

US decline, subdued domestic drag Q1...

Q1FY21 revenues fell 20.2% YoY to ₹ 3528 crore (I-direct estimate: ₹ 3707 crore) mainly due to Kyowa divestment and due to 21.1% YoY decline in US revenues to ₹ 1216 crore. Domestic formulations sales also stayed subdued de-growing 1.7% YoY to ₹ 1285 crore. However, API segment grew a robust 17.2% YoY to ₹ 409 crore. EBITDA margins contracted 566 bps YoY to 13.8% (I-direct estimate: 13.5%) due to lower gross margins and higher employee cost. EBITDA de-grew 43.3% YoY to ₹ 488 crore (I-direct estimate: ₹ 500 crore). Net profit was at ₹ 107 crore, down 64.7% YoY (I-direct estimate: ₹ 182 crore) in line with lower operational performance and higher tax rate.

cGMP issues, pricing headwinds in US to the fore

Lupin's US business (~36% of revenues) has been one of the largest ANDA pipelines comprising 434 filed ANDAs and 158 pending approvals including 47 FTFs. However, this segment is facing headwinds due to persisting pricing pressure and recent warning letters (Goa, Indore) and OAI at Gavis plant. The company is looking for branded products and complex generics (biosimilars, injectables) to overcome this issue. We expect sales from the US to grow ~11% to ₹ 7223 crore in FY20-22E due to incremental market share in Levothyroxine (thyroid) and ProAir (respiratory) launch in H2FY21.

Indian formulations growth steady

Lupin ranks sixth in domestic formulations with a market share of 3.8%. The acute: chronic/ sub chronic ratio for the company is at 27:73. In terms of MR productivity, at ~₹ 88 lakh per MR, it has one of the best MR productivity among large cap peers. Also, tie-ups with Eli Lilly, Boehringer for anti-diabetics and with MSD for pneumonia vaccines are some steps to bolster the domestic franchise. We expect India sales to grow at a CAGR of ~10% in FY20-22E to ₹ 6208 crore.

Valuation & Outlook

Q1FY21 results were subpar with revenues below I-direct estimates mainly due to a weaker-than-expected US performance, although operational performance was in line mainly due to some situation based cost savings. As per the management, FY21 US sales would be largely driven by gLevothyroxine, gProAir and 15+ new launches. Domestic branded formulations are expected to remain stable. Structurally, the resolution of warning letter and clearance of official action indicated (OAIs) status on plants could be the near term lever along with progress on margins front. Like other pharma majors, Lupin has also chalked out a product, cost rationalisation drive. The result of this drive could be visible two to three years down the line. We believe the performance can only improve from here on with some high profile launches and cost control measures. We upgrade the stock to **BUY** and arrive at our target price of ₹ 1030 based on 26x FY22E EPS of ₹ 39.7.



Particulars

Particular	Amount
Market Capitalisation	₹39967 crore
Debt (FY 20)	₹6403 crore
Cash (FY 20)	₹2454 crore
EV	₹43915 crore
52 week H/L (₹)	956/505
Equity capital	₹90.6 crore
Face value (₹)	₹2

Key Highlights

- Q1 revenues below I-direct estimates mainly due to weaker than expected US, whereas operational performance in line with our expectations
- Ramp-up in gLevothyroxine (thyroid), ProAir (respiratory) launch to drive US sales
- Resolution of warning letters, OAIs could be the near term lever along with progress on the margins front
- Upgrade from HOLD to BUY

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Key Financial Summary

(₹Crore)	FY19	FY20	FY21E	FY22E	CAGR (FY20-22E) %
Revenues	16718.2	16393.1	16168.1	18425.4	6.0
EBITDA	2704.2	2549.7	2678.5	3532.3	17.7
EBITDA margins (%)	16.2	15.6	16.6	19.2	
Net Profit	748.0	-575.0	1178.3	1796.4	NA
EPS (₹)	16.5	-12.7	26.0	39.7	
PE (x)	65.3	-132.9	33.9	22.2	
Target PE (x)	62.3	-81.1	39.6	26.0	
EV to EBITDA (x)	16.7	16.3	14.9	10.9	
Price to book (x)	2.9	3.2	2.9	2.6	
RoNW (%)	5.4	-4.6	8.7	11.8	
RoCE (%)	9.4	9.7	10.5	14.0	

Source: ICICI Direct Research; Company

Exhibit 1: Variance Analysis

(₹crore)	Q1FY21	Q1FY21E	Q1FY20	Q4FY20	YoY (%)	QoQ (%)	Comments
Revenue	3,527.9	3,707.4	4,418.4	3,845.7	-20.2	-8.3	YoY decline mainly due to divestment of Japanese business and sharp fall in US formulations. Excluding Japan, YoY decline was 11.7%
Raw Material Expense	1,288.0	1,334.7	1,550.0	1,405.0	-16.9	-8.3	143 bps YoY improvement in gross margins to 63.5% mainly due to change in product mix
Employee Expenses	793.6	760.0	807.2	763.6	-1.7	3.9	Employee cost includes COVID related incentives
Other Expenditure	958.2	1,112.2	1,199.9	1,150.9	-20.1	-16.7	YoY decline due to lower marketing, travelling and administration related cost which was partially offset by higher freight charges
EBITDA	488.1	500.5	861.2	526.3	-43.3	-7.3	
EBITDA (%)	13.8	13.5	19.5	13.7	-566 bps	15 bps	YoY decline mainly due higher employee cost and one-off expenditure of ₹100 crore pertaining to higher freight, incentives and other expenditure owing to COVID 19
Interest	44.3	81.0	85.6	107.4	-48.3	-58.8	
Depreciation	214.6	230.3	317.1	214.3	-32.3	0.2	YoY decline mainly due to divestment of Japanese business
Other Income	43.3	91.4	72.2	208.6	-40.1	-79.3	
Less: Exceptional Item	0.0	0.0	0.0	-83.1	NA	NA	
PBT	272.5	280.5	530.7	496.4	-48.7	-45.1	
Tax	164.3	98.2	228.0	105.1	-27.9	56.4	
PAT before MI	108.1	182.4	302.7	391.3	-64.3	-72.4	
Minority Interest	1.8	0.0	-0.3	1.7	-662.5	8.4	
Net Profit	106.9	182.4	303.1	389.6	-64.7	-72.6	
Adjusted PAT	106.9	182.4	303.1	324.1	-64.7	-67.0	YoY decline mainly due to lower operational performance and other income. Missed vis-à-vis I-direct estimates mainly due to higher tax rate

Key Metrics

India	1,285.4	1,307.7	1,307.7	1,192.1	-1.7	7.8	Muted growth was mainly due to COVID-19 pandemic and related lockdowns
US	1,216.0	1,400.7	1,541.2	1,579.1	-21.1	-23.0	YoY decline and miss vis-à-vis I-direct estimates mainly due demand contraction by 12% YoY owing to COVID-19 pandemic and related lockdowns and recalls of metformin
EMEA (Ex South Africa)	150.5	154.4	140.4	187.7	7.2	-19.9	
South Africa	99.5	120.8	120.0	177.3	-17.1	-43.8	
ROW markets	308.2	339.5	339.5	326.2	-9.2	-5.5	YoY decline and miss vis-à-vis I-direct estimates mainly due lower than expected Mexico and Philippines sales
API	409.0	331.5	348.9	328.6	17.2	24.5	YoY growth due to strong demand and realization

Source: ICICI Direct Research

Exhibit 2: Change in Estimates

(₹Crore)	FY21E			FY22E			Comments
	Old	New	Change	Old	New	Change	
Revenue	16,603.0	16,168.1	-2.6	18,655.7	18,425.4	-1.2	
EBITDA	2,479.8	2,678.5	8.0	3,359.6	3,532.3	5.1	
EBITDA Margin (%)	14.9	16.6	167 bps	18.0	19.2	117 bps	Changed as per management guidance
PAT	1,157.6	1,178.3	1.8	1,752.2	1,796.4	2.5	
EPS (₹)	25.6	26.0	1.6	38.7	39.7	2.5	

Source: ICICI Direct Research

Exhibit 3: Change in Estimates

(₹crore)	Current				Earlier		Comments
	FY 19	FY 20	FY 21E	FY 22E	FY 21E	FY 22E	
India	4,638.3	5,138.6	5,415.0	6,207.9	5,636.9	6,354.5	
Japan	2,126.3	1,068.5	0.0	0.0	0.0	0.0	
US	5,592.5	5,821.3	6,163.0	7,222.9	6,332.0	7,148.4	
EMEA (Ex South Africa)	602.4	644.1	704.5	775.0	708.5	779.3	Changed mainly due to lower than expected growth in Q1
South Africa	588.2	592.2	535.7	605.4	651.9	717.1	
ROW markets	1,264.9	1,451.0	1,609.7	1,882.0	1,676.2	1,961.5	
API	1,346.4	1,300.0	1,501.0	1,459.8	1,361.2	1,429.3	Changed as per management guidance of strong demand and increase in prices

Source: ICICI Direct Research

Conference Call Highlights

- Q1FY21 saw Covid-related impact on cost and sales (in US and India)
- India – Branded formulations saw a 6% YoY de-growth
- US
 - Q1FY21 de-growth: 50% drop in sales of oseltamivir (seasonality impact), azithromycin, and cephalosporin. 50% drop was on account of Metformin recall and demand contraction due to Covid-related stocking in March
 - During Q1FY21, the company launched two products in the US and received four ANDA approvals. The company also has 47 pending FTF products including 16 exclusive FTFs
 - Four ANDAs filed in Q1FY21. Cumulative ANDAs at 434 (276 approved), cumulative DMF at 197. Total products in the US generics market: 175
 - For Q1FY21. US generics sales were ~US\$154.5 million and branded sales were US\$2.5 million
- **Guidance** - EBITDA margin for FY21 expected to be ~17%, Effective tax rate: 35-40% (32-33% post that)
 - Growth revival on back of Albuterol launch expected in Q2, Levothyroxine traction, return of Glumetza (Metformin) in Q2FY21
 - India business growth to be ~5-8% for FY21
 - As the Covid-situation eases out, expenses to increase but some part of savings to continue
- R&D for Q1FY21 at ₹ 357.5 crore (10.3% of sales). Capex in Q1FY21 was ₹ 179.3 crore
- Net debt at ₹ 349 crore at end of Q1FY21 (net debt: equity - 0.03:1)
- Operating working capital at ₹ 4927 crore
- Products:
 - Cipla is targeting a market share ~20% of the entire Albuterol market and has adequate capacity. Approval for the same is expected in August itself and launch within Q2FY21
 - Levothyroxine current market share ~ 12%, plan to ramp up back to high teens despite couple of new competitors such as Strides coming in
 - NaMuscla is also ramping up well
 - Solosec – Prescriptions were impacted in April due to lower patient-doctor interaction, revival of 10% seen in May, 20% in June
- FY21 – Launch of complex generics such as Albuterol (Q2 launch), Enbrel (biosimilar) launch in Europe (Q2) and gFostair (inhalation) are planned
 - Pegfilgrastim – will be filed by end FY21
 - Likely launch of Enbrel by Mylan starting with Germany (August), later on in France, Sweden and thereafter other countries, UK launch in third wave
- Growth prospects

- FY22 growth from full year Albuterol impact, Brovana and two more products;
- FY23 – Spiriva, Pegfilgrastim launch
- FY24 - injectable assets such as Doxorubicin (oncology), Amphotericin B (anti-infective) with ForDoz Pharma
- Over five years – double digit growth rate
- Remedial costs for resolution of regulatory seeing a decline in trend

Exhibit 4: Trends in quarterly financials

(₹crore)	1FY18	2FY18	3FY18	4FY18	1FY19	2FY19	3FY19	4FY19	1FY20	2FY20	3FY20	4FY20	1FY21	YoY (%)	QoQ (%)
US	1601.8	1361.1	1432.1	1499	1185.8	1248.7	1417.4	1740.6	1541.2	1324.4	1376.6	1579.1	1216	-21.1	-23.0
EMEA (Ex South)	123.8	144.0	151.3	184.5	137.7	153.7	142.3	168.7	140.4	172.2	143.8	187.7	150.5	7.2	-19.9
Japan	498.4	503.0	553.5	504.4	495.9	512.6	568.8	549.1	558.1	510.5	0.0	0.0	0.0	-100.0	NA
India	932.4	1159.3	1068.8	964.7	1192.4	1203.2	1190.2	1052.5	1307.7	1341.9	1296.9	1192.1	1285.4	-1.7	7.8
South Africa	102.1	131.8	120.8	166.8	138.3	141.2	137.7	171.0	120.0	147.4	147.5	177.3	99.5	-17.1	-43.8
RoW	269.0	310.0	305.9	378.3	266.4	296.8	348.8	352.8	339.5	351.2	434.0	326.2	308.2	-9.2	-5.5
API	279.3	265.0	268.0	280.8	358.1	334.7	362.4	291.2	348.9	305.2	317.3	328.6	409.0	17.2	24.5
Net Sales	3806.8	3874.2	3900.4	3978.5	3774.6	3890.9	4377.9	4325.9	4355.8	4296.9	3716.1	3791.0	3468.6	-20.4	-8.5
O OI	62.8	77.8	75.3	55.3	81.4	60.1	126.9	80.4	62.6	62.8	53.2	54.7	59.2	-5.3	8.2
Revenues	3869.6	3952.0	3975.7	4033.8	3855.9	3951.1	4504.9	4406.3	4418.4	4359.7	3769.3	3845.7	3527.9	-20.2	-8.3
RM Cost	1232.6	1286.5	1392.7	1362.6	1444.2	1392.8	1601.0	1407.8	1550.0	1527.3	1359.3	1405.0	1288.0	-16.9	-8.3
% of Revenue	31.9	32.6	35.0	33.8	37.5	35.3	35.5	32.0	35.1	35.0	36.1	36.5	36.5		
Gross Profit	2637.0	2665.5	2583.0	2671.3	2411.8	2558.2	2903.9	2998.5	2868.4	2832.4	2410.0	2440.8	2239.9	-21.9	-8.2
GPM (%)	68.1	67.4	65.0	66.2	62.5	64.7	64.5	68.0	64.9	65.0	63.9	63.5	63.5	-143	3
Employee Cost	718.0	725.0	693.1	728.7	749.4	793.8	808.5	799.6	807.2	850.3	740.7	763.6	793.6	-1.7	3.9
% of Revenue	18.6	18.3	17.4	18.1	19.4	20.1	17.9	18.1	18.3	19.5	19.7	19.9	22.5	422.6	264.1
Other expenditure	1150.6	1087.4	1201.5	1232.5	1135.4	1214.8	1341.6	1325.1	1199.9	1250.1	1239.2	1150.9	958.2	-20.1	-16.7
% of Revenue	29.7	27.5	30.2	30.6	29.4	30.7	29.8	30.1	27.2	28.7	32.9	29.9	27.2		
Total Expenditure	3101.2	3098.9	3287.3	3323.8	3329.0	3401.4	3751.1	3532.6	3557.2	3627.7	3339.2	3319.4	3039.8	-14.5	-8.4
% of Revenue	80.1	78.4	82.7	82.4	86.3	86.1	83.3	80.2	80.5	83.2	88.6	86.3	86.2	565.7	-14.9
EBITDA	768.4	853.1	688.4	710.0	527.0	549.6	753.8	873.8	861.2	732.0	430.1	526.3	488.1	-43.3	-7.3
EBITDA Margin (%)	19.9	21.6	17.3	17.6	13.7	13.9	16.7	19.8	19.5	16.8	11.4	13.7	13.8	-565.7	14.9
Other income	32.0	74.0	28.4	144.9	184.2	230.7	43.4	86.5	72.2	133.3	93.6	208.6	43.3	-40.1	-79.3
Interest	43.9	47.9	54.0	58.5	68.7	73.8	79.8	85.5	85.6	86.5	88.6	107.4	44.3	-48.3	-58.8
Depreciation	260.5	272.2	280.4	272.8	259.0	265.5	279.8	280.8	317.1	321.5	253.2	214.3	214.6	-32.3	0.2
PBT	495.9	607.0	382.5	-618.5	383.5	441.0	95.4	596.2	530.7	-89.1	-106.8	496.4	272.5	-48.7	-45.1
Tax	136.8	154.1	160.8	159.1	181.1	172.9	247.8	299.8	228.0	34.3	767.0	105.1	164.3	-27.9	56.4
Tax rate (%)	27.6	25.4	42.0	-25.7	47.2	39.2	259.6	50.3	43.0	-38.5	-718.3	21.2	60.3		
PAT	359.1	453.0	221.7	-777.6	202.3	268.1	-152.4	296.4	302.7	-123.4	-873.8	391.3	108.1	-64.3	-72.4
PAT Margin (%)	9.3	11.5	5.6	-19.3	5.2	6.8	-3.4	6.7	6.9	-2.8	-23.2	10.2	3.1		
Minority Interest	-1.2	1.9	0.5	5.9	0.3	2.5	-4.2	6.8	-0.3	3.6	-7.5	1.7	1.8	-662.5	8.4
PAT After MI	360.3	451.1	221.2	-783.5	202.1	265.6	-148.1	289.6	303.1	-127.1	-866.3	389.6	106.3	-64.9	-72.7
EPS (₹)	8.0	10.1	4.9	-17.5	4.5	5.9	-3.3	6.4	6.7	-2.8	-19.3	8.6	2.3		

Source: ICICI Direct Research

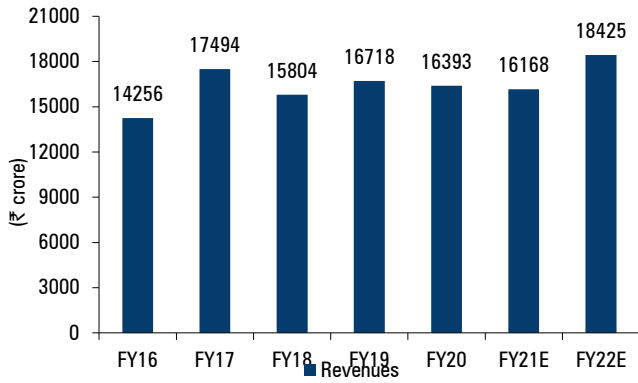
Company Background

From a global leader in anti-tuberculosis (TB) and other infectious diseases to one of the fastest growing prescription companies in the US, Lupin has come a long way to emerge as a leading Indian generic exporter. Established in 1968, the company adapted well as per the changed industry dynamics like other peers such as Sun, Dr Reddy's, Ranbaxy and Cipla. During this journey, it changed focus on therapies - from acute to chronic and also geographies, from domestic driven to export oriented. It received USFDA approvals for two facilities- Ankaleshwar and Mandideep way back in 1989. Besides this, the company has been fairly active on the global M&A front. It has acquired companies in Japan (significant acquisitions), Australia, Philippines and South Africa. Similarly, the company also acquired small ticket but lucrative brands in the US (Suprax, Antara, Locoid lotion, Inspira Chamber and Alinia). Its latest acquisition, however, has been a complex injectable technology based company (Nanomi) in the Netherlands. Infrastructure - 11 manufacturing facilities including two in Japan – seven formulations (three USFDA approved) and four APIs (two USFDA approved).

Lupin's US subsidiary expanded into the women's health segment by acquiring Symbiomix Therapeutics. USFDA approved Symbiomix' lead candidate, Solosec oral granules to treat gynaecological infection. The management expects the drug to be commercially available by H2CY18. The drug has been designated as qualified infectious disease product (QIDP) and is eligible for at least 10 years of exclusivity in the US. The deal was made for a cash consideration of US\$150 million, including US\$50 million of upfront payment by Lupin and rest time-bound payments. The management believes the payback would be less than five to six years for the product. US has 6 million prescription base for this disease.

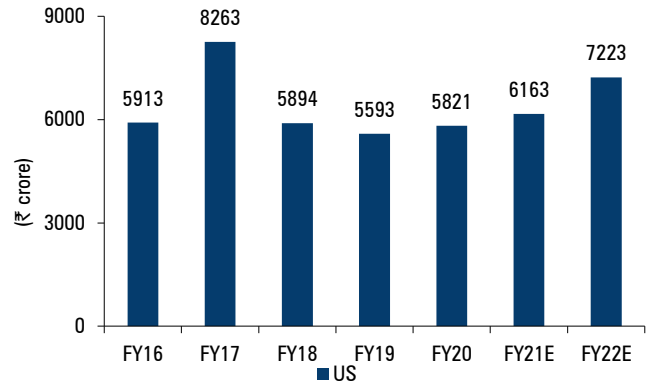
The current financial health of the company is the culmination of prudent business decisions in the past. Due to the Kyowa divestment, FY20 results are not strictly comparable to previous years. In FY15-19, revenue, EBITDA and PAT grew at a CAGR of 7%, -7% and -25% to ₹ 16718 crore, ₹ 2704 crore and ₹ 748 crore, respectively.

Exhibit 5: Revenues to grow at CAGR of 6% over FY20-22E



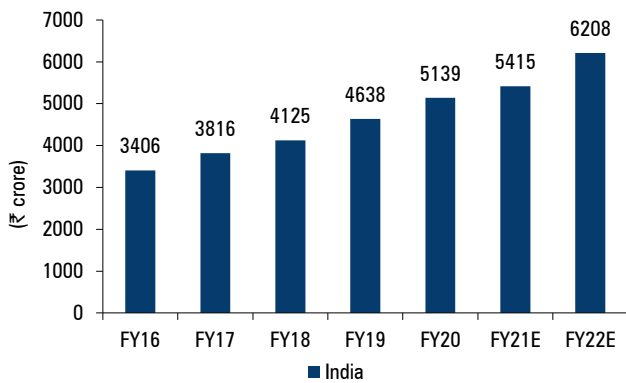
Source: ICICI Direct Research, Company

Exhibit 6: US to grow at CAGR of 11.4% over FY20-22E



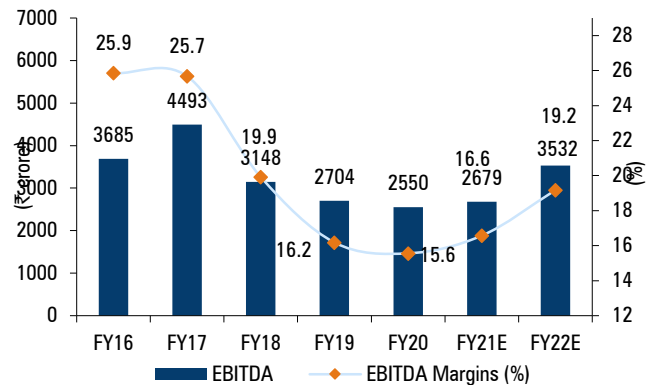
Source: ICICI Direct Research, Company

Exhibit 7: India to grow at CAGR of 9.9% over FY20-22E



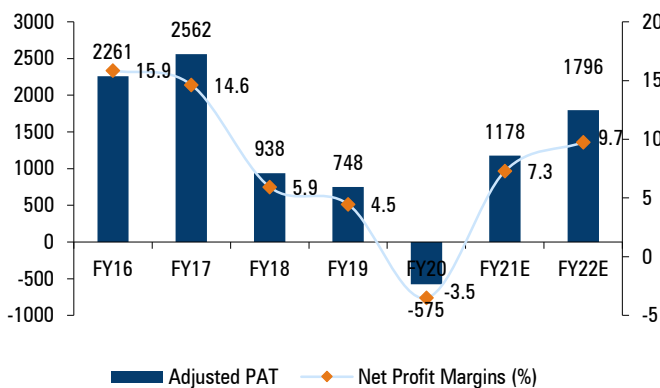
Source: ICICI Direct Research, Company

Exhibit 8: EBITDA & EBITDA margins trend



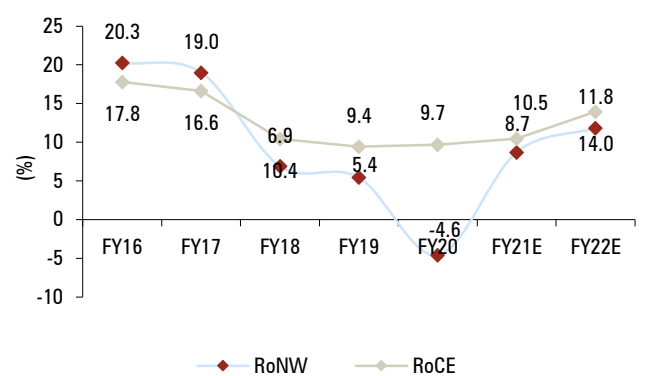
Source: ICICI Direct Research, Company

Exhibit 9: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 10: RoE & RoCE trend



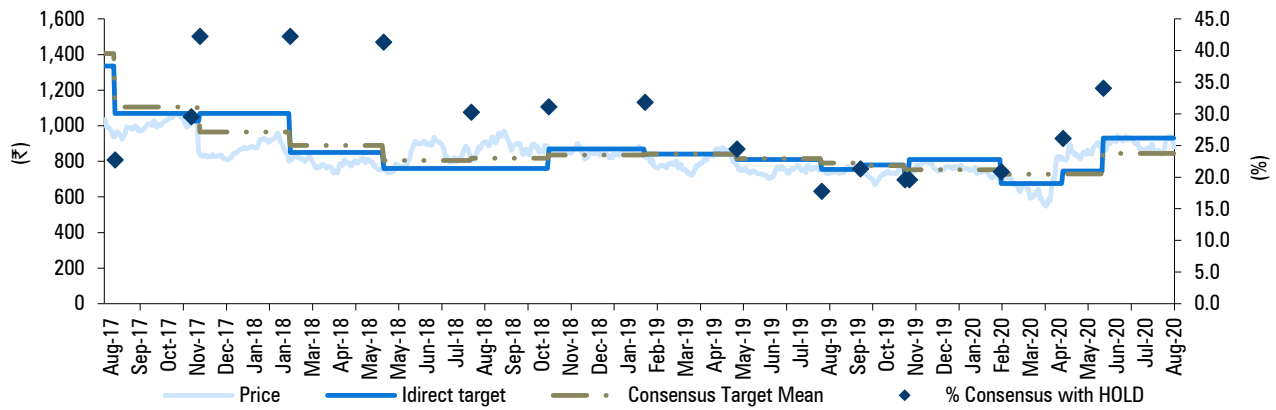
Source: ICICI Direct Research, Company

Exhibit 11: Valuation

	Revenues	Growth	EPS	Growth	P/E	EV/EBITDA	RoNW	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY 19	16718	5.8	16.5	-20.3	65.3	16.7	5.4	9.4
FY 20	16393	-1.9	-12.7	-176.9	-132.9	16.3	-4.6	9.7
FY 21E	16168	-1.4	26.0	-304.9	33.9	14.9	8.7	10.5
FY 22E	18425	14.0	39.7	52.4	22.2	10.9	11.8	14.0

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	Lupin Investments Pvt Ltd	31-Mar-20	45.4	205.61m	0.0m
2	Hdfc Asset Management Co Ltd	31-May-20	2.7	12.29m	0.7m
3	Life Insurance Corp Of India	31-Mar-20	2.4	10.95m	0.0m
4	Norges Bank	31-Dec-19	1.9	8.39m	0.0m
5	Blackrock Inc	13-Jul-20	1.9	8.36m	2.5m
6	Vanguard Group Inc/The	30-Jun-20	1.8	8.10m	(0.0)m
7	Franklin Resources Inc	14-Jul-20	1.6	7.31m	(0.2)m
8	Jhunjhunwala Rakesh	31-Mar-20	1.5	6.85m	(0.1)m
9	Government Pension Fund - Global	31-Mar-20	1.3	6.08m	(2.3)m
10	Comgest Sa	31-Mar-20	1.3	5.89m	(1.2)m

Source: ICICI Direct Research, Bloomberg

Exhibit 14: Shareholding pattern

(in %)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoter	47.0	47.0	46.9	46.9	46.9
Others	53.0	53.0	53.1	53.1	53.1

Source: ICICI Direct Research, Company

Financial Summary

Exhibit 15: Profit & Loss (₹ crore)

(Year-end March)	FY19	FY20	FY21E	FY22E
Total Operating Income	16,718.2	16,393.1	16,168.1	18,425.4
Growth (%)	5.8	-1.9	-1.4	14.0
Raw Material Expenses	5,845.8	5,841.6	5,749.4	6,448.9
Employee Expenses	3,151.3	3,161.8	3,102.3	3,316.6
Other expenditure	5,017.0	4,840.1	4,637.9	5,127.6
Total Operating Expenditure	14,014.0	13,843.4	13,489.6	14,893.1
EBITDA	2,704.2	2,549.7	2,678.5	3,532.3
Growth (%)	-14.1	-5.7	5.1	31.9
Depreciation	1,085.0	1,106.1	905.5	950.2
Interest	307.8	368.1	206.3	176.1
Other Income	544.8	507.7	354.8	363.1
PBT	1,856.2	1,583.2	1,921.5	2,769.0
EO	340.0	752.1	0.0	0.0
Total Tax	901.7	1,134.4	741.5	969.2
PAT before MI	614.5	-303.2	1,180.0	1,799.9
Minority Interest	5.3	-2.6	3.9	5.9
Adjusted PAT	748.0	-575.0	1,178.3	1,796.4
Growth (%)	-20.3	-176.9	-304.9	52.4
EPS (Adjusted)	16.5	-12.7	26.0	39.7

Source: ICICI Direct Research; Company

Exhibit 16: Cash Flow Statement (₹ crore)

(Year-end March)	FY19	FY20	FY21E	FY22E
Profit/(Loss) after taxation	577.8	365.6	1178.3	1796.4
Depreciation	1085.0	1159.6	905.5	950.2
Other operating Activities	307.8	363.0	206.3	176.1
(inc)/dec in Current Assets	-430.1	-1597.5	-29.6	-1412.0
Inc/ (dec) in Current Liabilities	-70.1	1126.5	239.0	581.8
CF from Operating Activities	1666.0	1468.8	2499.6	2092.4
Purchase of Fixed Assets	-959.9	907.0	-650.0	-450.0
(Inc)/Dec in Investments	-2024.5	-119.2	0.0	0.0
Other Investing Activities	80.5	101.0	77.2	84.9
CF from Investing Activities	-2903.9	888.9	-572.8	-365.1
Inc / (Dec) in Loan Funds	1292.2	-267.4	-1000.0	-1000.0
Inc / (Dec) in Equity Capital	0.1	0.1	0.0	0.0
Dividend and dividend tax	-225	-273	-136	-200
Other Financing Activities	-323.3	-350.3	-206.3	-176.1
CF from Financing Activities	744.1	-890.6	-1342.2	-1376.4
Net Cash Flow	-494	1,467	585	351
Opening Cash	1,481	987	2,454	3,039
Closing Cash	987.2	2,454.3	3,038.8	3,389.8
Free Cash flow	706.1	2,375.8	1,849.6	1,642.4

Source: ICICI Direct Research; Company

Exhibit 17: Balance Sheet (₹ crore)

(Year-end March)	FY19	FY20	FY21E	FY22E
Equity Capital	90.5	90.6	90.6	90.6
Reserve and Surplus	13,651.7	12,446.1	13,488.5	15,084.6
Total Shareholders funds	13,742.2	12,536.7	13,579.1	15,175.2
Total Debt	8,496.2	6,402.5	5,402.5	4,402.5
Deferred Tax Liability	288.3	199.5	219.5	241.4
Minority Interest	46.9	44.5	48.9	53.8
Other NCL & LT Provisions	1,100.4	1,184.7	1,303.1	1,433.5
Total Liabilities	23,673.9	20,367.9	20,553.2	21,306.4
Gross Block - Fixed Asset	13,289.3	12,309.0	13,159.0	13,809.0
Accumulated Depreciation	4,582.9	6,222.4	7,127.9	8,078.1
Net Block	8,706.4	6,086.6	6,031.1	5,730.9
Capital WIP	1,639.7	939.6	739.6	539.6
Total Fixed Assets	10,346.1	7,026.3	6,770.8	6,270.5
Investments	2,295.5	2,374.3	2,374.3	2,374.3
Goodwill on Consolidation	2,380.3	1,851.5	1,851.5	1,851.5
Inventory	3,836.8	3,456.9	3,749.4	4,272.8
Debtors	5,149.8	5,445.9	5,011.2	5,710.9
Loans and Advances	24.8	37.0	40.7	44.8
Other Current Assets	1,745.1	1,680.9	1,848.9	2,033.8
Cash	987.2	2,454.3	3,038.8	3,389.8
Total Current Assets	11,743.7	13,075.0	13,689.1	15,452.1
Creditors	2,498.2	2,412.3	2,431.0	2,770.4
Provisions & Other CL	1,777.3	2,203.7	2,424.0	2,666.4
Total Current Liabilities	4,275.4	4,616.0	4,855.0	5,436.8
Net Current Assets	7,468.3	8,459.0	8,834.1	10,015.3
Deferred Tax Assets	734.0	174.3	191.7	210.9
Long term Loans and adva	81.5	47.6	52.4	57.6
Other Non current assets	368.3	434.9	478.4	526.2
Application of Funds	23,673.9	20,367.9	20,553.2	21,306.4

Source: ICICI Direct Research; Company

Exhibit 18: Key Ratios (₹ crore)

(Year-end March)	FY19	FY20	FY21E	FY22E
Per Share data (₹)				
Reported EPS	13.5	-6.6	26.0	39.7
BV per share	304.0	276.7	299.7	335.0
Dividend per share	2.3	3.0	4.4	6.7
Cash per Share	21.8	54.2	67.1	74.8
Operating Ratios (%)				
Gross Margin	65.0	64.4	64.4	65.0
EBITDA margin	16.2	15.6	16.6	19.2
PAT Margin	4.5	-3.5	7.3	9.7
Inventory Days	83.8	77.0	84.6	84.6
Debtor Days	112.4	121.3	113.1	113.1
Creditor Days	54.5	53.7	54.9	54.9
Asset Turnover	1.3	1.3	1.2	1.3
EBITDA conversion Rate	61.6	57.6	93.3	59.2
Return Ratio (%)				
RoE	5.4	-4.6	8.7	11.8
RoCE	9.4	9.7	10.5	14.0
RoIC	8.9	10.0	12.4	17.4
Valuation Ratios (x)				
P/E	65.3	-132.9	33.9	22.2
EV / EBITDA	16.7	16.3	14.9	10.9
EV / Net Sales	2.7	2.5	2.5	2.1
Market Cap / Sales	2.4	2.4	2.5	2.2
Price to Book Value	2.9	3.2	2.9	2.6
Solvency Ratios				
Debt / EBITDA	3.1	2.5	2.0	1.2
Debt / Equity	0.6	0.5	0.4	0.3
Current Ratio	2.5	2.3	2.2	2.2

Source: ICICI Direct Research; Company

Exhibit 19: ICICI Direct Coverage Universe (Healthcare)

Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹cr)	EPS (₹)				PE(x)				RoCE (%)				RoE (%)			
						FY19	FY20	Y21E	Y22E	FY19	FY20	Y21E	Y22E	FY19	Y20	Y21E	Y22E	FY19	FY20	Y21E	Y22E
Ajanta Pharma	AJAPHA	1676	1,810	Buy	14623	43.5	53.4	60.2	72.5	38.5	31.4	27.8	23.1	21.8	24.7	23.4	24.3	17.1	18.1	17.7	18.4
Alembic Pharma	ALEMPHA	1082	1,140	Buy	20392	31.4	46.3	52.6	51.9	34.4	23.4	20.6	20.8	19.6	21.0	21.9	20.1	21.8	27.1	24.1	19.7
Apollo Hospital	APOHOS	1694	1,490	Buy	23571	17.0	23.3	37.3	68.0	99.9	72.6	45.5	24.9	8.8	10.4	11.2	14.6	7.1	9.7	12.8	19.6
Aurobindo Pharma	AURPHA	910	920	Buy	53306	41.9	48.8	57.8	63.0	21.7	18.7	15.7	14.4	15.9	17.2	19.1	19.1	17.7	17.0	17.0	15.8
Biocon	BIOCON	407	490	Buy	48894	6.2	5.8	11.5	21.0	65.6	70.0	35.4	19.4	10.9	10.2	16.1	23.3	12.2	10.4	17.4	24.6
Cadila Healthcare	CADHEA	389	470	Buy	39808	18.1	14.0	18.1	21.3	21.5	27.8	21.4	18.3	12.8	10.7	12.9	13.9	17.8	13.8	15.7	16.1
Cipla	CIPLA	733	900	Buy	59102	18.6	19.2	30.3	36.0	39.4	38.2	24.2	20.4	10.9	12.0	16.4	17.3	10.0	9.8	13.7	14.2
Divi's Lab	DIVLAB	2800	3,260	Buy	74331	51.0	51.9	71.2	85.8	54.9	54.0	39.3	32.6	25.5	23.9	27.2	26.5	19.4	18.8	21.3	21.0
Dr Reddy's Lab	DRREDD	4583	5,000	Buy	76181	114.7	121.9	161.3	200.0	40.0	37.6	28.4	22.9	10.7	9.6	18.4	19.7	13.6	13.0	15.0	16.0
Glenmark Pharma	GLEPHA	461	510	Hold	13014	26.9	26.4	25.0	36.6	17.1	17.5	18.5	12.6	15.3	12.7	11.4	14.1	13.5	12.2	10.5	13.4
Hikal	HIKCHE	141	165	Buy	1742	8.4	8.1	10.8	13.8	16.9	17.5	13.1	10.3	14.3	13.0	14.2	15.7	13.6	12.2	14.2	15.6
Ipca Laboratories	IPCLAB	1970	1,900	Buy	24895	35.1	47.8	61.7	76.8	56.2	41.2	32.0	25.7	15.0	17.4	19.4	20.2	14.2	16.6	17.8	18.2
Jubilant Life	JUBLIF	832	550	Buy	13256	54.9	59.9	69.8	89.8	15.2	13.9	11.9	9.3	14.3	14.6	17.2	19.7	17.8	16.6	16.4	17.5
Lupin	LUPIN	882	1,030	Buy	39967	16.5	-12.7	26.0	39.7	53.3	-69.5	33.9	22.2	9.4	9.7	10.5	14.0	5.4	-4.6	8.7	11.8
Narayana Hrudayam	NARHRU	303	340	Buy	6197	2.9	6.4	-3.1	9.6	104.5	47.7	-98.8	31.6	7.7	11.0	0.0	14.2	5.5	11.4	-5.8	15.7
Natco Pharma	NATPHA	758	740	Buy	13805	35.4	25.3	23.9	22.4	21.4	30.0	31.7	33.9	21.3	14.0	12.9	11.3	18.5	12.2	10.7	9.3
Sun Pharma	SUNPHA	532	625	Buy	127701	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	466	485	Buy	18632	8.3	10.3	9.2	12.8	56.3	45.2	45.3	32.7	14.8	14.5	13.1	16.4	16.8	15.7	14.5	16.8
Torrent Pharmaceuticals	TORPHA	2976	2,865	Buy	50368	48.9	60.6	72.2	95.5	60.8	49.1	41.2	31.2	14.2	15.4	18.6	21.8	17.5	21.2	21.3	23.2
Shalby	SHALIM	73	70	Hold	788	2.9	2.6	0.7	4.0	24.9	28.6	99.4	18.1	6.8	7.2	1.8	7.0	4.1	3.5	1.0	5.2
Aster DM	ASTDM	130	160	Buy	6516	6.7	5.5	-1.4	9.6	19.6	23.6	-90.6	13.5	8.3	7.5	2.6	9.7	10.4	8.5	-2.2	13.1
Indoco Remedies	INDREM	250	260	Buy	2300	-0.3	2.6	7.4	14.3	-793.0	95.4	33.6	17.4	1.0	5.1	10.0	16.5	-0.4	3.5	9.3	15.5

Source: ICICI Direct Research, Bloomberg

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