

Affected by rising material cost; maintain Buy

We maintain our Buy rating for Granules India (GIL) and revise the TP to Rs160 (earlier Rs150) based on 14x March'20 EPS of Rs11.3. GIL's Q1FY19 revenues were lower than our and consensus expectations. However, EBIDTA margin and net profit were higher than our expectations. GIL reported 18% YoY growth in revenues, margin decline of 380bps to 16.0% and net profit growth of 41%YoY. As per the management, GIL margin were impacted by sharp rise in material cost of crude based chemicals. We expect GIL to benefit from the economies of scale. We further expect its performance to improve led by its profitable product mix, capacity expansion of API and PFI, new product launches, focus on cost optimisation and upward movement on the value chain.

- **Revenue grew by 18% YoY:** GIL's revenue grew 18% YoY to Rs4.53bn from Rs3.85bn during the quarter. Consolidated sales composition includes APIs (40%), PFIs (20%) and finished formulations (40%). We expect GIL's revenues to improve from the expansion of its API and PFI facilities. GIL has increased the selling price of ibuprofen due to the increase in its raw material prices. The same is expected to be passed on to its customers. The company has identified a new supplier for key raw material.
- **Margin set to improve:** GIL's EBIDTA margin declined by 380bps YoY to 16.0% from 19.8%, due to sharp rise in material cost. The company's material cost grew by 770bps to 54.5% from 46.8% due to the rise in prices of crude based raw materials. Personnel cost grew by 100bps YoY to 11.1% from 10.1% due to additional manpower for expansion. Other expenses declined by 490bps to 18.4% from 23.3% due to the cost control measures. We expect margins to improve, led by higher capacity utilisation, change in the product mix and new product launches.
- **Net profit set to improve:** GIL's net profit for the quarter grew by 41% YoY to Rs519mn from Rs368mn, due to higher other income. GIL's other income grew by 1,031% to Rs147mn from Rs13mn. Tax rate declined to 33.9% from 34.4% of PBT. We expect the company to report sustainable growth, as it moves up the value chain and pass the increase in raw material cost to its customers.
- **Recommendation and key risks:** We maintain our Buy rating and revise our TP to Rs160, based on 14x March'20E EPS of Rs11.3, with an upside of 70.2% over CMP. We have revised FY19E and FY20E EPS upwards by 4% and 6% respectively. We expect the company to deliver superior performance due to a change in the product mix, additional capacities, margin improvement and new product launches. Key risks to our assumptions are a slowdown in the global pharma market and regulatory risks for its manufacturing facilities.

| Particulars (Rs mn) | Q1FY19 | Q1FY18 | YoY Gr% | Q4FY18 | QoQ Gr % | Q1FY19E | % Var. |
|---------------------|--------------|--------------|--------------|--------------|---------------|--------------|---------------|
| Revenues | 4,532 | 3,847 | 17.8 | 5,038 | (10.0) | 5,060 | (10.4) |
| Raw material cost | 2,471 | 1,800 | 37.3 | 3,097 | (20.2) | 2,880 | (14.2) |
| Employee cost | 502 | 390 | 28.7 | 424 | 18.4 | 410 | 22.4 |
| Other expenses | 832 | 897 | (7.2) | 1,081 | (23.0) | 990 | (16.0) |
| EBIDTA | 727 | 760 | (4.3) | 436 | 66.7 | 780 | (6.8) |
| EBIDTA margin (%) | 16.0 | 19.8 | | 8.7 | | 15.4 | |
| Depreciation | 245 | 176 | 39.2 | 204 | 20.1 | 210 | 16.7 |
| Interest | 65 | 82 | (20.7) | 62 | 4.8 | 60 | 8.3 |
| Other income | 147 | 13 | 1,030.8 | 97 | 51.5 | 110 | 33.6 |
| PBT | 564 | 515 | 9.5 | 267 | 111.2 | 620 | (9.0) |
| Prov. For tax | 191 | 177 | 7.9 | 95 | 101.1 | 220 | (13.2) |
| Adj. PAT | 519 | 368 | 41.0 | 204 | 154.4 | 440 | 18.0 |

Source: Company, Centrum Research Estimates

| Y/E Mar (Rsmn) | Revenue | YoY (%) | EBITDA | EBITDA (%) | Adjust. PAT | YoY (%) | DEPS Rs. | RoE (%) | RoCE (%) | P/E (x) | EV/EBITDA (x) |
|----------------|---------|---------|--------|------------|-------------|---------|----------|---------|----------|---------|---------------|
| FY16 | 13,829 | 7.0 | 2,763 | 20.0 | 1,249 | 37.4 | 4.8 | 22.8 | 13.6 | 23.0 | 10.4 |
| FY17 | 14,352 | 3.8 | 2,988 | 20.8 | 1,644 | 31.7 | 6.5 | 21.0 | 11.3 | 19.5 | 11.0 |
| FY18 | 16,918 | 17.9 | 2,785 | 16.5 | 1,326 | (19.3) | 5.2 | 12.0 | 7.1 | 25.1 | 14.4 |
| FY19E | 19,978 | 18.1 | 3,185 | 15.9 | 2,176 | 64.1 | 8.6 | 15.6 | 7.6 | 11.0 | 9.8 |
| FY20E | 2,3031 | 15.3 | 4,048 | 17.6 | 2,874 | 32.1 | 11.3 | 18.0 | 9.4 | 8.3 | 8.0 |

Source: Company, Centrum Research Estimate

In the interest of timeliness, this document is not edited

Centrum Equity Research is available on Bloomberg, Thomson Reuters and FactSet

| Target Price | Rs160 | Key Data | |
|-------------------------------|--------------------|--------------------------|------------|
| CMP | Rs94 | Bloomberg Code | GRAN IN |
| Upside | 70.2% | Curr Shares O/S (mn) | 253.8 |
| Previous Target | Rs150 | Diluted Shares O/S(mn) | 253.8 |
| Previous Rating | Buy | Mkt Cap (Rsbn/USDmn) | 24/347.9 |
| Price Performance (%)* | | 52 Wk H / L (Rs) | 150.5/71.6 |
| | | 5 Year H / L (Rs) | 164.5/12 |
| GRAN IN | 13.5 (32.6) (33.6) | Daily Vol. (3M NSE Avg.) | 4325914 |
| Nifty | 2.9 0.4 11.7 | | |

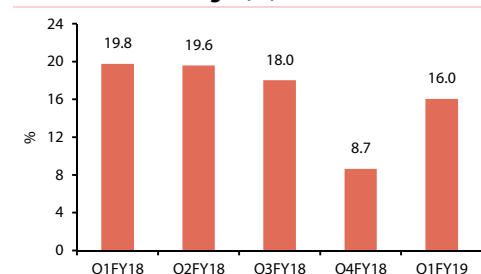
Source: Bloomberg, Centrum Research, *as on 23rd July 2018

Shareholding pattern* (%)

| | June-18 | March-18 | Dec-17 | Sept-17 |
|----------|---------|----------|--------|---------|
| Promoter | 44.9 | 44.9 | 44.9 | 48.2 |
| FIs | 8.6 | 10.6 | 14.3 | 19.8 |
| DIs | 6.2 | 7.0 | 4.1 | 1.6 |
| Others | 40.3 | 37.5 | 36.7 | 30.4 |

Source: BSE, *as on 23rd July 2018

Trend in EBIDTA margin (%)



Source: Company, Centrum Research

Earning Revision

| Particulars (Rs mn) | FY19E | | | FY20E | | |
|---------------------|--------|--------|----------|--------|--------|----------|
| | New | Old | Chg (%) | New | Old | Chg (%) |
| Revenue | 19,978 | 20,380 | (2.0) | 23,031 | 23,495 | (2.0) |
| EBITDA | 3,185 | 3,817 | (16.6) | 4,048 | 4,712 | (14.1) |
| EBITDA Margin (%) | 15.9 | 18.7 | (280)bps | 17.6 | 20.1 | (250)bps |
| PAT | 2,176 | 2,088 | 4.2 | 2,874 | 2,718 | 5.7 |

Source: Centrum Research Estimates

Centrum vs. Bloomberg Consensus*

| Particulars (Rsmn) | FY19E | | | FY20E | | |
|--------------------|---------|--------|---------|---------|--------|---------|
| | Centrum | BBG | Var (%) | Centrum | BBG | Var (%) |
| Sales | 19,978 | 19,546 | 2.2 | 23,031 | 22,889 | 0.6 |
| EBITDA | 3,185 | 3,352 | (5.0) | 4,048 | 4,215 | (4.0) |
| PAT | 2,176 | 1,612 | 35.0 | 2,874 | 2,184 | 31.6 |

| Bloomberg Consensus* | | | | Centrum Target Price (Rs) | Variance (%) |
|----------------------|------|------|-------------------|---------------------------|--------------|
| BUY | SELL | HOLD | Target Price (Rs) | | |
| 10 | 1 | 0 | 121 | 160 | 32.7 |

*as on 23rd July 2018; Source: Bloomberg, Centrum Research Estimates

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Conference call highlights

GIL's management hosted a conference call post Q1FY19 results. The details of the discussion are as follows:

Products and approval

- The management indicated that FY19 would be a good year due to expanded capacities of API and PFI and the new products in the pipeline.
- The company has filed 21 ANDAs from its Hyderabad and US facilities of which 9 are approved. GIL has filed 21 DMFs with US FDA and 6 DMFs with European authorities.
- GIL generated over 80% of its revenues from exports of which 62% are from regulated markets of US, Europe and Canada.
- The company has added cetirizine and Fexofenadine anti allergic APIs to the portfolio.
- GIL has commercialised the additional capacities for Metformin and Paracetamol APIs.
- The management has indicated that there is global shortage of Ibuprofen API as BASF, Germany has shut its manufacturing facility.
- GIL has filed 1 ANDA with US FDA during Q1FY19.
- As per the management, GIL has launched 4 products in the US market of which 3 are OTC products and one Rx product.
- GIL has launched Methergine tablets in US generic market in partnership with Hikma Pharmaceuticals. This is the first product commercialised from Virginia facility. The company has achieved over 50%MS and expects the entry of one more player shortly. The price erosion is 35-40%.
- GIL has plans to launch the following products in the US market during FY19: Metformin ER tablets, Methocarbamol tablets, Fexofenadine tablets and Cetirizine tablets .

Financials

- The management informed gross debt of Rs11.16bn and net debt of Rs8.93bn. The management expects net debt to remain around Rs9.00bn.
- As per the management, there was an increase in price of the key raw material acetic anhydride, which is used in the manufacture of Paracetamol. GIL has been able to pass the increase in raw material cost to its major customers with a lag of one quarter. GIL has identified new supplier for key raw material at a lower price.
- The management indicated that there was no pricing pressure in the US on GIL's products Ibuprofen and Metformin as they are commoditised and the company is one of the lowest cost producer. GIL has taken 2.5% price increase in the US market.
- GIL's two JV generated net profit of Rs146mn during Q1FY19 as follows:

Exhibit 1: JV performance

| Particulars (Rs mn) | Omnichem JV | Biocause JV |
|---------------------|-------------|-------------|
| Revenues | 970 | 770 |
| EBIDTA | 200 | 170 |
| EBIDTA margin % | 20.6 | 22.1 |
| Net profit | 150 | 130 |

Source: Company

- GIL's share of 50% in net profit for the quarter was Rs146mn. The omnichem JV currently manufactures 6 intermediates for anti HIV and anti -Parkinson products.
- The management indicated capex of Rs600mn on oncology block and \$25mn in US facility.
- GIL had forex gain of Rs110mn which is included in other income.
- The sales composition for Q1FY19 was as follows: paracetamol 35%, metformin 21%, ibuprofen 18%, guafenesin 4%, methocarbamol 2%, and others 20%.
- GIL has reported API revenues of 40% in Q1FY19 same as in Q1FY18. Its formulation revenues have been maintained at 40% during the similar periods. Pfi revenues were also maintained at 20% during the similar periods.. Sales composition during Q1FY19 and Q1FY18 was as follows:

Exhibit 2: Segment-wise revenues (consolidated)

| Particulars (%) | Q1FY19 | Q1Y18 | Q4FY18 |
|-----------------|--------|-------|--------|
| API | 40.0 | 40.0 | 41.0 |
| PFI | 20.0 | 20.0 | 22.0 |
| Formulations | 40.0 | 40.0 | 37.0 |

Source: Company

- GIL has reported 29%YoY growth in US and 40% YoY growth in Canada in Q1FY19.
- The management informed that the company has received Rs132mn as milestone payment from its marketing partner Hikma Pharmaceuticals.

Valuation and recommendation

GIL is expanding its capacities for major APIs as follows:

Exhibit 3: Capacity expansion for major APIs

| API | 5-year CAGR% | Current capacity TPA | Expanded capacity TPA |
|-------------|--------------|----------------------|-----------------------|
| Paracetamol | 16 | 18,000 | 24,000 |
| Metformin | 50 | 2,000 | 9,000 |
| Guafenesin | 35 | 1,200 | 3,200 |

Source: company

Other Developments

We maintain our Buy rating on GIL with a revised TP of Rs160, based on 14x March'20E EPS of Rs11.3, with an upside of 70.2% over CMP. We expect the company to deliver superior performance due to the change in its product mix, additional capacities for API and PFI, margin improvement and new product launches. The filing of own ANDAs would create a pipeline for the US and other regulatory markets. Omnicem Vizag facility has been cleared by US FDA in Q3FY18. Currently, the facility manufactures high value intermediates for APIs. GIL has launched Methergine tablets in partnership with Hikma in the US generic market. This is the first product commercialised from Virginia facility. All these developments are likely to drive future growth of GIL.

Earning Revision

Based on Q1FY19 results, we have revised our FY19E and FY20E EPS upwards by 4% and 6% respectively as follows:

Exhibit 4: Earnings Revision

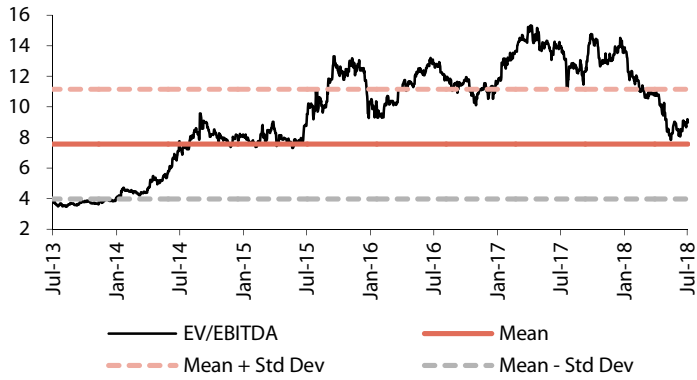
| Particulars | FY19E | | | FY20E | | |
|-------------------|---------|---------|----------|---------|---------|----------|
| | Current | Earlier | Chg(%) | Current | Earlier | Chg(%) |
| Sales | 19,978 | 20,380 | (2.0) | 23,031 | 23,495 | (2.0) |
| EBIDTA | 3,185 | 3,817 | (16.6) | 4,048 | 4,712 | (14.1) |
| EBIDTA margin (%) | 15.9 | 18.7 | (280)bps | 17.6 | 20.1 | (250)bps |
| Net profit | 2,176 | 2,088 | 4.2 | 2,874 | 2,718 | 5.7 |

Source: Centrum Research Estimates

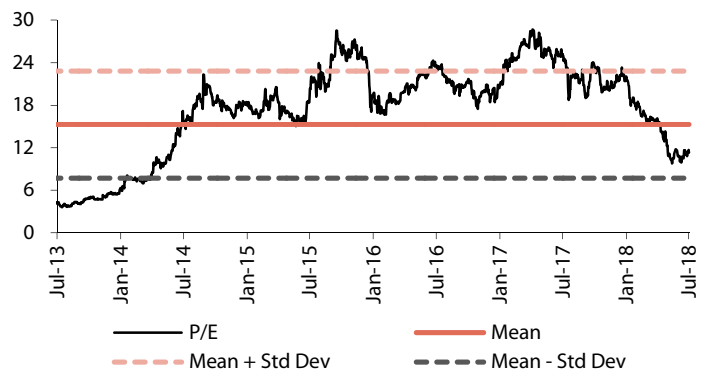
Exhibit 5: Sensitivity Analysis

| Sensitivity to key variables – FY19E | % change | % impact on EBITDA | % impact on EPS |
|--------------------------------------|----------|--------------------|-----------------|
| Sales | 1 | 6.3 | 9.2 |
| Material cost | 1 | (3.4) | (5.0) |

Source: Company, Centrum Research Estimates

Exhibit 6: 1 year forward EV/EBITDA chart


Source: Bloomberg, Company, Centrum Research Estimates

Exhibit 7: 1 year forward P/E chart


Source: Bloomberg, Company, Centrum Research Estimates

Exhibit 8: Comparative Valuations

| Sector | Mkt Cap (Rs mn) | CAGR FY18-FY20E (%) | | | EBITDA Margin (%) | | | PE (x) | | | EV/EBITDA (x) | | | RoE (%) | | | Div Yield (%) | | |
|-----------------------|-----------------|---------------------|-------------|-------------|-------------------|-------------|-------------|-------------|-------------|------------|---------------|------------|------------|-------------|-------------|-------------|---------------|------------|------------|
| | | Rev. | EBITDA | PAT | FY18 | FY19E | FY20E | FY18 | FY19E | FY20E | FY18 | FY19E | FY20E | FY18 | FY19E | FY20E | FY18 | FY19E | FY20E |
| Granules India | 23,876 | 16.7 | 20.6 | 47.2 | 16.5 | 15.9 | 17.6 | 25.1 | 11.0 | 8.3 | 14.4 | 9.8 | 8.0 | 12.0 | 15.6 | 18.0 | 0.9 | 1.8 | 2.0 |
| Aarti Drugs | 12,295 | 18.8 | 22.5 | 30.7 | 16.0 | 16.6 | 17.0 | 16.1 | 10.9 | 8.7 | 9.3 | 7.0 | 5.8 | 19.2 | 22.7 | 23.8 | 2.1 | 2.5 | 2.6 |
| Laurus Labs* | 47,994 | NA | NA | 44.2 | 20.2 | NA | NA | 33.4 | 16.7 | 13.2 | 16.6 | NA | NA | 12.1 | 17.8 | NA | NA | 0.1 | 0.1 |
| Strides Shasun* | 32,448 | 10.0 | 23.1 | (35.3) | 14.0 | 16.1 | 17.5 | 11.7 | 18.5 | 11.7 | 24.8 | 9.9 | 8.8 | 25.6 | 6.7 | 9.7 | NA | 1.0 | 1.3 |

Source: Company, *Bloomberg Estimates, Centrum Research Estimates, Prices as on 23rd July 2018

Quarterly financials, Operating Metrics and Key Performance Indicators

Exhibit 9: Quarterly Financials -Consolidated

| Particulars (Rs mn) | Q2FY17 | Q3FY17 | Q4FY17 | Q1FY18 | Q2FY18 | Q3FY18 | Q4FY18 | Q1FY19 |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Total Revenues | 3,638 | 3,595 | 3,622 | 3,847 | 3,926 | 4,107 | 5,038 | 4,532 |
| Materials Cost | 1,820 | 1,663 | 1,562 | 1,800 | 1,977 | 2,089 | 3,097 | 2,471 |
| Personnel expenses | 340 | 361 | 362 | 390 | 423 | 415 | 424 | 502 |
| Other expenses | 736 | 785 | 924 | 897 | 757 | 862 | 1,081 | 832 |
| Total Expenditure | 2,896 | 2,809 | 2,848 | 3,087 | 3,157 | 3,366 | 4,602 | 3,805 |
| EBIDTA | 742 | 786 | 774 | 760 | 769 | 741 | 436 | 727 |
| Other income | 39 | 19 | 12 | 13 | 68 | 9 | 97 | 147 |
| PBDIT | 781 | 805 | 786 | 773 | 837 | 750 | 533 | 874 |
| Depreciation | 185 | 187 | 180 | 176 | 186 | 196 | 204 | 245 |
| Interest | 83 | 84 | 77 | 82 | 104 | 82 | 62 | 65 |
| Forex exchange gain / (loss) | - | - | - | - | - | - | - | - |
| PBT | 513 | 534 | 529 | 515 | 547 | 472 | 267 | 564 |
| Tax | 156 | 176 | 166 | 177 | 193 | 169 | 95 | 191 |
| Net profit | 357 | 358 | 363 | 338 | 354 | 303 | 172 | 373 |
| Profit of ass./ Minority interest | 51 | 32 | 94 | 30 | 49 | 48 | 32 | 146 |
| Net profit after minority | 408 | 390 | 457 | 368 | 403 | 351 | 204 | 519 |
| Growth Rates % | | | | | | | | |
| Sales | 3.1 | 10.6 | (3.6) | 10.0 | 7.9 | 14.2 | 39.1 | 17.8 |
| EBIDTA | 8.4 | 20.4 | (1.9) | 10.9 | 3.6 | (5.7) | (43.7) | (4.3) |
| Net profit | 26.4 | 33.6 | 38.1 | (5.6) | (1.2) | (10.0) | (55.4) | 41.0 |
| Margin % | | | | | | | | |
| EBIDTA margin | 20.4 | 21.9 | 21.4 | 19.8 | 19.6 | 18.0 | 8.7 | 16.0 |
| PBT margin | 14.1 | 14.9 | 14.6 | 13.4 | 13.9 | 11.5 | 5.3 | 12.4 |
| Net margin | 9.8 | 10.0 | 10.0 | 8.8 | 9.0 | 7.4 | 3.4 | 8.2 |

Source: Company, Centrum Research

Exhibit 10: Key performance indicators

| Key performance indicator | FY16 | FY17 | FY18 | FY19E | FY20E |
|------------------------------|-------|--------|------|-------|-------|
| API gr. rate % | (5.4) | 1.1 | 21.0 | 15.0 | 13.0 |
| PFI gr. rate % | 24.7 | (11.1) | 20.7 | 15.0 | 20.0 |
| Finished products gr. rate % | 10.7 | 19.5 | 13.0 | 23.5 | 14.6 |
| Material cost % | 52.4 | 47.4 | 53.0 | 54.3 | 53.9 |

Source: Company, Centrum Research Estimates

Financials -consolidated

Exhibit 11: Income Statement

| Y/E March | FY16 | FY17 | FY18 | FY19E | FY20E |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| Revenues | 13,829 | 14,352 | 16,918 | 19,978 | 23,031 |
| Material cost | 7,252 | 6,796 | 8,962 | 10,840 | 12,410 |
| % of revenues | 52.4 | 47.4 | 53.0 | 54.3 | 53.9 |
| Employee cost | 1,176 | 1,402 | 1,652 | 1,935 | 2,185 |
| % of revenues | 8.5 | 9.8 | 9.8 | 9.7 | 9.5 |
| Other Expenses | 2,638 | 3,166 | 3,519 | 4,018 | 4,388 |
| % of revenues | 19.1 | 22.1 | 20.8 | 20.1 | 19.1 |
| EBIDTA | 2,763 | 2,988 | 2,785 | 3,185 | 4,048 |
| EBIDTA margin (%) | 20.0 | 20.8 | 16.5 | 15.9 | 17.6 |
| Depreciation & Amortisation | 584 | 715 | 762 | 934 | 1,028 |
| EBIT | 2,179 | 2,273 | 2,023 | 2,251 | 3,020 |
| Interest Expenses | 371 | 323 | 331 | 300 | 330 |
| PBT from operations | 1,808 | 1,950 | 1,692 | 1,951 | 2,690 |
| Other income | 52 | 99 | 108 | 490 | 620 |
| PBT | 1,860 | 2,049 | 1,800 | 2,441 | 3,310 |
| Tax provision | 611 | 652 | 634 | 835 | 1,085 |
| Effective tax rate (%) | 32.9 | 31.8 | 35.2 | 34.2 | 32.8 |
| Net profit | 1,249 | 1,397 | 1,166 | 1,606 | 2,225 |
| Minority interest/ Sh. Of asso. | - | 247 | 160 | 570 | 650 |
| Reported net profit | 1,249 | 1,644 | 1,326 | 2,176 | 2,874 |
| Adj. Net profit | 1,249 | 1,644 | 1,326 | 2,176 | 2,874 |

Source: Company, Centrum Research Estimates

Exhibit 12: Key Ratios

| Y/E March | FY16 | FY17 | FY18 | FY19E | FY20E |
|-------------------------------------|------|------|--------|-------|-------|
| Growth Ratios (%) | | | | | |
| Revenues | 7.0 | 3.8 | 17.9 | 18.1 | 15.3 |
| EBIDTA | 32.4 | 8.2 | (6.8) | 14.4 | 27.1 |
| Adj. Net Profit | 37.4 | 31.7 | (19.3) | 64.1 | 32.1 |
| Margin Ratios (%) | | | | | |
| EBIDTA margin | 20.0 | 20.8 | 16.5 | 15.9 | 17.6 |
| PBT from operations margin | 13.1 | 13.6 | 10.0 | 9.8 | 11.7 |
| Adj. PAT margin | 9.0 | 11.5 | 7.8 | 10.9 | 12.5 |
| Return Ratios (%) | | | | | |
| RoCE | 13.6 | 11.3 | 7.1 | 7.6 | 9.4 |
| RoE | 22.8 | 21.0 | 12.0 | 15.6 | 18.0 |
| RoIC | 14.5 | 11.6 | 7.1 | 6.6 | 8.3 |
| Turnover ratios (days) | | | | | |
| Gross Block Turnover (x) | 1.7 | 1.6 | 1.6 | 1.6 | 1.6 |
| Debtors | 99 | 106 | 133 | 115 | 127 |
| Creditors | 48 | 58 | 54 | 53 | 43 |
| Inventory | 67 | 70 | 60 | 72 | 62 |
| Cash Conversion Cycle | 118 | 119 | 139 | 133 | 146 |
| Solvency Ratio | | | | | |
| Debt-Equity | 0.9 | 0.7 | 0.7 | 0.6 | 0.6 |
| Net Debt-Equity | 0.7 | 0.6 | 0.6 | 0.5 | 0.5 |
| Current Ratio | 3.2 | 2.7 | 3.6 | 2.9 | 3.3 |
| Interest Coverage Ratio | 0.2 | 0.1 | 0.2 | 0.1 | 0.1 |
| Gross Debt/EBIDTA | 2.1 | 2.0 | 3.4 | 2.9 | 2.4 |
| Per Share (Rs) | | | | | |
| FDEPS (adjusted) | 4.8 | 6.5 | 5.2 | 8.6 | 11.3 |
| CEPS | 7.1 | 9.3 | 8.2 | 12.2 | 15.4 |
| Book Value | 30.5 | 39.5 | 51.3 | 58.3 | 67.7 |
| Dividend | 0.6 | 0.9 | 1.0 | 1.4 | 1.6 |
| Dividend Payout (%) | 13.0 | 14.7 | 22.6 | 19.3 | 16.7 |
| Valuations (x) (Avg Mkt Cap) | | | | | |
| PER | 23.0 | 19.5 | 25.1 | 11.0 | 8.3 |
| P/BV | 3.6 | 3.2 | 2.6 | 1.6 | 1.4 |
| EV/EBIDTA | 10.4 | 11.0 | 14.4 | 9.8 | 8.0 |
| Dividend Yield (%) | 0.7 | 0.9 | 0.9 | 1.8 | 2.0 |
| 5-yr Avg AOCF/EV yield(%) | 2.7 | 1.5 | 1.7 | 1.1 | 2.6 |

Source: Company, Centrum Research Estimates

Exhibit 13: Balance Sheet

| Y/E March | FY16 | FY17 | FY18 | FY19E | FY20E |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|
| Share capital | 217 | 229 | 254 | 254 | 254 |
| Share warrants | 0 | 0 | 0 | 0 | 0 |
| Reserves & surplus | 6,401 | 8,807 | 12,788 | 14,544 | 16,939 |
| Total shareholders Funds | 6,618 | 9,036 | 13,042 | 14,798 | 17,193 |
| Total Debt | 5,766 | 5,980 | 9,582 | 9,224 | 9,840 |
| Minority interest | - | - | - | - | - |
| Deferred tax Liab. | 568 | 565 | 473 | 580 | 593 |
| Total Liabilities | 12,952 | 15,581 | 23,097 | 24,602 | 27,626 |
| Gross Block | 8,229 | 9,836 | 11,921 | 13,300 | 15,470 |
| Less: Acc. Depreciation | 2,630 | 3,392 | 4,154 | 5,088 | 6,116 |
| Net Block | 5,599 | 6,444 | 7,767 | 8,212 | 9,354 |
| Capital WIP | 766 | 2,605 | 5,145 | 5,500 | 5,600 |
| Net Fixed Assets | 6,365 | 9,049 | 12,912 | 13,712 | 14,954 |
| Investments | 700 | 1,081 | 1,568 | 2,086 | 2,156 |
| Inventories | 2,536 | 2,760 | 2,799 | 3,920 | 3,930 |
| Debtors | 3,754 | 4,176 | 6,171 | 6,280 | 8,000 |
| Loans & Advances | 422 | 324 | 147 | 475 | 590 |
| Cash & Bank Balance | 1,303 | 500 | 1,156 | 1,734 | 1,415 |
| Other assets | 546 | 874 | 1,617 | 1,030 | 1,250 |
| Total Current Assets | 8,561 | 8,633 | 11,890 | 13,439 | 15,185 |
| Trade payable | 1,818 | 2,273 | 2,522 | 2,900 | 2,700 |
| Other current Liabilities | 840 | 893 | 647 | 1,270 | 1,360 |
| Provisions | 16 | 16 | 104 | 465 | 610 |
| Net Current Assets | 5,887 | 5,451 | 8,617 | 8,804 | 10,515 |
| Total Assets | 12,952 | 15,581 | 23,097 | 24,602 | 27,626 |

Source: Company, Centrum Research Estimates

Exhibit 14: Cash Flow

| Y/E March | FY16 | FY17 | FY18 | FY19E | FY20E |
|---------------------------|----------------|----------------|----------------|----------------|----------------|
| CF before WC changes | 2,353 | (609) | 4,497 | (929) | 5,638 |
| Working Capital Changes | (915) | (368) | (2,509) | 391 | (2,030) |
| CF from Operations | 1,438 | (977) | 1,988 | (538) | 3,608 |
| Adj OCF (OCF-Interest) | 1,039 | (1,300) | 1,657 | (838) | 3,608 |
| Change in fixed assets | (1,335) | (3,399) | (4,625) | (1,734) | (1,242) |
| Adj. FCF (AOCF-Capex) | (296) | (4,699) | (2,968) | (2,572) | 2,366 |
| CF from Investing | (1,281) | (3,780) | (5,112) | (2,252) | (1,312) |
| CF from Financing | 609 | 1,074 | 3,328 | (778) | 616 |
| Net change in Cash | 766 | (3,683) | 204 | (3,568) | 2,912 |

Source: Company, Centrum Research Estimates

Appendix A

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Granules India price chart



Source: Bloomberg, Centrum Research

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