

Estimate change



TP change



Rating change

Bloomberg	BIOS IN
Equity Shares (m)	1,200
M.Cap.(INRb)/(USD\$b)	388.9 / 5.2
52-Week Range (INR)	488 / 323
1, 6, 12 Rel. Per (%)	-15/-45/-75
12M Avg Val (INR M)	1531

### Financials & Valuations (INR b)

Y/E MARCH	2021	2022E	2023E
Sales	71.1	79.4	94.9
EBITDA	16.6	18.9	25.0
Adj. PAT	6.6	8.4	12.3
EBIT Margin (%)	13.2	13.1	17.0
Cons. Adj. EPS (INR)	5.5	7.0	10.2
EPS Gr. (%)	-10.6	26.2	46.7
BV/Sh. (INR)	63.6	67.7	74.9

### Ratios

Net D:E	0.2	0.1	0.1
RoE (%)	9.2	10.6	14.3
RoCE (%)	6.5	6.6	9.0
Payout (%)	0.0	29.3	29.3

### Valuations

P/E (x)	58.7	46.5	31.7
EV/EBITDA (x)	29.1	25.2	18.8
Div. Yield (%)	0.0	0.4	0.8
FCF Yield (%)	-1.2	2.4	2.6
EV/Sales (x)	6.8	6.0	5.0

### Shareholding pattern (%)

As On	Sep-21	Jun-21	Sep-20
Promoter	60.6	60.6	60.7
DII	7.4	7.5	6.3
FII	16.5	16.8	17.7
Others	15.5	15.0	15.3

FII Includes depository receipts

**CMP: INR324**
**TP: INR360 (+11%)**
**Neutral**

## Ramp-up in Biosimilars offset by lower Generic sales

### Potential approval hinged on timely inspection

- BIOS delivered an operationally in line 2QFY22, while higher other income led the earnings beat. The healthy show in Research Services and ramp-up in Biosimilar sales was dragged down by the Generics segment on a YoY basis.
- We lower our FY23E EPS estimate by 3%, factoring in: a) pandemic-led delays in inspection, thereby having a subsequent impact on the approval timeline, b) gradual pick-up in market share for Insulin Glargine c) intense pricing pressure in Generics, and d) an increase in raw material prices.
- We value BIOS at 32x 12-month forward earnings to arrive at our TP of INR360. We maintain our Neutral rating on limited upside from current levels.

### Product mix impact more than offset by better operating leverage

- Revenue grew 5.5% YoY to INR18.4b (est. INR19.2b) in 2QFY22.
- YoY growth in sales was led by a 17% YoY growth in Research Services (33% of sales) and 10% growth in Biosimilars (40% of sales). Novel Biologics contribution stood at INR121m (nil in 2QFY21). Growth was dragged lower by Generic sales, which fell 11.5% YoY to INR5.3b (27% of sales).
- Gross margin fell 40bp YoY to 65% due to a change in the product mix.
- However, EBITDA margin expanded by 80bp YoY to 24.3% (est. 22.7%). As a percentage of sales, higher staff expense (+180bp YoY) was offset by lower other expense/R&D cost (-250bp/-60bp).
- EBITDA increased by 9% YoY to INR4.5b (est. INR4.4b) in 2QFY22.
- Adjusting for an exceptional item relating to modification of the optionally convertible debentures of a PE investment in Biocon Biologics and reversal of export-related claims relating to a prior period, PAT grew at a higher rate of 26% YoY to INR2.4b due to higher other income at INR1b (INR155m YoY).
- Sales/EBITDA/PAT grew 5%/2%/6% YoY to INR36b/INR8.4b/INR3.6b in 1HFY22.

### Highlights from the management commentary

- With the formulary coverage from Express Scripts, the management expects to achieve double-digit market share in Semglee. Volumes of 20-25% in b-Glargine in the US are dispensed through the Express Scripts Network.
- The USFDA conducted a remote interactive evaluation of its oral solid dosage manufacturing facility in Bengaluru as part of a pre-approval review for previously filed ANDAs. One of them is a limited competition product with a market size of USD500m.
- g-Afinitor launched in 2QFY22 is BIOS' first day one launch and is expected to contribute meaningfully in coming quarters.
- The management expects approval by 1QCY22 for b-Aspart, subject to an inspection by USFDA. The launch timeline of the product will be decided by partner Viatrix.
- Adjusting for COVID-related sales, Biosimilars sales grew by 10% QoQ.

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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.

**Valuation and view**

- We lower our FY23E EPS estimate by 3%, factoring in a delay in potential approvals in the Biosimilars segment for the US market and increase in pricing pressure in Generics. We expect Semglee to ramp-up with the new formulary listing with Express Scripts. We expect 36% earnings CAGR over FY21-23E, led by a 14%/17% sales CAGR in Biologics/Research Services and 300bp margin expansion.
- We value BIOS at 32x 12-month forward earnings to arrive at our TP of INR360. We maintain our Neutral rating as current valuations adequately captures potential upsides from a ramp-up in launched Biosimilars in the US.

**Consolidated quarterly performance**

(INR m)

Y/E March	FY21				FY22E				FY21	FY22E	FY22E	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	vs Est
<b>Net Sales</b>	<b>16,713</b>	<b>17,448</b>	<b>18,510</b>	<b>18,387</b>	<b>17,610</b>	<b>18,404</b>	<b>20,458</b>	<b>22,900</b>	<b>71,058</b>	<b>79,372</b>	<b>19,212</b>	<b>-4.2%</b>
YoY Change (%)	14.6	11.0	7.8	18.1	5.4	5.5	10.5	24.5	12.8	11.7	10.1	
Total Expenditure	12,590	13,354	14,530	14,030	13,720	13,940	15,425	17,397	54,504	60,483	14,851	
<b>EBITDA</b>	<b>4,123</b>	<b>4,094</b>	<b>3,980</b>	<b>4,357</b>	<b>3,890</b>	<b>4,464</b>	<b>5,033</b>	<b>5,503</b>	<b>16,554</b>	<b>18,890</b>	<b>4,361</b>	<b>2.4%</b>
YoY Change (%)	-5.6	1.6	-10.6	36.8	-5.7	9.0	26.5	26.3	3.3	14.1	6.5	
Margins (%)	24.7	23.5	21.5	23.7	22.1	24.3	24.6	24.0	23.3	23.8	22.7	
Depreciation	1,668	1,777	1,860	1,840	1,950	2,020	2,120	2,376	7,145	8,466	1,920	
<b>EBIT</b>	<b>2,455</b>	<b>2,317</b>	<b>2,120</b>	<b>2,517</b>	<b>1,940</b>	<b>2,444</b>	<b>2,913</b>	<b>3,127</b>	<b>9,409</b>	<b>10,423</b>	<b>2,441</b>	
YoY Change (%)	-21.5	-14.5	-29.6	51.5	-21.0	5.5	37.4	24.2	-10.5	10.8	5.4	
Interest	125	65	50	340	200	230	185	146	577	761	195	
Other Income	183	155	220	450	470	1,050	450	430	1,005	2,400	300	
Extraordinary income	0	-180	60	1,030	-560	-1,210	0	0	910	-1,770	0	
<b>PBT</b>	<b>2,513</b>	<b>2,227</b>	<b>2,350</b>	<b>3,657</b>	<b>1,650</b>	<b>2,054</b>	<b>3,178</b>	<b>3,410</b>	<b>10,747</b>	<b>10,292</b>	<b>2,546</b>	<b>-19.3%</b>
Tax	809	223	490	700	570	470	667	763	2,222	2,470	535	
Rate (%)	32.2	10.0	20.9	19.1	34.5	22.9	21.0	22.4	20.7	24.0	21.0	
Minority Interest	180	261	180	430	240	200	205	196	1,051	841	210	
<b>PAT</b>	<b>1,488</b>	<b>1,743</b>	<b>1,680</b>	<b>2,527</b>	<b>840</b>	<b>1,384</b>	<b>2,305</b>	<b>2,452</b>	<b>7,438</b>	<b>6,981</b>	<b>1,801</b>	<b>-23.2%</b>
<b>Adj PAT</b>	<b>1,488</b>	<b>1,905</b>	<b>1,633</b>	<b>1,598</b>	<b>1,207</b>	<b>2,394</b>	<b>2,305</b>	<b>2,452</b>	<b>6,624</b>	<b>8,358</b>	<b>1,801</b>	<b>32.9%</b>
YoY Change (%)	-27.8	-8.8	-19.6	29.9	-18.9	25.7	41.2	53.4	-10.6	26.2	-5.4	

**Key performance indicators (consolidated)**

Y/E March	FY21E				FY22E				FY21	FY22E	2QE
	1QE	2Q	3Q	4QE	1Q	2Q	3QE	4QE			
<b>Cost Break-up</b>											
RM Cost (% of Sales)	36.1	34.4	34.1	35.0	39.0	34.8	35.4	35.2	31.1	36.0	38.6
Staff Cost (% of Sales)	21.5	21.9	22.2	22.5	22.4	23.7	23.0	22.8	24.5	23.0	20.7
R&D Expenses(% of Sales)	6.4	8.5	9.2	6.9	6.8	7.9	8.0	8.0	7.8	7.7	7.0
Other Cost (% of Sales)	11.4	11.7	12.9	11.9	9.7	9.2	9.0	10.0	13.4	9.5	11.0
Gross Margins(%)	63.9	65.6	65.9	65.0	61.0	65.2	64.6	64.8	68.9	64.0	61.4
EBITDA Margins(%)	24.7	23.5	21.5	23.7	22.1	24.3	24.6	24.0	23.3	23.8	22.7
EBIT Margins(%)	14.7	13.3	11.5	13.7	11.0	13.3	14.2	13.7	13.2	13.1	12.7



### Key takeaways from the management interaction

- BIOS intends to launch recombinant human insulin after b-Aspart in the US.
- Its Visakhapatnam API facility will be commercialized by 2HFY23.
- The impact of price erosion continues in the US, though BIOS has a small product portfolio. It maintains 15-20% market share in products it is present in.
- API-to-Formulations split in the Generics segment stands at 80:20.
- Equillium has announced its intention to launch a Phase III study for Itolizumab for graft v/s host disease. The same is expected in 4QFY22.
- Fulphila and Ogivri maintained their market share despite intense competition. Market share of innovator Neulasta Onpro is declining as footfalls at clinics are increasing, improving outlook for Biosimilars, including that for Fulphila.
- BIOS has invested USD350m till date at its Malaysian site.
- Revaluation related gain stood at INR550m in 2QFY22.
- It has not seen any sharp surge in raw material pricing in the Biosimilar segment.
- Developed market sales of Biologics stood at 45-46% of total Biosimilar sales of BIOS in 2QFY22.

## Key exhibits

**Exhibit 1: Biosimilars saw over 1,000bp PBT margin gains sequentially in 2QFY22**

Segmental PBT margin	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22
Generics	17.9	15.8	12.6	16.6	12.5	9.6	12.6	6.0	9.4
Biosimilars	17.5	20.6	-1.3	15.2	12	14.4	10.3	13.3	23.5
Novel Biologics	NA	NA	NA	NA	NA	NA	NA	NM	NM
Research Services	21.3	20.5	25.2	15.7	18.1	19.9	23.9	15.9	18.5
<b>Total</b>	<b>17.2</b>	<b>17.2</b>	<b>10.7</b>	<b>14.7</b>	<b>13.3</b>	<b>12.8</b>	<b>19.2</b>	<b>9.4</b>	<b>15.0</b>

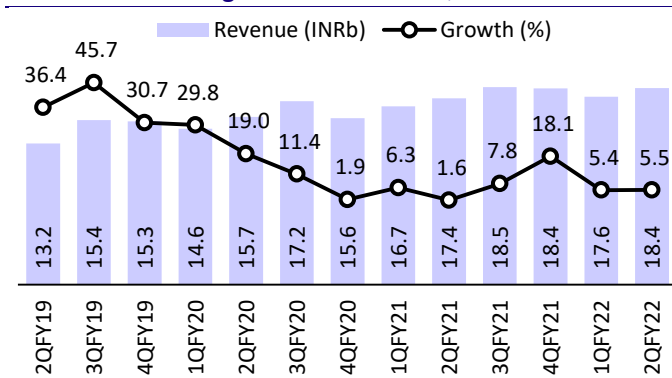
Source: MOFSL, Company

**Exhibit 2: Syngene International's financials**

(INR m)	2QFY22	2QFY21	%YoY	1QFY22	%QoQ
<b>Total revenues</b>	<b>6,102</b>	<b>5,196</b>	17.4	<b>5,945</b>	2.6
Material cost	1,675	1,276	31.3	1,946	(13.9)
<b>Gross profit</b>	<b>4,427</b>	<b>3,920</b>	12.9	<b>3,999</b>	10.7
Gross margin (%)	72.5	75.4	-290bp	67.3	-530bp
Staff cost	1,846	1,612	14.5	1,711	7.9
% of sales	30.3	31.0	-70bp	28.8	+150bp
Other expense	807	819	(1.5)	638	26.5
% of sales	13.2	15.8	-260bp	10.7	-250bp
<b>EBITDA</b>	<b>1,774</b>	<b>1,489</b>	19.1	<b>1,650</b>	7.5
EBITDA margin (%)	29.1	28.7	+40bp	27.8	+130bp
Depreciation	762	687	10.9	747	2.0
EBIT	1,012	802	26.2	903	12.1
Interest cost	12	66	(81.8)	79	(84.8)
Other income (net)	129	138	(6.5)	123	4.9
<b>PBT before EO</b>	<b>1,129</b>	<b>874</b>	29.2	<b>947</b>	19.2
EO expense	307	-68		0	
<b>PBT</b>	<b>822</b>	<b>942</b>	(12.7)	<b>947</b>	(13.2)
Income tax	155	101	53.5	174	(10.9)
Effective tax rate (%)	18.9	10.7	+820bp	18.4	+50bp
<b>Adjusted PAT</b>	<b>916</b>	<b>780</b>	17.4	<b>773</b>	18.5

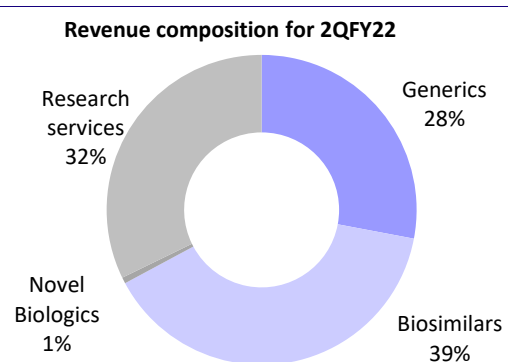
Source: MOFSL, Company

**Exhibit 3: Revenue grew 5.5% YoY in 2QFY22**



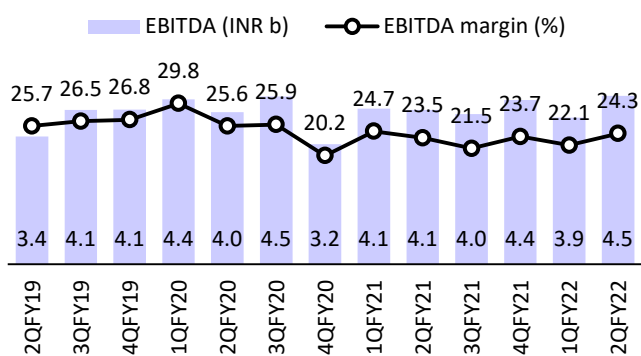
Source: MOFSL, Company

**Exhibit 4: Biosimilars contribute 39% to total revenue**



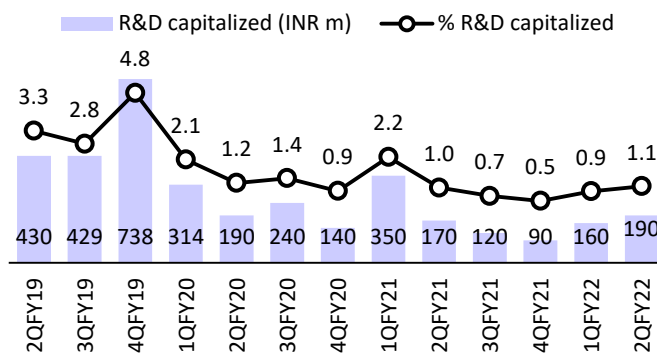
Source: MOFSL, Company

**Exhibit 5: EBITDA margin expands 80bp YoY in 2QFY22**



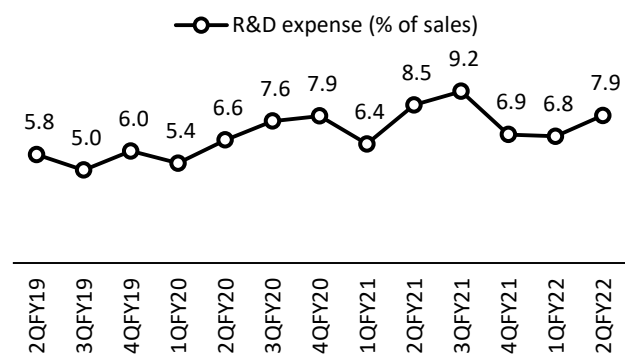
Source: MOFSL, Company

**Exhibit 6: R&D capitalized was 1.1% of sales in 2QFY22**



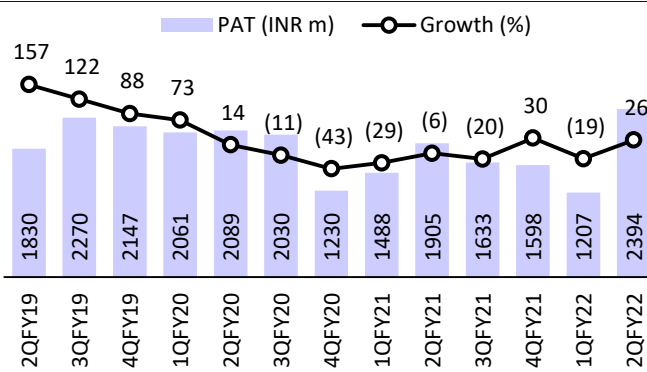
Source: MOFSL, Company

**Exhibit 7: Expensed R&D grew to 7.9% of sales in 2QFY22**



Source: MOFSL, Company

**Exhibit 8: PAT grew 26% YoY in 2QFY22**



Source: MOFSL, Company

**Expect moderate outlook over the medium term**

**Biosimilars a mixed bag**

Biosimilars sales in 1HFY22 grew 10% YoY on a low base of FY21 and benefits from the sale of COVID-19 products. Biosimilar Fulphila (b-Pegfilgrastim) and Ogivri (b-Trastuzumab) held steady market shares, despite an increase in competition. Express Scripts, the second largest PBM in the US, will list BIOS’ Semglee (b-Insulin Glargine) as a preferred insulin brand on its National Reference Formulary, beginning 1QCY22, replacing innovator Lantus on the formulary as the preferred Insulin Glargine. This paves the way for Semglee to ramp-up its market share from commercially insured patients. This can be partly offset by the innovator’s effort to switch patients to Toujeo. While traction in the commercialized product is improving at a steady pace, new approvals (Bevacizumab) are hit by delays in regulatory inspection. The favorable acceptance of corrective and preventive action is key for approval of b-Insulin Aspart. We expect 14% sales CAGR for Biosimilars to INR36b over FY21-23E.

**Seeing increasing interest from clients for Research Services**

Revenue from Research Services (Syngene) grew 28% YoY to INR12b in 1HFY22. Growth in revenue was aided to some extent by Remdesivir sales in the US. The company is seeing increasing activities and inquiries from clients in the US/Europe, as work has begun to normalize post the lifting of COVID-related restrictions. This

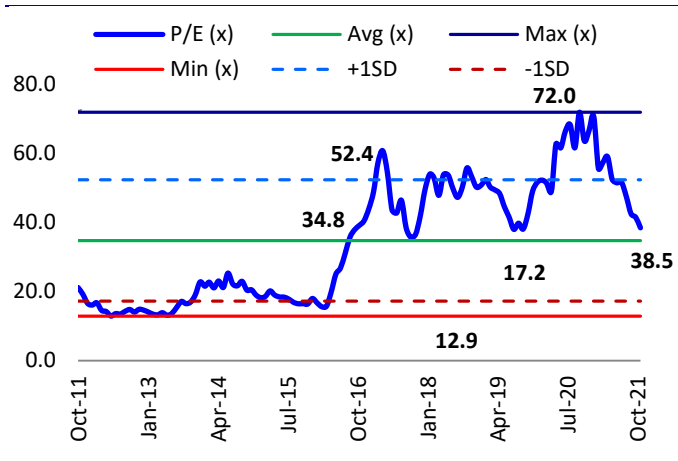
provides opportunities for Syngene to add projects to its portfolio, driving growth beginning FY23E.

Its Mangalore API plant is on track for commercialization to begin for regulated markets in another 24 months. The company will continue to recruit at the senior level to solidify its scientific base. This will help it remain competitive and gain market share. Addition of new customers, expansion in a number of resources (scientists), and higher pocket share are expected to drive 17% sales CAGR in the Research Services' segment over FY21-23E.

**Rich valuations already reflect the upside potential from Semglee**

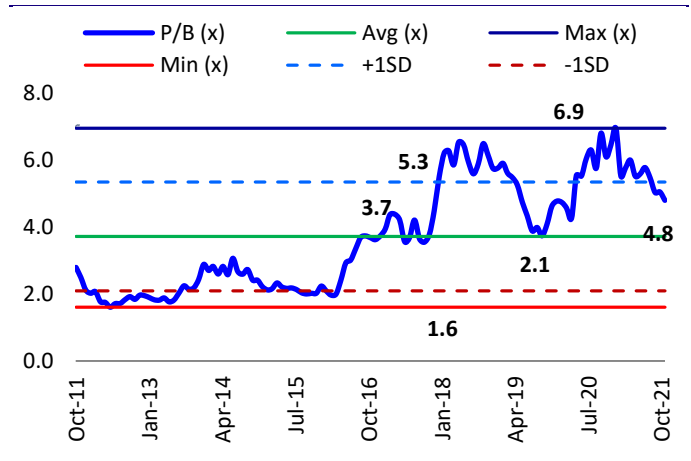
We lower our FY23E EPS estimate by 3%, factoring in: a) a delay in approvals for Biosimilars Insulin Aspart and Bevacizumab in the US, b) increasing competition in Biosimilars in the US, c) gradual ramping up of sales for Semglee, and d) pricing pressure in Generics. We expect 36% earnings CAGR over FY21-23E, led by a 14%/17% sales CAGR in Biologics/Research Services and 300bp margin expansion. We value BIOS at 32x 12-month forward earnings to arrive at our TP of INR360. We maintain our Neutral rating as current valuations adequately captures potential upsides from a ramp-up in launched Biosimilars in the US.

**Exhibit 9: P/E chart**



Source: MOFSL, Company, Bloomberg

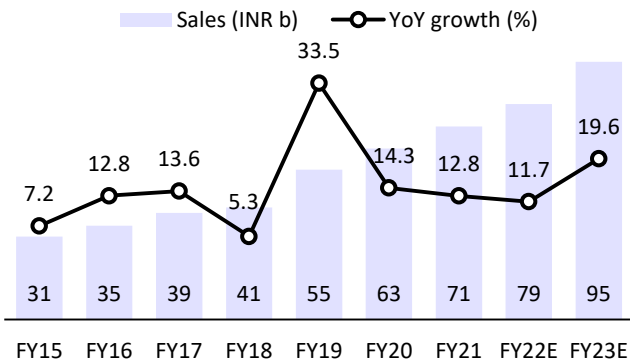
**Exhibit 10: P/B chart**



Source: MOFSL, Company, Bloomberg

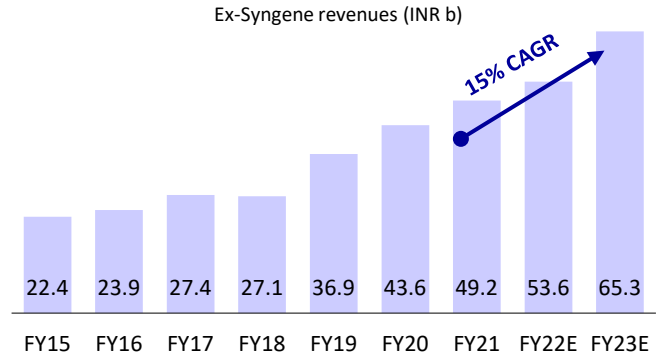
Story in charts

Exhibit 11: Expect ~16% revenue CAGR over FY21-23E



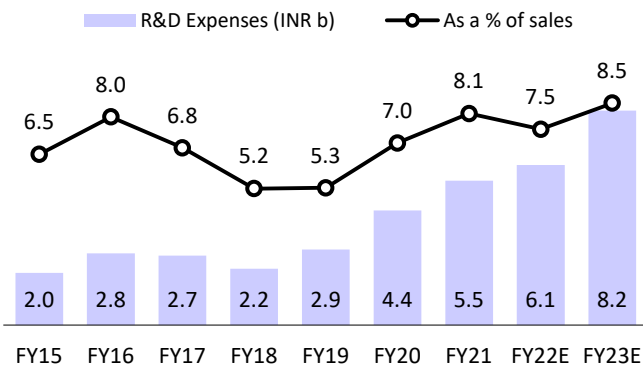
Source: MOFSL, Company

Exhibit 12: New launches/ramp-up to drive revenue, excluding Syngene



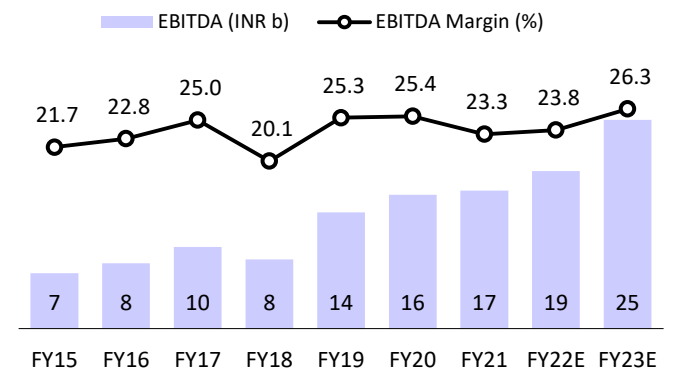
Source: MOFSL, Company

Exhibit 13: R&D spends to inch up for new products



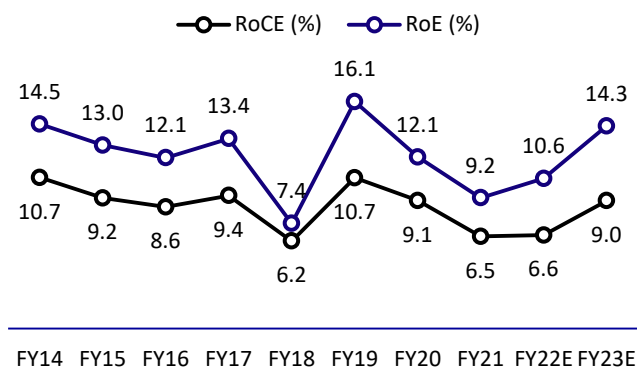
Source: MOFSL, Company

Exhibit 14: Superior product mix to drive margin



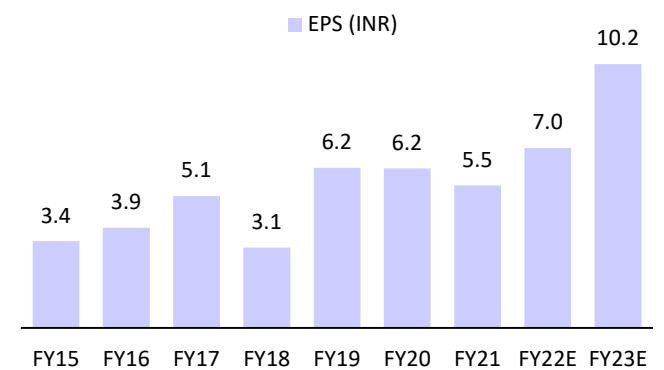
Source: MOFSL, Company

Exhibit 15: RoE to resume its upward trajectory from FY22E



Source: MOFSL, Company

Exhibit 16: Expect 36% EPS CAGR over FY21-23E



Source: MOFSL, Company

## Financials and valuations

Income Statement (Consolidated)										(INR m)
Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
<b>Net Income</b>	<b>28,527</b>	<b>30,592</b>	<b>34,507</b>	<b>39,216</b>	<b>41,297</b>	<b>55,144</b>	<b>63,005</b>	<b>71,058</b>	<b>79,372</b>	<b>94,933</b>
Change (%)	17.5	7.2	12.8	13.6	5.3	33.5	14.3	12.8	11.7	19.6
Total Expenditure	21,902	23,940	26,654	29,421	33,006	41,211	46,974	54,504	60,483	69,934
<b>EBITDA</b>	<b>6,625</b>	<b>6,652</b>	<b>7,853</b>	<b>9,795</b>	<b>8,291</b>	<b>13,933</b>	<b>16,031</b>	<b>16,554</b>	<b>18,890</b>	<b>24,999</b>
Change (%)	36.5	0.4	18.1	24.7	-15.4	68.0	15.1	3.3	14.1	32.3
Margin (%)	23.2	21.7	22.8	25.0	20.1	25.3	25.4	23.3	23.8	26.3
Depreciation	2,036	2,210	2,423	2,772	3,851	4,478	5,522	7,145	8,466	8,817
<b>EBIT</b>	<b>4,589</b>	<b>4,442</b>	<b>5,430</b>	<b>7,023</b>	<b>4,440</b>	<b>9,455</b>	<b>10,509</b>	<b>9,409</b>	<b>10,423</b>	<b>16,182</b>
Int. & Finance Charges	17	89	102	260	615	709	649	577	761	646
Other Income - Rec.	805	837	1,192	1,571	2,062	1,444	1,614	1,005	2,400	1,700
Extraordinary income	0	1,051	5,754	0	0	1,946	675	910	-1,770	
<b>PBT</b>	<b>5,377</b>	<b>6,241</b>	<b>12,274</b>	<b>8,334</b>	<b>5,887</b>	<b>12,136</b>	<b>12,149</b>	<b>10,747</b>	<b>10,292</b>	<b>17,236</b>
Tax	1,069	957	2,569	1,616	1,569	2,123	3,151	2,222	2,470	3,964
Tax Rate (%)	19.9	15.3	20.9	19.4	26.7	17.5	25.9	20.7	24.0	23.0
Minority Interest	170	310	744	760	594	964	1227	1051	841	1009
<b>Adjusted PAT</b>	<b>4,137</b>	<b>4,023</b>	<b>4,646</b>	<b>5,958</b>	<b>3,690</b>	<b>7,441</b>	<b>7,410</b>	<b>6,624</b>	<b>8,358</b>	<b>12,263</b>
<b>PAT</b>	<b>4,137</b>	<b>4,084</b>	<b>4,411</b>	<b>5,958</b>	<b>3,724</b>	<b>9,053</b>	<b>7,769</b>	<b>7,438</b>	<b>6,981</b>	<b>12,263</b>
Change (%)	26.5	-2.8	15.5	28.3	-38.1	101.7	-0.4	-10.6	26.2	46.7
Margin (%)	14.5	13.4	12.8	15.2	8.9	16.4	12.3	10.5	8.8	12.9

Consolidated Balance Sheet										(INR m)
Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Equity Share Capital	1,000	1,000	1,000	3,000	3,000	3,000	6,000	6,000	6,000	6,000
Other Reserves	29,258	31,697	39,329	45,368	48,808	57,980	61,058	70,269	75,209	83,886
<b>Net Worth</b>	<b>30,267</b>	<b>32,706</b>	<b>40,338</b>	<b>48,377</b>	<b>51,808</b>	<b>60,980</b>	<b>67,058</b>	<b>76,269</b>	<b>81,209</b>	<b>89,886</b>
Loans	8,497	10,306	24,673	22,054	19,201	18,028	19,797	36,783	33,783	30,783
Minority Interest	823	1,722	2,658	3,761	4,677	6,089	6,773	8,807	9,648	10,657
Deferred liabilities	6558	5934	3489	1964	2167	5816	13794	24212	24212	24212
<b>Capital Employed</b>	<b>46,145</b>	<b>50,667</b>	<b>71,158</b>	<b>76,156</b>	<b>77,853</b>	<b>90,913</b>	<b>107,422</b>	<b>146,071</b>	<b>148,852</b>	<b>155,537</b>
Gross Block	27,218	29,750	33,113	53,269	57,532	68,240	85,167	93,959	98,459	104,959
Less: Accum. Deprn.	11,711	13,943	16,302	17,740	21,235	25,713	31,235	38,386	46,852	55,669
<b>Net Fixed Assets</b>	<b>15,507</b>	<b>15,807</b>	<b>16,811</b>	<b>35,529</b>	<b>36,297</b>	<b>42,527</b>	<b>53,932</b>	<b>55,573</b>	<b>51,607</b>	<b>49,290</b>
Capital WIP	10,831	14,939	20,597	5,327	7,789	12,869	15,765	22,535	25,035	27,535
Investments	7,649	2,303	9,015	12,538	6,752	10,118	9,661	19,519	20,722	20,121
Intangibles	1,442	2,320	2,470	3,787	5,937	8,303	11,974	13,533	14,886	16,375
<b>Curr. Assets</b>	<b>22,077</b>	<b>28,384</b>	<b>34,973</b>	<b>34,786</b>	<b>41,188</b>	<b>44,860</b>	<b>49,426</b>	<b>70,986</b>	<b>80,677</b>	<b>95,193</b>
Inventory	3,766	4,527	5,424	6,353	7,225	10,316	14,359	18,666	21,311	24,709
Account Receivables	5,998	7,705	7,145	8,832	10,639	12,918	12,237	12,176	15,222	17,686
Cash and Bank Balance	8,044	9,375	15,386	10,443	13,228	10,572	9,986	20,154	21,746	26,009
Loans & Advances	4,269	6,777	7,018	9,158	10,096	11,054	12,844	19,990	22,398	26,789
<b>Curr. Liability &amp; Prov.</b>	<b>11,361</b>	<b>13,087</b>	<b>12,708</b>	<b>15,811</b>	<b>20,110</b>	<b>27,764</b>	<b>33,336</b>	<b>36,075</b>	<b>44,076</b>	<b>52,976</b>
Account Payables	9,595	11,355	12,334	15,343	19,645	26,959	32,306	34,981	39,292	47,255
Provisions	1,766	1,732	374	468	465	805	1,030	1,094	4,784	5,722
<b>Net Current Assets</b>	<b>10,716</b>	<b>15,297</b>	<b>22,265</b>	<b>18,975</b>	<b>21,078</b>	<b>17,096</b>	<b>16,090</b>	<b>34,911</b>	<b>36,602</b>	<b>42,217</b>
<b>Appl. of Funds</b>	<b>46,145</b>	<b>50,667</b>	<b>71,158</b>	<b>76,156</b>	<b>77,853</b>	<b>90,913</b>	<b>107,422</b>	<b>146,071</b>	<b>148,852</b>	<b>155,537</b>



## Financials and valuations

### Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
<b>Basic (INR)</b>										
<b>EPS</b>	<b>3.4</b>	<b>3.4</b>	<b>3.9</b>	<b>5.1</b>	<b>3.1</b>	<b>6.2</b>	<b>6.2</b>	<b>5.5</b>	<b>7.0</b>	<b>10.2</b>
Cash EPS	5.1	5.2	5.7	7.3	6.3	11.3	11.1	12.2	12.9	17.6
BV/Share	25.2	27.2	33.6	40.3	43.2	50.8	55.9	63.6	67.7	74.9
DPS	0.8	0.8	0.8	1.0	1.0	0.5	1.6	0.0	1.5	2.6
Payout (%)	28.3	25.2	25.1	11.8	19.0	7.8	29.3	0.0	29.3	29.3
<b>Valuation (x)</b>										
P/E	94.0	96.6	83.7	63.5	104.4	52.2	52.5	58.7	46.5	31.7
Cash P/E	63.0	61.8	56.9	44.5	51.6	28.7	29.3	26.7	25.2	18.4
P/BV	12.8	11.9	9.6	8.0	7.5	6.4	5.8	5.1	4.8	4.3
EV/Sales	16.8	15.8	14.1	12.4	11.7	8.8	7.7	6.8	6.0	5.0
EV/EBITDA	72.2	72.8	61.8	49.5	58.5	34.6	30.3	29.1	25.2	18.8
Dividend Yield (%)	0.3	0.3	0.3	0.3	0.3	0.2	0.5	0.0	0.4	0.8
<b>Return Ratios (%)</b>										
RoE	14.5	13.0	12.1	13.4	7.4	16.1	12.1	9.2	10.6	14.3
RoCE	10.7	9.2	8.6	9.4	6.2	10.7	9.1	6.5	6.6	9.0
RoIC	18.5	17.2	17.1	15.3	6.7	14.5	12.0	9.6	9.6	15.3
<b>Working Capital Ratios</b>										
Fixed Asset Turnover (x)	1.9	2.0	2.1	1.5	1.1	1.4	1.3	1.3	1.5	1.9
Debtor (Days)	77	92	76	82	94	86	71	63	70	68
Inventory (Days)	48	54	57	59	64	68	83	96	98	95
Working Capital (Days)	34	71	73	79	69	43	35	76	68	62
<b>Leverage Ratio (x)</b>										
Current ratio	1.9	2.2	2.8	2.2	2.0	1.6	1.5	2.0	1.8	1.8
Net Debt/Equity	0.0	0.0	0.2	0.2	0.1	0.1	0.1	0.2	0.1	0.1

### Consolidated Cash Flow Statement

(INR m)

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Oper. Profit/(Loss) before Tax	6,625	5,284	6,091	6,881	4,531	10,026	8,709	8,462	18,890	24,999
Interest/Dividends Recd.	805	-346	-619	-1,271	-452	-908	-824	-770	2,400	1,700
Direct Taxes Paid	800	-1,334	-2,465	-2,030	-1,971	-2,915	-3,441	-1,938	-2,470	-3,964
(Inc)/Dec in WC	876	-3,540	-1,762	-2,111	-1,065	-291	-1,651	-4,238	-99	-1,352
<b>CF from Operations</b>	<b>5,607</b>	<b>2,107</b>	<b>3,706</b>	<b>6,400</b>	<b>6,621</b>	<b>11,546</b>	<b>12,831</b>	<b>11,597</b>	<b>18,721</b>	<b>21,383</b>
(Incr)/Dec in FA	-11,031	-9,169	-8,046	-7,623	-9,199	-14,924	-18,436	-17,559	-7,000	-9,000
<b>Free Cash Flow</b>	<b>-5,424</b>	<b>-7,062</b>	<b>-4,340</b>	<b>-1,223</b>	<b>-2,578</b>	<b>-3,378</b>	<b>-5,605</b>	<b>-5,962</b>	<b>11,721</b>	<b>12,383</b>
(Pur)/Sale of Investments	-1,935	3,602	-4,184	1,239	1,689	6,984	1,844	-18,512	-2,557	-887
<b>CF from investments</b>	<b>-9,381</b>	<b>-5,087</b>	<b>-11,417</b>	<b>-4,985</b>	<b>-6,840</b>	<b>-7,138</b>	<b>-15,589</b>	<b>-36,247</b>	<b>-9,557</b>	<b>-9,887</b>
Change in Net Worth	354	40	-51	43	168	-692	25	314	-1,377	0
(Inc)/Dec in Debt	6,009	3,273	13,429	-1,232	-1,141	75	186	5,872	-3,000	-3,000
Interest Paid	-17	-5	-501	-586	-637	-1,007	-912	-1,160	-761	-646
Dividend Paid	-1,170	-1,446	-2,201	-	-787	-793	-701	0	-2,041	-3,586
Others	-915	0	0	0	0	0	5,278	20,614	-200	
<b>CF from Fin. Activity</b>	<b>4,260</b>	<b>1,862</b>	<b>10,676</b>	<b>-1,775</b>	<b>-2,397</b>	<b>-2,417</b>	<b>3,876</b>	<b>25,640</b>	<b>-7,379</b>	<b>-7,233</b>
<b>Inc/Dec of Cash</b>	<b>486</b>	<b>-1,118</b>	<b>2,965</b>	<b>-360</b>	<b>-2,616</b>	<b>1,991</b>	<b>1,118</b>	<b>990</b>	<b>1,785</b>	<b>4,263</b>
Add: Beginning Balance	4,740	5,570	4,575	7,575	7,102	4,490	6,593	8,247	9,237	11,022
<b>Closing Balance</b>	<b>5,226</b>	<b>4,452</b>	<b>7,540</b>	<b>7,215</b>	<b>4,486</b>	<b>6,481</b>	<b>7,711</b>	<b>9,237</b>	<b>11,022</b>	<b>15,285</b>
FX	344	123	35	-113	4	112	536	71	66	66
Bank balances/Overdraft	2,474	4,800	7,811	3,341	8,738	3,979	1,739	10,846	10,846	10,846
<b>Total Cash and cash Eq</b>	<b>8,044</b>	<b>9,375</b>	<b>15,386</b>	<b>10,443</b>	<b>13,228</b>	<b>10,572</b>	<b>9,986</b>	<b>20,154</b>	<b>21,746</b>	<b>26,009</b>

NOTES

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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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