

Glenmark Pharmaceuticals

18 August 2020

Reuters: GLEN.NS; Bloomberg: GNP IN

Operational cost savings help offset pain of revenue decline

Glenmark Pharmaceuticals (Glenmark) reported 1QFY21 revenue of Rs23,448mn, which was above our estimate by 4.5% and below consensus estimate by 2%. Revenue was up 1% YoY and down 15% QoQ. EBITDA margin stood at 20.4% (up 567bps YoY), led by cost savings. The management expects EBITDA margin to remain in the range of 19-20% in FY21.

The sequential decline in revenue was due to decline across all geographies, except India. The API revenue was also down as the capacities were occupied for the production of Favipiravir. But growth is expected in API revenue 2Q onwards. EBITDA for the quarter stood at Rs4,781mn, up 40% YoY and 3% QoQ. EBITDA margin expanded by 567bps YoY and was led by savings in SG&A costs (mainly due to cost saving related to sales & promotion and travelling expenses). EBITDA margin for FY21 is expected at around 19%. Net profit for 1QFY21 stood at Rs2,540mn, up 15% QoQ partly due to the impact of exceptional item worth Rs280mn. The tax rate for 1QFY21 was 31% but should be in the range of 28-29% for FY21.

Growth should revive across geographies in subsequent quarters: India should benefit from an improvement in demand and Favipiravir launch for the treatment of Covid-19. Clinical trials evaluating the combination of two anti-viral treatments - Favipiravir and Umifenovir are also expected to report data soon. Decline in the US revenue during the quarter was on account of erosion in the dermatology portfolio and lower demand. The US revenue base seems to have bottomed out and should grow on the back of higher demand and new launches (8-10 in FY21). Europe, LATAM and Rest of the World should also return to growth. The management expects Europe to grow in high single digit for the rest of FY21 with 2Q continuing to be softer. Salmex (generic Advair Diskus) is ramping up in Europe and its market share currently is in low single digit. The launch of Tiotropium inhaler in Europe is expected by the end of FY21.

Expect EBITDA margin to remain in 19-20% range for the rest of the year: Cost savings, led by lower spends on sales & promotion/travelling should continue to aid margins for the rest of FY21. While these savings should decline as the year progresses and the pandemic comes under control, higher revenue should help offset the same. During the year, the new manufacturing facility at Monroe should also be commercialized and associated costs should start hitting the P&L.

Net debt declines by Rs1,800mn aided by V-Wash transaction: The net debt declined by Rs1,800mn in 1QFY21 and was aided by the proceeds from the V-Wash divestment transaction. The company is hopeful of reducing the net debt further during the year as it has tightened its capex plans. Capex should be in the range of Rs7,000mn to Rs8,000mn. In addition, the company is looking at an incremental divestment/partnering transaction and has initiated efforts to raise capital for its NCE subsidiary – Ichnos Sciences, which should also help the process of debt reduction.

We tweak our earnings forecasts on Glenmark considering the changes in the cost structure and lower revenue from other geographies. Based on the revised estimates, we arrive at a target price of Rs501, which is based on 13x PE on FY22 EPS with an Accumulate rating.

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ACCUMULATE

Sector: Pharmaceuticals

CMP: Rs481

Target Price: Rs501

Upside: 4%

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Key Data

| | |
|--------------------------|-----------|
| Current Shares O/S (mn) | 282.2 |
| Mkt Cap (Rsbn/US\$bn) | 135.6/1.8 |
| 52 Wk H / L (Rs) | 573/162 |
| Daily Vol. (3M NSE Avg.) | 7,030,923 |

Price Performance (%)

| | 1 M | 6 M | 1 Yr |
|-----------------|------|-------|------|
| Glenmark Pharma | 11.8 | 54.8 | 33.1 |
| Nifty Index | 3.2 | (6.6) | 1.8 |

Source: Bloomberg

[Latest Annual Report](#)
[Latest Presentation/MD&A](#)

| Y/E March (Rsmn) | 1QFY20 | 4QFY20 | 1QFY21 | YoY (%) | QoQ (%) | FY19 | FY20 | YoY (%) |
|---------------------------------------|---------------|---------------|---------------|----------------|----------------|---------------|-----------------|------------------|
| Net revenue | 22,836 | 27,113 | 23,093 | 1.1 | -14.8 | 97,051 | 1,03,972 | 7.1 |
| Other operating income | 393 | 562 | 355 | -9.6 | -36.8 | 1,604 | 2,437 | 52.0 |
| Total income | 23,229 | 27,675 | 23,448 | 0.9 | -15.3 | 98,655 | 1,06,410 | 7.9 |
| Total material costs | 8,101 | 9,761 | 8,084 | -0.2 | -17.2 | 33,623 | 36,986 | 10.0 |
| % of revenue | 35.5 | 36.0 | 35.0 | (47) bps | (99) bps | 34.6 | 35.6 | 93 bps |
| Staff costs | 4,867 | 5,242 | 5,096 | 4.7 | -2.8 | 20,561 | 22,548 | 9.7 |
| % of revenue | 21.3 | 19.3 | 22.1 | 76 bps | 273 bps | 21.2 | 21.7 | 50 bps |
| Other expenses | 6,842 | 8,015 | 5,487 | -19.8 | -31.5 | 28,613 | 29,895 | 4.5 |
| % of revenue | 30.0 | 29.6 | 23.8 | (620) bps | (580) bps | 29.5 | 28.8 | (73) bps |
| EBITDA | 3,419 | 4,657 | 4,781 | 39.8 | 2.7 | 15,858 | 16,981 | 7.1 |
| EBITDA margin (%) | 14.7 | 16.8 | 20.4 | 567 bps | 356 bps | 16.1 | 16.0 | (12) bps |
| Other income | 17 | 441 | 585 | 3,405.9 | 32.5 | 2,081 | 1,596 | -23.3 |
| Interest costs | 930 | 985 | 937 | 0.8 | -4.8 | 3,346 | 3,773 | 12.8 |
| Depreciation | 907 | 1,263 | 1,132 | 24.8 | -10.3 | 3,259 | 4,172 | 28.0 |
| Forex (gain)/Loss | 0 | 0 | 0 | 0.0 | 0.0 | 0 | 0 | - |
| PBT (before exceptional items) | 1,598 | 2,851 | 3,296 | 106.2 | 15.6 | 11,334 | 10,632 | -6.2 |
| Exceptional items | 0 | 329 | 280 | 0.0 | 0.0 | 1,672 | 329 | 0.0 |
| Share of profit in JV | 0 | 0 | 0 | - | - | 0 | 0 | - |
| Tax | 506 | 977 | 1,036 | 104.9 | 6.1 | 3,756 | 3,201 | -14.8 |
| Tax rate (%) | 31.6 | 34.3 | 31.4 | (21) bps | (283) bps | 33.1 | 30.1 | (303) bps |
| PAT | 1,093 | 2,203 | 2,540 | 132.5 | 15.3 | 9,250 | 7,760 | -16.1 |
| PAT Margin (%) | 4.7 | 8.0 | 10.8 | 613 bps | 287 bps | 9.4 | 7.3 | (208) bps |

Source: Company, Nirmal Bang Institutional Equities Research

Please refer to the disclaimer towards the end of the document.

Earnings conference call summary

Favipiravir: In June 2020, Glenmark became the first company to develop and launch the antiviral drug Favipiravir (brand name FabiFlu®) for the treatment of mild to moderate COVID-19. Till date, Glenmark is the only company to have conducted a Phase 3 clinical trial on Indian patients with Favipiravir. The company also recently introduced a 400 mg version of oral antiviral FabiFlu® for the treatment of mild to moderate COVID-19 in India.

India business: The India business outperformed the IPM as it registered a growth of 5.5% compared to the 1.8% decline in IPM in 1QFY21. During the quarter, Glenmark introduced a 3-in-1 inhaler therapy “AIRZ-FF” for COPD in India, promising reduced risk of severe attacks and improvement in lung function. Glenmark’s Remogliflozin has emerged the second highest in terms of quantity in the SGLT2 segment and ranked number one in terms of prescription (Rx) with a market share of 31.4% in the SGLT2 segment. The company also launched the combination of Remogliflozin etabonate and Metformin Hydrochloride for adults with type 2 diabetes in India. In IPM, Glenmark’s market share in the Cardiac segment increased from 4.57% to 4.73%; the Respiratory segment’s market share rose from 4.82% to 5.16%; the Anti-diabetic segment’s market share increased from 1.62% to 1.84% and the Derma segment’s market share fell from 9.06% to 8.82%.

US business: The Derma segment contributes around 30% to the US revenue as against the high of 40-45%. The company filed 3 ANDAs in 1QFY21 and plans 3 more ANDAs in the next quarter. The company launched 3 products and has received 2 approvals. The company is targeting 8-10 launches this year. The company is expected to close 1 out-licensing deal in the US in FY21.

Europe: The company witnessed growth in Europe despite the ongoing pandemic. The UK and German subsidiaries launched three products during the quarter. Central Eastern Europe was under pressure due to the pandemic with most of the major markets not performing well in the quarter. The Czech subsidiary managed to launch 4 products during the quarter. The management has guided for high single digit to low teens growth in Europe. The in-licensed portfolio contributes around 45% to European revenue. The company has settled with GSK on Salmex and will look to launch it across Europe as against current launches in the Nordic countries.

LATAM: The Brazilian subsidiary recorded good growth in constant currency terms on account of the three in-licensed products. However, due to the lockdown, the Mexico subsidiary’s revenue declined by 33%, which affected the performance of the region. The in-licensing contributes around 25% to the LATAM business revenue.

Rylatris: The company is yet to respond to the CRL by USFDA. The approval in the US is expected in the second half of 2021. Approval in Europe is expected by the end of this year. The company’s partner Seqirus enabled the commercial launch of Rylatris in Australia. The company plans to initiate commercial launch in South Africa and Namibia in 2QFY21. The company’s partner in China, Grand Pharmaceutical (China) Co. Ltd. plans to submit an IND in 3QFY21.

Guidance: Considering the uncertainties, the company has not shared any growth guidance. However, 1QFY21 has been weak across geographies. In 4QFY20, domestic sales and Europe sales benefitted from one-time events and should come down to normal levels in the subsequent quarters. The management has shared that the gross margin is expected to be around 64.5% in the near future.

Baddi plant resolution: Work on the resolution of warning letter for the Baddi facility is underway.

R&D: R&D spend in 1QFY21 stood at around Rs2,540mn at 10.84% of sales. The company has guided for 11% R&D as percentage of revenue going forward. Around 60-65% of R&D expenditure is spent on innovative products and the rest is spent on generic products.

Capex: The capex for 1QFY21 was around Rs1,300mn and the expected capex for FY21 is around Rs7,000mn. Around Rs2,000mn investment will be towards intangibles, which translates into in-licensing.

Tax rate: The Tax rate for FY21 is expected to be around 28-29%. The cash tax rate will also be around similar number.

Monroe facility costs: The oral solids facility has started and the injectables facility should start in the coming quarters. As a result, the costs would largely operationalize in this fiscal only.

Debt: The company’s net debt stood at Rs36,020mn and was down by Rs1,800mn on a constant currency basis.

ICHNOS Sciences: The company invested Rs1,735mn in 1QFY21 compared to Rs1,900mn in 1QFY20. The company has appointed a banker to overlook the fund raising and it is expected to happen by the second half of FY21.

Exhibit 1: Key financials

| Y/E March (Rsmn) | FY18 | FY19 | FY20 | FY21E | FY22E |
|-------------------|--------|--------|----------|----------|----------|
| Net sales | 91,031 | 98,655 | 1,06,410 | 1,06,850 | 1,17,088 |
| EBITDA | 16,154 | 15,858 | 16,981 | 19,548 | 21,753 |
| Net profit | 8,039 | 9,250 | 7,760 | 9,056 | 10,865 |
| EPS (Rs) | 28.5 | 32.8 | 27.5 | 32.1 | 38.5 |
| EPS growth (%) | (27.5) | 15.1 | (16.1) | 16.7 | 20.0 |
| EBITDA margin (%) | 17.7 | 16.1 | 16.0 | 18.3 | 18.6 |
| PER (x) | 18.5 | 19.7 | 7.5 | 14.8 | 12.3 |
| P/BV (x) | 2.9 | 3.2 | 1.0 | 1.9 | 1.7 |
| EV/EBITDA (x) | 11.2 | 13.3 | 5.4 | 8.2 | 7.1 |
| RoCE (%) | 18.0 | 19.0 | 15.8 | 17.9 | 18.8 |
| RoE (%) | 15.6 | 16.5 | 12.8 | 13.1 | 13.7 |

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 2: Actual performance versus our estimate

| (Rsmn) | Actuals | NBIE | Var(%) | Cons. | Var(%) |
|-------------------|---------|--------|---------|--------|---------|
| Sales | 23,448 | 22,418 | 4.6 | 23,931 | (2.0) |
| EBITDA | 4,781 | 2,895 | 65.1 | 3,769 | 26.9 |
| EBITDA margin (%) | 20.4 | 12.9 | 748 bps | 15.7 | 469 bps |
| Reported PAT | 2,540 | 778 | 226.7 | 1,282 | 98.2 |

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 3: Actual performance versus our estimate

| (Rsmn) | New estimates | | Old estimates | | Change (%) | |
|------------|---------------|----------|---------------|----------|------------|---------|
| | FY21E | FY22E | FY21E | FY22E | FY21E | FY22E |
| Net sales | 1,06,850 | 1,17,088 | 1,12,089 | 1,22,641 | (4.7) | (4.5) |
| EBITDA | 19,548 | 21,753 | 18,334 | 21,380 | 6.6 | 1.7 |
| Margin (%) | 18.3 | 18.6 | 16.4 | 17.4 | 194 bps | 115 bps |
| PAT | 9,056 | 10,865 | 7,994 | 10,133 | 13.3 | 7.2 |
| Margin (%) | 8.5 | 9.3 | 7.1 | 8.3 | 134 bps | 102 bps |
| EPS | 32.1 | 38.5 | 28.3 | 35.9 | 13.5 | 7.3 |

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 4: Revenue Summary

| Revenue summary | 1QFY19 | 2QFY19 | 3QFY19 | 4QFY19 | 1QFY20 | 2QFY20 | 3QFY20 | 4QFY20 | 1QFY21 |
|---------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| India | 6,633 | 7,784 | 6,675 | 6,678 | 7,522 | 8,964 | 7,888 | 7,648 | 7,799 |
| USA | 7,037 | 8,102 | 8,557 | 7,696 | 7,309 | 8,478 | 7,998 | 7,619 | 7,426 |
| Europe | 2,454 | 2,608 | 3,401 | 3,184 | 2,429 | 2,851 | 3,089 | 4,116 | 2,739 |
| ROW | 2,198 | 3,051 | 3,217 | 3,853 | 2,587 | 3,488 | 3,414 | 3,365 | 2,120 |
| LATAM | 976 | 985 | 1,014 | 1,204 | 811 | 1,212 | 1,563 | 1,769 | 658 |
| Total Formulations | 19,298 | 22,530 | 22,865 | 22,615 | 20,658 | 24,993 | 23,953 | 24,516 | 20,742 |
| API | 2,101 | 2,512 | 2,392 | 2,488 | 2,306 | 2,698 | 2,622 | 2,614 | 2,348 |
| Others | 257 | 771 | 293 | 532 | 265 | 459 | 781 | 545 | 357 |
| Net Revenues | 21,656 | 25,813 | 25,550 | 25,635 | 23,229 | 28,150 | 27,356 | 27,675 | 23,448 |
| | | | | | | | | | |
| Revenue Mix | 1QFY19 | 2QFY19 | 3QFY19 | 4QFY19 | 1QFY20 | 2QFY20 | 3QFY20 | 4QFY20 | 1QFY21 |
| India | 30.6 | 30.2 | 26.1 | 26.1 | 32.4 | 31.8 | 28.8 | 27.6 | 33.3 |
| USA | 32.5 | 31.4 | 33.5 | 30.0 | 31.5 | 30.1 | 29.2 | 27.5 | 31.7 |
| Europe | 11.3 | 10.1 | 13.3 | 12.4 | 10.5 | 10.1 | 11.3 | 14.9 | 11.7 |
| ROW | 10.1 | 11.8 | 12.6 | 15.0 | 11.1 | 12.4 | 12.5 | 12.2 | 9.0 |
| LATAM | 4.5 | 3.8 | 4.0 | 4.7 | 3.5 | 4.3 | 5.7 | 6.4 | 2.8 |
| Total Formulations | 89.1 | 87.3 | 89.5 | 88.2 | 88.9 | 88.8 | 87.6 | 88.6 | 88.5 |
| API | 9.7 | 9.7 | 9.4 | 9.7 | 9.9 | 9.6 | 9.6 | 9.4 | 10.0 |
| Others | 1.2 | 3.0 | 1.1 | 2.1 | 1.1 | 1.6 | 2.9 | 2.0 | 1.5 |
| | | | | | | | | | |
| Q-o-Q Growth (%) | 1QFY19 | 2QFY19 | 3QFY19 | 4QFY19 | 1QFY20 | 2QFY20 | 3QFY20 | 4QFY20 | 1QFY21 |
| India | 9.0 | 17.3 | -14.2 | 0.0 | 12.6 | 19.2 | -12.0 | -3.1 | 2.0 |
| USA | 0.6 | 15.1 | 5.6 | -10.1 | -5.0 | 16.0 | -5.7 | -4.7 | -2.5 |
| Europe | -23.1 | 6.3 | 30.4 | -6.4 | -23.7 | 17.4 | 8.4 | 33.2 | -33.5 |
| ROW | -26.4 | 38.8 | 5.4 | 19.8 | -32.8 | 34.8 | -2.1 | -1.4 | -37.0 |
| LATAM | -23.5 | 0.9 | 3.0 | 18.7 | -32.6 | 49.5 | 28.9 | 13.1 | -62.8 |
| Total Formulations | -6.0 | 16.7 | 1.5 | -1.1 | -8.7 | 21.0 | -4.2 | 2.4 | -15.4 |
| API | 2.5 | 19.6 | -4.8 | 4.0 | -7.3 | 17.0 | -2.8 | -0.3 | -10.2 |
| Others | 18.9 | 200.2 | -62.0 | 81.6 | -50.3 | 73.6 | 70.0 | -30.3 | -34.4 |
| Net Revenues | -5.0 | 19.2 | -1.0 | 0.3 | -9.4 | 21.2 | -2.8 | 1.2 | -15.3 |
| | | | | | | | | | |
| Y-o-Y Growth (%) | 1QFY19 | 2QFY19 | 3QFY19 | 4QFY19 | 1QFY20 | 2QFY20 | 3QFY20 | 4QFY20 | 1QFY21 |
| India | 7.6 | 9.5 | 15.4 | 9.7 | 13.4 | 15.2 | 18.2 | 14.5 | 3.7 |
| USA | -32.7 | 11.4 | 16.3 | 10.0 | 3.9 | 4.6 | -6.5 | -1.0 | 1.6 |
| Europe | 51.4 | 30.4 | 5.6 | -0.2 | -1.0 | 9.3 | -9.2 | 29.3 | 12.8 |
| ROW | -2.9 | 21.0 | 43.2 | 29.1 | 17.7 | 14.3 | 6.1 | -12.6 | -18.1 |
| LATAM | 15.5 | -5.9 | 12.9 | -5.7 | -16.9 | 23.1 | 54.1 | 46.9 | -18.9 |
| Total Formulations | -9.6 | 13.0 | 17.2 | 10.1 | 7.0 | 10.9 | 4.8 | 8.4 | 0.4 |
| API | 2.6 | 6.2 | 3.3 | 21.4 | 9.8 | 7.4 | 9.6 | 5.1 | 1.8 |
| Others | 8.2 | 204.1 | 40.2 | 146.2 | 3.0 | -40.4 | 166.6 | 2.4 | 35.0 |
| Net Revenues | -8.4 | 14.4 | 15.9 | 12.4 | 7.3 | 9.1 | 7.1 | 8.0 | 0.9 |

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 5: Margin Summary

| Margins (%) | 1QFY19 | 2QFY19 | 3QFY19 | 4QFY19 | 1QFY20 | 2QFY20 | 3QFY20 | 4QFY20 | 1QFY21 |
|---------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Gross Margin | 65.0 | 65.9 | 66.3 | 66.4 | 65.1 | 65.0 | 66.1 | 64.7 | 65.5 |
| EBITDA Margin | 16.0 | 17.0 | 17.0 | 14.2 | 14.7 | 16.0 | 16.1 | 16.8 | 20.4 |
| EBIT Margin | 12.4 | 13.9 | 13.8 | 11.0 | 10.8 | 12.7 | 12.2 | 12.3 | 15.6 |
| PAT Margin | 10.8 | 16.0 | 4.6 | 6.3 | 4.7 | 9.1 | 7.0 | 8.0 | 10.8 |

Source: Company, Nirmal Bang Institutional Equities Research

Financials
Exhibit 6: Income statement

| Y/E March (Rsmn) | FY18 | FY19 | FY20 | FY21E | FY22E |
|--|---------------|---------------|-----------------|-----------------|-----------------|
| Net sales | 91,031 | 98,655 | 1,06,410 | 1,06,850 | 1,17,088 |
| % growth | -0.9 | 8.4 | 7.9 | 0.4 | 9.6 |
| Raw material costs | 30,386 | 33,623 | 36,986 | 37,274 | 39,516 |
| Staff costs | 18,718 | 20,561 | 22,548 | 22,677 | 24,492 |
| R&D Expenses | 11,220 | 12,980 | 13,520 | 11,754 | 11,709 |
| Other expenditure | 25,773 | 28,613 | 29,895 | 27,350 | 31,327 |
| Total expenditure | 74,877 | 82,797 | 89,429 | 87,302 | 95,334 |
| EBITDA | 16,154 | 15,858 | 16,981 | 19,548 | 21,753 |
| % growth | -20.7 | -1.8 | 7.1 | 15.1 | 11.3 |
| EBITDA margin (%) | 17.7 | 16.1 | 16.0 | 18.3 | 18.6 |
| Other income | 914 | 2,081 | 1,596 | 2,341 | 2,575 |
| Interest costs | 2,856 | 3,346 | 3,773 | 3,750 | 3,418 |
| Gross profit | 60,645 | 65,031 | 69,423 | 69,576 | 77,572 |
| % growth | -7.7 | 7.2 | 6.8 | 0.2 | 11.5 |
| Depreciation | 3,019 | 3,259 | 4,172 | 5,079 | 5,607 |
| Profit before tax & Exceptional Items | 11,193 | 11,334 | 10,632 | 13,061 | 15,303 |
| Exceptional Items | 0 | 1,672 | 329 | 0 | 0 |
| Profit before tax | 11,193 | 13,006 | 10,961 | 13,061 | 15,303 |
| Tax | 3,155 | 3,756 | 3,201 | 4,005 | 4,438 |
| Effective tax rate (%) | 28 | 33 | 30 | 31 | 29 |
| PAT after Minority Interest | 8,039 | 9,250 | 7,760 | 9,056 | 10,865 |
| % growth | -27.5 | 15.1 | -16.1 | 16.7 | 20.0 |
| EPS (Rs) | 28.5 | 32.8 | 27.5 | 32.1 | 38.5 |
| % growth | -27.5 | 15.1 | -16.1 | 16.7 | 20.0 |

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 8: Balance sheet

| Y/E March (Rsmn) | FY18 | FY19 | FY20 | FY21E | FY22E |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Equity | 282 | 282 | 282 | 282 | 282 |
| Reserves | 51,353 | 55,770 | 60,423 | 68,800 | 78,986 |
| Net worth | 51,635 | 56,052 | 60,705 | 69,082 | 79,268 |
| Minority Interest | -4 | -4 | -4 | -4 | -4 |
| Net deferred tax liabilities | 284 | 458 | 572 | 572 | 572 |
| Total Loans | 44,368 | 38,768 | 44,856 | 39,383 | 35,979 |
| Other Financial Liabilities | 5,684 | 9,898 | 12,872 | 12,872 | 12,872 |
| Other Long Term Liabilities | 0 | 6 | 5 | 5 | 5 |
| Liabilities | 1,01,967 | 1,05,177 | 1,19,005 | 1,21,909 | 1,28,691 |
| Net Block | 18,958 | 20,978 | 29,777 | 39,086 | 42,374 |
| CWIP | 9,933 | 12,344 | 10,906 | 4,406 | 3,500 |
| Intangible Assets and Goodwill | 12,623 | 17,370 | 21,821 | 21,933 | 21,945 |
| Other Non Current Assets | 14,406 | 14,931 | 16,062 | 16,062 | 16,062 |
| Non-Current Investments | 147 | 297 | 246 | 246 | 246 |
| Inventories | 20,306 | 22,521 | 21,356 | 21,523 | 22,817 |
| Debtors | 23,318 | 21,946 | 24,090 | 22,439 | 24,588 |
| Cash | 12,347 | 9,378 | 11,112 | 12,525 | 14,875 |
| Other current assets | 13,916 | 13,124 | 11,478 | 11,478 | 11,478 |
| Total current assets | 69,887 | 66,968 | 68,036 | 67,964 | 73,758 |
| Creditors | 18,698 | 22,208 | 21,258 | 21,424 | 22,712 |
| Other current liabilities | 5,289 | 5,503 | 6,585 | 6,364 | 6,481 |
| Total current liabilities | 23,986 | 27,710 | 27,843 | 27,788 | 29,193 |
| Net current assets | 45,901 | 39,258 | 40,193 | 40,176 | 44,565 |
| Total assets | 1,01,967 | 1,05,177 | 1,19,005 | 1,21,909 | 1,28,691 |

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 7: Cash flow

| Y/E March (Rsmn) | FY18 | FY19 | FY20 | FY21E | FY22E |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| PBT | 11,193 | 13,006 | 10,961 | 13,061 | 15,303 |
| (Inc.)/dec. in working capital | 3,091 | 1,363 | 1,271 | 1,430 | -2,040 |
| Cash flow from operations | 14,284 | 14,370 | 12,231 | 14,491 | 13,263 |
| Other income | -878 | -1,869 | -1,896 | -2,341 | -2,575 |
| Interest Expense | 2,856 | 3,346 | 3,773 | 3,750 | 3,418 |
| Other Expenses | 716 | -1,437 | 314 | 0 | 0 |
| Depreciation | 3,019 | 3,259 | 4,172 | 5,079 | 5,607 |
| Tax paid (-) | -3,516 | -4,426 | -4,670 | -4,005 | -4,438 |
| Net cash from operations | 16,481 | 13,242 | 13,924 | 16,974 | 15,276 |
| Capital expenditure (-) | -10,227 | -12,320 | -7,753 | -8,000 | -8,000 |
| Net cash after capex | 6,253 | 922 | 6,171 | 8,974 | 7,276 |
| Other Investing activities | 94 | 5,330 | -82 | 2,341 | 2,575 |
| Cash from Financial Activities | -4,685 | -7,387 | -4,447 | -9,902 | -7,501 |
| Opening cash | 10,564 | 12,334 | 9,363 | 11,112 | 12,525 |
| Closing cash | 12,334 | 9,363 | 11,103 | 12,525 | 14,875 |
| Change in cash | 1,770 | -2,971 | 1,740 | 1,413 | 2,350 |

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 9: Key ratios

| Y/E March | FY18 | FY19 | FY20 | FY21E | FY22E |
|---|------|------|------|-------|-------|
| Profitability & return ratios | | | | | |
| EBITDA margin (%) | 17.7 | 16.1 | 16.0 | 18.3 | 18.6 |
| EBIT margin (%) | 15.4 | 14.9 | 13.5 | 15.7 | 16.0 |
| Net profit margin (%) | 8.8 | 9.4 | 7.3 | 8.5 | 9.3 |
| RoE (%) | 15.6 | 16.5 | 12.8 | 13.1 | 13.7 |
| RoCE (%) | 18.0 | 19.0 | 15.8 | 17.9 | 18.8 |
| Working capital & liquidity ratios | | | | | |
| Receivables (days) | 95 | 84 | 79 | 79 | 73 |
| Inventory (days) | 250 | 232 | 216 | 210 | 205 |
| Payables (days) | 227 | 222 | 214 | 209 | 204 |
| Current ratio (x) | 2.9 | 2.4 | 2.4 | 2.4 | 2.5 |
| Quick ratio (x) | 2.1 | 1.6 | 1.7 | 1.7 | 1.7 |
| Valuation ratios | | | | | |
| EV/sales (x) | 2.0 | 2.1 | 0.9 | 1.5 | 1.3 |
| EV/EBITDA (x) | 11.2 | 13.3 | 5.4 | 8.2 | 7.1 |
| P/E (x) | 18.5 | 19.7 | 7.5 | 14.8 | 12.3 |
| P/BV (x) | 2.9 | 3.2 | 1.0 | 1.9 | 1.7 |

Source: Company, Nirmal Bang Institutional Equities Research

P/E Chart

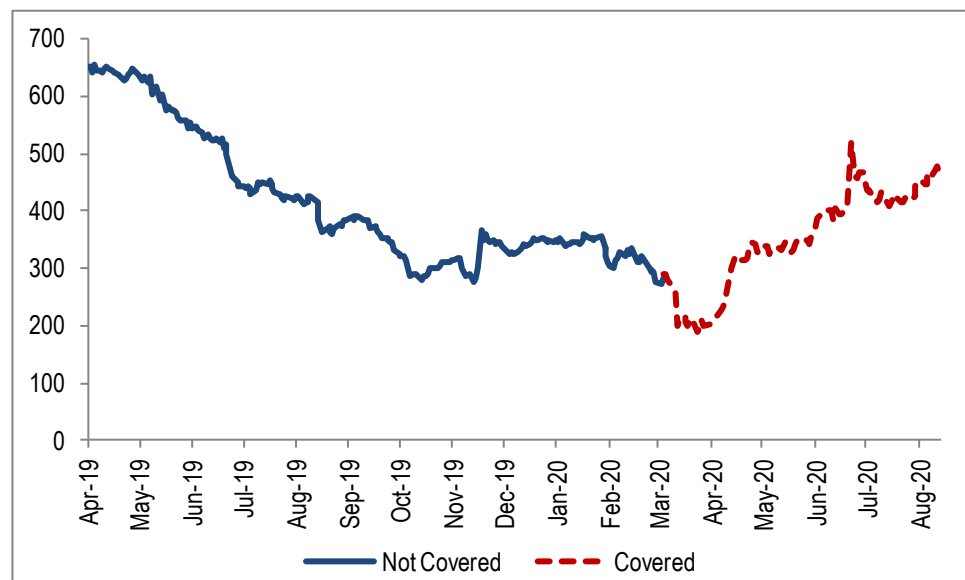


Source: BSE, Bloomberg, Company, Nirmal Bang Institutional Equities Research

Rating track

| Date | Rating | Market price (Rs) | Target price (Rs) |
|----------------|------------|-------------------|-------------------|
| 4 March 2020 | Buy | 282 | 390 |
| 27 March 2020 | Buy | 209 | 284 |
| 23 April 2020 | Buy | 318 | 390 |
| 29 June 2020 | Accumulate | 467 | 467 |
| 18 August 2020 | Accumulate | 476 | 501 |

Rating track graph



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Stock Ratings Absolute Returns

BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

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