

# Zydus LifeSciences

Estimate change 

TP change 

Rating change 

**CMP: INR950**

**TP: INR1,010 (+6%)**

**Neutral**

## The US and international markets drive earnings

### Broad-based efforts to improve growth prospects across focus markets

- Zydus LifeSciences (ZYDUSLIF) delivered better-than-expected operational performance for the quarter. While its revenue grew at a lower rate of 19% YoY (vs. est. of 25%), improved traction in the US and other international markets resulted in better-than-expected margins for 2QFY25.
- We raise our earnings by 3%/4%/3% for FY25E/FY26E/FY27E to factor in: 1) superior execution in international markets, and 2) controlled opex, partly offset by increased competition in g-Asacol and higher effective tax rates. We value ZYDUSLIF at 22x 12M forward earnings to arrive at our TP of INR1,010.
- While ZYDUSLIF is implementing efforts to add differentiated products across focus markets and improve growth visibility in the domestic formulations market through increased share of chronic categories, we expect earnings to remain stable over FY25-27. This is due to reduced scope of business in products such as g-Revlimid (from 4QFY26) and g-Asacol. **We reiterate our Neutral rating on the stock as the current valuation factors in stable earnings over the next two years.**

### Segment mix benefits partly offset by higher opex on a YoY basis

- Sales grew 20.8% YoY to INR62.1b (our est. INR56.5b). The US sales grew 26% YoY (+24.5% YoY in CC terms) to INR30.9b (USD371m; 51% of sales). India sales (40% of sales), comprising DF and consumer businesses, rose 15.2% YoY to INR22b. Within India sales, branded formulations grew 12.1% YoY to INR13.8b. Consumer wellness rose 20.6% YoY to INR8.4b. The EM/EU sales grew 8.5% YoY to INR5.3b (9% of sales), while API sales increased 1.9% YoY to INR1.4b (2% of sales).
- Gross margin expanded 700bp YoY to 74.4%, due to a better product mix.
- EBITDA margin expanded at a lower rate of 420bp YoY to 34% (our est. 29.9%), fueled by better GM, which was offset by higher other expenses (up 280bp as a % of sales).
- Consequently, EBITDA grew 37.6% YoY to INR21b (our est. INR16.9b).
- ZYDUSLIF's 1Q included an exceptional item related to forex loss of INR252m. Adjusting for this loss, PAT grew 28.2% YoY to INR14.4b (our est. INR11.6b).

### Highlights from the management commentary

- Management reiterated its FY25 revenue growth guidance for high teens.
- Mirabegron remains an interesting opportunity in 2HFY25 for the US market.
- It has two ANDAs pending for approval in transdermal space, of which one is certain for launch.
- ZYDUS is working closely with the USFDA to implement corrective and preventive action (CAPA) in order to resolve WL at its Jarod site.
- Under its JV with Perfect Day, ZYDUSLIF is setting up a state-of-the-art manufacturing facility to produce fermented animal-free protein.

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|                       |              |
|-----------------------|--------------|
| Bloomberg             | ZYDUSLIF IN  |
| Equity Shares (m)     | 1006         |
| M.Cap.(INRb)/(USDb)   | 955.7 / 11.3 |
| 52-Week Range (INR)   | 1324 / 614   |
| 1, 6, 12 Rel. Per (%) | -6/-12/30    |
| 12M Avg Val (INR M)   | 1731         |

### Financials & Valuations (INR b)

| Y/E MARCH            | FY25E | FY26E | FY27E |
|----------------------|-------|-------|-------|
| Sales                | 230.3 | 252.7 | 260.6 |
| EBITDA               | 68.2  | 73.8  | 65.7  |
| Adj. PAT             | 45.5  | 49.7  | 43.9  |
| EBIT Margin (%)      | 25.6  | 25.4  | 21.5  |
| Cons. Adj. EPS (INR) | 45.2  | 49.4  | 43.6  |
| EPS Gr. (%)          | 20.2  | 9.1   | -11.7 |
| BV/Sh. (INR)         | 252.6 | 294.9 | 331.3 |

### Ratios

|            |      |      |      |
|------------|------|------|------|
| Net D:E    | -0.1 | -0.3 | -0.4 |
| RoE (%)    | 20.1 | 18.0 | 13.9 |
| RoCE (%)   | 18.8 | 16.9 | 13.2 |
| Payout (%) | 12.8 | 11.7 | 13.3 |

### Valuations

|                |      |      |      |
|----------------|------|------|------|
| P/E (x)        | 21.0 | 19.3 | 21.8 |
| EV/EBITDA (x)  | 13.4 | 11.9 | 12.8 |
| Div. Yield (%) | 0.6  | 0.6  | 0.6  |
| FCF Yield (%)  | 3.2  | 4.9  | 4.8  |
| EV/Sales (x)   | 4.0  | 3.5  | 3.2  |

### Shareholding pattern (%)

| As On    | Sep-24 | Jun-24 | Sep-23 |
|----------|--------|--------|--------|
| Promoter | 75.0   | 75.0   | 75.0   |
| DII      | 10.7   | 12.6   | 13.1   |
| FII      | 7.5    | 5.6    | 4.9    |
| Others   | 6.9    | 6.8    | 7.1    |

FII Includes depository receipts

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

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## Quarterly Performance (Consolidated)

(INR b)

| Y/E March                   | FY24        |             |             |             | FY25E       |             |             |             | FY24         | FY25E        | FY25E       | Chg. (%)    |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|-------------|-------------|
|                             | 1Q          | 2Q          | 3Q          | 4Q          | 1Q          | 2Q          | 3QE         | 4QE         |              |              |             |             |
| <b>Net Revenues</b>         | <b>51.4</b> | <b>43.7</b> | <b>45.1</b> | <b>55.3</b> | <b>62.1</b> | <b>52.4</b> | <b>54.4</b> | <b>61.4</b> | <b>195.5</b> | <b>230.3</b> | <b>54.5</b> | <b>-4.0</b> |
| YoY Change (%)              | 29.6        | 9.1         | 5.8         | 10.4        | 20.8        | 19.9        | 20.9        | 11.0        | 13.4         | 17.8         | 24.9        |             |
| Total Expenditure           | 36.1        | 33.0        | 34.2        | 39.1        | 41.0        | 38.2        | 39.9        | 43.1        | 142.4        | 162.1        | 41.6        |             |
| <b>EBITDA</b>               | <b>15.3</b> | <b>10.6</b> | <b>10.8</b> | <b>16.3</b> | <b>21.1</b> | <b>14.2</b> | <b>14.6</b> | <b>18.3</b> | <b>53.0</b>  | <b>68.2</b>  | <b>13.0</b> | <b>9.1</b>  |
| YoY Change (%)              | 111.5       | 32.6        | 20.3        | 23.7        | 37.6        | 33.1        | 34.9        | 12.8        | 41.8         | 28.6         | 22.0        |             |
| Margins (%)                 | 29.8        | 24.4        | 24.0        | 29.4        | 34.0        | 27.0        | 26.8        | 29.9        | 27.1         | 29.6         | 23.8        |             |
| Depreciation                | 1.8         | 1.8         | 1.9         | 2.1         | 2.2         | 2.3         | 2.4         | 2.3         | 7.6          | 9.2          | 1.9         |             |
| <b>EBIT</b>                 | <b>13.5</b> | <b>8.8</b>  | <b>8.9</b>  | <b>14.2</b> | <b>18.9</b> | <b>11.8</b> | <b>12.2</b> | <b>16.0</b> | <b>45.4</b>  | <b>59.0</b>  | <b>11.1</b> |             |
| YoY Change (%)              | 148.6       | 41.8        | 23.6        | 25.0        | 40.0        | 34.4        | 37.7        | 12.6        | 50.4         | 29.9         | 26.5        |             |
| Margins (%)                 | 26.3        | 20.1        | 19.7        | 25.7        | 30.5        | 22.6        | 22.4        | 26.0        | 23.2         | 25.6         | 20.4        |             |
| Interest                    | 0.2         | 0.1         | 0.2         | 0.3         | 0.3         | 0.3         | 0.2         | 0.2         | 0.8          | 1.0          | 0.2         |             |
| Other Income                | 0.4         | 0.5         | 0.4         | 1.6         | 0.6         | 0.7         | 0.7         | 0.5         | 2.8          | 2.5          | 0.5         |             |
| <b>PBT before EO Income</b> | <b>13.7</b> | <b>9.3</b>  | <b>9.0</b>  | <b>15.4</b> | <b>19.2</b> | <b>12.3</b> | <b>12.6</b> | <b>16.2</b> | <b>47.4</b>  | <b>60.4</b>  | <b>11.4</b> | <b>7.2</b>  |
| EO Exp/(Inc)                | 0.4         | -0.8        | -0.2        | -0.1        | 0.3         | -0.5        | 0.0         | 0.0         | -0.7         | -0.2         | 0.0         |             |
| <b>PBT after EO Income</b>  | <b>13.3</b> | <b>10.1</b> | <b>9.3</b>  | <b>15.5</b> | <b>19.0</b> | <b>12.7</b> | <b>12.6</b> | <b>16.2</b> | <b>48.1</b>  | <b>60.6</b>  | <b>11.4</b> | <b>11.2</b> |
| Tax                         | 2.2         | 2.3         | 2.1         | 3.2         | 4.4         | 3.7         | 3.2         | 3.6         | 9.8          | 14.8         | 2.6         |             |
| Rate (%)                    | 16.3        | 22.5        | 23.1        | 20.8        | 23.0        | 29.4        | 25.0        | 22.1        | 20.3         | 24.5         | 22.5        |             |
| Min. Int/Adj on Consol      | -0.3        | 0.2         | 0.6         | -0.5        | -0.4        | 0.1         | 0.1         | 0.2         | 0.1          | -0.1         | -0.1        |             |
| <b>Reported PAT</b>         | <b>10.9</b> | <b>8.0</b>  | <b>7.7</b>  | <b>11.8</b> | <b>14.2</b> | <b>9.1</b>  | <b>9.5</b>  | <b>12.8</b> | <b>38.4</b>  | <b>45.6</b>  | <b>8.8</b>  | <b>3.4</b>  |
| <b>Adj PAT</b>              | <b>11.2</b> | <b>7.4</b>  | <b>7.5</b>  | <b>11.7</b> | <b>14.4</b> | <b>8.8</b>  | <b>9.5</b>  | <b>12.8</b> | <b>37.9</b>  | <b>45.5</b>  | <b>8.8</b>  | <b>-0.2</b> |
| YoY Change (%)              | 155.4       | 45.7        | 29.6        | 52.1        | 28.2        | 19.1        | 26.8        | 9.0         | 65.0         | 20.2         | 19.4        |             |
| Margins (%)                 | 21.8        | 16.9        | 16.7        | 21.2        | 23.2        | 16.8        | 17.5        | 20.9        | 19.4         | 19.8         | 16.2        |             |
| <b>EPS (INR/sh)</b>         | <b>7.6</b>  | <b>7.3</b>  | <b>7.5</b>  | <b>8.8</b>  | <b>11.7</b> | <b>8.6</b>  | <b>9.5</b>  | <b>99.1</b> | <b>37.6</b>  | <b>45.2</b>  |             |             |

E: MOFSL Estimates

## Key performance Indicators (Consolidated)

(INR b)

| Y/E March                | FY24 |      |       |      | FY25E |      |      |       | FY24 | FY25E | FY25E |
|--------------------------|------|------|-------|------|-------|------|------|-------|------|-------|-------|
|                          | 1Q   | 2Q   | 3Q    | 4Q   | 1Q    | 2Q   | 3QE  | 4QE   |      |       |       |
| <b>INRb</b>              |      |      |       |      |       |      |      |       |      |       |       |
| Domestic formulations    | 12.3 | 13.3 | 14.3  | 13.8 | 13.8  | 14.6 | 15.9 | 15.9  | 53.7 | 60.1  | 15.1  |
| YoY Change (%)           | 9.1  | 5.5  | 15.9  | 7.1  | 12.1  | 9.2  | 11.5 | 15.1  | 9.3  | 12.0  | 13.0  |
| US sales                 | 24.5 | 18.6 | 18.4  | 25.2 | 30.9  | 24.2 | 24.9 | 28.0  | 86.9 | 108.0 | 26.6  |
| YoY Change (%)           | 57.4 | 9.2  | -4.3  | 12.0 | 26.0  | 29.6 | 35.1 | 10.8  | 16.7 | 24.3  | 42.4  |
| Consumer healthcare      | 6.9  | 4.4  | 4.0   | 7.8  | 8.4   | 4.9  | 4.5  | 7.8   | 23.0 | 25.5  | 4.6   |
| YoY Change (%)           | 0.3  | 3.0  | -3.5  | 9.6  | 20.6  | 12.0 | 13.0 | 0.8   | 3.0  | 11.0  | 6.0   |
| EU                       | 0.6  | 0.6  | 0.7   | 1.0  | 0.9   | 0.6  | 0.8  | 0.9   | 3.0  | 3.2   | 0.6   |
| YoY Change (%)           | 5.0  | 5.0  | 5.0   | 39.7 | 45.0  | 8.0  | 8.5  | -14.2 | 15.0 | 8.3   | 8.0   |
| Emerging markets         | 4.2  | 3.9  | 4.2   | 3.9  | 4.4   | 4.8  | 4.9  | 4.9   | 16.3 | 18.9  | 4.4   |
| YoY Change (%)           | 34.7 | 19.0 | 17.0  | 7.4  | 3.0   | 21.3 | 16.0 | 24.8  | 23.6 | 16.0  | 12.0  |
| API                      | 1.4  | 1.3  | 1.4   | 1.4  | 1.4   | 1.2  | 1.4  | 1.6   | 5.7  | 5.6   | 1.5   |
| YoY Change (%)           | 13.5 | 14.4 | -23.9 | 14.8 | 1.9   | -6.5 | -2.0 | 8.3   | 3.4  | -1.6  | 15.0  |
| <b>Cost Break-up</b>     |      |      |       |      |       |      |      |       |      |       |       |
| RM Cost (% of Sales)     | 32.6 | 33.7 | 32.6  | 29.1 | 25.6  | 28.1 | 28.5 | 26.2  | 31.9 | 27.0  | 30.4  |
| Staff Cost (% of Sales)  | 14.2 | 17.2 | 18.1  | 15.1 | 14.2  | 16.8 | 16.9 | 17.1  | 16.1 | 16.2  | 16.8  |
| R&D Expenses(% of Sales) | 6.3  | 7.4  | 7.0   | 6.4  | 6.3   | 9.2  | 7.3  | 6.3   | 6.7  | 7.2   | 7.5   |
| Other Cost (% of Sales)  | 17.1 | 17.3 | 18.3  | 20.0 | 19.9  | 18.9 | 20.5 | 20.6  | 18.3 | 20.0  | 21.5  |
| Gross Margin (%)         | 67.4 | 66.3 | 67.4  | 70.9 | 74.4  | 71.9 | 71.5 | 73.8  | 68.1 | 73.0  | 69.6  |
| EBITDA Margin (%)        | 29.8 | 24.4 | 24.0  | 29.4 | 34.0  | 27.0 | 26.8 | 29.9  | 27.1 | 29.6  | 23.8  |
| EBIT Margin (%)          | 26.3 | 20.1 | 19.7  | 25.7 | 30.5  | 22.6 | 22.4 | 26.0  | 23.2 | 25.6  | 21.0  |

E: MOFSL Estimates



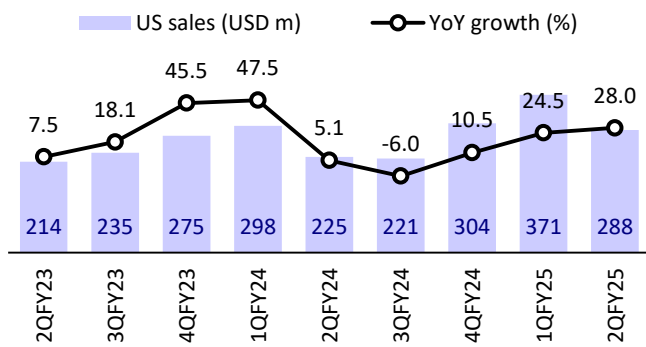
## Conference call highlights

- The ETR for FY25 is expected to be 24-25%.
- The company has guided that the R&D spending for the full year is 8%.
- There are potential launches such as g-Palbociclib over the medium term in the US generics market.
- It expects improved traction in the 505b2 version of Sitagliptin in FY26.
- It launched 12 new products (incl. line extensions) with four first-in-India launches.

- ZYDUSLIF grew faster than the market in key therapies of Cardiology, Gastro-Intestinal, Respiratory, Antiinfectives, and Oncology.
- Chronic therapies share has expanded 400bp to 41.8% over the past three years.
- ZYDUSLIF is focused on expanding its presence in select therapies across key markets by leveraging the global R&D portfolio of generics and specialty products.

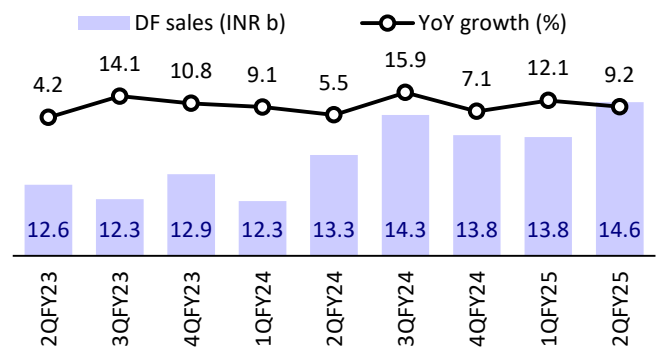
## Key exhibits

**Exhibit 1: In CC terms, the US sales grew 28% YoY in 2QFY25**



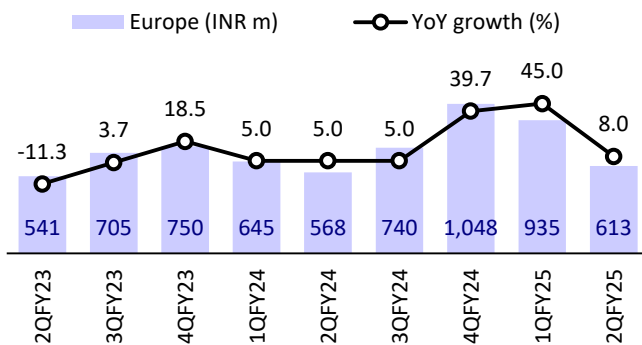
Source: MOFSL, Company

**Exhibit 2: DF business grew 9.2% YoY in 2QFY25**



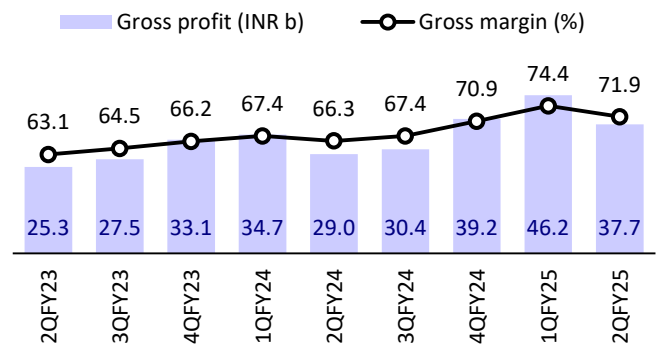
Source: MOFSL, Company

**Exhibit 3: Europe sales increased 8% YoY in 2QFY25**



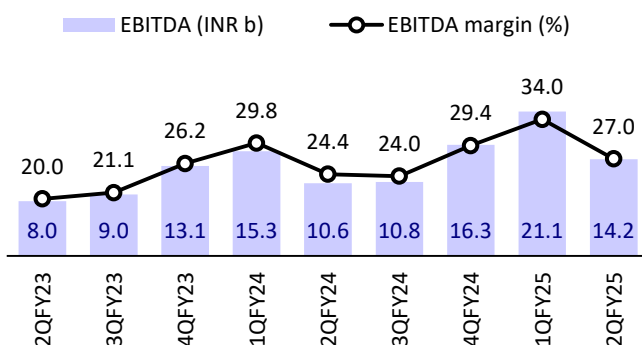
Source: MOFSL, Company

**Exhibit 4: Gross margin expanded 560bp YoY in 2QFY25**



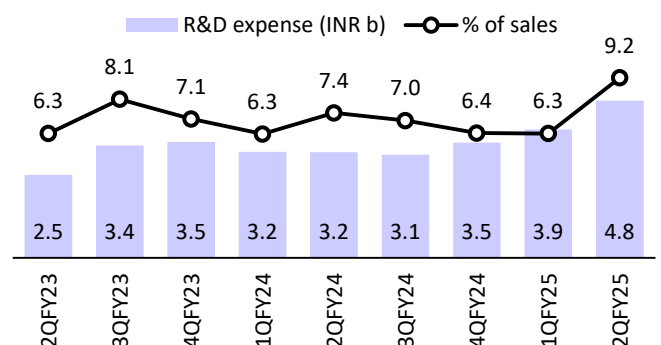
Source: MOFSL, Company

**Exhibit 5: EBITDA margin jumped 270bp YoY**



Source: MOFSL, Company

**Exhibit 6: R&D spending was ~9.2% of sales**



Source: MOFSL, Company

## Increased competition in the US to keep overall growth under check

### US: Enhanced effort required to drive growth over the next two years

- In 1HFY25, the US sales grew 27.6% YoY to INR55b (+26% YoY in CC terms to USD659m) due to new launches and volume expansion in the base business, supported by g-Revlimid.
- ZYDUSLIF continues to work on limited-competition products such as g-Palbociclib and g-riociguat to improve outlook over FY25-28.
- Despite generic competition kicking in g-Sitagliptin, ZYDUSLIF remains confident of generating business from the 505b2 version in FY26.
- It entered into an exclusive licensing and supply agreement with Viwit Pharma, for two Gadolinium-based MRI injectable and contrast agents, which would drive growth.
- Further, the company is looking for more in-licensing opportunities and the launch of niche products in the US market.
- ZYDUSLIF filed 13 ANDAs and received approvals for 15 products; it launched 11 products during the year.
- However, increased competition anticipated in g-Revlimid and a reduction in g-Asacol opportunities are expected to keep growth under check. We expect the US business to remain stable at USD1.7b over FY25-27.

### DF: strong growth across consumer/Rx businesses; niche products and the inorganic route to fuel growth

- In 1HFY25, DF revenue grew 11% YoY to INR28b. ZYDUSLIFE reported superior growth and market share gain in cardiology, gynae, derma, respiratory, anti-infectives, oncology, and nephrology, supported by volume growth.
- We expect ZYDUSLIF to generate a 11% CAGR in DF revenue, reaching INR74b over FY25-27. The measures that will propel this expansion include out-licensing major brands with major domestic companies, diversifying the portfolio in biosimilars and vaccines, boosting the share of chronic conditions, and improving the productivity of recently hired MRs.
- Consumer healthcare sales grew 17% YoY at INR13b in 1HFY25. This growth was broad-based and largely driven by volume growth. Both personal care and food & nutrition segments witnessed strong growth.
- To capitalize on the emerging consumer trends, the company has acquired Naturell (India) Pvt. Ltd, which has led ZYDUSLIF's entry into the healthy snacks category.
- We expect the consumer healthcare business to clock an 6% CAGR over FY25-27.

### NCE product development on track

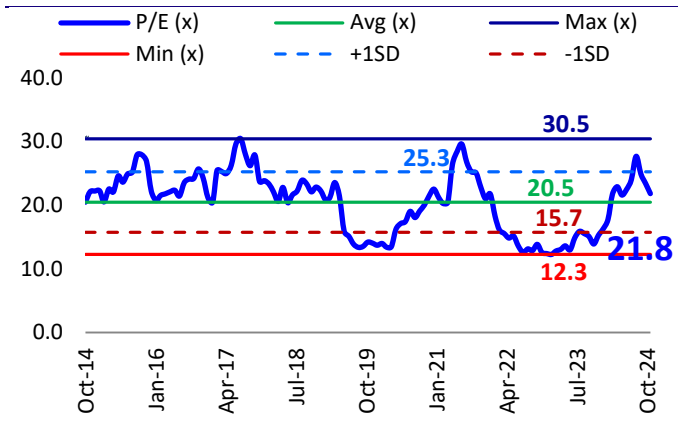
- Saroglitazar Mg has completed patient recruitment for Phase II(b)/III clinical trials targeting the PBC indication for the US market. The company anticipates filing the drug with the regulator in 1HFY26. The company expects to launch the product by the end of CY27.
- Further, for ZYIL1 (Usnoflast), the product is under clinical trials for four indications viz. ALS, Parkinson's disease, CAPS, and UC. It has completed patient recruitment for Phase II clinical trials.

- ZYDUSLIF has submitted a marketing authorization application for one of the monoclonal antibodies to the Indian regulator. On the novel biologics front, initiated Phase I clinical trials in India for an antiprimerdin molecule.
- Additionally, the company is also conducting clinical trials for Hepatitis E vaccines and biosimilar products.

**Valuation and view**

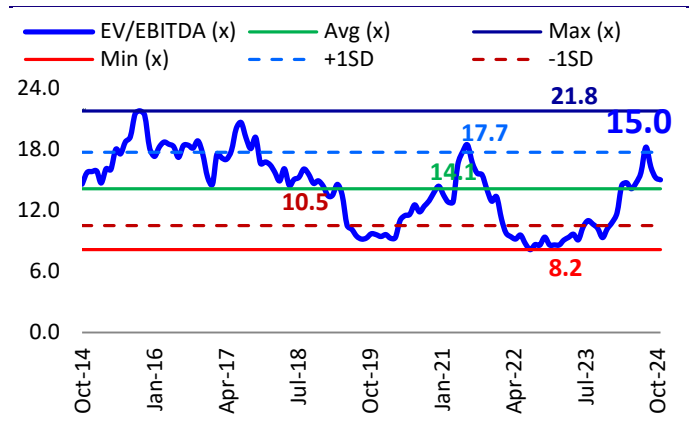
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- While ZYDUSLIF is implementing efforts to add differentiated products across focus markets and improve growth visibility in the domestic formulations market through increased share of chronic categories, we expect earnings to remain stable over FY25-27. This is due to reduced scope of business in products such as g-Revlimid (from 4QFY26) and g-Asacol. **We reiterate our Neutral rating on the stock as the current valuation factors in stable earnings over the next two years.**

**Exhibit 7: P/E chart**



Source: MOFSL, Company, Bloomberg

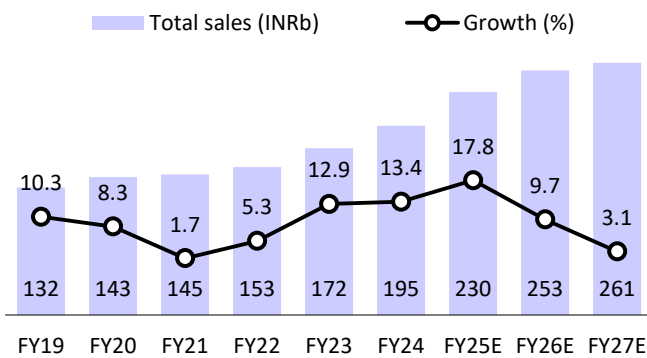
**Exhibit 8: EV/EBITDA chart**



Source: MOFSL, Company, Bloomberg

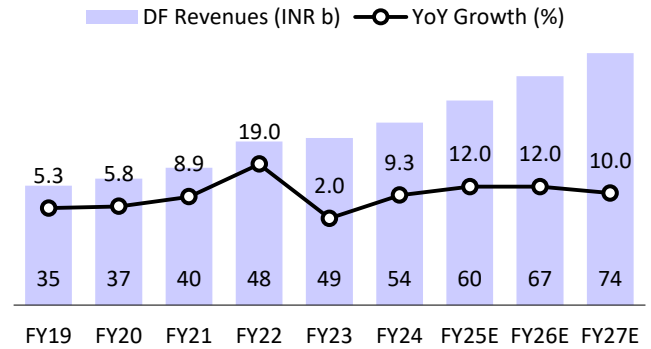
## Story in charts

**Exhibit 9: Revenue to clock 6.4% CAGR over FY25-27**



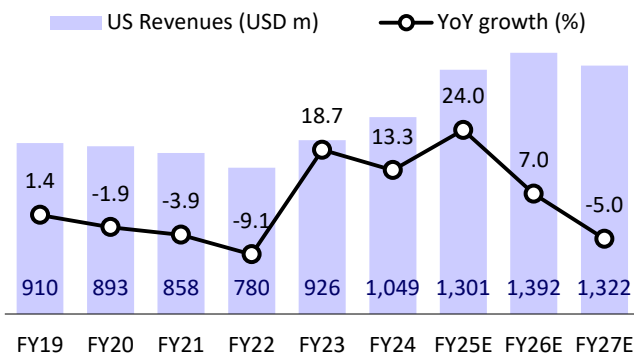
Source: Company, MOFSL

**Exhibit 10: DF sales to clock 11% CAGR over FY25-27**



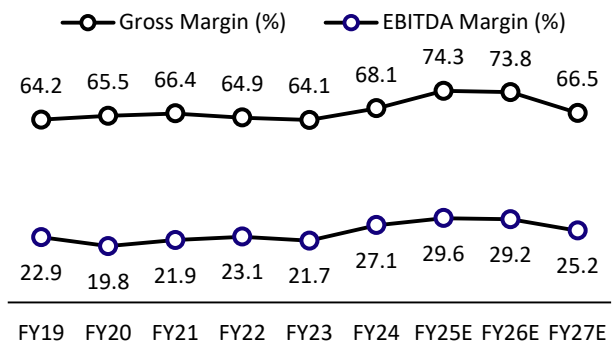
Source: Company, MOFSL

**Exhibit 11: US sales growth on a downtrend over FY25-27**



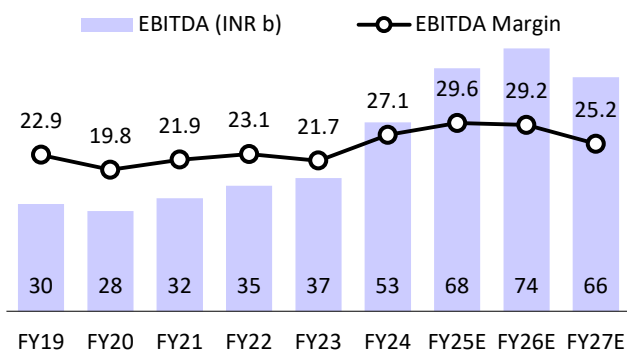
Source: Company, MOFSL

**Exhibit 12: EBITDA margin may dip over FY25-27**



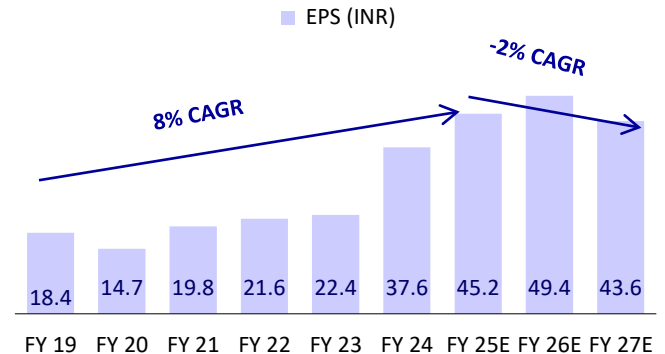
Source: Company, MOFSL

**Exhibit 13: Expect 1.8% decline in EBITDA over FY25-27**



Source: Company, MOFSL

**Exhibit 14: Expect 2% decline in adj. EPS over FY25-27**



Source: Company, MOFSL

## Financials and valuations

| Income Statement                 |              |              |              |              |              |              | (INR b)      |              |              |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Y/E March                        | FY19         | FY20         | FY21         | FY22         | FY23         | FY24         | FY25E        | FY26E        | FY27E        |
| <b>Net Sales</b>                 | <b>131.7</b> | <b>142.5</b> | <b>145.0</b> | <b>152.7</b> | <b>172.4</b> | <b>195.5</b> | <b>230.3</b> | <b>252.7</b> | <b>260.6</b> |
| Change (%)                       | 10.3         | 8.3          | 1.7          | 5.3          | 12.9         | 13.4         | 17.8         | 9.7          | 3.1          |
| Total Expenditure                | 101.5        | 114.4        | 113.2        | 117.4        | 135.0        | 142.4        | 162.1        | 178.9        | 194.9        |
| % of Sales                       | 77.1         | 80.2         | 78.1         | 76.9         | 78.3         | 72.9         | 70.4         | 70.8         | 74.8         |
| <b>EBITDA</b>                    | <b>30.1</b>  | <b>28.2</b>  | <b>31.8</b>  | <b>35.2</b>  | <b>37.4</b>  | <b>53.0</b>  | <b>68.2</b>  | <b>73.8</b>  | <b>65.7</b>  |
| Margin (%)                       | 22.9         | 19.8         | 21.9         | 23.1         | 21.7         | 27.1         | 29.6         | 29.2         | 25.2         |
| Depreciation                     | 6.0          | 7.0          | 7.1          | 7.1          | 7.2          | 7.6          | 9.2          | 9.5          | 9.7          |
| <b>EBIT</b>                      | <b>24.2</b>  | <b>21.2</b>  | <b>24.7</b>  | <b>28.1</b>  | <b>30.2</b>  | <b>45.4</b>  | <b>59.0</b>  | <b>64.3</b>  | <b>56.0</b>  |
| Int. and Finance Charges         | 1.9          | 3.4          | 1.6          | 1.3          | 1.3          | 0.8          | 1.0          | 0.6          | 0.6          |
| Other Income - Rec.              | 2.0          | 1.1          | 0.5          | 2.2          | 1.9          | 2.8          | 2.5          | 2.7          | 2.9          |
| <b>PBT before EO Expense</b>     | <b>24.2</b>  | <b>18.9</b>  | <b>23.5</b>  | <b>29.1</b>  | <b>30.7</b>  | <b>47.4</b>  | <b>60.4</b>  | <b>66.3</b>  | <b>58.4</b>  |
| EO Expense/(Income)              | 0.4          | 4.0          | 0.0          | 0.7          | 4.8          | -0.7         | -0.2         | 0.0          | 0.0          |
| <b>PBT after EO Expense</b>      | <b>23.8</b>  | <b>15.0</b>  | <b>23.5</b>  | <b>28.4</b>  | <b>25.9</b>  | <b>48.1</b>  | <b>60.6</b>  | <b>66.3</b>  | <b>58.4</b>  |
| Current Tax                      | 5.3          | 3.2          | 1.1          | 5.1          | 5.9          | 9.8          | 14.8         | 16.6         | 14.4         |
| Deferred Tax                     | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Tax                              | 5.3          | 3.2          | 1.1          | 5.1          | 5.9          | 9.8          | 14.8         | 16.6         | 14.4         |
| Tax Rate (%)                     | 22.3         | 21.4         | 4.8          | 18.0         | 22.7         | 20.3         | 24.5         | 25.0         | 24.7         |
| <b>Reported PAT</b>              | <b>18.5</b>  | <b>11.8</b>  | <b>22.4</b>  | <b>23.3</b>  | <b>20.0</b>  | <b>38.3</b>  | <b>45.7</b>  | <b>49.8</b>  | <b>44.0</b>  |
| Less: Minority Interest          | 0.0          | 0.0          | 2.1          | 0.8          | 0.4          | -0.1         | 0.1          | 0.1          | 0.1          |
| PAT from Discontinued operations |              |              | 1.0          | 22.5         |              |              |              |              |              |
| <b>Net Profit</b>                | <b>18.5</b>  | <b>11.8</b>  | <b>21.3</b>  | <b>44.9</b>  | <b>19.6</b>  | <b>38.4</b>  | <b>45.6</b>  | <b>49.7</b>  | <b>43.9</b>  |
| <b>PAT Adj for EO Items</b>      | <b>18.8</b>  | <b>15.0</b>  | <b>20.3</b>  | <b>22.1</b>  | <b>22.9</b>  | <b>37.9</b>  | <b>45.5</b>  | <b>49.7</b>  | <b>43.9</b>  |
| Change (%)                       | 4.8          | -20.0        | 34.8         | 8.9          | 3.9          | 65.0         | 20.2         | 9.1          | -11.7        |
| Margin (%)                       | 14.3         | 10.6         | 14.0         | 14.5         | 13.3         | 19.4         | 19.8         | 19.7         | 16.8         |

| Balance Sheet                      |              |              |              |              |              |              | (INR b)      |              |              |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Y/E March                          | FY19         | FY20         | FY21         | FY22         | FY23         | FY24         | FY25E        | FY26E        | FY27E        |
| Equity Share Capital               | 1.0          | 1.0          | 1.0          | 1.0          | 1.0          | 1.0          | 1.0          | 1.0          | 1.0          |
| Total Reserves                     | 102.8        | 102.7        | 128.9        | 169.0        | 174.1        | 197.3        | 253.1        | 295.6        | 332.3        |
| <b>Net Worth</b>                   | <b>103.9</b> | <b>103.8</b> | <b>129.9</b> | <b>170.0</b> | <b>175.2</b> | <b>198.3</b> | <b>254.1</b> | <b>296.6</b> | <b>333.3</b> |
| Minority Interest                  | 12.9         | 13.3         | 19.4         | 20.5         | 21.7         | 22.7         | 22.7         | 22.7         | 22.7         |
| Deferred liabilities               | -7.2         | -6.4         | -9.5         | -9.4         | -10.7        | -12.0        | -12.0        | -12.0        | -12.0        |
| Total Loans                        | 74.1         | 73.2         | 40.5         | 45.8         | 17.0         | 18.5         | 22.6         | 22.6         | 22.6         |
| <b>Capital Employed</b>            | <b>183.7</b> | <b>183.9</b> | <b>180.2</b> | <b>226.9</b> | <b>203.2</b> | <b>227.6</b> | <b>287.5</b> | <b>330.0</b> | <b>366.7</b> |
| Gross Block                        | 150.5        | 158.2        | 164.3        | 172.6        | 173.2        | 201.5        | 217.0        | 225.1        | 231.8        |
| Less: Accum. Deprn.                | 28.9         | 35.8         | 42.9         | 50.1         | 57.3         | 64.7         | 72.5         | 80.4         | 88.1         |
| <b>Net Fixed Assets</b>            | <b>121.6</b> | <b>122.3</b> | <b>121.3</b> | <b>122.5</b> | <b>115.9</b> | <b>136.8</b> | <b>144.5</b> | <b>144.7</b> | <b>143.7</b> |
| Capital WIP                        | 8.4          | 7.4          | 7.8          | 6.6          | 11.3         | 11.1         | 6.1          | 3.5          | 2.3          |
| Investments                        | 6.7          | 7.7          | 8.3          | 32.9         | 15.5         | 8.0          | 8.0          | 8.0          | 8.0          |
| <b>Curr. Assets</b>                | <b>88.4</b>  | <b>91.0</b>  | <b>90.6</b>  | <b>105.0</b> | <b>104.2</b> | <b>117.3</b> | <b>185.0</b> | <b>223.3</b> | <b>275.1</b> |
| Inventory                          | 26.9         | 27.9         | 32.4         | 37.2         | 34.1         | 34.4         | 47.9         | 42.8         | 54.9         |
| Account Receivables                | 39.5         | 36.6         | 31.3         | 33.4         | 44.2         | 52.2         | 62.4         | 66.5         | 68.5         |
| Cash and Bank Balance              | 5.5          | 9.6          | 8.9          | 11.1         | 5.7          | 11.1         | 55.1         | 94.4         | 132.1        |
| Loans & Advances                   | 16.5         | 16.8         | 18.1         | 23.3         | 20.2         | 19.6         | 19.6         | 19.6         | 19.6         |
| <b>Curr. Liability &amp; Prov.</b> | <b>41.5</b>  | <b>44.4</b>  | <b>47.9</b>  | <b>40.1</b>  | <b>43.6</b>  | <b>45.7</b>  | <b>56.2</b>  | <b>49.6</b>  | <b>62.5</b>  |
| Account Payables                   | 40.1         | 42.0         | 44.6         | 36.4         | 40.0         | 41.8         | 52.2         | 45.6         | 58.5         |
| Provisions                         | 1.4          | 2.4          | 3.3          | 3.7          | 3.7          | 3.9          | 3.9          | 3.9          | 3.9          |
| <b>Net Current Assets</b>          | <b>46.9</b>  | <b>46.5</b>  | <b>42.7</b>  | <b>64.9</b>  | <b>60.5</b>  | <b>71.6</b>  | <b>128.8</b> | <b>173.7</b> | <b>212.7</b> |
| <b>Appl. of Funds</b>              | <b>183.7</b> | <b>183.9</b> | <b>180.2</b> | <b>226.9</b> | <b>203.2</b> | <b>227.6</b> | <b>287.5</b> | <b>330.0</b> | <b>366.7</b> |

E: MOFSL Estimates



## Financials and valuations

### Ratios

| Y/E March                     | FY19        | FY20        | FY21        | FY22        | FY23        | FY24        | FY25E       | FY26E       | FY27E       |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>EPS</b>                    | <b>18.4</b> | <b>14.7</b> | <b>19.8</b> | <b>21.6</b> | <b>22.4</b> | <b>37.6</b> | <b>45.2</b> | <b>49.4</b> | <b>43.6</b> |
| Cash EPS                      | 23.9        | 18.3        | 27.8        | 50.8        | 26.3        | 45.7        | 54.5        | 58.8        | 53.2        |
| BV/Share                      | 101.5       | 101.4       | 126.9       | 166.1       | 171.1       | 197.1       | 252.6       | 294.9       | 331.3       |
| DPS                           | 3.6         | 3.6         | 3.6         | 4.6         | 6.0         | 5.4         | 5.8         | 5.8         | 5.8         |
| Payout (%)                    | 19.6        | 24.5        | 18.2        | 21.3        | 26.8        | 14.3        | 12.8        | 11.7        | 13.3        |
| <b>Valuation (x)</b>          |             |             |             |             |             |             |             |             |             |
| P/E                           | 51.8        | 64.7        | 48.0        | 44.1        | 42.4        | 25.3        | 21.0        | 19.3        | 21.8        |
| Cash P/E                      | 39.8        | 52.0        | 34.3        | 18.7        | 36.2        | 20.8        | 17.4        | 16.2        | 17.9        |
| P/BV                          | 9.4         | 9.4         | 7.5         | 5.7         | 5.6         | 4.8         | 3.8         | 3.2         | 2.9         |
| EV/Sales                      | 7.7         | 7.1         | 6.8         | 6.3         | 5.5         | 4.9         | 4.0         | 3.5         | 3.2         |
| EV/EBITDA                     | 33.8        | 36.0        | 30.9        | 27.2        | 25.5        | 18.0        | 13.4        | 11.9        | 12.8        |
| Dividend Yield (%)            | 0.4         | 0.4         | 0.4         | 0.5         | 0.6         | 0.6         | 0.6         | 0.6         | 0.6         |
| <b>Return Ratios (%)</b>      |             |             |             |             |             |             |             |             |             |
| RoE                           | 19.3        | 11.3        | 17.4        | 14.7        | 13.3        | 20.3        | 20.1        | 18.0        | 13.9        |
| RoCE                          | 12.8        | 9.9         | 13.8        | 12.9        | 12.1        | 18.8        | 18.8        | 16.9        | 13.2        |
| RoIC                          | 14.1        | 10.3        | 15.0        | 13.9        | 13.4        | 19.7        | 21.4        | 21.8        | 18.8        |
| <b>Working Capital Ratios</b> |             |             |             |             |             |             |             |             |             |
| Asset Turnover (x)            | 0.7         | 0.8         | 0.8         | 0.7         | 0.8         | 0.9         | 0.8         | 0.8         | 0.7         |
| Fixed Asset Turnover (x)      | 1.4         | 1.2         | 1.2         | 1.3         | 1.4         | 1.5         | 1.6         | 1.7         | 1.8         |
| Debtor (Days)                 | 99          | 97          | 82          | 77          | 82          | 90          | 91          | 93          | 95          |
| Inventory (Days)              | 70          | 70          | 76          | 83          | 76          | 64          | 65          | 65          | 68          |
| Working Capital T/O (Days)    | 115         | 94          | 85          | 129         | 116         | 113         | 117         | 115         | 113         |
| <b>Leverage Ratio (x)</b>     |             |             |             |             |             |             |             |             |             |
| Net Debt/Equity               | 0.8         | 0.7         | 0.3         | 0.2         | 0.1         | 0.0         | -0.1        | -0.3        | -0.4        |

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### Cash Flow Statement

| Y/E March                             | FY19         | FY20         | FY21         | FY22         | FY23         | FY24         | FY25E        | FY26E       | FY27E        |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|--------------|
| Oper. Profit/(Loss) bef. Tax          | 30.1         | 28.2         | 31.8         | 35.2         | 25.8         | 48.4         | 68.2         | 73.8        | 65.7         |
| Interest/Dividends Recd.              | 2.0          | 1.1          | 0.5          | 2.2          | -0.8         | -1.3         | 2.5          | 2.7         | 2.9          |
| Direct Taxes Paid                     | -5.3         | -3.2         | -1.1         | -5.1         | -5.9         | -12.9        | -14.8        | -16.6       | -14.4        |
| (Inc)/Dec in WC                       | -3.1         | 4.6          | 3.0          | -20.0        | -2.4         | -8.7         | -13.2        | -5.6        | -1.3         |
| <b>CF from Operations</b>             | <b>23.7</b>  | <b>30.7</b>  | <b>34.1</b>  | <b>12.4</b>  | <b>16.8</b>  | <b>25.5</b>  | <b>42.6</b>  | <b>54.3</b> | <b>53.0</b>  |
| EO Expense / (Income)                 | 0.4          | 4.0          | 0.0          | 0.7          | 4.8          | -0.7         | -0.2         | 0.0         | 0.0          |
| <b>CF from Operating incl EO Exp.</b> | <b>12.8</b>  | <b>25.1</b>  | <b>34.1</b>  | <b>11.7</b>  | <b>26.9</b>  | <b>32.3</b>  | <b>42.8</b>  | <b>54.3</b> | <b>53.0</b>  |
| (inc)/dec in FA                       | -55.9        | -6.7         | -6.5         | -7.1         | -9.9         | -16.0        | -11.9        | -7.1        | -7.4         |
| <b>Free Cash Flow</b>                 | <b>-43.1</b> | <b>18.4</b>  | <b>27.6</b>  | <b>4.6</b>   | <b>17.0</b>  | <b>16.2</b>  | <b>30.9</b>  | <b>47.2</b> | <b>45.5</b>  |
| (Pur)/Sale of Investments             | -2.0         | -0.9         | -0.7         | -24.6        | 24.5         | 0.0          | 0.0          | 0.0         | 0.0          |
| Others                                | 15.5         | -2.5         | 0.0          | 0.0          | 0.8          | 1.3          | 0.0          | 0.0         | 0.0          |
| <b>CF from Investments</b>            | <b>-42.4</b> | <b>-10.1</b> | <b>-7.2</b>  | <b>-31.7</b> | <b>15.4</b>  | <b>-14.8</b> | <b>-11.9</b> | <b>-7.1</b> | <b>-7.4</b>  |
| Inc/(Dec) in Debt                     | 31.7         | -0.4         | -26.8        | 6.5          | -31.4        | -3.9         | 4.1          | 0.0         | 0.0          |
| Interest Paid                         | -1.9         | -3.4         | -1.6         | -1.3         | -1.3         | -0.7         | -1.0         | -0.6        | -0.6         |
| Dividend Paid                         | -3.7         | -4.3         | -4.4         | -5.7         | -2.7         | -6.2         | -7.2         | -7.2        | -7.2         |
| <b>CF from Fin. Activity</b>          | <b>16.5</b>  | <b>-13.1</b> | <b>-27.7</b> | <b>22.2</b>  | <b>-47.6</b> | <b>-12.2</b> | <b>13.1</b>  | <b>-7.9</b> | <b>-7.8</b>  |
| <b>Inc/Dec of Cash</b>                | <b>-13.0</b> | <b>1.9</b>   | <b>-0.8</b>  | <b>2.2</b>   | <b>-5.3</b>  | <b>5.3</b>   | <b>44.0</b>  | <b>39.3</b> | <b>37.7</b>  |
| Add: Beginning Balance                | 15.9         | 7.8          | 9.6          | 8.9          | 11.1         | 5.7          | 11.1         | 55.1        | 94.4         |
| <b>Closing Balance</b>                | <b>5.5</b>   | <b>9.6</b>   | <b>8.9</b>   | <b>11.1</b>  | <b>5.7</b>   | <b>11.1</b>  | <b>55.1</b>  | <b>94.4</b> | <b>132.1</b> |
| <b>Total Cash &amp; Cash Eq</b>       | <b>5.5</b>   | <b>9.6</b>   | <b>8.9</b>   | <b>11.1</b>  | <b>5.7</b>   | <b>11.1</b>  | <b>55.1</b>  | <b>94.4</b> | <b>132.1</b> |

E: MOFSL Estimates

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| Explanation of Investment Rating |  |
|----------------------------------|--|
| Investment Rating                | Expected return (over 12-month)  |
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| SELL                             | < - 10%  |
| NEUTRAL                          | > - 10 % to 15%  |
| UNDER REVIEW                     | Rating may undergo a change  |
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