

One-off US sales, margins drive Q1...

Q1FY20 revenues grew 15.9% YoY to ₹ 8374.4 crore (I-direct estimate: ₹ 8161.6 crore) mainly due to 15.9% YoY growth in the US business to ₹ 2947 crore (I-direct estimate: ₹ 2578 crore). India formulations grew 7.5% YoY to ₹ 2314 crore (I-direct estimate: ₹ 2585.2 crore). EBITDA margins improved 159 bps YoY to 23.8% (I-direct estimate: 20.0%) mainly due to lower employee cost, forex gain and R&D spend. EBITDA grew 24.2% YoY to ₹ 1995.6 crore (I-direct estimate: ₹ 1632.3 crore). Net profit grew 40.4% to ₹ 1387.5 crore (I-direct estimate: ₹ 891.5 crore) mainly due to strong operational performance and lower tax rate (8.9% vs. 12.9% in Q1FY19).

Specialty diversification to be key for US business

The US business constitutes ~37% of turnover (FY19). The US product basket stays robust - 466 ANDAs filed, 108 pending final approvals. It also has 52 approved NDAs and six pending NDAs. US growth has also been backed by extensive infrastructure with 42 global manufacturing facilities. Due to a challenging environment on the generics front, the management plans to diversify into specialty products such as Ilumya (dermatology), BromSite, Cequa, Xelpros (all ophthalmic) and Odomzo, Yonsa (both oncology), etc. We expect the US business to grow at a CAGR of ~6% to ₹ 12049 crore in FY19-21E on the back of an improvement in base business performance, specialty launches and Halol decongestion.

New launches to drive domestic revenues

Indian formulations form 25% of turnover (FY19). With a market share of 8.5%, the company is ranked No. 1 in domestic formulations. It leads prescription share in 11 specialties including psychiatrists, neurologist, cardiovascular and diabetes. It has also embarked on a strategy to in-license the latest generation patent protected products from various innovators. We expect Indian formulations to grow at ~24% CAGR to ₹ 11332 crore in FY19-21E backed by lower base, new launches and price hikes.

Valuation & Outlook

Q1 revenues were driven by one-off US supply while profitability was driven by lower R&D, forex gains and lower tax. The management expects continuous frontloading of cost on specialty launches. This optical move is the culmination of the long ongoing endeavour of the management for a drift from generics to specialty in the backdrop of US headwinds. We believe this is the key differentiator vis-à-vis peers. However, despite this, we expect investors to remain cautious in the backdrop of whistleblower's complaint filing to Sebi and its possible outcome. These issues are likely to outweigh the company's steady fundamentals in the near term. Our target price is ₹ 470 based on 18x FY21E EPS of ₹ 23.4 and ₹ 38 NPV for Ilumya.



Particulars

Particular	Amount
Market Capitalisation	₹ 105388 crore
Debt (FY19)	₹ 10514 crore
Cash & Equivalents (FY19)	₹ 13800 crore
EV (₹ Cr)	₹ 102103 crore
52 week H/L (₹)	679/345
Equity capital	₹ 239.9 crore
Face value	₹ 1

Key Highlights

- Q1FY20 results higher than I-direct estimates mainly on profitability from due to lower-than-expected employee cost, R&D spend, forex gain and lower tax outgo
- Expect investors to remain cautious in backdrop of whistleblower's complaint filing to Sebi and its possible outcome.
- Maintain Hold

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Key Financial Summary

(₹ Crore)	FY18	FY19	FY20E	FY21E	CAGR FY19-21E (%)
Net Sales	26489.5	29028.1	33616.9	36897.7	12.7
EBITDA	5608.1	6269.8	7683.3	8394.3	15.7
EBITDA Margins (%)	21.2	21.6	22.9	22.8	
Adj. Profit	3112.1	3803.3	5031.8	5740.4	22.9
Adj. EPS (₹)	13.0	15.9	21.0	23.9	
PE (x)	48.8	40.7	20.9	18.4	
EV to EBITDA (x)	18.1	16.7	13.3	11.8	
Price to book (x)	2.8	2.5	2.3	2.1	
RoE (%)	8.2	9.2	11.0	11.2	
RoCE (%)	9.7	10.3	12.4	12.6	

Source: ICICI Direct Research; Company

Exhibit 1: Variance Analysis

	Q1FY20	Q1FY20E	Q1FY19	Q4FY19	YoY (%)	QoQ (%)	Comments
Revenue	8,374.4	8,161.6	7,224.2	7,163.9	15.9	16.9	YoY growth mainly due to 15.8% growth in US and consolidation of Pola Pharma
Raw Material Expenses	2,457.8	2,203.6	2,106.8	1,838.8	16.7	33.7	YoY increase due to change in product mix and impact of distribution change
Employee Expenses	1,540.4	1,632.3	1,433.0	1,568.8	7.5	-1.8	YoY increase mainly due to increase of staff cost for specialty business and consolidation of Pola Pharma
Other Expenditure	2,380.6	2,693.3	2,077.6	2,739.6	14.6	-13.1	R&D spend declined 15.6% YoY to ₹ 422 crore. Forex gain of ₹ 67.4 crore against forex loss of ₹ 89.9 crore
Total Expenditure	6,378.8	6,529.3	5,617.5	6,147.1	13.6	3.8	
EBITDA	1,995.6	1,632.3	1,606.7	1,016.8	24.2	96.3	
EBITDA (%)	23.8	20.0	22.2	14.2	159 bps	964 bps	YoY increase and beat vis-à-vis I-direct estimates due to lower employee cost, forex gain and lower R&D spend
Interest	104.1	144.5	130.9	150.0	-20.5	-30.6	
Depreciation	457.1	460.9	401.6	454.1	13.8	0.7	
Other income	213.0	241.6	199.8	281.5	6.6	-24.3	
EO	0.0	0.0	0.0	0.0	NA	NA	
PBT	1,647.4	1,268.6	1,273.9	694.2	29.3	137.3	
Tax	146.1	228.3	163.9	-28.8	-10.9	-607.0	
MI	109.2	146.3	122.7	105.2	-11.1	3.8	
Net Profit	1,387.5	891.5	988.3	615.4	40.4	125.5	
Adj. Net Profit	1,387.5	891.5	988.3	615.4	40.4	125.5	Delta vis-à-vis EBITDA was mainly due to lower tax rate (8.9% vs 12.9% in Q1FY19). Beat vis-à-vis I-direct estimates mainly due to better-than-expected operational performance and lower tax outgo
Key Metrics							
India formulations	2,314.0	2,585.2	2,152.0	1,101.0	7.5	110.2	Excluding impact of distribution change, revenues grew 12% YoY. Miss vis-à-vis I-direct estimates mainly due to higher-than-expected impact of distribution change
US formulations	2,947.4	2,578.0	2,543.7	3,123.2	15.9	-5.6	YoY growth and beat vis-à-vis I-direct estimates mainly due to additional revenues from one-time generic supply to a customer
Emerging Markets	1,348.6	1,413.4	1,308.7	1,219.7	3.0	10.6	YoY decline and miss vis-à-vis I-direct estimates mainly due to volatility in currencies
RoW	1,159.1	1,040.8	717.8	1,078.7	61.5	7.5	YoY growth mainly due to consolidation of Pola Pharma and launch of branded products
APIs	490.5	437.5	416.7	484.0	17.7	1.3	

Source: ICICI Direct Research

Exhibit 2: Change in Estimates

	FY20E			FY21E			Comments
(₹ Crore)	Old	New	% Change	Old	New	% Change	
Total Operating Income	33,629.8	33,616.9	0.0	36,879.7	36,897.7	0.0	
EBITDA	6,726.0	7,683.3	14.2	7,929.1	8,394.3	5.9	
EBITDA Margin (%)	20.0	22.9	286 bps	21.5	22.8	125 bps	Changed mainly due to better-than-expected margins in Q1FY20
Adjusted PAT	3,749.3	5,031.8	34.2	5,583.5	5,740.4	2.8	Changed due to change in operational performance, reduction in financial cost and tax rate
EPS (Adjusted)	15.6	21.0	34.2	23.3	23.9	2.8	

Source: ICICI Direct Research

Exhibit 3: Change in estimates

	Current			Earlier		
₹ crore	FY18	FY19	FY20E	FY21E	FY20E	FY21E
Indian Formulations	8,029.3	7,348.3	10,208.9	11,331.8	10,480.1	11,632.9
US Formulations	8,746.6	10,673.6	11,031.8	12,049.0	10,655.4	11,598.1
RoW markets	7,813.2	8,811.7	9,990.1	10,989.2	10,183.0	11,201.3
APIs	1,476.8	1,782.4	1,924.5	2,020.7	1,871.5	1,965.1

Source: ICICI Direct Research

Conference Call Highlights

- During the quarter, global specialty sales were at US\$94 million. Sun's specialty portfolio includes only 'in-patent NBE/NCEs'
- R&D guidance for FY20- 8-9% of sales still stays. The management expects higher spend in the remaining three quarters. Also, 15% of the R&D spend was on specialty portfolio
- Ilumya is gradually gaining traction in the US. As per the company's internal numbers the ramp-up is showing growth
- The US generic supplies to a specific customer was for two quarters (Q4FY19 and Q1FY20). The management does not expect repeat orders in the remaining quarters
- The direct-to-consumer (DTC)/early access programme (EAP) promotion campaign for Ilumya will continue to have an impact on the SGN&A expenses
- Slower offtake for Ilumya is on account of dispatches through early access programme (EAP), which delays revenues but is viable in the long run for patients' stickiness. These programmes have been funded by the company
- The Cequa (ophthalmic) sales promotion cost is fully reflected in the P&L
- Odomzo (oncology/dermatology) has garnered a market share of 12% in the US. The company's field force is also covering dermatologists other than oncologists
- Excluding distribution related changes, the India underlying growth was ~12%

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	6117.5	5942.5	5372.0	5558.9	6208.8	6650.3	6653.2	6977.1	7224.2	6937.6	7740.2	7163.9	8374.4	15.9	16.9
Raw Material Expense	1335.4	1526.0	1525.9	1427.4	1677.4	1877.5	2099.7	1770.1	2106.8	1757.7	2165.7	1838.8	2457.8	16.7	33.7
Gross Profit Margin (%)	78.2	74.3	71.6	74.3	73.0	71.8	68.4	74.6	70.8	74.7	72.0	74.3	70.7		
Employee Expenses	821.8	839.1	830.1	925.7	1329.9	1323.3	1372.6	1341.3	1433.0	1470.3	1495.0	1568.8	1540.4	7.5	-1.8
% of Revenue	13.4	14.1	15.5	16.7	21.4	19.9	20.6	19.2	19.8	21.2	19.3	21.9	18.4		
Other Expenditure	1906.4	3273.0	1694.9	1693.7	2105.9	2073.9	1727.5	2182.3	2077.6	2178.4	1926.7	2739.6	2380.6	14.6	-13.1
% of Revenue	31.2	55.1	31.5	30.5	33.9	31.2	26.0	31.3	28.8	31.4	24.9	38.2	28.4		
Total Expenditure	4063.7	5638.1	4050.9	4046.7	5113.1	5274.7	5199.9	5293.6	5617.5	5406.4	5587.3	6147.1	6378.8	13.6	3.8
% of Revenue	66.4	94.9	75.4	72.8	82.4	79.3	78.2	75.9	77.8	77.9	72.2	85.8	76.2		
EBITDA	2053.8	304.4	1321.1	1512.2	1095.7	1375.6	1453.4	1683.5	1606.7	1531.2	2152.9	1016.8	1995.6	24.2	96.3
EBITDA Margin (%)	33.6	5.1	24.6	27.2	17.6	20.7	21.8	24.1	22.2	22.1	27.8	14.2	23.8		
Depreciation	162.1	158.4	82.9	168.4	346.6	358.7	339.3	455.2	401.6	426.5	471.1	454.1	457.1	13.8	0.7
Other Income	617.3	42.5	628.7	246.1	152.0	254.8	129.2	302.8	199.8	351.2	193.1	281.5	213.0	6.6	-24.3
PBIT	2509.0	188.5	1866.9	1589.9	901.0	1271.8	1243.3	1531.0	1404.8	1455.9	1874.9	844.3	1751.5	24.7	107.5
Interest	29.9	186.1	12.7	59.7	109.4	157.4	95.3	155.4	130.9	129.5	144.8	150.0	104.1	-20.5	-30.6
Less: Exceptional Item	344.7	-599.4	1.9	81.8	950.5	0.0	0.0	0.0	0.0	1214.4	0.0	0.0	0.0	NA	NA
PBT	2134.4	601.8	1852.3	1448.4	-158.9	1114.3	1147.9	1375.6	1273.9	111.9	1730.1	694.2	1647.4	29.3	137.3
Total Tax	314.3	260.8	268.1	212.6	161.8	111.4	748.7	-176.7	163.9	218.9	270.9	-28.8	146.1	-10.9	-607.0
PAT	1820.2	341.0	1584.3	1235.7	-320.7	1002.9	399.2	1552.3	1110.1	-107.0	1459.2	723.1	1501.4	35.3	107.6
Minority Interest	85.8	127.2	119.0	96.7	102.3	89.7	34.8	220.0	122.7	110.0	219.2	105.2	109.2	-11.1	3.8
PAT after MI	1734.4	213.8	1465.3	1139.1	-423.0	913.2	364.4	1332.3	987.3	-217.0	1240.0	617.8	1392.2	41.0	125.3
EPS (₹)	5.5	0.7	4.7	3.6	-1.8	3.8	1.5	5.6	4.1	-0.9	5.2	2.6	5.8	41.0	125.3
Share Capital (cr)	314.6	315.0	315.0	315.0	239.9	239.9	239.9	239.9	239.9	239.9	239.9	239.9	239.9		

Source: ICICI Direct Research

Company Background

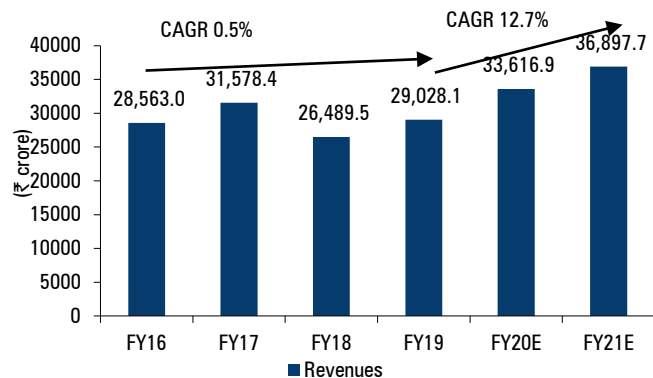
Established in 1983, Sun Pharma is the largest Indian pharmaceutical company both in terms of market capitalisation and turnover (FY17).

The company manufactures and markets a large basket of pharmaceutical formulations in India, the US and several other markets across the world. However, US and Indian formulations are by far the core strengths and growth drivers of the company. The company has ~42 manufacturing sites across the world. The US business has been built mostly on acquisitions and generic focus. It owns the largest product basket among Indian players with as many as 571 product (ANDA) filings. In Indian formulations, the company is a leader in niche therapy areas of psychiatry, gastroenterology, neurology, cardiology, nephrology, orthopaedics and ophthalmology.

The company completed the \$3.2 billion acquisition of Ranbaxy Laboratories after almost a year of navigating the regulatory process to create the world's fifth-largest generic pharmaceutical company by revenue. The company has planned a capex of US\$250 million for Tildrakizumab, the IL-23 monoclonal anti-body in-licensed from MSD (US) over four or five years to be utilised for its psoriasis trials. The company has guided for filing of Investigational IL-23p19 inhibitor, Tildrakizumab, in FY19.

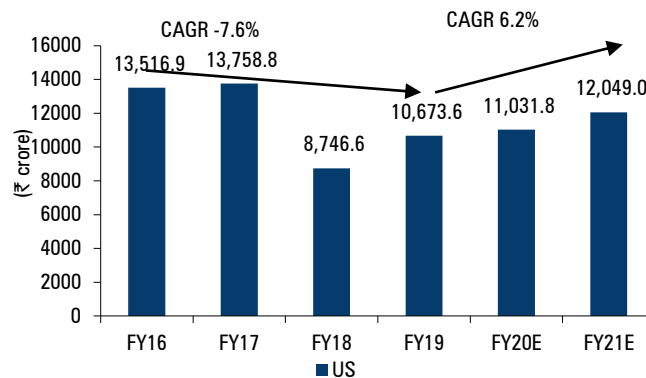
Sun acquired Odomzo (oncology) from Novartis in December, 2016, for \$175 million and additional milestones payments. USFDA approved this in July, 2015 for treatment of locally advanced basal cell cancer and is the first branded oncology product for Sun Pharma in the US. Total 70% who prescribe the products are dermatologists while the rest are oncologists for this drug. Seciera (for dry eyes disease), which was acquired from Ocular Technologies, has shown promising phase III results. The company will enter into a dialogue with the USFDA regarding further course of action for the product.

Exhibit 5: Revenues to grow at CAGR of 13% over FY19-21E



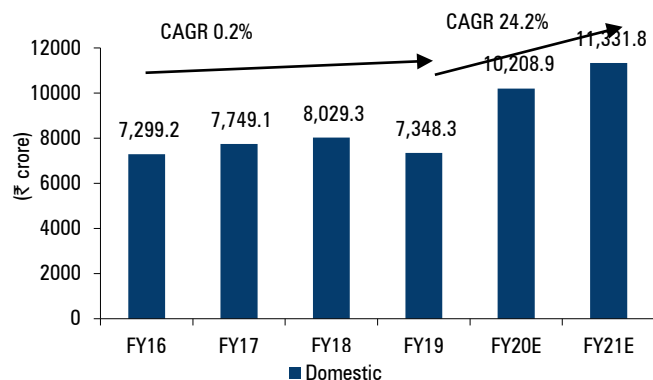
Source: ICICI Direct Research, Company

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



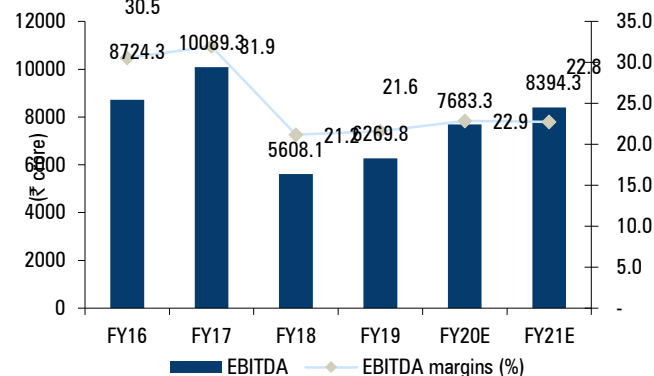
Source: ICICI Direct Research, Company

Exhibit 7: Domestic to grow at CAGR of 24% over FY19-21E



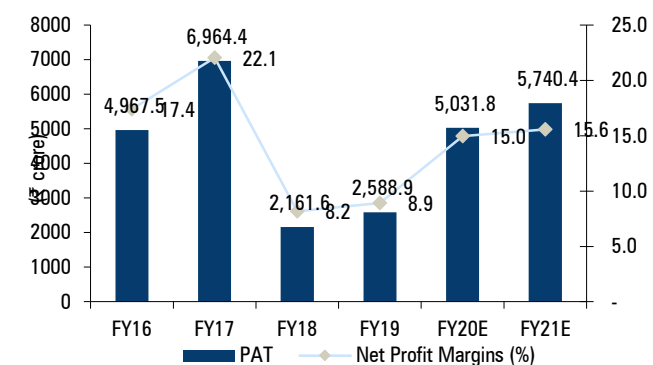
Source: ICICI Direct Research, Company

Exhibit 8: EBITDA & EBITDA margins trend



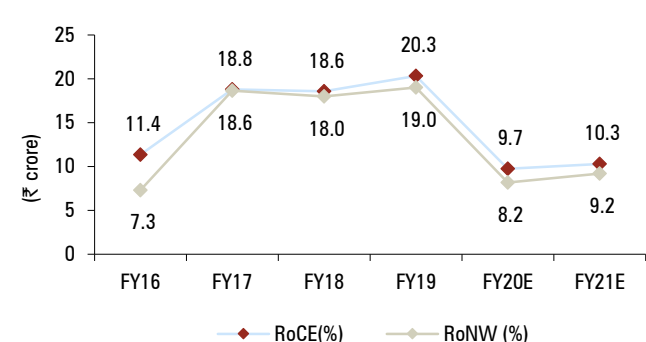
Source: ICICI Direct Research, Company

Exhibit 9: Net profit & margins trend



Source: ICICI Direct Research, Company

Exhibit 10: RoCE & RoE trend

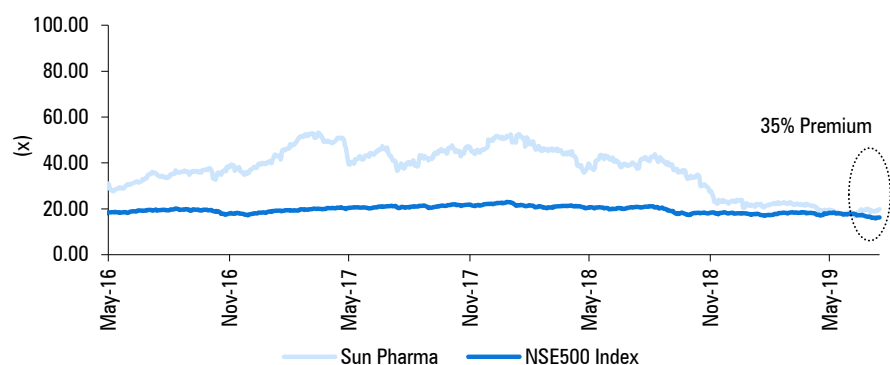


Source: ICICI Direct Research, Company

Exhibit 11: Revenue Bifurcation

Domestic	7,299.2	7,749.1	8,029.3	7,348.3	10,208.9	11,331.8	0.2	24.2
US	13,516.9	13,758.8	8,746.6	10,673.6	11,031.8	12,049.0	-7.6	6.2
Emerging Markets	3,584.3	4,544.8	4,839.2	5,359.0	5,476.5	6,024.2	14.3	6.0
ROW	2,161.8	2,583.2	2,974.0	3,452.6	4,513.6	4,965.0	16.9	19.9
API & Others	1,475.2	1,634.5	1,476.8	1,782.4	1,924.5	2,020.7	6.5	6.5
ROW	5,746.1	7,128.0	7,813.2	8,811.7	9,990.1	10,989.2	15.3	11.7

Source: ICICI Direct Research, Company

Exhibit 12: One year forward PE of company vs. SGX Pharma


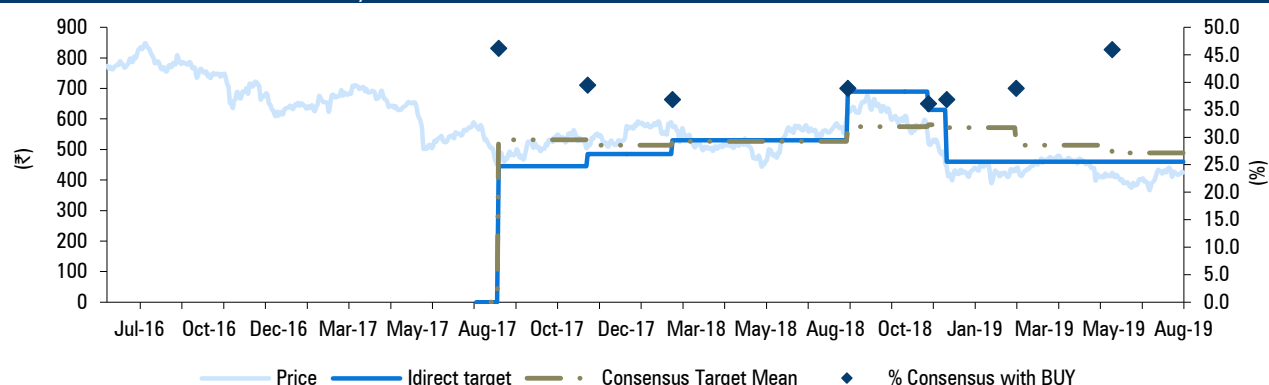
Source: ICICI Direct Research, Bloomberg

Exhibit 13: Valuation

	Revenues	Growth	EPS	Growth	P/E	EV/EBITDA	RoE	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY18	26489	-16.1	13.0	-55.3	48.8	18.1	8.2	9.7
FY18	29028	9.6	15.9	22.2	40.7	16.7	9.2	10.3
FY20E	33617	15.8	21.0	32.3	20.9	13.3	11.0	12.4
FY21E	36898	9.8	23.9	14.1	18.4	11.8	11.2	12.6

Source: ICICI Direct Research, Company

Exhibit 14: Recommendation history vs. Consensus



Source: ICICI Direct Research; Reuters

Exhibit 15: Top 10 Shareholders

Rank	Investor Name	Filing Date	% O/S	Position	Change
1	Shanghvi Finance Pvt. Ltd.	31-Mar-19	0.40	959.77m	0.00m
2	Shanghvi (Dilip Shantilal)	31-Mar-19	0.10	230.29m	0.00m
3	Life Insurance Corporation of India	31-Mar-19	0.06	141.22m	(0.96)m
4	ICICI Prudential Asset Management Co. Ltd.	30-Jun-19	0.04	85.55m	1.80m
5	Aditya Medisales, Ltd.	31-Mar-19	0.02	40.15m	0.00m
6	The Vanguard Group, Inc.	31-May-19	0.02	38.64m	0.34m
7	Reliance Nippon Life Asset Management Limited	30-Jun-19	0.01	35.55m	0.02m
8	Valia (Raksha Sudhir)	31-Mar-19	0.01	33.83m	0.00m
9	GIC Private Limited	31-Mar-19	0.01	33.02m	(0.02)m
10	Lakshdeep Investments & Finance Pvt. Ltd.	31-Mar-19	0.01	31.38m	(3.70)m

Source: ICICI Direct Research, Reuters

Exhibit 16: Recent Activity

Buys			Sells		
Investor name	Value (\$)	Shares	Investor name	Value (\$)	Shares
Shanghvi (Vidhi D)	61.2m	8.8m	Aberdeen Standard Investments (Asia) Limited	-29.7m	-5.0m
Aditya Birla Sun Life AMC Limited	49.7m	8.4m	Lakshdeep Investments & Finance Pvt. Ltd.	-25.6m	-3.7m
FIL Investment Management (Singapore) Ltd.	28.1m	4.1m	Kotak Mahindra Asset Management Company Ltd.	-17.2m	-2.9m
HDFC Asset Management Co., Ltd.	18.0m	3.1m	Norges Bank Investment Management (NBIM)	-10.3m	-1.7m
ICICI Prudential Asset Management Co. Ltd.	10.4m	1.8m	IDFC Asset Management Company Private Limited	-9.3m	-1.6m

Source: ICICI Direct Research, Reuters

Exhibit 17: Shareholding Pattern

(in %)	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Promoter	54.4	54.4	54.4	54.4	54.4
Others	45.6	45.6	45.6	45.6	45.6

Source: ICICI Direct Research, Company

Financial Summary

Exhibit 18: Profit & Loss (₹ crore)

(Year-end March)	FY18	FY19	FY20E	FY21E
Revenues	26,489.5	29,028.1	33,616.9	36,897.7
Growth (%)	-16.1	9.6	15.8	9.8
Raw Material Expenses	7,424.7	7,869.0	9,273.3	9,962.4
Employee Expenses	5,367.1	5,967.1	6,356.8	6,918.2
Other Expenditure	8,089.6	8,922.3	10,303.6	11,622.8
Total Operating Expenditure	20,881.3	22,758.3	25,933.6	28,503.4
EBITDA	5,608.1	6,269.8	7,683.3	8,394.3
Growth (%)	-44.4	11.8	22.5	9.3
Depreciation	1,499.8	1,753.3	1,828.5	1,997.2
Interest	517.6	555.3	416.2	425.7
Other Income	838.8	1,025.5	1,333.3	1,463.5
PBT	4,429.5	4,986.8	6,771.9	7,434.9
Less: Exceptional Items	950.5	1,214.4	0.0	0.0
Total Tax	845.2	624.9	1,170.9	1,412.6
PAT	2,161.6	2,588.9	5,031.8	5,740.4
Minority Interest	446.8	557.1	550.2	262.9
Adjusted PAT	3,112.1	3,803.3	5,031.8	5,740.4
Growth (%)	-55.3	22.2	32.3	14.1
EPS (Adjusted)	13.0	15.9	21.0	23.9

Source: ICICI Direct Research

Exhibit 19: Cash Flow Statement (₹ crore)

(Year-end March)	FY18	FY19	FY20E	FY21E
Profit/(Loss) after taxation	2737.2	2923.8	5031.8	5740.4
Depreciation	1499.8	1753.3	1828.5	1997.2
(Inc)/Dec in Current Assets	-893.3	-1467.5	-2198.5	-2060.4
(Inc)/Dec in Current Liabilities	681.0	-1228.5	814.7	799.5
Others	-117.6	215.4	416.2	425.7
CF from operation Activities	3907.2	2196.5	5892.7	6902.5
Purchase of Fixed Assets	-1894.3	-3162.4	-1400.0	-1400.0
(Inc)/Dec in Investments	-5594.3	-188.7	-2305.4	-2305.4
Others	-90.8	1231.3	148.0	-167.5
CF from Investing Activities	-7579.4	-2119.7	-3557.4	-3872.9
Inc / (Dec) in Loan Funds	-575.0	890.2	-1000.0	-1000.0
Inc / (Dec) in Equity Capital	0.0	0.0	0.0	0.0
Dividend and dividend tax	-960.5	-578.7	-500.6	-475.9
Other Financial Activities	-3.8	-3042.0	-416.2	-425.7
CF from Financing Activities	-1539.3	-2730.5	-1916.8	-1901.6
Cash generation during the year	-5211.5	-2653.8	418.5	1127.9
Op bal Cash & Cash equivalents	15140.8	9929.4	7275.6	7694.1
Closing Cash/ Cash Equivale	9929.4	7275.6	7694.1	8822.0
Free Cash Flow	2012.9	-965.9	4492.7	5502.5

Source: ICICI Direct Research

Exhibit 20: Balance Sheet (₹ crore)

(Year-end March)	FY18	FY19	FY20E	FY21E
Equity Capital	239.9	239.9	239.9	239.9
Reserve and Surplus	37,860.6	41,169.1	45,700.4	50,964.9
Total Shareholders funds	38,100.6	41,409.1	45,940.3	51,204.8
Total Debt	10,385.3	10,514.4	9,514.4	8,514.4
Deferred Tax Liability	219.0	104.3	111.6	119.4
Minority Interest	3,884.2	3,313.5	3,863.7	4,126.6
Other LT Liabilities & LT Provis	462.7	1,004.7	1,075.0	1,150.3
Total Liabilities	53,051.7	56,345.9	60,505.0	65,115.5
Gross Block - Fixed Assets	21,342.1	25,731.3	27,131.3	28,531.3
Accumulated Depreciation	8,096.2	9,850.5	11,679.0	13,676.2
Net Block	13,245.9	15,880.8	15,452.3	14,855.1
Capital WIP	2,465.2	1,411.2	1,411.2	1,411.2
Total Fixed Assets	15,711.1	17,291.9	16,863.4	16,266.2
Investments	7,142.9	7,902.5	10,207.9	12,513.3
Deferred tax assets	2,193.8	2,554.9	2,733.7	2,925.1
Goodwill on Consolidation	5,606.7	5,955.8	5,955.8	5,955.8
LT Loans & Advances & Asses	6,103.1	3,870.3	4,141.2	4,431.0
Cash	9,929.4	7,275.6	7,694.1	8,822.0
Debtors	7,815.3	8,884.2	9,934.9	10,904.5
Loans and Advances	91.4	309.4	331.0	354.2
Inventory	6,880.7	7,886.0	8,818.7	9,679.3
Other current assets	2,828.5	2,763.3	2,956.8	3,163.7
Total Current Assets	27,545.3	27,118.5	29,735.5	32,923.8
Creditors	4,766.2	4,147.9	4,638.4	5,091.1
Provisions & other current liab	6,484.9	4,200.0	4,494.0	4,808.6
Total Current Liabilities	11,251.1	8,347.9	9,132.4	9,899.7
Net Current Assets	16,294.1	18,770.6	20,603.0	23,024.1
Application of Funds	53,051.7	56,345.9	60,505.0	65,115.5

Source: ICICI Direct Research

Exhibit 21: Key Ratios (₹ crore)

(Year-end March)	FY18	FY19	FY20E	FY21E
Per share data (₹)				
Adjusted EPS	13.0	15.9	21.0	23.9
BV per share	158.8	172.6	191.5	213.4
Dividend per share	2.0	2.7	2.1	2.0
Cash Per Share	41.4	30.3	32.1	36.8
Operating Ratios (%)				
Gross Margin	72.0	72.9	72.4	73.0
EBITDA Margin	21.2	21.6	22.9	22.8
PAT Margin	11.7	13.1	15.0	15.6
Inventory days	94.8	99.2	95.7	95.7
Debtor days	107.7	111.7	107.9	107.9
Creditor days	65.7	52.2	50.4	50.4
Asset Turnover	0.5	0.5	0.6	0.6
EBITDA Conversion rate	69.7	35.0	76.7	82.2
Return Ratios (%)				
RoE	8.2	9.2	11.0	11.2
RoCE	9.7	10.3	12.4	12.6
RoIC	12.0	11.0	13.4	13.9
Valuation Ratios (x)				
P/E	48.8	40.7	20.9	18.4
EV / EBITDA	18.1	16.7	13.3	11.8
EV / Net Sales	3.8	3.6	3.0	2.7
Market Cap / Sales	4.0	3.6	3.1	2.9
Price to Book Value	2.8	2.5	2.3	2.1
Solvency Ratios				
Debt / EBITDA	1.9	1.7	1.2	1.0
Debt / Equity	0.3	0.3	0.2	0.2
Current Ratio	1.6	2.4	2.4	2.4

Source: ICICI Direct Research

Exhibit 22: ICICI Direct Coverage Universe (Healthcare)

Exhibit 22: Top 10 Direct Coverage Dividends (Headline)																						
Company	I-Direct	CMP	TP Rating	M Cap	EPS (₹)						PE(x)			RoCE (%)			RoE (%)					
	Code	(₹)	(₹)		(₹ cr)	FY18	FY19	FY20E	FY21E	FY18	FY19	FY20E	FY21E	FY18	FY19	FY20E	FY21E	FY18	FY19	Y20E	Y21E	
Ajanta Pharm:	AJAPHA	943	1,010	Hold	8225	53.0	43.5	47.5	60.2	17.8	21.7	19.8	15.7	30.0	21.8	20.8	22.4	23.0	17.1	16.4	18.0	
Alembic Pharm	ALEMPHA	530	560	Hold	9998	21.9	31.4	29.9	24.7	24.2	16.9	17.7	21.5	18.0	19.6	17.5	15.8	18.6	21.7	17.1	14.2	
Apollo Hospitz	APOHOS	1323	1,450	Buy	18399	8.5	17.7	35.3	48.1	156.4	74.8	37.4	27.5	6.3	8.8	12.1	15.7	3.6	7.4	13.2	15.7	
Aurobindo Phz	AURPHA	603	735	Buy	35319	41.6	42.1	49.1	61.2	14.5	14.3	12.3	9.9	20.0	15.9	14.3	16.3	20.7	17.7	17.3	18.0	
Biocon	BIOCON	224	330	Buy	26886	3.1	6.2	8.2	9.1	72.2	36.1	27.4	24.6	8.1	10.9	13.4	16.1	7.2	12.2	13.4	15.2	
Cadila Healthc	CADHEA	220	250	Hold	22492	17.5	18.1	13.7	17.9	12.5	12.2	16.0	12.2	16.7	13.0	10.6	12.7	20.5	17.8	12.2	14.2	
Cipla	CIPLA	476	520	Hold	38340	18.3	18.6	21.4	25.9	25.9	25.6	22.3	18.3	9.6	10.9	12.4	13.7	10.4	10.0	10.5	11.5	
Divi's Lab	DIVLAB	1524	1,640	Hold	40468	33.3	51.0	50.3	63.1	45.8	29.9	30.3	24.2	20.0	25.5	21.7	23.3	14.9	19.4	16.8	17.9	
Dr Reddy's La	DRREDD	2556	2,770	Hold	42451	57.0	114.8	163.4	157.7	44.8	22.3	15.6	16.2	6.1	11.1	16.1	15.6	7.2	13.6	16.6	14.2	
Glenmark Pha	GLEPHA	416	565	Hold	11727	28.5	26.9	34.2	40.3	14.6	15.4	12.1	10.3	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	934	1,130	Buy	11803	19.0	35.1	45.6	56.4	49.2	26.6	20.5	16.5	9.1	15.4	21.3	20.5	8.9	14.2	18.2	17.1	
Jubilant Life	JUBLIF	438	710	Buy	6983	41.3	52.1	54.1	64.9	10.6	8.4	8.1	6.8	14.9	14.4	15.9	17.1	15.7	16.9	15.8	16.5	
Lupin	LUPIN	748	755	Hold	33866	20.8	16.5	25.4	37.7	36.1	45.2	29.5	19.8	10.4	9.4	10.3	13.2	6.9	5.4	7.8	10.6	
Narayana Hru	NARHRU	231	260	Buy	4727	2.5	2.3	6.2	9.0	92.4	102.0	37.1	25.6	6.3	7.6	11.9	14.7	4.9	4.3	10.5	13.3	
Natco Pharmz	NATPHA	548	595	Hold	9960	37.7	34.9	35.9	26.4	14.5	15.7	15.3	20.7	27.4	21.3	19.3	13.1	22.7	18.5	16.1	10.7	
Sun Pharma	SUNPHA	439	470	Hold	105388	13.0	15.9	21.0	23.9	33.9	27.7	20.9	18.4	9.7	10.3	12.4	12.6	8.2	9.2	11.0	11.2	
Syngene Int.	SYNINT	309	358	Hold	12358	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	1654	1,750	Buy	27988	40.1	48.9	51.3	72.9	41.3	33.8	32.3	22.7	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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