10 March 2025
Update | Healthcare

# Sun Pharma

| BSE SENSEX | S&P CNX |
|---|---|
| 74,115 | 22,460 |

## CMP: INR1,612 TP: INR1,970 (+22%) Buy

## Checkpoint deal bolsters global specialty portfolio

- **Sun Pharmaceuticals (SUNP) has entered into an agreement to acquire Checkpoint Therapeutics (current mkt cap: USD120m) for an upfront payment of USD355m to its shareholders.**
- **This acquisition expands SUNP's onco-derma offerings and marks its entry into PD-L1 (Programmed Death Ligand-1) inhibitors. These inhibitors are effective against multiple cancers with fewer side effects.**
- **Specifically, Checkpoints' Unloxcyt (Cosibelimab-ipdl) is a USFDA-approved potential drug to treat cutaneous squamous cell carcinoma (cSCC) patients. In fact, this drug holds the potential for additional indications through combining the drug with synergistic molecules.**
- **Considering a) evolving products in the PDL1 inhibitor category and the commercial success of already approved products at the industry level, b) superiority of Unloxcyt due to fewer side effects with similar efficacy, and c) significant scope to add new indications using Cosibelimab combinations, we believe this acquisition will provide robust commercial benefits going forward.**
- **We largely maintain our estimates for FY25/FY26/FY27. We value SUNP at 30x 12M forward earnings to arrive at our TP of INR1,970. Maintain BUY.**

## Checkpoint Therapeutics – focuses on development of cancer immunotherapy and targeted oncology treatments

- Checkpoint is a Nasdaq-listed commercial-stage company focused on developing novel treatments for patients with solid tumor cancers.
- Checkpoint has received approval from the USFDA for Unloxcyt (cosibelimab-ipdl) for the treatment of adults with metastatic cSCC (type of skin cancer) or locally advanced cSCC, who are not candidates for curative surgery or curative radiation. It is the second most common form of human cancer.
- Checkpoint was founded in Nov'14. In addition to approved Cosibelimab, it has a pipeline of drugs (Olafertinib – starting Phase1) and early stage programs (CK-103, CK-302, CK-303)

## Transaction to be completed by 2QCY25

- SUNP will acquire all outstanding shares of Checkpoint by an upfront cash payment of USD4.1 per share (CMP USD2.47; Mkt cap: USD120m). The deal is expected to be compinleted in 2QCY25.
- The eligible stockholder will receive USD0.7 in cash, if Cosibelimab is approved prior to certain deadlines in the European Union pursuant to the centralized approval procedure or in Germany, France, Italy, Spain or the UK, subject to the terms and conditions in the contingent value rights agreement.
- The aggregate consideration (excl USD0.7/share) is expected to be USD355m.
- For 9M ending Sep'24, Checkpoint had revenue of USD0.04m and a net loss of USD27m. The R&D expense was USD19.3m. Checkpoint had a cash balance of USD4.7m.

### Stock Info

| | |
|---|---|
| Bloomberg | SUNP IN |
| Equity Shares (m) | 2399 |
| M.Cap.(INRb)/(USDb) | 3866.4 / 44.3 |
| 52-Week Range (INR) | 1960 / 1377 |
| 1, 6, 12 Rel. Per (%) | -3/-2/1 |
| 12M Avg Val (INR M) | 3880 |
| Free float (%) | 45.5 |

### Financials Snapshot (INR b)

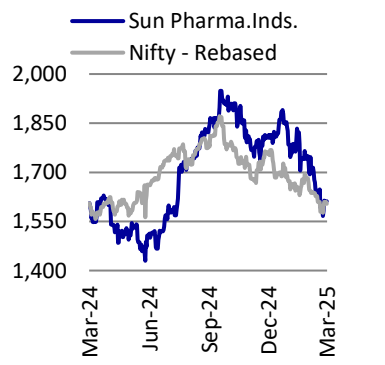
| Y/E MARCH | FY25E | FY26E | FY27E |
|---|---|---|---|
| Sales | 522.4 | 576.3 | 629.4 |
| EBITDA | 144.9 | 165.6 | 183.9 |
| Adj. PAT | 118.3 | 143.1 | 160.2 |
| EBIT Margin (%) | 22.9 | 24.1 | 24.9 |
| Cons. Adj. EPS (INR) | 49.2 | 59.5 | 66.6 |
| EPS Gr. (%) | 18.7 | 21.0 | 11.9 |
| BV/Sh. (INR) | 306.9 | 359.6 | 419.4 |
| **Ratios** | | | |
| Net D:E | -0.17 | -0.26 | -0.35 |
| RoE (%) | 17.2 | 17.9 | 17.1 |
| RoCE (%) | 17.0 | 17.9 | 17.2 |
| Payout (%) | 13.8 | 11.3 | 10.1 |
| **Valuations** | | | |
| P/E (x) | 32.8 | 27.1 | 24.2 |
| EV/EBITDA (x) | 30.2 | 25.9 | 22.6 |
| Div. Yield (%) | 0.4 | 0.4 | 0.4 |
| FCF Yield (%) | 1.3 | 2.6 | 3.1 |
| EV/Sales (x) | 8.4 | 7.4 | 6.6 |

### Shareholding pattern (%)

| As On | Dec-24 | Sep-24 | Dec-23 |
|---|---|---|---|
| Promoter | 54.5 | 54.5 | 54.5 |
| DII | 18.6 | 18.6 | 19.5 |
| FII | 18.1 | 18.0 | 17.1 |
| Others | 8.9 | 8.9 | 8.9 |

FII Includes depository receipts

### Stock Performance (1-year)

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## PD-L1 market on strong growth path; Advantage Cosibelimab (Unloxcyt)

- In this note, we have highlighted the overall landscape of PDL1 inhibitors.
- PD-L1 inhibitors are a class of checkpoint inhibitor immunotherapies that block the PD-L1 protein on cancer cells, restoring T-cell activity and allowing the immune system to attack tumors.
- They are used to treat various cancers, including lung cancer, bladder cancer, and cSCC.
- Key FDA-approved PD-L1 inhibitors include Atezolizumab (Tecentriq), Durvalumab (Imfinzi), Avelumab (Bavencio), Cemiplimab (Libtayo) and Cosibelimab-ipdl (Unloxcyt).
- The six commercialized drugs have made sales of ~USD48b (CY24) and still the demand remains unmet.
- Specifically, Libtayo had sales of USD1.2b, a close comparison for Cosibelimab. In fact, Cosibelimab has fewer side effects than Libtayo, implying technical superiority.
- Checkpoint has scope to add more indications through Cosibelimab combinations and non-small cell lung cancer (NSCLC) expansion strategy in place.

## Valuation and view

- SUNP, our top pick in the pharma space, is in good stead to deliver superior performance in the branded generics market of India as well as globally.
- It continues to implement efforts to strengthen specialty offerings through steady market share gains in already commercialized products and adding differentiated products to the portfolio with a focused approach to dermatology, ophthalmology and onco-dermatology.
- The acquisition of Checkpoints adds a new growth lever in SUNP's onco-dermatology segment.
- In fact, Cosibelimab (Unloxcyt) has the potential to achieve USD1b in sales over the next 5-7 years.
- We largely maintain our estimates for FY25/FY26/FY27 as we believe that in the medium term, SUNP will make efforts to market the products acquired through Checkpoint. We value SUNP at 30x 12M forward earnings to arrive at our TP of INR1,970.

## Checkpoint acquisition strengthens SUNP's Oncology portfolio

- **The Checkpoint acquisition expands SUNP's onco-derma offerings and marks its entry into PD-L1 inhibitors.**
- **Checkpoints' Unloxcyt (Cosibelimab-ipdl) is a USFDA-approved potential drug to treat cSCC patients.**
- **Key competitors like Pembrolizumab (Keytruda) and Cemiplimab (Libtayo), though growing significantly, have multiple side effects.**
- **Cosibelimab (Unloxcyt) has observed lower rates of moderate and severe side effects to date in its ongoing study as compared to Libtayo.**
- **This paves the way for Unloxcyt to a USD1-1.6b annual opportunity in the US.**
- **The next leg of growth is expected from Olafertinib, a third-generation EFGR inhibitor.**

### SUNP's Onco-Derma portfolio expanded with Checkpoint deal

- The Checkpoint deal will strengthen SUNP's global onco-dermatology franchise. SUNP will add Checkpoint's recently USFDA approved cancer treatment, Unloxcyt (Cosibelimab-ipdl) to its portfolio. The acquisition is expected to close in 2QCY25.
- Unloxcyt is the first and only FDA-approved anti-PD-L1 treatment for metastatic or locally advanced cSCC, a form of skin cancer.
- Unloxcyt is manufactured through a partnership with Samsung Biologics, a leading contract development and manufacturing organization (CDMO). This collaboration began in 2017 and was expanded in 2020 to include additional commercial-scale drug substance manufacturing.
- cSCC is the second-most common skin cancer in the US, with ~1.8m cases annually. About 40,000 cases progress to advanced stages, and the disease causes around 15,000 deaths each year.
- The cSCC market reached USD8b in 2024 and is expected to reach USD14b by 2035, posting a growth of 5.27% over 2025-2035.

### PD-1/PD-L1 inhibitors – key for treating immunogenic cancers

- Checkpoint inhibitors are immunotherapy drugs that enhance the immune system's ability to recognize and attack cancer cells.
- PD-1 (Programmed Death-1) and PD-L1 inhibitors block proteins that deactivate T-cells, restoring their ability to fight cancer.
- Cancer cells evade the immune response by expressing PD-L1, which binds to PD-1 receptors on T-cells, suppressing their function.
- PD-1/PD-L1 inhibitors disrupt this interaction, reactivating T-cells to effectively target and destroy cancer cells.

**Exhibit 1: Advantages and challenges of PD-1/PD-L1 inhibitors**

| Benefits | Limitations and Challenges |
|---|---|
| Effective against Multiple cancers | ❖ Not all patients respond to treatment |
| Fewer side effects than chemotherapy | ❖ Potential immune-related side effects (autoimmune-like reactions) |
| Can provide long-lasting immune memory against cancer | ❖ High cost of treatment |

Source: Industry

## PD-1/PD-L1 drugs already have ~USD48b market and continue to show strength

- Currently, six USFDA-approved checkpoint inhibitors target PD-1 checkpoint receptors, each benefiting different cancer types.
- For example, Pembrolizumab (Merck & Co.) is approved for over 18 cancer types, whereas BeiGene's tislelizumab has FDA approval for a specific type of esophageal cancer.

**Exhibit 2: Six commercialized PD-1/PD-L1 drugs record annual sales of USD48b (CY24)**

| Drug | Target | Approved Cancers | Manufacturer | CY24 Projected Sales (USDb) |
|---|---|---|---|---|
| **Pembrolizumab (Keytruda)** | PD-1 | ❖ Lung, melanoma, head & neck, bladder, colorectal, etc. | ❖ Merck | **27.5** |
| **Nivolumab (Opdivo)** | PD-1 | ❖ Lung, melanoma, kidney, Hodgkin's lymphoma, etc. | ❖ Bristol Myers Squibb | **10.1** |
| **Atezolizumab (Tecentriq)** | PD-L1 | ❖ Lung, bladder, breast (triple-negative), liver, etc. | ❖ Roche/Genentech | **3.5** |
| **Durvalumab (Imfinzi)** | PD-L1 | ❖ Lung, bladder, biliary tract cancer | ❖ AstraZeneca | **4.8** |
| **Avelumab (Bavencio)** | PD-L1 | ❖ Merkel cell carcinoma, bladder, renal cancer | ❖ Pfizer/Merck KGaA | **0.7** |
| **Cemiplimab (Libtayo)** | PD-1 | ❖ Cutaneous squamous cell carcinoma, lung, cervical | ❖ Regeneron/Sanofi | **0.8** |

Source: MOFSL, Industry

- Pembrolizumab (Keytruda) by Merck is the top-selling checkpoint inhibitor with projected sales of USD27.5b in 2024, followed by Nivolumab (Opdivo) by Bristol Myers Squibb with projected sales of USD10.1b.
- Imfinzi and Tecentriq show moderate growth, while Bavencio and Libtayo remain niche players.
- PD-1 inhibitors (Keytruda, Opdivo, Libtayo) have higher sales, indicating stronger market demand. PD-L1 inhibitors (Tecentriq, Imfinzi, Bavencio) have lower sales, suggesting they target fewer high-demand indications or face stronger competition.
- Despite its overall success, Keytruda faced challenges in cSCC. In Aug'24, Merck discontinued a late-stage study of Keytruda for advanced cSCC due to insufficient efficacy.

## Advantage Cosibelimab over Cemiplimab (Libtayo)

- Cosibelimab demonstrates efficacy similar to Cemiplimab (Libtayo), the FDA-approved treatment for metastatic or locally advanced cSCC.
- This opens up a path to a USD1-2b annual cSCC treatment market and an initial entry point to penetrating the rapidly growing USD25b annual market for this class of checkpoint inhibitors across all cancer types.
- Libtayo is the first and only immunotherapy to demonstrate a statistically significant DFS (Disease-Free Survival) benefit in high-risk adjuvant cSCC, setting it apart in a niche segment.
- Initially approved for CSCC, Libtayo's label now includes NSCLC and basal cell carcinoma (BCC), broadening its treatment scope and market potential.
- Clinical trials evaluating Libtayo in combination with Fianlimab (LAG-3 inhibitor) indicate potential for enhanced efficacy, which could drive higher adoption and revenue growth.

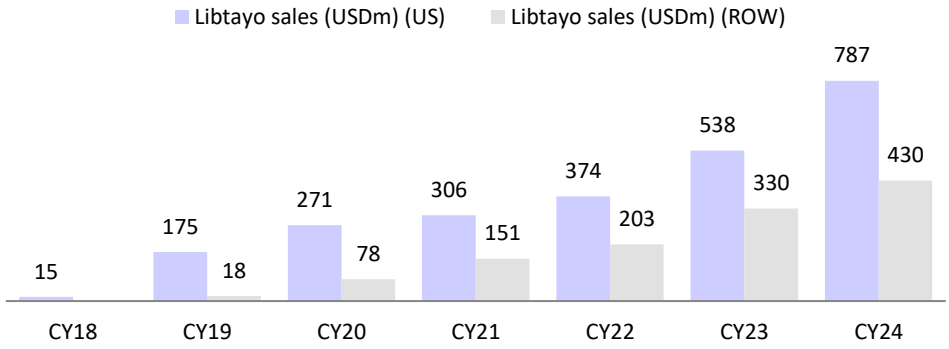
**Exhibit 3: Cosibelimab (Unloxcyt) has fewer side-effects compared to Cemiplimab (Libtayo)**

| Feature | Cosibelimab (Unloxcyt) | Cemiplimab (Libtayo) |
|---|---|---|
| Developer | ❖ Checkpoint Therapeutics | ❖ Regeneron Pharmaceuticals |
| Target | ❖ PD-L1 inhibitor | ❖ PD-1 inhibitor |
| Approval Date | ❖ December 2024 (FDA for cSCC) | ❖ CY18 (FDA for cSCC) |
| Mechanism of Action | ❖ Blocks PD-L1 to enhance T-cell response | ❖ Blocks PD-1 to restore immune function |
| Indications | ❖ Metastatic & locally advanced cSCC | ❖ cSCC, NSCLC, Basal Cell Carcinoma (BCC) |
| Efficacy (ORR) | ❖ ~47% ORR in cSCC (Phase 3) | ❖ ~47% ORR in cSCC (Phase 2) |
| Dosing Schedule | ❖ Once every 3 weeks | ❖ Once every 2 or 3 weeks |
| Safety Profile | ❖ Lower immune-related adverse events vs. PD-1 inhibitors | ❖ Higher rate of immune-related AEs |
| Cost Advantage | ❖ Expected to be lower-cost alternative | ❖ Premium pricing (~USD9,600 per dose) |
| Market Position | ❖ New entrant, cost-competitive | ❖ Established, blockbuster drug (~USD1.22B in 2024 sales) |

Source: MOFSL, Industry

- The US remains the largest market for Libtayo, with sales skyrocketing 53x from USD14.8Mm in CY18 to USD787m in CY24, demonstrating strong adoption and market expansion.
- While sales in ROW began in 2019 at USD18.1m, they have surged to USD429.5m in 2024, highlighting increasing international demand.
- Though the US leads in Libtayo sales, ROW is gaining traction, driven by regulatory approvals, market accessibility, and wider physician adoption.

**Exhibit 4: Libtayo US/RoW market saw 35%/88% CAGR over FY19-FY24**




Source: MOFSL, Regeneron Pharmaceuticals

- However, Cemiplimab has severe reactions, including life-threatening reactions with flu-like symptoms and painful rash affecting the skin, mouth, eyes and genitals.
- As per recent publications, T-cells with an anti-PD-1 lead to higher rates of moderate to severe immune-related side effects as compared to an anti-PD-L1 antibody (such as Cosibelimab) that targets PD-L1 on tumor cells.
- Cosibelimab has observed lower rates of moderate and severe side effects to date in its ongoing study as compared to Libtayo.
- Cosibelimab-ipdl is a USD1-1.6b annual opportunity in the US markets. Additionally, regulatory approvals are being pursued in Europe (EMA) and the UK (MAA), which could further expand its market reach and revenue potential.

## Next Phase of growth for Checkpoint: Olafertinib (Third generation EFGR inhibitor)

- Olafertinib (CK-101/RX-518) is a third-generation epidermal growth factor receptor (EGFR) tyrosine kinase inhibitor (TKI) designed to specifically target EGFR mutations in non-small cell lung cancer (NSCLC).
- It selectively and irreversibly inhibits mutant EGFR, including the T790M resistance mutation, while minimizing effects on wild-type EGFR, aiming for higher efficacy and reduced side effects.
- Checkpoint Therapeutics, in collaboration with Suzhou NeuPharma, is developing Olafertinib. The drug has progressed through Phase I/II clinical trials, evaluating its safety, tolerability, pharmacokinetics, and preliminary efficacy in patients with advanced NSCLC. As of Jun'22, a Phase I/II trial was completed, involving participants from the US, Australia, Poland, New Zealand, and Thailand.
- Olafertinib is primarily being studied for NSCLC patients resistant to first- and second-generation EGFR inhibitors, addressing the common T790M mutation-driven resistance that limits earlier therapies.

**Exhibit 5: Competitive landscape for drugs to treat NSCLC**

| Target | Drug | Company | Key Differentiation | 1L Approval? | CY24 Sales (USDb) |
|---|---|---|---|---|---|
| EGFR | Osimertinib (Tagrisso) | AstraZeneca | ❖ Gold standard; 1L, 2L, and adjuvant use | Yes | 6.5 |
| EGFR | Olafertinib | Checkpoint Tx | ❖ 3rd-gen EGFR TKI, competing with Osimertinib | ✕ (Phase II) | N/A |
| EGFR | Lazertinib | Yuhan/Janssen | ❖ Combo with amivantamab for exon 20 insertions | ✕ (Phase III) | N/A |
| KRAS G12C | Sotorasib (Lumakras) | Amgen | ❖ 1st FDA-approved KRAS inhibitor | Yes | 0.8 |
| KRAS G12C | Adagrasib (Krazati) | Mirati/BMS | ❖ Longer duration of response vs. Sotorasib | Yes | 0.5 |
| ALK | Alectinib (Alecensa) | Roche | ❖ 1L ALK+ standard; CNS penetration | Yes | 1.5 |
| ALK | Lorlatinib (Lorbrena) | Pfizer | ❖ Most potent ALK inhibitor; CNS activity | Yes | 0.6 |
| BRAF V600E | Dabrafenib + Trametinib | Novartis | ❖ First BRAF/MEK combo in NSCLC | Yes | 0.4 |

Source: MOFSL, Company

**Exhibit 6: Checkpoint Therapeutics key milestones**

| Year | Event | Description |
|---|---|---|
| CY15 | Company Formation | ❖ Founded as a subsidiary of Fortress Biotech to develop novel cancer therapies. |
| CY16 | Pipeline Development | ❖ Licensed Cosibelimab (anti-PD-L1 antibody) from Dana-Farber Cancer Institute |
| CY17 | Early-Stage Trials | ❖ Initiated Phase 1 trials for Cosibelimab in advanced solid tumors.<br>❖ Preclinical data suggested combination potential for Cosibelimab. |
| CY19 | Clinical Expansion | ❖ Phase 1 Expansion Study began for cSCC. |
| CY20 | Positive Interim Data | ❖ High ORR (Objective Response Rate) observed in cSCC (~50%).<br>❖ Advanced CK-101 (EGFR inhibitor) for NSCLC |
| CY21 | Breakthrough in cSCC | ❖ Cosibelimab shows durable responses in late-stage cSCC trials. |
| CY22 | Regulatory Pathway | ❖ Finalized Phase 1 results for Cosibelimab in cSCC |
| CY23 | BLA submission to FDA | ❖ Submitted Biologics License Application (BLA) for Cosibelimab in cSCC.<br>❖ Positioned as a low-cost competitor to Keytruda & Libtayo. |
| CY24 | FDA Decision & Commercialization (Expected) | ❖ USFDA approval for Cosibelimab in cSCC.<br>❖ NSCLC Expansion Strategy under development |

Source: MOFSL, Company

# Financials and valuations

| Income Statement | | | | | | (INR b) |
|---|---|---|---|---|---|---|
| **Y/E March** | **FY22** | **FY23E** | **FY24** | **FY25E** | **FY26E** | **FY27E** |
| **Net Sales** | **383.1** | **432.3** | **477.6** | **522.4** | **576.3** | **629.4** |
| Change (%) | 15.5 | 12.8 | 10.5 | 9.4 | 10.3 | 9.2 |
| Total Expenditure | 284.1 | 321.1 | 355.1 | 377.5 | 410.6 | 445.5 |
| % of Sales | 74.2 | 74.3 | 74.4 | 72.3 | 71.3 | 70.8 |
| **EBITDA** | **99.0** | **111.1** | **122.5** | **144.9** | **165.6** | **183.9** |
| Margin (%) | 25.8 | 25.7 | 25.6 | 27.7 | 28.7 | 29.2 |
| Depreciation | 21.4 | 25.3 | 25.6 | 25.4 | 26.6 | 26.9 |
| **EBIT** | **77.6** | **85.8** | **96.9** | **119.5** | **139.0** | **157.0** |
| Int. and Finance Charges | 1.3 | 1.7 | 2.4 | 2.2 | 2.1 | 1.9 |
| Other Income - Rec. | 10.2 | 11.3 | 20.9 | 23.3 | 25.7 | 26.7 |
| Extra-ordinary Exp | 43.2 | 1.4 | 4.6 | 0.4 | 0.0 | 0.0 |
| **PBT** | **43.3** | **94.1** | **110.9** | **140.1** | **162.6** | **181.8** |
| Tax Rate (%) | 24.8 | 9.0 | 13.0 | 15.5 | 11.2 | 11.2 |
| **Profit after Tax** | **32.6** | **85.6** | **96.5** | **118.4** | **144.4** | **161.4** |
| Change (%) | 42.5 | 162.9 | 12.7 | 22.7 | 22.0 | 11.8 |
| Margin (%) | 8.3 | 19.3 | 19.4 | 21.7 | 24.0 | 24.6 |
| Less: Minority Interest | 1.3 | -0.9 | 0.7 | 0.4 | 1.3 | 1.3 |
| **Reported PAT** | **31.2** | **84.7** | **95.8** | **118.0** | **143.1** | **160.2** |
| **Adjusted PAT (excl. Ex. Items)** | **75.3** | **86.1** | **99.7** | **118.3** | **143.1** | **160.2** |

| Balance Sheet | | | | | | (INR b) |
|---|---|---|---|---|---|---|
| **Y/E March** | **FY22** | **FY23E** | **FY24** | **FY25E** | **FY26E** | **FY27E** |
| **Net Worth** | **480.1** | **560.0** | **636.7** | **738.3** | **865.2** | **1,009.1** |
| Total Loans | 11.8 | 67.6 | 31.5 | 22.3 | 15.9 | 11.3 |
| **Capital Employed** | **493.8** | **629.4** | **663.1** | **755.2** | **876.8** | **1,017.4** |
| Gross Block | 248.1 | 273.5 | 297.1 | 344.6 | 374.6 | 404.6 |
| Less: Accum. Deprn. | 144.3 | 169.6 | 195.2 | 220.6 | 247.2 | 274.1 |
| **Net Fixed Assets** | **103.7** | **103.9** | **101.9** | **124.1** | **127.4** | **130.6** |
| Capital WIP | 8.0 | 9.6 | 11.1 | 13.7 | 15.1 | 16.6 |
| Goodwill | 125.8 | 180.4 | 172.7 | 172.7 | 172.7 | 172.7 |
| Investments | 52.1 | 54.6 | 64.4 | 64.4 | 64.4 | 64.4 |
| **Curr. Assets** | **379.4** | **427.3** | **463.5** | **534.5** | **672.5** | **826.9** |
| Inventory | 90.0 | 105.1 | 98.7 | 106.3 | 119.9 | 128.3 |
| Account Receivables | 105.9 | 114.4 | 112.5 | 130.0 | 147.3 | 160.7 |
| Cash and Bank Balance | 50.3 | 57.7 | 105.2 | 139.3 | 233.5 | 351.8 |
| L & A and Others | 133.2 | 150.1 | 147.1 | 158.9 | 171.9 | 186.1 |
| **Curr. Liability & Prov.** | **175.2** | **146.4** | **150.5** | **154.1** | **175.3** | **193.7** |
| Account Payables | 80.0 | 89.4 | 92.8 | 87.8 | 98.9 | 105.9 |
| Provisions | 95.2 | 57.0 | 57.7 | 66.4 | 76.3 | 87.8 |
| **Net Current Assets** | **204.2** | **280.9** | **313.0** | **380.4** | **497.3** | **633.2** |
| Misc Expenditure | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Appl. of Funds** | **493.8** | **629.4** | **663.1** | **755.2** | **876.8** | **1,017.4** |

# Financials and valuations

## Ratios

| Y/E March | FY22 | FY23 | FY24 | FY25E | FY26E | FY27E |
|---|---|---|---|---|---|---|
| **Adjusted EPS** | **31.3** | **35.8** | **41.4** | **49.2** | **59.5** | **66.6** |
| Cash EPS | 21.9 | 45.7 | 50.4 | 59.6 | 70.6 | 77.7 |
| BV/Share | 199.6 | 232.7 | 264.6 | 306.9 | 359.6 | 419.4 |
| DPS | 3.8 | 3.8 | 4.8 | 5.8 | 5.8 | 5.8 |
| Payout (%) | 32.8 | 12.5 | 14.0 | 13.8 | 11.3 | 10.1 |
| **Valuation (x)** | | | | | | |
| P/E | 51.5 | 45.0 | 38.9 | 32.8 | 27.1 | 24.2 |
| P/BV | 8.1 | 6.9 | 6.1 | 5.2 | 4.5 | 3.8 |
| EV/Sales | 11.7 | 10.5 | 9.3 | 8.4 | 7.4 | 6.6 |
| EV/EBITDA | 45.2 | 40.7 | 36.1 | 30.2 | 25.9 | 22.6 |
| Dividend Yield (%) | 0.2 | 0.2 | 0.3 | 0.4 | 0.4 | 0.4 |
| **Return Ratios (%)** | | | | | | |
| RoE | 15.9 | 16.6 | 16.7 | 17.2 | 17.9 | 17.1 |
| RoCE | 11.5 | 11.5 | 12.5 | 17.0 | 17.9 | 17.2 |
| RoIC | 15.8 | 17.5 | 17.0 | 19.8 | 22.4 | 24.3 |
| **Working Capital Ratios** | | | | | | |
| Asset Turnover (x) | 0.8 | 0.7 | 0.7 | 0.7 | 0.7 | 0.6 |
| Fixed Asset Turnover (x) | 3.7 | 4.2 | 4.6 | 4.6 | 4.6 | 4.9 |
| Debtor (Days) | 101 | 97 | 86 | 91 | 93 | 93 |
| Creditor (Days) | 39 | 34 | 34 | 40 | 36 | 27 |
| Inventory (Days) | 86 | 89 | 75 | 74 | 76 | 74 |
| **Leverage Ratio** | | | | | | |
| Debt/Equity (x) | -0.1 | 0.0 | -0.1 | -0.2 | -0.3 | -0.4 |

## Cash Flow Statement

(INRm)

| Y/E March | FY22 | FY23 | FY24 | FY25E | FY26E | FY27E |
|---|---|---|---|---|---|---|
| OP/(Loss) bef. Tax | 55.8 | 109.8 | 117.9 | 144.5 | 165.6 | 183.9 |
| Int./Dividends Recd. | 10.2 | 11.3 | 20.9 | 23.3 | 25.7 | 26.7 |
| Direct Taxes Paid | -4.3 | -11.2 | -22.6 | -21.8 | -18.2 | -20.4 |
| (Inc)/Dec in WC | -21.3 | -69.3 | 15.4 | -35.8 | -22.7 | -17.7 |
| **CF from Operations** | **40.5** | **40.6** | **131.7** | **110.2** | **150.4** | **172.6** |
| (inc)/dec in FA | -27.7 | -81.8 | -17.3 | -50.1 | -31.4 | -31.5 |
| **Free Cash Flow** | **12.8** | **-41.1** | **114.4** | **60.0** | **119.0** | **141.1** |
| (Pur)/Sale of Invest. | 12.7 | -2.4 | -9.8 | 0.0 | 0.0 | 0.0 |
| **CF from investments** | **-15.0** | **-84.2** | **-27.1** | **-50.1** | **-31.4** | **-31.5** |
| Change in networth | -6.0 | 7.6 | -4.4 | 0.0 | 0.0 | 0.0 |
| (Inc)/Dec in Debt | -21.6 | 55.8 | -36.1 | -9.1 | -6.5 | -4.6 |
| Interest Paid | -1.3 | -1.7 | -2.4 | -2.2 | -2.1 | -1.9 |
| Dividend Paid | -10.7 | -10.7 | -13.5 | -16.3 | -16.3 | -16.3 |
| **CF from Fin. Activity** | **-39.6** | **50.9** | **-56.4** | **-27.7** | **-24.8** | **-22.8** |
| **Inc/Dec of Cash** | **-14.1** | **7.4** | **48.2** | **32.4** | **94.2** | **118.3** |
| Add: Beginning Balance | 64.5 | 50.3 | 57.7 | 105.2 | 139.3 | 233.5 |
| **Closing Balance** | **50.3** | **57.7** | **105.2** | **137.6** | **233.5** | **351.8** |

| 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 |

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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