

# Ipca Laboratories

Estimate change



TP change



Rating change



|                       |             |
|-----------------------|-------------|
| Bloomberg             | IPCA IN     |
| Equity Shares (m)     | 254         |
| M.Cap.(INRb)/(USDb)   | 316.9 / 3.8 |
| 52-Week Range (INR)   | 1375 / 683  |
| 1, 6, 12 Rel. Per (%) | -6/-1/61    |
| 12M Avg Val (INR M)   | 566         |

## Financials & Valuations (INR b)

| Y/E March           | FY24  | FY25E | FY26E |
|---------------------|-------|-------|-------|
| Sales               | 77.1  | 87.5  | 100.7 |
| EBITDA              | 13.1  | 15.8  | 18.6  |
| Adjusted PAT        | 5.3   | 7.9   | 10.2  |
| EBIT Margin (%)     | 12.3  | 13.6  | 14.6  |
| Cons. Adj EPS (INR) | 20.8  | 31.3  | 40.2  |
| EPS Gr. (%)         | 0.0   | 50.4  | 28.7  |
| BV/Sh. (INR)        | 249.6 | 276.2 | 310.4 |

## Ratios

|            |      |      |      |
|------------|------|------|------|
| Net D-E    | 0.2  | 0.3  | 0.2  |
| RoE (%)    | 8.7  | 11.9 | 13.7 |
| RoCE (%)   | 9.2  | 10.7 | 11.6 |
| Payout (%) | 36.9 | 23.5 | 19.0 |

## Valuation

|                |      |      |      |
|----------------|------|------|------|
| P/E (x)        | 59.9 | 39.9 | 31.0 |
| EV/EBITDA (x)  | 24.3 | 20.1 | 17.1 |
| Div. Yield (%) | 0.6  | 0.6  | 0.6  |
| FCF Yield (%)  | -7.6 | 1.5  | 2.6  |
| EV/Sales (x)   | 4.1  | 3.6  | 3.2  |

## Shareholding pattern (%)

| As On    | Mar-24 | Dec-23 | Mar-23 |
|----------|--------|--------|--------|
| Promoter | 46.3   | 46.3   | 46.3   |
| DII      | 34.4   | 34.5   | 34.1   |
| FII      | 10.5   | 10.3   | 10.6   |
| Others   | 8.8    | 8.9    | 9.1    |

FII Includes depository receipts

**CMP: INR1,249**

**TP: INR1,140 (-9%)**

**Neutral**

## DF/generic exports lead to superior operating performance

### Work in progress in integrating Unichem

- Ipca Laboratories (IPCA) delivered better-than-expected operating performance in 4QFY24, led by improved domestic formulation (DF) sales and stable pricing in the API segment. Adjusted earnings were lower than our estimate, largely due to higher minority interest.
- We cut our earnings estimates by 12%/14% for FY25/FY26, factoring in: 1) a gradual uptick from the re-launches of ANDAs in the US market, 2) a challenging outlook in the branded generic exports segment, and c) moderation in the growth outlook in acute therapies within the DF segment. We value IPCA at 26x 12M forward earnings to arrive at our TP of INR1,140.
- IPCA continues to progress well on improving the profitability of Unichem and enhancing synergy with it. Management is also working on scaling up the US generics business from its own facility. Further, it remains on track to outperform the industry in the DF segment. Accordingly, we model a 39% earnings CAGR over FY24-26, partly due to the low base of FY24. The current valuation adequately factors in the upside in earnings. **Reiterate Neutral.**

### Product-mix drives margins YoY

- IPCA's 4QFY24 sales grew 34.5% YoY to INR20.3b (in line). Formulation sales grew 11.8% YoY to INR11.6b (57% of sales). DF sales rose 13.5% YoY to INR6.9b (59% of formulation sales). Export sales increased 9.5% YoY to INR4.7b (41% of formulation sales). Exports of generic formulations grew 15% YoY to INR2.3b (49% of export sales). Exports of branded formulations rose 3.5% YoY to INR1.6b (34% of export sales). Exports of institutional sales grew 7.5% YoY to INR814m (17% of export sales). API sales declined 3.6% YoY to INR3.3b (16% of sales). Domestic API sales declined 19% YoY to INR766m (23% of API sales). Export API sales grew 2.2% YoY to INR2.6b (77% of API sales). Revenue from subsidiaries surged 4.8x YoY to INR5.2b (26% of sales). The revenue growth was largely due to Unichem.
- Gross margin (GM) expanded 540bp YoY to 66.3% due to superior product mix/lower RM costs.
- However, EBITDA margin expanded at a lower rate of 390bp YoY to 15.8% (our est: 13.6%), due to higher employee expenses/other expenses (+130bp/30bp YoY as % of sales).
- EBITDA grew 78% YoY to INR3.2b (our est: INR2.7b).
- There was a one-off charge of INR1.4b on account of a provision for a European commission fine and an impairment of exposure in Associate.
- Adjusting for this charge and FX gain of INR173m, Adj. PAT for the company grew 32.7% YoY to INR930m (our estimate: INR1.3b).
- **For FY24**, revenue/EBITDA grew 23%/33% YoY to INR77b/INR13b, while PAT was flat YoY at INR5.3b. EBITDA margin expanded 130bp YoY to 17%.

### Highlights from the management commentary

- IPCA guided consol. revenue/EBITDA at INR90b/INR16b for FY25.

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**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](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

## Quarterly Performance

(INR m)

| Y/E March                         | FY23          |               |               |               | FY24          |               |               |               | FY23          | FY24          | Est.          | % Chg        |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|
|                                   | 1Q            | 2Q            | 3Q            | 4Q            | 1Q            | 2Q            | 3Q            | 4Q            |               |               | 4QE           |              |
| <b>Net Revenues (Core)</b>        | <b>15,857</b> | <b>16,010</b> | <b>15,460</b> | <b>15,116</b> | <b>15,876</b> | <b>20,340</b> | <b>20,529</b> | <b>20,330</b> | <b>62,569</b> | <b>77,074</b> | <b>19,976</b> | <b>1.8</b>   |
| YoY Change (%)                    | 1.3           | 3.7           | 8.1           | 17.3          | 0.1           | 27.0          | 32.8          | 34.5          | 7.3           | 23.2          | 32.2          |              |
| <b>EBITDA</b>                     | <b>2,835</b>  | <b>2,722</b>  | <b>2,319</b>  | <b>1,810</b>  | <b>2,941</b>  | <b>3,606</b>  | <b>3,310</b>  | <b>3,219</b>  | <b>9,812</b>  | <b>13,076</b> | <b>2,725</b>  | <b>18.1</b>  |
| YoY Change (%)                    | -31.9         | -29.3         | -24.7         | -25.0         | 3.8           | 32.4          | 42.7          | 77.9          | -27.4         | 33.3          | 50.6          |              |
| Margins (%)                       | 17.9          | 17.0          | 15.0          | 12.0          | 18.5          | 17.7          | 16.1          | 15.8          | 15.7          | 17.0          | 13.6          |              |
| Depreciation                      | 617           | 637           | 666           | 695           | 693           | 903           | 995           | 981           | 2,616         | 3,572         | 997           |              |
| <b>EBIT</b>                       | <b>2,218</b>  | <b>2,085</b>  | <b>1,654</b>  | <b>1,115</b>  | <b>2,249</b>  | <b>2,702</b>  | <b>2,315</b>  | <b>2,238</b>  | <b>7,197</b>  | <b>9,503</b>  | <b>1,728</b>  | <b>29.5</b>  |
| YoY Change (%)                    | -38.5         | -36.5         | -33.6         | -38.2         | 1.4           | 29.6          | 40.0          | 100.7         | -35.7         | 32.0          | 55.0          |              |
| Margins (%)                       | 14.0          | 13.0          | 10.7          | 7.4           | 14.2          | 13.3          | 11.3          | 11.0          | 11.5          | 12.3          | 8.7           |              |
| Interest                          | 69            | 93            | 108           | 185           | 314           | 441           | 334           | 294           | 455           | 1,383         | 336           |              |
| Other Income                      | 221           | 362           | 309           | 259           | 449           | 386           | 225           | 16            | 1,151         | 1,075         | 232           |              |
| <b>PBT before EO Expense</b>      | <b>2,369</b>  | <b>2,354</b>  | <b>1,854</b>  | <b>1,189</b>  | <b>2,383</b>  | <b>2,647</b>  | <b>2,205</b>  | <b>1,960</b>  | <b>7,892</b>  | <b>9,195</b>  | <b>1,624</b>  |              |
| One-off (gain)/ Expense           | 142           | 116           | 161           | -105          | -135          | 393           | -684          | 1,194         | 314           | 769           | 0             |              |
| <b>PBT after EO Expense</b>       | <b>2,227</b>  | <b>2,238</b>  | <b>1,693</b>  | <b>1,294</b>  | <b>2,518</b>  | <b>2,254</b>  | <b>2,889</b>  | <b>766</b>    | <b>7,579</b>  | <b>8,426</b>  | <b>1,624</b>  |              |
| Tax                               | 743           | 770           | 537           | 482           | 856           | 879           | 662           | 737           | 2,532         | 3,135         | 349           |              |
| Rate (%)                          | 33.3          | 34.4          | 31.7          | 37.2          | 34.0          | 39.0          | 22.9          | 96.2          | 32.1          | 34.1          | 21.5          |              |
| <b>Reported PAT</b>               | <b>1,484</b>  | <b>1,468</b>  | <b>1,156</b>  | <b>812</b>    | <b>1,662</b>  | <b>1,374</b>  | <b>2,227</b>  | <b>29</b>     | <b>5,044</b>  | <b>5,292</b>  | <b>1,276</b>  | <b>-97.7</b> |
| Minority Interest                 | -54           | -29           | -78           | -46           | -34           | 76            | -428          | -598          | -206          | -984          | -75           |              |
| <b>Adj PAT after Minority Int</b> | <b>1,525</b>  | <b>1,861</b>  | <b>1,188</b>  | <b>701</b>    | <b>1,539</b>  | <b>1,690</b>  | <b>1,115</b>  | <b>930</b>    | <b>5,275</b>  | <b>5,274</b>  | <b>1,276</b>  | <b>-27.1</b> |
| YoY Change (%)                    | -50.3         | -31.0         | -37.2         | -52.8         | 0.9           | -9.2          | -6.1          | 32.7          | -42.8         | 0.0           | 82.1          |              |
| Margins (%)                       | 9.6           | 11.6          | 7.7           | 4.6           | 9.7           | 8.3           | 5.4           | 4.6           | 8.4           | 6.8           | 6.4           |              |

E: MOFSL Estimates. Quarter - Standalone; Full year - Consolidated

## Key performance Indicators

| Y/E March               | FY23  |       |       |       | FY23  |       |       |       | FY23   | FY24   | Est.  |
|-------------------------|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|-------|
| INRm                    | 1Q    | 2Q    | 3Q    | 4Q    | 1Q    | 2Q    | 3Q    | 4Q    |        |        | 4QE   |
| Domestic formulations   | 6,848 | 7,657 | 7,023 | 6,079 | 7,827 | 8,450 | 7,796 | 6,898 | 27,607 | 30,972 | 6,571 |
| YoY Change (%)          | 11.7  | 9.7   | 8.8   | 10.2  | 14.3  | 10.4  | 11.0  | 13.5  | 10.1   | 12.2   | 8.1   |
| Exports formulations    | 4,018 | 4,044 | 4,004 | 4,326 | 3,979 | 4,707 | 4,331 | 4,737 | 16,392 | 17,753 | 4,481 |
| YoY Change (%)          | -9.1  | 15.2  | 15.2  | 24.9  | -1.0  | 16.4  | 8.2   | 9.5   | 10.3   | 8.3    | 3.6   |
| API sales               | 3,751 | 3,072 | 3,222 | 3,470 | 2,951 | 3,349 | 2,850 | 3,343 | 13,773 | 12,493 | 3,126 |
| YoY Change (%)          | -9.5  | -14.6 | 4.2   | 34.6  | -21.3 | 9.0   | -11.6 | -3.6  | 2.7    | -9.3   | -9.9  |
| <b>Cost Break-up</b>    |       |       |       |       |       |       |       |       |        |        |       |
| RM Cost (% of Sales)    | 36.5  | 35.9  | 36.3  | 39.1  | 32.5  | 33.3  | 34.0  | 33.7  | 36.9   | 33.4   | 34.8  |
| Staff Cost (% of Sales) | 20.4  | 19.9  | 20.6  | 21.7  | 22.5  | 20.9  | 22.4  | 22.9  | 20.6   | 22.2   | 23.1  |
| Other Cost (% of Sales) | 25.3  | 27.2  | 28.1  | 27.3  | 26.5  | 28.0  | 27.6  | 27.5  | 26.9   | 27.5   | 28.5  |
| Gross Margins(%)        | 63.5  | 64.1  | 63.7  | 60.9  | 67.5  | 66.7  | 66.0  | 66.3  | 63.1   | 66.6   | 65.2  |
| EBITDA Margins(%)       | 17.9  | 17.0  | 15.0  | 12.0  | 18.5  | 17.7  | 16.1  | 15.8  | 15.7   | 17.0   | 13.6  |
| EBIT Margins(%)         | 14.0  | 13.0  | 10.7  | 7.4   | 14.2  | 13.3  | 11.3  | 11.0  | 11.5   | 12.3   | 8.7   |

E: MOFSL Estimates



## Highlights from the management commentary

- DF and export generics segment sales are expected to grow 12% YoY each, while API segment sales are anticipated to grow 7-8% YoY for FY25.
- The branded generics exports segment is facing some challenges, partly due to currency headwinds.
- Unichem is expected to deliver INR2.3b EBITDA in FY25 vs. INR1b in FY24
- IPCA indicated to re-launch 6-7 ANDAs in FY25
- Extreme weather condition is affecting acute therapies' outlook. In 4QFY24, the acute therapy grew 3% YoY at the industry level.
- As per IQVIA, IPCA delivered 15% YoY growth in the DF segment vs. IPM growth of 6% in 4QFY24.

- The Silvassa site has started manufacturing for the US market. About 2-3 products are in the commercialization stage on this site. The Pithampur site has at about 30% utilization.
- KREBS, a subsidiary of IPCA, has been making losses due to under-utilization of fermenters. IPCA is exploring opportunities to scale-up production/add newer products to reduce losses
- R&D expenses would be INR2.5b for FY25.

## **Growth in DF/generic exports to be partly offset by challenges in branded exports segment**

### **Superior execution/additional MR force to drive the DF segment**

- In FY24, the DF segment grew 12% YoY to INR31b, led majorly by Derma, Pain, Cardiac and anti-Neoplast therapies. IPCA outperformed the IPM by 560bp YoY in 9MFY24, as per IMS data.
- Additionally, IPCA continues to implement efforts toward increasing its field-force productivity.
- Accordingly, we expect 12% sales CAGR in the DF segment to INR38.8b over FY24-26, led by increased traction in key therapies and MR productivity.

### **API segment to be driven by capacity expansion**

- In FY24, API sales declined 9.3% YoY to INR12.5b due to a considerable reduction in prices.
- The prices are now stabilized for major APIs supplied by IPCA.
- It is also adding capacity to not only have captive consumption, but also external sales.
- We expect an 8.8% sales CAGR in this segment to INR14.8b over FY24-26.

### **Portfolio expansion/synergies with Unichem to drive growth**

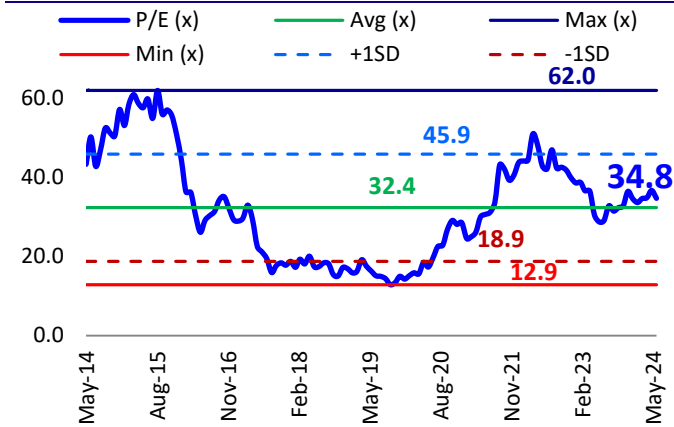
- In FY24, export sales grew 8% YoY at INR17.8b, led by robust performance across generic formulations. However, it was offset by subdued performance by institutional business.
- Particularly, in the US, IPCA has enhanced efforts to build a robust product pipeline and it will gradually start filing in the US. Further, IPCA is commercializing the already-approved ANDA in the US market.
- It is also working on multiple aspects to improve business prospects as well as build synergy with the Unichem acquisition.
- Accordingly, we expect overall export formulations to clock 29% sales CAGR to reach INR29.7b over FY24-26.

## **Valuation and view**

- We cut our earnings estimates by 12%/14% for FY25/FY26, factoring in: 1) a gradual uptick from the re-launches of ANDAs in the US market, 2) a challenging outlook in the branded generic exports segment, and c) moderation in the growth outlook in acute therapies within the DF segment. We value IPCA at 26x 12M forward earnings to arrive at our TP of INR1,140.
- IPCA continues to progress well on improving the profitability of Unichem and enhancing synergy with it. Management is also working on scaling up the US generics business from its own facility. Further, it remains on track to

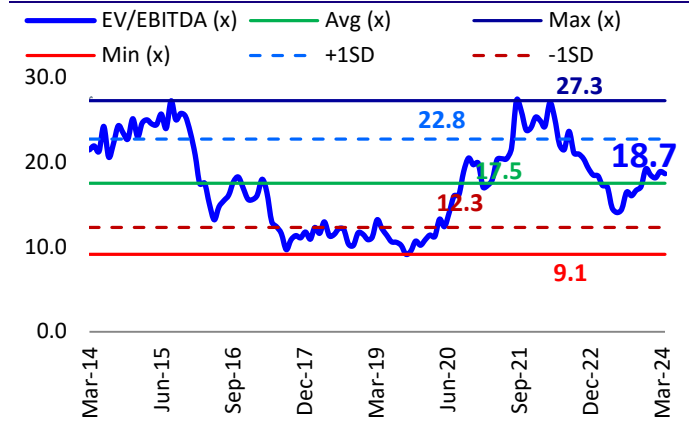
outperform the industry in the DF segment. Accordingly, we model a 39% earnings CAGR over FY24-26, partly due to the low base of FY24. The current valuation adequately factors in the upside in earnings. **Reiterate Neutral.**

Exhibit 1: P/E chart



Source: MOFSL, Company, and Bloomberg

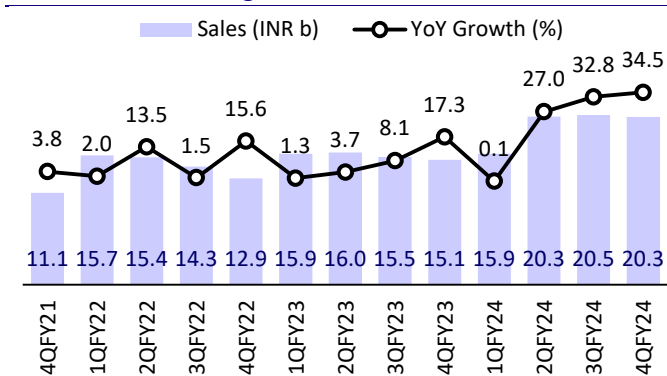
Exhibit 2: EV/EBITDA chart



Source: MOFSL, Company, and Bloomberg

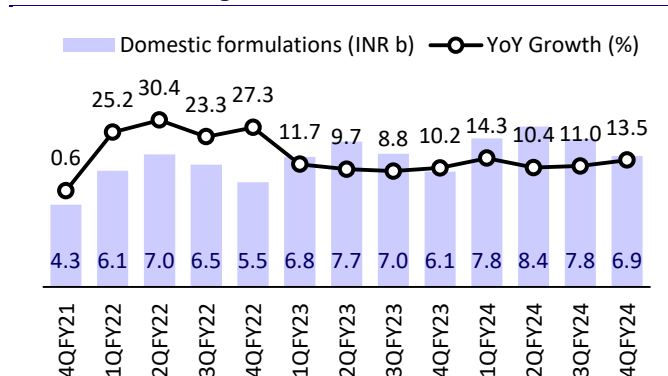
## Story in charts

Exhibit 3: Total sales grew 34.5% YoY in 4QFY24



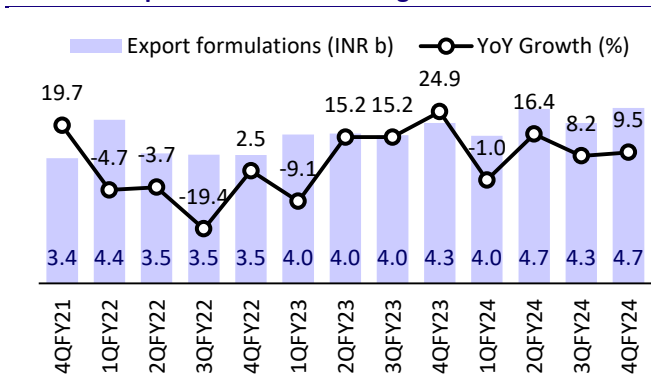
Source: Company, MOFSL

Exhibit 4: DF sales grew 13.5% YoY in 4QFY24



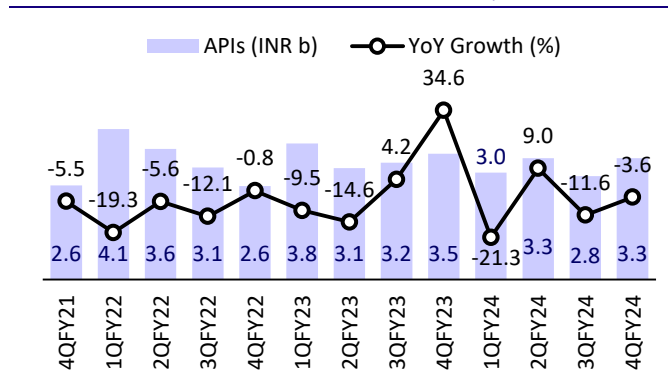
Source: Company, MOFSL

Exhibit 5: Export formulation sales grew 9.5% YoY

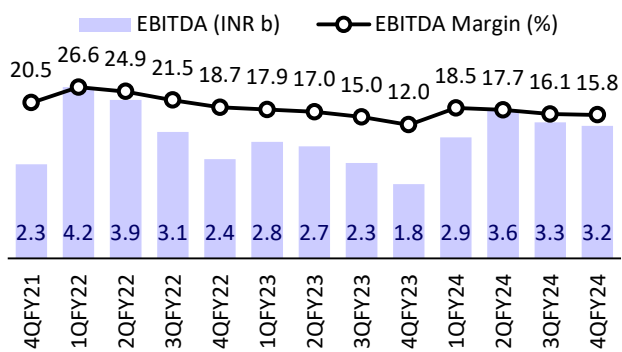


Source: Company, MOFSL

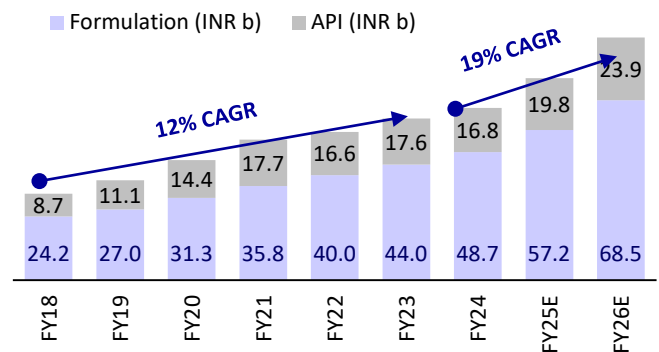
Exhibit 6: API sales declined 3.6% YoY in 4QFY24



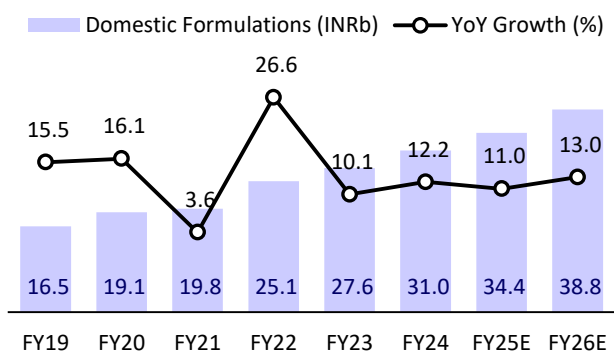
Source: Company, MOFSL

**Exhibit 7: EBITDA margin expanded 390bp YoY in 4QFY24**

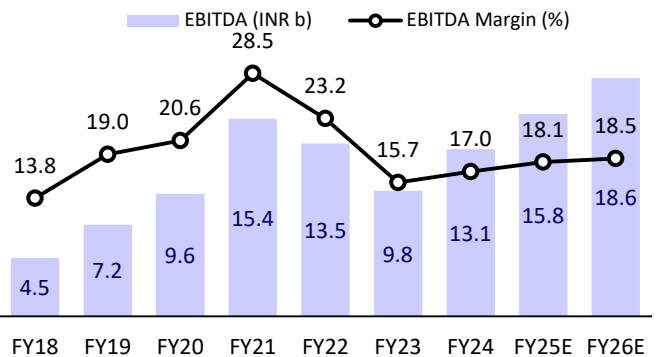
Source: Company, MOFSL

**Exhibit 8: Expect 19% sales CAGR over FY24-26**

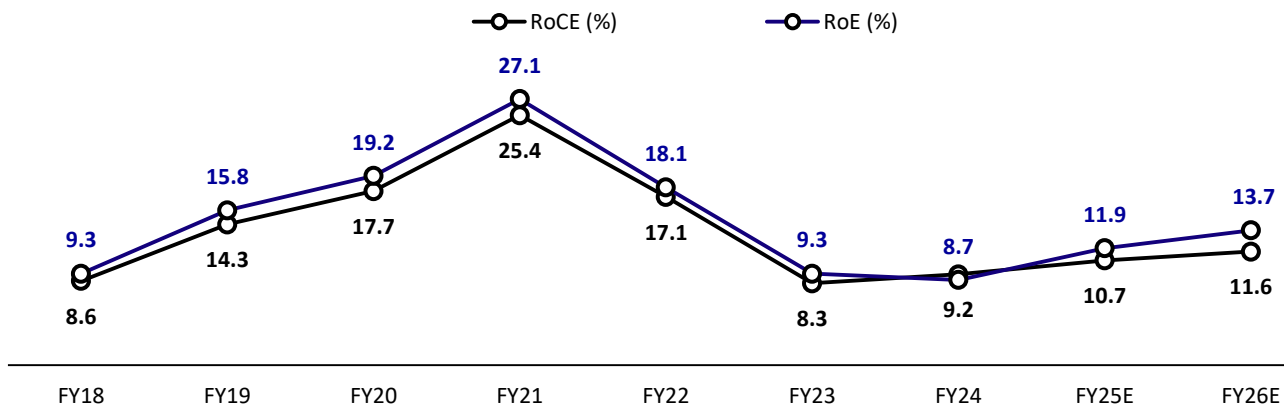
Source: Company, MOFSL

**Exhibit 9: Expect 12% DF sales CAGR over FY24-26**

Source: Company, MOFSL

**Exhibit 10: Expect margin to expand over FY24-26**

Source: Company, MOFSL

**Exhibit 11: Expect return ratios to improve over FY24-26**

Source: Company, MOFSL

## Financials and valuations

| Income Statement             |               |               |               |               |               |               | (INRm)        |                 |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| Y/E March                    | FY19          | FY20          | FY21          | FY22          | FY23          | FY24          | FY25E         | FY26E           |
| <b>Net Revenues</b>          | <b>37,732</b> | <b>46,487</b> | <b>54,200</b> | <b>58,298</b> | <b>62,569</b> | <b>77,074</b> | <b>87,475</b> | <b>1,00,678</b> |
| Change (%)                   | 14.9          | 23.2          | 16.6          | 7.6           | 7.3           | 23.2          | 13.5          | 15.1            |
| <b>EBITDA</b>                | <b>7,170</b>  | <b>9,580</b>  | <b>15,444</b> | <b>13,509</b> | <b>9,812</b>  | <b>13,076</b> | <b>15,833</b> | <b>18,625</b>   |
| Margin (%)                   | 19.0          | 20.6          | 28.5          | 23.2          | 15.7          | 17.0          | 18.1          | 18.5            |
| Depreciation                 | 1,824         | 2,105         | 2,092         | 2,324         | 2,616         | 3,572         | 3,902         | 3,926           |
| <b>EBIT</b>                  | <b>5,346</b>  | <b>7,475</b>  | <b>13,352</b> | <b>11,184</b> | <b>7,197</b>  | <b>9,503</b>  | <b>11,931</b> | <b>14,700</b>   |
| Int. and Finance Charges     | 189           | 165           | 90            | 77            | 455           | 1,383         | 969           | 950             |
| Other Income - Rec.          | 483           | 578           | 457           | 666           | 1,151         | 1,075         | 900           | 950             |
| <b>PBT before EO Expense</b> | <b>5,640</b>  | <b>7,888</b>  | <b>13,719</b> | <b>11,773</b> | <b>7,892</b>  | <b>9,195</b>  | <b>11,862</b> | <b>14,699</b>   |
| EO Expense/(Income)          | 157           | 445           | -171          | 416           | 314           | 769           | 0             | 0               |
| <b>PBT after EO Expense</b>  | <b>5,483</b>  | <b>7,442</b>  | <b>13,890</b> | <b>11,357</b> | <b>7,579</b>  | <b>8,426</b>  | <b>11,862</b> | <b>14,699</b>   |
| Current Tax                  | 1,218         | 1,406         | 2,487         | 2,070         | 2,302         | 3,102         | 3,143         | 3,748           |
| Deferred Tax                 | -176          | -53           | -85           | 178           | 230           | 33            | 237           | 294             |
| Tax                          | 1,042         | 1,353         | 2,401         | 2,248         | 2,532         | 3,135         | 3,381         | 4,042           |
| Tax Rate (%)                 | 18.5          | 17.2          | 17.5          | 19.1          | 32.1          | 34.1          | 28.5          | 27.5            |
| <b>Reported PAT</b>          | <b>4,441</b>  | <b>6,090</b>  | <b>11,488</b> | <b>9,110</b>  | <b>5,047</b>  | <b>5,291</b>  | <b>8,480</b>  | <b>10,656</b>   |
| Less: Minority Interest      | 18            | 78            | 91            | 269           | -206          | 984           | 550           | 450             |
| <b>Net Profit</b>            | <b>4,423</b>  | <b>6,012</b>  | <b>11,398</b> | <b>8,841</b>  | <b>5,253</b>  | <b>4,307</b>  | <b>7,930</b>  | <b>10,206</b>   |
| <b>Adj PAT</b>               | <b>4,580</b>  | <b>6,485</b>  | <b>11,255</b> | <b>9,218</b>  | <b>5,275</b>  | <b>5,274</b>  | <b>7,930</b>  | <b>10,206</b>   |
| Adj PAT growth (%)           | 91.3          | 41.6          | 73.6          | -18.1         | -42.8         | 0.0           | 50.4          | 28.7            |

| Balance Sheet                      |               |               |               |               |               |               | (INRm)        |                 |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| Y/E March                          | FY19          | FY20          | FY21          | FY22          | FY23          | FY24          | FY25E         | FY26E           |
| Equity Share Capital               | 252           | 252           | 254           | 254           | 254           | 254           | 254           | 254             |
| Total Reserves                     | 30,971        | 35,903        | 46,763        | 54,666        | 58,167        | 63,068        | 69,810        | 78,486          |
| <b>Net Worth</b>                   | <b>31,224</b> | <b>36,275</b> | <b>47,017</b> | <b>54,920</b> | <b>58,420</b> | <b>63,322</b> | <b>70,063</b> | <b>78,739</b>   |
| Deferred liabilities               | 1457          | 1398          | 1316          | 1506          | 1856          | 3062          | 3300          | 3594            |
| Total Loans                        | 3,505         | 4,328         | 1,988         | 8,027         | 14,746        | 14,274        | 24,474        | 23,047          |
| <b>Capital Employed</b>            | <b>36,342</b> | <b>42,137</b> | <b>50,466</b> | <b>65,222</b> | <b>75,755</b> | <b>94,607</b> | <b>97,837</b> | <b>1,05,380</b> |
| Gross Block                        | 26,657        | 30,268        | 31,872        | 37,647        | 43,601        | 65,195        | 66,695        | 68,195          |
| Less: Accum. Deprn.                | 6,951         | 9,056         | 11,148        | 13,472        | 16,088        | 19,660        | 23,562        | 27,488          |
| <b>Net Fixed Assets</b>            | <b>19,706</b> | <b>21,212</b> | <b>20,724</b> | <b>24,175</b> | <b>27,514</b> | <b>45,535</b> | <b>43,133</b> | <b>40,707</b>   |
| Capital WIP                        | 361           | 708           | 2,348         | 3,064         | 1,404         | 3,429         | 3,429         | 3,429           |
| Investments                        | 1,204         | 2,719         | 4,711         | 9,892         | 6,260         | 8,620         | 8,620         | 8,620           |
| <b>Curr. Assets</b>                | <b>24,217</b> | <b>27,939</b> | <b>32,881</b> | <b>39,237</b> | <b>51,051</b> | <b>53,386</b> | <b>57,754</b> | <b>70,001</b>   |
| Inventory                          | 10,725        | 13,231        | 15,948        | 18,580        | 17,434        | 24,713        | 27,081        | 30,617          |
| Account Receivables                | 6,815         | 8,952         | 8,118         | 9,108         | 9,890         | 16,865        | 19,412        | 22,618          |
| Cash and Bank Balance              | 2,823         | 1,809         | 3,651         | 6,407         | 18,532        | 2,968         | 1,228         | 5,219           |
| Loans & Advances                   | 3,854         | 3,947         | 5,164         | 5,143         | 5,194         | 8,840         | 10,032        | 11,547          |
| <b>Curr. Liability &amp; Prov.</b> | <b>9,147</b>  | <b>10,441</b> | <b>10,198</b> | <b>11,147</b> | <b>10,473</b> | <b>16,364</b> | <b>15,098</b> | <b>17,377</b>   |
| Account Payables                   | 8,190         | 9,182         | 8,781         | 9,704         | 8,923         | 13,050        | 13,421        | 15,447          |
| Provisions                         | 957           | 1,259         | 1,417         | 1,443         | 1,550         | 3,314         | 1,678         | 1,931           |
| <b>Net Current Assets</b>          | <b>15,070</b> | <b>17,498</b> | <b>22,682</b> | <b>28,091</b> | <b>40,577</b> | <b>37,022</b> | <b>42,655</b> | <b>52,624</b>   |
| <b>Appl. of Funds</b>              | <b>36,342</b> | <b>42,137</b> | <b>50,466</b> | <b>65,222</b> | <b>75,755</b> | <b>94,607</b> | <b>97,837</b> | <b>1,05,380</b> |

E: MOFSL Estimates



## Financials and valuations

### Ratios

| Y/E March                       | FY19        | FY20        | FY21        | FY22        | FY23        | FY24        | FY25E       | FY26E       |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>EPS (INR)</b>                | <b>18.1</b> | <b>25.6</b> | <b>44.4</b> | <b>36.3</b> | <b>20.8</b> | <b>20.8</b> | <b>31.3</b> | <b>40.2</b> |
| Cash EPS                        | 24.8        | 32.2        | 53.2        | 44.0        | 31.0        | 31.1        | 46.6        | 55.7        |
| BV/Share                        | 123.7       | 143.2       | 185.3       | 216.5       | 230.3       | 249.6       | 276.2       | 310.4       |
| DPS                             | 0.5         | 3.6         | 6.8         | 6.6         | 7.7         | 7.8         | 7.9         | 8.1         |
| Payout (%)                      | 2.8         | 14.8        | 14.9        | 18.3        | 38.3        | 36.9        | 23.5        | 19.0        |
| <b>Valuation (x)</b>            |             |             |             |             |             |             |             |             |
| P/E                             | 69.0        | 48.7        | 28.1        | 34.3        | 59.9        | 59.9        | 39.9        | 31.0        |
| P/BV                            | 10.1        | 8.7         | 6.7         | 5.8         | 5.4         | 5.0         | 4.5         | 4.0         |
| EV/Sales                        | 8.4         | 6.8         | 5.9         | 5.5         | 5.1         | 4.1         | 3.6         | 3.2         |
| EV/EBITDA                       | 44.3        | 33.2        | 20.6        | 23.5        | 32.4        | 24.3        | 20.1        | 17.1        |
| Dividend Yield (%)              | 0.0         | 0.3         | 0.5         | 0.5         | 0.6         | 0.6         | 0.6         | 0.6         |
| <b>Return Ratios (%)</b>        |             |             |             |             |             |             |             |             |
| RoE                             | 15.8        | 19.2        | 27.1        | 18.1        | 9.3         | 8.7         | 11.9        | 13.7        |
| RoCE                            | 14.3        | 17.7        | 25.4        | 17.1        | 8.3         | 9.2         | 10.7        | 11.6        |
| RoIC                            | 14.0        | 18.0        | 28.7        | 21.1        | 10.2        | 9.7         | 10.4        | 12.3        |
| <b>Working Capital Ratios</b>   |             |             |             |             |             |             |             |             |
| Fixed Asset Turnover (x)        | 1.9         | 2.3         | 2.6         | 2.6         | 2.4         | 2.1         | 2.0         | 2.4         |
| Debtor (Days)                   | 65          | 70          | 54          | 56          | 58          | 80          | 81          | 82          |
| Inventory (Days)                | 104         | 104         | 107         | 116         | 102         | 117         | 113         | 111         |
| Working Capital Turnover (Days) | 118         | 123         | 128         | 136         | 129         | 161         | 173         | 172         |
| <b>Leverage Ratio (x)</b>       |             |             |             |             |             |             |             |             |
| Interest Cover Ratio            | 28.3        | 45.3        | 147.7       | 145.4       | 15.8        | 6.9         | 12.3        | 15.5        |
| Debt/Equity                     | 0.0         | 0.1         | 0.0         | 0.0         | -0.1        | 0.2         | 0.3         | 0.2         |

### Cash Flow Statement

| Y/E March                                | FY19          | FY20          | FY21          | FY22           | FY23          | FY24           | FY25E         | FY26E         |
|--|---------------|---------------|---------------|----------------|---------------|----------------|---------------|---------------|
| Oper. Profit/(Loss) before Tax           | 7,170         | 9,580         | 15,444        | 13,509         | 9,812         | 13,076         | 15,833        | 18,625        |
| Interest/Dividends Recd.                 | 483           | 578           | 457           | 666            | 1,151         | 1,075          | 900           | 950           |
| Direct Taxes Paid                        | -1,165        | -1,412        | -2,484        | -2,058         | -2,181        | -1,928         | -3,143        | -3,748        |
| (Inc)/Dec in WC                          | -1,686        | -3,442        | -3,343        | -2,652         | -361          | -12,009        | -7,373        | -5,977        |
| <b>CF from Operations</b>                | <b>4,803</b>  | <b>5,304</b>  | <b>10,075</b> | <b>9,464</b>   | <b>8,421</b>  | <b>213</b>     | <b>6,216</b>  | <b>9,850</b>  |
| Others                                   | 365           | 784           |               |                |               |                |               |               |
| EO Expense / (Income)                    | 157           | 445           | -171          | 416            | 314           | 769            | 0             | 0             |
| <b>CF from Oper. incl EO Exp.</b>        | <b>5,010</b>  | <b>5,643</b>  | <b>10,246</b> | <b>9,048</b>   | <b>8,107</b>  | <b>-556</b>    | <b>6,216</b>  | <b>9,850</b>  |
| (inc)/dec in FA                          | -1,632        | -3,958        | -3,244        | -6,491         | -4,294        | -23,618        | -1,500        | -1,500        |
| <b>Free Cash Flow</b>                    | <b>3,379</b>  | <b>1,685</b>  | <b>7,002</b>  | <b>2,557</b>   | <b>3,813</b>  | <b>-24,174</b> | <b>4,716</b>  | <b>8,350</b>  |
| (Pur)/Sale of Investments                | -336          | -1,515        | -1,992        | -5,181         | 3,632         | -2,360         | 0             | 0             |
| Others                                   | 317           | 376           | 0             | 0              | 0             | 0              | 0             | 0             |
| <b>CF from Investments</b>               | <b>-1,651</b> | <b>-5,097</b> | <b>-5,236</b> | <b>-11,672</b> | <b>-662</b>   | <b>-25,979</b> | <b>-1,500</b> | <b>-1,500</b> |
| Issue of shares                          | 0             | 0             | 1             | 0              | 0             | 0              | 0             | 0             |
| (Inc)/Dec in Debt                        | -1,070        | 804           | -2,331        | 6,663          | 6,683         | 12,743         | -3,748        | -1,427        |
| Interest Paid                            | -189          | -165          | -90           | -77            | -455          | -1,383         | -969          | -950          |
| Dividend Paid                            | -126          | -902          | -1,710        | -1,670         | -1,933        | -1,950         | -1,989        | -2,029        |
| <b>CF from Fin. Activity</b>             | <b>-1,832</b> | <b>-1,305</b> | <b>-3,169</b> | <b>5,222</b>   | <b>4,681</b>  | <b>10,705</b>  | <b>-5,816</b> | <b>-3,338</b> |
| <b>Inc/Dec of Cash</b>                   | <b>1,528</b>  | <b>-758</b>   | <b>1,841</b>  | <b>2,598</b>   | <b>12,126</b> | <b>-15,830</b> | <b>-1,100</b> | <b>5,012</b>  |
| Add: Beginning Balance                   | 2,181         | 3,709         | 2,954         | 4,795          | 7,393         | 19,519         | 3,689         | 2,590         |
| Forex/ Business acquisition              | 0             | 3             | 0             | 0              | 0             | 0              | 0             | 0             |
| <b>Closing Balance</b>                   | <b>3,709</b>  | <b>2,954</b>  | <b>4,795</b>  | <b>7,393</b>   | <b>19,519</b> | <b>3,689</b>   | <b>2,590</b>  | <b>7,601</b>  |
| Bank balances / Mutual fund (gain)/ loss | -886          | -1,145        | -1,145        | -986           | -986          | -721           | -741          | 2,382         |
| <b>Closing Balance</b>                   | <b>2,823</b>  | <b>1,809</b>  | <b>3,650</b>  | <b>6,407</b>   | <b>18,533</b> | <b>2,968</b>   | <b>1,849</b>  | <b>5,219</b>  |

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|----------------------------------|--|
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| SELL                             | < - 10%  |
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