

# Sun Pharma

Estimate change



TP change



Rating change



Bloomberg	SUNP IN
Equity Shares (m)	2,399
M.Cap.(INRb)/(USDb)	2478.7 / 30
52-Week Range (INR)	1048 / 734
1, 6, 12 Rel. Per (%)	2/4/26
12M Avg Val (INR M)	3011

## Financials & valuations (INR b)

Y/E MARCH	FY22	FY23E	FY24E
Sales	383.1	447.6	508.7
EBITDA	99.0	116.7	135.9
Adj. PAT	75.3	86.1	101.7
EBIT Margin (%)	20.2	20.6	21.7
Cons. Adj. EPS (INR)	31.3	35.8	42.3
EPS Gr. (%)	24.9	14.4	18.2
BV/Sh. (INR)	199.6	232.6	269.3

## Ratios

Net D:E	-0.09	-0.11	-0.19
RoE (%)	15.9	16.6	16.8
RoCE (%)	11.5	11.5	12.5
Payout (%)	32.8	12.2	12.9

## Valuations

P/E (x)	33.0	28.9	24.4
EV/EBITDA (x)	24.1	20.3	17.0
Div. Yield (%)	0.4	0.4	0.5
FCF Yield (%)	0.4	1.2	3.1
EV/Sales (x)	6.2	5.3	4.5

## Shareholding pattern (%)

As On	Sep-22	Jun-22	Sep-21
Promoter	54.5	54.5	54.5
DII	19.7	19.7	21.7
FII	16.0	15.0	12.1
Others	9.8	10.9	11.7

FII Includes depository receipts

**CMP: INR1,033**

**TP: INR1,240 (+20%)**

**Buy**

## Another quarter of an earnings beat

### R&D spends remain limited for the Specialty portfolio

- SUNP delivered a better than expected 2QFY23 earnings, led by superior execution in the Specialty portfolio, US Generics (excluding Taro), and the Domestic Formulation (DF) segment; benefits from the PLI scheme; and a favorable currency movement. As a percentage of sales, R&D spends remain low at 5.3% v/s the management's guidance of 6-8% for FY23, further boosting profitability in 2Q.
- We have raised our FY23/FY24 EPS estimate by 7%/5% to factor in: a) enhanced traction in the Specialty portfolio, b) industry outperformance in Branded Generics of the DF segment and in emerging markets, c) reduced R&D spends, and d) better operating leverage.
- We continue to value SUNP at 25x 12M forward earnings to arrive at our TP of INR1,240. We remain positive on the stock on the back of an increased prescription base for the Specialty portfolio, robust franchise building in Branded Generics, niche ANDA pipeline awaiting approval, and controlled cost. We reiterate our Buy rating.

### Product mix and lower employee cost led to better profitability in 2QFY23

- Sales rose 14% YoY to INR108b in 2QFY23 (est. INR109.5b).
- US sales grew 14% YoY to USD412m (30% of total sales). In INR terms, the same grew 23% YoY to INR33b. DF sales grew 8.5% YoY to INR34.6b (32% of total sales). EM sales rose 6.7% YoY to USD259m (19% of total sales). API sales grew 8.5% YoY to INR5b (4% of total sales). RoW sales fell 3.8% YoY to USD181m (13% of total sales), due to adverse currency movements. Specialty sales grew 27.5% YoY (stable QoQ) to USD200m, driving sales as well as profitability in 2QFY23.
- Gross margin expanded by 150bp YoY to 74.9% in 2QFY23, due to better product mix, benefits from the PLI scheme, and a favorable currency.
- R&D cost stood at INR5.7b, constituting 5.3% of sales. EBITDA margin expanded by 120bp YoY to 28.3% (est. 24.5%), driven largely by better GM and lower employee cost (down 50bp YoY as a percentage of sales), but was partially offset by higher other expenses (up 160bp as a percentage of sales).
- EBITDA rose 19% YoY to INR30.5b (est. INR27b).
- SUNP incurred a forex loss of INR2.4b in 2QFY23. Adjusted PAT rose 17% YoY to INR24b (est. INR19.3b).
- Sales/EBITDA/PAT grew 12%/8%/6% to INR214b/INR57b/INR43b in 1HFY23.

### Highlights from the management commentary

- The global Specialty business posted a sales growth of 27.5% YoY to USD201m in 2QFY23, led by a pickup in sales of Ilumya, Cequa, and Winlevi.
- SUNP continues to face challenges in recruitment of patients for psoriatic arthritis indication for Ilumya. The management said the moderation in prescriptions of Winlevi seems temporary and expects a revival in coming quarters.
- Sales of Cequa have been growing, despite the generic launch of Restasis.
- Revenue from the DF segment grew 10.9% in 2QFY23 on a like-to-like basis (excluding COVID-related sales in 2QFY22).

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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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## Consolidated quarterly performance

(INR b)

Y/E March	FY22				FY23				FY22	FY23E	FY23E	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	
<b>Net Revenue</b>	<b>96.7</b>	<b>94.8</b>	<b>98.1</b>	<b>93.9</b>	<b>106.4</b>	<b>108.1</b>	<b>112.1</b>	<b>121.0</b>	<b>383.5</b>	<b>447.6</b>	<b>108.7</b>	<b>-1.3</b>
Change (YoY %)	29.5	12.1	11.8	11.3	10.1	14.0	14.2	28.9	15.7	16.7	14.6	
Total Expenditure	69.8	69.2	72.5	72.7	80.2	77.5	82.8	90.3	284.1	330.9	82.1	
<b>EBITDA</b>	<b>26.9</b>	<b>25.6</b>	<b>25.7</b>	<b>21.2</b>	<b>26.2</b>	<b>30.5</b>	<b>29.3</b>	<b>30.7</b>	<b>99.4</b>	<b>116.7</b>	<b>26.6</b>	<b>13.8</b>
Change (YoY %)	63.5	15.7	12.7	7.7	-2.6	19.2	13.9	44.8	22.6	17.4	3.9	
Margin (%)	27.8	27.0	26.2	22.6	24.6	28.3	26.1	25.4	25.9	26.1	24.5	
Depreciation	5.0	5.3	5.5	5.6	5.9	6.1	6.2	6.2	21.4	24.3	6.0	
<b>EBIT</b>	<b>21.9</b>	<b>20.3</b>	<b>20.1</b>	<b>15.6</b>	<b>20.3</b>	<b>24.5</b>	<b>23.1</b>	<b>24.5</b>	<b>78.0</b>	<b>92.4</b>	<b>20.7</b>	
Change (YoY %)	90.3	18.4	15.3	10.5	-7.1	20.3	14.7	56.7	29.3	18.5	1.8	
Interest	0.4	0.4	0.2	0.4	0.1	0.2	0.2	0.3	1.3	0.8	0.1	
Net Other Income	2.0	2.9	3.1	1.7	1.2	2.3	2.2	2.4	9.8	8.0	1.8	
<b>PBT before EO Exp.</b>	<b>23.6</b>	<b>22.9</b>	<b>23.1</b>	<b>17.0</b>	<b>21.4</b>	<b>26.5</b>	<b>25.1</b>	<b>26.5</b>	<b>86.5</b>	<b>99.5</b>	<b>22.3</b>	<b>18.0</b>
Less: EO Exp./ (Inc.)	5.5	1.5	-1.6	37.7	-1.5	2.4	0.0	0.0	43.2	1.0	0.0	
<b>PBT</b>	<b>18.0</b>	<b>21.4</b>	<b>24.7</b>	<b>-20.8</b>	<b>22.8</b>	<b>24.1</b>	<b>25.1</b>	<b>26.5</b>	<b>43.3</b>	<b>98.6</b>	<b>22.3</b>	
Tax	4.0	2.0	3.4	1.5	1.9	1.5	3.0	5.0	10.8	11.4	2.5	
Rate (%)	16.8	8.6	14.5	8.6	8.8	5.7	12.0	18.9	12.4	11.5	11.0	
<b>PAT (pre Minority Interest)</b>	<b>14.1</b>	<b>19.4</b>	<b>21.3</b>	<b>-22.2</b>	<b>21.0</b>	<b>22.6</b>	<b>22.1</b>	<b>21.5</b>	<b>32.6</b>	<b>87.1</b>	<b>19.8</b>	
Minority Interest	-0.4	0.4	0.7	0.5	0.3	0.0	0.8	0.9	1.3	2.0	0.7	
<b>Reported PAT</b>	<b>14.4</b>	<b>19.0</b>	<b>20.6</b>	<b>-22.8</b>	<b>20.6</b>	<b>22.6</b>	<b>21.3</b>	<b>20.6</b>	<b>31.2</b>	<b>85.1</b>	<b>19.1</b>	<b>17.1</b>
<b>Adj. Net Profit*</b>	<b>20.0</b>	<b>20.5</b>	<b>19.0</b>	<b>15.8</b>	<b>19.2</b>	<b>23.9</b>	<b>21.3</b>	<b>21.7</b>	<b>75.3</b>	<b>86.1</b>	<b>19.1</b>	<b>23.7</b>
Change (YoY %)	74.1	24.8	6.7	8.6	-4.0	16.7	12.0	37.5	24.9	14.4	-6.6	
Margin (%)	20.6	21.6	19.4	16.9	18.0	22.1	19.0	18.0	8.1	19.0	17.6	

## Key performance indicators

Y/E March	FY22				FY23				FY22	FY23E	FY23E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE
<b>(Consolidated)</b>											
Domestic Formulations (INR b)	33.1	31.9	31.7	31.0	33.9	34.6	34.8	35.1	127.6	138.4	36.3
Change (YoY %)	38.5	25.9	15.1	15.9	2.4	8.5	10.0	13.5	23.4	8.5	14.0
US sales (INR b)	28.0	26.8	29.7	29.2	32.4	32.9	35.8	36.8	113.7	137.9	32.4
Change (YoY %)	30.9	7.5	7.6	8.4	15.8	22.9	20.5	25.7	12.7	21.2	20.9
RoW (INR b)	29.7	31.9	31.4	28.9	33.6	35.1	35.2	42.0	122.0	145.9	34.0
Change (YoY %)	26.0	10.3	12.0	10.3	13.0	10.1	9.0	45.5	14.2	19.6	8.0
APIs (INR b)	5.1	4.4	4.7	4.1	6.0	4.7	5.6	7.6	18.4	23.8	5.4
Change (YoY %)	-7.0	-14.6	4.6	-5.1	16.3	8.5	18.0	83.0	-5.9	29.9	24.0
<b>Cost breakup as a percentage of sales</b>											
RM cost	27.4	26.6	26.9	27.1	27.2	25.1	25.8	25.7	27.0	26.0	27.0
Staff cost	18.2	19.0	18.9	20.1	19.5	18.5	18.6	18.8	19.0	18.9	19.6
R&D expenses	6.1	5.6	5.5	5.8	4.3	5.3	6.5	7.1	5.8	5.9	4.9
Other cost	20.4	21.7	22.5	24.5	24.3	24.0	23.0	22.3	22.3	23.2	24.0
Gross margin (%)	72.6	73.4	73.1	72.9	72.8	74.9	74.2	74.3	73.0	74.0	73.0
EBITDA margin (%)	27.8	27.0	26.2	22.6	24.6	28.3	26.1	25.4	25.9	26.1	24.5
EBIT margin (%)	22.6	21.4	20.5	16.6	19.1	22.6	20.6	20.2	20.3	20.6	19.0



### Key takeaways from the management interaction

- Specialty R&D constituted 22% of total R&D spends in 2QFY23.
- SUNP launched three ANDAs in 2QFY23.
- The price erosion in US Generics remains unabated. The focus remains on niche filings in the US Generics market.
- CNS, Gastrointestinal, and Cardiac therapies contributed majorly to growth in the DF segment.
- SUNP remains on track to launch products and increase the reach of its existing products in the DF segment.
- While R&D spends stood ~4.8% of sales in 1H, SUNP maintained its FY23 R&D guidance of 6-8% of sales. As R&D spends in the Specialty portfolio is subject to the satisfactory recruitment of patients, the same may get prolonged given the political uncertainty.
- With respect to the OAI status to its Halol facility, SUNP continues to implement remediation measures to address USFDA's observations.
- There was a PLI scheme benefit in other operating income.

### Exhibit 1: Taro's financial snapshot

(USD m)	2QFY23	2QFY22	YoY (%)	1QFY23	QoQ (%)
<b>Sales</b>	<b>130.5</b>	<b>132.0</b>	<b>-1.1</b>	<b>156.7</b>	<b>-16.7</b>
Cost of sales (incl. Dep.)	83.6	69.9	19.5	75.1	11.4
<b>Gross profit</b>	<b>46.9</b>	<b>62.0</b>	<b>-24.4</b>	<b>81.6</b>	<b>-42.5</b>
GP Margin (%)	35.9	47.0	(1,107)bp	52.1	(1,615)bp
<b>Operating expenses:</b>					
R&D	11.5	12.5	-8.0	11.5	-0.1
R&D as a percentage of sales	8.8	9.5		7.3	
SG&A	42.2	25.1	68.1	56.1	-24.8
SG&A as a percentage of sales	32.3	19.0		35.8	
<b>Operating Profit</b>	<b>-6.8</b>	<b>24.4</b>	<b>-127.8</b>	<b>14.0</b>	<b>-148.7</b>
Operating Profit Margin (%)	-5.2	18.5	(2,373)bp	8.9	(1,413)bp
<b>EBITDA</b>	<b>-6.8</b>	<b>25.9</b>	<b>-126.3</b>	<b>14.0</b>	<b>-148.7</b>
EBITDA margin (%)	-5.2	19.6	(2,481)bp	8.9	(1,413)bp
Financial expenses	-4.3	-2.4		-1.9	
Extraordinary items incl. forex	2.8	-0.3		0.3	
Other income	0.4	2.3		0.4	
<b>PBT</b>	<b>-4.9</b>	<b>29.4</b>	<b>NA</b>	<b>16.1</b>	<b>NA</b>
Taxes	-2.1	6.1		2.0	
Effective tax rate (%)	42.8	20.7		12.3	
<b>Net income before MI</b>	<b>-2.8</b>	<b>23.3</b>	<b>NA</b>	<b>14.1</b>	<b>NA</b>
Minority interest	0.0	0.0		0.0	
<b>Net income (Reported)</b>	<b>-2.8</b>	<b>23.3</b>	<b>NA</b>	<b>14.1</b>	<b>NA</b>
Forex fluctuations	-2.8	0.3		-0.3	
<b>Net income (Adjusted)</b>	<b>-3.9</b>	<b>24.4</b>	<b>NA</b>	<b>12.7</b>	<b>NA</b>

Source: MOFSL, Company

## DF and Specialty to drive revenue growth

### Strong showing by the Specialty portfolio; the focus is on niche filings in US Generics

- From USD400m in FY20, superior execution drove sales 28% higher YoY to USD391m in 1H FY23 in the global Specialty segment. Growth was led by a pickup in sales of Illumya, Cequa, and Winlevi in the US.
- SUNP has four specialty products under various stages of clinical trials.
- The delay in recruitment of patients for clinical trials, related to psoriatic arthritis, puts SUNP's Illumya slightly behind its peers.
- In 1H FY23, SUNP posted stable YoY sales of USD222m in the US Generics segment (excluding Taro/Specialty portfolio), despite the ongoing price erosion. The focus remains on niche launches in the US Generics market. In the Generics segment, it has 92 ANDAs pending approval. In 1H FY23, five approvals were received.
- In 1H FY23, Taro witnessed a revenue/EBITDA of USD287m/USD21m. With ongoing price erosion in the base business, EBITDA margin fell to 7.4% in 1H FY23 v/s 15.9% in FY22.
- While the settlement of g-Revlimid is in place, we await clarity in terms of approval from the USFDA. Without factoring g-Revlimid sales, we estimate overall US sales to exhibit 15% CAGR to USD2b over FY22-24.

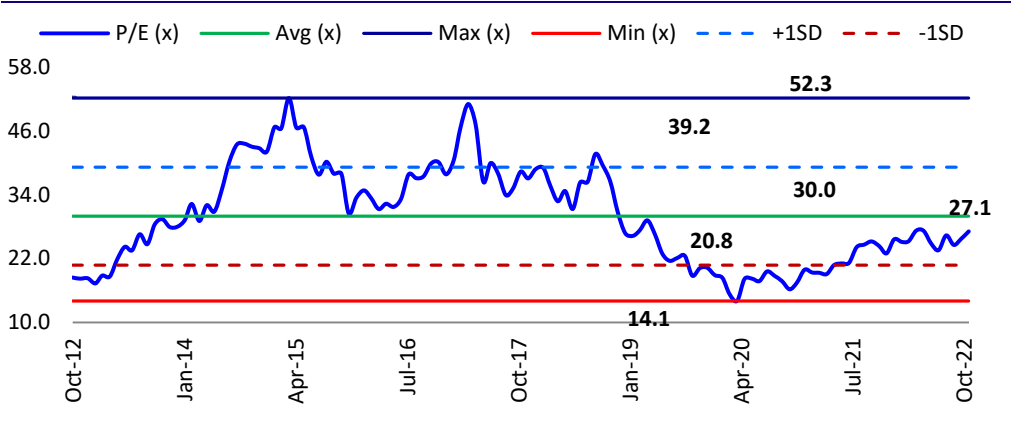
### Branded Formulations business drives growth

- In 1H FY23, DF sales rose 11.5% YoY, excluding sales of COVID-related products. The YoY growth was driven by the top three therapies of Cardiac/CNS/Gastrointestinal, leading to strong outperformance against the IPM.
- We expect SUNP to exhibit 9% CAGR to INR152b over FY22-24, despite a high base of FY22. Growth will be largely driven by MR addition and launches, resulting in geographic expansion.
- SUNP's Branded Formulations business (including DF) now contributes more than 50% to revenue. The business (excluding DF) is exhibiting strong growth on the back of growth in its focus markets. The emerging and RoW market is expected to exhibit 16% sales CAGR to INR165b over FY22-24.

### Specialty and Branded Generics to drive 14% earnings CAGR over FY22-24

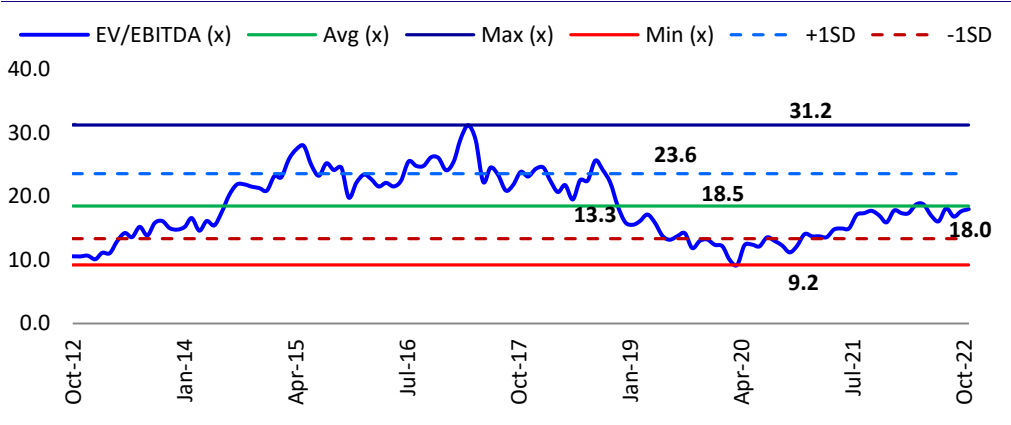
- We have raised our FY23/FY24 EPS estimate by 7%/5%, factoring in: a) enhanced traction in the Specialty portfolio, b) industry outperformance in Branded Generics in the DF segment and in emerging markets (EM), c) reduced R&D spends, and d) better operating leverage.
- We expect 16% earnings CAGR over FY22-24, led by 19%/16% sales CAGR in the US/emerging markets and RoW, aided by a 90bp margin expansion.
- We continue to value SUNP at 25x 12M forward earnings to arrive at our TP of INR1,240.
- We remain positive on SUNP on the back of an increased prescription base for the Specialty portfolio, robust franchise building in Branded Generics, niche ANDA pipeline pending approval, and controlled cost. We reiterate our Buy rating.

Exhibit 2: P/E ratio chart



Source: MOFSL, Company, Bloomberg

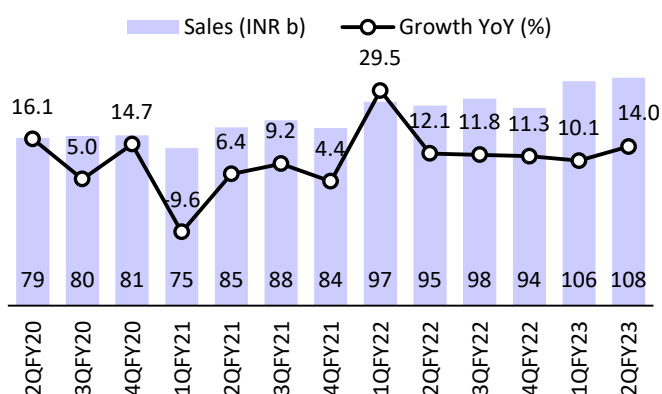
Exhibit 3: EV/EBITDA ratio chart



Source: MOFSL, Company, Bloomberg

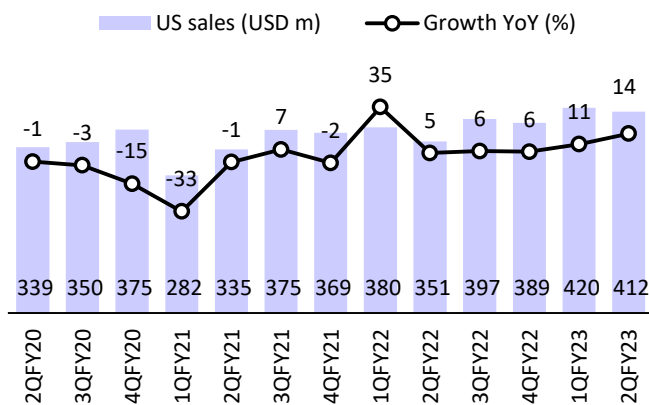
## Story in charts

**Exhibit 4: Revenue rose 14% YoY in 2QFY23**



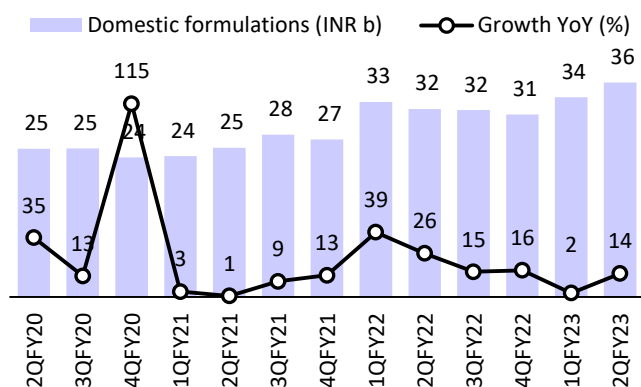
Source: Company, MOFSL

**Exhibit 5: US business sales grew 14% YoY in CC terms**



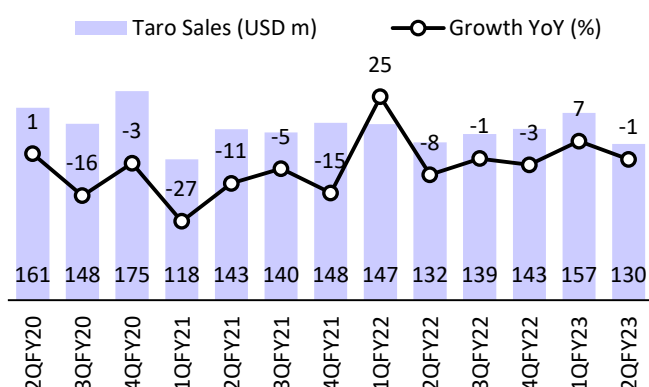
Source: Company, MOFSL

**Exhibit 6: DF sales grew 14% YoY in 2QFY23**



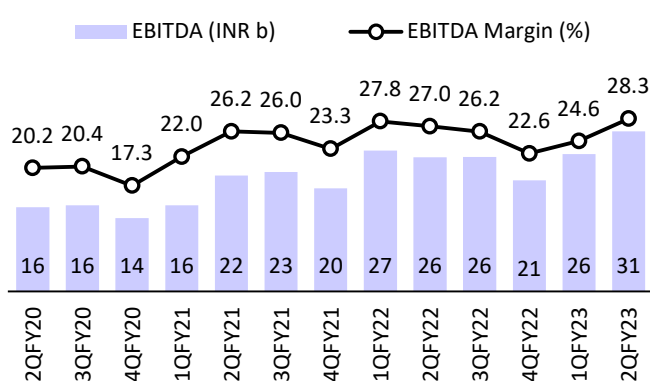
Source: Company, MOFSL

**Exhibit 7: Taro sales decline slightly in 2QFY23**



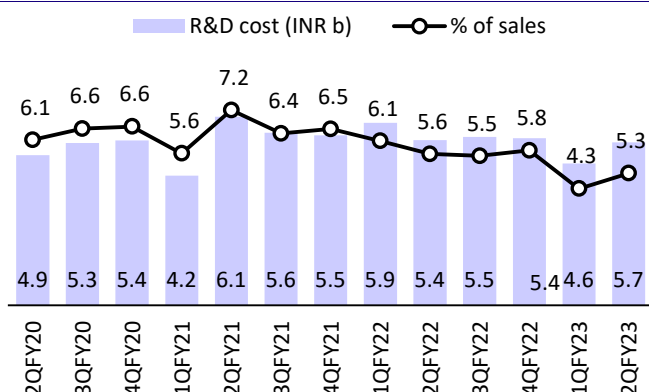
Source: Company, MOFSL

**Exhibit 8: EBITDA margin expands by 120bp YoY in 2QFY23**

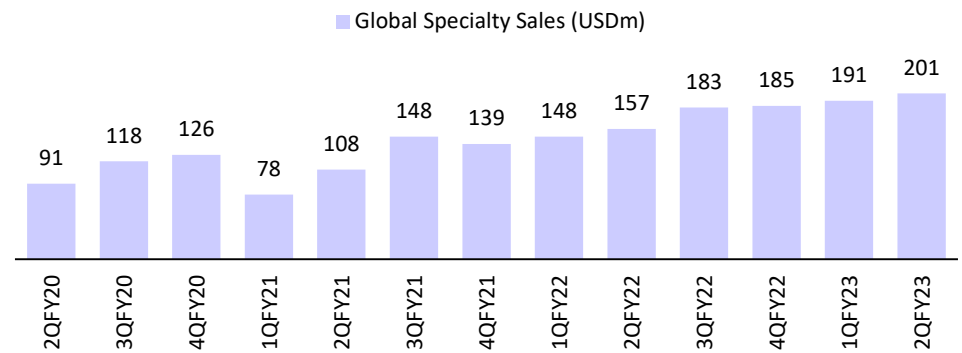


Source: Company, MOFSL

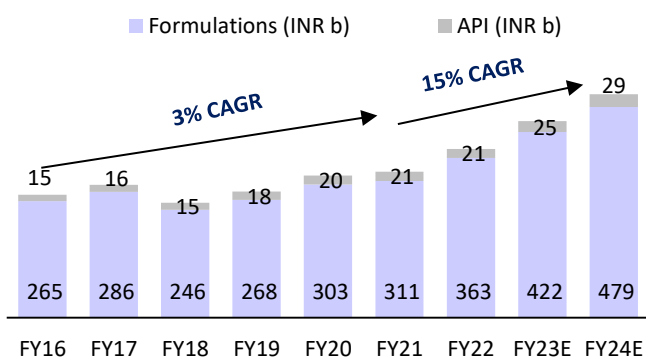
**Exhibit 9: R&D stood at 5.3% of sales in 2QFY23**



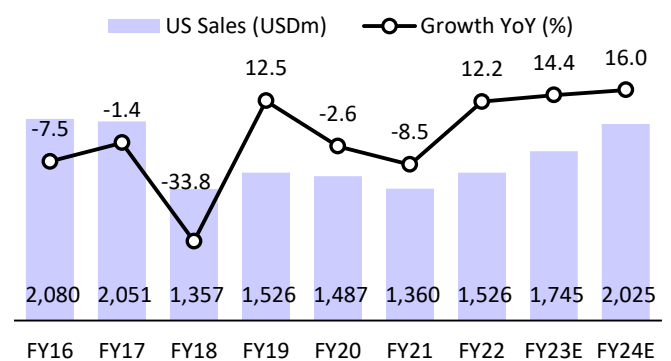
Source: Company, MOFSL

**Exhibit 10: Adjusted global Specialty sales rose 27% YoY to USD201m in 2QFY23**

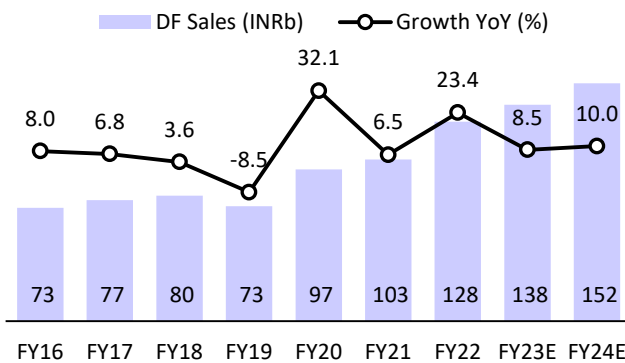
Source: Company, MOFSL

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

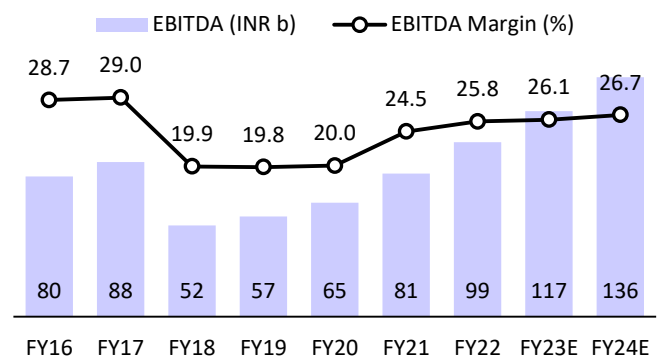
Source: Company, MOFSL

**Exhibit 12: Expect ~15% CAGR in US sales over FY22-24**

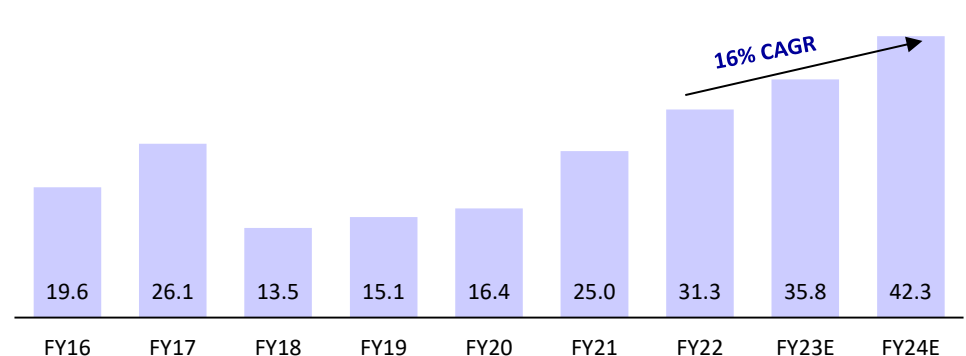
Source: Company, MOFSL

**Exhibit 13: Expect sales CAGR of 9% in DF over FY22-24**

Source: Company, MOFSL

**Exhibit 14: Expect EBITDA margin to improve to 26.7% by FY24**

Source: Company, MOFSL

**Exhibit 15: Expect 16% EPS CAGR over FY22-24**

Source: Company, MOFSL



## Financials and valuations

Income Statement								(INR b)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Net Sales</b>	<b>302.6</b>	<b>260.7</b>	<b>286.9</b>	<b>323.3</b>	<b>331.6</b>	<b>383.1</b>	<b>447.6</b>	<b>508.7</b>
Change (%)	9.1	-13.9	10.1	12.7	2.6	15.5	16.8	13.7
Total Expenditure	214.9	208.8	230.1	258.6	250.3	284.1	330.9	372.8
As a percentage of Sales	71.0	80.1	80.2	80.0	75.5	74.2	73.9	73.3
<b>EBITDA</b>	<b>87.8</b>	<b>51.8</b>	<b>56.8</b>	<b>64.6</b>	<b>81.3</b>	<b>99.0</b>	<b>116.7</b>	<b>135.9</b>
Margin (%)	29.0	19.9	19.8	20.0	24.5	25.8	26.1	26.7
Depreciation	12.6	15.0	17.5	20.5	20.8	21.4	24.3	25.5
<b>EBIT</b>	<b>75.1</b>	<b>36.8</b>	<b>39.3</b>	<b>44.1</b>	<b>60.5</b>	<b>77.6</b>	<b>92.4</b>	<b>110.4</b>
Int. and Finance Charges	4.0	5.2	5.6	3.0	1.4	1.3	0.8	0.7
Other Income – Rec.	19.4	12.6	14.1	11.5	11.8	10.2	8.0	8.7
Extra-ordinary Exp.	0.0	9.5	9.7	2.5	42.8	43.2	1.0	0.0
PBT	90.5	34.8	38.1	50.1	28.0	43.3	98.6	118.4
Tax	12.1	8.5	6.0	8.2	5.1	10.8	11.4	14.2
Tax Rate (%)	13.4	24.3	15.8	16.4	18.4	24.8	11.6	12.0
<b>Profit after Tax</b>	<b>78.4</b>	<b>26.3</b>	<b>32.1</b>	<b>41.9</b>	<b>22.8</b>	<b>32.6</b>	<b>87.1</b>	<b>104.2</b>
Change (%)	34.4	-66.4	21.9	30.5	-45.4	42.5	167.6	19.6
Margin (%)	24.3	9.6	10.7	12.5	6.7	8.3	19.1	20.1
Less: Minority Interest	8.7	4.7	5.4	4.2	-6.2	1.3	2.0	2.5
<b>Reported PAT</b>	<b>69.6</b>	<b>21.6</b>	<b>26.7</b>	<b>37.6</b>	<b>29.0</b>	<b>31.2</b>	<b>85.1</b>	<b>101.7</b>
<b>Adjusted PAT (excl. Ex. Items)</b>	<b>62.9</b>	<b>32.4</b>	<b>36.3</b>	<b>39.5</b>	<b>60.2</b>	<b>75.3</b>	<b>86.1</b>	<b>101.7</b>

Balance Sheet								(INR b)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Total Reserves	364.0	378.6	411.7	450.2	462.2	477.7	557.3	645.5
<b>Net Worth</b>	<b>366.4</b>	<b>381.0</b>	<b>414.1</b>	<b>452.6</b>	<b>464.6</b>	<b>480.1</b>	<b>559.7</b>	<b>647.9</b>
Minority Interest	37.9	38.8	33.1	38.6	30.2	30.5	30.5	30.5
Deferred Liabilities	-21.8	-19.7	-24.5	-31.2	-35.1	-28.6	-28.6	-28.6
Total Loans	80.9	97.5	98.9	75.8	33.4	11.8	8.8	6.5
<b>Capital Employed</b>	<b>463.4</b>	<b>497.6</b>	<b>521.7</b>	<b>535.9</b>	<b>493.1</b>	<b>493.8</b>	<b>570.3</b>	<b>656.3</b>
Gross Block	134.0	155.6	181.8	207.8	225.2	248.1	284.6	314.6
Less: Accum. Deprn.	49.0	64.0	81.6	102.1	122.9	144.3	168.7	194.1
<b>Net Fixed Assets</b>	<b>85.0</b>	<b>91.6</b>	<b>100.3</b>	<b>105.7</b>	<b>102.3</b>	<b>103.7</b>	<b>116.0</b>	<b>120.5</b>
Capital WIP	15.6	14.3	9.1	6.6	9.4	8.0	11.3	12.5
Goodwill	104.2	107.2	123.1	128.4	119.5	128.1	128.1	128.1
Investments	9.6	30.5	39.5	52.5	64.8	49.8	49.8	49.8
<b>Curr. Assets</b>	<b>374.8</b>	<b>377.4</b>	<b>349.4</b>	<b>357.6</b>	<b>345.1</b>	<b>379.4</b>	<b>467.6</b>	<b>575.0</b>
Inventory	68.3	68.8	78.9	78.7	90.0	90.0	115.1	132.4
Account Receivables	72.0	78.2	88.8	94.2	90.6	105.9	141.3	161.6
Cash and Bank Balance	151.4	99.3	72.8	64.9	64.5	50.3	67.8	126.3
L and A and Others	83.0	131.1	108.9	119.8	100.0	133.2	143.4	154.7
<b>Curr. Liability and Prov.</b>	<b>125.7</b>	<b>123.5</b>	<b>99.7</b>	<b>114.9</b>	<b>148.0</b>	<b>175.2</b>	<b>202.5</b>	<b>229.5</b>
Account Payables	73.5	68.3	66.1	70.1	98.9	80.0	93.1	103.7
Provisions	52.3	55.1	33.6	44.8	49.1	95.2	109.4	125.9
<b>Net Current Assets</b>	<b>249.1</b>	<b>253.9</b>	<b>249.7</b>	<b>242.7</b>	<b>197.1</b>	<b>204.2</b>	<b>265.1</b>	<b>345.4</b>
<b>Appl. of Funds</b>	<b>463.4</b>	<b>497.6</b>	<b>521.7</b>	<b>535.9</b>	<b>493.1</b>	<b>493.8</b>	<b>570.3</b>	<b>656.3</b>

E: MOFSL estimates



## Financials and valuations

### Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Adjusted EPS</b>	<b>26.1</b>	<b>13.5</b>	<b>15.1</b>	<b>16.4</b>	<b>25.0</b>	<b>31.3</b>	<b>35.8</b>	<b>42.3</b>
Cash EPS	34.2	15.2	18.4	24.2	20.7	21.9	45.5	52.9
BV/Share	152.3	158.4	172.1	188.1	193.1	199.6	232.6	269.3
DPS	1.0	3.3	2.0	3.5	3.5	3.8	3.8	4.8
Payout (%)	3.7	36.5	18.0	23.5	43.0	32.8	12.2	12.9
<b>Valuation (x)</b>								
P/E	39.5	76.8	68.4	63.0	41.3	33.0	28.9	24.4
P/BV	6.8	6.5	6.0	5.5	5.3	5.2	4.4	3.8
EV/Sales	7.9	9.4	8.6	7.5	7.2	6.2	5.3	4.5
EV/EBITDA	27.3	47.2	43.4	37.7	29.3	24.1	20.3	17.0
Dividend Yield (%)	0.1	0.3	0.2	0.3	0.3	0.4	0.4	0.5
<b>Return Ratios (%)</b>								
RoE	18.1	8.7	9.1	9.1	13.1	15.9	16.6	16.8
RoCE	19.0	8.1	9.1	8.9	9.9	11.5	11.5	12.5
RoIC	23.4	8.7	8.8	9.1	12.9	15.8	19.7	21.4
<b>Working Capital Ratios</b>								
Asset Turnover (x)	0.7	0.5	0.5	0.6	0.7	0.8	0.8	0.8
Fixed Asset Turnover (x)	3.8	3.0	3.0	3.1	3.2	3.7	4.1	4.3
Debtor (Days)	87	109	113	106	100	101	115	116
Creditor (Days)	330	336	307	277	415	282	292	288
Inventory (Days)	82	96	100	89	99	86	94	95
<b>Leverage Ratio</b>								
Debt/Equity ratio (x)	0.2	0.3	0.3	0.0	-0.1	-0.1	-0.1	-0.2

### Cash Flow Statement

(INR b)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
OP/(Loss) bef. Tax	87.8	42.3	47.1	62.2	38.5	55.8	115.7	135.9
Int./Dividends Recd.	19.4	12.6	14.1	11.5	11.8	10.2	8.0	8.7
Direct Taxes Paid	-3.4	-6.4	-10.8	-14.9	-9.1	-4.3	-11.4	-14.2
(Inc.)/Dec. in WC	2.3	-57.0	-22.3	-1.0	45.2	-21.3	-43.4	-21.8
<b>CF from Operations</b>	<b>106.0</b>	<b>-8.4</b>	<b>28.1</b>	<b>57.8</b>	<b>86.3</b>	<b>40.5</b>	<b>68.8</b>	<b>108.5</b>
(inc.)/dec. in FA	-36.9	-23.4	-36.8	-28.7	-11.3	-30.0	-39.9	-31.1
<b>Free Cash Flow</b>	<b>69.0</b>	<b>-31.8</b>	<b>-8.7</b>	<b>29.1</b>	<b>75.0</b>	<b>10.5</b>	<b>28.9</b>	<b>77.4</b>
(Pur.)/Sale of Invest.	1.6	-20.9	-9.0	-12.9	-12.4	15.0	0.0	0.0
<b>CF from investments</b>	<b>-35.4</b>	<b>-44.3</b>	<b>-45.8</b>	<b>-41.7</b>	<b>-23.7</b>	<b>-15.0</b>	<b>-39.9</b>	<b>-31.1</b>
Change in net worth	-41.8	-1.2	1.1	12.0	-9.5	-6.0	3.1	-2.5
(Inc.)/Dec. in Debt	-2.3	16.6	1.4	-23.2	-42.4	-21.6	-3.1	-2.2
Interest Paid	-4.0	-5.2	-5.6	-3.0	-1.4	-1.3	-0.8	-0.7
Dividend Paid	-2.9	-9.6	-5.8	-9.8	-9.8	-10.7	-10.7	-13.5
<b>CF from Fin. Activity</b>	<b>-51.0</b>	<b>0.6</b>	<b>-8.9</b>	<b>-24.0</b>	<b>-63.1</b>	<b>-39.6</b>	<b>-11.5</b>	<b>-18.9</b>
<b>Inc./Dec. in Cash</b>	<b>19.6</b>	<b>-52.1</b>	<b>-26.5</b>	<b>-7.9</b>	<b>-0.4</b>	<b>-14.1</b>	<b>17.4</b>	<b>58.5</b>
Add: Beginning Balance	131.8	151.4	99.3	72.8	64.9	64.5	50.3	67.8
<b>Closing Balance</b>	<b>151.4</b>	<b>99.3</b>	<b>72.8</b>	<b>64.9</b>	<b>64.5</b>	<b>50.3</b>	<b>67.8</b>	<b>126.3</b>

## NOTES

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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
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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