INSTITUTIONAL RESEARCH

Alkem Laboratories

Occlutech M&A to support medtech aspiration

ADD

CMP *(as on 19 Feb 2026)*	INR 5,374
Target Price	INR 5,980
NIFTY	25,454

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 5980	INR 5980
EPS %	FY26E	FY27E
	-	-

KEY STOCK DATA	
Bloomberg code	ALKEM IN
No. of Shares (mn)	120
MCap (INR bn) / ($ mn)	643/7,090
6m avg traded value (INR mn)	808
52 Week high / low	INR 5,934/4,492

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(6.1)	(0.3)	13.4
Relative (%)	(2.9)	(1.3)	4.8

SHAREHOLDING PATTERN (%)	Sep-25	Dec-25
Promoters	51.2	51.2
FIs & Local MFs	21.93	21.54
FPIs	9.47	9.97
Public & Others	17.4	17.29
Pledged Shares	-	-

Source: BSE

Alkem MedTech (a w.o.s of Alkem Labs) to acquire 51-55% stake in Occlutech Holding AG (Occlutech) for cash consideration of Euro 99.4 mn, implying an EV of Euro 181 mn and a valuation of 3.7x EV/Sales and 86.1x EV/ EBITDA (CY25). Alkem expects to roll out the share purchase agreement (SPA) soon (by Mar-26) and close the transaction by Jun-26. In its analyst meet, the company highlighted its strategies and future aspirations (expanding in India and global medtech market). It aspires to create ~INR 15bn business under medtech with ~INR 10 bn coming from Occlutech (CVS segment) and INR 5bn from its India business under Bombay Ortho (orthopaedic implants), with an EBITDA margin of ~25% in the next five years. We see Alkem's diversification in medtech business with (1) moderate entry cost (to pay ~INR 10bn for Occlutech M&A; net cash of ~INR 56bn as of Dec-25), (2) foray in high-value and high-entry barrier market of CVS devices, (3) manufacturing, sales force, and distributor infra (in EU, US, and APAC), (4) product portfolio including commercial (ASD, PFO in EU, AFR in EU) and pipeline (PFO in US, LAA, VFR), and (5) access to Occlutech established presence in developed markets (the US and EU) – seen as a welcome move. Moreover, retention of senior team, commitment of founder Tor Peters to remain in his role, and Alkem's stated intention to avoid big-ticket M&As (open for bolt-on or tech transfer opportunity with cap of INR 2.5-3bn allocation) are the key positives. While integration of Occlutech may have a slight margin drag (of 40-45 bps in FY27/28E) and could be EPS neutral (-2%/1% impact on FY27/28E EPS), it may turn EBITDA and PAT accretive in next 4-5 years (payback period of ~10 years). We retain ADD with a TP of INR 5,980 (29x Q3FY28E EPS). We will factor Occlutech after transaction closure.

Deal contours: Alkem Medtech has executed a binding term sheet to acquire at least 51% and up to 55% stake in Occlutech. Cash consideration of ~Euro 99.4mn (~INR 10.74bn) implies a total EV of Euro 181mn. The deal will be funded through internal accruals. The transaction remains subject to entering into SPA (by Mar-26) and key approvals. The M&A is expected to complete by Jun-26.

Strategic rationale for Occlutech acquisition: (1) strategic fit with Alkem MedTech business, (2) access to global markets (the US and EU), (3) Occlutech to bring complete portfolio of cardiac devices and product development pipeline (like Patent Foramen Ovale Occluder, Left Atrial Appendage, Vascular Flow Restrictor), (4) approval of new products supported by in-house clinical trials team, and (5) Alkem's brand building capability and reach (in RoW and LatAm markets) enable potential synergies and efficiencies.

Aspires to create sizable business in next five years: Alkem targets that the medtech business will reach INR 15bn in revenue in the next five years and further in the long term, it could even scale INR 20-25bn. It expects Occlutech sales at ~INR 10bn (14% CAGR, excluding LAA opportunity) and INR 5bn from Bombay Ortho (tech-transfer from Advita, 10% market share in knee and hip implants, and entry in RoW market in CY28). It sees key gross margin drivers (currently at ~73%) in integrated manufacturing, by shifting labour intensive work to India, and in new launches (PFO in US and LAA), which are expected to support an uptick in ASPs. It expects EBITDA margin at 25% and R&D to stabilize at 15-16% of sales in the next 4-5 years. RoCE is likely to be at 25% (in the long term).

Financial Summary

YE March (INR bn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
India sales (INR bn)	57	74	80	84	90	99	112
Net Sales	89	106	116	127	130	147	163
EBITDA	19	21	16	22	25	30	35
APAT	15	17	11	19	21	25	23
Diluted EPS (INR)	129.2	138.9	90.0	161.8	178.3	209.0	196.1
P/E (x)	41.6	38.7	59.7	33.2	30.1	25.7	27.4
EV / EBITDA (x)	33.0	31.4	39.2	28.7	25.3	21.1	18.2
RoCE (%)	21	18	13	19	20	20	20

Source: Company, HSIE Research

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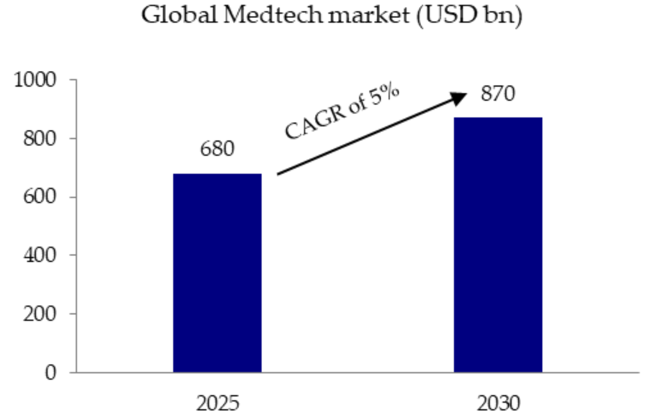
Key highlights from analyst meet:

- **High-value product focus**: The strategy prioritizes high-risk, high-reward segments such as cardiology and load-bearing large joints (knee and hip implants) in orthopaedics, which are considered more stable and scalable globally once market penetration is achieved.
- **Global market expansion:** The company sees a major growth driver by entering high-value markets like the US and Japan (for Occlutech PFO). For instance, the US pricing for certain products is 1.5x higher than in the EU and India, which is expected to significantly boost gross margins.
- **Cost optimization through India-based manufacturing:** The company expects to improve margins by shifting labour intensive manufacturing processes to India, specifically utilizing its Rajkot facility for knee and hip implants to reduce COGS.
- **US business**: The ASD (Atrial Septal Defect) occluder has already been launched in the US and currently holds an ~5% market share. The company expects to get approval for PFO in Jul-27. PFO closures are one of the four primary entry areas, specifically targeting the stroke prevention market. The PFO market enables Alkem to expand into adjacent product areas, such as stents and delivery systems, because they serve the same established customer base. The investment phase for PFO has already been completed, allowing the company to focus its current R&D efforts on other pipeline products.
- **US share to increase and low-price erosion risk:** While the US market currently contributes 14% of sales, its value share is projected to grow to 25-30% in the future, with visibility for new approvals. This shift toward high-premium markets will disproportionately contribute to the bottom line compared to volume-heavy but lower-priced regions. Unlike some other pharmaceutical or medical segments, pricing erosion in the US medical device space is relatively slower. This stability allows the company to maintain high margins over a longer period once a product is established in the market.
- **Pipeline**: (1) **LAA**: Occlutech is preparing for product-related trials. The launch of an LAA is considered a major milestone that could open up ~60% of the occluder market (Currently, Occlutech is present in ~30% of the total occluder market). (2) **AFR**: This restrictor product, along with its multiple indications, is a key R&D pivot for which a specific budget has been allocated. (3) **VFR**: VFR is one of the four core entry areas for the occluder business. (4) **Orthopaedic Implants**: The pipeline includes knee and hip replacements that will be manufactured at the Rajkot facility. These are being developed for a launch in Eastern EU and LatAm by FY28. (5) **Adjacent products and tech transfers**: The company is working on an organic expansion into products that share the same customer base as its occluders, such as stents and delivery systems like expanding balloons. Additionally, a product currently undergoing tech transfer (from Advita) is scheduled for launch in FY27 (knee in Q2FY27 and hip in Q4FY27).
- **Integrated manufacturing facilities:** The company operates backward-integrated plants equipped with multiple braiding machines, which are essential to produce its cardiac occluders. Moreover, it is integrated from the development stage, with R&D labs and comprehensive in-house testing capabilities. This integration is supported by over 200 patents, including specific process-related patents that protect their manufacturing methods.
- **Competitive scenario:** The cardiac device market is heavily consolidated, with Medtronic, Boston Scientific, and Abbott dominating approximately 50% of the cardiac rhythm market. In the specific segment of LAA, Abbott maintains a significant global presence. In India, apart from MNCs, the competition is from some of the low-cost manufacturing peers like SMT (Sahajanand Medical Technologies) and several Chinese companies.

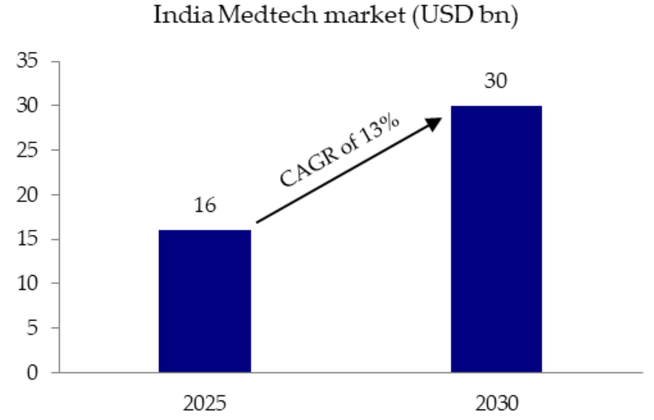
Medtech Industry overview

Exhibit 1: While global Medtech market to see moderate 5% CAGR over 2025-30…



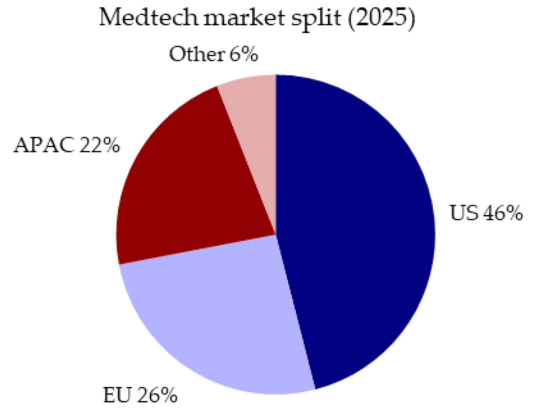
Source: Company, HSIE Research, BCG CII Aug 2025 Report

Exhibit 2: …India Medtech market to see strong CAGR of 13% over same period



Source: Company, HSIE Research, BCG CII Aug 2025 Report

Exhibit 3: Medtech market split: US and EU are largest markets, constituting 72%



Source: Company, HSIE Research, BCG CII Aug 2025 Report

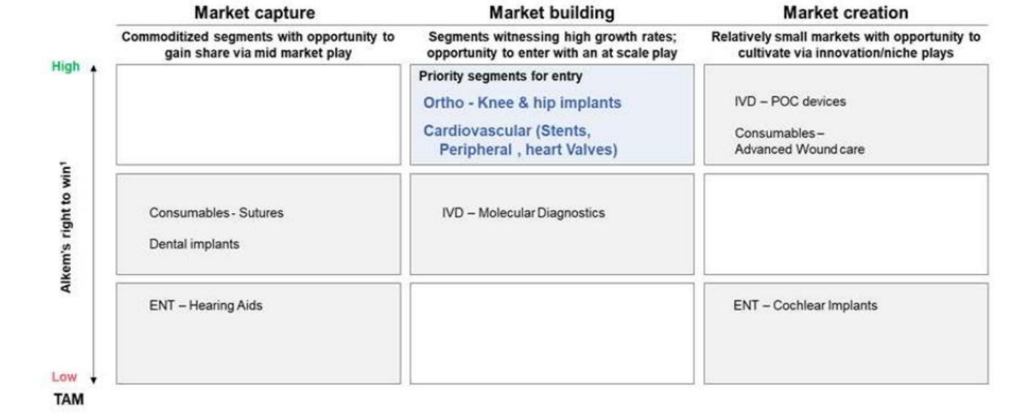
Exhibit 4: Targeted market opportunity for Alkem

USD bn	Global	India
Orthopedic	49.0	0.4
CVS Market	87.0	0.8
Orthopedic share	7%	3%
CVS market share	13%	5%

Source: Company, HSIE Research, BCG CII Aug 2025 Report; McKinsey Internal report 2024 for India; F&S Report

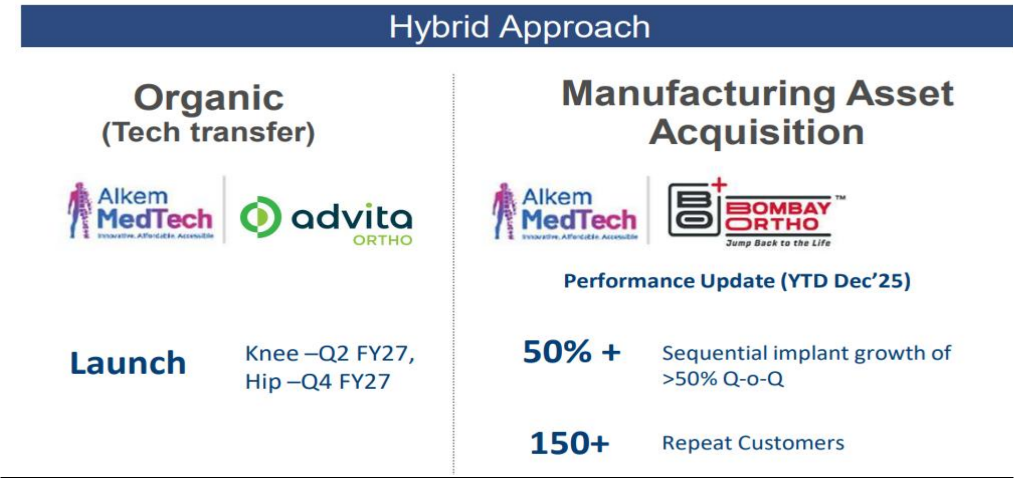
Alkem MedTech foray and strategies

Exhibit 5: Alkem's target segment



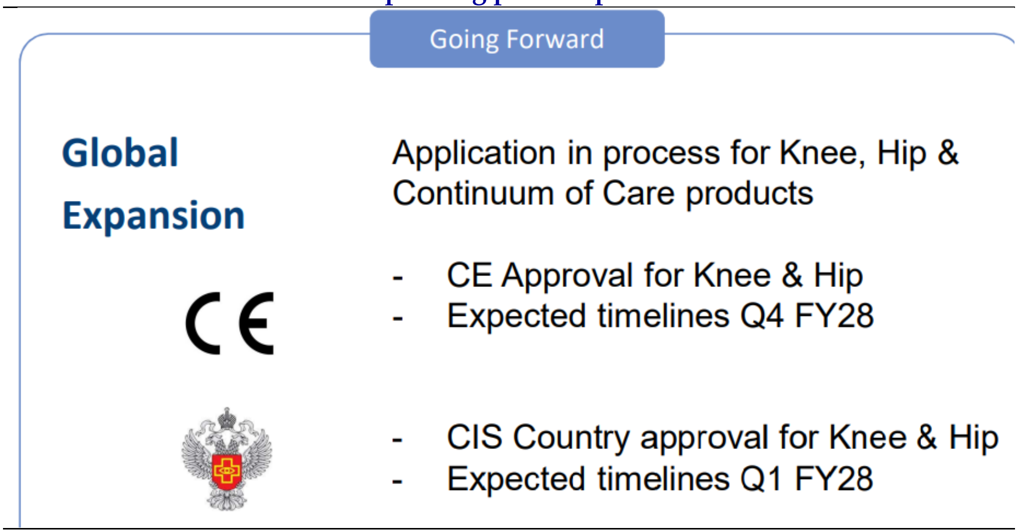
Source: Company, HSIE Research

Exhibit 6: Alkem's near-term strategies – focus on organic (tech transfer) and inorganic growth (acquired Bombay Ortho)



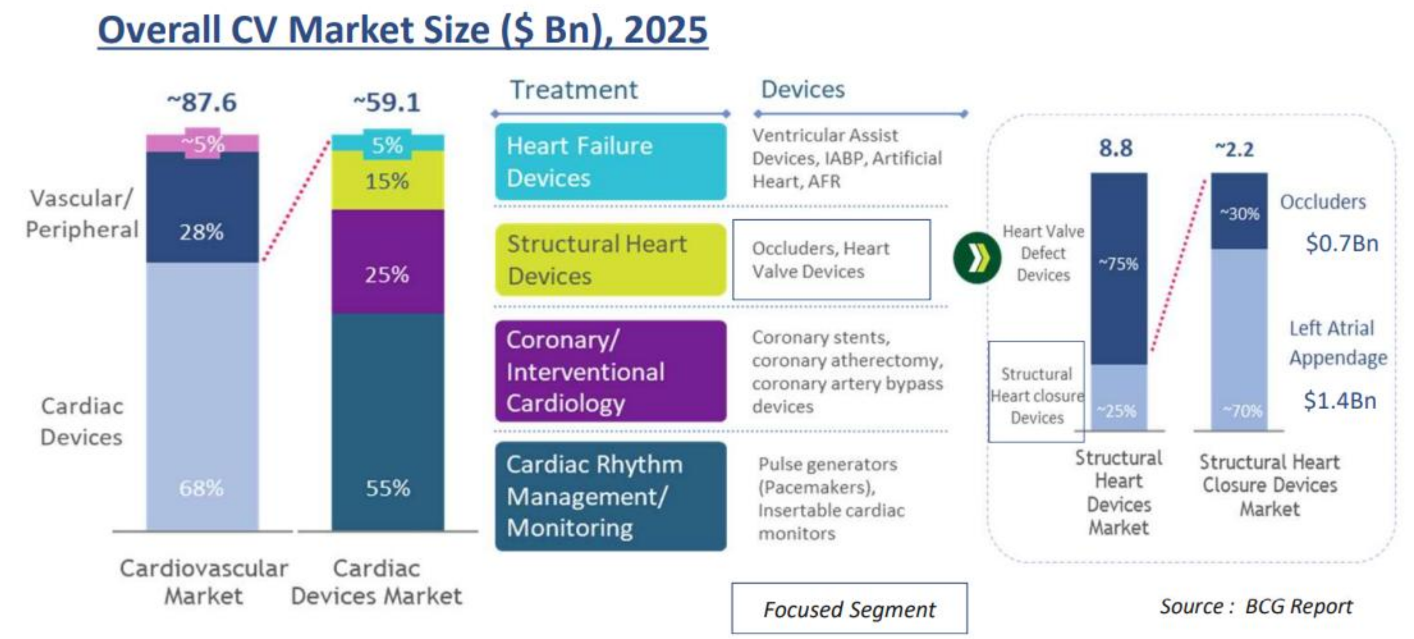
Source: Company, HSIE Research

Exhibit 7: Alkem's focus on expanding product portfolio



Source: Company, HSIE Research

Exhibit 8: Alkem MedTech is poised to enter into CVS business



Source: Company, HSIE Research, BCG Report

Exhibit 9: Overview of the cardiac device market

Heart condition	Treatment options	Device types
Structural heart defects: Holes or unusual connections in the heart that people are born with. They affect how blood flows inside the heart.	Medications (rare), Open-heart surgery, Transcatheter device closure	ASD, PFO, PDA, VSD
Valve Disease: Valves don't open or close properly, making it harder for blood to move in the right direction causing fatigue, shortness of breath, or heart failure.	Valve repair/replacement (surgery), TAVI, TMVR	TAVI valves, TMVR clips
Heart Failure: Heart becomes too weak or too stiff to pump blood well leading to tiredness, swelling, and trouble in breathing.	Medication, ICD/CRT implants, Ventricular Assist Devices (VADs), AFR	ICDs, CRTs, AFR, shunts, VADs
Coronary Artery Disease: Arteries that feed the heart get narrowed or blocked, usually by cholesterol leading to chest pain or heart attacks.	Medication, Angioplasty + stents, Bypass surgery	Stents, Drug-Eluting Stents (DES)
Arrhythmias: Heart beats too fast, too slow, or irregularly, which can feel like fluttering or skipping and may increase stroke risk.	Pacemakers, ICDs, Ablation	Pacemakers, ICDs
Stroke Risk (from Atrial Fibrillation): AF can cause blood to pool in the heart, forming clots that may travel to the brain and cause a stroke.	Blood thinners, LAA Closure	LAA Devices

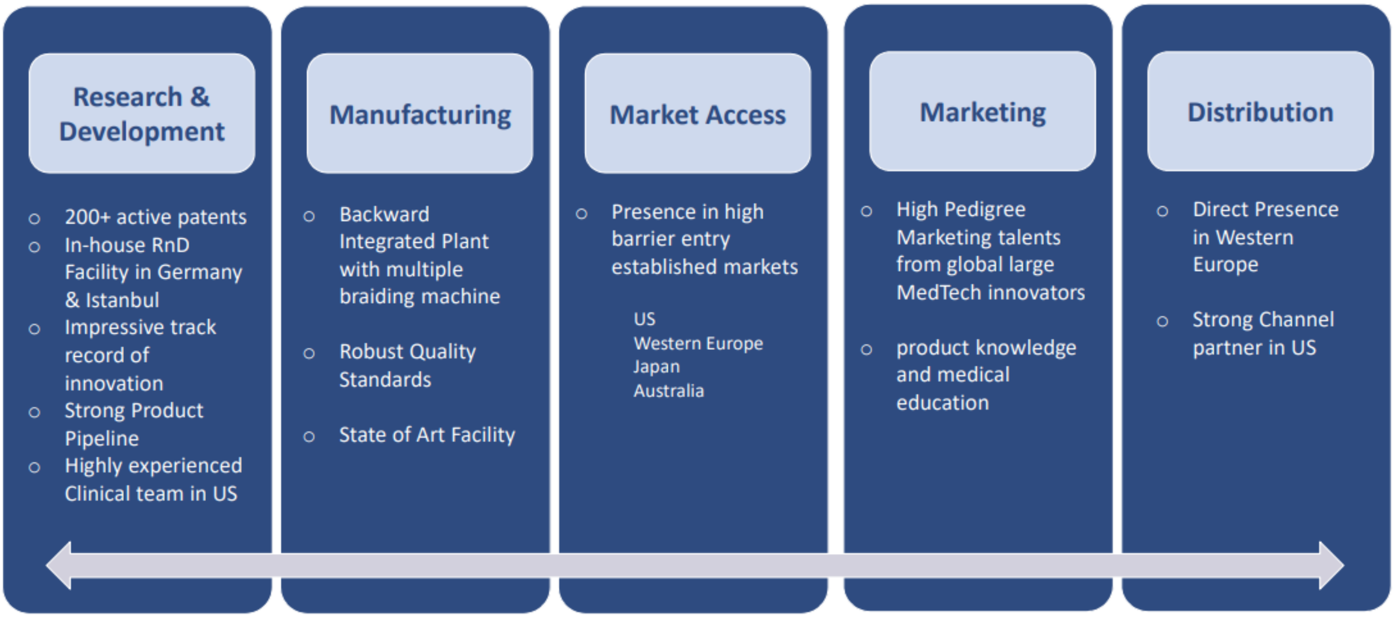
Source: IQVIA, HSIE Research

Occlutech overview

Exhibit 10: Occlutech snapshot

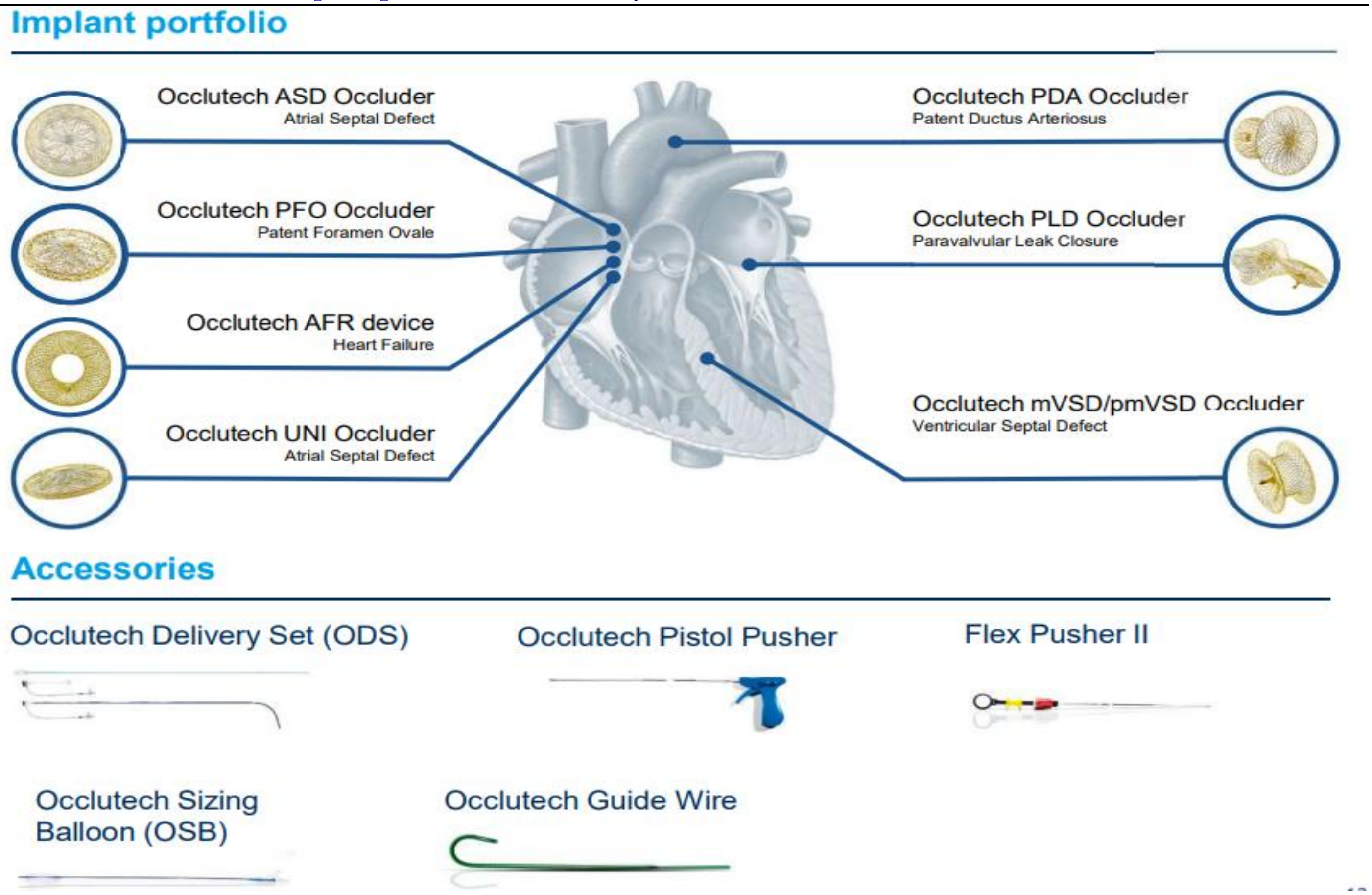
Source: Company, HSIE Research

Exhibit 11: Occlutech: Robust value chain and a world-class global distribution platform



Source: Company, HSIE Research

Exhibit 12: Occlutech: Complete portfolio of minimally invasive cardiac devices



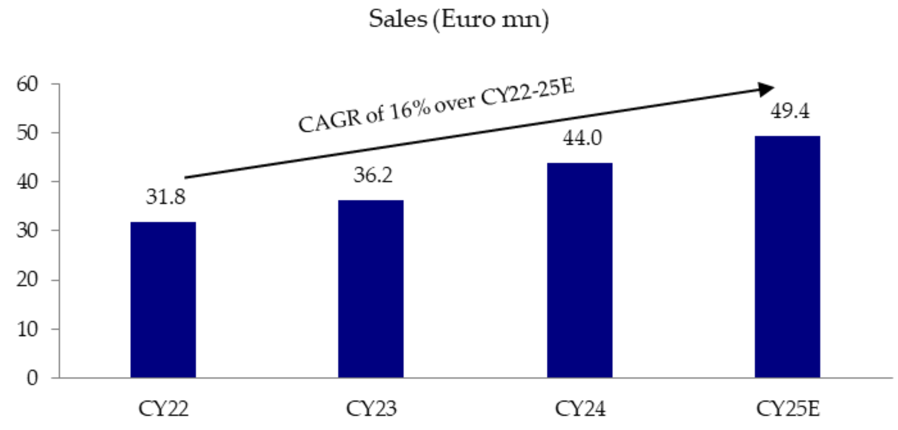
Source: Company, HSIE Research

Exhibit 13: Occlutech: Positioning in key medtech markets

Market	Top Players	Market Size * (USD Mn)	% Market Share of Occlutech
USA	Abbott, GORE, Occlutech	230	2%
Western Europe	Abbott, Occlutech, GORE	115	24%
APAC (Excl India)	Abbott, GORE, SMT, LEPU MEDICAL	165	<5%
Central and Eastern Europe	Abbott, GORE, SMT, Occlutech	70	<5%
India	Abbott, Lifetech Scientific, SMT, LEPU MEDICAL	19	-

Source: Company, HSIE Research, BCG Report, *Includes ASD, VSD, PFO, PDA

Exhibit 14: Occlutech: strong growth over the last few years



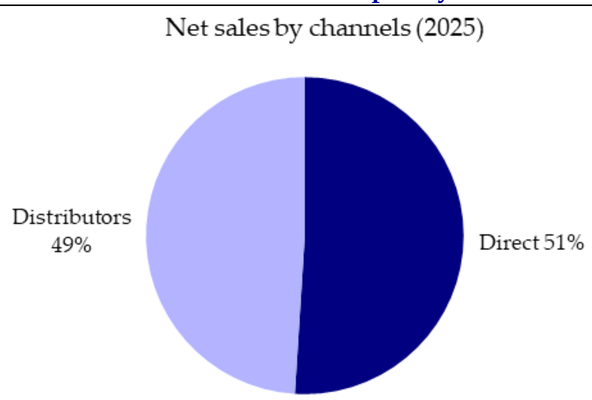
Source: Company, HSIE Research

Exhibit 15: Occlutech: key financials

	CY24	CY25E
Sales (Euro mn)	44.0	49.4
YoY growth %	21%	12%
EBITDA (Euro mn)		2.1
EBITDA margin %		4.3%
PAT (Euro mn)	(20.5)	(6.9)
PAT margin %	-46.7%	-13.9%

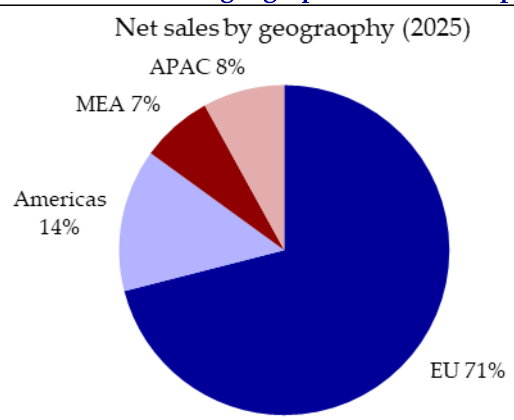
Source: Company, HSIE Research

Exhibit 16: Occlutech revenue split by channels



Source: Company, HSIE Research

Exhibit 17: Occlutech geographical revenue split



Source: Company, HSIE Research

Exhibit 18: Occlutech: Global footprint

Lab and manufacturing capabilities	Country
Manufacturing facilities	Germany and Turkey
R&D centers	Germany and Turkey
Global Supply hub	Sweden
Clinical center	US

Source: Company, HSIE Research

Exhibit 19: Occlutech: capabilities and pipeline

Occlutech update	Details
PFO key product	It expects approval from USFDA in Jun-27 and in Japan in Dec-27
Future pipeline	LAA (Left Atrial Appendage, USD 1.4bn market opportunity) and VFR (Vascular Flow Restrictor)
Patented Portfolio	200+ patents, key patent families are Welding method (across all products), Flex delivery system, Flex 2 braiding technology
R & D Capability	15+ team, Micro braiding machine, In-house developed mechanical testing & coating facility, dedicated clean room

Source: Company, HSIE Research

Exhibit 20: Alkem and Occlutech deal snapshot

Details	Deal	
% stake	51-55%	
Consideration (Euro mn)	99	
Implied EV (Euro mn)	181	
	CY25E	**CY26E**
EV/ sales*	3.7	3.2
EV/ EBITDA*	86.1	64.2

Source: Company, HSIE Research, * Assuming 14% sales growth and 5% EBITDA margin for CY26E

Exhibit 21: Alkem proforma: EBITDA accretive, EPS neutral, and margin dilutive

INR mn	FY27E	FY28E
Sales		
Alkem	162,851	176,739
Occlutech	4,560	6,931
Alkem + Occlutech	167,411	183,670
% impact	3%	4%
EBITDA		
Alkem	34,524	38,352
Occlutech	228	693
Alkem + Occlutech	34,752	39,045
% impact	1%	2%
EBITDA margin %		
Alkem	21.2%	21.7%
Occlutech	5.0%	10.0%
Alkem + Occlutech	20.8%	21.3%
% impact	-44 bps	-44 bps
PAT		
Alkem	23,446	25,053
Occlutech	(410)	(333)
Alkem + Occlutech	23,036	24,720
% impact	-2%	-1%

Source: Company, HSIE Research, *Assuming acquisition closure in Jun-26; ~14% sales growth and 5% EBITDA margin for CY26E (for 9 months) and 14% sales growth with 10% EBITDA margin for CY27E

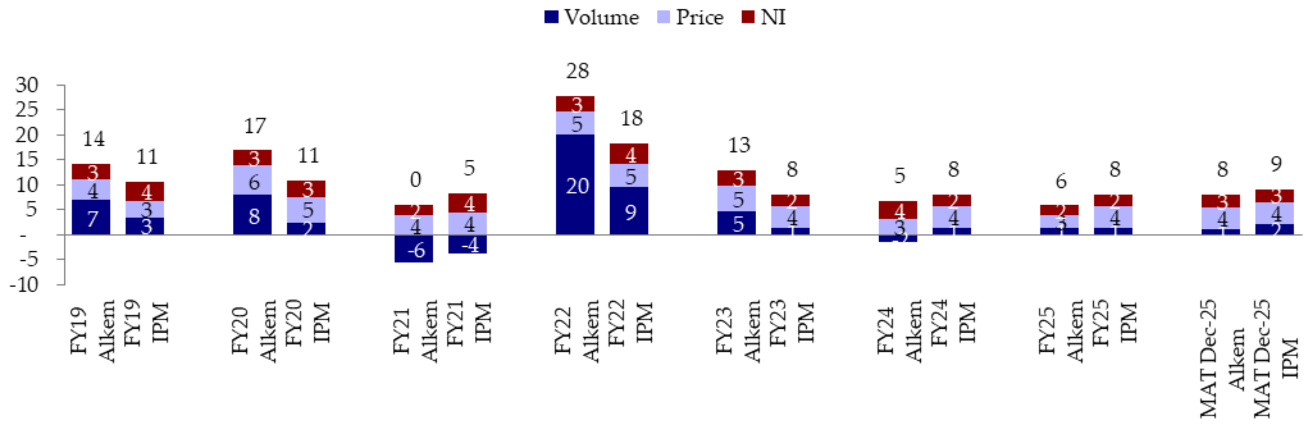
Alkem India story in charts

Exhibit 22: Outpacing the market growth in six of the key focus therapies

Therapy segment	Rank (Q3FY26)	Change in rank	Alkem YoY growth	IPM YoY growth	Alkem market share
Anti-infectives	1	unchanged	3.8%	2.8%	13.5%
Gastro	3	unchanged	7.4%	8.1%	8.0%
VMN	2	unchanged	21.8%	11.1%	6.9%
Pain	3	unchanged	11.2%	8.0%	5.5%
Anti-diabetic*	13	+2	17.2%	14.8%	2.3%
CNS	8	unchanged	11.0%	11.8%	2.4%
Respiratory	15	+1	14.4%	11.8%	1.6%
Derma	18	+1	15.9%	8.8%	1.6%

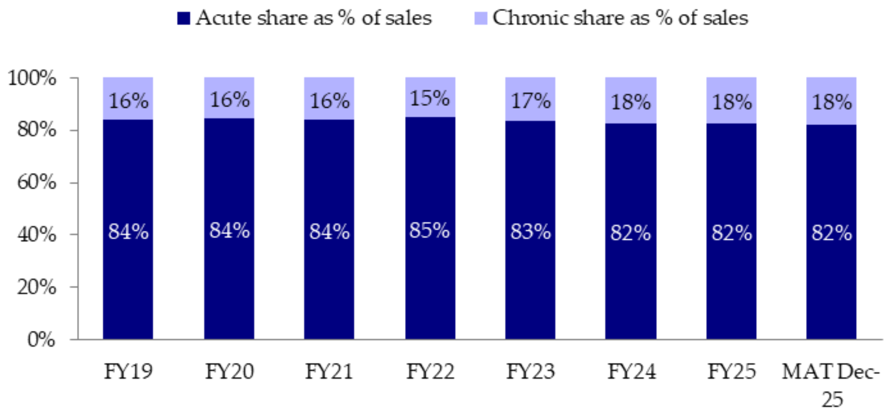
Source: Company, HSIE Research, Market data as per IQVIA SSA Qtr. Dec-25; *GLP/GIP includes recent launches of molecules Semaglutide and Tirzepatide

Exhibit 23: After Covid, growth was largely driven by price and new launches, volume growth was slower vs. IPM



Source: IQVIA, HSIE Research

Exhibit 24: Therapy split moving gradually towards chronic therapies



Source: IQVIA, HSIE Research

Exhibit 25: Growth in key acute therapies was muted in FY24 and FY25, gradually picking up in 9MFY26

Alkem therapy YoY %	% of FY25 sales	FY20	FY21	FY22	FY23	FY24	FY25	H1FY26	Q3'26	Dec-25	Jan-26
Anti-Infectives	34%	21%	-10%	34%	9%	-1%	1%	5%	3%	4%	2%
Gastro Intestinal	20%	11%	8%	22%	17%	9%	11%	6%	7%	10%	12%
Vitamins/Minerals/Nutrients	11%	21%	27%	30%	3%	9%	13%	16%	21%	24%	18%
Pain / Analgesics	11%	11%	-2%	22%	18%	5%	3%	7%	10%	15%	12%
Anti Diabetic	5%	29%	18%	26%	29%	22%	9%	10%	18%	23%	21%
Neuro / Cns	4%	14%	-3%	18%	20%	9%	8%	8%	9%	12%	7%
Gynaec.	4%	8%	20%	21%	27%	3%	7%	3%	8%	14%	7%
Respiratory	3%	19%	-14%	56%	15%	0%	6%	17%	13%	16%	15%
Derma	3%	15%	-14%	20%	16%	11%	10%	6%	13%	18%	15%
Cardiac	2%	24%	15%	8%	1%	9%	3%	7%	16%	20%	22%
Alkem total	**100%**	**17%**	**0%**	**28%**	**13%**	**5%**	**6%**	**8%**	**9%**	**12%**	**10%**

Source: IQVIA, HSIE Research

Exhibit 26: Market share loss in anti-infective and pain categories; gain in gastro, VMN, and anti-diabetic

Alkem therapy MS %	% of FY25 sales	FY19	FY20	FY21	FY22	FY23	FY24	FY25	H1'26	Q3'26	Dec-25	Jan-26
Anti-Infectives	34%	11.9	12.7	13.0	12.9	13.2	12.7	12.2	12.2	12.3	11.9	11.8
Gastro Intestinal	20%	6.3	6.4	6.5	6.8	7.1	7.2	7.3	7.4	7.5	7.7	7.5
Vitamins/Minerals/Nutrients	11%	3.8	4.2	4.8	5.4	5.4	5.5	5.7	6.4	6.4	6.2	6.0
Pain / Analgesics	11%	5.4	5.4	5.3	5.3	5.6	5.4	5.2	5.3	5.4	5.1	5.0
Anti Diabetic	5%	1.0	1.2	1.3	1.5	1.8	2.1	2.1	2.1	2.2	2.2	2.2
Neuro / Cns	4%	2.5	2.6	2.3	2.4	2.6	2.6	2.6	2.5	2.5	2.5	2.4
Gynaec.	4%	2.4	2.4	2.8	2.9	3.2	3.1	3.2	3.3	3.0	2.8	2.6
Respiratory	3%	1.4	1.4	1.3	1.5	1.6	1.5	1.6	1.6	1.6	1.6	1.6
Derma	3%	1.6	1.7	1.4	1.5	1.6	1.7	1.7	1.8	1.9	1.9	1.9
Cardiac	2%	0.8	0.8	0.9	0.8	0.8	0.8	0.7	0.7	0.7	0.7	0.7
Alkem total	**100%**	**3.6**	**3.8**	**3.6**	**3.9**	**4.1**	**4.0**	**3.9**	**4.0**	**3.9**	**3.7**	**3.7**

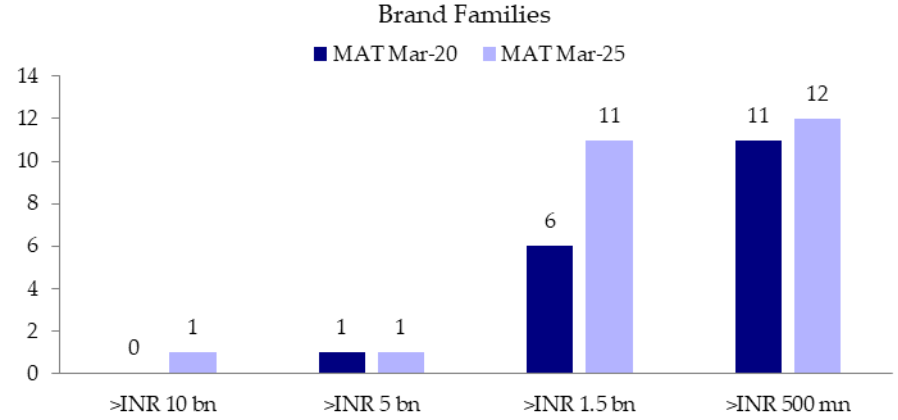
Source: Company, HSIE Research

Exhibit 27: Steady growth in the leading brands

Alkem brands YoY	Therapy	% of FY25 sales	FY25 sales (Rs bn)	FY20	FY21	FY22	FY23	FY24	FY25	H1'26	Q3'26	Dec-25	Jan-26
Pan	Gastro Intestinal	8%	6.9	18%	10%	25%	21%	10%	14%	11%	11%	17%	16%
Pan-D	Gastro Intestinal	7%	6.1	10%	13%	17%	20%	12%	17%	3%	-1%	1%	5%
Clavam	Anti-Infectives	7%	6.1	21%	-11%	22%	26%	-1%	3%	11%	14%	18%	11%
Taxim-O	Anti-Infectives	4%	3.4	22%	-8%	25%	15%	-2%	9%	0%	1%	2%	-2%
A To Z Ns	Vitamins/Minerals/Nutrients	3%	3.1	27%	33%	38%	-9%	3%	10%	9%	12%	3%	-1%
Xone	Anti-Infectives	3%	2.6	40%	-10%	53%	1%	3%	-2%	-3%	-6%	-11%	4%
Uprise-D3	Vitamins/Minerals/Nutrients	3%	2.4	17%	35%	19%	11%	33%	35%	30%	24%	27%	10%
Pipzo	Anti-Infectives	3%	2.3	11%	3%	38%	8%	26%	19%	10%	12%	17%	13%
Taxim	Anti-Infectives	2%	1.8	19%	-10%	15%	8%	-5%	4%	-3%	-5%	-3%	-22%
Gemcal	Pain / Analgesics	2%	1.8	-7%	6%	9%	10%	-2%	-1%	2%	7%	15%	4%
Top 10 brands		**40%**	**36.7**	**18%**	**20%**	**25%**	**13%**	**6%**	**11%**	**9%**	**8%**	**11%**	**9%**
11-25 brands		**17%**	**15.7**	**24%**	**17%**	**37%**	**8%**	**8%**	**3%**	**3%**	**4%**	**5%**	**1%**
26-50 brands		**12%**	**10.5**	**24%**	**-13%**	**34%**	**24%**	**-2%**	**0%**	**9%**	**9%**	**11%**	**8%**
Above 50 brands		**31%**	**28.2**	**12%**	**-18%**	**23%**	**11%**	**6%**	**4%**	**8%**	**14%**	**18%**	**17%**
Alkem total		**100%**	**91.1**	**17%**	**0%**	**28%**	**13%**	**5%**	**6%**	**8%**	**9%**	**12%**	**10%**

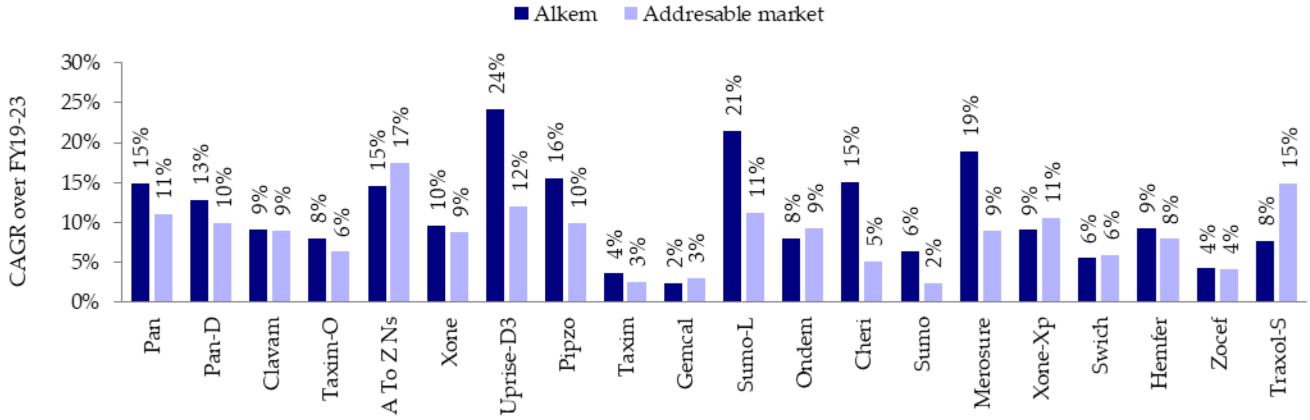
Source: IQVIA, HSIE Research

Exhibit 28: Alkem is building large brand families



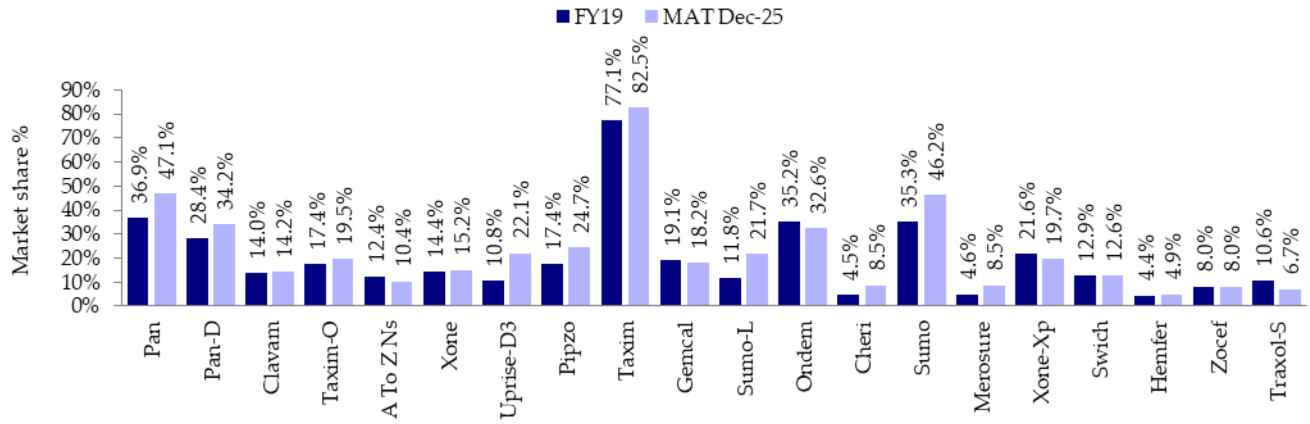
Source: Company, IQVIA, HSIE Research

Exhibit 29: Most of the leading brands are outperforming the addressable market growth over the last few years



Source: IQVIA, HSIE Research

Exhibit 30: Steady market share for Alkem's leading brand over the last few years



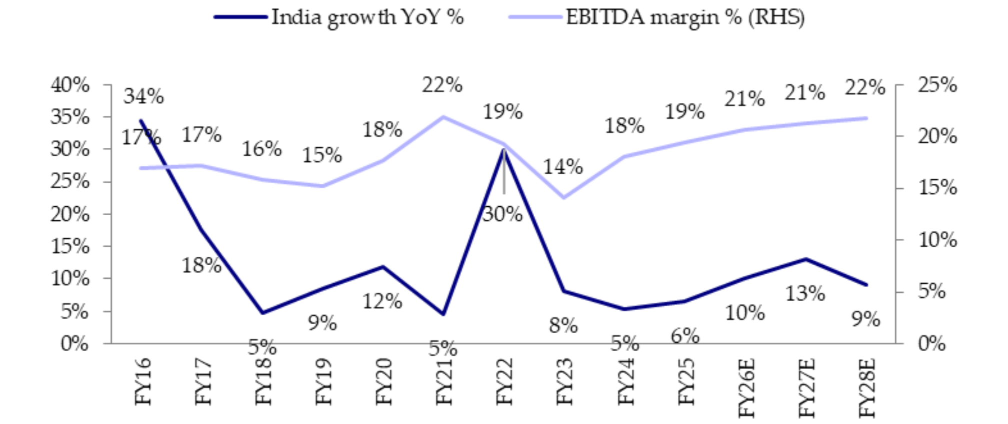
Source: IQVIA, HSIE Research

Exhibit 31: Revenue, EBITDA, and PAT assumptions

(INR mn)	% of FY25 sales	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	CAGR FY19-25	CAGR FY25-28E
Domestic formulations	69	48,742	54,540	56,996	74,045	80,011	84,368	89,837	98,894	111,785	121,931	11%	11%
YoY growth		9%	12%	5%	30%	8%	5%	6%	10%	13%	9%		
International business	29	23,917	27,380	30,288	31,075	34,393	40,024	38,210	46,363	49,934	53,754	8%	12%
YoY growth		31%	14%	11%	3%	11%	16%	-5%	21%	8%	8%		
- US (USD mn)		274	293	335	308	306	332	290	332	344	353	1%	7%
YoY growth		30%	7%	14%	-8%	-1%	9%	-13%	14%	3%	3%		
- US (Rs mn)	19	18,967	21,997	24,512	23,291	25,134	27,709	24,818	29,087	30,067	30,907	5%	8%
YoY growth		39%	16%	11%	-5%	8%	10%	-10%	17%	3%	3%		
- Other international formulation	10	4,950	5,383	5,776	7,784	9,259	12,315	13,392	17,276	19,867	22,847	18%	19%
YoY growth		8%	9%	7%	35%	19%	33%	9%	29%	15%	15%		
Total revenues		**73,572**	**83,444**	**88,650**	**106,342**	**115,993**	**126,676**	**129,645**	**146,709**	**162,851**	**176,739**	**10%**	**11%**
YoY growth		**15%**	**13%**	**6%**	**20%**	**9%**	**9%**	**2%**	**13%**	**11%**	**9%**		
Gross Profit		**44,122**	**49,994**	**53,666**	**64,539**	**66,924**	**77,300**	**82,003**	**94,774**	**105,853**	**115,764**	11%	12%
Gross margin		**60.0%**	**59.9%**	**60.5%**	**60.7%**	**57.7%**	**61.0%**	**63.3%**	**64.6%**	**65.0%**	**65.5%**	**328 bps**	**225 bps**
EBITDA		**11,148**	**14,734**	**19,424**	**20,546**	**16,283**	**22,790**	**25,122**	**30,222**	**34,524**	**38,352**	15%	15%
YoY growth		**10%**	**32%**	**32%**	**6%**	**-21%**	**40%**	**10%**	**20%**	**14%**	**11%**		
EBITDA margin		**15.2%**	**17.7%**	**21.9%**	**19.3%**	**14.0%**	**18.0%**	**19.4%**	**20.6%**	**21.2%**	**21.7%**	**422 bps**	**232 bps**
Adj PAT		**7,500**	**10,909**	**15,448**	**16,608**	**10,756**	**19,346**	**21,322**	**24,992**	**23,446**	**25,053**	**19%**	**6%**
YoY growth		**21%**	**45%**	**42%**	**8%**	**-35%**	**80%**	**10%**	**17%**	**-6%**	**7%**		
PAT margin		**10.2%**	**13.1%**	**17.4%**	**15.6%**	**9.3%**	**15.3%**	**16.4%**	**17.0%**	**14.4%**	**14.2%**	**625 bps**	**-227 bps**

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

Exhibit 32: India growth to support margin expansion



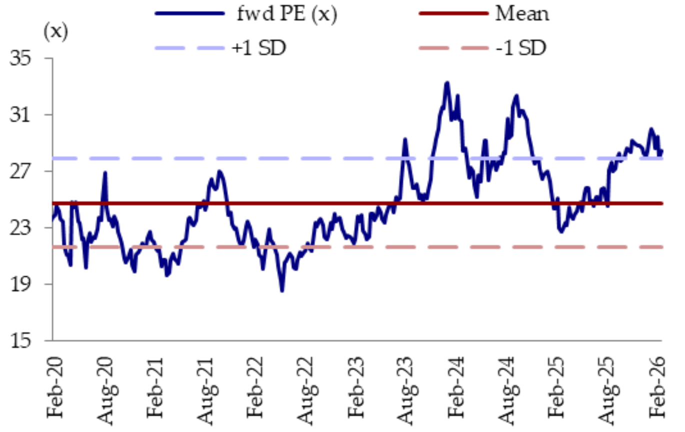
Source: Company, HSIE Research

Exhibit 33: Strong FCF generation

(INR mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Operating profit before working capital changes	11,710	15,157	20,067	20,529	16,291	24,067	26,308	30,306	35,017	38,855
Changes in working capital	(1,403)	(6,472)	(3,412)	(5,450)	3,268	(517)	(2,140)	(12,343)	(7,670)	(6,792)
Cash generated from operations	10,308	8,685	16,656	15,079	19,559	23,550	24,169	17,963	27,347	32,063
Less: Direct taxes paid	(2,511)	(2,834)	(4,007)	(3,969)	(2,734)	(4,069)	(5,040)	(4,420)	(11,162)	(13,040)
Cash from operations (CFO)	**7,797**	**5,851**	**12,649**	**11,110**	**16,825**	**19,481**	**19,128**	**13,544**	**16,185**	**19,023**
Capex	(5,292)	(3,631)	(1,949)	(3,389)	(2,329)	(2,593)	(7,086)	(7,606)	(3,710)	(3,710)
Free Cash Flow (FCF)	**2,505**	**2,220**	**10,700**	**7,721**	**14,496**	**16,888**	**12,042**	**5,938**	**12,475**	**15,313**
OCF as % of EBITDA	**70%**	**40%**	**65%**	**54%**	**103%**	**85%**	**76%**	**45%**	**47%**	**50%**

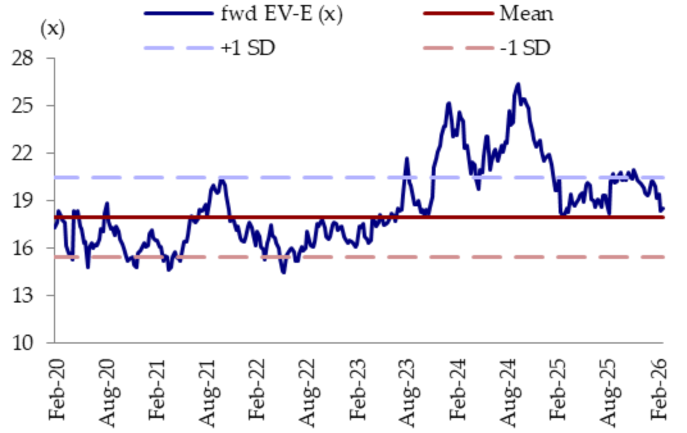
Source: Company, HSIE Research

Exhibit 34: PE chart



Source: Bloomberg, HSIE Research

Exhibit 35: EV/EBITDA chart



Source: Bloomberg, HSIE Research

Financials (Consolidated)

Profit & Loss (INR mn)

March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net sales	**87,284**	**105,120**	**114,404**	**124,392**	**128,046**	**145,257**	**161,719**	**175,685**
Other operating income	1,366	1,222	1,589	2,283	1,599	1,453	1,132	1,054
Total operating income	**88,650**	**106,342**	**115,993**	**126,676**	**129,645**	**146,709**	**162,851**	**176,739**
Cost of goods sold	(34,985)	(41,803)	(49,068)	(49,376)	(47,643)	(51,935)	(56,998)	(60,975)
Gross profit	**53,666**	**64,539**	**66,924**	**77,300**	**82,003**	**94,774**	**105,853**	**115,764**
Gross margin (%)	**60.5**	**60.7**	**57.7**	**61.0**	**63.3**	**64.6**	**65.0**	**65.5**
Total operating expenses	(34,242)	(44,010)	(50,830)	(54,845)	(56,881)	(64,552)	(71,329)	(77,412)
EBITDA	**19,424**	**20,529**	**16,095**	**22,455**	**25,122**	**30,222**	**34,524**	**38,352**
EBITDA margin (%)	21.9	19.3	13.9	17.7	19.4	20.6	21.2	21.7
Depreciation	(2,746)	(3,040)	(3,104)	(2,993)	(3,572)	(3,742)	(3,854)	(4,059)
EBIT	**16,678**	**17,490**	**12,990**	**19,462**	**21,550**	**26,480**	**30,670**	**34,293**
Net interest	(589)	(524)	(1,074)	(1,124)	(1,217)	(1,478)	(1,040)	(966)
Other income	1,874	1,627	2,161	3,108	4,557	4,867	5,259	5,034
Profit before tax	**17,963**	**18,742**	**15,107**	**22,661**	**24,890**	**30,268**	**34,889**	**38,361**
Total taxation	(2,243)	(1,640)	(2,980)	(2,117)	(3,110)	(4,420)	(11,162)	(13,040)
Tax rate (%)	12	9	20	9	12	15	32	34
Profit after tax	15,719	17,102	12,128	20,544	21,780	25,848	23,726	25,320
Minorities	(328)	(347)	(226)	(157)	(499)	(392)	(274)	(260)
Profit/ Loss associate co(s)	0	0	0	0	(6)	(6)	(6)	(6)
Adjusted net profit	**15,448**	**16,608**	**10,756**	**19,346**	**21,322**	**24,992**	**23,446**	**25,053**
Adj. PAT margin (%)	18	16	9	16	17	17	14	14
Net non-recurring items	403	(151)	(914)	(1,388)	333	(339)	0	0
Reported net profit	**15,850**	**16,456**	**9,842**	**17,958**	**21,655**	**24,653**	**23,446**	**25,053**

Balance sheet (INR mn)

March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Paid-up capital	239	239	239	239	239	239	239	239
Reserves & surplus	73,528	86,140	90,214	102,882	119,610	138,839	156,658	176,199
Net worth	75,580	88,473	94,350	107,144	124,336	143,957	162,050	181,852
Borrowing	17,920	26,682	13,967	14,184	13,809	19,972	14,060	13,055
Other non-current liabilities	278	242	1,983	3,918	4,370	6,048	6,143	6,237
Total liabilities	**115,193**	**140,692**	**137,567**	**155,749**	**176,848**	**205,592**	**221,433**	**243,395**
Gross fixed assets	33,735	37,825	36,371	41,270	42,967	50,573	54,283	57,993
Less: Depreciation	(9,759)	(12,839)	(13,674)	(16,709)	(18,675)	(22,417)	(26,271)	(30,331)
Net fixed assets	23,976	24,986	22,697	24,560	24,292	28,156	28,012	27,662
Add: Capital WIP	3,933	3,395	3,232	1,586	5,481	7,478	7,478	7,478
Total fixed assets	27,909	28,381	25,929	26,146	29,773	35,633	35,489	35,140
Total Investment	3,328	3,710	6,218	4,838	18,455	25,341	25,341	25,341
Inventory	23,124	30,055	26,075	26,612	29,224	31,379	34,832	37,803
Debtors	16,072	18,846	21,322	22,528	24,663	30,972	34,380	37,312
Cash & bank	19,905	25,786	26,169	15,794	15,631	15,586	20,242	32,596
Loans & advances	268	283	148	91	90	102	114	123
Current liabilities	21,415	25,294	27,267	30,503	34,332	35,615	39,179	42,250
Total current assets	67,580	83,041	84,205	102,626	100,436	108,262	123,115	144,242
Net current assets	46,165	57,747	56,938	72,123	66,103	72,647	83,936	101,992
Other non-current assets	12,422	21,529	17,083	17,972	24,017	31,386	32,518	33,703
Total assets	**115,193**	**140,692**	**137,567**	**155,749**	**176,911**	**205,592**	**221,433**	**243,395**

Source: Company, HSIE Research

Cash flow (INR mn)

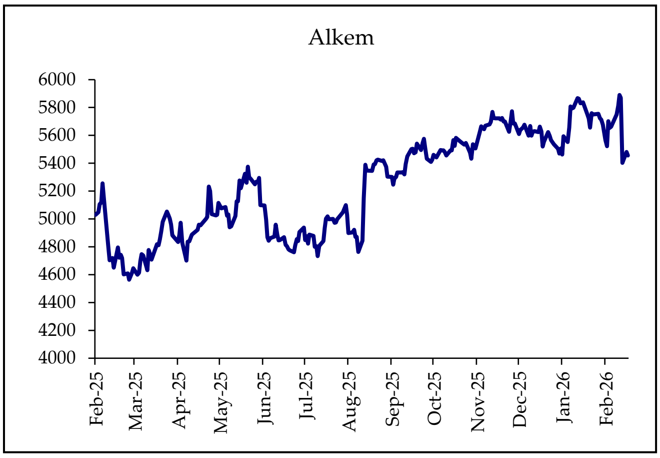
March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Profit before tax	17,963	18,742	15,107	22,661	24,890	30,268	34,889	38,361
Depreciation & Amortisation	(2,746)	(3,040)	(3,104)	(2,993)	(3,572)	(3,742)	(3,854)	(4,059)
Chg in working capital	(3,412)	(5,450)	3,268	(517)	(2,140)	(12,343)	(7,670)	(6,792)
CF from operations	**12,649**	**11,110**	**16,825**	**19,481**	**19,128**	**13,544**	**16,185**	**19,023**
Capital expenditure	(1,949)	(3,389)	(2,329)	(2,593)	(7,086)	(7,606)	(3,710)	(3,710)
CF from investing	**(9,985)**	**(14,351)**	**1,128**	**(10,085)**	**(12,988)**	**2,015**	**(3,710)**	**(3,710)**
Equity raised/ (repaid)	0	0	0	0	0	0	0	0
Debt raised/ (repaid)	1,170	8,416	(13,023)	(5,132)	(2,258)	6,163	(5,911)	(1,005)
Dividend paid	(3,348)	(4,185)	(5,261)	(5,380)	(5,022)	(5,424)	(5,627)	(5,512)
CF from financing	**(2,718)**	**3,796**	**(17,608)**	**(11,450)**	**(8,110)**	**(739)**	**(12,579)**	**(7,483)**
Net chg in cash	(54)	555	345	(2,054)	(1,969)	14,820	(104)	7,829

Key ratios

March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OPERATIONAL								
FDEPS (Rs)	129.2	138.9	90.0	161.8	178.3	209.0	196.1	209.6
CEPS (Rs)	155.5	163.1	108.3	175.2	211.0	237.5	228.4	243.5
DPS (Rs)	28.0	35.0	44.0	45.0	42.0	45.4	47.1	46.1
Dividend payout ratio (%)	21.1	25.4	53.5	30.0	23.2	22.0	24.0	22.0
GROWTH								
Net sales (%)	6.5	20.4	8.8	8.7	2.9	13.4	11.3	8.6
EBITDA (%)	31.8	5.7	(21.6)	39.5	11.9	20.3	14.2	11.1
Adj net profit (%)	41.6	7.5	(35.2)	79.9	10.2	17.2	(6.2)	6.9
FDEPS (%)	41.6	7.5	(35.2)	79.9	10.2	17.2	(6.2)	6.9
PERFORMANCE								
RoE (%)	22.8	20.7	12.2	20.0	19.1	19.3	15.8	15.0
RoCE (%)	21.3	18.3	13.4	19.2	19.5	20.1	20.4	20.5
EFFICIENCY								
Asset turnover (x)	2.7	2.9	3.1	3.2	3.0	3.1	3.1	3.1
Sales/ total assets (x)	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Working capital/ sales (x)	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4
Receivable days	67	65	68	66	70	78	78	78
Inventory days	122	128	95	93	102	98	99	100
Payable days	56	50	43	61	64	60	60	61
FINANCIAL STABILITY								
Total debt/ equity (x)	0.3	0.3	0.2	0.1	0.1	0.1	0.1	0.1
Net debt/ equity (x)	(0.1)	(0.0)	(0.2)	(0.0)	(0.1)	(0.1)	(0.1)	(0.2)
Current ratio (x)	3.2	3.3	3.1	3.4	2.9	3.0	3.1	3.4
Interest cover (x)	28.3	33.4	12.1	17.3	17.7	17.9	29.5	35.5
VALUATION								
PE (x)	41.6	38.7	59.7	33.2	30.1	25.7	27.4	25.6
EV/ EBITDA (x)	33.0	31.4	39.2	28.7	25.3	21.1	18.2	16.0
EV/ Net sales (x)	7.3	6.1	5.5	5.2	5.0	4.4	3.9	3.5
PB (x)	8.7	7.4	7.1	6.2	5.4	4.6	4.1	3.6
Dividend yield (%)	0.5	0.7	0.8	0.8	0.8	0.8	0.9	0.9
Free cash flow yield (%)	1.7	1.2	2.3	2.6	1.9	0.9	1.9	2.4

Source: Company, HSIE Research

Price Movement



Rating Criteria

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

Disclosure:

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