

BSE SENSEX	S&P CNX
52,329	15,752

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Stock Info

Bloomberg	ALKEM IN
Equity Shares (m)	120
M.Cap.(INRb)/(USD\$)	375.3 / 5.2
52-Week Range (INR)	3215 / 2285
1, 6, 12 Rel. Per (%)	2/-8/-22
12M Avg Val (INR M)	542
Free float (%)	39.8

Financials Snapshot (INR b)

Y/E MARCH	2021	2022E	2023E
Sales	88.5	99.2	110.8
EBITDA	20.1	21.1	24.7
Adj. PAT	16.0	16.8	19.2
EBIT Margin (%)	19.6	18.5	19.6
Cons. Adj. EPS (INR)	134.1	140.1	160.7
EPS Gr. (%)	40.5	4.5	14.7
BV/Sh. (INR)	617.0	724.0	848.5

Ratios

Net D:E	0.0	-0.1	-0.2
RoE (%)	23.7	20.9	20.4
RoCE (%)	19.9	17.9	18.0
Payout (%)	24.9	23.7	22.5

Valuations

P/E (x)	23.5	22.5	19.6
EV/EBITDA (x)	18.6	17.4	14.5
Div. Yield (%)	0.9	0.9	1.0
FCF Yield (%)	2.9	2.5	3.2
EV/Sales (x)	4.2	3.7	3.2

Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	60.2	62.4	65.9
DII	13.2	13.0	11.8
FII	4.4	4.1	3.6
Others	22.2	20.5	18.7

FII Includes depository receipts

CMP: INR 3,139 TP: INR3,730 (+19%)

Buy

On growth path despite high base of past year

- ALKEM is well-placed to benefit from a medium term recovery in the Domestic Formulation (DF) business.
- It had a positive impact of higher offtake of COVID-19 associated drugs in the recent past. The reduction in COVID-19 cases, coinciding with seasonal change, bodes well for a pick-up in the performance of Acute therapies.
- Bunched-up ANDA launches over the next 12-15 months are expected to improve sales growth as well as profitability of the US business.
- We have tweaked our FY22E/FY23E EPS estimate by 2%/3% and continue to value ALKEM at 23x 12-months forward earnings to arrive at our TP of INR3,730. We remain positive on the back of robust growth in the DF segment and improving profitability in the US segment. Reiterate Buy.

Gastro/VMNs outshines; Acute therapies in revival mode

- ALKEM witnessed strong demand for Vitamin/Minerals/Nutrients (VMNs) and Gastrointestinal drugs due to increased prescriptions associated with COVID-19. ALKEM posted strong growth (82% YoY) in May'21 (v/s 60% for IPM; as per AIOCD data) for VMN therapy. Its Gastrointestinal therapy saw 49% YoY growth in May'21. Anti-Infectives and Pain therapies recovered, growing over 75% each in these therapies in May'21.
- COVID-19 cases are on a downtrend with lockdowns and increased vaccination rate. The daily new case run-rate is down to 0.13m from a peak of 0.41m on 6th May'21. We expect reduced COVID-19 cases to lead to a partial reduction in the intensity of lockdown measures across states. The gradual opening of the economy is also supported with seasonal change, which would drive higher offtake of Acute therapies like Anti-Infectives. In fact, the intensity of decline in the Anti-Infective segment has been on a downtrend over the past eight months.
- ALKEM is the second largest trade generics player in India. The business contributed 20-25% of sales, with robust (over 20% YoY) growth in FY21 led by higher influence by chemists and commensurate availability of trade generic brands. Momentum is expected to continue over the medium term, with increasing influence of chemists, particularly in Tier II/III cities.
- We expect 15% sales CAGR in DF to INR75.4b (67% of sales) over FY21-23E.

Faster filings/approvals - key to growth in US sales

- The US business is expected to grow faster in FY22E, led by higher number of launches YoY. ALKEM currently has 110 approved ANDAs, half of which are yet to be commercialized.

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- It has 26 ANDAs under approval and plans to file 10-12 ANDAs annually over the next two years, which will enable it to build a pipeline of products for future launches. With products under approval and future filings, ALKEM will have enough products in the pipeline to sustain its launch target even in the future.
- ALKEM has already received a favorable ruling from a lower court for para-IV litigation on g-Duexis. The final approval from the USFDA and/or favorable litigation outcome in a higher court would provide potential upside from this product.
- We expect a ramp-up in recent and forthcoming launches to drive 10% US business CAGR over FY21-23E to USD404m in FY23E.

Valuation and view

- On a high base of FY21, we expect 9% earnings CAGR over FY21-23E, led by steady ramp-up in DF sales and improving margin in the US business.
- We continue to value ALKEM at 23x 12-months forward earnings to arrive at our TP of INR3,730. Reiterate Buy.
- We remain positive on ALKEM on: a) better sales outlook in Anti-Infectives, b) growth in Chronic therapies like Anti-Diabetes and Cardiac, c) sustained cost reduction on higher usage of digital tools, and d) healthy ANDA pipeline in the US market.

Exhibit 1: Valuation snapshot

Company	Reco	Mkt Cap (USD B)	EPS (INR)			EPS Growth YoY (%)		PE (x)		EV/EBITDA (x)		ROE (%)		
			FY21	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY21	FY22E	FY23E
Alembic Pharma	Neutral	2.5	59.9	52.8	56.2	-11.8	6.4	18.0	16.9	12.1	11.0	29.7	19.3	17.9
Alkem Lab	Buy	5.2	134.1	136.9	156.3	2.1	14.2	22.9	20.1	19.6	17.1	23.7	20.5	20.0
Ajanta Pharma	Buy	2.4	73.9	80.6	95.3	9.1	18.2	24.2	20.5	16.8	14.9	23.4	21.9	21.9
Aurobindo Pharma	Buy	7.7	54.0	59.4	66.9	9.9	12.7	16.2	14.3	9.7	8.8	16.3	14.8	14.5
Biocon	Neutral	6.3	5.5	7.7	11.2	39.2	45.2	50.6	34.9	22.2	16.9	9.2	11.6	15.3
Cadila Health.	Buy	8.9	19.8	25.1	26.4	26.5	5.3	25.4	24.1	16.6	15.2	17.4	17.0	14.8
Cipla	Neutral	10.5	30.0	32.2	37.2	7.6	15.4	29.2	25.3	17.4	14.9	13.1	12.7	12.9
Divi's Lab.	Buy	15.5	75.6	101.7	132.1	34.6	29.9	41.6	32.0	29.1	22.6	24.2	26.4	28.2
Dr Reddy's Labs	Neutral	12.0	151.8	198.4	226.5	30.7	14.2	26.3	23.0	15.4	13.1	15.2	17.3	17.1
Gland Pharma	Buy	7.0	60.9	76.4	96.4	25.4	26.1	40.8	32.4	30.3	23.8	20.9	19.2	19.9
Glenmark Pharma.	Neutral	2.4	35.0	38.5	44.1	10.0	14.6	16.0	14.0	8.6	7.5	15.0	14.4	14.4
Glaxosmit Pharma	Neutral	3.5	29.4	37.4	43.0	27.2	14.8	39.9	34.7	29.4	25.2	33.3	36.4	35.0
Granules India	Buy	1.0	22.3	23.1	27.2	3.7	17.4	14.2	12.1	8.2	6.9	27.5	23.4	22.1
Ipca Labs.	Buy	3.6	88.7	89.8	99.4	1.2	10.8	22.8	20.5	16.8	14.3	27.1	22.0	20.3
Jubilant Pharmova	Buy	1.8	56.6	60.3	69.1	6.5	14.6	13.8	11.9	8.1	7.4	18.6	21.7	20.6
Laurus Labs	Buy	4.0	18.3	23.8	29.1	30.1	21.8	24.0	19.7	15.3	12.5	45.0	40.7	35.8
Lupin	Neutral	7.7	26.2	40.2	49.5	53.7	22.9	30.7	24.9	16.5	13.8	9.0	12.6	14.0
Solara Active Pharma	Buy	0.9	45.0	78.4	96.3	74.3	22.8	21.9	17.8	10.7	8.4	16.6	22.1	22.7
Strides Pharma	Buy	1.0	22.2	40.9	50.2	84.5	22.7	19.0	15.5	9.0	8.1	7.5	12.5	13.9
Sun Pharma.Inds.	Buy	22.2	25.0	29.2	32.2	16.5	10.4	23.1	21.0	15.8	13.9	13.1	14.2	13.9
Torrent Pharma.	Neutral	6.5	74.9	86.1	96.8	14.9	12.5	32.8	29.2	17.8	15.9	23.8	23.5	23.1

Source: MOFSL, Company

DF: ALKEM on track to outperform the industry

- We expect robust traction in Anti-Infectives, Gastrointestinal, and VMN therapies on the back of favorable demand and market share gains.
- On a MAT basis in May'21, VMN and Gastrointestinal witnessed 37%/19% YoY growth. The COVID-19 pandemic and strong brand recall is expected to drive momentum in these therapies over the medium term.
- We expect DF sales to accelerate and outperform over the next 12-24 months.

Gastrointestinal and VMN drives growth; Anti-Infectives on a revival path

- Gastrointestinal (~19% of sales) outperformed with 18.6% YoY growth on a MAT basis in May'21. VMN (~15% of sales) led the pack with 37.2% YoY growth, with outperformance from brands A To Z Ns (up 57.7%) and Uprise D3 (up 84%) on the back of strong demand.
- Over the past five quarters, ALKEM saw strong and consistent performances in VMN, Gastrointestinal, and Anti-Diabetic therapies. The Anti-Infectives segment, which was heavily impacted due to COVID-19, has recovered substantially over the last three quarters to grow at 46.1% YoY in the three-month period ended May'21.

Anti-Infectives is ALKEM's biggest therapy, contributing 33% to domestic sales

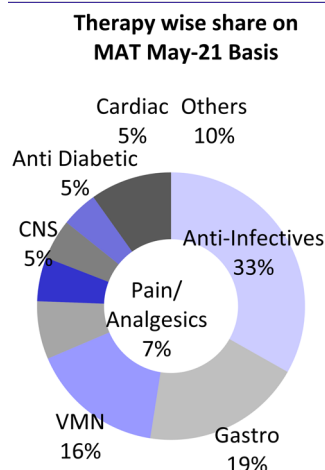


Exhibit 2: Anti-Infectives back to double-digit growth after a slump in Mar-Aug'20

	YoY growth in the quarter-ending (%)				
	May'20	Aug'20	Nov'20	Feb'21	May'21
Anti-Infectives	-11.1	-19.5	-5.6	-6.3	46.1
Gastrointestinal	-3.8	7.7	16.3	14.4	37.0
VMN	-6.7	22.7	35.0	26.4	68.3
Pain/Analgesics	-9.0	-8.6	-2.4	7.0	52.9
Neuro/CNS	-12.2	-7.8	-1.4	8.2	21.6
Anti-Diabetic	5.0	5.8	10.8	21.6	37.4
ALKEM	-7.8	-3.8	6.5	7.4	45.4

Source: MOFSL, AIOCD

- ALKEM faced headwinds in DF over the last 12 months as it derives ~33% of sales from Anti-Infectives, which has seen a negative impact on account of COVID-19. There has been substantial improvement in growth over the past few months as Anti-Infectives have recovered consistently to growth of 86.6% YoY in May'21 from de-growth of 23.3% YoY in Aug'20.
- Secondary sales grew 12.6% on a MAT basis in May'21, led by Volume growth (5.6%) and price growth (4.6%), while new product launches contributed 2.4%.

Strong brand recall drives growth in VMN, Gastrointestinal, and Anti-Diabetics

- ALKEM witnessed strong outperformance v/s peers in VMN, Gastrointestinal and Anti-Diabetics. Growth momentum in VMN and Gastrointestinal accelerated further in May'21.
- Uprise D3, A To Z NS, and Sumo L saw strong traction on a MAT basis in May'21, outperforming their respective therapies significantly.
- Gastrointestinal brands Pan and Pan D delivered marginal outperformance v/s therapy and continued to be the largest molecules, excluding Anti-Infectives.

Exhibit 3: ALKEM outperforms in nine out of 16 molecules within Gastrointestinal/VMN/Pain/Anti-Diabetic category

Brand	Therapy	MAT	YoY	YoY	YoY	YoY	CAGR	Therapy	Molecule	ALKEM's molecule outperformance (%)	ALKEM's therapy outperformance (%)
		May'21 (INR m)	growth (Feb'21) (%)	growth (Mar'21) (%)	growth (Apr'21) (%)	growth (May'21) (%)	MAT FY17-21 (%)	CAGR (%) MAT May'17-May'21	CAGR (%) MAT May'17-May'21		
Pan	Gastrointestinal	3,427	4.6	7.7	28.8	47.2	8.2	7.3	8.3	-0.1	0.9
Pan D	Gastrointestinal	3,084	5.1	13.7	34.5	46.6	9.4	7.3	10.1	-0.7	2.1
A To Z Ns	VMN	2,266	12.3	28.6	95.1	115.1	19.3	8.4	13.7	5.6	10.9
Uprise D3	VMN	1,319	44.3	56	176.1	159.4	21.8	8.4	11.8	10.1	13.4
Ondem	Gastrointestinal	1,055	14.5	13.8	51.9	43.3	6.3	7.3	1.6	4.7	-1
Gemcal	VMN	912	24.8	20.5	20.2	7.1	-3	8.4	-1.7	-1.3	-11.4
Sumo L	Pain	748	11.5	9.3	142	112.6	15.6	5.4	8.2	7.5	10.2
Sumo	Pain	771	3.8	4.5	71.1	110.6	-4.5	5.4	-2.1	-2.4	-9.9
Glucoryl M	Anti-Diabetic	521	-6.8	-8.1	9.7	11.2	6.8	10.9	8.7	-2	-4.1
Hemfer	Gynecological	405	17.5	45	44.7	14.5	10.4	4.7	10.4	0	5.7
Enzoflam	Pain	454	2.5	7.6	21.9	-1.1	3.3	5.4	2	1.3	-2.1
A To Z Gold	VMN	513	58.6	98.4	156.4	175	16.8	8.4	13.7	3.1	8.4
Glucoryl-Mv	Anti-Diabetic	441	-5.1	-4.1	9.1	23.7	5.6	10.9	15.8	-10.3	-5.3
Cheri	Gynecological	372	19.9	22.5	93.5	53.6	11.1	4.7	5.4	5.7	6.4
Olymprix M	Anti-Diabetic	392	34.3	53	44.4	41.3	94.6	10.9	40.2	54.4	83.7
Novogermina	Gastrointestinal	367	64.7	84.7	144	65	54.8	7.3	10.5	44.3	47.5

Source: MOFSL, AIOCD

ALKEM outperforms peers in Anti-Infectives

- ALKEM registered a CAGR of 5.1% in anti-infective therapy from May'17-May'21 (on MAT basis). It has outperformed peers in 10 out of the 13 Anti-Infective molecules over a five-year period from May'17 to May'21. The company managed to outperform therapy in eight of these molecules over the same period.
- Strong performances by Clavam, Xone, and Merosure softened the impact of COVID-related headwinds on ALKEM's Anti-Infectives portfolio.
- All brands reported higher YoY growth rates in May'21 v/s the first three months of 2021 due to: 1) lower base of May'20, and 2) strong resurgence in demand across Anti-Infectives.

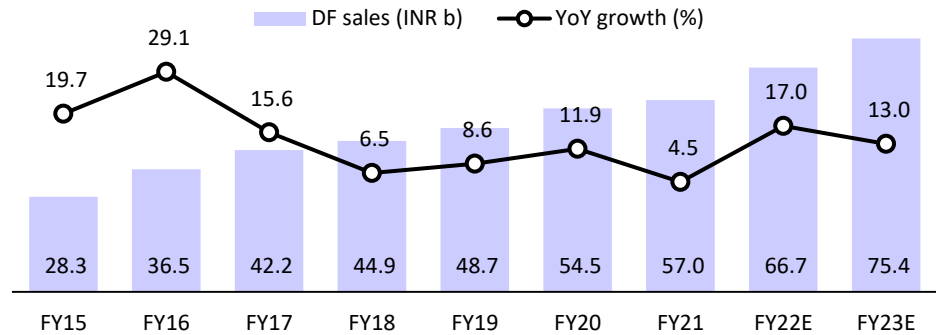
Exhibit 4: Outperforms in eight out of 11 molecules in Anti-Infectives

Brand	MAT May'21 (INR m)	YoY Growth (%) (Feb'21)	YoY Growth (%) (Mar'21)	YoY Growth (%) (Apr'21)	YoY Growth (%) (May'21)	CAGR (%) MAT May'17-21	Molecule	Molecule level Out-performance (%)	Therapy level Out-performance (%)
							CAGR (%) MAT May'17-May'21		
Clavam	3,127	-15.1	-13	18.9	31.8	6.3	1.8	4.5	1.2
Taxim O	1,983	-30	-19.4	26	34.3	-0.2	-1.2	1	-5.3
Xone	1,242	-1.1	18.1	87.4	94.2	13.8	4.9	8.9	8.7
Pipzo	1,100	1	38.6	232.9	235.7	7.9	6.6	1.3	2.8
Taxim	1,051	-5.3	4.6	53	73.7	-6.8	-6.5	-0.3	-11.8
Xone XP	564	4.5	27	102.1	130.2	2.5	3.3	-0.8	-2.6
Swich	711	-16.2	-5.8	62.2	75.8	2.7	-3.2	5.9	-2.4
Merosure	737	21.5	49.2	438.7	404.4	37	9.2	27.8	31.9
Zocef	593	-18.7	-8.9	50.2	80.3	-6.3	4.4	-10.7	-11.4
Traxol S	355	11.5	15.6	81.9	125.2	18.5	11.1	7.4	13.4
Traxol	431	-6.3	3.2	59.5	164.4	11.5	4.9	6.6	6.4

Source: MOFSL, AIOCD

Expect ALKEM to deliver 15% sales CAGR over FY21-23E in the DF segment

- Sustained growth momentum in Chronic/Pain Management/VMNs and recovery in Anti-infectives to aid better sales growth over FY21-23E. Growth momentum in trade generics is expected to continue with increasing influence of chemists, especially in Tier II/III cities.

Exhibit 5: Expect robust growth trajectory in DF sales from FY22 onwards

Source: MOFSL, Company

- ALKEM is reducing opex in the DF segment, with increased usage of digital tools for marketing and promotion of launches as well as its existing portfolio. A revival in sales and a controlled cost structure will help it maintain superior profitability in the DF segment.

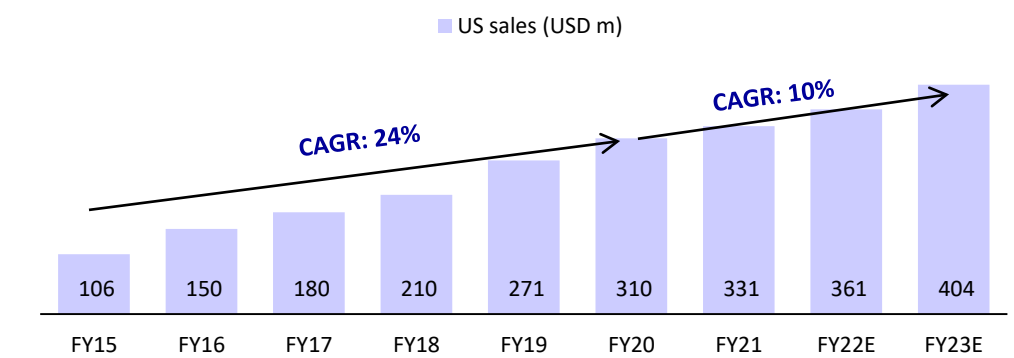
US: Continued execution, new launches key catalysts

- US sales were impacted in 2HFY21 due to steep price erosion in select base products.
- It has a robust ANDA pipeline and healthy launches lined up in FY22.
- We expect US sales to revive over the next two years.

Expect 10% US sales CAGR over FY21-23E in CC terms

- We expect 10% US sales CAGR (25% of sales) in CC terms, led by a ramp-up in recent and new launches.

Exhibit 6: Expect 10% US sales CAGR to USD404m over FY21-23E



Source: MOFSL, Company

- As of FY21-end, it had 126 approved ANDAs in the US, including 16 tentative approvals, and 26 ANDAs under approval. It received 25 ANDA approvals in FY21. The management has guided at 10-12 ANDA filings and launches per year in the US, with higher number of launches in FY22 than it did in FY21. This will help grow the US business in low double-digits.
- ALKEM has received over 20 ANDA approvals in the US across different dosage forms like OSDs, Delayed/Extended Release tablets, suspensions, solutions, etc. in the last 12 months.
- The launches include a mix of low-medium competition and me-too products. We expect the ramp-up in products launched towards the end of FY20 and new launches to drive 10% US sales CAGR to USD404m over FY21-23E.

Potential upside from g-Duexis to the US business

- ALKEM had received a favorable ruling from a district court for g-Duexis. Innovator has appealed in higher court. In addition to Alkem, Teva is another player having Para IV challenge on this product. Previously, Par Pharmaceutical had settled with Horizon Pharma to launch g-Duexis in the US from 1st Jan'23. The overall market size is USD150m. This can be a limited competition opportunity subject to USFDA approval and/or favorable litigation outcome.
- Assuming a five player market (including authorized generic) for g-Duexis, we expect ALKEM to garner a minimum USD8-10m in g-Duexis sales in the US.

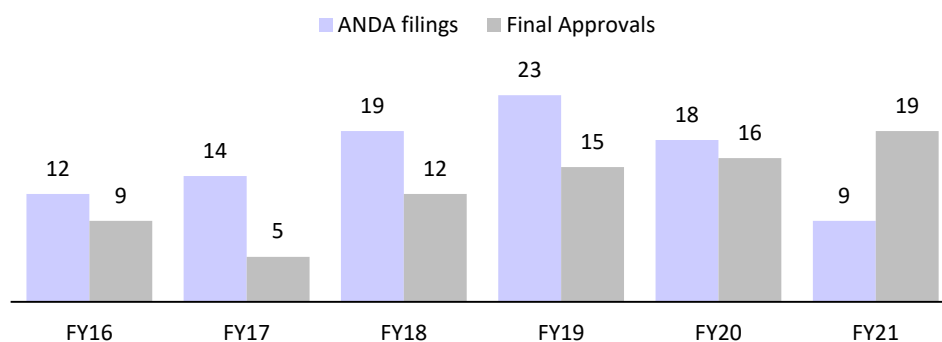
Exhibit 7: Notable approvals over the past 12 months

Molecule	Dosage form	Brand name	Competitors	Approval date
Tolvaptan	Tablet	Jynarque	Two	19 th May'20
Morphine Sulfate	Tablet	Kadian	Three	3 rd Dec'20
Cefixime	For suspension	Suprax	Three	19 th Feb'21
Rufinamide	For suspension	Banzel	Four	23 rd Feb'21
Deferasirox	Granule	Jadenu Sprinkle	Five	14 th Jul'20
Chlordiazepoxide Hydrochloride, Clidinium Bromide	Capsule	Librax	Five	26 Apr'21
Cefdinir	Capsule	Omnicef	Seven	19 th Feb'21
Cefdinir	For suspension	Omnicef	Seven	19 th Feb'21

Source: MOFSL, AIOCD

Filings impacted by COVID-19 in FY21, to pick up in FY22E

- COVID-19 and the lockdowns in late 4QFY20 and 1QFY21 impacted the pace of filings significantly in FY21 and to a lesser extent in FY20. The rate of annual filings declined to nine in FY21 from 23 in FY19.
- With an increase in vaccination, we expect a return to normalcy in 2HFY22. We expect the pace of filings in FY22 to rise YoY. Due to the second COVID wave in India, there could be some delay in the pace of filings returning to pre-COVID levels.
- ALKEM has guided at double-digit launches in the US in FY22, higher than that seen in FY21. With roughly half of approved products yet to be commercialized, we expect ALKEM to deliver on its launch guidance.

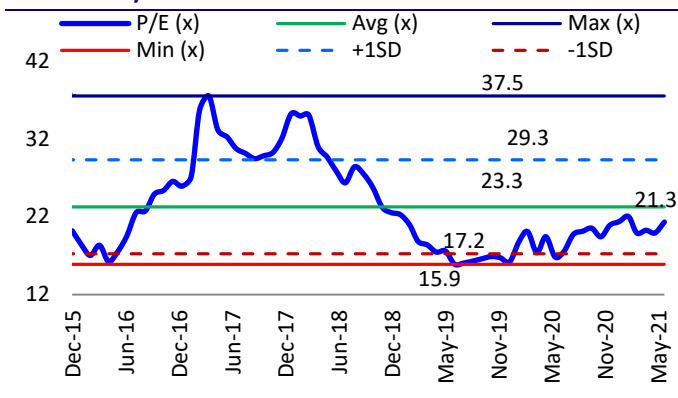
Exhibit 8: Expect 10% CAGR in US sales to USD404m over FY21-23E

Source: MOFSL, Company

Valuation and view

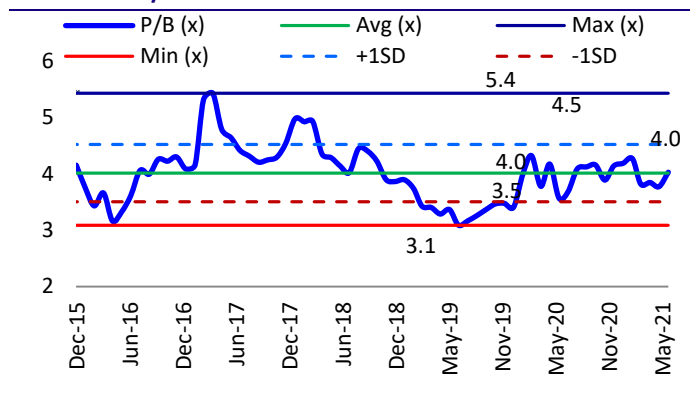
- We expect ALKEM to deliver 9% earnings CAGR over FY21-23E, with a recovery in DF and margin expansion in the US business.
- We expect ALKEM to deliver strong growth in DF, with: a) a recovery in Anti-Infectives, b) growth in Chronic therapies like Anti-Diabetes and Cardiac (~50% share in IPM Chronic therapies), and c) growth in the US business from a greater quantum of launches over the next two years v/s FY21.
- Continued efforts toward cost optimization and savings from digital initiatives (such as digital conferences) is expected to reduce opex structurally in the DF segment, which will help sustain profitability over the next two years.
- We continue to value ALKEM at 23x 12-months forward earnings to arrive at our TP of INR3,730. Maintain **Buy**.

Exhibit 9: P/E Chart



Source: MOFSL, Bloomberg

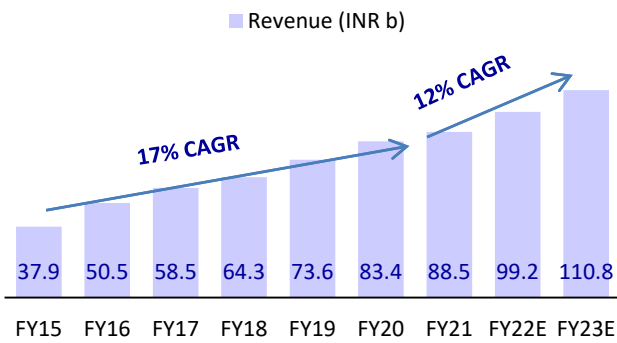
Exhibit 10: P/B Chart



Source: MOFSL, Bloomberg

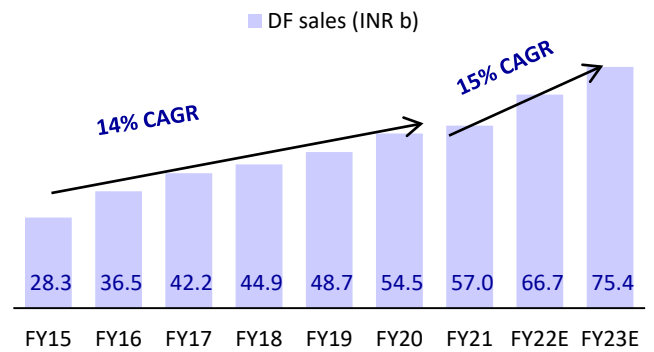
Story in charts

Exhibit 11: Expect 12% revenue CAGR over FY21-23E



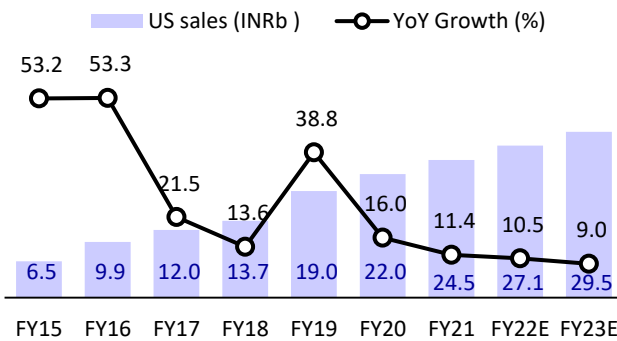
Source: Company, MOFSL

Exhibit 12: Expect 15% India sales CAGR over FY21-23E



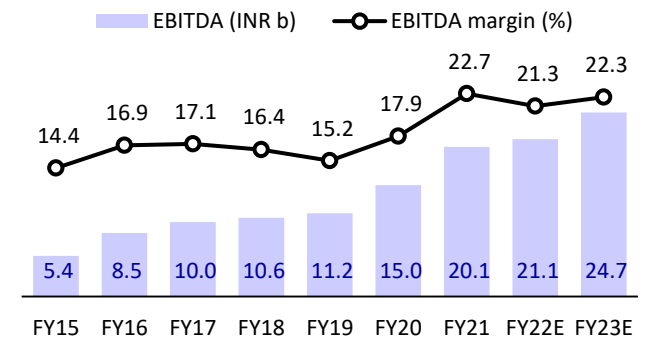
Source: Company, MOFSL

Exhibit 13: Expect 10% sales CAGR in the US over FY21-23E



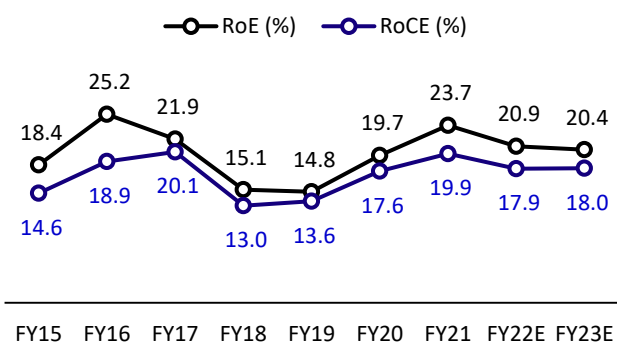
Source: Company, MOFSL

Exhibit 14: EBITDA margin to stabilize above 22%



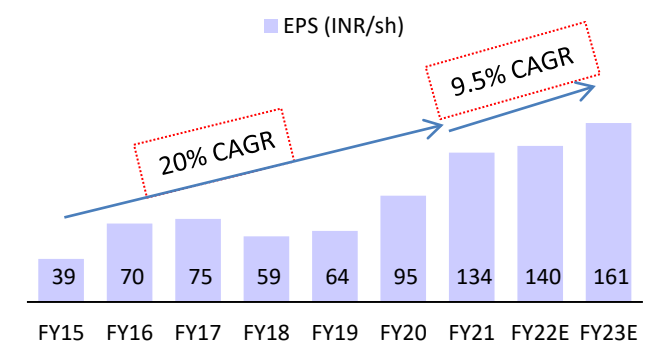
Source: Company, MOFSL

Exhibit 15: Surplus cash to keep RoCE in check



Source: Company, MOFSL

Exhibit 16: Expect 9.5% earnings CAGR over FY21-23E on high base



Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement								INR million	
Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Total Income from Operations	37,887	50,479	58,525	64,312	73,572	83,444	88,505	99,179	110,827
Change (%)	21.2	33.2	15.9	9.9	14.4	13.4	6.1	12.1	11.7
Total Expenditure	32,442	41,947	48,536	54,028	62,401	68,484	68,426	78,054	86,113
EBITDA	5,445	8,533	9,990	10,566	11,171	14,960	20,079	21,125	24,714
Margin (%)	14.4	16.9	17.1	16.4	15.2	17.9	22.7	21.3	22.3
Depreciation	703	933	1,012	1,430	1,932	2,348	2,746	2,806	3,003
EBIT	4,742	7,599	8,978	9,136	9,239	12,612	17,333	18,319	21,712
Int. and Finance Charges	811	712	452	553	546	651	589	381	433
Other Income	1,810	2,397	1,120	960	877	1,042	1,867	1,975	2,090
PBT bef. EO Exp.	5,741	9,284	9,646	9,542	9,570	13,004	18,611	19,913	23,368
EO Items	-574	0	0	0	-23	-406	-190	0	0
PBT after EO Exp.	5,167	9,284	9,646	9,542	9,547	12,598	18,421	19,913	23,368
Current Tax	85	1,762	600	2,876	1,810	1,105	2,243	2,788	3,739
Tax Rate (%)	10.5	19.0	6.2	30.1	19.0	8.8	12.2	14.0	16.0
Less: Mionrity Interest	0	114	126	75	131	222	328	371	419
Reported PAT	4,625	7,409	8,920	6,309	7,606	11,271	15,850	16,754	19,210
Adjusted PAT	5,139	8,419	8,920	7,040	7,629	11,407	16,031	16,754	19,210
Change (%)	18.1	63.8	6.0	-21.1	8.4	49.5	40.5	4.5	14.7
Margin (%)	13.6	16.7	15.2	10.9	10.4	13.7	18.1	16.9	17.3

Consolidated - Balance Sheet								INR million	
Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Equity Share Capital	239	239	239	239	239	239	239	239	239
Total Reserves	29,752	36,681	44,437	48,399	54,154	61,368	73,528	86,312	101,197
Net Worth	29,991	36,920	44,676	48,638	54,393	61,607	73,767	86,551	101,436
Minority Interest	857	950	1,152	1,216	1,326	1,483	1,813	1,813	1,813
Deferred Tax Liabilities	1,256	10	5	17	3	0	0	0	0
Total Loans	13,059	5,876	6,539	8,920	9,026	16,628	17,336	17,336	17,336
Capital Employed	45,162	43,756	52,373	58,790	64,748	79,717	92,916	105,699	120,585
Net Fixed Assets	11,429	10,310	13,945	18,733	21,056	23,063	22,339	24,930	26,456
Goodwill on Consolidation	3,421	4,185	4,026	4,103	4,248	6,017	5,591	5,591	5,591
Capital WIP	0	1,724	2,993	3,810	4,930	3,630	3,933	3,037	2,707
Total Investments	4,808	5,086	5,530	4,443	3,236	2,614	3,328	3,328	3,328
Curr. Assets, Loans&Adv.	33,008	28,878	32,225	39,012	41,535	54,784	68,923	81,299	96,983
Inventory	7,842	9,094	12,060	14,422	14,999	18,188	23,124	22,026	24,772
Account Receivables	5,271	5,675	7,136	10,805	12,484	16,494	16,072	21,738	24,595
Cash and Bank Balance	7,908	7,809	3,993	5,768	6,616	10,922	19,905	26,528	35,317
Loans and Advances	11,987	6,300	9,036	8,017	7,437	9,180	9,822	11,007	12,299
Curr. Liability & Prov.	7,796	11,589	13,308	17,866	17,334	19,716	22,277	23,563	25,559
Account Payables	4,619	5,805	7,414	9,607	9,623	9,541	10,694	10,051	10,617
Other Current Liabilities	1,667	3,908	3,628	5,517	4,436	6,108	6,709	7,518	8,401
Provisions	1,510	1,877	2,266	2,742	3,275	4,067	4,874	5,994	6,542
Net Current Assets	25,212	17,288	18,917	21,145	24,202	35,068	46,647	57,736	71,424
Deferred Tax assets	292	5,162	6,963	6,556	7,076	9,326	11,079	11,079	11,079
Appl. of Funds	45,162	43,756	52,373	58,790	64,748	79,717	92,916	105,699	120,585

Financials and valuations

Ratios

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Basic (INR)									
EPS	38.7	70.4	74.6	58.9	63.8	95.4	134.1	140.1	160.7
Cash EPS	48.9	78.2	83.1	70.9	80.0	115.1	157.1	163.6	185.8
BV/Share	251	309	374	407	455	515	617	724	848
DPS	4.0	12.7	6.0	15.0	15.0	17.9	27.8	28.0	30.5
Payout (%)	12.3	24.7	9.7	34.3	28.5	22.5	24.9	23.7	22.5
Valuation (x)									
P/E	81.4	44.7	42.2	53.4	49.3	33.0	23.5	22.5	19.6
Cash P/E	64.4	40.2	37.9	44.4	39.3	27.4	20.0	19.2	16.9
P/BV	12.5	10.2	8.4	7.7	6.9	6.1	5.1	4.3	3.7
EV/Sales	10.1	7.4	6.5	5.9	5.1	4.6	4.2	3.7	3.2
EV/EBITDA	70.0	43.9	37.9	35.9	33.9	25.5	18.6	17.4	14.5
Dividend Yield (%)	0.1	0.4	0.2	0.5	0.5	0.6	0.9	0.9	1.0
FCF per share	15.9	39.5	-13.7	-34.4	21.1	19.9	90.4	78.4	99.3
Return Ratios (%)									
RoE	18.4	25.2	21.9	15.1	14.8	19.7	23.7	20.9	20.4
RoCE	14.6	18.9	20.1	13.0	13.6	17.6	19.9	17.9	18.0
RoIC	13.6	20.0	24.4	15.1	15.8	20.5	23.7	22.7	24.0
Working Capital Ratios									
Asset Turnover (x)	0.8	1.2	1.1	1.1	1.1	1.0	1.0	0.9	0.9
Inventory (Days)	76	66	75	82	74	80	95	81	82
Debtor (Days)	49	40	45	61	62	72	66	78	79
Creditor (Days)	45	42	46	55	48	42	44	37	35
Leverage Ratio (x)									
Debt/Equity	0.2	-0.1	0.1	0.1	0.0	0.1	0.0	-0.1	-0.2

Consolidated - Cash Flow Statement

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
INR million									
OP/(Loss) before Tax	5,142	9,284	9,646	9,260	9,547	12,598	18,421	19,913	23,368
Depreciation	703	933	1,012	1,430	1,932	2,528	2,746	2,806	3,003
Interest & Finance Charges	-1,196	-599	-592	-234	134	19	-312	-1,593	-1,657
Direct Taxes Paid	-1,056	-1,982	-2,640	-2,032	-2,511	-2,834	-4,007	-2,788	-3,739
(Inc)/Dec in WC	-990	101	-2,626	-5,732	-1,403	-6,472	-3,412	-4,466	-4,899
CF from Operations	2,603	7,737	4,801	2,692	7,698	5,839	13,436	13,872	16,076
Others	652	-478	-90	-32	98	12	-787	0	0
CF from Operating incl EO	3,254	7,258	4,711	2,660	7,797	5,851	12,649	13,872	16,076
(Inc)/Dec in FA	-1,354	-2,535	-6,344	-6,770	-5,269	-3,477	-1,845	-4,500	-4,200
Free Cash Flow	1,901	4,724	-1,633	-4,110	2,527	2,374	10,805	9,372	11,876
(Pur)/Sale of Investments	-1,046	325	0	868	1,235	458	3	0	0
Others	30	4,074	3,484	2,330	871	-4,395	-8,144	1,975	2,090
CF from Investments	-2,369	1,864	-2,859	-3,572	-3,164	-7,414	-9,985	-2,525	-2,110
Inc/(Dec) in Debt	871	-6,714	121	3,574	-1,057	6,031	1,397	0	0
Interest Paid	-793	-713	-636	-553	-546	-651	-536	-381	-433
Dividend Paid	-567	-1,845	-863	-2,176	-2,186	-4,396	-3,348	-3,971	-4,325
Others	-29	0	0	1,098	649	-193	-230	-371	-419
CF from Fin. Activity	-518	-9,273	-1,379	846	-3,789	791	-2,718	-4,723	-5,177
Inc/Dec of Cash	368	-151	473	-66	843	-771	-54	6,624	8,789
Opening Balance	1,008	1,396	1,270	1,666	1,667	2,490	1,759	1,705	8,329
Add/(less) Forex diff in Cash and Cash eq	20	25	-77	67	-20	40			
Closing Cash and Cash Eq.	1,396	1,270	1,666	1,667	2,490	1,759	1,705	8,329	17,117
Bank Balances	6,512	6,539	2,326	4,101	4,126	9,163	18,199	18,199	18,199
Total Cash and Cash Eq.	7,908	7,809	3,992	5,767	6,616	10,922	19,905	26,528	35,317

NOTES

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

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