

## Diversified presence, launches driving growth...

**About the stock:** Dr Reddy's (DRL) portfolio includes pharmaceutical generics, APIs, custom pharmaceutical services, biosimilar and complex formulations.

- Revenue breakup: US (35%), India (20%), Russia and CIS (14%), Europe (8%), RoW (8%), PSAI (14%) and others (2%)
- It has 13 formulation facilities, nine API manufacturing facilities, one biologics facility and several R&D centres across the globe

**Q4FY22 Results:** Revenues better than I-direct estimates primarily driven by market share gains, strong launches, productivity improvement and divestment of brands.

- Sales were up 15% YoY to ₹ 5475 crore, adjusted for one-off at ₹ 5258 crore
- Adjusted EBITDA (ex-one-off) was at ₹ 1089 crore, up 3% YoY with margins at 20.7% [note: adjustments for divestments of brands, impairment loss and provisioning]
- Adjusted PAT for quarter was at ₹ 325.6 crore

**What should investors do?** Dr Reddy's share price has grown by ~1.5x over the past three years (from ~₹ 2810 in May 2019 to ~₹ 4110 levels in May 2022).

- We maintain **BUY** due to 1) visible ramp up across geographies, 2) value accretive launches schedule, 3) ability to mitigate price erosion in US base business and 4) commentary for no major hurdles in Russia-CIS business

**Target Price and Valuation:** We value Dr Reddy's at ₹ 4800 i.e. 21x FY24E EPS of ₹ 224.6 + NPV of ₹ 83.4 for gRevlimid.

### Key triggers for future price performance:

- US pipeline:** Total 87 ANDAs and three NDAs pending for approval; 44 are Para IV and 24 have first to file status. In near term, key launches in complex generics is likely to weather double digit price erosion in US
- Capturing any further possible gains from vacuum created in Russia-CIS market due to geopolitical issues albeit in a calibrated risk-reward matrix
- Emerging Markets & India:** New high value launches and ramp up in base business remains key to offset price erosion and loss in Covid opportunities
- Focus on cost rationalisation, especially on SG&A front and endeavour to focus on simultaneous launches across geographies

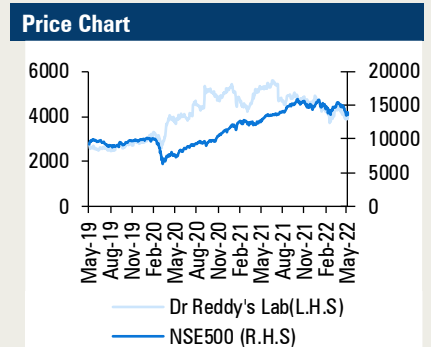
**Alternate Stock Idea:** Apart from Dr Reddy's, in healthcare we like Sun Pharma.

- 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	₹ 68401 crore
Debt (FY22)	₹ 3385 crore
Cash & equivalents (FY22)	₹ 2419 crore
EV	₹ 69366 crore
52 week H/L (₹)	5614/3655
Equity capital	₹ 83.2 crore
Face value	₹ 5

Shareholding pattern				
(in %)	Jun-21	Sep-21	Dec-21	Mar-22
Promoter	26.7	26.7	26.7	26.7
Others	73.3	73.3	73.3	73.3



- ### Recent Event & Key risks
- US launch of Posaconazole Delayed-Release Tablets
  - Key Risk:** (i) Regulatory Delays (ii) Slower ramp up in new launches

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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	17517.0	19047.5	21545.2	8.7	23760.8	26153.2	10.2
EBITDA	2466.0	3869.9	3767.7	8.8	5312.4	6050.6	26.7
EBITDA Margins (%)	14.1	20.3	17.5		22.4	23.1	
Adjusted PAT	2026.0	1951.6	2128.8	10.5	3201.8	3738.1	32.5
EPS (Adjusted)	121.7	117.3	127.9		192.4	224.6	
PE (x)	33.8	34.2	31.1		21.4	18.3	
RoE (%)	13.0	11.1	11.1		14.7	15.0	
RoCE (%)	9.6	13.1	13.0		18.3	21.3	

## Key takeaways of recent quarter & conference call highlights

### Q4FY22 Results: Ex-one-off Revenues and Margins in-line

- Q4FY22 revenues grew 15% YoY to ₹ 5475 crore driven by 55% YoY growth in Russia and CIS markets to ₹ 920 crore majorly attributable to 1) traction in volume of base business, launch of new products, 2) price benefits and 3) income from divestment of a few non-core brands. US market grew 14% YoY to ₹ 1997 crore due to new product launches, volume traction in some existing products being partially offset by price erosion. India revenues grew 15% YoY to ₹ 969 crore amid volume traction in base business, new launches and non-core brand divestments. Europe business grew 12% YoY to ₹ 444 crore primarily due to new launches being partly offset by price erosion in base business, while RoW markets were flat YoY at ₹ 290 crore. PSAI segment posted de-growth of 5% YoY to ₹ 756 crore on account of lower volumes and price erosion in some products. [Revenues for Q4FY22 includes license fee and service income of ₹ 177.4 crore for sales of two anti-bacterial brands in Russia and CIS along with ₹ 39 crore for sale of two brands in India. Adjusted revenues at ₹ 5258.5 crore]
- Gross margins declined 233 bps YoY to 65% (adjusting for one-off divestment income, gross margins at 68%) and EBITDA margins contracted 1385 bps to 8.2% (I-direct estimate of 20.4%) due to higher other expenses led by one-offs related to impairment loss and provisioning expenses. Adjusted EBITDA margins at 20.7%. Subsequently, EBITDA de-grew 57% YoY to ₹ 451 crore (I-direct estimate: ₹ 1035 crore). Adjusted EBITDA for Q4 was ₹ 1089 crore. PAT for the quarter was down 83% YoY to ₹ 97 crore
- Dr Reddy's Laboratories' Q4 revenues were better than I-direct estimates primarily driven by market share gains, strong launches, productivity improvement and divestment of brands. Profitability for the quarter was impacted by impairment loss of non-current assets (₹ 756.2 crore) and provisions related to Texas litigation (₹ 98.3 crore)
- Operationally, Russia and CIS performed well amid geopolitical challenges as Q4 saw uptick in stocking while the company remains adequately hedged for the medium term. In the US, Dr Reddy's also guiding for double digit price erosion. However, due to 17 new launches in FY22 impact was partially offset. The management is guiding for India and emerging markets to grow in double digits, going forward also, as Covid contribution in FY22 was only 4% of total revenues
- Due to external challenges, some margin pressure is likely to remain in the medium term. That said, the management remains committed to working on cost rationalisation, especially on the SGN&A front and calibrating of R&D spend more towards Global Generics front & Biosimilars and lower towards proprietary products. Key growth drivers in the near term would be key launches across geographies besides continuing growth momentum in Global Generics especially in India and Russia
- The board recommended a dividend of ₹ 30 per equity share

## Q4FY22 Earnings Conference Call highlights

- The management guided for Generics and API (Horizon 1) to drive growth in near to mid-term while looking to scale up existing small sized business and creating of new business model for long term growth (Horizon 2)
- **North America:** Growth led by new launches offset the double digit price erosion in US base business. Launched three new products: Vasopressin Injection, Nicotine Lozenges (OTC), Clobetasol Shampoo in Canada. 17 launches in FY22. Management guided for 20-25 launches in FY23. The company filed seven new ANDAs during FY22
- **Europe:** During Q4, four launches in Germany, two each in Italy and Spain and one each in UK and France. It launched 34 new products in FY22
- **India:** Launched eight new products and guided for double digit growth in FY23
- **Emerging Markets:** Launched 16 new products in Q4 and 86 new products in FY22. The management has guided for no material exposure from Ukraine while due to western companies leaving Russia, the management indicated at the possibility of additional opportunities. The company has secured adequate near term hedging for Russia. Divested brands contributed ₹ 50-60 crore in FY22 and will not have a significant impact on growth in FY23. The management guided for double digit organic growth
- **PSAI business:** Filed 10 DMFs in the US in FY22 and three in Q4FY22
- Covid contribution to Dr Reddy's topline was ~ 4% in FY22
- **Gross margins:** Impacted by high input cost, high US price erosion and less than 60 bps impact on gross margins due to Covid inventory provisioning
- Capex guidance of ₹ 1500-1700 crore in FY23 related to FT0-11 (injectable facility). The management guided for capex growth in biologics, going forward

Exhibit 1: Variance Analysis

	Q4FY22	Q4FY22E	Q4FY21	YoY (%)	Q3FY22	QoQ (%)	Comments
Revenue	5,474.9	5,062.5	4,768.2	14.8	5,338.3	2.6	YoY growth driven by market share gains, strong launches, productivity improvement and divestment of brands. Revenues for Q4FY22 includes ₹ 177.4 crore for sales of two anti-bacterial brands in Russia and CIS along with ₹ 39 crore for sale of two brands in India. Adjusted Revenues at ₹ 5258.5 crore
Raw Material Expenses	1,897.8	1,771.9	1,541.5	23.1	1,814.7	4.6	
Gross Profit	3,577.1	3,290.6	3,226.7	10.9	3,523.6	1.5	
Gross margins (%)	65.3	65.0	67.7	-233.5	66.0	-67.0	YoY decline amid double digit price erosion in US and higher input cost. Adjusting for one-off divestment income, Gross margins at 68%
Employee expenses	972.6	916.4	893.0	8.9	956.3	1.7	
Other expenses	2,153.5	1,339.7	1,280.5	68.2	1,351.6	59.3	
EBITDA	451.0	1,034.6	1,053.2	-57.2	1,215.7	-62.9	Adjusted EBITDA for Q4 was ₹ 1089 crore
EBITDA (%)	8.2	20.4	22.1	-1,385.0	22.8	-1,453.6	YoY decline amid impairment loss of non-current assets (₹ 756.2 crore) and provisions related to Texas litigation (₹ 98.3 crore). Adjusted EBITDA margins at 20.7%.
Other Income	121.9	53.1	82.6	47.6	55.8	118.5	
Interest	31.5	21.6	29.7	6.1	21.6	45.8	
Depreciation	293.0	294.2	308.8	-5.1	294.2	-0.4	
PBT	258.9	771.9	815.2	-68.2	974.2	-73.4	
Tax	161.9	209.9	257.9	-37.2	264.9	-38.9	Company recognised current tax liability of ₹ 460.2 crore with a corresponding increase in deferred tax assets pursuant to change in US income tax regulations
Net Profit	97.0	562.0	575.2	-83.1	709.3	-86.3	
Adjusted PAT	325.6	562.0	557.3	-41.6	690.8	-52.9	Adjusting for both one-off expense and income from divestment
<b>Key Metrics</b>							
US	1,997.1	1,951.2	1,749.1	14.2	1,864.5	7.1	YoY growth driven by new product launches, volume traction in some existing products being partially offset by price erosion.
Europe	444.4	387.7	395.6	12.3	405.8	9.5	YoY decline due to new launches being partly offset by price erosion in base business
India	968.9	937.4	844.5	14.7	1,026.6	-5.6	YoY growth amid volume traction in base business, new launches and non-core brand divestments
Russia & Other CIS	920.0	533.7	593.0	55.1	710.0	29.6	YoY growth was on account of traction in volume of base business, launch of new products, 3) price benefits and 4) income from divestment of a few non-core brands
RoW	290.0	364.4	291.5	-0.5	440.0	-34.1	
PSAI	755.7	791.5	791.5	-4.5	727.1	3.9	YoY decline on account of lower volumes and price erosion in some products.

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

₹ Crore)	FY23E			FY24E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	23,167.6	23,760.8	2.6	25,337.4	26,153.2	3.2	Changed mainly due to multiple new launches planned globally
EBITDA	5,325.3	5,312.4	-0.2	6,363.6	6,050.6	-4.9	
EBITDA Margin (%)	23.0	22.4	-63 bps	25.1	23.1	-198 bps	Changed to below the management target of ~25% due to high price erosion in US and inflationary environment
Adjusted PAT	3,177.2	3,201.8	0.8	3,927.5	3,738.1	-4.8	Changed in-sync with operational performance
EPS (₹)	190.9	192.4	0.8	236.0	224.6	-4.8	

Source: ICICI Direct Research

Exhibit 3: Assumptions

₹ crore)	Current				Earlier			
	FY20	FY21	FY22	FY23E	FY24E	FY23E	FY24E	
US	6,465.8	7,049.5	7,491.5	8,355.4	9,023.8	8,257.6	8,918.2	Expectation of good launches from pipeline amidst persisting price erosion
Europe	1,170.7	1,540.4	1,663.1	1,829.4	2,012.4	1,767.0	1,943.7	Changed mainly due to better than expected sales in Q4FY22
India	2,894.6	3,341.9	4,195.7	4,622.3	5,177.0	4,430.7	4,873.8	Changed mainly due to ramp up in sales in indicative of new base
Russia & Other CIS	2,340.0	2,323.0	2,910.0	3,197.1	3,580.8	2,831.3	3,171.0	Management guiding for new opportunities amidst vacuum due to geo-political issues
RoW	941.4	1,185.6	1,662.9	1,834.2	2,054.3	1,945.7	2,179.1	Changed mainly due to expected ramp up in sales due to new launches
PSAI	2,574.7	3,198.2	3,074.0	3,321.5	3,653.6	3,360.6	3,629.5	

Source: ICICI Direct Research

**Exhibit 4: Revenue Breakup**

(₹ crore)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	CAGR FY17-22 %	CAGR FY22-24E %
US	7545	6360	5982	5996	6466	7050	7492	8355	9024	3.3	9.8
Europe (₹ crore)	773	761	822	787	1171	1540	1663	1829	2012	16.9	10.0
India (₹ crore)	2129	2313	2332	2618	2895	3342	4196	4622	5177	12.6	11.1
Russia & Other CIS (₹ crore)	1419	1520	1650	2050	2340	2323	2910	3197	3581	13.9	10.9
RoW (₹ crore)	940	587	615	839	941	1186	1663	1834	2054	23.1	11.1
PSAI	2238	2128	2199	2414	2575	3198	3074	3321	3654	7.6	9.0

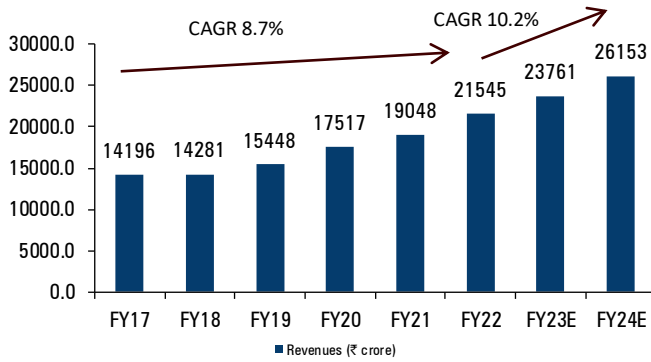
Source: ICICI Direct Research

**Exhibit 5: Financial Summary**

	Revenues	Growth	Adj. EPS	Growth	P/E	EV/EBITDA	RoNW	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY21	19047.5	8.7	117.3	-3.7	34.2	17.5	11.1	13.1
FY22	21545.2	13.1	127.9	9.1	31.1	17.8	11.1	13.0
FY23E	23760.8	10.3	192.4	50.4	21.4	12.3	14.7	18.3
FY24E	26153.2	10.1	224.6	16.7	18.3	10.4	15.0	21.3

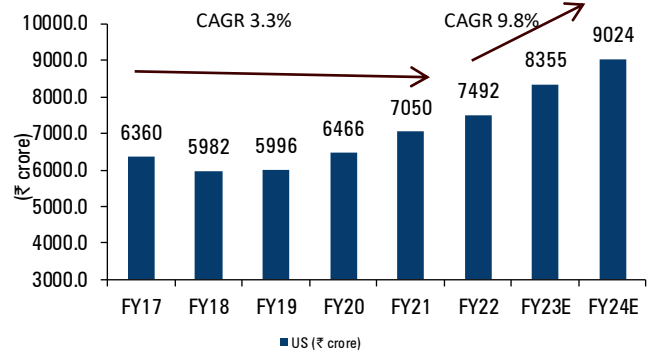
Source: ICICI Direct Research

Exhibit 6: Revenues to grow at CAGR of 10% in FY22-24E



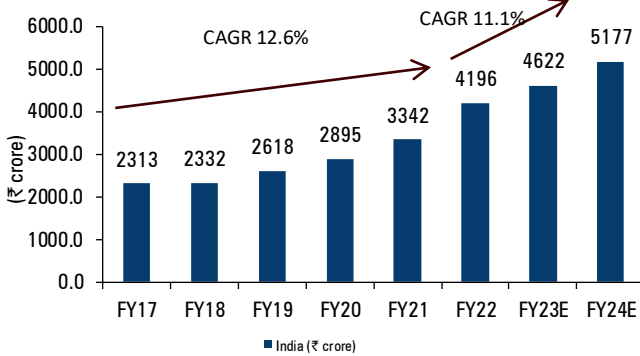
Source: ICICI Direct Research, Company

Exhibit 7: US to grow at CAGR of 9.8% over FY22-24E



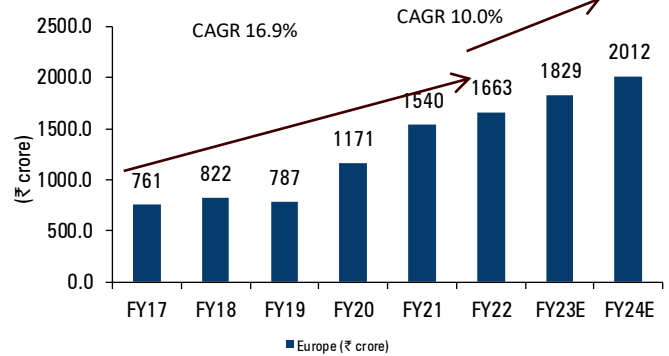
Source: ICICI Direct Research, Company

Exhibit 8: India to grow at CAGR of 11% over FY21-24E



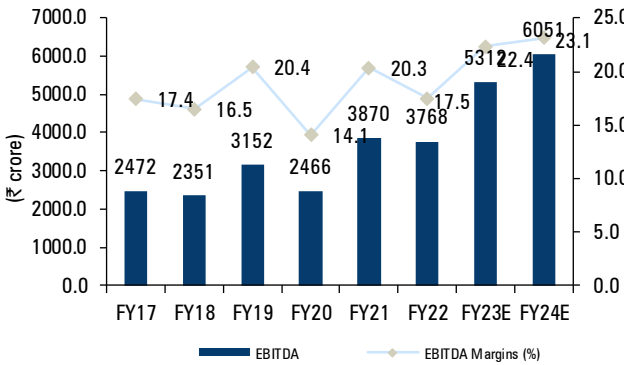
Source: ICICI Direct Research, Company

Exhibit 9: Europe to grow at 10% CAGR over FY21-24E



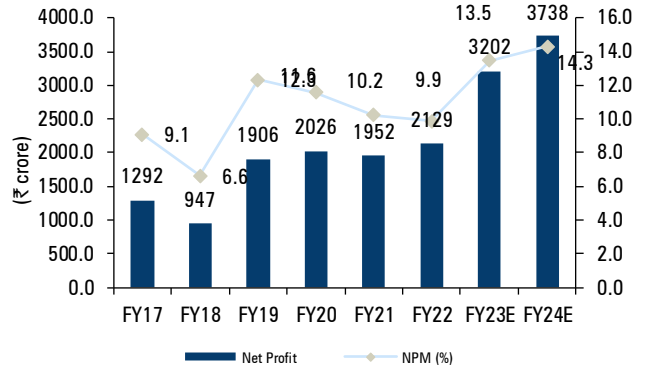
Source: ICICI Direct Research, Company

Exhibit 10: EBITDA & EBITDA margins trend



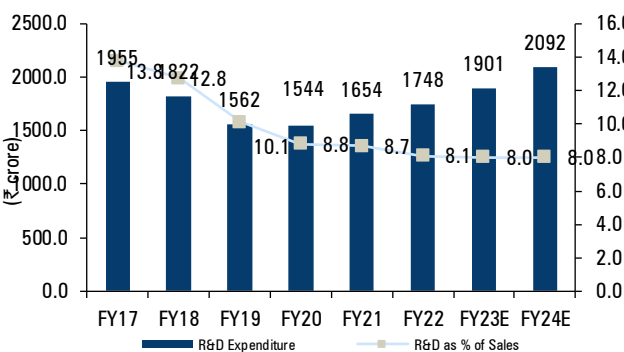
Source: ICICI Direct Research, Company

Exhibit 11: PAT & PAT margins trend



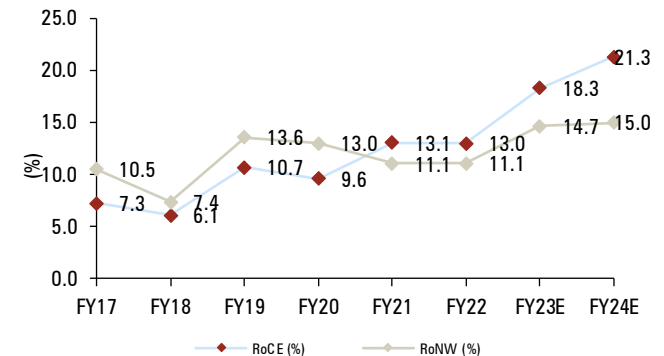
Source: ICICI Direct Research, Company

Exhibit 12: R&D and R&D as percentage of sales



Source: ICICI Direct Research, Company

Exhibit 13: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 14: Trends in Quarterly Performance

₹ Crore	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	YoY (%)	QoQ (%)
Total Operating Income	4029.6	3858.2	4812.8	4397.1	4448.9	4426.5	4910.9	4941.9	4768.2	4945.1	5786.9	5338.3	5474.9	14.8	2.6
Raw Material Expenses	1262.4	1206.9	1401.1	1415.3	1531.1	1319.6	1580.1	1637.7	1541.5	1702.1	2027.6	1814.7	1897.8	23.1	4.6
% of Revenues	31.3	31.3	29.1	32.2	34.4	29.8	32.2	33.1	32.3	34.4	35.0	34.0	34.7	233 bps	67 bps
Gross Profit	2767.2	2651.3	3411.7	2981.8	2917.8	3106.9	3330.8	3304.2	3226.7	3243.0	3759.3	3523.6	3577.1	10.9	1.5
Gross Profit Margins (%)	68.7	68.7	70.9	67.8	65.6	70.2	67.8	66.9	67.7	65.6	65.0	66.0	65.3	-233 bps	-67 bps
Employee expenses	841.5	861.5	825.5	837.7	855.5	872.4	948.8	915.7	893.0	946.5	1010.4	956.3	972.6	8.9	1.7
% of Revenues	20.9	22.3	17.2	19.1	19.2	19.7	19.3	18.5	18.7	19.1	17.5	17.9	17.8	-96 bps	-15 bps
Other expenses	1106.8	1048.1	1522.4	2432.8	1113.1	1113.2	1225.9	1849.2	1280.5	1562.0	1389.1	1351.6	2153.5	68.2	59.3
% of Revenues	27.5	27.2	31.6	55.3	25.0	25.1	25.0	37.4	26.9	31.6	24.0	25.3	39.3	1248 bps	1402 bps
Total Expenditure	3210.7	3116.5	3749.0	4685.8	3499.7	3305.2	3754.8	4402.6	3715.0	4210.6	4427.1	4122.6	5023.9	35.2	21.9
% of Revenues	79.7	80.8	77.9	106.6	78.7	74.7	76.5	89.1	77.9	85.1	76.5	77.2	91.8	1385 bps	1454 bps
EBITDA	818.9	741.7	1063.8	-288.7	949.2	1121.3	1156.1	539.3	1053.2	734.5	1359.8	1215.7	451.0	-57.2	-62.9
EBITDA Margins (%)	20.3	19.2	22.1	-6.6	21.3	25.3	23.5	10.9	22.1	14.9	23.5	22.8	8.2	-1385 bps	-1454 bps
Total Depreciation	287.2	289.0	313.1	286.9	274.1	292.3	316.5	311.2	308.8	283.9	294.1	294.2	293.0	-5.1	-0.4
EBITDA	531.7	452.7	750.7	-575.6	675.1	829.0	839.6	228.1	744.4	450.6	1065.7	921.5	158.0	-78.8	-82.9
Interest	24.5	29.8	30.3	15.2	23.0	23.3	25.2	18.8	29.7	19.3	23.4	21.6	31.5	6.1	45.8
Exceptional Items	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		
EBT	507.2	422.9	720.4	-590.8	652.1	805.7	814.4	209.3	732.6	431.3	1067.0	918.4	137.0	-81.3	-85.1
Total Tax	150.8	192.8	-320.7	32.5	-44.9	305.9	101.1	267.0	257.9	175.4	276.7	264.9	161.9	-37.2	-38.9
Tax %	29.7	45.6	-44.5	-5.5	-6.9	38.0	12.4	127.6	35.2	40.7	25.9	28.8	118.2		
Adjusted PAT	455.4	676.5	1106.8	638.9	781.1	594.6	771.8	699.2	557.3	380.4	971.1	690.8	325.6	-41.6	-52.9

Source: ICICI Direct Research

Exhibit 15: 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
<b>Hospitals</b>																					
Apollo Hospitals	APOHOS	3643	5,480	Buy	52381	7.9	67.2	81.3	105.5	463.5	54.2	44.8	34.5	6.3	16.4	18.2	20.7	2.5	17.5	18.1	19.9
Narayana Hrudalaya	NARHRU	663	765	Buy	13552	-0.7	17.5	20.1	22.8	NA	38.0	32.9	29.1	1.2	21.2	22.4	21.5	-1.3	24.5	22.3	20.3
Shalby	SHALIM	109	170	Buy	1175	3.9	5.9	5.7	7.2	27.7	18.5	18.9	15.1	6.5	8.9	9.6	10.5	5.1	7.2	6.7	7.9
Aster DM	ASTDM	173	250	Buy	8664	3.0	10.6	17.6	NA	58.6	16.4	9.8	NA	5.4	9.2	12.9	NA	4.4	13.5	18.4	NA
Healthcare Global	HEAGLO	272	240	Hold	3404	-21.7	6.0	3.5	NA	NA	45.3	77.0	NA	-0.9	5.2	7.7	NA	NA	NA	3.4	NA
<b>MNC Pharma</b>																					
Abbott India	ABBIND	18120	20,560	Buy	38503	325.0	375.9	439.8	514.0	55.7	48.2	41.2	35.3	33.8	36.6	37.9	36.3	26.5	28.3	29.5	28.1
P&G Health	MERLIM	4368	4,955	Hold	7250	106.5	121.5	130.5	141.6	41.0	35.9	33.5	30.9	32.2	37.3	34.7	32.8	25.1	29.3	27.0	25.4
Sanofi India	SANOFI	6629	7,740	Hold	15268	207.4	410.1	285.7	276.4	32.0	16.2	23.2	24.0	32.3	33.3	42.3	40.8	24.5	25.9	32.6	31.3
Pfizer	PFIZER	4316	5,350	Buy	19745	108.8	135.2	133.0	148.6	39.7	31.9	32.4	29.0	27.6	27.4	23.6	22.9	20.8	21.7	18.6	18.1
<b>Pharma</b>																					
Ajanta Pharma	AJAPHA	1717	1,955	Buy	14662	74.0	83.4	83.3	97.8	23.2	20.6	20.6	17.6	29.0	27.0	22.9	22.9	21.8	21.8	18.4	18.3
Alembic Pharma	ALEMPHA	748	720	Hold	14703	62.8	27.8	29.7	35.9	11.9	26.9	25.2	20.8	25.1	10.6	11.2	13.8	24.1	10.4	10.3	11.3
Aurobindo Pharma	AURPHA	537	765	Hold	31462	55.0	44.3	53.4	61.2	9.8	12.1	10.0	8.8	16.9	12.5	14.3	15.2	14.7	10.7	11.5	11.7
Biocon	BIOCON	335	380	Hold	40250	6.3	5.7	6.1	11.7	53.5	58.9	55.3	28.7	7.7	7.5	5.0	6.9	9.9	8.1	3.2	5.9
Zydus Lifesciences	CADHEA	348	475	Hold	35626	21.5	21.1	22.4	25.4	16.2	16.5	15.5	13.7	12.6	13.5	13.7	14.6	16.9	14.8	14.0	14.1
Cipla	CIPLA	967	1,095	Buy	78043	29.9	32.9	36.2	42.5	32.4	29.4	26.7	22.8	16.3	16.7	16.7	17.7	13.1	12.7	12.6	13.3
Dr Reddy's Labs	DRREDD	4112	4,800	Buy	68437	117.3	127.9	192.4	224.6	35.1	32.1	21.4	18.3	13.1	13.0	18.3	21.3	11.1	11.1	14.7	15.0
Glenmark Pharma	GLEPHA	401	550	Hold	11321	32.9	44.2	44.2	49.1	12.2	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	974	1,175	Buy	24713	44.9	36.6	42.4	48.2	21.7	26.6	23.0	20.2	27.1	19.8	19.1	18.5	24.2	16.6	16.1	15.6
Jubilant Pharmova	JUBLIF	405	490	Hold	6454	37.4	28.7	32.5	40.8	10.8	14.1	12.5	9.9	13.7	10.1	10.4	12.2	12.6	8.9	9.2	10.4
Lupin	LUPIN	638	610	Hold	28980	26.9	11.9	18.7	30.5	23.7	53.7	34.0	20.9	9.6	3.4	7.6	11.2	8.8	4.4	6.6	9.8
Natco Pharma	NATPHA	708	955	Hold	12905	24.2	15.1	19.6	23.1	29.3	46.8	36.2	30.7	13.1	7.3	9.7	10.7	10.7	6.4	7.8	8.5
Sun Pharma	SUNPHA	909	1,075	Buy	217980	30.0	33.5	33.8	38.6	30.2	27.1	26.9	23.5	14.2	18.3	17.8	17.8	15.5	16.4	14.4	14.3
Torrent Pharma	TORPHA	2601	3,235	Hold	44017	74.0	67.6	94.7	114.5	35.2	38.5	27.5	22.7	17.7	18.2	21.1	23.5	21.4	17.1	20.3	20.7
Indoco Remedies	INDREM	365	510	Buy	3362	10.1	16.8	21.8	28.4	36.1	21.7	16.7	12.8	11.7	17.5	18.8	24.9	12.1	17.1	18.7	20.2
Caplin Point	CAPPOI	799	895	Buy	6055	81.7	85.3	68.3	70.8	9.8	9.4	11.7	11.3	25.3	23.7	22.5	0.0	20.4	20.2	18.5	17.5
Advanced Enzymes	ADVENZ	289	380	Buy	3227	13.1	11.3	13.6	15.8	22.1	25.7	21.2	18.3	19.4	15.4	16.7	17.2	15.1	11.6	12.4	12.7
Hester Biosciences	HESPHA	2391	2,780	Hold	2034	44.4	47.2	52.0	71.4	53.9	50.7	46.0	33.5	16.2	12.8	14.3	17.3	16.5	15.5	15.1	17.8
<b>API/CRAMS</b>																					
Divi's Lab	DIVLAB	4266	5,335	Buy	113258	74.7	107.8	108.4	126.4	57.1	39.6	39.4	33.7	27.6	30.1	27.7	27.5	21.3	25.4	21.7	21.6
Hikal	HIKCHE	391	500	Buy	4816	10.8	14.6	17.1	22.6	36.2	26.7	22.8	17.2	15.1	15.7	16.0	19.1	14.3	16.7	16.8	18.8
Syngene Int.	SYNINT	557	730	Buy	22314	10.1	9.9	11.4	15.5	55.0	56.4	49.0	36.0	11.5	11.7	12.2	15.7	13.5	12.9	12.3	14.4
Granules India	GRANUL	260	345	Buy	6437	22.2	16.6	19.6	24.6	11.7	15.6	13.2	10.5	24.0	15.6	16.8	18.6	25.3	16.0	16.0	16.9
Laurus Labs	LAULAB	567	690	Buy	30468	18.3	15.4	20.6	26.5	31.0	36.8	27.5	21.4	31.7	21.3	22.6	24.7	37.9	24.7	25.5	25.3
Suven Pharmaceuticals	SUVPH	525	555	Hold	13367	14.2	17.8	17.0	18.5	36.9	29.5	30.8	28.3	31.2	37.5	28.5	26.0	30.7	29.7	23.0	20.8

Source: ICICI Direct Research



## Financial Summary

Exhibit 16: Profit and loss statement		₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E	
<b>Revenues</b>	<b>19,047.5</b>	<b>21,545.2</b>	<b>23,760.8</b>	<b>26,153.2</b>	
Growth (%)	8.7	13.1	10.3	10.1	
Raw Material Expenses	6,078.9	7,442.2	7,993.7	8,399.1	
Employee expenses	3,629.9	3,885.8	4,276.9	4,707.6	
Other expenses	5,468.8	6,449.5	6,177.8	6,996.0	
Total Operating Expenditure	15,177.6	17,777.5	18,448.4	20,102.6	
<b>EBITDA</b>	<b>3,869.9</b>	<b>3,767.7</b>	<b>5,312.4</b>	<b>6,050.6</b>	
Growth (%)	56.9	-2.6	41.0	13.9	
Interest	97.0	95.8	86.5	71.5	
Depreciation	1,228.8	1,165.2	1,344.8	1,416.3	
PBT before Exceptional Items	2,835.5	2,991.1	4,356.2	5,085.8	
Share of profit/ (loss) of equity accc	-48.0	-70.3	0.0	0.0	
<b>PBT</b>	<b>2,883.5</b>	<b>3,061.4</b>	<b>4,356.2</b>	<b>5,085.8</b>	
Total Tax	931.9	878.9	1,154.4	1,347.7	
PAT	1,999.6	2,199.1	3,201.8	3,738.1	
<b>Adjusted PAT</b>	<b>1,951.6</b>	<b>2,128.8</b>	<b>3,201.8</b>	<b>3,738.1</b>	
Growth (%)	-3.7	9.1	50.4	16.7	
EPS	120.1	132.1	192.4	224.6	
<b>EPS (Adjusted)</b>	<b>117.3</b>	<b>127.9</b>	<b>192.4</b>	<b>224.6</b>	

Source: Company, ICICI Direct Research

Exhibit 17: Cash flow statement		₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E	
Profit/(Loss) after taxation	2,311.9	2,317.7	3,201.8	3,738.1	
Add: Depreciation & Amortization	1,228.8	1,165.2	1,344.8	1,416.3	
Net Increase in Current Assets	-780.0	-2,234.0	-1,126.9	-1,084.3	
Net Increase in Current Liabilities	-48.8	851.7	355.5	318.5	
<b>CF from operating activities</b>	<b>3,570.3</b>	<b>2,810.8</b>	<b>3,861.8</b>	<b>4,460.2</b>	
(Inc)/dec in Fixed Assets	-2,799.0	-1,605.9	-1,500.0	-1,000.0	
(Inc)/dec in Investments	411.0	-1,120.1	0.0	0.0	
Others	125.1	966.8	-70.3	-73.1	
<b>CF from investing activities</b>	<b>-2,262.9</b>	<b>-1,759.2</b>	<b>-1,570.3</b>	<b>-1,073.1</b>	
Inc / (Dec) in Equity Capital	-92.4	3.3	0.0	0.0	
Inc / (Dec) in Loan	684.8	430.5	-500.0	-500.0	
Dividend & Dividend Tax	-414.7	-414.6	-582.5	-665.7	
Others	-207.5	-134.5	-86.5	-71.5	
<b>CF from financing activities</b>	<b>-29.8</b>	<b>-115.3</b>	<b>-1,169.0</b>	<b>-1,237.2</b>	
Net Cash flow	1,277.6	936.3	1,122.5	2,149.8	
Opening Cash	205.3	1,482.9	2,419.2	3,541.7	
<b>Closing Cash</b>	<b>1,482.9</b>	<b>2,419.2</b>	<b>3,541.7</b>	<b>5,691.6</b>	
<b>Free Cash Flow</b>	<b>771.3</b>	<b>1,204.9</b>	<b>2,361.8</b>	<b>3,460.2</b>	

Source: Company, ICICI Direct Research

Exhibit 18: Balance Sheet		₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E	
Equity Capital	83.2	83.2	83.2	83.2	
Net Network	17,558.5	19,129.2	21,748.5	24,820.9	
Total Shareholders fund	17,641.7	19,212.4	21,831.7	24,904.1	
Total Debt	3,030.8	3,384.5	2,884.5	2,384.5	
Deferred Tax Liability	28.9	1.4	1.5	1.5	
Other Non Current Liabilities	161.7	166.9	173.6	180.5	
Long term Provisions	50.8	25.8	26.8	27.9	
<b>Source of Funds</b>	<b>20,913.9</b>	<b>22,791.0</b>	<b>24,918.1</b>	<b>27,498.6</b>	
Gross Block - Fixed Assets	17,995.8	19,089.4	20,689.4	21,789.4	
Accumulated Depreciation	10,350.0	11,515.2	12,860.0	14,276.3	
Net Block	7,645.8	7,574.2	7,829.4	7,513.1	
Capital WIP	1,565.1	1,293.4	1,193.4	1,093.4	
Net Fixed Assets	9,210.9	8,867.6	9,022.8	8,606.5	
Goodwill	559.9	547.3	547.3	547.3	
Investments	2,807.7	2,615.9	2,615.9	2,615.9	
Inventory	4,541.2	5,088.4	5,465.5	5,742.6	
Cash	1,482.9	2,419.2	3,541.7	5,691.6	
Debtors	4,964.1	6,676.4	7,363.0	8,104.3	
Loans & Advances & Other CA	1,587.7	1,581.0	1,644.2	1,710.0	
Total Current Assets	12,575.9	15,765.0	18,014.4	21,248.5	
Creditors	1,810.9	2,266.2	2,434.1	2,557.6	
Provisions & Other CL	3,892.0	4,689.7	4,877.3	5,072.4	
Total Current Liabilities	5,702.9	6,955.9	7,311.4	7,629.9	
Net Current Assets	6,873.0	8,809.1	10,703.0	13,618.6	
LT L& A, Other Assets	393.8	674.1	701.1	729.1	
Deferred Tax Assets	1,068.6	1,277.0	1,328.1	1,381.2	
<b>Application of Funds</b>	<b>20,913.9</b>	<b>22,791.0</b>	<b>24,918.1</b>	<b>27,498.6</b>	

Source: Company, ICICI Direct Research

Exhibit 19: Key ratios					
(Year-end March)	FY21	FY22	FY23E	FY24E	
<b>Per share data (₹)</b>					
EPS	117.3	127.9	192.4	224.6	
BV per share	1,060.0	1,154.4	1,311.8	1,496.4	
<b>Operating Ratios (%)</b>					
Gross Profit Margins	68.1	65.5	66.4	67.9	
EBITDA margins	20.3	17.5	22.4	23.1	
Net Profit margins	10.2	9.9	13.5	14.3	
Inventory days	272.7	249.6	249.6	249.6	
Debtor days	95.1	113.1	113.1	113.1	
Creditor days	108.7	111.1	111.1	111.1	
Asset Turnover	1.1	1.1	1.1	1.2	
EBITDA conversion Rate	92.3	74.6	72.7	73.7	
<b>Return Ratios (%)</b>					
RoE	11.1	11.1	14.7	15.0	
RoCE	13.1	13.0	18.3	21.3	
RoIC	19.5	18.4	26.2	29.7	
<b>Valuation Ratios (x)</b>					
P/E	34.2	31.1	21.4	18.3	
EV / EBITDA	17.5	17.8	12.3	10.4	
EV / Revenues	3.6	3.1	2.8	2.4	
Market Cap / Revenues	3.6	3.2	2.9	2.6	
Price to Book Value	3.9	3.6	3.1	2.7	
<b>Solvency Ratios</b>					
Debt / Equity	0.2	0.2	0.1	0.1	
Debt / EBITDA	0.8	0.9	0.5	0.4	
Current Ratio	1.9	1.9	2.0	2.0	

Source: Company, ICICI Direct Research

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