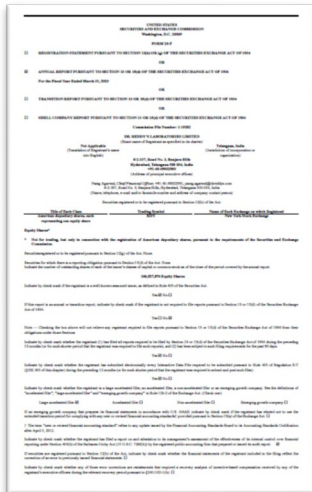


BSE SENSEX
62,979

S&P CNX
18,666

Motilal Oswal values your support in the
Asiamoney Brokers Poll 2023 for India
Research, Sales, Corporate Access and
Trading team. We [request your ballot.](#)



Bloomberg	DRRD IN
Equity Shares (m)	166
M.Cap.(INRb)/(USDb)	831.7 / 10.1
52-Week Range (INR)	5021 / 3996
1, 6, 12 Rel. Per (%)	10/11/-4
12M Avg Val (INR M)	1829

Financials & Valuations (INR b)

Y/E MARCH	FY23	FY24E	FY25E
Sales	240.9	266.1	292.8
EBITDA	62.1	64.7	72.0
Adj. PAT	40.8	40.9	45.5
EBITDA Margin (%)	25.8	24.3	24.6
Cons. Adj. EPS (INR)	244.7	245.5	273.3
EPS Gr. (%)	39.2	0.3	11.3
BV/Sh. (INR)	1,387	1,607	1,855

Ratios

Net D:E	-0.3	-0.3	-0.5
RoE (%)	19.3	16.4	15.8
RoCE (%)	15.9	15.3	14.9
Payout (%)	9.0	10.2	9.2

Valuations

P/E (x)	20.4	20.3	18.3
EV/EBITDA (x)	12.5	11.9	10.2
Div. Yield (%)	0.4	0.4	0.4
FCF Yield (%)	2.4	0.9	4.6
EV/Sales (x)	3.2	2.9	2.5

CMP: INR4,994

TP: INR4,680 (-6%)

Neutral

Robust show in FY23; but outlook subdued

We assessed the 20F annual filing of Dr. Reddy's Lab (DRRD) to understand its FY23 segmental performance and capital utilization in further details.

- DRRD exited FY23 on a strong note driven by healthy sales growth (13.5% YoY), better profitability (460bp margin expansion) and solid earnings growth (39% YoY).
- Further, the company optimized its product offerings in India/North America by selling certain brands for INR5b and acquiring brands/products for INR12b in FY23.
- DRRD significantly improved its ROE by 600bp to 19% over FY19-23.
- We raise our earnings estimates by 4% each for FY24/FY25 to factor in the incremental opportunities in NA due to regulatory issues in peers and moderation in price erosion in the base portfolio. We value DRRD at 22x 12M forward earnings of the base business and add INR170 as NPV of g-Revlimid to arrive at our TP of INR4,680.
- As compared to 31% earnings CAGR over FY21-23, we expect only 6% earnings CAGR over FY23-25. Further, as the valuations factor in the upside adequately, we maintain our Neutral rating on the stock.

Improved sales and profitability in North America boost growth in FY23

- DRRD reinforced its growth momentum in the global generics segment (GG; 87% of FY23 sales; up 18% YoY), primarily backed by the strong traction in North America (NA)'s sales (49% of GG sales, up 36% YoY). However, the other geographies (India/Russia/EU) witnessed moderation in growth due to high base in the Domestic Formulations (DF) segment and inventory normalization in the channel in Russia segment.
- The company expanded its gross margin by 400bp YoY in GG aided by superior product mix.
- The PSAI segment (12% of FY23 sales) not only declined 5% YoY but also reported contraction in gross margin (down 600bp YoY) due to lower sales base, price erosion in certain products and higher manufacturing overheads.

Investment across portfolio optimization/capacity expansion

- DRRD invested INR25b in FY23 for capacity expansion as well as inorganic asset additions. Specifically, it acquired the Cidmus brand from Novartis and generic portfolio from Mayne for a cumulative consideration of INR12b.
- Simultaneously, the company sold brands worth INR5b to optimize the offerings in the DF segment.
- DRRD optimized working capital days by ~15 in FY23 by reducing the receivable days notably.
- Niche launches in NA and normalization of inventory in the industry across major markets have driven a sharp 300bp YoY ROE expansion to 19% in FY23.

Moderation in earnings and valuations factored in; reiterate Neutral

- DRRD delivered an earnings uptrend for the second year in a row in FY23 driven by superior performance in the NA segment but offset to some extent by the decline in PSAI segment and moderate YoY growth in other geographies.

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

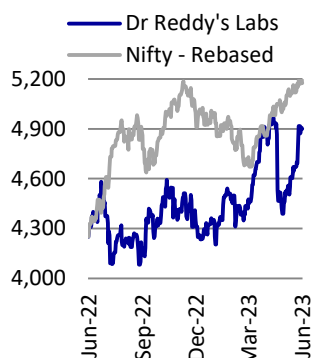
Research Analyst: Sumit Gupta (sumit.g@motilaloswal.com) | **Akash Manish Dobhada** (Akash.Dobhada@motilaloswal.com)

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

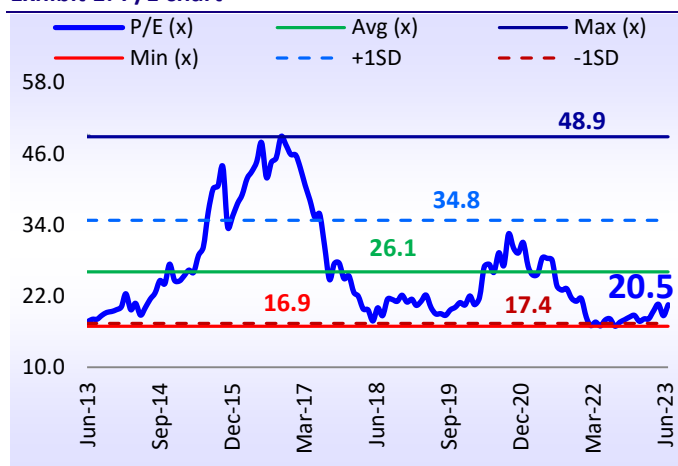
Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Shareholding pattern (%)

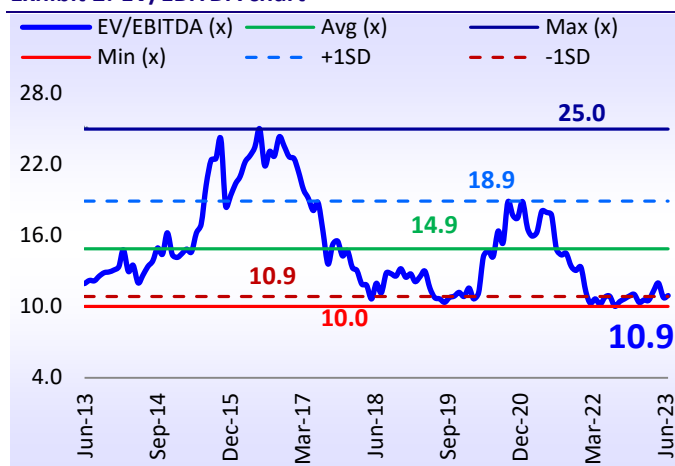
As On	Mar-23	Dec-22	Mar-22
Promoter	26.7	26.7	26.7
DII	23.1	23.4	24.8
FII	38.8	38.1	25.4
Others	11.5	11.8	23.1

Stock Performance (1-year)

- We raise our EPS estimates by 4% each for FY24/FY25 to factor in the additional benefits of DRRD in NA due to higher inclination of customers for certain products led by regulatory concerns at manufacturing sites of its competitors.
- We expect 6% earnings CAGR over FY23-25, led by 10% sales CAGR (broad-based across key geographies) but offset by reduced profitability in certain products in the NA segment.
- We value DRRD at 22x 12M forward earnings of the base business and add INR170 as NPV of g-Revlimid to arrive at our TP of INR4,680.
- As the moderation in earnings and valuations is factored in the upside adequately, we maintain our **Neutral** rating on the stock.

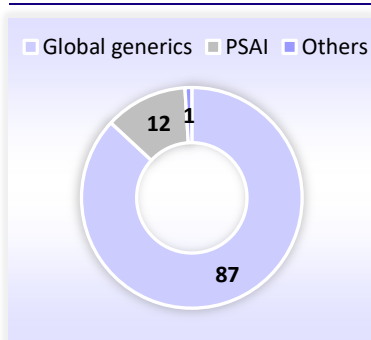
Exhibit 1: P/E chart

Source: MOFSL, Company, Bloomberg

Exhibit 2: EV/EBITDA chart

Source: MOFSL, Company, Bloomberg

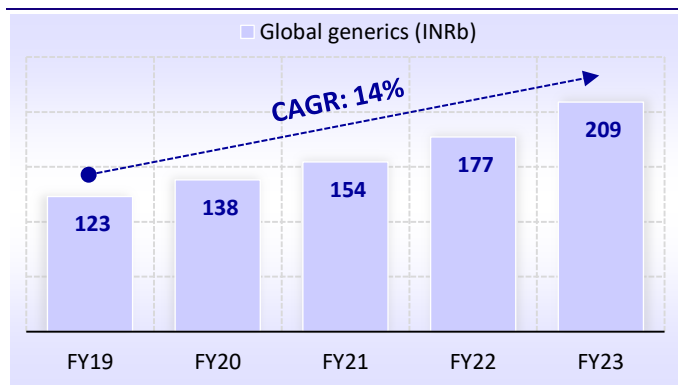
Sales mix (FY23)



GG segment: New launches and market share gains propel growth

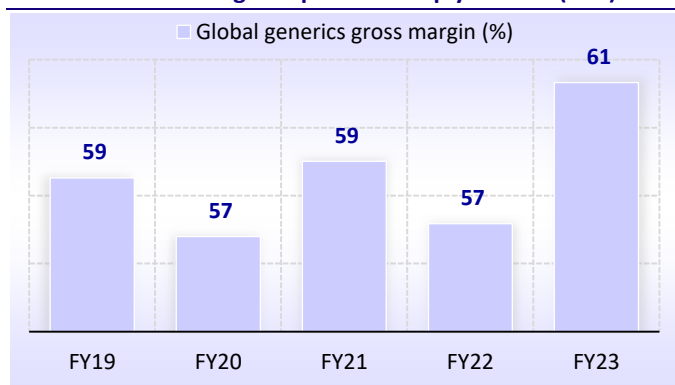
- In FY23, DRRD boosted its growth momentum in the GG segment with sales growth of 18% YoY to INR209b vs. 13% CAGR during FY19-22. The growth was majorly fueled by new launches and market share gains offset by price erosion.
- Particularly, niche launches led 20% YoY sales growth in GG in FY23. However, this was offset to some extent by ~8% price erosion in the base portfolio.
- Overall volumes rose 2% YoY in FY23 vs. 12% CAGR reported during FY19-22.
- DRRD witnessed ~10% price erosion in base portfolio due to steep competition over FY19-23.

Exhibit 3: GG sales delivered ~14% CAGR over FY19-23



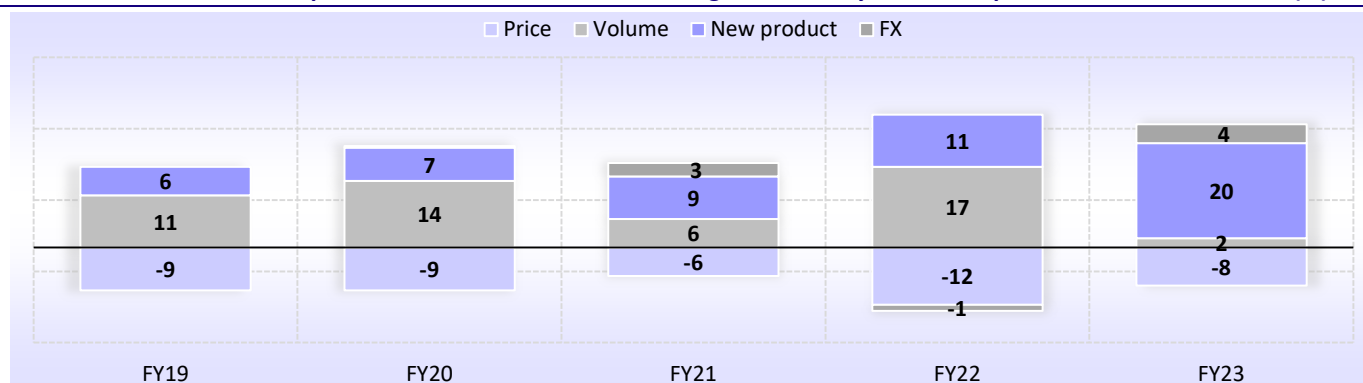
Source: Company, MOFSL

Exhibit 4: Gross margin improved sharply in FY23 (YoY)



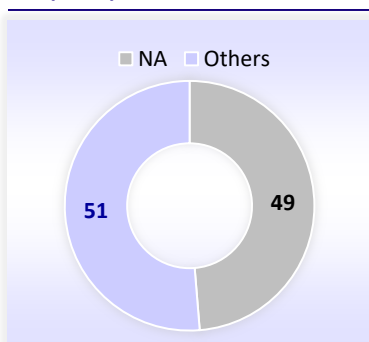
Source: Company, MOFSL

Exhibit 5: Growth from new product launches and market share gains offset by continued price erosion over FY19-23 (%)



Source: MOFSL, Company

NA revenue share in GG (FY23)



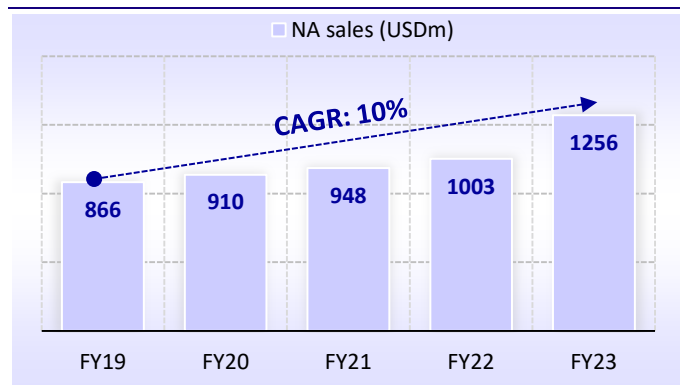
- Superior product mix fueled ~400bp gross margin expansion YoY, despite increased raw material and freight costs in FY23.

NA segment: Niche launches boost FY23 sales

- In FY23, NA sales grew at a faster rate of 36% YoY (CC: 25% YoY) to INR102b vs. 8% CAGR reported during FY19-22.
- DRRD had interesting product introductions during the year such as g-Revlimid (launched in Sep'22), g-Nexavar (launched in Jun'22) and pemetrexed injection (launched in May'22).

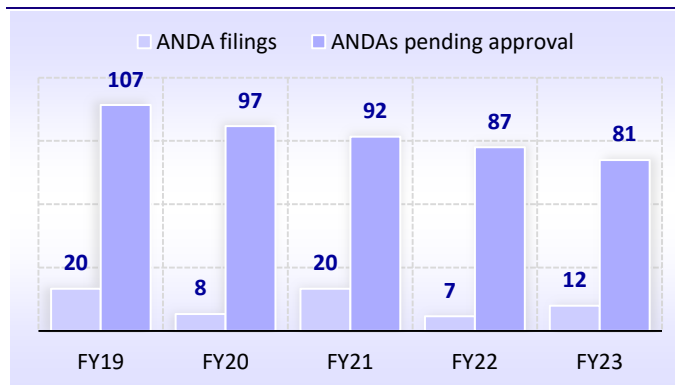
- These product launches were also supported by higher off-take of certain products like g-Vascepa and g-Cubicin, offset by increased competition in the base portfolio.

Exhibit 6: NA sales posted ~10% CAGR (in CC terms) over FY19-23



Source: Company, MOFSL

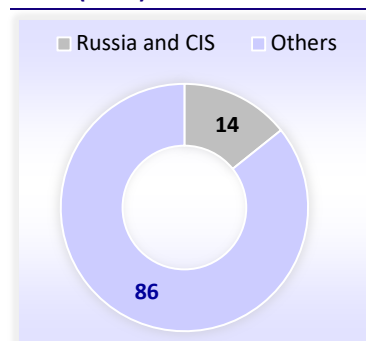
Exhibit 7: DRRD filed 12 ANDAs in FY23



Source: Company, MOFSL

- The filing pace was at low double digit in FY23 with focus on limited competition products. Accordingly, the ANDAs pending for approval has been witnessing a downtrend since the past four years now.

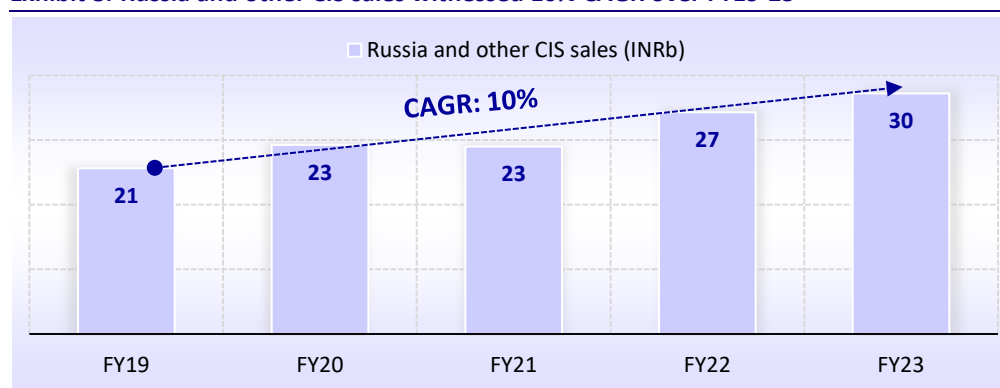
Russia and CIS's revenue share in GG (FY23)



Russia/CIS segment: A few headwinds hurt FY23 performance

- In FY23, the Russia segment registered sales growth of 11% YoY (adjusted for brands sales in FY22) to INR21b vs. 8% CAGR reported during FY19-22.
- While the traction for DRRD has been improving (up 21% YoY in FY22) in Russia as geo-political issues has resulted in reduced efforts by companies from developed markets in Russia market.
- However, the inventory normalization affected the performance to some extent in FY23.
- Favorable pricing benefited the business in other countries of former Soviet Union and Romania, driving 4% YoY growth to INR8.6b for FY23. In FY23, the Russia segment registered sales growth of 11% YoY (adjusted for brands sales in FY22) to INR21b vs. 8% CAGR reported during FY19-22.

Exhibit 8: Russia and other CIS sales witnessed 10% CAGR over FY19-23



Source: MOFSL, Company

Exhibit 9: Price growth trend of DRRD's Russia segment (in CC terms, %)

	FY19	FY20	FY21	FY22	FY23
Prescription (Rx)	6.0	9.2	- 1.2	17.6	3.7
Over-the-counter (OTC)	5.6	10.3	- 0.6	23.0	10.9
Total (Rx + OTC)	5.8	9.7	- 0.9	20.3	7.3

Source: MOFSL, Company

Exhibit 10: Price growth trend of Russia's pharma market (in CC terms, %)

	FY19	FY20	FY21	FY22	FY23
Prescription (Rx)	9.9	11.5	2.3	22.4	2.1
Over-the-counter (OTC)	2.6	6.6	4.3	20.6	2.6
Total (Rx + OTC)	6.1	9.0	3.3	21.5	2.3

Source: MOFSL, Company

Exhibit 11: Volume growth trend of DRRD's Russia segment (in CC terms, %)

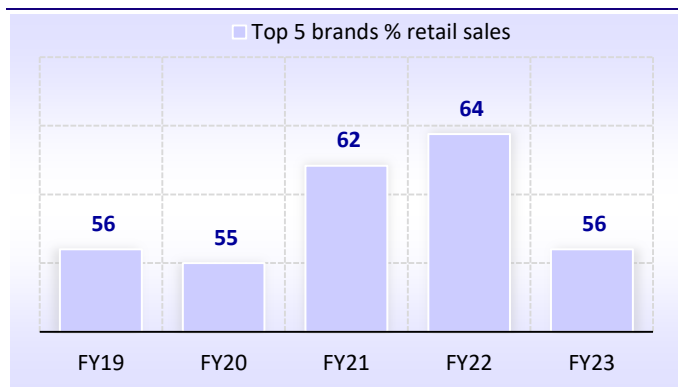
	FY19	FY20	FY21	FY22	FY23
Prescription (Rx)	-2.7	0.6	-4.8	10.7	-2.0
Over-the-counter (OTC)	-1.6	5.3	-7.3	22.1	1.3
Total (Rx + OTC)	-2.3	2.3	-5.7	15.0	-0.4

Source: MOFSL, Company

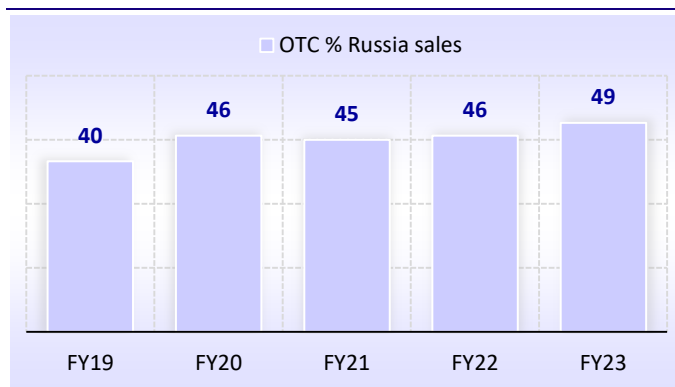
Exhibit 12: Volume growth trend of Russia's pharma market (in CC terms, %)

	FY19	FY20	FY21	FY22	FY23
Prescription (Rx)	1.8	2.9	-2.1	7.0	-5.0
Over-the-counter (OTC)	-5.7	-1.8	-6.6	3.9	-8.0
Total (Rx + OTC)	-3.4	-0.3	-5.1	4.9	-6.5

Source: MOFSL, Company

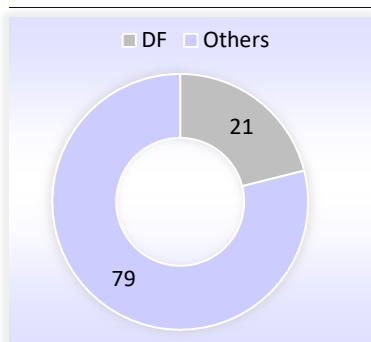
Exhibit 13: Contribution from top five brands declined to 56% in FY23

Source: Company, MOFSL

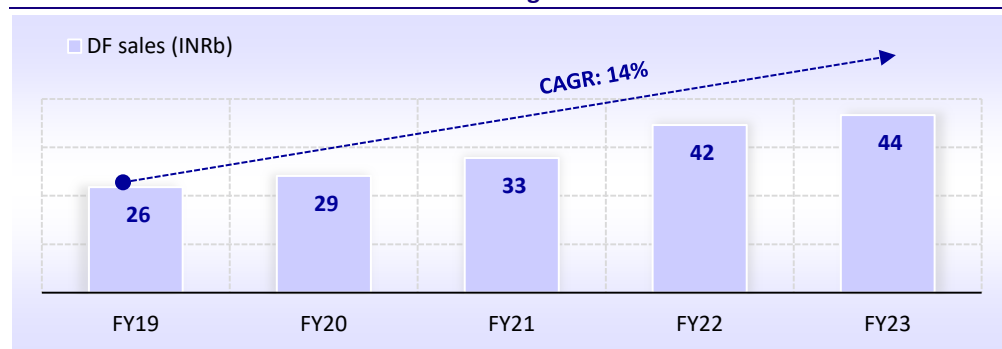
Exhibit 14: Over-the-counter (OTC) products contributed ~50% to Russia sales in FY23

Source: Company, MOFSL

- Top five brands – Nise, Omez, Ibuclin, Nasivin and Femibion – accounted for 56% of retail sales in Russia in FY23. The share of top 5 brands has reduced by 800bp as a % of sales, implying improved growth rates in smaller brands/new launches in the Russia market.
- DRRD's focus in Russia has been in the gastro-intestinal, pain management, cough and cold, allergy and oncology therapeutic areas. It is creating leading brands in these therapeutic areas in prescription, OTC and hospital sales. While the share of OTC was stable at 46% over FY20-22, it spiked to ~49% in FY23.

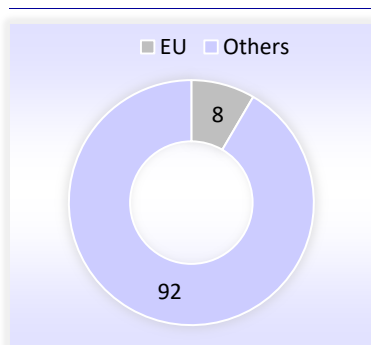
DF's revenue share in GG (FY23)**DF segment: YoY growth moderates partly on high base of last year**

- DRRD sealed multiple deals in DF segment through sale of non-core brands in FY23. Adjusted for the sale of non-core brands, DRRD's DF sales increased 6% YoY to INR44b.
- On a combined basis, it gained income of INR4.9b from these transactions. Deals with Eris/Torrent Pharma/Jb Chem garnered income of INR2.6b/INR1.4b/INR900m.
- Particularly, portfolio sold to Eris posted sales of INR670m on annualized basis. Further, top brands such as HydroHeal/Cris ODT/Avarta registered MAT sales of INR200m/INR130m/INR60m.

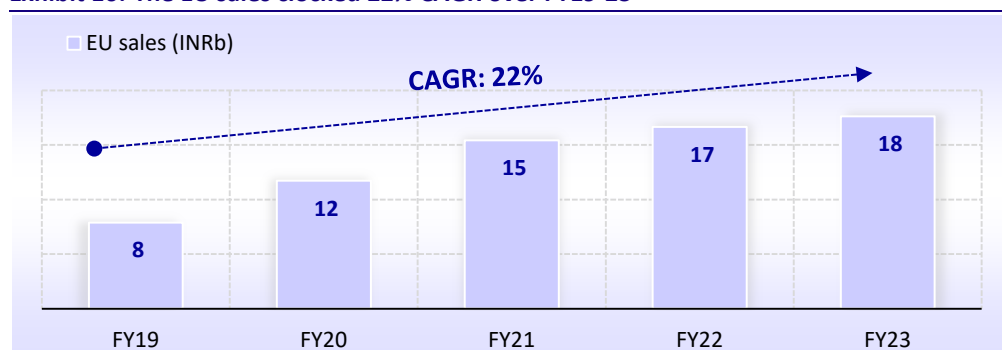
Exhibit 15: DF sales witnessed 14% CAGR during FY19-23

Source: MOFSL, Company

- In FY23, DRRD recorded considerable revenue growth aided by price hikes in the existing portfolio and marginal growth from new launches. It witnessed a volume decline affecting the performance of the DF segment to some extent.
- During FY22, the DF segment witnessed a robust 24% YoY growth largely fueled by launch of 20 brands, including Sputnik-V (COVID-19 vaccine), 2-deoxy-D-glucose (2DG) and Vicra.

EU revenue share in GG (FY23)**EU segment: Adding newer markets/products to support growth**

- The EU sales posted 6% YoY growth in FY23 vs. a robust 28% CAGR over FY19-22.
- DRRD has remained on track in terms of adding newer markets as well as expanding its portfolio.
- Over the past five years, DRRD has added five countries in this segment with a commercial base of 185 products.
- Further, it intends to offer biosimilars and medical cannabis to boost growth levers in this segment.

Exhibit 16: The EU sales clocked 22% CAGR over FY19-23

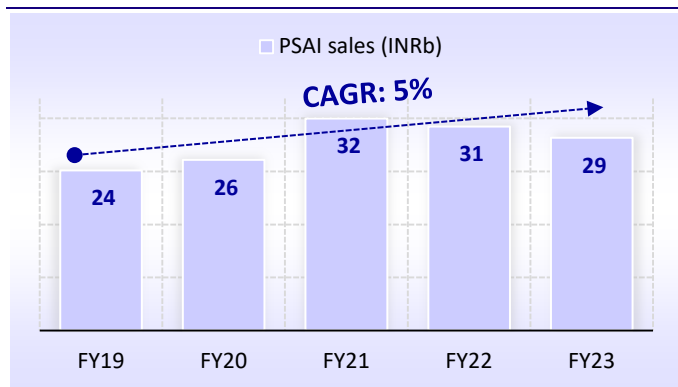
Source: MOFSL, Company

- Moreover, the EU sales jumped 32% YoY in FY21 due to scale-up of volumes in newer markets such as Italy, Spain and France.

PSAI segment: Inventory normalization at industry level led YoY decline in FY23 sales

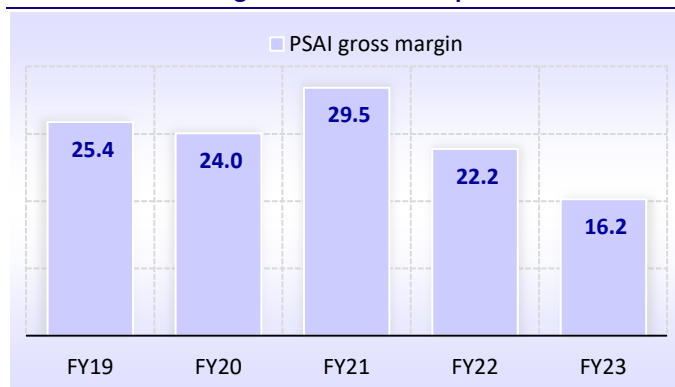
- In FY23, PSAI sales declined 5% YoY to INR29b due to a drop in prices and volumes slightly offset by new launches.
- The higher base on account of Covid-related sales in FY22 and inventory normalization impacted the sales of PSAI segment adversely in FY23.
- Management is focusing on additional growth levers in the PSAI segment through selling of finished dosages in countries wherein it does not have a direct access. DRRD is also building CDMO for small molecules to aid growth in this segment going forward.

Exhibit 17: PSAI sales witnessed 5% CAGR over FY19-23



Source: Company, MOFSL

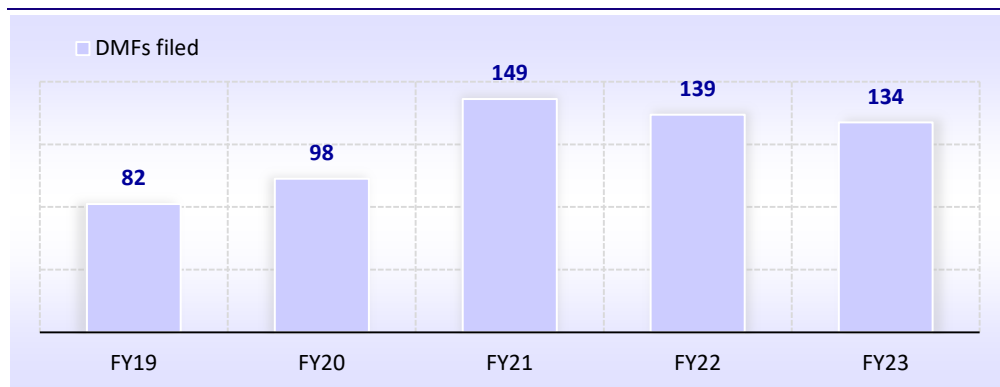
Exhibit 18: PSAI margin contracted 600bp YoY in FY23



Source: Company, MOFSL

- In FY23, PSAI segment's gross margin contracted 600bp YoY to 16.2% due to a higher percentage of manufacturing overhead costs on a lower sales base, and price erosion in some products.

Exhibit 19: 134 DMFs filed in FY23



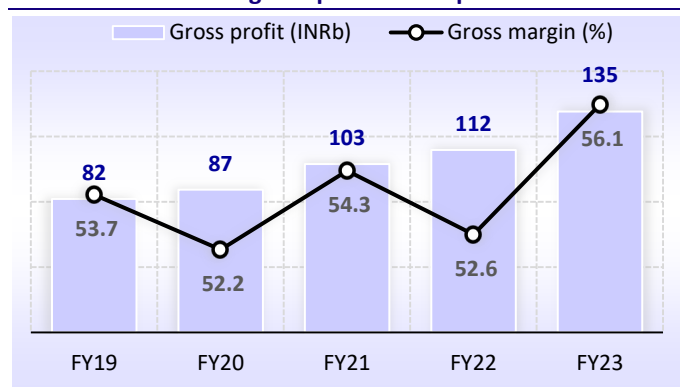
Source: MOFSL, Company

- DRRD filed 134 DMFs in FY23 and 386 during FY19-22.

Product mix and operating leverage improve profitability

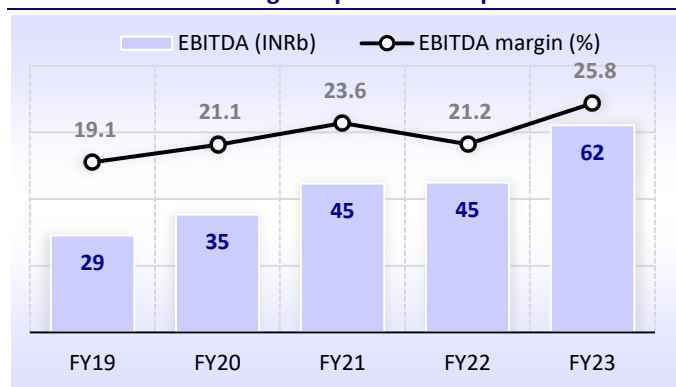
- DRRD delivered strong margin improvement in FY23 primarily backed by niche launches in NA and operational efficiency.
- The product mix benefit resulted in 350bp gross margin expansion YoY, which along with cost optimization efforts led to 460bp EBITDA margin expansion YoY.

Exhibit 20: Gross margin improved 240bp over FY19-23



Source: Company, MOFSL

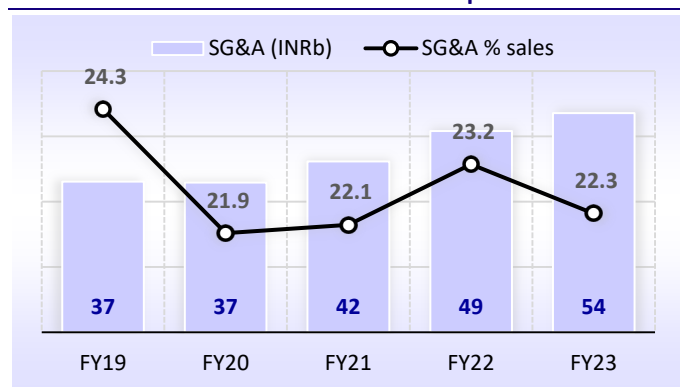
Exhibit 21: EBITDA margin improved 660 bp over FY19-23



Source: Company, MOFSL

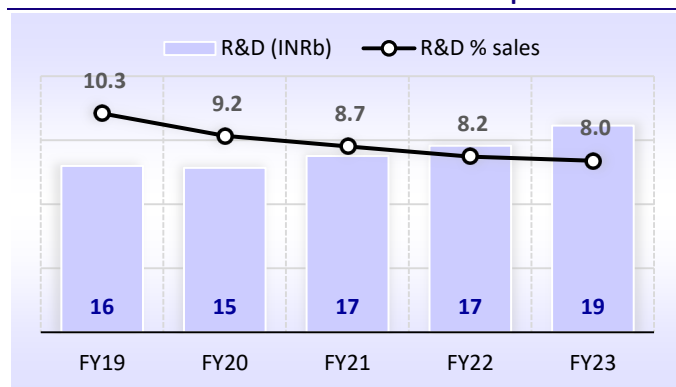
- In FY23, SG&A expenses as a proportion of sales declined ~100bp YoY to 22.3% while R&D expenses as a proportion of sales declined 20bp to 8.0%.
- However, on an absolute basis, SG&A expenses rose 9% YoY in FY23 due to increase in personnel costs, selling and advertisement costs, and travel costs slightly offset by reduced sales commissions and legal fees.

Exhibit 22: SG&A as a % of sales fell 200bp over FY19-23



Source: Company, MOFSL

Exhibit 23: R&D as a % of sales declined 230bp over FY19-23



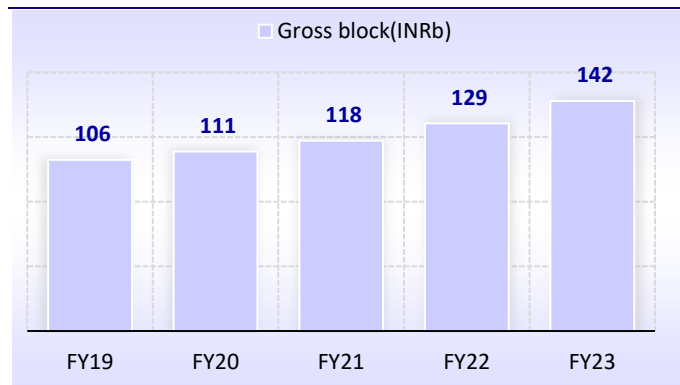
Source: Company, MOFSL

- However, in FY23, R&D expenses rose 11% YoY led by higher developmental expenditures on certain projects in GG, PSAI and biosimilars businesses.

Investments on track to meet future requirements

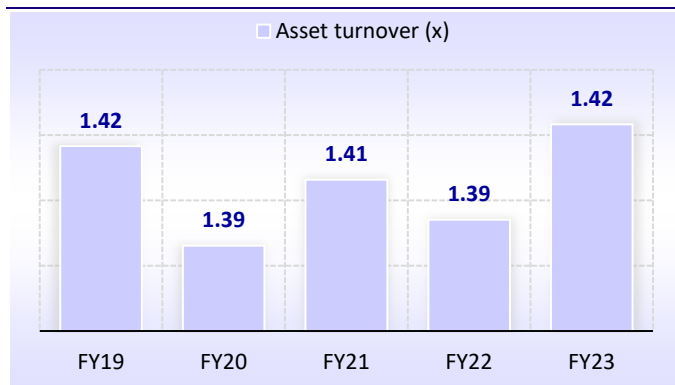
- Over FY19-23, DRRD invested almost INR36b towards tangible assets to cater to its manufacturing requirements.
- Particularly, it invested INR13b in FY23 towards capacity additions as well as maintenance of existing equipment.

Exhibit 24: Consistent investment into gross block over FY19-23



Source: MOFSL, Company

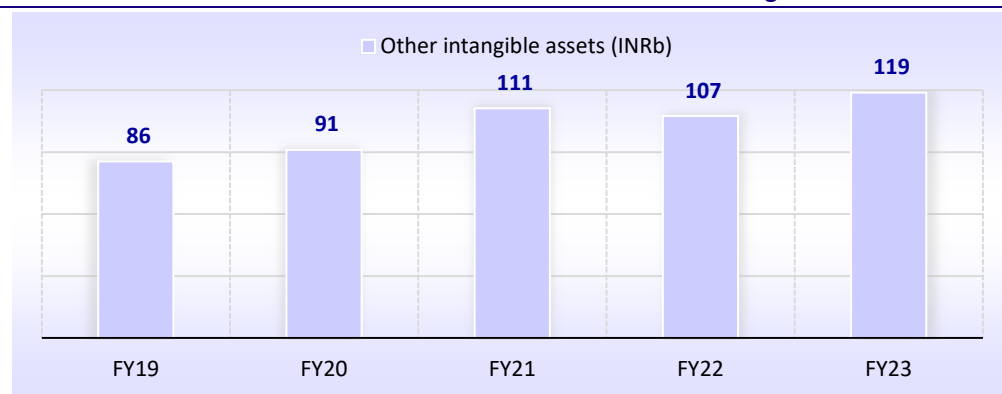
Exhibit 25: Asset turnover at 1.4x in FY23



Source: MOFSL, Company

- During FY19-23, its asset turnover ratio has been stable at ~1.4x due to consistent increase in gross block over the same period.
- The other intangible assets rose INR11b YoY in FY23. A majority of the increase was because of: a) consideration (INR4.6b) spent for acquiring 'Cidmus' brand/trademark from Novartis, b) branded/generic injectable portfolio acquisition from Eton Pharma for INR395m and c) acquiring rights in brimonidine tartrate ophthalmic solution from Slayback Pharma for ~INR720m.
- The adverse foreign currency headwinds also increased the gross other intangible assets in FY23.

Exhibit 26: Addition of Cidmus brand led to an increase in other intangible assets in FY23



Source: MOFSL, Company

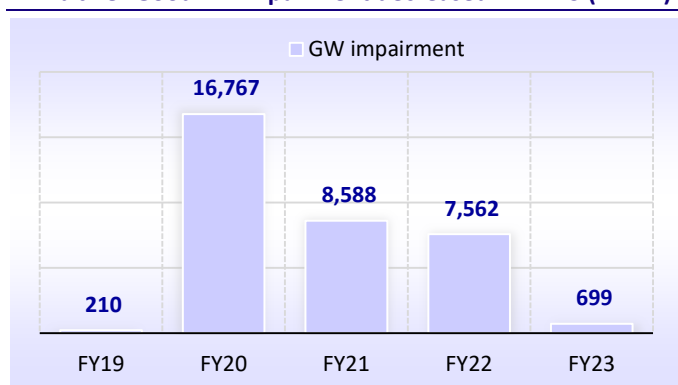
- Geography-wise, apart from India, DRRD added assets in Switzerland in FY23.
- Specifically, DRRD invested INR1.2b in Switzerland during the year.

Exhibit 27: Geographical distribution of PPE and intangible assets (ex-Goodwill; INR m)

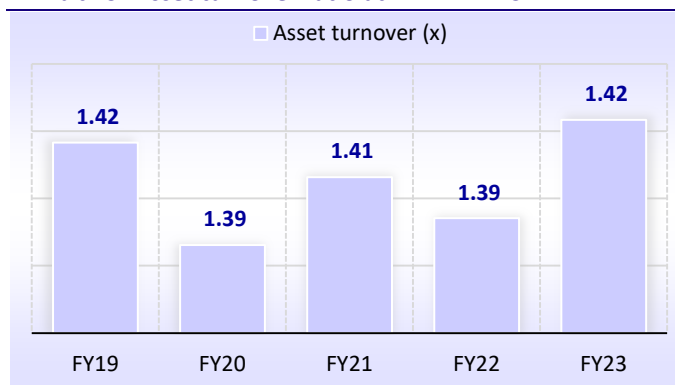
	FY19	FY20	FY21	FY22	FY23
India	5,341	5,519	27,882	15,580	18,362
Switzerland	1,112	1,025	3,760	195	1,209
US	206	241	2,158	532	532
Others	787	688	1,031	732	732
Total	7,446	7,473	34,831	17,039	20,835

Source: MOFSL, Company

- In FY23, goodwill impairment declined to INR699m. There were some goodwill impairments due to acquisition of Nimbus Health business and some other impairments.

Exhibit 28: Goodwill impairment decreased in FY23 (INR m)

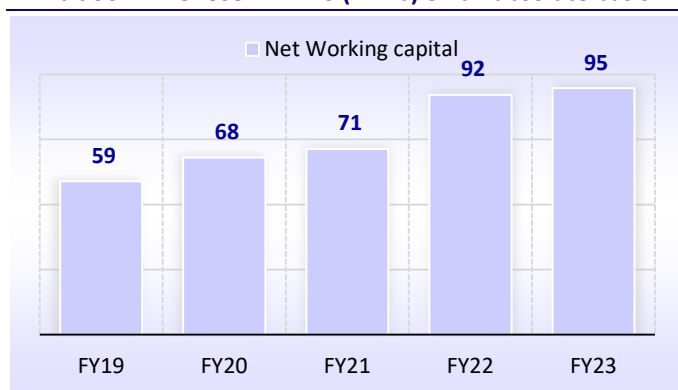
Source: Company, MOFSL

Exhibit 29: Asset turnover ratio at 1.4x in FY23

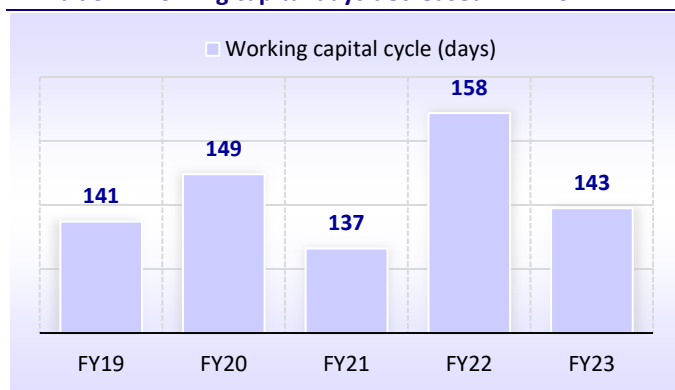
Source: Company, MOFSL

Working capital rose at a much lower rate than sales growth in FY23

- DRRD's net working capital witnessed a 13% CAGR over FY19-23. However, in FY23, it increased just 3% YoY vs. ~14% YoY growth in sales.
- The working capital days declined YoY to 143 in FY23 led by a decline across receivable days on YoY basis. This was partly offset by lower payable days.

Exhibit 30: NWC rose in FY23 (INR b) on an absolute basis

Source: Company, MOFSL

Exhibit 31: Working capital days decreased in FY23

Source: Company, MOFSL

Healthy FCF generation over FY19-23

- DRRD generated CFO/FCFE of INR146b/INR68b respectively over FY19-23.

Exhibit 32: Healthy free cash generated over FY19-23 (INR b)

	FY19	FY20	FY21	FY22	FY23
OP/(Loss) before Tax	17.0	27.8	28.8	30.6	45.1
Depreciation	7.8	7.9	12.3	11.7	12.6
Interest & Finance Charges	-0.2	-0.4	0.1	0.0	0.2
Direct Taxes Paid	-2.4	-4.8	-5.7	-7.4	-10.7
(Inc)/Dec in WC	3.4	-11.9	-8.3	-13.8	-7.9
Others	2.0	-0.2	8.4	7.1	19.5
CF from Operations	27.6	18.4	35.7	28.1	58.9
Capex	0.9	0.1	-9.7	-14.7	-11.3
FCFF	28.5	18.5	26.0	13.4	47.6
Net borrowing	-17.0	2.7	6.1	2.7	-20.4
Interest & Finance Charges	-0.6	-0.5	-1.3	-1.3	-1.9
FCFE	10.8	20.6	30.7	14.8	25.3

Source: MOFSL, Company

- FCFE included income from divestments of brands over FY19-23.
- Particularly, DRRD received income to the tune of INR4.9b in FY23 from divestments of brands in the DF segment.
- Even in FY22, DRRD garnered income of INR4b from divestments of assets.

Exhibit 33: Sale of brands in FY23 (INR m)

FY23	
Income from divestments to JB Chemicals	902
Income from divestments to Torrent Pharma	1,399
Income from divestments to Eris Lifesciences	2,640
Total Income from divestment	4,941
Consideration amount for acquired Cidmus brand from Novartis AG	-4,633
Consideration amount for acquired US portfolio from Mayne Pharma	-7,626
Total consideration amount paid	-12,259
Net loss on sale of asset to Delpharm	-991

Source: MOFSL, Company

Exhibit 34: Sale of brands in FY22 (INR m)

FY22	
Income from divestments to Alium JSC	1,774
Income (license fee) from divestment to BioDelivery Sciences International, Inc	1,084
Income from divestment to Citius Pharma	1,064
Net Income	3,922
Consideration amount for acquired Nimbus Health	-337

Source: MOFSL, Company

Exhibit 35: Sale of brands in FY21 (INR m)

FY21	
Consideration amount paid for acquired divisions from Wockhardt	-16,115
Consideration amount paid for acquired rights from Glenmark Pharma	-1,516
Net consideration amount paid	-17,631

Source: MOFSL, Company

Remuneration trend of directors

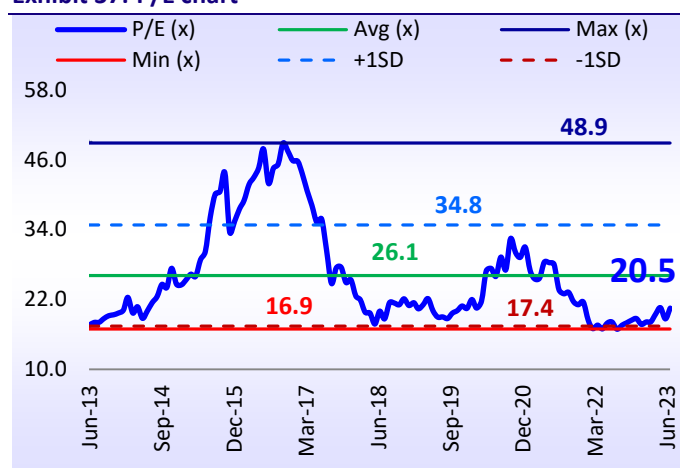
- The table below highlights the trend of remuneration of key DRRD directors during FY19-23.

Exhibit 36: Remuneration details (INR m)

	FY19	FY20	FY21	FY22	FY23	FY19-23 CAGR (%)
Mr. K. Satish Reddy	86	93	105	103	115	8
Mr. G.V. Prasad	124	144	156	157	188	11
Mr. Erez Israeli	NA	122	120	127	195	NA
Mr. Parag Agarwal	NA	NA	15	56	65	NA
Ms. Kalpana Morparia	10	11	11	13	15	11
Mr. Sridar Iyengar	10	13	12	14	18	16
Mr. Leo Puri	5	12	11	11	15	32
Ms. Shikha Sharma	3	11	11	12	13	50

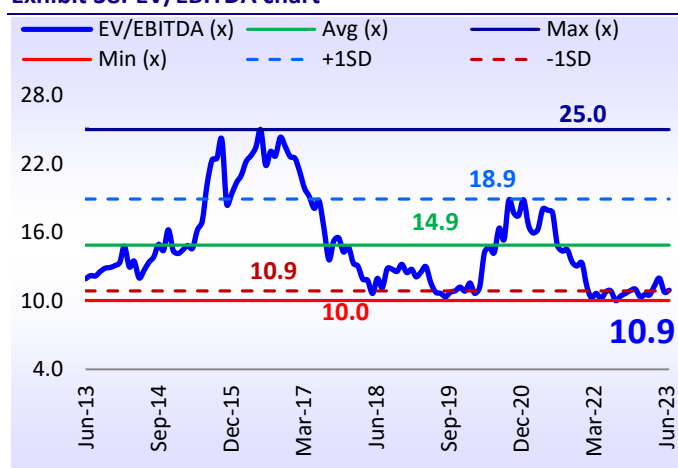
Source: MOFSL, Company

Exhibit 37: P/E chart



Source: MOFSL, Company, Bloomberg

Exhibit 38: EV/EBITDA chart



Source: MOFSL, Company, Bloomberg

Story in charts

Exhibit 39: Expect sales CAGR at ~10% over FY23–25

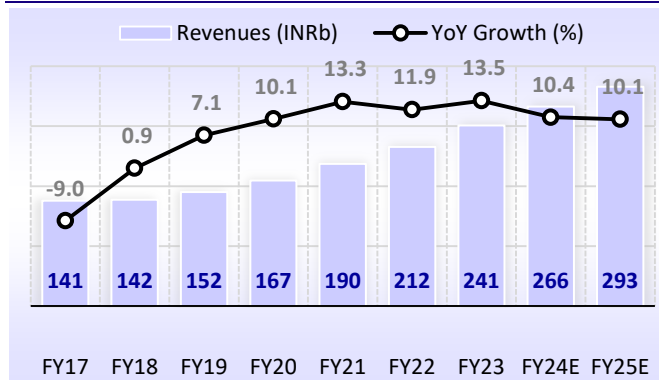


Exhibit 40: NA sales to report ~11% CAGR over FY23–25E

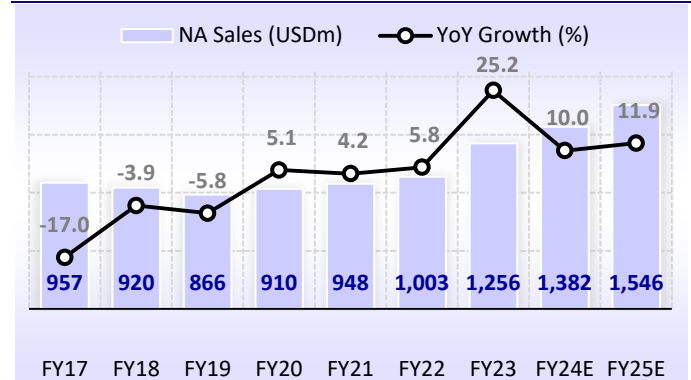


Exhibit 41: Expect DF sales to exhibit 10% CAGR over FY23–25

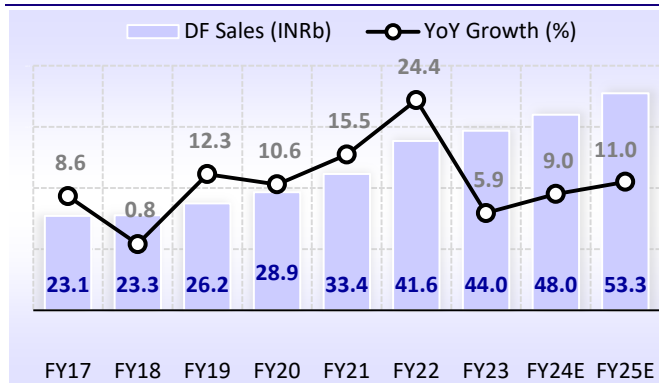


Exhibit 42: PSAI sales to report ~10.4% CAGR over FY23–25

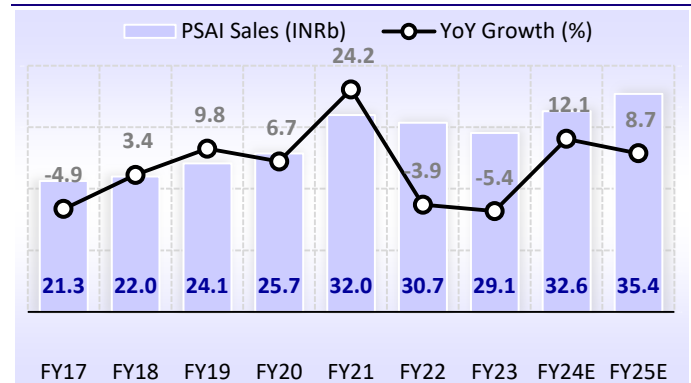


Exhibit 43: EBITDA margin to contract 120bp over FY23–25

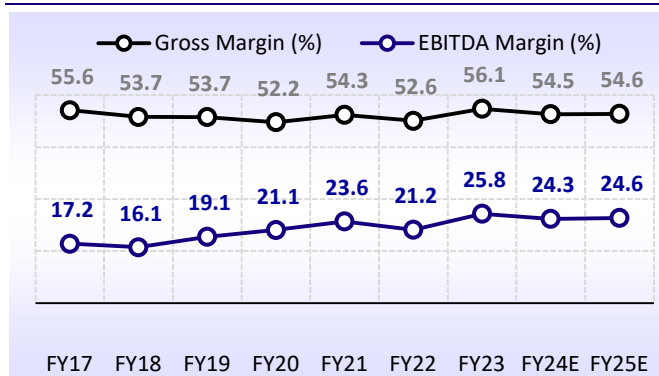


Exhibit 44: Expect EBITDA CAGR at ~8% over FY23–25

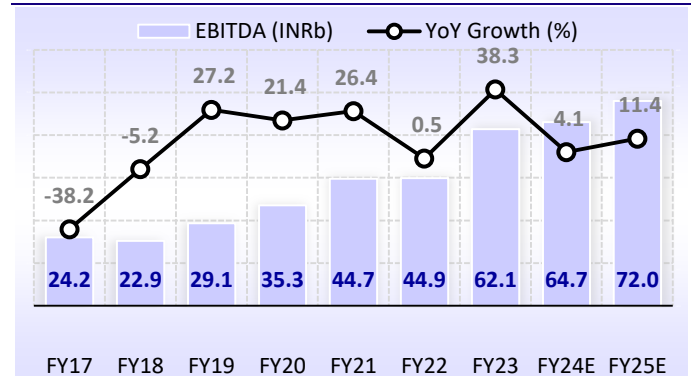


Exhibit 45: R&D expenses to settle at ~8% of sales by FY25E

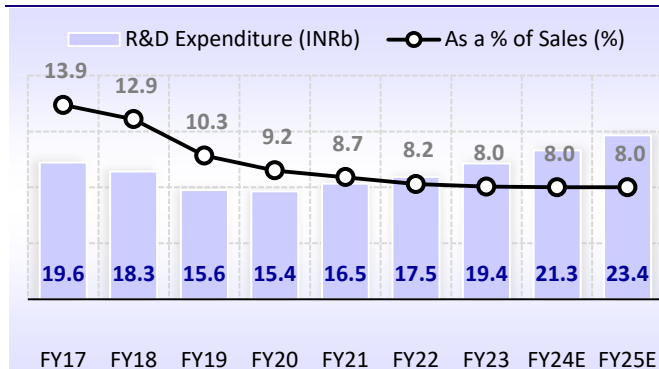
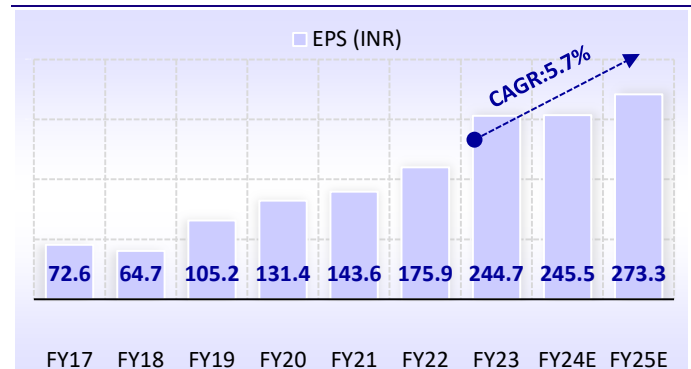


Exhibit 46: Expect EPS CAGR at 5.7% over FY23–25



Source: Company, MOFSL

Source: Company, MOFSL

Financials and valuations

Income Statement							(INR m)	
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Net Sales	142,028	152,051	167,400	189,722	212,227	240,936	266,053	292,805
Change (%)	0.9	7.1	10.1	13.3	11.9	13.5	10.4	10.1
Total Expenditure	119,137	122,938	132,058	145,038	167,306	178,813	201,402	220,775
EBITDA	22,891	29,113	35,342	44,684	44,921	62,123	64,651	72,030
Change (%)	-5.2	27.2	21.4	26.4	0.5	38.3	4.1	11.4
Margin (%)	16.1	19.1	21.1	23.6	21.2	25.8	24.3	24.6
Depreciation & Amort.	11,762	11,980	12,472	12,798	11,825	12,663	13,835	15,226
Net Interest Exp	817	1,163	983	-1,653	-2,119	-2,853	-1,095	-1,043
One-off (Gains)/Losses	0	-1,800	7,718	7,700	6,381	-5,445	0	0
PBT before EO Expense	14,341	22,443	25,749	35,001	38,679	53,943	53,812	59,748
Change (%)	-2.1	56.5	14.7	35.9	10.5	39.5	-0.2	11.0
PBT after EO Expense	14,341	22,443	18,033	27,298	32,298	59,388	53,812	59,748
Tax	4,535	3,648	-1,466	9,175	8,730	15,300	12,915	14,220
Tax Rate (%)	31.6	16.3	-8.1	33.6	27.0	25.8	24.0	23.8
Reported PAT	9,806	18,795	19,499	18,123	23,568	44,088	40,897	45,528
Adjusted Net Profit	10,736	17,459	21,807	23,834	29,265	40,775	40,897	45,528
Change (%)	-10.8	62.6	24.9	9.3	22.8	39.3	0.3	11.3
Margin (%)	7.6	11.5	13.0	12.6	13.8	16.9	15.4	15.5

Balance Sheet							(INR m)	
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	830	830	830	830	832	833	833	833
Reserves	124,886	139,406	155,158	175,587	189,695	230,158	266,877	308,226
Net Worth	125,716	140,236	155,988	176,417	190,527	230,991	267,710	309,059
Loans	50,651	34,125	17,836	29,444	33,845	13,472	12,472	11,472
Deferred Liabilities/Tax	-3,455	-3,844	-12,179	-10,397	-12,721	-6,363	-6,363	-6,363
Capital Employed	172,912	170,517	161,645	195,464	211,651	238,100	273,819	314,168
Gross Block	99,286	115,385	126,148	143,664	160,797	177,753	190,841	199,703
Less: Accum. Deprn.	49,553	61,533	74,005	86,803	98,628	111,291	125,126	140,352
Net Fixed Assets	57,411	53,852	52,143	56,861	62,169	66,462	65,715	59,351
Investments	28,935	30,769	33,264	33,115	38,393	62,180	62,180	62,180
Goodwill/Intangibles	46,974	47,393	31,711	40,847	31,664	35,094	35,094	35,094
Curr. Assets	86,718	88,325	102,936	124,659	151,647	150,922	160,378	211,855
Inventory	29,089	33,579	35,067	45,412	50,884	48,670	53,264	59,820
Account Receivables	40,696	39,982	52,015	49,759	66,818	72,485	73,505	80,896
Cash and Bank Balance	2,638	2,228	2,053	14,829	14,852	5,779	9,665	44,787
Others	14,295	12,536	13,801	14,659	19,093	23,988	23,945	26,352
Curr. Liability & Prov.	47,126	49,822	58,409	60,018	72,222	76,558	49,548	54,311
Account Payables	13,345	13,671	15,248	18,109	25,572	26,444	19,490	21,402
Other Current Liabilities	33,781	36,151	43,161	41,909	46,650	50,114	30,059	32,909
Net Current Assets	39,592	38,503	44,527	64,641	79,425	74,364	110,830	157,543
Appl. of Funds	172,912	170,517	161,645	195,464	211,651	238,100	273,819	314,169

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
EPS	64.7	105.2	131.4	143.6	175.9	244.7	245.5	273.3
Cash EPS	135.5	177.3	206.5	220.7	246.9	320.8	328.5	364.7
BV/Share	757.3	844.8	939.7	1,062.8	1,145.0	1,386.5	1,606.9	1,855.1
DPS	20.0	20.0	23.6	25.0	20.4	20.4	21.4	21.4
Payout (%)	40.7	21.3	23.5	26.8	16.9	9.0	10.2	9.2

Valuation (x)

P/E	77.2	47.5	38.0	34.8	28.4	20.4	20.3	18.3
PEG (x)	-7	1	2	4	1.2	0.5	68.1	1.6
P/BV	6.6	5.9	5.3	4.7	4.4	3.6	3.1	2.7
EV/Sales	6.0	5.5	4.8	4.3	3.8	3.2	2.9	2.5
EV/EBITDA	37.0	28.5	23.0	18.1	18.0	12.5	11.9	10.2
Dividend Yield (%)	0.4	0.4	0.5	0.5	0.4	0.4	0.4	0.4

Return Ratios (%)

ROIC	5.8	10.8	21.9	17.0	18.0	23.1	21.8	22.4
RoE	8.6	13.1	14.7	14.3	16.0	19.3	16.4	15.8
RoCE	4.8	8.9	17.4	11.8	12.3	15.9	15.3	14.9

Working Capital Ratios

Fixed Asset Turnover (x)	1.5	1.4	1.4	1.4	1.4	1.4	1.4	1.5
Debtor (Days)	101	97	100	98	100	106	100	96
Inventory (Days)	74	75	75	77	83	75	70	70

Leverage Ratio

Net Debt/Equity (x)	0.1	0.0	-0.1	-0.2	-0.2	-0.3	-0.3	-0.5
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Cash Flow Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Op. Profit/(Loss) before Tax	14,341	22,443	25,749	35,001	38,679	53,943	53,812	59,748
Depreciation	11,762	11,980	12,472	12,798	11,825	12,663	13,835	15,226
Interest/Dividends Recd.	-4,029	-6,473	4,839	6,238	2,917	-7,075	-1,901	-1,901
Direct Taxes Paid	-4,535	-3,648	1,466	-9,175	-8,730	-15,300	-12,915	-14,220
(Inc)/Dec in WC	-3,156	679	-6,199	-7,338	-14,761	-4,012	-32,580	-11,592
CF from Operations	14,383	24,981	38,327	37,524	29,930	40,219	20,251	47,262
EO Expense	0	0	0	-6,105	-4,559	0	0	0
CF from Operations	18,030	28,704	38,542	43,629	34,489	40,219	20,251	47,262
(inc)/dec in FA	-13,595	-8,840	4,919	-26,652	-7,950	-20,386	-13,088	-8,863
Free Cash Flow	788	16,141	43,246	10,872	21,980	19,833	7,163	38,399
(Pur)/Sale of Investments	1,411	2,839	-2,495	149	-5,278	-23,787	0	0
CF from Investments	-14,883	-7,727	-4,923	-26,503	-26,387	-44,173	-13,088	-8,863
Change in net worth	-2,719	-273	835	1,653	-5,479	355	0	0
(Inc)/Dec in Debt	1,576	-16,526	-16,289	11,608	4,401	-20,373	-1,000	-1,000
Dividend Paid	-3,992	-4,002	-4,582	-4,852	-3,979	-3,877	-4,076	-4,076
CF from Fin. Activity	-4,440	-21,326	-25,159	-4,545	3,959	-22,797	-3,278	-3,277
Inc/Dec of Cash	-1,293	-349	8,460	12,581	12,061	-26,751	3,886	35,122
Add: Beginning Balance	3,865	2,638	2,228	2,053	14,829	14,852	5,779	9,665
Closing Balance	2,572	2,289	10,688	14,634	26,890	-11,899	9,665	44,787
FX impact net of bank balances	66	-61	-8,635		-12,038	17,678	0	0
Closing Balance	2,638	2,228	2,053	14,829	14,852	5,779	9,665	44,787

E: MOFSL Estimates

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SELL	< - 10%
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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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