

Aurobindo Pharma

BSE SENSEX 46,974 S&P CNX 13,749



Stock Info

Bloomberg	ARBP IN
Equity Shares (m)	586
M.Cap.(INRb)/(USDb)	532.6 / 7.1
52-Week Range (INR)	968 / 281
1, 6, 12 Rel. Per (%)	-2/-20/82
12M Avg Val (INR M)	3597
Free float (%)	48.0

Financials Snapshot (INR b)

Y/E MARCH	2020	2021E	2022E
Sales	231.0	254.5	262.8
EBITDA	48.6	55.5	59.1
Adj. PAT	28.8	33.0	36.0
EBIT Margin (%)	16.9	17.8	18.2
Cons. Adj. EPS (INR)	49.2	56.3	61.5
EPS Gr. (%)	13.9	14.6	9.1
BV/Sh. (INR)	286.9	340.4	398.3

Ratios

Net D:E	0.2	0.1	-0.1
RoE (%)	18.8	18.0	16.6
RoCE (%)	14.1	14.5	14.0
Payout (%)	5.2	4.5	5.7

Valuations

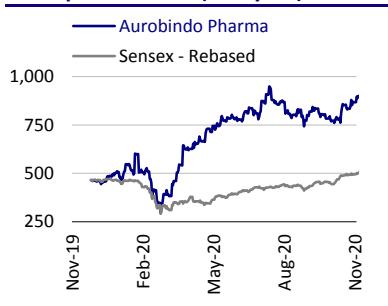
P/E (x)	18.5	16.1	14.8
EV/EBITDA (x)	11.5	9.8	8.7
Div. Yield (%)	0.3	0.3	0.4
FCF Yield (%)	5.5	2.6	5.7
EV/Sales (x)	2.4	2.1	2.0

Shareholding pattern (%)

As on	Sep-20	Jun-20	Sep-19
Promoter	52.0	52.0	51.9
DII	13.7	12.6	13.0
FII	23.0	22.6	22.0
Others	11.3	12.8	13.2

FII Includes depository receipts

Stock performance (one-year)



CMP: INR910 TP: INR1,100(+21%)

BUY

Advances in vaccine race with the COVAXX deal

ARBP building manufacturing capacity in parallel with drug development process

- Aurobindo Pharma (ARBP) and COVAXX have signed an exclusive agreement to develop, manufacture and commercialize a COVID-19 vaccine (UB-612) for India and United Nations Children's Fund (UNICEF). UB-612 is currently in Phase I trials, with Phase II/III to begin in 1QCY21.
- With investments of INR1.5b under progress to create an annual capacity (to be ready by Jun'21) of 480m doses, the revenue potential from this vaccine could be ~USD280m/USD580m in FY22E/FY23E, subject to regulatory approvals.
- We remain positive on the company on: a) improved outlook for the Injectable business, b) WIP for its complex product pipeline, c) significantly reduced financial leverage, d) completion of remediation measures at sites under regulatory issues, e) potential upside from Vaccines, and f) comfortable valuation. We value ARBP at 16x 12M forward earnings to arrive at our target price of INR1,100. Reiterate Buy.

COVAXX deal strengthens ARBP's interest in the vaccine race

With the inking of this agreement, the development skills of COVAXX would complement ARBP's development, manufacturing as well as commercialization infrastructure. Since UB-612 requires normal refrigeration (no freezing required) for distribution, it would enable faster availability of the vaccine worldwide during the COVID-19 pandemic, creating a win-win situation for all stakeholders.

Industry on the fast track to develop/build capacity for COVID-19 vaccines

Even as the vaccine candidates are progressing through various phases of clinical trials and approvals, companies and countries already have agreements for supplying these vaccines, subject to approval. Oxford-AstraZeneca vaccine is leading the pre-order race with ~3.3b doses, followed by Novavax and Pfizer-BioNTech. The pricing of these vaccines varies depending on quantities ordered and the economic status of countries. The Pfizer-BioNTech vaccine is priced at USD19.5/dose in the US, while the Oxford-AstraZeneca vaccine is expected to be priced at USD3/dose till the pandemic is officially declared over.

ARBP in building mode for healthy earnings trajectory

ARBP is on track to build a niche portfolio: Biosimilars, Topicals (filings from FY21), Nasals, Transdermal Patches, Inhalers, Oncology, Hormone products, and Depot Injections (filings would begin next year). It is increasing its reach/expanding portfolio in the EU market and shifting its manufacturing base to India, thereby improving profitability. Building manufacturing capacity would fasten the contractual process with vaccine developers.

Valuation and view

We expect a 12% earnings CAGR over FY20-23E (on a high base of FY20, including Natrol sales), led by new launches/increased market share in key markets (US/EU), 180bp margin expansion, and lower financial leverage. ***The Vaccine opportunity has the potential to add INR4.5/INR12 to FY22/23E EPS, subject to regulatory approval.*** We value ARBP at 16x 12M forward earnings to arrive at our TP of INR1,100. We remain positive on the company given: a) capability to build a niche portfolio, b) cost efficiency owing to complete integration of manufacturing, and c) lower financial leverage. Reiterate Buy.

Research Analyst – Tushar Manudhane (Tushar.Manudhane@MotilalOswal.com)

Bharat Hegde, CFA (Bharat.Hegde@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, Bloomberg, Thomson Reuters, Factset and S&P Capital.

ARBP building a Vaccine value chain

- ARBP and COVAXX have signed an exclusive agreement to develop, manufacture, and commercialize a COVID-19 vaccine (UB-612) for India/UNICEF and a non-exclusive agreement in other select emerging markets.
- With a total annual capacity of 480m doses by Jun'21, this segment has a potential to generate ~USD280/USD576m in FY22E/FY23E revenues, subject to approval by regulatory authorities for the COVAXX vaccine.
- We have highlighted the development stage of various vaccine candidates and subsequent commercial tie-ups to fasten the availability process.

COVAXX-ARBP agreement a step towards synchronizing development and manufacturing capacity

- Under the agreement, ARBP has exclusive rights to develop, manufacture, and sell the COVAXX's UB-612 COVID-19 vaccine in India and UNICEF, as well as non-exclusive rights in other select emerging markets.
- COVAXX's UB-612 is the first multistop, synthetic Peptide-based vaccine candidate. It is currently undergoing Phase I clinical trials. Phase II/III clinical trials are expected to begin in early 1QCY21 in Asia, Latin America, and the US.
- In Sep'20, ARBP and CSIR had made an announcement with regard to the development of COVID-19 vaccines. Three CSIR labs – CCMB Hyderabad; Institute of Medical Technology (IMTECH), Chandigarh; and the Indian Institute of Chemical Biology (IICB), Kolkata – are working on different platforms for developing COVID-19 vaccines. Under the terms of the agreement, the CSIR labs would develop the vaccines, while ARBP would be responsible for clinical development/trials and commercialization.
- In addition to the previously mentioned agreements, ARBP is developing its own COVID-19 vaccine based on its proprietary replication-competent, attenuated, recombinant vesicular stomatitis (VSV, VesiculoVax™) vaccine delivery platform.
- It has an annual manufacturing capacity of 220m doses and is building additional facilities to boost its total annual capacity to ~480m doses by Jun'21. These vaccines will be manufactured at its facilities in Hyderabad.
- It is too early in the development phase of different vaccines to ascertain the pricing and quantity of vaccines supplied under various agreements. Considering the prices of already available vaccines, we expect a price of USD2-8/dose for vaccines supplied to India and LMIC countries. This segment has the potential to generate ~USD280m/USD576m (at USD2/dose) in FY22E/FY23E revenues.

Multiple vaccines are at different stages of clinical trials

- Pfizer-BioNTech's vaccine was the first vaccine to be approved (for limited use/EUA) in developed countries. Since it was first approved in the UK, it has received approvals from Canada, the EU and Mexico. Moderna vaccine has also received an Emergency Use Authorization (EUA) in the US.

Exhibit 1: Vaccine candidate development snapshot

Phase I	Phase II	Phase III	Approved/emergency use/ authorization/limited use
• Covaxx	• Inovio	• Oxford-AstraZeneca	• Pfizer-BioNTech
• Entos	• Cadila	• Bharat Biotech	• Moderna
• OncoSec	• IFV Cuba	• Novavax	• Sputnik V
• Merck-Themis-Institut Pasteur		• J&J-Beth Israel	• CanSino Bio
• DZIF Germany		• CureVac	• Sinopharm
• Baylor College-Texas Children's Hospital-Biological E-Dynavax			
• Imperial College-Morningside			
• Duke NUS-Arcturus			
• Gennova-HDT			
• Sanofi-GSK	• Medicago-GSK		
	• Clover-GSK-Dynavax		
	• AnGes-Osaka University-Takara		

Source: MOFSL, NYT, Bloomberg

- Some snag in clinical trial data has resulted in the delay of Oxford-AstraZeneca vaccine in the UK. The Serum Institute of India, its partner in India, had applied for an EUA in India, but the government has sought additional data before approving the same.
- Other notable candidates under late stage trials, with particular interest to India, include Novavax (contract with Serum Institute), J&J (contract with Biological E), and Gamaleya Sputnik V (currently under trials in India; distribution and commercialization agreement with DRRD). J&J is a single dosage vaccine, although a two dose course is also being explored.

Exhibit 2: Characteristics of different vaccine candidates

Candidate	Storage	Number of doses/patient	Type/Platform	Pre-orders (m doses)
Pfizer-BioNTech	Freezer storage only at -94°F (-70°C)	2	mRNA	1,280
Moderna	30 days with refrigeration, six months at -4°F (-20°C)	2	mRNA	780
Oxford-AstraZeneca	Stable in a refrigerator for at least six months	2	Adenovirus	3,290
Novavax	Stable in a refrigerator	2	Protein	1,380
Gamaleya Sputnik V	Freezer storage	2	Adenovirus	340
Sinovac	Refrigerated	2	Inactivated	260
J&J-Beth Israel	Up to two years frozen at -4° F (-20° C), Up to 3 months refrigerated at 36-46° F (2-8° C)	1	Adenovirus	1,270
CureVac	Stable for at least three months at 36-46°F (2-8°C)	2	mRNA	410

Source: MOFSL, NYT

- There are many global vaccine candidates under late stage trials, with some already approved for emergency use in some countries. Not all vaccines are suited for use in India given their cold storage requirements.
- Although Pfizer's vaccine was one of the first to apply for an EUA in India, its -70° C storage requirement renders it infeasible to use beyond the metros. Other vaccines such as those from Moderna, Oxford-AstraZeneca, Novavax, Gamaleya

Institute, Russia and J&J are better suited for Indian needs from a supply chain point of view. Pricing of the vaccines and tie-ups with local manufacturers could sway the market in favor of some of these vaccines.

- Price of each vaccine differs by country and ordered quantity. Pfizer's vaccine is available at USD19.5/dose in the US. Vaccine by Moderna is available at USD32-37/dose, depending on quantity, with US having secured the vaccine at USD15/dose and EU negotiating to keep the price below USD25/dose. The AstraZeneca vaccine is expected to be priced at USD3/dose. These prices would change depending on the competitive scenario and how the pandemic progresses.

Exhibit 3: Doses committed by different countries

Country	Confirmed and potential dose purchases (m units)
USA	2,600
EU	2,000
India	1,600
UK	507
Indonesia	450
Canada	414
Japan	290
Brazil	196
Mexico	179

Source: MOFSL, NPR

- Many countries have pre-order vaccines deals in place to expand their orders. The US has maximum contracts in place for 2.6b doses, roughly enough to inoculate their entire population by four times. The EU, with a population of 450m, has contracts for 2b doses.

Levers to drive next the leg of growth (in charts)

Exhibit 4: ARBP's complex generics/specialty portfolio pipeline under development

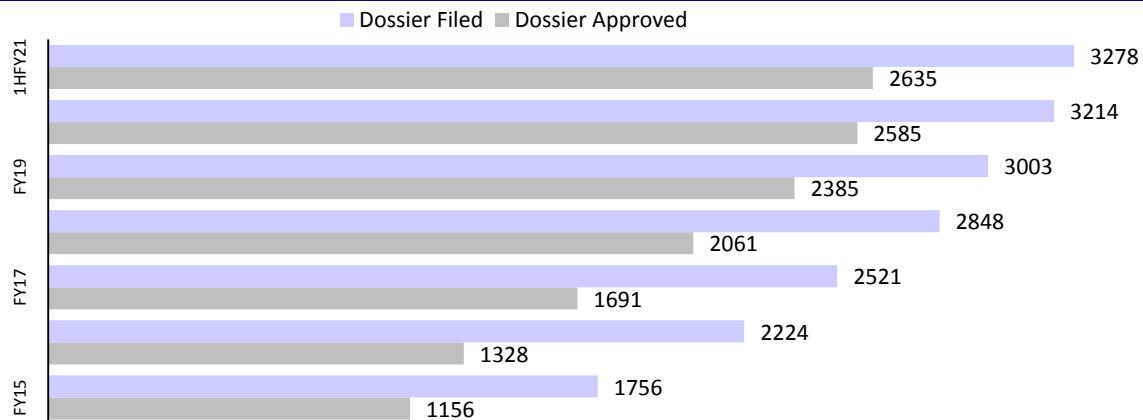
Biosimilars	Inhalers	Nasal Sprays	Depot Injections	Transdermal Patches	Vaccines
<ul style="list-style-type: none"> 14 in total, five in the first wave Targeting a portfolio of 14 products in Oncology, Auto Immune, Respiratory and Ophthalmic therapies 	<ul style="list-style-type: none"> Eight products Working on six MDI and two DPI inhalers 	<ul style="list-style-type: none"> Six products Developing a basket of six nasal sprays, of which two have already been filed 	<ul style="list-style-type: none"> Three products Filing for the first product expected in 3QFY22 and approval to take one-year post filing 	<ul style="list-style-type: none"> Eight products Developing eight products with a combined innovator market share of USD3b 	<ul style="list-style-type: none"> Two products Phase III trials for Pneumococcal vaccine to begin in FY21 and is expected to be filed next year
<ul style="list-style-type: none"> Five products in first wave to be launched over the next 2-3 years 	<ul style="list-style-type: none"> Filed one MDI already and expects to file another before FY21-end 	<ul style="list-style-type: none"> One nasal spray product already filed 	<ul style="list-style-type: none"> Intends to launch at least one product per year post that 	<ul style="list-style-type: none"> Expected to file first ANDA in FY21 	<ul style="list-style-type: none"> Also working on a Vesicular Stomatitis Virus (VSV) based COVID-19 vaccine
<ul style="list-style-type: none"> One product expected to be filed in FY21 and another in 1QFY22 in Europe. Phase III clinical trials to begin on another product for global product in FY22 		<ul style="list-style-type: none"> Remaining products to be filed over the next three years 		<ul style="list-style-type: none"> Target is to manufacture at its US plant exhibit batches for five products in FY21 	
<ul style="list-style-type: none"> Two products to be filed in the US and Europe next year. Post that, at least two products are expected to be filed each year 					

Source: MOFSL, Company

Exhibit 5: ANDA pipeline snapshot

Site	API/Formulation	FA	TA	UR	Total
Unit III	Oral Formulations	116	9	5	130
Unit IV	Injectables and Ophthalmics	72		54	126
APL Healthcare	Oral Formulations	7		12	19
Aurolife and Aurolife - I	Oral Formulations	23	1	11	35
Eugia	Oral and Injectable Formulations	13	3	24	40
Unit XII	Penicillin Oral and Injectables	20			20
AuroNext	Penem Injectables	2			2
Unit VIB	Cephalosporins Oral	11		1	12
Unit VII (SEZ)	Oral Formulations	136	13	21	170
Unit X	Oral Formulations	18	2	50	70
Others		3		2	5
Total		421	28	180	629

Source: MOFSL, Company

Exhibit 6: Robust pace of filing/approval in the EU market

Source: MOFSL, Company

Exhibit 7: Manufacturing sites and their recent regulatory status

Site	API/Formulation	Remarks
Aurolife	Oral and Topicals	Issued WL in Oct'20, Form 483 with nine observations after inspection in Jan'20
Unit III	Oral Formulations	Received Form 483 with 10 observations in Jun'19
Unit I	API	Inspected in Feb'19. Inspection classified as OAI
Unit IX	API	Inspected in Feb'19. Issued warning letter
Unit XI	Intermediate facility	Inspected in Feb'19. Inspection classified as OAI
Unit IV	Injectables and Ophthalmics	Inspected in Nov'19, EIR in place
APL Healthcare	Oral Formulations	Inspected in Dec'18. EIR in place
Unit V	API	Received Form 483 with four observations in Oct'19
Aurolife - I	Oral Formulations	Inspection closed with VAI classification in Jun'18
Eugia	Oral and Injectable Formulations	Inspected in Jun'18. EIR in place
Unit VIII	API	Inspected in Oct'19, EIR in place.
Unit XII	Penicillin Oral and Injectables	Inspected in Mar'18. EIR in place
Silicon	API	Inspected in Mar'18. EIR in place
AuroNext	Penem Injectables	Inspected in Feb'18. EIR in place
Unit VIB	Cephalosphorins Oral	Inspected in Sep'17. EIR in place
Unit VII (SEZ)	Oral Formulations	Received Form 483 with seven observations in Sep'19, classified as OAI in Jan'20
Unit X	Oral Formulations	Inspected in Apr'17. Zero Form 483
Auro Peptides	API	Inspected in Aug'16. EIR in place

Source: MOFSL, Company

Robust outlook across segments

US – Complex generics to drive growth

- ARBP has a strong pipeline, with 180 ANDAs pending approval, of which 66 are Injectables. It has 290 products under various stages of development. The launch momentum remains healthy at 23 (incl. seven Injectables) in 1HFY21.
- The company is developing/filing for complex products in domains (Inhalers, Topicals, Transdermals, Biosimilars, and Depot Injections) as well as undertaking capex to drive revenue growth and improve profitability. Considering mid-to-single-digit price erosion in the base business, a healthy product pipeline, and sale of the Natrol business, we expect the company to deliver 3% sales CAGR (in constant-currency terms) to USD1.8b over FY20-23E.

Europe business back on the recovery path

- ARBP is on track to: a) improve traction in Injectables with the easing of the COVID-19 led lockdown restrictions, b) gain from the steady shift in manufacturing to India, c) enter into newer markets, and d) expand its product offerings.
- We expect 7% CAGR in European sales to INR72.5b over FY20-23E. With improving margin in the Apotex business and an increasing shift in manufacturing to India, we expect better profitability in the overall European business going forward.

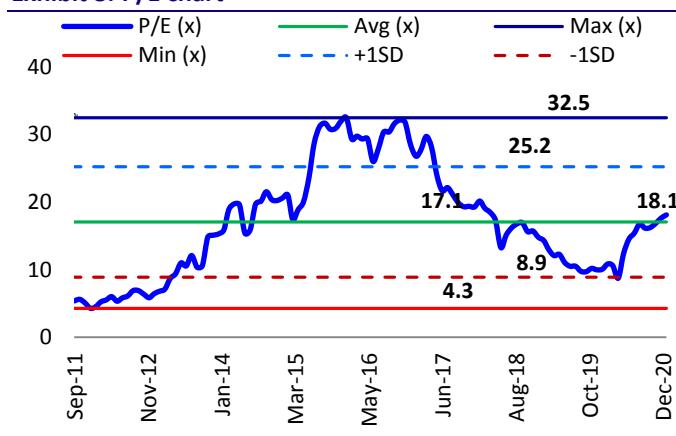
Vaccine to add another growth lever

- ARBP is increasing its Vaccine capacity to 480m doses per year and has a multi-platform capacity depending on client requirements. It has agreements with CSIR labs and now with COVAXX for clinical development, manufacture, and commercialization of COVID-19 vaccines in India and other emerging countries. It is also developing its own COVID-19 vaccine on its proprietary platform.
- The company's Vaccine segment is de-risked to some extent due to: a) contracts for multiple candidates in the pipeline for clinical development, manufacture, and commercialization, b) multi-platform capabilities, c) own vaccine under development.
- With a conservative price of USD2/dose, we expect Vaccine sales of ~USD280m/USD580m in FY22E/FY23E.

Expect 12% earnings growth over FY20-23E driven by complex generics

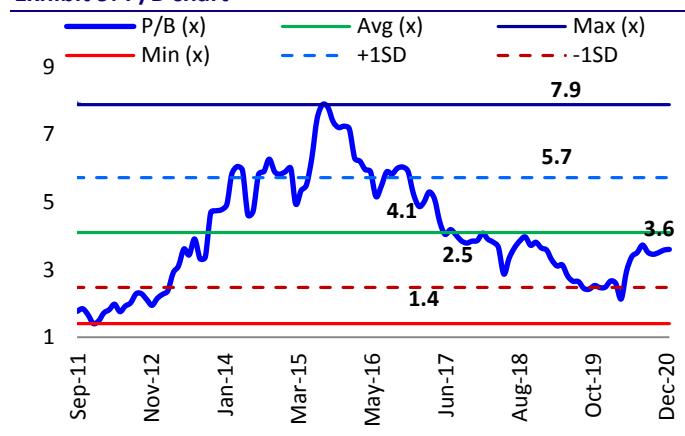
- We maintain our FY22E/FY23E EPS estimate of INR62/INR69, with a further potential upside from the Vaccine segment, subject to approval. We expect a 12% earnings CAGR over FY20-23E (on a high base of FY20, including Natrol sales), led by new launches/increased market share in key markets (US/EU), 180bp margin expansion, and lower financial leverage.
- We value ARBP at 16x 12M forward earnings to arrive at our TP of INR1,100.
- We remain positive on the company given its: a) capability to build a niche portfolio, b) cost efficiency owing to the complete integration of manufacturing, and c) lower financial leverage. Reiterate Buy.

Exhibit 8: P/E chart



Source: MOFSL, Company, Bloomberg

Exhibit 9: P/B chart



Source: MOFSL, Company, Bloomberg

Exhibit 10: Valuation table

Company	EPS			P/E			EV-to-EBITDA			RoCE (%)		
	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E
ALPM	44.0	61.2	54.4	24.4	17.5	19.7	17.8	12.4	13.5	19.7	22.0	17.2
ALKEM	95.4	133.2	144.1	30.6	21.9	20.3	23.7	17.5	16.3	17.6	19.8	18.7
AJP	51.1	62.5	72.7	32.7	26.7	23.0	20.7	17.0	15.3	19.0	19.8	19.7
ARBP	49.2	56.3	61.9	18.5	16.1	14.7	10.7	9.4	8.8	14.1	14.5	14.1
BIOS	6.2	7.3	10.8	78.0	65.8	44.6	36.2	29.7	22.6	9.1	9.3	12.3
CDH	14.7	20.4	23.4	33.3	24.1	20.9	19.2	15.1	13.3	9.9	11.9	12.9
CIPLA	19.6	31.3	33.6	42.5	26.6	24.8	21.1	14.7	13.7	8.8	13.0	12.6
DIVI	48.9	76.3	97.7	76.6	49.2	38.4	52.6	33.4	26.6	18.5	25.0	26.0
DRRD	131.4	171.9	186.6	39.6	30.3	27.9	24.0	17.3	14.9	17.4	17.8	16.6
GNP	24.6	33.1	33.1	20.2	15.0	15.0	11.7	8.6	8.3	10.9	12.5	11.5
GLXO	28.2	27.6	35.0	54.4	55.6	43.8	37.7	37.6	31.4	24.3	25.5	30.5
GRAN	13.0	24.7	28.4	28.7	15.1	13.1	16.2	8.8	7.4	12.6	22.3	21.9
IPCA	51.4	93.7	94.9	42.1	23.1	22.8	28.7	16.8	16.3	17.7	26.2	21.8
JUBILANT	59.8	48.2	63.2	14.5	18.0	13.7	7.4	8.6	7.3	11.7	9.3	10.9
LAURUS	4.8	17.6	20.8	73.0	19.8	16.8	32.4	12.6	10.5	12.5	31.0	29.0
LPC	23.3	24.8	37.9	41.8	39.3	25.7	18.6	17.3	13.1	4.8	7.1	10.3
STR	15.2	31.7	45.8	56.2	26.9	18.6	13.7	10.3	8.7	6.9	10.4	12.2
SUNP	16.4	23.1	24.4	36.0	25.6	24.1	20.7	17.4	15.9	8.9	9.9	11.5
TRP	56.1	76.6	96.2	49.6	36.4	28.9	23.6	19.2	16.7	15.0	17.3	20.1

Source: MOFSL, Company, Bloomberg

Story in charts

Exhibit 1: Expect 7% sales CAGR over FY20-23E

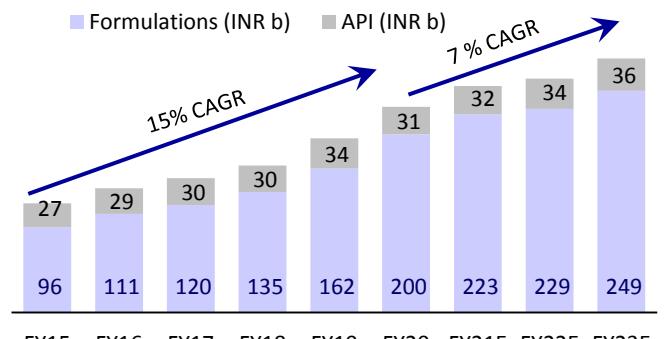


Exhibit 2: US to exhibit 5% (INR terms) sales CAGR over FY20-23E

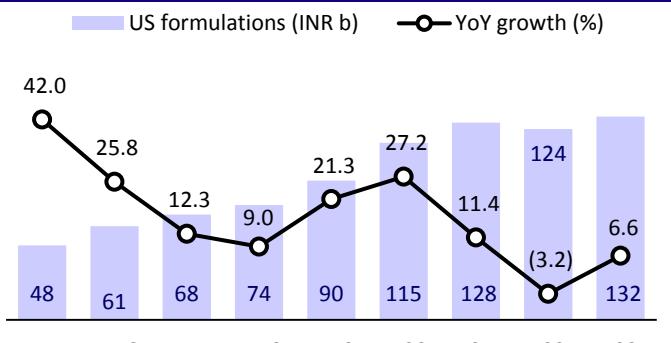


Exhibit 3: EU sales to exhibit 7% CAGR from FY20-23E

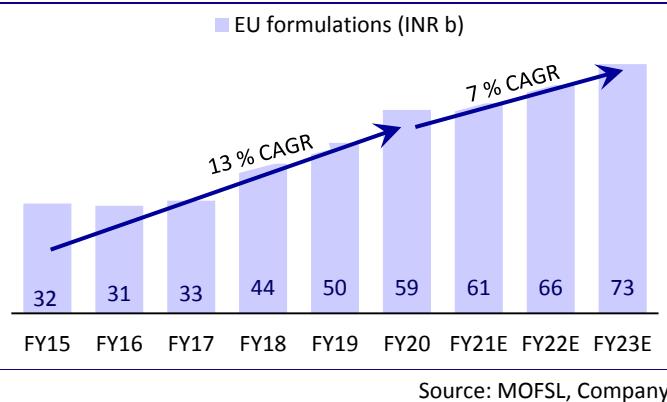


Exhibit 4: RoW sales to witness 14% CAGR from FY20-23E

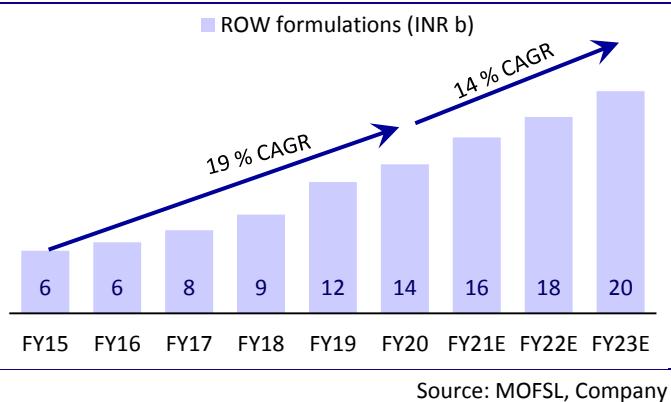


Exhibit 5: Margins on a gradual uptrend

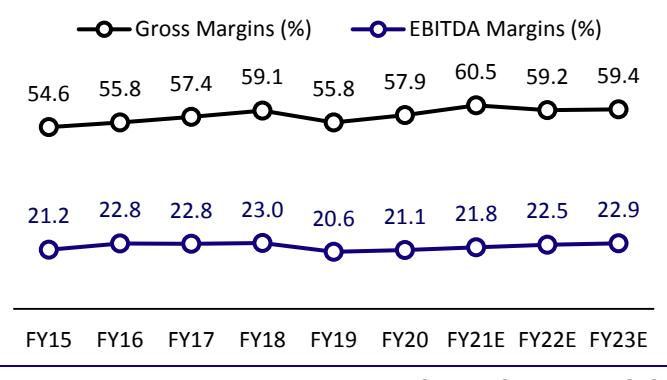


Exhibit 6: Expect ~10% EBITDA CAGR over FY20-23E

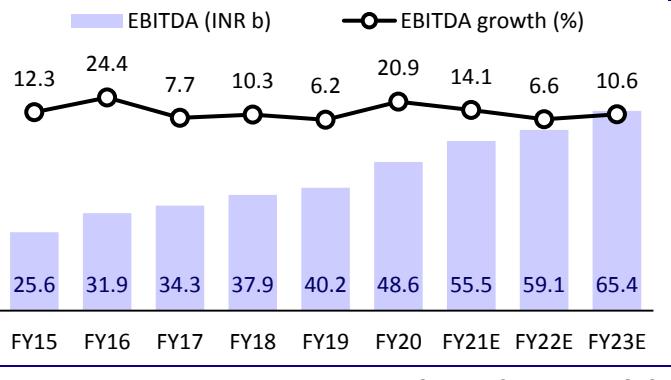


Exhibit 7: R&D expense largely towards complex products

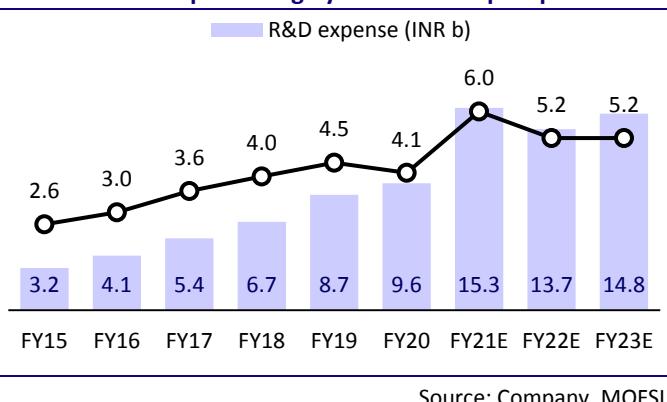
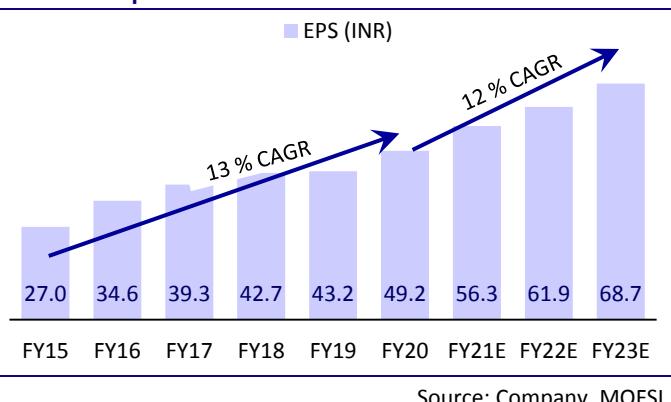


Exhibit 8: Expect ~12% EPS CAGR over FY20-23E



Financials and valuations

Consolidated - Income Statement									(INR m)
Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Total Income from Operations	121,205	139,553	150,897	164,998	195,636	230,985	254,508	262,762	285,428
Change (%)	49.6	15.1	8.1	9.3	18.6	18.1	10.2	3.2	8.6
Total Expenditure	95,569	107,671	116,556	127,113	155,416	182,342	199,025	203,640	220,065
EBITDA	25,636	31,882	34,341	37,885	40,219	48,643	55,483	59,121	65,363
Margin (%)	21.2	22.8	22.8	23.0	20.6	21.1	21.8	22.5	22.9
Depreciation	3,326	3,924	4,276	5,580	6,680	9,667	10,241	11,207	12,236
EBIT	22,310	27,958	30,065	32,305	33,540	38,976	45,242	47,915	53,127
Int. and Finance Charges	843	927	667	777	1,627	1,598	979	813	672
Other Income	808	701	538	1,020	1,157	862	2,600	2,490	2,200
PBT bef. EO Exp.	22,275	27,733	29,936	32,548	33,070	38,240	46,863	49,592	54,655
EO Items	-596	-304	621	-168	-2,183	-658	-312	0	0
PBT after EO Exp.	21,679	27,429	30,557	32,380	30,887	37,582	46,551	49,592	54,655
Current Tax	5,966	7,207	7,596	8,183	7,269	9,135	13,267	13,638	14,484
Tax Rate (%)	27.5	26.3	24.9	25.3	23.5	24.3	28.5	27.5	26.5
Less: Minority Interest	-45	-30	-55	-34	-29	143	500	-55	-90
Reported PAT	15,758	20,252	23,015	24,231	23,647	28,304	32,784	36,008	40,261
Adjusted PAT	15,758	20,251	23,015	25,021	25,288	28,798	33,007	36,008	40,261
Change (%)	19.1	28.5	13.6	8.7	1.1	13.9	14.6	9.1	11.8
Margin (%)	13.0	14.5	15.3	15.2	12.9	12.5	13.0	13.7	14.1

Consolidated - Balance Sheet									(INR m)
Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Equity Share Capital	584	585	586	586	586	586	586	586	586
Total Reserves	50,975	72,288	93,133	116,218	138,322	167,518	198,837	232,795	270,712
Net Worth	51,559	72,873	93,719	116,804	138,908	168,104	199,423	233,381	271,298
Minority Interest	258	26	21	18	16	1	1	1	1
Deferred Liabilities	2,058	-1,823	-1,185	765	980	1,393	1,421	1,449	1,478
Total Loans	38,636	44,155	30,841	44,825	67,532	54,223	48,801	41,481	33,184
Capital Employed	92,511	115,230	123,397	162,413	207,436	223,721	249,646	276,312	305,962
Gross Block	53,821	41,312	53,650	70,719	97,987	116,412	127,412	139,412	151,912
Less: Accum. Deprn.	17,405	3,455	7,168	11,843	18,298	27,965	38,206	49,412	61,648
Net Fixed Assets	36,416	37,856	46,482	58,876	79,689	88,447	89,206	89,999	90,264
Goodwill on Consolidation	640	4,063	4,063	8,165	8,325	9,159	9,159	9,159	9,159
Capital WIP	4,196	8,359	12,374	13,995	13,419	16,218	16,218	16,218	16,218
Total Investments	198	1,230	2,459	3,115	3,602	5,547	5,547	5,547	5,547
Curr. Assets, Loans and Adv.	87,647	105,631	95,439	125,312	157,675	168,260	189,360	214,146	248,178
Inventory	36,113	40,561	43,305	58,584	72,456	76,999	79,874	82,241	87,310
Account Receivables	35,392	46,067	35,042	38,721	34,150	43,152	55,783	55,432	68,815
Cash and Bank Balance	4,691	7,904	5,135	12,616	19,572	28,422	36,504	59,273	74,853
Loans and Advances	11,451	11,099	11,957	15,390	31,498	19,689	17,200	17,200	17,200
Curr. Liability and Prov.	36,587	41,909	37,420	47,051	55,275	63,911	59,845	58,758	63,404
Account Payables	20,511	24,570	24,883	26,274	25,522	25,450	29,220	28,132	32,778
Other Current Liabilities	13,650	15,776	11,415	18,209	26,104	33,547	30,000	30,000	30,000
Provisions	2,426	1,563	1,123	2,568	3,649	4,914	625	626	626
Net Current Assets	51,060	63,722	58,019	78,260	102,400	104,350	129,515	155,388	184,774
Appl. of Funds	92,511	115,230	123,397	162,413	207,436	223,721	249,646	276,312	305,962

Financials and valuations

Ratios

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
EPS	27.0	34.6	39.3	42.7	43.2	49.2	56.3	61.5	68.7
Cash EPS	32.7	41.3	46.6	52.2	54.6	65.7	73.8	80.6	89.6
BV/Share	88.3	124.5	160.0	199.4	237.1	286.9	340.4	398.3	463.0
DPS	2.2	2.3	1.9	3.7	2.5	2.5	2.5	3.5	4.0
Payout (%)	9.9	8.0	6.0	10.9	6.8	5.2	4.5	5.7	5.8
Valuation (x)									
P/E	33.7	26.3	23.1	21.3	21.1	18.5	16.1	14.8	13.2
Cash P/E	27.8	22.0	19.5	17.4	16.7	13.8	12.3	11.3	10.1
P/BV	10.3	7.3	5.7	4.6	3.8	3.2	2.7	2.3	2.0
EV/Sales	4.7	4.1	3.7	3.4	3.0	2.4	2.1	2.0	1.7
EV/EBITDA	22.1	17.8	16.3	14.9	14.4	11.5	9.8	8.7	7.5
Dividend Yield (%)	0.2	0.3	0.2	0.4	0.3	0.3	0.3	0.4	0.4
FCF per share	-3.5	5.3	27.0	7.2	1.6	50.4	23.6	51.9	41.9
Return Ratios (%)									
RoE	35.4	32.5	27.6	23.8	19.8	18.8	18.0	16.6	16.0
RoCE	20.4	20.4	19.0	17.4	14.4	14.1	14.5	14.0	14.0
RoIC	20.9	22.8	22.5	20.4	16.9	17.1	17.7	18.0	19.3
Working Capital Ratios									
Fixed Asset Turnover (x)	2.3	3.4	2.8	2.3	2.0	2.0	2.0	1.9	1.9
Inventory (Days)	198	227	238	275	277	280	285	276	267
Debtor (Days)	91	107	98	82	68	61	71	77	79
Creditor (Days)	113	134	140	138	109	96	99	98	96
Working Cap. (Days)	177	200	196	219	235	246	256	256	251
Leverage Ratio (x)									
Current Ratio	2.4	2.5	2.6	2.7	2.9	2.6	3.2	3.6	3.9
Interest Coverage Ratio	26	30	45	42	21	24	46	59	79
Net Debt/Equity	0.7	0.5	0.3	0.3	0.3	0.2	0.1	-0.1	-0.2

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
OP/(Loss) before Tax	22,310	27,443	30,608	32,412	30,914	37,430	46,863	49,592	54,655
Depreciation	3,326	3,924	4,276	5,580	6,680	9,667	10,241	11,207	12,236
Interest/Dividend received	808	689	384	509	1,370	1,207	-1,621	-1,677	-1,528
Direct Taxes Paid	-5,966	-7,326	-7,737	-6,986	-7,698	-7,298	-13,267	-13,638	-14,484
(Inc.)/Dec. in WC	-2,515	-10,794	5,341	-10,358	-14,845	2,769	-17,083	-3,103	-13,806
CF from Operations	17,963	13,936	32,872	21,157	16,420	43,775	25,132	42,380	37,073
Others	-5,595	3,660	-86	-1,612	90	38	-312	0	0
CF from Operating incl. EO	12,368	17,595	32,786	19,545	16,510	43,813	24,820	42,380	37,073
(Inc.)/Dec. in FA	-14,389	-14,475	-16,942	-15,299	-15,591	-14,311	-11,000	-12,000	-12,500
Free Cash Flow	-2,020	3,121	15,844	4,246	919	29,502	13,820	30,380	24,573
(Pur.)/Sale of Investments	-305	23	-929	-3,967	-13,435	-1,366	0	0	0
CF from Investments	-14,085	-13,801	-17,870	-19,266	-29,026	-15,677	-11,000	-12,000	-12,500
Inc./(Dec.) in Debt	2,298	6,033	-17,279	2,858	26,242	-13,130	-5,422	-7,320	-8,296
Interest Paid	-843	-835	-568	-742	-1,515	-1,266	-979	-813	-672
Dividend Paid	-1,563	-1,616	-1,372	-2,641	-1,599	-1,884	-1,465	-2,051	-2,344
Others	1,121	-3,391	1,537	7,745	-3,358	-2,773	2,128	2,573	2,319
CF from Fin. Activity	1,013	191	-17,683	7,220	19,771	-19,053	-5,738	-7,610	-8,993
Inc./Dec. of Cash	-705	3,986	-2,767	7,499	7,254	9,083	8,082	22,771	15,580
Opening Balance	1,480	4,691	7,904	5,135	12,616	19,572	28,422	36,504	59,273
Others incl. impact of FX	3,915	-773	-2	-18	-299	-233			
Closing Balance	4,691	7,904	5,135	12,616	19,572	28,422	36,504	59,273	74,853

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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