

## Stable topline, strong margin performance...

Q2 revenues grew 6% YoY to ₹ 1361 crore (I-direct estimate: ₹ 1447 crore) mainly due to 21.2% YoY growth in API segment to ₹ 381 crore partly offset by 1.4% YoY de-growth in domestic segment to ₹ 536 crore. Export formulation revenues grew 6.9% YoY to ₹ 364 crore. EBITDA margins improved 586 bps YoY to 26.5% (I-direct estimate: 28.0%) due to higher gross margins, lower other expenditure. Hence, EBITDA grew 36.2% YoY to ₹ 360 crore (I-direct estimate: ₹ 405 crore). PAT grew 38.3% YoY to ₹ 267 crore (I-direct estimate: ₹ 300 crore) in line with operational performance.

## Export formulations main catalyst for growth

Growth in export formulations (28% of FY20 revenues) was on the back of growth in both international generics and international branded formulations. The international anti-malarial institutional business has also contributed substantially to overall exports growth. US traction will take more time than earlier estimated due to USFDA import alerts for the Ratlam facility that is the only API source for Silvassa and Pithampur formulations plants along with Silvassa and Pithampur (Indore) plants that are specifically earmarked for the US business, besides third party sales. However, sustained traction from branded and generics exports sales with a revival in EU, is expected to mitigate the US void. We expect export formulations to grow at ~15% CAGR in FY20-23E to ₹ 1848 crore, driven by generic formulation exports and recovery in the tender and branded exports.

## Growth in ex-anti-malarials to counter antimalarial volatility

Domestic formulations comprise 44% of FY20 revenues. The domestic performance has been volatile at times due to presence of anti-malarials in the portfolio. However, with incremental growth in other therapies, especially non-communicable diseases like pain management, cardio-diabetology, etc, the overall portfolio is poised for steady growth. We expect Indian formulations to grow at ~11% FY20-23E CAGR to ₹ 2597 crore.

## Valuation & Outlook

Q2 results were below I-direct estimates on all fronts due to lower-than-expected sales in domestic formulations. Notwithstanding quarterly gyrations in domestic formulations, the company continues to thrive on the exports front, both in formulations and APIs. Though there are fluctuations in the institutional business, the management remains upbeat on prospects. Going ahead, with firm growth tempo in domestic formulations, good prospects both for API exports, formulation exports, we expect further improvement in financial parameters. Ipca will continue to remain a compelling bet on the back of well-rounded growth prospects for FY20-23E-sales, EBITDA, PAT CAGR of 12%, 22%, 29%, respectively. We arrive at our target price of ₹ 2665 (26x FY23E EPS of ₹ 102.5).

### Key Financial Summary

(₹ crore)	FY20	FY21E	FY22E	FY23E	CAGR (FY20-23E) %
Revenues	4648.7	5549.2	5911.4	6535.3	12.0
EBITDA	903.7	1583.2	1458.1	1654.1	22.3
EBITDA Margins (%)	19.4	28.5	24.7	25.3	
Net Profit	603.4	1179.2	1132.7	1300.3	29.2
EPS (₹)	47.6	93.0	89.3	102.5	
PE (x)	46.7	23.9	24.9	21.7	
EV to EBITDA (x)	31.3	17.3	18.1	15.4	
RoNW (%)	16.6	24.7	19.3	18.2	
RoCE (%)	17.6	27.1	21.7	20.8	

Source: ICICI Direct Research; Company



### Particulars

Particular	Amount
Market Capitalisation	₹28182 crore
Debt (FY 20)	₹501 crore
Cash (FY 20)	₹181 crore
EV	₹28502 crore
52 week H/L (₹)	2456/1053
Equity capital	₹25.4 crore
Face value	₹2

### Key Highlights

- Q2 results below our estimates on all fronts due to lower-than-expected domestic formulation sales
- On the back of firm growth tempo in domestic formulations, good prospects both for API exports, formulation exports, we expect further improvement in financial parameters
- Maintain BUY

### Price performance



### Research Analyst

Siddhant Khandekar  
siddhant.khandekar@icicisecurities.com

Mitesh Shah  
mitesh.shah@icicisecurities.com

Sudarshan Agarwal  
sudarshan.agarwal@icicisecurities.com

**Exhibit 1: Variance Analysis**

	Q2FY21	Q2FY21E	Q2FY20	Q1FY21	YoY (%)	QoQ (%)	Comments
Revenue	1,361.1	1,446.8	1,283.9	1,534.4	6.0	-11.3	YoY growth mainly due to growth in export business partly supported by currency tailwinds (~5% YoY)
Raw Material Expenses	442.7	463.0	449.7	431.6	-1.6	2.6	
Gross margins (%)	67.5	68.0	65.0	71.9	250 bps	-439 bps	Improved amid change in product mix
Employee Expenses	254.5	260.4	232.0	256.3	9.7	-0.7	
Other Expense	303.7	318.3	337.6	258.1	-10.1	17.7	
Operating Profit (EBITDA)	360.2	405.1	264.5	588.3	36.2	-38.8	
EBITDA (%)	26.5	28.0	20.6	38.3	586 bps	-1188 bps	YoY improvement mainly due to some one-off aspect, product mix, operational leverage, lower on ground expenses that were partially offset by higher incentives and freight charges. Miss vis-à-vis I-direct estimates mainly due to lower domestic sales and higher freight costs
Interest	2.3	3.5	4.2	2.7	-45.4	-15.7	
Depreciation	52.1	50.9	49.6	51.0	5.0	2.1	
Other Income	15.5	14.5	14.8	12.1	4.4	27.8	
PBT	321.2	365.2	225.4	546.6	42.5	-41.2	
Tax	52.6	63.9	31.9	99.9	64.9	-47.3	
Tax Rate (%)	16.4	17.5	14.1	18.3	223 bps	-190 bps	
Reported PAT	267.1	299.7	193.1	446.2	38.3	-40.1	
PAT (Ex forex)	267.1	299.7	193.1	446.2	38.3	-40.1	YoY growth in line with operational performance. Miss vis-à-vis I-direct estimates mainly due to lower-than-expected domestic sales and slightly higher depreciation
EPS (₹)	21.1	23.8	15.2	35.2	38.3	-40.1	
<b>Key Metrics</b>							
Domestic formulations	535.5	597.5	543.2	489.4	-1.4	9.4	YoY decline and miss vis-à-vis I-direct estimates amid sharp fall in anti-malaria business. Pain management (>50% of domestic sales) grew 10% and cardiac business (~20%) grew 6% YoY
Export - Generic	191.1	197.1	179.2	241.5	6.6	-20.9	Strong growth in EU excluding UK. UK business impacted amid issue with a distributor
Export - Institutional	81.9	64.5	61.5	88.7	33.3	-7.6	
Export - Branded	91.4	115.2	100.2	133.5	-8.8	-31.6	
API	381.0	377.2	314.4	513.3	21.2	-25.8	YoY strong growth amid robust demand

Source: ICICI Direct Research

**Exhibit 2: Change in Estimates**

	FY21E			FY22E		
(₹ Crore)	Old	New	% Change	Old	New	% Change
Revenue	5,637.6	5,549.2	-1.6	6,014.7	5,911.4	-1.7
EBITDA	1,529.0	1,583.2	3.5	1,510.1	1,458.1	-3.4
EBITDA Margin (%)	27.1	28.5	143 bps	25.1	24.7	-43 bps
PAT	1,140.1	1,179.2	3.4	1,164.8	1,132.7	-2.8
EPS (₹)	90.4	93.0	2.9	92.3	89.3	-3.2

Source: ICICI Direct Research

**Exhibit 3: Change in Estimates**

	Current				Earlier	
	FY19	FY20E	FY21E	FY22E	FY21E	FY22E
Domestic formulations	1,646.8	1,822.6	2,032.1	2,318.7	2,113.5	2,367.1
Export formulations	1,048.3	1,366.2	1,619.3	1,719.9	1,596.9	1,722.0
API	884.6	791.9	1,555.6	1,493.4	1,566.5	1,528.3

Source: ICICI Direct Research

## Conference Call Highlights

- Domestic was impacted by seasonality in anti-malarial segment (50-55% decline), anti-bacterial (~12% decline), cough-cold segment (10-12% decline)
  - Anti-malarial: 4% of portfolio; anti-bacterial: 5%; cough cold: 4%
  - Other segments like pain, cardio showing growth; Derma, CNS reviving
    - (a) Pain – 50% portfolio (10% growth)
  - H2FY21 to be better than H1, H2FY21 growth can be ~10% on the back of double-digit growth in October
- Exports were supported by 5% currency tailwinds
- Institutional and API growth continues
- Gross margin higher as margin dilutive business reduced
- Higher freight cost (61% up in this fiscal); currently 30% above last year
- API capacity constraints but debottlenecking of 10-13% continuing; around 90% utilisation
  - Civil work at Dewas plant started, 14-15 months plant to be ready; 17-18 months for validations
  - H2FY21 growth ~15-18%, then onwards 12-15%
- One-off relating to contract cancellation of ~₹ 12.5 crore in other operating expenses
- No MEIS incentive provision in the quarter (vs. ₹ 12-13 crore normally)
- Institutional sales to be above ₹ 200-225 crore for FY21
- H2FY21 – UK is expected to recover; export generics also good growth expected
  - UK had some distribution issues in Q2; UK revenues in Q2 at ~₹ 12 crore (vs. ₹ 52 crore in Q2FY20) and ₹ 33 crore (vs. ₹ 94 crore in H1FY20) in H1FY21
  - Europe Q2 revenues were at ₹ 83 crore (vs ₹ 38 crore in Q2FY20) and ₹ 178 crore (vs. ₹ 75 crore in H1FY20) in H1FY21
  - Canada revenues were at ₹ 56 crore vs. ₹ 30 crore
  - Russia: ₹ 102 crore vs. ₹ 92 crore
- PLI scheme – To submit two products (non-fermentation) applications
- Guidance for growth
  - Generic growth to be 15-16%
  - Overall topline 10-12%
  - Branded exports 10-11%
- Capex for FY21 - ₹ 200 crore; FY22 - ₹ 300-350 crore
  - ₹ 100 crore – Ratlam API debottlenecking; to be operational by March

- Noble Explochem: No capex this year; next year onwards to put in three to four intermediates
- Dewas overall ₹ 250 crore
- Backward integration for intermediate (Sartan) at Aurangabad; continuous production; to be fully automated by December
- Current margins are sustainable in this fiscal; over FY22-23 it is expected to fluctuate between 25% and 27%
- R&D for the time being would be ~4-5%
- Subsidiaries
  - Pisgah – Losses to continue for three to four quarters
  - Onyx - ₹ 10 crore profit in H1FY21
  - Ramdev Chemical – Marginal losses
  - Baysure – ₹ 75 core in business; marginal losses

**Exhibit 4: Quarterly Financials**

₹Crore	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	YoY (%)	QoQ (%)
Revenues	875.4	1012.0	1006.1	879.6	1078.2	1283.9	1212.9	1073.8	1534.4	1361.1	6.0	-11.3
Raw Material Expenses	281.5	312.7	338.9	306.7	406.0	449.7	423.8	364.6	431.6	442.7	-1.6	2.6
% of Revenue	32.2	30.9	33.7	34.9	37.7	35.0	34.9	34.0	28.1	32.5	-250bps	439bps
Gross Profit	594.0	699.3	667.3	572.9	672.2	834.2	789.1	709.2	1102.8	918.4	10.1	-16.7
GPM (%)	67.8	69.1	66.3	65.1	62.3	65.0	65.1	66.0	71.9	67.5	250bps	-439bps
Employee Expenses	202.6	212.0	185.7	187.1	215.7	232.0	231.3	242.2	256.3	254.5	9.7	-0.7
% of Revenue	23.1	20.9	18.5	21.3	20.0	18.1	19.1	22.6	16.7	18.7	63bps	200bps
Other expense	272.5	313.7	247.1	222.2	259.4	337.6	284.1	298.5	258.1	303.7	-10.1	17.7
% of Revenue	31.1	31.0	24.6	25.3	24.1	26.3	23.4	27.8	16.8	22.3	-399bps	549bps
Total Expenditure	756.6	838.4	771.7	716.0	881.1	1019.4	939.2	905.3	946.1	1000.9	-1.8	5.8
% of Revenue	86.4	82.8	76.7	81.4	81.7	79.4	77.4	84.3	61.7	73.5	-586bps	1188bps
EBIDTA	118.8	173.6	234.5	163.6	197.1	264.5	273.7	168.5	588.3	360.2	36.2	-38.8
EBIDTA Margin (%)	13.6	17.2	23.3	18.6	18.3	20.6	22.6	15.7	38.3	26.5	586bps	-1188bps
Depreciation	46.6	45.4	45.7	44.8	46.1	49.6	50.8	63.9	51.0	52.1	5.0	2.1
Interest	4.9	2.4	5.1	6.4	4.6	4.2	4.0	3.7	2.7	2.3	-45.4	-15.7
Other Income	14.3	14.8	13.3	15.3	20.3	14.8	18.1	13.7	12.1	15.5	4.4	27.8
PBT	81.6	140.6	196.9	127.7	166.8	225.4	237.0	114.6	546.6	321.2	42.5	-41.2
Tax	13.1	22.1	37.4	31.7	37.4	31.9	36.9	29.2	99.9	52.6	64.9	-47.3
Tax Rate (%)	16.0	15.7	19.0	24.8	22.4	14.1	15.6	25.5	18.3	16.4	223bps	-190bps
PAT	68.5	118.5	159.2	96.0	129.6	193.1	197.6	86.0	446.2	267.1	38.3	-40.1
PAT Margin (%)	7.8	11.7	15.8	11.2	12.0	15.0	16.3	8.0	29.1	19.6	458bps	-945bps
EPS (₹)	5.4	9.3	12.6	7.8	10.2	15.2	15.6	6.8	35.2	21.1	38.3	-40.1

Source: ICICI Direct Research, Company

## Company Background

Established in 1949, Ipca is known for its dominance in the anti-malarial business. It has come a long way from being an anti-malarial player to a player offering a gamut of other therapeutic products.

Overall formulations to API ratio are 73:27. Further break-up of formulations- 1) domestic formulations- 44%, 2) export formulations-28% of total revenues. Further break-up of APIs- 1) Domestic APIs- 6%, 2) Export APIs- 21% of total revenues.

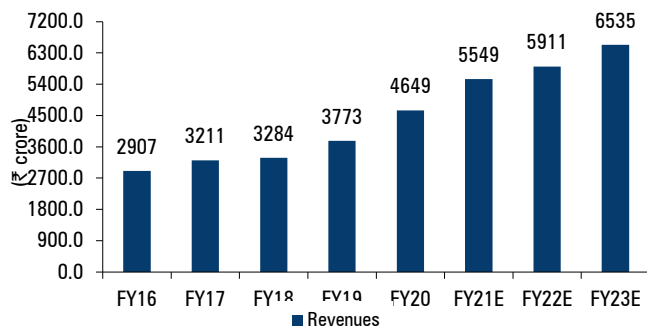
Exports formulations are further divided into- 1) branded formulations- 31% of exports formulations, 2) generic formulations- 54% of exports formulations and 3) institutional business- 14% of exports formulations.

In domestic formulations, the company owns a field force of ~4600 MRs (as of 9MFY20).

Major therapies in domestic formulations are-1) pain management 2) anti-malarial 3) cardiovascular (CVS) and 4) gastrointestinal (GI)

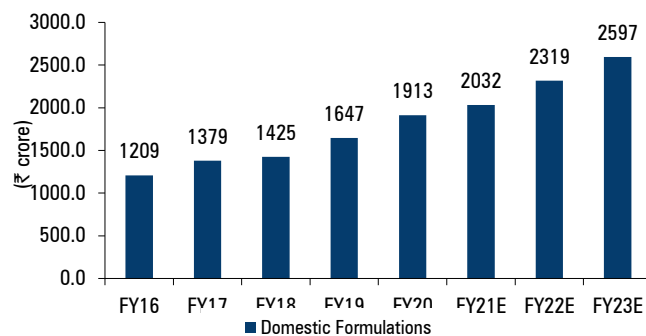
The company is awaiting resolution on the US formulations front with USFDA import alerts for three of its plants (Ratlam, Indore SEZ and Silvassa).

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



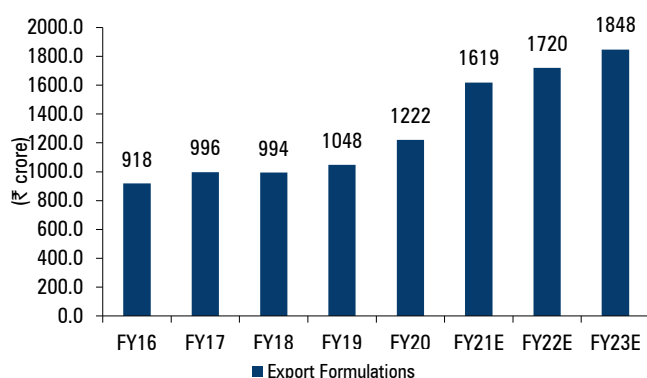
Source: ICICI Direct Research, Company

**Exhibit 6: India to grow at 10.7% CAGR over FY20-23E**



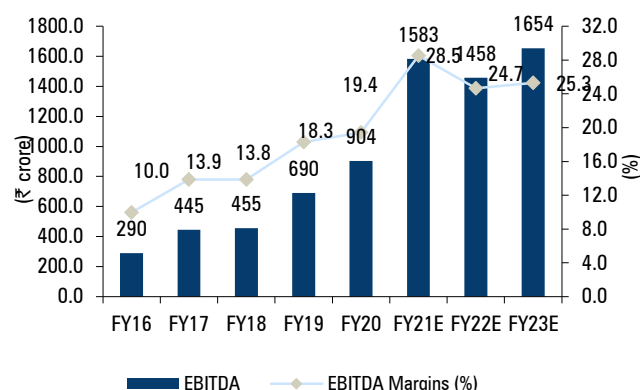
Source: ICICI Direct Research, Company

**Exhibit 7: Export to grow at 14.8% CAGR over FY20-23E**



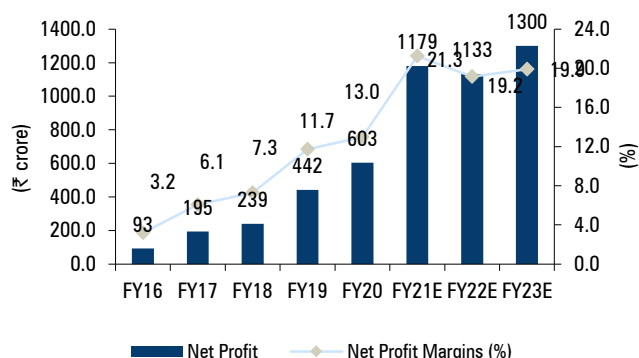
Source: ICICI Direct Research, Company

**Exhibit 8: EBITDA & EBITDA margins trend**



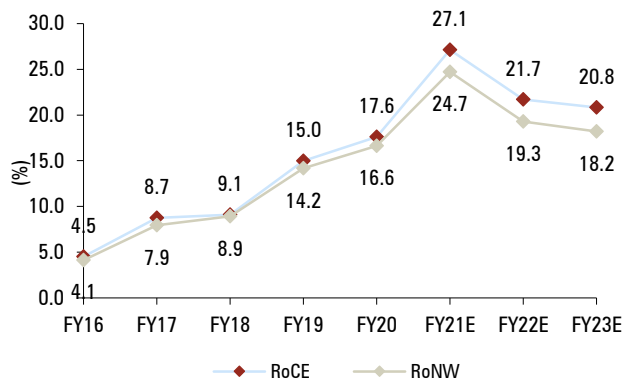
Source: ICICI Direct Research, Company

**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	Adj. EPS	Growth	P/E	EV/EBITDA	RoNW	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY20	4649	23.2	47.6	36.4	46.7	31.3	16.6	17.6
FY21E	5549	19.4	93.0	95.4	23.9	17.3	24.7	27.1
FY22E	5911	6.5	89.3	-3.9	24.9	18.1	19.3	21.7
FY23E	6535	10.6	102.5	14.8	21.7	15.4	18.2	20.8

Source: ICICI Direct Research, Company

**Exhibit 12: Shareholding Pattern**

(in %)	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
Promoter	46.1	46.1	46.1	46.1	46.1
Others	53.9	53.9	53.9	53.9	53.9

Source: ICICI Direct Research, Company

## Financial Summary

**Exhibit 13: Profit & Loss (₹ crore)**

(Year-end March)	FY20	FY21E	FY22E	FY23E
<b>Revenues</b>	<b>4,648.7</b>	<b>5,549.2</b>	<b>5,911.4</b>	<b>6,535.3</b>
Growth (%)	23.2	19.4	6.5	10.6
Raw Material Expenses	1,644.1	1,763.3	1,950.8	2,156.6
Employee Expenses	921.2	1,041.0	1,124.0	1,233.2
Other Expense	1,179.6	1,161.7	1,378.6	1,491.4
Total Operating Expenditure	3,745.0	3,966.0	4,453.3	4,881.2
<b>EBITDA</b>	<b>903.7</b>	<b>1,583.2</b>	<b>1,458.1</b>	<b>1,654.1</b>
Growth (%)	31.0	75.2	-7.9	13.4
Interest	16.5	10.3	9.0	7.5
Depreciation	210.5	206.5	216.3	242.2
Other Income	67.0	67.3	144.8	176.5
PBT after EO/Forex	743.7	1,433.7	1,377.6	1,580.7
MI & Profit from associates	-10.6	-10.7	-11.5	-11.5
<b>PAT</b>	<b>603.4</b>	<b>1,179.2</b>	<b>1,132.7</b>	<b>1,300.3</b>
Growth (%)	36.4	95.4	-3.9	14.8
Adjusted PAT	603.4	1,179.2	1,132.7	1,300.3
<b>EPS</b>	<b>47.6</b>	<b>93.0</b>	<b>89.3</b>	<b>102.5</b>
<b>EPS (Adjusted)</b>	<b>47.6</b>	<b>93.0</b>	<b>89.3</b>	<b>102.5</b>

Source: ICICI Direct Research

**Exhibit 14: Cash Flow Statement (₹ crore)**

(Year-end March)	FY20	FY21E	FY22E	FY23E
Profit after Tax	586.7	1,179.2	1,132.7	1,300.3
Add: Depreciation	210.5	206.5	216.3	242.2
(Inc)/dec in Current Assets	-415.5	-445.0	-118.6	-385.8
Inc/(dec) in CL and Provisions	152.0	214.2	45.5	62.5
Others	30.7	10.3	9.0	7.5
<b>CF from operating activities</b>	<b>564.3</b>	<b>1,165.3</b>	<b>1,285.0</b>	<b>1,226.7</b>
(Inc)/dec in Fixed Assets	-402.4	-200.0	-350.0	-200.0
(Inc)/dec in Investments	-49.4	-500.0	-500.0	-500.0
Others	-83.4	3.9	4.2	4.5
<b>CF from investing activities</b>	<b>-535.2</b>	<b>-696.1</b>	<b>-845.8</b>	<b>-695.5</b>
Issue/(Buy back) of Equity	11.9	0.0	0.0	0.0
Inc/(dec) in loan funds	-6.3	-150.0	-50.0	-50.0
Dividend paid & dividend tax	-121.7	-35.4	-28.3	-32.5
Other	-8.1	139.7	41.0	42.5
<b>CF from financing activities</b>	<b>-130.5</b>	<b>-195.7</b>	<b>-87.3</b>	<b>-90.0</b>
Net Cash flow	-101.4	273.5	351.8	441.2
Opening Cash	282.3	180.9	454.4	806.2
<b>Closing Cash</b>	<b>180.9</b>	<b>454.4</b>	<b>806.2</b>	<b>1,247.5</b>
<b>Free Cash Flow</b>	<b>161.9</b>	<b>965.3</b>	<b>935.0</b>	<b>1,026.7</b>

Source: ICICI Direct Research

**Exhibit 15: Balance Sheet (₹ crore)**

(Year-end March)	FY20	FY21E	FY22E	FY23E
Equity Capital	25.3	25.3	25.3	25.3
Reserve and Surplus	3,602.2	4,746.1	5,850.5	7,118.3
Total Shareholders funds	3,627.5	4,771.4	5,875.7	7,143.5
Total Debt	500.7	350.7	300.7	250.7
Deferred Tax Liability	141.8	151.7	162.4	173.7
Minority Interest	13.63	15.0	16.5	18.1
LTP & Other LTL	34.5	36.9	39.5	42.3
<b>Total Liabilities</b>	<b>4,318.1</b>	<b>5,325.7</b>	<b>6,394.8</b>	<b>7,628.4</b>
Gross Block - Fixed Asset	2,981.1	3,181.1	3,331.1	3,731.1
Accumulated Depreciation	936.7	1,143.2	1,359.5	1,601.8
Net Block	2,044.4	2,037.8	1,971.5	2,129.3
Capital WIP	85.2	85.2	285.2	85.2
Total Fixed Assets	2,129.6	2,123.0	2,256.8	2,214.5
Goodwill on Consolidation	62.4	62.4	62.4	62.4
Investments	309.6	809.6	1,309.6	1,809.6
LT L&A, Non Current Asset	140.8	150.6	161.1	172.4
Inventory	1,323.1	1,579.4	1,682.5	1,860.1
Debtors	895.2	1,068.6	1,067.7	1,258.5
Loans and Advances	3.0	3.2	3.4	3.6
Other Current Assets	215.3	230.3	246.5	263.7
Cash	180.9	454.4	806.2	1,247.5
Total Current Assets	2,617.5	3,335.9	3,806.3	4,633.4
Creditors	609.9	800.8	821.4	857.3
Provisions	93.7	100.3	107.3	114.8
Other current liabilities	238.1	254.8	272.6	291.7
Total Current Liabilities	941.7	1,155.8	1,201.4	1,263.9
Net Current Assets	1,675.8	2,180.1	2,604.9	3,369.5
<b>Application of Funds</b>	<b>4,318.1</b>	<b>5,325.7</b>	<b>6,394.8</b>	<b>7,628.4</b>

Source: ICICI Direct Research

**Exhibit 16: Key Ratios**

(Year-end March)	FY20	FY21E	FY22E	FY23E
<b>Per share data (₹)</b>				
Adjusted EPS	47.6	93.0	89.3	102.5
BV per share	286.0	376.2	463.3	563.2
Dividend per share	7.7	10.1	11.8	13.1
<b>Operating Ratios (%)</b>				
Gross Profit Margins	64.6	68.2	67.0	67.0
EBITDA Margins	19.4	28.5	24.7	25.3
PAT Margins	13.0	21.3	19.2	19.9
Inventory days	103.9	103.9	103.9	103.9
Debtor days	70.3	70.3	65.9	70.3
Creditor days	47.9	52.7	50.7	47.9
Asset Turnover	1.6	1.7	1.8	1.8
EBITDA conversion Rate	62.4	73.6	88.1	74.2
<b>Return Ratios (%)</b>				
RoE	16.6	24.7	19.3	18.2
RoCE	17.6	27.1	21.7	20.8
RoIC	19.2	35.9	32.3	32.7
<b>Valuation Ratios (x)</b>				
P/E	46.7	23.9	24.9	21.7
EV / EBITDA	31.3	17.3	18.1	15.4
EV / Net Sales	6.1	4.9	4.5	3.9
Market Cap / Sales	6.1	5.1	4.8	4.3
Price to Book Value	7.8	5.9	4.8	3.9
<b>Solvency Ratios</b>				
Debt / EBITDA	0.6	0.2	0.2	0.2
Debt / Equity	0.1	0.1	0.1	0.0
<b>Current Ratio</b>	<b>2.6</b>	<b>2.5</b>	<b>2.5</b>	<b>2.7</b>

Source: ICICI Direct Research

**Exhibit 17: ICICI Direct universal Coverage (Healthcare)**

Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹cr)	EPS (₹)				PE(x)				RoCE (%)				RoE (%)			
						FY19	FY20	FY21E	FY22E	FY19	FY20	FY21E	FY22E	FY19	FY20	FY21E	FY22E	FY19	FY20	FY21E	FY22E
Ajanta Pharma	AJAPHA	1586	1,960	Buy	13842	43.5	53.4	62.7	73.8	36.4	29.7	25.3	21.5	21.8	24.7	25.4	24.5	17.1	18.1	18.4	18.6
Alembic Pharma	ALEMPHA	979	1,170	Buy	19245	31.4	46.3	59.7	48.4	31.1	21.1	16.4	20.2	19.6	21.0	22.2	16.9	21.8	27.1	22.9	16.2
Apollo Hospital	APOHOS	2086	1,970	Buy	29020	17.0	23.3	-11.4	28.7	122.9	89.4	NA	72.6	8.8	10.2	3.9	15.2	7.1	9.7	-4.6	10.5
Aurobindo Pharma	AURPHA	780	1,025	Buy	45712	41.9	48.8	58.4	65.4	18.6	16.0	13.4	11.9	15.9	17.2	18.2	18.0	17.7	17.0	15.0	14.5
Biocon	BIOCON	415	500	Buy	49776	6.2	5.8	8.4	15.8	66.8	71.3	49.7	26.3	10.9	10.2	11.7	18.2	12.2	10.4	13.2	20.3
Cadila Healthcare	CADHEA	432	555	Buy	44256	18.1	14.0	19.8	22.1	23.9	30.9	21.8	19.5	12.8	10.7	13.6	14.3	17.8	13.8	15.7	15.4
Cipla	CIPLA	790	925	Buy	63699	18.6	19.2	27.6	30.4	42.5	41.1	28.6	26.0	10.9	12.0	15.5	15.5	10.0	9.8	12.6	12.5
Divi's Lab	DIVLAB	3237	4,205	Buy	85939	51.0	51.9	73.0	89.9	63.5	62.4	44.3	36.0	25.5	23.9	28.4	28.7	19.4	18.8	22.2	22.3
Dr Reddy's Lab	DRREDD	4903	6,000	Buy	81516	114.7	121.9	168.4	194.4	42.8	40.2	29.1	25.2	10.7	9.6	17.5	19.3	13.6	13.0	15.5	15.5
Glenmark Pharma	GLEPHA	484	635	Buy	13661	26.9	26.4	36.5	37.6	18.0	18.3	13.3	12.9	15.3	12.7	14.9	14.1	13.5	12.2	14.5	13.1
Hikal	HIKCHE	167	230	Buy	2060	8.4	8.1	10.2	12.2	20.0	20.6	16.5	13.7	14.3	12.8	13.6	14.9	13.6	12.2	13.5	14.2
Ipca Laboratories	IPCLAB	2222	2,665	Buy	28182	34.9	47.6	93.0	89.3	63.7	46.7	23.9	24.9	15.0	17.6	27.1	21.7	14.2	16.6	24.7	19.3
Jubilant Life	JUBLIF	700	850	Buy	11154	54.9	59.9	54.4	70.3	12.8	11.7	12.9	10.0	14.3	14.4	14.7	16.9	17.8	16.6	13.2	14.7
Lupin	LUPIN	917	985	Hold	41561	16.5	-12.7	22.6	38.4	55.4	NA	40.5	23.9	9.4	9.7	8.9	13.5	5.4	-4.6	7.6	11.6
Narayana Hrudayam	NARHRU	342	405	Buy	6988	2.9	6.4	-4.2	8.3	117.8	53.8	NA	41.1	7.7	11.0	-2.4	12.8	5.5	11.4	-8.3	14.2
Natco Pharma	NATPHA	928	950	Buy	16912	35.4	25.3	31.0	29.7	26.2	36.7	30.0	31.3	21.3	14.0	16.1	14.2	18.5	12.2	13.4	11.6
Sun Pharma	SUNPHA	509	585	Buy	122159	15.9	16.8	25.5	23.1	32.1	30.3	19.9	22.1	10.3	10.0	11.4	12.4	9.2	8.9	12.9	10.5
Syngene Int.	SYNINT	538	635	Buy	21538	8.3	10.3	9.5	13.2	65.1	52.3	56.5	40.9	14.8	14.5	12.4	15.8	16.8	15.7	14.9	17.2
Torrent Pharmaceuticals	TORPHA	2557	3,135	Buy	43262	48.9	60.6	71.0	85.9	52.2	42.2	36.0	29.7	14.2	15.4	18.0	20.2	17.5	21.2	21.0	21.3
Shalby	SHALIM	92	100	Hold	990	2.9	2.6	4.2	4.8	31.3	35.9	22.0	19.0	6.8	7.2	5.8	7.8	4.1	3.5	5.3	5.9
Aster DM	ASTDM	136	160	Buy	6771	6.7	5.5	-0.3	8.3	20.3	24.5	NA	16.3	8.3	7.1	3.4	8.7	10.4	8.5	-0.5	11.3
Indoco Remedies	INDREM	255	335	Buy	2352	-0.3	2.6	9.3	14.8	NA	97.5	27.5	17.2	0.9	4.6	11.4	15.6	-0.4	3.5	11.4	15.7
Caplin Point	CAPPOI	486	605	Buy	3675	23.3	28.4	33.5	43.5	20.8	17.1	14.5	11.2	34.6	26.5	26.9	28.1	27.9	22.7	21.5	22.3
Granules India	GRANUL	371	460	Buy	9194	9.5	12.4	21.4	25.2	38.9	29.9	17.4	14.7	11.8	15.2	22.9	23.1	15.5	16.7	22.6	21.2
Laurus Labs	LAULAB	277	390	Buy	14836	1.7	4.8	16.0	17.7	158.2	58.1	17.3	15.7	7.7	13.0	30.4	28.0	6.0	14.4	33.8	27.9

Source: ICICI Direct Research, Bloomberg



## RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorises them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%;

Hold: -5% to 15%;

Reduce: -5% to -15%;

Sell: <-15%



Pankaj Pandey

Head – Research

[pankaj.pandey@icicisecurities.com](mailto:pankaj.pandey@icicisecurities.com)

ICICI Direct Research Desk,  
ICICI Securities Limited,  
1st Floor, Akruti Trade Centre,  
Road No 7, MIDC,  
Andheri (East)  
Mumbai – 400 093  
[research@icicidirect.com](mailto:research@icicidirect.com)

## ANALYST CERTIFICATION

We /I, Siddhant Khandekar, Inter CA, Mitesh Shah, (cleared all 3 levels of CFA), Sudarshan Agarwal, PGDM (Finance), Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

## Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities Limited is a SEBI registered Research Analyst with SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com)

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icicidirect.com](http://icicidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.