

Torrent Pharmaceuticals (TORPHA)

CMP: ₹ 3161

Target: ₹ 3235 (2%)

Target Period: 12 months

January 26, 2022

Branded business solid but generics stumble...

About the stock: Incorporated in 1959, Torrent has a strong presence in domestic and semi-regulated markets and a growing presence in regulated markets.

- Revenues – India including CRAMs (53%), Brazil (8%), US (16%) and Germany (13%)
- Torrent is the eighth largest domestic player and is ranked in the top 10 for CVS, CNS, V&M, GI and anti-diabetes therapies in India

Q3FY22 Results: Mixed performance with steady revenues but below-par margins.

- Sales were up 5.7% YoY to ₹ 2108 crore
- EBITDA was at ₹ 538 crore, down 11.4% YoY with margins at 25.5%
- Consequent PAT was at ₹ 249 crore (down 16.2% YoY)

What should investors do? Torrent's share price has grown by ~2.4x over the past five years (from ~₹ 1301 in January 2017 to ~₹ 3160 levels in January 2022).

- Maintain HOLD rating given the visible persisting challenges in the US business besides lower margin of safety (maintaining margins at high level) given high valuation

Target Price and Valuation: We value Torrent at ₹ 3235 i.e. 28x P/E on FY24E EPS of ₹ 115.5

Key triggers for future price performance:

- In India, Torrent is expected to increase specialty focus, new introductions to leverage patent expiry. It is expanding field strength by ~500 MRs. Also, it forayed into fast growing trade generic segment for acute therapies
- Torrent has a good presence in Brazil and expects traction in the branded markets with Germany expected to recover in FY23
- Awaiting clearance for Dahej and Indrad facility from the USFDA. Contribution from manufacturing facility at Levittown, US to start in FY23

Alternate Stock Idea: Apart from Torrent, in healthcare coverage we like Cipla.

- Cipla has a long-drawn strategy of targeting four verticals viz. One-India, South Africa & EMs, US generics & specialty and lung leadership
- BUY with a target price of ₹ 1100

HOLD



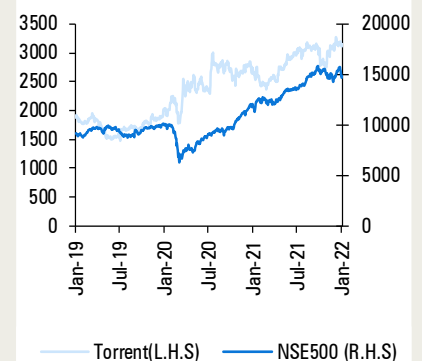
Particulars

Particular	Amount
Market Capitalisation	₹ 53484 crore
Debt (FY21)	₹ 3925 crore
Cash (FY21)	₹ 569 crore
EV	₹ 56840 crore
52 week H/L (₹)	3304/2311
Equity capital	₹ 84.6 crore
Face value	₹ 5

Shareholding pattern

(in %)	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
Promoter	71.3	71.3	71.3	71.3	71.3
Others	28.8	28.8	28.8	28.8	28.8

Price Chart



Recent Event & Key risks

- Levittown facility, US inspected with zero observations by USFDA
- Key Risk:** (i) Regulatory Delays (ii) Better traction for new launches

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Key Financial Summary

Key Financials (₹ crore)	FY20	FY21	5 year CAGR (FY16-21)	FY22E	FY23E	FY24E	3 year CAGR (FY21-24E)
Revenues	7939.0	8005.0	3.7	8496.1	9341.4	10337.6	8.9
EBITDA	2170.0	2485.0	-1.9	2480.5	2849.7	3218.1	9.0
EBITDA margins (%)	27.3	31.0		29.2	30.5	31.1	
Net Profit	1025.0	1252.0	-6.3	1191.2	1617.6	1954.2	16.0
EPS (₹)	60.6	74.0		70.4	95.6	115.5	
PE (x)	52.2	42.7		44.9	33.1	27.4	
RoNW (%)	21.2	21.4		17.7	20.3	20.7	
RoCE (%)	15.4	17.7		18.8	21.2	23.5	

Source: Company, ICICI Direct Research

Key takeaways of recent quarter & conference call highlights

Q3FY22 Results: Revenues steady, margins impacted

- Revenues grew 5.7% YoY to ₹ 2108 crore. Domestic formulations grew 15.3% YoY to ₹ 1072 crore driven by robust performance of top brands in all focus therapies while it witnessed 5.2% YoY growth to ₹ 182 crore in Brazil on account of performance of top brands and new launches. This was largely offset by 19.5% YoY decline in the US due to price erosion in the base business and lack of new approvals amid pending re-inspection of facilities. Germany business de-grew 10.6% YoY to ₹ 237 crore mainly impacted by muted market growth and increasing competition in tender segment. EBITDA margins declined 490 bps YoY to 25.5%, lower than I-direct estimate of 30.2% driven by price erosion in US and one-offs 1) higher freight expenditure impacted ~ 1%, 2) provisioning for one discontinued US product impacted ~ 1% and 3) higher overhead cost amid less than expected manufacturing in Q3FY22 impacted ~ 1%. EBITDA de-grew 11.4% YoY to ₹ 538 crore. Subsequently, PAT declined 16.2% YoY to ₹ 249 crore
- Torrent Pharma's Q3FY22 revenues were in line with I-direct estimates while margin profile was below our expectations due to pricing pressure in US and one-off expenditures. Torrent continues to face prolonged delays in re-inspection of US facilities on account of the pandemic, coupled with higher than anticipated pricing pressure in US business has adversely affected this quarter. The management has initiated cost optimisation measures, which should help it get back on track with respect to margins in the coming quarters while India business continues to be on a strong footing. Torrent continues to impress thanks to thoughtful capital allocation and robust margin profile, which can be attributed to a global portfolio that comprises ~60% branded generics. The company's portfolio is finely balanced between India, Brazil, Germany and the US with India being the leader. With consistent FCF generation and moderation in core capex, we expect the leverage situation to improve substantially

Q3FY22 Earnings Conference Call highlights

- India** - PCPM ~ ₹ 9.9 lakh. MRs ~ 3600. Torrent is set to expand field strength by 400-500 additions by H1FY23. The management indicated at 30-40% increase in representatives per division gearing up for new launches and coverage expansion
- AIOCD growth (15%) bifurcation- New Product: 3%, Price: 8%, Volume: 4.4%. Torrent introduced 10 new launches in Q3, 10 more expected in Q4
- Trade generics at ~ 2% of India revenue. The management expects this to increase in FY23 with additional SKUs
- US sales** (constant currency at US\$31 million in Q3 vs. US\$35 million in Q2)
- Sales were lower due to price erosion in the base business and lack of new approvals pending re-inspection of facilities. Torrent faced pricing pressure due to additional competition entering in recent launches like Nebivolol and Omlesartan
- Volume of US business is consistent at ~ ₹ 375-400 crore
- Manufacturing facility at Levittown, US, was inspected by the USFDA without any observation in December, 2021. The management guided for 10 products from this facility with revenue of US\$6-10 million by March, 2023
- Torrent is expecting final approval for Dapsone (Derma product with market size ~ US\$135 million) in Q4FY22
- As of Q3FY22, 51 ANDAs were pending approval with USFDA and seven tentative approvals were received. Two ANDAs were approved
- The management guided for five to six filings through partners with three approvals expected in the coming year

- **Brazil** - Constant currency sales at Brazilian Real 135 million in Q3 vs. 109 million in Q2
- Growth was driven by 1) market growth 2) performance of top brands and 3) new launches
- The company has launched new division in CNS segment
- Torrent has launched Rivaroxaban molecule with market size of ~R\$ 800+ million
- **Germany** - Revenue at €28 million in Q3 vs. 29 million in Q2
- Growth impacted due to muted market growth and increasing competition in tender segment
- The market is also witnessing some price erosion ~ 7% and Torrent lost on few tenders due to pricing pressure. No tenders expected before October

Others

- US price erosion led to 2.1% decline in gross margins sequentially. The management also indicated at price hike in branded generics to offset 1-1.2% impact on gross margins
- R&D spend increased by ₹ 10 crore in Q3, guidance for 6% of revenue for next two years
- Margins impacted in Q3 due to price erosion in US base business and one-offs 1) higher freight expenditure due to Omicron impacted ~ 1%, 2) provisioning for one discontinued US product impacted ~ 1% and 3) higher overhead cost amid less than expected manufacturing volume in Q3FY22 impacted ~ 1%. The management indicated at undertaking cost optimisation measures, going ahead
- Debt repayment: FY22: ₹ 900 crore, FY23: ₹ 1000 crore
- The company declared an interim dividend of ₹ 25/- per equity share. The dividend is expected to be paid on or around February 11, 2022

Exhibit 1: Variance Analysis

	Q3FY22	Q3FY22E	Q3FY21	YoY (%)	Q2FY22	QoQ (%)	Comments
Revenue	2,108.0	2,173.2	1,995.0	5.7	2,137.0	-1.4	YoY growth driven by India and Brazil performance
Raw Material Expenses	638.0	619.4	562.0	13.5	595.0	7.2	
Gross margins (%)	69.7	71.5	71.8	-210 bps	72.2	-242 bps	Declined mainly due to price erosion in US
Employee Expenses	388.0	395.6	363.0	6.9	389.0	-0.3	
Other Expenditure	544.0	501.4	463.0	17.5	493.0	10.3	
EBITDA	538.0	656.9	607.0	-11.4	660.0	-18.5	
EBITDA (%)	25.5	30.2	30.4	-490 bps	30.9	-536 bps	YoY decline led by lower gross margin performance and ~3% impact due to one-offs 1) higher freight expenditure due to Omicron, 2) provisioning for one discontinued US product impacted and 3) higher overhead cost amid less manufacturing volume in Q3FY22
Interest	62.0	71.0	91.0	-31.9	71.0	-12.7	
Depreciation	167.0	168.0	167.0	0.0	168.0	-0.6	
Other Income	48.0	51.9	8.0	500.0	51.0	-5.9	
PBT before EO & Forex	357.0	469.8	357.0	0.0	472.0	-24.4	
EO	0.0	0.0	0.0	0.0	0.0	0.0	
PBT	357.0	469.8	357.0	0.0	472.0	-24.4	
Tax	108.0	149.5	60.0	80.0	156.0	-30.8	
PAT before MI	249.0	320.3	297.0	-16.2	316.0	-21.2	
MI	0.0	0.0	0.0	0.0	0.0	0.0	
Adjusted PAT	249.0	320.3	297.0	-16.2	316.0	-21.2	Delta vis-à-vis EBITDA was due to higher tax expense being partially offset by higher other income and lower interest cost
Key Metrics							
India	1,072.0	1,032.3	930.0	15.3	1,087.0	-1.4	Torrent outperformed the market driven by robust performance of top brands in all focus therapies
Brazil	182.0	178.2	173.0	5.2	156.0	16.7	YoY growth on account of performance of top brands and new launches
US	235.0	267.1	292.0	-19.5	284.0	-17.3	Sales impacted by price erosion on base business and lack of new launches
Germany	237.0	291.5	265.0	-10.6	251.0	-5.6	Growth impacted by muted market growth and increasing competition in tender segment

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

	FY22E			FY23E			FY24E	
(₹ Crore)	Old	New	% Change	Old	New	% Change	ntroduced	
Revenue	8,795.9	8,496.1	-3.4	9,763.0	9,341.4	-4.3	10,337.6	Reduced due to less-than-expected traction in the US and Germany
EBITDA	2,712.8	2,480.5	-8.6	3,027.6	2,849.7	-5.9	3,218.1	
EBITDA Margin (%)	30.8	29.2	-160 bps	31.0	30.5	-49 bps	31.1	Changed mainly due to continued price erosion in US and lower margin performance in Q3FY22
PAT	1,325.6	1,191.2	-10.1	1,755.3	1,617.6	-7.8	1,954.2	
EPS (₹)	78.3	70.4	-10.1	103.7	95.6	-7.8	115.5	

Source: ICICI Direct Research

Exhibit 3: Assumptions

	Current				Earlier		Comments
(₹ crore)	FY21	FY22E	FY23E	FY24E	FY22E	FY23E	
India	3,740.0	4,312.3	4,829.8	5,409.3	4,309.8	4,827.0	
Brazil	631.0	689.5	744.6	804.2	700.0	756.0	
US	1,261.0	1,020.2	1,047.7	1,152.4	1,197.7	1,299.9	Decline mainly due to continued price erosion in base business, lack of new launches and regulatory hurdles
Germany	1,039.0	988.3	1,013.5	1,094.6	1,106.8	1,195.4	Decline mainly due to increase in competition and subdued market growth trend in market

Source: ICICI Direct Research

Exhibit 4: Revenue Breakup

₹ crore	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E	CAGR FY16-21 (%)	CAGR FY21-24E (%)
India	1829	1976	2351	3235	3517	3740	4312	4830	5409	15.4	13.1
CRAMs (Incl Others)	600	545	408	467	472	517	584	642	706	-2.9	10.9
US	2672	1347	1100	1590	1522	1261	1020	1048	1152	-13.9	-3.0
Others	425	488	522	684	765	820	887	976	1074	14.0	9.4
Germany	648	811	912	1008	947	1039	988	1013	1095	9.9	1.8
Brazil	506	699	709	689	715	631	689	745	804	4.5	8.4

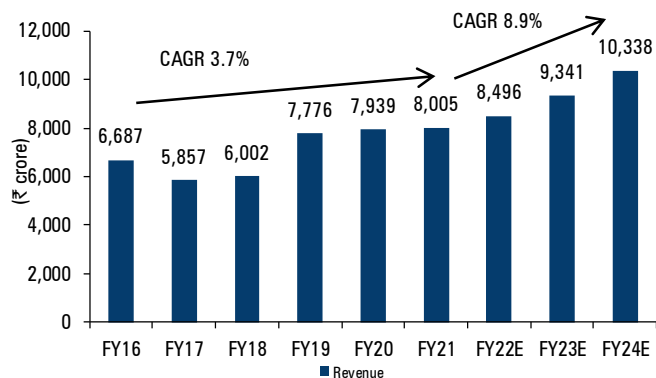
Source: ICICI Direct Research

Exhibit 5: Financial Summary

	Revenues	Growth	Adj. EPS	Growth	P/E	EV/EBITDA	RoE	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY21	8005	0.8	74.0	22.1	42.7	23.2	21.4	17.7
FY22E	8496	6.1	70.4	-4.9	44.9	22.7	17.7	18.8
FY23E	9341	9.9	95.6	35.8	33.1	19.2	20.3	21.2
FY24E	10338	10.7	115.5	20.8	27.4	16.4	20.7	23.5

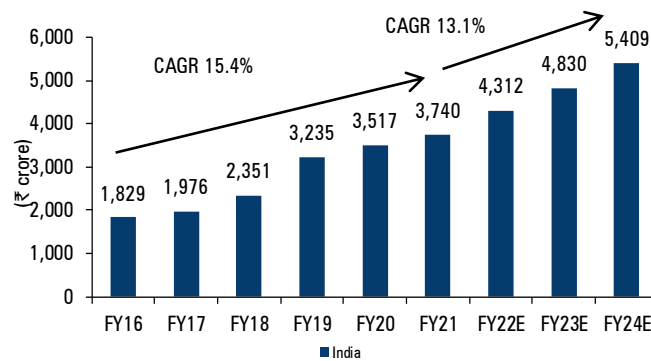
Source: ICICI Direct Research

Exhibit 6: Revenues to grow at 8.9% CAGR over FY21-24E



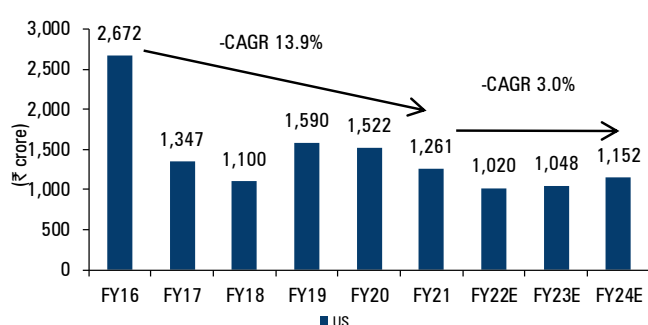
Source: ICICI Direct Research, Company

Exhibit 7: India to grow at CAGR of 13.1% over FY21-24E



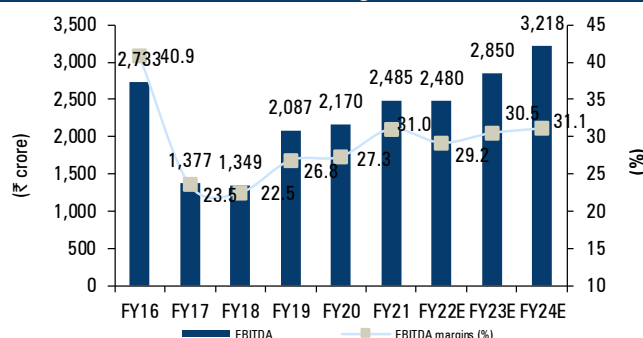
Source: ICICI Direct Research, Company

Exhibit 8: US to decline at CAGR of 3% over FY21-24E



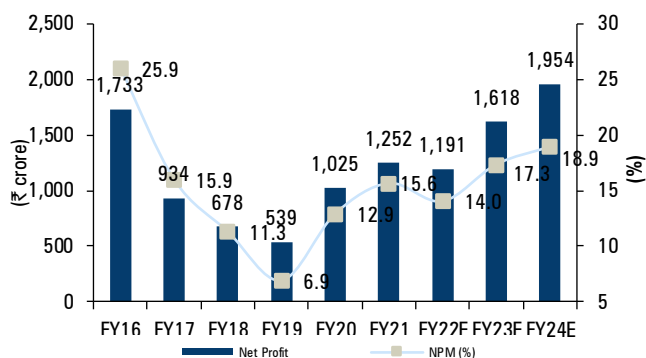
Source: ICICI Direct Research, Company

Exhibit 9: EBITDA & EBITDA margins trend



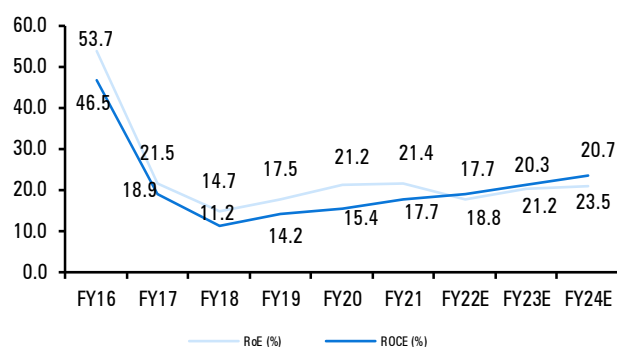
Source: ICICI Direct Research, Company

Exhibit 10: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 11: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 12: Trends in Quarterly Performance

₹ Crore	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	YoY (%)	QoQ (%)
Revenues	2051.0	1856.0	2022.0	2005.0	1966.0	1946.0	2056.0	2017.0	1995.0	1937.0	2134.0	2137.0	2108.0	5.7	-1.4
Total RM cost	580.0	533.0	559.0	538.0	542.0	528.0	535.0	554.0	562.0	496.0	588.0	595.0	638.0	13.5	7.2
% sales	28.3	28.7	27.6	26.8	27.6	27.1	26.0	27.5	28.2	25.6	27.6	27.8	30.3	210 bps	242 bps
Gross Profit	1471.0	1323.0	1463.0	1467.0	1424.0	1418.0	1521.0	1463.0	1433.0	1441.0	1546.0	1542.0	1470.0	2.6	-4.7
GPM (%)	71.7	71.3	72.4	73.2	72.4	72.9	74.0	72.5	71.8	74.4	72.4	72.2	69.7	-210 bps	-242 bps
Employee cost	368.0	347.0	381.0	358.0	354.0	336.0	373.0	363.0	363.0	341.0	385.0	389.0	388.0	6.9	-0.3
% sales	17.9	18.7	18.8	17.9	18.0	17.3	18.1	18.0	18.2	17.6	18.0	18.2	18.4	21 bps	20 bps
Other expenditure	542.0	503.0	541.0	568.0	530.0	534.0	487.0	465.0	463.0	518.0	484.0	493.0	544.0	17.5	10.3
% of sales	26.4	27.1	26.8	28.3	27.0	27.4	23.7	23.1	23.2	26.7	22.7	23.1	25.8	260 bps	274 bps
Total Expenditure	1490.0	1383.0	1481.0	1464.0	1426.0	1398.0	1395.0	1382.0	1388.0	1355.0	1457.0	1477.0	1570.0	13.1	6.3
% of Revenues	72.6	74.5	73.2	73.0	72.5	71.8	67.9	68.5	69.6	70.0	68.3	69.1	74.5	490 bps	536 bps
EBITDA	561.0	473.0	541.0	541.0	540.0	548.0	661.0	635.0	607.0	582.0	677.0	660.0	538.0	-11.4	-18.5
EBITDA Margins (%)	27.4	25.5	26.8	27.0	27.5	28.2	32.1	31.5	30.4	30.0	31.7	30.9	25.5	-490 bps	-536 bps
Depreciation	156.0	160.0	160.0	163.0	163.0	168.0	161.0	165.0	167.0	165.0	165.0	168.0	167.0	0.0	-0.6
Interest cost	133.0	123.0	122.0	116.0	111.0	102.0	102.0	92.0	91.0	73.0	68.0	71.0	62.0	-31.9	-12.7
Other Income	3.0	17.0	20.0	34.0	53.0	15.0	4.0	6.0	8.0	39.0	40.0	51.0	48.0	500.0	-5.9
PBT before forex & EI	275.0	207.0	279.0	296.0	319.0	293.0	402.0	384.0	357.0	383.0	484.0	472.0	357.0	0.0	-24.4
Forex & EO	0.0	-357.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
PBT	275.0	-150.0	279.0	296.0	319.0	293.0	402.0	384.0	357.0	383.0	484.0	472.0	357.0	0.0	-24.4
Tax	29.0	2.0	63.0	52.0	68.0	-21.0	81.0	74.0	60.0	59.0	154.0	156.0	108.0	80.0	-30.8
Tax rate (%)	10.5	-1.3	22.6	17.6	21.3	-7.2	20.1	19.3	16.8	15.4	31.8	33.1	30.3		
PAT	246.0	-152.0	216.0	244.0	251.0	314.0	321.0	310.0	297.0	324.0	330.0	316.0	249.0	-16.2	-21.2
PAT after MI	246.0	-152.0	216.0	244.0	251.0	314.0	321.0	310.0	297.0	324.0	330.0	316.0	249.0	-16.2	-21.2
EPS (₹)	14.5	-9.0	12.8	14.4	14.8	18.6	19.0	18.3	17.5	19.1	19.5	18.7	14.7		

Source: ICICI Direct Research

Exhibit 13: ICICI Direct Healthcare Coverage Universe

Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹ cr)	EPS (₹)				PE(x)				RoCE (%)				RoE (%)			
						FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E
Hospitals																					
Apollo Hospitals	APOHOS	4486	5,930	Buy	64502	22.6	7.9	72.9	99.4	198.7	570.7	61.5	45.1	10.2	6.3	18.1	21.7	9.7	2.5	18.6	20.9
Narayana Hrudalaya	NARHRU	650	650	Buy	13285	6.4	-0.7	16.4	18.3	102.4	NA	39.7	35.5	11.0	1.2	17.5	18.4	11.4	-1.3	23.3	20.9
Shalby	SHALIM	138	170	Hold	1494	2.6	3.9	4.3	5.7	54.1	35.2	31.8	24.4	7.2	6.5	8.9	8.8	3.5	5.1	5.4	6.7
Aster DM	ASTDM	182	250	Buy	9114	5.7	3.0	10.6	17.2	32.0	61.7	17.3	10.6	7.2	5.4	8.7	12.1	8.7	4.4	13.5	18.0
Healthcare Global	HEAGLO	240	240	Hold	3008	-12.0	-21.7	15.6	8.4	NA	NA	15.4	28.4	1.0	-0.9	7.6	10.4	NA	NA	NA	7.2
MNC Pharma																					
Abbott India	ABBIND	16780	20,360	Buy	35656	279.0	325.0	362.3	471.9	60.1	51.6	46.3	35.6	30.7	33.8	35.3	37.2	24.4	26.5	27.6	28.9
P&G Health	MERLIM	5051	6,555	Buy	8384	102.0	106.5	135.7	145.7	49.5	47.4	37.2	34.7	24.0	32.2	41.0	37.7	18.7	25.1	31.6	28.8
Sanofi India	SANOFI	7098	9,800	Buy	16346	179.8	207.4	431.8	280.0	39.5	34.2	16.4	25.4	26.0	32.3	34.2	41.9	19.4	24.5	22.2	33.5
Pfizer	PFIZER	4530	6,020	Buy	20724	111.3	108.8	139.7	158.4	40.7	41.6	32.4	28.6	18.5	27.6	27.5	26.3	15.0	20.8	22.3	21.2
Pharma																					
Ajanta Pharma	AJAPHA	2181	2,500	Buy	18875	53.4	74.0	79.2	89.4	40.9	29.5	27.5	24.4	24.7	29.0	25.2	23.8	18.1	21.8	19.9	19.2
Alembic Pharma	ALEMPHA	758	790	Hold	14890	44.4	59.9	32.5	39.7	17.1	12.6	23.3	19.1	21.0	24.2	11.6	14.0	27.1	23.0	11.5	12.7
Aurobindo Pharma	AURPHA	617	795	Hold	36144	48.8	55.0	50.5	61.7	12.7	11.2	12.2	10.0	17.2	16.9	13.9	15.3	17.0	14.7	12.0	12.9
Biocon	BIOCON	374	410	Hold	44916	5.8	6.1	5.9	9.5	64.4	61.5	63.8	39.5	10.2	7.6	7.9	10.2	10.4	9.6	8.6	12.3
Cadila Healthcare	CADHEA	396	563	Hold	40504	14.0	21.5	22.1	22.8	28.3	18.4	17.9	17.4	10.7	12.6	13.8	14.0	13.8	16.9	15.4	14.1
Cipla	CIPLA	904	1,100	Buy	72904	19.2	29.9	37.1	40.3	47.1	30.3	24.3	22.4	12.0	16.3	18.8	18.3	9.8	13.1	14.5	14.0
Dr Reddy's Labs	DRREDD	4403	5,170	Hold	73246	121.8	117.3	183.0	205.8	36.2	37.5	24.1	21.4	9.6	13.1	16.5	17.4	13.0	11.1	15.0	14.7
Glenmark Pharma	GLEPHA	485	580	Hold	13681	26.4	32.9	37.7	43.7	18.4	14.8	12.9	11.1	12.7	13.9	15.3	15.9	12.2	13.1	12.5	12.7
Ipca Laboratories	IPCLAB	1046	1,245	Hold	26537	23.8	44.9	39.1	47.9	44.0	23.3	26.8	21.8	17.6	27.1	20.6	20.9	16.6	24.2	17.5	17.7
Jubilant Pharmova	JUBLIF	542	625	Hold	8631	44.6	37.4	44.0	62.6	12.1	14.5	12.3	8.7	11.7	13.7	14.9	18.1	12.7	12.6	13.0	15.7
Lupin	LUPIN	916	1,015	Hold	41573	-12.7	26.9	44.5	37.5	NA	34.1	20.6	24.4	9.7	9.1	8.1	12.8	-4.6	8.8	16.0	11.7
Natco Pharma	NATPHA	884	925	Hold	16119	25.3	24.2	17.1	20.1	35.0	36.6	51.7	43.9	14.0	13.1	8.4	9.9	12.2	10.7	7.2	8.0
Sun Pharma	SUNPHA	808	965	Buy	193878	16.8	30.0	30.6	32.3	48.2	26.9	26.4	25.0	10.0	14.2	16.7	16.4	8.9	15.5	14.3	13.2
Torrent Pharma	TORPHA	3161	3,235	Hold	53491	60.6	74.0	70.4	95.6	52.2	42.7	44.9	33.1	15.4	17.7	18.8	21.2	21.2	21.4	17.7	20.3
Indoco Remedies	INDREM	404	575	Buy	3732	2.6	10.1	17.3	23.9	154.4	40.0	23.3	16.9	4.6	11.7	19.8	21.5	3.5	12.1	17.6	20.2
Caplin Point	CAPPOI	822	1,080	Buy	6221	28.4	32.0	38.3	45.0	28.9	25.7	21.4	18.3	26.5	25.4	25.1	24.8	22.7	20.4	20.1	19.4
Advanced Enzymes	ADVENZ	319	420	Buy	3566	11.6	13.1	13.0	16.1	27.6	24.4	24.5	19.8	19.6	19.4	16.8	18.3	15.4	15.1	13.2	14.1
Hester Biosciences	HESPHA	2361	2,835	Buy	2008	34.3	44.4	56.1	68.9	68.8	53.2	42.1	34.3	14.0	16.2	14.9	17.6	14.5	16.5	18.0	18.9
API/CRAMS																					
Divi's Lab	DIVLAB	4049	5,600	Buy	107494	51.9	74.7	91.6	111.0	78.1	54.2	44.2	36.5	23.9	27.6	27.9	28.4	18.8	21.3	22.0	22.3
Hikal	HIKCHE	389	640	Buy	4796	8.1	10.8	17.2	21.4	48.0	36.0	22.6	18.2	12.8	15.1	17.7	18.5	12.2	14.3	18.7	19.1
Syngene Int.	SYNINT	575	710	Buy	22986	10.3	10.1	9.4	13.1	55.8	56.8	61.0	43.9	14.5	11.5	12.4	14.9	16.8	13.5	12.8	14.2
Granules India	GRANUL	301	350	Hold	7453	12.4	22.2	15.0	23.3	24.2	13.6	20.0	12.9	15.2	24.0	16.1	21.7	16.7	25.3	14.8	18.9
Laurus Labs	LAULAB	475	670	Buy	25489	4.8	18.3	17.6	23.9	99.8	25.9	27.0	19.9	13.0	31.7	25.1	28.0	14.4	37.9	27.4	27.9
Suven Pharmaceuticals	SUVPH	520.2	600	Buy	13241	12.45	14.23	15.048	18.746	41.77	36.54	34.566	27.747	35.6	31.2	25.7	24.656	37.5	30.7	24.86	23.919

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 14: Profit and loss statement ₹ crore				
(Year-end March)	FY21	FY22E	FY23E	FY24E
Revenues	8,005.0	8,496.1	9,341.4	10,337.6
Growth (%)	0.8	6.1	9.9	10.7
Raw Material Expenses	2147.0	2424.4	2591.9	2816.7
Employee Expenses	1440.0	1551.5	1681.5	1847.7
Other Expenses	1933.0	2039.7	2218.3	2455.2
Total Operating Expenditure	5520.0	6015.6	6491.7	7119.5
EBITDA	2,485.0	2,480.5	2,849.7	3,218.1
Growth (%)	14.5	-0.2	14.9	12.9
Depreciation	658.0	667.0	683.0	699.0
Interest	358.0	263.0	204.7	134.7
Other Income	57.0	187.2	138.8	153.6
PBT	1526.0	1737.7	2100.8	2537.9
Total Tax	274.0	546.5	483.2	583.7
PAT before MI	1252.0	1191.2	1617.6	1954.2
Adjusted PAT	1,252.0	1,191.2	1,617.6	1,954.2
Growth (%)	22.1	-4.9	35.8	20.8
EPS (Adjusted)	74.0	70.4	95.6	115.5

Source: Company, ICICI Direct Research

Exhibit 15: Cash flow statement ₹ crore				
(Year-end March)	FY21	FY22E	FY23E	FY24E
Profit/(Loss) after taxation	1350.0	1191.2	1617.6	1954.2
Depreciation	658.0	667.0	683.0	699.0
Add: Interest Paid	358.0	263.0	204.7	134.7
Other operational Activities	-355.0	-73.4	105.6	-156.9
CF from operation	2,011.0	2,047.8	2,610.9	2,631.0
Purchase/sales of Fixed Assets	-334.0	-250.0	-300.0	-150.0
(Inc)/Dec in Investments	-120.0	-361.0	-500.0	-500.0
Long Term Provision	0.0	37.0	40.7	44.8
Other Investing Activities	37.0	-52.0	-57.2	-62.9
CF from Investing Activities	-417.0	-626.0	-816.5	-668.2
Inc / (Dec) in Equity Capital	0.0	0.0	0.0	0.0
Inc / (Dec) in Loan Funds	-957.0	-900.0	-1000.0	-1000.0
Dividend and dividend tax	-338.0	-294.0	-399.3	-482.4
Other Financing Activities	-361.0	-263.0	-204.7	-134.7
CF from Financing Activities	-1,656.0	-1,457.0	-1,604.0	-1,617.1
Cash generation during the year	-62.0	-35.2	190.4	345.7
Op bal Cash & Cash equivalents	666.0	604.0	568.8	759.2
Adjustments	0.0	0.0	0.0	0.0
Closing Cash/ Cash Equivalent	604.0	568.8	759.2	1,104.9
Free Cash Flow	1,677	1,797.8	2,310.9	2,481.0

Source: Company, ICICI Direct Research

Exhibit 16: Balance Sheet ₹ crore				
(Year-end March)	FY21	FY22E	FY23E	FY24E
Equity Capital	85.0	85.0	85.0	85.0
Reserve and Surplus	5,753.0	6,650.2	7,868.5	9,340.3
Total Shareholders funds	5,838.0	6,735.2	7,953.5	9,425.3
Total Debt	4,825.0	3,925.0	2,925.0	1,925.0
Other LT Liabilities & LT Provision	405.0	445.5	490.1	539.1
Total Liabilities	11,068.0	11,105.7	11,368.5	11,889.3
Gross Block - Fixed Assets	10,170.9	10,420.9	10,670.9	10,920.9
Accumulated Depreciation	3,446.9	4,113.9	4,796.9	5,495.9
Net Block	6,724.0	6,307.0	5,874.0	5,425.0
Capital WIP	889.0	889.0	939.0	839.0
Total Fixed Assets	7,613.0	7,196.0	6,813.0	6,264.0
Goodwill on Consolidation	341.0	341.0	341.0	341.0
Investments	181.0	542.0	1,042.0	1,542.0
Deferred tax assets	421.0	463.1	509.4	560.4
Other non-current assets	134.0	147.4	162.1	178.4
Cash	604.0	568.8	759.2	1,104.9
Debtors	1,523.0	1,558.5	1,713.6	1,896.3
Loans and Advances	3.0	4.1	5.2	6.3
Inventory	2,681.0	2,676.7	2,816.3	3,116.6
Other current assets	574.0	575.1	576.2	577.3
Total Current Assets	5,385.0	5,383.2	5,870.4	6,701.4
Creditors	2,067.0	1,954.6	2,278.4	2,521.3
Provisions & other current liability	940.0	1,012.5	1,091.1	1,176.4
Total Current Liabilities	3,007.0	2,967.1	3,369.4	3,697.8
Net Current Assets	2,378.0	2,416.2	2,501.0	3,003.6
Application of Funds	11,068.0	11,105.7	11,368.5	11,889.3

Source: Company, ICICI Direct Research

Exhibit 17: Key ratios				
(Year-end March)	FY21	FY22E	FY23E	FY24E
Per share data (₹)				
Reported EPS	74.0	70.4	95.6	115.5
BV per share	345.0	398.0	470.0	556.9
Dividend per share	35	17	24	29
Cash Per Share	35.7	33.6	44.9	65.3
Operating Ratios (%)				
Gross Profit Margins	73.2	71.5	72.3	72.8
EBITDA Margins	31.0	29.2	30.5	31.1
PAT Margins	15.6	14.0	17.3	18.9
Inventory days	122.2	115.0	110.0	110.0
Debtor days	69.4	67.0	67.0	67.0
Creditor days	94.2	84.0	89.0	89.0
Asset Turnover	0.8	0.8	0.9	0.9
EBITDA conversion Rate	80.9	82.6	91.6	81.8
Return Ratios (%)				
RoE	21.4	17.7	20.3	20.7
RoCE	17.7	18.8	21.2	23.5
RoIC	20.2	20.8	26.5	31.9
Valuation Ratios (x)				
P/E	42.7	44.9	33.1	27.4
EV / EBITDA	23.2	22.7	19.2	16.4
EV / Net Sales	7.2	6.6	5.9	5.1
Market Cap / Sales	6.7	6.3	5.7	5.2
Price to Book Value	9.2	7.9	6.7	5.7
Solvency Ratios				
Debt / EBITDA	1.9	1.6	1.0	0.6
Debt / Equity	0.8	0.6	0.4	0.2
Current Ratio	1.6	1.6	1.5	1.5

Source: Company, ICICI Direct Research

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