

Estimate change

TP change

Rating change



CMP: INR888

TP: INR1,040 (+17%)

Buy

India/US drives while RoW/EMs drags 4QFY22 performance

Steady Specialty sales; clinical trials to drive R&D spends over the medium term

| Bloomberg | SUNP IN |
|-----------------------|---------------|
| Equity Shares (m) | 2,399 |
| M.Cap.(INRb)/(USDb) | 2130.8 / 27.5 |
| 52-Week Range (INR) | 967 / 653 |
| 1, 6, 12 Rel. Per (%) | -2/20/24 |
| 12M Avg Val (INR M) | 3260 |

Financials & valuations (INR b)

| Y/E MARCH | FY22 | FY23E | FY24E |
|----------------------|-------|-------|-------|
| Sales | 383.1 | 423.5 | 481.8 |
| EBITDA | 99.0 | 111.9 | 129.9 |
| Adj. PAT | 76.7 | 82.4 | 96.0 |
| EBIT Margin (%) | 20.2 | 21.2 | 22.2 |
| Cons. Adj. EPS (INR) | 31.9 | 34.3 | 39.9 |
| EPS Gr. (%) | 27.3 | 7.5 | 16.5 |
| BV/Sh. (INR) | 199.6 | 231.5 | 265.8 |

Ratios

| | | | |
|------------|-------|-------|-------|
| Net D:E | -0.09 | -0.12 | -0.19 |
| RoE (%) | 16.2 | 15.9 | 16.1 |
| RoCE (%) | 11.5 | 11.5 | 12.5 |
| Payout (%) | 32.8 | 12.6 | 13.7 |

Valuations

| | | | |
|----------------|------|------|------|
| P/E (x) | 27.9 | 25.9 | 22.3 |
| EV/EBITDA (x) | 20.6 | 18.0 | 15.1 |
| Div. Yield (%) | 0.4 | 0.4 | 0.5 |
| FCF Yield (%) | 0.5 | 1.6 | 3.3 |
| EV/Sales (x) | 5.3 | 4.8 | 4.1 |

Shareholding pattern (%)

| As On | Mar-22 | Dec-21 | Mar-21 |
|----------|--------|--------|--------|
| Promoter | 54.5 | 54.5 | 54.5 |
| DII | 20.0 | 21.0 | 21.6 |
| FII | 14.4 | 13.0 | 11.7 |
| Others | 11.1 | 11.5 | 12.2 |

FII Includes depository receipts

- SUNP delivered a lower-than-expected 4QFY22 due to moderation in the RoW/EMs/API segment and higher OPEX. The Specialty portfolio continues to progress well, with its contribution to sales rising to 13% in FY22 from 7% in FY18.
- We tweak our FY23/FY24 EPS estimate by -4%/-3%, factoring in: a) higher R&D spend on clinical trials, b) high OPEX-related to promotional activities and supply chain management, and c) weakness in API offtake to some extent. We value SUNP at 25x 12-month forward earnings to arrive at our TP of INR1,040.
- We remain positive on SUNP on the back of: a) a strong outperformance in the branded Generics segments of DF/RoW/EMs, b) scale-up of the Specialty portfolio, and c) niche launches in the US generics segment. We maintain our Buy rating.

Impact of product mix and other expenses offset by lower R&D spend in 4QFY22

- Sales rose 11% YoY to INR93.9b in 4QFY22 (est. INR93.7b).
- DF sales grew 16% YoY to INR31b (33% of sales). RoW sales rose 7% YoY to USD178m (14% of sales). EM sales increased by 7% YoY to USD206m (16% of sales). US sales grew 5% YoY to USD389m (31% of sales).
- Gross margin fell 50bp YoY to 72.9% in 4QFY22.
- EBITDA margin contracted by 70bp YoY to 22.6% (est. 25.7%), driven largely by product mix and higher other expenses (+70bp), but was partially offset by lower R&D spend (down 80bp as a percentage of sales).
- EBITDA rose 8% YoY to INR21.2b (est. INR24b).
- SUNP incurred an exceptional cost for: a) litigation settlement related to Valgancyclovir/Valsartan (USD485m), b) restructuring of operations (INR563m), and c) payment for settlement with Direct Purchaser Plaintiff (DPPs; USD15m) and legal charges (USD5.5m).
- Adjusted PAT grew 8.6% YoY to INR15.8b (est. INR17.7b).
- Revenue/EBITDA/PAT grew 16%/23%/27% to INR384b/INR99b/INR77b in FY22.

Highlights from the management commentary

- The management has guided at high single- to low double-digit YoY revenue growth in FY23.
- R&D expenses are expected at 7-8% in FY23.
- Global Specialty sales stood at USD185m/USD674m in 4Q/FY22.
- Ilumya sales grew 81% YoY to USD315m (including milestone/royalty) in FY22.
- Specialty sales growth was driven by Ilumya, Cequa, and Odomzo.
- Out of 18K doctors prescribing acne products in the US, ~50% have prescribed Winlevi since Nov'21.

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

Gaurang Sakare - Research Analyst (gaurang.sakare@motilalosal.com)

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Consolidated quarterly performance

(INR b)

| Y/E March | FY21 | | | | FY22 | | | | FY21 | FY22 | FY22E 4QE | Var. % |
|------------------------------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|---------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | | | |
| Net Revenue | 74.7 | 84.6 | 87.8 | 84.3 | 96.7 | 94.8 | 98.1 | 93.9 | 331.4 | 383.5 | 93.7 | 0.2 |
| YoY Change (%) | -9.6 | 6.4 | 9.2 | 4.4 | 29.5 | 12.1 | 11.8 | 11.3 | 2.5 | 15.7 | 11.1 | |
| Total Expenditure | 58.2 | 62.4 | 65.0 | 64.6 | 69.8 | 69.2 | 72.5 | 72.7 | 250.3 | 284.1 | 69.7 | |
| EBITDA | 16.5 | 22.2 | 22.8 | 19.7 | 26.9 | 25.6 | 25.7 | 21.2 | 81.1 | 99.4 | 24.0 | -11.9 |
| YoY Change (%) | -9.2 | 37.8 | 38.7 | 40.7 | 63.5 | 15.7 | 12.7 | 7.7 | 25.5 | 22.6 | 22.2 | |
| Margin (%) | 22.0 | 26.2 | 26.0 | 23.3 | 27.8 | 27.0 | 26.2 | 22.6 | 24.5 | 25.9 | 25.7 | |
| Depreciation | 5.0 | 5.0 | 5.3 | 5.5 | 5.0 | 5.3 | 5.5 | 5.6 | 20.8 | 21.4 | 5.0 | |
| EBIT | 11.5 | 17.2 | 17.5 | 14.1 | 21.9 | 20.3 | 20.1 | 15.6 | 60.3 | 78.0 | 19.1 | |
| YoY Change (%) | -15.2 | 51.4 | 59.4 | 71.9 | 90.3 | 18.4 | 15.3 | 10.5 | 36.7 | 29.3 | 34.8 | |
| Interest | 0.5 | 0.3 | 0.3 | 0.3 | 0.4 | 0.4 | 0.2 | 0.4 | 1.4 | 1.3 | 0.5 | |
| Net Other Income | 2.7 | 3.5 | 3.7 | 2.0 | 2.0 | 2.9 | 3.1 | 1.7 | 11.9 | 9.8 | 3.2 | |
| PBT before EO Exp. | 13.7 | 20.3 | 20.9 | 15.9 | 23.6 | 22.9 | 23.1 | 17.0 | 70.8 | 86.5 | 21.8 | -22.1 |
| Less: EO Exp./ (Inc.) | 35.5 | 1.2 | -0.7 | 6.8 | 5.5 | 1.5 | -1.6 | 37.7 | 42.8 | 43.2 | 0.0 | |
| PBT | -21.8 | 19.2 | 21.6 | 9.0 | 18.0 | 21.4 | 24.7 | -20.8 | 28.0 | 43.3 | 21.8 | |
| Tax | 2.5 | -0.3 | 2.4 | 0.6 | 4.0 | 2.0 | 3.4 | 1.5 | 5.1 | 10.8 | 3.5 | |
| Rate (%) | 17.9 | -1.5 | 11.7 | 3.5 | 16.8 | 8.6 | 14.5 | 8.6 | 7.3 | 12.4 | 16.0 | |
| PAT (pre Minority Interest) | -24.3 | 19.5 | 19.2 | 8.5 | 14.1 | 19.4 | 21.3 | -22.2 | 22.8 | 32.6 | 18.3 | |
| Minority Interest | -7.7 | 1.4 | 0.7 | -0.5 | -0.4 | 0.4 | 0.7 | 0.5 | -6.2 | 1.3 | 0.6 | |
| Reported PAT | -16.6 | 18.1 | 18.5 | 8.9 | 14.4 | 19.0 | 20.6 | -22.8 | 29.0 | 31.2 | 17.7 | -228.7 |
| Adj. Net Profit* | 11.5 | 16.4 | 17.8 | 14.6 | 20.0 | 20.5 | 19.0 | 15.8 | 60.2 | 76.7 | 17.7 | -10.6 |
| YoY Change (%) | -13.2 | 55.4 | 114.1 | 97.2 | 74.1 | 24.8 | 6.7 | 8.6 | 52.6 | 27.3 | 21.5 | |
| Margin (%) | -22.2 | 21.4 | 21.1 | 10.6 | 14.9 | 20.0 | 21.0 | -24.3 | 8.8 | 8.1 | 18.9 | |

Key performance indicators (consolidated)

| Y/E March (INR b) | FY21 | | | | FY22 | | | | FY21 | FY22 | FY22E 4QE |
|---|-------|------|-------|------|------|-------|------|------|-------|-------|--------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | | |
| Domestic Formulations | 23.9 | 25.3 | 27.5 | 26.7 | 33.1 | 31.9 | 31.7 | 31.0 | 103.4 | 127.6 | 28.6 |
| YoY Change (%) | 3.2 | 0.7 | 9.4 | 12.9 | 38.5 | 25.9 | 15.1 | 15.9 | 6.5 | 23.4 | 7.2 |
| US sales | 21.4 | 24.9 | 27.6 | 27.0 | 28.0 | 26.8 | 29.7 | 29.2 | 100.9 | 113.7 | 28.6 |
| YoY Change (%) | -27.4 | 4.3 | 10.9 | -0.5 | 30.9 | 7.5 | 7.6 | 8.4 | -4.3 | 12.7 | 6.1 |
| RoW/EMs | 23.6 | 29.0 | 28.1 | 26.2 | 29.7 | 31.9 | 31.4 | 28.9 | 106.8 | 122.0 | 31.0 |
| YoY Change (%) | -5.9 | 13.6 | 12.5 | 5.8 | 26.0 | 10.3 | 12.0 | 10.3 | 6.5 | 14.2 | 18.3 |
| APIs | 5.5 | 5.1 | 4.5 | 4.4 | 5.1 | 4.4 | 4.7 | 4.1 | 19.5 | 18.4 | 4.8 |
| YoY Change (%) | 20.1 | 9.0 | -10.5 | -9.9 | -7.0 | -14.6 | 4.6 | -5.1 | 1.8 | -5.9 | 10.3 |
| Cost Break-up as a percentage of sales | | | | | | | | | | | |
| RM Cost | 26.4 | 25.4 | 26.6 | 26.6 | 27.4 | 26.6 | 26.9 | 26.9 | 26.2 | 27.0 | 26.8 |
| Staff Cost | 23.6 | 20.2 | 19.6 | 19.9 | 18.2 | 19.0 | 18.9 | 20.0 | 20.7 | 19.0 | 19.0 |
| R&D Expenses | 5.6 | 7.2 | 6.4 | 6.5 | 6.1 | 5.7 | 6.0 | 5.8 | 6.5 | 5.8 | 5.9 |
| Other Cost | 22.4 | 21.0 | 21.5 | 23.6 | 20.4 | 21.7 | 22.0 | 24.3 | 22.1 | 22.3 | 21.8 |
| Gross Margin (%) | 73.6 | 74.6 | 73.4 | 73.4 | 72.6 | 73.4 | 73.1 | 73.1 | 73.8 | 73.0 | 73.2 |
| EBITDA Margin (%) | 22.0 | 26.2 | 26.0 | 23.3 | 27.8 | 27.0 | 26.2 | 22.6 | 24.5 | 25.9 | 25.7 |
| EBIT Margin (%) | 15.4 | 20.3 | 19.9 | 16.8 | 22.6 | 21.4 | 20.5 | 16.6 | 18.2 | 20.3 | 20.4 |



Key takeaways from the management interaction

- Specialty portfolio contribution grew to 13% of sales in FY22 from 7% in FY18
- The 10% expansion in its field force in FY23 is to expand geographically and increase coverage
- Phase III trials ongoing for Ilumya for Psoriatic Arthritis. Phase trials are ongoing for MM-II for the treatment of pain in osteoarthritis. GL0034 is undergoing Phase I trials for Type-2 Diabetes. SCD-044 is undergoing Phase II trials for Atopic dermatitis.
- SUNP has 93 ANDAs await US FDA approval and launched five ANDAs in the US in 4QFY22
- Excluding the contribution of the COVID-19 portfolio, DF sales grew 20% YoY in FY22

- SUNP launched 11 products in 4QFY22 in the DF segment
- SUNP's market share in DF has now increased to 8.3%, as per AIOCD AWACs.
- SUNP repaid a debt of USD355m in FY22

Exhibit 1: Taro – financial snapshot

| USD m | 4QFY22 | 4QFY21 | YoY (%) | 3QFY22 | QoQ (%) |
|--|--------------|--------------|------------------|--------------|------------------|
| Sales | 143.3 | 148.3 | -3.4 | 139.0 | 3.1 |
| <i>Growth (%)</i> | | | | | |
| Cost of sales (incl. Dep.) | 65.9 | 71.4 | -7.7 | 63.0 | 4.7 |
| Gross profit | 77.3 | 76.9 | 0.5 | 76.0 | 1.7 |
| <i>GP Margin (%)</i> | <i>54.0</i> | <i>51.9</i> | <i>213 bp</i> | <i>54.7</i> | <i>(71)bp</i> |
| Operating expenses: | | | | | |
| R&D | 14.9 | 16.6 | -10.2 | 14.2 | 4.9 |
| <i>R&D as a percentage of sales</i> | <i>10.4</i> | <i>11.2</i> | | <i>10.2</i> | |
| SG&A | 41.2 | 102.2 | -59.7 | 24.9 | 65.6 |
| <i>SG&A as a percentage of sales</i> | <i>28.7</i> | <i>68.9</i> | | <i>17.9</i> | |
| Operating Profit | 21.3 | -41.9 | NA | 37.0 | -42.4 |
| <i>Operating Profit Margin (%)</i> | <i>14.9</i> | <i>-28.2</i> | <i>4,309 bp</i> | <i>26.6</i> | <i>(1,174)bp</i> |
| EBITDA | 21.3 | 38.1 | -44.2 | 37.0 | -42.5 |
| <i>EBITDA margin (%)</i> | <i>14.9</i> | <i>25.7</i> | <i>(1,084)bp</i> | <i>26.6</i> | <i>(1,176)bp</i> |
| Financial expenses | -0.7 | -3.2 | | -2.1 | |
| Extraordinary items incl. forex | -2.5 | -0.8 | | -0.5 | |
| Other income | 0.5 | 0.1 | | 1.0 | |
| PBT | 25.0 | -37.8 | NA | 40.6 | -38.4 |
| Taxes | -2.4 | -8.9 | | 13.2 | |
| <i>Effective tax rate (%)</i> | <i>-9.5</i> | <i>23.5</i> | | <i>32.5</i> | |
| Net income before MI | 27.4 | -28.9 | NA | 27.4 | 0.0 |
| Minority interest | 0.0 | 0.9 | | 0.0 | |
| Net income (Reported) | 27.4 | -29.8 | NA | 27.4 | 0.0 |
| Forex fluctuations | 2.5 | 0.8 | | 0.5 | |
| Net income (Adjusted) | 19.8 | 33.4 | -40.8 | 32.1 | -38.4 |

Source: MOFSL, Company

Sustained momentum across major segments**Specialty Portfolio continues to remain robust**

- The global Specialty business has posted a strong sales growth of 42% YoY to USD674m in FY22. Growth was led by a pickup in sales of Ilumya, Cequa and Odomzo in the US, but was partially offset by generic competition in Absorica in the US. Winlevi in the US has been gaining traction since the launch in Nov'21.
- SUNP has four specialty products undergoing clinical trials.

Subdued show by Taro

- Taro sales grew 2% YoY to USD561m in FY22. While the pricing pressure continues to impact Taro performance, it continues to defend market share in key products.

Steady launch momentum drives US Generics sales, excluding Taro

- In the US Generics segment, excluding Taro, SUNP posted 18% YoY growth in FY22 to ~USD1b. Growth in the US was driven by product launches and better supply chain management, ensuring the availability of its products to its customers. It has launched 22 products in FY22 and has a robust product pipeline to sustain growth over the next 12-24 months.
- In the Generics segment, SUNP has 93 ANDAs and 13 505(b)(2) NDA products pending approval. Considering: a) better traction in the Specialty portfolio, b) consistent launches in Generics, and c) Taro sales steadying, we expect US sales to exhibit 16% CAGR to USD2b over FY22-24.

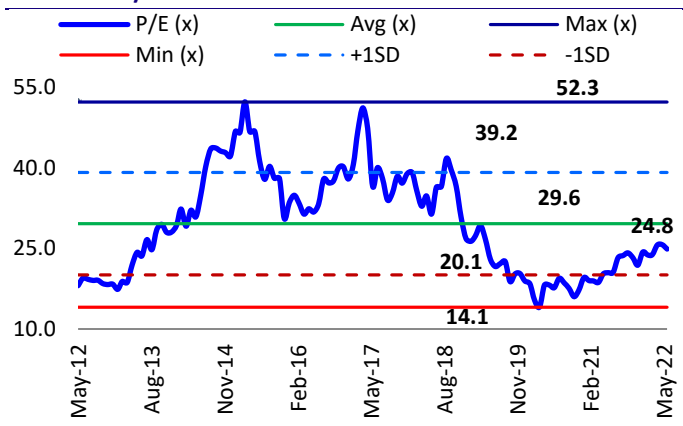
Branded Formulations business drives growth

- DF sales grew 23% YoY to INR128b in FY22. Even after adjusting for COVID-related products, DF sales grew at a robust 20% YoY in FY22. MR-Doctor connect returning to near normalcy, MR addition and robust launch momentum have been key growth drivers of non-COVID sales. We expect SUNP to exhibit 9% CAGR to INR136b over FY22-24, on high base of FY22.
- SUNP’s Branded Formulations business (including DF) now contributes 50% to revenue. The business (excluding DF) is exhibiting strong growth on the back of a 43%/32%/18% YoY growth in Russia/Brazil/Romania in 4QFY22. The emerging and RoW market is expected to exhibit 11% sales CAGR to INR150b over FY22-24.

Specialty/branded generics to drive 12% earnings CAGR over FY22-24

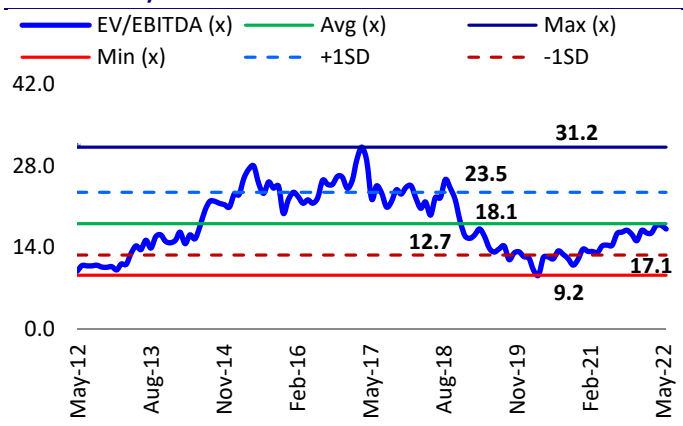
- We slightly tweak (by -4%/-3%) our earnings estimate for FY23/FY24. We continue to value SUNP at 25x 12-month forward earnings to arrive at TP of INR1,040/share.
- We expect 12% earnings CAGR over FY22-24, led by 16% sales CAGR in the US and 11% sales CAGR in emerging/RoW markets, supported by 120bp margin expansion.
- We remain positive on SUNP on account of: a) strong traction in the Specialty portfolio, even during COVID, b) strong pace of launches, supported by increased MR force in the DF segment, c) steady pace of ANDA launches and a robust pipeline of ANDAs in the US Generics market, d) market share gain/launches in the Branded segment of emerging/RoW markets, and e) better operating leverage. We maintain our Buy rating.

Exhibit 2: P/E ratio chart



Source: MOFSL, Company, Bloomberg

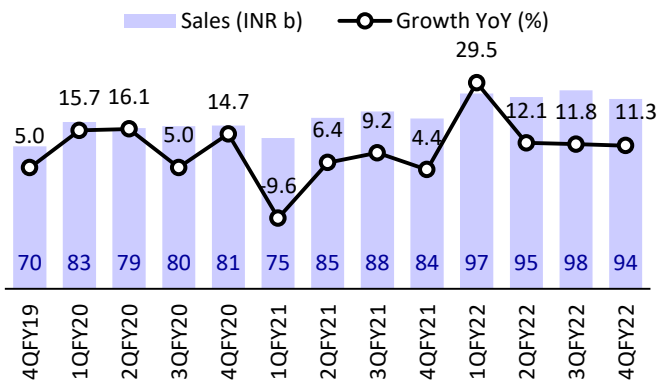
Exhibit 3: EV/EBITDA ratio chart



Source: MOFSL, Company, Bloomberg

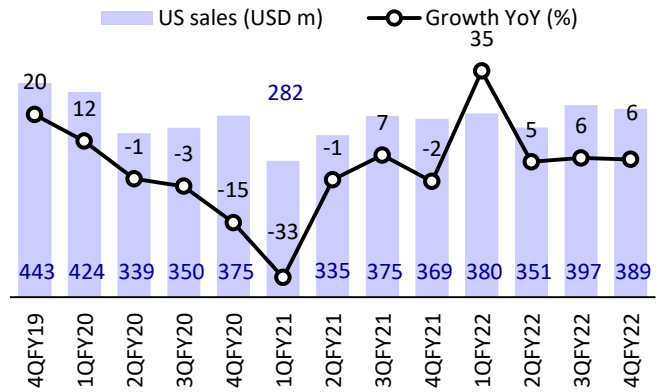
Story in charts

Exhibit 4: Revenue rose 11% YoY in 4QFY22



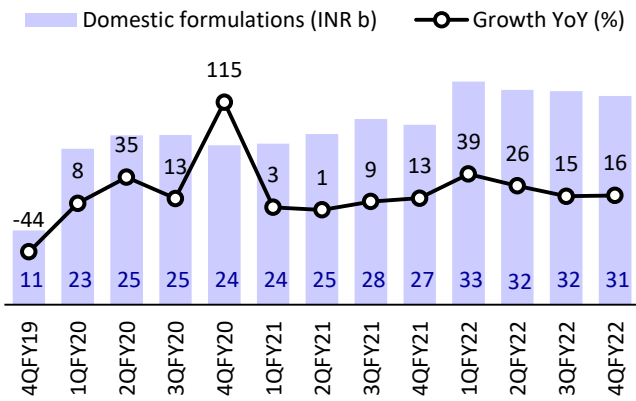
Source: Company, MOFSL

Exhibit 5: US business sales grew 6% YoY in CC terms



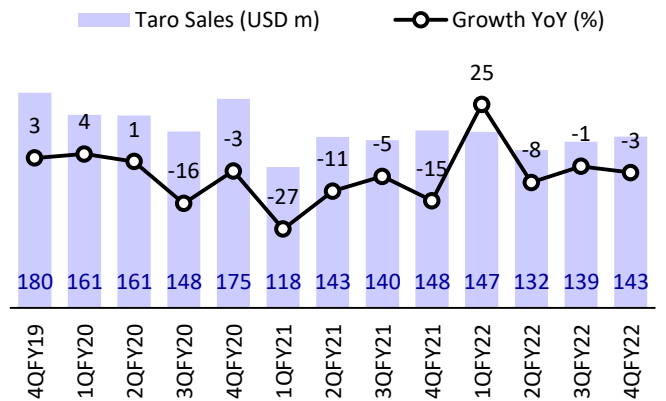
Source: Company, MOFSL

Exhibit 6: DF sales grew 16% YoY in 4QFY22



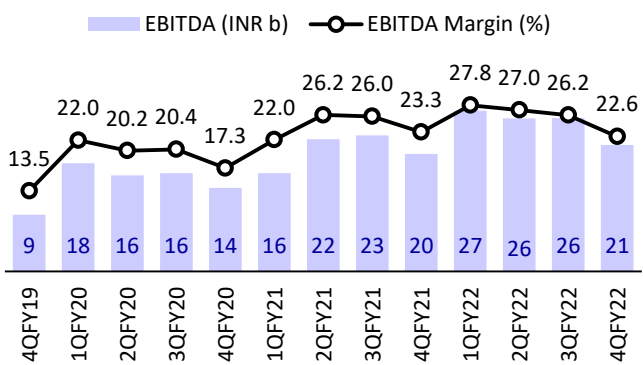
Source: Company, MOFSL

Exhibit 7: Taro sales decline by 3% YoY in 4QFY22



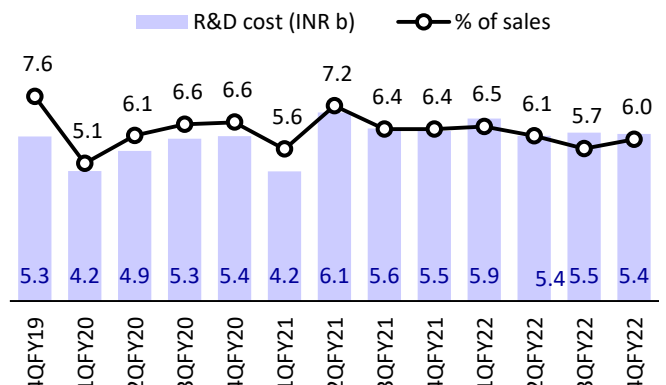
Source: Company, MOFSL

Exhibit 8: EBITDA margin slightly down YoY



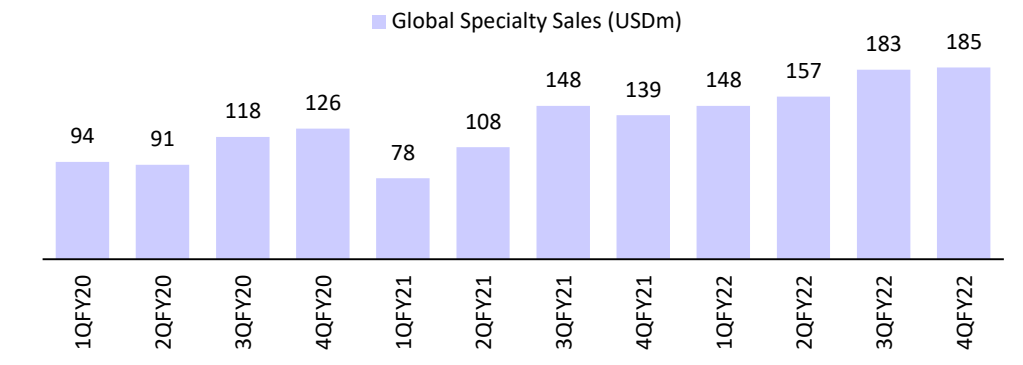
Source: Company, MOFSL

Exhibit 9: R&D spends at 6% of sales in 4QFY22



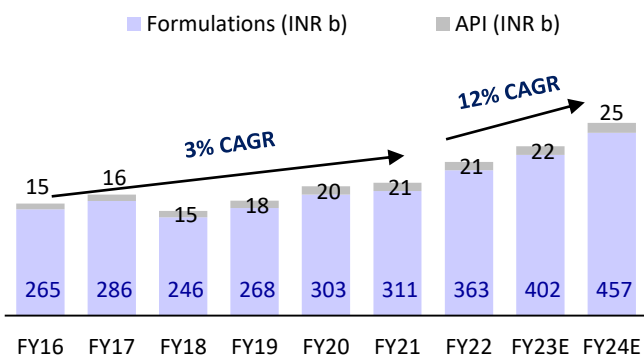
Source: Company, MOFSL

Exhibit 10: Adjusted global Specialty sales rose 33% YoY to USD185m in 4QFY22



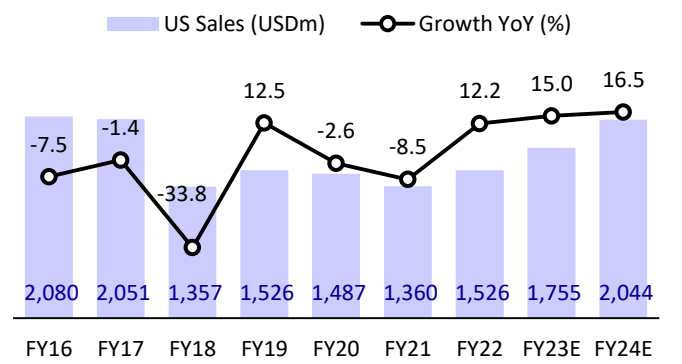
Source: Company, MOFSL

Exhibit 11: Expect 12% revenue CAGR over FY22-24



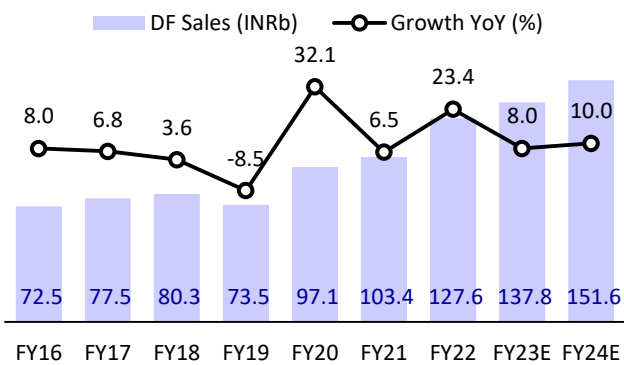
Source: Company, MOFSL

Exhibit 12: Expect 16% CAGR in US sales over FY22-24



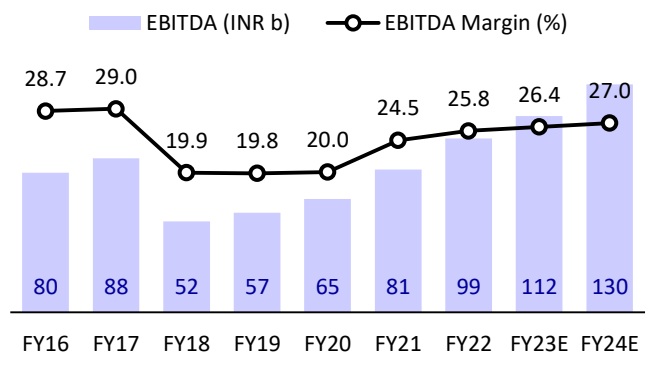
Source: Company, MOFSL

Exhibit 13: Expect DF sales CAGR of 9% over FY22-24



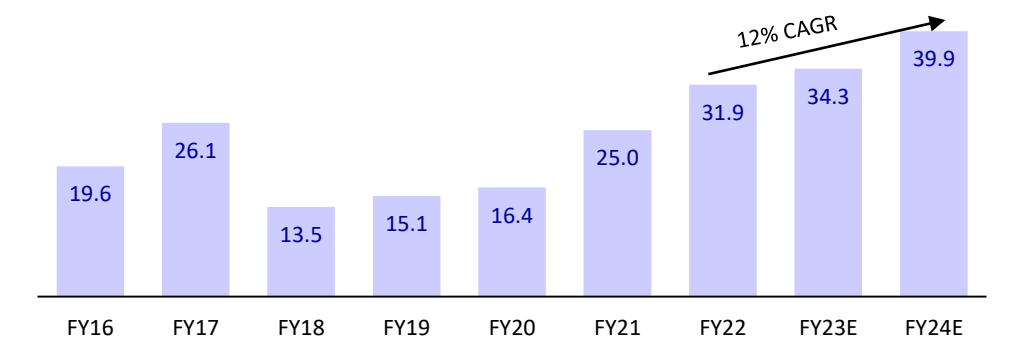
Source: Company, MOFSL

Exhibit 14: Expect EBITDA margin to improve to 27% by FY24



Source: Company, MOFSL

Exhibit 15: Expect EPS to clock 12% CAGR over FY22-24



Source: Company, MOFSL

Financials and valuations

| Income Statement | | | | | | | | (INR b) |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E |
| Net Sales | 302.6 | 260.7 | 286.9 | 323.3 | 331.6 | 383.1 | 423.5 | 481.8 |
| Change (%) | 9.1 | -13.9 | 10.1 | 12.7 | 2.6 | 15.5 | 10.5 | 13.8 |
| Total Expenditure | 214.9 | 208.8 | 230.1 | 258.6 | 250.3 | 284.1 | 311.6 | 351.9 |
| As a percentage of Sales | 71.0 | 80.1 | 80.2 | 80.0 | 75.5 | 74.2 | 73.6 | 73.0 |
| EBITDA | 87.8 | 51.8 | 56.8 | 64.6 | 81.3 | 99.0 | 111.9 | 129.9 |
| Margin (%) | 29.0 | 19.9 | 19.8 | 20.0 | 24.5 | 25.8 | 26.4 | 27.0 |
| Depreciation | 12.6 | 15.0 | 17.5 | 20.5 | 20.8 | 21.4 | 22.1 | 22.8 |
| EBIT | 75.1 | 36.8 | 39.3 | 44.1 | 60.5 | 77.6 | 89.8 | 107.1 |
| Int. and Finance Charges | 4.0 | 5.2 | 5.6 | 3.0 | 1.4 | 1.3 | 1.1 | 1.0 |
| Other Income - Rec. | 19.4 | 12.6 | 14.1 | 11.5 | 11.8 | 10.2 | 10.3 | 10.6 |
| Extra-ordinary Exp. | 0.0 | 9.5 | 9.7 | 2.5 | 42.8 | 43.2 | 0.0 | 0.0 |
| PBT | 90.5 | 34.8 | 38.1 | 50.1 | 28.0 | 43.3 | 99.0 | 116.7 |
| Tax | 12.1 | 8.5 | 6.0 | 8.2 | 5.1 | 10.8 | 14.5 | 18.2 |
| Tax Rate (%) | 13.4 | 24.3 | 15.8 | 16.4 | 18.4 | 24.8 | 14.7 | 15.6 |
| Profit after Tax | 78.4 | 26.3 | 32.1 | 41.9 | 22.8 | 32.6 | 84.4 | 98.5 |
| Change (%) | 34.4 | -66.4 | 21.9 | 30.5 | -45.4 | 42.5 | 159.3 | 16.7 |
| Margin (%) | 24.3 | 9.6 | 10.7 | 12.5 | 6.7 | 8.3 | 19.5 | 20.0 |
| Less: Minority Interest | 8.7 | 4.7 | 5.4 | 4.2 | -6.2 | 1.3 | 2.0 | 2.5 |
| Reported PAT | 69.6 | 21.6 | 26.7 | 37.6 | 29.0 | 31.2 | 82.4 | 96.0 |
| Adjusted PAT (excl. Ex. Items) | 62.9 | 32.4 | 36.3 | 39.5 | 60.2 | 76.7 | 82.4 | 96.0 |

| Balance Sheet | | | | | | | | (INR b) |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E |
| Equity Share Capital | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 |
| Total Reserves | 364.0 | 378.6 | 411.7 | 450.2 | 462.2 | 477.7 | 554.5 | 637.1 |
| Net Worth | 366.4 | 381.0 | 414.1 | 452.6 | 464.6 | 480.1 | 556.9 | 639.5 |
| Minority Interest | 37.9 | 38.8 | 33.1 | 38.6 | 30.2 | 30.5 | 30.5 | 30.5 |
| Deferred Liabilities | -21.8 | -19.7 | -24.5 | -31.2 | -35.1 | -28.6 | -28.6 | -28.6 |
| Total Loans | 80.9 | 97.5 | 98.9 | 75.8 | 33.4 | 11.8 | 8.8 | 6.5 |
| Capital Employed | 463.4 | 497.6 | 521.7 | 535.9 | 493.1 | 493.8 | 567.6 | 647.9 |
| Gross Block | 134.0 | 155.6 | 181.8 | 207.8 | 225.2 | 248.1 | 284.6 | 314.6 |
| Less: Accum. Deprn. | 49.0 | 64.0 | 81.6 | 102.1 | 122.9 | 144.3 | 166.4 | 189.2 |
| Net Fixed Assets | 85.0 | 91.6 | 100.3 | 105.7 | 102.3 | 103.7 | 118.2 | 125.4 |
| Capital WIP | 15.6 | 14.3 | 9.1 | 6.6 | 9.4 | 8.0 | 11.3 | 12.5 |
| Goodwill | 104.2 | 107.2 | 123.1 | 128.4 | 119.5 | 128.1 | 128.1 | 128.1 |
| Investments | 9.6 | 30.5 | 39.5 | 52.5 | 64.8 | 49.8 | 49.8 | 49.8 |
| Curr. Assets | 374.8 | 377.4 | 349.4 | 357.6 | 345.1 | 379.4 | 458.4 | 556.5 |
| Inventory | 68.3 | 68.8 | 78.9 | 78.7 | 90.0 | 90.0 | 109.8 | 125.9 |
| Account Receivables | 72.0 | 78.2 | 88.8 | 94.2 | 90.6 | 105.9 | 133.1 | 152.6 |
| Cash and Bank Balance | 151.4 | 99.3 | 72.8 | 64.9 | 64.5 | 50.3 | 72.2 | 123.4 |
| L&A and Others | 83.0 | 131.1 | 108.9 | 119.8 | 100.0 | 133.2 | 143.4 | 154.7 |
| Curr. Liability and Prov. | 125.7 | 123.5 | 99.7 | 114.9 | 148.0 | 175.2 | 198.2 | 224.4 |
| Account Payables | 73.5 | 68.3 | 66.1 | 70.1 | 98.9 | 80.0 | 88.8 | 98.6 |
| Provisions | 52.3 | 55.1 | 33.6 | 44.8 | 49.1 | 95.2 | 109.4 | 125.9 |
| Net Current Assets | 249.1 | 253.9 | 249.7 | 242.7 | 197.1 | 204.2 | 260.2 | 332.1 |
| Appl. of Funds | 463.4 | 497.6 | 521.7 | 535.9 | 493.1 | 493.8 | 567.6 | 647.9 |

Financials and valuations

Ratios

| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Adjusted EPS | 26.1 | 13.5 | 15.1 | 16.4 | 25.0 | 31.9 | 34.3 | 39.9 |
| Cash EPS | 34.2 | 15.2 | 18.4 | 24.2 | 20.7 | 21.9 | 43.4 | 49.4 |
| BV/Share | 152.3 | 158.4 | 172.1 | 188.1 | 193.1 | 199.6 | 231.5 | 265.8 |
| DPS | 1.0 | 3.3 | 2.0 | 3.5 | 3.5 | 3.8 | 3.8 | 4.8 |
| Payout (%) | 3.7 | 36.5 | 18.0 | 23.5 | 43.0 | 32.8 | 12.6 | 13.7 |
| Valuation (x) | | | | | | | | |
| P/E | 34.0 | 66.0 | 58.8 | 54.1 | 35.5 | 27.9 | 25.9 | 22.3 |
| P/BV | 5.8 | 5.6 | 5.2 | 4.7 | 4.6 | 4.4 | 3.8 | 3.3 |
| EV/Sales | 6.8 | 8.0 | 7.4 | 6.5 | 6.1 | 5.3 | 4.8 | 4.1 |
| EV/EBITDA | 23.4 | 40.5 | 37.3 | 32.3 | 25.0 | 20.6 | 18.0 | 15.1 |
| Dividend Yield (%) | 0.1 | 0.4 | 0.2 | 0.4 | 0.4 | 0.4 | 0.4 | 0.5 |
| Return Ratios (%) | | | | | | | | |
| RoE | 18.1 | 8.7 | 9.1 | 9.1 | 13.1 | 16.2 | 15.9 | 16.1 |
| RoCE | 19.0 | 8.1 | 9.1 | 8.9 | 9.9 | 11.5 | 11.5 | 12.5 |
| RoIC | 23.4 | 8.7 | 8.8 | 9.1 | 12.9 | 15.8 | 18.7 | 20.2 |
| Working Capital Ratios | | | | | | | | |
| Asset Turnover (x) | 0.7 | 0.5 | 0.5 | 0.6 | 0.7 | 0.8 | 0.7 | 0.7 |
| Fixed Asset Turnover (x) | 3.8 | 3.0 | 3.0 | 3.1 | 3.2 | 3.7 | 3.8 | 4.0 |
| Debtor (Days) | 87 | 109 | 113 | 106 | 100 | 101 | 115 | 116 |
| Creditor (Days) | 330 | 336 | 307 | 277 | 415 | 282 | 292 | 288 |
| Inventory (Days) | 82 | 96 | 100 | 89 | 99 | 86 | 95 | 95 |
| Leverage Ratio | | | | | | | | |
| Debt/Equity ratio (x) | 0.2 | 0.3 | 0.3 | 0.0 | -0.1 | -0.1 | -0.1 | -0.2 |

Cash Flow Statement

| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E |
|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| OP/(Loss) bef. Tax | 87.8 | 42.3 | 47.1 | 62.2 | 38.5 | 55.8 | 111.9 | 129.9 |
| Int./Dividends Recd. | 19.4 | 12.6 | 14.1 | 11.5 | 11.8 | 10.2 | 10.3 | 10.6 |
| Direct Taxes Paid | -3.4 | -6.4 | -10.8 | -14.9 | -9.1 | -4.3 | -14.5 | -18.2 |
| (Inc.)/Dec. in WC | 2.3 | -57.0 | -22.3 | -1.0 | 45.2 | -21.3 | -34.1 | -20.7 |
| CF from Operations | 106.0 | -8.4 | 28.1 | 57.8 | 86.3 | 40.5 | 73.5 | 101.5 |
| (inc.)/dec. in FA | -36.9 | -23.4 | -36.8 | -28.7 | -11.3 | -30.0 | -39.9 | -31.1 |
| Free Cash Flow | 69.0 | -31.8 | -8.7 | 29.1 | 75.0 | 10.5 | 33.6 | 70.4 |
| (Pur.)/Sale of Invest. | 1.6 | -20.9 | -9.0 | -12.9 | -12.4 | 15.0 | 0.0 | 0.0 |
| CF from investments | -35.4 | -44.3 | -45.8 | -41.7 | -23.7 | -15.0 | -39.9 | -31.1 |
| Change in net worth | -41.8 | -1.2 | 1.1 | 12.0 | -9.5 | -6.0 | 3.1 | -2.5 |
| (Inc.)/Dec. in Debt | -2.3 | 16.6 | 1.4 | -23.2 | -42.4 | -21.6 | -3.1 | -2.2 |
| Interest Paid | -4.0 | -5.2 | -5.6 | -3.0 | -1.4 | -1.3 | -1.1 | -1.0 |
| Dividend Paid | -2.9 | -9.6 | -5.8 | -9.8 | -9.8 | -10.7 | -10.7 | -13.5 |
| CF from Fin. Activity | -51.0 | 0.6 | -8.9 | -24.0 | -63.1 | -39.6 | -11.8 | -19.2 |
| Inc./Dec. in Cash | 19.6 | -52.1 | -26.5 | -7.9 | -0.4 | -14.1 | 21.8 | 51.2 |
| Add: Beginning Balance | 131.8 | 151.4 | 99.3 | 72.8 | 64.9 | 64.5 | 50.3 | 72.2 |
| Closing Balance | 151.4 | 99.3 | 72.8 | 64.9 | 64.5 | 50.3 | 72.2 | 123.4 |

(INR b)

| 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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