11 December 2019

Update | Sector: Healthcare

Strides Pharma

BSE SENSEX	S&P CNX
40,413	11,910

CMP: INR360 TP: INR440 (+22%) Buy

Biosimilars/Sterile Injectables – new growth levers in the making

- **Strides Pharma's (STR) US generics business has taken long strides with sales increasing to USD57m in 2QFY20 from USD10m in 4QFY18. More levers are being created to drive growth in this business over the next 4-5 years.**
- **Through Stelis, STR is not only developing own biosimilars but also planning to provide fully integrated CMO for drug products and substance.**
- **In addition to the oral solids portfolio, STR plans to re-build the sterile injectable portfolio with 15-20 annual filings of niche products using technology platforms built in-house and also via strategic partnerships.**
- **We expect earnings to increase 5x over FY19-21, partly led by a low base of FY19. We continue valuing STR on an SOTP basis to arrive at a target price of INR440. Buy.**
- **US generics on robust growth path**: After delivering 31% CAGR in US generics revenue over FY17-19, STR appears well positioned to sustain this momentum led by its robust product pipeline (~40 under development/targets to file 20 ANDAs every year) and superior execution in approved products (led by 'no failure to supply', integrated APIs and cost leadership). It targets to take the annual revenue run-rate to ~USD400m over the next 12-18 months from USD113m in 1HFY20.
- **Creating robust product pipeline in 'follow-on' biologics:** With an investment of USD160m via Stelis, STR has built a fully integrated bio-pharma business with products nearing the filing stage and availability of a manufacturing set-up for commercial execution. This would not only be used for in-house biosimilars but also to cater to CMO service with full integration of manufacturing. STR targets to achieve revenue of USD150-250m in this business over the next 3-4 years.
- **Re-entering sterile injectables:** After the conclusion of the non-compete period on the Agila transaction, STR will build a portfolio of sterile injectables which are either under the shortage list or facing challenges in terms of manufacturing. Further, it intends to use technology platforms via strategic partnerships to build differentiated products in this business. Overall, STR intends to tap opportunities with an aim to achieve revenue of USD200-400m over the next 2-4 years.
- **New launches, increased penetration to drive business in other regulated markets:** The two-pronged strategy of (a) increasing penetration of the already approved products by entering new territories and (b) further building the product portfolio led to strong revenue growth of 67% YoY from other regulated markets in 1HFY20. Healthy order book, opportunities from product shortage (particularly in the UK) and new launches in the EU will provide STR with a good platform to grow business in the other regulated markets over the next 2-3 years (we forecast at least 50% revenue CAGR over the next two years).
- **Valuation and view:** STR is building multiple levers in the form of a healthy ANDA pipeline and a specialized portfolio of injectables/bio pharma to deliver strong earnings growth over the next 3-4 years. We expect earnings to increase 5x over FY19-21, partly led by a low base of FY19. We continue valuing STR on an SOTP basis to arrive at a target price of INR440. **Maintain Buy**.

Stock Info

Bloomberg	STR IN
Equity Shares (m)	89
M.Cap.(INRb)/(USDb)	32.2 / 0.5
52-Week Range (INR)	550 / 288
1, 6, 12 Rel. Per (%)	-11/-18/-37
12M Avg Val (INR M)	648
Free float (%)	68.7

Financials Snapshot (INR b)

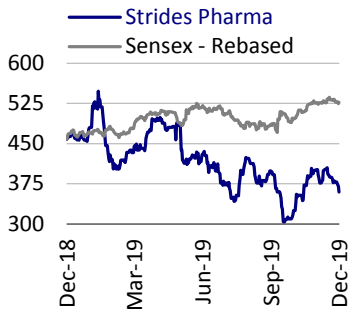
Y/E MARCH	FY19	FY20E	FY21E
Net Sales	30.1	29.0	35.1
EBITDA (Rs b)	4.7	5.7	6.7
NP	0.6	2.0	3.1
EPS	6.9	22.8	34.3
EPS Gr (%)	-39.2	232.1	50.9
BV/Share (Rs)	296.2	319.1	344.7
P/E (x)	52.5	15.8	10.5
P/BV (x)	1.2	1.1	1.0
RoE (%)	2.4	7.4	10.3
RoCE (%)	4.9	6.8	7.6

Shareholding pattern (%)

As On	Sep-19	Jun-19	Sep-18
Promoter	31.3	31.2	30.8
DII	21.2	24.3	25.5
FII	25.3	25.3	22.1
Others	22.3	19.3	21.7

FII Includes depository receipts

Stock Performance (1-year)



Tushar Manudhane – Research analyst (Tushar.Manudhane@MotilalOswal.com); +91 022 6129 1536

Hitakshi Chandrani – Research analyst (Hitakshi.Chandrani@motilaloswal.com); +91 22 6129 1557

US generics on robust growth path

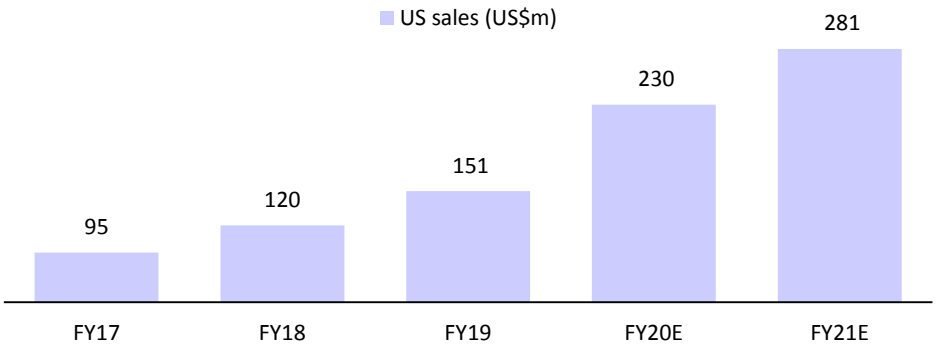
Targets to achieve exit annual run-rate of USD400m over next 12-18 months

- **STR's annualized revenue of USD240m as of end-1HFY20 was contributed by a mix of fully integrated manufacturing (40% of US sales) and niche opportunities (60% of US sales).**
- **The company has ~40 products under development, which provides visibility of 15-20 ANDA filings annually over the next two years.**
- **Further, ~33 ANDAs are pending for approval. This, along with its increased market share in existing products, will facilitate strong revenue momentum in this segment over the next 2-3 years.**

Sales run-rate on an uptrend, 42 products commercialized

From USD10m in 4QFY18, the company's now has a quarterly sales run-rate of USD57m as of end-2QFY20 from commercialization of ~42 products. STR has six products (Ibuprofen, Ranitidine, Gabapentin, Mycophenolate, PEG and Oseltamivir) delivering USD90-96m for 12 months ended Sept'19, wherein STR has complete integration in terms of manufacturing. Particularly, in case of Ranitidine, STR is the lone company with carcinogenic impurity within the permissible limits, driving further market share gains in this product over the near to medium term.

Exhibit 1: US sales on strong upward trajectory



Source: MOFSL, Company

STR has a niche portfolio of ~36 products where either competitive intensity is very low or products are in niche dosages (soft gelatin capsules/liquids) or there is complexity in terms of manufacturing. This portfolio delivered revenue of ~USD145m for the 12 months ended Sept'19.

Increased approvals to not only drive revenue but also improve operating leverage

STR intends to further ramp-up this business with 15-20 ANDA filings and accelerating market share gains in its already commercialized products. With operational expense being largely factored in, the higher pace of revenue growth is likely to improve operating leverage and profitability of this business over the next 2-3 years. Exiting partnered products by FY22 may have some overhang on overall growth of this business over the medium term.

Ramp-up in Singapore facility to further improve profitability

STR has invested USD55m in the Singapore facility, which would have peak capacity of producing ~1.4b tablets and hard gelatin capsules. Note that Singapore-based facilities are able to participate in the procurement program administered by the Department of Veteran Affairs (VA). Further, incremental Ranitidine supply is likely from this site. These factors would not only offset opex (under-recovery of INR150m per quarter) but also support profitability at the consolidated level.

Exhibit 2: Manufacturing units and their recent USFDA status

Site Location	Catering to	Remarks
Bangalore, India	Emerging and Regulated market facility	❖ Inspected in May-19, EIR received
Alathur, Chennai	Regulated market facility	❖ Inspected in Aug-19, EIR received
Puducherry, India	Regulated market facility	❖ Inspected in May-19, OAI status, Warning Letter received
Singapore	Regulated market facility	❖ Inspected in Mar-19, EIR received

Source: Company, MOFSL

Stelis to provide CMO service/develop own biosimilars

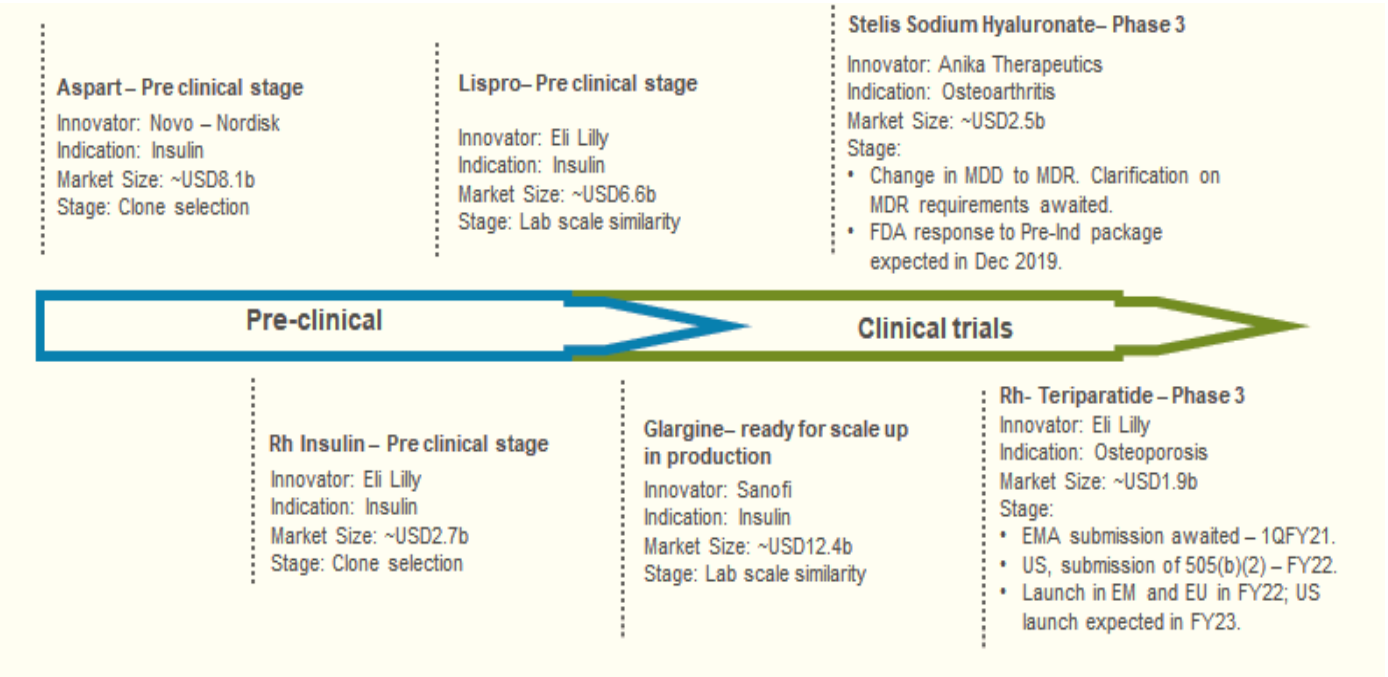
Targets to achieve exit annual run-rate of USD150-250m in 36-48 months

- **STR has invested USD160m in Stelis till date (equity investment – USD35m). The company would be infusing further USD40m which would increase its ownership to 54.1% (from 42.8%).**
- **Through Stelis, STR is not only building own niche biosimilars but has also emerged as a bio-pharma CMO service provider having full integration from development to manufacturing.**
- **The company is expected to breakeven at the operating level by FY21 and intends to create further value over the next 3-4 years.**

Considerable investment largely done; own products nearing filing stage

Stelis has done investment to the tune of USD160m toward building technical expertise, R&D set-up and fully integrated manufacturing facility focusing on biosimilars/novel biologics. While own biosimilars are likely to be launched over FY22-23, the company is also making effort to gain contracts as a CMO service provider. Further, Stelis' manufacturing set-up would be utilized for producing sterile injectables developed by STR.

Exhibit 3: Stelis' biosimilar pipeline spread across different stages



Source: MOFSL, Company

Rh-Teriparatide biosimilar on track for EM/EU launch in FY22

Therapeutic use: This product is a remedy for women suffering from post-menopause osteoporosis. It comes in reusable/disposable pen filled cartridge pre filled with multi-dose.

Filings in key EU/US market in 2QCY20/FY21

- Stelis completed EU approval determining the PK comparability study in Australia with Stelis Teriparatide compared to Forsteo and Forteo.
- EU filing is likely in 2QCY20 and the US dossier submission under 505(b) (2) in FY21.
- Stelis expects EM and EU launch in FY22 followed by US launch in FY23.
- It is in advanced-stage discussion for a significant licensing opportunity for EU, the US and Japan.

Stelis is the **only developer** to serve the product in **both reusable and disposable pen device**, serving global demand.

In active discussion across key markets

The estimated global market opportunity is USD1.9b. Geography wise, North America has the largest opportunity size (~55% of the global market size), followed by RoW (~28%) and Europe (~17%). Stelis is in discussion with 37 companies for **commercialization rights globally**, with advanced-stage licensing discussions in the EU, the US and Japan for preferred contractual arrangement.

Sodium Hyaluronate (HA) – updating EU dossier and awaiting clarity from USFDA

Stelis' Sodium Hyaluronate product is in phase-III of clinical trials and likely to be launched in the market by FY23. The USFDA has recently re-designated it as a drug device (v/s class-3 device previously). Stelis expects the USFDA response on the pre-IND package front by Dec'19.

Therapeutic use: This product is a remedy for osteoarthritis knee pain. It comes in inter-articular injection form.

Stelis: WIP based on revised regulatory guidelines

- Stelis is working on global development of the product as a device with filing completed for the EU market. Meanwhile, EU issued new device guidelines effective May'20 and Stelis is updating the dossier to comply with the same.
- In the US, the FDA has re-designated HA as a drug-device (v/s class-3 device previously). Recently, it filed for pre-IND package to confirm the clinical pathway.
- It is expected to be commercialized by FY22 with a hybrid development strategy.

Leads on key parameters compared to peers

Stelis' HA is the first non-avian, non-cross-linked, high molecular weight low-volume single injection for osteoarthritis. The quality of the product stands no compromise as it comes with in-house API process and formulation development along with complete control of production process from bio-material to finished device.

Product uniqueness and shift toward single injection

The estimated global market opportunity is USD2.5b, with the top four companies commanding a 65% market share. Geography wise, the US has the largest opportunity size (~53% of the global market size), followed by APAC (~35%) and RoW (~12%).

Demand is likely to shift toward single injection (expected CAGR of 10% over CY18-23) from multi- doses, given benefits such as reduced hospital visits, convenience and reduced pain offered by the former (Exhibit 2). Product demand will also be driven by increasing geriatric population.

Stelis is in discussion with 24 companies for **commercialization rights globally**.

Exhibit 4: Shift from multi-injections to single injection

Inj. Regime	CY2015	CY2018	CY2023	18-23 CAGR
5 injections	~300	~349	~300	~-3%
3 Injections	~850	~1123	~1,350	~5%
1 injection	~600	~850	~1,250	~10%

Source: MOFSL, Company

Favorable regulations, low-cost tech platforms bolster prospects in insulin

Stelis has four insulin biosimilars in its pipeline: Aspart, Rh-insulin, Lispro and Glargine. These products are in their preclinical trial stage (except Glargine) and likely to be in the market by FY24-25. Insulin Glargine is ready for scale up in the production stage. Glargine expression system E.coli is same as the one used for Lantus. The impurity profile is same and thus the risk and residual uncertainty are reduced considerably.

Acquired technology with internal capabilities facilitates low-cost development

Stelis has acquired proprietary technology from ex-Eli Lilly scientists for the generic insulin product, which comes at low cost with fewer purification steps. Also, it has internal capability to develop and supply insulin DS and DP, helping the company to achieve cost leadership at all stages of the product lifecycle.

Phase-III study waiver by EU to reduce time/effort to get approval for biosimilar version

Analyzing the impact on cost of healthcare, Europe has actively adopted biosimilar products and designed specific guidelines for insulin products, which came into effect in late-2015. The EU authorities have waived off the need to perform a phase-III efficacy study for insulin for marketing authorization. Also, with appropriate justification, pre-licensing safety study between biosimilar insulin and the reference insulin can be waived off.

US too focused on reducing timeline for biosimilar development

The recent notification from the USFDA suggests that a comparative immunogenicity study may not be required. This change is likely to shorten the development timeline and significantly reduce development costs.

Increasing demand from diabetic patients

The global insulin market is likely to grow on the back of demand from ~500m diabetic patients. Insulin analogs are a mainstay of treatment for T1 and T2DM

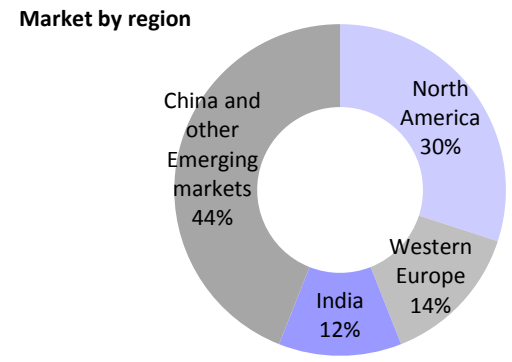
diabetes. The estimated global market opportunity is USD12.6b. Geography wise, North America has the largest opportunity size (~77% of the global market size), followed by RoW (~12%) and Europe (~11%) Stelis is in discussion with 14 companies for commercialization rights globally. It plans to develop disposable and reusable pens.

Comprehensive service offerings (CMO) by CDMO

Global biopharma contract manufacturing is estimated to be USD26b in value by 2023. Demand is likely to accelerate on the back of capacity constraints for market entrants and startups. Evolving technology makes it difficult for existing plants to scale up the productivity level, which is where the CDMO services would come to disposal of those companies.

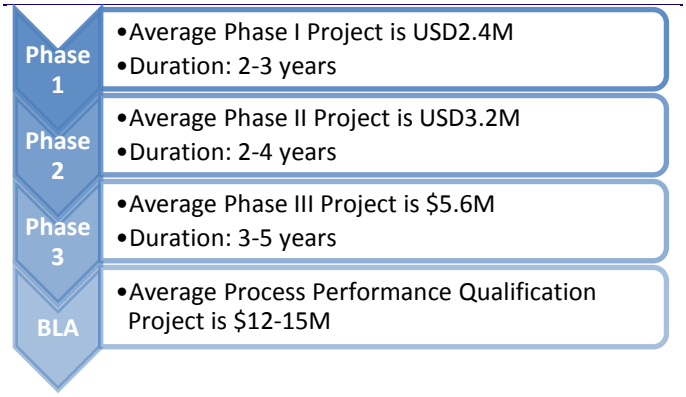
India stands third and accounts for 12% of globally outsourced projects after North America (30%) and Western Europe (14%). An average commercial contract earns USD20-30m/year, which would sum up to USD100-150m for five years as the project is developed from Phase 1 to Biological License application (BLA) stage over these years.

Exhibit 5: Geographical spilt: Outsourced projects



Source: MOFSL, Company

Exhibit 6: Contract cost breakup- Phase-wise



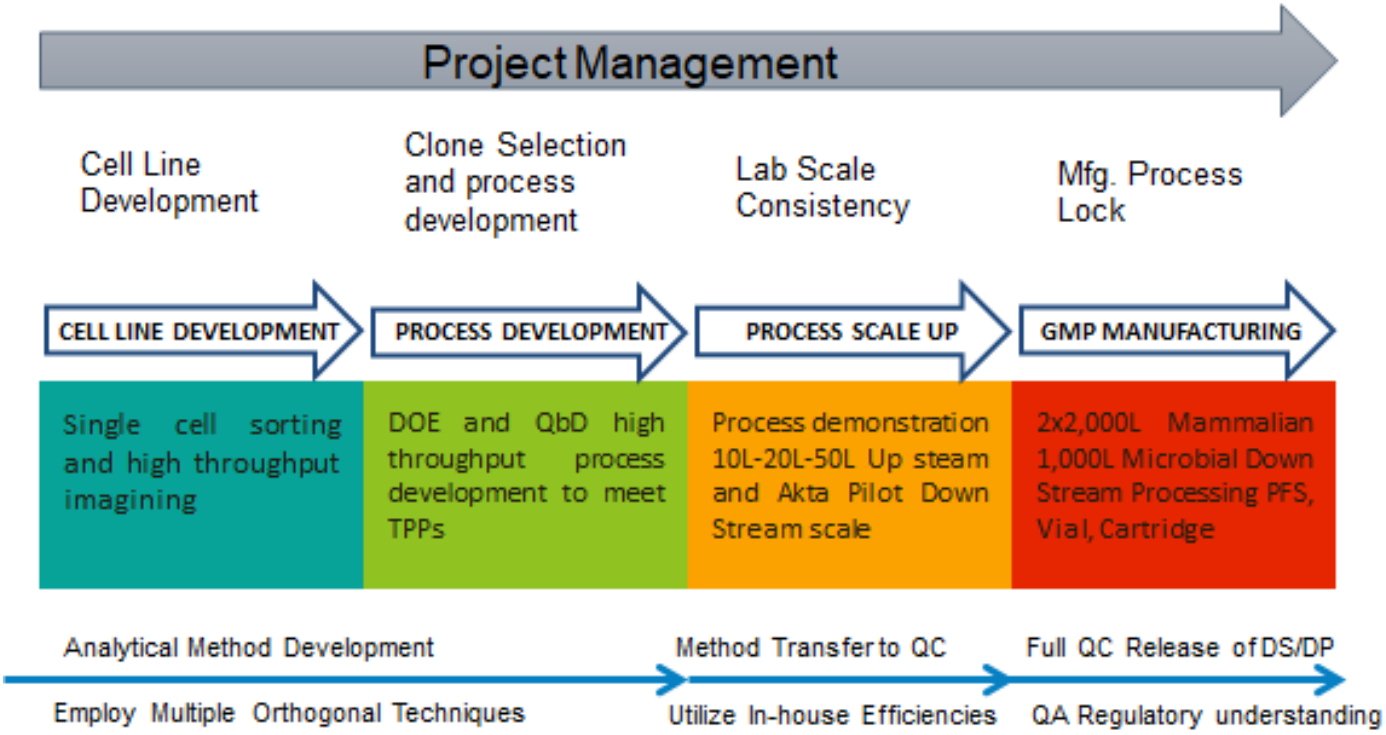
Source: MOFSL, Company

Full-scale service – a big advantage

Stelis offers full-scale services from development to manufacturing. On the R&D front, the company offers upstream/downstream, formulation and analytical development services. It also helps in process scale-up via microbial/mammalian upstream/downstream process scale-up and formulation fill/finish services. On the manufacturing side, it offers CDMO services like DS manufacturing, formulation, aseptic fill and finish, sterile injectable fill and finish.

Note that Stelis' CDMO site complies with various global standards (US, EU, WHO, PICS etc.) and thus can take up projects globally. Based on expected market demand and the company's readiness in offering comprehensive CDMO services, we expect gradual traction in this segment, going forward.

Exhibit 7: Stelis : Comprehensive CDMO services offered



Source: MOFSL, Company

STR's holding in Stelis to increase to 54%

Stelis has made an investment of USD160m till date, of which USD91m is in the form of equity. Of this USD91m, STR's investment is USD35m and it holds a 43% stake in Stelis. STR would further infuse USD40m which would raise its stake to 54%.

Exhibit 8: STR's ownership change in Stelis

	Current Ownership			Ownership after infusion of investments		
Partners	**No Of Shares**	**Value (USD)**	**Holding (%)**	**No Of Shares**	**Value (USD)**	**Holding (%)**
Strides	4,06,434	34.7	42.8	7,26,409	74.6	54.1
Minority investors	5,44,091	56.4	57.2	6,15,910	70.5	45.9
Total	9,50,525	91.1	100	13,42,319	145.1	100

Source: MOFSL, Company

Back with better economics in sterile injectables

Targets to achieve annual exit sales of USD200-400m over 24-48 months

- **With the conclusion of the non-compete agreement signed during the sale of the Agila business to Mylan, STR is now set to re-enter the sterile injectables segment.**
- **Overall investment in this segment for phase-I would be INR2b at entity level (STR has 54% ownership).**
- **STR is ready to execute submission batches for 10+ in-licensed products from Jan'20.**

Injectables – an attractive and niche opportunity

The ~USD70b global generics injectables market is likely to deliver a CAGR of 13% over the next 2-3 years. Competitive intensity remains benign, given supply disruption due to regulatory concerns, API sourcing, complex manufacturing, and higher operational/capital cost. Notably, in the FDA's list of shortage drugs, 60% were injectables.

Multi-pronged strategy to reduce lead time to market

STR has identified 27 products across base and differentiated category with an addressable market size of ~USD5b. Particularly,

- The company would be executing submission batches for in-licensed products shortly and for in-house R&D projects by Aug'20.
- STR intends to have 15-20 filings every year in this segment. In addition to in-house R&D (including freeze dried technology), the company would have strategic partnerships for a technology platform, which would enhance drug stability, improve bioavailability and cold chain management.
- With the focused drugs in the shortage list, approvals will likely be fast tracked, reducing lead time to market for STR.
- Most products would utilize the group's manufacturing network. This will not only ensure compliance but also timely availability of required raw material.

Sterile injectables to require investment of INR2b in first phase

The bulk of the INR2b investment for Sterile 2.0 would be toward product development and filings. The economic interest of STR would be 54% in sterile injectables entity. Manufacturing asset built by Stelis would be utilized for commercialization of products post approval.

Strong team in place for superior execution

STR has already put in place a team comprising technical leadership, project management/manufacturing and quality/compliance to execute strategy of sterile injectables. Interestingly, STR has ex-Agila CEO (Venkat Iyer), ex-Agila global head of manufacturing and SCM (Sundhar CK) and ex-Agila head of quality assurance (Biju Mathew) who have strong expertise in injectables, pharmaceutical projects and compliance.

Valuation and view

- FY19 was a year of trough in terms of earnings for STR, in our view. Prospects appear promising over the next 2-3 years, backed by its increased market share in approved products/new launches and improving product availability in other regulatory markets. This apart, STR is building a niche portfolio of biosimilars/injectables to drive growth beyond the medium term.
- We expect 5x earnings growth over FY19-21, partly led by a low base of FY19. We continue to value STR on an SOTP basis to arrive at a price target of INR440. Re-iterate Buy.

Exhibit 9: Expect revenue CAGR of 8% over FY19-21

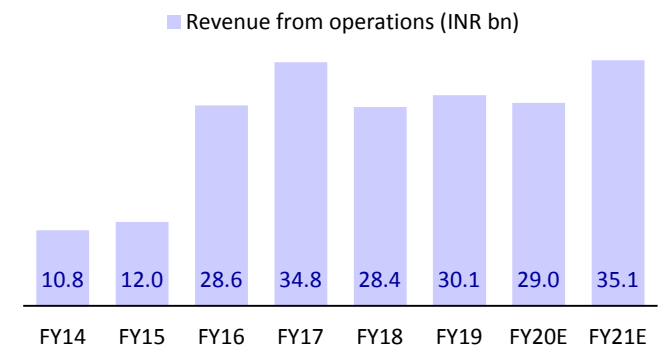


Exhibit 10: Margins to improve led by revenue growth

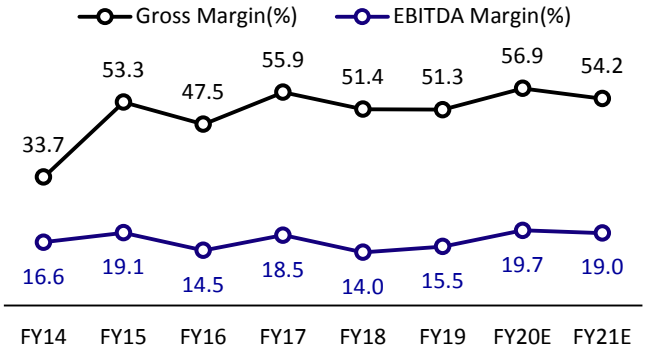
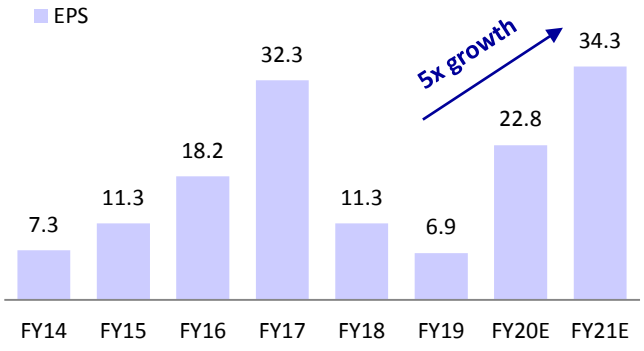
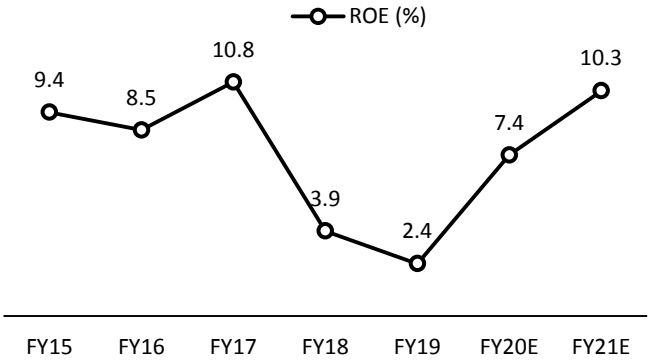


Exhibit 11: EPS to improve significantly over FY19-21



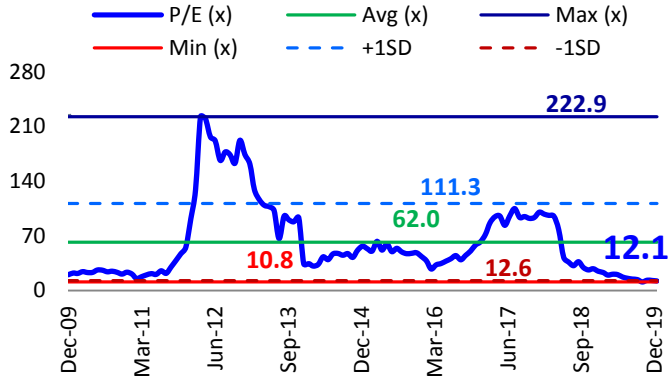
Source: : MOFSL, Company

Exhibit 12: Superior execution to drive RoE going forward



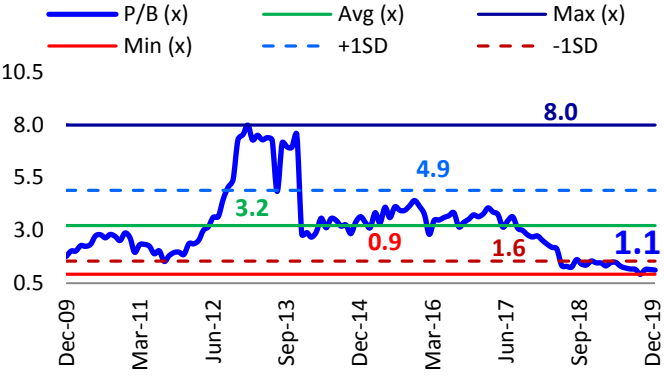
Source: : MOFSL, Company

Exhibit 13: P/E chart



Source: MOFSL, Company, Bloomberg

Exhibit 14: P/B chart



Source: MOFSL, Company, Bloomberg

Financials and Valuations

Consolidated - Income Statement (INR M)

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Total Income from Operations	**11,959**	**28,622**	**34,834**	**28,394**	**30,117**	**28,993**	**35,070**
Change (%)	-10.8	139.3	21.7	-18.5	6.1	-3.7	21.0
EBITDA	**2,288**	**4,140**	**6,428**	**3,965**	**4,662**	**5,712**	**6,663**
Margin (%)	19.1	14.5	18.5	14.0	15.5	19.7	19.0
Depreciation	640	1,313	1,872	1,540	1,719	1,742	1,892
EBIT	**1,648**	**2,827**	**4,557**	**2,425**	**2,944**	**3,969**	**4,772**
Int. and Finance Charges	474	1,682	2,269	1,962	2,053	1,628	949
Other Income	386	921	1,686	941	340	428	175
PBT bef. EO Exp.	**1,560**	**2,067**	**3,973**	**1,403**	**1,230**	**2,769**	**3,998**
EO Items	-74	-414	-1,006	-436	-26	741	0
PBT after EO Exp.	**1,486**	**1,653**	**2,967**	**967**	**1,204**	**3,510**	**3,998**
Total Tax	532	425	470	97	131	246	560
Tax Rate (%)	35.8	25.7	15.8	10.1	10.9	7.0	14.0
Minority Interest	-6	-88	458	168	483	520	368
Reported PAT from Continuing Ops.	**16**	**1,317**	**2,039**	**702**	**589**	**2,745**	**3,071**
Adj. PAT from Continuing Ops.	**1,007**	**1,624**	**2,886**	**1,007**	**613**	**2,035**	**3,071**
Change (%)	54.7	61.3	77.6	-65.1	-39.2	232.1	50.9
Margin (%)	8.4	5.7	8.3	3.5	2.0	7.0	8.8

Consolidated - Balance Sheet (INR M)

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Equity Share Capital	596	894	894	895	895	895	895
Total Reserves	10,853	25,685	26,210	23,651	25,592	27,637	29,926
Net Worth	**11,449**	**26,579**	**27,104**	**24,546**	**26,487**	**28,532**	**30,821**
Minority Interest	187	502	1,640	1,547	1,530	1,530	1,530
Total Loans	8,917	35,418	36,997	29,494	37,781	27,281	25,506
Deferred Tax Liabilities	-54	-502	89	-615	534	534	534
Capital Employed	**20,500**	**61,997**	**65,829**	**54,971**	**66,331**	**57,877**	**58,391**
Gross Block	9,437	18,987	22,233	26,233	28,784	33,440	35,344
Less: Accum. Deprn.	3,792	1,468	2,771	4,311	6,030	7,772	9,664
Net Fixed Assets	**5,645**	**17,520**	**19,462**	**21,922**	**22,755**	**25,668**	**25,681**
Goodwill on Consolidation	1,368	9,267	9,670	9,147	13,691	9,491	9,491
Capital WIP	1,712	8,149	7,802	3,220	5,060	1,620	932
Total Investments	**6,300**	**13,409**	**15,952**	**8,159**	**8,740**	**8,740**	**8,740**
Curr. Assets, Loans&Adv.	**9,668**	**25,256**	**27,582**	**21,721**	**28,288**	**23,675**	**27,326**
Inventory	2,077	6,131	7,380	5,520	8,707	7,964	9,717
Account Receivables	3,900	10,330	9,971	8,822	9,872	9,504	11,496
Cash and Bank Balance	1,469	3,116	3,295	3,033	5,167	1,834	824
Loans and Advances	2,223	5,679	6,936	4,346	4,543	4,373	5,290
Curr. Liability & Prov.	**4,194**	**11,605**	**14,638**	**9,220**	**12,223**	**11,337**	**13,800**
Account Payables	2,065	7,836	7,521	7,121	8,942	8,178	9,979
Other Current Liabilities	1,268	2,943	5,986	1,364	1,446	1,392	1,684
Provisions	861	826	1,131	736	1,835	1,767	2,137
Net Current Assets	**5,474**	**13,652**	**12,944**	**12,501**	**16,065**	**12,337**	**13,526**
Appl. of Funds	**20,500**	**61,997**	**65,829**	**54,971**	**66,331**	**57,877**	**58,391**

Financials and Valuations

Ratios

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
EPS	**11.3**	**18.2**	**32.3**	**11.3**	**6.9**	**22.8**	**34.3**
Cash EPS	18.4	32.8	53.2	28.5	26.1	42.2	55.5
BV/Share	128.0	297.2	303.1	274.5	296.2	319.1	344.7
DPS	71.9	0.8	0.0	2.0	1.7	7.8	8.7
Payout (%)	43,880.3	6.2	0.0	25.5	25.5	25.5	25.5
Valuation (x)							
P/E	32.0	19.8	11.2	32.0	52.5	15.8	10.5
Cash P/E	19.5	11.0	6.8	12.6	13.8	8.5	6.5
P/BV	2.8	1.2	1.2	1.3	1.2	1.1	1.0
EV/Sales	3.3	2.3	1.9	2.1	2.2	2.0	1.6
EV/EBITDA	17.3	15.6	10.3	14.8	13.9	10.1	8.5
Dividend Yield (%)	20.0	0.2	0.0	0.6	0.5	2.2	2.4
FCF per share	-17.6	-32.7	-43.2	54.8	-65.3	107.2	30.1
Return Ratios (%)							
RoE	9.4	8.5	10.8	3.9	2.4	7.4	10.3
RoCE	7.3	6.8	8.3	5.1	4.9	6.8	7.6
RoIC	10.8	8.7	10.1	5.5	6.0	7.9	8.8
Working Capital Ratios							
Fixed Asset Turnover (x)	1.3	1.5	1.6	1.1	1.0	0.9	1.0
Asset Turnover (x)	0.6	0.5	0.5	0.5	0.5	0.5	0.6
Inventory (Days)	63	78	77	71	106	100	101
Debtor (Days)	119	132	104	113	120	120	120
Creditor (Days)	63	100	79	92	108	103	104
Leverage Ratio (x)							
Current Ratio	2.3	2.2	1.9	2.4	2.3	2.1	2.0
Interest Cover Ratio	3.5	1.7	2.0	1.2	1.4	2.4	5.0
Net Debt/Equity	0.1	0.7	0.7	0.7	0.9	0.6	0.5

Consolidated - Cash Flow Statement **(INR M)**

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
OP/(Loss) before Tax	9,920	1,464	4,971	1,153	1,230	3,510	3,998
Depreciation	640	1,520	1,987	1,540	1,719	1,742	1,892
Interest & Finance Charges	163	998	1,521	1,022	1,714	1,200	774
Direct Taxes Paid	-560	-770	-586	-97	-131	-246	-560
(Inc)/Dec in WC	-959	-3,417	-3,413	182	-1,431	395	-2,199
CF from Operations	**9,205**	**-206**	**4,480**	**3,800**	**3,100**	**6,602**	**3,905**
Others	-8,371	938	-1,599	0	0	0	0
CF from Operating incl EO	**834**	**732**	**2,881**	**3,800**	**3,100**	**6,602**	**3,905**
(Inc)/Dec in FA	-2,406	-3,658	-6,746	1,104	-8,935	2,984	-1,216
Free Cash Flow	**-1,572**	**-2,925**	**-3,865**	**4,904**	**-5,835**	**9,586**	**2,689**
(Pur)/Sale of Investments	4,515	286	1,269	7,793	-581	0	0
Others	427	-25,153	-607	941	340	428	175
CF from Investments	**2,536**	**-28,525**	**-6,084**	**9,838**	**-9,176**	**3,412**	**-1,041**
Issue of Shares	31	12,264	165	1	0	0	0
Inc/(Dec) in Debt	3,208	18,789	5,962	-7,525	8,287	-10,500	-1,775
Interest Paid	-381	-1,347	-2,370	-1,962	-2,053	-1,628	-949
Dividend Paid	-7,070	-251	-376	-179	-150	-699	-782
Others	0	-15	0	-4,234	2,126	-520	-368
CF from Fin. Activity	**-4,213**	**29,439**	**3,382**	**-13,899**	**8,210**	**-13,347**	**-3,874**
Inc/Dec of Cash	**-843**	**1,647**	**179**	**-262**	**2,134**	**-3,333**	**-1,010**
Opening Balance	2,312	1,469	3,116	3,295	3,033	5,167	1,834
Closing Balance	**1,469**	**3,116**	**3,295**	**3,033**	**5,167**	**1,834**	**824**

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MOFSL is a subsidiary company of Passionate Investment Management Pvt. Ltd.. (PIMPL). MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL),NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at http://onlinereports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the"1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL , including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co.Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore.As per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

Specific Disclosures

1 MOSL, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
2 MOSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
3 MOSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
4 MOSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
5 Research Analyst has not served as director/officer/employee in the subject company
6 MOSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
7 MOSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
8 MOSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
9 MOSL has not received any compensation or other benefits from third party in connection with the research report
10 MOSL has not engaged in market making activity for the subject company

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company
- received compensation/other benefits from the subject company in the past 12 months

- other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 71934200/ 022-71934263; Website www.motilaloswal.com.CIN no.: L67190MH2005PLC153397.Correspondence Office Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad(West), Mumbai-400 064. Tel No: 022 7188 1000.

Registration Nos.: Motilal Oswal Financial Services Limited (MOFSL)*: INZ000158836(BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412. AMFI: ARN - 146822; Investment Adviser: INA000007100; Insurance Corporate Agent: CA0579;PMS:INP000006712. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP000000670); PMS and Mutual Funds are offered through MOAMC which is group company of MOFSL. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) is offered through MOWML, which is a group company of MOFSL. Motilal Oswal Financial Services Limited is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs,Insurance Products and IPOs.Real Estate is offered through Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. which is a group company of MOFSL. Private Equity is offered through Motilal Oswal Private Equity Investment Advisors Pvt. Ltd which is a group company of MOFSL. Research & Advisory services is backed by proper research. Please read the Risk Disclosure Document prescribed by the Stock Exchanges carefully before investing. There is no assurance or guarantee of the returns. Investment in securities market is subject to market risk, read all the related documents carefully before investing. Details of Compliance Officer: Name: Neeraj Agarwal, Email ID: na@motilaloswal.com, Contact No.:022-71881085.

* MOSL has been amalgamated with Motilal Oswal Financial Services Limited (MOFSL) w.e.f August 21, 2018 pursuant to order dated July 30, 2018 issued by Hon'ble National Company Law Tribunal, Mumbai Bench.