

CMP: ₹ 4200

Target: ₹ 4960 (18%)

Target Period: 12 months

June 22, 2022

BUY

To embark upon Horizon 2 by leveraging on Horizon 1

About the stock: Dr Reddy's (DRL) portfolio includes pharmaceutical generics, APIs, custom pharmaceutical services, biosimilar and complex formulations.

Investor Meet Takeaways: Dr Reddy's is embarking on the next phase of its strategy in alignment with changing dynamics of industry, emerging opportunities.

- The goal is to leverage Horizon 1 business growth levers and drive productivity to invest in Horizon 2 businesses
- Horizon 1 will be core driver in the short to medium term mainly comprising 1) Generics, 2) API, 3) Branded Generics, 4) OTC and 5) Biosimilars
- Horizon 2 is earmarked for long term mainly comprising 1) Immuno-Oncology NCEs, 2) Biologics & CGT, 3) Nutraceuticals, 4) CDMO (small and large molecules), 5) Disease management, 6) D2C and 7) Digital services
- The company aspires to 1) maintain double digit sales growth, 2) 25% EBITDA margin profile and 3) 25% RoCE, while keep investing in Horizon 2

What should investors do? Dr Reddy's share price grew ~1.7x in past three years.

- We maintain **BUY** as the so called transition to Horizon-2, although directional, provides well thought out strategy for the next five years

Target Price and Valuation: We value Dr Reddy's at ₹ 4960 i.e. 22x FY24E EPS of ₹ 218 + NPV of ₹ 163.4 for gRevlimid.

Key triggers for future price performance:

- **US:** Focus on remunerative portfolio with 1) 40% of pipeline being injectable/sterile, 2) 25+ complex products and 3) select Biosimilars and Complex generics earmarked for US launch
- **Europe:** Building scale in select countries while leveraging existing portfolio to do first-to-market launches. Increased focus on Biosimilars, complex generics and high value generics launches from global staple
- **India:** 1) Scaling up existing brands, 2) creating differentiated portfolio by both organic & inorganic means and 3) Diving productivity by data analytics
- **Emerging Markets:** DRL is leveraging its existing portfolio in other geographies and seeks growth in Rx and OTC. It is targeting GPO tenders in China and has 17 filings pending for approval, FY23 target of 15
- **API:** 1) Backward integrating 70% molecules to benefit gross margins, 2) value added API offerings for B2B sales and 3) focused approach in Discovery and CDMO services to biotech and originator companies

Alternate Stock Idea: Apart from Dr Reddy's, in healthcare we like Sun Pharma.

- Higher contribution from specialty and strong domestic franchise is likely to change the product mix towards more remunerative businesses by FY23
- BUY with a target price of ₹ 1070

Key Financial Summary

Key Financials (₹crore)	FY20	FY21	FY22	5 year CAGR (FY17-22)	FY23E	FY24E	2 year CAGR (FY22-24E)
Revenues	17517.0	19047.5	21545.2	8.7	23925.4	26331.1	10.6
EBITDA	2466.0	3869.9	3767.7	8.8	5169.7	5894.3	25.1
EBITDA Margins (%)	14.1	20.3	17.5		21.6	22.4	
Adjusted PAT	2026.0	1951.6	2128.8	10.5	3113.6	3628.0	30.5
EPS (Adjusted)	121.7	117.3	127.9		187.1	218.0	
PE (x)	34.5	35.0	31.8		22.4	19.3	
RoE (%)	13.0	11.1	11.1		14.3	14.7	
RoCE (%)	9.6	13.1	13.0		17.8	20.2	

Source: Company, ICICI Direct Research

Dr.Reddy's

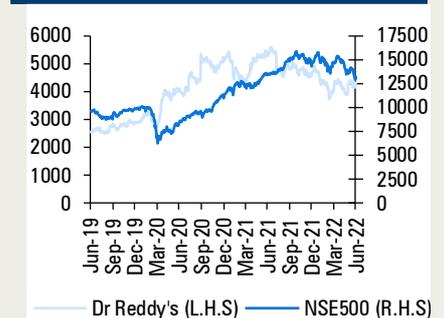
Particulars

Particular	Amount
Market Capitalisation	₹ 69899 crore
Debt (FY22)	₹ 3385 crore
Cash & equivalents (FY22)	₹ 2419 crore
EV	₹ 70864 crore
52 week H/L (₹)	5614/3655
Equity capital	₹ 83.2 crore
Face value	₹ 5

Shareholding pattern

(in %)	Jun-21	Sep-21	Dec-21	Mar-22
Promoter	26.7	26.7	26.7	26.7
Others	73.3	73.3	73.3	73.3

Price Chart



Recent Event & Key risks

- USFDA approval for Pemetrexed Injection
- **Key Risk:** (i) Regulatory delays (ii) Slower ramp up in new launches

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Investor Meet takeaways-

- Dr Reddy's is geared for the next phase of its strategy in alignment with the changing context in the industry and emerging opportunities and trends. The management plans to reach 3x patients through 1) leadership in chosen spaces, 2) patient focused innovation and 3) operational excellence to grow in Horizon 1 and build futuristic Horizon 2
- **Horizon 1:** Core drivers in the short to medium term mainly comprise 1) Generics, 2) API, 3) Branded Generics, 4) OTC and 5) Biosimilars
- **Horizon 2:** Driver in the short to long term mainly comprises 1) Immuno-Oncology NCEs, 2) Biologics and CGT, 3) Nutraceuticals, 4) CDMO (small and large molecules), 5) Disease management, 6) D2C and 7) Digital services
- The aspiration is to continue 1) double digit revenue growth and 2) maintain 25% EBITDA margin profile and 25% RoCE while keep investing in Horizon 2 opportunities for future. The management guided that ~ 15% of sales could be from Horizon 2 by 2027

Chosen spaces for future business areas

- **North America:** Dr Reddy's has grown at CAGR of 5% from US\$862 million in FY19 to US\$1003 million in FY22 despite price erosion
 - Horizon 1 – Injectables, retail generics, OTC – private label and brands and direct to patient channels;
 - Horizon 2 – Biosimilars, digital wellness solutions, drug device combinations and immuno-oncology
- Dr Reddy's has a pipeline of 175+ products with 90 being filed
 - Total 40% of pipeline comprises injectable/sterile products
 - Also, 25+ complex products across drug-device combos, peptides, long acting injectables and RTUs
 - Advanced stages in multiple platform technologies like particulate systems, microsphere and liposomal, peptides platform, emulsions and suspensions
- **Select products:**
 - **Complex Generics:** Semaglutide, Teriparatide, Octreotide, Liraglutide, Regadenoson and Dasatinib
 - **Biosimilars:** Pegfilgrastim, Rituximab, Tocilizumab and Abatacept
- **Europe:** Dr Reddy's has grown at a CAGR of 26% from €97 million in FY19 to €192 million in FY22
 - Horizon 1 – Build scale in Germany, UK, Spain, France and Italy, Selective other geographical expansion and first to market launches leveraging current portfolio;
 - Horizon 2 – Branded businesses in branded and OTC space, new spaces like pharmaceutical cannabis and biosimilars
- **Select Products:**
 - **Complex Generics:** Liraglutide, Doxorubicin liposomal
 - **Biosimilars:** Pegfilgrastim, Rituximab, Tocilizumab and Abatacept
 - **Other Generics:** Apixaban, Rivaroxaban, DMF and Sacubitril

- **India:** Dr Reddy's has grown at a CAGR of 17% from ₹ 2600 crore in FY19 to ₹ 4200 crore in FY22
 - Horizon 1 – Build big brands, chosen therapy areas with differentiated portfolio, productivity is marketing through data analytics;
 - Horizon 2 – Nutraceuticals, OTC, biologics and CAR-T, NCE/NBE, Disease management and Digital ecosystem
- The management has set an aspirational target to be among top five in India
- **Emerging Markets:** Dr Reddy's has grown at a CAGR of 16% from ₹ 2900 crore in FY19 to ₹ 4600 crore in FY22
 - Horizon 1 – Grow mega brands in Rx and OTC, leverage global portfolio in emerging markets and productivity through S&M excellence;
 - Horizon 2 – Differentiated formulations, nutrition portfolio, biologics, NCE/NBE, disease management and direct to customer
- Dr Reddy's aims to do 2-3x sales in China in the next five years. The company is targeting GPO tenders in China. Currently, 17 filings are pending for approval while 15 more are expected in FY23. The management guided to do double-digit filings every year. In Brazil, Dr Reddy's aims to grow 4-5x in five years with major focus on oncology and institutional business
- **API Business:**
 - **API:** Developing, manufacturing and selling APIs to customers globally. The company aims to backward integrate 70%+ core molecules effecting 500 bps improvement in gross margins in the next five years
 - **API+:** Institutional & B2B sales of value added offerings. The management aims to increase presence in 60+ countries in the next five years from 25+ currently
 - **Discovery + CDMO:** Service originator and biotech companies. Serving three of Top five innovators and in-total 120 total biotech companies globally
 - **Health access business:** Working with public health institutions
- **Biologics:** Dr Reddy's is scaling up to build global biosimilars business in Horizon-1 and CGT and CDMO business in Horizon-2
 - **Horizon 1** – Focus area is oncology and auto-immune disease. Total 12 products are in the pipeline in various stages of development while the company expects two assets to enter the clinical phase by FY23 and two others to be scaled up. Dr Reddy's is building global biosimilar business with Pegfilgrastim already approved in Europe and under review with USFDA while Rituximab is expected to be filed for regulated markets in early 2023. The pipeline opportunity is at US\$50 billion of innovator peak sales
 - **Horizon 2** – The management is looking to build biologics in two areas of 1) cell and gene therapy and 2) CDMO biologics

Productivity

- 1) Operational productivity in the last four years has improved in the following areas – a) API: 35% lower opex as percentage of sales, b) OSD: 39% lower US\$/000' units and c) sterile: 83% lower US\$/unit
- 2) Efficient operations through first-to-market, lowest cost, best services and accelerated improvements through industry 4.0 technologies
- 3) Productivity in sales and marketing using data analytics

Innovation

- In Horizon 2 areas, Dr Reddy's will look to scale up in immuno-onco NCEs, nutraceuticals and CDMO while investing enter new areas of biologics and cell gene therapy, differentiated formulations, disease management and preventive & primary care platform SVAAS

Exhibit 1: Scaling up Horizon 2 Projects

		<u>Current Developments</u>	<u>Our Aspiration</u>
Scaling-up	 Immuno-oncology NCEs	25+ programs - Internal, partnership & in-licensing 6 in clinical trial; 7 in IND filing stage	Global Oncology Biotech franchisee
	 CDMO	3 of top 5 innovators 120 biotech companies globally	Technologically differentiated CDMO
	 Nutraceuticals	Products in Diabetes, Renal, Hepatology, Gastro and Hospital nutrition	Nutrition unit with clinically-proven, differentiated, personalized products and services

Source: Company, ICICI Direct Research

Exhibit 2: Building Horizon 2 projects

		<u>Current Developments</u>	<u>Our Aspiration</u>
New Spaces	 SVAAS	Successful pilot in 7 cities; 25K lives	Leading Primary care & condition management services platform
	 Differentiated Formulation	Multiple products in development pipeline	Develop clinically-differentiated assets with efficacy & tolerability for specific unmet needs
	 Disease Management	Several pilots in progress	Multiple end-to-end condition management platforms in chosen therapy areas
	 Cell and Gene therapy	In-licensing partnership facility set-up; PoC Currently under validation	To be a prominent CGT player

Source: Company, ICICI Direct Research

Other Highlights

- The management has guided for USFDA inspection for FTO-XI plant (new sterile plant) in the first two weeks of July, 2022. Product launch guidance for FY23 in the US was 20-25
- The management indicated at an increase in investments by 50-100 bps of sales for Horizon 2 (~₹ 250-300 crore through P&L). R&D expenses are expected to range from 9-10% of sales, going forward. Biosimilar is ~ 25% of R&D expense and is expected to increase over the next few years. About 80% of R&D is likely to be leveraged globally
- Capex is likely to be in the range of ₹ 1500-2000 crore

Exhibit 3: ICICI Direct Coverage Universe (Healthcare)

Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹ cr)	EPS (₹)				PE(x)				RoCE (%)				RoE (%)			
						FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E
Hospitals																					
Apollo Hospitals	APOHOS	3784	4,500	Buy	54407	7.9	59.1	80.9	107.4	481.4	64.0	46.8	35.2	6.3	15.1	16.7	19.3	2.5	15.1	17.7	19.9
Narayana Hrudalaya	NARHRU	638	750	Buy	13038	-0.7	16.7	18.9	21.6	NA	38.1	33.8	29.6	1.2	20.5	18.8	19.5	-1.3	23.0	20.8	19.4
Shalby	SHALIM	99	160	Buy	1068	3.9	5.4	8.1	10.4	25.2	18.2	12.2	9.5	6.5	8.4	11.3	13.6	5.1	6.7	9.2	10.8
Aster DM	ASTDM	174	270	Buy	8709	3.0	10.5	14.4	18.4	58.9	16.6	12.1	9.5	5.4	9.0	11.4	12.9	4.4	13.3	15.4	16.4
Healthcare Global	HEAGLO	276	340	Buy	3837	-13.9	3.9	3.6	8.0	-13.9	71.4	76.2	34.4	-0.9	5.0	7.6	10.2	-0.9	5.0	5.5	10.8
MNC Pharma																					
Abbott India	ABBIND	18007	20,560	Buy	38264	325.0	375.9	439.8	514.0	55.4	47.9	40.9	35.0	33.8	36.6	37.9	36.3	26.5	28.3	29.5	28.1
P&G Health	MERLIM	4000	4,955	Hold	6640	106.5	121.5	130.5	141.6	37.6	32.9	30.7	28.3	32.2	37.3	34.7	32.8	25.1	29.3	27.0	25.4
Sanofi India	SANOFI	6478	7,740	Hold	14920	207.4	410.1	285.7	276.4	31.2	15.8	22.7	23.4	32.3	33.3	42.3	40.8	24.5	25.9	32.6	31.3
Pfizer	PFIZER	4101	4,810	Hold	18761	108.8	133.9	140.4	160.3	37.7	30.6	29.2	25.6	27.6	26.1	23.5	23.0	20.8	21.4	19.2	18.7
Pharma																					
Ajanta Pharma	AJAPHA	1225	1,955	Buy	10463	74.0	83.4	83.3	97.8	16.6	14.7	14.7	12.5	29.0	27.0	22.9	22.9	21.8	21.8	18.4	18.3
Alembic Pharma	ALEMPHA	721	720	Hold	14175	62.8	27.8	29.7	35.9	11.5	26.0	24.3	20.1	25.1	10.6	11.2	13.8	24.1	10.4	10.3	11.3
Aurobindo Pharma	AURPHA	520	610	Hold	30445	55.0	47.4	45.6	51.0	9.4	11.0	11.4	10.2	16.9	12.9	12.5	13.1	14.7	11.3	9.9	10.0
Biocon	BIOCON	316	380	Hold	37939	6.3	5.7	6.1	11.7	50.5	55.5	52.2	27.1	7.7	7.5	5.0	6.9	9.9	8.1	3.2	5.9
Zydus Lifesciences	CADHEA	343	475	Hold	35130	23.3	21.0	20.2	24.0	14.7	16.3	17.0	14.3	13.8	12.0	11.2	12.4	18.4	12.6	11.0	11.7
Cipla	CIPLA	920	1,095	Buy	74191	29.9	32.9	36.2	42.5	30.8	27.9	25.4	21.6	16.3	16.7	16.7	17.7	13.1	12.7	12.6	13.3
Dr Reddy's Labs	DRREDD	4199	4,960	Buy	69885	117.3	127.9	187.1	218.0	35.8	32.8	22.4	19.3	13.1	13.0	17.8	20.2	11.1	11.1	14.3	14.7
Glenmark Pharma	GLEPHA	364	460	Hold	10270	32.9	42.7	41.0	48.3	11.1	8.5	8.9	7.5	13.9	14.8	14.5	15.4	13.1	13.2	11.4	11.9
Ipca Laboratories	IPCLAB	885	1,000	Hold	22460	44.9	34.8	32.7	39.9	19.7	25.4	27.1	22.2	27.1	17.4	16.2	17.4	24.2	16.1	13.4	14.4
Jubilant Pharmova	JUBLIF	324	410	Hold	5165	37.4	26.0	24.2	31.4	8.7	12.5	13.4	10.3	13.7	9.0	7.7	9.4	12.6	7.8	6.8	8.2
Lupin	LUPIN	614	610	Hold	27891	26.9	11.9	18.7	30.5	22.8	51.7	32.7	20.1	9.6	3.4	7.6	11.2	8.8	4.4	6.6	9.8
Natco Pharma	NATPHA	650	820	Hold	11867	24.2	9.3	28.3	33.2	26.9	69.8	23.0	19.6	13.1	4.6	13.3	14.1	10.7	4.0	11.0	11.6
Sun Pharma	SUNPHA	805	1,070	Buy	193242	30.0	32.0	32.6	38.3	26.8	25.2	24.7	21.0	14.2	18.2	17.7	18.2	15.5	16.0	14.3	14.7
Torrent Pharma	TORPHA	2811	3,235	Buy	47569	74.0	64.1	86.8	107.8	38.0	43.9	32.4	26.1	17.6	19.7	24.3	29.1	21.4	18.2	20.8	21.6
Indoco Remedies	INDREM	366	510	Buy	3375	10.1	16.8	21.8	28.4	36.3	21.8	16.8	12.9	11.7	17.5	18.8	24.9	12.1	17.1	18.7	20.2
Caplin Point	CAPPOI	685	895	Buy	5189	81.7	85.3	68.3	70.8	8.4	8.0	10.0	9.7	25.3	23.7	22.5	0.0	20.4	20.2	18.5	17.5
Advanced Enzymes	ADVENZ	270	290	Hold	3015	13.1	10.7	10.2	13.2	20.6	25.2	26.4	20.5	19.4	14.3	12.6	14.7	15.1	11.0	9.6	11.1
Hester Biosciences	HESPHA	2115	2,445	Hold	1799	44.4	45.7	41.3	63.2	47.7	46.3	51.2	33.5	16.2	10.9	9.9	13.4	16.5	15.0	12.2	16.3
API/CRAMS																					
Divi's Lab	DIVLAB	3576	4,655	Buy	94936	74.7	111.5	105.7	122.5	47.8	32.1	33.8	29.2	27.6	30.2	25.8	25.5	21.3	25.2	20.3	20.0
Hikal	HIKCHE	229	340	Buy	2827	10.8	13.0	11.1	19.0	21.2	17.6	20.7	12.1	15.1	13.6	10.9	16.3	14.3	15.0	11.5	16.8
Syngene Int.	SYNINT	553	730	Buy	22164	10.1	9.9	11.4	15.5	54.6	56.0	48.6	35.7	11.5	11.7	12.2	15.7	13.5	12.9	12.3	14.4
Granules India	GRANUL	239	345	Buy	5921	22.2	16.6	19.6	24.6	10.8	14.3	12.2	9.7	24.0	15.6	16.8	18.6	25.3	16.0	16.0	16.9
Laurus Labs	LAULAB	455	690	Buy	24466	18.3	15.4	20.6	26.5	24.9	29.6	22.1	17.2	31.7	21.3	22.6	24.7	37.9	24.7	25.5	25.3
Suven Pharmaceuticals	SUVPH	461	555	Hold	11737	14.2	17.8	17.0	18.5	32.4	25.9	27.1	24.9	31.2	37.5	28.5	26.0	30.7	29.7	23.0	20.8

Source: ICICI Direct Research

Financial Summary

Exhibit 4: Profit and loss statement		₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E	
Revenues	19,047.5	21,545.2	23,925.4	26,331.1	
Growth (%)	8.7	13.1	11.0	10.1	
Raw Material Expenses	6,078.9	7,442.2	8,049.1	8,456.2	
Employee expenses	3,629.9	3,885.8	4,246.8	4,607.9	
Other expenses	5,468.8	6,449.5	6,459.9	7,372.7	
Total Operating Expenditure	15,177.6	17,777.5	18,755.7	20,436.8	
EBITDA	3,869.9	3,767.7	5,169.7	5,894.3	
Growth (%)	56.9	-2.6	37.2	14.0	
Interest	97.0	95.8	115.4	95.4	
Depreciation	1,228.8	1,165.2	1,325.3	1,422.8	
PBT before Exceptional Items	2,835.5	2,991.1	4,207.5	4,902.7	
Share of profit/ (loss) of equity acc	-48.0	-70.3	0.0	0.0	
PBT	2,883.5	3,061.4	4,207.5	4,902.7	
Total Tax	931.9	878.9	1,094.0	1,274.7	
PAT	1,999.6	2,199.1	3,113.6	3,628.0	
Adjusted PAT	1,951.6	2,128.8	3,113.6	3,628.0	
Growth (%)	-3.7	9.1	46.3	16.5	
EPS	120.1	132.1	187.1	218.0	
EPS (Adjusted)	117.3	127.9	187.1	218.0	

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement		₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E	
Profit/(Loss) after taxation	2,311.9	2,317.7	3,113.6	3,628.0	
Add: Depreciation & Amortization	1,228.8	1,165.2	1,325.3	1,422.8	
Net Increase in Current Assets	-780.0	-2,234.0	-1,215.8	-1,089.6	
Net Increase in Current Liabilities	-48.8	851.7	372.4	319.1	
CF from operating activities	3,570.3	2,810.8	3,710.9	4,375.7	
(Inc)/dec in Fixed Assets	-2,799.0	-1,605.9	-1,500.0	-1,500.0	
(Inc)/dec in Investments	411.0	-1,120.1	0.0	0.0	
Others	125.1	966.8	-70.3	-73.1	
CF from investing activities	-2,262.9	-1,759.2	-1,570.3	-1,573.1	
Inc / (Dec) in Equity Capital	-92.4	3.3	0.0	0.0	
Inc / (Dec) in Loan	684.8	430.5	-500.0	-500.0	
Dividend & Dividend Tax	-414.7	-414.6	-582.5	-665.7	
Others	-207.5	-134.5	-115.4	-95.4	
CF from financing activities	-29.8	-115.3	-1,197.9	-1,261.1	
Net Cash flow	1,277.6	936.3	942.8	1,541.5	
Opening Cash	205.3	1,482.9	2,419.2	3,362.0	
Closing Cash	1,482.9	2,419.2	3,362.0	4,903.5	
Free Cash Flow	771.3	1,204.9	2,210.9	2,875.7	

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet		₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E	
Equity Capital	83.2	83.2	83.2	83.2	
Net Network	17,558.5	19,129.2	21,660.3	24,622.6	
Total Shareholders fund	17,641.7	19,212.4	21,743.5	24,705.8	
Total Debt	3,030.8	3,384.5	2,884.5	2,384.5	
Deferred Tax Liability	28.9	1.4	1.5	1.5	
Other Non Current Liabilities	161.7	166.9	173.6	180.5	
Long term Provisions	50.8	25.8	26.8	27.9	
Source of Funds	20,913.9	22,791.0	24,829.9	27,300.2	
Gross Block - Fixed Assets	17,995.8	19,089.4	20,389.4	21,889.4	
Accumulated Depreciation	10,350.0	11,515.2	12,840.5	14,263.3	
Net Block	7,645.8	7,574.2	7,548.9	7,626.1	
Capital WIP	1,565.1	1,293.4	1,493.4	1,493.4	
Net Fixed Assets	9,210.9	8,867.6	9,042.3	9,119.5	
Goodwill	559.9	547.3	547.3	547.3	
Investments	2,807.7	2,615.9	2,615.9	2,615.9	
Inventory	4,541.2	5,088.4	5,503.3	5,781.7	
Cash	1,482.9	2,419.2	3,362.0	4,903.5	
Debtors	4,964.1	6,676.4	7,414.0	8,159.4	
Loans & Advances & Other CA	1,587.7	1,581.0	1,644.2	1,710.0	
Total Current Assets	12,575.9	15,765.0	17,923.5	20,554.6	
Creditors	1,810.9	2,266.2	2,451.0	2,575.0	
Provisions & Other CL	3,892.0	4,689.7	4,877.3	5,072.4	
Total Current Liabilities	5,702.9	6,955.9	7,328.3	7,647.3	
Net Current Assets	6,873.0	8,809.1	10,595.2	12,907.2	
LT L& A, Other Assets	393.8	674.1	701.1	729.1	
Deferred Tax Assets	1,068.6	1,277.0	1,328.1	1,381.2	
Application of Funds	20,913.9	22,791.0	24,829.9	27,300.2	

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios					
(Year-end March)	FY21	FY22	FY23E	FY24E	
Per share data (₹)					
EPS	117.3	127.9	187.1	218.0	
BV per share	1,060.0	1,154.4	1,306.5	1,484.5	
Operating Ratios (%)					
Gross Profit Margins	68.1	65.5	66.4	67.9	
EBITDA margins	20.3	17.5	21.6	22.4	
Net Profit margins	10.2	9.9	13.0	13.8	
Inventory days	272.7	249.6	249.6	249.6	
Debtor days	95.1	113.1	113.1	113.1	
Creditor days	108.7	111.1	111.1	111.1	
Asset Turnover	1.1	1.1	1.2	1.2	
EBITDA conversion Rate	92.3	74.6	71.8	74.2	
Return Ratios (%)					
RoE	11.1	11.1	14.3	14.7	
RoCE	13.1	13.0	17.8	20.2	
RoIC	19.5	18.4	25.7	28.3	
Valuation Ratios (x)					
P/E	35.0	31.8	22.4	19.3	
EV / EBITDA	17.9	18.2	13.0	11.0	
EV / Revenues	3.6	3.2	2.8	2.5	
Market Cap / Revenues	3.7	3.2	2.9	2.6	
Price to Book Value	4.0	3.6	3.2	2.8	
Solvency Ratios					
Debt / Equity	0.2	0.2	0.1	0.1	
Debt / EBITDA	0.8	0.9	0.6	0.4	
Current Ratio	1.9	1.9	2.0	2.0	

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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