

US regulatory issues persist

Downgrade CDH to NEU: The USFDA inspected CDH's key formulations plant at Moraiya, in Apr-19, and issued 14 observations post audit. Our analysis of the form 483 suggests that the risk-reward is not in favor of CDH.

- Issues related to contamination in the sterile unit could be a major hurdle for clearance. Since the facility contributes 40-45% to US revenues (in our estimates) and has over 30% of the pending US filings, we believe a warning letter (WL) or import alert would be detrimental for CDH. The US remains CDH's key performer as India and other segments have been continuously disappointing. Any slowdown in the US could severely hurt earnings, especially since gLialda, gTamiflu and gAsacol HD contribute 29% to US revenues (in FY19).
- Our WL scenario (less likely) shows a potential ~37% dip in FY21E earnings. However, assuming a delay of 6-8 months in clearing the plant (in our base case), we cut our FY21E earnings by 17% and multiple to 18x from 22x. In case of any adversities, the elevated debt (0.7x FY19E Net D/E) could prove to be fatal for earnings. Downgrade to NEU with a revised target price of Rs 315 (18x FY21E EPS).

Financial Summary (Consolidated)

(Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Net Sales	94,295	119,364	129,491	141,778	153,810
EBITDA	19,036	28,475	29,524	30,837	34,376
APAT	14,880	13,315	11,241	13,526	18,108
Adj. EPS (Rs)	14.5	13.0	11.0	13.2	17.5
P/E (x)	19.9	22.2	26.3	21.9	16.3
RoE (%)	23.5	17.0	11.9	12.6	14.9

Source: Company, HDFC sec Inst Research

Upgrade TRP to BUY: TRP corrected ~15% over the last one month on regulatory concerns over the Dahej facility. The plant has received serious observations from the USFDA, which can potentially lead to an OAI/warning letter soon. However, the fall in the stock price is unjustified in our view, as Dahej contributes only ~10% to US revenues and pending filings are limited.

- Meanwhile, the earnings driver for TRP remains its India branded business, led by legacy products like Shelcal, Chymoral and Losar. TRP has also successfully derived synergies from the Unichem acquisition as margin jumped from ~22% in FY18 to ~26% in FY19. With potential price hikes in Non-NLEM portfolio and improvement in MR productivity, we expect margin to cross 27% in FY21E.
- Post its recent correction, the stock is available at 20x FY21E EPS. With a ~Rs 33bn domestic franchise, the ability to generate Rs 10-12bn FCF every year and 18-20% ROEs, TRP merits a higher multiple, in our view. We have increased our multiple from 22x to 24x. Upgrade the stock to BUY with a revised target price of Rs 2,000 (24x FY21E EPS).

Financial Summary (Consolidated)

(Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Net Sales	58,570	60,020	77,681	88,681	102,113
EBITDA	13,780	13,490	20,430	23,589	27,570
APAT	8,667	6,781	7,750	10,457	14,130
Adj. EPS (Rs)	51.2	40.1	45.8	61.8	83.5
P/E (x)	32.9	42.1	36.8	27.3	20.2
RoE (%)	22.1	15.1	15.8	18.6	21.5

Source: Company, HDFC sec Inst Research

CADILA HEALTHCARE

Reco.	NEU
CMP (as on 10 May 19)	Rs 289
Target Price	Rs 315
MCap (Rs bn)	296

TORRENT PHARMA

Reco.	BUY
CMP (as on 10 May 19)	Rs 1,687
Target Price	Rs 2,000
MCap (Rs bn)	285

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Moraiya remains a critical facility for CDH

Summary of the form 483 issued by the USFDA to CDH post the audit of the Moraiya plant

(A) Contamination-related

- (1) Equipment not cleaned to avoid contamination.
- (2) Procedures to prevent contamination are not established and followed, and are insufficient.
- (3) Aseptic processing areas are deficient wrt air supply and monitoring systems.
- (4) Production area lacks appropriate air filtration.

(B) Data-related:

- (1) Lack of digital data backup.

(C) Procedural

- (1) Batch discrepancies not reviewed thoroughly.
- (2) No written procedures for production and process control.
- (3) Quality control procedures not fully followed.
- (4) Appropriate test procedures not adequately included in lab controls.
- (5) Suitable statistical procedures not used to determine in process specifications.
- (6) Incomplete manufacturing and control instructions in master production records.

Source: Company, HDFC sec Inst Research

Estimates: ~17% Earnings Cut In Our Base Case

Rs mn	FY19E	FY20E	FY21E	% Chg
Old Estimates				
Revenue	129,491	148,477	164,851	-
EBITDA	29,524	34,521	37,844	-
PAT	15,119	17,654	21,874	-
Base Case				
Revenue	129,491	141,778	153,810	(6.7)
EBITDA	29,524	30,837	34,376	(9.2)
PAT	11,241	13,526	18,108	(17.2)
Warning Letter				
Revenue	129,491	141,613	146,960	(10.9)
EBITDA	29,524	27,969	28,437	(24.9)
PAT	11,241	11,483	13,814	(36.8)

Source: Company, HDFC sec Inst Research

Base case

In our base case, we assume a delay of 6-8 months in clearance of the plant. Since it contributes ~40% to total US revenues (in our view), we have cut our FY21E revenue estimates by ~7%, EBITDA margin by ~60bps (to 22.4%) and earnings by ~17%.

Warning letter

In the event of a warning letter, pending product approvals would be delayed. Nearly 1/3rd of CDH's pending US approvals are dependent on Moraiya. As future growth in the US relies upon new launches, a WL would severely impact revenue as well as earnings. Although less likely, WL would lead to a ~37% cut to our previous estimates.

We believe, given the critical nature of the observations related to contamination, the clearance of this facility could get delayed by 6-8 months

A positive is the absence of data-integrity and OOS related issues

In our base case, we have assumed a delay of 6-8 months in clearance of the plant. This leads to a ~17% cut to our FY21E estimates

In case of a warning letter, there could be a ~37% cut to our previous earnings estimate for FY21E

The US has been CDH's best performing segment. Apart from the slow-growing domestic business, other segments are largely flat

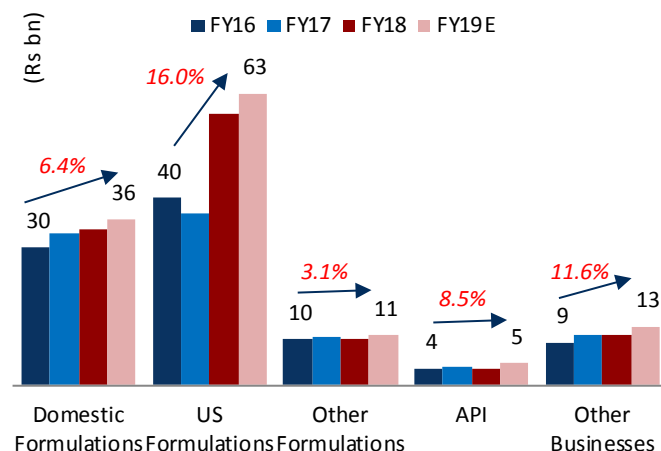
US sales for CDH on an aggregate level would be declining over the next two years, as one-off sales shrink

Despite growth in base biz EPS, growth in reported EPS would remain subdued due to declining one-off sales

Since Dec-15, this is the first time the Moraiya plant has received observations from the USFDA

CDH: Heavy dependence on the US

Segments: Poor Growth Ex-US



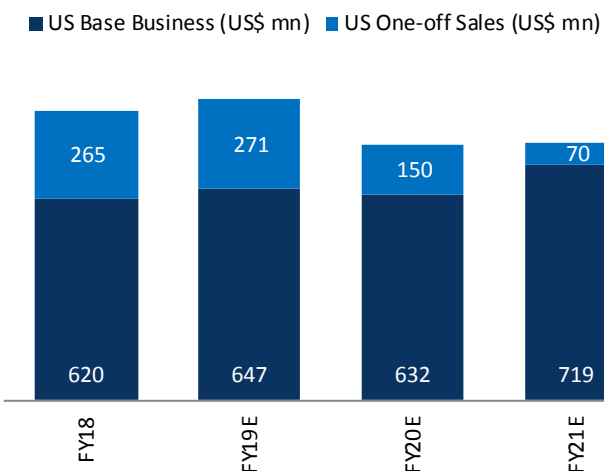
Source: Company, HDFC sec Inst Research

Timeline of USFDA Inspections At Moraiya plant

Date	Outcome
Dec-15	Warning letter issued
Feb-17	Re-inspected with 0 observations
Jun-17	EIR received (plant cleared)
Sep-17	Re-inspected with 0 observations
Jul-18	Re-inspected with 0 observations
Apr-19	Re-inspected with 14 observations

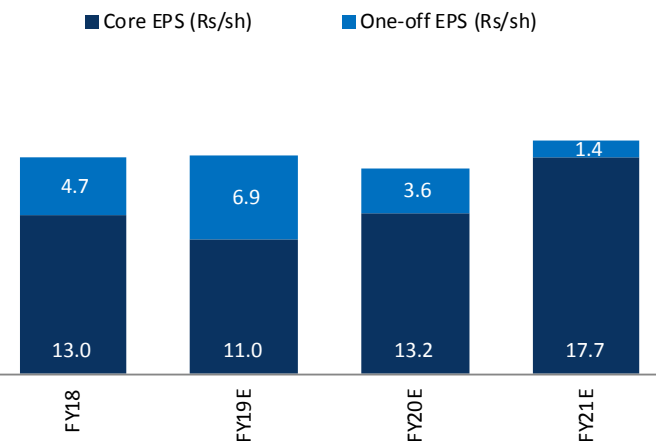
Source: Company, HDFC sec Inst Research

US Sales: Declining One-offs Will Mute Growth



Source: Company, HDFC sec Inst Research

EPS: Aggregate EPS Largely Flat



Source: Company, HDFC sec Inst Research

TRP is ahead of most of its peer Indian companies in terms of therapy mix, with ~95% of its revenues coming from market-beating growth therapies

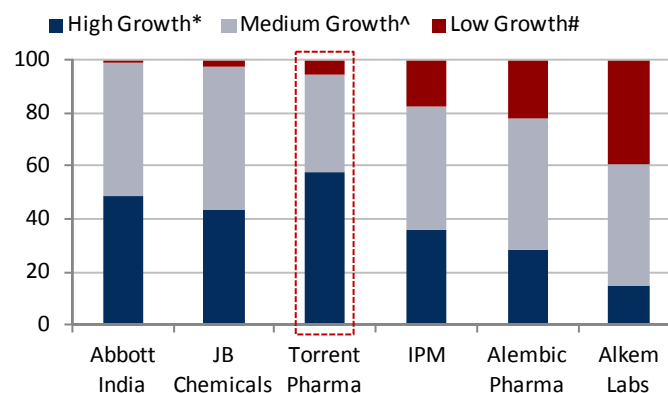
The domestic business has grown at ~20% CAGR over the last four years

TRP has a strong presence in the chronic space with multiple brands over Rs 1bn in annual revenue

TRP is the 8th largest co in the Rs 1.1tn IPM

TRP: Strong branded franchise in India

Indian Biz: ~95% Contribution From Growing Therapy Areas



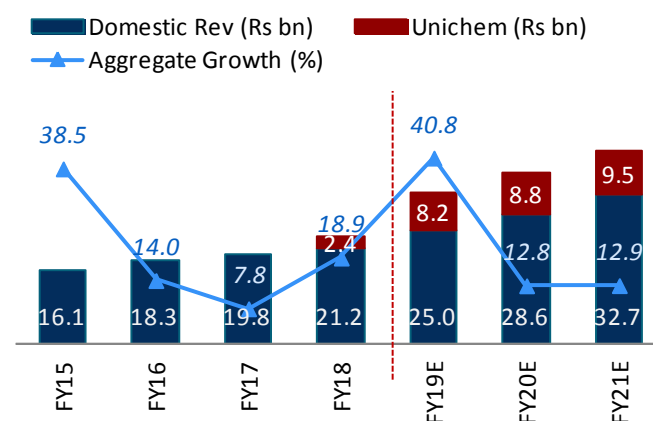
Source: AIOCD, HDFC sec Inst Research; *>>10%; ^8-10%; <8%

Top 10 Products In India

Brand	Therapy	Apr-19 MAT (Rs mn)	% Of Rev
Torrent Pharma		42,818	100.0
Shelcal	VMN	2,265	5.3
Chymoral Forte	Pain / Analgesics	1,562	3.6
Nikoran	Cardiac	1,133	2.6
Losar H	Cardiac	1,101	2.6
Azulix-MF	Anti Diabetic	1,016	2.4
Nebicard	Cardiac	940	2.2
Dilzem	Cardiac	901	2.1
Nexpro RD	Gastro Intestinal	896	2.1
Losar	Cardiac	786	1.8
Unienzyme	Gastro Intestinal	731	1.7

Source: AIOCD, HDFC sec Inst Research

Domestic Biz: ~12% CAGR In Base Biz Over FY15-19E



Source: Company, HDFC sec Inst Research

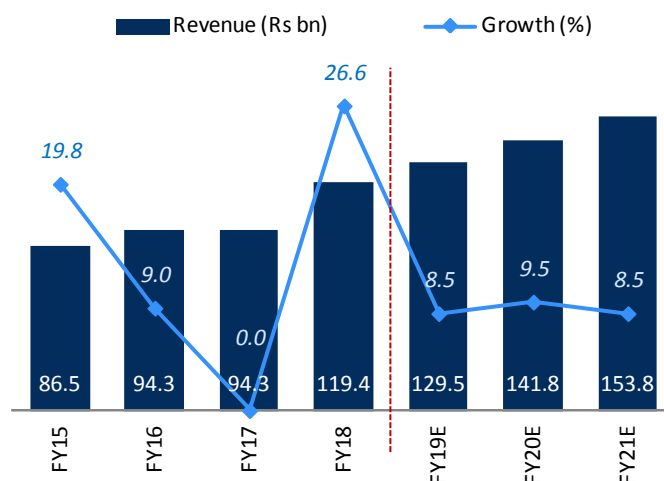
Robust Growth In Secondary Sales

No.	Company	Growth YoY (%)	MS (%)
	IPM	9.6	100
1	Sun Pharma	7.3	8.2
2	Abbott (India + HC)	11.3	6.3
3	Cipla	8.9	4.7
4	Zydus Cadila	7.3	4.1
5	Lupin	15.5	3.7
6	Mankind	10.6	3.6
7	Alkem	10.9	3.5
8	Torrent Pharma	13.1	3.2
9	Intas	15.7	2.9
10	GSK	5.0	2.9
11	Emcure	7.5	2.5
12	Pfizer	5.4	2.4
13	Glenmark	15.0	2.3
14	Sanofi India	10.1	2.3

Source: AIOCD, HDFC sec Inst Research

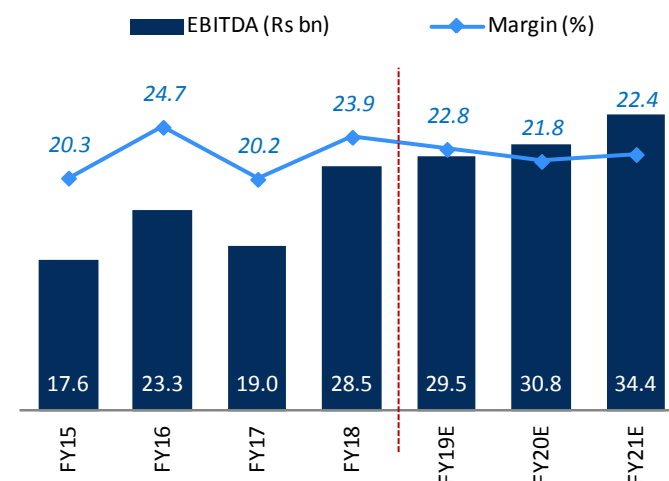
CDH: Financial charts

Revenue: Growth To Remain In Single-digits



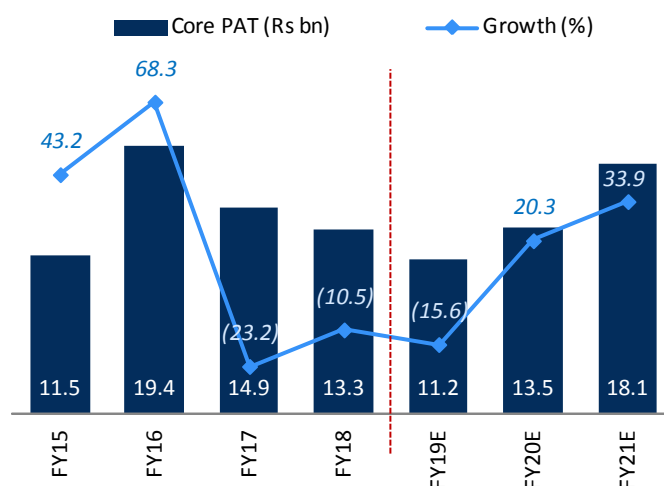
Source: Company, HDFC sec Inst Research

Margin: We See A ~100bps Contraction In FY20E



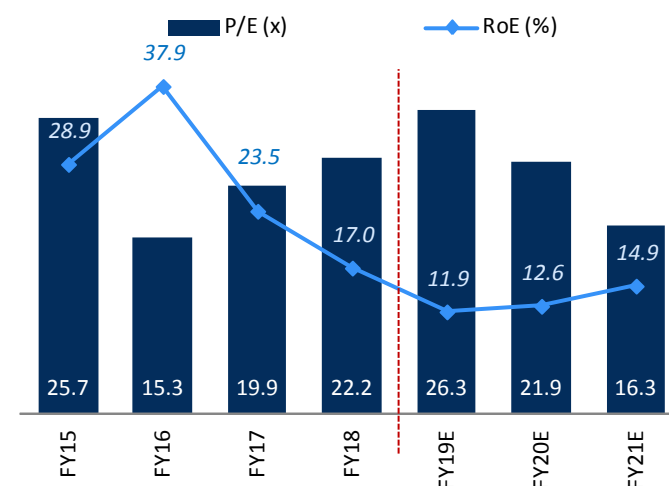
Source: Company, HDFC sec Inst Research

Core PAT: Improvement Visible On A Low Base



Source: Company, HDFC sec Inst Research

Current Valuations Unfavourable



Source: Company, HDFC sec Inst Research

We believe CDH's growth will remain moderated over FY19-21E owing to a delay in the clearance of the Moraiya plant

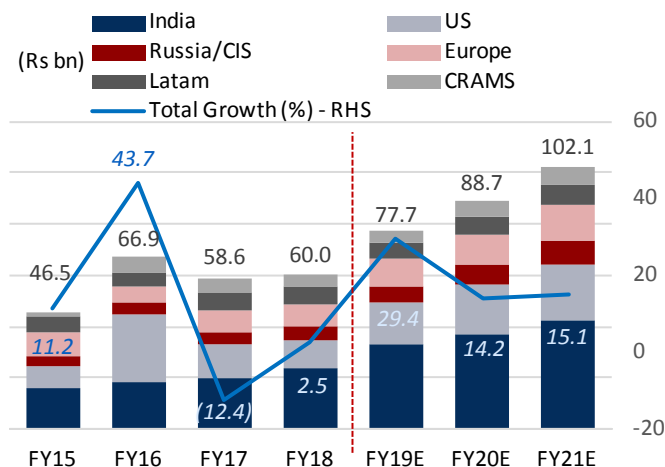
Margin could take a hit due to a likely delay in new launches

While core earnings will grow, aggregate earnings will remain muted due to erosion in one-off sales

Valuations appear unfavourable with potential regulatory risks

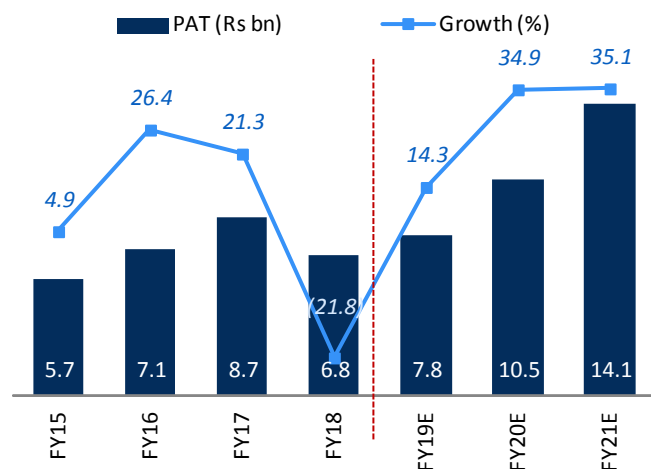
TRP: Financial charts

Revenue: Expect Healthy Growth



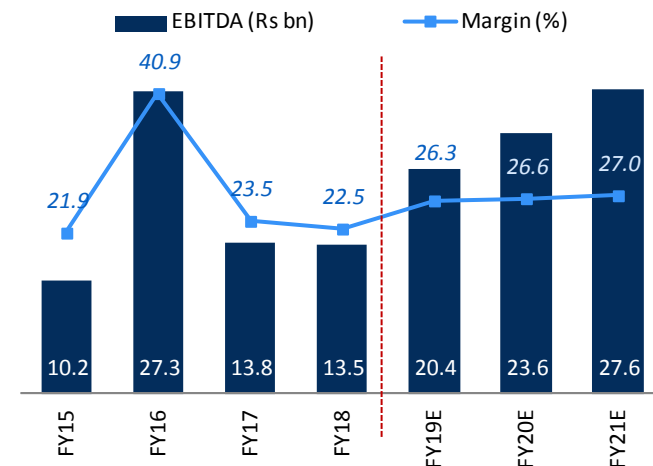
Source: Company, HDFC sec Inst Research

PAT: To Nearly Double Over FY19-21E



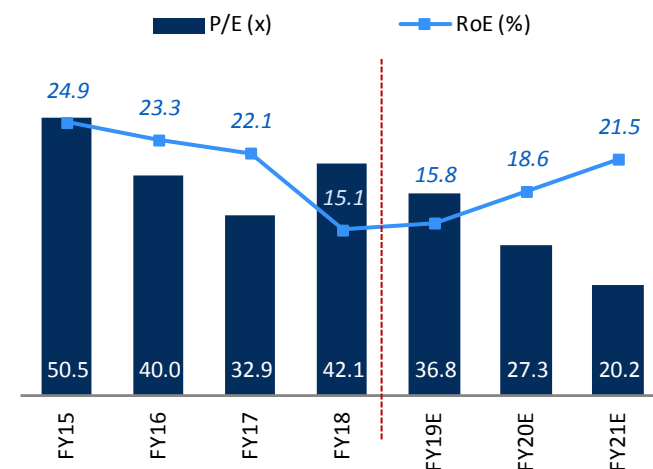
Source: Company, HDFC sec Inst Research

Margin: Scope To Expand ~70bps By FY21E



Source: Company, HDFC sec Inst Research

Improving Return Ratios



Source: Company, HDFC sec Inst Research

Healthy revenue growth will be led by the strong domestic formulations franchise

Margins improved ~400bps YoY in FY19E on the back of synergies achieved post the Unichem acquisition

Aided by a ramp up in the US and a strong presence in chronic therapies in India, PAT growth is likely to be robust over FY19-21E

Return ratios will continue to improve with synergies of Unichem acquisition will be fully realized

Peer Set Comparison

	Mcap (Rs bn)	CMP (Rs/sh)	Reco	TP/FV	Adj EPS (Rs/sh)				P/E (x)				RoE (%)			
					FY18	FY19E	FY20E	FY21E	FY18	FY19E	FY20E	FY21E	FY18	FY19E	FY20E	FY21E
Sun Pharma	1,050	438	BUY	640	13.0	15.3	20.7	27.2	33.7	28.7	21.1	16.1	8.3	9.3	11.7	13.7
Dr Reddy's Labs	478	2,876	BUY	3,400	59.2	109.7	124.4	151.3	48.6	26.2	23.1	19.0	7.8	13.6	13.6	14.3
Cipla	447	556	BUY	630	18.6	16.8	21.1	28.6	29.9	33.1	26.3	19.4	11.2	9.1	10.6	12.9
Aurobindo Pharma	438	748	NEU	800	41.4	42.2	54.1	53.2	18.1	17.7	13.8	14.1	23.0	19.2	20.4	16.8
Divi's Labs	438	1,650	SELL	1,445	32.4	52.4	56.8	65.7	51.0	31.5	29.1	25.1	15.2	21.6	20.2	20.4
Lupin	378	836	BUY	1,060	38.0	15.4	32.5	48.5	22.0	54.2	25.8	17.2	12.7	5.0	10.0	13.6
Cadila Healthcare	296	289	NEU	315	13.0	11.0	13.2	17.5	22.2	26.3	21.9	16.3	17.0	11.9	12.6	14.9
Torrent Pharma	285	1,687	BUY	2,000	40.1	45.8	61.8	83.5	42.1	36.8	27.3	20.2	15.1	15.8	18.6	21.5
Alkem Laboratories	208	1,736	BUY	2,240	57.6	63.4	80.9	101.9	30.1	27.4	21.5	17.0	14.8	14.7	16.6	18.3
Glenmark	174	617	BUY	835	17.5	27.0	33.9	43.7	35.3	22.9	18.2	14.1	9.4	12.7	14.0	15.7
Alembic Pharma	100	532	NEU	570	21.9	25.8	25.1	31.6	24.3	20.6	21.2	16.9	20.0	19.7	16.4	18.1
Jubilant Life Sciences	98	617	BUY	1,005	45.5	58.8	68.6	83.7	13.6	10.5	9.0	7.4	19.3	20.8	20.2	20.5
Strides Shasun	43	486	BUY	570	13.2	6.9	29.3	35.7	36.9	70.7	16.6	13.6	2.9	2.3	9.5	10.7
Laurus Labs	41	385	BUY	535	15.8	10.7	17.0	29.4	24.4	36.0	22.6	13.1	11.9	6.2	10.8	16.7
Suven Life Sciences	33	261	NR	465	9.7	5.6	9.8	11.3	26.9	46.7	26.6	23.2	17.2	8.9	14.2	14.5
Dishman Carbogen Amcis	33	204	BUY	400	13.2	15.7	20.9	26.7	15.4	13.0	9.8	7.6	14.6	15.0	16.7	18.1
J B Chemicals & Pharmaceuticals	29	364	NR	470	16.6	23.8	28.4	33.6	22.0	15.3	12.8	10.8	9.9	13.2	14.8	15.4
Granules India	28	110	BUY	170	5.2	9.3	11.4	13.9	21.1	11.8	9.7	7.9	12.0	16.7	17.5	18.5
Neuland Labs	9	671	BUY	930	10.8	10.8	37.5	66.5	62.1	62.0	17.9	10.1	2.2	2.2	6.7	11.0

Source: Company, HDFC sec Inst Research

CDH: Financial statements

Income Statement (Consolidated)

Year ending March (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Net Revenues	94,295	119,364	129,491	141,778	153,810
Growth (%)	0.0	26.6	8.5	9.5	8.5
Material Expenses	34,451	41,220	46,617	49,622	52,295
Employee Expenses	15,002	18,545	21,366	23,677	25,840
SG&A Expenses	10,750	12,533	12,302	14,461	15,689
Other Operating Expenses	15,056	18,591	19,683	23,181	25,609
EBITDA	19,036	28,475	29,524	30,837	34,376
EBITDA Margin (%)	20.2	23.9	22.8	21.8	22.4
EBITDA Growth (%)	(18.3)	49.6	3.7	4.4	11.5
Depreciation	3,750	5,388	6,081	7,814	8,624
EBIT	15,286	23,087	23,442	23,022	25,752
Other Income (Including EO Items)	1,286	1,132	2,027	2,495	2,703
Interest	450	911	1,541	3,728	3,693
PBT	16,122	23,308	23,928	21,790	24,763
Tax (Incl Deferred)	1,289	5,644	5,743	5,230	5,943
Income from JV/Associates	338	440	155	641	758
Minority Interest	291	-	-	-	-
RPAT	14,880	18,104	18,341	17,201	19,578
EO (Loss) / Profit (Net Of Tax)	-	(4,789)	(7,100)	(3,675)	(1,470)
APAT	14,880	13,315	11,241	13,526	18,108
APAT Growth (%)	-23.2	-10.5	-15.6	20.3	33.9
Adjusted EPS (Rs)	14.5	13.0	11.0	13.2	17.5

Source: Company, HDFC sec Inst Research

Balance Sheet (Consolidated)

As at March (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
SOURCES OF FUNDS					
Share Capital - Equity	1,024	1,024	1,024	1,024	1,024
Reserves	68,576	86,421	100,339	113,118	128,274
Total Shareholders' Funds	69,600	87,445	101,363	114,142	129,298
Minority Interest	1,561	1,910	2,006	2,106	2,211
Long Term Debt	24,684	25,551	58,551	56,551	54,551
Short Term Debt	24,769	25,575	24,296	25,511	26,787
Total Debt	49,453	51,126	82,847	82,062	81,338
Net Deferred Taxes	(7,791)	(6,425)	(6,887)	(7,373)	(7,882)
Other Non-current Liabilities & Provns	1,512	1,559	1,715	1,886	2,075
TOTAL SOURCES OF FUNDS	114,335	135,615	181,043	192,823	207,039
APPLICATION OF FUNDS					
Net Block	32,904	38,157	55,651	59,584	65,040
CWIP	17,122	16,622	9,586	6,018	4,235
Goodwill	24,647	26,669	68,069	68,069	68,069
Investments	3,857	5,001	4,709	4,709	4,709
Other Non-current Assets	4,499	2,953	3,068	3,294	3,530
Total Non-current Assets	83,029	89,402	141,083	141,674	145,583
Cash & Equivalents	15,926	15,897	9,121	18,737	28,909
Inventories	18,037	23,853	26,976	28,715	30,262
Debtors	22,775	32,063	30,155	31,075	33,712
Other Current Assets	3,485	10,192	11,211	12,332	13,607
Total Current Assets	44,297	66,108	68,342	72,122	77,581
Creditors	15,479	18,884	21,444	22,826	26,148
Other Current Liabilities & Provns	13,438	16,908	16,059	16,883	18,887
Total Current Liabilities	28,917	35,792	37,503	39,710	45,034
Net Current Assets	15,380	30,316	30,840	32,413	32,547
TOTAL APPLICATION OF FUNDS	114,335	135,615	181,044	192,823	207,039

Source: Company, HDFC sec Inst Research

Cash Flow (Consolidated)

Year ending March (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Reported PBT	16,119	23,120	23,928	21,790	24,763
Non-operating & EO items	(832)	(755)	(2,027)	(3,327)	(3,743)
Interest expenses	568	1,468	1,541	3,728	3,693
Depreciation	3,750	5,405	6,081	7,814	8,624
Working Capital Change	(4,112)	(13,839)	(739)	(1,799)	(371)
Tax Paid	(2,376)	(6,206)	(6,205)	(5,715)	(6,453)
OPERATING CASH FLOW (a)	13,117	9,193	22,580	22,491	26,512
Capex	(29,350)	(10,353)	(57,839)	(8,179)	(12,297)
Free cash flow (FCF)	(16,233)	(1,160)	(35,259)	14,312	14,216
Non-operating Income	631	616	2,319	3,327	3,743
INVESTING CASH FLOW (b)	(28,719)	(9,737)	(55,520)	(4,852)	(8,553)
Debt Issuance/(Repaid)	27,652	1,574	31,721	(785)	(724)
Interest Expenses	(556)	(1,049)	(1,541)	(3,728)	(3,693)
FCFE	10,863	(635)	(5,079)	9,799	9,799
Share Capital Issuance	-	-	-	-	-
Dividend	(3,938)	(10)	(4,423)	(4,423)	(4,423)
Others	0	0	(2,341)	912	1,053
FINANCING CASH FLOW (c)	23,158	515	23,417	(8,024)	(7,787)
NET CASH FLOW (a+b+c)	7,556	(29)	(9,524)	9,616	10,172
Closing Cash & Equivalents	15,926	15,897	9,121	18,737	28,909

Source: Company, HDFC sec Inst Research

Key Ratios

	FY17	FY18	FY19E	FY20E	FY21E
PROFITABILITY (%)					
GPM	63.5	65.5	64.0	65.0	66.0
EBITDA Margin	20.2	23.9	22.8	21.8	22.4
APAT Margin	15.8	11.2	8.7	9.5	11.8
RoE	23.5	17.0	11.9	12.6	14.9
RoIC (or Core RoCE)	18.8	17.3	12.9	10.6	11.7
RoCE	15.9	11.2	7.8	8.8	10.5
EFFICIENCY					
Tax Rate (%)	8.0	24.2	24.0	24.0	24.0
Fixed Asset Turnover (x)	1.9	2.0	1.6	1.6	1.5
Inventory (days)	69.8	72.9	76.0	73.9	71.8
Debtors (days)	88.2	98.0	85.0	80.0	80.0
Other Current Assets (days)	13.5	31.2	31.6	31.7	32.3
Payables (days)	59.9	57.7	60.4	58.8	62.1
Other Current Liab & Provns (days)	52.0	51.7	45.3	43.5	44.8
Cash Conversion Cycle (days)	59.5	92.7	86.9	83.4	77.2
Debt/EBITDA (x)	2.6	1.8	2.8	2.7	2.4
Net D/E (x)	0.5	0.4	0.7	0.6	0.4
Interest Coverage (x)	34.0	25.3	15.2	6.2	7.0
PER SHARE DATA (Rs)					
EPS	14.5	13.0	11.0	13.2	17.5
Dividend	3.2	3.5	3.6	3.6	3.6
Book Value	68.0	85.4	99.0	111.5	126.3
VALUATION					
P/E (x)	19.9	22.2	26.3	21.9	16.3
P/BV (x)	4.3	3.4	2.9	2.6	2.3
EV/EBITDA (x)	17.3	11.6	12.5	11.6	10.1
EV/Revenues (x)	3.5	2.8	2.9	2.5	2.3
OCF/EV (%)	4.0	2.8	6.1	6.3	7.6
FCF/EV (%)	(4.9)	(0.4)	-	9.5	4.1
FCFE/Mkt Cap (%)	3.7	(0.2)	-	1.7	3.3
Dividend Yield (%)	1.1	1.2	1.2	1.2	1.2

Source: Company, HDFC sec Inst Research

TRP: Financial statements

Income Statement (Consolidated)

Year ending March (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Net Revenues	58,570	60,020	77,681	88,681	102,113
Growth (%)	(12.4)	2.5	29.4	14.2	15.1
Material Expenses	17,910	16,740	22,527	25,097	28,592
Employee Expenses	9,930	11,350	14,449	14,189	15,317
SG&A Expenses	7,614	7,382	8,389	10,642	12,764
Other Operating Expenses	9,336	11,058	11,885	15,164	17,870
EBITDA	13,780	13,490	20,430	23,589	27,570
EBITDA Margin (%)	23.5	22.5	26.3	26.6	27.0
EBITDA Growth (%)	(49.6)	(2.1)	51.4	15.5	16.9
Depreciation	3,070	4,090	6,342	6,583	6,891
EBIT	10,710	9,400	14,088	17,007	20,679
Other Income (Including EO Items)	2,230	2,990	500	1,050	1,500
Interest	2,060	3,080	5,137	4,476	3,829
PBT	10,880	9,310	9,451	13,580	18,350
Tax (Incl Deferred)	1,540	2,529	1,701	3,123	4,221
RPAT	9,340	6,781	7,750	10,457	14,130
EO (Loss) / Profit (Net Of Tax)	673	-	-	-	-
APAT	8,667	6,781	7,750	10,457	14,130
APAT Growth (%)	21.3	(21.8)	14.3	34.9	35.1
Adjusted EPS (Rs)	51.2	40.1	45.8	61.8	83.5

Source: Company, HDFC sec Inst Research

Balance Sheet (Consolidated)

As at March (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
SOURCES OF FUNDS					
Share Capital - Equity	846	850	850	850	850
Reserves	42,655	45,370	51,307	59,316	70,140
Total Shareholders' Funds	43,501	46,220	52,157	60,166	70,990
Minority Interest	5	5	5	5	5
Long Term Debt	22,408	41,115	38,610	36,110	33,610
Short Term Debt	-	16,260	11,260	8,260	5,260
Total Debt	22,408	57,375	49,870	44,370	38,870
Net Deferred Taxes	(2,085)	(2,760)	(3,250)	(3,305)	(3,305)
Other Non-Current Liabilities & Provns	2,630	2,870	2,750	3,000	3,000
TOTAL SOURCES OF FUNDS	66,460	103,710	101,532	104,237	109,560
APPLICATION OF FUNDS					
Net Block	18,714	24,168	23,226	22,843	22,152
CWIP	5,190	6,469	6,500	6,500	6,500
Intangibles	18,170	54,384	51,484	48,284	45,084
Other Non-Current Assets	3,292	2,030	2,030	2,030	2,030
Total Non-current Assets	45,366	87,051	83,239	79,657	75,766
Cash & Equivalents	16,979	13,590	9,756	14,649	23,210
Inventories	15,592	19,660	18,545	20,660	23,537
Debtors	13,442	12,540	17,867	20,397	23,486
Other Current Assets	6,773	6,830	7,516	8,271	8,271
Total Current Assets	35,806	39,030	43,928	49,327	55,294
Creditors	22,979	20,480	27,033	30,116	34,310
Other Current Liabilities & Provns	8,712	15,480	8,359	9,281	10,399
Total Current Liabilities	31,691	35,960	35,392	39,397	44,709
Net Current Assets	4,115	3,070	8,536	9,930	10,585
TOTAL APPLICATION OF FUNDS	66,460	103,711	101,532	104,237	109,560

Source: Company, HDFC sec Inst Research

Cash Flow (Consolidated)

Year ending March (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Reported PBT	10,881	9,310	9,451	13,580	18,350
Non-operating & EO items	(822)	(1,102)	(500)	(1,050)	(1,500)
Interest expenses	2,056	3,085	5,137	4,476	3,829
Depreciation	3,069	4,086	6,342	6,583	6,891
Working Capital Change	(1,252)	(3,601)	(5,586)	(1,144)	(654)
Tax Paid	(3,843)	(2,836)	(2,191)	(3,178)	(4,221)
OPERATING CASH FLOW (a)	10,088	8,942	12,653	19,266	22,696
Capex	(4,859)	(7,892)	(2,531)	(3,000)	(3,000)
Free cash flow (FCF)	5,230	1,050	10,122	16,266	19,696
Investments	(3,062)	(39,239)	-	-	-
Non-operating Income	51	61	500	1,050	1,500
INVESTING CASH FLOW (b)	(7,869)	(47,070)	(2,031)	(1,950)	(1,500)
Debt Issuance/(Repaid)	2,020	39,578	(7,505)	(5,500)	(5,500)
Interest Expenses	(1,913)	(2,757)	(5,137)	(4,476)	(3,829)
FCFE	5,337	37,872	(2,519)	6,290	10,367
Dividend	(2,037)	(2,648)	(1,814)	(2,447)	(3,306)
Others	(113)	299	1,648	-	-
FINANCING CASH FLOW (c)	(2,042)	34,473	(12,807)	(12,423)	(12,635)
NET CASH FLOW (a+b+c)	177	(3,655)	(2,185)	4,893	8,560
Closing Cash & Equivalents	18,712	11,941	9,756	14,649	23,210

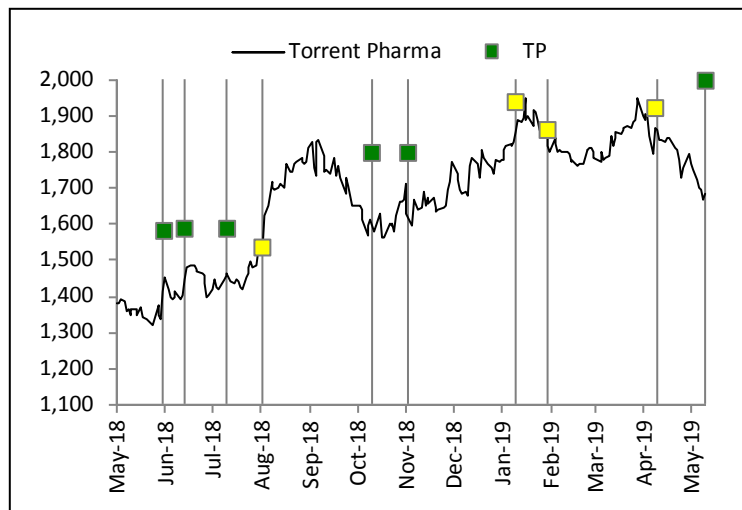
Source: Company, HDFC sec Inst Research

Key Ratios

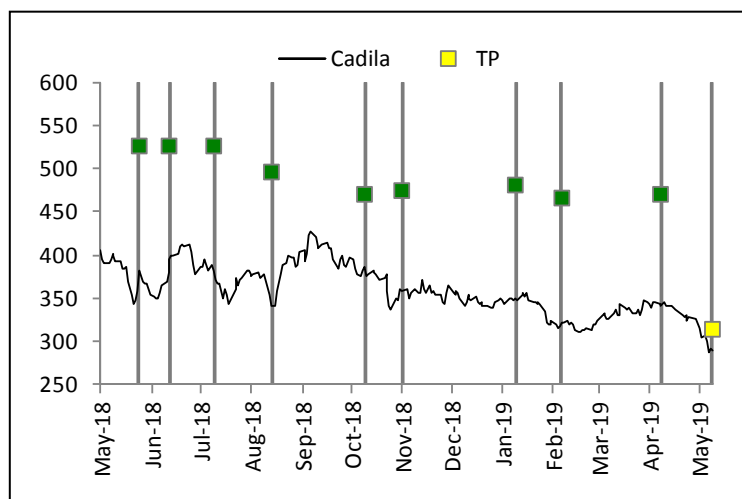
	FY17	FY18	FY19E	FY20E	FY21E
PROFITABILITY (%)					
GPM	69.4	72.1	71.0	71.7	72.0
EBITDA Margin	23.5	22.5	26.3	26.6	27.0
APAT Margin	14.8	11.3	10.0	11.8	13.8
RoE	22.1	15.1	15.8	18.6	21.5
RoIC (or Core RoCE)	21.8	10.2	13.0	14.8	18.5
RoCE	17.2	10.6	11.7	13.5	16.0
EFFICIENCY					
Tax Rate (%)	14.2	27.2	18.0	23.0	23.0
Fixed Asset Turnover (x)	2.3	1.8	2.2	2.3	2.5
Inventory (days)	97.2	119.6	87.1	85.0	84.1
Debtors (days)	83.8	76.3	84.0	84.0	84.0
Other Current Assets (days)	42.2	41.5	35.3	34.0	29.6
Payables (days)	143.2	124.5	127.0	124.0	122.6
Other Current Liab & Provns (days)	54.3	94.1	39.3	38.2	37.2
Cash Conversion Cycle (days)	25.6	18.7	40.1	40.9	37.8
Debt/EBITDA (x)	1.6	4.3	2.4	1.9	1.4
Net D/E (x)	0.1	0.9	0.8	0.5	0.2
Interest Coverage (x)	5.2	3.1	2.7	3.8	5.4
PER SHARE DATA (Rs)					
EPS	51.2	40.1	45.8	61.8	83.5
Dividend	14.0	8.0	9.2	12.4	16.7
Book Value	257.0	273.1	308.2	355.5	419.5
VALUATION					
P/E (x)	32.9	42.1	36.8	27.3	20.2
P/BV (x)	6.6	6.2	5.5	4.7	4.0
EV/EBITDA (x)	21.1	24.4	15.9	13.4	10.9
EV/Revenues (x)	5.0	5.5	4.2	3.6	2.9
OCF/EV (%)	3.5	2.7	3.9	6.1	7.5
FCF/EV (%)	1.8	0.3	3.1	5.2	6.5
FCFE/Mkt Cap (%)	1.9	13.3	(0.9)	2.2	3.6
Dividend Yield (%)	0.8	0.5	0.5	0.7	1.0

Source: Company, HDFC sec Inst Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
31-May-18	1,412	BUY	1,584
13-Jun-18	1,404	BUY	1,590
10-Jul-18	1,446	BUY	1,590
3-Aug-18	1,523	NEU	1,538
10-Oct-18	1,569	BUY	1,800
5-Nov-18	1,630	BUY	1,800
10-Jan-19	1,857	NEU	1,940
31-Jan-19	1,852	NEU	1,860
9-Apr-19	1,867	NEU	1,920
13-May-19	1,687	BUY	2,000



Date	CMP	Reco	Target
27-May-18	382	BUY	525
13-Jun-18	380	BUY	525
10-Jul-18	388	BUY	525
16-Aug-18	340	BUY	495
10-Oct-18	376	BUY	470
5-Nov-18	359	BUY	475
10-Jan-19	350	BUY	480
8-Feb-19	322	BUY	465
9-Apr-19	342	BUY	470
13-May-19	289	NEU	315

Rating Definitions

BUY : Where the stock is expected to deliver more than 10% returns over the next 12 month period

NEUTRAL : Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period

SELL : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

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