

BUY

TP: Rs 1,800 | ▲ 27%

CIPLA

| Pharmaceuticals

| 29 January 2025

Lower dependence on highly competitive GLP products

- Revenue/EBITDA/PAT surpassed our Q3 estimates by 3%/3%/22% respectively. PAT was higher due to lower tax rate of 17%
- Strong complex respiratory and injectables portfolio to largely offset gRevlimid sales in FY27 in the North America region
- Due to sustainable growth across regions, we upgrade the stock to BUY from HOLD ascribing a P/E of 24x on Dec'26 rollover

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Earnings exceed our Q3 estimates: CIPLA reported strong numbers and surpassed our and Bloomberg estimates on all fronts. Sales grew by 7% YoY driven by strong growth across geographies ex of the North America region. Better product mix resulted in 68% gross margin and 28.1% EBITDA margin. Healthy operations, higher other income and a significantly lower tax rate resulted in 25.6% YoY growth in PAT. Geographically, growth of 10% YoY in the domestic region, 10% YoY in the SAGA region and 21.5% YoY in the international market offset the 1% decline in the US market.

Lanreotide supply to ramp up from 1QFY26: North America sales declined by 1% YoY primarily due to supply issues in Lanreotide. Lanreotide's supply has resumed to 40-50% and full supply is expected to normalise from the end of 4QFY25 and ramp up from 1QFY26. Management expects an additional 20% of extra supply in FY26 in Lanreotide from new capacity that is currently being installed.

Strong pipeline of Respiratory portfolio in US market: CIPLA has a new meaningful product pipeline of Respiratory products to be launched by FY27E which includes gAdvair, gAbraxane, Symbicort and Qvar. The timelines for gAdvair and gAbraxane have been extended based on plant inspections. We believe gAbraxane will be launched swiftly as the Goa plant has received VAI (Voluntary Action Indicated) status. This meaningful new product launch should largely mitigate sales from gRevlimid. From its existing new products, the company expects the gAlbuterol market share to sustain at the current highest level of 21% and Lanreotide sales to ramp up by an additional ~20% in FY26 from its 2QFY25 peak.

India business to continue to outperform IPM: During the quarter, India region sales grew by 10% driven by both Branded generics and Trade generics. In Branded prescription, growth was driven by key therapies like the Respiratory, Urology and Acute segments which outpaced IPM growth. CIPLA has ~26 brands that are worth over Rs 1bn and Foracort remains the Indian Pharma Market's (IPM) topmost brand. During Q3, volume grew 2% which is expected to increase further with deeper penetration. We expect India sales to grow at a CAGR of 8% from FY25-27.

Key changes

Target	Rating
▲	▲

Ticker/Price	CIPLA IN/Rs 1,421
Market cap	US\$ 13.2bn
Free float	65%
3M ADV	US\$ 39.5mn
52wk high/low	Rs 1,702/Rs 1,312
Promoter/FPI/DII	33%/26%/24%

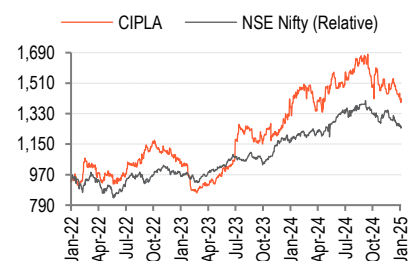
Source: NSE | Price as of 28 Jan 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	257,741	278,472	299,967
EBITDA (Rs mn)	62,911	71,597	80,955
Adj. net profit (Rs mn)	43,164	50,730	58,484
Adj. EPS (Rs)	53.6	63.0	72.6
Consensus EPS (Rs)	53.6	57.4	64.1
Adj. ROAE (%)	17.5	17.7	17.4
Adj. P/E (x)	26.5	22.6	19.6
EV/EBITDA (x)	17.7	15.4	13.3
Adj. EPS growth (%)	44.6	17.5	15.3

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Strong respiratory sales in US to largely offset gRevlimid gap

CIPLA has high gRevlimid sales which will be offset by new product launches. During 3QFY25, US sales in constant currency (cc) was reported at US\$ 226mn due to supply issues from the partner's end for Lanreotide. Management expects this to normalise from 1QFY26 with an additional 20% of incremental supplies from the new capacity. During the peak time, Lanreotide's market share was 35% and with additional capacities being installed, CIPLA expects this to increase by 10-20% by FY27. Albuterol's key market share has also increased to 21% (19% in 2QFY25) despite competition and is expected to retain at this level. CIPLA has a strong pipeline of key products in the Respiratory portfolio and Injectables space which will cumulatively offset a larger portion of gRevlimid sales. Hence, we expect US sales to grow at a CAGR of 5% from FY25-27.

SAGA's strong sales momentum to continue

CIPLA has reported 10% sales growth in the SAGA region where South Africa sales grew by 21% in ZAAR terms. Growth is largely driven by the private market where secondary growth was healthy at 8% as against market growth of 2%. SAGA overall is a good margin business and the focus is not bidding for tenders which may dilute margins. Management's focus is to grow the tender business at the right margin. The company's allocations to ARV products in the South Africa market would be ~11-12% and PEPFAR (US President's Emergency Plan for AIDS Relief) sales contribution to be less than 1% of the total sales. So, the focus is largely on the private market which is expected to continue outperforming the markets. Hence, we expect the SAGA region to continue growing at a CAGR of 10% from FY25-27.

FY25 EBITDA margin to exit above guided level of 25.5%

In 3QFY25 CIPLA reported its highest-ever EBITDA margin of 28% largely driven by better product mix and cost rationalisation. Going forward, we expect EBITDA margin to increase driven by: (1) higher traction in the Respiratory portfolio in the domestic region, (2) larger share of international markets, (3) complex new product launches in the Respiratory portfolio in the North America market, (4) and strong growth in the South Africa region driven by CIPLA's focus on the high-margin tender business. Hence, we expect CIPLA to report 28% EBITDA margin by FY28E.

Confident of participating in the first wave of GLP products

CIPLA aims to participate in the first wave of Semaglutide launch in the Indian market in FY26. CIPLA plans to manufacture GLP products through CDMOs and is open to in-licensing activity to deepen partnerships with large MNCs like Eli Lilly which is looking for deeper penetration in the Indian market for its obesity drugs.

Upgrade to BUY

CIPLA reported strong 3QFY25 earnings amidst supply issues in its key product Lanreotide, which was offset by the highest-ever market share gain in Albuterol. Going forward, there are many meaningful complex launches in the Respiratory portfolio in the North America region which will largely offset the gRevlimid gap. Due to a strong pipeline of complex products in the North America region, we increase our EPS

estimates for FY25 by 10%, FY26 by 7% and FY27 by 5% and ascribe a higher P/E of 24x on Dec'26 roll forward with a new TP of Rs 1,800 (previously Rs 1,754).

Fig 1 – Concall highlights

Particulars	2QFY25	3QFY25
India business		
One India Business	Witnessed slow seasonal growth, especially in the acute category	Grew double digits despite seasonal headwinds, especially in the acute segment portfolio
	Lower growth in Anti Infective of 4.9% vs IPM growth of 12% impacted branded Rx as well as trade generic business	Growth was led by both branded generics and trade generics
Growth	One India growth stood at 5% YoY	One India growth stood at 10% YoY
Outlook	Endeavour is to outpace market growth on a full-year basis	The priority for One India would be to continue the growth momentum and to be ahead of the market in both Branded Prescription and Trade Generics
	Expect to revert to growth in 3QFY25	
Field force	8,700 people	8,700 people
Branded Rx business	Branded prescription business continued to outpace market growth in chronic therapies	Continues to outpace market growth. Foracort continued to be the number one brand in IPM
Therapy growth	Respiratory grew by 9%, cardiac by 11, and Urology by 15%	Key therapies of respiratory, urology, and acute outpaced market growth
Chronic share	Improved to 61.5% as per IQVIA MAT Sep'24	Improved to 61.5% as per IQVIA MAT Dec'24
No. of brands of Rs 1bn	3 new brands added, total 25 brands	5 new brands added, total 26 brands
No of sales units	2bn sales units sold as per IQVIA	2bn sales units sold as per IQVIA
Trade Generics business	The business is impacted by the season; however, CIPLA expects it to revert to the usual growth trajectory in the coming quarters	Back on the growth trajectory. The performance was supported by execution excellence in distribution, new introductions, and technological interventions
	Trade Generics business model change has been successfully implemented and the company has better control over the channel	
OTC	The business posted robust growth of 20% plus	The Consumer Health business witnessed strong traction with anchor brands continuing to grow bigger
Brands	Anchor brands of Nicotex, Omnigel, and Cipladine maintained their leadership positions in their segments	Anchor brands of Nicotex, Omnigel, and Cipladine maintained their leadership positions in their segments
Margin	Stable at 15%	The operating profitability of the Consumer Health business remains consistent
North America	Delivered quarterly revenue of US\$ 237mn.	Delivered quarterly revenue of US\$ 226mn
Growth driver	Barring a temporary supply issue in Lanreotide, revenue has been sustained by continued positive traction in its differentiated portfolio	If adjusted for the supply disruption in Lanreotide, revenue would have been on a growth trajectory
Price erosion in the base portfolio	10% YoY and 3-5% QoQ	Moderate price erosion of high single digit
Portfolio approach	Vintage portfolio – subject to price erosion of 30%; rest 70% is differentiated	
Albuterol	Market share enhanced to 19% this quarter	Market share enhanced to 21% in the quarter. Going forward, the increase in market share will be moderate

Particulars	2QFY25	3QFY25
Lanreotide	The Lanreotide franchise consisting of 505(b)(2) and ANDA assets reached a market share of 35% during the quarter as per IQVIA Sep MAT-24	The business is on its way to resolve supply issues related to Lanreotide, and come back to normalised supply levels towards the end of Q4FY25
	Currently facing some supply challenges in Lanreotide, hence Q3 Lanreotide franchise sales are to be lower than Q2	
	Supply issues are anticipated to be resolved by the end of Q3, and starting Q4FY25 should be able to recover sharply in the Lanreotide franchise	40-50% of sales has resumed and expect to normalise by Mar'25. Expect ramp up of sales from 1QFY26
	Working to increase overall capacity of Lanreotide through capex investments	
	Increasing capacities by the partner Invagen as demand is more than anticipated	
Market share	35% share in Lanreotide franchise of both assets; expect market share to increase further by 10-20% in next 1-2 years	
Growth outlook	Bounce back in Q4 will not be higher than in Q2, which is 35% market share	Bounce back in Q4 to be equal to the level in 2QFY25
gRevlimid		Sales of gRevlimid was similar to Q2FY25. Expect Q4 sales to be in the range of Q3FY25. FY26 Revlimid sales to be lower than FY25 due to competition
Advair	De-risking of generic Advair (major inhalation asset) has been progressing as per expectations. Expect to launch this asset in H1FY26	The de-risking has been progressing as per expectation and plan to launch this asset in late H1FY26
Abraxane	More likely to launch this product from the Goa facility. Launch would depend on the clearance of the plant. Company has continued its efforts to de-risk the product through the CMO site	Company expects to launch the product from its Goa facility a few months after the approval, and the launch should occur largely by the end of H2FY26
Calcitonin	Received approval from the USFDA; will manufacture through a CMO route as source of API is different	
Symbicort	Launch date remains FY27	Rough timeline is 18 months; in H2FY27
Qvar	Launch date remains FY27	To be filed from Indore facility
ANDA approval	Received 4 new generic drug approvals, including 1 peptide (Calcitonin)	
One Africa	One Africa business recorded growth of 22% with South Africa also delivering similar growth in local currency terms	Business recorded significant growth of 9% in US\$ terms, with South Africa growing at 21% in ZAAR terms. ~11-12% of the portfolio would be in ARV products
	In the private market, secondary growth was at a healthy 8.6% versus market growth of 0.5%	In the private market, secondary growth was at a healthy 8.8% versus market growth of 2%
Growth drivers	Jump in tender sales (good margin business 17-18%), growth in private revenue secondary sales growth has been in the single digit	Focus stays on margin expansion
	OTC and Rx growth increased due to integration of Actor Pharma	
	New launches in South Africa which also helped CIPLA grow faster than the market	
Tender business growth	Growth expected to be 5-10%	Focus is on growing Tender business at right margin
Margin	Lower than company level margin of 25%; aims to increase margins in this region	Margins in tender business are significantly lower than company-level margins

Particulars	2QFY25	3QFY25
EMEU	Deep market strategy has started paying off with the business delivering solid growth of 18% in US\$ terms, with a pickup in both the DTM and B2B categories	Deep market focus strategy laid a strong foundation with the business delivering strong growth of 20% YoY in US\$ terms with the uptick in both its DTM and B2B categories
	Normalised growth expected to be under 10%; tender business is not very significant	Top priority is to maximise stock line with focus on deepening its penetration and identified port markets while sustaining the strong margin trajectory
USFDA Inspection		
Goa unit	Goa facility recently underwent re-inspection by the USFDA. The facility was issued six 483 observations	Has been cleared by the USFDA with a VAI classification
Indore unit	Focus remains on remediation and implementation of the CAPA	NA
Others	In the last 12 months, facilities in Invagen, Kurkumbh, Patalganga, China and Goa were audited and cleared with either a VAI or NAI except for Goa where the classification is still awaited	The USFDA also inspected its manufacturing facility located in Virgonagar, Bengaluru, and issued eight 483 observations. Official classification is awaited During the month, inspection was conducted at Medispace facility by the USFDA and issued one 483 observation
R&D investments	R&D investments for the quarter was 5.5% of the revenue, driven by product filing costs and developmental efforts higher in the quarter	R&D investments for the quarter was 5% of the revenue, driven by product filing costs and developmental efforts
R&D Outlook	New areas of investments – Oligonucleotides, Peptides – have completed full portfolio. Respiratory assets to be launched next year and Bio assets are moving to phase 1 and are expected to reach Phase 3 in FY27	The R&D cost is likely to moderate as the requirement of clinical trials are relaxed, but retain guidance of 5-6% as it actually gives an opportunity to add more product programmes to the pipeline
Debt	As at Sep'24, debt stood at Rs 4.61bn	As at Dec'24, debt stood at Rs 4.66bn
Cash	Net cash equivalent balance of Rs 79.50bn	Net cash equivalent balance of Rs 89.47bn
EBITDA margin	On track to achieve our margin guidance for the year of between 24.5% and 25.5%	EBITDA for FY25 is trending higher than earlier given guidance which was 24.5%-25.5% May surpass EBITDA margin guidance of above 25.5%
US sales	Sales to be lower than US\$ 220mn, impacted by Lanreotide	
Manufacturing unit		
China Plant	Commenced the plant during the quarter, supplies expected in FY25E	NA
	Received USFDA approval for facility as well as for the product Pulmicort respules	
GLP-1	To participate in Semaglutide in India and expects to be in the first wave	Participate in the first wave of launch for Semaglutide in the Indian market
	In-licensing is always an option for CIPLA as it deepens its partnership with large multinational corporations that sell categories of GLP-1 drugs	
Capital allocation plan	Key market for the company is India, where CIPLA would like to grow. So CIPLA hopes to make acquisitions in India in the domestic formulations space	Increased dividend payout in-line with profitability and wants to increase payout up to 30%
	Looking at differentiated portfolio (mostly injectable business) in the US market, which comes with some stickiness in revenue and not facing enough erosion where there are some entry barriers	Open to product acquisition, in-licensing opportunities in Indian market. Open to acquiring innovative assets in the US and Emerging Markets
	Dividend payout – 30%	

Source: Company, BOBCAPS Research | CAPA: Corrective Action Preventive Action

Fig 2 – Financial Highlights

(Rs mn)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	9MFY25	9MFY24	YoY (%)	FY24	FY25	FY26
Net Sales	70,730	66,038	7.1	70,510	208,179	196,109	6.2	257,741	278,472	299,967
Total Expenses	50,841	48,563		51,654	152,276	146,357		194,830	206,874	219,012
(%) of net sales	72	74		73	73	75		76	74	73
Raw material consumed	22,641	22,195	2.0	22,830	67,400	67,695	(0.4)	88,196	96,073	101,989
(%) of net sales	32	34		32	32	35		34	35	34
Staff cost	11,976	10,681	12.1	12,079	67,400	67,695	(0.4)	43,100	47,410	51,203
(%) of net sales	16.9	16.2		17.1	32.4	34.5		17	17	17
R&D cost	3,607	4,000	(9.8)	3,878	11,015	11,280	(2.3)	15,710	15,316	14,998
(%) of net sales	5.1	6.1		5.5	5.3	5.8		6	6	5
SG&A	12,616	11,686	8.0	12,867	37,864	35,124	7.8	49,206	48,060	49,416
(%) of net sales	17.8	17.7		18.2	18.2	17.9		19	17	16
EBITDA	19,889	17,475	13.8	18,856	55,903	49,752	12.4	62,911	71,597	80,955
Depreciation	2,798	2,334	19.9	2,717	7,982	7,627	4.7	10,510	11,236	11,926
EBIT	17,091	15,141	12.9	16,139	47,921	42,125	13.8	52,401	60,362	69,029
Interest	146	301	(51.4)	154	480	723	(33.6)	899	615	427
Other Income	2,216	1,846	20.0	1,906	5,724	4,972	15.1	7,466	8,047	9,554
PBT	19,161	16,686	14.8	17,891	53,165	46,375	14.6	58,968	67,793	78,156
Less: Taxation	3,324	4,053		4,830	12,505	12,217		15,466	17,064	19,672
Less: Minority Interest	132	126		35	(12)	258		338	0	0
Recurring PAT	15,705	12,507	25.6	13,025	40,672	33,899	20.0	43,164	50,730	58,484
Exceptional items	0	(1,948)		0	(1,948)			(1,948)	0	0
Reported PAT	15,705	10,559	48.7	13,025	40,507	31,825	27.3	41,216	50,730	58,484
Key Ratios (%)										
Gross Margin	68.0	66.4	160	67.6	67.6	65.5	214	65.8	65.5	66.0
EBITDA Margin	28.1	26.5	166	26.7	26.9	25.4	148	24.4	25.7	27.0
Tax / PBT	17.3	24.3		27.0	23.5	26.3		26.2	25.2	25.2
NPM	22.2	18.9	327	18.5	19.5	17.3	225	16.7	18.2	19.5
EPS (Rs)	19.5	15.5		16.2	50.5	42.1		53.6	62.9	72.6

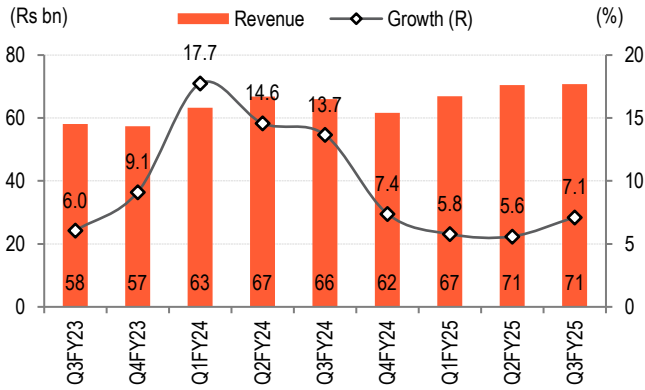
Source: Company, BOBCAPS Research

Fig 3 – Revenue driver

(Rs mn)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	9MFY25	9MFY24	YoY (%)	FY24	FY25E	FY26E
Formulations	68,510	63,360	8.1	68,080	201,880	187,000	8.0	245,111	264,919	285,417
India	31,460	28,590	10.0	29,480	89,920	84,480	6.4	108,650	119,515	130,271
North America	19,060	19,160	(0.5)	19,860	59,790	56,250	6.3	75,010	78,749	83,264
SAGA	9,750	8,830	10.4	10,680	27,380	24,930	9.8	30,580	33,933	37,196
International	8,240	6,780	21.5	8,060	24,790	21,340	16.2	30,870	32,722	34,686
APIs	1,260	1,080	16.7	1,600	3,840	3,910	(1.8)	5,810	6,391	7,030
Other Op. income	(0)	608	(100.0)	830	1,499	4,209	(64.4)	6,821	7,162	7,520
Net Sales	69,770	65,048	7.3	70,510	207,219	195,119	6.2	257,741	278,472	299,967

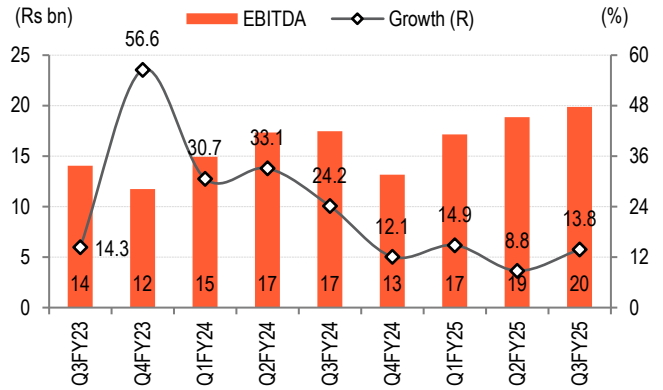
Source: Company, BOBCAPS Research

Fig 4 – Sales growth driven by double-digit growth across geographies ex of North America



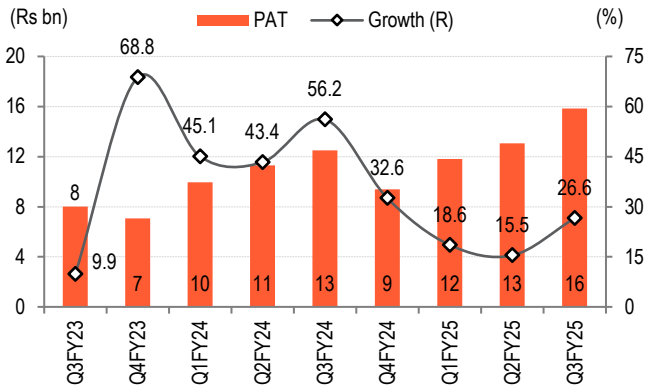
Source: Company, BOBCAPS Research

Fig 5 – EBITDA growth was driven by healthy product mix



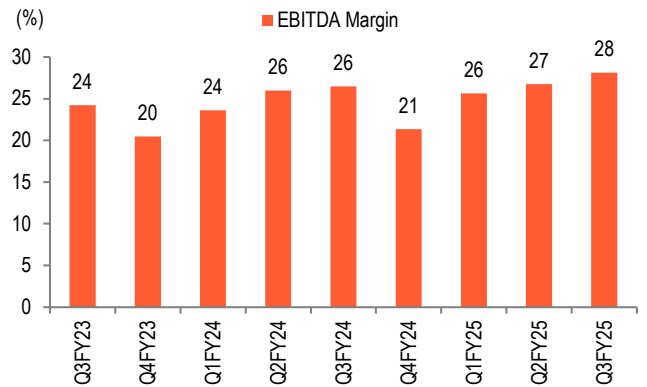
Source: Company, BOBCAPS Research

Fig 6 – PAT growth driven by exceptionally low ETR of 17%



Source: Company, BOBCAPS Research

Fig 7 – Higher Albuterol share led to all-time high EBITDA margin



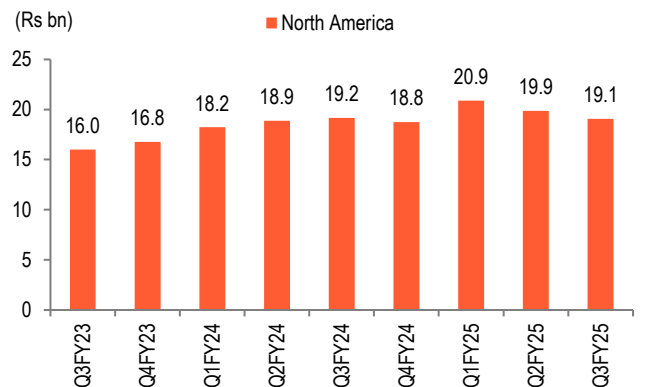
Source: Company, BOBCAPS Research

Fig 8 – India sales growth driven by Branded generics and Trade generics



Source: Company, BOBCAPS Research

Fig 9 – Sales declined due to Lanreotide supply issues



Source: Company, BOBCAPS Research

Valuation methodology

CIPLA reported a strong 3QFY25 on all fronts largely driven by healthy double-digit sales in key geographies like India, South Africa and the international markets which offset the decline in the North America region caused by supply issues in Lanreotide. Healthy product mix resulted in an all-time high EBITDA margin of 28%. CIPLA's 9MFY25 EBITDA margin stands at 26.9%, surpassing its higher-end guidance of 25.5%.

Going forward, the outlook across businesses looks robust as CIPLA expects the India region to surpass IPM growth and report sales in the double digits driven by Branded generics and trade generics. CIPLA expects North America sales to largely offset gRevlimid growth through its new product launches like gAdvair, gAbraxane, Symbicort and Qvar, and increase supplies from the new capacities of Lanreotide and other complex injectable products. The South Africa market is expected to sustain its double-digit growth rate driven by OTC and private market. Hence, we expect overall EBITDA margin to rise to 28% by FY28.

As earnings surpassed our estimates on all fronts, and based on the strong pipeline of complex products and lower dependency on the highly competitive GLP products, we increase our EPS estimates by 10% for FY25, 7% for FY26 and 5% for FY27. Thus, we upgrade our rating to BUY from HOLD, and ascribe a P/E of 24x (23x earlier) to arrive at a TP of Rs 1,800 (from Rs 1,754).

Fig 10 – Revised Estimates

(Rs mn)	Actual	NEW			Old			Change (%)		
	FY24	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Sales	257,741	278,472	299,967	321,299	268,664	294,972	317,650	3.7	1.7	1.1
EBITDA	62,911	71,597	80,955	91,194	68,356	79,604	89,008	4.7	1.7	2.5
EBITDA margin (%)	24.4	25.7	27.0	28.4	25.4	27.0	28.0	27 bps	0 bps	36 bps
EPS (Rs)	53.6	63.0	72.6	83.1	57.4	67.5	78.8	9.7	7.5	5.5

Source: Company, BOBCAPS Research

Fig 11 – Key Assumptions

Particulars	FY24	FY25E	FY26E	FY27E
Domestic sales	108,650	130,271	140,693	84,480
North America sales	75,010.3	83,263.7	87,298.5	56,250.0
SAGA sales	30,580.4	37,196.4	40,911.8	24,930.0
International sales	30,870.0	34,685.5	36,766.7	21,340.0
API	5,810	7,030	7,733	3,910
Total sales	257,741	278,472	299,967	321,299
EBITDA	62911	71597	80955	91194
EBITDAM	24.4	25.7	27.0	28.4
PAT	43,164	50,730	58,484	66,983
EPS (Rs)	51.2	63.0	72.6	83.1

Source: Company, BOBCAPS Research

Key risks

The key downside risks to our estimates are:

- delay in the launch of gAbraxane; and
- no resolution of supply issues for Lanreotide.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Total revenue	227,530	257,741	278,472	299,967	321,299
EBITDA	50,269	62,911	71,597	80,955	91,194
Depreciation	11,721	10,510	11,236	11,926	12,406
EBIT	38,548	52,401	60,362	69,029	78,789
Net interest inc./(exp.)	(1,095)	(899)	(615)	(427)	(344)
Other inc./(exp.)	4,755	7,466	8,047	9,554	11,068
Exceptional items	0	0	0	0	0
EBT	42,207	58,968	67,793	78,156	89,513
Income taxes	12,029	15,466	17,064	19,672	22,530
Extraordinary items	(1,824)	(1,948)	0	0	0
Min. int./Inc. from assoc.	336	338	0	0	0
Reported net profit	28,018	41,216	50,730	58,484	66,983
Adjustments	(1,824)	(1,948)	0	0	0
Adjusted net profit	29,842	43,164	50,730	58,484	66,983

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Accounts payables	24,571	24,740	30,517	32,873	35,211
Other current liabilities	9,375	9,558	13,924	14,998	16,065
Provisions	13,888	17,410	18,811	20,262	21,703
Debt funds	8,031	5,594	4,662	3,885	2,988
Other liabilities	0	0	0	0	0
Equity capital	1,614	1,615	1,615	1,615	1,615
Reserves & surplus	232,589	262,384	309,077	363,524	426,469
Shareholders' fund	234,203	263,998	310,691	365,138	428,084
Total liab. and equities	290,067	321,300	378,605	437,157	504,052
Cash and cash eq.	15,646	8,750	50,526	102,487	163,745
Accounts receivables	40,570	47,707	49,591	53,419	57,218
Inventories	51,564	52,380	64,850	69,855	74,823
Other current assets	43,125	50,373	41,771	44,995	48,195
Investments	37,222	55,628	55,628	55,628	55,628
Net fixed assets	49,908	50,690	54,454	50,528	46,123
CWIP	10,933	11,527	11,527	11,527	11,527
Intangible assets	41,099	44,246	50,258	48,717	46,793
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	290,067	321,300	378,605	437,157	504,052

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash flow from operations	23,805	41,300	68,372	63,661	72,611
Capital expenditures	(907)	(13,150)	(15,000)	(8,000)	(8,000)
Change in investments	(11,102)	(18,406)	0	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(12,009)	(31,556)	(15,000)	(8,000)	(8,000)
Equities issued/Others	1	0	0	0	0
Debt raised/repaid	(2,527)	(2,437)	(932)	(777)	(896)
Interest expenses	(1,095)	(899)	(615)	(427)	(344)
Dividends paid	(4,036)	(4,037)	(4,037)	(4,037)	(4,037)
Other financing cash flows	(7,778)	(9,268)	(6,011)	1,541	1,925
Cash flow from financing	(15,435)	(16,640)	(11,596)	(3,700)	(3,352)
Chg in cash & cash eq.	(3,639)	(6,897)	41,776	51,961	61,259
Closing cash & cash eq.	15,646	8,750	50,526	102,487	163,745

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
Reported EPS	34.8	51.2	63.0	72.6	83.1
Adjusted EPS	37.0	53.6	63.0	72.6	83.1
Dividend per share	5.0	5.0	5.0	5.0	5.0
Book value per share	286.7	326.3	384.2	451.7	529.8

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
EV/Sales	4.9	4.3	4.0	3.6	3.2
EV/EBITDA	22.3	17.7	15.4	13.3	11.2
Adjusted P/E	38.4	26.5	22.6	19.6	17.1
P/BV	5.0	4.4	3.7	3.1	2.7

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	70.7	73.2	74.8	74.8	74.8
Interest burden (PBT/EBIT)	109.5	112.5	112.3	113.2	113.6
EBIT margin (EBIT/Revenue)	16.9	20.3	21.7	23.0	24.5
Asset turnover (Rev./Avg TA)	24.6	25.2	23.8	21.9	20.1
Leverage (Avg TA/Avg Equity)	1.1	1.0	1.0	1.0	1.0
Adjusted ROAE	13.6	17.5	17.7	17.4	16.9

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	4.5	13.3	8.0	7.7	7.1
EBITDA	10.4	25.1	13.8	13.1	12.6
Adjusted EPS	10.6	44.6	17.5	15.3	14.5
Profitability & Return ratios (%)					
EBITDA margin	22.1	24.4	25.7	27.0	28.4
EBIT margin	16.9	20.3	21.7	23.0	24.5
Adjusted profit margin	13.1	16.7	18.2	19.5	20.8
Adjusted ROAE	13.6	17.5	17.7	17.4	16.9
ROCE	18.7	23.4	23.4	23.0	22.5
Working capital days (days)					
Receivables	65	68	65	65	65
Inventory	83	74	85	85	85
Payables	39	35	40	40	40
Ratios (x)					
Gross asset turnover	1.4	1.4	1.4	1.5	1.5
Current ratio	3.2	3.1	3.3	4.0	4.7
Net interest coverage ratio	35.2	58.3	98.1	161.5	229.3
Adjusted debt/equity	(0.2)	(0.2)	(0.3)	(0.4)	(0.5)

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

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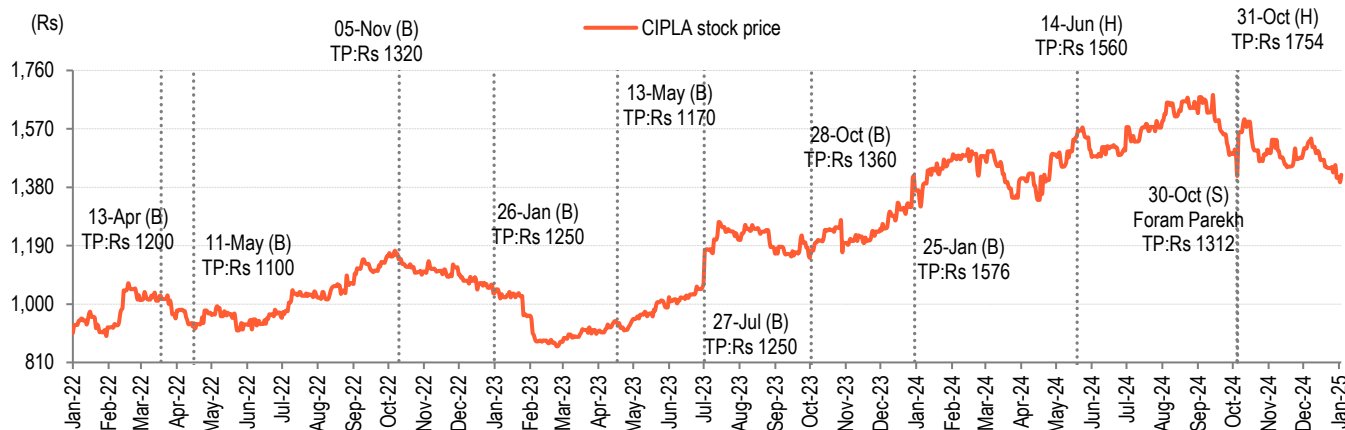
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SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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