

Numbers miss estimates; focus firmly on capex...

Q1FY20 revenues grew 16.8% YoY to ₹ 1162.9 crore (I-direct estimate: ₹ 1318.4 crore), driven by strong growth in generic segment. EBITDA margins fell 206 bps to 33.3% (I-direct estimate of 36.8%) mainly due to higher other expenditure. EBITDA grew 10% YoY to ₹ 387.1 crore (I-direct estimate: ₹ 484.5 crore). Net profit grew 2.4% to ₹ 272.4 crore (I-direct estimate: ₹ 350.2 crore) mainly due to a below expected operational performance.

Established CRAMS player

The company has two main segments - generics (~58% of FY19 revenues) and custom synthesis (CRAMS; 42% of FY19 revenues). The custom synthesis (CS) business is margin accretive but at times lumpy as it depends on offtake from customers (global top 20 big pharma). However, this business has shown a good recovery on account of an improved business environment. Strong R&D capabilities and India cost arbitrage along with IP adherence are some legacy strengths, which will drive incremental assignments from MNCs. We expect CS to grow at a CAGR of 10.6% to ₹ 2519 crore in FY19-21E.

Chinese supply constraint likely to propel generics growth

The company remains committed to only a few research driven niche opportunities as was the case when it started commercial operations in early nineties. Thus, it has filed just ~42 DMFs with USFDA and does not want to increase its count drastically. Two generics, Naproxen (pain management) and Dextromethorphan (cough suppressant) account for ~26% of overall revenues. Divi's enjoys ~70% global market share in these two products. Divi's is also increasing its presence in another niche area of carotenoids after acquiring requisite capabilities. It has developed various types of carotenoids including beta-carotene, the largest in the group. Recent supply constraints from China are likely to propel growth in this segment. With focus on brownfield expansion, the management is committed to addressing capacity constraints. We expect sales from generics to grow at a CAGR of 11.6% to ₹ 3038 crore in FY19-21E.

Valuation & Outlook

More than just the usual commentary of quarterly beat or miss, the important narrative for Divi's is the unprecedented capex that the company is undertaking over the course of the next few months. To further augment capacities besides preparing for growing opportunities arising due to China factor, the company has earmarked an aggressive capex of ~₹ 1700 crore, over and above ~₹ 2000 crore spent in the last five years. Margins are also likely to get support from extensive backward integration, product mix and operating leverage. We ascribe a target price of ₹ 1640 based on 26x FY21E EPS of ₹ 63.1.



Particulars

Particular	Amount
Market Capitalisation	₹ 44199 crore
Debt (FY19)	₹ 106 crore
Cash & equivalents (FY19)	₹ 2061 crore
EV	₹ 42244 crore
52 week H/L	1775/1080
Equity capital	₹ 53.1 crore
Face value	₹ 2

Key Highlights

- Q1FY20 results were lower than -direct estimates on all fronts mainly due to volatility in quarterly financials
- To further augment capacities besides preparing for growing opportunities arising due to China factor, the company has earmarked an aggressive capex of ~₹ 1700 crore
- Maintain HOLD

Research Analyst

Siddhant Khandekar
siddhant.khandekar@icicisecurities.com

Mitesh Shah
mitesh.sha@icicisecurities.com

Key Financial Summary

(₹ crore)	FY18	FY19	FY20E	FY21E	CAGR (FY19-21E) %
Revenues	3912.8	4946.3	5261.6	6050.9	10.6
EBITDA	1268.4	1871.8	1866.9	2269.1	10.1
EBITDA margins (%)	32.4	37.8	35.5	37.5	
Adj. Net Profit	883.7	1352.7	1336.2	1674.5	11.3
Adjusted EPS (₹)	33.3	51.0	50.3	63.1	
PE (x)	50.0	32.7	33.1	26.4	
Target PE (x)	1.3	0.9	0.9	0.7	
EV to EBITDA (x)	33.2	22.3	22.2	18.0	
RoNW (%)	14.9	19.4	16.8	17.9	
RoCE (%)	20.0	25.5	21.7	23.3	

Source: ICICI Direct Research; Company

Exhibit 1: Variance Analysis

	Q1FY20	Q1FY20E	Q1FY19	Q4FY19	YoY (%)	QoQ (%)	Comments
Revenue	1,162.9	1,318.4	995.3	1,256.4	16.8	-7.4	YoY growth mainly due to strong growth in generic segment. Miss vis-à-vis I-direct estimates mainly due to volatility in quarterly performance
Raw Material Expense	452.3	507.6	381.4	503.0	18.6	-10.1	
Employee Expenses	140.9	141.7	121.3	138.3	16.1	1.9	
Other Expenditure	182.6	184.6	140.7	204.1	29.8	-10.6	
Total Expenditure	775.7	833.9	643.5	845.3	20.6	-8.2	Included forex loss of ₹ 6 crore
EBITDA	387.1	484.5	351.9	411.1	10.0	-5.8	
EBITDA (%)	33.3	36.8	35.4	32.7	-206 bps	57 bps	YoY decline and miss vis-à-vis I-direct estimates mainly due to higher other expenditure
Interest	0.3	0.4	0.6	0.1	-50.0	220.0	
Depreciation	43.8	43.8	41.6	42.3	5.4	3.5	
Other income	30.3	33.0	48.8	41.7	-37.9	-27.3	
PBT Before EO	373.3	473.2	358.4	410.4	4.2	-9.0	
EO	0.0	0.0	0.0	0.0	NA	NA	
PBT	373.3	473.2	358.4	410.4	4.2	-9.0	
Tax	100.9	123.0	92.3	121.0	9.3	-16.7	
Net Profit	272.4	350.2	266.2	289.4	2.4	-5.8	YoY slow growth and miss vis-à-vis I-direct estimates mainly due to lower-than-expected operational performance and forex loss

Source: ICICI Direct Research

Exhibit 2: Change in Estimates

(₹ Crore)	FY20E			FY21E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	5,408.5	5,261.6	-2.7	6,219.8	6,050.9	-2.7	
EBITDA	1,987.6	1,866.9	-6.1	2,410.2	2,269.1	-5.9	
EBITDA Margin (%)	36.8	35.5	-127 bps	38.8	37.5	-125 bps	Decline mainly due to change in product mix and lower-than-expected Q1 margins
Net Profit	1,436.8	1,336.2	-7.0	1,796.4	1,674.5	-6.8	
EPS (₹)	54.1	50.3	-7.0	67.7	63.1	-6.8	Changed mainly in sync with EBITDA

Source: ICICI Direct Research

Exhibit 3: Change in Estimates

(₹ Crore)	Current				Earlier	
	FY18	FY19	FY20E	FY21E	FY20E	FY21E
Generic API & Intermediates	1,886.8	2,438.1	2,641.4	3,037.6	2,726.4	3,135.3
Carotenoids	260.7	383.0	429.7	494.1	411.6	473.3
Custom Synthesis	1,687.1	2,060.6	2,190.6	2,519.2	2,270.6	2,611.2

Source: ICICI Direct Research

Conference Call Highlights

- The management has guided for 10% revenues growth for FY20
- They expect better EBIDTA margins (+35%), going ahead
- As per the management, the ongoing capex (~ ₹ 1700 crore as guided in Q4FY19) would see partial impact in FY21 and full-blown impact from FY22 onwards
- Ongoing capex in Q1- ₹ 113 crore; CWIP- ₹ 654 crore; capital advances- ₹ 240 crore
- Sales break-up for Q1- Generics ₹ 580 crore; Custom Synthesis- ₹ 476 crore; Carotenoid- ₹ 106 crore
- Current capacity utilisation at the company level- 84-85%
- The USFDA inspected the company's Unit-II at Visakhapatnam during June 2019. This concluded without any observations

Exhibit 4: Trends in quarterly financials

(₹ crore)	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	YoY (%)	QoQ (%)
Total Operating Income	1017.2	1005.4	976.5	1066.7	821.2	890.2	1037.9	1088.0	995.3	1285.0	1342.9	1256.4	1162.9	16.8	-7.4
Raw Material Expense:	385.2	384.7	350.6	421.0	331.6	357.3	408.4	407.6	381.4	473.2	480.2	503.0	452.3	18.6	-10.1
% of revenues	37.9	38.3	35.9	39.5	40.4	40.1	39.3	37.5	38.3	36.8	35.8	40.0	38.9	57.4	-113.3
Gross Profit	632.0	620.7	625.9	645.6	489.6	532.9	629.5	680.3	613.9	811.8	862.7	753.5	710.6	15.7	-5.7
Gross Profit Margin (%)	62.1	61.7	64.1	60.5	59.6	59.9	60.7	62.5	61.7	63.2	64.2	60.0	61.1	-57.4	113.3
Employee Expenses	96.1	179.6	98.1	99.9	95.3	104.8	115.0	125.8	121.3	134.7	136.5	138.3	140.9	16.1	1.9
% of revenues	9.4	17.9	10.0	9.4	11.6	11.8	11.1	11.6	12.2	10.5	10.2	11.0	12.1	-7.7	110.7
Other Expenses	132.2	149.8	146.9	183.7	149.5	150.9	188.4	168.1	140.7	163.0	203.0	204.1	182.6	29.8	-10.6
% of revenues	13.0	14.9	15.0	17.2	18.2	16.9	18.2	15.4	14.1	12.7	15.1	16.2	15.7	156.4	-54.6
Total Expenditure	613.4	714.2	595.7	704.7	576.4	613.0	711.7	701.5	643.5	770.9	819.6	845.3	775.7	20.6	-8.2
% of revenues	60.3	71.0	61.0	66.1	70.2	68.9	68.6	64.5	64.6	60.0	61.0	67.3	66.7	206.0	-57.3
EBITDA	403.8	291.2	380.8	362.0	244.8	277.2	326.1	386.5	351.9	514.1	523.3	411.1	387.1	10.0	-5.8
EBITDA Margins (%)	39.7	29.0	39.0	33.9	29.8	31.1	31.4	35.5	35.4	40.0	39.0	32.7	33.3	-206.0	57.3
Interest	0.4	0.4	0.4	1.0	0.5	0.8	0.3	-0.2	0.6	0.2	2.5	0.1	0.3	-50.0	220.0
Depreciation	30.1	30.8	31.0	31.4	32.3	33.9	37.4	38.8	41.6	42.4	42.5	42.3	43.8	5.4	3.5
Other Income	16.3	20.3	18.5	20.9	29.7	33.6	17.0	48.2	48.8	80.1	34.6	41.7	30.3	-37.9	-27.3
PBT before forex & EO	389.6	280.3	367.9	350.5	241.7	276.1	305.5	396.1	358.4	551.6	512.9	410.4	373.3	4.2	-9.0
Total Tax	87.8	56.5	99.6	91.2	65.2	69.3	80.8	134.5	92.3	153.9	133.4	121.0	100.9	9.3	-16.7
Tax rate (%)	22.5	20.2	27.1	26.0	27.0	25.1	26.5	33.9	25.7	27.9	26.0	29.5	27.0	128.2	-247.2
PAT	301.8	223.9	268.3	259.3	176.5	206.8	224.7	261.6	266.2	397.7	379.5	289.4	272.4	2.4	-5.8
PAT Margin (%)	29.7	22.3	27.5	24.3	21.5	23.2	21.6	24.0	26.7	30.9	28.3	23.0	23.4	-331.3	39.9
EPS (₹)	11.4	8.4	10.1	9.8	6.7	7.8	8.5	9.9	10.0	15.0	14.3	10.9	10.3		

Source: ICICI Direct Research

Company Background

Established in 1990, Divi's Laboratories is engaged in the manufacture of generic APIs and intermediates, custom synthesis of active ingredients and advanced intermediates for pharma MNCs, other speciality chemicals like Carotenoids and complex compounds like peptides and Nucleotides. After successfully developing and marketing generics and intermediates for generic players, the company started custom synthesis of NCEs developed by MNCs by providing generics and advanced intermediates. The company started Carotenoid supplies in FY09. Promoted by Dr Murali K Divi, the company raised ₹ 17 crore through its maiden IPO in March 2003.

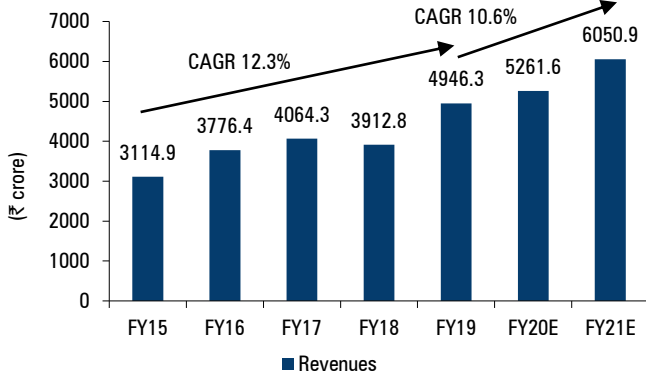
DLL's product portfolio comprises two broad segments- (i) generics including nutraceuticals and (ii) custom synthesis of generics, intermediates and speciality ingredients for innovator pharma MNCs. It also includes peptide building blocks.

To enter the custom synthesis space in the nineties, the company made its own case to innovators, which, until then, were relying on services provided by major players such as BASF, Degussa, etc. As these players grew and became as big as the innovators themselves, companies like Divi's, on account of their capabilities and commitment towards the strict IP regime, started getting assignments.

The custom synthesis business is a high margin one but at times lumpy as it depends on offtake from customers (global top 20 big pharma). This business had a difficult time during FY10 and FY11 as most customers resorted to de-stocking due to the global slowdown. However, this business has shown a good recovery due to improved business environment. Strong R&D capabilities and India based cost arbitrage along with IP adherence are some key strengths of Divi's, which will drive incremental assignments from MNCs.

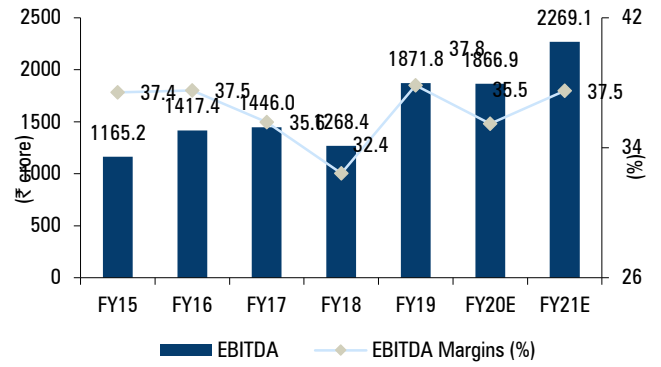
In the generics segment, two generics, Naproxen (pain management) and Dextromethorphan (cough suppressant) account for ~30% of overall revenues. Divi's enjoys ~70% global market share in these two products. These products are already mature with limited competitors having other priorities. DLL is also increasing its presence in another niche area of Carotenoids after acquiring the requisite capabilities. It has developed various types of Carotenoids including Beta-carotene, the largest in the group.

Exhibit 5: Revenues to grow at CAGR of 11% over FY19-21E



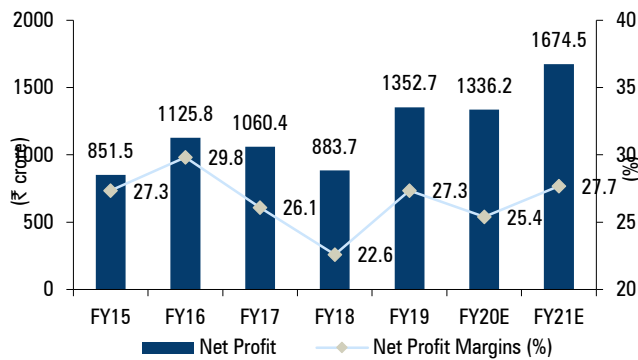
Source: ICICI Direct Research, Company

Exhibit 6: EBITDA & margins trend



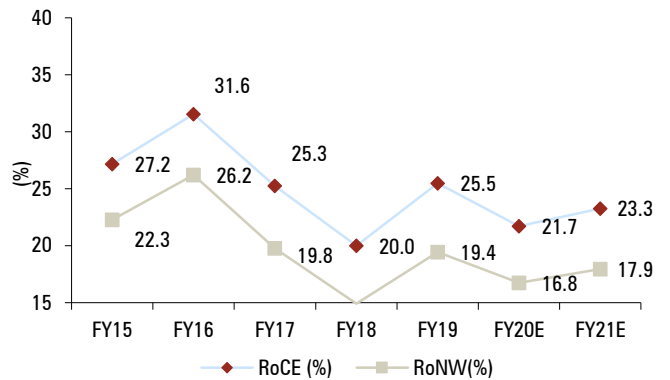
Source: ICICI Direct Research, Company

Exhibit 7: Net profit & margins trend



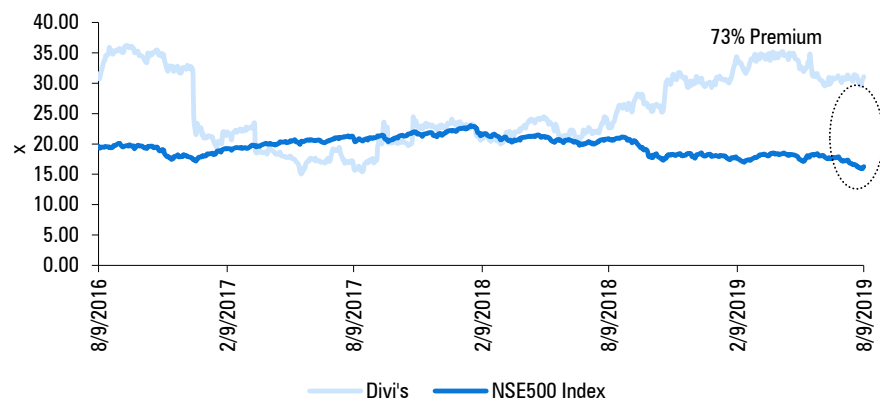
Source: ICICI Direct Research, Company

Exhibit 8: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 9: One-year forward PE of company vs. NSE500 Index



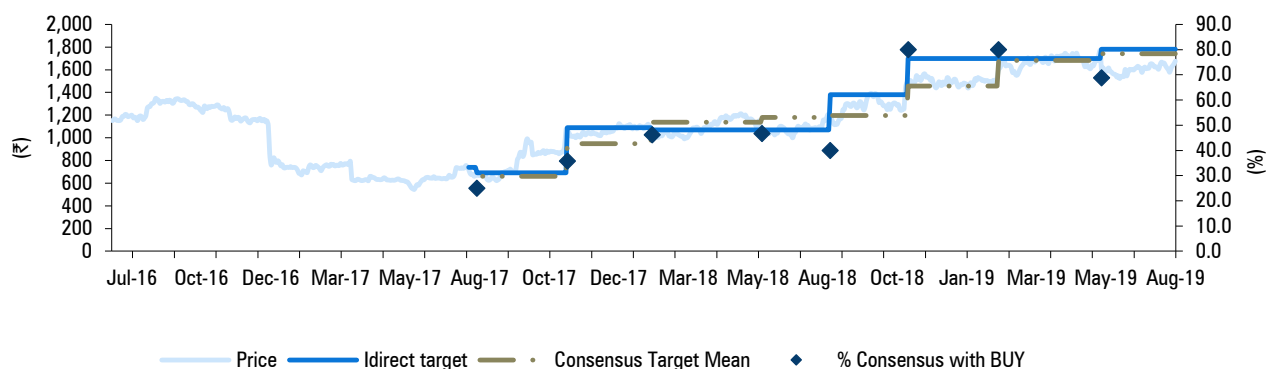
Source: ICICI Direct Research, Bloomberg

Exhibit 10: Valuation

	Revenues (₹ crore)	Growth (%)	EPS (₹)	Growth (%)	P/E (x)	EV/EBITDA (X)	RoNW (%)	RoCE (%)
FY18	3913	-3.7	33.3	-16.7	50.0	33.2	14.9	20.0
FY19	4946	26.4	51.0	53.1	32.7	22.3	19.4	25.5
FY20E	5262	6.4	50.3	-1.2	33.1	22.2	16.8	21.7
FY21E	6051	15.0	63.1	25.3	26.4	18.0	17.9	23.3

Source: ICICI Direct Research

Exhibit 11: Recommendation history vs. Consensus



Source: ICICI Direct Research, Reuters

Exhibit 12: Top 10 Shareholders

Rank	Investor Name	Filing Date	% O/S	Position	Change
1	Divi (Satchandra Kiran)	31-Mar-19	20.3	54.0m	0.0m
2	Motaparti (Nilima)	31-Mar-19	20.3	54.0m	0.0m
3	Divi (Swarna Latha)	31-Mar-19	5.3	14.0m	0.0m
4	SBI Funds Management Pvt. Ltd.	31-Mar-19	4.5	12.1m	-0.2m
5	Divis Biotech Pvt. Ltd.	31-Mar-19	3.0	8.0m	0.0m
6	Reliance Nippon Life Asset Management Limited	30-Jun-19	3.0	7.9m	0.0m
7	Divi (Murali Krishna Prasad)	31-Mar-19	2.9	7.6m	0.0m
8	Norges Bank Investment Management (NBIM)	31-Mar-19	1.7	4.6m	0.0m
9	Axis Asset Management Company Limited	31-May-19	1.7	4.5m	1.8m
10	PineBridge Investments Asia Limited	31-Mar-19	1.2	3.1m	0.0m

Source: ICICI Direct Research, Reuters

Exhibit 13: Recent Activity

Buys			Sells		
Investor name	Value (\$)	Shares	Investor name	Value (\$)	Shares
Axis Asset Management Company Limited	41.5m	1.8m	Grantham Mayo Van Otterloo & Co LLC	-18.4m	-0.8m
Canara Robeco Asset Management Company Ltd.	4.7m	0.2m	BlackRock Advisors (UK) Limited	-6.1m	-0.3m
Florida State Board of Administration	2.9m	0.1m	L&T Investment Management Limited	-5.5m	-0.2m
Goldman Sachs Asset Management (US)	2.9m	0.1m	SBI Funds Management Pvt. Ltd.	-5.2m	-0.2m
Invesco Hong Kong Limited	2.8m	0.1m	Allianz Global Investors GmbH	-1.3m	-0.1m

Source: ICICI Direct Research, Reuters

Exhibit 14: Shareholding Pattern

(in %)	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Promoter	52.0	52.0	52.0	52.0	52.0
Others	48.0	48.0	48.0	48.0	48.0

Source: ICICI Direct Research, Company

Financial Summary

Exhibit 15: Profit & Loss (₹ crore)

(Year-end March)	FY18	FY19	FY20E	FY21E
Revenues	3,912.8	4,946.3	5,261.6	6,050.9
Growth (%)	-3.7	26.4	6.4	15.0
Raw Material Expenses	1,548.7	1,825.2	2,046.6	2,329.6
Employee Expenses	456.1	542.3	591.7	665.6
Other Expenses	639.7	706.9	756.4	786.6
EBITDA	1,268.4	1,871.8	1,866.9	2,269.1
Growth (%)	-12.3	47.6	-0.3	21.5
Depreciation	142.5	168.9	175.3	226.7
Interest	1.3	3.5	1.3	1.6
Other Income	113.4	155.6	120.5	222.1
PBT	1,238.0	1,855.1	1,810.8	2,262.8
Total Tax	354.3	502.3	474.6	588.3
Adjusted PAT	883.7	1,352.7	1,336.2	1,674.5
Growth (%)	-16.7	53.1	-1.2	25.3
EPS (Adjusted)	33.3	51.0	50.3	63.1

Source: ICICI Direct Research

Exhibit 17: Balance Sheet (₹ crore)

(Year-end March)/(₹ crore)	FY18	FY19	FY20E	FY21E
Liabilities				
Equity Capital	53.1	53.1	53.1	53.1
Reserve and Surplus	5,871.7	6,904.1	7,921.7	9,277.6
Total Shareholders funds	5,924.8	6,957.2	7,974.8	9,330.7
Total Debt	63.1	105.6	105.6	105.6
Deferred Tax Liability	192.7	221.2	247.7	277.4
Non CL & Long Term Provisions	15.0	13.2	14.8	16.5
Total Liabilities	6,195.5	7,297.1	8,342.8	9,730.3
Assets				
Gross Block - Fixed Assets	2,373.5	2,633.9	2,783.9	3,778.9
Accumulated Depreciation	377.4	546.2	721.5	948.2
Net Block	1,996.2	2,087.8	2,062.5	2,830.7
Capital WIP	119.8	491.9	1,921.9	1,076.9
Total Fixed Assets	2,116.0	2,579.7	3,984.4	3,907.6
Investments	1,889.3	1,945.6	1,445.6	2,445.6
Inventory	1,350.7	1,772.3	1,885.3	2,168.2
Debtors	1,014.4	1,163.4	1,237.5	1,423.2
Loans and Advances	0.2	0.1	0.1	0.1
Other Current Assets	168.2	200.6	224.7	251.7
Cash	112.5	115.3	80.2	132.2
Total Current Assets	2,645.8	3,251.7	3,427.9	3,975.3
Creditors	411.2	492.3	523.6	602.2
Provisions	0.9	1.1	1.2	1.4
Other current Liabilities	175.5	247.8	277.5	310.8
Total Current Liabilities	587.6	741.2	802.4	914.4
Net Current Assets	2,058.2	2,510.6	2,625.5	3,060.9
Other Non CA & LT L & A	132.1	261.3	287.4	316.1
Application of Funds	6,195.5	7,297.1	8,342.8	9,730.3

Source: ICICI Direct Research

Exhibit 16: Cash Flow Statement (₹ crore)

(Year-end March)/(₹ crore)	FY18	FY19	FY20E	FY21E
Profit/(Loss) after taxation	960.1	1,370.6	1,336.2	1,674.5
Add: Depreciation & Amortization	142.5	168.9	175.3	226.7
(Inc)/dec in Current Assets	-184.1	-906.4	-211.3	-495.4
Inc/(dec) in CL and Provisions	9.7	137.2	61.3	112.0
Other Operating Activities	-152.3	184.0	1.3	1.6
CF from operating activities	775.9	954.3	1,362.8	1,519.4
(Inc)/dec in Fixed Assets	-273.8	-733.1	-1,580.0	-150.0
(Inc)/dec in Investments	-231.1	-67.1	-828.9	-255.9
Other Investing Activities	76.9	94.7	1,330.9	-741.4
CF from investing activities	-428.0	-705.6	-1,078.0	-1,147.2
inc/(dec) in Loan	6.4	77.6	0.0	0.0
Dividend & Dividend tax	-319.2	-320.0	-318.6	-318.6
Others	-1.3	-3.5	-1.3	-1.6
CF from financing activities	-314.2	-245.9	-319.8	-320.1
Net Cash flow	33.7	2.8	-35.1	52.0
Opening Cash	78.7	112.5	115.3	80.2
Closing Cash	112.5	115.3	80.2	132.2
Free Cash Flow	502.1	221.2	-217.2	1,369.4

Source: ICICI Direct Research

Exhibit 18: Key Ratios (₹ crore)

(Year-end March)	FY18	FY19	FY20E	FY21E
Per share data (₹)				
Adjusted EPS	33.3	51.0	50.3	63.1
BV per share	223.2	262.1	300.4	351.5
Dividend per share	12.0	19.2	12.0	12.0
Cash Per Share	4.2	4.3	3.0	5.0
Operating Ratios (%)				
Gross margins	61.5	62.8	61.1	61.5
EBITDA margins	32.4	37.8	35.5	37.5
Net Profit margins	22.6	27.3	25.4	27.7
Inventory days	126.0	130.8	130.8	130.8
Debtor days	94.6	85.8	85.8	85.8
Creditor days	38.4	36.3	36.3	36.3
Asset Turnover	1.6	1.6	1.1	1.2
EBITDA conversion rate	61.2	51.0	73.0	67.0
Return Ratios (%)				
RoE	14.9	19.4	16.8	17.9
RoCE	20.0	25.5	21.7	23.3
RoIC	28.6	40.0	48.2	38.6
Valuation Ratios (x)				
P/E	50.0	32.7	33.1	26.4
EV / EBITDA	33.2	22.3	22.2	18.0
Price to Book Value	7.5	6.4	5.5	4.7
EV / Net Sales	10.8	8.4	7.9	6.8
Market Cap / Sales	11.3	8.9	8.4	7.3
Solvency Ratios				
Debt / EBITDA	0.0	0.1	0.1	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	4.3	4.2	4.2	4.2

Source: ICICI Direct Research

Exhibit 19: ICICI Direct Coverage Universe (Healthcare)

Company	I-Direct Code	CMP		TP Rating	M Cap	EPS (₹)				PE(x)				RoCE (%)				RoE (%)			
		(₹)	(₹)			(₹ cr)	FY18	FY19	FY20E	FY21E	FY18	FY19	FY20E	FY21E	FY18	FY19	FY20E	FY21E	FY18	FY19	FY20E
Ajanta Pharm:	AJAPHA	953	1,010	Hold	8313	53.0	43.5	47.5	60.2	18.0	21.9	20.0	15.8	30.0	21.8	20.8	22.4	23.0	17.1	16.4	18.0
Alembic Pharm:	ALEMPHA	546	560	Hold	10286	21.9	31.4	29.9	24.7	24.9	17.4	18.3	22.1	18.0	19.6	17.5	15.8	18.6	21.7	17.1	14.2
Apollo Hospita	APOHOS	1359	1,450	Buy	18904	8.5	17.7	35.3	48.1	160.7	76.8	38.5	28.3	6.3	8.8	12.1	15.7	3.6	7.4	13.2	15.7
Aurobindo Ph:	AURPHA	599	735	Buy	35088	41.6	42.1	49.1	61.2	14.4	14.2	12.2	9.8	20.0	15.9	14.3	16.3	20.7	17.7	17.3	18.0
Biocon	BIOCON	229	330	Buy	27468	3.1	6.2	8.2	9.1	73.8	36.9	28.0	25.2	8.1	10.9	13.4	16.1	7.2	12.2	13.4	15.2
Cadila Healthc	CADHEA	230	272	Hold	23582	17.5	18.1	16.3	18.7	13.1	12.8	14.2	12.3	16.7	13.0	11.4	12.3	20.5	17.8	14.2	14.5
Cipla	CIPLA	485	520	Hold	39045	18.3	18.6	21.4	25.9	26.4	26.1	22.7	18.7	9.6	10.9	12.4	13.7	10.4	10.0	10.5	11.5
Divi's Lab	DIVLAB	1665	1,640	Hold	44199	33.3	51.0	50.3	63.1	50.0	32.7	33.1	26.4	20.0	25.5	21.7	23.3	14.9	19.4	16.8	17.9
Dr Reddy's La	DRREDD	2573	2,770	Hold	42735	57.0	114.8	163.4	157.7	45.1	22.4	15.7	16.3	6.1	11.1	16.1	15.6	7.2	13.6	16.6	14.2
Glenmark Pha	GLEPHA	426	565	Hold	12026	28.5	26.9	34.2	40.3	14.9	15.8	12.4	10.6	14.6	14.5	15.3	16.1	15.6	13.5	14.8	15.0
Hikal	HIKCHE	148	205	Buy	2022	6.3	8.4	10.1	13.6	23.6	17.7	14.6	10.9	12.2	14.3	14.8	17.2	11.5	13.6	14.5	16.5
Ipca Laborato	IPCLAB	963	1,130	Buy	12171	19.0	35.1	45.6	56.4	50.8	27.5	21.1	17.1	9.1	15.4	21.3	20.5	8.9	14.2	18.2	17.1
Jubilant Life	JUBLIF	434	710	Buy	6905	41.3	52.1	54.1	64.9	10.5	8.3	8.0	6.7	14.9	14.4	15.9	17.1	15.7	16.9	15.8	16.5
Lupin	LUPIN	759	755	Hold	34339	20.8	16.5	25.4	37.7	36.6	45.9	29.9	20.1	10.4	9.4	10.3	13.2	6.9	5.4	7.8	10.6
Narayana Hru	NARHRU	215	250	Buy	4388	2.5	2.3	6.2	9.0	85.8	94.7	34.4	23.7	6.3	7.6	11.9	14.7	4.9	4.3	10.5	13.3
Natco Pharm:	NATPHA	551	595	Hold	10023	37.7	34.9	35.9	26.4	14.6	15.8	15.4	20.9	27.4	21.3	19.3	13.1	22.7	18.5	16.1	10.7
Sun Pharma	SUNPHA	422	460	Hold	101249	13.0	15.9	17.9	23.4	32.5	26.6	23.6	18.0	9.8	10.4	10.5	12.8	8.2	9.2	8.4	11.2
Syngene Int.	SYNINT	314	358	Hold	12572	7.6	8.3	9.9	10.3	40.6	37.4	31.3	30.0	15.1	14.8	14.5	13.8	17.7	16.8	16.8	15.0
Torrent Pharm	TORPHA	1675	1,750	Buy	28337	40.1	48.9	51.3	72.9	41.8	34.2	32.7	23.0	11.2	14.2	15.4	19.2	14.7	17.5	16.1	19.6

Source: ICICI Direct Research, Bloomberg

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Reduce: -5% to -15%;

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Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruiti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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