

Zydu LifeSciences

Estimate change



TP change



Rating change



| | |
|-----------------------|-------------|
| Bloomberg | ZYDUSLIF IN |
| Equity Shares (m) | 1024 |
| M.Cap.(INRb)/(USDb) | 513.4 / 6.2 |
| 52-Week Range (INR) | 531 / 330 |
| 1, 6, 12 Rel. Per (%) | -4/27/34 |
| 12M Avg Val (INR M) | 539 |

Financials & Valuations (INR b)

| Y/E MARCH | FY23 | FY24E | FY25E |
|----------------------|-------|-------|-------|
| Sales | 172.4 | 190.9 | 207.4 |
| EBITDA | 37.4 | 42.0 | 44.7 |
| Adj. PAT | 22.9 | 27.1 | 28.8 |
| EBIT Margin (%) | 17.5 | 18.0 | 17.7 |
| Cons. Adj. EPS (INR) | 22.4 | 26.5 | 28.1 |
| EPS Gr. (%) | 3.9 | 18.2 | 6.1 |
| BV/Sh. (INR) | 171.1 | 199.7 | 220.8 |

Ratios

| | | | |
|------------|------|------|------|
| Net D:E | 0.1 | -0.1 | -0.1 |
| RoE (%) | 13.3 | 14.3 | 13.4 |
| RoCE (%) | 12.1 | 13.6 | 12.8 |
| Payout (%) | 26.8 | 20.4 | 20.6 |

Valuations

| | | | |
|----------------|------|------|------|
| P/E (x) | 22.7 | 19.2 | 18.1 |
| EV/EBITDA (x) | 13.8 | 11.7 | 10.8 |
| Div. Yield (%) | 1.2 | 1.1 | 1.1 |
| FCF Yield (%) | 4.3 | 4.8 | 3.0 |
| EV/Sales (x) | 3.0 | 2.6 | 2.3 |

Shareholding pattern (%)

| As On | Mar-23 | Dec-22 | Mar-22 |
|----------|--------|--------|--------|
| Promoter | 75.0 | 75.0 | 74.9 |
| DII | 13.6 | 13.6 | 12.9 |
| FII | 3.4 | 2.6 | 2.5 |
| Others | 8.0 | 8.8 | 9.7 |

FII Includes depository receipts

CMP: INR507

TP: INR550 (+8%)

Neutral

US/consumer healthcare boost profitability

US generics sales expected to grow in FY24 as well

- Zydu Lifesciences (ZYDUSLIF) posted a beat on operational performance in 4QFY23, aided by strong traction in US and consumer healthcare sales. In the domestic formulation (DF) business, sales growth was steady (Ex-Covid basis) and better than industry growth for the quarter.
- We raise our earnings estimates for FY24/FY25 by 3%/4% to factor in 1) a robust launch pipeline in US generics, including limited competition products (g-Vascepa/transdermals/REMS); 2) increased competition in g-Trokendi; and 3) higher R&D spending. We value ZYDUSLIF at 19x 12M forward earnings to arrive at a TP of INR550.
- We expect a 12% earnings CAGR over FY23-25, led by a 9%/8% sales CAGR in the US/DF segments. While the US pipeline looks interesting over next 12-15 months, the overall improvement in return ratios is expected to remain in check. Moreover, valuation provides limited upside from current levels. Hence, we maintain Neutral on the stock.

Niche launches/limited cost led to 5-year high quarterly EBITDA margin

- ZYDUSLIF sales grew 29.7% YoY to INR50b (est. INR48b).
- US sales grew 58% YoY (+45% YoY in CC terms) to INR22.5b (USD275m; 44% of sales). India sales, including DF/consumer wellness businesses, rose 11% YoY to INR20b (40% of sales). DF sales grew 10.8% YoY to INR13b. Consumer wellness increased 12% YoY to INR7b. EM sales grew 30% YoY to INR4.4b (9% of sales). API sales declined 8% YoY to INR1.2b (2% of sales).
- Gross margin expanded 120bp YoY to 66.2%, due to a better product mix.
- EBITDA margin expanded 400bp YoY to 26.2% (est. 22.6%), led by better GM and lower employee/other expenses (-110bp YoY/-180bp YoY as % of sales). Consequently, EBITDA grew 53% YoY to INR13b (est. INR11b).
- ZYDUSLIF had exceptional items related to an impairment of goodwill by Sentyln Therapeutics (INR6b) and a forex loss of INR285m for the quarter.
- Adjusting for exceptional items, PAT grew 46% YoY to INR7.7b (est. 7.4b).
- In FY23, revenue/EBITDA/PAT grew 13%/6%/4% YoY to INR172b/INR37.4b/INR23b.

Highlights from the management commentary

- ZYDUSLIF expects single-digit YoY growth in US sales in FY24, even after factoring in competition in g-Asacol.
- Overall EBITDA margin is expected to expand by 50-100bp YoY in FY24.
- The launch pipeline includes g-Vascepa, two risk evaluation and mitigation strategy (REMS) products and three transdermals. It also has five high-value products, subject to timely approval.
- The REMS products are expected to be launched in 1QFY24 and 2QFY24.
- The US generics segment witnessed price erosion in high single digits.

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Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Quarterly Performance (Consolidated)

(INR b)

| Y/E March | FY22 | | | | FY23 | | | | FY22 | FY23 | FY23 | Chg. (%) |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|-------------|--------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | | 4QE | |
| Net Revenues | 40.0 | 37.8 | 36.4 | 38.6 | 39.6 | 40.1 | 42.6 | 50.1 | 152.7 | 172.4 | 47.9 | 4.6 |
| YoY Change (%) | 9.9 | -0.9 | -4.1 | 5.3 | -0.9 | 5.8 | 17.0 | 29.7 | 5.3 | 12.9 | 24.0 | |
| Total Expenditure | 30.3 | 29.2 | 28.9 | 30.0 | 32.4 | 32.0 | 33.6 | 37.0 | 117.4 | 135.0 | 37.1 | |
| EBITDA | 9.7 | 8.6 | 7.5 | 8.6 | 7.2 | 8.0 | 9.0 | 13.1 | 35.2 | 37.4 | 10.8 | 21.5 |
| YoY Change (%) | 19.2 | -0.3 | -6.9 | 1.4 | -25.4 | -6.8 | 19.7 | 52.6 | 11.0 | 6.1 | 25.6 | |
| Margins (%) | 24.3 | 22.7 | 20.6 | 22.3 | 18.3 | 20.0 | 21.1 | 26.2 | 23.1 | 21.7 | 22.6 | |
| Depreciation | 1.7 | 1.8 | 1.8 | 1.9 | 1.8 | 1.8 | 1.8 | 1.8 | 7.1 | 7.2 | 1.8 | |
| EBIT | 8.0 | 6.8 | 5.7 | 6.8 | 5.4 | 6.2 | 7.2 | 11.4 | 28.1 | 30.2 | 9.0 | |
| YoY Change (%) | 25.1 | -1.2 | -8.3 | 0.2 | -31.9 | -8.2 | 24.9 | 68.0 | 13.9 | 7.4 | 32.8 | |
| Margins (%) | 20.0 | 17.9 | 15.8 | 17.5 | 13.7 | 15.5 | 16.9 | 22.7 | 18.4 | 17.5 | 18.7 | |
| Interest | 0.3 | 0.3 | 0.3 | 0.4 | 0.3 | 0.4 | 0.3 | 0.3 | 1.3 | 1.3 | 0.3 | |
| Other Income | 0.3 | 0.5 | 0.6 | 0.8 | 0.7 | 0.4 | 0.4 | 0.4 | 2.2 | 1.9 | 0.3 | |
| PBT before EO Income | 8.0 | 7.0 | 6.0 | 7.2 | 5.8 | 6.3 | 7.2 | 11.5 | 29.1 | 30.7 | 9.0 | 27.9 |
| EO Exp/(Inc) | 0.0 | 1.0 | 0.0 | 1.4 | -1.1 | -0.1 | -0.6 | 6.6 | 0.7 | 4.8 | 0.0 | |
| PBT after EO Income | 8.0 | 6.0 | 6.0 | 5.7 | 6.8 | 6.4 | 7.8 | 4.9 | 28.4 | 25.9 | 9.0 | -45.8 |
| Tax | 1.6 | 1.0 | 1.1 | 1.1 | 1.2 | 1.4 | 2.0 | 1.4 | 5.1 | 5.9 | 1.6 | |
| Rate (%) | 19.6 | 16.6 | 18.1 | 19.1 | 17.4 | 21.3 | 25.0 | 28.2 | 18.0 | 22.7 | 18.3 | |
| Min. Int/Adj on Consol | -0.5 | 0.0 | 0.1 | -0.5 | -0.4 | 0.1 | 0.4 | -0.5 | -0.8 | -0.4 | 0.1 | |
| Reported PAT | 6.0 | 5.1 | 5.1 | 4.1 | 5.3 | 5.2 | 6.2 | 3.0 | 22.4 | 19.6 | 7.4 | -59.5 |
| Adj PAT | 6.0 | 5.9 | 5.1 | 5.3 | 4.4 | 5.1 | 5.8 | 7.7 | 22.1 | 22.9 | 7.4 | 4.6 |
| YoY Change (%) | 31.5 | 1.4 | -3.9 | 19.1 | -26.4 | -13.6 | 14.4 | 46.1 | 8.9 | 3.9 | 39.8 | |
| Margins (%) | 14.9 | 15.5 | 13.9 | 13.7 | 11.1 | 12.6 | 13.6 | 15.4 | 14.5 | 13.3 | 15.4 | |

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

Source: MOFSL

Key performance Indicators (Consolidated, INR b)

| Y/E March | FY22 | | | | FY22 | | | | FY22 | FY23 | FY23 |
|--------------------------|-------|-------|------|------|-------|-------|------|------|------|------|------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | | 4QE |
| INR b | | | | | | | | | | | |
| Domestic formulations | 13.6 | 12.1 | 10.8 | 11.6 | 11.3 | 12.6 | 12.3 | 12.9 | 48.1 | 49.1 | 11.9 |
| YoY Change (%) | 63.6 | 11.6 | -2.2 | 13.8 | -17.1 | 4.2 | 14.1 | 10.8 | 19.0 | 2.0 | 2.3 |
| US sales | 14.5 | 15.0 | 15.0 | 14.2 | 15.6 | 17.1 | 19.3 | 22.5 | 58.1 | 74.5 | 21.4 |
| YoY Change (%) | -10.6 | -12.3 | -6.2 | 0.6 | 7.4 | 14.0 | 28.0 | 58.3 | -8.5 | 28.1 | 50.1 |
| Consumer healthcare | 5.9 | 3.8 | 3.8 | 6.3 | 6.9 | 4.2 | 4.1 | 7.1 | 19.8 | 22.3 | 6.3 |
| YoY Change (%) | 10.3 | 12.6 | 1.7 | 5.8 | 18.0 | 12.0 | 7.9 | 11.8 | 7.5 | 12.9 | -0.4 |
| EU | 0.6 | 0.6 | 0.7 | 0.6 | 0.6 | 0.5 | 0.7 | 0.8 | 2.5 | 2.6 | 0.9 |
| YoY Change (%) | 22.5 | 11.7 | 10.7 | 1.1 | 2.5 | -11.3 | 3.7 | 18.5 | 8.4 | 5.8 | 47.9 |
| Emerging markets | 2.8 | 3.5 | 2.9 | 2.8 | 3.2 | 3.3 | 3.1 | 3.6 | 12.3 | 13.2 | 3.1 |
| YoY Change (%) | 16.6 | 47.8 | -0.8 | 10.0 | 13.9 | -5.2 | 5.8 | 32.5 | 20.9 | 7.3 | 11.5 |
| API | 1.4 | 1.3 | 1.7 | 1.4 | 1.2 | 1.1 | 1.9 | 1.3 | 5.7 | 5.5 | 1.4 |
| YoY Change (%) | 3.5 | -16.1 | 25.0 | -2.3 | -9.7 | -16.6 | 14.0 | -8.2 | 1.4 | -4.0 | 5.4 |
| Cost Break-up | | | | | | | | | | | |
| RM Cost (% of Sales) | 33.9 | 36.5 | 36.9 | 35.0 | 38.1 | 36.9 | 35.5 | 33.8 | 35.1 | 35.9 | 35.2 |
| Staff Cost (% of Sales) | 15.6 | 17.1 | 16.0 | 15.5 | 17.2 | 16.8 | 16.2 | 14.4 | 15.9 | 16.0 | 15.4 |
| R&D Expenses(% of Sales) | 7.4 | 5.9 | 7.0 | 7.0 | 7.2 | 6.3 | 8.1 | 7.1 | 6.8 | 7.2 | 7.7 |
| Other Cost (% of Sales) | 18.9 | 17.7 | 19.6 | 20.2 | 19.3 | 20.0 | 19.1 | 18.4 | 19.0 | 19.2 | 19.2 |
| Gross Margin (%) | 66.1 | 63.5 | 63.1 | 65.0 | 61.9 | 63.1 | 64.5 | 66.2 | 64.9 | 64.1 | 64.8 |
| EBITDA Margin (%) | 24.3 | 22.7 | 20.6 | 22.3 | 18.3 | 20.0 | 21.1 | 26.2 | 23.1 | 21.7 | 22.6 |
| EBIT Margin (%) | 20.0 | 17.9 | 15.8 | 17.5 | 13.7 | 15.5 | 16.9 | 22.7 | 18.4 | 17.5 | 18.7 |

E: MOFSL Estimates

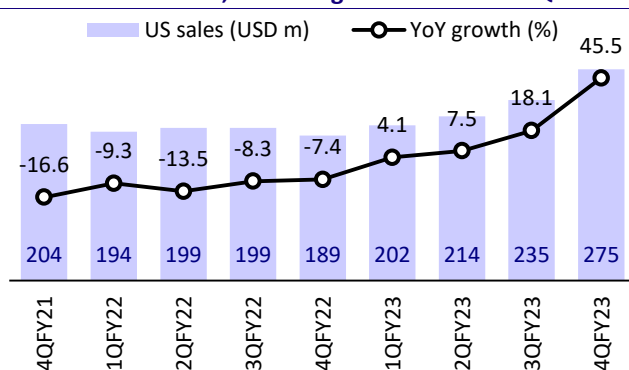


Conference call highlights

- Out of 63 ANDA approvals in FY23, it has launched 32 ANDAs and expects to launch 35 in FY24.
- Excluding Covid business in FY22, DF sales grew 12% YoY in FY23.
- As per the management, the demand slowdown in rural areas in the consumer healthcare segment is bottoming out and demand is expected to revive in coming quarters.
- R&D spending is expected to be 8-8.5% of sales in FY24.
- MR strength stood at 7,000 at the end of FY23.

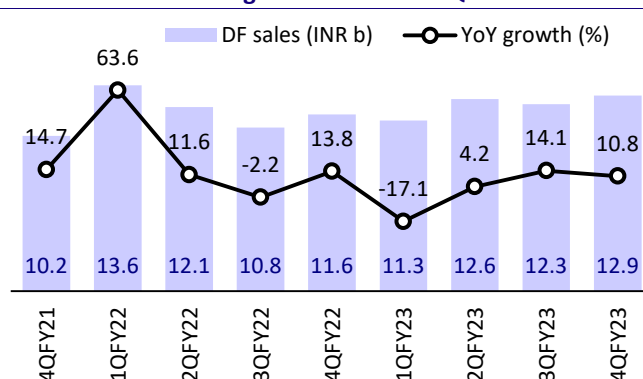
Key exhibits

Exhibit 1: In CC terms, US sales grew 46% YoY in 4QFY23



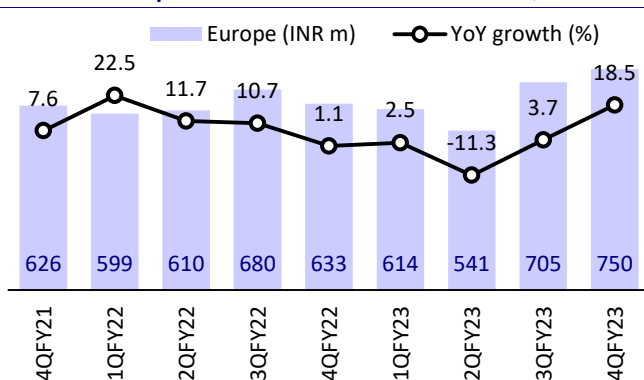
Source: MOFSL, Company

Exhibit 2: DF business grew 11% YoY in 4QFY23



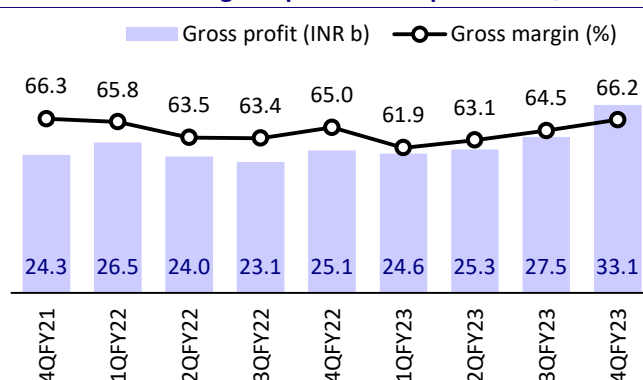
Source: MOFSL, Company

Exhibit 3: Europe sales increased ~19% YoY in 4QFY23



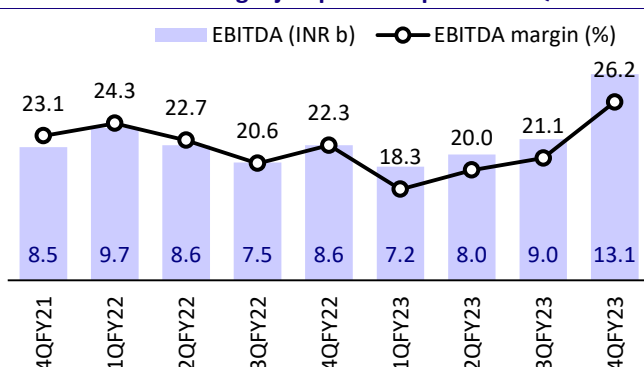
Source: MOFSL, Company

Exhibit 4: Gross margin expanded 120bp YoY in 4QFY23



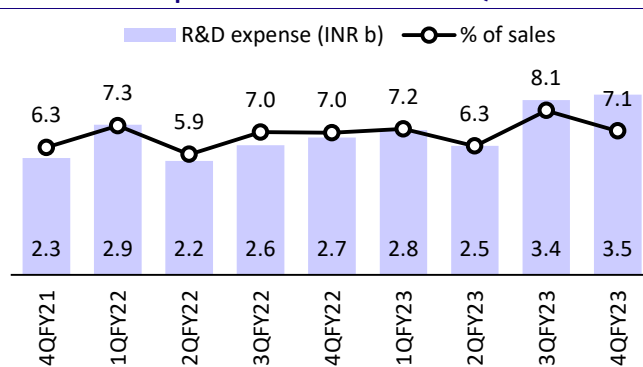
Source: MOFSL, Company

Exhibit 5: EBITDA margin jumped 400bp YoY in 4QFY23



Source: MOFSL, Company

Exhibit 6: R&D spend was ~7% of sales in 4QFY23



Source: MOFSL, Company

Robust outlook for US segment; DF on steady growth path

US: launch momentum to remain intact in FY24

- In FY23, US sales grew 28% YoY to INR74b (+19% YoY in CC terms to USD926m).
- Despite increased intensity of price erosion in the US generics industry over the past 12-15 months, ZYDUSLIF has delivered YoY growth in this segment, aided by niche launches and market share gain in existing products.
- ZYDUSLIF filed 22 ANDAs and launched 20 products, including gRevlimid/ gTrokendi in FY23.
- ZYDUSLIF has further scope to deliver growth over the next 15-18 months on the back of increased volume off-take of g-Revlimid and the launch of transdermals and certain REMS products.
- We expect the US business to clock a 9% sales CAGR to USD1.1b over FY23-25.

DF segment to be driven by new launches

- In FY23, DF revenue grew 12% YoY to INR49b (ex-Covid basis). ZYDUSLIFE reported superior growth in the respiratory and anti-infective segments. Strong traction in Lipaglyn also supported growth in the DF segment.
- With continued efforts toward strengthening presence in focus therapy areas, sustained leadership in Nephrology and increased ramp-up in oncology, we expect ZYDUSLIF to post an 8% sales CAGR in DF revenue to INR57b over FY23-25.
- Zydus Wellness sales grew 13% YoY to INR22b in FY23. Consumer sentiment has recovered gradually, with urban demand remaining better than rural demand. Moreover, the slowdown in rural demand seems to have bottomed out and a strong recovery is expected.
- We expect Zydus Wellness to report an 11% CAGR over FY23-25.

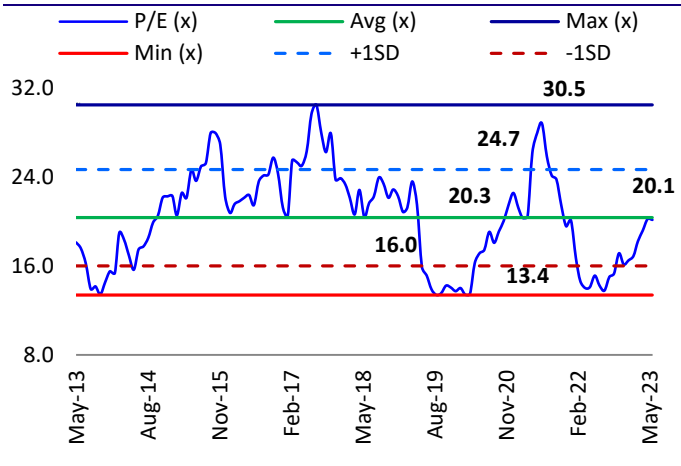
NCE product development on track

- While Saroglitazar Mg is undergoing phase II(b) trials in the US, it has received approval from the regulatory authority of Turkey to conduct clinical trials.
- ZYDUFLIS received orphan drug designation (ODD) for ZYIL1 in 4QFY23.

Valuation and view

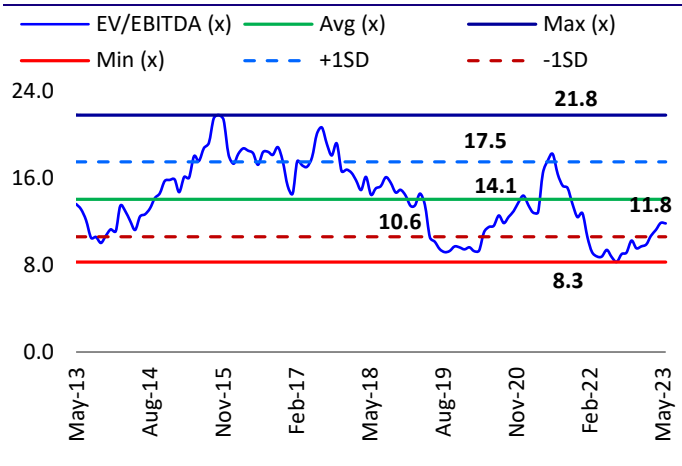
- We raise our earnings estimates for FY24/FY25 by 3%/4% to factor in 1) a robust launch pipeline in US generics, including limited competition products (g-Vascepa/transdermals/REMS products); 2) increased competition in g-Trokendi; and 3) higher R&D spending. We value ZYDUSLIF at 19x 12M forward earnings to arrive at a TP of INR550.
- We expect a 12% earnings CAGR over FY23-25, led by a 9%/8% sales CAGR in the US/DF segments. While the US pipeline looks interesting over the next 12-15 months, the overall improvement in return ratios is expected to remain in check. Moreover, valuation provides limited upside from current levels. **Hence, we maintain Neutral on the stock.**

Exhibit 7: P/E chart



Source: MOFSL, Company, Bloomberg

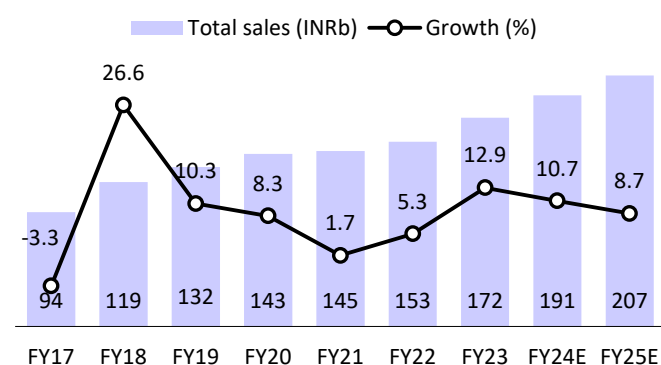
Exhibit 8: EV/EBITDA chart



Source: MOFSL, Company, Bloomberg

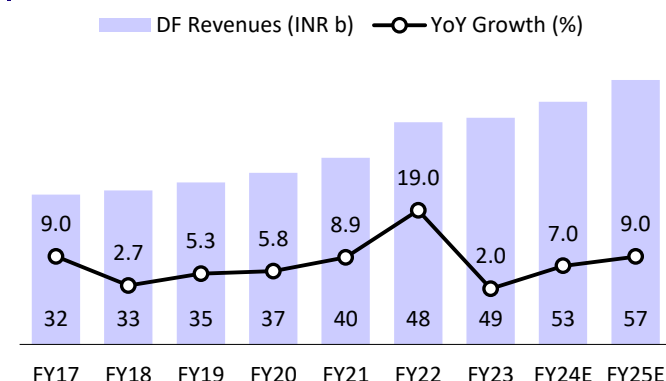
Story in charts

Exhibit 9: Revenues to see 10% CAGR over FY23–25



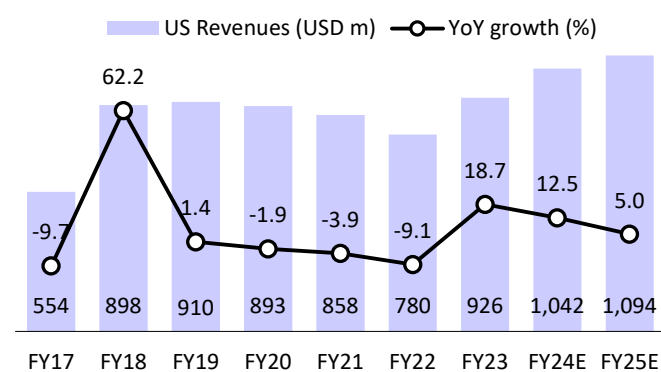
Source: Company, MOFSL

Exhibit 10: DF to clock 8% sales CAGR over FY23–25



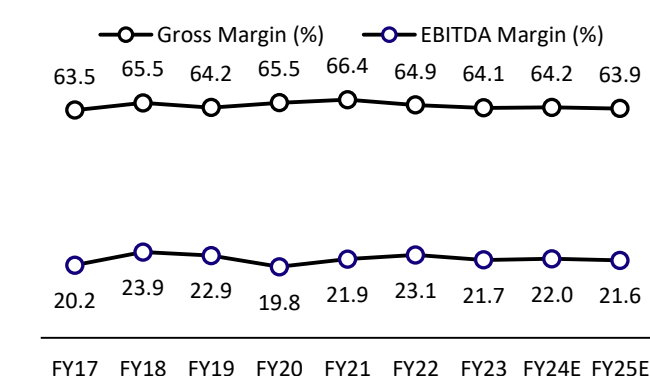
Source: Company, MOFSL

Exhibit 11: US sales to witness 9% CAGR from FY23-25



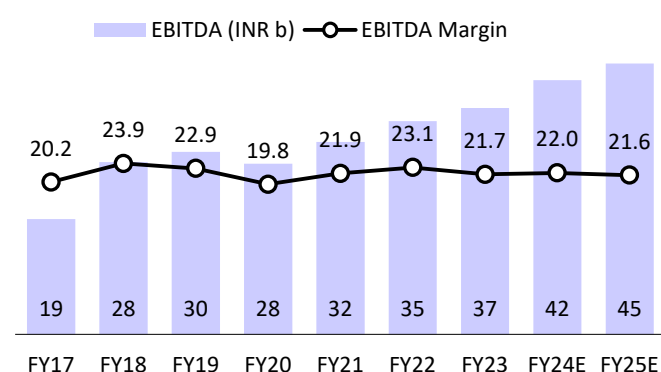
Source: Company, MOFSL

Exhibit 12: EBITDA margin to be stable over FY23-25



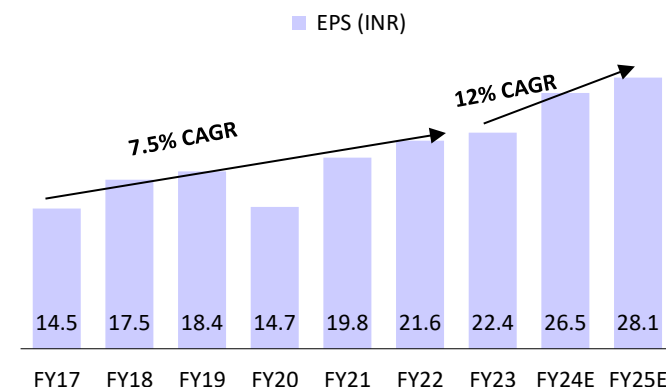
Source: Company, MOFSL

Exhibit 13: Expect 9% CAGR in EBITDA over FY23-25



Source: Company, MOFSL

Exhibit 14: Expect 12% CAGR in adj. EPS over FY23-25



Source: Company, MOFSL

Financials and valuations

| Income Statement | | | | | | | | | (INR b) | |
|----------------------------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Y/E March | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
| Net Sales | 97.5 | 94.3 | 119.4 | 131.7 | 142.5 | 145.0 | 152.7 | 172.4 | 190.9 | 207.4 |
| Change (%) | 12.9 | -3.3 | 26.6 | 10.3 | 8.3 | 1.7 | 5.3 | 12.9 | 10.7 | 8.7 |
| Total Expenditure | 74.5 | 75.3 | 90.9 | 101.5 | 114.4 | 113.2 | 117.4 | 135.0 | 148.9 | 162.7 |
| % of Sales | 76.5 | 79.8 | 76.1 | 77.1 | 80.2 | 78.1 | 76.9 | 78.3 | 78.0 | 78.4 |
| EBITDA | 23.0 | 19.0 | 28.5 | 30.1 | 28.2 | 31.8 | 35.2 | 37.4 | 42.0 | 44.7 |
| Margin (%) | 23.5 | 20.2 | 23.9 | 22.9 | 19.8 | 21.9 | 23.1 | 21.7 | 22.0 | 21.6 |
| Depreciation | 3.0 | 3.8 | 5.4 | 6.0 | 7.0 | 7.1 | 7.1 | 7.2 | 7.6 | 8.1 |
| EBIT | 19.9 | 15.3 | 23.1 | 24.2 | 21.2 | 24.7 | 28.1 | 30.2 | 34.4 | 36.6 |
| Int. and Finance Charges | 0.5 | 0.5 | 0.9 | 1.9 | 3.4 | 1.6 | 1.3 | 1.3 | 1.2 | 1.0 |
| Other Income - Rec. | 0.9 | 1.3 | 1.1 | 2.0 | 1.1 | 0.5 | 2.2 | 1.9 | 1.9 | 1.9 |
| PBT before EO Expense | 20.4 | 16.1 | 23.3 | 24.2 | 18.9 | 23.5 | 29.1 | 30.7 | 35.2 | 37.5 |
| EO Expense/(Income) | 0.0 | 0.0 | 0.0 | 0.4 | 4.0 | 0.0 | 0.7 | 4.8 | 0.0 | 0.0 |
| PBT after EO Expense | 20.4 | 16.1 | 23.3 | 23.8 | 15.0 | 23.5 | 28.4 | 25.9 | 35.2 | 37.5 |
| Current Tax | 4.3 | 1.3 | 5.6 | 5.3 | 3.2 | 1.1 | 5.1 | 5.9 | 7.9 | 8.6 |
| Deferred Tax | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Tax | 4.3 | 1.3 | 5.6 | 5.3 | 3.2 | 1.1 | 5.1 | 5.9 | 7.9 | 8.6 |
| Tax Rate (%) | 21.1 | 8.0 | 24.2 | 22.3 | 21.4 | 4.8 | 18.0 | 22.7 | 22.5 | 23.0 |
| Reported PAT | 16.1 | 14.8 | 18.3 | 18.5 | 11.8 | 22.4 | 23.3 | 20.0 | 27.3 | 28.9 |
| Less: Minority Interest | 0.3 | 0.3 | 0.3 | 0.0 | 0.0 | 2.1 | 0.8 | 0.4 | 0.1 | 0.1 |
| PAT from Discontinued operations | | | | | | 1.0 | 22.5 | | | |
| Net Profit | 15.8 | 14.5 | 17.9 | 18.5 | 11.8 | 21.3 | 44.9 | 19.6 | 27.1 | 28.8 |
| PAT Adj for EO Items | 15.8 | 14.9 | 17.9 | 18.8 | 15.0 | 20.3 | 22.1 | 22.9 | 27.1 | 28.8 |
| Change (%) | 37.7 | -5.8 | 20.6 | 4.8 | -20.0 | 34.8 | 8.9 | 3.9 | 18.2 | 6.1 |
| Margin (%) | 16.2 | 15.8 | 15.0 | 14.3 | 10.6 | 14.0 | 14.5 | 13.3 | 14.2 | 13.9 |

| Balance Sheet | | | | | | | | | (INR b) | |
|------------------------------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Y/E March | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY23E |
| Equity Share Capital | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Total Reserves | 56.0 | 68.6 | 86.4 | 102.8 | 102.7 | 128.9 | 169.0 | 174.1 | 203.4 | 225.0 |
| Net Worth | 57.0 | 69.6 | 87.4 | 103.9 | 103.8 | 129.9 | 170.0 | 175.2 | 204.4 | 226.1 |
| Minority Interest | 1.4 | 1.6 | 1.9 | 12.9 | 13.3 | 19.4 | 20.5 | 21.7 | 21.7 | 21.7 |
| Deferred liabilities | -3.2 | -4.0 | -6.4 | -7.2 | -6.4 | -9.5 | -9.4 | -10.7 | -10.7 | -10.7 |
| Total Loans | 22.6 | 51.7 | 53.3 | 74.1 | 73.2 | 40.5 | 45.8 | 17.0 | 16.0 | 16.0 |
| Capital Employed | 77.8 | 118.8 | 136.3 | 183.7 | 183.9 | 180.2 | 226.9 | 203.2 | 231.5 | 253.1 |
| Gross Block | 52.2 | 75.2 | 87.7 | 150.5 | 158.2 | 164.3 | 172.6 | 173.2 | 186.7 | 194.7 |
| Less: Accum. Deprn. | 14.8 | 17.5 | 22.9 | 28.9 | 35.8 | 42.9 | 50.1 | 57.3 | 64.7 | 72.5 |
| Net Fixed Assets | 37.4 | 57.7 | 64.8 | 121.6 | 122.3 | 121.3 | 122.5 | 115.9 | 121.9 | 122.2 |
| Capital WIP | 9.5 | 15.4 | 15.3 | 8.4 | 7.4 | 7.8 | 6.6 | 11.3 | 6.2 | 3.6 |
| Investments | 2.2 | 3.9 | 4.7 | 6.7 | 7.7 | 8.3 | 32.9 | 15.5 | 15.5 | 15.5 |
| Curr. Assets | 51.3 | 70.2 | 86.6 | 88.4 | 91.0 | 90.6 | 105.0 | 104.2 | 148.3 | 180.3 |
| Inventory | 13.4 | 18.0 | 23.9 | 26.9 | 27.9 | 32.4 | 37.2 | 34.1 | 49.2 | 59.4 |
| Account Receivables | 17.5 | 22.8 | 32.1 | 39.5 | 36.6 | 31.3 | 33.4 | 44.2 | 48.3 | 62.8 |
| Cash and Bank Balance | 6.4 | 15.4 | 13.1 | 5.5 | 9.6 | 8.9 | 11.1 | 5.7 | 30.7 | 37.9 |
| Loans & Advances | 14.0 | 13.9 | 17.5 | 16.5 | 16.8 | 18.1 | 23.3 | 20.2 | 20.2 | 20.2 |
| Curr. Liability & Prov. | 22.5 | 28.3 | 35.1 | 41.5 | 44.4 | 47.9 | 40.1 | 43.6 | 60.4 | 68.4 |
| Account Payables | 22.0 | 27.7 | 34.1 | 40.1 | 42.0 | 44.6 | 36.4 | 40.0 | 56.7 | 64.8 |
| Provisions | 0.5 | 0.6 | 1.0 | 1.4 | 2.4 | 3.3 | 3.7 | 3.7 | 3.7 | 3.7 |
| Net Current Assets | 28.8 | 41.9 | 51.5 | 46.9 | 46.5 | 42.7 | 64.9 | 60.5 | 88.0 | 111.9 |
| Appl. of Funds | 77.8 | 118.8 | 136.3 | 183.7 | 183.9 | 180.2 | 226.9 | 203.2 | 231.5 | 253.1 |

E: MOFSL Estimates

Financials and valuations

Ratios

| Y/E March | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY23E |
|----------------------------|------|------|------|-------|-------|-------|-------|-------|-------|-------|
| EPS | 15.4 | 14.5 | 17.5 | 18.4 | 14.7 | 19.8 | 21.6 | 22.4 | 26.5 | 28.1 |
| Cash EPS | 18.4 | 17.9 | 22.8 | 23.9 | 18.3 | 27.8 | 50.8 | 26.3 | 33.9 | 36.0 |
| BV/Share | 55.7 | 68.0 | 85.4 | 101.5 | 101.4 | 126.9 | 166.1 | 171.1 | 199.7 | 220.8 |
| DPS | 3.2 | 3.6 | 3.6 | 3.6 | 3.6 | 3.6 | 4.6 | 6.0 | 5.4 | 5.8 |
| Payout (%) | 20.7 | 24.8 | 20.5 | 19.6 | 24.5 | 18.2 | 21.3 | 26.8 | 20.4 | 20.6 |
| Valuation (x) | | | | | | | | | | |
| P/E | 32.9 | 35.0 | 29.0 | 27.7 | 34.6 | 25.6 | 23.6 | 22.7 | 19.2 | 18.1 |
| Cash P/E | 27.7 | 28.4 | 22.3 | 21.2 | 27.8 | 18.3 | 10.0 | 19.4 | 15.0 | 14.1 |
| P/BV | 9.1 | 7.5 | 5.9 | 5.0 | 5.0 | 4.0 | 3.1 | 3.0 | 2.5 | 2.3 |
| EV/Sales | 5.5 | 5.9 | 4.7 | 4.4 | 4.0 | 3.7 | 3.4 | 3.0 | 2.6 | 2.3 |
| EV/EBITDA | 23.3 | 29.0 | 19.5 | 19.3 | 20.5 | 17.1 | 14.8 | 13.8 | 11.7 | 10.8 |
| Dividend Yield (%) | 0.6 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.9 | 1.2 | 1.1 | 1.1 |
| Return Ratios (%) | | | | | | | | | | |
| RoE | 31.7 | 23.0 | 22.9 | 19.3 | 11.3 | 17.4 | 14.7 | 13.3 | 14.3 | 13.4 |
| RoCE | 22.6 | 15.2 | 14.0 | 12.8 | 9.9 | 13.8 | 12.9 | 12.1 | 13.6 | 12.8 |
| RoIC | 28.1 | 19.6 | 18.7 | 14.1 | 10.3 | 15.0 | 13.9 | 13.4 | 15.3 | 15.0 |
| Working Capital Ratios | | | | | | | | | | |
| Asset Turnover (x) | 1.3 | 0.8 | 0.9 | 0.7 | 0.8 | 0.8 | 0.7 | 0.8 | 0.8 | 0.8 |
| Fixed Asset Turnover (x) | 2.8 | 2.0 | 1.9 | 1.4 | 1.2 | 1.2 | 1.3 | 1.4 | 1.6 | 1.7 |
| Debtor (Days) | 63 | 76 | 84 | 99 | 97 | 82 | 77 | 82 | 88 | 98 |
| Inventory (Days) | 54 | 61 | 64 | 70 | 70 | 76 | 83 | 76 | 80 | 96 |
| Working Capital T/O (Days) | 84 | 102 | 117 | 115 | 94 | 85 | 129 | 116 | 110 | 130 |
| Leverage Ratio (x) | | | | | | | | | | |
| Net Debt/Equity | 0.3 | 0.5 | 0.5 | 0.8 | 0.7 | 0.3 | 0.2 | 0.1 | -0.1 | -0.1 |

Cash Flow Statement

(INR b)

| Y/E March | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY23E |
|---------------------------------------|-------------|--------------|-------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|
| Oper. Profit/(Loss) bef.Tax | 23.0 | 19.0 | 28.5 | 30.1 | 28.2 | 31.8 | 35.2 | 37.4 | 42.0 | 44.7 |
| Interest/Dividends Recd. | 0.9 | 1.3 | 1.1 | 2.0 | 1.1 | 0.5 | 2.2 | 1.9 | 1.9 | 1.9 |
| Direct Taxes Paid | -4.3 | -1.3 | -5.6 | -5.3 | -3.2 | -1.1 | -5.1 | -5.9 | -7.9 | -8.6 |
| (Inc)/Dec in WC | -3.6 | -4.1 | -11.8 | -3.1 | 4.6 | 3.0 | -20.0 | -1.0 | -2.5 | -16.7 |
| CF from Operations | 16.0 | 14.9 | 12.1 | 23.7 | 30.7 | 34.1 | 12.4 | 32.4 | 33.5 | 21.4 |
| EO Expense / (Income) | 0.0 | 0.0 | 0.0 | 0.4 | 4.0 | 0.0 | 0.7 | 4.8 | 0.0 | 0.0 |
| Others | 2.9 | -1.8 | -2.9 | -10.5 | -1.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| CF from Operating incl EO Exp. | 18.9 | 13.1 | 9.2 | 12.8 | 25.1 | 34.1 | 11.7 | 27.6 | 33.5 | 21.4 |
| (inc)/dec in FA | -8.4 | -29.9 | -12.4 | -55.9 | -6.7 | -6.5 | -7.1 | -5.3 | -8.4 | -5.8 |
| Free Cash Flow | 10.5 | -16.8 | -3.2 | -43.1 | 18.4 | 27.6 | 4.6 | 22.3 | 25.1 | 15.5 |
| (Pur)/Sale of Investments | -0.6 | -1.7 | -0.9 | -2.0 | -0.9 | -0.7 | -24.6 | 17.4 | 0.0 | 0.0 |
| Others | 0.4 | 2.9 | 3.5 | 15.5 | -2.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| CF from Investments | -8.6 | -28.7 | -9.7 | -42.4 | -10.1 | -7.2 | -31.7 | 12.1 | -8.4 | -5.8 |
| Inc/(Dec) in Debt | -1.4 | 29.3 | 2.0 | 31.7 | -0.4 | -26.8 | 6.5 | -27.6 | -1.0 | 0.0 |
| Interest Paid | -0.5 | -0.5 | -0.9 | -1.9 | -3.4 | -1.6 | -1.3 | -1.3 | -1.2 | -1.0 |
| Dividend Paid | -3.9 | -4.4 | -4.4 | -3.7 | -4.3 | -4.4 | -5.7 | -7.4 | -6.7 | -7.2 |
| Others | -3.6 | -1.2 | 3.9 | -7.3 | -2.8 | 5.1 | 22.6 | -8.7 | 8.7 | -0.1 |
| CF from Fin. Activity | -9.3 | 23.2 | 0.5 | 18.8 | -10.9 | -27.7 | 22.2 | -45.0 | -0.1 | -8.3 |
| Inc/Dec of Cash | 1.0 | 7.6 | 0.0 | -10.7 | 4.0 | -0.8 | 2.2 | -5.3 | 25.0 | 7.2 |
| Add: Beginning Balance | 7.4 | 8.4 | 15.9 | 15.9 | 7.8 | 11.8 | 11.0 | 13.2 | 7.9 | 32.8 |
| Closing Balance | 8.4 | 15.9 | 15.9 | 7.8 | 11.8 | 11.0 | 13.2 | 7.9 | 32.8 | 40.1 |
| Cash and bank balances | 2.0 | 0.5 | 2.7 | 2.3 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 |
| Total Cash & Cash Eq | 6.4 | 15.4 | 13.1 | 5.5 | 9.6 | 8.9 | 11.1 | 5.7 | 30.7 | 37.9 |

E: MOFSL Estimates

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

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