

# Dr Reddy's Labs

 Estimate change 

 TP change 

 Rating change 

Bloomberg	DRRD IN
Equity Shares (m)	166
M.Cap.(INRb)/(USDb)	742.7 / 9
52-Week Range (INR)	4930 / 3655
1, 6, 12 Rel. Per (%)	-1/4/-2
12M Avg Val (INR M)	2027

## Financials & Valuations (INR b)

Y/E MARCH	FY22	FY23E	FY24E
Sales	212.2	228.5	251.0
EBITDA	44.9	55.2	59.7
Adj. PAT	29.3	37.3	39.2
EBITDA Margin (%)	21.2	24.2	23.8
Cons. Adj. EPS (INR)	175.9	224.0	235.4
EPS Gr. (%)	22.5	27.4	5.1
BV/Sh. (INR)	1,145	1,360	1,571

## Ratios

Net D:E	-0.2	-0.4	-0.5
RoE (%)	16.0	17.9	16.1
RoCE (%)	12.3	14.4	13.5
Payout (%)	16.9	9.8	10.7

## Valuations

P/E (x)	25.3	19.8	18.9
EV/EBITDA (x)	16.0	12.4	11.1
Div. Yield (%)	0.5	0.5	0.5
FCF Yield (%)	3.0	3.4	3.5
EV/Sales (x)	3.4	3.0	2.6

## Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	26.7	26.7	26.7
DII	25.2	24.8	15.7
FII	26.2	25.4	29.4
Others	22.0	23.1	28.2

FII Includes depository receipts

**CMP: INR4,461**
**TP: INR5,180 (+16%)**
**Buy**

## Russia recovers, while PSAI still a drag on earnings

### g-Revlimid led strong boost to earnings for 2QFY23

- Dr. Reddy's Lab (DRRD) delivered better-than-expected 2QFY23 performance, led by higher g-Revlimid sales. Considering the launch of g-Revlimid in Sep'22, we had factored in USD30m sales for 2QFY23. However, DRRD delivered North America (NAM) sales of USD344m (from USD230m in 1QFY23), implying USD110-115m sales from g-Revlimid. Excluding additional sales from g-Revlimid, the sales would have been INR56b (our est: INR55.5b). Likewise, assuming 90% EBITDA margin in the g-Revlimid business and excluding the profitability of additional g-Revlimid sales, EBITDA margin would be 20.7% (our est: 21.9%) for the quarter.
- We maintain our EPS estimate for FY23/FY24 to factor in a) incremental sales of g-Revlimid, b) moderation in sales/profitability of Pharma service and ingredients (PSAI), Europe and CIS business, and c) ongoing price erosion in the US generics base business. We continue to value DRRD at 24x 12M forward PE multiple for its base business and add NPV of INR210 for g-Revlimid to arrive at a price target of INR5,180. We remain positive on the ANDA pipeline for NAM and expect healthy growth prospects in India. We reiterate our BUY rating on the stock.

### Product mix, better operating leverage drive profitability in 2QFY23

- DRRD 2QFY23 revenues grew 9.4% YoY at INR63b.
- NAM sales were up 48% YoY to INR28b (~USD344m; 44% of sales). DF sales grew 1% YoY to INR11.5b (18% of Sales). Adjusted for COVID-led high base, DF sales grew in double digits. Europe sales were up 1.5% YoY to INR4.2b (7% of sales).
- Emerging markets sales was down 6% YoY to INR12.3b (20% of sales). Russia sales grew 4% to INR5.9b. CIS and Romania sales declined 1% to INR2.2b. RoW sales declined 18% to INR4.1b.
- PSAI sales fell 23% YoY (10% of sales) on COVID-led high base of past year.
- DRRD received a government grant of INR1.9b. Also, it had a one-time inventory provision of INR1b in 2QFY23. Adjusting for the same, gross margin (GM) expanded 420bp YoY to 57.6% on the superior product mix.
- EBITDA margin expanded 540bp YoY to 28.6% on account of reduced SGA (down 120bp YoY). EBITDA grew 27.5% YoY to INR18b (v/s est. of INR12.2b).
- Due to jurisdictional mix, tax rate was higher at 31%. Normalized tax rate is 25%. Accordingly, adjusted PAT grew 7% YoY to INR11.4b.
- In 1HFY23, Revenue/EBITDA/PAT grew 6%/27%/26%, respectively.

### Highlights from management commentary

- While the gross margin for the quarter was 57.6%, DRRD indicated 51%-54% to be sustainable for the core business.
- Adjusting for inventory provision in the PSAI segment, the gross margin is a high single digit for the quarter.
- DRRD filed one ANDA in 2QFY23 and expects the pace of filings to improve in 2HFY23.

**Tushar Manudhane - Research Analyst** (Tushar.Manudhane@MotilalOswal.com)

**Sumit Gupta - Research Analyst** (sumit.g@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](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

## Quarterly Performance - IFRS

(INRb)

Y/E March	FY22				FY23E				FY22	FY23E	Estimates	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	% Var
<b>Sales</b>	<b>49.2</b>	<b>57.6</b>	<b>53.2</b>	<b>52.2</b>	<b>49.9</b>	<b>63.1</b>	<b>57.4</b>	<b>58.2</b>	<b>212.2</b>	<b>228.5</b>	<b>55.6</b>	<b>13.4</b>
YoY Change (%)	11.4	17.7	9.9	10.4	1.3	9.4	7.8	11.5	11.9	7.7	-3.6	
Total Expenditure	40.2	44.3	41.2	41.7	39.5	45.0	44.1	44.7	167.3	173.3	43.4	
<b>EBITDA</b>	<b>9.0</b>	<b>13.4</b>	<b>12.0</b>	<b>10.5</b>	<b>10.3</b>	<b>18.0</b>	<b>13.3</b>	<b>13.6</b>	<b>44.9</b>	<b>55.2</b>	<b>12.2</b>	<b>48.2</b>
YoY Change (%)	-18.9	9.3	15.9	4.4	14.5	35.0	10.3	28.8	0.5	22.8	-8.9	
Margins (%)	18.3	23.2	22.6	20.2	20.7	28.6	23.1	23.3	21.2	24.2	21.9	670.1
Amortization	2.9	3.0	3.0	3.0	3.1	3.2	3.0	2.9	11.8	12.1	3.1	
<b>EBIT</b>	<b>6.1</b>	<b>10.4</b>	<b>9.0</b>	<b>7.6</b>	<b>7.3</b>	<b>14.9</b>	<b>10.3</b>	<b>10.6</b>	<b>33.1</b>	<b>43.1</b>	<b>9.1</b>	
YoY Change (%)	-23.4	16.0	26.4	9.4	19.1	43.5	13.6	40.5	3.8	30.1	-12.1	
Margins (%)	12.4	18.0	17.0	14.5	14.6	23.6	17.9	18.3	15.6	18.9	16.4	720.6
Other Income	1.3	2.3	0.7	1.3	2.8	0.3	0.3	0.5	5.6	3.9	1.6	
<b>PBT before EO expenses</b>	<b>7.4</b>	<b>12.7</b>	<b>9.8</b>	<b>8.8</b>	<b>10.1</b>	<b>15.2</b>	<b>10.5</b>	<b>11.1</b>	<b>38.7</b>	<b>47.0</b>	<b>10.7</b>	<b>42.1</b>
One-off income/(expense)	0.0	0.0	0.0	-6.3	4.5	0.9	0.0	0.0	-6.4	5.4	0.0	
<b>Profit before Tax</b>	<b>7.4</b>	<b>12.7</b>	<b>9.7</b>	<b>2.5</b>	<b>14.7</b>	<b>16.1</b>	<b>10.5</b>	<b>11.1</b>	<b>32.3</b>	<b>52.4</b>	<b>10.7</b>	<b>50.6</b>
<b>PBT after EO Expenses</b>	<b>7.4</b>	<b>12.7</b>	<b>9.7</b>	<b>2.5</b>	<b>14.6</b>	<b>16.1</b>	<b>10.5</b>	<b>11.1</b>	<b>32.3</b>	<b>52.4</b>	<b>10.7</b>	
Tax	1.7	2.8	2.6	1.6	2.8	5.0	2.1	1.9	8.7	11.7	2.2	
Rate (%)	23.1	21.8	27.2	64.8	19.0	30.9	20.0	16.9	27.0	22.4	21.0	
<b>Reported Profit</b>	<b>5.7</b>	<b>9.9</b>	<b>7.1</b>	<b>0.9</b>	<b>11.9</b>	<b>11.1</b>	<b>8.4</b>	<b>9.2</b>	<b>23.6</b>	<b>40.7</b>	<b>8.5</b>	<b>31.7</b>
<b>Adjusted PAT</b>	<b>5.7</b>	<b>9.9</b>	<b>7.1</b>	<b>6.5</b>	<b>8.2</b>	<b>11.4</b>	<b>8.4</b>	<b>9.2</b>	<b>29.3</b>	<b>37.3</b>	<b>8.5</b>	<b>34.9</b>
YoY Change (%)	-1.5	34.2	19.6	38.7	43.6	14.9	18.5	41.6	22.8	27.4	-14.8	
Margins (%)	11.6	17.2	13.4	12.5	16.4	18.1	14.7	15.9	13.8	16.3	15.2	

E: MOFSL Estimates

## Key performance Indicators (Consolidated)

Y/E March	FY22				FY23E				FY22	FY23E	FY23E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			
<b>INRb</b>											
North America	17.4	18.9	18.6	20.0	17.8	28.0	23.1	21.8	74.9	90.7	20.8
YoY Change (%)	0.6	3.2	7.2	14.2	2.4	48.1	12.0	8.9	6.3	21.0	10.0
Europe	4.0	4.1	4.1	4.4	4.1	4.2	4.3	4.7	16.6	17.3	4.3
YoY Change (%)	12.5	10.1	-2.1	12.3	3.7	1.5	6.0	5.8	8.0	4.3	3.0
India	10.6	11.4	10.3	9.3	11.0	11.5	11.0	10.5	41.6	44.1	11.7
YoY Change (%)	69.3	25.0	7.0	10.1	4.2	0.9	7.0	13.2	24.4	6.0	3.0
Russia & Others CIS	4.9	7.9	7.1	7.4	5.1	8.1	6.7	7.3	27.4	27.2	5.9
YoY Change (%)	4.3	31.5	7.6	25.9	3.5	2.7	-5.1	-1.3	18.2	-0.7	-25.0
Others	4.2	5.1	4.4	2.8	4.0	4.1	4.2	4.6	16.5	16.9	4.6
YoY Change (%)	28.9	93.3	46.8	-4.5	-6.5	-18.6	-5.0	62.1	38.8	2.3	-10.0
PSAI	7.5	8.4	7.3	7.6	7.1	6.4	7.1	8.3	30.7	28.9	7.4
YoY Change (%)	-11.8	-1.6	3.7	-4.5	-6.0	-23.1	-2.0	9.3	-3.9	-5.9	-12.0
<b>Cost Break-up</b>											
COGS (% of Sales)	47.8	46.6	46.2	49.1	49.0	42.4	47.0	47.9	47.4	46.4	48.1
SG&A (% of Sales)	24.7	22.5	23.4	22.5	21.5	21.3	21.4	22.6	23.2	21.1	22.0
R&D Expenses(% of Sales)	9.2	7.7	7.8	8.3	8.7	7.7	8.5	9.6	8.2	8.4	8.0
Gross Margins(%)	52.2	53.4	53.8	50.9	51.0	57.6	53.0	52.1	52.6	53.6	51.9
EBITDA Margins(%)	18.3	23.2	22.6	20.2	20.7	28.6	23.1	23.3	21.2	24.2	21.9
EBIT Margins(%)	12.4	18.0	17.0	14.5	14.6	23.6	17.9	18.3	15.6	18.9	16.4



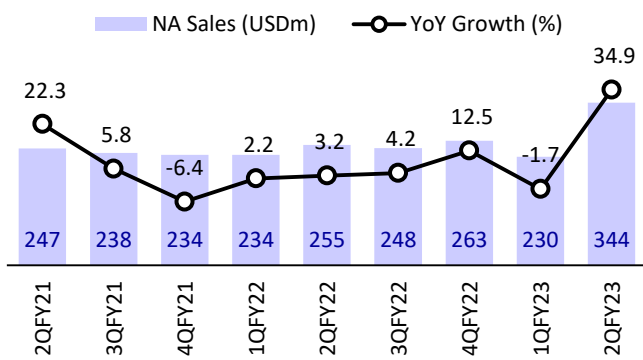
## Management call highlights

- DRRD has cumulatively 81 generic filings pending for approval with the USFDA (78 ANDAs and 3 NDAs under 505(b)(2) route). Out of these 81 pending filings, 42 are Para IVs. Within para IVs, 22 have 'First to File' status.
- In 2QFY23, DRRD launched seven new products, including g-Revlimid capsules in the US market.
- DRRD filed three DMFs in the US during the quarter.
- India business grew double digits on a YoY basis, adjusting for COVID-led high base of 2QFY23.
- DRRD launched 10 new products across countries in the EU region in 2QFY23.

- DRRD had an overall inventory provision related to COVID to the tune of INR1b for the quarter.
- The government grant of about INR2b for the quarter includes benefit from PLI scheme and Export incentives.
- The working capital days reduced by 16 days over the past six months due to factoring of receivables in Russia and other working capital optimization activities.
- In 2QFY23, capex was INR2.5b. DRRD indicated a capex of INR15b for FY23, largely toward building a capacity for biologics and injectables.

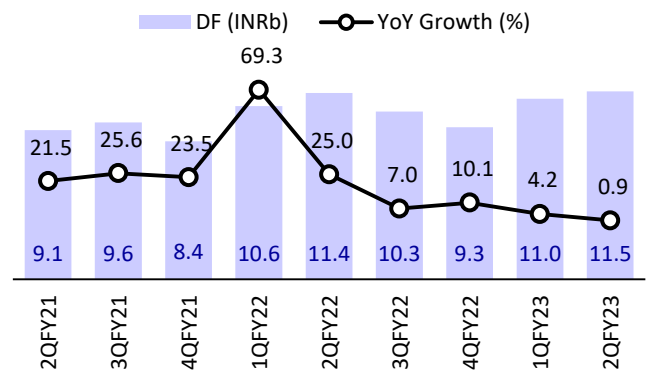
**Key exhibits**

**Exhibit 1: In CC terms, NA sales grew 35% YoY in 2QFY23**



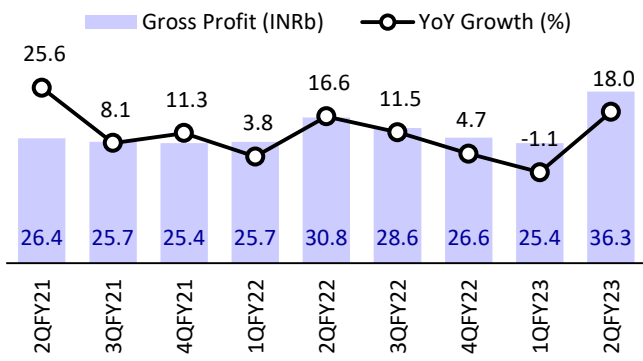
Sources: MOFSL, Company reports

**Exhibit 2: DF sales were flat YoY in 2QFY23**



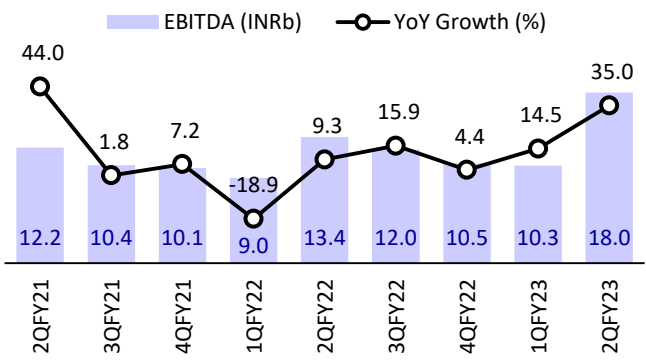
Sources: MOFSL, Company reports

**Exhibit 3: Gross profit increased 18% YoY in 2QFY23**



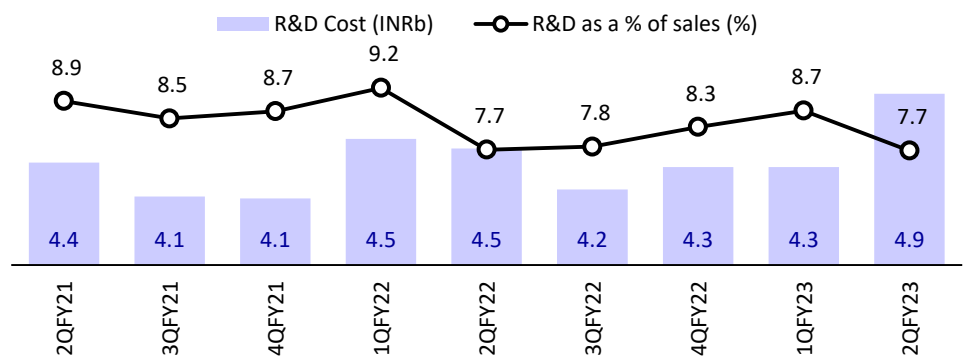
Sources: Company reports, MOFSL

**Exhibit 4: EBITDA grew 35% YoY in 2QFY23**



Sources: Company reports, MOFSL

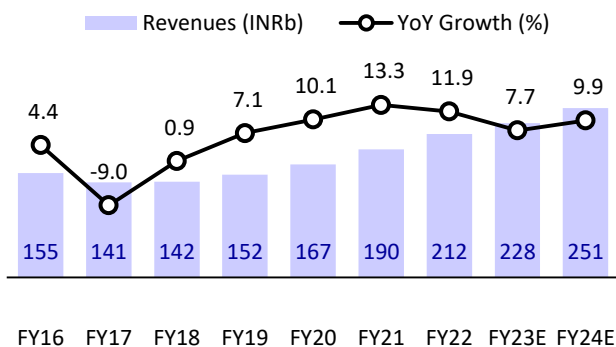
**Exhibit 5: R&D expense as % of sales moderated to 7.7% in 2QFY23**



Sources: MOFSL, Company reports

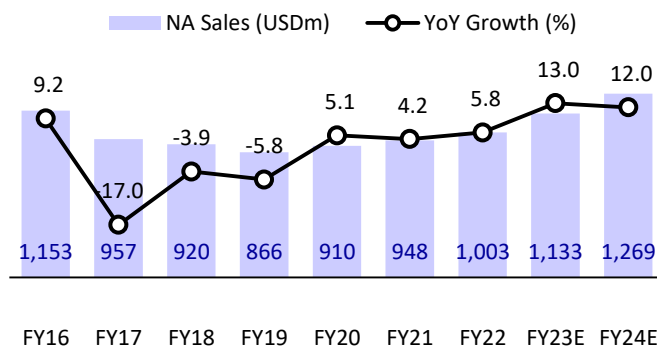
## Story in charts

**Exhibit 6: Expect sales CAGR of ~9% over FY22–24**



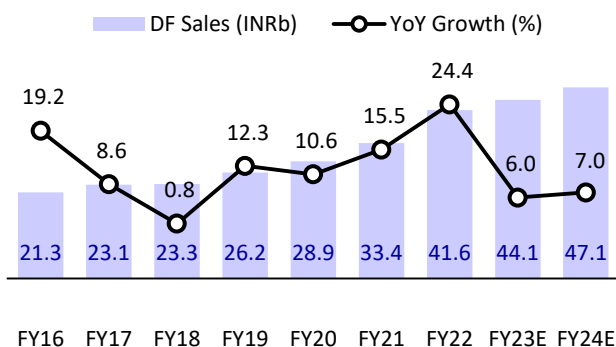
Sources: Company reports, MOFSL

**Exhibit 7: NA sales to see ~13% CAGR over FY22–24**



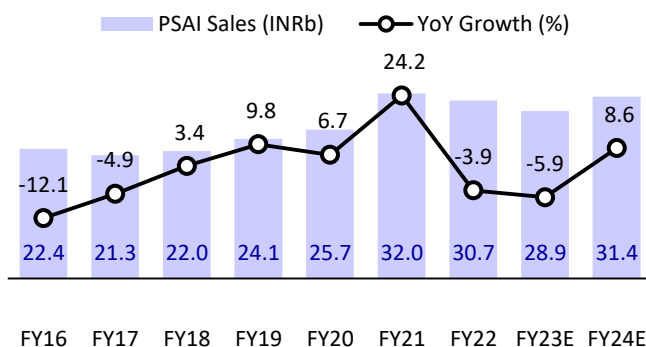
Sources: Company reports, MOFSL

**Exhibit 8: Expect DF sales to exhibit 7% CAGR over FY22–24**



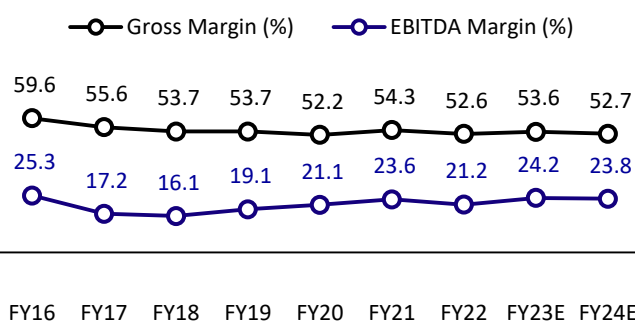
Sources: Company reports, MOFSL

**Exhibit 9: PSAI to see 1% sales CAGR over FY22–24**



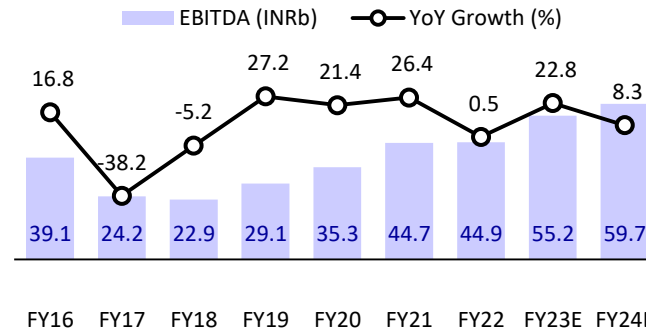
Sources: Company reports, MOFSL

**Exhibit 10: EBITDA margin to expand by 260bp over FY22–24**



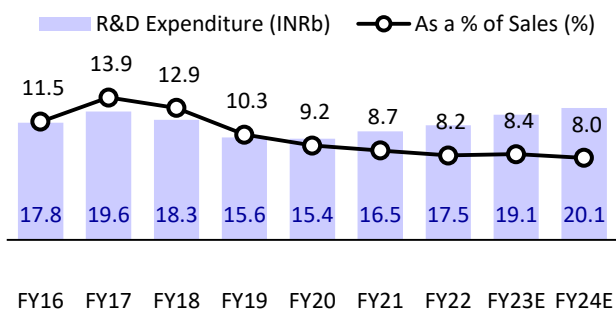
Sources: Company reports, MOFSL

**Exhibit 11: Expect EBITDA CAGR of ~15% over FY22–24**



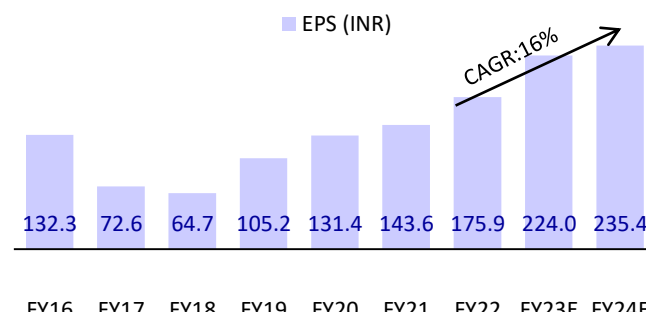
Sources: Company reports, MOFSL

**Exhibit 12: R&D expense to settle at ~8% of sales by FY24**



Sources: Company reports, MOFSL

**Exhibit 13: Expect EPS CAGR of ~16% over FY22–24**



Sources: Company reports, MOFSL

## Strong execution - key for growth across segments

### Niche launches to be key drivers for medium-term growth

- In 1HFY23, DRRD's sales witnessed a robust YoY growth of 17% YoY to USD574m, led by new launches and a favorable forex movement, partially offset by price erosion in some of the key molecules.
- While DRRD continues to build an injectable pipeline, it is also working on biologics, drug-device combinations, peptide, and long-acting injectables.
- DRRD has a robust pipeline of 78 ANDAs and 3 NDAs pending approval, which would support its long-term aspirations in the US. While the ongoing price erosion in the US may hinder growth slightly over the near term, potential launches are expected to aid 16% sales CAGR over FY22-24 to reach ~INR100b.

### DF business to grow on a high base

- DRRD garnered INR22.5b India sales in 1HFY23 and stable YoY. However, adjusting for COVID-led sales in 1HFY22, DRRD delivered a healthy YoY growth in the India segment.
- DRRD plans to be among the top five companies in India by continuing its focus on select therapies and divesting non-core brands.
- It also intends to build Nutraceuticals/OTC portfolio, enhance digital efforts, and build an ecosystem for marketing/promotional activities
- However, considering COVID-led high base in FY22, we expect sales CAGR of 6% over FY22-24 to reach INR47b.

### PSAI segment to witness muted growth

- The PSAI segment revenues declined 13% YoY to INR13.5b, with gross margins trending down to 8% in 1HFY23. The moderation in PSAI performance was due to lower off-take of certain products and partly due to high base of the past year.
- We expect the PSAI business to post almost flat sales CAGR of 1% over FY22-24 on the back of gradual recovery in the business.

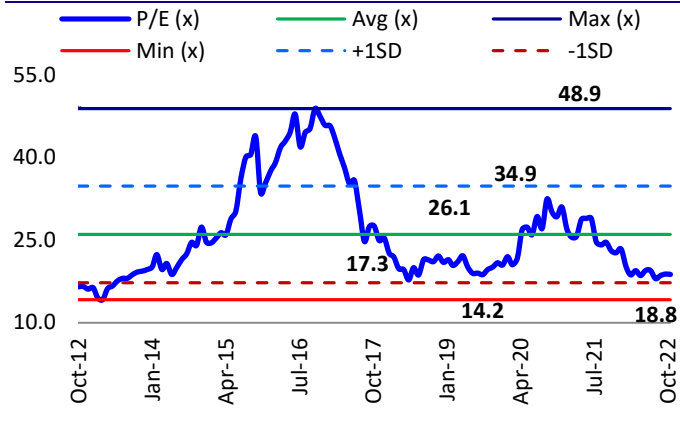
### Russia business on recovery mode

- In 1HFY23, DRRD's Russia business was largely stable at INR9b. While the political turmoil had adversely affected the business in 1QFY23, DRRD has bounced back strongly in this segment in 2QFY23.
- DRRD will also continue to build biosimilars portfolio as well in Russia as it remains a very important market for DRRD.
- We expect a 5% sales CAGR in Russia to reach INR21b over FY22-24.

### Expect 16% earnings CAGR over FY22-24

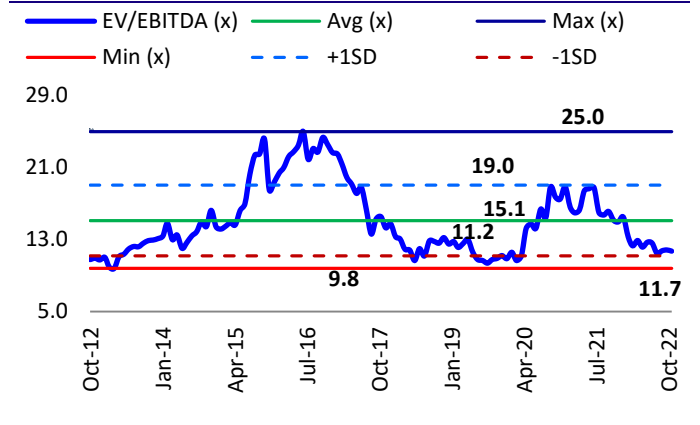
- We maintain our EPS estimate for FY23/FY24 to factor a) incremental sales of g-Revlimid, b) moderation in sales/profitability of Pharma service and ingredients (PSAI), Europe, and CIS business, and c) ongoing price erosion in the US generics base business.
- We continue to value DRRD at 24x 12M forward PE multiple for its base business and add NPV of INR210 for g-Revlimid to arrive at a price target of INR5,180.
- We remain positive on the ANDA pipeline for NAM and expect healthy growth prospects in India. We reiterate our Buy rating on the stock.

**Exhibit 14: P/E chart**



Sources: MOFSL, Company reports, Bloomberg

**Exhibit 15: EV/EBITDA chart**



Sources: MOFSL, Company reports, Bloomberg

## Financials and valuations

Income Statement								(INR m)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Net Sales</b>	<b>140,809</b>	<b>142,028</b>	<b>152,051</b>	<b>167,400</b>	<b>189,722</b>	<b>212,227</b>	<b>228,481</b>	<b>251,008</b>
Change (%)	-9.0	0.9	7.1	10.1	13.3	11.9	7.7	9.9
Total Expenditure	116,654	119,137	122,938	132,058	145,038	167,306	173,302	191,268
<b>EBITDA</b>	<b>24,155</b>	<b>22,891</b>	<b>29,113</b>	<b>35,342</b>	<b>44,684</b>	<b>44,921</b>	<b>55,178</b>	<b>59,740</b>
Change (%)	-38.2	-5.2	27.2	21.4	26.4	0.5	22.8	8.3
Margin (%)	17.2	16.1	19.1	21.1	23.6	21.2	24.2	23.8
Depreciation & Amort.	11,722	11,762	11,980	12,472	12,798	11,825	12,109	12,550
Net Interest Exp	0	817	1,163	983	-1,653	-2,119	-2,303	-2,447
One-off (Gains)/Losses	0	0	-1,800	7,718	7,700	6,381	-5,445	0
<b>PBT before EO Expense</b>	<b>14,653</b>	<b>14,341</b>	<b>22,443</b>	<b>25,749</b>	<b>35,001</b>	<b>38,679</b>	<b>46,971</b>	<b>51,537</b>
Change (%)	-46.0	-2.1	56.5	14.7	35.9	10.5	21.4	9.7
<b>PBT after EO Expense</b>	<b>14,653</b>	<b>14,341</b>	<b>22,443</b>	<b>18,033</b>	<b>27,298</b>	<b>32,298</b>	<b>52,416</b>	<b>51,537</b>
Tax	2,614	4,535	3,648	-1,466	9,175	8,730	11,743	12,369
Tax Rate (%)	17.8	31.6	16.3	-8.1	33.6	27.0	22.4	24.0
<b>Reported PAT</b>	<b>12,039</b>	<b>9,806</b>	<b>18,795</b>	<b>19,499</b>	<b>18,123</b>	<b>23,568</b>	<b>40,673</b>	<b>39,168</b>
<b>Adjusted Net Profit</b>	<b>12,039</b>	<b>10,736</b>	<b>17,459</b>	<b>21,807</b>	<b>23,834</b>	<b>29,265</b>	<b>37,271</b>	<b>39,168</b>
Change (%)	-46.7	-10.8	62.6	24.9	9.3	22.8	27.4	5.1
Margin (%)	8.5	7.6	11.5	13.0	12.6	13.8	16.3	15.6

E: MOFSL Estimates

Balance Sheet								(INR m)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	829	830	830	830	830	832	832	832
Reserves	121,792	124,886	139,406	155,158	175,587	189,695	224,228	259,417
<b>Net Worth</b>	<b>122,621</b>	<b>125,716</b>	<b>140,236</b>	<b>155,988</b>	<b>176,417</b>	<b>190,527</b>	<b>225,060</b>	<b>260,249</b>
Loans	49,075	50,651	34,125	17,836	29,444	33,845	32,845	31,845
Deferred Liabilities/Tax	-5,164	-3,455	-3,844	-12,179	-10,397	-12,721	-12,721	-12,721
<b>Capital Employed</b>	<b>166,532</b>	<b>172,912</b>	<b>170,517</b>	<b>161,645</b>	<b>195,464</b>	<b>211,651</b>	<b>245,184</b>	<b>279,373</b>
Gross Block	92,605	99,286	115,385	126,148	143,664	160,797	157,300	164,663
Less: Accum. Deprn.	42,324	49,553	61,533	74,005	86,803	98,628	110,737	123,288
<b>Net Fixed Assets</b>	<b>56,376</b>	<b>57,411</b>	<b>53,852</b>	<b>52,143</b>	<b>56,861</b>	<b>62,169</b>	<b>46,563</b>	<b>41,375</b>
Investments	26,317	28,935	30,769	33,264	33,115	38,393	38,393	38,393
Goodwill/Intangibles	46,176	46,974	47,393	31,711	40,847	31,664	31,664	31,664
<b>Curr. Assets</b>	<b>82,512</b>	<b>86,718</b>	<b>88,325</b>	<b>102,936</b>	<b>124,659</b>	<b>151,647</b>	<b>173,568</b>	<b>221,175</b>
Inventory	28,528	29,089	33,579	35,067	45,412	50,884	51,417	60,882
Account Receivables	38,196	40,696	39,982	52,015	49,759	66,818	58,555	69,348
Cash and Bank Balance	3,865	2,638	2,228	2,053	14,829	14,852	45,318	68,355
Others	11,923	14,295	12,536	13,801	14,659	19,093	18,278	22,591
<b>Curr. Liability &amp; Prov.</b>	<b>44,849</b>	<b>47,126</b>	<b>49,822</b>	<b>58,409</b>	<b>60,018</b>	<b>72,222</b>	<b>45,004</b>	<b>53,234</b>
Account Payables	10,569	13,345	13,671	15,248	18,109	25,572	16,008	18,670
Other Current Liabilities	34,280	33,781	36,151	43,161	41,909	46,650	28,995	34,564
<b>Net Current Assets</b>	<b>37,663</b>	<b>39,592</b>	<b>38,503</b>	<b>44,527</b>	<b>64,641</b>	<b>79,425</b>	<b>128,565</b>	<b>167,941</b>
<b>Appl. of Funds</b>	<b>166,532</b>	<b>172,912</b>	<b>170,517</b>	<b>161,645</b>	<b>195,464</b>	<b>211,651</b>	<b>245,184</b>	<b>279,373</b>

## Financials and valuations

### Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>EPS</b>	<b>72.6</b>	<b>64.7</b>	<b>105.2</b>	<b>131.4</b>	<b>143.6</b>	<b>175.9</b>	<b>224.0</b>	<b>235.4</b>
Cash EPS	143.3	135.5	177.3	206.5	220.7	246.9	296.8	310.8
BV/Share	739.6	757.3	844.8	939.7	1,062.8	1,145.0	1,359.6	1,571.1
DPS	20.0	20.0	20.0	23.6	25.0	20.4	20.4	21.5
Payout (%)	33.1	40.7	21.3	23.5	26.8	16.9	9.8	10.7
<b>Valuation (x)</b>								
P/E	61.2	68.7	42.3	33.8	31.0	25.3	19.8	18.9
PEG (x)	NA	-6	1	1	3	1.1	0.7	3.7
P/BV	6.0	5.9	5.3	4.7	4.2	3.9	3.3	2.8
EV/Sales	5.4	5.3	4.9	4.3	3.8	3.4	3.0	2.6
EV/EBITDA	31.3	33.1	25.4	20.4	16.1	16.0	12.4	11.1
Dividend Yield (%)	0.4	0.4	0.5	0.5	0.6	0.5	0.5	0.5
<b>Return Ratios (%)</b>								
ROIC	8.9	5.8	10.8	21.9	17.0	18.0	21.9	22.8
RoE	9.7	8.6	13.1	14.7	14.3	16.0	17.9	16.1
RoCE	6.4	4.8	8.9	17.4	11.8	12.3	14.4	13.5
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	1.6	1.5	1.4	1.4	1.4	1.4	1.4	1.6
Debtor (Days)	103	101	97	100	98	100	100	93
Inventory (Days)	70	74	75	75	77	83	82	82
<b>Leverage Ratio</b>								
Net Debt/Equity (x)	0.1	0.1	0.0	-0.1	-0.2	-0.2	-0.4	-0.5

### Cash Flow Statement

(INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Op. Profit/(Loss) before Tax	14,653	14,341	22,443	25,749	35,001	38,679	46,971	51,537
Depreciation	11,722	11,762	11,980	12,472	12,798	11,825	12,109	12,550
Interest/Dividends Recd.	-2,220	-4,029	-6,473	4,839	6,238	2,917	-7,045	-1,901
Direct Taxes Paid	-2,614	-4,535	-3,648	1,466	-9,175	-8,730	-11,743	-12,369
(Inc)/Dec in WC	-192	-3,156	679	-6,199	-7,338	-14,761	-18,674	-16,340
<b>CF from Operations</b>	<b>21,444</b>	<b>18,030</b>	<b>28,704</b>	<b>38,542</b>	<b>43,629</b>	<b>34,489</b>	<b>21,619</b>	<b>33,478</b>
(inc)/dec in FA	-40,922	-13,595	-8,840	4,919	-26,652	-7,950	3,497	-7,363
<b>Free Cash Flow</b>	<b>-19,573</b>	<b>788</b>	<b>16,141</b>	<b>43,246</b>	<b>10,872</b>	<b>21,980</b>	<b>25,116</b>	<b>26,115</b>
(Pur)/Sale of Investments	17,757	1,411	2,839	-2,495	149	-5,278	0	0
<b>CF from Investments</b>	<b>-18,404</b>	<b>-14,883</b>	<b>-7,727</b>	<b>-4,923</b>	<b>-26,503</b>	<b>-26,387</b>	<b>3,497</b>	<b>-7,363</b>
Change in net worth	-11,130	-2,719	-273	835	1,653	-5,479	-979	199
(Inc)/Dec in Debt	15,672	1,576	-16,526	-16,289	11,608	4,401	-1,000	-1,000
Dividend Paid	-3,986	-3,992	-4,002	-4,582	-4,852	-3,979	-3,877	-4,076
<b>CF from Fin. Activity</b>	<b>-3,692</b>	<b>-4,440</b>	<b>-21,326</b>	<b>-25,159</b>	<b>-4,545</b>	<b>3,959</b>	<b>-4,758</b>	<b>-3,779</b>
<b>Inc/Dec of Cash</b>	<b>-652</b>	<b>-1,293</b>	<b>-349</b>	<b>8,460</b>	<b>12,581</b>	<b>12,061</b>	<b>20,358</b>	<b>22,336</b>
Add: Beginning Balance	4,921	3,865	2,638	2,228	2,053	14,829	14,852	45,318
<b>Closing Balance</b>	<b>4,269</b>	<b>2,572</b>	<b>2,289</b>	<b>10,688</b>	<b>14,634</b>	<b>26,890</b>	<b>35,210</b>	<b>67,654</b>
<b>FX Impact</b>	<b>-492</b>	<b>57</b>	<b>35</b>	<b>-25</b>	<b>195</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Closing Balance</b>	<b>3,865</b>	<b>2,638</b>	<b>2,228</b>	<b>2,053</b>	<b>14,829</b>	<b>14,852</b>	<b>45,318</b>	<b>68,355</b>

E: MOFSL Estimates



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

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

#### Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations). Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on [www.motilaloswal.com](http://www.motilaloswal.com). MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at

<http://onlinereports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf>

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

A graph of daily closing prices of securities is available at [www.nseindia.com](http://www.nseindia.com), [www.bseindia.com](http://www.bseindia.com). Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

#### Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

#### For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg. No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

#### For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act") and together with the 1934 Act, the "Acts), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

#### For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co. Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore. As per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

#### Specific Disclosures

- 1 MOFSL, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
- 2 MOFSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
- 3 MOFSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
- 4 MOFSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
- 5 Research Analyst has not served as director/officer/employee in the subject company
- 6 MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- 7 MOFSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
- 8 MOFSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
- 9 MOFSL has not received any compensation or other benefits from third party in connection with the research report
- 10 MOFSL has not engaged in market making activity for the subject company

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance.
- received compensation/other benefits from the subject company in the past 12 months
- any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however, the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.
- Served subject company as its clients during twelve months preceding the date of distribution of the research report.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, it does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

#### **Analyst Certification**

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

#### **Terms & Conditions:**

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

#### **Disclaimer:**

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022-3980

4263; [www.motilaloswal.com](http://www.motilaloswal.com). Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal, Email Id: [na@motilaloswal.com](mailto:na@motilaloswal.com), Contact No.:022-71881085.

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL: IN-DP-16-2015; NSDL: IN-DP-NSDL-152-2000; Research Analyst: INH000000412. AMFI: ARN.: 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products. Customer having any query/feedback/ clarification may write to [query@motilaloswal.com](mailto:query@motilaloswal.com). In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to [grievances@motilaloswal.com](mailto:grievances@motilaloswal.com), for DP to [dp grievances@motilaloswal.com](mailto:dp grievances@motilaloswal.com).