

## Margins upbeat; separation delayed due to Covid...

Revenues were flat YoY at ₹ 2391.4 crore (I-direct estimate: ₹ 2344 crore). Revenues in pharma business grew 6.0% YoY to ₹ 1483.4 crore (I-direct estimate: ₹ 1497 crore) on the back of strong growth in specialty pharma & generics segment, partly offset by a fall in CDMO. Life science ingredients (LSI) revenues declined 9.8% YoY to ₹ 823.0 crore (I-direct estimate: ₹ 730 crore) due to a decline in life science chemicals and specialty intermediates business. EBITDA margins expanded 743 bps YoY to 22.4% (I-direct estimate: 19.8%) mainly due to higher gross margins and lower other expenditure. EBITDA grew 49.9% YoY to ₹ 536.6 crore (I-direct estimate: ₹ 465 crore). Adjusted net profit grew 92.3% to ₹ 260.5 crore (I-direct estimate: ₹ 198.1 crore) mainly due to better operational performance.

## Pharmaceuticals business segment growth likely to be healthy

Recent long term contracts in the radiopharma business as well as Rubyfill traction in the US coupled with Europe launch later this year are expected to strengthen the speciality sub-segment growth, which is likely to grow at 14.7% CAGR in FY20-22E to ₹ 3969 crore on the back of strong growth in the radiopharma business and consolidation of pharmacy business. The CDMO business was impacted in Q4FY20 due to Covid related challenges delaying API dispatches. However, going ahead, we expect this segment to witness strong traction on the back of improving operating leverage. Generic business is also registering decent growth on the back of base business besides one-off opportunities. We expect the pharma business to grow at 13.1% CAGR in FY20-22E to ₹ 7302 crore.

## LSI segment slightly volatile

Life science ingredients (LSI) segment (that includes specialty intermediates, nutritional products, life science chemicals) has shown good potential in the past but remains more or a less a commodity play the prospects of which hinge upon global commodity cycle. This is why growth and EBITDA margins have always been lumpy and volatile. LSI is likely to grow at 8.6% CAGR in FY20-22E to ₹ 3750 crore.

## Valuation & Outlook

Despite challenges in some revenue streams (especially in LSI segment) the FY20 narrative for the company was: significant net debt reduction, moderating capex and margin expansion. We expect pharma segment to maintain growth momentum thanks to consistency and visibility in all the three segments- specialty, CDMO and generics. On the LSI front, the performance continues to be lumpy except nutritional sub segment. As both these businesses have different fortunes and return profiles, we continue to value the company on SoTP basis till formal separation. Accordingly, we arrive at a target price of ₹ 550. Despite lumpiness, the stock remains a compelling bet from a risk-reward perspective.

### Key Financial Summary

| (₹ crore)            | FY19   | FY20   | FY21E   | FY22E   | CAGR (FY20-22E) % |
|----------------------|--------|--------|---------|---------|-------------------|
| Revenues             | 9110.8 | 9154.4 | 10061.8 | 11591.8 | 12.               |
| EBITDA               | 1739.0 | 1947.1 | 2159.3  | 2599.0  | 15.               |
| EBITDA Margins (%)   | 19.1   | 21.3   | 21.5    | 22.4    |                   |
| Net Profit           | 574.5  | 898.2  | 1088.3  | 1399.7  | 24.               |
| EPS (₹)              | 36.9   | 57.7   | 69.8    | 89.8    |                   |
| Adjusted EPS (₹)     | 54.9   | 59.9   | 69.8    | 89.8    |                   |
| PE (x)               | 12.0   | 7.7    | 6.3     | 4.9     |                   |
| Target P/E (Diluted) | 0.0    | 0.0    | 0.0     | 0.0     |                   |
| EV/EBITDA (x)        | 6.0    | 5.2    | 4.2     | 3.1     |                   |
| Price to book (x)    | 1.4    | 1.2    | 1.0     | 0.9     |                   |
| RoE (%)              | 17.8   | 16.6   | 16.4    | 17.5    |                   |
| RoCE (%)             | 14.3   | 14.6   | 17.2    | 19.7    |                   |

Source: ICICI Direct Research; Company



### Particulars

| Particular            | Amount       |
|-----------------------|--------------|
| Market Capitalisation | ₹7044 crore  |
| Debt (FY 20)          | ₹4656 crore  |
| Cash (FY 20)          | ₹1400 crore  |
| EV                    | ₹10300 crore |
| 52 week H/L (₹)       | ₹640/₹230    |
| Equity capital        | ₹15.9 crore  |
| Face value            | ₹1           |

### Key Highlights

- Q4FY20 revenues were in line with I-direct estimates but profitability was higher due to better operational performance
- We expect specialty pharma to maintain growth momentum thanks to strong growth prospects for radiopharma
- On LSI front, the performance continues to be lumpy except Nutritional sub segment
- Changed to BUY (from Under review)

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## Exhibit 1: Variance Analysis

|                             | Q4FY20  | Q4FY20E | Q4FY19  | Q3FY20  | YoY (%) | QoQ (%) | Comments   |
|-----------------------------|---------|---------|---------|---------|---------|---------|--|
| Revenue                     | 2,391.4 | 2,343.6 | 2,385.6 | 2,315.2 | 0.2     | 3.3     | YoY growth in Radio Pharma, generic, CMO and vitamin segment largely offset by Covid-19 impact in API, specialty intermediates and life science chemicals segments |
| Raw Material Expenses       | 839.0   | 950.8   | 972.6   | 773.2   | -13.7   | 8.5     | A 556 bps YoY improvement in gross margins mainly due to change in product mix   |
| Employee Expenses           | 562.7   | 464.6   | 496.8   | 538.6   | 13.3    | 4.5     |  |
| Other Expenditure           | 339.6   | 437.4   | 445.3   | 372.4   | -23.7   | -8.8    |  |
| Power cost                  | 113.5   | 25.6    | 112.9   | 123.5   | 0.5     | -8.1    |  |
| Total Expenditure           | 1,854.8 | 1,878.5 | 2,027.6 | 1,807.8 | -8.5    | 2.6     |  |
| EBITDA                      | 536.6   | 465.1   | 358.0   | 507.4   | 49.9    | 5.8     |  |
| EBITDA (%)                  | 22.4    | 19.8    | 15.0    | 21.9    | 743 bps | 52 bps  | YoY improvement and beta vis-à-vis I-direct estimates mainly due to lower raw material and other expenditure   |
| Interest                    | 71.2    | 72.0    | 61.6    | 72.0    | 15.5    | -1.2    |  |
| Depreciation                | 128.9   | 113.5   | 95.0    | 113.5   | 35.7    | 13.6    |  |
| Other income                | 19.4    | 6.1     | -6.6    | 6.0     | LP      | 222.4   |  |
| Exceptional Items           | 0.0     | 0.0     | 234.8   | 34.6    | 0.0     | 0.0     | Q4FY19 had an exceptional charge of ₹ 235 crore related to settlement of IFC convertible loan  |
| PBT after Exceptional Items | 356.0   | 285.7   | -40.0   | 293.3   | LP      | 21.4    |  |
| Tax                         | 95.5    | 87.6    | 60.7    | 89.9    | 57.3    | 6.1     |  |
| Tax Rate (%)                | 26.8    | 30.7    | -151.8  | 30.7    |         |         |  |
| PAT before MI               | 260.5   | 198.1   | -100.7  | 203.4   | LP      | 28.1    |  |
| MI                          | 0.0     | 0.0     | -1.4    | 0.0     | 0.0     | 0.0     |  |
| Adj. Net Profit             | 260.5   | 198.1   | 135.5   | 238.0   | 92.3    | 9.4     | YoY growth and beat vis-à-vis I-direct estimates mainly due to strong operational performance  |

## Key Metrics

|                          |         |         |         |         |      |     |   |
|--------------------------|---------|---------|---------|---------|------|-----|---|
| Pharmaceuticals          | 1,483.4 | 1,496.8 | 1,399.0 | 1,450.2 | 6.0  | 2.3 | YoY growth mainly due to better volume growth in Radio Pharma, generic and CMO business. Radiopharmacy and API impacted amid Covid-19   |
| Life Science Ingredients | 823.0   | 729.6   | 912.0   | 797.5   | -9.8 | 3.2 | YoY decline mainly due to Covid-19 related impact in specialty intermediates and life science chemicals segments. Apart from this, lower realisation due to price reduction of key raw material ie. Acetic Acid in life science chemicals segment. Beat vis-a-vis I-direct estimates led by better prices of Vit B3 |

Source: ICICI Direct Research

## Exhibit 2: Change in Estimates

| (₹ Crore)         | FY21E    |          |          | FY22E |          |          |  |
|-------------------|----------|----------|----------|-------|----------|----------|--|
|                   | Old      | New      | % Change | Old   | New      | % Change |  |
| Revenue           | 10,478.5 | 10,061.8 | -4.0     | NA    | 11,591.8 | NA       |  |
| EBITDA            | 2,101.6  | 2,159.3  | 2.7      | NA    | 2,599.0  | NA       |  |
| EBITDA Margin (%) | 20.1     | 21.5     | 140 bps  | NA    | 22.4     | NA       |  |
| PAT               | 981.6    | 1,088.3  | 10.9     | NA    | 1,399.7  | NA       |  |
| EPS (₹)           | 63.0     | 69.8     | 10.9     | NA    | 89.8     | NA       | Delta vis-à-vis EBITDA mainly due to increase in other income and lower interest expenses amid earlier-than-expected repayment in debt |

Source: ICICI Direct Research

## Exhibit 3: Change in Estimates

|                          | Current |         |         | Earlier |         |         | Comments   |
|--------------------------|---------|---------|---------|---------|---------|---------|--|
|                          | FY19    | FY20    | FY21E   | FY22E   | FY21E   | FY22E   |  |
| Pharma                   | 5,321.0 | 5,707.0 | 6,213.2 | 7,302.3 | 6,489.1 | 7,369.4 |  |
| Life Science Ingredients | 3,545.0 | 3,178.5 | 3,367.3 | 3,749.8 | 3,558.8 | 4,008.0 | Changed mainly due to likely impact of Covid-19 and lower crude prices |

Source: ICICI Direct Research

## Conference Call Highlights

- Net debt at ₹ 2976 crore (reduced by ₹ 514 crore in FY20) and focus to deleverage the balance sheet continues
- NCLT approval for demerger of pharma and LSI businesses has been delayed due to lockdown. The company expects approval by October-November 2020
- Average blended interest rate for FY20 was 6.09%; ₹ loans at 8.23% and US\$ loans at 5.33%
- Signed licensing agreement with Gilead Sciences to register, manufacture and sell Gilead's investigational drug, 'Remdesivir' a potential therapy for Covid-19 in 127 countries including India, and is working towards launching the drug in July 2020
- Ruby-fill launch in Europe later this year
- The company has received regulatory permission to restart the Nanjangud plant. The company plans to make up for lost production (two months) through higher capacity utilisation
- Pharma:
  - Specialty pharma: In Q4FY20, higher volume traction in Ruby-fill (radiopharma), some decline in last two weeks of March, normalisation in Q2FY21; currently at 70% (in April ~40%)
  - Unique pipeline of eight products under development with addressable market of US\$300 million
  - CDMO declined due to lower dispatches of APIs in March due to Covid-19; In CMO business, the company had already started 24/7 shift in one line in FY19, and on another line from Q3FY20 onwards. Jubilant has installed lyophilisation equipment, which is expected to get commercialised in Q1FY21. These initiatives are likely to increase capacity by over 30% translating into annual additional potential revenue of ~US\$30 million
  - Generics: Roorkee WL remediation process on track with third party consultants; likely resolution post Covid-19. Working with USFDA to resolve Nanjangud OAI
- LSI:
  - LSC : price decline due to lower demand and acetic acid (RM) price reduction; lower demand of ethyl acetate due to industry slowdown
  - Specialty intermediates: Lower demand for Pyridine and its derivatives due to weaker crop protection demand
  - Nutritional: growth led by higher Vitamin B3 prices; further price improvement expected in Q1FY21
- Drug discovery: robust growth due to strong demand of integrated services
- Capex in Q4FY20 : ₹ 89 crore; FY20: 516 crore; FY21 : rationalised Capex plans to conserve cash (US\$50-60 million)
- Filings
  - US: 114 ANDA filings: 98 oral solid dosage of which 35 are pending approval (OSD) and 16 sterile products (3 pending approval)
  - In Canada, the company has 24 OSD filings (one pending) and 17 sterile (all approved) filings
  - EU: 39 OSD filings (33 approved) + 4 sterile filings (all approved)

- Q4FY20: Higher depreciation due to change to lease accounting standards

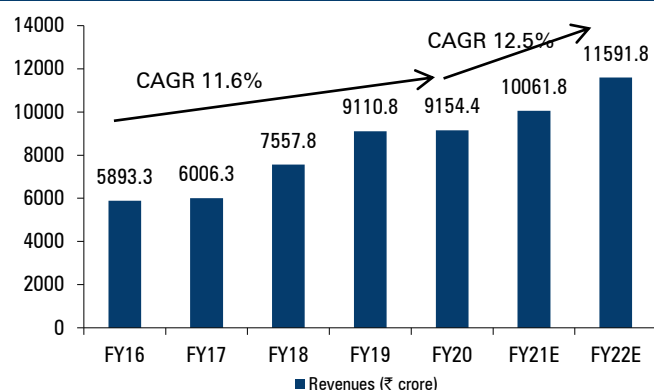
## Exhibit 4: Quarterly Trend

| (₹crore)            | 14FY17 | 11FY18 | 12FY18 | 13FY18 | 14FY18 | 11FY19 | 12FY19 | 13FY19 | 14FY19 | 11FY20 | 12FY20 | 13FY20 | 14FY20 | YoY (%)  | QoQ (%)  |
|---------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|----------|----------|
| Net Sales           | 1609.0 | 1578.1 | 1621.4 | 2041.5 | 2223.8 | 2079.3 | 2270.0 | 2353.1 | 2352.2 | 2152.8 | 2236.6 | 2279.9 | 2307.3 | -1.9     | 1.2      |
| Other Operating Inc | 32.4   | 17.9   | 20.7   | 26.3   | 28.2   | 32.4   | 23.9   | 24.0   | 33.4   | 29.1   | 29.4   | 35.3   | 84.1   | 151.5    | 138.1    |
| Total Operating Inc | 1641.4 | 1596.1 | 1642.0 | 2067.8 | 2252.0 | 2111.6 | 2293.9 | 2377.1 | 2385.6 | 2181.9 | 2265.9 | 2315.2 | 2391.4 | 0.2      | 3.3      |
| Raw Material Expe   | 633.7  | 583.6  | 607.6  | 786.8  | 890.8  | 796.2  | 877.2  | 875.8  | 972.6  | 755.2  | 773.2  | 773.2  | 839.0  | -13.7    | 8.5      |
| % of revenues       | 38.6   | 36.6   | 37.0   | 38.1   | 39.6   | 37.7   | 38.2   | 36.8   | 40.8   | 34.6   | 34.1   | 33.4   | 35.1   | -569 bps | 168 bps  |
| Gross Profit        | 1007.7 | 1012.5 | 1034.4 | 1281.0 | 1361.1 | 1315.4 | 1416.8 | 1501.3 | 1412.9 | 1426.7 | 1492.7 | 1542.0 | 1552.5 | 9.9      | 0.7      |
| Gross Margins (%)   | 61.4   | 63.4   | 63.0   | 61.9   | 60.4   | 62.3   | 61.8   | 63.2   | 59.2   | 65.4   | 65.9   | 66.6   | 64.9   | 569 bps  | -168 bps |
| Power cost          | 93.0   | 90.5   | 102.9  | 119.7  | 111.9  | 99.7   | 119.1  | 134.7  | 112.9  | 112.0  | 124.8  | 123.5  | 113.5  | 0.5      | -8.1     |
| % to revenues       | 5.7    | 5.7    | 6.3    | 5.8    | 5.0    | 4.7    | 5.2    | 5.7    | 4.7    | 5.1    | 5.5    | 5.3    | 4.7    | 1 bps    | -59 bps  |
| Employee Expense    | 324.5  | 310.3  | 368.8  | 422.9  | 453.8  | 451.6  | 478.0  | 499.7  | 496.8  | 504.1  | 522.2  | 538.6  | 562.7  | 13.3     | 4.5      |
| % to revenues       | 19.8   | 19.4   | 22.5   | 20.5   | 20.2   | 21.4   | 20.8   | 21.0   | 20.8   | 23.1   | 23.0   | 23.3   | 23.5   | 271 bps  | 27 bps   |
| Selling & Admin ex  | 285.3  | 234.4  | 256.5  | 321.5  | 337.6  | 293.5  | 345.1  | 373.7  | 445.3  | 376.0  | 377.3  | 372.4  | 339.6  | -23.7    | -8.8     |
| % to revenues       | 17.4   | 14.7   | 15.6   | 15.5   | 15.0   | 13.9   | 15.0   | 15.7   | 18.7   | 17.2   | 16.6   | 16.1   | 14.2   | -446 bps | -188 bps |
| Total Expenditure   | 1336.4 | 1218.7 | 1335.8 | 1650.9 | 1794.1 | 1641.1 | 1819.3 | 1883.8 | 2027.6 | 1747.3 | 1797.5 | 1807.8 | 1854.8 | -8.5     | 2.6      |
| % to revenues       | 81.4   | 76.4   | 81.3   | 79.8   | 79.7   | 77.7   | 79.3   | 79.2   | 85.0   | 80.1   | 79.3   | 78.1   | 77.6   | -743 bps | -52 bps  |
| EBITDA              | 305.0  | 377.4  | 306.3  | 416.8  | 457.9  | 470.6  | 474.6  | 493.3  | 358.0  | 434.6  | 468.5  | 507.4  | 536.6  | 49.9     | 5.8      |
| EBITDA Margins (%)  | 18.6   | 23.6   | 18.7   | 20.2   | 20.3   | 22.3   | 20.7   | 20.8   | 15.0   | 19.9   | 20.7   | 21.9   | 22.4   | 743 bps  | 52 bps   |
| Depreciation        | 75.2   | 72.5   | 79.0   | 81.8   | 181.7  | 88.0   | 89.5   | 98.4   | 95.0   | 102.7  | 116.8  | 113.5  | 128.9  | 35.7     | 13.6     |
| Interest            | 80.2   | 68.7   | 66.0   | 77.1   | 72.5   | 72.7   | 62.7   | 68.3   | 61.6   | 72.6   | 71.6   | 72.0   | 71.2   | 15.5     | -1.2     |
| Other Income        | 10.5   | 6.8    | 7.1    | 3.2    | 22.9   | 9.5    | 3.8    | 29.0   | -6.6   | 9.7    | 12.3   | 6.0    | 19.4   | -395.4   | 222.4    |
| PBT before EO       | 160.1  | 243.0  | 168.4  | 261.2  | 226.6  | 319.3  | 326.2  | 355.6  | 194.8  | 269.0  | 292.2  | 328.0  | 356.0  | 82.7     | 8.5      |
| Less: Exceptional I | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | -234.8 | 0.0    | 0.0    | -34.6  | 0.0    |          |          |
| PBT after EO        | 160.1  | 243.0  | 168.4  | 261.2  | 226.6  | 319.3  | 326.2  | 355.6  | -40.0  | 269.0  | 292.2  | 293.3  | 356.0  | -990.3   | 21.4     |
| Total Tax           | 11.1   | 59.5   | 42.7   | 48.3   | 74.2   | 86.0   | 92.0   | 88.1   | 60.7   | 84.1   | 42.8   | 89.9   | 95.5   | 57.3     | 6.1      |
| Tax Rate (%)        | 6.9    | 24.5   | 25.3   | 18.5   | 32.7   | 26.9   | 28.2   | 24.8   | -151.8 | 31.2   | 14.7   | 30.7   | 26.8   |          |          |
| PAT                 | 149.0  | 183.5  | 125.7  | 212.8  | 152.4  | 233.3  | 234.2  | 267.5  | -100.7 | 185.0  | 249.4  | 203.4  | 260.5  | -358.8   | 28.1     |
| Minority Interest   | -1.1   | -3.4   | -2.8   | 0.3    | -2.5   | -0.6   | 0.0    | 6.7    | -1.4   | 0.0    | 0.0    | 0.0    | 0.0    | NA       | NA       |
| Net Profit          | 150.1  | 186.9  | 128.5  | 212.5  | 154.9  | 234.0  | 234.2  | 260.8  | -99.3  | 185.0  | 249.4  | 203.4  | 260.5  | -362.4   | 28.1     |
| EPS (₹)             | 9.4    | 11.7   | 8.1    | 13.3   | 9.7    | 14.7   | 14.7   | 16.4   | -6.2   | 11.6   | 15.7   | 12.8   | 16.4   |          |          |

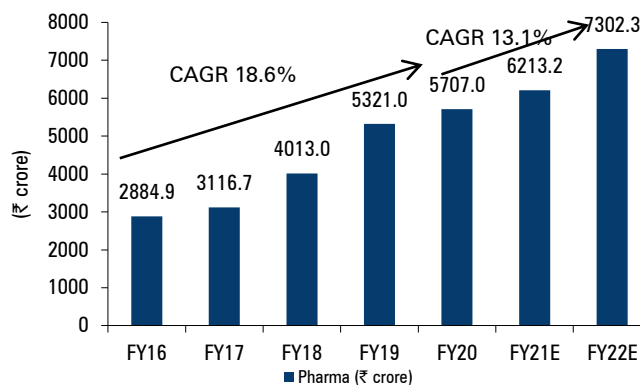
Source: ICICI Direct Research

## Company Background

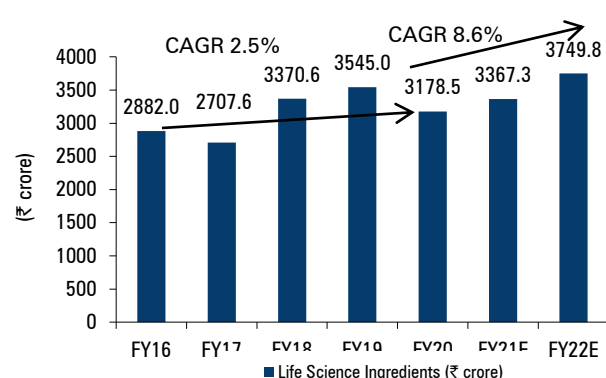
Incorporated in 1978, Jubilant Life Sciences (JLS; formerly Jubilant Organosys), is a mid-sized integrated chemicals turned pharmaceuticals player. It started as a full-fledged chemical company by entering the vinyl acetate monomer (VAM) business in 1983. Broadly, the company operates through two business segments - pharmaceuticals (64% of the turnover) and life science ingredients (36% of turnover). The pharmaceuticals segment consists of sub segments like 1) generics 2) specialty pharma - radio pharma and allergy therapy products and 3) CDMO - contract manufacturing (CMO) of sterile injectables and API. EBITDA margins in the pharmaceuticals segment are normally much higher due to the presence of formulations and specialty pharma. The LSI segment consists of sub segments like 1) advanced intermediates and specialty ingredients, 2) nutrition products and 3) life science chemicals. This segment caters to more routine customers with committed requirements. Due to the commodity nature, margins in this segment are relatively low.

**Exhibit 5: Revenues to grow at CAGR of 12% over FY20-22E**

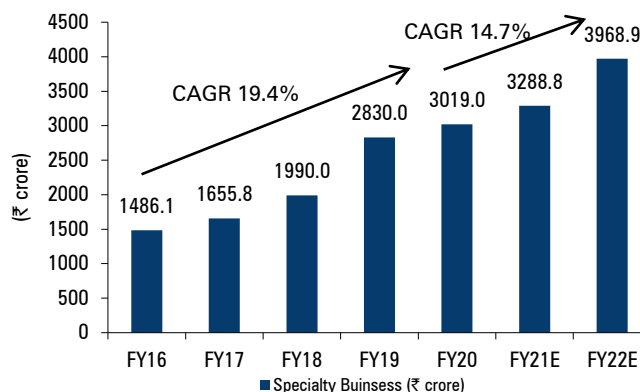
Source: ICICI Direct Research, Company

**Exhibit 6: Pharma to grow at CAGR 13% over FY20-22E**

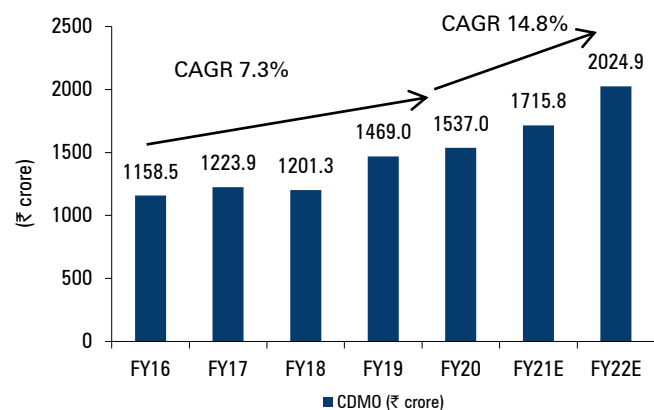
Source: ICICI Direct Research, Company

**Exhibit 7: LSI to grow at CAGR of 9% over FY20-22E**

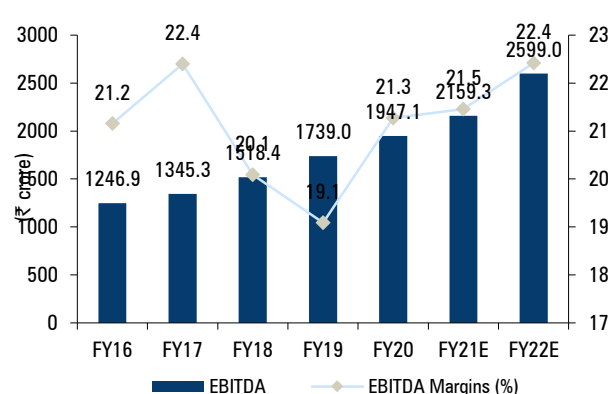
Source: ICICI Direct Research, Company

**Exhibit 8: Specialty to grow at CAGR of 15% over FY20-22E**

Source: ICICI Direct Research, Company

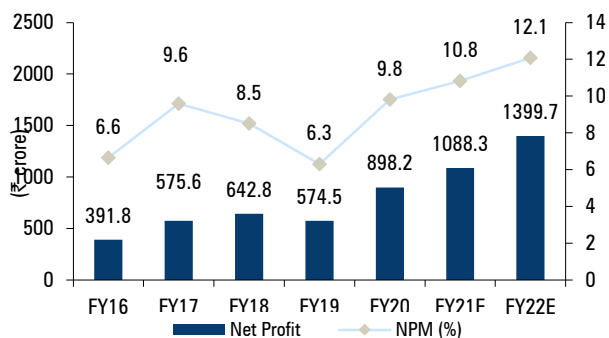
**Exhibit 9: CDMO to grow at CAGR of 15% over FY20-22E**

Source: ICICI Direct Research, Company

**Exhibit 10: EBITDA & EBITDA margins trend**

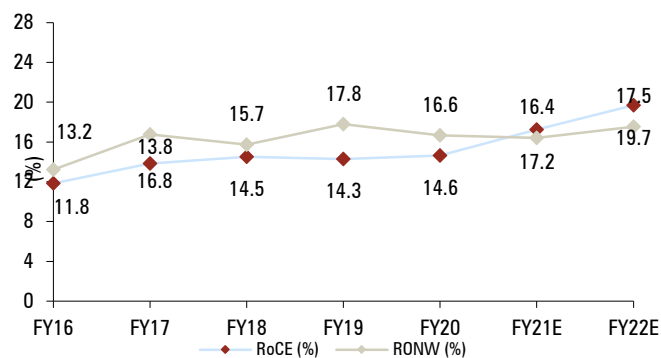
Source: ICICI Direct Research, Company

Exhibit 11: Net profit &amp; NPM trend



Source: ICICI Direct Research, Company

Exhibit 12: RoE &amp; RoCE trend



Source: ICICI Direct Research, Company

Exhibit 13: SoTP Valuation

|                      | FY22 EBITDA (₹crore) | EV/EBITDA (x) | EV (₹cr) |
|----------------------|----------------------|---------------|----------|
| Pharma (₹crore)      | 2,128.6              | 4.0           | 8,514.5  |
| LSI (₹crore)         | 523.1                | 3.0           | 1,569.4  |
| Net Debt FY 22 (₹cr) |                      |               | 1,251.2  |
| Market Cap (₹cr)     |                      |               | 8,832.6  |
| No. of shares (cr)   |                      |               | 15.9     |
| SOTP Valuation (₹)   |                      |               | 550.0    |

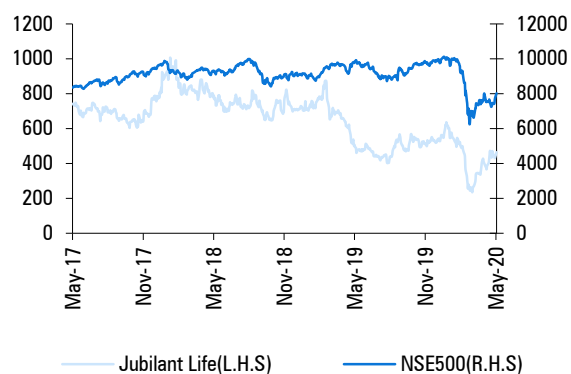
Source: ICICI Direct Research

Exhibit 14: Summary (₹ crore)

|        | Revenues | Growth | Adj. EPS | Growth | P/E  | EV/EBITDA | RoNW | RoCE |
|--------|----------|--------|----------|--------|------|-----------|------|------|
|        | (₹crore) | (%)    | (₹)      | (%)    | (x)  | (X)       | (%)  | (%)  |
| FY 19  | 9111     | 20.5   | 54.9     | NA     | 12.0 | 6.0       | 17.8 | 14.3 |
| FY 20  | 9154     | 0.5    | 59.9     | 56.4   | 7.7  | 5.2       | 16.6 | 14.6 |
| FY 21E | 10062    | 9.9    | 69.8     | 21.2   | 6.3  | 4.2       | 16.4 | 17.2 |
| FY 22E | 11592    | 15.2   | 89.8     | 28.6   | 4.9  | 3.1       | 17.5 | 19.7 |

Source: ICICI Direct Research

## Exhibit 15: Price trend



Source: ICICI Direct Research, Bloomberg

## Exhibit 16: Shareholding Pattern

| (in %)    | Mar-19 | Jun-19 | Sep-19 | Dec-19 | Mar-20 |
|-----------|--------|--------|--------|--------|--------|
| P romoter | 50.7   | 50.7   | 50.7   | 50.7   | 50.7   |
| O thers   | 49.3   | 49.3   | 49.3   | 49.3   | 49.3   |

Source: ICICI Direct Research, Company



## Financial Summary

Exhibit 17: Profit &amp; Loss (₹ crore)

| (Year-end March)            | FY19           | FY20           | FY21E           | FY22E           |
|-----------------------------|----------------|----------------|-----------------|-----------------|
| <b>Revenues</b>             | <b>9,110.8</b> | <b>9,154.4</b> | <b>10,061.8</b> | <b>11,591.8</b> |
| Growth (%)                  | 20.5           | 0.5            | 9.9             | 15.2            |
| Raw Material Expenses       | 3,521.8        | 3,140.6        | 3,435.1         | 3,917.4         |
| Employee Expenses           | 1,926.0        | 2,127.7        | 2,357.8         | 2,666.1         |
| Selling & Admin expenses    | 1,457.6        | 1,465.3        | 1,606.6         | 1,897.8         |
| Power cost                  | 466.4          | 473.8          | 503.1           | 511.5           |
| Total Operating Expenditure | 7,371.8        | 7,207.3        | 7,902.5         | 8,992.8         |
| <b>EBITDA</b>               | <b>1,739.0</b> | <b>1,947.1</b> | <b>2,159.3</b>  | <b>2,599.0</b>  |
| Growth (%)                  | 14.5           | 12.0           | 10.9            | 20.4            |
| Depreciation                | 370.9          | 461.9          | 516.1           | 581.9           |
| Interest                    | 219.8          | 287.4          | 189.4           | 159.4           |
| Other Income                | 35.7           | 47.4           | 78.9            | 113.7           |
| PBT before E O              | 1,184.0        | 1,245.2        | 1,532.8         | 1,971.5         |
| Less: Exceptional Items     | 280.2          | 34.6           | 0.0             | 0.0             |
| Total Tax                   | 326.8          | 312.3          | 444.5           | 571.7           |
| Minority Interest           | 2.6            | 0.0            | 0.0             | 0.0             |
| <b>PAT</b>                  | <b>574.5</b>   | <b>898.2</b>   | <b>1,088.3</b>  | <b>1,399.7</b>  |
| Growth (%)                  | NA             | 56.4           | 21.2            | 28.6            |
| EPS                         | 36.9           | 57.7           | 69.8            | 89.8            |
| Adjusted PAT                | 854.7          | 932.9          | 1,088.3         | 1,399.7         |
| <b>EPS (Adjusted)</b>       | <b>54.9</b>    | <b>59.9</b>    | <b>69.8</b>     | <b>89.8</b>     |

Source: ICICI Direct Research

Exhibit 18: Cash Flow Statement (₹ crore)

| (Year-end March)                    | FY19           | FY20            | FY21E           | FY22E          |
|-------------------------------------|----------------|-----------------|-----------------|----------------|
| Profit/(Loss) after taxation        | 560.5          | 961.9           | 1,088.3         | 1,399.7        |
| Add: Depreciation                   | 370.9          | 461.9           | 516.1           | 581.9          |
| Add: Interest paid                  | 219.8          | 287.4           | 189.4           | 159.4          |
| (Inc)/dec in Current Assets         | -188.1         | -154.6          | 174.9           | -463.8         |
| Inc/(dec) in CL and Provision:      | -112.4         | -25.1           | 71.8            | 219.8          |
| Other Operating Activities          | 0.0            | 0.0             | 0.0             | 0.0            |
| <b>CF from operating activities</b> | <b>850.7</b>   | <b>1,531.5</b>  | <b>2,040.4</b>  | <b>1,897.0</b> |
| (Purchase)/Sale of FA               | -658.3         | -567.6          | -350.0          | -500.0         |
| Deferred Tax Liability              | 0.0            | 0.0             | 7.9             | 8.1            |
| Minority Interest                   | 0.0            | 0.0             | 0.0             | 0.0            |
| Investments                         | 0.0            | 19.9            | -300.0          | -300.0         |
| Other Investing Activities          | 1.0            | 84.6            | -19.2           | -21.2          |
| <b>CF from investing activities</b> | <b>-657.3</b>  | <b>-463.1</b>   | <b>-661.3</b>   | <b>-813.1</b>  |
| Inc/(Dec) in Equity Capital         | 0.0            | 0.0             | 0.0             | 0.0            |
| Inc/(Dec) in Loan Funds             | 661.6          | -572.8          | -1,500.0        | -500.0         |
| Dividend & Dividend tax             | -54.6          | -152.8          | -54.7           | -54.7          |
| Less: Interest Paid                 | -219.8         | -287.4          | -189.4          | -159.4         |
| Others                              | 270.2          | -37.4           | 0.0             | 0.0            |
| <b>CF from financing activities</b> | <b>657.4</b>   | <b>-1,050.4</b> | <b>-1,744.0</b> | <b>-714.0</b>  |
| Net Cash flow                       | 850.8          | 18.1            | -364.9          | 369.8          |
| Opening Cash                        | 248.8          | 1,370.4         | 1,399.9         | 1,034.9        |
| <b>Closing Cash</b>                 | <b>1,099.6</b> | <b>1,388.5</b>  | <b>1,034.9</b>  | <b>1,404.8</b> |
| <b>Free Cash Flow</b>               | <b>192.4</b>   | <b>963.9</b>    | <b>1,690.4</b>  | <b>1,397.0</b> |

Source: ICICI Direct Research

Exhibit 19: Balance Sheet (₹ crore)

| (Year-end March)            | FY19           | FY20            | FY21E           | FY22E           |
|-----------------------------|----------------|-----------------|-----------------|-----------------|
| Equity Capital              | 15.9           | 15.9            | 15.9            | 15.9            |
| Reserve and Surplus         | 4,793.0        | 5,588.0         | 6,621.5         | 7,966.6         |
| Total Shareholders funds    | 4,808.9        | 5,603.9         | 6,637.4         | 7,982.5         |
| Total Debt                  | 4,840.4        | 4,656.0         | 3,156.0         | 2,656.0         |
| Deferred Tax Liability      | 202.4          | 263.4           | 271.3           | 279.5           |
| Minority Interest           | 0.1            | 0.0             | 0.0             | 0.0             |
| Other Non CL & LT Provisio  | 124.5          | 159.5           | 164.3           | 169.2           |
| <b>Total Liabilities</b>    | <b>9,976.3</b> | <b>10,682.8</b> | <b>10,229.1</b> | <b>11,087.2</b> |
| Gross Block - Fixed Assets  | 4,946.6        | 5,969.6         | 6,669.6         | 7,519.6         |
| Accumulated Depreciation    | 1,257.1        | 1,719.1         | 2,235.1         | 2,817.0         |
| Net Block                   | 3,689.4        | 4,250.5         | 4,434.4         | 4,702.5         |
| Capital WIP                 | 901.4          | 768.4           | 418.4           | 68.4            |
| Total Fixed Assets          | 4,590.9        | 5,018.9         | 4,852.8         | 4,770.9         |
| Investments                 | 115.1          | 69.4            | 369.4           | 669.4           |
| Goodwill on Consolidation   | 1,958.9        | 2,089.5         | 2,089.5         | 2,089.5         |
| Inventory                   | 1,417.4        | 1,845.4         | 1,554.3         | 1,790.7         |
| Debtors                     | 1,271.6        | 1,293.2         | 1,394.4         | 1,606.4         |
| Cash                        | 1,370.4        | 1,399.9         | 1,034.9         | 1,404.8         |
| Other current Assets        | 525.5          | 499.9           | 514.9           | 530.3           |
| Total Current Assets        | 4,584.8        | 5,038.4         | 4,498.5         | 5,332.2         |
| Creditors                   | 1,020.1        | 1,090.3         | 1,118.7         | 1,288.8         |
| Provisions                  | 68.7           | 98.8            | 122.6           | 152.3           |
| Other Current Liabilities   | 403.3          | 649.8           | 669.3           | 689.4           |
| Total Current Liabilities   | 1,492.2        | 1,838.8         | 1,910.6         | 2,130.4         |
| Net Current Assets          | 3,092.6        | 3,199.5         | 2,587.9         | 3,201.8         |
| Deferred Tax Assets         | 149.6          | 211.2           | 232.4           | 255.6           |
| LT L & A, Other Non CA      | 69.2           | 94.3            | 97.2            | 100.1           |
| <b>Application of Funds</b> | <b>9,976.3</b> | <b>10,682.8</b> | <b>10,229.1</b> | <b>11,087.2</b> |

Source: ICICI Direct Research

Exhibit 20: Key Ratios (₹ crore)

| (Year-end March)            | FY19       | FY20       | FY21E      | FY22E      |
|-----------------------------|------------|------------|------------|------------|
| <b>Per share data (₹)</b>   |            |            |            |            |
| Reported EPS                | 36.9       | 57.7       | 69.8       | 89.8       |
| Adjusted EPS                | 54.9       | 59.9       | 69.8       | 89.8       |
| BV per share                | 308.7      | 359.7      | 426.0      | 512.4      |
| Dividend per share          | 3.5        | 5.9        | 3.5        | 3.5        |
| Cash Per Share              | 88.0       | 89.9       | 66.4       | 90.2       |
| <b>Operating Ratios (%)</b> |            |            |            |            |
| Gross Profit Margins        | 61.3       | 65.7       | 65.9       | 66.2       |
| EBITDA Margins              | 19.1       | 21.3       | 21.5       | 22.4       |
| PAT Margins                 | 9.4        | 10.2       | 10.8       | 12.1       |
| Inventory days              | 56.8       | 73.6       | 56.4       | 56.4       |
| Debtor days                 | 50.9       | 51.6       | 50.6       | 50.6       |
| Creditor days               | 40.9       | 43.5       | 40.6       | 40.6       |
| Asset Turnover              | 1.4        | 1.5        | 1.7        | 1.4        |
| EBITDA conversion Rate      | 48.9       | 78.7       | 94.5       | 73.0       |
| <b>Return Ratios (%)</b>    |            |            |            |            |
| RoE                         | 17.8       | 16.6       | 16.4       | 17.5       |
| RoCE                        | 14.3       | 14.6       | 17.2       | 19.7       |
| RoIC                        | 16.2       | 16.4       | 18.3       | 21.4       |
| <b>Valuation Ratios (x)</b> |            |            |            |            |
| P/E                         | 12.0       | 7.7        | 6.3        | 4.9        |
| EV / EBITDA                 | 6.0        | 5.2        | 4.2        | 3.1        |
| EV / Net Sales              | 1.1        | 1.1        | 0.9        | 0.7        |
| Market Cap / Sales          | 0.8        | 0.8        | 0.7        | 0.6        |
| Price to Book Value         | 1.4        | 1.2        | 1.0        | 0.9        |
| <b>Solvency Ratios</b>      |            |            |            |            |
| Debt / Equity               | 1.0        | 0.8        | 0.5        | 0.3        |
| Debt / EBITDA               | 2.8        | 2.4        | 1.5        | 1.0        |
| <b>Current Ratio</b>        | <b>2.2</b> | <b>2.0</b> | <b>1.8</b> | <b>1.8</b> |

Source: ICICI Direct Research



## Exhibit 21: I-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 | FY19     | Y20E | Y21E | Y22E | FY19    | Y20E | Y21E | Y22E |
| Ajanta Pharma           | AJAPHA        | 1524    | 1,730  | Buy    | 13298       | 43.5    | 53.4  | 56.0  | 72.0  | 35.0  | 28.5  | 27.2 | 21.2 | 21.8     | 24.7 | 22.3 | 24.2 | 17.1    | 18.1 | 16.7 | 18.5 |
| Alembic Pharma          | ALEMPHA       | 871     | 875    | Buy    | 16423       | 31.4    | 46.3  | 41.4  | 39.8  | 27.7  | 18.8  | 21.1 | 21.9 | 19.6     | 20.6 | 17.7 | 16.0 | 21.8    | 26.3 | 19.5 | 16.2 |
| Apollo Hospital         | APOHOS        | 1357    | 1,490  | Buy    | 18879       | 17.0    | 21.5  | 35.2  | 65.7  | 80.0  | 63.0  | 38.5 | 20.6 | 8.8      | 10.4 | 12.6 | 16.8 | 7.1     | 8.1  | 11.2 | 17.9 |
| Aurobindo Pharma        | AURPHA        | 746     | 770    | Buy    | 43691       | 42.1    | 49.2  | 54.8  | 59.4  | 17.7  | 15.1  | 13.6 | 12.6 | 15.9     | 17.8 | 18.1 | 17.8 | 17.7    | 17.4 | 16.4 | 15.3 |
| Biocon                  | BIOCON        | 355     | 390    | Buy    | 42564       | 6.2     | 5.8   | 9.8   | 18.2  | 57.1  | 61.0  | 36.0 | 19.5 | 10.9     | 10.9 | 15.1 | 22.1 | 12.2    | 10.4 | 15.2 | 22.4 |
| Cadila Healthcare       | CADHEA        | 345     | 375    | Hold   | 35278       | 18.1    | 14.3  | 17.5  | 20.9  | 19.1  | 24.1  | 19.7 | 16.5 | 13.0     | 10.6 | 12.1 | 13.4 | 17.8    | 12.9 | 14.1 | 14.9 |
| Cipla                   | CIPLA         | 648     | 670    | Buy    | 52256       | 18.6    | 19.2  | 23.0  | 30.2  | 34.9  | 33.7  | 28.1 | 21.4 | 10.9     | 12.0 | 13.0 | 15.4 | 10.0    | 9.8  | 10.8 | 12.6 |
| Divi's Lab              | DIVLAB        | 2390    | 2,130  | Hold   | 63450       | 51.0    | 49.9  | 58.4  | 71.0  | 46.9  | 47.9  | 40.9 | 33.6 | 25.5     | 21.7 | 21.8 | 22.8 | 19.4    | 16.6 | 16.9 | 17.5 |
| Dr Reddy's Lab          | DRREDD        | 4071    | 4,615  | Buy    | 67649       | 114.7   | 121.9 | 163.8 | 209.7 | 35.5  | 33.4  | 24.9 | 19.4 | 11.1     | 10.0 | 18.0 | 20.8 | 13.6    | 13.0 | 15.2 | 16.6 |
| Glenmark Pharma         | GLEPHA        | 355     | 340    | Hold   | 10018       | 26.9    | 26.8  | 34.6  | 43.2  | 13.2  | 13.2  | 10.3 | 8.2  | 15.3     | 12.8 | 14.5 | 16.1 | 13.5    | 12.0 | 13.5 | 14.5 |
| Hikal                   | HIKCHE        | 117     | 160    | Buy    | 1436        | 8.4     | 9.6   | 11.1  | 13.3  | 13.9  | 12.1  | 10.5 | 8.7  | 14.3     | 13.3 | 13.6 | 14.5 | 13.6    | 14.1 | 14.2 | 14.9 |
| Ipca Laboratories       | IPCLAB        | 1494    | 1,900  | Buy    | 18881       | 35.1    | 55.7  | 65.6  | 79.3  | 42.6  | 26.8  | 22.8 | 18.9 | 15.0     | 20.5 | 21.0 | 21.6 | 14.2    | 19.1 | 18.9 | 19.2 |
| Jubilant Life           | JUBLIF        | 442     | 550    | Buy    | 7044        | 54.9    | 59.9  | 69.8  | 89.8  | 8.1   | 7.4   | 6.3  | 4.9  | 14.3     | 14.6 | 17.2 | 19.7 | 17.8    | 16.6 | 16.4 | 17.5 |
| Lupin                   | LUPIN         | 870     | 930    | Hold   | 39407       | 16.5    | -12.7 | 25.6  | 38.7  | 52.6  | -68.5 | 34.0 | 22.5 | 9.4      | 10.6 | 10.4 | 14.6 | 5.4     | -4.6 | 8.5  | 11.6 |
| Narayana Hrudayam       | NARHRU        | 273     | 330    | Buy    | 5579        | 2.9     | 6.2   | 8.2   | 11.4  | 94.0  | 43.7  | 33.4 | 23.9 | 7.7      | 11.6 | 12.7 | 15.3 | 5.5     | 10.8 | 12.5 | 15.1 |
| Natco Pharma            | NATPHA        | 580     | 650    | Hold   | 10555       | 34.9    | 26.9  | 24.6  | 23.4  | 16.6  | 21.6  | 23.6 | 24.7 | 21.3     | 14.6 | 12.7 | 11.3 | 18.5    | 12.6 | 10.4 | 9.1  |
| Sun Pharma              | SUNPHA        | 474     | 540    | Buy    | 113786      | 15.9    | 16.8  | 18.4  | 24.5  | 29.9  | 28.3  | 25.8 | 19.3 | 10.3     | 10.0 | 10.3 | 12.4 | 9.2     | 8.9  | 8.9  | 10.8 |
| Syngene Int.            | SYNINT        | 359     | 390    | Buy    | 14352       | 8.3     | 10.3  | 8.6   | 12.2  | 43.4  | 34.8  | 38.6 | 27.3 | 14.8     | 15.0 | 12.9 | 16.4 | 16.8    | 15.7 | 13.7 | 16.3 |
| Torrent Pharmaceuticals | TORPHA        | 2365    | 2,475  | Hold   | 40018       | 48.9    | 60.6  | 67.0  | 88.3  | 48.3  | 39.0  | 35.3 | 26.8 | 14.2     | 15.7 | 17.7 | 21.2 | 17.5    | 21.2 | 20.0 | 22.0 |

Source: ICICI Direct Research, Bloomberg

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Sell: <-15%



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