

## PHARMACEUTICALS

21 March 2022

### Valuations slump as Covid fears ebb; prefer resilient models

- Return of higher operating costs as global economies reopen and rationalisation of growth guidance have undermined pharma valuations
- Near-normalisation across economies removes the fear psychosis that motivates investment into defensive sectors such as pharma
- SUNP, DIVI, CIPLA, ARBP and ERIS remain our top picks given resilient portfolios and hence valuations; we upgrade LPC from SELL to HOLD

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#### Fall in Nifty Pharma forward P/E more than twice that of fall in Pharma index:

The Nifty Pharma index has declined 9% vs. a 21% drop in its one-year forward P/E valuation since hitting a peak in Aug'21. The decline stretches across stocks and market capitalisations, barring a few exceptions such as SUNP, DIVI, LAURUS and ERIS in our coverage universe. We note that in Aug'21 the Nifty Pharma index achieved its highest one-year forward P/E of 28.2x since FY17, which was followed by its steepest decline to 14.7x within five months.

**Perceived value diminished as economies started opening up:** The precipitous decline in the Pharma index from its five-year peak began as India (and the world) started to emerge from the worst of the Covid-19 second wave. The index briefly paused at 1+sigma (Fig 1) away from its normalised forward multiple of 18-20x during the third pandemic wave and started declining to normal levels in Q4FY22. We believe that investors' perception of pharma stock value started to wane once lockdowns were eased. Further, assumptions that the worst of the pandemic was behind us after the second wave were proved correct by the milder Omicron impact.

**Declining fear factor, tepid guidance exposes quality of earnings:** With growing vaccinated populations and lower Covid hospitalisations, countries globally have begun returning to normalcy. Alongside the waning Covid threat perception, Indian pharma players reported sequential tepid earnings growth in Q2 and Q3 of FY22, while rationalisation of management guidance revealed the limitations of their extraordinary pandemic-led growth. The return of higher operating costs as A&P, travel and other spends revived post pandemic also dented profitability. These factors have led to a reduction in investments and gradual profit booking in the pharma sector.

**Remain positive on SUNP, DIVI, CIPLA, ARBP and ERIS:** We remain positive on our top picks as their valuations look relatively resilient due to lower sales/margin volatility, near-normalisation of key export economies and recovery in India business. We also upgrade LPC to HOLD (from SELL) as the stock correction post a disappointing Q3FY22 appears overstated. We maintain our TP of Rs 815 set at 11x FY24E EPS – a 30% discount to the average multiple of frontline stocks SUNP, DRRD, CIPLA.

#### Recommendation snapshot

Ticker	Price	Target	Rating
AJP IN	1,941	2,655	BUY
ALKEM IN	3,439	4,000	HOLD
ALPM IN	726	905	BUY
ARBP IN	640	850	BUY
CIPLA IN	1,049	1,160	BUY
DIVI IN	4,504	5,250	BUY
DRRD IN	4,042	4,700	HOLD
ERIS IN	715	890	BUY
LAURUS IN	581	570	HOLD
LPC IN	765	815	HOLD
SUNP IN	912	1,045	BUY

Price & Target in Rupees | Price as of 17 Mar 2022



**Nifty Pharma: Fall in forward PEx is more than twice the fall in Index**

**Fig 1 – Five-year PE (1YF)**



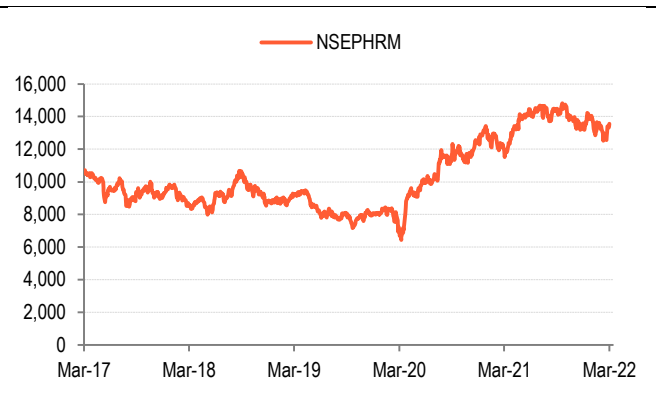
Source: Bloomberg

**Fig 2 – Post-Covid PE (1YF)**



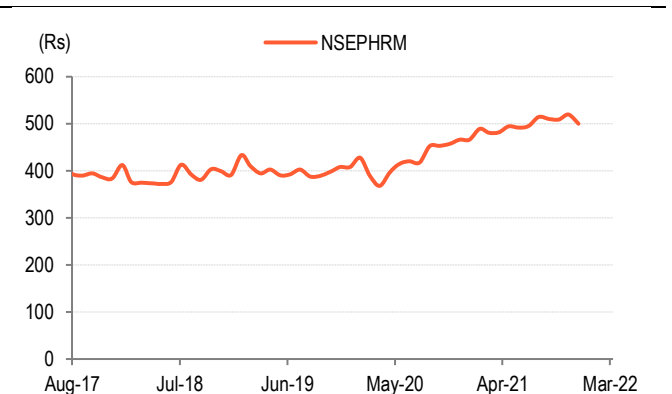
Source: Bloomberg

**Fig 3 – Nifty Pharma Index**



Source: Bloomberg

**Fig 4 – Consensus EPS trend (5Y)**



Source: Bloomberg

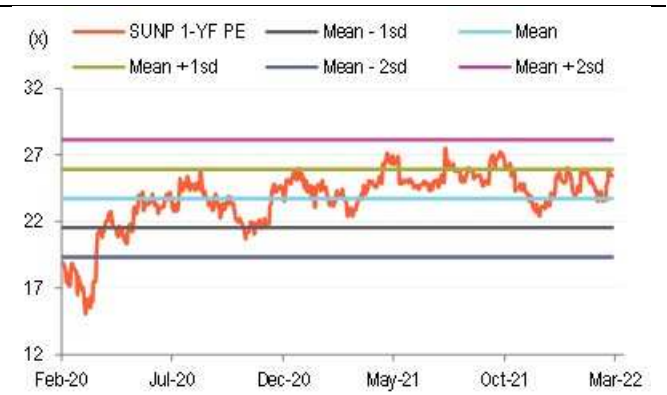
Sun Pharma: Lower Covid sales saved stock from volatile valuations post-pandemic

Fig 5 – Five-year PE (1YF)



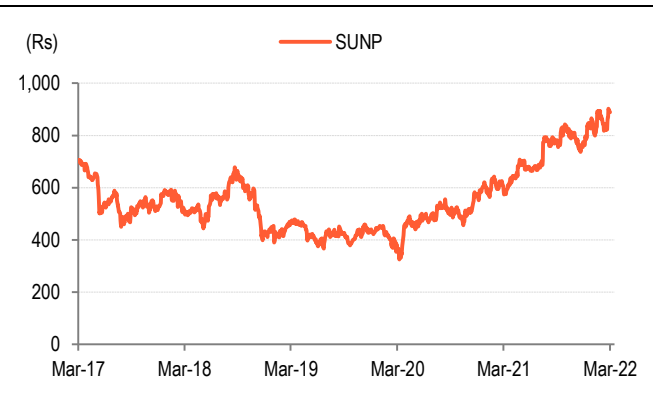
Source: Bloomberg

Fig 6 – Post-Covid PE (1YF)



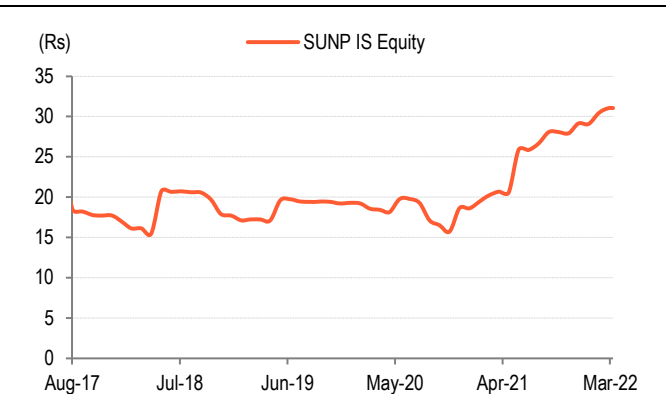
Source: Bloomberg

Fig 7 – Price chart (5Y)



Source: Bloomberg

Fig 8 – Consensus EPS trend (5Y)



Source: Bloomberg

**Dr Reddy's: Disappointment over vaccine, US launches led stock into undervalued zone**

**Fig 9 – Five-year PE (1YF)**



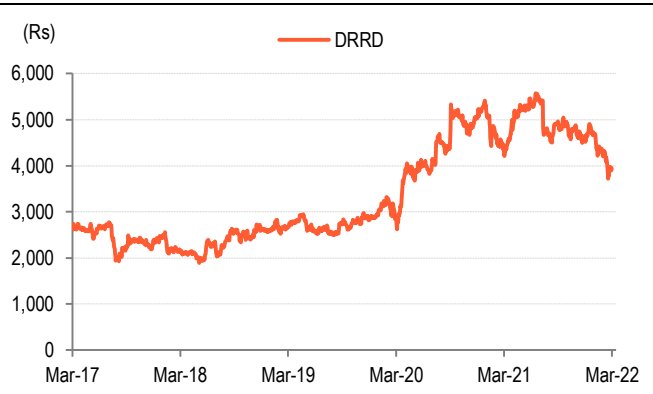
Source: Bloomberg

**Fig 10 – Post-Covid PE (1YF)**



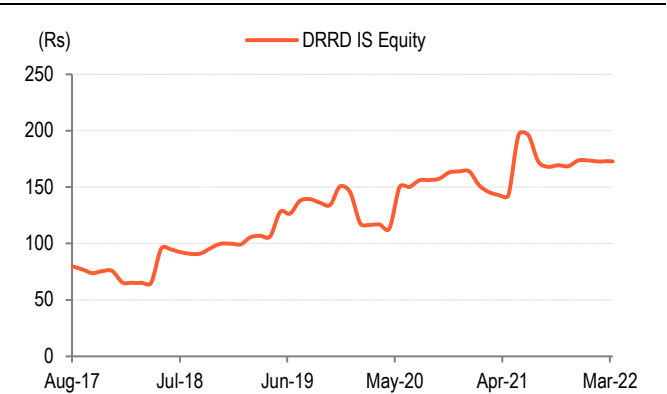
Source: Bloomberg

**Fig 11 – Price chart (5Y)**



Source: Bloomberg

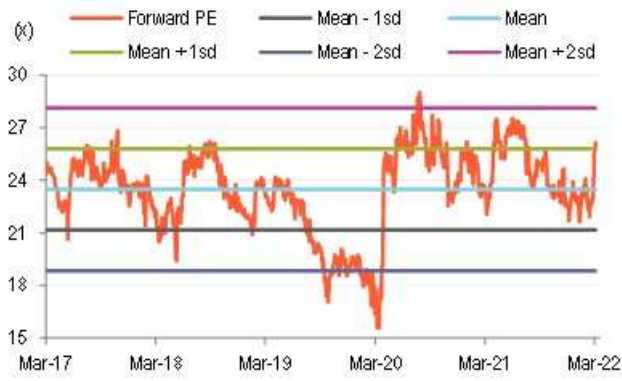
**Fig 12 – Consensus EPS trend (5Y)**



Source: Bloomberg

**Cipla: Resilient in curbing valuation volatility despite highest post-Covid sales impact**

**Fig 13 – Five-year PE (1YF)**



Source: Bloomberg

**Fig 14 – Post-Covid PE (1YF)**



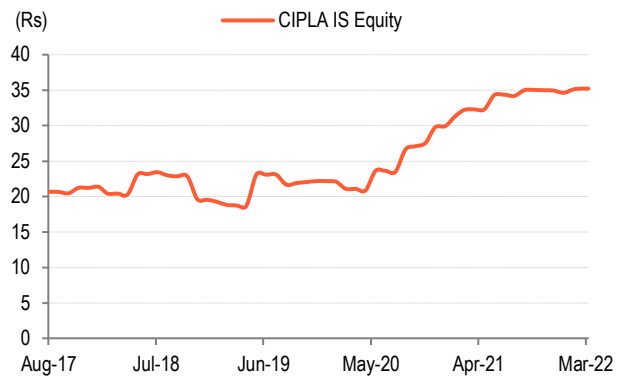
Source: Bloomberg

**Fig 15 – Price chart (5Y)**



Source: Bloomberg

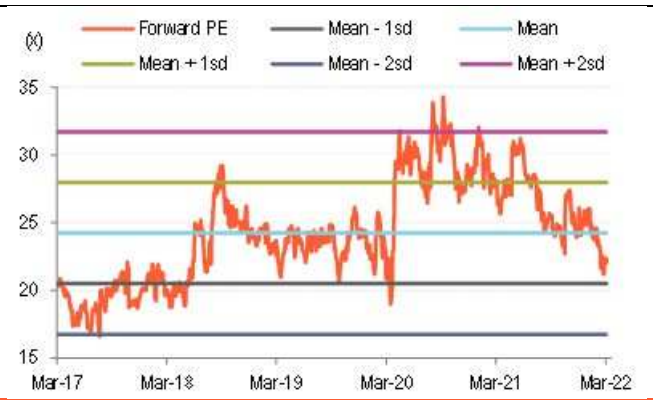
**Fig 16 – Consensus EPS trend (5Y)**



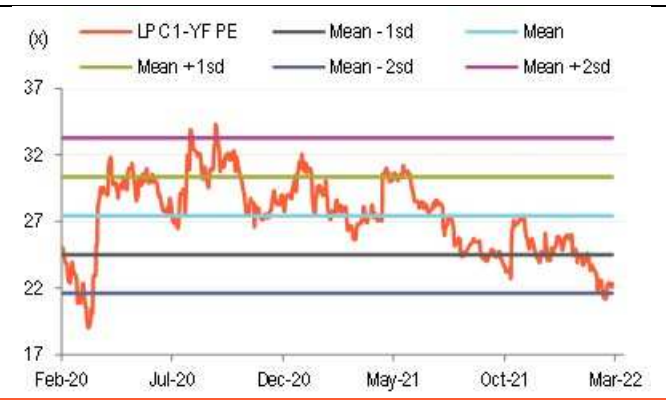
Source: Bloomberg

**Lupin: In the undervalued zone with limited levers to drive sales growth**

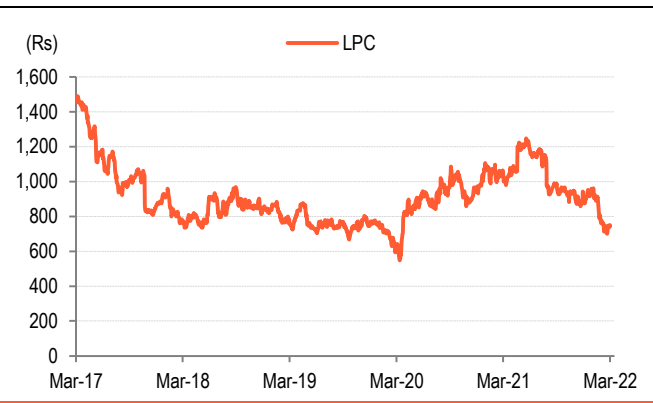
**Fig 17 – Five-year PE (1YF)**



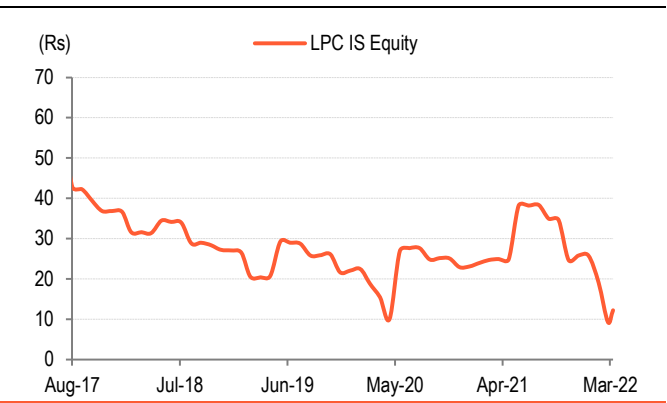
**Fig 18 – Post-Covid PE (1YF)**



**Fig 19 – Price chart (5Y)**

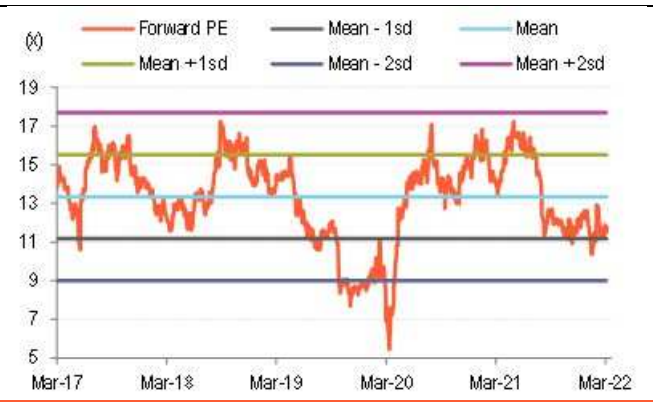


**Fig 20 – Consensus EPS trend (5Y)**

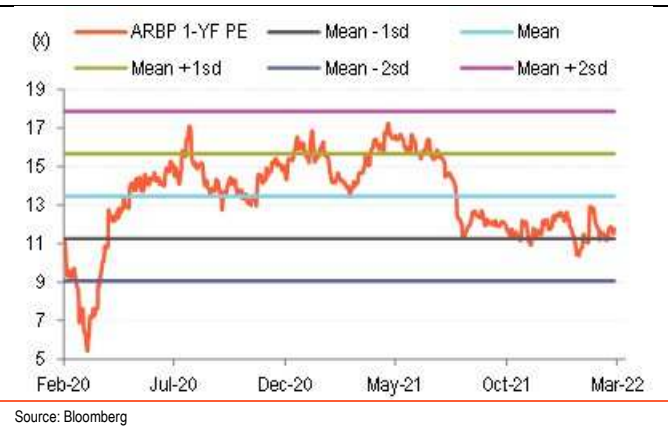


**Aurobindo Pharma: Hype over injectables business undermines its non-injectable assets**

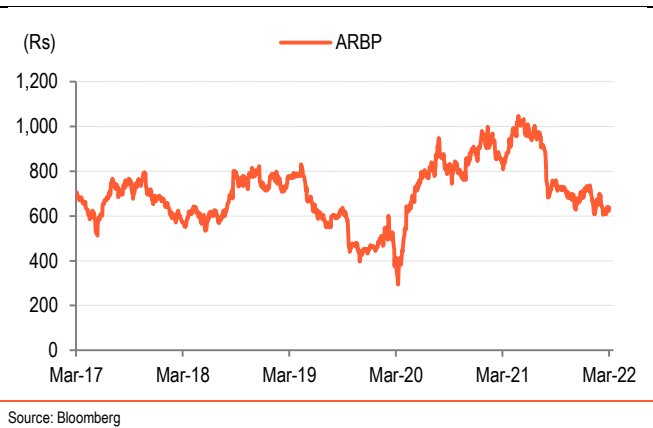
**Fig 21 – Five-year PE (1YF)**



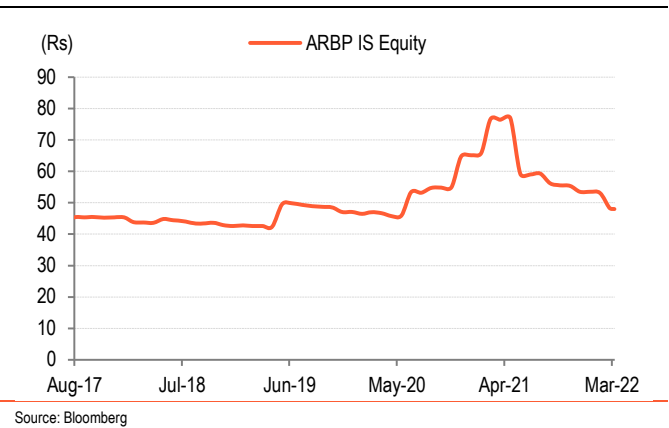
**Fig 22 – Post-Covid PE (1YF)**



**Fig 23 – Price chart (5Y)**



**Fig 24 – Consensus EPS trend (5Y)**



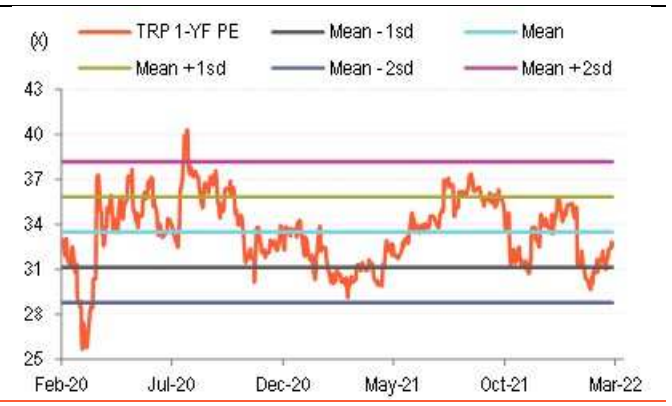
**Torrent Pharma (Not Rated): Strong India foundation helps curb valuation volatility**

**Fig 25 – Five-year PE (1YF)**



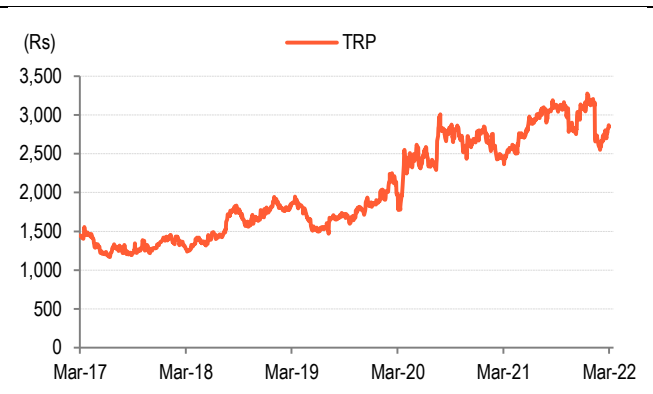
Source: Bloomberg

**Fig 26 – Post-Covid PE (1YF)**



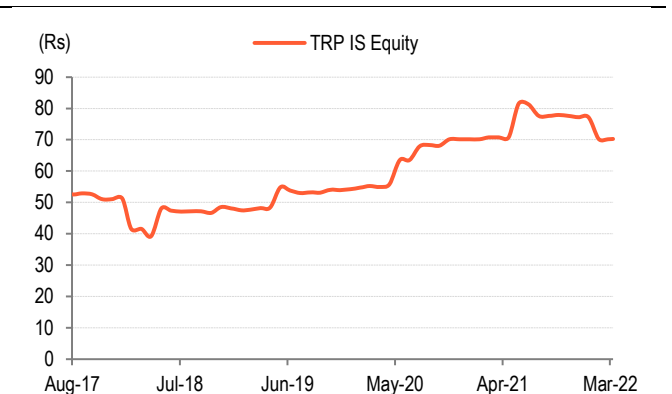
Source: Bloomberg

**Fig 27 – Price chart (5Y)**



Source: Bloomberg

**Fig 28 – Consensus EPS trend (5Y)**



Source: Bloomberg



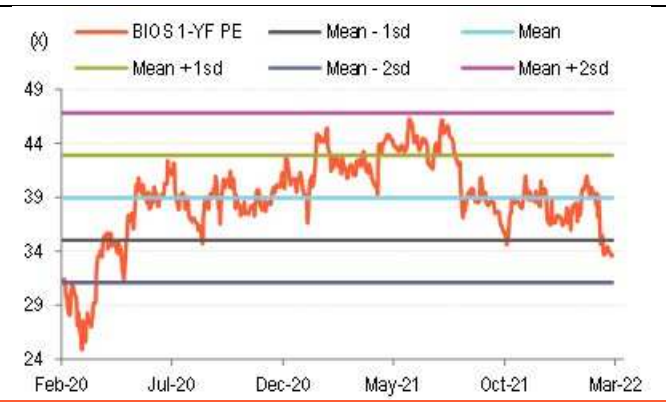
**Biocon (Not Rated): Irrelevant Covid impact; big M&A takes toll on valuation**

**Fig 29 – Five-year PE (1YF)**



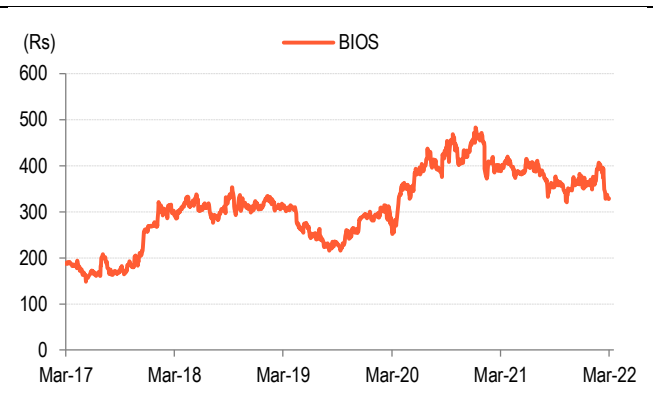
Source: Bloomberg

**Fig 30 – Post-Covid PE (1YF)**



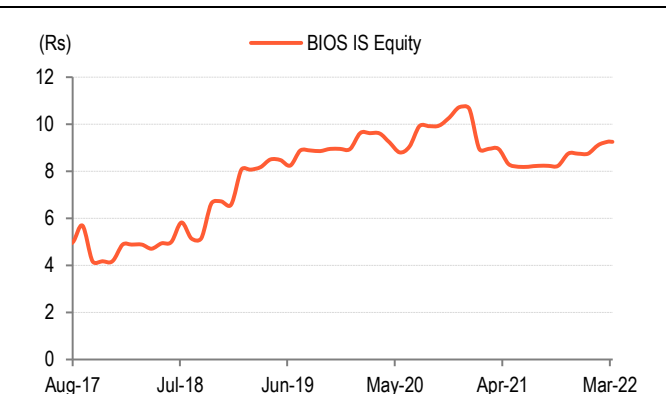
Source: Bloomberg

**Fig 31 – Price chart (5Y)**



Source: Bloomberg

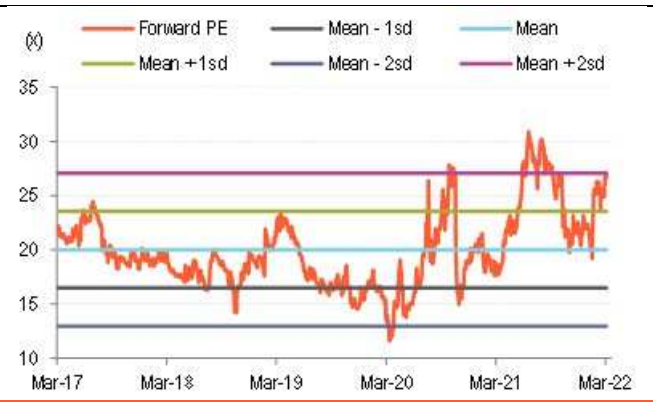
**Fig 32 – Consensus EPS trend (5Y)**



Source: Bloomberg

**Laurus Labs: Supernormal growth in Covid times causing high valuation volatility**

**Fig 33 – Five-year PE (1YF)**



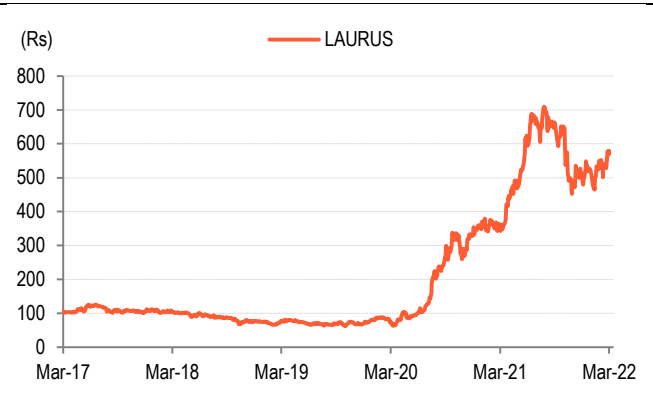
Source: Bloomberg

**Fig 34 – Post-Covid PE (1YF)**



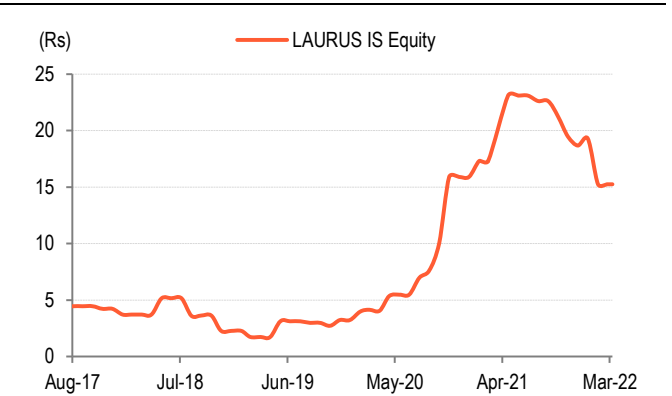
Source: Bloomberg

**Fig 35 – Price chart (5Y)**



Source: Bloomberg

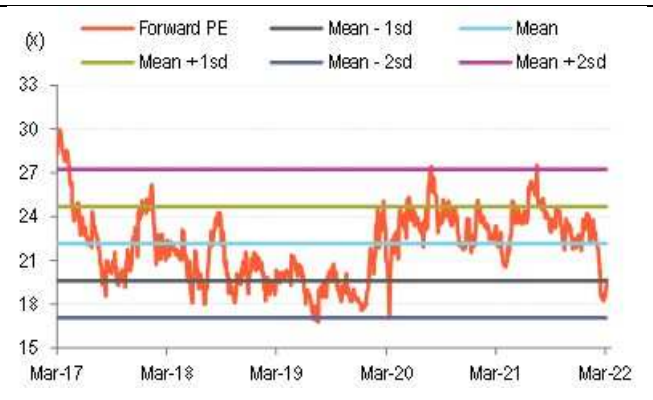
**Fig 36 – Consensus EPS trend (5Y)**



Source: Bloomberg

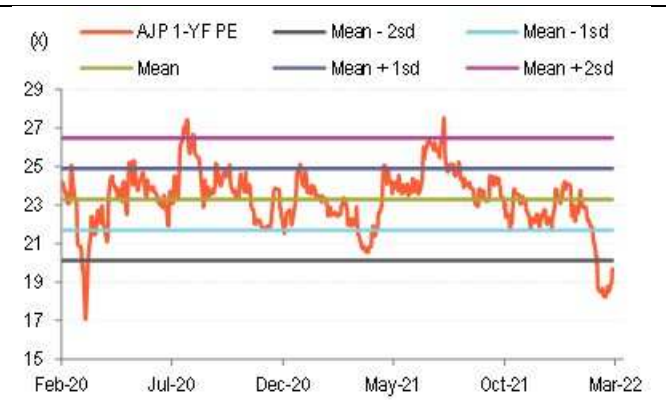
**Ajanta Pharma: Return of normalised operating costs may disrupt headline margins**

**Fig 37 – Five-year PE (1YF)**



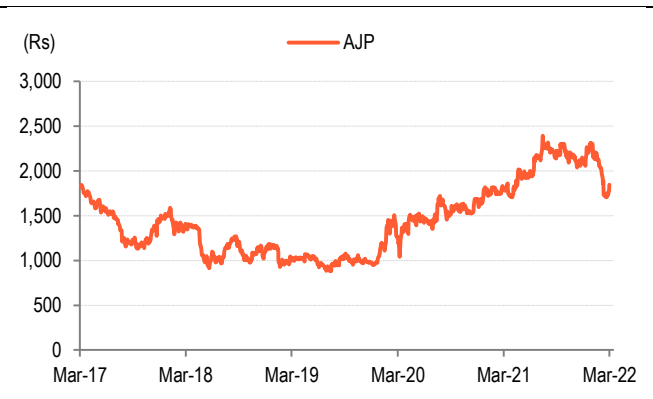
Source: Bloomberg

**Fig 38 – Post-Covid PE (1YF)**



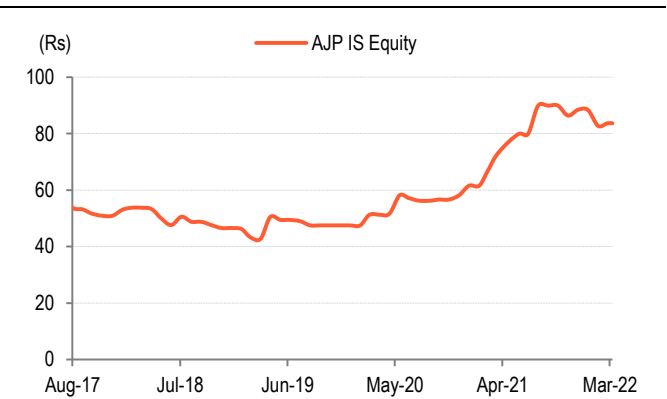
Source: Bloomberg

**Fig 39 – Price chart (5Y)**



Source: Bloomberg

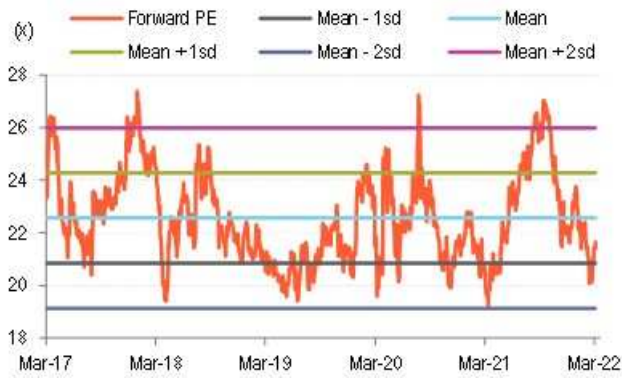
**Fig 40 – Consensus EPS trend (5Y)**



Source: Bloomberg

**Alkem Labs: Reflecting signs of unsustainable growth seen during Covid**

**Fig 41 – Five-year PE (1YF)**



Source: Bloomberg

**Fig 42 – Post-Covid PE (1YF)**



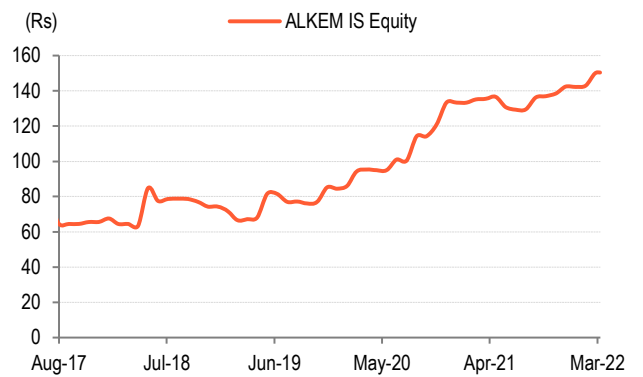
Source: Bloomberg

**Fig 43 – Price chart (5Y)**



Source: Bloomberg

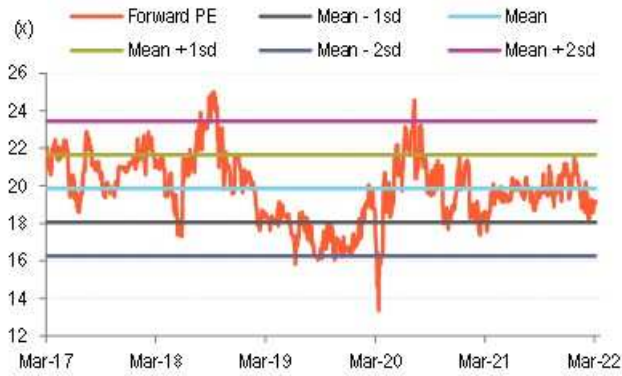
**Fig 44 – Consensus EPS trend (5Y)**



Source: Bloomberg

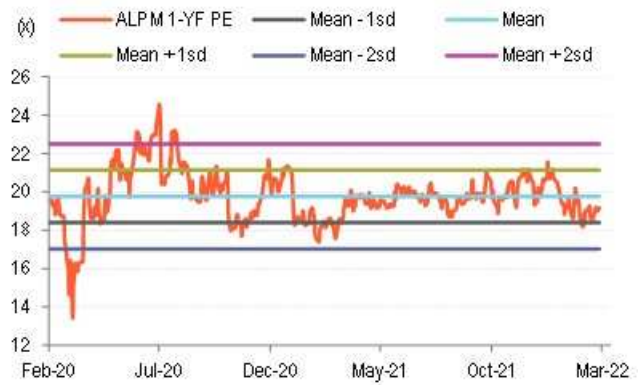
**Alembic Pharma: Normalised growth during Covid a blessing in disguise**

**Fig 45 – Five-year PE (1YF)**



Source: Bloomberg

**Fig 46 – Post-Covid PE (1YF)**



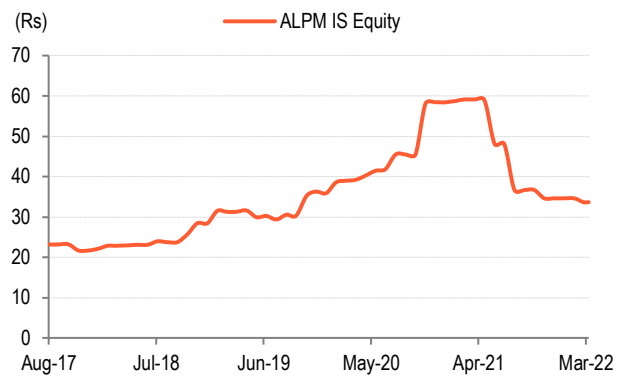
Source: Bloomberg

**Fig 47 – Price chart (5Y)**



Source: Bloomberg

**Fig 48 – Consensus EPS trend (5Y)**



Source: Bloomberg

**Eris Lifesciences: Valuations maintained around mean with low volatility**

**Fig 49 – Five-year PE (1YF)**



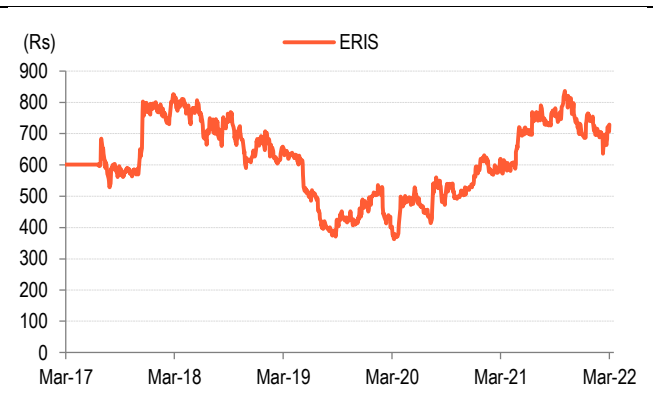
Source: Bloomberg

**Fig 50 – Post-Covid PE (1YF)**



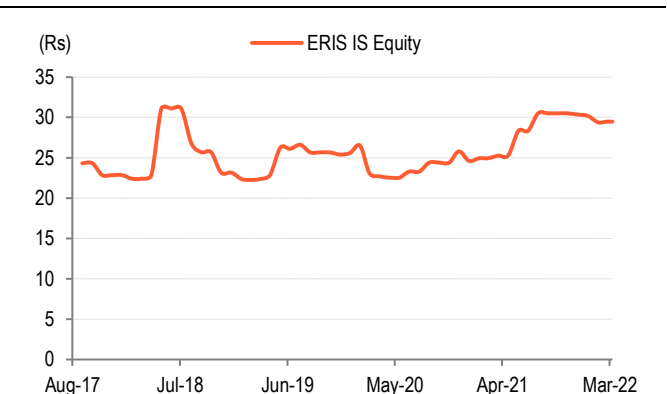
Source: Bloomberg

**Fig 51 – Price chart (5Y)**



Source: Bloomberg

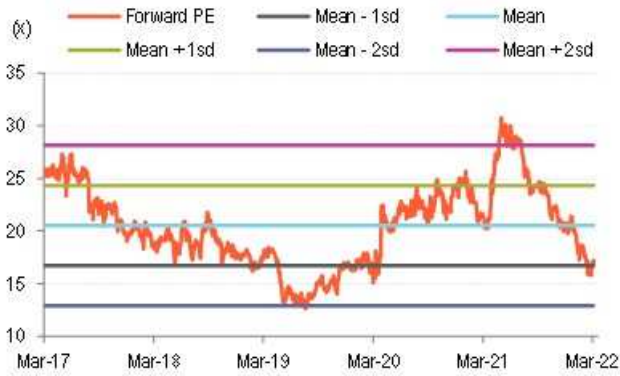
**Fig 52 – Consensus EPS trend (5Y)**



Source: Bloomberg

**Zydu Lifesciences (Not Rated): High optimism over vaccines ends in whimper**

**Fig 53 – Five-year PE (1YF)**



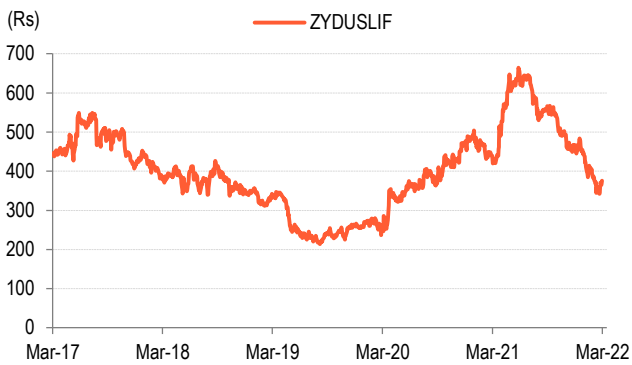
Source: Bloomberg

**Fig 54 – Post-Covid PE (1YF)**



Source: Bloomberg

**Fig 55 – Price chart (5Y)**



Source: Bloomberg

**Fig 56 – Consensus EPS trend (5Y)**



Source: Bloomberg

**Glenmark Pharma (Not Rated): Volatile results match volatile valuation**

**Fig 57 – Five-year PE (1YF)**



Source: Bloomberg

**Fig 58 – Post-Covid PE (1YF)**



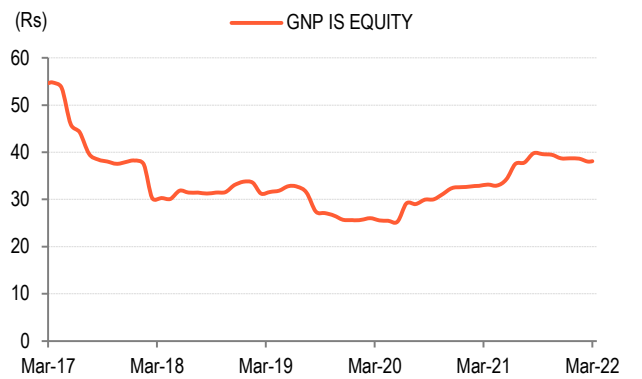
Source: Bloomberg

**Fig 59 – Price chart (5Y)**



Source: Bloomberg

**Fig 60 – Consensus EPS trend (5Y)**



Source: Bloomberg



**Jubilant Pharmova (Not Rated): US regulatory issues remain a drag on valuation**

**Fig 61 – Five-year PE (1YF)**



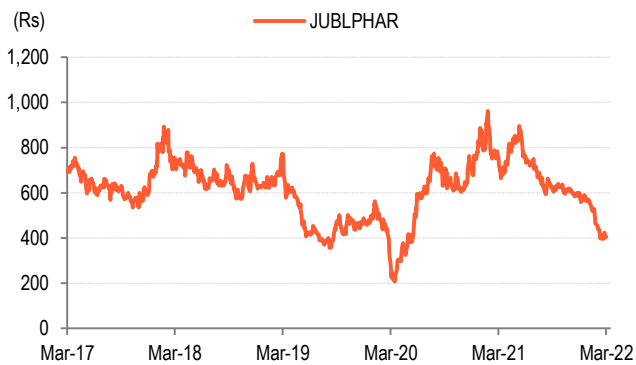
Source: Bloomberg

**Fig 62 – Post-Covid PE (1YF)**



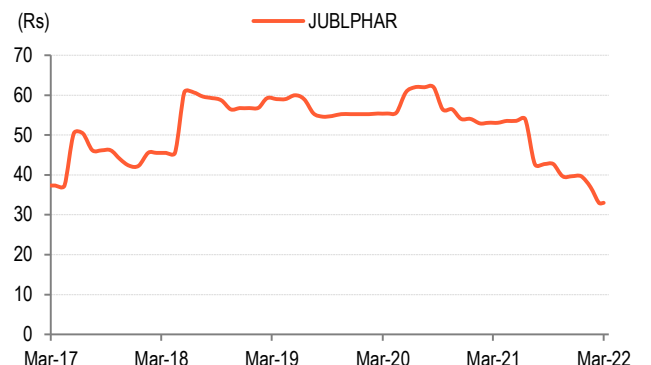
Source: Bloomberg

**Fig 63 – Price chart (5Y)**



Source: Bloomberg

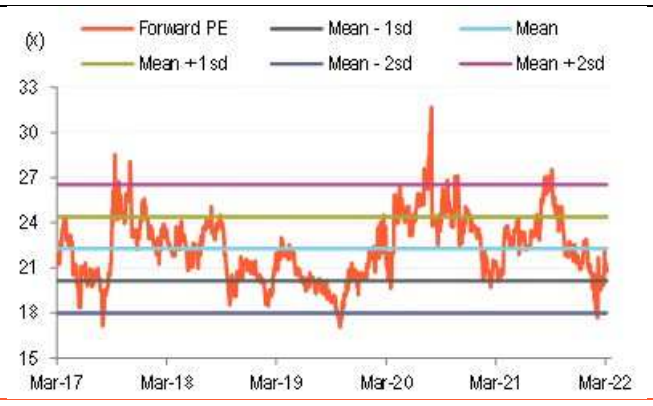
**Fig 64 – Consensus EPS trend (5Y)**



Source: Bloomberg

**IPCA (Not Rated): Currently in undervalued zone while Covid valuation remains an outlier**

**Fig 65 – Five-year PE (1YF)**



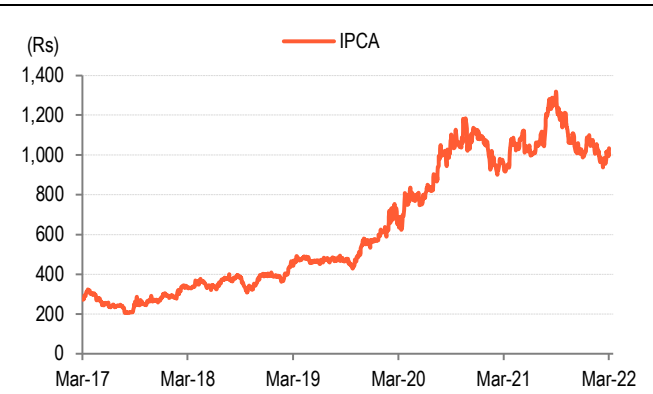
Source: Bloomberg

**Fig 66 – Post-Covid PE (1YF)**



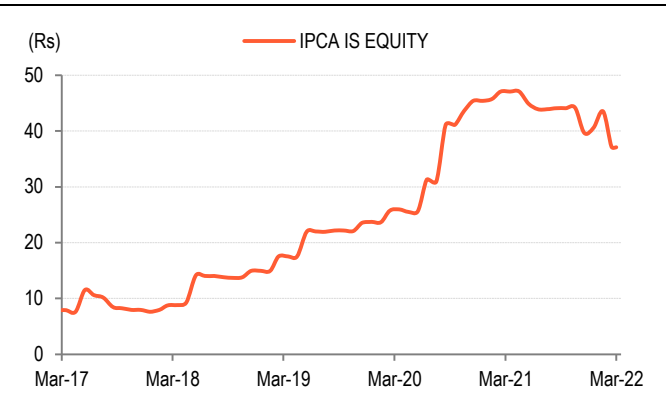
Source: Bloomberg

**Fig 67 – Price chart (5Y)**



Source: Bloomberg

**Fig 68 – Consensus EPS trend (5Y)**



Source: Bloomberg

## Financials – AJP

### Income Statement

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Total revenue</b>	<b>25,878</b>	<b>28,897</b>	<b>33,007</b>	<b>37,456</b>	<b>42,406</b>
EBITDA	6,833	9,990	10,108	11,834	13,187
Depreciation	957	1,161	1,317	1,303	1,386
EBIT	5,876	8,829	8,792	10,530	11,801
Net interest inc./(exp.)	(119)	(83)	(49)	(12)	(12)
Other inc./(exp.)	921	251	1,078	830	1,329
Exceptional items	0	0	0	0	0
EBT	6,678	8,997	9,820	11,348	13,118
Income taxes	1,962	2,463	2,160	2,497	3,148
Extraordinary items	39	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
<b>Reported net profit</b>	<b>4,756</b>	<b>6,534</b>	<b>7,659</b>	<b>8,852</b>	<b>9,970</b>
Adjustments	39	0	0	0	0
<b>Adjusted net profit</b>	<b>4,716</b>	<b>6,534</b>	<b>7,659</b>	<b>8,852</b>	<b>9,970</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Accounts payables	3,622	3,739	3,617	4,105	4,647
Other current liabilities	1,831	2,677	1,650	1,873	2,120
Provisions	246	296	339	384	435
Debt funds	436	198	198	198	198
Other liabilities	0	0	0	0	0
Equity capital	175	174	174	174	174
Reserves & surplus	26,398	30,203	36,331	43,412	51,405
Shareholders' fund	26,573	30,377	36,505	43,586	51,579
<b>Total liab. and equities</b>	<b>32,708</b>	<b>37,286</b>	<b>42,308</b>	<b>50,145</b>	<b>58,979</b>
Cash and cash eq.	2,049	2,096	5,004	10,277	16,363
Accounts receivables	7,753	7,384	8,139	9,236	10,456
Inventories	4,956	7,665	6,782	7,696	8,714
Other current assets	1,211	1,891	2,641	2,996	3,392
Investments	794	1,846	1,846	1,846	1,846
Net fixed assets	14,509	15,214	15,897	16,094	16,208
CWIP	1,318	1,082	2,000	2,000	2,000
Intangible assets	117	108	0	0	0
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
<b>Total assets</b>	<b>32,707</b>	<b>37,286</b>	<b>42,308</b>	<b>50,145</b>	<b>58,979</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Cash flow from operations</b>	<b>4,414</b>	<b>5,770</b>	<b>7,299</b>	<b>8,556</b>	<b>9,574</b>
Capital expenditures	(3,294)	(1,550)	(2,000)	(1,500)	(1,500)
Change in investments	(18)	(1,051)	0	0	0
Other investing cash flows	0	0	0	0	0
<b>Cash flow from investing</b>	<b>(3,313)</b>	<b>(2,601)</b>	<b>(2,000)</b>	<b>(1,500)</b>	<b>(1,500)</b>
Equities issued/Others	0	(2)	0	0	0
Debt raised/repaid	96	(238)	0	0	0
Interest expenses	(119)	(83)	(49)	(12)	(12)
Dividends paid	(943)	(1,307)	(1,532)	(1,770)	(1,977)
Other financing cash flows	910	(1,493)	(810)	0	0
<b>Cash flow from financing</b>	<b>(56)</b>	<b>(3,122)</b>	<b>(2,392)</b>	<b>(1,782)</b>	<b>(1,989)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>1,045</b>	<b>47</b>	<b>2,908</b>	<b>5,273</b>	<b>6,086</b>
<b>Closing cash &amp; cash eq.</b>	<b>2,049</b>	<b>2,096</b>	<b>5,004</b>	<b>10,277</b>	<b>16,363</b>

### Per Share

Y/E 31 Mar (Rs)	FY20A	FY21A	FY22E	FY23E	FY24E
Reported EPS	53.3	74.5	87.3	100.9	113.7
Adjusted EPS	53.8	74.5	87.3	100.9	113.7
Dividend per share	10.8	15.0	17.6	20.4	22.7
Book value per share	303.0	346.4	416.2	497.0	588.1

### Valuations Ratios

Y/E 31 Mar (x)	FY20A	FY21A	FY22E	FY23E	FY24E
EV/Sales	6.2	5.5	4.8	4.2	3.6
EV/EBITDA	23.4	15.9	15.7	13.3	11.6
Adjusted P/E	34.3	24.8	21.1	18.3	16.2
P/BV	6.1	5.3	4.4	3.7	3.1

### DuPont Analysis

Y/E 31 Mar (%)	FY20A	FY21A	FY22E	FY23E	FY24E
Tax burden (Net profit/PBT)	70.6	72.6	78.0	78.0	76.0
Interest burden (PBT/EBIT)	113.6	101.9	111.7	107.8	111.2
EBIT margin (EBIT/Revenue)	22.7	30.6	26.6	28.1	27.8
Asset turnover (Rev./Avg TA)	25.8	25.1	24.5	23.3	22.2
Leverage (Avg TA/Avg Equity)	1.0	1.0	1.0	1.0	1.0
<b>Adjusted ROAE</b>	<b>19.1</b>	<b>22.9</b>	<b>22.9</b>	<b>22.1</b>	<b>21.0</b>

### Ratio Analysis

Y/E 31 Mar	FY20A	FY21A	FY22E	FY23E	FY24E
<b>YoY growth (%)</b>					
Revenue	25.9	11.7	14.2	13.5	13.2
EBITDA	20.9	46.2	1.2	17.1	11.4
Adjusted EPS	21.9	38.5	17.2	15.6	12.6
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	26.4	34.6	30.6	31.6	31.1
EBIT margin	22.7	30.6	26.6	28.1	27.8
Adjusted profit margin	18.2	22.6	23.2	23.6	23.5
Adjusted ROAE	19.1	22.9	22.9	22.1	21.0
ROCE	27.2	31.5	29.3	28.2	27.5
<b>Working capital days (days)</b>					
Receivables	109	93	90	90	90
Inventory	70	97	75	75	75
Payables	51	47	40	40	40
<b>Ratios (x)</b>					
Gross asset turnover	1.3	1.4	1.4	1.5	1.6
Current ratio	2.8	2.8	4.0	4.7	5.4
Net interest coverage ratio	49.4	106.8	177.9	887.7	994.8
<b>Adjusted debt/equity</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.2)</b>	<b>(0.3)</b>

Source: Company, BOBCAPS Research | Note: TA = Total Assets

## Financials – ALKEM

### Income Statement

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24
<b>Total revenue</b>	<b>82,983</b>	<b>92,336</b>	<b>1,06,093</b>	<b>1,19,218</b>	<b>1,32,603</b>
EBITDA	14,730	23,110	20,898	24,380	27,915
Depreciation	2,526	2,746	2,872	3,222	3,572
EBIT	12,204	20,364	18,026	21,158	24,343
Net interest inc./(exp.)	(650)	(589)	(601)	(802)	(802)
Other inc./(exp.)	1,043	2,332	1,722	2,740	3,523
Exceptional items	0	0	0	0	0
EBT	12,598	22,107	19,147	23,097	27,064
Income taxes	1,105	2,243	766	3,003	4,060
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	222	328	393	472	566
<b>Reported net profit</b>	<b>11,270</b>	<b>19,536</b>	<b>17,988</b>	<b>19,622</b>	<b>22,439</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>11,270</b>	<b>19,536</b>	<b>17,988</b>	<b>19,622</b>	<b>22,439</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24
Accounts payables	9,541	10,694	14,345	16,119	17,929
Other current liabilities	6,010	7,343	8,377	9,414	10,471
Provisions	4,067	4,874	5,613	6,307	7,016
Debt funds	16,628	16,702	13,362	13,362	13,362
Other liabilities	0	0	0	0	0
Equity capital	239	239	239	239	239
Reserves & surplus	53,363	64,262	78,055	93,101	1,10,307
Shareholders' fund	53,602	64,501	78,294	93,340	1,10,547
<b>Total liab. and equities</b>	<b>89,848</b>	<b>1,04,113</b>	<b>1,19,991</b>	<b>1,38,543</b>	<b>1,59,323</b>
Cash and cash eq.	10,922	19,905	30,829	40,795	53,206
Accounts receivables	16,494	16,072	20,083	22,567	25,101
Inventories	18,188	23,124	22,378	25,146	27,969
Other current assets	9,180	10,072	12,566	14,121	15,706
Investments	2,614	3,328	3,328	3,328	3,328
Net fixed assets	28,821	27,679	29,807	31,585	33,013
CWIP	3,630	3,933	1,000	1,000	1,000
Intangible assets	0	0	0	0	0
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
<b>Total assets</b>	<b>89,848</b>	<b>1,04,113</b>	<b>1,19,991</b>	<b>1,38,543</b>	<b>1,59,323</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24
<b>Cash flow from operations</b>	<b>8,021</b>	<b>20,756</b>	<b>21,128</b>	<b>20,344</b>	<b>23,445</b>
Capital expenditures	(4,500)	(4,000)	(5,000)	(5,000)	(5,000)
Change in investments	622	(714)	0	0	0
Other investing cash flows	0	0	0	0	0
<b>Cash flow from investing</b>	<b>(3,878)</b>	<b>(4,714)</b>	<b>(5,000)</b>	<b>(5,000)</b>	<b>(5,000)</b>
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	7,603	75	(3,340)	0	0
Interest expenses	(650)	(589)	(601)	(802)	(802)
Dividends paid	(2,628)	(4,556)	(4,195)	(4,576)	(5,233)
Other financing cash flows	(4,161)	(1,990)	2,933	0	0
<b>Cash flow from financing</b>	<b>164</b>	<b>(7,060)</b>	<b>(5,204)</b>	<b>(5,378)</b>	<b>(6,034)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>4,308</b>	<b>8,982</b>	<b>10,925</b>	<b>9,966</b>	<b>12,411</b>
<b>Closing cash &amp; cash eq.</b>	<b>10,922</b>	<b>19,905</b>	<b>30,829</b>	<b>40,795</b>	<b>53,206</b>

### Per Share

Y/E 31 Mar (Rs)	FY20A	FY21A	FY22E	FY23E	FY24
Reported EPS	94.3	163.4	150.5	164.1	187.7
Adjusted EPS	94.3	163.4	150.5	164.1	187.7
Dividend per share	18.9	32.7	30.1	32.8	37.5
Book value per share	436.0	524.4	639.7	765.6	909.5

### Valuations Ratios

Y/E 31 Mar (x)	FY20A	FY21A	FY22E	FY23E	FY24
EV/Sales	5.0	4.5	3.9	3.3	2.9
EV/EBITDA	28.0	17.9	19.6	16.4	13.9
Adjusted P/E	36.5	21.0	22.9	21.0	18.3
P/BV	7.9	6.6	5.4	4.5	3.8

### DuPont Analysis

Y/E 31 Mar (%)	FY20A	FY21A	FY22E	FY23E	FY24
Tax burden (Net profit/PBT)	89.5	88.4	93.9	85.0	82.9
Interest burden (PBT/EBIT)	103.2	108.6	106.2	109.2	111.2
EBIT margin (EBIT/Revenue)	14.7	22.1	17.0	17.7	18.4
Asset turnover (Rev./Avg TA)	32.4	30.5	30.7	30.1	28.8
Leverage (Avg TA/Avg Equity)	1.3	1.3	1.2	1.2	1.2
<b>Adjusted ROAE</b>	<b>22.7</b>	<b>34.0</b>	<b>25.9</b>	<b>23.4</b>	<b>22.4</b>

### Ratio Analysis

Y/E 31 Mar	FY20A	FY21A	FY22E	FY23E	FY24
<b>YoY growth (%)</b>					
Revenue	12.8	11.3	14.9	12.4	11.2
EBITDA	32.3	56.9	(9.6)	16.7	14.5
Adjusted EPS	54.4	73.3	(7.9)	9.1	14.4
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	17.8	25.0	19.7	20.5	21.1
EBIT margin	14.7	22.1	17.0	17.7	18.4
Adjusted profit margin	13.6	21.2	17.0	16.5	16.9
Adjusted ROAE	22.7	34.0	25.9	23.4	22.4
ROCE	20.7	30.0	22.8	24.1	24.2
<b>Working capital days (days)</b>					
Receivables	73	65	70	70	70
Inventory	81	93	78	78	78
Payables	42	43	50	50	50
<b>Ratios (x)</b>					
Gross asset turnover	2.4	2.4	2.4	2.5	2.5
Current ratio	2.8	3.0	3.0	3.2	3.4
Net interest coverage ratio	18.8	34.6	30.0	26.4	30.4
<b>Adjusted debt/equity</b>	<b>0.1</b>	<b>(0.1)</b>	<b>(0.3)</b>	<b>(0.3)</b>	<b>(0.4)</b>

Source: Company, BOBCAPS Research | Note: TA = Total Assets

## Financials – ALPM

### Income Statement

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Total revenue</b>	<b>46,060</b>	<b>53,940</b>	<b>51,566</b>	<b>55,581</b>	<b>61,647</b>
EBITDA	12,233	15,584	10,163	12,323	16,234
Depreciation	1,573	1,835	2,213	2,573	2,973
EBIT	10,660	13,750	7,950	9,750	13,261
Net interest inc./(exp.)	(271)	(160)	(40)	(42)	(42)
Other inc./(exp.)	49	100	150	200	239
Exceptional items	0	0	0	0	0
EBT	10,439	13,690	8,060	9,908	13,458
Income taxes	1,992	2,533	1,451	1,982	3,095
Extraordinary items	(437)	0	0	0	0
Min. int./Inc. from assoc.	(281)	(316)	0	0	0
<b>Reported net profit</b>	<b>8,291</b>	<b>11,473</b>	<b>6,609</b>	<b>7,926</b>	<b>10,363</b>
Adjustments	(437)	0	0	0	0
<b>Adjusted net profit</b>	<b>8,728</b>	<b>11,473</b>	<b>6,609</b>	<b>7,926</b>	<b>10,363</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Accounts payables	6,259	6,688	9,466	7,614	8,445
Other current liabilities	3,125	6,314	2,578	2,779	3,082
Provisions	1,126	1,375	1,315	1,417	1,572
Debt funds	17,474	1,999	1,999	1,999	1,999
Other liabilities	0	0	0	0	0
Equity capital	377	393	393	393	393
Reserves & surplus	31,519	50,319	55,356	61,316	69,713
Shareholders' fund	31,896	50,712	55,749	61,709	70,107
<b>Total liab. and equities</b>	<b>59,880</b>	<b>67,087</b>	<b>71,106</b>	<b>75,518</b>	<b>85,204</b>
Cash and cash eq.	808	1,058	3,576	6,335	10,895
Accounts receivables	8,647	3,486	9,889	7,614	8,445
Inventories	11,875	14,861	14,128	15,228	16,890
Other current assets	4,401	5,612	5,157	5,558	6,165
Investments	172	2,363	2,363	2,363	2,363
Net fixed assets	15,249	17,035	20,821	23,248	25,275
CWIP	18,460	21,817	14,317	14,317	14,317
Intangible assets	269	856	856	856	856
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
<b>Total assets</b>	<b>59,880</b>	<b>67,087</b>	<b>71,106</b>	<b>75,518</b>	<b>85,204</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Cash flow from operations</b>	<b>4,623</b>	<b>18,615</b>	<b>2,630</b>	<b>9,767</b>	<b>11,567</b>
Capital expenditures	(5,703)	(3,466)	(6,000)	(5,000)	(5,000)
Change in investments	311	(2,191)	0	0	0
Other investing cash flows	0	0	0	0	0
<b>Cash flow from investing</b>	<b>(5,392)</b>	<b>(5,657)</b>	<b>(6,000)</b>	<b>(5,000)</b>	<b>(5,000)</b>
Equities issued/Others	0	16	0	0	0
Debt raised/repaid	6,190	(15,475)	0	0	0
Interest expenses	(271)	(160)	(40)	(42)	(42)
Dividends paid	(1,131)	(1,376)	(1,572)	(1,966)	(1,966)
Other financing cash flows	(5,267)	4,287	7,500	0	0
<b>Cash flow from financing</b>	<b>(479)</b>	<b>(12,708)</b>	<b>5,888</b>	<b>(2,007)</b>	<b>(2,007)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>(1,248)</b>	<b>251</b>	<b>2,517</b>	<b>2,760</b>	<b>4,560</b>
<b>Closing cash &amp; cash eq.</b>	<b>808</b>	<b>1,058</b>	<b>3,576</b>	<b>6,335</b>	<b>10,895</b>

### Per Share

Y/E 31 Mar (Rs)	FY20A	FY21A	FY22E	FY23E	FY24E
Reported EPS	42.2	60.0	33.6	40.3	52.7
Adjusted EPS	44.4	60.0	33.6	40.3	52.7
Dividend per share	6.0	7.0	8.0	10.0	10.0
Book value per share	162.3	258.0	283.6	314.0	356.7

### Valuations Ratios

Y/E 31 Mar (x)	FY20A	FY21A	FY22E	FY23E	FY24E
EV/Sales	3.3	2.9	2.9	2.6	2.3
EV/EBITDA	12.3	10.0	14.9	11.6	8.6
Adjusted P/E	16.4	12.1	21.6	18.0	13.8
P/BV	4.5	2.8	2.6	2.3	2.0

### DuPont Analysis

Y/E 31 Mar (%)	FY20A	FY21A	FY22E	FY23E	FY24E
Tax burden (Net profit/PBT)	83.6	83.8	82.0	80.0	77.0
Interest burden (PBT/EBIT)	97.9	99.6	101.4	101.6	101.5
EBIT margin (EBIT/Revenue)	23.1	25.5	15.4	17.5	21.5
Asset turnover (Rev./Avg TA)	26.2	26.4	23.3	22.9	22.7
Leverage (Avg TA/Avg Equity)	1.5	1.2	1.0	1.0	1.0
Adjusted ROAE	29.4	28.5	12.4	13.5	15.7

### Ratio Analysis

Y/E 31 Mar	FY20A	FY21A	FY22E	FY23E	FY24E
<b>YoY growth (%)</b>					
Revenue	17.1	17.1	(4.4)	7.8	10.9
EBITDA	40.0	27.4	(34.8)	21.2	31.7
Adjusted EPS	49.3	35.1	(43.9)	19.9	30.7
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	26.6	28.9	19.7	22.2	26.3
EBIT margin	23.1	25.5	15.4	17.5	21.5
Adjusted profit margin	18.9	21.3	12.8	14.3	16.8
Adjusted ROAE	29.4	28.5	12.4	13.5	15.7
ROCE	24.3	27.1	14.7	16.4	19.9
<b>Working capital days (days)</b>					
Receivables	69	24	70	50	50
Inventory	94	101	100	100	100
Payables	50	45	67	50	50
<b>Ratios (x)</b>					
Gross asset turnover	2.3	2.3	1.7	1.6	1.6
Current ratio	2.4	1.7	2.5	2.9	3.2
Net interest coverage ratio	39.3	85.8	198.9	232.3	315.9
Adjusted debt/equity	0.5	0.0	0.0	(0.1)	(0.1)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

## Financials – ARBP

### Income Statement

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Total revenue</b>	<b>2,30,986</b>	<b>2,47,746</b>	<b>2,38,108</b>	<b>2,64,197</b>	<b>2,93,199</b>
EBITDA	48,247	53,334	45,792	55,779	65,220
Depreciation	9,667	10,554	11,798	13,487	14,745
EBIT	38,580	42,780	33,994	42,291	50,475
Net interest inc./(exp.)	(1,598)	(745)	(545)	(385)	(270)
Other inc./(exp.)	862	3,808	3,650	4,395	4,947
Exceptional items	0	0	0	0	0
EBT	37,844	45,844	37,100	46,301	55,152
Income taxes	8,994	20,098	9,275	11,575	13,788
Extraordinary items	(261)	28,146	500	0	0
Min. int./Inc. from assoc.	137	543	0	0	0
<b>Reported net profit</b>	<b>28,452</b>	<b>53,349</b>	<b>28,325</b>	<b>34,726</b>	<b>41,364</b>
Adjustments	261	(28,146)	(500)	0	0
<b>Adjusted net profit</b>	<b>28,714</b>	<b>25,203</b>	<b>27,825</b>	<b>34,726</b>	<b>41,364</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Accounts payables	25,450	27,947	32,618	36,191	40,164
Other current liabilities	30,745	29,831	28,573	31,704	35,184
Provisions	4,914	3,291	3,162	3,509	3,894
Debt funds	56,867	52,373	41,898	33,519	23,463
Other liabilities	0	0	0	0	0
Equity capital	586	586	586	586	586
Reserves & surplus	1,68,912	2,19,923	2,45,327	2,77,123	3,15,558
Shareholders' fund	1,69,498	2,20,509	2,45,913	2,77,709	3,16,144
<b>Total liab. and equities</b>	<b>2,87,473</b>	<b>3,33,950</b>	<b>3,52,164</b>	<b>3,82,632</b>	<b>4,18,849</b>
Cash and cash eq.	28,422	54,680	67,000	79,512	97,173
Accounts receivables	43,552	35,033	58,712	65,145	72,296
Inventories	76,999	90,266	71,759	79,621	88,361
Other current assets	19,130	23,711	21,430	23,778	26,388
Investments	5,547	5,910	5,910	5,910	5,910
Net fixed assets	64,948	68,866	71,868	73,181	73,235
CWIP	19,859	30,615	30,615	30,615	30,615
Intangible assets	29,017	24,870	24,870	24,870	24,870
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
<b>Total assets</b>	<b>2,87,474</b>	<b>3,33,950</b>	<b>3,52,164</b>	<b>3,82,632</b>	<b>4,18,849</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Cash flow from operations</b>	<b>45,455</b>	<b>55,279</b>	<b>41,061</b>	<b>39,006</b>	<b>45,716</b>
Capital expenditures	(17,500)	(14,000)	(14,800)	(14,800)	(14,800)
Change in investments	(1,945)	(363)	0	0	0
Other investing cash flows	0	0	0	0	0
<b>Cash flow from investing</b>	<b>(19,445)</b>	<b>(14,363)</b>	<b>(14,800)</b>	<b>(14,800)</b>	<b>(14,800)</b>
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(12,800)	(4,494)	(10,475)	(8,380)	(10,056)
Interest expenses	(1,598)	(745)	(545)	(385)	(270)
Dividends paid	(2,930)	(2,930)	(2,930)	(2,930)	(2,930)
Other financing cash flows	144	(6,489)	9	0	0
<b>Cash flow from financing</b>	<b>(17,184)</b>	<b>(14,658)</b>	<b>(13,940)</b>	<b>(11,695)</b>	<b>(13,255)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>8,827</b>	<b>26,258</b>	<b>12,321</b>	<b>12,512</b>	<b>17,661</b>
<b>Closing cash &amp; cash eq.</b>	<b>28,421</b>	<b>54,680</b>	<b>67,001</b>	<b>79,512</b>	<b>97,173</b>

### Per Share

Y/E 31 Mar (Rs)	FY20A	FY21A	FY22E	FY23E	FY24E
Reported EPS	48.6	91.1	48.3	59.3	70.6
Adjusted EPS	49.0	43.0	47.5	59.3	70.6
Dividend per share	2.5	2.5	2.5	2.5	2.5
Book value per share	289.6	376.8	420.2	474.6	540.2

### Valuations Ratios

Y/E 31 Mar (x)	FY20A	FY21A	FY22E	FY23E	FY24E
EV/Sales	1.8	1.7	1.6	1.4	1.2
EV/EBITDA	8.7	7.8	8.5	6.5	5.2
Adjusted P/E	13.1	14.9	13.5	10.8	9.1
P/BV	2.2	1.7	1.5	1.3	1.2

### DuPont Analysis

Y/E 31 Mar (%)	FY20A	FY21A	FY22E	FY23E	FY24E
Tax burden (Net profit/PBT)	75.9	55.0	75.0	75.0	75.0
Interest burden (PBT/EBIT)	98.1	107.2	109.1	109.5	109.3
EBIT margin (EBIT/Revenue)	16.7	17.3	14.3	16.0	17.2
Asset turnover (Rev./Avg TA)	26.5	24.8	21.2	22.1	22.5
Leverage (Avg TA/Avg Equity)	1.4	1.3	1.2	1.1	1.1
<b>Adjusted ROAE</b>	<b>18.6</b>	<b>12.9</b>	<b>11.9</b>	<b>13.3</b>	<b>13.9</b>

### Ratio Analysis

Y/E 31 Mar	FY20A	FY21A	FY22E	FY23E	FY24E
<b>YoY growth (%)</b>					
Revenue	18.1	7.3	(3.9)	11.0	11.0
EBITDA	22.1	10.5	(14.1)	21.8	16.9
Adjusted EPS	19.0	(12.2)	10.4	24.8	19.1
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	20.9	21.5	19.2	21.1	22.2
EBIT margin	16.7	17.3	14.3	16.0	17.2
Adjusted profit margin	12.4	10.2	11.7	13.1	14.1
Adjusted ROAE	18.6	12.9	11.9	13.3	13.9
ROCE	18.1	18.7	13.4	15.6	17.0
<b>Working capital days (days)</b>					
Receivables	69	52	90	90	90
Inventory	122	133	110	110	110
Payables	40	41	50	50	50
<b>Ratios (x)</b>					
Gross asset turnover	1.9	1.8	1.6	1.6	1.6
Current ratio	2.8	3.3	3.4	3.5	3.6
Net interest coverage ratio	24.1	57.4	62.4	109.7	187.1
<b>Adjusted debt/equity</b>	<b>0.2</b>	<b>0.0</b>	<b>(0.1)</b>	<b>(0.2)</b>	<b>(0.2)</b>

Source: Company, BOBCAPS Research | Note: TA = Total Assets

## Financials – CIPLA

### Income Statement

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Total revenue</b>	<b>1,70,577</b>	<b>1,90,682</b>	<b>2,15,698</b>	<b>2,34,785</b>	<b>2,58,411</b>
EBITDA	31,317	41,611	47,567	50,362	56,938
Depreciation	11,760	10,677	13,195	13,867	14,539
EBIT	19,557	30,934	34,371	36,494	42,399
Net interest inc./(exp.)	(1,972)	(1,607)	(625)	(390)	(244)
Other inc./(exp.)	3,442	2,660	3,810	4,397	6,822
Exceptional items	0	0	0	0	0
EBT	21,027	31,987	37,557	40,501	48,977
Income taxes	6,312	8,888	9,952	10,733	12,979
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	5	(36)	0	0	0
<b>Reported net profit</b>	<b>14,710</b>	<b>23,135</b>	<b>27,604</b>	<b>29,768</b>	<b>35,998</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>14,710</b>	<b>23,135</b>	<b>27,604</b>	<b>29,768</b>	<b>35,998</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Accounts payables	22,818	20,668	29,272	31,909	35,113
Other current liabilities	10,604	14,709	12,821	13,976	15,380
Provisions	10,815	11,945	13,507	14,724	16,202
Debt funds	28,160	15,375	9,609	6,006	3,754
Other liabilities	0	0	0	0	0
Equity capital	1,613	1,613	1,613	1,613	1,613
Reserves & surplus	1,60,215	1,84,062	2,07,634	2,33,370	2,65,336
Shareholders' fund	1,61,827	1,85,675	2,09,247	2,34,983	2,66,949
<b>Total liab. and equities</b>	<b>2,34,224</b>	<b>2,48,372</b>	<b>2,74,456</b>	<b>3,01,597</b>	<b>3,37,398</b>
Cash and cash eq.	10,039	14,012	20,536	47,487	81,876
Accounts receivables	38,910	34,457	43,908	47,863	52,670
Inventories	43,776	46,692	58,543	63,818	70,227
Other current assets	21,715	21,267	29,916	32,611	35,886
Investments	15,953	28,318	28,318	28,318	28,318
Net fixed assets	51,281	49,563	44,367	38,500	31,960
CWIP	8,245	9,689	9,689	9,689	9,689
Intangible assets	44,305	44,375	39,180	33,312	26,773
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
<b>Total assets</b>	<b>2,34,224</b>	<b>2,48,372</b>	<b>2,74,456</b>	<b>3,01,597</b>	<b>3,37,398</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Cash flow from operations</b>	<b>33,111</b>	<b>40,491</b>	<b>19,750</b>	<b>37,110</b>	<b>42,378</b>
Capital expenditures	(9,259)	(7,180)	(8,000)	(8,000)	(8,000)
Change in investments	9,586	(12,365)	0	0	0
Other investing cash flows	0	0	0	0	0
<b>Cash flow from investing</b>	<b>327</b>	<b>(19,545)</b>	<b>(8,000)</b>	<b>(8,000)</b>	<b>(8,000)</b>
Equities issued/Others	1	0	0	0	0
Debt raised/repaid	(15,001)	(12,785)	(5,766)	(3,603)	(2,252)
Interest expenses	(1,972)	(1,607)	(625)	(390)	(244)
Dividends paid	(2,419)	(4,032)	(4,032)	(4,032)	(4,032)
Other financing cash flows	(10,198)	1,452	5,195	5,867	6,539
<b>Cash flow from financing</b>	<b>(29,589)</b>	<b>(16,972)</b>	<b>(5,227)</b>	<b>(2,159)</b>	<b>11</b>
<b>Chg in cash &amp; cash eq.</b>	<b>3,850</b>	<b>3,974</b>	<b>6,523</b>	<b>26,951</b>	<b>34,389</b>
<b>Closing cash &amp; cash eq.</b>	<b>10,038</b>	<b>14,013</b>	<b>20,536</b>	<b>47,487</b>	<b>81,876</b>

### Per Share

Y/E 31 Mar (Rs)	FY20A	FY21A	FY22E	FY23E	FY24E
Reported EPS	18.3	28.7	34.3	36.9	44.7
Adjusted EPS	18.3	28.7	34.3	36.9	44.7
Dividend per share	3.0	5.0	5.0	5.0	5.0
Book value per share	197.1	227.1	256.3	288.2	327.9

### Valuations Ratios

Y/E 31 Mar (x)	FY20A	FY21A	FY22E	FY23E	FY24E
EV/Sales	5.1	4.5	3.9	3.5	3.1
EV/EBITDA	27.6	20.6	17.6	16.2	14.0
Adjusted P/E	57.4	36.5	30.6	28.4	23.5
P/BV	5.3	4.6	4.1	3.6	3.2

### DuPont Analysis

Y/E 31 Mar (%)	FY20A	FY21A	FY22E	FY23E	FY24E
Tax burden (Net profit/PBT)	70.0	72.3	73.5	73.5	73.5
Interest burden (PBT/EBIT)	107.5	103.4	109.3	111.0	115.5
EBIT margin (EBIT/Revenue)	11.5	16.2	15.9	15.5	16.4
Asset turnover (Rev./Avg TA)	21.9	24.4	25.7	25.5	25.3
Leverage (Avg TA/Avg Equity)	1.2	1.1	1.1	1.0	1.0
<b>Adjusted ROAE</b>	<b>9.5</b>	<b>13.5</b>	<b>14.2</b>	<b>13.6</b>	<b>14.5</b>

### Ratio Analysis

Y/E 31 Mar	FY20A	FY21A	FY22E	FY23E	FY24E
<b>YoY growth (%)</b>					
Revenue	8.7	11.8	13.1	8.8	10.1
EBITDA	29.3	32.9	14.3	5.9	13.1
Adjusted EPS	120.3	57.3	19.3	7.8	20.9
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	18.4	21.8	22.1	21.5	22.0
EBIT margin	11.5	16.2	15.9	15.5	16.4
Adjusted profit margin	8.6	12.1	12.8	12.7	13.9
Adjusted ROAE	9.5	13.5	14.2	13.6	14.5
ROCE	11.8	17.2	18.2	17.8	19.2
<b>Working capital days (days)</b>					
Receivables	85	67	75	75	75
Inventory	96	90	100	100	100
Payables	50	40	50	50	50
<b>Ratios (x)</b>					
Gross asset turnover	1.2	1.2	1.3	1.4	1.5
Current ratio	2.6	2.5	2.8	3.2	3.6
Net interest coverage ratio	9.9	19.2	55.0	93.5	173.8
<b>Adjusted debt/equity</b>	<b>0.1</b>	<b>(0.1)</b>	<b>(0.2)</b>	<b>(0.3)</b>	<b>(0.4)</b>

Source: Company, BOBCAPS Research | Note: TA = Total Assets

## Financials – DIVI

### Income Statement

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Total revenue</b>	<b>55,067</b>	<b>72,261</b>	<b>86,407</b>	<b>99,475</b>	<b>1,14,735</b>
EBITDA	19,344	31,166	36,975	43,562	50,818
Depreciation	1,862	2,556	3,001	3,325	3,649
EBIT	17,481	28,611	33,975	40,237	47,169
Net interest inc./(exp.)	(61)	(8)	(10)	0	0
Other inc./(exp.)	1,896	626	868	963	1,399
Exceptional items	0	0	0	0	0
EBT	19,317	29,229	34,833	41,201	48,569
Income taxes	4,406	6,732	8,708	10,300	12,142
Extraordinary items	821	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
<b>Reported net profit</b>	<b>15,732</b>	<b>22,497</b>	<b>26,125</b>	<b>30,900</b>	<b>36,427</b>
Adjustments	(821)	0	0	0	0
<b>Adjusted net profit</b>	<b>14,911</b>	<b>22,497</b>	<b>26,125</b>	<b>30,900</b>	<b>36,427</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Accounts payables	5,907	7,632	7,192	8,279	9,402
Other current liabilities	5,777	6,874	6,874	6,874	6,874
Provisions	230	278	278	278	278
Debt funds	344	43	0	0	0
Other liabilities	0	0	0	0	0
Equity capital	531	531	531	531	531
Reserves & surplus	72,514	92,464	1,07,428	1,27,271	1,50,662
Shareholders' fund	73,045	92,995	1,07,959	1,27,802	1,51,193
<b>Total liab. and equities</b>	<b>85,303</b>	<b>1,07,821</b>	<b>1,22,302</b>	<b>1,43,232</b>	<b>1,67,746</b>
Cash and cash eq.	1,252	21,704	24,082	34,983	48,559
Accounts receivables	14,134	16,765	20,216	23,273	26,843
Inventories	18,639	21,452	28,408	32,704	37,721
Other current assets	4,550	3,753	3,105	3,105	3,105
Investments	9,714	1	1	1	1
Net fixed assets	27,732	36,947	39,292	41,967	44,318
CWIP	9,196	7,106	7,106	7,106	7,106
Intangible assets	87	92	92	92	92
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
<b>Total assets</b>	<b>85,303</b>	<b>1,07,821</b>	<b>1,22,302</b>	<b>1,43,232</b>	<b>1,67,746</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Cash flow from operations</b>	<b>15,818</b>	<b>22,070</b>	<b>19,591</b>	<b>27,959</b>	<b>32,611</b>
Capital expenditures	(13,083)	(9,105)	(6,000)	(6,000)	(6,000)
Change in investments	9,742	9,713	0	0	0
Other investing cash flows	0	0	0	0	0
<b>Cash flow from investing</b>	<b>(3,342)</b>	<b>608</b>	<b>(6,000)</b>	<b>(6,000)</b>	<b>(6,000)</b>
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(712)	(301)	(43)	0	0
Interest expenses	(61)	(8)	(10)	0	0
Dividends paid	0	0	0	0	0
Other financing cash flows	(12,276)	(1,918)	(11,161)	(11,058)	(13,035)
<b>Cash flow from financing</b>	<b>(13,049)</b>	<b>(2,226)</b>	<b>(11,214)</b>	<b>(11,058)</b>	<b>(13,035)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>(573)</b>	<b>20,452</b>	<b>2,377</b>	<b>10,902</b>	<b>13,576</b>
<b>Closing cash &amp; cash eq.</b>	<b>1,253</b>	<b>21,704</b>	<b>24,082</b>	<b>34,983</b>	<b>48,559</b>

### Per Share

Y/E 31 Mar (Rs)	FY20A	FY21A	FY22E	FY23E	FY24E
Reported EPS	59.3	84.7	98.4	116.4	137.2
Adjusted EPS	56.2	84.7	98.4	116.4	137.2
Dividend per share	21.2	30.3	35.2	41.6	49.1
Book value per share	275.1	350.3	406.6	481.4	569.5

### Valuations Ratios

Y/E 31 Mar (x)	FY20A	FY21A	FY22E	FY23E	FY24E
EV/Sales	21.4	16.3	13.7	11.8	10.2
EV/EBITDA	60.8	37.9	31.9	26.9	23.0
Adjusted P/E	80.2	53.2	45.8	38.7	32.8
P/BV	16.4	12.9	11.1	9.4	7.9

### DuPont Analysis

Y/E 31 Mar (%)	FY20A	FY21A	FY22E	FY23E	FY24E
Tax burden (Net profit/PBT)	77.2	77.0	75.0	75.0	75.0
Interest burden (PBT/EBIT)	110.5	102.2	102.5	102.4	103.0
EBIT margin (EBIT/Revenue)	31.7	39.6	39.3	40.4	41.1
Asset turnover (Rev./Avg TA)	16.6	18.7	18.8	18.7	18.4
Leverage (Avg TA/Avg Equity)	1.2	1.2	1.1	1.1	1.1
Adjusted ROAE	20.8	27.1	26.0	26.2	26.1

### Ratio Analysis

Y/E 31 Mar	FY20A	FY21A	FY22E	FY23E	FY24E
<b>YoY growth (%)</b>					
Revenue	11.3	31.2	19.6	15.1	15.3
EBITDA	3.3	61.1	18.6	17.8	16.7
Adjusted EPS	10.2	50.9	16.1	18.3	17.9
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	35.1	43.1	42.8	43.8	44.3
EBIT margin	31.7	39.6	39.3	40.4	41.1
Adjusted profit margin	27.1	31.1	30.2	31.1	31.7
Adjusted ROAE	20.8	27.1	26.0	26.2	26.1
ROCE	20.0	26.0	25.1	25.4	25.5
<b>Working capital days (days)</b>					
Receivables	85	85	85	85	85
Inventory	121	120	120	120	120
Payables	94	94	94	94	94
<b>Ratios (x)</b>					
Gross asset turnover	1.3	1.4	1.5	1.5	1.6
Current ratio	3.2	4.3	5.3	6.1	7.0
Net interest coverage ratio	288.5	3,783.6	3,397.5		
Adjusted debt/equity	(0.1)	(0.2)	(0.2)	(0.3)	(0.3)

Source: Company, BOBCAPS Research | Note: TA = Total Assets





## Financials – ERIS

### Income Statement

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Total revenue</b>	<b>10,741</b>	<b>12,119</b>	<b>13,446</b>	<b>14,901</b>	<b>16,720</b>
EBITDA	3,684	4,306	5,020	5,436	6,340
Depreciation	503	430	621	698	755
EBIT	3,181	3,876	4,399	4,737	5,585
Net interest inc./(exp.)	(22)	(18)	(2)	0	0
Other inc./(exp.)	154	87	69	151	252
Exceptional items	0	0	0	0	0
EBT	3,313	3,945	4,466	4,888	5,836
Income taxes	349	394	393	440	584
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
<b>Reported net profit</b>	<b>2,965</b>	<b>3,551</b>	<b>4,073</b>	<b>4,448</b>	<b>5,253</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>2,965</b>	<b>3,551</b>	<b>4,073</b>	<b>4,448</b>	<b>5,253</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Accounts payables	1,000	1,026	1,087	1,208	1,358
Other current liabilities	490	406	529	588	661
Provisions	562	588	652	725	815
Debt funds	0	68	0	0	0
Other liabilities	0	0	0	0	0
Equity capital	136	136	136	136	136
Reserves & surplus	11,626	14,117	17,240	20,422	24,091
Shareholders' fund	11,761	14,253	17,376	20,558	24,227
<b>Total liab. and equities</b>	<b>13,813</b>	<b>16,341</b>	<b>19,644</b>	<b>23,079</b>	<b>27,060</b>
Cash and cash eq.	673	383	3,181	5,852	9,914
Accounts receivables	1,569	1,405	1,449	1,813	1,584
Inventories	695	945	1,087	1,410	1,448
Other current assets	1,305	2,114	1,733	1,926	2,164
Investments	780	2,940	2,940	2,940	2,940
Net fixed assets	873	779	1,819	2,045	2,258
CWIP	44	16	16	16	16
Intangible assets	7,876	7,760	7,419	7,077	6,736
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
<b>Total assets</b>	<b>13,814</b>	<b>16,341</b>	<b>19,644</b>	<b>23,079</b>	<b>27,060</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Cash flow from operations</b>	<b>3,228</b>	<b>3,072</b>	<b>5,138</b>	<b>4,521</b>	<b>6,271</b>
Capital expenditures	(1,309)	(57)	(1,661)	(924)	(968)
Change in investments	2,779	(2,161)	0	0	0
Other investing cash flows	0	0	0	0	0
<b>Cash flow from investing</b>	<b>1,470</b>	<b>(2,218)</b>	<b>(1,661)</b>	<b>(924)</b>	<b>(968)</b>
Equities issued/Others	(2)	0	0	0	0
Debt raised/repaid	(1,764)	68	(68)	0	0
Interest expenses	(22)	(18)	(2)	0	0
Dividends paid	(467)	(871)	(950)	(1,267)	(1,583)
Other financing cash flows	(1,846)	(323)	341	341	341
<b>Cash flow from financing</b>	<b>(4,100)</b>	<b>(1,144)</b>	<b>(678)</b>	<b>(925)</b>	<b>(1,242)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>598</b>	<b>(290)</b>	<b>2,799</b>	<b>2,671</b>	<b>4,061</b>
<b>Closing cash &amp; cash eq.</b>	<b>673</b>	<b>383</b>	<b>3,181</b>	<b>5,852</b>	<b>9,914</b>

### Per Share

Y/E 31 Mar (Rs)	FY20A	FY21A	FY22E	FY23E	FY24E
Reported EPS	21.8	26.2	30.0	32.8	38.7
Adjusted EPS	21.8	26.2	30.0	32.8	38.7
Dividend per share	2.9	5.5	6.0	8.0	10.0
Book value per share	86.6	105.0	128.0	151.4	178.4

### Valuations Ratios

Y/E 31 Mar (x)	FY20A	FY21A	FY22E	FY23E	FY24E
EV/Sales	9.1	7.9	7.1	6.4	5.5
EV/EBITDA	26.5	22.2	19.1	17.4	14.5
Adjusted P/E	32.7	27.3	23.8	21.8	18.5
P/BV	8.3	6.8	5.6	4.7	4.0

### DuPont Analysis

Y/E 31 Mar (%)	FY20A	FY21A	FY22E	FY23E	FY24E
Tax burden (Net profit/PBT)	89.5	90.0	91.2	91.0	90.0
Interest burden (PBT/EBIT)	104.2	101.8	101.5	103.2	104.5
EBIT margin (EBIT/Revenue)	29.6	32.0	32.7	31.8	33.4
Asset turnover (Rev./Avg TA)	22.1	23.2	21.2	19.6	18.7
Leverage (Avg TA/Avg Equity)	1.1	1.0	1.0	1.0	1.0
<b>Adjusted ROAE</b>	<b>26.5</b>	<b>27.3</b>	<b>25.8</b>	<b>23.5</b>	<b>23.5</b>

### Ratio Analysis

Y/E 31 Mar	FY20A	FY21A	FY22E	FY23E	FY24E
<b>YoY growth (%)</b>					
Revenue	9.4	12.8	11.0	10.8	12.2
EBITDA	6.8	16.9	16.6	8.3	16.6
Adjusted EPS	2.0	19.8	14.7	9.2	18.1
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	34.3	35.5	37.3	36.5	37.9
EBIT margin	29.6	32.0	32.7	31.8	33.4
Adjusted profit margin	27.6	29.3	30.3	29.8	31.4
Adjusted ROAE	26.5	27.3	25.8	23.5	23.5
ROCE	27.5	30.4	28.2	25.8	26.1
<b>Working capital days (days)</b>					
Receivables	54	43	40	45	35
Inventory	24	29	30	35	32
Payables	34	31	30	30	30
<b>Ratios (x)</b>					
Gross asset turnover	1.1	1.3	1.2	1.2	1.3
Current ratio	2.1	2.4	3.3	4.4	5.3
Net interest coverage ratio	147.3	215.1	2,163.7		
<b>Adjusted debt/equity</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.2)</b>	<b>(0.3)</b>	<b>(0.4)</b>

Source: Company, BOBCAPS Research | Note: TA = Total Assets







## Disclaimer

### Recommendation scale: Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

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