PRIME RESEARCH

Pick of the Week

HDFC securities 25+ YEARS
Powering India's Investments

Supriya Lifescience Ltd

Niche API play, diversifying into CMO/CDMO

April 26, 2026

Supriya Lifescience Ltd

HDFC securities 25 YEARS
Powering India's Investments

Reco BUY

Industry	Pharma
LTP (April 24, 2026)	642.85
Entry Range	640-651
Add on Dips	574-583
Base Case Target	709
Bull Case Target	782
Time Horizon	4 Quarters

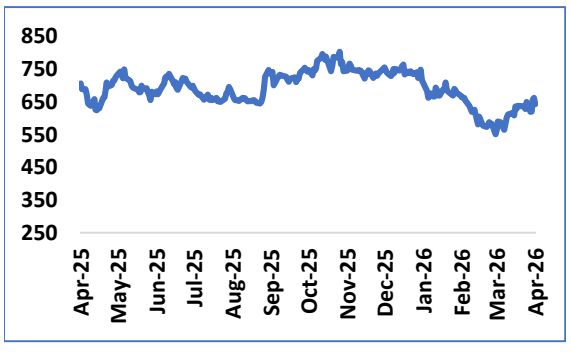
Stock Info

HDFC Scrip Code	SUPRIYALIFE
BSE Code	543434
NSE Code	SUPRIYA
Bloomberg	SUPRIYA: IN
Equity Capital (Rs Cr)	16.1
Face Value (Rs)	2
Equity Share O/S (Cr)	8.05
Market Cap (Rs Cr)	5182
Book Value (Rs)	134
Avg. 52 Wk Volumes	4,48,300
52 Week High	832.4
52 Week Low	545.5

Share Holding Pattern (%) (Mar'26)

Promoters	68.3
Institutions	10.9
Non-Institutions	20.8
Total	100.0

One Year Price Chart



*** Refer at the end for explanation on Risk Ratings**

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Niche API player with best in class margin

Supriya Lifescience Ltd. is an active pharmaceuticals ingredients (API) player with a focus on niche products having limited competition. It has a niche product basket comprising 40 APIs across diverse therapeutic segments. Management has guided for strong growth in the US and European business over the next 2-3 years. The Company reported healthy growth in the US business in the past few quarters, which contributed to ~5% of sales. European business registered significant growth and contributed to 38% of sales in 9MFY26.

Having grown at a CAGR of ~20% over the last 3 years, the management aims to maintain this momentum and grow at a similar CAGR in the coming years. Company targets topline of around Rs 1000 crore in FY27 and thereafter looking to double it to around Rs 2,000 crore in the next 4-5 years. Its base business with about 35% margin is best in class amongst API companies because of high degree of backward integration.

We feel that investors can buy Supriya Lifescience in the band of Rs 640-651 and add more on declines to Rs 574-583 (16.5x FY28E EPS) for the base case target of Rs 709 (~20.5x FY28E EPS) and the bull case target of Rs 782 (22.5x FY28E EPS) over the next 4 quarters.

Our Take

Supriya Lifescience Ltd. is an active pharmaceuticals ingredients (API) player with a focus on niche products having limited competition. It has a niche product basket comprising 40 APIs across diverse therapeutic segments. It is the largest exporter of Chlorpheniramine Maleate and Ketamine Hydrochloride from India, and is among the largest exporters of Salbutamol Sulphate from India. Supriya has >1500 customers and has a presence in more than 120 countries. Management has guided for strong growth in the US and Europe business over the next 2-3 years. The company reported healthy growth in the US business in the past few quarters, which contributed to ~5% of sales. Europe business registered significant growth and contributed to 38% of sales in 9MFY26. Supriya derived around 58% of revenue from top-10 customers.

Supriya has 5 manufacturing blocks segregated by therapeutic area with a current reactor capacity of 932 KLPD. The company has submitted 21 DMFs with US FDA while 11 CEPs from EQDM have been granted as on Dec-2025. Management expects revenue to grow at ~20% and EBITDA margin to be in the range of 33-35% in the medium term. Supriya has a better margin profile as compared to other API manufacturing players, on the back of full backward integration and a major focus on regulated markets. Having grown at a CAGR of ~20% over the last 3 years, the management aims to maintain this momentum and grow at a similar CAGR in the coming years. Company targets topline of around Rs 1000 crore in FY27 and thereafter looking to double it to around Rs 2,000 crore in the next 4-5 years.

Supriya has undertaken capacity enhancement for further backward integration for existing products, new product rollouts and CMO/CDMO opportunities. The company has set up CMO business within its API vertical, through which it has already entered into a 10-year strategic contract manufacturing (CDMO) partnership with a leading European company, DSM-Firmenich. Under the agreement, the company will be their exclusive supplier of Vitamin B2 API, (Riboflavin 5 - Phosphate Sodium). It is expected to generate around Rs 60-70 crore of revenue per annum most likely from FY28 onwards. In addition to this contract, the company has also identified two similar opportunities in the API and advanced intermediate space, along with several other potential opportunities.

Valuation & Recommendation

Supriya is well positioned with its leadership in niche products, exclusive tie-ups, and new product launches, mainly in regulated markets. Its backwards-integrated facilities with geographical diversification should help drive growth momentum in the coming years. We are positive on the back of a strong growth trajectory in key products and the launch of new products, commissioning of new facilities, which would drive growth in the next 18-24 months. The company has guided for strong double-digit revenue growth of 20%+ along with a margin in the 33-35% band in the medium term. Management is confident of stronger growth over the next few quarters, driven by exports, capacity ramp-up, and a foray into formulation. Its base business with about 35% margin is best in class amongst API companies because of high degree of backward integration.

The company's efforts in backward integration to reduce costs, coupled with geographical and product mix improvements, have helped boost margins significantly. We estimate Revenue, EBITDA, and PAT CAGR of 16.5%, 15% and 14.3% respectively over FY25-28E.

Supriya Lifescience Ltd

We feel that investors can buy Supriya Lifescience in the band of Rs 640-651 and add more on declines to Rs 574-583 (16.5x FY28E EPS) for the base case target of Rs 709 (~20.5x FY28E EPS) and the bull case target of Rs 782 (22.5x FY28E EPS) over the next 4 quarters.

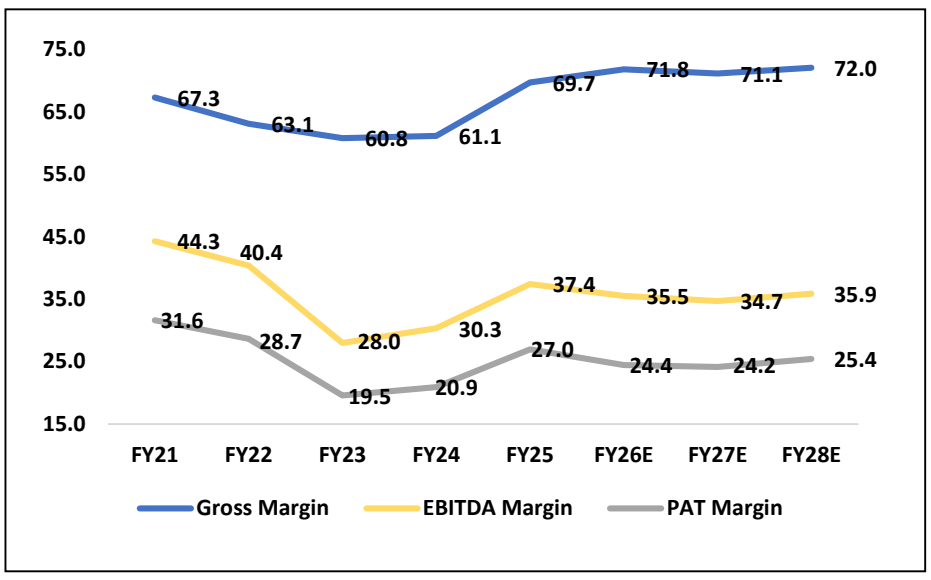
Financial Summary

Particulars (in Rs Cr)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	FY24	FY25	FY26E	FY27E	FY28E
Operating Income	206	186	11.2	200	3.3	570	697	778	932	1,103
EBITDA	68	66	3.2	73	-6.2	173	261	276	323	396
PAT	50	47	6.2	50	-1.4	119	188	190	225	280
Diluted EPS (Rs)	6.2	5.8	6.2	6.3	-1.4	14.8	23.3	23.6	28.0	34.8
RoE-%						15.7	20.7	17.5	17.7	18.6
P/E (x)						43.5	27.6	27.3	23.0	18.5
EV/EBITDA (x)						29.2	19.3	18.3	15.6	12.7

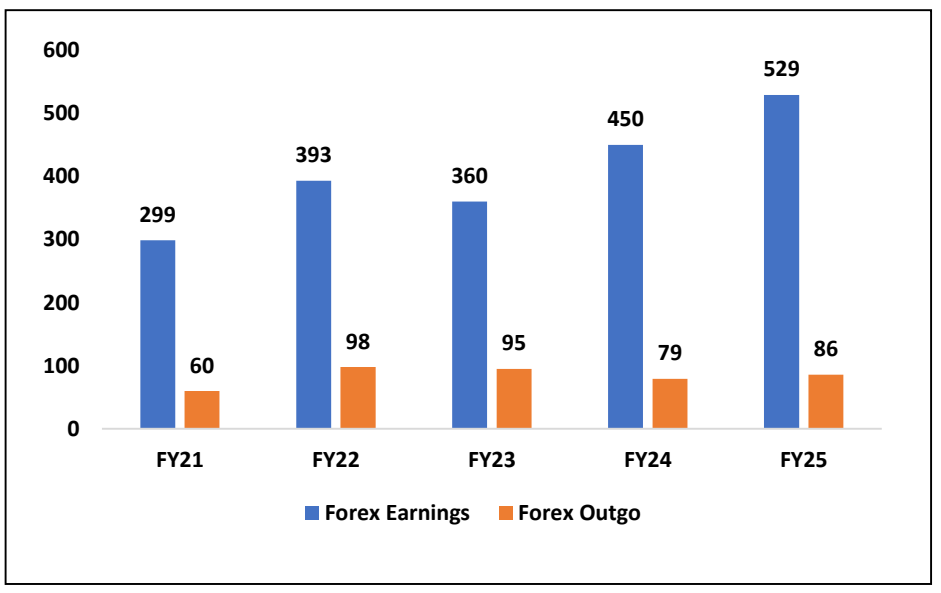
(Source: Company, HDFC sec)

Story in Charts

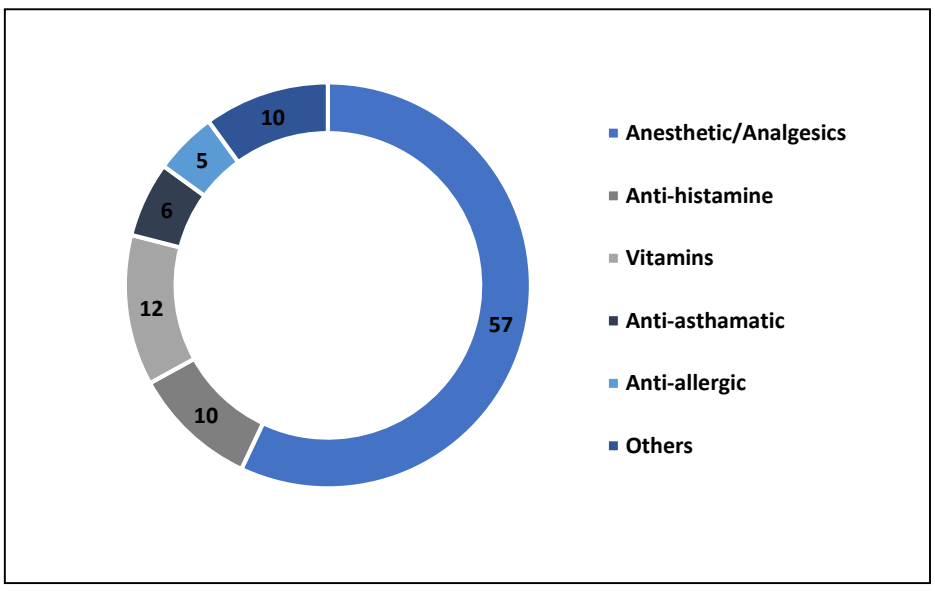
Strong Margin Profile



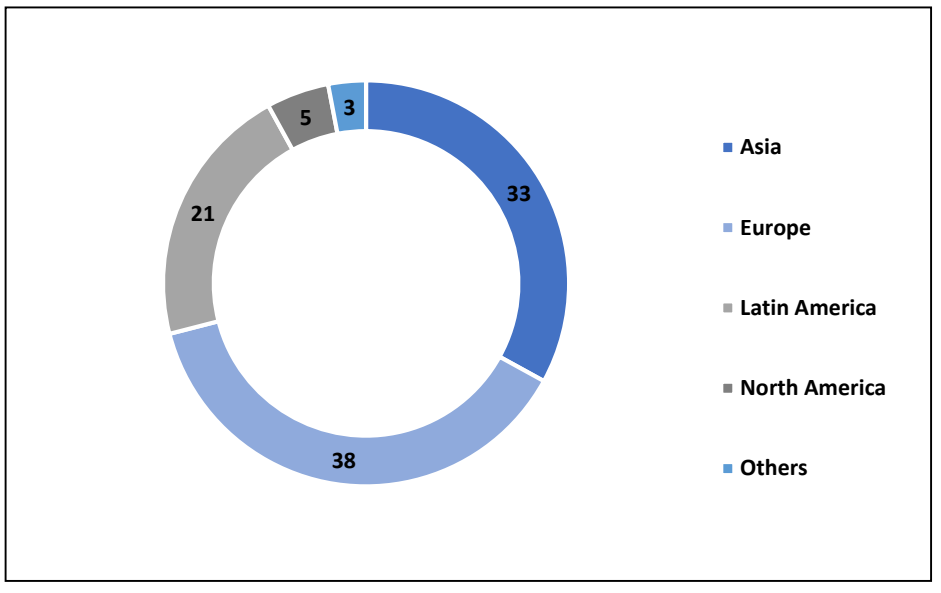
Foreign Exchange Trend (Rs cr)



Business Split (%)



Geography-wise Split (%)



(Source: Company, HDFC sec)

Q3FY26 result update

- Overall result was in line with expectations for the quarter. Revenue for the quarter grew 11.2% YoY at Rs 206.4cr. EBITDA margin contracted 60bps YoY at 34.9%. A high degree of backward integration helps the company to enjoy a superior operating margin. Net profit was up 6.2% YoY at Rs 49.7cr.
- During 9MFY26, SLL's revenue growth stood at 7.6% YoY to Rs 345 crore. EBITDA was up 2% during 9MFY26, but EBITDA margin remained strong at 35.7%, supported by better business mix (steady expansion in gross margin).

- Capacity utilisation stood at 76% as of Dec-2025. EPS for the quarter stood at Rs 6.17 and it stood at Rs 16.76 for 9MFY26.
- Therapy-wise performance remained broad-based, with anaesthetics continuing as the key growth engine, contributing 57% of 9M FY26 revenue vs. 55% in 9M FY25, supported by strong global demand and improved utilisation from Module E. The anti-histamine and vitamin portfolios contributed 12% each, aided by better order inflow from regulated markets.

Product scale-up and new launches to support ~20% growth

- Company is likely to register 18-20% revenue growth in the medium term, in line with management guidance. Growth is expected to be driven by scaling up existing products in regulated markets, following initial launches in semi-regulated markets to accelerate market penetration. In addition, the company plans to launch 3–4 products annually, providing incremental growth levers. We also expect a meaningful contribution from the Ambernath facility (CDMO) from FY27, with EBITDA breakeven targeted by Q3FY27. Once the new unit stabilises and CDMO revenue scales up, margin is expected to normalise to 36-37%, reflecting improved product mix and operating leverage.
- The company's backward integration strategy remains robust, with ~74% of revenue derived from backwards-integrated products in 9MFY26, a share which the management expects to increase to ~80% over time. We believe operating margin may see slight contraction in the next 2-3 quarters, reflecting the ongoing scaling up of the Ambernath facility; however, we expect margin to normalise from FY28 as operating leverage improves. Despite near-term margin pressure, the overall growth outlook remains intact.

Conference Call Highlights

- Anaesthetic APIs remained the key growth driver with the Vitamins segment gaining traction. It plans to launch 3-4 products annually. New launches targeted to contribute ~10% of revenue in next 2-3 years. Cardiovascular API and ADHD product, with meaningful ramp-up expected from Q4FY26.
- Liquid anaesthetic commercialised; contrast media APIs under development.
- LatAm grew strongly and North America improved to 6%, while Europe continues to be the largest market at 36%. Management sees healthy order visibility and no risk of inventory overhang.
- Capacity utilisation improved to ~76% supported by Module E ramp-up at Lote Parshuram.
- Three land parcels acquired near existing facilities to support long-term capacity expansion.
- Ambernath facility's commercial launch planned in Q4FY26, marking forward integration into formulations. EU audit expected in 3–4 months, followed by the US FDA; critical for regulated-market traction. Ambernath facility expected to generate ~2.5x asset turnover, with meaningful revenue from FY27.
- It is confident of a stronger Q4FY26 performance, led by new product scale-up and deferred export shipments. Ambernath facility expected to turn EBITDA-positive from Q3FY27. Management reiterated FY26 revenue growth guidance of ~20% with a target to achieve sales of Rs 1000 crore by FY27. Operating Margin normalisation to 33-35% expected as new products initially scale up in semi-regulated markets at slightly lower margin, before moving to regulated markets. Management is confident of stronger growth over the next few quarters, driven by exports, capacity ramp-up, and a foray into formulation.
- Management reiterated that Europe will remain one of the largest markets over the next 2 years, supported by strong traction in new launches and CMO opportunities.
- North America remained a smaller contributor even in 9MFY26, but the company expects a visible pickup from FY27 onwards as new products move through the US regulatory cycle. US market commercialisation typically requires 9-12 months post-filing, and hence, FY27 should mark the start of meaningful scaling. Management emphasised that while North America's contribution will rise, Europe and LatAm will continue to be structurally larger markets through the medium term.
- Company is currently doing business with over 1500+ customers and has presence in more than 120+ countries. For a regulated market, the regulatory team is registering the products and filing DMFs. Company has taken additional steps for business expansion around the globe especially in North America, Japan, Australia and New Zealand.
- The company had announced one of the key CMO projects with a leading European company, where Supriya will be the exclusive API supplier. The contract spans 10 years and is expected to generate peak revenue of Rs 60-70 crore per year likely from FY28E. In addition to the aforementioned contract, the company has identified two similar opportunities in the API and advanced intermediate space, as well as several other potential opportunities.

- It has commissioned Module E Production Block at Lote Parshuram, boosting capacity by over 55%, increasing it from 597 KLPD to 932 KLPD. Capacity enhancement for further backward integration of existing products, new product rollouts and CMO/CDMO opportunities. It is developing a new formulation facility in Ambernath, along with an R&D facility dedicated to developing innovative products.
- On April 22, 2026, the company said that the US FDA had conducted an inspection at the manufacturing facility at Lote, Parshuram Industrial Area, Maharashtra, from 2 February 2026 to 6 February 2026. The inspection concluded with the issuance of a Form 483 containing one minor observation. The Company had adequately addressed the observation and now received the Establishment Inspection Report (EIR) indicating "Voluntary Action Indicated (VAI)", signifying a successful completion of the inspection. A successful track record of passing regulatory inspections augurs well for SLL.

Key Rationale

Leadership position in key products

- Supriya Lifescience is known for its leadership position in APIs for therapies such as anti-histamines, anti-allergic medicines, vitamins, anti-asthmatics and anaesthetics, is strengthening its portfolio in a major manner. In the last couple of years, the company has doubled its manufacturing capacity to around 1,050 KLPD (incl. 150 KLPD capacity), even as it is now all set to enter the finished formulations space, catering to the growing contract manufacturing (CMO/CDMO) segment. SLL has launched its new formulation facility in Ambernath near Mumbai, which is expected to be commercialised soon.

Leader in key products; Clean regulatory compliance track record

- As part of its ambitious growth strategy, Supriya expanded its API manufacturing capacity by 55% with the commissioning of the module E production block at its site in Lote Parshuram, Ratnagiri, Maharashtra, increasing the installed capacity from 597 KLPD to 932 KLPD. The facility spans 35,000 sq. mt. across five therapy-based blocks with a combined reactor capacity of 932 KLPD. The facility holds accreditations from global regulatory bodies including the US FDA, EDQM, AIFA (Italy), TGA (Australia), KFDA (Korea), PMDA (Japan), NMPA (china), COFEPRIS (Mexico), ANVISA (Brazil) and Health Canada. Over 30 regulatory authorities have audited and approved SLL facilities. The company's finished formulation facility is now ready for commercial production. The facility (capacity: 150 KLPD) is value-added and therapeutically unique. The site spans 5,000 sq m and will have multiple lines across injectables, tablets, capsules and inhalation dosages. It will have the capacity to produce one billion capsules and one billion tablets, as well as 50 lakh bottles per annum of liquid anaesthetics. Focus areas here will be ADHD (attention-deficit/hyperactivity disorder), contrast media and multi-vitamins. At peak capacity, this facility is expected to generate revenue of Rs 400-500 crore, with a margin higher than that generated from the manufacture of APIs. The company has charted out a pipe line of value-added niche products that account for relatively under-crowded spaces. The extension into the area of value-added injectable is likely to address growing CMO demand. Besides, it will also manufacture tablets and capsules to enhance asset utilisation.

CMO Business

Strategic CDMO partnership with DSM to aid in further growth

- The company has set up CMO business within its API vertical, through which it has already entered into a 10-year strategic contract manufacturing (CDMO) partnership with a leading European company, DSM-Firmenich. Under the agreement, the company will be their exclusive supplier of Vitamin B2 API, (Riboflavin 5 - Phosphate Sodium). The project is expected to generate around Rs 60-70 crore of revenue per annum. In addition to this contract, the company has identified two similar opportunities in the API and advanced intermediate space, along with several others. Its move to venture into the CMO/CDMO space is viewed as a strategic step to de-risk its business model. SLL has already initiated talks with a few multinationals in markets such as EU, US, Canada, Latin America, Russia for CMO/CDMO opportunities.
- Supriya Life has over the years mastered the supply of specific API therapeutic segments such as anti-histamine, anti-asthmatic, decongestants with ~18 products that are backward integrated and accounted for ~75% of 9MFY26 sales. A key assessment area includes ability to move up the value chain from an API supplier to getting embedded in innovator supply chain. This journey has just started with R&D (key to the development part of CDMO) and Ambernath formulations site. The company would offer fill and finish services for Semaglutide to customers in the Russia and Middle East markets upon patent expiry. Its base business with about 35% margin is best in class amongst API companies because of high degree of backward integration.

Diversified offering

- Company is better placed to provide a solution combining APIs and formulations. It is a deepening presence in relatively under-crowded product niches with attractive realisations. Supriya intends to

market formulations through marketing arrangements with large market-facing pharmaceutical companies in less regulated markets.

- The company has built a well-diversified basket of 40 niche APIs across 16 therapeutic segments, ranging from anti-histamines, anti-allergic and anaesthetics to anti-hypertensive, cardiovascular and anti-diabetic therapies. Of these, around 74% of its products are also backwards integrated into advanced intermediates, offering the company a clear-cut edge over its competition. Backward integration into intermediate manufacturing ensures better resource control, cost optimisation and greater resilience across market cycles. In fact, its integrated business model enables revenue growth while sustaining margins.
- SLL follows strict regulatory compliance with a leadership position across key and niche products. It is among the leading exporters of APIs in the anti-histamine, anaesthetic and anti-asthma segments, with exports accounting for about 85% of total revenue (Europe: 40%; Asia: 30%; and Latin America: 20%). The company serves over 1,500 customers across more than 120 countries. More than 55% of its exports are targeted at regulated markets. Going ahead, the company is looking to expand its exposure to North America, which is around c.5-6%. The company has recently taken additional steps to expand its business in North America, as well as in Japan, Australia, and New Zealand.
- The strategy remains steadfast: i) drive export-led growth through expanded registrations, ii) deepen penetration in regulated markets, and iii) enhance backward integration to support better operating margin.

New products and CDMO likely to contribute 20% of revenue in FY28

Efforts underway to improve business mix

- Company is making efforts to diversify away from legacy therapies like anti histamine and adding new therapies like anesthesia, ADHD, cardiovascular. New API opportunities have large volumes and room to build market share. Company remains confident of its ability to capture market based on its backward integration strength even as it ruled out using the same to cut prices and gain market share. For the cardiovascular advanced intermediate, it has set up a capacity of ~1000 tons of which it has visibility of ~300 tons. It would scale up in the upcoming quarters and meaningful revenue likely from Q2FY27E backed by US DMF filing.
- Management expects new molecules and CDMO contracts to gradually contribute ~20% of revenue by FY28E, with the balance continuing from legacy APIs. Company aims to commercialise 3-4 new products, every year supported by a pipeline of 8-10 molecules under development. Backward integration across key intermediates continues to be a structural strength, enabling to maintain superior margin versus peers despite raw material cost volatility.

Continues to invest in R&D

- The company continues to invest in R&D, which has allowed it to build a strong basket of niche products. Consistent efforts are under way to develop new products, improve existing formulations, enhance drug delivery systems and expand product applications. These efforts are aimed at adding three to four products each year. The R&D laboratory at Lote Parshuram spans 800 sq mt. and is equipped with 20 fume hoods. This facility focuses on lifecycle management, backward integration, new product development and CMO/CDMO opportunities.
- The new Ambernath R&D laboratory is now fully operational, supporting the next phase of the company's expansion and innovation strategy. To deepen capabilities, SLL has set up a new dosage-forms R&D facility that will support the development of tablets, capsules, liquids and sterile forms.
- Company aims to transform into a fully integrated pharmaceutical entity, spanning the entire value chain – from API development and advanced manufacturing to the production of finished dosage forms. This end-to-end integration is aimed at streamlining operations, strengthening quality assurance and enhancing overall operational efficiency.
- In the last few years, Supriya has expanded its API capacity significantly and is now gearing to foray into finished formulations in order to explore growing opportunities in the CMO/CDMDO segment. Within APIs as well, it has set up a separate CMO business, which would further bolster its position in the API space where it commands a strong position in multiple therapies. The company has initiated discussions with companies ranging from big pharma to innovator companies to serve as a partner. Looking ahead, the company is targeting a higher growth trajectory of 30-35% over the next 3-5 years in its CMO business. Company is also advancing its R&D efforts in peptide development, including work on high-potential molecules such as Semaglutide – used to improve blood sugar control in Type 2 diabetes, weight management and reduce cardiovascular risk.

Aims to reach a revenue of Rs 1000 crore in FY27

Guidance and outlook

- Management reiterated its aim to achieve ~20% annual revenue growth on a sustainable basis, with H2FY26 expected to be significantly stronger than H1FY26. Company targets ~20% CAGR in revenue and steady EBITDA margin over the next three years, driven by new capacity additions, increased demand in the existing portfolio, and new contracts. The company expects to maintain its EBITDA margin in the 33-35% range. This profitability is underpinned by several strategic factors, including Supriya's 74% fully backwards integrated revenue, increasing batch sizes (due to Module E optimisation), and a strong R&D setup that continuously works on life cycle management, process improvement, and cost savings. Management views this range as a stabilized margin, noting that the blended margin should be maintained even as newer products scale up in semi-regulated markets. The company aims to achieve revenue of Rs 1000 crore in FY27, supported by a strong pipeline, launches of 3-4 products in FY26, and rising demand in key therapeutic areas such as anaesthetics, anti-diabetic, antianxiety, vitamins, and ADHD treatments.

Experienced Promoters

- Dr. Satish Wagh has over 38 years of experience in the pharmaceutical and chemical industries, he leads the company, which has grown into a prominent manufacturer of APIs and now building business in the CMO segment. SLL operates across five specialised therapy-based blocks and holds accreditations from global regulatory bodies, including the US FDA, European Directorate for the Quality of Medicines & HealthCare (EDQM), Agência Nacional de Vigilância Sanitária (ANVISA; Brazil), and Health Canada etc. Top 10 customers contributed 58% to its revenue in FY25.
- Its manufacturing unit is in Ratnagiri district, Maharashtra with a current annual production capacity of 932 KLPD across 5 manufacturing blocks. SLL is a leading exporter of APIs, with significant sales in anaesthetic (49% of FY25 sales), antihistamine (11%), vitamins (11%), analgesic (8%), and anti-asthma (7%) segments. The company's revenue was well diversified geographically, with exports accounting for 85% of FY25 revenue. Europe and Asia (excluding India) contributed 37% and 18% to overall sales, respectively, while Latin America (LatAm), US, and India contributed 22%, 3%, and 15%, respectively in FY25.

Key Risks

- As of March 2026, none of the company's manufacturing sites have outstanding regulatory or compliance issues with any other regulatory agency. Non-compliance or data integrity issues at any manufacturing facility might affect new product approvals by several regulatory agencies or lead to the facility's shutdown. As the company derives > 80% of revenue from international markets. Any adverse action from regulatory authorities could hinder its growth prospects.
- Company faces product concentration risk as top-5 products contribute major portion of their revenue. Any delay in the development and commercialisation of newer products could impact the future growth prospects of the company.
- Delay in ramp up of CMO/CDMO business could impact its margin and profitability.
- Supriya has molecules in mature therapies, including anti-histamine, analgesic/anaesthetic therapies and others, which expose it to a competitive environment. Company chooses products which are mature and where demand is not likely to taper off soon. Also, the company avoids products that have recently gone off patent to avoid price wars.
- Large fluctuations in foreign exchange may impact the company as more than 80% of revenue comes from the export business.

Financial Statements

Income Statement

Particulars (Rs Cr)	FY24	FY25	FY26E	FY27E	FY28E
Net Revenue	570	697	778	932	1103
Growth (%)	23.7	22.1	11.7	19.8	18.3
Operating Expenses	398	436	502	609	707
EBITDA	**173**	**261**	**276**	**323**	**396**
Growth (%)	34.0	50.8	5.9	17.0	22.4
EBITDA Margin (%)	30.3	37.4	35.5	34.7	35.9
Depreciation	16	20	27	31	34
EBIT	157	240	249	292	362
Other Income	11	10	11	13	16
Interest expenses	2	2	2	2	1
PBT	166	248	258	303	377
Tax	47	61	68	78	97
PAT	**119**	**188**	**190**	**225**	**280**
Share of Asso./Minority Int.	-	-	-	-	-
Adj. PAT	**119**	**188**	**190**	**225**	**280**
Growth (%)	32.2	57.7	1.2	18.4	24.5
EPS	**14.8**	**23.3**	**23.6**	**28.0**	**34.8**

Balance Sheet

Particulars (Rs Cr) - As at March	FY24	FY25	FY26E	FY27E	FY28E
SOURCE OF FUNDS					
Share Capital	16.1	16.1	16.1	16.1	16.1
Reserves	799	981	1155	1359	1614
Shareholders' Funds	**815**	**997**	**1171**	**1375**	**1630**
Long Term Debt	-	-	-	-	-
Net Deferred Taxes	23	27	29	31	33
Long Term Provisions & Others	6	6	10	14	18
Total Source of Funds	**844**	**1030**	**1210**	**1420**	**1681**
APPLICATION OF FUNDS					
Net Block	457	599	662	711	737
Non Current Investments	64	63	71	79	86
Long Term Loans & Advances	1	11	14	17	22
Total Non Current Assets	**524**	**675**	**749**	**808**	**847**
Current Investments	0	0	8	20	38
Inventories	85	118	130	163	191
Trade Receivables	112	134	151	181	214
Cash & Equivalents	75	79	145	217	341
Other Current Assets	125	104	117	141	182
Total Current Assets	**398**	**437**	**552**	**725**	**970**
Trade Payables	60	75	81	98	114
Other Current Liab & Provisions	17	6	9	11	13
Short-Term Provisions	0	1	2	3	4
Total Current Liabilities	**77**	**82**	**91**	**114**	**136**
Net Current Assets	321	355	461	611	834
Total Application of Funds	**844**	**1030**	**1210**	**1420**	**1681**

Cash Flow Statement

Particulars (Rs Cr)	FY24	FY25	FY26E	FY27E	FY28E
Reported PBT	166	248	258	303	377
Non-operating & EO items	-11	-10	-11	-13	-16
Interest Expenses	2	2	2	2	1
Depreciation	16	20	27	31	34
Working Capital Change	-22	-37	-41	-77	-98
Tax Paid	-38	-59	-68	-78	-97
Operating Cash Flow (a)	**113**	**165**	**167**	**168**	**201**
Capex	-146	-162	-90	-80	-60
Free Cash Flow	-32	3	77	87	141
Investments	-39	0	-11	-11	-12
Non-operating Income	11	10	11	13	16
Investing Cash Flow (b)	**-174**	**-152**	**-89**	**-78**	**-56**
Debt Issuance/Repaid	-15	0	5	6	6
Interest Expenses	-2	-2	-2	-2	-1
FCFE	-50	1	80	91	146
Share Capital	0	0	0	0	0
Dividend	-5	-7	-15	-21	-25
Financing Cash Flow (c)	**-22**	**-8**	**-12**	**-17**	**-20**
Net Cash Flow (a + b + c)	**-83**	**4**	**65**	**72**	**125**

Key Ratios

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Profitability (%)					
Gross Margin	61.1	69.7	71.8	71.1	72.0
EBITDA Margin	30.3	37.4	35.5	34.7	35.9
EBIT Margin	27.5	34.5	32.0	31.3	32.8
APAT Margin	20.9	27.0	24.4	24.2	25.4
RoE	15.7	20.7	17.5	17.7	18.6
RoCE	18.6	23.3	20.6	20.6	21.5
Solvency Ratio (x)					
Net Debt/EBITDA	-0.4	-0.3	-0.6	-0.7	-0.9
D/E	0.0	0.0	0.0	0.0	0.0
Net D/E	-0.1	-0.1	-0.1	-0.2	-0.2
PER SHARE DATA (Rs)					
EPS	14.8	23.3	23.6	28.0	34.8
CEPS	16.8	25.9	27.0	31.8	39.0
BV	101.3	124	146	171	203
Dividend	0.8	1.1	1.8	2.5	3.0
Turnover Ratios (Days)					
Debtor days	71	70	71	71	71
Inventory days	64	53	61	64	63
Creditors days	66	77	73	72	72
VALUATION (x)					
P/E	43.5	27.6	27.3	23.0	18.5
P/B	6.4	5.2	4.4	3.8	3.2
EV/EBITDA	29.2	19.3	18.3	15.6	12.7
EV/Revenue	8.8	7.2	6.5	5.4	4.6
Dividend Payout (%)	5.4	4.7	7.6	8.9	8.6

(Source: Company, HDFC sec)

Kushal Mahendra Rughani

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HDFC Sec Prime Research Rating Description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

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This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

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This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

Disclosure:

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