

## Strong growth across segments, better product mix...

Revenues grew 20% YoY to ₹ 845 crore driven by new launches and higher market share of existing products across segments. Formulations grew 11% YoY to ₹ 422 crore, API grew 20% to ₹ 252 crore and PFI grew 48% to ₹ 171 crore. EBITDA margins improved 187 bps YoY to 25.1% due to change in product mix and higher operational efficiency. EBITDA grew 29.7% YoY to ₹ 212 crore. Adjusted PAT grew 52.8% YoY to ₹ 147 crore. Delta vis-a-vis EBITDA was due to higher other income (one-time ₹ 13.4 crore stimulus money received by US subsidiary).

### Formulation – Focus on fewer launches, higher market share

Formulation revenues grew 31% in FY16-20 to ₹ 1360 crore mainly due to timely launches, market share gains in both core, small but complex products like Methergine along with extension of its core products launches in OTC segment. Its vertically integrated business model, sustained market share in volume products, focus on select small but high value accretive launches where competition is less bode well in crowded generics market. Extending its core products via additional strength/different forms in US, launching in other geographies may provide better operating leverage. We expect formulation revenues to grow 20.5% in FY20-23E to ₹ 2379 crore.

### API+PFI - Well poised to capture global opportunities besides complementing formulation foray

These segments grew just 7.7% in FY16-20 mainly due to captive consumption, capacity constraints. However, with new capacities getting commissioned (Vizag unit V) for multiple APIs, oncology blocks, we expect good traction in this space. The company is also working on backward integration for key APIs. Similarly, by already having critical mass globally in key APIs, we believe Granules could be one of the prime beneficiaries of 'China + one' substitute play. Overall, we expect 15.8% CAGR in FY20-23E to ₹ 1922 crore owing to improved demand and capacity addition.

### Valuation & Outlook

Q3 results were above I-direct estimates on all fronts. After achieving critical mass in commoditised but important products in last few quarters, Granules has been steadily expanding its reach into formulations with a vertically integrated model. This bodes well at a time when generic supply script globally is likely to be rewritten in the post-pandemic era that would be more conducive for vertically integrated players like Granules. Apart from a strong quarterly performance, the management is looking to sustain 25-27% EBITDA margins for FY21 with YoY bottomline growth of ~60-70% (similar to FY20). We like Granules' clear vision to play on its strength of economies of scale and gradually expand into more complex products/forms to improve margins. Sustained margin expansion is likely to support FCF generation despite brownfield capex lined up till FY23E. We maintain **BUY** and target price of ₹ 460, unchanged, at 15x of FY23E EPS of ₹ 30.6).

### Key Financial Summary

₹Crore	FY20	FY21E	FY22E	FY23E	CAGR FY20-23(%)
Revenues	2598.6	3247.7	3729.2	4300.3	18.3
EBITDA	525.3	825.6	927.6	1139.6	29.5
EBITDA Margins (%)	20.2	25.4	24.9	26.5	
Net Profit	309.9	523.6	584.7	757.4	34.7
EPS (Adjusted)	12.4	21.1	23.6	30.6	
PE (x)	26.1	16.7	15.0	11.6	
EV to EBITDA (x)	17.8	11.3	9.7	7.5	
RoCE (%)	15.2	22.4	22.0	24.1	
RoE (%)	16.7	22.4	20.2	20.9	

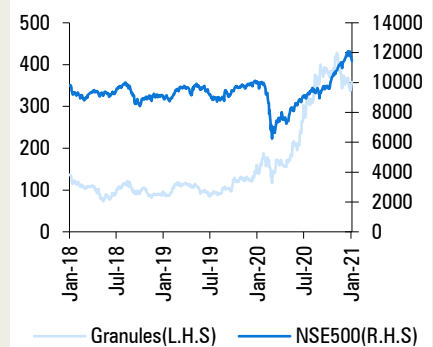
Source: ICICI Direct Research; Company



### Particulars

Particular	Amount
Market Capitalisation	₹8757 crore
Debt (FY 20)	₹892 crore
Cash (FY 20)	₹284 crore
EV	₹9365 crore
52 week H/L	438/114
Equity capital	₹25.4 crore
Face value	₹1

### Price performance



### Key risks to our call

- Regulatory issues /delay in commercialisation of new plants
- Any unforeseen impact on core molecules

### Research Analyst

Mitesh Shah  
mitesh.shah@icicisecurities.com

Siddhant Khandekar  
siddhant.khandekar@icicisecurities.com

Sudarshan Agarwal  
sudarshan.agarwal@icicisecurities.com

Exhibit 1: Variance Analysis

	Q3FY21	Q3FY20	Q2FY21	YoY (%)	QoQ (%)	Comments
Revenue	844.5	704.0	858.1	20.0	-1.6	YoY growth was mainly due to new launches and increase in market share of existing products across all three verticals. Revenue declined 1.6% QoQ due to MEIS benefits withdrawal and inventory buildup by partner. Beat vis-à-vis i-direct estimates mainly due to strong API growth.
Raw Material Expenses	391.0	347.1	361.1	12.7	8.3	
Gross margins (%)	53.7	50.7	57.9	300 bps	-422 bps	YoY improvement in gross margins mainly due to change in product mix
Employee Expenses	83.1	64.8	79.7	28.3	4.3	
Other Expenditure	158.9	129.0	160.9	23.1	-1.3	
Total Operating Expenditure	633.0	540.8	601.7	17.0	5.2	
EBITDA	211.6	163.2	256.4	29.7	-17.5	
EBITDA (%)	25.1	23.2	29.9	187 bps	-483 bps	Improvement mainly in sync with gross margins
Interest	7.2	6.7	6.3	7.6	15.6	
Depreciation	36.8	39.0	36.1	-5.5	2.2	
Other income	16.4	3.5	3.2	367.6	409.3	
PBT before EO	183.9	120.9	217.3	52.0	-15.4	
Less: Exceptional Items	0.0	32.0	0.0	0.0	0.0	
PBT	183.9	88.9	217.3	106.8	-15.4	
Tax	37.1	24.9	53.7	49.1	-30.9	
MI & Share of loss/ (gain) asso.	0.0	0.0	0.0	0.0	0.0	
Adj. Net Profit	146.8	96.1	163.6	52.8	-10.3	YoY delta vis-à-vis EBITDA and i-direct estimates mainly due to higher other income. QoQ decline mainly due to higher material cost and one-time product loss taken during the quarter
<b>Key Metrics</b>						
API	252.0	209.1	254.7	20.5	-1.1	YoY growth mainly due to addition of new customers
PFI	171.0	115.5	173.3	48.1	-1.3	Robust YoY growth amid increasing penetration
Formulations	422.0	379.4	430.1	11.2	-1.9	YoY growth mainly due to new launches

Source: ICICI Direct Research

Exhibit 2: Change in Estimates

(₹ Crore)	FY21E			FY22E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	3,150.1	3,247.7	3.1	3,627.8	3,729.2	2.8	
EBITDA	852.5	825.6	-3.2	979.5	927.6	-5.3	Change mainly due to decline in gross margins as per management guidance
EBITDA Margin (%)	27.1	25.4	-164 bps	27.0	24.9	-213 bps	Change mainly due to decline in gross margins as per management guidance
PAT	528.9	523.6	-1.0	623.5	584.7	-6.2	Changed mainly in sync with EBITDA
EPS (₹)	21.4	21.1	-1.0	25.2	23.6	-6.2	

Source: ICICI Direct Research

Exhibit 3: Change in Estimates

(₹ crore)	Current			Earlier			Comments
	FY19	FY20	FY21E	FY22E	FY21E	FY22E	
API	819.7	817.0	949.8	1,044.8	899.6	989.6	Increase mainly due to higher than expected sales in Q3FY21
PFI	386.9	421.4	638.4	702.2	563.2	619.5	Increase mainly due to higher than expected sales in Q3FY21
Formulations	1,072.6	1,360.1	1,660.0	1,982.2	1,687.3	2,018.7	

Source: ICICI Direct Research

## Conference Call Highlights

- Q3FY21 saw supply chain issues, raw material disruption impacting production
  - Expects logistics challenges to continue in Q4FY21
- Four new launches such as Ramelteon, Dexmethylphenidate HCl ER and Potassium Chloride ER tablets (Klor-Con) from GPI and Guaifenesin ER tablets from GIL
- Four product launches have been delayed to build inventory, some to be launched in Q4FY21
- Product Filing: 45; Approvals: 35; Launched: 25
- approval for MUPS based Penicillamine Capsules 250 mg and Potassium Chloride ER tablets (Klor-Con M)
  - potassium chloride ER (Klor-Con M), to be launched in April 2021 (currently building inventory of ~ 4 months). Market size ~US\$148 million
- One more MUPS based launch in late FY22 (Market size: US\$60 million)
- Metformin ER to be launched in February 2021 (US\$89 million market)
  - 750 mg version to be re-launched in near-term once NDMA issue is resolved
- API, MUPS block at Vizag to be ready by end of Q4CY21, Q4FY22 respectively
  - MUPS block asset turnover to be higher than current asset turnover
- Q3FY21 R&D – 2.6% of sales at ₹ 22.3 crore, FY22 R&D to be at least ₹ 150 crore
- Net Debt stood at ₹ 612 crore, Gross Debt at ₹ 837 crore
- Received two ANDA approvals in Q3FY21; Cumulative 35 ANDA approvals (including tentative approval)
- Guidance
  - PAT for FY21 – similar to FY20 (60-70% growth), post FY21 – 25-30% YoY growth
  - EBITDA margins to be 25-27% in near term, ~27% in long term
  - Gross margin to be ~52-53%
- Acquired land for ~ ₹ 28 crore in Genome valley for PFI & FD manufacturing facility for ~10 billion units of solid orals, other finished dosage forms and additional capacity for PFIs. The facility will be operational in early FY24.
- US Rx to OTC - 80:20
- Core molecules contribution in Q3FY21 at ~84%, to come down to ~65% over time
- Capacity utilization for formulation at ~85%, Vizag Unit-V working at 20%
- Capex
  - The expected capex for Genome project is ~₹ 400 crore by FY25
  - Year based bifurcation: FY21 – ₹ 220 crore; FY22 - ₹ 180 crore + ₹ 30 crore (related to Genome valley project); FY23-25- ₹ 370 crore
  - Category based: MUPS: ₹ 240 crore, API: ₹ 90 crore, Regular capex: ₹ 50-70 crore, New capex: ₹ 400

Exhibit 4: Trends in quarterly financials

(₹ crore)	13FY 18	14FY 18	11FY 19	12FY 19	13FY 19	14FY 19	11FY 20	12FY 20	13FY 20	14FY 20	11FY 21	12FY 21	13FY 21	YoY (%)	QoQ (%)
Net Sales	410.7	503.8	453.2	580.9	631.8	613.3	595.3	699.5	704.0	599.9	735.6	858.1	844.5	20.0	-1.6
Raw Material Expense	208.9	309.7	247.1	317.7	359.2	331.6	295.5	359.4	347.1	279.0	297.6	361.1	391.0	12.7	8.3
% of Revenue	50.9	61.5	54.5	54.7	56.8	54.1	49.6	51.4	49.3	46.5	40.5	42.1	46.3	-300 bps	422 bps
Gross Profit	201.8	194.1	206.1	263.2	272.6	281.8	299.8	340.1	356.9	320.8	438.0	497.0	453.5	27.1	-8.8
Gross Profit Margin (%)	49.1	38.5	45.5	45.3	43.2	45.9	50.4	48.6	50.7	53.5	59.5	57.9	53.7	300 bps	-422 bps
Employee Expenses	41.5	42.4	50.3	54.6	53.6	51.3	57.0	63.4	64.8	73.8	83.7	79.7	83.1	28.3	4.3
% of Revenue	10.1	8.4	11.1	9.4	8.5	8.4	9.6	9.1	9.2	12.3	11.4	9.3	9.8	64 bps	55 bps
Other Expenditure	86.2	108.1	83.3	108.0	105.7	132.8	124.2	133.1	129.0	147.1	170.8	160.9	158.9	23.1	-1.3
% of Revenue	21.0	21.5	18.4	18.6	16.7	21.7	20.9	19.0	18.3	24.5	23.2	18.7	18.8	48 bps	6 bps
Total Expenditure	336.7	460.2	380.6	480.3	518.5	515.7	476.7	555.9	540.8	499.9	552.0	601.7	633.0	17.0	5.2
% of Revenue	82.0	91.3	84.0	82.7	82.1	84.1	80.1	79.5	76.8	83.3	75.0	70.1	74.9	-187 bps	483 bps
EBITDA	74.0	43.6	72.6	100.5	113.3	97.6	118.6	143.6	163.2	99.9	183.6	256.4	211.6	29.7	-17.5
EBITDA Margin (%)	18.0	8.7	16.0	17.3	17.9	15.9	19.9	20.5	23.2	16.7	25.0	29.9	25.1	187 bps	-483 bps
Depreciation	19.6	20.4	24.5	26.5	27.0	27.4	28.7	30.3	39.0	39.0	34.1	36.1	36.8	-5.5	2.2
Interest	8.2	6.2	6.5	7.6	7.5	6.9	6.9	6.9	6.7	6.6	6.0	6.3	7.2	7.6	15.6
Other Income	5.7	12.9	29.4	17.2	8.0	20.9	27.4	8.7	3.5	82.3	5.6	3.2	16.4	367.6	409.3
Less: Exceptional	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	32.0	0.0	0.0	0.0	0.0		
PBT	51.9	29.9	70.9	83.6	86.8	84.2	110.4	115.1	88.9	136.7	149.2	217.3	183.9	106.8	-15.4
Total Tax	16.9	9.5	19.1	23.4	26.5	20.2	27.2	19.3	24.9	44.4	37.7	53.7	37.1	49.1	-30.9
Tax rate (%)	32.5	31.7	26.9	27.9	30.5	24.0	24.6	16.8	28.0	32.5	25.3	24.7	20.2	-781 bps	-453 bps
PAT before MI	35.0	20.4	51.8	60.3	60.3	64.0	83.2	95.8	64.0	92.3	111.5	163.6	146.8	129.2	-10.3
Minority Interest	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		
Adjusted PAT	35.0	20.4	51.8	60.3	60.3	64.0	83.2	95.8	96.1	92.3	111.5	163.6	146.8	52.8	-10.3
PAT Margin (%)	8.5	4.1	11.4	10.4	9.5	10.4	14.0	13.7	13.6	15.4	15.2	19.1	17.4	374 bps	-169 bps
EPS (₹)	1.4	0.8	2.1	2.4	2.4	2.6	3.4	3.9	3.9	3.7	4.5	6.6	5.9		

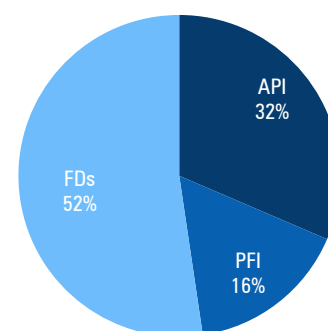
Source: ICICI Direct Research

## Company Background

Originating in 1984 and incorporated in 1991, Granules India (Granules) is a large-scale vertically integrated company manufacturing active pharmaceutical ingredient (API), pharmaceutical formulation intermediate (PFI) and finished dosage (Formulation). Over the years, it has created a strong presence in 'the first line of defence' products such as Paracetamol (pain), Ibuprofen (pain), Metformin (diabetic), Methocarbamol (muscle relaxant), and Guaifenesin (chest congestion control). Granules provides worldwide services to over 250 customers across 60+ countries. Exports comprise over 81% of total revenue. It has one of the largest PFI and single site formulation facilities in the world. It is also home to one of the world's largest Paracetamol API facilities.

As of FY20, the company has filed 45 ANDAs, out of which 26 have been approved. Granules has also filed 20 US DMFs, 16 CEPs and seven EDMFs.

### Segment Bifurcation



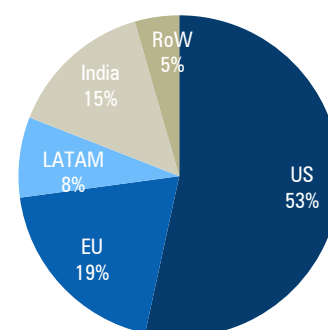
Source: ICICI Direct Research, Company

### Exhibit 5: Timeline of company events

Year	Details
1984	Granules formed as Triton Labs to produce Paracetamol API at Bonthapally
1987	Second Indian company to export pharmaceutical products to US
1990	Opened first PFI facility in Jeedimetla
1995	Listed on the Hyderabad Stock Exchange
2000	Triton Laborites private limited amalgamated with Granules India
2002	Listed on the BSE
2003	Opened a new large volume PFI facility in Gagillapur
2003	Setup a wholly owned subsidiary, Granules USA, for marketing in the US
2005	New Paracetamol plant was built in Bonthapally, Hyderabad
2006	Formed a joint venture (JV) with Hubei China for backward integration (Ibuprofen API)
2008	Entered into the Finished Dosage segment
2010	Received USFDA approval for its first ANDA
2011	JV with Ajinomoto OmniChem to venture into CRAMS business
2013	Established a 15,000 sq. foot R&D facility in Pragathi Nagar, Hyderabad
2014	Acquired Auctus Pharma to further strengthen the API portfolio
2015	Entered OTC business in the US through Granules Consumer Healthcare
2016	Acquisition of Formulation Facility GPI in Virginia
2017	QIP issue for ₹ 300 crore
2018	Commenced commercial operations of GPI
2019	Divested stake in Omnicem and Biocause JV to partner

Source: ICICI Direct Research, Company

### Geographical Bifurcation



Source: ICICI Direct Research, Company

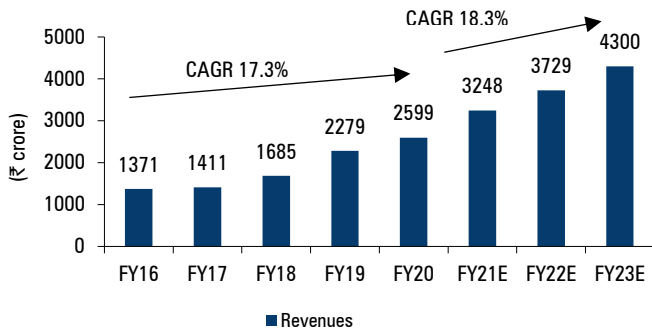
The company has eight manufacturing facilities, seven plants are in India and one in the US. API facilities are located at Bonthapally, Jeedimetla and Vizag. The Bonthapally unit manufactures Paracetamol API. The Jeedimetla unit manufactures Metformin, Guaifenesin and Methocarbamol APIs. The Jeedimetla plant also has a PFI manufacturing facility. The Vizag unit manufactures API (oncology and non-oncology) and finished dosage in oncology therapeutics through acquisition of Auctus Pharmaceuticals. Granules has taken over a multi-product API manufacturing facility at Vizag and an intermediary manufacturing facility at Bonthapally. The Gagillapur unit manufactures PFIs and finished dosages.

### Exhibit 6: Manufacturing facilities

Value chain	Location	Installed Capacity	Approvals	Inspection
API	Bonthapally	34,560 TPA	U.S. FDA, EDQM, WHO, COFEPRIS, INFARMED	Jul-19
	Jeedimetla	4,800 TPA	U.S. FDA, EDQM, COFEPRIS, WHO, CDCSO	Mar-18
	Vizag (Unit IV)	290 KL	U.S. FDA, KFDA, EU GMP, WHO GMP, EDQM	Dec-15
	Vizag (Unit V)		EU GMP	Apr-20
PFI	Gagillapur	23,200 TPA	US FDA, COFEPRIS, TGA, MCC, INFARMED	Feb-20
	Jeedimetla	1,440 TPA	WHO GMP, COFEPRIS, INFARMED	Mar-18
Formulations	Gagillapur	21.8 billion	US FDA, MCC, COFEPRIS, TGA, INFARMED	Feb-20
	Virginia, USA	1.5 billion	US FDA, DEA	Aug-19
API Intermediates	Bonthapally	61.5 KL		

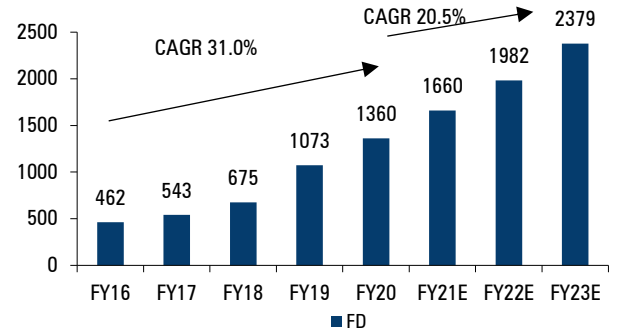
Source: ICICI Direct Research, Company

Exhibit 7: Revenues to grow at CAGR of 18% in FY20-23E



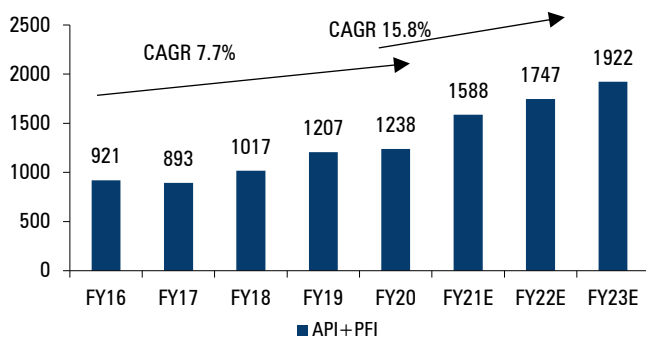
Source: ICICI Direct Research, Company

Exhibit 8: Formulations to grow at 20% CAGR in FY20-23E



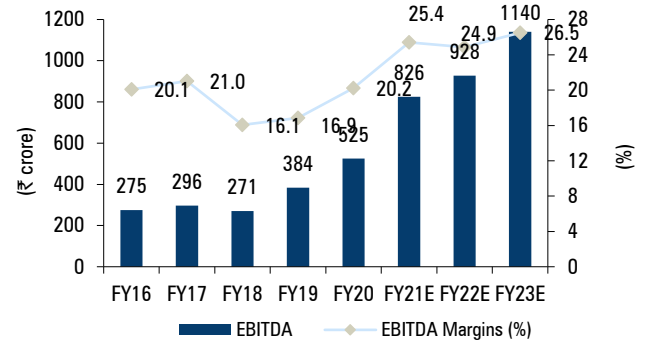
Source: ICICI Direct Research, Company

Exhibit 9: API+PFI to grow at CAGR of 16% over FY20-23E



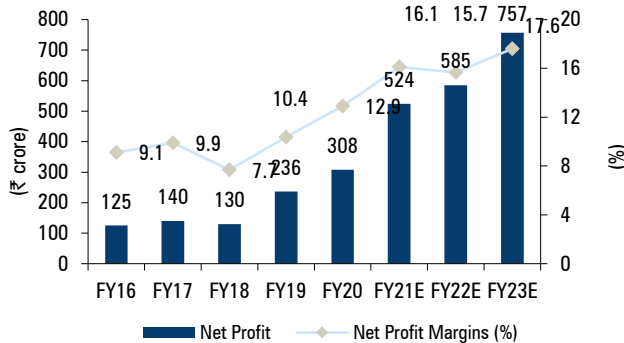
Source: ICICI Direct Research, Company

Exhibit 10: EBITDA & EBITDA margins trend



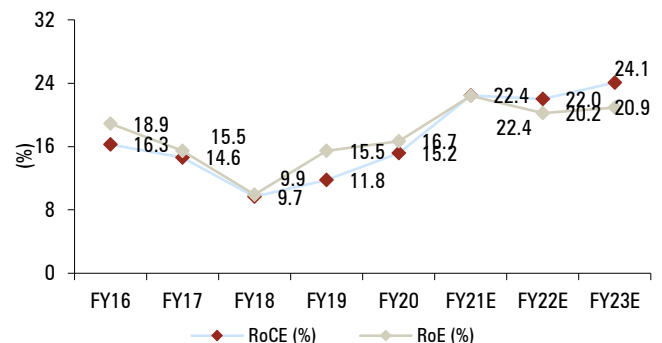
Source: ICICI Direct Research, Company

Exhibit 11: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 12: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 13: Financial Summary

	Revenues (₹ crore)	Growth (%)	EPS (₹)	Growth (%)	P/E V/EBITDA (x)	(X)	RoE (%)	RoCE (%)
FY 20	2599	14.0	12.4	65.2	26.1	17.8	16.7	15.2
FY 21E	3248	25.0	21.1	69.0	16.7	11.3	22.4	22.4
FY 22E	3729	14.8	23.6	11.7	15.0	9.7	20.2	22.0
FY 23E	4300	15.3	30.6	29.5	11.6	7.5	20.9	24.1

Source: ICICI Direct Research, Company

Exhibit 14: Shareholding Pattern

(in %)	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Promoter	42.9	42.9	42.1	42.0	42.0
Others	57.1	57.1	57.9	58.0	58.0

Source: ICICI Direct Research, Company

## Financial Summary

Exhibit 15: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Total Operating Income	2,598.6	3,247.7	3,729.2	4,300.3
Growth (%)	14.0	25.0	14.8	15.3
Raw Material Expenses	1,280.9	1,430.2	1,752.7	1,978.2
Gross Profit	1,317.7	1,817.5	1,976.5	2,322.2
Gross Profit Margins (%)	50.7	56.0	53.0	54.0
Employee Expenses	259.0	331.4	354.3	387.0
Other Expenditure	533.4	660.5	694.6	795.6
Total Operating Expenditure	2,073.3	2,422.1	2,801.6	3,160.8
<b>EBITDA</b>	<b>525.3</b>	<b>825.6</b>	<b>927.6</b>	<b>1,139.6</b>
Growth (%)	36.8	57.2	12.4	22.8
Interest	27.0	26.7	20.3	17.3
Depreciation	137.0	143.8	157.6	173.9
Other Income	36.6	31.5	29.8	61.5
<b>PBT before Exceptional</b>	<b>397.9</b>	<b>686.5</b>	<b>779.5</b>	<b>1,009.9</b>
Less: Exceptional Items	-27.7	0.0	0.0	0.0
PBT after Exceptional Item	425.6	686.5	779.5	1,009.9
Total Tax	115.7	162.9	194.9	252.5
PAT before MI	309.9	523.6	584.7	757.4
<b>PAT</b>	<b>309.9</b>	<b>523.6</b>	<b>584.7</b>	<b>757.4</b>
Growth (%)	65.2	69.0	11.7	29.5
<b>EPS (Adjusted)</b>	<b>12.4</b>	<b>21.1</b>	<b>23.6</b>	<b>30.6</b>

Source: ICICI Direct Research

Exhibit 16: Cash Flow Statement				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Profit/(Loss) after taxation	306.6	523.6	584.7	757.4
Add: Depreciation & Amorti	137.0	143.8	157.6	173.9
Net Increase in Current Ass	-88.9	-281.6	-220.0	-260.1
Net Increase in Current Liab	101.6	105.2	80.5	95.3
Others	19.9	26.7	20.3	17.3
<b>CF from Operating activiti</b>	<b>476.2</b>	<b>517.7</b>	<b>623.1</b>	<b>783.7</b>
Investments	0.0	0.0	0.0	-300.0
(Purchase)/Sale of Fixed A:	-72.0	-400.0	-250.0	-250.0
Others	3.5	-0.2	-0.3	-0.3
<b>CF from Investing activiti</b>	<b>-68.4</b>	<b>-400.2</b>	<b>-250.3</b>	<b>-550.3</b>
(inc)/Dec in Loan	-155.6	-115.7	-100.0	-100.0
Dividend & Dividend tax	-30.7	-29.7	-29.7	-29.7
Other	-26.6	-26.7	-20.3	-17.3
CF from Financing activities	-212.9	-172.1	-150.0	-147.0
<b>Net Cash Flow</b>	<b>194.9</b>	<b>-54.7</b>	<b>222.8</b>	<b>86.4</b>
Cash and Cash Equivalent	89.0	283.9	229.3	452.1
<b>Cash</b>	<b>283.9</b>	<b>229.3</b>	<b>452.1</b>	<b>538.5</b>
<b>Free Cash Flow</b>	<b>404.2</b>	<b>117.7</b>	<b>373.1</b>	<b>533.7</b>

Source: ICICI Direct Research

Exhibit 17: Balance Sheet				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Equity Capital	25.4	25.4	25.4	25.4
Reserve and Surplus	1,818.3	2,312.2	2,867.1	3,594.8
Total Shareholders funds	1,843.7	2,337.6	2,892.5	3,620.2
Total Debt	892.1	776.4	676.4	576.4
Net Deferred Tax Liability	43.0	43.8	44.7	45.6
Long-Term Provisions	0.0	0.0	0.0	0.0
Other Non Current Liabilitie	21.5	21.9	22.4	22.8
<b>Source of Funds</b>	<b>2,800.3</b>	<b>3,179.8</b>	<b>3,636.0</b>	<b>4,265.1</b>
Gross Block - Fixed Asset	1,875.2	2,075.2	2,425.2	2,675.2
Accumulated Depreciation	671.3	815.1	972.7	1,146.6
Net Block	1,204.0	1,260.1	1,452.5	1,528.6
Capital WIP	294.2	494.2	394.2	394.2
Fixed Assets	1,498.2	1,754.3	1,846.7	1,922.8
Investments	19.3	19.3	19.3	319.3
Other non-Current Assets	76.9	78.4	80.0	81.6
Inventory	438.4	542.8	623.2	718.7
Debtors	735.2	907.6	1,042.1	1,201.7
Other Current Assets	244.3	249.2	254.2	259.2
Cash	283.9	229.3	452.1	538.5
Total Current Assets	1,701.8	1,928.8	2,371.6	2,718.2
Creditors	430.0	533.9	613.0	706.9
Provisions	11.7	11.9	12.1	12.4
Other Current Liabilities	54.3	55.4	56.5	57.6
Total Current Liabilities	496.0	601.1	681.6	776.9
Net Current Assets	1,205.9	1,327.7	1,690.0	1,941.3
<b>Application of Funds</b>	<b>2,800.3</b>	<b>3,179.8</b>	<b>3,636.0</b>	<b>4,265.1</b>

Source: ICICI Direct Research

Exhibit 18: Ratio Analysis				
(Year-end March)	FY20	FY21E	FY22E	FY23E
<b>Per share data (₹)</b>				
Reported EPS	13.5	21.1	23.6	30.6
Cash EPS	16.7	25.7	28.8	36.4
BV per share	74.4	94.4	116.8	146.2
Cash per Share	11.5	9.3	18.3	21.7
Dividend per share	1.2	1.2	1.2	1.2
<b>Operating Ratios (%)</b>				
Gross Profit Margins	50.7	56.0	53.0	54.0
EBITDA margins	20.2	25.4	24.9	26.5
PAT Margins	11.8	16.1	15.7	17.6
Cash Conversion Cycle	104.4	103.0	103.0	103.0
Asset Turnover	1.4	1.6	1.5	1.6
EBITDA conversion Rate	90.6	62.7	67.2	68.8
<b>Return Ratios (%)</b>				
RoE	16.7	22.4	20.2	20.9
RoCE	15.2	22.4	22.0	24.1
RoIC	17.5	27.8	27.6	31.8
<b>Valuation Ratios (x)</b>				
P/E	26.1	16.7	15.0	11.6
EV / EBITDA	17.8	11.3	9.7	7.5
EV / Net Sales	3.6	2.9	2.4	2.0
Market Cap / Sales	3.4	2.7	2.3	2.0
Price to Book Value	4.7	3.7	3.0	2.4
<b>Solvency Ratios</b>				
Debt / EBITDA	1.7	0.9	0.7	0.5
Debt / E equity	0.5	0.3	0.2	0.2
Current Ratio	2.9	2.8	2.8	2.8

Source: ICICI Direct Research

Exhibit 19: 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	1758	1,960	Buy	15340	43.5	53.4	62.7	73.8	40.4	32.9	28.0	23.8	21.8	24.7	25.4	24.5	17.1	18.1	18.4	18.6	
Alembic Pharma	ALEMPHA	948	1,055	Hold	18636	30.2	44.4	57.5	43.9	31.4	21.4	16.5	21.6	19.6	21.0	23.9	17.0	21.8	27.1	23.0	15.5	
Apollo Hospital	APOHOS	2622	2,310	Hold	37706	16.2	22.3	-1.6	36.1	161.5	117.4	NA	72.7	8.8	10.2	4.9	13.0	7.1	9.7	-0.5	10.0	
Aurobindo Pharma	AURPHA	944	1,025	Buy	55333	41.9	48.8	55.1	61.7	22.6	19.4	17.2	15.3	15.9	17.2	17.9	17.3	17.7	17.0	14.3	13.9	
Biocon	BIOCON	380	450	Hold	45612	6.2	5.8	6.5	13.9	61.2	65.3	58.4	27.4	10.9	10.2	9.2	16.5	12.2	10.4	10.5	18.7	
Cadila Healthcare	CADHEA	462	555	Buy	47312	18.1	14.0	20.1	22.0	25.6	33.1	23.0	21.0	12.8	10.7	13.7	14.2	17.8	13.8	15.9	15.3	
Cipla	CIPLA	842	965	Buy	67895	18.6	19.2	28.6	30.2	45.3	43.8	29.5	27.9	10.9	12.0	16.0	15.4	10.0	9.8	13.0	12.4	
Divi's Lab	DIVLAB	3430	4,425	Buy	91049	51.0	51.9	74.1	89.8	67.3	66.1	46.3	38.2	25.5	23.9	28.8	28.6	19.4	18.8	22.5	22.3	
Dr Reddy's Lab	DRREDD	4872	5,770	Buy	81013	114.6	121.8	153.6	195.4	42.5	40.0	31.7	24.9	10.7	9.6	17.7	19.3	13.6	13.0	14.3	15.8	
Glenmark Pharma	GLEPHA	481	635	Buy	13565	26.9	26.4	36.5	37.6	17.9	18.2	13.2	12.8	15.3	12.7	14.9	14.1	13.5	12.2	14.5	13.1	
Hikal	HIKCHE	171	230	Buy	2110	8.4	8.1	10.2	12.2	20.5	21.1	16.8	14.0	14.3	12.8	13.6	14.9	13.6	12.2	13.5	14.2	
Ipca Laboratories	IPCLAB	1896	2,665	Buy	24052	34.9	47.6	93.5	89.8	54.4	39.9	20.3	21.1	15.0	17.6	27.3	21.8	14.2	16.6	24.8	19.3	
Jubilant Life	JUBLIF	901	850	Buy	14351	54.9	59.9	54.4	70.3	16.4	15.0	16.6	12.8	14.3	14.4	14.7	16.9	17.8	16.6	13.2	14.7	
Lupin	LUPIN	1049	985	Hold	47589	16.5	-12.7	21.7	38.6	63.4	NA	48.3	27.2	9.4	9.7	8.6	13.6	5.4	-4.6	7.3	11.7	
Narayana Hrudayam	NARHRU	438	405	Buy	8954	2.9	6.4	-4.2	8.3	150.9	69.0	NA	52.6	7.7	11.0	-2.4	12.8	5.5	11.4	-8.3	14.2	
Natco Pharma	NATPHA	894	885	Hold	16298	35.4	25.3	32.7	28.0	25.3	35.4	27.4	31.9	21.3	14.0	17.1	13.6	18.5	12.2	14.0	11.0	
Sun Pharma	SUNPHA	564	585	Buy	135403	15.9	16.8	25.7	23.2	35.6	33.6	22.0	24.3	10.3	10.0	11.9	12.3	9.2	8.9	13.0	10.6	
Syngene Int.	SYNINT	588	700	Buy	23508	8.3	10.3	9.7	13.2	71.1	57.1	60.6	44.5	14.8	14.5	12.6	15.8	16.8	15.7	15.1	17.1	
Torrent Pharmaceuticals	TORPHA	2664	3,135	Buy	45078	48.9	60.6	70.6	85.8	54.4	44.0	37.7	31.1	14.2	15.4	17.9	20.2	17.5	21.2	20.9	21.3	
Shalby	SHALIM	110	130	Hold	1185	2.9	2.6	4.7	4.9	37.4	43.0	23.3	22.3	6.8	7.2	6.6	7.9	4.1	3.5	6.0	5.9	
Aster DM	ASTDM	155	170	Buy	7760	6.7	5.5	3.1	9.9	23.3	28.1	50.0	15.6	8.3	7.1	5.2	9.1	10.4	8.5	4.5	12.7	
Indoco Remedies	INDREM	310	380	Buy	2861	-0.3	2.6	9.3	14.8	NA	118.7	33.4	20.9	0.9	4.6	11.4	15.6	-0.4	3.5	11.4	15.7	
Caplin Point	CAPPOI	462	605	Buy	3496	23.3	28.4	33.5	43.5	19.8	16.3	13.8	10.6	34.6	26.5	26.9	28.1	27.9	22.7	21.5	22.3	
Granules India	GRANUL	354	460	Buy	8757	9.5	12.4	21.1	23.6	37.0	28.5	16.7	15.0	11.8	15.2	22.4	22.0	15.5	16.7	22.4	20.2	
Laurus Labs	LAULAB	358	390	Buy	19226	1.7	4.8	16.0	17.7	204.8	75.2	22.4	20.3	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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Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

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

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