

Strong performance despite GPM pressure...

About the stock: Ipca is a fully integrated pharma company manufacturing over 350 formulations (73% of revenues) and 80 APIs (27% of revenues) with exports contributing 48% of revenues.

- It is a leading supplier of APIs like atenolol (antihypertensive), chloroquine and artemisinin derivatives (antimalarial), furosemide (diuretic), and pyrantel salts (anthelmintic)
- Major therapeutic segments include pain management cardiovascular and anti-diabetics, anti-malarials which together account for 75% of the revenues

Q1FY22 Results: Ipca posted decent Q1FY22 results despite very high base

- Sales were up 2% YoY, 40.5% QoQ to ₹ 1565.8 crore
- EBITDA was ₹ 416 crore, down 29%YoY (up 82%QoQ) with margins at 26%
- Consequent PAT was at ₹ 306.7 crore (down 31.3% YoY, up 90% QoQ)

What should investors do? Ipca's share price has grown by ~4.1x over the past five years (from ~₹ 488 in June 2016 to ~₹ 2026 levels in June 2021).

- We change our view from HOLD to BUY on this stock due to good traction in domestic formulations and growth in the medium term

Target Price and Valuation: We value Ipca at ₹ 2560 i.e. 25x P/E on FY23E EPS

Key triggers for future price performance:

- Incremental growth in other therapies (excluding malaria), especially non-communicable diseases like pain management, cardio-diabetology, etc, the overall portfolio is poised for steady growth
- US traction will take longer due to USFDA import alerts for the Ratlam facility that is the only API source for Silvassa and Pithampur formulations
- Sustained traction from branded and generics exports sales with a revival in EU is likely to mitigate the US void

Alternate Stock Idea: Apart from Ipca, in our healthcare coverage we like Ajanta.

- It is mainly into domestic as well as exports formulations with focus on launching maximum number of first time launches
- BUY with target price of ₹ 2695

Key Financial Summary

| Key Financials (₹ crore) | FY19 | FY20 | FY21 | 5 year CAGR (FY16-21) | FY22E | FY23E | 2 year CAGR (FY21-23E) |
|--------------------------|--------|--------|--------|-----------------------|--------|--------|------------------------|
| Revenues | 3773.2 | 4648.7 | 5419.9 | 13.3 | 6116.9 | 6768.7 | 11.8 |
| EBITDA | 690.1 | 903.7 | 1544.3 | 39.8 | 1520.6 | 1720.7 | 5.6 |
| EBITDA Margins (%) | 18.3 | 19.4 | 28.5 | | 24.9 | 25.4 | |
| Net Profit | 442.2 | 603.4 | 1139.9 | 65.0 | 1118.4 | 1299.4 | 6.8 |
| EPS (₹) | 34.9 | 47.6 | 89.9 | | 88.2 | 102.4 | |
| PE (x) | 62.4 | 45.8 | 24.2 | | 24.7 | 21.2 | |
| EV to EBITDA (x) | 40.1 | 30.6 | 17.6 | | 17.6 | 14.9 | |
| RoNW (%) | 14.2 | 16.6 | 24.2 | | 19.3 | 18.4 | |
| RoCE (%) | 15.0 | 17.6 | 27.1 | | 22.2 | 21.5 | |



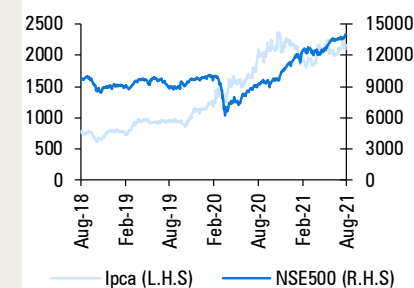
Particulars

| Particular | Amount |
|-----------------------|---------------|
| Market Capitalisation | ₹ 27612 crore |
| Debt (FY21) | ₹ 267 crore |
| Cash (FY21) | ₹ 365 crore |
| EV | ₹ 27514 crore |
| 52 week H/L (₹) | 2456/1786 |
| Equity capital | ₹ 25.4 crore |
| Face value | ₹ 2 |

Shareholding pattern

| (in %) | Jun-20 | Sep-20 | Dec-20 | Mar-21 | Jun-21 |
|----------|--------|--------|--------|--------|--------|
| Promoter | 46.1 | 46.1 | 46.3 | 46.3 | 46.3 |
| Others | 53.9 | 53.9 | 53.7 | 53.7 | 53.7 |

Price Chart



Recent Event & Key risks

- Acquisition of Trophic Wellness engaged in Nutraceuticals
- Key Risk:** (i) Faster resolution by USFDA (ii) Less traction for domestic segments

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Key takeaways of recent quarter & conference call highlights

Q1FY22 Results: Robust performance continues

- Q1FY22 results were better than I-direct estimates mainly driven by strong YoY sales growth in domestic formulations and institutional exports. Revenue remained almost flat growing just 2.0% YoY to ₹ 1565 crore. Strong YoY growth of 31.4% in institutional exports to ₹ 116 crore along with 25.2% YoY growth in domestic formulations to ₹ 613 crore were offset by API sales decline of 19.3% YoY to ₹ 414 crore. Beat vis-a-vis I-direct estimates was witnessed across segments EBITDA margins declined 1174 bps YoY to 26.6% due to lower gross margins and higher other expenditure. Subsequently, EBITDA de-grew 29.2% YoY to ₹ 416 crore while PAT de-grew 31.3% YoY to ₹ 306 crore. Delta vis-à-vis I-direct estimates was mainly due to better than expected topline performance
- Growth in domestic formulations and the international anti-malarial institutional business has also contributed substantially to overall growth. US traction will take longer 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.

Q1FY22 Earnings Conference Call highlights

- Domestic formulations grew 25% YoY, while Q1FY21 also included ₹ 54 crore of domestic HCQ business
 - Segment wise YoY growth: Pain-management (36%), cardio & anti-diabetic (14%), anti-bacterial (177%), dermatology (89%), anti-malarial (95%), cough & cold (83%)
 - Gross margins were affected by product mix sold in Q1FY22 (anti-bacterial, cough & cold and anti-malarial have low margins) and higher material cost (33.4% in Q1FY22)
 - Price hiked by 6% this year against an average of 4% every year
 - Field force has returned post lockdown, which has increased promotional activities
 - Management guided for 16-18% growth in domestic business for FY22
- Branded exports were mixed with CIS market impacted by currency movement, Myanmar market disturbed while South African business performing well. Management guided for 12% growth in FY22
- Generics was affected as Paracetamol prices have increased and buying levels are low. Management guided for 8-10% growth in FY22
- UK business grew at 15% YoY with the company starting to market in its own brand name. The management guided for 10-12% growth in the next three to four years, while Europe is expected grow faster
- Capex in API facilities got delayed due to Covid. Devas is expected to be operational in FY23 while Ratlam facility will be operational by Q3FY22. API capacity will increase by 20% post completion of both projects.
- Management guided for 10% growth in API business for FY22
- EBITDA margins guidance was 25% for FY22 and management expects trend to get better
- Capex - ₹ 400 crore for next two to three years
- Company plans to exhaust MAT credit in next 2 years (FY22 & FY23: 17%-18%) and post that lower tax regime with tax rate of 25%.

Exhibit 1: Variance Analysis

| | Q1FY22 | Q1FY22E | Q1FY21 | YoY (%) | Q4FY21 | QoQ (%) | Comments |
|---------------------------|---------|---------|---------|-----------|---------|----------|---|
| Revenue | 1,565.8 | 1,321.4 | 1,534.4 | 2.0 | 1,114.6 | 40.5 | Muted YoY growth amid base effect. QoQ strong growth and beat vis-à-vis I-direct estimates driven by robust growth across geographies |
| Raw Material Expenses | 545.7 | 449.3 | 431.6 | 26.4 | 338.6 | 61.2 | |
| Gross margins (%) | 65.1 | 66.0 | 71.9 | -672 bps | 69.6 | -447 bps | Sequential decline mainly due to 1) change mixed and 2) material cost increase |
| Employee Expenses | 299.6 | 264.3 | 256.3 | 16.9 | 257.6 | 16.3 | |
| Other Expense | 304.0 | 314.8 | 258.1 | 17.8 | 289.5 | 5.0 | YoY increase mainly due to one-off ₹ 16 crore, higher freight and energy cost and normalization of promotional cost |
| Operating Profit (EBITDA) | 416.5 | 293.1 | 588.3 | -29.2 | 228.8 | 82.0 | |
| EBITDA (%) | 26.6 | 22.2 | 38.3 | -1174 bps | 20.5 | 607 bps | Sequential improvement amid operational leverage partially offset by lower gross margins |
| Interest | 1.8 | 1.8 | 2.7 | -33.6 | 1.7 | 7.1 | |
| Depreciation | 55.9 | 55.6 | 51.0 | 9.5 | 52.5 | 6.4 | |
| Other Income | 21.0 | 18.5 | 12.1 | 73.9 | 19.9 | 5.5 | |
| PBT | 379.9 | 254.1 | 546.6 | -30.5 | 194.5 | 95.3 | |
| Tax | 70.8 | 44.5 | 99.9 | -29.1 | 30.9 | 128.8 | |
| Tax Rate (%) | 18.6 | 17.5 | 18.3 | 36 bps | 15.9 | 273 bps | |
| Reported PAT | 306.7 | 207.6 | 446.2 | -31.3 | 161.2 | 90.2 | Growth in sync with operational performance |
| EPS (₹) | 24.2 | 16.4 | 35.2 | -31.3 | 12.7 | 90.2 | |
| Key Metrics | | | | | | | |
| Domestic formulations | 613.0 | 562.8 | 489.4 | 25.2 | 433.6 | 41.4 | Ex HCQS YoY growth was 41% albite on lower base, reported strong growth across segments. Growth also supported by some Covid-19 opportunities |
| Export - Generic | 216.8 | 205.2 | 241.5 | -10.2 | 160.8 | 34.8 | YoY Impacted amid currency impacting CIS, and slow growth in Myanmar |
| Export - Institutional | 116.5 | 102.0 | 88.7 | 31.4 | 76.2 | 52.8 | |
| Export - Branded | 108.6 | 103.1 | 133.5 | -18.7 | 101.0 | 7.5 | YoY growth mainly due to low sales of Paracetamol in EU amid sharp increase in prices |
| API | 414.4 | 278.1 | 513.3 | -19.3 | 259.9 | 59.4 | |

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

| | FY22E | | | FY23E | | | Comments |
|-------------------|---------|---------|----------|---------|---------|----------|----------------------------------|
| (₹ Crore) | Old | New | % Change | Old | New | % Change | |
| Revenue | 5,907.3 | 6,116.9 | 3.5 | 6,524.7 | 6,768.7 | 3.7 | |
| EBITDA | 1,495.9 | 1,520.6 | 1.7 | 1,699.1 | 1,720.7 | 1.3 | |
| EBITDA Margin (%) | 25.3 | 24.9 | -44 bps | 26.0 | 25.4 | -58 bps | |
| PAT | 1,101.7 | 1,118.4 | 1.5 | 1,161.2 | 1,299.4 | 11.9 | Changed tax rate as per guidance |
| EPS (₹) | 86.9 | 88.2 | 1.5 | 91.6 | 102.4 | 11.8 | |

Source: ICICI Direct Research

Exhibit 3: Assumptions

| | Current | | | | Earlier | |
|-----------------------|---------|---------|---------|---------|---------|---------|
| | FY20 | FY21 | FY22E | FY23E | FY22E | FY23E |
| Domestic formulations | 1,912.6 | 1,981.7 | 2,313.4 | 2,591.0 | 2,314.5 | 2,592.2 |
| Export formulations | 1,221.6 | 1,597.2 | 1,695.0 | 1,844.1 | 1,708.3 | 1,859.1 |
| API | 1,173.1 | 1,506.3 | 1,538.8 | 1,692.7 | 1,506.8 | 1,657.5 |

Source: ICICI Direct Research

Exhibit 4: Financial Summary

| | Revenues | Growth | Adj. EPS | Growth | P/E | EV/EBITDA | RoNW | RoCE |
|-------|-----------|--------|----------|--------|------|-----------|------|------|
| | (₹ crore) | (%) | (₹) | (%) | (x) | (X) | (%) | (%) |
| FY20 | 4649 | 23.2 | 47.6 | 36.4 | 45.8 | 30.6 | 16.6 | 17.6 |
| FY21 | 5420 | 16.6 | 89.9 | 88.9 | 24.2 | 17.6 | 24.2 | 27.1 |
| FY22E | 6117 | 12.9 | 88.2 | -1.9 | 24.7 | 17.6 | 19.3 | 22.2 |
| FY23E | 6769 | 10.7 | 102.4 | 16.2 | 21.2 | 14.9 | 18.4 | 21.5 |

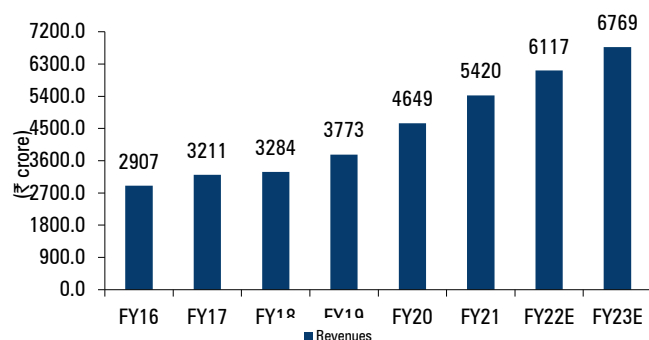
Source: ICICI Direct Research

Exhibit 5: Trends in Quarterly Performance

| ₹ Crore | Q1FY19 | Q2FY19 | Q3FY19 | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21 | Q4FY21 | Q1FY22 | 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 | 1114.6 | 1565.8 | 2.0 | 40.5 |
| 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 | 338.6 | 545.7 | 26.4 | 61.2 |
| % of Revenue | 32.2 | 30.9 | 33.7 | 34.9 | 37.7 | 35.0 | 34.9 | 34.0 | 28.1 | 32.5 | 36.6 | 30.4 | 34.9 | 672bps | 447bps |
| Gross Profit | 594.0 | 699.3 | 667.3 | 572.9 | 672.2 | 834.2 | 789.1 | 709.2 | 1102.8 | 918.4 | 894.4 | 776.0 | 1020.1 | -7.5 | 31.5 |
| GPM (%) | 67.8 | 69.1 | 66.3 | 65.1 | 62.3 | 65.0 | 65.1 | 66.0 | 71.9 | 67.5 | 63.4 | 69.6 | 65.1 | -672bps | -447bps |
| Employee Expenses | 202.6 | 212.0 | 185.7 | 187.1 | 215.7 | 232.0 | 231.3 | 242.2 | 256.3 | 254.5 | 245.1 | 257.6 | 299.6 | 16.9 | 16.3 |
| % of Revenue | 23.1 | 20.9 | 18.5 | 21.3 | 20.0 | 18.1 | 19.1 | 22.6 | 16.7 | 18.7 | 17.4 | 23.1 | 19.1 | 243bps | -398bps |
| Other expense | 272.5 | 313.7 | 247.1 | 222.2 | 259.4 | 337.6 | 284.1 | 298.5 | 258.1 | 303.7 | 282.4 | 289.5 | 304.0 | 17.8 | 5.0 |
| % of Revenue | 31.1 | 31.0 | 24.6 | 25.3 | 24.1 | 26.3 | 23.4 | 27.8 | 16.8 | 22.3 | 20.0 | 26.0 | 19.4 | 259bps | -657bps |
| Total Expenditure | 756.6 | 838.4 | 771.7 | 716.0 | 881.1 | 1019.4 | 939.2 | 905.3 | 946.1 | 1000.9 | 1042.9 | 885.8 | 1149.3 | 21.5 | 29.7 |
| % of Revenue | 86.4 | 82.8 | 76.7 | 81.4 | 81.7 | 79.4 | 77.4 | 84.3 | 61.7 | 73.5 | 74.0 | 79.5 | 73.4 | 1174bps | -607bps |
| EBIDTA | 118.8 | 173.6 | 234.5 | 163.6 | 197.1 | 264.5 | 273.7 | 168.5 | 588.3 | 360.2 | 366.9 | 228.8 | 416.5 | -29.2 | 82.0 |
| EBIDTA Margin (%) | 13.6 | 17.2 | 23.3 | 18.6 | 18.3 | 20.6 | 22.6 | 15.7 | 38.3 | 26.5 | 26.0 | 20.5 | 26.6 | -1174bps | 607bps |
| Depreciation | 46.6 | 45.4 | 45.7 | 44.8 | 46.1 | 49.6 | 50.8 | 63.9 | 51.0 | 52.1 | 53.5 | 52.5 | 55.9 | 9.5 | 6.4 |
| Interest | 4.9 | 2.4 | 5.1 | 6.4 | 4.6 | 4.2 | 4.0 | 3.7 | 2.7 | 2.3 | 2.3 | 1.7 | 1.8 | -33.6 | 7.1 |
| Other Income | 14.3 | 14.8 | 13.3 | 15.3 | 20.3 | 14.8 | 18.1 | 13.7 | 12.1 | 15.5 | 15.4 | 19.9 | 21.0 | 73.9 | 5.5 |
| PBT | 81.6 | 140.6 | 196.9 | 127.7 | 166.8 | 225.4 | 237.0 | 114.6 | 546.6 | 321.2 | 326.5 | 194.5 | 379.9 | -30.5 | 95.3 |
| Tax | 13.1 | 22.1 | 37.4 | 31.7 | 37.4 | 31.9 | 36.9 | 29.2 | 99.9 | 52.6 | 56.7 | 30.9 | 70.8 | -29.1 | 128.8 |
| Tax Rate (%) | 16.0 | 15.7 | 19.0 | 24.8 | 22.4 | 14.1 | 15.6 | 25.5 | 18.3 | 16.4 | 17.4 | 15.9 | 18.6 | 36bps | 273bps |
| PAT | 68.5 | 118.5 | 159.2 | 98.6 | 129.6 | 193.1 | 197.6 | 86.0 | 446.2 | 267.1 | 265.5 | 161.2 | 306.7 | -31.3 | 90.2 |
| PAT Margin (%) | 7.8 | 11.7 | 15.8 | 11.2 | 12.0 | 15.0 | 16.3 | 8.0 | 29.1 | 19.6 | 18.8 | 14.5 | 19.6 | -949bps | 512bps |
| EPS (₹) | 5.4 | 9.3 | 12.5 | 7.8 | 10.2 | 15.2 | 15.6 | 6.8 | 35.2 | 21.1 | 20.9 | 12.7 | 24.2 | -31.3 | 90.2 |

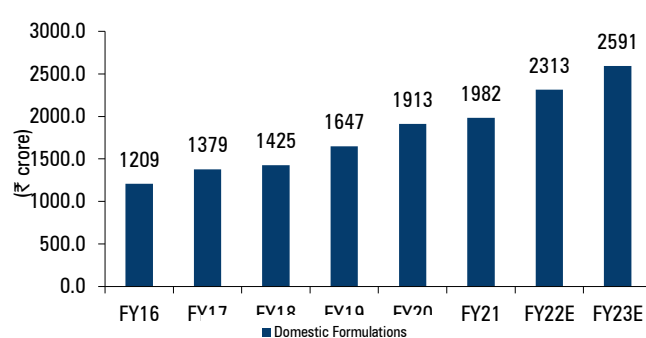
Source: ICICI Direct Research

Exhibit 6: Revenues to grow at ~11.8% CAGR in FY21-23E



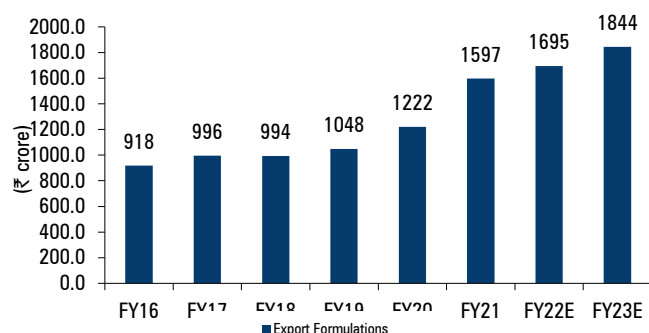
Source: ICICI Direct Research, Company

Exhibit 7: India to grow at 14.3% CAGR over FY21-23E



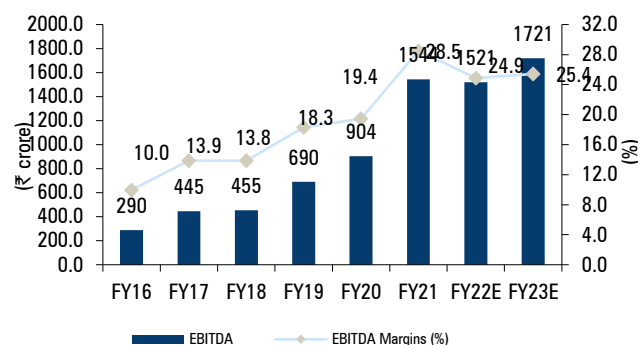
Source: ICICI Direct Research, Company

Exhibit 8: Export to grow at 7.5% CAGR over FY21-23E



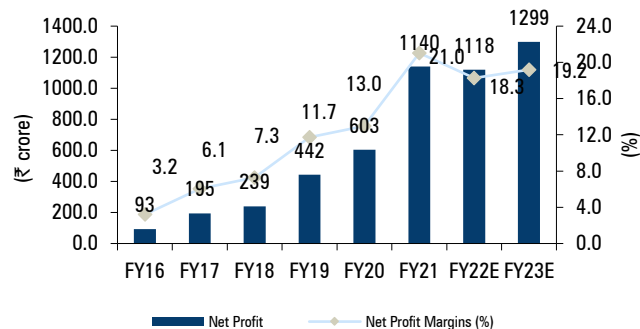
Source: ICICI Direct Research, Company

Exhibit 9: EBITDA & EBITDA margins trend



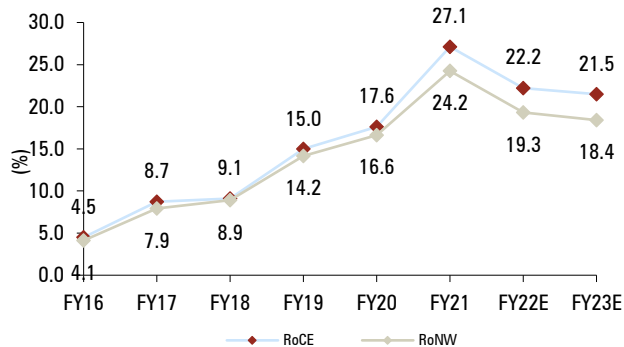
Source: ICICI Direct Research, Company

Exhibit 10: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 11: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 12: ICICIdirect Healthcare coverage Universe

| Company | I-Direct | CMP | TP | Rating | M Cap | EPS (₹) | | | | | PE(x) | | | | RoCE (%) | | | RoE (%) | | | |
|--------------------|----------|------|-------|--------|--------|---------|-------|-------|-------|-------|-------|-------|-------|------|----------|-------|-------|---------|------|-------|-------|
| | Code | (₹) | (₹) | | (₹ cr) | FY20 | FY21 | FY22E | FY23E | FY20 | FY21 | FY22E | FY23E | FY20 | FY21 | FY22E | FY23E | FY20 | FY21 | FY22E | FY23E |
| Ajanta Pharma | AJAPHA | 2277 | 2,695 | Buy | 19703 | 53.4 | 74.0 | 80.8 | 89.8 | 42.7 | 30.8 | 28.2 | 25.4 | 24.7 | 29.0 | 24.9 | 24.0 | 18.1 | 21.8 | 20.2 | 19.2 |
| Alembic Pharma | ALEMPHA | 786 | 885 | Hold | 15450 | 44.4 | 59.9 | 35.2 | 44.3 | 17.7 | 13.1 | 22.4 | 17.7 | 21.0 | 24.2 | 12.7 | 14.8 | 27.1 | 23.0 | 12.3 | 13.8 |
| Apollo Hospitals | APOHOS | 4164 | 3,870 | Buy | 59872 | 22.6 | 7.9 | 55.2 | 81.4 | 184.4 | 529.8 | 75.4 | 51.2 | 10.2 | 6.3 | 13.7 | 18.0 | 9.7 | 2.5 | 15.1 | 18.8 |
| Aurobindo Pharma | AURPHA | 905 | 1,165 | Buy | 52998 | 48.8 | 55.0 | 61.4 | 69.3 | 18.6 | 16.4 | 14.7 | 13.1 | 17.2 | 16.8 | 16.3 | 16.5 | 17.0 | 14.7 | 14.2 | 13.9 |
| Biocon | BIOCON | 385 | 400 | Hold | 46212 | 5.8 | 6.1 | 6.1 | 12.5 | 66.2 | 63.3 | 62.9 | 30.7 | 10.2 | 7.6 | 8.7 | 12.5 | 10.4 | 9.6 | 8.9 | 15.6 |
| Cadila Healthcare | CADHEA | 585 | 640 | Hold | 59838 | 14.0 | 22.7 | 20.6 | 23.7 | 41.8 | 25.7 | 28.4 | 24.7 | 10.7 | 13.2 | 12.9 | 12.8 | 13.8 | 17.9 | 12.5 | 13.0 |
| Cipla | CIPLA | 921 | 1,205 | Buy | 74275 | 19.2 | 29.9 | 35.5 | 41.6 | 47.9 | 30.8 | 26.0 | 22.1 | 12.0 | 16.3 | 17.9 | 18.4 | 9.8 | 13.1 | 14.0 | 14.5 |
| Divi's Lab | DIVLAB | 4932 | 4,825 | Buy | 130920 | 51.9 | 74.7 | 89.4 | 111.5 | 95.1 | 66.0 | 55.2 | 44.2 | 23.9 | 27.6 | 27.7 | 29.0 | 18.8 | 21.3 | 21.6 | 22.5 |
| Dr Reddy's Labs | DRREDD | 4773 | 5,250 | Hold | 79406 | 121.8 | 117.3 | 126.8 | 197.3 | 39.2 | 40.7 | 37.6 | 24.2 | 9.6 | 13.1 | 12.9 | 16.5 | 13.0 | 11.1 | 10.8 | 14.7 |
| Glenmark Pharma | GLEPHA | 596 | 750 | Buy | 16829 | 26.4 | 32.9 | 42.1 | 50.1 | 22.6 | 18.1 | 14.2 | 11.9 | 12.7 | 13.7 | 15.5 | 16.5 | 12.2 | 13.1 | 14.5 | 14.8 |
| Hikal | HIKCHE | 609 | 380 | Buy | 7510 | 8.1 | 10.8 | 20.6 | 20.8 | 75.2 | 56.4 | 29.6 | 29.2 | 12.8 | 15.1 | 21.5 | 19.6 | 12.2 | 14.3 | 21.6 | 18.2 |
| Ipca Laboratories | IPCLAB | 2177 | 2,560 | Buy | 27616 | 47.6 | 89.9 | 88.2 | 102.4 | 45.8 | 24.2 | 24.7 | 21.3 | 17.6 | 27.1 | 22.2 | 21.5 | 16.6 | 24.2 | 19.3 | 18.4 |
| Jubilant Pharmova | JUBLIF | 660 | 850 | Buy | 10513 | 44.6 | 37.4 | 59.9 | 84.9 | 14.8 | 17.7 | 11.0 | 7.8 | 11.7 | 13.7 | 18.2 | 22.4 | 12.7 | 12.6 | 16.9 | 19.5 |
| Lupin | LUPIN | 1150 | 1,205 | Hold | 52173 | -12.7 | 26.9 | 40.5 | 47.9 | NA | 42.8 | 28.4 | 24.0 | 9.7 | 9.0 | 12.7 | 14.2 | -4.6 | 8.8 | 12.0 | 12.6 |
| Narayana Hrudalaya | NARHRU | 515 | 585 | Buy | 10518 | 6.4 | -0.7 | 14.8 | 17.8 | 81.0 | NA | 34.8 | 28.9 | 11.0 | 1.2 | 13.9 | 14.3 | 11.4 | -1.3 | 21.5 | 20.8 |
| Natco Pharma | NATPHA | 1003 | 1,010 | Hold | 18280 | 25.3 | 24.2 | 19.5 | 23.3 | 39.7 | 41.5 | 51.4 | 43.0 | 14.0 | 13.1 | 10.1 | 11.2 | 12.2 | 10.7 | 8.1 | 9.1 |
| Sun Pharma | SUNPHA | 791 | 800 | Hold | 189835 | 16.8 | 30.0 | 25.1 | 28.6 | 47.2 | 26.3 | 31.5 | 27.7 | 10.0 | 14.4 | 15.1 | 15.3 | 8.9 | 15.5 | 12.0 | 12.2 |
| Syngene Int. | SYNINT | 621 | 780 | Buy | 24852 | 10.3 | 10.1 | 11.0 | 15.6 | 60.3 | 61.4 | 56.4 | 39.9 | 14.5 | 11.5 | 13.1 | 16.6 | 16.8 | 13.5 | 13.6 | 16.1 |
| Torrent Pharma | TORPHA | 3038 | 3,250 | Buy | 51412 | 60.6 | 74.0 | 78.5 | 101.5 | 50.2 | 41.1 | 38.7 | 29.9 | 15.4 | 17.7 | 20.8 | 22.2 | 21.2 | 21.4 | 19.4 | 21.1 |

Source: ICICI Direct Research

Financial Summary

| Exhibit 13: Profit and loss statement ₹ crore | | | | |
|---|----------------|----------------|----------------|----------------|
| (Year-end March) | FY20 | FY21 | FY22E | FY23E |
| Revenues | 4,648.7 | 5,419.9 | 6,116.9 | 6,768.7 |
| Growth (%) | 23.2 | 16.6 | 12.9 | 10.7 |
| Raw Material Expenses | 1,644.1 | 1,728.3 | 2,047.6 | 2,166.0 |
| Employee Expenses | 921.2 | 1,013.6 | 1,181.4 | 1,297.8 |
| Other Expense | 1,179.6 | 1,133.8 | 1,367.3 | 1,584.3 |
| Total Operating Expenditure | 3,745.0 | 3,875.6 | 4,596.3 | 5,048.0 |
| EBITDA | 903.7 | 1,544.3 | 1,520.6 | 1,720.7 |
| Growth (%) | 31.0 | 70.9 | -1.5 | 13.2 |
| Interest | 16.5 | 9.0 | 7.3 | 5.6 |
| Depreciation | 210.5 | 209.2 | 223.5 | 258.6 |
| Other Income | 67.0 | 62.8 | 82.1 | 135.4 |
| PBT after EO/Forex | 743.7 | 1,388.9 | 1,372.0 | 1,591.9 |
| Total Tax | 135.3 | 240.1 | 242.3 | 281.1 |
| MI & Profit from associates | -10.6 | -6.6 | -8.1 | -8.1 |
| PAT | 603.4 | 1,139.9 | 1,118.4 | 1,299.4 |
| Growth (%) | 36.4 | 88.9 | -1.9 | 16.2 |
| Adjusted PAT | 603.4 | 1,139.9 | 1,118.4 | 1,299.4 |
| EPS | 47.6 | 89.9 | 88.2 | 102.4 |
| EPS (Adjusted) | 47.6 | 89.9 | 88.2 | 102.4 |

Source: Company, ICICI Direct Research

| Exhibit 14: Cash flow statement ₹ crore | | | | |
|---|---------------|----------------|-----------------|-----------------|
| (Year-end March) | FY20 | FY21 | FY22E | FY23E |
| Profit after Tax | 586.7 | 1,135.7 | 1,118.4 | 1,299.4 |
| Add: Depreciation | 210.5 | 209.2 | 223.5 | 258.6 |
| (Inc)/dec in Current Assets | -415.5 | -198.9 | -456.0 | -323.3 |
| Inc/(dec) in CL and Provisions | 152.0 | -37.5 | 153.4 | 103.9 |
| Others | 30.7 | -18.4 | 7.3 | 5.6 |
| CF from operating activities | 564.3 | 1,090.1 | 1,046.6 | 1,344.2 |
| (Inc)/dec in Fixed Assets | -402.4 | -359.0 | -580.0 | -250.0 |
| (Inc)/dec in Investments | -49.4 | -81.1 | -500.0 | -800.0 |
| Others | -83.4 | -160.1 | -1.2 | -1.2 |
| CF from investing activities | -535.2 | -600.2 | -1,081.2 | -1,051.2 |
| Issue/(Buy back) of Equity | 11.9 | 35.8 | 0.0 | 0.0 |
| Inc/(dec) in loan funds | -6.3 | -231.7 | -50.0 | -50.0 |
| Dividend paid & dividend tax | -121.7 | -101.5 | -28.0 | -32.5 |
| Other | -8.1 | 223.3 | 42.7 | 44.4 |
| CF from financing activities | -130.5 | -305.8 | -85.2 | -88.1 |
| Net Cash flow | -101.4 | 184.2 | -119.8 | 204.8 |
| Opening Cash | 282.3 | 180.9 | 365.1 | 245.3 |
| Closing Cash | 180.9 | 365.1 | 245.3 | 450.1 |
| Free Cash Flow | 161.9 | 731.2 | 466.6 | 1,094.2 |

Source: Company, ICICI Direct Research

| Exhibit 15: Balance Sheet ₹ crore | | | | |
|-----------------------------------|----------------|----------------|----------------|----------------|
| (Year-end March) | FY20 | FY21 | FY22E | FY23E |
| Equity Capital | 25.3 | 25.4 | 25.4 | 25.4 |
| Reserve and Surplus | 3,602.2 | 4,676.3 | 5,766.7 | 7,033.7 |
| Total Shareholders funds | 3,627.5 | 4,701.7 | 5,792.1 | 7,059.0 |
| Total Debt | 500.7 | 266.7 | 216.7 | 166.7 |
| Deferred Tax Liability | 141.8 | 133.6 | 142.9 | 152.9 |
| Minority Interest | 13.63 | 14.5 | 16.0 | 17.6 |
| LTP & Other LTL | 34.5 | 40.7 | 43.6 | 46.6 |
| Total Liabilities | 4,318.1 | 5,157.1 | 6,211.2 | 7,442.8 |
| Gross Block - Fixed Assets | 2,981.1 | 3,171.7 | 3,371.7 | 3,901.7 |
| Accumulated Depreciation | 936.7 | 1,145.9 | 1,369.4 | 1,628.0 |
| Net Block | 2,044.4 | 2,025.8 | 2,002.4 | 2,273.7 |
| Capital WIP | 85.2 | 234.8 | 614.8 | 334.8 |
| Total Fixed Assets | 2,129.6 | 2,260.7 | 2,617.2 | 2,608.6 |
| Goodwill on Consolidation | 62.4 | 46.6 | 46.6 | 46.6 |
| Investments | 309.6 | 505.3 | 1,005.3 | 1,805.3 |
| LT L&A, Non Current Assets | 140.8 | 212.7 | 227.6 | 243.5 |
| Inventory | 1,323.1 | 1,594.8 | 1,738.7 | 1,924.0 |
| Debtors | 895.2 | 811.8 | 1,104.8 | 1,222.6 |
| Loans and Advances | 3.0 | 2.5 | 2.6 | 2.8 |
| Other Current Assets | 215.3 | 269.0 | 287.9 | 308.0 |
| Cash | 180.9 | 365.1 | 245.3 | 450.1 |
| Total Current Assets | 2,617.5 | 3,043.1 | 3,379.3 | 3,907.5 |
| Creditors | 609.9 | 666.2 | 802.5 | 888.0 |
| Provisions | 93.7 | 103.1 | 110.4 | 118.1 |
| Other current liabilities | 238.1 | 141.9 | 151.8 | 162.5 |
| Total Current Liabilities | 941.7 | 911.2 | 1,064.7 | 1,168.5 |
| Net Current Assets | 1,675.8 | 2,131.9 | 2,314.6 | 2,738.9 |
| Application of Funds | 4,318.1 | 5,157.1 | 6,211.2 | 7,442.8 |

Source: Company, ICICI Direct Research

| Exhibit 16: Key ratios | | | | |
|-----------------------------|-------|-------|-------|-------|
| (Year-end March) | FY20 | FY21 | FY22E | FY23E |
| Per share data (₹) | | | | |
| Adjusted EPS | 47.6 | 89.9 | 88.2 | 102.4 |
| BV per share | 286.0 | 370.6 | 456.6 | 556.5 |
| Dividend per share | 7.7 | 9.9 | 11.9 | 13.0 |
| Operating Ratios (%) | | | | |
| Gross Profit Margins | 64.6 | 68.1 | 66.5 | 68.0 |
| EBITDA Margins | 19.4 | 28.5 | 24.9 | 25.4 |
| PAT Margins | 13.0 | 21.0 | 18.3 | 19.2 |
| Inventory days | 103.9 | 107.4 | 103.7 | 103.7 |
| Debtor days | 70.3 | 54.7 | 65.9 | 65.9 |
| Creditor days | 47.9 | 44.9 | 47.9 | 47.9 |
| Asset Turnover | 1.6 | 1.7 | 1.8 | 1.7 |
| EBITDA conversion Rate | 62.4 | 70.6 | 68.8 | 78.1 |
| Return Ratios (%) | | | | |
| RoE | 16.6 | 24.2 | 19.3 | 18.4 |
| RoCE | 17.6 | 27.1 | 22.2 | 21.5 |
| RoIC | 19.2 | 34.2 | 31.0 | 31.3 |
| Valuation Ratios (x) | | | | |
| P/E | 45.8 | 24.2 | 24.7 | 21.2 |
| EV / EBITDA | 30.6 | 17.6 | 17.6 | 14.9 |
| EV / Net Sales | 6.0 | 5.0 | 4.4 | 3.8 |
| Market Cap / Sales | 5.9 | 5.1 | 4.5 | 4.1 |
| Price to Book Value | 7.6 | 5.9 | 4.8 | 3.9 |
| Solvency Ratios | | | | |
| Debt / EBITDA | 0.6 | 0.2 | 0.1 | 0.1 |
| Debt / Equity | 0.1 | 0.1 | 0.0 | 0.0 |
| Current Ratio | 2.6 | 2.9 | 2.9 | 3.0 |

Source: Company, ICICI Direct Research

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