

Torrent Pharmaceuticals (TORPHA)

CMP: ₹ 2795

Target: ₹ 3235 (16%)

Target Period: 12 months

May 26, 2022

Strong branded franchisee; margins to improve...

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

- Revenues – India including CRAMs (57%), Brazil (9%), US (13%) and Germany (11%)
- Torrent is the eighth largest domestic player and is ranked in top 10 for CVS, CNS, V&M, GI and anti-diabetes therapies in India

Q4FY22 Results: Growth in revenues boosted by branded portfolio.

- Sales were up 10% YoY to ₹ 2131 crore
- EBITDA was at ₹ 561 crore, down 4% YoY with margins at 26.3%
- Adjusted PAT was at ₹ 540 crore (up 67% YoY) [note: Profit is adjusted for one-time loss for impairment provision for discontinuance of liquids business in US for ₹ 485 crore]

What should investors do? Torrent's share price has grown by ~2.3x over the past five years (from ~₹ 1239 in May 2017 to ~₹ 2858 levels in May 2022).

- Upgrade from HOLD to **BUY** due to 1) good traction in branded business with India, Brazil growth prospects looking solid, 2) Expected margin expansion to be driven by cost savings (due to hiving off of US Liquids facility- ~₹ 135 crore annually), pricing power in the branded space besides expected normalcy in Germany and the US (subject to the USFDA plant clearances)

Target Price and Valuation: Valued at ₹ 3235 i.e. 30x P/E on FY24E EPS of ₹ 107.8.

Key triggers for future price performance:

- In India, Torrent is expanding field strength by ~300 MRs. Also, it forayed into fast growing trade generic segment for acute therapies
- Torrent has a good presence in Brazil and expects traction for new launches in branded space while Germany tender business to recover in H2FY23
- Awaiting clearance for Dahej and Indrad facility from the USFDA. Contribution from manufacturing facility at Levittown, US to start in FY23

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

- Cipla has 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

BUY



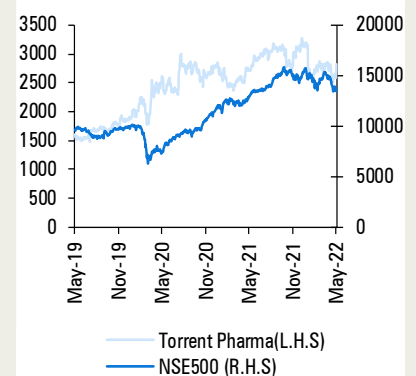
Particulars

Particular	Amount
Market Capitalisation	₹ 47298 crore
Debt (FY22)	₹ 4018 crore
Cash (FY22)	₹ 403 crore
EV	₹ 50913 crore
52 week H/L (₹)	3304/2485
Equity capital	₹ 85.0 crore
Face value	₹ 5

Shareholding pattern

(in %)	Jun-21	Sep-21	Dec-21	Mar-22
Promoter	71.3	71.3	71.3	71.3
Others	28.8	28.8	28.8	28.8

Price Chart



Recent Event & Key risks

- Levittown facility, US inspected with zero observations by USFDA
- Key Risk:** (i) Regulatory Delays (ii) Lower traction for 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	7939.0	8005.0	8508.0	7.8	9428.2	10448.5	10.8
EBITDA	2170.0	2480.0	2431.0	12.0	2817.1	3239.2	15.4
EBITDA margins (%)	27.3	31.0	28.6		29.9	31.0	
Net Profit	1025.0	1252.0	1084.4	-3.6	1468.3	1824.3	29.7
EPS (₹)	60.6	74.0	64.1		86.8	107.8	
PE (x)	46.1	37.8	60.9		32.2	25.9	
RoNW (%)	21.2	21.4	18.2		20.8	21.6	
RoCE (%)	15.4	17.6	19.7		24.3	29.1	

Key takeaways of recent quarter & conference call highlights

Q4FY22 Results: Revenues Steady, Margins Impacted

- Revenues grew 10% YoY to ₹ 2131 crore. Domestic formulations grew 12% YoY to ₹ 1034 crore aided by new launch momentum, robust performance of top brands and continued market outperformance across focus therapies, while 33% YoY growth to ₹ 251 crore in Brazil was witnessed on account of performance of top brands and new launches. US business grew 5% YoY to ₹ 282 crore mainly on back of launch of Dapsone during the quarter. Growth was partially offset by 18% YoY decline in Germany to ₹ 218 crore as business was adversely impacted by loss of products in a recent tender
- EBITDA margins declined 372 bps YoY to 26.3%, in line with I-direct estimate of 26.2%. EBITDA de-grew 4% YoY to ₹ 561 crore. Subsequently, adjusted profit improved 67% YoY to ₹ 540 crore. [note: profit is adjusted for one-time loss for impairment provision for discontinuation of liquids business in US for ₹ 485 crore]
- Torrent Pharma's Q4FY22 revenues were marginally better than I-direct estimates while margin profile was in line with our expectations. Torrent's branded businesses contributed to 70% of total revenues in Q4 and grew 15% with India and Brazil continuing on a strong footing. The US business registered sequential growth aided mainly by launch of a new product while the company continues to face prolonged delays in re-inspection of US facilities on account of the pandemic, coupled with higher than anticipated pricing pressure in US business. The management has initiated cost optimisation measures, which should help get back on track with respect to margins in the upcoming quarters. The company's portfolio is finely balanced between India, Brazil, Germany and the US with India being the leader. With consistent FCF generation and moderation in core capex, we expect the leverage situation to improve substantially
- The Board of Directors recommended a final dividend of ₹ 8 per equity share and a special dividend of ₹ 15 per equity share, taking the total dividend to ₹ 48 per equity share in FY22 (including interim dividend of ₹ 25 per equity share). Additionally, board also recommended bonus share issue in the ratio of 1:1 i.e. one equity bonus share for each fully paid up equity share.

Q4FY22 Earnings Conference Call highlights

- **India** – Growth (11%) Breakup: New launches – 3%, Price – 8%, Volume – Nil in Q4FY22. Growth was driven by CNS, Gastro and VMN. MRs ~ 3900 in Q4 versus 3600 in Q3, Torrent will add another 200-300 reps in Q1FY23. PCPM will continue to be at ₹ 9-10 lakh. The company has a new launch pipeline in quarters ahead and also introducing new division in CVD. Trade Generics contributed ~ 1.5-2%. The management indicated at second wave launch by Q2FY23 and aspires for ~3-4% contribution to India business
- **US sales** - (constant currency at US\$37 million in Q4 vs. US\$31 million in Q3). Sales improved mainly on back of launch of Dapsone. Liquid business in the US taking into account incremental investments required for bringing the pipeline products into the market and increased competition intensity, was discontinued. The operational cost of this facility was ₹ 135 crore. Price erosion in US increased by low single digit QoQ and mid-teen YoY. As of Q4FY22, 57 ANDAs were pending approval with USFDA and five tentative approvals were received. Six ANDA were filed and one was approved

- **Brazil** - Constant currency sales at Brazilian Real 172 million in Q4 vs. 135 million in Q3. Growth (20%) breakup: New launches – 13-14%. Torrent gained traction from five new launches since November 2021 and new division in CNS segment
- **Germany** - Revenue at €26 million in Q4 vs. 28 million in Q3. Growth impacted due to price erosion and lack of tenders (~60% of business in Germany). New tenders to start from September-October. The company is planning 10-15 launches in H2FY23
- **Margins** - Impacted in Q4 due to higher other expenditure due to lumpiness in US fillings, as most came in Q4, higher freight cost. The management indicated at ~300 bps margin improvement due to 1) no operating expenses for liquid facility, 2) Cost optimisation measures at facilities to yield results from Q1, 3) price increase in branded generics, 4) Operating leverage to improve once facilities get USFDA clearance and 5) normalisation of higher freight cost

Exhibit 1: Variance Analysis

	Q4FY22	Q4FY22E	Q4FY21	YoY (%)	Q3FY22	QoQ (%)	Comments
Revenue	2,131.0	2,063.2	1,937.0	10.0	2,106.0	1.2	YoY growth driven by India and Brazil performance
Raw Material Expenses	622.0	619.0	496.0	25.4	638.0	-2.5	
Gross margins (%)	70.8	70.0	74.4	-358 bps	69.7	111 bps	YoY mid-teen price erosion in US
Employee Expenses	364.0	383.8	341.0	6.7	388.0	-6.2	
Other Expenditure	584.0	521.0	518.0	12.7	544.0	7.4	
EBITDA	561.0	539.5	582.0	-3.6	536.0	4.7	
EBITDA (%)	26.3	26.2	30.0	-372 bps	25.5	87 bps	YoY decline led by lower gross margin performance and higher other expenditure amid higher freight cost, most ANDA and DMFs filing coming in Q4
Interest	57.0	62.0	73.0	-21.9	62.0	-8.1	
Depreciation	162.0	167.0	165.0	-1.8	167.0	-3.0	
Other Income	56.0	47.0	39.0	43.6	50.0	12.0	
PBT before EO & Forex	398.0	357.5	383.0	3.9	357.0	11.5	
EO	485.0	0.0	0.0	0.0	0.0	0.0	One-time loss for impairment provision for discontinuation of liquids business in US for ₹ 485 crore
PBT	-87.0	357.5	383.0	PL	357.0	PL	
Tax	31.0	108.2	59.0	-47.5	108.0	-71.3	
PAT before MI	-118.0	249.4	324.0	PL	249.0	PL	
MI	0.0	0.0	0.0	0.0	0.0	0.0	
Adjusted PAT	539.8	249.4	324.0	66.6	249.0	116.8	Profit is adjusted for one-time loss for impairment provision for discontinuation of liquids business in US for ₹ 485 crore

Key Metrics

India	1,034.0	1,005.0	922.0	12.1	1,072.0	-3.5	Torrent growth aided by new launch momentum, robust performance of top brands and continued market outperformance across focus therapies
Brazil	251.0	211.7	189.0	32.8	182.0	37.9	YoY growth witnessed on account of performance of top brands and new launches
US	282.0	244.5	269.0	4.8	235.0	20.0	YoY growth mainly on back of launch of Dapsone during the quarter
Germany	218.0	235.0	267.0	-18.4	237.0	-8.0	Growth impacted by challenges in tender segment

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY23E			FY24E			
	Old	New	% Change	Old	New	% Change	
Revenue	9,341.4	9,428.2	0.9	10,337.6	10,448.5	1.1	Changed due to better performance in Q4FY22
EBITDA	2,849.7	2,817.1	-1.1	3,218.1	3,239.2	0.7	
EBITDA Margin (%)	30.5	29.9	-63 bps	31.1	31.0	-13 bps	Guidance for ~ 30% EBITDA margins
PAT	1,617.6	1,468.3	-9.2	1,954.2	1,824.3	-6.6	
EPS (₹)	95.6	86.8	-9.2	115.5	107.8	-6.6	

Source: ICICI Direct Research

Exhibit 3: Assumptions

(₹ crore)	Current				Earlier		Comments
	FY21	FY22	FY23E	FY24E	FY23E	FY24E	
India	3,740.0	4,286.0	4,801.9	5,378.1	4,829.8	5,409.3	
Brazil	631.0	742.0	813.1	894.4	744.6	804.2	New launches are expected to drive growth by ~10-12%
US	1,261.0	1,067.0	1,152.4	1,267.6	1,047.7	1,152.4	Changed mainly due to anticipated USFDA clearance and better performance in Q4FY22
Germany	1,039.0	966.0	966.1	1,043.4	1,013.5	1,094.6	Decline mainly due to awaiting wins in tender segment

Source: ICICI Direct Research

Exhibit 4: Revenue Breakup

	Revenues	Growth	Adj. EPS	Growth	P/E	EV/EBITDA	RoE	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY21	8005	0.8	74.0	22.1	37.8	20.7	21.4	17.6
FY22	8508	6.3	64.1	-13.4	60.9	20.9	18.2	19.7
FY23E	9428	10.8	86.8	35.4	32.2	17.5	20.8	24.3
FY24E	10449	10.8	107.8	24.2	25.9	14.7	21.6	29.1

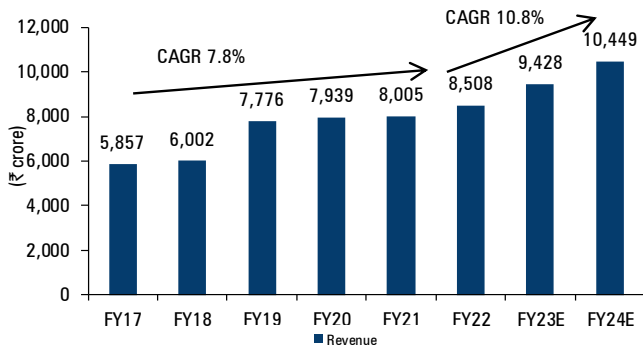
Source: ICICI Direct Research

Exhibit 5: Financial Summary

₹ crore	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	CAGR FY17-22 (%)	CAGR FY22-24E (%)
India	1829	1976	2351	3235	3517	3740	4286	4802	5378	16.7	12.0
CRAMs (Incl Others)	600	545	408	467	472	517	570	627	690	0.9	10.0
US	2672	1347	1100	1590	1522	1261	1067	1152	1268	-4.6	9.0
Others	425	488	522	684	765	820	881	969	1066	12.6	10.0
Germany	648	811	912	1008	947	1039	966	966	1043	3.6	3.9
Brazil	506	699	709	689	715	631	742	813	894	1.2	9.8
R&D As % of Sales	4.0	7.4	8.0	8.0	6.2	6.1	6.1	7.0	7.0		

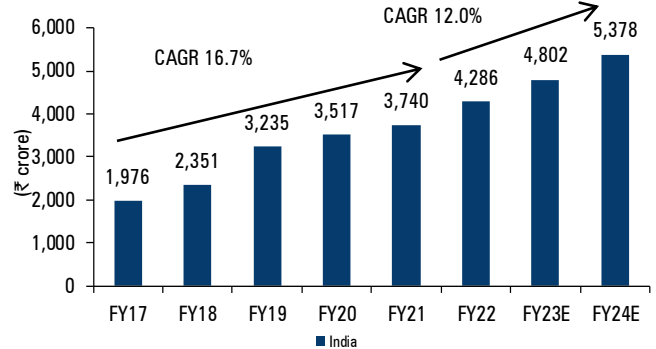
Source: ICICI Direct Research

Exhibit 6: Revenues to grow at 10.8% CAGR over FY22-24E



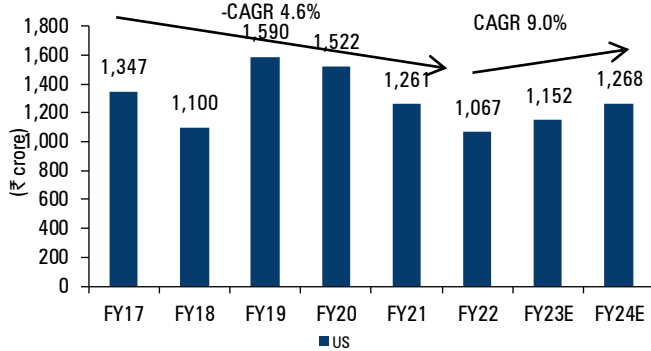
Source: ICICI Direct Research, Company

Exhibit 7: India to grow at CAGR of 12% over FY22-24E



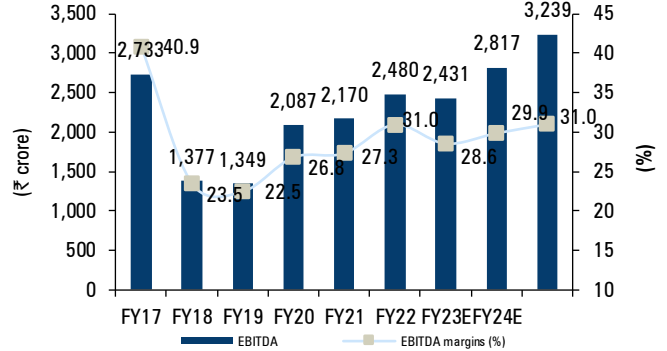
Source: ICICI Direct Research, Company

Exhibit 8: US to decline at CAGR of 9% over FY22-24E



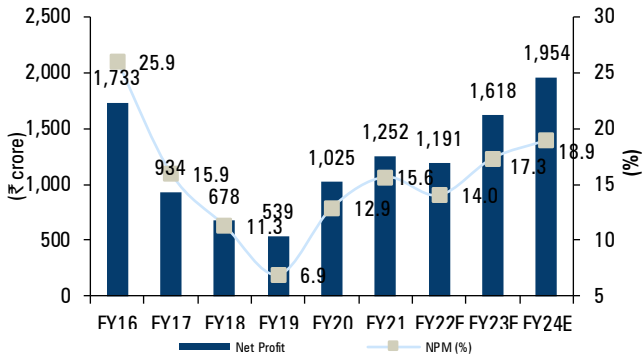
Source: ICICI Direct Research, Company

Exhibit 9: EBITDA & EBITDA margins trend



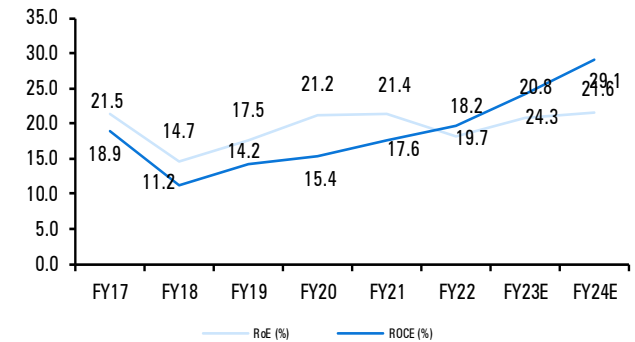
Source: ICICI Direct Research, Company

Exhibit 10: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 11: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 12: Trends in Quarterly Performance

₹ Crore	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	YoY (%)	QoQ (%)
Revenues	1856.0	2022.0	2005.0	1966.0	1946.0	2056.0	2017.0	1995.0	1937.0	2134.0	2137.0	2106.0	2131.0	10.0	1.2
Total RM cost	533.0	559.0	538.0	542.0	528.0	535.0	554.0	562.0	496.0	588.0	595.0	638.0	622.0	25.4	-2.5
% sales	28.7	27.6	26.8	27.6	27.1	26.0	27.5	28.2	25.6	27.6	27.8	30.3	29.2	358 bps	-111 bps
Gross Profit	1323.0	1463.0	1467.0	1424.0	1418.0	1521.0	1463.0	1433.0	1441.0	1546.0	1542.0	1468.0	1509.0	4.7	2.8
GPM (%)	71.3	72.4	73.2	72.4	72.9	74.0	72.5	71.8	74.4	72.4	72.2	69.7	70.8	-358 bps	111 bps
Employee cost	347.0	381.0	358.0	354.0	336.0	373.0	363.0	363.0	341.0	385.0	389.0	388.0	364.0	6.7	-6.2
% sales	18.7	18.8	17.9	18.0	17.3	18.1	18.0	18.2	17.6	18.0	18.2	18.4	17.1	-52 bps	-134 bps
Other expenditure	503.0	541.0	568.0	530.0	534.0	487.0	465.0	463.0	518.0	484.0	493.0	544.0	584.0	12.7	7.4
% of sales	27.1	26.8	28.3	27.0	27.4	23.7	23.1	23.2	26.7	22.7	23.1	25.8	27.4	66 bps	157 bps
Total Expenditure	1383.0	1481.0	1464.0	1426.0	1398.0	1395.0	1382.0	1388.0	1355.0	1457.0	1477.0	1570.0	1570.0	15.9	0.0
% of Revenues	74.5	73.2	73.0	72.5	71.8	67.9	68.5	69.6	70.0	68.3	69.1	74.5	73.7	372 bps	-87 bps
EBITDA	473.0	541.0	541.0	540.0	548.0	661.0	635.0	607.0	582.0	677.0	660.0	536.0	561.0	-3.6	4.7
EBITDA Margins (%)	25.5	26.8	27.0	27.5	28.2	32.1	31.5	30.4	30.0	31.7	30.9	25.5	26.3	-372 bps	87 bps
Depreciation	160.0	160.0	163.0	163.0	168.0	161.0	165.0	167.0	165.0	165.0	168.0	167.0	162.0	-1.8	-3.0
Interest cost	123.0	122.0	116.0	111.0	102.0	102.0	92.0	91.0	73.0	68.0	71.0	62.0	57.0	-21.9	-8.1
Other Income	17.0	20.0	34.0	53.0	15.0	4.0	6.0	8.0	39.0	40.0	51.0	50.0	56.0	43.6	12.0
PBT before forex & EI	207.0	279.0	296.0	319.0	293.0	402.0	384.0	357.0	383.0	484.0	472.0	357.0	398.0	3.9	11.5
Forex & EO	-357.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-485.0		
PBT	-150.0	279.0	296.0	319.0	293.0	402.0	384.0	357.0	383.0	484.0	472.0	357.0	-87.0	-122.7	-124.4
Tax	2.0	63.0	52.0	68.0	-21.0	81.0	74.0	60.0	59.0	154.0	156.0	108.0	31.0	-47.5	-71.3
Tax rate (%)	-1.3	22.6	17.6	21.3	-7.2	20.1	19.3	16.8	15.4	31.8	33.1	30.3	-35.6		
PAT	-152.0	216.0	244.0	251.0	314.0	321.0	310.0	297.0	324.0	330.0	316.0	249.0	-118.0	-136.4	-147.4
PAT after MI	-152.0	216.0	244.0	251.0	314.0	321.0	310.0	297.0	324.0	330.0	316.0	249.0	-118.0	-136.4	-147.4
EPS (₹)	-9.0	12.8	14.4	14.8	18.6	19.0	18.3	17.5	19.1	19.5	18.7	14.7	-7.0		

Source: ICICI Direct Research

Exhibit 13: ICICIdirect Healthcare Coverage Universe

Company	I-Direct	CMP	TP	Rating	M Cap	EPS (₹)				PE(x)				RoCE (%)				RoE (%)			
	Code	(₹)	(₹)		(₹ cr)	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E
Hospitals																					
Apollo Hospitals	APOHOS	3428	5,480	Buy	49288	7.9	67.2	81.3	105.5	436.1	51.0	42.1	32.5	6.3	16.4	18.2	20.7	2.5	17.5	18.1	19.9
Narayana Hrudalaya	NARHRU	641	750	Buy	13089	-0.7	16.7	18.9	21.6	NA	38.3	33.9	29.7	1.2	20.5	18.8	19.5	-1.3	23.0	20.8	19.4
Shalby	SHALIM	100	170	Buy	1084	3.9	5.9	5.7	7.2	25.6	17.0	17.5	14.0	6.5	8.9	9.6	10.5	5.1	7.2	6.7	7.9
Aster DM	ASTDM	186	270	Buy	9266	3.0	10.5	14.4	18.4	62.7	17.6	12.9	10.1	5.4	9.0	11.4	12.9	4.4	13.3	15.4	16.4
Healthcare Global	HEAGLO	269	240	Hold	3376	-21.7	6.0	3.5	NA	NA	44.9	76.4	NA	-0.9	5.2	7.7	NA	NA	NA	3.4	NA
MNC Pharma																					
Abbott India	ABBIND	17763	20,560	Buy	37745	325.0	375.9	439.8	514.0	54.6	47.3	40.4	34.6	33.8	36.6	37.9	36.3	26.5	28.3	29.5	28.1
P&G Health	MERLIM	4205	4,955	Hold	6980	106.5	121.5	130.5	141.6	39.5	34.6	32.2	29.7	32.2	37.3	34.7	32.8	25.1	29.3	27.0	25.4
Sanofi India	SANOFI	6438	7,740	Hold	14827	207.4	410.1	285.7	276.4	31.0	15.7	22.5	23.3	32.3	33.3	42.3	40.8	24.5	25.9	32.6	31.3
Pfizer	PFIZER	4236	4,810	Hold	19377	108.8	133.9	140.4	160.3	38.9	31.6	30.2	26.4	27.6	26.1	23.5	23.0	20.8	21.4	19.2	18.7
Pharma																					
Ajanta Pharma	AJAPHA	1704	1,955	Buy	14555	74.0	83.4	83.3	97.8	23.0	20.4	20.4	17.4	29.0	27.0	22.9	22.9	21.8	21.8	18.4	18.3
Alembic Pharma	ALEMPHA	732	720	Hold	14387	62.8	27.8	29.7	35.9	11.7	26.4	24.6	20.4	25.1	10.6	11.2	13.8	24.1	10.4	10.3	11.3
Aurobindo Pharma	AURPHA	523	765	Hold	30650	55.0	44.3	53.4	61.2	9.5	11.8	9.8	8.5	16.9	12.5	14.3	15.2	14.7	10.7	11.5	11.7
Biocon	BIOCON	324	380	Hold	38839	6.3	5.7	6.1	11.7	51.7	56.8	53.4	27.7	7.7	7.5	5.0	6.9	9.9	8.1	3.2	5.9
Zydus Lifesciences	CADHEA	365	475	Hold	37367	21.5	21.1	22.4	25.4	17.0	17.3	16.3	14.3	12.6	13.5	13.7	14.6	16.9	14.8	14.0	14.1
Cipla	CIPLA	968	1,095	Buy	78132	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	4313	4,800	Buy	71779	117.3	127.9	192.4	224.6	36.8	33.7	22.4	19.2	13.1	13.0	18.3	21.3	11.1	11.1	14.7	15.0
Glenmark Pharma	GLEPHA	382	550	Hold	10790	32.9	44.2	44.2	49.1	11.6	8.6	8.6	7.8	13.9	15.5	15.2	15.4	13.1	13.1	11.7	11.6
Ipca Laboratories	IPCLAB	919	1,175	Buy	23315	44.9	36.6	42.4	48.2	20.5	25.1	21.7	19.0	27.1	19.8	19.1	18.5	24.2	16.6	16.1	15.6
Jubilant Pharmova	JUBLIF	388	490	Hold	6186	37.4	28.7	32.5	40.8	10.4	13.5	11.9	9.5	13.7	10.1	10.4	12.2	12.6	8.9	9.2	10.4
Lupin	LUPIN	589	610	Hold	26773	26.9	11.9	18.7	30.5	21.9	49.6	31.4	19.3	9.6	3.4	7.6	11.2	8.8	4.4	6.6	9.8
Natco Pharma	NATPHA	669	955	Hold	12191	24.2	15.1	19.6	23.1	27.7	44.2	34.2	29.0	13.1	7.3	9.7	10.7	10.7	6.4	7.8	8.5
Sun Pharma	SUNPHA	898	1,075	Buy	215364	30.0	33.5	33.8	38.6	29.9	26.8	26.5	23.3	14.2	18.3	17.8	17.8	15.5	16.4	14.4	14.3
Torrent Pharma	TORPHA	2831	3,235	Buy	47908	74.0	64.1	86.8	107.8	38.3	44.2	32.6	26.3	17.6	19.7	24.3	29.1	21.4	18.2	20.8	21.6
Indoco Remedies	INDREM	349	510	Buy	3217	10.1	16.8	21.8	28.4	34.6	20.8	16.0	12.3	11.7	17.5	18.8	24.9	12.1	17.1	18.7	20.2
Caplin Point	CAPPOI	717	895	Buy	5437	81.7	85.3	68.3	70.8	8.8	8.4	10.5	10.1	25.3	23.7	22.5	0.0	20.4	20.2	18.5	17.5
Advanced Enzymes	ADVENZ	282	290	Hold	3149	13.1	10.7	10.2	13.2	21.5	26.3	27.6	21.4	19.4	14.3	12.6	14.7	15.1	11.0	9.6	11.1
Hester Biosciences	HESPHA	2156	2,445	Hold	1834	44.4	45.7	41.3	63.2	48.6	47.1	52.2	34.1	16.2	10.9	9.9	13.4	16.5	15.0	12.2	16.3
API/CRAMS																					
Divi's Lab	DIVLAB	3407	4,655	Buy	90433	74.7	111.5	105.7	122.5	45.6	30.5	32.2	27.8	27.6	30.2	25.8	25.5	21.3	25.2	20.3	20.0
Hikal	HIKCHE	370	500	Buy	4558	10.8	14.6	17.1	22.6	34.2	25.3	21.6	16.3	15.1	15.7	16.0	19.1	14.3	16.7	16.8	18.8
Syngene Int.	SYNINT	515	730	Buy	20645	10.1	9.9	11.4	15.5	50.9	52.2	45.3	33.3	11.5	11.7	12.2	15.7	13.5	12.9	12.3	14.4
Granules India	GRANUL	255	345	Buy	6333	22.2	16.6	19.6	24.6	11.5	15.3	13.0	10.4	24.0	15.6	16.8	18.6	25.3	16.0	16.0	16.9
Laurus Labs	LAULAB	546	690	Buy	29340	18.3	15.4	20.6	26.5	29.8	35.5	26.5	20.6	31.7	21.3	22.6	24.7	37.9	24.7	25.5	25.3
Suven Pharmaceuticals	SUVPH	495	555	Hold	12600	14.2	17.8	17.0	18.5	34.8	27.8	29.1	26.7	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	8,005.0	8,508.0	9,428.2	10,448.5
Growth (%)	0.8	6.3	10.8	10.8
Raw Material Expenses	2147.0	2443.0	2674.9	2873.2
Employee Expenses	1440.0	1526.0	1697.1	1880.7
Other Expenses	1938.0	2108.0	2239.1	2455.4
Total Operating Expenditure	5525.0	6077.0	6611.1	7209.3
EBITDA	2,480.0	2,431.0	2,817.1	3,239.2
Growth (%)	14.3	-2.0	15.9	15.0
Depreciation	658.0	662.0	680.7	697.0
Interest	353.0	255.0	163.7	66.2
Other Income	57.0	197.0	186.6	206.8
PBT	1526.0	1711.0	2159.2	2682.8
Total Tax	274.0	449.0	691.0	858.5
PAT before MI	1252.0	777.0	1468.3	1824.3
Adjusted PAT	1,252.0	1,084.4	1,468.3	1,824.3
Growth (%)	22.1	-13.4	35.4	24.2
EPS (Adjusted)	74.0	64.1	86.8	107.8

Source: Company, ICICI Direct Research

Exhibit 15: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit/(Loss) after taxation	1350.0	805.0	1468.3	1824.3
Depreciation	658.0	662.0	680.7	697.0
Add: Interest Paid	358.0	255.0	163.7	66.2
Other operational Activities	-355.0	81.0	-107.6	-183.7
CF from operation	2,011.0	1,803.0	2,205.1	2,403.8
Purchase/sales of Fixed Assets	-334.0	-197.0	-250.0	-250.0
(Inc)/Dec in Investments	-120.0	-8.0	0.0	0.0
Long Term Provision	0.0	0.0	36.9	40.6
Other Investing Activities	37.0	-18.0	-47.1	-51.8
CF from Investing Activities	-417.0	-223.0	-260.2	-261.2
Inc / (Dec) in Equity Capital	0.0	0.0	0.0	0.0
Inc / (Dec) in Loan Funds	-957.0	-846.0	-1500.0	-1500.0
Dividend and dividend tax	-338.0	-677.0	-362.4	-450.3
Other Financing Activities	-361.0	-258.0	-163.7	-66.2
CF from Financing Activities	-1,656.0	-1,781.0	-2,026.1	-2,016.5
Cash generation during the year	-62.0	-201.0	-81.2	126.1
Op bal Cash & Cash equivalents	666.0	604.0	403.0	321.8
Adjustments	0.0	0.0	0.0	0.0
Closing Cash/ Cash Equivalent	604.0	403.0	321.8	447.8
Free Cash Flow	1,677	1,606.0	1,955.1	2,153.8

Source: Company, ICICI Direct Research

Exhibit 16: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Equity Capital	85.0	85.0	85.0	85.0
Reserve and Surplus	5,753.0	5,868.0	6,973.8	8,347.9
Total Shareholders funds	5,838.0	5,953.0	7,058.8	8,432.9
Total Debt	4,825.0	4,018.0	2,518.0	1,018.0
Deferred Tax Liability	0.0	194.0	213.4	234.7
Other LT Liabilities & LT Provision	405.0	415.0	456.5	502.2
Total Liabilities	11,068.0	10,580.0	10,246.7	10,187.7
Gross Block - Fixed Assets	10,170.9	10,272.9	10,472.9	10,722.9
Accumulated Depreciation	3,446.9	4,108.9	4,789.6	5,486.6
Net Block	6,724.0	6,164.0	5,683.3	5,236.3
Capital WIP	889.0	629.0	679.0	679.0
Total Fixed Assets	7,613.0	6,793.0	6,362.3	5,915.3
Goodwill on Consolidation	341.0	259.0	259.0	259.0
Investments	181.0	226.0	226.0	226.0
Deferred tax assets	421.0	494.0	543.4	597.7
Other non-current assets	134.0	217.0	238.7	262.6
Cash	604.0	403.0	321.8	447.8
Debtors	1,523.0	1,633.0	1,727.7	1,914.6
Loans and Advances	3.0	3.0	4.1	5.2
Inventory	2,681.0	2,462.0	2,695.8	2,895.5
Other current assets	574.0	610.0	611.1	612.2
Total Current Assets	5,385.0	5,111.0	5,360.4	5,875.4
Creditors	2,067.0	1,674.0	1,832.9	1,968.8
Provisions & other current liabilit	940.0	846.0	910.1	979.5
Total Current Liabilities	3,007.0	2,520.0	2,743.0	2,948.2
Net Current Assets	2,378.0	2,591.0	2,617.4	2,927.2
Application of Funds	11,068.0	10,580.0	10,246.7	10,187.7

Source: Company, ICICI Direct Research

Exhibit 17: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
Per share data (₹)				
Reported EPS	74.0	45.9	86.8	107.8
BV per share	345.0	351.8	417.1	498.3
Dividend per share	35	48	21	27
Cash Per Share	35.7	23.8	19.0	26.5
Operating Ratios (%)				
Gross Profit Margins	73.2	71.3	71.6	72.5
EBITDA Margins	31.0	28.6	29.9	31.0
PAT Margins	15.6	12.7	15.6	17.5
Inventory days	455.8	367.8	367.8	367.8
Debtor days	69.4	70.1	66.9	66.9
Creditor days	351.4	250.1	250.1	250.1
Asset Turnover	0.8	0.8	0.9	1.0
EBITDA conversion Rate	81.1	74.2	78.3	74.2
Return Ratios (%)				
RoE	21.4	18.2	20.8	21.6
RoCE	17.6	19.7	24.3	29.1
RoIC	20.2	20.2	25.5	31.2
Valuation Ratios (x)				
P/E	37.8	60.9	32.2	25.9
EV / EBITDA	20.7	20.9	17.5	14.7
EV / Net Sales	6.4	6.0	5.2	4.6
Market Cap / Sales	5.9	5.6	5.0	4.5
Price to Book Value	8.1	7.9	6.7	5.6
Solvency Ratios				
Debt / EBITDA	1.9	1.7	0.9	0.3
Debt / Equity	0.8	0.7	0.4	0.1
Current Ratio	1.6	1.9	1.8	1.8

Source: Company, ICICI Direct Research

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