



Downbeat margins; triggers for US awaited...

About the stock: Lupin is a multinational pharma company engaged in manufacturing & marketing branded & generic formulations, APIs, biotech products as well as OTC medicines across multiple dosage forms & therapeutic categories.

- It is the third largest generic player (by prescriptions) in the US with 166 generic products (market leader: 44 products; Top 3: 113 products) along with being sixth largest company in Indian pharmaceutical market
- The company was recently going through a rough patch especially on the US generics front due to plant compliance issues besides margins pressure

Q4FY22 Results: Lupin's revenues from US remained subdued while profitability was hampered due to high other expenses and impairment charges (₹ 127 crore)

- Sales were up 2.6% YoY to ₹ 3883 crore
- EBITDA was at ₹ 226.5 crore, down 68% YoY with margins at 5.8% mainly due to multiple factors namely - 1) higher input cost, 2) double digit price erosion in US, 3) losartan recalls, 4) Solosec litigation payment, 4) lower operating leverage and 5) higher freight cost
- Adjusted loss of ₹ 525 crore vs. profit of ₹ 460 crore in Q4FY21

What should investors do? Lupin's share price de-grew 0.8x over past three years

- We retain **HOLD** rating on the stock amid 1) high price erosion in US ~16%, 2) high inflation in input and freight cost, 3) pending regulatory clearances and 4) time lag in high value complex launches in the US

Target Price and Valuation: Valued Lupin at ₹ 610 i.e. 20x FY24E EPS of ₹ 30.5

Key triggers for future price performance:

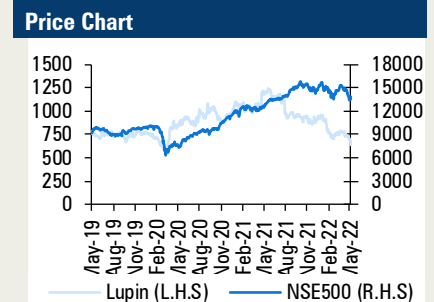
- Resolving regulatory challenges and speeding up approvals and planned key high value launches from pipeline
- Lupin plans to strengthen the biosimilars portfolio especially in EU and US apart from continued respiratory traction (gAlbuterol and Brovana) in US. Change in mix towards complex products to improve margin profile
- R&D investment earmarked now to evolve generic portfolio focused towards complex generics and biosimilar
- Launch of new divisions: CNS, diabetes and anti-infective in domestic formulations along with progress on inorganic opportunities for growth

Alternate Stock Idea: Apart from Lupin, in our 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 ₹ 1095

Particulars	
Particular	Amount
Market Capitalisation	₹ 28859 crore
Debt (FY22)	₹ 3936 crore
Cash (FY22)	₹ 1098 crore
EV	₹ 31697 crore
52 week H/L (₹)	1268/673
Equity capital	₹ 90.9 crore
Face value (₹)	₹ 2

Shareholding pattern				
(in %)	Jun-21	Sep-21	Dec-21	Mar-22
Promoter	46.8	46.8	46.8	46.8
Others	53.2	53.2	53.2	53.2



Recent Event & Key risks

- USFDA observations for New Jersey and Tarapur facility
- Key Risk:** (i) Delay in resolution of warning letters, OALs (ii) normalisation in US price erosion

Research Analyst

Siddhant Khandekar
siddhant.khandekar@icicisecurities.com

Raunak Thakur
raunak.thakur@icicisecurities.com

Kush Mehta
kush.mehta@icicisecurities.com

Key Financial Summary

Key Financials (₹ Crore)	FY20	FY21	FY22	5 year CAGR (FY17-22)	FY23E	FY24E	2 year CAGR (FY22-24E)
Revenues	16393.1	15163.3	16405.4	-1.3	16673.0	18134.3	5.1
EBITDA	2549.7	2658.2	2097.2	-14.1	2204.3	2939.4	18.4
EBITDA margins(%)	15.6	17.5	12.8		13.2	16.2	
Net Profit	-575.0	1216.9	538.0	-190.2	849.0	1380.5	60.2
EPS (₹)	-12.7	26.9	11.9		18.7	30.5	
PE (x)	-95.7	23.6	NA		33.9	20.8	
EV to EBITDA (x)	11.9	11.1	14.7		13.5	9.6	
RoNW (%)	-4.6	8.8	4.4		6.6	9.8	
RoCE (%)	9.7	9.6	3.4		7.6	11.2	

Source: Company, ICICI Direct Research

Key takeaways of recent quarter & conference call highlights

Q4FY22 Results: Revenue steady, Margins weak

- Revenues grew 3% YoY to ₹ 3883 crore; wherein domestic formulations grew 5% YoY to ₹ 1351 crore. The domestic formulations growth was lower amid seasonally weaker quarter and lower offtake in tender business (Prescription business grew 13.9% YoY). US revenues de-grew 5% YoY to ₹ 1416 crore due to 1) recall for Losartan, 2) loss of exclusivity for Brovanna and new competition, 3) high double digit price erosion and 4) lower offtake for acute therapies. South Africa business remained flat YoY to ₹ 210 crore while RoW markets expanded by 35% YoY to ₹ 470 crore. API de-grew 14% YoY to ₹ 220 crore mainly due to lower demand for acute therapies globally
- EBITDA margins were down 1287 bps YoY at ~5.8%. EBITDA de-grew 68% YoY to ₹ 226 crore. Decline in EBITDA was on back of multiple factors namely - 1) higher input cost, 2) double digit price erosion in US, 3) losartan recalls, 4) Solosec litigation payment, 4) lower operating leverage and 5) higher freight cost. Lupin posted adjusted loss of ₹ 525 crore vs. adjusted profit of ₹ 460 crore in Q4FY21. Delta vis-à-vis EBITDA was mainly due to higher interest, depreciation and tax expense along with lower other income in this quarter. Depreciation included Impairment expense ₹ 126.7 crore on account of impairment of Gavis IPs
- Lupin's performance was skewed on revenues front amid US and India posting lower than expected sales while RoW and South Africa saw better than anticipated traction this quarter. Margins and profitability were a significant miss due to very high ex-R&D other expenditure (up 26% YoY) and impairment charges of ₹ 129 crore in respect of acquired IPs consequent to adverse market conditions. The current quarter was challenging with headwinds in US on account of price erosion, and inflation in input materials and freight cost. Lupin is focused on optimising operating expenses and spend and ensuring the evolution of complex generic platforms along with global portfolio maximization while doubling down on markets like India
- The board of directors recommended a dividend of ₹ 4 per equity share.

Q4FY22 Earnings Conference Call highlights

- Impairment expense of Q4FY22 includes ₹ 126.7 crore on account of impairment of Gavis IPs
- **North America:** Price erosion increased from 7% in January to 16% levels. Albuterol has achieved a market share of 22.6% while Brovana has lost exclusivity and new competition has settled in. Inhalation portfolio is at 25% of US sales. Launched two products in Q4 in US (gTaytulla and gRenagel) The management indicated at Suprep launch in Q2FY23 and likes of Spiriva later in FY23, bPegflgrastim most likely to follow in FY24. Lupin is prioritising pipeline comprising of complex injectable, biosimilar and niche OSD
- **India:** Q4 is a seasonally weaker quarter, which was further compounded by lower offtake in tender business. Prescription business grew 13.9% YoY. Respiratory & Gynae registered double-digit growth in Q4FY22. New divisions launched: MindNext (CNS), Lupin Inspire (Diabetes), Maxter Neo (Anti-infective). The management guided for double digit organic growth in domestic formulations

Exhibit 1: Variance Analysis

(₹ crore)	Q4FY22	Q4FY22E	Q4FY21	YoY (%)	Q3FY22	QoQ (%)	Comments
Revenue	3,883.0	4,039.8	3,783.1	2.6	4,160.9	-6.7	YoY revenues mainly driven by strong growth in RoW markets while persisting headwinds in US
Raw Material Expenses	1,632.2	1,626.0	1,317.6	23.9	1,694.6	-3.7	
as % of sales	42.0	40.3	34.8	721 bps	40.7	131 bps	Gross margins at 58% against 65.2% in Q4FY21, decline due to high double digit price erosion in US and higher input cost
Employee Expenses	703.1	722.2	640.2	9.8	743.8	-5.5	
Other Expenditure	1,321.2	1,152.2	1,117.8	18.2	1,351.8	-2.3	
EBITDA	226.5	539.4	707.6	-68.0	370.7	-38.9	
EBITDA (%)	5.8	13.4	18.7	-1287 bps	8.9	-308 bps	YoY decline due to 1) losartan and other recalls, 2) Solosec litigation payment, 3) lower operating leverage and 4) higher freight cost
Interest	41.5	33.4	31.8	30.2	33.4	24.2	
Depreciation	327.2	203.4	215.7	51.7	203.4	60.8	Q4FY22 includes ₹ 126.7 crore on account of impairment of Gavis IPs.
Other Income	15.7	33.3	48.6	-67.8	34.1	-54.0	
Less: Exceptional Items	-1.2	0.0	0.0	NA	0.0	NA	
PBT	-85.2	335.9	518.2	-116.4	167.0	-151.0	
Tax	426.7	89.0	54.0	690.1	-382.0	-211.7	
PAT before MI	-511.9	246.9	464.2	-210.3	549.0	-193.2	
Minority Interest	6.3	2.3	4.0	55.9	3.6	75.6	
Net Profit	-518.0	244.7	460.4	-212.5	545.5	-195.0	
Adjusted PAT	-525.0	244.7	460.4	-214.0	545.5	-196.2	Delta vis-à-vis EBITDA was mainly due to higher interest, depreciation and tax expense along with lower other income in this quarter
Key Metrics							
India	1,351.1	1,408.8	1,286.6	5.0	1,473.3	-8.3	YoY growth amid seasonally weaker quarter and lower offtake in tender business (Prescription business grew 13.9% YoY)
US	1,416.2	1,552.9	1,495.2	-5.3	1,577.5	-10.2	YoY decline amid 1) recall for Losartan, 2) loss of exclusivity for Brovanna and new competition, 3) high double digit price erosion and 4) lower offtake for acute therapies
South Africa	210.4	191.6	210.2	0.1	154.7	36.0	
ROW markets	469.7	388.6	347.0	35.4	438.1	7.2	
API	220.3	268.4	255.6	-13.8	256.4	-14.1	YoY decline mainly due to lower demand for acute therapies globally

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY23E			FY24E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	17,482.1	16,673.0	-4.6	19,504.0	18,134.3	-7.0	Decreased mainly because ~ 16% price erosion in US and lack of meaningful and timely launches
EBITDA	2,717.6	2,204.3	-18.9	3,324.4	2,939.4	-11.6	
EBITDA Margin (%)	15.5	13.2	-232 bps	17.0	16.2	-84 bps	Changed mainly due sustained pricing pressure in US and inflationary environment
PAT	1,367.7	849.0	-37.9	1,812.2	1,380.5	-23.8	
EPS (₹)	30.2	18.7	-37.9	40.0	30.5	-23.8	

Source: ICICI Direct Research

Exhibit 3: Assumptions

(₹ crore)	Current				Earlier		Comments
	FY21	FY22	FY23E	FY24E	FY23E	FY24E	
India	5,271.2	6,004.1	6,415.6	7,185.4	6,518.3	7,300.5	India business likely to continue on its growth trajectory organically (double digit) as well as by inorganic route
US	5,552.0	5,755.8	5,652.5	5,935.1	6,221.9	6,983.1	Changed due to higher price erosion, complex launches likely to pan out with some delay
EMEA (Ex South Africa)	681.4	670.6	738.9	812.8	732.0	805.2	
South Africa	596.6	688.5	713.4	749.1	730.8	767.4	
ROW markets	1,443.5	1,710.0	1,907.4	2,136.3	1,828.3	2,047.7	
API	1,382.3	990.4	1,029.1	1,080.5	1,170.4	1,287.5	Changed mainly due to lower than expected sales in Q4FY22

Source: ICICI Direct Research

Exhibit 4: Financial Summary

	Revenues	Growth	EPS	Growth	P/E	EV/EBITDA	RoNW	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY21	15163	-7.5	26.9	NA	23.6	11.1	8.8	9.6
FY22	16405	8.2	11.9	NA	NA	14.7	4.4	3.4
FY23E	16673	1.6	18.7	57.8	33.9	13.5	6.6	7.6
FY24E	18134	8.8	30.5	62.6	20.8	9.6	9.8	11.2

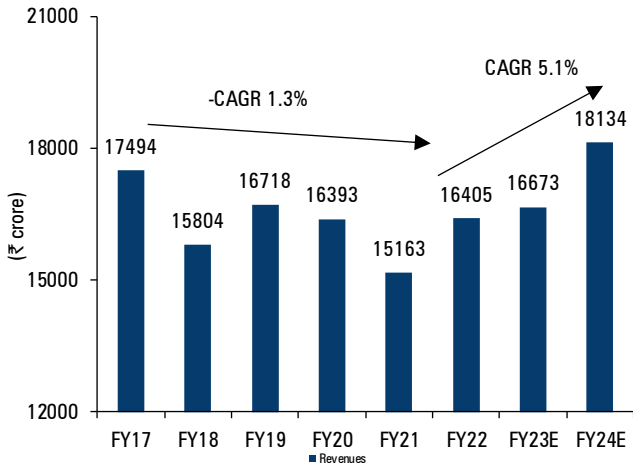
Source: ICICI Direct Research

Exhibit 5: Trends in Quarterly Performance

(₹ crore)	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	YoY (%)	QoQ (%)
US	1740.6	1541.2	1324.4	1376.6	1579.1	1216	1398.4	1442.4	1495.2	1333	1429.1	1577.5	1416.2	-5.3	-10.2
EMEA (Ex South Afric	168.7	140.4	172.2	151.5	187.7	150.5	192.1	174.1	164.7	118.7	167.7	187.5	196.8	19.4	4.9
Japan	549.1	558.1	510.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
India	1052.5	1307.7	1341.9	1296.9	1192.1	1285.4	1332.3	1366.9	1286.6	1636.2	1543.5	1473.3	1351.1	5.0	-8.3
South Africa	171.0	120.0	147.4	139.8	177.3	99.5	133.8	153.1	210.2	142.6	180.7	154.7	210.4	0.1	36.0
RoW	352.8	339.5	351.2	434.0	326.2	308.2	351.3	437.0	347.0	387.6	414.6	438.1	469.7	35.4	7.2
API	291.2	348.9	305.2	317.3	328.6	409.0	373.9	343.8	255.6	245.9	267.8	256.4	220.3	-13.8	-14.1
Net Sales	4325.9	4355.8	4296.9	3716.1	3791.0	3468.6	3781.8	3917.3	3759.3	4237.4	4003.4	4087.5	3864.5	2.8	-5.5
OOI	80.4	62.6	62.8	53.2	54.7	59.2	53.2	100.1	23.8	32.8	87.9	73.4	18.5	-22.2	-74.8
Revenues	4406.3	4418.4	4359.7	3769.3	3845.7	3527.9	3835.0	4017.4	3783.1	4270.2	4091.3	4160.9	3883.0	2.6	-6.7
RM Cost	1407.8	1550.0	1527.3	1359.3	1405.0	1288.0	1381.7	1375.0	1317.6	1528.0	1626.5	1694.6	1632.2	23.9	-3.7
% of Revenue	32.0	35.1	35.0	36.1	36.5	36.5	36.0	34.2	34.8	35.8	39.8	40.7	42.0		
Gross Profit	2998.5	2868.4	2832.4	2410.0	2440.8	2239.9	2453.3	2642.4	2465.5	2742.2	2464.9	2466.3	2250.8	-8.7	-8.7
GPM (%)	68.0	64.9	65.0	63.9	63.5	63.5	64.0	65.8	65.2	64.2	60.2	59.3	58.0	-7.21	-1.31
Employee Cost	799.6	807.2	850.3	740.7	763.6	793.6	685.3	706.8	640.2	783.7	758.6	743.8	703.1	9.8	-5.5
% of Revenue	18.1	18.3	19.5	19.7	19.9	22.5	17.9	17.6	16.9	18.4	18.5	17.9	18.1	118.6	23.1
Other expenditure	1325.1	1199.9	1250.1	1239.2	1150.9	958.2	1186.8	1156.9	1117.8	1030.9	1142.5	1351.8	1321.2	18.2	-2.3
% of Revenue	30.1	27.2	28.7	32.9	29.9	27.2	30.9	28.8	29.5	24.1	27.9	32.5	34.0		
Total Expenditure	3532.6	3557.2	3627.7	3339.2	3319.4	3039.8	3253.8	3238.6	3075.6	3342.6	3527.6	3790.2	3656.6	18.9	-3.5
% of Revenue	80.2	80.5	83.2	88.6	86.3	86.2	84.8	80.6	81.3	78.3	86.2	91.1	94.2	1287.1	307.8
EBITDA	873.8	861.2	732.0	430.1	526.3	488.1	581.2	778.7	707.6	927.6	563.7	370.7	226.5	-68.0	-38.9
EBITDA Margin (%)	19.8	19.5	16.8	11.4	13.7	13.8	15.2	19.4	18.7	21.7	13.8	8.9	5.8	-1287.1	-307.8
Other income	86.5	72.2	133.3	93.6	208.6	43.3	25.0	21.2	48.6	65.0	72.8	34.1	15.7	-67.8	-54.0
Interest	85.5	85.6	86.5	88.6	107.4	44.3	33.6	30.9	31.8	33.5	34.4	33.4	41.5	30.2	24.2
Depreciation	280.8	317.1	321.5	253.2	214.3	214.6	212.7	244.3	215.7	208.8	919.3	203.4	327.2	51.7	60.8
PBT	596.2	530.7	-89.1	-106.8	496.4	272.5	359.8	524.7	508.6	750.3	-2196.8	168.0	-125.4	-124.6	-174.6
Tax	299.8	228.0	34.3	767.0	105.1	164.3	146.7	83.5	54.0	202.3	-109.9	-382.0	426.7	690.1	-211.7
Tax rate (%)	50.3	43.0	-38.5	-718.3	21.2	60.3	40.8	15.9	10.6	27.0	5.0	-227.4	-340.4		
PAT	296.4	302.7	-123.4	-873.8	391.3	108.1	213.1	441.2	454.6	548.0	-2086.9	550.0	-552.1	-221.4	-200.4
PAT Margin (%)	6.7	6.9	-2.8	-23.2	10.2	3.1	5.6	11.0	12.0	12.8	-51.0	13.2	-14.2		
Minority Interest	6.8	-0.3	3.6	-7.5	1.7	1.8	2.5	3.1	4.0	5.7	3.2	3.6	6.3	55.9	75.6
PAT After MI	289.6	303.1	-127.1	-866.3	389.6	106.3	210.6	438.1	450.6	542.3	-2090.1	546.4	-558.3	-223.9	-202.2
Adjusted PAT	288.4	303.1	419.4	122.4	324.1	106.9	211.0	438.3	460.4	542.5	-304.5	545.5	-525.0	-214.0	-196.2
EPS (₹)	6.3	6.7	9.2	2.7	7.1	2.4	4.6	9.6	10.1	11.9	-6.7	12.0	-11.6		
PAT (%)	6.6%	6.9%	-2.9%	-23.0%	10.1%	3.0%	5.5%	10.9%	11.9%	12.7%	-51.1%	13.1%	-14.4%		

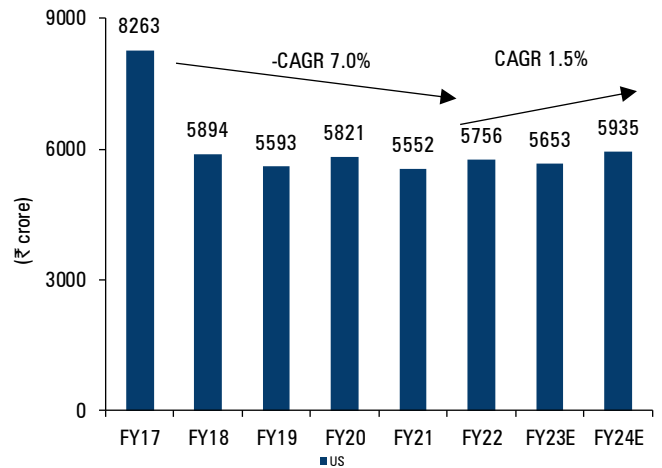
Source: ICICI Direct Research

Exhibit 6: Revenues to grow at CAGR of 5.1% over FY22-24E



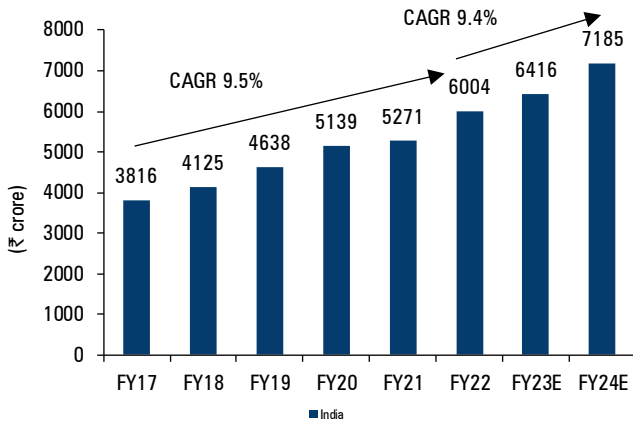
Source: ICICI Direct Research, Company

Exhibit 7: US to grow at CAGR of ~1.5% over FY22-24E



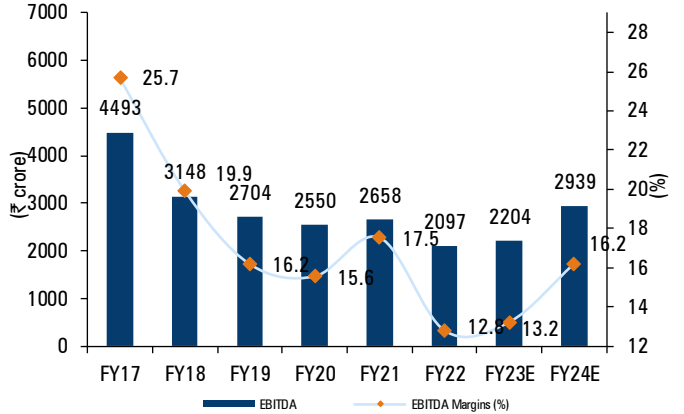
Source: ICICI Direct Research, Company

Exhibit 8: India to grow at CAGR of ~9.4% over FY22-24E



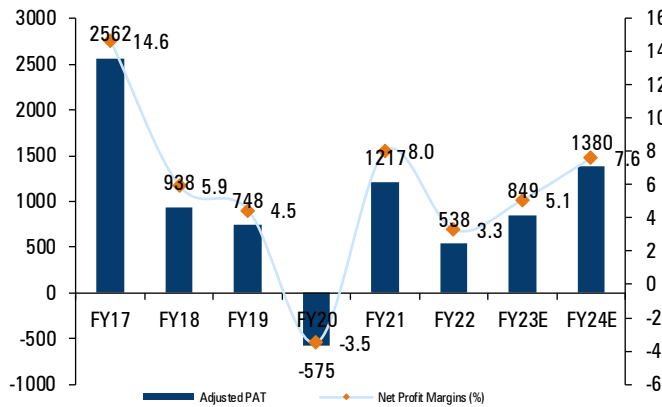
Source: ICICI Direct Research, Company

Exhibit 9: EBITDA & EBITDA margins trend



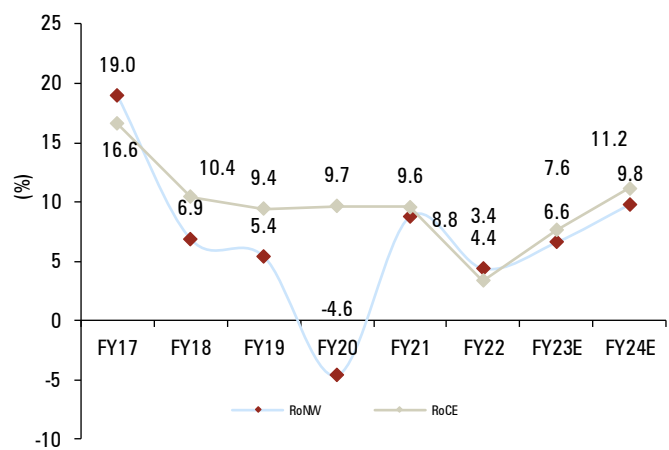
Source: ICICI Direct Research, Company

Exhibit 10: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 11: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 12: 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	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
MNC Pharma																					
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	39.4	26.5	28.3	29.5	30.6
PfG 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
Pharma																					
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	68436	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	28962	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
API/CRAMS																					
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 13: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Total Operating Income	15,163.3	16,405.4	16,673.0	18,134.3
Growth (%)	-7.5	8.2	1.6	8.8
Raw Material Expenses	5,362.2	6,481.2	6,749.8	6,934.9
Employee Expenses	2,825.9	2,989.3	3,001.1	3,264.2
Other expenditure	4,317.0	4,837.7	4,717.8	4,995.8
Total Operating Expenditure	12,505.2	14,308.3	14,468.7	15,194.9
EBITDA	2,658.2	2,097.2	2,204.3	2,939.4
Growth (%)	4.3	-21.1	5.1	33.4
Depreciation	887.4	1,658.7	1,019.4	1,054.4
Interest	140.6	142.8	154.6	132.1
Other Income	136.3	141.7	144.0	156.6
PBT	1,675.5	505.8	1,174.3	1,909.5
EO	0.0	1878.4	0.0	0.0
Total Tax	448.5	137.2	317.1	515.6
PAT before MI	1,227.0	-1,509.8	857.2	1,394.0
Minority Interest	11.4	18.7	8.6	13.9
Adjusted PAT	1,216.9	538.0	849.0	1,380.5
Growth (%)	NA	NA	57.8	62.6
EPS (Adjusted)	26.9	11.9	18.7	30.5

Source: Company, ICICI Direct Research

Exhibit 14: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit/(Loss) after taxation	960.9	-1325.3	849.0	1380.5
Depreciation	887.4	1658.7	1019.4	1054.4
Other operating Activities	140.6	142.8	154.6	132.1
(inc)/dec in Current Assets	713.2	-539.6	-425.9	-692.8
Inc/ (dec) in Current Liabilities	-905.7	524.5	314.5	307.1
CF from Operating Activities	1821.8	367.3	1911.7	2181.3
Purchase of Fixed Assets	-671.4	-1044.8	-600.0	-500.0
(Inc)/Dec in Investments	-25.5	1589.1	0.0	0.0
Other Investing Activities	48.6	16.3	49.2	54.1
CF from Investing Activities	-648.3	560.7	-550.8	-445.9
Inc / (Dec) in Loan Funds	-1491.9	-1169.3	-500.0	-500.0
Inc / (Dec) in Equity Capital	0.2	0.2	0.0	0.0
Dividend and dividend tax	-272	-295	-181	-136
Other Financing Activities	-121.3	-108.1	-154.6	-132.1
CF from Financing Activities	-1885.3	-1572.3	-835.9	-768.1
Net Cash Flow	-712	-644	525	967
Opening Cash	2,454	1,742	1,098	1,623
Closing Cash	1,742.5	1,098.1	1,623.1	2,590.4
Free Cash flow	1,150.4	-677.5	1,311.7	1,681.3

Source: Company, ICICI Direct Research

Exhibit 15: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Equity Capital	90.7	90.9	90.9	90.9
Reserve and Surplus	13,712.4	12,062.4	12,730.2	13,974.8
Total Shareholders funds	13,803.1	12,153.3	12,821.1	14,065.7
Total Debt	4,870.4	3,936.4	3,436.4	2,936.4
Deferred Tax Liability	229.8	240.8	264.9	291.4
Minority Interest	55.0	68.7	75.6	83.1
Other NCL & LT Provisions	1,070.4	940.1	1,034.1	1,137.5
Total Liabilities	20,028.6	17,339.3	17,632.1	18,514.1
Gross Block - Fixed Assets	12,764.3	13,762.2	14,562.2	15,062.2
Accumulated Depreciation	6,846.0	8,504.7	9,524.1	10,578.4
Net Block	5,918.3	5,257.5	5,038.2	4,483.8
Capital WIP	1,066.3	1,146.3	946.3	946.3
Total Fixed Assets	6,984.6	6,403.8	5,984.4	5,430.1
Investments	2,454.9	900.0	900.0	900.0
Goodwill on Consolidation	1,962.4	2,124.1	2,124.1	2,124.1
Inventory	4,092.0	4,630.7	4,822.6	4,954.9
Debtors	4,474.3	4,261.9	4,331.5	4,711.1
Loans and Advances	15.3	2.3	2.5	2.8
Other Current Assets	1,285.5	1,642.2	1,806.4	1,987.0
Cash	1,742.5	1,098.1	1,623.1	2,590.4
Total Current Assets	11,609.6	11,635.3	12,586.1	14,246.2
Creditors	2,014.4	2,282.9	2,377.5	2,442.7
Provisions & Other CL	1,567.4	2,199.0	2,418.9	2,660.8
Total Current Liabilities	3,581.8	4,481.9	4,796.4	5,103.5
Net Current Assets	8,027.7	7,153.4	7,789.7	9,142.7
Deferred Tax Assets	180.2	169.7	186.7	205.4
Long term Loans and advan	66.9	0.2	0.2	0.3
Other Non current assets	351.9	588.1	646.9	711.6
Application of Funds	20,028.6	17,339.3	17,632.1	18,514.1

Source: Company, ICICI Direct Research

Exhibit 16: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
Per Share data (₹)				
Reported EPS	26.9	-33.7	18.7	30.5
BV per share	304.7	268.3	283.0	310.5
Dividend per share	6.5	4.0	3.0	5.0
Cash per Share	38.5	24.2	35.8	57.2
Operating Ratios (%)				
Gross Margin	64.6	60.5	59.5	61.8
EBITDA margin	17.5	12.8	13.2	16.2
PAT Margin	8.0	3.3	5.1	7.6
Inventory Days	278.5	260.8	260.8	260.8
Debtor Days	107.7	94.8	94.8	94.8
Creditor Days	137.1	128.6	128.6	128.6
Asset Turnover	1.2	1.2	1.1	1.2
EBITDA conversion Rate	68.5	17.5	86.7	74.2
Return Ratio (%)				
RoE	8.8	4.4	6.6	9.8
RoCE	9.6	3.4	7.6	11.2
RoIC	12.1	3.1	8.4	13.5
Valuation Ratios (x)				
P/E	23.6	NA	33.9	20.8
EV / EBITDA	11.1	14.7	13.5	9.6
EV / Net Sales	1.9	1.9	1.8	1.6
Market Cap / Sales	1.9	1.7	1.7	1.6
Price to Book Value	2.1	2.4	2.2	2.0
Solvency Ratios				
Debt / EBITDA	1.8	1.9	1.6	1.0
Debt / Equity	0.4	0.3	0.3	0.2
Current Ratio	2.8	2.4	2.3	2.3

Source: Company, ICICI Direct Research

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Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

**ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruiti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com**

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