

# ALKEM Laboratories

Estimate change

TP change

Rating change



|                       |             |
|-----------------------|-------------|
| Bloomberg             | ALKEM IN    |
| Equity Shares (m)     | 120         |
| M.Cap.(INRb)/(USDb)   | 633 / 7.4   |
| 52-Week Range (INR)   | 6440 / 4407 |
| 1, 6, 12 Rel. Per (%) | 3/-9/-9     |
| 12M Avg Val (INR M)   | 1231        |

## Financials & Valuations (INR b)

| Y/E MARCH         | FY25    | FY26E   | FY27E   |
|-------------------|---------|---------|---------|
| Sales             | 129.6   | 138.9   | 151.2   |
| EBITDA            | 25.1    | 28.1    | 33.0    |
| Adj. PAT          | 21.7    | 23.7    | 22.8    |
| EBIT Margin (%)   | 16.6    | 17.6    | 19.4    |
| Adj. EPS (INR)*   | 181.1   | 197.9   | 190.3   |
| EPS Gr. (%)       | 13.4    | 9.2     | -3.8    |
| BV/Sh. (INR)      | 1,002.5 | 1,141.1 | 1,266.2 |
| <b>Ratios</b>     |         |         |         |
| Net D:E           | 0.0     | -0.1    | -0.2    |
| RoE (%)           | 19.4    | 18.5    | 15.8    |
| RoCE (%)          | 18.6    | 17.8    | 15.3    |
| Payout (%)        | 29.4    | 29.9    | 34.3    |
| <b>Valuations</b> |         |         |         |
| P/E (x)           | 29.4    | 26.9    | 28.0    |
| EV/EBITDA (x)     | 25.2    | 22.0    | 18.5    |
| Div. Yield (%)    | 0.8     | 0.9     | 1.0     |
| FCF Yield (%)     | 2.8     | 3.1     | 2.0     |
| EV/Sales (x)      | 4.9     | 4.4     | 4.0     |

\*Cons.

## Shareholding Pattern (%)

| As On    | Mar-25 | Dec-24 | Mar-24 |
|----------|--------|--------|--------|
| Promoter | 55.1   | 55.7   | 56.7   |
| DII      | 19.4   | 18.0   | 15.6   |
| FII      | 9.4    | 10.2   | 9.1    |
| Others   | 16.1   | 16.2   | 18.5   |

FII includes depository receipts

**CMP: INR5,295**

**TP: INR4,950 (-7%)**

**Neutral**

## Falls short on profitability despite steady sales growth

### Progressing well on investments in CDMO/medtech segments

- Alkem Laboratories (ALKEM) delivered in-line revenue in 4QFY25, though EBITDA/PAT came in lower than expected (15%/16% miss). Muted performance in certain acute therapies in the domestic formulation (DF) and US segments dragged down the overall performance.
- High operational costs related to new ventures also affected 4Q profitability.
- ALKEM is implementing efforts to enhance its offerings and improve efficiency in DF segment, with an aim of outperforming the industry.
- The company is incurring R&D costs for the expansion of its product pipeline for international markets as well.
- We maintain our earnings estimates for FY26. However, we cut earnings estimates by 15% for FY27, factoring in a sharp increase in the tax rate due to the exhaustion of tax benefits at its Sikkim plant. We value ALKEM at 26x 12M forward earnings to arrive at a price target of INR4,950.
- With a large MR base (13,000) and established presence in DF segment, ALKEM is set to outperform the industry in chronic therapies. It is investing in biologics-based CDMO and medtech segments to add new levers of growth. Further, it has a considerable cash surplus of INR46b for strategic acquisitions. However, considering a gestation period for new initiatives and steady earnings over FY25-27, we maintain Neutral stance on the stock.

## Adverse segmental mix/higher opex lead to EBITDA decline YoY

- 4QFY25 revenues grew 7.5% YoY to INR31.4b (our est: INR31.3b).
- DF business grew 8.1% YoY to INR21.3b (68% of sales).
- International business grew 7.2% YoY to INR9.7b. In international business, US sales declined 2% YoY to INR6.1b (19% of Sales). Other International sales grew 28% YoY to INR3.6b (12% of sales).
- Gross margin contracted by 300bp YoY to 59.3% due to higher raw material prices and an change in product mix.
- EBITDA margin contracted at lower rate of 130bp YoY to 12.4% (our est: 14.6%) as lower GM and higher employee expenses (+240bp YoY as % of sales) were offset by lower other expenses (-410bp YoY as % of sales).
- Accordingly, EBITDA declined 3% YoY to INR3.9b (vs. est. of INR4.5b).
- PAT was stable YoY at INR3b (our est: INR3.6b).
- For FY25, revenue/EBITDA/PAT grew 2.3%/12%/13.5% to INR129b/INR25b/INR21.6b.

## Highlights from the management commentary

- Alkem aims to outperform IPM by 100bp in FY26. IPM growth is expected to be 7-8% for FY26.
- US business is expected to grow in mid-single digits YoY in FY26.
- Alkem guides for EBITDA margin to remain stable YoY at 19-19.5% in FY26.
- ETR would be 13-15% in FY26, which would rise to 35% in FY27 as its Sikkim plant would be out of tax benefits.
- Operating loss from CDMO (US) and medtech business would be INR1b-INR1.1b in FY26.

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

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

### Quarterly Perf. (Consolidated)

| Y/E March                          | FY24          |               |               |               | FY25          |               |               |               | FY24            | FY25            | FY25          | Var          |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|---------------|--------------|
|                                    | 1Q            | 2Q            | 3Q            | 4Q            | 1Q            | 2Q            | 3Q            | 4Q            |                 |                 | 4QE           | %            |
| <b>Net Revenues</b>                | <b>29,677</b> | <b>34,402</b> | <b>33,239</b> | <b>29,358</b> | <b>30,318</b> | <b>34,147</b> | <b>33,743</b> | <b>31,438</b> | <b>1,26,676</b> | <b>1,29,645</b> | <b>31,390</b> | <b>0.2</b>   |
| YoY Change (%)                     | 15.2          | 11.7          | 9.3           | 1.1           | 2.2           | -0.7          | 1.5           | 7.1           | 9.2             | 2.3             | 6.9           |              |
| <b>Total Expenditure</b>           | <b>25,785</b> | <b>26,934</b> | <b>26,163</b> | <b>25,338</b> | <b>24,232</b> | <b>26,618</b> | <b>26,149</b> | <b>27,525</b> | <b>65,703</b>   | <b>1,04,524</b> | <b>26,808</b> |              |
| <b>EBITDA</b>                      | <b>3,892</b>  | <b>7,467</b>  | <b>7,076</b>  | <b>4,020</b>  | <b>6,086</b>  | <b>7,528</b>  | <b>7,594</b>  | <b>3,913</b>  | <b>22,455</b>   | <b>25,121</b>   | <b>4,581</b>  | <b>-14.6</b> |
| YoY Change (%)                     | 42.4          | 64.5          | 18.1          | 13.8          | 56.4          | 0.8           | 7.3           | -2.7          | 33.7            | 11.9            | 14.0          |              |
| Margins (%)                        | 13.1          | 21.7          | 21.3          | 13.7          | 20.1          | 22.0          | 22.5          | 12.4          | 17.7            | 19.4            | 14.6          |              |
| Depreciation                       | 724           | 739           | 696           | 834           | 805           | 789           | 853           | 1,125         | 2,993           | 3,572           | 821           |              |
| <b>EBIT</b>                        | <b>3,168</b>  | <b>6,728</b>  | <b>6,380</b>  | <b>3,186</b>  | <b>5,282</b>  | <b>6,739</b>  | <b>6,741</b>  | <b>2,788</b>  | <b>19,462</b>   | <b>21,550</b>   | <b>3,760</b>  |              |
| YoY Change (%)                     | 60.8          | 78.7          | 22.6          | 15.9          | 66.7          | 0.2           | 5.7           | -12.5         | 11.3            | 57.4            | 18.0          |              |
| Margins (%)                        | 10.7          | 19.6          | 19.2          | 10.9          | 17.4          | 19.7          | 20.0          | 8.9           | 15.4            | 16.6            | 12.0          |              |
| Interest                           | 298           | 303           | 255           | 269           | 291           | 281           | 360           | 284           | 1,124           | 1,217           | 330           |              |
| <b>EBIT</b>                        | <b>3,594</b>  | <b>7,164</b>  | <b>6,821</b>  | <b>3,751</b>  | <b>5,795</b>  | <b>7,247</b>  | <b>7,234</b>  | <b>3,629</b>  | <b>21,331</b>   | <b>23,904</b>   | <b>4,251</b>  |              |
| Margins (%)                        | 12.1          | 20.8          | 20.5          | 12.8          | 19.1          | 21.2          | 21.4          | 11.5          | 16.8            | 18.4            | 13.5          |              |
| Other Income                       | 658           | 632           | 936           | 882           | 1,203         | 1,345         | 930           | 1,460         | 3,108           | 4,937           | 731           |              |
| <b>PBT before EO Exp</b>           | <b>3,529</b>  | <b>7,057</b>  | <b>7,062</b>  | <b>3,799</b>  | <b>6,194</b>  | <b>7,803</b>  | <b>7,311</b>  | <b>3,963</b>  | <b>21,446</b>   | <b>25,270</b>   | <b>4,161</b>  | <b>-4.7</b>  |
| EO Exp/(Inc)                       | 0             | 577           | 513           | 125           | 0             | 0             | 0             | 0             | 1,215           | 0               | 0             |              |
| <b>PBT after EO Exp</b>            | <b>3,529</b>  | <b>6,480</b>  | <b>6,549</b>  | <b>3,673</b>  | <b>6,194</b>  | <b>7,803</b>  | <b>7,311</b>  | <b>3,963</b>  | <b>20,231</b>   | <b>25,270</b>   | <b>4,161</b>  |              |
| Tax                                | 650           | 332           | 506           | 629           | 691           | 783           | 903           | 733           | 2,117           | 3,110           | 679           |              |
| Rate (%)                           | 18.4          | 5.1           | 7.7           | 17.1          | 11.2          | 10.0          | 12.3          | 18.5          | 9.9             | 12.3            | 16.3          |              |
| <b>PAT (pre Minority Interest)</b> | <b>2,878</b>  | <b>6,149</b>  | <b>6,043</b>  | <b>3,045</b>  | <b>5,502</b>  | <b>7,020</b>  | <b>6,408</b>  | <b>3,230</b>  | <b>18,115</b>   | <b>22,160</b>   | <b>3,482</b>  |              |
| Minority Interest                  | 11            | -56           | 93            | 109           | 51            | 133           | 150           | 172           | 157             | 505             | -156          |              |
| <b>Reported PAT</b>                | <b>2,867</b>  | <b>6,205</b>  | <b>5,950</b>  | <b>2,936</b>  | <b>5,452</b>  | <b>6,886</b>  | <b>6,258</b>  | <b>3,059</b>  | <b>17,958</b>   | <b>21,655</b>   | <b>3,638</b>  | <b>-15.9</b> |
| <b>Adj Net Profit</b>              | <b>2,867</b>  | <b>6,752</b>  | <b>6,423</b>  | <b>3,039</b>  | <b>5,452</b>  | <b>6,886</b>  | <b>6,258</b>  | <b>3,059</b>  | <b>19,082</b>   | <b>21,655</b>   | <b>3,638</b>  | <b>-15.9</b> |
| YoY Change (%)                     | 52.3          | 104.1         | 41.3          | 3.4           | 90.1          | 2.0           | -2.6          | 0.6           | 50.5            | 13.5            | 19.7          |              |
| <b>EPS</b>                         | <b>24</b>     | <b>56</b>     | <b>54</b>     | <b>25</b>     | <b>46</b>     | <b>58</b>     | <b>52</b>     | <b>26</b>     | <b>160</b>      | <b>181</b>      | <b>30</b>     | <b>-15.9</b> |

### Key performance Indicators (Consolidated)

| Y/E March                    | FY24   |        |        |        | FY25   |        |        |        | FY24   | FY25   | FY25   |
|------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|                              | 1Q     | 2Q     | 3Q     | 4Q     | 1Q     | 2Q     | 3Q     | 4Q     |        |        | 4QE    |
| <b>INRM</b>                  |        |        |        |        |        |        |        |        |        |        |        |
| <b>India formulations</b>    | 19,007 | 23,278 | 22,328 | 19,724 | 20,223 | 24,610 | 23,649 | 21,355 | 84,337 | 89,837 | 21,759 |
| YoY Change (%)               | 6.7    | 5.0    | 12.1   | (1.9)  | 6.4    | 5.7    | 5.9    | 8.3    | 5.4    | 6.5    | 10.3   |
| <b>US generics</b>           | 6,955  | 7,675  | 6,838  | 6,241  | 6,416  | 5,744  | 6,340  | 6,086  | 27,709 | 24,586 | 6,606  |
| YoY Change (%)               | 25.0   | 27.1   | (10.2) | 5.5    | (7.7)  | (25.2) | (7.3)  | (2.5)  | 10.2   | (11.3) | 5.9    |
| <b>International (Ex-US)</b> | 3,191  | 2,866  | 3,402  | 2,855  | 3,261  | 3,210  | 3,265  | 3,661  | 12,315 | 13,397 | 3,564  |
| YoY Change (%)               | 56.5   | 27.3   | 46.9   | 7.6    | 2.2    | 12.0   | (4.0)  | 28.2   | 33.0   | 8.8    | 24.8   |
| <b>Cost Break-up</b>         |        |        |        |        |        |        |        |        |        |        |        |
| RM Cost (% of Sales)         | 40.4   | 38.6   | 39.2   | 37.7   | 35.5   | 35.3   | 35.7   | 40.7   | 39.0   | 36.7   | 36.8   |
| Staff Cost (% of Sales)      | 19.1   | 16.1   | 17.2   | 17.2   | 19.9   | 17.9   | 18.5   | 19.6   | 17.4   | 18.9   | 19.5   |
| R&D Expenses(% of Sales)     | 4.1    | 3.4    | 3.3    | 6.0    | 4.1    | 4.3    | 3.9    | 5.0    | 4.1    | 4.3    | 5.7    |
| Other Cost (% of Sales)      | 23.3   | 20.2   | 18.9   | 25.4   | 20.4   | 20.5   | 19.4   | 22.2   | 21.8   | 20.6   | 23.4   |
| Gross Margins (%)            | 59.6   | 61.4   | 60.8   | 62.3   | 64.5   | 64.7   | 64.3   | 59.3   | 61.0   | 63.3   | 63.2   |
| EBITDA Margins (%)           | 13.1   | 21.7   | 21.3   | 13.7   | 20.1   | 22.0   | 22.5   | 12.4   | 17.7   | 19.4   | 14.6   |
| EBIT Margins (%)             | 10.7   | 19.6   | 19.2   | 10.9   | 17.4   | 19.7   | 20.0   | 8.9    | 15.4   | 16.6   | 12.0   |



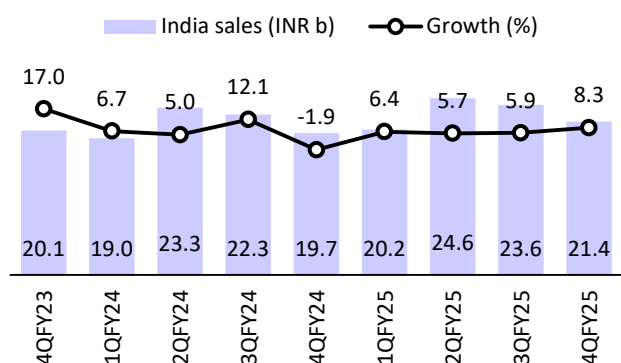
### Management call highlights

- Alkem has a settlement with innovator for Mirabegron, and the launch would be subject to that settlement.
- FY25 capex was INR7.8b (INR4b for Enzene), and it would be spending a similar amount in FY26 (INR2b for Enzene).
- Trade generics business grew in mid-single digits YoY for Alkem. In addition to growth, ALKEM is also focusing on improving profitability and getting closer to corporate EBITDA margin in this segment.
- Alkem filed 6/9 ANDAs in 4QFY25/FY25.
- 4Q volume growth in DF was 2.1%, outperforming IPM by 90bp.
- Cumulative capex for biosimilars is INR5.5b so far.

- 5/6 new launches are expected in FY26. G-entresto can be a potential launch for Alkem in the US market.
- Enzene business recorded sales of INR2.9b (including sales to Alkem).
- Order book at Enzene is diversified across 3-4 customers.

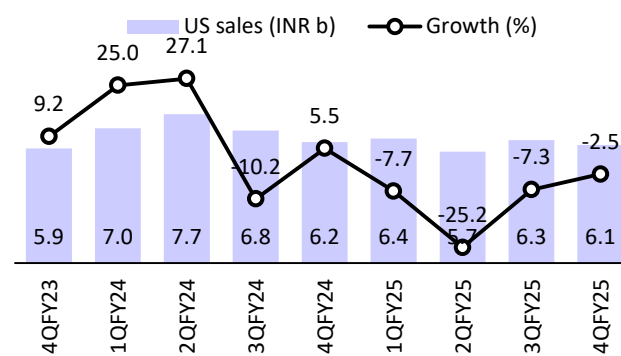
## Key exhibits

**Exhibit 1: DF revenue grew 8.3% YoY in 4QFY25**



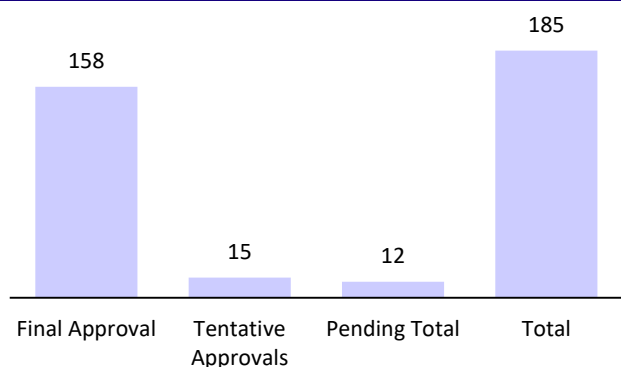
Source: MOFSL, Company

**Exhibit 2: US sales contracted 2.5% YoY in 4QFY25**



Source: MOFSL, Company

**Exhibit 3: Cumulative US ANDA filings**



Source: MOFSL, Company

**Exhibit 4: Robust ANDA pipeline**

| US Filings          | # Nos. |
|---------------------|--------|
| Total ANDAs filed   | 185    |
| ANDAs filed in FY25 | 11     |
| NDAs                | 2      |

Source: MOFSL, Company

### Focused approach toward key geographies

#### DF: Work-in-progress to enhance offerings and better growth outlook

- In FY25, ALKEM's DF business grew 6.5% YoY to INR89b. ALKEM continued to perform better than the industry in chronic therapies. However, with overall industry slowdown and muted performance of Alkem in acute therapies, the overall YoY growth was moderate for the year.
- Therapy wise, ALKEM exhibited healthy YoY growth of 11% each in gastro-intestinal and CNS and 10% YoY in antidiabetes segment.
- ALKEM exhibited weak 2.5% YoY growth in anti-infectives segment, due to challenges in injectable dosages.
- ALKEM is preparing itself to be among the leading companies in the first wave of the launch of the GLP-1 product (Semaglutide). The launch is expected in early FY27.
- Accordingly, we expect ALKEM to register a 9.5% sales CAGR in DF to INR107b over FY25-27.

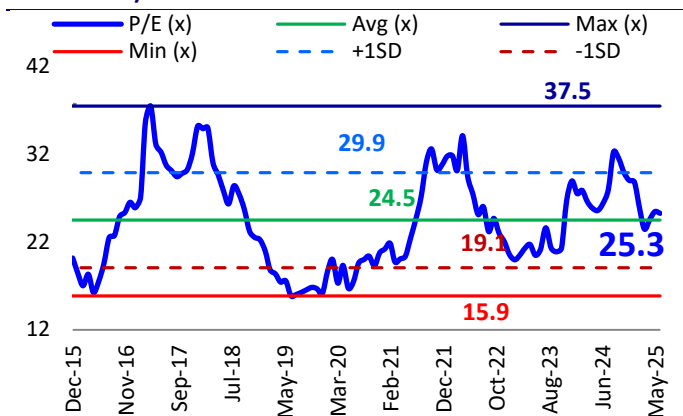
### International market (excl. US) outshines; US lags behind

- In FY25, international market sales declined 5% YoY to INR38b.
- Specifically, US sales declined 11% YoY to INR24.5b. Excl. US, international business grew 11% YoY in FY25 to INR13.3b.
- ALKEM filed 9 ANDAs and received 14 approvals in FY25. The new approvals are expected to revive growth in the US market over the medium term. ALKEM also has certain niche products in the pipeline, which can boost prospects in the US going forward.
- ALKEM exhibited relatively better performance in Ex-US markets. Specifically, ALKEM witnessed robust double-digit YoY growth in Australia and other key European markets.
- Overall, we expect ALKEM to deliver a 7% sales CAGR in the international markets to INR43.5b over FY25-27.

### Reiterate Neutral

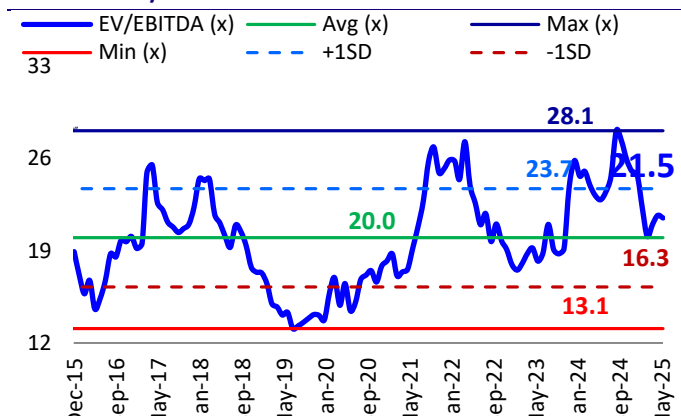
- We maintain our earnings estimates for FY26. However, we cut earnings estimates by 15% for FY27, factoring in a sharp increase in the tax rate due to the exhaustion of tax benefits for its Sikkim plant. We value ALKEM at 26x 12M forward earnings to arrive at a TP of INR4,950.
- With a large MR base (13,000) and established presence in DF segment, ALKEM is set to outperform the industry in chronic therapies. It is investing in biologics-based CDMO and medtech segments to add new levers of growth. Further, it has a considerable cash surplus of INR46b for any strategic acquisitions. However, considering a gestation period for new initiatives and steady earnings over FY25-27, we maintain Neutral stance on the stock.

**Exhibit 5: P/E chart**



Source: MOFSL, Company, Bloomberg

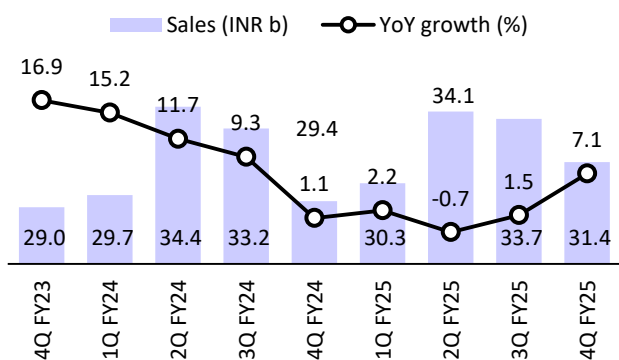
**Exhibit 6: EV/EBITDA chart**



Source: MOFSL, Company, Bloomberg

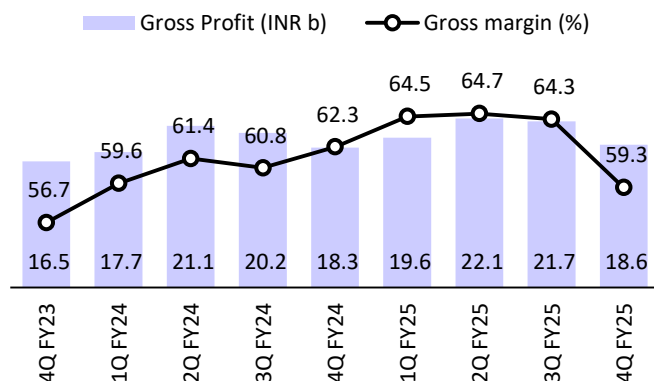
## Story in charts

**Exhibit 7: Total sales grew 7% YoY in 4QFY25**



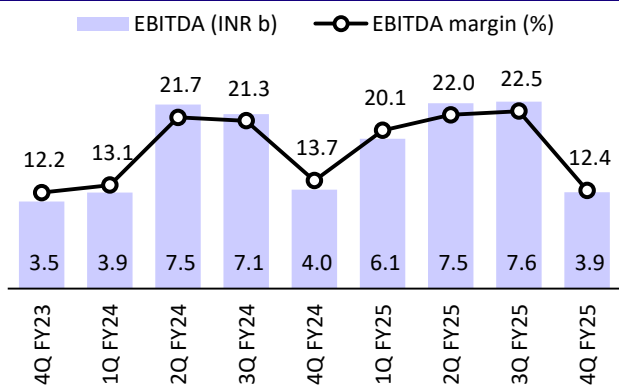
Source: Company, MOFSL

**Exhibit 8: Gross margin down 300bp YoY in 4QFY25**



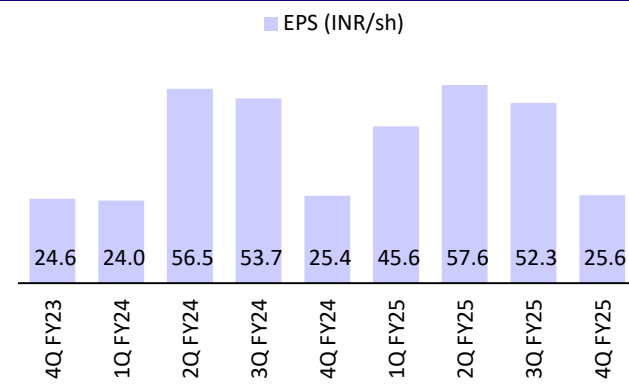
Source: Company, MOFSL

**Exhibit 9: EBITDA margin down 130bp YoY**



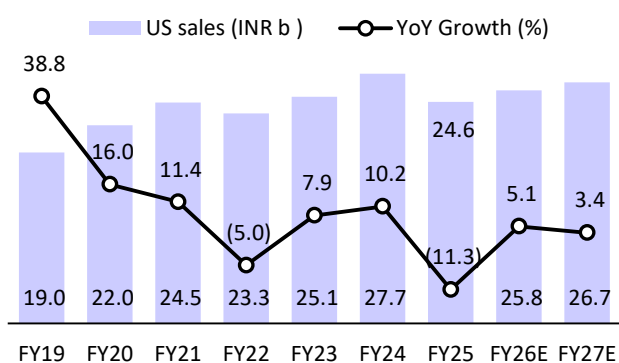
Source: Company, MOFSL

**Exhibit 10: EPS stable YoY at ~IN25.6 in 4QFY25**



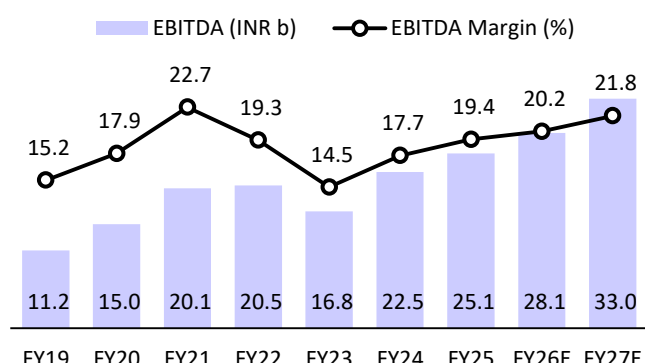
Source: Company, MOFSL

**Exhibit 11: Expect 4% sales CAGR in the US over FY25-27**



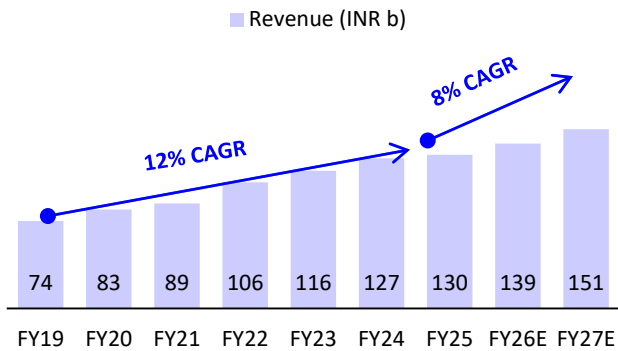
Source: Company, MOFSL

**Exhibit 12: EBITDA margin to expand 240bp over FY25-27**



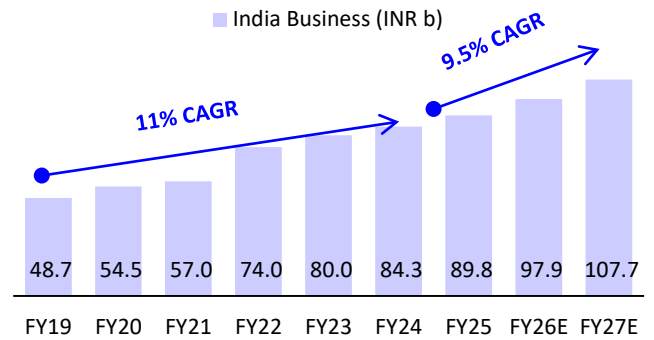
Source: Company, MOFSL

**Exhibit 13: Expect revenue CAGR of 8% over FY25-27**



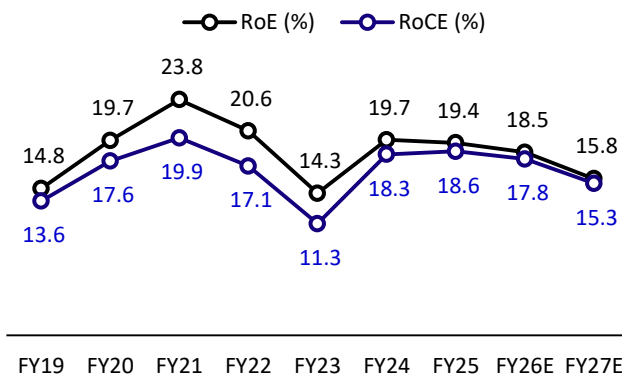
Source: Company, MOFSL

**Exhibit 14: Expect India sales CAGR of 9.5% over FY25-27**



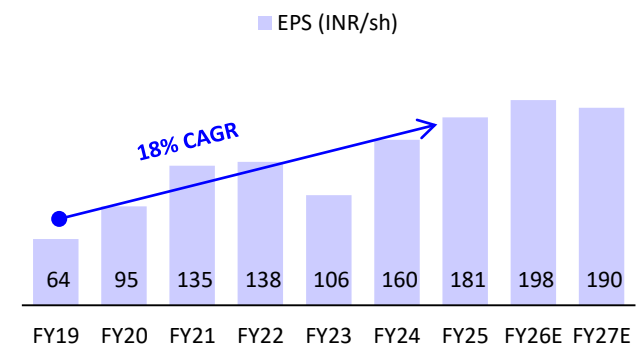
Source: Company, MOFSL

**Exhibit 15: Return ratios to decrease going forward**



Source: Company, MOFSL

**Exhibit 16: Expect earnings to be steady over FY25-27**



Source: Company, MOFSL

## Financials and Valuations

### Consolidated - Income Statement

|                                     |               |               |               |                 |                 |                 |                 | INRm            |                 |
|-------------------------------------|---------------|---------------|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Y/E March                           | FY19          | FY20          | FY21          | FY22            | FY23            | FY24            | FY25            | FY26E           | FY27E           |
| <b>Total Income from Operations</b> | <b>73,572</b> | <b>83,444</b> | <b>88,505</b> | <b>1,06,342</b> | <b>1,15,993</b> | <b>1,26,676</b> | <b>1,29,645</b> | <b>1,38,902</b> | <b>1,51,250</b> |
| Change (%)                          | 14.4          | 13.4          | 6.1           | 20.2            | 9.1             | 9.2             | 2.3             | 7.1             | 8.9             |
| <b>Total Expenditure</b>            | <b>62,401</b> | <b>68,484</b> | <b>68,426</b> | <b>85,813</b>   | <b>99,198</b>   | <b>1,04,221</b> | <b>1,04,524</b> | <b>1,10,844</b> | <b>1,18,277</b> |
| % of Sales                          | 84.8          | 82.1          | 77.3          | 80.7            | 85.5            | 82.3            | 80.6            | 79.8            | 78.2            |
| <b>EBITDA</b>                       | <b>11,171</b> | <b>14,960</b> | <b>20,079</b> | <b>20,529</b>   | <b>16,795</b>   | <b>22,455</b>   | <b>25,121</b>   | <b>28,058</b>   | <b>32,972</b>   |
| Margin (%)                          | 15.2          | 17.9          | 22.7          | 19.3            | 14.5            | 17.7            | 19.4            | 20.2            | 21.8            |
| Depreciation                        | 1,932         | 2,348         | 2,746         | 3,040           | 3,104           | 2,993           | 3,572           | 3,577           | 3,559           |
| <b>EBIT</b>                         | <b>9,239</b>  | <b>12,612</b> | <b>17,333</b> | <b>17,490</b>   | <b>13,690</b>   | <b>19,462</b>   | <b>21,550</b>   | <b>24,482</b>   | <b>29,413</b>   |
| Int. and Finance Charges            | 546           | 651           | 589           | 524             | 1,074           | 1,124           | 1,217           | 1,091           | 1,064           |
| Other Income                        | 877           | 1,042         | 1,867         | 1,627           | 2,161           | 3,108           | 4,937           | 5,113           | 6,056           |
| <b>PBT bef. EO Exp.</b>             | <b>9,570</b>  | <b>13,004</b> | <b>18,611</b> | <b>18,592</b>   | <b>14,778</b>   | <b>21,446</b>   | <b>25,270</b>   | <b>28,504</b>   | <b>34,405</b>   |
| EO Items                            | -23           | -406          | -190          | -150            | -1,730          | -1,215          | 0               | 0               | 0               |
| <b>PBT after EO Exp.</b>            | <b>9,547</b>  | <b>12,598</b> | <b>18,421</b> | <b>18,443</b>   | <b>13,048</b>   | <b>20,231</b>   | <b>25,270</b>   | <b>28,504</b>   | <b>34,405</b>   |
| Current Tax                         | 1,810         | 1,105         | 2,243         | 1,640           | 2,980           | 2,117           | 3,110           | 4,276           | 11,010          |
| Deferred Tax                        | 0             | 0             | 0             | 0               | 0               | 0               | 0               | 0               | 0               |
| Tax Rate (%)                        | 19.0          | 8.8           | 12.2          | 8.9             | 22.8            | 10.5            | 12.3            | 15.0            | 32.0            |
| Less: Minority Interest             | 131           | 222           | 328           | 300             | 226             | 157             | 505             | 571             | 645             |
| <b>Reported PAT</b>                 | <b>7,606</b>  | <b>11,271</b> | <b>15,850</b> | <b>16,503</b>   | <b>9,842</b>    | <b>17,958</b>   | <b>21,655</b>   | <b>23,657</b>   | <b>22,750</b>   |
| <b>Adjusted PAT</b>                 | <b>7,629</b>  | <b>11,407</b> | <b>16,100</b> | <b>16,516</b>   | <b>12,678</b>   | <b>19,091</b>   | <b>21,655</b>   | <b>23,657</b>   | <b>22,750</b>   |
| Change (%)                          | 8.4           | 49.5          | 41.1          | 2.6             | -23.2           | 50.6            | 13.4            | 9.2             | -3.8            |
| Margin (%)                          | 10.4          | 13.7          | 18.2          | 15.5            | 10.9            | 15.1            | 16.7            | 17.0            | 15.0            |

### Consolidated - Balance Sheet

|                                     |               |               |               |                 |                 |                 |                 | INRm            |                 |
|-------------------------------------|---------------|---------------|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Y/E March                           | FY19          | FY20          | FY21          | FY22            | FY23            | FY24            | FY25            | FY26E           | FY27E           |
| Equity Share Capital                | 239           | 239           | 239           | 239             | 239             | 239             | 239             | 239             | 239             |
| Total Reserves                      | 54,154        | 61,368        | 73,528        | 86,140          | 90,214          | 1,02,882        | 1,19,610        | 1,36,183        | 1,51,140        |
| <b>Net Worth</b>                    | <b>54,393</b> | <b>61,607</b> | <b>73,767</b> | <b>86,379</b>   | <b>90,453</b>   | <b>1,03,121</b> | <b>1,19,849</b> | <b>1,36,422</b> | <b>1,51,379</b> |
| Minority Interest                   | 1,326         | 1,483         | 1,813         | 2,094           | 3,897           | 4,023           | 4,488           | 4,488           | 4,488           |
| Deferred Tax Liabilities            | 3             | 0             | 0             | 0               | 0               | 0               | 0               | 0               | 0               |
| Total Loans                         | 9,026         | 16,628        | 17,336        | 26,466          | 13,775          | 14,032          | 13,302          | 13,302          | 13,302          |
| <b>Capital Employed</b>             | <b>64,748</b> | <b>79,717</b> | <b>92,916</b> | <b>1,14,939</b> | <b>1,08,125</b> | <b>1,21,176</b> | <b>1,37,638</b> | <b>1,54,211</b> | <b>1,69,169</b> |
| Gross Block                         | 26,000        | 30,354        | 32,376        | 35,948          | 36,835          | 43,260          | 46,607          | 52,742          | 56,771          |
| Less: Accum. Deprn.                 | 4,944         | 7,291         | 10,037        | 13,077          | 16,181          | 19,174          | 22,745          | 26,322          | 29,881          |
| <b>Net Fixed Assets</b>             | <b>21,056</b> | <b>23,063</b> | <b>22,339</b> | <b>22,871</b>   | <b>20,654</b>   | <b>24,086</b>   | <b>23,862</b>   | <b>26,420</b>   | <b>26,890</b>   |
| Goodwill on Consolidation           | 4,248         | 6,017         | 5,591         | 6,146           | 4,796           | 4,642           | 4,662           | 4,662           | 4,662           |
| Capital WIP                         | 4,930         | 3,630         | 3,933         | 3,395           | 3,103           | 1,586           | 5,481           | 2,847           | 2,320           |
| <b>Total Investments</b>            | <b>3,236</b>  | <b>2,614</b>  | <b>3,328</b>  | <b>3,710</b>    | <b>6,218</b>    | <b>4,838</b>    | <b>18,455</b>   | <b>18,455</b>   | <b>18,455</b>   |
| <b>Curr. Assets, Loans&amp;Adv.</b> | <b>41,535</b> | <b>54,784</b> | <b>68,923</b> | <b>91,477</b>   | <b>89,770</b>   | <b>1,05,449</b> | <b>1,07,070</b> | <b>1,31,229</b> | <b>1,49,749</b> |
| Inventory                           | 14,999        | 18,188        | 23,124        | 30,055          | 26,075          | 26,612          | 29,224          | 31,583          | 34,025          |
| Account Receivables                 | 12,484        | 16,494        | 16,072        | 18,846          | 21,322          | 22,528          | 24,663          | 27,400          | 30,664          |
| Cash and Bank Balance               | 6,616         | 10,922        | 19,905        | 25,786          | 25,786          | 15,694          | 15,631          | 32,013          | 41,250          |
| Loans and Advances                  | 7,437         | 9,180         | 9,822         | 16,790          | 16,587          | 40,616          | 37,552          | 40,233          | 43,810          |
| <b>Curr. Liability &amp; Prov.</b>  | <b>17,334</b> | <b>19,716</b> | <b>22,277</b> | <b>25,753</b>   | <b>29,442</b>   | <b>34,572</b>   | <b>39,273</b>   | <b>46,784</b>   | <b>50,289</b>   |
| Account Payables                    | 9,623         | 9,541         | 10,694        | 11,734          | 11,650          | 17,481          | 18,394          | 19,739          | 20,739          |
| Other Current Liabilities           | 4,436         | 6,108         | 6,709         | 7,955           | 10,370          | 12,824          | 15,906          | 17,041          | 18,556          |
| Provisions                          | 3,275         | 4,067         | 4,874         | 6,064           | 7,421           | 4,267           | 4,973           | 10,003          | 10,994          |
| <b>Net Current Assets</b>           | <b>24,202</b> | <b>35,068</b> | <b>46,647</b> | <b>65,725</b>   | <b>60,329</b>   | <b>70,877</b>   | <b>67,797</b>   | <b>84,445</b>   | <b>99,460</b>   |
| Deferred Tax assets                 | 7,076         | 9,326         | 11,079        | 13,093          | 13,025          | 15,148          | 17,383          | 17,383          | 17,383          |
| <b>Appl. of Funds</b>               | <b>64,748</b> | <b>79,717</b> | <b>92,916</b> | <b>1,14,939</b> | <b>1,08,125</b> | <b>1,21,177</b> | <b>1,37,638</b> | <b>1,54,212</b> | <b>1,69,170</b> |



## Financials and Valuations

### Ratios

| Y/E March                     | FY19        | FY20        | FY21         | FY22         | FY23         | FY24         | FY25         | FY26E        | FY27E        |
|-------------------------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Basic (INR)</b>            |             |             |              |              |              |              |              |              |              |
| <b>EPS</b>                    | <b>63.8</b> | <b>95.4</b> | <b>134.7</b> | <b>138.1</b> | <b>106.0</b> | <b>159.7</b> | <b>181.1</b> | <b>197.9</b> | <b>190.3</b> |
| Cash EPS                      | 80.0        | 115.1       | 157.6        | 163.6        | 132.0        | 184.7        | 211.0        | 227.8        | 220.1        |
| BV/Share                      | 455         | 515         | 617          | 723          | 757          | 863          | 1,002        | 1,141        | 1,266        |
| DPS                           | 15.0        | 25.0        | 30.0         | 59.0         | 50.0         | 40.0         | 45.0         | 50.0         | 55.0         |
| Payout (%)                    | 28.5        | 31.4        | 26.8         | 50.7         | 72.0         | 31.6         | 29.4         | 29.9         | 34.3         |
| <b>Valuation (x)</b>          |             |             |              |              |              |              |              |              |              |
| P/E                           | 83.4        | 55.8        | 39.5         | 38.5         | 50.2         | 33.3         | 29.4         | 26.9         | 28.0         |
| Cash P/E                      | 66.6        | 46.3        | 33.8         | 32.5         | 40.3         | 28.8         | 25.2         | 23.4         | 24.2         |
| P/BV                          | 11.7        | 10.3        | 8.6          | 7.4          | 7.0          | 6.2          | 5.3          | 4.7          | 4.2          |
| EV/Sales                      | 8.7         | 7.7         | 7.2          | 6.0          | 5.4          | 5.0          | 4.9          | 4.4          | 4.0          |
| EV/EBITDA                     | 57.2        | 42.9        | 31.6         | 31.0         | 37.2         | 28.3         | 25.2         | 22.0         | 18.5         |
| Dividend Yield (%)            | 0.3         | 0.5         | 0.6          | 1.1          | 0.9          | 0.8          | 0.8          | 0.9          | 1.0          |
| FCF per share                 | 21.1        | 19.9        | 90.4         | 65.5         | 121.5        | 147.3        | 148.6        | 167.4        | 106.1        |
| <b>Return Ratios (%)</b>      |             |             |              |              |              |              |              |              |              |
| RoE                           | 14.8        | 19.7        | 23.8         | 20.6         | 14.3         | 19.7         | 19.4         | 18.5         | 15.8         |
| RoCE                          | 13.6        | 17.6        | 19.9         | 17.1         | 11.3         | 18.3         | 18.6         | 17.8         | 15.3         |
| RoIC                          | 15.8        | 20.5        | 23.7         | 21.6         | 13.6         | 20.3         | 19.2         | 20.9         | 19.2         |
| <b>Working Capital Ratios</b> |             |             |              |              |              |              |              |              |              |
| Asset Turnover (x)            | 1.1         | 1.0         | 1.0          | 0.9          | 1.1          | 1.0          | 0.9          | 0.9          | 0.9          |
| Inventory (Days)              | 74          | 80          | 95           | 103          | 82           | 77           | 82           | 83           | 82           |
| Debtor (Days)                 | 62          | 72          | 66           | 65           | 67           | 65           | 69           | 72           | 74           |
| Creditor (Days)               | 48          | 42          | 44           | 40           | 37           | 50           | 52           | 52           | 50           |
| Working Cap. Turnover (Days)  | 87          | 106         | 110          | 137          | 109          | 159          | 147          | 138          | 140          |
| <b>Leverage Ratio (x)</b>     |             |             |              |              |              |              |              |              |              |
| Current Ratio                 | 2.4         | 2.8         | 3.1          | 3.6          | 3.0          | 3.1          | 2.7          | 2.8          | 3.0          |
| Interest Cover Ratio          | 16.9        | 19.4        | 29.4         | 33.4         | 12.8         | 17.3         | 17.7         | 22.4         | 27.6         |
| Debt/Equity                   | 0.0         | 0.1         | 0.0          | 0.0          | -0.1         | 0.0          | 0.0          | -0.1         | -0.2         |

### Consolidated - Cash Flow Statement

| Y/E March                        | FY19          | FY20          | FY21          | FY22           | FY23           | FY24           | FY25           | FY26E         | FY27E         |
|----------------------------------|---------------|---------------|---------------|----------------|----------------|----------------|----------------|---------------|---------------|
| OP/(Loss) before Tax             | 9,547         | 12,598        | 18,421        | 18,443         | 13,048         | 20,231         | 25,270         | 28,504        | 34,405        |
| Depreciation                     | 1,932         | 2,528         | 2,746         | 3,040          | 3,104          | 2,993          | 3,572          | 3,577         | 3,559         |
| Interest & Finance Charges       | 134           | 19            | -312          | -703           | 1,074          | 1,124          | -3,720         | -4,022        | -4,992        |
| Direct Taxes Paid                | -2,511        | -2,834        | -4,007        | -3,969         | -2,734         | -4,069         | -3,110         | -4,276        | -11,010       |
| (Inc)/Dec in WC                  | -1,403        | -6,472        | -3,412        | -5,450         | 3,268          | -516           | 3,017          | -266          | -5,778        |
| <b>CF from Operations</b>        | <b>7,698</b>  | <b>5,839</b>  | <b>13,436</b> | <b>11,361</b>  | <b>17,759</b>  | <b>19,763</b>  | <b>25,028</b>  | <b>23,517</b> | <b>16,185</b> |
| <b>CF from Operating incl EO</b> | <b>7,797</b>  | <b>5,851</b>  | <b>12,649</b> | <b>11,110</b>  | <b>16,825</b>  | <b>19,482</b>  | <b>25,028</b>  | <b>23,517</b> | <b>16,185</b> |
| (Inc)/Dec in FA                  | -5,269        | -3,477        | -1,845        | -3,280         | -2,297         | -1,868         | -7,262         | -3,502        | -3,502        |
| <b>Free Cash Flow</b>            | <b>2,527</b>  | <b>2,374</b>  | <b>10,805</b> | <b>7,830</b>   | <b>14,528</b>  | <b>17,614</b>  | <b>17,767</b>  | <b>20,015</b> | <b>12,683</b> |
| (Pur)/Sale of Investments        | 1,235         | 458           | 3             | -12,051        | 1,955          | -10,612        | -13,617        | 0             | 0             |
| Others                           | 871           | -4,395        | -8,144        | 980            | 1,471          | 2,395          | 4,937          | 5,113         | 6,056         |
| <b>CF from Investments</b>       | <b>-3,164</b> | <b>-7,414</b> | <b>-9,985</b> | <b>-14,351</b> | <b>1,128</b>   | <b>-10,085</b> | <b>-15,942</b> | <b>1,611</b>  | <b>2,554</b>  |
| Inc/(Dec) in Debt                | -1,057        | 6,031         | 1,397         | 8,628          | -11,408        | -5,132         | -730           | 0             | 0             |
| Interest Paid                    | -546          | -651          | -536          | -401           | -905           | -913           | -1,217         | -1,091        | -1,064        |
| Dividend Paid                    | -2,186        | -4,396        | -3,348        | -4,219         | -5,295         | -5,405         | -6,376         | -7,084        | -7,793        |
| <b>CF from Fin. Activity</b>     | <b>-3,789</b> | <b>791</b>    | <b>-2,718</b> | <b>3,796</b>   | <b>-16,388</b> | <b>-19,489</b> | <b>-9,149</b>  | <b>-8,746</b> | <b>-9,502</b> |
| <b>Inc/Dec of Cash</b>           | <b>843</b>    | <b>-771</b>   | <b>-54</b>    | <b>555</b>     | <b>1,565</b>   | <b>-10,093</b> | <b>-62</b>     | <b>16,382</b> | <b>9,237</b>  |
| Opening Balance                  | 1,667         | 2,490         | 1,759         | 1,705          | 2,297          | 3,862          | -6,231         | -6,293        | 10,089        |
| <b>Closing Cash and Cash Eq.</b> | <b>2,490</b>  | <b>1,759</b>  | <b>1,705</b>  | <b>2,297</b>   | <b>3,862</b>   | <b>-6,231</b>  | <b>-6,293</b>  | <b>10,089</b> | <b>19,326</b> |
| Bank Balances                    | 4,126         | 9,163         | 18,199        | 23,489         | 21,924         | 21,924         | 21,924         | 21,924        | 21,924        |
| <b>Total Cash and Cash Eq.</b>   | <b>6,616</b>  | <b>10,922</b> | <b>19,905</b> | <b>25,786</b>  | <b>25,786</b>  | <b>15,694</b>  | <b>15,631</b>  | <b>32,013</b> | <b>41,250</b> |

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

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