

Strong growth across key segments...

Q2 revenues grew 2.0% YoY to ₹ 4911 crore (I-direct estimate: ₹ 4564 crore) mainly due to strong growth across segments partly offset by high base effect in Q2FY20 (divestiture of certain proprietary products). US revenues grew 28.5% YoY to ₹ 1833 crore on the back of rupee depreciation and new product launches. Domestic revenues grew 21.5% YoY to ₹ 912 crore due to Wockhardt integration and Covid products. Europe revenues grew 35.8% YoY to ₹ 375 crore due to new launches and currency tailwinds. PSAL segment posted a robust 19.7% YoY growth to ₹ 851 crore. EBITDA margins expanded 144 bps YoY to 23.5% (I-direct estimate: 22.7%) due to lower other expenses partly offset by higher raw material & staff costs. Subsequently, EBITDA grew 8.7% YoY to ₹ 1156 crore vs. I-direct estimate of ₹ 1037 crore. PAT de-grew 30.3% YoY to ₹ 772 crore (I-direct estimate: ₹ 608 crore). Delta vis-à-vis EBITDA was mainly due to negative tax in Q2FY20.

US, key growth driver with promising launches ahead

US remains a key driver, contributing ~37% to revenues as of FY20. DRL has a strong pending pipeline comprising 92 ANDAs (50 Para IV filings, 26 FTFs) and two NDAs under 505 (b) (2) route. We expect US sales to grow at a FY20-23E CAGR of 11% to ₹ 8844 crore on the back of new launches.

India, Russia CIS to provide more stability

India, Russia CIS markets are more or less identical in nature (branded generics, OTC) with similar growth potential, similar kinds of risks. DRL is well versed with the dynamics of Russia by virtue of being an early mover. Notwithstanding Covid-19 related quarterly gyrations, we expect strong growth in these markets on the back of a stabilising currency, geographical expansion, robust biological portfolio, ramp up in institutional business. For India, growth may be largely from launches in oncology & biosimilar space, UCB/Wockhardt like acquisitions besides MR productivity improvement. We expect Russia & other CIS to grow at ~10% CAGR in FY20-23E to ₹ 3089 crore with India growing at ~14% CAGR in FY20-23E to ₹ 4317 crore.

Valuation & Outlook

Q2 revenues were better than I-direct estimates on all fronts on the back of strong growth in US, Europe and Indian markets and better-than-expected operational performance. We draw comfort from management's sustained focus on cost rationalisation, especially on SGN&A front and their endeavour to focus on simultaneous launches across geographies and segments besides realignment of R&D spend towards - Global Generics, Biosimilars and PSAL segment. We believe this is a welcome change from earlier stance of overemphasis on a particular market (read US). Strong FCF generation, healthy b/s are some legacy strongholds for the company. We believe the efforts taken in the last few quarters are sustainable and should support stable performances, going ahead. We maintain **BUY** and arrive at a target price of ₹ 6000, which includes a base business value of ~₹ 5485 (25x FY23E EPS of ₹ 219.4) + ₹ 515 for NPV of gRevlimid.

Key Financial Summary

(₹ crore)	FY20	FY21E	FY22E	FY23E	CAGR FY20-23E %
Revenues	17517.0	19187.9	22132.4	24579.1	12.0
EBITDA	2466.0	4463.6	5303.3	5962.2	34.2
EBITDA Margins (%)	14.1	23.3	24.0	24.3	
Adjusted PAT	2026.0	2799.3	3231.8	3647.4	21.7
EPS (Adjusted)	121.9	168.4	194.4	219.4	
PE (x)	40.6	29.4	25.5	22.6	
RoE (%)	13.0	15.5	15.5	15.2	
RoCE (%)	9.6	17.5	19.3	19.3	

Source: ICICI Direct Research; Company

Dr.Reddy's

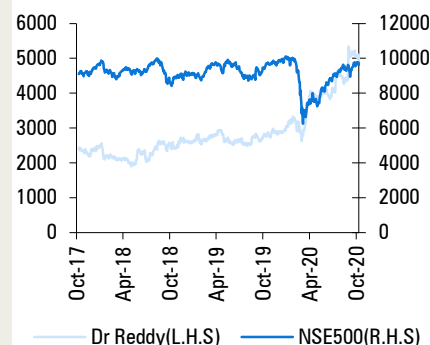
Particulars

Particular	Amount
Market Capitalisation	₹82295 crore
Debt (FY 20)	₹2210 crore
Cash & equivalents (FY 20)	₹205 crore
EV	₹84300 crore
52 week H/L (₹)	5515/2498
Equity capital	₹83.1 crore
Face value	₹5

Key Highlights

- Strong Q2 performance due to strong growth in US, Europe, India, PSAL segment
- Focus on sustained cost rationalisation, especially on SG&A front continues
- Maintain BUY

Price Chart



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Exhibit 1: Variance Analysis

	Q2FY21	Q2FY21E	Q2FY20	Q1FY21	YoY (%)	QoQ (%)	Comments
Revenue	4,910.9	4,563.9	4,812.8	4,426.5	2.0	10.9	Excluding divestment of proprietary products, adjusted YoY growth was 20% driven by new launches across markets, volume traction and integration of business. Beat vis-à-vis I-direct estimates mainly due to better-than-expected growth across key geographies
Raw Material Expenses	1,580.1	1,414.8	1,401.1	1,319.6	12.8	19.7	
Gross Profit	3,330.8	3,149.1	3,411.7	3,106.9	-2.4	7.2	
Gross margins (%)	67.8	69.0	70.9	70.2	-306.3	-236.4	YoY decline mainly due to divestment of proprietary business. Adjusting this, gross margins improved YoY mainly due to improved productivity, better product mix and favourable currency movement
Employee expenses	948.8	880.2	825.5	872.4	14.9	8.8	
Other expenses	1,225.9	1,232.3	1,522.4	1,113.2	-19.5	10.1	YoY decline amid one-off expenses last year, lower travelling & marketing expenditure, which was partly offset by incremental costs post the integration of the acquired divisions from Wockhardt in this year
EBITDA	1,156.1	1,036.7	1,063.8	1,121.3	8.7	3.1	
EBITDA (%)	23.5	22.7	22.1	25.3	143.8	-179.0	YoY Improvement in margins and beat vis-à-vis I-direct estimates mainly due to lower other expenditure
Other Income	51.2	68.5	54.0	87.1	-5.2	-41.2	
Interest	25.2	22.7	30.3	23.3	-16.8	8.2	
Depreciation	316.5	292.3	313.1	292.3	1.1	8.3	
PBT	865.6	790.1	774.4	892.8	11.8	-3.0	
Tax	101.1	189.6	-320.7	305.9	NA	-66.9	Lower ETR due to deferred tax adjustment at one of the subsidiaries
Net Profit	771.8	608.2	1,106.8	594.6	-30.3	29.8	
Adjusted PAT	771.8	608.2	1,106.8	594.6	-30.3	29.8	Delta vis-à-vis EBITDA mainly due to tax gain in Q2FY20 pertaining to recognition of deferred tax assets. Beat vis-à-vis I-direct estimates mainly due to lower tax rate
Key Metrics							
US	1,832.8	1,736.1	1,426.5	1,728.2	28.5	6.1	Strong growth due to new products launches, volumes uptick and favourable forex rate, which was partly offset by price erosion. Beat vis-à-vis I-direct estimates owing to better-than-expected traction from new launches
Europe	375.4	345.5	276.4	355.1	35.8	5.7	YoY growth on account of new launches and favourable forex movement. Beat vis-à-vis I-direct estimates mainly due to better-than-expected traction from new geographies
India	912.3	801.0	751.1	626.0	21.5	45.7	Strong growth on account of revenues from Wockhardt integration and contribution from Covid-related new products - Avigan (Favipiravir) and Remdesivir. Beat vis-à-vis I-direct estimates due to higher-than-expected Covid product sales
Russia & Other CIS	600.0	493.0	580.0	470.0	3.4	27.7	Currency volatility impacted YoY growth in Russia. Strong sequential growth and beat vis-à-vis I-direct estimates amid better-than-expected recovery in demand from Covid-19 impact
RoW	263.6	297.1	247.6	328.2	6.5	-19.7	Miss vis-à-vis I-direct estimates owing to continuous Covid impact in smaller geographies
PSAI	850.5	817.3	710.7	855.3	19.7	-0.6	YoY growth due to new products, growth in services business and favourable forex rate

Source: ICICI Direct Research

Exhibit 2: Change in Estimates

	FY21E			FY22E			Comments
(₹Crore)	Old	New	Change	Old	New	Change	
Revenue	19,255.9	19,187.9	-0.4	22,204.5	22,132.4	-0.3	
EBITDA	4,516.7	4,463.6	-1.2	5,378.6	5,303.3	-1.4	
EBITDA Margin (%)	23.5	23.3	-24 bps	24.2	24.0	-24 bps	
Adjusted PAT	2,680.7	2,799.3	4.4	3,324.6	3,231.8	-2.8	
EPS (₹)	161.3	168.4	4.4	200.0	194.4	-2.8	

Source: ICICI Direct Research

Exhibit 3: Change in Estimates

	Current			Earlier			
(₹ crore)	FY19	FY20	FY21E	FY21E	FY22E	FY22E	
US	5,995.7	6,465.8	7,168.4	8,188.6	7,196.5	8,339.5	
Europe	787.3	1,170.7	1,463.5	1,683.0	1,390.5	1,480.4	Changed as per management guidance
India	2,618.4	2,894.6	3,380.6	3,924.3	3,344.4	4,063.1	
Russia & Other CIS	2,050.0	2,340.0	2,344.9	2,757.9	2,508.4	2,809.4	Changed mainly due to adverse currency movement
RoW	838.9	941.4	1,148.6	1,320.9	1,169.8	1,296.0	
PSAI	2,414.0	2,574.7	3,327.4	3,826.5	3,294.2	3,788.4	

Source: ICICI Direct Research

Conference Call Highlights

- A gradual sequential demand recovery was seen across India, Russia and other markets
- R&D spend during the quarter was ₹ 436 crore (8.9% of revenues)
 - To increase in H2 due to Sputnik trials and others
- Capex in Q1FY21 was ~₹ 250 crore
- Net debt was at ₹ 136 crore (net debt: equity- 0.01) as of Q2FY21; FCF for Q2FY21: ~₹ 600 crore
- The company has launched two Covid related products – Fujifilm's Avigan (Favipiravir) and Gilead's Remdesivir. Also it is developing Sputnik V Covid vaccine candidate
- **US:** growth due to new product launches, volume traction in base, favourable forex, partially offset by price erosion
 - Nine products launched in Q2 such as Ciprofloxacin & Dexamethasone Suspension, Fulvestrant Injection, OTC Diclofenac and OTC Olapatadine
 - As of Q2FY21, the company has 92 ANDAs pending USFDA approval (including 50 para IV) and two NDA 505 (b)(2) route
 - Two ANDAs, one DMFs filed in Q1FY21
 - In FY21, the company plans to launch 25+ products in US
- **India:** Acquired Wockhardt business and Covid product sales
 - Seven new products were launched in India
 - 6500 MRs across India
- **Europe:** Growth due to new product launches and favourable forex
 - Three launches in Germany, one each in the UK, Italy, Spain and Austria
- **Emerging market:** YoY decline in Russia due to weakening of Rouble
 - CIS and others growth due to base business growth and new launches
 - Rest of world growth due to new launches
- Rituximab: Phase-III trials are on track
- The company has launched 28 products across Emerging markets
- US\$/INR translated at 73.54 for Q2FY21
- Q2FY21 filings: 25 formulations filed across the globe (including two ANDAs) and 39 DMFs
- Sequentially SG&A costs higher due to Wockhardt acquisition and as marketing activity increased post lockdown
 - As market opens up, the absolute number is likely to go up but the management is looking to control costs through adoption of digital tools
- Gross profit margin at 53.9%. GPM for Global generics and PSAl segments stood at 59.4% and 28.6%, respectively
 - Drop YoY due to margin accretive products in base year partially offset by higher productivity and favourable forex
 - Drop QoQ due to one-month impact of withdrawal of export incentives, Q3 onwards full impact to come in; adverse forex and product mix

Exhibit 4: Trends in quarterly financials

₹Crore	12FY18	13FY18	14FY18	11FY19	12FY19	13FY19	14FY19	11FY20	12FY20	13FY20	14FY20	11FY21	12FY21	YoY (%)	QoQ (%)
Total Operating Income	3559.8	3834.1	3553.9	3736.5	3817.5	3864.6	4029.6	3858.2	4812.8	4397.1	4448.9	4426.5	4910.9	2.0	10.9
Raw Material Expenses	1036.9	1036.7	1006.7	1004.9	1051.7	1175.8	1262.4	1206.9	1401.1	1415.3	1531.1	1319.6	1580.1	12.8	19.7
% of Revenues	29.1	27.0	28.3	26.9	27.5	30.4	31.3	31.3	29.1	32.2	34.4	29.8	32.2	306 bps	236 bps
Gross Profit	2522.9	2797.4	2547.2	2731.6	2765.8	2688.8	2767.2	2651.3	3411.7	2981.8	2917.8	3106.9	3330.8	-2.4	7.2
Gross Profit Margins	70.9	73.0	71.7	73.1	72.5	69.6	68.7	68.7	70.9	67.8	65.6	70.2	67.8	-306 bps	-236 bps
Employee expenses	789.0	818.1	800.5	837.1	872.2	805.4	841.5	861.5	825.5	837.7	855.5	872.4	948.8	14.9	8.8
% of Revenues	22.2	21.3	22.5	22.4	22.8	20.8	20.9	22.3	17.2	19.1	19.2	19.7	19.3	217 bps	-39 bps
Other expenses	1064.5	1186.6	1183.1	1125.7	1134.3	1078.8	1106.8	1048.1	1522.4	2432.8	1113.1	1113.2	1225.9	-19.5	10.1
% of Revenues	29.9	30.9	33.3	30.1	29.7	27.9	27.5	27.2	31.6	55.3	25.0	25.1	25.0	-667 bps	-19 bps
Total Expenditure	2890.4	3041.4	2990.3	2967.7	3058.2	3060.0	3210.7	3116.5	3749.0	4685.8	3499.7	3305.2	3754.8	0.2	13.6
% of Revenues	81.2	79.3	84.1	79.4	80.1	79.2	79.7	80.8	77.9	106.6	78.7	74.7	76.5	-144 bps	179 bps
EBITDA	669.4	792.7	563.6	768.8	759.3	804.6	818.9	741.7	1063.8	-288.7	949.2	1121.3	1156.1	8.7	3.1
EBITDA Margins (%)	18.8	20.7	15.9	20.6	19.9	20.8	20.3	19.2	22.1	-6.6	21.3	25.3	23.5	144 bps	-179 bps
Total Depreciation	270.2	271.5	276.3	278.7	278.6	290.3	287.2	289.0	313.1	286.9	274.1	292.3	316.5	1.1	8.3
EBITDA	399.2	521.2	287.3	490.1	480.7	514.3	531.7	452.7	750.7	-575.6	675.1	829.0	839.6	11.8	1.3
Interest	22.3	17.2	17.8	19.5	20.8	24.1	24.5	29.8	30.3	15.2	23.0	23.3	25.2	-16.8	8.2
Exceptional Items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
EBT	376.9	504.0	269.5	470.6	459.9	490.2	507.2	422.9	720.4	-590.8	652.1	805.7	814.4	13.0	1.1
Total Tax	112.3	252.8	49.2	53.2	80.7	101.1	150.8	192.8	-320.7	32.5	-44.9	305.9	101.1	NA	-66.9
Tax %	29.8	50.2	18.3	11.3	17.5	20.6	29.7	45.6	-44.5	-5.5	-6.9	38.0	12.4		
Adjusted PAT	305.4	302.7	272.1	476.1	518.3	500.3	455.4	676.5	1106.8	-538.4	781.1	594.6	771.8	-30.3	29.8

Source: ICICI Direct Research

Company Background

Established in 1984, Dr Reddy's Laboratories (DRL) is one of India's pedigreed players having a firm footing in the US and other export markets with deep rooted product and market knowledge across therapies. Like Cipla, DRL also recognised the importance of having good manufacturing practices (GMP) accreditation in the eighties and eventually got USFDA approval (first of its kind approval for a formulation facility in India) in 1987. The company owns 22 manufacturing facilities and four developing centres across the globe. The facilities have been approved by various agencies such as the USFDA, WHO-Geneva, UKMHRA, TGA-Australia, MCC-South Africa, DMA Denmark, Brail Anvisa, among others. Over the years, along with generics, the company also established itself in the field of discovery of new chemical entities (NCEs) but with little success.

DRL's business can be classified into three broad segments- 1) Global Generics (GG), 2) Pharmaceutical services and active ingredients (PSAI) and 3) Proprietary Products (PP). Global Generics (~80% of revenues) includes branded and unbranded prescription and over-the-counter (OTC) products business. It also includes the operations of the biologics business. This segment comprises formulation sales to regulated markets of the US, Europe and emerging markets such as Russia/CIS, India and RoW.

Pharmaceutical services and active ingredients (~18% of revenues) consist of the active pharmaceutical ingredients (API) business and custom pharmaceutical services (CPS) business. Proprietary products (PP, ~2% of revenues) consists mainly of differentiated formulations business.

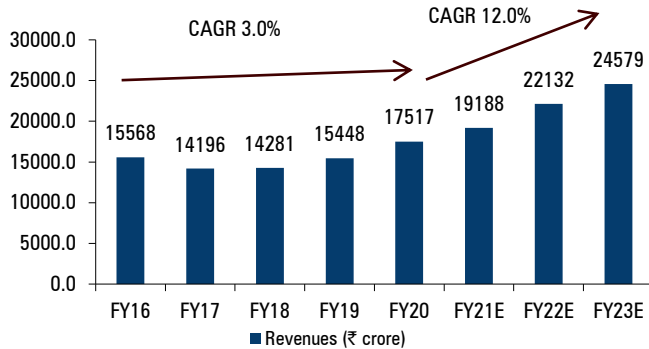
DRL has spent ~9% of the turnover on R&D in FY20 and is likely to be ~9-10% in FY21. As of Q2FY21, the company has 92 ANDAs pending USFDA approval (including 50 para IVs) and 2 NDA via 505 (b)(2) route.

It also has Sernivo, a prescription topical steroid spray, used for mild to moderate plaque psoriasis.

DRL has acquired Wockhardt's portion of domestic branded business comprising 62 products including manufacturing facility at Baddi, Himachal Pradesh for a consideration of ₹ 1850 crore. Revenues of the proposed acquired business was ₹ 377 crore in 9MFY20 (₹ 503 crore on annualised basis). The implied valuation comes at ~3.8x annualised revenue. Post this acquisition, completed in June 2020, the domestic business contribution of DRL in total revenues will likely increase to 19-20% from 17% in FY20.

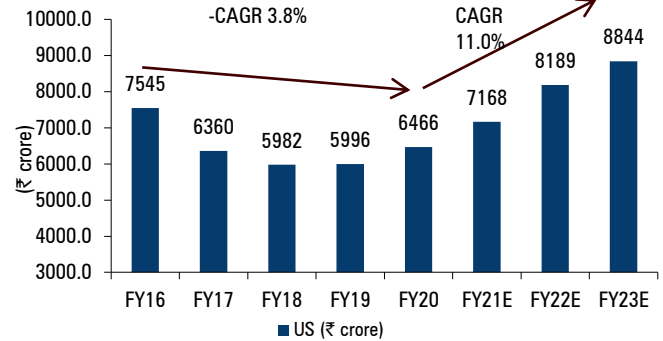
DRL, Russian Direct Investment Fund (RDIF) had recently signed an agreement in September 2020 to cooperate on clinical trials and distribution of Sputnik V Covid vaccine in India. Dr Reddy's will be conducting phase-III trials in India whereas RDIF will, upon regulatory approval, supply 10 crore doses of the vaccine to Dr Reddy's for distribution. As per company, deliveries of the vaccine are likely to begin in late 2020 depending on clinical trial outcomes and regulatory approval.

Exhibit 5: Revenues to grow at CAGR of 12% in FY20-23E



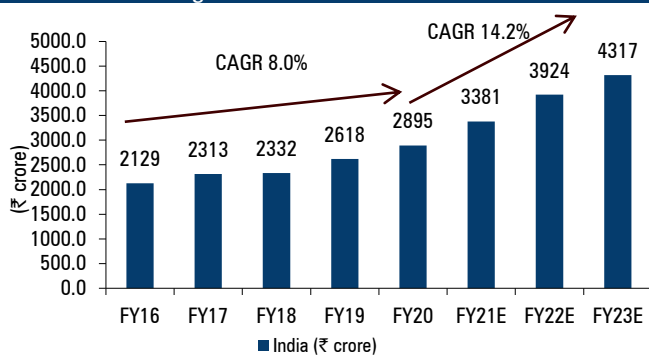
Source: ICICI Direct Research, Company

Exhibit 6: US to grow at CAGR of 11% over FY20-23E



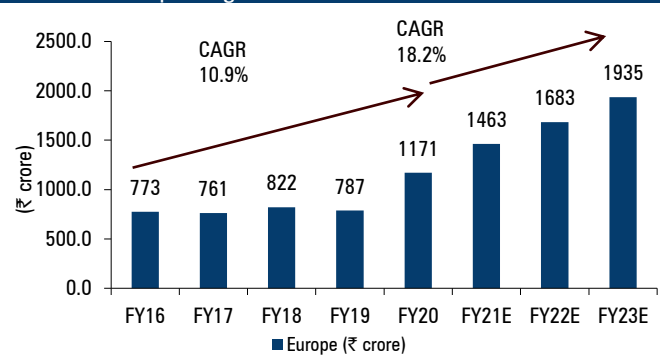
Source: ICICI Direct Research, Company

Exhibit 7: India to grow at CAGR of 14% over FY20-23E



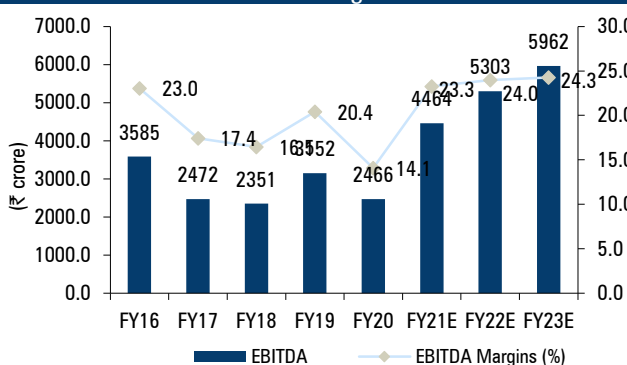
Source: ICICI Direct Research, Company

Exhibit 8: Europe to grow at 18% CAGR over FY20-23E



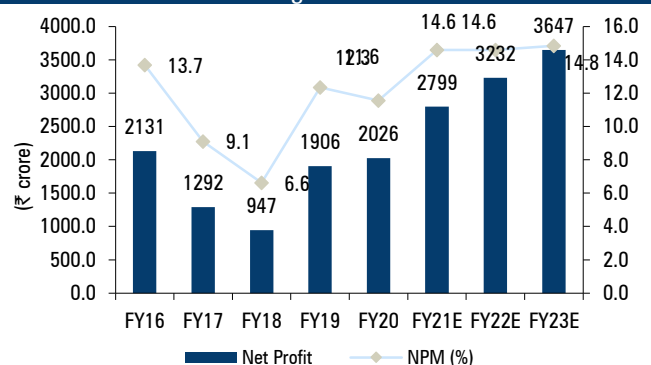
Source: ICICI Direct Research, Company

Exhibit 9: EBITDA & EBITDA margins trend



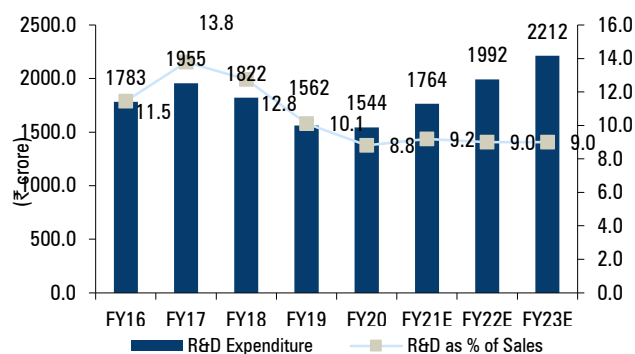
Source: ICICI Direct Research, Company

Exhibit 10: PAT & PAT margins trend



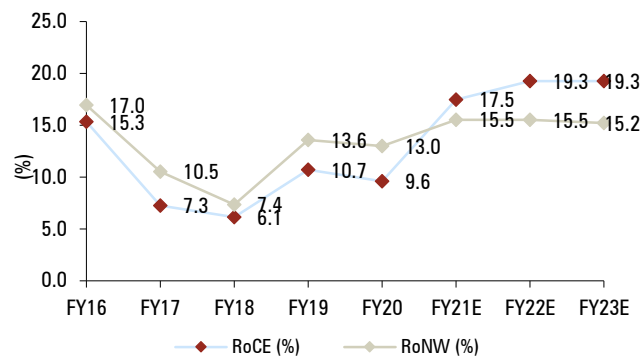
Source: ICICI Direct Research, Company

Exhibit 11: R&D and R&D as percentage of sales



Source: ICICI Direct Research, Company

Exhibit 12: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 13: Revenue break-up

(₹ crore)	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E	CAGR FY16-20 %	CAGR FY20-23E %
US	7545	6360	5982	5996	6466	7168	8189	8844	-3.8	11.0
Europe (₹ crore)	773	761	822	787	1171	1463	1683	1935	10.9	18.2
India (₹ crore)	2129	2313	2332	2618	2895	3381	3924	4317	8.0	14.2
Russia & Other CIS (₹ crore)	1419	1520	1650	2050	2340	2345	2758	3089	13.3	9.7
RoW (₹ crore)	940	587	615	839	941	1149	1321	1519	0.0	17.3
PSAI	2238	2128	2199	2414	2575	3327	3827	4401	3.6	19.6

Source: ICICI Direct Research, Company

Exhibit 14: Financial Summary

	Revenues (₹ crore)	Growth (%)	Adj. EPS (₹)	Growth (%)	P/E (x)	EV/EBITDA (X)	RoNW (%)	RoCE (%)
FY 20	17517.0	13.4	121.9	6.3	40.6	33.1	13.0	9.6
FY 21E	19187.9	9.5	168.4	38.2	29.4	18.1	15.5	17.5
FY 22E	22132.4	15.3	194.4	15.4	25.5	14.9	15.5	19.3
FY 23E	24579.1	11.1	219.4	12.9	22.6	12.9	15.2	19.3

Source: ICICI Direct Research, Company

Exhibit 15: Shareholding Pattern

(in %)	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
Promoter	26.8	26.8	26.8	26.7	26.7
Others	73.3	73.3	73.3	73.3	73.3

Source: ICICI Direct Research, Company

Financial Summary

Exhibit 16: Profit & Loss (₹ crore)

(Year-end March)	FY20	FY21E	FY22E	FY23E
Revenues	17,517.0	19,187.9	22,132.4	24,579.1
Growth (%)	13.4	9.5	15.3	11.1
Raw Material Expenses	5,554.4	6,069.1	6,970.9	7,680.5
Employee expenses	3,380.2	3,662.6	4,103.8	4,545.8
Other expenses	6,116.4	4,992.5	5,754.4	6,390.6
Total Operating Expenditure	15,051.0	14,724.3	16,829.1	18,616.9
EBITDA	2,466.0	4,463.6	5,303.3	5,962.2
Growth (%)	-21.8	81.0	18.8	12.4
Interest	98.3	98.9	50.5	50.5
Depreciation	1,163.1	1,241.8	1,281.3	1,354.0
PBT before Exceptional Items	1,829.6	3,364.2	4,327.8	4,889.5
Share of profit/ (loss) of associates	0.0	0.0	0.0	0.0
PBT	1,829.6	3,364.2	4,327.8	4,889.5
Total Tax	-140.3	594.6	1,125.2	1,271.3
PAT	2,026.0	2,799.3	3,231.8	3,647.4
Adjusted PAT	2,026.0	2,799.3	3,231.8	3,647.4
Growth (%)	6.3	38.2	15.4	12.9
EPS	121.9	168.4	194.4	219.4
EPS (Adjusted)	121.9	168.4	194.4	219.4

Source: ICICI Direct Research

Exhibit 17: Cash Flow Statement (₹ crore)

(Year-end March)	FY20	FY21E	FY22E	FY23E
Profit/(Loss) after taxation	1,175.2	2,799.3	3,231.8	3,647.4
Add: Depreciation & Amortization	1,163.1	1,241.8	1,281.3	1,354.0
Net Increase in Current Assets	-1,393.3	-318.4	-1,411.4	-1,185.8
Net Increase in Current Liabilities	639.7	289.8	406.5	369.1
CF from operating activities	2,984.1	4,111.4	3,558.7	4,235.3
(Inc)/dec in Fixed Assets	-572.5	-2,650.0	-1,400.0	-1,400.0
(Inc)/dec in Investments	-21.4	600.0	-1,700.0	-2,000.0
Others	108.2	-66.0	-68.6	-71.4
CF from investing activities	-485.7	-2,116.0	-3,168.6	-3,471.4
Inc / (Dec) in Equity Capital	-47.0	0.0	0.0	0.0
Inc / (Dec) in Loan	-1,868.3	-1,200.0	0.0	0.0
Dividend & Dividend Tax	-391.6	-384.7	-444.1	-501.2
Others	-209.0	-98.9	-50.5	-50.5
CF from financing activities	-2,515.9	-1,683.6	-494.6	-551.7
Net Cash flow	-17.5	311.9	-104.5	212.2
Opening Cash	222.8	205.3	517.2	412.7
Closing Cash	205.3	517.2	412.7	624.9
Free Cash Flow	2,411.6	1,461.4	2,158.7	2,835.3

Source: ICICI Direct Research

Exhibit 18: Balance Sheet (₹ crore)

(Year-end March)	FY20	FY21E	FY22E	FY23E
Equity Capital	83.1	83.1	83.1	83.1
Net Networth	15,515.7	17,930.3	20,718.0	23,864.2
Total Shareholders fund	15,598.8	18,013.4	20,801.1	23,947.3
Total Debt	2,210.2	1,010.2	1,010.2	1,010.2
Deferred Tax Liability	2.0	2.1	2.2	2.2
Other Non Current Liabilities	205.5	213.7	222.3	231.2
Long term Provisions	74.5	77.5	80.6	83.8
Source of Funds	18,091.0	19,316.9	22,116.3	25,274.7
Gross Block - Fixed Assets	15,616.9	18,766.9	20,666.9	22,566.9
Accumulated Depreciation	9,257.9	10,499.7	11,781.0	13,135.1
Net Block	6,359.0	8,267.2	8,885.9	9,431.8
Capital WIP	1,535.1	1,035.1	535.1	35.1
Net Fixed Assets	7,894.1	9,302.3	9,421.0	9,466.9
Goodwill	491.3	491.3	491.3	491.3
Investments	2,677.8	2,077.8	3,777.8	5,777.8
Inventory	3,506.7	3,841.2	4,430.6	4,920.5
Cash	205.3	517.2	412.7	624.9
Debtors	5,027.8	4,952.1	5,712.0	6,343.4
Loans & Advances & Other	1,490.6	1,550.2	1,612.2	1,676.7
Total Current Assets	10,230.4	10,860.7	12,167.5	13,565.5
Creditors	1,524.8	1,670.2	1,926.6	2,139.5
Provisions & Other CL	3,609.5	3,753.9	3,904.0	4,060.2
Total Current Liabilities	5,134.3	5,424.1	5,830.6	6,199.7
Net Current Assets	5,096.1	5,436.5	6,336.9	7,365.8
LT L&A, Other Assets	711.8	740.3	769.9	800.7
Deferred Tax Assets	1,219.9	1,268.7	1,319.4	1,372.2
Application of Funds	18,091.0	19,316.9	22,116.3	25,274.7

Source: ICICI Direct Research

Exhibit 19: Key Ratios (₹ crore)

(Year-end March)	FY20	FY21E	FY22E	FY23E
Per share data (₹)				
EPS	121.9	168.4	194.4	219.4
BV per share	938.2	1,083.5	1,251.1	1,440.4
Operating Ratios (%)				
Gross Profit Margins	68.3	68.4	68.5	68.8
EBITDA margins	14.1	23.3	24.0	24.3
Net Profit margins	11.6	14.6	14.6	14.8
Inventory days	73.1	73.1	73.1	73.1
Debtor days	104.8	94.2	94.2	94.2
Creditor days	31.8	31.8	31.8	31.8
Asset Turnover	1.1	1.0	1.1	1.1
EBITDA conversion Rate	121.0	92.1	67.1	71.0
Return Ratios (%)				
RoE	13.0	15.5	15.5	15.2
RoCE	9.6	17.5	19.3	19.3
RoIC	11.5	24.4	27.1	28.4
Valuation Ratios (x)				
P/E	40.6	29.4	25.5	22.6
EV / EBITDA	33.1	18.1	14.9	12.9
EV / Revenues	4.7	4.2	3.6	3.1
Market Cap / Revenues	4.7	4.3	3.7	3.3
Price to Book Value	5.3	4.6	4.0	3.4
Solvency Ratios				
Debt / Equity	0.1	0.1	0.0	0.0
Debt / EBITDA	0.9	0.2	0.2	0.2
Current Ratio	2.0	1.9	2.0	2.1

Source: ICICI Direct Research

Exhibit 20: ICICI Direct Coverage Universe (Healthcare)
(₹ crore)

Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹cr)	EPS (₹)				PE(x)				RoCE (%)				RoE (%)			
						FY19	FY20	Y21E	Y22E	FY19	FY20	FY21E	Y22E	FY19	Y20	Y21E	Y22E	FY19	FY20	Y21E	Y22E
Ajanta Pharma	AJAPHA	1580	1,810	Buy	13784	43.5	53.4	60.2	72.5	36.3	29.6	26.2	21.8	21.8	24.7	23.4	24.3	17.1	18.1	17.7	18.4
Alembic Pharma	ALEMPHA	960	1,170	Buy	18877	31.4	46.3	59.7	48.4	30.5	20.7	16.1	19.9	19.6	21.0	22.2	16.9	21.8	27.1	22.9	16.2
Apollo Hospital	APOHOS	2052	1,970	Buy	28553	17.0	23.3	-11.4	28.7	121.0	87.9	NA	71.4	8.8	10.2	3.9	15.2	7.1	9.7	-4.6	10.5
Aurobindo Pharma	AURPHA	785	1,025	Buy	45979	41.9	48.8	58.4	65.4	18.7	16.1	13.4	12.0	15.9	17.2	18.2	18.0	17.7	17.0	15.0	14.5
Biocon	BIOCON	403	500	Buy	48306	6.2	5.8	8.4	15.8	64.9	69.2	48.2	25.5	10.9	10.2	11.7	18.2	12.2	10.4	13.2	20.3
Cadila Healthcare	CADHEA	419	470	Buy	42879	18.1	14.0	17.4	21.0	23.2	30.0	24.1	20.0	12.8	10.7	12.4	13.8	17.8	13.8	15.1	16.0
Cipla	CIPLA	747	900	Buy	60246	18.6	19.2	30.3	36.0	40.2	38.9	24.6	20.8	10.9	12.0	16.4	17.3	10.0	9.8	13.7	14.2
Divi's Lab	DIVLAB	3042	3,260	Buy	80760	51.0	51.9	70.7	85.7	59.7	58.7	43.0	35.5	25.5	23.9	27.1	26.5	19.4	18.8	21.2	21.0
Dr Reddy's Lab	DRREDD	4950	6,000	Buy	82295	114.7	121.9	168.4	194.4	43.2	40.6	29.4	25.5	10.7	9.6	17.5	19.3	13.6	13.0	15.5	15.5
Glenmark Pharma	GLEPHA	478	560	Buy	13482	26.9	26.4	32.8	39.9	17.8	18.1	14.6	12.0	15.3	12.7	13.8	14.9	13.5	12.2	13.3	14.0
Hikal	HIKCHE	171	165	Buy	2113	8.4	8.1	8.8	12.7	20.5	21.2	19.4	13.4	14.3	13.0	13.1	15.1	13.6	12.2	11.9	14.9
Ipca Laboratories	IPCLAB	2124	2,400	Buy	26934	35.1	47.8	92.3	93.4	60.6	44.4	23.0	22.7	15.0	17.6	26.9	22.4	14.2	16.6	24.5	20.0
Jubilant Life	JUBLIF	740	1,060	Buy	11794	54.9	59.9	62.1	91.3	13.5	12.4	11.9	8.1	14.3	14.4	15.8	20.6	17.8	16.6	14.8	18.0
Lupin	LUPIN	963	1,030	Buy	43643	16.5	-12.7	25.3	39.2	58.2	NA	38.1	24.6	9.4	9.7	10.2	13.8	5.4	-4.6	8.4	11.7
Narayana Hrudayam	NARHRU	337	340	Buy	6881	2.9	6.4	-7.0	7.1	116.0	53.0	NA	47.1	7.7	11.0	-4.6	11.9	5.5	11.4	-14.5	13.1
Natco Pharma	NATPHA	909	950	Buy	16568	35.4	25.3	31.0	29.7	25.7	35.9	29.4	30.6	21.3	14.0	16.1	14.2	18.5	12.2	13.4	11.6
Sun Pharma	SUNPHA	475	625	Buy	113846	15.9	16.8	21.0	24.2	29.9	28.3	22.6	19.6	10.3	10.0	10.2	12.9	9.2	8.9	10.8	11.2
Syngene Int.	SYNINT	563	635	Buy	22520	8.3	10.3	9.5	13.2	68.1	54.7	59.1	42.7	14.8	14.5	12.4	15.8	16.8	15.7	14.9	17.2
Torrent Pharmaceuticals	TORPHA	2657	3,135	Buy	44956	48.9	60.6	71.0	85.9	54.3	43.9	37.4	30.9	14.2	15.4	18.0	20.2	17.5	21.2	21.0	21.3
Shalby	SHALIM	93	100	Hold	1008	2.9	2.6	4.2	4.8	31.8	36.5	22.4	19.4	6.8	7.2	5.8	7.8	4.1	3.5	5.3	5.9
Aster DM	ASTDM	139	160	Buy	6961	6.7	5.5	-0.3	8.3	20.9	25.2	NA	16.8	8.3	7.1	3.4	8.7	10.4	8.5	-0.5	11.3
Indoco Remedies	INDREM	253	330	Buy	2329	-0.3	2.6	11.0	15.0	NA	96.6	23.0	16.8	1.0	5.1	13.5	16.9	-0.4	3.5	13.2	15.6
Caplin Point	CAPPOI	524	670	Buy	3965	23.3	28.4	33.2	44.6	22.5	18.4	15.8	11.8	34.6	26.5	26.0	28.0	27.9	22.7	21.4	22.7
Granules India	GRANUL	381	460	Buy	9441	9.5	12.4	21.4	25.2	39.9	30.7	17.9	15.1	11.8	15.2	22.9	23.1	15.5	16.7	22.6	21.2

Source: ICICI Direct Research, Bloomberg

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