

Strong sequential recovery...

Q2FY21 revenues grew 27.1% QoQ to ₹ 2761 crore due to a 57.3% QoQ increase in hospital revenues to ₹ 1243 crore (albeit down 16.4% YoY). Pharmacy segment grew 5.7% QoQ (up 15.3% YoY) to ₹ 1352 crore. EBITDA margins improved to 10.9% vs. 1.6% in Q1FY21 due to better operating leverage. Subsequently, EBITDA came in at ₹ 300 crore. Adjusting for gain of ~₹ 35.4 crore related to pharmacy divestiture, profit for the quarter was at ₹ 28 crore vs. a net loss of ₹ 208 crore in Q1.

Healthcare expansion moderates; focus on asset sweating

Rapid expansion and maturity of older hospitals has kept overall growth tempo at 12-14% per annum. After a prolonged capex cycle, especially in FY14-18, Apollo is focusing on profitability and return ratios with capex moderation. This has reflected in a marked improvement in both EBITDA margins and RoCE. The new hospitals, ventures are turning profitable ahead of schedule on the back of a judicious case mix besides better occupancy and other matrix. We expect healthcare sales to grow at 9.5% FY20-23E CAGR to ₹ 8442 crore driven by ramp up at new hospitals and AHLL.

Pharmacy composition to change from front-end to back-end

The pharmacy business (43% of FY20 revenues) had grown at ~22% CAGR in the last five years. Having received NCLT approval for front-end pharmacy demerger, AHEL has spun it off into Apollo Pharmacies (APL), a wholly-owned subsidiary of Apollo Medicals (AMPL) of which AHEL owns 25.5%. The proposed reorganisation is not expected to have a material impact on AHEL's financials as the backend business related to standalone pharmacies, which represents ~85% of business economics, will continue to be held by AHEL. Henceforth, the company will have pharmacy distribution as its operating and reportable segment that represents the business of procurement and distribution of pharma, FMCG and private label products. We expect this segment to grow at ~12% CAGR in FY20-23E piggybacking on supply traction based on prospects of the retail pharmacy.

Valuation & Outlook

While business normalisation in the healthcare segment is expected to be more pronounced from H2FY21 onwards, Apollo's management has already charted a way to reduce costs in the short-term. Structural costs saving initiatives are underway to reduce costs by 12-15% in the long-term. Besides strong healthcare pedigree and asset base the company owns one of the best Pharmacy models that provides an overall cushion in difficult times. We value the stock on an SOTP basis by valuing the healthcare business (existing hospitals & JV) at 15x FY23E EV/EBITDA, healthcare (new hospitals) and pharmacy business at 1.5x and 2x FY23E EV/sales respectively. We have a target price of ₹ 2310. Given the rich valuations we downgrade the stock to **HOLD**. Besides, we also need to consider the possible dilution impact due to proposed QIP and deployment of funds.

Key Financial Summary

	FY20	FY21E	FY22E	FY23E	CAGR (FY20-23E) %
Net Sales	11246.8	10590.5	12817.0	14250.4	8.2
EBITDA	1583.4	1027.8	1876.1	2256.3	12.5
EBITDA margins (%)	14.1	9.7	14.6	15.8	
PAT	454.9	-27.1	519.5	589.3	9.0
EPS (₹)	22.2	-1.9	35.5	40.3	
PE (x)	67.9	NA	59.4	52.4	
P/BV (x)	9.2	6.4	5.9	5.4	
RoE (%)	9.7	-0.6	9.9	10.3	
RoCE (%)	10.2	4.6	12.9	16.8	

Source: ICICI Direct Research; Company



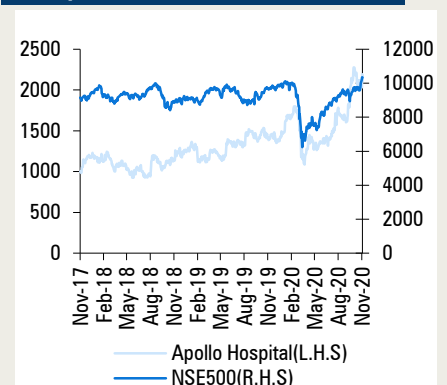
Particulars

Particular	Amount
Market Capitalisation	₹29372 crore
Debt (FY 20)	₹3596 crore
Cash (FY 20)	₹467 crore
EV	₹32501 crore
52 week H/L (₹)	2332/1047
Equity capital	₹73.1 crore
Face value	₹5

Key Highlights

- Q2 revenues and EBITDA were above I-direct estimates due to better than expected operational performance.
- Cost saving measures for short and long-term already underway
- The company owns one of the best integrated business models in the healthcare space with strong management pedigree
- Changed from BUY to HOLD

Price performance



Research Analyst

Siddhant Khandekar
siddhant.khandekar@icicisecurities.com

Mitesh Shah
mitesh.shah@icicisecurities.com

Sudarshan Agarwal
sudarshan.agarwal@icicisecurities.com

Exhibit 1: Variance Analysis

	Q2FY21	Q2FY21E	Q2FY20	Q1FY21	YoY (%)	QoQ (%)	Comments
Revenue	2,760.7	2,611.6	2,840.7	2,171.5	-2.8	27.1	Strong sequential improvement witnessed across segments partly due to increase in Covid patients
Raw Material Expenses	1,505.1	1,436.4	1,372.9	1,217.5	9.6	23.6	
Employee Expenses	411.6	457.0	468.7	448.6	-12.2	-8.3	
Other expenditure	544.2	543.5	580.2	469.9	-6.2	15.8	
EBITDA	299.8	174.7	419.0	35.5	-28.4	745.1	
EBITDA (%)	10.9	6.7	14.7	1.6	-389 bps	923 bps	Sequential improvement due to improvement in occupancy and cost rationalisation measures, especially in employee cost
Interest	122.3	129.2	134.3	127.4	-9.0	-4.0	
Depreciation	149.5	161.1	154.5	160.2	-3.3	-6.7	
Other Income	11.3	5.2	3.5	7.7	223.4	46.6	
PBT before EO & Forex	39.4	-110.4	133.7	-244.4	-70.5	LP	
EO	-35.4	-520.0	0.0	0.0	0.0	0.0	
PBT after Exceptional lte	74.8	409.6	133.7	-244.4	-44.0	LP	
Tax	6.6	122.9	50.6	-40.8	-86.9	LP	
Tax rate (%)	8.8	30.0	37.8	16.7			
Net Profit	60.3	263.5	86.2	-208.2	-30.1	LP	
Adj. Net Profit	28.0	-98.6	86.2	-208.2	-67.6	LP	Sequential improvement mainly in sync with EBITDA
EPS (₹)	4.1	18.9	5.9	-14.2	-30.1	LP	
Key Metrics							
Hospitals	1237.4	1146.2	1486.6	789.9	-16.8	56.7	QoQ improvement led to rise in occupancy and more Covid patients
Pharmacy	1473.6	1320.2	1172.7	1279.1	25.7	15.2	YoY growth driven by net 70 stores addition and 13% growth in realisation
AHLL	171.6	145.2	181.5	102.4	-5.5	67.6	QoQ growth mainly due to strong diagnostic growth mainly due to increase in Covid test

Source: ICICI Direct Research

Exhibit 2: Change in Estimates

(₹ Crore)	FY21E			FY22E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	11,209.1	10,590.5	-5.5	13,583.9	12,817.0	-5.6	Changed mainly due to slower than expected recovery in mature hospital and divorce of frontend pharmacy
EBITDA	1,004.2	1,027.8	2.4	2,117.2	1,876.1	-11.4	
EBITDA Margin (%)	9.0	9.7	75 bps	15.6	14.6	-95 bps	
Adjusted PAT	-45.5	-27.1	-40.4	420.9	519.5	23.4	Changed mainly due to change in minority interest and depreciation assumptions
EPS (₹)	-3.1	-1.9	-40.4	30.3	35.5	17.2	

Source: ICICI Direct Research

Conference Call Highlights

- Despite Covid impact, traction seen in Covid and other specialties; Q3 to be better than Q2
- Consolidated net debt as on September 2020: ₹ 2836.7 crore. Gross debt: ₹ 3524.5 crore
- Hospitals - Of the 8816 owned hospital beds capacity, 7364 beds were operational and had an occupancy of 56% in Q2FY21
 - Q2FY21 occupancy across the group was at 4,119 beds (56% occupancy) as compared to 2,742 beds (38% occupancy) in Q1FY21. The Q2FY21 occupancy in mature hospitals was at 2,846 beds (54% occupancy). New hospitals had an occupancy of 1,273 beds (61% occupancy) in Q2FY21
 - (a) October occupancies at 65%, September: 60+%; (breakeven is at 50%)
 - (b) Covid occupancies are 30% of overall occupancies; 36% of occupied share beds; ~25-26% of hospital revenues
 - (c) Covid ARPOB is 20% lower than overall ARPOB
 - Mature hospitals revenue de-grew by 23.6% from ₹ 1120.3 crore in Q2FY20 to ₹ 855.3 crore in Q2FY21
 - (a) Still impacted due to muted out-patients and travel restrictions
 - New hospitals revenues grew by 3.1% from ₹ 350.4 crore in Q2FY20 to ₹361.3 crore in Q2FY21
 - New Hospitals (excluding Proton) reported an EBITDA of ₹ 26.1 crore in Q2FY21 vs. ₹ 23.6 crore in Q2FY20
 - Proton reported EBITDA (Pre-Ind AS116) loss of ₹ (3.7) crore in Q2FY21 vs loss of ₹ (6.9) crore in Q2FY20
 - AHLL –reported EBITDA (Pre-Ind AS 116) of ₹ 4.9 crore in Q2FY21 vs ₹ 2.5 crore in Q2FY20
- Pharmacy - SAP EBITDA of ₹ 86.5 crore (6.4% margin) in Q2FY21 as compared to ₹ 70.8 crore (6.0% margin) in Q2FY20
 - The total number of pharmacies as of Q2FY21 was 3850. Net addition of 70 stores in Q2FY21
- Private label sales at 10% in Q2FY21
- Overall Inpatient volume across the Group grew by 30% QoQ and ARPOB registered a growth of 4.9% YoY
- AHEL may get ~80-85% Cash flows and ~80% of EBITDA from pharmacy segment
- AHLL – 7% Covid testing contribution in H1FY21
- The company plans to expand presence in West Bengal and Assam
- No greenfield capex is currently planned
- Raising up to ₹ 1500 crore through preferential allotment or QIP. The funds would be utilized for 1) purchasing the balance 50% stake in Apollo Gleneagles, 2) any potential inorganic opportunity, 3) reducing debt, 4) technology upgradations and 5) other general corporate purposes
 - To acquire the remaining 50% stake in its JV with IHH, Apollo Gleneagles (AGHL) for a cash consideration of ₹ 410 crore

- Bolt on acquisitions in North metro cities (~₹ 200-300 crore)
- H1FY21 saving ~₹ 180 crore
 - FY22 cost savings could be ~₹ 120-150 crore; structural saving ~12-15%
 - Cost of consumable reduced by switching to local suppliers, reducing waste; better stocking
 - Rationalised doctor related cost; reduced outsourcing; lower HR cost; lower promotional and travel (switch to digital tools)
- International patients started trickling in from Bangladesh, Myanmar; long-way to normalcy
- Organically ₹ 500 crore top-line achievable for Diagnostics over 2-3 years
- Proton impacted by international patient drop, but domestic patients coming in; EBITDA breakeven in Q3FY21

Exhibit 3: Trend in quarterly financials

(₹crore)	12FY18	13FY18	14FY18	11FY19	12FY19	13FY19	14FY19	11FY20	12FY20	13FY20	14FY20	11FY21	12FY21	YoY (%)	QoQ (%)
Total Operating Inco	2092.8	2139.1	2109.3	2210.5	2401.6	2495.0	2499.5	2571.9	2840.7	2911.7	2922.4	2171.5	2760.7	-2.8	27.1
Raw Material Expen	1069.3	1117.4	1109.3	1078.3	1227.1	1210.1	1198.7	1237.8	1372.9	1417.2	1471.1	1217.5	1505.1	9.6	23.6
as % revenues	51.1	52.2	52.6	48.8	51.1	48.5	48.0	48.1	48.3	48.7	50.3	56.1	54.5		
Gross Profit	1023.5	1021.7	1000.0	1132.2	1174.5	1285.0	1300.8	1334.1	1467.9	1494.6	1451.4	954.0	1255.6	-14.5	31.6
GPM (%)	48.9	47.8	47.4	51.2	48.9	51.5	52.0	51.9	51.7	51.3	49.7	43.9	45.5		
Employee Expense:	319.9	320.1	329.3	366.8	367.1	418.1	425.6	433.4	468.7	475.4	475.5	448.6	411.6	-12.2	-8.3
as % revenues	15.3	15.0	15.6	16.6	15.3	16.8	17.0	16.9	16.5	16.3	16.3	20.7	14.9		
Other expenditure	478.8	484.5	484.3	536.1	535.5	587.8	581.5	546.4	580.2	589.2	595.8	469.9	544.2	-6.2	15.8
as % revenues	22.9	22.6	23.0	24.3	22.3	23.6	23.3	21.2	20.4	20.2	20.4	21.6	19.7		
Total expenditure	1868.0	1921.9	1923.0	1981.2	2129.7	2215.9	2205.8	2217.6	2421.7	2481.7	2542.4	2136.0	2460.9	1.6	15.2
EBITDA	224.8	217.2	186.3	229.3	271.9	279.1	293.7	354.3	419.0	430.0	380.1	35.5	299.8	-28.4	745.1
EBITDA Margins (%)	10.7	10.2	8.8	10.4	11.3	11.2	11.8	13.8	14.7	14.8	13.0	1.6	10.9	-389 bps	923 bps
Depreciation	83.9	88.8	76.4	95.1	93.6	98.4	104.9	144.0	154.5	157.3	163.9	160.2	149.5	-3.3	-6.7
Interest	83.9	88.8	88.8	76.2	79.1	84.4	85.4	125.8	134.3	137.4	135.2	127.4	122.3	-9.0	-4.0
Other Income	5.5	5.6	5.5	4.6	6.3	12.5	11.8	9.9	3.5	9.7	4.0	7.7	11.3	223.4	46.6
PBT	62.5	45.2	26.6	62.7	105.6	108.7	115.2	94.4	133.7	144.9	84.9	-244.4	39.4	-70.5	LP
Less: Exceptional It	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	198.3	0.0	35.4		
Total Tax	17.6	13.6	8.0	39.3	34.8	53.1	39.1	45.3	50.6	55.4	74.0	-40.8	6.6	-86.9	LP
Tax rate (%)	28.1	30.0	30.0	62.8	33.0	48.9	33.9	47.9	37.8	38.2	87.2	16.7	16.8		
PAT	48.8	43.8	42.1	34.1	80.3	57.0	84.9	57.2	86.2	92.1	219.4	-208.2	60.3	-30.1	LP
Net Profit Margin (%)	2.3	2.0	2.0	1.5	3.3	2.3	3.4	2.2	3.0	3.2	7.5	-9.6	2.2		

Source: ICICI Direct Research, Company

Company Background

Established in 1983, the company is one of the few listed players in the healthcare space. It derives revenues from two broader segments in the standalone accounts - 1) healthcare services i.e. hospitals and 2) standalone pharmacies. In the consolidated accounts, other reporting segments are – 1) hospital revenues from JVs/subsidiaries and associates, 2) Apollo-Munich Health insurance JV, 3) Apollo Health & Lifestyle Ltd, which is the retail healthcare business of Apollo Hospitals.

Apollo owns 70 hospitals with total bed capacity of 10197 beds. Of these 70 hospitals, 44 are owned by the company (including JVs, subsidiaries and associates) while five are managed by the company with 851 beds while 11 are day care/short surgical stay centres with 270 beds and 10 cradles with 260 beds.

In case of managed hospitals, the company charges 5-6% management fees for third party hospitals for project management and consultancy covering all facets of development and operation of a hospital, including market research, technical design, arranging finance, hiring manpower and running the facility.

The healthcare segment has been divided into four clusters- 1) Tamil Nadu Region (Chennai and others), 2) AP, Telangana Region (Hyderabad and others) 3) Karnataka Region (Bangalore and others) and 3) others that include hospitals in Bhubaneswar, Bilaspur, Nashik and Navi Mumbai.

In June 2015, the company acquired a 51% stake in Assam Hospitals Ltd, which runs a 220 bed hospital in Guwahati.

Apollo Healthcare and Lifestyle (AHLL) subsidiary covers the retail healthcare business of the Apollo group, comprising Apollo Clinics, Apollo Sugar, White Dental, Apollo Day Surgery centres and Apollo Cradle. AHLL reported ₹ 696 crore of sales in FY20.

Apollo Sugar Clinics is a one-stop shop for diabetics and offer packages to better manage diabetes through a combination of prescriptions, dietary, exercise regimens and other lifestyle changes apart from management of diabetes related complications. Sanofi has 20% stake in Apollo Sugar Clinics business. The company has 30 Apollo Sugar Clinics.

Apollo Day Surgery centres focus on planned surgeries done in a day/short stay basis. The company has 11 centres as of FY20.

Apollo Cradle denotes lifestyle birthing centres. It launched the first Apollo Cradle in Delhi a decade ago and currently has twelve cradles in the network.

In FY15, AHLL acquired 11 day and short stay surgery centres (over 350 beds) from Nova Specialty Hospitals with a presence in eight cities across India. This acquisition provides APL an opportunity to provide quality healthcare delivery closer to home and also entry in new markets such as Mumbai, Jaipur and Kanpur.

In case of standalone pharmacies, which are basically drug stores chain selling prescription, OTC and private label FMCG products, the company owned 3766 stores as of FY20. In FY15, the company acquired Hyderabad-based Hetero Med Solutions Ltd (HMSL). HMSL has ~320 stores across Telangana, Andhra Pradesh and Tamil Nadu.

The Apollo board has decided to segregate the front-end retail pharmacy business carried out in the standalone pharmacy segment into a separate company Apollo Pharmacies (APL) as part of the proposed reorganisation.

APL to focus on- 1) Building a growth platform for the standalone pharmacies business to get to a medium-term target of over 5000 pharmacy outlets over five years with a goal of over ₹ 10,000 crore sales and 30% RoCE for the standalone pharmacy business in five years, 2) enabling foray into digital commerce as part of AHLL's Omni-channel strategy to provide consumers increased convenience and ability to choose between online and physical stores, 3) enhancing the private label business further from the

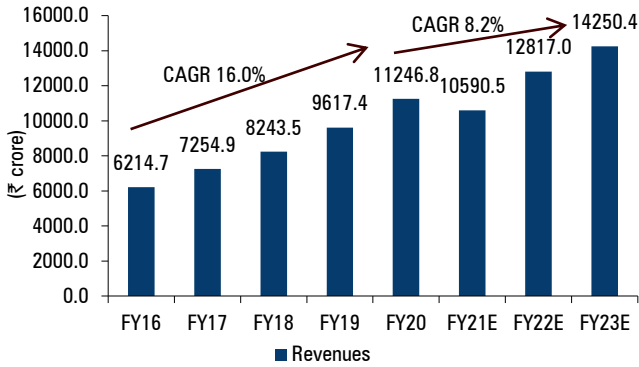
current ~9% levels to over 12% in two years through a combination of both broadening and deepening the product portfolio.

APL will become a wholly-owned subsidiary of Apollo Medicals Pvt Ltd (AMPL). The entire shareholding of AMPL will be held by AHEL and certain identified investors. AHEL will hold 25.5% of total share capital of AMPL with other investors collectively holding the remaining share capital of AMPL. Specifically, Jhelum Investment Fund 1 will hold 19.9%, Hemendra Kothari will hold 9.9% while Enam Securities Pvt Ltd will hold 44.7% of total share capital of AMPL.

AHEL shall have the right to acquire the shares of AMPL from investors in compliance with the regulatory framework. AHEL will be the exclusive supplier for APL under a long-term supplier agreement while AHEL will enter into a brand licencing agreement with APL to licence the "Apollo Pharmacy" brand to the frontend stores and online pharmacy operations. The proposed reorganisation is not expected to have a material impact on the financials of AHEL as the backend business related to the standalone pharmacies, which represents ~85% of the business economics, will continue to be held by AHEL. The structure is likely to take AHEL one step closer to a potential unlocking of value in the standalone pharmacy segment.

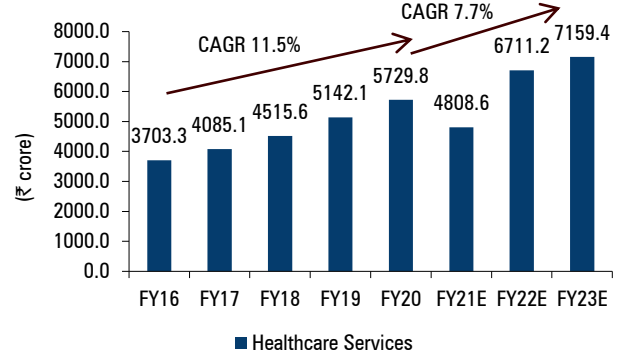
For the purposes of effectuating the restructuring, AHEL will transfer the business of the front-end retail pharmacy business carried out in the standalone pharmacy segment to APL by way of slump sale under a scheme of arrangement with such transfer being effective from April 1, 2019. The slump sale has been decided at ₹ 527.8 crore.

Exhibit 4: Revenues to grow at CAGR of 8% over FY20-23E



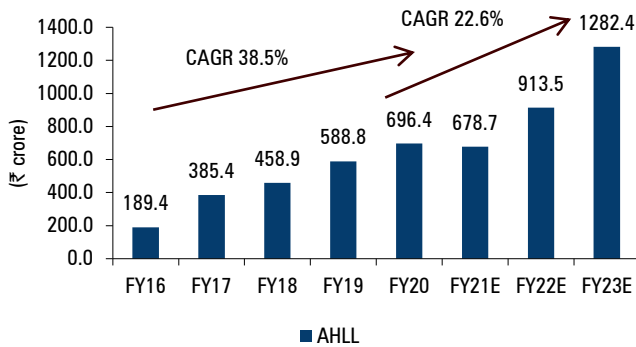
Source: ICICI Direct Research, Company

Exhibit 5: Hospitals to grow at CAGR of 8% over FY20-23E



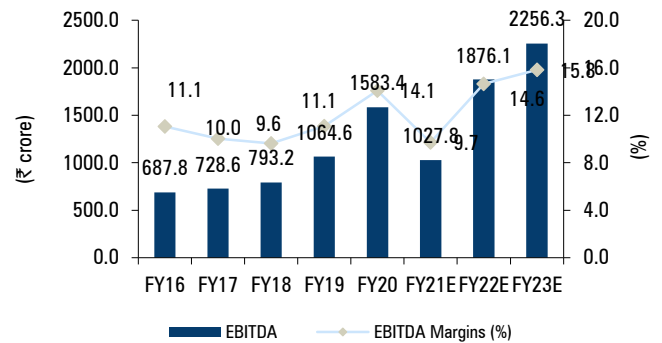
Source: ICICI Direct Research, Company

Exhibit 6: AHLL to grow at CAGR of 23% over FY20-23E



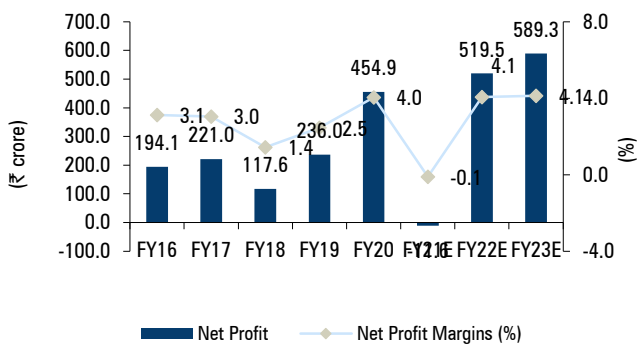
Source: ICICI Direct Research, Company

Exhibit 7: EBITDA & EBITDA margins trend



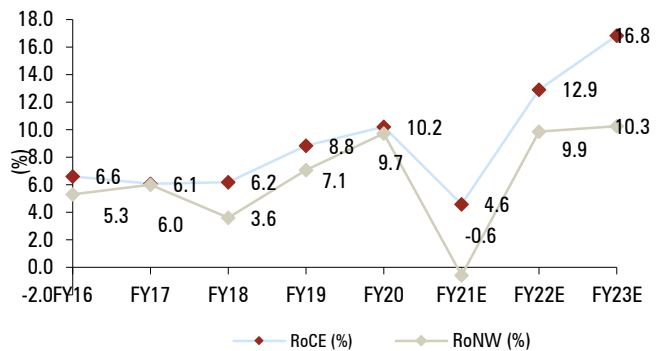
Source: ICICI Direct Research, Company

Exhibit 8: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 9: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 10: Valuation

Particulars	Valuation Matrix	Multiple (x)	EV (₹cr)
Healthcare (Existing Hospitals & JV)	EV/EBITDA	15.0	18,239
Healthcare (New Hospitals)	EV/Sales	1.5	2,899
Pharmacy	EV/Sales	2.0	11,048
Others	EV/Sales	1.5	1,924
Net Debt FY 23E (₹cr)			368.7
Targeted MCap (₹cr)			33,741
No of shares (cr)			14.6
Per Share Value (₹)			2,310

Source: ICICI Direct Research, Bloomberg

Exhibit 11: Summary

	Revenues (₹crore)	Growth (%)	EPS (₹)	Growth (%)	P/E (x)	EV/EBITDA (X)	RoNW (%)	RoCE (%)
FY 20	11247	16.9	22.2	92.7	67.9	21.4	9.7	10.2
FY 21E	10590	-5.8	-1.9	-106.0	NA	31.2	-0.6	4.6
FY 22E	12817	21.0	35.5	-2015.8	59.4	16.9	9.9	12.9
FY 23E	14250	11.2	40.3	13.4	52.4	13.8	10.3	16.8

Source: ICICI Direct Research, Bloomberg

Exhibit 12: Shareholding Pattern

(in %)	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
Promoter	30.8	30.8	30.8	30.8	30.8
Others	69.2	69.2	69.2	69.2	69.2

Source: ICICI Direct Research, Company

Financial Summary

Exhibit 13: Profit & Loss (₹ crore)				
(Year-end March)	FY20	FY21E	FY22E	FY23E
Revenues	11,246.8	10,590.5	12,817.0	14,250.4
Growth (%)	16.9	-5.8	21.0	11.2
Raw Material Expenses	5,498.9	5,489.1	6,266.6	6,967.4
Employee Expenses	1,852.9	1,792.4	2,169.2	2,411.8
Other expenditure	2,311.6	2,281.2	2,505.1	2,614.9
Total Operating Expenditure	9,663.4	9,562.7	10,940.9	11,994.1
EBITDA	1,583.4	1,027.8	1,876.1	2,256.3
Growth (%)	48.7	-35.1	82.5	20.3
Depreciation	619.7	608.5	626.0	643.4
Interest	532.8	433.1	261.8	156.8
Other Income	27.0	42.2	25.6	28.5
PBT before exceptionals	457.9	28.4	1,013.9	1,484.5
Less: Exceptional Items	-198.3	-35.4	0.0	0.0
PBT	656.2	63.8	1,013.9	1,484.5
Total Tax	225.2	35.9	354.9	519.6
MI & Profit from Associate	23.9	-39.6	-139.6	-375.6
Adjusted PAT	454.9	-27.1	519.5	589.3
Growth (%)	92.7	-106.0	-2,015.8	13.4
EPS (Adjusted)	22.2	-1.9	35.5	40.3

Source: ICICI Direct Research

Exhibit 15: Balance Sheet (₹ crore)				
(Year-end March)	FY20	FY21E	FY22E	FY23E
Equity Capital	69.6	69.6	69.6	69.6
Reserve and Surplus	3,269.5	4,759.9	5,190.2	5,678.2
Total Shareholders funds	3,339.1	4,829.5	5,259.8	5,747.8
Total Debt	3,595.6	2,445.6	1,745.6	1,045.6
Deferred Tax Liability	294.2	300.1	306.1	312.2
Minority Interest	130.7	119.9	140.1	176.2
Long term provisions	10.1	10.3	10.5	10.7
Other Non Current Liabilities	2,375.0	2,422.5	2,471.0	2,520.4
Total Liabilities	9,744.7	10,127.9	9,933.0	9,812.9
Gross Block - Fixed Assets	7,429.2	7,929.2	8,189.2	8,449.2
Accumulated Depreciation	1,996.6	2,605.1	3,231.1	3,874.5
Net Block	5,432.6	5,324.1	4,958.1	4,574.7
Capital WIP	235.5	311.1	311.1	311.1
Goodwill on Consolidation	346.2	335.5	335.5	335.5
Total Fixed Assets	7,661.7	7,107.6	6,741.6	6,358.2
Investments	440.0	740.0	1,040.0	1,340.0
Inventory	737.8	694.7	840.8	934.8
Debtors	1,027.2	967.3	1,170.6	1,301.5
Loans & Advances, & other	456.4	645.6	332.1	294.9
Cash	466.8	1,143.7	834.3	676.9
Total Current Assets	2,572.0	3,152.7	3,199.7	3,274.3
Creditors	908.8	855.8	1,035.7	1,151.5
Provisions & Other CL	393.0	410.6	426.2	474.9
Total Current Liabilities	1,593.7	1,554.4	1,748.2	1,878.3
Net Current Assets	978.3	1,598.3	1,451.4	1,396.0
Long term loans & advances	615.1	627.4	640.0	652.7
Deferred Tax Assets	49.6	54.6	60.0	66.0
Application of Funds	9,744.7	10,127.8	9,933.0	9,812.9

Source: ICICI Direct Research

Exhibit 14: Cash Flow Statement (₹ crore)				
(Year-end March)	FY20	FY21E	FY22E	FY23E
Profit/(Loss) after taxation	259.4	-11.6	519.5	589.3
Add: Depreciation & Amortization	619.7	608.5	626.0	643.4
Working Capital Changes	-83.1	56.9	-162.5	-102.0
CF from operating activities	796.0	653.8	983.0	1,130.8
Change in Capex	-510.0	-54.4	-260.0	-260.0
(Inc)/dec in Investments	229.6	-300.0	-300.0	-300.0
Others	19.8	25.5	56.9	73.0
CF from investing activities	-260.6	-328.9	-503.1	-487.0
Issue of Equity	0.0	1,500.0	0.0	0.0
Inc/(dec) in loan funds	-57.1	-1,150.0	-700.0	-700.0
Dividend paid & dividend tax	-155.1	2.0	-89.2	-101.2
Others	-697.3	0.0	0.0	0.0
CF from financing activities	-909.6	352.0	-789.2	-801.2
Net Cash flow	-374.2	676.9	-309.4	-157.4
Opening Cash	347.0	466.8	1,143.7	834.3
Closing Cash	-27.2	1,143.7	834.3	676.9
Free Cash Flow	285.9	599.4	723.0	870.8

Source: ICICI Direct Research

Exhibit 16: Key Ratios (₹ crore)				
(Year-end March)	FY20	FY21E	FY22E	FY23E
Per share data (₹)				
Adjusted EPS	22.2	-1.9	35.5	40.3
BV per share	228.3	330.3	359.7	393.1
Dividend per share	7.2	-0.1	6.1	6.9
Cash Per Share	31.9	78.2	57.1	46.3
Operating Ratios (%)				
Gross Profit Margins	51.1	48.2	51.1	51.1
EBITDA margins	14.1	9.7	14.6	15.8
Net Profit margins	2.9	-0.3	4.1	4.1
Inventory days	23.9	23.9	23.9	23.9
Debtor days	33.3	33.3	33.3	33.3
Creditor days	29.5	29.5	29.5	29.5
Asset Turnover	1.5	1.3	1.6	1.7
EBITDA Conversion Rate	50.3	63.6	52.4	50.1
Return Ratios (%)				
RoE	9.7	-0.6	9.9	10.3
RoCE	10.2	4.6	12.9	16.8
RoIC	10.9	4.9	14.5	18.7
Valuation Ratios (x)				
P/E	67.9	NA	59.4	52.4
EV / EBITDA	21.4	31.2	16.9	13.8
EV / Net Sales	3.0	3.0	2.5	2.2
Market Cap / Sales	2.7	2.9	2.4	2.2
Price to Book Value	9.2	6.4	5.9	5.4
Solvency Ratios				
Debt / EBITDA	2.3	2.4	0.9	0.5
Debt / Equity	1.1	0.5	0.3	0.2
Net Debt / Equity	1.0	0.5	0.3	0.2
Current Ratio	1.3	1.3	1.4	1.4

Source: ICICI Direct Research

Exhibit 17: ICICI Direct Coverage Universe (Healthcare)

Company	I-Direct Code	CMP (₹)	TP Rating	M Cap (₹cr)	EPS (₹)				PE(x)				RoCE (%)				RoE (%)				
					FY19	FY20	Y21E	Y22E	FY19	FY20	FY21E	Y22E	FY19	Y20	Y21E	Y22E	FY19	FY20	Y21E	Y22E	
Ajanta Pharma	AJAPHA	1551	1,960	Buy	13534	43.5	53.4	62.7	73.8	35.6	29.1	24.7	21.0	21.8	24.7	25.4	24.5	17.1	18.1	18.4	18.6
Alembic Pharma	ALEMPHA	957	1,170	Buy	18815	31.4	46.3	59.7	48.4	30.4	20.7	16.0	19.8	19.6	21.0	22.2	16.9	21.8	27.1	22.9	16.2
Apollo Hospital	APOHOS	2111	2,310	Hold	29372	16.1	22.2	-1.9	35.5	130.8	95.1	NA	59.4	8.8	10.2	4.6	12.9	7.1	9.7	-0.6	9.9
Aurobindo Pharma	AURPHA	850	1,025	Buy	49805	41.9	48.8	56.0	63.4	20.3	17.4	15.2	13.4	15.9	17.2	18.1	17.7	17.7	17.0	14.5	14.2
Biocon	BIOCON	418	500	Buy	50148	6.2	5.8	8.4	15.8	67.3	71.8	50.0	26.5	10.9	10.2	11.7	18.2	12.2	10.4	13.2	20.3
Cadila Healthcare	CADHEA	416	555	Buy	42634	18.1	14.0	19.8	22.1	23.1	29.8	21.0	18.8	12.8	10.7	13.6	14.3	17.8	13.8	15.7	15.4
Cipla	CIPLA	742	925	Buy	59861	18.6	19.2	27.6	30.4	39.9	38.6	26.9	24.4	10.9	12.0	15.5	15.5	10.0	9.8	12.6	12.5
Divi's Lab	DIVLAB	3353	4,205	Buy	89016	51.0	51.9	73.0	89.9	65.8	64.7	45.9	37.3	25.5	23.9	28.4	28.7	19.4	18.8	22.2	22.3
Dr Reddy's Lab	DRREDD	4882	6,000	Buy	81178	114.7	121.9	168.4	194.4	42.6	40.1	29.0	25.1	10.7	9.6	17.5	19.3	13.6	13.0	15.5	15.5
Glenmark Pharma	GLEPHA	481	635	Buy	13567	26.9	26.4	36.5	37.6	17.9	18.2	13.2	12.8	15.3	12.7	14.9	14.1	13.5	12.2	14.5	13.1
Hikal	HIKCHE	174	230	Buy	2145	8.4	8.1	10.2	12.2	20.8	21.5	17.1	14.2	14.3	12.8	13.6	14.9	13.6	12.2	13.5	14.2
Ipca Laboratories	IPCLAB	2041	2,665	Buy	25886	34.9	47.6	93.0	89.3	58.5	42.9	22.0	22.9	15.0	17.6	27.1	21.7	14.2	16.6	24.7	19.3
Jubilant Life	JUBLIF	689	850	Buy	10972	54.9	59.9	54.4	70.3	12.6	11.5	12.7	9.8	14.3	14.4	14.7	16.9	17.8	16.6	13.2	14.7
Lupin	LUPIN	911	985	Hold	41298	16.5	-12.7	22.6	38.4	55.1	NA	40.3	23.7	9.4	9.7	8.9	13.5	5.4	-4.6	7.6	11.6
Narayana Hrudayam	NARHRU	342	405	Buy	6988	2.9	6.4	-4.2	8.3	117.8	53.8	NA	41.1	7.7	11.0	-2.4	12.8	5.5	11.4	-8.3	14.2
Natco Pharma	NATPHA	900	950	Buy	16396	35.4	25.3	31.0	29.7	25.4	35.6	29.1	30.3	21.3	14.0	16.1	14.2	18.5	12.2	13.4	11.6
Sun Pharma	SUNPHA	506	585	Buy	121415	15.9	16.8	25.5	23.1	31.9	30.2	19.8	21.9	10.3	10.0	11.4	12.4	9.2	8.9	12.9	10.5
Syngene Int.	SYNINT	541	635	Buy	21654	8.3	10.3	9.5	13.2	65.5	52.6	56.8	41.1	14.8	14.5	12.4	15.8	16.8	15.7	14.9	17.2
Torrent Pharmaceuticals	TORPHA	2556	3,135	Buy	43254	48.9	60.6	71.0	85.9	52.2	42.2	36.0	29.7	14.2	15.4	18.0	20.2	17.5	21.2	21.0	21.3
Shalby	SHALIM	92	100	Hold	994	2.9	2.6	4.2	4.8	31.4	36.0	22.1	19.1	6.8	7.2	5.8	7.8	4.1	3.5	5.3	5.9
Aster DM	ASTDM	141	170	Buy	7026	6.7	5.5	3.1	9.9	21.1	25.4	45.3	14.2	8.3	7.1	5.2	9.1	10.4	8.5	4.5	12.7
Indoco Remedies	INDREM	255	335	Buy	2353	-0.3	2.6	9.3	14.8	NA	97.6	27.5	17.2	0.9	4.6	11.4	15.6	-0.4	3.5	11.4	15.7
Caplin Point	CAPPOI	454	605	Buy	3435	23.3	28.4	33.5	43.5	19.5	16.0	13.6	10.4	34.6	26.5	26.9	28.1	27.9	22.7	21.5	22.3
Granules India	GRANUL	375	460	Buy	9282	9.5	12.4	21.4	25.2	39.3	30.2	17.5	14.9	11.8	15.2	22.9	23.1	15.5	16.7	22.6	21.2
Laurus Labs	LAULAB	282	390	Buy	15128	1.7	4.8	16.0	17.7	161.3	59.3	17.6	16.0	7.7	13.0	30.4	28.0	6.0	14.4	33.8	27.9

Source: ICICI Direct Research, Bloomberg

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorises them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%;

Hold: -5% to 15%;

Reduce: -5% to -15%;

Sell: <-15%



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

ANALYST CERTIFICATION

We /I, Siddhant Khandekar, Inter CA, Mitesh Shah, (cleared all 3 levels of CFA), Sudarshan Agarwal, PGDM (Finance), Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities Limited is a SEBI registered Research Analyst with SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.