

AMP

STRICTLY CONFIDENTIAL



8 May 2024

ANTIQUE'S MORNING PRESENTATION

FROM THE RESEARCH DESK

QUARTERLY RESULTS REVIEW

Godrej Consumer Products

Recovery in HI, GAUM profitability to drive re-rating

Dr. Reddy's Laboratories

Base business sees volume decline

Lupin

Margin improvement continues

Max Financial Services

Market share gains likely to continue

Kansai Nerolac Paints

Driving premiumization to fight competition

Century Textiles & Industries

Blockbuster real estate numbers; strong guidance

Arvind SmartSpaces

Continued growth momentum

Market Snapshot

Global Indices	Closing	% Chg	% YTD
Dow Jones	38,884	0.1	3.2
NASDAQ	16,333	(0.1)	8.8
FTSE	8,314	1.2	7.5
CAC	8,076	1.0	7.1
DAX	18,430	1.4	10.0
Russia	1,185	(0.1)	9.4
Bovespa	1,29,211	0.6	(3.7)
Nikkei	38,835	1.6	16.0
Hang Seng	18,479	(0.5)	8.4
Shanghai Composite	3,148	0.2	5.8

Indian Indices	Closing	% Chg	% YTD
Sensex	73,512	(0.5)	1.8
Nifty	22,303	(0.6)	2.6
MSCI India	984	(0.9)	6.8
CNX Midcap	49,674	(1.9)	7.6
BSE Smallcap	45,921	(1.7)	7.6

Flows (USD mn)	Prev. Day	MTD
FII	(256)	(138)
MF	47.3	25.5

Provisional flows	(USD mn)
FII	(440)
Local	276

Volumes	USD bn	% Chg
Cash (NSE + BSE)	14.2	(11.7)
F&O (net)	2,870.1	44.4

FII F&O	Stock Fut	Index Fut
Net (\$ mn)	1,539	139
Open Int (%)	-	4.5

ADR/GDR Gainers	Last	% Chg
Infosys	17.1	0.9
Wipro	5.5	0.4

ADR/GDR Losers	Last	% Chg
Dr Reddy	71.3	(4.7)
SBI	95.8	(3.2)
Reliance	67.9	(2.3)
HDFC	56.8	(2.3)
ICICI Bank	27.1	(1.4)

Global News

- The major averages ended the day narrowly mixed. While the Nasdaq edged down 16.69 points or 0.1 percent to 16,332.56, the Dow crept up 31.99 points or 0.1 percent to 38,884.26 and the S&P 500 inched up 6.96 points or 0.1 percent to 5,187.70.
- The Nikkei 225 Index jumped 1.57% to close at 38,835 while the broader Topix Index gained 0.65% to 2,746 on Tuesday, with Japanese shares hitting three-week highs as investors returned from a holiday-extended weekend. Domestic stocks also tracked gains on Wall Street as soft US jobs data revived hopes that the Federal Reserve will start cutting interest rates soon. In Japan, a final reading showed that private sector activity remained expansionary in April as services activity expanded the most in eight months.

Sector & Corporate News

- Tata Motors tops Indian auto market with Punch Mini SUV, beats Maruti:** Tata's Punch achieved a significant milestone by outselling Maruti's long-reigning WagonR, with 17,547 units compared to 16,368 sold by the latter.
- Japan's Sumitomo Mitsui Financial invests INR 1,300 cr in SMFG India Credit:** Japan's Sumitomo Mitsui Financial Group (SMFG) said on Tuesday it has invested INR 1,300 crore in non-bank lender SMFG India Credit Co Ltd (SMICC) through a rights issue to drive growth.
- Fuel consumption increase by 6.1% YoY in April: Oil ministry:** Total consumption in April increased to 19.86 million metric tons or 4.85 million barrels per day from 18.71 million tons last year. However, the demand in April declined by 5.8% from March this year.

Sectoral indices

	Closing	% Chg	% MTD	% YTD
BSE Auto	50,543	(1.7)	(1.0)	19.7
BSE Bank	54,929	(1.1)	(1.9)	1.0
BSE Cap Goods	61,537	(1.1)	(2.4)	10.6
BSE Cons dur	52,349	(0.7)	(5.2)	4.7
BSE FMCG	20,056	1.8	2.3	(2.0)
BSE IT	34,310	0.6	0.6	(4.7)
BSE Health	35,073	(1.9)	(0.9)	11.2
BSE Metal	30,861	(2.3)	(1.2)	14.3
BSE Oil	27,924	(2.2)	(3.6)	21.3
BSE Power	7,062	(2.3)	(2.2)	21.4
BSE PSU	19,357	(2.4)	(3.7)	24.4
BSE Realty	7,494	(3.4)	(2.0)	21.1
BSE TECK	15,805	0.4	0.0	(0.8)

Nifty Outperformers

	Price	% Chg	% MTD	% YTD
Hindustan Unilever Ltd	2,379	5.5	6.7	(10.7)
Tech Mahindra Ltd	1,292	2.4	2.3	1.6
Britannia Industries Ltd	5,174	2.2	8.3	(3.1)
Nestle India Ltd	2,509	2.1	0.0	(5.6)
Tata Consultancy Svcs Ltd	3,979	1.5	4.1	5.4
Iitc Ltd	440	1.3	1.1	(4.7)
Kotak Mahindra Bank Ltd	1,644	1.2	1.2	(13.8)

Nifty Underperformers

	Price	% Chg	% MTD	% YTD
Bajaj Auto Ltd	8,678	(4.1)	(2.5)	27.7
Power Grid Corp Of India Ltd	295	(3.8)	(2.2)	24.5
Oil & Natural Gas Corp Ltd	274	(3.0)	(3.3)	33.4
Indusind Bank Ltd	1,453	(3.0)	(4.2)	(9.2)
Hindalco Industries Ltd	620	(2.9)	(3.8)	0.9
Tata Motors Ltd	989	(2.7)	(1.9)	26.7
Jsw Steel Ltd	857	(2.6)	(2.8)	(2.6)

Bulk Deals

Security Name	Client Name	Buy/Sell	Qty	Price	Value (mn)
Cartrade Tech Limited	Sector Investment Funds PLC - Sector Global Emerging Markets Fund	Buy	2,42,144	854.93	207
Cigniti Technologies Ltd	Rajasthan Global Securities Pvt Ltd	Buy	1,50,000	1,320.79	198
Ramdevbaba Solvent Ltd	Mansi Share And Stock Advisors Pvt Ltd	Sell	1,28,000	113.68	15
Transwarranty Finance Lim	Changaramkandath Padmanabhan Usha	Sell	5,31,120	14.96	8
Globe Textiles (I) Ltd.	Parasrampur Infrastructure LLP	Sell	15,58,256	3.51	5

Delivery Spike

Company	Volume	Spike (%)	Chg (%)
Marico Ltd	78,08,597	1522%	10.03%
Vodafone Idea Ltd	51,51,10,032	1088%	-3.13%
Dabur India Ltd	59,99,200	966%	5.21%
Lupin Ltd	17,88,052	560%	-4.11%
Hindustan Zinc Ltd	12,74,598	420%	-3.97%
Titan Co Ltd	17,69,766	396%	-0.28%
Yes Bank Ltd	19,34,04,136	376%	-5.19%
Jindal Steel & Power Ltd	17,54,823	375%	-1.28%
Reliance Power Ltd	98,00,996	369%	-0.77%
Punjab National Bank	2,93,28,638	328%	-3.78%

Derivatives Update

Long Build Up

Company	Last	% Chg	% Chg OI	OI (in 000)
GODREJPROP	2,791.85	2.27	18.06	3,855
HAVELLS	1,680.25	0.22	7.91	5,575
COROMANDEL	1,205.40	1.92	7.24	1,759
OFSS	7,705.20	2.51	6.79	918
MCX	3,926.85	3.84	5.54	2,315

Short Build Up

Company	Last	% Chg	% Chg OI	OI (in 000)
HINDUNILVR	2,386.80	(5.07)	10.01	19,193
KOTAKBANK	1,649.70	(1.02)	4.53	59,564
ABFRL	254.20	(1.30)	3.26	40,851
TCS	3,964.65	(1.34)	2.45	13,847
LITS	4,524.25	(0.35)	2.45	1,563

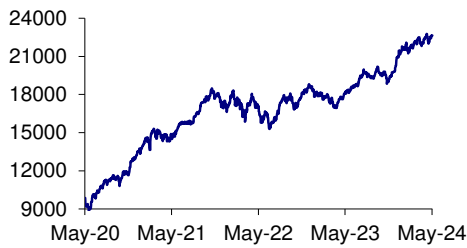
Short Covering

Company	Last	% Chg	% Chg OI	OI (in 000)
GODREJCP	1,317.30	(5.58)	(10.25)	7,179
BRITANNIA	5,205.75	(2.04)	(7.62)	2,670
UBL	1,982.80	(1.02)	(6.42)	3,202
EICHERMOT	4,619.30	(0.22)	(4.54)	3,206
MARICO	585.05	(8.97)	(3.80)	14,701

Long Unwinding

Company	Last	% Chg	% Chg OI	OI (in 000)
LUPIN	1,605.15	5.00	(16.42)	7,729
SRF	2,426.20	7.21	(14.39)	4,561
IGL	429.45	2.33	(8.36)	23,075
VOLTAS	1,387.65	4.76	(8.34)	5,151
NAVINFUOR	3,400.30	1.94	(7.43)	3,043

Nifty



Nifty P/E



Nifty P/B

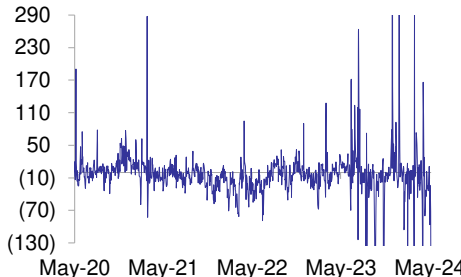


Source: Bloomberg

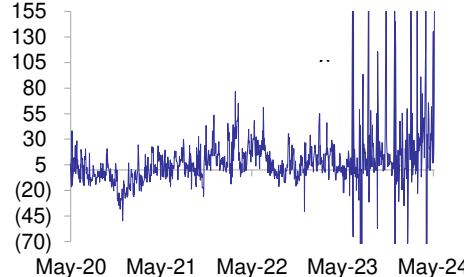
Sensex



FII Provisional Flows (INR bn)



DII Provisional Flows (INR bn)



Source: Bloomberg

Economy, Money & Banking

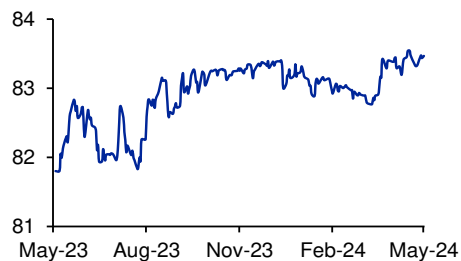
Forex Rate	Last	% Chg	% MTD	% YTD
INR~USD	83.5	(0.0)	(0.1)	(0.4)
INR~EUR	89.9	0.1	(0.4)	2.3
INR~GBP	104.7	0.3	(0.0)	1.0

Bond Market	Last	Chg (bps)	MTD (bps)	YTD (bps)
10 Year Bond	7.1	2	(6)	(5)
Interbank call	6.0	(20)	(75)	(29)

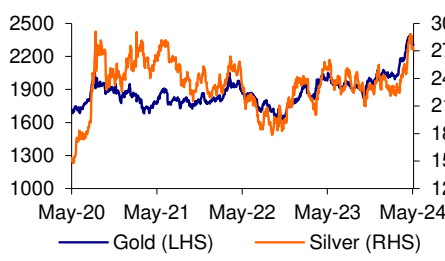
Commodities Update

Commodities	Last	% Chg	% MTD	% YTD
Gold (\$/Ounce)	2,315	0.1	1.3	12.2
Crude Oil (\$/Bbl)	78	(0.1)	(4.4)	8.6
Aluminium (\$/t)	2,522	0.5	(2.4)	7.5
Copper (\$/t)	9,894	1.1	0.0	16.9
Zinc (\$/t)	2,926	1.9	0.4	10.8
Lead (\$/t)	2,198	1.0	0.7	8.0
Nickel (\$/t)	19,064	0.1	(0.0)	16.4

INR/USD



Gold and silver prices (USD/Tr.Oz)

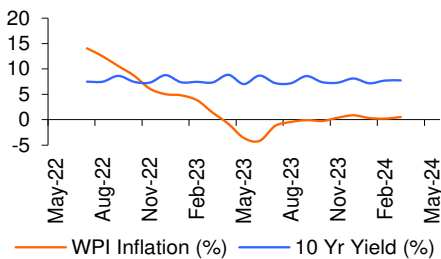


Crude prices (USD/barrel)

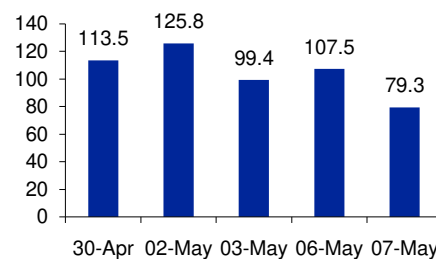


Source: Bloomberg

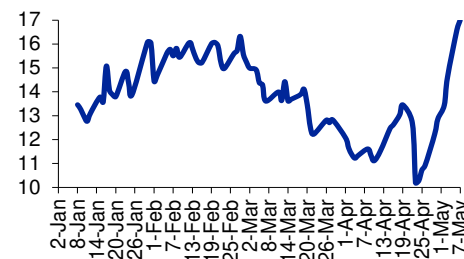
Inflation vs 10 year yield



Nifty premium/discount



NSE volatility index (%)



Source: Bloomberg

CMP	: INR 1,322
Reco	: BUY ↔
Target Price	: INR 1,522 ↑
Target Price Change	: 17%
Target FY26 P/E (x)	: 50
EPS Change FY25/ 26	: -7%/+5%

Abhijeet Kundu

+91 22 6911 3418
abhijeet.kundu@antiquelimited.com

Dhiraj Mistry

+91 22 6911 3434
dhiraj.mistry@antiquelimited.com

Market data	
Sensex	: 73,512
Sector	: FMCG
Market Cap (INR bn)	: 1,352.5
Market Cap (USD bn)	: 16.195
O/S Shares (mn)	: 1,022.8
52-wk HI/LO (INR)	: 1350/932
Avg. Daily Vol ('000)	: 940
Bloomberg	: GCPL IN

Source: Bloomberg

	FY24	FY25e	FY26e
EPS (INR)	19.7	23.2	30.4
P/E (x)	67.0	57.0	43.4
P/BV (x)	10.7	9.9	8.9
EV/EBITDA (x)	44.3	37.1	30.8
Dividend Yield (%)	0.8	1.0	1.1

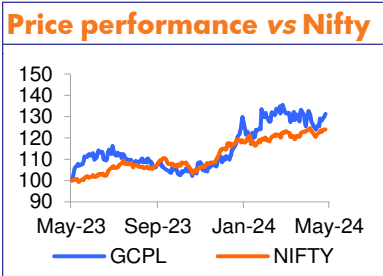
Source: Company, Antique

Returns (%)				
	1m	3m	6m	12m
Absolute	9	7	29	41
Relative	11	4	14	19

Source: Bloomberg

Shareholding pattern	
Promoters	: 63%
Public	: 37%
Others	: 0%

Source: Bloomberg



Source: Bloomberg Indexed to 100

4QFY24 RESULT REVIEW

Godrej Consumer Products

Recovery in HI, GAUM profitability to drive re-rating

Godrej Consumer Products' (GCPL) 4QFY24 performance was ahead of our expectations led by the performance in India and Indonesia. Domestic organic revenue/ volume grew 5%/ 7%, which was broad based. The launch of liquid vaporizer with a new molecule (with higher efficacy) will help GCPL achieve high single digit to early double-digit volume growth in India over the medium term. Indonesia business performance improved significantly in FY24 on the back of corrective action taken by the management, which should continue. Additionally, GAUM profitability should improve with the restructuring of the Africa business. We remain confident of GCPL's performance driven by a) High single-digit volume growth in India and Indonesia with maintenance of healthy EBITDA margin (+20%), b) Improving profitability in GAUM. Consequently, we increase our target multiple to 50x vs. 45x. We cut our FY25 EPS estimate by 7% adjusting for a higher tax rate while increase it by 5% for FY26. We maintain BUY recommendation with a revised TP of INR 1,522 (previously INR 1,300), based on FY26E EPS.

4QFY24 performance was driven by strong performance in Indonesia and India business

India sales grew 12% YoY with 15% growth in volume while organic revenue grew 5% with volume growth of 7%. In India, the home care business grew by 6% driven by air fresheners and fabric care, while the personal care business grew by 4% due to strong volume growth during the quarter. Household insecticide (HI) witnessed a subdued quarter due to the extended winter in the North and parts of East. The non-mosquito portfolio continues to perform well and the company's new incense stick launch continues to gain market share from unorganized players. Air freshener volume continues to grow in double digits. Park Avenue and KamaSutra continued their healthy run rate to deliver INR 1.37 bn of sales. Indonesia's business performance improved with sales growth of 17% in CC terms led by double-digit growth in HI and hair color. GAUM delivered 16% growth in CC terms while in INR terms sales declined 23% impacted by the devaluation of NAIRA.

Strong profitability improvement; A&P spends increased by 36% in India business

The consolidated gross margin expanded by 322 bps YoY to 56.1%. Consolidated EBITDA grew 14% YoY and the margin expanded by 168 bps YoY to 22.5%. A&P spend increased by 36% YoY to 9.1% of sales vs. 7.1% last year. India EBITDA margin remained healthy at 26.7%. In international business, Indonesia EBITDA margin improved by 360 bps YoY to 25.2% while GAUM EBITDA margin expanded 390 bps YoY to 14.3%.

India and Indonesia to deliver strong performance; GAUM profitability to improve

In our view, the company would be able to achieve high single-digit volume growth in India and Indonesia while maintaining healthy EBITDA margin and improving profitability in the rest of the world by restructuring the business in East Africa. The strategy implemented in 2022-23 to drive growth over the medium to long term a) Led through category development (innovation, accessible packs, increase efficacy) and b) Funded for simplification (reducing SKUs, Simplifying processes) is yielding results. In our view, the launch of LV with new molecule (RNF formulation) will help market share gain over the medium to long term. Additionally, the company implemented Project Vistara 2.0 to expand village distribution reach by 3x in the next two years.

Investment Summary

Post 4QFY24, we cut our FY25 EPS estimate by 7% adjusting for a higher tax rate while we increase our FY26 EPS estimate by 5% driven by strong recovery in HI in India (product innovation) and improving profitability in GAUM business (post restructuring). We expect GCPL to deliver sales/ earnings CAGR of 14%/ 24% over FY24-26E. The improving performance across geographies should further help in GCPL's re-rating. We maintain BUY recommendation with a revised TP of INR 1,522 (previously INR 1,300) based on 50x PER (previously 45x) on FY26E EPS.

Analyst Meet Takeaways

Overall business

- During FY24, GCPL achieved organic volume growth of 7% with high-teens EBITDA growth. RCCL revenue integration is complete and the revenue and EBITDA for FY24 was similar to FY23.
- For FY25, the company expects high single-digit volume growth in India and Indonesia, and to improve profitability in the rest of the world.
- The strategy to drive growth over the medium to long term has a) Led through category development and b) Funded for simplification.
- The company is focusing on category development by a) Becoming more relevant to consumers (purpose-based consumption, e.g. AER during guests at home), b) Increasing access packs (smaller SKUs), c) Increasing availability of products (distribution expansion), and d) Increasing consumption through trails.
- GCPL is further focusing on simplification of business by a) Fewer SKUs (30% reduction over the last two years), b) Fewer people (reduced managers by 10%), c) Fewer operations (reducing manufacturing footprint by 40% over FY24-26), and d) Simpler business processes by building an in-house creative and design team, single advertisement (led to 40 bps of saving from single in-house media agency).
- The company is implementing project VISTAAR 2.0 (van operation) to expand its current direct reach to 400k outlets in the rural market by another 300k in 2-3 years. This would be implemented by 700+ vans in 100k villages.
- FY24 was better than FY23 in terms of innovation. Innovation has provided an incremental revenue growth of 1.5% and the company aims for 3% over the medium to long term.
- In HI, GCPL has lost MS due to incense sticks, but with the launch of agarbatti the company would gain MS.
- The company has reduced its core working capital days from 50 to 38 over FY22-24.
- ETR for FY25 would be 30% and FY26 would be ~25%. Actual cash ETR would be lower.
- Going ahead, the company would have dividend payout ratio of 50%.
- Capex of INR 9 bn in organic manufacturing over next 18-24 months. Normalized capex post that where capex will be equal to the depreciation charge.

India

- For FY25 in India, the company is implementing a three-pronged strategy of a) Premiumization by innovation, b) Improving efficiency by consolidating its manufacturing footprint, and c) Increase affordability with access packs.
- Going ahead for the RCCL business, the company expects high double-digit volume growth and to be EPS neutral by the end of FY25. The company highlighted that the deodorant category still has some work to be done.

Indonesia

- The category in which GCPL is present has maximum penetration of 20%, which gives immense headroom for growth.
- GCPL has been able to improve Indonesia business performance after taking corrective action on pricing, revamping go to market (GTM), and increasing brand investments.
- FY24 performance was driven by HI (38% growth) and hair color (esp. shampoo hair color). Air care declined 3% in FY24, which need more work.

- In Indonesia, HI has high saliency from Aerosol compared to LV. Launch of access pack of 150 ml led the growth during FY24, which was further supported by improving efficacy, increase in media spending, and trial packs to 1 mn households. LV grew +80% and aerosol grew 23% in FY24.
- Going ahead, the Indonesia business should sustain high single-digit volume growth and EBITDA margin of mid 20s by a) Sustaining performance in HI; b) Reviving growth in air care by innovation, offering accessible packs, and higher media spends; and c) Scaling up the hair color category.

Rest of the world (GAUM & LatAm)

- Performance has been muted due to the difficult macroeconomic situation and higher overheads, currency headwinds.
- Going ahead, the company would be focusing on volume growth, INR profit, and cash flow growth.
- To manage volatility, the company would take appropriate pricing actions and reduce factories and SKUs to cut cost.
- Profitability is improving with FMCG saliency going up from 40% in FY22 to >50% in FY24.
- In Southern Africa, the company has increased direct distribution reach by 1.4x. Southern Africa and the export business has strong performance with double-digit growth and ~20% EBITDA margin.
- The company has restructured the business in East Africa which will help in positive cash flow and 150 bps of margin improvement.
- The aim is to drive volume growth to mid-single digit over the medium term and improve profitability to >15% EBITDA margin vs. the current 8%-10%.

Table 1: Consolidated quarterly financials

INR mn	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)	FY24	FY23	YoY (%)
Revenues	33,856	32,002	5.8	36,596	(7.5)	1,40,961	1,33,160	5.9
Gross Profit	18,999	16,928	12	20,454	(7)	77,758	66,132	18
Gross Margin %	56.1	52.9	322 bps	55.9	23 bps	55.2	49.7	550 bps
Staff cost	3,237	3,008	8	2,761	17	12,493	11,115	12
% of Net sales	9.6	9.4	16 bps	7.5	202 bps	8.9	8.3	52 bps
Advertisement expenses	3,063	2,245	36	3,433	(11)	13,359	9,855	36
% of Net sales	9.0	7.0	203 bps	9.4	-33 bps	9.5	7.4	208 bps
Other expenditure	5,096	5,027	1	5,213	(2)	21,203	19,770	7
% of Net sales	15.1	15.7	-66 bps	14.2	81 bps	15.0	14.8	19 bps
EBITDA	7,604	6,648	14.4	9,047	-16.0	30,703	25,392	20.9
EBITDA Margin %	22.5	20.8	168 bps	24.7	-226 bps	21.8	19.1	271 bps
Other income	638	579	10	701	-9	2,690	1,685	60
Depreciation	499	686	-27	539	-7	2,410	2,363	2
Interest Expenses	785	525	49	666	18	2,964	1,757	69
PBT	6,958	6,016	16	8,543	-19	28,020	22,956	22
Tax	2087	1034	102	2024	3	7,588	4,303	76
effective tax rate %	30.0	17.2	1282 bps	23.7	631 bps	27.1	18.7	834 bps
PAT	4,871	4,983	-2	6,520	-25	20,432	18,653	10
Foreign exchange gain/(loss)	(47)	(239)		(640)		(1,269)	(1,087)	
Extraordinary item	(23,757)	(222)		(69)		(24,769)	(541)	
Share of profit of equity investee	0	0	-	0	-	0	10	(100)
Reported PAT	(18,932)	4,521	(519)	5,811	(426)	(5,606)	17,015	(133)
Adjusted PAT	5,740	4,690	22	5,860	-2	20,160	17,460	15
Profit Margin %	17.0	14.7	230 bps	16.0	94 bps	14.3	13.1	119 bps
EPS	5.6	4.6	22	5.7	-2	19.7	17.1	15

Source: Company, Antique

Table 2: Consolidated segment performance

Revenue (INR mn)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)	FY24	FY23	YoY (%)
India	20,336	18,229	11.6	22,041	(7.7)	84,114	76,672	9.7
Indonesia	4,983	4,345	14.7	4,665	6.8	18,885	16,530	14.2
Africa	5,937	7,701	(22.9)	9,233	(35.7)	31,813	34,146	(6.8)
Others	2,900	2,036	42.5	993	192.0	7,527	7,148	5.3
Less: Intersegmental	(300)	(310)		(336)		(1,379)	(1,337)	
Total revenue	33,856	32,002	5.8	36,596	(7.5)	1,40,961	1,33,159	5.9
PBIT (INR mn)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)	FY24	FY23	YoY (%)
India	5,797	4,961	16.8	6,762	(14)	25,720	19,006	35.3
Indonesia	1,332	1,047	27.2	1,166	14	4,506	3,308	36.2
Africa	665	297	123.9	825	(19)	2,430	1,369	77.5
Others	74	186	(60.0)	25	200	213	420	(49.3)
Less: Intersegmental	(171)	(189)	(9.4)	(209)	(18)	(3,154)	(477)	561.4
Total PBIT	7,697	6,302	22.1	8,569	(10)	29,715	23,626	25.8
PBIT margin %	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)	FY24	FY23	YoY (%)
India	28.5	27.2	129	30.7	-217	30.6	24.8	579
Indonesia	26.7	24.1	262	25.0	172	23.9	20.0	385
Africa	11.2	3.9	734	8.9	227	7.6	4.0	363
Others	2.6	9.1	-656	2.5	7	2.8	5.9	-304
Total PBIT margin	22.7	19.7	304	23.4	-68	21.1	17.7	334

Source: Company, Antique

Table 3: Standalone quarterly financials

INR mn	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)	FY24	FY23	YoY (%)
Revenues	20,336	18,229	11.6	22,041	(7.7)	84,114	76,672	9.7
Gross Profit	11,760	10,395	13	13,041	(10)	48,824	39,397	24
Gross Margin %	57.8	57.0	80 bps	59.2	-134 bps	58.0	51.4	666 bps
Staff cost	1,200	1,139	5	1,171	3	4,986	3,722	34
% of Net sales	5.9	6.2	-34 bps	5.3	59 bps	5.9	4.9	107 bps
Advertisement expenses	2,316	1,753	32	2,534	(9)	10,110	6,873	47
% of Net sales	11.4	9.6	177 bps	11.5	-11 bps	12.0	9.0	305 bps
Other expenditure	2,832	2,689	5	2,858	(1)	11,290	10,114	12
% of Net sales	13.9	14.8	-83 bps	13.0	96 bps	13.4	13.2	23 bps
EBITDA	5,412	4,814	12.4	6,478	-16.5	22,439	18,688	20.1
EBITDA Margin %	26.6	26.4	20 bps	29.4	-278 bps	26.7	24.4	230 bps
Other income	606	499	21	553	9	4,562	1,395	227
Depreciation	221	355	-38	270	-18	1,269	1,080	17
Interest Expenses	371	11	3430	362	3	1,341	31	4268
PBT	5,426	4,948	10	6,400	-15	24,391	18,972	29
Tax	1,756	871	102	1,615	9	6,378	3,559	79
effective tax rate %	32.4	17.6	1476 bps	25.2	711 bps	26.1	18.8	739 bps
PAT	3,671	4,077	-10	4,784	-23	18,013	15,413	17
Recurring profit	3,671	4,077	-10	4,784	-23	18,014	15,431	17
Profit Margin %	18.1	22.4	-431 bps	21.7	-366 bps	21.4	20.1	129 bps
Extraordinary item	(10,680)	(2)		(59)		(11,543)	(276)	
Reported PAT	(7,009)	4,075	(272)	4,726	(248)	6,471	15,155	(57)
EPS	4	4	-10	5	-23	18	15	17

Source: Company, Antique

Table 4: Actual vs. estimates

INR mn	Actual	Antique est.	Var (%)	Consensus	Var (%)
Revenue	33,856	32,952	2.7	33,608	0.7
Gross margin, %	56.1	55.2	96 bps		
EBITDA	7,604	7,204	5.5	7,422	2.4
EBITDA Margin, %	22.5	21.9	60 bps	22.1	38 bps
Adj. Net profit	5,740	5,339	7.5	5,072	13.2

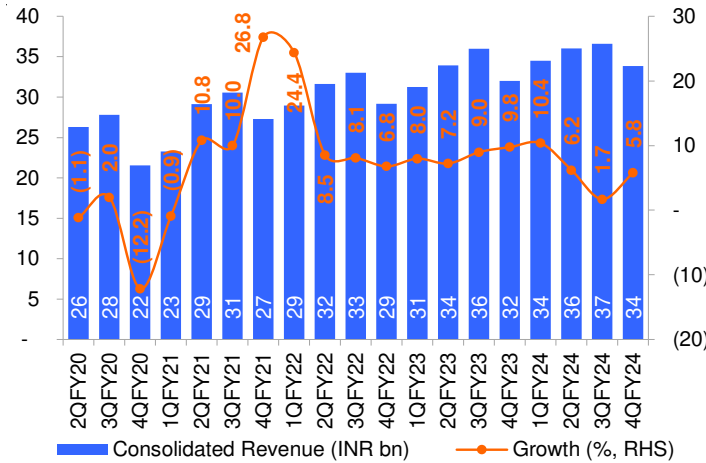
Source: Company, Antique

Table 5: Change in estimates

INR mn	FY25			FY26		
	New	Old	Chg (%)	New	Old	Chg (%)
Revenue	1,58,400	1,60,507	(1.3)	1,82,033	1,80,086	1.1
EBITDA	36,219	36,523	(0.8)	43,282	41,550	4.2
EBITDA Margin, %	22.9	22.8	11 bps	23.8	23.1	70 bps
PAT	23,701	25,411	(6.7)	31,126	29,533	5.4
EPS	23.2	24.9	(6.7)	30.4	28.9	5.4

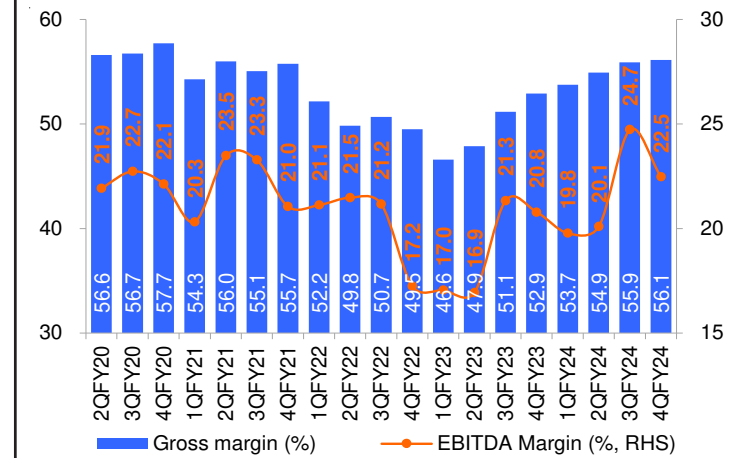
Source: Company, Antique

Exhibit 1: Consolidated revenue grew 5.8 % and with volume growth of 12%



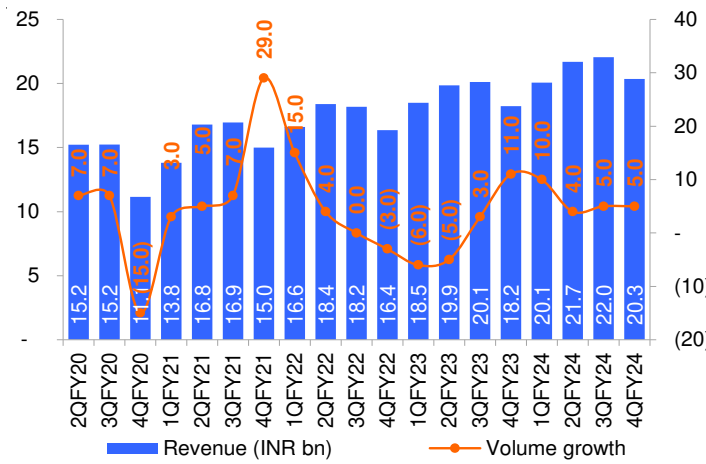
Source: Company, Antique

Exhibit 2: Consolidated gross margin/ EBITDA margin expanded 322 bps/ 168 bps YoY



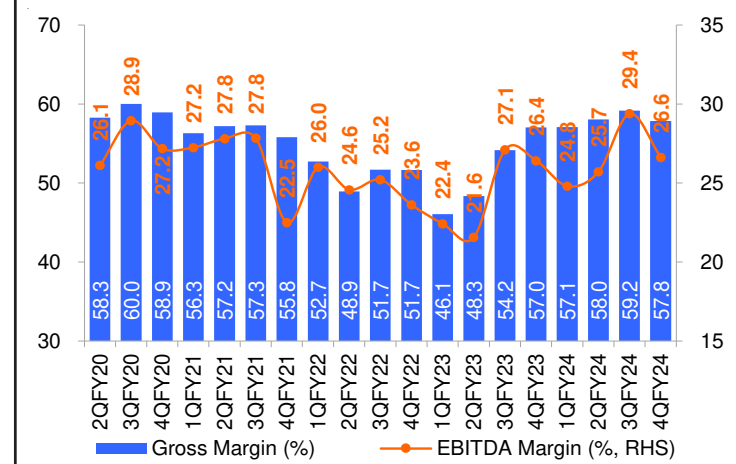
Source: Company, Antique

Exhibit 3: Organic domestic business grew 5% with volume growth of 7% (including Raymond business, revenue/ volume growth was 10%/ 13%)



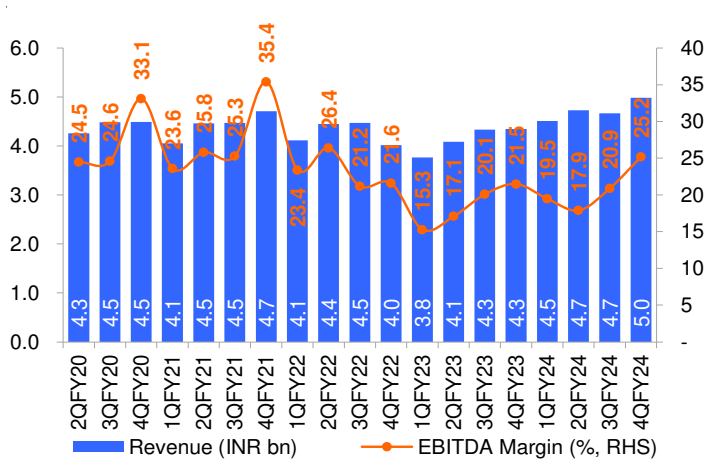
Source: Company, Antique

Exhibit 4: Domestic business GM and EBITDA margin expanded 80 bps and 20 bps



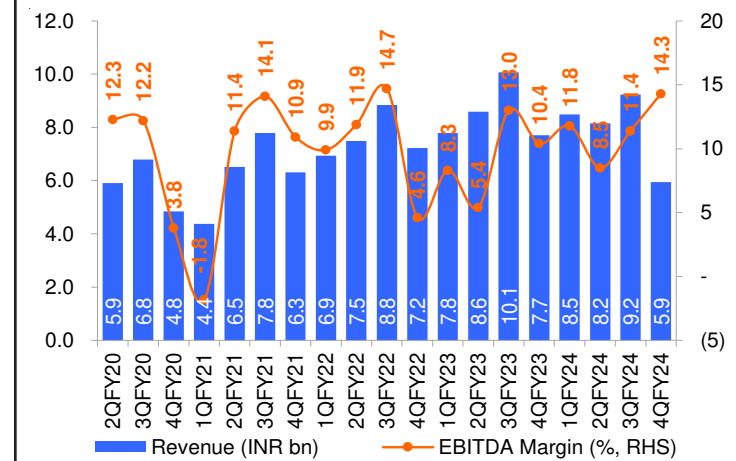
Source: Company, Antique

Exhibit 5: Indonesia business grew 17% in CC



Source: Company, Antique

Exhibit 6: GAUM business grew 16% in CC



Source: Company, Antique

Financials

Profit and loss account (INR mn)

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
Net Revenue	1,22,765	1,33,160	1,40,961	1,58,400	1,82,033
Op. Expenses	(97,848)	(1,07,688)	(1,10,258)	(1,22,181)	(1,38,751)
EBITDA	24,917	25,392	30,703	36,219	43,282
Depreciation	(2,099)	(2,363)	(2,410)	(2,786)	(2,906)
EBIT	22,818	23,029	28,293	33,433	40,376
Other income	897	1,684	2,690	3,093	3,526
Interest Exp.	(1,102)	(1,757)	(2,964)	(2,667)	(2,401)
Extra Ordinary Items -gain/(loss)	(966)	(1,087)	(26,037)	-	-
Reported PBT	21,647	21,868	1,982	33,859	41,501
Tax	(3,719)	(4,303)	(7,588)	(10,158)	(10,375)
Reported PAT	17,831	17,025	(5,606)	23,701	31,126
Minority Int./Profit (loss) From Asso.	(98)	(541)	-	-	-
Net Profit	17,929	17,566	(5,606)	23,701	31,126
Adjusted PAT	17,480	17,460	20,160	23,701	31,126
Adjusted EPS (INR)	17.1	17.1	19.7	23.2	30.4

Balance sheet (INR mn)

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
Share Capital	1,023	1,023	1,023	1,023	1,023
Reserves & Surplus	1,14,537	1,36,920	1,24,963	1,35,375	1,51,168
Networth	1,15,559	1,37,942	1,25,986	1,36,398	1,52,191
Debt	12,196	10,340	31,546	16,546	16,546
Net deferred Tax liabilities	(6,796)	(7,279)	(3,435)	(3,778)	(4,156)
Capital Employed	1,20,959	1,41,003	1,54,097	1,49,166	1,64,581
Gross Fixed Assets	49,727	55,095	70,423	73,923	77,423
Accumulated Depreciation	(11,618)	(13,981)	(16,391)	(19,176)	(22,082)
Capital work in progress	1,164	454	834	834	834
Net Fixed Assets	39,273	41,568	54,866	55,580	56,175
Goodwill	54,084	58,223	50,264	46,626	46,626
Investments	10,154	30,290	35,143	35,143	35,143
Non Current Investments	1,711	8,393	17,981	17,981	17,981
Current Investments	8,443	21,897	17,162	17,162	17,162
Current Assets, Loans & Adv.	50,514	36,866	39,629	43,629	63,069
Inventory	21,299	15,372	12,709	14,321	16,458
Debtors	11,163	12,453	15,354	17,253	19,827
Cash & Bank balance	11,078	3,907	5,469	5,233	19,007
Loans & advances and others	6,974	5,135	6,096	6,823	7,777
Current Liabilities & Provisions	33,066	25,944	25,804	31,812	36,431
Liabilities	31,012	24,158	23,228	28,956	33,240
Provisions	2,054	1,786	2,576	2,855	3,191
Net Current Assets	17,447	10,923	13,825	11,818	26,638
Application of Funds	1,20,959	1,41,003	1,54,097	1,49,166	1,64,581

Per share data

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
No. of shares (mn)	1,022	1,022	1,022	1,022	1,022
Diluted no. of shares (mn)	1,022	1,022	1,022	1,022	1,022
BVPS (INR)	113.0	134.9	123.2	133.4	148.9
CEPS (INR)	19.5	19.0	-3.1	25.9	33.3
DPS (INR)	0.0	0.0	10.0	13.0	15.0

Margins (%)

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
EBITDA Margin (%)	20.3	19.1	21.8	22.9	23.8
EBIT Margin (%)	18.6	17.3	20.1	21.1	22.2
PAT Margin (%)	14.1	12.9	14.0	14.7	16.8

Source: Company, Antique

Key assumptions

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
Gross margin (%)	50.5	49.7	55.2	56.0	56.5
Employee cost (% of sales)	9.0	8.3	8.9	8.8	8.5
Advertisement (% of sales)	6.1	7.4	9.5	9.5	9.8
Other expenditure (% of sales)	15.1	14.8	15.0	14.8	14.5

Cash flow statement (INR mn)

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
PBT	21,647	21,868	1,982	33,859	41,501
Depreciation & amortization	2,099	2,363	2,410	2,786	2,906
Interest expense	1,102	1,757	2,964	2,667	2,401
(Inc)/Dec in working capital	(12,292)	(2,217)	(1,168)	2,217	(428)
Tax paid	(3,719)	(4,303)	(7,588)	(10,158)	(10,375)
Less: Interest/Div. Income Recd.	(897)	(1,684)	(2,690)	(3,093)	(3,526)
CF from operating activities	7,941	17,785	(4,090)	28,278	32,479
Capital expenditure	(3,425)	(5,368)	(15,328)	(3,500)	(3,500)
Inc/(Dec) in investments	(3,363)	(20,136)	(4,853)	-	-
Add: Interest/Div. Income Recd.	897	1,684	2,690	3,093	3,526
CF from investing activities	(5,891)	(23,820)	(17,491)	(407)	26
Inc/(Dec) in debt	4,600	(1,856)	21,207	(15,000)	-
Dividend Paid	-	-	(10,222)	(13,289)	(15,333)
Others	(2,295)	720	12,159	180	(3,397)
CF from financing activities	2,306	(1,136)	23,144	(28,108)	(18,730)
Net cash flow	4,356	(7,171)	1,562	(237)	13,775
Opening balance	6,722	11,078	3,907	5,469	5,233
Closing balance	11,078	3,907	5,469	5,233	19,007

Growth indicators (%)

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
Revenue	11.3	8.5	5.9	12.4	14.9
EBITDA	2.0	1.9	20.9	18.0	19.5
Adj PAT	7.0	-0.1	15.5	17.6	31.3
Adj EPS	7.0	-0.1	15.5	17.6	31.3

Valuation (x)

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
P/E (x)	77.3	77.4	67.0	57.0	43.4
P/BV (x)	11.7	9.8	10.7	9.9	8.9
EV/EBITDA (x)	53.9	52.6	44.3	37.1	30.8
EV/Sales (x)	10.9	10.0	9.6	8.5	7.3
Dividend Yield (%)	-	-	0.8	1.0	1.1

Financial ratios

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
RoE (%)	16.7	13.8	15.3	18.1	21.6
RoCE (%)	21.9	18.9	21.0	24.1	28.0
Asset/T.O (x)	2.6	2.4	2.3	2.3	2.4
Net Debt/Equity (x)	(0.1)	(0.1)	0.1	(0.0)	(0.1)
EBIT/Interest (x)	(21.5)	(14.1)	(10.5)	(13.7)	(18.3)

Source: Company Antique

CMP	: INR 6,259
Reco	: SELL ↔
Target Price	: INR 5,095 ↑
Target Price Change	: 0.3%
Target FY 26 P/E (x)	: 20
EPS Change FY25/ 26	: -2%/ -4%

Monish Shah
 +91 22 6911 3412
 monish.shah@antiquelimited.com

Pranav Chawla
 +91 22 6911 3417
 pranav.chawla@antiquelimited.com

Market data	
Sensex	: 73,512
Sector	: Pharmaceuticals
Market Cap (INR bn)	: 1,043.8
Market Cap (USD bn)	: 12.499
O/S Shares (mn)	: 166.8
52-wk HI/LO (INR)	: 6506/4383
Avg. Daily Vol ('000)	: 481
Bloomberg	: DRRD IN

Source: Bloomberg

Valuation			
	FY24	FY25e	FY26e
EPS (INR)	334.1	217.3	246.1
P/E (x)	18.7	27.7	24.4
P/BV (x)	3.7	3.2	2.9
EV/EBITDA (x)	12.5	16.2	13.9
Dividend Yield (%)	0.6	0.6	0.6

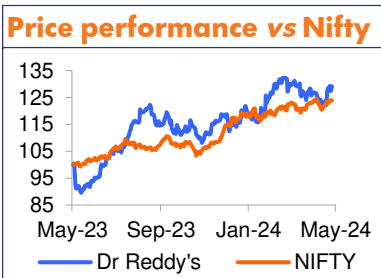
Source: Company, Antique

Returns (%)				
	1m	3m	6m	12m
Absolute	1	1	16	27
Relative	3	(2)	2	6

Source: Bloomberg

Shareholding pattern		
Promoters	:	27%
Public	:	73%
Others	:	0%

Source: Bloomberg



Source: Bloomberg Indexed to 100

4QFY24 RESULT REVIEW

Dr. Reddy's Laboratories

Base business sees volume decline

Dr. Reddy's Laboratories (DRRD) reported a YoY revenue growth of 12%, largely driven by higher revenue from North America (NA) generics which came in at USD 391 mn. The NA generics portfolio showcased muted growth on a sequential basis, largely due to a decline in base business volumes, higher price erosion, and increased contribution from gRevlimid (our est. ~USD 145–150 mn). DRRD's India business revenue declined ~12% YoY, however, adjusting for brand sales in the base quarter, adjusted growth stands at ~12% YoY. We believe DRRD continues to face increased competitive intensity in its key base business products, and given the lack of niche limited competition products, its core EBITDA margin (ex-gRevlimid) is likely to remain capped at 22%–23%. We keep our revenue estimates largely unchanged and lower our FY26 EPS estimate by ~4%. Given DRRD's traction in forging JVs and partnership for the India business, we increase our target multiple by ~5% and value the core EPS at 20x FY26. We maintain SELL rating on the stock with a revised TP of INR 5,095 (earlier INR 5,079), including NPV of ~INR 172 from gRevlimid.

North America generics—Incremental competition in key products from FY25

The North America generics portfolio declined by 3% sequentially, largely on account of a decline in base business volumes, higher price erosion, and increased contribution from gRevlimid. During the quarter DRRD's launched 5 new products in North America, of which 4 were launched in the U.S. A total of 21 products were launched during the year. DRRD is expected to witness incremental competition in its key base business products, with Amneal launching gCiprodex. As per our estimates, DRRD's volume market share in its key base business products viz. gVascepa and gCiprodex has not grown meaningfully in recent quarters and the company also faces stiff competition in its new launches viz. gLexiscan and gRemodulin. DRRD's remains a filer of highly competitive products viz. gSprycel, gEntresto, gForteo, gVenclexta, and gDexilant. With lack of niche limited competitive launches, we expect its core North America revenue to grow at ~1% CAGR in CC terms over a two-year period (excluding gRevlimid).

On the biosimilar front, DRRD launched bPegfilgrastim in partnership with Fresenius Kabi, making it eligible for royalty on revenue. DRRD's bRituximab was issued CRL which puts the filing under review and we expect a delay in product approval and subsequent launch; we expect the launch post FY26. We estimate the biosimilar portfolio to generate ~USD 20 mn revenue in FY26 and become a more meaningful contributor from 2HFY27.

Our View

We believe the base business in North America generics continues to face higher price erosion coupled with lower volumes and incremental competition which is likely to impact gross margin. Going forward, we expect DRRD to sustain and grow its market share in gRevlimid and expect the base business to remain in the ~USD 250–270 mn range for FY25. With marginal benefits from (i) Shortages in the US market and (ii) Continued elevated price erosion, DRRD's core EBITDA margin (ex-gRevlimid) is likely to peak in the range of 22%–23%. With the lack of limited competition launches we expect US generics to largely remain flat for the next two years. We believe the current stock price has largely priced in its current and forthcoming opportunities in the US. We maintain SELL rating on the stock.

Table 1: DRRD's prospective launch pipeline—most products likely to face high competition

Brand	Active ingredient	Est Market value (USD mn)	DRRD's positioning	Launch timeline	Notable filers
Sprycel	Dasatinib	1,200	Para 4	CY24	Apotex, Lupin, Teva, Alembic, Eugia, Biocon
Entresto	Sacubitril Valsartan	~1,400	Joint FTF	CY26	Alkem, Aurobindo, Teva, Lupin, Cadila
Dexilant	Dexlansoprazole	600	Para 4	CY24	Impax Pharma, Par pharma, Twi Pharma, Mylan, Sandoz
Venclexta	Venetoclax	1,000	Para 4	CY25	Alembic, Teva, Natco, MSN
Forteo	Teriparatide	600	Para 4	CY25	Apotex, Teva, Sun Pharma, Cipla

Source: USFDA, Industry Data, Antique

Table 2: Revenue snapshot

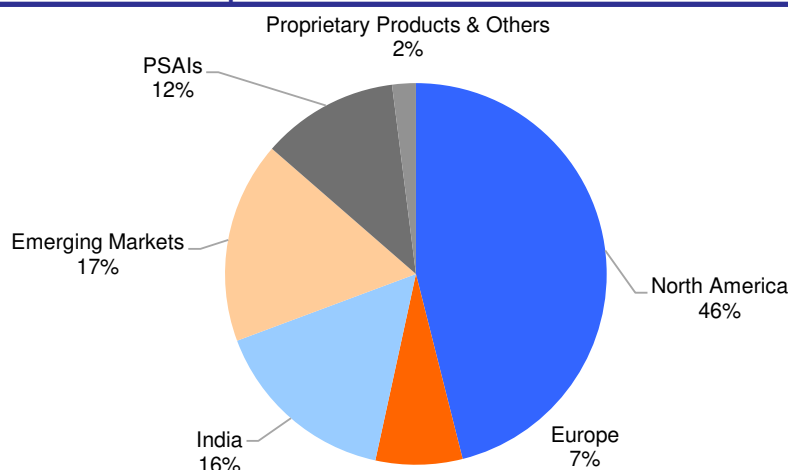
(INR mn)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)	FY24	FY23	YoY (%)
North America	32,626	25,321	29	33,492	(3)	1,29,796	1,01,704	28
Europe	5,208	4,960	5	4,970	5	20,535	17,603	17
India	11,265	12,834	(12)	11,800	(5)	46,407	48,947	(5)
Emerging Markets	12,091	11,142	9	12,833	(6)	48,639	45,513	7
-Russia	5,000	5,200	(4)	5,900	(15)	22,300	21,200	5
-Other CIS	2,200	2,300	(4)	2,300	(4)	8,700	8,600	1
-ROW	4,891	3,642	34	4,633	6	17,639	15,713	12
Global Generics	61,190	54,257	13	63,095	(3)	2,45,377	2,13,767	15
PSAIs	8,219	7,787	6	7,839	5	29,801	29,069	3
Proprietary Products & Others	1,420	924	54	1,214	17	3,910	3,042	29
Gross sales	70,829	62,968	12	72,148	(2)	2,79,088	2,45,878	14

Source: Company, Antique

Table 3: Actuals vs. estimates

(INR mn)	4QFY24		
	Actual	Estimated	% Variance
Net sales	70,830	72,105	(2)
EBITDA	17,842	20,028	(11)
Margin %	25.2	27.8	(259)bps
Adjusted Net Profit	12,932	13,709	(6)
EPS (INR)	77.5	82.2	(6)

Source: Company, Antique

Exhibit 1: Revenue break-up

Source: Company, Antique

Table 4: Old vs. new estimates

(INR mn)	New estimates		Old estimates		Change %	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Rating	SELL		SELL			
Target (INR)	5,095		5,079			0
Revenue	2,53,965	2,67,018	2,54,654	2,72,100	(0)	(2)
EBITDA	54,976	61,448	57,438	65,681	(4)	(6)
EBITDA%	21.6	23.0	22.6	24.1	(91)bps	(113)bps
PAT	36,258	41,061	37,103	42,696	(2)	(4)
EPS (INR)	217.3	246.1	222.4	256.0	(2)	(4)

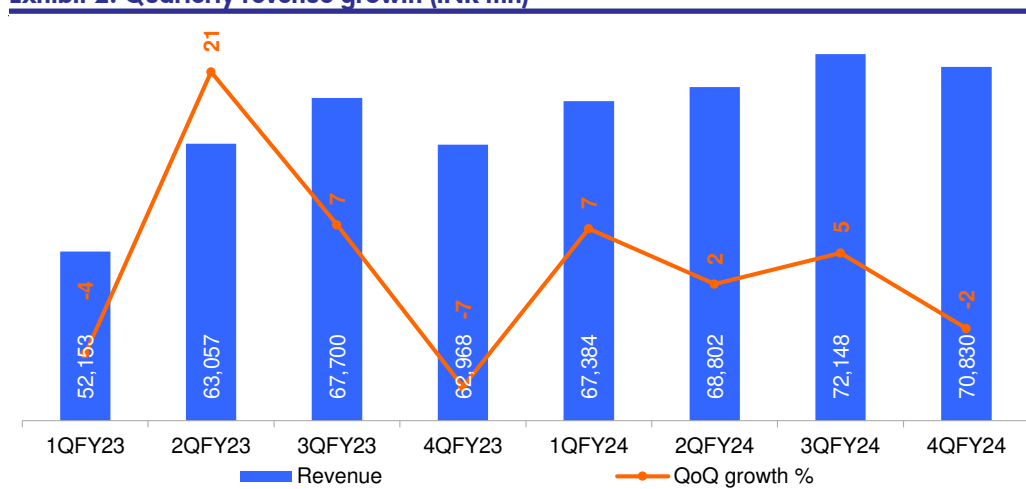
Source: Company, Antique

Table 5: Quarterly revenue growth (INR mn)

(INR mn)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)	FY24	FY23	YoY (%)
Net sales	70,830	62,968	12	72,148	(2)	2,79,088	2,45,878	14
Cost of Material Consumed	29,347	26,971		29,945		1,15,557	1,06,536	
% of sales	41.4	42.8	(140)bps	41.5	(7)bps	41.4	43.3	(192)bps
SG&A expenses	20,476	17,992		20,228		77,201	68,026	
% of sales	28.9	28.6	34 bps	28.0	87 bps	27.7	27.7	(0)bps
Expenditure	52,988	47,139	12	51,968	2	2,00,776	1,81,307	11
EBITDA	17,842	15,829	13	20,180	(12)	78,312	64,571	21
Margin %	25.2	25.1	5 bps	28.0	(278)bps	28.1	26.3	180 bps
Other income	2,271	1,434		2,324		9,904	10,188	
Interest	593	354		394		1,711	1,428	
Depreciation	3,712	3,190		3,770		14,855	12,636	
PBT before EO	15,808	13,719	15	18,340	(14)	71,650	60,695	18
EO	173	(540)		(110)		(3)	(699)	
PBT	15,981	13,179	21	18,230	(12)	71,647	59,996	19
Tax	2,946	3,663		4,468		16,068	14,617	
Tax rate	18	28	(936)bps	25	(607)bps	22	24	(194)bps
Reported Net Profit	13,070	9,592	36	13,789	(5)	55,726	45,749	22
Adjusted Net Profit	12,932	9,997	29	13,872	(7)	52,198	42,040	24
EPS (INR)	77.5	60.1	29	83.2	(7)	312.9	252.0	24

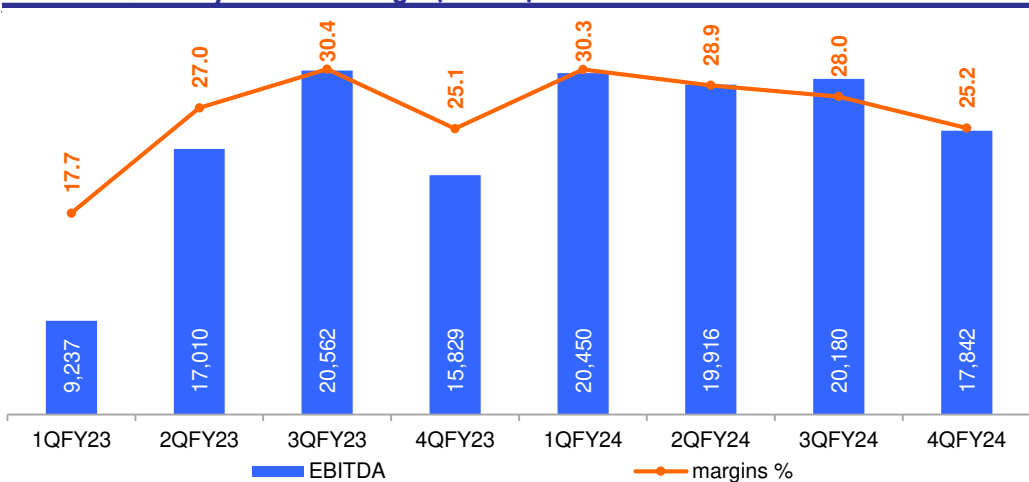
Source: Company, Antique

Exhibit 2: Quarterly revenue growth (INR mn)



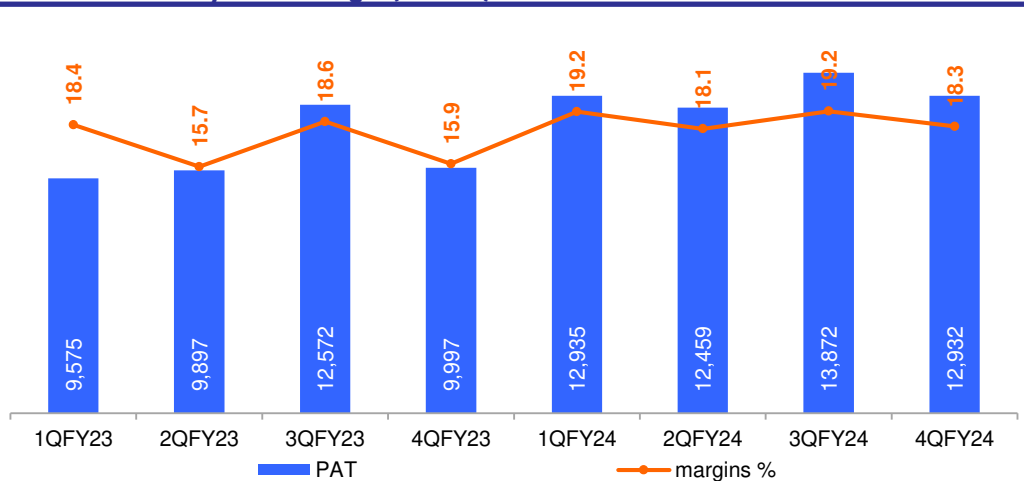
Source: Company, Antique

Exhibit 3: Quarterly EBITDA & margin (INR mn)



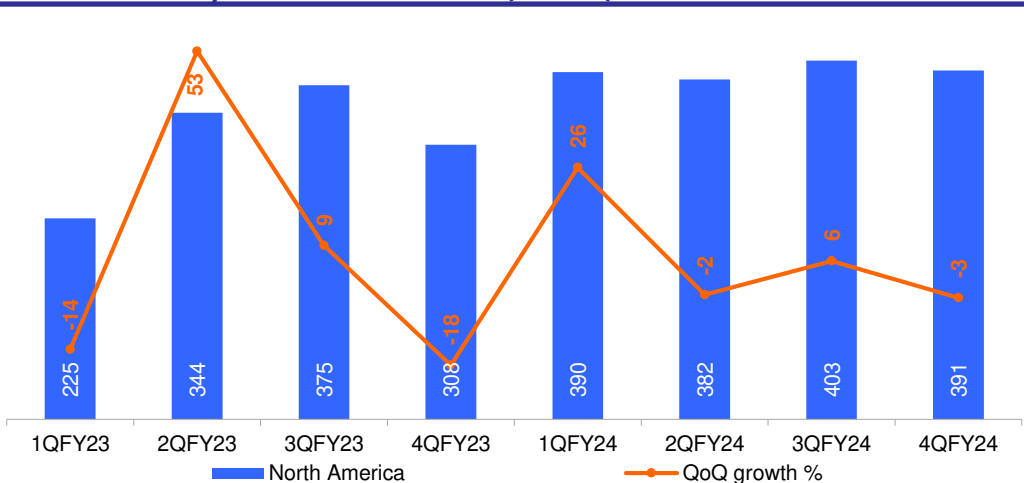
Source: Company, Antique

Exhibit 4: Quarterly PAT & margin (INR mn)



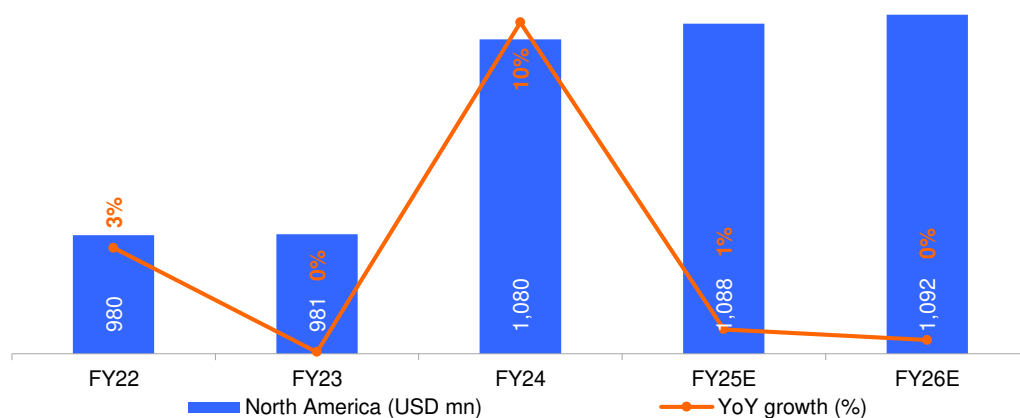
Source: Company, Antique

Exhibit 5: Quarterly North America revenue (USD mn)



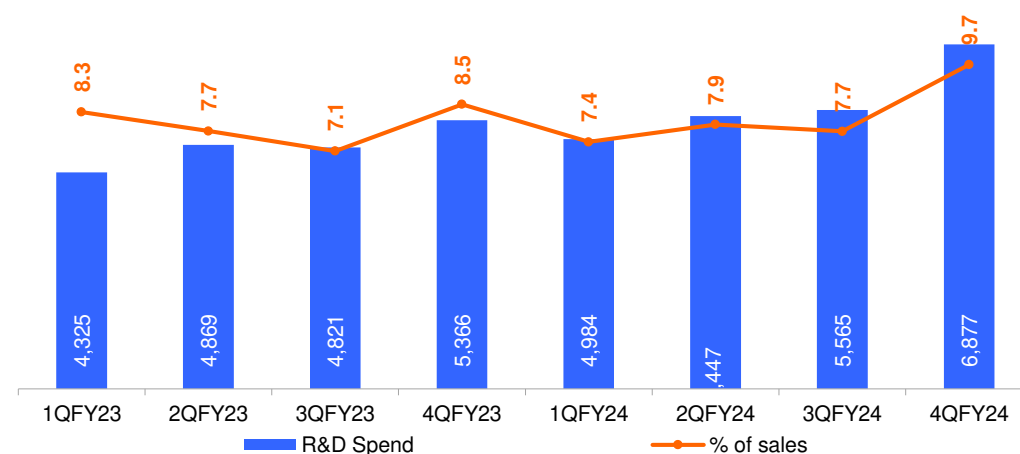
Source: Company, Antique

Exhibit 6: North America revenue to grow at ~1% CAGR (FY24-FY26E) (Ex-gRevlimid)



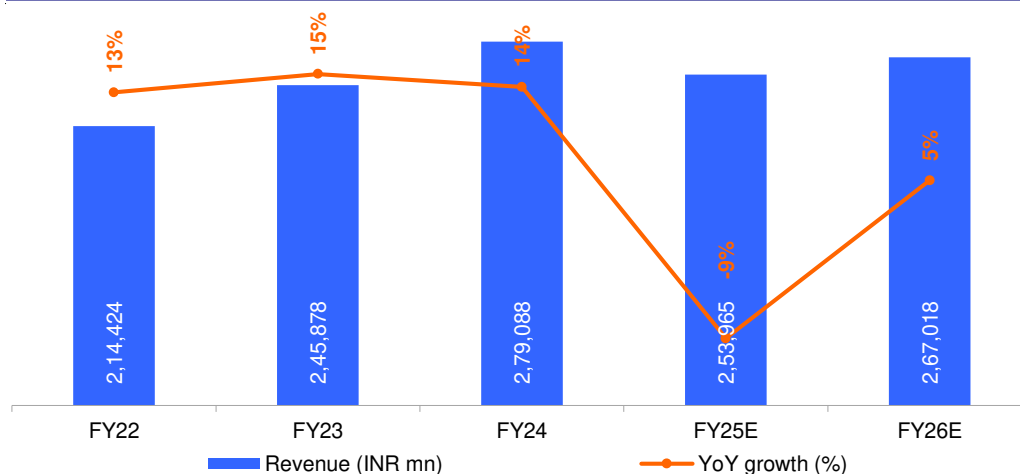
Source: Company, Antique

Exhibit 7: Quarterly R&D (INR mn)



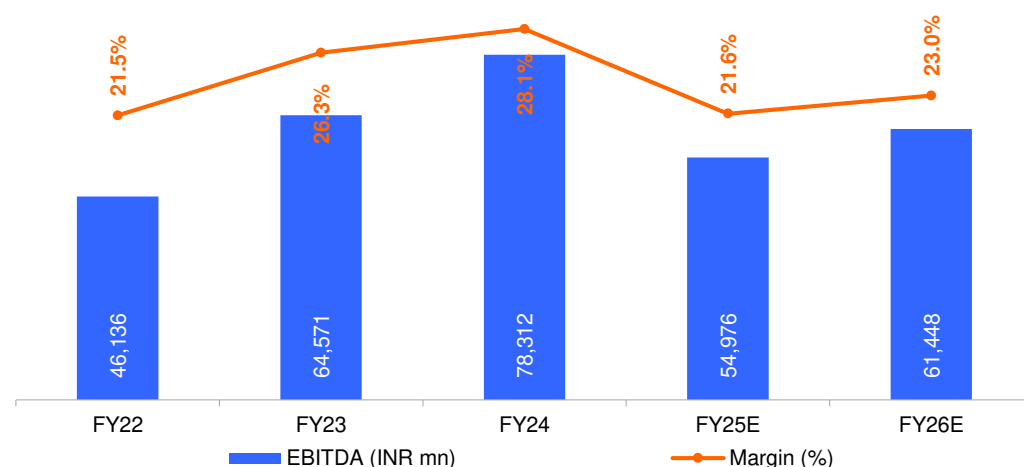
Source: Company, Antique

Exhibit 8: Ex-gRevlimid revenue to grow at ~4% CAGR



Source: Company, Antique

Exhibit 9: Core EBITDA margin to improve towards 23% by FY26



Source: Company, Antique

Table 6: Peer valuation table

	P/E (x)			EV/EBITDA (x)			RoE (%)		
	FY24	FY25e	FY26e	FY24	FY25e	FY26e	FY24	FY25e	FY26e
Dr Reddy's	18.7	27.7	24.4	12.5	16.2	13.9	21.8	12.3	12.5
Cipla	36.7	33.0	28.8	22.5	20.0	17.1	12.4	12.4	12.8
Lupin	38.4	25.7	22.4	20.7	14.7	12.9	14.3	18.4	18.1
Zydus lifesciences	34.0	33.7	32.2	23.5	22.1	20.6	15.6	14.0	13.0
Aurobindo Pharma ^	21.4	17.7	15.5	11.8	10.1	9.0	11.2	12.3	12.7
Sun Pharma ^	38.6	32.8	28.5	27.3	23.7	20.9	15.9	16.7	16.5
Average	31.3	27.7	24.4	19.7	16.2	13.9	15.2	12.3	12.5

Source: Antique & Company, ^ Bloomberg estimates

Conference Call Highlights

- DRRD in 4QFY24 reported sales of INR 70.8 bn growing 12% YoY aided by the North American market. Adjusted for income from non-core brands divested in the previous year, YoY growth was 17%.
- Gross margin expanded 140 bps YoY to 58.6%. The improvement can be attributed to improvement in product mix and productivity cost savings.
- During the quarter, the company received INR 810 mn in government grants.
- SG&A spend increased 14% YoY to INR 20.5 bn. The rise in SG&A costs was largely on account of higher investments in sales & marketing activities to strengthen existing brands, new business initiatives including scaling up OTC and consumer health & wellness business, digitalization initiatives, and building strong commercial capabilities.
- R&D spend for the quarter was INR 6.9 bn, accounting for 9.7% of sales. The R&D spend is related to DRRD's biosimilar products pipeline, development efforts across generics, and novel oncology assets.
- Margin was flat YoY at 25.2%
- ETR was at 18.4% lower due to a one-time benefit accruing on account reversal of a tax provision, re-measurement of deferred tax asset owing to increase in USA state tax liability and adoption of corporate tax rate.
- PAT for the quarter was INR 12.9 bn, growing 29% YoY.
- Capex for the quarter was INR 5 bn.
- The company reversed impairment of INR 226 mn with respect to saxagliptin/ metformin (gKombiglyze XR) and enalaprilat (gVasotec) pursuant to the launch of these two products during the year.

- The board recommended a dividend of INR 40 per share.
- Debt increased to INR 20 bn with net debt stood at INR 66.7 bn.
- Working capital days increased to 148 as of Mar'24 vs. 141 days as of Mar'23.

Global generics

- 1) Global generics reported sales of INR 61.2 bn, growing 13% YoY, primarily driven by an increase in volumes of the company's business, new product launches, partially offset by price erosion in certain markets.
- 2) Gross margin for the segment was 62%.
- 3) DRRD acquired MenoLabs® business, a women's health and dietary supplements branded portfolio from Amyris, Inc.
- 4) North America:
 - a) North America sales for the quarter increased 29% YoY to INR 32.6 mn, accounting for 46% of sales. The growth was largely on account of increase in volumes of its base business, contribution from new launches, partly offset by price erosion.
 - b) During the quarter, DRRD launched five new products in the region, of which four were launched in the USA; a total of 21 products were launched during the year.
 - c) DRRD filed nine ANDAs, taking the annual ANDA filing count to 17. As of Mar'24, 86 generic filings were pending approval from the USFDA, comprising of 81 ANDAs and five NDAs filed under the Section 505(b)(2) route. Of the 86 ANDAs, 50 are Paragraph IV applications, and 24 of these are believed to be FTF opportunities.
 - d) Voluntary Action Indicated (VAI) was received from the USFDA for formulations manufacturing facility (FTO-3) in Oct'23 and R&D facility center in Bachupally in Dec'23.
 - e) DRRRD received a CRL from the USFDA on BLA of bRituximab. The company continues to work closely with the agency to address and resolve all concerns within stipulated timelines.
 - f) The company aims to launch 20+ products in FY25.
- 5) Europe
 - a) Sales from the Europe market for the quarter grew 5% YoY to INR 5.2 bn, accounting for 7% of sales.
 - b) The growth was primarily on account of improvement in base business volumes, new product launches, partly offset by price erosion.
 - c) Germany reported sales of INR 2.8 bn, growing 7% YoY.
 - d) The UK reported a sales of INR 1.5 bn, growing 9% YoY.
 - e) Rest of Europe reported sales of INR 2.8 bn, declining 7% YoY.
 - f) The quarter saw six new products in the European region.
 - g) The company forayed into the consumer health market in the UK with the launch of an allergy medication, Histallay.
 - h) Bevacizumab was launched in the UK.
 - i) Nerivio was launched in Europe.
 - j) bRituximab planned for launch in the UK.
- 6) India
 - a) Domestic sales declined 12% YoY to INR 11.3 bn, accounting for 16% of quarterly sales.
 - b) Adjusted for brand divestment income the YoY growth was 11%.
 - c) DRRD launched three new brands during the quarter and 13 in FY24.

- d) The company entered into an exclusive partnership with Sanofi to promote and distribute its vaccine brands in India. The deal makes DRRD the 2nd largest vaccine player in IPM.
 - e) DRRD partnered with Bayer to distribute a second brand for heart failure management drug, Vericiguat, in India.
 - f) The company entered into a licensing agreement with the US-based biopharma, Pharmazz, to market first-in-class Centhaquine (Lyfaquin®) for treatment of hypovolemic shock in India.
 - g) +50% of the product is manufactured in-house and the company plans to increase it further.
 - h) BGx will grow at double-digit going ahead.
 - i) Aims to grow the domestic business at 10% for FY25; ex-Nestle JV deal.
 - j) DRRD aims to be in the top 5 in IPM.
- 7) Emerging markets
- a) Sales from emerging markets grew 9% YoY to INR 12.1 bn during 4QFY24, this growth can be attributed to new product launches. The quarter saw 17 new launches and 106 launches in FY24.
 - b) Revenue from Russia declined 4% YoY to INR 5 bn due to unfavorable currency exchange rate movements, partially offset by price increases.
 - c) Revenue from other CIS markets declined 5% YoY to INR 2.2 bn due to a decline in base business volumes, partly offset by increase in prices.
 - d) Revenue from ROW markets grew 34% YoY to INR 4.9 bn aided by new launches.
 - e) Nerivio® was launched in South Africa.
 - f) The company is satisfied with the progress it is making in the China market and has some good approvals. The plan is to continue to submit 14-15 products annually. The key risk to the business remains the forex fluctuation.
 - g) Management expects the RoW market to grow in double digits for FY25.

PSAI and other

- The PSAI segment grew at 6% YoY to INR 8.2 bn, driven by revenue from new products, favorable forex, partially offset by price decline.
- Gross margin for the PSAI segment was ~29%.
- DRRD filed 48 DMFs globally in 4Q, taking the annual count to 133.
- Proprietary Products & Others grew 54% YoY to INR 1.4 bn.

Guidance and other commentary

- R&D spend to be in ~8.5%-9% range for FY25, of which ~60% will be spent towards small molecules, ~20% towards biosimilars, and the rest on API.
- SG&A at ~29% of sales due to spend on marketing and brand building.
- Management guided for the margin to remain in ~25% range.
- ETR to be in 24%-25% range.
- Aiming for 25% RoCE.
- The company aims to launch its first large revenue biosimilar in FY27. The company will continue to focus on opportunities where it can be among the first to launch.
- Capex spends are majorly aimed towards expansion (2/3rd).
- 50% of the capex is expected to be spent on injectables and APIs and rest towards biologics and small molecules.

Risk to our assumptions

- 1) Litigation risks in gRevlimid**—An FTC involvement and resulting penalties could materially change our gRevlimid assumptions.
- 2) Regulatory risk**—Any critical site coming under USFDA's adverse verdict could result in delay in new product approvals.
- 3) Price erosion**—Material shift in price erosion in U.S. base portfolio, with earlier than anticipated competition.

Financials

Profit and loss account (INR mn)

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
Net Revenue	2,14,424	2,45,878	2,79,088	2,53,965	2,67,018
Op. Expenses	1,68,288	1,81,307	2,00,776	1,98,990	2,05,569
EBITDA	46,136	64,571	78,312	54,976	61,448
Depreciation	11,825	12,636	14,855	14,953	15,613
EBIT	34,311	51,935	63,457	40,023	45,835
Other income	5,984	10,188	9904	9,885	10,476
Interest Exp.	993	1,428	1,711	1,711	1,711
Extra Ordinary Items -gain/(loss)	(7,562)	(699)	(3)	-	-
Reported PBT	31,740	59,996	71,647	48,197	54,600
Tax	8,730	14,617	16,068	12,086	13,687
Reported PAT	23,010	45,379	55,579	36,111	40,914
Minority Int./Profit (loss) From Asso.	703	370	147	147	147
Net Profit	23,713	45,749	55,726	36,258	41,061
Adjusted PAT	29,385	46,273	55,728	36,258	41,061
Adjusted EPS (INR)	176.1	277.4	334.1	217.3	246.1

Balance sheet (INR mn)

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
Share Capital	832	833	834	834	834
Reserves & Surplus	1,89,695	2,30,158	2,79,716	3,09,302	3,43,691
Networth	1,90,527	2,30,991	2,80,550	3,10,136	3,44,525
Debt	33,845	13,472	20,020	19,020	18,020
Net deferred Tax liabilities	(12,721)	(6,363)	(9,865)	(9,865)	(9,865)
Capital Employed	2,11,651	2,38,100	2,90,705	3,19,291	3,52,680
Gross Fixed Assets	2,05,802	2,23,455	2,43,716	2,54,716	2,65,716
Accumulated Depreciation	1,16,387	1,26,144	1,29,879	1,44,832	1,60,445
Net Fixed Assets	89,415	97,311	1,13,837	1,09,884	1,05,271
Goodwill	4,418	4,245	4,253	4,253	4,253
Investments	37,499	61,380	79,618	79,618	79,618
Non Current Investments	7,986	5,362	5,255	5,255	5,255
Current Investments	29,513	56,018	74,363	74,363	74,363
Current Assets, Loans & Adv.	1,52,541	1,51,722	1,79,036	2,05,009	2,44,262
Inventory	50,884	48,670	63,552	52,185	54,867
Debtors	66,818	72,485	80,298	69,580	73,156
Cash & Bank balance	14,852	5,779	7,107	58,756	90,576
Loans & advances and others	19,987	24,788	28,079	24,489	25,664
Current Liabilities & Provisions	72,222	76,558	86,039	79,473	80,724
Liabilities	67,907	71,045	80,656	74,090	75,341
Provisions	4,315	5,513	5,383	5,383	5,383
Net Current Assets	80,319	75,164	92,997	1,25,536	1,63,537
Application of Funds	2,11,651	2,38,100	2,90,705	3,19,291	3,52,680

Per share data

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
No. of shares (mn)	166.4	166.6	166.8	166.8	166.8
Diluted no. of shares (mn)	166.4	166.6	166.8	166.8	166.8
BVPS (INR)	1145.0	1386.5	1682.0	1859.3	2065.5
CEPS (INR)	209.3	348.2	422.3	306.1	338.9
DPS (INR)	25.0	40.0	40.0	40.0	40.0

Source: Company, Antique

Cash flow statement (INR mn)

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
PBT	23,568	45,067	55,684	48,344	54,747
Depreciation & amortization	11,824	12,636	14,841	14,953	15,613
Interest expense	-	-	-	1,711	1,711
(Inc)/Dec in working capital	(13,914)	(7,855)	(20,182)	19,110	(6,181)
Tax paid	(7,437)	(10,714)	(20,047)	(12,086)	(13,687)
Less: Interest/Div. Income Recd.	(7)	248	(567)	(6,076)	(6,471)
Other operating Cash Flow	13,983	19,493	15,704	-	-
CF from operating activities	28,017	58,875	45,433	65,956	45,733
Capital expenditure	(16,079)	(18,784)	(26,350)	(11,000)	(11,000)
Inc/(Dec) in investments	(11,201)	(23,173)	(15,330)	-	-
Add: Interest/Div. Income Recd.	1,708	873	1,338	6,076	6,471
CF from investing activities	(25,572)	(41,084)	(40,342)	(4,924)	(4,529)
Inc/(Dec) in share capital	334	154	805	-	-
Inc/(Dec) in debt	3,520	(19,382)	5,493	(1,000)	(1,000)
Dividend Paid	(4,146)	(4,979)	(6,648)	(6,672)	(6,672)
Others	(2,130)	(2,657)	(3,413)	(1,711)	(1,711)
CF from financing activities	(2,422)	(26,864)	(3,763)	(9,383)	(9,383)
Net cash flow	23	(9,073)	1,328	51,649	31,820
Opening balance	14,829	14,852	5,779	7,107	58,756
Closing balance	14,852	5,779	7,107	58,756	90,576

Growth indicators (%)

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
Revenue (%)	13.0	14.7	13.5	(9.0)	5.1
EBITDA (%)	3.2	40.0	21.3	(29.8)	11.8
Adj PAT (%)	24.1	57.5	20.4	(34.9)	13.2
Adj EPS (%)	24.1	57.5	20.4	(34.9)	13.2

Valuation (x)

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
P/E (x)	35.5	21.7	18.7	27.7	24.4
P/BV (x)	5.5	4.5	3.7	3.2	2.9
EV/EBITDA (x)	22.4	14.8	12.5	16.2	13.9
EV/Sales (x)	4.8	3.9	3.5	3.5	3.2
Dividend Yield (%)	0.4	0.6	0.6	0.6	0.6

Financial ratios

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
RoE (%)	16.0	22.0	21.8	12.3	12.5
RoCE (%)	19.8	27.6	27.7	16.4	16.8
Asset/T.O (x)	1.3	1.4	1.5	1.1	1.1
Net Debt/Equity (x)	(0.1)	(0.2)	(0.2)	(0.4)	(0.4)
EBIT/Interest (x)	40.6	43.5	42.9	29.2	32.9

Margins (%)

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
EBITDA Margin (%)	21.5	26.3	28.1	21.6	23.0
EBIT Margin (%)	16.0	21.1	22.7	15.8	17.2
PAT Margin (%)	13.3	18.1	19.3	13.7	14.8

Source: Company Antique

CMP	: INR 1,611
Reco	: BUY ↔
Target Price	: INR 1,800 ↑
Target Price Change	: 4%
Target FY26 P/E (x)	: 25
EPS Change FY25/ 26	: -2%/ 4%

Monish Shah

+91 22 6911 3412
monish.shah@antiquelimited.com

Pranav Chawla

+91 22 6911 3417
pranav.chawla@antiquelimited.com

Market data	
Sensex	: 73,512
Sector	: Pharmaceuticals
Market Cap (INR bn)	: 734.0
Market Cap (USD bn)	: 8.789
O/S Shares (mn)	: 455.8
52-wk HI/LO (INR)	: 1704/704
Avg. Daily Vol ('000)	: 1,131
Bloomberg	: LPC IN

Source: Bloomberg

Valuation			
	FY24	FY25e	FY26e
EPS (INR)	41.9	62.7	72.0
P/E (x)	38.4	25.7	22.4
P/BV (x)	5.1	4.4	3.8
EV/EBITDA (x)	20.7	14.7	12.9
Dividend Yield (%)	0.5	0.6	0.7

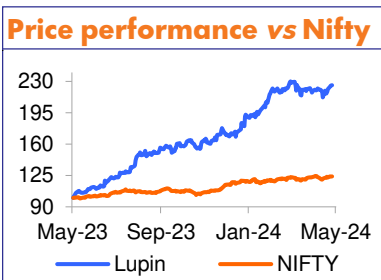
Source: Company, Antique

Returns (%)				
	1m	3m	6m	12m
Absolute	1	1	35	129
Relative	2	(2)	20	92

Source: Bloomberg

Shareholding pattern	
Promoters	: 47%
Public	: 53%
Others	: 0%

Source: Bloomberg



Source: Bloomberg Indexed to 100

4QFY24 RESULT REVIEW

Lupin

Margin improvement continues

Lupin (LPC) reported a revenue growth of 12% on YoY basis driven by US Generics and other exports markets viz. EMEA & growth markets. India formulations revenue grew by 8% YoY driven by growth in its core therapies of CVS, Respiratory, and Oncology. The Anti-diabetic portfolio reported muted growth on account of loss of exclusivity and the subsequent price erosion, however, its non in-licensing portfolio grew by ~12% YoY. On the export front, the US generics segment reported a muted revenue of USD 209 mn, flat sequentially. We remain optimistic on LPC’s US generic opportunities with limited competition launches viz. gMyrbetriq, gTolvaptan, gSprycel, and gTrijardy XR. As per our estimates, these launches and market share growth in gSpiriva are likely to drive LPC’s US generic revenue to ~USD 1 bn by FY26. We keep our revenue estimates unchanged and increase FY26 EPS by ~4% on account of lower interest expenses and higher gross margin. We maintain BUY rating on the stock with a revised TP of INR 1,800 (earlier INR 1,732) valuing the company on a P/E multiple of 25x on FY26 EPS.

US generics to grow at ~10% CAGR over 2 years

The segment reported a revenue of USD 209 mn, flat on a sequential basis, key product launches viz. gProlenza and gDiazepam gel were offset by incremental competition in gPrezista, seasonal product sales impact, and price erosion in the base business. The market share of its key respiratory products viz. gAlbuterol and gSpiriva, remained intact.

LPC’s US growth hinges on gaining market share in gSpiriva where the company has not reduced its prices significantly and sells the product at ~13% discount to the innovator’s price (refer exhibit 1). We believe this is an encouraging start given the difficulty in gaining market share in the complex respiratory products and having to deal with the innovator’s efforts at luring away patients to Spiriva Respimat. For gSpiriva, we estimate LPC to garner a revenue of ~USD 160 mn in FY25 and ~USD 180 mn in FY26 assuming ~35% market share and contributing over ~20% to its profitability.

We remain upbeat on LPC’s US generics launch pipeline, as the company has large-value products viz. gMyrbetriq, gEntresto, gTolvaptan, and gXyrem in which it is competitively positioned. Besides these, the company has lined up other key launches: gRevlimid, gSprycel, and Trijardy XR. LPC has a clear focus on developing its complex product pipeline in the Respiratory segment, with a bulk of the filings lined up on the DPI & MDI front. Amongst the Indian generic companies, we believe LPC has the best-in-class respiratory launches and filings in the US. The company is expected to file for highly complex products under the Ellipta franchise i.e. Breo, Trelegy Ellipta, and Spiriva Respimat in FY25. We expect Lupin’s US generics revenue to grow to ~USD 1 bn by FY26, implying ~10% CAGR over FY24–26E.

Investment Summary

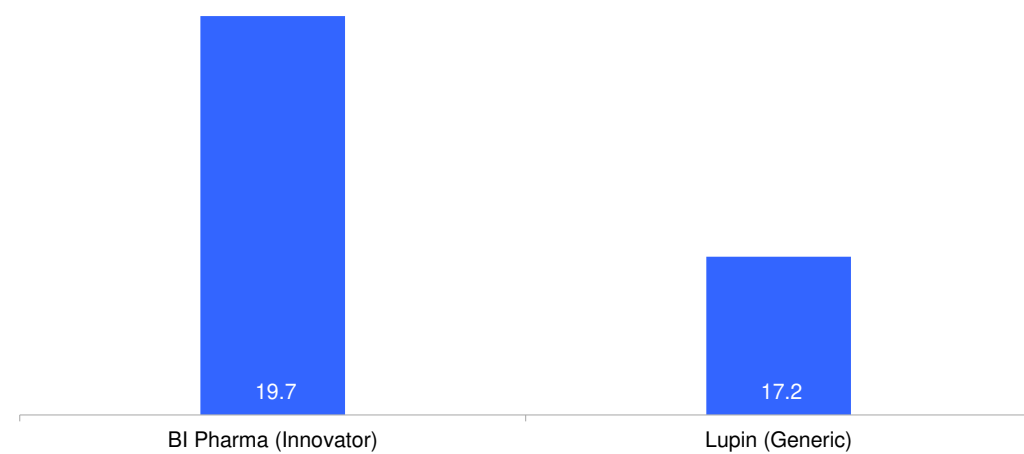
LPC reported improved gross margin for quarter largely driven by improvement in India business growth. Going forward, we believe LPC’s India business is likely to grow at ~11% CAGR over the coming 2–3 years which could further improve its gross margins. Besides, LPC has one of the best launch pipelines amongst large-cap Indian generics which is likely to support its overall margin profile. Strong revenue growth along with higher utilization of various units are likely to drive our EBITDA margin assumption of ~23% for FY26. We expect LPC’s revenue to grow at ~8% CAGR and EPS to grow at ~30% CAGR over a two-year period. With the revival of growth in the India business and sustainable growth in its US generics portfolio, we continue to maintain BUY rating on the stock.

Table 1: Niche US generic pipeline

Niche Generic Products	Active Ingredient	Approx Brand Size (USD mn)	Lupin's Positioning	Launch Timeline	Other Key Filers
Victoza	Liraglutide	1,250	Para 4	CY24	Teva, Mylan, Hikma, Sun Pharma
Sprycel	Dasatinib	1,200	Para 4	CY24	Dr. Reddy, Teva, Alembic, Apotex
Xyrem	Sodium Oxybate	900	Para 4	CY24	Amneal, Sun, Hikma, Par Pharma
Trijardy XR	Empagliflozin, Linagliptan and Metformin Hydrochloride	400	Para 4	FY26	Sun Pharma
Jynarque	Tolvaptan	300	Joint FTF	CY26	Teva and Apotex
Entresto	Sacubitril Valsartan	1,400	Joint FTF	CY26	Alkem, Aurobindo, Teva, Dr Reddy's, Cadila
Revlimid	Lenalinomide	5,500	Para 3	CY26	Dr. Reddy, Cipla, Sun Pharma, Aurobindo, Teva

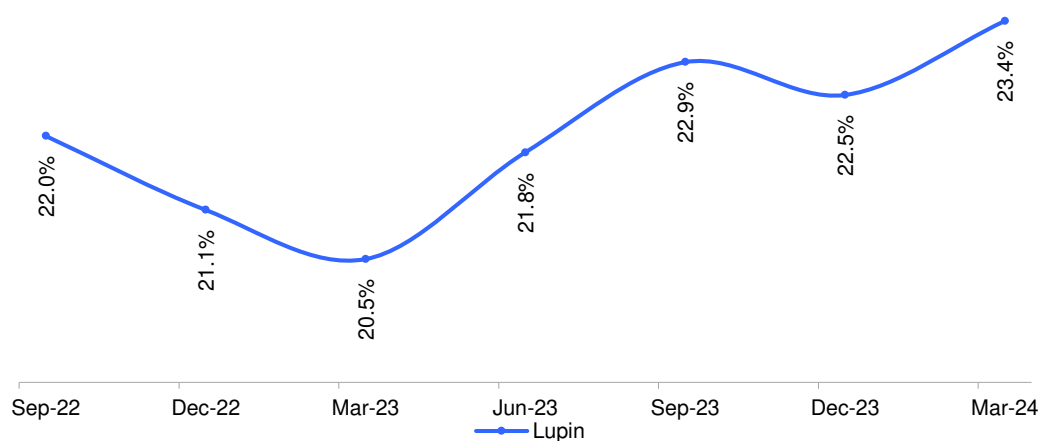
Source: Antique, Industry, USFDA

Exhibit 1: gSpiriva launched at a limited discount to innovator's price (USD/unit)



Source: Bloomberg, Antique

Exhibit 2: gAlbuterol market share remains stable



Source: Company, Antique

Table 2: Segmental revenue snapshot

(INR mn)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)	FY24	FY23	YoY (%)
INDIA	16,015	14,786	8	17,251	(7)	66,565	60,760	10
US	19,006	15,503	23	18,885	1	72,462	54,173	34
EMEA	5,318	4,535	17	5,170	3	19,234	15,514	24
Growth Markets	5,093	4,385	16	4,729	8	18,266	17,258	6
ROW	938	868	8	1,985	(53)	6,568	3,905	68
Formulations	46,370	40,077	16	48,020	(3)	1,83,095	1,51,610	21
APIs	2,581	3,226	(20)	2,779	(7)	11,415	11,091	3
Others	-	-	-	-	-	-	-	-
Gross sales	48,951	43,303	13	50,799	(4)	1,94,510	1,62,701	20

Source: Company, Antique

Table 3: 4QFY24 actuals vs. estimates

(INR mn)	4QFY24		
	Actual	Estimated	% Variance
Net sales	49,608	52,962	(6)
EBITDA	9,968	10,367	(4)
EBITDA margin (%)	20.1	19.6	52 bps
Adjusted PAT	5,610	5,963	(6)
EPS (INR)	12.3	13.1	(6)

Source: Company, Antique

Table 4: Quarterly snapshot

(INR mn)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)	FY24	FY23	YoY (%)
Net sales	49,608	44,301	12	51,974	(5)	1,98,055	1,66,417	19
RM Cost	15,738	17,500	(10)	17,261	(9)	66,435	67,798	(2)
% of sales	31.7	39.5	(778)bps	33.2	(148)bps	33.5	40.7	(720)bps
Staff costs	9,002	7,730	16	8,892	1	34,946	30,872	13
% of sales	18.1	17.4	70 bps	17.1	104 bps	17.6	18.6	(91)bps
Other expenses	14,900	13,293	12	15,601	(4)	60,800	49,790	22
% of sales	30.0	30.0	3 bps	30.0	2 bps	30.7	29.9	78 bps
Expenditure	39,640	38,523	3	41,755	(5)	1,62,181	1,48,459	9
EBITDA	9,968	5,778	73	10,220	(2)	35,875	17,958	100
EBITDA margin (%)	20.1	13.0	705 bps	19.7	43 bps	18.1	10.8	732 bps
Other income	293	373		454		1,379	757	
Interest	713	926		740		3,116	2,743	
Depreciation	2,559	2,640		2,572		9,956	8,807	
PBT before EO	6,990	2,585	170	7,361	(5)	24,182	7,165	237
Exceptional items	2,013	-		-		2,013	-	
PBT	4,977	2,585	93	7,361	(32)	22,170	7,165	209
Tax	1,400	161		1,174		4,972	2,688	
Tax Rate %	28.1	6.2		15.9		22.4	37.5	
PAT before MI	3,577	2,424	48	6,187	(42)	17,198	4,477	284
MI	88	64		56		211	176	
Reported PAT	3,489	2,360	48	6,131	(43)	16,987	4,301	295
Adjusted PAT	5,610	2,360	138	6,131	-9	19,108	4,301	344
EPS (INR)	12.3	5.2	138	13.5	-9	41.9	9.4	344

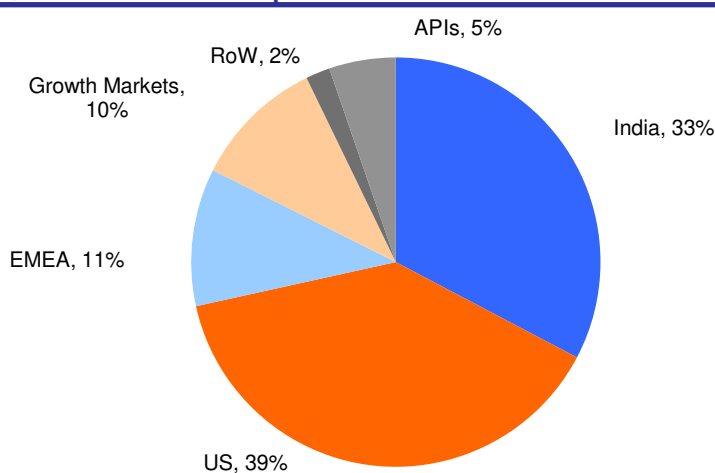
Source: Company, Antique

Table 5: Old vs. new estimates

(INR mn)	New estimates		Old estimates		Change %	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Rating	BUY		BUY			
Target (INR)	1,800		1,732			4
Sales	2,19,634	2,32,644	2,21,080	2,35,672	(1)	(1)
EBITDA	49,010	53,420	47,475	51,107	3	5
EBITDA%	22.3	23.0	21.5	21.7	84 bps	128 bps
PAT	28,560	32,807	29,118	31,530	(2)	4
EPS (INR)	62.7	72.0	64.0	69.3	(2)	4

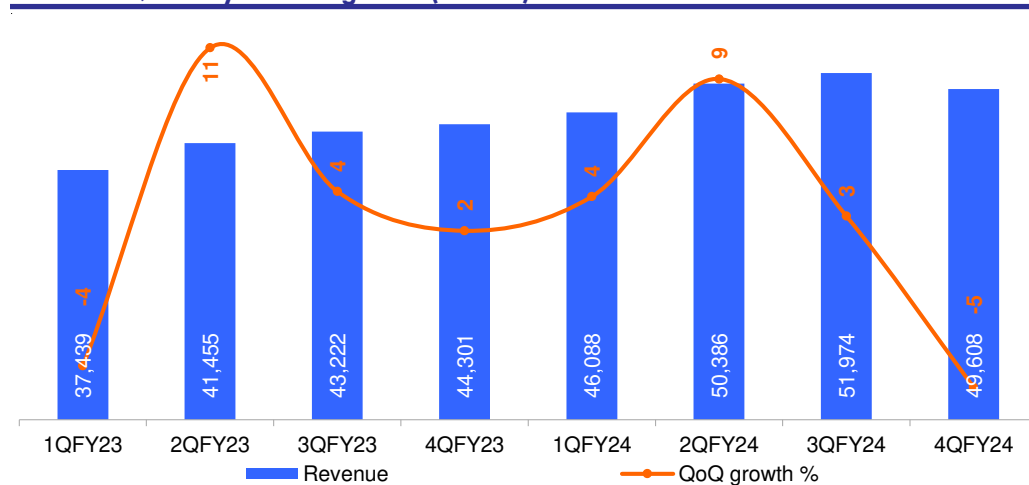
Source: Company, Antique

Exhibit 3: 4QFY24 revenue break-up



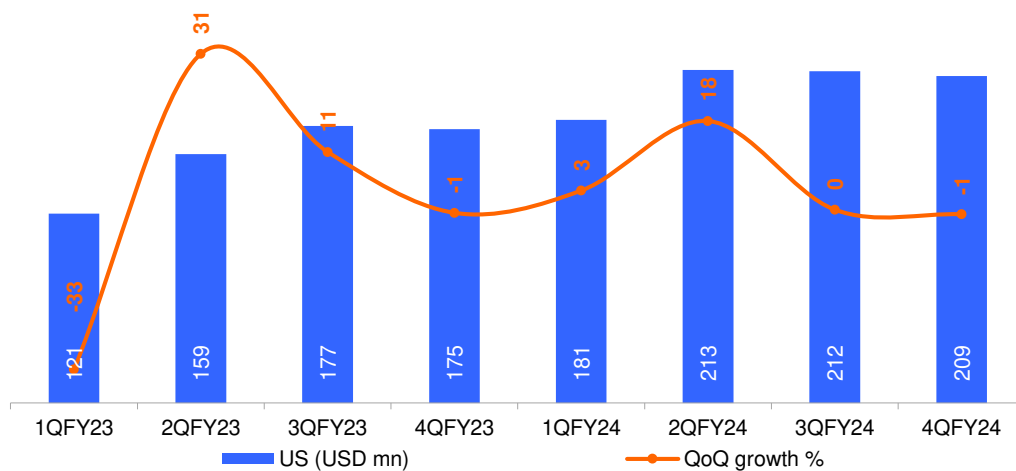
Source: Company, Antique

Exhibit 4: Quarterly revenue growth (INR mn)



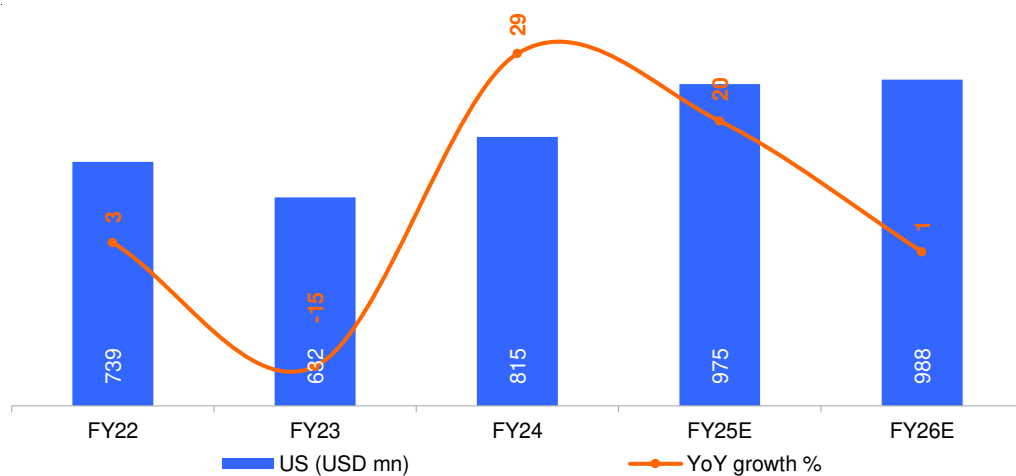
Source: Company, Antique

Exhibit 5: Quarterly US revenue (USD mn)



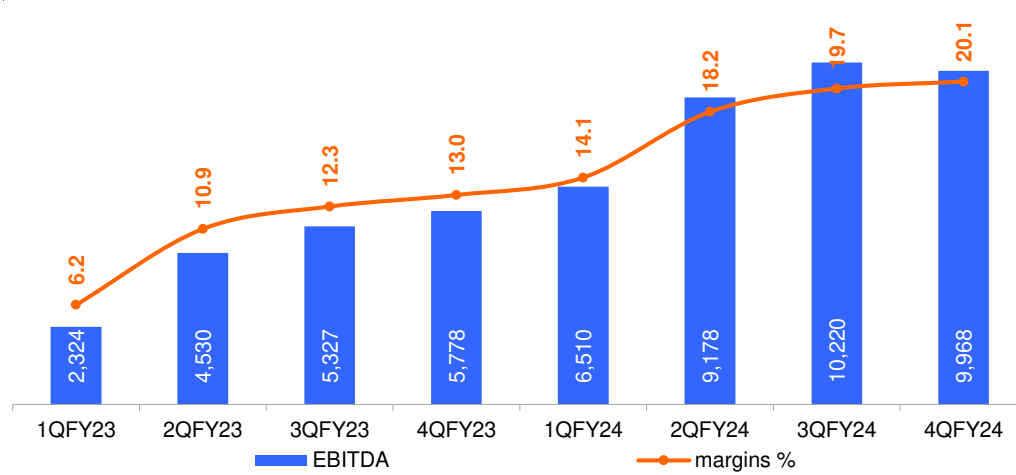
Source: Company, Antique

Exhibit 6: US generics to grow at ~10% CAGR over a 2-year period



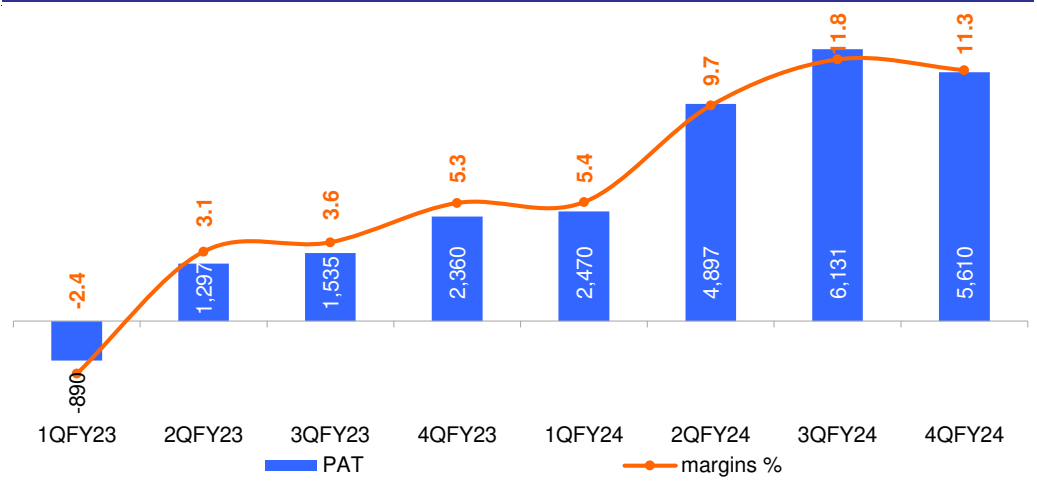
Source: Company, Antique

Exhibit 7: Quarterly EBITDA & margin (INR mn)



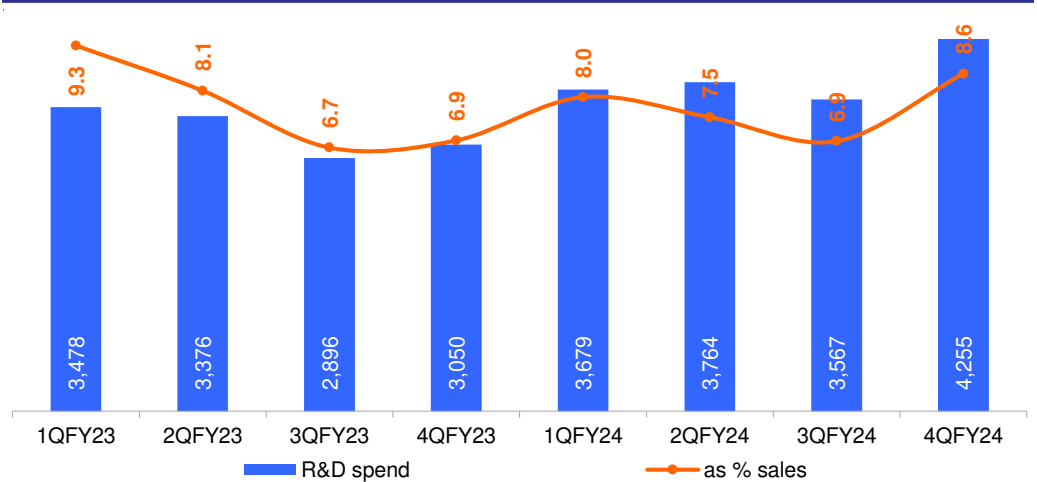
Source: Company, Antique

Exhibit 8: Quarterly APAT & margin (INR mn)



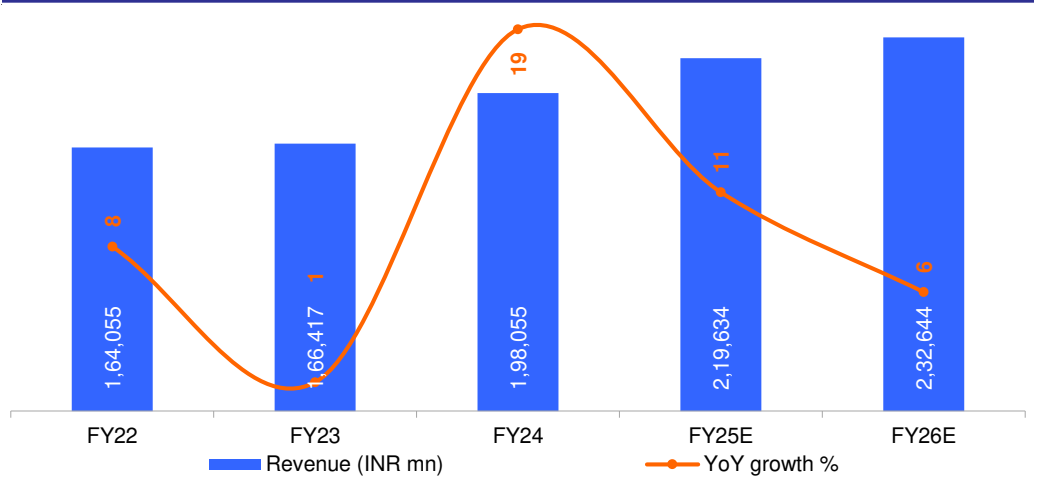
Source: Company, Antique

Exhibit 9: Quarterly R&D (INR mn)



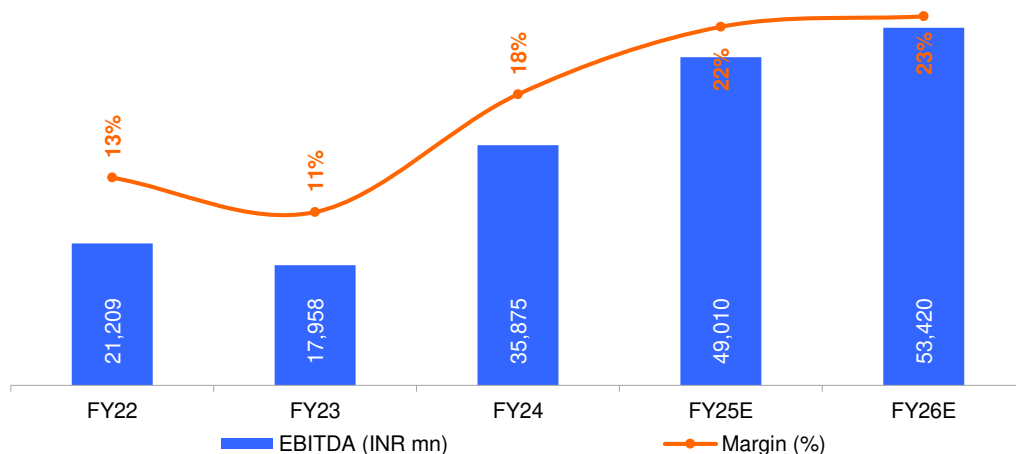
Source: Company, Antique

Exhibit 10: Revenue to grow at ~8% CAGR (FY24–FY26E) (INR mn)



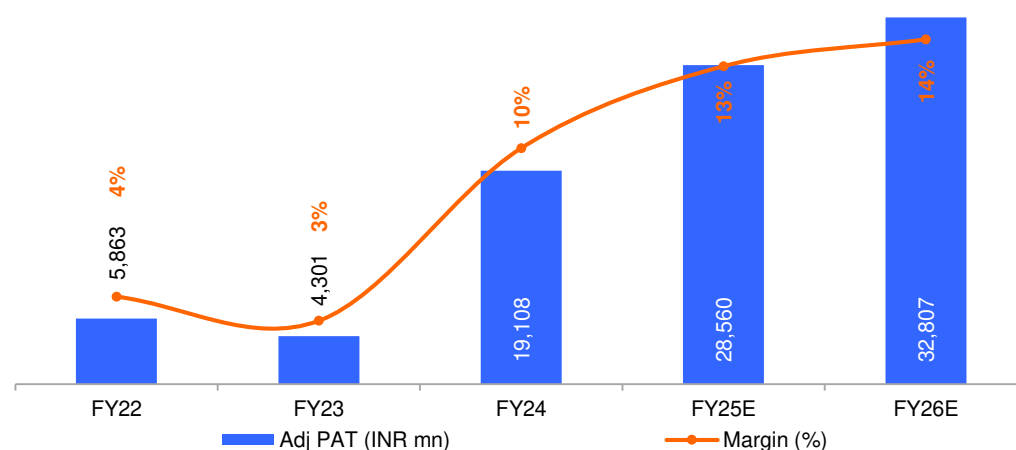
Source: Company, Antique

Exhibit 11: EBITDA margin to improve towards 23% by FY26E



Source: Company, Antique

Exhibit 12: PAT to grow at ~30% CAGR (FY24–FY26E) (INR mn)



Source: Company, Antique

Table 6: Manufacturing units & USFDA status

Unit	API/ Formulation	Products	Last Inspection	Current Status
Goa	Formulation	Oral solids	Sep-21	VAI
Mandideep - 1	Formulation + API	API- Cephalosporins & Cardiovascular Formulation- Sterile and Non-Sterile pharmaceutical products	Nov-22	WL
Pithampur - 2	Formulation	Oral Formulations and Sterile Ophthalmics	Mar-23	VAI
Somerset	Formulation	Tablet, capsule, powder and oral liquids	Jan-23	VAI
Tarapur	API	Fermentation based and synthetic API	Apr-22	OAI, WL
Vadodara	API	CRAMS, Pharma Intermediates & API	Apr-24	
Pithampur - 3	Formulation	Dermatology, MDI & DPI inhalation products	Oct-18	VAI
Mandideep - 2	API	Cephalosporins & Cardiovascular	Aug-23	NAI
Pithampur - 1	Formulation + API	Oral formulations + APIs	Feb-20	VAI
Florida			Feb-20	VAI
Nagpur - 1	Formulation	Oral solids	Jul-23	VAI
Vishakhapatnam	API	APIs	Mar'23	NAI
Aurangabad	Formulation	Tablets, capsules & liquids	Mar'24	VAI
Nagpur - 2	Formulation	Injectables	Oct'22	VAI
Pune	Formulation	Biologic	Mar'23	

Source: Company, Antique

Table 7: Peer valuation table

	P/E (x)			EV/EBITDA (x)			RoE (%)		
	FY24	FY25e	FY26e	FY24	FY25e	FY26e	FY24	FY25e	FY26e
Lupin	38.4	25.7	22.4	20.7	14.7	12.9	14.3	18.4	18.1
Cipla	36.7	33.0	28.8	22.5	20.0	17.1	12.4	12.4	12.8
Dr Reddy's	18.7	27.1	24.4	12.5	15.6	13.5	21.8	13.0	13.0
Zydus lifesciences	34.0	33.7	32.2	23.5	22.1	20.6	15.6	14.0	13.0
Aurobindo Pharma ^	21.4	17.7	15.5	11.8	10.1	9.0	11.2	12.3	12.7
Sun Pharma ^	38.6	32.8	28.5	27.3	23.7	20.9	15.9	16.7	16.5
Average	31.3	28.3	25.3	19.7	17.7	15.7	15.2	14.5	14.3

Source: Antique & Company, ^ Bloomberg estimates

Operational highlights

- LPC in 4QFY24 reported sales of INR 49.6 bn, growing 12% YoY aided by US formulation sales.
- Gross margin for the quarter expanded 780 bps YoY to 68.3% aided by favorable business and product mix.
- Staff costs increased 1% QoQ.
- Other expenses (ex-R&D) increased 4% YoY.
- R&D spend increased to 8.6% of sales to INR 4.3 bn, over 50% of which was spend towards complex products. LPC received approval for 12 ANDAs from the USFDA in 4Q and now has 51 First-to-File (FTF) filings, including 18 exclusive FTF opportunities. Cumulative U.S. DMF filings stand at 157 as of Mar 31, 2024.
- Cost optimization led to margin expansion to ~20.1%.
- LPC took an impairment of INR 2 bn of intangible and tangible assets.
- APAT increase to INR 5.6 bn.
- The board recommended a dividend of INR 8 per share.
- Capital expenditure for the quarter was INR 1,059 mn.
- Working capital days decreased to 123 in FY24 vs. 141 in FY23.
- Debt as of Mar'24 stood at INR 29 bn vs. INR 45.4 bn as of Mar'23.
- Net debt decreased by INR 21 bn. Net debt-equity as on March 31, 2024 stood at 0.03.

India

- Domestic revenue for the quarter increased 8% YoY to INR 16 bn, aided by Cardiac, Respiratory, and GI therapies.
- Domestic sales accounted for 33% of sales.
- India Rx business grew 8.7% YoY (9.3% ex-Cidmus) in FY24 vs. IPM growth of 7.6%
- Key segments, including Cardiology, Respiratory & Oncology, are growing faster than the market. The company launched seven brands across therapies during the quarter and 28 throughout the year.
- The company's non-in-licensed Anti-diabetes portfolio reported a growth of 12%.
- Revenue contribution of the in-licensed portfolio (% of India Rx sales) decreased to ~11% for 4QFY24 (~12% FY24) vs. 15% in FY23.
- As per IQVIA IMS MAT Mar'24, LPC reported ~6% YoY growth with NI growth and price growth contributing 3.6% and 2.7% respectively, while volume growth came in at -0.4%.
- Domestic field force stood at ~10,000, including ~7,500 MRs.

- Diagnostic revenue was INR 600 mn, growing rapidly YoY, with increase in burn rate. The company expects the vertical to growth rapidly over the next five years with reducing burn rate.
- The company plans to grow the India business at an accelerated pace by:
 - Increasing the share of chronic therapies
 - Sales force expansion
 - Expansion into new areas such as biosimilars
 - Targeting M&A activities that includes mid-size companies, brands & portfolios
 - Entering into in-licensing deals via partnerships
 - Develop and launch in-house pipeline of novel assets. The aim is to launch 10 novel complex pipeline products in India by CY28.

North America

- Revenue from North America grew at a robust 23% YoY to INR 19 bn, aided by new launches.
- North America sales accounted for 39% of sales.
- The CC revenue was USD 209 mn, declining 1% QoQ due to seasonality, increase in competitive intensity partly offset by gain in market share in gSpiriva, gProlensa, and Albuterol.
- Price erosion remained stable QoQ.
- The company maintained market share of ~23% and 28% in Albuterol and Arfomoterol respectively as per IQVIA.
- Contribution from the inhalation portfolio for the quarter stood at ~40% of sales.
- The company filed one ANDA during the quarter and received 12 ANDA approvals from the USFDA.
- Six products were launched during the quarter. Some notable launches during the quarter were gBromfenac and gChantix.
- The company as of now has 161 generic products in the US market.
- Lupin continues to be the 3rd largest pharmaceutical player in both the US generic market and the entire US market by prescriptions (IQVIA Qtr TRx March 2024). Lupin is the leader in 47 of its marketed generics in the US and amongst the top 3 in 105 of its marketed products (IQVIA Qtr March 2024).
- The company has a strong pipeline in the US market consisting of 40+ injectables and 20+ inhalation.
- The company received EIR for Nagpur unit-1, Mandideep unit-2 & Aurangabad unit.
- Remediation work has been completed for Tarapur and Mandideep unit-1 which are currently under WL. The company aims to reach satisfactory compliance status within FY25.
- The company plans to focus on inhalation, injectables, ophthalmics, and biosimilars.
- The US business should sustain at USD 200 mn+ aided by 10+ launches in FY25 and MS gains in gSpiriva.
- gMyrbetriq, which was launched in 1QFY25 by LPC, received a temporary restraining order; the management remains confident of strong position in litigation and a favorable outcome. The product is to be relaunched post the litigation.
- gSpriva market share stable at ~30%; the company remains confident of ~40% MS in the near term due to lack of competition.

- FY24 saw single-digit price erosion. Given the ongoing shortages, the company expects erosion to be under control.
- The company is working on Ellipta products and is expected to share an update by the end of FY25.
- The company has already filed gLiraglutide, which is expected to launch upon approval.
- FY25 growth to be a single-digit growth year, aided by 20+ launches (70% of which will be non-OSDs).
- FY26 is expected to be much better aided by Tolvaptan (exclusive generic), injectables (incl. gLiraglutide), and other complex products.
- Management expects competition in gSuprep in FY25.
- Expect 5–6 products filings and launches from Nagpur unit-2 (injectable) unit.

EMEA

- Revenue from EMEA grew at a robust 17% YoY to INR 5.3 bn driven by higher sales of NaMuscla and inhalation products like Luforbec.
- 4Q South Africa market sales were ZAR 438 mn, growing 5% YoY.
- German 4Q market sales were at EUR 10 mn, flat YoY.

Growth markets (LATAM and APAC)

- The growth market grew at 16% YoY to INR 5.1 bn, accounting for 10% of total revenue.
- Brazil market sales were BRL 51 mn, declined 32% YoY.
- Mexico market sales were MXN 192 mn, growing 26% YoY.
- Philippines market sales were PHP 930 mn, growing 72% YoY driven by Renal, Women's health, and tender sales.
- Australia market sales were AUD 29 mn, growing 21% YoY.

Global API

- Global API sales for 4QFY24 was INR 2.6 bn, declined ~20% YoY.

Guidance

- The company aims to grow its topline at ~10% for FY25.
- Gross margin sustaining at current levels.
- R&D spends would be 5% of sales in FY25.
- Margin to be in the ~20% range impacted by tailwinds; gMyrbetriq launch may aid further margin expansion.
- Aims to file three biosimilars in the regulated markets by CY28.
- Launched 20 complex product in the areas of inhalation, injectables, ophthalmics in the regulated markets.
- Aims to achieve 23% margin in mid-term.

Risk to our assumptions

- 1) **Delays in product approvals** – Unexpected delays in key product approvals.
- 2) **Execution risk** – We have estimated a higher ramp-up in gSpiriva and other key products, any delays on this front can change our assumptions.
- 3) **Regulatory risk** – Although most of the plants with OAI status are now having EIR. Any further OAIs could erode further value of some of the key generic products.
- 4) **Price erosion in US** – higher than budgeted price erosion poses downside risks to our estimates.
- 5) **Increased genericization in India Rx business.**

Financials

Profit and loss account (INR mn)

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
Net Revenue	1,64,055	1,66,417	1,98,055	2,19,634	2,32,644
Op. Expenses	1,42,846	1,48,459	1,62,181	1,70,624	1,79,224
EBITDA	21,209	17,958	35,875	49,010	53,420
Depreciation	9,510	8,807	9,956	10,679	11,444
EBIT	11,700	9,151	25,919	38,331	41,976
Other income	1,875	757	1,379	1,400	1,400
Interest Exp.	1,428	2,743	3,116	2,846	1,046
Extra Ordinary Items -gain/(loss)	(25,885)	-	(2,013)	-	-
Reported PBT	(13,737)	7,165	22,170	36,885	42,331
Tax	1,372	2,688	4,972	8,115	9,313
Reported PAT	(15,109)	4,477	17,198	28,771	33,018
Minority Int./Profit (loss) From Associates	(183)	(176)	(211)	(211)	(211)
Net Profit	(15,292)	4,301	16,987	28,560	32,807
Adjusted PAT	5,863	4,301	19,108	28,560	32,807
Adjusted EPS (INR)	12.9	9.4	41.9	62.7	72.0

Balance sheet (INR mn)

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
Share Capital	907	910	911	911	911
Reserves & Surplus	1,20,626	1,23,735	1,41,992	1,66,267	1,94,153
Networth	1,21,534	1,24,645	1,42,903	1,67,179	1,95,065
Debt	41,582	45,415	29,228	14,228	5,228
Minority Interest	687	783	832	1,043	1,253
Net deferred Tax liabilities	711	738	(577)	(577)	(577)
Capital Employed	1,64,514	1,71,581	1,72,386	1,81,872	2,00,969
Gross Fixed Assets	1,29,412	1,55,697	1,69,981	1,78,981	1,87,981
Accumulated Depreciation	76,837	94,333	1,04,448	1,15,127	1,26,572
Capital work in progress	11,463	12,380	7,725	5,725	1,725
Net Fixed Assets	64,037	73,745	73,258	69,579	63,135
Goodwill	21,241	22,188	23,250	23,250	23,250
Investments	9,000	5,169	10,746	10,746	20,746
Non Current Investments	776	771	2,277	2,277	2,277
Current Investments	8,224	4,398	8,469	8,469	18,469
Current Assets, Loans & Adv.	1,22,236	1,26,902	1,29,692	1,46,372	1,63,874
Inventory	46,307	44,918	49,539	54,156	57,364
Debtors	42,619	44,807	46,921	48,139	50,990
Cash & Bank balance	10,981	12,931	12,025	20,625	30,896
Loans & advances and others	22,328	24,246	21,207	23,452	24,623
Current Liabilities & Provisions	52,000	56,422	64,561	68,075	70,036
Liabilities	43,840	47,840	55,558	59,072	61,032
Provisions	8,160	8,581	9,003	9,003	9,003
Net Current Assets	70,236	70,480	65,131	78,297	93,838
Application of Funds	1,64,514	1,71,581	1,72,386	1,81,872	2,00,969

Per share data

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
No. of shares (mn)	453.7	455.0	455.7	455.7	455.7
Diluted no. of shares (mn)	453.7	455.0	455.7	455.7	455.7
BVPS (INR)	267.9	273.9	313.6	366.9	428.1
CEPS (INR)	(12.3)	29.2	59.6	86.6	97.6
DPS (INR)	6.5	4.0	8.0	9.4	10.8

Source: Company Antique

Cash flow statement (INR mn)

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
PBT	(13,722)	7,165	24,223	36,885	42,331
Depreciation & amortization	16,587	8,807	11,968	10,679	11,444
Interest expense	1,428	2,743	3,116	2,846	1,046
(Inc)/Dec in working capital	(150)	3,263	855	(4,566)	(5,270)
Tax paid	469	2,432	3,261	(8,115)	(9,313)
Less: Interest/Div. Income Recd.	(328)	(324)	(462)	-	-
Other operating Cash Flow	(610)	(252)	44	-	-
CF from operating activities	3,673	23,833	43,005	37,729	40,238
Capital expenditure	(10,448)	(17,521)	(10,631)	(7,000)	(5,000)
Inc/(Dec) in investments	15,727	(1,317)	(11,899)	-	(10,000)
Add: Interest/Div. Income Recd.	328	324	462	-	-
CF from investing activities	5,607	(18,514)	(22,068)	(7,000)	(15,000)
Inc/(Dec) in share capital	2	19	146	-	-
Inc/(Dec) in debt	(10,787)	1,728	(16,171)	(15,000)	(9,000)
Dividend Paid	(2,951)	(1,825)	(1,828)	(4,284)	(4,921)
Others	(1,987)	(3,292)	(3,988)	(2,846)	(1,046)
CF from financing activities	(15,723)	(3,370)	(21,842)	(22,129)	(14,967)
Net cash flow	(6,443)	1,950	(906)	8,600	10,271
Opening balance	17,425	10,981	12,931	12,025	20,625
Closing balance	10,981	12,931	12,025	20,625	30,896

Growth indicators (%)

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
Revenue(%)	8.2	1.4	19.0	10.9	5.9
EBITDA(%)	(17.0)	(15.3)	99.8	36.6	9.0
Adj PAT(%)	(51.8)	(26.6)	344.3	49.5	14.9
Adj EPS(%)	(51.8)	(26.6)	344.3	49.5	14.9

Valuation (x)

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
P/E (x)	125.2	170.7	38.4	25.7	22.4
P/BV (x)	6.0	5.9	5.1	4.4	3.8
EV/EBITDA (x)	35.7	42.4	20.7	14.7	12.9
EV/Sales (x)	4.6	4.6	3.8	3.3	3.0
Dividend Yield (%)	0.4	0.2	0.5	0.6	0.7

Financial ratios

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
RoE (%)	4.5	3.5	14.3	18.4	18.1
RoCE (%)	7.7	5.9	15.9	22.4	22.7
Asset/T.O (x)	1.2	1.2	1.4	1.5	1.5
Net Debt/Equity (x)	0.2	0.2	0.1	(0.1)	(0.2)
EBIT/Interest (x)	9.5	3.6	8.8	14.0	41.5

Margins (%)

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
EBITDA Margin(%)	12.9	10.8	18.1	22.3	23.0
EBIT Margin(%)	7.1	5.5	13.1	17.5	18.0
PAT Margin(%)	3.5	2.6	9.6	12.9	14.0

Source: Company Antique

CMP	: INR 971
Reco	: BUY ↔
Target Price	: INR 1,280 ↔
Target Price Change	: No Change
Target FY26 VNB (x)	: 17
VNB Change FY25/ 26	: 2%/ 1%

Krupal Maniar
+91 22 6911 3419
krupal.maniar@antiquelimited.com

Harshal Milan Mehta, CFA
+91 22 6911 3428
harshal.mehta@antiquelimited.com

Market data	
Sensex	: 73,512
Sector	: Life Insurance
Market Cap (INR bn)	: 334.6
Market Cap (USD bn)	: 4.007
O/S Shares (mn)	: 345.1
52-wk HI/LO (INR)	: 1093/634
Avg. Daily Vol ('000)	: 1,009
Bloomberg	: MAXF IN

Source: Bloomberg

Valuation			
	FY24	FY25e	FY26e
VNB (INR Bn)	20	23	27
EV (INR Bn)	195	249	295
P/VNB (x)	16.7	11.9	8.5
P/EV (x)	2.7	2.1	1.8
RoEV (%)	20.2	20.1	18.8

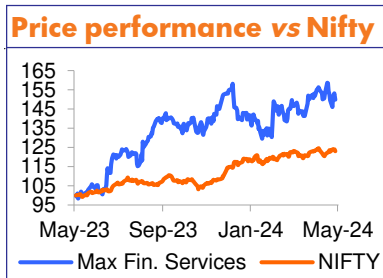
Source: Bloomberg

Returns (%)				
	1m	3m	6m	12m
Absolute	(6)	(3)	4	47
Relative	(5)	(5)	(8)	23

Source: Bloomberg

Shareholding pattern		
Promoters	:	7%
Public	:	93%
Others	:	0%

Source: Bloomberg



Source: Bloomberg Indexed to 100

4QFY24 RESULT REVIEW

Max Financial Services

Market share gains likely to continue

Max Financial Services' (MAXF) FY24 APE grew 19% YoY to INR 74.3 bn (~3% above our estimate) implying five-year CAGR of 13%. Growth was broad-based across products with ULIP/ par/ protection/ annuity each growing 50%–65% whereas non-par declined 24%. Excluding one-off sales of INR 3.5 bn, total APE grew 26% whereas non-par APE fell 13%. FY24 VNB grew ~1% YoY to INR 19.7 bn (five-year CAGR of 18%) with VNB margin declining 465 bps YoY to 26.5% owing to change in business mix and margins. The company remains focused on market share gains and expects APE growth to be in high teens over the next few years and VNB growth to be in line or marginally lower. We broadly maintain our estimates with an unchanged DCF-based TP of INR 1,280. Our target price implies FY26E P/EV of 2.4x and P/VNB of 17x after assuming 20% holdco discount. Maintain BUY.

Focus remains on market share gains; broad-based growth across products

MAXF has been consistently increasing its market share. Its private market share rose from 8.6% in 1QFY24 to 10.4% in 4QFY24. FY24 total APE grew 19% YoY to INR 74.3 bn. NoP growth was robust at 20% YoY implying entire growth was through NoP. Savings APE grew 13% YoY, of which ULIP grew by 51% (92% in 4Q), par grew by 56%, and non-par declined by 24%. Protection APE grew by 50% YoY, of which retail protection increased by 63%, whereas group protection grew by 34%. Annuity APE grew 59% YoY (on a low base) to INR 4.7 bn. Excluding one-off sales of INR 3.5 bn, total APE grew 26% whereas non-par APE declined 13% in FY24. In 4QFY24, total APE grew 13% whereas non-par APE declined 16% excluding one-off sales. Savings contributed ~55% of APE growth led by ULIP, whereas protection and annuity contributed ~45% of APE growth (~30% by protection and 15% by annuity). The share of non-par decreased 1600 bps YoY to 28% whereas the share of ULIP/ par increased 800 bps/ 500 bps YoY to 35%/ 18% in FY24.

Proprietary channel leading growth, AXISB might lag

Proprietary channel/ other banks APE grew 28%–29% YoY to INR 29.6 bn/ INR 5.1 bn whereas AXISB's APE lagged with 10% YoY growth. The share of banca decreased by 400 bps to 58% while the share of proprietary increased 300 bps to 40%. Proprietary channel/ AXISB contributed 55%/ 30% of APE growth. Agent recruitment growth was 54% in FY24 which would drive higher growth going ahead. Counter share at Axis Bank was 70% and at Yes Bank it was 58%. MAXF has tied up with 5–6 banks over the last one year, where the company is 3rd-5th player and the counter share varies from 8%–9% to 60%. MAXF's share is increasing across counters and is expected to increase further. Participation of Tata AIA and Birla Life is restricted to certain geographies. Hence, the company expects its market share to remain intact or marginally decline at AXISB.

Variance: Within non-operating variance of negative INR 540 mn, equity had a positive variance of INR 5.5 bn, however, debt had a negative variance. Operating variance had a negative impact due to assumption changes (mortality tightening of group credit life).

Others: a) Back book surplus impacted due to assumptions tightening; b) Increased rates in non-par to keep margins protected; c) Reverse merger process to take 18–24 months; d) IEV rose 20% YoY to INR 195 bn with operating RoEV of 20.2%; e) With capital infusion of INR 16.1 bn, solvency margin rose to 206% in Apr'24 vs. 172% in Mar'24; f) Improvement in persistency across all major cohorts.

Investment Summary

Valuations at 1.8x FY26E P/EV and ~9x FY26E P/VNB (after providing 20% holdco discount) seem attractive, considering the expected 17% APE/VNB CAGR over FY24–26E. Maintain BUY with DCF-based TP of INR 1,280. Listing of Max Life separately over the next two years shall further unlock value, in our view.

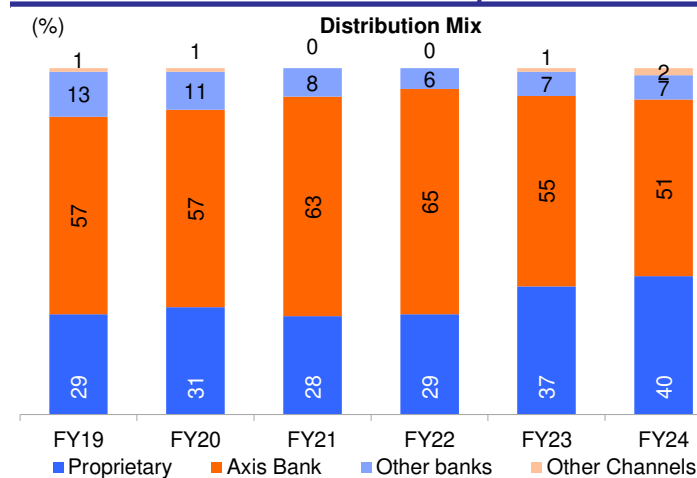
Quarterly performance

Table 1: Actual vs. estimated performance

(INR bn)	Actual	Estimated	% Variance
APE	28.7	26.9	6.9
VNB	8.2	7.7	6.8
VNB margin (%)	28.6	28.6	-2bps

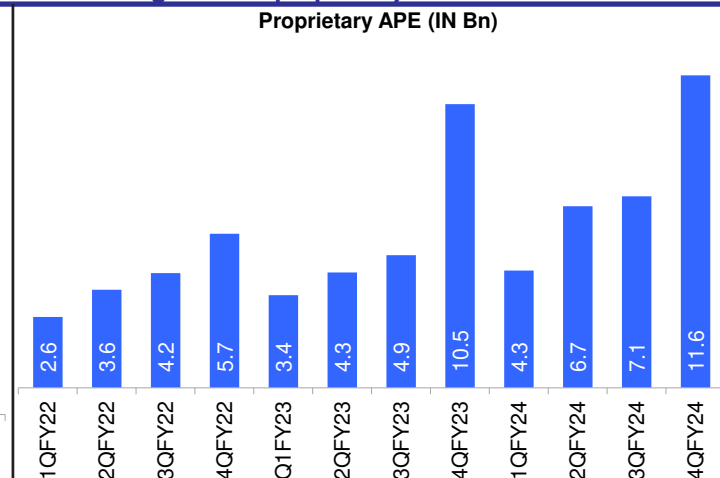
Source: Company, Antique

Exhibit 1: Share of AXISB lowest in history



Source: Company, Antique

Exhibit 2: Highest ever proprietary APE



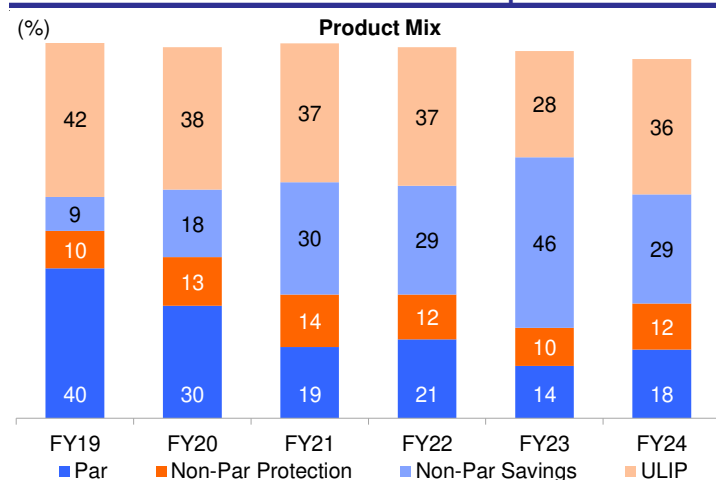
Source: Company, Antique

Table 2: Proprietary channel and other banks lead growth

Distribution mix	FY23	FY24	% YoY
Proprietary	23,070	29,570	28
Axis Bank	34,690	38,260	10
Other banks	3,970	5,140	29
Others	750	1,360	81
Total APE	62,480	74,330	19

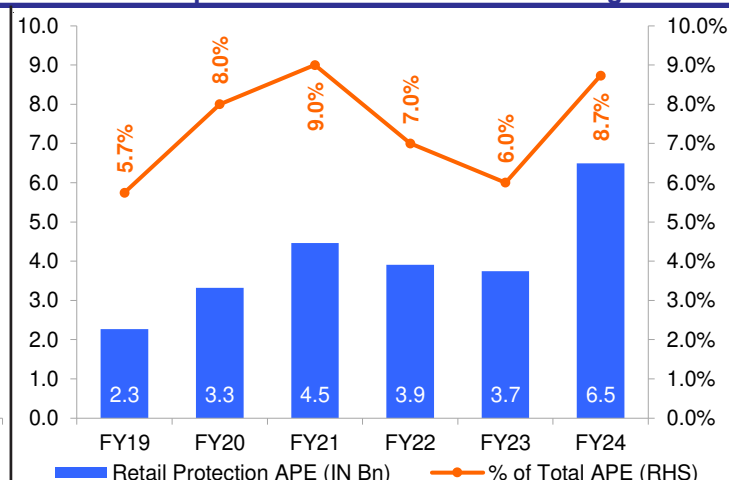
Source: Company, Antique

Exhibit 3: MAXF has maintained a balanced product mix



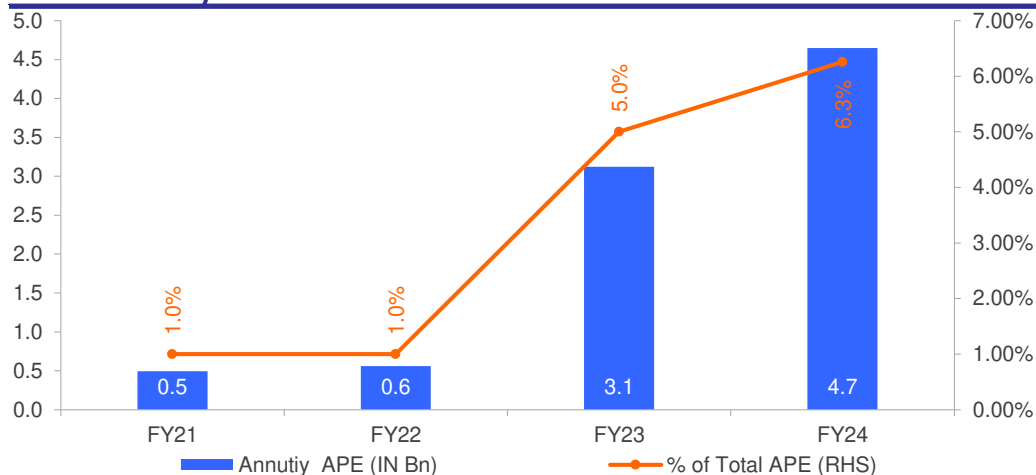
Source: Company, Antique

Exhibit 4: Retail protection APE reaches an all-time high



Source: Company, Antique

Exhibit 5: Annuity on the front foot



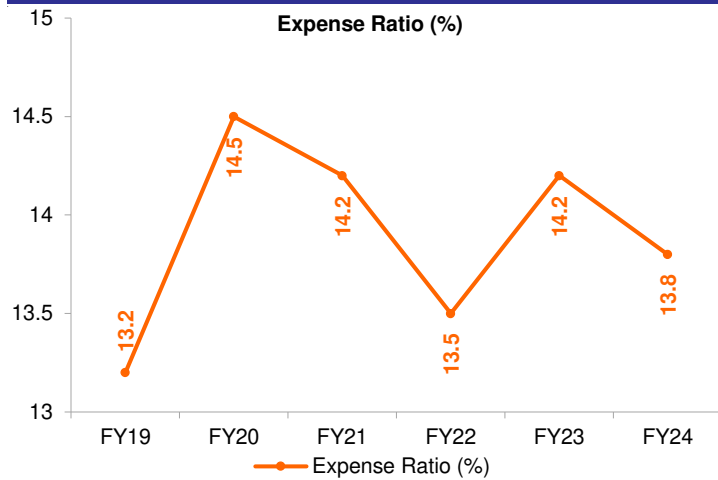
Source: Company, Antique

Table 3: APE growth of 19% YoY in FY24 was broad-based across products

Annualised Premium Equivalent (APE)	FY23	FY24	% YoY
Savings	54,880	62,060	13
- ULIP	17,720	26,810	51
-Par	8,720	13,580	56
Non-par	28,440	21,670	-24
Annuity	2,930	4,650	59
Protection	4,670	7,620	63
- Individual	3,980	6,490	63
- Group Credit life	690	1,130	64
Total APE	62,480	74,330	19

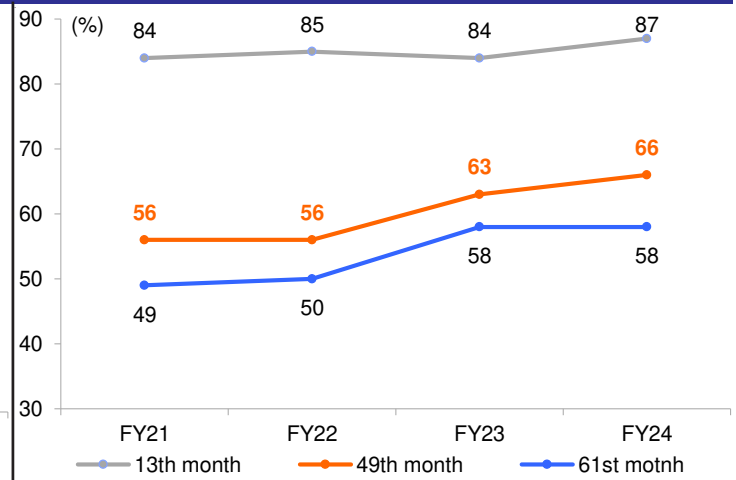
Source: Company, Antique

Exhibit 6: Expense ratio remains under control



Source: Company, Antique

Exhibit 7: Persistency has been improving gradually



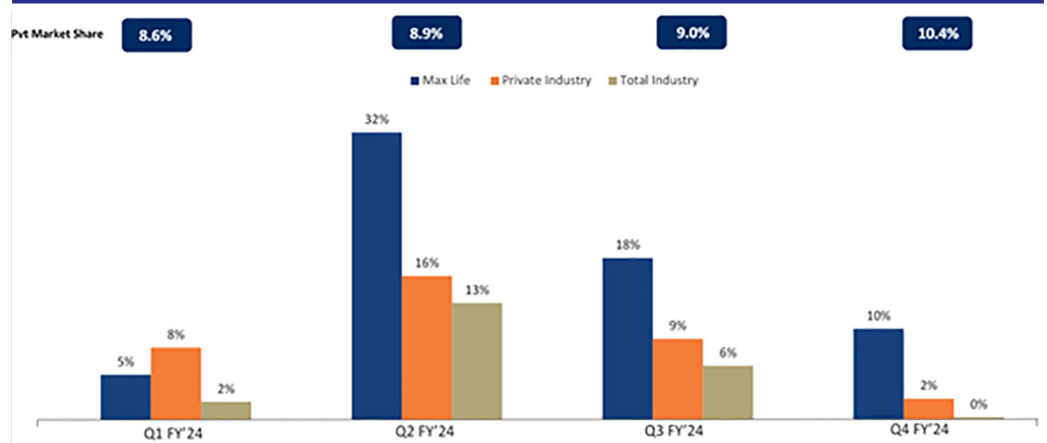
Source: Company, Antique

Table 4: VNB margin declined 465 bps YoY to 26.5% owing to change in business mix and margins

Profitability	FY23	FY24	% YoY
VNB	19,490	19,730	1
VNB margin (%)	31.2	26.5	-465bps
Operating RoEV (%)	22.1	20.2	-190bps

Source: Company, Antique

Exhibit 8: MAXF has been consistently gaining market share



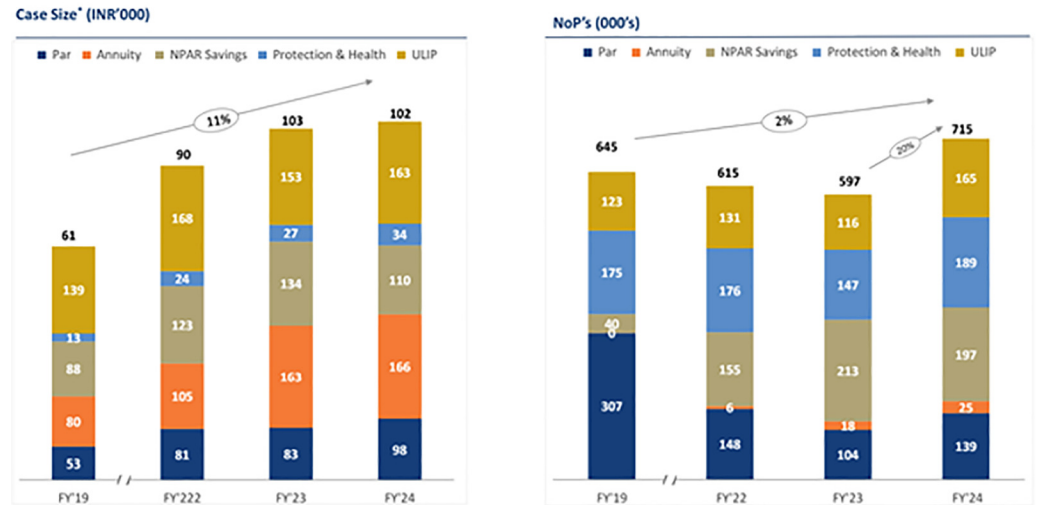
Source: Company, Antique

Exhibit 9: VNB margin was impacted in FY24 due to change in business mix and margins



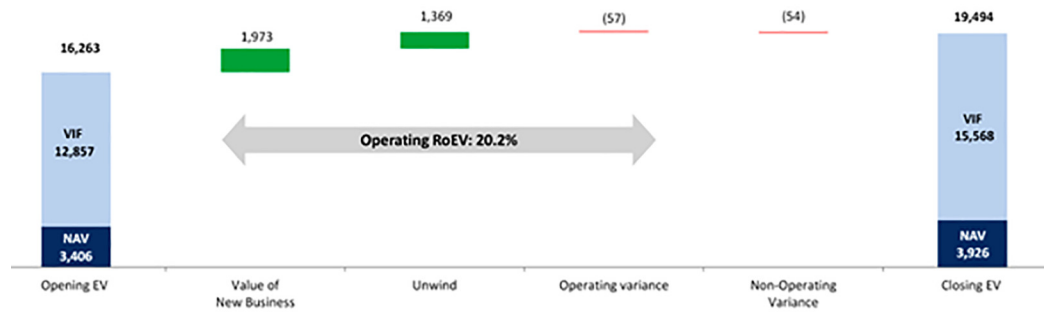
Source: Company, Antique

Exhibit 10: Growth in FY24 was driven by NoP



Source: Company, Antique

Exhibit 11: Operating RoEV at 20.2% remains best-in-class



Source: Company, Antique

Table 5: We broadly maintain our VNB estimates

INR Bn	FY25E			FY26E		
	Old	New	% Chg	Old	New	% Chg
APE	84.8	87.3	3.0	98.4	101.7	3.4
VNB	22.7	23.1	1.8	26.7	27.0	1.1
VNB margin (%)	26.8	26.5	-30bps	27.1	26.5	-60bps

Source: Company, Antique

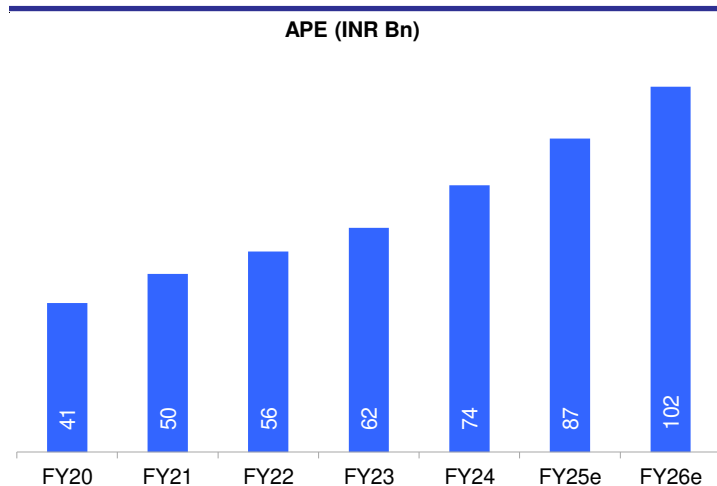
Table 6: Key assumptions

INR bn	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25e	FY26e
NBP	37	43	52	56	68	79	86	100	117	136
APE	27	32	40	41	50	56	62	74	87	102
VNB	5	7	9	9	12	15	19	20	23	27
EV	66	75	90	100	118	142	163	195	249	295
EVOP	11	14	17	18	19	23	31	33	39	47
ROEV	19.9%	20.6%	22.4%	20.2%	18.6%	19.2%	22.1%	20.2%	20.1%	18.8%
VNB Margin	18.8%	20.2%	21.7%	21.6%	25.2%	27.3%	31.2%	26.5%	26.5%	26.5%

YoY growth (%)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25e	FY26e	CAGR FY22-26	CAGR FY17-26
NBP	19	19	8	22	16	9	16	18	17	15	16
APE	22	22	5	19	13	12	19	18	17	16	16
VNB	31	30	5	39	22	28	1	17	17	15	21
EV	14	19	11	19	20	15	20	28	18	20	18
EVOP	21	24	8	2	23	38	5	19	20	20	17

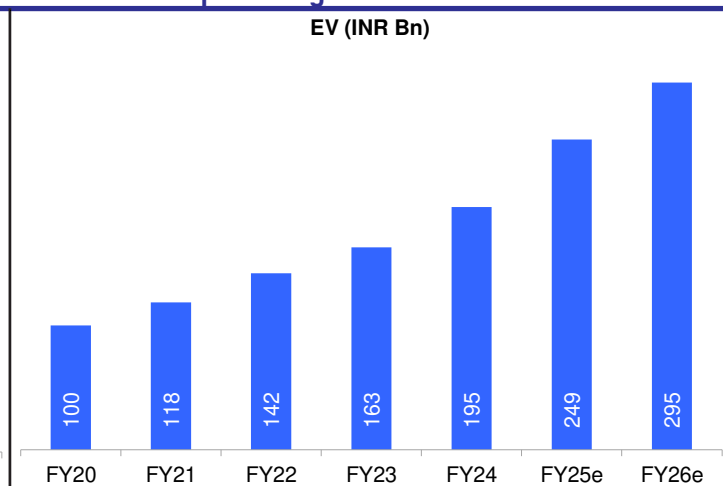
Source: Company, Antique

Exhibit 12: APE expected to grow at 17% CAGR over FY24-FY26E



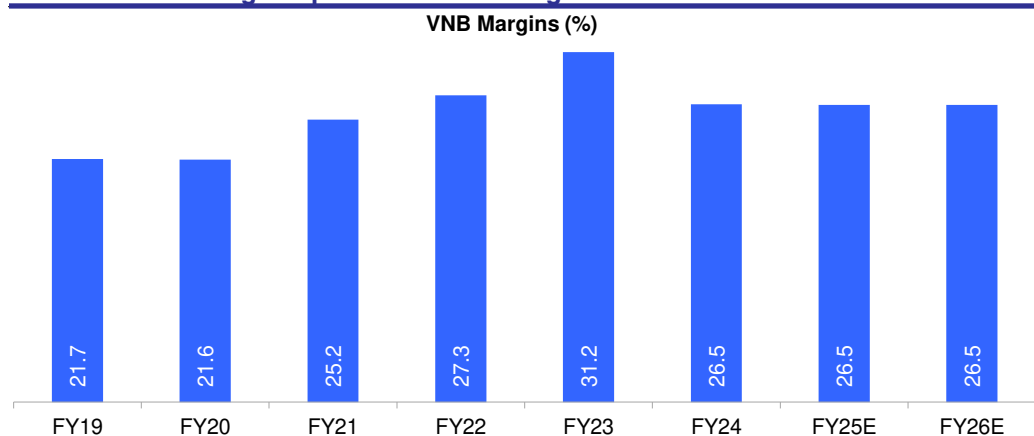
Source: Company, Antique

Exhibit 13: EV expected to grow at 23% CAGR over FY24-FY26E



Source: Company, Antique

Exhibit 14: VNB margin expected to remain range-bound



Source: Company, Antique

Table 7: Maintain BUY with a target price of INR 1,280 using Appraisal Value framework

Particular	INR bn
FY26E VNB	27.0
Target VNB multiple (x)	17
Structural Value	462
FY25E EV	249
Appraisal value of Max Life - Mar'26	711
MAXF -80% stake	569
AV after 20% holdco discount	455
MAXF - expenses valuation at 25x	13
AV after MAXF expenses	442
Share count (bn)	0.345
Appraisal value per share (INR) - Mar-26	1,280

Source: Company, Antique

Table 8: Reverse DCF to deduce VNB growth assumptions over 15 years

Parameter (INR bn)	Value
Implied FY24-39E APE CAGR	11.7%
Implied FY24-39E VNB CAGR	11.7%
Terminal growth rate	5.5%
Cost of Equity	13.7%
FY25E EV	249
Present value of future new business	460
FY26 Appraisal value of Max Life	709
Max Financial ownership in Max Life	80%
Max Financial proportionate value	567
Holding company expenses	0.5
Multiple to Holding company expense	25
20% Holding company discount	113
FY26 Fair value of Max Financials	441
No. Of shares	345
Mar-26 Target Price	1,280

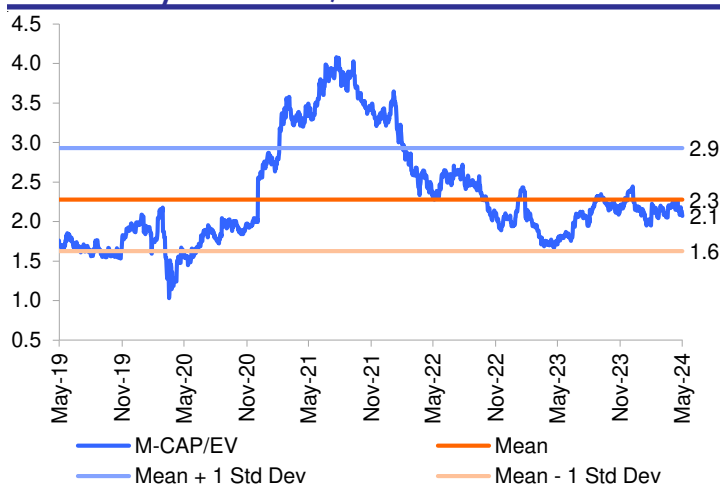
Source: Company, Antique

Table 9: Arriving at implied P/EV

Target multiples on Mar'26 estimates*	1,280
Implied P/EV	2.4x
RoEV (%)	18.8
P/EVoP	14.7x
Implied FY26e VNB multiple	17.1x

Source: Company, Antique; *after 20% holdco discount

Exhibit 15: 1-year forward P/EV



Source: Company, Antique

Exhibit 16: 1-year forward P/VNB



Source: Company, Antique

Financials

Profit and loss account (INR mn)

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
Policyholders' account					
Gross written premium	2,24,142	2,53,420	2,80,153	3,18,690	3,64,623
Net earned premium	2,19,870	2,48,820	2,75,068	3,12,905	3,58,004
Investment income	87,615	61,729	93,915	1,07,139	1,23,147
Other income	672	0	0	0	0
Total revenue	3,08,157	3,10,549	3,68,982	4,20,044	4,81,151
Commission expense	14,028	16,138	20,316	24,049	27,874
Operating expenses	30,192	35,808	40,686	46,908	54,385
Benefits cost	2,57,354	2,50,395	3,01,657	3,42,519	3,91,379
Total expense	3,03,994	3,04,549	3,64,889	4,16,013	4,76,539
Surplus/Deficit	4,163	6,000	4,094	4,031	4,612
Shareholders' account					
Transfer from policyholders' account	2,780	4,562	3,594	3,531	3,112
Investment income	3,204	3,181	4,332	5,692	7,125
Expenses	1,862	2,811	3,313	3,865	3,932
Profit before tax	4,170	5,045	4,822	5,602	6,550
Tax expense	303	694	350	407	476
Profit after tax	3,867	4,351	4,472	5,195	6,074

Balance sheet (INR mn)

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
Sources of Funds					
Shareholders' Funds	31,960	36,210	39,787	60,064	64,923
Borrowings	4,960	4,960	4,960	4,960	4,960
Policyholders' Funds: Insurance					
reserves and provisions	10,19,007	11,71,282	13,58,266	15,67,805	18,05,690
Others	27,408	30,100	32,632	34,512	36,485
Total Liabilities	10,83,335	12,42,552	14,35,646	16,67,341	19,12,058
Application of Funds					
Shareholders' Investments	51,477	55,042	60,480	91,302	98,688
Policyholders' Investments	6,89,187	8,21,021	9,22,089	10,64,340	12,25,833
Assets Held to Cover Linked Liabilities	3,34,432	3,52,502	4,08,776	4,61,837	5,31,912
Net Current Assets (C) = (A – B)	-1,025	1,288	29,628	32,822	41,084
Other Asset	9,265	12,699	14,672	17,040	14,541
Total Assets	10,83,335	12,42,552	14,35,646	16,67,341	19,12,058

Embedded Value Account

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
Embedded Value	1,41,740	1,62,630	1,94,940	2,49,151	2,94,831
- Adjusted Net Worth	31,110	34,060	39,260	59,536	64,395
- Value-in-Force	1,10,630	1,28,570	1,55,680	1,89,614	2,30,436
Annualised Premium Equivalent (APE)	55,880	62,480	74,330	87,338	1,01,748
New Business value	15,280	19,490	19,730	23,145	26,963
New Business Margin (%)	27.3	31.2	26.5	26.5	26.5
EV Operating Profit	22,760	31,330	32,850	39,130	46,895
Operating RoEV (%)	19.2	22.1	20.2	20.1	18.8

Source: Company, Antique

Per share data

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
EPS	2.0	2.3	2.3	2.7	3.2
DPS	0.9	0.5	0.5	0.5	0.6
EVPS	410.8	471.4	565.0	722.2	854.6
BVPS	92.6	105.0	115.3	174.1	188.2
EV Op. Profit per share	11.9	16.3	17.1	20.4	24.5

Key Ratio

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
Return on Equity (%)	12.5	12.8	11.8	10.4	9.7
Commission expense/TWRP (%)	7.0	7.2	8.2	8.6	8.7
Operating expenses/TWRP (%)	15.0	15.9	16.4	16.7	17.0
Total expense (% of TWRP)	22.0	23.0	24.6	25.3	25.7
Total expense (% of Avg AUM)	4.5	4.5	4.7	4.7	4.7
Calculated conservation ratio (%)	85.2	82.6	82.6	82.6	82.6

Growth (%)

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
Net earned premium	17.3	13.2	10.5	13.8	14.4
Embedded Value	19.8	14.7	19.9	27.8	18.3
Annualised Prem. Equivalent (APE)	12.7	11.8	19.0	17.5	16.5
New Business value	22.3	27.6	1.2	17.3	16.5
EV Operating Profit	23.0	37.7	4.9	19.1	19.8

Key assumptions (INR mn)

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
NBP	79	86	100	117	136
APE	56	62	74	87	102
VNB	15	19	20	23	27
EV	142	163	195	249	295
EVOP	23	31	33	39	47
ROEV	19.2%	22.1%	20.2%	20.1%	18.8%
VNB Margin	27.3%	31.2%	26.5%	26.5%	26.5%

YoY growth (%)

NBP	16	9	16	18	17
APE	13	12	19	18	17
VNB	22	28	1	17	17
EV	20	15	20	28	18
EVOP	23	38	5	19	20

Valuation

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
P/VNB (x) - Implied	25.0	18.5	16.7	11.9	8.5
P/EV (x)	3.7	3.2	2.7	2.1	1.8
P/EVOP	23.0	16.7	15.9	13.4	11.2
P/B	16.4	14.5	13.2	8.7	8.1
P/E	135.4	120.3	117.1	100.8	86.2

Source: Company Antique

CMP	: INR 283
Reco	: BUY ↔
Target Price	: INR 400 ↔
Target Price Change	: No Change
Target FY26 P/E (x)	: 35
EPS Change FY25/ 26	: -3%/0%

Abhijeet Kundu
 +91 22 6911 3430
 abhijeet.kundu@antiquelimited.com

Dhiraj Mistry
 +91 22 6911 3434
 dhiraj.mistry@antiquelimited.com

Market data	
Sensex	: 73,512
Sector	: Paints
Market Cap (INR bn)	: 229.3
Market Cap (USD bn)	: 2.745
O/S Shares (mn)	: 808.4
52-wk HI/LO (INR)	: 357/256
Avg. Daily Vol ('000)	: 878
Bloomberg	: KNPL IN

Source: Bloomberg

	FY24	FY25e	FY26e
EPS (INR)	8.6	9.8	11.4
P/E (x)	32.8	28.9	24.8
P/BV (x)	4.0	3.8	3.5
EV/EBITDA (x)	20.8	17.6	14.8
Dividend Yield (%)	1.4	1.6	1.9

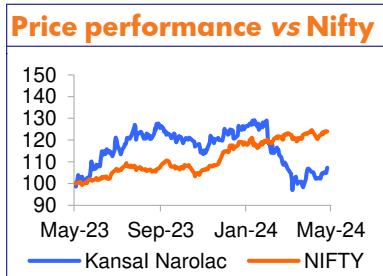
Source: Company, Antique

Returns (%)				
	1m	3m	6m	12m
Absolute	(1)	(11)	(6)	8
Relative	1	(14)	(17)	(9)

Source: Bloomberg

Shareholding pattern	
Promoters	: 75%
Public	: 25%
Others	: 0%

Source: Bloomberg



Source: Bloomberg Indexed to 100

4QFY24 RESULT REVIEW

Kansai Nerolac Paints

Driving premiumization to fight competition

Kansai Nerolac Paints' (KNPL) 4QFY24 revenue performance was in-line while profitability was below expectations. KNPL reported revenue/ EBITDA/ PAT growth of 4%/ 18%/ 28% YoY. Notably, decorative paints reported double-digit volume growth while value growth was impacted due to higher promotions and price cuts. Industrial business performance was good, but witnessed sequential moderation due to weakness in commercial vehicles and decline in tractor volumes. In the coating business, powder coating performance was soft while liquid coating performance was driven by premiumization. In order to fight the upcoming competition, KNPL is focusing on the introduction of new premium products, expanding its dealer network, and looking for higher engagement with channel partners (influencers, painters, etc.) supported by higher A&P spends to improve brand visibility. Profitability is expected to remain at current levels with stable raw material prices. Due to an undemanding valuation of 25x FY26E EPS, we maintain BUY rating with a TP of INR 400, based on 35x PER on FY26E EPS.

Industrial performance moderated, decorative paints registered double-digit volume growth

KNPL recorded net sales growth of 3.5% YoY which was largely driven by decorative paints. Demand in industrial coatings was good, but moderated from the previous quarter. In automotive, the company witnessed strong growth in two & three wheelers and refinish automotive, while the growth in commercial vehicles was soft and tractors declined to 12% due to a cyclic low demand. In performance coating, liquid coating witnessed growth due to robust infrastructure spending while demand in powder coating was marginal in 4Q and FY24. Although premiumization saliency grew 120+ basis points led by construction equipment and alloy wheels segments. Decorative paints witnessed robust double-digit volume growth. In international business, Bangladesh declined due to restrictions on non-essential imports while Sri Lanka recovered with double-digit growth of 10%. Growth in Nepal declined owing to severe decline in the paint market and the ongoing economic challenges.

Benign raw material prices and mix improvement led to margin improvement

Gross margin expanded 319 bps YoY to 34.8% due to moderation of raw material price inflation and mix improvement (higher contribution from premium portfolio). EBITDA grew 17.5% YoY and margin expanded by 128 bps YoY to 10.8% due to gross margin expansion. EBITDA margin expansion was lower than our expectations. During the quarter, employee costs increased by 16% YoY. Other expenditures increased by 11% YoY while other income rose 124% YoY to INR 320 mn. The company has stepped up its media spending to gain market share. We expect margin to remain in the range of 14%-15% in the near term.

Investment Summary

Post 4QFY24 performance, we have cut our FY25 estimate by 3% while we maintain our FY26 estimate. Over the long term, we are of the view that KNPL's performance is expected to improve on the back of market share gain in industrial paints and recovery in demand momentum in decorative paints. We maintain BUY recommendation with a target price of INR 400 based on 35x PER of FY26E EPS.

Conference Call Highlights

- Automotive demand is good. With the economy growing the cyclical nature of industrial paints is reducing.
- In rural areas, B2B is witnessing recovery and B2C segment is expected to follow suit.
- Raw material prices are stable and is expected to remain so.
- In decorative paint, 15+ products were launched last year and the saliency is 10%. In Paints+ products saliency has increased by 150 bps.
- Paint as a service has scaled to 250+ cities and capacity developed to do 5,000+ sites in a month, growing MoM.
- The company is engaging directly with influencers and consumers. Dedicated investments are made to build infrastructure and set-up teams.
- New businesses have witnessed significant growth and the saliency has increased by 180 bps. Project business saliency has increased by 100 bps.
- The company is innovating with better technology to gain market share in the premium portfolio.
- In the powder coating business, the company has more than 40% market share and the focus is on premiumization.
- The company has increased allocation to digital advertising.
- Industrial paints, passenger vehicles, and 2W business have grown well. CV and tractor performance was subdued.
- The current capacity is 611 mn liters per annum. The company is focusing on automation for factories.
- The company added nine depots in FY24, taking the total to 112 depots.
- As of now, there is no impact of Grasim's entry into the business. In the paint industry, it takes time to build infrastructure, brand, and consumer/ influencer connect.
- Industrial profitability has improved over the last two years and now margins are in double digit. The double-digit margin in B2B is healthy.
- The current level of EBITDA margin is healthy and sustainable. Industrial margin is around sustainable levels at 10%-15% and the decorative margin is expected to increase from current levels.
- Growth witnessed in decorative paints is because of volume growth as prices have come down due to drop in raw material prices. FY25 volume growth in decorative paints would remain in the double digits, with a 2% deviation.
- The company has higher saliency from the rural market. Recovery in the rural market should help further volume growth.
- The company has performed better in the North and West, while the South and East witnessed a lag.
- Distribution is expanding in double digits. The company has a weak presence in the South region.
- Capex for FY25 would be INR 3 bn. Greenfield expansion at Vizag and brownfield expansion in Jaipur plant. Maintenance capex is around INR 1.6 bn. Capacity expansion in decorative would be 25%. Resin capacity expansion for the automotive business will be 15% of total capex.
- Decorative capacity is expected to increase 35%-40%.
- Royalty payment is done only on select products, which are less than 5%.
- For the industry, the project business' contribution 4-5 years back was only 5% and it is now 15%.
- In automotive, the Japanese company's contribution is around 60%.

Table 1: Quarterly financials

Standalone	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)	FY24	FY23	YoY (%)
Revenue	16,617	16,051	3.5	18,149	(8.4)	73,933	70,810	4.4
Raw material cost	10,842	10,986	(1.3)	11,583	(6.4)	47,697	49,553	(3.7)
Gross Margin (%)	34.8	31.6	319 bps	36.2	-143 bps	35.5	30.0	547 bps
Staff cost	1,048	904	16	1,051	(0.3)	4,018	3,338	20
% of sales	6.3	5.6	67 bps	5.8	52 bps	5.4	4.7	72 bps
Other exp	2,935	2,637	11.3	3,116	(5.8)	11,989	9,980	20.1
% of sales	17.7	16.4	124 bps	17.2	50 bps	16.2	14.1	212 bps
EBITDA	1,791	1,525	17.5	2,399	(25.3)	10,229	7,939	28.8
EBITDA Margin (%)	10.8	9.5	128 bps	13.2	-244 bps	13.8	11.2	262 bps
Depreciation	458	420	9.0	462	(1.0)	1,800	1,646	9.3
PBIT	1,334	1,104	20.8	1,937	(31.2)	8,429	6,293	34.0
Other income / expense	320	143	124.1	224	43.3	931	308	202.0
Interest	32	25	28.6	32	0.0	125	97	
Pretax Profit	1,623	1,223	32.7	2,129	(23.8)	9,236	6,504	42.0
Tax	417	283	47.4	552	(24.5)	2,310	1,639	40.9
Tax rate (%)	25.7	23.1	257 bps	26.0	(24.5)	25.0	25.2	-19 bps
Recurring profit	1,205	940	28.2	1,576	(23.5)	6,926	4,864	42.4
Profit Margin (%)	7.3	5.9	140 bps	8.7	(143.0)	9.4	6.9	250 bps
Exceptional items	(190)	-	-	-	-	4,903	-	-
Net profit	1,015	940	8.0	1,576	(35.6)	11,829	4,864	143.2
Recurring EPS (INR)	2.2	1.7	28.2	2.9	(23.5)	12.9	9.0	42.4

Source: Company, Antique

Table 2: Actual vs. estimates

INR mn	Actual	Antique est.	Var(%)	Consensus	Var(%)
Revenue	16,617	16,521	0.6	17,133	(3.0)
Gross margin	34.8	36.2	-140 bps		
EBITDA	1,791	2,205	-18.8	2,024	(11.5)
EBITDA Margin	10.8	13.3	-257 bps	11.8	-103 bps
PAT	1,205	1,397	-13.7	1,252	(3.7)

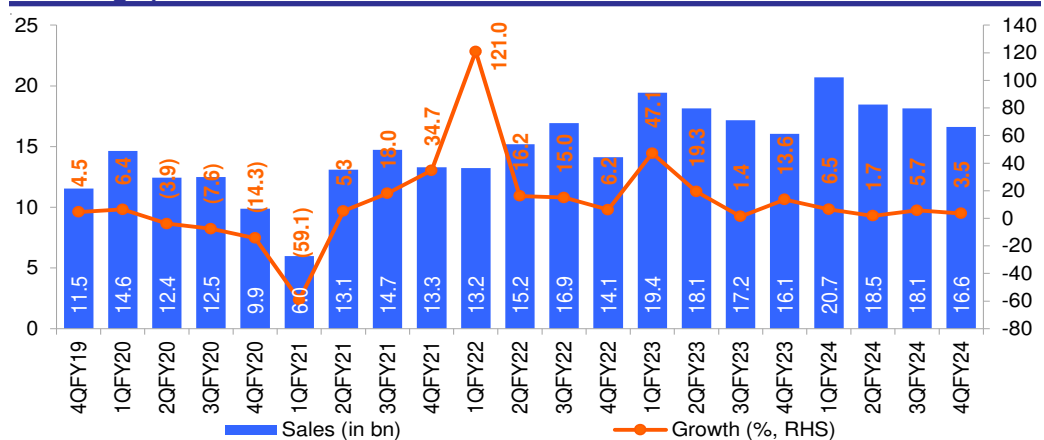
Source: Company, Antique

Table 3: Changes in estimates

INR mn	FY25			FY26		
	New	Old	Chg (%)	New	Old	Chg (%)
Revenue	80,345	81,498	(1.4)	89,203	89,101	0.1
EBITDA	11,637	12,177	(4.4)	13,467	13,694	(1.7)
EBITDA Margin	14.5%	14.9%	0 bps	15.1%	15.4%	0 bps
PAT	7,919	8,209	(3.5)	9,228	9,233	(0.0)
EPS	9.8	10.2	(3.5)	11.4	11.4	(0.0)

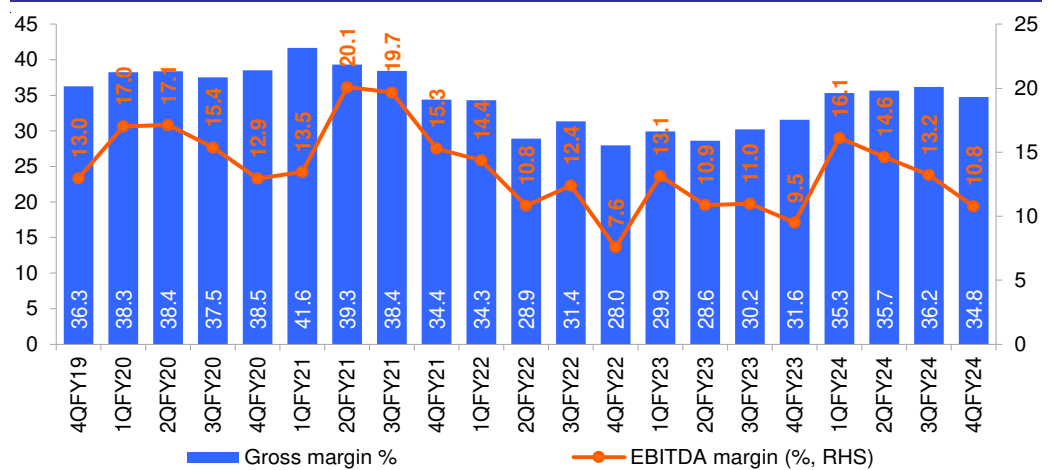
Source: Company, Antique

Exhibit 1: Revenue grew 3.5% driven by decorative paints (decorative volume growth in double digits)



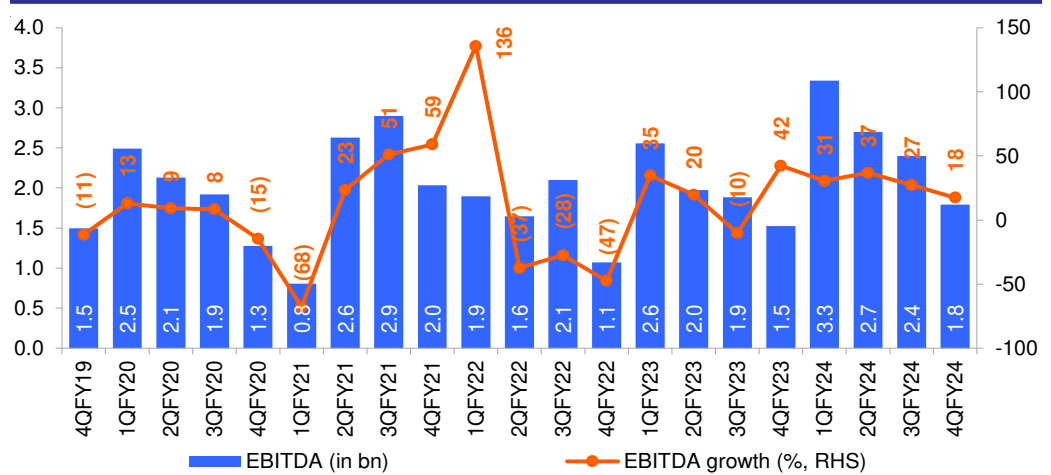
Source: Company, Antique

Exhibit 2: Gross and EBITDA margins expanded 319 bps/ 128 bps YoY due to softening of raw material prices



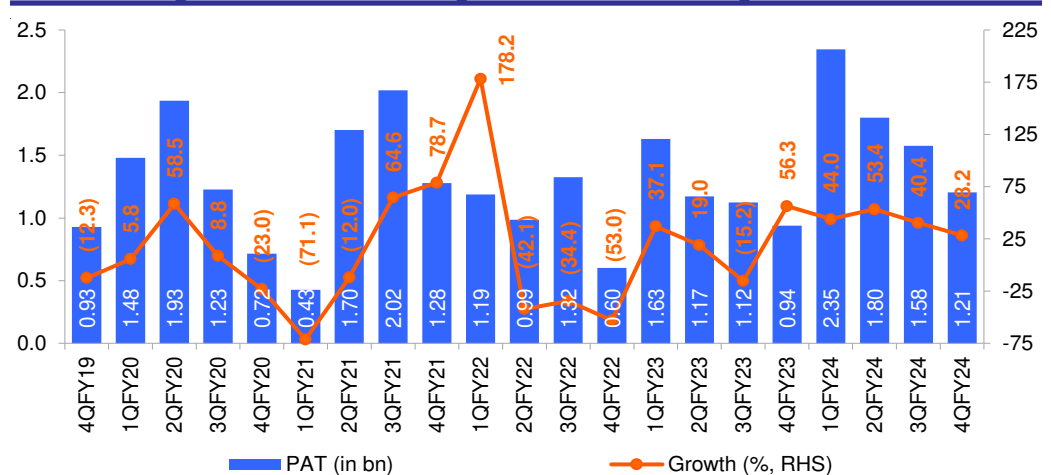
Source: Company, Antique

Exhibit 3: EBITDA grew 18% owing to margin expansion



Source: Company, Antique

Exhibit 4: PAT grew 28% YoY amounting to INR 1.2 bn due to higher other income



Source: Company, Antique

Financials

Profit and loss account (INR mn)

Year-ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
Net Revenue	59,489	70,810	73,933	80,345	89,203
Op. Expenses	(52,773)	(62,871)	(63,704)	(68,708)	(75,736)
EBITDA	6,716	7,939	10,229	11,637	13,467
Depreciation	(1,538)	(1,646)	(1,800)	(1,980)	(2,178)
EBIT	5,177	6,293	8,429	9,657	11,290
Other income	329	308	931	987	1,105
Interest Exp.	(99)	(97)	(125)	(58)	(58)
Extra Ordinary Items -gain/(loss)	(356)	-	6,423	-	-
Reported PBT	5,407	6,504	15,658	10,586	12,337
Tax	(1,308)	(1,639)	(3,830)	(2,668)	(3,109)
Reported PAT	4,099	4,864	11,829	7,919	9,228
Net Profit	4,099	4,864	11,829	7,919	9,228
Adjusted PAT	4,007	4,864	6,977	7,919	9,228
Adjusted EPS (INR)	5.0	6.0	8.6	9.8	11.4

Balance sheet (INR mn)

Year-ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
Share Capital	539	539	808	808	808
Reserves & Surplus	41,170	45,535	55,723	60,004	64,786
Networth	41,709	46,074	56,531	60,812	65,594
Net deferred Tax liabilities	956	(437)	(334)	(334)	(334)
Capital Employed	42,665	45,637	56,197	60,478	65,260
Gross Fixed Assets	30,830	33,510	36,098	37,598	38,598
Accumulated Depreciation	(12,069)	(13,561)	(15,361)	(17,340)	(19,518)
Capital work in progress	2,239	1,126	1,516	1,481	1,481
Net Fixed Assets	21,000	21,076	22,254	21,739	20,561
Investments	3,003	6,530	14,593	14,593	14,593
Non Current Investments	909	1,549	1,364	1,364	1,364
Current Investments	2,095	4,981	13,229	13,229	13,229
Current Assets, Loans & Adv.	29,954	31,686	33,897	38,438	45,536
Inventory	15,315	16,480	16,160	13,166	14,308
Debtors	9,654	11,172	12,153	11,141	12,107
Cash & Bank balance	807	947	2,296	11,065	15,905
Loans & advances and others	4,177	3,087	3,287	3,067	3,216
Current Liabilities & Provisions	11,292	13,655	14,546	14,292	15,430
Liabilities	10,834	13,235	14,028	13,640	14,694
Provisions	458	420	518	652	736
Net Current Assets	18,661	18,031	19,350	24,146	30,106
Application of Funds	42,665	45,637	56,197	60,478	65,260

Per share data

Year-ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
No. of shares (mn)	539	539	808	808	808
Diluted no. of shares (mn)	808	808	808	808	808
BVPS (INR)	51.6	57.0	69.9	75.2	81.1
CEPS (INR)	7.0	8.1	16.9	12.2	14.1
DPS (INR)	2.3	2.7	4.0	4.5	5.5

Source: Company, Antique

Cash flow statement (INR mn)

Year-ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
PBT	5,407	6,504	15,658	10,586	12,337
Depreciation & amortization	1,538	1,646	1,800	1,980	2,178
Interest expense	99	97	125	58	58
(Inc)/Dec in working capital	(4,857)	(281)	132	3,618	(1,054)
Tax paid	(1,308)	(1,639)	(3,830)	(2,668)	(3,109)
Less: Interest/Div. Income Recd.	(329)	(308)	(931)	(987)	(1,105)
Other operating Cash Flow	423	(32)	931	1,341	1,040
CF from operating activities	974	5,987	13,885	13,928	10,345
Capital expenditure	(2,339)	(2,680)	(2,588)	(1,500)	(1,000)
Inc/(Dec) in investments	4,699	(3,527)	(8,063)	-	-
Add: Interest/Div. Income Recd.	329	308	931	987	1,105
CF from investing activities	2,688	(5,899)	(9,719)	(513)	105
Inc/(Dec) in share capital	-	-	269	-	-
Inc/(Dec) in debt	(83)	-	-	-	-
Dividend Paid	(1,213)	(1,455)	(3,233)	(3,638)	(4,446)
Others	(2,393)	1,508	147	(1,009)	(1,163)
CF from financing activities	(3,689)	53	(2,817)	(4,647)	(5,609)
Net cash flow	(27)	141	1,349	8,768	4,841
Opening balance	833	807	947	2,296	11,065
Closing balance	807	947	2,296	11,065	15,905

Growth indicators (%)

Year-ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
Revenue	24.7	19.0	4.4	8.7	11.0
EBITDA	(20.4)	18.2	28.8	13.8	15.7
Adj PAT	(25.6)	21.4	43.4	13.5	16.5
Adj EPS	(25.6)	21.4	43.4	13.5	16.5

Valuation (x)

Year-ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
P/E (x)	57.1	47.0	32.8	28.9	24.8
P/BV (x)	5.5	5.0	4.0	3.8	3.5
EV/EBITDA (x)	33.6	28.1	20.8	17.6	14.8
EV/Sales (x)	3.8	3.1	2.9	2.5	2.2
Dividend Yield (%)	0.8	1.0	1.4	1.6	1.9

Financial ratios

Year-ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
RoE (%)	9.7	11.1	13.6	13.5	14.6
RoCE (%)	13.0	15.0	18.4	18.2	19.7
Asset/T.O (x)	1.6	1.8	1.8	1.8	1.8
Net Debt/Equity (x)	(0.1)	(0.1)	(0.3)	(0.4)	(0.4)

Margins (%)

Year-ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
EBITDA Margin (%)	11.3	11.2	13.8	14.5	15.1
EBIT Margin (%)	8.7	8.9	11.4	12.0	12.7
PAT Margin (%)	6.7	6.8	9.3	9.7	10.2

Source: Company, Antique

CMP	: INR 1,843
Reco	: BUY ↔
Target Price	: INR 2,487 ↑
Target Price Change	: 11%
Target FY26 EV/EBITDA (x)	: 12
EPS Change F25/ 26	: No Change

Biplab Debbarma, CFA
 +91 22 6911 3418
 biplab.debbarma@antiquelimited.com

Market data	
Sensex	: 73,512
Sector	: Textiles
Market Cap (INR bn)	: 205.9
Market Cap (USD bn)	: 2.465
O/S Shares (mn)	: 111.7
52-wk HI/LO (INR)	: 2055/722
Avg. Daily Vol ('000)	: 540
Bloomberg	: CENTIN

Source: Bloomberg

	FY24	FY25e	FY26e
EPS (INR)	26.4	25.5	37.6
P/E (x)	69.8	72.2	49.0
P/BV (x)	5.2	4.9	4.5
EV/EBITDA (x)	33.9	25.8	20.5
Dividend Yield (%)	0.3	0.3	0.4

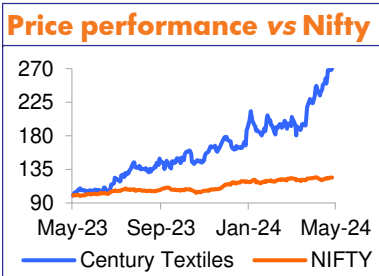
Source: Bloomberg

	1m	3m	6m	12m
Absolute	10	27	62	156
Relative	12	23	43	115

Source: Bloomberg

Shareholding pattern	
Promoters	: 50%
Public	: 49%
Others	: 1%

Source: Bloomberg



Source: Bloomberg Indexed to 100

4QFY24 RESULT REVIEW

Century Textiles & Industries

Blockbuster real estate numbers; strong guidance

Century Textiles & Industries' (CENT) 4QFY24 highlight is the blockbuster response to its newly launched project Silas Niyaara (Niyaara tower 2). Silas clocked INR 25.0 bn at launch and to date has sold 72 units out of 148. Birla Niyaara tower 1, which was launched in Feb'22 and tower 2 (Silas) cumulatively sold INR 54.0 bn to date. With this strong performance, CENT clocked sales booking of INR 39.9 bn (82% YoY) and had surpassed its sales booking guidance of INR 30.0 bn for FY24. The company has a strong launch pipeline of nine projects (GDV ~ INR 120.0 bn) for FY25 across the top four markets of NCR, MMR, Bengaluru, and Pune. In addition, the company has given a strong guidance on sales booking (~INR 80 bn) and business development (~GDV of INR 200 bn) for FY25. On the back of the ongoing upcycle and strong pipeline, we revise our sales booking estimates by 9%/18% over FY25-26E to INR 54 bn/ INR 70 bn. Reiterate BUY with a revised TP of INR 2,487 (previously INR 2,233), valuing the company on SoTP-based on EV/EBITDA multiple of 12.0x on sales booking EBITDA of FY26.

4QFY24/ FY24 in a nutshell

Sales booking during the quarter was at INR 28.8 bn (142%/ 257% QOQ/ YoY) (vs. our estimate of INR 20.0 bn). Collections are at INR 5.2 bn (186%/ 142% QoQ/ YoY). Delivered Birla Alokya, Bengaluru and phase 1 of Birla Vanya, Kalyan and Birla Navya, Gurugram; deliveries of the Kalyan and Gurugram projects to continue in FY25. In FY24, real estate revenue recognized INR 6.7 bn with 23% margin. During the quarter, paper business sales volume went up by 13% QoQ, but net sales realization (NSR) was down 15% YoY, leading to revenue of sales value of INR 8.6 bn (-3/ -6% QoQ/ YoY). NSR during the quarter went down to INR 70,591/MT (-2/ -15% QoQ/ YoY) leading to EBITDA margin of 8% (vs. 18% in 4QFY23). Overall capacity utilization was at 99% in 4QFY24 vs. 93% in 4QFY23. Net debt stood at INR 24.8 bn as of Mar'24.

Demonstrated its ability to sell

Since commencing its business in FY20, the company has to date launched projects with GDV of INR 120.0 bn and sold INR 91.7 bn of its inventory (76% of the launched inventory); in the last three years it sold INR 80.8 bn. With a strong launch pipeline of ~INR 120.0 bn in FY25 and unsold inventory of ~INR 28.0 bn, we expect CENT to easily do INR 50-60 bn of sales booking in FY25; the company gave a guidance of ~INR 80.0 bn for FY25.

Tall and diverse pipeline

The company has a tall and diverse pipeline for FY25 with total GDV of INR 120.0 bn. New phases of Birla Trimaya, Bengaluru and Birla Navya, Gurugram with aggregate GDV of INR 20.0 bn are lined up in FY25. In addition to the new phases, CENT is expected to launch five new projects with launch GDV of INR 45.0 bn in Mumbai, Delhi, Pune, and Bengaluru. In addition to the above strong pipeline, FY25 may see the launch of Niyaara 3 with GDV ~INR 45.0 bn (if Niyaara 2 receive a strong response) and Thane with a launch GDV of INR 10.0 bn (may spill over to FY26).

Strong surplus cash flow visibility

With all of its ongoing projects significantly sold, the company has strong visibility of surplus cash flow. From the six ongoing projects, CENT has receivables of INR 63.9 bn with estimated cost to be incurred of INR 22.0 bn, giving strong surplus cash flow visibility.

Aggressive business development to continue

The company, in FY24, did BD of INR 160.0 bn. On an average, CENT expects to do BD of ~GDV of INR 160-200 bn every year. With all on-going projects significantly sold and being cash flow positive, we believe aggressive BD won't stretch its balance sheet too much (peak debt may go up to INR 30 bn). Also, additional fund requirement of ~INR 20.0 bn for acquiring INR 160-200 bn GDV projects (JV + outright purchase) could be funded by the promoter, using debt or through another fund raising platform.

Investment Summary

CENT's real estate business is going strong with all the projects witnessing strong absorption and the paper business is doing steady business. Strong response to Silas Niyaara (tower 2) has given it the impetus on scaling the real estate business further. We continue to remain structurally positive on CENT's growth prospects in the medium to long term. **CENT is our top pick and we reiterate BUY with a revised TP of INR 2,487 (previously INR 2,230) valuing the company on a SoTP-based EV/ EBITDA multiple of 12x on sales booking EBITDA of FY26 (earlier NAV). Key monitorable remains the business development traction in FY25.**

Rationale for implied EBITDA

Currently, we are seeing an exuberance in the realty sector with strong demand from end users across markets. We expect this up-cycle to continue at least for the next few years. In such a strong growth cycle, NAV premiums become highly subjective and NAV calculations do not fully capture the strong volume growth (>10%). NAV calculations are a good valuation methodology when growth rates are less than 10%–15%. Currently, in India, we are seeing strong volume growth as well as price growth, leading to sales booking growth >25%–30% amongst leading developers. Thus, the stock will trade much above NAV.

With the upcycle expected to continue and companies generating strong cash flows, these cash flows would be reinvested fuelling growth. Consequently, to capture strong growth in valuation we have used implied EBITDA (EBITDA on sales booking expected in FY26) and used a multiple on it. The advantage of this method is that it captures the operational performance and future growth.

Valuation using implied EBITDA

CENT surpassed its sales booking guidance for FY24 and clocked INR 39.9 bn in FY24. Aided by a robust launch pipeline and aggressive business development velocity, we expect CENT to surpass INR 54 bn in FY25 and INR 70 bn in FY26.

Table 1: SoTP valuation

	FY26E
Sales booking	INR 70 bn
Implied EBITDA @30%	INR 21 bn
(a) EV of residential at 12x to EV/implied EBITDA	INR 252 bn
(b) Commercial assets at 7.5% cap rate	INR 18 bn
(c) Paper business at 5x EV/EBITDA	INR 38 bn
(d) Net debt (INR bn)	INR 25 bn
(e) Equity value (a + b +c -d)	INR 278 bn
(f) # of shares	112 mn
(g) Target Price (e/f)	INR 2,487

Source: Company, Antique

Table 2: NAV methodology

	INR mn
Commercial Leasing - Operational	18,437
Century Mills Worli	110,240
Residential - ongoing	15,512
New project addition	38,369
Paper	32,417
Textile	-
Land Bank	10,533
Total EV (INR mn)	2,25,508
Less: net Debt	24,820
NAV (INR mn)	2,00,688
no. of share (mn)	112
per share value (INR)	1,797
TP	2,487
Implied premium (%) to NAV	38%

Source: Company, Antique

Quarterly snapshot – 4QFY24

Table 3: Operational performance – Real estate

INR mn	4QFY24	3QFY24	QoQ %	4QFY23	YoY %	FY24	FY23	FY22
Sales booking	28,810	1,890	1424%	8,060	-51%	39,850	21,840	19,131
Collection	5,210	1,820	186%	2,150	-17%	13,230	8,620	3,514
Leasing income	300	270	11%	300	-4%	1,190	1,100	1,207

Source: Company, Antique

Table 4: Financial performance

INR mn	4QFY24	3QFY24	QoQ %	4QFY23	YoY %
Net Sales	16,859	10,703	58	9,818	72
Total Expenditure	14,177	8,279		8,347	
EBITDA	2,682	1,974	36	1,471	82
Margins (%)	15.9	18.4	-253 bps	14.5	92 bps
Depreciation	548	533		489	
Interest	116	77		85	
Other Income	138	257		89	
PBT before EO expense	2,157	1,620	33	986	119
Extra-Ord expense				1,342	
PBT	2,157	1,620		2,328	
Tax	502	534		646	
Rate (%)	23.3	33		27.8	
MI & Profit/Loss of Asso. Cos.	-220.1	-28		-253	
P&L from Disc. Ops	-1,396	-226		23.4	
Reported PAT	38.3	833	na	1,453	
Adj PAT	1,435	1,059	36	363	295
Margins (%)	9	10	-1 bps	4	5 bps

Source: Company, Antique

Table 5: Change in estimates

	New			Old			Change (%)		
	FY24A	FY25E	FY26E	FY24E	FY25E	FY26E	FY24	FY25E	FY26E
Sales booking (INR bn)	40	54	70	30	50	59	33%	9%	18%
Implied EV/EBITDA			12.0x			12.0x			
TP			2,487			2,233	11%		

Source: Company, Antique

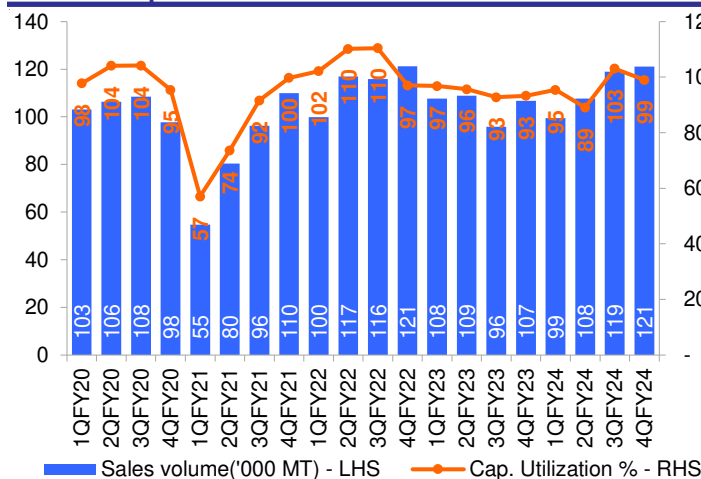
Conference Call Highlights

- Textile segment discontinued. Net loss INR 1.4 bn.
- **Projects delivered:** Birla Vanya, Birla Navya, and Birla Alokya delivered ahead of RERA. Revenue recognized INR 6.87 bn in FY24 – INR 2.64 bn in Kalyan, INR 2.0 bn in Bengaluru, and INR 2.22 bn in Gurugram. EBITDA margin of 23% at the project level for these projects.
- **Birla Niyaara Silas (tower 2)**, launched in Mar'24, sold 68 units valued at INR 23.91 bn. To date it has sold 72 units out of 148 units in tower 2. RERA delivery is 2028 for both the towers. Current selling rate INR 95,000/sq. ft. Niyaara 3 can be launched in 4QFY24 or spill over into FY25, depending on the performance of Niyaara 2.
- **Land prices** much firmer and pricey. Difficulty in concluding deals, but is confident of entering into deals in the target markets. Looking for both outright purchase and JV.
- Focused on residential projects. Also scouting for the right opportunities in the commercial space. This would be largely on the back of fund raising which is ongoing.
- **Business development** guidance of INR 150-200 bn in FY25.
- **Demand** is far outstripping supply. In the markets that CENT operates in there is a supply constraint due to fewer developers and increasing land price; it is difficult in getting approvals, etc. Thus, sustained demand is expected for the next few years.

- **Launch pipeline:** Has nine launches spread across the year: Walkeshwar, RR Nagar Trimaya phase 2, Pune, NCR, Sarjapur with GDV of INR 120 bn. Expected to double FY24 sales booking performance.
- **Net debt of INR 20.5 bn** as there is investment in liquid instruments.
- **Additional funds** of INR 20.0 bn is required for acquiring INR 160-200 bn GDV projects. Of this 50% could be funded by the promoter and the remaining by debt or through another fund raising platform. Third-party funding would be at the project level and not at the entity level.
- **NCR market** is very frothy. No supply. Few more deals being looked at in Delhi, Gurugram, and Noida. Expected to close a few of them.
- **Net leasing income** INR 1.19 bn in FY24.
- **Paper:** Paper segment EBITDA hit due to lower realization. The paper segment's low margin is due to cost constraint from procurement of goods and power. Aspiring for EBITDA of INR 50/kg. Guidance is 12%-13% in FY25. Paper business demerger not considered currently. Paper business is a cash cow. INR 7.5 bn EBITDA. Acts as a growth capital for the real estate business which is in a growing phase.

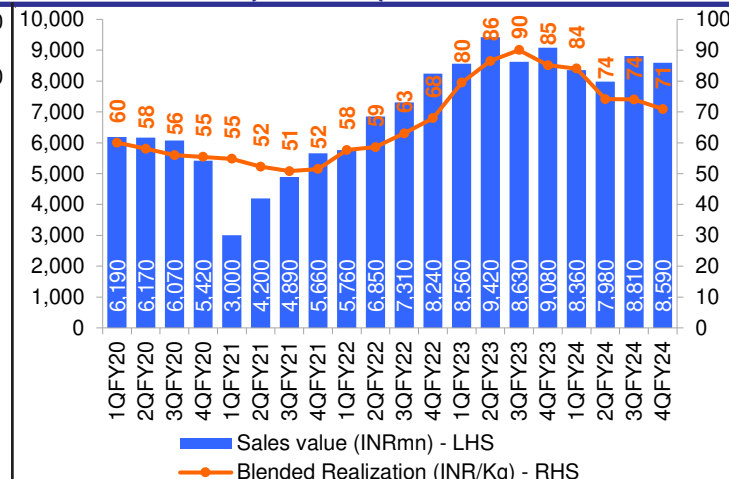
Story in Charts

Exhibit 1: Paper volume rose...



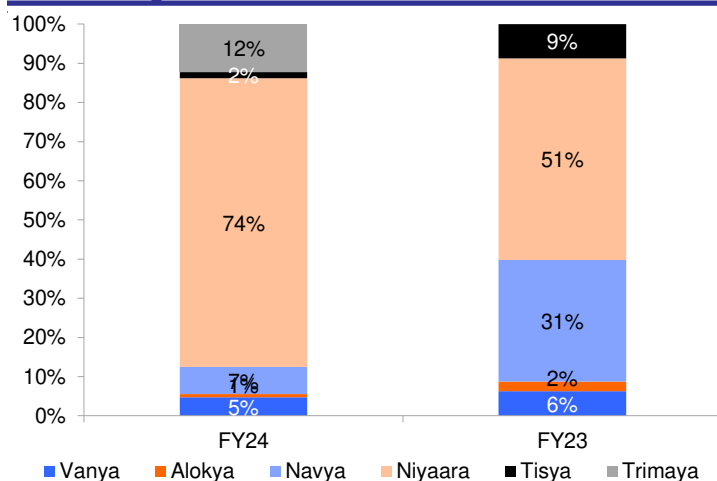
Source: Company, Antique

Exhibit 2: ...but NSR (realization) continues to trend down



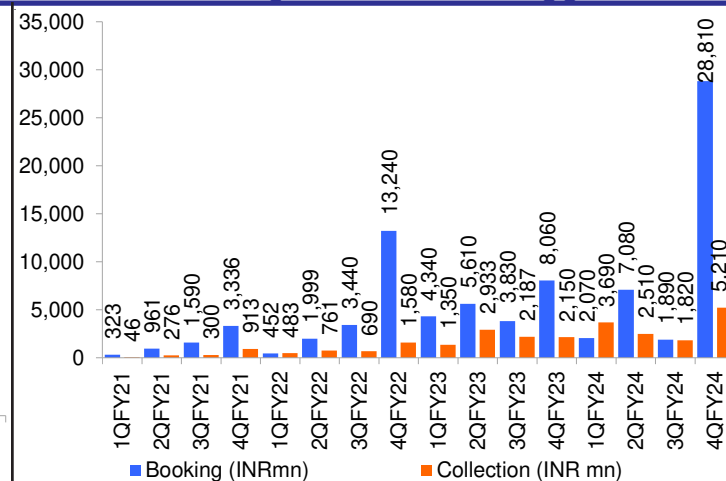
Source: Company, Antique

Exhibit 3: Niyara continues to be the key contributor to sales booking in FY24/ 23



Source: Company, Antique

Exhibit 4: Sales bookings continues to see strong growth



Source: Company, Antique

Financials

Profit and loss account (INR mn)

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
Net Revenue	41,310	38,318	45,135	53,103	53,110
Op. Expenses	(36,864)	(32,631)	(38,523)	(44,430)	(41,957)
EBITDA	4,445	5,687	6,612	8,673	11,153
Depreciation	(2,307)	(1,959)	(2,099)	(2,067)	(2,142)
EBIT	2,139	3,728	4,513	6,605	9,011
Other income	431	246	565	346	346
Interest Exp.	(522)	(342)	(355)	(2,661)	(3,273)
Extra Ordinary Items -gain/(loss)	75	762	(2,445)	-	-
Reported PBT	2,123	4,393	2,278	4,291	6,085
Tax	(504)	(1,729)	(1,450)	(1,103)	(1,531)
Reported PAT	1,618	2,664	828	3,188	4,554
Minority Int./Profit (loss) From Asso.	47	55	(323)	(339)	(356)
Net Profit	1,665	2,719	505	2,850	4,198
Adjusted PAT	1,590	1,957	2,950	2,850	4,198
Adjusted EPS (INR)	14.2	17.5	26.4	25.5	37.6

Balance sheet (INR mn)

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
Share Capital	1,117	1,117	1,117	1,117	1,117
Reserves & Surplus	36,071	37,751	38,674	40,818	44,239
Networth	37,188	38,868	39,791	41,934	45,356
Debt	13,156	10,377	24,815	36,003	41,004
Minority Interest	1,580	1,521	1,156	1,156	1,156
Net deferred Tax liabilities	-	406	116	116	116
Capital Employed	51,924	51,173	65,879	79,209	87,632
Gross Fixed Assets	85,247	86,201	88,701	92,201	95,201
Accumulated Depreciation	(53,048)	(55,008)	(59,390)	(61,458)	(63,599)
Capital work in progress	1,746	1,897	581	581	581
Net Fixed Assets	33,945	33,090	29,892	31,324	32,183
Investments	12,840	10,608	14,944	14,944	14,944
Non Current Investments	11,530	10,578	12,118	12,118	12,118
Current Investments	1,310	30	2,827	2,827	2,827
Current Assets, Loans & Adv.	30,604	40,819	60,266	59,432	66,140
Inventory	23,309	32,561	47,258	36,372	43,652
Debtors	2,168	1,564	1,656	1,455	1,455
Cash & Bank balance	1,143	1,511	4,015	15,573	15,001
Loans & advances and others	3,984	5,182	7,337	6,032	6,032
Current Liabilities & Provisions	25,464	33,343	39,223	26,491	25,636
Liabilities	17,262	25,577	31,960	18,789	17,933
Provisions	8,202	7,766	7,263	7,702	7,702
Net Current Assets	5,139	7,475	21,043	32,940	40,504
Application of Funds	51,924	51,173	65,879	79,209	87,632

Per share data

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
No. of shares (mn)	112	112	112	112	112
Diluted no. of shares (mn)	112	112	112	112	112
BVPS (INR)	333	348	356	375	406
CEPS (INR)	35	41	26	47	60
DPS (INR)	4.0	5.0	5.8	6.3	7.0

Source: Company, Antique

Cash flow statement (INR mn)

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
PBT	2,047	4,063	4,723	4,291	6,085
Depreciation & amortization	2,307	2,271	2,099	2,067	2,142
Interest expense	522	539	355	2,661	3,273
(Inc)/Dec in working capital	(4,046)	(2,073)	(9,231)	(339)	(8,136)
Tax paid	(652)	(747)	(1,450)	(1,103)	(1,531)
Less: Interest/Div. Income Recd.	(99)	(104)	(565)	(346)	(346)
Other operating Cash Flow	(590)	(1,239)	917	-	-
CF from operating activities	(511)	2,710	(3,153)	7,231	1,486
Capital expenditure	(765)	(1,180)	(1,184)	(3,500)	(3,000)
Inc/(Dec) in investments	(1,133)	1,211	(4,863)	-	-
Add: Interest/Div. Income Recd.	136	1,354	806	346	346
CF from investing activities	(1,762)	1,385	(5,241)	(3,154)	(2,654)
Inc/(Dec) in debt	2,867	(4,356)	14,438	11,187	5,001
Dividend Paid	(115)	(447)	(642)	(706)	(777)
Others	(684)	(732)	(1,074)	(2,999)	(3,628)
CF from financing activities	2,068	(5,535)	12,722	7,481	596
Net cash flow	(206)	(1,440)	4,327	11,558	(572)
Opening balance	442	237	(1,204)	4,015	15,573
Closing balance	237	(1,204)	3,124	15,573	15,001
cash credit facilities	112	1,689	891	-	-
Bank balance	795	1,026	-	-	-
Cash & Bank balance	1,143	1,511	4,015	15,573	15,001

Growth indicators (%)

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
Revenue	57.9	(7.2)	17.8	17.7	0.0
EBITDA	98.7	27.9	16.3	31.2	28.6
Adj PAT	NM	23.1	50.7	(3.4)	47.3
Adj EPS	NM	23.1	50.7	(3.4)	47.3

Valuation (x)

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
P/E (x)	129.5	105.2	69.8	72.2	49.0
P/BV (x)	5.5	5.3	5.2	4.9	4.5
EV/EBITDA (x)	48.7	37.7	33.9	25.8	20.5
EV/Sales (x)	5.2	5.6	5.0	4.2	4.3
Dividend Yield (%)	0.2	0.3	0.3	0.3	0.4

Financial ratios

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
RoE (%)	4.4	5.1	7.5	7.0	9.6
RoCE (%)	5.3	7.7	8.7	9.6	11.2
Asset/T.O (x)	1.1	1.0	1.0	0.9	0.8
Net Debt/Equity (x)	0.3	0.2	0.5	0.4	0.5
EBIT/Interest (x)	(4.9)	(11.6)	(14.3)	(2.6)	(2.9)

Margins (%)

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
EBITDA Margin (%)	10.8	14.8	14.6	16.3	21.0
EBIT Margin (%)	5.2	9.7	10.0	12.4	17.0
PAT Margin (%)	3.8	5.1	6.5	5.3	7.9

Source: Company Antique

CMP	: INR 702
Reco	: BUY ↔
Target Price	: INR 1,041 ↑
Target Price Change	: 63%
Target FY26 EV/EBITDA (x)	: 10
EPS Change FY25/ 26	: No Change

Biplab Debbarma, CFA
 +91 22 6911 3418
 biplab.debbarma@antiquelimited.com

Market data	
Sensex	: 73,512
Sector	: Real Estate
Market Cap (INR bn)	: 31.8
Market Cap (USD bn)	: 0.380
O/S Shares (mn)	: 45.3
52-wk HI/LO (INR)	: 764/294
Avg. Daily Vol ('000)	: 167
Bloomberg	: ARVSMART IN

Source: Bloomberg

	FY24	FY25e	FY26e
EPS (INR)	9.8	17.1	26.8
P/E (x)	71.7	41.1	26.2
P/BV (x)	6.0	5.3	4.4
EV/EBITDA (x)	28.9	24.9	16.6
EV/Sales (x)	9.5	5.6	3.9

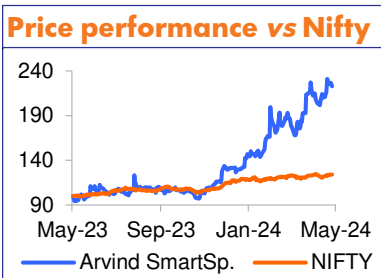
Source: Antique

Returns (%)				
	1m	3m	6m	12m
Absolute	1	13	109	127
Relative	3	10	84	91

Source: Bloomberg

Shareholding pattern		
Promoters	:	50%
Public	:	50%
Others	:	0%

Source: Bloomberg



Source: Bloomberg Indexed to 100

4QFY24 RESULT REVIEW

Arvind SmartSpaces

Continued growth momentum

Arvind Smartspaces’ (ARVSMART) FY24 highlights are the highest-ever sales booking at INR 11.1 bn (38% YoY) and strong operating cash flow of INR 4.56 bn (125% YoY). In FY24, the company launched four new projects in the new micro markets and sold INR 7.8 bn of its inventory, contributing 70% of total sales. With a majority of the projects being horizontal (plotted/ villas/ row houses), the company experiences shorter cash collection cycles and robust operating cash flow. FY24 saw strong business development, with the company achieving a GDV of INR 41.5 bn and expanding its market presence to Surat. Strong BD coupled with a net cash balance sheet gives ARVSMART enough strength to undertake growth opportunities to capitalize on the underlying housing demand. On the back of the ongoing upcycle and a strong pipeline, we revise sales booking estimates by 6%/ 10% over FY25–26E to INR 13.6 bn/ INR 16.9 bn. We maintain BUY rating with a revised TP of INR 1,041 (earlier INR 637) valuing the company on SoTP-based EV/EBITDA multiple of 10x (earlier 8x) on sales booking EBITDA of FY26.

4QFY24 in a nutshell

In 4QFY24, ARVSMART reported sales booking value of INR 3.2 bn (15%/ 32% QoQ/ YoY) vs our est. of INR 2.2 bn. In FY24, sales booking was at INR 11.1 bn (38% YoY) against a guidance of INR 10.0 bn. Sales booking was driven by new launches of Forest Trails, Bengaluru and phase 2 of Uplands 2.0, Ahmedabad; Arvind Orchards, Bengaluru; and Rhythm of Life, Ahmedabad. Collectively they contributed 70% of total sales in FY24. Collections during the quarter came in at INR 2.2 bn (11%/ 14% QoQ/ YoY). For FY24, ARVSMART reported the best-ever annual collections at INR 8.8 bn (46% YoY). Balance sheet continues to be net cash; net cash improved to INR 410 mn from INR 370 mn sequentially.

Strong business development leading to healthy pipeline

Strong business development efforts in FY24 have resulted in a robust pipeline of project launches in FY25. Bolstered by a healthy balance sheet and adept execution, the company is gaining momentum in expanding its project pipeline. Notably, the cumulative new business development with GDV of INR 41.5 bn underlines the company’s considerable growth prospects. In FY25, the company plans to launch 6–8 projects or new phases worth INR 18.0–20.0 bn. With a robust business development pipeline, it’s anticipated to add INR 50–55 bn in FY25, supported by ample funding.

Looking ahead, vertical projects will play a significant role, aiming for a balanced mix with horizontal projects, targeting a share of 33%–50%. The focus remains on strengthening its presence in key markets like Gujarat, Bengaluru, and Maharashtra; even as Bengaluru accounts for 38% of its total bookings.

Investment Summary

FY24 demonstrated strong performance, with ARVSMART positioned for continued growth. The company is anticipated to maintain a 30% CAGR for the next few years. With accelerated launches and a strong balance sheet, ARVSMART emerges as a key player in the real estate sector, positioned to leverage the housing market upcycle. **We maintain BUY with a revised TP of INR 1,041 (earlier INR 637) valuing the company on a SoTP-based EV/EBITDA multiple of 10x (earlier 8x) on sales booking EBITDA of FY26.**

Rationale for implied EBITDA

Currently, we are seeing an exuberance in the realty sector with strong demand from end users across markets. We expect this up-cycle to continue at least for the next few years. In such a strong growth cycle, NAV premiums become highly subjective and NAV calculations do not fully capture the strong volume growth (>10%). NAV calculations are a good valuation methodology when growth rates are less than 10%–15%. Currently, in India, we are seeing strong volume growth as well as price growth, leading to sales booking growth >25%–30% amongst leading developers. Thus, the stock will trade much above NAV.

With the upcycle expected to continue and companies generating strong cash flows, these cash flows would be reinvested fuelling growth. Consequently, to capture strong growth in valuation we have used implied EBITDA (EBITDA on sales booking expected in FY26) and used a multiple on it. The advantage of this method is that it captures the operational performance and future growth.

Valuation using implied EBITDA

As expected, ARVSMART easily surpassed its guidance of INR 10 bn in FY24. Aided by a robust launch pipeline and aggressive business development velocity, we expect ARVSMART to surpass INR 14.4 bn in FY25 and INR 18.7 bn in FY26.

Table 1: SoTP valuation

	FY26E
Sales booking	INR 18.7 bn
Implied EBITDA @25%	INR 4.7 bn
(a) EV of residential at 10x to EV/sales booking EBITDA	INR 46.8 bn
(b) Net cash (INR bn)	INR .38 bn
(c) Equity value (a + b)	INR 47.2 bn
(d) # of shares	45.3 mn
(e) Target Price (c/d)	INR 1041

Source: Company, Antique

Table 2: Change in estimates

	New			Old			Change (%)		
	FY24A	FY25E	FY26E	FY24E	FY25E	FY26E	FY24	FY25E	FY26E
Sales booking (INR bn)	11.1	14.4	18.7	10.4	13.6	17.0	6%	6%	10%
Implied EV/EBITDA			10.0x			8.0x			
TP			1,041			637	63%		

Source: Company, Antique

Quarterly snapshot

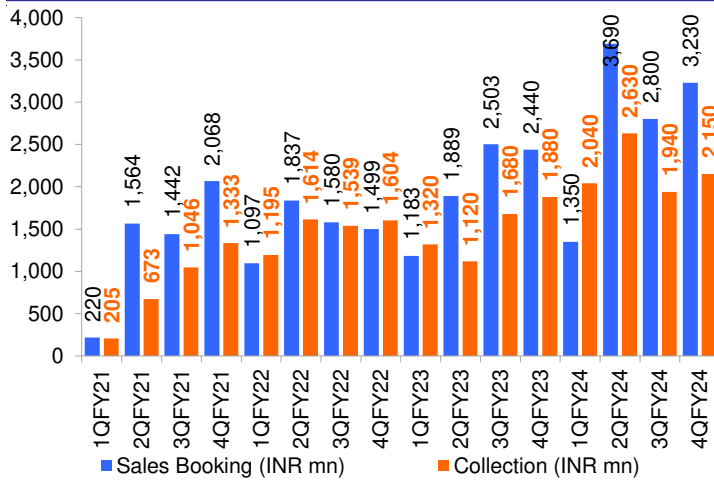
Table 3: Financial performance—4QFY24

INR mn	4QFY24	3QFY24	QoQ %	3QFY23	YoY %
Net Sales	1,174	843	39%	526	27%
Total Expenditure	860.3	643.5		439	
EBITDA	313.4	199.5	57%	87	54%
Margins (%)	26.7	23.7	303bp	16.6	477bp
Interest	45	26		40	
Depreciation	12.2	11.0		7	
Other Income	27.4	21.2		26	
PBT before EO expense	284.0	183.4	55%	67	92%
PBT	284.0	183.4		67	
Tax	89	67		16	
Rate (%)	31.3	36.4		24.1	
Profit/Loss of Asso. Cos.	0.01	0.00		0	
Minority Interest	-40.12	-22.53		-8	
Reported PAT	154.9	94.1		42	
Adj PAT	154.9	94.1	65%	42	67%
Margins (%)	13.2	11.2		8.1	

Source: Company, Antique

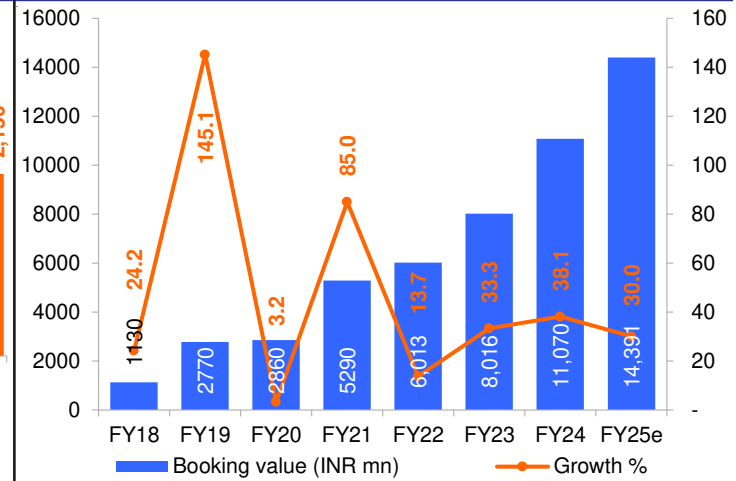
Story in Charts

Exhibit 1: Sales value and collection trajectory



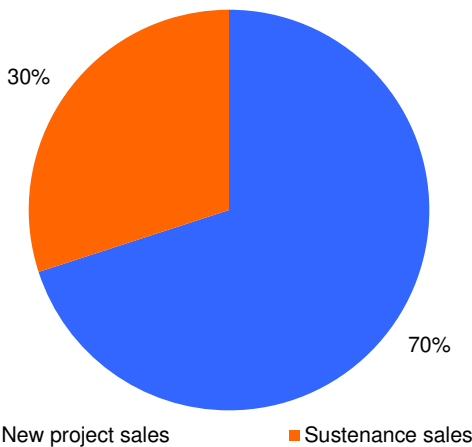
Source: Company, Antique

Exhibit 2: Exponential growth in sales booking



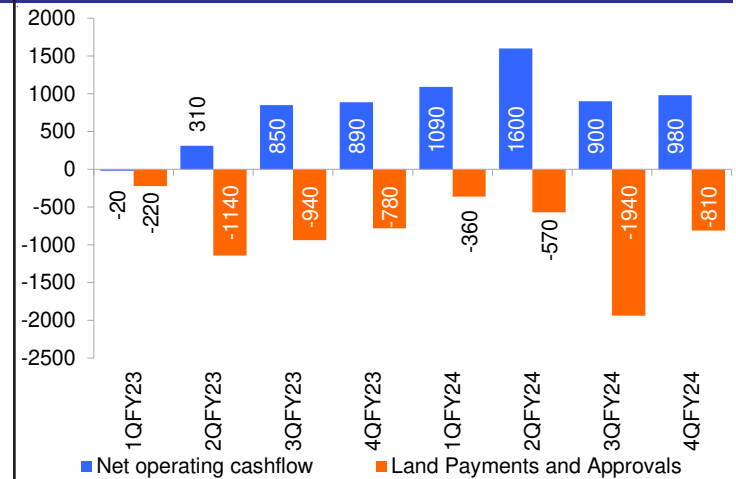
Source: Company, Antique

Exhibit 3: Sales mix in FY24



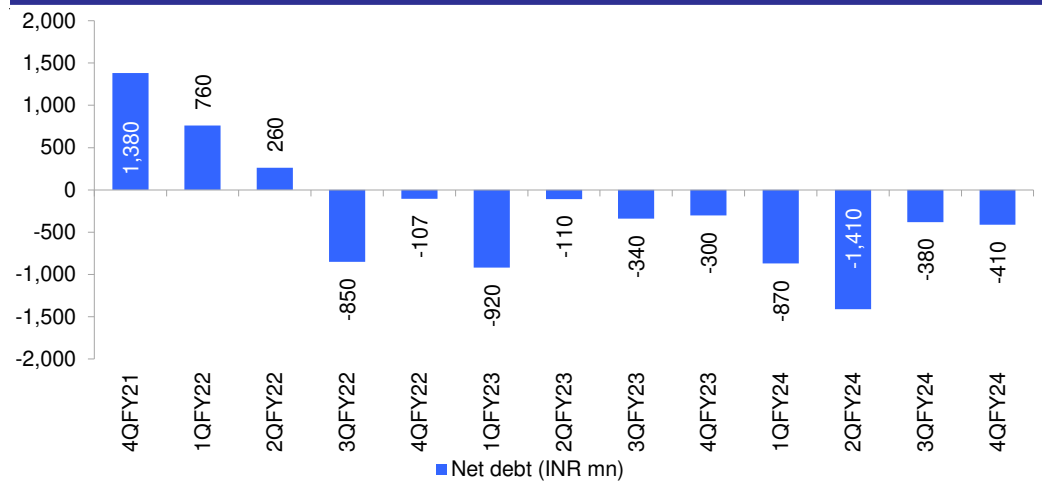
Source: Company, Antique

Exhibit 4: Cash flow from operation



Source: Company, Antique

Exhibit 5: Net debt movement



Source: Company, Antique

Financials

Profit and loss account (INR mn)

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
Net Revenue	2,568	2,559	3,412	5,710	8,005
Op. Expenses	2,077	2,070	2,297	4,425	6,124
EBITDA	491	489	1,114	1,285	1,881
Depreciation	15	27	45	44	51
EBIT	476	462	1,069	1,241	1,830
Other income	76	73	97	143	200
Interest Exp.	168	140	409	143	161
Reported PBT	383	396	757	1,241	1,869
Tax	128	118	246	416	626
Reported PAT	255	278	511	825	1,243
Minority Int./Profit (loss) From Asso.	(4)	(22)	(95)	(100)	(105)
Net Profit	251	256	416	726	1,138
Adjusted PAT	251	256	416	726	1,138
Adjusted EPS (INR)	5.9	6.0	9.8	17.1	26.8

Balance sheet (INR mn)

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
Share Capital	425	453	453	453	453
Reserves & Surplus	3,966	4,211	4,492	5,218	6,355
Networth	4,391	4,664	4,946	5,671	6,809
Debt	302	1,450	1,065	1,215	1,365
Minority Interest	376	290	1,316	1,316	1,316
Net deferred Tax liabilities	(251)	(304)	(255)	(255)	(255)
Capital Employed	4,818	6,100	7,072	7,947	9,235
Gross Fixed Assets	492	543	663	793	923
Accumulated Depreciation	59	86	131	175	226
Capital work in progress	127	172	187	187	187
Net Fixed Assets	560	629	718	805	883
Investments	3	2	1	1	1
Current Investments	3	2	1	1	1
Current Assets, Loans & Adv.	10,545	14,171	20,078	23,537	32,210
Inventory	7,663	9,570	13,620	16,426	24,124
Debtors	11	27	26	24	33
Cash & Bank balance	1,528	637	631	999	1,886
Loans & advances and others	1,344	3,937	5,801	6,088	6,166
Current Liabilities & Provisions	6,291	8,702	13,725	16,395	23,858
Liabilities	6,262	8,668	13,679	16,327	23,762
Provisions	29	34	46	69	96
Net Current Assets	4,254	5,469	6,353	7,141	8,351
Application of Funds	4,818	6,100	7,072	7,947	9,235

Per share data

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
No. of shares (mn)	42	42	42	42	42
Diluted no. of shares (mn)	42	42	42	42	42
BVPS (INR)	103	110	116	134	160
CEPS (INR)	6.4	7.2	13.1	20.5	30.5
DPS (INR)	-	3.3	3.0	-	-

Source: Company Antique

Cash flow statement (INR mn)

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
PBT	383	396	852	1,341	1,974
Depreciation & amortization	15	27	45	44	51
Interest expense	168	140	409	143	161
(Inc)/Dec in working capital	1,218	(1,168)	(874)	(572)	(530)
Tax paid	(138)	(364)	(246)	(416)	(626)
Less: Interest/Div. Income Recd.	(40)	(55)	(97)	(143)	(200)
Other operating Cash Flow	(0)	13	215	-	(2)
CF from operating activities	1,606	(1,010)	305	397	829
Capital expenditure	(94)	(96)	(120)	(130)	(130)
Inc/(Dec) in investments	346	(778)	(255)	-	-
Add: Interest/Div. Income Recd.	41	59	97	143	200
CF from investing activities	293	(815)	(278)	13	70
Inc/(Dec) in share capital	925	218	-	-	-
Inc/(Dec) in debt	(1,512)	865	(385)	150	150
Others	(153)	(130)	352	(191)	(161)
CF from financing activities	(740)	953	(33)	(41)	(11)
Net cash flow	1,159	(873)	(6)	369	888
Opening balance	350	1,509	636	630	999
Closing balance	1,509	636	631	999	1,886
Bank balance	18.8	0.4	-	-	-
Cash and bank balance	1,528	637	631	999	1,886

Growth indicators (%)

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
Revenue (%)	72.1	(0.4)	33.3	67.4	40.2
EBITDA (%)	20.9	(0.3)	127.8	15.3	46.4
Adj PAT (%)	186.5	2.2	62.3	74.5	56.8
Adj EPS (%)	139.9	2.2	62.3	74.5	56.8

Valuation (x)

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
P/E (x)	119.0	116.4	71.7	41.1	26.2
P/BV (x)	6.8	6.4	6.0	5.3	4.4
EV/EBITDA (x)	62.3	66.7	28.9	24.9	16.6
EV/Sales (x)	11.9	12.7	9.5	5.6	3.9
Dividend Yield (%)	-	0.5	0.4	-	-

Financial ratios

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
RoE (%)	6.7	5.7	8.7	13.7	18.2
RoCE (%)	11.5	10.1	18.2	18.9	24.2
Asset/T.O (x)	0.5	0.5	0.5	0.8	0.9
Net Debt/Equity (x)	(0.3)	0.2	0.1	0.0	(0.1)
EBIT/Interest (x)	3.3	3.8	2.8	9.7	12.6

Margins (%)

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
EBITDA Margin (%)	19.1	19.1	32.7	22.5	23.5
EBIT Margin (%)	18.5	18.1	31.3	21.7	22.9
PAT Margin (%)	9.8	10.0	12.2	12.7	14.2

Source: Company Antique

Events Calendar

April/May 2024

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sun
6 May	7 May	8 May	9 May	10 May	11 May	12 May
	Dr. Reddy's Labs Kajaria Ceramics Indraprastha Gas IRB Infra JSW Energy Voltas Jupiter Wagons KEC International Century Textiles	Tata Power Westlife Foodworld Bajaj Consumer Canara Bank Hero MotoCorp Kirloskar Oil Engines Larsen & Toubro TVS Motor Co Vijaya Diagnostic	Asian Paints BPCL HPCL Mahanagar Gas State Bank of India	ABB India Cipla Bank of Baroda Dilip Buildcon Sharda Cropchem Sapphire Foods Thermax Union Bank of India		JK Cement
13 May	14 May	15 May	16 May	17 May	18 May	19 May
	Shree Cement			JSW Steel		
20 May	21 May	22 May	23 May	24 May	25 May	26 May
		Jubilant Foodworks		Hindalco Industries		
27 May	28 May	29 May	30 May	31 May		
		Cummins India				

Important Disclaimer:

This report has been prepared by Antique Stock Broking Limited (hereinafter referred to as ASBL) to provide information about the company(ies) and/or sector(s), if any, covered in the report and may be distributed by it and/or its affiliated company(ies).

ASBL is a Stock Broker having SEBI Registration No. INZ000001131 and Depository Participant having SEBI Registration No. IN-DP-721-2022(CDSL) registered with and regulated by Securities & Exchange Board of India. SEBI Registration Number: INH000001089 as per SEBI (Research Analysts) Regulations, 2014. CIN: U67120MH1994PLC079444.

ASBL and its affiliates are a full-service, integrated investment banking, investment management, brokerage and financing group.

This report is for personal information of the selected recipient/s and does not constitute to be any investment, legal or taxation advice to you. This research report does not constitute an offer, invitation or inducement to invest in securities or other investments and ASBL is not soliciting any action based upon it. This report is not for public distribution and has been furnished to you solely for your general information and should not be reproduced or redistributed to any other person in any form. This report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, investors should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur.

We and our affiliates have investment banking and other business relationships with a some companies covered by our Research Department. Our research professionals may provide input into our investment banking and other business selection processes. Investors should assume that ASBL and/or its affiliates are seeking or will seek investment banking or other business from the company or companies that are the subject of this material and that the research professionals who were involved in preparing this material may educate investors on investments in such business. The research professionals responsible for the preparation of this document may interact with trading desk personnel, sales personnel and other parties for the purpose of gathering, applying and interpreting information. Our research professionals are paid on the profitability of ASBL which may include earnings from investment banking and other business.

ASBL generally prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, ASBL generally prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover. Our salespeople, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing among other things, may give rise to real or potential conflicts of interest. ASBL and its affiliated company(ies), their directors and employees and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the affiliates of ASBL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report

Reports based on technical and derivative analysis center on studying charts company's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamental analysis. In addition ASBL has different business segments / Divisions with independent research separated by Chinese walls catering to different set of customers having various objectives, risk profiles, investment horizon, etc, and therefore may at times have different contrary views on stocks sectors and markets.

Unauthorized disclosure, use, dissemination or copying (either whole or partial) of this information, is prohibited. The person accessing this information specifically agrees to exempt ASBL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold ASBL or any of its affiliates or employees responsible for any such misuse and further agrees to hold ASBL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays. The information contained herein is based on publicly available data or other sources believed to be reliable. Any statements contained in this report attributed to a third party represent ASBL's interpretation of the data, information and/or opinions provided by that third party either publicly or through a subscription service, and such use and interpretation have not been reviewed by the third party. This Report is not intended to be a complete statement or summary of the securities, markets or developments referred to in the document. While we would endeavor to update the information herein on reasonable basis, ASBL and/or its affiliates are under no obligation to update the information. Also there may be regulatory, compliance, or other reasons that may prevent ASBL and/or its affiliates from doing so. ASBL or any of its affiliates or employees shall not be in any way responsible and liable for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. ASBL or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This report is intended for distribution to institutional investors. Recipients who are not institutional investors should seek advice of their independent financial advisor prior to taking any investment decision based on this report or for any necessary explanation of its contents.

ASBL and its associates may have managed or co-managed public offering of securities, may have received compensation for investment banking or merchant banking or brokerage services, may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

ASBL and its associates have not received any compensation or other benefits from the subject company or third party in connection with the research report.

Subject Company may have been a client of ASBL or its associates during twelve months preceding the date of distribution of the research report

ASBL and/or its affiliates and/or employees and /or relatives may have interests/positions, financial or otherwise of over 1 % at the end of the month immediately preceding the date of publication of the research in the securities mentioned in this report. To enhance transparency, ASBL has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

There are no material disciplinary action that been taken by any regulatory authority impacting equity research analysis activities

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. The research analysts, strategists, or research associates principally responsible for preparation of ASBL research receive compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors and firm revenues

Disclosure of Interest Statement Companies where there is interest

- Analyst ownership of the stock - No
- Served as an officer, director or employee - No

Regional Disclosures (outside India)

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

For U.S. persons only: This research report is a product of Antique Stock Broking Limited, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account. This report is intended for distribution by Antique Stock Broking Limited only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Antique Stock Broking Limited has entered into a chaperoning agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

Compliance/Grievance officer: Ms. Jayshree Thakkar, Contact No: 022-69113461, Email id: jayshree@antiquelimited.com/compliance@antiquelimited.com

Disclaimer that:

- Investment in securities market are subject to market risks. Read all the related documents carefully before investing.
- The securities quoted are for illustration only and are not recommendatory.
- Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

**Antique Stock Broking Limited**

ITI House
 36, Dr. R.K. Shirodkar Marg
 Parel (East), Mumbai 400012
 Tel. : +91 22 6911 3300 / +91 22 6909 3600
 www.antiquelimited.com