

# Dr Reddy's Labs

Estimate change	↓
TP change	↓
Rating change	↔

**CMP: INR1,270      TP: INR1,195 (-6%)      Neutral**

## Earnings miss; Revlimid erosion drags growth momentum

### Limited niche opportunities weigh on earnings growth visibility

Bloomberg	DRRD IN
Equity Shares (m)	835
M.Cap.(INRb)/(USDb)	1060 / 11.1
52-Week Range (INR)	1380 / 1143
1, 6, 12 Rel. Per (%)	6/13/12
12M Avg Val (INR M)	2388

### Financials & Valuations (INR b)

Y/E MARCH	FY26	FY27E	FY28E
Sales	340.5	358.6	401.3
EBITDA	74.7	68.8	88.4
Adj. PAT	49.3	39.2	52.8
EBITDA Margin (%)	21.9	19.2	22.0
Adj. EPS (INR)	59.1	46.9	63.3
EPS Gr. (%)	-12.0	-20.6	34.8
BV/Sh. (INR)	456	492	548

### Ratios

Net D:E	-0.1	-0.4	-0.5
RoE (%)	13.8	9.9	12.2
RoCE (%)	10.4	6.9	8.9
Payout (%)	9.8	13.1	11.6

### Valuations

P/E (x)	19.6	24.6	18.3
EV/EBITDA (x)	12.5	12.7	9.4
Div. Yield (%)	0.3	0.4	0.5
FCF Yield (%)	2.1	7.5	4.7
EV/Sales (x)	2.8	2.4	2.1

### Shareholding Pattern (%)

As of	Mar-26	Dec-25	Mar-25
Promoter	26.6	26.6	26.6
DII	30.7	30.4	25.6
FII	33.3	33.5	37.6
Others	9.3	9.5	10.2

FII includes depository receipts

- Dr Reddy's Labs (DRRD) delivered lower-than-expected 4Q performance with a 4%/32%/43% miss on sales/EBITDA/PAT. These misses were after adding shelf-stock adjustments related to g-Revlimid. Reduced sales in North America (NA) considerably hurt the performance for the quarter.
- After three years of robust growth in NA sales over FY22-25, FY26 witnessed a 23% YoY decline in sales, led by increased competition in g-Revlimid. DRRD had 25 launches in FY26, offsetting the adverse impact to some extent.
- Pricing pressure in generics dragged the EU revenue, and lower volume off-take in CIS countries hit the overall performance for the quarter.
- Enhanced focus on innovative products and higher marketing efforts led to considerable industry outperformance in the domestic formulation (DF) segment in 4QFY26.
- The NRT portfolio grew at a better-than-expected rate of 16% YoY for 4Q.
- We cut our earnings estimate by 25%/8% for FY27/FY28, factoring in 1) reduced profitability post-competition in g-Revlimid, 2) delay in semaglutide launches in certain markets like Brazil/Canada, 3) pricing pressure in the generics portfolio, and 4) lower operating leverage. We value DRRD at 18x 12M forward earnings to arrive at our TP of INR1,195.
- DRRD's earnings decelerated in FY25 and FY26 after recording a robust show during FY20-25. We expect the earnings to further decline in FY27 due to a lower pace of niche launches. Certain niche products like b-abatacept are under regulatory process, which might revive FY28 earnings, subject to timely approval. **We reiterate our Neutral rating on the stock.**

### Lenalidomide normalization continues to put pressure on growth and profitability

- DRRD's 4QFY26 revenue declined 11.6% YoY to INR75.2b (vs. our estimate of INR83.3b), impacted by a Shelf Stock Adjustment (INR4.5b; SSA) related to Lenalidomide. Adjusted for this, revenue declined 6.3% YoY to INR80b.
- Adjusted for the SSA, gross margin contracted 760bp YoY to 48%, due to reduced Lenalidomide sales/price erosion in NA/EU Generics businesses.
- EBITDA margin contracted 930bp YoY to 14.8% (vs. our estimate of 20.9%).
- EBITDA declined 42.6% YoY to INR11.7b (vs. our estimate of INR17.4b). This was adjusted against a one-off expense (INR1.1b) related to VAT liability.
- Further, adjusting for a one-off gain of INR1.9b on the sale of non-core assets, PAT declined 57.6% YoY to INR6.5b (vs. our estimate of INR11.5b).
- For FY26, its revenue increased 5%, while EBITDA/PAT declined 12.7%/12%.

### Strong growth across India, the EU, and EM offset by a sharp dip in NA

- NA sales declined 51% YoY to INR17.6b (~USD187m; 23% of sales). Adjusted for the SSA, NA sales declined 38% YoY to INR22.1b (~USD235m).
- Europe (EU) sales grew 14% YoY to INR14.5b (19% of sales), led by contributions from the NRT portfolio, product launches, higher volumes, and favorable forex movements. NRT sales increased 16% YoY to INR7b.

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

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- India sales grew 20% YoY to INR15.7b (21% of sales), driven by innovative product launches, price hikes, higher volumes, and contributions from recently acquired portfolios.
- Emerging market sales grew 29% YoY to INR18.1b (24% of sales).
- Pharmaceutical Services and Active Ingredients (PSAI) segment revenue declined 5% YoY to INR9.1b (12% of sales).

#### Highlights from the management commentary

- Compared to the earlier guidance of 12m units of Semaglutide sales, DRRD lowered the guidance to 10-11m units for FY27, considering some delay in approval. DRRD has assumed a price of USD30+ per unit, subject to competition.
- SGA spending would include higher marketing/promotional expenses for innovative products. Hence, SGA spending would be similar to that of FY27.
- With respect to the Intravenous (IV) version of b-Abatacept, DRRD awaits plant inspection at Bacchupally. DRRD continues to work on the subcutaneous version.
- DRRD expects GM to improve to 50-52% in FY27.

#### Consolidated Quarterly Performance

Y/E March	(INRm)											
	FY25				FY26				FY25	FY26	Estimates	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	% 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>79,692</b>	<b>3,24,269</b>	<b>3,40,463</b>	<b>83,332</b>	<b>-4.4</b>
YoY Change (%)	13.9	16.5	14.1	20.1	11.4	9.8	6.0	-6.3	16.2	5.0	-2.0	
<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>11,772</b>	<b>85,538</b>	<b>74,650</b>	<b>17,416</b>	<b>-32.4</b>
YoY Change (%)	4.0	10.3	7.1	16.1	1.1	-3.5	-7.4	-42.6	9.1	-12.7	-15.1	
Margins (%)	27.7	27.5	26.4	24.1	25.2	24.1	23.1	14.8	26.4	21.9	20.9	
Amortization	3,815	3,975	4,719	4,555	4,765	5,051	5,215	5,576	17,064	20,607	5,050	
Other Income	1,366	2,600	461	3,374	2,311	3,510	1,961	2,221	7,801	10,003	2,334	
<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>8,417</b>	<b>76,275</b>	<b>64,046</b>	<b>14,700</b>	
One-off income/(expense)	-5	-1,486	1,270	730	0	-1,362	-1,441	-6,426	509	-9,229	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>1,991</b>	<b>76,784</b>	<b>54,817</b>	<b>14,700</b>	
Rate (%)	26.0	30.0	25.1	20.8	26.0	22.2	22.9	-10.7	25.4	22.5	23.2	
<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>2,205</b>	<b>57,246</b>	<b>42,465</b>	<b>11,290</b>	
Minority Interest	0	862	-95	-66	-82	-104	-202	4	701	-384	-250	
<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>2,201</b>	<b>56,545</b>	<b>42,849</b>	<b>11,540</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>6,519</b>	<b>56,060</b>	<b>49,337</b>	<b>11,540</b>	<b>-43.5</b>
YoY Change (%)	2.0	2.4	-4.3	26.7	1.8	13.5	0.2	-57.6	6.1	-12.0	-24.9	
Margins (%)	18.1	17.0	16.0	18.1	16.6	17.5	15.1	8.2	17.3	14.5	13.8	

E - MOFSL Estimates

**Key performance Indicators (Consolidated)**

Y/E March	FY25				FY26				FY25	FY26E
INRm	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
North America	38,462	37,281	33,834	35,586	34,123	32,408	29,644	22,092	1,45,163	1,18,267
YoY Change (%)	20.3	17.6	1.0	9.1	-11.3	-13.1	-12.4	-37.9	11.8	-18.5
Europe	5,265	5,770	12,096	12,750	12,744	13,762	14,476	14,520	35,881	55,502
YoY Change (%)	3.8	9.2	143.4	144.8	142.1	138.5	19.7	13.9	74.9	54.7
India	13,252	13,971	13,464	13,047	14,711	15,780	16,032	15,663	53,734	62,186
YoY Change (%)	15.4	17.8	14.1	15.8	11.0	12.9	19.1	20.1	15.8	15.7
Russia & Others CIS	7,400	9,000	9,400	8,900	9,100	11,000	13,000	10,700	34,700	43,800
YoY Change (%)	-2.6	12.5	14.6	23.6	23.0	22.2	38.3	20.2	12.3	26.2
Others	3,741	5,600	4,958	5,081	4,942	5,548	5,961	7,357	19,380	23,808
YoY Change (%)	-5.3	32.1	7.0	3.9	32.1	-0.9	20.2	44.8	9.2	22.8
PSAI	7,657	8,407	8,219	9,563	8,181	9,450	8,018	9,124	33,846	34,773
YoY Change (%)	14.1	19.5	4.8	16.4	6.8	12.4	-2.4	-4.6	13.6	2.7
<b>Cost Break-up</b>										
COGS (% of Sales)	39.6	40.4	42.0	44.4	43.1	45.3	46.4	52.0	41.7	46.6
SG&A (% of Sales)	24.6	23.0	23.6	22.9	24.4	23.5	23.5	26.3	23.5	24.4
R&D Expenses(% of Sales)	8.1	9.1	8.1	8.5	7.3	7.0	7.0	6.9	8.4	7.1
Gross Margins(%)	60.4	59.6	58.0	55.6	56.9	54.7	53.6	48.0	58.3	53.4
EBITDA Margins(%)	27.7	27.5	26.4	24.1	25.2	24.1	23.1	14.8	26.4	21.9
EBIT Margins(%)	22.8	22.5	20.7	18.8	19.6	18.4	17.1	7.8	21.1	15.9

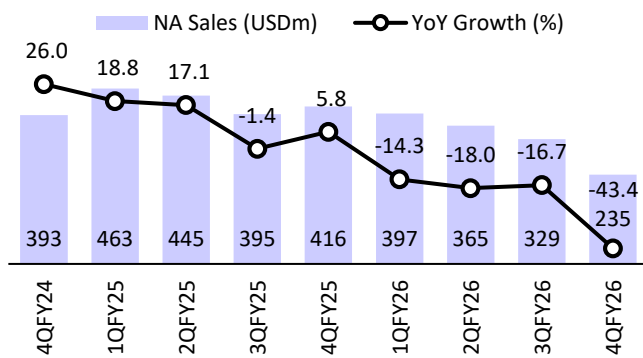


**Key highlights from the management commentary**

- B-denosumab is launched in the EU by DRRD. The Partner has to address inefficiency with respect to the USFDA approval.
- DRRD is expected to launch 27 products in NA in FY27. Ex-g-Revlimid/ex-Semaglutide, DRRD expects double-digit YoY revenue growth in NA for FY27.
- DRRD expects approval for Semaglutide in the Brazilian market, probably with a 3-4 month delay.
- DRRD expects EBITDA margin to be 20% for FY27 on an ex-Semaglutide basis.
- DRRD guided capex of INR20b for FY27, largely towards biosimilars and product-specific investments
- The ETR for FY27 would be 24-25%.

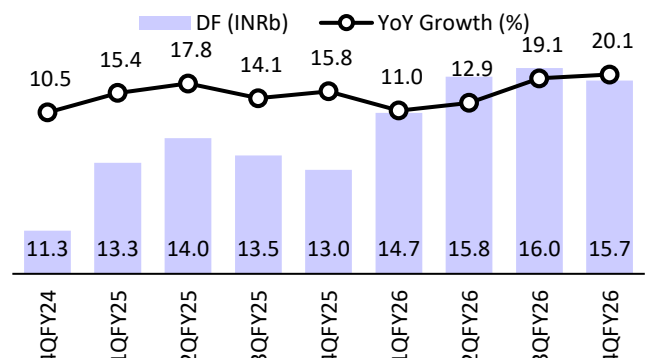
**Key exhibits**

**Exhibit 1: In CC terms, NA sales fell 43% YoY in 4QFY26**



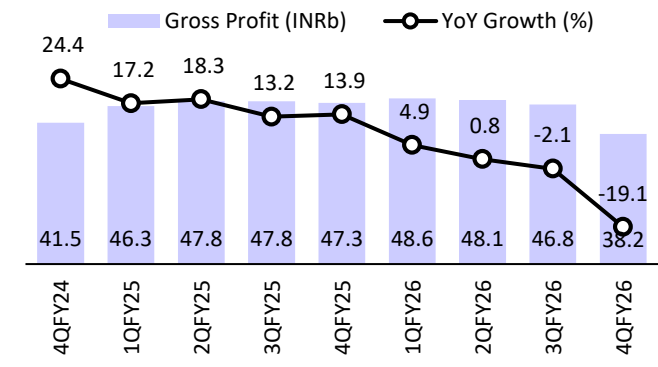
Note: NA sales is adj. for SSA in 4QFY26; Source: MOFSL, Company

**Exhibit 2: DF sales grew 20% YoY in 4QFY26**



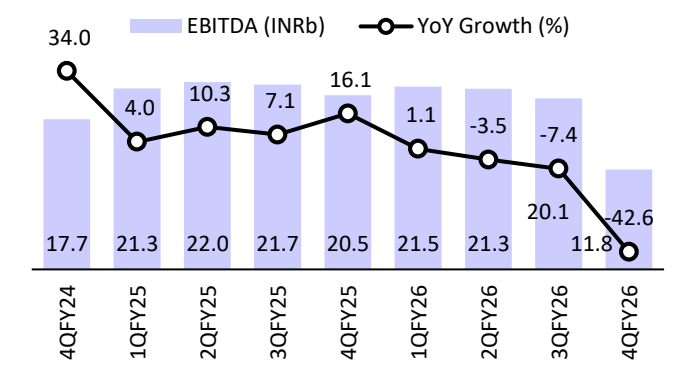
Source: MOFSL, Company

**Exhibit 3: Gross profit declined 19% YoY**



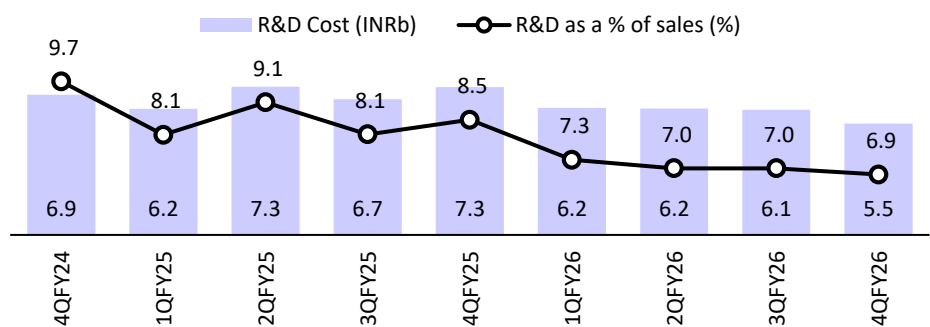
Source: Company, MOFSL

**Exhibit 4: EBITDA declined 43% YoY**



Source: Company, MOFSL

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



Source: MOFSL, Company

**Broad-based growth outside the US partially cushions the dip in NA**

**NA: g-Revlimid normalization weighs on growth; base business stable**

- NA revenue declined 22% YoY to INR113.7b in FY26, largely impacted by a sharp decline in g-revlimid sales along with a one-time shelf stock adjustment (SSA). Excluding SSA, NA sales still declined 19% YoY, reflecting normalization after exceptionally strong contributions in prior years.
- The company launched 25 products and filed 15 ANDAs during FY26, with a healthy pending pipeline of 77 filings, including 22 First-to-File opportunities, which should support steady launch momentum going forward.
- Progress in differentiated segments remains encouraging with advancement in semaglutide and biosimilar portfolios, including acceptance of the abatacept biosimilar BLA by the USFDA.
- However, with increasing competition in key products and the absence of large exclusivity-led opportunities, we expect the US business growth trajectory to weaken despite continued contribution from new launches and differentiated products.
- We expect NA sales to clock a 2% negative CAGR over FY26-28E to USD1.3b.

**DF: Strong chronic-led execution continues to outperform the industry**

- The DF business delivered strong growth with revenue increasing 16% YoY to INR62.2b in FY26, materially ahead of IPM growth.
- Growth was driven by strong execution in chronic therapies, new brand launches, innovation portfolio, price increases, higher volumes, and contributions from acquired brands such as Progynova and Stugeron.

- The company continued to outperform the Indian Pharmaceutical Market (IPM), reporting 12.1% MAT growth versus industry growth of 9.9%, while strengthening its positioning in key therapies.
- Strategic focus on differentiated launches was visible through the day-1 launch of generic semaglutide injection (Obeda) and approval for semaglutide tablets in India, which could strengthen the long-term diabetes/obesity franchise.
- With an improving portfolio mix, strong brand equity, and continued focus on specialty/chronic therapies, India is expected to remain one of the key steady growth drivers.
- We expect a sales CAGR of 14% to reach INR81b over FY26-28E.

#### **Emerging markets: Broad-based growth led by Russia**

- Emerging Markets revenue grew 23% YoY to INR67.6b in FY26, driven by strong momentum across Russia and Rest of World (RoW) markets.
- Russia sales increased 34% YoY, supported by new launches, price increases in select brands, and favorable currency movement, while RoW markets grew 19% YoY, aided by higher volumes from existing products.
- The company launched 129 products across emerging markets during FY26, highlighting continued focus on geographic expansion and portfolio diversification.
- DRRD continued to outperform the Russian market growth rate, supported by deeper penetration and differentiated launches such as Tegoprazan.
- While some CIS markets witnessed pricing and volume pressure, the broader EM business continues to benefit from diversification across geographies and products.
- We expect the segment to maintain healthy growth momentum over the medium term, impacted by periodic forex and geopolitical volatility.
- Overall, we expect a sales CAGR of 14% to reach INR87b over FY26-28E.

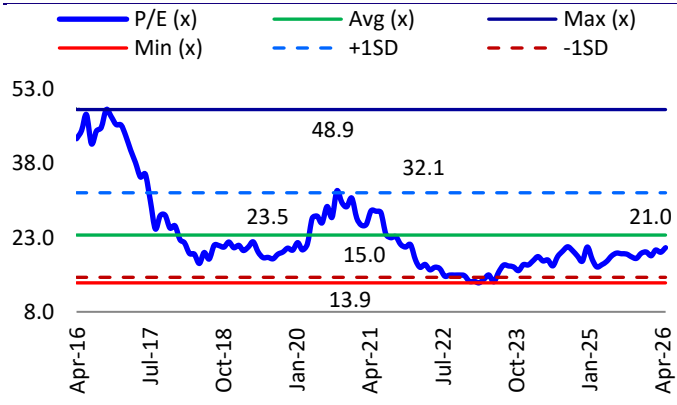
#### **PSAI segment: CDMO traction offsets softer API demand environment**

- PSAI revenue grew 3% YoY to INR34.7b in FY26, supported by improving traction in the CDMO business despite volatility in the core API segment.
- Management highlighted increasing collaboration opportunities under Aurigene Pharmaceutical Services, indicating a gradual scaling up of the CDMO platform.
- The company continued to strengthen its development pipeline with 128 DMF filings during FY26, including 16 US DMFs.
- While the traditional API business continues to face demand and pricing pressure, rising contribution from CDMO and differentiated offerings could support gradual improvement in business quality over the medium term.
- Overall, PSAI growth is likely to remain moderate, though an improving CDMO mix could support relatively better profitability and stability going forward.
- We expect the PSAI business to post a 9% sales CAGR to reach INR41b over FY26-28E.

**Reiterate Neutral**

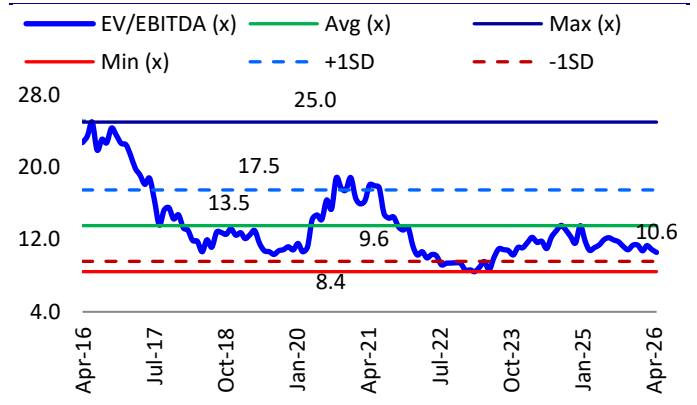
- We cut our earnings estimate by 25%/8% for FY27/FY28, factoring in 1) reduced profitability post-competition in g-Revlimid, 2) delay in semaglutide launches in certain markets like Brazil/Canada, 3) pricing pressure in the generics portfolio, and 4) lower operating leverage. We value DRRD at 18x 12M forward earnings to arrive at our TP of INR1,195.
- DRRD's earnings decelerated in FY25 and FY26 after recording a robust show during FY20-25. We expect the earnings to further decline in FY27 due to a lower pace of niche launches. Certain niche products like b-abatacept are under regulatory process, which might revive FY28 earnings, subject to timely approval. **We reiterate our Neutral rating on the stock.**

**Exhibit 6: P/E chart**



Source: MOFSL, Company, Bloomberg

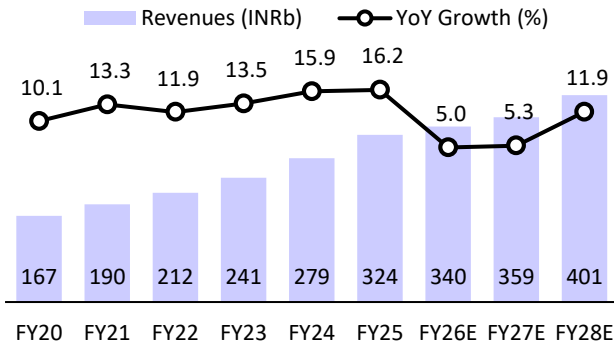
**Exhibit 7: EV/EBITDA chart**



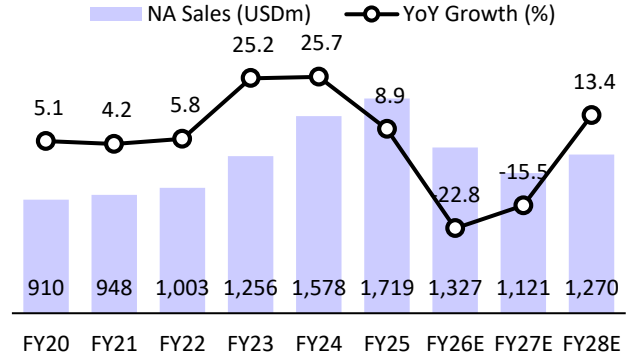
Source: MOFSL, Company, Bloomberg

## Story in charts

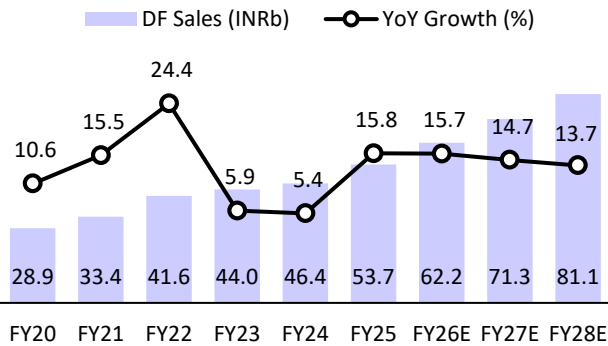
**Exhibit 8: Expect sales CAGR of 9% over FY25-28**



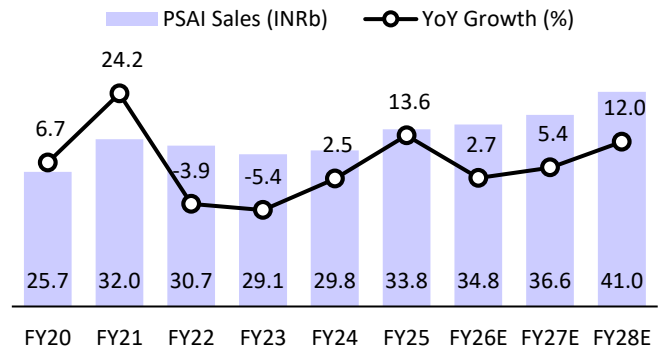
**Exhibit 9: NA sales to remain in check over FY26-28**



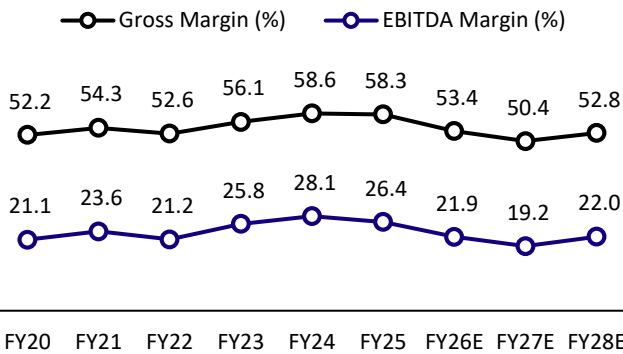
**Exhibit 10: DF sales to clock 14% CAGR over FY26-28**



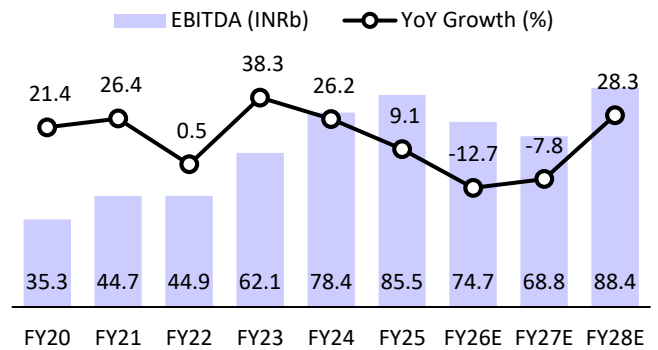
**Exhibit 11: PSAI to post 9% sales CAGR over FY26-28**



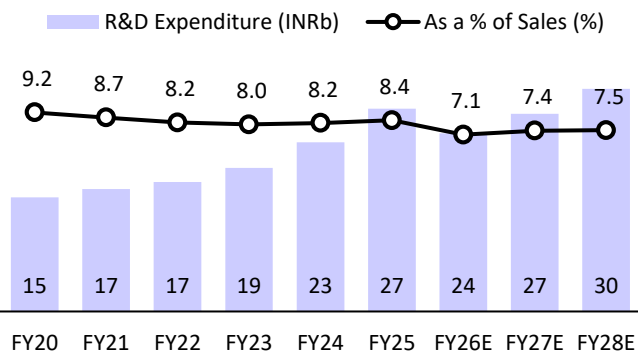
**Exhibit 12: Gross margin to remain stable over FY26-28**



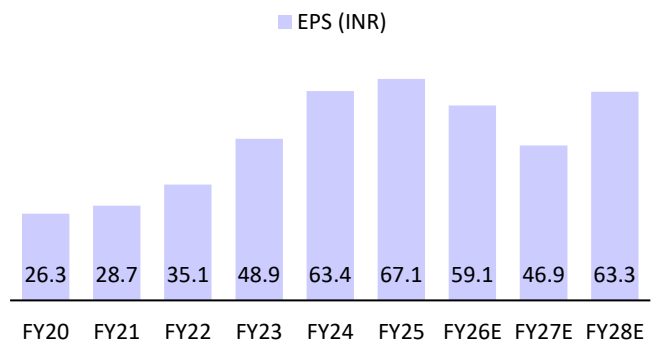
**Exhibit 13: EBITDA to rise steadily over FY26-28**



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



**Exhibit 15: EPS to inch up over FY26-28**



Source: Company, MOFSL

Source: Company, MOFSL

## Financials and valuations

Income Statement							(INR m)	
Y/E March	FY22	FY23	FY24	FY25	FY26	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>3,40,463</b>	<b>3,58,613</b>	<b>4,01,320</b>	
Change (%)	11.9	13.5	15.9	16.2	5.0	5.3	11.9	
<b>EBITDA</b>	<b>44,921</b>	<b>62,123</b>	<b>78,380</b>	<b>85,538</b>	<b>74,650</b>	<b>68,843</b>	<b>88,352</b>	
Change (%)	0.5	38.3	26.2	9.1	-12.7	-7.8	28.3	
Margin (%)	21.2	25.8	28.1	26.4	21.9	19.2	22.0	
Depreciation & Amort.	11,825	12,663	14,847	17,064	20,607	22,764	24,371	
Net Interest Exp	-2,119	-2,853	-3,494	-4,724	-4,132	-4,786	-5,384	
One-off (Gains)/Loss	6,381	-5,445	-1,981	-509	9,229	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>64,046</b>	<b>51,564</b>	<b>69,985</b>	
Change (%)	10.5	39.5	29.6	9.1	-16.0	-19.5	35.7	
<b>PBT after EO Expense</b>	<b>32,298</b>	<b>59,388</b>	<b>71,870</b>	<b>76,784</b>	<b>54,817</b>	<b>51,564</b>	<b>69,985</b>	
Tax	8,730	15,300	16,186	19,538	12,352	12,375	17,146	
Tax Rate (%)	27.0	25.8	22.5	25.4	22.5	24.0	24.5	
<b>Reported PAT</b>	<b>23,568</b>	<b>44,088</b>	<b>55,684</b>	<b>56,545</b>	<b>42,849</b>	<b>39,189</b>	<b>52,839</b>	
<b>Adjusted Net Profit</b>	<b>29,265</b>	<b>40,775</b>	<b>52,827</b>	<b>56,060</b>	<b>49,337</b>	<b>39,189</b>	<b>52,839</b>	
Change (%)	22.8	39.3	29.6	6.1	-12.0	-20.6	34.8	
Margin (%)	13.8	16.9	18.9	17.3	14.5	10.9	13.2	

Balance Sheet							(INR m)	
Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	
Equity Share Capital	832	833	833	833	835	835	835	
Reserves	1,89,695	2,30,158	2,79,717	3,36,333	3,79,622	4,10,268	4,56,986	
<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>3,80,457</b>	<b>4,11,103</b>	<b>4,57,821</b>	
Loans	33,845	13,472	20,020	46,766	77,341	76,341	75,341	
Deferred Liabilities/Tax	-12,721	-6,363	-9,865	-4,400	-6,868	-6,868	-6,868	
<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>4,50,930</b>	<b>4,80,576</b>	<b>5,26,294</b>	
Gross Block	1,60,797	1,77,753	2,03,024	2,40,963	2,79,739	2,90,602	2,99,464	
Less: Accum. Deprn.	98,628	1,11,291	1,26,138	1,43,202	1,63,809	1,86,573	2,10,944	
<b>Net Fixed Assets</b>	<b>62,169</b>	<b>66,462</b>	<b>76,886</b>	<b>97,761</b>	<b>1,15,930</b>	<b>1,04,029</b>	<b>88,520</b>	
Investments	38,393	62,180	81,250	59,428	90,040	90,040	90,040	
Goodwill	31,664	35,094	41,204	1,08,613	1,17,952	1,17,952	1,17,952	
<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>2,32,988</b>	<b>2,82,668</b>	<b>3,50,023</b>	
Inventory	50,884	48,670	63,552	71,085	76,531	76,485	81,476	
Account Receivables	66,818	72,485	80,298	90,420	1,01,219	94,524	1,13,808	
Cash and Bank Balance	14,852	5,779	7,107	14,654	15,368	79,228	1,18,465	
Others	19,093	23,988	26,447	32,520	39,870	32,430	36,274	
<b>Curr. Liability &amp; Prov.</b>	<b>72,222</b>	<b>76,558</b>	<b>86,039</b>	<b>94,949</b>	<b>1,05,980</b>	<b>1,14,113</b>	<b>1,20,241</b>	
Account Payables	25,572	26,444	30,919	35,523	33,411	35,219	37,517	
Other Current Liabilities	46,650	50,114	55,120	59,426	72,569	78,894	82,724	
<b>Net Current Assets</b>	<b>79,425</b>	<b>74,364</b>	<b>91,365</b>	<b>1,13,730</b>	<b>1,27,009</b>	<b>1,68,555</b>	<b>2,29,782</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>4,50,930</b>	<b>4,80,576</b>	<b>5,26,294</b>	

## Financials and valuations

### Ratios

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
<b>Basic (INR)</b>							
<b>EPS</b>	<b>35.1</b>	<b>48.9</b>	<b>63.4</b>	<b>67.1</b>	<b>59.1</b>	<b>46.9</b>	<b>63.3</b>
Cash EPS	49.4	64.2	81.2	87.8	83.8	74.2	92.5
BV/Share	229.0	277.3	336.8	404.8	455.6	492.3	548.3
DPS	4.1	4.1	4.3	4.3	4.3	5.3	6.3
Payout (%)	16.9	9.0	7.5	7.4	9.8	13.1	11.6
<b>Valuation (x)</b>							
P/E	36.1	25.9	20.0	18.9	21.4	27.0	20.0
Cash P/E	25.7	19.8	15.6	14.4	15.1	17.1	13.7
P/BV	5.5	4.6	3.8	3.1	2.8	2.6	2.3
EV/Sales	4.5	3.8	3.2	2.9	2.8	2.4	2.1
EV/EBITDA	21.0	14.7	11.4	11.0	12.5	12.7	9.4
Dividend Yield (%)	0.3	0.3	0.3	0.3	0.3	0.4	0.5
<b>Return Ratios (%)</b>							
ROIC	18.0	23.1	27.6	21.0	14.3	10.8	15.5
RoE	16.0	19.3	20.7	18.2	13.8	9.9	12.2
RoCE	12.3	15.9	18.4	14.9	10.4	6.9	8.9
<b>Working Capital Ratios</b>							
Fixed Asset Turnover (x)	1.4	1.4	1.5	1.5	1.3	1.3	1.4
Debtor (Days)	100	106	100	96	103	100	95
Inventory (Days)	83	75	73	76	79	78	72
Payable (Days)	38	39	38	37	37	35	33
<b>Leverage Ratio</b>							
Current Ratio (x)	2.1	2.0	2.1	2.2	2.2	2.5	2.9
Net Debt/Equity (x)	-0.2	-0.3	-0.3	-0.1	-0.1	-0.4	-0.5

### Cash Flow Statement

(INR m)

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
<b>Op. Profit before Tax</b>	<b>30,614</b>	<b>60,485</b>	<b>72,010</b>	<b>76,795</b>	54,817	51,564	69,985
Depreciation	11,652	12,502	14,700	17,037	20,605	22,764	24,371
Interest/Div. Recd.	-7	248	-567	152	12	-700	-620
Direct Taxes Paid	-7,437	-10,714	-20,047	-19,993	-13,526	-12,375	-17,146
(Inc)/Dec in WC	-18,407	-7,855	-20,182	-29,989	-11,636	22,313	-21,990
Other Items	11,693	4,209	-481	2,426	6,483		
<b>CF from Operations</b>	<b>28,108</b>	<b>58,875</b>	<b>45,433</b>	<b>46,428</b>	<b>56,755</b>	<b>83,566</b>	<b>54,600</b>
<b>CF from Operations</b>	<b>28,108</b>	<b>58,875</b>	<b>45,433</b>	<b>46,428</b>	<b>56,755</b>	<b>83,566</b>	<b>54,600</b>
(inc)/dec in FA	-15,733	-18,784	-26,350	-33,154	-36,715	-10,863	-8,863
<b>Free Cash Flow</b>	<b>12,375</b>	<b>40,091</b>	<b>19,083</b>	<b>13,274</b>	<b>20,040</b>	<b>72,704</b>	<b>45,737</b>
(Pur)/Sale of Inv	-11,201	-23,366	-15,716	25,118	-27,116	0	0
<b>Others</b>	<b>1,280</b>	<b>1,063</b>	<b>1,724</b>	<b>-50,041</b>	<b>-1,682</b>		
<b>CF from Inv.</b>	<b>-25,654</b>	<b>-41,087</b>	<b>-40,342</b>	<b>-58,077</b>	<b>-65,513</b>	<b>-10,863</b>	<b>-8,863</b>
Change in net worth	334	368	805	193	397	-3,394	0
(Inc)/Dec in Debt	2,735	-20,397	4,346	23,196	18,993	-1,000	-1,000
Other Items	-1,345	-1,853	-2,266	2,184	-4,441	761	579
Dividend Paid	-4,146	-4,979	-6,648	-6,662	-6,659	-5,149	-6,018
<b>CF from Fin. Activity</b>	<b>-2,422</b>	<b>-26,861</b>	<b>-3,763</b>	<b>18,911</b>	<b>8,290</b>	<b>-8,782</b>	<b>-6,439</b>
<b>Inc/Dec of Cash</b>	<b>32</b>	<b>-9,073</b>	<b>1,328</b>	<b>7,262</b>	<b>-468</b>	<b>63,922</b>	<b>39,298</b>
Add: Beg. Balance	14,829	14,852	5,779	7,107	14,654	15,368	79,228
<b>Closing Balance</b>	<b>14,861</b>	<b>5,779</b>	<b>7,107</b>	<b>14,369</b>	<b>14,186</b>	<b>79,290</b>	<b>1,18,526</b>
<b>FX Impact</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>224</b>	<b>1,243</b>	<b>0</b>	<b>0</b>
<b>Closing Balance</b>	<b>14,852</b>	<b>5,779</b>	<b>7,107</b>	<b>14,654</b>	<b>15,368</b>	<b>79,229</b>	<b>1,18,465</b>

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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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