

BSE SENSEX

52,843

S&P CNX

15,863


Stock Info

Bloomberg	ALKEM IN
Equity Shares (m)	120
M.Cap.(INRb)/(USD\$)	391.1 / 5.1
52-Week Range (INR)	4068 / 2544
1, 6, 12 Rel. Per (%)	2/-4/13
12M Avg Val (INR M)	615
Free float (%)	42.9

Financials Snapshot (INR b)

Y/E MARCH	2022E	2023E	2024E
Sales	103.2	113.3	127.5
EBITDA	20.3	22.9	26.5
Adj. PAT	17.9	18.8	21.8
EBIT Margin (%)	16.8	17.5	18.2
Cons. Adj. EPS (INR)	149.6	157.6	182.1
EPS Gr. (%)	11.6	5.3	15.5
BV/Sh. (INR)	731.2	853.3	994.4

Ratios

Net D:E	-0.1	-0.2	-0.2
RoE (%)	22.2	19.9	19.7
RoCE (%)	19.1	17.5	17.7
Payout (%)	23.7	22.5	22.5

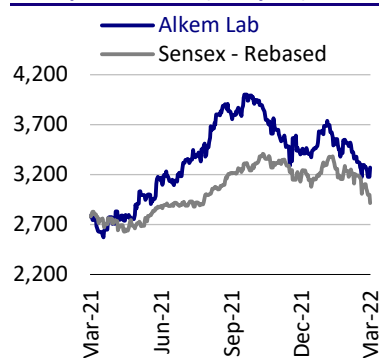
Valuations

P/E (x)	21.8	20.7	17.9
EV/EBITDA (x)	18.8	16.3	13.6
Div. Yield (%)	0.9	0.9	1.1
FCF Yield (%)	2.1	3.2	4.0
EV/Sales (x)	3.7	3.3	2.8

Shareholding pattern (%)

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

FII Includes depository receipts

Stock performance (one-year)

CMP: INR3,271 TP: INR3,870 (+18%)
Buy
India focused play and encouraging outlook bodes well

- Given the turmoil on the international front, the branded Domestic Formulation segment (DF) remains well protected. It is also on the growth path, with the easing of COVID-related restrictions.
- ALKEM, which garners maximum sales from the DF segment (70% of total sales), is well-placed to reap better business prospects as compared to its peers. It also has multiple levers to outperform the India Pharma market (IPM) in the near to medium term.
- Sound compliance and steady approvals are helping to offset the intense price erosion impact in the US Generics segment.
- We cut our FY23/FY24 estimate by 6%/7% to factor in raw material and logistics-related headwinds. The stock is currently trading at attractive valuations of 21x/18x FY23E/FY24E EPS.
- We value ALKEM at 22x its 12-months forward earnings to arrive at our TP of INR3870. We remain positive on the back of its superior execution in the DF segment, positive benefit of inflation-linked price hike on products under NLEM, and consistent compliance track record. We reiterate our Buy rating.

Higher contribution from the DF segment augurs well for ALKEM

- After MNC Pharma and pure-play companies like ERIS, ALKEM has minimal exposure to the international business. It has multiple growth drivers over the next 12-18 months, despite a high base in the past 12 months, due to: a) a revival in Non-COVID therapies and better MR productivity (14% net addition over the past two years), b) sustained outperformance in Chronic therapies, and c) positive impact of WPI-linked price hike in the portfolio under NLEM.
- We expect a 13% sales CAGR in the DF segment over FY22-24.

The healthy pace of filing/launches to arrest the impact of the price erosion in the US

- Exports, largely comprising of the US and other select geographies, grew at 18% CAGR over FY16-21.
- However, there has been a moderation in FY22 (almost flat YoY in 9MFY22) due to significant price erosion in the US base portfolio (81% of exports). However, ALKEM remains on track to file 12-15 ANDAs and subsequently keep up the pace of launches (18 ANDA approvals in 9MFY22).
- Non-US exports (19% of total exports) remain on a healthy growth path on better traction in existing products as well as launches (35% YoY growth in 9MFY22). We expect 11% sales CAGR in exports over FY22-24 to INR36b.

Tushar Manudhane – Research analyst (Tushar.Manudhane@MotilalOswal.com)

Gaurang Sakare – Research analyst (Gaurang.sakare@motilaloswal.com)

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

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Raw material and logistics cost to weigh on margin

- The sharp rise in crude oil prices is expected to boost the already elevated prices of solvents in the near to medium term. This, along with a gradual resumption in key starting materials (KSMs)/APIs from China, is expected to keep API prices at elevated levels. The surge in logistics cost is also showing no signs of subsiding. These factors are weighing on ALKEM's profitability.

Valuation and view

- While we have cut our FY23/FY24 earnings estimate by 6%/7% to factor elevated operational cost for prolonged periods of time (particularly API prices and freight cost), ALKEM remains better placed to benefit from an improving outlook in the DF segment.
- We expect a 10% earnings CAGR over FY22-24 on the back of steady outperformance in the DF/non-US segment, the robust pace of launches in the US segment, and 110bp margin expansion.
- We value ALKEM at 22x 12-months forward earnings to arrive at our TP of INR3,870. Considering the minimal headwinds on the business front and attractive valuation, we reiterate our Buy rating on ALKEM.

Exhibit 1: Valuation snapshot

Company	Rating	M-cap (USDb)	EPS (INR)			EPS Growth (%)			P/E (x)			EV/EBITDA (x)			RoE (%)		
			FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Ajanta Pharma	Buy	1.9	77.6	89.8	111.4	5.0	15.8	24.1	22.0	19.0	15.3	16.6	14.7	12.7	21.0	20.7	21.9
Alembic Pharma	Neutral	1.7	33.9	41.6	46.6	-43.4	22.5	12.1	20.9	17.1	15.3	13.3	11.0	9.8	13.0	14.6	14.7
Alkem Lab	Buy	4.9	149.6	157.6	182.1	11.6	5.3	15.5	21.8	20.7	17.9	18.8	16.3	13.6	22.2	19.9	19.7
Apollo Hospitals	Buy	8.6	67.2	85.9	114.0	1,010.8	27.8	32.8	69.4	54.3	40.9	30.1	25.6	20.7	18.8	19.7	21.5
Aurobindo Pharma	Buy	4.6	42.7	51.3	60.2	-21.0	20.3	17.3	14.3	11.9	10.1	7.8	6.3	5.0	10.8	11.7	12.3
Biocon	Neutral	5.1	6.9	11.2	16.7	24.5	62.4	49.8	48.0	29.5	19.7	19.3	16.4	11.5	10.5	10.9	11.7
Cadila Health.	Buy	4.6	22.7	22.0	23.6	14.4	-2.8	7.1	15.1	15.5	14.5	10.0	9.3	8.2	15.2	12.3	12.0
Cipla	Neutral	9.7	35.5	41.3	49.0	18.7	16.3	18.6	26.5	22.8	19.2	15.7	13.3	11.1	13.9	14.1	14.5
Divi's Lab.	Buy	14.1	105.8	130.6	159.8	40.0	23.4	22.3	38.5	31.2	25.5	28.1	22.3	17.9	27.3	27.8	28.0
Dr Reddy's Labs	Buy	8.2	183.9	211.0	252.0	28.1	14.7	19.5	20.5	17.9	15.0	13.0	10.5	8.5	16.2	16.2	16.7
ERIS Lifescience	Buy	1.2	29.1	34.0	39.6	12.5	16.9	16.7	22.6	19.3	16.6	17.9	14.8	12.0	23.0	22.5	22.0
Gland Pharma	Buy	6.9	75.7	98.9	125.5	24.2	30.6	26.9	42.2	32.3	25.5	31.9	24.0	18.4	19.0	20.3	21.0
Glenmark Pharma.	Neutral	1.6	35.6	40.1	45.6	1.6	12.9	13.7	12.2	10.9	9.5	6.6	5.9	5.0	13.3	13.3	13.4
Glaxosmit Pharma	Neutral	3.3	36.6	38.9	44.1	36.8	6.2	13.3	41.1	38.7	34.2	29.8	26.5	22.9	35.4	32.6	31.4
Granules India	Neutral	0.9	16.3	21.1	25.7	-27.1	29.6	22.0	17.6	13.6	11.1	10.5	8.3	6.9	17.1	18.7	19.1
Ipca Labs.	Buy	3.1	38.4	45.9	54.4	-13.5	19.7	18.4	25.4	21.2	17.9	17.3	14.7	12.1	19.0	19.3	19.4
Jubilant Pharmova	Neutral	0.8	24.3	27.9	39.1	-55.1	14.6	40.1	16.3	14.2	10.2	6.2	5.5	4.4	7.7	8.2	10.6
Laurus Labs	Buy	3.7	16.2	21.8	27.8	-11.6	34.5	27.6	32.6	24.2	19.0	20.4	15.7	12.5	29.3	30.5	30.0
Lupin	Neutral	4.1	23.6	27.2	33.6	-9.3	15.3	23.8	29.7	25.8	20.8	15.9	13.4	11.5	8.1	9.5	11.1
Solara Active Pharma	Buy	0.3	21.4	55.7	85.8	-52.5	160.3	54.0	32.1	12.3	8.0	10.8	6.4	4.4	6.6	16.0	21.9
Strides Pharma	Buy	0.4	-43.8	18.6	33.4	PL	LP	79.9	NM	17.1	9.5	NM	4.9	4.0	-15.2	6.8	11.5
Sun Pharma.Inds.	Buy	25.9	32.1	35.7	41.0	28.1	11.4	14.8	25.7	23.0	20.1	18.6	16.0	13.5	15.6	15.3	15.3
Torrent Pharma.	Neutral	6.0	68.8	87.1	108.7	-8.2	26.6	24.8	39.1	30.9	24.7	19.8	16.5	13.5	19.1	21.6	23.3

Source: MOFSL, Company

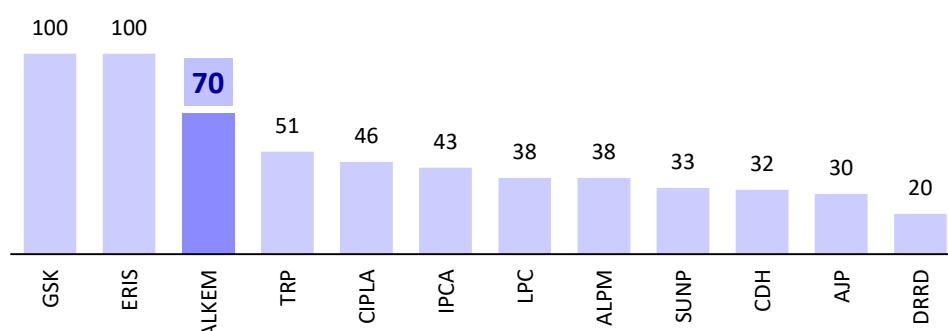
ALKEM better placed among peers amid rising geopolitical tensions

- ALKEM garners ~70% of its business from the DF segment after MNC Pharma and a pure-play company like Eris Lifesciences.
- We believe the ongoing international conflict will have a minimal impact on ALKEM's overall sales outlook.
- The company has multiple growth drivers over the next 12-18 months, despite a high base in the last one year, on account of a revival in Non-COVID therapies, better productivity of MRs added over the past two years, sustained outperformance in Chronic therapies, and positive impact of WPI-linked price hike on the portfolio under NLEM.
- We expect 13% sales CAGR in the DF segment over FY22-24.

Maximum exposure to DF bodes well in an uncertain international situation

- ALKEM garners a major chunk of its sales from the DF/US segment (70%/22% of sales in 9MFY22), with the Rest of the world (RoW) contributing the rest. The major countries in the RoW segment are Australia, Chile, the Philippines, and Kazakhstan.

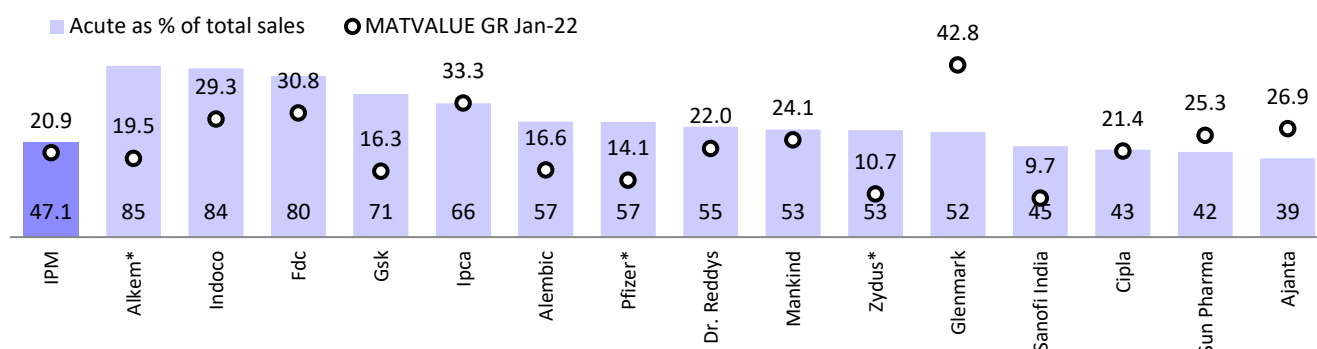
Exhibit 2: ALKEM is third in terms of garnering business from the DF segment



Source: MOFSL, Company

- Considering the currency headwinds in the export market; repatriation issues, particularly from Russia; and limited scope of business in Ukraine for Pharma companies at the industry level will have a limited impact on ALKEM's business outlook.
- While ALKEM garners maximum sales from Acute therapies, it has multiple growth drivers to outperform IPM over the near to medium term.

Exhibit 3: ALKEM garners 85% of DF sales from Acute therapies

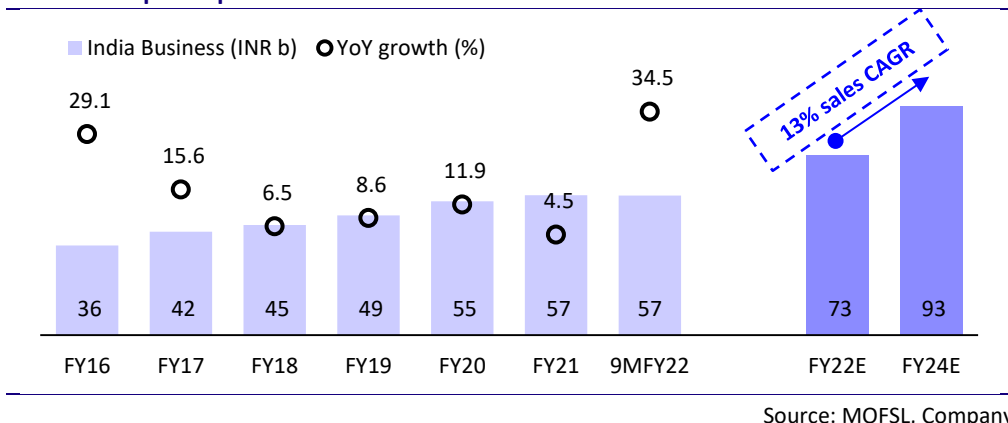


Source: MOFSL, AIOCD

Well-placed to outperform the industry with 13% sales CAGR over FY22-24

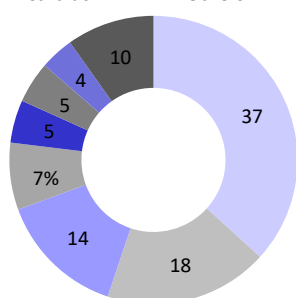
- ALKEM has delivered 34.5% YoY sales growth in 9MFY22, much better than IPM growth of 21%. Anti-Infectives/VMNs/Dermatology grew 40%/34%/32% YoY, driving the performance for ALKEM.

Exhibit 4: Superior performance in FY22 till date



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

■ Anti-Infectives ■ Gastro
 ■ Vmn ■ Pain
 ■ CNS ■ Anti-Diabetic
 ■ Cardiac ■ Others



Therapy-wise share on a MAT basis in Jan'22

- A part of this strong performance is also linked to the second COVID wave, which resulted in a very high hospitalization rate and increased usage of Anti-Infectives (like PAN) and VMNs (like A to Z Ns).

Non-COVID factors to aid growth

- While COVID-related product offtake has subsided with the reduced number of cases, we expect non-COVID factors and superior execution to drive growth in the DF segment over the next 12-18 months.
- We expect a ramp-up in the Pediatric portfolio in Anti-Infective, VMN, Gastrointestinal, and Pain therapies with the easing of COVID-related restrictions.
- Elective surgeries are picking up, leading to a higher offtake of hospital-based Anti-Infective therapy and Pain Management.

Expect base effect to subside and growth to pick up in the medium term in Cardiac therapy

- Over the past six-to-nine months, there was a slowdown in a Chronic therapies, particularly Cardiac therapy, at the industry level due to the the higher stocking of medicines by patients. With the consumption of medicines returning to pre-COVID levels, Cardiac therapy is expected to return to the growth path. The management has been taking enhanced efforts to build its Chronic therapy franchise and is well-positioned to benefit from Cardiac therapy going forward.

WPI linked price hike to come in handy for ALKEM

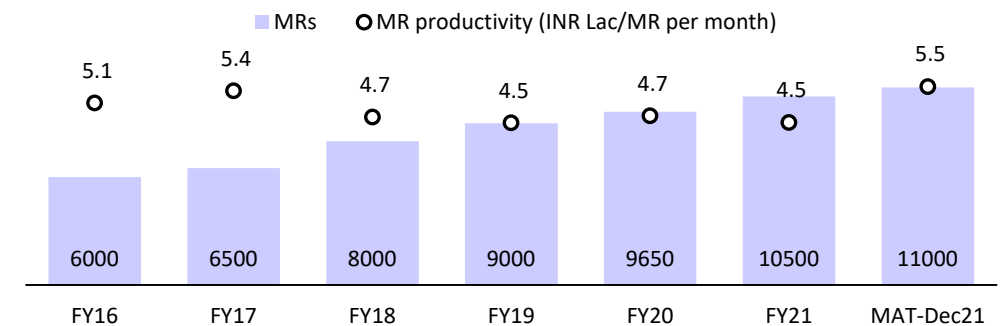
- ALKEM garners ~ 30% of its sales from products under NLEM. An inflation-linked price hike of 10% is expected in this portfolio in FY23. We expect this to have a positive benefit on sales as well as profitability over the next 12-24 months.
- There will be some high base effect on volume in FY23, and hence estimate volume growth of 3-4% YoY. We expect a 2.5-3% growth in launches to drive overall sales growth for ALKEM in the DF segment to the tune of 11-12% in FY23.

MRs added over the past two years to start showing better productivity

- ALKEM added ~1,200 MRs over the past two years. It has also started a Respiratory division with 200-250 MRs.
- The company has ~14 brands that are clocking more than INR1b in annual sales, and ~10 brands with sales between INR500m and INR1b. Since it requires a customized focus on such large brands, it has de-cluttered such brands by adding a new division comprising 200-250 MRs.
- It has added 200-250 MRs in Chronic therapies to sustain its outperformance.
- Its MR strength has almost doubled from FY16 to FY22 till date and the benefit is yet to be fully realized.

Exhibit 5: MR productivity to rise with a better sales outlook and stable MR count

MR productivity in the Chronic category is yet to pick up and is dragging overall productivity



Source: MOFSL

- Despite a strong performance in FY22, there is enough scope to deliver low-teens growth over the next two-to-three years.

Exhibit 6: ALKEM/IPM sees a sharp growth in Anti-Infective therapy

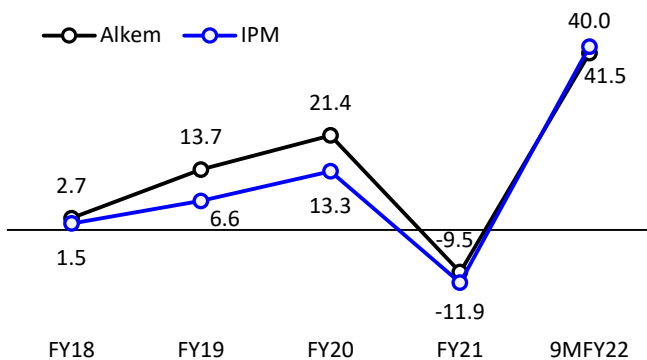


Exhibit 7: Consistently outperforms IPM in Gastrointestinal therapy

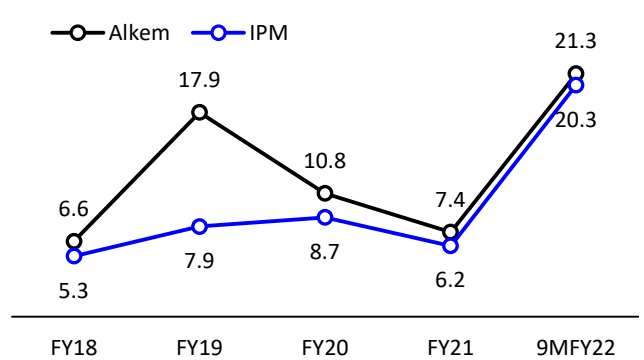
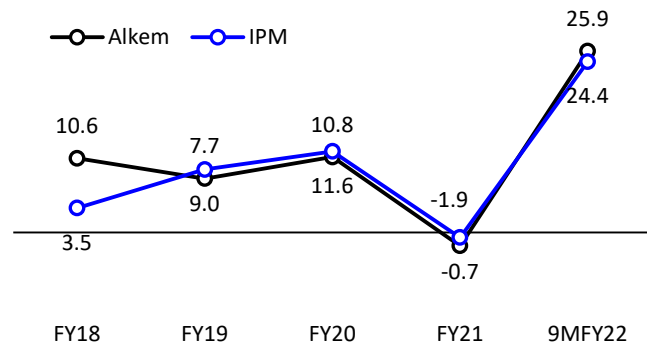
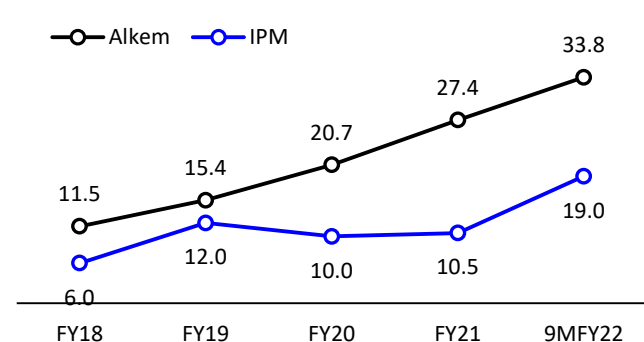


Exhibit 8: ALKEM largely in line with IPM in the Pain therapy



Source: MOFSL, Company

Exhibit 9: Strong outperformance to IPM in the VMN category



Source: MOFSL, Company

Exports stable on the back of consistent launches

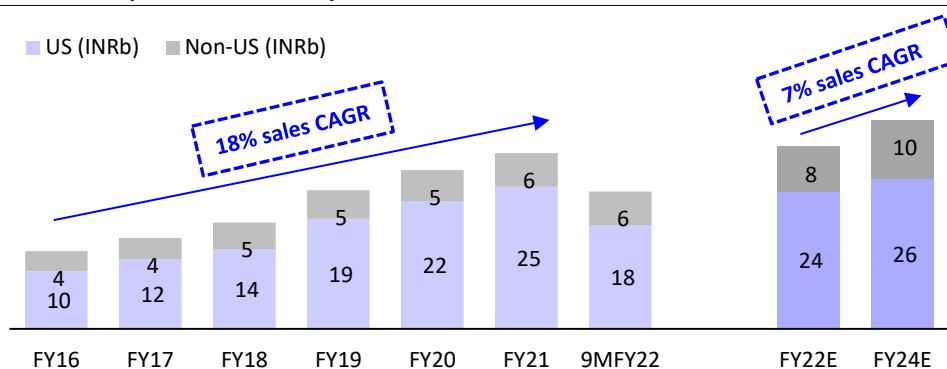
- Exports, largely comprising of the US and other select geographies, grew at 18% CAGR over FY16-21.
- However, there has been a moderation in FY22 due to significant price erosion in the US base portfolio.
- Given the sustained pace of launches and reducing the effect of price erosion, we expect 11% CAGR in exports over FY22-24.

US sales more than doubled over FY17-21; launches to offset pricing pressure to some extent

- ALKEM has delivered 25% sales CAGR in the US (81% of exports) over FY17-21 to INR25b.
- This is largely on the back of a robust pace of approvals (~67 during FY17-21).
- Even during the COVID-19 pandemic, ALKEM received 18 approvals (including three tentative approvals), with a mix of niche products like g-Duexis.

Exhibit 10: Exports were healthy at 18% CAGR over FY17-21

ALKEM ramped up its US sales to USD310m (in the past 12 months) from USD150m in FY16



Source: MOFSL, Company

- Despite severe pricing pressures and inventory rationalization, ALKEM's US sales fell by 6% YoY in 9MFY22.
- As of 9MFY22, it had 124 approved ANDAs in the US, including 15 tentative approvals and 36 ANDAs under approval.
- The company intends to file 12-15 ANDAs on an annual basis to sustain the sales momentum in the US Generics segment.
- Given its ANDA pipeline and traction in existing products, we expect ALKEM to deliver 6% sales CAGR over FY22-24 to INR26b.

Excluding US sales, exports to moderate on a high base of FY22

- Excluding US sales, ALKEM clocked 13% sales CAGR over FY17-21, led by launches and entry into newer markets. Sales grew by 20% YoY in 9MFY22.
- ALKEM has a presence in Australia, Europe, South East Asia, Latin America, Africa, and the CIS.
- With the easing of COVID-related restrictions, we expect some moderation in the business, excluding the US, and have thus built in a 13% sales CAGR to INR10b over FY22-24.

Raw material/logistics cost to weigh on margin

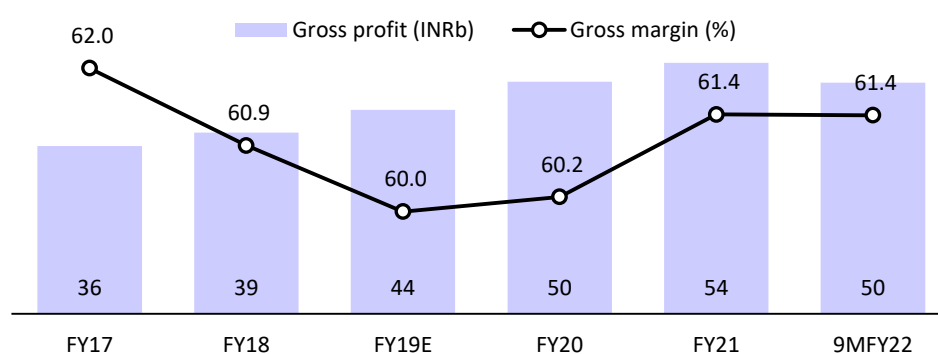
- The sharp increase in crude oil prices is expected to raise already elevated prices of solvents over the near to medium term.
- This, along with a gradual resumption in KSMs/API from China, is expected to keep API prices at elevated levels.
- The surge in logistics cost is showing no signs of subsiding.
- These factors are weighing on ALKEM's profitability.

Gross margin largely stable from FY17 to FY22 till date

- With exports growing faster (18% sales CAGR) than domestic sales (9% sales CAGR), gross margin fell to 61.4% from 62% over FY17-21.

Exhibit 11: Higher API prices and rising exports keep gross margin steady

Around 70% of ALKEM's API requirement is outsourced

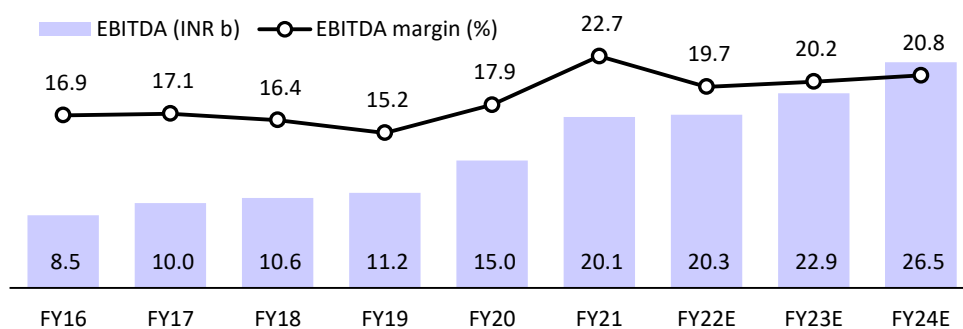


Source: MOFSL, Company

- There has been sharp 34.5% YoY sales growth in DF in 9MFY22. Also, exports grew at a healthy 18% in 9MFY22.
- However, rising API prices kept gross margin in check. This was largely on account of supply disruptions in China.
- While the supply of APIs/KSMs is expected to resume gradually from China, the recent surge in crude oil prices is expected to take a toll on solvent pricing and subsequently on API prices as well.
- Geopolitical tensions are expected to keep freight cost at elevated levels.

Exhibit 12: Expect profitability to inch up gradually due to higher opex

Expect 280bp margin expansion over FY16-22



Source: MOFSL, Company

- We expect these factors to have a prolonged impact on profitability.
- We expect 110bp improvement in EBITDA margin to 20.8% over FY22-24.

Valuation and view

Multiple growth drivers in the DF segment

- In the face of ongoing international challenges, ALKEM stands to benefit from higher exposure to India (DF: 70% of total sales). It has built a strong branded franchise in India, with 14 brands clocking sales of over INR1b each in key therapy areas of Anti-Infectives, Gastrointestinal, and VMN. With the easing of COVID-related restrictions, these therapies are expected to revive over the medium term.
- Growth in Chronic therapies is also picking up as the COVID-19 pandemic is subsiding. We expect ALKEM to outpace IPM in key chronic therapies.
- The company is also expected to benefit from better MR productivity and price hike in the NLEM portfolio.
- The Trade Generics segment continues to perform well, posting higher growth than DF, despite a decline in COVID-19 cases. This segment contributes ~20% to DF revenue and acts as an additional growth lever.
- We expect ALKEM to register 13% sales CAGR in DF to INR93b over FY22-24, led by market share gains in existing products and launches.

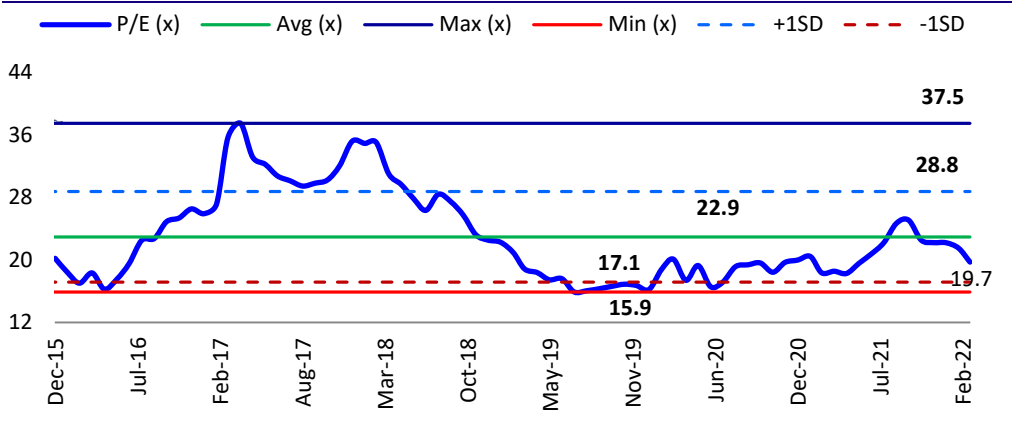
Price erosion to keep US sales growth in check

- ALKEM's US business has more than doubled during FY17-21, led by robust product launches. Business declined by 6% over 9MFY22, despite the higher price erosion and inventory rationalization in the US.
- It has filed 158 ANDAs till date and has received 124 approvals, including 15 tentative approvals. With the already approved and filed ANDAs, ALKEM has enough firepower to continue its launch momentum. The pace of approvals remained healthy, with 15 final approvals in 9MFY22.
- Though there has been a generic entry in Duexis, the management expects to maintain its market share in the product. While ALKEM has faced price erosion in the US, the company has exhibited strong regulatory compliance. We expect the company to deliver 5% sales CAGR in the US and touch ~USD354m over FY22-24E, with growth due to new launches being partially offset by price erosion in the base business.

Maintain our positive stance

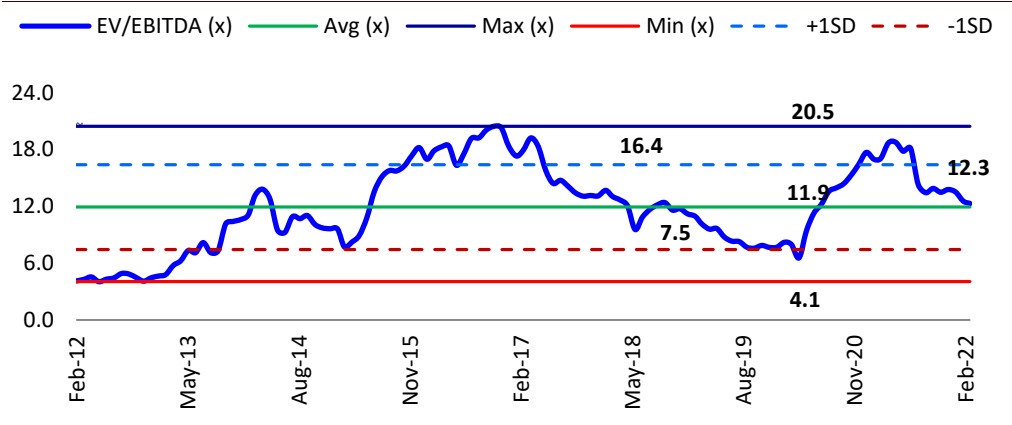
- While we have cut our FY23/FY24 earnings estimate by 6%/7% to factor elevated operational cost for prolonged periods of time (particularly API prices and freight cost), ALKEM remains better placed to benefit from an improving outlook in the DF segment.
- We expect a 10% earnings CAGR over FY22-24 on the back of steady outperformance in the DF/non-US segment, the robust pace of launches in the US segment, and 110bp margin expansion.
- We value ALKEM at 22x 12-months forward earnings to arrive at our TP of INR3,870. Considering the minimal headwinds on the business front and attractive valuation, we reiterate our Buy rating on ALKEM.

Exhibit 13: P/E chart



Source: MOFSL, Bloomberg

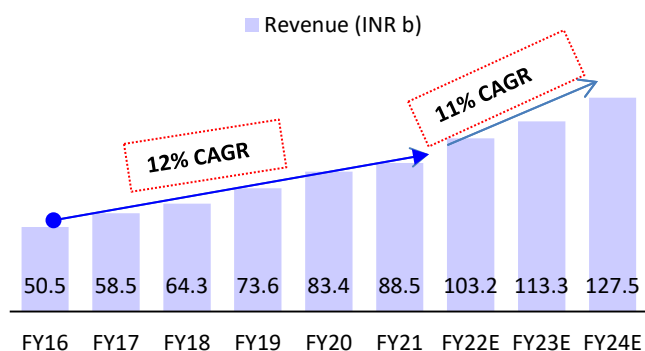
Exhibit 14: EV/EBITDA chart



Source: MOFSL, Bloomberg

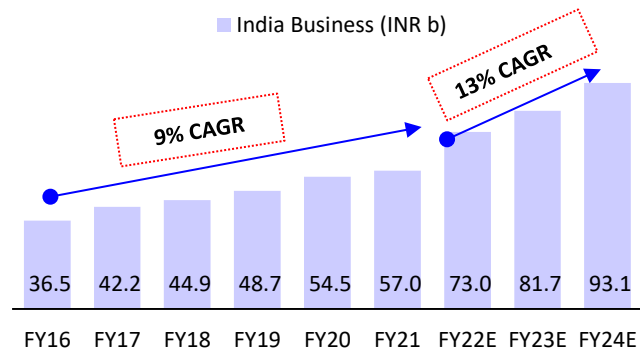
Story in charts

Exhibit 15: Expect 11% revenue CAGR over FY22-24E



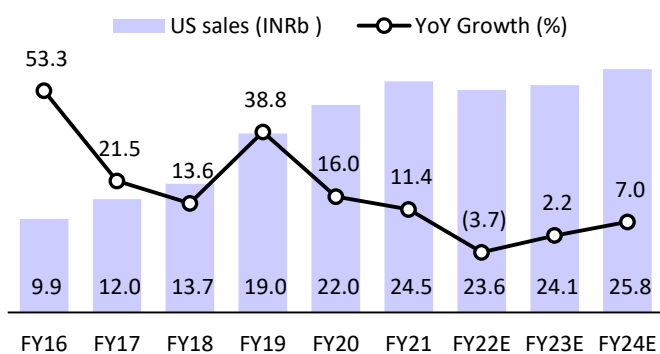
Source: Company, MOFSL

Exhibit 16: Expect India sales CAGR of 13% over FY22-24E



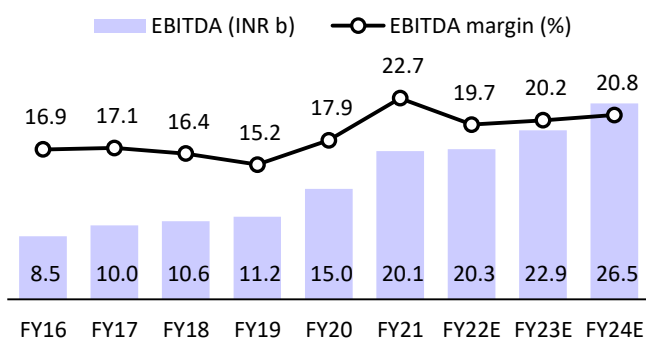
Source: Company, MOFSL

Exhibit 17: Expect 5% sales CAGR in the US over FY22-24E



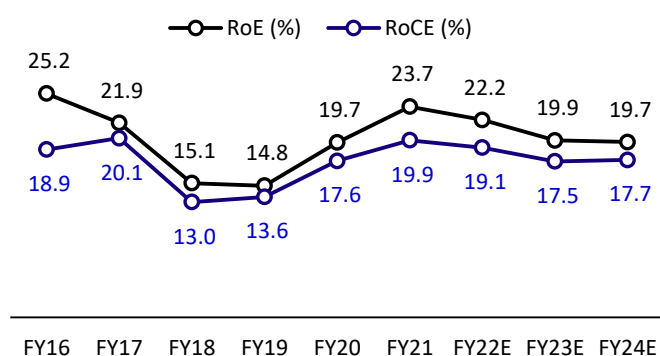
Source: Company, MOFSL

Exhibit 18: Expect 110bp EBITDA margin expansion by FY24E



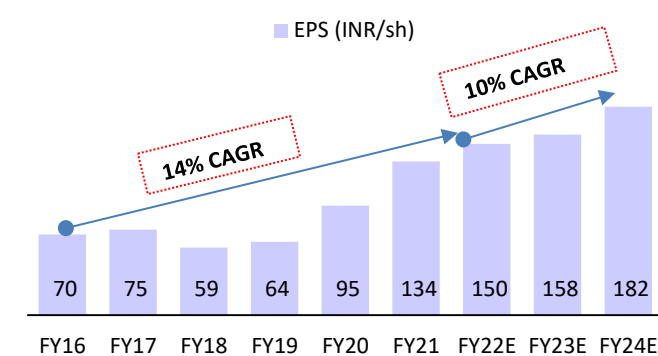
Source: Company, MOFSL

Exhibit 19: Surplus cash to keep RoCE in check



Source: Company, MOFSL

Exhibit 20: Expect 10% earnings CAGR over FY22-24E



Source: Company, MOFSL

Financials and valuations

Consolidated Income Statement								INR m	
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Total Income from Operations	50,479	58,525	64,312	73,572	83,444	88,505	1,03,216	1,13,298	1,27,459
Change (%)	33.2	15.9	9.9	14.4	13.4	6.1	16.6	9.8	12.5
Total Expenditure	41,947	48,536	54,028	62,401	68,484	68,426	82,883	90,412	1,00,947
EBITDA	8,533	9,990	10,566	11,171	14,960	20,079	20,334	22,886	26,511
Margin (%)	16.9	17.1	16.4	15.2	17.9	22.7	19.7	20.2	20.8
Depreciation	933	1,012	1,430	1,932	2,348	2,746	2,967	3,042	3,353
EBIT	7,599	8,978	9,136	9,239	12,612	17,333	17,366	19,844	23,158
Int. and Finance Charges	712	452	553	546	651	589	451	433	433
Other Income	2,397	1,120	960	877	1,042	1,867	1,905	1,987	2,262
PBT bef. EO Exp.	9,284	9,646	9,542	9,570	13,004	18,611	18,821	21,397	24,986
EO Items	0	0	0	-23	-406	-190	0	0	0
PBT after EO Exp.	9,284	9,646	9,542	9,547	12,598	18,421	18,821	21,397	24,986
Current Tax	1,762	600	2,876	1,810	1,105	2,243	565	2,140	2,749
Tax Rate (%)	19.0	6.2	30.1	19.0	8.8	12.2	3.0	10.0	11.0
Less: Minority Interest	114	126	75	131	222	328	371	419	473
Reported PAT	7,409	8,920	6,309	7,606	11,271	15,850	17,885	18,839	21,765
Adjusted PAT	8,419	8,920	7,040	7,629	11,407	16,017	17,885	18,839	21,765
Change (%)	63.8	6.0	-21.1	8.4	49.5	40.4	11.6	5.3	15.5
Margin (%)	16.7	15.2	10.9	10.4	13.7	18.1	17.3	16.6	17.1

Consolidated Balance Sheet								INR m	
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Equity Share Capital	239	239	239	239	239	239	239	239	239
Total Reserves	36,681	44,437	48,399	54,154	61,368	73,528	87,175	1,01,772	1,18,636
Net Worth	36,920	44,676	48,638	54,393	61,607	73,767	87,414	1,02,011	1,18,875
Minority Interest	950	1,152	1,216	1,326	1,483	1,813	1,813	1,813	1,813
Deferred Tax Liabilities	10	5	17	3	0	0	0	0	0
Total Loans	5,876	6,539	8,920	9,026	16,628	17,336	17,336	17,336	17,336
Capital Employed	43,756	52,373	58,790	64,748	79,717	92,916	1,06,563	1,21,160	1,38,024
Net Fixed Assets	10,310	13,945	18,733	21,056	23,063	22,339	25,268	26,805	27,169
Goodwill on Consolidation	4,185	4,026	4,103	4,248	6,017	5,591	5,591	5,591	5,591
Capital WIP	1,724	2,993	3,810	4,930	3,630	3,933	3,537	2,457	2,242
Total Investments	5,086	5,530	4,443	3,236	2,614	3,328	3,328	3,328	3,328
Curr. Assets, Loans, and Adv.	28,878	32,225	39,012	41,535	54,784	68,923	82,519	98,092	1,18,329
Inventory	9,094	12,060	14,422	14,999	18,188	23,124	23,389	26,009	29,316
Account Receivables	5,675	7,136	10,805	12,484	16,494	16,072	22,623	25,143	28,635
Cash and Bank Balance	7,809	3,993	5,768	6,616	10,922	19,905	25,053	34,367	46,233
Loans and Advances	6,300	9,036	8,017	7,437	9,180	9,822	11,455	12,574	14,145
Curr. Liability and Prov.	11,589	13,308	17,866	17,334	19,716	22,277	24,759	26,193	29,713
Account Payables	5,805	7,414	9,607	9,623	9,541	10,694	10,673	11,147	12,722
Other Current Liabilities	3,908	3,628	5,517	4,436	6,108	6,709	7,824	8,588	9,661
Provisions	1,877	2,266	2,742	3,275	4,067	4,874	6,262	6,458	7,329
Net Current Assets	17,288	18,917	21,145	24,202	35,068	46,647	57,760	71,900	88,616
Deferred Tax assets	5,162	6,963	6,556	7,076	9,326	11,079	11,079	11,079	11,079
Appl. of Funds	43,756	52,373	58,790	64,748	79,717	92,916	1,06,563	1,21,160	1,38,024

Financials and valuations

Ratios									
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Basic (INR)									
EPS	70.4	74.6	58.9	63.8	95.4	134.1	149.6	157.6	182.1
Cash EPS	78.2	83.1	70.9	80.0	115.1	157.1	174.4	183.0	210.1
BV/Share	309	374	407	455	515	617	731	853	994
DPS	12.7	6.0	15.0	15.0	17.9	27.8	29.9	29.9	34.6
Payout (%)	24.7	9.7	34.3	28.5	22.5	24.9	23.7	22.5	22.5
Valuation (x)									
P/E	46.3	43.7	55.4	51.1	34.2	24.3	21.8	20.7	17.9
Cash P/E	41.7	39.2	46.0	40.8	28.3	20.8	18.7	17.8	15.5
P/BV	10.6	8.7	8.0	7.2	6.3	5.3	4.5	3.8	3.3
EV/Sales	7.7	6.7	6.1	5.3	4.7	4.4	3.7	3.3	2.8
EV/EBITDA	45.4	39.3	37.2	35.1	26.4	19.3	18.8	16.3	13.6
Dividend Yield (%)	0.4	0.2	0.5	0.5	0.5	0.9	0.9	0.9	1.1
FCF per share	39.5	-13.7	-34.4	21.1	19.9	90.4	69.5	103.9	128.9
Return Ratios (%)									
RoE	25.2	21.9	15.1	14.8	19.7	23.7	22.2	19.9	19.7
RoCE	18.9	20.1	13.0	13.6	17.6	19.9	19.1	17.5	17.7
RoIC	20.0	24.4	15.1	15.8	20.5	23.7	24.0	22.9	24.6
Working Capital Ratios									
Asset Turnover (x)	1.2	1.1	1.1	1.1	1.0	1.0	1.0	0.9	0.9
Inventory (Days)	66	75	82	74	80	95	83	84	84
Debtor (Days)	40	45	61	62	72	66	78	79	80
Creditor (Days)	42	46	55	48	42	44	38	36	36
Leverage Ratio (x)									
Debt/Equity ratio	-0.1	0.1	0.1	0.0	0.1	0.0	-0.1	-0.2	-0.2

Consolidated Cash Flow Statement							(INR m)		
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
OP/(Loss) before Tax	9,284	9,646	9,260	9,547	12,598	18,421	18,821	21,397	24,986
Depreciation	933	1,012	1,430	1,932	2,528	2,746	2,967	3,042	3,353
Interest and Finance Charges	-599	-592	-234	134	19	-312	-1,454	-1,553	-1,828
Direct Taxes Paid	-1,982	-2,640	-2,032	-2,511	-2,834	-4,007	-565	-2,140	-2,749
(Inc.)/Dec. in WC	101	-2,626	-5,732	-1,403	-6,472	-3,412	-5,965	-4,825	-4,851
CF from Operations	7,737	4,801	2,692	7,698	5,839	13,436	13,804	15,921	18,912
Others	-478	-90	-32	98	12	-787	0	0	0
CF from Operations incl. EO	7,258	4,711	2,660	7,797	5,851	12,649	13,804	15,921	18,912
(Inc.)/Dec. in FA	-2,535	-6,344	-6,770	-5,269	-3,477	-1,845	-5,500	-3,500	-3,501
Free Cash Flow	4,724	-1,633	-4,110	2,527	2,374	10,805	8,304	12,421	15,411
(Pur.)/Sale of Investments	325	0	868	1,235	458	3	0	0	0
Others	4,074	3,484	2,330	871	-4,395	-8,144	1,905	1,987	2,262
CF from Investments	1,864	-2,859	-3,572	-3,164	-7,414	-9,985	-3,595	-1,513	-1,239
Inc./(Dec.) in Debt	-6,714	121	3,574	-1,057	6,031	1,397	0	0	0
Interest Paid	-713	-636	-553	-546	-651	-536	-451	-433	-433
Dividend Paid	-1,845	-863	-2,176	-2,186	-4,396	-3,348	-4,239	-4,242	-4,900
Others	0	0	1,098	649	-193	-230	-371	-419	-473
CF from Fin. Activity	-9,273	-1,379	846	-3,789	791	-2,718	-5,060	-5,094	-5,807
Inc./Dec. in Cash	-151	473	-66	843	-771	-54	5,148	9,314	11,866
Opening Balance	1,396	1,270	1,666	1,667	2,490	1,759	1,705	6,853	16,168
Add/(less) Forex diff. in Cash and Cash eq.	25	-77	67	-20	40				
Closing Cash and Cash Eq.	1,270	1,666	1,667	2,490	1,759	1,705	6,853	16,168	28,034
Bank Balances	6,539	2,326	4,101	4,126	9,163	18,199	18,199	18,199	18,199
Total Cash and Cash Eq.	7,809	3,992	5,767	6,616	10,922	19,905	25,053	34,367	46,233

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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