Sun Pharmaceutical Industries (SUNPHA)

ICICI direct Research

CMP: ₹ 700 | Target: ₹ 700 (0%) | Target Period: 12 months | **HOLD**

May 28, 2021

India growth partly offset by Taro decline…

Q4 revenues grew 4.1% YoY to ₹ 8523 crore (I-direct estimate: ₹ 8760 crore). Indian formulations grew 12.9% YoY to ₹ 2671 crore. US formulations remained subdued at ₹ 2695 crore, down 0.7% YoY. Emerging markets business grew 3.5% YoY to ₹ 1402 crore. RoW Markets business grew 6.3% YoY to ₹ 1191 crore. API segment de-grew 9.9% YoY to ₹ 473 crore. EBITDA margins expanded 738 bps YoY to 24.0% (I-direct estimates of 23.0%) mainly due to lower other expenditure and better gross margins. Subsequently, EBITDA grew 50.3% YoY to ₹ 2048 crore (I-direct estimate: ₹ 2015 crore). Adjusting for exceptional items, PAT more than doubled (~2x) to ₹ 1343 crore (I-direct estimate: ₹ 1455 crore).

Specialty diversification to be key for US business

The US business comprises ~30% of turnover (FY21). The US product basket comprises 501 approved ANDAs, 94 pending final approvals (including 23 tentative approvals). It also has 55 approved NDAs and nine pending NDAs. US growth has also been backed by extensive infrastructure with 44 global manufacturing facilities. Due to a challenging environment on the generics front, the management plans to diversify into specialty products such as Ilumya, Levulan (dermatology), BromSite, Cequa, Xelpros (ophthalmic), Odomzo, Yonsa (oncology), etc. US growth, however, is likely to remain muted in the near term mainly due to expiry of Absorica patent, pandemic impact on Ilumya & Levulan.

New launches to drive domestic revenues

Indian formulations form 31% of turnover (FY21). With a market share of 8.2%, Sun is ranked No. 1 in domestic formulations. It leads prescription share in 11 specialties including psychiatrists, neurologist, cardiovascular and diabetes. It has also embarked on a strategy to in-license latest generation patent protected products from various innovators. We expect Indian formulations to grow at 13.4% CAGR to ₹ 13305 crore in FY21-23E backed by a lower base, new launches and price hikes.

Valuation & Outlook

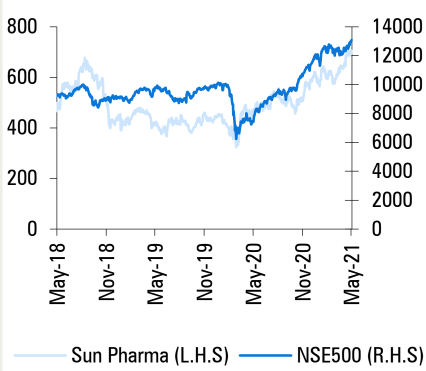
Q4 operational performance was in-line with I-direct estimates whereas PAT was below expectations due to lower other income. While the company's US generics front is going through calibrated product rationalisation, specialty segment looks promising due to robust product pipeline, steady progress. This metamorphic shift from generics to specialty, however, is likely to weigh on US growth in the near term. That said, higher contribution from specialty and strong domestic franchise is likely to change the product mix towards more remunerative businesses by FY23. This would have positive implications for margins also as we expect faster absorption of frontloaded costs on the specialty front. That said, the stock at current level is factoring in most of these aspects and, hence, limited upside. We change our stance from BUY to **HOLD** and arrive at our revised target price of ₹ 700 (earlier ₹ 675) based on 25x FY23E EPS of ₹ 27.9.

SUN PHARMACEUTICAL INDUSTRIES LTD.

Particulars

Particular	Amount
Market Capitalisation	₹ 167889 crore
Debt (FY21)	₹ 3343 crore
Cash & Equivalents (FY21)	₹ 6446 crore
EV (₹ Cr)	₹ 164787 crore
52 week H/L (₹)	722/443
Equity capital	₹ 239.9 crore
Face value	₹ 1

Price Performance



Key risks to our call

- Better-than-expected ramp-up in specialty portfolio
- Continued price erosion impact on Taro US portfolio

Research Analyst

Siddhant Khandekar
siddhant.khandekar@icicisecurities.com

Mitesh Shah
mitesh.sha@icicisecurities.com

Sudarshan Agarwal
sudarshan.agarwal@icicisecurities.com

Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

(₹ Crore)	FY20	FY21	FY22E	FY23E	CAGR FY21-23E (%)
Net Sales	32837.5	33498.1	36836.2	40167.5	9.5
EBITDA	6989.8	8491.4	8381.3	9439.4	5.4
EBITDA Margins (%)	21.3	25.3	22.8	23.5	
Adj. Profit	4025.6	7210.0	5629.1	6703.8	-3.6
Adj. EPS (₹)	16.8	30.1	23.5	27.9	
PE (x)	44.6	57.8	29.8	25.0	
EV to EBITDA (x)	23.6	19.0	18.9	16.3	
RoE (%)	8.9	15.5	10.9	11.6	
RoCE (%)	10.0	14.4	13.4	14.4	

Source: ICICI Direct Research; Company

Exhibit 1: Variance Analysis

	Q4FY21	Q4FY21E	Q4FY20	Q3FY21	YoY (%)	QoQ (%)	Comments
Revenue	8,523.0	8,760.0	8,184.9	8,836.8	4.1	-3.6	YoY growth mainly due to 12.9% growth in domestic formulations being partly offset by decline in Taro's and API segment sales
Raw Material Expens	2,240.8	2,321.4	2,304.8	2,333.4	-2.8	-4.0	
Gross margins (%)	73.7	73.5	71.8	73.6	187 bps	11 bps	YoY improvement amid better product mix and cost efficiencies
Employee Expenses	1,677.5	1,839.6	1,651.9	1,720.5	1.5	-2.5	
Other Expenditure	2,556.3	2,584.2	2,865.2	2,376.8	-10.8	7.6	
Total Expenditure	6,474.5	6,745.2	6,821.9	6,430.6	-5.1	0.7	
EBITDA	2,048.5	2,014.8	1,363.0	2,406.1	50.3	-14.9	
EBITDA (%)	24.0	23.0	16.7	27.2	738 bps	-319 bps	YoY improment mainly due to lower SG&A expenditure and better gross margins
Interest	30.1	26.1	51.8	26.1	-41.9	15.3	
Depreciation	553.5	531.9	575.4	531.9	-3.8	4.1	
Other income	111.0	311.1	102.2	315.0	8.6	-64.8	
EO	672.8	0.0	260.6	0.0			
PBT	903.0	1,767.8	577.4	2,163.1	56.4	-58.3	
Tax	55.0	265.2	83.1	244.9	-33.8	-77.5	
MI	-51.7	43.3	92.9	60.9	PL	PL	
Net Profit	894.2	1,454.6	399.8	1,852.5	123.6	-51.7	
Adj. Net Profit	1,343.1	1,454.6	660.5	1,852.5	103.3	-27.5	YoY growth mainly due to strong operational perfromance and lower interest cost
Key Metrics							
India formulations	2,670.9	2,601.3	2,364.8	2,752.8	12.9	-3.0	YoY growth mainly driven by strong growth in chronic segment and recovery in semi chronic segment
US formulations	2,694.6	2,772.6	2,712.9	2,760.9	-0.7	-2.4	Decline in Taro's revenues being offset by growth in speciality and base business
Emerging Markets	1,401.5	1,516.4	1,354.0	1,507.1	3.5	-7.0	YoY growth in US$ term was 5.3%
RoW	1,191.3	1,255.8	1,121.2	1,275.8	6.3	-6.6	YoY growth in US$ term was 5.5%
APIs	473.1	527.2	525.2	485.3	-9.9	-2.5	

Source: ICICI Direct Research

Exhibit 2: Change in Estimates

	FY22E			FY23E		
(₹ Crore)	**Old**	**New**	**% Change**	**Old**	**New**	**% Change**
Total Operating Income	36,612.6	36,836.2	0.6	40,083.3	40,167.5	0.2
EBITDA	8,054.8	8,381.3	4.1	9,018.7	9,439.4	4.7
EBITDA Margin (%)	22.0	22.8	75 bps	22.5	23.5	100 bps
Adjusted PAT	5,639.2	5,629.1	-0.2	6,484.7	6,703.8	3.4
EPS (Adjusted)	23.5	23.5	-0.2	27.0	27.9	3.4

Source: ICICI Direct Research

Exhibit 3: Change in estimates

	Current				Earlier		Comments
₹ crore	FY20	FY21	FY22E	FY23E	FY22E	FY23E	
Indian Formulations	9,710.5	10,343.2	11,879.6	13,305.1	11,854.6	13,277.2	
US Formulations	10,542.5	10,083.9	10,425.6	10,991.5	10,037.7	10,728.0	Changed mainly due to faster-than-expected recovery in speciality sales and slower-than-expected generic competition in Absorica
RoW markets	10,025.3	10,602.5	11,948.8	13,143.7	12,091.7	13,300.9	
APIs	2,047.0	2,109.6	2,187.4	2,296.8	2,244.3	2,356.5	

Source: ICICI Direct Research

Conference Call Highlights

- The management expects growth across segments in FY22
- **US** – constant currency sales of US$370 million (down 1.3% YoY)
    - Sales decline amid continued market impact for Taro (Derma)
    - Total 18 products launched in FY21
    - Specialty revenues for Q4FY21 were US$139 million
        (a) growth led by Ilumya, Cequa and Absorica LD
    - Absorica generic launched, Sun Pharma has launched the authorised generic version
    - Total 501 approved ANDAs, 94 pending approvals (including 23 tentative)
    - Pipeline – Total 55 approved NDAs and nine awaiting USFDA approval
    - In Q4FY21, five ANDAs were approved and eight were filed
    - Doctor led lower prescription generation still lower than pre-Covid but is improving
    - US generics growth (ex-Taro) led by new launches, better supply chain management and capitalising on shortage opportunities
- PMPM/ MR productivity almost flat YoY compared to FY20, to be better, going ahead
- Capex for FY22 to likely be below US$200 million
- R&D investments at ₹ 557 crore (6.6% of sales)
    - Try to keep between 8-9% of sales
- Reduction in debt in FY21 from FY20 of ~ US$580 million; NET debt (ex-Taro) ~US$179 million
    - To continue to bring it down in FY22
- **India** – Total 31 new products launched in Q4FY21
    - ~8.2% market share in IPM as per AIOCD MAT March 2021
    - growth led by chronic portfolio, revival seen in semi-chronic and acute portfolio
- Global Ilumya sales up 51% YoY ay US$143 million
- Halol: status quo - all responses filed, awaiting USFDA action

Exhibit 4: Trends in quarterly financials

(₹ Crore)	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	YoY (%)	QoQ (%)
Total Operating Incom	6977.1	7224.2	6937.6	7740.2	7163.9	8374.4	8123.4	8154.9	8184.9	7585.3	8553.1	8836.8	8523.0	4.1	-3.6
Raw Material Expens	1770.1	2106.8	1757.7	2165.7	1838.8	2457.8	2267.9	2200.0	2304.8	1969.6	2146.3	2333.4	2240.8	-2.8	-4.0
Gross Profit Margin (%	74.6	70.8	74.7	72.0	74.3	70.7	72.1	73.0	71.8	74.0	74.9	73.6	73.7		
Employee Expenses	1341.3	1433.0	1470.3	1495.0	1568.8	1540.4	1620.9	1549.1	1651.9	1759.0	1705.3	1720.5	1677.5	1.5	-2.5
% of Revenue	19.2	19.8	21.2	19.3	21.9	18.4	20.0	19.0	20.2	23.2	19.9	19.5	19.7		
Other Expenditure	2182.3	2077.6	2178.4	1926.7	2739.6	2380.6	2444.8	2564.3	2865.2	2013.1	2508.2	2376.8	2556.3	-10.8	7.6
% of Revenue	31.3	28.8	31.4	24.9	38.2	28.4	30.1	31.4	35.0	26.5	29.3	26.9	30.0		
Total Expenditure	5293.6	5617.5	5406.4	5587.3	6147.1	6378.8	6333.6	6313.5	6821.9	5741.7	6359.9	6430.6	6474.5	-5.1	0.7
% of Revenue	75.9	77.8	77.9	72.2	85.8	76.2	78.0	77.4	83.3	75.7	74.4	72.8	76.0		
EBITDA	1683.5	1606.7	1531.2	2152.9	1016.8	1995.6	1789.7	1841.4	1363.0	1843.5	2193.3	2406.1	2048.5	50.3	-14.9
EBITDA Margin (%)	24.1	22.2	22.1	27.8	14.2	23.8	22.0	22.6	16.7	24.3	25.6	27.2	24.0		
Depreciation	455.2	401.6	426.5	471.1	454.1	457.1	473.3	547.0	575.4	495.9	498.6	531.9	553.5	-3.8	4.1
Other Income	302.8	199.8	351.2	193.1	281.5	213.0	200.9	119.9	102.2	153.8	255.8	315.0	111.0	8.6	-64.8
PBIT	1531.0	1404.8	1455.9	1874.9	844.3	1751.5	1517.3	1414.3	889.9	1501.4	1950.5	2189.2	1606.0	80.5	-26.6
Interest	155.4	130.9	129.5	144.8	150.0	104.1	83.9	63.0	51.8	52.0	33.3	26.1	30.1	-41.9	15.3
Less: Exceptional Iten	0.0	0.0	1214.4	0.0	0.0	0.0	0.0	0.0	260.6	3633.3	0.0	0.0	672.8		
PBT	1375.6	1273.9	111.9	1730.1	694.2	1647.4	1433.4	1351.3	577.4	-2183.9	1917.2	2163.1	903.0	56.4	-58.3
Total Tax	-176.7	163.9	218.9	270.9	-28.8	146.1	266.0	327.6	83.1	245.9	-31.2	244.9	55.0	-33.8	-77.5
PAT before MI	1552.3	1110.1	-107.0	1459.2	723.1	1501.4	1167.4	1023.7	494.3	-2429.8	1948.4	1918.1	848.0	71.5	-55.8
Minority Interest	220.0	122.7	110.0	219.2	105.2	109.2	99.1	105.9	92.9	-770.6	130.0	60.9	-51.7	-155.7	-184.9
PAT after MI	1332.3	987.3	-217.0	1240.0	617.8	1392.2	1068.3	917.9	401.4	-1659.2	1818.4	1857.2	899.7	124.1	-51.6
Profit from Associates	-23.3	1.0	-1.9	1.8	-2.4	-4.7	-4.2	-4.3	-1.6	3.6	-5.6	-4.7	-5.6		
PAT	1309.0	988.3	-218.8	1241.9	615.4	1387.5	1064.1	913.5	399.8	-1655.6	1812.8	1852.5	894.2	123.6	-51.7
Adjusted PAT	1309.0	988.3	995.6	1241.9	615.4	1387.5	1064.1	913.5	660.5	1146.0	1812.8	1852.5	1343.1	103.3	-27.5
Adjusted EPS (₹)	5.5	4.1	4.1	5.2	2.6	5.8	4.4	3.8	2.8	4.8	7.6	7.7	5.6		

Source: ICICI Direct Research

Company Background

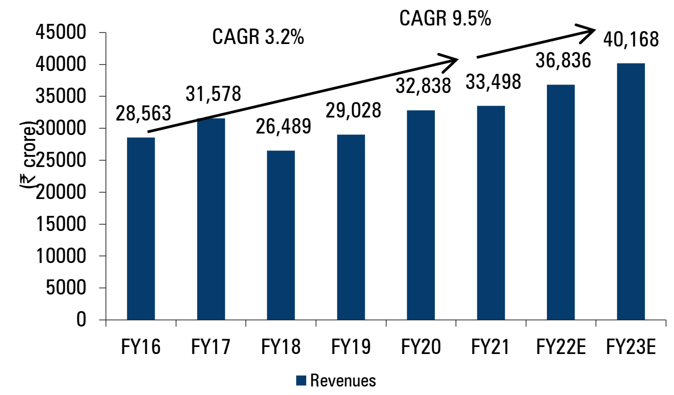
Established in 1983, Sun Pharma is the largest Indian pharmaceutical company both in terms of market capitalisation and turnover (FY21).

The company manufactures and markets a large basket of pharmaceutical formulations in India, the US and several other markets across the world. However, US and Indian formulations are by far the core strengths and growth drivers of the company. The company has ~44 manufacturing sites across the world. The US business has been built mostly on acquisitions and generic focus. It owns the largest product basket among Indian players with as many as 595 product (ANDA) filings as of FY21. In Indian formulations, the company is a leader in niche therapy areas of psychiatry, gastroenterology, neurology, cardiology, nephrology, orthopaedics and ophthalmology.

The company completed the $3.2 billion acquisition of Ranbaxy Laboratories after almost a year of navigating the regulatory hurdles to create the world's fifth-largest generic pharmaceutical company by revenue. Sun has planned a capex of US$250 million for Tildrakizumab, the IL-23 monoclonal anti-body in-licensed from MSD (US) over four or five years to be utilised for its psoriasis trials.

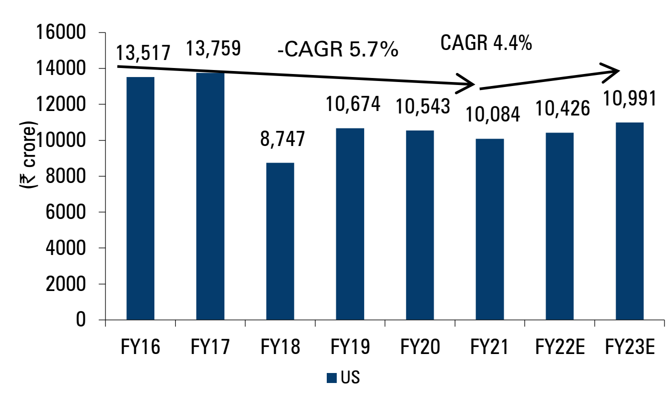
Sun acquired Odomzo (oncology) from Novartis in December, 2016 for $175 million and additional milestones payments. USFDA approved this in July, 2015 for treatment of locally advanced basal cell cancer and is the first branded oncology product for Sun Pharma in the US. Total 70% who prescribe the products are dermatologists while the rest are oncologists for this drug. Seciera (for dry eyes disease), which was acquired from Ocular Technologies, has shown promising phase III results.

Exhibit 5: Revenues to grow at CAGR of 10% over FY21-23E



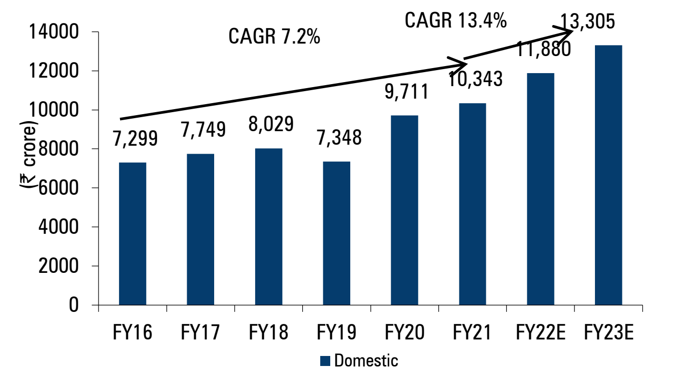
Source: ICICI Direct Research, Company

Exhibit 6: US to grow at CAGR of ~4% over FY21-23E



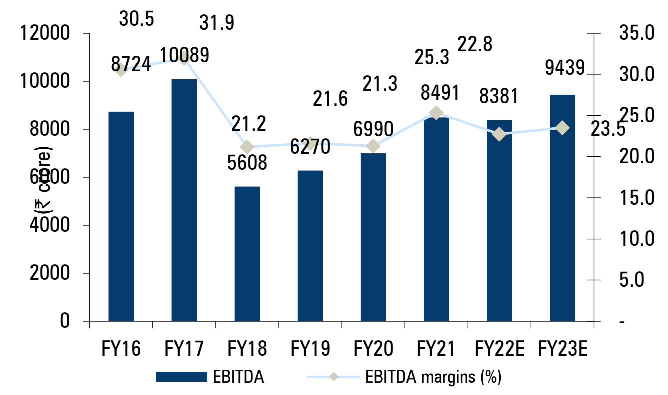
Source: ICICI Direct Research, Company

Exhibit 7: Domestic to grow at 13% CAGR in FY21-23E



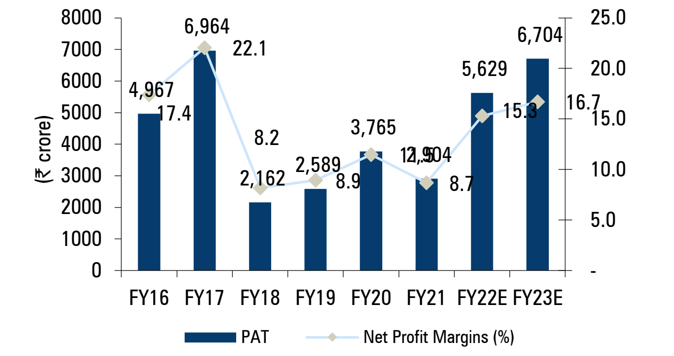
Source: ICICI Direct Research, Company

Exhibit 8: EBITDA & EBITDA margins trend



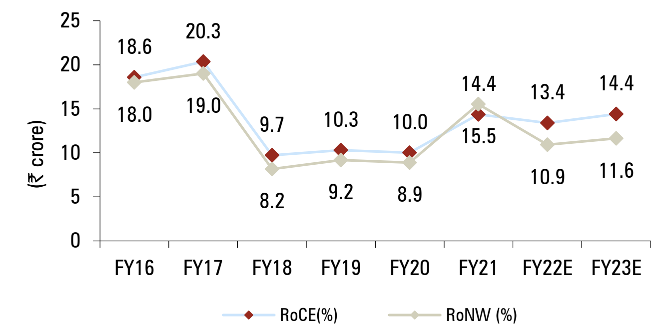
Source: ICICI Direct Research, Company

Exhibit 9: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 10: RoCE & RoE trend



Source: ICICI Direct Research, Company

Exhibit 11: Revenue break-up

₹ crore	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY16-21 (%)	FY21-23E (%)
Domestic	7,299.2	7,749.1	8,029.3	7,348.3	9,710.5	10,343.2	11,879.6	13,305.1	7.2	13.4
US	13,516.9	13,758.8	8,746.6	10,673.6	10,542.5	10,083.9	10,425.6	10,991.5	-5.7	4.4
Emerging Markets	3,584.3	4,544.8	4,839.2	5,359.0	5,504.4	5,783.4	6,493.4	7,142.7	10.0	11.1
ROW	2,161.8	2,583.2	2,974.0	3,452.6	4,521.0	4,819.1	5,455.5	6,001.0	17.4	11.6
API & Others	1,475.2	1,634.5	1,476.8	1,811.7	2,047.0	2,109.6	2,187.4	2,296.8	7.4	4.3

Source: ICICI Direct Research, Company

Exhibit 12: Valuation

	Revenues (₹ crore)	Growth (%)	EPS (₹)	Growth (%)	P/E (x)	EV/EBITDA (X)	RoE (%)	RoCE (%)
FY20	32838	13.1	16.8	5.8	44.6	23.6	8.9	10.0
FY21	33498	2.0	30.1	79.1	57.8	19.0	15.5	14.4
FY22E	36836	10.0	23.5	-21.9	29.8	18.9	10.9	13.4
FY23E	40168	9.0	27.9	19.1	25.0	16.3	11.6	14.4

Source: ICICI Direct Research, Company

Exhibit 13: Shareholding Pattern

(in %)	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Promoter	54.7	54.7	54.7	54.5	54.5
Others	45.3	45.3	45.3	45.5	45.5

Source: ICICI Direct Research, Company

Financial Summary

Exhibit 14: Profit & Loss (₹ crore)

(Year-end March)	FY20	FY21	FY22E	FY23E
Revenues	**32,837.5**	**33,498.1**	**36,836.2**	**40,167.5**
Growth (%)	13.1	2.0	10.0	9.0
Raw Material Expenses	9,230.5	8,690.1	9,761.6	10,443.6
Employee Expenses	6,362.4	6,862.2	7,551.4	8,234.3
Other Expenditure	10,254.9	9,454.5	11,141.9	12,050.3
Total Operating Expenditure	25,847.7	25,006.8	28,454.9	30,728.2
EBITDA	**6,989.8**	**8,491.4**	**8,381.3**	**9,439.4**
Growth (%)	11.5	21.5	-1.3	12.6
Depreciation	2,052.8	2,080.0	2,183.9	2,287.8
Interest	302.7	141.4	99.1	56.8
Other Income	636.0	835.5	1,093.2	1,430.5
PBT	5,270.2	7,105.5	7,191.5	8,525.2
Less: Exceptional Items	260.6	4,306.1	0.0	0.0
Total Tax	822.8	514.7	1,366.4	1,619.8
PAT before MI	4,186.8	2,284.7	5,825.1	6,905.4
Minority Interest	407.0	-631.5	173.6	179.3
PAT	3,764.9	2,903.8	5,629.1	6,703.8
Adjusted PAT	**4,025.6**	**7,210.0**	**5,629.1**	**6,703.8**
Growth (%)	5.8	79.1	-21.9	19.1
EPS (Adjusted)	**16.8**	**30.1**	**23.5**	**27.9**

Source: ICICI Direct Research

Exhibit 15: Cash Flow Statement (₹ crore)

(Year-end March)	FY20	FY21	FY22E	FY23E
Profit/(Loss) after taxation	3663.7	1796.4	5629.1	6703.8
Depreciation	2052.8	2080.0	2183.9	2287.8
(Inc)/Dec in Current Assets	-292.5	-869.9	-2750.7	-2074.4
(Inc)/Dec in Current Liabilities	1191.0	3434.0	1828.4	1214.1
Others	-60.2	-270.1	99.1	56.8
CF from operation Activities	**6554.8**	**6170.4**	**6989.8**	**8188.1**
Purchase of Fixed Assets	-1450.0	-1073.0	-1480.0	-1480.0
(Inc)/Dec in Investments	-1551.8	1167.1	-2305.4	-2305.4
Others	1374.1	-326.0	-302.8	-330.5
CF from Investing Activities	**-1627.7**	**-231.9**	**-4088.2**	**-4115.9**
Inc / (Dec) in Loan Funds	-3341.9	-4489.6	-1000.0	-1000.0
Inc / (Dec) in Equity Capital	-425.0	-185.4	0.0	0.0
Dividend and dividend tax	-1662.6	-1586.2	-562.9	-670.4
Other Financial Activities	-285.6	280.8	-99.1	-56.8
CF from Financing Activities	**-5715.1**	**-5980.5**	**-1662.0**	**-1727.2**
Cash generation during the yea	-788.1	-42.0	1239.6	2345.0
Op bal Cash & Cash equivalent:	7275.6	6487.6	6445.5	7685.1
Closing Cash/ Cash Equivalent	**6487.6**	**6445.5**	**7685.1**	**10030.1**
Free Cash Flow	**5104.8**	**5097.3**	**5509.8**	**6708.1**

Source: ICICI Direct Research

Exhibit 16: Balance Sheet (₹ crore)

(Year-end March)	FY20	FY21	FY22E	FY23E
Equity Capital	239.9	239.9	239.9	239.9
Reserve and Surplus	45,024.5	46,222.9	51,289.1	57,322.4
Total Shareholders funds	45,264.5	46,462.8	51,529.0	57,562.4
Total Debt	8,314.9	3,343.0	2,343.0	1,343.0
Deferred Tax Liability	58.1	44.5	47.6	51.0
Minority Interest	3,860.2	3,017.1	3,190.7	3,370.0
Other LT Liabitlies & LT Provi	1,334.3	1,098.6	1,175.5	1,257.8
Total Liabilities	**58,832.0**	**53,966.0**	**58,285.9**	**63,584.2**
Gross Block - Fixed Assets	28,634.5	29,614.4	31,094.4	32,574.4
Accumulated Depreciation	12,269.1	14,349.0	16,532.9	18,820.8
Net Block	16,365.5	15,265.3	14,561.4	13,753.6
Capital WIP	1,220.3	1,566.8	1,566.8	1,566.8
Total Fixed Assets	17,585.8	16,832.2	16,128.3	15,320.4
Investments	10,143.1	9,612.5	11,917.9	14,223.3
Deferred tax assets	3,175.3	3,556.4	3,805.4	4,071.8
Goodwill on Consolidation	6,481.5	6,287.6	6,287.6	6,287.6
LT Loans & Advances & Ass	4,110.0	4,066.0	4,350.6	4,655.2
Cash	6,487.6	6,445.5	7,685.1	10,030.1
Debtors	9,421.2	9,061.4	10,919.7	11,907.3
Loans and Advances	148.4	56.0	59.9	64.1
Inventory	7,875.0	8,997.0	9,692.8	10,569.4
Other current assets	2,824.6	2,752.1	2,944.7	3,150.9
Total Current Assets	26,756.8	27,312.0	31,302.3	35,721.7
Creditors	4,093.7	3,973.7	5,098.2	5,559.3
Provisions & other current lia	5,326.7	972.7	10,408.0	11,136.5
Total Current Liabilities	9,420.5	13,700.7	15,506.2	16,695.8
Net Current Assets	17,336.3	13,611.3	15,796.1	19,025.9
Application of Funds	**58,832.0**	**53,966.0**	**58,285.9**	**63,584.2**

Source: ICICI Direct Research

Exhibit 17: Key Ratios (₹ crore)

(Year-end March)	FY20	FY21	FY22E	FY23E
Per share data (₹)				
Adjusted EPS	16.8	30.1	23.5	27.9
BV per share	188.7	193.7	214.8	239.9
Dividend per share	1.0	7.5	2.3	2.8
Cash Per Share	27.0	26.9	32.0	41.8
Operating Ratios (%)				
Gross Margin	71.9	74.1	73.5	74.0
EBITDA Margin	21.3	25.3	22.8	23.5
PAT Margin	12.3	21.5	15.3	16.7
Inventory days	87.5	98.0	96.0	96.0
Debtor days	104.7	98.7	108.2	108.2
Creditor days	45.5	43.3	50.5	50.5
Asset Turnover	0.6	0.7	0.7	0.7
EBITDA Conversion rate	93.8	72.7	83.4	86.7
Return Ratios (%)				
RoE	8.9	15.5	10.9	11.6
RoCE	10.0	14.4	13.4	14.4
RoIC	11.5	16.3	15.1	16.7
Valuation Ratios (x)				
P/E	44.6	57.8	29.8	25.0
EV / EBITDA	23.6	19.0	18.9	16.3
EV / Net Sales	5.0	4.8	4.3	3.8
Market Cap / Sales	5.1	5.0	4.6	4.2
Price to Book Value	3.7	3.6	3.3	2.9
Solvency Ratios				
Debt / EBITDA	1.2	0.4	0.3	0.1
Debt / Equity	0.2	0.1	0.0	0.0
Current Ratio	2.2	1.5	1.5	1.5

Source: ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorises them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%;
Hold: -5% to 15%;
Reduce: -5% to -15%;
Sell: <-15%

Pankaj Pandey Head – Research pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Siddhant Khandekar, Inter CA, Mitesh Shah, (cleared all 3 levels of CFA), Sudarshan Agarwal, PGDM (Finance), Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. 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 of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall 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. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. 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. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

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 ICICI Securities and affiliates 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.