

**Estimate change**

**TP change**

**Rating change**

**CMP: INR586**
**TP: INR740 (+26%)**
**Buy**

## On the rising path

### Specialty portfolio sales in step-up mode

- SUNP delivered higher-than-expected profitability on: a) better traction in Specialty portfolio/US Generics, and b) extended benefit of lower opex. Marketing efforts for the Specialty portfolio remain constrained due to COVID-19, offering scope to gain further prescription share going forward.
- We raise our FY21E/FY22E/FY23E earnings estimate by 9%/7%/7%, factoring in: a) gains from marketing in the Specialty portfolio, b) market share gain/utilizing shortage opportunities in US Generics, and c) controlled operational cost due to uncertainties related to COVID-19.
- We continue to value SUNP at 25x 12 months forward earnings to arrive at our target price of INR740. We remain positive due to: a) superior execution in the Specialty portfolio, b) strong ANDA pipeline, and c) outperformance in the Branded Generics segment. Maintain **Buy**.

### Product mix, operating leverage drive earnings

- 3QFY21 sales were up 9.2% YoY to INR88b (v/s our estimate of INR86.2b), led by US sales, up 11% YoY to INR27.6b (USD374m; 31% of sales), RoW+EM, up 11.6% YoY to INR27.8b (32% of sales), and India sales, up 9.4% YoY to INR27.5b (31% of sales). API sales fell 10.5% YoY to INR4.5b (6% of sales), dragging overall growth to some extent.
- Gross margin in 3QFY21 was up 80bp YoY to 73.6%.
- EBITDA margin expanded 550bp YoY to 26% (v/s our estimate of 24.3%), due to lower other expenditure (-520bp YoY as a percentage of sales), partially offset by higher staff expense (+30bp YoY as a percentage of sales).
- EBITDA increased 39% YoY to INR22.7b (v/s our estimate of INR21b).
- Adjusted PAT after minority interest rose 2.1x YoY to INR17.8b (v/s our estimate of INR13.8b). The YoY growth in adjusted PAT is higher than EBITDA due to higher other income and lower tax rate.
- Revenue/EBITDA/PAT rose 2%/21%/42% to INR247b/INR61b/INR45.7b in 9MFY21.

### Highlights from the management commentary

- SUNP has crossed FY20 sales for Illumya in 9MFY21. It witnessed good traction for this product in the Japanese market.
- Specialty revenue has increased to USD148m in 3QFY21, with Illumya, Cequa, and Odomzo sales at pre-COVID levels.
- The increased traction in the Specialty portfolio is led by a gradual increase in the market share for key products.
- The company is yet to see g-Absorica in the market.
- Excluding Taro, growth in Generics sales was led by market share gains, incremental upside from shortage of products, and efficient supply chain management.

Bloomberg	SUNP IN
Equity Shares (m)	2,399
M.Cap.(INRb)/(USD\$b)	1407.1 / 18.6
52-Week Range (INR)	628 / 315
1, 6, 12 Rel. Per (%)	2/-3/18
12M Avg Val (INR M)	5346

#### Financials & valuations (INR b)

Y/E MARCH	2021E	2022E	2023E
Sales	335.3	377.3	417.5
EBITDA	82.5	88.8	97.7
Adj. PAT	61.7	64.5	71.9
EBIT Margin (%)	18.6	18.0	18.2
Cons. Adj. EPS (INR)	25.7	26.8	29.9
EPS Gr. (%)	56.5	4.4	11.6
BV/Sh. (INR)	196.3	218.6	244.1

#### Ratios

Net D:E	0.05	-0.01	-0.08
RoE (%)	13.4	12.9	12.9
RoCE (%)	9.9	11.5	11.5
Payout (%)	32.0	15.8	14.2

#### Valuations

P/E (x)	23.0	22.0	19.7
EV/EBITDA (x)	16.8	15.3	13.5
Div. Yield (%)	0.6	0.6	0.6
FCF Yield (%)	0.6	2.6	3.5
EV/Sales (x)	4.1	3.6	3.2

#### Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	54.5	54.7	54.6
DII	20.8	20.5	19.1
FII	12.2	12.4	13.9
Others	12.5	12.5	12.5

FII Includes depository receipts

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

 Motilal Oswal research is available on [www.motilalosal.com/Institutional-Equities](http://www.motilalosal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

**Valuation and view**

- We raise our FY21E/FY22E/FY23E earnings estimate by 9%/7%/7%, factoring in: a) better sales outlook for niche products, b) market share gain in the Branded/US Generics, and c) better operating leverage. We raise our target price to INR740/share on 25x 12 months forward earnings.
- We believe SUNP's RoE is at a trough and would improve with 22% earnings CAGR, led by 9%/7%/10% sales CAGR in DF/US/RoW and 340bp margin expansion over FY20-23E. Maintain **Buy**.

**Consolidated quarterly performance**

(INR b)

Y/E March	FY20				FY21				FY20	FY21E	3QFY21E	Variance
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				%
<b>Net Revenue</b>	<b>82.6</b>	<b>79.5</b>	<b>80.4</b>	<b>80.8</b>	<b>74.7</b>	<b>84.6</b>	<b>87.8</b>	<b>88.2</b>	<b>323.3</b>	<b>335.3</b>	<b>86.3</b>	<b>1.8</b>
YoY Change (%)	15.7	16.1	5.0	14.7	-9.6	6.4	9.2	9.2	12.7	3.7	7.3	
Total Expenditure	64.5	63.4	64.0	66.8	58.2	62.4	65.0	67.1	258.6	252.8	65.3	
<b>EBITDA</b>	<b>18.1</b>	<b>16.1</b>	<b>16.4</b>	<b>14.0</b>	<b>16.5</b>	<b>22.2</b>	<b>22.8</b>	<b>21.1</b>	<b>64.6</b>	<b>82.5</b>	<b>21.0</b>	<b>8.8</b>
YoY Change (%)	19.2	11.6	-7.1	47.3	-9.2	37.8	38.7	50.8	13.8	27.7	27.5	
Margin (%)	22.0	20.2	20.4	17.3	22.0	26.2	26.0	23.9	20.0	24.6	24.3	
Depreciation	4.6	4.7	5.5	5.8	5.0	5.0	5.3	5.0	20.5	20.2	5.1	
<b>EBIT</b>	<b>13.6</b>	<b>11.3</b>	<b>11.0</b>	<b>8.2</b>	<b>11.5</b>	<b>17.2</b>	<b>17.5</b>	<b>16.1</b>	<b>44.1</b>	<b>62.3</b>	<b>15.9</b>	
YoY Change (%)	21.1	11.9	-15.6	66.2	-15.2	51.4	59.4	95.8	12.3	41.2	44.9	
Interest	1.0	0.8	0.6	0.5	0.5	0.3	0.3	0.3	3.0	1.4	0.3	
Net Other Income	3.3	3.8	2.4	2.1	2.7	3.5	3.7	3.3	11.5	13.2	2.6	
<b>PBT before EO Exp.</b>	<b>15.8</b>	<b>14.2</b>	<b>12.7</b>	<b>9.8</b>	<b>13.7</b>	<b>20.3</b>	<b>20.9</b>	<b>19.1</b>	<b>52.5</b>	<b>74.1</b>	<b>18.1</b>	<b>15.5</b>
Less: EO Exp./Inc.	-0.7	-0.1	-0.8	4.0	35.5	1.2	-0.7	0.0	2.5	36.0	0.0	
<b>PBT</b>	<b>16.5</b>	<b>14.3</b>	<b>13.5</b>	<b>5.8</b>	<b>-21.8</b>	<b>19.2</b>	<b>21.6</b>	<b>19.1</b>	<b>50.1</b>	<b>38.1</b>	<b>18.1</b>	
Tax	1.5	2.7	3.3	0.8	2.5	-0.3	2.5	2.7	8.2	7.4	3.1	
Rate (%)	9.2	18.7	25.8	8.5	17.9	-1.5	12.1	14.3	15.7	10.0	17.0	
<b>PAT (pre Minority Interest)</b>	<b>15.0</b>	<b>11.7</b>	<b>10.2</b>	<b>4.9</b>	<b>-24.3</b>	<b>19.5</b>	<b>19.1</b>	<b>16.4</b>	<b>41.9</b>	<b>30.7</b>	<b>15.0</b>	
Minority Interest	1.1	1.0	1.1	0.9	-7.7	1.4	0.7	0.3	4.2	-5.4	1.3	
<b>Reported PAT</b>	<b>13.9</b>	<b>10.6</b>	<b>9.1</b>	<b>4.0</b>	<b>-16.6</b>	<b>18.1</b>	<b>18.4</b>	<b>16.1</b>	<b>37.6</b>	<b>36.1</b>	<b>13.8</b>	<b>33.8</b>
<b>Adj .Net Profit*</b>	<b>13.2</b>	<b>10.6</b>	<b>8.3</b>	<b>7.4</b>	<b>11.5</b>	<b>16.4</b>	<b>17.8</b>	<b>16.1</b>	<b>39.5</b>	<b>61.7</b>	<b>13.8</b>	<b>29.2</b>
YoY Change (%)	34.4	3.5	-11.7	7.4	-13.2	55.4	114.1	117.6	8.7	56.5	65.7	

**Key performance indicators (consolidated)**

Y/E March	FY20				FY21				FY20	FY21E	3QFY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			
Domestic formulations (INR b)	23.1	25.1	25.2	23.6	23.9	25.3	27.5	27.2	97.1	103.9	25.9
YoY Change (%)	7.5	35.2	12.6	114.8	3.2	0.7	9.4	14.9	32.1	7.0	3.0
US sales (INR b)	29.7	23.9	24.9	27.1	21.4	24.9	27.6	28.1	105.4	102.1	27.7
YoY Change (%)	16.6	(0.3)	(4.4)	(11.8)	(28.0)	4.3	10.8	3.5	(1.2)	(3.2)	11.2
RoW (INR b)	25.3	25.7	24.9	24.8	23.5	28.8	27.8	25.6	100.3	105.7	26.7
YoY Change (%)	24.9	20.5	5.7	10.0	(7.2)	12.1	11.6	3.4	13.7	5.4	7.0
APIs (INR b)	4.6	4.7	5.0	4.8	5.5	5.1	4.5	7.0	19.2	22.1	5.7
YoY Change (%)	17.0	9.8	18.1	(0.1)	20.1	9.1	(10.5)	44.1	10.7	15.4	14.0
<b>Cost Break-up</b>											
RM Cost (% of Sales)	29.8	28.5	27.4	28.5	26.4	25.4	26.6	26.5	28.2	26.2	26.5
Staff Cost (% of Sales)	18.7	20.4	19.3	20.4	23.6	20.2	19.6	19.9	19.7	20.7	21.0
R&D Expenses (% of Sales)	5.1	6.1	6.6	6.6	5.6	7.2	6.4	7.3	6.1	6.7	7.0
Other Cost (% of Sales)	24.5	24.7	26.4	27.1	22.4	21.0	21.5	22.4	25.7	21.8	21.2
Gross Margin (%)	70.2	71.5	72.6	71.5	73.6	74.6	73.4	73.5	71.8	73.8	73.5
EBITDA Margin (%)	22.0	20.2	20.4	17.3	22.0	26.2	26.0	23.9	20.0	24.6	24.3
EBIT Margin (%)	16.4	14.3	13.6	10.2	15.4	20.3	19.9	18.3	13.6	18.6	18.4



### Highlights from the conference call

- Specialty R&D spend was 27% of total spends in 3QFY21.
- Some R&D expenses related to clinical trials has slowed down due to reduced pace of patient recruitment across key markets. R&D spend is likely to grow with the addition of studies on new indications.
- Conversion from Absorica to Absorica LD remains at 20%. The slower ramp up is largely due to COVID-19.
- Phase III clinical trials related to Psoriatic arthritic condition (Illumya) have started. SUNP has also started Phase II clinical trials for SCD-044 on patients with moderate to severe plaque psoriasis.
- The generic pipeline includes 90 ANDAs/8 NDAs on which approvals are pending from the USFDA.
- MR are fully operational in the field. Around 95% of Specialty doctors have resumed services, but the patient flow is 75% of pre-COVID levels.
- The company launched 23 new products in 3QFY21 in the DF segment. It expects to launch 20-25 products every quarter going forward.
- Other expenses are expected to rise with the ease in the COVID-19 situation.
- Excluding Taro, net debt fell to USD250m at the end of 9MFY21.

### Exhibit 1: Taro – financial snapshot

USD m	3QFY21	3QFY20	YoY (%)	2QFY21	QoQ (%)
<b>Sales</b>	<b>140.1</b>	<b>147.6</b>	<b>-5.1</b>	<b>142.8</b>	<b>-1.9</b>
Growth (%)					
Cost of sales (incl. Depn.)	67.0	53.5	25.2	61.3	9.3
<b>Gross profit</b>	<b>73.2</b>	<b>94.1</b>	<b>-22.2</b>	<b>81.6</b>	<b>-10.3</b>
GP Margin (%)	52.2	63.8	(1,155)bp	57.1	(489)bp
<b>Operating expenses</b>					
R&D	14.1	14.9	-5.5	16.5	-14.7
R&D as a % of sales	10.0	10.1		11.6	
SG&A	22.8	20.9	9.1	24.1	-5.3
SG&A as a % of sales	16.3	14.2		16.9	
<b>Operating Profit</b>	<b>36.3</b>	<b>58.3</b>	<b>-37.7</b>	<b>41.0</b>	<b>-11.5</b>
Operating Profit Margin (%)	25.9	39.5	(1,361)bp	28.7	(280)bp
<b>EBITDA</b>	<b>42.3</b>	<b>63.8</b>	<b>-33.7</b>	<b>46.8</b>	<b>-9.6</b>
EBITDA margin (%)	30.2	43.2	(1,306)bp	32.8	(258)bp
Financial expenses	-4.0	-8.5		-5.6	
Extraordinary items incl. forex	2.0	0.0		-0.6	
Other income	0.9	0.5		1.4	
<b>PBT</b>	<b>39.2</b>	<b>67.4</b>	<b>-41.9</b>	<b>48.6</b>	<b>-19.4</b>
Taxes	6.1	2.9		3.6	
Effective tax rate (%)	15.6	4.3		7.4	
<b>Net income before MI</b>	<b>33.1</b>	<b>64.5</b>	<b>-48.7</b>	<b>45.0</b>	<b>-26.5</b>
Minority interest	0.1	0.0		-0.7	
<b>Net income (Reported)</b>	<b>33.0</b>	<b>64.5</b>	<b>-48.9</b>	<b>45.7</b>	<b>-27.9</b>
Forex fluctuations	0.0	3.3		0.0	
<b>Net income (Adjusted)</b>	<b>33.0</b>	<b>61.2</b>	<b>-46.2</b>	<b>45.7</b>	<b>-27.9</b>

Source: MOFSL, Company

## Valuation and view

### US: Specialty growth sparked by ramp-up in Ilumya

- After the adverse impact of COVID-19 on the Specialty business in 1QFY21, sales bounced back strongly. Global Specialty sales were back to pre-COVID levels of USD334m in 9MFY21, with Ilumya sales crossing FY20 levels. SUNP is investing in additional indication (Psoriatic Arthritis) for Ilumya to grow its addressable market. Better efficacy of IL-23 biologic for Plaque Psoriasis bodes well for Ilumya.
- Taro's performance was impacted due to COVID-19, resulting in a 15% YoY decline in sales in 9MFY21.
- In the Generics segment, SUNP filed 10 ANDAs and received 15 approvals in 9MFY21. Its ANDA pipeline remains robust, with 90 approvals pending. Considering: a) stable pricing for the base portfolio, b) increase in the pace of new launches over the medium term, and c) increased business from shortage opportunities, and d) better traction in the Specialty portfolio, we expect US sales to exhibit 5% sales CAGR in CC terms to USD1.7b over FY20-23E.

### DF: Strong performance in Chronic with a recovery in sub-Chronic therapies

- SUNP delivered 4.5% YoY growth in the DF segment in 9MFY21. The Chronic and sub-Chronic therapies are doing well, with the latter showing a marked recovery in 3QFY21. Recovery in Acute therapy sales is still lagging, but is expected to be better in coming months with improved MR-doctor-patient connect. Use of the digital marketing platform would keep promotional costs under control in the near-term.
- Based on its established presence in the Chronic category and new launches in both the Acute and Chronic categories, SUNP is well-placed to outperform the industry over the next 2-3 years. Given its wide marketing presence, it remains well placed for in-licensing opportunities in the DF market. With a recovery from the COVID-led slowdown, we expect 9% CAGR in India sales to INR125b over FY20-23E.

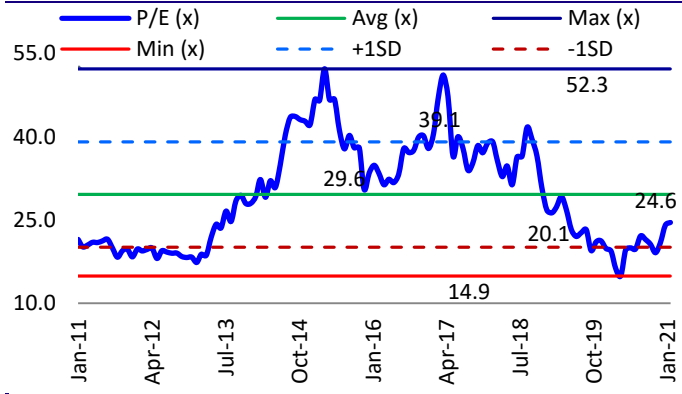
### EM/RoW: Increased traction/better penetration to drive growth

- Growth in the RoW market in 3QFY21 was driven by all round growth in Japan, Europe, and Taro's RoW business.
- We expect 10% sales CAGR to INR134b in the EM/RoW segment over FY20-23E, led by increased penetration in these markets by SUNP.

### Maintain positive stance on the stock

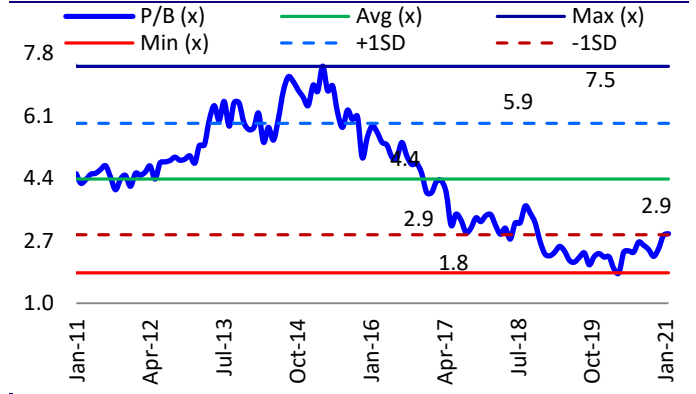
- We raise our FY21E/FY22E/FY23E earnings estimate by 9%/7%/7%, factoring in: a) continued benefit of lower opex in the Branded segment, b) further ramp-up in the Specialty portfolio, and c) market share gain in the US Generics segment. We raise our target price to INR740/share on 25x 12 months forward earnings.
- We believe SUNP's RoE is at a trough and would improve with 22% earnings CAGR, led by 9%/7%/10% sales CAGR in DF/US/RoW and 340bp margin expansion over FY20-23E. Maintain **Buy**.

**Exhibit 2: P/E chart**



Source: MOFSL, Company, Bloomberg

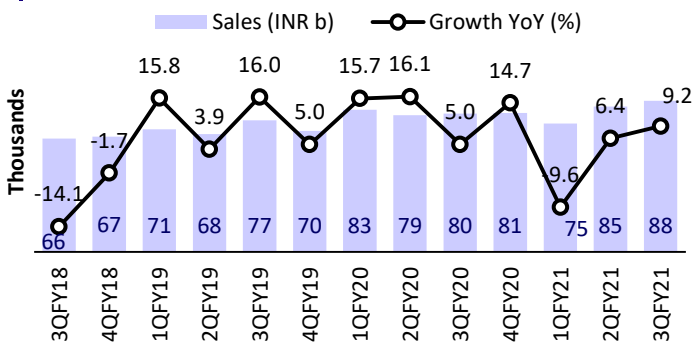
**Exhibit 3: P/B chart**



Source: MOFSL, Company, Bloomberg

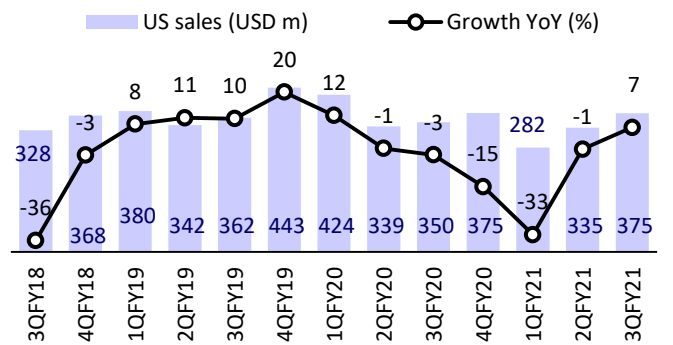
## Story in charts

**Exhibit 4: Revenue up 9% YoY in 3QFY21**



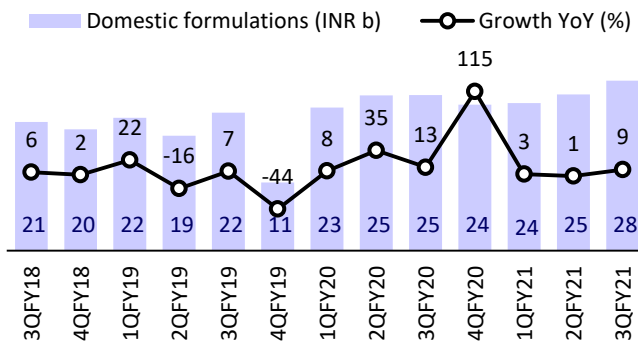
Source: Company, MOFSL

**Exhibit 5: US business sales grew 7% YoY in CC terms**



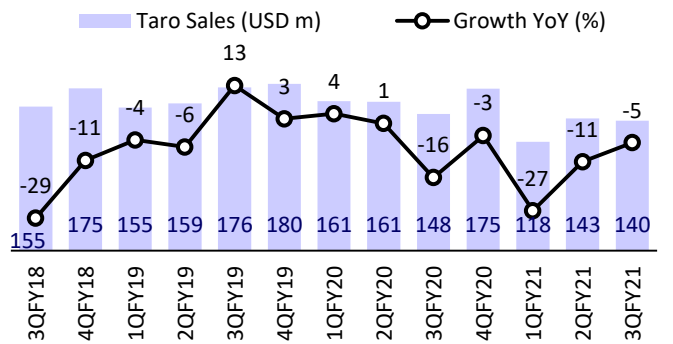
Source: Company, MOFSL

**Exhibit 6: DF sales grew 9% YoY in 3QFY21**



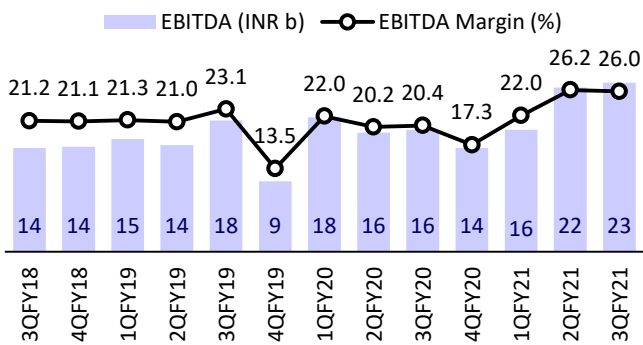
Source: Company, MOFSL

**Exhibit 7: Taro sales decline 5% YoY in 3QFY21**



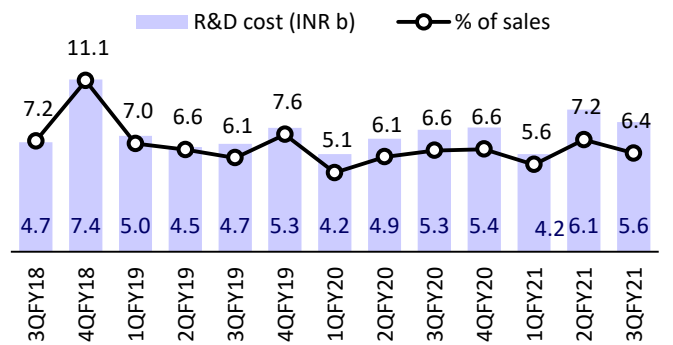
Source: Company, MOFSL

**Exhibit 8: EBITDA margin up 550bps YoY**



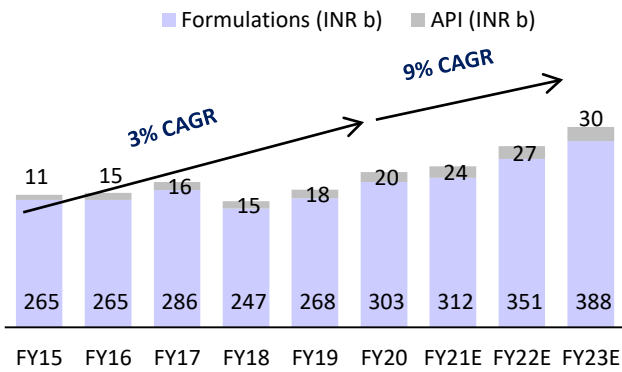
Source: Company, MOFSL

**Exhibit 9: R&D at 6.4% of sales in 3QFY21**



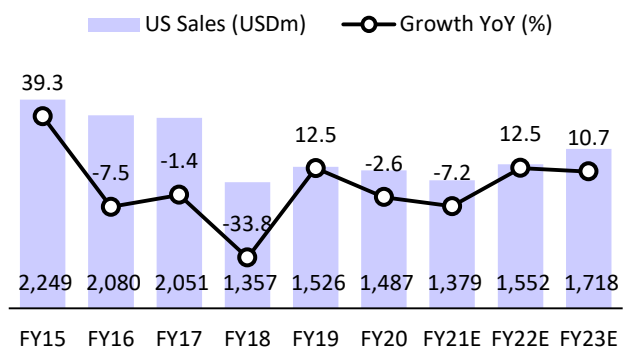
Source: Company, MOFSL

**Exhibit 10: Expect 9% revenue CAGR over FY20-22E**



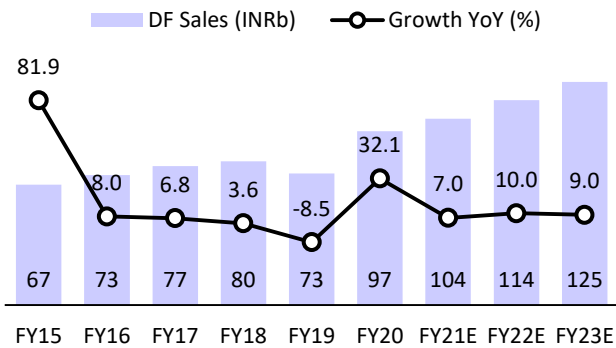
Source: Company, MOFSL

**Exhibit 11: Expect 5% CAGR in US sales over FY20-23E**



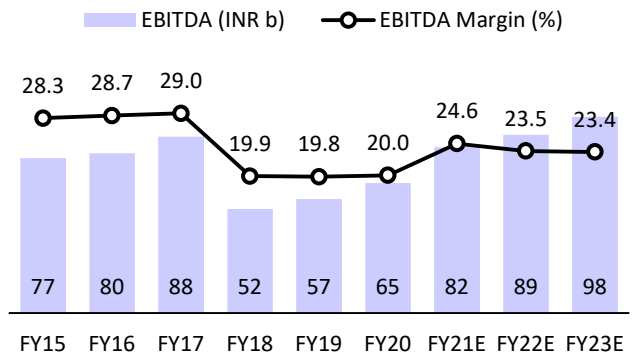
Source: Company, MOFSL

**Exhibit 12: Expect 9% DF sales CAGR over FY20-23E**



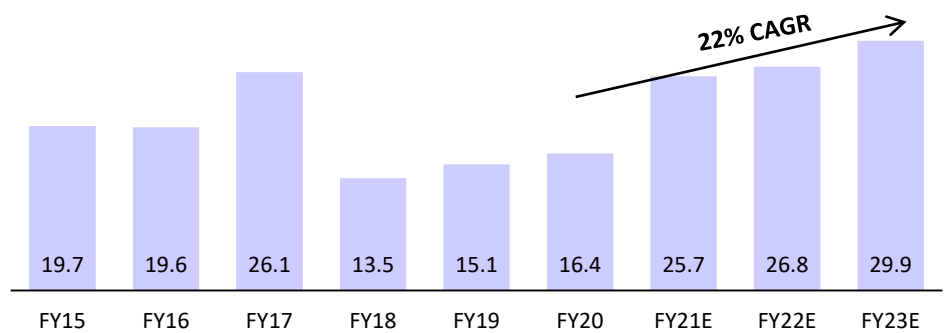
Source: Company, MOFSL

**Exhibit 13: EBITDA margin to improve from FY20 levels**



Source: Company, MOFSL

**Exhibit 14: Expect 22% EPS CAGR over FY20-23E**



Source: Company, MOFSL

## Financials and valuations

### Income Statements

(INR b)

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>Net Sales</b>	<b>160.0</b>	<b>272.9</b>	<b>277.4</b>	<b>302.6</b>	<b>260.7</b>	<b>286.9</b>	<b>323.3</b>	<b>335.3</b>	<b>377.3</b>	<b>417.5</b>
Change (%)	42.4	70.5	1.7	9.1	-13.9	10.1	12.7	3.7	12.5	10.7
Total Expenditure	90.8	195.7	197.9	214.9	208.8	230.1	258.6	252.8	288.5	319.8
% of Sales	56.7	71.7	71.3	71.0	80.1	80.2	80.0	75.4	76.5	76.6
<b>EBITDA</b>	<b>69.3</b>	<b>77.2</b>	<b>79.6</b>	<b>87.8</b>	<b>51.8</b>	<b>56.8</b>	<b>64.6</b>	<b>82.5</b>	<b>88.8</b>	<b>97.7</b>
Margin (%)	43.3	28.3	28.7	29.0	19.9	19.8	20.0	24.6	23.5	23.4
Depreciation	4.1	11.9	10.1	12.6	15.0	17.5	20.5	20.2	21.1	21.6
<b>EBIT</b>	<b>65.2</b>	<b>65.3</b>	<b>69.4</b>	<b>75.1</b>	<b>36.8</b>	<b>39.3</b>	<b>44.1</b>	<b>62.3</b>	<b>67.7</b>	<b>76.1</b>
Int. and Finance Charges	0.4	5.8	4.8	4.0	5.2	5.6	3.0	1.4	1.1	0.9
Other Income - Rec.	6.3	6.9	9.8	19.4	12.6	14.1	11.5	13.2	12.7	13.5
Extra-ordinary Exp.	25.2	2.4	6.9	0.0	9.5	9.7	2.5	36.0	0.0	0.0
PBT	45.8	64.0	67.7	90.5	34.8	38.1	50.1	38.1	79.4	88.7
Tax	7.0	9.1	9.3	12.1	8.5	6.0	8.2	7.4	11.9	13.7
Tax Rate (%)	15.3	14.3	13.8	13.4	24.3	15.8	16.4	19.4	15.0	15.5
<b>Profit after Tax</b>	<b>38.8</b>	<b>54.9</b>	<b>58.3</b>	<b>78.4</b>	<b>26.3</b>	<b>32.1</b>	<b>41.9</b>	<b>30.7</b>	<b>67.5</b>	<b>74.9</b>
Change (%)	11.9	41.4	6.2	34.4	-66.4	21.9	30.5	-26.7	119.8	11.1
Margin (%)	24.2	20.1	21.0	25.9	10.1	11.2	13.0	9.2	17.9	17.9
Less: Minority Interest	7.4	9.5	11.1	8.7	4.7	5.4	4.2	-5.4	3.0	3.0
<b>Reported PAT</b>	<b>31.4</b>	<b>45.4</b>	<b>47.2</b>	<b>69.6</b>	<b>21.6</b>	<b>26.7</b>	<b>37.6</b>	<b>36.1</b>	<b>64.5</b>	<b>71.9</b>
<b>Adjusted PAT (excl. Ex. Items)</b>	<b>52.8</b>	<b>47.4</b>	<b>47.1</b>	<b>62.9</b>	<b>32.4</b>	<b>36.3</b>	<b>39.5</b>	<b>61.7</b>	<b>64.5</b>	<b>71.9</b>

### Balance Sheet

(INR b)

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Equity Share Capital	2.1	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Total Reserves	183.2	253.8	327.4	364.0	378.6	411.7	450.2	469.8	523.6	584.9
<b>Net Worth</b>	<b>185.2</b>	<b>256.2</b>	<b>329.8</b>	<b>366.4</b>	<b>381.0</b>	<b>414.1</b>	<b>452.6</b>	<b>472.2</b>	<b>526.0</b>	<b>587.3</b>
Minority Interest	19.2	28.7	40.9	37.9	38.8	33.1	38.6	33.2	36.2	39.2
Deferred Liabilities	-9.1	-17.5	-30.5	-21.8	-19.7	-24.5	-31.2	-31.2	-31.2	-31.2
Total Loans	25.0	77.8	83.2	80.9	97.5	98.9	75.8	66.2	47.9	34.9
<b>Capital Employed</b>	<b>220.3</b>	<b>345.2</b>	<b>423.4</b>	<b>463.4</b>	<b>497.6</b>	<b>521.7</b>	<b>535.9</b>	<b>540.4</b>	<b>579.0</b>	<b>630.2</b>
Gross Block	63.9	130.4	123.0	134.0	155.6	181.8	207.8	224.6	254.6	284.6
Less: Accum. Deprn.	28.9	60.6	47.2	49.0	64.0	81.6	102.1	122.3	143.4	165.0
<b>Net Fixed Assets</b>	<b>35.0</b>	<b>69.8</b>	<b>75.8</b>	<b>85.0</b>	<b>91.6</b>	<b>100.3</b>	<b>105.7</b>	<b>102.3</b>	<b>111.2</b>	<b>119.6</b>
Capital WIP	8.4	20.4	12.0	15.6	14.3	9.1	6.6	7.2	8.0	8.8
Goodwill	33.2	57.1	92.6	104.2	107.2	123.1	128.4	128.4	128.4	128.4
Investments	27.9	27.2	11.2	9.6	30.5	39.5	52.5	52.5	52.5	52.5
<b>Curr. Assets</b>	<b>177.4</b>	<b>297.4</b>	<b>332.2</b>	<b>374.8</b>	<b>377.4</b>	<b>349.4</b>	<b>357.6</b>	<b>373.6</b>	<b>417.7</b>	<b>476.4</b>
Inventory	31.2	56.7	64.2	68.3	68.8	78.9	78.7	86.0	97.0	106.5
Account Receivables	22.0	53.1	67.8	72.0	78.2	88.8	94.2	99.3	116.6	131.2
Cash and Bank Balance	75.9	110.0	131.8	151.4	99.3	72.8	64.9	45.4	52.6	77.8
Loans and advances and Others	48.3	77.6	68.4	83.0	131.1	108.9	119.8	143.0	151.5	160.8
<b>Curr. Liability and Prov.</b>	<b>61.5</b>	<b>126.6</b>	<b>100.4</b>	<b>125.7</b>	<b>123.5</b>	<b>99.7</b>	<b>114.9</b>	<b>123.6</b>	<b>138.8</b>	<b>155.4</b>
Account Payables	15.9	59.2	51.7	73.5	68.3	66.1	70.1	72.1	79.5	87.3
Provisions	45.6	67.4	48.7	52.3	55.1	33.6	44.8	51.5	59.3	68.2
<b>Net Current Assets</b>	<b>115.9</b>	<b>170.8</b>	<b>231.7</b>	<b>249.1</b>	<b>253.9</b>	<b>249.7</b>	<b>242.7</b>	<b>250.0</b>	<b>278.9</b>	<b>320.9</b>
<b>Appl. of Funds</b>	<b>220.3</b>	<b>345.2</b>	<b>423.4</b>	<b>463.4</b>	<b>497.6</b>	<b>521.7</b>	<b>535.9</b>	<b>540.4</b>	<b>579.0</b>	<b>630.2</b>



## Financials and valuations

### Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>Adjusted EPS</b>	<b>22.0</b>	<b>19.7</b>	<b>19.6</b>	<b>26.1</b>	<b>13.5</b>	<b>15.1</b>	<b>16.4</b>	<b>25.7</b>	<b>26.8</b>	<b>29.9</b>
Cash EPS	14.8	23.8	23.8	34.2	15.2	18.4	24.2	23.4	35.6	38.9
BV/Share	77.0	106.5	137.1	152.3	158.4	172.1	188.1	196.3	218.6	244.1
DPS	2.6	3.0	3.0	1.0	3.3	2.0	3.5	3.5	3.8	3.8
Payout (%)	18.7	15.4	14.9	3.7	36.5	18.0	23.5	32.0	15.8	14.2
<b>Valuation (x)</b>										
P/E	26.9	29.9	30.2	22.6	43.9	39.1	36.0	23.0	22.0	19.7
P/BV	7.7	5.5	4.3	3.9	3.7	3.4	3.1	3.0	2.7	2.4
EV/Sales	8.4	5.0	4.9	4.4	5.3	4.9	4.3	4.1	3.6	3.2
EV/EBITDA	19.3	17.6	17.0	15.2	26.7	24.7	21.3	16.8	15.3	13.5
Dividend Yield (%)	0.4	0.5	0.5	0.2	0.6	0.3	0.6	0.6	0.6	0.6
<b>Return Ratios (%)</b>										
RoE	31.5	21.5	16.1	18.1	8.7	9.1	9.1	13.4	12.9	12.9
RoCE	33.4	22.7	18.3	19.0	8.1	9.1	8.9	9.9	11.5	11.5
ROIC	55.5	37.8	26.2	23.4	8.7	8.8	9.1	11.8	12.8	13.4
<b>Working Capital Ratios</b>										
Asset Turnover (x)	0.7	0.8	0.7	0.7	0.5	0.5	0.6	0.6	0.7	0.7
Fixed Asset Turnover (x)	4.8	5.2	3.8	3.8	3.0	3.0	3.1	3.2	3.5	3.6
Debtor (Days)	50	71	89	87	109	113	106	108	113	115
Creditor (Days)	209	321	291	330	336	307	277	299	296	296
Inventory (Days)	71	76	84	82	96	100	89	94	94	93
<b>Leverage Ratio</b>										
Debt/Equity (x)	0.2	0.3	0.3	0.2	0.3	0.3	0.0	0.0	0.0	-0.1

### Cash Flow Statement

(INR b)

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
OP/(Loss) bef. Tax	44.1	74.8	72.7	87.8	42.3	47.1	62.2	46.5	88.8	97.7
Int./Dividends Recd.	6.3	6.9	9.8	19.4	12.6	14.1	11.5	13.2	12.7	13.5
Direct Taxes Paid	-9.0	-17.6	-22.3	-3.4	-6.4	-10.8	-14.9	-7.4	-11.9	-13.7
(Inc.)/Dec. in WC	-5.6	-20.9	-39.1	2.3	-57.0	-22.3	-1.0	-26.8	-21.7	-16.8
<b>CF from Operations</b>	<b>35.8</b>	<b>43.3</b>	<b>21.2</b>	<b>106.0</b>	<b>-8.4</b>	<b>28.1</b>	<b>57.8</b>	<b>25.5</b>	<b>67.9</b>	<b>80.7</b>
(inc.)/dec. in FA	-18.6	-82.6	-43.4	-36.9	-23.4	-36.8	-28.7	-17.5	-30.7	-30.8
<b>Free Cash Flow</b>	<b>17.2</b>	<b>-39.2</b>	<b>-22.2</b>	<b>69.0</b>	<b>-31.8</b>	<b>-8.7</b>	<b>29.1</b>	<b>8.0</b>	<b>37.2</b>	<b>49.9</b>
(Pur.)/Sale of Invest.	-3.7	0.7	16.0	1.6	-20.9	-9.0	-12.9	0.0	0.0	0.0
<b>CF from investments</b>	<b>-22.3</b>	<b>-81.9</b>	<b>-27.4</b>	<b>-35.4</b>	<b>-44.3</b>	<b>-45.8</b>	<b>-41.7</b>	<b>-17.5</b>	<b>-30.7</b>	<b>-30.8</b>
Change in net worth	6.7	34.0	36.2	-41.8	-1.2	1.1	12.0	-6.7	0.0	0.0
(Inc.)/Dec. in Debt	22.9	52.8	5.3	-2.3	16.6	1.4	-23.2	-9.6	-18.2	-13.1
Interest Paid	-0.4	-5.8	-4.8	-4.0	-5.2	-5.6	-3.0	-1.4	-1.1	-0.9
Dividend Paid	-7.3	-8.4	-8.7	-2.9	-9.6	-5.8	-9.8	-9.8	-10.7	-10.7
<b>CF from Fin. Activity</b>	<b>21.9</b>	<b>72.6</b>	<b>28.0</b>	<b>-51.0</b>	<b>0.6</b>	<b>-8.9</b>	<b>-24.0</b>	<b>-27.5</b>	<b>-30.0</b>	<b>-24.7</b>
<b>Inc./Dec. in Cash</b>	<b>35.3</b>	<b>34.1</b>	<b>21.8</b>	<b>19.6</b>	<b>-52.1</b>	<b>-26.5</b>	<b>-7.9</b>	<b>-19.5</b>	<b>7.2</b>	<b>25.2</b>
Add: Opening Balance	40.6	75.9	110.0	131.8	151.4	99.3	72.8	64.9	45.4	52.6
<b>Closing Balance</b>	<b>75.9</b>	<b>110.0</b>	<b>131.8</b>	<b>151.4</b>	<b>99.3</b>	<b>72.8</b>	<b>64.9</b>	<b>45.4</b>	<b>52.6</b>	<b>77.8</b>

NOTES

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Investment Rating	Expected return (over 12-month)
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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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