

# Zydus LifeSciences

**Estimate change**
**TP change**
**Rating change**


Bloomberg	ZYDUSLIF IN
Equity Shares (m)	1,024
M.Cap.(INRb)/(USDb)	365.6 / 4.7
52-Week Range (INR)	669 / 319
1, 6, 12 Rel. Per (%)	4/-14/-52
12M Avg Val (INR M)	1419

**Financials & Valuations (INR b)**

Y/E MARCH	FY22E	FY23E	FY24E
Sales	152.7	171.6	191.6
EBITDA	35.2	34.9	37.1
Adj. PAT	22.1	21.8	23.2
EBIT Margin (%)	18.4	16.1	15.5
Cons. Adj. EPS (INR)	21.6	21.3	22.6
EPS Gr. (%)	8.9	-1.2	6.2
BV/Sh. (INR)	166.1	187.1	203.2

**Ratios**

Net D:E	0.2	0.1	0.0
RoE (%)	14.7	12.1	11.6
RoCE (%)	12.9	10.4	10.5
Payout (%)	21.3	23.5	23.9

**Valuations**

P/E (x)	16.2	16.4	15.5
EV/EBITDA (x)	10.2	9.8	8.8
Div. Yield (%)	1.3	1.4	1.5
FCF Yield (%)	1.3	5.6	6.6
EV/Sales (x)	2.4	2.0	1.7

**Shareholding pattern (%)**

As On	Mar-22	Dec-21	Mar-21
Promoter	74.9	74.9	74.9
DII	12.9	11.9	11.5
FII	2.5	3.8	5.2
Others	9.7	9.5	8.4

FII Includes depository receipts

**CMP: INR357**
**TP: INR420 (+18%)**
**Buy**
**In-line 4QFY22; niche launches to aid growth in the US**
**Superior execution/product introduction to drive prospects in India**

- Zydus Lifesciences (ZYDUSLIF) delivered in-line operational performance in 4QFY22. Healthy growth in India/LATAM/EM was offset to some extent by the YoY decline in the US/API sales for the quarter.
  - We maintain our FY23/FY24 estimates for ZYDUSLIF and value the stock at 19x 12M forward earnings to arrive at our TP of INR420.
  - We remain positive on ZYDUSLIF due to its: a) healthy ANDA pipeline comprising niche products, b) volume expansion/favorable pricing/new launches in the Domestic Formulation (DF) segment, and c) innovation-led product portfolio under various stages of development/commercialization.
- Maintain BUY.**

**Subdued revenue growth/pricing erosion keeps EBITDA stable YoY**

- Sales rose moderately by 5.3% YoY to INR38.6b (our estimate: INR41b), as healthy growth in India/LATAM/EM was offset to some extent by the YoY decline in the US/API sales for the quarter.
- India sales (48% of total sales) comprising DF and consumer businesses grew 10.8% YoY to INR18b. Within India sales, branded formulations were up 13.8% YoY to INR11.6b and consumer wellness grew 5.8% YoY to INR6.3b.
- LATAM/EM sales grew 10% YoY to INR2.8b (7% of total sales); the US sales declined 4% YoY to INR14.2b (38% of total sales) and API sales dipped 2% YoY to INR1.4b (4% of total sales).
- Adjusting for the one-time COVID-related inventory provision, gross margin contracted 130bp to 65% on a YoY basis.
- EBITDA margin contracted at a lower rate of 80bp to 22.3%. This was largely due to lower employee costs/other expenses (down 30bp/90bp YoY as a % of sales), partially offset by higher R&D expenses (up 70bp as a % of sales).
- EBITDA remained flat YoY at INR8.6b (our estimate: INR8.7b).
- Adj. PAT before discontinued operation increased 19% YoY to INR5.3b (our est: INR6.2b) due to higher other income and lower tax rate.
- For FY22, Revenue/EBITDA/Adj. PAT grew 5%/11%/9% to INR153b/INR35b/INR22b, respectively.

**Highlights from the management commentary**

- Management remains confident to track 20%+ EBITDA margin for FY23E. The company ended FY22 with 23% EBITDA margin.
- Management expects mid-to-high single digit YoY growth in the US sales led by niche launches and delayed competition in g-Asacol. This is despite facing mid-to-high single digit price erosion in the base business.
- Management expects robust YoY growth in India segment, driven by new launches, market share gains across chronic therapies and biologics segment.
- Management anticipates minimal business from government contracts in the vaccine segment. It is exploring export opportunities and working with regulatory agencies on studies for combining ZYCOV with other vaccines.

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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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## Quarterly Performance (Consolidated)

(INR b)

Y/E March	FY21				FY22				FY21	FY22	FY22E	Chg. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
<b>Net Revenues</b>	<b>36.4</b>	<b>38.2</b>	<b>38.0</b>	<b>36.7</b>	<b>40.3</b>	<b>37.8</b>	<b>36.4</b>	<b>38.6</b>	<b>145.0</b>	<b>152.7</b>	<b>40.9</b>	<b>-5.4</b>
YoY Change (%)	4.1	13.5	4.3	-2.2	10.6	-0.9	-4.1	5.3	1.7	5.3	6.2	
Total Expenditure	28.2	29.6	29.9	28.2	30.9	29.2	28.9	30.0	113.2	117.4	32.2	
<b>EBITDA</b>	<b>8.2</b>	<b>8.6</b>	<b>8.1</b>	<b>8.5</b>	<b>9.3</b>	<b>8.6</b>	<b>7.5</b>	<b>8.6</b>	<b>31.8</b>	<b>35.2</b>	<b>8.7</b>	<b>-0.7</b>
YoY Change (%)	16.2	38.0	15.6	7.4	14.4	-0.3	-6.9	1.4	12.8	11.0	1.4	
Margins (%)	22.4	22.6	21.3	23.1	23.2	22.7	20.6	22.3	21.9	23.1	21.2	
Depreciation	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.9	7.1	7.1	1.6	
<b>EBIT</b>	<b>6.4</b>	<b>6.8</b>	<b>6.3</b>	<b>6.7</b>	<b>7.5</b>	<b>6.8</b>	<b>5.7</b>	<b>6.8</b>	<b>24.7</b>	<b>28.1</b>	<b>7.0</b>	
YoY Change (%)	20.4	51.0	19.6	10.0	17.5	-1.2	-8.3	0.2	16.4	13.9	5.6	
Margins (%)	17.5	17.9	16.5	18.4	18.6	17.9	15.8	17.5	17.0	18.4	17.2	
Interest	0.7	0.5	0.3	0.2	0.3	0.3	0.3	0.4	1.6	1.3	0.3	
Other Income	0.2	0.3	0.3	-0.3	0.3	0.5	0.6	0.8	0.5	2.2	0.4	
<b>PBT before EO Income</b>	<b>5.9</b>	<b>6.7</b>	<b>6.3</b>	<b>6.2</b>	<b>7.5</b>	<b>7.0</b>	<b>6.0</b>	<b>7.2</b>	<b>23.5</b>	<b>29.1</b>	<b>7.2</b>	<b>0.2</b>
EO Exp/(Inc)	0.0	1.3	0.0	0.7	0.0	1.0	0.0	1.4	0.0	0.7	0.0	
<b>PBT after EO Income</b>	<b>5.9</b>	<b>5.3</b>	<b>6.3</b>	<b>5.5</b>	<b>7.5</b>	<b>6.0</b>	<b>6.0</b>	<b>5.7</b>	<b>23.5</b>	<b>28.4</b>	<b>7.2</b>	<b>-19.9</b>
Tax	1.2	1.1	1.1	-2.1	1.4	1.0	1.1	1.1	1.1	5.1	1.3	
Rate (%)	20.8	20.7	18.3	-37.6	18.8	16.6	18.1	19.1	4.8	18.0	18.0	
Min. Int/Adj on Consol.	-0.2	0.5	0.1	-0.5	-0.5	0.0	0.1	-0.5	2.1	-0.8	0.3	
<b>Reported PAT</b>	<b>4.5</b>	<b>4.7</b>	<b>5.3</b>	<b>7.0</b>	<b>5.6</b>	<b>5.1</b>	<b>5.1</b>	<b>4.1</b>	<b>20.3</b>	<b>22.4</b>	<b>6.1</b>	<b>-32.9</b>
<b>Adj PAT</b>	<b>4.5</b>	<b>5.8</b>	<b>5.3</b>	<b>4.4</b>	<b>5.6</b>	<b>5.9</b>	<b>5.1</b>	<b>5.3</b>	<b>20.3</b>	<b>22.1</b>	<b>6.1</b>	<b>-14.1</b>
YoY Change (%)	26.3	73.7	39.2	2.4	24.4	1.4	-3.9	19.1	34.8	8.9	31.1	
Margins (%)	12.5	15.1	13.9	12.1	14.0	15.5	13.9	13.7	14.0	14.5	15.0	

\*Note: Total of 4 Quarters of FY21/FY22 do not add up to FY21/FY22 annual numbers due to restatement of FY21/FY22 annual numbers

## Key performance Indicators (Consolidated)

(INR b)

Y/E March	FY21				FY22				FY21	FY22	FY22E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
<b>INRb</b>											
Domestic formulations	8.3	10.9	11.0	10.2	13.6	12.1	10.8	11.6	40.4	48.1	12.2
YoY Change (%)	-12.5	11.2	21.2	14.7	63.6	11.6	-2.2	13.8	8.9	19.0	19.4
US sales	16.2	17.1	16.0	15.1	14.5	15.0	15.0	14.2	64.4	60.3	15.7
YoY Change (%)	18.7	18.0	-4.3	-14.3	-10.6	-12.3	-6.2	-5.7	3.1	-6.5	4.4
Consumer healthcare	5.3	3.4	3.8	6.0	5.9	3.8	3.8	6.3	18.4	19.8	6.1
YoY Change (%)	-12.3	5.7	15.8	22.1	10.3	12.6	1.7	5.8	5.9	7.5	1.2
EU	0.5	0.5	0.6	0.6	0.6	0.6	0.7	0.6	2.3	2.5	0.6
YoY Change (%)	3.2	34.2	24.3	7.6	22.5	11.7	10.7	1.1	16.2	8.4	-7.9
Emerging markets	2.4	2.4	2.9	2.5	2.8	3.5	2.9	2.8	10.2	12.3	3.1
YoY Change (%)	7.8	7.9	10.9	45.5	16.6	47.8	-0.8	10.0	16.2	20.9	24.7
API	1.3	1.6	1.3	1.4	1.4	1.3	1.7	1.4	5.6	5.7	1.7
YoY Change (%)	89.2	52.2	-18.8	19.9	3.5	-16.1	25.0	-2.3	24.1	1.4	19.6
<b>Cost Break-up</b>											
RM Cost (% of Sales)	34.3	34.6	34.1	33.7	34.2	36.5	36.9	35.0	32.3	35.1	39.0
Staff Cost (% of Sales)	17.4	16.1	16.6	15.8	16.3	17.1	16.0	15.5	16.2	15.9	14.4
R&D Expenses(% of Sales)	7.4	7.4	9.2	6.3	7.3	5.9	7.0	7.0	7.5	6.8	6.2
Other Cost (% of Sales)	18.4	19.3	18.9	21.1	19.1	17.7	19.6	20.2	19.0	19.0	19.3
Gross Margin (%)	65.7	65.4	65.9	66.3	65.8	63.5	63.1	65.0	67.7	64.9	61.0
EBITDA Margin (%)	22.4	22.6	21.3	23.1	23.2	22.7	20.6	22.3	25.0	23.1	21.2
EBIT Margin (%)	17.5	17.9	16.5	18.4	18.6	17.9	15.8	17.5	17.0	18.4	17.2

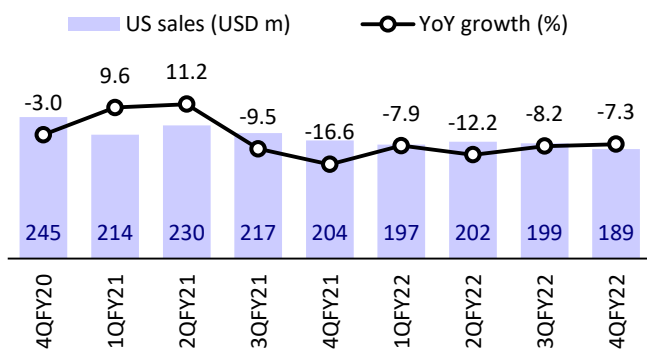


### Conference call highlights

- High base affected growth in the API business adversely for FY22. Management expects growth to rebound to normalcy in FY23.
- Management anticipates minimal business from government contracts in the vaccine segment. It is exploring export opportunities and working with regulatory agencies on studies for combining ZYCOV with other vaccines.
- R&D is expected to be 8% of sales over the next 2-3 years, with two-thirds to be spent on generics and one-third on NCE-related work.
- Excluding COVID sales, DF sales grew 19% YoY in 4QFY22 and 21% in FY22. The growth was driven by volume expansion and better realization.
- ZYDUSLIF launched NCE Desidustat in India in Mar'22 under brand Oxemia for the treatment of anemia in patients with CKD. It is for chronic ailment and used for whole life. The comparable drug is injectable and has side-effects, providing better scope of business for ZYDUSLIF. Further, its gross margin is much higher than company-level gross margin. On the global development front, Phase III clinical trials are underway in China for management of anemia in CKD patients.
- ZYDUSLIF launched four ANDAs in 4QFY22 taking the total launches to 214 in the US market.
- ZYDUSLIF submitted marketing authorization to DCGI for Rituximab and also submitted an application to initiate Phase III clinical trials for one mAb during the quarter.
- On the emerging markets front, ZYDUSLIF received cGMP approval for the manufacturing facility from the Mexican regulatory authority COFEPRIS for three products during the quarter.
- Dosage wise, oral solids (including complex ones), injectables, and transdermals would drive growth in the US generics segment.
- Growth of transdermal products would depend on the successful compliance resolution of the Moraiya facility.

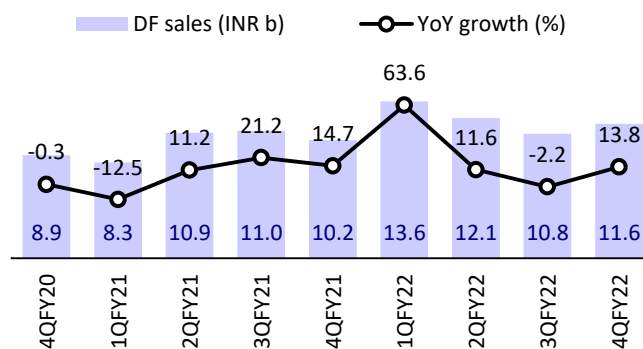
### Key exhibits

**Exhibit 1: In constant currency, US sales declined 7.3% YoY**



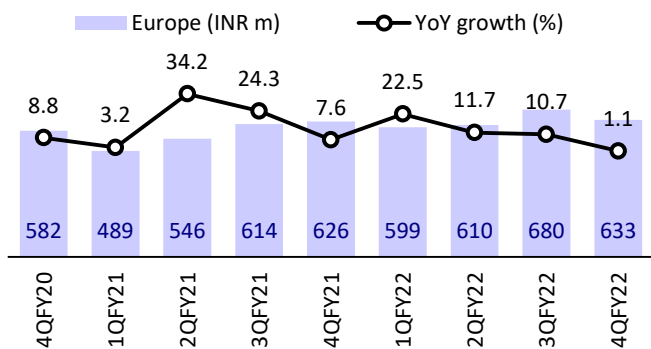
Source: MOFSL, Company

**Exhibit 2: DF business grew 14% YoY**



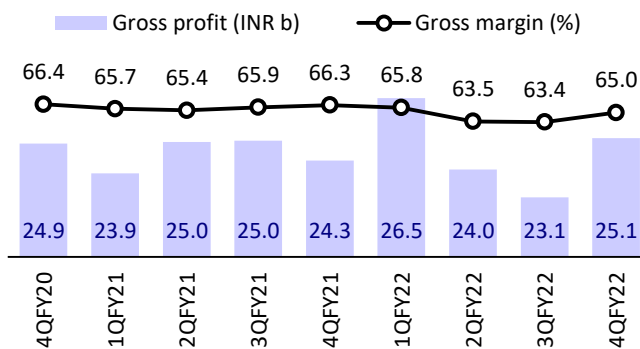
Source: MOFSL, Company

**Exhibit 3: Europe sales remained flattish YoY**



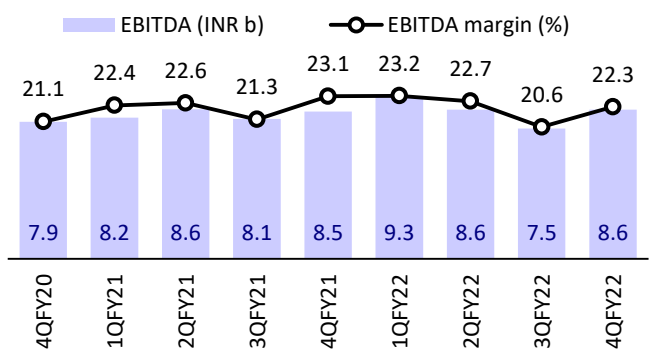
Source: MOFSL, Company

**Exhibit 4: Gross margin contracted 130bp YoY**



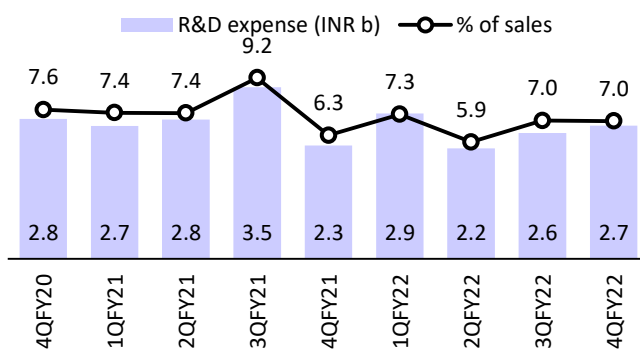
Source: MOFSL, Company

**Exhibit 5: EBITDA margin contracted 80bp YoY**



Source: MOFSL, Company

**Exhibit 6: R&D spend at 7% of sales during the quarter**



Source: MOFSL, Company

**DF to outshine; competition / niche launches to determine the US sales growth**

**DF – Chronic/NDAs/Biosimilars to drive growth**

DF revenue grew 21% YoY in FY22 to INR48b, excluding the impact of COVID-related products. Particularly, for 4QFY22, DF sales grew 19% YoY adjusted for COVID-related and divested product sales. The growth has been largely attributable to market share gains in the core Anti-Diabetic, Cardiovascular and Gynecology therapeutic areas YoY.

The reduction in the number of COVID cases has reduced the scope of the vaccine business for the company.

We expect ZYDUSLIF to post a 16% CAGR in DF revenue to INR64b over FY22–24, led by: a) outperformance against IPM in Chronic/Sub-chronic therapies, b) new first-to-market launches, c) scale-up of NCE-Desidustat in India, and d) a ramp-up in biosimilar sales.

**Regulatory compliance/niche launches – growth catalysts for the US**

The US sales declined 8.5% YoY to INR58b in FY22. The decline was largely on account of continued price erosion. ZYDULIF had a healthy pace of filings/approvals (26/28) for FY22. We expect the US business to report a CAGR of 9% over FY22–24 to INR68b. Compared with a YoY reduction in the US sales over the past three years, we expect growth prospects to improve for ZYDUSLIF aided by niche launches from 2HFY23 onwards and sustained market share gain in g-Asacol with a delay in

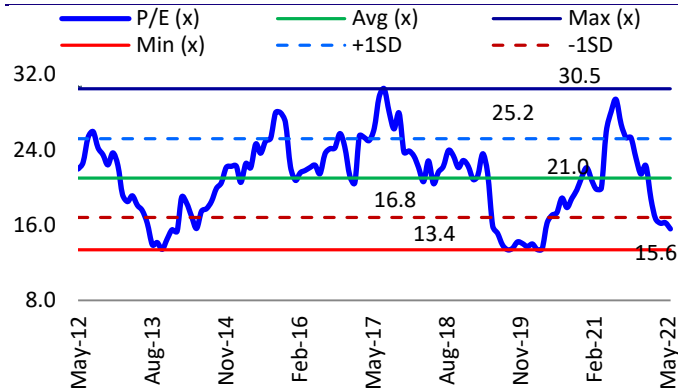
obtaining final approval by peers. Further, ZYDUSLIF has also developed transdermals/complex injectables to not only support growth but also to improve profitability in the US generics segment further.

**Valuation and view**

We maintain our estimates for FY23/FY24. Given the high base of FY22 because of the COVID-led business, we expect FY23 to be steady and YoY earnings growth to be visible from FY24 onwards. We value ZYDUSLIF at 19x 12M forward earnings to arrive at our TP of INR420.

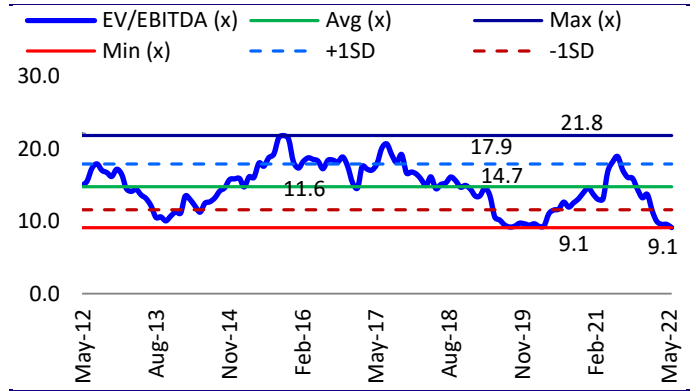
The delayed competition in g-Asacol bodes well for ZYDUSLIF. Further, work for the complex product pipeline in the injectables/transdermals/NCE space is in progress that can provide potential earnings upside post-commercialization. ZYDUSLIF is also on track for superior execution in the DF market supported by new launches, volume share gain and favorable pricing. In addition, the stock is trading at an attractive valuation of 16.4x FY23E/15.1x FY24E earnings. **Maintain BUY.**

**Exhibit 7: P/E chart**



Source: MOFSL, Company, Bloomberg

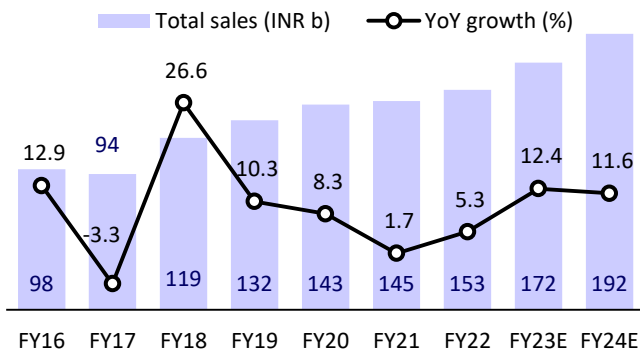
**Exhibit 8: EV/EBITDA chart**



Source: MOFSL, Company, Bloomberg

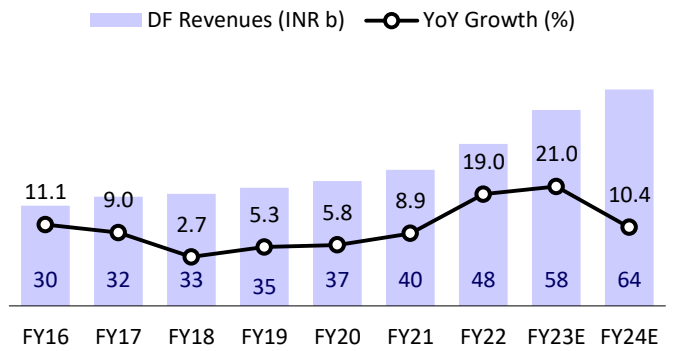
## Story in charts

**Exhibit 9: Revenue to see 12% CAGR over FY22–24**



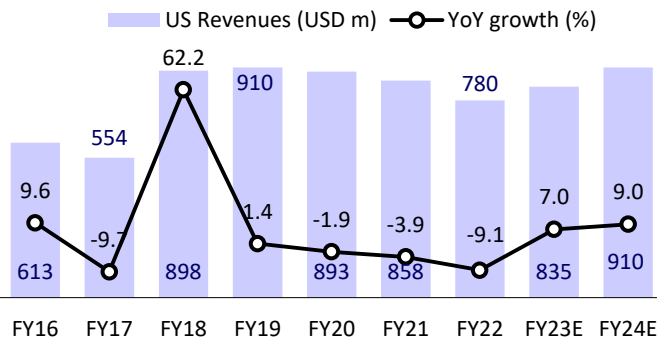
Source: Company, MOFSL

**Exhibit 10: India to see 15.6% sales CAGR over FY22–24**



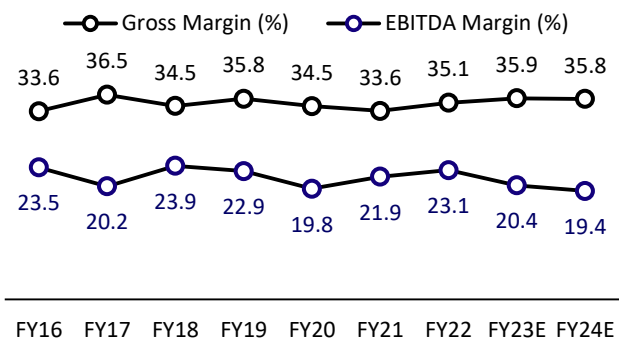
Source: Company, MOFSL

**Exhibit 11: US sales to be back on growth track**



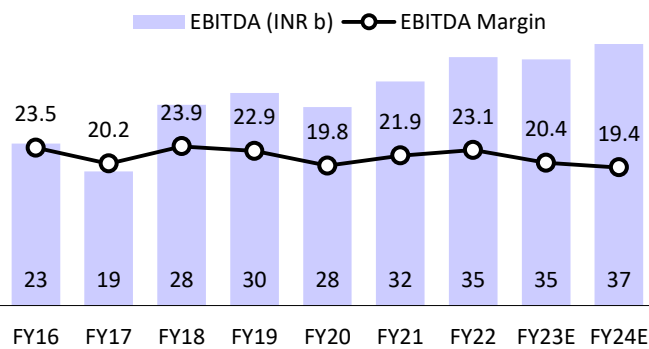
Source: Company, MOFSL

**Exhibit 12: EBITDA margin to witness gradual downtrend**



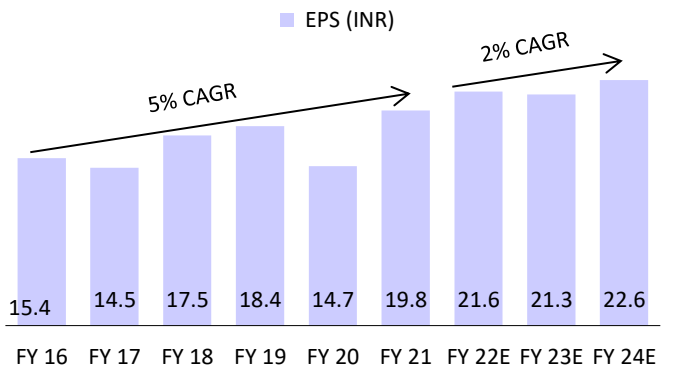
Source: Company, MOFSL

**Exhibit 13: Expect 3% CAGR in EBITDA over FY22–24**



Source: Company, MOFSL

**Exhibit 14: Expect steady Adj. EPS over FY22–24**



Source: Company, MOFSL

## Financials and valuations

Income Statement							(INR b)	
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	
<b>Net Sales</b>	<b>119.4</b>	<b>131.7</b>	<b>142.5</b>	<b>145.0</b>	<b>152.7</b>	<b>171.6</b>	<b>191.6</b>	
Change (%)	26.6	10.3	8.3	1.7	5.3	12.4	11.6	
Total Expenditure	90.9	101.5	114.4	113.2	117.4	136.7	154.5	
% of Sales	76.1	77.1	80.2	78.1	76.9	79.6	80.6	
<b>EBITDA</b>	<b>28.5</b>	<b>30.1</b>	<b>28.2</b>	<b>31.8</b>	<b>35.2</b>	<b>34.9</b>	<b>37.1</b>	
Margin (%)	23.9	22.9	19.8	21.9	23.1	20.4	19.4	
Depreciation	5.4	6.0	7.0	7.1	7.1	7.2	7.3	
<b>EBIT</b>	<b>23.1</b>	<b>24.2</b>	<b>21.2</b>	<b>24.7</b>	<b>28.1</b>	<b>27.7</b>	<b>29.8</b>	
Int. and Finance Charges	0.9	1.9	3.4	1.6	1.3	1.1	1.0	
Other Income - Rec.	1.1	2.0	1.1	0.5	2.2	1.1	0.9	
<b>PBT before EO Expense</b>	<b>23.3</b>	<b>24.2</b>	<b>18.9</b>	<b>23.5</b>	<b>29.1</b>	<b>27.7</b>	<b>29.6</b>	
EO Expense/(Income)	0.0	0.4	4.0	0.0	0.7	0.0	0.0	
<b>PBT after EO Expense</b>	<b>23.3</b>	<b>23.8</b>	<b>15.0</b>	<b>23.5</b>	<b>28.4</b>	<b>27.7</b>	<b>29.6</b>	
Current Tax	5.6	5.3	3.2	1.1	5.1	5.8	6.4	
Deferred Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Tax	5.6	5.3	3.2	1.1	5.1	5.8	6.4	
Tax Rate (%)	24.2	22.3	21.4	4.8	18.0	21.0	21.5	
<b>Reported PAT</b>	<b>18.3</b>	<b>18.5</b>	<b>11.8</b>	<b>22.4</b>	<b>23.3</b>	<b>21.9</b>	<b>23.2</b>	
Less: Minority Interest	0.3	0.0	0.0	2.1	0.8	0.1	0.1	
PAT from Discontinued operations				1.0	22.5			
<b>Net Profit</b>	<b>17.9</b>	<b>18.5</b>	<b>11.8</b>	<b>21.3</b>	<b>44.9</b>	<b>21.8</b>	<b>23.2</b>	
<b>PAT Adj for EO Items</b>	<b>17.9</b>	<b>18.8</b>	<b>15.0</b>	<b>20.3</b>	<b>22.1</b>	<b>21.8</b>	<b>23.2</b>	
Change (%)	20.6	4.8	-20.0	34.8	8.9	-1.2	6.2	
Margin (%)	15.0	14.3	10.6	14.0	14.5	12.7	12.1	

Balance Sheet							(INR b)	
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	
Equity Share Capital	1.0	1.0	1.0	1.0	1.0	1.0	1.0	
Total Reserves	86.4	102.8	102.7	128.9	169.0	190.5	207.0	
<b>Net Worth</b>	<b>87.4</b>	<b>103.9</b>	<b>103.8</b>	<b>129.9</b>	<b>170.0</b>	<b>191.5</b>	<b>208.0</b>	
Minority Interest	1.9	12.9	13.3	19.4	20.5	20.5	20.5	
Deferred liabilities	-6.4	-7.2	-6.4	-9.5	-9.4	-9.4	-9.4	
Total Loans	53.3	74.1	73.2	40.5	45.8	29.8	28.8	
<b>Capital Employed</b>	<b>136.3</b>	<b>183.7</b>	<b>183.9</b>	<b>180.2</b>	<b>226.9</b>	<b>232.4</b>	<b>247.9</b>	
Gross Block	87.7	150.5	158.2	164.3	172.6	182.0	188.9	
Less: Accum. Deprn.	22.9	28.9	35.8	42.9	50.1	57.3	64.7	
<b>Net Fixed Assets</b>	<b>64.8</b>	<b>121.6</b>	<b>122.3</b>	<b>121.3</b>	<b>122.5</b>	<b>124.7</b>	<b>124.1</b>	
Capital WIP	15.3	8.4	7.4	7.8	6.6	3.8	2.4	
Investments	4.7	6.7	7.7	8.3	32.9	32.9	32.9	
<b>Curr. Assets</b>	<b>86.6</b>	<b>88.4</b>	<b>91.0</b>	<b>90.6</b>	<b>105.0</b>	<b>129.0</b>	<b>153.3</b>	
Inventory	23.9	26.9	27.9	32.4	37.2	47.0	53.0	
Account Receivables	32.1	39.5	36.6	31.3	33.4	45.1	48.5	
Cash and Bank Balance	13.1	5.5	9.6	8.9	11.1	13.6	28.5	
Loans & Advances	17.5	16.5	16.8	18.1	23.3	23.3	23.3	
<b>Curr. Liability &amp; Prov.</b>	<b>35.1</b>	<b>41.5</b>	<b>44.4</b>	<b>47.9</b>	<b>40.1</b>	<b>57.9</b>	<b>64.8</b>	
Account Payables	34.1	40.1	42.0	44.6	36.4	54.2	61.1	
Provisions	1.0	1.4	2.4	3.3	3.7	3.7	3.7	
<b>Net Current Assets</b>	<b>51.5</b>	<b>46.9</b>	<b>46.5</b>	<b>42.7</b>	<b>64.9</b>	<b>71.1</b>	<b>88.5</b>	
<b>Appl. of Funds</b>	<b>136.3</b>	<b>183.7</b>	<b>183.9</b>	<b>180.2</b>	<b>226.9</b>	<b>232.4</b>	<b>247.9</b>	



## Financials and valuations

### Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>EPS</b>	<b>17.5</b>	<b>18.4</b>	<b>14.7</b>	<b>19.8</b>	<b>21.6</b>	<b>21.3</b>	<b>22.6</b>
Cash EPS	22.8	23.9	18.3	27.8	50.8	28.3	29.8
BV/Share	85.4	101.5	101.4	126.9	166.1	187.1	203.2
DPS	3.6	3.6	3.6	3.6	4.6	5.0	5.4
Payout (%)	20.5	19.6	24.5	18.2	21.3	23.5	23.9
<b>Valuation (x)</b>							
P/E	20.0	19.1	23.8	17.7	16.2	16.4	15.5
Cash P/E	15.4	14.6	19.1	12.6	6.9	12.3	11.8
P/BV	4.1	3.4	3.5	2.8	2.1	1.9	1.7
EV/Sales	3.3	3.2	2.9	2.6	2.4	2.0	1.7
EV/EBITDA	13.8	13.9	14.7	12.0	10.2	9.8	8.8
Dividend Yield (%)	1.0	1.0	1.0	1.0	1.3	1.4	1.5
<b>Return Ratios (%)</b>							
RoE	22.9	19.3	11.3	17.4	14.7	12.1	11.6
RoCE	14.0	12.8	9.9	13.8	12.9	10.4	10.5
RoIC	18.7	14.1	10.3	15.0	13.9	12.2	12.8
<b>Working Capital Ratios</b>							
Asset Turnover (x)	0.9	0.7	0.8	0.8	0.7	0.7	0.8
Fixed Asset Turnover (x)	1.9	1.4	1.2	1.2	1.3	1.4	1.5
Debtor (Days)	84	99	97	82	77	84	89
Inventory (Days)	64	70	70	76	83	90	95
Working Capital T/O (Days)	117	115	94	85	129	122	114
<b>Leverage Ratio (x)</b>							
Net Debt/Equity	0.5	0.8	0.7	0.3	0.2	0.1	0.0

E: MOFSL Estimates

### Cash Flow Statement

(INR b)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Oper. Profit/(Loss) bef. Tax	28.5	30.1	28.2	31.8	35.2	34.9	37.1
Interest/Dividends Recd.	1.1	2.0	1.1	0.5	2.2	1.1	0.9
Direct Taxes Paid	-5.6	-5.3	-3.2	-1.1	-5.1	-5.8	-6.4
(Inc)/Dec in WC	-11.8	-3.1	4.6	3.0	-20.0	-3.7	-2.5
<b>CF from Operations</b>	<b>12.1</b>	<b>23.7</b>	<b>30.7</b>	<b>34.1</b>	<b>12.4</b>	<b>26.6</b>	<b>29.1</b>
EO Expense / (Income)	0.0	0.4	4.0	0.0	0.7	0.0	0.0
Others	-2.9	-10.5	-1.6	0.0	0.0	0.0	0.0
<b>CF from Operating incl EO Exp.</b>	<b>9.2</b>	<b>12.8</b>	<b>25.1</b>	<b>34.1</b>	<b>11.7</b>	<b>26.6</b>	<b>29.1</b>
(inc)/dec in FA	-12.4	-55.9	-6.7	-6.5	-7.1	-6.6	-5.4
<b>Free Cash Flow</b>	<b>-3.2</b>	<b>-43.1</b>	<b>18.4</b>	<b>27.6</b>	<b>4.6</b>	<b>20.0</b>	<b>23.7</b>
(Pur)/Sale of Investments	-0.9	-2.0	-0.9	-0.7	-24.6	0.0	0.0
Others	3.5	15.5	-2.5	0.0	0.0	0.0	0.0
<b>CF from Investments</b>	<b>-9.7</b>	<b>-42.4</b>	<b>-10.1</b>	<b>-7.2</b>	<b>-31.7</b>	<b>-6.6</b>	<b>-5.4</b>
Inc/(Dec) in Debt	2.0	31.7	-0.4	-26.8	6.5	-16.0	-1.0
Interest Paid	-0.9	-1.9	-3.4	-1.6	-1.3	-1.1	-1.0
Dividend Paid	-4.4	-3.7	-4.3	-4.4	-5.7	-6.2	-6.7
Others	3.9	-7.3	-2.8	5.1	22.6	5.8	-0.1
<b>CF from Fin. Activity</b>	<b>0.5</b>	<b>18.8</b>	<b>-10.9</b>	<b>-27.7</b>	<b>22.2</b>	<b>-17.5</b>	<b>-8.8</b>
<b>Inc/Dec of Cash</b>	<b>0.0</b>	<b>-10.7</b>	<b>4.0</b>	<b>-0.8</b>	<b>2.2</b>	<b>2.5</b>	<b>14.9</b>
Add: Beginning Balance	15.9	15.9	7.8	11.8	11.0	13.2	15.7
<b>Closing Balance</b>	<b>15.9</b>	<b>7.8</b>	<b>11.8</b>	<b>11.0</b>	<b>13.2</b>	<b>15.7</b>	<b>30.6</b>
Cash and bank balances	2.7	2.3	2.1	2.1	2.1	2.1	2.1
<b>Total Cash &amp; Cash Eq</b>	<b>13.1</b>	<b>5.5</b>	<b>9.6</b>	<b>8.9</b>	<b>11.1</b>	<b>13.6</b>	<b>28.5</b>



Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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