

Custom synthesis hogs limelight; outlook robust...

About the stock: Laurus Labs operates in the segment of generic APIs & FDFs (formulations), custom synthesis and biotechnology. Major focus in APIs is on ARV, oncology and other APIs.

- It has 11 manufacturing units (six FDA approved sites) with 73 DMFs, 31 ANDAs filed (15 Para IV, 10 first to file) and 184 patents granted
- Laurus acquired Richore Life Sciences to diversify in area of recombinant animal origin free products, enzymes as well as building biologics CDMO

Q4FY22 Results: Significant beat propelled by synthesis and formulations.

- Sales were up 1% YoY to ₹ 1425 crore, which were optically muted due to ARVs destocking impact during the year and a high base of Q4FY21
- EBITDA was at ₹ 397 crore, down 16% YoY with margins at 27.8%
- Adjusted PAT was at ₹ 230.5 crore (down 22% YoY)

What should investors do? Laurus Lab's share price has grown by ~7.6x over the past three years (from ~₹ 77 in April 2019 to ~₹ 584 levels in April 2022).

- We continue to remain positive and retain our **BUY** rating on the stock

Target Price and Valuation: Valued at ₹ 690 i.e. 26x P/E on FY24E EPS of ₹ 26.5

Key triggers for future price performance:

- Synthesis:** Well-positioned to meet fast growing global demand for NCE drug substance and drug products. Setting-up dedicated R&D centre (operational FY23) & three greenfield manufacturing units (FY24, FY25)
- Formulations:** Product launches in anti-diabetic (FY23) & CV portfolio (FY24) in US & Europe with market opportunity at ~ US\$45 billion. Brownfield expansion (Unit-2) by Q1FY23 taking total capacity to 10 billion units
- API:** Robust order-book in anti-diabetic, CV & PPI amid capacity expansion in high growth therapeutics with total reactor volume of +7000KL by FY23
- Biologics:** Expanding the biologics CDMO at scale. Commercial scale-up of the new fermentation capacity (food proteins). Plans to add 1 million litre fermentation capacity in Phase 1
- Laurus is evolving as a strong vertically integrated player with strong order book visibility and incremental traction from custom synthesis

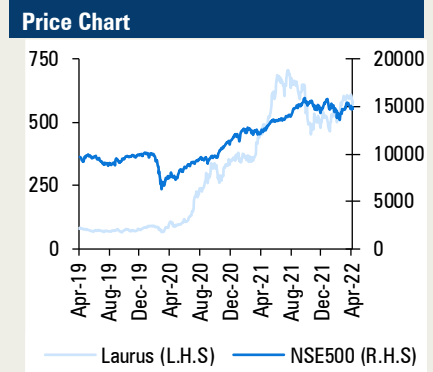
Alternate Stock Idea: Apart from Laurus, in healthcare coverage we like Granules.

- Granules India is a vertically integrated company that manufactures API, intermediates and finished dosages with vision to play on its strength of economies of scale and expansion into more complex products/forms
- BUY with a target price of ₹ 360



Particulars	
Particular	Amount
Market Capitalisation	₹ 31362 crore
Debt (FY22)	₹ 1915 crore
Cash & Equivalents (FY22)	₹ 76 crore
EV (₹ Cr)	₹ 33201 crore
52 week H/L (₹)	724/433
Equity capital	₹ 107.5 crore
Face value	₹ 2

Shareholding pattern					
(in %)	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Promote	27.5	27.3	27.3	27.3	27.3
Others	72.6	72.7	72.7	72.7	72.7



- Recent Event & Key risks**
- Signed MPP license for Paxlovid
 - Key Risk:** (i) Delay in commercialisation of new facility (ii) Slower offtake in ARV space

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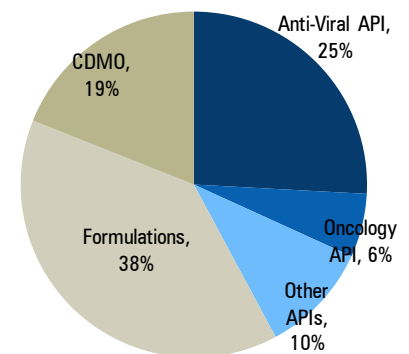
Key Financial Summary							
Key Financials (₹ Crore)	FY20	FY21	FY22	5 year CAGR (FY17-22)	FY23E	FY24E	3 year CAGR (FY22-24E)
Net Sales	2831.7	4813.5	4935.7	21.0	6439.4	7750.4	25.3
EBITDA	561.0	1550.7	1422.4	30.7	1846.2	2327.4	27.9
EBITDA Margins (%)	19.8	32.2	28.8		28.7	30.0	
Adj. Profit	255.3	983.6	827.5	39.7	1107.7	1426.0	31.3
Adj. EPS (₹)	4.8	18.3	15.4		20.6	26.5	
PE (x)	122.9	31.9	37.9		28.3	22.0	
RoE (%)	14.4	37.9	24.7		25.5	25.3	
RoCE (%)	13.0	31.7	21.3		22.6	24.7	

Key takeaways of recent quarter & conference call highlights

Q4FY22 Results: CRAMS growth continues amid GPM pressure

- Laurus revenues grew 1% YoY to ₹ 1425 crore in Q4FY22 on the back of 105% YoY growth in CRAMS to ₹ 360 crore amid progress in existing projects and supplies for order secured with global life science company. Formulations grew 14% YoY to ₹ 491 crore due to market share gain in developed market and stabilisation in ARVs. APIs revenues declined 32% YoY to ₹ 539 crore, mainly due to de-stocking impact in base year for ARVs business. ARV APIs sales declined 48% YoY to ₹ 297 crore while oncology API posted growth of 13% YoY to ₹ 70 crore and other API grew 4% YoY to ₹ 173 crore. Laurus bio segment grew 9% YoY to ₹ 35 crore due to operationalisation of new capacities. EBITDA margins declined 560 bps YoY to 28% mainly due to lower gross margins (down 349 bps YoY to 52%) and higher employee cost. EBITDA de-grew 16% YoY to ₹ 397 crore while adjusted PAT was down 22% YoY at ₹ 231 crore for the quarter. Delta vis-à-vis EBITDA on back of higher depreciation and interest cost along with lower other income being partially offset by lower tax expense
- Revenue growth appears optically muted, which is largely due to ARVs de-stocking impact during the year. CRAMS and formulations were significant beat on our estimates while EBITDA margins were better than estimated 26.5% due to better mix offsetting negative operating leverage. ARV business in both APIs and formulations witnessed improving offtake sequentially. Positive outlook backed by new project delivery, pipeline expansion and favourable market tailwinds in CRAMS has led to company targeting 25% revenues from Synthesis by FY25. Laurus has multiple planned capacity expansions in portfolio based on complexity and scale and has set an aspirational target of US\$1 billion revenues in FY23

Revenue Bifurcation (FY22)



Source: ICICI Direct Research; Company; based on FY22 sales

Q4FY22 Earnings Conference Call highlights

- Q4FY22 witnessed supply side issues for API solvents and raw materials while logistics challenges worsened due to geo-political issues and Covid
- ARV APIs and formulations prices were down ~ 10% in FY22. The management guided this to be the new base
- ARVs contribution (both API and formulations) was at ~ 55% of revenues for FY22. The company is expected to maintain revenue mix in FY23
- Laurus API facility is operating at optimum capacity. Capacity increased by 25% in FY22 while total reactor volume of +7000 KL is expected to be reached by the end of FY23. The management is anticipating good growth in other API segment in FY23 supported by new contract supplies
- In Synthesis, capex on multi-year contract (signed in Q2) is on fast-track. Laurus has four commercial stage projects and 550KL+ dedicated capacity. The company has also indicated at four big pharma clients amid customer base diversification
- Laurus Bio's new 1 million litre capacity will be commercialised in FY24 and is earmarked for food proteins. The management plans to enter therapeutic proteins from FY25
- R&D US/EU Pipeline: 14 approved with ~ 40% in Non-ARV while 70% of pending/developing 62 filings are under non-ARV space. R&D spend for FY22 was at ₹ 202 crore (4% of sales)
- US ANDA filings: Total – 31, Para IV – 15 and FTF – 10. Additionally, 11 filings in EU and 17 in Canada
- Capex guidance for FY23 and FY24 at ₹ 2,000-2,500 crore

Exhibit 1: Manufacturing and R&D facilities

Location	Facility	Offering	Capacity	Approvals
Jawaharlal Nehru Pharma City, Visakhapatnam	Unit 1	API, CDMO-Synthesis	333 reactors with 1,232 KL capacity	USFDA, WHO, COFEPRIS, NIP –Hungary, KFDA, PMDA, ANVISA
	Unit 3	API	297 reactors with 2,299 KL capacity	USFDA, WHO, COFEPRIS, NIP –Hungary, KFDA, ANVISA & JAZMP – Slovenia
	Unit 5	CDMO-Synthesis Hormone and Steroid facility	50 reactors with 151 KL capacity	
APIIC, Atchutapuram, Visakhapatnam	Laurus Synthesis Private Limited	CDMO- Synthesis LSPL - 1 APIs including Ingredients, Synthesis & Contract Manufacturing	42 reactors + 3 All Glass Reactors w/139 KL capacity	
	Unit 2	Formulations and API	6 bn Tablets/Capsules per year Expansion plan: + 4bn unit – Operational by June'22	USFDA, EMA, WHO, ANVISA, BfArM – Germany & JAZMP – Slovenia & African countries
	Unit 4	API, CDMO-Synthesis	130 reactors with 1,105 KL capacity	COFEPRIS – Mexico, WHO and USFDA
IKP Knowledge Park, Genome Valley, Hyderabad	Unit 6	API & Intermediates	68 reactors with 758 KL capacity	USFDA
	Kilo Lab (R&D)	API, CDMO - Synthesis	43 reactors and 4.3 KL capacity	USFDA, KFDA and PMDA
Bibi Nagar (Near Hyderabad)		API & Intermediates	31 reactors with 81 KL capacity	WHO GMP by CDSCO
	R1	Bio-Ingredients In-house QC lab- suited to microbical testing	Fermentation capacity of 10,750 Liters (2 reactors of 5,000 L & 3 reactors of 250 L), CDMO	
	R2	Bio-Ingredients CDMO capabilities	Fermentation capacity of 180K Liters (4 fermenters of 45KL)	

Source: Company, ICICI Direct Research

Exhibit 2: Future Projects

Division	Location	Status & Capacity	Operational
Formulation	Vizag	Unit 2 - 4 billion units (New building)	Completion before June'22
	Vizag	Unit 2 - 1 billion units (De-bottlenecking)	✓
	Hyderabad (Greenfield)	Unit 9 Land acquired Unit 3 and 4 (1,000KL)	Phase 1 – FY24 ✓
API	Vizag	Unit 4, and 6 (+1,200KL) - initiated	FY23
	Vizag (Greenfield)	Unit 7, 8 Land acquired	FY24/25
	Vizag	Unit 1 (LSPL)	✓
Custom Synthesis	Vizag (Greenfield)	Land acquired (Unit 2 & Unit 4 - LSPL)	FY24
	Vizag (Greenfield)	Land acquired (Unit 3 LSPL)	FY24/25
	Hyderabad (Greenfield)	Land acquired	FY23

Source: Company, ICICI Direct Research

Exhibit 3: Variance Analysis

	Q4FY22	Q4FY22E	Q4FY21	YoY (%)	Q3FY22	QoQ (%)	Comments
Revenue	1,424.8	1,231.8	1,411.9	0.9	1,028.8	38.5	YoY optically muted due to ARVs de-stocking in base while CRAMS and formulations were significant beat on our estimates
Raw Material Expenses	683.3	517.4	627.8	8.8	424.0	61.1	
Gross margins (%)	52.0	58.0	55.5	-349.3	58.8	-673.7	YoY decline amid Inflationary input cost and ~ 10% price erosion in ARVs
Employee Expenses	129.4	146.1	113.8	13.7	122.0	6.1	
Other Expenditure	215.5	242.0	198.2	8.7	197.5	9.1	
EBITDA	396.7	326.3	472.2	-16.0	285.3	39.1	
EBITDA (%)	27.8	26.5	33.4	-560.0	27.7	11.1	YoY decline mainly due to lower gross margins and higher employee cost
Interest	30.6	23.1	21.9	39.4	23.1	32.3	
Depreciation	65.7	61.8	53.6	22.6	64.0	2.7	
Other Income	1.3	6.4	4.5	-71.5	5.3	-75.8	
PBT before EO & Forex	301.7	247.8	401.2	-24.8	203.5	48.3	
Forex & EO	0.0	0.0	0.0		0.0		
PBT	301.7	247.8	401.2	-24.8	203.5	48.3	
Tax	69.8	55.8	104.3	-33.0	48.5	43.8	
PAT before MI	231.9	192.1	296.9	-21.9	155.0	49.6	
MI	1.2	1.0	0.2		1.2		
Net Profit	230.5	191.1	296.7	-22.3	153.7	49.9	Delta vis-à-vis EBITDA on back of higher depreciation and interest cost along with lower other income being partially offset by lower tax expense.
Key Metrics							
Anti-Viral API	296.5	284.5	569.0	-47.9	203.5	45.7	
Oncology API	70.1	83.7	62.0	13.0	84.8	-17.4	
Other APIs	172.5	166.0	166.0	3.9	135.7	27.1	
API	539.0	534.2	797.0	-32.4	424.0	27.1	YoY decline mainly due to de-stocking impact in base year for ARVs business
Formulations	491.0	430.0	430.0	14.2	373.0	31.6	YoY growth on back of market share gain in developed market and stabilization in ARVs
CRAMS	360.0	237.6	176.0	104.5	207.0	73.9	YoY growth led by progress in existing projects and supplies for order secured with Global life science company

Source: Company, ICICI Direct Research

Exhibit 4: Change in estimates

(₹ Crore)	FY23E			FY24E			
	Old	New	% Change	Old	New	% Change	
Revenue	6,039.7	6,439.4	6.6	7,207.5	7,750.4	7.5	Changed estimates due to business normalisation in ARVs space and key executions in contract manufacturing
EBITDA	1,810.0	1,846.2	2.0	2,198.3	2,327.4	5.9	
EBITDA Margin (%)	30.0	28.7	-130 bps	30.5	30.0	-47 bps	Guidance to maintain ~ 30% margin profile
PAT	1,114.4	1,107.7	-0.6	1,401.5	1,426.0	1.7	
EPS (₹)	20.7	20.6	-0.6	26.1	26.5	1.7	

Source: ICICI Direct Research

Exhibit 5: Assumptions

(₹ crore)	Current			Earlier			Comments
	FY21	FY22	FY23E	FY24E	FY23E	FY24E	
Anti-Viral API	1,852.0	1,250.5	1,437.2	1,581.0	1,523.1	1,675.4	Changed mainly due to slower off-take in demand
Oncology API	263.0	287.8	343.5	412.2	386.1	463.3	Changed mainly due to lower-than-expected growth in Q4FY22
Other APIs	506.0	501.1	725.6	943.3	681.8	886.4	Changed mainly due to better traction and visibility
API	2,621.0	2,039.4	2,506.4	2,936.5	2,591.1	3,025.2	
Formulations	1,664.0	1,880.0	2,349.9	2,702.4	2,182.7	2,510.1	Changed mainly due to offtake in capacity and new launches
CRAMS	519.0	917.0	1,423.1	1,921.1	1,105.9	1,493.0	Changed mainly due to better demand outlook and new order inflow

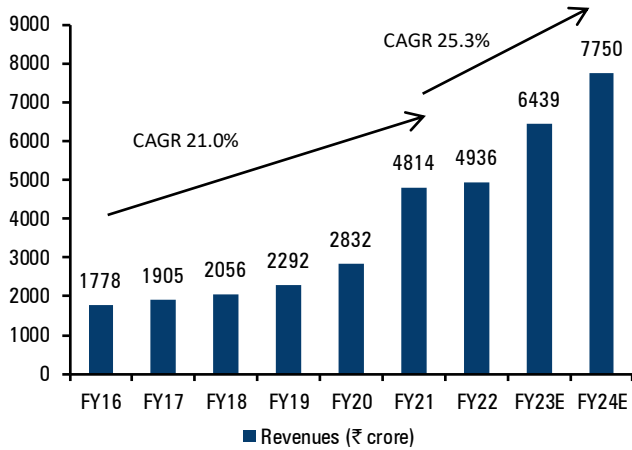
Source: ICICI Direct Research

Exhibit 6: Financial Summary

	Revenues	Growth	Adj. EPS	Growth	P/E	EV/EBITDA	RoNW	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY21	4814	70.0	18.3	285.3	31.9	21.1	37.9	31.7
FY22	4936	2.5	15.4	-15.9	37.9	23.3	24.7	21.3
FY23E	6439	30.5	20.6	33.9	28.3	18.1	25.5	22.6
FY24E	7750	20.4	26.5	28.7	22.0	14.2	25.3	24.7

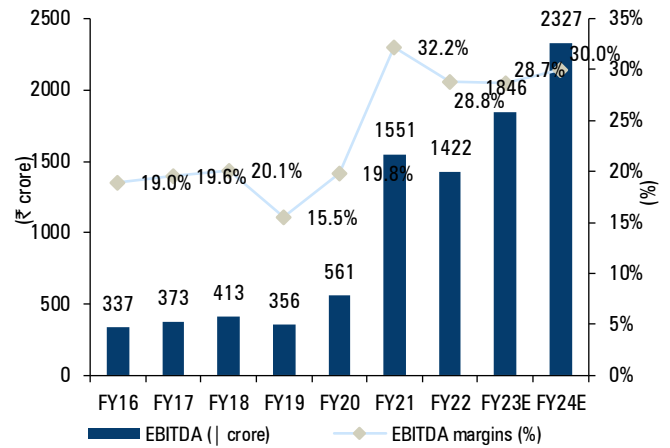
Source: ICICI Direct Research

Exhibit 7: Revenues to grow at 25.3% CAGR in FY21-24E



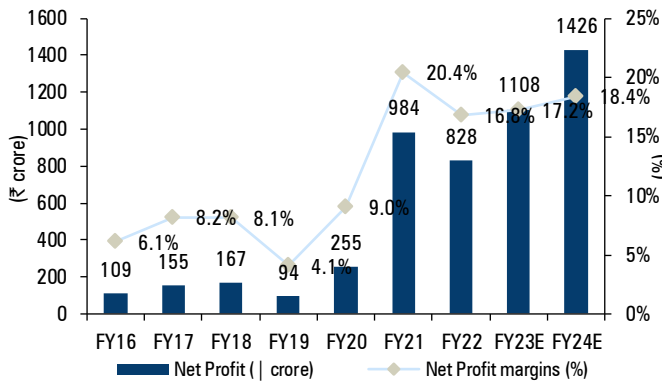
Source: ICICI Direct Research, Company

Exhibit 8: EBITDA & EBITDA margins trend



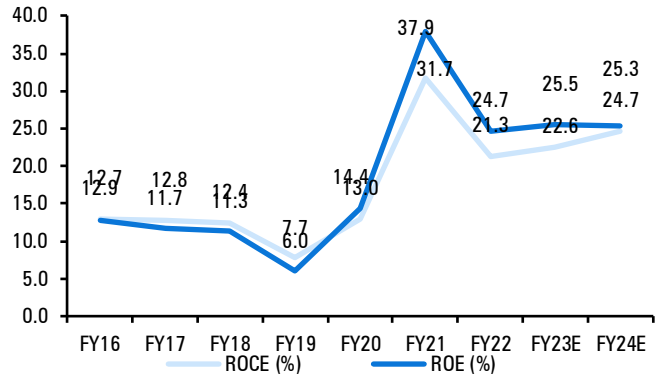
Source: ICICI Direct Research, Company

Exhibit 9: PAT & PAT margins trend



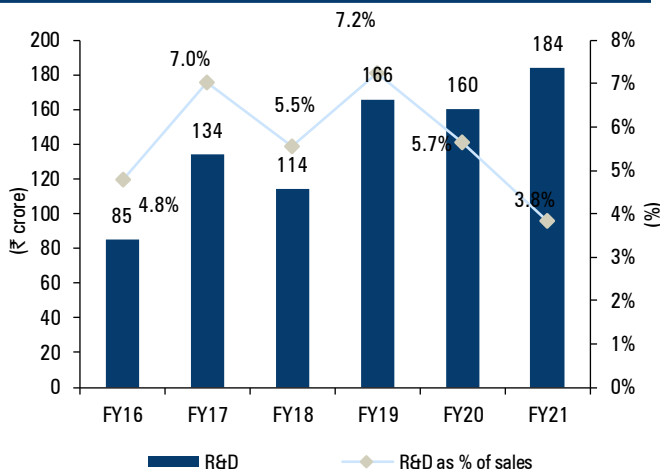
Source: ICICI Direct Research, Company

Exhibit 10: RoE & RoCE trend



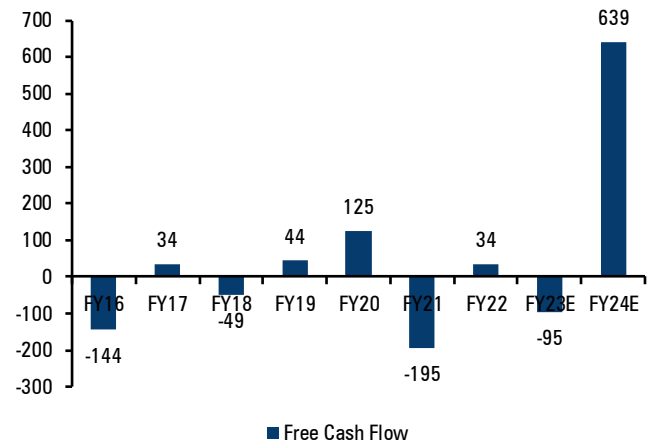
Source: ICICI Direct Research, Company

Exhibit 11: R&D trend



Source: ICICI Direct Research, Company

Exhibit 12: Positive free cash flow generation, going ahead



Source: ICICI Direct Research, Company

Exhibit 13: Trends in Quarterly Performance

(₹ Crore)	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	YoY (%)	QoQ (%)
Total Operating Income	635.2	550.6	712.4	729.6	839.1	974.3	1138.8	1288.4	1411.9	1278.5	1203.5	1028.8	1424.8	0.9	38.5
Raw Material Expenses	341.9	274.6	360.0	360.6	418.3	446.1	501.3	583.1	627.8	553.8	532.7	424.0	683.3	8.8	61.1
% of revenue	53.8	49.9	50.5	49.4	49.8	45.8	44.0	45.3	44.5	43.3	44.3	41.2	48.0	349 bps	674 bps
Gross Profit	293.3	276.0	352.4	369.0	420.8	528.3	637.6	705.3	784.2	724.7	670.8	604.7	741.6	-5.4	22.6
Gross Profit Margin (%)	46.2	50.1	49.5	50.6	50.2	54.2	56.0	54.7	55.5	56.7	55.7	58.8	52.0	-349 bps	-674 bps
Employee Expenses	74.0	80.3	88.0	88.4	88.1	111.6	108.1	100.6	113.8	127.3	122.9	122.0	129.4	13.7	6.1
% of revenue	11.7	14.6	12.3	12.1	10.5	11.5	9.5	7.8	8.1	10.0	10.2	11.9	9.1	102 bps	-278 bps
Other Manufacturing Expenses	107.3	112.4	126.7	132.4	140.9	138.4	155.6	178.4	198.2	202.0	202.9	197.5	215.5	8.7	9.1
% of revenue	16.9	20.4	17.8	18.1	16.8	14.2	13.7	13.8	14.0	15.8	16.9	19.2	15.1	109 bps	-407 bps
Total Expenditure	523.2	467.3	574.6	581.4	647.4	696.0	765.0	862.1	939.7	883.2	858.4	743.5	1028.1	9.4	38.3
% of revenue	82.4	84.9	80.7	79.7	77.1	71.4	67.2	66.9	66.6	69.1	71.3	72.3	72.2	560 bps	-11 bps
EBITDA	112.0	83.3	137.8	148.2	191.8	278.3	373.9	426.3	472.2	395.4	345.1	285.3	396.7	-16.0	39.1
EBITDA Margins (%)	17.6	15.1	19.3	20.3	22.9	28.6	32.8	33.1	33.4	30.9	28.7	27.7	27.8	-560 bps	11 bps
Depreciation	43.5	45.8	47.8	47.6	46.1	48.8	51.0	51.6	53.6	58.5	63.2	64.0	65.7	22.6	2.7
Interest	17.6	22.5	25.6	20.8	20.7	15.1	13.7	17.4	21.9	26.6	22.1	23.1	30.6	39.4	32.3
Other Income	1.6	4.5	1.4	1.9	1.7	7.1	5.1	6.9	4.5	5.9	2.8	5.3	1.3	-71.5	-75.8
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	52.6	19.4	65.8	81.7	126.7	221.5	314.3	364.2	401.2	316.1	262.6	203.5	301.7	-24.8	48.3
Total Tax	9.4	4.3	9.2	8.2	16.6	49.7	72.0	91.3	104.3	74.4	58.6	48.5	69.8	-33.0	43.8
Tax rate (%)	17.9	22.1	14.0	10.1	13.1	22.4	22.9	25.1	26.0	23.6	22.3	23.8	23.1	-285 bps	-71 bps
PAT	43.2	15.1	56.6	73.5	110.2	171.8	242.3	272.9	296.9	241.6	204.0	155.0	231.9	-21.9	49.6
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2	2.1	1.2	1.2		
PAT after MI	43.2	15.1	56.6	73.5	110.2	171.8	242.3	272.9	296.7	241.4	201.9	153.8	230.7	-22.2	50.0
EPS (₹)	0.8	0.3	1.1	1.4	2.0	3.2	4.5	5.1	5.5	4.5	3.8	2.9	4.3		
No. of Equity Shares (Diluted)	53.7	53.7	53.7	53.7	53.7	53.7	53.7	53.7	53.7	53.7	53.7	53.7	53.7		

Source: ICICI Direct Research

Exhibit 14: ICICI Direct Coverage Universe (Healthcare)

Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹ cr)	EPS (₹)				PE(x)				RoCE (%)				RoE (%)			
						FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E
Hospitals																					
Apollo Hospitals	APOHOS	4437	5,480	Buy	63790	7.9	67.2	81.3	105.5	564.4	66.0	54.5	42.1	6.3	16.4	18.2	20.7	2.5	17.5	18.1	19.9
Narayana Hrudalaya	NARHRU	696	765	Buy	14231	-0.7	17.5	20.1	22.8	NA	39.9	34.6	30.6	1.2	21.2	22.4	21.5	-1.3	24.5	22.3	20.3
Shalby	SHALIM	126	170	Buy	1356	3.9	5.9	5.7	7.2	32.0	21.3	21.8	17.5	6.5	8.9	9.6	10.5	5.1	7.2	6.7	7.9
Aster DM	ASTDM	194	250	Buy	9676	3.0	10.6	17.6	NA	65.5	18.4	11.0	NA	5.4	9.2	12.9	NA	4.4	13.5	18.4	NA
Healthcare Global	HEAGLO	282	240	Hold	3529	-21.7	6.0	3.5	NA	NA	47.0	79.8	NA	-0.9	5.2	7.7	NA	NA	NA	3.4	NA
MNC Pharma																					
Abbott India	ABBIND	17020	19,840	Buy	36166	325.0	370.4	429.0	496.0	52.4	45.9	39.7	34.3	33.8	35.7	34.4	33.4	26.5	28.1	26.8	25.8
P&G Health	MERLIM	4490	5,365	Hold	7453	106.5	110.9	119.1	134.1	42.2	40.5	37.7	33.5	32.2	35.5	33.3	32.6	25.1	27.4	25.5	24.9
Sanofi India	SANOFI	6970	7,740	Hold	16053	207.4	410.1	285.7	276.4	33.6	17.0	24.4	25.2	32.3	33.3	42.3	40.8	24.5	25.9	32.6	31.3
Pfizer	PFIZER	4375	5,350	Buy	20015	108.8	135.2	133.0	148.6	40.2	32.4	32.9	29.4	27.6	27.4	23.6	22.9	20.8	21.7	18.6	18.1
Pharma																					
Ajanta Pharma	AJAPHA	1724	2,605	Buy	14914	74.0	85.4	87.0	100.4	23.3	20.2	19.8	17.2	29.0	27.0	23.8	23.6	21.8	22.4	19.5	19.2
Alembic Pharma	ALEMPHA	783	770	Hold	15393	59.9	34.0	34.8	38.5	13.1	23.0	22.5	20.3	24.2	12.1	12.3	12.6	23.0	11.9	11.2	11.4
Aurobindo Pharma	AURPHA	628	765	Hold	36794	55.0	44.3	53.4	61.2	11.4	14.2	11.7	10.3	16.9	12.5	14.3	15.2	14.7	10.7	11.5	11.7
Biocon	BIOCON	370	380	Hold	44386	6.3	5.7	6.1	11.7	59.0	64.9	61.0	31.7	7.7	7.5	5.0	6.9	9.9	8.1	3.2	5.9
Zydus Lifesciences	CADHEA	351	475	Hold	35938	21.5	21.1	22.4	25.4	16.3	16.6	15.7	13.8	12.6	13.5	13.7	14.6	16.9	14.8	14.0	14.1
Cipla	CIPLA	981	1,100	Buy	79138	29.9	35.9	39.3	43.5	32.8	27.3	24.9	22.5	16.3	18.3	18.0	18.0	13.1	14.1	13.8	13.6
Dr Reddy's Labs	DRREDD	4138	5,160	Buy	68872	117.3	156.5	190.9	236.0	35.3	26.4	21.7	17.5	13.1	15.4	18.6	22.7	11.1	13.1	14.0	15.1
Glenmark Pharma	GLEPHA	439	550	Hold	12384	32.9	44.2	44.2	49.1	13.4	9.9	9.9	8.9	13.9	15.5	15.2	15.4	13.1	13.1	11.7	11.6
Ipca Laboratories	IPCLAB	1012	1,175	Buy	25676	44.9	36.6	42.4	48.2	22.5	27.7	23.9	21.0	27.1	19.8	19.1	18.5	24.2	16.6	16.1	15.6
Jubilant Pharmova	JUBLIF	473	490	Hold	7530	37.4	28.7	32.5	40.8	12.6	16.5	14.5	11.6	13.7	10.1	10.4	12.2	12.6	8.9	9.2	10.4
Lupin	LUPIN	743	960	Hold	33765	26.9	16.0	29.7	39.4	27.7	46.6	25.0	18.9	9.1	6.0	10.3	12.6	8.8	5.7	9.5	11.3
Natco Pharma	NATPHA	787	955	Hold	14345	24.2	15.1	19.6	23.1	32.5	52.0	40.2	34.1	13.1	7.3	9.7	10.7	10.7	6.4	7.8	8.5
Sun Pharma	SUNPHA	930	1,075	Buy	223102	30.0	33.5	33.8	38.6	30.9	27.8	27.5	24.1	14.2	18.3	17.8	17.8	15.5	16.4	14.4	14.3
Torrent Pharma	TORPHA	2819	3,235	Hold	47701	74.0	67.6	94.7	114.5	38.1	41.7	29.8	24.6	17.7	18.2	21.1	23.5	21.4	17.1	20.3	20.7
Indoco Remedies	INDREM	382	510	Buy	3522	10.1	16.5	23.3	28.3	37.9	23.1	16.4	13.5	11.7	17.9	21.5	26.3	12.1	16.9	19.8	20.0
Caplin Point	CAPPOI	707	1,010	Buy	5358	81.7	76.7	55.5	60.4	8.7	9.2	12.8	11.7	25.6	24.1	23.5	0.0	20.4	20.5	18.8	18.3
Advanced Enzymes	ADVENZ	301	380	Buy	3365	13.1	11.3	13.6	15.8	23.0	26.7	22.2	19.1	19.4	15.4	16.7	17.2	15.1	11.6	12.4	12.7
Hester Biosciences	HESPHA	2605	2,780	Hold	2216	44.4	47.2	52.0	71.4	58.7	55.2	50.1	36.5	16.2	12.8	14.3	17.3	16.5	15.5	15.1	17.8
API/CRAMS																					
Divi's Lab	DIVLAB	4505	5,335	Buy	119584	74.7	107.8	108.4	126.4	60.3	41.8	41.6	35.6	27.6	30.1	27.7	27.5	21.3	25.4	21.7	21.6
Hikal	HIKCHE	397	500	Buy	4891	10.8	14.6	17.1	22.6	36.7	27.1	23.1	17.5	15.1	15.7	16.0	19.1	14.3	16.7	16.8	18.8
Syngene Int.	SYNINT	629	730	Buy	25196	10.1	9.9	11.4	15.5	62.1	63.7	55.3	40.6	11.5	11.7	12.2	15.7	13.5	12.9	12.3	14.4
Granules India	GRANUL	282	360	Buy	7000	22.2	16.2	19.4	25.8	12.7	17.4	14.5	11.0	24.0	16.2	17.4	20.2	25.3	15.8	16.1	17.8
Laurus Labs	LAULAB	585	690	Buy	31436	18.3	15.4	20.6	26.5	32.0	38.0	28.4	22.0	31.7	21.3	22.6	24.7	37.9	24.7	25.5	25.3
Suven Pharmaceuticals	SUVPH	601	555	Hold	15297	14.2	18.3	17.7	19.8	42.2	32.9	34.0	30.4	31.2	35.0	28.7	26.6	30.7	29.6	23.2	21.3

Source: ICICI Direct Research

Financial Summary

Exhibit 15: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Revenues	4,813.5	4,935.6	6,439.4	7,750.4
Growth (%)	70.0	2.5	30.5	20.4
Raw Material Expenses	2,158.2	2,193.8	2,959.5	3,428.3
Employee Expenses	434.1	501.5	643.9	793.5
Other Manufacturing Expenses	670.6	817.8	989.7	1,201.3
Total Operating Expenditure	3,262.8	3,513.1	4,593.2	5,423.1
EBITDA	1,550.7	1,422.4	1,846.2	2,327.4
Growth (%)	176.4	-8.3	29.8	26.1
Interest	68.2	102.4	118.4	102.4
Depreciation	205.1	251.5	323.1	414.1
Other Income	23.7	15.3	32.2	38.8
PBT before Exceptional Items	1,301.1	1,083.9	1,436.9	1,849.7
Less: Forex & Exceptional Items	0.0	0.0	0.0	0.0
PBT	1,301.1	1,083.9	1,436.9	1,849.7
Total Tax	317.3	251.4	323.3	416.2
PAT before MI	983.8	832.4	1,113.6	1,433.5
Minority Interest	0.2	4.7	5.9	7.5
PAT	983.6	827.5	1,107.7	1,426.0
Adjusted PAT	983.6	827.5	1,107.7	1,426.0
Growth (%)	285.3	-15.9	33.9	28.7
EPS	18.3	15.4	20.6	26.5
EPS (Adjusted)	18.3	15.4	20.6	26.5

Source: Company, ICICI Direct Research

Exhibit 16: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit/(Loss) after taxation	1,072.6	901.6	1,107.7	1,426.0
Add: Depreciation & Amortization	205.1	251.5	323.1	414.1
Net Increase in Current Assets	-1,199.1	-241.7	-952.2	-618.4
Net Increase in Current Liabilities	605.1	-100.0	407.8	414.8
Others	49.4	99.6	118.4	102.4
CF from operating activities	733.1	911.1	1,004.8	1,738.8
(Inc)/dec in Investments	-0.2	-39.3	27.4	0.0
(Inc)/dec in Fixed Assets	-928.4	-876.7	-1,100.0	-1,100.0
Others	-12.4	2.1	16.5	18.2
CF from investing activities	-941.0	-913.9	-1,056.1	-1,081.8
Inc / (Dec) in Equity Capital	7.4	4.3	0.0	0.0
Proceeds/(Repayment) Loan	391.1	270.2	300.0	-300.0
Dividend & Dividend Tax	-75.0	-85.9	-110.8	-142.6
Interest	-58.0	-85.0	-118.4	-102.4
Others	-10.67	-73.43	0.00	0.00
CF from financing activities	254.7	30.3	70.8	-545.0
Net Cash flow	46.8	27.4	19.5	112.0
Opening Cash	1.7	48.5	75.9	95.5
Closing Cash	48.5	75.9	95.5	207.5
FCF	-195.3	34.4	-95.2	638.8

Source: Company, ICICI Direct Research

Exhibit 17: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Equity Capital	107.3	107.5	107.5	107.5
Reserve and Surplus	2,490.2	3,243.7	4,240.7	5,524.1
Total Shareholders fund	2,597.6	3,351.2	4,348.2	5,631.5
Total Debt	1,481.7	1,914.6	2,214.6	1,914.6
Minority Interest	3.2	7.9	7.9	7.9
Deferred Tax Liability	19.2	69.1	76.0	83.6
Other Non Current Liabilities	155.0	150.2	165.3	181.8
Long term Provisions	63.2	72.7	79.9	87.9
Source of Funds	4,319.8	5,565.6	6,891.8	7,907.3
Gross Block - Fixed Assets	2,781.7	3,515.0	4,615.0	5,915.0
Accumulated Depreciation	857.4	1,108.8	1,431.9	1,845.9
Net Block	1,924.3	2,406.2	3,183.1	4,069.1
Capital WIP	362.2	813.2	813.2	613.2
Net Fixed Assets	2,286.5	3,219.4	3,996.3	4,682.3
Total Intangible Assets	0.0	0.0	0.0	0.0
Investments	3.4	30.8	3.4	3.4
Goodwill on Consolidation	246.3	246.3	246.3	246.3
Inventory	1,575.5	1,760.3	2,296.6	2,551.9
Cash	48.5	75.9	95.5	207.5
Debtors	1,306.1	1,354.2	1,766.8	2,126.5
Loans & Advances & Other CA	0.0	0.0	0.0	0.0
Total Current Assets	3,074.9	3,344.6	4,316.4	5,046.8
Creditors	1,178.7	876.4	1,231.6	1,588.5
Provisions & Other CL	252.2	526.0	578.6	636.5
Total Current Liabilities	1,430.9	1,402.4	1,810.2	2,225.0
Net Current Assets	1,644.0	1,942.2	2,506.1	2,821.7
LT L& A, Other Assets	139.6	126.9	139.6	153.6
Deferred Tax Assets	0.0	0.0	0.0	0.0
Application of Funds	4,319.8	5,565.6	6,891.8	7,907.3

Source: Company, ICICI Direct Research

Exhibit 18: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
Per share data (₹)				
EPS	18.3	15.4	20.6	26.5
Cash EPS	19.4	18.5	24.6	31.6
BV per share	48.3	62.4	80.9	104.8
DPS	2.7	1.5	2.1	2.7
Cash Per Share	16.0	20.6	26.6	34.4
Operating Ratios (%)				
Gross margins	55.2	55.5	54.0	55.8
EBITDA margins	32.2	28.8	28.7	30.0
Net Profit margins	20.4	16.8	17.2	18.4
Cash Conversion cycle	166.1	247.2	231.5	202.7
Asset Turnover	1.7	1.4	1.4	1.3
EBITDA conversion rate	47.3	64.1	54.4	74.7
Return Ratios (%)				
RoE	37.9	24.7	25.5	25.3
RoCE	31.7	21.3	22.6	24.7
RoIC	34.4	25.0	25.5	27.0
Valuation Ratios (x)				
P/E	31.9	37.9	28.3	22.0
EV / EBITDA	21.1	23.3	18.1	14.2
EV / Revenues	6.8	6.7	5.2	4.3
Market Cap / Revenues	6.5	6.4	4.9	4.0
Price to Book Value	12.1	9.4	7.2	5.6
Solvency Ratios				
Debt / Equity	0.6	0.6	0.5	0.3
Debt / EBITDA	1.0	1.3	1.2	0.8
Current Ratio	2.1	2.3	2.3	2.2

Source: Company, ICICI Direct Research

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