

February 7, 2020

Revenues upbeat but one-offs impact margins...

Revenues grew 9.1% YoY to ₹ 4371 crore (I-direct estimate: ₹ 4310 crore) mainly due to 12.1% YoY growth in the domestic market to ₹ 1777 crore (I-direct estimate: ₹ 1564.3 crore). US revenues grew 11.4% YoY to ₹ 946 crore (I-direct estimate: ₹ 996 crore). EBITDA margins declined 31 bps, 334 bps YoY, QoQ, respectively, to 17.3% (I-direct estimate: 20.5%) due to drop in gross margin (62.4% vs. 63.5% in Q3FY19). EBITDA grew 7.2% YoY to ₹ 758.3 crore (I-direct estimate: ₹ 883.5 crore). PAT grew 5.7% YoY to ₹ 351 crore (I-direct estimate: ₹ 444.7 crore), in line with operational performance.

Product launches, front-end shift key for formulation exports

Formulation exports constitute ~55% of FY19 revenues. The company is focusing on front-end model, especially for the US along with a gradual shift from loss making HIV and other tenders to more lucrative respiratory and other opportunities in the US and EU. We expect export formulation sales to grow at 8% CAGR to ₹ 11319 crore in FY19-22E. Key drivers will be a launch of inhalers and other products in the developed markets.

Indian formulations growth backed by new launches

With ~5% market share, Cipla is the third largest player in the domestic formulations market. The acute, chronic and sub-chronic revenues for the company are at 36%, 60% and 4%, respectively. Domestic formulations comprise ~38% of total FY19 revenues. It commands ~20% market share in the respiratory segment. We expect domestic formulations to grow at 8% CAGR in FY19-22E to ₹ 7955 crore driven by improved productivity of the newly inducted field force and product launches.

Valuation & Outlook

Key takeaway from Q3 numbers were restoration of growth trajectory in the domestic formulations, decent US growth but subdued margins. In its quest for improving focus the company has restructured its total business into four verticals namely, One-India, South Africa & EMs, US generics & specialty and Lung leadership. While India focus will be on branded (Bx) and trade generics (Tx), the US focus will be on specialty including hospitals and value accretive generics. On the Africa front, the company continues to rebase its business model towards private business in the backdrop shrinking tender opportunities. Another key aspect to watch would be recalibration of R&D. Across the board transformation from tenderised model to private model in the exports market and towards rapid consumerisation of important Tx and Bx in India is likely to continue for some time and this may have some implications on the quarterly performances. We arrive at a target price of ₹ 490 based on 18x FY22E EPS ₹ 27.3.



Particulars

Particular	Amount
Market Capitalisation	₹ 35446 crore
Debt (FY19)	₹ 4316 crore
Cash (FY19)	₹ 619 crore
EV	₹ 39143 crore
52 week H/L (₹)	586/390
Equity capital	₹ 161.1 crore
Face value	₹ 2

Key Highlights

- Key takeaway from Q3 numbers were restoration of growth trajectory in the domestic formulations, decent US growth but subdued margins
- Across the board transformation from tenderised model to private model in the exports market and towards rapid consumerisation of important Tx and Bx in India is likely to continue for some time. This may have some implications on the quarterly performances
- Maintain HOLD

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Key Financial Summary

(₹crore)	FY19	FY20E	FY21E	FY22E	CAGR (FY19-22E) %
Revenues	16362.4	17082.3	18795.1	20581.9	7.9
EBITDA	3097.3	3376.5	3603.9	4155.1	10.3
EBITDA margins (%)	18.9	19.8	19.2	20.2	
Adjusted PAT	1496.1	1661.4	1799.2	2198.0	13.7
Adj. EPS (₹)	18.6	20.6	22.3	27.3	
PE (x)	23.7	21.3	19.7	16.1	
EV to EBITDA (x)	11.9	10.4	9.4	7.7	
RoNW (%)	10.0	10.1	10.0	11.1	
RoCE (%)	10.9	12.7	13.1	14.6	

Source: ICICI Direct Research; Company

Exhibit 1: Variance Analysis

	Q3FY20	Q3FY20E	Q3FY19	Q2FY20	YoY (%)	QoQ (%)	Comments
Revenue	4,371.0	4,309.6	4,007.5	4,395.8	9.1	-0.6	YoY growth mainly due to strong growth in domestic branded formulations and the US
Raw Material Expenses	1,645.0	1,465.2	1,462.7	1,461.2	12.5	12.6	
Gross Profit	2,726.0	2,844.3	2,544.9	2,934.6	7.1	-7.1	
Gross Margin (%)	62.4	66.0	63.5	66.8	-114 bps	-439 bps	Included ~200 bps of one offs pertaining to impact of finished goods inventory adjustment (one-time)
Employee Expenses	745.5	754.2	717.9	761.6	3.9	-2.1	
Other Expenditure	1,222.2	1,206.7	1,119.3	1,263.4	9.2	-3.3	
Total Operating Expenditure	3,612.7	3,426.1	3,299.9	3,486.3	9.5	3.6	
EBITDA	758.3	883.5	707.7	909.5	7.2	-16.6	
EBITDA (%)	17.3	20.5	17.7	20.7	-31 bps	-334 bps	Decline and miss vis-à-vis I-direct estimates mainly due to one-off impact in gross margins
Interest	46.2	46.1	44.2	46.1	4.5	0.2	
Depreciation	277.9	283.0	293.1	283.0	-5.2	-1.8	
Other income	72.1	86.2	78.5	100.5	-8.1	-28.2	
PBT before EO	506.4	640.6	448.9	681.0	12.8	-25.6	
Less: Exceptional Items	0.0	0.0	0.0	0.0	0.0	0.0	
PBT	506.4	640.6	448.9	681.0	12.8	-25.6	
Tax	152.8	185.8	125.7	200.6	21.6	-23.8	
Tax Rate (%)	30.2	29.0	28.0	29.4	218 bps	73 bps	
MI & Share of loss/ (gain)	-11.7	9.2	-10.0	9.7	NA	PL	
Adjusted PAT	351.0	444.7	332.2	464.8	5.7	-24.5	Lower YoY growth and miss vis-à-vis I-direct estimates mainly in sync with operational performance

Key Metrics

Domestic	1777.0	1564.3	1585.0	1745.0	12.1	1.8	YoY growth mainly due to strong growth in branded formulations. Trade generic business grew 7% YoY. Beat vis-à-vis I-direct estimates mainly due to higher-than-expected growth across segments
US	946.0	996.3	849.0	953.0	11.4	-0.7	YoY growth mainly due to new product launches. Miss vis-à-vis I-direct estimates mainly due to lower-than-expected growth in existing products
EU	190.0	217.4	189.0	190.0	0.5	0.0	
South Africa	594.0	601.6	557.0	546.0	6.6	8.8	Constant currency growth was 20% YoY
RoW	559.0	601.7	573.0	646.0	-2.4	-13.5	YoY decline and miss vis-à-vis I-direct estimates mainly due to postponement of shipment
API	165.0	169.4	154.0	157.0	7.1	5.1	

Source: ICICI Direct Research

Exhibit 2: Change in Estimates

	FY20E			FY21E		
(₹ Crore)	Old	New	% Change	Old	New	% Change
Revenues	16,861.1	17,082.3	1.3	18,444.3	18,795.1	1.9
EBITDA	3,328.7	3,376.5	1.4	3,688.9	3,603.9	-2.3
EBITDA Margin (%)	19.7	19.8	7 bps	20.0	19.2	-83 bps
PAT	1,719.4	1,661.4	-3.4	1,889.9	1,799.2	-4.8
EPS (₹)	21.4	20.6	-3.6	23.5	22.3	-4.8

Source: ICICI Direct Research

Exhibit 3: Change in Estimates

	Current			Earlier			Comments
(₹ crore)	FY19	FY20E	FY21E	FY22E	FY20E	FY21E	
Domestic	6,273.0	6,457.0	7,231.8	7,955.0	6,073.0	6,801.8	Changed mainly due to growth recovery in trade generics business
Export Formulations	9,005.0	9,348.5	10,291.3	11,319.4	9,451.4	10,271.0	
API	699.0	678.0	711.9	747.5	696.7	731.5	

Source: ICICI Direct Research

Conference Call Highlights

- The company plans to invest aggressively in the established India branded market and continue focused investments in South Africa, while calibrating investments in US generics and specialty business
- In India, the branded business grew 14% YoY and trade generics grew 7% YoY. The company has also acquired Vysox (from Novartis) and in-licensed Elores brands (from Venus Remedies)
- The management has undertaken a restructuring exercise of its entire business into four verticals – One India, South Africa & EMs, US generics & specialty, and Lung leadership
- They have guided at increased focus on India business through 'One-India' vertical, which will focus more on the distribution channel across prescription (Px), trade generics (TGx) and consumer health (Cipla Health) business
- South Africa business growth was led by robust growth in private market business of 20% YoY in local currency terms. The company is planning to expand its OTC presence in the market
- Emerging markets decline was due to delay in order shipment to Q4FY20. It has launched several products post the partnership with Novartis in Australia, Sri Lanka and is also progressing well with its biosimilars pipeline. The company is also focusing on establishing itself in China, other than the markets of Australia, New Zealand, Algeria, Morocco and some parts of Southeast Asia
- Gross margins were affected by one-time shelf stock adjustment for gSensipar price erosion, and reduction in the finished goods inventory. As per the management, revenues from gSensipar have mostly normalised now. Going forward, gross margins may be ~63%, 64%, respectively
- In US specialty business, the company plans to focus on setting up an institutional business and is planning to out-license its CNS products in near term
- The Advair trials are almost completed (US\$25 million cost in FY20) with filing expected by end of FY20. It has filed the NDA for IV Tramadol (via Avenue Therapeutics) and expects to launch Albuterol in H2FY21
- The company expects to launch limited competition products shortly. The company has also acquired Zemdro
- R&D for Q3FY20 was at ₹ 308 crore (7% of sales), which includes the ongoing clinical trials for its respiratory products. Going forward, the company expects R&D cost as percentage of sales to come down as the company is planning to rationalise the pipeline under development and focus on large value accretive assets in the US specialty segment
- Tax rate for FY20 is expected to be 29-30%

Exhibit 4: Trends in quarterly financials

(₹ crore)	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	YoY (%)	QoQ. (%)
Net Sales	3550.0	3487.0	3432.3	3988.2	3834.5	3495.8	3845.8	3947.9	3906.2	4271.0	3894.5	4264.2	4234.6	8.4	-0.7
Other Operating Income	97.2	95.0	92.7	94.2	79.3	202.2	93.2	64.0	101.3	133.0	94.6	131.5	136.5	34.6	3.7
Total Operating Income	3647.2	3582.0	3525.1	4082.4	3913.8	3698.0	3939.0	4011.9	4007.5	4404.0	3989.0	4395.8	4371.0	9.1	-0.6
Raw Material Expense	1301.1	1315.5	1176.7	1553.1	1378.4	1330.3	1423.9	1412.1	1462.7	1485.8	1196.3	1461.2	1645.0	12.5	12.6
Gross Profit	2346.1	2266.5	2348.4	2529.3	2535.4	2367.7	2515.1	2599.8	2544.9	2918.2	2792.7	2934.6	2726.0	7.1	-7.1
Gross Profit Margins	64.3	63.3	66.6	62.0	64.8	64.0	63.9	64.8	63.5	66.3	70.0	66.8	62.4	-113.6	-439.2
Employee Expenses	633.1	638.9	672.9	660.8	657.3	699.0	714.0	712.2	717.9	712.5	756.1	761.6	745.5	3.9	-2.1
% of revenues	17.4	17.8	19.1	16.2	16.8	18.9	18.1	17.8	17.9	16.2	19.0	17.3	17.1	-85.7	-27.1
Other Expenditure	1035.4	1121.4	1029.0	1064.1	1059.4	1111.8	1074.7	1185.3	1119.3	1244.7	1131.9	1263.4	1222.2	9.2	-3.3
% of revenues	28.4	31.3	29.2	26.1	27.1	30.1	27.3	29.5	27.9	28.3	28.4	28.7	28.0	3.1	-78.0
Total Expenditure	2969.6	3075.8	2878.6	3278.0	3095.2	3141.1	3212.6	3309.7	3299.9	3442.9	3084.4	3486.3	3612.7	9.5	3.6
EBITDA	677.7	506.2	646.5	804.4	818.7	556.9	726.4	702.2	707.7	961.0	904.6	909.5	758.3	7.2	-16.6
EBITDA (%)	18.6	14.1	18.3	19.7	20.9	15.1	18.4	17.5	17.7	21.8	22.7	20.7	17.3	-30.9	-334.1
Interest	59.3	33.4	27.9	42.0	9.2	35.2	35.1	44.4	44.2	44.8	52.1	46.1	46.2	4.5	0.2
Depreciation	257.7	632.2	213.4	302.2	522.4	284.8	241.0	281.9	293.1	510.3	268.0	283.0	277.9	-5.2	-1.8
Other Income	153.5	22.8	151.4	113.3	52.9	40.0	170.1	132.6	78.5	95.4	78.4	100.5	72.1	-8.1	-28.2
PBT	514.1	-136.6	556.6	573.5	340.1	276.9	620.4	508.5	448.9	501.3	662.9	681.0	506.4	12.8	-25.6
Total Tax	128.3	-75.7	130.8	137.4	-64.2	46.2	173.7	142.4	125.7	127.8	192.2	200.6	152.8	21.6	-23.8
PAT before MI	385.8	-60.9	425.8	436.1	404.3	153.2	446.7	366.1	323.2	373.6	470.7	480.4	353.6	9.4	-26.4
Minority Interest	10.1	-1.0	16.1	12.4	2.9	-25.4	5.7	10.1	-10.0	-9.5	-31.0	9.7	-11.7	17.0	-220.5
Net Profit	375.7	-59.9	409.7	423.7	401.4	178.6	441.0	356.0	333.2	383.1	501.7	470.8	365.2	9.6	-22.4
EPS (₹)	4.7	-0.7	5.1	5.3	5.0	2.2	5.5	4.4	4.1	4.8	6.2	5.8	4.5		

Source: ICICI Direct Research; Company

Company Background

Formed by Dr KA Hamied way back in 1935, Cipla is one of the oldest ventures set up by an Indian in the pre-independence era. With 34 manufacturing facilities spread over seven different locations, Cipla has a gamut of therapeutic offerings ranging from simple anti-infectives to complex oncology products. The product basket includes ~2000+ products encompassing almost all therapies and over 40 dosage forms. The facilities have been approved by various agencies such as the USFDA, WHO-Geneva, MHRA-UK, TGA-Australia, SUKL-Slovak Republic, APVMA-Australia, MCC-South Africa, PIC-Germany, Danish Medical Agency, Anvisa-Brazil, INVIMA-Colombia, NDA-Uganda, Department of Health-Canada and MOH-Saudi Arabia, among others. So far, the company has not faced any cGMP issues or import alerts from any regulatory authorities.

Cipla's business model focuses on having marketing partnerships with local companies across the globe. Most partners are large generic players in developed countries. The company has partnership deals with ~22 partners in the US and ~65 in Europe. Cipla has also formed strategic alliances for product development, registration and distribution of its products. For non-regulated markets, the company has maintained long-standing relationships with non-government organisations and institutions globally. However, recent JVs and buying out front-end companies stakes in majority of its markets shows Cipla's clear intension to shifting its partnership model to own front-end model in almost all markets including the US.

Exports constitute around ~59% of total sales. The company exports both APIs and formulations to more than 170 countries including advanced regions such as the US and Europe. Cipla derives 21% of its export revenues from US followed by 13% from South Africa and 17% from RoW markets.

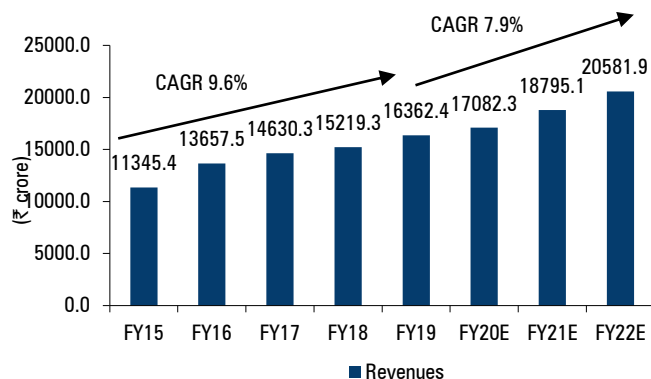
On the product filing front, Cipla has filed 253 ANDAs with the USFDA cumulatively (FY19). The company spends 7-8% of revenues on R&D.

The company acquired two US-based companies, InvaGen Pharmaceuticals and Exelan Pharmaceuticals. InvaGen Pharma has 40 approved ANDAs, 32 marketed products, and 30 pipeline products for which it expects to get approvals over the next four years. The above pipeline also includes five FTFs, which represent a market size of ~\$8 billion in revenue by 2018. The transaction is valued at US\$550 million and is an all-cash deal. Combined revenues of these two companies in CY14 were ~US\$200 million (~US\$225 million TTM June 2015) with EBITDA margins of ~25%. Its revenue grew at ~20% CAGR over the last three years.

In the domestic market, Cipla remains among the top five players, thanks to a gamut of product offerings, which covers almost all therapies built on a network of ~7500 medical representatives (MRs) covering a doctor base of ~5,00,000. As per MAT March 2019 AIOCD ranking, Cipla ranked third with a market share of 4.73%. Breaking it down further, its ranking in chronic therapies was at 2nd.

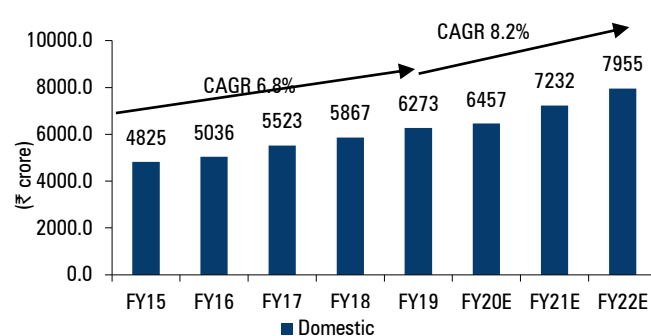
Respiratory therapy accounts for ~20% of Cipla's turnover. The company introduced Salbutamol tablets in 1976 and Salbutamol inhaler in 1978 for the first time in India. Since then, Cipla has consistently introduced new products for asthma, chronic obstructive pulmonary disease (COPD) and allergic rhinitis (AR). More recently, the company did the same in other diseases such as pulmonary arterial hypertension (PAH), lung cancer and idiopathic pulmonary fibrosis (IPF).

Exhibit 5: Revenues to grow at CAGR of 8% over FY19-22E



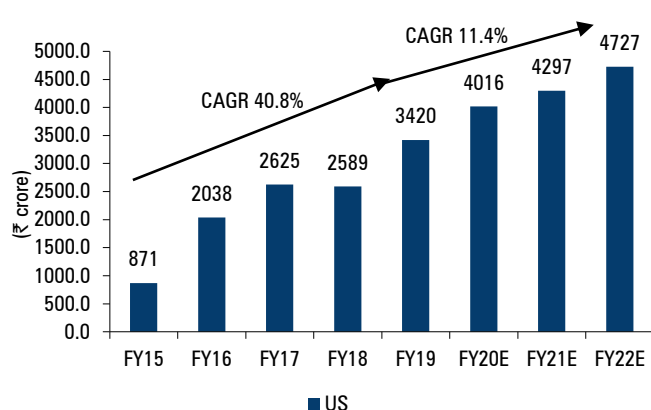
Source: ICICI Direct Research, Company

Exhibit 6: Domestic to grow at CAGR of 8% over FY19-21E



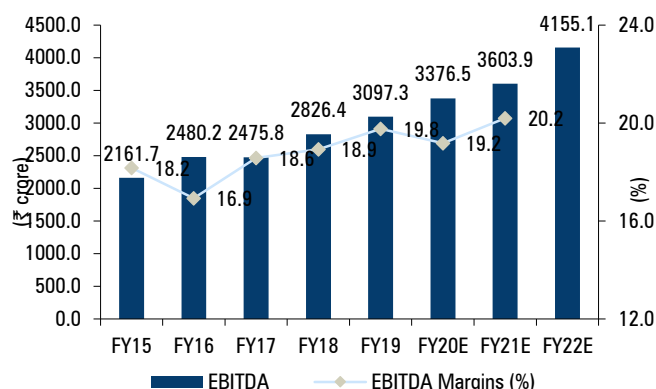
Source: ICICI Direct Research, Company

Exhibit 7: US to grow at CAGR of 11% over FY19-21E



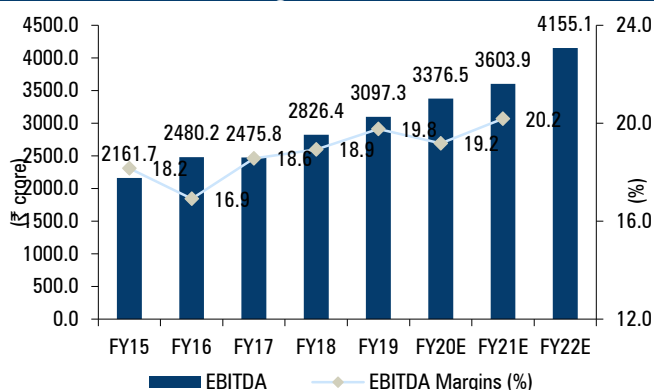
Source: ICICI Direct Research, Company

Exhibit 8: EBITDA & EBITDA margins trend



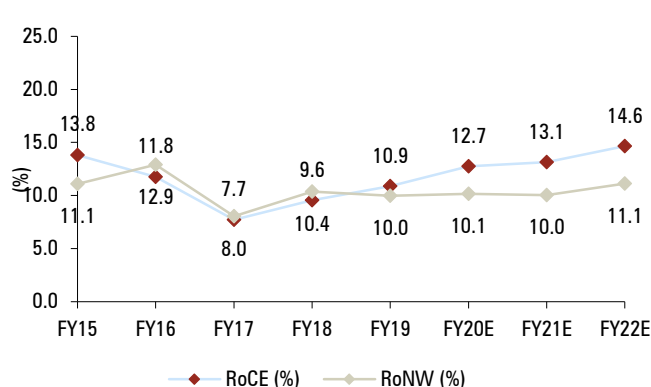
Source: ICICI Direct Research, Company

Exhibit 9: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 10: RoE & RoCE trend



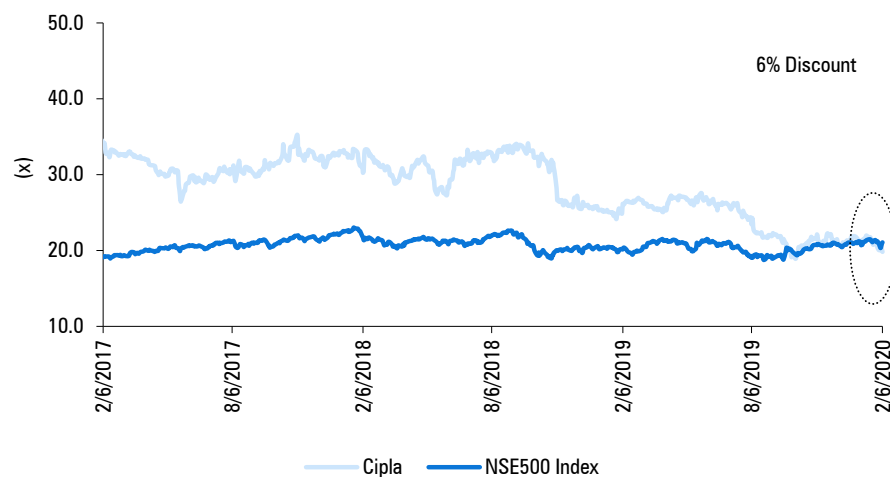
Source: ICICI Direct Research, Company

Exhibit 11: Consolidated revenue break-up

(₹ crore)	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E	CAGR FY19-22E %
Domestic	5036.0	5523.0	5867.0	6273.0	6457.0	7231.8	7955.0	8.2
Export Formulations	7798.0	8145.2	8237.2	9005.0	9348.5	10291.3	11319.4	7.9
US	2037.9	2625.0	2589.5	3420.0	4016.0	4297.3	4727.0	11.4
EU	543.4	545.0	623.0	700.0	817.0	939.6	1080.5	15.6
South Africa (Cipla Medpro)	1562.4	1828.8	2061.8	2148.0	2226.0	2404.1	2596.5	6.5
RoW	3396.5	3146.4	2970.7	2737.0	2289.4	2650.3	2915.4	2.1
APIs	752.0	523.0	626.0	699.0	678.0	711.9	747.5	2.3

Source: ICICI Direct Research, Company

Exhibit 12: One-year Forward PE of Company vs NSE500 Index



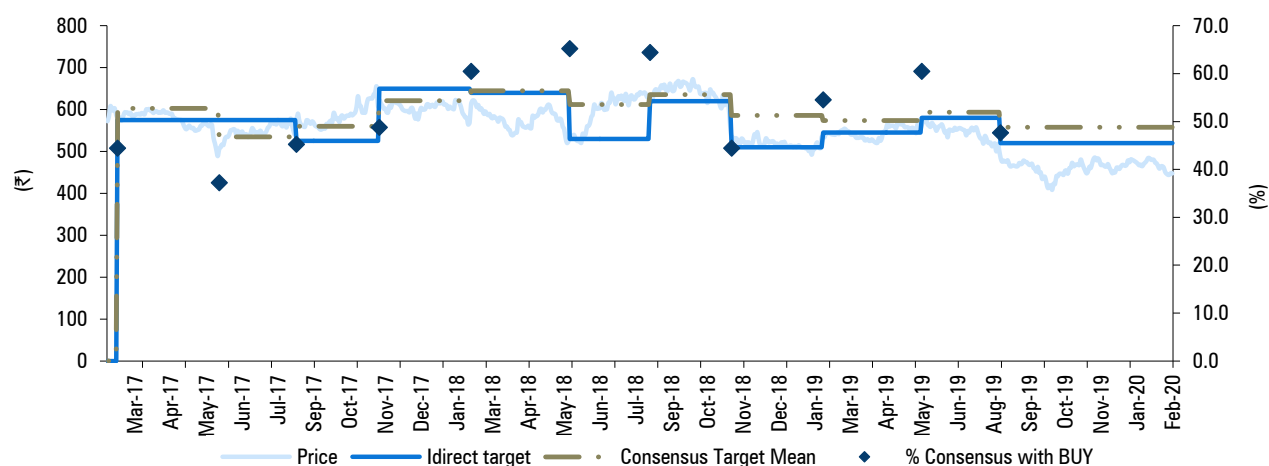
Source: ICICI Direct Research, Bloomberg

Exhibit 13: Financial Summary

	Revenues	Growth	EPS	Growth	P/E	EV/EBITDA	RoNW	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY19	16362	7.5	18.6	1.3	23.7	11.9	10.0	10.9
FY20E	17082	4.4	20.6	11.0	21.3	10.4	10.1	12.7
FY21E	18795	10.0	22.3	8.3	19.7	9.4	10.0	13.1
FY22E	20582	9.5	27.3	22.2	16.1	7.7	11.1	14.6

Source: ICICI Direct Research, Company

Exhibit 14: Recommendation history vs. Consensus



Source: ICICI Direct Research, Bloomberg

Exhibit 15: Top 10 Shareholders

Rank	Investor Name	Filing Date	% O/S	Position (m)	Change
1	Hamied Yusuf K	30-Jun-19	20.3	163.97m	0.0m
2	ICICI Prudential AMC	31-Dec-19	6.0	48.62m	(1.0)m
3	Hamied Mustafa Kamil	30-Jun-19	4.3	34.57m	0.0m
4	Life Insurance Corp Of India	30-Jun-19	3.5	28.07m	10.0m
5	First State Investments	30-Jun-19	3.1	25.19m	14.3m
6	HDFC AMC	31-Jan-20	3.1	24.80m	(0.0)m
7	Vaziralli Samina	30-Jun-19	2.2	17.91m	0.0m
8	Ahmed Sophie	30-Jun-19	1.9	15.47m	0.0m
9	Aditya Birla Sun Life AMC	31-Dec-19	1.8	14.86m	1.4m
10	Reliance Capital Trustee Co Ltd	31-Dec-19	1.7	13.93m	(0.3)m

Source: ICICI Direct Research, Bloomberg

Exhibit 16: Shareholding Pattern

(in %)	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
Promoter	36.7	36.8	36.7	36.7	36.7
Others	63.3	63.2	63.3	63.3	63.3

Source: ICICI Direct Research, Company

Financial Highlights

Exhibit 17: Profit & Loss (₹ crore)

(Year-end March)	FY19	FY20E	FY21E	FY22E
Revenues	16,362.4	17,082.3	18,795.1	20,581.9
Growth (%)	7.5	4.4	10.0	9.5
Raw Material Expenses	5,784.5	5,838.4	6,672.2	7,203.7
Gross Profit	10,577.9	11,243.8	12,122.8	13,378.2
Employee Expenses	2,856.5	3,042.0	3,256.3	3,513.0
Other Expenditure	4,624.1	4,825.3	5,262.6	5,710.1
Total Operating Expenditure	13,265.1	13,705.7	15,191.2	16,426.8
EBITDA	3,097.3	3,376.5	3,603.9	4,155.1
Growth (%)	9.6	9.0	6.7	15.3
Depreciation	1,326.3	1,106.7	1,155.7	1,204.7
Interest	168.4	190.5	149.4	114.1
Other Income	476.6	324.7	375.9	411.6
PBT	2,079.1	2,404.0	2,674.6	3,247.9
Total Tax	569.5	706.2	775.6	941.9
PAT before MI	1,509.6	1,697.8	1,899.0	2,306.0
Minority Interest	-3.7	-25.1	38.2	46.4
Adjusted PAT	1,496.1	1,661.4	1,799.2	2,198.0
Growth (%)	1.3	11.0	8.3	22.2
EPS (Adjusted)	18.6	20.6	22.3	27.3

Source: ICICI Direct Research; Company

Exhibit 18: Cash Flow Statement (₹ crore)

(Year-end March)	FY19	FY20E	FY21E	FY22E
Profit/(Loss) after taxation	1,485.9	1,661.4	1,799.2	2,198.0
Add: Depreciation	1,326.3	1,106.7	1,155.7	1,204.7
(inc)/Dec in Current Assets	-911.0	-409.4	-1,130.6	-988.9
inc/(Dec) in Current Liabilities	-152.5	146.4	321.9	290.4
Others	-57.5	190.5	149.4	114.1
CF from Operating activities	1,691.1	2,695.6	2,295.6	2,818.3
Change In Investment	-1,068.4	0.0	-500.0	-1,000.0
(Purchase)/Sale of Fixed Assets	-682.9	-500.0	-500.0	-500.0
Others	62.1	-15.5	48.3	57.0
CF from Investing activities	-1,689.2	-515.5	-951.7	-1,443.0
Change in Equity	0.1	0.0	0.0	0.0
Change in Loan	-60.3	-1,700.0	-500.0	-500.0
Dividend & Dividend tax	-284.1	-289.2	-268.5	-328.0
Others	-4.5	-190.5	-149.4	-114.1
CF from Financing activities	-348.7	-2,179.8	-917.9	-942.1
Net Cash Flow	-346.8	0.3	426.0	433.2
Cash and Cash equ. at beginning	965.6	618.8	619.1	1,045.1
Cash	618.8	619.1	1,045.1	1,478.3
Free Cash Flow	1,008.2	2,195.6	1,795.6	2,318.3

Source: ICICI Direct Research; Company

Exhibit 19: Balance Sheet (₹ crore)

(Year-end March)	FY19	FY20E	FY21E	FY22E
Equity Capital	161.1	161.1	161.1	161.1
Reserve and Surplus	14,851.1	16,223.3	17,754.0	19,624.0
Total Shareholders funds	15,012.3	16,384.4	17,915.1	19,785.2
Total Debt	4,316.2	2,616.2	2,116.2	1,616.2
Deferred Tax Liability	425.3	446.6	468.9	492.4
Long Term Provision	121.4	127.5	133.9	140.5
MI & Other Liabilities	802.7	801.2	864.1	936.5
Source of Funds	20,678.0	20,375.9	21,498.2	22,970.8
Gross Block - Fixed Assets	10,795.9	11,295.9	11,795.9	12,295.9
Accumulated Depreciation	4,118.6	5,225.3	6,381.0	7,585.8
Net Block	6,677.4	6,070.6	5,414.9	4,710.2
Capital WIP	676.2	676.2	676.2	676.2
Fixed Assets	7,353.6	6,746.8	6,091.1	5,386.4
Investments	2,616.0	2,616.0	3,116.0	4,116.0
Goodwill on Consolidation	2,869.1	2,869.1	2,869.1	2,869.1
Long term Loans & Advances	0.0	0.0	0.0	0.0
Other Non current assets	825.8	867.1	910.4	956.0
Inventory	3,964.8	4,126.6	4,638.9	5,079.9
Debtors	4,150.7	4,320.1	4,856.4	5,318.0
Loans and Advances	6.3	6.6	6.9	7.3
Other Current Assets	1,558.2	1,636.1	1,717.9	1,803.8
Cash	618.8	619.1	1,045.1	1,478.3
Total Current Assets	10,298.8	10,708.5	12,265.2	13,687.3
Creditors	1,948.0	2,027.5	2,279.2	2,495.8
Provisions	736.8	773.6	812.3	852.9
Other current liabilities	600.6	630.6	662.2	695.3
Total Current Liabilities	3,285.4	3,431.7	3,753.6	4,044.0
Net Current Assets	7,013.5	7,276.8	8,511.6	9,643.3
Application of Funds	20,678.0	20,375.9	21,498.2	22,970.8

Source: ICICI Direct Research; Company

Exhibit 20: Key Ratios (₹ crore)

(Year-end March)	FY19	FY20E	FY21E	FY22E
Per share data (₹)				
Adjusted EPS	18.6	20.6	22.3	27.3
BV per share	186.5	203.5	222.5	245.7
Cash per Share	7.7	7.7	13.0	18.4
Dividend per share	3.5	3.6	3.3	4.1
Operating Ratios (%)				
Gross Margins	64.6	65.8	64.5	65.0
EBITDA margins	18.9	19.8	19.2	20.2
PAT Margins	9.1	9.7	9.6	10.7
Inventory days	88.4	88.2	90.1	90.1
Debtor days	92.6	92.3	94.3	94.3
Creditor days	43.5	43.3	44.3	44.3
Asset Turnover	0.8	0.8	0.9	0.9
EBITDA convsn rate	54.6	79.8	63.7	67.8
Return Ratios (%)				
RoE	10.0	10.1	10.0	11.1
RoCE	10.9	12.7	13.1	14.6
RoIC	10.3	13.4	14.3	17.2
Valuation Ratios (x)				
P/E	23.7	21.3	19.7	16.1
EV / EBITDA	11.9	10.4	9.4	7.7
EV / Net Sales	2.3	2.1	1.8	1.5
Market Cap / Sales	2.2	2.1	1.9	1.7
Price to Book Value	2.4	2.2	2.0	1.8
Solvency Ratios				
Debt / EBITDA	1.4	0.8	0.6	0.4
Debt / Equity	0.3	0.2	0.1	0.1
Current Ratio	2.9	2.9	3.0	3.0

Source: ICICI Direct Research; Company

Exhibit 21: ICICI Direct Coverage Universe (Healthcare)

Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹ cr)	EPS (₹)				PE(x)				RoCE (%)				RoE (%)			
						FY19	FY20E	FY21E	FY22E	FY19	FY20E	FY21E	FY22E	FY19	FY20E	FY21E	FY22E	FY19	FY20E	FY21E	FY22E
Ajanta Pharr	AJAPHA	1304	1,180	Buy	11378	43.5	43.5	63.4	76.2	30.0	30.0	20.6	17.1	21.8	21.8	20.8	21.9	17.1	17.1	16.0	17.2
Alembic Pha	ALEMPHA	640	620	Hold	12065	31.4	31.4	26.6	31.0	20.4	20.4	24.1	20.6	19.6	19.6	13.4	14.9	21.8	21.8	13.3	13.8
Apollo Hospi	APOHOS	1645	1,800	Buy	22887	17.0	17.0	43.7	68.1	97.0	97.0	37.6	24.1	8.8	8.8	14.8	17.5	7.1	7.1	14.9	19.6
Aurobindo Pl	AURPHA	511	475	Hold	29912	42.1	42.1	56.5	60.8	12.1	12.1	9.0	8.4	15.9	15.9	15.9	16.3	17.7	17.7	17.0	15.6
Biocon	BIOCON	296	310	Hold	35466	6.2	6.2	10.3	15.7	47.6	47.6	28.7	18.9	10.9	10.9	15.1	19.4	12.2	12.2	14.7	18.6
Cadila Healtl	CADHEA	273	260	Hold	27958	18.1	18.1	16.6	18.7	15.1	15.1	16.5	14.6	13.0	13.0	11.7	12.4	17.8	17.8	13.5	13.6
Cipla	CIPLA	440	490	Hold	35446	18.6	18.6	22.3	27.3	23.7	23.7	19.7	16.1	10.9	10.9	13.1	14.6	10.0	10.0	10.0	11.1
Divi's Lab	DIVLAB	2023	1,850	Hold	53704	51.0	51.0	58.4	71.0	39.7	39.7	34.7	28.5	25.5	25.5	22.1	22.8	19.4	19.4	17.0	17.6
Dr Reddy's L	DRREDD	3159	3,000	Hold	52473	114.8	114.8	154.4	180.9	27.5	27.5	20.5	17.5	11.1	11.1	15.0	17.5	13.6	13.6	14.5	14.9
Glenmark Pl	GLEPHA	319	410	Hold	9000	26.9	26.9	36.7	46.1	11.9	11.9	8.7	6.9	15.3	15.3	15.0	17.0	13.5	13.5	14.0	15.1
Hikal	HIKCHE	130	160	Buy	1594	8.4	9.6	11.1	13.3	15.6	13.5	11.7	9.7	14.3	13.3	13.6	14.5	13.6	14.1	14.2	14.9
Ipca Laborat	IPCLAB	1240	1,355	Buy	15673	35.1	35.1	60.3	74.9	35.4	35.4	20.6	16.6	15.0	15.0	19.9	21.2	14.2	14.2	18.0	18.9
Indoco reme	INDREM	225	240	Hold	2072	-0.3	3.0	8.4	15.1	-714.3	76.1	26.8	14.9	1.0	4.6	9.3	15.3	-0.4	4.0	10.1	15.4
Lupin	LUPIN	722	810	Hold	32695	16.5	16.5	35.0	37.1	43.6	43.6	20.6	19.5	9.4	9.4	9.9	12.1	5.4	5.4	8.4	8.3
Narayana Hr	NARHRU	356	360	Buy	7274	2.9	2.9	9.8	13.3	122.6	122.6	36.4	26.7	7.7	7.7	13.9	16.5	5.5	5.5	14.5	16.7
Natco Pharm	NATPHA	644	595	Hold	11713	34.9	34.9	23.7	22.0	18.4	18.4	27.2	29.2	21.3	21.3	12.2	10.5	18.5	18.5	10.0	8.6
Sun Pharma	SUNPHA	431	470	Hold	103325	15.9	15.9	20.2	24.7	27.2	27.2	21.3	17.4	10.3	10.3	11.4	12.6	9.2	9.2	9.8	10.8
Syngene Int.	SYNINT	315	360	Buy	12612	8.3	8.3	9.6	12.0	37.0	37.0	31.7	25.6	14.8	14.8	13.1	15.1	16.8	16.8	14.1	14.9
Torrent Phar	TORPHA	2001	2,020	Hold	33868	48.9	48.9	71.5	91.8	40.9	40.9	28.0	21.8	14.2	14.2	18.4	21.2	17.5	17.5	19.1	20.7

Source: ICICI Direct Research, Bloomberg

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