Russia (up 51% YoY to INR10.6b).
- Pharmaceutical Services and Active Ingredients (PSAI) segment revenue declined 2% YoY to INR8.0b (9% of sales).
- Gross margin (GM) contracted 440bp YoY to 53.6% largely due to lower margins in PSAI (down 870bp YoY) and Global Generics (down 390bp YoY).
- EBITDA margin contracted 330bp YoY to 23.1% (est. 21.3%). EBITDA fell 7.4% YoY to INR20.1b (est. INR17.2b). 3Q included a one-time expense of INR1.2b related to the new labor code.
- PAT remained stable YoY at INR13.2b.
- For 9MFY26, revenue/PAT grew 9%/5% YoY to INR260b/INR43b, whereas EBITDA declined 3% YoY to INR63b.

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

**Research Analyst: Vipul Mehta** (Vipul.Mehta@MotilalOswal.com) | **Eshita Jain** (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](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

### Highlights from the management commentary

- On Ex-Revlimid basis, DRRD indicated gross margin to be in the range of 52-55% going forward.
- Organic growth in India was ~17%+ YoY. DRRD expects to sustain 15%+ growth on the back of innovative products and better traction in existing products.
- DRRD has filed for IV version of Abatacept with USFDA. The sub-cutaneous version is expected to be filed in Jul'26 with USFDA. DRRD expects to file both version for EU market in Jul'26.
- DRRD exhibited NRT portfolio YoY growth of 8% in CC terms. ~85% of the operational aspect is now controlled by DRRD. DRRD expects growth to improve going forward, supported by higher business from markets like Brazil.

### Consolidated Quarterly Performance

Y/E March	FY25				FY26				FY25	FY26E	Estimates	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			3QE	% Var
<b>Sales</b>	<b>76,727</b>	<b>80,162</b>	<b>82,320</b>	<b>85,060</b>	<b>85,452</b>	<b>88,051</b>	<b>87,268</b>	<b>85,132</b>	<b>3,24,269</b>	<b>3,45,903</b>	<b>80,851</b>	<b>7.9</b>
YoY Change (%)	13.9	16.5	14.1	20.1	11.4	9.8	6.0	0.1	16.2	6.7	-1.8	
Total Expenditure	55,452	58,134	60,590	64,555	63,951	66,798	67,144	66,744	2,38,731	2,64,637	63,630	
<b>EBITDA</b>	<b>21,275</b>	<b>22,028</b>	<b>21,730</b>	<b>20,505</b>	<b>21,501</b>	<b>21,253</b>	<b>20,124</b>	<b>18,389</b>	<b>85,538</b>	<b>81,267</b>	<b>17,221</b>	<b>16.9</b>
YoY Change (%)	4.0	10.3	7.1	16.1	1.1	-3.5	-7.4	-10.3	9.1	-5.0	-20.7	
Margins (%)	27.7	27.5	26.4	24.1	25.2	24.1	23.1	21.6	26.4	23.5	21.3	<b>8.3</b>
Amortization	3,815	3,975	4,719	4,555	4,765	5,051	5,215	5,050	17,064	20,081	4,400	
<b>EBIT</b>	<b>17,460</b>	<b>18,053</b>	<b>17,011</b>	<b>15,950</b>	<b>16,736</b>	<b>16,202</b>	<b>14,909</b>	<b>13,339</b>	<b>68,474</b>	<b>61,186</b>	<b>12,821</b>	
YoY Change (%)	3.5	11.9	3.7	12.9	-4.1	-10.3	-12.4	-16.4	7.8	-10.6	-24.6	
Other Income	1,366	2,600	461	3,374	2,311	3,510	1,961	2,334	7,801	10,116	2,350	
<b>PBT before EO expenses</b>	<b>18,826</b>	<b>20,653</b>	<b>17,472</b>	<b>19,324</b>	<b>19,047</b>	<b>19,712</b>	<b>16,870</b>	<b>15,673</b>	<b>76,275</b>	<b>71,302</b>	<b>15,171</b>	<b>11.2</b>
One-off income/(expense)	-5	-1,486	1,270	730	0	-1,362	-1,441	0	509	-2,803	0	
<b>Profit before Tax</b>	<b>18,821</b>	<b>19,167</b>	<b>18,742</b>	<b>20,054</b>	<b>19,047</b>	<b>18,350</b>	<b>15,429</b>	<b>15,673</b>	<b>76,784</b>	<b>68,499</b>	<b>15,171</b>	<b>1.7</b>
Tax	4,901	5,752	4,704	4,181	4,951	4,082	3,533	3,636	19,538	16,202	3,793	
Rate (%)	26.0	30.0	25.1	20.8	26.0	22.2	22.9	23.2	25.4	23.7	25.0	
<b>PAT</b>	<b>13,920</b>	<b>13,415</b>	<b>14,038</b>	<b>15,873</b>	<b>14,096</b>	<b>14,268</b>	<b>11,896</b>	<b>12,037</b>	<b>57,246</b>	<b>52,297</b>	<b>11,378</b>	<b>4.5</b>
Minority Interest	0	862	-95	-66	-82	-104	-202	-250	701	-638	-95	
<b>Reported Profit</b>	<b>13,920</b>	<b>12,553</b>	<b>14,133</b>	<b>15,939</b>	<b>14,178</b>	<b>14,372</b>	<b>12,098</b>	<b>12,287</b>	<b>56,545</b>	<b>52,935</b>	<b>11,473</b>	<b>5.4</b>
<b>Adjusted PAT</b>	<b>13,924</b>	<b>13,593</b>	<b>13,182</b>	<b>15,361</b>	<b>14,178</b>	<b>15,431</b>	<b>13,209</b>	<b>12,287</b>	<b>56,060</b>	<b>55,105</b>	<b>11,473</b>	<b>15.1</b>
YoY Change (%)	2.0	2.4	-4.3	26.7	1.8	13.5	0.2	-20.0	6.1	-1.7	-13.0	
Margins (%)	18.1	17.0	16.0	18.1	16.6	17.5	15.1	14.4	17.3	15.9	14.2	

E - MOFSL Estimates

### KPIs (Consolidated)

Y/E March	FY25				FY26				FY25	FY26E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
<b>INRm</b>										
North America	38,462	37,281	33,834	35,586	34,123	32,408	29,644	28,800	1,45,163	1,24,975
YoY Change (%)	20.3	17.6	1.0	9.1	-11.3	-13.1	-12.4	-19.1	11.8	-13.9
Europe	5,265	5,770	12,096	12,750	12,744	13,762	14,476	14,280	35,881	55,262
YoY Change (%)	3.8	9.2	143.4	144.8	142.1	138.5	19.7	12.0	74.9	54.0
India	13,252	13,971	13,464	13,047	14,711	15,780	16,032	15,135	53,734	61,658
YoY Change (%)	15.4	17.8	14.1	15.8	11.0	12.9	19.1	16.0	15.8	14.7
Russia & Others CIS	7,400	9,000	9,400	8,900	9,100	11,000	13,000	12,113	34,700	45,213
YoY Change (%)	-2.6	12.5	14.6	23.6	23.0	22.2	38.3	36.1	12.3	30.3
Others	3,741	5,600	4,958	5,081	4,942	5,548	5,961	5,469	19,380	21,920
YoY Change (%)	-5.3	32.1	7.0	3.9	32.1	-0.9	20.2	10.0	9.2	13.1
PSAI	7,657	8,407	8,219	9,563	8,181	9,450	8,018	9,180	33,846	34,829
YoY Change (%)	14.1	19.5	4.8	16.4	6.8	12.4	-2.4	-4.0	13.6	2.9
<b>Cost Break-up</b>										
COGS (% of Sales)	39.6	40.4	42.0	44.4	43.1	45.3	46.4	47.3	41.7	45.5
SG&A (% of Sales)	24.6	23.0	23.6	22.9	24.4	23.5	23.5	24.1	23.5	23.9
R&D Expenses(% of Sales)	8.1	9.1	8.1	8.5	7.3	7.0	7.0	7.0	8.4	7.1

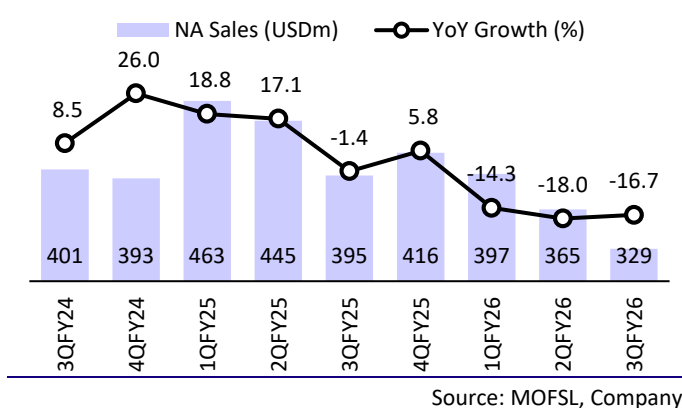


## Management call highlights

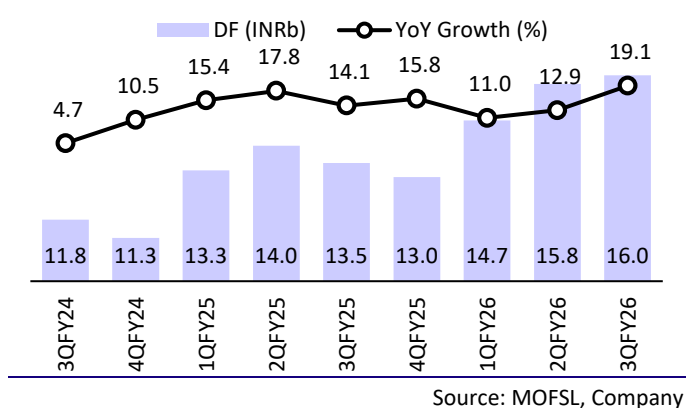
- DRRD awaits approval for semaglutide in Canada and is ready for launch after approval.
- It has received certain comments with respect to fill-finish line on b-Rituximab at Bacchupally site. After responding to USFDA query in the next two weeks, DRRD expects re-inspection for that particular fill-finish line.
- DRRD indicated that innovator (Novo Nordisk) is in the process of tie-ups for authorized generic versions of semaglutide for Canada market.
- With respect to b-Denosumab, DRRD's manufacturing partner, Alvotech, needs to respond to CRL issued by USFDA. The CRL is referring to observations raised by USFDA during the pre-approval inspection.
- On CC basis, Russia segment grew 21% YoY in 3QFY26.
- DRRD had 28 global generics filings and launched 10 products globally in 3QFY26.

## Key exhibits

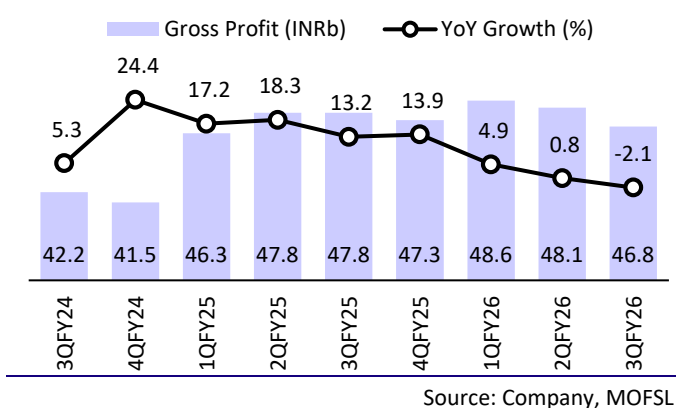
**Exhibit 1: In CC terms, NA sales fell 17% YoY in 3QFY26**



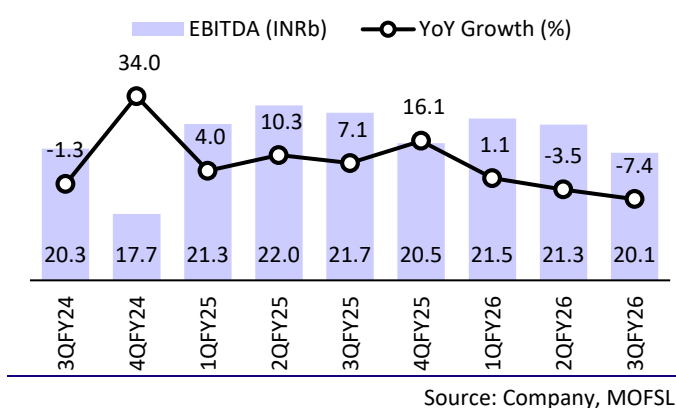
**Exhibit 2: DF sales grew 19% YoY in 3QFY26**



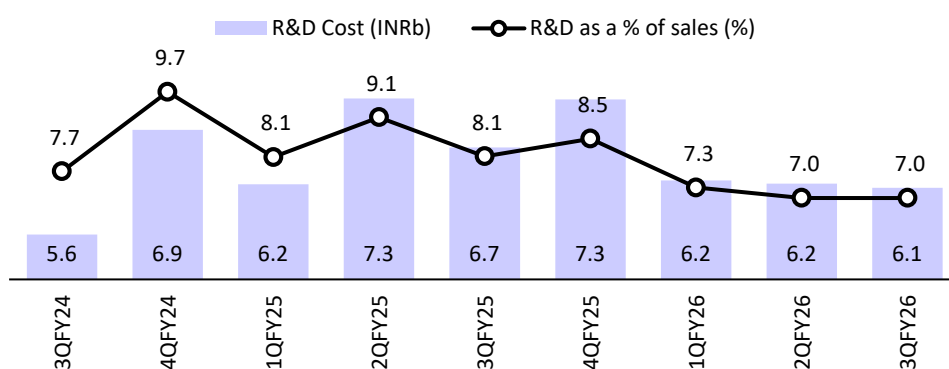
**Exhibit 3: Gross profit declined 2.1% YoY**



**Exhibit 4: EBITDA declined 7.4% YoY**



**Exhibit 5: R&D expenses as a proportion of sales remained stable at 7%**



Source: MOFSL, Company

### India, Europe and EM strength offsets NA softness

#### NA: Near-term pricing and product headwinds; regulatory progress awaited

- 9MFY26 revenue was down 12% YoY (INR96b; USD1.1b), largely due to lower Lenalidomide sales and increased price erosion in select key products.
- Pipeline execution remained active, with six new product launches during 3Q and 18 in 9MFY26; four ANDAs were filed with the USFDA in 3Q, taking total ANDA filings to 10 in 9MFY26.
- As of Dec'25 end, 73 filings were pending with the USFDA, including 71 ANDAs and two NDAs filed under the 505(b)(2) pathway, including one Paragraph IV filing.
- In Canada, DRRD is awaiting regulatory approval for semaglutide and is prepared for launch after approval; management also noted that the innovator, Novo Nordisk, is pursuing tie-ups for an authorized generic version. The company had earlier received a notice of non-compliance from the Canadian regulator, for which responses and clarifications were submitted by mid-Nov'25.
- For b-Rituximab, a CRL was received from the USFDA related to observations from the pre-approval inspection at the Bachupally biologics facility and certain BLA aspects; management expects to respond shortly to USFDA queries on the specific fill-finish line, following which a re-inspection is anticipated.
- With respect to b-Denosumab, a CRL was issued to the manufacturing partner, Alvotech, linked to observations from the USFDA's pre-license inspection of its Reykjavik facility; the partner is in the process of responding to the regulator.
- We expect NA sales to clock a 12% negative CAGR over FY25-28E to USD1.2b.

#### DF: India business delivers steady, innovation-led growth

- DRRD registered growth of 19%/14% YoY in 3QFY26/9MFY26, driven by strong performance of the innovation portfolio, new brand launches, price increases, volume expansion, and incremental contributions from the recently acquired Stugeron portfolio.
- Management (DRRD) highlighted that India business growth remains largely organic (70-80%), led by innovative brands, pricing actions, and volume growth, with limited reliance on acquisitions.
- The company continued to outperform the IPM, with secondary sales growth of 12.3% vs. IPM growth of 11.8% on an MQT basis, and 9.7% vs. IPM growth of 8.9% on a MAT basis.
- Product expansion remained healthy, with two new brands launched during 3Q, taking total brand launches to 18 in 9MFY26.
- We expect a sales CAGR of 14% to reach INR79b over FY25-28E.

### Emerging markets: Russia-led emerging market growth drives strong 3Q

- 9MFY26 revenue increased 21% YoY to INR49.5b, supported by new product launches across markets, favorable forex, and volume-led sequential growth.
- Russia remained a key revenue contributor, with 3Q revenue of INR10.6b (~12% of total revenue), growing 51% YoY, and 9MFY26 revenue of INR26.4b (~10% of total revenue), up 36% YoY.
- CIS (ex-Russia) and Romania revenues were largely stable, with 3Q growth of 1% YoY and 9MFY26 growth of 4% YoY, aided by pricing actions and favorable forex, partly offset by lower volume uptake.
- Rest of World revenues supported overall performance, with 3QFY26/9MFY26 revenues growing 21%/10% YoY, driven by new product launches and higher volumes, partly offset by price erosion.
- Product pipeline remained robust, with 30 new products launched during 3Q, taking total launches to 80 in 9MFY26, underpinning stable growth across emerging markets.
- Overall, we expect a sales CAGR of 17% to reach INR87b over FY25-28E.

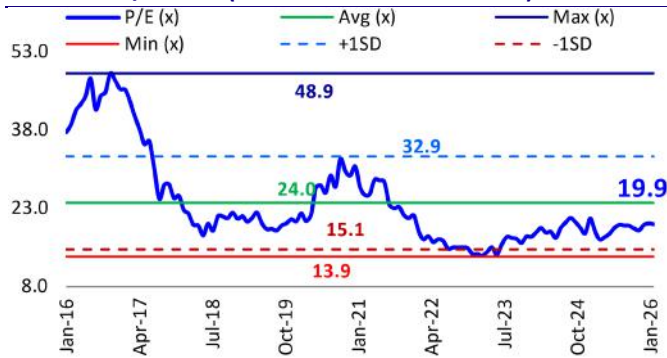
### PSAI segment: Near-term volume softness

- Despite near-term pressure, the PSAI business delivered steady growth in 9MFY26, supported by underlying customer demand and portfolio breadth.
- During the quarter, the company filed 3 drug master files (DMFs) globally, taking the cumulative DMF filings to 80 in 9MFY26.
- We expect the PSAI business to post a 14% sales CAGR to reach INR50b over FY25-28E.

### Maintain Neutral

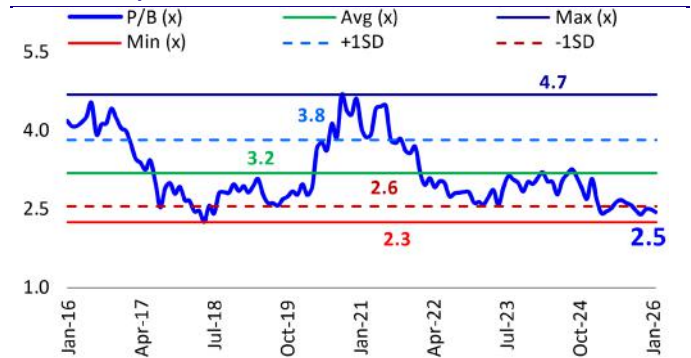
- We reduce our estimates for FY26 by 4% to factor in the delay in semaglutide launch in Canada and raise our estimate for FY27 by 6% to factor in better growth prospects in India/EU/Russia. We value DRRD at 18x 12M forward earnings to arrive at a TP of INR1,220.
- While DRRD is implementing efforts to improve growth across key markets, the overall earnings would be stable over FY26-FY28 due to anticipated competition in g-Revlimid and some gestation period for certain niche opportunities (Semaglutide/Abatacept) to provide commercial benefit. Maintain Neutral.

Exhibit 6: P/E chart (Please add editable charts)



Source: MOFSL, Company, Bloomberg

Exhibit 7: P/B chart

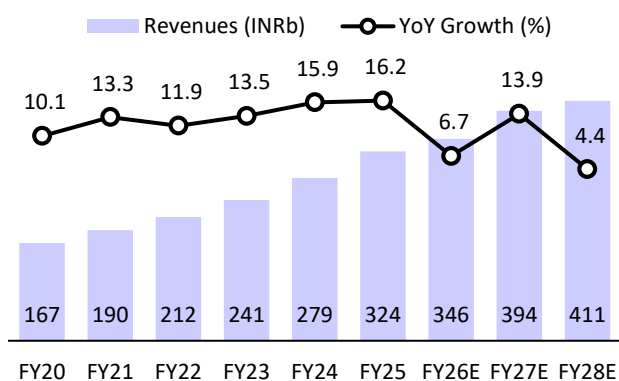


Source: MOFSL, Company, Bloomberg

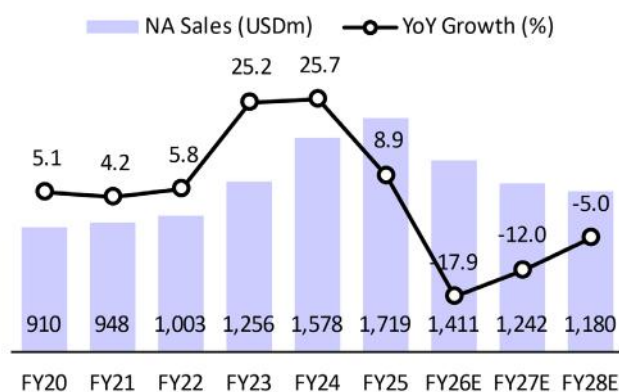


## Story in charts

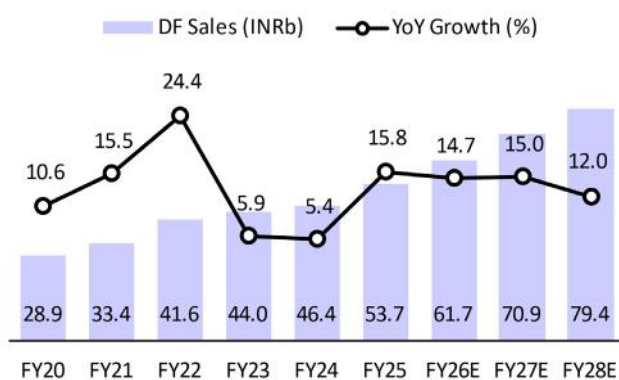
**Exhibit 8: Expect sales CAGR of 8.2% over FY25-28**



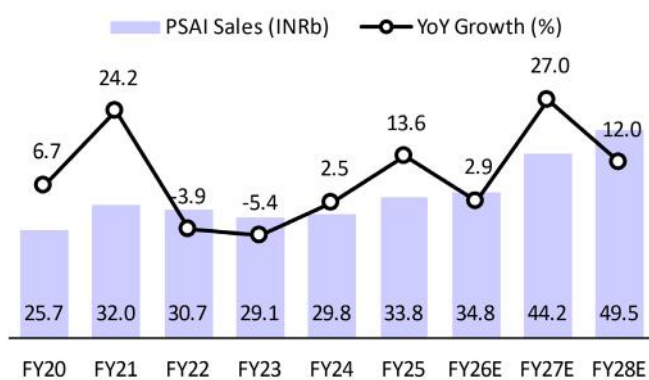
**Exhibit 9: NA sales to remain in check over FY26-28**



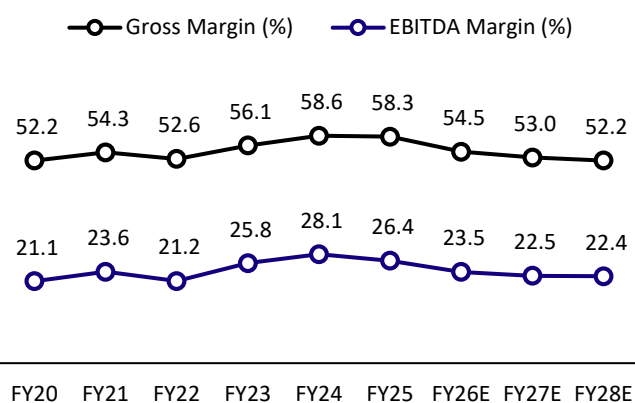
**Exhibit 10: DF sales to clock 13.9% CAGR over FY25-28**



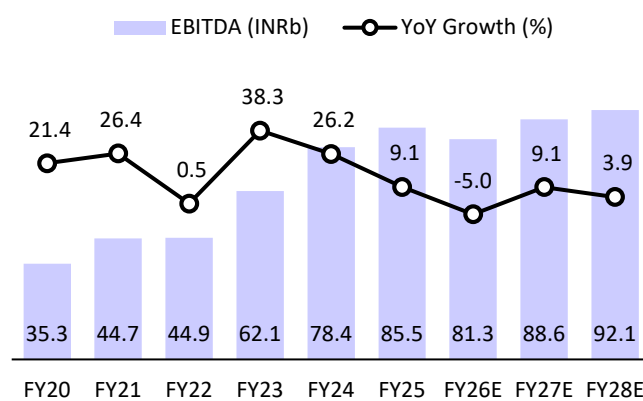
**Exhibit 11: PSAI to post 13.5% sales CAGR over FY25-28**



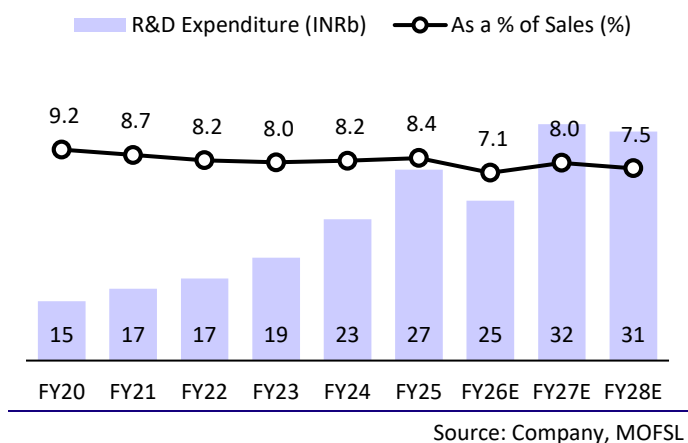
**Exhibit 12: Gross margin to contract 610bp over FY25-28**



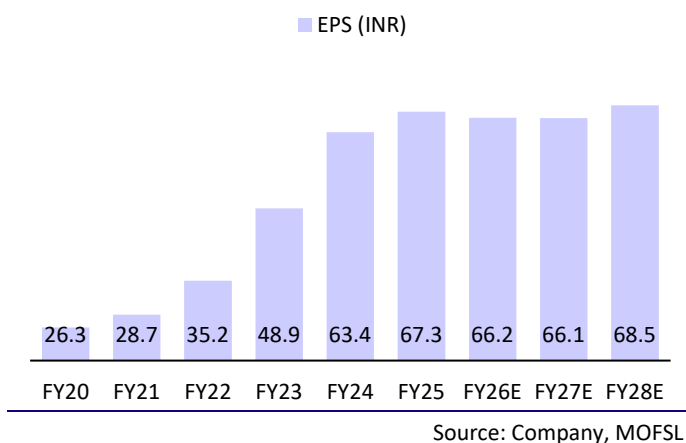
**Exhibit 13: EBITDA to rise steadily over FY25-28**



**Exhibit 14: R&D expenses to be in range of 7-8% of sales over FY26-28**



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



## Financials and valuations

Income Statement							(INR m)
Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Net Sales</b>	<b>2,12,227</b>	<b>2,40,936</b>	<b>2,79,164</b>	<b>3,24,269</b>	<b>3,45,903</b>	<b>3,93,947</b>	<b>4,11,263</b>
Change (%)	11.9	13.5	15.9	16.2	6.7	13.9	4.4
Total Expenditure	1,67,306	1,78,813	2,00,784	2,38,731	2,64,637	3,05,309	3,19,140
<b>EBITDA</b>	<b>44,921</b>	<b>62,123</b>	<b>78,380</b>	<b>85,538</b>	<b>81,267</b>	<b>88,638</b>	<b>92,123</b>
Change (%)	0.5	38.3	26.2	9.1	-5.0	9.1	3.9
Margin (%)	21.2	25.8	28.1	26.4	23.5	22.5	22.4
Depreciation & Amort.	11,825	12,663	14,847	17,064	20,081	20,485	21,386
Net Interest Exp	-2,119	-2,853	-3,494	-4,724	-5,012	-4,648	-4,260
One-off (Gains)/Loss	6,381	-5,445	-1,981	-509	2,803	0	0
<b>PBT before EO Expense</b>	<b>38,679</b>	<b>53,943</b>	<b>69,889</b>	<b>76,275</b>	<b>71,302</b>	<b>73,901</b>	<b>76,099</b>
Change (%)	10.5	39.5	29.6	9.1	-6.5	3.6	3.0
<b>PBT after EO Expense</b>	<b>32,298</b>	<b>59,388</b>	<b>71,870</b>	<b>76,784</b>	<b>68,499</b>	<b>73,901</b>	<b>76,099</b>
Tax	8,730	15,300	16,186	19,538	16,202	18,845	19,025
Tax Rate (%)	27.0	25.8	22.5	25.4	23.7	25.5	25.0
<b>Reported PAT</b>	<b>23,568</b>	<b>44,088</b>	<b>55,684</b>	<b>56,545</b>	<b>52,935</b>	<b>55,057</b>	<b>57,074</b>
<b>Adjusted Net Profit</b>	<b>29,265</b>	<b>40,775</b>	<b>52,827</b>	<b>56,060</b>	<b>55,105</b>	<b>55,057</b>	<b>57,074</b>
Change (%)	22.8	39.3	29.6	6.1	-1.7	-0.1	3.7
Margin (%)	13.8	16.9	18.9	17.3	15.9	14.0	13.9

E: MOFSL Estimates

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	2,79,717	3,36,333	3,85,089	4,35,968	4,88,863
<b>Net Worth</b>	<b>1,90,527</b>	<b>2,30,991</b>	<b>2,80,550</b>	<b>3,37,166</b>	<b>3,85,922</b>	<b>4,36,801</b>	<b>4,89,696</b>
Loans	33,845	13,472	20,020	46,766	45,766	44,766	43,766
Deferred Liabilities/Tax	-12,721	-6,363	-9,865	-4,400	-4,400	-4,400	-4,400
<b>Capital Employed</b>	<b>2,11,651</b>	<b>2,38,100</b>	<b>2,90,705</b>	<b>3,79,532</b>	<b>4,27,288</b>	<b>4,77,167</b>	<b>5,29,062</b>
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	1,63,283	1,83,768	2,05,154
<b>Net Fixed Assets</b>	<b>62,169</b>	<b>66,462</b>	<b>76,886</b>	<b>97,761</b>	<b>92,268</b>	<b>80,645</b>	<b>68,122</b>
Investments	38,393	62,180	81,250	59,428	59,428	59,428	59,428
Goodwill	31,664	35,094	41,204	108,613	108,613	108,613	108,613
<b>Curr. Assets</b>	<b>1,51,647</b>	<b>1,50,922</b>	<b>1,77,404</b>	<b>2,08,679</b>	<b>2,63,678</b>	<b>3,34,602</b>	<b>4,05,055</b>
Inventory	50,884	48,670	63,552	71,085	75,583	79,617	84,531
Account Receivables	66,818	72,485	80,298	90,420	105,943	104,505	117,324
Cash and Bank Balance	14,852	5,779	7,107	14,654	50,464	114,468	165,629
Others	19,093	23,988	26,447	32,520	31,688	36,012	37,571
<b>Curr. Liability &amp; Prov.</b>	<b>72,222</b>	<b>76,558</b>	<b>86,039</b>	<b>94,949</b>	<b>96,698</b>	<b>1,06,121</b>	<b>1,12,155</b>
Account Payables	25,572	26,444	30,919	35,523	36,375	36,661	38,924
Other Current Liabilities	46,650	50,114	55,120	59,426	60,324	69,460	73,231
<b>Net Current Assets</b>	<b>79,425</b>	<b>74,364</b>	<b>91,365</b>	<b>1,13,730</b>	<b>1,66,980</b>	<b>2,28,481</b>	<b>2,92,900</b>
<b>Appl. of Funds</b>	<b>2,11,651</b>	<b>2,38,100</b>	<b>2,90,705</b>	<b>3,79,532</b>	<b>4,27,288</b>	<b>4,77,167</b>	<b>5,29,062</b>



## Financials and valuations

### Ratios

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Basic (INR)</b>							
<b>EPS</b>	<b>35.2</b>	<b>48.9</b>	<b>63.4</b>	<b>67.3</b>	<b>66.2</b>	<b>66.1</b>	<b>68.5</b>
Cash EPS	49.4	64.2	81.2	87.8	90.3	90.7	94.2
BV/Share	229.0	277.3	336.8	404.8	463.3	524.4	587.9
DPS	4.1	4.1	4.3	4.3	4.3	4.3	4.3
Payout (%)	16.9	9.0	7.5	7.4	7.9	7.6	7.3
<b>Valuation (x)</b>							
P/E	32.8	23.6	18.2	17.2	17.5	17.5	16.9
Cash P/E	23.4	18.0	14.2	13.2	12.8	12.7	12.3
P/BV	5.0	4.2	3.4	2.9	2.5	2.2	2.0
EV/Sales	4.9	4.2	3.5	3.2	2.9	2.4	2.1
EV/EBITDA	23.1	16.2	12.6	12.1	12.3	10.5	9.5
Dividend Yield (%)	0.4	0.4	0.4	0.4	0.4	0.4	0.4
<b>Return Ratios (%)</b>							
ROIC	18.0	23.1	27.6	21.0	16.3	16.8	17.9
RoE	16.0	19.3	20.7	18.2	15.2	13.4	12.3
RoCE	12.3	15.9	18.4	14.9	11.6	10.6	10.1
<b>Working Capital Ratios</b>							
Fixed Asset Turnover (x)	1.4	1.4	1.5	1.5	1.4	1.5	1.5
Debtor (Days)	100	106	100	96	104	97	98
Inventory (Days)	83	75	73	76	77	72	73
Payable (Days)	38	39	38	37	38	34	34
<b>Leverage Ratio</b>							
Current Ratio (x)	2.1	2.0	2.1	2.2	2.7	3.1	3.6
Net Debt/Equity (x)	-0.2	-0.3	-0.3	-0.1	-0.3	-0.6	-0.7

### Cash Flow Statement

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Op. Profit before Tax</b>							
Depreciation	11,652	12,502	14,700	17,037	20,081	20,485	21,386
Interest/Div. Recd.	-7	248	-567	152	-2,301	-1,101	-1,101
Direct Taxes Paid	-7,437	-10,714	-20,047	-19,993	-16,202	-18,845	-19,025
(Inc)/Dec in WC	-18,407	-7,855	-20,182	-29,989	-17,440	2,502	-13,258
Other Items	11,693	4,209	-481	2,426			
<b>CF from Operations</b>	<b>28,108</b>	<b>58,875</b>	<b>45,433</b>	<b>46,428</b>	<b>55,439</b>	<b>76,943</b>	<b>64,101</b>
EO Expense	0	0	0	0	0	0	0
<b>CF from Operations</b>	<b>28,108</b>	<b>58,875</b>	<b>45,433</b>	<b>46,428</b>	<b>55,439</b>	<b>76,943</b>	<b>64,101</b>
(inc)/dec in FA	-15,733	-18,784	-26,350	-33,154	-14,588	-8,863	-8,863
<b>Free Cash Flow</b>	<b>12,375</b>	<b>40,091</b>	<b>19,083</b>	<b>13,274</b>	<b>40,852</b>	<b>68,081</b>	<b>55,238</b>
(Pur)/Sale of Inv	-11,201	-23,366	-15,716	25,118	0	0	0
<b>Others</b>	<b>1,280</b>	<b>1,063</b>	<b>1,724</b>	<b>-42,985</b>			
<b>CF from Inv.</b>	<b>-25,654</b>	<b>-41,087</b>	<b>-40,342</b>	<b>-51,021</b>	<b>-14,588</b>	<b>-8,863</b>	<b>-8,863</b>
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
Dividend Paid	-4,146	-4,979	-6,648	-6,662	-4,178	-4,076	-4,076
<b>CF from Fin. Activity</b>	<b>-2,422</b>	<b>-26,861</b>	<b>-3,763</b>	<b>11,855</b>	<b>-5,103</b>	<b>-4,138</b>	<b>-4,138</b>
<b>Inc/Dec of Cash</b>	<b>32</b>	<b>-9,073</b>	<b>1,328</b>	<b>7,262</b>	<b>35,749</b>	<b>63,943</b>	<b>51,100</b>
Add: Beg. Balance	14,829	14,852	5,779	7,107	14,654	50,464	1,14,468
<b>Closing Balance</b>	<b>14,861</b>	<b>5,779</b>	<b>7,107</b>	<b>14,369</b>	<b>50,403</b>	<b>1,14,407</b>	<b>1,65,568</b>
<b>BB/OD</b>	<b>-9</b>	<b>0</b>	<b>0</b>	<b>61</b>	<b>61</b>	<b>61</b>	<b>61</b>
<b>Closing Balance</b>	<b>14,852</b>	<b>5,779</b>	<b>7,107</b>	<b>14,654</b>	<b>50,464</b>	<b>1,14,468</b>	<b>1,65,629</b>

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 and BSE enlistment no. 5028. 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 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 and is a member of Association of Portfolio Managers in India (APMI) for distribution of PMS products. Details of associate entities of Motilal Oswal Financial Services Ltd. are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/Associate%20Details.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 service 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>. As per Regulatory requirements, Research Audit Report is uploaded on [www.motilaloswal.com](http://www.motilaloswal.com) > MOFSL-Important Links > MOFSL Research Analyst Compliance Audit Report.

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") (UEN 201129401Z), which is a holder of a capital markets services license and an exempt financial adviser in Singapore. This report is distributed solely to persons who (a) qualify as "institutional investors" as defined in section 4A(1)(c) of the Securities and Futures Act of Singapore ("SFA") or (b) are considered "accredited investors" as defined in section 2(1) of the Financial Advisers Regulations of Singapore read with section 4A(1)(a) of the SFA. Accordingly, if a recipient is neither an "institutional investor" nor an "accredited investor", they must immediately discontinue any use of this Report and inform MOCMSPL.

In respect of any matter arising from or in connection with the research you could contact the following representatives of MOCMSPL. In case of grievances for any of the services rendered by MOCMSPL write to [grievances@motilaloswal.com](mailto:grievances@motilaloswal.com).

Nainesh Rajani

Email: [nainesh.rajani@motilaloswal.com](mailto:nainesh.rajani@motilaloswal.com)

Contact: (+65) 8328 0276

#### Specific Disclosures

- Research Analyst and/or his/her relatives do not have a financial interest in the subject company(ies), as they do not have equity holdings in the subject company(ies). MOFSL has financial interest in the subject company(ies) at the end of the week immediately preceding the date of publication of the Research Report: Yes.  
Nature of Financial interest is holding equity shares or derivatives of the subject company
- Research Analyst and/or his/her relatives do not have actual/beneficial ownership of 1% or more securities in the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report.  
MOFSL has actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: No
- Research Analyst and/or his/her relatives have not received compensation/other benefits from the subject company(ies) in the past 12 months.  
MOFSL may have received compensation from the subject company(ies) in the past 12 months.
- Research Analyst and/or his/her relatives do not have material conflict of interest in the subject company at the time of publication of research report.  
MOFSL does not have material conflict of interest in the subject company at the time of publication of research report.
- Research Analyst has not served as an officer, director or employee of subject company(ies).
- MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months.
- MOFSL has not received compensation for investment banking /merchant banking/brokerage services from the subject company(ies) in the past 12 months.
- MOFSL may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company(ies) in the past 12 months.
- MOFSL may have received compensation or other benefits from the subject company(ies) or third party in connection with the research report.
- 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, nor 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, enlistment as RA with Exchange 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
Mr. Neeraj Agarwal	022 40548085	na@motilaloswal.com
Mr. Siddhartha Khemka	022 50362452	po.research@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, BSE enlistment no. 5028, AMFI registered Mutual Fund Distributor and SIF Distributor: ARN : 146822. IRDA Corporate Agent – CA0579, APMI: APRN00233. 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.