

Estimate change



TP change

Rating change



Bloomberg	SUNP IN
Equity Shares (m)	2,399
M.Cap.(INRb)/(USD\$b)	1275.8 / 16.4
52-Week Range (INR)	541 / 315
1, 6, 12 Rel. Per (%)	5/30/24
12M Avg Val (INR M)	3996

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## Financials & valuations (INR b)

Y/E MARCH	2020	2021E	2022E
Sales	323.3	330.8	369.3
EBITDA	64.6	72.4	85.1
Adj. PAT	39.5	45.7	56.2
EBIT Margin (%)	13.6	15.4	17.1
Cons. Adj. EPS (INR)	16.4	19.0	23.3
EPS Gr. (%)	8.7	15.7	23.0
BV/Sh. (INR)	188.1	190.9	209.8

## Ratios

Net D:E	0.03	0.12	0.07
RoE (%)	9.1	10.1	11.8
RoCE (%)	8.9	9.9	11.5
Payout (%)	23.5	30.9	17.4

## Valuations

P/E (x)	32.8	28.4	23.0
EV/EBITDA (x)	19.3	17.8	14.9
Div. Yield (%)	0.6	0.6	0.7
FCF Yield (%)	2.3	-1.7	2.6
EV/Sales (x)	3.9	3.9	3.4

## Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	54.7	54.7	54.4
DII	20.1	19.6	18.0
FII	12.7	12.8	14.9
Others	12.5	12.9	12.7

FII Includes depository receipts

**CMP: INR532**

**TP: INR625 (+18%)**

**Buy**

## COVID-19 impacts sales in EMs/US/ROW

### Margins remain steady despite decline in most business segments

- The COVID-19 pandemic impacted YoY sales growth across markets, barring India. However, higher reduction in opex helped Sun Pharma (SUNP) to deliver better profitability in 1QFY21. Despite the adverse impact on off-take of its Specialty portfolio due to COVID, SUNP's market share remained intact and gradual recovery is expected over the near-to-medium term.
- We have raised our FY21/FY22E EPS estimates by 9.5%/3% to factor in the reduced operating cost and outperformance in DF. We remain positive on SUNP due to the gradually improving outlook for its Specialty portfolio, robust ANDA pipeline, and increasing market share in India and other emerging markets (EMs). We have revised our price target to INR635 (from INR525 earlier) on 24x 12-month forward earnings. Maintain **Buy**.

### Benefit of superior product mix offset by higher employee cost

- SUNP's 1QFY21 sales were down 10% YoY to INR75.7b (v/s est. INR83.2b), led by (a) lower US sales at USD282m (29% of sales; down 33.5% YoY in CC terms), (b) high base of past year, and (c) 10% YoY decline in EM sales to USD173m (18% of sales). ROW sales were down 18.5% YoY (14% of sales).
- This was offset to some extent by 3.2% YoY growth in India sales to INR24b (32% of sales) and 20% YoY growth in API sales to INR5.5b (7% of sales).
- Gross margin (GM) was up 340bp YoY to 73.6% due to better product mix.
- However, EBITDA margin was flat YoY at 22% (v/s est. 18.8%). This was due to higher staff expense (+490bp as % of sales), partially offset by lower other expenditure (-160bp YoY as % of sales).
- EBITDA was down 9% YoY to INR16.5b (v/s est. INR15.6b).
- SUNP had exceptional items of INR36b. Minority interest (MI) stood at INR8.3b, related to one-time settlement charge for global resolution of the Department of Justice's investigations into the US generic pharma industry.
- PBT before exceptional items was down 13% YoY to INR13.7b (largely in line with EBITDA decline). Adjusting for the one-time settlement provisions and associated MI, Adj. PAT was down 13.2% YoY to INR11.5b (v/s est. INR8.9b).

### Highlights from management commentary

- Global Specialty sales at USD78m were down from USD126m QoQ due to reduced off-take of Illumya/Levulan, which are clinically administered products. Cequa also witnessed decline as ophthalmic clinics were closed; However, market share has been intact.
- Absorica LD's progression was gradual, largely due to COVID-19 pandemic.
- SUNP has indicated break-even in some specialty products in FY22E.
- Specialty R&D stood at 39% of total R&D spends. If outlook for clinical studies improve with easing of the lockdown, then R&D spends would rise accordingly.

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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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**Valuation and view**

- We have increased our earnings estimate by 9.5%/3% for FY21/FY22E to factor in outperformance in domestic formulations (DF) compared to the industry, coupled with recovery from COVID related disruptions and better margins. Accordingly, we have raised our price target to INR635 (from INR525 earlier) on 24x 12M forward earnings basis.
- We believe SUNP's RoE is at a trough and would improve with 19% earnings CAGR over FY20-22E, led by improving traction in the Specialty portfolio, enhanced MR efforts in DF, and better operating leverage. Maintain **Buy**.

**Quarterly Performance (Consolidated)****(INR m)**

Y/E March	FY20				FY21E				FY20	FY21E	FY21E	Var
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
<b>Net Revenues</b>	<b>82,593</b>	<b>79,492</b>	<b>80,387</b>	<b>80,780</b>	<b>74,672</b>	<b>79,105</b>	<b>85,921</b>	<b>91,112</b>	<b>323,252</b>	<b>330,810</b>	<b>83,181</b>	<b>-10.2</b>
YoY Change (%)	15.7	16.1	5.0	14.7	-9.6	-0.5	6.9	12.8	12.7	2.3	0.7	
Total Expenditure	64,461	63,421	63,953	66,799	58,209	61,702	67,190	71,297	258,634	258,398	67,543	
<b>EBITDA</b>	<b>18,132</b>	<b>16,071</b>	<b>16,434</b>	<b>13,982</b>	<b>16,463</b>	<b>17,403</b>	<b>18,731</b>	<b>19,815</b>	<b>64,618</b>	<b>72,412</b>	<b>15,638</b>	<b>5.3</b>
YoY Change (%)	19.2	11.6	-7.1	47.3	-9.2	8.3	14.0	41.7	13.8	12.1	-14	
Depreciation	4,571	4,733	5,470	5,754	4,959	5,210	5,454	5,812	20,528	21,435	5,600	
<b>EBIT</b>	<b>13,560</b>	<b>11,338</b>	<b>10,964</b>	<b>8,228</b>	<b>11,504</b>	<b>12,193</b>	<b>13,277</b>	<b>14,003</b>	<b>44,090</b>	<b>50,977</b>	<b>10,038</b>	
YoY Change (%)	21.1	11.9	-15.6	66.2	-15.2	7.5	21.1	70.2	12.3	15.6	-26.0	
Interest	1,041	839	630	518	520	590	610	708	3,027	2,427	550	
Net Other Income	3,281	3,750	2,361	2,091	2,719	2,550	2,550	2,532	11,483	10,350	2,350	
<b>PBT before EO Exp</b>	<b>15,801</b>	<b>14,249</b>	<b>12,695</b>	<b>9,802</b>	<b>13,703</b>	<b>14,153</b>	<b>15,217</b>	<b>15,827</b>	<b>52,546</b>	<b>58,900</b>	<b>11,838</b>	<b>15.8</b>
Less: EO Exp/(Inc)	-674	-85	-818	4,027	35,542	0	0	0	2,450	35,542	0	
<b>PBT</b>	<b>16,474</b>	<b>14,334</b>	<b>13,513</b>	<b>5,774</b>	<b>-21,839</b>	<b>14,153</b>	<b>15,217</b>	<b>15,827</b>	<b>50,096</b>	<b>23,358</b>	<b>11,838</b>	
Tax	1,461	2,660	3,276	831	2,459	2,265	2,511	2,484	8,228	9,719	1,776	
Rate (%)	9.2	18.7	25.8	8.5	17.9	16.0	16.5	15.7	15.7	16.5	15.0	
<b>PAT (pre Minority Interest)</b>	<b>15,014</b>	<b>11,674</b>	<b>10,237</b>	<b>4,944</b>	<b>-24,298</b>	<b>11,889</b>	<b>12,706</b>	<b>13,343</b>	<b>41,868</b>	<b>13,640</b>	<b>10,062</b>	
Minority Interest	1,139	1,033	1,102	946	-7,742	1,100	1,250	1,392	4,219	-4,000	1,200	
<b>Reported PAT</b>	<b>13,875</b>	<b>10,641</b>	<b>9,135</b>	<b>3,998</b>	<b>-16,556</b>	<b>10,789</b>	<b>11,456</b>	<b>11,950</b>	<b>37,649</b>	<b>17,640</b>	<b>8,862</b>	<b>-286.8</b>
<b>Adj Net Profit*</b>	<b>13,208</b>	<b>10,556</b>	<b>8,317</b>	<b>7,385</b>	<b>11,460</b>	<b>10,789</b>	<b>11,456</b>	<b>11,951</b>	<b>39,466</b>	<b>45,656</b>	<b>8,862</b>	<b>29.3</b>
YoY Change (%)	34.4	3.5	-11.7	7.4	-13.2	2.2	37.7	61.8	8.7	15.7	-32.9	
Margins (%)	16.8	13.4	11.4	4.9	-22.2	13.6	13.3	13.1	11.6	5.3	10.7	

**Key performance Indicators (Consolidated)**

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Domestic formulations	23,140	25,148	25,170	23,648	23,884	24,142	25,925	25,579	97,102	99,530
YoY Change (%)	7.5	35.2	12.6	114.8	3.2	(4.0)	3.0	8.2	32.1	2.5
US sales	29,680	23,898	24,924	27,129	21,364	24,333	28,490	27,397	105,425	101,585
YoY Change (%)	16.6	(0.3)	(4.4)	(11.8)	(28.0)	1.8	14.3	1.0	(1.2)	(3.6)
ROW+EM	25,270	25,702	24,937	24,752	23,460	25,984	26,677	29,561	100,253	105,682
YoY Change (%)	24.9	20.5	5.7	10.0	(7.2)	1.1	7.0	19.4	13.7	5.4
APIs	4,610	4,680	5,032	4,834	5,537	4,446	4,629	7,901	19,159	22,514
YoY Change (%)	17.0	9.8	18.1	(0.1)	(5.0)	(5.0)	(8.0)	63.4	10.7	17.5
<b>Cost Break-up</b>										
RM Cost (% of Sales)	29.8	28.5	27.4	28.5	26.4	27.0	27.3	27.2	28.2	27.0
Staff Cost (% of Sales)	18.7	20.4	19.3	20.4	23.6	22.7	22.2	21.3	19.7	22.4
R&D Expenses(% of Sales)	5.1	6.1	6.6	6.6	5.6	6.0	6.5	6.8	6.1	6.3
Other Cost (% of Sales)	24.5	24.7	26.4	27.1	22.4	22.3	22.2	22.9	25.7	22.5
Gross Margins(%)	70.2	71.5	72.6	71.5	73.6	73.0	72.7	72.8	71.8	73.0
EBITDA Margins(%)	22.0	20.2	20.4	17.3	22.0	22.0	21.8	21.7	20.0	21.9
EBIT Margins(%)	16.4	14.3	13.6	10.2	15.4	15.4	15.5	15.4	13.6	15.4



## Conference call highlights

- Generic pipeline includes 95 ANDAs; 6 NDAs are awaiting approval with the USFDA.
- SUNP continues to update the USFDA on its Halol plant with remediation almost complete. It is engaging with the USFDA on future course of action. Desktop audit could be a possibility.
- The recent regulatory approval for Illumya in Japan is a step toward expanding reach for the product.
- SUNP launched 10 products in India in 1QFY21.
- There has been saving in branding/promotions due to the lockdown. However, the company expects expenses to return once normal operations resume.
- Expansion of field force in India is nearing completion.
- Chronic share in DF is 50% and this segment was up 10% YoY in 1QFY21. Semi-chronic/Acute categories have declined in 1QFY21.

### Exhibit 1: Taro Financials - TARO FINANCIALS

USD M	1QFY21	1QFY20	% YoY	4QFY20	% QoQ
<b>Sales</b>	<b>117.6</b>	<b>161.3</b>	<b>-27.1</b>	<b>174.9</b>	<b>-32.8</b>
<i>Growth (%)</i>					
Cost of sales (incl Depn)	52.7	59.6	-11.6	72.7	-27.5
<b>Gross profit</b>	<b>64.9</b>	<b>101.7</b>	<b>-36.1</b>	<b>102.3</b>	<b>-36.5</b>
<i>GP Margin (%)</i>	55.2	63.1	(784)bp	58.5	(325)bp
<b>Operating expenses:</b>					
R&D	12.9	13.4	-3.5	15.8	-18.1
<i>R&amp;D as a % of sales</i>	11.0	8.3		9.0	
SG&A	501.2	19.7	2444.0	29.3	1612.8
<i>SG&amp;A as a % of sales</i>	426.0	12.2		16.7	
<b>Operating Profit</b>	<b>-449.2</b>	<b>68.6</b>	<b>-754.7</b>	<b>57.2</b>	<b>-885.1</b>
<i>Operating Profit Margin (%)</i>	-381.8	42.5	(42,436)bp	32.7	(41,453)bp
<b>EBITDA</b>	<b>-443.6</b>	<b>72.6</b>	<b>-711.4</b>	<b>62.5</b>	<b>-809.8</b>
<i>EBITDA margin (%)</i>	-377.1	45.0	(42,207)bp	35.7	(41,281)bp
Financial expenses	-7.3	-9.6		-6.6	
Extraordinary items incl forex	-0.2	-7.9		-3.7	
Other income	0.5	0.6		0.8	
<b>PBT</b>	<b>-441.1</b>	<b>86.7</b>	<b>-608.8</b>	<b>68.3</b>	<b>-745.4</b>
Taxes	8.9	20.4		13.9	
<i>Effective tax rate (%)</i>	-2.0	23.5		20.3	
<b>Net income before MI</b>	<b>-450.0</b>	<b>66.3</b>	<b>-778.8</b>	<b>54.4</b>	<b>-926.5</b>
Minority interest	-15.0	-0.1		0.2	
<b>Net income (Reported)</b>	<b>-434.9</b>	<b>66.3</b>	<b>-755.5</b>	<b>54.2</b>	<b>-902.2</b>
Forex fluctuations	0.0	7.9		3.7	
<b>Net income (Adjusted)</b>	<b>-434.9</b>	<b>58.4</b>	<b>-844.1</b>	<b>50.5</b>	<b>-960.9</b>

Source: MOFSL, Company

## Valuation and view

### US (29% of sales): Severe COVID impact on Specialty and Taro businesses

- SUNP continues to focus on marketing efforts for the Specialty portfolio, comprising 9 products for Derma/Ophthalmic indications. However, the COVID led slowdown has impacted product off-take. Particularly, the impact was more in case of Illumya/Levulan, which are clinically administered products. The closure of Ophthalmic clinics impacted off-take of Cequa. Accordingly, SUNP reported sales of ~USD78m for 1QFY21 from these products at a global level. Considering that market share remains intact, SUNP is continuing its efforts to

build more traction in its Specialty portfolio. We expect Specialty sales to revive with easing of the lockdown. Even Taro’s performance was impacted due to COVID, resulting in sales decline of 27% YoY in 1QFY21.

- In the generics segment, SUNP filed 7 ANDAs and received 8 approvals in 1QFY21, in line with its filing pace in the US. The ANDA pipeline remains robust, with 95 ANDAs pending approval. We expect US sales to show moderate growth of 4% CAGR over FY20-22E.

**DF (34% of sales): On track to improve market share**

- SUNP delivered 3% YoY growth in 1QFY21 despite challenging market conditions on account of COVID. The industry declined by mid-to-high single-digits in 1QFY21 on YoY basis. Even in this adverse scenario, SUNP launched 10 products in this quarter. Use of digital marketing platform kept promotional costs under control. Based on its established presence in Chronic category, new launches in both Acute/Chronic categories, SUNP is well placed to outperform the industry over the next 2-3 years. Considering the COVID led slowdown, we expect moderate 6% CAGR in India sales over FY20-22E.

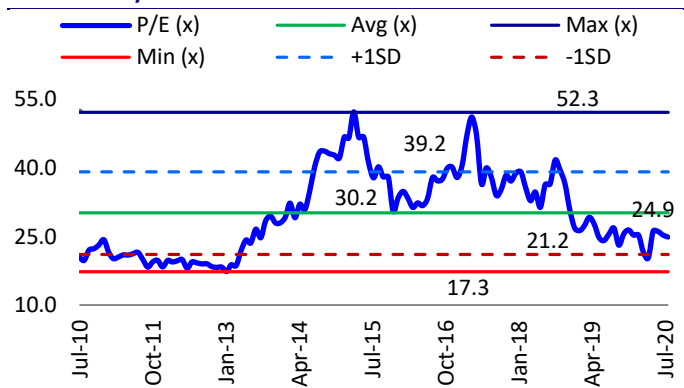
**Increased traction in existing products to drive growth in EM/ROW market**

- The key markets of EM are Brazil, Russia, Romania, and Thailand. Decline in ROW/EM markets was due to lower tender business and sales in Japan. We expect 9% sales CAGR over FY20-22E in this segment, led by increased traction in existing products.

**Valuation and view**

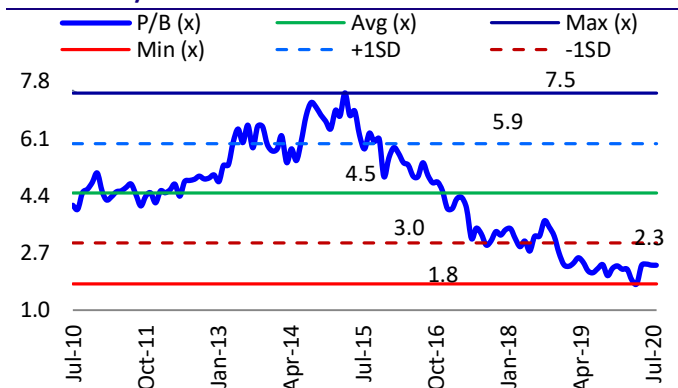
- We have increased our earnings estimate by 9.5%/3% for FY21/FY22E to factor in DF outperformance (v/s industry) coupled with recovery from COVID related disruptions and gradual improvement in the Specialty portfolio segment. SUNP is gaining market share in the DF business. With enhanced MR efforts the company intends to further strengthen its franchise. Accordingly, we have raised our price target to INR635 (from INR525 earlier) on 24x (from 22x) 12M forward earnings basis.
- We believe SUNP’s RoE is at a trough and would improve with 19% earnings CAGR over FY20-22E, led by improving traction in the Specialty portfolio, enhanced MR efforts in DF and better operating leverage. Maintain **Buy**.

**Exhibit 2: P/E chart**



Source: MOFSL, Company, Bloomberg

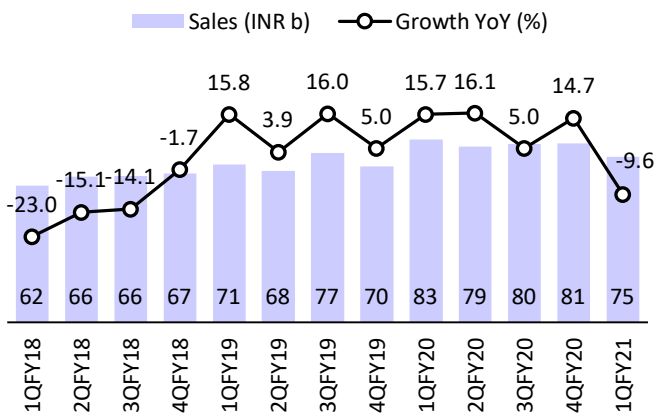
**Exhibit 3: P/B chart**



Source: MOFSL, Company, Bloomberg

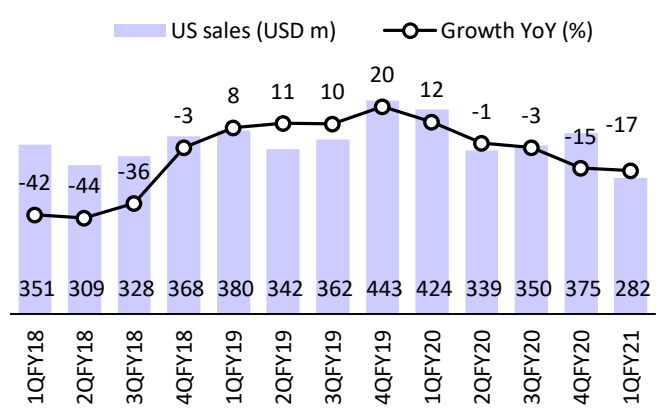
## Story in charts

**Exhibit 4: Revenues declined ~10% YoY in 1QFY21**



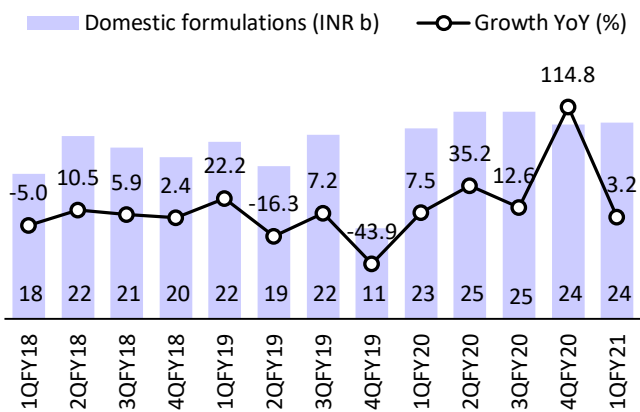
Source: Company, MOFSL

**Exhibit 5: US business declined 17% YoY**



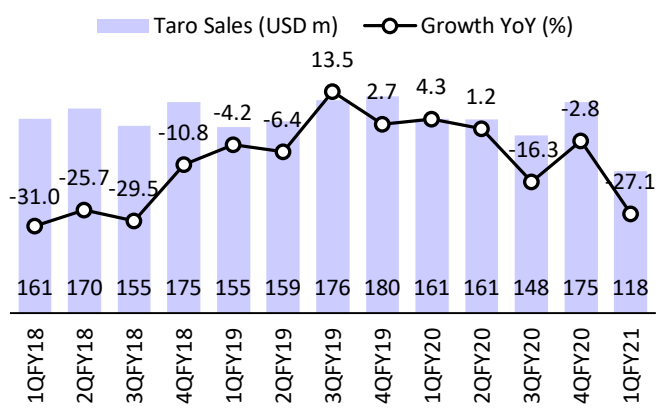
Source: Company, MOFSL

**Exhibit 6: 3% YoY growth seen in India sales in 1QFY21**



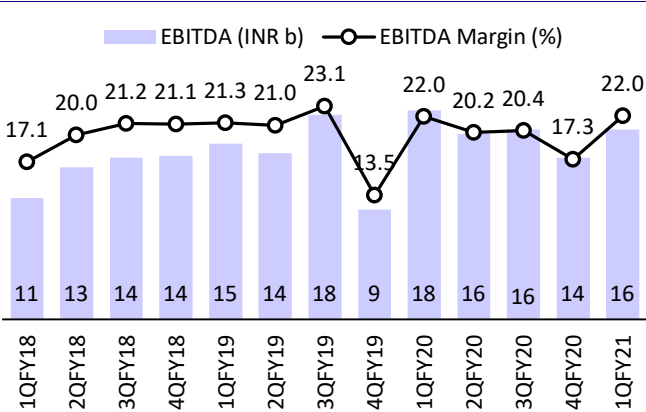
Source: Company, MOFSL

**Exhibit 7: Taro sales saw decline of 27% YoY**



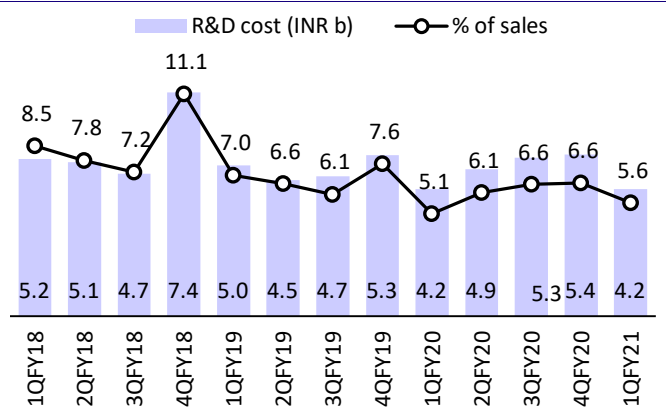
Source: Company, MOFSL

**Exhibit 8: EBITDA margins were flat YoY**



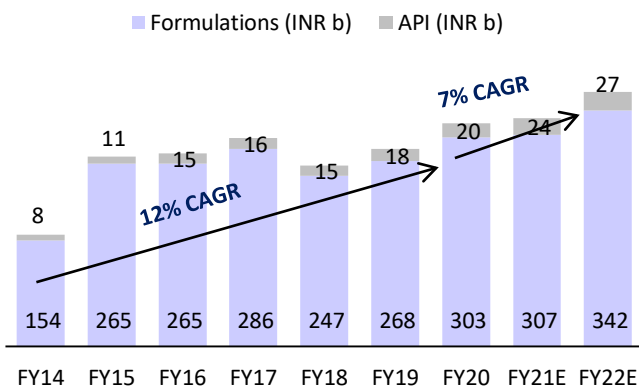
Source: Company, MOFSL

**Exhibit 9: R&D was 5.6% of sales in 1QFY21**



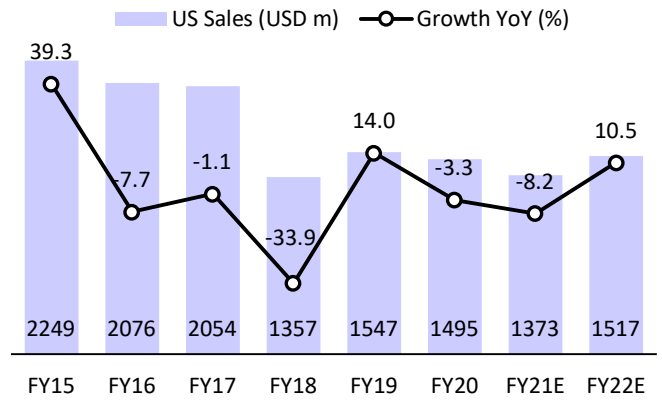
Source: Company, MOFSL

**Exhibit 10: Expect revenue CAGR of 7% over FY20-22E**



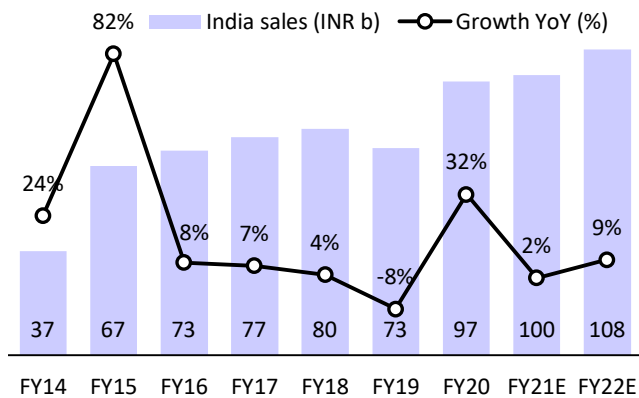
Source: Company, MOFSL

**Exhibit 11: US Generics to see muted growth over FY20-22E**



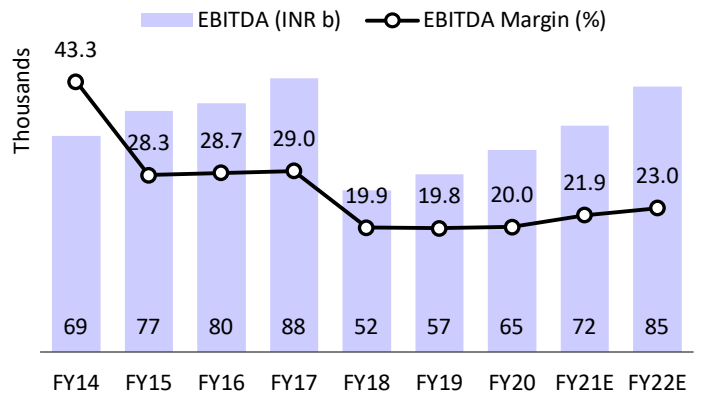
Source: Company, MOFSL

**Exhibit 12: Expect India biz CAGR of 6% over FY20-22E**



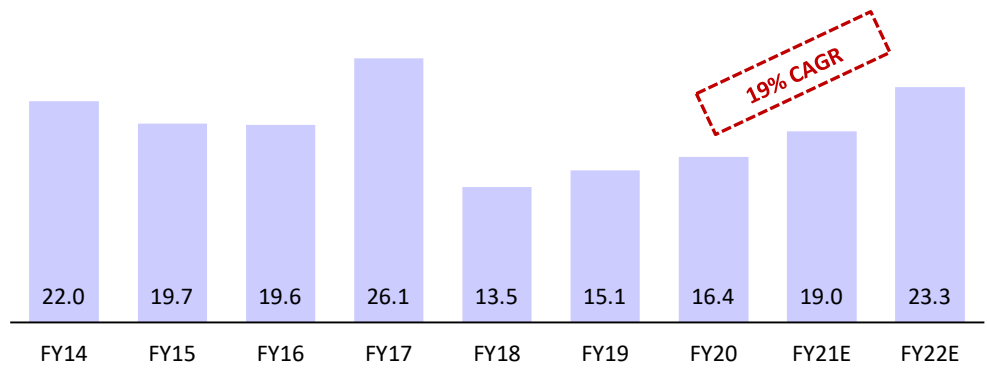
Source: Company, MOFSL

**Exhibit 13: EBITDA margin to improve gradually**



Source: Company, MOFSL

**Exhibit 14: EPS to exhibit 19% CAGR over FY20-22E**



Source: Company, MOFSL

## Financials and valuations

Income Statement								(INR M)	
Y/E March	2014	2015	2016	2017	2018	2019	2020	2021E	2022E
<b>Net Sales</b>	<b>160,044</b>	<b>272,865</b>	<b>277,442</b>	<b>302,642</b>	<b>260,659</b>	<b>286,863</b>	<b>323,252</b>	<b>330,810</b>	<b>369,311</b>
Change (%)	42.4	70.5	1.7	9.1	-13.9	10.1	12.7	2.3	11.6
Total Expenditure	90,787	195,667	197,881	214,892	208,813	230,063	258,634	258,398	284,241
% of Sales	56.7	71.7	71.3	71.0	80.1	80.2	80.0	78.1	77.0
<b>EBITDA (INR b)</b>	<b>69,257</b>	<b>77,198</b>	<b>79,561</b>	<b>87,751</b>	<b>51,846</b>	<b>56,800</b>	<b>64,618</b>	<b>72,412</b>	<b>85,070</b>
Margin (%)	43.3	28.3	28.7	29.0	19.9	19.8	20.0	21.9	23.0
Depreciation	4,092	11,947	10,135	12,648	14,998	17,533	20,528	21,435	21,984
<b>EBIT</b>	<b>65,165</b>	<b>65,250</b>	<b>69,426</b>	<b>75,103</b>	<b>36,848</b>	<b>39,267</b>	<b>44,090</b>	<b>50,977</b>	<b>63,085</b>
Int. and Finance Charges	442	5,790	4,769	3,998	5,176	5,553	3,027	2,427	2,127
Other Income - Rec.	6,282	6,946	9,848	19,374	12,623	14,051	11,483	10,350	11,000
Extra-ordinary Exp	25,174	2,378	6,852	0	9,505	9,664	2,450	35,542	0
PBT	45,831	64,029	67,653	90,479	34,790	38,102	50,096	23,358	71,958
Tax	7,022	9,147	9,349	12,116	8,452	6,009	8,228	9,719	10,794
Tax Rate (%)	15.3	14.3	13.8	13.4	24.3	15.8	16.4	41.6	15.0
<b>Profit after Tax</b>	<b>38,809</b>	<b>54,882</b>	<b>58,304</b>	<b>78,363</b>	<b>26,338</b>	<b>32,093</b>	<b>41,868</b>	<b>13,640</b>	<b>61,164</b>
Change (%)	11.9	41.4	6.2	34.4	-66.4	21.9	30.5	-67.4	348.4
Margin (%)	24.2	20.1	21.0	25.9	10.1	11.2	13.0	4.1	16.6
Less: Mionrity Interest	7375	9488	11145	8719	4722	5439	4219	-4000	5000
<b>Reported PAT</b>	<b>31,434</b>	<b>45,394</b>	<b>47,159</b>	<b>69,644</b>	<b>21,616</b>	<b>26,654</b>	<b>37,649</b>	<b>17,640</b>	<b>56,164</b>
<b>Adjusted PAT (excl. Ex. Items)</b>	<b>52,813</b>	<b>47,415</b>	<b>47,069</b>	<b>62,890</b>	<b>32,362</b>	<b>36,318</b>	<b>39,466</b>	<b>45,656</b>	<b>56,164</b>

Balance Sheet								(INR Million)	
Y/E March	2014	2015	2016	2017	2018	2019	2020	2021E	2022E
Equity Share Capital	2,071	2,406	2,407	2,399	2,399	2,399	2,399	2,399	2,399
Total Reserves	183,178	253,826	327,418	363,997	378,606	411,691	450,245	451,378	496,875
<b>Net Worth</b>	<b>185,249</b>	<b>256,232</b>	<b>329,825</b>	<b>366,397</b>	<b>381,006</b>	<b>414,091</b>	<b>452,645</b>	<b>453,777</b>	<b>499,274</b>
Minority Interest	19,212	28,661	40,853	37,909	38,842	33,135	38,602	34,602	39,602
Deferred Liabilities	-9110	-17516	-30462	-21780	-19748	-24506	-31172	-31172	-31172
Total Loans	24,982	77,827	83,164	80,910	97,518	98,934	75,783	55,077	40,177
<b>Capital Employed</b>	<b>220,333</b>	<b>345,203</b>	<b>423,379</b>	<b>463,435</b>	<b>497,617</b>	<b>521,654</b>	<b>535,858</b>	<b>517,900</b>	<b>553,497</b>
Gross Block	63,886	130,369	123,033	133,994	155,630	181,846	207,774	240,630	270,630
Less: Accum. Deprn.	28,904	60,617	47,201	49,041	64,040	81,572	102,100	123,535	145,519
<b>Net Fixed Assets</b>	<b>34,982</b>	<b>69,752</b>	<b>75,831</b>	<b>84,953</b>	<b>91,590</b>	<b>100,274</b>	<b>105,674</b>	<b>117,095</b>	<b>125,111</b>
Capital WIP	8,415	20,386	12,035	15,648	14,345	9,108	6,589	7,248	7,973
Goodwill	33,191	57,073	92,611	104,165	107,243	123,095	128,409	128,409	128,409
Investments	27,860	27,163	11,161	9,610	30,523	39,518	52,458	52,458	52,458
<b>Curr. Assets</b>	<b>177,393</b>	<b>297,403</b>	<b>332,175</b>	<b>374,799</b>	<b>377,390</b>	<b>349,394</b>	<b>357,642</b>	<b>331,889</b>	<b>375,205</b>
Inventory	31,230	56,680	64,225	68,328	68,807	78,860	78,750	87,456	100,093
Account Receivables	22,004	53,123	67,757	72,026	78,153	88,842	94,212	98,150	114,397
Cash and Bank Balance	75,902	109,980	131,817	151,408	99,294	72,756	64,876	8,935	14,873
L & A and Others	48,257	77,619	68,377	83,036	131,136	108,937	119,804	142,962	151,457
<b>Curr. Liability &amp; Prov.</b>	<b>61,509</b>	<b>126,574</b>	<b>100,434</b>	<b>125,739</b>	<b>123,473</b>	<b>99,736</b>	<b>114,913</b>	<b>124,813</b>	<b>141,272</b>
Account Payables	15,887	59,198	51,741	73,469	68,332	66,108	70,102	73,280	82,009
Provisions	45,622	67,376	48,693	52,270	55,141	33,627	44,812	51,534	59,264
<b>Net Current Assets</b>	<b>115,884</b>	<b>170,828</b>	<b>231,742</b>	<b>249,060</b>	<b>253,916</b>	<b>249,659</b>	<b>242,728</b>	<b>207,076</b>	<b>233,932</b>
<b>Appl. of Funds</b>	<b>220,333</b>	<b>345,203</b>	<b>423,379</b>	<b>463,435</b>	<b>497,617</b>	<b>521,654</b>	<b>535,858</b>	<b>517,900</b>	<b>553,497</b>

## Financials and valuations

### Ratios

Y/E March	2014	2015	2016	2017	2018	2019	2020	2021E	2022E
<b>Adjusted EPS</b>	<b>22.0</b>	<b>19.7</b>	<b>19.6</b>	<b>26.1</b>	<b>13.5</b>	<b>15.1</b>	<b>16.4</b>	<b>19.0</b>	<b>23.3</b>
Cash EPS	14.8	23.8	23.8	34.2	15.2	18.4	24.2	16.2	32.5
BV/Share	77.0	106.5	137.1	152.3	158.4	172.1	188.1	190.9	209.8
DPS	2.6	3.0	3.0	1.0	3.3	2.0	3.5	1.5	3.8
Payout (%)	18.7	15.4	14.9	3.7	36.5	18.0	23.5	30.9	17.4
<b>Valuation (x)</b>									
P/E	24.5	27.3	27.5	20.6	40.0	35.6	32.8	28.4	23.0
P/BV	7.0	5.1	3.9	3.5	3.4	3.1	2.9	2.9	2.6
EV/Sales	7.6	4.5	4.4	4.0	4.8	4.5	3.9	3.9	3.4
EV/EBITDA	17.5	16.0	15.5	13.8	24.3	22.5	19.3	17.8	14.9
Dividend Yield (%)	0.5	0.6	0.6	0.2	0.6	0.4	0.6	0.6	0.7
<b>Return Ratios (%)</b>									
RoE	31.5	21.5	16.1	18.1	8.7	9.1	9.1	10.1	11.8
RoCE	33.4	22.7	18.3	19.0	8.1	9.1	8.9	9.9	11.5
RoIC	55.5	37.8	26.2	23.4	8.7	8.8	9.1	6.9	11.6
<b>Working Capital Ratios</b>									
Fixed Asset Turnover (x)	4.8	5.2	3.8	3.8	3.0	3.0	3.1	3.0	3.0
Debtor (Days)	50	71	89	87	109	113	106	108	113
Creditor (Days)	209	321	291	330	336	307	277	299	296
Inventory (Days)	71	76	84	82	96	100	89	96	99
<b>Leverage Ratio</b>									
Debt/Equity (x)	0.2	0.3	0.3	0.2	0.3	0.3	0.0	0.1	0.1

### Cash Flow Statement

(INR M)

Y/E March	2014	2015	2016	2017	2018	2019	2020	2021E	2022E
OP/(Loss) bef. Tax	44,083	74,820	72,709	87,751	42,341	47,136	62,168	36,870	85,070
Int./Dividends Recd.	6,282	6,946	9,848	19,374	12,623	14,051	11,483	10,350	11,000
Direct Taxes Paid	-9,010	-17,553	-22,295	-3,434	-6,420	-10,767	-14,894	-9,719	-10,794
(Inc)/Dec in WC	-5,589	-20,865	-39,077	2,274	-56,971	-22,280	-950	-25,902	-20,919
<b>CF from Operations</b>	<b>35,767</b>	<b>43,348</b>	<b>21,185</b>	<b>105,964</b>	<b>-8,427</b>	<b>28,140</b>	<b>57,807</b>	<b>11,600</b>	<b>64,357</b>
(inc)/dec in FA	-18,580	-82,570	-43,401	-36,936	-23,411	-36,831	-28,723	-33,515	-30,725
<b>Free Cash Flow</b>	<b>17,187</b>	<b>-39,223</b>	<b>-22,216</b>	<b>69,028</b>	<b>-31,838</b>	<b>-8,691</b>	<b>29,084</b>	<b>-21,914</b>	<b>33,632</b>
(Pur)/Sale of Invest.	-3,745	697	16,002	1,551	-20,913	-8,996	-12,939	0	0
<b>CF from investments</b>	<b>-22,324</b>	<b>-81,873</b>	<b>-27,399</b>	<b>-35,385</b>	<b>-44,324</b>	<b>-45,827</b>	<b>-41,663</b>	<b>-33,515</b>	<b>-30,725</b>
Change in network	6,674	33,994	36,170	-41,838	-1,195	1,062	11,978	-6,682	0
(Inc)/Dec in Debt	22,910	52,845	5,337	-2,254	16,608	1,416	-23,151	-20,706	-14,900
Interest Paid	-442	-5,790	-4,769	-3,998	-5,176	-5,553	-3,027	-2,427	-2,127
Dividend Paid	-7,270	-8,445	-8,689	-2,897	-9,601	-5,777	-9,825	-4,211	-10,667
<b>CF from Fin. Activity</b>	<b>21,872</b>	<b>72,605</b>	<b>28,049</b>	<b>-50,987</b>	<b>636</b>	<b>-8,851</b>	<b>-24,025</b>	<b>-34,026</b>	<b>-27,695</b>
<b>Inc/Dec of Cash</b>	<b>35,315</b>	<b>34,079</b>	<b>21,836</b>	<b>19,592</b>	<b>-52,115</b>	<b>-26,538</b>	<b>-7,880</b>	<b>-55,940</b>	<b>5,937</b>
Add: Beginning Balance	40,587	75,902	109,980	131,817	151,408	99,294	72,756	64,876	8,935
<b>Closing Balance</b>	<b>75,902</b>	<b>109,981</b>	<b>131,816</b>	<b>151,408</b>	<b>99,294</b>	<b>72,756</b>	<b>64,876</b>	<b>8,935</b>	<b>14,873</b>



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BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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