

## In line numbers; US steady despite injectables drop

Q1FY21 revenues grew 8.8% YoY to ₹ 5925 crore (I-direct estimate: ₹ 6070 crore) mainly due to 15.6% YoY growth in the US to ₹ 3107 crore. EU business de-grew 5.0% YoY to ₹ 1322 crore. ARV segment grew 33.6% YoY to ₹ 426 crore. API segment grew 6.6% YoY to ₹ 780 crore. EBITDA margins remained flat YoY at 21.2% (I-direct estimate: 21.5%) as higher gross margins were offset by higher staff costs and other expenditure. EBITDA grew 9.2% YoY to ₹ 1257.4 crore against I-direct estimate of ₹ 1304.1 crore. Adjusted PAT grew 20.4% YoY to ₹ 780.6 crore (I-direct estimate: ₹ 765 crore). Delta vis-à-vis EBITDA was due to lower interest cost and higher other income (including ₹ 22.2 crore in forex gain).

## US key growth driver despite recent compliance upheavals

After filing its first ANDA in the US in 2003, the company has come a long way as current ANDA filings are at 604. US revenues have grown from ~US\$100 million in 2009 crossing \$1.6 billion sales as on 2020. In rupee terms, US sales have grown at 17% CAGR to ₹ 11484 crore in FY16-20. US formulations now constitute 50% of total turnover, up from 30% in FY13. Despite calling off the acquisition of Sandoz' US dermatology and oral solid portfolio, we expect US revenue size to reach ₹ 14925 crore in FY22E at a 14% CAGR over FY20-22E on the back of a strong US pipeline with 50-60 products expected to be launched in FY21 itself.

## Transformation, capacity optimisation to improve financials

The API: formulations ratio has improved from 43:57 in FY13 to 14:86 in FY20. Another USP of the company is its vertically integrated model with huge capacity, unmatched by most peers. The company owns 28 manufacturing facilities, including eight key formulations facilities in India and abroad. These can be optimised by 1) continuous US filings and launches, 2) incremental launches and filings in the RoW markets and 3) site transfers and supplies for products covered under the Actavis deal.

## Valuation & Outlook

FY21 is looking much more promising with respite for unit IV, decent Q1 performance and a stable outlook. Aurobindo has one of the best enduring generics ecosystems among peers (vertically integrated model, lower product concentration) to withstand volatility in the US and other generics space. It has also significantly improved its debt position utilising additional cash freed up from foregoing the Sandoz deal. This also bodes well as the company plans to venture into complex areas like biosimilars, vaccines and complex injectables where capital requirements are higher and precise. While a few other plants still remain under the USFDA scrutiny, the clearance for a critical plant indicates the company continues to work towards stricter adherence. We maintain **BUY** rating and arrive at our revised target price of ₹ 1100 at 15x FY22E EPS of ₹ 73.2.



### Particulars

Particular	Amount
Market Capitalisation	₹52524 crore
Debt (FY 20)	₹5826 crore
Cash (FY 20)	₹2842 crore
EV	₹55508 crore
52 week H/L (₹)	968/281
Equity capital	₹58.6 crore
Face value	₹1

### Key Highlights

- Q1 results in line with I-direct estimates on all fronts
- Also significantly improved its debt position utilising additional cash freed up from foregoing Sandoz deal
- FY21 looks promising on the back of respite for Unit IV, decent Q1 performance and a stable outlook
- Maintain BUY

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### Key Financial Summary

(Year End March)	FY19	FY20	FY21E	FY22E	CAGR (FY20-22E) %
Revenues (₹crore)	19563.5	23098.5	26297.6	29369.2	12.8
EBITDA (₹crore)	3843.2	4815.7	5730.1	6765.0	18.5
EBITDA margins (%)	19.6	20.8	21.8	23.0	
Net Profit (₹crore)	2452.8	2857.1	3569.4	4290.6	22.5
EPS (₹)	41.9	48.8	60.9	73.2	
PE (x)	22.2	18.6	14.7	12.2	
EV/EBITDA (%)	14.8	11.4	9.3	7.5	
ROE (%)	17.7	17.0	17.7	17.8	
ROCE (%)	15.9	17.2	20.0	21.5	

Source: ICICI Direct Research; Company

**Exhibit 1: Variance Analysis**

₹ crore	Q1FY21	Q1FY21E	Q1FY20	Q4FY20	YoY (%)	QoQ (%)	Comments
Revenue	5,924.8	6,070.1	5,444.6	6,158.4	8.8	-3.8	YoY growth mainly due to strong growth in US oral solid and ARV segment
Raw Material Expenses	2,407.4	2,549.4	2,298.5	2,503.4	4.7	-3.8	
Employee Expenses	888.0	880.2	779.9	864.3	13.9	2.7	
Other Expenditure	1,372.0	1,336.4	1,215.1	1,474.5	12.9	-6.9	
EBITDA	1,257.4	1,304.1	1,151.1	1,316.2	9.2	-4.5	
EBITDA (%)	21.2	21.5	21.1	21.4	8 bps	-15 bps	Muted margins mainly due to ₹ 60 crore of provision for third party R&D assets. Excluding this margins were at 22.2%
Interest	21.1	31.7	49.9	31.8	-57.8	-33.8	
Depreciation	255.5	251.0	240.9	232.4	6.1	9.9	
Other Income	115.6	23.9	15.8	32.6	632.5	254.7	Included forex gain of ₹ 22.2 crore against ₹ 4.8 crore in Q1FY20
PBT before EO & Forex	1,096.4	1,045.2	876.1	1,084.6	25.1	1.1	
EO	0.0	0.0	12.7	-12.3	NA	NA	
PBT	1,096.4	1,045.2	863.4	1,096.8	27.0	0.0	
Tax	303.7	261.3	227.8	228.5	33.3	32.9	
Tax Rate (%)	27.7	25.0	26.4	20.8	132 bps	686 bps	
PAT before MI	792.7	783.9	635.7	868.3	24.7	-8.7	
MI	0.1	-0.4	-0.2	-0.8	-166.7	-111.9	
Net Profit	780.6	765.0	635.8	849.8	22.8	-8.1	
Adj. Net Profit	780.6	765.0	648.5	837.6	20.4	-6.8	Delta vis-à-vis EBITDA and beat vis-à-vis I-direct estimates mainly due to lower financial cost and higher other income

**Key Metrics**

US	3,107.1	2,955.5	2,688.4	2,990.3	15.6	3.9	YoY growth and beat vis-à-vis I-direct estimates mainly due to strong growth in oral solid and dietary supplements. However, due to postponement of elective surgeries injectable segment got impacted
Europe	1,322.2	1,602.7	1,391.6	1,652.5	-5.0	-20.0	YoY decline and miss vis-à-vis I-direct estimates mainly due to stocking up at the beginning of the pandemic in Q4FY20
RoW	289.6	344.7	313.4	376.6	-7.6	-23.1	YoY decline and miss vis-à-vis I-direct estimates mainly due to stocking up at the beginning of the pandemic in Q4FY20
ARV	425.5	302.6	318.5	381.8	33.6	11.4	YoY growth and beat vis-à-vis I-direct estimates mainly due to benefit of shifting market from EFV to DTG
API	780.2	768.8	732.2	755.6	6.6	3.3	YoY slow growth was mainly due to slower growth in antibiotics segment

Source: ICICI Direct Research

**Exhibit 2: Change in Estimates**

₹ Crore)	FY21E			FY22E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	25,863.3	26,297.6	1.7	27,900.6	29,369.2	5.3	
EBITDA	5,350.6	5,730.1	7.1	5,942.8	6,765.0	13.8	
EBITDA Margin (%)	20.7	21.8	109 bps	21.3	23.0	173 bps	Changed mainly due to improvement in product mix and operational leverage
Adj. PAT	3,221.8	3,569.4	10.8	3,598.6	4,290.6	19.2	Changed mainly in sync with operational performance
EPS (₹)	55.0	60.9	10.7	61.4	73.2	19.2	

Source: ICICI Direct Research

**Exhibit 3: Change in Estimates**

₹ crore)	Current			Earlier			Comments
	FY19	FY20	FY21E	FY22E	FY21E	FY22E	
US	9,030.7	11,483.5	13,268.0	14,924.6	12,816.2	13,914.4	Changed mainly due to better than expected performance in oral solid segment
Europe	4,960.2	5,921.7	6,395.6	7,204.0	6,728.7	7,266.9	
ARV	972.4	1,251.6	1,657.3	1,823.1	1,206.0	1,266.3	Changed mainly due to getting benefits of shifting from EFV to DTG
RoW	1,193.6	1,355.1	1,416.6	1,558.3	1,471.8	1,619.0	
API	3,403.2	3,083.4	3,249.0	3,411.4	3,237.6	3,399.4	

Source: ICICI Direct Research

## Conference Call Highlights

- US Filings:
  - Q4FY20: filed 14 ANDAs including three injectables. Launched six products (including one injectable) and received final approval for 10 ANDAs (including two injectables)
  - Cumulative: 438 ANDAs approved (including 28 tentative) out of 604 filed ANDAs
  - Three DMFs filed in Q1FY21
  - The company plans to file cumulative 50 ANDAs in FY21
- Net organic capex for the quarter was ~US\$49 million. FY21 capex to be ~US\$150-200 million
- Gross debt was at ₹ 4776.6 crore in Q1FY21 with net debt at ₹ 1444.8 crore (down US\$168 million QoQ at US\$191.3 million). Average finance cost was at 1.5%
- Injectable portfolio, Auromedics de-grew 24% QoQ in Q1FY21 to US\$51 million mainly due to drop in hospital procedures in US amid the pandemic
  - US injectables to take six to nine months to normalise, some improvement in June and July, Q2 to be better than Q1
- R&D spend for Q1FY21 was at ₹ 254.5 crore (4.3% of revenues). Specialty: Generic R&D spend mix would be ~35:65
- ARV growth on account of migration to TLD (tenofovir, lamivudine and Dolutegravir) which is sustainable in FY21
- Europe - Sequential decline in sales due to stocking in Q4FY20
  - Off-contract sales – upside opportunity due to shortages
  - 7% constant currency growth in H1CY20, EBITDA margin at low double digits
- RoW had also seen stocking in Q4FY20
- API: 50-55% of external sales from antibiotics, which has seen a demand slowdown and was thus lower vis-à-vis industry growth
- Government PLI scheme – some products (KSMs) look interesting and evaluations for the same are ongoing
- Natrol (vitamins & supplements) is doing well
- The company provided for ₹ 60 crore of third-party R&D. Adjusting for that, EBITDA margin would be 22.2%
- On the regulatory front, the company has submitted all CAPAs for Unit 7 (OAI) with the USFDA. The company has also applied for desktop audits for Unit I/IX (OAI) and Unit XI(WL) to the USFDA
- Debtor days has come down to 49 days in Q1FY21 from 65 days earlier
- Viral vaccine capacity to be ~300-350 million doses (Covid) and bacterial to be ~50 million doses (pneumococcal)
- Pipeline:
  - One long acting injection filing in Q3FY21. Working on four products with multiple SKUs. To file one SKU every year thereafter
  - One biosimilar for Europe by end of FY21 (210 days for approval expected), another in Q1FY22. FY22 onwards two biosimilars per year
  - Eight transdermal products

Exhibit 4: Quarterly Financials

(₹ Crore)	11FY18	12FY18	13FY18	14FY18	11FY19	12FY19	13FY19	14FY19	11FY20	12FY20	13FY20	14FY20	11FY21	YoY (%)	QoQ (%)
Total Operating Income	3678.8	4435.9	4336.1	4049.1	4250.3	4751.4	5269.7	5292.2	5444.6	5600.5	5895.0	6158.4	5924.8	8.8	-3.8
Raw Material Expenses	1497.8	1767.9	1817.5	1669.5	1907.3	2042.9	2389.9	2372.6	2298.5	2368.3	2565.0	2503.4	2407.4	4.7	-3.8
% of revenue	40.7	39.9	41.9	41.2	44.9	43.0	45.4	44.8	42.2	42.3	43.5	40.6	40.6	-158 bps	-2 bps
Gross Profit	2180.9	2668.0	2518.6	2379.6	2343.0	2708.5	2879.8	2919.6	3146.1	3232.2	3330.0	3655.1	3517.4	11.8	-3.8
GPM (%)	59.3	60.1	58.1	58.8	55.1	57.0	54.6	55.2	57.8	57.7	56.5	59.4	59.4	158 bps	2 bps
Employee Expenses	490.2	518.7	540.7	581.3	596.1	625.5	649.8	713.5	779.9	777.2	797.8	864.3	888.0	13.9	2.7
% of revenue	13.3	11.7	12.5	14.4	14.0	13.2	12.3	13.5	14.3	13.9	13.5	14.0	15.0	66 bps	95 bps
Other Manufacturing	849.2	1031.9	952.4	1010.2	1035.8	1096.8	1141.0	1149.2	1215.1	1314.7	1324.2	1474.5	1372.0	12.9	-6.9
% revenues	23.1	23.3	22.0	24.9	24.4	23.1	21.7	21.7	22.3	23.5	22.5	23.9	23.2	84 bps	-79 bps
Total Expenditure	2837.2	3318.6	3310.5	3261.0	3539.2	3765.1	4180.7	4235.3	4293.5	4460.2	4687.0	4842.2	4667.4	8.7	-3.6
% of revenue	77.1	74.8	76.3	80.5	83.3	79.2	79.3	80.0	78.9	79.6	79.5	78.6	78.8	-8 bps	15 bps
EBITDA	841.6	1117.3	1025.6	788.1	711.1	986.2	1089.0	1057.0	1151.1	1140.3	1208.0	1316.2	1257.4	9.2	-4.5
EBITDA Margins (%)	22.9	25.2	23.7	19.5	16.7	20.8	20.7	20.0	21.1	20.4	20.5	21.4	21.2	8 bps	-15 bps
Depreciation	131.2	132.1	138.1	156.6	154.5	163.7	163.1	186.6	240.9	243.3	250.1	232.4	255.5	6.1	9.9
Interest	16.9	17.3	18.9	24.7	29.5	35.4	47.7	50.1	49.9	40.9	37.1	31.8	21.1	-57.8	-33.8
Other Income	33.3	10.3	25.8	43.8	43.7	26.3	63.9	32.3	15.8	20.6	30.9	32.6	115.6	632.5	254.7
Less: Forex & Exce	18.8	0.0	-7.3	0.0	0.0	26.8	25.0	36.2	12.7	12.8	12.9	-12.3	0.0		
PBT	708.0	978.2	901.7	650.6	570.7	786.6	917.0	816.3	863.4	863.9	938.8	1096.8	1096.4	27.0	0.0
Total Tax	191.0	198.0	306.9	122.4	115.5	175.4	204.8	231.1	227.8	224.4	232.9	228.5	303.7	33.3	32.9
Tax rate (%)	27.0	20.2	34.0	18.8	20.2	22.3	22.3	28.3	26.4	26.0	24.8	20.8	27.7	132 bps	686 bps
PAT before MI	517.0	780.3	594.8	528.2	455.2	611.2	712.2	585.2	635.7	639.5	706.0	868.3	792.7	24.7	-8.7
Minority Interest	-0.2	-0.2	-0.2	0.3	-0.1	-0.1	0.0	-0.2	-0.2	-0.3	-0.1	-0.8	0.1	-166.7	-111.9
PAT	518.5	781.6	595.0	528.5	455.7	611.5	712.2	585.4	635.8	639.9	705.5	849.8	780.6	22.8	-8.1
EPS (₹)	8.8	13.3	10.2	9.0	7.8	10.4	12.2	10.0	10.9	10.9	12.0	14.5	13.3		

Source: ICICI Direct Research, Company

## Company Background

Aurobindo Pharma was set up by first generation entrepreneurs PV Ramprasad Reddy and K Nithyananda Reddy in 1986. Based in Hyderabad, the company is an integrated pharmaceutical company, which started as an API manufacturer. In 2001, it moved up the value chain by foraying into formulations while from 2007 onwards it started scaling up the formulation business. APL's manufacturing facilities have been approved by several leading regulatory agencies like USFDA, UKMHRA, WHO, Health Canada, MCC South Africa, ANVISA Brazil. The company owns 28 manufacturing facilities, including eight key formulations facilities in India and abroad. The company owns three R&D centres. The current employee strength is more than 8000, which includes more than 750 scientists.

In FY20, the API: formulations ratio was at 14:86. US formulations constitute 50% of revenues followed by Europe (26%), APIs (13%), RoW (6%) and ARV formulations (~5%).

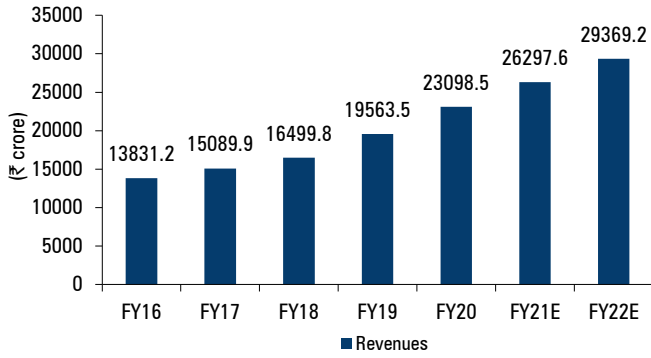
The company faced a USFDA embargo in 2011 for two of its units for non-compliance with cGMP. It also went through political turmoil due to the Telangana issue and alleged favours received by promoters through political connections. Aurobindo acquired commercial operations in seven Western European countries from Actavis. The company has acquired personnel, commercial infrastructure, products, marketing authorisation and dossier license rights in these seven countries. The acquisition brought in a pipeline of ~1200 products from different segments and an additional pipeline of over 200 products under its foray. Net sales for the acquired businesses were ~€320 million. GPMs were ~30%. They were fetching losses of ~€23 million at the EBITDA level.

Aurobindo Pharma also acquired the Generis group in Portugal in Q4FY17, through its step down subsidiary Agile Pharma (Netherlands) for a consideration of ~€135 million (~₹ 985 crore). Generis' CY16 revenues were €64.8 million and EBITDA was €12.7 million.

Recently, the company also acquired Canada based Apotex' businesses in five European countries (Poland, Czech Republic, the Netherlands, Spain, and Belgium) for ~€74 million. This acquisition will add 200 generics and more than 80 OTC products that had total sales of €133 million in FY18.

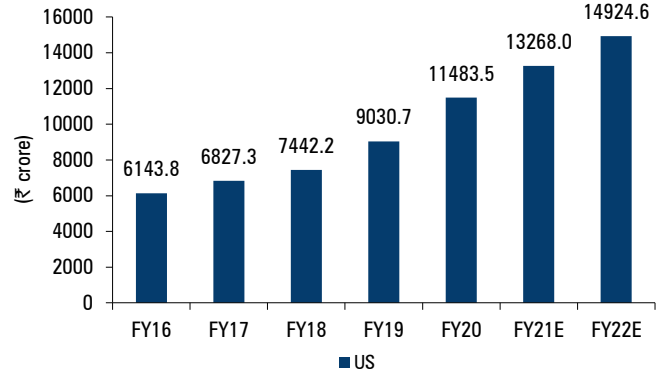
In the US, the company acquired the assets of nutritional supplement maker Natrol Inc. for a consideration of ~US\$132.5 million. With this acquisition, the company has forayed into the nutritional OTC business in the US and other international markets.

Exhibit 5: Revenues to grow at 12.8% CAGR in FY20-22E



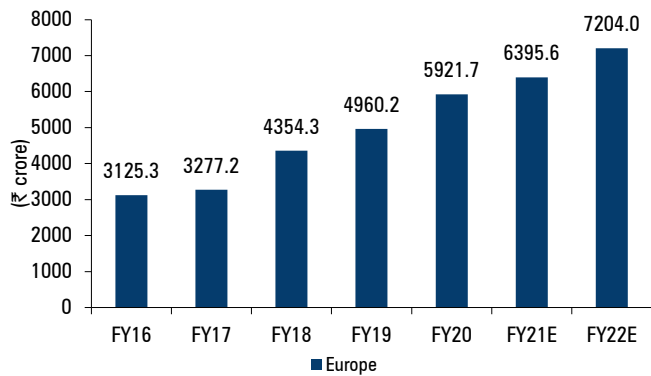
Source: ICICI Direct Research, Company

Exhibit 6: US to grow at CAGR of 14% over FY20-22E



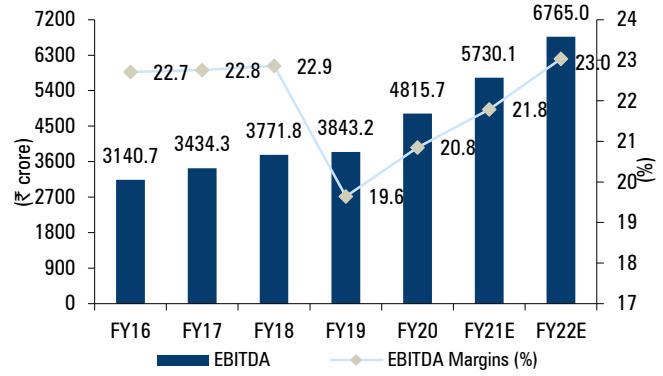
Source: ICICI Direct Research, Company

Exhibit 7: Europe to grow at CAGR of 10.3% over FY20-22E



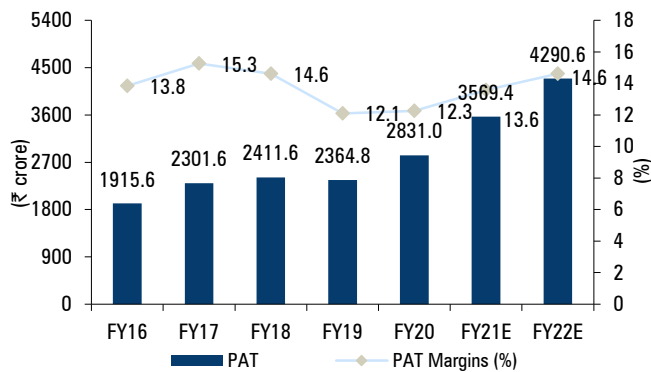
Source: ICICI Direct Research, Company

Exhibit 8: EBITDA & EBITDA margins trend



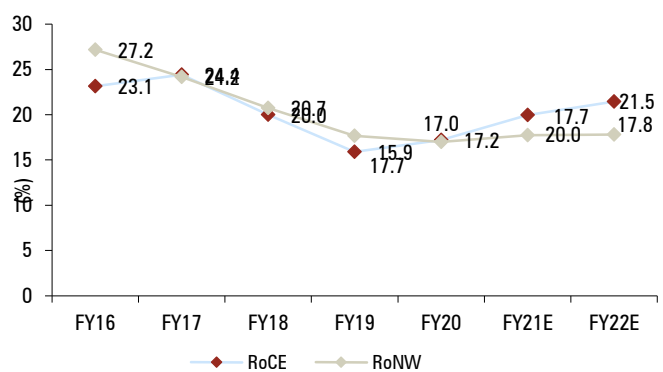
Source: ICICI Direct Research, Company

Exhibit 9: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 10: RoE & RoCE trend



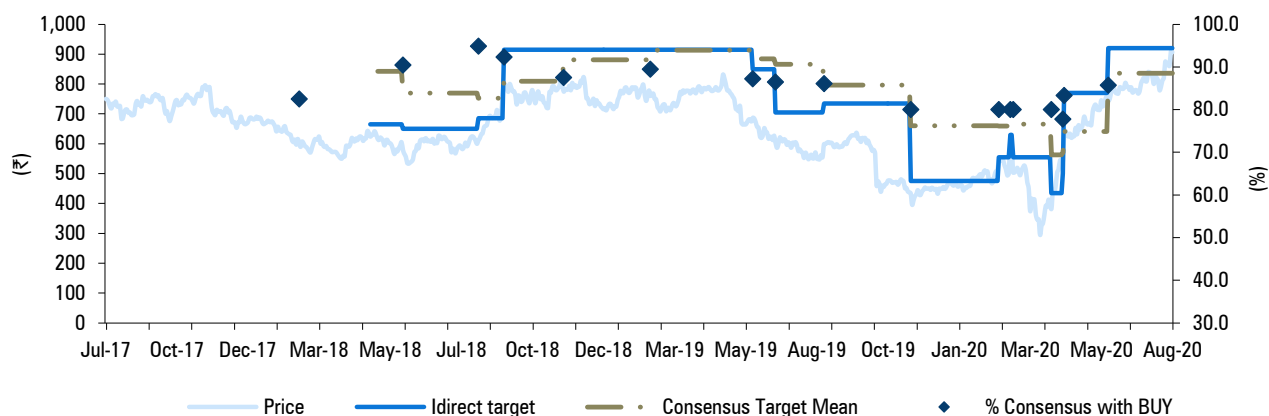
Source: ICICI Direct Research, Company

Exhibit 11: Valuation

	Revenues (₹ crore)	Growth (%)	Adj. EPS (₹)	Growth (%)	P/E V/EBITDA (x)	RoNW (%)	RoCE (%)
FY19	19564	18.6	40.4	1.2	22.2	14.8	17.7
FY20	23099	18.1	48.3	16.5	18.6	11.4	17.0
FY21E	26298	13.8	60.9	24.9	14.7	9.3	17.7
FY22E	29369	11.7	73.2	20.2	12.2	7.5	17.8

Source: ICICI Direct Research

Exhibit 12: Recommendation history vs. Consensus



Source: ICICI Direct Research, Bloomberg

Exhibit 13: Top 10 Shareholders

Rank	Investor Name	Filing Date	% O/S	Position (m)	Change
1	Rani Penaka Suneela	31-Mar-20	33.5	196.38m	0.00m
2	Hdfc Asset Managemen	31-Jul-20	7.2	41.89m	(2.16)m
3	Reddy K Nithyananda	31-Mar-20	4.3	25.36m	0.00m
4	Reddy Kambam Kirthi	31-Mar-20	3.5	20.75m	0.00m
5	Penaka Venkata Rampr	31-Mar-20	3.1	18.00m	0.00m
6	Axis Clinicals Ltd	31-Mar-20	3.0	17.38m	0.00m
7	Sivakumaran M	31-Mar-20	2.5	14.49m	0.00m
8	Vanguard Group	30-Jun-20	1.8	10.26m	0.44m
9	Spoorthi Kambam	31-Mar-20	1.3	7.60m	0.00m
10	Reliance Capital Tru	9-Aug-20	1.2	6.89m	(1.04)m

Source: ICICI Direct Research, Bloomberg

Exhibit 14: Shareholding Pattern

(in %)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoter	51.9	51.9	51.9	52.0	52.0
Others	48.1	48.1	48.1	48.0	48.0

Source: ICICI Direct Research, Company



## Financial Summary

Exhibit 15: Profit & Loss		(₹ crore)			
(Year-end March)	FY19	FY20	FY21E	FY22E	
<b>Revenues</b>	<b>19,563.5</b>	<b>23,098.5</b>	<b>26,297.6</b>	<b>29,369.2</b>	
Growth (%)	18.6	18.1	13.8	11.7	
Raw Material Expenses	8,712.7	9,735.2	10,862.1	12,041.4	
Employee Expenses	2,584.9	3,219.2	3,638.3	3,964.8	
Other Manufacturing Expenses	4,422.8	5,328.4	6,067.1	6,598.0	
Total Operating Expenditure	15,720.3	18,282.8	20,567.5	22,604.2	
<b>EBITDA</b>	<b>3,843.2</b>	<b>4,815.7</b>	<b>5,730.1</b>	<b>6,765.0</b>	
Growth (%)	1.9	25.3	19.0	18.1	
Interest	162.7	159.8	84.5	70.9	
Depreciation	668.0	966.7	1,022.1	1,100.8	
Other Income	166.1	99.9	215.9	151.9	
PBT before Exceptional Item	3,178.7	3,789.1	4,839.5	5,745.2	
Less: Forex & Exceptional It	88.1	26.1	0.0	0.0	
PBT	3,090.6	3,763.0	4,839.5	5,745.2	
Total Tax	726.9	913.5	1,239.4	1,436.3	
PAT before MI	2,363.8	2,849.5	3,600.0	4,308.9	
Minorities and Associates	1.0	-18.5	-30.6	-18.3	
<b>PAT</b>	<b>2,364.8</b>	<b>2,831.0</b>	<b>3,569.4</b>	<b>4,290.6</b>	
Adjusted PAT	2,452.8	2,857.1	3,569.4	4,290.6	
Growth (%)	1.2	16.5	24.9	20.2	
<b>EPS (Diluted)</b>	<b>40.4</b>	<b>48.3</b>	<b>60.9</b>	<b>73.2</b>	
EPS (Adjusted)	41.9	48.8	60.9	73.2	

Source: ICICI Direct Research

Exhibit 16: Cash Flow Statement		(₹ crore)			
(Year-end March)	FY19	FY20	FY21E	FY22E	
Profit/(Loss) after taxation	2,321.5	3,013.2	3,569.4	4,290.6	
Add: Depreciation & Amortizat	668.0	966.7	1,022.1	1,100.8	
Net Increase in Current Assets	-1,661.3	-43.9	-2,423.7	-1,805.3	
Net Increase in Current Liabilit	151.0	320.8	1,316.0	703.7	
<b>CF from operating activities</b>	<b>1,622.0</b>	<b>4,381.3</b>	<b>3,568.3</b>	<b>4,360.7</b>	
(Purchase)/Sale of Fixed Asse	-2,856.8	-1,401.7	-1,500.0	-1,500.0	
(Inc)/dec in Investments	-46.3	-179.1	0.0	0.0	
Others	57.6	31.7	-2.5	-1.9	
<b>CF from investing activities</b>	<b>-2,845.5</b>	<b>-1,549.2</b>	<b>-1,502.5</b>	<b>-1,501.9</b>	
Issue of Equity Shares	0.1	0.2	0.0	0.0	
Inc / (Dec) in Debt	2,230.4	-1,632.4	-1,600.0	-1,600.0	
Dividend & Dividend Tax	-159.9	-188.4	-260.1	-312.6	
others	-151.5	-126.6	-84.5	-70.9	
<b>CF from financing activities</b>	<b>1,919.1</b>	<b>-1,947.2</b>	<b>-1,944.6</b>	<b>-1,983.6</b>	
Net Cash flow	695.6	885.0	121.2	875.2	
Opening Cash	1,261.6	1,957.2	2,842.2	2,963.4	
<b>Closing Cash</b>	<b>1,957.2</b>	<b>2,842.2</b>	<b>2,963.4</b>	<b>3,838.6</b>	
<b>Free Cash Flow</b>	<b>-1,234.8</b>	<b>2,979.6</b>	<b>2,068.3</b>	<b>2,860.7</b>	
<b>Free Cash Flow (US\$)</b>	<b>-174.4</b>	<b>395.1</b>	<b>292.1</b>	<b>380.9</b>	

Source: ICICI Direct Research

Exhibit 17: Balance Sheet		(₹ crore)			
(Year-end March)	FY19	FY20	FY21E	FY22E	
Equity Capital	58.6	58.6	58.6	58.6	
Reserve and Surplus	13,832.2	16,751.8	20,061.1	24,039.0	
Total Shareholders funds	13,890.8	16,810.4	20,119.7	24,097.6	
Total Debt	6,966.8	5,826.4	4,226.4	2,626.4	
Deferred Tax Liability	281.3	302.5	332.7	366.0	
Minority Interest	1.6	0.1	0.1	0.2	
Long term Provisions	46.5	74.7	83.7	93.7	
Other Non Current Liabilities	11.3	87.5	91.9	96.5	
<b>Source of Funds</b>	<b>21,198.3</b>	<b>23,101.6</b>	<b>24,854.5</b>	<b>27,280.3</b>	
Gross Block - Fixed Assets	9,665.1	11,525.3	13,625.3	15,725.3	
Accumulated Depreciation	2,022.8	3,044.8	4,066.9	5,167.6	
Net Block	7,642.3	8,480.5	9,558.5	10,557.7	
Capital WIP	1,668.5	1,985.9	1,385.9	785.9	
Net Fixed Assets	9,310.8	10,466.5	10,944.4	11,343.6	
Goodwill on Consolidation	832.5	915.9	915.9	915.9	
Investments	360.2	554.7	554.7	554.7	
Inventory	7,245.6	7,699.9	9,726.5	10,862.6	
Cash	1,957.2	2,842.2	2,963.4	3,838.6	
Debtors	3,413.8	4,315.2	4,588.9	5,124.9	
Loans & Advances & Other l	2,747.9	1,555.3	1,678.6	1,811.8	
Total Current Assets	15,364.5	16,412.5	18,957.4	21,637.9	
Creditors	2,677.1	2,545.0	3,598.6	4,019.0	
Provisions & Other CL	2,579.0	3,279.8	3,542.2	3,825.5	
Total Current Liabilities	5,256.1	5,824.8	7,140.8	7,844.5	
Net Current Assets	10,108.4	10,587.7	11,816.6	13,793.3	
LT L& A, Other Assets	403.1	413.6	446.6	482.4	
Deferred Tax Assets	183.3	163.2	176.3	190.4	
<b>Application of Funds</b>	<b>21,198.3</b>	<b>23,101.6</b>	<b>24,854.5</b>	<b>27,280.3</b>	

Source: ICICI Direct Research

Exhibit 18: Key Ratios		(₹ crore)			
(Year-end March)	FY19	FY20	FY21E	FY22E	
<b>Per share data (₹)</b>					
Adjusted EPS (Diluted)	41.9	48.8	60.9	73.2	
BV per share	237.1	286.9	343.3	411.2	
Dividend per share	2.9	3.5	4.4	5.3	
Cash Per Share	33.4	48.5	50.6	65.5	
<b>Operating Ratios (%)</b>					
Gross Profit Margins	55.5	57.9	58.7	59.0	
EBITDA margins	19.6	20.8	21.8	23.0	
Net Profit margins	12.5	12.4	13.6	14.6	
Inventory days	135.2	121.7	135.0	135.0	
Debtor days	63.7	68.2	63.7	63.7	
Creditor days	49.9	40.2	49.9	49.9	
Asset Turnover	2.2	2.2	2.0	1.9	
EBITDA Conversion Rate	42.2	91.0	62.3	64.5	
<b>Return Ratios (%)</b>					
RoE	17.7	17.0	17.7	17.8	
RoCE	15.9	17.2	20.0	21.5	
RoIC	18.5	21.5	23.4	25.5	
<b>Valuation Ratios (x)</b>					
P/E	22.2	18.6	14.7	12.2	
EV / EBITDA	14.8	11.4	9.3	7.5	
EV / Net Sales	2.9	2.4	2.0	1.7	
Market Cap / Sales	2.7	2.3	2.0	1.8	
Price to Book Value	3.8	3.1	2.6	2.2	
<b>Solvency Ratios</b>					
Debt / Equity	0.5	0.3	0.2	0.1	
Debt / EBITDA	1.8	1.2	0.7	0.4	
<b>Current Ratio</b>	<b>2.6</b>	<b>2.3</b>	<b>2.2</b>	<b>2.3</b>	

Source: ICICI Direct Research



Exhibit 19: ICICI Direct Coverage Universe (Healthcare)

Company	I-Direct Code	CMP (₹)	TP Rating	M Cap (₹cr)	EPS (₹)				PE(x)				RoCE (%)				RoE (%)				
					FY 19	FY 20	Y 21E	Y 22E	FY 19	FY 20	FY 21E	Y 22E	FY 19	FY 20	FY 21E	Y 22E	FY 19	FY 20	FY 21E	Y 22E	
Ajanta Pharma	AJAPHA	1630	1,810	Buy	14223	43.5	53.4	60.2	72.5	37.4	30.5	27.1	22.5	21.8	24.7	23.4	24.3	17.1	18.1	17.7	18.4
Alembic Pharma	ALEMPHA	1076	1,140	Buy	21154	31.4	46.3	52.6	51.9	34.2	23.2	20.4	20.7	19.6	21.0	21.9	20.1	21.8	27.1	24.1	19.7
Apollo Hospital	APOHOS	1707	1,490	Buy	23749	17.0	23.3	37.3	68.0	100.6	73.1	45.8	25.1	8.8	10.4	11.2	14.6	7.1	9.7	12.8	19.6
Aurobindo Pharma	AURPHA	896	1,100	Buy	52524	41.9	48.8	60.9	73.2	21.4	18.4	14.7	12.2	15.9	17.2	20.0	21.5	17.7	17.0	17.7	17.8
Biocon	BIOCON	397	490	Buy	47610	6.2	5.8	11.5	21.0	63.9	68.2	34.5	18.9	10.9	10.2	16.1	23.3	12.2	10.4	17.4	24.6
Cadila Healthcare	CADHEA	385	470	Buy	39435	18.1	14.0	18.1	21.3	21.3	27.6	21.2	18.1	12.8	10.7	12.9	13.9	17.8	13.8	15.7	16.1
Cipla	CIPLA	762	900	Buy	61449	18.6	19.2	30.3	36.0	41.0	39.7	25.1	21.2	10.9	12.0	16.4	17.3	10.0	9.8	13.7	14.2
Divi's Lab	DIVLAB	3118	3,260	Buy	82777	51.0	51.9	71.2	85.8	61.2	60.1	43.8	36.3	25.5	23.9	27.2	26.5	19.4	18.8	21.3	21.0
Dr Reddy's Lab	DRREDD	4518	5,000	Buy	75102	114.7	121.9	161.3	200.0	39.4	37.1	28.0	22.6	10.7	9.6	18.4	19.7	13.6	13.0	15.0	16.0
Glenmark Pharma	GLEPHA	467	510	Hold	13165	26.9	26.4	25.0	36.6	17.3	17.7	18.7	12.7	15.3	12.7	11.4	14.1	13.5	12.2	10.5	13.4
Hikal	HIKCHE	136	165	Buy	1676	8.4	8.1	10.8	13.8	16.3	16.8	12.6	9.9	14.3	13.0	14.2	15.7	13.6	12.2	14.2	15.6
Ipca Laboratories	IPCLAB	2006	2,400	Buy	25346	35.1	47.8	90.4	92.3	57.2	41.9	22.2	21.7	15.0	17.4	26.3	22.1	14.2	16.6	24.1	19.8
Jubilant Life	JUBLIF	814	550	Buy	12969	54.9	59.9	69.8	89.8	14.8	13.6	11.7	9.1	14.3	14.6	17.2	19.7	17.8	16.6	16.4	17.5
Lupin	LUPIN	940	1,030	Buy	42604	16.5	-12.7	26.0	39.7	56.8	-74.1	36.1	23.7	9.4	9.7	10.5	14.0	5.4	-4.6	8.7	11.8
Narayana Hrudayam	NARHRU	330	340	Buy	6749	2.9	6.4	-3.1	9.6	113.8	52.0	-107.5	34.4	7.7	11.0	0.0	14.2	5.5	11.4	-5.8	15.7
Natco Pharma	NATPHA	827	740	Buy	15065	35.4	25.3	23.9	22.4	23.4	32.7	34.6	37.0	21.3	14.0	12.9	11.3	18.5	12.2	10.7	9.3
Sun Pharma	SUNPHA	532	625	Buy	127677	15.9	16.8	21.8	24.1	33.6	31.7	24.4	22.1	10.3	10.0	10.7	13.0	9.2	8.9	11.2	11.1
Syngene Int.	SYNINT	490	485	Buy	19618	8.3	10.3	9.2	12.8	59.3	47.6	45.3	32.7	14.8	14.5	13.1	16.4	16.8	15.7	14.5	16.8
Torrent Pharmaceuticals	TORPHA	2816	2,865	Buy	47653	48.9	60.6	72.2	95.5	57.5	46.5	39.0	29.5	14.2	15.4	18.6	21.8	17.5	21.2	21.3	23.2
Shalby	SHALIM	93	70	Hold	1008	2.9	2.6	0.7	4.0	31.8	36.5	127.1	23.2	6.8	7.2	1.8	7.0	4.1	3.5	1.0	5.2
Aster DM	ASTDM	138	160	Buy	6886	6.7	5.5	-1.4	9.6	20.7	24.9	-95.7	14.3	8.3	7.5	2.6	9.7	10.4	8.5	-2.2	13.1
Indoco Remedies	INDREM	252	330	Buy	2322	-0.3	2.6	11.0	15.0	-800.8	96.3	23.0	16.8	1.0	5.1	13.5	16.9	-0.4	3.5	13.2	15.6
Caplin Point	CAPPOI	510	670	Buy	3859	23.3	28.4	33.2	44.6	21.9	17.9	15.4	11.4	34.6	26.5	26.0	28.0	27.9	22.7	21.4	22.7

Source: ICICI Direct Research, Bloomberg

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