

Strong growth; significant deleveraging...

Q2FY21 revenues grew 13.5% YoY to ₹ 3820 crore (I-direct estimate: ₹ 3567 crore) vs. ₹ 3367 crore in Q2FY20. US sales grew a robust 18% YoY to ₹ 1709 crore. Domestic formulations grew 11.2% YoY to ₹ 1087 crore. Wellness segment grew 5.7% YoY to ₹ 335 crore. Emerging markets grew 7.9% YoY to ₹ 236 crore. API segment grew 52.2% YoY to ₹ 160 crore. EBITDA margins expanded 402 bps YoY to 22.6% (I-direct estimate: 20.7%) due to lower employee & other expenses. Subsequently, EBITDA grew 38.0% YoY to ₹ 863 crore (I-direct estimate: ₹ 740 crore). Adjusting for exceptional items PAT grew 82.3% YoY to ₹ 578 crore (I-direct estimates: ₹ 400 crore). Delta vis-à-vis EBITDA was mainly due to lower interest cost.

US expected to grow on new launches

US (44% of FY20 revenues) grew at ~12% CAGR in FY16-20 backed by aggressive filings, product launches. Launch of authorised generics also contributed to overall growth. US pipeline (cumulative) comprises 390+ filed ANDAs, 311 having final approvals. However, resurfacing of cGMP issues at Moraiya, imminent slowdown in base are main near term headwinds. We expect US sales to grow at ~7% CAGR in FY20-23E to ₹ 7718 crore.

India to witness restructuring; focus on profitable SKUs

With a market share of 4.1%, Cadila is the fifth largest player in the domestic formulations market, as per AIOCD September 2020. The acute: chronic: sub-chronic ratio for the company is 53:32:15. Domestic formulation grew at a CAGR of 5.7% in FY16-20 backed by new launches and acquisition of Biochem. Recently, the company optically initiated restructuring of business by rationalising slow moving SKUs. We expect Indian formulations to grow at a CAGR of ~11% in FY20-23E to ₹ 5021 crore.

Valuation & Outlook

Q2 revenues were above I-direct estimates on all fronts due to better than expected operational performance and lower interest expense. On the US front, the company plans to venture into complex injectables (69 filed ANDAs), which is likely to provide meaningful traction from FY23-24 onwards. Similarly, addition of biosimilars (like Trastuzumab, Adalimumab, Pegfilgrastim, Bevacizumab, etc) for Emerging markets (like LatAm, MENA markets and South East Asia) are expected to provide growth impetus, going ahead. The wellness segment performance hinges upon Cadila's marketing & distribution prowess besides effective product positioning. India formulations business, after recent restructuring, is likely to stabilise. However, more importantly, it has significantly improved net debt position in H1FY21 (down 40% from FY20) utilising proceeds from QIP of consumer wellness business and through internal accruals amid better working capital control. Overall, continued b/s reduction, Moraiya warning letter resolution, US base business performance in tough times are some important aspects to watch. We arrive at our TP of ₹ 555 based on 22x FY23E EPS of ₹ 25.2.

Key Financial Summary

(₹ crore)	FY20	FY21E	FY22E	FY23E	CAGR (FY20-23E) %
Revenues	14253.1	15656.5	17030.5	18407.7	8.9
EBITDA	2742.0	3346.2	3673.1	4089.1	14.2
EBITDA margins (%)	19.2	21.4	21.6	22.2	
Net Profit	1430.1	2031.7	2265.8	2577.6	21.7
EPS (₹)	14.0	19.8	22.1	25.2	
PE (x)	38.3	23.4	19.9	17.5	
EV to EBITDA (x)	19.0	14.9	13.2	11.6	
RoE (%)	13.8	15.7	15.4	15.4	
RoCE (%)	10.7	13.6	14.3	15.2	

Source: ICICI Direct Research, Company



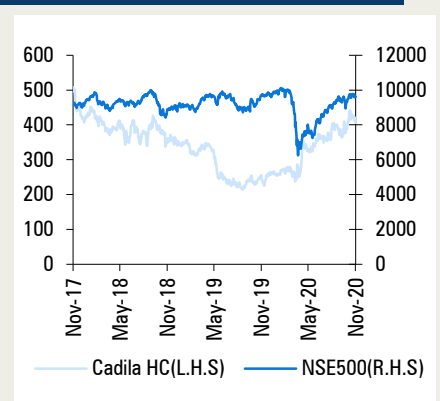
Particulars

Particular	Amount
Market Capitalisation	₹45045 crore
Debt (FY 20)	₹7999 crore
Cash (FY 20)	₹965 crore
EV	₹52079 crore
52 week H/L	451/213
Equity capital	₹102 crore
Face value	₹1

Key Highlights

- Q2 revenues above our estimates on all fronts due to better than expected operational performance
- Balance sheet reduction, Moraiya warning letter resolution, US base business performance key monitorables
- Maintain BUY

Particulars



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Exhibit 1: Variance Analysis

	Q2FY21	Q2FY21E	Q2FY20	Q1FY21	YoY (%)	QoQ (%)	Comments
Revenue	3820.0	3566.9	3366.6	3639.9	13.5	4.9	YoY growth mainly due to strong growth in the US, EU, API and animal health segments
Raw Material Expenses	1322.3	1230.6	1156.5	1250.3	14.3	5.8	
Employee Expenses	616.5	613.5	596.7	634.5	3.3	-2.8	
Other expenditure	1017.8	982.8	987.8	939.7	3.0	8.3	Lower spend on marketing and travelling cost
EBITDA	863.4	740.0	625.6	815.4	38.0	5.9	
EBITDA (%)	22.6	20.7	18.6	22.4	402 bps	20 bps	YoY improvement mainly due to lower employee cost and other expenditure
Interest	45.7	77.0	89.7	67.7	-49.1	-32.5	
Depreciation	179.0	185.0	172.3	176.8	3.9	1.2	
Other Income	27.5	24.3	26.9	22.5	2.2	22.2	
PBT before EO & Forex	666.2	502.4	390.5	593.4	70.6	12.3	
EO	132.0	0.0	268.1	0.0	-50.8	0.0	
PBT	534.2	502.4	122.4	593.4	336.4	-10.0	
Tax	110.6	100.5	39.5	123.5	180.0	-10.4	
Tax rate (%)	20.7	20.0	32.3	20.8	-35.8	-0.5	
Net Profit	473.4	400.1	107.2	454.0	341.6	4.3	
Adjusted PAT	578.1	400.1	317.1	454.0	82.3	27.3	YoY growth and beat vis-à-vis I-direct estimates mainly due to strong operational performance and lower interest cost
Key Metrics							
India	1087.0	958.2	977.8	829.2	11.2	31.1	YoY growth and beat vis-à-vis I-direct estimates amid Covid related launches and double digit growth in speciality portfolio
US	1709.0	1609.5	1448.4	1623.2	18.0	5.3	YoY growth mainly due to volume growth and new launches. Beat vis-à-vis I-direct estimates mainly due to higher than expected base business growth
Europe	54.6	46.8	40.7	48.9	34.2	11.7	
EMs	236.1	251.7	218.9	237.5	7.9	-0.6	
Wellness	335.2	333.1	317.2	531.6	5.7	-36.9	
JVs	19.6	16.5	1.5	22.8	1206.7	-14.0	
APIs	159.7	125.9	104.9	130.9	52.2	22.0	YoY growth and beat vis-à-vis mainly due to better than expected demand
Animal Health & Others	161.1	134.8	134.8	125.2	19.5	28.7	YoY growth and beat vis-à-vis mainly due to return in demand of animal and poultry products

Source: ICICI Direct Research

Exhibit 2: Change in Estimates

₹ Crore)	FY21E			FY22E		
	Old	New	% Change	Old	New	% Change
Revenue	15,474.7	15,656.5	1.2	16,908.4	17,030.5	0.7
EBITDA	3,303.8	3,346.2	1.3	3,673.0	3,673.1	0.0
EBITDA Margin (%)	21.3	21.4	7 bps	21.7	21.6	-13 bps
PAT	1,856.3	1,926.6	3.8	2,181.0	2,265.8	3.9
EPS (₹)	18.1	18.8	4.0	21.3	22.1	3.9

Source: ICICI Direct Research

Exhibit 3: Change in Estimates

₹ crore)	Current				Earlier		Comments
	FY19	FY20	FY21E	FY22E	FY21E	FY22E	
India	3,533.8	3,714.1	3,943.6	4,483.1	3,834.4	4,431.6	
US	6,279.5	6,251.4	7,049.5	7,350.5	7,090.5	7,425.7	
Europe	226.8	195.7	221.9	246.5	220.2	244.6	
EMs	831.2	875.3	1,035.1	1,138.6	1,050.7	1,196.5	
Wellness	807.6	1,737.9	1,746.2	1,949.7	1,753.6	1,957.7	
JVs	132.3	69.8	79.4	82.8	66.8	70.3	Changed mainly due to higher-than-expected growth in H1FY21
APIs	424.5	453.0	616.0	697.3	517.1	543.0	Changed as per management guidance and higher-than-expected growth in H1FY21
Animal Health & Others	512.9	514.9	608.8	694.7	551.0	612.3	Changed as per management guidance and higher-than-expected growth in H1FY21

Source: ICICI Direct Research

Conference Call Highlights

- Q2FY21 R&D: ₹ 282.1 crore; Capex for H1FY21: ₹ 278.2 crore
- The company has launched Remdesivir injection in India and Emerging markets
 - Good uptick expected on back of an economical price point
- Net debt reduced by ₹ 2709 crore in H1FY21. Net debt as on September 30, 2020 was at ₹ 4031 crore against ₹ 6740 crore as on March 31, 2020
 - Total ₹ 1000 crore through Zydus Wellness QIP and rest through internal accruals (amid better working capital control)
- India - Gained market share in gynaecology, pain management, anti-infectives, anti-diabetic and hormones portfolio during the quarter
 - Human formulations led by strong chronic and specialty growth; launch of Remdesivir
 - Animal health business grew due to good demand and brand equity; poultry is reviving
- US – The company launched six new products in the US. Cadila received approval for 10 new products (including two tentative approvals) and filed five additional ANDAs with the USFDA
 - Cumulative injectable filings: 69 with 53 being already USFDA approved
 - Continued traction and volume expansion leading to double digit growth
 - Lialda market share maintained due to complexity
- Emerging markets grew 12% in constant currency terms
- Plans to launch 30-35 products in FY21 and 40-45 in FY22
- Completed remediation measures for Moraiya warning letter, reached out to USFDA for further procedure
 - Transdermals to pick up in the next 2.5 years post Moraiya resolution
- R&D guidance: 7-8% of sales for H2FY21
- API segment to see good growth on the back of a good portfolio mix and cost efficiencies
- The government has discontinued the export incentive (MSME) scheme that will impact other operating income in Q3 (₹ 2 crore ceiling applied), but another scheme is in the works
- The company has plans to increase vaccine manufacture capacity by 70%
- Saroglitazar Magnesium
 - Indication 1: Primary Biliary Cholangitis (PBC) – Phase 2 completed, to begin Phase 3 trials by December with results expected by March 2021, to likely come to market in 2023-24
 - Indication 2: Non Alcoholic Steato Hepatitis (NASH) – Phase 2b application submitted to USFDA, likely filing for approval by CY24-25

- Plans to partner with MNCs to manufacture, distribute Covid vaccines for them
 - Scale-up takes four to six months depending on the vaccine platform

Exhibit 4: Trends in quarterly financials

(₹Crore)	12FY18	13FY18	14FY18	11FY19	12FY19	13FY19	14FY19	11FY20	12FY20	13FY20	14FY20	11FY21	12FY21	YoY (%)	1oQ (%)
Total Operating Income	3234.0	3259.6	3250.2	2893.7	2961.2	3577.9	3732.8	3496.3	3366.6	3638.1	3752.1	3639.9	3820.0	13.5	4.9
Raw Material Expense	1100.7	1124.6	1083.3	986.6	991.9	1352.5	1385.7	1259.5	1156.5	1244.3	1259.7	1250.3	1322.3	14.3	5.8
% of revenue	34.0	34.5	33.3	34.1	33.5	37.8	37.1	36.0	34.4	34.2	33.6	34.3	34.6		
Gross Profit	2133.3	2135.0	2166.9	1907.1	1969.3	2225.4	2347.1	2236.8	2210.1	2393.8	2492.4	2389.6	2497.7	13.0	4.5
Gross Profit Margin (%)	66.0	65.5	66.7	65.9	66.5	62.2	62.9	64.0	65.6	65.8	66.4	65.7	65.4	-26 bps	-27 bps
Employee Expenses	459.2	460.8	491.5	526.6	521.2	524.0	552.3	589.8	596.7	619.0	609.0	634.5	616.5	3.3	-2.8
% of revenue	14.2	14.1	15.1	18.2	17.6	14.6	14.8	16.9	17.7	17.0	16.2	17.4	16.1		
Other Expenditure	817.0	833.0	805.0	735.5	760.3	861.8	994.4	1015.0	987.8	1081.6	1092.2	939.7	1017.8	3.0	8.3
% of revenue	25.3	25.6	24.8	25.4	25.7	24.1	26.6	29.0	29.3	29.7	29.1	25.8	26.6		
Total Expenditure	2376.9	2418.4	2379.8	2248.7	2273.4	2738.3	2932.4	2864.3	2741.0	2944.9	2960.9	2824.5	2956.6	7.9	4.7
% of revenue	73.5	74.2	73.2	77.7	76.8	76.5	78.6	81.9	81.4	80.9	78.9	77.6	77.4		
EBITDA	857.1	841.2	870.4	645.0	687.8	839.6	800.4	632.0	625.6	693.2	791.2	815.4	863.4	38.0	5.9
EBITDA Margins (%)	26.5	25.8	26.8	22.3	23.2	23.5	21.4	18.1	18.6	19.1	21.1	22.4	22.6	402 bps	20 bps
Depreciation	126.7	147.3	144.0	141.8	147.5	153.7	155.6	171.6	172.3	174.1	178.5	176.8	179.0	3.9	1.2
Interest	40.6	13.5	15.4	35.0	35.7	45.5	77.3	89.1	89.7	80.5	82.5	67.7	45.7	-49.1	-32.5
Other Income	22.5	41.1	28.7	101.3	30.4	31.0	38.4	22.6	26.9	20.1	44.3	22.5	27.5	2.2	22.2
Forex & E O	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-268.1	-1.6	-52.5	0.0	-132.0		
PBT	712.3	721.5	739.7	569.5	535.0	671.4	605.9	393.9	122.4	457.1	522.0	593.4	534.2	336.4	-10.0
Total Tax	212.3	178.6	144.2	120.3	124.7	158.6	126.7	79.1	39.5	92.7	108.5	123.5	110.6	180.0	-10.4
Tax rate (%)	29.8	24.8	19.5	21.1	23.3	23.6	20.9	20.1	32.3	20.3	20.8	20.8	20.7	-1156.7	-10.8
PAT before MI	500.0	542.9	595.5	449.2	410.3	512.8	479.2	314.8	82.9	364.4	413.5	469.9	423.6	411.0	-9.9
Minority Interest	9.3	10.1	8.3	8.8	10.7	10.9	21.6	21.5	-13.2	-2.5	21.8	32.6	-38.4	190.9	-217.8
PAT	503.3	543.3	606.7	461.0	417.5	510.4	460.1	303.8	107.2	373.9	391.9	454.0	473.4	341.6	4.3
Adjusted PAT	503.3	543.3	606.7	461.0	417.5	510.4	460.1	303.8	317.1	375.2	433.5	454.0	578.1	82.3	27.3
Adjusted EPS (₹)	4.9	5.3	5.9	4.5	4.1	5.0	4.5	3.0	3.1	3.7	4.2	4.4	5.6		

Source: ICICI Direct Research

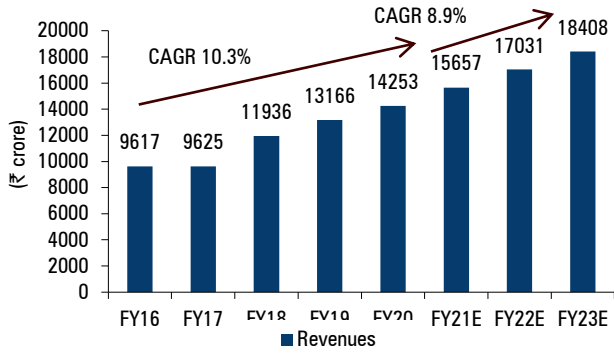
Company Background

The company was established in 1952 and restructured in 1995 post a family split. Cadila is one of the old generation family owned pedigree companies which, after establishing a strong base in domestic formulations, shifted focus to the exports markets. Over FY10-20, revenues and EBITDA have grown 3-4x while PAT has more than doubled. US has been the key driver for the company in the past five years and grew at ~12% CAGR in FY16-20, though the annual growth was volatile due to warning letters. It has received repeated warning letters (in FY12, FY16) from USFDA for its Moraiya facility (Gujarat). We believe that despite the headwinds, the US is likely to remain a key growth driver for the company due to aggressive filings and robust pending approvals.

Domestic growth remained steady in the past five years though JVs, wellness and other segments growth were volatile. On the margins front, base business EBITDA margins have been hovering in the range of 19-24% in the past five years. We believe the US and Indian formulations will remain main growth drivers, going ahead.

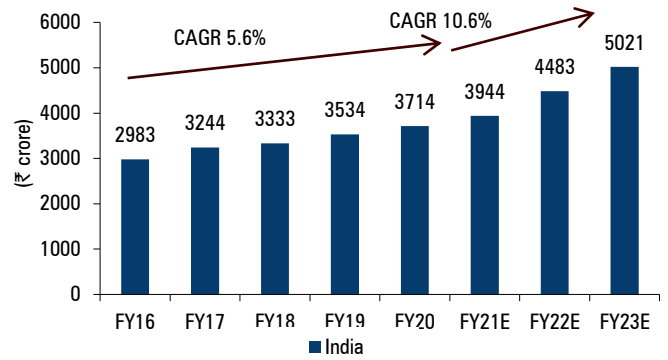
In FY19, the company acquired US-based Kraft Heinz's India business comprising Complian, Glucon-D, Nycil and Sampriti Ghee brands in addition to two manufacturing facilities for ~₹ 4600 crore. Other major brands in the company's wellness portfolio include Sugar Free, EverYuth and Nutralite. Post the acquisition (completed in January 2019), the wellness segment now contributes ~12% to the company's topline, up from the earlier 4% in FY16.

Exhibit 5: Revenues to grow at CAGR of 9% over FY20-23E



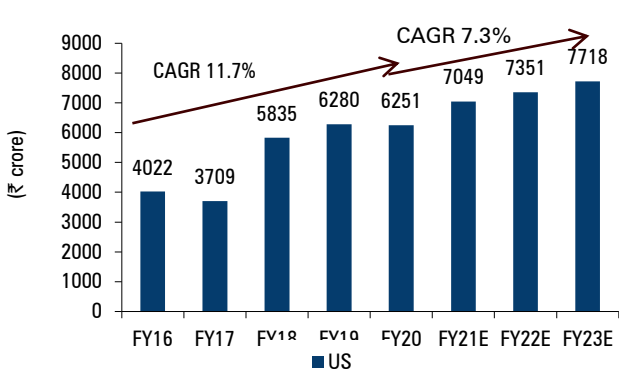
Source: ICICI Direct Research, Company

Exhibit 6: Domestic to grow at ~11% CAGR in FY20-23E



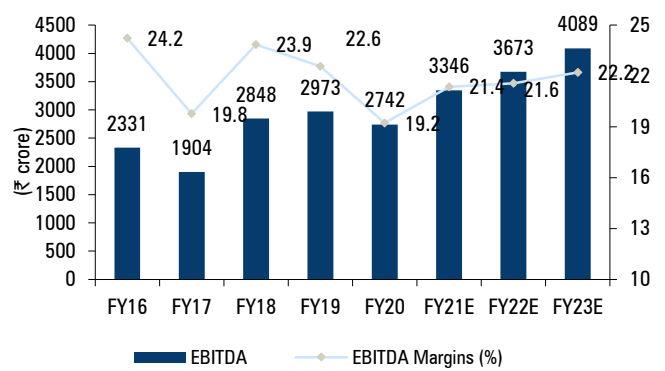
Source: ICICI Direct Research, Company

Exhibit 7: US to grow at CAGR of ~7% over FY20-23E



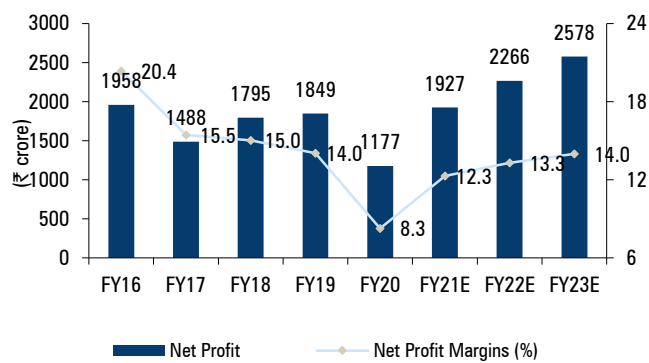
Source: ICICI Direct Research, Company

Exhibit 8: EBITDA & EBITDA margins trend



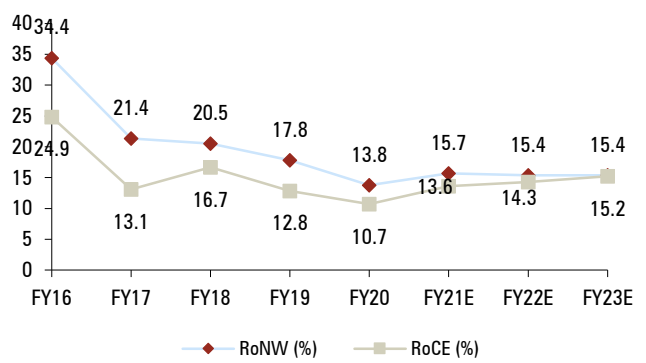
Source: ICICI Direct Research, Company

Exhibit 9: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 10: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 11: Revenue Mix

(₹ crore)	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E	CAGR (FY16-20) %	CAGR (FY20-23E) %
India	2,983	3,244	3,333	3,534	3,714	3,944	4,483	5,021	5.6	10.6
US	4,022	3,709	5,835	6,280	6,251	7,049	7,351	7,718	11.7	7.3
Europe	295	262	240	227	196	222	246	271	-9.8	11.5
EMs	690	749	762	831	875	1,035	1,139	1,252	6.1	12.7
Wellness	432	459	492	808	1,738	1,746	1,950	2,106	41.6	6.6
JVs	263	159	159	132	70	79	83	89	-28.2	8.6
Total APIs	365	380	366	425	453	616	697	767	5.6	19.2
Animal Healthcare	320	453	480	513	515	609	695	764	12.6	14.1

Source: ICICI Direct Research, Company

Exhibit 12: Valuation

	Revenues	Growth	EPS	Growth	P/E V/EBITDA		RoE	RoCE
	(₹crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY 20	14253	8.3	14.0	-22.7	38.3	19.0	13.8	10.7
FY 21E	15657	9.8	19.8	42.1	23.4	14.9	15.7	13.6
FY 22E	17031	8.8	22.1	11.5	19.9	13.2	15.4	14.3
FY 23E	18408	8.1	25.2	13.8	17.5	11.6	15.4	15.2

Source: ICICI Direct Research, Company

Exhibit 13: Shareholding Pattern

(in %)	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
Promoter	74.9	74.9	74.9	74.9	74.9
Others	25.1	25.1	25.1	25.1	25.1

Source: ICICI Direct Research, Company

Financial Summary

Exhibit 14: Profit & Loss (₹ crore)

(Year-end March)	FY20	FY21E	FY22E	FY23E
Revenues	14,253.1	15,656.5	17,030.5	18,407.7
Growth (%)	8.3	9.8	8.8	8.1
Raw Material Expenses	4,920.0	5,462.5	5,880.3	6,258.6
Employee Expenses	2,414.5	2,590.9	2,786.2	2,989.6
Other expenses	4,176.6	4,256.9	4,690.9	5,070.3
Total Operating Expenditure	11,511.1	12,310.3	13,357.4	14,318.5
EBITDA	2,742.0	3,346.2	3,673.1	4,089.1
Growth (%)	-7.8	22.0	9.8	11.3
Depreciation	696.5	713.8	800.1	860.1
Interest	341.8	204.8	148.3	113.8
Other Income	113.9	108.4	133.1	143.9
Less: Exceptional Items	322.2	132.0	0.0	0.0
PBT after Exceptional Item	1,495.4	2,404.0	2,857.9	3,259.2
Total Tax	319.8	489.4	571.6	651.8
Minority Interest	27.6	23.4	56.2	65.8
PAT	1,176.8	1,926.6	2,265.8	2,577.6
Adjusted PAT	1,430.1	2,031.7	2,265.8	2,577.6
Growth (%)	-22.7	42.1	11.5	13.8
EPS (Adjusted)	14.0	19.8	22.1	25.2

Source: ICICI Direct Research

Exhibit 15: Cash Flow Statement (₹ crore)

(Year-end March)	FY20	FY21E	FY22E	FY23E
Profit/(Loss) after taxation	1,193.3	1,926.6	2,265.8	2,577.6
Add: Depreciation	696.5	713.8	800.1	860.1
Net Increase in Current Assets	224.9	-507.8	-708.7	-719.7
Net Increase in Current Liabilities	-95.5	301.3	284.9	290.6
Other Operating Activities	486.2	204.8	148.3	113.8
CF from operating activities	2,505.4	2,638.7	2,790.4	3,122.4
(Inc)/dec in Fixed Assets	-888.8	-800.0	-800.0	-800.0
Loan & Advances	0.0	-53.5	-58.3	-63.5
(Inc)/dec in MI	0.0	23.4	56.2	65.8
Other Investing Activities	-206.8	-32.5	-35.4	-638.6
CF from investing activities	-1,095.6	-862.5	-837.5	-1,436.3
Inc/(dec) in loan funds	-348.9	-2,699.9	-1,000.0	-1,000.0
Dividend paid & dividend tax	-856.9	-447.0	-498.5	-567.1
Inc/(dec) in forex reserve	0.0	0.0	0.0	0.0
Interest Paid	111.6	-204.8	-148.3	-113.8
Other Financing Activities	0.0	1,100.0	0.0	0.0
CF from financing activities	-1,094.2	-2,251.7	-1,646.8	-1,680.9
Net Cash flow	315.6	-475.5	306.1	5.3
Opening Cash	649.3	964.9	489.4	795.5
Closing Cash	964.9	489.4	795.5	800.8
Free Cash Flow	1,616.6	1,838.7	1,990.4	2,322.4

Source: ICICI Direct Research

Exhibit 16: Balance Sheet (₹ crore)

(Year-end March)	FY20	FY21E	FY22E	FY23E
Equity Capital	102.4	102.4	102.4	102.4
Reserve and Surplus	10,273.3	12,852.9	14,620.2	16,630.8
Total Shareholders funds	10,375.7	12,955.3	14,722.6	16,733.2
Total Debt	7,999.3	5,299.4	4,299.4	3,299.4
Deferred Tax Liability	209.9	228.8	249.4	271.8
Minority Interest	1,334.7	1,358.1	1,414.3	1,480.1
Other Non Curr.Liab. & LTP	282.3	307.7	335.4	365.6
Total Liabilities	20,201.9	20,149.3	21,021.1	22,150.1
Gross Block - Fixed Assets	11,334.5	12,334.5	13,334.5	14,334.5
Less: Acc Depreciation	4,495.5	5,209.3	6,009.4	6,869.4
Net Block	6,839.0	7,125.2	7,325.1	7,465.1
Capital WIP	741.5	541.5	341.5	141.5
Total Fixed Assets	7,580.5	7,666.7	7,666.6	7,606.6
Goodwill on Consolidation	5,391.5	5,391.5	5,391.5	5,391.5
Investment	765.0	765.0	765.0	1,365.0
Inventory	2,789.0	3,089.5	3,360.7	3,632.4
Debtors	3,663.2	3,772.7	4,103.8	4,435.7
Other Current Assets	1,085.5	1,183.2	1,289.7	1,405.8
Cash	964.9	489.4	795.5	800.8
Total Current Assets	8,502.6	8,534.9	9,549.7	10,274.6
Creditors	2,031.0	2,249.9	2,447.3	2,645.2
Provisions	243.2	265.1	288.9	315.0
Other Current Liabilities	1,210.5	1,271.0	1,334.6	1,401.3
Total Current Liabilities	3,484.7	3,786.0	4,070.8	4,361.5
Deferred Tax Assets	852.9	929.7	1,013.3	1,104.5
Net Current Assets	5,017.9	4,748.9	5,478.8	5,913.2
Long term Loans and advances	594.1	647.6	705.9	769.4
Application of Funds	20,201.9	20,149.3	21,021.1	22,150.1

Source: ICICI Direct Research

Exhibit 17: Key Ratios (₹ crore)

(Year-end March)	FY20	FY21E	FY22E	FY23E
Per share data (₹)				
Adjusted EPS	14.0	19.8	22.1	25.2
BV per share	101.4	126.6	143.8	163.5
Dividend per share	4.3	4.4	4.9	5.5
Cash Per Share	9.4	4.8	7.8	7.8
Operating Ratios (%)				
Gross Profit Margins	65.5	65.1	65.5	66.0
EBITDA margins	19.2	21.4	21.6	22.2
Net Profit margins	10.0	13.0	13.3	14.0
Inventory days	71.4	72.0	72.0	72.0
Debtor days	93.8	88.0	88.0	88.0
Creditor days	52.0	52.5	52.5	52.5
Asset Turnover	1.3	1.3	1.3	1.3
EBITDA Conversion Ratio	91.4	78.9	76.0	76.4
Return Ratios (%)				
RoE	13.8	15.7	15.4	15.4
RoCE	10.7	13.6	14.3	15.2
RoIC	11.1	13.8	14.5	15.3
Valuation Ratios (x)				
P/E	38.3	23.4	19.9	17.5
EV / EBITDA	19.0	14.9	13.2	11.6
EV / Net Sales	3.7	3.2	2.8	2.6
Market Cap / Sales	3.2	2.9	2.6	2.4
Price to Book Value	4.3	3.5	3.1	2.7
Solvency Ratios				
Debt / EBITDA	2.9	1.6	1.2	0.8
Debt / Equity	0.8	0.4	0.3	0.2
Current Ratio	2.2	2.1	2.2	2.2
Quick Ratio	1.4	1.3	1.3	1.3

Source: ICICI Direct Research

Exhibit 18: 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	1572	1,810	Buy	13718	43.5	53.4	60.2	72.5	36.1	29.5	26.1	21.7	21.8	24.7	23.4	24.3	17.1	18.1	17.7	18.4
Alembic Pharma	ALEMPHA	966	1,170	Buy	18991	31.4	46.3	59.7	48.4	30.7	20.9	16.2	20.0	19.6	21.0	22.2	16.9	21.8	27.1	22.9	16.2
Apollo Hospital	APOHOS	2072	1,970	Buy	28827	17.0	23.3	-11.4	28.7	122.1	88.8	NA	72.1	8.8	10.2	3.9	15.2	7.1	9.7	-4.6	10.5
Aurobindo Pharma	AURPHA	756	1,025	Buy	44297	41.9	48.8	58.4	65.4	18.1	15.5	13.0	11.6	15.9	17.2	18.2	18.0	17.7	17.0	15.0	14.5
Biocon	BIOCON	403	500	Buy	48312	6.2	5.8	8.4	15.8	64.9	69.2	48.2	25.5	10.9	10.2	11.7	18.2	12.2	10.4	13.2	20.3
Cadila Healthcare	CADHEA	440	555	Buy	45045	18.1	14.0	19.8	22.1	24.4	31.5	22.2	19.9	12.8	10.7	13.6	14.3	17.8	13.8	15.7	15.4
Cipla	CIPLA	749	900	Buy	60389	18.6	19.2	30.3	36.0	40.3	39.0	24.7	20.8	10.9	12.0	16.4	17.3	10.0	9.8	13.7	14.2
Divi's Lab	DIVLAB	3050	3,260	Buy	80968	51.0	51.9	70.7	85.7	59.9	58.8	43.1	35.6	25.5	23.9	27.1	26.5	19.4	18.8	21.2	21.0
Dr Reddy's Lab	DRREDD	4855	6,000	Buy	80719	114.7	121.9	168.4	194.4	42.3	39.8	28.8	25.0	10.7	9.6	17.5	19.3	13.6	13.0	15.5	15.5
Glenmark Pharma	GLEPHA	473	560	Buy	13334	26.9	26.4	32.8	39.9	17.6	17.9	14.4	11.8	15.3	12.7	13.8	14.9	13.5	12.2	13.3	14.0
Hikal	HIKCHE	164	165	Buy	2023	8.4	8.1	8.7	12.6	19.6	20.3	18.8	13.0	14.3	12.8	13.0	14.9	13.6	12.2	11.9	14.8
Ipca Laboratories	IPCLAB	2296	2,400	Buy	29120	35.1	47.8	92.3	93.4	65.5	48.0	24.9	24.6	15.0	17.6	26.9	22.4	14.2	16.6	24.5	20.0
Jubilant Life	JUBLIF	716	1,060	Buy	11405	54.9	59.9	62.1	91.3	13.1	12.0	11.5	7.8	14.3	14.4	15.8	20.6	17.8	16.6	14.8	18.0
Lupin	LUPIN	911	1,030	Buy	41303	16.5	-12.7	25.3	39.2	55.1	NA	36.1	23.3	9.4	9.7	10.2	13.8	5.4	-4.6	8.4	11.7
Narayana Hrudayam	NARHRU	327	340	Buy	6683	2.9	6.4	-0.3	16.2	112.6	51.5	NA	20.1	7.7	11.0	2.2	20.2	5.5	11.4	-0.6	23.0
Natco Pharma	NATPHA	900	950	Buy	16397	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	468	625	Buy	112358	15.9	16.8	21.1	24.4	29.5	27.9	22.2	19.2	10.3	10.0	10.2	12.9	9.2	8.9	10.9	11.3
Syngene Int.	SYNINT	528	635	Buy	21116	8.3	10.3	9.5	13.2	63.8	51.3	55.4	40.1	14.8	14.5	12.4	15.8	16.8	15.7	14.9	17.2
Torrent Pharmaceuticals	TORPHA	2537	3,135	Buy	42932	48.9	60.6	71.0	85.9	51.8	41.9	35.8	29.5	14.2	15.4	18.0	20.2	17.5	21.2	21.0	21.3
Shalby	SHALIM	92	100	Hold	992	2.9	2.6	4.2	4.8	31.3	35.9	22.0	19.1	6.8	7.2	5.8	7.8	4.1	3.5	5.3	5.9
Aster DM	ASTDM	134	160	Buy	6713	6.7	5.5	-0.3	8.3	20.2	24.3	NA	16.2	8.3	7.1	3.4	8.7	10.4	8.5	-0.5	11.3
Indoco Remedies	INDREM	255	330	Buy	2350	-0.3	2.6	11.0	15.0	NA	97.5	23.2	17.0	1.0	5.1	13.5	16.9	-0.4	3.5	13.2	15.6
Caplin Point	CAPPOI	482	670	Buy	3647	23.3	28.4	33.2	44.6	20.7	17.0	14.5	10.8	34.6	26.5	26.0	28.0	27.9	22.7	21.4	22.7
Granules India	GRANUL	369	460	Buy	9140	9.5	12.4	21.4	25.2	38.7	29.7	17.3	14.7	11.8	15.2	22.9	23.1	15.5	16.7	22.6	21.2
Laurus Labs	LAULAB	301	390	Buy	16112	1.7	4.8	16.0	17.7	171.8	63.1	18.8	17.0	7.7	13.0	30.4	28.0	6.0	14.4	33.8	27.9

Source: ICICI Direct Research, Bloomberg

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