

Granules India

Estimate change



TP change



Rating change


CMP: INR392
TP: INR500 (+28%)
Buy

Making strong headway

Superior product mix drives profitability

- Granules India (GRAN) continued to break its own record with another quarter of remarkable performance across revenue/EBITDA/PAT. This is largely on account of strong traction in formulations (FDs), intermediates (PFIs), and the addition of new customers in the API segment.
- We raise our EPS estimate by 21% for FY21/22E to factor in: (a) niche ANDA launches, (b) a superior product mix, (c) geographic expansion, and (d) better operating leverage. We also introduce FY23 estimates. We raise the PE multiple to 16x (from 15x earlier) to factor in product diversification and improved return ratios. Accordingly, we arrive at TP of INR500 on a 12M earnings basis. Reiterate **Buy**.

FDs/PFIs drive earnings for the quarter

- GRAN's 2QFY21 sales were up 22.7% YoY to INR8.6b (v/s est. INR7.8b), led by 22% YoY growth in FDs (INR4.3b; 50% of sales), 33% YoY growth in intermediates (INR1.7b; 20% of sales), and 17% YoY growth in API sales (INR2.5b; 30% of sales).
- The gross margin (GM) expanded 930bp YoY to 57.9%, led by a larger share of FDs and PFIs.
- GRAN reversed INR75.3m in other expenses on revision in provisions made for the Metformin recall in 1QFY21.
- Adjusting for the same, the EBITDA margin expanded 850bp YoY to 29% (v/s est. 28%). Improvement in GM was offset, to some extent, by higher employee costs / other expenses (+20bp/+60bp YoY as % of sales).
- EBITDA grew 73.3% YoY to INR2.5b (v/s est. INR2.1b).
- Adjusted PAT grew at a slower rate of 64.8% YoY on a higher tax rate of 24.7% v/s 16.8% in 2QFY20. Adj. PAT came in at INR1.6b for the quarter.
- For 1HFY21, revenue / EBITDA / adj. PAT grew at 23%/71%/57% YoY to INR15.9b/INR4.5b/INR2.8b.

Highlights from management commentary

- GRAN has 32 ANDAs approved (six yet to be launched) and 13 ANDAs awaiting approval. It has guided for seven to eight ANDA filings on an annual basis.
- GRAN expects to launch three products in FY21 with market size of USD1b.
- R&D spend was INR220m and expensed entirely in P&L for the quarter.
- Gross debt stood at INR8.6b v/s INR8.7b in 1QFY21 and capex at INR1b in 1HFY21.

Valuation and view

- We expect an earnings CAGR of 36% over FY20–23E, led by an 18%/28%/14% sales CAGR in FDs/PFIs/APIs and 830bp EBITDA margin expansion (with the addition of high-value products and better capacity utilization).
- In addition to traction in core molecules (high volume / low value), GRAN is building high-value / relatively low-volume products and manufacturing capacities to drive superior growth going forward. We value GRAN at 16x 12M forward earnings to arrive at TP of INR500. Maintain **Buy**.

| | GRAN IN |
|-----------------------|-----------|
| Bloomberg | GRAN IN |
| Equity Shares (m) | 229 |
| M.Cap.(INRb)/(USD\$b) | 97 / 1.3 |
| 52-Week Range (INR) | 407 / 103 |
| 1, 6, 12 Rel. Per (%) | 3/110/283 |
| 12M Avg Val (INR M) | 766 |

Financials & Valuations (INR b)

| Y/E MARCH | 2020 | 2021E | 2022E |
|----------------------|------|-------|-------|
| Sales | 26.0 | 34.5 | 39.4 |
| EBITDA | 5.5 | 9.9 | 11.4 |
| Adj. PAT | 3.3 | 6.3 | 7.2 |
| EBIT Margin (%) | 15.8 | 24.6 | 24.5 |
| Cons. Adj. EPS (INR) | 13.0 | 24.7 | 28.4 |
| EPS Gr. (%) | 41.3 | 89.8 | 14.9 |
| BV/Sh. (INR) | 72.2 | 92.3 | 116.5 |

Ratios

| | | | |
|------------|------|------|------|
| Net D:E | 0.5 | 0.3 | 0.2 |
| RoE (%) | 19.7 | 30.1 | 27.2 |
| RoCE (%) | 12.6 | 22.3 | 21.9 |
| Payout (%) | 8.9 | 17.4 | 14.9 |

Valuations

| | | | |
|----------------|------|------|------|
| P/E (x) | 30.0 | 15.8 | 13.8 |
| EV/EBITDA (x) | 17.5 | 9.5 | 8.0 |
| Div. Yield (%) | 0.2 | 0.9 | 0.9 |
| FCF Yield (%) | 1.4 | 2.2 | 4.9 |
| EV/Sales (x) | 3.7 | 2.7 | 2.3 |

Shareholding pattern (%)

| As On | Sep-20 | Jun-20 | Sep-19 |
|----------|--------|--------|--------|
| Promoter | 42.0 | 42.1 | 42.9 |
| DII | 0.2 | 3.2 | 3.3 |
| FII | 26.3 | 23.0 | 14.4 |
| Others | 31.5 | 31.7 | 39.4 |

FII Includes depository receipts

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

Hitakshi Chandrani - Research Analyst (Hitakshi.Chandrani@motilalosal.com) / **Bharat Hegde** (Bharat.Hegde@MotilalOswal.com)

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

Quarterly Performance

(INR m)

| Y/E March (Consolidated) | FY20 | | | | FY21E | | | | FY20 | FY21E | Est. 2QE | Var. vs Est |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|--------------|----------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | | | |
| Net Sales | 5,953 | 6,995 | 7,040 | 5,999 | 7,356 | 8,581 | 9,018 | 9,573 | 25,986 | 34,527 | 7,777 | 10.3% |
| YoY Change (%) | 31.3 | 20.4 | 11.4 | -2.2 | 23.6 | 22.7 | 28.1 | 59.6 | 14.0 | 32.9 | 11.2 | |
| EBITDA | 1,186 | 1,436 | 1,632 | 1,219 | 1,987 | 2,489 | 2,642 | 2,826 | 5,473 | 9,944 | 2,146 | 16.0% |
| YoY Change (%) | 63.4 | 42.9 | 44.0 | 15.5 | 67.5 | 73.3 | 61.9 | 131.7 | 39.6 | 81.7 | 49 | |
| Margins (%) | 19.9 | 20.5 | 23.2 | 20.3 | 27.0 | 29.0 | 29.3 | 29.5 | 21.1 | 28.8 | 27.6 | |
| Depreciation | 287 | 303 | 390 | 390 | 341 | 361 | 380 | 373 | 1,370 | 1,454 | 360 | |
| EBIT | 900 | 1,133 | 1,242 | 830 | 1,647 | 2,128 | 2,262 | 2,453 | 4,104 | 8,490 | 1,786 | 0.2 |
| YoY Change (%) | 87.1 | 53.1 | 43.9 | 6.1 | 83.1 | 87.8 | 82.2 | 195.6 | 43.2 | 106.9 | 58 | |
| Margins (%) | 15.1 | 16.2 | 17.6 | 13.8 | 22.4 | 24.8 | 25.1 | 25.6 | 15.8 | 24.6 | 23.0 | 0.1 |
| Interest | 69 | 69 | 67 | 66 | 60 | 63 | 60 | 63 | 270 | 245 | 63 | |
| Other Income | 19 | 87 | 35 | 225 | 56 | 32 | 52 | 101 | 366 | 242 | 50 | |
| PBT before EO expense | 849 | 1,151 | 1,210 | 989 | 1,643 | 2,098 | 2,254 | 2,491 | 4,199 | 8,486 | 1,773 | 18.3% |
| Extra-Ord expense | 0 | 0 | 320 | -378 | 151 | -75 | 0 | 75 | -57 | 151 | 0 | |
| PBT | 849 | 1,151 | 889 | 1,367 | 1,492 | 2,173 | 2,254 | 2,415 | 4,257 | 8,335 | 1,773 | |
| Tax | 272 | 193 | 249 | 444 | 377 | 537 | 582 | 663 | 1,157 | 2,159 | 452 | |
| Rate (%) | 32.0 | 16.8 | 28.0 | 32.5 | 25.3 | 24.7 | 25.8 | 27.5 | 27.2 | 25.9 | 25.5 | |
| (Profit)/Loss of JV/Asso. Cos. | -255 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -255 | 0 | 0.0 | |
| Reported PAT | 832 | 958 | 641 | 923 | 1,115 | 1,637 | 1,673 | 1,752 | 3,354 | 6,176 | 1,321 | 23.9% |
| Adjusted PAT | 832 | 958 | 871 | 651 | 1,228 | 1,580 | 1,673 | 1,808 | 3,313 | 6,288 | 1,321 | 19.6% |
| YoY Change (%) | 60.7 | 59.0 | 44.4 | 4.6 | 47.5 | 64.9 | 92.0 | 177.9 | 41.3 | 89.8 | 38 | |
| Margins (%) | 14.0 | 13.7 | 12.4 | 10.8 | 16.7 | 18.4 | 18.5 | 18.9 | 12.7 | 18.2 | 17.0 | |

Key performance Indicators (Consolidated)

| Y/E March | FY20 | | | | FY21 | | | | FY20 | FY21E |
|-------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | |
| FD | 2,857 | 3,515 | 3,801 | 3,440 | 3,856 | 4,301 | 4,752 | 5,242 | 13,602 | 18,151 |
| YoY Change (%) | 57.6 | 55.2 | 22.8 | 7.8 | 35.0 | 22.4 | 25.0 | 52.4 | 26.8 | 33.4 |
| PFI | 952 | 1,307 | 1,126 | 781 | 1,379 | 1,733 | 1,689 | 1,730 | 4,214 | 6,532 |
| YoY Change (%) | 5.1 | 40.6 | 4.9 | (18.5) | 44.8 | 32.6 | 50.0 | 121.5 | 8.9 | 55.0 |
| API | 2,143 | 2,174 | 2,112 | 1,777 | 2,121 | 2,547 | 2,576 | 2,560 | 8,171 | 9,805 |
| YoY Change (%) | 18.2 | (16.8) | (1.7) | (10.5) | (1.0) | 17.2 | 22.0 | 44.1 | (0.3) | 20.0 |
| Cost Break-up | | | | | | | | | | |
| RM Cost (% of Sales) | 49.6 | 51.4 | 49.3 | 46.5 | 39.7 | 42.1 | 42.8 | 42.6 | 50.7 | 58.1 |
| Staff Cost (% of Sales) | 9.6 | 9.1 | 9.2 | 12.3 | 11.4 | 9.3 | 9.7 | 9.9 | 10.0 | 10.0 |
| Other Cost (% of Sales) | 20.9 | 19.0 | 18.3 | 20.9 | 21.9 | 19.6 | 18.2 | 18.1 | 19.7 | 19.3 |
| Gross Margins(%) | 50.4 | 48.6 | 50.7 | 53.5 | 60.3 | 57.9 | 57.2 | 57.4 | 49.3 | 41.9 |
| EBITDA Margins(%) | 19.9 | 20.5 | 23.2 | 20.3 | 27.0 | 29.0 | 29.3 | 29.5 | 21.1 | 28.8 |
| EBIT Margins(%) | 15.1 | 16.2 | 17.6 | 13.8 | 22.4 | 24.8 | 25.1 | 25.6 | 15.8 | 24.6 |



Conference call highlights

- The share of core molecules stood at 70% of total sales in 2QFY21. Management indicated this would further reduce to 50% over the next 3–5 years.
- GRAN's multi-API facility at Vizag would be fully operational by next year.
- Working capital increased by INR1b for the quarter. Cash tax outflow was INR620m. Considering these factors, cash flow from operations was INR1b on EBITDA of INR2.5b.
- Free cash flow for the company stood at INR520m at the end of the quarter.
- Management is confident of maintaining a 30% earnings CAGR over the next 2–3 years.

Other highlights

MUPS (Multi-unit Pellet System): Technological advancement led efficiency to play out over medium term

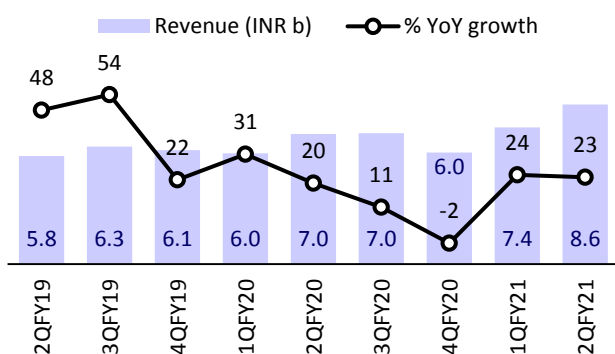
GRAN intends to invest in the MUPS technology to produce pellets. Pellets are produced for oral controlled release dosages having gastro-resistant or sustained-release properties. GRAN would invest INR2.4b in the technology over FY21–22, which would be integrated with the multi-API block (Unit 5) in Vizag. The MUPS block would have the capacity to manufacture 2.5–5b FDs per annum and would turn operational by 3QFY22. The company intends to file 13 products using the MUPS technology.

Multiple API pipeline in progress from Units 4 and 5

GRAN intends to expand the basket of eight APIs from Units 4 and 5 to 28 by FY23. This would comprise Onco as well as non-Onco APIs. GRAN has hinted at a pipeline of around 13 Onco APIs and 15 non-Onco APIs by FY23. Furthermore, 42% of its APIs would be forward-integrated to create formulations as well.

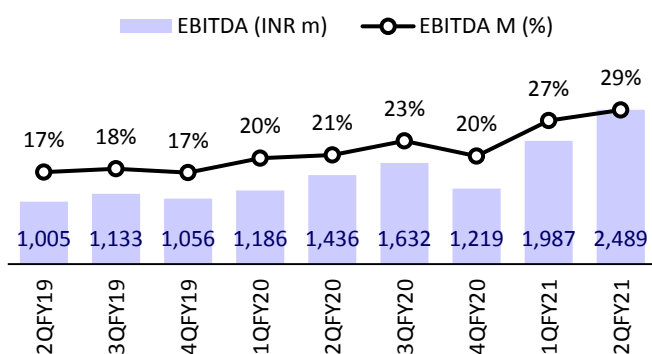
Key exhibits

Exhibit 1: 23% YoY growth in revenue (2QFY21)



Source: MOFSL, Company

Exhibit 2: EBITDA margins expand on account of better GM



Source: MOFSL, Company

Valuation and view

Progressing well in building FD portfolio for developed market

After reporting a 24% sales CAGR over FY15–20, GRAN delivered 28% YoY growth in US sales to INR8b in 1HFY21. This was largely led by new launches and better traction in existing products. It has 33 ANDAs approved to date. It is yet to commercialize six ANDAs, which would provide near-term visibility in terms of business growth post the launches. GRAN has guided for a niche ANDA approval in 2HFY21, with an addressable market size of USD204m and just three to four competitors. Overall, it intends to build a robust ANDA pipeline by filing seven to eight ANDAs annually. It further intends to launch seven to eight ANDAs (including niche launches) annually over the next 2–3 years. Based on these factors, we expect a 20% CAGR in sales to INR23b over FY20–23.

PFI on robust growth path; API segment to pick up over medium term

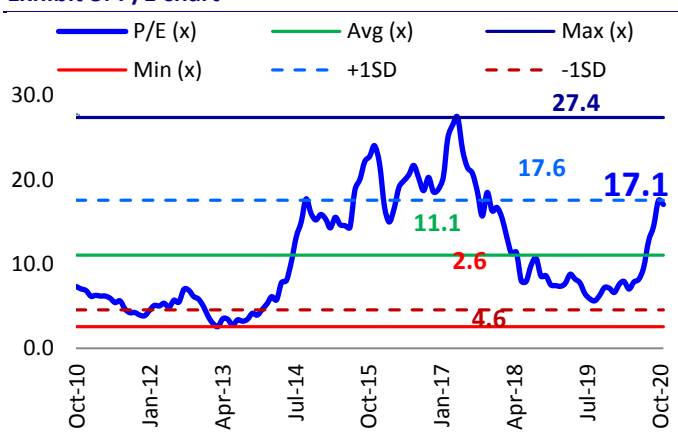
Post a muted 6% sales CAGR in the PFI segment, GRAN delivered strong 36% YoY growth in the PFI segment for 1HFY21. We expect momentum to sustain with

expansion in newer geographies. The API segment has seen a moderate 7% CAGR over FY15–20 and 8% YoY growth for 1HFY21. However, we expect growth in this segment to pick up with the addition of customers as well as traction from newer markets. Overall, we expect PFI/API to garner a 28%/14% sales CAGR to INR9b/INR12b over FY20–23.

Positive stance on the stock

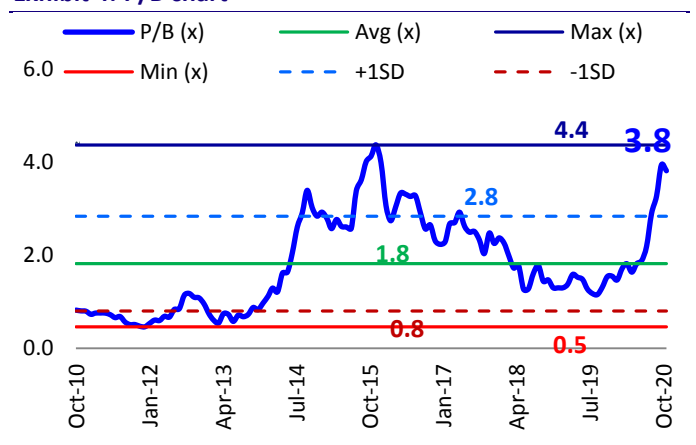
New launches in the Formulations segment, capacity ramp-up in the API segment, and improved market share in existing molecules (on superior execution) are likely to drive a 36% PAT CAGR to INR8.3b over FY20–23. Accordingly, we expect RoE to improve 520bp to 25% over FY20–23. We value GRAN at 16x 12M forward earnings to arrive at TP of INR500. Maintain **Buy**.

Exhibit 3: P/E chart



Source: MOFSL, Company, Bloomberg

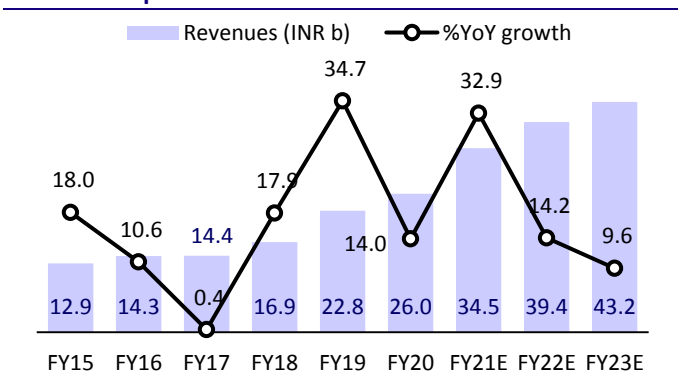
Exhibit 4: P/B chart



Source: MOFSL, Company, Bloomberg

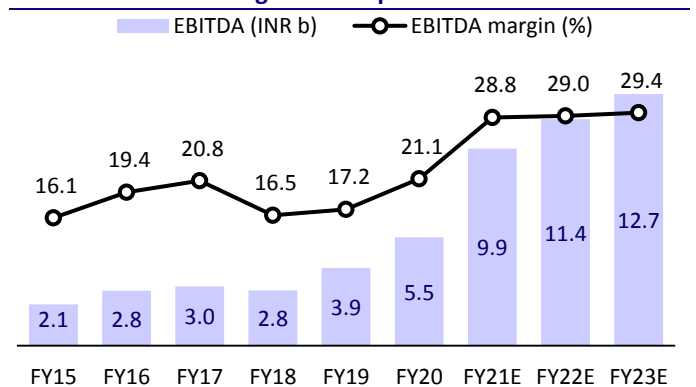
Story in charts

Exhibit 5: Expect revenue CAGR of 18.5% over FY20–23E



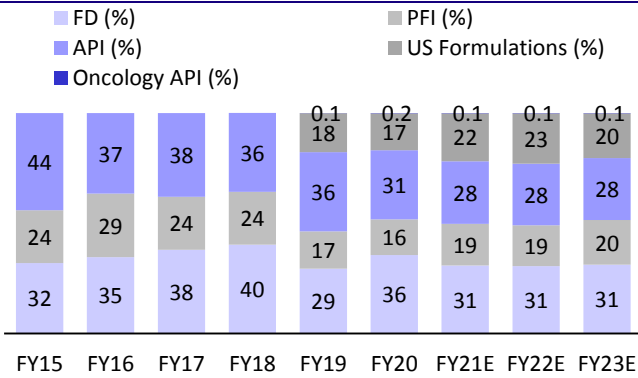
Source: MOFSL, Company

Exhibit 6: EBITDA margin on an uptrend



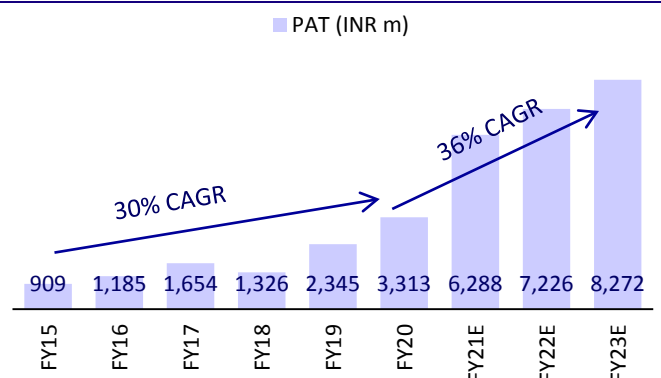
Source: MOFSL, Company

Exhibit 7: Formulations contribution to remain highest



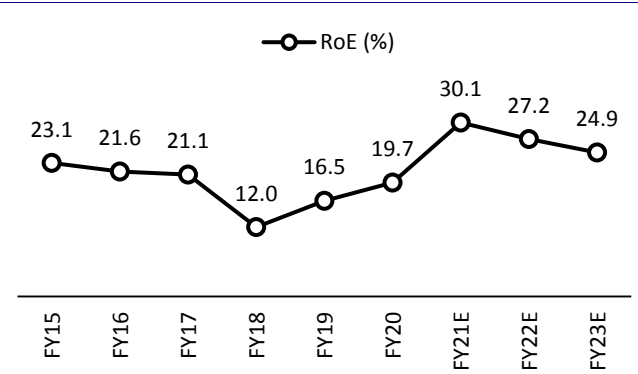
Source: MOFSL, Company

Exhibit 8: Expect PAT CAGR of ~36% over FY20–23E



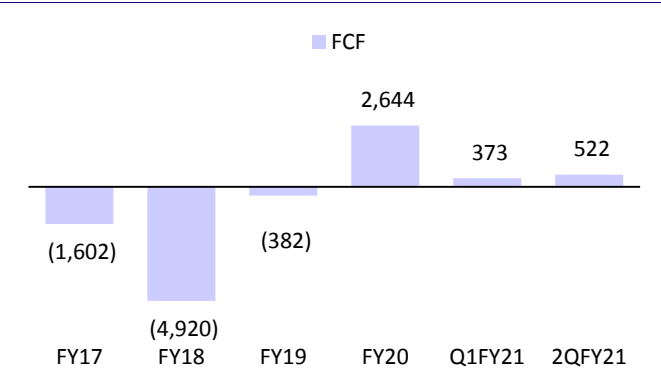
Source: MOFSL, Company

Exhibit 9: Better asset turnover to improve return ratios



Source: MOFSL, Company

Exhibit 10: Positive FCF continues in 2QFY21



Source: MOFSL, Company

Financials and valuations

| Consolidated – Income Statement | | | | | | | | | (INR m) |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Y/E March | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21E | FY22E | FY23E |
| Total Income from Operations | 12,929 | 14,295 | 14,353 | 16,918 | 22,792 | 25,986 | 34,527 | 39,422 | 43,209 |
| Change (%) | 18.0 | 10.6 | 0.4 | 17.9 | 34.7 | 14.0 | 32.9 | 14.2 | 9.6 |
| Total Expenditure | 10,843 | 11,528 | 11,364 | 14,134 | 18,872 | 20,513 | 24,583 | 27,990 | 30,505 |
| % of Sales | 83.9 | 80.6 | 79.2 | 83.5 | 82.8 | 78.9 | 71.2 | 71.0 | 70.6 |
| EBITDA | 2,086 | 2,767 | 2,988 | 2,784 | 3,920 | 5,473 | 9,944 | 11,432 | 12,703 |
| Margin (%) | 16.1 | 19.4 | 20.8 | 16.5 | 17.2 | 21.1 | 28.8 | 29.0 | 29.4 |
| Depreciation | 527 | 643 | 715 | 762 | 1,055 | 1,370 | 1,454 | 1,774 | 1,938 |
| EBIT | 1,560 | 2,124 | 2,273 | 2,022 | 2,866 | 4,104 | 8,490 | 9,658 | 10,765 |
| Int. and Finance Charges | 323 | 399 | 323 | 331 | 285 | 270 | 245 | 221 | 194 |
| Other Income | 43 | 77 | 99 | 108 | 267 | 366 | 242 | 197 | 173 |
| PBT bef. EO Exp. | 1,280 | 1,802 | 2,050 | 1,800 | 2,848 | 4,199 | 8,486 | 9,634 | 10,743 |
| EO Items | 0 | 0 | 0 | 0 | -80 | 57 | -151 | 0 | 0 |
| PBT after EO Exp. | 1,280 | 1,802 | 2,050 | 1,800 | 2,768 | 4,257 | 8,335 | 9,634 | 10,743 |
| Current Tax | 287 | 535 | 652 | 659 | 891 | 1,257 | 2,159 | 2,409 | 2,471 |
| Deferred Tax | 83 | 82 | -9 | -25 | 72 | -100 | 0 | 0 | 0 |
| Tax Rate (%) | 29.0 | 34.2 | 31.4 | 35.2 | 34.8 | 27.2 | 25.9 | 25.0 | 23.0 |
| Add: Associate income | 0 | 0 | 247 | 160 | 487 | 255 | 0 | 0 | 0 |
| Reported PAT | 909 | 1,185 | 1,654 | 1,326 | 2,292 | 3,354 | 6,176 | 7,226 | 8,272 |
| Adjusted PAT | 909 | 1,185 | 1,654 | 1,326 | 2,345 | 3,313 | 6,288 | 7,226 | 8,272 |
| Change (%) | 20.8 | 30.3 | 39.6 | -19.8 | 76.8 | 41.3 | 89.8 | 14.9 | 14.5 |
| Margin (%) | 7.0 | 8.3 | 11.5 | 7.8 | 10.3 | 12.7 | 18.2 | 18.3 | 19.1 |

| Consolidated – Balance Sheet | | | | | | | | | (INR m) |
|-------------------------------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Y/E March | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21E | FY22E | FY23E |
| Equity Share Capital | 204 | 217 | 229 | 254 | 254 | 254 | 254 | 254 | 254 |
| Total Reserves | 4,107 | 6,444 | 8,807 | 12,788 | 15,040 | 18,097 | 23,200 | 29,353 | 36,552 |
| Net Worth | 4,312 | 6,660 | 9,036 | 13,042 | 15,295 | 18,352 | 23,455 | 29,607 | 36,806 |
| Deferred Liabilities | 549 | 646 | 565 | 543 | 655 | 655 | 655 | 655 | 655 |
| Total Loans | 4,872 | 4,767 | 5,981 | 9,582 | 9,330 | 8,480 | 7,680 | 6,881 | 6,083 |
| Capital Employed | 9,732 | 12,074 | 15,582 | 23,167 | 25,279 | 27,486 | 31,789 | 37,143 | 43,544 |
| Gross Block | 8,438 | 9,622 | 10,099 | 14,430 | 16,639 | 18,139 | 20,639 | 22,639 | 24,640 |
| Less: Accum. Deprn. | 2,272 | 2,941 | 3,656 | 4,418 | 5,473 | 6,842 | 8,296 | 10,071 | 12,009 |
| Net Fixed Assets | 6,166 | 6,681 | 6,443 | 10,012 | 11,167 | 11,297 | 12,343 | 12,569 | 12,631 |
| Capital WIP | 620 | 766 | 2,605 | 2,901 | 3,235 | 3,118 | 3,453 | 3,942 | 4,321 |
| Total Investments | 2 | 2 | 1,082 | 1,566 | 2,104 | 2,104 | 2,104 | 2,104 | 2,104 |
| Curr. Assets, Loans&Adv. | 5,184 | 7,080 | 8,633 | 11,891 | 13,279 | 15,707 | 20,467 | 25,805 | 32,428 |
| Inventory | 2,245 | 3,071 | 2,761 | 2,799 | 3,842 | 4,384 | 5,321 | 6,135 | 6,686 |
| Account Receivables | 1,326 | 1,526 | 4,177 | 6,171 | 6,735 | 7,832 | 10,878 | 12,529 | 13,732 |
| Cash and Bank Balance | 653 | 1,419 | 498 | 1,156 | 890 | 1,427 | 1,523 | 4,008 | 8,575 |
| Loans and Advances | 959 | 1,065 | 1,198 | 1,765 | 1,811 | 2,065 | 2,744 | 3,133 | 3,434 |
| Curr. Liability & Prov. | 2,295 | 2,521 | 3,183 | 3,272 | 4,548 | 4,784 | 6,620 | 7,319 | 7,982 |
| Account Payables | 1,887 | 1,791 | 2,160 | 2,522 | 3,235 | 3,147 | 3,772 | 4,218 | 4,680 |
| Other Current Liabilities | 233 | 608 | 934 | 646 | 1,144 | 1,305 | 1,734 | 1,979 | 2,170 |
| Provisions | 175 | 122 | 89 | 104 | 169 | 332 | 1,114 | 1,122 | 1,132 |
| Net Current Assets | 2,888 | 4,559 | 5,451 | 8,620 | 8,731 | 10,924 | 13,847 | 18,485 | 24,445 |
| Appl. of Funds | 9,732 | 12,074 | 15,582 | 23,167 | 25,279 | 27,486 | 31,789 | 37,143 | 43,544 |

Financials and valuations

Ratios

| Y/E March | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21E | FY22E | FY23E |
|-------------------------------|------------|------------|------------|------------|------------|-------------|-------------|-------------|-------------|
| EPS | 4.5 | 5.5 | 7.2 | 5.2 | 9.2 | 13.0 | 24.7 | 28.4 | 32.5 |
| Cash EPS | 7.0 | 8.4 | 10.4 | 8.2 | 13.4 | 18.4 | 30.5 | 35.4 | 40.2 |
| BV/Share | 21.1 | 30.7 | 39.5 | 51.4 | 60.2 | 72.2 | 92.3 | 116.5 | 144.8 |
| DPS | 0.5 | 0.9 | 0.8 | 1.0 | 1.0 | 1.0 | 3.5 | 3.5 | 3.5 |
| Payout (%) | 13.6 | 19.8 | 13.5 | 21.9 | 13.4 | 8.9 | 17.4 | 14.9 | 13.0 |
| Valuation (x) | | | | | | | | | |
| P/E | 87.9 | 71.5 | 54.1 | 74.9 | 42.4 | 30.0 | 15.8 | 13.8 | 12.0 |
| Cash P/E | 55.6 | 46.3 | 37.7 | 47.5 | 29.2 | 21.2 | 12.8 | 11.0 | 9.7 |
| P/BV | 18.5 | 12.7 | 9.9 | 7.6 | 6.5 | 5.4 | 4.2 | 3.4 | 2.7 |
| EV/Sales | 7.2 | 6.4 | 6.5 | 5.7 | 4.3 | 3.7 | 2.7 | 2.3 | 2.0 |
| EV/EBITDA | 44.4 | 33.2 | 31.5 | 34.8 | 24.7 | 17.5 | 9.5 | 8.0 | 6.8 |
| Dividend Yield (%) | 0.1 | 0.2 | 0.2 | 0.2 | 0.3 | 0.2 | 0.9 | 0.9 | 0.9 |
| Return Ratios (%) | | | | | | | | | |
| RoE | 23.1 | 21.6 | 21.1 | 12.0 | 16.5 | 19.7 | 30.1 | 27.2 | 24.9 |
| RoCE | 13.3 | 14.0 | 12.3 | 7.3 | 8.6 | 12.6 | 22.3 | 21.9 | 21.2 |
| RoIC | 14.6 | 15.2 | 14.7 | 9.1 | 10.2 | 15.0 | 27.6 | 28.0 | 29.8 |
| Working Capital Ratios | | | | | | | | | |
| Asset Turnover (x) | 1.3 | 1.2 | 0.9 | 0.7 | 0.9 | 0.9 | 1.1 | 1.1 | 1.0 |
| Inventory (Days) | 56 | 68 | 74 | 60 | 53 | 58 | 51 | 53 | 54 |
| Debtor (Days) | 33 | 36 | 71 | 111 | 103 | 102 | 99 | 108 | 111 |
| Creditor (Days) | 55 | 58 | 63 | 60 | 56 | 57 | 51 | 52 | 53 |
| Leverage Ratio (x) | | | | | | | | | |
| Current Ratio | 2.3 | 2.8 | 2.7 | 3.6 | 2.9 | 3.3 | 3.1 | 3.5 | 4.1 |
| Interest Cover Ratio | 5 | 5 | 7 | 6 | 10 | 15 | 35 | 44 | 55 |
| Debt/Equity | 1.1 | 0.7 | 0.7 | 0.7 | 0.6 | 0.5 | 0.3 | 0.2 | 0.2 |

Consolidated – Cash Flow Statement

(INR m)

| Y/E March | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21E | FY22E | FY23E |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| OP/(Loss) before Tax | 1,280 | 1,801 | 2,050 | 1,800 | 2,848 | 4,199 | 8,486 | 9,634 | 10,743 |
| Depreciation | 527 | 643 | 715 | 762 | 1,055 | 1,370 | 1,454 | 1,774 | 1,938 |
| Interest & Finance Charges | 309 | 347 | 278 | 222 | 18 | -95 | 3 | 24 | 22 |
| Direct Taxes Paid | -317 | -490 | -595 | -634 | -891 | -1,157 | -2,159 | -2,409 | -2,471 |
| (Inc)/Dec in WC | -363 | -915 | -524 | -2,511 | -377 | -1,656 | -2,827 | -2,153 | -1,393 |
| CF from Operations | 1,435 | 1,387 | 1,925 | -360 | 2,652 | 2,660 | 4,958 | 6,871 | 8,839 |
| Others | 18 | 51 | -42 | 0 | 0 | 0 | -151 | 0 | 0 |
| CF from Operating incl EO | 1,453 | 1,438 | 1,882 | -360 | 2,652 | 2,660 | 4,807 | 6,871 | 8,839 |
| (inc)/dec in FA | -1,473 | -1,335 | -3,157 | -4,626 | -2,544 | -1,383 | -2,834 | -2,490 | -2,380 |
| (Pur)/Sale of Investments | 0 | 0 | 0 | -483 | -539 | 0 | 0 | 0 | 0 |
| Others | 17 | 53 | -205 | 108 | 267 | 366 | 242 | 197 | 173 |
| CF from Investments | -1,456 | -1,281 | -3,362 | -5,001 | -2,816 | -1,018 | -2,593 | -2,292 | -2,207 |
| Issue of Shares | 11 | 1,059 | 829 | 2,970 | 195 | 0 | 0 | 0 | 0 |
| (Inc)/Dec in Debt | 628 | 191 | 272 | 3,602 | -252 | -850 | -800 | -799 | -798 |
| Interest Paid | -319 | -406 | -319 | -331 | -285 | -270 | -245 | -221 | -194 |
| Dividend Paid | -83 | -234 | -223 | -290 | -306 | -297 | -1,073 | -1,073 | -1,073 |
| Others | 0 | 0 | 0 | 68 | 547 | 312 | 0 | 0 | 0 |
| CF from Fin. Activity | 238 | 609 | 559 | 6,019 | -102 | -1,106 | -2,118 | -2,093 | -2,066 |
| Inc/Dec of Cash | 236 | 766 | -921 | 658 | -266 | 537 | 96 | 2,485 | 4,567 |
| Opening Balance | 417 | 653 | 1,419 | 498 | 1,156 | 890 | 1,427 | 1,523 | 4,008 |
| Closing Balance | 653 | 1,419 | 498 | 1,156 | 890 | 1,427 | 1,523 | 4,008 | 8,575 |

NOTES

| Explanation of Investment Rating | |
|----------------------------------|----------------------------------------------------------------------------------------------|
| Investment Rating | Expected return (over 12-month) |
| BUY | >=15% |
| SELL | < - 10% |
| NEUTRAL | < - 10 % to 15% |
| UNDER REVIEW | Rating may undergo a change |
| NOT RATED | We have forward looking estimates for the stock but we refrain from assigning recommendation |

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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