

August 12, 2019

One-offs impact Q1...

Revenues de-grew 8.6% YoY to ₹ 492.3 crore (I-direct estimate: ₹ 608.2 crore) mainly due to 14.1% decline in domestic formulations to ₹ 164 crore. Export business grew 2.1% YoY to ₹ 241 crore (I-direct estimate: ₹ 262.1 crore). EBITDA margins contracted 154 bps to 38.9% (I-direct estimate: 43.3%) mainly due to high employee cost. EBITDA de-grew 12.1% YoY to ₹ 191.3 crore against I-direct estimate of ₹ 263.5 crore. Net profit de-grew 21.1% YoY to ₹ 143.2 crore (I-direct estimate: ₹ 195.4 crore). Delta vis-à-vis EBITDA was mainly due to higher depreciation and financial cost.

Focused approach in US

Natco has carved out its own identity via tie-ups to tap limited but niche products pipeline including 20 Para IVs filings (FY19). 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 FY19, the company filed 51 ANDAs, which includes some niche FTF opportunities. Overall, the management expects one or two complex product launches in the US.

New launches in CND/oncology to drive domestic revenues

Natco is a leading player in the domestic oncology segment with a product basket of ~32 products (FY19). We expect the momentum in oncology segment to continue on the back of incremental launches. The hepatitis C segment was facing competition in the domestic market. New launches in cardio/diabetology segment (CND) are expected to support overall growth. We expect domestic sales to grow 12.3% in FY19-21E to ₹ 926 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 niche opportunities are 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 a 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 ~₹ 397 (15x FY21E EPS of ₹ 26.4) + ₹ 198 for NPV of FTF/Para IVs in the US.



Particulars

Particular	Amount
Market Capitalisation	₹ 10071 crore
Debt (FY19)	₹ 386 crore
Cash (FY19)	₹ 280 crore
EV	₹ 10178 crore
52 week H/L (₹)	849/480
Equity capital	₹ 36.9 crore
Face value	₹ 2

Key Highlights

- One-off trade related issues in domestic oncology and one-off accounting treatment for incentive impacted Q1
- Next big US approval to be gRevlimid. There are handful of other US approvals and launches lined up
- Metamorphic shift in business/geographical focus likely to witness 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	2201.6	2037.5	-1.37
EBITDA	928.4	794.8	909.6	673.8	-7.93
EBITDA Margins (%)	42.2	37.9	41.3	33.1	
Net Profit	696.2	644.4	662.1	487.8	-13.00
EPS (₹)	37.7	34.9	35.9	26.4	
PE (x)	14.6	15.8	15.4	20.9	
EV to EBITDA (x)	10.9	12.8	11.1	14.6	
Price to book (x)	3.3	2.9	2.5	2.2	
RoNW (%)	22.7	18.5	16.1	10.7	
RoCE (%)	27.4	21.3	19.3	13.1	

Source: ICICI Direct Research, Company

Exhibit 1: Variance Analysis

	Q1FY20	Q1FY20E	Q1FY19	Q4FY19	YoY (%)	QoQ (%)	Comments
Revenue	492.3	608.2	538.6	455.7	-8.6	8.0	YoY decline and miss vis-à-vis I-direct estimates mainly due to one-off trade related issues in domestic oncology and one-off accounting treatment for incentive
Raw Material Expenses	76.0	97.3	87.3	67.0	-12.9	13.4	
Employee Expenses	93.2	95.8	88.7	81.3	5.1	14.6	
Other Expenditure	131.8	151.6	145.0	159.1	-9.1	-17.2	
Total Operating Expenditure	301.0	344.7	321.0	307.4	-6.2	-2.1	
EBITDA	191.3	263.5	217.6	148.3	-12.1	29.0	
EBITDA (%)	38.9	43.3	40.4	32.5	-154 bps	632 bps	YoY decline and miss vis-à-vis I-direct estimates mainly due to higher employee cost
Interest	6.5	5.2	2.8	5.2	132.1	25.0	
Depreciation	22.0	23.1	18.4	21.7	19.6	1.4	
Other Income	21.0	21.3	35.9	31.0	-41.5	-32.3	
EO	0.0	0.0	0.0	0.0	0.0	0.0	
PBT	183.8	256.6	232.3	152.4	-20.9	20.6	
Tax	41.0	61.6	51.2	32.0	-19.9	28.1	
PAT before MI	142.8	195.0	181.1	120.4	-21.1	18.6	
MI	-0.4	-0.4	-0.5	-0.4	NA	NA	
Adj.Net Profit	143.2	195.4	181.6	120.8	-21.1	18.5	Delta vis-à-vis I-direct estimates mainly due to higher financial cost and depreciation. Miss vis-à-vis I-direct estimates mainly due to below expected operational performance
Key Metrics							
APIs	72.0	70.4	67.0	70.0	7.5	2.9	
Domestic Oncology	80.0	118.3	91.0	116.0	-12.1	-31.0	YoY decline and miss vis-à-vis I-direct estimates mainly due to one-off trade related issues
Export Formulations	241.0	262.1	236.0	253.0	2.1	-4.7	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)	54.0	61.0	68.0	53.0	-20.6	1.9	YoY decline and miss vis-à-vis I-direct estimates mainly due to higher-than expected decline in Hep C portfolio

Source: ICICI Direct Research

Exhibit 2: Change in Estimates

	FY20E			FY21E		
	Old	New	% Change	Old	New	% Change
(₹ Crore)						
Revenue	2,245.2	2,201.6	-1.9	2,054.2	2,037.5	-0.8
EBITDA	925.4	909.6	-1.7	683.6	673.8	-1.4
EBITDA Margin (%)	41.2	41.3	10 bps	33.3	33.1	-21 bps
PAT	678.7	662.1	-2.4	501.8	487.8	-2.8
EPS (₹)	36.8	35.9	-2.4	27.2	26.4	-2.8

Source: ICICI Direct Research

Exhibit 3: Change in Estimates

	Current			Earlier			Comments
	FY17	FY18	FY19	FY20E	FY19E	FY20E	
APIs	183.0	285.4	303.0	321.0	303.0	308.7	
Domestic formulations	880.0	720.2	735.0	811.6	735.0	842.9	
Exports formulations	840.0	1,041.6	994.0	998.1	994.0	1,035.2	

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 gOsetamivir 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 that Natco has exclusivity in gRevlimid and that 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 injunction on both these launches and the company expects 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 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	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	YoY (%)	QoQ (%)
Net Sales	297.7	407.6	642.9	564.7	428.1	426.7	562.2	767.8	538.6	543.5	556.7	455.7	476.3	-11.6	4.5
Revenues	325.2	460.3	679.0	564.7	428.1	426.7	562.2	767.8	538.6	543.5	556.7	455.7	492.3	-8.6	8.0
Raw Material Expense	107.8	183.8	205.4	117.2	109.4	112.9	65.8	123.0	87.3	94.9	105.0	67.0	76.0	-12.9	13.4
% of Revenues	33.1	39.9	30.3	20.8	25.6	26.5	11.7	16.0	16.2	17.5	18.9	14.7	15.4	-132 bps	-416 bps
Gross Profit	217.4	276.5	473.6	447.5	318.7	313.8	496.4	644.8	451.3	448.6	451.7	388.7	416.3	-7.8	7.1
Gross Profit Margin (%)	66.9	60.1	69.7	79.2	74.4	73.5	88.3	84.0	83.8	82.5	81.1	85.3	84.6	132 bps	416 bps
Employee Expenses	51.7	58.5	56.0	79.6	63.1	73.6	78.8	110.1	88.7	92.6	93.3	81.3	93.2	5.1	14.6
% of Revenues	15.9	12.7	8.2	14.1	14.7	17.2	14.0	14.3	16.5	17.0	16.8	17.8	18.9	350 bps	108 bps
Other Expenses	103.6	113.2	157.4	126.8	118.9	118.3	131.1	151.4	145.0	135.5	150.0	159.1	131.8	-9.1	-17.2
% of Revenues	31.9	24.6	23.2	22.5	27.8	27.7	23.3	19.7	26.9	24.9	26.9	34.9	26.8	1519 bps	797 bps
Total Expenditure	263.1	355.5	418.8	323.6	291.4	304.8	275.7	384.5	321.0	323.0	348.3	307.4	301.0	-6.2	-2.1
% of Revenues	80.9	77.2	61.7	57.3	68.1	71.4	49.0	50.1	59.6	59.4	62.6	67.5	61.1	1738 bps	489 bps
EBITDA	62.1	104.8	260.2	241.1	136.7	121.9	286.5	383.3	217.6	220.5	208.4	148.3	191.3	-12.1	29.0
EBITDA Margins(%)	19.1	22.8	38.3	42.7	31.9	28.6	51.0	49.9	40.4	40.6	37.4	32.5	38.9	-1738 bps	-489 bps
Depreciation	13.1	14.1	13.7	13.5	15.0	16.0	17.2	18.0	18.4	20.2	20.7	21.7	22.0	19.6	1.4
Interest	3.2	4.2	4.6	6.4	3.9	4.2	4.3	3.0	2.8	5.0	6.3	5.2	6.5	132.1	25.0
Other income	5.2	3.2	6.1	-0.6	3.4	5.5	11.4	20.1	35.9	40.0	23.3	31.0	21.0	-41.5	-32.3
Less: Exceptional Item	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	51.0	89.7	248.0	220.6	121.2	107.2	276.4	382.4	232.3	235.3	204.7	152.4	183.8	-20.9	20.6
Total Tax	18.6	23.5	53.1	44.2	27.5	22.8	59.0	82.7	51.2	53.7	45.4	32.0	41.0	-19.9	28.1
Tax rate (%)	36.5	26.2	21.4	20.0	22.7	21.3	21.3	21.6	22.0	22.8	22.2	21.0	22.3		
PAT	32.4	66.2	194.8	176.4	93.7	84.4	217.4	299.7	181.1	181.6	159.3	120.4	142.8	-21.1	18.6
PAT Margin (%)	10.0	14.4	28.7	31.2	21.9	19.8	38.7	39.0	33.6	33.4	28.6	26.4	29.0	-1261 bps.	-219 bps.
Minority Interest	-0.2	-0.3	-0.2	-0.3	-0.3	-0.4	-0.1	-0.2	-0.5	-0.9	-0.2	-0.4	-0.4		
PAT after MI	32.6	66.5	195.1	176.7	94.0	84.8	217.5	299.9	181.6	182.5	159.5	120.8	143.2	-21.1	18.5
EPS (₹)	10.5	21.4	62.2	56.3	30.0	27.0	69.3	90.7	54.9	55.2	48.2	36.5	41.1		
Adj PAT	32.6	66.5	195.1	176.7	94.0	84.8	217.5	299.9	181.6	182.5	159.5	120.8	143.2	-21.1	18.5

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.

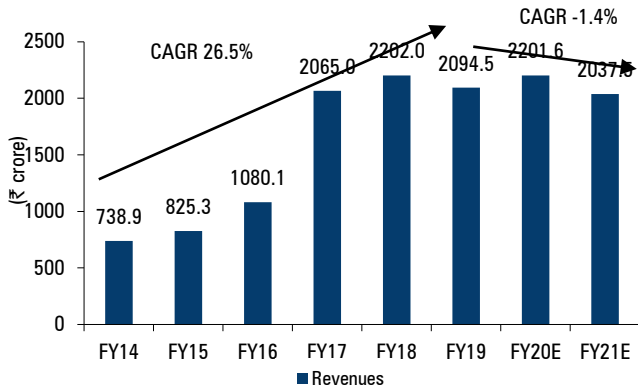
Natco is a leading domestic player in the oncology space. The company derives ~35-40% of sales from the oncology business (both APIs, formulations). NPL's product pipeline consists of drugs, which are used for various types of cancer like blood cancer, breast cancer, brain cancer, ovarian cancer, lung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

On the export front, Natco exports products to the 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.

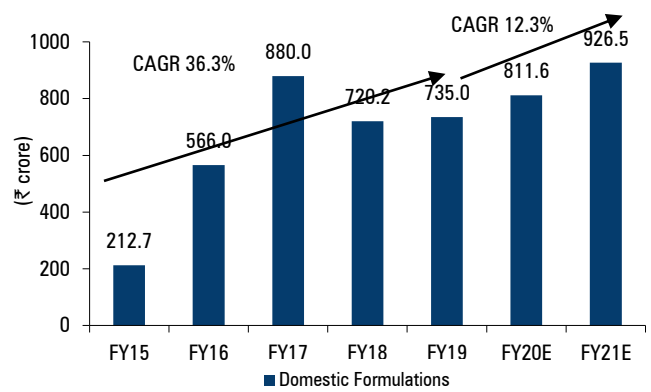
Natco had earlier tried to pursue the route of retail pharmacies as a gateway for entry into the US market. Later on, it revisited the strategy. It sold two pharmacies and currently owns & operates a single store. As per the revised and more feasible game plan, it plans to market products via tie-ups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

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



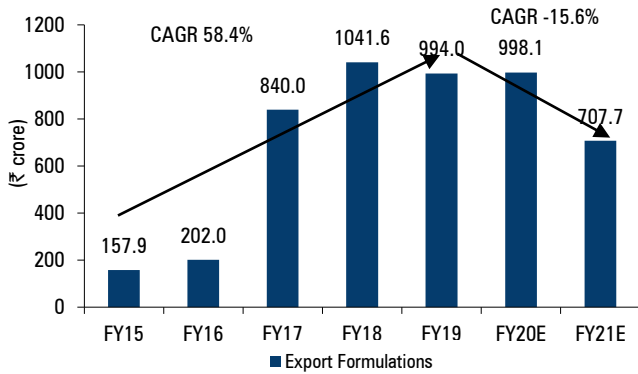
Source: ICICI Direct Research, Company

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



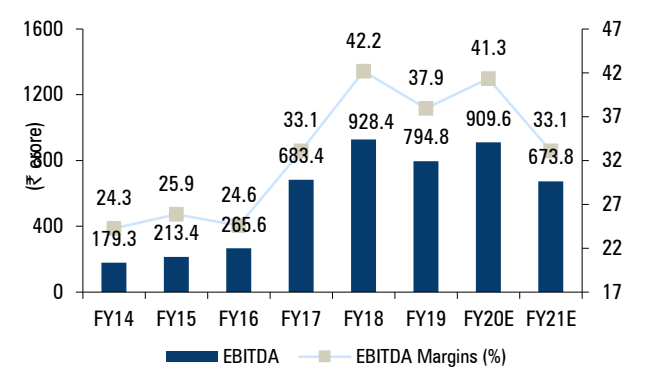
Source: ICICI Direct Research, Company

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



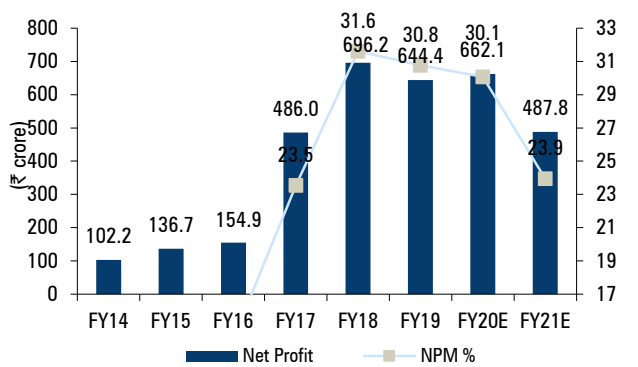
Source: ICICI Direct Research, Company

Exhibit 8: EBITDA & EBITDA margins trend



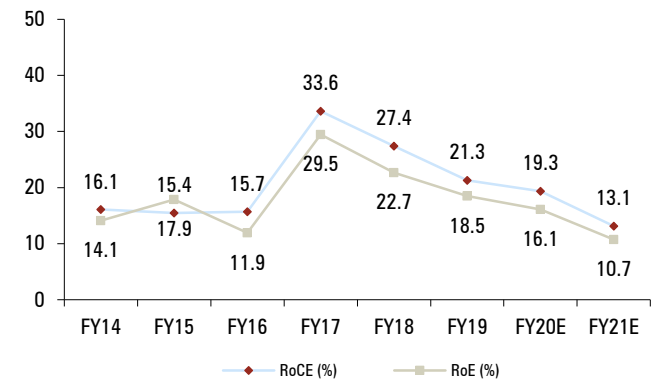
Source: ICICI Direct Research, Company

Exhibit 9: Net profit & net profit margin 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 ₹ 26.4)	397
Para IV Opportunities	198
Target Price	595

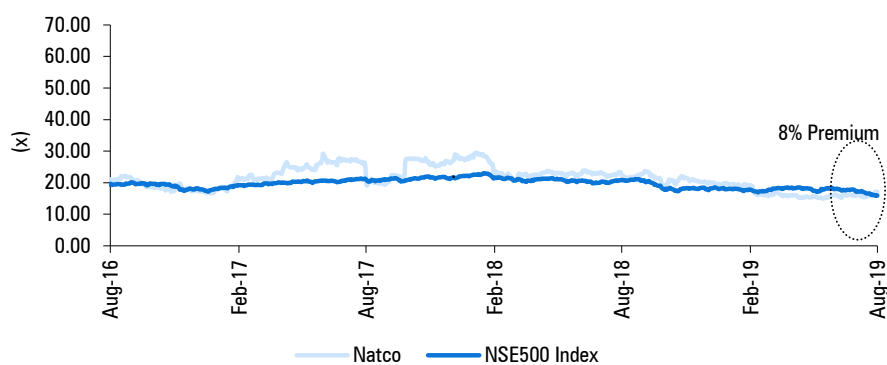
Source: ICICI Direct Research, Bloomberg

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	14.6	10.9	22.7	27.4
FY19	2095	-4.9	34.9	-7.4	15.8	12.8	18.5	21.3
FY20E	2202	5.1	35.9	2.7	15.4	11.1	16.1	19.3
FY21E	2037	-7.5	26.4	-26.3	20.9	14.6	10.7	13.1

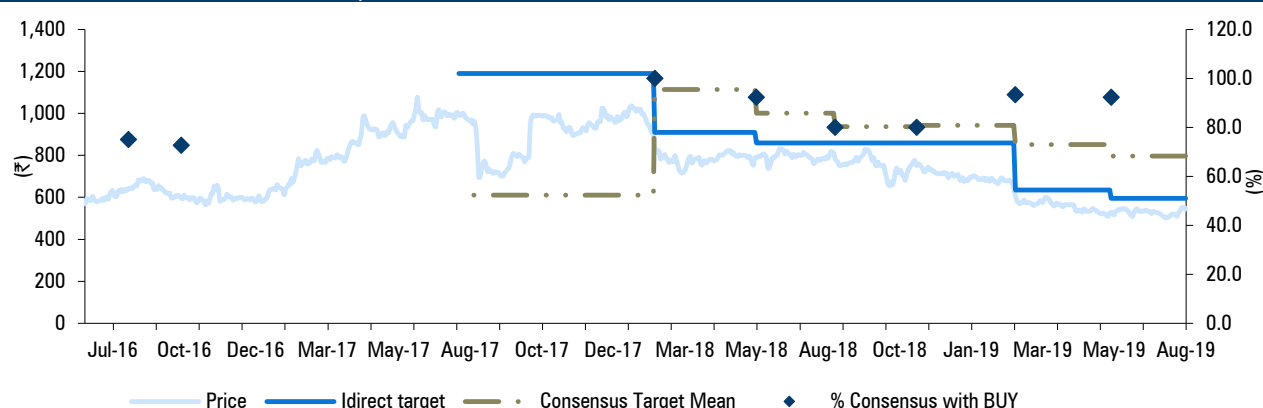
Source: ICICI Direct Research, Bloomberg

Exhibit 13: One-year rolling forward PE of Company vs. NSE500 Index



Source: ICICI Direct Research, Bloomberg

Exhibit 14: Recommendation history vs. Consensus



Source: ICICI Direct Research, Reuters

Exhibit 15: Top 10 Shareholders

Rank	Investor Name	Filing Date	% O/S	Position	Position Change
1	Nannapaneni (V C)	30-Jun-19	12.4	22.6m	-12.7m
2	Time Cap Pharma Labs Pvt. Ltd.	30-Jun-19	9.4	17.2m	0.0m
3	Kantamani (Venkata Satya Swathi)	30-Jun-19	8.8	16.0m	12.7m
4	Natsoft Information Systems Pvt. Ltd.	30-Jun-19	8.7	15.8m	0.0m
5	Shanghvi (Dilip S)	30-Jun-19	3.2	5.7m	0.0m
6	Nannapaneni (Venkaiah Chowdary) HUF	30-Jun-19	3.0	5.4m	0.0m
7	Aditya Birla Sun Life AMC Limited	30-Jun-19	2.4	4.4m	-0.1m
8	Vistra ITCL India, Ltd.	30-Jun-19	2.2	4.1m	0.0m
9	Nannapaneni (Durga Devi)	30-Jun-19	1.9	3.5m	0.0m
10	Plenty Private Equity Fund I Ltd.	30-Jun-19	1.7	3.2m	0.0m

Source: ICICI Direct Research, Reuters

Exhibit 16: Recent Activity

Buys			Sells		
Investor name	Value (\$)	Shares	Investor name	Value (\$)	Shares
Kantamani (Venkata Satya Swathi)	98.7m	12.7m	Nannapaneni (V C)	-98.7m	-12.7m
Mirae Asset Global Investments Co., Ltd.	16.2m	2.1m	Nomura Asset Management Singapore Ltd.	-5.1m	-0.5m
Tata Asset Management Limited	15.8m	2.0m	Matthews International Capital Management, L.L.C.	-1.3m	-0.2m
Stichting Depository APG Emerging Markets Equity Pool	14.9m	1.9m	Aditya Birla Sun Life AMC Limited	-1.0m	-0.1m
Norges Bank Investment Management (NBIM)	1.6m	0.2m	Columbia Threadneedle Investments (UK)	-1.0m	-0.1m

Source: ICICI Direct Research, Reuters

Exhibit 17: Shareholding Pattern

(in %)	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Promoter	48.4	48.4	48.4	48.7	49.0
Others	51.6	51.6	51.6	51.3	51.0

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	2,201.6	2,037.5
Growth (%)	6.6	-4.9	5.1	-7.5
Raw Material Expenses	428.3	354.2	349.5	366.7
Employee Expenses	325.6	355.9	373.6	381.1
Other expenses	519.7	589.6	568.8	615.8
Total Operating Expenditure	1,273.6	1,299.7	1,292.0	1,363.7
EBITDA	928.4	794.8	909.6	673.8
Growth(%)	35.9	-14.4	14.4	-25.9
Depreciation	66.2	81.0	102.5	119.2
Interest	15.4	19.3	21.0	19.3
Other Income	40.4	130.2	78.9	104.5
PBT	887.2	824.7	865.0	639.7
Total Tax	192.0	182.3	204.5	153.5
PAT before MI	695.2	642.4	660.5	486.2
Minority Interest	-1.0	-2.0	-1.6	-1.6
Adjusted PAT	696.2	644.4	662.1	487.8
Growth(%)	43.3	-7.4	2.7	-26.3
EPS (Adjusted)	37.7	34.9	35.9	26.4

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	662.1	487.8
Add: Depreciation	66.2	81.0	102.5	119.2
(Inc)/dec in Current Assets	-324.0	-40.4	78.7	71.3
Inc/(dec) in CL and Provisions	29.4	-76.4	55.4	-8.7
CF from operating activities	454.3	608.6	898.7	669.6
(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	-21.0	-19.3
CF from financing activities	650.9	-11.7	-63.8	-62.5
Net Cash flow	150.9	76.5	186.1	258.3
Opening Cash	23.5	183.7	279.5	486.5
Closing Cash	174.4	260.2	465.6	744.9
Free Cash Flow	47.8	161.4	548.7	419.6

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	4,071.4	4,516.0
Total Shareholders funds	3,072.2	3,489.0	4,108.3	4,552.9
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	4,581.2	5,027.0
Gross Block - Fixed Assets	1,407.6	1,697.2	2,147.2	2,497.2
Accumulated Depreciation	389.0	470.0	572.5	691.8
Net Block	1,018.6	1,227.2	1,574.7	1,805.4
Capital WIP	480.0	637.6	537.6	437.6
Total Fixed Assets	1,498.6	1,864.8	2,112.3	2,243.0
Investments	76.5	168.6	468.6	568.6
Inventory	438.4	529.0	427.4	395.5
Debtors	637.5	506.2	529.1	489.7
Cash	183.7	279.5	486.5	764.2
Other Current Assets	802.7	883.8	883.8	883.8
Total Current Assets	2,062.3	2,198.5	2,326.9	2,533.2
Creditors	269.1	217.0	262.4	242.8
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	397.8	389.1
Net Current Assets	1,643.5	1,856.1	1,929.1	2,144.2
LT L & A & Other Non CA	77.7	71.2	71.2	71.2
Application of Funds	3,296.3	3,960.7	4,581.2	5,027.0

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	35.9	26.4
BV per share	166.5	189.1	222.7	246.8
Dividend per share	9.9	11.1	2.3	2.3
Cash Per Share	10.0	15.1	26.4	41.4
Operating Ratios (%)				
Gross Profit Margins	80.5	83.1	84.1	82.0
EBITDA Margins	42.2	37.9	41.3	33.1
PAT Margins	31.6	30.8	30.1	23.9
Inventory days	72.7	92.2	70.9	70.9
Debtor days	105.7	88.2	87.7	87.7
Creditor days	44.6	37.8	43.5	43.5
Asset Turnover	1.6	1.2	1.0	0.8
EBITDA Conversion Rate	48.9	76.6	98.8	99.4
Return Ratios (%)				
RoE	22.7	18.5	16.1	10.7
RoCE	27.4	21.3	19.3	13.1
RoIC	33.6	24.7	22.7	14.5
Valuation Ratios (x)				
P/E	14.6	15.8	15.4	20.9
EV / EBITDA	10.9	12.8	11.1	14.6
EV / Net Sales	4.6	4.8	4.6	4.8
Market Cap / Sales	4.6	4.9	4.6	5.0
Price to Book Value	3.3	2.9	2.5	2.2
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	FY19	FY20E	FY21E	FY18	FY19	FY20E	FY21E	FY18	FY19	FY20E	FY21E	FY18	FY19	FY20E	FY21E	
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	540	560	Hold	10179	21.9	31.4	29.9	24.7	24.7	17.2	18.1	21.9	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	598	735	Buy	35061	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	27450	3.1	6.2	8.2	9.1	73.7	36.9	28.0	25.1	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	39102	18.3	18.6	21.4	25.9	26.5	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	1,760	Hold	44199	33.3	51.0	56.2	67.8	50.0	32.7	29.6	24.5	20.0	25.5	23.0	24.4	14.9	19.4	17.8	18.8
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	219	250	Buy	4481	2.5	2.3	6.2	9.0	87.6	96.7	35.1	24.3	6.3	7.6	11.9	14.7	4.9	4.3	10.5	13.3
Natco Pharm:	NATPHA	552	595	Hold	10031	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	313	358	Hold	12502	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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