

Stable numbers; margin expansion to the fore...

Q2 revenues grew 4.9% YoY to ₹ 2953 crore with 17.2% YoY growth in domestic sales to ₹ 1051 crore due to additional contribution from Fabiflu (favipiravir) being partly offset by 11.3% decline in US to ₹ 752 crore. Europe business grew 11.6% YoY to ₹ 318 crore. RoW markets grew 9.1% YoY to ₹ 381 crore while the API segment grew 19.1% YoY to ₹ 321 crore. EBITDA margins improved 272 bps YoY to 18.7% mainly due to lower other expenditure. EBITDA grew 22.7% YoY to ₹ 553 crore. Adjusted PAT de-grew 9.7% YoY to ₹ 231 crore. Delta vis-à-vis EBITDA was due to lower other income and higher tax rate. Exceptional items in Q2FY21 were ₹ 3.14 crore on gain arising from sale of Vwash brand to HUL.

US growth dependent on new launches

US generics comprise ~30% of total revenues. So far, the company has received approval for 165 ANDAs while another 47 are pending approval, of which 24 are Para IV applications. However, Glenmark's derma portfolio is facing stiff pricing pressure in the US. Going ahead, traction from the newly commissioned US based Monroe facility will be the key determinant besides sustained product launches. We expect the US to grow at 4.7% CAGR in FY20-23E to ₹ 3602 crore on the back of new launches.

Targeting specific therapies in IPM

Glenmark is ranked fourteenth in domestic formulations with a market share of 2.3%. It is a market leader in dermatology and improving its presence in respiratory, CVS, anti-infectives and anti-diabetics, in particular. The company has also forayed into consumer health segment focusing on Rx-OTC switch products (~₹ 150 crore) led by two brands, Candid and Scalpe+. We expect India sales to grow at 11.9% CAGR in FY20-23E to ₹ 4482 crore.

Valuation & Outlook

Despite facing Covid-related challenges in Q2FY21, the company reported a stable topline while EBITDA was higher mainly on account of reduced travel & promotional spend. While domestic sales reported robust growth supported by Fabiflu sales, US business was impacted due to stoppage of Ranitidine and sharp decline in dermatology portfolio. Operationally, barring the US, other geographies are, more or less, looking stable led by domestic formulations. Going ahead, the management expects margins to improve due to cost rationalisation measures and decline in R&D expenses as percentage of sales. Glenmark had earlier shelved API monetisation plan and plans to reduce debt through internal accruals, pipeline monetisation (ICHNOS) and divestment of non-core business. On the capex front, although things are looking a bit strained, the management expects some moderation. We believe reduction of debt, improvement in free cash flow and margins are key events to watch. We arrive at our target price of ₹ 635 based on 14x FY23E EPS of ₹ 45.2.

Key Financial Summary

(₹Crore)	FY20	FY21E	FY22E	FY23E	CAGR (FY20-23E) %
Revenues	10641.0	11167.5	12318.4	13474.0	8.2
EBITDA	1698.1	2204.9	2327.7	2613.3	15.5
EBITDA margins (%)	16.0	19.7	18.9	19.4	
Adjusted PAT	743.1	1028.7	1058.0	1272.5	19.6
EPS (₹)	26.4	36.5	37.6	45.2	
PE (x)	17.6	12.9	12.9	10.7	
EV to EBITDA (x)	10.2	7.6	7.0	5.8	
RoNW (%)	12.2	14.5	13.1	13.7	
RoCE (%)	12.7	14.9	14.1	15.2	

Source: ICICI Direct Research; Company



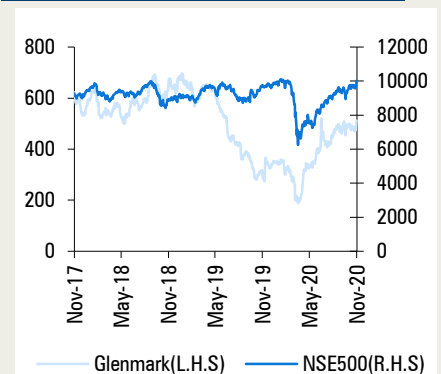
Particulars

Particular	Amount
Market Capitalisation	₹13661 crore
Debt (FY 20)	₹4869 crore
Cash & equivalent (FY 20)	₹1111 crore
EV	₹17419 crore
52 week H/L (₹)	573/168
E equity capital	₹28.2 crore
Face value	₹1

Key Highlights

- Q2 revenues grew 4.9% YoY led by 17.2% YoY growth in India partly offset by US decline of 11.3% YoY.
- Proposed unlocking of innovation business, divestment of non-core business to reduce debt are key monitorables
- Maintain BUY

Price performance



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Exhibit 1: Variance Analysis

	Q2FY21	Q2FY20	Q1FY21	YoY (%)	QoQ (%)	Comments
Revenue	2,952.5	2,815.0	2,344.8	4.9	25.9	YoY growth and beat vis-à-vis I-direct estimates mainly due to strong growth in domestic, EU, RoW formulations and API segment
Raw Material Expenses	1,040.7	986.1	808.4	5.5	28.7	
Gross Margin (%)	64.8	65.0	65.5	-22 bps	-77 bps	
Employee Expenses	700.3	686.6	509.6	2.0	37.4	
Other Expenditure	658.7	691.9	548.7	-4.8	20.0	
EBITDA	552.8	450.4	478.1	22.7	15.6	
EBITDA (%)	18.7	16.0	20.4	272 bps	-166 bps	YoY improvement mainly due to lower fixed cost amid Covid and cost rationalisation
Interest	80.6	89.8	93.7	-10.2	-14.0	
Depreciation	104.1	94.2	113.2	10.5	-8.1	
Other Income	-31.9	80.8	58.5	-139.4	-154.5	
PBT before EO & Forex	336.2	347.3	329.6	-3.2	2.0	
Less: EO & Forex	-3.1	0.0	-28.0	NA	-88.8	
PBT	339.4	347.3	357.6	-2.3	-5.1	
Tax	105.4	91.8	103.6	14.8	1.8	
PAT before MI	234.0	255.5	254.0	-8.4	-7.9	
Adj. Net Profit	230.8	255.5	226.1	-9.7	2.1	Delta vis-à-vis EBITDA mainly due to decline in other income and higher tax rate (31.1% vs. 26.4% in Q2FY20)
Key Metrics						
US	752.2	847.8	742.6	-11.3	1.3	YoY decline amid decline in dermatology portfolio and lack of new launches
Europe	318.1	285.1	273.9	11.6	16.2	YoY growth and beat vis-à-vis I-direct estimates amid better than expected growth in UK and geographical expansion in western Europe
India	1,050.7	896.4	779.9	17.2	34.7	Base business ex Favipiravir grew 7-8% YoY. Beat vis-à-vis I-direct estimates mainly due to better-than-expected base business and Favipiravir growth
Latin America	98.4	121.2	65.8	-18.9	49.5	YoY decline mainly due to sharp decline in respiratory segment, Covid-19 impact and currency headwinds
RoW markets	380.6	348.8	212.0	9.1	79.5	YoY growth and beat vis-à-vis I-direct estimates amid better-than-expected growth across geographies
API	321.3	269.8	234.8	19.1	36.8	YoY growth mainly due to strong volume growth and favourable pricing scenario

Source: ICICI Direct Research

Exhibit 2: Change in Estimates

(₹ Crore)	FY21E			FY22E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	11,052.1	11,167.5	1.0	12,326.1	12,318.4	-0.1	
EBITDA	2,090.3	2,204.9	5.5	2,342.0	2,327.7	-0.6	
EBITDA Margin (%)	18.9	19.7	83 bps	19.0	18.9	-10 bps	Changed as per management guidance
PAT	952.3	1,059.8	11.3	1,068.7	1,058.0	-1.0	Changed mainly in sync with operational performance
EPS (₹)	33.8	37.6	11.3	38.0	37.6	-1.0	

Source: ICICI Direct Research

Exhibit 3: Change in Estimates

(₹ crore)	Current				Earlier		Comments
	FY19	FY20	FY21E	FY22E	FY21E	FY22E	
US	3,139.3	3,140.4	3,103.8	3,335.5	3,224.6	3,478.5	
Europe	1,120.7	1,248.4	1,384.6	1,523.0	1,337.3	1,525.2	
India	2,777.0	3,202.2	3,570.6	4,001.5	3,461.1	3,928.1	
Latin America	418.0	535.6	430.7	467.0	474.8	516.3	Decline mainly due lower-than-expected sales in Q2
RoW markets	1,275.9	1,285.4	1,338.3	1,504.0	1,271.6	1,462.0	Increased mainly due to better-than-expected recovery post Covid-19
API	949.3	1,023.9	1,184.4	1,302.3	1,070.0	1,165.7	Changed as per management guidance, improved visibility amid China plus one strategy

Source: ICICI Direct Research

Conference Call Highlights

- India – Outperformed market, supported by Fabiflu
 - Base business growth at 7-8% (ex-Fabiflu)
 - As per IQVIA, growth of 25.6% compared to IPM growth of 6.2%
 - Continue to sustain double-digit growth
 - Remogliflozin ranks first in terms of prescription with Rx share of 25.2% and sixth in terms of value with a market share of 7.4 %
 - GCC business clocked revenue of ₹ 46.5 crore in Q2FY21 growing in excess of 40% (excluding VWash) led by Candid Powder which has increased market share from 57.0% to 61.9%
 - (a) Candid Powder grew in excess of 50 % in the second quarter
 - (b) Scalpe+ has increased its market share from 23.0% to 24.5%
- In US, the company has filed four ANDAs in Q2FY21.
 - The company currently has 47 applications pending with USFDA, of which 24 are Para IVs. Glenmark expects to file 15-20 ANDAs in FY21
 - Can expect 10-12 approvals annually
 - At bottom of price erosion curve, Derma expected to pick up in Q3-Q4 on back of new approvals/launches
 - FY22-23 US growth to come back based on Monroe filings
- RoW
 - Russian retail market YTD was -1.9%, dermatology market was 0.7% and the expectorants market was -12.9%
 - (a) Three to five new product launches in H2FY21
 - CIS region continues to remain challenging with the YTD retail market down -9.9%, the dermatology market by -8.2% and the expectorants market by -42.0%
 - Asia – Partial lockdown due to second wave impacting patient footfalls, secondary sales declined 10% in Q2
- Europe
 - Business remained weak in Q2 amid fear of second wave
 - UK launched one product, the German subsidiary launched three products and six products were launched in the Nordic region
- Latin America
 - Brazil impacted by the respiratory market that fell 19% for the year;
 - Further around 20% of pharmacy stores in the country remained closed due to the pandemic
- Ryaltris
 - Good progress in Australia after Q1FY21 launch

- Launched in South Africa in Q2FY21
- Europe next year contribution
- Plans to launch in Ukraine and Uzbekistan in Q3FY21
- API - external sales for the API business performed well; India and US API business grew at 30% and 19% respectively
 - looking to file at least 10-12 DMFs in Q3FY21
 - no single product contributes more than 10%
 - Q2FY21 – filed one DMF each in Canada, Korea & Russia and submitted two DMFs in China
- The company has invested ₹ 225 crore in ICHNOS Sciences for Q2FY21 (₹ 398 crore in H1FY21)
- Q2FY21 -Forex loss of ₹ 57 crore: ₹ 17.1 crore (other expenses); ₹ 40 crore (other income)
- Asset addition/capex in H1FY21 - ₹ 390 crore; capex FY21: ₹ 700-800 crore
- EBITDA at 19-20% could be sustainable for FY21
- R&D – Q2FY21: ₹ 365 crore (12.6% of sales); FY21 – 10-11% of sales
 - H1FY21: ₹ 619 crore (₹ 398 crore for innovation + ₹ 221 crore for generic)
- Net debt as of Q2FY21 at ₹ 3780 crore; Gross debt: ₹ 4689 crore
- As on Q2FY21- Inventory: ₹ 2202 crore; Receivables: ₹ 2648 crore; Payables: ₹ 2167 crore
- Monroe facility ~50% operational

Exhibit 4: Trends in quarterly financials

(₹ Crore)	12FY18	13FY18	14FY18	11FY19	12FY19	13FY19	14FY19	11FY20	12FY20	13FY20	14FY20	11FY21	12FY21	YoY (%)	QoQ (%)
Total Operating Incom	2256.6	2203.7	2279.8	2165.6	2581.3	2555.0	2563.5	2322.9	2815.0	2735.6	2767.5	2344.8	2952.5	4.9	25.9
Raw Material Expens	751.3	781.6	784.3	758.8	880.8	862.0	860.7	810.1	986.1	926.3	976.1	808.4	1040.7	5.5	28.7
% of revenue	33.3	35.5	34.4	35.0	34.1	33.7	33.6	34.9	35.0	33.9	35.3	34.5	35.2		
Gross Profit	1505.3	1422.1	1495.5	1406.8	1700.5	1693.0	1702.8	1512.8	1828.9	1809.2	1791.4	1536.4	1911.8	4.5	24.4
Gross Profit Margin (%)	66.7	64.5	65.6	65.0	65.9	66.3	66.4	65.1	65.0	66.1	64.7	65.5	64.8	-22 bps	-77 bps
Employee Expenses	557.2	465.9	464.3	452.5	605.9	503.1	494.6	486.7	686.6	557.2	524.2	509.6	700.3	2.0	37.4
% of revenue	24.7	21.1	20.4	20.9	23.5	19.7	19.3	21.0	24.4	20.4	18.9	21.7	23.7		
Other Manufacturing	559.7	633.5	704.4	607.4	654.5	755.3	844.0	684.2	691.9	811.9	801.5	548.7	658.7	-4.8	20.0
% of revenue	24.8	28.7	30.9	28.0	25.4	29.6	32.9	29.5	24.6	29.7	29.0	23.4	22.3		
Total Expenditure	1868.2	1881.0	1953.0	1818.7	2141.2	2120.4	2199.3	1981.0	2364.6	2295.5	2301.8	1866.7	2399.7	1.5	28.6
% of revenue	82.8	85.4	85.7	84.0	83.0	83.0	85.8	85.3	84.0	83.9	83.2	79.6	81.3		
EBITDA	388.4	322.7	326.8	346.9	440.1	434.7	364.1	341.9	450.4	440.1	465.7	478.1	552.8	22.7	15.6
EBITDA Margins (%)	17.2	14.6	14.3	16.0	17.0	17.0	14.2	14.7	16.0	16.1	16.8	20.4	18.7	272 bps	-166 bps
Depreciation	75.2	75.4	73.5	79.4	82.5	83.1	81.0	90.7	94.2	106.0	126.3	113.2	104.1	10.5	-8.1
Interest	69.8	70.5	74.4	79.0	85.1	88.5	81.9	93.0	89.8	96.1	98.5	93.7	80.6	-10.2	-14.0
Other Income	29.7	-23.2	69.6	138.2	139.9	-109.0	39.1	1.7	80.8	33.0	44.1	58.5	-31.9	-139.4	-154.5
Forex & EO	0.0	0.0	0.0	0.0	167.2	0.0	0.0	0.0	0.0	0.0	32.9	28.0	3.1		
PBT	273.1	153.7	248.5	326.7	579.6	154.0	240.3	159.8	347.3	271.0	318.0	357.6	339.4	-2.3	-5.1
Total Tax	58.9	48.9	96.8	93.7	165.6	37.7	78.6	50.6	91.8	80.1	97.7	103.6	105.4	14.8	1.8
Tax rate (%)	21.6	31.8	39.0	28.7	28.6	24.5	32.7	31.6	26.4	29.6	30.7	29.0	31.1	463 bps	209 bps
PAT	214.1	104.7	151.6	233.0	414.0	116.3	161.7	109.3	255.5	190.8	220.3	254.0	234.0	-8.4	-7.9
Adjusted PAT	214.1	104.7	151.6	233.0	246.8	116.3	161.7	109.3	255.5	190.8	187.4	226.1	230.9	-9.7	2.1
EPS (₹)	7.6	3.7	5.4	8.3	8.8	4.1	5.7	3.9	9.1	6.8	6.7	8.0	8.2		

Source: ICICI Direct Research

Company Background

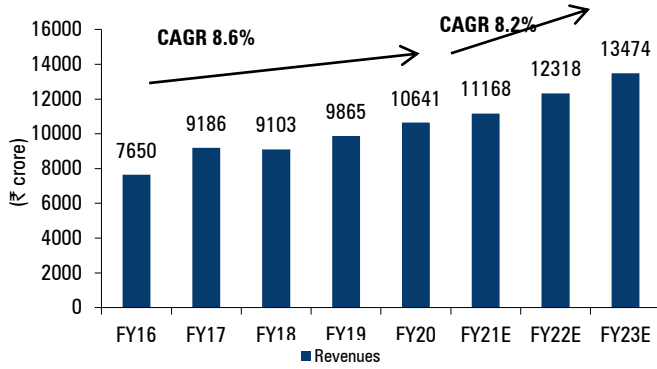
Incorporated in 1977, Glenmark was never a mass-market player with a clear focus on niche areas like dermatology, respiratory and cardiology. The company was one of the few Indian players (like Dr Reddy's) to identify the importance of dedicated R&D efforts in the nineties. Post its maiden IPO in 2000, the company started ramping up the API business via small acquisitions. In 2005, it struck its first out-licensing R&D deal with US based Forest Laboratories for COPD, asthma molecule with Oglemilast. Similar R&D deals were struck with innovator companies such as Eli Lilly and Merck KGaA (Germany). It received a substantial amount in the nature of upfront – milestone payments.

However, it received a setback in most deals, one after the other in 2007-09, as clients were unsatisfied with the progress or uninterested in pursuing the same any further due to changed priorities or budgetary constraints. This had hit the company hard during that period as unlike other Indian players, which hived off the risky R&D ventures into separate companies to protect the core balance sheet, Glenmark hived off the generic business. Its balance sheet got stretched with huge debts. However, post the R&D debacle, the company refocused on the generics business, especially in the US and Indian formulations putting R&D on the backburner. The change has worked going by the performance in the last two or three years as the strong traction in the US, backed by forays into niche areas such as oral contraceptives and dermatology, robust growth in Indian formulations and strong tractions from RoW and LatAm markets have improved the balance sheet and operating cash flows significantly. The R&D deals are still active with spend on innovative R&D and generic R&D split 65:35 ratio. The company has almost fully recovered the amount spent on innovative R&D. We expect US sales to remain subdued mainly due to a higher base, delay in product launches and acute pricing pressure in base business. However, ex-US, other geographies have started showing greater traction. The company also remains committed to API exports.

The company has undertaken a strategic step of reorganising its business into three separate entities operating independently – 1) Glenmark Pharmaceuticals (GPL) - To primarily focus on building a global generics, specialty and OTC business in the therapy areas of dermatology, respiratory and oncology. It also has a strong regional/country specific presence in other therapeutic areas like diabetes, cardiovascular and oral contraceptives, 2) Glenmark Life Sciences (GLS) - This primarily includes manufacturing and marketing of active pharmaceutical ingredient (API) products across all major markets globally. It also includes captive sales, 3) Innovation New Company (NewCo) - to focus on discovery and development of novel, first-in-class treatments in the therapeutic areas of immunology, oncology and pain encompassing both biologics (NBE) as well as new chemical entities (NCE).

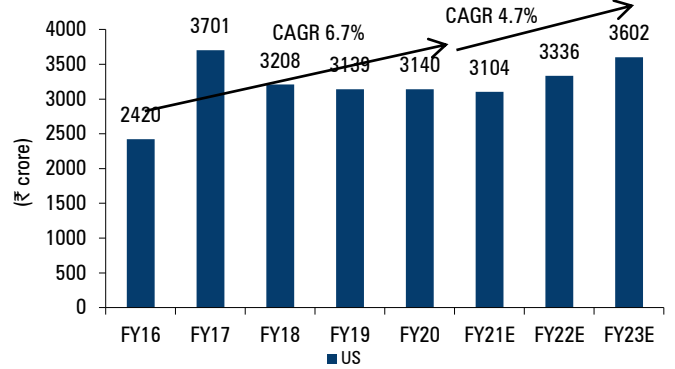
During Q4FY20, the company signed an agreement to divest its intimate female hygiene OTC brand, 'VWash' alongside other extensions (no employee transfer) to HUL for which it will receive an upfront payment and sales royalties for three years. The company's consumer business comprised three brands (Candid, VWash and Scalp) contributing ₹ 190 crore in FY19. As per our estimates, the brand had ~₹ 50-60 crore in annual sales (FY19) and is likely to fetch ₹ 200-250 crore (pre-tax) for the company at 4-5x.

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



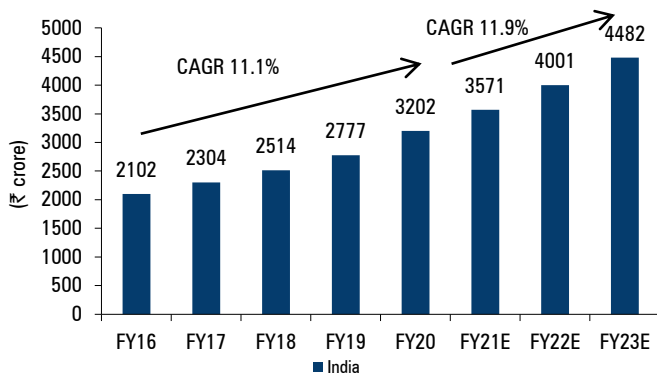
Source: ICICI Direct Research, Company

Exhibit 6: US to grow at CAGR of 5% over FY20-23E



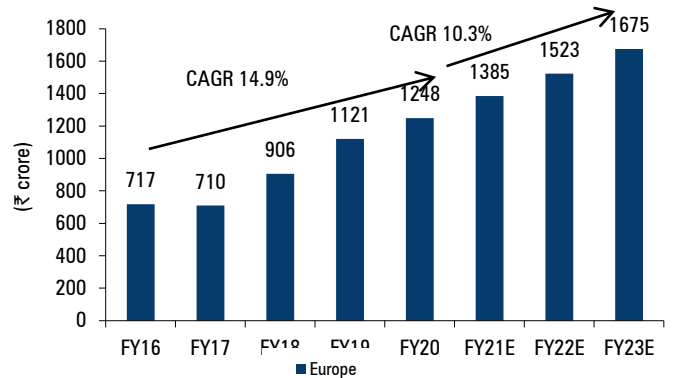
Source: ICICI Direct Research, Company

Exhibit 7: India to grow at CAGR of 12% over FY20-23E



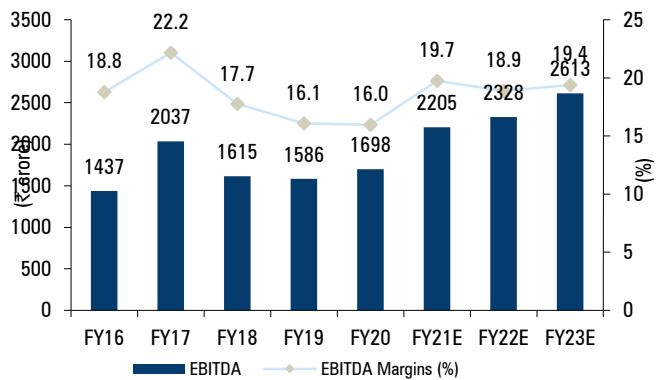
Source: ICICI Direct Research, Company

Exhibit 8: Europe to grow at CAGR of ~10% over FY20-23E



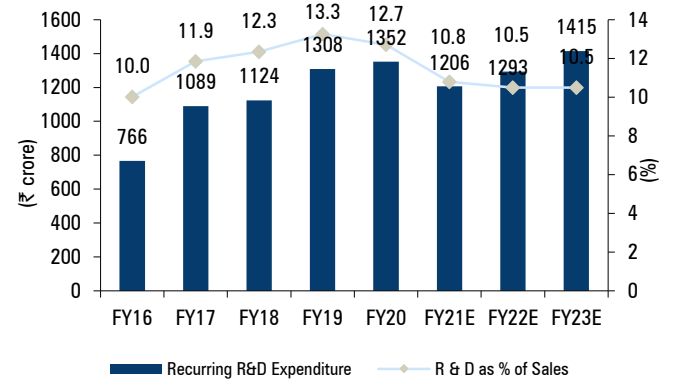
Source: ICICI Direct Research, Company

Exhibit 9: EBITDA & EBITDA margins trend



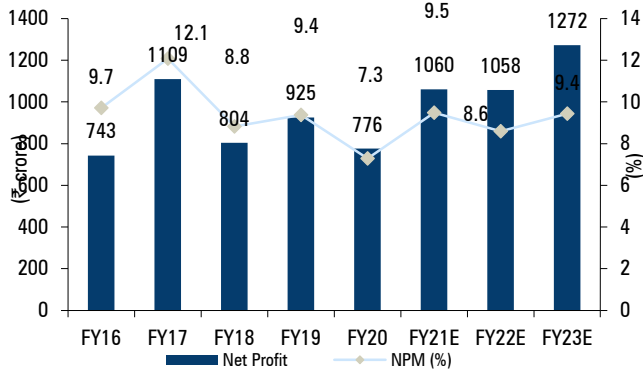
Source: ICICI Direct Research, Company

Exhibit 10: R&D and R&D as percentage of sales



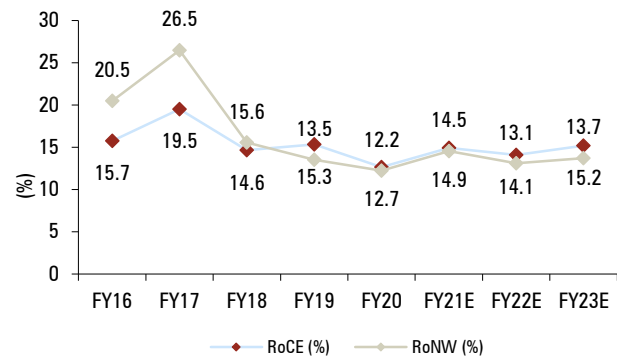
Source: ICICI Direct Research, Company

Exhibit 11: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 12: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 13: Revenue break-up (₹ crore)

	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E	CAGR (FY16-20) %	CAGR (FY20-23E) %
US	2420.4	3700.7	3207.6	3139.3	3140.4	3103.8	3335.5	3602.4	6.7	4.7
India	2101.8	2303.8	2514.3	2777.0	3202.2	3570.6	4001.5	4481.6	11.1	11.9
Europe	717.1	710.1	905.8	1120.7	1248.4	1384.6	1523.0	1675.3	14.9	10.3
Latin America	749.5	518.1	406.7	418.0	535.6	430.7	467.0	490.4	-8.1	-2.9
RoW markets	903.3	988.8	1099.2	1275.9	1285.4	1338.3	1504.0	1654.3	9.2	8.8
API	668.3	809.4	877.9	949.3	1023.9	1184.4	1302.3	1367.5	11.3	10.1
Total Revenues	7649.6	9185.7	9103.1	9865.5	10641.0	11167.5	12318.4	13474.0	8.6	8.2

Source: ICICI Direct Research, Company

Exhibit 14: Financial Summary

	Revenues (₹ crore)	Growth (%)	Adj. EPS (₹)	EPS Growth (%)	P/E (x)	EV/EBITDA (X)	RoNW (%)	RoCE (%)
FY 20	10641	7.9	26.4	-1.9	17.6	10.2	12.2	12.7
FY 21E	11168	4.9	36.5	38.4	12.9	7.6	14.5	14.9
FY 22E	12318	10.3	37.6	2.9	12.9	7.0	13.1	14.1
FY 23E	13474	9.4	45.2	20.3	10.7	5.8	13.7	15.2

Source: ICICI Direct Research, Bloomberg

Exhibit 15: Shareholding Pattern

(in %)	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
Promoter	46.6	46.6	46.6	46.6	46.6
Others	53.4	53.4	53.4	53.4	53.4

Source: ICICI Direct Research, Company

Financial Summary

Exhibit 16: Profit & Loss (₹ crore)

(Year-end March)	FY20	FY21E	FY22E	FY23E
Revenues	10,641.0	11,167.5	12,318.4	13,474.0
Growth (%)	7.9	4.9	10.3	9.4
Raw Material Expenses	3,698.6	3,903.7	4,308.7	4,645.5
Employee Expenses	2,254.8	2,471.4	2,664.1	2,914.1
Other Manufacturing Expense	2,989.5	2,587.6	3,018.0	3,301.1
Total Operating Expenditure	8,942.9	8,962.6	9,990.7	10,860.6
EBITDA	1,698.1	2,204.9	2,327.7	2,613.3
Growth (%)	7.1	29.8	5.6	12.3
Interest	377.3	348.0	325.2	294.0
Depreciation	417.2	511.7	637.8	686.8
Other Income	159.6	114.7	104.7	134.7
PBT before Exceptional Items	1,063.2	1,460.0	1,469.4	1,767.3
PBT	1,096.1	1,491.1	1,469.4	1,767.3
Total Tax	320.1	431.3	411.4	494.9
PAT before MI	776.0	1,059.8	1,058.0	1,272.5
PAT	776.0	1,059.8	1,058.0	1,272.5
Adjusted PAT	743.1	1,028.7	1,058.0	1,272.5
Growth (%)	-1.9	38.4	2.9	20.3
EPS (Adjusted)	26.4	36.5	37.6	45.2

Source: ICICI Direct Research

Exhibit 17: Cash Flow Statement (₹ crore)

(Year-end March)	FY20	FY21E	FY22E	FY23E
Profit/(Loss) after taxation	629.1	1,059.8	1,058.0	1,272.5
Add: Depreciation & Amortization	417.2	511.7	637.8	686.8
Net Increase in Current Assets	-25.7	-561.6	-946.0	-66.0
Net Increase in Current Liabilities	152.7	449.8	321.1	1.9
Others	219.1	334.6	334.6	334.6
CF from operating activities	1,392.4	1,794.3	1,405.5	2,229.7
(Inc)/dec in Investments	5.0	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	-775.3	-700.0	-600.0	-600.0
Others	-3.9	-57.2	-60.0	-62.9
CF from investing activities	-774.3	-757.2	-660.0	-662.9
Inc / (Dec) in Equity Capital	0.0	0.0	0.0	0.0
Inc / (Dec) in Loan Funds	7.5	-300.0	-400.0	-400.0
Other	-452.2	-390.9	-390.9	-390.9
CF from financing activities	-444.7	-690.9	-790.9	-791
Net Cash flow	173.5	346.1	-45.4	775.9
Opening Cash	937.8	1,111.2	1,457.4	1,411.9
Closing Cash	1,111.2	1,457.4	1,411.9	2,187.8
Free Cash Flow	617.1	1,094.3	805.5	1,629.7

Source: ICICI Direct Research

Exhibit 18: Balance Sheet (₹ crore)

(Year-end March)	FY20	FY21E	FY22E	FY23E
Equity Capital	28.2	28.2	28.2	28.2
Reserve and Surplus	6,042.3	7,045.8	8,047.4	9,263.6
Total Shareholders fund	6,070.5	7,074.0	8,075.7	9,291.8
Total Debt	4,868.6	4,568.6	4,168.6	3,768.6
Deferred Tax Liability	16.4	18.1	19.9	21.9
Minority Interest	-0.4	-0.4	-0.4	-0.5
Other Non Current Liabilities	429.3	450.7	473.3	496.9
Source of Funds	11,384.5	12,111.0	12,737.0	13,578.8
Gross Block - Fixed Assets	8,216.9	9,616.9	10,416.9	11,216.9
Accumulated Depreciation	3,241.3	3,753.0	4,390.7	5,077.5
Net Block	6,197.5	6,385.9	6,348.1	6,261.3
Goodwill on Consolidation	52.9	52.9	52.9	52.9
Investments	24.6	24.6	24.6	24.6
Inventory	2,135.6	2,552.4	2,815.6	2,726.0
Cash	1,111.2	1,457.4	1,411.9	2,187.8
Debtors	2,409.0	2,487.3	2,743.7	3,074.9
Other Current Assets	1,147.8	1,214.3	1,640.8	1,465.1
Total Current Assets	6,803.6	7,711.4	8,611.9	9,453.9
Creditors	2,125.8	2,516.9	2,776.4	2,713.5
Provisions & Other CL	1,174.5	1,233.2	1,294.9	1,359.6
Total Current Liabilities	3,300.3	3,750.2	4,071.3	4,073.2
Net Current Assets	3,503.3	3,961.2	4,540.7	5,380.7
LT L&A, Other Assets	150.5	158.0	165.9	174.2
Deferred Tax Assets	1,455.7	1,528.5	1,604.9	1,685.2
Application of Funds	11,384.5	12,111.0	12,737.0	13,578.8

Source: ICICI Direct Research

Exhibit 19: Key Ratios

(Year-end March)	FY20	FY21E	FY22E	FY23E
Per share data (₹)				
Adj EPS	26.4	36.5	37.6	45.2
BV	215.6	251.2	286.8	330.0
DPS	2.9	2.0	2.0	2.0
Cash Per Share	115.1	133.3	155.9	180.3
Operating Ratios (%)				
Gross Margin	65.2	65.0	65.0	65.5
EBITDA margins	16.0	19.7	18.9	19.4
Net Profit margins	7.0	9.2	8.6	9.4
Inventory days	73	83	83	74
Debtor days	83	81	81	83
Creditor days	73	82	82	74
Asset Turnover	1.3	1.2	1.2	1.2
EBITDA conversion Rate	82.0	81.4	60.4	85.3
Return Ratios (%)				
RoE	12.2	14.5	13.1	13.7
RoCE	12.7	14.9	14.1	15.2
RoIC	17.3	20.2	18.4	20.6
Valuation Ratios (x)				
P/E	17.6	12.9	12.9	10.7
EV / EBITDA	10.2	7.6	7.0	5.8
Market Cap / Sales	1.3	1.2	1.1	1.0
Price to Book Value	2.2	1.9	1.7	1.5
Solvency Ratios				
Debt / Equity	0.8	0.6	0.5	0.4
Debt / EBITDA	2.9	2.1	1.8	1.4
Current Ratio	1.7	1.7	1.8	1.8

Source: ICICI Direct Research

Exhibit 20: 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	1586	1,960	Buy	13842	43.5	53.4	62.7	73.8	36.4	29.7	25.3	21.5	21.8	24.7	25.4	24.5	17.1	18.1	18.4	18.6
Alembic Pharma	ALEMPHA	979	1,170	Buy	19245	31.4	46.3	59.7	48.4	31.1	21.1	16.4	20.2	19.6	21.0	22.2	16.9	21.8	27.1	22.9	16.2
Apollo Hospital	APOHOS	2086	1,970	Buy	29020	17.0	23.3	-11.4	28.7	122.9	89.4	NA	72.6	8.8	10.2	3.9	15.2	7.1	9.7	-4.6	10.5
Aurobindo Pharma	AURPHA	780	1,025	Buy	45712	41.9	48.8	58.4	65.4	18.6	16.0	13.4	11.9	15.9	17.2	18.2	18.0	17.7	17.0	15.0	14.5
Biocon	BIOCON	415	500	Buy	49776	6.2	5.8	8.4	15.8	66.8	71.3	49.7	26.3	10.9	10.2	11.7	18.2	12.2	10.4	13.2	20.3
Cadila Healthcare	CADHEA	432	555	Buy	44256	18.1	14.0	19.8	22.1	23.9	30.9	21.8	19.5	12.8	10.7	13.6	14.3	17.8	13.8	15.7	15.4
Cipla	CIPLA	790	925	Buy	63699	18.6	19.2	27.6	30.4	42.5	41.1	28.6	26.0	10.9	12.0	15.5	15.5	10.0	9.8	12.6	12.5
Divi's Lab	DIVLAB	3237	4,205	Buy	85939	51.0	51.9	73.0	89.9	63.5	62.4	44.3	36.0	25.5	23.9	28.4	28.7	19.4	18.8	22.2	22.3
Dr Reddy's Lab	DRREDD	4903	6,000	Buy	81516	114.7	121.9	168.4	194.4	42.8	40.2	29.1	25.2	10.7	9.6	17.5	19.3	13.6	13.0	15.5	15.5
Glenmark Pharma	GLEPHA	484	635	Buy	13661	26.9	26.4	36.5	37.6	18.0	18.3	13.3	12.9	15.3	12.7	14.9	14.1	13.5	12.2	14.5	13.1
Hikal	HIKCHE	167	230	Buy	2060	8.4	8.1	10.2	12.2	20.0	20.6	16.5	13.7	14.3	12.8	13.6	14.9	13.6	12.2	13.5	14.2
Ipca Laboratories	IPCLAB	2337	2,400	Buy	29637	35.1	47.8	92.3	93.4	66.7	48.9	25.3	25.0	15.0	17.6	26.9	22.4	14.2	16.6	24.5	20.0
Jubilant Life	JUBLIF	700	850	Buy	11154	54.9	59.9	54.4	70.3	12.8	11.7	12.9	10.0	14.3	14.4	14.7	16.9	17.8	16.6	13.2	14.7
Lupin	LUPIN	917	985	Hold	41561	16.5	-12.7	22.6	38.4	55.4	NA	40.5	23.9	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	928	950	Buy	16912	35.4	25.3	31.0	29.7	26.2	36.7	30.0	31.3	21.3	14.0	16.1	14.2	18.5	12.2	13.4	11.6
Sun Pharma	SUNPHA	509	585	Buy	122159	15.9	16.8	25.5	23.1	32.1	30.3	19.9	22.1	10.3	10.0	11.4	12.4	9.2	8.9	12.9	10.5
Syngene Int.	SYNINT	538	635	Buy	21538	8.3	10.3	9.5	13.2	65.1	52.3	56.5	40.9	14.8	14.5	12.4	15.8	16.8	15.7	14.9	17.2
Torrent Pharmaceuticals	TORPHA	2557	3,135	Buy	43262	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	990	2.9	2.6	4.2	4.8	31.3	35.9	22.0	19.0	6.8	7.2	5.8	7.8	4.1	3.5	5.3	5.9
Aster DM	ASTDM	136	160	Buy	6771	6.7	5.5	-0.3	8.3	20.3	24.5	NA	16.3	8.3	7.1	3.4	8.7	10.4	8.5	-0.5	11.3
Indoco Remedies	INDREM	255	335	Buy	2352	-0.3	2.6	9.3	14.8	NA	97.5	27.5	17.2	0.9	4.6	11.4	15.6	-0.4	3.5	11.4	15.7
Caplin Point	CAPPOI	486	605	Buy	3675	23.3	28.4	33.5	43.5	20.8	17.1	14.5	11.2	34.6	26.5	26.9	28.1	27.9	22.7	21.5	22.3
Granules India	GRANUL	371	460	Buy	9194	9.5	12.4	21.4	25.2	38.9	29.9	17.4	14.7	11.8	15.2	22.9	23.1	15.5	16.7	22.6	21.2
Laurus Labs	LAULAB	277	390	Buy	14836	1.7	4.8	16.0	17.7	158.2	58.1	17.3	15.7	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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