Piramal Enterprises

BSE SENSEX	S&P CNX
49,269	14,485

Bloomberg	PIEL IN
Equity Shares (m)	212
M.Cap.(INRb)/(USDb)	340.1 / 4.7
52-Week Range (INR)	1728 / 608
1, 6, 12 Rel. Per (%)	-2/-31/-14
12M Avg Val (INR M)	2570

Financials & Valuations (INR b)

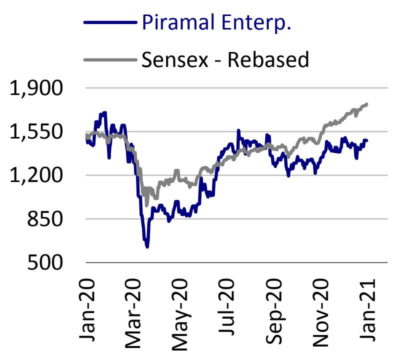
Y/E MARCH	2020	2021E	2022E
Revenues	130.7	131.3	146.9
EBITDA	17.9	32.1	38.5
PAT	-5.5	24.8	30.4
EPS (INR)	-24.5	109.8	128.1
EPS Gr. (%)	-135	-548	17
BV/Sh. (INR)	1,274	1,345	1,436
Payout (%)	-53	35	35
Valuations			
P/E (x)	-61.2	13.7	11.7
P/BV (x)	1.2	1.1	1.0
Div. Yield (%)	0.9	2.6	3.0

Shareholding pattern (%)

As On	Sep-20	Jun-20	Sep-19
Promoter	46.1	46.1	46.1
DII	10.2	9.9	10.0
FII	29.7	30.3	29.3
Others	14.1	13.8	14.6

FII Includes depository receipts

Stock performance (one-year)



CMP: INR1,507 TP: INR1,750 (+16%) Buy

Pharma: A solid mix of services/products/distribution

- **Piramal Enterprises (PIEL) has built a differentiated and robust business model in the Pharma space, with an established presence in Contract Development and Manufacturing Outsourcing (CDMO, 60% of Pharma sales), Complex Hospital Generics (CHG, 30% of Pharma sales), and India Consumer Products (ICP, 10% of Pharma sales).**
- **After some aberration in the recent past, it is back on the growth path in the Pharma space. Its order book has strengthened in the CDMO segment.**
- **The company re-strategized its business, subsequently introduced new products, and increased its distribution reach, thereby driving enhanced revenue growth in the ICP segment.**
- **We expect CHG segment to revive gradually as elective surgeries are yet to return to normalcy.**
- **We remain positive on PIEL on superior execution across Pharma segments and an increasing retail-focused lending book. Reiterate Buy.**

Pharma – On a robust footing despite recent aberrations

PIEL has delivered consistent performance, with 15%/33% revenue/EBITDA CAGR in the Pharma space over FY11-20, led by strong traction/steady improvement in the CHG/CDMO segment. With the addition of high margin products and strong operating leverage, it has been able to grow EBITDA at a much higher rate than sales growth over past 10 years. However, the growth trajectory took a brief pause, particularly in CHG segment over the past six months. This is largely due to disruption on account of COVID-19. With demand factors being structurally intact and PIEL resilient in its performance, a revival in the growth trajectory is underway over the near to medium term.

CDMO – Integrated service offerings to drive growth

While COVID-19 has led the CHG segment to take a temporary back seat in terms of growth, it has aided increased order book in the CDMO segment. This has enabled PIEL to undertake better business in the CDMO segment, and paved the way to further showcase its capabilities to innovator Pharma companies. We expect 17% sales CAGR from the CDMO segment over FY20-23E v/s ~13% CAGR seen over FY11-20 on: a) strong order-book, and b) offerings spanning research as well as manufacturing.

Niche products/strong commercial skills key for CHG

The CHG segment comprises injectables, inhaled anesthetics, intrathecal spasticity and pain management, and selected anti-infective products. A strong distribution network in this segment puts PIEL in a sweet spot to maintain its growth momentum on a structural basis. The reduced numbers of elective surgeries had impacted performance of this segment over the recent past (14% YoY decline in 1HFY21). With vaccine development happening at a rapid pace to prevent COVID-19, we expect elective surgeries to pick-up over the medium term. Considering the impact of the pandemic on FY21, we expect ~5% revenue CAGR from this segment over FY20-23E.

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Power brands/wide reach/e-commerce key for ICP

PIEL has put in considerable effort towards building its product portfolio and expanding its reach in the health-focused consumer products. It has over 20 brands in this segment. From its presence in 16 towns (24k outlets) in FY08, it is now present in over 1,500 cities (280k outlets) and has a strong field force of over 1,700 people driving growth in this segment. We expect 25% sales CAGR over FY20-23E on new product introductions, better traction in existing products, stronger distribution network, and greater use of e-commerce.

'Retailization' of the lending book; provisioning adequate

Over the past 1-2 years, the management focused on: a) running down large corporate exposures, b) infusing capital, and c) increasing share of long-term borrowings in the NBFC segment. Over the next 1-2 years, the key priority is to grow its recently launched Consumer Lending business. In addition to home loans, it looks to undertake LAP and small business loans. This business has been launched in 40 locations and has witnessed a healthy initial response. Over the next five years, this segment is likely to constitute ~50% of the consolidated loan book. On the asset quality front, while there could be a rise in delinquencies in the next few quarters, the same has been adequately provided for. Total provisions amount to 6% of loans, i.e. more than double outstanding GNPLs. Even with rising delinquencies, there should not be any P&L impact ahead.

Pharma stake sale provides a war chest for expansion

PIEL has received a fresh capital investment of ~USD490m from Carlyle for 20% equity stake in the Pharma business (Piramal Pharma). The deal values the business at an EV of ~USD2.8b, with an upside of up to USD360m depending on the company's FY21 performance. Proceeds from the stake sale, along with leverage, would be deployed for capacity expansion at current facilities and to provide a war chest for inorganic growth opportunities. Usage of these funds would be for increased capacity and inorganic growth opportunities in products, brand acquisitions, and for adding new business lines. This would provide a further upside to our current estimates.

Valuation and view

Over the past year, the company has executed on all strategic priorities such as reducing Balance Sheet leverage, trimming large exposures, and curtailing loan growth. Going forward, loan growth would accrue from the Retail Lending business. With the team, analytics, infrastructure, etc. well in place, PIEL is poised to grow this business significantly over the medium-to-long term.

Even on the Pharma side, we expect it to deliver 14% sales CAGR over FY20-23E on the back of 17%/25%/5% sales CAGR in the CDMO/ICP/CHG segment.

We use SoTP to arrive at our TP of INR1,750 per share (FY22E-based). Maintain Buy.

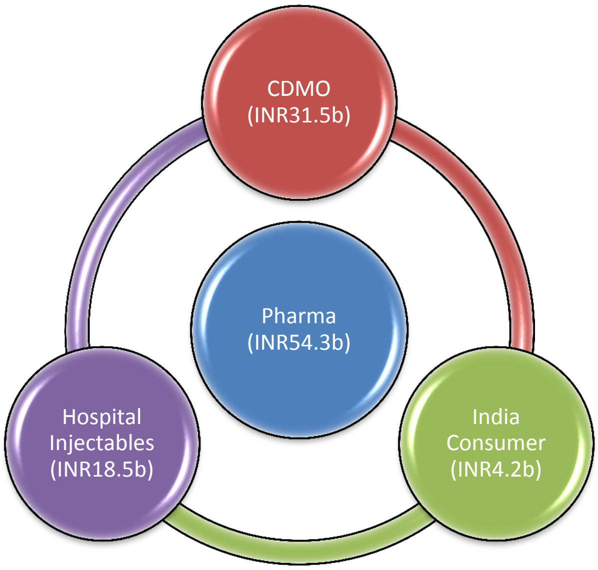
Pharma – On a robust footing despite recent aberrations

- **PIEL has exhibited healthy revenue CAGR (15.1%) in the Pharma space over FY11-20, led by a 19%/14.2%/13.4% sales CAGR in CHG/ICP/CDMO. EBITDA grew at 33% CAGR over FY11-20. EBITDA margin expanded by over 1,900bp to 26.5% in FY20.**
- **Decline in CHG was more than offset by healthy growth in CDMO and ICP businesses in 1HFY21.**
- **With the development of a vaccine for COVID-19 fast-tracked at the global level, we expect even the CHG business to revive over the near term.**
- **We expect 14% sales CAGR for the Pharma business over FY20-23E. Inorganic initiatives can further boost the sales growth trajectory.**

Strong business model with unique businesses

- Post sale of the Domestic Formulation business to Abbott, it has built a resilient Healthcare business, adding niche segments like CDMO and Hospital Generics.
- In 1HFY21, CDMO/CHG/ICP accounted for 60%/30%/10% of Pharma sales.

Exhibit 1: Pharma segment composition (FY20)



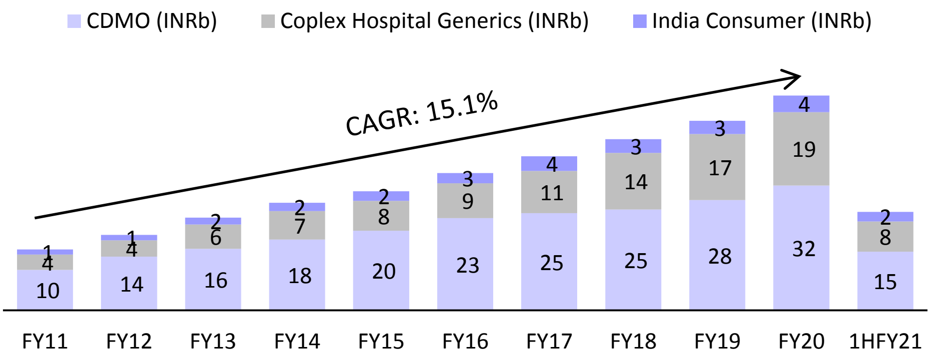
Source: MOFSL, Company

- The Pharma business was impacted in 1HFY21 as elective surgeries were postponed on account of COVID-19. 1HFY21 revenue was almost flat YoY compared to 13% sales growth in FY20.
- There has been improved business prospects in the CDMO segment considering: a) its strong order book b) contract research work being extended to contract manufacturing at the commercial level, c) expansion of the manufacturing capacity, and d) smooth operations despite COVID-related constraints.
- The ICP segment grew 15% YoY in 1HFY21 led by solid launches and supported by e-commerce and by leveraging its field force/distribution.
- Decline in the CHG was offset by better growth in the CDMO/ICP segment.

Expect growth momentum to be back on track over the medium term

- The Hospital Generics business has been the fastest growing segment over the past nine years and has the highest EBITDA margin among the three divisions, followed by CDMO and India consumer OTC business.
- There is increased demand in the CDMO space to fulfil current market demand for injectables, which should bode well for this segment in the near term. The consumer OTC business is seeing healthy traction for supplements and other products. With initiatives to strengthen the e-commerce chain over the past 6-8 months, PIEL is seeing increased demand from e-commerce platforms. Though Hospital Injectables has recovered from the lows of 1Q, low-mid single-digit growth is expected for FY21 due to the COVID-19 pandemic.
- We expect mid-teen revenue growth for the CDMO and consumer business segments on combined basis over FY21-23E and low double-digit revenue growth for the hospital business considering some slowdown due to COVID-19 in FY21.
- The company boasts of strong regulatory compliance with over 130 regulatory audits cleared in FY20, including three from the USFDA.

Exhibit 2: Piramal Pharma revenues grew at 15% CAGR over FY11-20



Source: MOFSL, Company

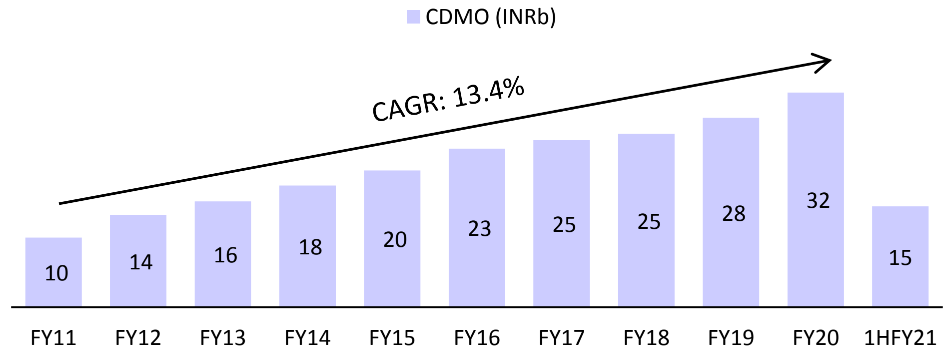
CDMO – Integrated service offerings to drive growth

- **PIEL bolstered its offering in the CDMO space with tuck-in acquisitions to add capabilities in areas such as manufacturing of cytotoxic injectable products, HPAPIs (high potent APIs), and OSDs.**
- **The company is well-placed to benefit from: a) favorable demand prospects, and b) skill-sets spanning across research to manufacturing.**

Combination of organic/inorganic led growth in the CDMO segment

- The CDMO business is the highest contributor to Pharma revenue, accounting for 60% in 1HFY21. It delivered 13.4% CAGR over FY11-20, led by new customers as well as new projects from existing customers.

Exhibit 3: CDMO revenue grew at 13.4% CAGR over FY11-20 on a high base



Source: MOFSL, Company

Exhibit 4: Notable inorganic initiatives in the CDMO division over the last five years

CY15	CY16	CY20
Acquired Coldstream Laboratories, a US-based CDMO, specializing in the manufacture of cytotoxic injectable products	Acquired Ash Stevens, a US-based CDMO, specializing in the manufacture of HPAPIs	Acquired a solid oral dosage drug product facility in Sellersville, Pennsylvania, USA

Source: MOFSL, Company

Wide array of capabilities across the product life cycle bodes well for business opportunities in the CDMO space

- In the CDMO business, PIEL provides integrated solutions from drug discovery support to commercialization of on-patent and off-patent drugs. The company can support discovery and route scouting, process development and starting materials, drug product and substance development, manufacturing of finished dosage in various forms such as injectables, OSDs, potent OSDs, controlled substances, etc. from various facilities in India, the US and UK. It has strong capabilities in niche products such as HPAPIs, Antibody Drug Conjugates (ADCs), injectables and hormones, which helps in serving different types of clients with varying requirements and to expand margin with these niche products.
- Development services currently contribute the most to CDMO revenues, followed by commercial drugs, which constitute a small portion. Given its end-to-end integrated service offerings, PIEL gains from expanded project mandates as molecules progress through various clinical phases to the commercial stage.

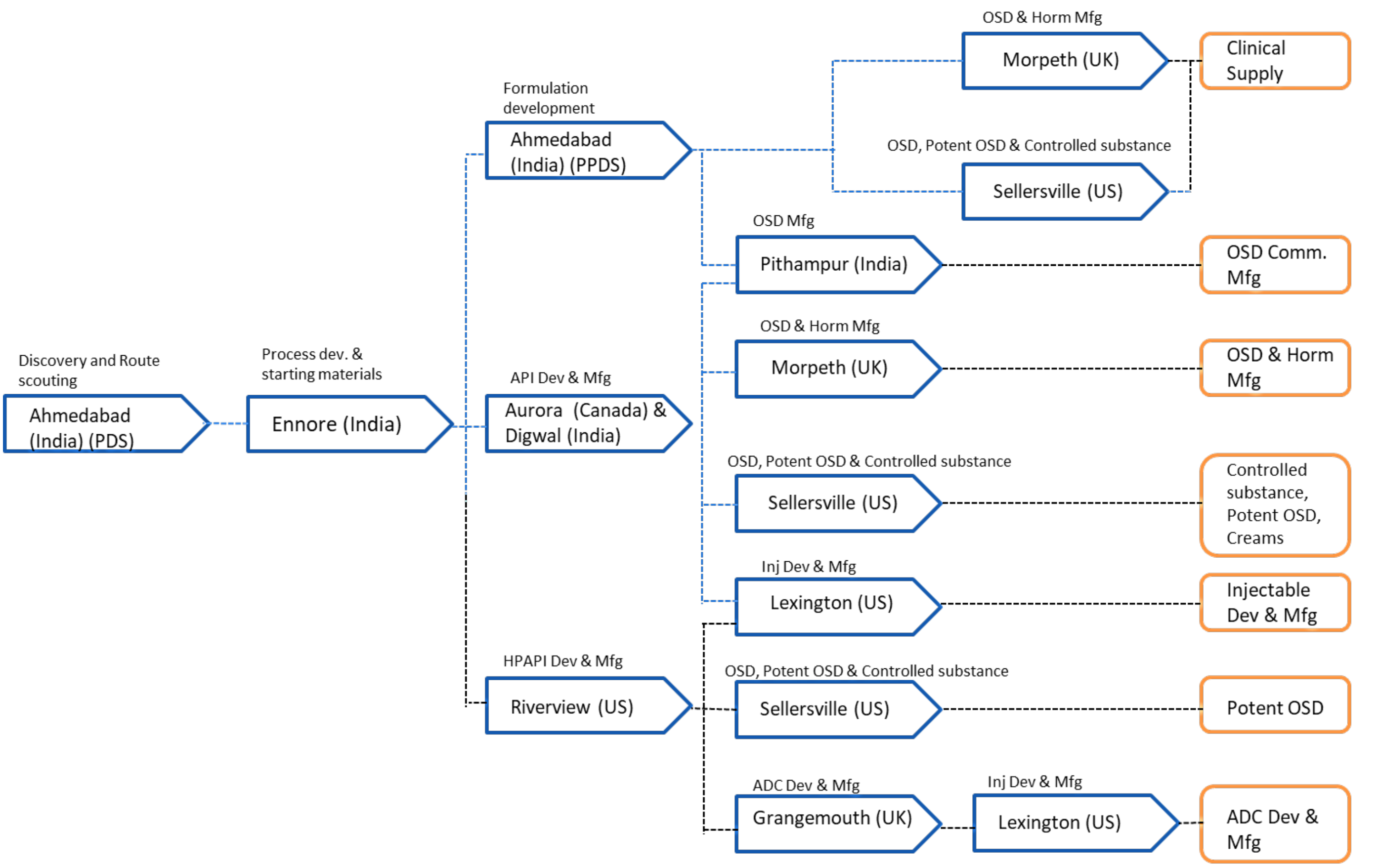
Capital work in progress to meet future requirements

- PIEL undertook capex in FY20 for enhancement of: a) API capabilities at its UK facility (Morpeth), b) OSD capacity expansion at its Pithampur facility, and c) addition of two new API reactor suites at Aurora, Canada.

Promising industry outlook

- The CDMO market is expected to grow ~9%, accounting for growth in research and manufacturing services. The global marketplace is recently experiencing a shortage in the CDMO manufacturing space, especially in the Injectables segment due to: a) increased demand, including that for COVID-19 treatments and vaccines, and b) some headwinds for injectable manufacturing sites from regulatory authorities.
- We expect momentum in CDMO revenues (17% sales CAGR) to sustain for PIEL over FY20-23E on account of the aforementioned catalysts. Owing to the shortage in sterile manufacturing capacities across the globe, we expect 200-400bp margin expansion for this segment over the near to medium term.
- Over the longer term, PIEL benefits from end-to-end capabilities, providing integrated services, beginning of research support services, to supplying commercial quantities of API and formulations in different dosage forms. Integrated approach to CDMO enables PIEL to cross-sell its differentiated offerings to customers across its value chain.

Exhibit 5: Pictographic layout of the product life cycle and manufacturing facilities



Source: MOFSL, Company

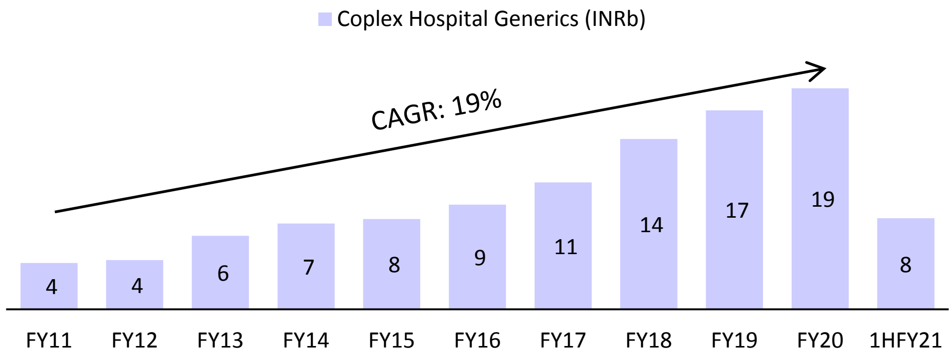
Niche products/strong commercial skills - key for CHG

- **CHG segment clocked 19% CAGR over FY11-20 led by organic and inorganic initiatives.**
- **Its portfolio includes low competition and difficult to manufacture products in the inhaled anesthetics and injectables category, which is promoted by its own field force.**
- **We expect new launches and deep penetration in its focus markets to sustain the momentum in this segment over the next 2-3 years.**

COVID-led aberration in the revenue growth trajectory of the CHG segment

- The CHG business grew 13% YoY and accounted for 34% of Pharma revenues in FY20.

Exhibit 6: Inorganic initiatives drove 19% CAGR in CHG sales over FY11-20



Source: MOFSL, Company

- CHG revenues declined 14% YoY to INR7.6b on lower off-take of injectables and anesthetics due to postponement of elective surgeries.
- PIEL manufactures and distributes a portfolio of CHG products comprising injectables, inhaled anesthetics, intrathecal spasticity and pain management, and selected anti-infective products in over 100 countries, including the US, EU, and Japan, through its dedicated field force.
- It has 23 differentiated products that are currently distributed, with muscle relaxant Rocuronium Bromide expected to be launched in FY22.
- In FY20, it undertook a pilot launch of Desflurane in the UK, South Africa, Italy, France, and Germany; launched Sevoflurane in Russia; and won a dual supply contract for Sevoflurane to members of Vizient – the largest group purchasing organization (GPO) in the US that covers ~50% of hospitals and surgery centers. Inhaled anesthesia and sterile injectables segments have a global market size of over USD50b and provides additional room to gain market-share.
- PIEL's CHG business was supported by acquisition of products. The company acquired five products from Janssen Pharma (J&J) in 2016 (for ~USD175m), two products from Mallinckrodt in 2017 (for USD171m in cash and USD32m in milestone-based payments) and two other products in 2018. These acquired products were complemented by products developed in-house and via affiliates.
- The products in PIEL's portfolio are in select therapies like anesthetics, pain management, anti-infectives, and controlled substances.
- It has 30% market-share in inhaled anesthesia products in North America and is one of the only three generics companies approved for Sevoflurane in Japan.

- It also has the leading market share for Fentanyl in Japan and is the only branded generic company approved for Fentanyl. These products are primarily promoted by PIEL's sales force in the US, UK and Japan to hospitals directly.

Advantage PIEL in the CHG space

- PIEL's portfolio: a) faces low competition owing to the complexity of products, resulting in limited price erosion, b) has lower sales and promotional costs as the products are distributed to hospitals, and c) enjoys cost advantages of backward integration.
- We expect 5% revenue CAGR for this segment over FY20-23E, taking into account the COVID-led impact in FY21. Inorganic initiatives – acquisition/in-licensing – are expected to further accelerate growth in the near term.

Exhibit 7: Notable inorganic initiatives in the CHG segment over the last five years

Acquired in 2016	Acquired in 2017	Acquired in 2018	Acquired in 2020	Self/Affiliate
•Sublimaze (Fentanyl Citrate) •Sufenta (Sufentanil Citrate) •Rapifen (Alfentanil Hydrochloride) •Dipidolor (Piritramide) •Hypnomidate (Etomidate)	•Gablofen (Baclofen) •Mitigo (Morphine Sulfate)	•Levothyroxine Sodium •Yargesa (Miglustat)	•Rocuronium Bromide	•Sojourn (Sevoflurane USP) •Terrell (Isoflurane USP) •Fluothane (Halothane USP) •Torrane (Desflurane USP) •Haemaccel (Polygeline) •Ampicillin Sulbactam •Cefepime •Ceftriaxone •Oxacillin •Ampicillin Sodium •Piperazilin Tazobactam •Linezolid bag •Glycopyrrolate injection

Source: MOFSL, Company

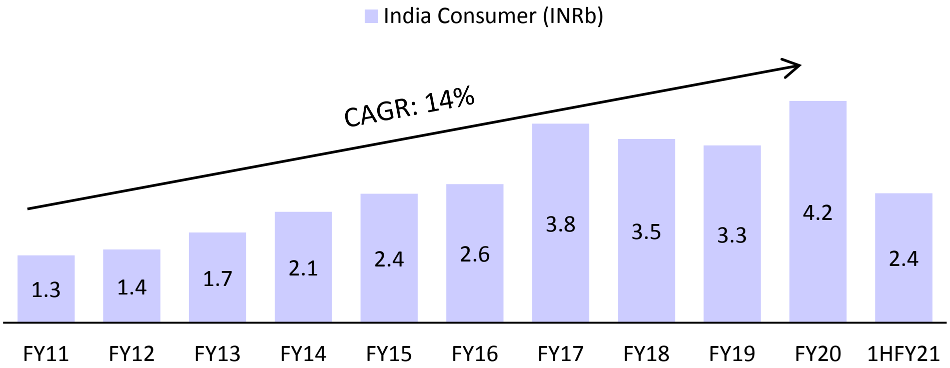
Power brands/wide reach/e-commerce – key for ICP

- **PIEL's ICP business witnessed 14% sales CAGR over the last nine years and 25% YoY growth in FY20.**
- **Its portfolio of over 20 brands, new launches, and enhanced distribution/field force productivity drives sales and would boost ICP profitability over the next 3-4 years.**

Renewed strategy to strengthen business prospects in the ICP segment

- The Indian health-focused, branded consumer segment is valued ~USD19b (2019) and is expected to grow by 7-8% CAGR over the next 4-5 years.

Exhibit 8: India consumer business clocks 14% CAGR over FY11-20



Source: MOFSL, Company

- PIEL's ICP business is a low capex business that has grown on the back of brand acquisitions and new product/SKU launches. Its products are mainly in skin care, women's health, pain management, general health supplements, and kids' wellbeing and care categories. Its portfolio includes well known consumer brands like Saridon, Lacto Calamine, i-pill, etc.
- Over the past five years, its consumer business made some notable acquisitions, including five brands (like Naturolax, Lactobacil and Farizym) acquired from Organon India and MSD in 2015, four brands (Ferradol, Neko, Sloan's and Waterbury's) acquired from Pfizer in 2016, and Digeplex and associated brands from Shreya Lifesciences in 2017.

Exhibit 9: Strong distribution network spread across the country

Country-wide distribution network

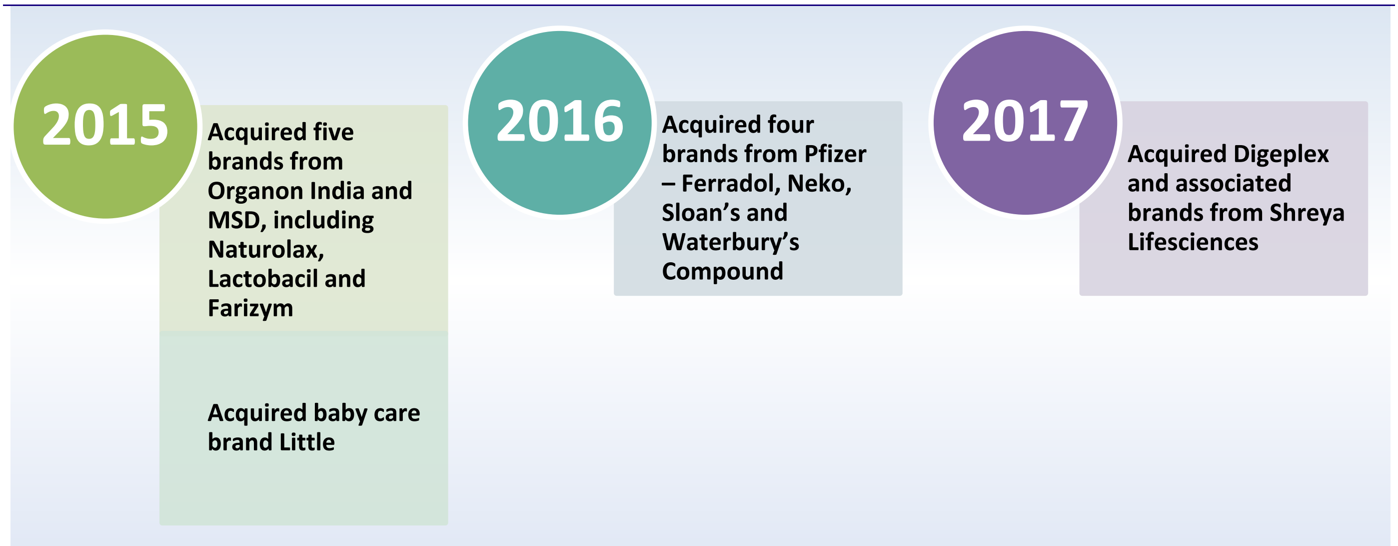
Chemist coverage is now comparable with that of top OTC players

	FY08	FY12	FY20
No. Of Towns Present	16	481	1500+
Total Outlet Presence	24,000	200,000	280,000+
Chemist Outlet Presence	16,000	100,000	160,000+
Field Force	80	800	1,700+

Source: MOFSL, Company

- These products are available across 280k outlets spread over 1,500 Indian towns. It is supported by a field force of over 1,700 sales representatives. While brand awareness campaigns generate pull for its products, the use of analytics to improve distribution, and listing of products on e-commerce platforms have been able to translate marketing into actual sales.
- Robust performance over the past few years was paused in 1HFY21 (11% YoY growth) due to COVID-19 led disruptions.
- However, the management has been quick to revise its strategy by using the e-commerce channel to distribute its products.
- It also launched two new brands of hand sanitizers during the pandemic.
- It enhanced usage of analytics and technology to improve productivity and strengthen distribution.
- We expect 25% sales CAGR for the ICP segment over FY20-23E on a lower base driven by higher demand from e-commerce platforms. Tuck-in acquisitions of brands could further strengthen growth in this segment.

Exhibit 10: Notable inorganic initiatives in the ICP division over the last five years



Source: MOFSL, Company

Pharma stake sale provides a war chest for expansion

- **In Oct'20, PIEL sold 20% stake in its Pharma business to Carlyle for USD490m, at a valuation of ~USD2.8b, with upside of USD360m subject to FY21 performance**
- **This provides it with growth capital to pursue organic and inorganic opportunities across existing business segments and add new business verticals, subject to appropriate valuations in the future, over and above our current estimates.**

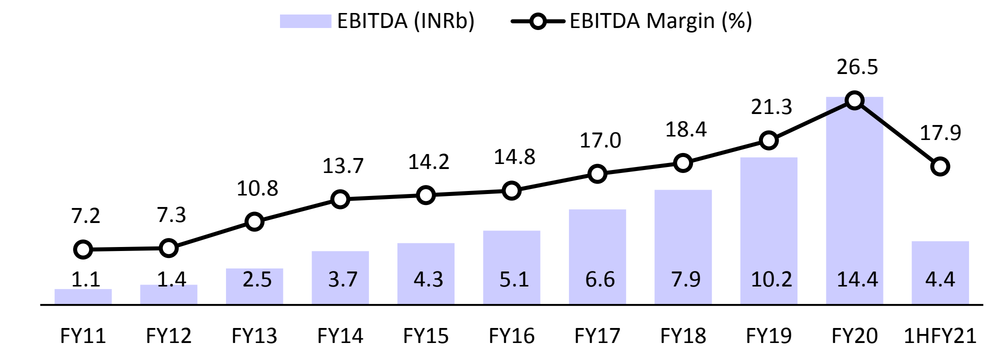
- PIEL received a fresh capital investment of ~USD490m from Carlyle for 20% equity stake in its Pharma business (Piramal Pharma). The deal values the business at an EV of ~USD2.8b, with an upside of up to USD360m depending on company's FY21 performance.
- Proceeds from the stake sale will be used for capacity expansion at its current facilities and provides a war chest for inorganic growth opportunities.
- The CHG business has been built on the back of acquisitions, and the funds from the stake sale could be deployed to expand its product portfolio.
- Growth in the India Consumer business segment has also been aided by brand acquisitions. The company has made significant investments over the last 12 months on targeted marketing campaigns and to grow its e-commerce platform. Expansion of the India Consumer portfolio through brand acquisitions is one of the key focus areas for the management.
- In the CDMO segment, PIEL is attracting customer interest for dedicated lines. There is strong demand globally for CDMO players, particularly for companies with capabilities to manufacture complex dosage forms. Proceeds from the stake sale could be deployed to expand capacities at its current facilities.
- Usage of these funds would be for increased capacity and inorganic growth opportunities in products, brand acquisitions, and for adding new business lines. This would provide a further upside to our current estimates.

Other highlights in the Pharma segment

EBITDA margin on an uptrend after a sharp fall in 1QFY21

- PIEL has delivered a consistent improvement in profitability over FY11-20, led by the introduction of high margin products, backward integration for raw materials, leveraging global distribution, optimizing yields and manufacturing process, cost rationalization initiatives, and better capacity utilization.
- Considerable reduction in sales on account of the COVID-led lockdown resulted in a reduction in profitability in 1HFY21 (EBITDA margin of 17.9% for 1HFY21 vs 26.5% for FY20).
- With an ease in lockdown restrictions, renewed strategy in the ICP segment, improved business prospects in the CDMO space, and gradual increase in the number of surgeries in the CHG segment, PIEL was able to revive profitability.

Exhibit 11: EBITDA margin expands over 1,900bp to 26.5% over FY11-20



We expect EBITDA margin to reach FY20 levels by FY23E.

Capex – Investments to support growth in all segments

- Capex for CDMO and the Hospital Generics businesses are backed by high customer demand and revenue generation opportunities, which de-risks the whole capex program.
- In the CDMO business, expansion is underway at Riverview (Michigan, US) and Aurora (Canada) facilities as current capacity is almost booked up. Some capex may be incurred at its Lexington (Kentucky) facility as some of its current customers are looking for dedicated/semi-dedicated capacity. PIEL is in advanced engineering and design stages of expansion at its UK sites as many customers have requested for expanded capacities.
- In the hospital generics business, PIEL anticipates additional volumes in Sevoflurane and Desflurane. There is expected to be some planned capex at the Bethlehem plant to support additional capacities. In addition to capacity expansion, some part of the capex would be spent on product in-licensing in the form of upfront or milestone payment, or both. External innovation is the building block of Piramal Pharma's Hospital Generics business, which ensures new and innovative products are added to its portfolio from time to time.
- The domestic consumer business is capex light and investments, if any, would go towards inorganic expansion.

Valuation and view

- Post sale of its Domestic Formulation business in 2010, PIEL focused on creating value in CDMO/CHG/ICP space within the Pharma space. With: a) an established presence across drug discovery to commercialization driving the CDMO business, b) niche products portfolio and wide distribution network driving the CHG business, and c) strong brand portfolio, and d) expanding field force/distribution reach across India driving the ICP business, the company is well-placed to deliver consistent mid-teens sales CAGR in the Pharma space. Strategic inorganic acquisitions would boost sales growth further as and when it is executed, subject to appropriate valuations.
- Proceeds from the stake sale in the Pharma business has provided it with growth capital. Usage of funds for organic/inorganic opportunities provides a potential upside from our current estimates.
- PIEL has navigated the difficult business environment well over the past two years. By curtailing Balance Sheet growth, infusing capital (via stake sales in SHTF/the Pharma space, sale of DRG) and rights issue, it has reduced consolidated leverage to 1x now. In the lending segment too, leverage is ~1.5x.
- It has also reduced its exposures to 10 large clients by 20% to INR140b over the past six quarters. We see room for further reduction in some key exposures. Pick-up in home sales over the past few months is encouraging and bodes well for collections. While GNPLs are likely to increase, the same would not be as much as initially anticipated due to the pick-up in home sales and adequate provisions. Its provision buffer of 6% of loans is more than twice its outstanding GNPLs (2.5% of loans).
- The next phase of PIEL's journey will be in retail lending. Over the past few months, it has worked on setting up a team, infrastructure, analytics, models, etc. With the foundation well in place, PIEL is poised to grow this business significantly over the medium-to-long term. Over the next five years, this business can be a meaningful contributor to Balance Sheet size and profitability.
- We value PIEL on a SoTP basis (Exhibit 12) to arrive at our PT of INR1,750 per share. Reiterate Buy.

Exhibit 12: SoTP-based price target

	Value (INR b)	Value (USD b)	INR per share	% to total	Rationale
Lending business	195	2.6	820	47	❖ 1x P/BV
Pharma business	150	2.0	630	36	❖ Pharma EV/EBITDA of 14x; EV of INR238b; 80% stake; 20% holding company discount
Shriram Group	39	0.5	165	9	❖ Based on our TP for SHTF and SCUF
Unallocated NW	32	0.4	135	8	❖ 1x P/BV (net of DTA, OCI and Shriram Group allocated NW)
Total value	**416**	**5.5**	**1,750**	**100**	❖ **Implied 1.2x consolidated BV**
Current market cap.	356	4.8	1,501		
Upside (%)	**16.6**	**16.6**	**16.6**		

Source: MOFSL

Financials and valuations

Income Statement							(INR m)
	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Revenue	**63,815**	**85,468**	**106,394**	**132,153**	**130,683**	**131,278**	**146,878**
Change (%)	24.6	33.9	24.5	24.2	-1.1	0.5	11.9
Healthcare	34,670	38,927	43,220	47,860	54,189	55,772	67,208
Financial Services	17,397	33,515	49,816	70,634	76,494	75,506	79,670
Info Mgmt.	11,559	12,224	12,092	13,322			
Others	188	802	1,266	337			
EBITDA*	**13,726**	**21,007**	**29,611**	**36,582**	**17,889**	**32,096**	**38,532**
Change (%)	57.8	53.0	41.0	23.5	-51.1	79.4	20.1
Healthcare	3,266	6,028	8,001	9,809	14,336	11,154	15,458
Financial Services #	8,185	12,837	19,933	24,507	3,553	20,942	23,074
Info Mgmt.	2,276	2,143	1,677	2,266			
EBIT*	**11,172**	**17,190**	**24,838**	**31,380**	**12,686**	**26,718**	**32,904**
Change (%)	92.6	53.9	44.5	26.3	-59.6	110.6	23.2
Healthcare	1,151	3,124	4,244	5,880	9,208	5,776	9,830
Financial Services #	8,159	12,813	19,897	24,431	3,478	20,942	23,074
Info Mgmt.	1,862	1,254	697	1,069			
Unallocated Inc./(Exp.)	**-4,028**	**-3,988**	**-5,200**	**-6,605**	**-3,510**	**490**	**488**
Core PBT	**7,144**	**13,202**	**19,638**	**24,775**	**9,176**	**27,208**	**33,391**
Change (%)	110.6	84.8	48.7	26.2	-63.0	196.5	22.7
Exceptional Items	457	-99	0	-4,656	0	0	0
Reported PBT	**7,600**	**13,103**	**19,638**	**20,119**	**9,176**	**27,208**	**33,391**
Taxes	**495**	**2,281**	**6,928**	**8,611**	**19,604**	**6,802**	**8,348**
Tax Rate (%)	6.5	17.4	35.3	42.8	213.7	25.0	25.0
PAT	**7,105**	**10,821**	**12,710**	**11,507**	**-10,429**	**20,406**	**25,043**
Change (%)	-73.6	52.3	17.5	-9.5	-190.6	-295.7	22.7
Minority Interest	0	-3	0	0	0	0	0
Share from Asso. Cos.	1,942	1,699	2,801	3,194	4,896	4,364	5,339
PAT Post MI	**9,047**	**12,523**	**15,511**	**14,701**	**-5,533**	**24,770**	**30,383**
Change (%)	-68.3	38.4	23.9	-5.2	-137.6	-547.7	22.7
Dividend (Including Tax)	**3,635**	**4,348**	**5,415**	**6,065**	**3,500**	**8,669**	**10,634**

* Ex Exceptional, # Post interest expenses; FY16-18 nos based on Ind AS; FY18 Excluding one off DTA of INR35.6b

Balance Sheet							(INR m)
Y/E MARCH	**FY16**	**FY17**	**FY18**	**FY19E**	**FY20E**	**FY21E**	**FY22E**
Equity Share Capital	345	345	424	424	451	451	474
Reserves (Ex-OCI)	121,102	133,609	243,287	253,732	286,835	302,936	340,161
Net worth	**121,447**	**133,954**	**243,711**	**254,156**	**287,286**	**303,387**	**340,635**
OCI	8,037	14,872	21,977	18,430	18,430	18,430	18,430
Net Worth	**129,484**	**148,826**	**265,688**	**272,586**	**305,716**	**321,816**	**359,065**
Change (%)	*-3.6*	*14.9*	*78.5*	*2.6*	*12.2*	*5.3*	*11.6*
Borrowings	**162,788**	**304,510**	**441,608**	**559,867**	**419,562**	**470,905**	**521,474**
Change (%)	*126.5*	*87.1*	*45.0*	*26.8*	*-25.1*	*12.2*	*10.7*
Other liabilities	**17,526**	**29,058**	**20,708**	**23,808**	**23,808**	**29,032**	**34,651**
Change (%)	*26.0*	*65.8*	*-28.7*	*15.0*	*0.0*	*21.9*	*19.4*
Total Liabilities	**309,798**	**482,394**	**728,004**	**856,261**	**749,086**	**821,753**	**915,189**
Loans + Investments	**198,500**	**325,163**	**514,984**	**645,325**	**548,231**	**573,712**	**627,223**
Change (%)	*57.9*	*63.8*	*58.4*	*25.3*	*-15.0*	*4.6*	*9.3*
Goodwill	54,854	54,272	56,326	59,395	11,391	11,391	11,391
Fixed Assets	23,949	54,251	57,402	57,510	57,935	63,729	70,739
Other assets	**32,495**	**48,707**	**99,293**	**94,032**	**131,529**	**172,922**	**205,837**
Change (%)	*22.2*	*49.9*	*103.9*	*-5.3*	*39.9*	*31.5*	*19.0*
Total Assets	**309,798**	**482,394**	**728,004**	**856,261**	**749,086**	**821,753**	**915,189**

Financials and valuations

Profitability Ratios (%)	FY16	FY17	FY18	FY19E	FY20E	FY21E	FY22E
EBITDA margin - IT	19.7	17.5	13.9	17.0			
EBITDA margin - Pharma	9.4	15.5	18.5	20.5	26.5	20.0	23.0
Core RoE	5.5	9.8	8.2	5.9	-2.0	8.4	9.4
RoE	7.5	9.8	8.2	5.9	-2.0	8.4	9.4
Valuations							
Book Value (INR)	**704**	**776**	**1,148**	**1,198**	**1,274**	**1,345**	**1,436**
BV Growth (%)	1.0	10.3	47.9	4.3	6.4	5.6	6.8
Price-to-BV (x)					1.2	1.1	1.0
EPS (INR)	**52**	**73**	**73**	**69**	**-25**	**110**	**128**
EPS Growth (%)	-68.3	38.4	0.7	-5.2	-135.4	-547.7	16.7
Price-to-Earnings (x)					-61.2	13.7	11.7
DPS (INR)	**18**	**21**	**25**	**28**	**13**	**38**	**45**
Dividend Yield (%)					0.9	2.6	3.0

E: MOSL estimates

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

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