

Ajanta Pharmaceuticals (AJAPHA) ₹ 1024

Weak exports weigh down performance...

- Ajanta Pharma's Q3FY19 results were below I-direct estimates on all fronts mainly due to lower-than-expected export formulation sales
- Revenues declined 17.4% YoY to ₹ 485.1 crore (I-direct estimate: ₹ 522.6 crore) due to 26.7% YoY decline in export formulations to ₹ 304 crore (I-direct estimate: ₹ 344.5 crore). Domestic revenues grew 8.7% YoY to ₹ 174 crore
- EBITDA margins declined to 22.1% from 33.6% in Q3FY18 (I-direct estimates: 25.4%) due to lower gross margins and higher expenditure pertaining to new plants commissioned. EBITDA declined 45.7% YoY to ₹ 107.3 crore (I-direct estimate: ₹ 132.7 crore)
- Net profit declined 54.6% YoY to ₹ 66.9 crore (I-direct estimate: ₹ 95.8 crore) mainly due to a weaker operational performance

Domestic formulations - Focus on new launches, few therapies

Domestic formulations comprise ~30% of FY18 revenues. The main distinguishing factor is the uncanny knack of launching maximum number of first time launches with focus on new drug delivery system (NDDS). Out of 270+ actively marketed brands, ~60% were introduced for the first time in India. Focus on specialty therapies and niche product led Ajanta Pharma (APL) to post a strong 17% CAGR in FY14-18, thus outpacing industry growth comprehensively. However, a slowdown in dermatology segment due to increased competition in existing products and slow offtake in new launches may impact near term growth, to some extent. We expect domestic formulations to grow at ~11% CAGR in FY18-21E to ₹ 856 crore driven by a mix of existing products & new launches.

Export traction mainly from emerging markets; US segment shaping up

Export comprise 67% of FY18 revenues. APL is currently deriving export revenues from emerging markets such as Africa (Franco Africa), Asia and from the US. In emerging markets, as opposed to the common practice of forging alliances with regional pharmaceutical players, APL's front-end marketing team interacts directly with doctors. The US foray is also getting momentum. Overall export formulations have grown at 16% CAGR in FY14-18 to ₹ 1460 crore. However, due to a sharp reduction in African tender due to a reduction in overall procurement, export formulations are likely to grow at a slower pace at 5% CAGR in FY18-21E.

One of the best matrices among peers

With focus on niche therapies in domestic formulations and a calculated approach in exports market, APL remains an interesting candidate from the midcap pharma space with high growth rates, strong margins, commendable return ratios along with a lighter balance sheet.

Ex-tender portfolio looks promising; poised to fill tender vacuum...

A weak Q3 performance was due to a sharp fall in export formulations led by high base of channel filling in branded businesses in Asia, Africa besides shrinkage of Africa tender business. While tender business may remain subdued, the branded business is expected to grow at low double digit in FY20. On the domestic front, the company expects higher than industry growth in FY20E. The US business is expected to grow 20-25%, albeit on a lower base. Overall, we expect some slowdown in sales but improvement in profitability on the back of better operating leverage and tax benefits. We roll over our estimates to FY21 and accordingly arrive at our new target price of ₹ 1100 based on 18x FY21E EPS of ~₹ 61.

Rating matrix	
Rating	: Hold
Target	: ₹ 1100
Target Period	: 12-15 months
Potential Upside	: 7%

What's Changed?	
Target	Changed from ₹ 1225 to ₹ 1100
EPS FY19E	Changed from ₹ 48.9 to ₹ 50.5
EPS FY20E	Changed from ₹ 60.3 to ₹ 61.1
Rating	Changed from Buy to Hold

Quarterly Performance					
	Q3FY19	Q3FY18	YoY (%)	Q2FY19	QoQ (%)
Revenue	485.1	587.1	-17.4	544.1	-10.8
EBITDA	107.3	197.5	-45.7	166.2	-35.4
EBITDA (%)	22.1	33.6	-1152 bps	30.5	-843 bps
Adj. Net Profit	66.9	147.5	-54.6	125.4	-46.6

Key Financials				
(₹ crore)	FY18	FY19E	FY20E	FY21E
Revenues	2130.9	2041.2	2246.3	2507.3
EBITDA	658.4	551.3	623.3	726.7
Net Profit	468.6	380.8	446.1	539.9
EPS (₹)	53.0	43.1	50.5	61.1

Valuation summary				
	FY18	FY19E	FY20E	FY21E
PE (x)	19.3	23.8	20.3	16.8
M.Cap/ Revenues (x)	4.2	4.4	4.0	3.6
EV to EBITDA (x)	13.3	15.7	13.4	11.3
Price to book (x)	4.4	3.9	3.4	2.9
RoNW (%)	23.0	16.4	16.8	17.6
RoCE (%)	30.0	21.6	21.7	22.4

Stock data	
Particular	Amount
Market Capitalisation	₹ 9013 crore
Debt (FY18)	₹ 1 crore
Cash (FY18)	₹ 72 crore
EV	₹ 8942 crore
52 week H/L	1468/896
Equity capital	₹ 17.7 crore
Face value	₹ 2

Price Performance (%)				
	1M	3M	6M	1Y
Ajanta Pharma	-12.3	-0.9	-7.9	-27.7
Alembic Pharma	0.5	1.0	7.6	7.1
Torrent Pharma	3.8	10.2	20.2	36.2

Research Analyst	
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Variance analysis

	Q3FY19	Q3FY19E	Q3FY18	Q2FY19	YoY (%)	QoQ (%)	Comments
Revenue	485.1	522.6	587.1	544.1	-17.4	-10.8	YoY decline and miss vis-à-vis I-direct estimates mainly due to sharp fall in export formulations
Raw Material Expenses	97.9	92.0	110.0	95.9	-11.0	2.0	
Employee Expenses	112.8	109.8	95.2	105.8	18.4	6.6	YoY increased mainly due to commissioning of new plants
Other Expenditure	167.1	188.1	184.3	176.2	-9.3	-5.2	Included forex loss of ₹ 8 crore
Total Operating Expenditure	377.8	389.9	389.6	377.9	-3.0	0.0	
EBITDA	107.3	132.7	197.5	166.2	-45.7	-35.4	YoY decline and miss vis-a-vis I-direct estimates mainly due to higher cost related to new plants, lower gross margins and negative operating leverage
EBITDA (%)	22.1	25.4	33.6	30.5	-1152 bps	-843 bps	
Interest	0.1	0.0	0.1	0.1	-35.7	-30.8	
Depreciation	18.7	18.8	15.0	17.5	24.6	6.7	
Other income	4.4	14.6	15.2	15.2	-70.9	-71.1	
PBT before EO	93.0	128.6	197.5	163.8	-52.9	-43.3	
Less: Exceptional Items	0.0	0.0	0.0	0.0	0.0	0.0	
PBT	93.0	128.6	197.5	163.8	-52.9	-43.3	
Tax	26.1	32.8	50.1	38.5	-47.9	-32.2	
MI & Share of loss/ (gain) asso.	0.0	0.0	0.0	0.0	0.0	0.0	
Adj. Net Profit	66.9	95.8	147.5	125.4	-54.6	-46.6	YoY decline and miss vis-a-vis I-direct estimates mainly due to a below expected operational performance and other income
Key Metrics							
India	174.0	178.1	160.0	179.0	8.7	-2.8	YoY growth mainly driven by 13% growth in cardiology segment to ₹ 72 crore and 50.5% growth in pain management segment to ₹ 14 crore
Africa	114.0	120.3	180.0	136.0	-36.7	-16.2	Sharp fall and miss vis-à-vis I-direct estimates mainly due to de-growth in branded business led by high base due to channel filling in Q3FY18 and de-growth in African tender business
Asia	121.0	141.7	161.0	135.0	-24.8	-10.4	Sharp fall and miss vis-à-vis I-direct estimates mainly due to de-growth in branded business led by high base due to channel filling in Q3FY18
US	66.0	80.5	71.0	80.0	-7.0	-17.5	

Source: Company, ICICI Direct Research

Change in estimates

(₹ Crore)	FY19E			FY20E			
	Old	New	% Change	Old	New	% Change	
Revenue	2,113.1	2,041.2	-3.4	2,351.6	2,246.3	-4.5	
EBITDA	605.6	551.3	-9.0	719.9	623.3	-13.4	
EBITDA Margin (%)	28.7	27.0	-169 bps	30.6	27.7	-285 bps	Changed as per management guidance
PAT	432.1	380.8	-11.9	532.6	446.1	-16.2	
EPS (₹)	48.9	43.1	-11.8	60.3	50.5	-16.3	Changed as per management guidance

Source: Company, ICICI Direct Research

Assumptions

(₹ crore)	FY17	FY18	Current		Earlier		
			FY19E	FY20E	FY19E	FY20E	
Branded - domestic	593.0	603.0	658.6	736.1	695.1	801.5	Changed as per management guidance
Africa	712.0	738.0	505.0	539.1	511.8	556.0	Changed as per management guidance
Asia	418.0	493.0	527.6	580.3	550.9	617.0	Changed as per management guidance
US	185.0	193.0	277.4	347.8	299.1	372.1	Changed as per management guidance

Source: Company, ICICI Direct Research

Company Analysis

Established in 1973, APL is mainly into exports as well as domestic formulations. As of FY18, the exports: domestic formulation ratio was at 67:33. The company owns five manufacturing facilities- four in Aurangabad, Maharashtra and one in Mauritius. Of these five facilities, only one in Aurangabad is an API facility. The rest are all formulations. Consolidated revenues, EBITDA and PAT have grown at a CAGR of 15%, 16% and 57%, respectively, in FY14-18. APL had come out with a maiden IPO in March 2000. It raised ₹ 68 crore, which was earmarked for capacity expansion and debt repayment.

Domestic formulations constitute 30% of the total consolidated turnover (FY18). This segment has been further segregated into two sub-segments- 1) branded formulations and 2) institutional business. Initially, the company was catering to the institutional business. The institutional sub-segment accounts for ~4% of domestic formulations and is mainly confined to government and institutional tenders. It is only in the last 10 years that the focus shifted to the branded formulations business, which now accounts for ~96% of domestic formulations.

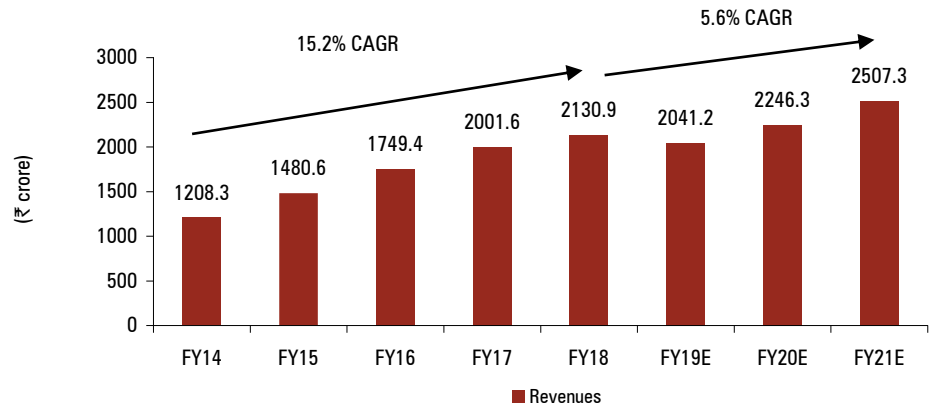
The company focuses on only a few so called specialty therapies – ophthalmology, dermatology and cardiology. Together, these therapies constitute ~94% of domestic branded formulations. APL invested heavily in the technology and field force, especially in the first five years after the changed focus. The focus was also to offer novel delivery system. From ₹ 17 crore in FY05, branded formulations have grown to ₹ 603 crore in FY18. Till date, the company has launched 270+ products out of which 60% are first time launches. The current MR strength is 3000+. Overall, domestic branded formulations have grown at 17% CAGR in FY14-18 to ₹ 603 crore. The company has only one product under the National List of Essential Medicines (NLEM) 2011 list.

Export formulations constitute 67% of total revenue (FY18). Exports are mainly confined to emerging markets and constitute branded generics. APL exports its products in ~31 emerging markets with a significant presence in Franco African countries and Philippines.

Africa accounts for ~54% of export formulations followed by Asia. The company also participates in anti-malarial tenders in Africa. It operates through 710+ MRs in these emerging markets. APL owns a portfolio of 1395 registered brands in these markets encompassing major therapies such as anti-infectives, anti-malarials, ophthalmic, dermatology, cardiovascular, GI, etc. The company also has a marginal presence in Latin America. It has also forayed into regulated markets such as US where it has filed 40 ANDAs and received approvals for 20. Overall export formulations have grown at 16% CAGR in FY14-18 to ₹ 1432 crore.

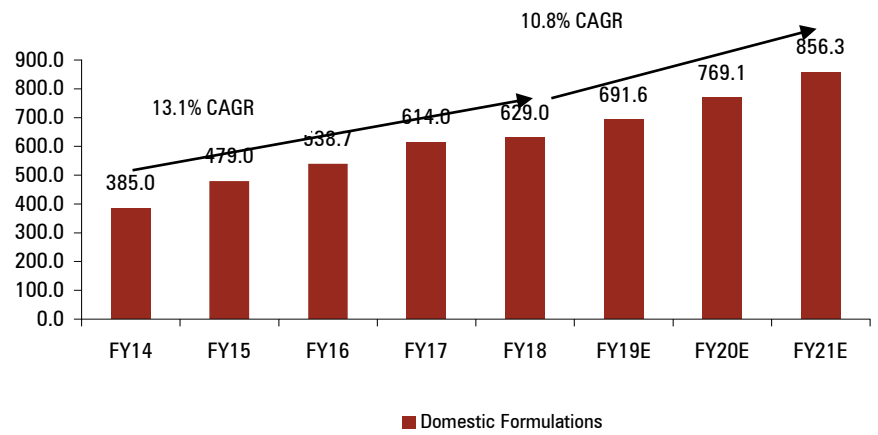
We expect revenues to grow at a CAGR of just 6% to ₹ 2507 crore in FY18-21E, mainly due to a sharp reduction in the African tender business opportunity. Due to this, the exports business growth is likely to grow at 5% CAGR over FY18-21E. The domestic formulations segment is likely to register a CAGR of 11% during the same period, driven by branded formulations.

Exhibit 1: Revenue growth trend



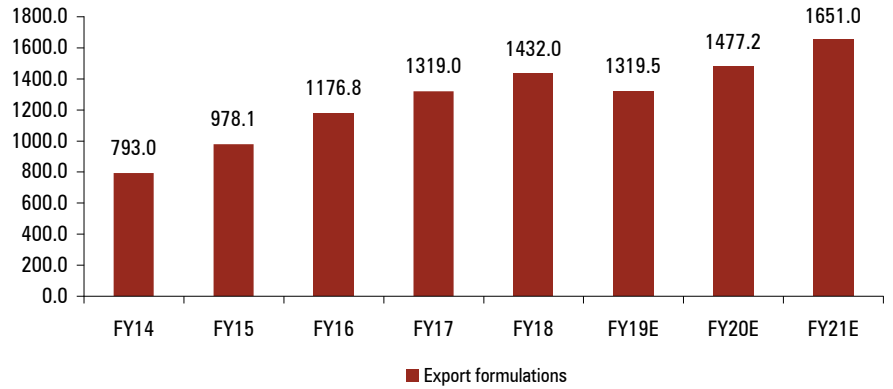
Source: Company, ICICI Direct Research

Exhibit 2: Domestic formulation likely to grow at CAGR of 11% in FY18-21E



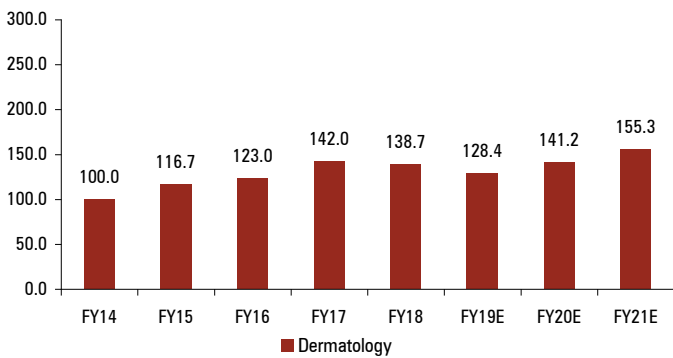
Source: Company, ICICI Direct Research

Exhibit 3: Exports to grow at CAGR of 5% in FY18-21E



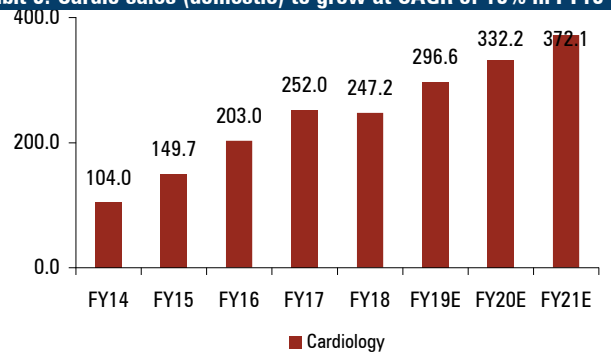
Source: Company, ICICI Direct Research

Exhibit 4: Derma sales (domestic) to grow at 3.9% CAGR in FY18-21E



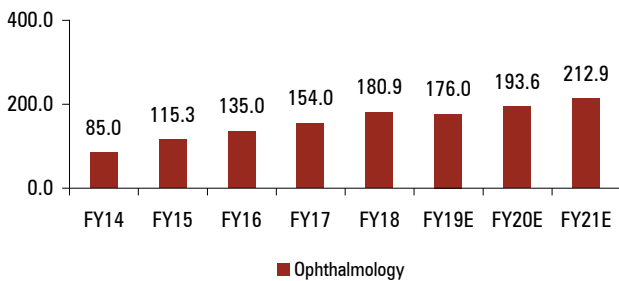
Source: Company, ICICI Direct Research

Exhibit 5: Cardio sales (domestic) to grow at CAGR of 15% in FY18-21E



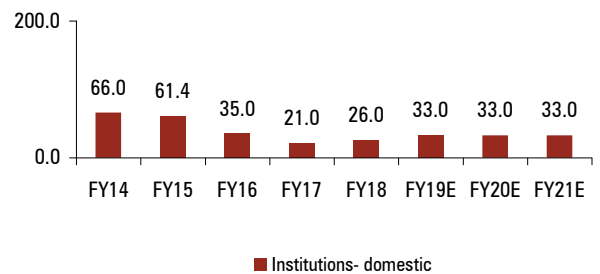
Source: Company, ICICI Direct Research

Exhibit 6: Ophthalmic sales (domestic) at 6% CAGR in FY18-21E



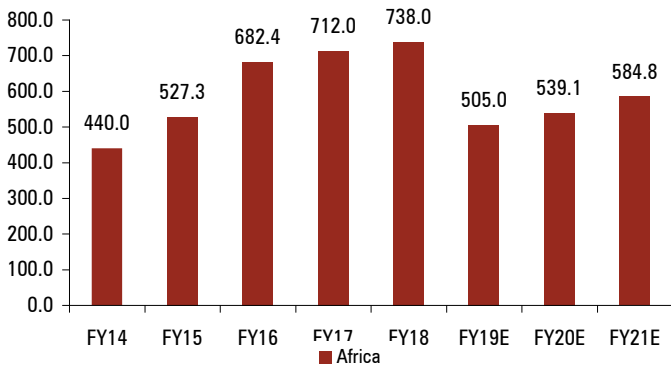
Source: Company, ICICI Direct Research

Exhibit 7: Institutional domestic business



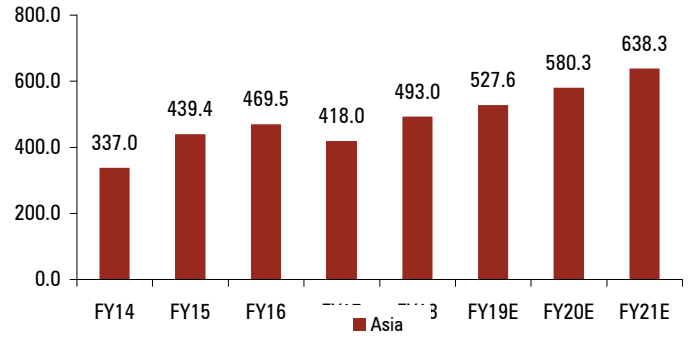
Source: Company, ICICI Direct Research

Exhibit 8: Africa sales exports decline at 7.5% CAGR in FY18-21E



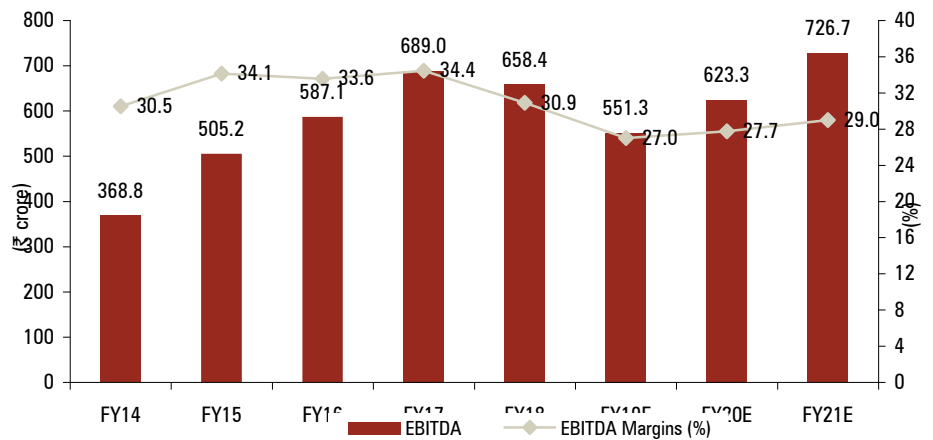
Source: Company, ICICI Direct Research

Exhibit 9: Asia exports growth at 9% CAGR in FY18-21E



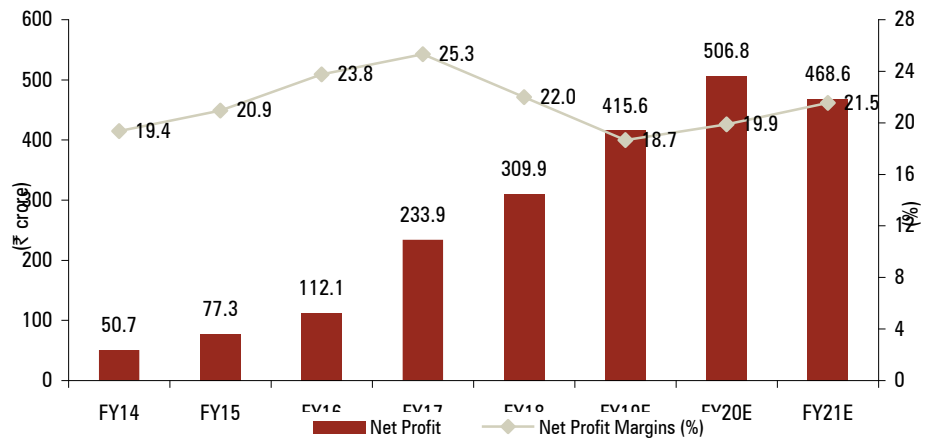
Source: Company, ICICI Direct Research

Exhibit 10: EBITDA to grow at 3% CAGR in FY18-21E

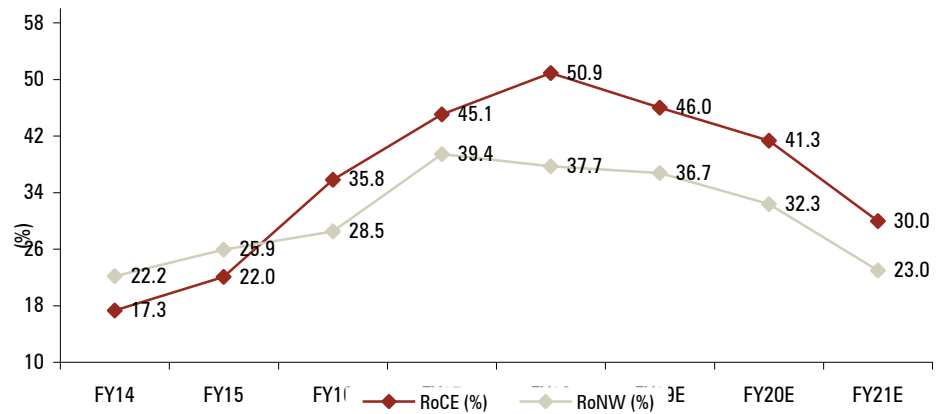


Source: Company, ICICI Direct Research

Exhibit 11: Net profit to grow at 14.8% CAGR in FY18-21E



Source: Company, ICICI Direct Research

Exhibit 12: Trends in return ratios


Source: Company, ICICI Direct Research

Exhibit 13: Trends in quarterly financials

(₹ crore)	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	YoY (%)	QoQ (%)
Net Sales	469.6	419.2	454.2	502.4	515.0	456.1	463.0	528.4	575.0	530.3	511.0	544.1	485.1	-15.6	-10.8
Other Operating Income	7.1	6.5	16.8	13.4	18.1	20.7	21.0	12.0	12.1	0.0	0.0	0.0	0.0	-100.0	#DIV/0!
Total Operating Income	476.6	425.7	471.0	515.8	533.1	476.8	484.0	540.4	587.1	530.3	511.0	544.1	485.1	-17.4	-10.8
Raw Material Expenses	115.5	95.5	99.4	116.6	106.4	92.3	93.6	109.0	110.0	93.8	84.1	95.9	97.9	-11.0	2.0
% of Revenue	24.2	22.4	21.1	22.6	20.0	19.3	19.3	20.2	18.7	17.7	16.5	17.6	20.2	144 bps	255 bps
Gross Profit	361.2	330.3	371.7	399.3	426.7	384.6	390.4	431.4	477.1	436.6	426.9	448.2	387.2	-18.8	-13.6
Gross Profit Margin (%)	75.8	77.6	78.9	77.4	80.0	80.7	80.7	79.8	81.3	82.3	83.5	82.4	79.8	-144 bps	-255 bps
Employee Expenses	64.8	69.0	70.3	72.2	77.4	75.5	86.7	89.4	95.2	105.2	104.8	105.8	112.8	18.4	6.6
% of Revenue	13.6	16.2	14.9	14.0	14.5	15.8	17.9	16.5	16.2	19.8	20.5	19.4	23.2	703 bps	381 bps
Other Expenditure	132.5	120.7	140.3	154.4	171.3	148.2	162.1	158.2	184.3	191.9	164.6	176.2	167.1	-9.3	-5.2
% of Revenue	27.8	28.3	29.8	29.9	32.1	31.1	33.5	29.3	31.4	36.2	32.2	32.4	34.5	305 bps	207 bps
Total Expenditure	312.8	285.1	309.9	343.1	355.1	315.9	342.4	356.7	389.6	390.8	353.5	377.9	377.8	-3.0	0.0
% of Revenue	65.6	67.0	65.8	66.5	66.6	66.3	70.8	66.0	66.4	73.7	69.2	69.5	77.9	1152 bps	843 bps
EBITDA	163.9	140.6	161.1	172.7	178.0	160.9	141.6	183.7	197.5	139.5	157.5	166.2	107.3	-45.7	-35.4
EBITDA Margin (%)	34.4	33.0	34.2	33.5	33.4	33.7	29.2	34.0	33.6	26.3	30.8	30.5	22.1	-1152 bps	-843 bps
Other Income	2.3	2.6	5.5	6.7	19.2	2.4	1.5	9.2	15.2	5.2	8.1	15.2	4.4	-70.9	-71.1
Interest	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	0.0	0.0
Depreciation	11.7	12.1	13.0	14.0	15.3	18.9	13.4	14.6	15.0	16.6	17.2	17.5	18.7	24.6	6.7
PBT (bef Excep's)	153.4	130.1	152.5	164.4	180.8	143.3	128.6	177.3	196.6	127.1	147.4	162.9	92.0	-53.2	-43.5
Less: Exceptional Items	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		
PBT	153.4	130.1	152.5	164.4	180.8	143.3	128.6	177.3	196.6	127.1	147.4	162.9	92.0	-53.2	-43.5
Total Tax	38.7	24.9	38.5	34.5	38.5	30.0	23.9	46.4	50.1	33.5	42.5	38.5	26.1	-47.9	-32.2
Tax rate (%)	25.2	19.1	25.2	21.0	21.3	20.9	18.6	26.2	25.5	26.4	28.8	23.6	28.3	287 bps	473 bps
PAT	114.3	107.5	122.0	130.7	142.6	114.0	94.8	131.9	147.5	94.5	105.8	125.4	66.9	-54.6	-46.6
PAT Margin (%)	24.0	25.3	25.9	25.3	26.7	23.9	19.6	24.4	25.1	17.8	20.7	23.0	13.8	-1133 bps	-925 bps

Source: Company, ICICI Direct Research

SWOT Analysis

Strengths - Industry beating growth on a consistent basis, focused approach in the exports space, high return ratios, knack of launching new products on a consistent basis.

Weakness - High product concentration.

Opportunities - US generics space.

Industry specific threats - Increased USFDA scrutiny across the globe regarding cGMP issues, pricing pressure due to client consolidation. Increased competition in the domestic formulations space.

Conference call highlights

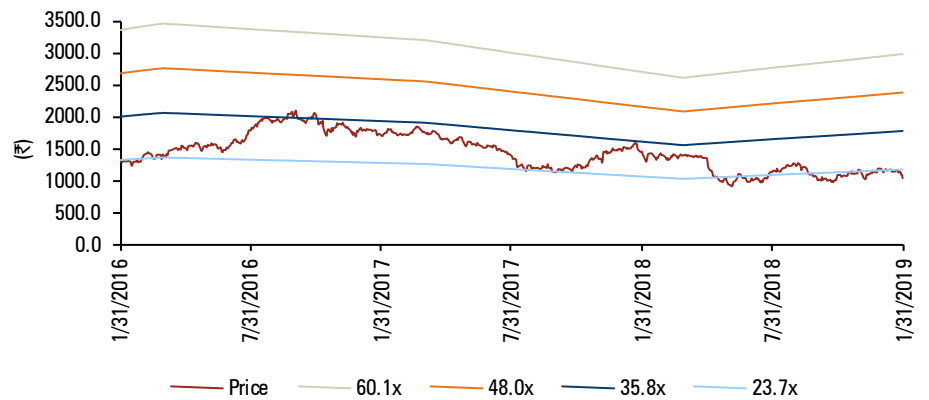
- The management has guided for 10-12% of sales growth for FY20 and EBITDA margins improvement of ~150 bps
- The management has guided for domestic growth of 10-12% for FY20
- Asia branded formulations and Africa branded formulations are expected to grow ~10% in FY20 as per management guidance
- US growth can be in the range of 20-22% for FY20
- Current capacity utilisation at Dahej, Guwahati facilities is in the range of 18-20%. It is likely to improve to 45-50% in FY20
- The management expects tax rate to go down by 100-150 bps due to higher capacity utilisation at Dahej and Guwahati

Exhibit 14: Facilities

Location	Segment	Regulatory Approvals	Type
Paithan, India (3 Aurangabad facilities)	Formulations	US FDA, UK MHRA, health authorities of Brazil and Colombia, WHO pre-qualification	tablets, capsules, ointments, injections and dry powder
Mauritius	Formulations		
Dahej (upcoming)	Formulations	US FDA	
Guwahati (upcoming)	Formulations		
Aurangabad	API	WHO	

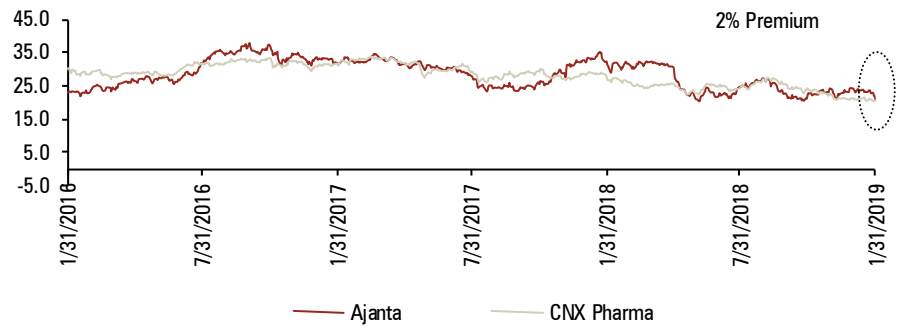
Source: Company, ICICI Direct Research

Exhibit 15: One year forward PE



Source: Company, ICICI Direct Research

Exhibit 16: One year forward PE of company vs. CNX Pharma Index



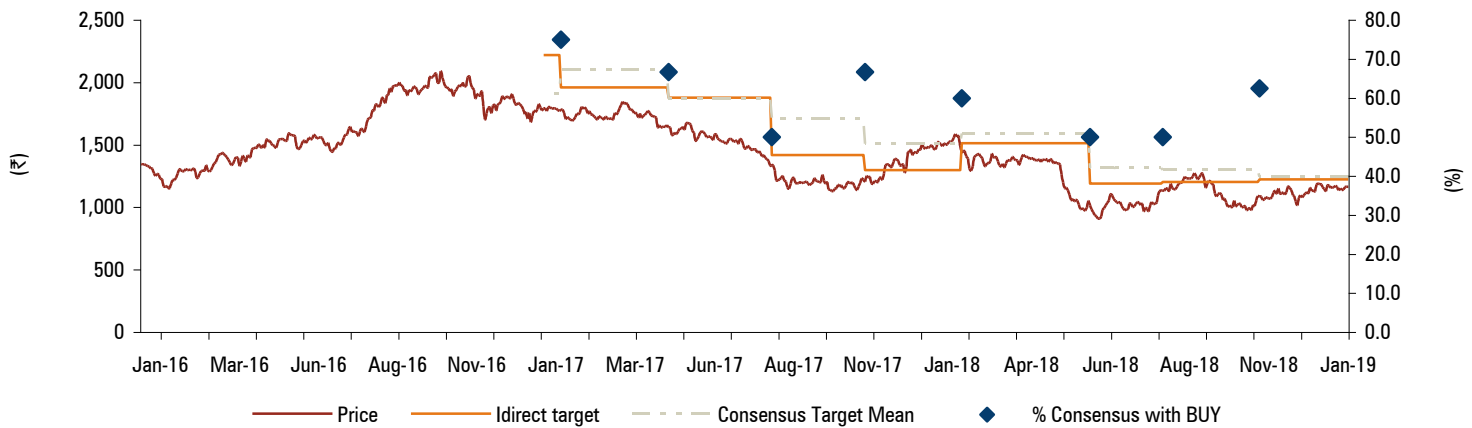
Source: Company, ICICI Direct Research

Exhibit 17: Valuation

	Revenues (₹ crore)	Growth (%)	EPS (₹)	Growth (%)	P/E (x)	EV/EBITDA (X)	RoE (%)	RoCE (%)
FY18	2131	6.5	53.0	-7.5	19.3	13.3	23.0	30.0
FY19E	2041	-4.2	43.1	-18.7	23.8	15.7	16.4	21.6
FY20E	2246	10.1	50.5	17.1	20.3	13.4	16.8	21.7
FY21E	2507	11.6	61.1	21.0	16.8	11.3	17.6	22.4

Source: Company, ICICI Direct Research

Recommendation history vs. Consensus



Source: Reuters, Company, ICICI Direct Research; Initiated on September 22, 2014

Key events

Date	Event
Jun-08	Commissions dedicated R&D facility in Kandivali, Mumbai
Mar-09	Enters the Philippines market via incorporation of a subsidiary
Mar-09	USFDA approves Paithan facility
Mar-10	Acquires formulation facility near Aurangabad to cater to ROW markets
Dec-12	Enters regulated markets with first product approval in the US and one for Europe.
Mar-13	Launches first product in the US
Jan-15	Board approves subdivision of shares from ₹ 5 to ₹ 2
Mar-16	Aurangabad facility receives EIR with no observations
Mar-16	Dahej facility receives one USFDA 483 observation
Apr-17	USFDA clears Dahej facility without any Form 483 observations
Jun-18	USFDA clears Dahej facility without any Form 483 observations

Source: Company, ICICI Direct Research

Top 10 Shareholders

Rank	Top Investors (As of Latest Filing)	Top Investors (As of Latest Filing)	Top Investors (As of Latest Filing)	Top Investors (As of Latest Filing)
1	Agrawal (Ravi P)	31-Dec	0.1	12.8m
2	Agrawal (Rajesh)	31-Dec	0.1	12.7m
3	Agrawal (Yogesh Mannalal)	31-Dec	0.1	12.7m
4	Agrawal (Ayush Madhusudan)	31-Dec	0.1	12.7m
5	Gabs Investments Pvt. Ltd.	31-Dec	0.1	8.4m
6	Matthews International Capital Management, L.	31-Dec	0.0	3.2m
7	Motilal Oswal Asset Management Company Ltd	31-Dec	0.0	2.8m
8	Ganga Exports	31-Dec	0.0	2.4m
9	SBI Funds Management Pvt. Ltd.	31-Dec	0.0	2.0m
10	UTI Asset Management Co. Ltd.	30-Sep	0.0	1.5m

Source: Reuters, ICICI Direct Research

Shareholding Pattern

(in %)	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Promoter	70.7	70.7	70.5	70.5	70.5
Others	29.3	29.3	29.5	29.5	29.5

Recent Activity

Buys				Sells			
Investor name	Value (\$)	Shares		Investor name	Value (\$)	Shares	
Motilal Oswal Asset Management Company Ltd.	8.2m	0.5m		SBI Funds Management Pvt. Ltd.	-3.1m	-0.2m	
ICICI Prudential Asset Management Co. Ltd.	6.1m	0.4m		IDFC Asset Management Company Private Limited	-0.7m	0.0m	
Reliance Nippon Life Asset Management Limited	3.2m	0.2m		DHFL Pramerica Asset Managers Private Limited	-0.6m	0.0m	
Matthews International Capital Management, L.L.C.	2.4m	0.1m		L&T Investment Management Limited	-0.3m	0.0m	
Invesco Asset Management (India) Private Limited	2.0m	0.1m		UTI Asset Management Co. Ltd.	-0.1m	0.0m	

Source: Reuters, ICICI Direct Research

Financial summary

Profit and loss statement		₹ crore			
(Year-end March)/ (₹ crore)	FY18	FY19E	FY20E	FY21E	
Total Operating Income	2,130.9	2,041.2	2,246.3	2,507.3	
Growth (%)	6.5	-4.2	10.1	11.6	
Raw Material Expenses	406.4	378.1	449.3	501.5	
Gross Profit	1,724.5	1,663.0	1,797.1	2,005.8	
Gross Profit Margins (%)	80.9	81.5	80.0	80.0	
Employee Expenses	376.5	433.5	446.5	482.9	
Other Expenditure	689.6	678.3	727.3	796.3	
Total Operating Expenditure	1,472.5	1,489.9	1,623.0	1,780.6	
EBITDA	658.4	551.3	623.3	726.7	
Growth (%)	-4.4	-16.3	13.1	16.6	
Interest	0.4	0.4	0.1	0.1	
Depreciation	59.6	72.0	84.0	92.7	
Other Income	24.2	32.3	47.8	62.7	
PBT before Exceptional Items	622.6	511.2	587.0	696.6	
Less: Exceptional Items	0.0	0.0	0.0	0.0	
PBT after Exceptional Items	622.6	511.2	587.0	696.6	
Total Tax	153.9	130.3	140.9	156.7	
PAT before MI	468.6	380.8	446.1	539.9	
PAT	468.6	380.8	446.1	539.9	
Growth (%)	-7.5	-18.7	17.1	21.0	
EPS (Adjusted)	53.0	43.1	50.5	61.1	

Source: Company, ICICI Direct Research

Balance sheet		₹ crore			
(Year-end March)	FY18	FY19E	FY20E	FY21E	
Equity Capital	17.7	17.7	17.7	17.7	
Reserve and Surplus	2,023.7	2,309.5	2,644.3	3,049.4	
Total Shareholders funds	2,041.4	2,327.2	2,662.0	3,067.1	
Total Debt	1.0	1.0	1.0	1.0	
Deferred Tax Liability	24.4	24.9	25.4	25.9	
Long-Term Provisions	13.2	13.4	13.7	14.0	
Other Non Current Liabilities	0.0	0.0	0.0	0.0	
Source of Funds	2,079.9	2,366.5	2,702.1	3,108.0	
Gross Block - Fixed Assets	1,417.2	1,592.2	1,767.2	1,942.2	
Accumulated Depreciation	364.6	436.6	520.5	613.3	
Net Block	1,052.7	1,155.7	1,246.7	1,328.9	
Capital WIP	61.3	136.3	211.3	286.3	
Fixed Assets	1,114.0	1,292.0	1,458.0	1,615.3	
Investments	190.0	340.0	490.0	640.0	
Other non-Current Assets	80.8	82.4	84.1	85.7	
Inventory	350.6	335.9	276.9	309.1	
Debtors	492.0	471.3	400.0	446.5	
Other Current Assets	108.0	110.1	112.3	114.6	
Cash	90.6	72.3	196.5	239.6	
Total Current Assets	1,041.2	989.6	985.8	1,109.8	
Creditors	249.6	239.1	215.4	240.4	
Provisions	28.8	29.3	29.9	30.5	
Other Current Liabilities	67.7	69.0	70.4	71.8	
Total Current Liabilities	346.1	337.5	315.7	342.7	
Net Current Assets	695.2	652.1	670.0	767.0	
Application of Funds	2,079.9	2,366.5	2,702.1	3,108.0	

Source: Company, ICICI Direct Research

Cash flow statement		₹ crore			
(Year-end March)/ (₹ crore)	FY18	FY19E	FY20E	FY21E	
Profit/(Loss) after taxation	483.0	380.8	446.1	539.9	
Add: Depreciation & Amortizatic	59.6	72.0	84.0	92.7	
Net Increase in Current Assets	-346.9	33.3	128.0	-80.9	
Net Increase in Current Liabilitie	86.9	-8.6	-21.8	27.0	
Others	0.4	0.4	0.1	0.1	
CF from Operating activities	283.0	478.0	636.4	578.8	
Investments	10.6	-150.0	-150.0	-150.0	
(Purchase)/Sale of Fixed Assets	-262.6	-250.0	-250.0	-250.0	
Others	-5.9	-0.9	-0.9	-0.9	
CF from Investing activities	-258.0	-400.9	-400.9	-400.9	
(inc)/Dec in Loan	0.5	0.0	0.0	0.0	
Dividend & Dividend tax	-0.3	-95.0	-111.3	-134.7	
Other	-0.4	-0.4	-0.1	-0.1	
CF from Financing activities	-0.2	-95.4	-111.4	-134.8	
Net Cash Flow	24.8	-18.3	124.2	43.1	
Cash and Cash Equivalent	65.8	90.6	72.3	196.5	
Cash	90.6	72.3	196.5	239.6	
Free Cash Flow	20.4	228.0	386.4	328.8	

Source: Company, ICICI Direct Research

Key ratios					
(Year-end March)	FY18	FY19E	FY20E	FY21E	
Per share data (₹)					
Reported EPS	53.0	43.1	50.5	61.1	
Cash EPS	53.0	32.3	37.9	45.9	
BV per share	231.1	263.4	301.3	347.2	
Cash per Share	10.3	8.2	22.2	27.1	
Dividend per share	0.0	10.8	12.6	15.2	
Operating Ratios (%)					
Gross Profit Margins	80.9	81.5	80.0	80.0	
EBITDA margins	30.9	27.0	27.7	29.0	
PAT Margins	22.0	18.7	19.9	21.5	
Cash Conversion Cycle	101.6	101.6	75.0	75.0	
Asset Turnover	1.5	1.3	1.3	1.3	
EBITDA conversion Rate	43.0	86.7	102.1	79.6	
Return Ratios (%)					
RoE	23.0	16.4	16.8	17.6	
RoCE	30.0	21.6	21.7	22.4	
RoIC	34.3	26.3	29.8	32.5	
Valuation Ratios (x)					
P/E	19.3	23.8	20.3	16.8	
EV / EBITDA	13.3	15.7	13.4	11.3	
EV / Net Sales	4.1	4.2	3.7	3.3	
Market Cap / Sales	4.2	4.4	4.0	3.6	
Price to Book Value	4.4	3.9	3.4	2.9	
Solvency Ratios					
Debt / EBITDA	0.0	0.0	0.0	0.0	
Debt / Equity	0.0	0.0	0.0	0.0	
Current Ratio	2.7	2.7	2.5	2.5	
Quick Ratio	1.7	1.7	1.6	1.6	

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	1024	1,225	Buy	9013.1	57.4	53.0	43.1	50.5	17.8	19.3	23.8	20.3	41.3	30.0	21.6	21.7	32.3	23.0	16.4	16.8
Alembic Pharma	ALEMPHA	603	620	Hold	11369.4	21.2	21.9	30.4	27.1	28.5	27.6	19.9	22.3	25.3	18.0	19.9	17.2	21.0	18.6	21.4	16.6
Apollo Hospitals	APOHOS	1316	1,440	Buy	18304.7	15.9	8.5	26.6	48.2	82.8	155.6	49.4	27.3	6.1	6.3	9.8	13.7	6.0	3.6	10.4	16.4
Aurobindo Pharma	AURPHA	782	915	Buy	45835.6	38.8	41.6	42.6	53.1	20.2	18.8	18.4	14.7	24.4	20.0	18.0	16.7	24.2	20.7	17.8	18.4
Biocon	BIOCON	650	760	Buy	38991.0	8.5	6.2	12.8	17.3	76.7	104.7	50.8	37.5	9.4	8.1	13.1	15.4	10.5	7.2	12.8	15.0
Cadila Healthcare	CADHEA	319	415	Buy	32693.2	14.5	17.5	16.5	18.9	22.0	18.2	19.3	16.9	13.1	16.7	14.2	13.1	21.4	20.5	16.8	16.8
Cipla	CIPLA	506	510	Hold	40750.7	12.5	18.3	17.5	23.1	40.5	27.6	28.8	21.9	7.7	9.6	11.0	13.9	8.0	10.4	9.2	11.0
Divi's Lab	DIVLAB	1498	1,700	Buy	39776.5	39.9	33.3	55.0	65.5	37.5	45.0	27.2	22.9	25.3	20.0	26.8	26.3	19.8	14.9	20.7	20.5
Dr Reddy's Labs	DRREDD	2664	2,700	Buy	44220.6	78.0	57.0	97.0	134.8	34.2	46.7	27.5	19.8	7.3	6.1	8.9	11.9	10.5	7.2	11.2	13.7
Glenmark Pharma	GLEPHA	641	660	Hold	18096.9	42.2	28.5	32.9	36.8	15.2	22.5	19.5	17.4	19.5	14.6	16.0	15.2	26.5	15.6	14.9	14.5
Indoco Remedies	INDREM	189	195	Hold	1741.6	8.4	4.8	-1.8	7.4	22.6	39.1	-103.6	25.5	8.7	6.5	-0.1	8.3	11.8	6.6	-2.6	9.4
Ipca Laboratories	IPCLAB	782	845	Buy	9874.4	15.4	19.0	32.4	42.3	50.7	41.2	24.1	18.5	8.7	9.1	13.8	17.1	7.9	8.9	13.5	15.4
Jubilant Life	JUBLIF	707	920	Buy	11262.0	36.9	41.3	62.5	76.6	19.1	17.1	11.3	9.2	13.8	14.9	19.4	21.3	16.8	15.7	19.4	19.4
Lupin	LUPIN	873	870	Hold	39517.1	56.7	20.8	27.6	39.1	15.4	42.1	31.6	22.3	16.6	10.4	10.4	12.4	19.0	6.9	8.6	11.0
Narayana Hrudalaya	NARHRU	188	270	Buy	3842.0	4.1	2.5	2.3	6.6	45.5	75.1	80.9	28.5	12.5	6.3	7.1	12.0	8.8	4.9	4.4	11.1
Natco Pharma	NATPHA	686	860	Buy	12667.1	26.3	37.7	41.7	24.9	26.0	18.2	16.5	27.5	33.6	27.4	26.6	14.8	29.5	22.7	21.2	11.6
Sun Pharma	SUNPHA	416	460	Hold	99809.6	29.0	13.0	14.7	21.1	14.3	32.1	28.4	19.7	20.3	9.8	10.2	13.3	19.0	8.2	8.8	11.5
Syngene Int.	SYNINT	575	675	Buy	11499.0	14.4	15.3	16.3	17.5	40.8	38.4	35.9	33.5	16.0	15.9	16.8	16.5	20.3	17.7	16.1	14.8
Torrent Pharma	TORPHA	1836	2,175	Buy	31070.8	55.2	40.1	52.3	64.9	33.3	45.8	35.1	28.3	18.9	11.2	14.2	17.1	21.5	14.7	16.7	17.9

Source: Company, ICICI Direct Research

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