

Torrent Pharma

Focus on branded generics and profitability

In its FY24 annual report, Torrent Pharma (TRP) has highlighted strategic themes that align with its short, medium and long-term goals: (1) improving market share in core markets (India, Brazil, Germany, and the US); (2) investing in growth engines (capabilities in EMs); (3) operational excellence (cost competitiveness); (4) engaged and empowered stakeholders (productivity, innovation); (5) deploying digital technologies (data analytics, emerging technologies); and (6) taking responsible actions (carbon emissions and water management). TRP will continue to focus on branded generic business growth (~74% of sales), new launches, improvement of field force productivity, scale-up of consumer healthcare business, cost competitiveness in generics (US and Germany), and deleveraging the balance sheet, backed by strong cash generation (net debt/ EBITDA improved to ~0.9x in FY24, from ~1.6x in FY23 and ~2.3x in FY20). We tweak our FY25/26E EPS and introduce FY27E EPS. We roll forward TP of INR 3,010, based on a 38x Q1FY27E EPS (vs. INR 2,940 at 38x FY26E), implying 22x Q1FY27E EV/EBITDA. Maintain ADD.

- India business (53% of sales) on a steady growth path:** TRP continues to focus on chronic and sub-chronic therapies (CVS, CNS, VNM, gastro, anti-diabetic, gynaecology, and urology), which are high-growth categories. It expects to gain market share in key sub-therapies. Also, it is focusing on scaling up (1) the Curatio business through expanding coverage among key prescriber segments (paediatricians and dermatologists) and cost synergy execution and (2) consumer healthcare business where it has four products Shelcal-500 (calcium supplement), Ahaglow (face wash gel), Unienzyme (digestive enzymes) and Tedibar (baby bathing bar) and the focus is on gaining traction through new channel activations, increasing distribution in new towns and scaling up of the e-commerce business. Moreover, it intends to expand its field force (~5,700 MRs) in core therapy areas to broaden doctor coverage, prioritise focus brands, and introduce new products.
- Brazil (10% of sales) to maintain growth momentum:** TRP expects to outperform the market in the retail sector (retail market in Brazil to grow at 8-12%), driven by new product launches in branded and generic segments. The company remains focused on expanding its portfolio, with plans to file 16 products (13 in CNS, anti-diabetes, CVS, and three in oncology therapy) in FY25. As of FY24, it has commercialised 23 branded generics and 20 generic products and has a field force of 321.
- Focus on raising profitability in the US (10% of sales):** TRP's US business declined 10% YoY to USD 130 mn in FY24 due to a lack of new products and price erosion on existing products. Its two plants Dahej and Bileshwarpura (oral onco) received the USFDA clearance, and it expects launch momentum to start from Q1FY25. It is focusing on cost competitiveness since it is looking to rationalise select low-profitable products and third-party CMO tie-ups for high-volume, low-value products.

Financial Summary

YE March (INR bn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
India sales (INR bn)	37	43	50	57	63	71	80
Net Sales	80	85	96	107	121	137	153
EBITDA	25	24	28	34	39	45	51
APAT	12	11	13	16	20	26	30
Diluted EPS (INR)	36.2	31.1	37.2	47.9	60.0	75.7	89.8
P/E (x)	77.9	90.7	75.9	58.9	47.0	37.3	31.4
EV / EBITDA (x)	40.2	40.7	35.2	29.3	25.3	21.6	18.8
RoCE (%)	18	17	20	22	27	32	36

Source: Company, HSIE Research

ADD

CMP (as on 2 July 2024)	INR 2,820
Target Price	INR 3,010
NIFTY	24,124

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 2,940	INR 3,010
EPS %	FY25E (1.3)	FY26E (2.2)

KEY STOCK DATA

Bloomberg code	TRP IN
No. of Shares (mn)	338
MCap (INR bn) / (\$ mn)	954/11,436
6m avg traded value (INR mn)	692
52 Week high / low	INR 2,980/1,771

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	5.7	21.4	48.0
Relative (%)	(1.8)	10.9	25.3

SHAREHOLDING PATTERN (%)

	Dec-23	Mar-24
Promoters	71.25	71.25
FIs & Local MFs	7.21	7.26
FPIs	14.09	14.14
Public & Others	7.45	7.35
Pledged Shares	-	-

Source: BSE

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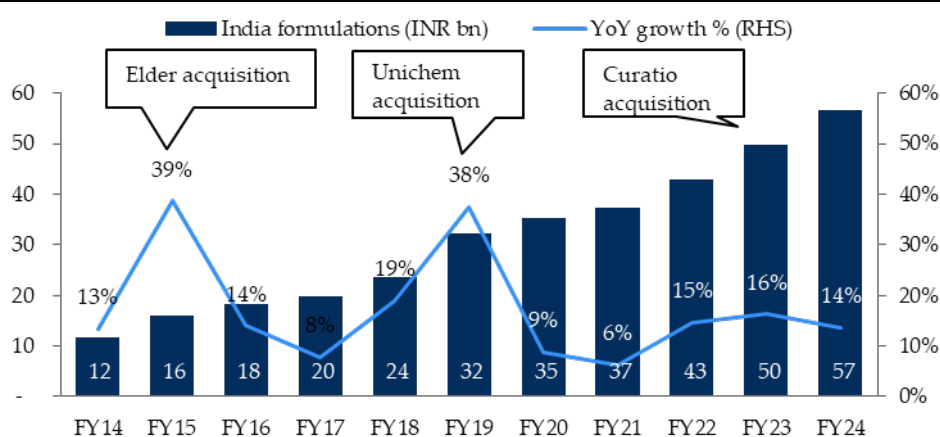
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- **Steady growth in Germany (10% of sales):** TRP continues to focus on cost-efficiency efforts to improve its market share in the tender segment, launching products that face patent expiries, expanding the non-tender segment and developing its OTC business.
- **Debt reduction and return ratios improving:** TRP has a leverage balance sheet with a net debt reduction of ~INR 13.5 bn in FY24 leading to a net debt to EBITDA of ~0.9x in FY24, down from ~1.6x in FY23 and ~2.3x in FY20—led by strong OCF generation. Moreover, steady sales growth and sustained margin improvement (at 31.8% in FY24 from 29.7% in FY23) have led to a consistent improvement in the return ratios.

India business – Focus area

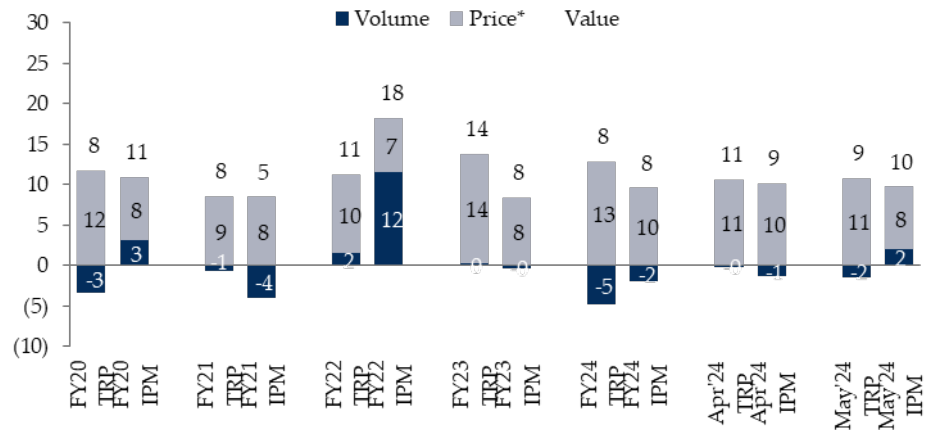
- **Field force expansion:** Expanding field force in core therapy areas to broaden doctor coverage, prioritise focus brands, and introduce new products. Looking to add new divisions to target smaller towns and reach previously uncovered prescribers.
- **Brand building:** Portfolio restructuring to provide room for the growth of sizeable brands and strengthen brand building.
- **Curatio integration and scale-up:** Maintaining growth momentum post-acquisition. Expanding coverage in pediatric and dermatology specialties. Driving operational efficiencies and integrating sales processes.
- **New product offerings and strategic alliances:** Torrent Pharma has focused on launching a significant number of new products in FY24. Notable launches include Sitagliptin FDC, Linagliptin and its FDC in the anti-diabetic segment, Ferric Carboxy Maltose in the gynaecology segment, and Lasmitidan in the CNS segment. TRP had entered a partnership with Zydus to bring Saroglitazar to India. In Jun'24, TRP entered into a non-exclusive patent licensing agreement with Takeda to commercialise Vonoprazan in India. Vonoprazan is a novel potassium-competitive acid blocker (P-CAB), used for the treatment of acid related disorders - Gastroesophageal Reflux Disease (GERD). TRP will market Vonoprazan under its own trademark, Kabvie.
- **Scaling up consumer healthcare (CHC) and trade generics businesses:** TRP focused on gaining market share in areas with a lower presence. Initiatives include expanding the CHC portfolio with brands like Shelcal, Unienzyme, Tedibar, and Ahaglow, along with enhancing distribution and launching national media campaigns. The trade generics business saw expansion with a network of ~4,000 stockists and dedicated teams.

Exhibit 1: Steady growth in India



Source: Company, HSIE Research

Exhibit 2: TRP growth was largely price driven in last few quarters



Source: IQVIA, HSIE Research, Note: *Price calculated as difference between Value and Volume

Exhibit 3: Steady growth in key therapies like CVS, gastro, and CNS

Torrent Ph. therapy	YoY %	% of FY24 sales	FY20	FY21	FY22	FY23	FY24	Apr-24	May-24
Cardiac		27%	7%	10%	1%	9%	7%	12%	11%
Gastro Intestinal		17%	13%	9%	21%	16%	7%	11%	14%
Neuro / Cns		15%	6%	13%	12%	18%	9%	10%	7%
Vitamins/Minerals/Nutrients		10%	9%	15%	14%	17%	9%	10%	7%
Pain / Analgesics		8%	7%	2%	14%	17%	8%	8%	8%
Anti Diabetic		9%	19%	14%	9%	15%	13%	16%	14%
Derma		7%	9%	-1%	21%	19%	12%	11%	6%
Anti-Infectives		3%	-4%	-17%	5%	-8%	3%	5%	2%
Gynaec.		2%	16%	8%	27%	31%	-1%	22%	20%
Urology		1%	5%	-1%	9%	4%	1%	1%	-5%
Torrent Ph. total		100%	8%	8%	11%	14%	8%	11%	9%

Source: IQVIA, HSIE Research

Exhibit 4: Gained share in therapies like gastro, CNS, and VMS; lost share in CVS

Torrent Ph. therapy	MS %	% of FY24 sales	FY20	FY21	FY22	FY23	FY24	Apr-24	May-24
Cardiac		27%	8.5	8.2	7.5	7.5	7.3	7.3	7.4
Gastro Intestinal		17%	5.1	5.3	5.5	5.6	5.6	5.3	5.5
Neuro / Cns		15%	7.6	7.8	7.8	8.3	8.3	8.3	8.5
Vitamins/Minerals/Nutrients		10%	3.8	3.9	3.9	4.4	4.4	4.4	4.4
Pain / Analgesics		8%	3.6	3.7	3.5	3.6	3.6	4.5	4.7
Anti Diabetic		9%	2.7	2.8	2.9	3.1	3.3	3.4	3.5
Derma		7%	2.8	2.6	2.9	3.2	3.3	3.4	3.2
Anti-Infectives		3%	1.2	1.2	0.9	0.8	0.8	0.8	0.8
Gynaec.		2%	1.3	1.3	1.4	1.6	1.5	1.6	1.6
Urology		1%	1.3	1.2	1.1	1.0	0.9	0.7	0.7
Torrent Ph. total		100%	3.3	3.4	3.2	3.4	3.4	3.5	3.6

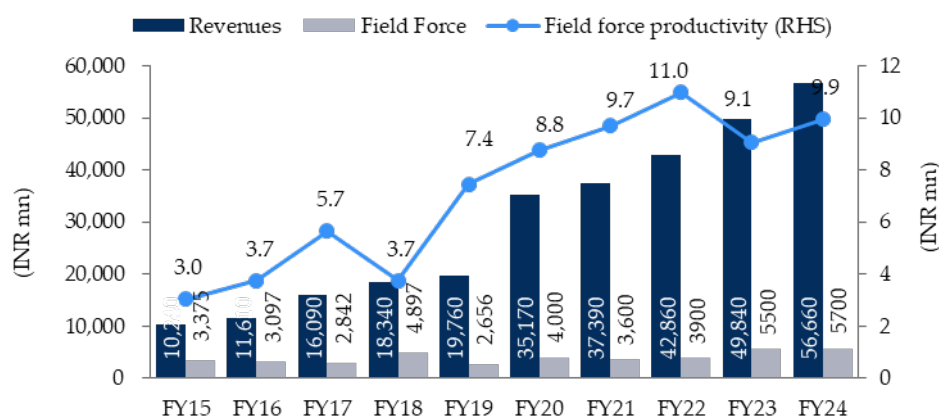
Source: IQVIA, HSIE Research

Exhibit 5: Steady growth in the leading brands

Torrent Ph. brands YoY	Therapy	% of FY24 sales	FY24 sales (Rs bn)	FY20	FY21	FY22	FY23	FY24	Apr-24	May-24
Shelcal	Vitamins/Minerals/Nutrients	6%	4.4	5%	18%	7%	15%	5%	8%	6%
Chymoral	Pain / Analgesics	4%	3.1	10%	8%	16%	22%	15%	11%	11%
Nexpro-Rd	Gastro Intestinal	3%	2.1	21%	19%	26%	20%	11%	12%	13%
Shelcal Xt	Vitamins/Minerals/Nutrients	3%	2.2	50%	12%	41%	35%	25%	16%	11%
Nikorán	Cardiac	3%	2.0	6%	15%	10%	15%	14%	15%	13%
Unienzyme	Gastro Intestinal	2%	1.6	9%	17%	3%	13%	7%	23%	14%
Nebicard	Cardiac	2%	1.4	10%	11%	-1%	7%	6%	5%	-3%
Losar	Cardiac	2%	1.3	6%	12%	-9%	6%	6%	7%	14%
Losar-H	Cardiac	2%	1.2	-4%	7%	-6%	0%	0%	1%	2%
Azulix-Mf	Anti Diabetic	2%	1.1	14%	4%	4%	3%	-6%	-8%	-8%
Top 10 brands		28%	20.3	12%	58%	10%	15%	10%	11%	9%
11-25 brands		17%	12.8	13%	14%	10%	11%	8%	9%	8%
26-50 brands		15%	10.7	16%	27%	13%	12%	5%	10%	11%
Above 50 brands		40%	29.8	4%	-17%	12%	15%	8%	11%	9%
Torrent Ph. total		100%	73.6	8%	8%	11%	14%	8%	11%	9%

Source: IQVIA, HSIE Research

Exhibit 6: Focus to improve field force productivity

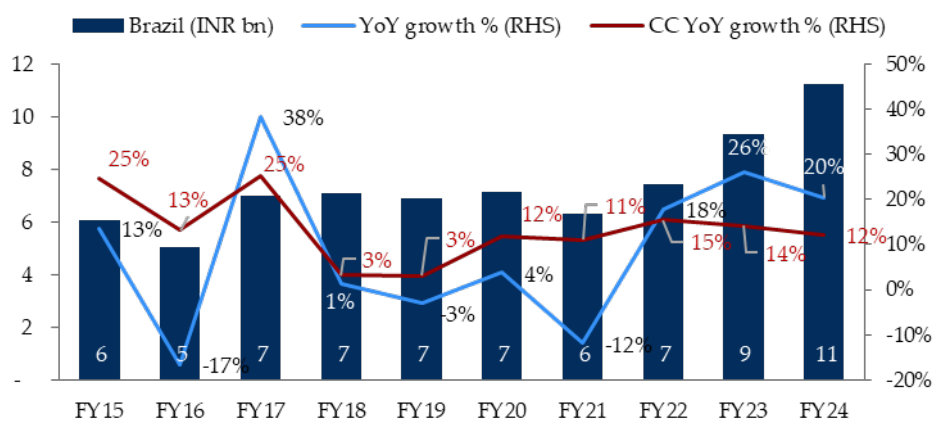


Source: Company, HSIE Research

Brazil business—Focus area

- Accelerated product filings:** Torrent Pharma has accelerated its product filings in the past two years, with plans to launch these products in the coming years. This strategy aims to sustain current growth and promote future growth in specific therapeutic areas.
- Expansion of generics business:** Torrent Pharma's Gx business has shown robust growth, surpassing market expectations. Currently, Torrent Pharma's Gx products are available at 45,000 points of sale. The company aims to continue increasing its market share and reach across points of sale.
- Entering new therapies:** In addition to expanding its existing business, the company achieved significant milestones by entering new therapies and building large brands. In FY24, the company marked its foray into oncology with its maiden product filing and received approvals for seven derma products.

Exhibit 7: Strong growth in Brazil business

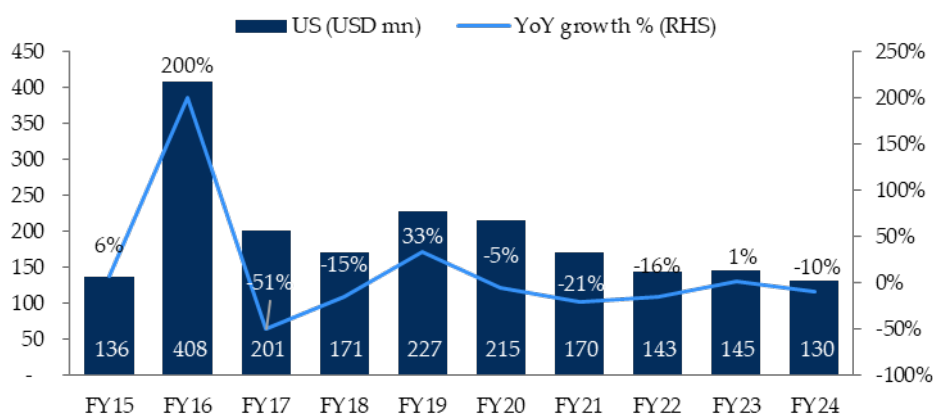


Source: Company, HSIE Research

US business—Focus area

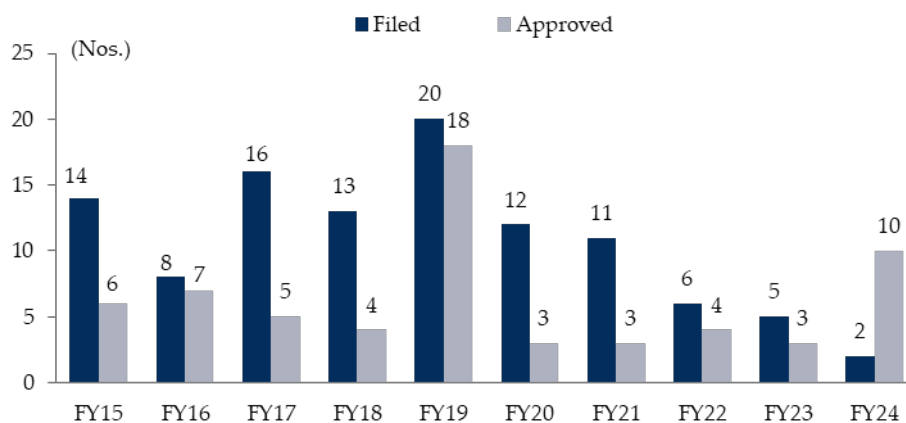
- The company gained significant market share in some of its specialised niche products and the derma portfolio. Its supply chain connectivity proved advantageous compared to the supply chain issues faced by competitors.
- Identified low-cost CMOs for high-volume, low-value products. Also plugging in new API vendors, which provides cost savings.
- Rationalised the portfolio to reduce sales of low-profitability products. Products were evaluated using marginal costs to ensure adequate margins were earned.
- The company received the USFDA clearance for its Dahej facility has received Establishment Inspection Report (EIR), which paves way for the new product approvals. Its oncology facility has also received EIR, and the first product is launched from this facility.
- As of FY24, 34 ANDAs were pending approval with the USFDA, and 4 tentative approvals were received. In FY24, 10 ANDAs were approved and 2 ANDAs were filed.

Exhibit 8: Muted growth in US; to see gradual recovery from FY24



Source: Company, HSIE Research

Exhibit 9: ANDA filing and approval rate to improve



Source: Company, HSIE Research

Exhibit 10: Dahje plant out of the USFDA scrutiny

Company	Inspection Date	Facility	No. of observations	Facility Status
Torrent	Jun-24	Indrad	5	PAI - 5 obs of which 2 repeat obs from Sep'22 inspection OAI (Jan'23) for 3 obs 4 obs (Apr'19)-> OAI (Aug'19) -> WL (Oct-19)
	Dec-23	Bileshwarpura, Gujarat (oral-onco)	5 (PAI)	-
	May-23	Dahej	2	EIR + VAI (Aug'23) OAI (Jul-19)
	Mar-23	Bileshwarpura, Gujarat (oral-onco)	1 (PAI)	EIR (Jun'23)

Source: Company, HSIE Research, USFDA

Germany business – Focus area

- Cost competitiveness and tender bidding strategies:** Implementation of the cost leadership program focusing on various parameters to improve competitiveness. Ongoing efforts to enhance cost efficiency across several identified products, with various stages of cost improvement implementation. Grow base business through aggressive tender bidding.
- Expansion in the generics market:** The strategic approach includes identifying portfolio gaps and off-patent products, sourcing them from in-house manufacturing or external tie-ups and increasing coverage in the German generics market.
- OTC business expansion:** Successful expansion of the OTC team, with a focus on increasing pharmacy coverage and launching new OTC products to cater to consumer needs and preferences.
- Specialty channels and hospital expansion:** Launch of the new combination product as part of Generic Plus expansion, along with establishing contracts with hospitals, buying groups, and institutional centres. Initiation of regulatory procedures for injectable products, with the expected grant of marketing authorisation by mid-2025. The company has taken initial steps to establish relationships with hospital buying groups, laying the groundwork for the introduction of injectables in the future.

Exhibit 11: Growth recovery in Germany business



Source: Company, HSIE Research

RoW business—focus area

- Leverage the existing product pipeline to expand and reinforce its presence in other growing markets. Venture into new markets by pivoting an already proven business model and go-to-market strategies from existing markets.
- Incrementally invest in other existing and new markets to develop them as growth engines in the medium to long term.
- Torrent Pharma has identified the Philippines, Mexico, Russia, Malaysia, the UK, and LATAM as second-tier markets for incremental capital allocation and for building them as growth engines in the long run.

Key charts

Exhibit 12: Revenue, EBITDA and PAT assumptions

(INR mn)	% of FY24 sales	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
India	53%	32,340	35,170	37,390	42,860	49,840	56,660	63,459	71,074	79,603
YoY growth		38%	9%	6%	15%	16%	14%	12%	12%	12%
Brazil	10%	6,890	7,150	6,300	7,420	9,350	11,260	13,287	15,546	18,033
YoY growth		-3%	4%	-12%	18%	26%	20%	18%	17%	16%
Other countries	11%	6,900	7,660	8,200	8,810	10,600	11,889	13,554	15,451	17,460
YoY growth		32%	11%	7%	7%	20%	12%	14%	14%	13%
Total branded generics	74%	46,130	49,980	51,890	59,090	69,790	79,809	90,300	1,02,071	1,15,096
YoY growth		29%	8%	4%	14%	18%	14%	13%	13%	13%
US	10%	15,890	15,230	12,610	10,670	11,620	10,780	11,744	13,654	14,777
YoY growth		44%	-4%	-17%	-15%	9%	-7%	9%	16%	8%
US (USD mn)		227	215	170	143	145	130	140	161	174
YoY growth		33%	-5%	-21%	-16%	1%	-10%	8%	15%	8%
Germany	10%	10,090	9,470	10,380	9,660	9,280	10,740	12,136	13,714	15,360
YoY growth		17%	-6%	10%	-7%	-4%	16%	13%	13%	12%
Contract manufacturing	5%	4,603	4,612	5,064	5,472	4,817	5,321	5,853	6,438	7,082
YoY growth		15%	0%	10%	8%	-12%	10%	10%	10%	10%
Others	1%	15	101	102	189	695	628	660	693	727
YoY growth		-81%	581%	1%	85%	268%	-10%	5%	5%	5%
Total revenues	100%	76,728	79,393	80,046	85,080	96,202	1,07,278	1,20,693	1,36,570	1,53,042
YoY growth		29%	3%	1%	6%	13%	12%	13%	13%	12%
Gross profit		54,531	57,724	58,582	60,660	68,850	80,416	90,640	1,02,700	1,15,240
Gross Margin (%)		71.1%	72.7%	73.2%	71.3%	71.6%	75.0%	75.1%	75.2%	75.3%
EBITDA		19,842	21,704	24,801	24,313	28,601	34,068	38,622	44,795	50,810
YoY growth		47%	9%	14%	-2%	18%	19%	13%	16%	13%
EBITDA Margin (%)		25.9%	27.3%	31.0%	28.6%	29.7%	31.8%	32.0%	32.8%	33.2%
Adj PAT		7,145	9,533	12,257	10,526	12,574	16,217	20,303	25,614	30,390
YoY growth		41%	33%	29%	-14%	19%	29%	25%	26%	19%

Source: Company, HSIE Research, EBITDA/ PAT adjusted for forex and one-offs.

Exhibit 13: Key cash flow highlights

INR mn	FY20	FY21	FY22	FY23	FY24
PBT	11,866	15,263	12,259	18,472	23,521
Operating Profit before WC	20,628	25,191	25,759	27,844	33,461
(Inc.)/Dec in working capital	(3,858)	(3,383)	(3,519)	(182)	4,181
Cash flow from operations after WC	16,770	21,809	22,240	27,662	37,642
Cash Taxes paid	(2,840)	(1,755)	(4,210)	(3,981)	(4,981)
Net Cash from operating activities	13,929	20,054	18,030	23,681	32,661
Capex for purchase of property, plant, and equipment	4,068	3,352	2,026	5,739	4,328
Acquisition capex	-	-	-	20,000	-
Total capex	4,068	3,352	2,026	25,739	4,328
Free cash flow	9,861	16,702	16,004	(2,058)	28,333
Free cash flow (ex-acquisition)	9,861	16,702	16,004	17,942	28,333
OCF as % of EBITDA	64%	81%	74%	83%	96%

Source: Company, HSIE Research

Exhibit 14: Assets break-up: Tangible, intangible, and ROU

INR mn	FY20	FY21	FY22	FY23	FY24
Tangible					
Gross block	40,297	41,656	44,443	43,788	50,882
Depreciation	12,118	14,079	18,692	17,521	19,488
Net tangible assets	28,179	27,578	25,751	26,267	31,394
CWIP tangible	5,766	7,439	5,443	6,882	2,808
CWIP as % of gross block	14.3%	17.9%	12.2%	15.7%	5.5%
Right of use of assets					
Gross block	1,658	1,865	1,780	2,132	2,404
Depreciation	304	610	504	683	828
Net ROU	1,354	1,256	1,275	1,449	1,576
Intangible					
Gross block	57,965	58,182	58,465	78,821	78,180
Depreciation	15,588	19,781	23,859	28,698	33,149
Net intangible assets	42,377	38,401	34,606	50,124	45,031
CWIP intangible	1,353	1,455	855	772	797
CWIP as % of gross block	2.3%	2.5%	1.5%	1.0%	1.0%
Total assets					
Gross block	99,920	1,01,703	1,04,687	1,24,741	1,31,465
Depreciation	28,010	34,469	43,055	46,902	53,465
Net assets	71,910	67,234	61,632	77,840	78,001
CWIP	7,119	8,894	6,298	7,654	3,605
CWIP as % of gross block	7.1%	8.7%	6.0%	6.1%	2.7%

Source: Company, HSIE Research

Exhibit 15: Debt reduction over last few years

INR mn	FY20	FY21	FY22	FY23	FY24
Gross debt	57,844	48,255	40,181	52,973	39,374
Lease liabilities	-	487	516	713	845
Total debt	57,844	48,741	40,697	53,686	40,219
Cash and bank balance	6,667	6,035	4,034	5,715	8,390
Current investments	0	1,391	1,840	1,561	1,410
Total cash	6,667	7,426	5,874	7,276	9,801
Net debt	51,177	41,316	34,823	46,410	30,419
Gross debt to Equity	1.2	0.8	0.7	0.9	0.6
Net debt to Equity	1.1	0.7	0.6	0.7	0.4
Gross debt to EBITDA	2.7	2.0	1.7	1.9	1.2
Net debt to EBITDA	2.4	1.7	1.4	1.6	0.9

Source: Company, HSIE Research

Exhibit 16: Dividend history

Dividend history	FY20	FY21	FY22	FY23	FY24
Payment of dividend (INR mn)	7,344	3,385	6,769	8,630	10,153
Dividend payout (as % of reported PAT)	72%	27%	87%	69%	61%
Dividend per share (INR)	22	10	20	25	30
Dividend Yield %	0.8%	0.4%	0.7%	0.9%	1.1%

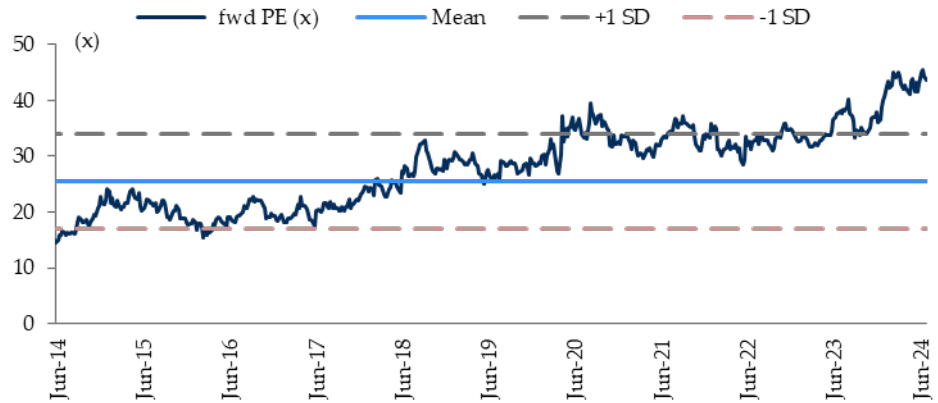
Source: Company, HSIE Research

Exhibit 17: Contingent liabilities

Contingent liabilities (INR mn)	FY20	FY21	FY22	FY23	FY24
Estimated amount of contracts remaining unexecuted on capital account (net of advances)	2,448	2,015	3,766	4,682	4,176
Disputed demand of income tax for which appeals have been preferred	15	15	15	16	16
Disputed employee state insurance contribution liability under E.S.I. Act, 1948	141	148	155	161	168
Disputed demand of goods and service tax/ excise	1,048	972	1,008	1,220	1,289
Disputed demand of local sales tax and C.S.T	3	3	2	2	2
Disputed demand of stamp duty	34	34	34	34	34
Disputed cases at labour court/ industrial court	52	55	71	73	63
Disputed bonus liability under Payment of Bonus (Amendment) Act, 2015	5	3	3	3	3
Total	3,746	3,243	5,054	6,190	5,751
Contingent liabilities as % of net worth	8%	6%	8%	10%	8%

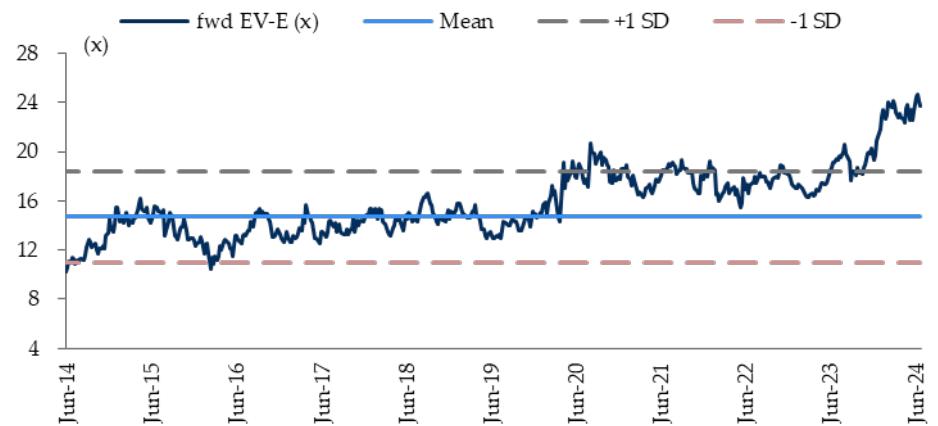
Source: Company, HSIE Research

Exhibit 18: PE chart



Source: Bloomberg, HSIE Research

Exhibit 19: EV/ EBITDA chart



Source: Bloomberg, HSIE Research

Financials (Consolidated)

Profit & loss (INR mn)

March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net sales	77,800	78,862	84,188	94,637	1,05,623	1,20,693	1,36,570	1,53,042
Other operating income	1,593	1,183	892	1,565	1,655	0	0	0
Total operating income	79,393	80,046	85,080	96,202	1,07,278	1,20,693	1,36,570	1,53,042
Cost of goods sold	-21,669	-21,464	-24,420	-27,352	-26,862	-30,053	-33,869	-37,801
Gross profit	57,724	58,582	60,660	68,850	80,416	90,640	1,02,700	1,15,240
Gross margin (%)	73	73	71	72	75	75	75	75
Total operating expenses	-36,020	-33,781	-36,348	-40,429	-46,740	-52,019	-57,906	-64,431
EBITDA	21,704	24,801	24,313	28,421	33,677	38,622	44,795	50,810
EBITDA margin (%)	27.3	31.0	28.6	29.5	31.4	32.0	32.8	33.2
Depreciation	-6,544	-6,578	-6,622	-7,066	-8,083	-8,186	-8,369	-8,552
EBIT	15,160	18,223	17,691	21,355	25,594	30,436	36,426	42,258
Net interest	-4,507	-3,529	-2,551	-3,334	-3,536	-2,772	-1,637	-901
Other income	386	249	270	451	579	731	786	851
Profit before tax	11,038	14,943	10,564	18,472	23,521	28,396	35,575	42,208
Total taxation	-1,619	-2,744	-4,487	-6,019	-6,957	-8,093	-9,961	-11,818
Tax rate (%)	15	18	42	33	30	29	28	28
Profit after tax	9,420	12,199	6,076	12,452	16,564	20,303	25,614	30,390
Minorities	0	0	0	0	0	0	0	0
Profit/ Loss associate co(s)	0	0	0	0	0	0	0	0
Adjusted net profit	9,533	12,257	10,526	12,574	16,217	20,303	25,614	30,390
Adj. PAT margin (%)	12	16	13	13	15	17	19	20
Net non-recurring items	715	262	-2,754	-122	347	0	0	0
Reported net profit	10,247	12,519	7,772	12,452	16,564	20,303	25,614	30,390

Balance sheet (INR mn)

March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Paid-up capital	846	846	846	1,692	1,692	1,692	1,692	1,692
Reserves & surplus	47,386	57,526	58,683	60,288	66,869	75,094	85,442	97,702
Net worth	48,232	58,372	59,530	61,981	68,562	76,786	87,135	99,394
Borrowing	43,661	48,741	40,697	53,686	40,219	32,228	22,736	13,245
Other non-current liabilities	1,539	670	2,445	4,556	8,342	8,428	8,513	8,600
Total liabilities	1,40,097	1,40,747	1,30,998	1,50,119	1,50,606	1,54,459	1,58,839	1,65,305
Gross fixed assets	99,920	1,01,703	1,04,687	1,24,741	1,31,465	1,35,315	1,39,165	1,43,015
Less: Depreciation	-28,010	-34,469	-43,055	-46,902	-53,465	-61,547	-69,812	-78,260
Net fixed assets	71,910	67,234	61,632	77,840	78,001	73,769	69,354	64,755
Add: Capital WIP	7,119	8,894	6,298	7,654	3,605	3,597	3,597	3,597
Total fixed assets	79,030	76,128	67,930	85,494	81,606	77,366	72,951	68,353
Total Investment	21	1,811	2,263	1,988	1,728	1,728	1,728	1,728
Inventory	21,482	26,812	24,623	22,296	22,791	26,150	29,969	33,584
Debtors	16,493	15,234	16,325	19,438	18,443	21,457	24,658	28,058
Cash & bank	6,667	6,035	4,034	5,715	8,390	9,039	9,595	12,379
Loans & advances	59	51	44	42	56	62	67	72
Current liabilities	46,665	32,964	28,327	29,896	33,483	37,018	40,454	44,066
Total current assets	49,832	53,862	51,124	51,756	54,730	62,380	70,709	81,285
Net current assets	3,167	20,898	22,797	21,860	21,246	25,362	30,255	37,219
Other non-current assets	7,794	5,533	7,086	7,506	9,162	9,605	10,070	10,559
Total assets	1,40,097	1,40,747	1,30,998	1,50,119	1,50,606	1,54,459	1,58,839	1,65,305

Source: Company, HSIE Research

Cash flow (INR mn)

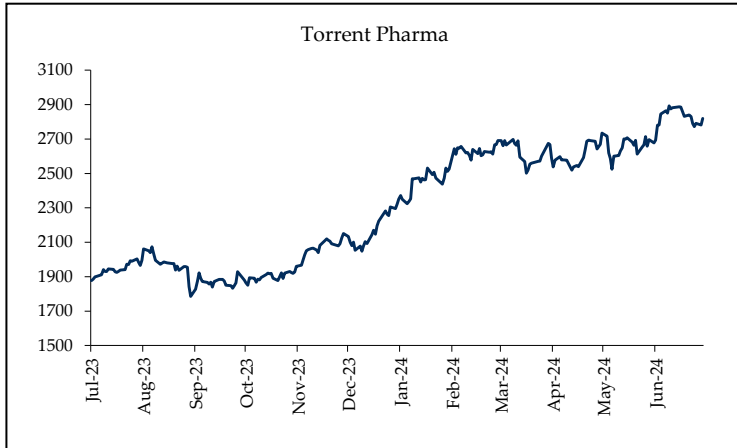
March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Profit before tax	11,038	14,943	10,564	18,472	23,521	28,396	35,575	42,208
Depreciation & Amortisation	-6,544	-6,578	-6,622	-7,066	-8,083	-8,186	-8,369	-8,552
Chg in working capital	-3,858	-3,383	-3,519	-182	4,181	-3,997	-4,777	-4,727
CF from operations	13,929	20,054	18,030	23,681	32,661	26,845	30,401	34,643
Capital expenditure	-4,068	-3,352	-2,026	-25,739	-4,328	-3,850	-3,850	-3,850
CF from investing	1,986	-4,494	-1,966	-24,153	-1,679	-3,858	-3,850	-3,850
Equity raised/ (repaid)	0	0	0	0	0	0	0	0
Debt raised/ (repaid)	-4,510	-5,429	-10,330	4,232	-12,360	-7,992	-9,491	-9,491
Dividend paid	-7,344	-3,385	-6,769	-8,630	-10,153	-12,182	-15,368	-18,234
CF from financing	-15,490	-16,508	-17,811	774	-27,796	-22,945	-26,497	-28,626
Net chg in cash	425	-949	-1,747	302	3,185	42	54	2,167

Key ratios

March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OPERATIONAL								
FDEPS (INR)	28.2	36.2	31.1	37.2	47.9	60.0	75.7	89.8
CEPS (INR)	49.6	56.4	42.5	57.7	72.8	84.2	100.4	115.1
DPS (INR)	21.7	10.0	20.0	25.5	30.0	36.0	45.4	53.9
Dividend payout ratio (%)	71.7	27.0	87.1	69.3	61.3	60.0	60.0	60.0
GROWTH								
Net sales (%)	4.3	1.4	6.8	12.4	11.6	14.3	13.2	12.1
EBITDA (%)	9.4	14.3	(2.0)	16.9	18.5	14.7	16.0	13.4
Adj net profit (%)	33.4	28.6	(14.1)	19.5	29.0	25.2	26.2	18.6
FDEPS (%)	33.4	28.6	(14.1)	19.5	29.0	25.2	26.2	18.6
PERFORMANCE								
RoE (%)	19.8	23.0	17.9	20.7	24.8	27.9	31.3	32.6
RoCE (%)	16.6	18.4	17.1	19.6	22.1	26.6	31.6	36.0
EFFICIENCY								
Asset turnover (x)	0.8	0.8	0.8	0.8	0.8	0.9	1.0	1.1
Sales/ total assets (x)	0.6	0.6	0.6	0.7	0.7	0.8	0.9	0.9
Working capital/ sales (x)	(0.1)	0.1	0.2	0.2	0.1	0.1	0.1	0.1
Receivable days	77	71	71	75	64	65	66	67
Inventory days	136	177	148	120	113	116	119	120
Payable days	130	137	101	90	104	107	109	109
FINANCIAL STABILITY								
Total debt/ equity (x)	0.9	0.9	0.7	0.9	0.6	0.4	0.3	0.1
Net debt/ equity (x)	0.8	0.8	0.6	0.8	0.5	0.3	0.1	(0.0)
Current ratio (x)	1.1	1.6	1.8	1.7	1.6	1.7	1.7	1.8
Interest cover (x)	3.4	5.2	6.9	6.4	7.2	11.0	22.3	46.9
VALUATION								
PE (x)	100.2	77.9	90.7	75.9	58.9	47.0	37.3	31.4
EV/ EBITDA (x)	45.7	40.2	40.7	35.2	29.3	25.3	21.6	18.8
EV/ Net sales (x)	12.7	12.6	11.8	10.6	9.3	8.1	7.1	6.2
PB (x)	19.8	16.4	16.0	15.4	13.9	12.4	11.0	9.6
Dividend yield (%)	0.8	0.4	0.7	0.9	1.1	1.3	1.6	1.9
Free cash flow yield (%)	1.0	1.7	1.7	(0.2)	3.0	2.4	2.8	3.2

Source: Company, HSIE Research

Price Movement



Rating Criteria

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: > 10% Downside return potential

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