

High base impacts headline numbers...

Revenues de-grew 40.6% YoY to ₹ 455.7 crore (I-direct estimate: ₹ 541.5 crore) on the back of high base of gOseltamivir (flu) in the US. EBITDA margins were at 32.5% against 49.9% in Q4FY18 (I-direct estimate: 33.4%) mainly due to high base of gOseltamivir (flu) in the US. EBITDA de-grew 61.3% YoY to ₹ 148.3 crore against I-direct estimates of ₹180.9 crore. Net profit de-grew 59.7% YoY to ₹120.8 crore (I-direct estimates: ₹134.4 crore).

Focused approach in US

Natco has carved out its own identity via tie-ups to tap limited but niche products pipeline including 16 Para IVs and two limited competition products (FY18). As per the revised and more feasible game plan, it plans to market products via tie-ups with established players in the generic space. Till FY18, the company filed 45 ANDAs, which includes some niche FTF opportunities. Overall, the management expects one or two complex product launches in the US.

Oncology growth strong; Hep C segment now stabilising

Natco is a leading player in the domestic oncology segment with a product basket of 30 products (FY18). We expect the momentum in oncology segment to continue on the back of incremental launches. The hepatitis C segment, which was facing competition in the domestic market, is more or less stabilised. Natco is also looking at the cardio/diabetology segment. We expect domestic sales to grow 13.4% in FY19-21E to ₹ 946 crore.

Valuation & Outlook

Progress in gCopaxone is promising (Glatiramer Acetate). The next big US approval will be gRevlimid. There are a handful of other US approvals and launches lined up. However, given the current trend in the US, wherein the niche opportunities being specifically targeted by the USFDA to encourage more generic players, this funnel is getting squeezed. In this backdrop, the management has further curtailed US scope. At the same time, it is looking at other geographies and businesses (agrochemicals). As per the new strategy, specific markets - India, Brazil, Canada and China and agrochemical segment, together are likely to contribute 70-80% of revenues in the next two to three years. This metamorphic shift is likely to witness some performance slowdown and fluctuation in the near term. The bright spot for Natco is of course its strong balance sheet besides the management's ability to carve out niche out of the available opportunities. The growth trajectory is likely to improve from FY22 onwards as the new strategy settles down. We value the stock on an SOTP basis. Accordingly, we arrive at our new target price of ₹ 595, which includes base business value of ~₹ 400 (15x FY21E EPS of ₹ 26.7) + ₹ 195 for NPV of FTF/Para IVs in the US.



Particulars

Particular	Amount
Market Capitalisation	₹ 9569 crore
Debt (FY19)	₹ 386 crore
Cash (FY19)	₹ 280 crore
EV	₹ 9676 crore
52 week H/L (₹)	849/480
Equity capital	₹ 36.9 crore
Face value	₹ 2

Key Highlights

- gCopaxone contribution was lower than expected in Q4FY19. However, progress in gCopaxone is promising (Glatiramer Acetate)
- Next big US approval will be gRevlimid. There are handful of other US approvals and launches lined up
- Metamorphic shift in business/geographical focus is likely to see some performance slowdown and fluctuation in the near term
- Maintain HOLD

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Key Financial Summary

(₹ crore)	FY18	FY19	FY20E	FY21E	CAGR FY19-21E (%)
Revenues	2202.0	2094.5	2265.5	2052.6	-1.01
EBITDA	928.4	794.8	949.7	691.0	-6.76
EBITDA Margins (%)	42.2	37.9	41.9	33.7	
Net Profit	696.2	644.4	684.3	491.9	-12.63
EPS (₹)	37.7	34.9	37.1	26.7	
PE (x)	13.9	15.0	14.1	19.7	
EV to EBITDA (x)	10.3	12.1	10.1	13.4	
Price to book (x)	3.1	2.8	2.3	2.1	
RoNW (%)	22.7	18.5	16.6	10.7	
RoCE (%)	27.4	21.3	20.0	13.2	

Source: ICICI Direct Research, Company

Exhibit 1: Variance Analysis

	Q4FY19	Q4FY19E	Q4FY18	Q3FY19	YoY (%)	QoQ (%)	Comments
Revenue	455.7	541.5	767.8	556.7	-40.6	-18.1	YoY decline mainly due to high base of Oseltamivir in Q4FY18. Miss vis-à-vis I-direct estimates mainly due to lower than expected revenue contribution from gCopaxone
Raw Material Expenses	67.0	92.1	123.0	105.0	-45.5	-36.2	
Employee Expenses	81.3	121.1	110.1	93.3	-26.2	-12.9	
Other Expenditure	159.1	147.5	151.4	150.0	5.1	6.1	Included one-time write-off of Oseltamivir inventories valued at ~US\$ 5.5 million in the US
Total Operating Expenditure	307.4	360.6	384.5	348.3	-20.1	-11.7	
EBITDA	148.3	180.9	383.3	208.4	-61.3	-28.8	
EBITDA (%)	32.5	33.4	49.9	37.4	-1738 bps	-489 bps	YoY decline mainly due to high base of Oseltamivir in Q4FY18 and one-off inventories write-off. Miss vis-à-vis I-direct estimates mainly due to lower-than-expected revenue contribution from gCopaxone and one-off inventories write-off
Interest	5.2	6.3	3.0	6.3	73.3	-17.5	
Depreciation	21.7	20.7	18.0	20.7	20.6	4.8	
Other Income	31.0	22.7	20.1	23.3	54.2	33.0	
EO	0.0	0.0	0.0	0.0	0.0	0.0	
PBT	152.4	176.6	382.4	204.7	-60.1	-25.5	
Tax	32.0	42.4	82.7	45.4	-61.3	-29.5	
PAT before MI	120.4	134.2	299.7	159.3	-59.8	-24.4	
MI	-0.4	-0.2	-0.2	-0.2	NA	NA	
Adj.Net Profit	120.8	134.4	299.9	159.5	-59.7	-24.3	YoY decline and miss vis-à-vis I-direct estimates mainly in sync with EBITDA
Key Metrics							
APIs	70.0	62.7	59.7	99.0	17.3	-29.3	
Domestic Oncology	116.0	95.2	82.8	93.0	40.1	24.7	
Export Formulations	253.0	309.5	492.0	257.0	-48.6	-1.6	YoY decline mainly due to high base of Oseltamivir in Q4FY18. Miss vis-à-vis I-direct estimates mainly due to lower than expected revenue contribution from gCopaxone
Domestic (ex Oncology)	53.0	54.2	71.3	53.0	-25.7	0.0	

Source: ICICI Direct Research

Exhibit 2: Change in Estimates

	FY20E			FY21E			
	Old	New	% Change	Old	New	% Change	
(₹ Crore)							
Revenue	2,079.7	2,265.5	8.9	1,837.4	2,052.6	11.7	Changed as per management guidance
EBITDA	693.5	949.7	36.9	491.5	691.0	40.6	
EBITDA Margin (%)	33.3	41.9	857 bps	26.7	33.7	692 bps	Changed as per management guidance
PAT	526.6	684.3	30.0	351.2	491.9	40.1	Changed as per management guidance
EPS (₹)	28.5	37.1	30.0	19.0	26.7	40.1	

Source: ICICI Direct Research

Exhibit 3: Change in Estimates

	Current			Earlier		Comments
	FY17	FY18	FY19	FY20E	FY20E	
APIs	183.0	285.4	303.0	297.2	283.0	297.2
Domestic formulations	880.0	720.2	735.0	842.9	790.9	826.0
Exports formulations	840.0	1,041.6	994.0	1,055.5	1,197.5	769.2
						Changed as per management guidance and lower-than expected competition in gCopaxone in FY20

Source: ICICI Direct Research

Conference Call Highlights

- The management has guided for 7-8% growth in revenues and 8-10% growth in PAT for FY20. Key assumptions for growth- 1) traction from gCopaxone based on expectation of higher volumes and firm commitment from Mylan, 2) Traction from emerging markets- India (12-15% growth expected), Brazil and Canada
- The management expects complete exhaustion of g Osetamivir opportunity in FY20
- The management has guided for eight to 10 launches in India, three to four launches in Canada and three to four launches in Brazil
- The company has replied to the queries on gRevlimid to the USFDA and expects approval shortly
- The management believes Natco has exclusivity in gRevlimid and other settlements are likely to happen at a much later date
- Regarding Valsac (Sacubitril + Valsartan; CVS) and Brilinta (Ticagrelor; CVS), the Delhi High Court has brought an injunction on both these launches. The company expects an earlier resolution
- The agrochemical facility in Vizag is likely to be ready by October/November 2019. This segment is likely to account for 10-15% of revenues three years down the line
- As per the management, the company is unlikely to get impacted by the recent price caps on oncology drugs by the government
- Capex for FY20- ₹ 350-400 crore

Exhibit 4: Trends in quarterly financials

₹ Crore	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	YoY (%)	QoQ (%)
Revenues	394.4	325.2	460.3	679.0	564.7	428.1	426.7	562.2	767.8	538.6	543.5	556.7	455.7	-40.6	-18.1
Raw Material Expenses	99.8	107.8	183.8	205.4	117.2	109.4	112.9	65.8	123.0	87.3	94.9	105.0	67.0	-45.5	-36.2
% of Revenues	25.3	33.1	39.9	30.3	20.8	25.6	26.5	11.7	16.0	16.2	17.5	18.9	14.7	716 bps	140 bps
Gross Profit	294.6	217.4	276.5	473.6	447.5	318.7	313.8	496.4	644.8	451.3	448.6	451.7	388.7	-39.7	-13.9
Gross Profit Margin (%)	74.7	66.9	60.1	69.7	79.2	74.4	73.5	88.3	84.0	83.8	82.5	81.1	85.3	-716 bps	-140 bps
Employee Expenses	53.3	51.7	58.5	56.0	79.6	63.1	73.6	78.8	110.1	88.7	92.6	93.3	81.3	-26.2	-12.9
% of Revenues	13.5	15.9	12.7	8.2	14.1	14.7	17.2	14.0	14.3	16.5	17.0	16.8	17.8	274 bps	-28 bps
Other Expenses	148.1	103.6	113.2	157.4	126.8	118.9	118.3	131.1	151.4	145.0	135.5	150.0	159.1	5.1	6.1
% of Revenues	37.6	31.9	24.6	23.2	22.5	27.8	27.7	23.3	19.7	26.9	24.9	26.9	34.9	363 bps	201 bps
Total Expenditure	301.2	263.1	355.5	418.8	323.6	291.4	304.8	275.7	384.5	321.0	323.0	348.3	307.4	-20.1	-11.7
% of Revenues	76.4	80.9	77.2	61.7	57.3	68.1	71.4	49.0	50.1	59.6	59.4	62.6	67.5	1353 bps	314 bps
EBITDA	93.2	62.1	104.8	260.2	241.1	136.7	121.9	286.5	383.3	217.6	220.5	208.4	148.3	-61.3	-28.8
EBITDA Margins(%)	23.6	19.1	22.8	38.3	42.7	31.9	28.6	51.0	49.9	40.4	40.6	37.4	32.5	-1353 bps	-314 bps
Depreciation	12.3	13.1	14.1	13.7	13.5	15.0	16.0	17.2	18.0	18.4	20.2	20.7	21.7	20.6	4.8
Interest	3.6	3.2	4.2	4.6	6.4	3.9	4.2	4.3	3.0	2.8	5.0	6.3	5.2	73.3	-17.5
Other income	0.4	5.2	3.2	6.1	-0.6	3.4	5.5	11.4	20.1	35.9	40.0	23.3	31.0	54.2	33.0
Less: Exceptional Items	-0.6	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	78.3	51.0	89.7	248.0	220.6	121.2	107.2	276.4	382.4	232.3	235.3	204.7	152.4	-60.1	-25.5
Total Tax	14.1	18.6	23.5	53.1	44.2	27.5	22.8	59.0	82.7	51.2	53.7	45.4	32.0	-61.3	-29.5
Tax rate (%)	18.0	36.5	26.2	21.4	20.0	22.7	21.3	21.3	21.6	22.0	22.8	22.2	21.0		
PAT	64.2	32.4	66.2	194.8	176.4	93.7	84.4	217.4	299.7	181.1	181.6	159.3	120.4	-59.8	-24.4
PAT Margin (%)	16.3	10.0	14.4	28.7	31.2	21.9	19.8	38.7	39.0	33.6	33.4	28.6	26.4	-1005 bps.	-480 bps.
Minority Interest	0.2	-0.2	-0.3	-0.2	-0.3	-0.3	-0.4	-0.1	-0.2	-0.5	-0.9	-0.2	-0.4		
PAT after MI	64.0	32.6	66.5	195.1	176.7	94.0	84.8	217.5	299.9	181.6	182.5	159.5	120.8	-59.7	-24.3
EPS (₹)	20.5	10.5	21.2	62.2	56.3	30.0	27.0	65.8	90.7	54.9	55.2	48.2	34.7		
Adj PAT	63.4	32.6	66.5	195.1	176.7	94.0	84.8	217.5	299.9	181.6	182.5	159.5	120.8	-59.7	-24.3

Source: ICICI Direct Research

Company Background

Natco Pharma is a mid-sized pharmaceutical company with a presence across the pharma value chain. The company also has a US retail business. It owns six manufacturing facilities including four formulations facilities and two API facilities. Overall revenues grew at a CAGR of 26.2% in FY15-19.

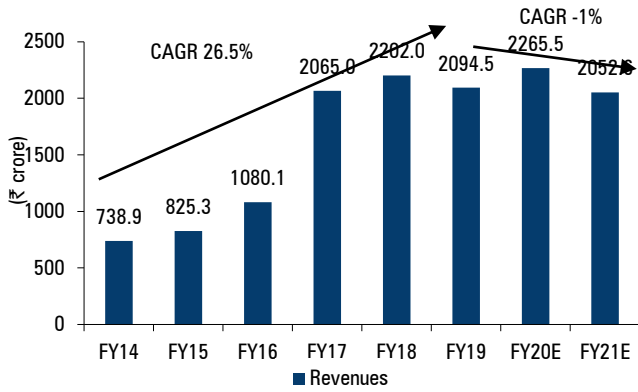
Natco is a leading domestic player in the oncology space. The company derives ~35-40% of sales from the oncology business (both APIs and formulations). NPL's product pipeline consists of drugs, which are used for various types of cancer like blood cancer, breast cancer, brain cancer, ovarian cancer, lung cancer and prostate cancer. Currently, Natco is marketing ~30 products in the Indian market (FY18).

On the export front, Natco exports products to US, Canada and Europe regions. Despite being a late entrant in the US market, it has carved out its own identity via tie-ups to tap limited but niche products pipeline including 16 Para IVs and two limited competition products. The products, which have first to file status, are Lenalidomide Capsules, Lanthanum Carbonate chewable tablets, Lapatinib Ditosylate tablets and Bendamustine Hydrochloride powder. There are still more such candidates in the pipeline.

The company entered the Hepatitis C market with the launch of Hepatitis C drug Sofosbuvir (HEPCNAT) and other combinations with the same. The company has a royalty base agreement with Gilead Sciences and Bristol Myers Squibb (BMS) to supply generic version of hepatitis C medicines in India and other developing nations. Despite possible crowding in the Hepatitis C space, we expect the product to generate significant cash flows from India and other emerging markets, going ahead.

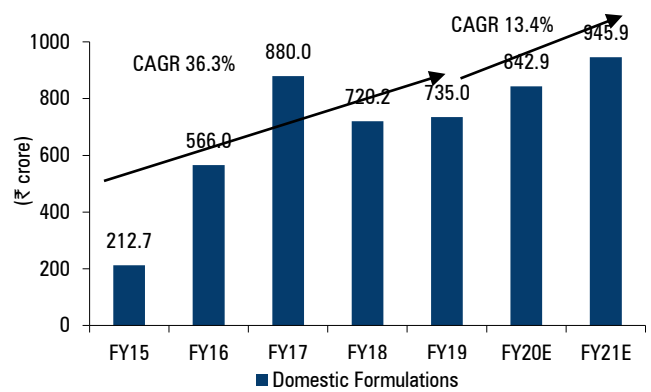
Natco had earlier tried to pursue the route of retail pharmacies as a gateway for entry into the US market. Later on, it revisited the strategy. It sold two pharmacies and currently owns & operates a single store. As per the revised and more feasible game plan, it plans to market products via tie-ups with established players in the generic space.

Exhibit 5: Revenues de-grow at CAGR of 1% over FY19-21E



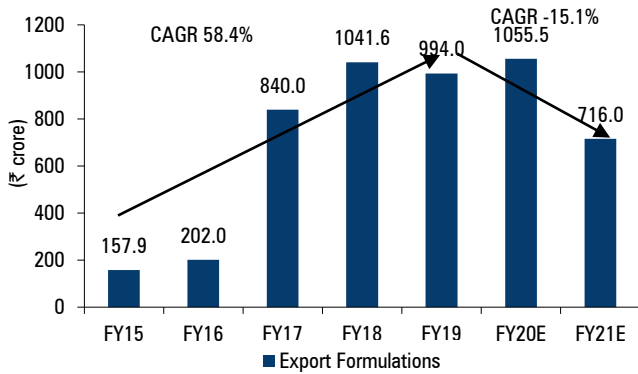
Source: ICICI Direct Research, Company

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



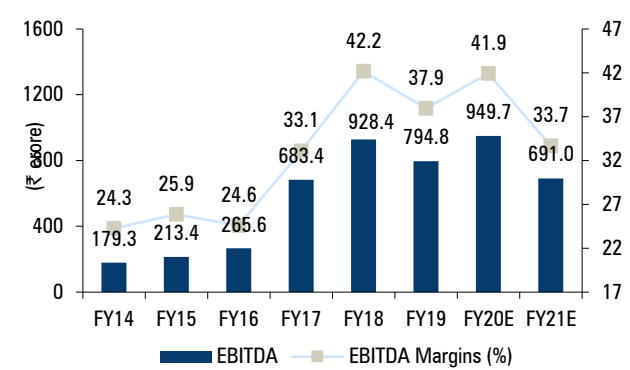
Source: ICICI Direct Research, Company

Exhibit 7: Export to de-grow at CAGR of 15% over FY19-21E



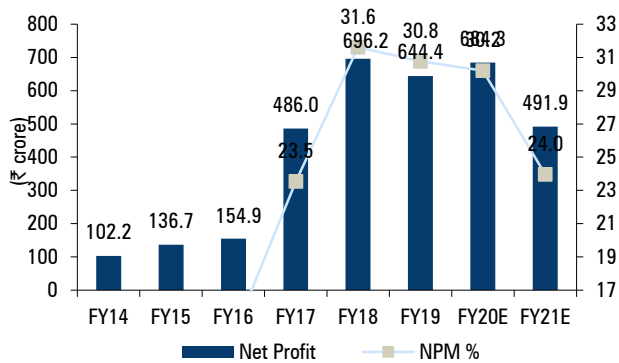
Source: ICICI Direct Research, Company

Exhibit 8: EBITDA & EBITDA margins trend



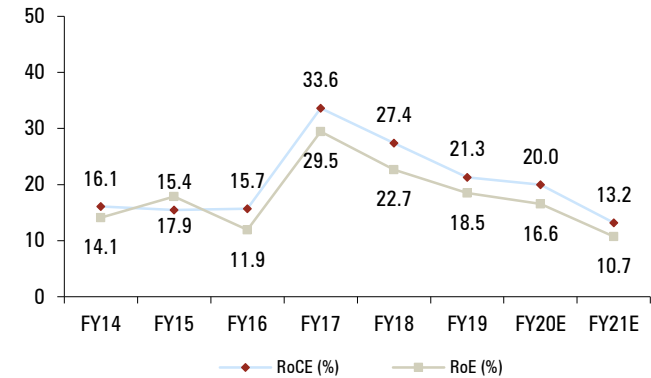
Source: ICICI Direct Research, Company

Exhibit 9: Net profit & net profit margins trend



Source: ICICI Direct Research, Company

Exhibit 10: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 11: Valuation

	₹ share
Base Business (15x FY21E EPS of ₹ 26.7)	400
Para IV Opportunities	195
Target Price	595

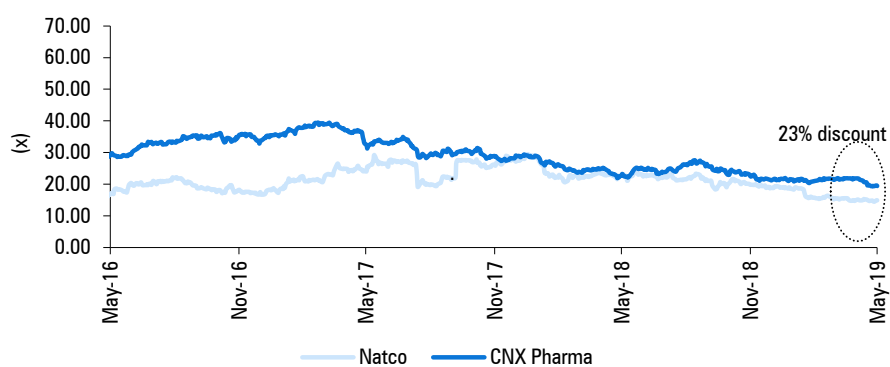
Source: ICICI Direct Research, Bloomberg

Exhibit 12: Valuation Summary

	Revenues	Growth	EPS	Growth	P/E	EV/EBITDA	RoE	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY18	2202	6.6	37.7	43.3	13.9	10.3	22.7	27.4
FY19	2095	-4.9	34.9	-7.4	15.0	12.1	18.5	21.3
FY20E	2265	8.2	37.1	6.2	14.1	10.1	16.6	20.0
FY21E	2053	-9.4	26.7	-28.1	19.7	13.4	10.7	13.2

Source: ICICI Direct Research, Bloomberg

Exhibit 13: One-year rolling forward PE of company vs. SGX Pharma



Source: ICICI Direct Research, Bloomberg

Exhibit 14: Recommendation history vs Consensus



Source: ICICI Direct Research; Reuters

Exhibit 15: Top 10 Shareholders

Rank	Investor Name	Latest Filing Date	% O/S	Position	Position Change
1	Nannapaneni (V C)	31-Mar-19	19.3	35.3m	0.0m
2	Time Cap Pharma Labs Pvt. Ltd.	31-Mar-19	9.4	17.2m	0.0m
3	Natsoft Information Systems Pvt. Ltd.	31-Mar-19	8.6	15.8m	0.0m
4	Shanghvi (Dilip S)	31-Mar-19	3.1	5.7m	0.0m
5	Nannapaneni (Venkaiah Chowdary) HUF	31-Mar-19	3.0	5.4m	0.0m
6	Aditya Birla Sun Life AMC Limited	31-Mar-19	2.6	4.7m	-0.6m
7	Vistra ITCL India, Ltd.	31-Mar-19	2.2	4.1m	0.0m
8	Nannapaneni (Durga Devi)	31-Mar-19	1.9	3.5m	0.0m
9	CX Securities, Ltd.	31-Dec-18	1.9	3.4m	-0.6m
10	Kantamani (Venkata Satya Swathi)	31-Mar-19	1.8	3.3m	0.0m

Source: ICICI Direct Research; Reuters

Exhibit 16: Recent Activity

Buys			Sells		
Investor name	Value (\$)	Shares	Investor name	Value (\$)	Shares
Franklin Templeton Asset Management (India) Pvt. Ltd.	6.6m	0.8m	CX Securities, Ltd.	-5.9m	-0.6m
Sundaram Asset Management Company Limited	2.3m	0.3m	Aditya Birla Sun Life AMC Limited	-4.6m	-0.6m
Norges Bank Investment Management (NBIM)	1.6m	0.2m	Nomura Asset Management Singapore Ltd.	-5.1m	-0.5m
ICICI Prudential Asset Management Co. Ltd.	0.8m	0.1m	IIFL Inc	-4.5m	-0.5m
Tummala (Jhansi)	0.8m	0.1m	Mirae Asset Global Investments (Hong Kong) Limited	-3.2m	-0.3m

Source: ICICI Direct Research; Reuters

Exhibit 17: Shareholding Pattern

(in %)	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
Promoter	48.4	48.4	48.4	48.4	48.7
Others	51.6	51.6	51.6	51.6	51.3

Source: ICICI Direct Research; Company

Financial summary

Exhibit 18: Profit & Loss (₹ crore)

(Year-end March)	FY18	FY19	FY20E	FY21E
Revenues	2,202.0	2,094.5	2,265.5	2,052.6
Growth (%)	6.6	-4.9	8.2	-9.4
Raw Material Expenses	428.3	354.2	362.5	369.5
Employee Expenses	325.6	355.9	376.2	383.8
Other expenses	519.7	589.6	577.1	608.3
Total Operating Expenditure	1,273.6	1,299.7	1,315.8	1,361.6
EBITDA	928.4	794.8	949.7	691.0
Growth(%)	35.9	-14.4	19.5	-27.2
Depreciation	66.2	81.0	109.8	127.7
Interest	15.4	19.3	20.8	20.8
Other Income	40.4	130.2	79.3	102.6
PBT	887.2	824.7	898.3	645.1
Total Tax	192.0	182.3	215.6	154.8
PAT before MI	695.2	642.4	682.7	490.3
Minority Interest	-1.0	-2.0	-1.6	-1.6
Adjusted PAT	696.2	644.4	684.3	491.9
Growth(%)	43.3	-7.4	6.2	-28.1
EPS (Adjusted)	37.7	34.9	37.1	26.7

Source: ICICI Direct Research

Exhibit 19: Cash Flow Statement (₹ crore)

(Year-end March)	FY18	FY19	FY20E	FY21E
Profit/(Loss) after taxation	682.7	644.4	684.3	491.9
Add: Depreciation	66.2	81.0	109.8	127.7
(Inc)/dec in Current Assets	-324.0	-40.4	17.8	95.6
Inc/(dec) in CL and Provisions	29.4	-76.4	72.1	-15.4
CF from operating activities	454.3	608.6	884.0	699.8
(Purchase)/Sale of Fixed Assets	-406.5	-447.2	-350.0	-250.0
(Increase)/Decrease in Investments	-44.5	-92.1	-300.0	-100.0
Others	-503.3	18.9	1.2	1.2
CF from investing activities	-954.3	-520.4	-648.8	-348.8
Inc / (Dec) in Equity Capital	895.6	-0.4	0.4	0.0
Inc / (Dec) in Loan	0.0	0.0	0.0	0.0
Dividend & Dividend tax	-181.4	-205.1	-43.2	-43.2
Others	-63.3	193.8	-20.8	-20.8
CF from financing activities	650.9	-11.7	-63.6	-64.0
Net Cash flow	150.9	76.5	171.6	287.1
Opening Cash	23.5	183.7	279.5	471.9
Closing Cash	174.4	260.2	451.1	759.0
Free Cash Flow	47.8	161.4	534.0	449.8

Source: ICICI Direct Research

Exhibit 20: Balance Sheet (₹ crore)

(Year-end March)	FY18	FY19	FY20E	FY21E
Equity Capital	36.9	36.5	36.9	36.9
Reserve and Surplus	3,035.3	3,452.5	4,093.7	4,542.4
Total Shareholders funds	3,072.2	3,489.0	4,130.6	4,579.3
Total Debt	173.2	386.3	386.3	386.3
Deferred Tax Liability	13.9	11.6	12.5	13.5
Minority Interest / Others	4.6	2.8	3.0	3.3
Long Term Provisions	32.4	71.0	71.0	71.0
Total Liabilities	3,296.3	3,960.7	4,603.4	5,053.4
Gross Block - Fixed Assets	1,407.6	1,697.2	2,147.2	2,497.2
Accumulated Depreciation	389.0	470.0	579.8	707.5
Net Block	1,018.6	1,227.2	1,567.4	1,789.7
Capital WIP	480.0	637.6	537.6	437.6
Total Fixed Assets	1,498.6	1,864.8	2,105.0	2,227.3
Investments	76.5	168.6	468.6	568.6
Inventory	438.4	529.0	454.6	411.9
Debtors	637.5	506.2	562.8	509.9
Cash	183.7	279.5	471.9	779.8
Other Current Assets	802.7	883.8	883.8	883.8
Total Current Assets	2,062.3	2,198.5	2,373.1	2,585.4
Creditors	269.1	217.0	279.0	252.8
Provisions	13.7	9.0	9.7	10.5
Other Current Liabilities	136.0	116.4	125.7	135.8
Total Current Liabilities	418.8	342.4	414.5	399.1
Net Current Assets	1,643.5	1,856.1	1,958.6	2,186.3
LT L & A & Other Non CA	77.7	71.2	71.2	71.2
Application of Funds	3,296.3	3,960.7	4,603.4	5,053.4

Source: ICICI Direct Research

Exhibit 21: Key Ratios (₹ crore)

(Year-end March)	FY18	FY19	FY20E	FY21E
Per share data (₹)				
Adjusted EPS	37.7	34.9	37.1	26.7
BV per share	166.5	189.1	223.9	248.2
Dividend per share	9.9	11.1	2.3	2.3
Cash Per Share	10.0	15.1	25.6	42.3
Operating Ratios (%)				
Gross Profit Margins	80.5	83.1	84.0	82.0
EBITDA Margins	42.2	37.9	41.9	33.7
PAT Margins	31.6	30.8	30.2	24.0
Inventory days	72.7	92.2	73.2	73.2
Debtor days	105.7	88.2	90.7	90.7
Creditor days	44.6	37.8	45.0	45.0
Asset Turnover	1.6	1.2	1.1	0.8
EBITDA Conversion Rate	48.9	76.6	93.1	101.3
Return Ratios (%)				
RoE	22.7	18.5	16.6	10.7
RoCE	27.4	21.3	20.0	13.2
RoIC	33.6	24.7	23.4	14.7
Valuation Ratios (x)				
P/E	13.9	15.0	14.1	19.7
EV / EBITDA	10.3	12.1	10.1	13.4
EV / Net Sales	4.4	4.6	4.2	4.5
Market Cap / Sales	4.4	4.6	4.3	4.7
Price to Book Value	3.1	2.8	2.3	2.1
Solvency Ratios				
Debt / EBITDA	0.2	0.5	0.4	0.6
Debt / Equity	0.1	0.1	0.1	0.1
Current Ratio	4.5	5.6	4.6	4.5

Source: ICICI Direct Research

Exhibit 22: ICICI Direct Coverage Universe (Healthcare)

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	1045	1,100	Hold	9118	53.0	43.5	46.5	58.9	19.7	24.0	22.5	17.7	30.0	20.9	21.3	22.1	23.0	15.8	16.4	17.3
Alembic Pharr	ALEMPHA	525	620	Hold	9888	21.9	31.3	27.4	25.4	24.0	16.7	19.2	20.7	18.0	21.3	17.4	17.3	18.6	22.8	16.7	15.3
Apollo Hospita	APOHOS	1183	1,400	Buy	16459	8.5	20.3	39.5	51.7	139.9	58.2	30.0	22.9	6.3	8.8	13.0	16.2	3.6	8.1	14.0	16.0
Aurobindo Ph:	AURPHA	682	915	Buy	39936	41.6	44.2	52.9	61.0	16.4	15.4	12.9	11.2	20.0	17.9	16.3	17.4	20.7	17.8	17.6	17.1
Biocon	BIOCON	541	760	Buy	32460	6.2	12.4	14.2	20.0	87.2	43.6	38.2	27.1	8.1	11.6	14.8	18.1	7.2	12.2	14.4	20.0
Cadila Healthc	CADHEA	255	370	Buy	26105	17.5	17.8	18.4	20.6	14.5	14.3	13.9	12.4	16.7	13.3	12.7	13.6	20.5	18.0	16.2	15.9
Cipla	CIPLA	578	580	Hold	46594	18.3	18.8	24.0	29.1	31.5	30.8	24.1	19.9	9.6	10.9	13.3	14.5	10.4	10.1	11.7	12.6
Divi's Lab	DIVLAB	1621	1,900	Buy	43043	33.3	51.0	56.2	67.8	48.7	31.8	28.9	23.9	20.0	25.5	23.7	24.3	14.9	19.4	18.3	18.7
Dr Reddy's La	DRREDD	2646	2,770	Hold	43919	57.0	108.6	120.3	153.8	46.4	24.4	22.0	17.2	6.1	10.6	11.6	14.9	7.2	12.9	12.7	14.3
Glenmark Pha	GLEPHA	556	635	Hold	15697	28.5	32.1	38.0	45.5	19.5	17.3	14.7	12.2	14.6	15.3	15.5	16.3	15.6	14.7	14.9	15.3
Hikal	HIKCHE	175	200	Buy	2152	6.3	8.4	10.7	13.7	27.9	20.9	16.3	12.8	12.2	15.0	16.2	18.1	11.5	13.6	15.3	16.9
Indoco Remec	INDREM	185	195	Hold	1706	4.8	-1.8	7.4	12.5	38.3	-101.5	25.0	14.8	6.5	-0.1	8.3	12.1	6.6	-2.6	9.4	13.7
Ipca Laborato	IPCLAB	920	900	Buy	11627	19.0	36.9	43.2	53.0	48.5	24.9	21.3	17.4	9.1	16.4	17.0	18.8	8.9	16.2	15.4	16.3
Jubilant Life	JUBLIF	521	710	Buy	8298	41.3	52.1	57.7	70.8	12.6	10.0	9.0	7.4	14.9	14.4	15.6	16.8	15.7	16.9	15.9	16.5
Lupin	LUPIN	745	810	Hold	33708	20.8	16.5	30.6	40.4	35.9	45.0	24.3	18.4	10.4	9.5	12.3	14.1	6.9	5.4	9.3	11.1
Narayana Hru	NARHRU	230	250	Buy	4705	2.5	2.3	6.2	9.0	92.0	101.6	36.9	25.5	6.3	7.6	11.9	14.7	4.9	4.3	10.5	13.3
Natco Pharm:	NATPHA	524	595	Hold	9590	37.7	34.9	37.1	26.7	13.9	15.0	14.1	19.7	27.4	21.3	20.0	13.2	22.7	18.5	16.6	10.7
Sun Pharma	SUNPHA	416	460	Hold	99774	13.0	17.2	18.6	23.5	32.1	24.1	22.4	17.7	9.8	11.7	11.7	12.6	8.2	10.4	10.0	11.3
Syngene Int.	SYNINT	657	675	Buy	13142	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	1531	1,940	Buy	25908	40.1	48.9	57.9	77.6	38.2	31.3	26.5	19.7	11.2	14.8	17.0	20.6	14.7	17.5	17.9	20.4

Source: ICICI Direct Research, Bloomberg

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