

# Dr Reddy's Labs

Estimate change



TP change



Rating change



**CMP: INR1,156**

**TP: INR1,220 (+6%)**

**Neutral**

## FY25 ends with a modest YoY earnings growth

### Work in progress to add growth levers

- Dr Reddy's Labs (DRRD) delivered in-line sales, while a slight miss on EBITDA for 4QFY25. The company posted healthy growth in revenue across the segments, partly aided by the addition of acquired businesses. In addition, pharmaceutical services and active ingredients saw a healthy revival in FY25 performance vs. the muted show in FY23/FY24.
- We broadly retain our earnings estimates for FY25/FY27. We value DRRD at 18x 12M forward earnings to arrive at our TP of INR1,220.
- After three years of a strong 30% earnings CAGR over FY21-24E, the company ended FY25 with a moderate 6% earnings growth. DRRD is implementing a plan to expand product offerings across markets and add/ build capacity to cater to the respective markets. Having said this, the intensified competitive pressures in the base portfolio would keep earnings growth in check.
- Accordingly, we model stable earnings over FY25-27. **Reiterate Neutral.**

### Inferior product mix offset by lower opex

- DRRD's 4QFY25 sales rose 20% YoY to INR85b (vs. est. of INR83b).
- The US sales increased 9% YoY to INR36b (~USD416m; 42% of sales), largely due to a rise in volumes of the base business and new launches, partly offset by price erosion. Europe sales surged 2.4x YoY to INR12.7b (15% of sales). India sales rose 16% YoY to INR13b (15% of sales). Emerging markets' sales improved 16% YoY to INR14b (16% of sales).
- Pharmaceutical Services and Active Ingredients (PSAI) segment's revenue grew 16% YoY to INR9.5b (11% of sales).
- Gross margin (GM) contracted 300bp YoY to 55.6%, mainly due to lower margins in the global generics business (down 270bp YoY). This was partly offset by a higher gross margin in the PSAI segment.
- EBITDA margin dipped 80bp YoY to 24% (our est: 26.5%) as lower GM was offset by lower expenses (R&D/SGA down 100bp/110bp YoY as % of sales).
- EBITDA was up 16% YoY to INR20.5b (vs. est. of INR21.9b).
- PAT grew at a higher rate of 26.7% YoY to INR15.4b, supported further by higher other income.
- During FY25, revenue/EBITDA/PAT grew 16%/9%/6% YoY to INR324b/INR85.5b/INR56b.

### Highlights from the management commentary

- Management guided a double-digit YoY revenue growth and will maintain the EBITDA margin at FY25 levels in FY26.
- A certain one-time cost hurt gross margin by 80bp for the quarter.
- DRRD launched 7/18 products in NA in 4QFY25/FY25.

|                       |              |
|-----------------------|--------------|
| Bloomberg             | DRRD IN      |
| Equity Shares (m)     | 834          |
| M.Cap.(INRb)/(USDb)   | 964.5 / 11.3 |
| 52-Week Range (INR)   | 1421 / 1020  |
| 1, 6, 12 Rel. Per (%) | -2/-9/-11    |
| 12M Avg Val (INR M)   | 2884         |

### Financials & Valuations (INR b)

| Y/E MARCH         | FY25  | FY26E | FY27E |
|-------------------|-------|-------|-------|
| Sales             | 324.3 | 347.0 | 350.1 |
| EBITDA            | 85.5  | 89.5  | 85.8  |
| Adj. PAT          | 56.1  | 58.5  | 54.6  |
| EBITDA Margin (%) | 26.4  | 25.8  | 24.5  |
| Adj. EPS (INR)    | 67.3  | 70.3  | 65.6  |
| EPS Gr. (%)       | 6.1   | 4.4   | -6.7  |
| BV/Sh. (INR)      | 405   | 470   | 531   |

### Ratios

|            |      |      |      |
|------------|------|------|------|
| Net D:E    | -0.1 | -0.3 | -0.6 |
| RoE (%)    | 18.2 | 16.1 | 13.1 |
| RoCE (%)   | 14.7 | 12.1 | 10.4 |
| Payout (%) | 7.7  | 7.1  | 7.6  |

### Valuations

|                |      |      |      |
|----------------|------|------|------|
| P/E (x)        | 17.2 | 16.5 | 17.7 |
| EV/EBITDA (x)  | 11.0 | 10.1 | 9.6  |
| Div. Yield (%) | 0.4  | 0.4  | 0.4  |
| FCF Yield (%)  | 1.4  | 3.8  | 8.2  |
| EV/Sales (x)   | 2.9  | 2.6  | 2.4  |

### Shareholding Pattern (%)

| As On    | Mar-25 | Dec-24 | Mar-24 |
|----------|--------|--------|--------|
| Promoter | 26.6   | 26.6   | 26.7   |
| DII      | 25.6   | 22.9   | 18.3   |
| FII      | 37.6   | 40.2   | 44.7   |
| Others   | 10.2   | 10.2   | 10.4   |

FII includes depository receipts

**Quarterly Performance - IFRS**
**(INRb)**

| Y/E March                     | FY24        |             |             |             | FY25E       |             |             |             | FY24E        | FY25E        | Estimates   |             |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|-------------|-------------|
|                               | 1Q          | 2Q          | 3Q          | 4Q          | 1Q          | 2Q          | 3Q          | 4Q          |              |              | 4QE         | % Var       |
| <b>Sales</b>                  | <b>67.4</b> | <b>68.8</b> | <b>72.1</b> | <b>70.8</b> | <b>76.7</b> | <b>80.2</b> | <b>82.3</b> | <b>85.1</b> | <b>279.2</b> | <b>324.3</b> | <b>82.8</b> | <b>2.8</b>  |
| YoY Change (%)                | 35.2        | 9.1         | 6.6         | 17.4        | 13.9        | 16.5        | 14.1        | 20.1        | 15.9         | 16.2         | 16.9        |             |
| <b>EBITDA</b>                 | <b>20.5</b> | <b>20.0</b> | <b>20.3</b> | <b>17.7</b> | <b>21.3</b> | <b>22.0</b> | <b>21.7</b> | <b>20.5</b> | <b>78.4</b>  | <b>85.5</b>  | <b>21.9</b> | <b>-6.4</b> |
| YoY Change (%)                | 97.8        | 10.7        | -1.3        | 34.0        | 4.0         | 10.3        | 7.1         | 16.1        | 26.2         | 9.1          | 24.0        |             |
| Margins (%)                   | 30.3        | 29.0        | 28.1        | 24.9        | 27.7        | 27.5        | 26.4        | 24.1        | 28.1         | 26.4         | 26.5        |             |
| Amortization                  | 3.6         | 3.8         | 3.9         | 3.5         | 3.8         | 4.0         | 4.7         | 4.6         | 14.8         | 17.1         | 4.9         |             |
| <b>EBIT</b>                   | <b>16.9</b> | <b>16.1</b> | <b>16.4</b> | <b>14.1</b> | <b>17.5</b> | <b>18.1</b> | <b>17.0</b> | <b>16.0</b> | <b>63.5</b>  | <b>68.5</b>  | <b>17.0</b> |             |
| Other Income                  | 1.1         | 1.6         | 2.0         | 1.7         | 1.4         | 2.6         | 0.5         | 3.4         | 6.4          | 7.8          | 0.7         |             |
| <b>PBT before EO expenses</b> | <b>18.0</b> | <b>17.7</b> | <b>18.4</b> | <b>15.8</b> | <b>18.8</b> | <b>20.7</b> | <b>17.5</b> | <b>19.3</b> | <b>69.9</b>  | <b>76.3</b>  | <b>17.7</b> | <b>9.0</b>  |
| One-off income/(expense)      | 0.5         | 1.4         | -0.1        | 0.2         | 0.0         | -1.5        | 1.3         | 0.7         | 2.0          | 0.5          | 0.0         |             |
| <b>Profit before Tax</b>      | <b>18.5</b> | <b>19.1</b> | <b>18.3</b> | <b>16.0</b> | <b>18.8</b> | <b>19.2</b> | <b>18.7</b> | <b>20.1</b> | <b>71.9</b>  | <b>76.8</b>  | <b>17.7</b> | <b>13.1</b> |
| Tax                           | 4.4         | 4.3         | 4.5         | 2.9         | 4.9         | 5.8         | 4.7         | 4.2         | 16.2         | 19.5         | 4.0         |             |
| Rate (%)                      | 24.0        | 22.7        | 24.5        | 18.4        | 26.0        | 30.0        | 25.1        | 20.8        | 22.5         | 25.4         | 22.6        |             |
| <b>PAT</b>                    | <b>14.0</b> | <b>14.8</b> | <b>13.8</b> | <b>13.1</b> | <b>13.9</b> | <b>13.4</b> | <b>14.0</b> | <b>15.9</b> | <b>55.7</b>  | <b>57.2</b>  | <b>13.7</b> | <b>15.6</b> |
| <b>Adjusted PAT</b>           | <b>13.7</b> | <b>13.3</b> | <b>13.8</b> | <b>12.1</b> | <b>13.9</b> | <b>13.6</b> | <b>13.2</b> | <b>15.4</b> | <b>52.8</b>  | <b>56.1</b>  | <b>11.8</b> | <b>30.0</b> |
| YoY Change (%)                | 66.6        | 16.5        | 5.1         | 50.1        | 2.0         | 2.4         | -4.3        | 26.7        | 29.6         | 6.1          | -2.5        |             |
| Margins (%)                   | 20.3        | 19.3        | 19.1        | 17.1        | 18.1        | 17.0        | 16.0        | 18.1        | 18.9         | 17.3         | 14.3        |             |
| <b>EPS</b>                    | <b>16.4</b> | <b>15.9</b> | <b>16.5</b> | <b>14.5</b> | <b>16.7</b> | <b>16.3</b> | <b>15.8</b> | <b>18.4</b> | <b>63.4</b>  | <b>67.3</b>  | <b>14.3</b> | <b>10.7</b> |

**Key performance Indicators (Consolidated)**
**(INRb)**

| Y/E March                | FY24 |      |      |      | FY25 |      |       |       | FY24  | FY25  | FY25  |
|--------------------------|------|------|------|------|------|------|-------|-------|-------|-------|-------|
|                          | 1Q   | 2Q   | 3Q   | 4Q   | 1Q   | 2Q   | 3Q    | 4Q    |       |       | 4QE   |
| <b>INRm</b>              |      |      |      |      |      |      |       |       |       |       |       |
| North America            | 32.0 | 31.7 | 33.5 | 32.6 | 38.5 | 37.3 | 33.8  | 35.6  | 129.9 | 144.1 | 34.5  |
| YoY Change (%)           | 79.5 | 13.2 | 9.6  | 28.8 | 20.3 | 17.6 | 1.0   | 9.1   | 27.7  | 10.9  | 5.8   |
| Europe                   | 5.1  | 5.3  | 5.0  | 5.2  | 5.3  | 5.8  | 12.1  | 12.8  | 20.5  | 35.0  | 11.9  |
| YoY Change (%)           | 22.5 | 25.9 | 15.5 | 5.0  | 3.8  | 9.2  | 143.4 | 144.8 | 16.5  | 70.6  | 127.8 |
| India                    | 11.5 | 11.9 | 11.8 | 11.3 | 13.3 | 14.0 | 13.5  | 13.0  | 46.4  | 53.1  | 12.4  |
| YoY Change (%)           | 3.9  | 3.1  | 4.7  | 10.5 | 15.4 | 17.8 | 14.1  | 15.8  | 5.4   | 14.5  | 10.5  |
| Russia & Others CIS      | 7.6  | 8.0  | 8.2  | 7.2  | 7.4  | 9.0  | 9.4   | 8.9   | 30.9  | 35.7  | 9.9   |
| YoY Change (%)           | 49.8 | -1.2 | -9.9 | -4.0 | -2.6 | 12.5 | 14.6  | 23.6  | 3.8   | 15.4  | 37.0  |
| Others                   | 4.0  | 4.2  | 4.6  | 4.9  | 3.7  | 5.6  | 5.0   | 5.1   | 17.7  | 19.7  | 5.4   |
| YoY Change (%)           | -0.1 | 2.2  | 15.9 | 34.3 | -5.3 | 32.1 | 7.0   | 3.9   | 12.8  | 10.9  | 10.0  |
| PSAI                     | 6.7  | 7.0  | 7.8  | 8.2  | 7.7  | 8.4  | 8.2   | 9.6   | 29.8  | 32.5  | 8.2   |
| YoY Change (%)           | -5.4 | 9.3  | 1.0  | 5.5  | 14.1 | 19.5 | 4.8   | 16.4  | 2.5   | 8.9   | -0.5  |
| <b>Cost Break-up</b>     |      |      |      |      |      |      |       |       |       |       |       |
| COGS (% of Sales)        | 41.3 | 41.3 | 41.5 | 41.4 | 39.6 | 40.4 | 42.0  | 44.4  | 41.4  | 40.8  | 41.1  |
| SG&A (% of Sales)        | 21.0 | 21.7 | 22.7 | 23.9 | 24.6 | 23.0 | 23.6  | 22.9  | 22.3  | 23.7  | 23.6  |
| R&D Expenses(% of Sales) | 7.4  | 7.9  | 7.7  | 9.7  | 8.1  | 9.1  | 8.1   | 8.5   | 8.2   | 8.5   | 8.8   |
| Gross Margin (%)         | 58.7 | 58.7 | 58.5 | 58.6 | 60.4 | 59.6 | 58.0  | 55.6  | 58.6  | 59.2  | 58.9  |
| EBITDA Margin (%)        | 30.3 | 29.0 | 28.1 | 24.9 | 27.7 | 27.5 | 26.4  | 24.1  | 28.1  | 27.0  | 26.5  |
| EBIT Margin (%)          | 25.0 | 23.4 | 22.7 | 19.9 | 22.8 | 22.5 | 20.7  | 18.8  | 22.8  | 21.6  | 20.6  |

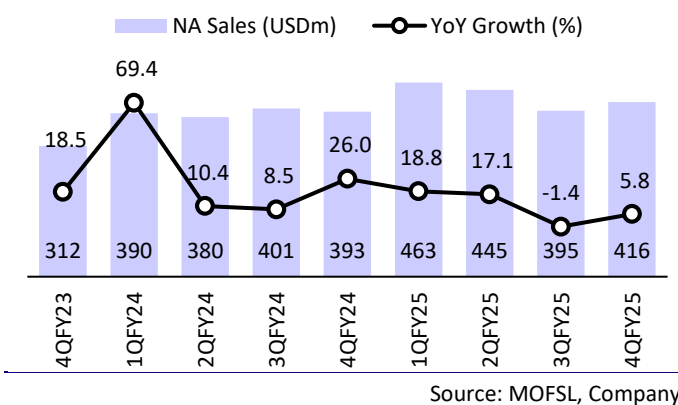


## Management call highlights

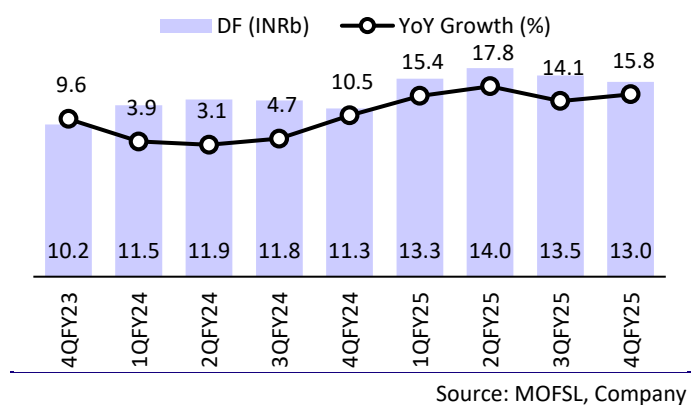
- DRRD has partnered with Shanghai Henlius Biotech to commercialize HLX15 (daratumumab biosimilar) in the US and Europe
- DRRD received Biologics License Application (BLA) acceptance for AVT03 (denosumab biosimilar) developed by partner, Alvotech, for the US market
- DRRD completed the divestment of our manufacturing facility in Shreveport, Louisiana, US.
- DRRD participated in India's 'Jan Aushadi' program with one of our products to provide accessible generic medicines to the public.
- DRRD expects SGA/R&D expenses in FY26 to be similar to those in FY25 as a % of sales.
- The ETR for FY25 was higher due to the reversal of previously recognized deferred tax assets related to land indexation and recognition of previously unrecognized deferred tax assets on operating tax losses. Management guided the ETR to be at similar levels in FY26.

## Key exhibits

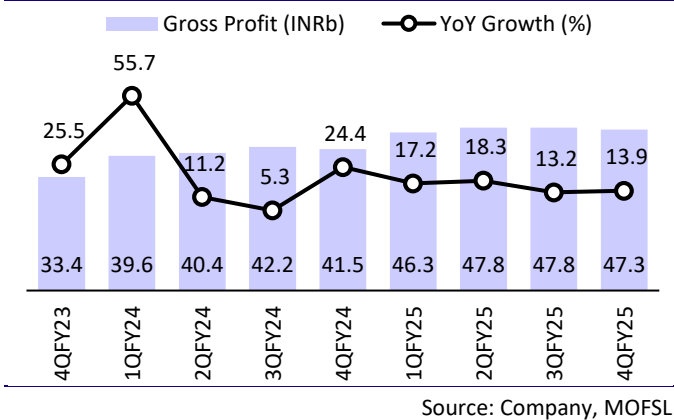
**Exhibit 1: In CC terms, NA sales rose ~5.8% YoY in 4QFY25**



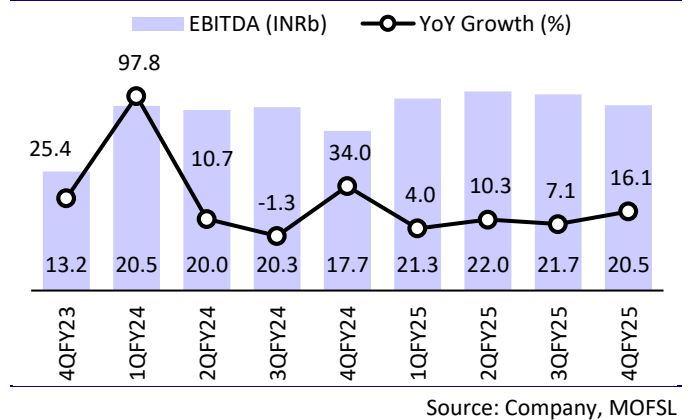
**Exhibit 2: DF sales grew 15.8% YoY in 4QFY25**



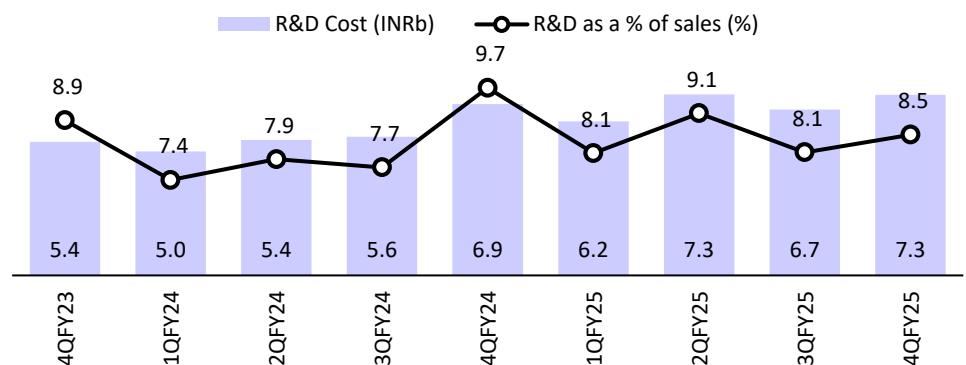
**Exhibit 3: Gross profit increased 13.9% YoY**



**Exhibit 4: EBITDA increased 16% YoY**



**Exhibit 5: R&D expenses as a proportion of sales at 8.5% in 4QFY25**



Source: MOFSL, Company

### Expect earnings to be steady over the next two years

#### Peptides/biosimilars to enhance offerings in a regulated market

- In FY25, NA sales grew 9% YoY to USD1.7b; its new launches gained market share in select products, outweighing price erosion in certain products.
- DRRD launched 18 new products and filed 10 ANDAs in FY25.
- There are 76 ANDAs and 3 NDAs under the 505(b)(2) route awaiting approval. Of these ANDAs, 44 are Para IVs, and 20 have the potential to secure the 'First to File' status.
- DRRD has invested considerably in product development and manufacturing capacity in the peptide category.
- Further, DRRD is building a biosimilar pipeline through in-house development as well as partnered products for regulated markets.
- Over FY25-27, we expect US sales to decline 8% to ~INR123b (USD1.5b). While the pipeline continues to remain rich, competition in products such as g-Revlimid would keep growth prospects under check.

#### Vaccine-driven growth in the India segment in FY25

- In FY25, India delivered a growth of 15.8% YoY to INR54b. In addition to new launches and steady execution in the base portfolio, the vaccine portfolio has been strengthening its growth trajectory in the domestic market.
- Excluding the vaccines business, the India business grew 6% YoY in FY25.
- The company launched 23 products during FY25 and continues to explore some in-licensing and partnership opportunities.
- DRRD is adding a growth driver through supplying medicines under the Jan-Aushadhi program as well.
- We expect a sales CAGR of 14% to reach INR69.8b over FY25-27.

### Steady growth momentum in emerging markets

- In FY25, EM sales grew 11% YoY to INR54b, driven by new launches across various countries and a higher volume offtake of existing products.
- Specifically, the Russian business increased 16% YoY in FY25, led by superior execution by DRRD.
- Overall, we expect a sales CAGR of 8% to reach INR62b over FY25-27.

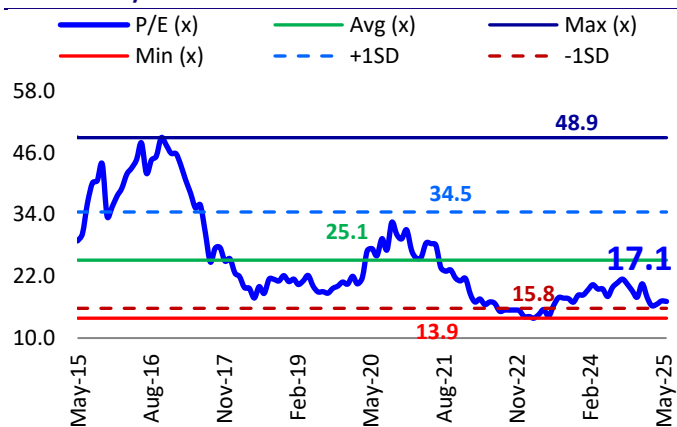
### PSAI segment: Volume and new launches to aid growth

- In FY25, the PSAI segment's revenue grew 14% YoY to INR24.3b. DRRD delivered improved performance in the PSAI segment in FY25 after three years of muted performance.
- DRRD introduced new APIs and garnered a higher volume offtake of existing APIs to revive growth in this segment.
- It filed 52 DMFs in 4QFY25, which would provide support for sustainable growth momentum.
- We expect the PSAI business to post an 8% sales CAGR to reach INR39b over FY25-27.

### Reiterate Neutral

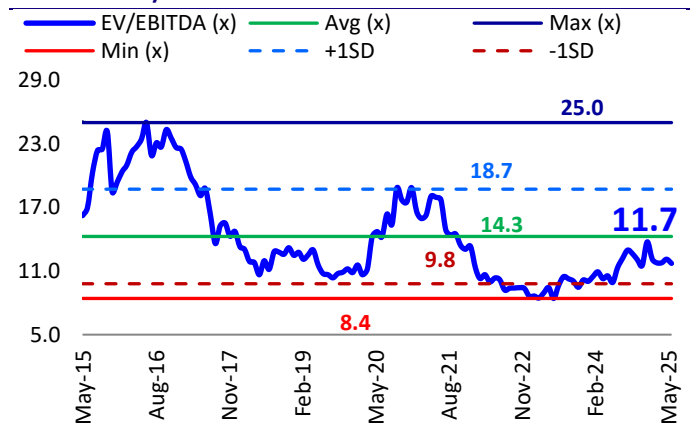
- We broadly retain our earnings estimates for FY25/FY27. We value DRRD at 18x 12M forward earnings to arrive at our TP of INR1,220.
- After three years of a strong 30% earnings CAGR over FY21-24E, the company ended FY25 with a moderate 6% earnings growth. DRRD is implementing a plan to expand product offerings across markets and add/ build capacity to cater to the respective markets. Having said this, the intensified competitive pressures in the base portfolio would keep earnings growth in check.
- Accordingly, we model stable earnings over FY25-27. **Reiterate Neutral.**

**Exhibit 6: P/E chart**



Source: MOFSL, Company, Bloomberg

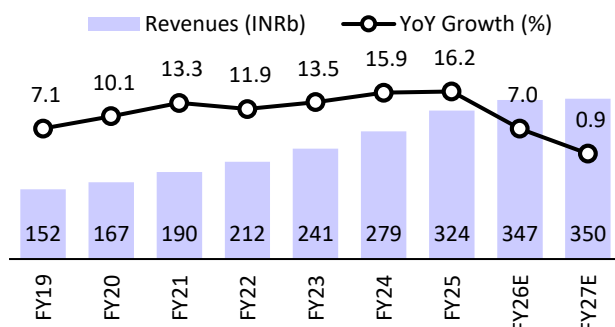
**Exhibit 7: EV/EBITDA chart**



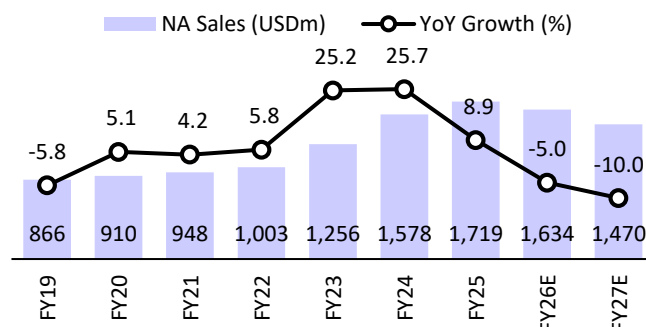
Source: MOFSL, Company, Bloomberg

## Story in charts

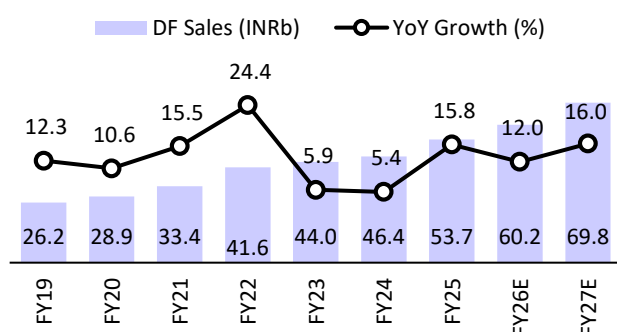
**Exhibit 8: Expect sales CAGR of ~3.9% over FY25-27**



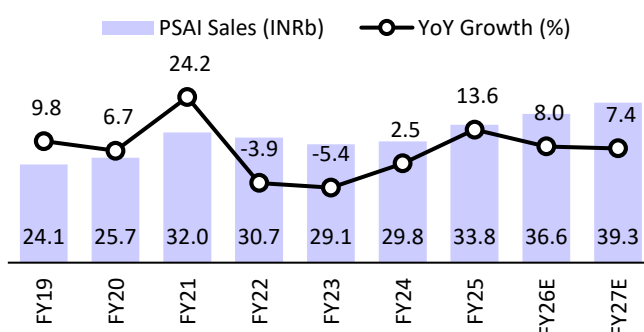
**Exhibit 9: NA sales to decline 8% over FY25-27**



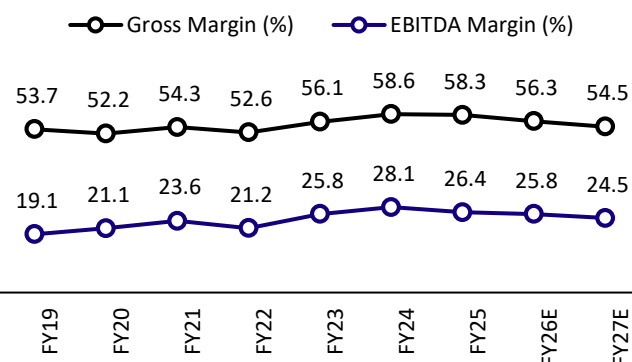
**Exhibit 10: DF sales to exhibit 14% CAGR over FY25-27**



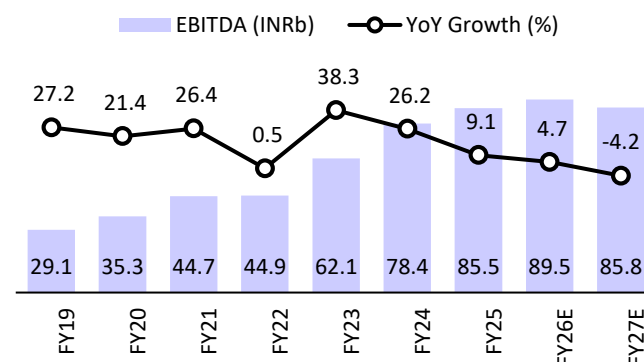
**Exhibit 11: PSAI to post 8% sales CAGR over FY25-27**



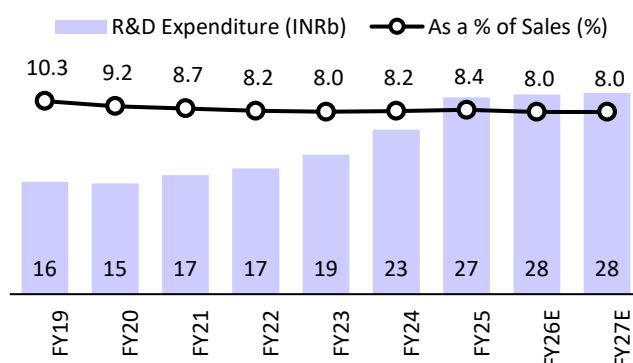
**Exhibit 12: EBITDA margin to contract 250bp over FY25-27**



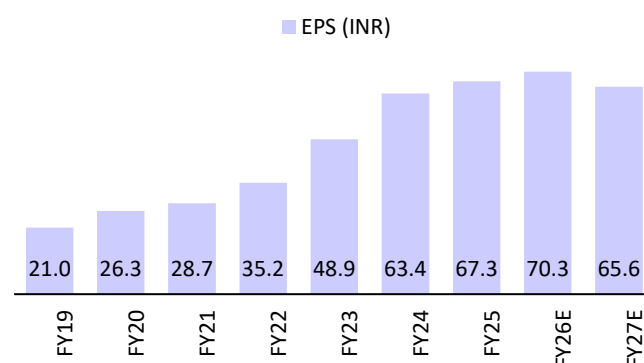
**Exhibit 13: Competition in the base portfolio to keep EBITDA in check**



**Exhibit 14: R&D expenses to settle at ~8% of sales by FY27**



**Exhibit 15: EPS to be stable over FY25-27**



Source: Company, MOFSL

Source: Company, MOFSL

## Financials and valuations

| Income Statement             |                 |                 |                 |                 |                 |                 |                 |                 | (INR m)         |
|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Y/E March                    | FY19            | FY20            | FY21            | FY22            | FY23            | FY24            | FY25            | FY26E           | FY27E           |
| <b>Net Sales</b>             | <b>1,52,051</b> | <b>1,67,400</b> | <b>1,89,722</b> | <b>2,12,227</b> | <b>2,40,936</b> | <b>2,79,164</b> | <b>3,24,269</b> | <b>3,46,993</b> | <b>3,50,071</b> |
| Change (%)                   | 7.1             | 10.1            | 13.3            | 11.9            | 13.5            | 15.9            | 16.2            | 7.0             | 0.9             |
| Total Expenditure            | 1,22,938        | 1,32,058        | 1,45,038        | 1,67,306        | 1,78,813        | 2,00,784        | 2,38,731        | 2,57,469        | 2,64,304        |
| <b>EBITDA</b>                | <b>29,113</b>   | <b>35,342</b>   | <b>44,684</b>   | <b>44,921</b>   | <b>62,123</b>   | <b>78,380</b>   | <b>85,538</b>   | <b>89,524</b>   | <b>85,768</b>   |
| Change (%)                   | 27.2            | 21.4            | 26.4            | 0.5             | 38.3            | 26.2            | 9.1             | 4.7             | -4.2            |
| Margin (%)                   | 19.1            | 21.1            | 23.6            | 21.2            | 25.8            | 28.1            | 26.4            | 25.8            | 24.5            |
| Depreciation & Amort.        | 11,980          | 12,472          | 12,798          | 11,825          | 12,663          | 14,847          | 17,064          | 18,044          | 18,204          |
| Net Interest Exp             | 1,163           | 983             | -1,653          | -2,119          | -2,853          | -3,494          | -4,724          | -6,197          | -4,648          |
| One-off (Gains)/Losses       | -1,800          | 7,718           | 7,700           | 6,381           | -5,445          | -1,981          | 1,491           | 0               | 0               |
| <b>PBT before EO Expense</b> | <b>22,443</b>   | <b>25,749</b>   | <b>35,001</b>   | <b>38,679</b>   | <b>53,943</b>   | <b>69,889</b>   | <b>76,275</b>   | <b>78,578</b>   | <b>73,312</b>   |
| Change (%)                   | 56.5            | 14.7            | 35.9            | 10.5            | 39.5            | 29.6            | 9.1             | 3.0             | -6.7            |
| <b>PBT after EO Expense</b>  | <b>22,443</b>   | <b>18,033</b>   | <b>27,298</b>   | <b>32,298</b>   | <b>59,388</b>   | <b>71,870</b>   | <b>74,784</b>   | <b>78,578</b>   | <b>73,312</b>   |
| Tax                          | 3,648           | -1,466          | 9,175           | 8,730           | 15,300          | 16,186          | 19,538          | 20,037          | 18,695          |
| Tax Rate (%)                 | 16.3            | -8.1            | 33.6            | 27.0            | 25.8            | 22.5            | 26.1            | 25.5            | 25.5            |
| <b>Reported PAT</b>          | <b>18,795</b>   | <b>19,499</b>   | <b>18,123</b>   | <b>23,568</b>   | <b>44,088</b>   | <b>55,684</b>   | <b>54,545</b>   | <b>58,541</b>   | <b>54,618</b>   |
| <b>Adjusted Net Profit</b>   | <b>17,459</b>   | <b>21,807</b>   | <b>23,834</b>   | <b>29,265</b>   | <b>40,775</b>   | <b>52,827</b>   | <b>56,060</b>   | <b>58,541</b>   | <b>54,618</b>   |
| Change (%)                   | 62.6            | 24.9            | 9.3             | 22.8            | 39.3            | 29.6            | 6.1             | 4.4             | -6.7            |
| Margin (%)                   | 11.5            | 13.0            | 12.6            | 13.8            | 16.9            | 18.9            | 17.3            | 16.9            | 15.6            |

E: MOFSL Estimates

| Balance Sheet                      |                 |                 |                 |                 |                 |                 |                 |                 | (INR m)         |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Y/E March                          | FY19            | FY20            | FY21            | FY22            | FY23            | FY24            | FY25            | FY26E           | FY27E           |
| Equity Share Capital               | 830             | 830             | 830             | 832             | 833             | 833             | 833             | 833             | 833             |
| Reserves                           | 1,39,406        | 1,55,158        | 1,75,587        | 1,89,695        | 2,30,158        | 2,79,717        | 3,36,333        | 3,90,695        | 4,41,135        |
| <b>Net Worth</b>                   | <b>1,40,236</b> | <b>1,55,988</b> | <b>1,76,417</b> | <b>1,90,527</b> | <b>2,30,991</b> | <b>2,80,550</b> | <b>3,37,166</b> | <b>3,91,528</b> | <b>4,41,968</b> |
| Loans                              | 34,125          | 17,836          | 29,444          | 33,845          | 13,472          | 20,020          | 46,766          | 45,766          | 44,766          |
| Deferred Liabilities/Tax           | -3,844          | -12,179         | -10,397         | -12,721         | -6,363          | -9,865          | -4,400          | -4,400          | -4,400          |
| <b>Capital Employed</b>            | <b>1,70,517</b> | <b>1,61,645</b> | <b>1,95,464</b> | <b>2,11,651</b> | <b>2,38,100</b> | <b>2,90,705</b> | <b>3,79,532</b> | <b>4,32,894</b> | <b>4,82,334</b> |
| Gross Block                        | 1,15,385        | 1,26,148        | 1,43,664        | 1,60,797        | 1,77,753        | 2,03,024        | 2,40,963        | 2,62,551        | 2,71,413        |
| Less: Accum. Deprn.                | 61,533          | 74,005          | 86,803          | 98,628          | 1,11,291        | 1,26,138        | 1,43,202        | 1,61,246        | 1,79,449        |
| <b>Net Fixed Assets</b>            | <b>53,852</b>   | <b>52,143</b>   | <b>56,861</b>   | <b>62,169</b>   | <b>66,462</b>   | <b>76,886</b>   | <b>97,761</b>   | <b>1,01,305</b> | <b>91,964</b>   |
| Investments                        | 30,769          | 33,264          | 33,115          | 38,393          | 62,180          | 81,250          | 59,428          | 59,428          | 59,428          |
| Goodwill/Intangibles               | 47,393          | 31,711          | 40,847          | 31,664          | 35,094          | 41,204          | 108,613         | 108,613         | 108,613         |
| <b>Curr. Assets</b>                | <b>88,325</b>   | <b>1,02,936</b> | <b>1,24,659</b> | <b>1,51,647</b> | <b>1,50,922</b> | <b>1,77,404</b> | <b>2,08,679</b> | <b>2,58,055</b> | <b>3,15,869</b> |
| Inventory                          | 33,579          | 35,067          | 45,412          | 50,884          | 48,670          | 63,552          | 71,085          | 72,785          | 68,491          |
| Account Receivables                | 39,982          | 52,015          | 49,759          | 66,818          | 72,485          | 80,298          | 90,420          | 106,276         | 92,866          |
| Cash and Bank Balance              | 2,228           | 2,053           | 14,829          | 14,852          | 5,779           | 7,107           | 14,654          | 47,207          | 122,448         |
| Others                             | 12,536          | 13,801          | 14,659          | 19,093          | 23,988          | 26,447          | 32,520          | 31,786          | 32,063          |
| <b>Curr. Liability &amp; Prov.</b> | <b>49,822</b>   | <b>58,409</b>   | <b>60,018</b>   | <b>72,222</b>   | <b>76,558</b>   | <b>86,039</b>   | <b>94,949</b>   | <b>94,506</b>   | <b>93,539</b>   |
| Account Payables                   | 13,671          | 15,248          | 18,109          | 25,572          | 26,444          | 30,919          | 35,523          | 35,028          | 31,538          |
| Other Current Liabilities          | 36,151          | 43,161          | 41,909          | 46,650          | 50,114          | 55,120          | 59,426          | 59,478          | 62,001          |
| <b>Net Current Assets</b>          | <b>38,503</b>   | <b>44,527</b>   | <b>64,641</b>   | <b>79,425</b>   | <b>74,364</b>   | <b>91,365</b>   | <b>1,13,730</b> | <b>1,63,549</b> | <b>2,22,330</b> |
| <b>Appl. of Funds</b>              | <b>1,70,517</b> | <b>1,61,645</b> | <b>1,95,464</b> | <b>2,11,651</b> | <b>2,38,100</b> | <b>2,90,705</b> | <b>3,79,532</b> | <b>4,32,894</b> | <b>4,82,335</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>21.0</b> | <b>26.3</b> | <b>28.7</b> | <b>35.2</b> | <b>48.9</b> | <b>63.4</b> | <b>67.3</b> | <b>70.3</b> | <b>65.6</b> |
| Cash EPS                      | 35.5        | 41.3        | 44.1        | 49.4        | 64.2        | 81.2        | 87.8        | 91.9        | 87.4        |
| BV/Share                      | 169.0       | 187.9       | 212.6       | 229.0       | 277.3       | 336.8       | 404.8       | 470.0       | 530.6       |
| DPS                           | 4.0         | 4.7         | 5.0         | 4.1         | 4.1         | 4.3         | 4.3         | 4.3         | 4.3         |
| Payout (%)                    | 21.3        | 23.5        | 26.8        | 16.9        | 9.0         | 7.5         | 7.7         | 7.1         | 7.6         |
| <b>Valuation (x)</b>          |             |             |             |             |             |             |             |             |             |
| P/E                           | 55.1        | 44.1        | 40.3        | 32.9        | 23.7        | 18.3        | 17.2        | 16.5        | 17.7        |
| Cash P/E                      | 32.6        | 28.0        | 26.2        | 23.4        | 18.1        | 14.3        | 13.2        | 12.6        | 13.2        |
| P/BV                          | 6.9         | 6.2         | 5.4         | 5.1         | 4.2         | 3.4         | 2.9         | 2.5         | 2.2         |
| EV/Sales                      | 6.4         | 5.7         | 5.0         | 4.5         | 3.8         | 3.2         | 2.9         | 2.6         | 2.4         |
| EV/EBITDA                     | 33.2        | 26.8        | 21.2        | 21.0        | 14.7        | 11.4        | 11.0        | 10.1        | 9.6         |
| Dividend Yield (%)            | 0.3         | 0.4         | 0.4         | 0.4         | 0.4         | 0.4         | 0.4         | 0.4         | 0.4         |
| <b>Return Ratios (%)</b>      |             |             |             |             |             |             |             |             |             |
| ROIC                          | 10.8        | 21.9        | 17.0        | 18.0        | 23.1        | 27.6        | 20.8        | 17.2        | 16.6        |
| RoE                           | 13.1        | 14.7        | 14.3        | 16.0        | 19.3        | 20.7        | 18.2        | 16.1        | 13.1        |
| RoCE                          | 8.9         | 17.4        | 11.8        | 12.3        | 15.9        | 18.4        | 14.7        | 12.1        | 10.4        |
| <b>Working Capital Ratios</b> |             |             |             |             |             |             |             |             |             |
| Fixed Asset Turnover (x)      | 1.4         | 1.4         | 1.4         | 1.4         | 1.4         | 1.5         | 1.5         | 1.4         | 1.3         |
| Debtor (Days)                 | 97          | 100         | 98          | 100         | 106         | 100         | 96          | 103         | 104         |
| Inventory (Days)              | 75          | 75          | 77          | 83          | 75          | 73          | 76          | 76          | 74          |
| Payable (Days)                | 32          | 32          | 32          | 38          | 39          | 38          | 37          | 37          | 35          |
| <b>Leverage Ratio</b>         |             |             |             |             |             |             |             |             |             |
| Current Ratio (x)             | 1.8         | 1.8         | 2.1         | 2.1         | 2.0         | 2.1         | 2.2         | 2.7         | 3.4         |
| Net Debt/Equity (x)           | 0.0         | -0.1        | -0.2        | -0.2        | -0.3        | -0.3        | -0.1        | -0.3        | -0.6        |

### Cash Flow Statement

(INR m)

| Y/E March                           | FY19           | FY20           | FY21           | FY22           | FY23           | FY24           | FY25           | FY26E          | FY27E           |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|
| <b>Op. Profit/(Loss) before Tax</b> | <b>23,358</b>  | <b>18,857</b>  | <b>28,835</b>  | <b>30,614</b>  | <b>60,485</b>  | <b>72,010</b>  | <b>76,795</b>  | <b>78,578</b>  | <b>73,312</b>   |
| Depreciation                        | 11,348         | 11,631         | 12,288         | 11,652         | 12,502         | 14,700         | 17,037         | 18,044         | 18,204          |
| Interest/Dividends Recd.            | 119            | 90             | 144            | -7             | 248            | -567           | 152            | -901           | -1,101          |
| Direct Taxes Paid                   | -4,841         | -7,105         | -5,716         | -7,437         | -10,714        | -20,047        | -19,993        | -20,037        | -18,695         |
| (Inc)/Dec in WC                     | 1,837          | -7,536         | -8,288         | -18,407        | -7,855         | -20,182        | -29,989        | -17,266        | 16,460          |
| Other Items                         | -3,117         | 13,904         | 8,440          | 11,693         | 4,209          | -481           | 2,426          |                |                 |
| <b>CF from Operations</b>           | <b>28,704</b>  | <b>29,841</b>  | <b>35,703</b>  | <b>28,108</b>  | <b>58,875</b>  | <b>45,433</b>  | <b>46,428</b>  | <b>58,418</b>  | <b>88,180</b>   |
| EO Expense                          | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0               |
| <b>CF from Operations</b>           | <b>32,427</b>  | <b>30,056</b>  | <b>35,703</b>  | <b>28,108</b>  | <b>58,875</b>  | <b>45,433</b>  | <b>46,428</b>  | <b>58,418</b>  | <b>88,180</b>   |
| (inc)/dec in FA                     | -6,226         | -5,725         | -12,476        | -15,733        | -18,784        | -26,350        | -33,154        | -21,588        | -8,863          |
| <b>Free Cash Flow</b>               | <b>22,478</b>  | <b>24,116</b>  | <b>23,227</b>  | <b>12,375</b>  | <b>40,091</b>  | <b>19,083</b>  | <b>13,274</b>  | <b>36,830</b>  | <b>79,318</b>   |
| (Pur)/Sale of Investments           | -2,282         | -214           | 4,110          | -11,201        | -23,366        | -15,716        | 25,118         | 0              | 0               |
| <b>Others</b>                       | <b>816</b>     | <b>991</b>     | <b>-14,181</b> | <b>1,280</b>   | <b>1,063</b>   | <b>1,724</b>   | <b>-42,985</b> |                |                 |
| <b>CF from Investments</b>          | <b>-7,692</b>  | <b>-4,948</b>  | <b>-22,547</b> | <b>-25,654</b> | <b>-41,087</b> | <b>-40,342</b> | <b>-51,021</b> | <b>-21,588</b> | <b>-8,863</b>   |
| Change in net worth                 | 0              | 4              | 269            | 334            | 368            | 805            | 193            | 0              | 0               |
| (Inc)/Dec in Debt                   | -15,182        | -19,165        | 6,094          | 2,735          | -20,397        | 4,346          | 23,196         | -1,000         | -1,000          |
| Other Items                         | -2,142         | -2,082         | -2,514         | -1,345         | -1,853         | -2,266         | -4,872         |                |                 |
| Dividend Paid                       | -4,002         | -3,916         | -4,147         | -4,146         | -4,979         | -6,648         | -6,662         | -4,076         | -4,076          |
| <b>CF from Fin. Activity</b>        | <b>-21,326</b> | <b>-25,159</b> | <b>-298</b>    | <b>-2,422</b>  | <b>-26,861</b> | <b>-3,763</b>  | <b>11,855</b>  | <b>-5,076</b>  | <b>-5,076</b>   |
| <b>Inc/Dec of Cash</b>              | <b>3,409</b>   | <b>-51</b>     | <b>12,858</b>  | <b>32</b>      | <b>-9,073</b>  | <b>1,328</b>   | <b>7,262</b>   | <b>31,754</b>  | <b>74,242</b>   |
| Add: Beginning Balance              | 2,542          | 2,228          | 2,053          | 14,829         | 14,852         | 5,779          | 7,107          | 14,654         | 47,207          |
| <b>Closing Balance</b>              | <b>5,951</b>   | <b>2,177</b>   | <b>14,911</b>  | <b>14,861</b>  | <b>5,779</b>   | <b>7,107</b>   | <b>14,369</b>  | <b>46,408</b>  | <b>1,21,449</b> |
| <b>Bank balance/overdraft</b>       | <b>-3,854</b>  | <b>-190</b>    | <b>0</b>       | <b>-9</b>      | <b>0</b>       | <b>0</b>       | <b>61</b>      | <b>799</b>     | <b>999</b>      |
| <b>Closing Balance</b>              | <b>2,228</b>   | <b>1,962</b>   | <b>14,820</b>  | <b>14,852</b>  | <b>5,779</b>   | <b>7,107</b>   | <b>14,654</b>  | <b>47,207</b>  | <b>1,22,448</b> |

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|----------------------------------|--|
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| SELL                             | < - 10%  |
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