

Cipla

Strong India, US; one-offs hit margins...

About the stock: Cipla is a global pharma company with over 1,500+ products in 65 therapeutic categories, with over 50 dosage forms.

- Indian branded formulations business accounts for ~45% of revenues and enjoys leadership in therapies like respiratory, anti-infective, cardiac, gynaecology & gastro-intestinal
- Cipla derives 20% of its export revenues from the US followed by 12% from South Africa, 18% from RoW markets and 3% from APIs

Q4FY22 Results: Revenues were better than I-Direct estimates while margins were a miss on back of a one-time write-off of ₹ 200 crore Covid inventory in the quarter.

- Sales were up 14% YoY to ₹ 5260 crore
- EBITDA was down 6% YoY to ₹ 750 crore, with margins at 14.3%. Adjusted for one-off, margins were at 18%
- Consequent PAT was at ₹ 410 crore (down 1% YoY)

What should investors do? Cipla's share price has grown ~1.6x in past three years

- We maintain **BUY** as we continue to focus on its core strength of following a calibrated approach of focusing more on core therapies, which will be further strengthened by complex launches for the US in H2FY23

Target Price and Valuation: Valued at ₹ 1095 i.e. 25x P/E on FY24E EPS of ₹ 42.5 + ₹ 32 NPV for gRevlimid.

Key triggers for future price performance:

- US:** Expects significant momentum from H2FY23 onwards in the US on the back of peptide portfolio unlocking and possible approvals, launches of gRevlimid, gAdvair and gAbraxane besides gains from Albuterol portfolio
- One-India:** Branded prescription portfolio therapy mix reflects strong fundamentals across chronic and acute segments. Better execution and distribution synergies to drive prescription, trade generics, consumer health
- Exports:** Across the board transformation from tenderised model to private model in exports market and more focus towards DTM and new frontier markets for organic growth in Europe and Emerging markets
- The company is focusing on front-end model, especially for the US and shift to more lucrative respiratory and other complex opportunities

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

- Higher contribution from specialty and strong domestic franchise is likely to change the product mix towards more remunerative businesses by FY23
- BUY with a target price of ₹ 1075

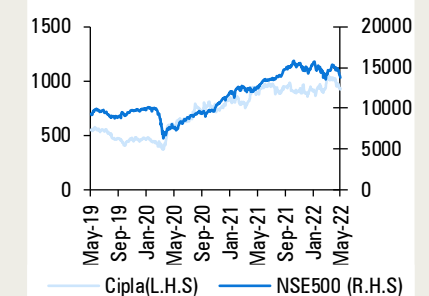
Particulars

Particular	Amount
Market Capitalisation	₹ 73420 crore
Debt (FY22)	₹ 824 crore
Cash (FY22)	₹ 1928 crore
EV	₹ 72316 crore
52 week H/L (₹)	1083/850
Equity capital	₹ 161.4 crore
Face value	₹ 2

Shareholding pattern

(in %)	Jun-21	Sep-21	Dec-21	Mar-22
Promoter	36.7	36.1	36.1	33.6
Others	63.3	63.9	63.9	66.4

Price Chart



Recent Event & Key risks

- Received final USFDA approval for Lanreotide Injection
- Key Risk:** (i) Regulatory hurdles (ii) Increased competition

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Key Financial Summary

Key Financials (₹ crore)	FY20	FY21	FY22	5 year CAGR (FY17-22)	FY23E	FY24E	2 year CAGR (FY22-24E)
Revenues	17132.0	19159.6	21763.3	8.3	23507.7	25798.7	8.9
EBITDA	3206.0	4252.4	4552.8	13.0	4967.9	5675.7	11.7
EBITDA margins (%)	18.7	22.2	20.9		21.1	22.0	
Adjusted PAT	1546.5	2404.9	2650.2	21.4	2915.5	3422.8	13.6
Adj. EPS (₹)	19.2	29.9	32.9		36.2	42.5	
PE (x)	47.4	30.5	29.1		25.1	21.4	
EV to EBITDA (x)	23.0	16.7	15.3		13.6	11.4	
RoNW (%)	9.8	13.1	12.7		12.6	13.3	
RoCE (%)	12.0	16.3	16.7		16.7	17.7	

Key takeaways of recent quarter & conference call highlights

Q4FY22 Results: One-offs hit margins, Revenue growth continues

- Revenues grew 14% YoY to ₹ 5260 crore led by 21% YoY growth in domestic formulations to ₹ 2183 crore due to traction across branded prescription, trade generics and consumer health. US grew 21% YoY to ₹ 1209 crore owing to strong traction in respiratory assets as well as contribution from peptide assets. South Africa business grew 10% YoY to ₹ 664 crore while RoW market expanded by 9.5% YoY to ₹ 1011 crore amid strong direct to market growth across geographies being partially offset by emerging market forex volatility. API was down 39% YoY to ₹ 137 crore due to higher Q4FY21 base due to stock-up by customers and one-time profit share on an API supply
- EBITDA margins were down 303 bps YoY to 14.3% while EBITDA de-grew 6% YoY to ₹ 750 crore. Margins were impacted due to, 1) one-time ₹ 200 crore expense for Covid products related write-off, 2) higher R&D expenditure (up 16% YoY, 3) elevated freight cost and 4) seasonality mix in sales. Adjusted for one-time ₹ 200 crore expense, margins were at 18% for this quarter Subsequently, PAT was flat YoY at ₹ 410 crore. Delta vis-à-vis EBITDA was mainly due to lower interest expense and lower tax rate due to deferred tax assets in this quarter
- Cipla's Q4FY22 revenues were better than I-direct estimates while margins were a significant miss, as there was a one-time expense of ₹ 200 crore in Q4. Cipla's One-India sales grew 27% in FY22 (25% ex-Covid) due to strong execution across portfolio and distribution synergies across branded prescription, trade generics and consumer health. In South Africa, it continues to maintain leadership positions in key therapy areas, with overall 7.5% market share. Market share gain for Albuterol (17.2%) and Arformoterol (29.8%) along with ramp-up for first peptide asset, Lanreotide injection strengthened US quarterly run rate to US\$160 million. We continue to focus on Cipla's long-drawn strategy of targeting four verticals viz. One-India, South Africa & EMs, US generics & specialty and lung leadership

Q4FY22 Earnings Conference Call highlights

- **One India:** Grew 21% across branded prescription, trade generics and consumer health in FY22, 15% YoY growth adjusted for Covid portfolio. Branded prescription business crossed US\$1 billion scale amid sustained momentum in core therapies. Cipla's chronic portfolio (contributes 59% in FY22) grew at CAGR of 13% from FY18-20 while Acute portfolio (contributes 41% in FY22) grew at 5% over same time. NLEM basket constitutes ~ 23% of Cipla's domestic portfolio and has grown at CAGR of 6% over FY18-22. Consumer Health contributed 8% to revenues in FY22 and achieved break-even in FY22. Trade Generics mostly is in acute and pain segment and has grown in double digits, while management is building chronic segment. The management is guiding for mid-teen growth ex-Covid
- **US:** Grew 8% from US\$551 million to US\$594 million. Revenue from respiratory portfolio increased from US\$132 million in FY21 to US\$169 million. Ramp up in market share for Albuterol (22% market share) and Arformoterol (29.8% total market share) and contribution from peptide asset, propelled quarterly rate to US\$160 million. Cipla is working with USFDA on gAdvair and expects to launch gAdvair, Abraxane and Revlimid in H2FY23. Although there is existing competition in gAdvair, ~50% market is still branded and management hopes to gain market share post launch. The company is also guiding for possibility for double digit market share in its peptide asset, Lanreotide injection. Cipla plans to file one peptide asset in FY23. In respiratory segment two products have been filed (not in market) while one is in clinical trial (another expected to join this year). Approved ANDAs/NDAs: 169, tentative approval: 19, pending approval: 69.

- **SAGA:** Grew 8% YoY in US\$ terms, South Africa private market growth was 17% YoY in ZAR terms in Q4FY22. Growth was diversified across base and new product portfolios and continued to maintain leadership position in key therapies. Total 32 brands were launched in FY22 in South-Africa. FY22 SAGA break-up (US\$ million) – South Africa Private:267, South Africa Tender:86 and SSA&CGA:140
- **International:** Grew 4% YoY to US\$97 million in Q4FY22. Direct to market growth across geographies was offset by forex volatility and muted B2B demand in Europe
- **API:** De-grew 41% to US\$18 million in Q4FY22 due to higher Q4FY21 base due to stock-up by customers and one-time profit share on an API supply
- In this quarter there was one-off of ₹ 200 crore (₹ 160 crore: Covid inventory write-off impact in gross margins; ₹ 20 crore: Covid write-off impact in operating heads; ₹ 20 crore: restructuring expense). Adjusting for above, EBITDA margins were at 18% in Q4FY22. The margins were further impacted by higher R&D expense (up 16% YoY to ₹ 322 crore), higher procurement and freight cost along with negative seasonality sales mix. The management guided for 21-22% margins, going ahead, and complex launches are likely to improve trajectory. R&D expense guidance is ~ 6%-7% of sales, going forward

Exhibit 1: Variance Analysis

	Q4FY22	Q4FY22E	Q4FY21	YoY (%)	Q3FY22	QoQ (%)	Comments
Revenue	5,260.3	4,966.4	4,606.5	14.2	5,478.9	-4.0	YoY growth led by strong growth in India and US
Raw Material Expenses	2,146.7	1,942.9	1,822.4	17.8	2,143.4	0.2	
Gross Profit	3,113.6	3,023.5	2,784.0	11.8	3,335.5	-6.7	
Gross Margin (%)	59.2	60.9	60.4	-125 bps	60.9	-169 bps	YoY decline due to raw material cost inflation and write-off for Covid inventory
Employee Expenses	892.4	790.8	814.7	9.5	872.4	2.3	
Other Expenditure	1,471.5	1,143.9	1,173.1	25.4	1,232.1	19.4	
Total Operating Expenditure	4,510.6	3,877.6	3,810.2	18.4	4,247.9	6.2	
EBITDA	749.7	1,088.8	796.2	-5.8	1,231.0	-39.1	
EBITDA (%)	14.3	21.9	17.3	-303 bps	22.5	-822 bps	Margins impacted YoY due to, 1) one-time ₹ 200 crore expense for Covid products related write-off, 2) higher R&D expenditure (up 16% YoY, 3) elevated freight cost and 4) seasonality mix in sales. Adjusted for ₹ 200 crore one-off, margins at 18%
Interest	18.1	20.7	27.5	-34.1	20.7	-12.5	
Depreciation	290.3	247.5	285.2	1.8	247.5	17.3	
Other income	64.0	83.3	60.1	6.5	91.3	-29.9	
PBT before EO	505.3	904.0	543.7	-7.1	1,054.1	-52.1	
Less: Exceptional Items	57.5	0.0	0.0	0.0	0.0	0.0	Additional impairment charge for Avenue Therapeutics
PBT	447.8	904.0	543.7	-17.6	1,054.1	-57.5	
Tax	71.1	253.1	128.2	-44.5	295.2	-75.9	
Tax Rate (%)	15.9	28.0	23.6	-770 bps	28.0	-1212 bps	Deferred tax assets in this quarter amid restructuring of business in South Africa
MI & Share of loss/ (gain) ass	8.6	-3.3	-1.9	LP	28.3	-69.5	
Adjusted PAT	410.4	650.1	413.4	-0.7	728.6	-43.7	Delta vis-à-vis EBITDA mainly due to lower interest expense and lower tax rate due to deferred tax assets in this quarter
Key Metrics							
Domestic	2183.0	1969.6	1807.0	20.8	2518.0	-13.3	YoY growth driven by sustained volume traction across core therapies and traction in flagship brands
US	1209.0	1167.3	1002.0	20.7	1124.0	7.6	YoY growth owing to strong traction in respiratory assets as well as contribution from peptide assets
South Africa	664.0	636.3	606.0	9.6	623.0	6.6	South Africa private market growth of 17% YoY in ZAR terms in Q4FY22 and growth was diversified across base and new products
RoW	1011.0	969.2	923.0	9.5	1008.0	0.3	Direct to market growth across geographies offset by forex volatility and muted B2B demand in Europe
API	137.0	168.0	224.0	-38.8	150.0	-8.7	YoY decline due to higher Q4FY21 base due to stock up by customers and one-time profit share on API supply

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY23E			FY24E			Comments
	Old	New	Change	Old	New	Change	
Revenues	23,173.4	23,507.7	1.4	24,747.4	25,798.7	4.2	Complex launches in H2FY23 for US to further strengthen overall business and profitability trajectory
EBITDA	5,374.5	4,967.9	-7.6	5,878.3	5,675.7	-3.4	
EBITDA Margin (%)	23.2	21.1	-206 bps	23.8	22.0	-175 bps	Guidance for ~ 22% margins
PAT	3,242.5	2,915.5	-10.1	3,587.4	3,422.8	-4.6	
EPS (₹)	40.3	36.2	-10.1	44.6	42.5	-4.6	

Source: ICICI Direct Research

Exhibit 3: Assumptions

(₹ crore)	Current				Earlier		Comments
	FY21	FY22	FY23E	FY24E	FY23E	FY24E	
Domestic	7,736.0	9,828.0	10,545.5	11,811.0	10,585.9	11,644.5	Changed mainly due to better traction in Q4FY22
Export Formulations	10,392.0	10,971.0	12,039.2	13,029.8	11,543.3	12,017.7	Cipla's upcoming complex launches in H2FY23 for US
API	798.0	760.0	699.0	733.9	820.2	861.3	Changed mainly due to lower than expected growth in Q4FY22

Source: ICICI Direct Research

Exhibit 4: Financial Summary

	Revenues	Growth	EPS	Growth	P/E	EV/EBITDA	RoNW	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY21	19160	11.8	29.9	55.5	30.5	16.7	13.1	16.3
FY22	21763	13.6	32.9	10.2	29.1	15.3	12.7	16.7
FY23E	23508	8.0	36.2	10.0	25.1	13.6	12.6	16.7
FY24E	25799	9.7	42.5	17.4	21.4	11.4	13.3	17.7

Source: ICICI Direct Research

Exhibit 5: Revenue Breakup

(₹ crore)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	CAGR (FY22-24E)
Domestic	5036.0	5523.0	5867.0	6273.0	6640.0	7736.0	9828.0	10545.5	11811.0	9.6
Export Formulations	7798.0	8145.2	8321.8	9005.0	9243.0	10392.0	10971.0	12039.2	13029.8	9.0
US	2037.9	2625.0	2589.5	3420.0	3874.0	4091.0	4431.0	5069.2	5486.6	11.3
South Africa (Cipla IV)	1562.4	1828.8	2061.8	2148.0	2204.0	2301.0	2633.0	2841.5	3125.6	9.0
RoW	3396.5	3146.4	3670.5	3437.0	3165.0	3986.0	3909.0	4128.5	4417.5	6.3
APIs	752.0	523.0	626.0	699.0	751.0	798.0	760.0	699.0	733.9	-1.7

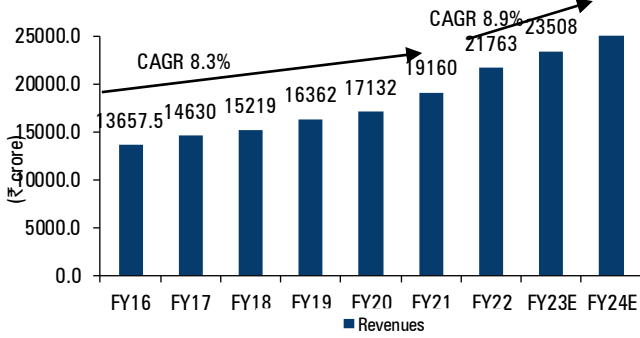
Source: ICICI Direct Research

Exhibit 6: Trends in quarterly performance

(₹ crore)	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	YoY (%)	QoQ. (%)
Net Sales	4271.0	3894.5	4264.2	4234.6	4301.6	4276.9	4972.6	5154.2	4584.9	5470.7	5485.8	5442.9	5223.9	13.9	-4.0
Other Operating Income	133.0	94.6	131.5	136.5	74.6	69.3	65.7	14.5	21.6	33.6	34.0	36.0	36.4	68.7	1.1
Total Operating Income	4404.0	3989.0	4395.8	4371.0	4376.2	4346.2	5038.3	5168.7	4606.5	5504.4	5519.8	5478.9	5260.3	14.2	-4.0
Raw Material Expenses	1485.8	1196.3	1461.2	1645.0	1688.9	1589.5	1946.5	1993.5	1822.4	2068.8	2136.7	2143.4	2146.7	17.8	0.2
Gross Profit	2918.2	2792.7	2934.6	2726.0	2687.3	2756.7	3091.8	3175.2	2784.0	3435.5	3383.1	3335.5	3113.6	11.8	-6.7
Gross Profit Margins	66.3	70.0	66.8	62.4	61.4	63.4	61.4	61.4	60.4	62.4	61.3	60.9	59.2	-124.7	-168.8
Employee Expenses	712.5	756.1	761.6	745.5	763.7	771.9	820.9	844.4	814.7	887.3	877.8	872.4	892.4	9.5	2.3
% of revenues	16.2	19.0	17.3	17.1	17.5	17.8	16.3	16.3	17.7	16.1	15.9	15.9	17.0	-72.2	104.1
Other Expenditure	1244.7	1131.9	1263.4	1222.2	1290.0	936.1	1094.3	1100.0	1173.1	1202.3	1279.1	1232.1	1471.5	25.4	19.4
% of revenues	28.3	28.4	28.7	28.0	29.5	21.5	21.7	21.3	25.5	21.8	23.2	22.5	28.0	250.8	548.5
Total Expenditure	3442.9	3084.4	3486.3	3612.7	3742.7	3297.4	3861.7	3937.8	3810.2	4158.5	4293.6	4247.9	4510.6	18.4	6.2
EBITDA	961.0	904.6	909.5	758.3	633.5	1048.7	1176.6	1230.9	796.2	1345.9	1226.2	1231.0	749.7	-5.8	-39.1
EBITDA (%)	21.8	22.7	20.7	17.3	14.5	24.1	23.4	23.8	17.3	24.5	22.2	22.5	14.3	-303.3	-821.5
Interest	44.8	52.1	46.1	46.2	53.0	46.0	39.3	47.9	27.5	29.6	38.0	20.7	18.1	-34.1	-12.5
Depreciation	510.3	268.0	283.0	277.9	345.8	269.0	265.1	248.4	285.2	261.1	253.1	247.5	290.3	1.8	17.3
Other Income	95.4	78.4	100.5	72.1	93.2	65.5	53.5	86.9	60.1	64.9	60.7	91.3	64.0	6.5	-29.9
PBT	501.3	662.9	681.0	506.4	327.9	799.2	925.7	1021.5	543.7	1120.1	995.8	1054.1	505.3	-7.1	-52.1
Total Tax	127.8	192.2	200.6	152.8	85.6	227.8	263.8	269.0	128.2	283.7	283.8	295.2	71.1	-44.5	-75.9
PAT before MI	373.6	470.7	480.4	353.6	242.3	571.4	661.9	752.5	415.5	711.8	712.0	759.0	376.7	-9.3	-50.4
Minority Interest	-9.5	-31.0	9.7	-11.7	-7.5	-11.9	-6.1	3.5	-1.9	-4.8	-2.2	28.3	8.6	-561.5	-69.5
PAT	367.2	476.2	464.8	351.0	246.0	577.9	665.4	748.2	413.4	714.7	711.4	728.6	362.1	-12.4	-50.3
EPS (₹)	4.6	5.9	5.8	4.4	3.1	7.2	8.3	9.3	5.1	8.9	8.8	9.0	4.5		

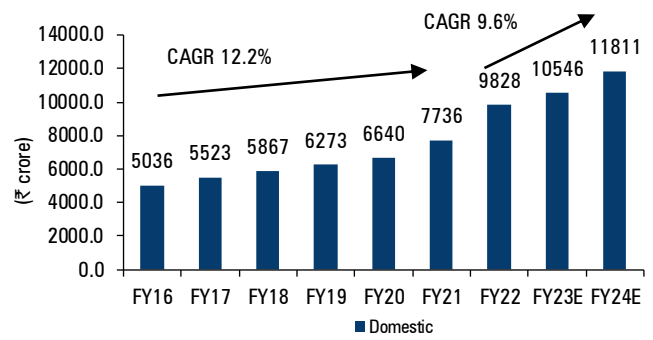
Source: ICICI Direct Research

Exhibit 7: Revenues to grow at 8.9% CAGR over FY22-24E



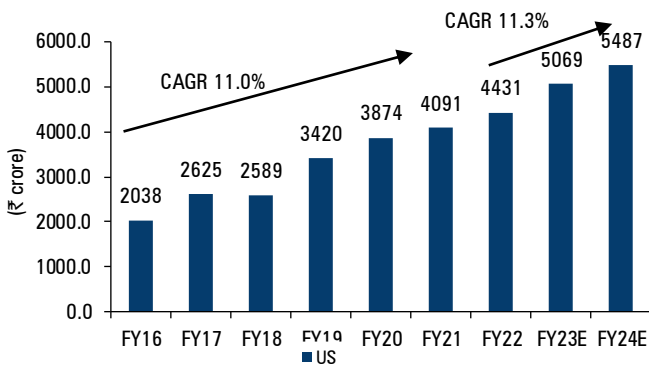
Source: ICICI Direct Research, Company

Exhibit 8: Domestic to grow at 9.6% CAGR over FY22-24E



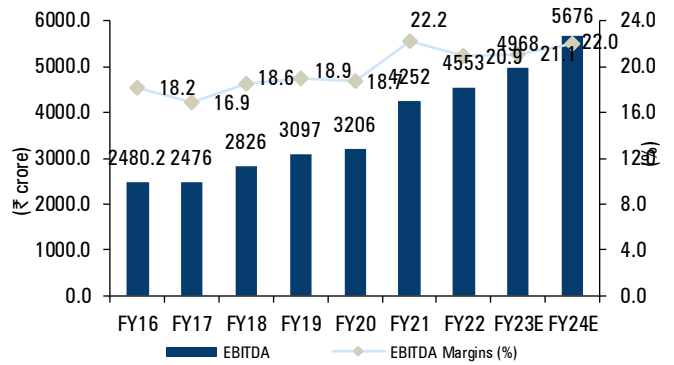
Source: ICICI Direct Research, Company

Exhibit 9: US to grow at CAGR of 3.2% over FY21-24E



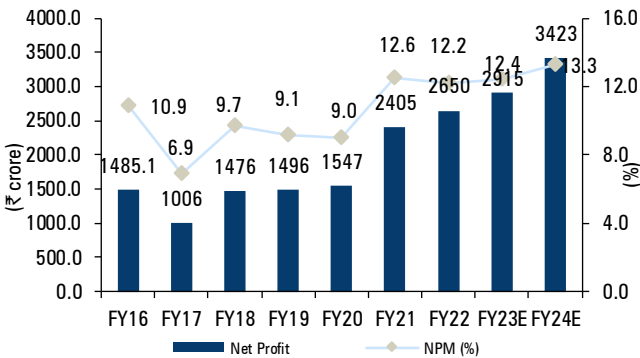
Source: ICICI Direct Research, Company

Exhibit 10: EBITDA & EBITDA margins trend



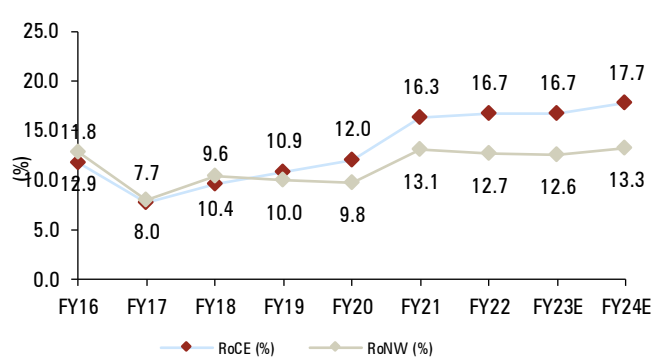
Source: ICICI Direct Research, Company

Exhibit 11: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 12: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 13: ICICI Direct Healthcare Coverage Universe

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	3676	5,480	Buy	52853	7.9	67.2	81.3	105.5	467.6	54.7	45.2	34.9	6.3	16.4	18.2	20.7	2.5	17.5	18.1	19.9
Narayana Hrudalaya	NARHRU	675	765	Buy	13789	-0.7	17.5	20.1	22.8	NA	38.6	33.5	29.6	1.2	21.2	22.4	21.5	-1.3	24.5	22.3	20.3
Shalby	SHALIM	110	170	Buy	1186	3.9	5.9	5.7	7.2	28.0	18.6	19.1	15.3	6.5	8.9	9.6	10.5	5.1	7.2	6.7	7.9
Aster DM	ASTDM	173	250	Buy	8642	3.0	10.6	17.6	NA	58.5	16.4	9.8	NA	5.4	9.2	12.9	NA	4.4	13.5	18.4	NA
Healthcare Global	HEAGLO	262	240	Hold	3279	-21.7	6.0	3.5	NA	NA	43.6	74.2	NA	-0.9	5.2	7.7	NA	NA	NA	3.4	NA
MNC Pharma																					
Abbott India	ABBIND	16580	19,840	Buy	35231	325.0	370.4	429.0	496.0	51.0	44.8	38.6	33.4	33.8	35.7	34.4	33.4	26.5	28.1	26.8	25.8
P&G Health	MERLIM	4351	4,955	Hold	7223	106.5	121.5	130.5	141.6	40.9	35.8	33.3	30.7	32.2	37.3	34.7	32.8	25.1	29.3	27.0	25.4
Sanofi India	SANOFI	6551	7,740	Hold	15087	207.4	410.1	285.7	276.4	31.6	16.0	22.9	23.7	32.3	33.3	42.3	40.8	24.5	25.9	32.6	31.3
Pfizer	PFIZER	4218	5,350	Buy	19296	108.8	135.2	133.0	148.6	38.8	31.2	31.7	28.4	27.6	27.4	23.6	22.9	20.8	21.7	18.6	18.1
Pharma																					
Ajanta Pharma	AJAPHA	1685	1,955	Buy	14393	74.0	83.4	83.3	97.8	22.8	20.2	20.2	17.2	29.0	27.0	22.9	22.9	21.8	21.8	18.4	18.3
Alembic Pharma	ALEMPHA	728	720	Hold	14310	62.8	27.8	29.7	35.9	11.6	26.2	24.5	20.3	25.1	10.6	11.2	13.8	24.1	10.4	10.3	11.3
Aurobindo Pharma	AURPHA	590	765	Hold	34570	55.0	44.3	53.4	61.2	10.7	13.3	11.0	9.6	16.9	12.5	14.3	15.2	14.7	10.7	11.5	11.7
Biocon	BIOCON	335	380	Hold	40232	6.3	5.7	6.1	11.7	53.5	58.8	55.3	28.7	7.7	7.5	5.0	6.9	9.9	8.1	3.2	5.9
Zydus Lifesciences	CADHEA	329	475	Hold	33656	21.5	21.1	22.4	25.4	15.3	15.6	14.7	12.9	12.6	13.5	13.7	14.6	16.9	14.8	14.0	14.1
Cipla	CIPLA	938	1,095	Buy	75639	29.9	32.9	36.2	42.5	31.4	28.5	25.9	22.1	16.3	16.7	16.7	17.7	13.1	12.7	12.6	13.3
Dr Reddy's Labs	DRREDD	3900	5,160	Buy	64900	117.3	156.5	190.9	236.0	33.3	24.9	20.4	16.5	13.1	15.4	18.6	22.7	11.1	13.1	14.0	15.1
Glenmark Pharma	GLEPHA	404	550	Hold	11388	32.9	44.2	44.2	49.1	12.3	9.1	9.1	8.2	13.9	15.5	15.2	15.4	13.1	13.1	11.7	11.6
Ipca Laboratories	IPCLAB	968	1,175	Buy	24567	44.9	36.6	42.4	48.2	21.6	26.5	22.9	20.1	27.1	19.8	19.1	18.5	24.2	16.6	16.1	15.6
Jubilant Pharmova	JUBLIF	410	490	Hold	6529	37.4	28.7	32.5	40.8	11.0	14.3	12.6	10.1	13.7	10.1	10.4	12.2	12.6	8.9	9.2	10.4
Lupin	LUPIN	718	960	Hold	32589	26.9	16.0	29.7	39.4	26.7	44.9	24.2	18.2	9.1	6.0	10.3	12.6	8.8	5.7	9.5	11.3
Natco Pharma	NATPHA	679	955	Hold	12384	24.2	15.1	19.6	23.1	28.1	44.9	34.7	29.4	13.1	7.3	9.7	10.7	10.7	6.4	7.8	8.5
Sun Pharma	SUNPHA	859	1,075	Buy	206163	30.0	33.5	33.8	38.6	28.6	25.6	25.4	22.3	14.2	18.3	17.8	17.8	15.5	16.4	14.4	14.3
Torrent Pharma	TORPHA	2552	3,235	Hold	43184	74.0	67.6	94.7	114.5	34.5	37.7	26.9	22.3	17.7	18.2	21.1	23.5	21.4	17.1	20.3	20.7
Indoco Remedies	INDREM	350	510	Buy	3222	10.1	16.5	23.3	28.3	34.6	21.2	15.0	12.3	11.7	17.9	21.5	26.3	12.1	16.9	19.8	20.0
Caplin Point	CAPPOI	651	1,010	Buy	4932	81.7	76.7	55.5	60.4	8.0	8.5	11.7	10.8	25.6	24.1	23.5	0.0	20.4	20.5	18.8	18.3
Advanced Enzymes	ADVENZ	280	380	Buy	3127	13.1	11.3	13.6	15.8	21.4	24.9	20.6	17.7	19.4	15.4	16.7	17.2	15.1	11.6	12.4	12.7
Hester Biosciences	HESPHA	2243	2,780	Hold	1908	44.4	47.2	52.0	71.4	50.5	47.6	43.2	31.4	16.2	12.8	14.3	17.3	16.5	15.5	15.1	17.8
API/CRAMS																					
Divi's Lab	DIVLAB	4310	5,335	Buy	114417	74.7	107.8	108.4	126.4	57.7	40.0	39.8	34.1	27.6	30.1	27.7	27.5	21.3	25.4	21.7	21.6
Hikal	HIKCHE	394	500	Buy	4859	10.8	14.6	17.1	22.6	36.5	26.9	23.0	17.4	15.1	15.7	16.0	19.1	14.3	16.7	16.8	18.8
Syngene Int.	SYNINT	552	730	Buy	22124	10.1	9.9	11.4	15.5	54.5	55.9	48.5	35.7	11.5	11.7	12.2	15.7	13.5	12.9	12.3	14.4
Granules India	GRANUL	246	360	Buy	6105	22.2	16.2	19.4	25.8	11.1	15.2	12.7	9.5	24.0	16.2	17.4	20.2	25.3	15.8	16.1	17.8
Laurus Labs	LAULAB	540	690	Buy	29012	18.3	15.4	20.6	26.5	29.5	35.1	26.2	20.3	31.7	21.3	22.6	24.7	37.9	24.7	25.5	25.3
Suven Pharmaceuticals	SUVPH	530	555	Hold	13483	14.2	17.8	17.0	18.5	37.2	29.7	31.1	28.6	31.2	37.5	28.5	26.0	30.7	29.7	23.0	20.8

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 14: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Revenues	19,159.6	21,763.3	23,507.7	25,798.7
Growth (%)	11.8	13.6	8.0	9.7
Raw Material Expenses	7,351.9	8,495.6	9,137.2	9,803.5
Gross Profit	11,807.7	13,267.7	14,370.6	15,995.2
Employee Expenses	3,251.8	3,529.9	3,761.2	4,127.8
Other Expenditure	4,303.4	5,185.1	5,641.4	6,191.7
Total Operating Expenditure	14,907.2	17,210.6	18,539.8	20,123.0
EBITDA	4,252.4	4,552.8	4,967.9	5,675.7
Growth (%)	32.6	7.1	9.1	14.2
Depreciation	1,067.7	1,052.0	1,159.1	1,219.1
Interest	160.7	106.4	47.2	20.2
Other Income	266.0	280.9	305.4	335.2
PBT	3,290.1	3,493.3	4,067.0	4,771.6
Total Tax	888.8	933.8	1,159.1	1,359.9
PAT before MI	2,401.3	2,559.5	2,907.9	3,411.7
Minority Interest	-16.4	29.9	-20.4	-23.9
Adjusted PAT	2,404.9	2,650.2	2,915.5	3,422.8
Growth (%)	55.5	10.2	10.0	17.4
EPS (Adjusted)	29.9	32.9	36.2	42.5

Source: Company, ICICI Direct Research

Exhibit 15: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit/(Loss) after taxation	2,252.6	2,535.9	2,915.5	3,422.8
Add: Depreciation	1,067.7	1,052.0	1,159.1	1,219.1
(inc)/Dec in Current Assets	168.6	-539.8	-793.1	-877.6
inc/(Dec) in Current Liabilities	203.1	362.3	289.3	301.6
Others	63.2	-84.5	47.2	20.2
CF from Operating activities	3,755.2	3,325.9	3,617.9	4,086.0
(Purchase)/Sale of Fixed Assets	-791.4	-666.0	-650.0	-650.0
Change In Investment	-1,256.0	152.6	0.0	0.0
Others	19.4	-685.4	-66.9	-72.7
CF from Investing activities	-2,028.0	-1,198.9	-716.9	-722.7
Change in Equity	0.1	0.1	0.0	0.0
Change in Loan	-1,167.9	-1,098.3	-300.0	-300.0
Dividend & Dividend tax	0.0	-403.4	-629.2	-728.9
Others	-162.1	-98.2	-47.2	-20.2
CF from Financing activities	-1,329.9	-1,599.8	-976.4	-1,049.0
Net Cash Flow	397.3	527.3	1,924.7	2,314.2
Cash and Cash equ. at beginning	1,003.9	1,401.2	1,928.5	3,853.2
Cash	1,401.2	1,928.5	3,853.2	6,167.4
Free Cash Flow	2,963.8	2,659.9	2,967.9	3,436.0

Source: Company, ICICI Direct Research

Exhibit 16: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Equity Capital	161.3	161.4	161.4	161.4
Reserve and Surplus	18,165.2	20,680.3	22,966.6	25,660.5
Total Shareholders funds	18,326.5	20,841.7	23,128.0	25,821.9
Total Debt	1,755.6	824.1	524.1	224.1
Deferred Tax Liability	296.6	244.0	256.2	269.0
Long Term Provision	116.2	100.2	105.2	110.5
MI & Other Liabilities	618.7	586.1	581.3	573.7
Source of Funds	21,113.6	22,596.2	24,594.8	26,999.2
Gross Block - Fixed Assets	12,639.8	13,789.2	14,489.2	15,239.2
Accumulated Depreciation	6,253.3	7,305.2	8,464.4	9,683.5
Net Block	6,386.5	6,484.0	6,024.8	5,555.7
Capital WIP	968.9	766.2	716.2	616.2
Fixed Assets	7,355.4	7,250.2	6,741.0	6,171.9
Investments	2,831.8	2,612.0	2,612.0	2,612.0
Goodwill on Consolidation	3,007.3	3,137.9	3,137.9	3,137.9
Long term Loans & Advances	53.0	0.0	0.0	0.0
Other Non current assets	1,009.8	1,585.1	1,664.4	1,747.6
Inventory	4,669.2	5,350.2	5,754.3	6,173.9
Debtors	3,445.7	3,424.4	3,722.9	4,085.7
Loans and Advances	2.6	3.6	3.7	3.9
Other Current Assets	1,376.0	1,809.1	1,899.6	1,994.6
Cash	1,401.2	1,928.5	3,853.2	6,167.4
Total Current Assets	10,894.7	12,515.9	15,233.7	18,425.5
Creditors	2,066.8	2,508.1	2,697.5	2,894.2
Provisions	1,078.3	1,221.0	1,282.1	1,346.2
Other current liabilities	893.2	775.9	814.7	855.4
Total Current Liabilities	4,038.3	4,505.0	4,794.2	5,095.8
Net Current Assets	6,856.3	8,010.9	10,439.4	13,329.7
Application of Funds	21,113.6	22,596.2	24,594.8	26,999.2

Source: Company, ICICI Direct Research

Exhibit 17: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
Per share data (₹)				
Adjusted EPS	29.9	32.9	36.2	42.5
BV per share	227.6	258.9	287.3	320.7
Cash per Share	17.4	24.0	47.9	76.6
Dividend per share	8.0	7.8	9.1	10.6
Operating Ratios (%)				
Gross Margins	61.6	61.0	61.1	62.0
EBITDA margins	22.2	20.9	21.1	22.0
PAT Margins	12.6	12.2	12.4	13.3
Inventory days	231.8	229.9	229.9	229.9
Debtor days	65.6	57.4	57.8	57.8
Creditor days	102.6	107.8	107.8	107.8
Asset Turnover	0.9	1.0	1.0	1.0
EBITDA convsion rate	88.3	73.1	72.8	72.0
Return Ratios (%)				
RoE	13.1	12.7	12.6	13.3
RoCE	16.3	16.7	16.7	17.7
RoIC	19.4	19.8	21.4	24.7
Valuation Ratios (x)				
P/E	30.5	29.1	25.1	21.4
EV / EBITDA	16.7	15.3	13.6	11.4
EV / Net Sales	3.7	3.2	2.9	2.5
Market Cap / Sales	3.8	3.4	3.1	2.8
Price to Book Value	4.0	3.5	3.2	2.8
Solvency Ratios				
Debt / EBITDA	0.4	0.2	0.1	0.0
Debt / Equity	0.1	0.0	0.0	0.0
Current Ratio	2.4	2.4	2.4	2.4

Source: Company, ICICI Direct Research

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