

## Alembic Pharma (ALEPHA)

₹ 581

### One-off drives financials...

- Alembic Pharma's Q2FY19 results were way above expectations on all front mainly due to one-off Valsartan (cardiovascular) opportunity in the US and 133% growth in the ex-US business to ₹ 168 crore. This new ex-US base is likely to be sustainable, as per the management. Even ex one-off, US business grew 20%+ led by volume growth and price hike in select products
- Domestic formulations were flat owing to high base of re-stocking post GST implementation. The management has guided for 14-16% growth in domestic formulations for FY19
- EBITDA margins improved 413 bps YoY to 26.8% (I-direct estimate: 18.0%) mainly due one-off opportunity in the US. Consequently, net profit grew 64.6% YoY to ₹ 200.1 crore

### Domestic sales growth riding on speciality segment growth

APL's domestic formulation sales (41% of total revenues) grew at ~9% CAGR in FY13-18 mainly due to ~19% growth in the speciality segment. Specialty contribution in the domestic branded space increased to 68% in FY18 from 49% in FY13. With 3800+ MRs at its disposal, the company enjoys a wide reach among doctors. We expect the speciality segment to grow at 15-20% CAGR in FY18-20E on the back of aggressive product launches and constant addition of new speciality segments & sub-segments. Overall, we expect domestic formulations to grow at 13% CAGR in FY18-20E to ₹ 1614 crore.

### US key growth driver for generic exports

APL's exports generic business (38% of FY18 revenues) grew at ~45% CAGR in FY13-18 to ₹ 1207 crore driven by strong traction in the US (77% of export sales). The US traction was on the back of consistent product launches including limited competition products. Despite being a late entrant, the company has done reasonably well with a product basket of ~132 ANDA filings with 62 pending final approvals. APL has already demonstrated required capabilities by securing limited competition approvals like gAbilify(CNS), gExforge(CVS), gCelebrex(Pain) and gMicardis(CVS). APL now has its own front-end team, which gives better control on its product launches. We expect US sales to register 17% CAGR in FY18-20E to ₹ 1261 on the back of new launches.

### High capex, R&D to drive long term growth plans

Alembic has spent ₹ 1000-1500 crore in FY16-18 and also guided for an additional ~₹ 600 crore capex for FY19 to set up injectable, oral solid oncology facilities, API capacity ramp-up and to set up a plant under the Derma JV (orbicular). Guidance ~₹ 500 crore (i.e. ~14% of sales) of R&D for FY19 was one of the highest in the industry in percentage term. Both heads are likely to witness above normal outflows.

### R&D, capex benefits back-loaded; maintain HOLD

Ex one-off, the financial performance was disappointing mainly on the margins front. Domestic growth was also lower than expected. With the aggressive R&D and capex plans, the management has signalled its long term strategy for the next five to six years, especially on the US front. This includes a foray into niche areas like oncology, injectables, derma, etc. We believe this is fraught with a new set of challenges. The benefits are most likely to be back-loaded. Immediate cash burn is likely to weigh on sentiments in the near term. Accordingly, we arrive at our new target price of ₹ 560 based on 18x FY20E EPS of ₹ 31.

Rating matrix		
Rating	:	Hold
Target	:	₹ 560
Target Period	:	12-15 months
Potential Upside	:	-4%

What's Changed?		
Target	Changed from ₹ 525 to ₹ 560	
EPS FY19E	Changed from ₹ 25.9 to ₹ 27.9	
EPS FY20E	Changed from ₹ 29.2 to ₹ 31.2	
Rating	Unchanged	

Quarterly Performance					
	Q2FY19	Q2FY18	YoY (%)	Q1FY19	QoQ (%)
Revenue	1,127.1	789.3	42.8	862.5	30.7
EBITDA	302.3	179.2	68.8	151.0	100.2
EBITDA (%)	26.8	22.7	412.8	17.5	932.0
Net Profit	200.1	121.6	64.6	90.4	121.3

Key Financials				
(₹crore)	FY17	FY18	FY19E	FY20E
Revenues	3134.6	3130.8	4014.0	4355.5
EBITDA	614.7	643.1	794.7	867.0
Net Profit	399.3	412.6	525.3	588.1
EPS (₹)	21.2	21.9	27.9	31.2

Valuation summary				
	FY17	FY18	FY19E	FY20E
PE (x)	27.4	26.5	20.8	18.6
Target PE (x)	26.4	25.6	20.1	17.9
EV to EBITDA (x)	17.7	18.0	14.8	13.1
ROIC (%)	34.5	27.9	33.5	34.5
RoNW (%)	21.0	18.6	19.9	19.0
RoCE (%)	25.3	18.0	18.6	19.4

Stock data	
Particular	Amount
Market Capitalisation	₹ 10950 crore
Debt (FY18)	₹ 708 crore
Cash & cash equivalents (FY18)	₹ 90 crore
EV	₹ 11568 crore
52 week H/L	664/412
Equity capital	₹ 38 crore
Face value	₹ 2

Price performance (%)				
	1M	3M	6M	1Y
Alembic Pharma	-11.7	5.8	15.2	17.5
Ajanta Pharma	-9.8	-4.2	-27.7	-14.7
Torrent Pharma	-8.2	9.5	13.8	16.8

Research Analyst	
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## Variance analysis

	Q2FY19	Q2FY19E	Q2FY18	Q1FY19	YoY (%)	QoQ (%)	Comments
Revenue	1,127.1	952.3	789.3	862.5	42.8	30.7	YoY growth mainly due to 124% growth in export formulations. Beat vis-à-vis I-direct estimates was due to one-off supply opportunity arising in Valsartan (cardiovascular) in the US
Raw Material Expenses	272.1	290.4	213.3	255.4	27.5	6.5	
Employee Expenses	182.6	171.4	159.5	164.9	14.5	10.7	
R&D Expenditure	144.7	128.6	98.1	121.5	47.6	19.1	
Other Expenditure	225.3	190.5	139.2	169.7	61.8	32.8	YoY increase mainly due to hedging loss and higher marketing expenses in the domestic market
EBITDA	302.3	171.4	179.2	151.0	68.8	100.2	
EBITDA (%)	26.8	18.0	22.7	17.5	413 bps	932 bps	YoY improvement and beat vis-à-vis I-direct estimates was on account of one-off sales in the US. Ex one-off, EBITDA margin was ~12%
Interest	5.8	1.6	0.4	1.6	1,560.0	270.1	
Depreciation	28.6	27.6	25.7	27.6	11.6	3.7	
Other Income	2.4	2.9	7.7	0.1	-69.1	2,270.0	
PBT before EO & Forex	270.3	145.1	160.8	121.9	68.1	121.7	
Forex & EO	0.0	0.0	0.0	0.0	NA	NA	
PBT	270.3	145.1	160.8	121.9	68.1	121.7	
Tax	70.3	29.0	36.6	31.5	92.2	122.9	
PAT before MI	200.0	116.1	124.3	90.4	60.9	121.3	
Net Profit	200.1	116.1	121.6	90.4	64.6	121.3	YoY increase and beat vis-à-vis I-direct estimates was due to strong operational performance
Key Metrics							
Domestic Formulation	385.0	403.1	385.0	331.0	0.0	16.3	YoY growth was flat on account of high base of re-stocking in Q2FY18 post GST implementation
International	587.0	367.5	262.0	352.0	124.0	66.8	YoY growth was due to 121% growth in the US and 133% growth in ex-US export business. Beat vis-à-vis I-direct estimates was due to one-off supply opportunity arising in Valsartan in the US. Ex one-off, US business grew over 20% YoY
APIs	155.0	177.5	142.0	180.0	9.2	-13.9	

Source: Company, ICICI Direct Research

## Change in estimates

(₹ Crore)	FY19E			FY20E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	3,688.3	4,014.0	8.8	3,964.3	4,355.5	9.9	Changed as per management guidance and higher-than-expected sales in Q2FY19
EBITDA	721.1	794.7	10.2	799.2	867.0	8.5	Changed mainly in sync with revenues
EBITDA Margin (%)	19.5	19.8	30 bps	20.2	19.9	-29 bps	
PAT	488.4	525.3	7.6	550.0	588.1	6.9	Changed mainly in sync with revenues
EPS (₹)	25.9	27.9	7.6	29.2	31.2	6.9	

Source: Company, ICICI Direct Research

## Assumptions

(₹ crore)	Current				Earlier		
	FY17	FY18	FY19E	FY20E	FY19E	FY20E	
Domestic Formulation	1,255.1	1,274.0	1,442.2	1,614.1	1,460.3	1,634.9	
Export sales	1,236.5	1,207.0	1,824.3	1,943.0	1,484.2	1,543.1	Change as per management guidance
APIs	640.2	650.0	731.9	768.5	726.0	762.3	

Source: Company, ICICI Direct Research

## Company Analysis

Tracing its roots way back to 1907, the company has remained an active player in the domestic formulations space with a few legacy brands like Azithral, Althrocin and Wikoryl in the anti-infective and cough & cold segments. In 2011, APL was de-merged from Alembic Ltd to provide more thrust to formulations and insulate this business from the vagaries of commoditised APIs. Formulations account for 79% of the business while the rest comes from APIs. As of FY18, the domestic: exports formulation ratio was at 51:49. Consolidated revenues, EBITDA and PAT have grown at a CAGR of 16%, 21% and 20%, respectively, in FY13-18.

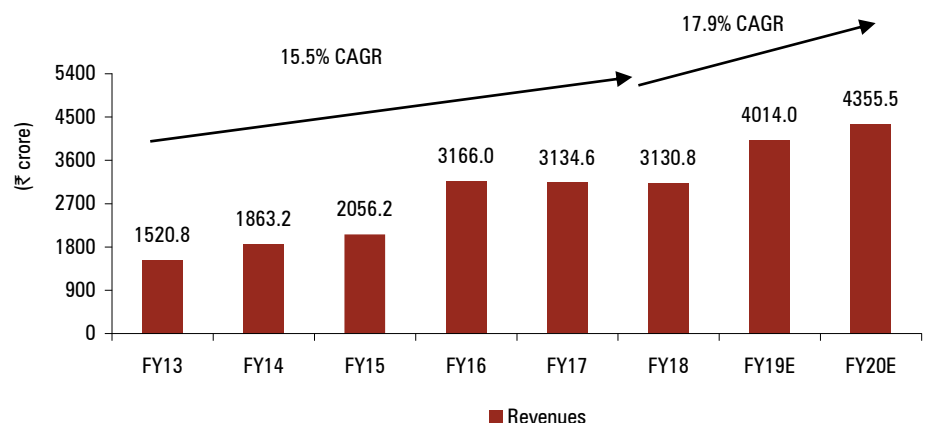
The company's domestic branded portfolio is gradually shifting to the speciality business segment, which now accounts for ~65% of domestic branded formulations in FY18 from 49% in FY13.

Export formulations constitute 38% of revenues (FY18). Of this, ~77% of export formulations are generics catering to the regulated market of the US.

The company has acquired US based Orit Laboratories LLC along with real estate. Orit is focused on developing and filing oral solid and liquid products. With 8,600 square feet R&D and pilot manufacturing facility, it has seven approved ANDAs and four ANDAs pending approval. Orit adds complementary skill sets in soft gelatin based oral solids and oral liquids to Alembic with a team of eight highly experienced scientists.

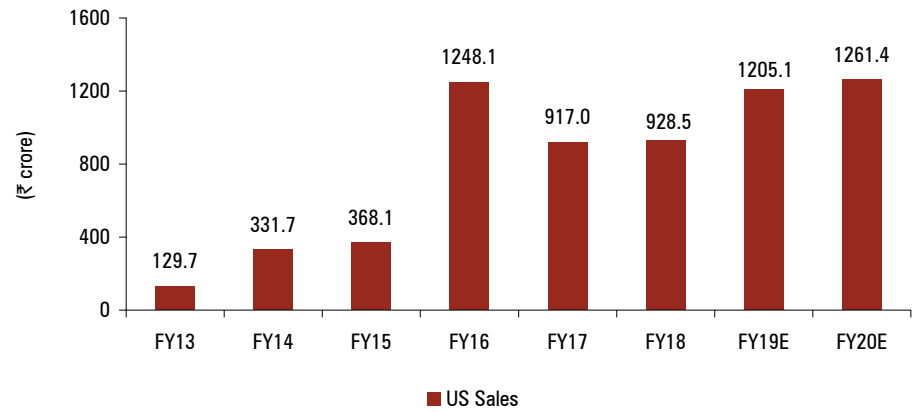
Total revenues grew at 16% CAGR in FY13-18 mainly due to strong growth in the domestic specialty segment and increased export generic contributions. We expect domestic growth to be driven by the specialty segment on the back of new product launches and addition of new specialty segments/sub-segments. On the export front, the US remains a key growth driver backed by a healthy product pipeline to support base business growth. We expect total revenues to grow at 18% CAGR in FY18-20E to ₹ 4356 crore to be driven by domestic branded formulations and strong export sales.

**Exhibit 1: Revenues to grow at 18% CAGR in FY18-20E**



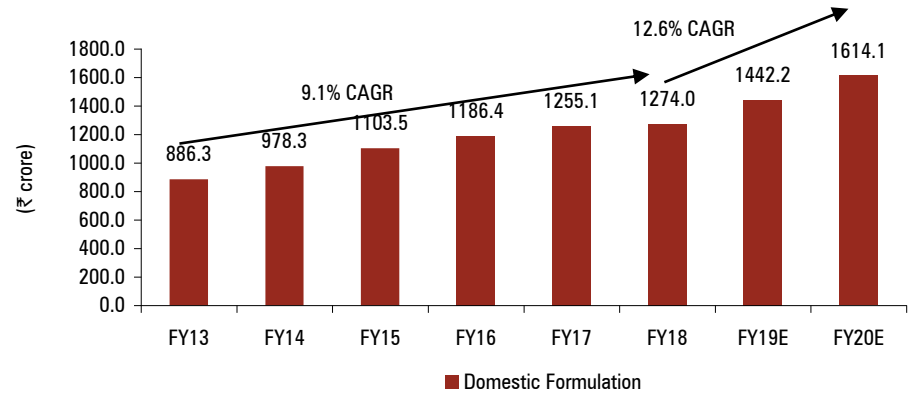
Source: Company, ICICI Direct Research

**Exhibit 2: US sales trend (US growth to be 16.6% in FY18-20E)**



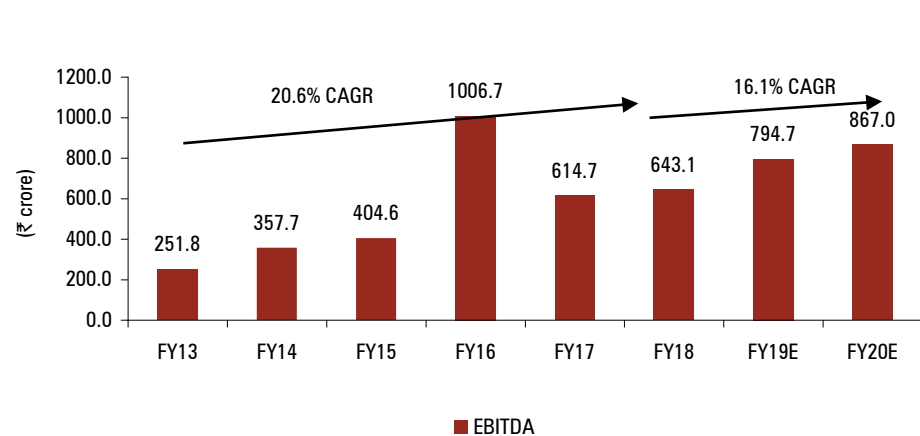
Source: Company, ICICI Direct Research

**Exhibit 3: Domestic sales trend**



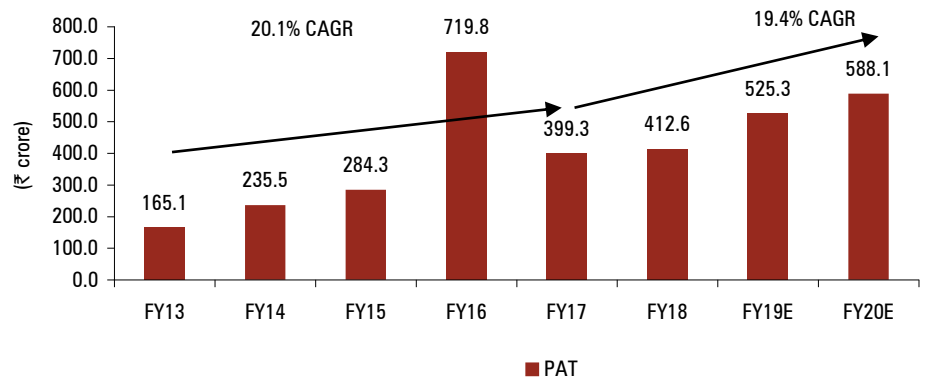
Source: Company, ICICI Direct Research

**Exhibit 4: EBITDA trend reflecting augmented R&D and capex impact in FY18-20E**



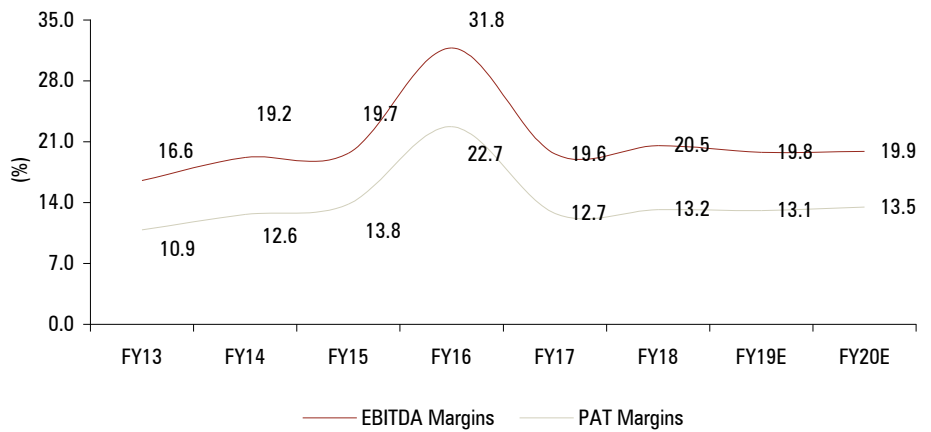
Source: Company, ICICI Direct Research

**Exhibit 5: Net profit to grow at CAGR of 19% in FY18-20E**



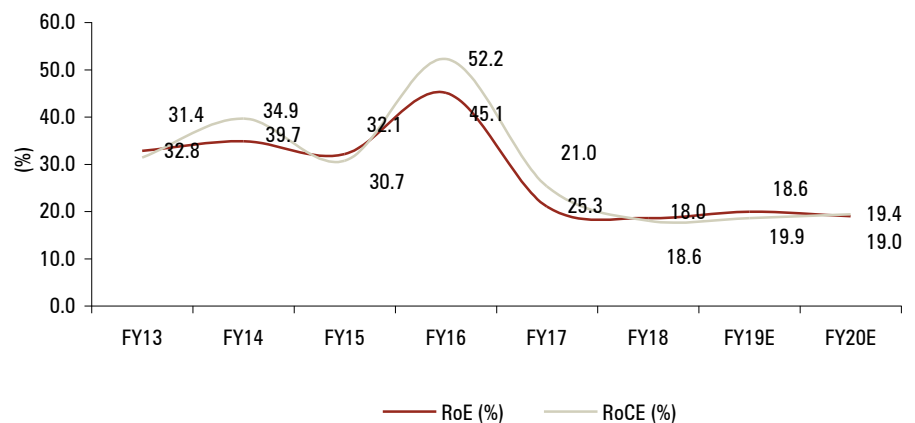
Source: Company, ICICI Direct Research

**Exhibit 6: EBITDA & PAT margins**



Source: Company, ICICI Direct Research

**Exhibit 7: Trends in return ratios**



Source: Company, ICICI Direct Research

**Exhibit 8: Trends in quarterly financials**

(₹ Crore)	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	YoY (%)	QoQ(%)
Revenues	1008.8	921.7	626.6	736.8	879.4	777.0	741.4	648.2	789.3	840.0	853.3	862.5	1127.1	42.8	30.7
Raw Material Cost	226.3	206.0	123.9	193.7	247.0	211.6	204.0	182.0	213.3	226.4	263.8	255.4	272.1	27.5	6.5
% to revenues	22.4	22.4	19.8	26.3	28.1	27.2	27.5	28.1	27.0	27.0	30.9	29.6	24.1		
Gross Profit	782.5	715.7	502.7	543.1	632.4	565.4	537.3	466.2	576.0	613.6	589.5	607.1	855.0	48.4	40.8
Gross Profit Margin (%)	77.6	77.6	80.2	73.7	71.9	72.8	72.5	71.9	73.0	73.0	69.1	70.4	75.9	289 bps	548 bps
Employee cost	119.6	117.0	96.9	134.1	118.7	130.5	137.9	158.5	159.5	147.4	157.3	164.9	182.6	14.5	10.7
% to revenues	11.9	12.7	15.5	18.2	13.5	16.8	18.6	24.5	20.2	17.6	18.4	19.1	16.2	-401 bps	-292 bps
R & D	78.0	70.1	111.0	82.3	108.7	116.7	109.0	94.0	98.1	98.1	121.1	121.5	144.7		
% to revenues	7.7	7.6	17.7	11.2	12.4	15.0	14.7	14.5	12.4	11.7	14.2	14.1	12.8	42 bps	-124 bps
Other Expenditure	208.9	144.0	151.4	169.7	227.3	172.8	155.9	112.2	139.2	180.5	137.9	169.7	225.3	61.8	32.8
% to revenues	20.7	15.6	24.2	23.0	25.8	22.2	21.0	17.3	17.6	21.5	16.2	19.7	20.0	235 bps	32 bps
Total Expenditure	632.7	537.1	483.3	579.8	701.6	631.6	606.8	546.8	610.1	652.5	680.1	711.5	824.7	35.2	15.9
% to revenues	62.7	58.3	77.1	78.7	79.8	81.3	81.8	84.4	77.3	77.7	79.7	82.5	73.2		
EBIDTA	376.0	384.6	143.3	157.0	177.8	145.4	134.6	101.4	179.2	187.5	173.2	151.0	302.3	68.8	100.2
EBITDA Margin (%)	37.3	41.7	22.9	21.3	20.2	18.7	18.2	15.6	22.7	22.3	20.3	17.5	26.8	413 bps	932 bps
Depreciation	13.3	21.7	24.4	19.4	20.6	21.1	21.8	21.8	25.7	26.4	31.6	27.6	28.6	11.6	3.7
Interest	0.7	1.0	1.3	1.3	1.0	0.8	1.8	0.9	0.4	0.8	1.3	1.6	5.8	1560.0	270.1
OI	0.1	2.8	2.6	0.6	0.5	0.2	0.9	0.2	7.7	0.3	0.6	0.1	2.4		
PBT	362.1	364.7	120.2	136.9	156.7	123.7	111.8	78.9	160.8	160.6	141.0	121.9	270.3	68.1	121.7
Tax	73.5	95.1	28.6	33.3	33.2	39.3	16.5	15.5	36.6	29.8	38.5	31.5	70.3	92.2	122.9
Tax Rate (%)	20.3	26.1	23.8	24.3	21.2	31.8	14.7	19.6	22.7	18.5	27.3	25.9	26.0		
PAT	288.5	269.6	91.6	103.6	123.6	84.4	95.3	63.4	124.3	130.9	102.4	90.4	200.0	60.9	121.3
PAT Margin (%)	28.6	29.2	14.6	14.1	14.0	10.9	12.9	9.8	15.7	15.6	12.0	10.5	17.7		
Exceptional Items (EI)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Net Profit before MI	288.5	269.6	91.6	103.6	123.6	84.4	95.3	63.4	124.3	130.9	102.4	90.4	200.0	60.9	121.3
Add/(less) MI	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.0		
Net Profit	288.5	269.6	91.6	103.6	123.6	84.4	95.3	63.4	124.3	130.9	102.2	90.4	200.0	60.9	121.4
Net Profit (excl.EI)	288.5	269.6	91.6	103.6	123.6	84.4	95.3	63.4	124.3	130.9	102.2	90.4	200.0	60.9	121.4

Source: Company, ICICI Direct Research

### SWOT Analysis

**Strengths-** Speciality focus on domestic market, high operating margins, high return ratios and US pipeline

**Weakness-** Relatively late US entrant, still higher presence of acute therapies in the domestic branded formulations

**Opportunities-** The US generics space

**Threats** - Increased USFDA scrutiny across the globe regarding cGMP issues, pricing pressure due to client consolidation in the US. Also, extension of NLEM product list may impact domestic branded formulations.

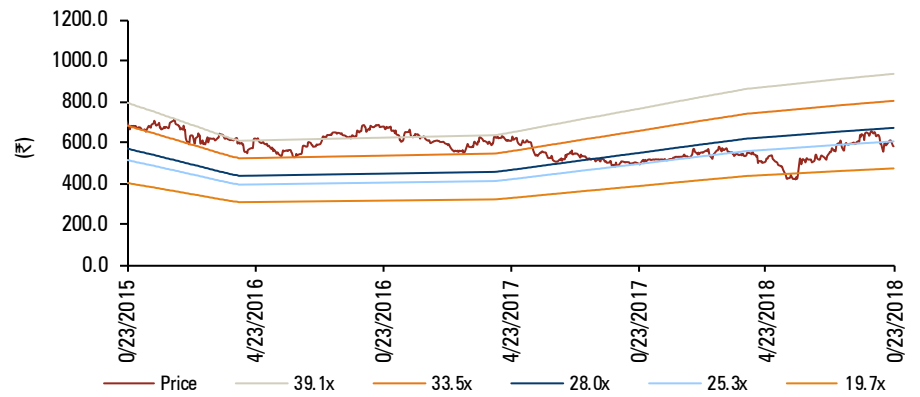
## Conference call Highlights

- The management does not expect Valsartan (cardiovascular) windfall in the future as the normal supplies have been resumed. Secondly, some players have already shifted to other sartans
- The company has taken a price hike in 25% of US base portfolio during the quarter
- Ex-US international business growth was attributable to higher ramp-up during the quarter cashing in on supply constraints. The management expects to maintain the same run rate in future
- Overall, the US base business is witnessing single digit price erosion in the US
- The management expects to complete all pending capex towards plant completion in H2 and expects to commence exhibit batches
- In India, the current MR strength for the company is 3800 personnel with MR productivity of ₹ 300000 per month
- In domestic formulations, the acute: specialty ratio for H1 was 31:69

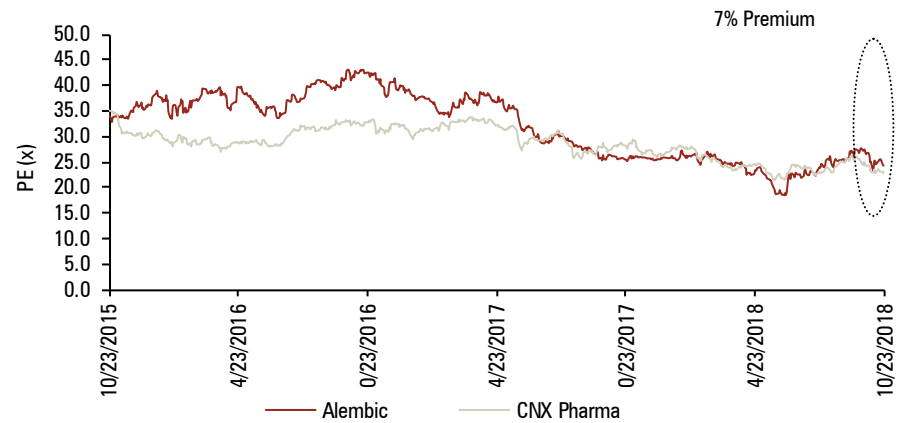
### Exhibit 9: Facilities

Location	Segment	Regulatory Approvals
Sikkim	Formulations	
Panelav, Gujarat	API	USFDA, EDQM
Panelav, Gujarat	Formulations	USFDA, MCC, MHRA, ANVISA & TPD
Baddi, Himachal Pradesh	Formulations	WHO GMP
Karkhadi, Gujarat	API	USFDA, EDQM, TGA, WHO

Source: Company, ICICI Direct Research

**Exhibit 10: One year forward PE**


Source: Company, ICICI Direct Research

**Exhibit 11: One year forward PE of company vs. BSE Healthcare Index**


Source: Company, ICICI Direct Research

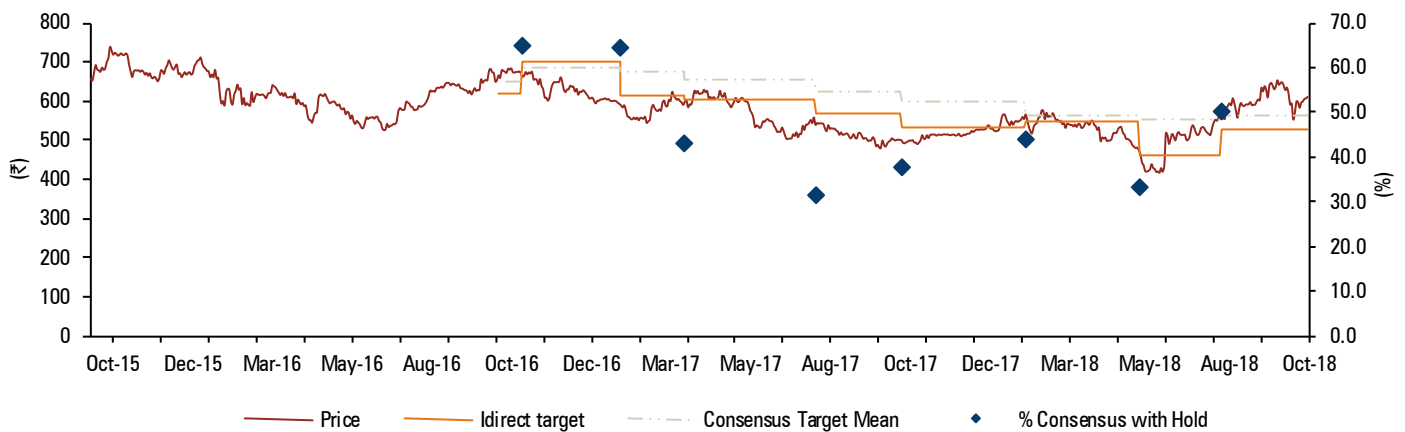
**Exhibit 12: Valuation**

	Revenues (₹ crore)	Growth (%)	Adj. EPS (₹)	Growth (%)	P/E (x)	EV/EBITDA (X)	RoNW (%)	RoCE (%)
FY17	3135	-1.0	21.2	-44.5	27.4	17.7	21.0	25.3
FY18E	3131	-0.1	21.9	3.3	26.5	18.0	18.6	18.0
FY19E	4014	28.2	27.9	27.3	20.8	14.8	19.9	18.6
FY20E	4356	8.5	31.2	11.9	18.6	13.1	19.0	19.4

Source: Company, ICICI Direct Research



## Recommendation history vs. Consensus



Source: Bloomberg, Company, ICICI Direct Research. Initiated on September 28, 2015

## Key events

Year	Event
1907	Alembic Ltd starts manufacturing tinctures and alcohol in Vadodara
1940	Starts manufacturing cough syrups, vitamins and sculpture drugs
1961	Inaugurates penicillin plant
1971	Becomes first Indian company to manufacture Erythromycin
1972	Launches Erythromycin under brand 'Althrocine'
2001	Starts manufacturing Cephalosporin C
2003	Formulation facility set up for regulate markets
2004	R&D facility set up at Vadodara
2006	Receives USFDA approval for API and formulation facilities
2007	Acquires non-oncology division of Dabur Pharma; enters high margin segments such as CVS, diabetes, GI and gynaecology
2010	Azithral sales cross ₹ 100 crore; demerger of pharma business from Alembic Ltd; Alembic Pharmaceuticals formed
2011	Receives Anvisa approval
2015	USFDA successfully inspects formulation and API plants
Oct-16	Panelav facility receives EIR from USFDA
Mar-17	USFDA inspects bioequivalence facility (Vadodara) during the quarter without any observations
Nov-17	Acquires US based generic drug developer, Orit Laboratories LLC
Mar-18	Receives Form 483 with three observations from USFDA for its Panelav formulation facility

Source: Company, ICICI Direct Research

## Top 10 Shareholders

Rank	Investor Name	Latest Filing Date	% O/S	Position	Position Change
1	Alembic Ltd	Jun-18	29.5	55.5m	0.0
2	Nirayu Pvt. Ltd.	Jun-18	26.2	49.3m	0.0
3	Shreno, Ltd.	Jun-18	11.0	20.7m	0.0
4	ICICI Prudential Asset Management Co. Ltd.	Jun-18	3.4	6.4m	0.7
5	Amin (Chirayu Ramanbhai)	Jun-18	2.4	4.5m	0.0
6	Matthews International Capital Management, L.L.C.	Jun-18	2.3	4.4m	0.3
7	Amin (Malika C)	Jun-18	1.6	3.0m	0.0
8	HSZ (Hong Kong) Limited	Jun-18	1.4	2.5m	0.0
9	Elara Capital Plc	Jun-18	1.2	2.3m	-0.1
10	Reliance Nippon Life Asset Management Limited	Sep-18	0.8	1.6m	1.0

Source: Reuters, ICICI Direct Research

## Shareholding Pattern

(in %)	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18
Promoter	72.7	72.7	72.9	73.0	73.0
Others	27.3	27.3	27.1	27.0	27.0

## Recent Activity

Buys			Sells		
Investor Name	Value (\$ mn)	Shares	Investor Name	Value (\$ mn)	Shares
Reliance Nippon Life Asset Management Limited	8.7	1.0	SBI Funds Management Pvt. Ltd.	-8.7	-1.0
ICICI Prudential Asset Management Co. Ltd.	4.9	0.7	Pictet Asset Management Ltd.	-3.1	-0.4
Patel (Jyoti Suresh)	3.6	0.5	Elara Capital Plc	-0.4	-0.1
Schroder Investment Management (Hong Kong) Ltd.	2.4	0.3	Florida State Board of Administration	-0.4	0.0
Matthews International Capital Management, L.L.C.	1.9	0.3	Taurus Asset Management Co. Ltd.	-0.1	0.0

Source: Reuters, ICICI Direct Research

## Financial summary

Profit and loss statement ₹ Crore				
(Year-end March) ₹ crore	FY17	FY18	FY19E	FY20E
Revenues	3,134.6	3,130.8	4,014.0	4,355.5
Growth (%)	-1.0	-0.1	28.2	8.5
Raw Material Expenses	858.1	885.6	1,134.8	1,306.6
Employee Expenses	558.8	622.8	752.4	849.3
R&D Expenditure	416.7	411.3	534.4	566.2
Other Manufacturing Expenses	686.3	568.1	797.7	766.3
Total Operating Expenditure	2,519.9	2,487.7	3,219.3	3,488.5
EBITDA	614.7	643.1	794.7	867.0
Growth (%)	-38.9	4.6	23.6	9.1
Interest	5.1	3.4	10.5	7.1
Depreciation	83.0	105.5	111.1	123.6
Other Income	-1.3	7.0	12.7	17.5
PBT	525.4	541.3	685.7	753.9
Total Tax	122.2	120.4	160.5	165.9
Tax Rate (%)	23.3	22.2	23.4	22.0
Adjusted PAT	399.3	412.6	525.3	588.1
Growth (%)	-44.5	3.3	27.3	11.9
EPS (Adjusted)	21.2	21.9	27.9	31.2

Source: Company, ICICI Direct Research

Cash flow statement ₹ Crore				
(Year-end March) ₹ crore	FY17	FY18	FY19E	FY20E
Profit/(Loss) after taxation	399.3	406.2	525.3	588.1
Depreciation	83.0	105.5	111.1	123.6
Net Increase in Current Assets	-158.1	-568.9	-367.4	-180.9
Net Increase in Current Liabilities	-35.5	349.7	241.3	98.0
CF from operating activities	294.0	312.4	510.3	628.8
(Inc)/dec in Investments	-13.5	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	-465.0	-885.8	-600.0	-150.0
Other investing activities	2.1	7.3	2.5	1.0
CF from investing activities	-476.0	-884.7	-591.0	-146.4
Inc / (Dec) in Equity Capital	0.0	0.0	0.0	0.0
Inc / (Dec) in Loan	-33.5	619.1	300.0	-300.0
Dividend & Dividend Tax	-90.8	-90.8	-110.6	-123.9
Other financing activities	15.0	-25.7	0.0	0.0
CF from financing activities	-109.2	502.6	189.4	-423.9
Net Cash flow	-291.2	-69.7	108.7	58.5
Opening Cash	450.8	159.6	89.9	198.7
Closing Cash	159.6	89.9	198.7	257.1
Free Cash flow	-171.0	-573.3	-89.7	478.8

Source: Company, ICICI Direct Research

Balance sheet ₹ Crore				
(Year-end March) ₹ crore	FY17	FY18	FY19E	FY20E
Equity Capital	37.7	37.7	37.7	37.7
Reserve and Surplus	1,863.4	2,182.4	2,597.1	3,061.3
Total Shareholders funds	1,901.1	2,220.1	2,634.8	3,099.0
Minority Interest	0.1	0.3	0.3	0.4
Total Debt	80.2	707.8	1,007.8	707.8
Deferred Tax Liability	46.7	35.6	39.2	43.1
Other Non Current Liabilities	12.6	0.0	0.0	0.0
Long Term Provisions	57.2	61.7	67.8	74.6
Source of Funds	2,098.0	3,025.5	3,750.0	3,924.9
Gross Block - Fixed Assets	1,254.8	1,238.5	1,338.5	1,488.5
Accumulated Depreciation	455.4	248.9	360.0	483.6
Net Block	799.4	989.6	978.5	1,004.9
Capital WIP	396.3	1,010.2	1,510.2	1,510.2
Total Fixed Assets	1,195.7	1,999.8	2,488.6	2,515.1
Goodwill on Consolidation	0.0	3.8	3.8	3.8
Investments	100.2	41.6	41.6	41.6
Inventory	632.8	733.9	945.1	1,022.5
Cash	159.6	89.9	198.7	257.1
Debtors	337.5	526.3	677.8	733.3
Loans & Advances & Other CA	0.0	0.0	0.0	0.0
Total Current Assets	1,321.1	1,824.9	2,301.0	2,540.4
Creditors	523.2	759.3	977.8	1,057.9
Provisions & Other CL	65.5	156.4	179.2	197.1
Total Current Liabilities	588.7	915.7	1,157.0	1,255.0
Net Current Assets	732.3	909.2	1,144.1	1,285.4
LT L& A, Other Assets	69.7	71.1	71.9	79.0
Deferred Tax Assets	0.0	0.0	0.0	0.0
Application of Funds	2,098.0	3,025.5	3,750.0	3,924.9

Source: Company, ICICI Direct Research

Key ratios				
(Year-end March)	FY17	FY18	FY19E	FY20E
Per share data (₹)				
Adjusted EPS	21.2	21.9	27.9	31.2
BV per share	100.9	117.8	139.8	164.4
Dividend per share	4.8	4.6	5.9	6.6
Operating Ratios (%)				
Gross margins	72.6	71.7	71.7	70.0
EBITDA Margins	19.6	20.5	19.8	19.9
PAT Margins	12.7	13.2	13.1	13.5
Inventory days	73.7	85.6	85.9	85.7
Debtor days	39.3	61.4	61.6	61.5
Creditor days	60.9	88.5	88.9	88.7
Asset Turnover	2.5	2.5	3.0	2.9
EBITDA conversion Rate	47.8	48.6	64.2	72.5
Return Ratios (%)				
RoE	21.0	18.6	19.9	19.0
RoCE	25.3	18.0	18.6	19.4
RoIC	34.5	27.9	33.5	34.5
Valuation Ratios (x)				
P/E	27.4	26.5	20.8	18.6
EV / EBITDA	17.7	18.0	14.8	13.1
EV / Net Sales	3.5	3.7	2.9	2.6
Market Cap / Sales	3.5	3.5	2.7	2.5
Price to Book Value	5.8	4.9	4.2	3.5
Solvency Ratios				
Debt / Equity	0.0	0.3	0.4	0.2
Debt / EBITDA	0.1	1.1	1.3	0.8
Current Ratio	1.6	1.4	1.4	1.4

Source: Company, ICICI Direct Research

## ICICI Direct coverage universe (Healthcare)

Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹ Cr)	EPS (₹)				PE(x)				RoCE (%)				RoE (%)			
						FY17	FY18	FY19E	FY20E	FY17	FY18	FY19E	FY20E	FY17	FY18	FY19E	FY20E	FY17	FY18	FY19E	FY20E
Ajanta Pharma	AJAPHA	1003	1,205	Hold	8831.3	57.4	53.0	47.4	60.0	17.5	18.9	21.2	16.7	41.3	30.0	22.2	23.2	32.3	23.0	17.0	18.4
Alembic Pharma	ALEMPHA	581	560	Hold	10949.9	21.2	21.9	27.9	31.2	27.4	26.5	20.8	18.6	25.3	18.0	18.6	19.4	21.0	18.6	19.9	19.0
Apollo Hospitals	APOHOS	1133	1,190	Buy	15764.3	15.9	8.5	24.2	38.6	71.3	134.0	46.8	29.4	6.1	6.3	9.1	12.0	6.0	3.6	9.6	13.6
Aurobindo Pharma	AURPHA	754	915	Buy	44189.2	38.8	41.6	42.6	49.5	19.4	18.1	17.7	15.2	24.4	20.0	18.1	15.7	24.2	20.7	17.8	17.3
Biocon	BIOCON	646	740	Buy	38787.0	8.5	6.2	9.3	13.3	76.3	104.2	69.7	48.6	9.4	8.1	11.5	14.2	10.5	7.2	9.8	12.5
Cadila Healthcare	CADHEA	373	365	Hold	38139.5	14.5	17.5	16.9	19.6	25.6	21.3	22.1	19.1	13.1	16.7	14.7	15.7	21.4	20.5	17.1	17.2
Cipla	CIPLA	626	620	Hold	50407.3	12.5	18.3	20.1	26.0	50.1	34.1	31.2	24.0	7.7	9.6	12.3	15.3	8.0	10.4	10.4	12.2
Divi's Lab	DIVLAB	1299	1,375	Buy	34484.4	39.9	33.3	45.9	53.1	32.5	39.0	28.3	24.4	25.3	20.0	23.1	23.2	19.8	14.9	17.8	17.8
Dr Reddy's Labs	DRREDD	2499	2,170	Hold	41478.3	78.0	57.0	95.3	125.1	32.1	43.8	26.2	20.0	7.3	6.1	9.0	11.1	10.5	7.2	11.0	12.8
Glenmark Pharma	GLEPHA	622	555	Hold	17542.4	42.2	28.5	32.4	34.1	14.7	21.8	19.2	18.2	19.5	14.6	15.2	14.3	26.5	15.6	15.2	13.9
Indoco Remedies	INDREM	187	190	Hold	1722.8	8.4	4.5	3.7	12.2	22.4	41.8	50.8	15.3	8.7	6.2	5.9	12.5	11.8	6.1	4.8	14.3
Ipca Laboratories	IPCLAB	664	845	Buy	8384.1	15.4	19.0	29.1	42.3	43.0	35.0	22.8	15.7	8.7	9.1	13.0	17.3	7.9	8.9	12.3	15.5
Jubilant Life	JUBLIF	652	945	Buy	10377.2	36.9	41.3	62.5	76.6	17.6	15.8	10.4	8.5	13.8	14.9	19.4	21.3	16.8	15.7	19.4	19.4
Lupin	LUPIN	873	760	Hold	39469.7	56.7	20.8	27.0	38.8	15.4	42.1	32.3	22.5	16.6	10.4	9.8	12.5	19.0	6.9	8.4	10.9
Narayana Hrudalaya	NARHRU	210	280	Buy	4291.6	4.1	2.5	1.7	5.5	50.9	84.6	123.8	38.5	12.5	6.3	5.9	10.6	8.8	4.9	3.2	9.4
Natco Pharma	NATPHA	718	860	Hold	13259.5	26.3	37.7	43.9	26.7	27.3	19.0	16.4	26.9	33.6	27.3	27.7	15.6	29.5	22.6	22.0	12.2
Sun Pharma	SUNPHA	593	690	Buy	142216.4	29.0	13.0	16.5	24.9	20.4	45.7	35.8	23.8	20.3	9.8	11.6	15.0	19.0	8.1	9.5	12.8
Syngene Int.	SYNINT	585	685	Buy	11700.0	14.4	15.3	17.6	19.6	40.2	37.8	32.8	29.4	16.0	15.9	17.0	17.4	20.3	17.7	17.1	16.1
Torrent Pharma	TORPHA	1587	1,675	Hold	26856.4	55.2	40.1	44.4	69.7	28.8	39.6	35.8	22.8	18.9	11.2	14.3	18.9	21.5	14.7	14.5	19.4

Source: Company, ICICI Direct Research

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