

BSE SENSEX 64,081 S&P CNX 19,133

CMP: INR225

TP: INR220 (-2%)

Neutral



Bloomberg	BIOS IN
Equity Shares (m)	1200
M.Cap.(INRb)/(USDb)	266.2 / 3.2
52-Week Range (INR)	295 / 192
1, 6, 12 Rel. Per (%)	-16/-13/-23
12M Avg Val (INR M)	988
Free float (%)	39.4

Financials Snapshot (INR b)

Y/E MARCH	FY23	FY24E	FY25E
Sales	111.7	147.7	170.8
EBITDA	25.1	35.7	47.3
Adj. PAT	7.5	9.0	16.1
EBIT Margin (%)	12.5	14.2	18.6
Cons.			
Adj. EPS (INR)	6.3	7.5	13.4
EPS Gr. (%)	-14.6	19.9	77.6
BV/Sh. (INR)	148.9	154.2	163.7

Ratios

Net D:E	0.9	0.9	0.9
RoE (%)	5.7	5.0	8.4
RoCE (%)	4.0	4.1	5.7
Payout (%)	29.3	29.3	29.3

Valuations

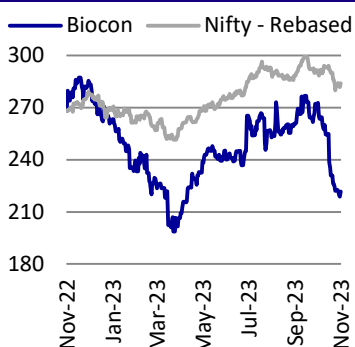
P/E (x)	34.7	28.9	16.3
EV/EBITDA (x)	24.7	18.0	13.8
Div. Yield (%)	0.4	0.9	1.5
FCF Yield (%)	4.3	3.4	7.5
EV/Sales (x)	5.6	4.4	3.8

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	60.6	60.6	60.6
DII	14.1	12.6	7.8
FII	8.4	10.0	16.4
Others	16.9	16.8	15.2

FII Includes depository receipts

Stock Performance (1-year)



Enhanced efforts needed to improve biosimilars outlook

- Biocon (BIOS) has delivered 22%/25% revenue/EBITDA CAGR over FY18-23, led by robust traction in biosimilars and research services. However, earnings CAGR have been lower at 15% over FY18-23 due to increased financial leverage and depreciation.
- While BIOS continues to work on enhancing its biosimilar (49% of FY23 sales) pipeline and expand the reach of commercialized products, regulatory issues at its sites may prolong the approval process for potential filed products. Also, the competitive scenario seems intense for products under development.
- Syngene (SYNG; 28% of FY23 sales) is not only broadening its research services on biologics, but also adding capacities in API/biological manufacturing. We expect operating leverage to gradually pick up over the medium term.
- In addition to the base portfolio of immunosuppressants/statins in the generics segment (23% of FY23 sales), BIOS is building capabilities as well as capacities toward formulation/API in areas of peptides, high potent APIs and synthetic APIs
- We cut our earnings estimate by 23%/9% for FY24/FY25, factoring in a) delay in biosimilar approvals, b) reduced guidance in SYNG, and c) elevated finance costs. We value BIOS on a SOTP basis (15x EV/EBITDA for 70% stake in Biocon Biologics (BBL), 54% stake in Syngene, and 10x EV/EBITDA for generics business) to arrive at a price target of INR220. We reiterate our Neutral stance on the stock, given limited upside from its current levels.

Biosimilars – Regulatory constraints/competition lowering growth outlook

- BIOS journey has been phenomenal in the biosimilar space with 44% sales CAGR over FY18-23, led by commercialization of products in developed/emerging markets as well as addition of Viatris business.
- However, we expect the growth trajectory to moderate with competition building up at a faster rate in pipeline products (b-Denosumab/b-Ustekinumab). With respect to b-Denosumab, peers such as Samsung Bioepis have already completed Phase III clinical trials; Celltrion is expected to complete trials in Nov'23; and Enzene Biosciences is expected to complete trials in Aug'24. BIOS is expected to complete Phase III clinical trials by Jun'24.
- For b-Ustekinumab, five peers have already completed clinical trials till Nov'22, while BIOS is expected to complete clinical trials soon.
- Also, enhanced efforts to resolve regulatory issues at Malaysia/Bengaluru site would keep potential approvals (b-Bevacizumab/b-Insulin Aspart) under check.
- Accordingly, we expect 13% sales CAGR to INR103b in the biologics segment over FY24-26.

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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.

Syngene – Steady execution; operating leverage to pick up gradually

- SYNG has undergone a significant investment phase (USD398m) over the past five years. These investments were made in research services, the Mangalore API plant, and the Bengaluru biologic manufacturing site.
- Further, the EBITDA CAGR of 15% over FY18-23, along with a YoY growth of 20% for 1HFY24, falls short of the revenue CAGR of 17.5% and 22% YoY for the same period. This is attributed to the expansion of commercial teams, expenses related to new facilities, and increased automation initiatives implemented across the business.
- With robust order book, gradual pick-up in capacity utilization, we expect 19% sales CAGR in SYNG research services to INR45b over FY23-25.

Generics – Efforts underway for product development/adding capacities

- The Generics segment has witnessed healthy revenue growth rate (16% YoY in 1HFY24) compared to 12% CAGR over FY18-23. This is on the back of pick up in formulation/API sales, coupled with market share gains in the base portfolio of immune-suppressants/statins.
- BIOS has been investing in developing products in the fields of peptides, high-potency drugs, and injectables. Additionally, the company has been expanding its capacities to meet growing demand.
- Particularly, the peptide API facility is expected to provide commercial benefits FY24 onwards.
- New launches/additional contracts in the formulation segment and increased volume off-take in API would drive 17% revenue CAGR over FY23-25 to INR36b.

Maintain Neutral

- We cut our earnings estimate by 23%/9% for FY24/FY25 factoring in a) delay in biosimilar approvals, b) reduced guidance in SYNG, and c) elevated finance cost. We value BIOS on a SOTP basis (15x EV/EBITDA for 70% stake in Biocon Biologics (BBL), 54% stake in Syngene, and 10x EV/EBITDA for generics business) to arrive at a price target of INR220.
- BIOS continues to enhance its outlook across key segments. However, the implementation of remediation measures at biosimilar sites, slow ramp-up in capacity utilization for Syngene plants, and the gestation period associated with investments in the generics segment are currently limiting the outlook for the next 12-24 months.
- Also, given limited upside from its current levels, we reiterate our Neutral stance on the stock.

Biosimilars – Regulatory constraints/competition lowering growth outlook

- The clinical trial status for potential products (b-Denosumab/ b-Ustekinumab) indicates peers advancing at a faster pace.
- Further, the potential approvals for certain products are constrained due to USFDA regulatory issues at its manufacturing sites.
- The market share gain in key products (bPegfilgrastim/bTrastuzumab/bGlargine), the increased reach, and the addition of the Viatris business led to 32% sales CAGR in the biosimilar segment over FY18-23. However, sales run-rate has been stable for the past two quarters at INR56b.
- Considering the above factors, we expect Biocon biologics business to deliver 13% CAGR over FY24-26E to reach INR103b.

Competition building up in pipeline products

- BIOS is at stage 3 clinical trials for **b-Denosumab**. While its competitors like Samsung Bioepis, Sandoz, and Roswell Park have completed phase 3 clinical trials, BIOS is likely to complete trials by Jun'24.
- BIOS is in the stage 3 clinical trial of **b-Ustekinumab** and currently not recruiting for the clinical trial. Five competitors have completed clinical trials, expect for BIOS.
- The company has received 'First-to-File' status for **bAflibercept** from USFDA and it is currently under review. Along with BIOS, Formycon and Celltrion have also filed the drug in the US.

Exhibit 1: Biosimilar clinical trial status

Drug	Company	Clinical Trial Status	Study Status	Start Date	Completion date
Denosumab	Biocon Biologics	Phase3	Active_Not_Recruiting	May-22	Jun-24
	Enzene Biosciences	Phase3	Recruiting	Jul-22	Aug-24
	Samsung Bioepis	Phase3	Completed	Nov-20	Dec-22
	Sandoz	Phase3	Completed and Review accepted by USFDA	Jul-19	Apr-22
	mAbxience Research S.L.	Phase3	Active_Not_Recruiting	Mar-22	Jun-24
	Alvotech Swiss AG	Phase3	Active_Not_Recruiting	Aug-22	Oct-24
	Roswell Park Cancer Institute	Phase2	Completed	Dec-19	Nov-22
	Celltrion	Phase3	Active_Not_Recruiting	Jun-21	Nov-23
Ustekinumab	Biocon Biologics	Phase3	Active_Not_Recruiting	Jun-22	Oct-23
	Celltrion	Phase3	Completed	Jan-21	May-22
	Dong-A ST	Phase3	Completed	Apr-21	Nov-22
	Samsung Bioepis	Phase3	Completed	Jul-21	Nov-22
	Bioeq GmbH	Phase3	Completed	Nov-20	Mar-22
	Amgen	Phase3	Completed	Nov-20	Jun-22
Pertuzumab	Biocon Biologics	Phase3	Not_Yet_Recruiting	Dec-23	Oct-26
	Zydus Lifesciences	Phase3	Not_Yet_Recruiting	Sep-22	Dec-24
	Shanghai Henlius Biotech	Phase1	Completed	Jul-20	Jul-21

Source: MOFSL, NIH (National Library of Medicine)

- BIOS is entering in Phase I clinical trials of bPertuzumab and is in the early stage of clinical trials for bGlargine U300.

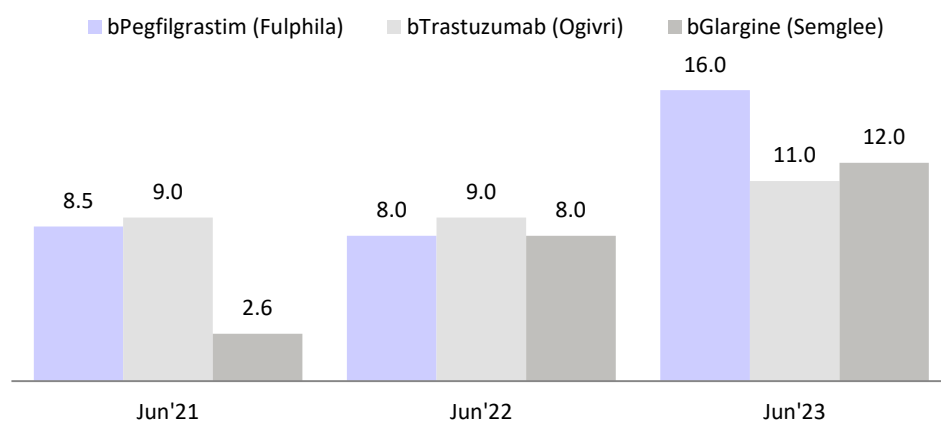
Regulatory headwinds delaying business prospects for potential products

- BIOS' insulin manufacturing plant at Malaysia received OAI (Official Action Indicated) classification from USFDA recently. The facility was inspected in Jul'23 and received form 483 with 8 observations.
- BIOS continues to work on remediation measures to resolve issues highlighted by USFDA (11 observations each at drug substance/drug product sites) at its Bengaluru facilities.
- Given that, b-Aspart is filed from the Malaysia site and b-Bevacizumab is filed from the Bengaluru site, the approvals are subject to successful compliance at these sites.
- Further, USFDA has already approved b-Bevacizumab for four companies and the biosimilar market share has already reached 82% (Nov'22) as per Cardinal Health report on Biosimilars. This implies limited opportunity for BIOS even after approval for b-Bevacizumab.

Gradual rise in market share of commercialized drugs

- Since the launch of bPegfilgrastim (Fulphila) in Jul'18, the drug has gradually gained the market share and has reached 16% in Jun'23.
- The overall biosimilars market share is 43% (as per Cardinal Health Nov-22 data), signifying intense competitive pressures.
- The market shares of bPegfilgrastim doubled YoY in Jun'23 due to an increase in prescription from the new customers and continued traction from existing customers.

Exhibit 2: Market share gain – faster in b-Glargine; slower in b-Pegfilgrasim/b-Trastuzumab



Source: MOFSL, Company

- Having said this, the revenue growth was flat for bPegfilgrastim in 1QFY24 due to one-off rebates in the US market.
- In Jun'23, the market share of bTrastuzumab increased 200bp YoY to 11% due to the acquisition of new customer contracts. The biosimilar market share for bTrastuzumab is 67% (as per Cardinal Health Nov-22 data).
- After its launch in December 2019, BIOS managed to capture a 9% market share in b-Trastuzumab until June 2022. The slower pace of cancer diagnoses due to Covid and increased competition in this product category adversely impacted the market share gain.

- In Jun'21, bGlargine held a market share of 2.6%, and it has surged to 12% in Jun'23, due to superior execution and an increase in new prescriptions.

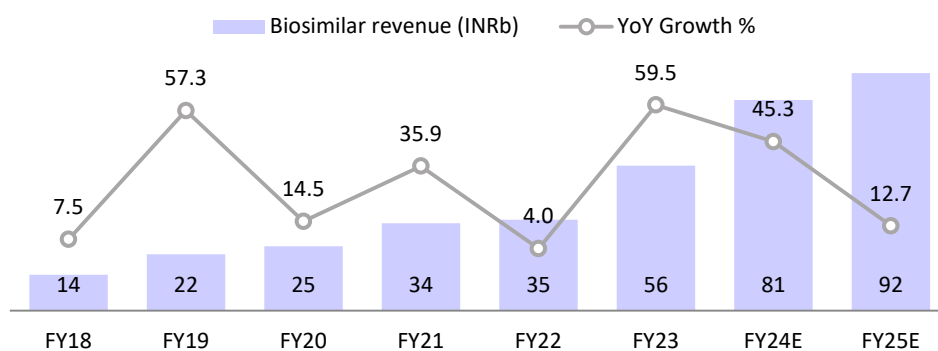
Efforts underway to enhance reach

- BIOS launched Hulio (b-Adalimumab) in Canada/Europe as well and has gained 6% market share in Canada.
- In Sept' 23, BIOS obtained marketing authorization for bAflibercept (Yesafili) in Europe, a market with a size of USD1.8b.
- BIOS increasing reach for bPegfilgrastim, bTrastuzumab, and bGlargine in Europe and ROW markets.
- The company has won a tender for bGlargine in Mexico and for bTrastuzumab in Belarus through partners.
- With the integration of Viatris, BIOS has gained access to emerging markets, resulting in synergy benefits for its existing products in these regions.

New approvals to boost revenue growth over medium term

- In FY23, revenue from the biosimilar segment saw a significant 60% YoY increase, reaching INR56b. This growth can be attributed to the integration of the Viatris acquisition and the market share gains of existing key products.

Exhibit 3: Expect biosimilar revenue to register 13% CAGR over FY24-26



Source: MOFSL, Company

- In FY21, revenue grew 36% YoY to INR34b. This growth was driven by the successful commercialization of bGlargine in the US and Insulin Aspart/bBevacizumab in Europe.
- We expect the biosimilar segment to register a 13% CAGR to INR100b over FY24-26, on the back of approval for new products and increase in market share of the existing products.

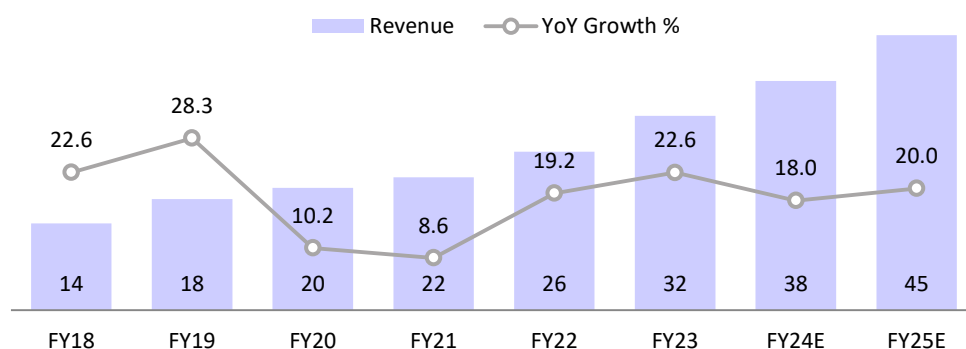
Syngene – Steady execution; operating leverage to pick up gradually

- SYNG (Syngene) registered 17.5% CAGR over FY18-23, due to strong order book and long-term contracts with big pharma companies.
- In 1HFY24, SYNG registered a 22% YoY growth in revenue, due to steady performance by all the segments.
- However, the EBITDA CAGR has been slower due to addition of resources for commercial manufacturing activities.
- SYNG is investing aggressively in capacity expansion, new capabilities, and technological upgradation.
- Accordingly, we expect 19% sales CAGR over FY23-25 to INR45b.

While revenue CAGR stood at 17.5% over FY18-23...

- Syngene has registered a 17.5% revenue CAGR over FY18-23, owing to strong order inflow and long-term contracts with innovative pharma companies.
- In 1HFY24, the company registered a revenue growth of 22% YoY to INR17b. This growth was fueled by steady growth from existing clients, robust expansion in the clinical formulation business, and enhanced collaborations with biopharma companies.

Exhibit 4: Registered a revenue CAGR of 17.5% over FY18-23



Source: MOFSL, Company

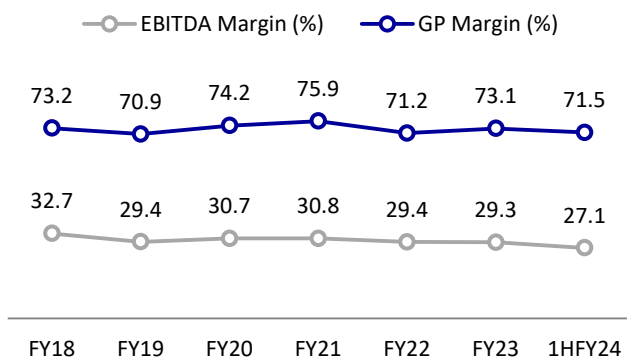
- In FY20, the revenue growth stood at 10% YoY, due to the high base effect in FY19. However, in FY21, the revenue growth was 8.6% YoY due to the temporary shutdown in operations caused by the Covid-19 pandemic.

...EBITDA registered a lower CAGR of 15% over FY18-23...

- Over FY18-23, the gross margin of SYNG has been volatile depending on the share of discovery services and manufacturing services.
- Particularly, over FY18-21, the gross margin expanded 300bp to 76%, driven by a shift toward discovery services. This trend intensified in FY21 due to the suspension of manufacturing activities caused by COVID.
- However, the gross margin contracted to 71% by 2QFY24 due an increased contribution from manufacturing services.
- As the biologics-related commercial activities pick up, it may weigh down gross margin of overall SYNG business.

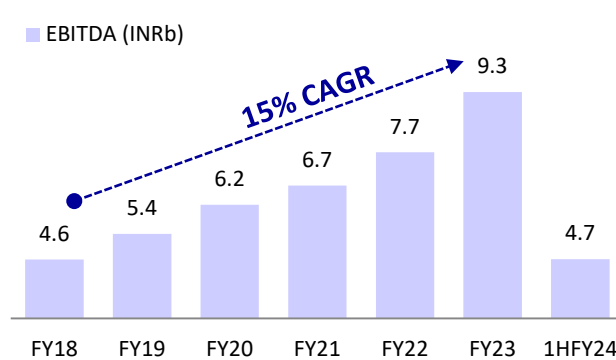
- The EBITDA margin during FY18-2QFY24 has been on a downtrend from 32.7% in FY18 to 27.9% in 2QFY24.
- This is largely due to increased opex related to addition of resources at the Hyderabad site and the Mangalore site.

Exhibit 5: Margins declined to historical lows in 1HFY24



Source: MOFSL, Company

Exhibit 6: EBITDA registered a 15% CAGR over FY18-23

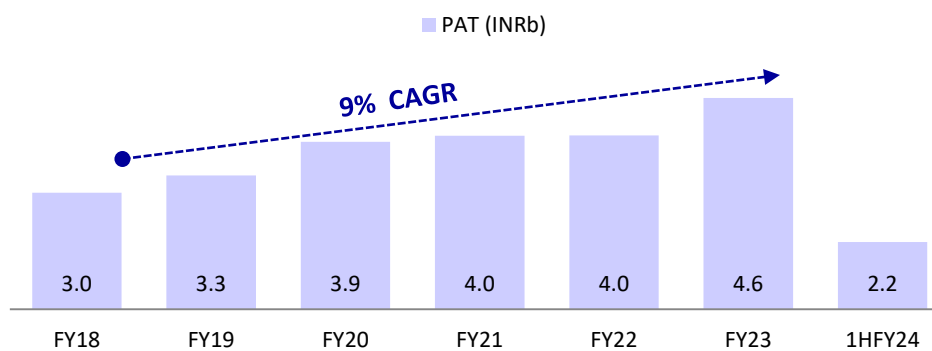


Source: MOFSL, Company

...and PAT registered further lower CAGR of 9% over FY18-23

- During FY18-22, PAT registered a moderate 7% CAGR due to reduced operating margins, higher depreciation, and lower other income.
- PAT registered a 16%/23% YoY growth in FY23/1HFY24, led by robust sales growth and higher other income.

Exhibit 7: PAT registered a 9% CAGR over FY18-23



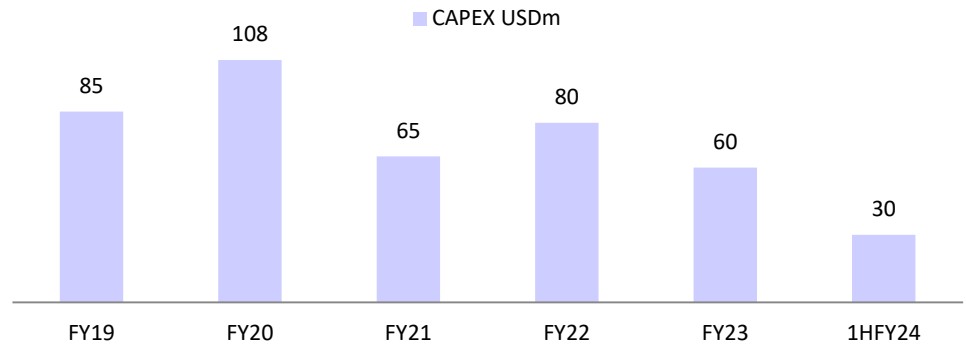
Source: MOFSL, Company

Sizeable investment to cater to synthesis/biologic CDMO capacities/capabilities

- SYNG has significantly increased its investments in capex since FY19, focusing on expanding its capacity, enhancing capabilities, and upgrading technology. The company has allocated a capex of USD390m over FY19-23.
- About 50% of the capex was allocated to the research services business, while the remaining CAPEX is earmarked for the development and manufacturing of small molecules. This includes the expansion of the biologics facility to accommodate increased production.
- It invested around USD65m till date in the Mangalore API facility and USD50m till date at biologics CDMO facility in Bangalore.

- The company has acquired land at Hyderabad's Genome valley for the construction of Biocon Park.

Exhibit 8: SYNG to invest USD80m for growth CAPEX in FY24



Source: MOFSL, Company

- The company has acquired the multi-modal facility from Stelis Biopharma for the Vaccine manufacturing. The company would be investing ~INR1b for modernizing the plant.
- On an overall basis, SYNG has given a guidance of USD80m for FY24 for expansion of capacity and modernization of plants.
- So broadly, considering investments in future capex and strong order book, we expect a steady growth of 19% over FY23-25 to INR45b.

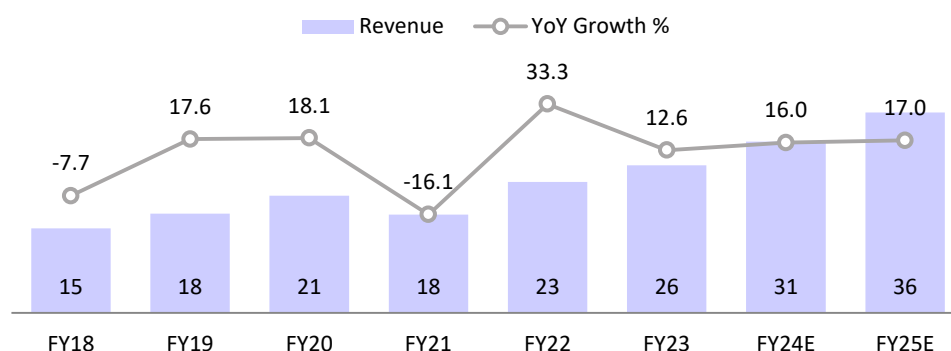
Generics – Efforts underway for product development/adding capacities

- Over FY18-21, the revenue growth was moderate, while in FY23, the generics revenue was up 15% YoY, due to strong traction in API and formulation business.
- In 1QFY24, generics business registered a 15% YoY growth due to the growth in API, and the formulation business, coupled with market share gains in existing products.
- BIOS have commissioned the API facility at Bengaluru and Visakhapatnam and validation batch would be completed by the end of FY24. The commercial benefit is expected to be seen in CY24.
- Additionally, with the new order inflow, we expect generics revenue to register a 17% CAGR over FY23-25.

Market share gain in base portfolio/new product launches aid growth in generics business

- In FY23, the generics business of the company witnessed a 15.3% YoY growth due to strong traction in API, specialty APIs, and formulation business. Also, it witnessed a rise in volume share of the new products such as Labetol Hydrochloride, Esomeprazole Magnesium, and Everolimus, which were launched in FY22.
- In 1QFY24, generics revenue was up 15% YoY to INR7b due to strong traction in the formulation business as it registered INR2b revenue for the quarter, owing to new launches in FY23.
- Additionally, market share gain in the immunosuppressant and statin API portfolio led to growth for the quarter.
- In FY23, the company successfully launched Mycophenolic Acid delayed-release tablets, designed for organ rejection prophylaxis, in two different strengths. Additionally, Aminocaproic Acid was launched in two forms – solid and oral in the US. Furthermore, the company introduced Posaconazole in the UK and Rosuvastatin in Europe during the same period.

Exhibit 9: Generics revenue to register a 17% CAGR over FY23-25



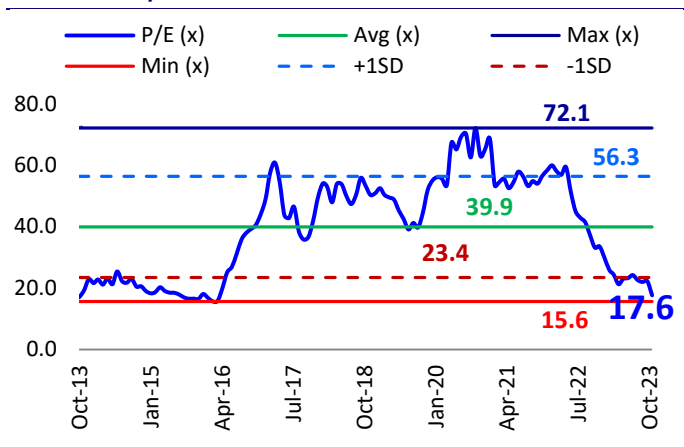
Source: MOFSL, Company

- During FY18-21, the company experienced moderate revenue growth. This was primarily attributed to an increase in price erosion within the base business and the impact of the onset of the COVID-19.

CAPEX Work-in-progress; new product pipeline to drive growth

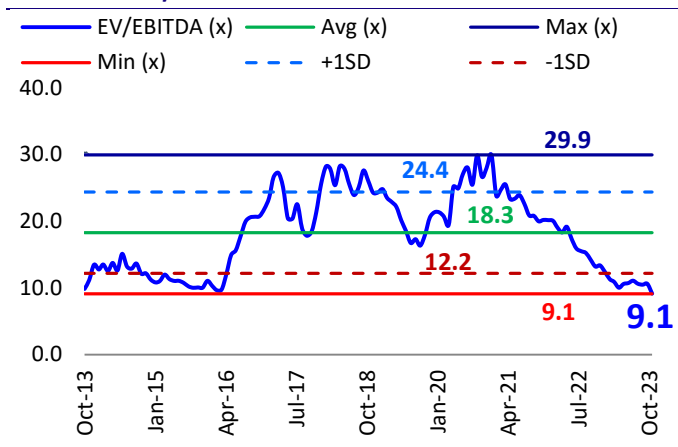
- BIOS has commissioned peptides API manufacturing facility in Bengaluru and the greenfield fermentation-based immunosuppressant API manufacturing facility in Visakhapatnam in FY23.
- Qualification of these facilities is progressing well with validation expected to be completed in FY24.
- There were additional API capacity enhancements implemented in FY23, the full-year impact of which is expected to reflect in our performance in CY24.
- The growth of Generic Formulations is expected to be driven by new product launches in the US and other regions, together with more contract wins in the US for the base business.
- The expansion of market share in statins/immunosuppressants, coupled with new product launches in formulations, additional capacity for API, and ongoing efforts toward establishing a new injectable facility, are expected to be significant growth drivers for the generics segment.
- Accordingly, we expect a revenue CAGR of 17% over FY23-25 to INR36b.

Exhibit 10: P/E chart



Source: MOFSL, Company, Bloomberg

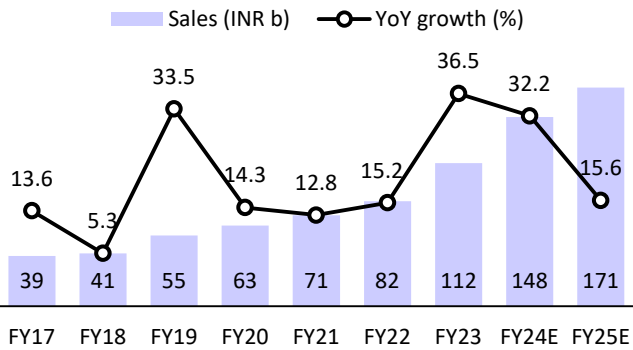
Exhibit 11: EV/EBITDA chart



Source: MOFSL, Company, Bloomberg

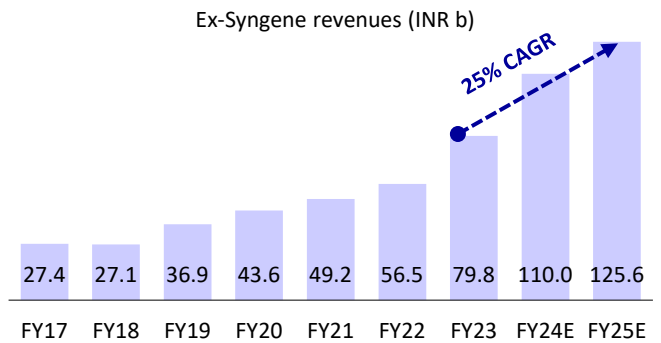
Story in charts

Exhibit 12: Expect revenue CAGR of ~24% over FY23–25



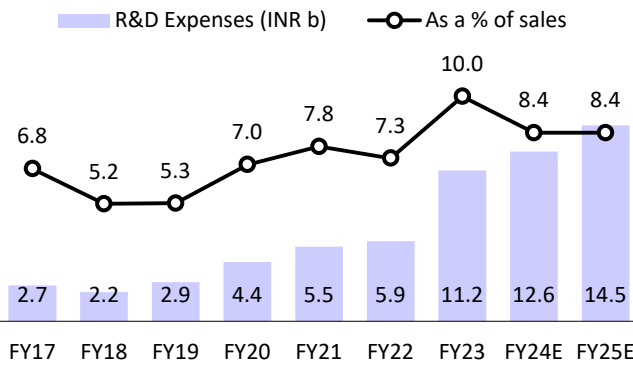
Source: MOFSL, Company

Exhibit 13: New launches/ramp-up to drive ex-Syngene revenue



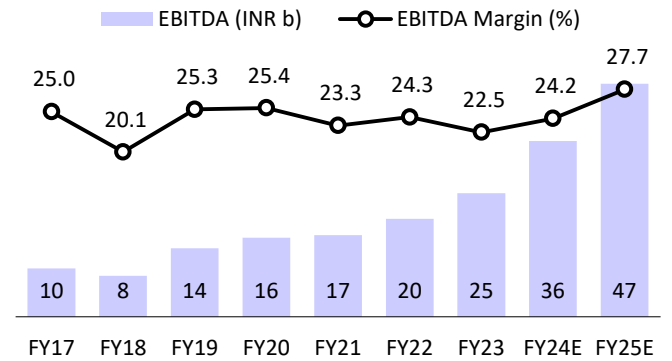
Source: MOFSL, Company

Exhibit 14: R&D spend to be 8.4% of sales in FY24-25



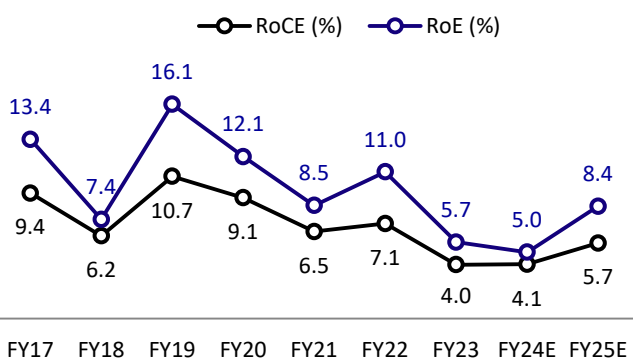
Source: MOFSL, Company

Exhibit 15: EBITDA Margins to revive over FY23-25



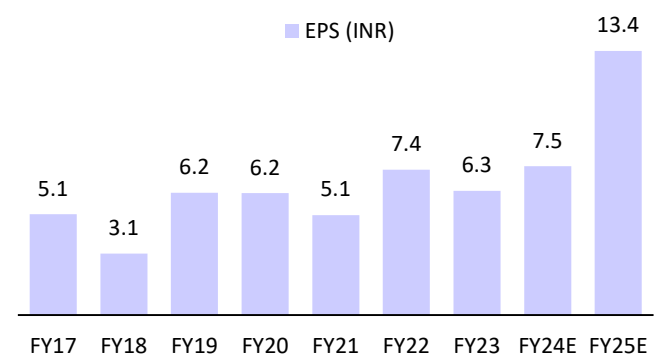
Source: MOFSL, Company

Exhibit 16: RoE to improve gradually



Source: MOFSL, Company

Exhibit 17: Expect EPS CAGR of 46% over FY23–25



Source: MOFSL, Company

Financials and valuations

Income Statement (Consolidated)								(INR m)
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Net Income	41,297	55,144	63,005	71,058	81,845	1,11,740	1,47,693	1,70,785
Change (%)	5.3	33.5	14.3	12.8	15.2	36.5	32.2	15.6
Total Expenditure	33,006	41,211	46,974	54,504	61,922	86,620	1,12,005	1,23,455
EBITDA	8,291	13,933	16,031	16,554	19,923	25,120	35,688	47,330
Change (%)	-15.4	68.0	15.1	3.3	20.4	26.1	42.1	32.6
Margin (%)	20.1	25.3	25.4	23.3	24.3	22.5	24.2	27.7
Depreciation	3,851	4,478	5,522	7,145	8,150	11,130	14,696	15,541
EBIT	4,440	9,455	10,509	9,409	11,773	13,990	20,992	31,789
Int. & Finance Charges	615	709	649	577	686	4,190	9,331	10,742
Other Income - Rec.	2,062	1,444	1,614	1,005	2,674	3,760	2,200	2,300
Extraordinary income	0	1,946	675	910	-3,946	-2,910		
Share in Profits in JV						-1,680	-480	0
PBT	5,887	12,136	12,149	10,747	9,815	8,970	13,381	23,347
Tax	1,569	2,123	3,151	2,222	2,116	2,540	2,542	5,136
Tax Rate (%)	26.7	17.5	25.9	20.7	21.6	28.3	19.0	22.0
Minority Interest	594	964	1,227	1,051	1,220	1,800	1,800	2,160
Adjusted PAT	3,690	7,441	7,410	6,077	8,825	7,540	9,039	16,051
PAT	3,724	9,053	7,769	7,438	6,479	4,630	9,039	16,051
Change (%)	-38.1	101.7	-0.4	-18.0	45.2	-14.6	19.9	77.6
Margin (%)	8.9	16.4	12.3	10.5	7.9	4.1	6.1	9.4

Consolidated Balance Sheet								(INR m)
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	3,000	3,000	6,000	6,000	6,003	6,000	6,000	6,000
Other Reserves	48,808	57,980	61,058	70,269	78,322	1,72,670	1,79,066	1,90,424
Net Worth	51,808	60,980	67,058	76,269	84,325	1,78,670	1,85,066	1,96,424
Loans	19,201	18,028	19,797	36,783	51,466	1,80,190	1,78,690	1,77,190
Minority Interest	4,677	6,089	6,773	8,807	10,375	46,220	48,020	50,180
Deferred liabilities	2167	5816	13794	24212	25827	52440	52440	52440
Capital Employed	77,853	90,913	1,07,422	1,46,071	1,71,993	4,57,520	4,64,216	4,76,234
Gross Block	57,532	68,240	85,167	93,959	1,03,295	1,27,440	1,33,940	1,40,440
Less: Accum. Deprn.	21,235	25,713	31,235	38,386	46,528	54,670	69,366	84,907
Net Fixed Assets	36,297	42,527	53,932	55,573	56,767	72,770	64,574	55,533
Capital WIP	7,789	12,869	15,765	22,535	34,203	25,880	28,380	28,380
Investments	6,752	10,118	9,661	19,519	15,879	20,700	14,359	4,724
Intangibles	5,937	8,303	11,974	13,533	15,824	2,69,200	2,96,120	3,25,732
Curr. Assets	41,188	44,860	49,426	70,986	78,334	1,28,880	1,30,381	1,32,986
Inventory	7,225	10,316	14,359	18,666	22,982	42,440	48,557	44,451
Account Receivables	10,639	12,918	12,237	12,176	20,582	35,730	40,464	42,111
Cash and Bank Balance	13,228	10,572	9,986	20,154	17,475	24,010	6,070	5,615
Loans & Advances	10,096	11,054	12,844	19,990	17,295	26,700	35,291	40,809
Curr. Liability & Prov.	20,110	27,764	33,336	36,075	29,014	59,910	69,598	71,121
Account Payables	19,645	26,959	32,306	34,981	27,709	58,420	60,696	60,828
Provisions	465	805	1,030	1,094	1,305	1,490	8,902	10,294
Net Current Assets	21,078	17,096	16,090	34,911	49,320	68,970	60,783	61,864
Appl. of Funds	77,853	90,913	1,07,422	1,46,071	1,71,993	4,57,520	4,64,216	4,76,234

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)								
EPS	3.1	6.2	6.2	5.1	7.4	6.3	7.5	13.4
Cash EPS	6.3	11.3	11.1	12.2	12.2	13.1	19.8	26.3
BV/Share	43.2	50.8	55.9	63.6	70.3	148.9	154.2	163.7
DPS	1.0	0.5	1.6	0.0	1.3	1.0	1.9	3.3
Payout (%)	19.0	7.8	29.3	0.0	29.3	29.3	29.3	29.3
Valuation (x)								
P/E	70.2	35.2	35.3	43.0	29.6	34.7	28.9	16.3
Cash P/E	34.7	19.3	19.7	17.9	17.9	16.6	11.0	8.3
P/BV	5.0	4.3	3.9	3.4	3.1	1.5	1.4	1.3
EV/Sales	11.7	8.8	7.7	6.8	6.2	5.6	4.4	3.8
EV/EBITDA	58.5	34.6	30.3	29.1	25.3	24.7	18.0	13.8
Dividend Yield (%)	0.5	0.2	0.7	0.0	0.6	0.4	0.9	1.5
Return Ratios (%)								
RoE	7.4	16.1	12.1	8.5	11.0	5.7	5.0	8.4
RoCE	6.2	10.7	9.1	6.5	7.1	4.0	4.1	5.7
RoIC	6.7	14.5	12.0	9.6	9.8	4.1	4.2	5.8
Working Capital Ratios								
Fixed Asset Turnover (x)	1.1	1.4	1.3	1.3	1.5	1.7	2.2	2.8
Debtor (Days)	94	86	71	63	92	117	100	90
Inventory (Days)	64	68	83	96	102	139	120	95
Creditors (Days)	174	178	187	180	124	191	150	130
Working Capital (Days)	69	43	35	76	142	147	135	120
Leverage Ratio (x)								
Current ratio	2.0	1.6	1.5	2.0	2.7	2.2	1.9	1.9
Net Debt/Equity	0.1	0.1	0.1	0.2	0.4	0.9	0.9	0.9

Consolidated Cash Flow Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Oper. Profit/(Loss) before Tax	4,531	10,026	8,709	8,462	7,716	25,120	35,688	47,330
Interest/Dividends Recd.	-452	-908	-824	-770	-1,121	3,760	2,200	2,300
Direct Taxes Paid	-1,971	-2,915	-3,441	-1,938	-2,620	24,073	-2,542	-5,136
(Inc)/Dec in WC	-1,065	-291	-1,651	-4,238	-7,895	-13,115	-9,754	-1,536
CF from Operations	6,621	11,546	12,831	11,597	11,766	39,838	25,592	42,958
(Incr)/Dec in FA	-9,199	-14,924	-18,436	-17,559	-19,269	-18,810	-9,000	-6,500
Free Cash Flow	-2,578	-3,378	-5,605	-5,962	-7,503	21,028	16,592	36,458
(Pur)/Sale of Investments	1,689	6,984	1,844	-18,512	2,314	-2,58,197	-20,579	-19,977
CF from investments	-6,840	-7,138	-15,589	-36,247	-16,991	-2,77,007	-29,579	-26,477
Change in Net Worth	168	-692	25	314	425	88,158	1	1
(Inc)/Dec in Debt	-1,141	75	186	5,872	3,213	1,62,769	-1,500	-1,500
Interest Paid	-637	-1,007	-912	-1,160	-1,096	-4,190	-9,331	-10,742
Dividend Paid	-787	-793	-701	0	0	-1,353	-2,643	-4,695
Others	0	0	5,278	20,614	-121	-981	-1,481	-900
CF from Fin. Activity	-2,397	-2,417	3,876	25,640	2,421	2,44,403	-14,954	-17,836
Inc/Dec of Cash	-2,616	1,991	1,118	990	-2,804	7,234	-18,942	-1,355
Add: Beginning Balance	7,102	4,490	6,593	8,247	8,970	6,166	13,400	-5,542
Closing Balance	4,486	6,481	7,711	9,237	6,166	13,400	-5,542	-6,897
FX	4	112	536	71	33	29	1,030	1,930
Bank balances/Overdraft	8,738	3,979	1,739	10,846	11,276	10,581	10,581	10,581
Total Cash and cash Eq	13,228	10,572	9,986	20,154	17,475	24,010	6,069	5,614

E: MOFSL Estimates

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NOTES

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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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