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Pick of the Week

Aarti Pharmalabs Ltd.

December 14, 2025

PRIME RESEARCH
Empowering decisions

Aarti Pharmalabs Ltd.

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Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Pharmaceuticals	Rs 740.5	Buy in Rs 733-751 band and add on dips in Rs 645-653 band	Rs 814	Rs 868	2-3 quarters

HDFC Scrip Code	AARTIPHARM
BSE Code	543748
NSE Code	AARTIPHARM
Bloomberg	AARTIPHA IN
CMP Dec 12, 2025	740.5
Equity Capital (Rs Cr)	45.3
Face Value (Rs)	5.0
Equity Share O/S (Cr)	9.06
Market Cap (Rs Cr)	6,712
Book Value (Rs)	220
Avg. 52 Wk Volumes	378230
52 Week High	971
52 Week Low	557.5

Share holding Pattern % (Sept, 2025)	
Promoters	42.9
Institutions	15.0
Non Institutions	42.1
Total	100.0

* Refer at the end for explanation on Risk Ratings

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Our Take:

Aarti Pharmalabs Limited (APL) is a globally recognised manufacturer of generic Active Pharmaceutical Ingredients (APIs), Xanthine derivatives and CDMO/CMO services. Company excels in the development and production of Regulatory Starting Materials (RSMs), intermediates, and drug substances for New Chemical Entities (NCEs), spanning phases from I to III, through launch and commercialisation. It has accreditations from agencies such as US FDA, EU GMP, EDQM, and COFEPRIS (Mexico) etc. The company has a portfolio of over 220 products, 61 patents, 56 US Drug Master Files (US DMF) and 35 Certificates of Suitability (CEP). The company is expanding into CDMO services (~10% of revenue) by catering to a range of multinational and specialty pharmaceutical companies.

APL is one of the largest Indian manufacturers of Xanthine Derivatives, including Caffeine (the largest capacity in India), with a global market share of approximately 15-20%. Xanthine segment witnessed the growth on account of capacity debottlenecking of ~1000 MTPA thereby taking overall capacity to 6000 MTPA from 5000 MTPA. The company remains on track to expand its capacity to 9000 MTPA by Q4FY26. Post increased capacity, the company targets to increase global market share to ~20-25%. It is expected to reach capacity utilisation at ~80% over the next three years with 50% sales targeted to beverages and regulated customers.

Currently, the company has 60 APIs commercialised and another 11 new APIs are under development. It has 56 US DMF approvals and 35 CEP approvals across anti-cancer, anti-hypertension, anti-asthma, and antidiabetic treatments, among others. It is a specialized player in the development and manufacturing of High Potent APIs (HP APIs), catering to the demand for critical drugs used in oncology, corticosteroids, and cytotoxic medicines etc.

APL has around ~60% of export sales in the API business from regions such as Brazil, Germany, Puerto Rico, the US and Europe and large domestic clients such as Dr Reddy's Laboratories, Zydus Healthcare Ltd, Glenmark Pharmaceuticals, etc. As of Sep-2025, the company is working with 21 customers across 59 active projects (20 under development), as against 16 customers and 40 projects as of March-2024. Encouragingly, over the quarters, CDMO sales came from Phase-III and commercial projects, which highlights a strong foothold in late-stage development and provides visibility of sustained revenue. The CDMO business is likely to see robust growth on the back of a strong order book, with 7-8 molecules moving to the commercialisation phase from the development phase. With the commencement of its key Atali facility, it would free up intermediate capacities for captive consumption. We believe the margin trajectory should return to normalcy. Overall, we expect growth trajectory to continue on robust growth from high margin CDMO business and that would lead to better profitability.

Valuation & Recommendation:

Aarti Pharmalabs is well placed with its leadership position in niche products, and new product launches. We are positive on the stock on the back of strong growth trajectory in key products and expected launch of new products and commissioning of new facilities, which would drive growth in the next 2-3 years. Company has guided for strong double digit revenue growth along with steady margin improvement in the medium term.

For H1FY26, the company reported weak numbers across parameters largely due to price erosion in API business. However, the management said that H2FY26 is expected to be significantly better than H1FY26. CDMO business to continue its strong growth trajectory in the medium to long term. We expect strong growth over FY26-28E led by new capacity addition, better business mix and significant growth in CDMO business, albeit on a low base. We estimate Revenue, EBITDA, and PAT CAGR of 7%, 10% and 10.5% respectively over FY25-28E. **We feel investors can buy the stock in the band of Rs 733-751 and add more on declines to Rs 645-653 band (18x Sep-2027E EPS) for base case target of Rs 814 (22.5x Sep-2027E EPS) and bull case target of Rs 868 (24x Sep-2027E EPS) over the next 2-3 quarters.**

Financial Summary:

Particulars (Rs cr)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	FY24	FY25	FY26E	FY27E	FY28E
Total Revenue	418	458	-8.7	386	8.3	1,853	2,115	2,009	2,266	2,573
EBITDA	75	94	-20.3	95	-21.6	386	464	432	519	626
Depreciation	25	21	18.6	23	8.7	73	87	98	109	119
Other Income	0	5	-97.8	2	-93.8	5	10	8	10	14
Interest Cost	11	6	94.0	7	56.9	17	27	38	36	28
Tax	11	17	-37.2	16	-32.5	84	88	75	97	125
PAT	28	55	-48.8	50	-43.6	217	272	229	287	367
EPS (Rs)						23.9	30.0	25.2	31.7	40.5
RoE (%)						13.1	14.5	11.0	12.5	14.3
P/E (x)						30.8	24.7	29.2	23.3	18.2
EV/EBITDA (x)						17.8	14.9	16.0	13.2	11.0

(Source: Company, HDFC sec)

Q2FY26 Result Update

Overall numbers were weak in the quarter. Revenue for the quarter declined 8.7% YoY to Rs 418.3 cr. EBITDA margin was down 270bps YoY at 17.8%. Net profit declined 48.8% YoY at Rs 27.9cr. Finance cost increased 94% YoY at Rs 10.7cr. In Q2FY26, PAT was impacted due to a forex loss of Rs 7.4 crore.

The company derived ~40% of sales from the domestic market while 60% from International markets during H1FY26.

In CDMO segment, the company has 39 commercial projects and 20 under development as of H1FY26 as compared to 33 commercial and 27 under development as of March-2025.

In H1FY26, the company derived 45% of sales from domestic market of Xanthine derivatives while the balance from International markets. Beverages accounted for 71% of Xanthine derivatives in terms of volume while the remaining from Others.
In H1FY26, the company derived 52% of API & Intermediates sales from regulated markets while 11% from non-regulated markets and the balance from RoW markets.
Capex for H1FY26 stood at Rs 237cr. Gross debt stood at Rs 620 crore vs. Rs 425 crore as of March-2025.
EPS for the quarter stood at Rs 3.08 and it was at Rs 8.54 for H1FY26.

Q2FY26 Concall Highlights

Xanthine derivatives business

- Company added 1000 MTPA capacity during the quarter, and ramp up to 9000 MTPA is expected by Q4FY26. The extended capacity is expected to be utilised within 2-3 years of commercialisation.
- Xanthine Derivative segment contributed 51% of sales in Q2FY26. Volume split was 71% beverage customers and 29% others. In terms of geographical split, the export sales at 59% and the remaining 41% was domestic.

API segment

- During the quarter, the API segment witnessed pressure on margin, and the sales mix was skewed towards lower margin APIs. Company is focusing on lifestyle and cancer API's and plans for few launches every year. The company will transfer more intermediates to the Atali facility to free up existing capacities.
- API intermediate capacities were used for CDMO business which resulted in lower margin in API business. Management anticipates a recovery in the upcoming quarters as they intend to shift Intermediate production to the Atali Unit.

CDMO business

- Company is preparing to work on R&D in mid-size peptides like Liquid phase. It has witnessed 7-8 Product shift from development to commercial pipeline. The company is currently working with 21 customers on 59 active projects, of which 39 are in the commercial stage, and 20 are under different stages of development, both at the customer's end.
- Company expects to exceed CDMO guidance of 30-40% for FY26. The Atali facility was inaugurated in September, and Trial batches are currently going on for three projects. The facility should be fully operational in 2-3 quarters, thus would contribute meaningfully from FY27.

- Management revised lower standalone EBITDA growth guidance to 8-12% (vs. earlier 12-15%) for FY26.
- Vapi and Atali both the sites can support Intermediate as well as the CDMO business.
- Company targets 30-40% growth in its CDMO business, likely to cross Rs 280 crore sales in FY26.

- De-bottlenecking in the Anti-cancer block and new launches to help in better growth in H2FY26.
- CDMO business enjoys a better margin than the overall margin given the nature of the business.
- Overall, Management guided for around Rs 300 crore EBITDA for H2FY26. H1FY26 was impacted by pricing pressure in the API business, and that is expected to be normalised in H2FY26.

Established presence in Xanthine Derivatives & APIs

APL has a strong market position with a focus on diverse products and high-margin pharmaceutical products. The revenue profile is diverse with APIs, intermediaries, Xanthine derivatives, specialty chemicals and CMO/CDMO. APL is currently one of the largest Indian manufacturers of Xanthine Derivatives, including Caffeine (largest capacity in India), with a global market share of around 15-20%. Currently, the company has 60 APIs commercialized and another 11 new APIs are under development. It has 56 US DMF approvals and 35 CEP approvals across anti-cancer, anti-hypertension, anti-asthma, and antidiabetic treatments, among others. APL has around ~65% of export sales in API business from the regions such as Brazil, Germany, Puerto Rico, US and Europe and large domestic clients such as Dr. Reddy's Laboratories, Zydus Healthcare Ltd, Glenmark Pharmaceuticals etc. It is a specialised player in the development and manufacturing of High Potent APIs (HP APIs), catering to the demand for critical drugs used in oncology, corticosteroids, and cytotoxic medicines, etc.

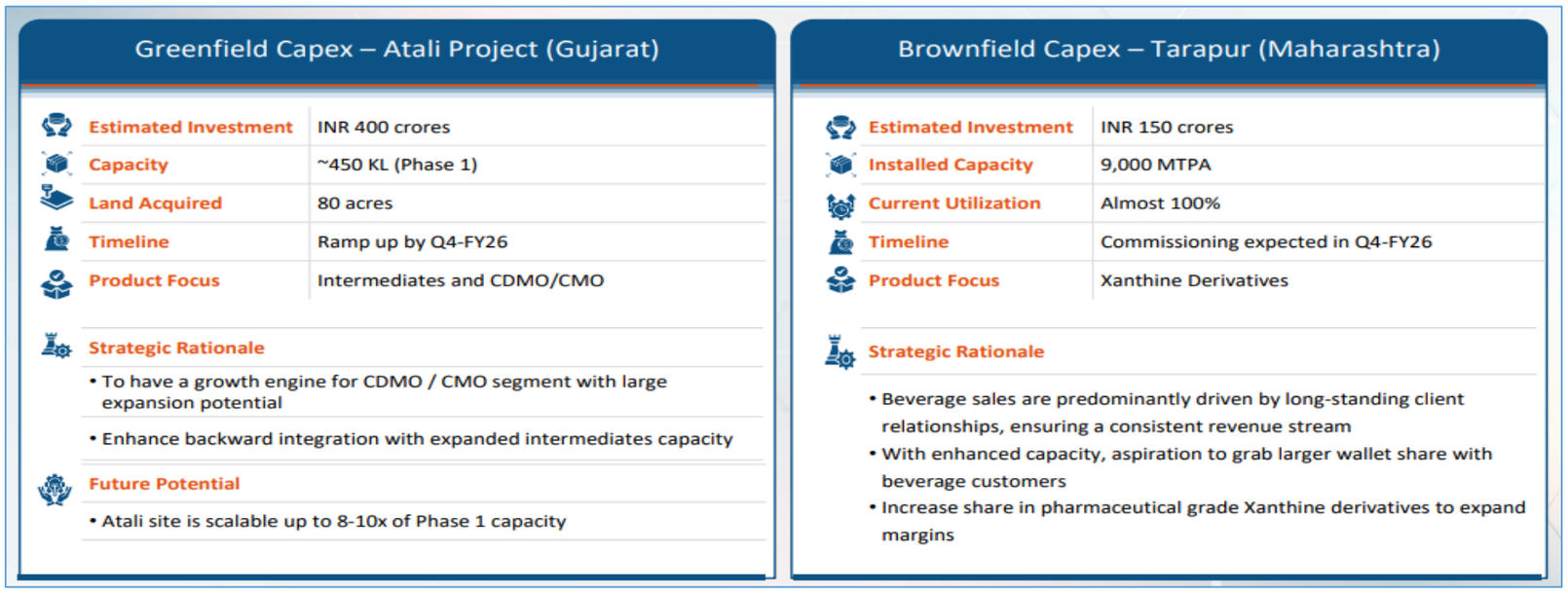
The promoters have been in the pharmaceutical and chemical industry for more than 36 years. They are technocrats and have extensive technical expertise and experience in projects, operations, process development, and local and international markets. This has led them to build healthy relations with customers and suppliers.

APL has healthy operating profitability of 21-22%, driven by increase in revenue from high margin CDMO business, and due to backward integration into manufacturing of intermediates for APIs and strong research and development team. Furthermore, the company focuses majorly in critical drugs having higher margin only. With the development of new products and large economies of scale, operating margin is expected to improve over the medium to long term gradually.

Capacity expansion across segments to drive growth

Company had embarked on an ambitious expansion programme in FY24, which is now in the final stages of completion. Xanthine segment primarily witnessed the growth on account of capacity debottlenecking of ~1000 MTPA thereby taking overall capacity to 6000 MTPA from 5000 MTPA. The company remains on track to expand its capacity to 9000 MTPA by Q4FY26. Post expansion, its global market share is likely to increase further to 20-25%. Prices of xanthine remained stable, as per management. We believe APL to focus more on grabbing the larger wallet share across pharma and beverage customers (higher margin opportunities). On the CDMO front, the management is confident of achieving its guidance of 30-40% growth on back of strong order book besides 7-8 molecules which have moved to commercialisation phase from the development phase. The company used some of its API intermediate capacity for CDMO opportunities which resulted in weak margin for API business. APIs segment had faced margin pressure as sales mix was skewed towards lower margin APIs. However, with the commencement of Atali facility, it would free up intermediate capacities for captive consumption, we believe the margin profile should

return to normalcy. The multipurpose plant will operationalise in phases, with full ramp-up expected in FY27 following GMP qualification intermediates. On the Ganesh Polychem JV front, the management expects gradual pick up in the next few quarters as the business has undergone upgradation work during H1FY26.



(Source: Company, HDFC sec)

Business Outlook

In the year 2001, Aarti Pharma's parent Aarti Industries commissioned its first API manufacturing Unit in Dombivali (Unit 1) and started the Xanthine unit in Tarapur. Thereafter, the company continued expanding capabilities at Vapi and Tarapur. In 2022, the pharmaceutical business of Aarti Industries got demerged and listed as separate entity. APL is engaged in the development of Xanthine Derivatives for use in food beverages (caffeine), Active Pharmaceutical Ingredients (API) and New Chemical Entities (NCE), API intermediates, Basic Starting Materials, among others. It also operates as a CDMO player and provides stability studies, scale-up and process optimisation, process validations, and commercial manufacturing.

Xanthine Derivatives contribute to around 44% of the business. APL is India's largest manufacturer of Xanthine derivatives including

Caffeine, Theophylline Anhydrous, Aminophylline and Etophylline among others. Currently, the company has global market share of 15-20%. Exports account for 55% of revenue, supported by sustained demand from key markets of the US, EU, and Japan.

API & Intermediates segments contributes to ~44% of the business. Since inception, APL has commercialized 60 APIs and excels in developing and manufacturing of high potent Active Pharmaceutical Ingredients (HP APIs), meeting the demand for critical drugs used in oncology, corticosteroids, and cytotoxic medicines.

In CDMO/CMO, APL offers services for drug substance projects including NCEs, APIs, KSMs, and Intermediates to global innovative pharmaceutical and biotech companies. The Segment at present contributes around ~13% of the business. APL also has JV with Ganesh Polychem which manufactures specialty fine chemicals used as intermediates for polysulfones, epoxy resins, and adhesive chemicals and has production capacity of ~7200 TPA.

APL caters to 500+ global customers across 50+ countries. The company has 61 filed patents, approval for 56 US Drug Master Files (DMF) and 35 Certificates of Suitability (CEPs).

API & Intermediates

The company is an established player in the development and manufacturing of Highly Potent Active Pharmaceutical Ingredients (HPAPIs), serving the demand for critical drugs used in oncology, corticosteroids, and cytotoxic medicines. These HPAPIs find therapeutic applications in the treatment of a variety of critical ailments including cancer, asthma, hypertensive etc.

Company follows strict compliance and quality standards across US FDA approved manufacturing facilities and dedicated US, EU, Japan, Korea, Mexico, Brazil and China approvals. To ensure an uninterrupted supply of high-quality materials and data control throughout the production chain, the company is backward integrated for most APIs.

During the active patent period, we start the development of advanced intermediates for newly launched APIs well in advance leading to early generic API launches. Driven by robust regulatory documentation and IPR support, we have become the preferred partner in regulated markets. This proactive approach supports customers by facilitating effective API validation, ensuring a streamlined path to market entry. It expects the business momentum to continue in the near future led by a strong pipeline of new products in API and intermediate business.

Xanthine Derivatives

Aarti Pharmalabs is the largest Indian pharmaceutical manufacturer of Xanthine derivatives including caffeine, theophylline anhydrous, aminophylline, etophylline and theophylline. These substances find application in asthma and chronic obstructive pulmonary disease. Caffeine is used in beverages, nutraceuticals, and cosmetics. Being independent from Chinese influence and a fully backward integrated manufacturer of Xanthine derivatives, the company offers strong geographical diversification amidst growing 'China+1' shift, globally. It has two dedicated manufacturing plants with star certifications, equipped with Star Kosher, Hazard Analysis Critical Control Point (HACCP), FSSC22000 (GFSI), and GMP. The combined installed capacity of these plants stood at 5,000+ MTPA. It is in the process of capacity expansion to take total capacity to 9,000+ MTPA which is expected to go live in a phased manner in the second half of FY26. Post increased capacity,

the company targets to increase global market share from 15-20% currently to ~20-25%. It is likely to be fully operationalised by Q1FY27, and may scale up capacity utilisation to ~80% over the next three years with 50% sales targeted to beverages and regulated customers. It also produces a variety of compounds based on sulphur and sulphonation including sulphuric acid, sulphur trioxide (SO3), oil, dimethyl sulphate, diethyl sulphate, sodium vinyl sulfonate and dimethyl urea. Dimethyl urea & Dimethyl sulphate is a crucial basic ingredient for xanthine derivatives and Diethyl sulphate serves as alkylating agents in the production of dyes, medicines, and perfumes as well as a solvent for the extraction of aromatic hydrocarbons. Sodium vinyl sulfonate is used as a wetting agent, dispersion, and anti-static in polymerisation and surfactant.

CDMO/CMO

APL is among the leading small-molecule CDMO/CMO players in India, working with major global innovators and pharmaceutical and biotech companies. It offers end-to-end services including process development and manufacturing of KSMs, RSMs, Intermediates & GMP APIs for small molecule NCEs, from early clinical phase (Phase I, II and III), launch to commercial supplies. It has three dedicated R&D centres and pilot facilities focusing on CDMO.

The company is currently working with 21 customers on 59 active projects, of which 39 are in the commercial stage, and 20 are under different stages of development, both at the customer's end. It has emerged as a reliable partner for global customers, driving repeat business through strong manufacturing expertise and rapid scale-up. It enables customers to achieve a quick turnaround time bringing the molecules to market faster through comprehensive services like robust process development, process validation and analytical method development & validation. CRAMS activity is focused on APIs and intermediates. The company exercises stringent intellectual property protection on the services offered by signing confidentiality agreements with customers to provide a reliable platform for rapid API development projects.

Overall, we expect a strong growth trajectory in the CDMO business as the company derives more business from commercial stage projects, which would lead to driving profitability.

CDMO Outlook

The global pharma landscape is undergoing structural realignment as tariff uncertainty, and rising geopolitical tensions reshape how drugs are priced, produced, and distributed. Innovators in the US and Europe are exploring moving from efficiency-driven global supply chains to resilient, region for region models – such as US for US and Europe for Europe – to hedge tariff exposure and de-risk overdependence on China. The regional models are likely to focus on end formulations, with APIs and intermediates continuing to be sourced from cheaper alternates.

The Indian CDMO sector is poised for significant growth, emerging as a credible third pole in the global pharma outsourcing landscape. With a market size of ~US$ 7bn in 2023, it is projected to double to around US$ 14bn by 2028, growing at 14% CAGR (vs 9% CAGR of global CDMOs) India's competitive advantages, including unparalleled cost leadership, decades of expertise in regulatory compliance, could enable

it to increase its share of the global market from current levels. Evolving from generics suppliers to strategic partners, Indian CDMOs leverage process R&D expertise and are expanding into high-growth modalities such as biologics, cell and gene therapies, and antibody-drug conjugates. Significant capacity expansions by industry leaders, rising private equity interest, and an expanding global footprint further position India to capitalise on the global shift toward diversified supply chains, with substantial headroom for scaling operations and consolidating market share.

Key Risks

Susceptibility to fluctuations in raw material prices, intense competition

- Although the company has the ability to pass on a certain amount of increase in raw material prices to its dcustomers, operating margin is susceptible to sharp changes in input prices. Furthermore, approximately 25-30% of raw materials are imported from China, exposing the company to foreign exchange risk. API industry is highly competitive due to the presence of numerous domestic as well as global entities, which exerts pricing pressure on individual companies.

Large working capital requirement

- Operations are working capital intensive as Inventory holding is high at 130-150 days because of the variety of products and high shipping time for imports and exports. Inventory holding is expected to remain in a similar range in the future. Overall, operations are expected to remain working capital intensive over the medium term.

Regulatory Compliance

- Company remains exposed to regulatory risks, as the company derives significant revenue from international markets, particularly the US and EU markets. Any set back from regulatory point of view could impact its overall performance.

High Fluctuation in prices of APIs

- During FY25, the company reported better numbers in its API segment. However, the segment reported extremely weak performance and that led to decline in operating profitability in H1FY26. The company is exposed to volatility in end prices and that may impact overall profitability.

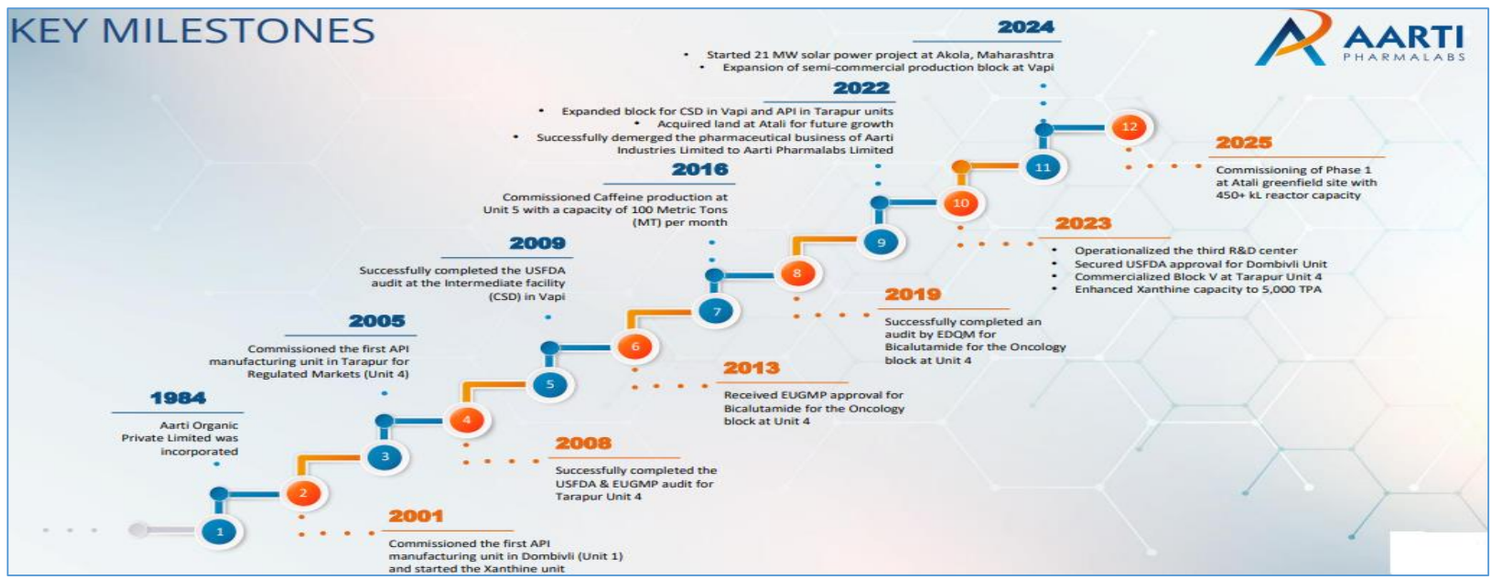
- Slowdown in approvals for its key products could possess risk to its operational performance.

- Delay in ramp up of its CMO/CDMO business may impact overall business and profitability.

- As the company earns around 60% of its revenue from international markets, sharp fluctuation in currency could affect earnings.

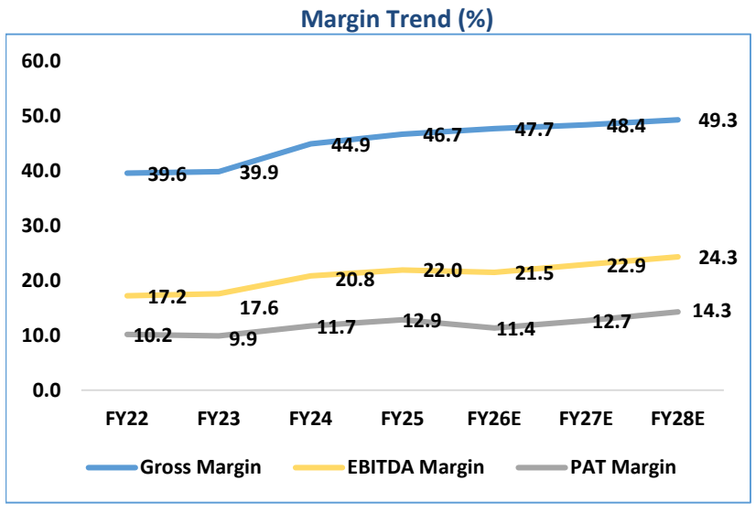
Company Background

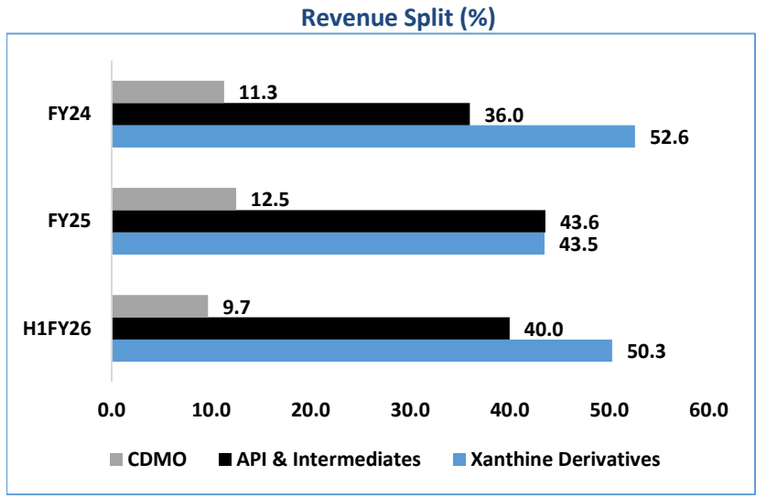
With two and a half decades of rich experience in the pharmaceutical sector, Aarti Pharmalabs Limited (APL), formerly known as Aarti Organics, is a globally recognized manufacturer of generic Active Pharmaceutical Ingredients (APIs), Xanthine derivatives (regulated markets) and a leading player in CDMO/CMO services. The company has emerged as a trusted partner for global pharmaceutical innovators and leading firms. Aarti Pharmalabs excels in the development and production of Regulatory Starting Materials (RSMs), intermediates, and drug substances for New Chemical Entities (NCEs), spanning phases from I to III, through launch and commercialization. It has received accreditation from several agencies, including US FDA, EU GMP, EDQM (European Pharmacopoeia), KFDA (Korea), and COFEPRIS (Mexico).
: The company has six manufacturing units, three of which are US FDA-approved, and three R&D facilities, with an employee base of 2,100+. It has a portfolio of over 220 products, 61 patents, 56 US Drug Master Files (US DMF) and 35 Certificates of Suitability (CEP). International revenue forms 52% of total sales with a significant portion derived from regulated markets. Company exports to over 500 clients in more than 50 countries globally, with primary markets being the USA, European Union, and Japan.



(Source: Company, HDFC sec)

Aarti Pharmalabs Ltd.





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Financials (Consolidated)

Income Statement

(Rs Cr)	FY24	FY25	FY26E	FY27E	FY28E
Net Revenue	1853	2115	2009	2266	2573
Growth (%)	-4.8	14.2	-5.0	12.8	13.5
Operating Expenses	1466	1651	1577	1747	1947
EBITDA	**386**	**464**	**432**	**519**	**626**
Growth (%)	12.9	20.2	-7.0	20.2	20.5
EBITDA Margin (%)	**20.8**	**22.0**	**21.5**	**22.9**	**24.3**
Depreciation	73	87	98	109	119
EBIT	313	377	334	410	507
Other Income	5	10	8	10	14
Interest expenses	17	27	38	36	28
PBT	301	361	304	385	492
Tax	84	88	75	97	125
RPAT	**217**	**272**	**229**	**287**	**367**
Growth (%)	12.2	25.5	-16.1	25.7	27.8
EPS	23.9	30.0	25.2	31.7	40.5

Balance Sheet

As at March	FY24	FY25	FY26E	FY27E	FY28E
Share Capital	45.3	45.3	45.3	45.3	45.3
Reserves	1712	1945	2131	2367	2672
Shareholders' Funds	**1757**	**1990**	**2177**	**2412**	**2718**
Long Term Debt	0	104	133	151	119
Net Deferred Taxes	108	128	132	135	140
Long Term Provisions & Others	23	27	40	51	60
Total Source of Funds	**1888**	**2249**	**2481**	**2748**	**3037**
APPLICATION OF FUNDS					
Net Block (incl. cwip)	1093	1411	1542	1573	1571
Intangible Assets	77	100	100	100	100
Non Current Investments	37	29	35	48	72
Long Term Loans & Advances	29	44	54	61	69
Total Non Current Assets	**1236**	**1584**	**1732**	**1782**	**1812**
Current Investments	70	48	70	93	131
Inventories	643	588	595	646	720
Trade Receivables	519	575	567	621	700
Cash & Equivalents	24	9	87	152	185
Other Current Assets	88	102	144	197	254
Total Current Assets	**1346**	**1322**	**1464**	**1711**	**1996**
Short-Term Borrowings	264	293	334	306	270
Trade Payables	378	278	283	319	354
Other Current Liab & Provisions	46	75	83	100	119
Short-Term Provisions	6	12	15	20	28
Total Current Liabilities	**694**	**657**	**715**	**745**	**771**
Net Current Assets	651	665	749	966	1225
Total Application of Funds	**1888**	**2249**	**2481**	**2748**	**3037**

(Source: Company, HDFC sec)

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Cash flow statement

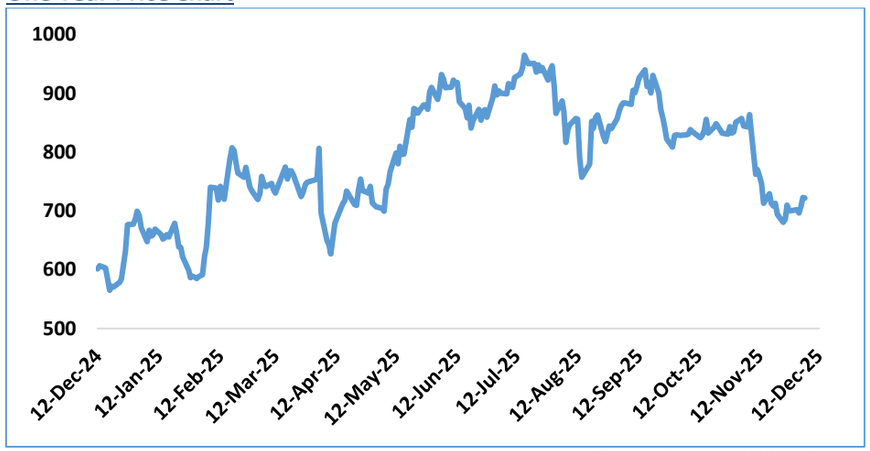
(Rs Cr)	FY24	FY25	FY26E	FY27E	FY28E
Reported PBT	301	361	304	385	492
Non-operating & EO items	-5	-10	-8	-10	-14
Interest Expenses	17	27	38	36	28
Depreciation	73	87	98	109	119
Working Capital Change	-113	-68	-6	-152	-225
Tax Paid	-57	-65	-75	-97	-125
OPERATING CASH FLOW (a)	**216**	**332**	**351**	**270**	**275**
Capex	-199	-444	-230	-140	-118
Free Cash Flow	18	-112	121	130	157
Investments	-21	20	-16	-20	-32
Non-operating income	5	10	8	10	14
INVESTING CASH FLOW (b)	**-215**	**-414**	**-239**	**-150**	**-136**
Debt Issuance / (Repaid)	45	124	45	32	-17
Interest Expenses	-17	-27	-38	-36	-28
FCFE	45	-15	128	127	112
Share Capital	0	0	0	0	0
Dividend/Buyback	-18	-32	-42	-52	-61
FINANCING CASH FLOW (c)	**10**	**65**	**-35**	**-55**	**-106**
NET CASH FLOW (a+b+c)	**11**	**-17**	**78**	**66**	**33**

Key ratios

	FY24	FY25	FY26E	FY27E	FY28E
Profitability (%)					
Gross Margin	44.9	46.7	47.7	48.4	49.3
EBITDA Margin	20.8	22.0	21.5	22.9	24.3
EBIT Margin	16.9	17.8	16.6	18.1	19.7
PAT Margin	11.7	12.9	11.4	12.7	14.3
RoE	13.1	14.5	11.0	12.5	14.3
RoCE	16.6	16.8	13.5	14.9	16.7
Solvency Ratio (x)					
Net Debt/EBITDA	0.4	0.7	0.7	0.4	0.1
D/E	0.2	0.2	0.2	0.2	0.1
Net D/E	0.1	0.2	0.1	0.1	0
PER SHARE DATA (Rs)					
EPS	23.9	30.0	25.2	31.7	40.5
CEPS	32.0	39.6	36.1	43.7	53.7
BV	194	220	240	266	300
Dividend	3.0	5.0	4.5	5.5	6.5
Turnover Ratios (days)					
Debtor days	102	99	103	100	99
Inventory days	123	106	108	104	102
Creditors days	111	72	78	79	79
VALUATION (x)					
P/E	30.8	24.7	29.2	23.3	18.2
P/BV	3.8	3.4	3.1	2.8	2.5
EV/EBITDA	17.8	14.9	16	13.2	11
EV / Revenue	3.5	3.1	3.4	3	2.7

(Source: Company, HDFC sec)

One Year Price Chart



(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.

Yellow Rating stocks

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.

Red Rating stocks

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.

Rating Criteria

Buy - > 15%+ return potential
Add - +5% to +15% return potential
Reduce - -10% to +5% return potential
Sell - >10% downside return potential

Disclosure:

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

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Any holding in stock – No

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