

May 18, 2020

Biologics undone by Covid-19 impact...

Q4FY20 revenues grew 3.4% YoY to ₹ 1581 crore (I-direct estimate: ₹ 1874 crore) mainly due to 20.8% YoY decline in biologics to ₹ 357 crore due to Covid-19 impact. EBITDA margins contracted 621 bps YoY to 20.2% (I-direct estimate: 25.0%) due to a below expected operational performance. EBITDA declined 20.9% YoY to ₹ 318.6 crore against I-direct estimate of ₹ 467.9 crore. Adjusted net profit fell 42.3% YoY to ₹ 123.4 crore (I-direct estimate: ₹ 237.1 crore). Delta vis-à-vis EBITDA was due to higher depreciation and tax rate.

Well placed to capture global biosimilar opportunities

The biologics segment (31% of FY20 revenues) includes biosimilars and insulin. The company is heavily spending in this space. The progress has been encouraging with approvals and launches in the US, EU, Japan, Australia and Emerging Markets. Post Mylan Upjohn (Pfizer) merger, the scope has been extended to China as well. We expect biologics to grow at ~79% CAGR to ₹ 6240 crore in FY20-22E mainly due to a strong US pipeline (Pegfilgrastim (launched), Trastuzumab (launched), Glargine (expected by the end of FY21E), Aspart (expected in FY22E) and Bevacizumab (expected in FY22E)) besides launches across the globe.

Research services (Syngene) to maintain growth momentum

Biocon's contract research organisation (CRO) arm Syngene contributes 32% of total revenues. The company caters to 362 clients including eight out of global top 10 global players. We expect revenues to grow at a CAGR of ~15% to ₹ 2642 crore in FY20-22E.

Small molecules growth steady

Small molecules (33% of FY20 total revenue) comprise APIs like statins, immunosuppressants, specialty APIs & also include generic formulations business. The company is exploring fewer opportunities but with higher profitability in this segment. We expect small molecules segment to grow at a CAGR ~12% CAGR to ₹ 2604 crore in FY20-22E.

Valuation & Outlook

The hitherto strong growth traction in biologics was interrupted by Covid-19 related disturbances. Despite this setback, the management remains unperturbed and expects a swift comeback to normalcy in ensuing quarters. They have reiterated the US\$1 billion target for biologics by FY22. This is based on a strong pipeline and expected new launches in key markets, especially the US. The company remains committed on accelerated spending towards capex and R&D that is likely to push related expenses higher in the near term. Timely launches and ramp up of biosimilars in developed as well as EMs and Syngene's performances remain key levers for the company. We arrive at our revised target price of ₹ 390 on an SoTP basis. Despite considering the holding company discount, the stock is still offering decent upside at the current level.



Particulars

Particular	Amount
Market Capitalisation	₹39420 crore
Debt (FY 20)	₹1980 crore
Cash (FY 20)	₹999 crore
EV	₹40401 crore
52 week H/L	368/211
Equity capital (₹crore)	₹600 crore
Face value (₹)	₹5

Key Highlights

Decline in biologics segment facing challenges amid Covid-19 pulls down Q4

Backed by a strong product pipeline and expected new launches, biologics segment remains a key driver for the company

The management remains confident of achieving US\$1 billion target for its Biologics segment by FY22

Upgrade stock from HOLD to BUY

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Key Financial Summary

(Year End March)	FY19	FY20	FY21E	FY22E	CAGR (FY20-22E) %
Revenues (₹crore)	5514.4	6367.2	8705.8	12058.9	37.6
EBITDA (₹crore)	1361.2	1603.1	2500.1	3923.2	56.4
EBITDA margins (%)	24.7	25.2	28.7	32.5	
Net Profit (₹crore)	744.8	698.2	1181.9	2182.3	76.8
EPS (₹)	6.2	5.8	9.8	18.2	
P/E (x)	43.5	52.7	33.4	18.1	
RoCE (%)	10.9	10.9	15.1	22.1	
RoE (x)	29.4	24.7	16.0	10.0	

Exhibit 1: Variance Analysis

	Q4FY20	Q4FY20E	Q4FY19	Q3FY20	YoY (%)	QoQ (%)	Comments
Revenue	1,581.0	1,873.6	1,528.8	1,748.1	3.4	-9.6	Decline sequentially and miss vis-à-vis I-direct estimates mainly due to one-time Covid-19 impact on biologics segment
Raw Material cos	572.5	599.6	487.9	577.3	17.3	-0.8	A 430 bps YoY contraction in gross margins mainly due to adverse product mix
Employee cost	388.4	412.2	320.6	376.1	21.1	3.3	
R & D Expenditure	125.0	114.9	92.0	131.0	35.9	-4.6	Gross R&D spend was ₹ 139 crore in Q4FY20
Other Expenditure:	176.5	279.1	225.3	219.5	-21.7	-19.6	
Total Expenditure	1,262.4	1,405.8	1,125.8	1,303.9	12.1	-3.2	
EBITDA	318.6	467.9	403.0	444.2	-20.9	-28.3	
EBITDA (%)	20.2	25.0	26.4	25.4	-621 bps	-526 bps	YoY decline and miss vis-à-vis I-direct estimates mainly due to lower gross margins and negative operational leverage
Interest	16.8	17.7	15.9	17.7	5.7	-5.1	
Depreciation	152.4	144.0	119.8	144.0	27.2	5.8	
Other income	63.1	38.4	28.2	35.8	123.8	76.3	
EO	0.0	-536.2	0.0	0.0	0.0	0.0	
PBT	212.5	880.8	295.5	318.3	-28.1	-33.2	
Tax	45.0	176.2	40.9	84.8	10.0	-46.9	
MI	35.7	35.3	29.7	27.5	20.2	29.8	
Adj. PAT	123.4	237.1	213.7	202.8	-42.3	-39.2	Delta vis-à-vis EBITDA mainly due to higher depreciation and tax rate. Miss vis-à-vis I-direct estimates mainly due to lower-than-expected operational performance
Key Metrics							
Small Molecules	533.0	530.1	465.0	535.0	14.6	-0.4	YoY growth on the back of strong performance of generic formulations
Biologics	357.0	608.9	451.0	588.0	-20.8	-39.3	Sharp decline and miss vis-à-vis I-direct estimates mainly due to one-time Covid-19 impact
Branded Formulati	117.0	149.0	133.0	157.0	-12.0	-25.5	YoY decline mainly due to persisting business related challenges and lockdown impact in India. Miss vis-à-vis I-direct estimates mainly due to Covid 19 impact
Contract Research	607.0	576.7	534.0	519.0	13.7	17.0	YoY growth mainly due to strong growth in discovery services. Beat vis-à-vis I-direct estimates mainly due to lower-than-expected Covid-19 impact
Licensing income	8.0	9.0	7.0	9.0	14.3	-11.1	

Source: ICICI Direct Research

Exhibit 2: Change in Estimates

	FY21E			FY22E			Comment
	Old	New	% Change	Old	New	% Change	
(₹ Crore)							
Revenues	9,024.4	8,705.8	-3.5	11,910.2	12,058.9	1.2	
EBITDA	2,551.9	2,500.1	-2.0	3,524.8	3,923.2	11.3	
EBITDA Margin (%)	28.3	28.7	42 bps	29.6	32.5	294 bps	Improved margin expectations in FY22 mainly due to shift in product mix towards margin accretive biologics segment
Net Profit	1,237.4	1,181.9	-4.5	1,881.3	2,182.3	16.0	
EPS (₹)	10.3	9.8	-4.4	15.7	18.2	16.0	Change mainly in sync with operational performance

Source: ICICI Direct Research

Exhibit 3: Change in Estimates

	Current			Earlier			Comments
	FY19	FY20	FY21E	FY22E	FY21E	FY22E	
Growth (%)							
Small Molecules	1,749.0	2,063.6	2,325.4	2,604.5	2,327.4	2,606.7	
Biologics	1,517.0	1,951.1	3,573.6	6,239.5	3,633.0	5,812.7	Changed mainly due to Covid-19 impact in Q1 and change in currency assumption
Branded Formulations	656.0	535.3	495.6	535.2	655.5	707.9	Changed mainly due to winding up of JV in UAE
Contract Research	1,826.0	2,011.6	2,277.1	2,642.2	2,373.4	2,744.2	

Source: ICICI Direct Research

Conference Call Highlights

- Core margins (ex-licensing, forex & R&D cost) were at 33% in FY20, 29% in Q4FY20
- Updates: Fulphila commercialised in Australia and Canada. FDA accepted the BLA for Bevacizumab for review under the 351(k) pathway (FDA goal date: 27-Dec-20). Insulin manufacturing facility in Malaysia received EIR from USFDA
- Small Molecules: steady API sales + further ramp up in US generic formulations (increase in market share + client acquisition). API business faced challenges in LatAm, but continued to do well in India, APAC and EU driven by statins and immunosuppressant.
 - Going forward, the company is going to discontinue some products and shift resources to manufacture more strategic products
 - FY21 growth to be in high single digits to low teens
- Biologics: Covid-19 related operational challenges lower profit share contribution from partners. The company expects this to be one-time and the segment to recover in Q1FY21 and fully normalise from Q2FY21
 - Most of the impact in the quarter was attributable to Covid-19 related impact on US hospitals; the company is seeing demand coming up back again and expects marked improvement in Q1FY21
 - Growth of Ogivri + Fulphila; US launch of Insulin Glargine i.e. Semglee in mid-CY20
 - The company has reiterated its target of achieving US\$1 billion of biologics sales by FY22
 - Etanercept launch in H2CY20 in Europe (US\$2 billion market size) through Mylan
 - FY23-25: Three molecules to be launched. Thereafter, two per year
 - FY21 – strong revenue growth; steady EBITDA margins despite large R&D increases
 - 12-14% Gross R&D for FY21
 - RoCE in FY22 for this segment to expected to be ~20-22%
- Branded formulations: In addition to supply/demand challenges arising due to Covid-19, the business continues to face challenges in India.
 - On the positive side, CANMAb has been launched in Sri Lanka
 - In UAE, a price reduction mandated by the Ministry of Health posed significant challenges to the company's branded business. While biosimilars continues to do well, Canhera (Trastuzumab) has captured 30% market by volume
 - Additionally, the partner in the Neo Biocon JV, UAE has come under investigation for governance issues. Hence, the company has decided to wind up the said JV. The branded formulations portfolio contributing ₹ 70 crore in revenues will be discontinued, going forward, due to this dissolution

- On the biosimilars front, the company will market its products (Trastuzumab and Pegfilgrastim) under own brand name.
- Domestic logistics have rapidly improved with movement of goods completely allowed; Import of raw materials are gradually normalising while outbound logistics are improving
- The company expects biologics segment to drive growth; with steady growth in small molecules and Contract Research (Syngene) segment
- Q4FY20 witnessed a ₹ 103 crore delay in shipment due to logistical issues (attributable to biologics)
- Capex: US\$200 million per year over next two years in 1:1 ratio for small molecules: biologics
- Net debt: ₹ 760 crore
- CWIP consists of the new antibody facility + Chennai R&D facility acquired from Pfizer + expansion at some other facilities
- Fulphila – The company currently has 6% market share against the market leader Coherus at 22%. The company expects steady growth in market share going forward
- Ogivri – The company's market share was at 3% while it has witnessed a decline in profit share from partner
- Increased R&D cost was attributable to Biosimilar and Insulin segments
- For small molecules, the pricing pressure in US has stabilised. The subsequent price erosion has settled at 5-10% per annum. However, stronger currency has offset this impact
- FY21 tax rate to be around 23-27%
- By FY22, the company expects 8 approvals for developed market (including Rh-insulin + Aspart)
- The company is actively working with the FDA to get insulin interchangeability for its Lantus product
- Higher employee cost was due to high talent acquisitions for key positions
- Malaysian facility–
 - Impact on Q4FY20 EBITDA due to higher Opex cost
 - Loss ex-R&D of ~ ₹ 160 crore; expected launch of Glargine should make this facility profitable in FY21

Company Background

Biocon was established in 1978 by first generation entrepreneur Dr Kiran Mazumdar-Shaw. Unlike most pharma companies that are chemical based, Biocon has carved out its niche in the more complex biotechnology field. Over the decades, Biocon has successfully evolved into an emerging global biopharma enterprise, serving its partners and customers in over 75 countries. As a fully integrated biopharma company, it delivers innovative biopharmaceutical solutions, ranging from discovery to development & commercialisation. In 2004, it came out with its maiden IPO.

The company has initiated filings and launches of biosimilars in the US, EU, Australia, Canada, Japan besides some developing markets. It has entered into a partnership with Mylan for six biosimilar programs (Trastuzumab, Pegfilgrastim, Adalimumab, Bevacizumab, Etanercept and Filgrastim) and three insulin analogue programmes (Glargine, Lispro and Aspart).

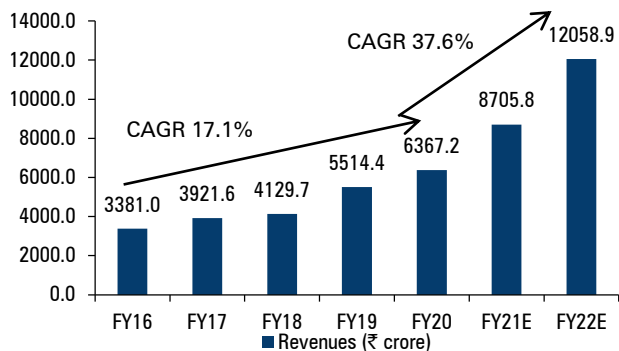
Recently, the company also entered into a partnership with Sandoz, a Novartis division and a global leader in biosimilars, for an exclusive portfolio of next-generation biosimilars in the area of immunology and oncology. This synergistic partnership will leverage the capabilities of both partners for an 'end to end' play encompassing development, manufacturing, regulatory approval and commercialization globally. This collaboration addresses some of the long term biosimilars opportunities beyond the near term opportunities being addressed by existing partnership with Mylan.

Exhibit 5: Progress on Biosimilars front

Date	Event
Apr-20	Mylan and Biocon Launched Pegfilgrastim Biosimilar, Fulphila in Australia & Canada
Dec-19	PE fund True North acquires 2.44% stake in Biocon Biologics
Dec-19	Mylan and Biocon Launched Trastuzumab Biosimilar, O givri in the US
Oct-19	Biocon Biologics and Just - Evotec Biologics Sign Licensing Deal for a early stage Biosimilar Asset
Oct-19	Biocon and Mylan Launch First Insulin Glargine Biosimilar, Semglee in Australia
Aug-19	Mylan and Biocon Launch First Trastuzumab Biosimilar, O givri in Australia
May-19	Biocon-Mylan has received health Canada approval for bTrastuzumab
Nov-18	Biocon-Mylan has launched Insulin Glargine in EU
Nov-18	Biocon-Mylan has received EU approval for bPegfilgrastim and bTrastuzumab
Jul-18	Biocon-Mylan has launched Fulphila (pegfilgrastim-jmdb) in the US
Jun-18	Mylan entered into a commercialisation agreement with Lupin for bEtanercept for certain markets. Biocon has retained its economic interest in this arrangement vis-à-vis Mylan and would benefit from the accelerate commercialisation of this product
Jun-18	Biocon-Mylan has received USFDA approval for Fulphila (pegfilgrastim-jmdb) as the first biosimilar of Neulasta. Mylan has launched Fulphila in the US
Apr-18	Biocon-Mylan in-license Humira biosimilar from Fujifilm and expects to launch in Europe in H2CY18
Mar-18	Mylan and Biocon receive approval for Semglee biosimilar Insulin Glargine in EU and Australia
Jan-18	Collaborates with Sandoz for a global partnership to develop, manufacture and commercialize a number of next generation biosimilars
Dec-17	USFDA approval for O givri, a biosimilar Trastuzumab co-developed by Biocon and Mylan
Jul-17	Biocon's partner Fujifilm launches insulin Glargine in Japan
Jul-17	USFDA Oncologic Drugs Advisory Committee (ODAC) recommends approval of Biocon-Mylan's proposed biosimilar Trastuzumab in all eligible indications
Jan-17	USFDA accepts Biocon's biologics licence application for its biosimilar oncology drug Trastuzumab
Aug-16	European Medicines Agency accepts Biocon-Mylan Proposed Biosimilar Trastuzumab (gHerceptin) for review
Jul-16	European Medicines Agency accepts Biocon-Mylan Proposed Biosimilar Pegfilgrastim (gNeulasta) for review
Jul-16	Launches Biocon's Insulin Glargine in Japan
Jun-16	Biocon and Mylan to present Phase 3 Trastuzumab Biosimilar Data at the American Society of Clinical Oncology (ASCO) Annual Meeting
Mar-16	Biocon's Insulin Glargine receives regulatory approval in Japan
Mar-16	Biocon inks co-development & commercialisation agreement with Lab PISA for Rh-insulin in US
May-15	Biocon-Mylan's PEG-G-CSF and Adalimumab enter Phase III clinical trials; patient recruitment for one Insulin Glargine Phase III study completed

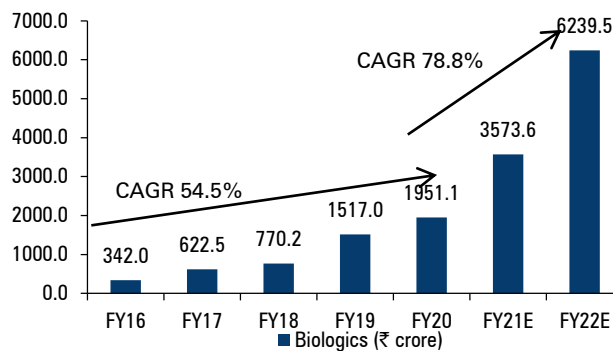
Source: ICICI Direct Research, Company

Exhibit 6: Revenues to grow at CAGR 38% over FY20-22E



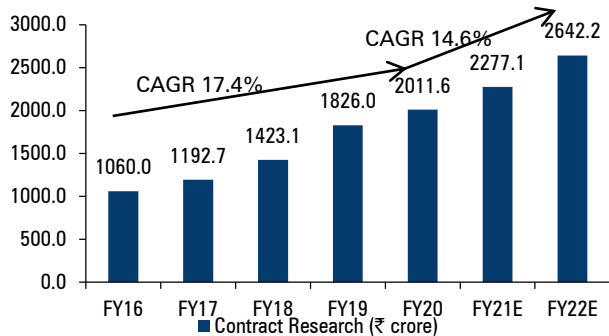
Source: ICICI Direct Research, Company

Exhibit 7: Biologics to grow at CAGR 79% over FY20-22E



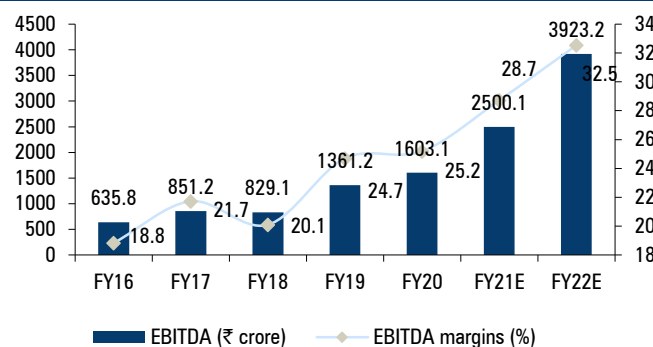
Source: ICICI Direct Research, Company

Exhibit 8: Syngene to grow at CAGR 15% over FY20-22E



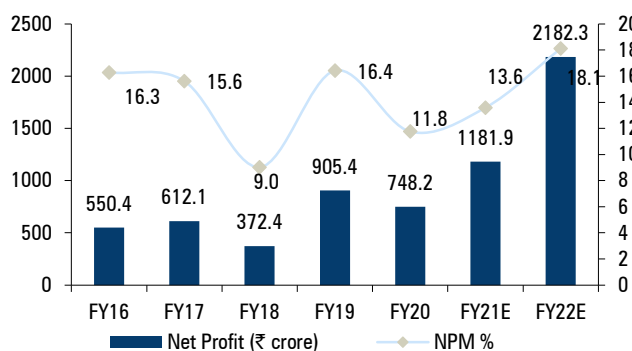
Source: ICICI Direct Research, Company

Exhibit 9: EBITDA & margins trend



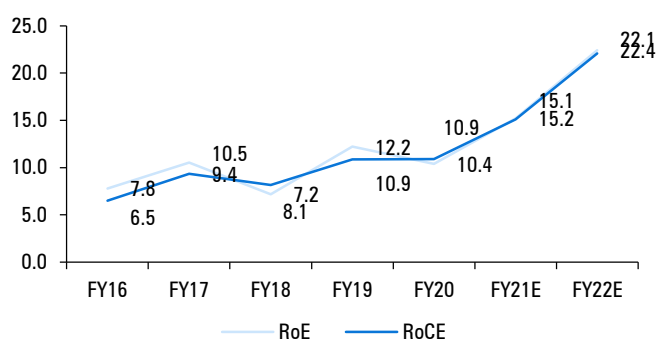
Source: ICICI Direct Research, Company

Exhibit 10: Net profit & margins trend



Source: ICICI Direct Research, Company

Exhibit 11: RoCE & RoE (%) trend



Source: ICICI Direct Research, Company

Exhibit 12: Revenue break-up

₹ crore	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	CAGR FY16-20	CAGR 20-22E
Small Molecules	1387.0	1607.5	1484.9	1749.0	2063.6	2325.4	2604.5	10.4	12.3
Biologics	342.0	622.5	770.2	1517.0	1951.1	3573.6	6239.5	54.5	78.8
Branded Formulations	440.0	548.9	611.5	656.0	535.3	495.6	535.2	5.0	(0.0)
Contract Research	1060.0	1192.7	1423.1	1826.0	2011.6	2277.1	2642.2	17.4	14.6
Licensing income	108.0	144.2	22.8	24.0	31.0	34.1	37.5	(26.8)	10.0
Total Revenues	3381.0	3921.6	4129.7	5514.4	6367.2	8705.8	12058.9	17.1	37.6

Source: ICICI Direct Research, Company

Exhibit 13: Valuation

Particulars	FY22E EPS (₹cr)	Multiple (x)	Per share (₹)
Biocon (ex Syngene)	15.8	20.0	315.0
Syngene			
	Targeted Market Cap		15600
	Biocon's Holding		71.1%
	Holding Company Discount		20.0%
	Syngene valuation		8868
	Per share valuation		74
SOTP valuation			390

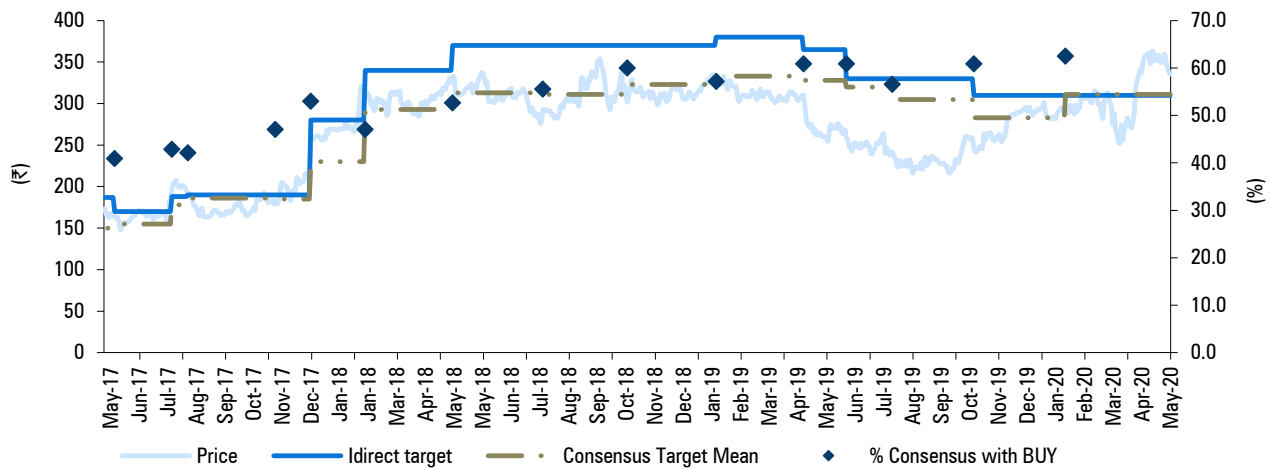
Source: ICICI Direct Research

Exhibit 14: Financial Summary

	Revenues (₹crore)	Growth (%)	EPS (₹)	Growth (%)	P/E V/EBITDA (x)	RoNW (X)	RoCE (%)	RoCE (%)
FY 19	5514	33.5	6.2	100.0	43.5	29.4	12.2	10.9
FY 20	6367	15.5	5.8	-6.3	52.7	24.7	10.4	10.9
FY 21E	8706	36.7	9.8	69.3	33.4	16.0	15.2	15.1
FY 22E	12059	38.5	18.2	84.6	18.1	10.0	22.4	22.1

Source: ICICI Direct Research

Exhibit 15: Recommendation history vs Consensus



Source: ICICI Direct Research, Bloomberg

Exhibit 16: Top 10 Shareholders

Rank	Investor Name	Filing Date	% O/S	Position (m)	Change
1	Mazumdar-Shaw Kiran	31-Mar-20	39.6	475.73m	0.0m
2	Glentec International	31-Mar-20	19.8	237.21m	0.0m
3	Massachusetts Mutual	22-Dec-17	5.0	60.47m	60.5m
4	ICICI Prudential AMC	31-Mar-20	1.5	18.31m	3.0m
5	Invesco Ltd	8-May-20	1.5	17.45m	(28.8)m
6	Biocon India Ltd Emp	26-Sep-19	1.3	15.93m	0.9m
7	Standard Life Aberde	31-Mar-20	1.2	14.89m	(1.3)m
8	Jupiter Inv Mgmt Group	31-Jul-19	1.1	13.50m	0.0m
9	Chandavarkar Arun	30-Jun-19	1.1	13.20m	0.0m
10	National Westminster	30-Jun-19	1.1	13.14m	13.1m

Source: ICICI Direct Research, Bloomberg

Exhibit 17: Shareholding Pattern

(in %)	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Promoter	60.7	60.7	60.7	60.7	60.7
Others	39.3	39.3	39.3	39.3	39.3

Source: ICICI Direct Research, Company

Financial Summary

Exhibit 18: Profit and loss statement				
	₹ crore			
Year-end March	FY19	FY20	FY21E	FY22E
Total Operating Income	5514.4	6367.2	8705.8	12058.9
Growth (%)	33.5	15.5	36.7	38.5
Raw Material Expenses	1896.5	2052.2	2685.1	3663.1
Employee Expenses	1165.3	1458.8	1697.9	2170.6
R&D Expenditure	290.0	439.0	791.7	1035.8
Other Expenditures	801.4	814.1	1031.0	1266.2
Total Operating Expenditure	4153.2	4764.1	6205.7	8135.7
Operating Profit (EBITDA)	1361.2	1603.1	2500.1	3923.2
Growth (%)	64.2	17.8	56.0	56.9
Depreciation	447.8	552.2	765.2	854.9
Interest	70.9	64.9	67.2	60.4
Other Income	177.0	161.4	138.8	120.6
PBT before Exceptional Item	1019.5	1147.4	1806.5	3128.5
Less: Exceptional Items	-194.6	-67.5	0.0	0.0
Total Tax	212.3	315.1	451.6	750.8
PAT before MI	1001.8	899.8	1354.9	2377.6
Minority Interest	97.3	122.7	139.4	161.7
Adjusted PAT	744.8	698.2	1181.9	2182.3
Growth (%)	100.0	-6.3	69.3	84.6
EPS (Adjusted)	6.2	5.8	9.8	18.2

Source: ICICI Direct Research

Exhibit 19: Cash Flow Statement				
	₹ crore			
Year-end March	FY19	FY20	FY21E	FY22E
Profit/(Loss) after taxation	711.1	526.8	1181.9	2182.3
Add: Depreciation & Amortiza	447.8	552.2	765.2	854.9
Net Increase in Current Asset	-637.4	-571.8	-1217.1	-1675.2
Net Increase in Current Liabilit	608.3	406.7	1088.2	1376.9
Other Operating Activities	24.8	369.2	67.2	60.4
CF from operating activities	1154.6	1283.1	1885.4	2799.3
(Purchase)/Sale of Fixed Assse	-1491.6	-1829.4	-2301.4	-1776.0
(Increase)/Decrease in Investm	768.5	174.4	100.0	0.0
Increase/ (Decrease) in Minori	0.0	0.0	67.7	74.5
Other Investing Activities	-385.2	-74.3	13.9	-4.1
CF from investing activities	-1108.3	-1729.3	-2119.8	-1705.6
Proceeds from issues of Equit	-69.2	538.8	0.0	0.0
Inc/(dec) in loan funds	7.5	18.6	0.0	-200.0
(Payment) of Dividend and Div	-79.3	-70.1	-118.2	-218.2
Interest Paid	-100.7	-91.2	-67.2	-60.4
Other Financing Activities	0.0	-8.5	0.0	0.0
CF from financing activities	-241.7	387.6	-185.4	-478.6
Net Cash flow	-195.4	-58.6	-419.7	615.0
Opening Cash	1252.6	1057.2	998.6	578.9
Closing Cash	1057.2	998.6	578.9	1193.9
Free Cash Flow	1923.1	1457.5	1985.4	2799.3

Source: ICICI Direct Research

Exhibit 20: Balance Sheet				
	₹ crore			
Year-end March	FY19	FY20	FY21E	FY22E
Liabilities				
Equity Capital	300.0	600.0	600.0	600.0
Reserve and Surplus	5798.0	6105.8	7169.5	9133.6
Total Shareholders funds	6098.0	6705.8	7769.5	9733.6
Total Debt	2423.0	1979.7	1979.7	1779.7
Minority Interest	608.9	677.3	745.0	819.5
Other NCL & LT Provisions	906.3	1747.4	1920.7	2111.2
Source of Funds	10036.2	11110.2	12414.9	14444.0
Assets				
Gross Block - Fixed Assets	7068.6	9120.9	11772.3	14248.3
Accumulated Depreciation	2624.0	3176.2	3941.4	4796.3
Net Block	4444.6	5944.7	7830.9	9452.0
Capital WIP	1898.9	2196.0	1846.0	1146.0
Total Fixed Assets	6343.5	8140.7	9676.9	10598.0
Goodwill on Consolidation	26.4	26.4	26.4	26.4
Investments	1011.8	966.1	866.1	866.1
Inventory	1031.6	1435.9	1628.6	2255.9
Debtors	1291.8	1223.7	2039.4	2824.9
Cash	1057.2	998.6	578.9	1193.9
Other Current Assets	612.9	809.2	1017.9	1280.4
Total Current Assets	3993.5	4467.4	5264.8	7555.1
Creditors	1198.3	1325.1	1891.8	2620.4
Provisions	80.5	103.0	133.2	163.3
Other Current Liabilities	877.4	1905.5	2396.9	3015.0
Total Current Liabilities	2156.2	3333.6	4421.8	5798.7
Net Current Assets	1837.3	1133.8	842.9	1756.3
Deferred Tax Assets	324.7	368.0	404.8	445.3
Other Non Current assets	492.5	475.2	597.7	751.9
Application of Funds	10036.2	11110.2	12414.9	14444.0

Source: ICICI Direct Research

Exhibit 21: Ratio Analysis				
	₹ crore			
Year-end March	FY19	FY20	FY21E	FY22E
Per share data (₹)				
Reported EPS	7.5	6.2	9.8	18.2
BV per share	50.8	55.9	64.7	81.1
Dividend per share	0.6	0.6	1.0	1.8
Cash Per Share	8.8	8.3	4.8	9.9
Operating Ratios (%)				
Gross Margin	65.6	67.8	69.2	69.6
EBITDA margin	24.7	25.2	28.7	32.5
EBIT Margin	16.6	16.5	19.9	25.4
PAT Margin	13.5	11.0	13.6	18.1
Inventory days	68.3	82.3	68.3	68.3
Debtor days	85.5	70.1	85.5	85.5
Creditor days	79.3	76.0	79.3	79.3
Asset Turnover	0.5	0.6	0.7	0.8
EBITDA Conversion Ratio	84.8	80.0	75.4	71.4
Return Ratios (%)				
RoE	12.2	10.4	15.2	22.4
RoCE	10.9	10.9	15.1	22.1
RoIC	15.5	15.8	19.7	28.2
Valuation Ratios (x)				
P/E	43.5	52.7	33.4	18.1
EV / EBITDA	29.4	24.7	16.0	10.0
EV / Net Sales	7.2	6.2	4.6	3.3
Market Cap / Sales	7.1	6.2	4.5	3.3
Price to Book Value	6.5	5.9	5.1	4.0
Solvency Ratios				
Debt / EBITDA	1.8	1.2	0.8	0.5
Debt / Equity	0.4	0.3	0.3	0.2
Current Ratio	1.4	1.0	1.1	1.1

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 (%)				
					FY19	Y20E	Y21E	Y22E	FY19	Y20E	Y21E	Y22E	'19	'20E	'21E	'22E	FY19	Y20E	Y21E	Y22E	
Ajanta Pharma	AJAPHA	1499	1,700	Buy	13079	43.5	53.1	64.1	77.2	34.4	28.2	23.4	19.4	21.8	24.2	23.4	24.2	17.1	18.1	18.7	19.3
Alembic Pharma	ALEMPHA	873	875	Buy	16460	31.4	46.3	41.4	39.8	27.8	18.9	21.1	21.9	19.6	20.6	17.7	16.0	21.8	26.3	19.5	16.2
Apollo Hospital	APOHOS	1355	1,490	Buy	18856	17.0	21.5	35.2	65.7	79.9	62.9	38.5	20.6	8.8	10.4	12.6	16.8	7.1	8.1	11.2	17.9
Aurobindo Pharma	AURPHA	665	770	Buy	38962	42.1	49.2	54.8	59.4	15.8	13.5	12.1	11.2	15.9	17.8	18.1	17.8	17.7	17.4	16.4	15.3
Biocon	BIOCON	329	390	Buy	39420	6.2	5.8	9.8	18.2	52.9	56.5	33.4	18.1	10.9	10.9	15.1	22.1	12.2	10.4	15.2	22.4
Cadila Healthcare	CADHEA	332	375	Hold	34009	18.1	14.3	17.5	20.9	18.4	23.2	19.0	15.9	13.0	10.6	12.1	13.4	17.8	12.9	14.1	14.9
Cipla	CIPLA	570	610	Hold	45980	18.6	20.7	22.7	27.7	30.7	27.6	25.1	20.6	10.9	12.7	13.3	14.8	10.0	10.2	10.2	11.2
Divi's Lab	DIVLAB	2335	2,130	Hold	61992	51.0	49.9	58.4	71.0	45.8	46.8	40.0	32.9	25.5	21.7	21.8	22.8	19.4	16.6	16.9	17.5
Dr Reddy's Lab	DRREDD	3735	3,980	Hold	62063	114.7	106.3	152.8	180.8	32.6	35.1	24.4	20.7	11.1	8.4	14.4	17.1	13.6	11.4	14.4	14.9
Glenmark Pharma	GLEPHA	340	340	Hold	9584	26.9	26.8	34.6	43.2	12.6	12.7	9.8	7.9	15.3	12.8	14.5	16.1	13.5	12.0	13.5	14.5
Hikal	HIKCHE	115	160	Buy	1417	8.4	9.6	11.1	13.3	13.7	12.0	10.4	8.6	14.3	13.3	13.6	14.5	13.6	14.1	14.2	14.9
Ipca Laboratories	IPCLAB	1592	1,900	Buy	20110	35.1	55.7	65.6	79.3	45.4	28.6	24.3	20.1	15.0	20.5	21.0	21.6	14.2	19.1	18.9	19.2
Lupin	LUPIN	842	745	Hold	38137	16.5	-29.2	18.3	31.1	50.9	-28.8	46.0	27.1	9.4	9.0	7.9	12.3	5.4	-10.0	6.0	9.3
Narayana Hrudayam	NARHRU	265	330	Buy	5418	2.9	6.2	8.2	11.4	91.3	42.4	32.4	23.2	7.7	11.6	12.7	15.3	5.5	10.8	12.5	15.1
Natco Pharma	NATPHA	584	650	Hold	10625	34.9	26.9	24.6	23.4	16.7	21.7	23.8	24.9	21.3	14.6	12.7	11.3	18.5	12.6	10.4	9.1
Sun Pharma	SUNPHA	449	510	Hold	107631	15.9	17.6	18.6	23.2	28.3	25.4	24.1	19.3	10.3	10.8	10.7	12.1	9.2	9.4	9.1	10.2
Syngene Int.	SYNINT	338	390	Buy	13528	8.3	10.3	8.6	12.2	40.9	32.8	38.6	27.3	14.8	15.0	12.9	16.4	16.8	15.7	13.7	16.3
Torrent Pharma	TORPHA	2461	2,395	Hold	41653	48.9	54.4	71.8	92.1	50.3	45.3	34.3	26.7	14.2	15.4	18.5	21.3	17.5	17.0	19.2	20.8

Source: ICICI Direct Research, Bloomberg

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