

# Ipca Laboratories

Estimate change



TP change



Rating change



**CMP: INR2,265**

**TP: INR2,680 (+18%)**

**Buy**

## Product mix, reduced operating cost drive earnings

### Multiple factors in place to sustain growth momentum

- Ipca Laboratories (IPCA) delivered a better-than-expected quarter, led by a superior product mix and lower opex. A growing connect between patient, doctor, and marketing representative (MR) with the easing of the lockdown presents a better outlook in Domestic Formulation (DF) segment. Favorable demand for APIs and healthy traction in the EU/Institutional segment is further strengthening the earnings growth momentum for IPCA.
- We raise our EPS estimate by 5%/7% for FY21/FY22, factoring in a) an extended cost savings benefit in DF, b) improving demand in the Cough-Cold and Dermatology therapies, c) revival in the UK business, and d) debottlenecking in the API segment. We also introduce FY23 estimates. We value IPCA at 25x 12M forward earnings to arrive at Target Price of INR2,680. We remain positive on IPCA on the back of steady outperformance in the DF segment, cost efficiency in API, and launches under its own label in the UK segment. Reiterate Buy.

### Controlled costs lead to strong YoY earnings growth

- IPCA's 2QFY21 sales were up 6% YoY to INR13.6b (in-line), led by growth in API and Exports Formulation – Institutional (EFI) / Generics (EFG).
- API sales grew 21% YoY to INR3.8b (28% of sales). EFI/EFG grew 7%/33% YoY to INR1.9b/INR819m (14%/6% of sales).
- DF sales were steady YoY at INR5.4b (39% of sales). Branded Exports Formulation sales declined 9% YoY to INR914m (7% of sales). Other operating income and revenue from subsidiaries declined 6% YoY to INR802m.
- The gross margin was up 250bp YoY to 67.5% on a product mix change.
- The EBITDA margin expanded ~580bp YoY (to 26.5%) owing to a better gross margin and strong operating leverage (other expenses down 390bp YoY).
- EBITDA grew 35.5% YoY to INR3.6b (est. INR3.3b).
- Ipca had one-time forex gains of INR171m in 2QFY21.
- Adjusting for the same, PAT grew 31% YoY to INR2.5b (est. INR2.4b).
- For 1HFY21, revenue / EBITDA / adj. PAT grew 22.6%/104.2%/121.6% YoY to INR29b/INR9.5b/INR7b.

### Highlights from management commentary

- IPCA guided for 10–12% YoY growth in overall sales for 2HFY21. Particularly, DF / API / Branded Exports Formulation sales would grow 10%/18–20%/10–11% YoY in 2HFY21.
- Ipca would incur capex worth INR2b for FY21 and INR3–3.5b for FY22.
- EBITDA margins are expected to be 25–27% for FY22.
- Lower crude oil prices would keep raw material prices in check.
- Export incentive benefits of INR120–130m are not included in this quarter due to uncertainty over the scheme.

	IPCA IN
Bloomberg	IPCA IN
Equity Shares (m)	126
M.Cap.(INRb)/(USD\$)	287.2 / 4
52-Week Range (INR)	2456 / 1053
1, 6, 12 Rel. Per (%)	2/11/106
12M Avg Val (INR M)	650

### Financials & Valuations (INR b)

Y/E MARCH	2020	2021E	2022E
Sales	46.5	56.6	62.6
EBITDA	9.6	16.1	16.3
Adj. PAT	6.5	11.8	12.0
EBIT Margin (%)	16.1	24.7	22.2
Cons. Adj. EPS (INR)	51.4	93.7	94.9
EPS Gr. (%)	41.6	82.4	1.3
BV/Sh. (INR)	286.5	366.8	447.5
<b>Ratios</b>			
Net D:E	0.1	0.0	-0.1
RoE (%)	19.2	28.7	23.3
RoCE (%)	17.7	26.2	21.8
Payout (%)	14.8	14.9	15.0
<b>Valuations</b>			
P/E (x)	44.3	24.3	24.0
EV/EBITDA (x)	30.3	17.7	17.2
Div. Yield (%)	0.3	0.6	0.6
FCF Yield (%)	0.6	2.3	2.4
EV/Sales (x)	6.2	5.0	4.5

### Shareholding pattern (%)

As On	Sep-20	Jun-20	Sep-19
Promoter	46.1	46.1	46.1
DII	28.9	28.2	24.1
FII	12.4	12.4	16.1
Others	12.6	13.3	13.7

FII Includes depository receipts

**Valuation and view**

- We raise our earnings estimate by 5%/7% for FY21/FY22, factoring in a) lower opex and a better growth outlook in DF, b) increased prospects in the UK business, c) increased business opportunity in the Institutional segment, and d) a capacity enhancement exercise in the API segment.
- We expect an earnings CAGR of 29% (FY20–23), supported by a sales CAGR of 12%/19%/29%/17% in the DF/API/Institutional/Generics segment and 610bp margin expansion owing to a better product mix and operating leverage.
- We value IPCA on a 25x 12M forward earnings basis to arrive at Target Price of INR2,680.
- We remain positive on IPCA on the back of: a) traction in new APIs as well as continued momentum in existing API molecules – supported by opportunities arising from geopolitical tensions, b) a superior performance in DF, c) products launches under its own label in the UK, and d) increased backward integration. Reiterate **Buy**.

**Quarterly Performance**

Y/E March	FY20				FY21E				FY20	FY21E	Est.	% Chg
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		2QE		
<b>Net Revenues (Core)</b>	<b>10,782</b>	<b>12,839</b>	<b>12,129</b>	<b>10,738</b>	<b>15,344</b>	<b>13,611</b>	<b>13,839</b>	<b>13,797</b>	<b>46,487</b>	<b>56,592</b>	<b>13,644</b>	<b>-0.2</b>
YoY Change (%)	23.2	26.9	20.5	22.1	42.3	6.0	14.1	28.5	23.2	21.7	6.3	
<b>EBITDA</b>	<b>1,987</b>	<b>2,659</b>	<b>2,737</b>	<b>2,197</b>	<b>5,883</b>	<b>3,602</b>	<b>3,474</b>	<b>3,170</b>	<b>9,580</b>	<b>16,129</b>	<b>3,343</b>	<b>7.8</b>
YoY Change (%)	40.4	29.8	32.8	33.5	196.1	35.5	26.9	44.3	33.6	68.4	25.7	
Depreciation	461	496	508	639	510	521	530	570	2,105	2,132	500	
<b>EBIT</b>	<b>1,526</b>	<b>2,162</b>	<b>2,228</b>	<b>1,558</b>	<b>5,373</b>	<b>3,081</b>	<b>2,944</b>	<b>2,600</b>	<b>7,475</b>	<b>13,997</b>	<b>2,843</b>	<b>8.4</b>
YoY Change (%)	60.7	35.6	39.0	30.0	252.0	42.5	32.1	66.9	39.8	87.3	31.5	
Interest	46	42	40	37	27	23	28	50	165	128	34	
Other Income	112	148	181	137	121	-16	120	155	578	380	125	
<b>PBT before EO Expense</b>	<b>1,592</b>	<b>2,268</b>	<b>2,369</b>	<b>1,658</b>	<b>5,466</b>	<b>3,041</b>	<b>3,036</b>	<b>2,705</b>	<b>7,888</b>	<b>14,249</b>	<b>2,934</b>	
One-off (gain)/ Expense	-91	0	0	536	0	-171	0	0	445	-171	0	
<b>PBT after EO Expense</b>	<b>1,683</b>	<b>2,268</b>	<b>2,369</b>	<b>1,123</b>	<b>5,466</b>	<b>3,212</b>	<b>3,036</b>	<b>2,705</b>	<b>7,442</b>	<b>14,420</b>	<b>2,934</b>	
Tax	374	319	369	292	999	526	495	403	1,353	2,422	528	
Rate (%)	23.5	14.1	15.6	17.6	18.3	17.3	16.3	14.9	17.2	17.0	18.0	
<b>Reported PAT</b>	<b>1,310</b>	<b>1,949</b>	<b>2,001</b>	<b>830</b>	<b>4,468</b>	<b>2,686</b>	<b>2,541</b>	<b>2,303</b>	<b>6,090</b>	<b>11,997</b>	<b>2,406</b>	<b>11.7</b>
Minority Interest	-16	-18	-25	-23	-7	-16	-20	-28	-78	-70	0	
<b>Adj PAT after Minority Int</b>	<b>1,223</b>	<b>1,931</b>	<b>1,975</b>	<b>1,352</b>	<b>4,461</b>	<b>2,528</b>	<b>2,521</b>	<b>2,275</b>	<b>6,485</b>	<b>11,784</b>	<b>2,406</b>	<b>5.1</b>
YoY Change (%)	44.2	37.2	47.2	37.6	264.7	30.9	27.6	68.3	41.6	82.4	24.6	
Margins (%)	11.3	15.0	16.3	12.6	29.1	18.6	18.2	16.5	14.0	20.8	17.6	

**Key performance Indicators (Consolidated)**

Y/E March	FY20				FY21E				FY20	FY21E	Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		2QE	
<b>INRm</b>											
Domestic Formulation	4,528	5,432	4,856	4,310	4,894	5,355	5,342	5,257	19,126	20,847	5,921
YoY Change (%)	12.9	15.9	16.0	21.2	8.1	(1.4)	10.0	22.0	16.1	9.0	9.0
Exports Formulation	2,448	3,408	3,534	2,825	4,636	3,644	4,095	4,162	12,216	16,538	3,573
YoY Change (%)	9.3	18.2	25.2	11.4	89.4	6.9	15.9	47.4	16.5	35.4	4.8
API sales	2,983	3,144	2,854	2,751	5,133	3,810	3,567	3,943	11,731	16,453	3,930
YoY Change (%)	37.0	39.6	24.0	30.0	72.1	21.2	25.0	43.3	32.6	40.2	18.0
<b>Cost Break-up</b>											
RM Cost (% of Sales)	37.7	35.0	34.9	34.0	28.1	32.5	33.0	34.4	35.4	28.1	34.5
Staff Cost (% of Sales)	20.0	18.1	19.1	22.6	16.7	18.7	18.9	19.9	19.8	16.7	19.0
Other Cost (% of Sales)	23.9	26.2	23.4	23.0	16.8	22.3	23.0	22.8	24.2	16.8	22.0
Gross Margins(%)	62.3	65.0	65.1	66.0	71.9	67.5	67.0	65.6	64.6	71.9	65.5
EBITDA Margins(%)	18.4	20.7	22.6	20.5	38.3	26.5	25.1	23.0	20.6	28.5	24.5
EBIT Margins(%)	14.2	16.8	18.4	14.5	35.0	22.6	21.3	18.8	16.1	24.7	20.8



### Highlights from management commentary

- In DF, the Pain therapy (>50% of DF) grew 10% YoY in 2QFY21. The Cardiac segment grew 6% YoY during the quarter.
- Cough-Cold, Anti-Bacterial, and Anti-Malarial continue to witness YoY decline, but at a slower rate v/s 1QFY21.
- The UK business suffered due to issues with distributors. With issues resolved, the outlook is expected to improve in the coming quarters.
- Ipca has launched a project at the Aurangabad plant to manufacture intermediates for Sartans. The equipment installation is expected to be complete by Dec'20.
- International freight cost remains at elevated levels.
- Capex of ~INR1b is being undertaken at Ratlam for debottlenecking, and the process would commence by Mar'21. This is expected to expand the facility by 10–15% in the API segment.
- After environmental clearance, civil work has begun at the Dewas site. IPCA has guided for completing the construction within 15M.

### Prospects remain positive across key segments

#### DF: Key therapies (Pain/Cardiac) progressing well; growth in other therapies also picking up gradually

- IPCA reported 3% YoY growth in DF sales (adj. for HCQS sales in 1Q) in 1HFY21. While 1Q HCQS sales were a one-off, no one-off revenues were reported in 2Q.
- The demand scenario is turning favorable with the resumption of clinics by doctors and a willingness among patients to reach out to their doctors. The digital mode of communication has significantly enhanced the marketing efforts of MRs.
- Structural cost savings are expected to keep profitability at elevated levels.
- Considering one-time HCQS sales and a dent in certain therapies on account of COVID, we expect IPCA to garner a 12% sales CAGR to INR27b in DF over FY20–23.

#### API: WIP to enhance capacity

- The API business (28% of sale) posted growth of 46% YoY in 1HFY21, led by robust demand and partly by the COVID-led off-take of HCQS. HCQS demand had already normalized in 2Q. It has a strong API product portfolio focused on CVS, Anti-Malarial, and Pain, with products in these segments accounting for >75% of sales.
- IPCA is not only expanding API capacity (at Dewas) but also working on backward integration as well as debottlenecking (at Ratlam). This would enable sales growth as well as profitability. It is also working on the continuous production (v/s traditional batch production) process for some intermediates. This, if successful, would enhance process efficiency and profitability, and reduce dependency on China in the API segment.
- Overall, we expect IPCA to deliver a 19% sales CAGR to INR20b in the API segment over FY20–23.

#### Institutional exports – healthy order book provides good business visibility

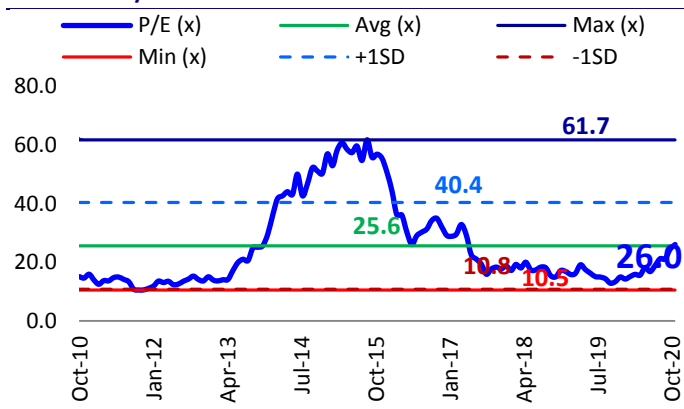
- The Institutional business posted phenomenal growth of 92% YoY in 1HFY21.

- While one of the company’s major customers (contributing 35–40% to the Institutional Anti-Malarial business) reduced intake in FY20, the order book still looks robust for FY21. It is also increasing product offerings and has registered for one injectable dosage. Accordingly, we expect a sales CAGR of 29% to INR3.8b over FY20–23.

**Multiple levers in place to deliver 29% earnings CAGR over FY20–23**

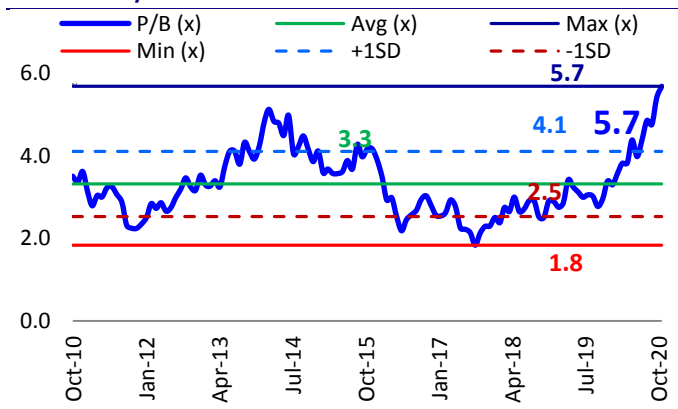
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- We expect an earnings CAGR of 29% (FY20–23), supported by a sales CAGR of 12%/19%/29%/17% in DF/API/Institutional/Generics segment and 610bp margin expansion on a better product mix and operating leverage.
- We value IPCA on a 25x 12M forward earnings basis to arrive at Target Price of INR2,680.
- We remain positive on IPCA on the back of a) traction in new APIs as well as continued momentum in existing API molecules, b) a superior performance in DF, c) product launches under its own label in the UK, and d) increased backward integration. Reiterate **Buy**.

Exhibit 1: P/E chart



Source: MOFSL, Company, Bloomberg

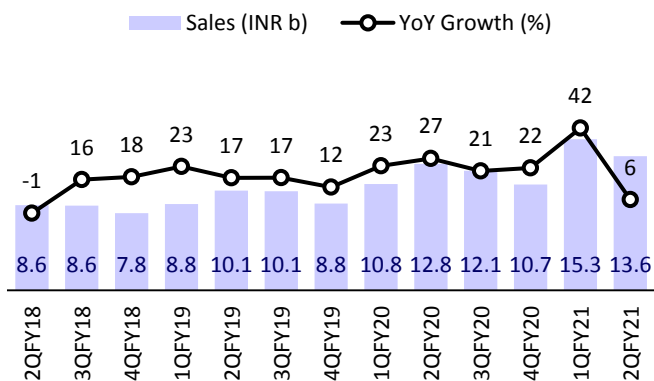
Exhibit 2: P/B chart



Source: MOFSL, Company, Bloomberg

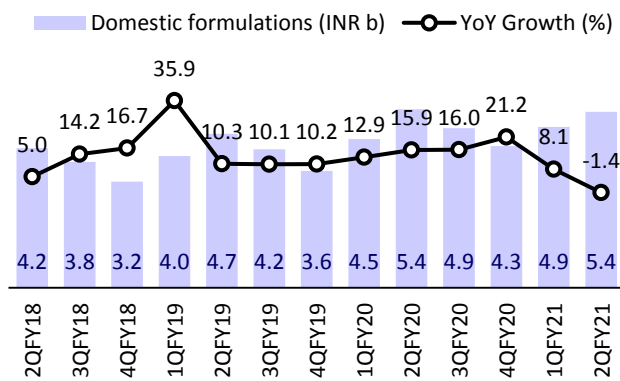
## Story in charts

**Exhibit 3: Total sales up 6% YoY in 2QFY21**



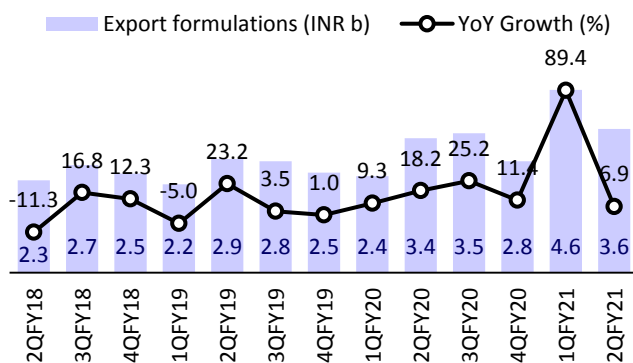
Source: Company, MOFSL

**Exhibit 4: DF sales steady on YoY basis**



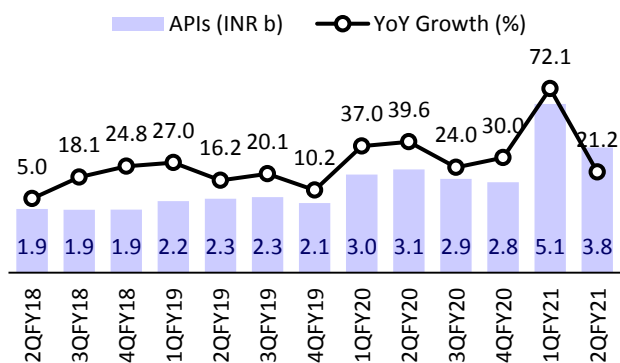
Source: Company, MOFSL

**Exhibit 5: Exports Formulation up 7% YoY**



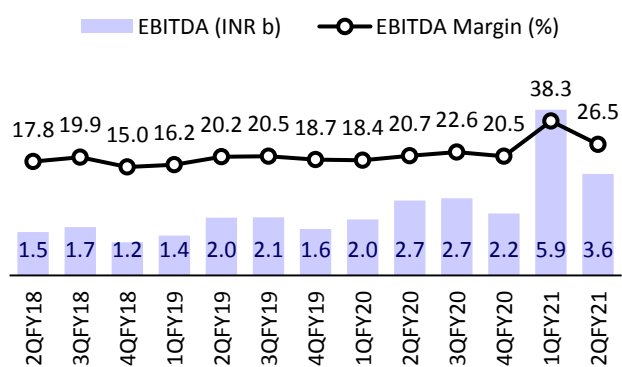
Source: Company, MOFSL

**Exhibit 6: APIs up 21% YoY**



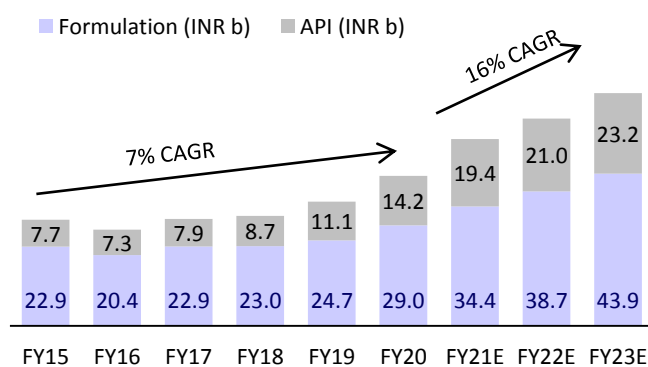
Source: Company, MOFSL

**Exhibit 7: EBITDA margin up 580bp YoY to 26.5%**



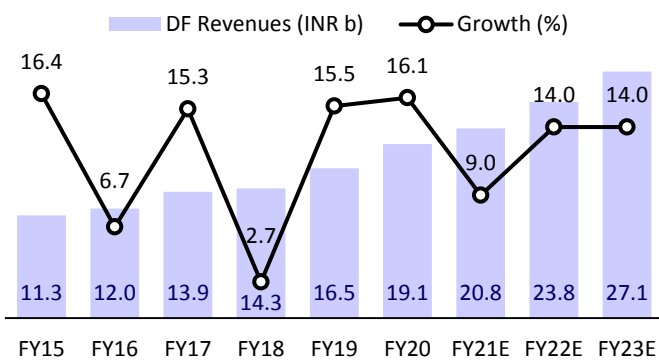
Source: Company, MOFSL

**Exhibit 8: Expect sales CAGR of 16% over FY20–22**



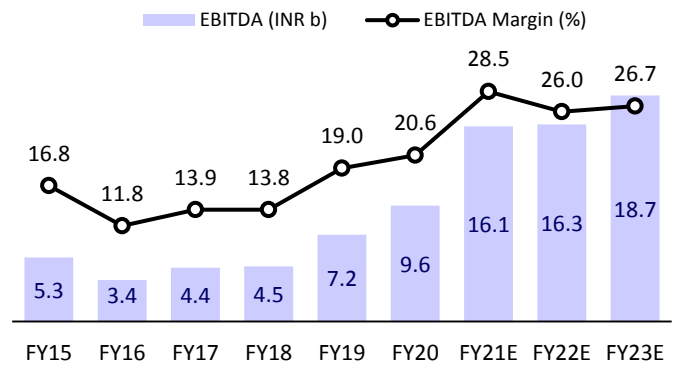
Source: Company, MOFSL

**Exhibit 9: Expect DF CAGR of 12% over FY20–23**



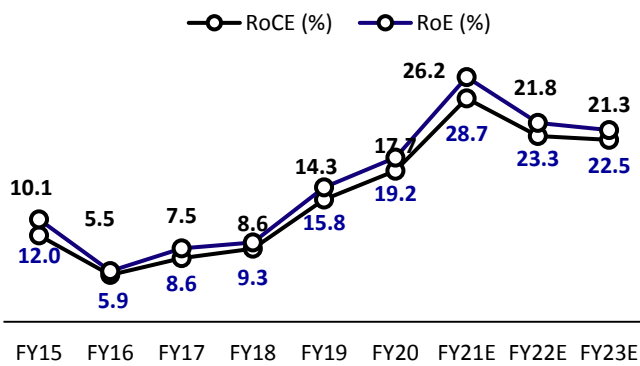
Source: Company, MOFSL

**Exhibit 10: Margins to expand 610bp over FY20–23E**



Source: Company, MOFSL

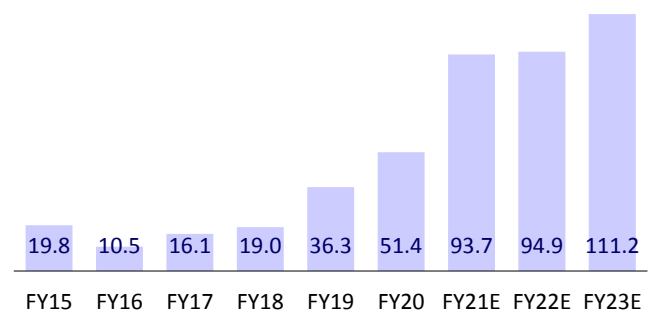
**Exhibit 11: Return ratios taper over FY21–23**



Source: Company, MOFSL

**Exhibit 12: Expect EPS CAGR of 29% over FY20–23**

Core EPS (INR/ share)



Source: Company, MOFSL

## Financials and valuations

Income Statement										(INR m)
Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>Net Revenues</b>	<b>32,818</b>	<b>31,418</b>	<b>28,850</b>	<b>32,106</b>	<b>32,836</b>	<b>37,732</b>	<b>46,487</b>	<b>56,592</b>	<b>62,642</b>	<b>69,977</b>
Change (%)	16.7	-4.3	-8.2	11.3	2.3	14.9	23.2	21.7	10.7	11.7
<b>EBITDA</b>	<b>8,106</b>	<b>5,291</b>	<b>3,417</b>	<b>4,448</b>	<b>4,547</b>	<b>7,170</b>	<b>9,580</b>	<b>16,129</b>	<b>16,287</b>	<b>18,684</b>
Margin (%)	24.7	16.8	11.8	13.9	13.8	19.0	20.6	28.5	26.0	26.7
Depreciation	1,031	1,796	1,722	1,730	1,777	1,824	2,105	2,132	2,355	2,472
<b>EBIT</b>	<b>7,074</b>	<b>3,495</b>	<b>1,695</b>	<b>2,718</b>	<b>2,770</b>	<b>5,346</b>	<b>7,475</b>	<b>13,997</b>	<b>13,932</b>	<b>16,212</b>
Int. and Finance Charges	269	284	316	241	240	189	165	128	122	110
Other Income - Rec.	-500	358	169	226	418	483	578	380	450	500
<b>PBT before EO Expense</b>	<b>6,306</b>	<b>3,569</b>	<b>1,548</b>	<b>2,703</b>	<b>2,948</b>	<b>5,640</b>	<b>7,888</b>	<b>14,249</b>	<b>14,259</b>	<b>16,602</b>
EO Expense/(Income)	0	-42	395	0	0	157	445	-171	0	0
<b>PBT after EO Expense</b>	<b>6,306</b>	<b>3,611</b>	<b>1,153</b>	<b>2,703</b>	<b>2,948</b>	<b>5,483</b>	<b>7,442</b>	<b>14,420</b>	<b>14,259</b>	<b>16,602</b>
Current Tax	1,357	747	228	533	614	1,218	1,406	2,137	1,996	2,241
Deferred Tax	167	272	-42	142	-102	-176	-53	285	285	332
Tax	1,524	1,019	186	675	511	1,042	1,353	2,422	2,282	2,573
Tax Rate (%)	24.2	28.6	12.0	25.0	17.3	18.5	17.2	17.0	16.0	15.5
<b>Reported PAT</b>	<b>4,782</b>	<b>2,592</b>	<b>967</b>	<b>2,028</b>	<b>2,436</b>	<b>4,441</b>	<b>6,090</b>	<b>11,997</b>	<b>11,977</b>	<b>14,028</b>
Less: Minority Interest	49	49	35	0	42	18	78	0	0	0
<b>Net Profit</b>	<b>4,733</b>	<b>2,542</b>	<b>933</b>	<b>2,028</b>	<b>2,394</b>	<b>4,423</b>	<b>6,012</b>	<b>11,997</b>	<b>11,977</b>	<b>14,028</b>
<b>Adj PAT</b>	<b>4,733</b>	<b>2,501</b>	<b>1,328</b>	<b>2,028</b>	<b>2,394</b>	<b>4,580</b>	<b>6,485</b>	<b>11,826</b>	<b>11,978</b>	<b>14,029</b>
Adj PAT growth (%)	46.3	-47.2	-46.9	52.8	18.1	91.3	41.6	82.4	1.3	17.1

Balance Sheet										(INR m)
Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Equity Share Capital	252	252	252	252	252	252	252	252	252	252
Total Reserves	19,344	21,832	22,340	24,300	26,633	30,971	35,903	46,041	56,222	68,147
<b>Net Worth</b>	<b>19,597</b>	<b>22,084</b>	<b>22,592</b>	<b>24,553</b>	<b>26,886</b>	<b>31,224</b>	<b>36,275</b>	<b>46,293</b>	<b>56,474</b>	<b>68,399</b>
Deferred liabilities	1471	1743	1565	1705	1580	1457	1398	1683	1968	2300
Total Loans	4,379	8,286	6,691	5,290	4,731	3,505	4,328	4,233	3,926	3,649
<b>Capital Employed</b>	<b>25,447</b>	<b>32,113</b>	<b>30,848</b>	<b>31,548</b>	<b>33,196</b>	<b>36,342</b>	<b>42,137</b>	<b>52,209</b>	<b>62,368</b>	<b>74,349</b>
Gross Block	19,321	25,463	22,121	23,508	24,969	26,657	30,268	32,768	35,768	39,268
Less: Accum. Deprn.	5,785	7,459	1,628	3,350	5,127	6,951	9,056	11,188	13,543	16,015
<b>Net Fixed Assets</b>	<b>13,536</b>	<b>18,004</b>	<b>20,493</b>	<b>20,158</b>	<b>19,842</b>	<b>19,706</b>	<b>21,212</b>	<b>21,580</b>	<b>22,225</b>	<b>23,253</b>
Capital WIP	1,649	2,672	936	621	418	361	708	708	708	708
Investments	92	162	258	1,358	869	1,204	2,719	2,719	2,719	2,719
<b>Curr. Assets</b>	<b>16,827</b>	<b>17,285</b>	<b>17,230</b>	<b>17,458</b>	<b>20,027</b>	<b>24,217</b>	<b>27,939</b>	<b>38,156</b>	<b>47,631</b>	<b>59,922</b>
Inventory	8,476	9,266	8,374	8,822	8,806	10,725	13,231	16,704	19,360	22,707
Account Receivables	4,495	3,530	4,459	5,002	6,023	6,815	8,952	10,328	11,781	13,227
Cash and Bank Balance	763	1,248	1,755	359	1,506	2,823	1,809	5,960	10,772	17,569
Loans & Advances	3,093	3,242	2,641	3,276	3,693	3,854	3,947	5,164	5,717	6,419
<b>Curr. Liability &amp; Prov.</b>	<b>6,656</b>	<b>6,011</b>	<b>8,069</b>	<b>8,047</b>	<b>7,960</b>	<b>9,147</b>	<b>10,441</b>	<b>10,954</b>	<b>10,915</b>	<b>12,254</b>
Account Payables	5,950	5,471	7,245	7,141	7,029	8,190	9,182	9,859	9,702	10,893
Provisions	706	540	824	906	931	957	1,259	1,095	1,213	1,362
<b>Net Current Assets</b>	<b>10,171</b>	<b>11,275</b>	<b>9,160</b>	<b>9,410</b>	<b>12,068</b>	<b>15,070</b>	<b>17,498</b>	<b>27,202</b>	<b>36,716</b>	<b>47,668</b>
<b>Appl. of Funds</b>	<b>25,447</b>	<b>32,113</b>	<b>30,848</b>	<b>31,548</b>	<b>33,196</b>	<b>36,342</b>	<b>42,137</b>	<b>52,209</b>	<b>62,368</b>	<b>74,349</b>



## Financials and valuations

### Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>EPS (INR)</b>	<b>37.5</b>	<b>19.8</b>	<b>10.5</b>	<b>16.1</b>	<b>19.0</b>	<b>36.3</b>	<b>51.4</b>	<b>93.7</b>	<b>94.9</b>	<b>111.2</b>
Cash EPS	45.7	34.4	21.0	29.8	33.1	49.5	64.3	112.0	113.6	130.7
BV/Share	155.3	175.0	179.0	194.6	213.0	247.4	286.5	366.8	447.5	542.0
DPS	5.9	1.0	0.0	1.0	1.0	1.0	7.2	14.2	14.3	16.7
Payout (%)	15.4	4.9	0.0	6.2	5.2	2.8	14.8	14.9	15.0	15.0
<b>Valuation (x)</b>										
P/E	60.7	115.0	216.5	141.8	120.1	62.8	44.3	24.3	24.0	20.5
P/BV	14.7	13.0	12.7	11.7	10.7	9.2	8.0	6.2	5.1	4.2
EV/Sales	8.9	9.4	10.1	9.1	8.9	7.6	6.2	5.0	4.5	2.7
EV/EBITDA	35.9	55.7	85.6	65.7	63.9	40.2	30.3	17.7	17.2	11.0
Dividend Yield (%)	0.3	0.0	0.0	0.0	0.0	0.0	0.3	0.6	0.6	0.7
<b>Return Ratios (%)</b>										
RoE	26.9	12.0	5.9	8.6	9.3	15.8	19.2	28.7	23.3	22.5
RoCE	22.3	10.1	5.5	7.5	8.6	14.3	17.7	26.2	21.8	21.3
RoIC	24.9	9.8	5.3	7.1	7.7	14.0	18.0	29.1	25.7	27.0
<b>Working Capital Ratios</b>										
Fixed Asset Turnover (x)	2.7	2.0	1.5	1.6	1.6	1.9	2.3	2.6	2.9	3.1
Debtor (Days)	50	41	56	56	66	65	70	66	68	68
Inventory (Days)	94	108	106	100	98	104	104	108	113	118
Working Capital Turnover (Days)	105	116	94	103	117	118	123	137	151	157
<b>Leverage Ratio (x)</b>										
Interest Cover Ratio	26.3	12.3	5.4	11.3	11.5	28.3	45.3	109.0	113.8	147.6
Debt/Equity	0.2	0.3	0.2	0.2	0.1	0.0	0.1	0.0	-0.1	-0.2

### Cash Flow Statement

(INR m)

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Oper. Profit/(Loss) before Tax	8,106	5,291	3,417	4,448	4,547	7,170	9,580	16,129	16,287	18,684
Interest/Dividends Recd.	-500	358	169	226	418	483	578	380	450	500
Direct Taxes Paid	-1,357	-747	-364	-535	-636	-1,165	-1,412	-2,137	-1,996	-2,241
(Inc)/Dec in WC	-339	-619	2,622	-1,647	-1,510	-1,686	-3,442	-5,553	-4,701	-4,155
<b>CF from Operations</b>	<b>5,910</b>	<b>4,282</b>	<b>5,844</b>	<b>2,491</b>	<b>2,819</b>	<b>4,803</b>	<b>5,304</b>	<b>8,818</b>	<b>10,039</b>	<b>12,788</b>
Others	-687	358	1,638	328	592	365	784			
EO Expense / (Income)	0	-42	395	0	0	157	445	-171	0	0
<b>CF from Oper. incl EO Exp.</b>	<b>5,223</b>	<b>4,682</b>	<b>7,087</b>	<b>2,819</b>	<b>3,411</b>	<b>5,010</b>	<b>5,643</b>	<b>8,989</b>	<b>10,039</b>	<b>12,788</b>
(inc)/dec in FA	-3,887	-7,166	5,079	-1,072	-1,258	-1,632	-3,958	-2,500	-3,000	-3,500
<b>Free Cash Flow</b>	<b>1,336</b>	<b>-2,484</b>	<b>12,165</b>	<b>1,747</b>	<b>2,154</b>	<b>3,379</b>	<b>1,685</b>	<b>6,489</b>	<b>7,039</b>	<b>9,288</b>
(Pur)/Sale of Investments	-1	-70	-96	-1,100	489	-336	-1,515	0	0	0
Others	198	343	-7,166	684	-586	317	376	0	0	0
<b>CF from Investments</b>	<b>-3,690</b>	<b>-6,893</b>	<b>-2,183</b>	<b>-1,488</b>	<b>-1,354</b>	<b>-1,651</b>	<b>-5,097</b>	<b>-2,500</b>	<b>-3,000</b>	<b>-3,500</b>
Issue of shares	0	0	0	0	0	0	0	0	0	0
(Inc)/Dec in Debt	-854	3,906	-1,594	-1,401	-560	-1,070	804	-231	-307	-277
Interest Paid	-269	-284	-316	-241	-240	-189	-165	-128	-122	-110
Dividend Paid	-738	-126	0	-126	-126	-126	-902	-1,789	-1,797	-2,104
Others	500	-991	-2,705	177	-378	-447	-1,042	-190	0	0
<b>CF from Fin. Activity</b>	<b>-1,361</b>	<b>2,505</b>	<b>-4,615</b>	<b>-1,591</b>	<b>-1,304</b>	<b>-1,832</b>	<b>-1,305</b>	<b>-2,339</b>	<b>-2,226</b>	<b>-2,491</b>
<b>Inc/Dec of Cash</b>	<b>172</b>	<b>294</b>	<b>288</b>	<b>-260</b>	<b>753</b>	<b>1,528</b>	<b>-758</b>	<b>4,150</b>	<b>4,813</b>	<b>6,797</b>
Add: Beginning Balance	567	743	1,037	1,689	1,428	2,181	3,709	2,954	7,104	11,917
Forex/ Business acquisition	4	0	364	0	0	0	3	0	0	0
<b>Closing Balance</b>	<b>743</b>	<b>1,037</b>	<b>1,689</b>	<b>1,428</b>	<b>2,181</b>	<b>3,709</b>	<b>2,954</b>	<b>7,104</b>	<b>11,917</b>	<b>18,713</b>
Bank balances / MF (gain)/ loss	20	211	67	-1,070	-676	-886	-1,145	-1,145	-1,145	-1,145
<b>Total Cash &amp; Cash equivalent</b>	<b>763</b>	<b>1,248</b>	<b>1,755</b>	<b>359</b>	<b>1,506</b>	<b>2,823</b>	<b>1,809</b>	<b>5,960</b>	<b>10,772</b>	<b>17,569</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

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