

## Performance miss on all fronts...

Q4FY19 revenues grew 8.6% YoY to ₹ 927 crore (I-direct estimate: ₹ 1028.1 crore) on account of 32.3% YoY growth in RoW markets to ₹ 82 crore (I-direct estimate: ₹ 139.5 crore) and 16.2% YoY growth in API segment to ₹ 230 crore (I-direct estimate: ₹ 207.9 crore). While domestic formulations de-grew 0.7% YoY to ₹ 302 crore (I-direct estimate: ₹ 340.2 crore), US formulations grew 7.9% YoY to ₹ 313 crore (I-direct estimate: ₹ 314.5 crore). EBITDA margins contracted 109 bps YoY to 19.2% (I-direct estimate: 21.9%) mainly due higher other expenditure. EBITDA grew mere 2.8% YoY to ₹ 178 crore vis-à-vis I-direct estimate of ₹ 224.8 crore. Net profit grew 39.2% YoY to ₹ 130.6 crore (I-direct estimate of ₹ 157.6 crore). Delta vis-à-vis EBITDA was mainly due to lower tax rate (14.9% vs. 38.5% in Q4FY18).

## Domestic sales growth riding on speciality segment growth

Specialty contribution in the domestic branded space increased to 63% in FY19 from 54% in FY14. 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 FY19-21E 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 FY19-21E to ₹ 1766 crore.

## US growth to be driven by new launches

APL's US sales (40% of FY19 revenues) grew at ~36% CAGR in FY15-19 to ₹ 1266 crore 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 ~161 ANDA filings with 72 pending final approvals. APL has already demonstrated required capabilities by securing limited competition approvals like gAbilify (CNS), gExforge (CVS), gCelebrix (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 21.7% CAGR in FY19-21E to ₹ 1877 on the back of new launches.

## Valuation & Outlook

With the aggressive R&D and capex, 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. We arrive at our target price of ₹ 560 based on 22x FY21E EPS of ₹ 25.4.



Particulars	
Particular	Amount
Market Capitalisation	₹ 10140 crore
Debt (FY19)	₹ 928 crore
Cash & cash equivalents (FY19)	₹ 206 crore
EV	₹ 10863 crore
52 week H/L	664/412
Equity capital	₹ 38 crore
Face value	₹ 2

- ### Key Highlights
- Q4 results lower than I-direct estimates on all fronts mainly due to lower-than-expected domestic formulations, RoW sales, higher other expenditure
  - With aggressive R&D, capex, the management signalled its long term strategy for next five to six years, especially on US front
  - However, benefits are back-loaded. Immediate cash burn may weigh on sentiments in near term
  - Maintain HOLD recommendation

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## Key Financial Summary

(₹crore)	FY18	FY19	FY20E	FY21E	CAGR (FY19-21E) %
Revenues	3130.8	3934.7	4120.3	4908.8	11.69
EBITDA	643.1	873.6	814.6	866.0	-0.44
EBITDA margins (%)	20.5	22.2	19.8	17.6	
Net Profit	412.6	590.9	516.2	478.1	-10.05
EPS (₹)	21.9	31.3	27.4	25.4	
PE (x)	24.6	17.2	19.6	21.2	
Target PE (x)	25.6	17.9	20.4	22.1	
EV to EBITDA (x)	16.7	12.4	13.0	11.7	
ROIC (%)	27.9	38.7	28.8	17.0	
RoNW (%)	18.6	21.7	16.5	13.6	

**Exhibit 1: Variance Analysis**

	Q4FY19	Q4FY19E	Q4FY18	Q3FY19	YoY (%)	QoQ (%)	Comments
Revenue	927.0	1,028.1	853.3	1,018.2	8.6	-9.0	YoY growth was driven by strong growth in RoW and API segment. Miss on I-direct estimates was due to lower-than-expected growth in domestic market and RoW markets
Raw Material Expenses	216.7	247.7	263.8	248.5	-17.8	-12.8	A 753 bps YoY improvement in gross margins to 76.6% mainly due to a change in product mix
Employee Expenses	200.7	215.9	157.3	198.4	27.6	1.2	YoY increase due to addition of headcount for new plants for non manufacturing purpose
R&D Expenditure	119.7	123.4	121.1	112.2	-1.1	6.7	
Other Expenditure	211.7	216.2	137.9	216.9	53.5	-2.4	
EBITDA	178.0	224.8	173.2	242.2	2.8	-26.5	
EBITDA (%)	19.2	21.9	20.3	23.8	-109 bps	-458 bps	YoY contracted and miss vis-à-vis I-direct estimates mainly higher-than-expected other expenditure
Interest	5.1	6.0	1.3	6.0	279.1	-14.6	
Depreciation	30.0	29.1	31.6	29.1	-5.1	3.1	
Other Income	3.4	3.5	0.6	3.5	426.6	-4.3	
PBT before EO & Forex	146.4	193.3	141.0	210.8	3.8	-30.5	
Forex & EO	0.0	0.0	0.0	0.0	NA	NA	
PBT	146.4	193.3	141.0	210.8	3.8	-30.5	
Tax	14.9	34.8	38.5	40.0	-61.3	-62.8	
PAT before MI	131.5	158.5	102.4	170.8	28.3	-23.0	
Net Profit	130.6	157.6	93.8	169.8	39.2	-23.1	Delta vis-à-vis EBITDA was mainly due to lower tax rate
<b>Key Metrics</b>							
Domestic Formulation	302.0	340.2	304.0	365.0	-0.7	-17.3	Muted YoY growth and miss vis-s-vis I-direct estimates mainly due to rationalisation of inventories at distributor level
US	313.0	314.5	290.0	308.0	7.9	1.6	YoY growth was mainly due to new launches
RoW	82.0	139.5	62.0	140.0	32.3	-41.4	Sequential sharp decline mainly due to rationalisation of inventories in Europe
APIs	230.0	207.9	198.0	205.0	16.2	12.2	YoY increase and beat vis-a-vis I-direct estimates mainly due to volume and price increase on the back of supply disruption in China

Source: ICICI Direct Research

**Exhibit 2: Change in Estimates**

(₹ Crore)	FY20E			FY21E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	4,409.2	4,120.3	-6.6	5,122.7	4,908.8	-4.2	Reduced RoW revenues expectation as per management guidance
EBITDA	794.2	814.6	2.6	922.5	866.0	-6.1	
EBITDA Margin (%)	18.0	19.8	176 bps	18.0	17.6	-37 bps	Changed FY20 margins mainly due to improvement in gross margins and reduce FY21 margins mainly due to increase in R&D spend
PAT	520.9	516.2	-0.9	544.5	478.1	-12.2	Changed mainly in sync with EBITDA
EPS (₹)	27.6	27.4	-0.9	28.9	25.4	-12.2	

Source: ICICI Direct Research

**Exhibit 3: Change in Estimates**

(₹ crore)	Current				Earlier		
	FY18	FY19	FY20E	FY21E	FY20E	FY21E	
Domestic Formulation	1,274.0	1,383.0	1,562.8	1,766.0	1,605.9	1,814.7	
US	909.5	1,266.0	1,370.4	1,876.5	1,343.7	1,746.8	
RoW	297.5	516.0	317.2	342.6	552.5	596.7	Changed as per management guidance
APIs	650.0	770.0	869.3	923.1	808.5	849.0	Changed as per management guidance

Source: ICICI Direct Research

## Conference call Highlights

- The company has received EIR for all existing plants from USFDA
- Alembic launched 10 products and received 20 approvals in the US in FY19. The management expects to launch more than 10 products in Q1FY20 and 15-20 products in FY20
- The RoW growth was impacted by rationalisation of inventories in Europe. As per the management, inventory rationalisation is likely to impact in Q1FY20 and then grow 15-20% on new base of Q1FY20
- The management expects domestic pharma market to grow 9-10% in FY20 with Alembic likely to grow 13-14%
- The management expects to maintain FY19 gross margins of ~75% in FY20.
- Inventory days at domestic distributor level has come down to 35-38 days from 60 days before GST, which was the major rational for slow growth in domestic formulations.
- The management expects R&D spending to gradually increase to ₹ 600 crore till FY21 due to filing of validation batches in the US and then after stabilise at ~₹ 600 crore
- The management has guided for ₹ 200-250 crore of annual maintenance capex in FY20 and FY21
- The company expects a sharp jump in US revenues from FY22E mainly due to approvals likely to start from new facilities

Exhibit 4: Trends in quarterly financials

(₹ Crore)	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	YoY (%)	QoQ(%)
Revenues	626.6	736.8	879.4	777.0	741.4	648.2	789.3	840.0	853.3	862.5	1127.1	1018.2	927.0	8.6	-9.0
Raw Material Cost	123.9	193.7	247.0	211.6	204.0	182.0	213.3	226.4	263.8	255.4	272.1	248.5	216.7	-17.8	-12.8
% to revenues	19.8	26.3	28.1	27.2	27.5	28.1	27.0	27.0	30.9	29.6	24.1	24.4	23.4		
Gross Profit	502.7	543.1	632.4	565.4	537.3	466.2	576.0	613.6	589.5	607.1	855.0	769.7	710.2	20.5	-7.7
Gross Profit Margin (%)	80.2	73.7	71.9	72.8	72.5	71.9	73.0	73.0	69.1	70.4	75.9	75.6	76.6	753 bps	102 bps
Employee cost	96.9	134.1	118.7	130.5	137.9	158.5	159.5	147.4	157.3	164.9	182.6	198.4	200.7	27.6	1.2
% to revenues	15.5	18.2	13.5	16.8	18.6	24.5	20.2	17.6	18.4	19.1	16.2	19.5	21.7	322 bps	217 bps
R & D	111.0	82.3	108.7	116.7	109.0	94.0	98.1	98.1	121.1	121.5	144.7	112.2	119.7		
% to revenues	17.7	11.2	12.4	15.0	14.7	14.5	12.4	11.7	14.2	14.1	12.8	11.0	12.9	-128 bps	190 bps
Other Expenditure	151.4	169.7	227.3	172.8	155.9	112.2	139.2	180.5	137.9	169.7	225.3	216.9	211.7	53.5	-2.4
% to revenues	24.2	23.0	25.8	22.2	21.0	17.3	17.6	21.5	16.2	19.7	20.0	21.3	22.8	668 bps	154 bps
Total Expenditure	483.3	579.8	701.6	631.6	606.8	546.8	610.1	652.5	680.1	711.5	824.7	775.9	748.9	10.1	-3.5
% to revenues	77.1	78.7	79.8	81.3	81.8	84.4	77.3	77.7	79.7	82.5	73.2	76.2	80.8		
EBIDTA	143.3	157.0	177.8	145.4	134.6	101.4	179.2	187.5	173.2	151.0	302.3	242.2	178.0	2.8	-26.5
EBITDA Margin (%)	22.9	21.3	20.2	18.7	18.2	15.6	22.7	22.3	20.3	17.5	26.8	23.8	19.2	-109 bps	-458 bps
Depreciation	24.4	19.4	20.6	21.1	21.8	21.8	25.7	26.4	31.6	27.6	28.6	29.1	30.0	-5.1	3.1
Interest	1.3	1.3	1.0	0.8	1.8	0.9	0.4	0.8	1.3	1.6	5.8	6.0	5.1	279.1	-14.6
OI	2.6	0.6	0.5	0.2	0.9	0.2	7.7	0.3	0.6	0.1	2.4	3.5	3.4		
PBT	120.2	136.9	156.7	123.7	111.8	78.9	160.8	160.6	141.0	121.9	270.3	210.8	146.4	3.8	-30.5
Tax	28.6	33.3	33.2	39.3	16.5	15.5	36.6	29.8	38.5	31.5	70.3	40.0	14.9	-61.3	-62.8
Tax Rate (%)	23.8	24.3	21.2	31.8	14.7	19.6	22.7	18.5	27.3	25.9	26.0	19.0	10.2		
PAT	91.6	103.6	123.6	84.4	95.3	63.4	124.3	130.9	102.4	90.4	200.0	170.8	131.5	28.3	-23.0
PAT Margin (%)	14.6	14.1	14.0	10.9	12.9	9.8	15.7	15.6	12.0	10.5	17.7	16.8	14.2		
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	91.6	103.6	123.6	84.4	95.3	63.4	124.3	130.9	102.4	90.4	200.0	170.8	131.5	28.3	-23.0
Add/(less) MI	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.0	-0.8	-0.8		
Net Profit	91.6	103.6	123.6	84.4	95.3	63.4	124.3	130.9	102.2	90.4	200.0	171.5	132.3	29.4	-22.9
Net Profit (excl.EI)	91.6	103.6	123.6	84.4	95.3	63.4	124.3	130.9	102.2	90.4	200.0	171.5	132.3	29.4	-22.9

Source: ICICI Direct Research

## Company Background

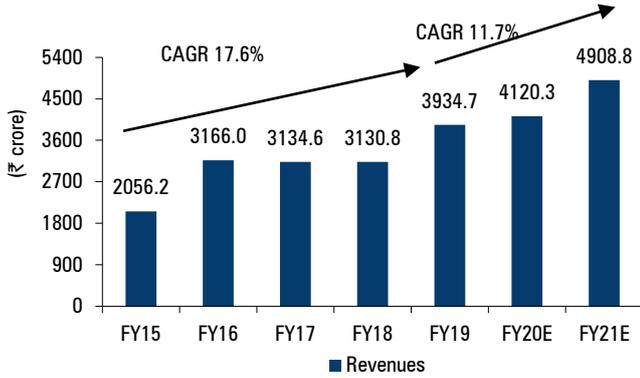
Tracing its roots way back to 1907, the company has remained an active player in the domestic formulations space with a few legacy brands like Azithral, Althrocin and Wikoryl in the anti-infective and cough & cold segments. In 2011, APL was de-merged from Alembic Ltd to provide more thrust to formulations 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 FY19, the domestic: exports formulation ratio was at 48:52. Consolidated revenues, EBITDA and PAT have grown at a CAGR of 18%, 21% and 20%, respectively, in FY15-19.

The company's domestic branded portfolio is gradually shifting to the speciality business segment, which now accounts for ~63% of domestic branded formulations in FY18 from 54% in FY14.

Export formulations constitute 52% of FY19 revenues. Of this, ~81% of export formulations are generics catering to the US.

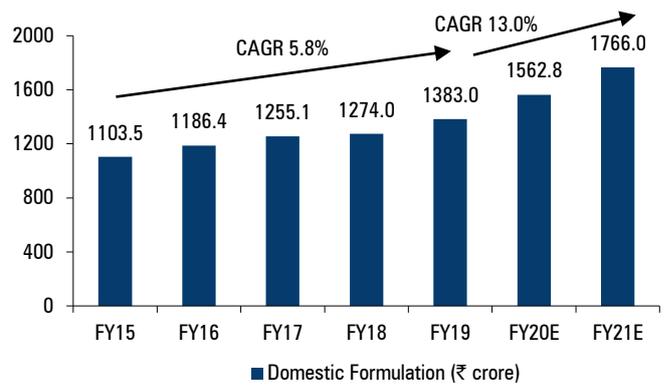
The company has acquired US based Orit Laboratories LLC along with real estate. Orit is focused on developing and filing oral solid and liquid products. With 8,600 square feet R&D and pilot manufacturing facility, it has seven approved ANDAs and four ANDAs pending approval. Orit adds complementary skill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

Exhibit 5: Revenues to grow at CAGR of 12% over FY19-21E



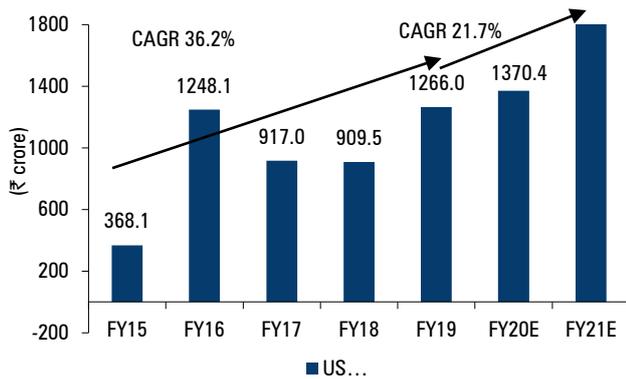
Source: ICICI Direct Research, Company

Exhibit 6: Domestic to grow at CAGR 13% over FY19-21E



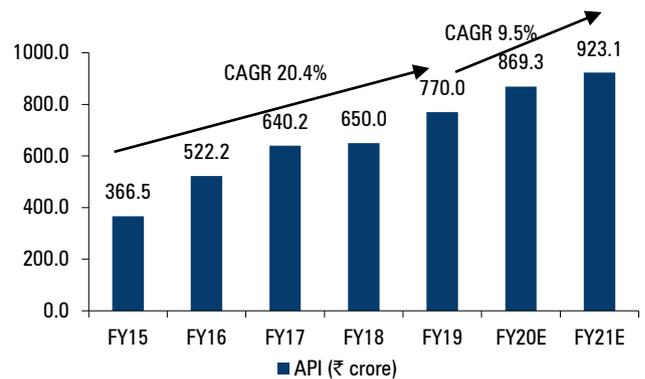
Source: ICICI Direct Research, Company

Exhibit 7: US to grow at CAGR 22% over FY19-21E



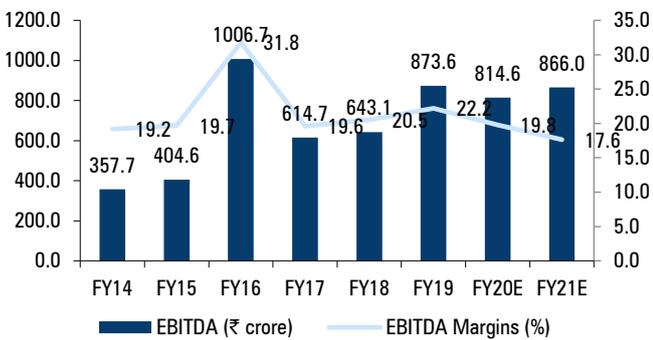
Source: ICICI Direct Research, Company

Exhibit 8: API to grow at 10% CAGR in FY19-21E



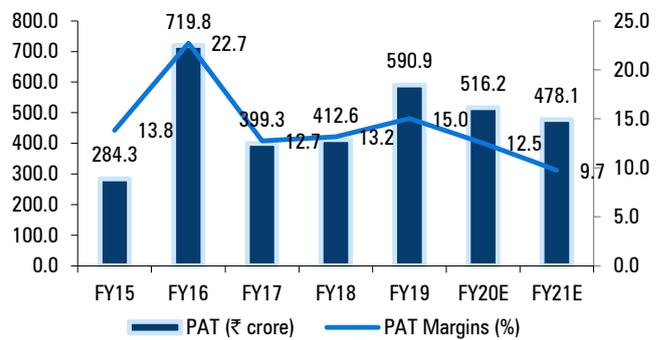
Source: ICICI Direct Research, Company

Exhibit 9: EBITDA & margins trend



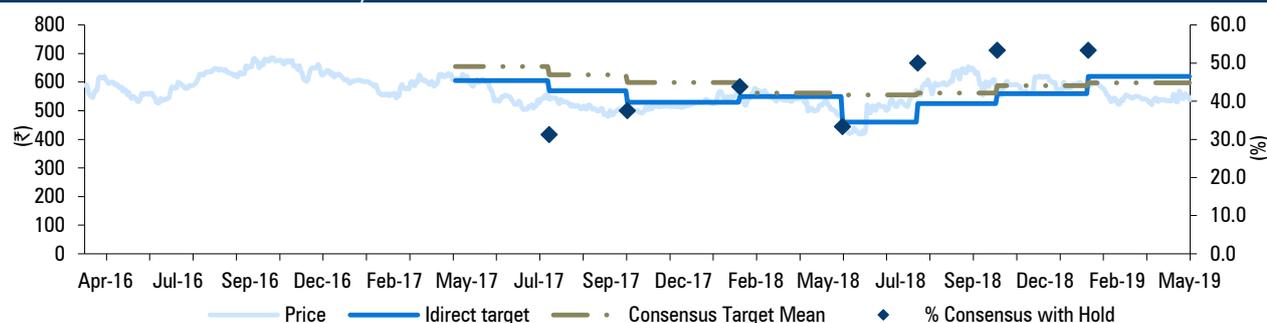
Source: ICICI Direct Research, Company

Exhibit 10: PAT & margins trend



Source: ICICI Direct Research, Company

Exhibit 11: Recommendation history vs. Consensus



Source: ICICI Direct Research, Reuters

Exhibit 12: Top 10 Shareholders

Rank	Investor Name	Latest Filing Date	% O/S	Position	Position Change
1	Alembic Ltd	Feb-19	29.5	55.6m	0.0
2	Nirayu Pvt. Ltd.	Dec-18	26.2	49.3m	0.0
3	Shreno, Ltd.	Dec-18	11.0	20.7m	0.0
4	ICICI Prudential Asset Management Co. Ltd.	Dec-18	3.4	6.4m	0.0
5	Amin (Chirayu Ramanbhai)	Dec-18	2.4	4.5m	0.0
6	Matthews International Capital Management, L.L.C.	Dec-18	2.2	4.1m	-0.3
7	Amin (Malika C)	Dec-18	1.6	3.0m	0.0
8	HSZ (Hong Kong) Limited	Dec-18	1.4	2.5m	0.0
9	Elara Capital Plc	Dec-18	1.2	2.3m	0.0
10	DSP Investment Managers Pvt. Ltd.	Mar-19	0.8	1.6m	0.2

Source: ICICI Direct Research, Reuters

Exhibit 13: Recent Activity

Buys			Sells		
Investor Name	Value (\$ mn)	Shares	Investor Name	Value (\$ mn)	Shares
Amin (Yeraben Ramanbhai)	8.4	1.1	Matthews International Capital Management, L.L.C.	-2.3	-0.3
Uday Education Society	7.8	1.0	Goldman Sachs Asset Management International	-1.8	-0.2
Bhailal Amin General Hospital	2.2	0.3	Norges Bank Investment Management (NBIM)	-1.8	-0.2
DSP Investment Managers Pvt. Ltd.	1.4	0.2	Union Asset Management Company Private Limited	-0.4	0.0
BlackRock Institutional Trust Company, N.A.	0.3	0.0	ICICI Prudential Asset Management Co. Ltd.	-0.4	0.0

Source: ICICI Direct Research, Reuters

Exhibit 14: Shareholding Pattern

(in %)	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
Promoter	72.9	73.0	73.0	73.0	73.0
Others	27.1	27.0	27.0	27.0	27.0

Source: ICICI Direct Research, Reuters

## Financials

Exhibit 15: Profit & Loss (₹ crore)

(Year-end March) ₹ crore	FY18	FY19	FY20E	FY21E
<b>Revenues</b>	<b>3,130.8</b>	<b>3,934.7</b>	<b>4,120.3</b>	<b>4,908.8</b>
Growth (%)	-0.1	25.7	4.7	19.1
Raw Material Expenses	885.6	992.7	1,039.5	1,238.4
Employee Expenses	622.8	746.7	803.5	1,061.8
R&D Expenditure	411.3	498.2	576.8	638.1
Other Manufacturing Expenses	568.1	823.5	885.9	1,104.5
Total Operating Expenditure	2,487.7	3,061.1	3,305.6	4,042.8
<b>EBITDA</b>	<b>643.1</b>	<b>873.6</b>	<b>814.6</b>	<b>866.0</b>
Growth (%)	4.6	35.8	-6.7	6.3
Interest	3.4	18.4	13.8	7.2
Depreciation	105.5	115.2	155.5	265.5
Other Income	7.0	9.4	16.5	19.6
<b>PBT</b>	<b>541.3</b>	<b>749.3</b>	<b>661.8</b>	<b>612.9</b>
Total Tax	120.4	156.7	145.6	134.8
Tax Rate (%)	22.2	20.9	22.0	22.0
<b>Adjusted PAT</b>	<b>412.6</b>	<b>590.9</b>	<b>516.2</b>	<b>478.1</b>
Growth (%)	3.3	43.2	-12.6	-7.4
<b>EPS (Adjusted)</b>	<b>21.9</b>	<b>31.3</b>	<b>27.4</b>	<b>25.4</b>

Source: ICICI Direct Research

Exhibit 17: Balance Sheet (₹ crore)

(Year-end March) ₹ crore	FY18	FY19	FY20E	FY21E
Equity Capital	37.7	37.7	37.7	37.7
Reserve and Surplus	2,182.4	2,681.1	3,092.3	3,473.0
Total Shareholders funds	2,220.1	2,718.8	3,130.0	3,510.7
Minority Interest	0.3	-0.8	-0.9	-0.9
Total Debt	707.8	928.4	628.4	328.4
Deferred Tax Liability	35.6	18.8	20.6	22.7
Other Non Current Liabilities	0.0	0.0	0.0	0.0
Long Term Provisions	61.7	52.0	57.2	63.0
<b>Source of Funds</b>	<b>3,025.5</b>	<b>3,717.3</b>	<b>3,835.4</b>	<b>3,923.9</b>
Gross Block - Fixed Assets	1,238.5	1,519.0	1,969.0	3,319.0
Accumulated Depreciation	248.9	364.1	519.7	785.2
Net Block	989.6	1,154.8	1,449.3	2,533.8
Capital WIP	1,010.2	1,551.2	1,351.2	51.2
Total Fixed Assets	1,999.8	2,706.1	2,800.5	2,585.0
Goodwill on Consolidation	3.8	3.6	3.6	3.6
Investments	41.6	48.8	48.8	48.8
Inventory	733.9	967.3	1,012.7	1,206.5
Cash	89.9	205.6	194.0	347.0
Debtors	526.3	488.9	511.8	609.8
Loans & Advances & Other CA	0.0	0.0	0.0	0.0
Total Current Assets	1,824.9	1,957.7	2,044.0	2,521.4
Creditors	759.3	702.3	735.3	876.0
Provisions & Other CL	156.4	358.2	394.0	433.4
Total Current Liabilities	915.7	1,060.5	1,129.3	1,309.4
Net Current Assets	909.2	897.2	914.8	1,212.0
LT L&A, Other Assets	71.1	61.6	67.7	74.5
Deferred Tax Assets	0.0	0.0	0.0	0.0
<b>Application of Funds</b>	<b>3,025.5</b>	<b>3,717.3</b>	<b>3,835.4</b>	<b>3,923.9</b>

Source: ICICI Direct Research

Exhibit 16: Cash Flow Statement (₹ crore)

(Year-end March) ₹ crore	FY18	FY19	FY20E	FY21E
Profit/(Loss) after taxation	406.2	590.9	516.2	478.1
Depreciation	105.5	115.2	155.5	265.5
Net Increase in Current Assets	-568.9	-17.1	-97.9	-324.3
Net Increase in Current Liabilities	349.7	144.8	68.8	180.1
<b>CF from operating activities</b>	<b>312.4</b>	<b>833.8</b>	<b>642.6</b>	<b>599.4</b>
(Inc)/dec in Investments	0.0	-7.1	0.0	0.0
(Inc)/dec in Fixed Assets	-885.8	-821.6	-250.0	-50.0
Other investing activities	2.1	7.3	2.5	1.0
<b>CF from investing activities</b>	<b>-884.7</b>	<b>-818.3</b>	<b>-249.2</b>	<b>-49.1</b>
Inc / (Dec) in Equity Capital	0.0	0.0	0.0	0.0
Inc / (Dec) in Loan	619.1	220.7	-300.0	-300.0
Dividend & Dividend Tax	-90.8	-120.5	-105.1	-97.3
Other financing activities	-25.7	0.0	0.0	0.0
<b>CF from financing activities</b>	<b>502.6</b>	<b>100.1</b>	<b>-405.1</b>	<b>-397.3</b>
Net Cash flow	-69.7	115.7	-11.6	153.0
Opening Cash	159.6	89.9	205.6	194.0
<b>Closing Cash</b>	<b>89.9</b>	<b>205.6</b>	<b>194.0</b>	<b>347.0</b>
<b>Free Cash flow</b>	<b>-573.3</b>	<b>12.3</b>	<b>392.6</b>	<b>549.4</b>

Source: ICICI Direct Research

Exhibit 18: Key Ratios (₹ crore)

(Year-end March)	FY18	FY19	FY20E	FY21E
<b>Per share data (₹)</b>				
Adjusted EPS	21.9	31.3	27.4	25.4
BV per share	117.8	144.2	166.0	186.2
Dividend per share	4.6	6.4	5.6	5.2
<b>Operating Ratios (%)</b>				
Gross margins	71.7	74.8	74.8	74.8
EBITDA Margins	20.5	22.2	19.8	17.6
PAT Margins	13.2	15.0	12.5	9.7
Inventory days	85.6	89.7	89.7	89.7
Debtor days	61.4	45.4	45.3	45.3
Creditor days	88.5	65.2	65.1	65.1
Asset Turnover	2.5	2.6	2.1	1.5
EBITDA conversion Rate	48.6	95.4	78.9	69.2
<b>Return Ratios (%)</b>				
RoE	18.6	21.7	16.5	13.6
RoCE	18.0	20.7	17.6	15.8
RoIC	27.9	38.7	28.8	17.0
<b>Valuation Ratios (x)</b>				
P/E	24.6	17.2	19.6	21.2
EV / EBITDA	16.7	12.4	13.0	11.7
EV / Net Sales	3.4	2.8	2.6	2.1
Market Cap / Sales	3.2	2.6	2.5	2.1
Price to Book Value	4.6	3.7	3.2	2.9
<b>Solvency Ratios</b>				
Debt / Equity	0.3	0.3	0.2	0.1
Debt / EBITDA	1.1	1.1	0.8	0.4
<b>Current Ratio</b>	<b>1.4</b>	<b>1.4</b>	<b>1.3</b>	<b>1.4</b>

Source: ICICI Direct Research

Exhibit 19: ICICI Direct Healthcare Coverage

Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹ cr)	EPS (₹)				PE(x)				RoCE (%)				RoE (%)			
						FY18	FY19E	FY20E	FY21E	FY18	FY19E	FY20E	FY21E	FY18	FY19E	FY20E	FY21E	FY18	FY19E	FY20E	FY21E
Ajanta Pharm:	AJAPHA	1055	1,060	Hold	9203	53.0	43.5	46.5	58.9	19.9	24.2	22.7	17.9	30.0	21.8	20.4	22.1	23.0	17.1	16.1	17.7
Alembic Pharm:	ALEMPHA	538	560	Hold	10140	21.9	31.3	27.4	25.4	24.6	17.2	19.6	21.2	18.0	20.7	17.6	15.8	18.6	21.7	16.5	13.6
Apollo Hospita:	APOHOS	1167	1,400	Buy	16240	8.5	20.3	39.5	51.7	138.0	57.4	29.6	22.6	6.3	8.8	13.0	16.2	3.6	8.1	14.0	16.0
Aurobindo Ph:	AURPHA	761	915	Buy	44574	41.6	44.2	52.9	61.0	18.3	17.2	14.4	12.5	20.0	17.9	16.3	17.4	20.7	17.8	17.6	17.1
Biocon	BIOCON	524	730	Buy	31449	6.2	12.4	14.2	20.0	84.4	42.2	37.0	26.2	8.1	11.6	13.3	16.6	7.2	12.2	12.4	15.1
Cadila Healthc	CADHEA	283	370	Buy	28982	17.5	17.8	18.4	20.6	16.1	15.9	15.4	13.8	16.7	13.3	12.7	13.6	20.5	18.0	16.2	15.9
Cipla	CIPLA	553	545	Hold	44539	18.3	17.5	20.4	27.3	30.1	31.6	27.1	20.3	9.6	10.6	12.2	14.8	10.4	8.9	9.6	11.7
Divi's Lab	DIVLAB	1640	1,800	Buy	43524	33.3	53.5	60.5	69.2	49.3	30.6	27.1	23.7	20.0	26.3	25.2	24.4	14.9	20.2	19.3	18.7
Dr Reddy's La	DRREDD	2867	2,870	Hold	47595	57.0	107.1	128.6	159.5	50.3	26.8	22.3	18.0	6.1	9.5	11.9	14.7	7.2	12.2	13.1	14.2
Glenmark Pha	GLEPHA	607	635	Hold	17126	28.5	32.1	38.0	45.5	21.3	18.9	16.0	13.3	14.6	15.3	15.5	16.3	15.6	14.7	14.9	15.3
Hikal	HIKCHE	171	200	Buy	2111	6.3	8.0	10.3	13.8	27.3	21.5	16.7	12.4	12.2	14.1	15.3	17.7	11.5	13.1	14.9	17.2
Indoco Remec	INDREM	185	195	Hold	1708	4.8	-1.8	7.4	12.5	38.4	-101.7	25.0	14.9	6.5	-0.1	8.3	12.1	6.6	-2.6	9.4	13.7
Ipca Laborato:	IPCLAB	944	900	Buy	11926	19.0	36.9	43.2	53.0	49.7	25.6	21.9	17.8	9.1	16.4	17.0	18.8	8.9	16.2	15.4	16.3
Jubilant Life	JUBLIF	596	905	Buy	9493	41.3	59.7	73.9	90.4	14.4	10.0	8.1	6.6	14.9	18.6	20.1	21.9	15.7	18.8	18.7	18.8
Lupin	LUPIN	839	840	Hold	37948	20.8	20.2	31.8	42.5	40.4	41.5	26.4	19.7	10.4	9.2	11.3	14.0	6.9	5.7	9.5	11.5
Narayana Hru	NARHRU	192	250	Buy	3928	2.5	2.3	6.2	9.0	76.8	84.8	30.8	21.3	6.3	7.6	11.9	14.7	4.9	4.3	10.5	13.3
Natco Pharm:	NATPHA	535	635	Hold	9784	37.7	35.5	27.0	17.7	14.2	15.1	19.8	30.3	27.4	23.2	16.7	10.5	22.7	18.7	13.1	8.1
Sun Pharma	SUNPHA	437	460	Hold	104860	13.0	17.2	18.6	23.5	33.7	25.4	23.5	18.6	9.8	11.7	11.7	12.6	8.2	10.4	10.0	11.3
Syngene Int.	SYNINT	608	715	Buy	12160	15.3	16.5	19.0	20.5	40.1	37.0	32.3	29.9	15.9	16.2	15.8	15.0	17.7	16.8	16.2	15.0
Torrent Pharm:	TORPHA	1674	2,175	Buy	28334	40.1	52.3	64.9	86.8	41.8	32.0	25.8	19.3	11.2	13.7	17.0	20.5	14.7	16.0	17.8	20.2

Source: ICICI Direct Research, Bloomberg

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