

Estimate change



TP change



Rating change


**CMP: INR345**
**TP: INR470 (+36%)**
**Buy**
**Sustains momentum in earnings growth**
**WIP to add strategic levers to growth over the next 4-5 years**

|                       |             |
|-----------------------|-------------|
| Bloomberg             | LAURUS IN   |
| Equity Shares (m)     | 532         |
| M.Cap.(INRb)/(USDb)   | 185.2 / 2.6 |
| 52-Week Range (INR)   | 386 / 62    |
| 1, 6, 12 Rel. Per (%) | 2/104/282   |
| 12M Avg Val (INR M)   | 1296        |

**Financials & valuations (INR b)**

| Y/E MARCH            | FY21E | FY22E | FY23E |
|----------------------|-------|-------|-------|
| Sales                | 47.2  | 57.7  | 67.7  |
| EBITDA               | 15.2  | 18.8  | 22.3  |
| Adj. PAT             | 9.8   | 12.1  | 14.6  |
| EBIT Margin (%)      | 27.8  | 27.9  | 28.3  |
| Cons. Adj. EPS (INR) | 18.3  | 22.5  | 27.4  |
| EPS Gr. (%)          | 282.5 | 23.4  | 21.4  |
| BV/Sh. (INR)         | 48.6  | 67.8  | 91.0  |

**Ratios**

|            |      |      |      |
|------------|------|------|------|
| Net D:E    | 0.4  | 0.2  | 0.1  |
| RoE (%)    | 44.7 | 38.7 | 34.5 |
| RoCE (%)   | 32.0 | 30.8 | 29.9 |
| Payout (%) | 15.1 | 15.1 | 15.1 |

**Valuations**

|                |      |      |      |
|----------------|------|------|------|
| P/E (x)        | 19.2 | 15.5 | 12.8 |
| EV/EBITDA (x)  | 13.0 | 10.4 | 8.5  |
| Div. Yield (%) | 0.7  | 0.8  | 1.0  |
| FCF Yield (%)  | 1.1  | 1.9  | 4.1  |
| EV/Sales (x)   | 4.2  | 3.4  | 2.8  |

**Shareholding pattern (%)**

| As On    | Dec-20 | Sep-20 | Dec-19 |
|----------|--------|--------|--------|
| Promoter | 46.9   | 46.9   | 46.9   |
| DII      | 21.4   | 20.1   | 14.6   |
| FII      | 19.0   | 20.4   | 24.7   |
| Others   | 12.8   | 12.6   | 13.8   |

FII includes depository receipts

- LAURUS continues to strengthen its quarterly performance with better than expected 3QFY21 result. While the ARV segment remains the key growth driver currently, it is building additional levers like CDMO services on the biotechnology front, adding new dosage capabilities, and building an ANDA pipeline for the US market.
- We raise our FY21E/FY22E/FY23E EPS estimate by 3.5%/8.5%/11.5% to factor in: a) strong traction in ARV-API segment, b) new customer addition in the Synthesis segment, and c) higher contribution from non-ARV API business. We continue to value LAURUS at 18x 12 months forward earnings to arrive at our TP of INR470. We remain positive on LAURUS on the back of: a) healthy momentum in the ARV segment, b) increased focus on the Synthesis segment, and c) plans to enter new dosages (other than oral solids). Reiterate Buy.

**Well supported by strong operating leverage**

- Revenue grew 76% YoY to INR12.8b in 3QFY21 (v/s our estimate of INR11.8b).
- YoY growth was backed by: a) doubling of API revenue to INR7.3b (57% of sales). ARV-API/Oncology API segment grew 2.7x/37% YoY to INR5.7b/INR640m. b) 63% YoY growth in Synthesis (CDMO division) to INR1.2b (10% of sales), and c) 47% YoY growth in Formulation sales to INR4.3b (33% of sales) due to new launches in LMIC countries, better volume offtake in the US, and contract manufacturing opportunities from European customers.
- Gross margin (GM) rose 410bp YoY to 54.7% due to superior product mix.
- EBITDA margin expanded 1,280bp YoY to 33.1% (v/s our estimate of 32.6%) on better GM and better operating leverage (employee cost/other expenses fell 430bp each YoY as a percentage of sales).
- EBITDA increased 3x to INR4.3b (v/s our estimate of INR3.8b).
- PAT rose ~4x YoY to INR2.7b on strong sales growth and superior margin.
- In 9MFY21, revenue/EBITDA/PAT grew 71%/192%/373% YoY to INR34b/INR10.8b/INR6.9b.

**Highlights from the management commentary**

- The management is confident of sustaining its 3QFY21 performance on the back of a strong order book in ARV as well as non-ARV segments.
- Brownfield FDF facility to begin operations in Aug'21 and would be fully operational in FY22.
- The company validated two additional products for contract manufacturing partnerships and expect benefits to accrue in FY22.
- It has a current reactor capacity of 4.5m liters and is adding 1m liters capacity over the medium term to meet increased demand.
- GM was lower QoQ on higher freight cost and removal of export benefits.
- LMIC/NAM split at 25/75 in the FDF segment. Around 40-45% contribution is from non-ARV products across all segments.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

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**Valuation and view**

- We raise our FY21E/FY22E/FY23E EPS estimate by 3.5%/8.5%/11.5% to factor in: a) robust order book in the ARV segment, b) better business prospects in the Synthesis segment, and c) new product/customer additions in Other API segment.
- We expect earnings to expand 5.7x over FY20-23E, led by a 47%/44%/24% sales CAGR in the FDF/Synthesis/API segment and ~1,300bp margin expansion. We value LAURUS at 18x 12 months forward earnings to arrive at our TP of INR470.
- We remain positive on LAURUS on the back of: a) its superior execution in the ARV segment, b) strong chemistry skill set, which is driving the CDMO business, c) the addition of new molecules in the Other API segment, d) cost efficiency aiding profitability, and e) addition of new levers in CDMO with Laurus Bio. Reiterate Buy.

**Consolidated quarterly earnings model**

(INR m)

| Y/E March                    | FY20         |              |              |              | FY21         |               |               |               | FY20          | FY21E         | 3QFY21E       | v/s our est. % |
|------------------------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
|                              | 1Q           | 2Q           | 3Q           | 4Q           | 1Q           | 2Q            | 3Q            | 4QE           |               |               |               |                |
| <b>Net Sales</b>             | <b>5,506</b> | <b>7,124</b> | <b>7,296</b> | <b>8,391</b> | <b>9,743</b> | <b>11,388</b> | <b>12,884</b> | <b>13,157</b> | <b>28,317</b> | <b>47,173</b> | <b>11,804</b> | <b>9.1</b>     |
| YoY Change (%)               | 2.1          | 21.1         | 37.8         | 32.1         | 77.0         | 59.9          | 76.6          | 56.8          | 23.6          | 66.6          | 61.8          |                |
| Total Expenditure            | 4,673        | 5,746        | 5,814        | 6,474        | 6,960        | 7,650         | 8,621         | 8,753         | 22,672        | 31,983        | 7,956         |                |
| <b>EBITDA</b>                | <b>833</b>   | <b>1,378</b> | <b>1,482</b> | <b>1,918</b> | <b>2,783</b> | <b>3,739</b>  | <b>4,263</b>  | <b>4,405</b>  | <b>5,645</b>  | <b>15,190</b> | <b>3,848</b>  | <b>10.8</b>    |
| YoY Change (%)               | -2.7         | 51.2         | 68.9         | 71.2         | 234.3        | 171.3         | 187.7         | 129.7         | 50.0          | 169.1         | 159.7         |                |
| Margin (%)                   | 15.1         | 19.3         | 20.3         | 22.9         | 28.6         | 32.8          | 33.1          | 33.5          | 19.9          | 32.2          | 32.6          |                |
| Depreciation                 | 458          | 478          | 476          | 461          | 488          | 510           | 516           | 538           | 1,873         | 2,053         | 525           |                |
| <b>EBIT</b>                  | <b>374</b>   | <b>900</b>   | <b>1,006</b> | <b>1,457</b> | <b>2,295</b> | <b>3,229</b>  | <b>3,747</b>  | <b>3,867</b>  | <b>3,773</b>  | <b>13,137</b> | <b>3,323</b>  | <b>12.7</b>    |
| YoY Change (%)               | -21.0        | 75.4         | 123.6        | 112.7        | 513.3        | 258.9         | 272.3         | 165.4         | 77.8          | 248.2         | 230.3         |                |
| Margin (%)                   | 6.8          | 12.6         | 13.8         | 17.4         | 23.6         | 28.4          | 29.1          | 29.4          | 13.3          | 27.8          | 28.2          |                |
| Interest                     | 225          | 256          | 208          | 207          | 151          | 137           | 174           | 145           | 896           | 608           | 150           |                |
| Other Income                 | 45           | 14           | 19           | 17           | 71           | 51            | 69            | 44            | 59            | 236           | 65            |                |
| <b>PBT before EO expense</b> | <b>194</b>   | <b>658</b>   | <b>817</b>   | <b>1,267</b> | <b>2,215</b> | <b>3,143</b>  | <b>3,642</b>  | <b>3,766</b>  | <b>2,936</b>  | <b>12,765</b> | <b>3,238</b>  | <b>12.5</b>    |
| Extra-Ordinary expense       | 0            | 0            | 0            | 0            | 0            | 0             | 0             | 0             | 0             | 0             | 0             |                |
| <b>PBT</b>                   | <b>194</b>   | <b>658</b>   | <b>817</b>   | <b>1,267</b> | <b>2,215</b> | <b>3,143</b>  | <b>3,642</b>  | <b>3,766</b>  | <b>2,936</b>  | <b>12,765</b> | <b>3,238</b>  | <b>12.5</b>    |
| Tax                          | 43           | 92           | 82           | 166          | 497          | 720           | 913           | 869           | 383           | 3,000         | 745           |                |
| Rate (%)                     | 22.1         | 14.0         | 10.1         | 13.1         | 22.4         | 22.9          | 25.1          | 23.1          | 13.1          | 23.5          | 23.0          |                |
| <b>Reported PAT</b>          | <b>151</b>   | <b>566</b>   | <b>735</b>   | <b>1,102</b> | <b>1,718</b> | <b>2,423</b>  | <b>2,729</b>  | <b>2,896</b>  | <b>2,553</b>  | <b>9,765</b>  | <b>2,493</b>  | <b>9.4</b>     |
| <b>Adjusted PAT</b>          | <b>151</b>   | <b>566</b>   | <b>735</b>   | <b>1,102</b> | <b>1,718</b> | <b>2,423</b>  | <b>2,729</b>  | <b>2,896</b>  | <b>2,553</b>  | <b>9,765</b>  | <b>2,493</b>  | <b>9.4</b>     |
| YoY Change (%)               | -25.2        | 104.4        | 312.4        | 155.1        | 1,038.0      | 328.4         | 271.4         | 162.9         | 132.6         | 282.5         | 239.4         |                |

**Key performance indicators (consolidated)**

| Y/E March                 | FY20   |        |        |        | FY21  |       |       |       | FY20   | FY21E  | 3QFY21E |
|---------------------------|--------|--------|--------|--------|-------|-------|-------|-------|--------|--------|---------|
|                           | 1Q     | 2Q     | 3Q     | 4Q     | 1Q    | 2Q    | 3Q    | 4QE   |        |        |         |
| <b>API</b>                | 3,720  | 4,666  | 3,584  | 4,239  | 5,220 | 5,710 | 7,310 | 8,073 | 16,094 | 24,795 | 5,956   |
| YoY Change (%)            | (19.3) | (10.7) | (19.6) | (14.0) | 40.3  | 22.4  | 104.0 | 90.5  | (14.5) | 54.1   | 66.2    |
| <b>Custom Synthesis</b>   | 730    | 850    | 780    | 1,480  | 1,000 | 1,160 | 1,270 | 2,023 | 3,970  | 5,294  | 1,174   |
| YoY Change (%)            | 9.1    | 13.8   | 44.5   | 38.5   | 40.3  | 36.5  | 37.2  | 37.6  | 5.7    | 45.0   | 25.0    |
| <b>Formulation</b>        | 1,060  | 1,599  | 2,921  | 2,673  | 3,520 | 4,520 | 4,300 | 4,744 | 8,253  | 17,084 | 4,674   |
| YoY Change (%)            | 1978.4 | 7168.2 | 1429.3 | 847.9  | 232.1 | 182.7 | 47.2  | 77.5  | 1411.5 | 107.0  | 60.0    |
| <b>Cost Break-up</b>      |        |        |        |        |       |       |       |       |        |        |         |
| RM Cost (% of Sales)      | 49.9   | 50.5   | 49.4   | 49.8   | 45.8  | 44.0  | 45.3  | 45.0  | 49.9   | 45.0   | 44.3    |
| Staff Cost (% of Sales)   | 14.6   | 12.3   | 12.1   | 10.5   | 11.5  | 9.5   | 7.8   | 8.6   | 12.2   | 9.2    | 10.0    |
| R&D Expenses (% of Sales) | 7.6    | 5.4    | 5.5    | 5.5    | 4.3   | 3.8   | 3.1   | 5.5   | 6.0    | 3.6    | 3.4     |
| Other Cost (% of Sales)   | 20.4   | 17.8   | 18.2   | 16.8   | 14.2  | 13.7  | 13.8  | 12.9  | 18.0   | 13.6   | 13.1    |
| Gross Margin (%)          | 50.1   | 49.5   | 50.6   | 50.2   | 54.2  | 56.0  | 54.7  | 55.0  | 50.1   | 55.0   | 55.7    |
| EBITDA Margin (%)         | 15.1   | 19.3   | 20.3   | 22.9   | 28.6  | 32.8  | 33.1  | 33.5  | 19.9   | 32.2   | 32.6    |
| EBIT Margin (%)           | 6.8    | 12.6   | 13.8   | 17.4   | 23.6  | 28.4  | 29.1  | 29.4  | 13.3   | 27.8   | 28.2    |

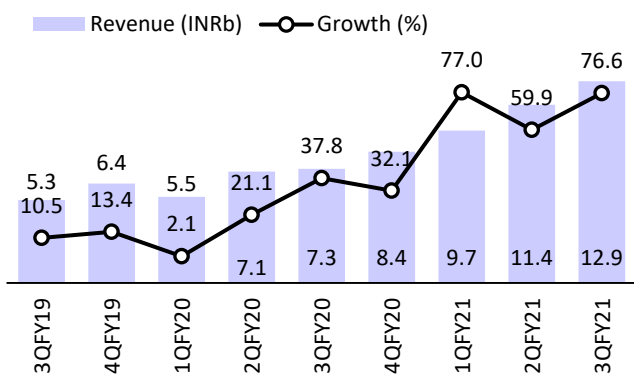


### Other highlights from the conference call

- Dolutegravir-based Formulations have ~8-10 players, but LAURUS has the highest market share. It is third/one in terms of Formulation/API market share.
- At present, Laurus Bio is working on a recombinant protein-based food.
- LAURUS has filed a total of 26 ANDAs with the USFDA and has received 17 approvals (including eight tentative approvals). The ANDA-led US business would see a meaningful uptick from CY23. Diabetes, Cardio ANDAs, and para IV products would further boost growth in FDF. It may look at delivery forms other than OSDs.
- Higher offtake of Tenofovir/Lamivudine/Dolutegravir (TLD) would drive growth in the near to medium term in the ARV-API segment.
- LAURUS has acquired land in Hyderabad to expand API and synthesis production.
- It has a current reactor capacity of 4.5m liters and is adding 1m liters capacity over the medium term.
- API capacity expansion is on track, while FDF capacity expansion has been delayed by a month due to the COVID-19 pandemic.

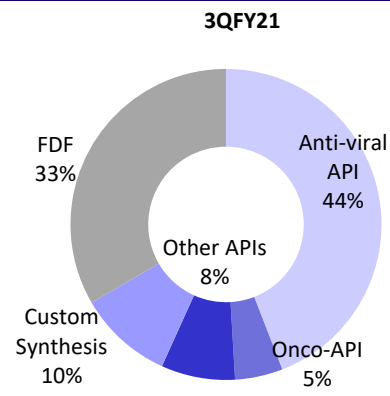
### Key exhibits

Exhibit 1: Revenue up 77% YoY driven by APIs



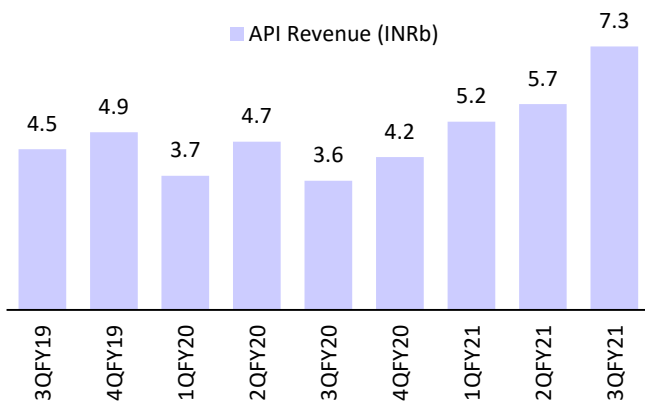
Source: MOFSL, Company

Exhibit 2: FDF sales stood at 33% (40% in 3QFY20)



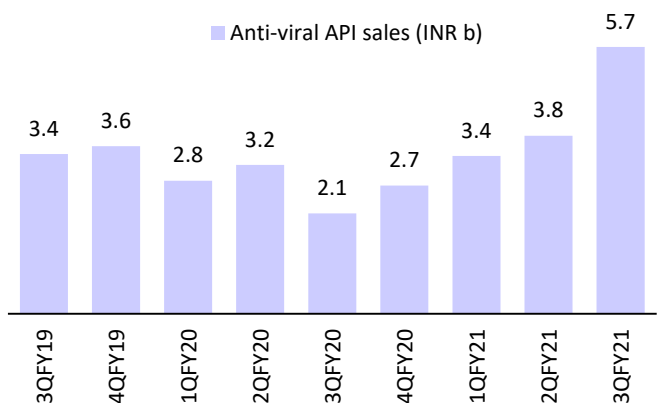
Source: MOFSL, Company

Exhibit 3: API sales doubled to INR7.3b from 3QFY20

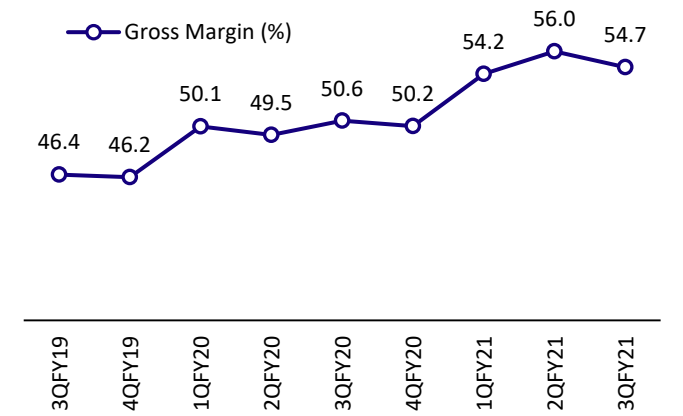


Source: MOFSL, Company

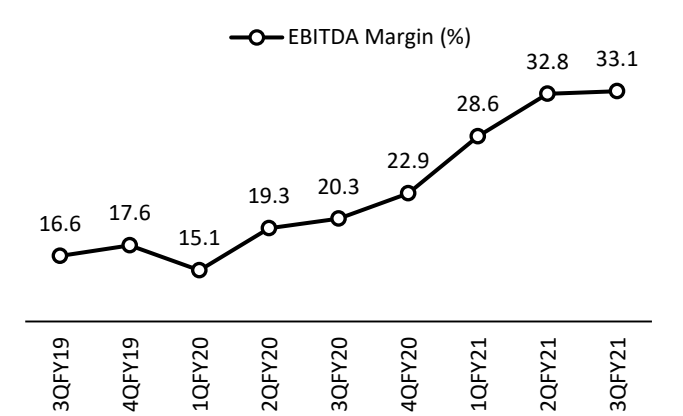
Exhibit 4: ARV-API sales rose 2.7x YoY to INR5.7b in 3QFY21



Source: MOFSL, Company

**Exhibit 5: Gross margin expands ~410bp in 3QFY21**

Source: MOSL, Company

**Exhibit 6: Posts highest EBITDA margin in past 20 quarters**

Source: MOSL, Company

## Valuation and view

### FDF – Market share gains and new launches and therapies to drive growth

- LAURUS has built a strong FDF business with particular expertise in ARVs, on the back of backward integration and its legacy ARV API business. Formulation sales grew 2.2x YoY to INR12.3b in 9MFY21 and accounted for 38% of total sales.
- Growth in the Formulation business over the next three years would be driven by: a) expanding the ARV portfolio, b) building a robust ANDA pipeline (26 filed/nine final approvals) for the US market, c) expansion into other therapeutic areas such as Cardiac and Anti-Diabetic, and d) filing dossiers in other key markets – Europe, Canada, SA, and RoW.
- To support future requirement, LAURUS is undertaking greenfield expansion for finished dosages. De-bottlenecking/capacity expansion is underway currently to drive near term growth.
- We expect 47% sales CAGR in FDF to INR26.5b by FY23E.

### API – new molecules, therapies and larger volumes to drive growth

- The API business posted robust (52% YoY) sales growth in 9MFY21. This was largely due to higher offtake in Tenofovir/Efavirenz/Dolutagravir/Lamivudine. Oncology and other API sales grew 41% YoY to INR5.4b in 9MFY21. LAURUS is seeing increased demand for APIs and its order book has grown from FY20-end.
- In addition to the aforementioned molecules in the ARV segment, which are used as the second line of treatment, LAURUS is also building a portfolio in the non-ARV category. These molecules would largely be in the Cardiology and Diabetes categories. It is also investing in expanding capacity by ~20% owing to strong customer demand.
- We expect the API business to post 24% sales CAGR over FY20-23E.

### New projects/increased commercialization to drive the Synthesis business

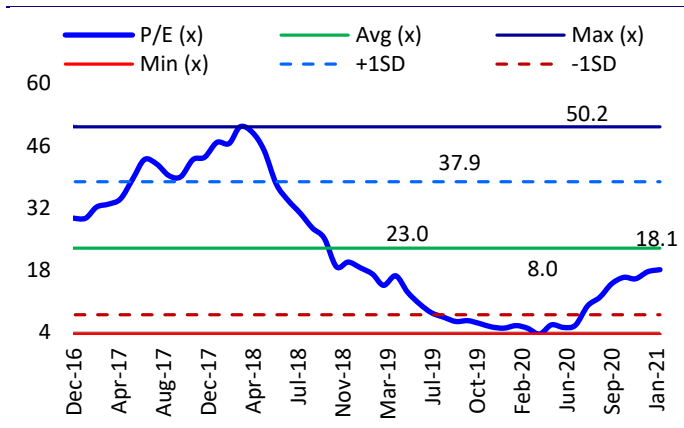
- LAURUS clocked sales of INR3.4b, with 45% YoY growth in the Synthesis (CDMO) segment in 9MFY21. This was largely led by: a) contract research projects, and b) products moving toward commercialization from the research phase. The company is working with global innovators across the R&D value chain. It is working on 49 projects currently in the CDMO segment. Commercial supplies are on-going for four products currently, up from two at the end of FY20.

- LAURUS is in the process of setting up a dedicated R&D center and greenfield manufacturing capacity to support future growth. It is also planning to add a block for HPAPI to support growth in the Synthesis segment. New lever of Laurus Bio to add to capabilities in the Biotechnology CDMO space.
- We expect a 44% sales CAGR in the CDMO segment over FY20-23E.

**Strong execution to drive earnings to 5.7x in FY23E from FY20**

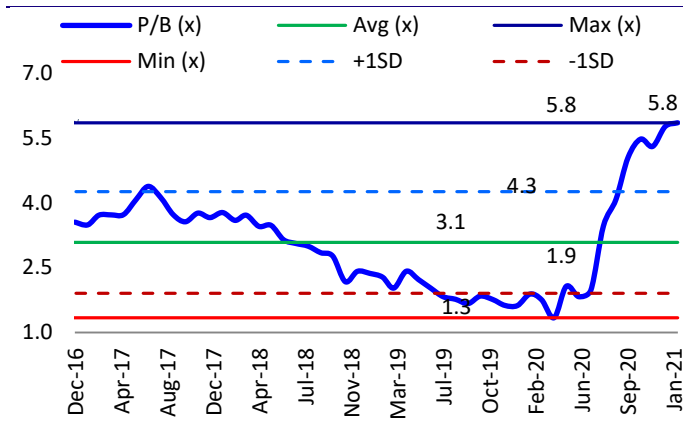
- We raise our FY21E/FY22E/FY23E EPS estimate by 3.5%/8.5%/11.5% to factor in: a) strong traction in ARV-API segment, b) new customer addition in the Synthesis segment, and c) higher contribution from non-ARV API business.
- We expect earnings to expand 5.7x over FY20-23E, led by a 47%/44%/24% sales CAGR in the FDF/Synthesis/API segment and ~1,300bp margin expansion. We value LAURUS at 18x 12 months forward earnings to arrive at our TP of INR470.
- We remain positive on LAURUS on the back of: a) its superior execution in the ARV segment, b) strong chemistry skill set, which is driving the CDMO business, c) the addition of new molecules in the Other API segment, d) cost efficiency aiding profitability, and e) addition of new levers in CDMO with Laurus Bio. Reiterate Buy.

**Exhibit 7: P/E chart**



Source: MOFSL, Company, Bloomberg

**Exhibit 8: P/B chart**



Source: MOFSL, Company, Bloomberg

## Financials and valuations

### Consolidated Income Statement

| Y/E March                           | FY14          | FY15          | FY16          | FY17          | FY18          | FY19          | FY20          | FY21E         | FY22E         | FY23E         |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Total Income from Operations</b> | <b>11,597</b> | <b>13,266</b> | <b>17,776</b> | <b>19,046</b> | <b>20,690</b> | <b>22,919</b> | <b>28,317</b> | <b>47,173</b> | <b>57,651</b> | <b>67,682</b> |
| Change (%)                          | 61.4          | 14.4          | 34.0          | 7.1           | 8.6           | 10.8          | 23.6          | 66.6          | 22.2          | 17.4          |
| <b>Total Expenditure</b>            | <b>9,509</b>  | <b>11,264</b> | <b>14,154</b> | <b>14,970</b> | <b>16,557</b> | <b>19,155</b> | <b>22,672</b> | <b>31,983</b> | <b>38,856</b> | <b>45,347</b> |
| % of Sales                          | 82.0          | 84.9          | 79.6          | 78.6          | 80.0          | 83.6          | 80.1          | 67.8          | 67.4          | 67.0          |
| <b>EBITDA</b>                       | <b>2,089</b>  | <b>2,002</b>  | <b>3,622</b>  | <b>4,076</b>  | <b>4,133</b>  | <b>3,764</b>  | <b>5,645</b>  | <b>15,190</b> | <b>18,794</b> | <b>22,335</b> |
| Margin (%)                          | 18.0          | 15.1          | 20.4          | 21.4          | 20.0          | 16.4          | 19.9          | 32.2          | 32.6          | 33.0          |
| Depreciation                        | 329           | 615           | 864           | 1,060         | 1,255         | 1,642         | 1,873         | 2,053         | 2,690         | 3,191         |
| <b>EBIT</b>                         | <b>1,760</b>  | <b>1,387</b>  | <b>2,758</b>  | <b>3,016</b>  | <b>2,879</b>  | <b>2,122</b>  | <b>3,773</b>  | <b>13,137</b> | <b>16,104</b> | <b>19,145</b> |
| Int. and Finance Charges            | 639           | 1,062         | 1,111         | 999           | 796           | 882           | 896           | 608           | 783           | 655           |
| Other Income                        | 88            | 341           | 44            | 334           | 292           | 162           | 59            | 236           | 231           | 271           |
| <b>PBT bef. EO Exp.</b>             | <b>1,209</b>  | <b>666</b>    | <b>1,690</b>  | <b>2,352</b>  | <b>2,374</b>  | <b>1,402</b>  | <b>2,936</b>  | <b>12,765</b> | <b>15,551</b> | <b>18,760</b> |
| EO Items                            | 0             | 0             | 0             | 0             | 0             | -204          | 0             | 0             | 0             | 0             |
| <b>PBT after EO Exp.</b>            | <b>1,209</b>  | <b>666</b>    | <b>1,690</b>  | <b>2,352</b>  | <b>2,374</b>  | <b>1,198</b>  | <b>2,936</b>  | <b>12,765</b> | <b>15,551</b> | <b>18,760</b> |
| Total Tax                           | 236           | -15           | 349           | 439           | 698           | 260           | 383           | 3,000         | 3,499         | 4,127         |
| Tax Rate (%)                        | 19.6          | -2.3          | 20.6          | 18.7          | 29.4          | 21.7          | 13.1          | 23.5          | 22.5          | 22.0          |
| Minority Interest                   | 0             | -2            | 4             | 11            | 0             | 0             | 0             | 0             | 0             | 0             |
| <b>Reported PAT</b>                 | <b>972</b>    | <b>683</b>    | <b>1,337</b>  | <b>1,903</b>  | <b>1,676</b>  | <b>938</b>    | <b>2,553</b>  | <b>9,765</b>  | <b>12,052</b> | <b>14,633</b> |
| <b>Adjusted PAT</b>                 | <b>972</b>    | <b>683</b>    | <b>1,337</b>  | <b>1,903</b>  | <b>1,676</b>  | <b>1,097</b>  | <b>2,553</b>  | <b>9,765</b>  | <b>12,052</b> | <b>14,633</b> |
| Change (%)                          | 10.2          | -29.7         | 95.7          | 42.3          | -11.9         | -34.5         | 132.6         | 282.5         | 23.4          | 21.4          |
| Margin (%)                          | 8.4           | 5.2           | 7.5           | 10.0          | 8.1           | 4.8           | 9.0           | 20.7          | 20.9          | 21.6          |

### Consolidated Balance Sheet

(INR m)

| Y/E March                           | FY14         | FY15          | FY16          | FY17          | FY18          | FY19          | FY20          | FY21E         | FY22E         | FY23E         |
|-------------------------------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Equity Share Capital                | 154          | 155           | 158           | 1,058         | 1,060         | 1,064         | 1,069         | 1,069         | 1,069         | 1,069         |
| Preference Capital                  | 625          | 666           | 666           | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| Total Reserves                      | 2,806        | 6,419         | 7,744         | 12,247        | 13,766        | 14,520        | 16,629        | 24,923        | 35,161        | 47,590        |
| <b>Net Worth</b>                    | <b>3,584</b> | <b>7,241</b>  | <b>8,568</b>  | <b>13,304</b> | <b>14,826</b> | <b>15,584</b> | <b>17,698</b> | <b>25,992</b> | <b>36,230</b> | <b>48,659</b> |
| Total Loans                         | 5,428        | 8,211         | 10,277        | 8,417         | 9,649         | 10,030        | 10,123        | 10,143        | 9,943         | 6,443         |
| Deferred Tax Liabilities            | 118          | 113           | -549          | -699          | -529          | -534          | -739          | -739          | -739          | -739          |
| <b>Capital Employed</b>             | <b>9,131</b> | <b>15,565</b> | <b>18,296</b> | <b>21,023</b> | <b>23,946</b> | <b>25,081</b> | <b>27,081</b> | <b>35,396</b> | <b>45,433</b> | <b>54,362</b> |
| Gross Block                         | 6,230        | 9,865         | 11,063        | 14,088        | 17,851        | 20,976        | 23,821        | 26,859        | 32,916        | 39,598        |
| Less: Accum. Deprn.                 | 1,240        | 1,855         | 853           | 1,886         | 3,141         | 4,783         | 6,655         | 8,708         | 11,398        | 14,588        |
| <b>Net Fixed Assets</b>             | <b>4,989</b> | <b>8,010</b>  | <b>10,210</b> | <b>12,202</b> | <b>14,711</b> | <b>16,193</b> | <b>17,166</b> | <b>18,151</b> | <b>21,518</b> | <b>25,010</b> |
| Goodwill on Consolidation           | 3            | 0             | 0             | 97            | 97            | 97            | 97            | 97            | 97            | 97            |
| Capital WIP                         | 1,161        | 1,097         | 696           | 1,433         | 1,632         | 1,096         | 672           | 2,634         | 4,477         | 3,996         |
| <b>Total Investments</b>            | <b>0</b>     | <b>74</b>     | <b>70</b>     | <b>34</b>     | <b>34</b>     | <b>34</b>     | <b>34</b>     | <b>34</b>     | <b>34</b>     | <b>34</b>     |
| <b>Curr. Assets, Loans and Adv.</b> | <b>6,578</b> | <b>9,757</b>  | <b>10,710</b> | <b>12,069</b> | <b>13,165</b> | <b>15,357</b> | <b>18,589</b> | <b>28,696</b> | <b>36,287</b> | <b>44,716</b> |
| Inventory                           | 3,281        | 4,755         | 4,871         | 5,090         | 5,848         | 6,819         | 9,052         | 13,033        | 16,153        | 19,224        |
| Account Receivables                 | 1,949        | 2,851         | 4,449         | 5,676         | 5,706         | 7,099         | 7,914         | 12,667        | 15,637        | 18,914        |
| Cash and Bank Balance               | 232          | 589           | 288           | 41            | 31            | 30            | 17            | 322           | 1,230         | 2,743         |
| Loans and Advances                  | 1,117        | 1,562         | 1,103         | 1,262         | 1,580         | 1,408         | 1,605         | 2,674         | 3,267         | 3,836         |
| <b>Curr. Liability and Prov.</b>    | <b>3,601</b> | <b>3,373</b>  | <b>3,390</b>  | <b>4,812</b>  | <b>5,692</b>  | <b>7,697</b>  | <b>9,477</b>  | <b>14,217</b> | <b>16,981</b> | <b>19,492</b> |
| Account Payables                    | 2,275        | 2,308         | 2,476         | 2,631         | 3,123         | 4,883         | 6,156         | 8,684         | 10,220        | 11,554        |
| Other Current Liabilities           | 1,218        | 922           | 770           | 1,988         | 2,316         | 2,449         | 2,753         | 4,586         | 5,605         | 6,580         |
| Provisions                          | 109          | 143           | 144           | 193           | 253           | 365           | 568           | 946           | 1,156         | 1,357         |
| <b>Net Current Assets</b>           | <b>2,977</b> | <b>6,383</b>  | <b>7,320</b>  | <b>7,257</b>  | <b>7,473</b>  | <b>7,660</b>  | <b>9,112</b>  | <b>14,479</b> | <b>19,306</b> | <b>25,225</b> |
| <b>Appl. of Funds</b>               | <b>9,131</b> | <b>15,565</b> | <b>18,296</b> | <b>21,023</b> | <b>23,946</b> | <b>25,081</b> | <b>27,081</b> | <b>35,396</b> | <b>45,433</b> | <b>54,362</b> |

## Financials and valuations

### Ratios

| Y/E March                     | FY14       | FY15       | FY16       | FY17       | FY18       | FY19       | FY20       | FY21E       | FY22E       | FY23E       |
|-------------------------------|------------|------------|------------|------------|------------|------------|------------|-------------|-------------|-------------|
| <b>Basic (INR)</b>            |            |            |            |            |            |            |            |             |             |             |
| <b>EPS</b>                    | <b>1.8</b> | <b>1.3</b> | <b>2.5</b> | <b>3.5</b> | <b>3.1</b> | <b>2.1</b> | <b>4.8</b> | <b>18.3</b> | <b>22.5</b> | <b>27.4</b> |
| Cash EPS                      | 2.4        | 2.4        | 4.1        | 5.5        | 5.5        | 5.1        | 8.3        | 22.1        | 27.6        | 33.3        |
| BV/Share                      | 6.7        | 13.5       | 16.0       | 24.9       | 27.7       | 29.2       | 33.1       | 48.6        | 67.8        | 91.0        |
| DPS                           | 0.0        | 0.0        | 0.1        | 0.3        | 0.0        | 0.3        | 0.6        | 2.3         | 2.8         | 3.4         |
| Payout (%)                    | 0.0        | 0.0        | 4.4        | 10.0       | 0.0        | 20.4       | 15.1       | 15.1        | 15.1        | 15.1        |
| <b>Valuation (x)</b>          |            |            |            |            |            |            |            |             |             |             |
| P/E                           | 192.5      | 273.8      | 142.2      | 99.5       | 111.6      | 170.5      | 73.3       | 19.2        | 15.5        | 12.8        |
| Cash P/E                      | 143.8      | 144.1      | 85.8       | 63.6       | 63.8       | 68.3       | 42.3       | 15.8        | 12.7        | 10.5        |
| P/BV                          | 52.2       | 25.8       | 21.8       | 14.1       | 12.6       | 12.0       | 10.6       | 7.2         | 5.2         | 3.8         |
| EV/Sales                      | 16.6       | 14.7       | 11.1       | 10.3       | 9.5        | 8.6        | 7.0        | 4.2         | 3.4         | 2.8         |
| EV/EBITDA                     | 92.1       | 97.3       | 54.4       | 48.0       | 47.6       | 52.4       | 34.9       | 13.0        | 10.4        | 8.5         |
| Dividend Yield (%)            | 0.0        | 0.0        | 0.0        | 0.1        | 0.0        | 0.1        | 0.2        | 0.7         | 0.8         | 1.0         |
| FCF per share                 | -3.5       | -8.4       | -2.7       | 1.0        | -1.0       | 0.7        | 2.0        | 4.0         | 6.5         | 14.2        |
| <b>Return Ratios (%)</b>      |            |            |            |            |            |            |            |             |             |             |
| RoE                           | 31.5       | 12.6       | 16.9       | 17.4       | 11.9       | 7.2        | 15.3       | 44.7        | 38.7        | 34.5        |
| RoCE                          | 20.5       | 14.4       | 13.0       | 13.4       | 9.7        | 7.1        | 12.5       | 32.0        | 30.8        | 29.9        |
| ROIC                          | 25.4       | 14.0       | 14.6       | 13.5       | 9.7        | 7.2        | 13.0       | 34.2        | 34.6        | 34.2        |
| <b>Working Capital Ratios</b> |            |            |            |            |            |            |            |             |             |             |
| Inventory (Days)              | 103        | 131        | 100        | 98         | 103        | 109        | 117        | 101         | 102         | 104         |
| Debtor (Days)                 | 61         | 78         | 91         | 109        | 101        | 113        | 102        | 98          | 99          | 102         |
| Creditor (Days)               | 72         | 64         | 51         | 50         | 55         | 78         | 79         | 67          | 65          | 62          |
| <b>Leverage Ratio (x)</b>     |            |            |            |            |            |            |            |             |             |             |
| Current Ratio                 | 1.8        | 2.9        | 3.2        | 2.5        | 2.3        | 2.0        | 2.0        | 2.0         | 2.1         | 2.3         |
| Interest Coverage Ratio       | 2.8        | 1.3        | 2.5        | 3.0        | 3.6        | 2.4        | 4.2        | 21.6        | 20.6        | 29.2        |
| Net Debt/Equity               | 1.4        | 1.0        | 1.2        | 0.6        | 0.6        | 0.6        | 0.6        | 0.4         | 0.2         | 0.1         |

### Consolidated Cash Flow Statement

| Y/E March                             | FY14          | FY15          | FY16          | FY17          | FY18          | FY19          | FY20          | FY21E         | FY22E         | FY23E         |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| OP/(Loss) before Tax                  | 1,209         | 666           | 1,690         | 2,352         | 2,374         | 1,198         | 2,936         | 12,765        | 15,551        | 18,760        |
| Depreciation                          | 329           | 615           | 864           | 1,060         | 1,255         | 1,642         | 1,873         | 2,053         | 2,690         | 3,191         |
| Interest & Finance Charges            | 515           | 862           | 1,038         | 931           | 505           | 720           | 837           | 372           | 553           | 385           |
| Direct Taxes Paid                     | -234          | -168          | -333          | -501          | -698          | -260          | -383          | -3,000        | -3,499        | -4,127        |
| (Inc./)Dec. in WC                     | -593          | -2,507        | -1,544        | -525          | -226          | -187          | -1,465        | -5,063        | -3,919        | -4,406        |
| <b>CF from Operations</b>             | <b>1,225</b>  | <b>-531</b>   | <b>1,716</b>  | <b>3,317</b>  | <b>3,209</b>  | <b>3,113</b>  | <b>3,797</b>  | <b>7,127</b>  | <b>11,376</b> | <b>13,802</b> |
| Others                                | -13           | -116          | 103           | 3             | 216           | -136          | -323          | 0             | 0             | 0             |
| <b>CF from Operating incl. EO</b>     | <b>1,212</b>  | <b>-647</b>   | <b>1,820</b>  | <b>3,320</b>  | <b>3,425</b>  | <b>2,977</b>  | <b>3,474</b>  | <b>7,127</b>  | <b>11,376</b> | <b>13,802</b> |
| (Inc./)Dec. in FA                     | -3,058        | -3,821        | -3,262        | -2,774        | -3,962        | -2,589        | -2,421        | -5,000        | -7,900        | -6,201        |
| <b>Free Cash Flow</b>                 | <b>-1,846</b> | <b>-4,469</b> | <b>-1,443</b> | <b>546</b>    | <b>-537</b>   | <b>387</b>    | <b>1,053</b>  | <b>2,127</b>  | <b>3,476</b>  | <b>7,601</b>  |
| (Pur./)Sale of Investments            | -60           | -148          | 140           | -113          | 0             | 0             | 0             | 0             | 0             | 0             |
| Others                                | -1            | 0             | 0             | 0             | 120           | 60            | 210           | 236           | 231           | 271           |
| <b>CF from Investments</b>            | <b>-3,120</b> | <b>-3,970</b> | <b>-3,122</b> | <b>-2,887</b> | <b>-3,842</b> | <b>-2,529</b> | <b>-2,211</b> | <b>-4,764</b> | <b>-7,669</b> | <b>-5,930</b> |
| Issue of Shares                       | 1             | 2,944         | 3             | 2,860         | 3             | 4             | 5             | 0             | 0             | 0             |
| Inc./Dec. in Debt                     | 2,503         | 2,745         | 2,063         | -2,387        | 1,278         | 429           | 139           | 20            | -200          | -3,500        |
| Interest Paid                         | -474          | -828          | -1,033        | -950          | -796          | -882          | -896          | -608          | -783          | -655          |
| Dividend Paid                         | 0             | 0             | 0             | -59           | 0             | -191          | -384          | -1,471        | -1,815        | -2,204        |
| Others                                | 0             | 0             | 0             | 0             | -62           | 193           | -140          | 0             | 0             | 0             |
| CF from Fin. Activity                 | 2,030         | 4,861         | 1,033         | -536          | 422           | -448          | -1,277        | -2,059        | -2,798        | -6,359        |
| <b>Inc./Dec. in Cash</b>              | <b>123</b>    | <b>244</b>    | <b>-269</b>   | <b>-103</b>   | <b>6</b>      | <b>0</b>      | <b>-14</b>    | <b>305</b>    | <b>908</b>    | <b>1,513</b>  |
| <b>Opening Balance</b>                | <b>27</b>     | <b>150</b>    | <b>394</b>    | <b>127</b>    | <b>23</b>     | <b>29</b>     | <b>28</b>     | <b>15</b>     | <b>320</b>    | <b>1,228</b>  |
| <b>Closing balance</b>                | <b>150</b>    | <b>394</b>    | <b>127</b>    | <b>23</b>     | <b>29</b>     | <b>28</b>     | <b>15</b>     | <b>320</b>    | <b>1,228</b>  | <b>2,741</b>  |
| Bank balance                          | 82            | 195           | 161           | 18            | 2             | 2             | 2             | 2             | 2             | 2             |
| <b>Total Cash and Cash equivalent</b> | <b>232</b>    | <b>589</b>    | <b>288</b>    | <b>41</b>     | <b>31</b>     | <b>30</b>     | <b>17</b>     | <b>322</b>    | <b>1,230</b>  | <b>2,743</b>  |

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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