

## Decent performance despite deferred orders...

Q2FY21 revenues grew a decent 15.8% YoY to ₹ 372 crore on the back of 34.1% YoY growth in pharma segment to ₹ 279 crore. Crop protection segment fell 17.9% YoY to ₹ 93 crore due to deferral of ₹ 40 crore worth of shipment to Q3FY21. EBITDA for the quarter came in at ₹ 70 crore, up 19.6% YoY (including Covid related expenses of ₹ 1.1 crore). EBITDA margins expanded 58 bps YoY to 18.8% due to lower staff & other expenses, partly offset by lower gross margins. Adjusted PAT grew 23.8% YoY to ₹ 27 crore in line with operational performance. Delta vis-a-vis EBITDA was due to lower interest cost, partly offset by a higher tax rate.

## Expertise in APIs to drive pharma growth

Hikal ventured into the pharma API business by virtue of acquisition of Novartis' Panoli plant in year 2000. In a short span of time, banking on its chemistry skills, the company has been able to tap incremental customers via the CDMO route. Hikal also operates as a dedicated API supplier as it expands its portfolio. We expect the pharma segment to grow at 14.1% CAGR in FY20-23E to ₹ 1318 crore on the back of new offerings and repeat business from CDMO customers.

## Crop protection growth to piggyback on client relationship

Hikal started operations as a crop protection company in 1991 after acquiring Merck's facility in Mahad. Since then, it has come a long way with a predominantly CDMO focused business model catering mainly to global innovators. Over the years, the company has increased its product offerings with a foray into niche products and specialty chemicals. We expect crop protection segment to grow at 7.3% CAGR in FY20-23E to ₹ 766 crore due to sustained product offerings and optimum capacity utilisation.

## Valuation & Outlook

Q2 revenues were in-line with I-direct estimates but profitability was higher due to better-than-expected operational performance. While pharma delivered a better-than-expected performance, crop protection performance was below par. Despite Covid-19, margin consistency is visible due to focus on high margin products and backward integration besides cost control measures. Going ahead, the management expects a margin improvement of 50-100 bps from this year onwards on the back of several cost rationalisation and efficiency improvement measures undertaken during the pandemic. Going by the capex guidance, (₹ 300 crore out of which remaining ₹ 100 crore to be spent by Q1FY22) things are looking promising for FY22 onwards. Hikal remains a fair value proposition as it continues to expand in both pharma, crop protection segments with separate focus and a calibrated approach. This bodes well in the current scenario when Chinese supply disturbances, government incentives are likely to create opportunities for Indian players both in APIs, crop protection CDMO. We arrive at a valuation of ₹ 230 based on 14x FY23E EPS of ₹ 16.6.

### Key Financial Summary

(₹Crore)	FY20	FY21E	FY22E	FY23E	CAGR (FY20-23E) %
Revenues	1507.3	1652.9	1882.4	2108.2	11.8
EBITDA	273.2	300.8	357.7	411.1	14.6
EBITDA Margins (%)	18.1	18.2	19.0	19.5	
Adjusted PAT	99.8	125.2	150.9	204.4	27.0
EPS (₹)	8.1	10.2	12.2	16.6	
PE (x)	21.2	16.9	14.0	10.3	
EV to EBITDA (x)	9.9	9.0	7.3	5.9	
Price to book (x)	2.6	2.3	2.0	1.7	
RoE (%)	12.2	13.5	14.2	16.3	
RoCE (%)	12.8	13.6	14.9	17.0	

Source: ICICI Direct Research, Company



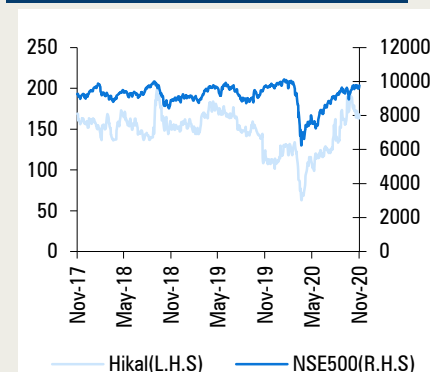
### Particulars

Particular	Amount
Market Cap	₹2112 crore
Debt (FY 20)	₹645 crore
Cash (FY 20)	₹64 crore
EV	₹2693 crore
52 week H/L (₹)	204/57
Equity capital	₹24.7 crore
Face value	₹2

### Key Highlights

- Margin performance remained steady on the back of judicious product mix and focus on backward integration besides cost control measures
- With proven capabilities and management pedigree, we believe Hikal offers a compelling value proposition as it continues to expand in both pharma and crop protection segments
- Maintain BUY

### Price chart



### Research Analyst

Siddhant Khandekar  
siddhant.khandekar@icicisecurities.com

Mitesh Shah  
mitesh.shah@icicisecurities.com

Sudarshan Agarwal  
sudarshan.agarwal@icicisecurities.com

**Exhibit 1: Variance Analysis**

₹ crore	Q2FY21	Q2FY20	Q1FY21	YoY (%)	QoQ (%)	Comments
Revenue	371.9	321.1	352.8	15.8	5.4	Strong YoY growth mainly driven by 34% growth in pharma segment
Raw Material Expenses	188.6	145.0	193.3	30.1	-2.5	
Gross Margins (%)	49.3	54.8	45.2	-554 bps	410 bps	QoQ improved mainly due to improvement in product mix
Employee Expenses	39.0	43.8	42.0	-11.0	-7.2	
Other Expenditure	74.6	74.0	64.9	0.9	15.0	
Operating Profit (EBITDA)	69.8	58.4	52.5	19.6	32.8	Adjusting for Covid-19 related additional cost of ₹ 1.1 crore, EBITDA grew 21.4% YoY to ₹ 58.4 crore
EBITDA (%)	18.8	18.2	14.9	58 bps	387 bps	YoY improvement due to lower staff & other expenses partially offset by lower gross margins
Interest	8.5	13.6	9.7	-37.4	-12.2	
Depreciation	21.2	20.5	20.7	3.2	2.2	
Other Income	1.0	0.8	0.6	15.9	48.4	
PBT	41.1	25.1	22.8	63.6	80.1	
Exceptional Items	0.0	15.4	0.0	NA	NA	
Tax	14.1	3.3	7.8	324.7	81.0	
Tax Rate (%)	34.3	13.2	34.2	159.6	0.5	
Reported PAT	27.0	6.4	15.0	323.1	79.7	
Adjusted PAT	27.0	21.8	15.0	23.8	79.7	Decline mainly due to below expected operational performance
EPS (₹)	2.2	0.5	1.2	323.1	79.7	

**Key Metrics**

Pharma	279.3	208.2	213.7	34.1	30.7	Strong YoY growth driven by increased volumes in newly commercialized products and commissioning of additional capacity enabled to meet higher demand
Crop Protection	92.6	112.8	139.1	-17.9	-33.4	Growth impacted amid deferral of shipments worth ₹ 40 crore from Q2 to Q3 due to Covid-19

Source: ICICI Direct Research

**Exhibit 2: Change in Estimates**

	FY21E			FY22E			Comments
(₹ Crore)	Old	New	% Change	Old	New	% Change	
Revenue	1,697.8	1,652.9	-2.6	1,964.7	1,882.4	-4.2	
EBITDA	311.2	300.8	-3.4	372.4	357.7	-4.0	
EBITDA Margin (%)	18.3	18.2	-10 bps	19.0	19.0	0 bps	
PAT	132.9	125.2	-5.8	170.0	150.9	-11.2	Changed mainly due to change in depreciation
EPS (₹)	10.8	10.2	-6.0	13.8	12.2	-11.3	

Source: ICICI Direct Research

**Exhibit 3: Change in Estimates**

	Current				Earlier		
(₹ crore)	FY19	FY20	FY21E	FY22E	FY21E	FY22E	
Pharma	939.1	886.9	1,039.0	1,176.5	981.9	1,135.3	
Crop Protection	650.5	620.4	602.9	683.6	695.8	806.2	Changed mainly due to lower-than-expected sales in H1

Source: ICICI Direct Research

## Conference Call Highlights

- Covid related expenses for H1FY21 were at ₹ 5.9 crore (₹ 4.7 crore in Q1, ~₹ 1.1 crore in Q2)
  - ₹ 3 crore to employees as ex-gratia
  - ₹ 2.9 crore additional other expenses
- EBITDA margin improvement due to increased efficiencies, capacity utilisation and higher volume sales in pharma segment
- Raw material imports ~40-45%, dependability on China is ~30-35%, rest from Europe and US
- Capex – Resumed work after Covid disruption, commissioning expected to start from Q1FY22 (including Panoli expansion)
- Pharma – Growth led by increased volumes in newly commercialised products and commissioning of additional capacity
  - Increasing trend in customer demand, positive outlook
  - Better capacity utilisation as operations recover
- Crop protection - ₹ 40 crore shipment postponed to Q3
- Product pipeline – Pharma: Three to four proprietary, four to five CRAMS
  - Crop: Three to four CRAMS, two proprietary products
- Capacity utilisation at 80% currently. Capex of ₹ 100 crore to be done over the next six months out of the ₹ 300 crore capex planned (20-25% capacity addition)
- The management has maintained its earlier 1.5x asset turnover guidance over 2.5-3 years
- EBITDA margins expected to improve 50-100 bps every year
- Strong growth in FY22-23 on the back of long-term contracts and other tailwinds; RoCE could be 22-24% over four to five years
- FY21 growth to be ~10%
- Will decide whether to opt for 25.2% tax rate from next year onwards
- Top 10 customer contribution
  - Pharma – 65-70%, Crop – 75%

**Exhibit 4: Trends in quarterly performance**

(₹Crore)	12FY18	13FY18	14FY18	11FY19	12FY19	13FY19	14FY19	11FY20	12FY20	13FY20	14FY20	11FY21	12FY21	YoY (%)	QoQ (%)
Total Operating Incon	292.3	350.6	390.5	325.6	394.8	406.0	457.5	403.2	321.1	404.1	379.0	352.8	371.9	15.8	5.4
Raw Material Expens	155.3	195.6	217.8	164.7	205.8	223.0	260.3	228.3	145.0	208.9	194.2	193.3	188.6	30.1	-2.5
% of revenue	53.1	55.8	55.8	50.6	52.1	54.9	56.9	56.6	45.2	51.7	51.2	54.8	50.7		
Gross Profit	136.9	155.1	172.7	160.9	189.0	183.0	197.3	174.9	176.1	195.2	184.8	159.4	183.4	4.1	15.0
Gross Profit Margin (%)	46.9	44.2	44.2	49.4	47.9	45.1	43.1	43.4	54.8	48.3	48.8	45.2	49.3	-554 bps	410 bps
Employee Expenses	30.2	32.6	32.1	36.2	38.6	39.3	36.2	42.2	43.8	41.9	40.0	42.0	39.0	-11.0	-7.2
% of revenue	10.3	9.3	8.2	11.1	9.8	9.7	7.9	10.5	13.6	10.4	10.6	11.9	10.5		
Other Expenses	53.0	55.6	69.1	64.0	75.2	71.0	77.0	64.2	74.0	77.7	74.2	64.9	74.6	0.9	15.0
% of revenue	18.1	15.9	17.7	19.7	19.1	17.5	16.8	15.9	23.0	19.2	19.6	18.4	20.1		
Total Expenditure	238.5	283.8	319.0	265.0	319.6	333.4	373.5	334.7	262.7	328.4	308.4	300.2	302.2	15.0	0.6
% of revenue	81.6	80.9	81.7	81.4	81.0	82.1	81.6	83.0	81.8	81.3	81.4	85.1	81.2		
EBITDA	53.8	66.9	71.5	60.6	75.2	72.6	84.0	68.5	58.4	75.7	70.6	52.5	69.8	19.6	32.8
EBITDA Margins (%)	18.4	19.1	18.3	18.6	19.0	17.9	18.4	17.0	18.2	18.7	18.6	14.9	18.8	58 bps	387 bps
Depreciation	21.5	21.5	21.4	22.6	23.6	23.5	23.2	20.3	20.5	20.7	20.9	20.7	21.2	3.2	2.2
Interest	13.1	11.9	12.5	16.0	16.4	13.4	12.6	12.1	13.6	13.1	13.7	9.7	8.5	-37.4	-12.2
Other Income	0.4	0.9	1.6	1.4	0.3	0.5	0.1	0.7	0.8	0.5	1.7	0.6	1.0	15.9	48.4
Forex & EO	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-15.4	0.0	0.0	0.0	0.0		
PBT	19.7	34.4	39.2	23.4	35.5	36.3	48.2	36.8	9.7	42.3	37.7	22.8	41.1	323.6	80.1
Total Tax	4.3	11.1	13.9	7.5	11.1	12.6	14.8	11.6	3.3	14.0	13.3	7.8	14.1	324.7	81.0
Tax rate (%)	22.0	32.4	35.3	32.0	31.3	34.7	30.8	31.5	34.3	33.0	35.1	34.2	34.3	8.6	16.7
Adjusted PAT	15.3	23.2	25.3	15.9	24.4	23.7	33.3	25.2	21.8	28.4	24.5	15.0	27.0	23.8	79.7
EPS (₹)	1.2	1.9	2.1	1.3	2.0	1.9	2.7	2.0	1.8	2.3	2.0	1.2	2.2	23.8	79.7

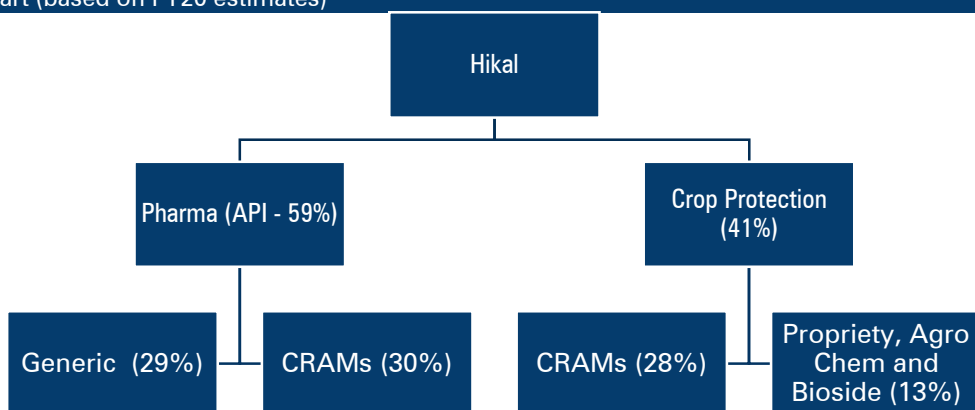
Source: ICICI Direct Research

## Company background

Established in 1988, Hikal is predominantly a B2B player that provides intermediates and active ingredients to global pharmaceutical, animal health, crop protection and specialty chemical companies. For FY20, pharma and crop protection accounted for 59% and 41%, respectively, of operating revenues. The pharma business is currently divided almost equally between generic active pharma ingredients (APIs) and contract development and manufacturing organisation (CDMO) businesses. Animal health business accounts for 20-25% of CDMO business. In crop protection, 70% of revenues are derived from CDMO with the remaining from proprietary products, specialty chemicals and specialty biocides. Hikal owns five manufacturing facilities: Taloja, Mahad (Maharashtra), Panoli (Gujarat) Jigani (Karnataka) and an R&D centre at Pune.

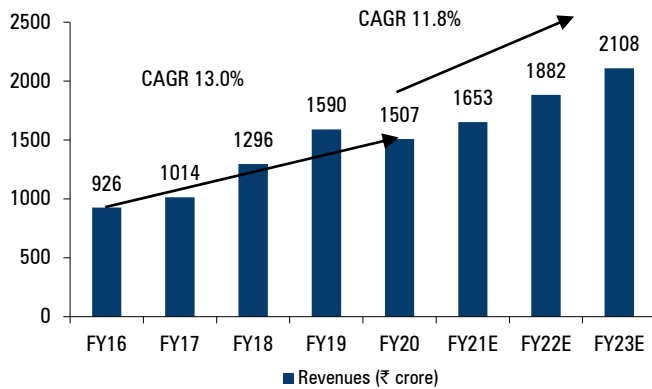
*Hikal is predominantly a B2B player that provides intermediates and active ingredients to global pharmaceuticals, animal health, crop protection and specialty chemicals companies*

Exhibit 1: Flow chart (based on FY20 estimates)



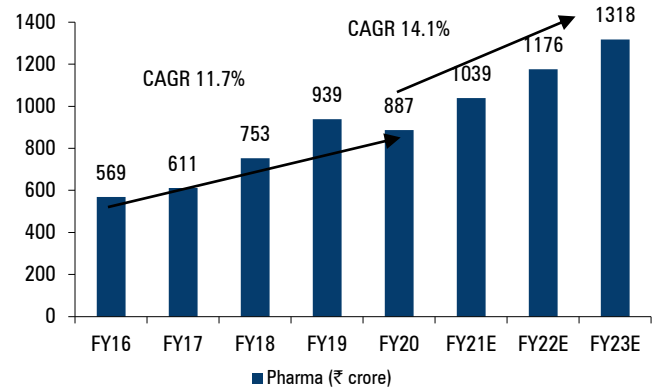
Source: ICICI Direct Research, Company

Exhibit 2: Revenues to grow at 12% CAGR over FY20-23E



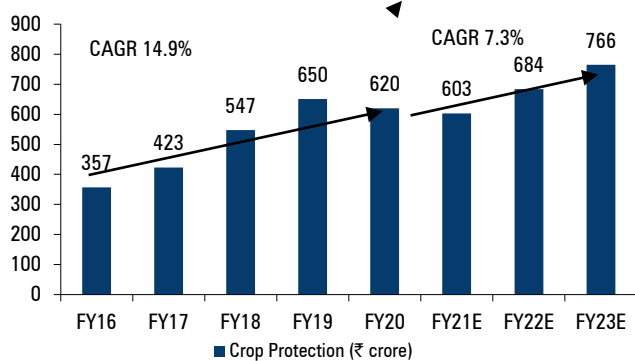
Source: ICICI Direct Research, Company

Exhibit 3: Pharma to grow at 14% CAGR over FY20-23E



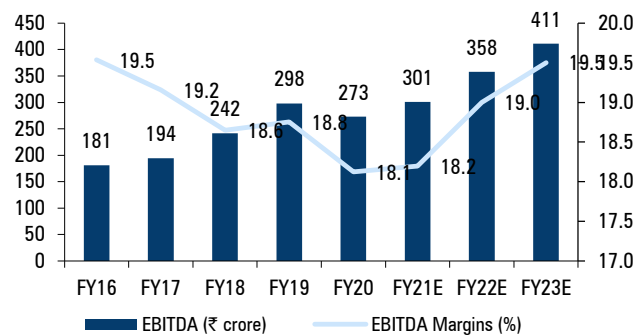
Source: ICICI Direct Research, Company

Exhibit 4: Crop to grow at 7% CAGR over FY20-23E



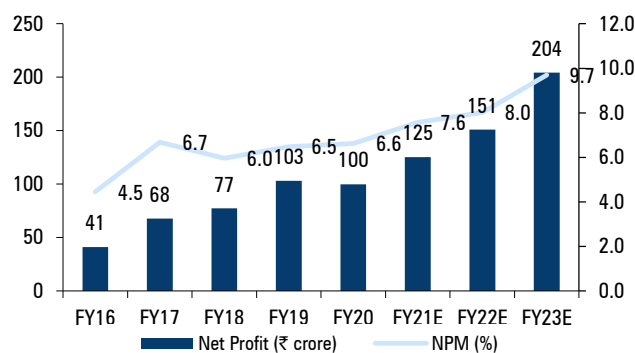
Source: ICICI Direct Research, Company

Exhibit 5: EBITDA & EBITDA margins trend



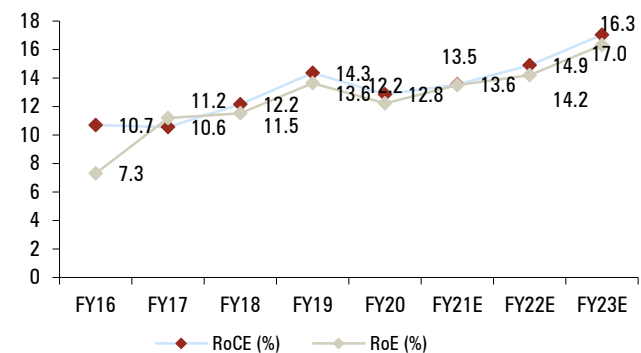
Source: ICICI Direct Research, Company

Exhibit 6: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 7: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 8: Valuation

	Revenues (₹ crore)	Growth (%)	Adj. EPS (₹)	Growth (%)	P/E (x)	EV/EBITDA (X)	RoE (%)	RoCE (%)
FY 20	1507	-5	8.1	-3	21.2	9.9	12.2	12.8
FY 21E	1653	9.7	10.2	25.4	16.9	9.0	13.5	13.6
FY 22E	1882	13.9	12.2	20.5	14.0	7.3	14.2	14.9
FY 23E	2108	12.0	16.6	35.5	10.3	5.9	16.3	17.0

Source: ICICI Direct Research, Company

Exhibit 9: Shareholding Pattern

(in %)	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
Promoter	68.8	68.8	68.8	68.8	68.8
Others	31.2	31.2	31.2	31.2	31.2

Source: ICICI Direct Research, Company

## Financial Summary

**Exhibit 10: Profit & Loss (₹ crore)**

(Year-end March)	FY20	FY21E	FY22E	FY23E
<b>Revenues</b>	<b>1,507.3</b>	<b>1,652.9</b>	<b>1,882.4</b>	<b>2,108.2</b>
Growth (%)	-5.2	9.7	13.9	12.0
Raw Material Expenses	776.3	858.8	967.2	1,083.3
Employee Expenses	167.8	173.8	195.3	213.5
Other Manufacturing Expenses	290.0	319.5	362.1	400.3
<b>Total Operating Expenditure</b>	<b>1,234.1</b>	<b>1,352.1</b>	<b>1,524.7</b>	<b>1,697.1</b>
<b>EBITDA</b>	<b>273.2</b>	<b>300.8</b>	<b>357.7</b>	<b>411.1</b>
Growth (%)	-8.4	10.1	18.9	14.9
Interest	52.4	35.2	32.7	26.7
Depreciation	82.5	84.2	113.2	119.6
Other Income	3.7	4.0	3.8	8.4
<b>PBT before Exceptional Item</b>	<b>142.0</b>	<b>185.4</b>	<b>215.6</b>	<b>273.3</b>
Less: Forex & Exceptional Item	15.4	0.0	0.0	0.0
<b>PBT</b>	<b>126.6</b>	<b>185.4</b>	<b>215.6</b>	<b>273.3</b>
Total Tax	42.1	60.1	64.7	68.9
PAT before MI	84.4	125.2	150.9	204.4
Minority Interest	0.0	0.0	0.0	0.0
<b>PAT</b>	<b>84.4</b>	<b>125.2</b>	<b>150.9</b>	<b>204.4</b>
<b>Adjusted PAT</b>	<b>99.8</b>	<b>125.2</b>	<b>150.9</b>	<b>204.4</b>
Growth (%)	-3.2	25.4	20.5	35.5
EPS	6.8	10.2	12.2	16.6
EPS (Adjusted)	8.1	10.2	12.2	16.6

Source: ICICI Direct Research

**Exhibit 11: Cash Flow Statement (₹ crore)**

(Year-end March)	FY20	FY21E	FY22E	FY23E
Profit/(Loss) after taxation	117.7	125.2	150.9	204.4
Add: Depreciation & Amortization	82.5	84.2	113.2	119.6
Add: Interest Cost	52.4	35.2	32.7	26.7
Net Increase in Current Assets	34.6	-68.9	-105.8	-104.9
Net Increase in Current Liabilities	-3.5	24.7	36.5	36.6
Others	1.3	0	0	0
<b>CF from operating activities</b>	<b>284.9</b>	<b>200.4</b>	<b>227.4</b>	<b>282.4</b>
(Inc)/dec in Fixed Assets	-158.0	-160.0	-80.0	-80.0
(Inc)/dec in Investments	0.0	0.0	0.0	0.0
Others	89.6	-1.1	-1.0	-0.9
<b>CF from investing activities</b>	<b>-68.4</b>	<b>-161.1</b>	<b>-81.0</b>	<b>-80.9</b>
Inc / (Dec) in Equity Capital	0.0	0.0	0.0	0.0
Inc / (Dec) in sec. Loan	-25.0	0.0	-100.0	-100.0
Dividend & Dividend Tax	-23.8	-14.8	-14.8	-14.8
Others	-52.1	-35.2	-32.7	-26.7
<b>CF from financing activities</b>	<b>-100.9</b>	<b>-50.0</b>	<b>-147.5</b>	<b>-141.5</b>
Net Cash flow	115.7	-10.7	-1.1	60.0
Opening Cash	-52.1	63.6	52.9	51.8
<b>Closing Cash</b>	<b>63.6</b>	<b>52.9</b>	<b>51.8</b>	<b>111.8</b>
<b>Free Cash Flow</b>	<b>126.9</b>	<b>40.4</b>	<b>147.4</b>	<b>202.4</b>

Source: ICICI Direct Research

**Exhibit 12: Balance Sheet (₹ crore)**

(Year-end March)	FY20	FY21E	FY22E	FY23E
Equity Capital	24.7	24.7	24.7	24.7
Reserve and Surplus	791.8	902.3	1,038.4	1,228.0
Total Shareholders fund	816.5	926.9	1,063.0	1,252.7
Total Debt	644.7	644.7	544.7	444.7
Others Liabilities	51.8	55.5	59.5	63.9
<b>Source of Funds</b>	<b>1,513.0</b>	<b>1,627.1</b>	<b>1,667.2</b>	<b>1,761.3</b>
Gross Block - Fixed Assets	1,064.9	1,084.9	1,414.9	1,494.9
Accumulated Depreciation	329.7	413.9	527.1	646.7
Net Block	735.2	671.0	887.8	848.2
Capital WIP	160.8	300.8	50.8	50.8
Net Fixed Assets	896.0	971.8	938.6	899.1
Investments	0.7	0.7	0.7	0.7
Inventory	312.5	342.6	390.2	437.0
Cash	63.6	52.9	51.8	111.8
Debtors	340.4	373.3	425.2	476.2
Loans & Advances & Other CA	0.0	0.0	0.0	0.0
Total Current Assets	774.8	833.0	937.7	1,102.6
Creditors	201.2	220.6	251.2	281.4
Provisions & Other CL	53.8	59.1	65.0	71.4
Total Current Liabilities	255.0	279.7	316.2	352.8
Net Current Assets	519.8	553.2	621.5	749.8
LT L&A, Other Assets	96.5	101.3	106.4	111.7
<b>Application of Funds</b>	<b>1,513.0</b>	<b>1,627.1</b>	<b>1,667.2</b>	<b>1,761.3</b>

Source: ICICI Direct Research

**Exhibit 13: Key Ratios (₹ crore)**

(Year-end March)	FY20	FY21E	FY22E	FY23E
<b>Per share data (₹)</b>				
EPS	8.1	10.2	12.2	16.6
Cash EPS	7.1	9.0	11.0	15.4
BV	66.2	75.2	86.2	101.6
DPS	1.0	1.2	1.2	1.2
Cash Per Share	26.7	33.6	42.7	52.4
<b>Operating Ratios (%)</b>				
Gross Margins	48.5	48.0	48.6	48.6
EBITDA margins	18.1	18.2	19.0	19.5
Net Profit margins	6.6	7.6	8.0	9.7
Inventory days	75.7	75.7	75.7	75.7
Debtor days	82.4	82.4	82.4	82.4
Creditor days	48.7	48.7	48.7	48.7
Asset Turnover	1.4	1.5	1.3	1.4
<b>Return Ratios (%)</b>				
RoE	12.2	13.5	14.2	16.3
RoCE	12.8	13.6	14.9	17.0
RoIC	14.8	17.0	15.6	18.2
<b>Valuation Ratios (x)</b>				
P/E	21.2	16.9	14.0	10.3
EV / EBITDA	9.9	9.0	7.3	5.9
EV / Revenues	1.8	1.6	1.4	1.2
Market Cap / Revenues	1.4	1.3	1.1	1.0
Price to Book Value	2.6	2.3	2.0	1.7
<b>Solvency Ratios</b>				
Debt / Equity	0.8	0.7	0.5	0.4
Debt/EBITDA	2.4	2.1	1.5	1.1
Current Ratio	2.8	2.8	2.8	2.8

Source: ICICI Direct Research

**Exhibit 14: 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	1608	1,960	Buy	14032	43.5	53.4	62.7	73.8	36.9	30.1	25.6	21.8	21.8	24.7	25.4	24.5	17.1	18.1	18.4	18.6
Alembic Pharma	ALEMPHA	1006	1,170	Buy	19764	31.4	46.3	59.7	48.4	32.0	21.7	16.8	20.8	19.6	21.0	22.2	16.9	21.8	27.1	22.9	16.2
Apollo Hospital	APOHOS	2105	1,970	Buy	29286	17.0	23.3	-11.4	28.7	124.1	90.2	NA	73.3	8.8	10.2	3.9	15.2	7.1	9.7	-4.6	10.5
Aurobindo Pharma	AURPHA	782	1,025	Buy	45838	41.9	48.8	58.4	65.4	18.7	16.0	13.4	12.0	15.9	17.2	18.2	18.0	17.7	17.0	15.0	14.5
Biocon	BIOCON	409	500	Buy	49086	6.2	5.8	8.4	15.8	65.9	70.3	49.0	25.9	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	783	900	Buy	63130	18.6	19.2	30.3	36.0	42.1	40.8	25.8	21.7	10.9	12.0	16.4	17.3	10.0	9.8	13.7	14.2
Divi's Lab	DIVLAB	3200	3,260	Buy	84950	51.0	51.9	70.7	85.7	62.8	61.7	45.3	37.3	25.5	23.9	27.1	26.5	19.4	18.8	21.2	21.0
Dr Reddy's Lab	DRREDD	4939	6,000	Buy	82116	114.7	121.9	168.4	194.4	43.1	40.5	29.3	25.4	10.7	9.6	17.5	19.3	13.6	13.0	15.5	15.5
Glenmark Pharma	GLEPHA	498	560	Buy	14052	26.9	26.4	32.8	39.9	18.5	18.9	15.2	12.5	15.3	12.7	13.8	14.9	13.5	12.2	13.3	14.0
Hikal	HIKCHE	171	230	Buy	2112	8.4	8.1	10.2	12.2	20.5	21.2	16.9	14.0	14.3	12.8	13.6	14.9	13.6	12.2	13.5	14.2
Ipca Laboratories	IPCLAB	2355	2,400	Buy	29868	35.1	47.8	92.3	93.4	67.2	49.2	25.5	25.2	15.0	17.6	26.9	22.4	14.2	16.6	24.5	20.0
Jubilant Life	JUBLIF	710	850	Buy	11309	54.9	59.9	54.4	70.3	12.9	11.9	13.1	10.1	14.3	14.4	14.7	16.9	17.8	16.6	13.2	14.7
Lupin	LUPIN	944	1,030	Buy	42792	16.5	-12.7	25.3	39.2	57.1	NA	37.4	24.1	9.4	9.7	10.2	13.8	5.4	-4.6	8.4	11.7
Narayana Hrudayam	NARHRU	337	405	Buy	6879	2.9	6.4	-4.2	8.3	115.9	53.0	NA	40.4	7.7	11.0	-2.4	12.8	5.5	11.4	-8.3	14.2
Natco Pharma	NATPHA	900	950	Buy	16395	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	504	585	Buy	120804	15.9	16.8	25.5	23.1	31.8	30.0	19.7	21.8	10.3	10.0	11.4	12.4	9.2	8.9	12.9	10.5
Syngene Int.	SYNINT	543	635	Buy	21704	8.3	10.3	9.5	13.2	65.6	52.7	57.0	41.2	14.8	14.5	12.4	15.8	16.8	15.7	14.9	17.2
Torrent Pharmaceuticals	TORPHA	2598	3,135	Buy	43964	48.9	60.6	71.0	85.9	53.1	42.9	36.6	30.2	14.2	15.4	18.0	20.2	17.5	21.2	21.0	21.3
Shalby	SHALIM	90	100	Hold	969	2.9	2.6	4.2	4.8	30.6	35.1	21.5	18.7	6.8	7.2	5.8	7.8	4.1	3.5	5.3	5.9
Aster DM	ASTDM	133	160	Buy	6644	6.7	5.5	-0.3	8.3	19.9	24.0	NA	16.0	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	490	670	Buy	3707	23.3	28.4	33.2	44.6	21.0	17.2	14.8	11.0	34.6	26.5	26.0	28.0	27.9	22.7	21.4	22.7
Granules India	GRANUL	378	460	Buy	9348	9.5	12.4	21.4	25.2	39.5	30.4	17.7	15.0	11.8	15.2	22.9	23.1	15.5	16.7	22.6	21.2
Laurus Labs	LAULAB	277	390	Buy	14847	1.7	4.8	16.0	17.7	158.3	58.2	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



## 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, Akruti 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](http://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 [icicidirect.com](http://icicidirect.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.