

Pharma

Oct-Dec'21 Earnings Preview

Moderate EBITDA growth

We expect pharmaceuticals companies under our coverage to report moderate EBITDA growth of 3% YoY (flat QoQ) led by 1) high base, 2) lack of meaningful approvals in US and 3) higher COGS. Our Pharma universe's domestic business will continue to see strong traction in the quarter, growing in double-digits YoY and US business may remain steady QoQ. Cost pressure to remain elevated with higher freight and COGS on YoY basis, however QoQ should be stable. INR depreciation against USD is marginal on QoQ and YoY basis, while appreciated again BRL and EURO.

Amongst PL universe we expect companies like Sun Pharma and Divi's to report strong YoY EBITDA growth of 12% and 37%, aided by specialty ramp up and Molnupiravir respectively. On other hand Ipca and Lupin to see YoY decline in EBITDA, led by lower margins. Indoco to see strong YoY growth aided by low base and higher US revenues. GNP's YoY and QoQ is aided by one-time milestone income.

- **US sales - mixed bag:** We expect US market to remain steady on QoQ basis with continued challenging environment, partly offset by seasonality. Sun Pharma's specialty sales to enhance in Q3FY22 on successful launch of WINLEVI product. On favorable flu season, Lupin is expected to grow QoQ. We believe Cadila's US sales to decline QoQ, due to increased competition from Asacol HD partly offset by strong flu season. Indoco US sales to see QoQ pick up aided by profit share from Brinzolamide. ARBP US sales to decline on YoY basis led by Natrol divestment, while QoQ to remain steady.
- **Sectoral outperformance to stay:** BSE Healthcare Index outperformed Sensex marginally by 1% during Oct-Dec21 quarter. While there might be near-term consolidation, long-term sectoral outlook remains positive led by tailwinds in US generics, recovery in domestic formulations segment and COVID led opportunities. We expect profitability to improve in FY23, with steady domestic business, strong launches in US market and continued cost optimization. We prefer companies with steady domestic franchises and strong US visibility. Our top picks remain SUNP, CIPLA, TRP and IPCA.

Exhibit 2: EBITDA trend (Rs in Mn)

| Company | Q3FY21 | Q4FY21 | Q1FY22 | Q2FY22 | Q3FY22E | % YoY | % QoQ |
|--------------|----------------|---------------|----------------|----------------|----------------|------------|--------------|
| ARBP | 13,686 | 12,747 | 12,094 | 11,867 | 12,814 | (6.4) | 8.0 |
| Cadila | 7,649 | 7,648 | 8,250 | 7,630 | 7,414 | (3.1) | (2.8) |
| Cipla | 12,164 | 7,747 | 13,123 | 11,922 | 11,608 | (4.6) | (2.6) |
| DIVI | 6,912 | 7,163 | 8,521 | 8,181 | 9,445 | 36.6 | 15.5 |
| DRL | 11,260 | 10,171 | 9,025 | 13,357 | 11,534 | 2.4 | (13.6) |
| ERIS | 1,072 | 945 | 1,265 | 1,398 | 1,207 | 12.6 | (13.7) |
| GNP | 5,831 | 5,291 | 5,736 | 5,901 | 6,109 | 4.8 | 3.5 |
| Indoco | 602 | 547 | 869 | 864 | 829 | 37.8 | (4.1) |
| IPCA | 3,619 | 2,157 | 4,131 | 3,460 | 2,635 | (27.2) | (23.9) |
| LUPIN | 8,064 | 7,076 | 9,276 | 5,963 | 6,717 | (16.7) | 12.6 |
| SUNP | 23,345 | 20,592 | 27,412 | 27,063 | 26,041 | 11.5 | (3.8) |
| TRP | 6,070 | 5,820 | 6,770 | 6,600 | 6,842 | 12.7 | 3.7 |
| Total | 100,275 | 87,904 | 106,470 | 104,207 | 103,197 | 2.9 | (1.0) |

Source: Company, PL

January 7, 2022

Exhibit 1: PL Universe

| Companies | Rating | CMP (Rs) | TP (Rs) |
|-------------------------------|--------|----------|---------|
| Aurobindo Pharma | Acc | 710 | 780 |
| Cadila Healthcare | Buy | 451 | 590 |
| Cipla | Buy | 915 | 1,100 |
| Divi's Laboratories Ltd | Acc | 4,517 | 4,750 |
| Dr. Reddy's Laboratories | Buy | 4,708 | 5,400 |
| Eris Lifesciences | Buy | 753 | 954 |
| Glenmark Pharmaceuticals | Acc | 511 | 600 |
| Indoco Remedies | Acc | 438 | 480 |
| Ipca Laboratories | Buy | 2,200 | 2,450 |
| Lupin | Acc | 916 | 1,004 |
| Sun Pharmaceutical Industries | Buy | 829 | 1,000 |
| Torrent Pharmaceuticals | Buy | 3,141 | 3,600 |

Source: PL

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Top Picks

- **SUNP - BUY (TP Rs1000):** In spite of sectoral headwinds in key markets we are positive on growth prospect of Sun Pharma's specialty portfolio. Company's significant investments and efforts in specialty business has started paying off, as visible in upward trajectory of revenue. Sustained momentum in specialty will help in improving operating leverage and margins. Domestic formulations (32% of total revenue) continue to outperform IPM. We recommend 'Buy' with TP of Rs 1000. SUNP remains our top pick in large cap space.
- **CIPLA - BUY (TP Rs1100):** We remain positive on Cipla's growth across business segments including India and exports. Ex-COVID, IPM can grow 8-10% going forward with Cipla likely outpacing the market. Meaningful delta in US revs are expected from FY23, backed by potential key launches. Given resilient earnings, improving visibility on the US and strong free cash flow generation, we expect 15% EPS CAGR over FY21-24E from base business (ex Revlimid). We recommend Buy with TP of Rs1100/share.
- **IPCA - BUY (TP Rs2450):** We maintain our positive outlook on the stock with strong growth in India formulations and expect recovery from Q4FY22/Q1FY23. Domestic business (45% of total sales) continues to remain on strong footing and should continue outperforming the IPM. Strong API capabilities and diversified model benefits IPCA in the current environment. We recommend 'Buy' rating on the stock with target price of Rs 2,450. Any weakness in stock should be used as buying opportunity.
- **TRP - BUY (TP Rs3600):** TRP's high exposure to branded generics and chronic portfolio provides comfort on earning visibility. As revenue growth picks up, benefit of operating leverage will play out. We expect 11% revenue CAGR, 15% EBITDA CAGR and 18% PAT CAGR over FY21-24E. Torrent has a strong balance sheet with strong FCF generation resulting in likely sharp reduction in net debt by FY24E. Further we expect improvement in RoCE/RoE by 1100bps/200 bps to 28%/26% by FY24E. We recommend Buy with TP of Rs3600, valuing at 30x FY24E EPS.

Divi's Laboratories Ltd.

Divi's Laboratories Ltd is an India based manufacturer of API and Intermediates. The company is engaged in manufacturing leading generic compounds, Nutraceutical ingredients and custom synthesis of APIs and intermediates for global innovator companies. Divi's is fully backward integrated in products with high market share and management intends to follow suit in other products. The product portfolio of company contains 122 products across diverse therapeutic areas.

Investment Rationale:

- **Capex visibility:** New brownfield DC and DCV SEZ Units have commenced operations as well as completed validation rounds. The Company has also taken up debottlenecking programs at Unit-I as well as Unit-II by investing Rs 300 cr, which would create additional capacities for existing products. Capex for debottlenecking and upgrading utility is on track. Current CWIP of Rs 446 crs is largely used towards new set of generic molecules, while upcoming capex for Kakinada is likely to be in the range of Rs 1000-2000 cr.
- **Molnupiravir:** Divi's is an authorized API manufacturer for Merck, Sharp, and Dohme (MSDs) drug. It is set in place for making Molnupiravir API in three different streams of which one would be dedicated to India, while other two would be export units. According to management, MSD sales expectations for Molnupiravir to be ~US\$1bn in FY22 and ~US\$5-6bn in FY23, where opportunity size remains steady despite competition. This provides strong near term visibility for Divi's.
- **Focused on six identified growth pillars:** Divi's planned to focus on six business areas such as 1) Established generics, 2) Expanding existing generics size, 3) New generics (near term off patent product), 4) Sartan APIs, 5) Contrast Media and 6) Custom Synthesis, which will like drive growth in the coming period through its leading presence/position, technical advancement and capacity expansion plan.
- **Margins likely to be intact:** The backward integration, debottlenecking projects and cost optimization efforts have supported Divi's to maintain its margins while cost burden will likely continue in coming quarters mainly due to higher freight and logistics expenses. Given the environment of increased input cost, management expects margin pressure to continue in the near term, where Divi's well planned inventory stocking to serve its customers uninterrupted in strong demand environment.
- **Valuation:** Divi's remains preferred play on Indian CRAMS and API given its strong execution track record. Company enjoys strong margins and return ratios. We recommend Accumulate with TP of Rs 4750/share; valuing 40x FY24E P/E. Any weakness in stock should be used as Buying opportunity.
- **Key Risks:** 1) Slow-down in generics business; 2) delay in execution of custom synthesis projects

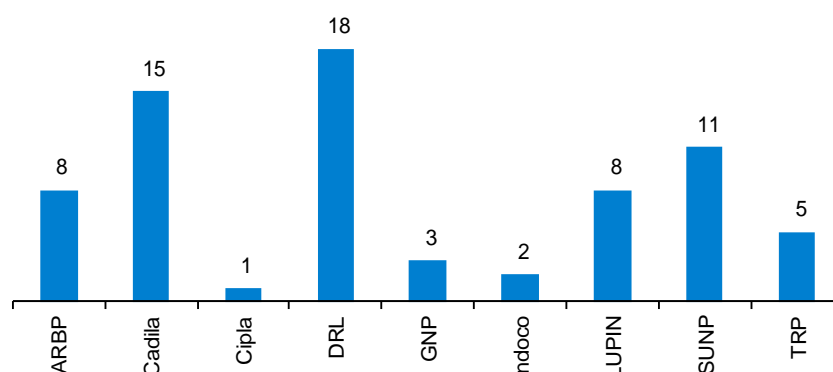
Torrent Pharmaceuticals Ltd.

Torrent Pharmaceuticals is one of the leading pharmaceutical companies having presence in Indian and global markets. The company is a dominant player in therapeutic areas of cardiovascular (CV) and central nervous system (CNS) with significant presence in Gastro-Intestinal, Diabetology, Anti-Infective and Pain Management segments.

Investment Rationale:

- **Play on branded generics:** Torrent generates 70% of its revenues from branded generics (India+Brazil+RoW) which is highly profitable. Torrent's key markets like India and Brazil are attractive due to higher out-of-pocket, high value growth. Further Torrent has high exposure to high growth chronic therapies in markets like India which will allow it to grow higher IPM. We expect steady growth across segments aided by leveraging existing field force, increased focus on high growth brands, new launches and creating new divisions for new therapies.
- **Expect steady uptick in revenues:** Export revenue growth had been muted over FY19-21 (-3% CAGR). Despite that, the company managed to grow EBITDA at 12% over same period aided by cost optimization. We believe revenue growth in Germany and Brazil have bottomed out and should grow in high single digit in H2FY22 and 12% CAGR over FY22-24E. US recovery will be gradual and hinges on plant clearance which are stuck under warning letter. Further domestic formulation will continue to remain healthy and recent entry into trade generic segment will add to growth momentum. Overall we expect consolidated revenues to grow 11% CAGR over FY21-24E vs 3% CAGR over FY19-21.
- **Recovery in US will be gradual:** Torrent is currently commercializing base portfolio in US. Company has finished its remediation process across its Dahej and Indrad facility and are awaiting further communication from USFDA. Bulk of current pending ANDAs are from these facilities. Timely resolution will aid 12-15 new launches in US market and will improve growth trajectory. We have factored in \$177mn and \$225mn of sales from US in FY23 and FY24 respectively.
- **Strong FCF generation:** The company should generate strong cash flow, which would continue to pre-pay portion of Unichem acquisition debt. We expect Rs 48bn of FCF generation over FY21-24E. This would result in net debt to Rs14bn by FY24E from current levels of Rs35bn. Further it will also give TRP bigger M&A opportunities. Torrent is currently trading at 3.5% FCF yield on FY24E.
- **Outlook & Valuation:** TRP high exposure to branded generics and chronic portfolio provides comfort on earning visibility. As revenue growth picks up, benefit of operating leverage will play out. We expect 11% revenue CAGR, 15% EBITDA CAGR and 18% PAT CAGR over FY21-24E. Torrent has a strong balance sheet with strong FCF generation resulting in likely sharp reduction in net debt by FY24E. Further we expect improvement in RoCE/RoE by 1100bps/200 bps to 28%/26% by FY24E. At CMP, stock is trading at 26x FY24E P/E and 15x EV/EBITDA on FY24E. We recommend Buy with TP of Rs3600, valuing at 30x FY24E EPS.
- **Key Risk:** 1) delay in revenue growth; 2) delay in US plant resolution.

Exhibit 3: US FDA – ANDAs Approvals in Q3FY22



Source: Company, PL

Exhibit 4: Foreign Exchange Rates

| | Q3FY22 | Q2FY22 | Q3FY21 | % YoY | % QoQ |
|---------|--------|--------|--------|-------|-------|
| USD/INR | 75.0 | 74.1 | 73.8 | 1.6 | 1.2 |
| EUR/INR | 85.7 | 87.4 | 88.0 | (2.6) | (1.8) |
| BRL/INR | 13.4 | 14.2 | 13.7 | (1.9) | (5.4) |
| ZAR/INR | 4.9 | 5.1 | 4.7 | 2.7 | (4.1) |
| RUB/INR | 1.0 | 1.01 | 0.97 | 6.3 | 2.2 |
| GBP/INR | 101.0 | 102.1 | 97.5 | 3.7 | (1.1) |
| JPY/INR | 0.66 | 0.67 | 0.71 | (6.6) | (2.0) |
| CHF/INR | 81.3 | 80.0 | 81.6 | (0.4) | 1.6 |

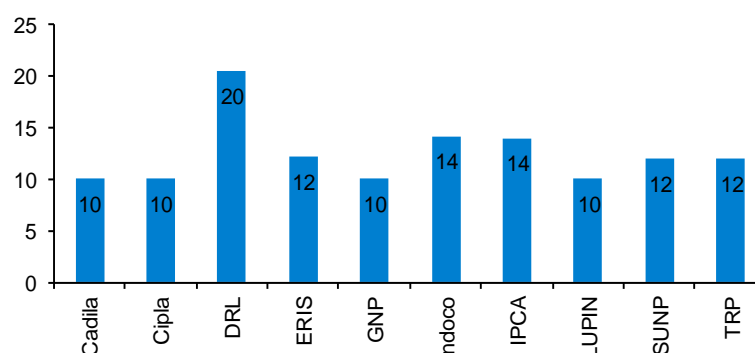
Source: Company, PL

Exhibit 5: US Revenue trend

| US Sales (\$mn) | Q1FY21 | Q2FY21 | Q3FY21 | Q4FY21 | Q1FY22 | Q2FY22 | Q3FY22E | % YoY | % QoQ |
|-----------------|--------|--------|--------|--------|--------|--------|---------|-------|-------|
| ARBP | 359 | 373 | 430 | 392 | 364 | 400 | 405 | (5.8) | 1.1 |
| Cadila | 215 | 229 | 218 | 207 | 197 | 202 | 200 | (8.3) | (1.1) |
| Cipla | 135 | 141 | 141 | 137 | 141 | 142 | 145 | 2.8 | 2.1 |
| DRL | 228 | 246 | 236 | 240 | 236 | 255 | 255 | 8.2 | - |
| GNP | 98 | 101 | 106 | 110 | 107 | 102 | 103 | (2.6) | 1.2 |
| LUPIN | 157 | 180 | 188 | 195 | 172 | 184 | 195 | 3.7 | 6.0 |
| SUNP | 282 | 334 | 374 | 370 | 380 | 361 | 378 | 1.0 | 4.6 |

Source: Company, PL

Exhibit 6: Q3FY22 YoY Domestic Revenue growth estimates (%)



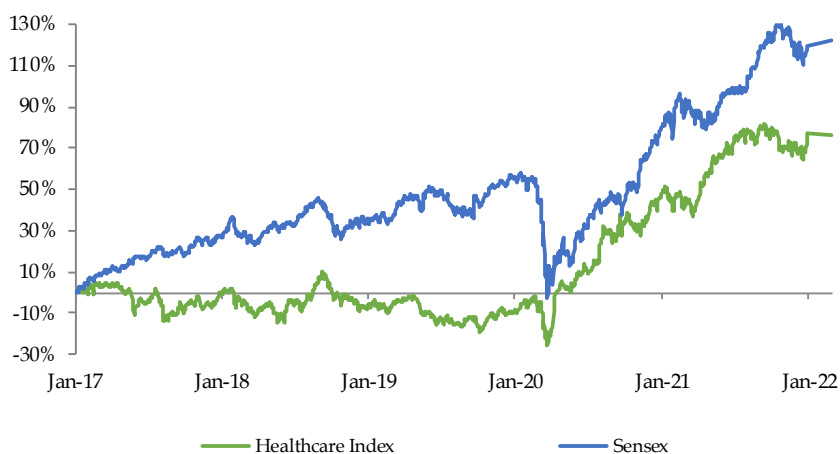
Source: Company, PL

Exhibit 7: EBITDA margin trend (%)

| Company Name | Q1FY21 | Q2FY21 | Q3FY21 | Q4FY21 | Q1FY22 | Q2FY22 | Q3FY22E | % YoY | % QoQ |
|--------------|--------|--------|--------|--------|--------|--------|---------|--------|--------|
| ARBP | 22.2 | 22.1 | 21.5 | 21.2 | 21.2 | 20.0 | 20.7 | (3.7) | 3.6 |
| Cadila | 22.5 | 22.6 | 21.3 | 21.8 | 23.2 | 22.7 | 22.1 | 3.9 | (2.9) |
| Cipla | 24.1 | 23.4 | 23.8 | 17.3 | 24.5 | 22.2 | 21.6 | (9.3) | (2.8) |
| DIVI | 40.5 | 42.4 | 40.6 | 40.1 | 43.5 | 41.2 | 43.4 | 6.8 | 5.4 |
| DRL | 25.2 | 24.9 | 22.8 | 21.5 | 18.3 | 23.2 | 21.5 | (6.0) | (7.3) |
| ERIS | 34.3 | 36.9 | 34.5 | 34.0 | 36.2 | 38.9 | 34.8 | 0.7 | (10.6) |
| GNP | 20.4 | 19.3 | 20.9 | 18.5 | 19.3 | 18.7 | 19.9 | (5.0) | 6.0 |
| Indoco | 17.6 | 18.5 | 18.1 | 17.9 | 22.5 | 22.3 | 21.3 | 17.6 | (4.7) |
| IPCA | 38.0 | 25.2 | 25.7 | 19.4 | 26.4 | 22.4 | 19.1 | (25.5) | (14.7) |
| LUPIN | 14.4 | 16.6 | 20.1 | 18.7 | 21.7 | 14.6 | 15.9 | (20.5) | 9.4 |
| SUNP | 23.3 | 27.0 | 26.4 | 24.2 | 28.2 | 28.1 | 27.2 | 2.8 | (3.4) |
| TRP | 32.1 | 31.5 | 30.4 | 30.0 | 31.7 | 30.9 | 31.7 | 4.1 | 2.6 |

Source: Company, PL

Exhibit 8: Healthcare index marginally outperform the Sensex in Q3FY22



Source: Company, PL

Exhibit 9: Q3FY22 Result Preview

| Company Name | | Q3FY22E | Q2FY22 | YoY gr. (%) | Q3FY21 | QoQ gr. (%) | Remark |
|--------------------------|------------|---------|--------|----------------|--------|----------------|--|
| Aurobindo Pharma | Sales | 61,904 | 63,649 | -2.7 | 59,419 | 4.2 | US revenue likely to be steady QoQ. Commentary on input cost pressures key monitorable. |
| | EBITDA | 12,814 | 13,686 | (6.4) | 11,867 | 8.0 | |
| | Margin (%) | 20.7 | 21.5 | | 20.0 | | |
| | PBT | 10,737 | 12,060 | (11.0) | 9,787 | 9.7 | |
| | Adj. PAT | 7,953 | 29,463 | (73.0) | 6,967 | 14.1 | |
| Cadila Healthcare | Sales | 37,881 | 37,956 | -0.2 | 37,848 | 0.1 | India formulations to grow at lower double digit while US sales to de-grow YoY on increased competition. Commentary on COVID vaccine offtake and US launches key monitorables |
| | EBITDA | 8,364 | 8,069 | 3.7 | 8,608 | (2.8) | |
| | Margin (%) | 22.1 | 21.3 | | 22.7 | | |
| | PBT | 6,614 | 6,272 | 5.5 | 6,992 | (5.4) | |
| | Adj. PAT | 5,440 | 5,272 | 3.2 | 5,062 | 7.5 | |
| Cipla | Sales | 55,606 | 51,687 | 7.6 | 55,198 | 0.7 | Expect healthy growth in domestic formulation across segments; US sales to remain steady QoQ. Commentary on key new launches in US will be key monitorable. |
| | EBITDA | 12,008 | 12,309 | (2.4) | 12,262 | (2.1) | |
| | Margin (%) | 21.6 | 23.8 | | 22.2 | | |
| | PBT | 9,558 | 10,215 | (6.4) | 9,958 | (4.0) | |
| | Adj. PAT | 7,003 | 7,481 | (6.4) | 7,114 | (1.6) | |
| Divi's Laboratories Ltd | Sales | 21,840 | 17,014 | 28.4 | 19,875 | 9.9 | Strong revenue growth driven by better traction in CCS and additional revenue from COVID product, Molnupiravir. We have factored in US\$ 60mn of sales from Molnupiravir. Outlook on generic API business key monitorable. |
| | EBITDA | 9,474 | 6,912 | 37.1 | 8,181 | 15.8 | |
| | Margin (%) | 43.4 | 40.6 | | 41.2 | | |
| | PBT | 8,956 | 6,421 | 39.5 | 7,596 | 17.9 | |
| | Adj. PAT | 6,717 | 4,706 | 42.7 | 6,065 | 10.8 | |
| Dr. Reddy's Laboratories | Sales | 53,696 | 49,296 | 8.9 | 57,632 | (6.8) | India formulations business to grow with 20% YoY partly aided by COVID portfolio. US sales to remain steady QoQ. Commentary on GMs key monitorable |
| | EBITDA | 11,534 | 11,260 | 2.4 | 13,357 | (13.6) | |
| | Margin (%) | 21.5 | 22.8 | | 23.2 | | |
| | PBT | 9,304 | 8,664 | 7.4 | 12,434 | (25.2) | |
| | Adj. PAT | 7,091 | 198 | 3,481.1 | 9,920 | (28.5) | |
| Eris Lifesciences | Sales | 3,472 | 3,104 | 11.9 | 3,597 | (3.5) | Steady growth momentum. Commentary on new launches and commissioning of new divisions key monitorable. |
| | EBITDA | 1,207 | 1,072 | 12.6 | 1,398 | (13.7) | |
| | Margin (%) | 34.8 | 34.5 | | 38.9 | | |
| | PBT | 1,114 | 993 | 12.2 | 1,308 | (14.8) | |
| | Adj. PAT | 1,014 | 902 | 12.4 | 1,184 | (14.4) | |
| Glenmark Pharmaceuticals | Sales | 30,731 | 27,868 | 10.3 | 31,474 | (2.4) | One-time licensing income of Rs1.8bn. US sales to remain flat QoQ. Commentary on Ichnos stake sale transaction and new launches in US will be key monitorable |
| | EBITDA | 6,109 | 5,831 | 4.8 | 5,901 | 3.5 | |
| | Margin (%) | 19.9 | 20.9 | | 18.7 | | |
| | PBT | 4,269 | 3,346 | 27.6 | 3,849 | 10.9 | |
| | Adj. PAT | 2,924 | 2,482 | 17.8 | 2,577 | 13.5 | |
| Indoco Remedies | Sales | 3,892 | 3,323 | 17.1 | 3,869 | 0.6 | India formulation to post strong growth of 22% YoY aided by low base. Regulated market sales to see uptick aided from Brinzolamide sales in US. Commentary on regulated sales guidance will be a key monitorable. |
| | EBITDA | 829 | 602 | 37.8 | 864 | (4.1) | |
| | Margin (%) | 21.3 | 18.1 | | 22.3 | | |
| | PBT | 604 | 376 | 60.6 | 650 | (7.0) | |
| | Adj. PAT | 393 | 254 | 54.9 | 417 | (5.8) | |
| Ipca Laboratories | Sales | 13,783 | 14,098 | -2.2 | 15,444 | (10.8) | Muted quarter on back of cost pressures and lower API sales. Commentary on resolution of sartan business and margins will be key monitorables |
| | EBITDA | 2,635 | 3,619 | (27.2) | 3,460 | (23.9) | |
| | Margin (%) | 19.1 | 25.7 | | 22.4 | | |
| | PBT | 2,295 | 3,265 | (29.7) | 3,256 | (29.5) | |
| | Adj. PAT | 1,796 | 2,655 | (32.4) | 2,502 | (28.2) | |

| Company Name | | Q3FY22E | Q2FY22 | YoY gr. (%) | Q3FY21 | QoQ gr. (%) | Remark |
|-------------------------------|------------|---------|--------|----------------|---------|----------------|--|
| Lupin | Sales | 42,114 | 40,174 | 4.8 | 40,913 | 2.9 | Margin uptick on QoQ basis. US sales to improve on the back of flu season and ramp-up in new products. Commentary on new launches in US and margin outlook will be key monitorables. |
| | EBITDA | 6,717 | 8,064 | (16.7) | 5,963 | 12.6 | |
| | Margin (%) | 15.9 | 20.1 | | 14.6 | | |
| | PBT | 4,422 | 5,247 | (15.7) | 4,151 | 6.5 | |
| | Adj. PAT | 3,276 | 4,383 | (25.2) | -20,980 | (115.6) | |
| Sun Pharmaceutical Industries | Sales | 95,872 | 88,368 | 8.5 | 96,259 | (0.4) | Growth momentum to continue from specialty product portfolio aided by Winlevi launch. Domestic formulation growth will be healthy. Commentary on ramp up and EBITDA break outlook in specialty portfolio will be key monitorables. |
| | EBITDA | 26,041 | 23,345 | 11.5 | 27,063 | (3.8) | |
| | Margin (%) | 27.2 | 26.4 | | 28.1 | | |
| | PBT | 22,091 | 20,914 | 5.6 | 23,629 | (6.5) | |
| | Adj. PAT | 19,582 | 18,525 | 5.7 | 20,470 | (4.3) | |
| Torrent Pharmaceuticals | Sales | 21,548 | 19,950 | 8.0 | 21,370 | 0.8 | Steady pick up in revenues across export markets barring US. Commentary on new launches and plant resolution will be key monitorables. |
| | EBITDA | 6,750 | 6,070 | 11.2 | 6,600 | 2.3 | |
| | Margin (%) | 31.3 | 30.4 | | 30.9 | | |
| | PBT | 4,810 | 3,570 | 34.7 | 4,720 | 1.9 | |
| | Adj. PAT | 3,367 | 2,970 | 13.4 | 3,160 | 6.5 | |

Source: Company, PL

Exhibit 10: Valuation Summary

| Company Names | S/C Rating | CMP (Rs) | TP (Rs) | MCap (Rs bn) | Sales (Rs bn) | | | | EBITDA (Rs bn) | | | | PAT (Rs bn) | | | | EPS (Rs) | | | | RoE (%) | | | | PE (x) | | | |
|-------------------------------|------------|----------|---------|--------------|---------------|-------|-------|-------|----------------|-------|-------|-------|-------------|-------|-------|-------|----------|-------|-------|-------|---------|-------|-------|-------|--------|-------|-------|-------|
| | | | | | FY21 | FY22E | FY23E | FY24E | FY21 | FY22E | FY23E | FY24E | FY21 | FY22E | FY23E | FY24E | FY21 | FY22E | FY23E | FY24E | FY21 | FY22E | FY23E | FY24E | FY21 | FY22E | FY23E | FY24E |
| Aurobindo Pharma | C Acc | 710 | 780 | 416.0 | 248.1 | 243.4 | 262.4 | 284.5 | 53.7 | 49.6 | 56.9 | 64.3 | 53.7 | 30.6 | 36.0 | 41.2 | 91.7 | 52.3 | 61.4 | 70.3 | 27.7 | 13.1 | 13.6 | 13.8 | 7.8 | 13.7 | 11.7 | 10.2 |
| Cadila Healthcare | C Buy | 451 | 590 | 461.3 | 151.0 | 157.0 | 169.3 | 187.1 | 33.4 | 34.9 | 39.4 | 45.2 | 21.3 | 22.5 | 24.3 | 27.7 | 20.8 | 22.0 | 23.7 | 27.0 | 18.3 | 15.1 | 13.7 | 13.9 | 21.9 | 20.8 | 19.3 | 16.9 |
| Cipla | C Buy | 915 | 1,100 | 737.7 | 191.6 | 210.7 | 226.8 | 248.6 | 42.5 | 48.0 | 53.1 | 58.6 | 24.0 | 28.1 | 32.2 | 35.9 | 29.8 | 34.9 | 39.9 | 44.5 | 14.1 | 14.4 | 14.7 | 14.5 | 30.9 | 26.4 | 23.1 | 20.7 |
| Divi's Laboratories Ltd | C Acc | 4,517 | 4,750 | 1,199.0 | 69.7 | 83.8 | 90.0 | 103.2 | 28.6 | 36.2 | 37.5 | 44.2 | 19.8 | 25.5 | 26.2 | 31.2 | 74.7 | 95.6 | 98.7 | 117.7 | 23.9 | 25.0 | 21.8 | 22.3 | 60.1 | 46.7 | 45.5 | 38.1 |
| Dr. Reddy's Laboratories | C Buy | 4,708 | 5,400 | 783.5 | 189.7 | 215.7 | 231.5 | 255.0 | 44.8 | 46.5 | 52.0 | 61.1 | 19.1 | 29.2 | 32.2 | 38.2 | 115.1 | 175.2 | 193.6 | 229.8 | 11.6 | 15.6 | 15.3 | 16.0 | 41.2 | 27.0 | 24.5 | 20.6 |
| Eris Lifesciences | C Buy | 753 | 954 | 102.3 | 12.1 | 13.8 | 15.6 | 17.6 | 4.3 | 5.0 | 5.7 | 6.6 | 3.6 | 4.2 | 4.8 | 5.5 | 26.1 | 31.1 | 35.4 | 40.6 | 24.7 | 24.3 | 23.0 | 22.0 | 29.1 | 24.5 | 21.5 | 18.7 |
| Glenmark Pharmaceuticals | C Acc | 511 | 600 | 144.1 | 109.4 | 120.7 | 131.1 | 143.2 | 21.6 | 22.2 | 23.9 | 26.8 | 9.7 | 10.5 | 11.8 | 13.7 | 34.4 | 37.2 | 41.7 | 48.5 | 14.8 | 13.1 | 12.4 | 12.9 | 15.0 | 13.8 | 12.3 | 10.6 |
| Indoco Remedies | C Acc | 438 | 480 | 40.3 | 12.4 | 16.0 | 17.9 | 20.1 | 2.2 | 3.3 | 3.7 | 4.2 | 0.9 | 1.5 | 2.1 | 2.4 | 10.1 | 16.7 | 22.3 | 25.8 | 12.8 | 18.2 | 20.2 | 19.3 | 43.3 | 26.3 | 19.6 | 16.9 |
| Ipca Laboratories | C Buy | 2,200 | 2,450 | 279.0 | 54.2 | 58.0 | 64.7 | 73.9 | 15.0 | 12.9 | 15.5 | 18.8 | 11.4 | 9.5 | 11.5 | 13.2 | 90.0 | 74.6 | 90.8 | 103.9 | 27.4 | 18.6 | 19.3 | 18.9 | 23.9 | 28.8 | 23.7 | 20.7 |
| Lupin | C Acc | 916 | 1,004 | 415.6 | 151.6 | 166.2 | 182.1 | 199.6 | 26.7 | 28.9 | 36.3 | 42.1 | 13.2 | 14.4 | 19.8 | 23.7 | 29.1 | 31.6 | 43.6 | 52.2 | 10.0 | 10.1 | 13.0 | 14.2 | 31.8 | 29.2 | 21.2 | 17.7 |
| Sun Pharmaceutical Industries | C Buy | 829 | 1,000 | 1,988.9 | 335.0 | 385.1 | 421.7 | 468.9 | 84.7 | 103.5 | 117.8 | 137.3 | 29.0 | 70.2 | 85.0 | 100.1 | 12.1 | 29.3 | 35.4 | 41.7 | 6.3 | 14.3 | 15.4 | 16.1 | 68.5 | 28.4 | 23.4 | 19.9 |
| Torrent Pharmaceuticals | C Buy | 3,141 | 3,600 | 533.9 | 80.0 | 85.2 | 95.6 | 109.0 | 24.8 | 26.3 | 30.8 | 36.7 | 12.5 | 12.8 | 15.8 | 20.3 | 73.6 | 75.4 | 93.2 | 119.5 | 23.5 | 20.9 | 23.1 | 25.7 | 42.9 | 41.9 | 33.9 | 26.4 |

Source: Company, PL

S=Standalone / C=Consolidated / UR=Under Review / Acc=Accumulate

Some stocks have variation from our rating system with regards to target prices and upsides given increased market volatility. We shall review the same at the time of results.



Exhibit 11: Change in Estimates

| | Rating | | Target Price | | | Sales | | | | | | PAT | | | | | | EPS | | | | | |
|-------------------------------|--------|-----|--------------|-------|---------|----------|----------|---------|----------|----------|---------|--------|--------|---------|--------|--------|---------|-------|-------|---------|-------|-------|---------|
| | | | | | | FY22 | | | FY23 | | | FY22 | | | FY23 | | | FY22 | | | FY23 | | |
| | C | P | C | P | % Chng. | C | P | % Chng. | C | P | % Chng. | C | P | % Chng. | C | P | % Chng. | C | P | % Chng. | C | P | % Chng. |
| Aurobindo Pharma | Acc | Acc | 780 | 780 | 0.0% | 2,43,411 | 2,43,411 | 0.0% | 2,62,448 | 2,62,448 | 0.0% | 30,625 | 30,330 | 1.0% | 35,986 | 35,562 | 1.2% | 52.3 | 51.8 | 1.0% | 61.4 | 60.7 | 1.2% |
| Cadila Healthcare | Buy | Buy | 590 | 590 | 0.0% | 1,56,989 | 1,56,989 | 0.0% | 1,69,274 | 1,69,274 | 0.0% | 22,516 | 22,516 | 0.0% | 24,305 | 24,305 | 0.0% | 22.0 | 22.0 | 0.0% | 23.7 | 23.7 | 0.0% |
| Cipla | Buy | Acc | 1,100 | 980 | 12.2% | 2,10,686 | 2,06,765 | 1.9% | 2,26,752 | 2,17,683 | 4.2% | 28,140 | 29,886 | -5.8% | 32,213 | 34,067 | -5.4% | 34.9 | 37.1 | -5.8% | 39.9 | 42.2 | -5.4% |
| Divi's Laboratories Ltd | Acc | NA | 4,750 | NA | | 83,843 | NA | NA | 90,027 | NA | NA | 25,512 | NA | NA | 26,207 | NA | NA | 95.6 | NA | NA | 98.7 | NA | NA |
| Dr. Reddy's Laboratories | Buy | Buy | 5,400 | 5,400 | 0.0% | 2,15,736 | 2,15,736 | 0.0% | 2,31,463 | 2,31,463 | 0.0% | 29,158 | 29,158 | 0.0% | 32,215 | 32,215 | 0.0% | 175.2 | 175.2 | 0.0% | 193.6 | 193.6 | 0.0% |
| Eris Lifesciences | Buy | Buy | 954 | 954 | 0.0% | 13,760 | 13,789 | -0.2% | 15,581 | 15,615 | -0.2% | 4,219 | 4,249 | -0.7% | 4,811 | 4,830 | -0.4% | 31.1 | 31.3 | -0.7% | 35.4 | 35.6 | -0.4% |
| Glenmark Pharmaceuticals | Acc | Acc | 600 | 600 | 0.0% | 1,20,654 | 1,20,654 | 0.0% | 1,31,136 | 1,31,136 | 0.0% | 10,510 | 10,510 | 0.0% | 11,771 | 11,771 | 0.0% | 37.2 | 37.2 | 0.0% | 41.7 | 41.7 | 0.0% |
| Indoco Remedies | Acc | Acc | 480 | 480 | 0.0% | 16,045 | 16,045 | 0.0% | 17,914 | 17,914 | 0.0% | 1,536 | 1,536 | 0.0% | 2,057 | 2,057 | 0.0% | 16.7 | 16.7 | 0.0% | 22.3 | 22.3 | 0.0% |
| Ipca Laboratories | Buy | Buy | 2,450 | 2,450 | 0.0% | 57,956 | 57,956 | 0.0% | 64,670 | 64,670 | 0.0% | 9,469 | 9,469 | 0.0% | 11,512 | 11,512 | 0.0% | 74.6 | 74.6 | 0.0% | 90.8 | 90.8 | 0.0% |
| Lupin | Acc | Acc | 1,004 | 1,004 | 0.0% | 1,66,175 | 1,59,901 | 3.9% | 1,82,128 | 1,77,988 | 2.3% | 14,352 | -8,368 | -271.5% | 19,780 | 18,518 | 6.8% | 31.6 | -18.4 | -271.5% | 43.6 | 40.8 | 6.8% |
| Sun Pharmaceutical Industries | Buy | Buy | 1,000 | 1,000 | 0.0% | 3,85,144 | 3,85,144 | 0.0% | 4,21,707 | 4,21,707 | 0.0% | 70,197 | 70,197 | 0.0% | 85,020 | 85,020 | 0.0% | 29.3 | 29.3 | 0.0% | 35.4 | 35.4 | 0.0% |
| sTorrent Pharmaceuticals | Buy | NA | 3,600 | NA | NA | 85,226 | NA | NA | 95,628 | NA | NA | 12,824 | NA | NA | 15,840 | NA | NA | 75.4 | NA | NA | 93.2 | NA | NA |

Source: Company, PL

C=Current / P=Previous / UR=Under Review / Acc=Accumulate

Analyst Coverage Universe

| Sr. No. | CompanyName | Rating | TP (Rs) | Share Price (Rs) |
|---------|-------------------------------|------------|---------|------------------|
| 1 | Aurobindo Pharma | Accumulate | 780 | 710 |
| 2 | Cadila Healthcare | BUY | 590 | 451 |
| 3 | Cipla | BUY | 1,100 | 915 |
| 4 | Divi's Laboratories Ltd | Accumulate | 4,750 | 4,517 |
| 5 | Dr. Reddy's Laboratories | BUY | 5,400 | 4,708 |
| 6 | Eris Lifesciences | BUY | 954 | 753 |
| 7 | Glenmark Pharmaceuticals | Accumulate | 600 | 511 |
| 8 | Indoco Remedies | Accumulate | 480 | 438 |
| 9 | Ipca Laboratories | BUY | 2,450 | 2,200 |
| 10 | Lupin | Accumulate | 1,004 | 916 |
| 11 | Sun Pharmaceutical Industries | BUY | 1,000 | 829 |
| 12 | Torrent Pharmaceuticals | Accumulate | 3,600 | 3,141 |

PL's Recommendation Nomenclature

| | |
|--------------------------|-----------------------------------|
| Buy | : > 15% |
| Accumulate | : 5% to 15% |
| Hold | : +5% to -5% |
| Reduce | : -5% to -15% |
| Sell | : < -15% |
| Not Rated (NR) | : No specific call on the stock |
| Under Review (UR) | : Rating likely to change shortly |

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