

Estimate change

TP change

Rating change



**CMP: INR971**

**TP: INR1,160 (+20%)**

**Buy**

## US/EM/ROW drive earnings for the quarter

### Launched g-Revlimid in 4QFY23; specialty sales strengthen further

Bloomberg	SUNP IN
Equity Shares (m)	2399
M.Cap.(INRb)/(USDb)	2328.9 / 28.2
52-Week Range (INR)	1072 / 790
1, 6, 12 Rel. Per (%)	-4/-6/-7
12M Avg Val (INR M)	2568

#### Financials & valuations (INR b)

Y/E MARCH	FY23	FY24E	FY25E
Sales	432.3	492.9	550.0
EBITDA	111.1	125.4	143.0
Adj. PAT	86.1	96.5	109.5
EBIT Margin (%)	19.9	20.1	20.8
Cons. Adj. EPS (INR)	35.8	40.1	45.5
EPS Gr. (%)	14.4	12.1	13.5
BV/Sh. (INR)	232.7	266.9	305.7

#### Ratios

Net D:E	0.02	-0.03	-0.13
RoE (%)	16.6	16.1	15.9
RoCE (%)	11.5	12.5	13.5
Payout (%)	12.5	13.8	14.7

#### Valuations

P/E (x)	27.1	24.2	21.3
EV/EBITDA (x)	20.5	17.9	15.2
Div. Yield (%)	0.4	0.5	0.6
FCF Yield (%)	-1.8	2.0	3.8
EV/Sales (x)	5.3	4.6	4.0

#### Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	54.5	54.5	54.5
DII	19.3	19.1	20.0
FII	16.9	16.9	14.4
Others	9.4	9.5	11.1

FII Includes depository receipts

- Sun Pharmaceutical and Industries (SUNP) delivered operational miss for 4QFY23 performance (on ex-milestone income basis), led by higher-than-expected operational cost. There was a sharp uptick in gross margin, (YoY/QoQ) due to increased share of higher margin products. However, this benefit was offset to some extent due to increased promotional spent in the branded segment.
- We reduce our earnings estimate by 4% each for FY24/FY25 to factor in a) elevated sales/distribution cost, and b) higher R&D spent related to specialty products. We continue to value SUNP at 25x 12M forward earnings to arrive at a price target of INR1,160.
- SUNP remains in good stead to scale up business related to specialty portfolio. It is also making efforts to introduce new products and develop existing products for alternate indications. While higher R&D spent may affect near-term margins, it would strengthen SUNP's positioning in innovative products offerings on successful clinical outcome. Niche launches such as like that of g-Revlimid would enable better sales/profitability prospects in the US generics segment. Sustained strong brand franchise/enhanced marketing efforts would also drive better-than-industry growth in the branded generics segment. We reiterate our BUY rating on the stock.

### Higher opex outweighed product mix benefit for the quarter

- There was a one-time milestone receipt of USD6.8m for 4QFY23. Adjusting for the same, SUNP's 4QFY23 sales were up 13.7% YoY to INR107b (v/s our est: INR112b). US sales were up 10.5% YoY to USD430m (33% of sales). DF sales were up 8.7% YoY to INR33.6b (32% of sales). EM sales were up 7.5% YoY to USD221m (17% of sales). RoW sales were up 7.4% YoY to USD191m (15% of sales). Specialty sales grew 28% YoY to USD237m.
- Gross margin (GM) expanded 600bp YoY to 78.9%, on better product mix.
- EBITDA margin expanded 150bp YoY to 24.1% (our estimate: 25.8%), led by better GMs. However, some of this benefit was offset by higher expenses (other expense/staff cost up 370bp YoY/40bp YoY as % of sales). R&D cost was also up 50bp YoY as % of sales.
- EBITDA was up 21% YoY to INR25.6b (our est: INR29b).
- Adjusted PAT grew at a higher rate of 33.6% YoY to INR21b (our est: INR21b), due to higher 'other income'.
- In FY23, the Revenue/EBITDA/PAT were up by 12.4%/11%/14% to reach INR431b/110b/86b.

**Highlights from the management commentary**

- SUNP guided for high single-digit YoY growth in revenue for FY24.
- SUNP provided guidance that their R&D expenditure for FY24 is expected to be 7-8% of sales. This planned increase in spending would primarily focus on developing additional indications for Deuruxotinib and Illumya, as well as conducting additional study on GLP-1
- SUNP is conducting a study on a letter received from USFDA on Deuruxotinib. They are evaluating the filing for both the 8mg and 12mg strengths of the medication.
- The cost base for specialty business has not changed much in FY23 v/s FY22.

**Quarterly Performance (Consolidated)**

(INR b)

Y/E March	FY22				FY23				FY22	FY23	FY23E	Var %
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
<b>Net Revenues</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>110.0</b>	<b>106.7</b>	<b>383.5</b>	<b>431.2</b>	<b>111.9</b>	<b>-4.6</b>
YoY Change (%)	29.5	12.1	11.8	11.3	10.1	14.0	12.1	13.7	15.7	12.4	19.2	
Total Expenditure	69.8	69.2	72.5	72.7	80.2	77.5	82.3	81.0	284.1	321.1	83.0	
<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>27.6</b>	<b>25.7</b>	<b>99.4</b>	<b>110.1</b>	<b>28.9</b>	<b>-11.0</b>
YoY Change (%)	63.5	15.7	12.7	7.7	-2.6	19.2	7.6	21.2	22.6	10.7	36.3	
Margins (%)	27.8	27.0	26.2	22.6	24.6	28.3	25.1	24.1	25.9	25.5	25.8	
Depreciation	5.0	5.3	5.5	5.6	5.9	6.1	6.6	6.7	21.4	25.3	6.2	
<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>21.0</b>	<b>19.0</b>	<b>78.0</b>	<b>84.8</b>	<b>22.6</b>	
YoY Change (%)	90.3	18.4	15.3	10.5	-7.1	20.3	4.4	21.4	29.3	8.7	44.9	
Interest	0.4	0.4	0.2	0.4	0.1	0.2	0.5	0.9	1.3	1.7	0.4	
Net Other Income	2.0	2.9	3.1	1.7	1.2	2.3	3.1	5.8	9.8	12.4	2.4	
<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>23.7</b>	<b>23.8</b>	<b>86.5</b>	<b>95.5</b>	<b>24.6</b>	<b>-3.3</b>
Less: EO Exp/(Inc)	5.5	1.5	-1.6	37.7	-1.5	2.4	-1.0	1.4	43.2	1.4	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>24.7</b>	<b>22.4</b>	<b>43.3</b>	<b>94.1</b>	<b>24.6</b>	
Tax	4.0	2.0	3.4	1.5	1.9	1.5	2.8	2.2	10.8	8.5	3.4	
Rate (%)	16.8	8.6	14.5	8.6	8.8	5.7	11.9	9.4	12.4	8.9	13.7	
<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>21.9</b>	<b>20.2</b>	<b>32.6</b>	<b>85.6</b>	<b>21.2</b>	
Minority Interest	-0.4	0.4	0.7	0.5	0.3	0.0	0.2	0.3	1.3	-0.9	0.3	
<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>21.7</b>	<b>19.8</b>	<b>31.2</b>	<b>84.7</b>	<b>21.0</b>	<b>-5.5</b>
<b>Adj Net Profit*</b>	<b>20.0</b>	<b>20.5</b>	<b>19.0</b>	<b>15.8</b>	<b>19.3</b>	<b>24.9</b>	<b>20.8</b>	<b>21.1</b>	<b>75.3</b>	<b>86.1</b>	<b>21.0</b>	<b>0.6</b>
YoY Change (%)	74.1	24.8	6.7	8.6	-3.4	21.5	9.3	33.6	24.9	14.4	32.7	
Margins (%)	20.6	21.6	19.4	16.9	18.1	23.0	18.9	19.8	8.1	19.7	18.8	

**Key performance Indicators (Consolidated)**

Y/E March	FY22				FY23E				FY22	FY23E	FY22E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Domestic formulations (INRb)	33.1	31.9	31.7	31.0	33.9	34.6	33.9	33.6	127.6	136.0	34.1
YoY Change (%)	38.5	25.9	15.1	15.9	2.4	8.5	7.1	8.7	23.4	6.6	10.3
US sales (INRb)	28.0	26.8	29.7	29.2	32.4	32.9	34.7	35.3	113.7	135.4	35.1
YoY Change (%)	30.9	7.5	7.6	8.4	15.8	22.9	16.6	20.8	12.7	19.0	20.0
ROW (INRb)	29.7	31.9	31.4	28.9	33.6	35.1	36.7	33.9	122.0	139.4	36.4
YoY Change (%)	26.0	10.3	12.0	10.3	13.0	10.1	16.8	17.5	14.2	14.3	26.2
APIs (INRb)	5.1	4.4	4.7	4.1	6.0	4.7	5.2	3.9	18.4	19.7	5.5
YoY Change (%)	-7.0	-14.6	4.6	-5.1	16.3	8.5	9.4	-6.9	-5.9	7.5	33.8
<b>Cost Break-up</b>											
RM Cost (% of Sales)	27.4	26.6	26.9	27.1	27.2	25.1	25.5	21.1	27.0	25.8	25.2
Staff Cost (% of Sales)	18.2	19.0	18.9	20.1	19.5	18.5	18.5	20.4	19.0	19.2	17.8
R&D Expenses(% of Sales)	6.1	5.6	5.5	5.8	4.3	5.3	6.1	6.2	5.8	5.5	6.4
Other Cost (% of Sales)	20.4	21.7	22.5	24.5	24.3	22.9	24.8	28.2	22.3	25.0	24.1
Gross Margins(%)	72.6	73.4	73.1	72.9	72.8	74.9	74.5	78.9	73.0	74.2	74.8
EBITDA Margins(%)	27.8	27.0	26.2	22.6	24.6	28.3	25.1	24.1	25.9	25.5	25.8
EBIT Margins(%)	22.6	21.4	20.5	16.6	19.1	22.6	19.1	17.8	20.3	19.7	20.2



## Key takeaways from the management interaction

- Among the existing specialty products, illumya/Cequa/Winlevi are the potential products to drive growth over the next two to three years.
- SUNP launched g-Revlimid, which has made a notable contribution to its sales in the US generics market for the quarter.
- The 'other expenses' has been higher for 4QFY23 due to increased sales/distribution and promotional cost for the branded generics segment.
- SUNP has received EIR for the Mohali site and it is undertaking a gradual revamping of its commercialization efforts.
- Compared to flat volume at the industry level in the DF segment, SUNP exhibited 6% volume growth in FY23. It had 2%/3% YoY growth from new launches and price hikes in FY23.
- Given that there has been a steep increase in competition in dermatology therapy of the US generics industry, Taro is expected to witness elevated price erosion over the medium term.
- New launches and increased market share have helped offset the impact of import alert at Halol in the US generics segment.
- The R&D costs stood at INR6.7b, accounting for 6% of its sales. The R&D cost is lower than the management's full-year guidance of 8-10% of sales.
- The significant increase in goodwill observed in Mar'23, as compared to Sep'22, is largely due to the acquisition of Concert Pharma.

### Exhibit 1: Taro – financial snapshot

USD M	4QFY23	4QFY22	% YoY	3QFY23	% QoQ	FY23	FY22	% YoY
<b>Sales</b>	<b>146.6</b>	<b>143.3</b>	<b>2.3</b>	<b>139.1</b>	<b>5.4</b>	<b>572.8</b>	<b>561.4</b>	<b>2.0</b>
<i>Growth (%)</i>								
Cost of sales (incl Depn)	70.9	65.9	7.5	75.1	-5.6	304.6	268.2	13.6
<b>Gross profit</b>	<b>75.7</b>	<b>77.3</b>	<b>-2.1</b>	<b>64.0</b>	<b>18.2</b>	<b>268.2</b>	<b>293.1</b>	<b>-8.5</b>
<i>GP Margin (%)</i>	51.6	54.0	(235)bp	46.0	560 bp	46.8	52.2	(539)bp
<b>Operating expenses:</b>								
R&D	16.3	14.9	9.5	12.9	26.4	52.2	54.5	-4.3
<i>R&amp;D as a % of sales</i>	11.1	10.4		9.3		9.1	9.7	
SG&A	50.1	41.2	21.7	49.9	0.5	198.3	113.7	74.4
<i>SG&amp;A as a % of sales</i>	34.2	28.7		35.8		34.6	20.3	
<b>Operating Profit</b>	<b>9.3</b>	<b>21.3</b>	<b>-56.3</b>	<b>1.3</b>	<b>626.6</b>	<b>17.8</b>	<b>124.9</b>	<b>-85.8</b>
<i>Operating Profit Margin (%)</i>	6.3	14.9	(851)bp	0.9	542 bp	3.1	22.3	(1,915)bp
<b>EBITDA</b>	<b>9.3</b>	<b>21.3</b>	<b>-56.3</b>	<b>1.3</b>	<b>626.6</b>	<b>17.8</b>	<b>124.9</b>	<b>-85.8</b>
<i>EBITDA margin (%)</i>	6.3	14.9	(851)bp	0.9	542 bp	3.1	22.3	(1,915)bp
Financial expenses	-8.0	-0.7		-6.5		-20.8	-8.2	
Extraordinary items incl forex	0.5	-2.5		-0.7		2.8	58.4	
Other income	1.1	0.5		0.6		2.5	4.2	
<b>PBT</b>	<b>17.9</b>	<b>25.0</b>	<b>-28.3</b>	<b>9.1</b>	<b>97.4</b>	<b>38.2</b>	<b>78.9</b>	<b>-51.7</b>
Taxes	10.9	-2.4		1.9		12.7	19.6	
<i>Effective tax rate (%)</i>	60.8	-9.5		20.9		33.2	24.8	
<b>Net income before MI</b>	<b>7.0</b>	<b>27.4</b>	<b>-74.4</b>	<b>7.2</b>	<b>-2.2</b>	<b>25.5</b>	<b>59.4</b>	<b>-57.1</b>
Minority interest	0.0	0.0		0.0		1.0	0.0	
<b>Net income (Reported)</b>	<b>7.0</b>	<b>27.4</b>	<b>-74.4</b>	<b>7.2</b>	<b>-2.2</b>	<b>24.5</b>	<b>59.4</b>	<b>-58.8</b>
Forex fluctuations	-0.5	2.5		0.7		-2.8	3.1	
<b>Net income (Adjusted)</b>	<b>15.7</b>	<b>20.6</b>	<b>-23.8</b>	<b>8.5</b>	<b>85.4</b>	<b>33.5</b>	<b>122.1</b>	<b>-72.5</b>

Source: MOFSL, Company

## Superior execution across segments to drive overall growth

### US – efforts underway to gain traction in specialty/niche launches

- In FY23, SUNP's global specialty segment sales grew 26% YoY to USD846m. Growth was led by a pickup in sales of illumya, Cequa, and Winlevi in the US. This was further supported by a milestone income of USD19m in FY23.
- SUNP is focusing on increasing the prescription of illumya/Cequa/Winlevi so as to gain market share. Also, SUNP is planning to file Deuruxotinib with the USFDA.
- Also, the GLP-1 agonist is currently undergoing Phase-1 clinical trials for the treatment of diabetes. Pre-clinical data has demonstrated promising results in various diabetic parameters, including reducing glucose levels, lowering HbA1c levels, increasing insulin secretion, reducing glucagon levels, significant reductions in triglyceride levels, and substantial weight loss. SUNP has expressed the intention to conduct an additional study on the drug.
- While SUNP is enhancing the specialty portfolio and new launches are aiding the growth in the US, price erosion in the base portfolio, particularly Taro, is dragging the growth in the US to some extent.
- Given the aforementioned considerations, we expect the company to register an overall US sales of 11% CAGR to USD2.1 billion over FY23-FY25.

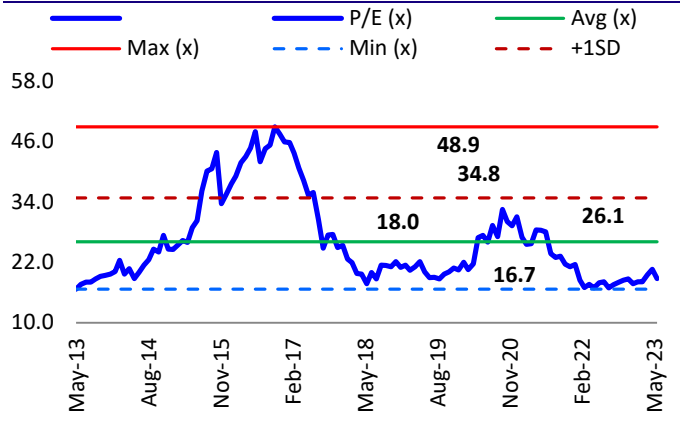
### DF/EM/ROW – Enough headroom to outperform respective markets

- In FY23, DF sales increased 10% YoY (excluding COVID sales). The growth was driven by the top three therapy areas, namely Cardiac, Anti-infective, and GI, leading to strong outperformance against the Indian Pharmaceutical market (IPM). However, this was offset by a decline in sales within the Anti-Diabetic therapy area.
- We expect SUNP to exhibit 11% CAGR to INR168b over FY23-25, largely driven by new launches, better reach, strong brand marketing, and improved MR productivity.
- We expect that in CC terms, the ROW and emerging markets will witness CAGR of 12% over FY23-25 to reach USD2.2b. This growth is expected to be driven by factors such as successful tender wins and strong brand recall in these regions.

### Reiterate Buy

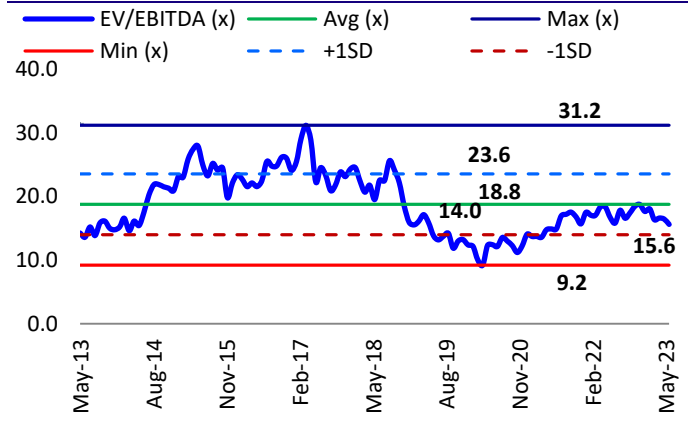
- We reduce our earnings estimate by 4% each for FY24/FY25 to factor in a) elevated sales/distribution cost, and b) higher R&D spent related to specialty products. We continue to value SUNP at 25x 12M forward earnings to arrive at a price target of INR1,160.
- SUNP remains in good stead to scale-up business related to specialty portfolio. It is also implementing the effort to add new products as well as develop existing products for alternate indications. While higher R&D spent may affect near-term margins, it would strengthen SUNP's positioning in innovative products offering on successful clinical outcome.
- Niche launches such as g-Revlimid would enable better sales/profitability prospects in the US generics segment. Sustained strong brand franchise/enhanced marketing efforts would also drive better-than-industry growth in the branded generics segment. We reiterate our BUY rating on the stock.

Exhibit 2: P/E chart



Source: MOFSL, Company, Bloomberg

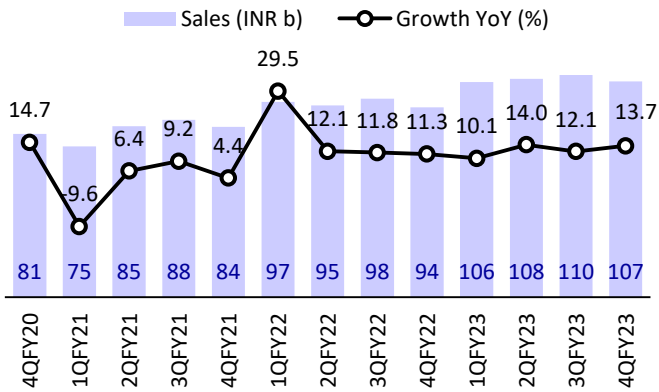
Exhibit 3: EV/EBITDA chart



Source: MOFSL, Company, Bloomberg

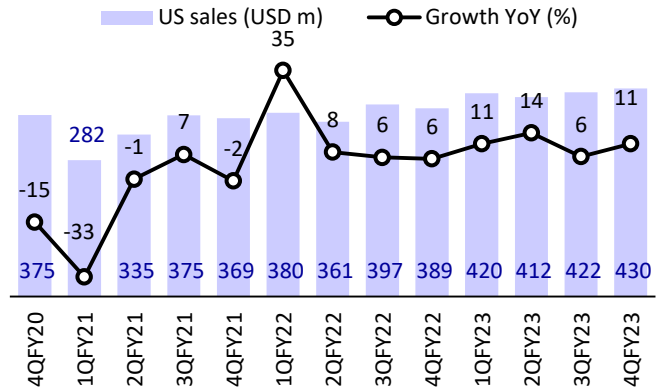
## Story in charts

Exhibit 4: Revenue rose 14% YoY in 4QFY23



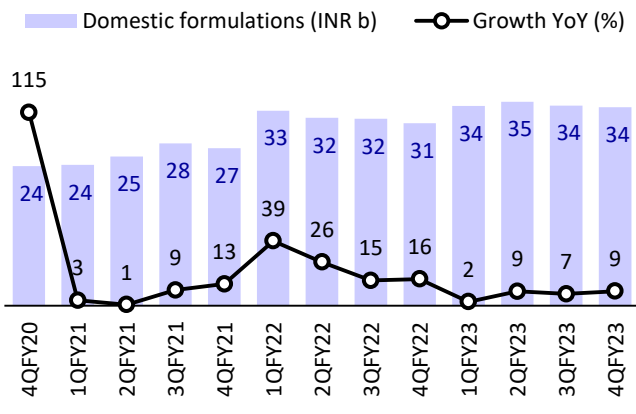
Source: Company, MOFSL

Exhibit 5: US sales grew 11% YoY in CC terms



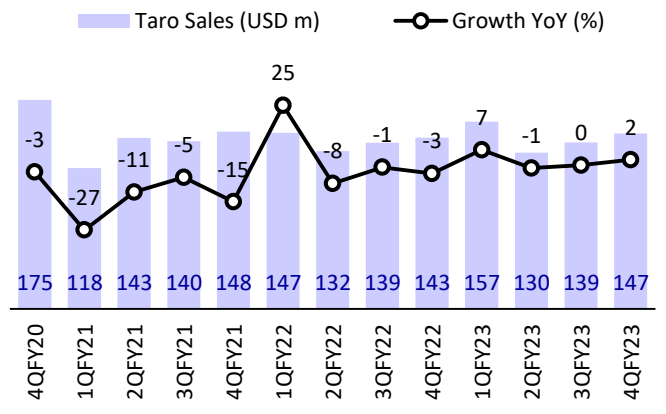
Source: Company, MOFSL

Exhibit 6: DF sales grew 9% YoY in 4QFY23



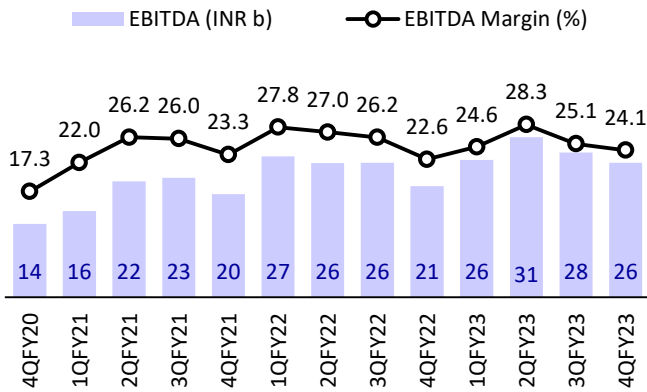
Source: Company, MOFSL

Exhibit 7: Taro sales were flat YoY in 4QFY23



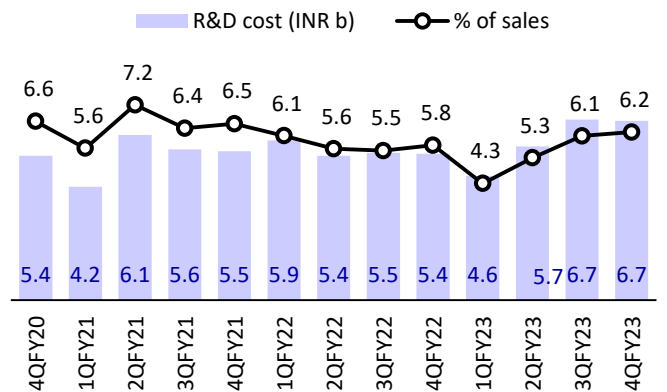
Source: Company, MOFSL

**Exhibit 8: EBITDA margin expanded 150bp YoY in 4QFY23**



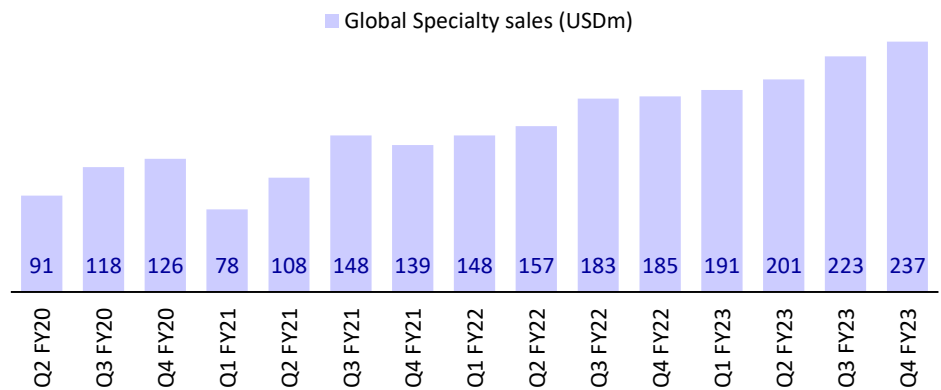
Source: Company, MOFSL

**Exhibit 9: R&D cost stood at 6% of sales in 4QFY23**



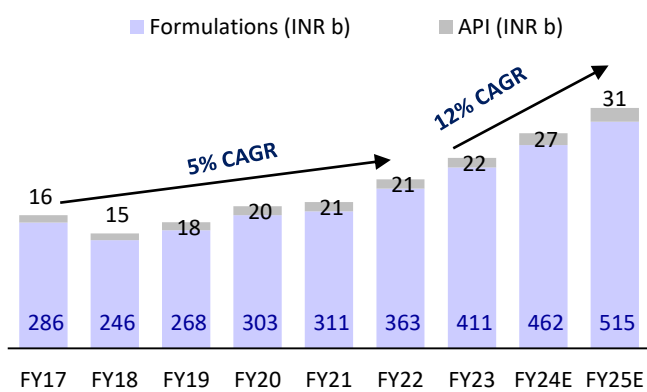
Source: Company, MOFSL

**Exhibit 10: Specialty sales on an uptrend**



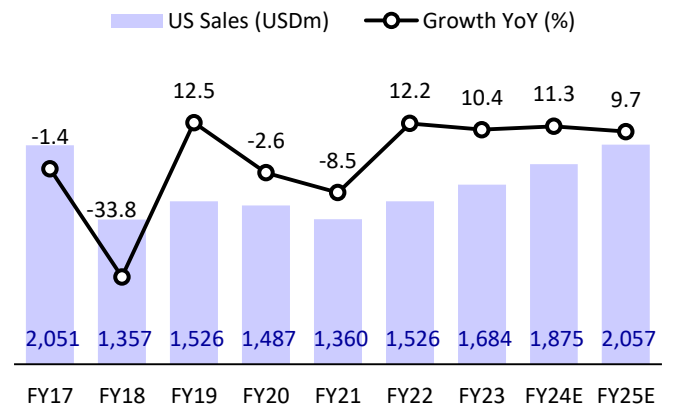
Source: Company, MOFSL

**Exhibit 11: Expect 12% revenue CAGR over FY23-25**



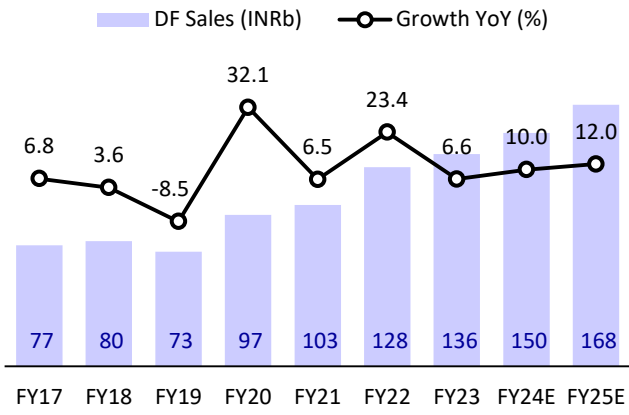
Source: Company, MOFSL

**Exhibit 12: Expect 11% CAGR in US sales over FY23-25**



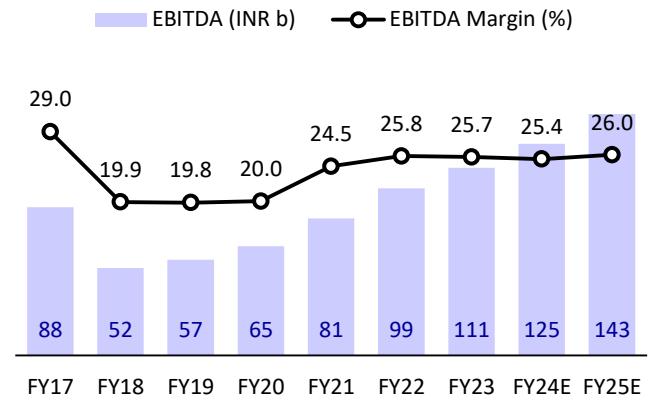
Source: Company, MOFSL

**Exhibit 13: Expect DF sales CAGR of 11% over FY23–25**



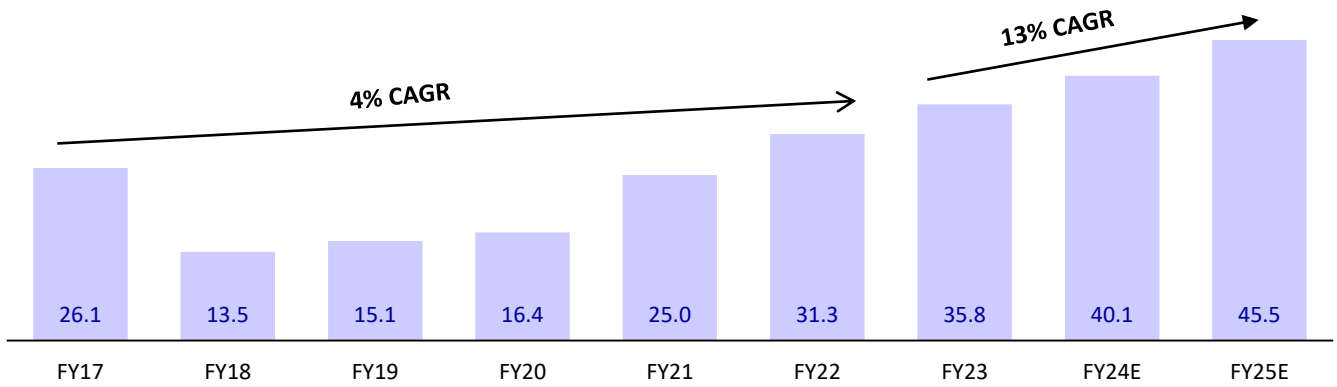
Source: Company, MOFSL

**Exhibit 14: EBITDA margin to improve to ~26% by FY25**



Source: Company, MOFSL

**Exhibit 15: Expect 13% EPS CAGR over FY23-25**



Source: Company, MOFSL



## Financials and valuations

Income Statement									(INRm)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Net Sales</b>	<b>3,02,642</b>	<b>2,60,659</b>	<b>2,86,863</b>	<b>3,23,252</b>	<b>3,31,582</b>	<b>3,83,095</b>	<b>4,32,270</b>	<b>4,92,950</b>	<b>5,50,002</b>
Change (%)	9.1	-13.9	10.1	12.7	2.6	15.5	12.8	14.0	11.6
<b>EBITDA (INR b)</b>	<b>87,751</b>	<b>51,846</b>	<b>56,800</b>	<b>64,618</b>	<b>81,278</b>	<b>98,988</b>	<b>1,11,142</b>	<b>1,25,440</b>	<b>1,42,984</b>
Margin (%)	29.0	19.9	19.8	20.0	24.5	25.8	25.7	25.4	26.0
Depreciation	12,648	14,998	17,533	20,528	20,800	21,437	25,294	26,367	28,348
<b>EBIT</b>	<b>75,103</b>	<b>36,848</b>	<b>39,267</b>	<b>44,090</b>	<b>60,478</b>	<b>77,550</b>	<b>85,847</b>	<b>99,072</b>	<b>1,14,636</b>
Int. and Finance Charges	3,998	5,176	5,553	3,027	1,414	1,274	1,720	1,570	1,420
Other Income - Rec.	19,374	12,623	14,051	11,483	11,755	10,228	11,345	12,200	11,500
Extra-ordinary Exp	0	9,505	9,664	2,450	42,825	43,191	1,389	0	0
PBT	90,479	34,790	38,102	50,096	27,994	43,313	94,084	1,09,702	1,24,716
Tax	12,116	8,452	6,009	8,228	5,147	10,755	8,476	12,067	13,968
Tax Rate (%)	13.4	24.3	15.8	16.4	18.4	24.8	9.0	11.0	11.2
<b>Profit after Tax</b>	<b>78,363</b>	<b>26,338</b>	<b>32,093</b>	<b>41,868</b>	<b>22,847</b>	<b>32,558</b>	<b>85,608</b>	<b>97,635</b>	<b>1,10,747</b>
Change (%)	34.4	-66.4	21.9	30.5	-45.4	42.5	162.9	14.0	13.4
Margin (%)	24.3	9.6	10.7	12.5	6.7	8.3	19.3	19.3	19.7
Less: Minority Interest	8719	4722	5439	4219	-6191	1331	-873	1150	1250
<b>Reported PAT</b>	<b>69,644</b>	<b>21,616</b>	<b>26,654</b>	<b>37,649</b>	<b>29,038</b>	<b>31,227</b>	<b>84,736</b>	<b>96,485</b>	<b>1,09,497</b>
<b>Adjusted PAT (excl. Ex. Items)</b>	<b>62,890</b>	<b>32,362</b>	<b>36,318</b>	<b>39,466</b>	<b>60,242</b>	<b>75,265</b>	<b>86,066</b>	<b>96,485</b>	<b>1,09,497</b>
<b>Adj. EPS (INR)</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>40.1</b>	<b>45.5</b>

Balance Sheet									(INRm)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	2,399	2,399	2,399	2,399	2,399	2,399	2,399	2,399	2,399
Total Reserves	3,63,997	3,78,606	4,11,691	4,50,245	4,62,229	4,77,713	5,57,555	6,39,867	7,33,083
<b>Net Worth</b>	<b>3,66,397</b>	<b>3,81,006</b>	<b>4,14,091</b>	<b>4,52,645</b>	<b>4,64,628</b>	<b>4,80,112</b>	<b>5,59,954</b>	<b>6,42,266</b>	<b>7,35,482</b>
Minority Interest	37,909	38,842	33,135	38,602	30,171	30,549	33,201	34,351	35,601
Deferred Liabilities	-21780	-19748	-24506	-31172	-35119	-28649	-31326	-31326	-31326
Total Loans	80,910	97,518	98,934	75,783	33,430	11,825	67,578	47,864	33,953
<b>Capital Employed</b>	<b>4,63,435</b>	<b>4,97,617</b>	<b>5,21,654</b>	<b>5,35,858</b>	<b>4,93,109</b>	<b>4,93,837</b>	<b>6,29,407</b>	<b>6,93,156</b>	<b>7,73,710</b>
Gross Block	1,33,994	1,55,630	1,81,846	2,07,774	2,25,250	2,48,051	2,73,536	3,14,630	3,44,630
Less: Accum. Deprn.	49,041	64,040	81,572	1,02,100	1,22,900	1,44,337	1,69,632	1,95,999	2,24,347
<b>Net Fixed Assets</b>	<b>84,953</b>	<b>91,590</b>	<b>1,00,274</b>	<b>1,05,674</b>	<b>1,02,350</b>	<b>1,03,714</b>	<b>1,03,904</b>	<b>1,18,631</b>	<b>1,20,283</b>
Capital WIP	15,648	14,345	9,108	6,589	9,365	7,975	9,634	12,465	13,712
Goodwill	1,04,165	1,07,243	1,23,095	1,28,409	1,19,483	1,25,777	1,80,396	1,80,396	1,80,396
Investments	9,610	30,523	39,518	52,458	64,824	52,147	54,575	54,575	54,575
<b>Curr. Assets</b>	<b>3,74,799</b>	<b>3,77,390</b>	<b>3,49,394</b>	<b>3,57,642</b>	<b>3,45,081</b>	<b>3,79,420</b>	<b>4,27,286</b>	<b>4,85,389</b>	<b>5,88,538</b>
Inventory	68,328	68,807	78,860	78,750	89,970	89,968	1,05,131	1,18,518	1,31,375
Account Receivables	72,026	78,153	88,842	94,212	90,614	1,05,929	1,14,385	1,36,205	1,56,335
Cash and Bank Balance	1,51,408	99,294	72,756	64,876	64,455	50,334	57,703	68,478	1,25,309
L & A and Others	83,036	1,31,136	1,08,937	1,19,804	1,00,042	1,33,189	1,50,067	1,62,188	1,75,520
<b>Curr. Liability &amp; Prov.</b>	<b>1,25,739</b>	<b>1,23,473</b>	<b>99,736</b>	<b>1,14,913</b>	<b>1,47,994</b>	<b>1,75,194</b>	<b>1,46,386</b>	<b>1,58,300</b>	<b>1,83,793</b>
Account Payables	73,469	68,332	66,108	70,102	98,896	80,025	89,414	92,781	1,08,446
Provisions	52,270	55,141	33,627	44,812	49,098	95,169	56,973	65,519	75,347
<b>Net Current Assets</b>	<b>2,49,060</b>	<b>2,53,916</b>	<b>2,49,659</b>	<b>2,42,728</b>	<b>1,97,087</b>	<b>2,04,225</b>	<b>2,80,900</b>	<b>3,27,090</b>	<b>4,04,746</b>
<b>Appl. of Funds</b>	<b>4,63,435</b>	<b>4,97,617</b>	<b>5,21,654</b>	<b>5,35,858</b>	<b>4,93,109</b>	<b>4,93,837</b>	<b>6,29,407</b>	<b>6,93,156</b>	<b>7,73,710</b>

E: MOSL Estimates



## Financials and valuations

### Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<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>40.1</b>	<b>45.5</b>
Cash EPS	34.2	15.2	18.4	24.2	20.7	21.9	46.5	51.1	57.3
BV/Share	152.3	158.4	172.1	188.1	193.1	199.6	232.7	266.9	305.7
DPS	1.0	3.3	2.0	3.5	3.5	3.8	3.8	4.8	5.8
Payout (%)	3.7	36.5	18.0	23.5	43.0	32.8	12.5	13.8	14.7
<b>Valuation (x)</b>									
P/E	37.1	72.2	64.3	59.2	38.8	31.0	27.1	24.2	21.3
P/BV	6.4	6.1	5.6	5.2	5.0	4.9	4.2	3.6	3.2
EV/Sales	7.4	8.8	8.0	7.0	6.7	5.8	5.3	4.6	4.0
EV/EBITDA	25.5	44.1	40.6	35.3	27.4	22.5	20.5	17.9	15.2
Dividend Yield (%)	0.1	0.3	0.2	0.4	0.4	0.4	0.4	0.5	0.6
<b>Return Ratios (%)</b>									
RoE	18.1	8.7	9.1	9.1	13.1	15.9	16.6	16.1	15.9
RoCE	19.0	8.1	9.1	8.9	9.9	11.5	11.5	12.5	13.5
RoIC	23.4	8.7	8.8	9.1	12.9	15.8	17.5	16.6	17.9
<b>Working Capital Ratios</b>									
Asset Turnover (x)	0.7	0.5	0.5	0.6	0.7	0.8	0.7	0.7	0.7
Fixed Asset Turnover (x)	3.8	3.0	3.0	3.1	3.2	3.7	4.2	4.4	4.6
Debtor (Days)	87	109	113	106	100	101	97	101	104
Creditor (Days)	330	336	307	277	415	282	306	288	292
Inventory (Days)	82	96	100	89	99	86	89	88	87
<b>Leverage Ratio</b>									
Debt/Equity (x)	0.2	0.3	0.3	0.0	-0.1	-0.1	0.0	0.0	-0.1

### Cash Flow Statement

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) bef. Tax	87,751	42,341	47,136	62,168	38,453	55,797	1,09,753	1,25,440	1,42,984
Int./Dividends Recd.	19,374	12,623	14,051	11,483	11,755	10,228	11,345	12,200	11,500
Direct Taxes Paid	-3,434	-6,420	-10,767	-14,894	-9,095	-4,284	-11,153	-12,067	-13,968
(Inc)/Dec in WC	2,274	-56,971	-22,280	-950	45,221	-21,260	-69,305	-35,415	-20,825
<b>CF from Operations</b>	<b>1,05,964</b>	<b>-8,427</b>	<b>28,140</b>	<b>57,807</b>	<b>86,334</b>	<b>40,480</b>	<b>40,640</b>	<b>90,158</b>	<b>1,19,690</b>
(inc)/dec in FA	-36,936	-23,411	-36,831	-28,723	-11,326	-27,705	-81,762	-43,926	-31,247
<b>Free Cash Flow</b>	<b>69,028</b>	<b>-31,838</b>	<b>-8,691</b>	<b>29,084</b>	<b>75,008</b>	<b>12,775</b>	<b>-41,121</b>	<b>46,231</b>	<b>88,444</b>
(Pur)/Sale of Invest.	1,551	-20,913	-8,996	-12,939	-12,366	12,677	-2,428	0	0
<b>CF from investments</b>	<b>-35,385</b>	<b>-44,324</b>	<b>-45,827</b>	<b>-41,663</b>	<b>-23,692</b>	<b>-15,027</b>	<b>-84,190</b>	<b>-43,926</b>	<b>-31,247</b>
Change in networth	-41,838	-1,195	1,062	11,978	-9,470	-6,028	7,553	0	0
(Inc)/Dec in Debt	-2,254	16,608	1,416	-23,151	-42,353	-21,606	55,753	-19,713	-13,911
Interest Paid	-3,998	-5,176	-5,553	-3,027	-1,414	-1,274	-1,720	-1,570	-1,420
Dividend Paid	-2,897	-9,601	-5,777	-9,825	-9,825	-10,667	-10,667	-13,474	-16,282
<b>CF from Fin. Activity</b>	<b>-50,987</b>	<b>636</b>	<b>-8,851</b>	<b>-24,025</b>	<b>-63,062</b>	<b>-39,574</b>	<b>50,919</b>	<b>-34,758</b>	<b>-31,613</b>
<b>Inc/Dec of Cash</b>	<b>19,592</b>	<b>-52,115</b>	<b>-26,538</b>	<b>-7,880</b>	<b>-420</b>	<b>-14,122</b>	<b>7,369</b>	<b>11,473</b>	<b>56,831</b>
Add: Beginning Balance	1,31,817	1,51,408	99,294	72,756	64,876	64,455	50,334	57,703	68,478
<b>Closing Balance</b>	<b>1,51,408</b>	<b>99,294</b>	<b>72,756</b>	<b>64,876</b>	<b>64,455</b>	<b>50,334</b>	<b>57,703</b>	<b>68,478</b>	<b>1,25,309</b>

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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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