

January 22, 2021

## Subdued Generics, higher costs impact financials...

Q3 revenues grew 5.9% YoY to ₹ 1851 crore. Generics sales de-grew 2.7% YoY to ₹ 561 crore due to statin APIs portfolio witnessing a muted demand owing to stockpiling by customers in Q1FY21. Biosimilars grew 11.0% YoY to ₹ 769 crore. Research Services segment grew 12.6% YoY at ₹ 584 crore. EBITDA margins contracted 383 bps YoY to 21.6% mainly due to higher employee, R&D and other expenditure. EBITDA declined 10.1% YoY to ₹ 400 crore as against I-direct estimate of ₹ 481 crore. Net profit declined 16.9% YoY to ₹ 169 crore.

## Well placed to capture global biosimilar opportunities

The Biosimilars segment (35% of FY20 revenues) includes biosimilars and insulin. The company is heavily spending in this space. The progress has been encouraging with approvals and launches in the US, EU, Japan, Australia and Emerging Markets. Post Mylan Upjohn (Pfizer) merger, the scope has been extended to China as well. We expect this segment to grow at ~47% CAGR to ₹ 7367 crore in FY20-23E mainly due to a strong US pipeline (Pegfilgrastim (launched), Trastuzumab (launched), Glargine (launched), Aspart (expected in FY22E) and Bevacizumab (delayed)) besides launches across the globe.

## Research services (Syngene) to maintain growth momentum

Biocon's contract research organisation (CRO) arm Syngene contributes 31% of total revenues. The company caters to 362 clients including eight out of global top 10 global players. We expect revenues to grow at a CAGR of ~16% to ₹ 3136 crore in FY20-23E.

## Generics growth steady

The generics segment (34% of FY20 total revenue) comprises APIs like statins, immunosuppressants, specialty APIs & also include generic formulations business. The company is exploring fewer opportunities but with higher profitability in this segment. We expect the generics segment to grow at a CAGR ~8% CAGR to ₹ 2782 crore in FY20-23E.

## Valuation & Outlook

Q3 results were below I-direct estimates on all fronts due to lower than expected Generics sales, profitability was also lower due to higher than expected employee cost and depreciation. As per management, due to operational, regulatory and commercial challenges amid Covid-19, its US\$1 billion target for biosimilars by FY22 is likely to get postponed. This, besides stepping down announcement of the MD is likely to weigh on the near term sentiments. Operationally however the company remains committed to accelerated spending on capex, R&D that is likely to push related expenses higher in the near term. Timely launches, ramp up of biosimilars in developed as well as EMs and Syngene's performances remain key levers for the company. We change from BUY to **HOLD** and arrive at our revised target price of ₹ 450 (vs ₹ 500 earlier) on an SoTP basis.

### Key Financial Summary

(Year End March)	FY20	FY21E	FY22E	FY23E	CAGR (FY20-23E) %
Revenues (₹crore)	6367.2	7459.8	10151.6	13285.0	27.8
EBITDA (₹crore)	1603.1	1803.8	3086.2	4264.0	38.6
EBITDA margins (%)	25.2	24.2	30.4	32.1	
Net Profit (₹crore)	698.2	781.0	1667.2	2454.0	52.0
EPS (₹)	5.8	6.5	13.9	20.4	
P/E (x)	64.3	61.6	28.8	19.6	
RoCE (%)	10.2	9.2	16.5	21.2	
RoE (x)	10.4	10.5	18.7	22.1	

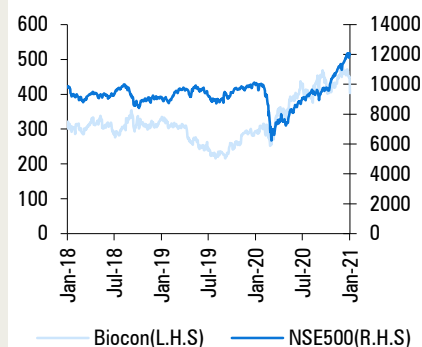
Source: Company, ICICI Direct Research



### Particulars

Particular	Amount
Market Capitalisation	₹48078 crore
Debt (FY 20)	₹2715 crore
Cash (FY 20)	₹999 crore
EV	₹49795 crore
52 week H/L	488/236
Equity capital (₹crore)	₹600 crore
Face value (₹)	₹5

### Price performance



### Key risks to our call

- Upside:** Quick recovery in US patient footfalls leading to faster than expected ramp-up of biosimilars
- Downside:** Continued regulatory hurdles deterring timely product launches

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Exhibit 1: Variance Analysis

	Q3FY21	Q3FY21E	Q3FY20	Q2FY21	YoY (%)	QoQ (%)	Comments
Revenue	1,851.0	2,018.1	1,748.1	1,744.8	5.9	6.1	YoY growth on the back of Biosimilars and Contract research segments being partially offset by YoY decline in the Generics segment
Raw Material cost	559.9	626.1	577.3	531.4	-3.0	5.4	
Gross margins	69.8	69.0	67.0	69.5	278 bps	21 bps	
Employee cost	463.3	444.0	376.1	431.9	23.2	7.3	
R & D Expenditure	171.0	184.1	131.0	148.0	30.5	15.5	Gross R&D spend was ₹ 183 crore in Q3FY21
Other Expenditure	257.3	282.5	219.5	242.1	17.2	6.3	
Total Expenditure	1,451.5	1,536.7	1,303.9	1,353.4	11.3	7.2	
EBITDA	399.5	481.4	444.2	391.4	-10.1	2.1	
EBITDA (%)	21.6	23.9	25.4	22.4	-383 bps	-85 bps	YoY decline and miss vis-à-vis I-direct estimates due to higher R&D expenses, staff costs and other expenses
Interest	4.8	10.2	17.7	6.5	-72.9	-26.2	
Depreciation	186.3	177.7	144.0	177.7	29.4	4.8	
Other income	27.9	20.2	35.8	15.5	-22.1	80.0	
EO	0.0	0.0	0.0	0.0	0.0	0.0	
PBT	236.3	313.7	318.3	222.7	-25.8	6.1	
Tax	48.9	72.2	84.8	22.3	-42.3	119.3	
MI	18.0	36.9	27.5	26.1	-34.5	-31.0	
Adj. PAT	168.6	199.7	202.8	169.3	-16.9	-0.4	YoY decline and lower than I-direct estimates mainly due to lower operational performance and higher depreciation
<b>Key Metrics</b>							
Generics	560.7	645.2	576.0	598.8	-2.7	-6.4	Declined and miss vis-à-vis I-direct estimates amid some COVID-19 related headwinds and higher API stockings in earlier quarters by clients
Biosimilars	768.9	770.7	693.0	676.1	11.0	13.7	YoY growth driven by steady market share of our products in the US and growth in key RoW markets including AFMET and India.
Contract Research	584.5	602.2	519.1	519.6	12.6	12.5	YoY growth was driven by strong performance from all divisions

Source: ICICI Direct Research

Exhibit 2: Change in Estimates

(₹Crore)	FY21E			FY22E			Comments
	Old	New	% Change	Old	New	% Change	
Revenues	8,030.4	7,459.8	-7.1	11,592.2	10,151.6	-12.4	Decline mainly due to slower than expected rampup in biosimilar segment
EBITDA	2,143.4	1,803.8	-15.8	3,482.3	3,086.2	-11.4	
EBITDA Margin (%)	26.7	24.2	-252 bps	30.0	30.4	40 bps	Lower than expected margins in 9M, adverse product mix and likely negative operational leverage in near term due to aggressive capex
Net Profit	1,002.4	781.0	-22.1	1,893.4	1,667.2	-11.9	
EPS (₹)	8.4	6.5	-22.1	15.8	13.9	-11.9	Changed mainly in sync with operational performance and increase in depreciation

Source: ICICI Direct Research

Exhibit 3: Change in Estimates

Growth (%)	Current				Earlier		Comments
	FY19	FY20	FY21E	FY22E	FY21E	FY22E	
Generics	1,950.8	2,185.1	2,348.7	2,575.9	2,518.8	2,844.9	Changed mainly due to lower than expected sales in Q3FY21
Biosimilars	1,995.2	2,303.1	3,020.9	4,898.1	3,358.7	6,070.2	Changed mainly due to slower than expected ramp up in existing launches
Contract Research	1,826.0	2,012.0	2,243.7	2,677.7	2,287.8	2,727.8	

Source: ICICI Direct Research

## Conference Call Highlights

- **Generics**
  - Launched Tacrolimus in the US in December 2020
  - Sales contribution split 80:20 – API: formulations
    - statin formulations portfolio, comprising Rosuvastatin, Atorvastatin and Simvastatin tablets, continue to hold mid to high teens market share in US
  - APIs - 2 DMFs approvals during the quarter, filed 10 DMFs for APIs in US, Europe and MoW markets
  - Growth guidance: API – mid-single, formulations – high teens growth; Overall growth of 5-10% over 1-2 years
  - Challenges –
    - statin APIs impacted because of muted demand from customers who had stockpiled in Q1
    - entry into markets like Japan, Russia impacted by Covid, such as delays in GMP audits
- **Biocon Biologics**
  - EBITDA margins were at 27%
  - PE investments to be used for R&D, high quality manufacturing and redemption of preferential shares of Biocon for finding generics segment growth
    - Biocon's stake in Biocon biologics will be diluted to 75% (currently ~90%) by the time of IPO
  - Q3FY21 – entry of Semglee (formulary driven business), modest increase in Ogivri, Fulphila in US
    - Semglee ramp-up to be witnessed in FY22
  - Bevacizumab – no technical issues, only inspection is pending
  - Insulin glargine interchangeability likely to happen, management confident that it will come soon
  - Response for Copaxone CRL to be submitted in the next few months
  - In Malaysia, received a 1-year extension of its off-take agreement (OTA) for insulins
  - Malaysia facility breakeven - Q4FY21 or early FY22
  - Trastuzumab and Insulin Glargine approved in 2 additional MoW countries
  - European Medicines Agency's CHMP recommended approval of Insulin Aspart for type 1 and 2 diabetes
  - Covid-19 related challenges faced – impacting pace of revenue growth due to lower patient footfalls and impacting product off-take
    - tenders being delayed, Pegfilgrastim volumes were lower by 7% in Q2, facilities not operational at full capacity, procurement challenges
    - Malaysia – some employees tested Covid positive leading to shutdown of department thereby delay in shipments which impacted sales

- The management believes its target of US\$1 billion sales will be slightly delayed
- **Novel Biologics** – Equillum on track in phase 1b Itolizumab trials, topline results expected in H1FY22.
- Forex gain for Q3FY21 was ~₹ 6 crore
- Core margins (ex-licensing, forex & R&D cost) stood at 31% in Q3FY21
- Gross R&D - ₹ 183 crore (₹ 171 in P&L), 14% of sales (ex-Syngene); higher due to spend in biosimilar pipeline, novel and generics spend
- Capex guidance may be delayed by a maximum of 1 year owing to Covid related challenges
- Management hopes to resolve operational challenges by end of FY21

Exhibit 4: Trends in quarterly performance

(₹Crore)	13FY18	14FY18	11FY19	12FY19	13FY19	14FY19	11FY20	12FY20	13FY20	14FY20	11FY21	12FY21	13FY21	YoY (%)	QoQ (%)
Revenues	1057.9	1169.5	1123.8	1321.0	1540.8	1528.8	1465.9	1572.2	1748.1	1581.0	1671.3	1744.8	1851.0	5.9	6.1
Raw Material Cost	423.8	475.2	433.8	446.7	528.1	487.9	424.5	477.9	577.3	572.5	541.6	531.4	559.9	-3.0	5.4
% to revenues	40.1	40.6	38.6	33.8	34.3	31.9	29.0	30.4	33.0	36.2	32.4	30.5	30.2		
Gross Profit	634.1	694.3	690.0	874.3	1012.7	1040.9	1041.4	1094.3	1170.8	1008.5	1129.7	1213.4	1291.1	10.3	6.4
Gross Profit Margin	59.9	59.4	61.4	66.2	65.7	68.1	71.0	69.6	67.0	63.8	67.6	69.5	69.8	278 bps	21 bps
Employee cost	235.3	257.0	261.4	288.9	294.4	320.6	341.0	353.3	376.1	388.4	393.7	431.9	463.3	23.2	7.3
% to revenues	22.2	22.0	23.3	21.9	19.1	21.0	23.3	22.5	21.5	24.6	23.6	24.8	25.0	351 bps	28 bps
R & D	52.9	51.0	44.0	77.0	77.0	92.0	79.0	104.0	131.0	125.0	107.0	148.0	171.0		
% to revenues	5.0	4.4	3.9	5.8	5.0	6.0	5.4	6.6	7.5	7.9	6.4	8.5	9.2	174 bps	76 bps
Other Expenditure	124.2	153.3	146.7	168.8	260.6	225.3	183.9	234.2	219.5	176.5	215.7	242.1	257.3	17.2	6.3
% to revenues	11.7	13.1	13.1	12.8	16.9	14.7	12.5	14.9	12.6	11.2	12.9	13.9	13.9	134 bps	3 bps
Total Expenditure	836.2	936.5	885.9	981.4	1160.1	1125.8	1028.4	1169.4	1303.9	1262.4	1258.0	1353.4	1451.5	11.3	7.2
% to revenues	79.0	80.1	78.8	74.3	75.3	73.6	70.2	74.4	74.6	79.8	75.3	77.6	78.4		
EBIDTA	221.7	233.0	237.9	339.6	380.7	403.0	437.5	402.8	444.2	318.6	413.3	391.4	399.5	-10.1	2.1
EBITDA Margin (%)	21.0	19.9	21.2	25.7	24.7	26.4	29.8	25.6	25.4	20.2	24.7	22.4	21.6	-383 bps	-85 bps
Depreciation	97.4	95.3	99.1	112.2	116.7	119.8	124.2	131.6	144.0	152.4	166.8	177.7	186.3	29.4	4.8
Interest	14.7	16.9	17.6	18.8	18.6	15.9	16.6	13.8	17.7	16.8	12.5	6.5	4.8	-72.9	-26.2
OI	33.9	67.5	68.8	54.4	25.6	28.2	24.1	38.4	35.8	63.1	18.3	15.5	27.9	-22.1	80.0
PBT	143.5	188.3	190.0	263.0	271.0	295.5	320.8	295.8	318.3	212.5	252.3	222.7	236.3	-25.8	6.1
Tax	36.1	40.7	52.1	73.2	46.1	40.9	85.2	100.1	84.8	45.0	80.9	22.3	48.9	-42.3	119.3
Tax Rate (%)	25.2	21.6	27.4	27.8	17.0	13.8	26.6	33.8	26.6	21.2	32.1	10.0	20.7		
PAT	107.4	147.6	137.9	189.8	224.9	254.6	235.6	195.7	233.5	167.5	171.4	200.4	187.4	-19.7	-6.5
PAT Margin (%)	10.2	12.6	12.3	14.4	14.6	16.7	16.1	12.4	13.4	10.6	10.3	11.5	10.1		
Exceptional Items (	0.0	0.0	0.0	-188.8	-5.8	0.0	0.0	-67.5	0.0	0.0	0.0	0.0	0.0		
Net Profit before MI	107.4	147.6	137.9	378.6	230.7	254.6	235.6	263.2	233.5	167.5	171.4	200.4	187.4	-19.7	-6.5
Add/(less) MI	21.7	22.3	18.6	23.0	26.0	29.7	21.4	38.1	27.5	35.7	18.4	26.1	18.0		
Net Profit after MI	85.7	125.3	119.3	355.6	204.7	224.9	214.2	225.1	206.0	131.8	153.0	174.3	169.4	-17.8	-2.8
Adjusted Net Profit	91.9	130.4	119.8	165.9	212.4	213.7	206.3	189.0	202.8	123.4	149.4	169.3	168.6	-16.9	-0.4

Source: ICICI Direct Research

## Company Background

Biocon was established in 1978 by first generation entrepreneur Dr Kiran Mazumdar-Shaw. Unlike most pharma companies that are chemical based, Biocon has carved out its niche in the more complex biotechnology field. Over the decades, Biocon has successfully evolved into an emerging global biopharma enterprise, serving its partners and customers in over 75 countries. As a fully integrated biopharma company, it delivers innovative biopharmaceutical solutions, ranging from discovery to development & commercialisation. In 2004, it came out with its maiden IPO.

The company has initiated filings and launches of biosimilars in the US, EU, Australia, Canada, Japan besides some developing markets. It has entered into a partnership with Mylan for six biosimilar programs (Trastuzumab, Pegfilgrastim, Adalimumab, Bevacizumab, Etanercept and Filgrastim) and three insulin analogue programmes (Glargine, Lispro and Aspart).

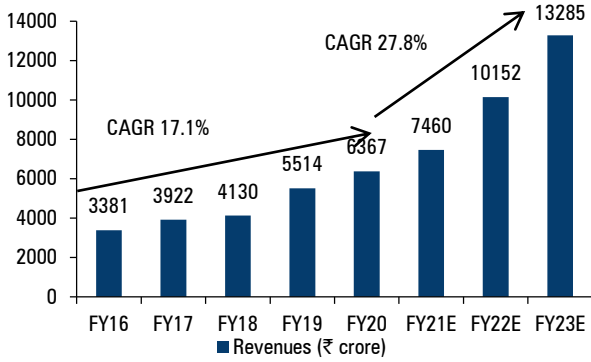
Recently, the company also entered into a partnership with Sandoz, a Novartis division and a global leader in biosimilars, for an exclusive portfolio of next-generation biosimilars in the area of immunology and oncology. This synergistic partnership will leverage the capabilities of both partners for an 'end to end' play encompassing development, manufacturing, regulatory approval and commercialisation globally. This collaboration addresses some of the long term biosimilars opportunities beyond the near term opportunities being addressed by existing partnership with Mylan.

### Exhibit 5: Progress on biosimilars front

Date	Event
Aug-20	Mylan and Biocon launched Insulin Glargine (Semglee) in US
Jul-20	Tata Capital acquires 0.85% stake in Biocon Biologics
Jul-20	Partner Mylan has received USFDA approval for Hulio (adalimumab)
Jun-20	Biocon-Mylan has received USFDA approval for Semglee (insulin glargine)
Apr-20	Mylan and Biocon launched Pegfilgrastim Biosimilar, Fulphila in Australia & Canada
Dec-19	PE fund True North acquires 2.44% stake in Biocon Biologics
Dec-19	Mylan and Biocon Launched Trastuzumab Biosimilar, Ogivri in the US
Oct-19	Biocon Biologics and Just - Evotec Biologics Sign Licensing Deal for a early stage Biosimilar Asset
Oct-19	Biocon and Mylan Launch First Insulin Glargine Biosimilar, Semglee in Australia
Aug-19	Mylan and Biocon Launch First Trastuzumab Biosimilar, Ogivri in Australia
May-19	Biocon-Mylan has received health Canada approval for bTrastuzumab
Nov-18	Biocon-Mylan has launched Insulin Glargine in EU
Nov-18	Biocon-Mylan has received EU approval for bPegfilgrastim and bTrastuzumab
Jul-18	Biocon-Mylan has launched Fulphila (pegfilgrastim-jmdb) in the US
Jun-18	Mylan entered into a commercialisation agreement with Lupin for bEtanercept for certain markets. Biocon has retained its economic interest in this arrangement vis-à-vis Mylan and would benefit from the accelerate commercialisation of this product
Jun-18	Biocon-Mylan has received USFDA approval for Fulphila (pegfilgrastim-jmdb) as the first biosimilar of Neulasta. Mylan has launched Fulphila in the US
Apr-18	Biocon-Mylan in-license Humira biosimilar from Fujifilm and expects to launch in Europe in H2CY18
Mar-18	Mylan and Biocon receive approval for Semglee biosimilar Insulin Glargine in EU and Australia
Jan-18	Collaborates with Sandoz for a global partnership to develop, manufacture and commercialize a number of next generation biosimilars
Dec-17	USFDA approval for Ogivri, a biosimilar Trastuzumab co-developed by Biocon and Mylan
Jul-17	Biocon's partner Fujifilm launches insulin Glargine in Japan
Jul-17	USFDA Oncologic Drugs Advisory Committee (ODAC) recommends approval of Biocon-Mylan's proposed biosimilar Trastuzumab in all eligible indications
Jan-17	USFDA accepts Biocon's biologics licence application for its biosimilar oncology drug Trastuzumab
Aug-16	European Medicines Agency accepts Biocon-Mylan Proposed Biosimilar Trastuzumab (gHerceptin) for review
Jul-16	European Medicines Agency accepts Biocon-Mylan Proposed Biosimilar Pegfilgrastim (gNeulasta) for review
Jul-16	Launches Biocon's Insulin Glargine in Japan
Jun-16	Biocon and Mylan to present Phase 3 Trastuzumab Biosimilar Data at the American Society of Clinical Oncology (ASCO) Annual Meeting
Mar-16	Biocon's Insulin Glargine receives regulatory approval in Japan
Mar-16	Biocon inks co-development & commercialisation agreement with Lab PiSA for Rh-insulin in US

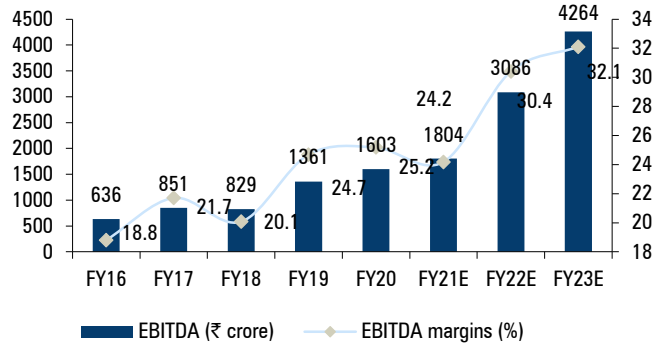
Source: ICICI Direct Research, Company

Exhibit 6: Revenues to grow at 28% CAGR over FY20-23E



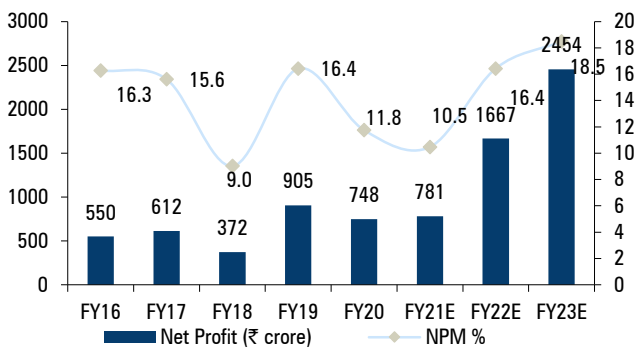
Source: ICICI Direct Research, Company

Exhibit 7: EBITDA & margins trend



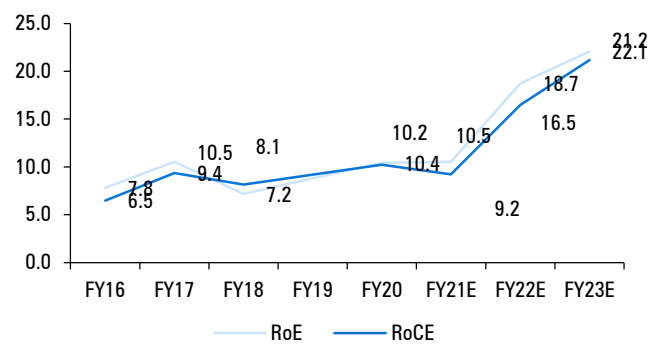
Source: ICICI Direct Research, Company

Exhibit 8: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 9: RoCE & RoE (%) trend



Source: ICICI Direct Research, Company

Exhibit 10: Valuation

Particulars	FY23E EPS (₹cr)	Multiple (x)	Per share (₹)
Biocon (ex Syngene)	16.5	20.0	330.2
Syngene			
Targeted Market Cap			25400
Biocon's Holding			71.1%
Holding Company Discount			20.0%
Syngene valuation			14439
Per share valuation			120
<b>SOTP valuation</b>			<b>450</b>

Source: ICICI Direct Research

Exhibit 11: Financial Summary

	Revenues (₹ crore)	Growth (%)	EPS (₹)	Growth (%)	P/E V/EBITDA (x)	RoNW (%)	RoCE (%)
FY 20	6367	15.5	5.8	-6.3	64.3	30.5	10.4
FY 21E	7460	17.2	6.5	11.9	61.6	27.4	10.5
FY 22E	10152	36.1	13.9	113.5	28.8	16.0	18.7
FY 23E	13285	30.9	20.4	47.2	19.6	11.3	22.1

Source: ICICI Direct Research

Exhibit 12: Shareholding Pattern

(in %)	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Promoter	60.7	60.7	60.7	60.7	60.7
Others	39.3	39.3	39.3	39.3	39.3

Source: ICICI Direct Research, Company



## Financial Summary

Exhibit 13: Profit and loss statement				
	₹ crore			
Year-end March	FY20	FY21E	FY22E	FY23E
<b>Total Operating Income</b>	<b>6367.2</b>	<b>7459.8</b>	<b>10151.6</b>	<b>13285.0</b>
Growth (%)	15.5	17.2	36.1	30.9
Raw Material Expenses	2052.2	2299.4	3147.0	3919.1
Employee Expenses	1458.8	1727.4	1878.1	2391.3
R&D Expenditure	439.0	629.0	822.1	1116.4
Other Expenditures	814.1	1000.1	1218.2	1594.2
Total Operating Expenditure	4764.1	5655.9	7065.4	9020.9
<b>Operating Profit (EBITDA)</b>	<b>1603.1</b>	<b>1803.8</b>	<b>3086.2</b>	<b>4264.0</b>
Growth (%)	17.8	12.5	71.1	38.2
Depreciation	552.2	717.1	773.9	933.8
Interest	64.9	30.6	31.7	22.7
Other Income	161.4	94.7	101.5	132.8
PBT before Exceptional Item	1147.4	1150.9	2382.1	3440.4
Less: Exceptional Items	-67.5	0.0	0.0	0.0
Total Tax	315.1	253.2	547.9	791.3
PAT before MI	899.8	897.7	1834.3	2649.1
Minority Interest	122.7	106.4	163.9	191.9
<b>Adjusted PAT</b>	<b>698.2</b>	<b>781.0</b>	<b>1667.2</b>	<b>2454.0</b>
Growth (%)	-6.3	11.9	113.5	47.2
<b>EPS (Adjusted)</b>	<b>5.8</b>	<b>6.5</b>	<b>13.9</b>	<b>20.4</b>

Source: ICICI Direct Research

Exhibit 14: Cash Flow Statement				
	₹ crore			
Year-end March	FY20	FY21E	FY22E	FY23E
Profit/(Loss) after taxation	526.8	781.0	1667.2	2454.0
Add: Depreciation & Amortiza	552.2	717.1	773.9	933.8
Net Increase in Current Asset:	-571.8	-692.1	-1396.7	-1650.3
Net Increase in Current Liabilit	133.0	627.8	994.6	1188.4
Other Operating Activities	369.2	30.6	31.7	22.7
<b>CF from operating activities</b>	<b>1009.4</b>	<b>1464.4</b>	<b>2070.7</b>	<b>2948.5</b>
(Purchase)/Sale of Fixed Ass	-1829.4	-1951.4	-1776.0	-1665.0
(Increase)/Decrease in Investm	174.4	100.0	-500.0	-500.0
Increase/(Decrease) in Minori	0.0	67.7	74.5	82.0
Other Investing Activities	-74.3	13.9	-4.1	-28.9
<b>CF from investing activities</b>	<b>-1729.3</b>	<b>-1769.8</b>	<b>-2205.6</b>	<b>-2112.0</b>
Proceeds from issues of Equit	538.8	0.0	0.0	0.0
Inc/(dec) in loan funds	292.3	0.0	100.0	-800.0
(Payment) of Dividend and Div	-70.1	-78.1	-166.7	-245.4
Interest Paid	-91.2	-30.6	-31.7	-22.7
Other Financing Activities	-8.5	0.0	0.0	0.0
<b>CF from financing activities</b>	<b>661.3</b>	<b>-108.7</b>	<b>-98.4</b>	<b>-1068.1</b>
Net Cash flow	-58.6	-414.1	-233.3	-231.6
Opening Cash	1057.2	998.6	584.5	351.2
<b>Closing Cash</b>	<b>998.6</b>	<b>584.5</b>	<b>351.2</b>	<b>119.7</b>
<b>Free Cash Flow</b>	<b>1183.8</b>	<b>1564.4</b>	<b>1570.7</b>	<b>2448.5</b>

Source: ICICI Direct Research

Exhibit 15: Balance Sheet				
	₹ crore			
Year-end March	FY20	FY21E	FY22E	FY23E
<b>Liabilities</b>				
Equity Capital	600.0	600.0	600.0	600.0
Reserve and Surplus	6105.8	6808.7	8309.2	10517.8
Total Shareholders funds	6705.8	7408.7	8909.2	11117.8
Total Debt	2715.3	2715.3	2815.3	2015.3
Minority Interest	677.3	745.0	819.5	901.5
Other NCL & LT Provisions	1747.4	1920.7	2111.2	2320.6
<b>Source of Funds</b>	<b>11845.8</b>	<b>12789.7</b>	<b>14655.2</b>	<b>16355.2</b>
<b>Assets</b>				
Gross Block - Fixed Assets	9121.0	10422.4	12898.4	15563.4
Accumulated Depreciation	3176.3	3893.4	4667.3	5601.1
Net Block	5944.7	6529.0	8231.1	9962.3
Capital WIP	2196.0	2846.0	2146.0	1146.0
Total Fixed Assets	8140.7	9375.0	10377.1	11108.3
Goodwill on Consolidation	26.4	26.4	26.4	26.4
Investments	966.1	866.1	1366.1	1866.1
Inventory	1435.9	1395.5	1899.1	2485.3
Debtors	1223.7	1747.5	2378.1	3112.1
Cash	998.6	584.5	351.2	119.7
Other Current Assets	809.2	1017.9	1280.4	1610.5
Total Current Assets	4467.4	4745.5	5908.8	7327.6
Creditors	1325.1	1621.0	2206.0	2886.9
Provisions	103.0	133.2	163.3	193.5
Other Current Liabilities	1169.9	1471.6	1851.1	2328.4
Total Current Liabilities	2598.0	3225.8	4220.4	5408.8
Net Current Assets	1869.4	1519.7	1688.4	1918.8
Deferred Tax Assets	368.0	404.8	445.3	489.8
Other Non Current assets	475.2	597.7	751.9	945.8
<b>Application of Funds</b>	<b>11845.8</b>	<b>12789.7</b>	<b>14655.2</b>	<b>16355.2</b>

Source: ICICI Direct Research

Exhibit 16: Ratio Analysis				
	₹ crore			
Year-end March	FY20	FY21E	FY22E	FY23E
<b>Per share data (₹)</b>				
Reported EPS	6.2	6.5	13.9	20.4
BV per share	55.9	61.7	74.2	92.6
Dividend per share	0.6	0.7	1.4	2.0
Cash Per Share	8.3	4.9	2.9	1.0
<b>Operating Ratios (%)</b>				
Gross Margin	67.8	69.2	69.0	70.5
EBITDA margin	25.2	24.2	30.4	32.1
EBIT Margin	16.5	14.6	22.8	25.1
PAT Margin	11.0	10.5	16.4	18.5
Inventory days	82.3	68.3	68.3	68.3
Debtor days	70.1	85.5	85.5	85.5
Creditor days	76.0	79.3	79.3	79.3
Asset Turnover	0.5	0.6	0.7	0.8
EBITDA Conversion Ratio	63.0	81.2	67.1	69.1
<b>Return Ratios (%)</b>				
RoE	10.4	10.5	18.7	22.1
RoCE	10.2	9.2	16.5	21.2
RoIC	14.2	13.3	22.2	26.0
<b>Valuation Ratios (x)</b>				
P/E	64.3	61.6	28.8	19.6
EV / EBITDA	30.5	27.4	16.0	11.3
EV / Net Sales	7.7	6.6	4.9	3.6
Market Cap / Sales	7.6	6.4	4.7	3.6
Price to Book Value	7.2	6.5	5.4	4.3
<b>Solvency Ratios</b>				
Debt / EBITDA	1.7	1.5	0.9	0.5
Debt / Equity	0.4	0.4	0.3	0.2
<b>Current Ratio</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>

Source: ICICI Direct Research

Exhibit 17: 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	FY21E	Y22E	FY19	Y20	Y21E	Y22E	FY19	FY20	Y21E	Y22E
Ajanta Pharma	AJAPHA	1715	1,960	Buy	14967	43.5	53.4	62.7	73.8	39.4	32.1	27.3	23.2	21.8	24.7	25.4	24.5	17.1	18.1	18.4	18.6
Alembic Pharma	ALEMPHA	954	1,055	Hold	18760	30.2	44.4	57.5	43.9	31.7	21.5	16.6	21.7	19.6	21.0	23.9	17.0	21.8	27.1	23.0	15.5
Apollo Hospital	APOHOS	2605	2,310	Hold	36241	16.2	22.3	-1.6	36.1	160.4	116.6	NA	72.2	8.8	10.2	4.9	13.0	7.1	9.7	-0.5	10.0
Aurobindo Pharma	AURPHA	909	1,025	Buy	53279	41.9	48.8	55.1	61.7	21.7	18.7	16.5	14.7	15.9	17.2	17.9	17.3	17.7	17.0	14.3	13.9
Biocon	BIOCON	401	450	Hold	48078	6.2	5.8	6.5	13.9	64.5	68.9	61.6	28.8	10.9	10.2	9.2	16.5	12.2	10.4	10.5	18.7
Cadila Healthcare	CADHEA	465	555	Buy	47584	18.1	14.0	20.1	22.0	25.7	33.3	23.1	21.1	12.8	10.7	13.7	14.2	17.8	13.8	15.9	15.3
Cipla	CIPLA	808	965	Buy	65186	18.6	19.2	28.6	30.2	43.5	42.1	28.3	26.8	10.9	12.0	16.0	15.4	10.0	9.8	13.0	12.4
Divi's Lab	DIVLAB	3571	4,425	Buy	94796	51.0	51.9	74.1	89.8	70.1	68.9	48.2	39.8	25.5	23.9	28.8	28.6	19.4	18.8	22.5	22.3
Dr Reddy's Lab	DRREDD	5024	5,770	Buy	83536	114.6	121.8	153.6	195.4	43.8	41.2	32.7	25.7	10.7	9.6	17.7	19.3	13.6	13.0	14.3	15.8
Glenmark Pharma	GLEPHA	493	635	Buy	13919	26.9	26.4	36.5	37.6	18.3	18.7	13.5	13.1	15.3	12.7	14.9	14.1	13.5	12.2	14.5	13.1
Hikal	HIKCHE	166	230	Buy	2050	8.4	8.1	10.2	12.2	19.9	20.5	16.4	13.6	14.3	12.8	13.6	14.9	13.6	12.2	13.5	14.2
Ipca Laboratories	IPCLAB	2014	2,665	Buy	25537	34.9	47.6	93.5	89.8	57.7	42.3	21.5	22.4	15.0	17.6	27.3	21.8	14.2	16.6	24.8	19.3
Jubilant Life	JUBLIF	951	850	Buy	15155	54.9	59.9	54.4	70.3	17.3	15.9	17.5	13.5	14.3	14.4	14.7	16.9	17.8	16.6	13.2	14.7
Lupin	LUPIN	1068	985	Hold	48415	16.5	-12.7	21.7	38.6	64.5	NA	49.2	27.7	9.4	9.7	8.6	13.6	5.4	-4.6	7.3	11.7
Narayana Hrudayam	NARHRU	475	405	Buy	9698	2.9	6.4	-4.2	8.3	163.5	74.7	NA	57.0	7.7	11.0	-2.4	12.8	5.5	11.4	-8.3	14.2
Natco Pharma	NATPHA	889	885	Hold	16199	35.4	25.3	32.7	28.0	25.1	35.1	27.2	31.7	21.3	14.0	17.1	13.6	18.5	12.2	14.0	11.0
Sun Pharma	SUNPHA	578	585	Buy	138630	15.9	16.8	25.7	23.2	36.5	34.4	22.5	24.9	10.3	10.0	11.9	12.3	9.2	8.9	13.0	10.6
Syngene Int.	SYNINT	583	700	Buy	23320	8.3	10.3	9.7	13.2	70.5	56.6	60.1	44.2	14.8	14.5	12.6	15.8	16.8	15.7	15.1	17.1
Torrent Pharmaceuticals	TORPHA	2708	3,135	Buy	45825	48.9	60.6	70.6	85.8	55.3	44.7	38.3	31.6	14.2	15.4	17.9	20.2	17.5	21.2	20.9	21.3
Shalby	SHALIM	110	130	Hold	1190	2.9	2.6	4.7	4.9	37.6	43.1	23.4	22.4	6.8	7.2	6.6	7.9	4.1	3.5	6.0	5.9
Aster DM	ASTDM	161	170	Buy	8052	6.7	5.5	3.1	9.9	24.2	29.1	51.9	16.2	8.3	7.1	5.2	9.1	10.4	8.5	4.5	12.7
Indoco Remedies	INDREM	316	380	Buy	2916	-0.3	2.6	9.3	14.8	NA	120.9	34.0	21.3	0.9	4.6	11.4	15.6	-0.4	3.5	11.4	15.7
Caplin Point	CAPPOI	480	605	Buy	3631	23.3	28.4	33.5	43.5	20.6	16.9	14.3	11.0	34.6	26.5	26.9	28.1	27.9	22.7	21.5	22.3
Granules India	GRANUL	335	460	Buy	8302	9.5	12.4	21.4	25.2	35.1	27.0	15.7	13.3	11.8	15.2	22.9	23.1	15.5	16.7	22.6	21.2
Laurus Labs	LAULAB	368	390	Buy	19725	1.7	4.8	16.0	17.7	210.3	77.3	23.0	20.8	7.7	13.0	30.4	28.0	6.0	14.4	33.8	27.9

Source: ICICI Direct Research, Bloomberg



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