

Vertically integrated story panning out...

Q3 revenues grew ~76.6% to ₹ 1288 crore amid strong growth across segments driven by 103.5% YoY jump in API segment to ₹ 731 crore amid strong traction in antiviral APIs to ₹ 568 crore (2.65x YoY) driven by higher volume of first-line products. Formulations revenue grew 47.2% YoY to ₹ 430 crore on the back of higher tender business from LMIC and higher volumes from US, Europe. CRAMS business grew 62.4% YoY to ₹ 127 crore. EBITDA margins improved 1278 bps to 33.1% due to better product mix and improved operating leverage. Subsequently, EBITDA grew 187.7% YoY to ₹ 426 crore. PAT was up 271.3% YoY at ₹ 273 crore.

Formulations to be main growth engine

Leveraging on strong backward integration, Laurus has demonstrated commendable execution capability in this segment growing 165x from ₹ 5 crore to ₹ 825 crore in FY18-20 with majority growth stemming from tender driven opportunities via participation in Global fund, PEPFAR and various in-country African tenders. In order to supplement future growth, capex plans are already under way to increase capacity by 1.8x by H2FY22E. Laurus is also developing a robust generic pipeline for the developed markets. It has entered into a partnership with a European generic player for contract manufacturing. In order to scale up this segment and cater to other players, the company plans to double the capacity to 2 billion units per annum over the next 18 months. We expect formulation revenues to grow at 40% CAGR in FY20-23E to ₹ 2258 crore.

Ramp-up in other generic API to drive steady API growth

Growth in API has resumed with launch of first-line products – 3TC (Lamivudine) and DTG (Dolutegravir) and will be supported by launch of second line APIs such as Lopinavir and Ritonavir in H2FY21. Steady growth in oncology API, being a high margin-low volume segment, is expected to drive margins, supported by one of the largest high-potent API capabilities in India. Other APIs (anti-diabetic, CNS and PPI) are expected to be key growth drivers due to a robust order book and large capacity addition by end of FY21. APIs are also a prime beneficiary of China substitute play. We expect API revenues to grow at ~27% FY20-23E CAGR to ~₹ 3351 crore.

Valuation & Outlook

Q3 results were above I-direct estimates on all fronts. Laurus is well poised to follow the success story of some leading CDMO players backed by strong chemistry and integrated model. Elsewhere, formulations are expected to grow amid ramp up and new launches (e.g. TLE400) in LMIC and launches in the US. Other APIs are expected to be driven by a strong order book and capacity addition. Besides continuous improvement in the financial performances, the company is evolving as a strong vertically integrated player with strong order book visibility, improving margin profile, strengthening return ratios and healthy FCF generation. We maintain **BUY** rating with a target price of ₹ 440 (vs. ₹ 390 earlier) based on 18x of FY23E EPS of 24.4.

Key Financial Summary (₹ crore)

(₹ Crore)	FY20	FY21E	FY22E	FY23E	CAGR FY20-23E (%)
Net Sales	2831.7	4672.7	5625.6	6248.5	30.2
EBITDA	561.0	1504.1	1786.1	1999.5	52.8
EBITDA Margins (%)	19.8	32.2	31.8	32.0	
Adj. Profit	255.3	959.6	1130.9	1307.8	72.4
Adj. EPS (₹)	4.8	17.9	21.1	24.4	
PE (x)	72.0	19.2	16.3	14.1	
EV to EBITDA (x)	34.7	13.0	10.8	9.2	
RoE (%)	14.4	36.4	31.0	27.1	
RoCE (%)	13.0	33.8	31.6	30.4	

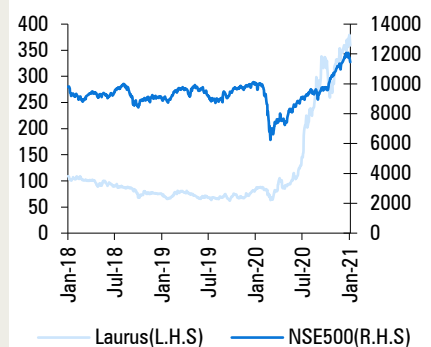
Source: ICICI Direct Research; Company



Particulars

Particular	Amount
Market Capitalisation	₹18392 crore
Debt (FY 20)	₹1079 crore
Cash & Equivalents (FY 20)	₹2 crore
EV (₹Cr)	₹19470 crore
52 week H/L (₹)	386/62
Equity capital	₹106.9 crore
Face value	₹2

Price performance



Key risks to our call

- Regulatory challenges in developed markets
- Any unforeseen impact on ARV market

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Exhibit 1: Variance Analysis

	Q3FY21	Q3FY20	Q2FY21	YoY (%)	QoQ (%)	Comments
Revenue	1,288.4	729.6	1,138.8	76.6	13.1	YoY growth was mainly due to +2x growth in APIs and 47% growth in formulations
Raw Material Expenses	583.1	360.6	501.3	61.7	16.3	
Gross margins (%)	54.7	50.6	56.0	8.2	-2.2	Change in product mix led to sharp improvement in gross margins
Employee Expenses	100.6	88.4	108.1	13.8	-6.9	
Other Expenditure	178.4	132.4	155.6	34.7	14.7	
EBITDA	426.3	148.2	373.9	187.7	14.0	
EBITDA (%)	33.1	20.3	32.8	1,277.7	25.8	Sharp improvement in margins amid favourable product mix and operational leverage
Interest	17.4	20.8	13.7	-16.3	27.4	
Depreciation	51.6	47.6	51.0	8.6	1.3	
Other Income	6.9	1.9	5.1	260.9	35.4	
PBT before EO & Forex	364.2	81.7	314.3	345.6	15.9	
Forex & EO	0.0	0.0	0.0			
PBT	364.2	81.7	314.3	345.6	15.9	
Tax	91.3	8.2	72.0	1,008.1	26.7	
PAT before MI	272.9	73.5	242.3	271.3	12.6	
MI	0.0	0.0	0.0			
Net Profit	272.9	73.5	242.3	271.3	12.6	YoY de-growth mainly in sync with EBITDA and lower interest cost
Key Metrics						
Anti-Viral API	568.0	213.6	379.0	165.9	49.9	Growth driven by volume growth in both TLE and TLD combinations
Oncology API	64.0	46.8	86.0	36.8	-25.6	Growth driven by gemcitabine and other products
Other APIs	99.0	98.9	106.0	0.1	-6.6	YoY growth was mainly due to volume gain and addition of capacity
API	731.0	359.3	571.0	103.5	28.0	
Formulations	430.0	292.1	452.0	47.2	-4.9	Strong growth was mainly due to volume gain in LMIC tender business and strong growth from developed market launches
CRAMS	127.0	78.2	116.0	62.4	9.5	

Source: ICICI Direct Research

Exhibit 2: Change in Estimates

(₹Crore)	FY21E		FY22E		Comments		
	Old	New, Change	Old	New, Change			
Revenue	4,341.7	4,672.7	7.6	5,065.6	5,625.6	11.1	Change as per management guidance and better than expected sales in Q3
EBITDA	1,359.4	1,504.1	10.6	1,549.4	1,786.1	15.3	
EBITDA Margin (%)	31.3	32.2	88 bps	30.6	31.8	116 bps	Change as per management guidance
PAT	859.1	959.6	11.7	947.8	1,130.9	19.3	Change mainly in sync with operational performance
EPS (₹)	16.0	17.9	11.6	17.7	21.1	19.2	

Source: ICICI Direct Research

Exhibit 3: Change in Estimates

(₹crore)	Current			Earlier		Comments	
	FY19	FY20	FY21E	FY22E	FY21E		FY22E
Anti-Viral API	1,514.4	1,086.3	1,828.6	2,292.2	1,432.8	1,554.8	Change as per management guidance and better than expected sales in Q3FY21
Oncology API	218.2	210.6	271.9	324.6	292.2	346.9	Changed mainly due to lower than expected sales in Q3FY21
Other APIs	193.3	324.5	441.2	488.9	451.0	500.7	
API	1,925.9	1,621.4	2,541.7	3,105.7	2,175.9	2,402.4	Change as per management guidance and better than expected sales in Q3FY21
Formulations	54.6	825.3	1,661.7	1,963.7	1,725.8	2,141.3	Changed mainly due to lower than expected sales in Q3
CRAMS	271.2	385.0	468.7	556.2	439.9	522.0	

Source: ICICI Direct Research

Conference Call Highlights

- **Formulations** - Higher sales from tender business in LMIC, strong order book for coming quarters;
 - Contract manufacturing revenues from EU; strong order book for FY21 and beyond
 - Commenced marketing of in-licensed products in US through own front end
 - two launched, remaining three to be launched in Q1FY22
 - Nine products approved and eight products are tentatively approved; filed 26 ANDAs & NDAs (two Para IVs, seven FTF)
 - Earliest FTF opportunity in 2025
 - two product validations completed for formulations
 - Nine filings in Europe
 - 12 filings in Canada (six approved, four launched)
 - Debottlenecking (to be done by Q4FY21), brownfield expansion ongoing
 - Continue to capture market share in TLE, maintain market share in TLD
 - 25:75 sales contribution from regulated: LMIC markets
- Globally No. 3 player in ARV formulation market, No. 1 player in ARV API market
- The management expects to continue to grow in ARV business in FY21 as well as FY22
- **API** growth led by higher growth in ARV API business which was due to higher volume of First line ARV products
 - 61 DMFs have been filed on cumulative basis
 - Expanding key APIs capacity
 - Oncology APIs– reasonable growth expected
 - Other APIs – flattish YoY due to changes in delivery schedule
 - Sales are bulky due to higher contract manufacturing
 - Creating non-ARV APIs capacity as well
- **Custom Synthesis** continues - healthy pipeline and good visibility
 - number of active projects stood at 49 as on 9MFY21
 - creating dedicated R&D for the segment
 - strong growth to come in from FY23
 - Q4FY21 to be bulky in continuation with last year
 - brownfield expansion at Genome valley ongoing
 - Acquired land for greenfield manufacturing block to be set up in Vizag later on for sterile, hormones, high potent products, large volume commercial molecules
- Capex – planned across segments and initiate greenfield manufacturing units; guidance of ₹ 1200 crore (ex-Laurus Bio) over next 24 months maintained
 - capacity addition in every quarter going ahead
 - 9MFY21 – ₹ 433 crore capex
 - Site acquired for a second formulations site at Hyderabad
- R&D spend of ₹ 134 crore; 4% of sales in 9MFY21
- Gross Debt: ₹ 1095 crore; Net Debt: ₹ 1058 crore
- Non-ARV segment diversification from FY23
- Non-ARV cumulative contribution: ~45%
- completed acquisition of 72.55% stake in Richcore Lifesciences (Richcore) valued at ₹ 340 crore for ~₹ 247 crore, funded through internal accruals
 - to be renamed to Laurus Bio
 - Laurus Bio has two facilities. One has fermentation capacity of 10,750 litre while the other has 180,000 litre (will be available by end of FY21)
 - Non-significant capex through internal accruals

Exhibit 4: Quarterly Performance

(₹Crore)	3FY 18	4FY 18	1FY 19	2FY 19	3FY 19	4FY 19	1FY 20	2FY 20	3FY 20	4FY 20	1FY 21	2FY 21	3FY 21	YoY (%)	QoQ (%)
Total Operating Income	478.9	560.2	539.0	588.3	529.5	635.2	550.6	712.4	729.6	839.1	974.3	1138.8	1288.4	76.6	13.1
Raw Material Expenses	246.0	290.9	295.2	314.6	283.9	341.9	274.6	360.0	360.6	418.3	446.1	501.3	583.1	61.7	16.3
% of revenue	51.4	51.9	54.8	53.5	53.6	53.8	49.9	50.5	49.4	49.8	45.8	44.0	45.3	-416 bps	124 bps
Gross Profit	233.0	269.3	243.9	273.6	245.5	293.3	276.0	352.4	369.0	420.8	528.3	637.6	705.3	91.1	10.6
Gross Profit Margin (%)	48.6	48.1	45.2	46.5	46.4	46.2	50.1	49.5	50.6	50.2	54.2	56.0	54.7	416 bps	-124 bps
Employee Expenses	64.7	67.2	72.8	73.5	68.9	74.0	80.3	88.0	88.4	88.1	111.6	108.1	100.6	13.8	-6.9
% of revenue	13.5	12.0	13.5	12.5	13.0	11.7	14.6	12.3	12.1	10.5	11.5	9.5	7.8	-431 bps	-168 bps
Other Manufacturing Exp	81.1	85.2	90.5	124.4	88.9	107.3	112.4	126.7	132.4	140.9	138.4	155.6	178.4	34.7	14.7
% of revenue	16.9	15.2	16.8	21.2	16.8	16.9	20.4	17.8	18.1	16.8	14.2	13.7	13.8	-430 bps	19 bps
Total Expenditure	391.8	443.4	458.5	512.6	441.7	523.2	467.3	574.6	581.4	647.4	696.0	765.0	862.1	48.3	12.7
% of revenue	81.8	79.1	85.1	87.1	83.4	82.4	84.9	80.7	79.7	77.1	71.4	67.2	66.9	-1278 bps	-26 bps
EBITDA	87.1	116.9	80.6	75.7	87.7	112.0	83.3	137.8	148.2	191.8	278.3	373.9	426.3	187.7	14.0
EBITDA Margins (%)	18.2	20.9	14.9	12.9	16.6	17.6	15.1	19.3	20.3	22.9	28.6	32.8	33.1	1278 bps	26 bps
Depreciation	31.0	34.6	38.2	39.8	42.7	43.5	45.8	47.8	47.6	46.1	48.8	51.0	51.6	8.6	1.3
Interest	17.8	23.3	22.3	24.7	23.7	17.6	22.5	25.6	20.8	20.7	15.1	13.7	17.4	-16.3	27.4
Other Income	9.9	5.1	2.6	10.5	1.4	1.6	4.5	1.4	1.9	1.7	7.1	5.1	6.9	260.9	35.4
Forex & EO	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		
PBT	48.4	64.1	22.6	21.8	22.8	52.6	19.4	65.8	81.7	126.7	221.5	314.3	364.2	345.6	15.9
Total Tax	13.7	19.0	6.1	5.6	5.0	9.4	4.3	9.2	8.2	16.6	49.7	72.0	91.3	1008.1	26.7
Tax rate (%)	28.3	29.7	26.8	25.6	21.7	17.9	22.1	14.0	10.1	13.1	22.4	22.9	25.1	1499 bps	215 bps
PAT	34.7	45.1	16.6	16.2	17.8	43.2	15.1	56.6	73.5	110.2	171.8	242.3	272.9	271.3	12.6
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		
PAT after MI	34.7	45.1	16.6	16.2	17.8	43.2	15.1	56.6	73.5	110.2	171.8	242.3	272.9	271.3	12.6
EPS (₹)	0.6	0.8	0.3	0.3	0.3	0.8	0.3	1.1	1.4	2.1	3.2	4.5	5.1		

Source: ICICI Direct Research, Company

Company Background

Established in 2005, Laurus Labs is a fully integrated pharma company operating across three segments – APIs (57% of FY20 revenues), finished dosage formulations (29%) and synthesis/CDMO (14%). Till date, Laurus has commercialised 60+ products across all three segments.

Laurus provides APIs to top 10 large global pharma companies leveraging on a 3,403 KL capacity across four of its manufacturing facilities with an additional 870 KL under expansion. The API segment is classified into – 1) anti-viral (ARV and Hepatitis-C) (38%), 2) oncology (7%) and 3) other APIs (11%). Among ARVs, it mainly caters to first and second line treatment for HIV patients. Laurus is a market leader for Efavirenz, Emtricitabine and Tenofovir API supplies. It established an agreement in 2015 with Natco Pharma to supply Hepatitis-C APIs. The other API segment caters to non-ARV and non-oncology APIs such as cardiovascular, anti-diabetics, anti-asthma, gastroenterology and ophthalmic therapies.

Laurus, initially a predominantly API heavy player, entered the formulations business in 2015 to diversify revenue streams and expand margins. Thus, with a sizeable investment of ~₹ 450 crore, it created a 5 billion units per annum capacity that was commercialized in FY18. Formulations broadly caters to two segments in ~75:25 ratio – 1) ARV tender business from low middle income countries (LMIC) through participation in Global fund, PEPFAR and various in-country African tenders and 2) generic products and contract manufacturing for developed countries such as US, Canada and Europe.

On the filings front, Laurus has 26 ANDAs in the US (nine Para IV with seven FTF opportunities), nine dossiers in Europe, 12 in Canada, eight with WHO for ARV and FC products, two dossiers in South Africa for ARVs, two dossiers in India for rare disease drugs and 12 products in various RoW markets to capture ARV opportunities. Additionally, it owns 130 out of 264 patents that have been filed as of Q2FY21. It also has 61 DMFs filings.

In 2019-20, it launched Pregabalin and HCQS through distribution partner Rising Pharma in US. In Europe, Laurus entered into a long term partnership with a leading generic player for CMO. It also markets two products using its own front end in Europe.

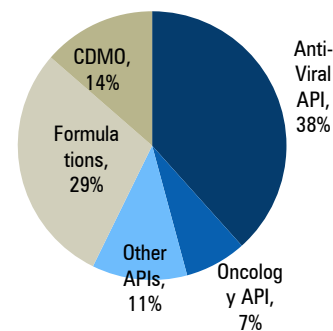
Under the CDMO segment, it provides contract manufacturing services to global innovator pharma and biotech companies alongside sale of specialty ingredients for nutraceuticals, dietary supplements and cosmeceuticals. Laurus currently provides its CDMO services to four out of top 10 big pharma companies. As of Q2FY21, total number of active projects in the CDMO division was at 49.

Laurus has also entered into an intermediate toll manufacturing and supply agreement with Aspen, pursuant to which it will manufacture and supply certain hormonal intermediates.

In FY20, the company also acquired Aspen's South African subsidiary, in order to get a foothold in the worlds' largest generic accessible ARV market.

R&D spend for FY20 was at ₹ 160 crore (5.7% of revenues). The company is further investing R&D to develop difficult-to-manufacture products across multiple therapies in a cost effective manner. Out of Laurus Labs' 3872 strong workforce, 750+ are scientists (including 40+ PhDs) dedicated to R&D.

Revenue Bifurcation



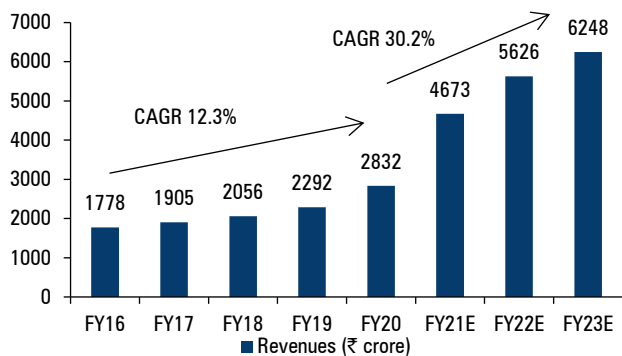
Source: ICICI Direct Research, Company

Exhibit 5: Manufacturing and R&D facilities

Facility	Offering	Capacity	Approvals
Unit 1	API + ingredients, CDMO	323 reactors with 1,196 KL capacity	USFDA, WHO-Geneva, NIP – Hungary, KFDA, COFEPRIS, PMDA, ANVISA & JAZMP – Slovenia
Unit 2	Formulations and API	Formulation – 5 billion tablets/capsules API – 12 reactors with 83 KL	BVG Hamburg Germany, USFDA, WHO – Geneva, JAZMP – Slovenia and various African Countries
Unit 3	API + ingredients, CDMO	230 reactors with 1,737 KL	USFDA, WHO – Geneva, NIP – Hungary, COFEPRIS, KFDA, ANVISA & JAZMP – Slovenia
Unit 4	API + ingredients, CDMO	52 reactors with 205 KL	COFEPRIS – Mexico and USFDA
Unit 5	Dedicated hormone and steroid facility for Aspen	46 reactors with 125 KL	
Unit 6	APIs (largely manufacturing intermediates for captive consumption)	45 reactors with 265 KL	USFDA
Kilo Lab (R&D)	Pre-commercialisation activities for APIs, ingredients, CDMO	43 reactors and capacity of 4.3 KL	USFDA, KFDA and PMDA

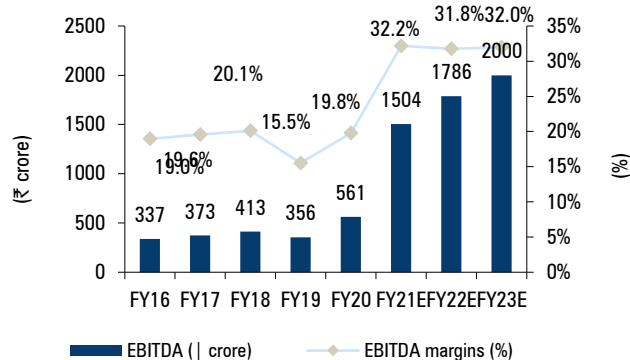
Source: ICICI Direct Research; Company

Exhibit 6: Revenues to grow at 30% CAGR in FY20-23E



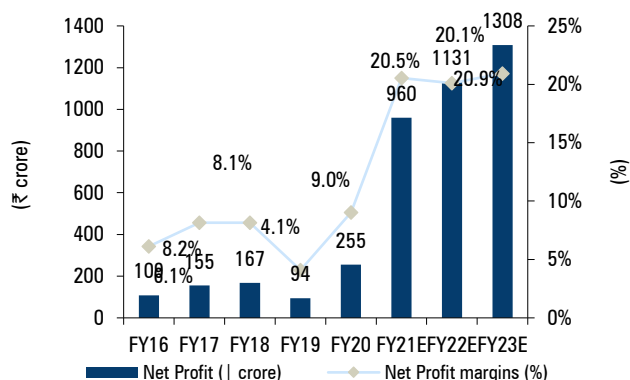
Source: ICICI Direct Research, Company

Exhibit 7: EBITDA & EBITDA margins trend



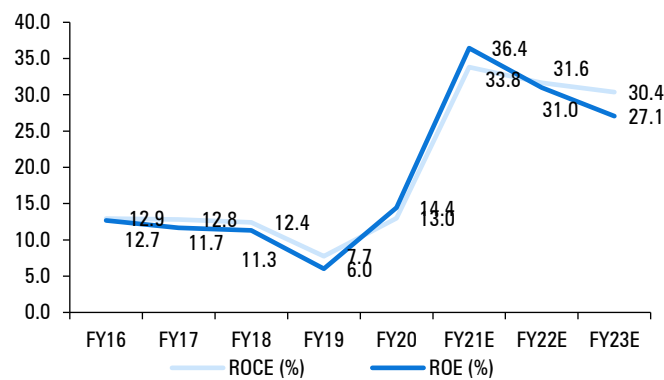
Source: ICICI Direct Research, Company

Exhibit 8: PAT & PAT margins trend



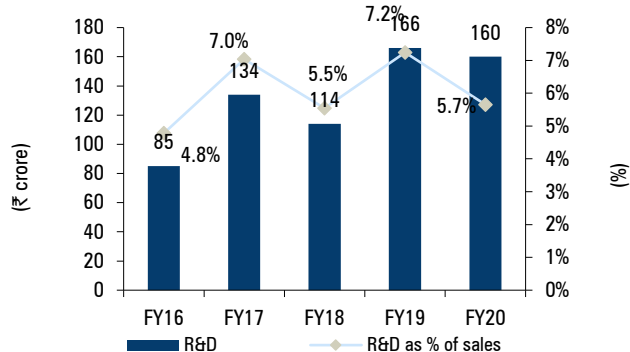
Source: ICICI Direct Research, Company

Exhibit 9: RoE & RoCE trend



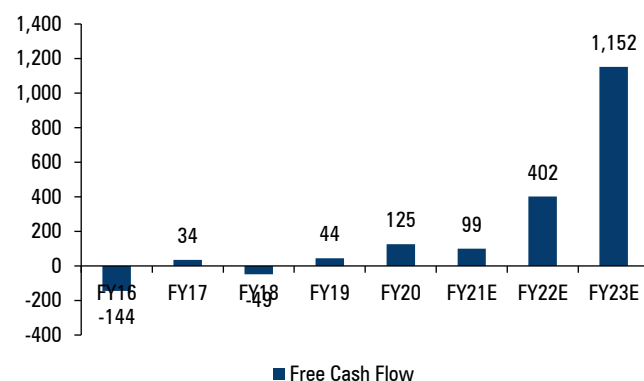
Source: ICICI Direct Research, Company

Exhibit 10: R&D trend



Source: ICICI Direct Research, Company

Exhibit 11: Strong free cash flow generation, going ahead



Source: ICICI Direct Research, Company

Exhibit 12: Financial Summary

	Revenues (₹ crore)	Growth (%)	Adj. EPS (₹)	Growth (%)	P/E (x)	EV/EBITDA (X)	RoNW (%)	RoCE (%)
FY 20	2832	23.6	4.8	172.2	72.0	34.7	14.4	13.0
FY 21E	4673	65.0	17.9	275.9	19.2	13.0	36.4	33.8
FY 22E	5626	20.4	21.1	17.8	16.3	10.8	31.0	31.6
FY 23E	6248	11.1	24.4	15.6	14.1	9.2	27.1	30.4

Source: ICICI Direct Research, Company

Exhibit 13: Shareholding Pattern

(in %)	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Promoter	32.6	32.0	32.1	32.1	28.7
Others	67.4	68.0	67.9	67.9	71.3

Source: ICICI Direct Research, Company

Financial Summary

Exhibit 14: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Revenues	2,831.7	4,672.7	5,625.6	6,248.5
Growth (%)	23.6	65.0	20.4	11.1
Raw Material Expenses	1,413.4	2,089.9	2,531.5	2,780.6
Employee Expenses	344.9	428.3	506.3	562.4
Other Manufacturing Expen	512.4	650.3	801.7	906.0
Total Operating Expenditure	2,270.7	3,168.6	3,839.5	4,249.0
EBITDA	561.0	1,504.1	1,786.1	1,999.5
Growth (%)	57.6	168.1	18.8	11.9
Interest	89.6	63.7	60.9	43.1
Depreciation	187.3	202.4	288.5	309.5
Other Income	9.5	26.0	22.5	40.6
PBT before Exceptional Iter	293.6	1,263.9	1,459.3	1,687.5
Less: Forex & Exceptional	0.0	0.0	0.0	0.0
PBT	293.6	1,263.9	1,459.3	1,687.5
Total Tax	38.3	304.3	328.3	379.7
PAT before MI	255.3	959.6	1,130.9	1,307.8
Minority Interest	0.0	0.0	0.0	0.0
PAT	255.3	959.6	1,130.9	1,307.8
Adjusted PAT	255.3	959.6	1,130.9	1,307.8
Growth (%)	172.2	275.9	17.8	15.6
EPS	4.8	17.9	21.1	24.4
EPS (Adjusted)	4.8	17.9	21.1	24.4

Source: ICICI Direct Research

Exhibit 15: Cash Flow Statement				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Profit/(Loss) after taxation	254.0	959.6	1,130.9	1,307.8
Add: Depreciation & Amortiz	187.3	202.4	288.5	309.5
Net Increase in Current Asse	-312.0	-1,005.1	-555.8	-365.7
Net Increase in Current Liabil	112.3	418.5	227.3	157.5
Others	105.9	63.7	60.9	43.1
CF from operating activitie	347.4	639.2	1,151.8	1,452.2
(Inc)/dec in Investments	0.0	-19.0	0.0	-650.0
(Inc)/dec in Fixed Assets	-222.0	-540.0	-750.0	-300.0
Others	1.0	-3.9	-4.3	-4.7
CF from investing activitie:	-221.0	-562.9	-754.3	-954.7
Inc / (Dec) in Equity Capital	2.6	0.0	0.0	0.0
Proceeds/(Repayment) Loan	-5.8	100.0	-150.0	-300.0
Dividend & Dividend Tax	-32.0	-96.0	-113.1	-130.8
Interest	-85.9	-63.7	-60.9	-43.1
Others	-6.58	0.00	0.00	0.00
CF from financing activitie	-127.7	-59.6	-323.9	-473.9
Net Cash flow	-1.3	16.7	73.6	23.6
Opening Cash	3.0	1.7	18.4	92.1
Closing Cash	1.7	18.4	92.1	115.7

Source: ICICI Direct Research

Exhibit 16: Balance Sheet				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Equity Capital	106.9	106.9	106.9	106.9
Reserve and Surplus	1,662.9	2,526.5	3,544.4	4,721.4
Total Shareholders fund	1,769.8	2,633.5	3,651.3	4,828.3
Total Debt	1,079.4	1,179.4	1,029.4	729.4
Deferred Tax Liability	0.0	0.0	0.0	0.0
Other Non Current Liabilitie:	56.7	62.4	68.7	75.5
Long term Provisions	45.9	50.4	55.5	61.0
Source of Funds	2,951.8	3,925.7	4,804.8	5,694.3
Gross Block - Fixed Assets:	2,378.0	2,618.0	3,668.0	3,968.0
Accumulated Depreciation	661.4	863.8	1,152.3	1,461.8
Net Block	1,716.6	1,754.2	2,515.6	2,506.1
Capital WIP	67.2	367.2	67.2	67.2
Net Fixed Assets	1,783.8	2,121.3	2,582.8	2,573.3
Total Intangible Assets	0.0	0.0	0.0	0.0
Investments	3.4	3.4	3.4	653.4
Goodwill on Consolidation	9.7	28.7	28.7	28.7
Inventory	905.2	1,390.3	1,673.9	1,859.2
Cash	1.7	18.4	92.1	115.7
Debtors	791.4	1,305.9	1,572.3	1,746.3
Loans & Advances & Other	0.0	0.0	0.0	0.0
Total Current Assets	1,812.1	2,833.8	3,463.2	3,852.6
Creditors	615.6	1,015.8	1,223.0	1,358.4
Provisions & Other CL	182.9	201.2	221.3	243.5
Total Current Liabilities	798.5	1,217.0	1,444.3	1,601.9
Net Current Assets	1,013.5	1,616.8	2,018.9	2,250.7
LT L& A, Other Assets	67.4	74.2	81.6	89.7
Deferred Tax Assets	73.9	81.3	89.5	98.4
Application of Funds	2,951.8	3,925.7	4,804.8	5,694.3

Source: ICICI Direct Research

Exhibit 17: Ratio Analysis				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Per share data (₹)				
EPS	4.8	17.9	21.1	24.4
Cash EPS	5.2	19.9	24.3	27.7
BV per share	33.0	49.1	68.0	90.0
DPS	3.0	1.8	2.1	2.4
Cash Per Share	12.3	16.1	21.5	27.2
Operating Ratios (%)				
Gross margins	50.1	55.3	55.0	55.5
EBITDA margins	19.8	32.2	31.8	32.0
Net Profit margins	9.0	20.5	20.1	20.9
Cash Conversion cycle	139.3	131.3	131.3	131.3
Asset Turnover	1.2	1.8	1.5	1.6
EBITDA conversion rate	61.9	42.5	64.5	72.6
Return Ratios (%)				
RoE	14.4	36.4	31.0	27.1
RoCE	13.0	33.8	31.6	30.4
RoIC	13.0	36.8	32.2	34.8
Valuation Ratios (x)				
P/E	72.0	19.2	16.3	14.1
EV / EBITDA	34.7	13.0	10.8	9.2
EV / Revenues	6.9	4.2	3.4	2.9
Market Cap / Revenues	6.5	3.9	3.3	2.9
Price to Book Value	10.4	7.0	5.0	3.8
Solvency Ratios				
Debt / Equity	0.6	0.4	0.3	0.2
Debt / EBITDA	1.9	0.8	0.6	0.4
Current Ratio	2.3	2.3	2.3	2.3

Source: ICICI Direct Research

Exhibit 18: 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	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 Pharm	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 Pha	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 Healthc	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 Phar	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 Laboratori	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	1012	1,165	Buy	45896	16.5	-12.7	24.5	37.3	61.2	NA	41.4	27.2	9.4	9.7	8.9	12.2	5.4	-4.6	8.2	11.2
Narayana Hrud	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 Pharm	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 Remedi	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	343	440	Buy	18392	1.7	4.8	17.9	21.1	196.1	72.0	19.2	16.3	7.7	13.0	33.8	31.6	6.0	14.4	36.4	31.0

Source: ICICI Direct Research, Bloomberg

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