

# Glenmark Pharma

Estimate change	↔
TP change	↓
Rating change	↔

**CMP: INR468**      **TP: INR430 (-8%)**      **Neutral**

## India/Europe/LATAM drive earnings

### Earnings decline in FY20 as well

- Glenmark Pharma (GNP) ended FY20 in a third consecutive year of earnings decline, albeit at a lower intensity v/s previous years. The outlook is improving, led by cost reduction initiatives in R&D as well as other operating expenses. Reduced price erosion in the US base business, supported by new launches, would further strengthen the earnings trajectory going forward.
- We raise our EPS estimate by 3%/8% for FY21/FY22 to factor better traction in the US business / Domestic Formulations and cost rationalization benefits. We value GNP on a 13x 12M forward earnings basis to arrive at price target of INR430. Maintain Neutral as the current valuation adequately factors an earnings upside over the medium term.

### India/Europe/LATAM, lower opex lead better-than-expected perf.

- GNP revenues increased 7% YoY to INR27.1b (estimate: INR25.5b), led by healthy growth in segments such as India Formulations (DF; 28% of sales; +14.5% YoY), Europe (15% of sales; +30% YoY), and LATAM (6% of sales; +47% YoY), partially offset by decline in RoW (12% of sales) and almost flat US revenues (28% of sales).
- The gross margin (GM) contracted by 190bps YoY to 64% due to a change in the product mix. However, the EBITDA margin expanded 120bps to 15.1% (estimate: 13.3%) on lower opex (employee cost / other expenses were down 30bp/280bp YoY as a percentage of sales). EBITDA grew 16.4% YoY to INR4.1b (estimate: INR3.4b).
- Adjusting for gains (INR329m from Gynecology brand sales / INR350m from forex gains), PAT was up 9% YoY at INR1.8b (estimate: INR1.5b).
- FY20 revenues/EBITDA increased 7.1%/2% YoY to INR104b/INR14.8b. Adj. PAT was down 5% YoY at INR6.9b, weighed by higher interest/depreciation.

### Highlights from management commentary

- GNP expects 10 ANDA launches in the US in FY21; it indicated launches of injectables/nebulizers in FY21.
- R&D expense in FY21 is expected to be lower than in FY20 on an absolute basis as well as in terms of percentage of sales in FY21.
- Capex is estimated at INR6–7b for FY21.
- Net debt stood at INR38b at the end of FY20. GNP expects a reduction in net debt largely due to reduced capex / R&D spend and the divestiture of non-core assets.

### Valuation and view

- We expect a 14% earnings CAGR over FY20–22, led by a sales CAGR of 11%/10% for India/Europe, better prospects for the US business, and improved profitability. We value GNP on a 13x 12M forward earnings basis to arrive at price target of INR430. While the earnings trajectory is improving, we are yet to see meaningful improvement in return ratios. Maintain **Neutral**.

Motilal Oswal values your support in the Asiamoney Brokers Poll 2020 for India Research, Sales and Trading team. We [request your ballot.](#)



Bloomberg	GNP IN
Equity Shares (m)	282
M.Cap.(INRb)/(USD\$b)	131.9 / 1.7
52-Week Range (INR)	573 / 168
1, 6, 12 Rel. Per (%)	24/50/17
12M Avg Val (INR M)	1534

### Financials & Valuations (INR b)

Y/E MARCH	2020	2021E	2022E
Sales	104.0	112.9	124.4
EBITDA	14.8	16.9	19.1
Adj. PAT	6.9	7.6	9.1
EBIT Margin (%)	10.2	10.8	11.4
Cons. Adj. EPS (INR)	24.6	27.1	32.2
EPS Gr. (%)	-5.1	10.0	18.9
BV/Sh. (INR)	215.1	238.6	267.1

### Ratios

Net D:E	0.7	0.6	0.5
RoE (%)	11.9	11.9	12.7
RoCE (%)	10.9	11.5	11.5
Payout (%)	13.1	13.3	11.2

### Valuations

P/E (x)	19.1	17.3	14.6
EV/EBITDA (x)	11.2	10.1	8.8
Div. Yield (%)	0.6	0.6	0.6
FCF Yield (%)	1.9	0.3	5.6
EV/Sales (x)	1.6	1.5	1.4

### Shareholding pattern (%)

As On	Mar-20	Dec-19	Mar-19
Promoter	46.6	46.6	46.5
DII	6.8	7.0	6.9
FII	28.5	30.2	32.6
Others	18.1	16.2	13.9

FII Includes depository receipts

**Tushar Manudhane - Research Analyst** (Tushar.Manudhane@MotilalOswal.com); +91 022 6129 1536

**Hitakshi Chandrani - Research Analyst** (Hitakshi.Chandrani@motilalosal.com); 02261291557 \ **Bharat Hegde - Research Analyst**

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

## Quarterly performance (Consolidated)

(INR m)

Y/E March	FY19				FY20				FY19	FY20	Estimate	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	% Var
<b>Net Revenues (Core)</b>	<b>21,294</b>	<b>25,399</b>	<b>25,098</b>	<b>25,261</b>	<b>22,836</b>	<b>27,637</b>	<b>26,386</b>	<b>27,113</b>	<b>97,051</b>	<b>103,972</b>	<b>25,512</b>	<b>6.3</b>
YoY Change (%)	-8.6	14.2	15.6	12.4	7.2	8.8	5.1	7.3	8.2	7.1	1.0	
<b>EBITDA</b>	<b>3,106</b>	<b>3,986</b>	<b>3,894</b>	<b>3,517</b>	<b>3,276</b>	<b>3,991</b>	<b>3,431</b>	<b>4,095</b>	<b>14,504</b>	<b>14,793</b>	<b>3,383</b>	<b>21.0</b>
YoY Change (%)	-42.9	12.2	34.0	19.2	5.5	0.1	-11.9	16.4	-2.3	2.0	-4	
Margins (%)	14.6	15.7	15.5	13.9	14.3	14.4	13.0	15.1	14.9	14.2	13.3	
Depreciation	794	825	831	810	907	942	1,060	1,263	3,259	4,172	1,065	
<b>EBIT</b>	<b>2,312</b>	<b>3,162</b>	<b>3,063</b>	<b>2,707</b>	<b>2,369</b>	<b>3,049</b>	<b>2,371</b>	<b>2,832</b>	<b>11,245</b>	<b>10,622</b>	<b>2,318</b>	
YoY Change (%)	-50.4	12.9	42.4	22.3	2.4	-3.6	-22.6	4.6	-4.9	-5.5	-14.4	
Margins (%)	10.9	12.4	12.2	10.7	10.4	11.0	9.0	10.4	11.6	10.2	9.1	
Interest	790	851	885	819	930	898	961	985	3,346	3,773	910	
Other Income	495	563	663	384	409	541	1,019	654	2,105	2,623	530	
<b>PBT before EO Expense</b>	<b>2,017</b>	<b>2,874</b>	<b>2,840</b>	<b>2,272</b>	<b>1,848</b>	<b>2,693</b>	<b>2,430</b>	<b>2,501</b>	<b>10,004</b>	<b>9,472</b>	<b>1,939</b>	<b>29.0</b>
One-off loss/(gain)	-1,250	-2,922	1,300	-130	250	-780	-280	-679	-3,002	-1,489	0	
<b>PBT after EO Expense</b>	<b>3,267</b>	<b>5,796</b>	<b>1,540</b>	<b>2,402</b>	<b>1,598</b>	<b>3,473</b>	<b>2,710</b>	<b>3,180</b>	<b>13,006</b>	10,961	<b>1,939</b>	<b>64.0</b>
Tax	937	1,656	377	786	506	918	801	977	3,756	3,201	419	
Rate (%)	28.7	28.6	24.5	32.7	31.6	26.4	29.6	30.7	28.9	29.2	21.6	
<b>Reported PAT</b>	<b>2,330</b>	<b>4,140</b>	<b>1,163</b>	<b>1,616</b>	<b>1,093</b>	<b>2,555</b>	<b>1,908</b>	<b>2,203</b>	<b>9,250</b>	<b>7,760</b>	<b>1,519</b>	<b>45.0</b>
<b>Adj PAT (excl one-offs)</b>	<b>1,442</b>	<b>2,065</b>	<b>2,145</b>	<b>1,659</b>	<b>1,359</b>	<b>1,993</b>	<b>1,786</b>	<b>1,801</b>	<b>7,312</b>	<b>6,938</b>	<b>1,519</b>	<b>18.5</b>
YoY Change (%)	-56.7	-3.5	104.8	9.4	-5.8	-3.5	-16.8	8.6	-9.0	-5.1	-8.4	
Margins (%)	6.8	8.1	8.5	6.6	5.9	7.2	6.8	6.6	7.5	6.7	6.0	

## Key performance Indicators (Consolidated)

Y/E March	FY19				FY20				FY19	FY20
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
India formulations	6,633	7,784	6,675	6,678	7,522	8,964	7,888	7,648	27,770	32,022
YoY Change (%)	7.6	9.5	15.4	9.7	13.4	15.2	18.2	14.5	10.4	15.3
US	7,037	8,102	8,557	7,696	7,309	8,478	7,998	7,619	31,393	31,404
YoY Change (%)	(32.7)	11.4	16.3	10.0	3.9	4.6	(6.5)	(1.0)	(2.1)	0.0
ROW	2,454	3,051	3,401	3,853	2,587	3,488	3,414	3,365	12,759	12,854
YoY Change (%)	8.4	21.0	5.6	29.1	5.4	14.3	0.4	(12.6)	16.1	0.7
Europe	2,198	2,608	3,217	3,184	2,429	2,851	3,089	4,116	11,207	12,484
YoY Change (%)	35.6	30.4	43.2	(0.2)	10.5	9.3	(4.0)	29.3	23.7	11.4
Latin America	976	985	1,014	1,204	811	1,212	1,563	1,769	4,180	5,356
YoY Change (%)	15.5	(5.9)	12.9	(5.7)	(16.9)	23.1	54.1	46.9	2.8	28.1
API	2,100	2,512	2,392	2,488	2,306	2,698	2,622	2,614	9,493	10,239
YoY Change (%)	2.6	6.2	3.3	21.4	9.8	7.4	9.6	5.1	8.1	7.9
<b>Cost Break-up</b>										
RM Cost (% of Sales)	35.6	34.7	34.3	34.1	35.5	35.7	35.1	36.0	34.6	35.6
Staff Cost (% of Sales)	21.3	23.9	20.0	19.6	21.3	24.8	21.1	19.3	21.2	21.7
R&D Expenses(% of Sales)	11.5	12.0	13.7	15.8	12.9	12.8	13.3	13.3	13.4	13.1
Other Cost (% of Sales)	17.0	13.8	16.3	16.6	15.9	12.2	17.4	16.3	15.8	15.4
Gross Margins(%)	64.4	65.3	65.7	65.9	64.5	64.3	64.9	64.0	65.4	64.4
EBITDA Margins(%)	14.6	15.7	15.5	13.9	14.3	14.4	13.0	15.1	16.5	14.9
EBIT Margins(%)	10.9	12.4	12.2	10.7	10.4	11.0	9.0	10.4	11.6	10.2

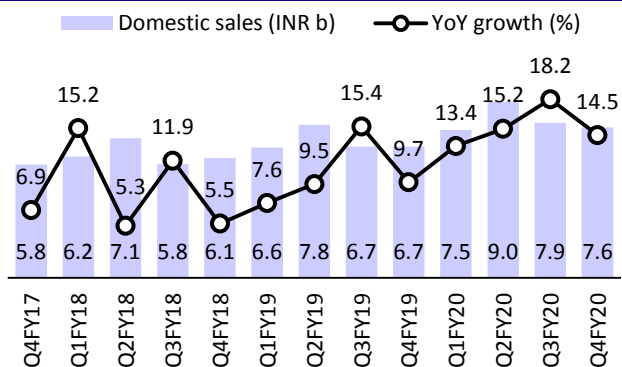


## Highlights from management commentary

- Derma products accounted for 20–25% of the US portfolio, down from 40–45% in FY19.
- GM is expected to be 64–65% in FY21.
- Ichnos Sciences has initiated the process to raise capital in the US to fund the development of its pipeline and future growth plans.
- Ichnos' focus would largely be on the Oncology portfolio.
- Expenses related to the Monroe plant would be USD10m for FY21.
- There are opportunities to export Favipiravir to Russia, China, Japan, Saudi Arabia / the Middle East, and Bangladesh.

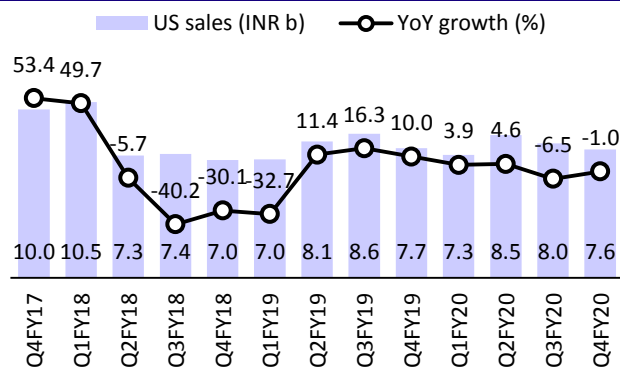
## Key exhibits

**Exhibit 1: Domestic business grows 14.5% YoY**



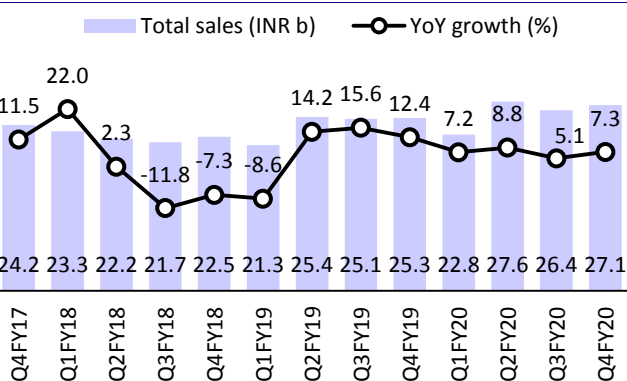
Source: MOFSL, Company

**Exhibit 2: US sales decline 1% YoY**



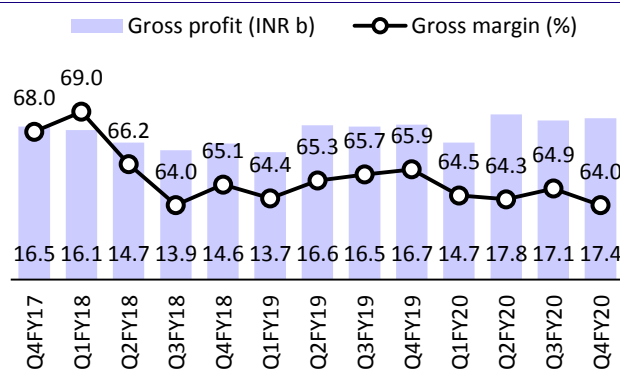
Source: MOFSL, Company

**Exhibit 3: Growth was led by Domestic and LATAM**



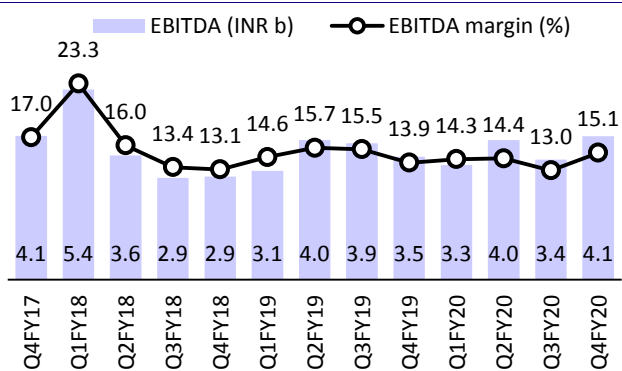
Source: Company, MOFSL

**Exhibit 4: Gross margin contract ~190bp YoY / 90bp QoQ**



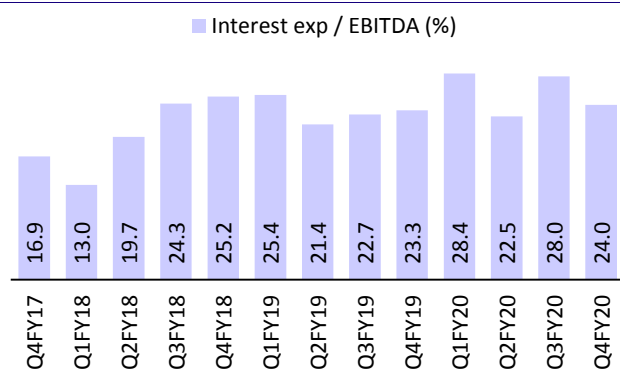
Source: Company, MOFSL

**Exhibit 5: EBITDA margin expands 120bp YoY**



Source: Company, MOFSL

**Exhibit 6: Interest exp. as % of EBITDA up 70bp YoY**



Source: Company, MOFSL

## Valuation and view

### Improving growth prospects for DF segment

GNP delivered a 10% CAGR in DF sales (28% of sales in FY20) over FY16–20. Notably, GNP exhibited 15% YoY sales growth for FY20, outperforming the industry, which grew at ~10% (per IQVIA MAT). This was driven by the addition of the Remogliflozin combinations, superior execution in the base portfolio, and, partly, the COVID-19-led pre-buying of medicines in the last two months of FY20. Remogliflozin sales have now reached INR53m per month. GNP continued to gain market share in the Cardiac and Respiratory therapies. Particularly, Cardiac therapy (28% of sales according to AIOCD) has grown by 16% for the past 12 months on a YoY basis. Respiratory therapy (18% of sales according to AIOCD) has also grown at 20% YoY for the 12 months ended Mar'20. Overall growth has largely been led by price hikes, while volume growth has been subdued over the past year. Considering the ongoing slowdown in the core portfolio due to COVID-19, partially offset by Favipiravir (for the treatment of COVID-19) and improved traction in Remogliflozin, we expect an 11% sales CAGR to INR39.6b over FY20–22.

### Product mix and new launches to drive US sales

US sales (30% of total sales in FY20) declined 3% to USD422m. The US business has been on the downtrend since FY18, partly on account of a high base and intense competition in key products. However, the portfolio is now diversified, with reduced product concentration. GNP's Derma portfolio now accounts for 20–25% of the business, down from 40–45% in FY19. We believe with the reduced concentration of the Derma portfolio, which was facing severe price erosion, GNP would see a lower impact on the overall portfolio going forward. The company expects to launch ~10 ANDAs in FY21 in the US, which would comprise a mix of oral solids, injectables, and nebulizers. Furthermore, the Monroe facility would also realize the benefit of operating leverage with new launches from the facility. Accordingly, we expect a ~5% CAGR in this segment to USD483m over FY20–22.

### In-licensed products drive growth in LATAM business

After sharp 18% compounded decline in the LATAM business (4% of sales in FY20) over FY16–19, the LATAM business grew 28% YoY in FY20. Growth was partly driven by three respiratory product launches, in-licensed from Novartis. We expect the business to ramp-up further with better reach and enhanced marketing effort. Mexico also recorded in excess of 30% CC growth. The on-going COVID-19 impact witnessed in LATAM is likely to dent growth in the LATAM markets in FY21. Accordingly, we expect a 5% sales CAGR over FY20–22 in this segment.

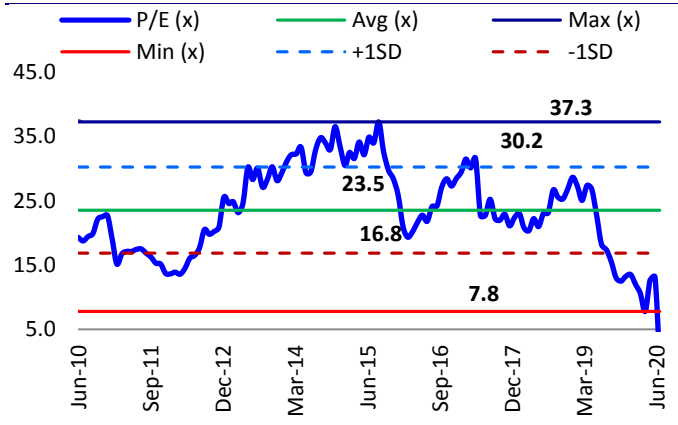
### Cost savings benefit to drive profitability

As a part of its on-going cost reduction program, GNP expects to spend lower on R&D in FY21. Furthermore, cost reduction benefits would continue in FY21. GNP also has plans to divest one more asset, which would help reduce net debt and result in subsequently lower interest outgo. Some of the benefits of lower interest cost would be offset by an increase in depreciation cost on account of the Monroe plant's commercialization.

**Valuation and view**

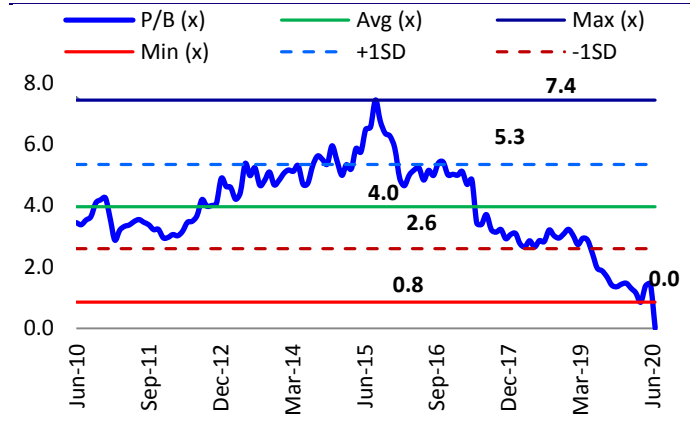
We raise our EPS estimate by 3%/8% for FY21/FY22 to factor better traction in the US business / Domestic Formulations and cost rationalization benefits. We expect a 14% earnings CAGR over FY20–22, led by a sales CAGR of 11%/10% for India/Europe and improved profitability. We value GNP on a 13x 12M forward earnings basis to arrive at a price target of INR430. While the earnings trajectory is improving, we are yet to see meaningful improvement in return ratios. Maintain **Neutral**.

**Exhibit 7: P/E chart**



Source: MOFSL, Company, Bloomberg

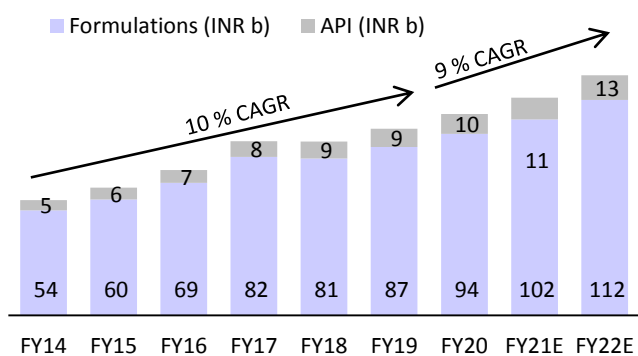
**Exhibit 8: P/B chart**



Source: MOFSL, Company, Bloomberg

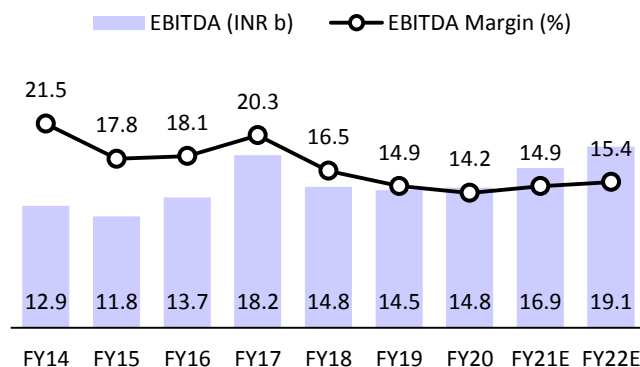
## Story in charts

**Exhibit 1: Expect sales CAGR of 9% over FY20–22**



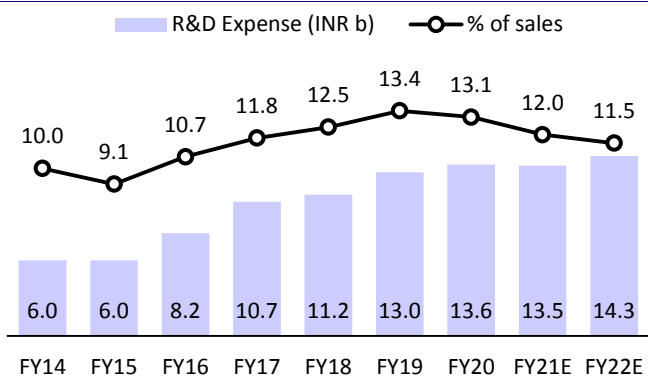
Source: Company, MOFSL

**Exhibit 2: Margins would improve gradually**

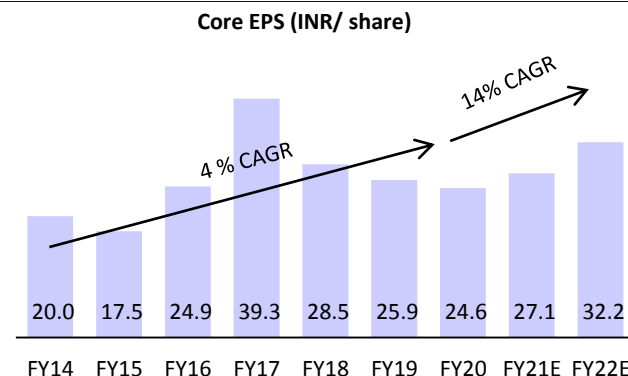


Source: Company, MOFSL

**Exhibit 3: R&D spend (as % of sales) to be on downtrend**

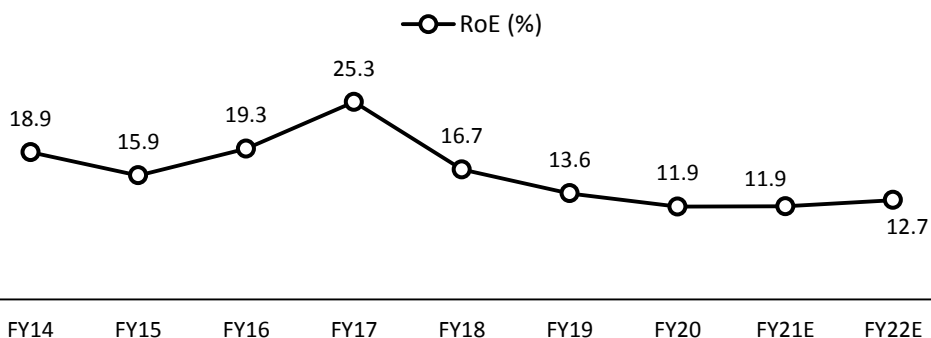


**Exhibit 4: Expect EPS CAGR of ~14% over FY20–22**



Source: Company, MOFSL

**Exhibit 5: Return ratios would see a gradual uptrend**



Source: Company, MOFSL

## Financials and valuations

Income Statement									(INR m)
Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
<b>Net Sales</b>	<b>59,839</b>	<b>65,953</b>	<b>75,909</b>	<b>89,701</b>	<b>89,722</b>	<b>97,051</b>	<b>103,972</b>	<b>112,890</b>	<b>124,443</b>
Change (%)	19.4	10.2	15.1	18.2	0.0	8.2	7.1	8.6	10.2
<b>EBITDA</b>	<b>12,870</b>	<b>11,751</b>	<b>13,741</b>	<b>18,211</b>	<b>14,845</b>	<b>14,504</b>	<b>14,793</b>	<b>16,852</b>	<b>19,119</b>
Change (%)	21.3	-8.7	16.9	32.5	-18.5	-2.3	2.0	13.9	13.5
Margin (%)	21.5	17.8	18.1	20.3	16.5	14.9	14.2	14.9	15.4
Depreciation	2,168	2,600	2,691	2,644	3,019	3,259	4,172	4,705	4,902
<b>EBIT</b>	<b>10,702</b>	<b>9,151</b>	<b>11,050</b>	<b>15,567</b>	<b>11,827</b>	<b>11,245</b>	<b>10,622</b>	<b>12,147</b>	<b>14,217</b>
Interest	1,886	1,902	1,789	2,373	2,856	3,346	3,773	4,261	3,900
OI & forex gains/losses	328	564	787	2,530	2,222	2,105	2,623	2,500	2,200
<b>PBT before EO Expense</b>	<b>9,144</b>	<b>7,814</b>	<b>10,047</b>	<b>15,724</b>	<b>11,193</b>	<b>10,004</b>	<b>9,472</b>	<b>10,386</b>	<b>12,517</b>
Change (%)	24.6	-14.5	28.6	56.5	-28.8	-10.6	-5.3	9.6	20.5
Extra Ordinary Expense	2,175	1,871	0	809	0	-3,002	-1,489	0	0
<b>PBT after EO Exp.</b>	<b>6,969</b>	<b>5,943</b>	<b>10,047</b>	<b>14,914</b>	<b>11,193</b>	<b>13,006</b>	<b>10,961</b>	<b>10,386</b>	<b>12,517</b>
Tax	1,513	1,190	3,028	3,827	3,155	3,756	3,201	2,752	3,442
Tax Rate (%)	21.7	20.0	30.1	25.7	28.2	28.9	29.2	26.5	27.5
<b>Reported PAT</b>	<b>5,456</b>	<b>4,752</b>	<b>7,019</b>	<b>11,088</b>	<b>8,039</b>	<b>9,250</b>	<b>7,760</b>	<b>7,634</b>	<b>9,075</b>
<b>Adj PAT**</b>	<b>5,423</b>	<b>4,753</b>	<b>7,019</b>	<b>11,088</b>	<b>8,039</b>	<b>7,312</b>	<b>6,938</b>	<b>7,634</b>	<b>9,075</b>
Change (%)	-11.8	-12.3	47.7	58.0	-27.5	-9.0	-5.1	10.0	18.9
Margin (%)	9.1	7.2	9.2	12.4	9.0	7.5	6.7	6.8	7.3

Balance Sheet									(INR m)
Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Equity Share Capital	271	271	282	282	282	282	282	282	282
Fully Diluted Eq Cap	271	271	282	282	282	282	282	282	282
Preference Share Capital	0	0	0	0	0	0	0	0	0
Reserves	29,562	29,732	42,420	44,643	51,353	55,770	60,423	67,038	75,094
Revaluation Reserves	0	0	0	0	0	0	0	0	0
<b>Net Worth</b>	<b>29,833</b>	<b>30,003</b>	<b>42,702</b>	<b>44,925</b>	<b>51,635</b>	<b>56,052</b>	<b>60,705</b>	<b>67,320</b>	<b>75,376</b>
Minority Interest	133	-2	-3	-3	-4	-4	-4	-4	-4
Loans	33,191	39,219	40,651	47,965	44,368	38,768	44,856	40,004	38,937
Deferred liabilities	-5142	-6933	-9073	-12856	-13203	-13830	-14393	-14393	-14393
<b>Capital Employed</b>	<b>58,015</b>	<b>62,287</b>	<b>74,277</b>	<b>80,032</b>	<b>82,797</b>	<b>80,986</b>	<b>91,164</b>	<b>92,928</b>	<b>99,916</b>
Gross Block	38,408	42,674	51,535	42,790	49,054	59,080	76,501	83,001	89,001
Less: Accum. Deprn.	7,430	9,312	11,810	14,454	17,473	20,732	24,903	29,609	34,511
<b>Net Fixed Assets</b>	<b>30,181</b>	<b>33,362</b>	<b>39,725</b>	<b>28,337</b>	<b>31,581</b>	<b>38,348</b>	<b>51,598</b>	<b>53,393</b>	<b>54,491</b>
Capital WIP	798	0	0	6,296	9,933	12,344	10,906	10,906	10,906
Investments	331	365	350	157	147	297	246	246	246
Intangibles (net)	12,729	12,135	14,452	10,500	12,623	17,370	21,821	21,821	21,821
<b>Curr. Assets</b>	<b>47,814</b>	<b>53,418</b>	<b>59,212</b>	<b>69,738</b>	<b>71,090</b>	<b>68,070</b>	<b>69,541</b>	<b>65,504</b>	<b>73,172</b>
Inventory	9,329	12,690	15,678	21,391	20,306	22,521	21,356	22,887	24,889
Account Receivables	21,563	25,118	24,926	24,043	23,318	21,946	24,090	24,743	27,275
Cash and Bank Balance	7,948	7,637	8,571	10,565	12,347	9,378	11,112	1,327	2,768
Others	8,974	7,973	10,037	13,740	15,120	14,226	12,982	16,547	18,241
<b>Curr. Liability &amp; Prov.</b>	<b>21,109</b>	<b>24,857</b>	<b>25,010</b>	<b>24,496</b>	<b>29,954</b>	<b>38,072</b>	<b>41,127</b>	<b>37,122</b>	<b>38,899</b>
Account Payables	17,540	23,345	23,644	23,726	25,914	33,689	35,975	34,022	35,799
Provisions	3,569	1,513	1,365	770	4,040	4,384	5,152	3,100	3,100
<b>Net Current Assets</b>	<b>26,705</b>	<b>28,561</b>	<b>34,203</b>	<b>45,243</b>	<b>41,136</b>	<b>29,998</b>	<b>28,414</b>	<b>28,383</b>	<b>34,273</b>
<b>Appl. of Funds</b>	<b>58,015</b>	<b>62,287</b>	<b>74,277</b>	<b>80,032</b>	<b>82,797</b>	<b>80,986</b>	<b>91,164</b>	<b>92,928</b>	<b>99,916</b>

## Financials and valuations

### Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
<b>Basic (INR)</b>									
<b>EPS (Fully diluted)*</b>	<b>20.0</b>	<b>17.5</b>	<b>24.9</b>	<b>39.3</b>	<b>28.5</b>	<b>25.9</b>	<b>24.6</b>	<b>27.1</b>	<b>32.2</b>
Cash EPS	28.0	27.1	34.4	48.7	39.2	37.5	39.4	43.7	49.5
BV/Share	110.0	110.6	151.3	159.2	183.0	198.6	215.1	238.6	267.1
DPS	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0
Payout (%)	11.6	13.8	10.0	7.4	10.2	11.0	13.1	13.3	11.2
<b>Valuation (x)</b>									
P/E (Fully diluted)	23.4	26.7	18.8	11.9	16.4	18.1	19.1	17.3	14.6
Cash P/E	16.7	17.3	13.6	9.6	12.0	12.5	11.9	10.7	9.5
P/BV	4.3	4.2	3.1	2.9	2.6	2.4	2.2	2.0	1.8
EV/Sales	2.6	2.5	2.2	1.9	1.8	1.7	1.6	1.5	1.4
EV/EBITDA	12.2	13.9	12.0	9.3	11.1	11.1	11.2	10.1	8.8
Dividend Yield (%)	0.4	0.4	0.4	0.6	0.6	0.6	0.6	0.6	0.6
<b>Return Ratios (%)</b>									
RoE	18.9	15.9	19.3	25.3	16.7	13.6	11.9	11.9	12.7
RoCE	15.6	12.9	12.1	17.4	12.4	11.6	10.9	11.5	11.5
RoIC	18.8	13.7	13.6	20.0	16.4	17.3	15.3	14.2	14.0
<b>Working Capital Ratios</b>									
Fixed Asset Turnover (x)	2.1	2.1	2.1	2.6	3.0	2.8	2.3	2.2	2.3
Debtor (Days)	132	139	120	98	95	83	85	80	80
Inventory (Days)	57	70	75	87	83	85	75	74	73
Working Capital (Days)	114	116	123	141	117	78	61	87	92
<b>Leverage Ratio (x)</b>									
Current Ratio	2.3	2.1	2.4	2.8	2.4	1.8	1.7	1.8	1.9
Net Debt/Equity	1.1	1.3	1.0	1.1	0.9	0.7	0.7	0.6	0.5

### Cash Flow Statement

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
<b>(INR m)</b>									
Op. Profit/(Loss) before Tax	12,870	11,751	13,741	18,211	14,845	14,504	14,793	16,852	19,119
Interest/Dividends Recd.	328	564	787	2,530	2,222	2,105	2,623	2,500	2,200
Direct Taxes Paid	-2,852	-2,981	-5,169	-7,610	-3,501	-4,383	-3,764	-2,752	-3,442
(Inc)/Dec in WC	-885	-2,166	-4,708	-9,046	5,889	8,169	3,318	-9,754	-4,450
<b>CF from Operations</b>	<b>9,461</b>	<b>7,168</b>	<b>4,651</b>	<b>4,085</b>	<b>19,455</b>	<b>20,395</b>	<b>16,971</b>	<b>6,846</b>	<b>13,427</b>
EO Expense	2,175	1,871	0	809	0	-3,002	-1,489	0	0
<b>CF frm Op.incl EO Exp.</b>	<b>7,286</b>	<b>5,297</b>	<b>4,651</b>	<b>3,275</b>	<b>19,455</b>	<b>23,396</b>	<b>18,460</b>	<b>6,846</b>	<b>13,427</b>
(Inc)/Dec in FA	-4,824	-4,983	-9,055	2,449	-9,901	-12,437	-15,984	-6,500	-6,000
<b>Free Cash Flow</b>	<b>2,462</b>	<b>314</b>	<b>-4,404</b>	<b>5,724</b>	<b>9,554</b>	<b>10,960</b>	<b>2,476</b>	<b>346</b>	<b>7,427</b>
(Pur)/Sale of Investments	-7	-34	15	193	10	-150	51	0	0
<b>CF from Investments</b>	<b>-4,831</b>	<b>-5,017</b>	<b>-9,040</b>	<b>2,642</b>	<b>-9,891</b>	<b>-12,587</b>	<b>-15,933</b>	<b>-6,500</b>	<b>-6,000</b>
Change in Networth	-2,619	-3,926	6,382	-8,047	-512	-3,814	-2,088	0	0
Inc/(Dec) in Debt	4,581	5,893	1,431	7,314	-3,598	-5,601	6,088	-4,852	-1,067
Interest Paid	-1,886	-1,902	-1,789	-2,373	-2,856	-3,346	-3,773	-4,261	-3,900
Dividend Paid	-635	-656	-702	-818	-817	-1,019	-1,019	-1,019	-1,019
<b>CF from Fin. Activity</b>	<b>-559</b>	<b>-591</b>	<b>5,323</b>	<b>-3,923</b>	<b>-7,783</b>	<b>-13,779</b>	<b>-792</b>	<b>-10,132</b>	<b>-5,986</b>
<b>Inc/Dec of Cash</b>	<b>1,896</b>	<b>-311</b>	<b>934</b>	<b>1,994</b>	<b>1,782</b>	<b>-2,969</b>	<b>1,735</b>	<b>-9,786</b>	<b>1,441</b>
Add: Beginning Balance	6,052	7,948	7,637	8,571	10,565	12,347	9,378	11,112	1,327
<b>Closing Balance</b>	<b>7,948</b>	<b>7,637</b>	<b>8,571</b>	<b>10,565</b>	<b>12,347</b>	<b>9,378</b>	<b>11,113</b>	<b>1,327</b>	<b>2,768</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

\*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 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. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MOFSL is a subsidiary company of Passionate Investment Management Pvt. Ltd.. (PIMPL). MOFSL is a listed public company, the details in respect of which are available on [www.motilaloswal.com](http://www.motilaloswal.com). MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) 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. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.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>

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") (Co.Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore. As per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

#### Specific Disclosures

- 1 MOFSL, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
- 2 MOFSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
- 3 MOFSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
- 4 MOFSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
- 5 Research Analyst has not served as director/officer/employee in the subject company
- 6 MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- 7 MOFSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
- 8 MOFSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
- 9 MOFSL has not received any compensation or other benefits from third party in connection with the research report
- 10 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
- received compensation/other benefits from the subject company in the past 12 months
- 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.

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, not 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.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 71934200/ 022-71934263; Website [www.motilaloswal.com](http://www.motilaloswal.com) CIN no.: L67190MH2005PLC153397. Correspondence Office Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad(West), Mumbai- 400 064. Tel No: 022 7188 1000.

Registration Nos.: Motilal Oswal Financial Services Limited (MOFSL)\*: INZ000158836(BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412. AMFI: ARN - 146822; Investment Adviser: INA000007100; Insurance Corporate Agent: CA0579;PMS:INP000006712. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP00000670); PMS and Mutual Funds are offered through MOAMC which is group company of MOFSL. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) is offered through MOWML, which is a group company of MOFSL. Motilal Oswal Financial Services Limited is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance Products and IPOs. Real Estate is offered through Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. which is a group company of MOFSL. Private Equity is offered through Motilal Oswal Private Equity Investment Advisors Pvt. Ltd which is a group company of MOFSL. Research & Advisory services is backed by proper research. Please read the Risk Disclosure Document prescribed by the Stock Exchanges carefully before investing. There is no assurance or guarantee of the returns. Investment in securities market is subject to market risk, read all the related documents carefully before investing. Details of Compliance Officer: Name: Neeraj Agarwal, Email ID: [na@motilaloswal.com](mailto:na@motilaloswal.com), Contact No.:022-71881085.

\* MOSL has been amalgamated with Motilal Oswal Financial Services Limited (MOFSL) w.e.f August 21, 2018 pursuant to order dated July 30, 2018 issued by Hon'ble National Company Law Tribunal, Mumbai Bench.