

Dr Reddy's Labs

Estimate change



TP change



Rating change


CMP: INR6,879
TP: INR7,100 (+3%)
Neutral

Strong US business offset by muted Russia/CIS

Efforts underway to scale-up JVs/integrated acquisition

| Bloomberg | DRRD IN |
|-----------------------|---------------|
| Equity Shares (m) | 167 |
| M.Cap.(INRb)/(USD\$b) | 1147.5 / 13.7 |
| 52-Week Range (INR) | 6966 / 5206 |
| 1, 6, 12 Rel. Per (%) | 9/1/0 |
| 12M Avg Val (INR M) | 2770 |

Financials & Valuations (INR b)

| Y/E MARCH | FY24 | FY25E | FY26E |
|-------------------|-------|-------|-------|
| Sales | 279.2 | 324.4 | 377.4 |
| EBITDA | 78.4 | 89.5 | 103.8 |
| Adj. PAT | 52.8 | 58.9 | 64.8 |
| EBITDA Margin (%) | 28.1 | 27.6 | 27.5 |
| Adj. EPS (INR) | 317.1 | 353.8 | 389.0 |
| EPS Gr. (%) | 29.6 | 11.6 | 9.9 |
| BV/Sh. (INR) | 1,684 | 2,013 | 2,376 |

Ratios

| | | | |
|------------|------|------|------|
| Net D:E | -0.3 | -0.5 | -0.6 |
| RoE (%) | 20.7 | 19.1 | 17.7 |
| RoCE (%) | 18.4 | 18.0 | 17.3 |
| Payout (%) | 7.5 | 7.1 | 6.4 |

Valuations

| | | | |
|----------------|------|------|------|
| P/E (x) | 21.9 | 19.7 | 17.9 |
| EV/EBITDA (x) | 13.9 | 11.7 | 9.8 |
| Div. Yield (%) | 0.3 | 0.3 | 0.3 |
| FCF Yield (%) | 1.4 | 4.1 | 4.8 |
| EV/Sales (x) | 3.9 | 3.2 | 2.7 |

Shareholding pattern (%)

| As On | Jun-24 | Mar-24 | Jun-23 |
|----------|--------|--------|--------|
| Promoter | 26.7 | 26.7 | 26.7 |
| DII | 20.7 | 18.3 | 22.0 |
| FII | 42.4 | 44.7 | 39.8 |
| Others | 10.2 | 10.4 | 11.6 |

FII Includes depository receipts

■ Dr. Reddy's Lab (DRRD) delivered better-than-expected 1QFY25 earnings, led by increased traction in the US generics segment. DRRD witnessed price erosion in the US generics, EU, and ROW markets, while it experienced an increase in prices in the Russia/CIS markets. Certain investments in newer businesses and higher freight costs hit profitability to some extent.

■ We raise our earnings estimate by 7%/8% for FY25/FY26 factoring in: a) market share gains/higher volume off-take in the US generics portfolio, b) improved prospects in the PSAI segment, and c) better operating leverage. We value DRRD at 22x 12M forward base earnings and add INR80 (NPV related to g-Revlimid) to arrive at our TP of INR7,100.

■ DRRD continues to build a complex ANDA pipeline in the US market and implement efforts towards enhancing branded prescription business in the Indian market. Further, the overall earnings growth is also supported by inorganic opportunities (Heleon's Nicotine replacement therapy portfolio), JVs (DRRD-Sanofi JV to distribute Sanofi's vaccine products). Accordingly, we estimate 11% earnings CAGR over FY24-26. **We reiterate our Neutral rating on limited upside from current levels.**

Product mix benefit offset by reduced operating leverage

■ DRRD's 1QFY25 revenues grew 14% YoY at INR76.7b (vs. est. of INR73.9b). Sequentially, sales grew 8.3%.

■ The US sales rose 20.3% YoY to INR38.4b (~USD463m; 50% of sales). Europe sales grew 3.8% YoY to INR5.3b (7% of sales). India sales rose 15.4% YoY at INR13.3b (17% of sales). Adj. for Sanofi portfolio, the base business grew mid-single digit YoY. Emerging market sales grew 3% YoY to INR11.9b (15% of sales). PSAI segment revenue rose 14% YoY to INR7.7b (11% of sales).

■ Gross margin (GM) expanded 170bp YoY to 60.4% due to YoY expansion in margins of GG and PSAI segments (up 80bp/810bp YoY).

■ EBITDA margin contracted 260bp YoY to 27.7% (our est: 26.7%) led higher SG&A/R&D expenses (+370bp/+70 YoY as % of sales).

■ EBITDA grew 4% YoY to INR21.3b (vs. est. of INR19.7b).

■ DRRD reported a PAT of INR13.9b (our est: INR12.7b), up 2% YoY.

Highlights from the management commentary

■ Management guides SG&A expenses to be ~25-27% of revenue for FY25.

■ DRRD expects the R&D expense to be in the range of 8.5-9.0% of revenue for FY25. About 20% of the spending was towards biosimilars.

■ Management guides ETR to be 24-25% for FY25.

■ DRRD indicated SG&A to be 27.5%-28.0% of sales, and this will be a sustainable run rate over the medium term.

■ It expects Abatacept launch in Dec'26.

■ FCF is lower for the quarter due to fluctuations in factoring. DRRD has rolled back factoring, resulting in lower FCF.

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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, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Quarterly Performance - IFRS

(INRb)

| Y/E March | FY24 | | | | FY25E | | | | FY24 | FY25E | Estimates | |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|-------------|-------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2QE | 3QE | 4QE | | | 1QE | % Var |
| Sales | 67.4 | 68.8 | 72.1 | 70.8 | 76.7 | 78.1 | 80.7 | 88.8 | 279.2 | 324.4 | 74.0 | 3.7 |
| YoY Change (%) | 35.2 | 9.1 | 6.6 | 17.4 | 13.9 | 13.6 | 11.9 | 25.4 | 15.9 | 16.2 | 9.8 | |
| Total Expenditure | 46.9 | 48.8 | 51.9 | 53.2 | 55.5 | 56.4 | 58.5 | 64.5 | 200.8 | 234.9 | 54.2 | |
| EBITDA | 20.5 | 20.0 | 20.3 | 17.7 | 21.3 | 21.7 | 22.2 | 24.3 | 78.4 | 89.5 | 19.7 | 7.7 |
| YoY Change (%) | 97.8 | 10.7 | -1.3 | 34.0 | 4.0 | 8.8 | 9.4 | 37.8 | 26.2 | 14.2 | -3.4 | |
| Margins (%) | 30.3 | 29.0 | 28.1 | 24.9 | 27.7 | 27.8 | 27.5 | 27.4 | 28.1 | 27.6 | 26.7 | |
| Amortization | 3.6 | 3.8 | 3.9 | 3.5 | 3.8 | 3.8 | 3.8 | 3.9 | 14.8 | 15.3 | 3.6 | |
| EBIT | 16.9 | 16.1 | 16.4 | 14.1 | 17.5 | 18.0 | 18.4 | 20.4 | 63.5 | 74.3 | 16.1 | |
| YoY Change (%) | 131.5 | 8.3 | -5.1 | 41.3 | 3.5 | 11.5 | 12.1 | 44.6 | 28.5 | 16.9 | -4.3 | |
| Margins (%) | 25.0 | 23.4 | 22.7 | 19.9 | 22.8 | 23.0 | 22.8 | 23.0 | 22.8 | 22.9 | 21.8 | |
| Other Income | 1.1 | 1.6 | 2.0 | 1.7 | 1.4 | 0.7 | 0.8 | 0.2 | 6.4 | 3.1 | 0.7 | |
| PBT before EO expenses | 18.0 | 17.7 | 18.4 | 15.8 | 18.8 | 18.7 | 19.2 | 20.7 | 69.9 | 77.4 | 16.8 | 11.9 |
| One-off income/(expense) | 0.5 | 1.4 | -0.1 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 2.0 | 0.0 | 0.0 | |
| Profit before Tax | 18.5 | 19.1 | 18.3 | 16.0 | 18.8 | 18.7 | 19.2 | 20.7 | 71.9 | 77.4 | 16.8 | 11.9 |
| PBT after EO Expenses | 18.5 | 19.1 | 18.3 | 16.0 | 18.8 | 18.7 | 19.2 | 20.7 | 71.9 | 77.4 | 16.8 | |
| Tax | 4.4 | 4.3 | 4.5 | 2.9 | 4.9 | 4.4 | 4.6 | 4.5 | 16.2 | 18.4 | 4.0 | |
| Rate (%) | 24.0 | 22.7 | 24.5 | 18.4 | 26.0 | 23.7 | 23.9 | 21.8 | 22.5 | 23.8 | 23.5 | |
| Reported Profit | 14.0 | 14.8 | 13.8 | 13.1 | 13.9 | 14.2 | 14.6 | 16.2 | 55.7 | 59.0 | 12.9 | 8.2 |
| Adjusted PAT | 13.7 | 13.3 | 13.8 | 12.1 | 13.9 | 14.2 | 14.6 | 16.2 | 52.8 | 58.9 | 12.9 | 8.2 |
| YoY Change (%) | 66.6 | 16.5 | 5.1 | 50.1 | 2.0 | 7.2 | 6.1 | 33.4 | 29.6 | 11.6 | -5.8 | |
| Margins (%) | 20.3 | 19.3 | 19.1 | 17.1 | 18.1 | 18.2 | 18.1 | 18.2 | 18.9 | 18.2 | 17.4 | |

E: MOFSL Estimates

Key performance Indicators (Consolidated)

| Y/E March | FY24 | | | | FY25E | | | | FY24 | FY25E | FY25E |
|--------------------------|------|------|------|------|-------|------|------|-------|-------|-------|-------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2QE | 3QE | 4QE | | | |
| INRm | | | | | | | | | | | |
| North America | 32.0 | 31.7 | 33.5 | 32.6 | 38.5 | 36.5 | 39.0 | 39.9 | 129.9 | 153.9 | 34.0 |
| YoY Change (%) | 79.5 | 13.2 | 9.6 | 28.8 | 20.3 | 15.2 | 16.5 | 22.4 | 27.7 | 18.5 | 6.4 |
| Europe | 5.1 | 5.3 | 5.0 | 5.2 | 5.3 | 6.1 | 5.7 | 5.9 | 20.5 | 23.0 | 5.8 |
| YoY Change (%) | 22.5 | 25.9 | 15.5 | 5.0 | 3.8 | 15.0 | 15.0 | 13.6 | 16.5 | 12.0 | 15.0 |
| India | 11.5 | 11.9 | 11.8 | 11.3 | 13.3 | 13.6 | 13.7 | 13.0 | 46.4 | 53.6 | 12.7 |
| YoY Change (%) | 3.9 | 3.1 | 4.7 | 10.5 | 15.4 | 15.0 | 16.0 | 15.6 | 5.4 | 15.5 | 10.5 |
| Russia & Others CIS | 7.6 | 8.0 | 8.2 | 7.2 | 7.4 | 7.7 | 7.9 | 8.2 | 30.9 | 31.2 | 7.7 |
| YoY Change (%) | 49.8 | -1.2 | -9.9 | -4.0 | -2.6 | -4.0 | -4.0 | 14.0 | 3.8 | 0.9 | 1.6 |
| Others | 4.0 | 4.2 | 4.6 | 4.9 | 3.7 | 4.9 | 4.9 | 11.9 | 17.7 | 25.4 | 4.8 |
| YoY Change (%) | -0.1 | 2.2 | 15.9 | 34.3 | -5.3 | 15.0 | 6.0 | 142.2 | 12.8 | 43.0 | 22.0 |
| PSAI | 6.7 | 7.0 | 7.8 | 8.2 | 7.7 | 8.3 | 8.4 | 8.7 | 29.8 | 33.1 | 7.9 |
| YoY Change (%) | -5.4 | 9.3 | 1.0 | 5.5 | 14.1 | 18.0 | 7.0 | 6.0 | 2.5 | 10.9 | 18.0 |
| Cost Break-up | | | | | | | | | | | |
| COGS (% of Sales) | 41.3 | 41.3 | 41.5 | 41.4 | 39.6 | 40.3 | 40.7 | 40.9 | 41.4 | 40.4 | 41.7 |
| SG&A (% of Sales) | 21.0 | 21.7 | 22.7 | 23.9 | 24.6 | 24.0 | 23.8 | 23.7 | 22.3 | 24.0 | 23.4 |
| R&D Expenses(% of Sales) | 7.4 | 7.9 | 7.7 | 9.7 | 8.1 | 7.9 | 8.0 | 8.0 | 8.2 | 8.0 | 8.2 |
| Gross Margin (%) | 58.7 | 58.7 | 58.5 | 58.6 | 60.4 | 59.7 | 59.3 | 59.1 | 58.6 | 59.6 | 58.3 |
| EBITDA Margin (%) | 30.3 | 29.0 | 28.1 | 24.9 | 27.7 | 27.8 | 27.5 | 27.4 | 28.1 | 27.6 | 26.7 |
| EBIT Margin (%) | 25.0 | 23.4 | 22.7 | 19.9 | 22.8 | 23.0 | 22.8 | 23.0 | 22.8 | 22.9 | 21.8 |

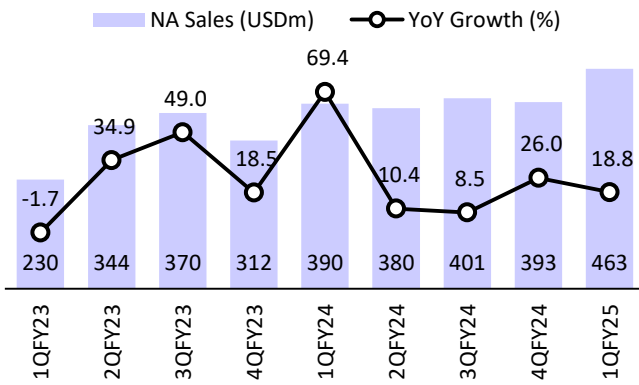


Management call highlights

- The NA sales growth was largely led by volume, partly offset by price erosion. DRRD launched 3 new products in 1QFY25.
- DRRD launched 12 products in the EU region. DRRD's sales grew 9% in CC terms in the EU region.
- The company filed 11 DMFs during the quarter.
- The Russia business was hit by unfavorable currency movement. This was offset by the price increase/higher base business volumes.
- The CIS business for the quarter was hit by the deterioration in base business volumes.
- Capex for the quarter stood at INR4.9b.
- Net cash surplus at the end of 1QFY24 was INR67.3b.

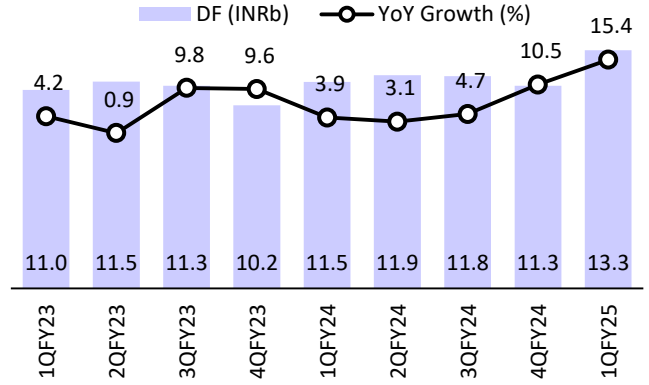
Key exhibits

Exhibit 1: In CC terms, NA sales grew ~18.8% YoY in 1QFY25



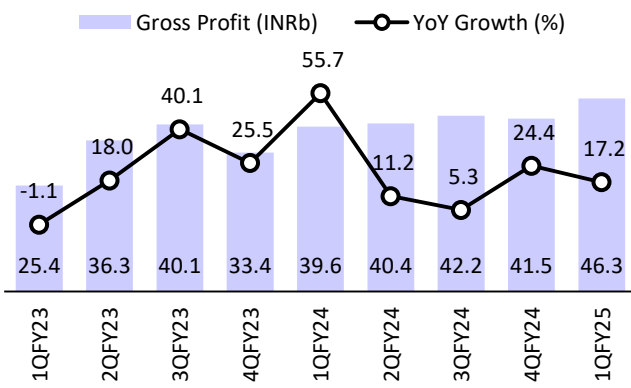
Source: MOFSL, Company

Exhibit 2: DF sales grew 15.4% YoY in 1QFY25



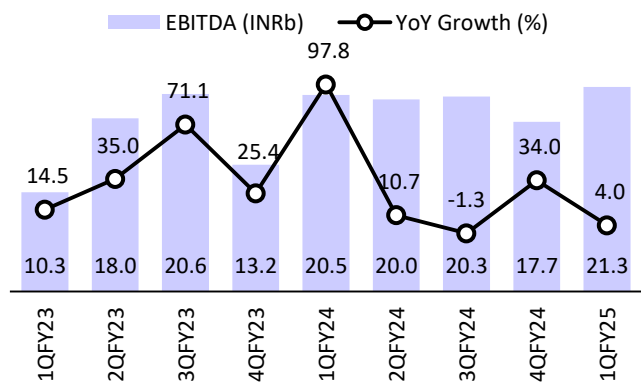
Source: MOFSL, Company

Exhibit 3: Gross profit increased 17.2% YoY in 1QFY25

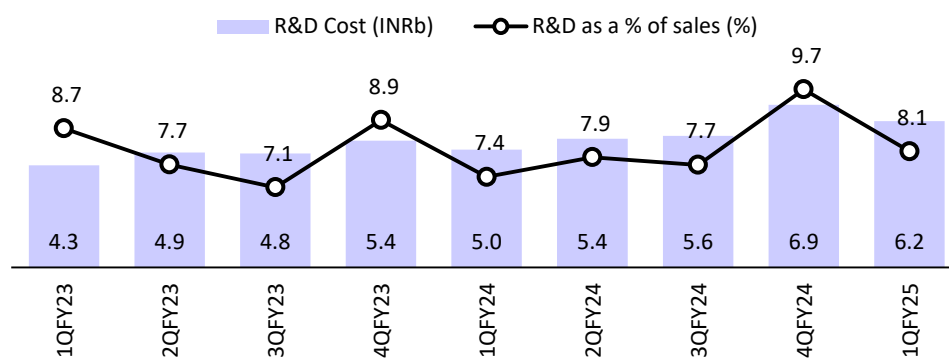


Source: Company, MOFSL

Exhibit 4: EBITDA increased 4% YoY in 1QFY25



Source: Company, MOFSL

Exhibit 5: R&D expenses as a proportion of sales at 8.1% in 1QFY25

Source: MOFSL, Company

Building geography-specific pipeline to drive overall growth**Building complex pipeline in the US market to sustain growth momentum**

- In 1QFY25, DRRD's NA sales posted a robust 18.8% YoY growth to USD463m. This was driven by increased market share in the base portfolio, integration of Mayne portfolio, new launches, and higher volume off-take of differentiated products. However, this was offset by price erosion.
- While DRRD launched three new products during the quarter, the launch momentum is expected to be robust for FY25 as guided at the end of FY24.
- There are 80 ANDAs and five NDAs under the 505(b)(2) route awaiting approval. Of these ANDAs, 45 are Para IVs, and 23 have the potential to secure the 'First to File' status.
- Over FY24-26, we expect the US segment to report a 15% sales CAGR to ~INR172b (USD2b).

New launches/in-licensing/JV to drive growth over the medium term in the DF market

- In 1QFY25, India sales witnessed a healthy growth of 15.4% YoY to INR13.3b. The growth was driven by a strong performance in vaccine portfolio in-licensed from Sanofi, double-digit growth in derma therapy, offset by a dip in cardiac.
- During the quarter, the company launched 13 products and is exploring some in-licensing and partnership opportunities.
- We expect a sales CAGR of 13% to reach INR59.5b over FY24-26.

The EM segment to witness a gradual recovery

- In FY24, the EM sales grew 3% YoY to INR11.9b. The growth in the segment is attributable to new product launches and market share expansion, partially offset by unfavorable forex.
- Having said this, the Russia business witnessed a decline in growth due to unfavorable currency exchange rate movements, partially offset by price increases and higher base business volume. DRRD's partnership with Novartis to distribute anti-diabetes brands Galvus and Galvus Met in Russia, which would aid growth to some extent.
- We expect a sales CAGR of 5% to reach INR34b over FY24-26.

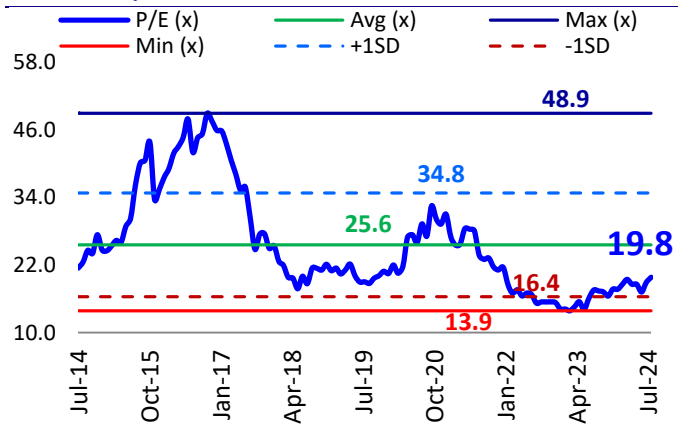
PSAI segment: Volume/new launches to aid growth

- In 1QFY25, the PSAI segment’s revenue registered a strong growth of 14% YoY to INR7.7b. This was due to improved volumes in the base business and the contribution from new products.
- Further, the PSAI segment witnessed a gross margin expansion of 810bp YoY to 23%. This was led by an improvement in the product mix.
- We anticipate the PSAI business to post a 10% sales CAGR to reach INR36.4b over FY24-26.

Reiterate Neutral

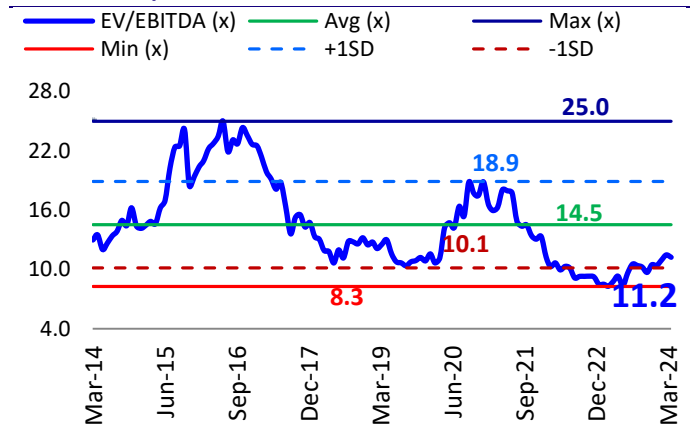
- We raise our earnings estimate by 7%/8% for FY25/FY26 factoring in: a) market share gains/higher volume off-take in the US generics portfolio, b) improved prospects in the PSAI segment, and c) better operating leverage. We value DRRD at 22x 12M forward base earnings and add INR80 (NPV related to g-Revlimid) to arrive at our TP of INR7,100.
- DRRD continues to build a complex ANDA pipeline in the US market and implement efforts towards enhancing branded prescription business in the Indian market. Further, the overall earnings growth is also supported by inorganic opportunities (Heleon’s Nicotine replacement therapy portfolio), JVs (DRRD:Sanofi JV to distribute Sanofi’s vaccine products). Accordingly, we estimate 11% earnings CAGR over FY24-26. **We reiterate our Neutral rating on limited upside from current levels.**

Exhibit 6: P/E chart



Source: MOFSL, Company, Bloomberg

Exhibit 7: EV/EBITDA chart



Source: MOFSL, Company, Bloomberg

Story in charts

Exhibit 8: Expect sales CAGR of ~16% over FY24–26

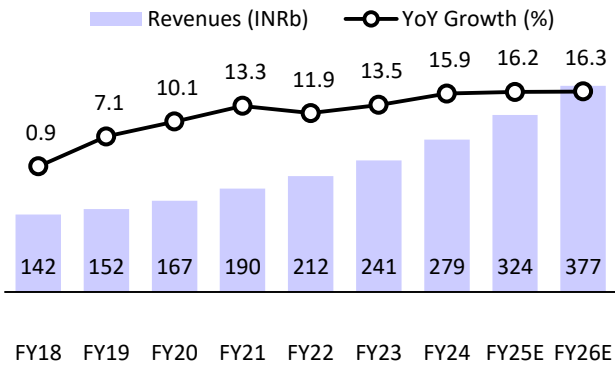


Exhibit 9: NA sales to report ~15% CAGR over FY24–26

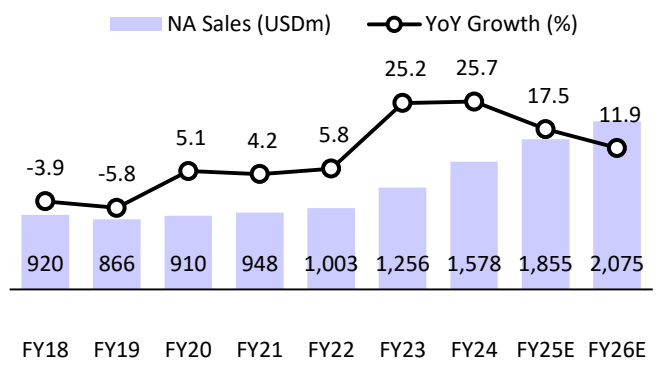


Exhibit 10: DF sales to exhibit 13% CAGR over FY24–26

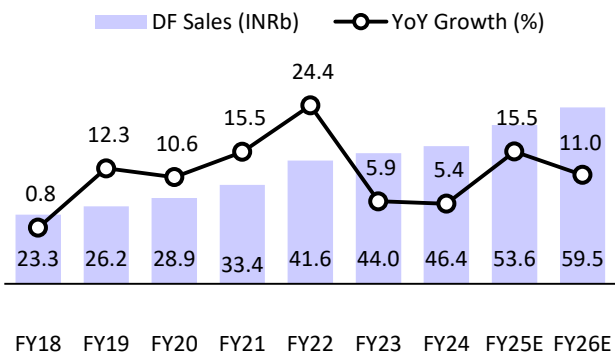


Exhibit 11: PSAI to post 10% sales CAGR over FY24–26

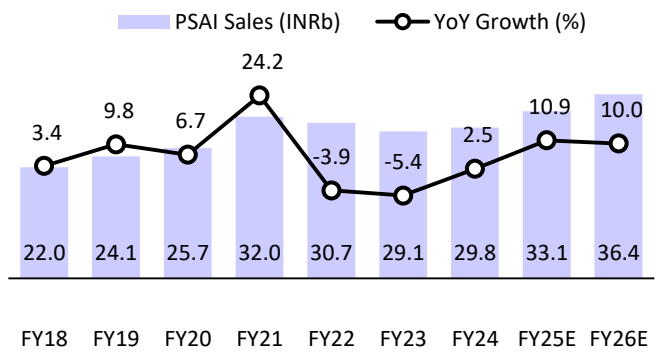


Exhibit 12: EBITDA margin to contract 60bp over FY24–26

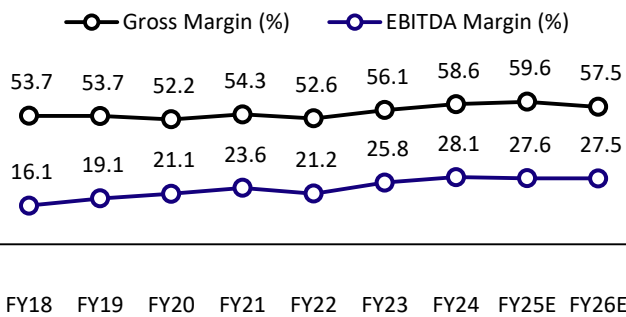


Exhibit 13: Expect an EBITDA CAGR of ~15% over FY24–26

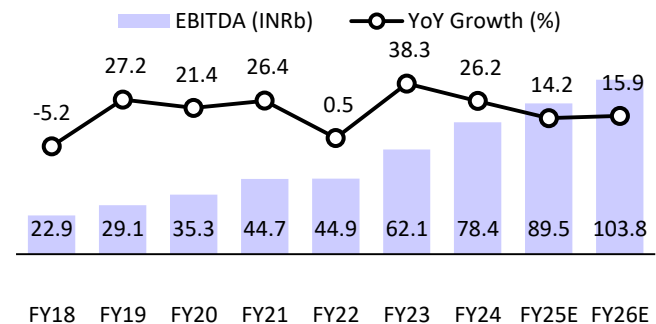


Exhibit 14: R&D expense to settle at ~8% of sales by FY26

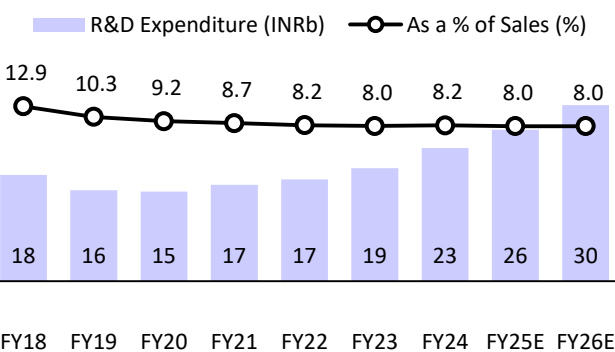
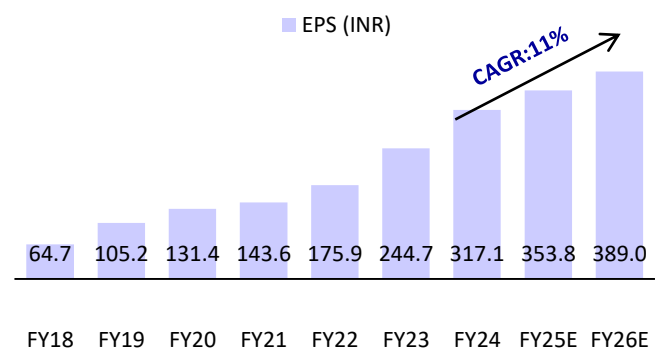


Exhibit 15: Expect EPS CAGR of 11% over FY24–26



Source: Company, MOFSL

Source: Company, MOFSL

Financials and valuations

| Income Statement | | | | | | | | (INR b) |
|------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Y/E March | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E |
| Net Sales | 152 | 167 | 190 | 212 | 241 | 279 | 324 | 377 |
| Change (%) | 7.1 | 10.1 | 13.3 | 11.9 | 13.5 | 15.9 | 16.2 | 16.3 |
| Total Expenditure | 123 | 132 | 145 | 167 | 179 | 201 | 235 | 274 |
| EBITDA | 29 | 35 | 45 | 45 | 62 | 78 | 90 | 104 |
| Change (%) | 27.2 | 21.4 | 26.4 | 0.5 | 38.3 | 26.2 | 14.2 | 15.9 |
| Margin (%) | 19.1 | 21.1 | 23.6 | 21.2 | 25.8 | 28.1 | 27.6 | 27.5 |
| Depreciation & Amort. | 12 | 12 | 13 | 12 | 13 | 15 | 15 | 20 |
| EBIT | 17 | 23 | 32 | 33 | 49 | 64 | 74 | 84 |
| Net Interest Exp | 1 | 1 | -2 | -2 | -3 | -3 | -1 | 0 |
| One-off (Gains)/Losses | -2 | 8 | 8 | 6 | -5 | -2 | 0 | 0 |
| PBT before EO Expense | 18 | 14 | 26 | 29 | 58 | 69 | 75 | 84 |
| Change (%) | 56.5 | 14.7 | 35.9 | 10.5 | 39.5 | 29.6 | 10.7 | 9.9 |
| PBT after EO Expense | 18 | 14 | 26 | 29 | 58 | 69 | 75 | 84 |
| Tax | 4 | -1 | 9 | 9 | 15 | 16 | 18 | 20 |
| Tax Rate (%) | 20.5 | -10.3 | 35.5 | 30.3 | 26.5 | 23.5 | 24.4 | 24.1 |
| Reported PAT | 19 | 19 | 18 | 24 | 44 | 56 | 59 | 65 |
| Adjusted Net Profit | 17 | 22 | 24 | 29 | 41 | 53 | 59 | 65 |
| Change (%) | 62.6 | 24.9 | 9.3 | 22.8 | 39.3 | 29.6 | 11.6 | 9.9 |
| Margin (%) | 11.5 | 13.0 | 12.6 | 13.8 | 16.9 | 18.9 | 18.2 | 17.2 |

Balance Sheet

| Y/E March | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E |
|------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Equity Share Capital | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Reserves | 139 | 155 | 176 | 190 | 230 | 280 | 334 | 395 |
| Net Worth | 140 | 156 | 176 | 191 | 231 | 281 | 335 | 396 |
| Loans | 34 | 18 | 29 | 34 | 13 | 20 | 19 | 18 |
| Deferred Liabilities/Tax | -4 | -12 | -10 | -13 | -6 | -10 | -10 | -10 |
| Capital Employed | 171 | 162 | 195 | 212 | 238 | 291 | 344 | 404 |
| Gross Block | 115 | 126 | 144 | 161 | 178 | 203 | 200 | 209 |
| Less: Accum. Deprn. | 62 | 74 | 87 | 99 | 111 | 126 | 141 | 141 |
| Net Fixed Assets | 54 | 52 | 57 | 62 | 66 | 77 | 58 | 67 |
| Investments | 31 | 33 | 33 | 38 | 62 | 81 | 81 | 81 |
| Goodwill/Intangibles | 47 | 32 | 41 | 32 | 35 | 41 | 41 | 41 |
| Curr. Assets | 88 | 103 | 125 | 152 | 151 | 177 | 239 | 310 |
| Inventory | 34 | 35 | 45 | 51 | 49 | 64 | 59 | 77 |
| Account Receivables | 40 | 52 | 50 | 67 | 72 | 80 | 99 | 116 |
| Cash and Bank Balance | 2 | 2 | 15 | 15 | 6 | 7 | 51 | 84 |
| Others | 13 | 14 | 15 | 19 | 24 | 26 | 29 | 34 |
| Curr. Liability & Prov. | 50 | 58 | 60 | 72 | 77 | 86 | 75 | 96 |
| Account Payables | 14 | 15 | 18 | 26 | 26 | 31 | 26 | 37 |
| Other Current Liabilities | 36 | 43 | 42 | 47 | 50 | 55 | 49 | 59 |
| Net Current Assets | 39 | 45 | 65 | 79 | 74 | 91 | 164 | 214 |
| Appl. of Funds | 171 | 162 | 195 | 212 | 238 | 291 | 344 | 404 |

Financials and valuations

Ratios

| Y/E March | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Basic (INR) | | | | | | | | |
| EPS | 105.2 | 131.4 | 143.6 | 175.9 | 244.7 | 317.1 | 353.8 | 389.0 |
| Cash EPS | 177.3 | 206.5 | 220.7 | 246.9 | 320.8 | 406.2 | 445.5 | 506.8 |
| BV/Share | 844.8 | 939.7 | 1,062.8 | 1,145.0 | 1,386.5 | 1,684.0 | 2,012.5 | 2,376.4 |
| DPS | 20.0 | 23.6 | 25.0 | 20.4 | 20.4 | 21.4 | 21.4 | 21.4 |
| Payout (%) | 21.3 | 23.5 | 26.8 | 16.9 | 9.0 | 7.5 | 7.1 | 6.4 |
| Valuation (x) | | | | | | | | |
| P/E | 66.2 | 53.0 | 48.5 | 39.6 | 28.4 | 21.9 | 19.7 | 17.9 |
| PEG (x) | 1.1 | 2.1 | 5.2 | 1.7 | 0.7 | 0.7 | 1.7 | 1.8 |
| Cash P/E | 39.2 | 33.7 | 31.5 | 28.2 | 21.7 | 17.1 | 15.6 | 13.7 |
| P/BV | 8.2 | 7.4 | 6.5 | 6.1 | 5.0 | 4.1 | 3.5 | 2.9 |
| EV/Sales | 7.6 | 6.8 | 6.0 | 5.4 | 4.6 | 3.9 | 3.2 | 2.7 |
| EV/EBITDA | 39.9 | 32.3 | 25.5 | 25.4 | 17.8 | 13.9 | 11.7 | 9.8 |
| Dividend Yield (%) | 0.3 | 0.3 | 0.4 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Return Ratios (%) | | | | | | | | |
| ROIC | 10.8 | 21.9 | 17.0 | 18.0 | 23.1 | 27.6 | 28.4 | 29.4 |
| RoE | 13.1 | 14.7 | 14.3 | 16.0 | 19.3 | 20.7 | 19.1 | 17.7 |
| RoCE | 8.9 | 17.4 | 11.8 | 12.3 | 15.9 | 18.4 | 18.0 | 17.3 |
| Working Capital Ratios | | | | | | | | |
| Fixed Asset Turnover (x) | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.5 | 1.6 | 1.8 |
| Debtor (Days) | 97 | 100 | 98 | 100 | 106 | 100 | 101 | 104 |
| Inventory (Days) | 75 | 75 | 77 | 83 | 75 | 73 | 69 | 66 |
| Payable (Days) | 32 | 32 | 32 | 38 | 39 | 38 | 32 | 31 |
| Leverage Ratio | | | | | | | | |
| Current Ratio (x) | 1.8 | 1.8 | 2.1 | 2.1 | 2.0 | 2.1 | 3.2 | 3.2 |
| Net Debt/Equity (x) | 0.0 | -0.1 | -0.2 | -0.2 | -0.3 | -0.3 | -0.5 | -0.6 |

Cash Flow Statement

| Y/E March | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E |
|--------------------------------|------------|------------|------------|------------|------------|------------|-----------|------------|
| Op. Profit/(Loss) before Tax | 22 | 26 | 35 | 39 | 54 | 70 | 77 | 85 |
| Depreciation | 12 | 12 | 13 | 12 | 13 | 15 | 15 | 20 |
| Interest/Dividends Recd. | -6 | 5 | 6 | 3 | -7 | -5 | -2 | -1 |
| Direct Taxes Paid | -4 | 1 | -9 | -9 | -15 | -16 | -18 | -20 |
| (Inc)/Dec in WC | 1 | -6 | -7 | -15 | -4 | -16 | -28 | -19 |
| CF from Operations | 25 | 38 | 38 | 30 | 40 | 48 | 44 | 65 |
| EO Expense | 0 | 0 | -6 | -5 | 0 | 0 | 0 | 0 |
| CF from Operations | 29 | 39 | 44 | 34 | 40 | 48 | 44 | 65 |
| (inc)/dec in FA | -9 | 5 | -27 | -8 | -20 | -31 | 3 | -9 |
| Free Cash Flow | 16 | 43 | 11 | 22 | 20 | 17 | 47 | 56 |
| (Pur)/Sale of Investments | 3 | -2 | 0 | -5 | -24 | -19 | 0 | 0 |
| Others | -2 | -7 | 0 | -13 | 0 | 0 | 0 | 0 |
| CF from Investments | -8 | -5 | -27 | -26 | -44 | -50 | 3 | -9 |
| Change in net worth | 0 | 1 | 2 | -5 | 0 | -2 | 0 | 0 |
| (Inc)/Dec in Debt | -17 | -16 | 12 | 4 | -20 | 7 | -1 | -1 |
| Other Items | -1 | -5 | -13 | 9 | 1 | 2 | 2 | -9 |
| Dividend Paid | -4 | -5 | -5 | -4 | -4 | -4 | -4 | -4 |
| CF from Fin. Activity | -21 | -25 | -5 | 4 | -23 | 2 | -3 | -14 |
| Inc/Dec of Cash | 0 | 8 | 13 | 12 | -27 | 0 | 44 | 42 |
| Add: Beginning Balance | 3 | 2 | 2 | 15 | 15 | 6 | 7 | 51 |
| Closing Balance | 2 | 11 | 15 | 27 | -12 | 6 | 51 | 94 |
| FX Impact | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| FX impact net of bank balances | 0 | -9 | 0 | -12 | 18 | 1 | 0 | -10 |
| Closing Balance | 2 | 2 | 15 | 15 | 6 | 7 | 51 | 84 |

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

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