

## Sun Pharma

### Strong performance

Sun Pharma reported record Q1FY22 earnings well ahead of our estimates adjusting for exceptional charges. Global Specialty has continuously outperformed amid pandemic and delivered significant growth despite the generic entry in Absorica. Management expects to sustain strong double digit growth for Ilumya and Cequa in FY22E. Taro business recovered and was stable sequentially and Ex-Taro, US segment reported strong growth driven by Specialty portfolio. India business reported strong traction even excluding covid-drugs basket. This revenue traction has driven strong support to EBITDA margins at 29% reflect higher R&D spend and varied expenses amid pandemic. We look forward to incremental growth in the specialty basket which would drive higher margins. We increased the TP marginally to Rs 880 at 26x FY23E.

#### US specialty continues to grow with Ilumya

US sales at US\$380, grew 35% YoY/ flat sequentially mainly driven by specialty sales along with recovery in Taro and other generic business. Global specialty sales stood at US\$148mn 83%YoY/7%QoQ driven by Ilumya, Cequa Absorica LD and Levulan. Management guided Ilumya grew both YoY and sequentially. AG Absorica saw a good traction during the quarter. Also, key brands like Ilumya and Cequa to sustain healthy double digit growth in FY22. Patients flow to clinic is yet to normalize. Pricing scenario in US is largely products specific. R&D spend increased 40% YoY on a weak base and grew 6% QoQ at 6.1% of sales. Specialty R&D spend contributed 26% of R&D spend. Gross margins impacted with product mix meanwhile stable costs drove the EBITDA margin to 29% highest in recent times.

#### India posted the strongest growth ahead of IPM

Indian markets recorded strong growth of 39%YoY / 24%QoQ adjusting of covid-drugs basket around 8-10% of sales, it has achieved base of Rs30-31bn highest ever. India growth is driven by strong growth in Chronic, Sun-chronic and recovery in acute segment. The quarter saw 8-10% revenue contribution from COVID drugs. Launched 13 new products during Q1. Management expects growth momentum to improve with pandemic recovery.

#### Valuation and risks

The management focus is on gaining revenue traction, cost controls/optimizations and business continuity and more focused on specialty basket. Management expects growth in FY22 across all its segments. R&D may normalize to 7-8% as the clinical trials pick-up. Company maintains its leadership position in domestic market and support from ROW markets is healthy. US market has been steady and improving base riding on specialty. We anticipate the specialty basket focus strategy to start paying dividends from FY22E onwards which would add significant delta to earnings going ahead as most of the cost are already in the base. We have increased FY23E earnings by 4%. We value SUNP at 25xFY23E EPS with target price of Rs880 Maintain Buy. At CMP of Rs774, SPIL trades at 27.3x FY22E EPS of Rs 28.3 and 22.9x FY23E EPS of Rs 33.8

#### Financial and valuation summary

| YE Mar (Rs mn)    | 1QFY22A | 1QFY21A | YoY (%) | 4QFY21A | QoQ (%) | FY21A    | FY22E    | FY23E    |
|-------------------|---------|---------|---------|---------|---------|----------|----------|----------|
| Revenues          | 96,694  | 74,672  | 29.5    | 84,314  | 14.7    | 3,34,981 | 3,68,119 | 4,08,844 |
| EBITDA            | 28,211  | 18,436  | 53.0    | 20,484  | 37.7    | 84,914   | 97,817   | 1,14,718 |
| EBITDA margin (%) | 29.0    | 24.3    | 19.4    | 24.0    | 20.8    | 25.3     | 26.6     | 28.1     |
| Adj. Net profit   | 19,950  | 4,294   | 364.7   | 13,423  | 48.6    | 72,100   | 68,064   | 81,319   |
| Adj. EPS (Rs)     | 8.3     | 1.8     | 364.7   | 5.6     | 48.6    | 30.0     | 28.3     | 33.8     |
| EPS growth (%)    |         |         |         |         |         | 82.9     | (5.6)    | 19.5     |
| PE (x)            |         |         |         |         |         | 25.8     | 27.3     | 22.9     |
| EV/EBITDA (x)     |         |         |         |         |         | 21.5     | 19.2     | 15.7     |
| PBV (x)           |         |         |         |         |         | 4.0      | 3.8      | 3.3      |
| RoE (%)           |         |         |         |         |         | 15.7     | 14.2     | 15.3     |
| RoCE (%)          |         |         |         |         |         | 12.3     | 13.3     | 14.5     |

Source: Company, Centrum Broking

Please see Disclaimer for analyst certifications and all other important disclosures.

#### Result Update

#### India I Pharmaceuticals

30 July, 2021

**BUY**

Price: Rs774

Target Price: Rs880

Forecast return: 14%

#### Market Data

|                       |            |
|-----------------------|------------|
| Bloomberg:            | SUNP IN    |
| 52 week H/L:          | 784/452    |
| Market cap:           | Rs1856.9bn |
| Shares Outstanding:   | 2399.3mn   |
| Free float:           | 38.4%      |
| Avg. daily vol. 3mth: | 58,28,780  |

Source: Bloomberg

#### Changes in the report

|               |                           |
|---------------|---------------------------|
| Rating:       | Unchanged at BUY          |
| Target price: | Changed to Rs 880         |
| EPS:          | +0.7% FY22E; +0.5% FY23E. |

Source: Centrum Broking

#### Shareholding pattern

|              | Jun-21 | Mar-21 | Dec-20 | Sep-20 |
|--------------|--------|--------|--------|--------|
| Promoter     | 54.5   | 54.5   | 54.5   | 54.7   |
| FII          | 11.5   | 11.7   | 12.2   | 12.4   |
| DII          | 21.9   | 21.6   | 20.8   | 20.2   |
| Public/other | 12.1   | 12.3   | 12.5   | 12.7   |

Source: BSE

#### Centrum estimates vs Actual results

| YE Mar (Rs mn) | Centrum Q1FY22 | Actual Q1FY22 | Variance (%) |
|----------------|----------------|---------------|--------------|
| Revenue        | 88,241         | 96,694        | 9.6%         |
| EBITDA         | 23,501         | 28,211        | 20.0%        |
| EBITDA         | 26.63%         | 29.18%        | 254bps       |
| Tax            | 3,008          | 3,956         | 31.5%        |
| Adj. PAT       | 15,995         | 19,950        | 23.9%        |

Source: Bloomberg, Centrum Broking



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## Thesis Snapshot

### Estimate revision

| YE Mar (Rs mn)    | FY22E<br>New | FY22E<br>Old | % chg | FY23E<br>New | FY23E<br>Old | % chg |
|-------------------|--------------|--------------|-------|--------------|--------------|-------|
| Sales             | 3,68,119     | 3,66,758     | 0.4   | 4,08,844     | 4,07,321     | 0.4   |
| EBITDA            | 97,817       | 97,275       | 0.6   | 1,14,718     | 1,14,246     | 0.4   |
| EBITDA margin (%) | 25.3         | 25.3         |       | 28.1         | 28.0         |       |
| Net profit        | 68,064       | 67,615       | 0.7   | 81,319       | 80,928       | 0.5   |
| Diluted EPS (Rs)  | 28.3         | 28.1         | 0.7   | 33.8         | 33.6         | 0.5   |

Source: Centrum Broking

### Sun Pharma versus NIFTY 50

|          | 1m   | 6m   | 1 year |
|----------|------|------|--------|
| SUNP IN  | 14.6 | 32.0 | 51.8   |
| NIFTY 50 | 0.3  | 7.6  | 42.3   |

Source: Bloomberg, NSE

### Key assumptions

| Y/E Mar           | FY22E | FY23E |
|-------------------|-------|-------|
| Revenue growth %  | 9.9   | 11.1  |
| Material cost (%) | 25.9  | 25.6  |

Source: Centrum Broking

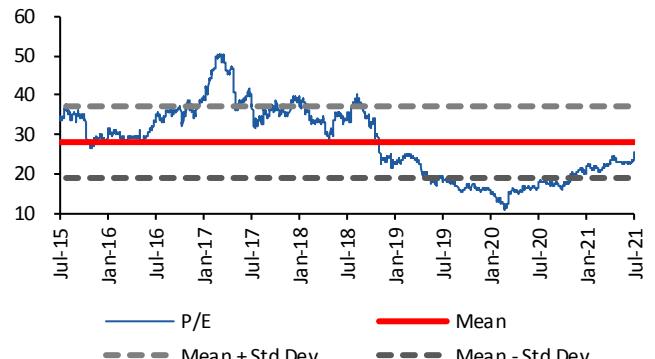
### Valuations

We remain optimistic on the name and maintain buy rating on the stock. We have increased FY23E earnings by 0.5%. We value SUNP at 26xFY23E EPS with target price of Rs880 Maintain Buy At CMP of Rs774, SPIL trades at 27.3x FY22E EPS of Rs 28.3 and 22.9x FY23E EPS of Rs 33.8

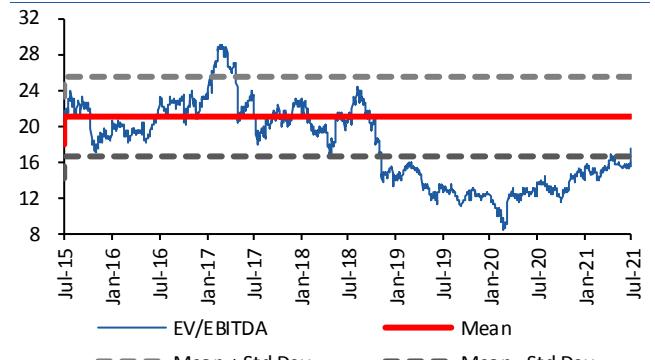
### Valuations

|           |         |
|-----------|---------|
| EPS FY23E | Rs 33.8 |
| PER FY23E | 22.9x   |

### P/E mean and standard deviation



### EV/EBITDA mean and standard deviation



Source: Bloomberg, Centrum Broking

### Peer comparison

| Company           | Mkt Cap<br>Rs mn | CAGR FY21-FY23E (%) |             |             | PE (x) |       |       | EV/EBITDA (x) |       |       | RoE (%) |       |       |
|-------------------|------------------|---------------------|-------------|-------------|--------|-------|-------|---------------|-------|-------|---------|-------|-------|
|                   |                  | Sales               | EBIDTA      | PAT         | FY21   | FY22E | FY23E | FY21          | FY22E | FY23E | FY21    | FY22E | FY23E |
| <b>Sun Pharma</b> | <b>1,857,039</b> | <b>10.5</b>         | <b>16.2</b> | <b>17.1</b> | 25.8   | 25.8  | 25.8  | 21.5          | 21.5  | 21.5  | 15.7    | 15.7  | 15.7  |
| Lupin             | 502,606          | 13.1                | 28.8        | 39.7        | 41.3   | 29.7  | 21.5  | 22.1          | 17.1  | 12.5  | 9.2     | 12.5  | 16.5  |
| Cipla             | 743,253          | 11.5                | 18.9        | 29.6        | 30.9   | 28.6  | 23.1  | 17.0          | 15.4  | 12.5  | 14.1    | 13.3  | 14.5  |
| Dr. Reddy's Labs  | 783,967          | 11.8                | 23.6        | 12.6        | 32.7   | 24.8  | 21.9  | 17.4          | 13.9  | 11.7  | 14.8    | 17.0  | 16.6  |

Source: Company, Centrum Broking

**Exhibit 1: Key Con-call Metrics**

| Metric    | Q4 FY2021  | Q1FY21   |
|-----------|--|--|
| Guidance  | No revenue guidance for FY22<br>R&D expenses for FY22 are expected to be ~9% of sales  | No revenue guidance for FY22<br>R&D expenses for FY22 are expected to be ~7-8% of sales  |
| USA       | Sales in the US were US\$ 370 million declined 1.3% from Q4 last year, accounting for about 32% of total consolidated sales. For FY21 sales were US\$ 1,360 million recording a de-growth of 8.5% over same period last year. Sales for FY20 included a one-time contribution from the special business in US and hence the numbers are not strictly comparable. | Sales in the US were US\$ 380 million grew 35%YoY, accounting for about 29% of total consolidated sales. Taro reported a revenue of USD 147mn up 25% YoY and APAT of USD41mn                           |
| India     | Sales in India business was up by 12.9% YoY to Rs 22.71bn and accounted for 31.7% of sales. It is the market leader and hold approx. 8.2% market share in IPM. Launched 31 new products in the Indian market.  | Sales in India business was up by 39% YoY to Rs 33.1bn and accounted for 34% of sales. It is the market leader and hold approx. 8% market share in IPM. Launched 13 new products in the Indian market. |
| Ilumya    | The global sales of Ilumya for FY21 are USD 143mn registering a growth of 51%.   | Ilumya's performance which has grown both YoY and sequentially   |
| R&D       | R&D expense at 6.6% of sales at Rs 5.6bn   | R&D expense at 6.1% of sales at Rs 5.9bn   |
| One-Off's | The exceptional items include USD80mn provision by TARO regarding lawsuit, Rs.896mn relating to Ranbaxy case settlement and reversal of tax of Rs.1.3bn and Dusa settlement of \$21mn  | The exceptional items include USD60mn provision by TARO regarding lawsuit.   |

Source: Company, Centrum Research

## Con-call Highlights

### Overall Highlights

- India sales grew 39% YoY and 24% QoQ at Rs 33.1bn during the quarter.
- US formulations grew 31% YoY and 4% sequentially to Rs28bn
- RoW sales (17% of total consolidated sales) grew 33% YoY and 15% QoQ to Rs13.6bn
- Emerging market (19% of total consolidated sales) sales grew 22% YoY and 15% QoQ to 15%.
- Material cost for the quarter was 27.4% of sales vs 26.4% YoY and 26.6% QoQ due to product mix, higher US speciality sale and cost optimization.
- Staff cost was 18.2% of sales lower by 536bps YoY and 170bps QoQ.
- Other expenditure was 25.7% of sales lower 120bps YoY and 457bps QoQ.
- The other expenses from Indian business perspective have been slower amid second wave meanwhile management indicated that across geographies if business returns to the normalcy the expenses should inch higher.
- EBITDA for the quarter was at Rs 28.5bn and margins stood at 29% expanding 448bps supported by strong growth in the top-line and consistent cost efficiencies achieved across geographies.
- ETR was 22.2 and APAT stood at Rs. 19.8bn
- Management expects the key brands like Ilumya and Cequa to sustain healthy double digit growth in FY22.
- Pricing environment in the US is currently at normal levels nothing abnormal observed on overall basis.
- Debt reduced during the quarter by \$ 185mn as compared to Q4FY21.

### Speciality business

- Speciality business sales stood at \$ 148mn for the quarter and the R&D for the same was 26% of the total R&D spend.
- The R&D basket under speciality consist of - Ilumya which under-going Phase 3 trial for Psoriatic Arthritis, SCD 440 under-going Phase 2 trial for Atopic Dermatitis and Plaque Psoriasis
- Management expects another exciting addition to the derma speciality with the launch of Winlevi for acne treatment and is confident on growing the product given better improvement over existing therapies.

### India Business

- Sales of branded formulations were up 38.5% YoY (41% of total sales) at Rs 33.08bn.
- Sun Pharma is the market leader and holds approximately 8.0% market share in Rs 1.59tn IPM.
- This quarter the company launched 13 new products
- The India sales saw contribution of 8-10% from Covid-drugs, excluding this the base business continued its performance let by strong growth in Chronic basket along with recovery in the acute space.

### US Formulations (including Taro)

- US dosage sales during the quarter grew 35% YoY and 3% sequentially to \$ 380mn
- Speciality business sales for Q1 stood at \$148mn.
- The US sales saw growth across portfolios meanwhile the highest growth was driven by Speciality basket and supported by gAbsorica.

## Taro Performance

- Taro sales for the quarter grew 25% YoY to \$ 147mn.
- The APAT for the quarter was \$ 41mn growing 42% YoY
- During the quarter a provision of USD60 million was made reflecting the additional legal provision related to ongoing multi-jurisdiction civil antitrust matters.

## Active Pharmaceutical Ingredients (API):

- External sales of API for the quarter de-grew 7% YoY (+18% QoQ) at Rs 5.15bn
- API business imparts benefits of vertical integration and continuity of supply chain for our formulations business.
- The company continues to increase the API supply for captive consumption for key products.

## Research

- R&D investments for the quarter were at Rs 5.9bn (6.1% of sales) vs. Rs 5.6bn (6.4% of sales) in Q4FY21.
- The company has approved ANDAs for 505 products while 86 ANDAs await USFDA approvals, including 21 tentative approvals.
- The pipeline includes 53 approved NDAs while 13 NDAs awaits USFDA approval.

### Exhibit 2: Quarterly financials

| YE March (Rs mn)                 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21   | Q2FY21 | Q3FY21 | Q4FY21 | Q1FY22 |
|----------------------------------|--------|--------|--------|--------|----------|--------|--------|--------|--------|
| Revenues                         | 82,593 | 79,491 | 80,387 | 80,780 | 74,672   | 84,588 | 96,694 | 84,314 | 96,694 |
| Material cost                    | 24,578 | 22,678 | 22,000 | 23,048 | 19,696   | 21,463 | 26,494 | 22,408 | 26,494 |
| Material cost %                  | 29.8   | 28.5   | 27.4   | 28.5   | 26.4     | 25.4   | 27.4   | 26.6   | 27.4   |
| Personnel expenses               | 15,404 | 16,209 | 15,491 | 16,519 | 17,590   | 17,053 | 17,587 | 16,775 | 17,587 |
| Personnel expenses %             | 18.7   | 20.4   | 19.3   | 20.4   | 23.6     | 20.2   | 18.2   | 19.9   | 18.2   |
| Other Expenses                   | 23,806 | 24,533 | 25,643 | 28,652 | 20,131   | 25,082 | 24,895 | 25,563 | 24,895 |
| Other %                          | 28.8   | 30.9   | 31.9   | 35.5   | 27.0     | 29.7   | 25.7   | 30.3   | 25.7   |
| Total Expenses                   | 63,788 | 63,421 | 63,135 | 68,219 | 57,417   | 63,599 | 68,977 | 64,745 | 68,977 |
| EBIDTA                           | 19,956 | 17,811 | 18,414 | 13,630 | 18,436   | 21,933 | 28,211 | 20,484 | 28,211 |
| EBIDTA Margins %                 | 24.2   | 22.4   | 22.9   | 16.9   | 24.7     | 25.9   | 29.2   | 24.3   | 29.2   |
| Other income                     | 3,281  | 3,750  | 2,361  | 2,091  | 2,719    | 3,501  | 2,018  | 2,026  | 2,018  |
| Interest                         | 1,041  | 839    | 630    | 518    | 520      | 333    | 351    | 301    | 351    |
| Depreciation                     | 4,571  | 4,733  | 5,470  | 5,754  | 4,959    | 4,986  | 5,032  | 5,534  | 5,032  |
| Profit before tax                | 16,474 | 14,248 | 13,513 | 8,381  | 14,495   | 19,172 | 24,353 | 15,759 | 24,353 |
| EO items                         | -      | -      | -      | 2,606  | 36,333   | -      | 6,311  | 5,516  | 6,311  |
| Tax                              | 1,461  | 2,660  | 3,276  | 831    | 2,459    | (312)  | 3,956  | 1,763  | 3,956  |
| PAT before minority              | 15,014 | 11,588 | 10,237 | 4,944  | (24,298) | 19,484 | 14,087 | 8,481  | 14,087 |
| Share of profit of ass./minority | 1,139  | 949    | 1,015  | 945    | (7,742)  | 1,356  | (447)  | (573)  | (447)  |
| PAT after minority               | 13,875 | 10,639 | 9,135  | 3,998  | (16,556) | 18,128 | 14,442 | 8,942  | 14,442 |

Source: Company, Centrum Broking

### Exhibit 3: Sales breakup

| PARTICULARS (Rs mn) | Q1FY22   | Q1FY21 | YoY%   | Q4FY21   | QoQ%    | FY21     | FY22E    | FY23E    |
|---------------------|----------|--------|--------|----------|---------|----------|----------|----------|
| India Formulations  | 33,084   | 23,884 | 38.5   | 26,708.8 | 23.9    | 1,03,432 | 1,16,671 | 1,29,505 |
| US Formulations     | 28,000   | 21,364 | 31.1   | 26,945.8 | 3.9     | 1,00,839 | 1,14,404 | 1,28,454 |
| Emerging markets    | 16,053   | 13,161 | 22.0   | 14,015.2 | 14.5    | 57,834   | 65,801   | 73,697   |
| ROW Formulations    | 13,680   | 10,300 | 32.8   | 11,913   | 14.8    | 48,191   | 48,060   | 53,828   |
| Total Formulations  | 90,817   | 68,709 | 32.2   | 79,582.8 | 14.1    | 3,10,296 | 3,44,937 | 3,85,484 |
| Bulk                | 5,149    | 5,537  | -7.0   | 4,356.8  | 18.2    | 19,504   | 21,454   | 23,599   |
| Others              | (15,579) | 6,140  | -353.7 | 648.1    | -2503.8 | 1,593    | 1,728    | 1,875    |
| Total sales         | 80,387   | 80,387 | 0.0    | 84,587.7 | -5.0    | 3,31,392 | 3,68,119 | 4,10,959 |

Source: Company, Centrum Broking

**Exhibit 4: Taro Pharma**

| US\$ mn   | Jun'19 | Sept'19 | Dec'19 | Mar'20 | Jun'20 | Sep'20 | Dec'20 | Mar'21 | June'21 |
|---|--------|---------|--------|--------|--------|--------|--------|--------|---------|
| Sales   | 161    | 161     | 148    | 175    | 118    | 143    | 140    | 148    | 147     |
| Cost of sales                                       | 60     | 59      | 53     | 73     | 53     | 61     | 67     | 71     | 69      |
| Gross profit  | 102    | 102     | 94     | 102    | 65     | 82     | 73     | 77     | 78      |
| GPM (%)   | 63.1   | 63.4    | 63.8   | 58.5   | 55.2   | 57.1   | 52.2   | 51.9   | 52.8    |
| Selling and Admin exp                               | 20     | 24      | 21     | 29     | 22     | 24     | 23     | 22     | 24      |
| R&D   | 13     | 16      | 15     | 16     | 13     | 17     | 14     | 17     | 13      |
| Impairment  | 0      | 0       | 0      | 0      | 479    | 0      | 0      | 80     | 60      |
| EBITDA  | 69     | 63      | 59     | 57     | -449   | 41     | 36     | -42    | -19     |
| EBITDA margin (%)                                   | 42.5   | 39.1    | 39.6   | 32.7   | -381.8 | 28.7   | 25.9   | -28.2  | -13.1   |
| Financial charges                                   | -10    | -9      | -9     | -7     | -7     | -6     | -4     | -3     | -3      |
| Forex (Gain) / loss                                 | -8     | 0       | -3     | -4     | 0      | -1     | 2      | -1     | 0       |
| Other income  | 1      | 1       | 1      | 1      | 1      | 1      | 1      | 0      | 0       |
| PBT   | 87     | 73      | 71     | 68     | -441   | 49     | 39     | -38    | -16     |
| Tax   | 20     | 16      | 3      | 14     | 9      | 4      | 6      | -9     | 3       |
| PAT/Net Inc.from continuing operations              | 66     | 57      | 68     | 54     | -450   | 45     | 33     | -29    | -19     |
| Net (Loss) from discontinued operations             | 0      | 0       | 0      | 0      | 0      | 0      | 0      | 0      | 0       |
| Net (Loss) attributable to non-controlling interest | 0      | 0       | 0      | 0      | -15    | 0      | 0      | 1      | 0       |
| PAT / Net Income for Taro                           | 66     | 57      | 68     | 54     | -435   | 45     | 33     | -30    | -19     |

Source: Company, Centrum Broking

| P&L                            |                 |                 |                 |                 |                 |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| YE Mar (Rs mn)                 | FY19A           | FY20A           | FY21A           | FY22E           | FY23E           |
| <b>Revenues</b>                | <b>2,90,659</b> | <b>3,28,375</b> | <b>3,34,981</b> | <b>3,68,119</b> | <b>4,08,844</b> |
| Operating Expense              | 1,10,327        | 1,34,993        | 86,901          | 1,34,147        | 1,48,549        |
| Employee cost                  | 59,671          | 63,624          | 68,622          | 73,624          | 79,316          |
| Others                         | 58,439          | 60,805          | 94,545          | 62,532          | 66,261          |
| <b>EBITDA</b>                  | <b>62,221</b>   | <b>68,954</b>   | <b>84,914</b>   | <b>97,817</b>   | <b>1,14,718</b> |
| Depreciation & Amortisation    | 17,533          | 20,526          | 20,800          | 21,813          | 23,069          |
| <b>EBIT</b>                    | <b>44,689</b>   | <b>48,427</b>   | <b>64,114</b>   | <b>76,004</b>   | <b>91,649</b>   |
| Interest expenses              | 5,553           | 3,027           | 1,414           | 836             | 763             |
| Other income                   | 10,255          | 6,359           | 8,355           | 11,130          | 11,798          |
| <b>PBT</b>                     | <b>49,391</b>   | <b>51,759</b>   | <b>71,055</b>   | <b>86,298</b>   | <b>1,02,683</b> |
| Taxes                          | 6,009           | 8,043           | 5,147           | 14,671          | 17,456          |
| Effective tax rate (%)         | 12.2            | 15.5            | 7.2             | 17.0            | 17.0            |
| <b>PAT</b>                     | <b>43,383</b>   | <b>43,716</b>   | <b>65,908</b>   | <b>71,627</b>   | <b>85,227</b>   |
| Minority/Associates            | (5,439)         | (4,285)         | 6,191           | (3,563)         | (3,908)         |
| <b>Recurring PAT</b>           | <b>37,944</b>   | <b>39,431</b>   | <b>72,100</b>   | <b>68,064</b>   | <b>81,319</b>   |
| Extraordinary items            | (12,144)        | (2,606)         | (43,061)        | 0               | 0               |
| <b>Reported PAT</b>            | <b>25,800</b>   | <b>36,825</b>   | <b>29,038</b>   | <b>68,064</b>   | <b>81,319</b>   |
| Ratios                         |                 |                 |                 |                 |                 |
| YE Mar                         | FY19A           | FY20A           | FY21A           | FY22E           | FY23E           |
| <b>Growth (%)</b>              |                 |                 |                 |                 |                 |
| Revenue                        | 9.7             | 13.0            | 2.0             | 9.9             | 11.1            |
| EBITDA                         | 10.9            | 10.8            | 23.1            | 15.2            | 17.3            |
| Adj. EPS                       | 24.6            | 3.9             | 82.9            | (5.6)           | 19.5            |
| <b>Margins (%)</b>             |                 |                 |                 |                 |                 |
| Gross                          | 72.9            | 71.9            | 74.1            | 74.1            | 74.4            |
| EBITDA                         | 21.4            | 21.0            | 25.3            | 26.6            | 28.1            |
| EBIT                           | 15.4            | 14.7            | 19.1            | 20.6            | 22.4            |
| Adjusted PAT                   | 13.1            | 12.0            | 21.5            | 18.5            | 19.9            |
| <b>Returns (%)</b>             |                 |                 |                 |                 |                 |
| ROE                            | 9.5             | 9.1             | 15.7            | 14.2            | 15.3            |
| ROCE                           | 9.1             | 8.3             | 12.3            | 13.3            | 14.5            |
| ROIC                           | 8.6             | 8.2             | 12.0            | 11.4            | 13.7            |
| <b>Turnover (days)</b>         |                 |                 |                 |                 |                 |
| Gross block turnover ratio (x) | 1.6             | 1.8             | 1.9             | 1.5             | 1.6             |
| Debtors                        | 105             | 102             | 101             | 90              | 86              |
| Inventory                      | 342             | 312             | 354             | 327             | 302             |
| Creditors                      | 207             | 163             | 169             | 135             | 131             |
| Net working capital            | 278             | 239             | 182             | 113             | 166             |
| <b>Solvency (x)</b>            |                 |                 |                 |                 |                 |
| Net debt-equity                | 0.1             | 0.0             | (0.1)           | 0.0             | (0.1)           |
| Interest coverage ratio        | 11.2            | 22.8            | 60.0            | 117.0           | 150.3           |
| Net debt/EBITDA                | 0.4             | 0.2             | (0.4)           | 0.1             | (0.5)           |
| <b>Per share (Rs)</b>          |                 |                 |                 |                 |                 |
| Adjusted EPS                   | 15.8            | 16.4            | 30.0            | 28.3            | 33.8            |
| BVPS                           | 172.1           | 188.1           | 193.1           | 205.8           | 234.8           |
| CEPS                           | 23.1            | 24.9            | 38.6            | 37.4            | 43.4            |
| DPS                            | 2.7             | 4.0             | 2.0             | 4.0             | 4.0             |
| Dividend payout (%)            | 25.6            | 26.1            | 16.5            | 14.1            | 11.8            |
| <b>Valuation (x)</b>           |                 |                 |                 |                 |                 |
| P/E                            | 49.0            | 47.2            | 25.8            | 27.3            | 22.9            |
| P/BV                           | 4.5             | 4.1             | 4.0             | 3.8             | 3.3             |
| EV/EBITDA                      | 30.3            | 27.1            | 21.5            | 19.2            | 15.7            |
| Dividend yield (%)             | 0.4             | 0.5             | 0.3             | 0.5             | 0.5             |

Source: Company, Centrum Broking

| Balance sheet                   |                 |                 |                 |                   |                 |
|---------------------------------|-----------------|-----------------|-----------------|-------------------|-----------------|
| YE Mar (Rs mn)                  | FY19A           | FY20A           | FY21A           | FY22E             | FY23E           |
| Equity share capital            | 2,399           | 2,399           | 2,399           | 2,399             | 2,399           |
| Reserves & surplus              | 4,11,691        | 4,50,246        | 4,62,229        | 4,92,715          | 5,62,469        |
| Shareholders fund               | 4,14,091        | 4,52,645        | 4,64,628        | 4,95,114          | 5,64,868        |
| Minority Interest               | 33,135          | 38,602          | 30,171          | 31,076            | 32,008          |
| Total debt                      | 98,934          | 75,783          | 33,430          | 30,536            | 27,909          |
| Non Current Liabilities         | 10,047          | 13,343          | 10,986          | 14,500            | 15,574          |
| Def tax liab. (net)             | 1,043           | 581             | 445             | 423               | 402             |
| <b>Total liabilities</b>        | <b>5,57,250</b> | <b>5,80,954</b> | <b>5,39,660</b> | <b>5,71,649</b>   | <b>6,40,762</b> |
| Gross block                     | 1,76,340        | 1,84,181        | 1,73,453        | 2,51,323          | 2,54,831        |
| Less: acc. Depreciation         | (17,533)        | (20,526)        | (20,800)        | (21,813)          | (23,069)        |
| Net block                       | 1,58,808        | 1,63,655        | 1,52,653        | 2,29,510          | 2,31,762        |
| Capital WIP                     | 9,108           | 6,589           | 9,365           | 20,000            | 20,000          |
| Net fixed assets                | 1,72,919        | 1,75,858        | 1,68,322        | 2,59,510          | 2,61,762        |
| Non Current Assets              | 65,599          | 72,072          | 69,209          | 69,965            | 70,693          |
| Investments                     | 39,518          | 52,458          | 64,824          | 58,472            | 52,748          |
| Inventories                     | 78,860          | 78,750          | 89,970          | 81,032            | 92,477          |
| Sundry debtors                  | 88,842          | 94,212          | 90,614          | 90,769            | 1,01,332        |
| Cash & Cash Equivalents         | 72,756          | 64,876          | 64,455          | 17,237            | 85,180          |
| Loans & advances                | 7,578           | 10,777          | 9,319           | 8,068             | 9,007           |
| Other current assets            | 62,656          | 67,927          | 50,062          | 49,750            | 49,497          |
| Trade payables                  | 41,479          | 40,937          | 39,737          | 30,912            | 44,588          |
| Other current liab.             | 17,617          | 18,911          | 49,653          | 52,136            | 54,743          |
| Provisions                      | 30,592          | 41,722          | 47,617          | 49,998            | 52,498          |
| Net current assets              | 2,21,004        | 2,14,971        | 1,67,413        | 1,13,810          | 1,85,665        |
| <b>Total assets</b>             | <b>5,57,250</b> | <b>5,80,954</b> | <b>5,39,660</b> | <b>5,71,649</b>   | <b>6,40,762</b> |
| Cashflow                        |                 |                 |                 |                   |                 |
| YE Mar (Rs mn)                  | FY19A           | FY20A           | FY21A           | FY22E             | FY23E           |
| Profit Before Tax               | 37,248          | 49,153          | 27,994          | 86,298            | 1,02,683        |
| Depreciation & Amortisation     | 17,533          | 20,526          | 20,800          | 21,813            | 23,069          |
| Net Interest                    | 5,553           | 3,027           | 1,414           | 836               | 763             |
| Net Change – WC                 | (14,502)        | 6,235           | 34,156          | 8,792             | (3,411)         |
| Direct taxes                    | (15,287)        | (15,890)        | (9,580)         | (14,693)          | (17,477)        |
| <b>Net cash from operations</b> | <b>30,544</b>   | <b>63,052</b>   | <b>74,783</b>   | <b>1,03,046</b>   | <b>1,05,627</b> |
| Capital expenditure             | (33,341)        | (23,465)        | (13,263)        | (1,13,002)        | (25,321)        |
| Acquisitions, net               | 0               | 0               | 0               | 0                 | 0               |
| Investments                     | (7,597)         | (22,406)        | 5,307           | 5,726             | 5,085           |
| Others                          | 577             | (1,117)         | 834             | (537)             | (590)           |
| <b>Net cash from investing</b>  | <b>(40,361)</b> | <b>(46,988)</b> | <b>(7,123)</b>  | <b>(1,07,812)</b> | <b>(20,827)</b> |
| FCF                             | (9,817)         | 16,063          | 67,660          | (4,767)           | 84,800          |
| Issue of share capital          | 4               | (59)            | 0               | 0                 | 0               |
| Increase/(decrease) in debt     | 1,416           | (23,151)        | (42,353)        | (2,894)           | (2,627)         |
| Dividend paid                   | (14,318)        | (9,597)         | (4,799)         | (9,597)           | (9,597)         |
| Interest paid                   | (5,553)         | (3,027)         | (1,414)         | (836)             | (763)           |
| Others                          | 1,729           | 11,890          | (19,515)        | (29,125)          | (3,869)         |
| <b>Net cash from financing</b>  | <b>(16,721)</b> | <b>(23,944)</b> | <b>(68,081)</b> | <b>(42,452)</b>   | <b>(16,857)</b> |
| Net change in Cash              | (26,538)        | (7,880)         | (421)           | (47,218)          | 67,944          |

Source: Company, Centrum Broking

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