

Strong export tender, API sales; improved margins...

Q3FY21 revenues grew 16.2% YoY to ₹ 1410 crore (I-direct estimate: ₹ 1374 crore) mainly due to strong YoY growth of 22.0% in export formulation to ₹ 431 crore. API sales also posted robust growth of 23.4% YoY to ₹ 352 crore. Domestic formulations grew 7.7% to ₹ 523 crore. EBITDA margins improved 346 bps YoY to 26.0% (I-direct estimate of 26.1%) due to lower employee and other expenditure partially offset by lower gross margins. Subsequently, EBITDA grew 34.1% YoY to ₹ 367 crore (I-direct estimate: ₹ 358 crore). PAT grew 34.3% YoY to ₹ 266 crore (I-direct estimate: ₹ 262 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 ₹ 1838 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 ₹ 2585 crore.

Valuation & Outlook

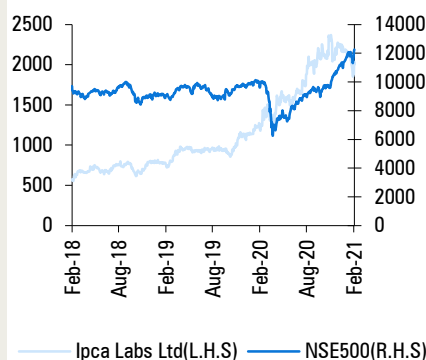
Q3 results were in line with I-direct estimates on all fronts (albeit skewed) led by strong growth in export institutional, API sales. In addition to decent growth in domestic formulations, Ipca continues to thrive on the exports front, both in formulations and APIs. Though there are fluctuations in 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%, 24%, 28%, respectively. We maintain **BUY** and arrive at our target price of ₹ 2490 (earlier TP: ₹ 2665) based on 25x FY23E EPS of ₹ 99.5.



Particulars

Particular	Amount
Market Capitalisation	₹25112 crore
Debt (FY 20)	₹501 crore
Cash (FY 20)	₹181 crore
EV	₹25432 crore
52 week H/L (₹)	2460/1162
Equity capital	₹25.4 crore
Face value	₹2

Price performance



Key risks to our call

- Continued impact on domestic anti-malarial/ anti-bacterial/ cough & cold segments
- Delay in resolution of USFDA regulatory issues in key plants

Research Analyst

Siddhant Khandekar
siddhant.khandekar@icicisecurities.com

Mitesh Shah
mitesh.shah@icicisecurities.com

Sudarshan Agarwal
sudarshan.agarwal@icicisecurities.com

Key Financial Summary

(₹ crore)	FY20	FY21E	FY22E	FY23E	CAGR (FY20-23E) %
Revenues	4648.7	5576.4	5925.5	6517.5	11.9
EBITDA	903.7	1584.2	1513.2	1706.6	23.6
EBITDA Margins (%)	19.4	28.4	25.5	26.2	
Net Profit	603.4	1214.6	1217.8	1262.4	27.9
EPS (₹)	47.6	95.8	96.0	99.5	
PE (x)	41.6	20.7	20.6	19.9	
EV to EBITDA (x)	27.9	15.3	15.4	13.2	
RoNW (%)	16.6	25.3	20.3	17.5	
RoCE (%)	17.6	27.8	22.9	22.1	

Source: ICICI Direct Research; Company

Exhibit 1: Variance Analysis

	Q3FY21	Q3FY21E	Q3FY20	Q2FY21	YoY (%)	QoQ (%)	Comments
Revenue	1,409.8	1,374.5	1,212.9	1,361.1	16.2	3.6	YoY growth was mainly due to strong growth in export institutional and API segment
Raw Material Expenses	515.4	453.6	423.8	442.7	21.6	16.4	
Gross margins (%)	63.4	67.0	65.1	67.5	-161 bps	-403 bps	Decline amid change in product mix, higher raw material costs
Employee Expenses	245.1	254.3	231.3	254.5	6.0	-3.7	
Other Expense	282.4	308.2	284.1	303.7	-0.6	-7.0	Included forex loss of ₹ 5.36 crore against ₹ 0.13 crore in Q3FY20
Operating Profit (EBITDA)	366.9	358.4	273.7	360.2	34.1	1.9	
EBITDA (%)	26.0	26.1	22.6	26.5	346 bps	-44 bps	YoY improvement mainly due to lower marketing and travelling cost which was partially offset by lower gross margins and removal of MEIS income of ₹ 12 crore
Interest	2.3	2.6	4.0	2.3	-42.9	-0.9	
Depreciation	53.5	51.7	50.8	52.1	5.3	2.7	
Other Income	15.4	15.6	18.1	15.5	-15.2	-0.5	
PBT	326.5	319.7	237.0	321.2	37.8	1.6	
Tax	56.7	55.9	36.9	52.6	53.8	7.9	
Tax Rate (%)	17.4	17.5	15.6	16.4	181 bps	100 bps	
Reported PAT	265.5	261.9	197.6	267.1	34.3	-0.6	
PAT (Ex forex)	265.5	261.9	197.6	267.1	34.3	-0.6	YoY growth in-line with operational performance
EPS (₹)	20.9	20.7	15.6	21.1	34.3	-0.6	

Key Metrics

Domestic formulations	523.2	524.5	485.6	535.5	7.7	-2.3	YoY growth mainly due to strong growth in Pain and Cardiac business (~70% of sales), this was partially offset by anti-malarial and other acute therapies.
Export - Generic	215.1	221.5	192.6	191.1	11.7	12.6	YoY growth was mainly due to strong growth across geographies ex South Africa. Higher base of tender business impacted growth in South Africa
Export - Institutional	138.6	76.5	47.8	81.9	189.7	69.1	Included one of sales of ₹ 34 crore
Export - Branded	77.5	118.6	113.0	91.4	-31.4	-15.2	Sharp decline sales in Russia and CIS amid COVID impacted overall export branded sales
API	352.1	336.7	285.4	381.0	23.4	-7.6	YoY strong growth amid robust demand

Source: ICICI Direct Research

Exhibit 2: Change in Estimates

(₹ Crore)	FY21E			FY22E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	5,549.2	5,576.4	0.5	5,911.4	5,925.5	0.2	
EBITDA	1,583.2	1,584.2	0.1	1,458.1	1,513.2	3.8	
EBITDA Margin (%)	28.5	28.4	-9 bps	24.7	25.5	84 bps	
PAT	1,179.2	1,214.6	3.0	1,132.7	1,217.8	7.5	Changed mainly due to changed in margins assumption and other income
EPS (₹)	93.0	95.8	3.0	89.3	96.0	7.5	

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	2,022.1	2,307.6	2,032.1	2,318.7
Export formulations	1,048.3	1,366.2	1,638.1	1,713.5	1,619.3	1,719.9
API	884.6	791.9	1,571.0	1,510.3	1,555.6	1,493.4

Source: ICICI Direct Research

Conference Call Highlights

- Domestic segment continued seeing impact in anti-malarial, anti-bacterial, cough-cold segments
 - Pain & cardio (70% of domestic) growing; Pain - ₹ 266 crore vs ₹ 229 crore (16% up YoY); Cardio - ₹ 94 crore vs ₹ 87 crore (up 8% YoY)
 - (a) Pain likely to continue to grow in FY22 (~20%)
 - CNS, derma, ophthalmic also growing positively
 - Growth guidance: Q4FY21 ~ 8%; FY22 – 13-14%
- Sartans doing well; price trend is down - key intermediates price is half of earlier which also gets passed to customers
- 9MFY21 windfall sales ~₹ 350 crore (₹ 260 crore in Q1FY21 itself)
- Export institutional - ₹ 34 crore one-time exceptional business
 - Export institutional sales to be higher than FY21 guidance earlier
- Export Generics – 49% growth in UK, Australia-NZ: 13%, Canada: 37%, South Africa declined from ₹ 43 crore to ~₹ 17 crore
- No MEIS incentive provided in the quarter (vs ~₹ 12 crore normally)
- May move to 25% corporate tax in FY24
 - Current MAT credit ~₹ 360 crore, ₹ 100 crore to be used in FY21 itself)
- Capex for FY22 ~ ₹ 350 crore
 - ₹ 100 crore – Ratlam API debottlenecking ongoing with slight delay; to be commercialized by Q2FY22
 - Dewas - started Civil work, to be ready for validation by end of FY22
 - Backward integration for intermediate (sartan) at Aurangabad; full automation; continuous production; has been fully commissioned
 - (a) Likely to set up another plant to scaler up production later on
- Also, 62% backward integration (API) of formulations
- Other expenditure down due to lower marketing and travel spend
 - Overall saved ~₹ 25 crore in the year amid lower travel, which will come back
 - Some savings to continue such as conferences, promotional fairs, etc.
- Lower gross margins – Higher raw material cost of some key intermediates and availability challenge, higher freight cost
 - Paracetamol prices went up from ~₹ 350/kg to ₹590-600/kg amid China issues
 - Likely to normalise in Q1FY22
 - Overall gross margins to be ~59% in FY22 as well
- Export – Branded was impacted due to Covid impact in Russia/CIS region; Q4FY21 to be good growth

- FY21 growth guidance – 10%
- Subsidiaries
 - Pisgah (API) – losses amid USFDA issues, continue losses in FY22 as well
 - Onyx ~₹ 18 crore profit in 9MFY21; 30% EBITDA margins
 - Baysure (US) – trading company, Q3FY21 profit – ₹ 9 crore, 9MFY21 – ₹ 6 crore
- Net cash – ₹ 850 crore
 - EBITDA margins maintainable at 25-26% for FY22

Exhibit 4: Quarterly Financials

₹Crore	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	YoY (%)	QoQ (%)
Revenues	875.4	1012.0	1006.1	879.6	1078.2	1283.9	1212.9	1073.8	1534.4	1361.1	1409.8	16.2	3.6
Raw Material Expenses	281.5	312.7	338.9	306.7	406.0	449.7	423.8	364.6	431.6	442.7	515.4	21.6	16.4
% of Revenue	32.2	30.9	33.7	34.9	37.7	35.0	34.9	34.0	28.1	32.5	36.6	161bps	403bps
Gross Profit	594.0	699.3	667.3	572.9	672.2	834.2	789.1	709.2	1102.8	918.4	894.4	13.4	-2.6
GPM (%)	67.8	69.1	66.3	65.1	62.3	65.0	65.1	66.0	71.9	67.5	63.4	-161bps	-403bps
Employee Expenses	202.6	212.0	185.7	187.1	215.7	232.0	231.3	242.2	256.3	254.5	245.1	6.0	-3.7
% of Revenue	23.1	20.9	18.5	21.3	20.0	18.1	19.1	22.6	16.7	18.7	17.4	-169bps	-132bps
Other expense	272.5	313.7	247.1	222.2	259.4	337.6	284.1	298.5	258.1	303.7	282.4	-0.6	-7.0
% of Revenue	31.1	31.0	24.6	25.3	24.1	26.3	23.4	27.8	16.8	22.3	20.0	-339bps	-228bps
Total Expenditure	756.6	838.4	771.7	716.0	881.1	1019.4	939.2	905.3	946.1	1000.9	1042.9	11.0	4.2
% of Revenue	86.4	82.8	76.7	81.4	81.7	79.4	77.4	84.3	61.7	73.5	74.0	-346bps	44bps
EBIDTA	118.8	173.6	234.5	163.6	197.1	264.5	273.7	168.5	588.3	360.2	366.9	34.1	1.9
EBIDTA Margin (%)	13.6	17.2	23.3	18.6	18.3	20.6	22.6	15.7	38.3	26.5	26.0	346bps	-44bps
Depreciation	46.6	45.4	45.7	44.8	46.1	49.6	50.8	63.9	51.0	52.1	53.5	5.3	2.7
Interest	4.9	2.4	5.1	6.4	4.6	4.2	4.0	3.7	2.7	2.3	2.3	-42.9	-0.9
Other Income	14.3	14.8	13.3	15.3	20.3	14.8	18.1	13.7	12.1	15.5	15.4	-15.2	-0.5
PBT	81.6	140.6	196.9	127.7	166.8	225.4	237.0	114.6	546.6	321.2	326.5	37.8	1.6
Tax	13.1	22.1	37.4	31.7	37.4	31.9	36.9	29.2	99.9	52.6	56.7	53.8	7.9
Tax Rate (%)	16.0	15.7	19.0	24.8	22.4	14.1	15.6	25.5	18.3	16.4	17.4	181bps	100bps
PAT	68.5	118.5	159.2	98.6	129.6	193.1	197.6	86.0	446.2	267.1	265.5	34.3	-0.6
PAT Margin (%)	7.8	11.7	15.8	11.2	12.0	15.0	16.3	8.0	29.1	19.6	18.8	254bps	-79bps
EPS (₹)	5.4	9.3	12.6	7.8	10.2	15.2	15.6	6.8	35.2	21.1	20.9	34.3	-0.6

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.

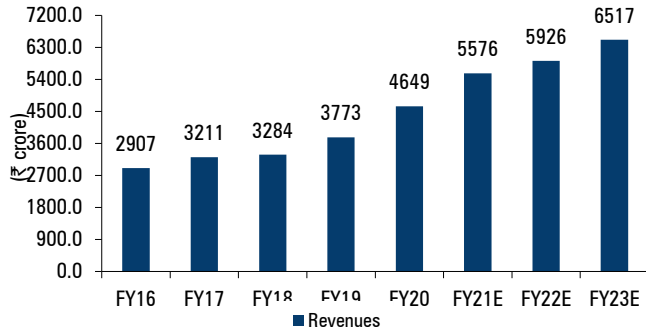
Exports formulations are further divided into- 1) branded formulations- 31% of exports formulations, 2) generic formulations- 54% of exports formulations and 3) institutional business- 14% of exports formulations.

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)

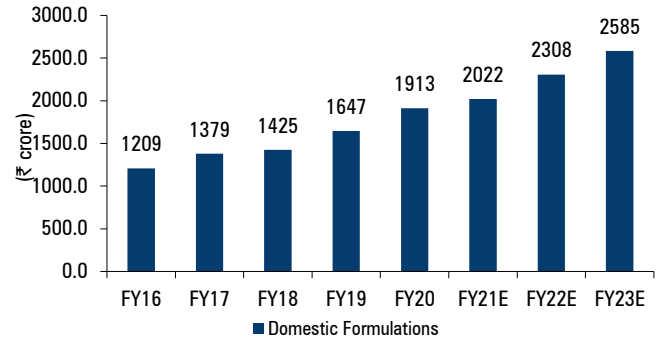
The company is awaiting resolution on the US formulations front with USFDA import alerts for three of its plants (Ratlam, Indore SEZ and Silvassa).

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



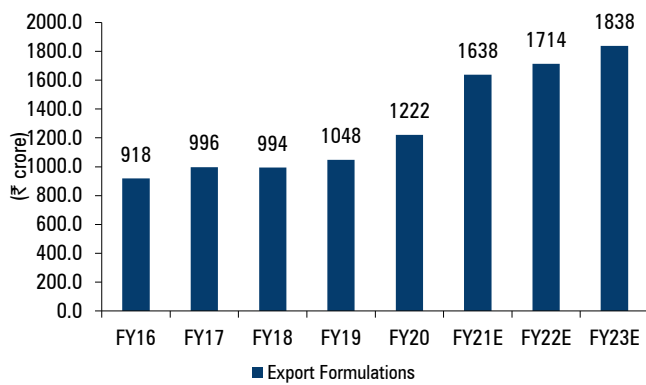
Source: ICICI Direct Research, Company

Exhibit 6: India to grow at 10.6% CAGR over FY20-23E



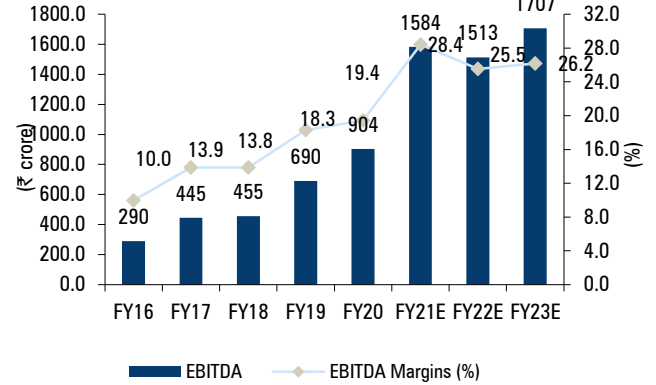
Source: ICICI Direct Research, Company

Exhibit 7: Export to grow at 14.6% CAGR over FY20-23E



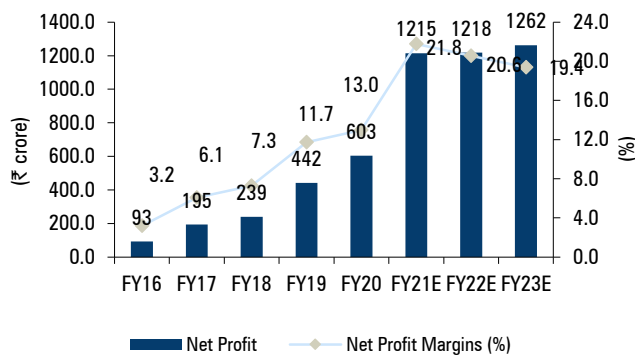
Source: ICICI Direct Research, Company

Exhibit 8: EBITDA & EBITDA margins trend



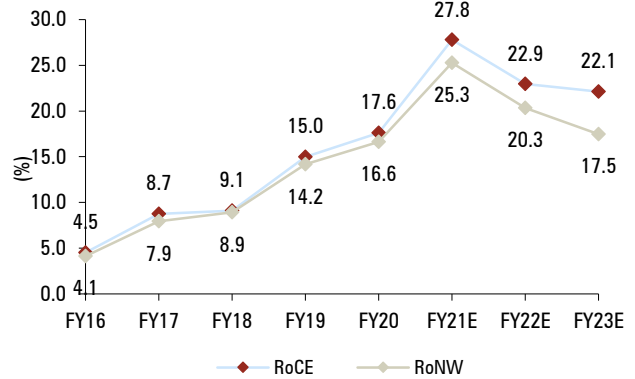
Source: ICICI Direct Research, Company

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 (₹ crore)	Growth (%)	Adj. EPS (₹)	Growth (%)	P/E (x)	EV/EBITDA (X)	RoNW (%)	RoCE (%)
FY20	4649	23.2	47.6	36.4	41.6	27.9	16.6	17.6
FY21E	5576	20.0	95.8	101.3	20.7	15.3	25.3	27.8
FY22E	5926	6.3	96.0	0.3	20.6	15.4	20.3	22.9
FY23E	6517	10.0	99.5	3.7	19.9	13.2	17.5	22.1

Source: ICICI Direct Research, Company

Exhibit 12: Shareholding Pattern

(in %)	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Promoter	46.1	46.1	46.1	46.1	46.3
Others	53.9	53.9	53.9	53.9	53.7

Source: ICICI Direct Research, Company

Financial Summary

Exhibit 13: Profit & Loss (₹ crore)

(Year-end March)	FY20	FY21E	FY22E	FY23E
Revenues	4,648.7	5,576.4	5,925.5	6,517.5
Growth (%)	23.2	20.0	6.3	10.0
Raw Material Expenses	1,644.1	1,834.6	1,896.2	2,020.4
Employee Expenses	921.2	1,023.6	1,112.5	1,214.2
Other Expense	1,179.6	1,134.1	1,403.6	1,576.2
Total Operating Expenditure	3,745.0	3,992.2	4,412.3	4,810.9
EBITDA	903.7	1,584.2	1,513.2	1,706.6
Growth (%)	31.0	75.3	-4.5	12.8
Interest	16.5	9.6	9.0	7.5
Depreciation	210.5	157.2	164.6	184.4
Other Income	67.0	62.0	145.2	182.5
PBT after E O/Forex	743.7	1,479.3	1,484.8	1,697.2
Total Tax	135.3	259.1	259.8	427.7
MI & Profit from associates	-10.6	-9.1	-10.5	-10.5
PAT	603.4	1,214.6	1,217.8	1,262.4
Growth (%)	36.4	101.3	0.3	3.7
Adjusted PAT	603.4	1,214.6	1,217.8	1,262.4
EPS	47.6	95.8	96.0	99.5
EPS (Adjusted)	47.6	95.8	96.0	99.5

Source: ICICI Direct Research

Exhibit 14: Cash Flow Statement (₹ crore)

(Year-end March)	FY20	FY21E	FY22E	FY23E
Profit after Tax	586.7	1,214.6	1,217.8	1,262.4
Add: Depreciation	210.5	157.2	164.6	184.4
(Inc)/dec in Current Assets	-415.5	-458.0	-112.1	-370.8
Inc/(dec) in CL and Provisions	152.0	218.1	43.6	58.2
Others	30.7	9.6	9.0	7.5
CF from operating activities	564.3	1,141.5	1,322.8	1,141.7
(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
CF from investing activities	-535.2	-696.1	-845.8	-695.5
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	-36.4	-30.4	-31.6
Other	-8.1	140.4	41.0	42.5
CF from financing activities	-130.5	-196.1	-89.5	-89.1
Net Cash flow	-101.4	249.3	387.6	357.2
Opening Cash	282.3	180.9	430.3	817.8
Closing Cash	180.9	430.3	817.8	1,175.0
Free Cash Flow	161.9	941.5	972.8	941.7

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	4,780.3	5,967.7	7,198.4
Total Shareholders funds	3,627.5	4,805.6	5,992.9	7,223.7
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
Total Liabilities	4,318.1	5,360.0	6,512.0	7,708.6
Gross Block - Fixed Asset	2,981.1	3,181.1	3,331.1	3,731.1
Accumulated Depreciation	936.7	1,093.9	1,258.5	1,442.9
Net Block	2,044.4	2,087.1	2,072.5	2,288.1
Capital WIP	85.2	85.2	285.2	85.2
Total Fixed Assets	2,129.6	2,172.4	2,357.7	2,373.4
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	1,587.2	1,686.5	1,855.0
Debtors	895.2	1,073.8	1,070.3	1,255.1
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	430.3	817.8	1,175.0
Total Current Assets	2,617.5	3,324.8	3,824.5	4,552.4
Creditors	609.9	804.7	823.4	855.0
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	1,159.8	1,203.3	1,261.5
Net Current Assets	1,675.8	2,165.0	2,621.1	3,290.9
Application of Funds	4,318.1	5,360.0	6,512.0	7,708.6

Source: ICICI Direct Research

Exhibit 16: Key Ratios

(Year-end March)	FY20	FY21E	FY22E	FY23E
Per share data (₹)				
Adjusted EPS	47.6	95.8	96.0	99.5
BV per share	286.0	378.9	472.5	569.6
Dividend per share	7.7	10.2	11.8	13.0
Operating Ratios (%)				
Gross Profit Margins	64.6	67.1	68.0	69.0
EBITDA Margins	19.4	28.4	25.5	26.2
PAT Margins	13.0	21.8	20.6	19.4
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	1.8	1.8	1.7
EBITDA conversion Rate	62.4	72.1	87.4	66.9
Return Ratios (%)				
RoE	16.6	25.3	20.3	17.5
RoCE	17.6	27.8	22.9	22.1
RoIC	19.2	36.7	34.2	34.0
Valuation Ratios (x)				
P/E	41.6	20.7	20.6	19.9
EV / EBITDA	27.9	15.3	15.4	13.2
EV / Net Sales	5.4	4.4	3.9	3.4
Market Cap / Sales	5.4	4.5	4.2	3.9
Price to Book Value	6.9	5.2	4.2	3.5
Solvency Ratios				
Debt / EBITDA	0.6	0.2	0.2	0.1
Debt / Equity	0.1	0.1	0.1	0.0
Current Ratio	2.6	2.5	2.5	2.7

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	Y21E	Y22E	FY19	FY20	FY21E	Y22E	FY19	Y20	Y21E	Y22E	FY19	FY20	Y21E	Y22E	
Ajanta Pharma	AJAPHA	1813	2,250	Buy	15823	43.5	53.4	70.3	77.3	41.7	34.0	25.8	23.5	21.8	24.7	26.7	24.8	17.1	18.1	20.3	19.1
Alembic Pharma	ALEMPHA	945	1,055	Hold	18579	30.2	44.4	57.5	43.9	31.3	21.3	16.4	21.5	19.6	21.0	23.9	17.0	21.8	27.1	23.0	15.5
Apollo Hospital	APOHOS	2732	2,310	Hold	39277	16.2	22.3	-1.6	36.1	168.2	122.3	NA	75.7	8.8	10.2	4.9	13.0	7.1	9.7	-0.5	10.0
Aurobindo Pharma	AURPHA	927	1,025	Buy	54325	41.9	48.8	55.1	61.7	22.1	19.0	16.8	15.0	15.9	17.2	17.9	17.3	17.7	17.0	14.3	13.9
Biocon	BIOCON	410	450	Hold	49188	6.2	5.8	6.5	13.9	66.0	70.4	63.0	29.5	10.9	10.2	9.2	16.5	12.2	10.4	10.5	18.7
Cadila Healthcare	CADHEA	479	555	Buy	49058	18.1	14.0	20.1	22.0	26.5	34.3	23.9	21.8	12.8	10.7	13.7	14.2	17.8	13.8	15.9	15.3
Cipla	CIPLA	834	975	Buy	67295	18.6	19.2	31.0	32.4	44.9	43.4	26.9	25.8	10.9	12.0	17.0	16.1	10.0	9.8	14.0	13.1
Divi's Lab	DIVLAB	3679	4,425	Buy	97662	51.0	51.9	74.1	89.8	72.2	70.9	49.7	41.0	25.5	23.9	28.8	28.6	19.4	18.8	22.5	22.3
Dr Reddy's Lab	DRREDD	4668	5,525	Buy	77623	114.6	121.8	87.0	188.6	40.7	38.3	53.6	24.7	10.7	9.6	15.7	19.5	13.6	13.0	8.6	16.0
Glenmark Pharma	GLEPHA	502	635	Buy	14152	26.9	26.4	36.5	37.6	18.6	19.0	13.7	13.3	15.3	12.7	14.9	14.1	13.5	12.2	14.5	13.1
Hikal	HIKCHE	181	230	Buy	2234	8.4	8.1	10.2	12.2	21.7	22.4	17.8	14.8	14.3	12.8	13.6	14.9	13.6	12.2	13.5	14.2
Ipca Laboratories	IPCLAB	1980	2,490	Buy	25112	34.9	47.6	95.8	96.0	56.8	41.6	20.7	20.6	15.0	17.6	27.8	22.9	14.2	16.6	25.3	20.3
Jubilant Life	JUBLIF	903	850	Buy	14379	54.9	59.9	54.4	70.3	16.5	15.1	16.6	12.8	14.3	14.4	14.7	16.9	17.8	16.6	13.2	14.7
Lupin	LUPIN	1051	1,165	Buy	47673	16.5	-12.7	24.5	37.3	63.5	NA	43.0	28.2	9.4	9.7	8.9	12.2	5.4	-4.6	8.2	11.2
Narayana Hrudayam	NARHRU	488	405	Buy	9963	2.9	6.4	-4.2	8.3	167.9	76.8	NA	58.5	7.7	11.0	-2.4	12.8	5.5	11.4	-8.3	14.2
Natco Pharma	NATPHA	899	885	Hold	16386	35.4	25.3	32.7	28.0	25.4	35.6	27.5	32.1	21.3	14.0	17.1	13.6	18.5	12.2	14.0	11.0
Sun Pharma	SUNPHA	632	675	Buy	151514	15.9	16.8	28.7	23.5	39.8	37.6	22.0	26.9	10.3	10.0	12.9	12.3	9.2	8.9	14.3	10.6
Syngene Int.	SYNINT	570	700	Buy	22786	8.3	10.3	9.7	13.2	68.9	55.3	58.8	43.2	14.8	14.5	12.6	15.8	16.8	15.7	15.1	17.1
Torrent Pharmaceuticals	TORPHA	2682	3,135	Buy	45379	48.9	60.6	70.6	85.8	54.8	44.3	38.0	31.3	14.2	15.4	17.9	20.2	17.5	21.2	20.9	21.3
Shalby	SHALIM	114	130	Hold	1226	2.9	2.6	4.7	4.9	38.8	44.5	24.1	23.1	6.8	7.2	6.6	7.9	4.1	3.5	6.0	5.9
Aster DM	ASTDM	153	170	Buy	7648	6.7	5.5	3.1	9.9	23.0	27.6	49.3	15.4	8.3	7.1	5.2	9.1	10.4	8.5	4.5	12.7
Indoco Remedies	INDREM	322	380	Buy	2970	-0.3	2.6	9.3	14.8	NA	123.2	34.7	21.7	0.9	4.6	11.4	15.6	-0.4	3.5	11.4	15.7
Granules India	GRANUL	348	460	Buy	8609	9.5	12.4	21.1	23.6	36.4	28.0	16.4	14.7	11.8	15.2	22.4	22.0	15.5	16.7	22.4	20.2
Laurus Labs	LAULAB	347	440	Buy	18599	1.7	4.8	17.9	21.1	198.3	72.9	19.4	16.4	7.7	13.0	33.8	31.6	6.0	14.4	36.4	31.0

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

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

ANALYST CERTIFICATION

I/We, 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 is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst 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.

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 and its analysts, persons reporting to analysts and their relatives are generally prohibited 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 icidirect.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, and 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 and ICICI Securities as a entity 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.