

# Jubilant Life Sciences

**BUY**

## Concerns overplayed

We maintain BUY on JUBILANT following an 8/12% beat on our EBITDA/PAT estimates for 1QFY20. Our TP is revised at Rs 845 (12x Jun-21E EPS) with a 5/10% cut to our FY20/21E EPS due to higher interest cost and tax rate.

### HIGHLIGHTS OF THE QUARTER

- Revenue grew 5.0% YoY driven by the pharma segment. The sequential fall of 8.5% was led by higher de-growth in the LSI biz. The mgmt is considering a de-merger of the two businesses into individual entities, which will unlock shareholder value.
- Pharma rev at Rs 13.21bn grew 12% YoY led by expanded CDMO capacities, and growth in Ruby-Fill, venoms, and allergy. Sartan API sales were lower due to additional quality checks. Generics witnessed lower volumes, to normalize over 2H. Further capacity expansion in CDMO (3QFY20) and market share gains in Ruby-Fill, along with ongoing ANDA filings from the new unit will drive growth (+9% CAGR over FY19-22E).
- 1QFY20 saw a healthy ramp up in specialty ingredients and advanced intermediates, as well as better pricing in Vit B3. However, de-growth in the chemicals biz led to a 5/12% fall in LSI rev YoY/QoQ. Easing of input costs (acetic acid & molasses), better demand for acetic anhydride and improvement in pricing for nutra

products to drive a recovery in LSI aided by additional specialty capacities and the new acetic anhydride plant. We expect ~7% CAGR over FY19-22E.

- EBITDA margin at 19.9% was 304bps above estimates. 'One-off' expenses related to litigation and non-supply penalties persist, albeit at a lower quantum (Rs 0.26bn in 1QFY20 v/s Rs 0.37bn QoQ). We expect this to continue till FY20-end. Adjusted EBITDA margin was at 22.1%, up 280bps QoQ. PAT grew 38% QoQ to Rs 1.85bn, down 8% YoY due to margin pressure. Net debt was Rs 32.93bn (-5.6% QoQ).
- Near-term outlook:** De-merger approval a key trigger.

### STANCE

**The recent fall in the stock price from Rs 870 (Mar-19) to Rs 445 is largely led by unfavorable IFC loan settlement, USFDA issues and the concerns of ramp up in the specialty segment. Although IRR for IFC loan looks daunting at 20%+, it was 7-8% of total debt and raised at the time of distress in FY15. Meanwhile, the impact of FDA issues will be partly offset by the new block in Roorkee. With added capacities in CDMO and traction gained in radiopharma products, specialty business is driving both growth and profitability. At 6.6/5.6x FY21/22E EPS, along with 13-14% EPS CAGR, we remain positive on the stock's recovery.**

### Financial Summary (Consolidated)

Year Ending March (Rs bn)	1QFY20	1QFY19	YoY (%)	4QFY19	QoQ (%)	FY19	FY20E	FY21E	FY22E
Net Sales	21.82	20.79	5.0	23.86	(8.5)	91.11	94.89	104.74	115.08
EBITDA	4.35	4.38	(0.7)	3.58	21.4	17.39	18.82	21.54	24.29
APAT	1.85	2.00	(7.7)	1.34	37.9	8.57	8.62	10.71	12.69
Diluted EPS (Rs)	11.6	12.6	(7.7)	8.4	37.9	53.8	54.1	67.2	79.7
P/E						8.3	8.2	6.6	5.6
EV/EBITDA (x)						6.1	5.3	4.4	3.5
RoE (%)						19.3	16.6	17.7	17.9

Source: Company, HDFC sec Inst Research

INDUSTRY	PHARMA
<b>CMP (as on 26 Jul 2019)</b>	<b>Rs 445</b>
<b>Target Price</b>	<b>Rs 845</b>
Nifty	11,284
Sensex	37,883

### KEY STOCK DATA

Bloomberg	JUBILANT IN
No. of Shares (mn)	159
MCap (Rs bn) / (\$ mn)	71/1,028
6m avg traded value (Rs mn)	373

### STOCK PERFORMANCE (%)

52 Week high / low	Rs 899/425		
	3M	6M	12M
Absolute (%)	(32.3)	(37.1)	(42.9)
Relative (%)	(29.2)	(42.2)	(45.4)

### SHAREHOLDING PATTERN (%)

	Mar-19	Jun-19
Promoters	50.68	50.68
FIs & Local MFs	4.87	4.67
FPIs	26.65	26.98
Public & Others	17.80	17.67
Pledged Shares	-	-

Source : BSE

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**JUBILANT has commissioned a new unit at Roorkee facility for the generics business and has begun ANDA filings from the facility. This will mitigate delay in approvals due to WL at the old Roorkee unit**

**The settlement of the zero-coupon loan from IFC will lead to annual savings of up to ~Rs 400mn at the PAT level**

## Manufacturing footprint for the pharma business

- JUBILANT currently has 6 manufacturing units for the pharma business: two for CMO, one for radiopharma, one for APIs, and three for generics.
- The USFDA classified the API facility at Nanjangud as OAI (official action indicated) in Mar-19. This means existing supplies will continue, but pending approvals could get delayed. We don't expect this to have any material impact on earnings, and it has already been priced in.
- JUBILANT has also received a warning letter (WL) from the USFDA for its Roorkee facility in Mar-19. Pending approvals from this facility will be delayed, but the co can continue supplying existing products. To mitigate the risk, Jubilant has commissioned its new unit at Roorkee in 1QFY20 and has commenced ANDA filings from the same.

### Pharma Segment: Key Manufacturing Facilities

Location	Division	USFDA Status
Montreal (1)	CMO	NA
Montreal (2)	Radiopharma	NA
Salisbury	Generics	Clear
Spokane	CMO	NA
Roorkee	Generics	WL
Nanjangud	API	OAI
Roorkee (newly commissioned)	Generics	Unknown (filings have begun)

Source: Company, HDFC sec Inst Research

## IFC loan: Seemingly unreasonable settlement

- JUBILANT took a term loan of US\$ 87.5mn and a zero-coupon loan of US\$ 60mn in FY15, at a time when the co was under financial distress. EBITDA margin had contracted 560bps YoY and the business reported net loss of Rs 97mn in FY15.
- With the term loan, blended interest cost improved ~100bps YoY (higher proportion of US\$ loan v/s INR-denominated). Meanwhile, the business performance returned to normal in FY16, aided by the funding from IFC.
- In FY19, the co settled the zero-coupon loan for US\$ 135mn, translating to ~21% IRR (also impacted by INR depreciation). While this does seem like a very expensive sourcing of funds, the settlement led to annual savings of ~US\$ 10mn which was being charged to the P&L owing to provisioning for the loan. Also considering incremental interest expense owing to additional borrowing for the IFC loan settlement, annual savings to P&L would be at ~Rs 400mn at the PAT level.
- While we believe the decision to settle the loan was well made, and understand the terms of the loan were tighter due to financial distress at the time, the co could have been clearer about the terms at the time the loan was taken.

### IFC loan: Taken At A Time Of Financial Distress

Particulars (Rs mn)	FY14	FY15	FY16	FY19
Gross Debt	43,930	47,900	45140	48,600
IFC zero-coupon loan*	NA	3600	3600	Fully repaid
*% of Gross debt		7.5	8.0	
Blended Int Cost (%)	7.0	6.0	7.6	6.1
Revenue	59,401	59,843	58,933	91,108
EBITDA (%)	17.4	11.8	21.7	19.1
RPAT	3,235	(97)	3,918	5,770

Source: Company, HDFC sec Inst Research

*Net sales grew 5% YoY driven by growth in the Pharma business, while the chemicals segment reported de-growth*

*Adjusting for one-offs of Rs 480mn related to non-supply penalties, litigation expenses, and certain restatements, EBITDA margin came in at 22.1%; up 280bps QoQ (following similar adjustments for 4QFY19)*

*R&D spend was at Rs 570mn during the quarter, 4.3% of pharma revenues*

*Interest cost rose despite IFC loan settlement due to an increase in gross debt, and new AS leading to restatement of lease*

*The EO item reported in 4QFY19 pertains to a one-time cost for IFC loan settlement*

### Quarterly Financials Snapshot (Consolidated)

Particulars (Rs mn)	1QFY20	1QFY19	YoY (%)	4QFY19	QoQ (%)
<b>Net Sales</b>	<b>21,819</b>	<b>20,787</b>	<b>5.0</b>	<b>23,856</b>	<b>(8.5)</b>
Material Expenses	7,552	7,962	(5.2)	9,726	(22.4)
Employee Expenses	5,041	4,516	11.6	4,968	1.5
Other Expenses	4,880	3,932	24.1	5,582	(12.6)
<b>EBITDA</b>	<b>4,346</b>	<b>4,376</b>	<b>(0.7)</b>	<b>3,580</b>	<b>21.4</b>
Depreciation	1,027	880		950	
<b>EBIT</b>	<b>3,319</b>	<b>3,496</b>	<b>(5.1)</b>	<b>2,630</b>	<b>26.2</b>
Other Income	97	95		(66)	
Interest Cost	726	727		616	
EO (loss)/gain	-	-		(2,348)	
<b>PBT</b>	<b>2,690</b>	<b>2,864</b>	<b>(6.1)</b>	<b>(400)</b>	<b>(772.9)</b>
Tax	841	860		607	
Minority Interest	-	-		-	
<b>RPAT</b>	<b>1,850</b>	<b>2,004</b>	<b>(7.7)</b>	<b>(1,007)</b>	<b>(283.8)</b>
EO Items (Adj For Tax)	-	-		2,348	
<b>APAT</b>	<b>1,850</b>	<b>2,004</b>	<b>(7.7)</b>	<b>1,341</b>	<b>37.9</b>

Source: Company, HDFC sec Inst Research

### Margin Analysis

MARGIN ANALYSIS	1QFY20	1QFY19	YoY (bps)	4QFY19	QoQ (bps)
Material Expenses % Net Sales	34.6	38.3	(370)	40.8	(616)
Employee Expenses % Net Sales	23.1	21.7	138	20.8	228
Other Expenses % Net Sales	22.4	18.9	345	23.4	(103)
<b>EBITDA Margin (%)</b>	<b>19.9</b>	<b>21.1</b>	<b>(113)</b>	<b>15.0</b>	<b>491</b>
Tax Rate (%)	31.2	30.0	121	(151.8)	18,299
<b>APAT Margin (%)</b>	<b>8.5</b>	<b>9.6</b>	<b>(116)</b>	<b>5.6</b>	<b>286</b>

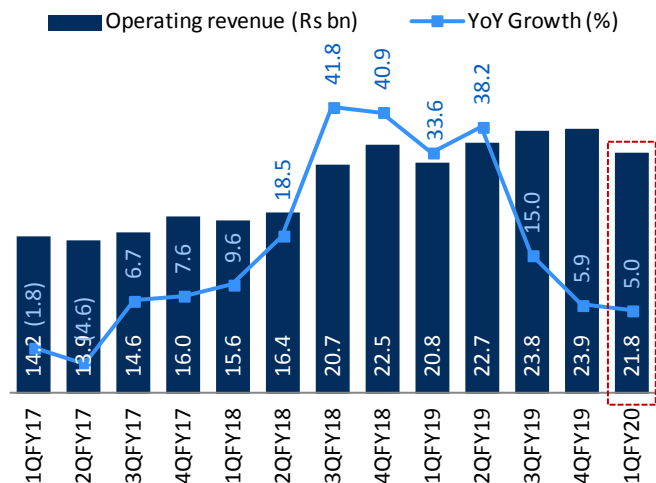
Source: Company, HDFC sec Inst Research

**Pharma segment grew 12% YoY driven by a strong show in CDMO (higher capacities) and specialty pharma (rubyfill and allergy). Generics was muted due to lower volumes, expected to normalize over FY20**

**Within LSI, specialty intermediates saw higher offtake and the co witnessed better volumes and prices in Vit B3. However, Chemicals remained subdued due to lower realization led by correction in Acetic acid prices, and lower volumes owing to elevated Molasses prices**

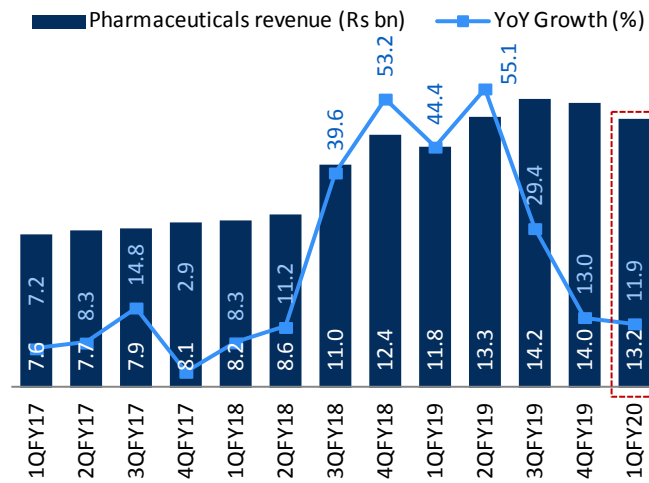
**EBITDA margin has recovered sequentially on a low base, despite persisting penalties and litigation expenses (albeit at a lower quantum)**

**Revenue: YoY Growth Driven By Pharma**



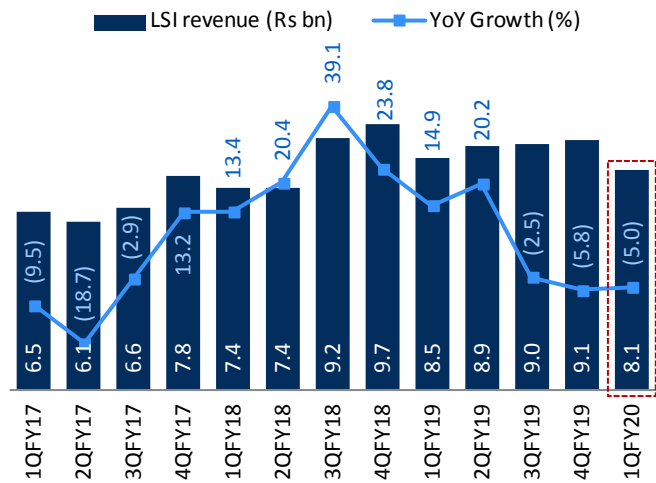
Source: Company, HDFC sec Inst Research

**Pharma: Healthy Growth In CDMO & Specialty**



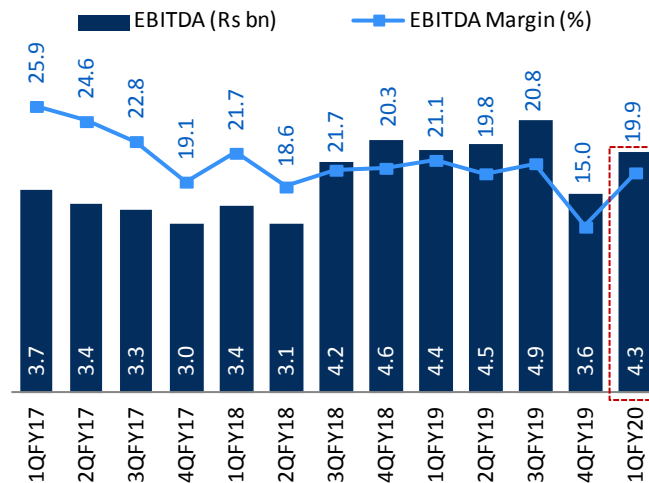
Source: Company, HDFC sec Inst Research

**LSI Biz: Slowdown Due To Volatility In Input Costs**



Source: Company, HDFC sec Inst Research

**EBITDA Margin: At 22.1%, Adjusting For One-offs**



Source: Company, HDFC sec Inst Research

*Sartans API production was lower due to increased quality checks by the co. JUBILANT has expanded capacity at Roorkee and started filing ANDAs, which will help normalize the generics segment*

*Commissioning of Bharuch facility and Acetic Anhydride plant, along with improved demand for nutra products and stabilizing prices of raw materials will drive improvement in chemicals over 2HFY20*

*Drug discovery grew on the back of new customer additions in Biosys and new projects from existing clients*

*Pharma margin was subdued due to litigation and penalties. Chemicals margin improved with better mix. DDS margin expanded 740bps YoY to 12.5% owing to oplev and efficiencies*

**Segmental Quarterly Performance**

(Rs mn)	1QFY20	1QFY19	YoY (%)	4QFY19	QoQ (%)
Pharmaceuticals	13,210	11,810	11.9	13,990	(5.6)
Life sciences ingredients	8,050	8,470	(5.0)	9,120	(11.7)
Drug discovery solutions	560	510	9.8	740	(24.3)
<b>Total</b>	<b>21,820</b>	<b>20,790</b>	<b>5.0</b>	<b>23,850</b>	<b>(8.5)</b>

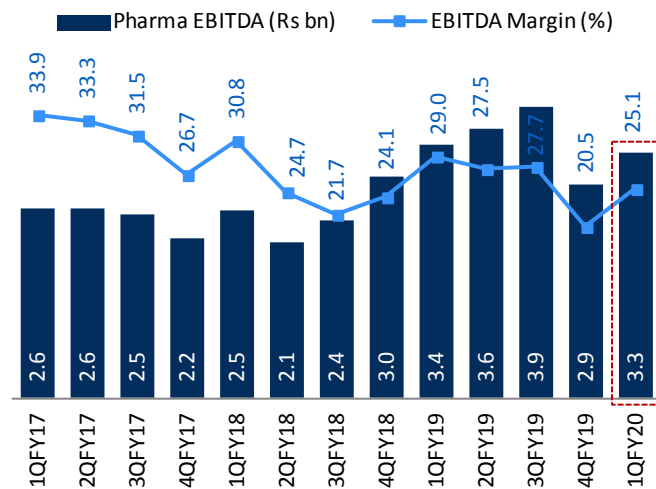
Source: HDFC sec Inst Research

**Assumptions**

Key segments (Rs mn)	FY17	FY18	FY19	FY20E	FY21E
Pharmaceuticals	31,167	40,166	53,230	56,109	62,631
Growth (%)	8.0	28.9	32.5	5.4	11.6
Life sciences ingredients	27,076	33,649	35,440	40,046	45,496
Growth (%)	(6.1)	24.3	5.3	13.0	13.6
Drug discovery solutions	1,820	1,763	2,420	2,662	2,928
Growth (%)	44.6	(3.1)	37.3	10.0	10.0
<b>Total</b>	<b>60,063</b>	<b>75,578</b>	<b>91,090</b>	<b>98,817</b>	<b>111,056</b>
Growth (%)	1.9	25.8	20.5	8.5	12.4

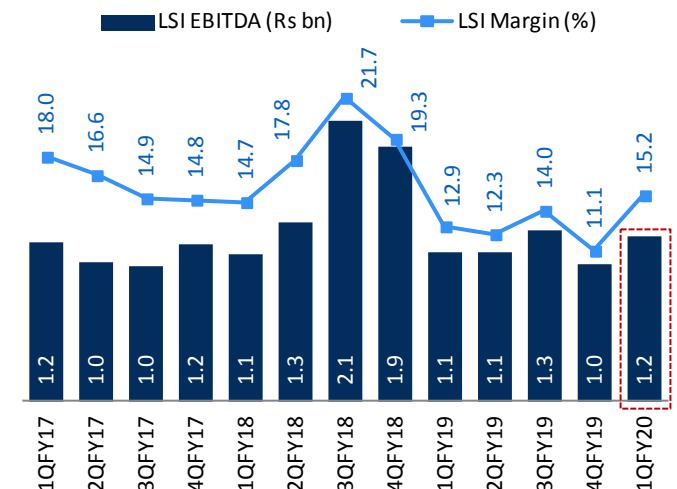
Source: HDFC sec Inst Research

**Pharma Margin: Stood At 28.1% Ex One-offs**



Source: Company, HDFC sec Inst Research

**LSI Margin: Aided By Better Mix**



Source: Company, HDFC sec Inst Research

**Peer Set Comparison**

	Mcap (Rs bn)	CMP (Rs/sh)	Reco	TP/FV	Adj EPS (Rs/sh)				P/E (x)				RoE (%)			
					FY18	FY19	FY20E	FY21E	FY18	FY19	FY20E	FY21E	FY18	FY19	FY20E	FY21E
Sun Pharma	1,055	440	BUY	540	12.7	14.9	18.0	24.6	34.6	29.6	24.5	17.9	8.2	9.0	10.0	12.4
Dr Reddy's Labs	449	2,705	BUY	3,360	59.2	104.9	128.4	148.8	45.7	25.8	21.1	18.2	7.8	13.1	14.3	14.5
Divi's Labs	442	1,667	SELL	1,445	32.4	48.8	56.7	65.6	51.5	34.2	29.4	25.4	15.2	20.1	20.4	20.8
Cipla	429	532	BUY	625	18.5	19.0	20.7	28.4	28.7	28.0	25.7	18.8	11.2	10.5	10.6	12.9
Lupin	352	777	BUY	910	38.1	16.4	41.2	41.3	20.4	47.3	18.9	18.8	12.8	5.4	12.8	11.7
Aurobindo Pharma	330	563	BUY	790	41.7	42.9	48.8	52.8	13.5	13.1	11.5	10.7	23.2	19.7	18.8	17.1
Torrent Pharma	283	1,674	NEU	1,615	37.0	40.1	52.5	67.3	45.3	41.7	31.9	24.9	14.0	14.5	17.6	19.5
Cadila Healthcare	240	234	BUY	280	12.7	11.1	12.0	15.7	18.5	21.0	19.6	14.9	16.5	11.9	11.2	13.2
Alkem Laboratories	217	1,815	BUY	2,225	57.6	64.7	78.7	101.0	31.5	28.1	23.1	18.0	14.8	15.0	16.3	18.4
Abbott India	182	8,572	NR	8,990	188.8	211.9	248.6	299.6	45.4	40.4	34.5	28.6	26.1	24.3	24.1	24.5
Glenmark	120	426	BUY	565	17.5	27.4	29.6	35.4	24.4	15.6	14.4	12.0	9.4	13.3	13.1	13.9
Alembic Pharma	101	535	NEU	570	21.9	25.8	25.1	31.6	24.4	20.7	21.3	16.9	20.0	19.7	16.4	18.1
<b>Jubilant Life Sciences</b>	<b>71</b>	<b>445</b>	<b>BUY</b>	<b>845</b>	<b>45.5</b>	<b>53.8</b>	<b>54.1</b>	<b>67.2</b>	<b>9.8</b>	<b>8.3</b>	<b>8.2</b>	<b>6.6</b>	<b>19.3</b>	<b>19.3</b>	<b>16.6</b>	<b>17.7</b>
Laurus Labs	36	337	BUY	515	15.8	10.7	16.0	28.6	21.3	31.5	21.1	11.8	11.9	6.2	10.2	16.4
Dishman Carbogen Amcis	34	210	BUY	375	13.2	16.7	19.6	24.9	15.9	12.6	10.7	8.5	14.6	15.4	15.1	16.4
Strides Pharma	32	354	BUY	650	13.2	6.9	31.2	42.2	26.9	51.4	11.3	8.4	2.9	2.3	10.1	12.5
Suven Life Sciences	30	237	NR	455	9.7	6.8	9.1	10.7	24.4	34.7	26.1	22.1	17.2	10.9	13.2	13.9
J B Chemicals & Pharmaceuticals	30	371	NR	485	16.6	24.1	28.8	34.6	22.4	15.4	12.9	10.7	9.9	13.3	14.7	15.6
Granules India	22	86	BUY	170	5.2	9.3	11.4	13.9	16.4	9.2	7.5	6.2	12.0	16.7	17.5	18.5
Solara Active Pharma Science	9	348	NR	650	2.4	26.0	26.9	43.1	143.8	13.4	12.9	8.1	2.9	13.4	10.9	12.6
Neuland Labs	7	510	BUY	920	10.8	12.8	32.1	65.8	47.2	39.8	15.9	7.8	2.2	2.6	5.7	10.9

Source: HDFC sec Inst Research

***We cut our FY20/21E EPS to account for higher interest cost and tax rate***

**Change In Estimates (Consolidated)**

Rs mn	Previous			New			% Chg		
	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E
Revenue	91,108	98,817	111,056	91,108	94,895	104,739	0.0	(4.0)	(5.7)
EBITDA	17,390	18,489	22,503	17,390	18,818	21,538	0.0	1.8	(4.3)
APAT	8,573	8,980	11,714	8,573	8,618	10,707	0.0	(4.0)	(8.6)

Source: HDFC sec Inst Research

**Income Statement (Consolidated)**

Year ending March (Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
<b>Net Revenues</b>	<b>75,578</b>	<b>91,108</b>	<b>94,895</b>	<b>104,739</b>	<b>115,080</b>
<b>Growth (%)</b>	<b>28.9</b>	<b>20.5</b>	<b>4.2</b>	<b>10.4</b>	<b>9.9</b>
Material Expenses	28,688	35,218	34,250	37,666	41,584
Employee Expenses	15,559	19,260	20,907	23,248	25,585
Other Operating Expenses	16,148	19,240	20,920	22,287	23,618
<b>EBITDA</b>	<b>15,184</b>	<b>17,390</b>	<b>18,818</b>	<b>21,538</b>	<b>24,294</b>
<b>EBITDA Margin (%)</b>	<b>20.1</b>	<b>19.1</b>	<b>19.8</b>	<b>20.6</b>	<b>21.1</b>
<b>EBITDA Growth (%)</b>	<b>12.9</b>	<b>14.5</b>	<b>8.2</b>	<b>14.5</b>	<b>12.8</b>
Depreciation	4,151	3,709	4,365	4,804	5,159
<b>EBIT</b>	<b>11,033</b>	<b>13,681</b>	<b>14,453</b>	<b>16,734</b>	<b>19,135</b>
Other Income (Including EO Items)	400	357	300	231	301
Interest	2,843	5,000	2,529	2,094	1,804
<b>PBT</b>	<b>8,591</b>	<b>9,038</b>	<b>12,224</b>	<b>14,871</b>	<b>17,633</b>
Tax (Incl Deferred)	2,247	3,268	3,606	4,164	4,937
<b>RPAT</b>	<b>6,344</b>	<b>5,770</b>	<b>8,618</b>	<b>10,707</b>	<b>12,696</b>
Minority Interest	-	-	-	-	-
EO (Loss) / Profit (Net Of Tax)	910	2,802	-	-	-
<b>APAT</b>	<b>7,254</b>	<b>8,573</b>	<b>8,618</b>	<b>10,707</b>	<b>12,695</b>
<b>APAT Growth (%)</b>	<b>26.5</b>	<b>18.2</b>	<b>0.5</b>	<b>24.2</b>	<b>18.6</b>
<b>Adjusted EPS (Rs)</b>	<b>45.5</b>	<b>53.8</b>	<b>54.1</b>	<b>67.2</b>	<b>79.7</b>

Source: Company, HDFC sec Inst Research

**Balance Sheet (Consolidated)**

As at March (Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
<b>SOURCES OF FUNDS</b>					
Share Capital - Equity	156	159	159	159	159
Reserves	40,710	47,930	55,602	65,133	76,268
<b>Total Shareholders Funds</b>	<b>40,865</b>	<b>48,089</b>	<b>55,761</b>	<b>65,293</b>	<b>76,427</b>
<b>Minority Interest</b>	<b>(515)</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
Long Term Debt	30,478	42,429	33,450	27,935	22,369
Short Term Debt	4,322	6,171	5,150	5,665	6,232
<b>Total Debt</b>	<b>34,800</b>	<b>48,600</b>	<b>38,600</b>	<b>33,600</b>	<b>28,600</b>
Net Deferred Taxes	26	528	605	575	575
Other Non-current Liabilities & Provns	3,671	1,245	1,155	1,240	1,246
<b>TOTAL SOURCES OF FUNDS</b>	<b>78,846</b>	<b>98,463</b>	<b>96,121</b>	<b>100,708</b>	<b>106,848</b>
<b>APPLICATION OF FUNDS</b>					
Net Block	54,006	56,484	58,369	59,815	59,656
CWIP	7,077	9,014	9,500	8,500	7,500
Investments	1,235	1,151	1,151	1,150	1,150
Other Non-current Assets	356	693	735	780	829
<b>Total Non-current Assets</b>	<b>62,674</b>	<b>67,342</b>	<b>69,755</b>	<b>70,245</b>	<b>69,135</b>
<b>Cash &amp; Equivalent</b>	<b>2,488</b>	<b>13,704</b>	<b>8,914</b>	<b>9,606</b>	<b>14,471</b>
Inventories	13,914	14,174	14,545	16,511	18,343
Debtors	11,308	12,716	14,299	16,356	18,287
Other Current Assets	4,188	5,255	3,888	4,277	4,705
<b>Total Current Assets</b>	<b>29,410</b>	<b>32,144</b>	<b>32,732</b>	<b>37,145</b>	<b>41,334</b>
Creditors	11,362	10,201	10,791	11,351	12,646
Other Current Liabilities & Provns	4,364	4,525	4,488	4,936	5,446
<b>Total Current Liabilities</b>	<b>15,725</b>	<b>14,726</b>	<b>15,279</b>	<b>16,287</b>	<b>18,092</b>
<b>Net Current Assets</b>	<b>13,685</b>	<b>17,418</b>	<b>17,453</b>	<b>20,858</b>	<b>23,242</b>
<b>TOTAL APPLICATION OF FUNDS</b>	<b>78,847</b>	<b>98,463</b>	<b>96,121</b>	<b>100,708</b>	<b>106,848</b>

Source: Company, HDFC sec Inst Research

**Cash Flow (Consolidated)**

Year ending March (Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
Reported PBT	8,591	9,038	12,224	14,871	17,632
Non-operating & EO items	(64)	36	(223)	(261)	(301)
Interest expenses	2,792	5,000	2,529	2,094	1,804
Depreciation	4,150	3,709	4,365	4,804	5,159
Working Capital Change	141	(6,495)	(168)	(3,365)	(2,427)
Tax Paid	(2,578)	(3,268)	(3,606)	(4,164)	(4,937)
<b>OPERATING CASH FLOW ( a )</b>	<b>13,032</b>	<b>8,020</b>	<b>15,121</b>	<b>13,979</b>	<b>16,929</b>
Capex	(4,837)	(8,125)	(6,736)	(5,250)	(4,000)
Free cash flow (FCF)	8,195	(104)	8,385	8,729	12,929
Investments	(1,431)	-	-	-	-
Non-operating Income	92	84	-	-	-
<b>INVESTING CASH FLOW ( b )</b>	<b>(6,177)</b>	<b>(8,041)</b>	<b>(6,736)</b>	<b>(5,249)</b>	<b>(4,000)</b>
Debt Issuance/(Repaid)	(6,278)	13,800	(10,000)	(5,000)	(5,000)
Interest Expenses	(2,183)	(4,643)	(2,229)	(1,862)	(1,503)
FCFE	(267)	9,054	(3,844)	1,867	6,426
Share Capital Issuance	10	4	-	-	-
Dividend	(560)	(830)	(946)	(1,176)	(1,562)
Others	46	-	-	-	-
<b>FINANCING CASH FLOW ( c )</b>	<b>(8,965)</b>	<b>8,331</b>	<b>(13,175)</b>	<b>(8,038)</b>	<b>(8,064)</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>(2,110)</b>	<b>8,311</b>	<b>(4,790)</b>	<b>692</b>	<b>4,865</b>
<b>Closing Cash &amp; Equivalents</b>	<b>2,486</b>	<b>10,799</b>	<b>8,914</b>	<b>9,606</b>	<b>14,471</b>

Source: Company, HDFC sec Inst Research

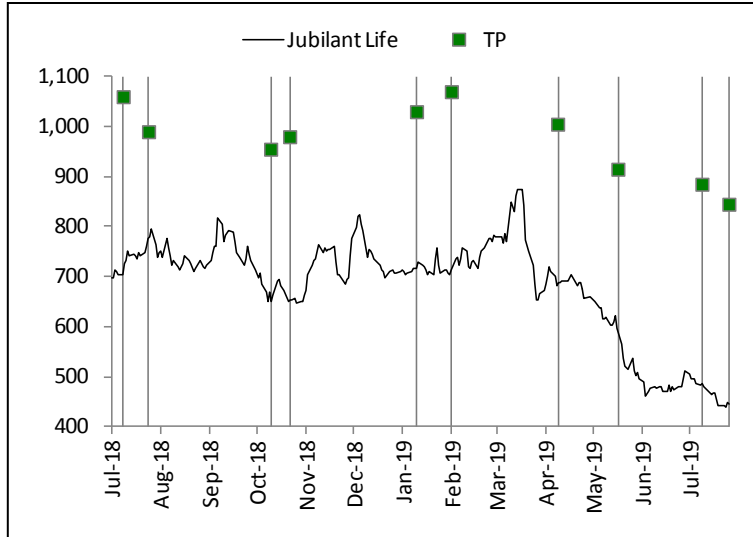
**Key Ratios**

	FY18	FY19	FY20E	FY21E	FY22E
<b>PROFITABILITY (%)</b>					
GPM	62.0	61.3	63.9	64.0	63.9
EBITDA Margin	20.1	19.1	19.8	20.6	21.1
APAT Margin	9.6	9.4	9.1	10.2	11.0
RoE	19.3	19.3	16.6	17.7	17.9
RoIC (or Core RoCE)	11.1	11.1	12.1	19.2	21.3
RoCE	12.5	14.6	12.1	14.4	15.8
<b>EFFICIENCY</b>					
Tax Rate (%)	26.2	36.2	29.5	28.0	28.0
Fixed Asset Turnover (x)	1.2	1.4	1.3	1.3	1.4
Inventory (days)	67.2	56.8	55.9	57.5	58.2
Debtors (days)	54.6	50.9	55.0	57.0	58.0
Other Current Assets (days)	20.0	20.9	14.8	14.8	14.8
Payables (days)	54.9	40.9	41.5	39.6	40.1
Other Current Liab & Provns (days)	19.1	15.4	14.4	14.3	14.4
Cash Conversion Cycle (days)	67.9	72.4	69.9	75.4	76.5
Debt/EBITDA (x)	2.3	2.8	2.1	1.6	1.2
Net D/E (x)	0.8	0.7	0.5	0.4	0.2
Interest Coverage (x)	3.9	2.7	5.7	8.0	10.6
<b>PER SHARE DATA (Rs)</b>					
EPS	45.5	53.8	54.1	67.2	79.7
Dividend	3.0	4.5	3.0	3.0	4.0
Book Value	262.3	301.9	350.0	409.9	479.8
<b>VALUATION</b>					
P/E (x)	9.8	8.3	8.2	6.6	5.6
P/BV (x)	1.7	1.5	1.3	1.1	0.9
EV/EBITDA (x)	6.7	6.1	5.3	4.4	3.5
EV/Revenues (x)	1.3	1.2	1.1	0.9	0.7
OCF/EV (%)	12.8	7.6	15.0	14.7	19.9
FCF/EV (%)	8.1	(0.1)	8.3	9.2	15.2
FCFE/Mkt Cap (%)	(0.4)	12.8	(5.4)	2.6	9.1
Dividend Yield (%)	0.7	1.0	0.7	0.7	0.9

Source: Company, HDFC sec Inst Research



**RECOMMENDATION HISTORY**



Date	CMP	Reco	Target
10-Jul-18	703	BUY	1,060
28-Jul-18	795	BUY	990
10-Oct-18	670	BUY	955
23-Oct-18	651	BUY	980
10-Jan-19	717	BUY	1,030
3-Feb-19	714	BUY	1,070
9-Apr-19	681	BUY	1,005
19-May-19	596	BUY	915
9-Jul-19	486	BUY	885
29-Jul-19	445	BUY	845

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

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