

Sun Pharmaceutical Industries

Innovative medicines and India key drivers

We recently interacted with the senior management of Sun Pharma—Ms. Jayashree Satagopan, CFO, and Dr. Abhishek Sharma, Head IR. The management highlighted (1) focus on Innovative medicines (global specialty) and India formulation growth, (2) investment of USD 100 mn to scale up the new innovative medicine launches (Leqselvi and Unloxcyt) to see traction in the next 1-2 years, (3) progress in the innovative pipeline to create long-term growth visibility, and (4) capital allocation towards new manufacturing plants in India and late-stage molecule acquisition. We expect the scale-up in specialty (traction in Ilumya, Winlevi, and Cequa) and India business (new launches, in-licensing) to offset the soft US generics. We roll forward our TP to INR 2,000 (33x Q2FY28E EPS; implies 23x EV/EBITDA). Maintain BUY.

Innovative medicine business:

- The focus remains on driving long-term growth and to evolve as specialty business over next few years.
- Near-term growth to be driven by traction in key products like Ilumya, Winlevi, Cequa, and Odomzo.
- Over the last five years, the profitability of innovative medicine business has improved – evident from ~500 bps gross margin expansion over FY19-25.
- Guided incremental USD 100mn spend for Leqselvi and Unloxcyt launch will be spread over 9MFY26 (Q1FY26 didn't have any major spend) and directed towards specialty field force addition, marketing and promotions, and payor enrollments. The majority of these spends will be non-recurring in nature. However, it guides that every new innovative medicine launch will be accompanied by pre-and post-launch-related expenses.
- **Leqselvi:** Launched in Jul-25, payor enrollment is ongoing; better efficacy vs. competition brands will provide edge; expects traction to improve in 1-2 years.
- **Unloxcyt:** Launch is delayed to H2FY26 as working on label update for addition efficacy trial-related data. The company sees doctor coverage overlapping with its exiting Odomzo coverage; looking to expand doctor coverage.
- **Ilumya:** Steady traction to continue; minor impact due to bStelara entry; remains optimistic on long runway of growth; currently single CMO arrangement and exploring alternate CMOs.
- **Winlevi:** Change in distribution model and better efficacy helped in strong traction in FY25. The company expects traction to continue in near term.
- It looks to expand business in ex-US markets like Europe, Japan, India, and China.

India business:

- The company expects to sustain growth momentum and outperform IPM. The focus to have a well-balanced growth across volume, price, and new launches.
- Focus on growing chronic business (53% of sales) by sustaining leadership in key therapies and new launches.
- The company is investing in expanding its field force (added ~5,400 MRs over last five years; total count at 15,109 as of FY25) to increase market coverage; currently, it has dominant presence in metro and select tier 1-3 cities.
- On track for day-1 launch of Semaglutide in India after patent expiry.
- No major capacity addition plan for the India business. In-licensing portfolio contribution is very small in India.

Financial Summary

YE March (INR bn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
US sales (USD mn)	1,526	1,684	1,854	1,921	2,000	2,235	2,395
Net Sales	387	439	485	526	573	634	690
EBITDA	102	118	130	151	162	184	204
APAT	76	86	98	118	121	138	152
Diluted EPS (INR)	31.7	35.9	41.0	49.2	50.4	57.7	63.5
P/E (x)	51.3	45.4	39.7	33.1	32.3	28.2	25.6
EV / EBITDA (x)	37.3	32.7	29.1	24.4	22.6	19.4	17.1
RoCE (%)	17	16	17	20	20	20	20

Source: Company, HSIE Research, Note: EBITDA and PAT adjusted for one-offs

BUY

CMP (as on 24 Sep 2025)	INR 1,627
Target Price	INR 2,000
NIFTY	25,057

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1960	INR 2000
	FY26E	FY27E
EPS %	0.0	(0.0)

KEY STOCK DATA

Bloomberg code	SUNP IN
No. of Shares (mn)	2,399
MCap (INR bn) / (\$ mn)	3,904/44,013
6m avg traded value (INR mn)	4,456
52 Week high / low	INR 1,960/1,553

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(2.1)	(8.8)	(12.9)
Relative (%)	(1.7)	(13.6)	(9.1)

SHAREHOLDING PATTERN (%)

	Mar-25	Jun-25
Promoters	54.48	54.48
FIs & Local MFs	18.58	19.38
FPIs	17.96	17.26
Public & Others	8.98	8.88
Pledged Shares	0.88	0.88

Source : BSE

Mehul Sheth

mehul.sheth@hdfcsec.com
+91-22-6171-7349

Divyaxa Agnihotri

divyaxa.agnihotri@hdfcsec.com
+91-22-6171-7362

US generics:

- The company expects the US generics market to remain challenging due to price erosion and plant-related issues. It expects to be partly offset by new launches.
- **Halol:** Under import alert and working closing with the USFDA for resolution.

Capital allocation:

- With net cash of ~USD 3.1bn, the company looking for M&As in Innovative medicine segment with focus on late-stage molecules. The company will target M&As in its focused segment of Dermatology, Ophthalmology, and Derma-oncology space.
- The company has an agnostics approach for M&As as it is looking for both product and the company. Also, scouting in geographies like Europe, China, and other developed markets.
- Not actively looking at M&As in India apart from few brands to fill in the gaps. The focus in India business will remain on organics growth.
- The company is investing toward export-oriented manufacturing plant (in Madhya Pradesh) to de-risk the key plants like Halol, Baska (in Gujarat), and Mohali. It expects to commission plants over the next 4-5 years.

RoW and EMs:

- The focus remains on improving traction in key existing markets like Europe, Canada, Japan, Israel, and Australia. It is looking to expand in select geographies.
- It indicates it will participate in RoW/EMs opportunity related to GLP-1.
- The company is looking to expand its business in the China market. It has incorporated Sun Pharma (Hainan) for localization of products, which would be produced at prospective partners in China for sales locally.

Semaglutide opportunity:

- The company expects to have a day-1 launch in India after patent expiry.
- It expects initial market formation will be driven by metros and it will be a sizable and long-term opportunity.
- Not looking to in-license GLP-1 products and will focus on scaling up its branded generics of GLPs.
- Taro Pharma (Sun Pharma's subsidiary) has already filed for Semaglutide in the Canada market and working closely with regulators for the approval. Approval and launch timeline remains uncertain.

US tariff and MFN:

- No major comment on tariff impact given it is under exemption. The company has 3-4 plants in the US, through which it can supply the US generics in tariff scenario. The company doesn't have any plan to build a new manufacturing plant in the US. It will explore the CMOs and site transfer options.
- No impact from MFN as of now as it hasn't received a letter from the US government for price reduction. It remains watchful of MFN product category coverage.

GST impact:

- The company sees temporary issue at stockiest level. It has extended the credit period to address the temporary blip. It expects normalization in 1-2 months.
- It expects proposal to reduce GST on APIs to 5%, which will help streamline the supply chain and normalization in working capital cycle.

Retains guidance for FY26:

- Mid-to-high single-digit revenue growth with India growth faster than IPM and steady ramp-up in the specialty business.
- USD 100mn in commercialization of new specialty products. A large part of the investment will be spent on promotional activities (product-specific pre-launch activities) and field force expansion.
- R&D spends at 6-8% of sales, factoring in the progress of specialty assets.
- Tax rate at ~25%.

Exhibit 1: Revenue, EBITDA, and PAT assumptions

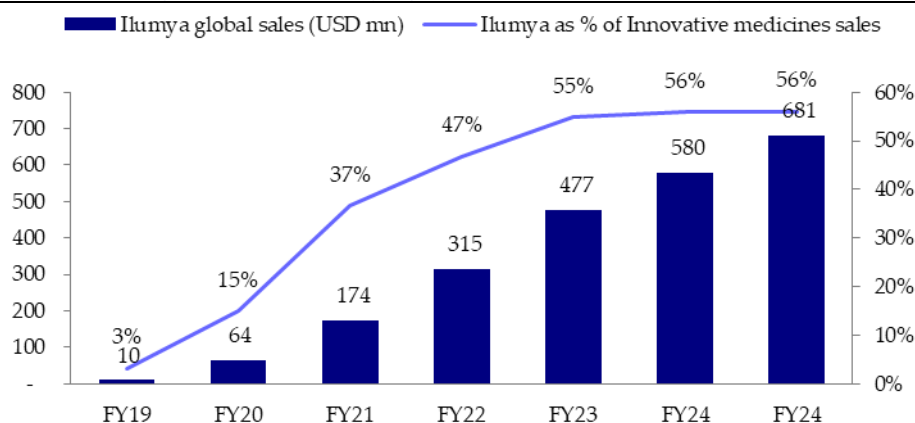
(INR mn)	% of FY25 sales	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
India	33	103,432	127,593	136,031	148,893	169,230	191,230	216,090	242,021
% growth		7%	23%	7%	9%	14%	13%	13%	12%
US (USD mn)		1,359	1,526	1,684	1,854	1,921	2,000	2,235	2,395
% growth		-9%	12%	10%	10%	4%	4%	12%	7%
Taro (USD mn)		384	377	363	391	369	367	364	363
% growth		-23%	-2%	-4%	8%	-6%	0%	-1%	0%
Innovative medicines (USD mn)*		442	595	738	900	1,018	1,180	1,372	1,542
% growth		10%	35%	24%	22%	13%	16%	16%	12%
Generics ex-Taro/ Innovative (USD mn)		533	555	583	563	534	453	498	491
% growth		-9%	4%	5%	-4%	-5%	-15%	10%	-1%
US	31	100,921	113,737	135,353	153,493	162,403	174,034	194,405	208,392
% growth		(4)	13	19	13	6	7	12	7
Specialty business (USD mn)		475	673	871	1,039	1,216	1,364	1,593	1,807
% growth		11	42	29	19	17	12	17	13
Exports (ex-US)	32	106,796	121,976	139,402	153,323	165,786	177,393	191,585	206,911
% growth		7	14	14	10	8	7	8	8
Emerging markets	18	57,840	67,432	78,977	86,195	94,160	101,693	109,828	118,614
% growth		5	17	17	9	9	8	8	8
RoW	14	48,956	54,545	60,426	67,128	71,626	75,701	81,757	88,297
% growth		8	11	11	11	7	6	8	8
API	4	19,504	18,354	19,724	19,187	21,292	22,144	23,030	23,951
% growth		2	(6)	7	(3)	11	4	4	4
Others	0	1,679	2,604	2,279	2,690	1,702	1,957	2,055	2,158
% growth		28	55	(12)	18	(37)	15	5	5
Total sales	100	332,331	384,264	432,789	477,585	520,413	566,758	627,164	683,432
% growth		3	16	13	10	9	9	11	9
Other operating income		2,651	2,281	6,068	7,384	5,372	5,850	6,474	7,055
% growth		(48)	(14)	166	22	(27)	9	11	9
Total revenues		334,981	386,545	438,857	484,969	525,784	572,608	633,637	690,487
% growth		2	15	14	11	8	9	11	9
Gross profit		248,081	283,030	332,235	378,342	418,311	456,941	505,643	552,389
Gross margin		74.1	73.2	75.7	78.0	79.6	79.8	79.8	80.0
EBITDA		84,677	102,438	117,729	129,870	150,862	162,048	184,388	203,694
EBITDA margin		25.3	26.5	26.8	26.8	28.7	28.3	29.1	29.5
Adjusted PAT		59,022	76,048	86,054	98,310	117,988	120,844	138,437	152,347
% growth		49	29	13	14	20	2	15	10

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

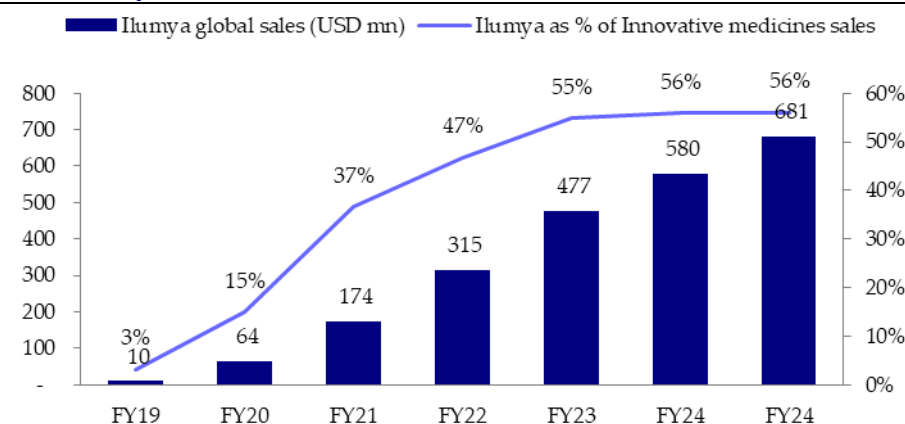
Exhibit 2: US sales from multiple specialty assets can scale up

Innovative medicines	Indication	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Absorica (Ranbaxy/Cipher)	Treat acne	174	155	100	80	65	60	55	55	50
Levulan	Thick actinic keratoses	98	51	70	76	83	89	96	103	111
Ilumya (Merck)	Plaque psoriasis, trials are ongoing for new indications of psoriatic arthritis (analyzing ankylosing spondylitis)	64	141	285	395	489	569	635	691	743
Bromsite (In-Site)	Treat inflammation and prevent ocular pain during/post cataract surgery	8	11	11	12	20	20	30	35	40
Cequa (Ocular Tech)	Dry eye condition	14	34	61	73	81	90	110	123	141
Odomzo (Novartis)	Oncology/dermatology	20	26	25	30	45	55	75	85	90
Yonsa (Churchill Pharma)	Metastatic prostate cancer	25	25	28	38	40	45	60	70	75
Winlevi (Cassiopea)	Acne vulgaris	-	-	15	34	57	90	104	153	182
Leqselvi (Deuruxolitinib)	Alopecia areata	-	-	-	-	-	-	10	33	71
Unloxcyt (Cosibelimab)	Cutaneous squamous cell carcinoma	-	-	-	-	-	-	5	23	38
Total Specialty Sales in US		404	442	595	738	900	1,018	1,180	1,372	1,542
Specialty Sales ex-US		25	33	78	133	139	198	184	221	265
Global Specialty Sales		429	475	673	871	1,039	1,216	1,364	1,593	1,807

Source: Company, HSIE Research

Exhibit 3: Strong traction in Ilumya global sales over last few years


Source: Company, HSIE Research

Exhibit 4: Almirall saw strong traction in Europe (sold under brand name Ilumetri); the company expects Ilumetri sales to be at Euro 300 mn; SUNP out-licensed Ilumya to Almirall in Jul'16


Source: Company, HSIE Research

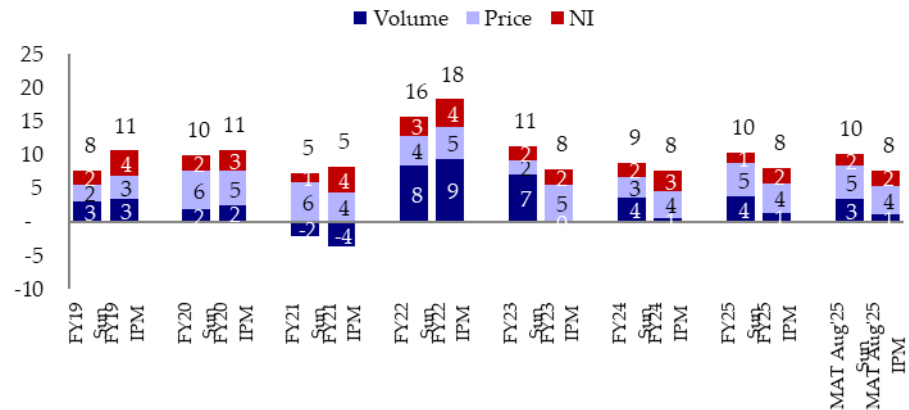
Exhibit 5: SUNP's specialty R&D pipeline – current update

Candidate	Mechanism of action	Indication	Current phase	Next milestone
Leqselvi (Deuruxolitinib)	JAK Inhibitor	Alopecia areata	Approved in the US during Jul'24	Launched in Q2FY26
Nidlegly	Immunocytokines	Skin cancer	Partner with Philogen. Filed with EMA (EU) for treatment of locally advanced, fully resectable melanoma in the neoadjuvant setting.	MAA withdrawn; CMC and additional clinical data for better characterize the benefit: risk profile
Unloxyt	anti-PD-L1	Metastatic cutaneous squamous cell carcinoma (cSCC) or locally advanced cSCC	USFDA approved	Launch
Ilumya	IL-23 Antagonist	Psoriatic arthritis	Phase-3	Complete clinical data during H2CY25
MM-II	Liposomal intra-articular lubrication	Pain in osteoarthritis	Phase-2 completed	Phase 3 to start in H2CY25
GL0034	GLP-1R Agonist	Obesity	Phase-1 completed	Phase 2 to start by H1CY25
Fibromun	Innovative anti-cancer immunotherapy	Soft tissue sarcoma	Phase 3	Regulatory filing
		Glioblastoma	Phase 2	Regulatory filing

Source: Company, HSIE Research

India on steady growth path

Exhibit 6: In line with IPM on price growth and some volume uptick



Source: IQVIA, HSIE Research

Exhibit 7: Steady growth in key therapies; recovery in pain, respiratory in Q1FY26

SUNP therapy YoY %	% of FY25 sales	FY20	FY21	FY22	FY23	FY24	FY25	Q1'26	Jun-25	Jul-25	Aug-25
Neuro / Cns	17%	9%	11%	8%	11%	10%	10%	11%	13%	9%	8%
Cardiac	17%	10%	7%	11%	12%	10%	9%	11%	13%	8%	9%
Gastro Intestinal	13%	11%	8%	20%	16%	10%	11%	12%	12%	7%	9%
Anti-Infectives	8%	11%	-12%	33%	15%	3%	4%	5%	11%	-1%	4%
Pain / Analgesics	8%	8%	11%	13%	14%	11%	14%	10%	10%	6%	6%
Anti Diabetic	8%	13%	4%	2%	-2%	11%	17%	16%	18%	13%	11%
Respiratory	5%	18%	3%	45%	15%	7%	6%	21%	23%	11%	17%
Derma	4%	0%	1%	12%	5%	2%	8%	5%	7%	3%	-2%
Vitamins/Minerals/Nutrients	4%	10%	14%	21%	6%	3%	7%	4%	5%	-4%	-3%
Gynaec.	4%	16%	0%	20%	13%	6%	8%	10%	10%	10%	7%
SUNP total	100%	10%	5%	16%	11%	9%	10%	11%	13%	8%	8%

Source: IQVIA, HSIE Research

Exhibit 8: Steady share in CNS and anti-infectives

SUNP therapy MS %	% of FY25 sales	FY19	FY20	FY21	FY22	FY23	FY24	FY25	Q1'26	Jun-25	Jul-25	Aug-25
Neuro / Cns	17%	22.7	22.6	22.8	22.3	22.2	22.5	22.8	22.9	23.0	22.7	22.6
Cardiac	17%	11.1	10.9	10.3	10.3	10.6	10.6	10.4	10.3	10.3	10.1	10.1
Gastro Intestinal	13%	8.5	8.7	8.8	9.0	9.3	9.6	9.7	9.6	9.7	10.1	10.2
Anti-Infectives	8%	5.8	5.7	5.7	5.6	6.1	6.1	6.0	5.9	5.9	5.9	5.6
Pain / Analgesics	8%	7.3	7.0	7.8	7.2	7.3	7.5	7.9	8.0	8.0	8.0	7.6
Anti Diabetic	8%	7.4	7.4	7.1	6.7	6.2	6.5	7.0	7.2	7.2	7.1	7.0
Respiratory	5%	3.8	3.9	4.4	4.4	4.8	5.0	5.1	5.5	5.7	5.8	5.2
Derma	4%	5.8	5.3	5.1	5.2	5.1	4.9	4.8	4.8	4.7	4.7	4.6
Vitamins/Minerals/Nutrients	4%	4.0	4.0	4.1	4.3	4.4	4.2	4.2	3.8	3.8	3.7	3.6
Gynaec.	4%	6.0	6.3	6.1	6.4	6.1	6.1	6.4	6.4	6.4	6.4	6.2
SUNP total	100%	7.6	7.5	7.6	7.4	7.7	7.8	7.9	8.0	8.1	8.0	7.7

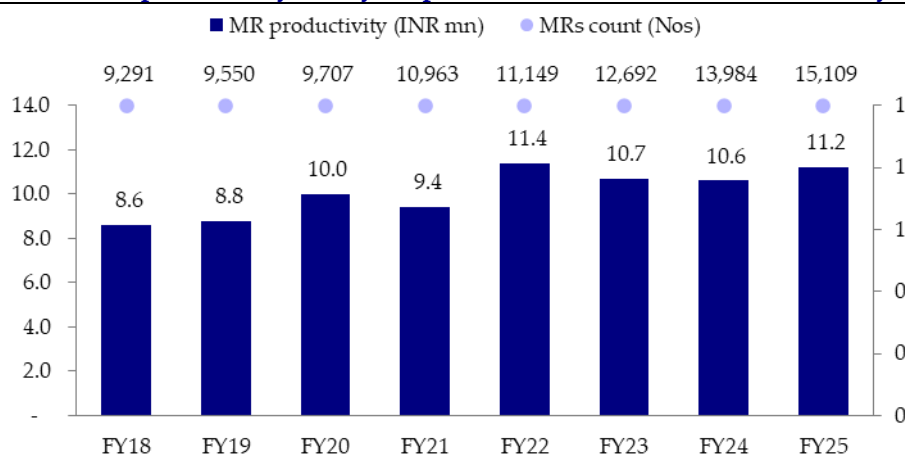
Source: IQVIA, HSIE Research

Exhibit 9: Steady growth in 10 top-tier brands

SUNP brands YoY	Therapy	% of FY25 sales	FY25 sales (Rs bn)	FY20	FY21	FY22	FY23	FY24	FY25	Q1'26	Jun-25	Jul-25	Aug-25
Rosuvastatin	Cardiac	3%	5.2	10%	10%	18%	20%	22%	20%	12%	10%	3%	5%
Levipil	Neuro / Cns	2%	4.3	16%	13%	6%	7%	12%	6%	7%	8%	3%	3%
Gemer	Anti Diabetic	2%	3.4	15%	10%	14%	9%	6%	2%	7%	8%	2%	0%
Volini	Pain / Analgesics	2%	3.3	6%	19%	7%	0%	0%	-4%	0%	1%	-11%	-11%
Susten	Gynaec.	2%	3.2	12%	7%	11%	10%	5%	8%	14%	15%	18%	8%
Pantocid	Gastro Intestinal	2%	3.1	12%	11%	15%	10%	10%	7%	10%	14%	4%	14%
Pantocid-D	Gastro Intestinal	2%	2.9	14%	11%	8%	8%	8%	11%	12%	12%	5%	4%
Sompraz-D	Gastro Intestinal	1%	2.7	24%	29%	27%	24%	20%	17%	15%	16%	13%	15%
Montek-Lc	Respiratory	1%	2.5	18%	11%	35%	14%	6%	4%	29%	25%	6%	12%
Moxclav	Anti-Infectives	1%	2.5	20%	-18%	42%	42%	-2%	10%	6%	11%	4%	14%
Top 10 brands		18%	33.1	14%	24%	15%	12%	9%	8%	10%	11%	4%	6%
11-25 brands		13%	24.8	13%	19%	13%	10%	12%	12%	11%	11%	7%	7%
26-50 brands		13%	24.4	13%	12%	13%	13%	6%	7%	11%	12%	6%	7%
Above 50 brands		56%	102.7	8%	-4%	17%	11%	9%	11%	12%	14%	9%	9%
Sun Pharma total		100%	185.0	10%	5%	16%	11%	9%	10%	11%	13%	8%	8%

Source: IQVIA, HSIE Research

Exhibit 10: MR productivity steady despite addition of 5,400+ MRs in last 5-6 years



Source: Company, HSIE Research

Financials (Consolidated)

Profit & loss (INR mn)

March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net sales	332,331	384,264	432,789	477,585	520,413	566,758	627,164	683,432
Other operating income	2,651	2,281	6,068	7,384	5,372	5,850	6,474	7,055
Total operating income	334,981	386,545	438,857	484,969	525,784	572,608	633,637	690,487
Cost of goods sold	(86,901)	(103,515)	(106,622)	(106,626)	(107,474)	(115,667)	(127,995)	(138,097)
Gross profit	248,081	283,030	332,235	378,342	418,311	456,941	505,643	552,389
Gross margin (%)	74.1	73.2	75.7	78.0	79.6	79.8	79.8	80.0
Total operating expenses	(163,403)	(180,592)	(214,506)	(248,472)	(267,449)	(294,893)	(321,254)	(348,696)
EBITDA	84,677	102,438	117,729	129,870	150,862	162,048	184,388	203,694
EBITDA margin (%)	25.3	26.5	26.8	26.8	28.7	28.3	29.1	29.5
Depreciation	(20,800)	(21,437)	(25,294)	(25,566)	(25,754)	(28,112)	(28,646)	(29,071)
EBIT	63,878	81,000	92,435	104,304	125,108	133,936	155,743	174,623
Net interest	(1,414)	(1,274)	(1,720)	(2,385)	(2,314)	(2,085)	(1,578)	(1,302)
Other income	8,355	9,215	6,345	13,542	19,650	23,588	26,090	27,561
Profit before tax	27,994	44,813	94,084	110,879	137,521	149,550	180,255	200,882
Total taxation	(5,147)	(10,755)	(8,476)	(14,395)	(27,720)	(32,901)	(41,459)	(48,212)
Tax rate (%)	18	24	9	13	20	22	23	24
Profit after tax	22,847	34,058	85,608	96,484	109,801	116,649	138,796	152,670
Minorities	(6,315)	1,166	394	337	357	321	289	260
Profit/ Loss associate co(s)	(123)	(165)	(479)	(384)	(154)	(78)	(70)	(63)
Adjusted net profit	59,022	76,048	86,054	98,310	117,988	120,844	138,437	152,347
Adj. PAT margin (%)	18	20	20	21	23	21	22	22
Net non-recurring items	(29,984)	(43,321)	(1,318)	(2,546)	(8,698)	(4,594)	0	0
Reported net profit	29,038	32,727	84,736	95,764	109,290	116,250	138,437	152,347

Balance sheet (INR mn)

March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Paid-up capital	2,399	2,399	2,399	2,399	2,399	2,399	2,399	2,399
Reserves & surplus	462,229	477,713	557,555	634,268	719,781	801,156	898,061	1,004,704
Net worth	494,798	510,661	593,155	671,060	724,860	806,556	903,750	1,010,653
Borrowing	38,686	12,903	68,859	32,737	23,622	23,171	19,721	16,271
Other non-current liabilities	9,951	8,581	9,270	10,667	13,303	13,563	14,096	14,602
Total liabilities	676,667	698,078	807,436	854,629	921,006	1,006,663	1,114,731	1,232,136
Gross fixed assets	292,914	321,161	347,419	356,848	370,102	409,310	423,810	438,310
Less: Depreciation	(140,260)	(160,422)	(190,345)	(210,723)	(233,633)	(261,745)	(290,391)	(319,462)
Net fixed assets	152,653	160,739	157,074	146,124	136,469	147,565	133,419	118,848
Add: Capital WIP	15,668	12,868	49,732	53,539	66,440	69,096	69,096	69,096
Total fixed assets	168,322	173,607	206,806	199,663	202,908	216,661	202,515	187,944
Total Investment	96,125	128,486	148,243	150,258	183,538	183,538	183,538	183,538
Inventory	89,970	89,251	105,131	98,683	102,433	114,522	126,727	138,097
Debtors	90,614	104,846	114,385	112,494	130,461	146,333	161,930	176,458
Cash & bank	64,455	50,334	57,703	105,207	113,316	138,864	218,692	309,095
Loans & advances	567	1,707	419	659	512	716	791	861
Current liabilities	133,232	165,933	136,152	140,165	159,221	163,373	177,164	190,609
Total current assets	273,127	272,314	305,113	348,913	389,712	447,121	559,769	680,744
Net current assets	139,895	106,381	168,961	208,748	230,490	283,748	382,605	490,135
Other non-current assets	76,217	57,759	63,693	69,806	55,454	63,772	73,338	84,338
Total assets	676,667	698,078	807,436	854,629	921,006	1,006,663	1,114,731	1,232,136

Source: Company, HSIE Research

Cash flow (INR mn)

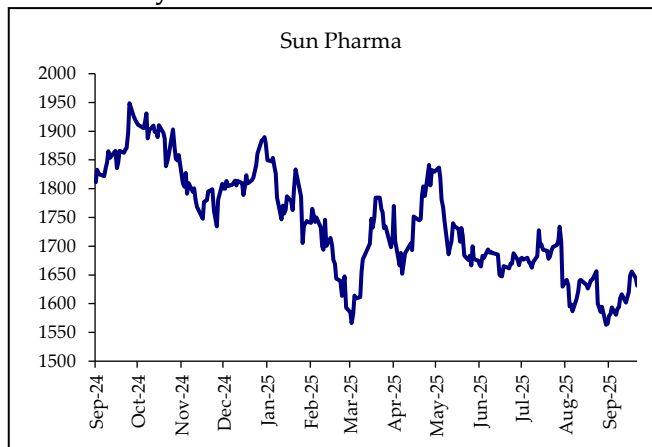
March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Profit before tax	27,994	44,813	94,084	110,879	137,521	149,550	180,255	200,882
Depreciation & Amortisation	(20,800)	(21,437)	(25,294)	(25,566)	(25,754)	(28,112)	(28,646)	(29,071)
Chg in working capital	25,641	15,591	(56,618)	10,621	(3,236)	(35,768)	(28,062)	(27,622)
CF from operations	61,704	89,845	49,593	121,350	140,721	95,473	123,649	137,256
Capital expenditure	(12,317)	(22,346)	(67,714)	(23,451)	(24,014)	(39,208)	(14,500)	(14,500)
CF from investing	5,362	(57,247)	(79,437)	(6,902)	(53,062)	(30,374)	(14,500)	(14,500)
Debt raised/ (repaid)	(41,992)	(27,431)	52,602	(35,329)	(9,821)	(451)	(3,450)	(3,450)
Dividend paid	(15,591)	(21,589)	(25,193)	(28,982)	(36,140)	(34,875)	(41,531)	(45,704)
CF from financing	(59,805)	(51,935)	23,761	(67,102)	(79,058)	(37,411)	(46,559)	(50,455)
Net chg in cash	7,261	(19,337)	(6,083)	47,346	8,601	27,687	62,590	72,300

Key ratios

March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OPERATIONAL								
FDEPS (INR)	24.6	31.7	35.9	41.0	49.2	50.4	57.7	63.5
CEPS (INR)	20.8	22.6	45.9	50.6	56.3	60.2	69.6	75.6
DPS (INR)	6.5	9.0	10.5	12.1	15.1	14.5	17.3	19.0
Dividend payout ratio (%)	53.7	66.0	29.7	30.3	33.1	30.0	30.0	30.0
GROWTH								
Net sales (%)	2.8	15.6	12.6	10.4	9.0	8.9	10.7	9.0
EBITDA (%)	21.4	21.0	14.9	10.3	16.2	7.4	13.8	10.5
Adj net profit (%)	48.7	28.8	13.2	14.2	20.0	2.4	14.6	10.0
FDEPS (%)	48.7	28.8	13.2	14.2	20.0	2.4	14.6	10.0
PERFORMANCE								
RoE (%)	12.9	16.1	16.5	16.4	17.4	15.8	16.2	16.0
RoCE (%)	12.9	16.8	16.4	17.0	19.6	19.6	20.4	20.4
EFFICIENCY								
Asset turnover (x)	1.1	1.3	1.3	1.4	1.4	1.5	1.5	1.6
Sales/ total assets (x)	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Working capital/ sales (x)	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.3
Receivable days	100	100	96	86	92	94	94	94
Inventory days	131	115	119	101	100	102	103	104
Payable days	58	58	65	58	60	57	57	58
FINANCIAL STABILITY								
Total debt/ equity (x)	0.1	0.0	0.1	0.1	0.0	0.0	0.0	0.0
Net debt/ equity (x)	(0.1)	(0.2)	(0.1)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)
Current ratio (x)	2.1	1.6	2.2	2.5	2.4	2.7	3.2	3.6
Interest cover (x)	45.2	63.6	53.7	43.7	54.1	64.2	98.7	134.2
VALUATION								
PE (x)	66.1	51.3	45.4	39.7	33.1	32.3	28.2	25.6
EV/ EBITDA (x)	45.8	37.3	32.7	29.1	24.4	22.6	19.4	17.1
EV/ Net sales (x)	11.7	9.9	8.9	7.9	7.1	6.4	5.7	5.1
PB (x)	8.4	8.1	7.0	6.1	5.4	4.9	4.3	3.9
Dividend yield (%)	0.4	0.6	0.6	0.7	0.9	0.9	1.1	1.2
Free cash flow yield (%)	1.3	1.7	(0.5)	2.5	3.0	1.4	2.8	3.1

Source: Company, HSIE Research

Price History



Rating Criteria

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

Disclosure:

We, **Mehul Sheth, MBA & Divyaxa Agnihotri, MSc** authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Research Analyst or his/her relative or HDFC Securities Ltd. does not have any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate does have/does not have any material conflict of interest.

Any holding in stock – NO

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

Disclaimer:

This report has been prepared by HDFC Securities Ltd and is solely for information of the recipient only. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. This report may have been refined using AI tools to enhance clarity and readability.

Nothing in this document should be construed as investment advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from 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. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. HSL is not obliged to update this report for such changes. HSL has the right to make changes and modifications at any time.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk. It should not be considered to be taken as an offer to sell or a solicitation to buy any security.

This document is not, and should not, be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report should not be construed as an invitation or solicitation to do business with HSL. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (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.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report. As regards the associates of HSL please refer the website.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

Please note that HDFC Securities has a proprietary trading desk. This desk maintains an arm's length distance with the Research team and all its activities are segregated from Research activities. The proprietary desk operates independently, potentially leading to investment decisions that may deviate from research views.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

For grievance redressal contact Customer Care Team Email: customercare@hdfcsec.com Phone: (022) 3901 9400

HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Mutual Funds Investments are subject to market risk. Please read the offer and scheme related documents carefully before investing.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

HDFC Securities

Institutional Equities

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 www.hdfcsec.com