Natco Pharma (NATPHA)

One-offs drive numbers...

Q2FY21 revenues grew an exceptional 65.2% YoY to ₹ 802 crore on the back of 91.3% YoY growth in export formulations to ₹ 482 crore and 193.7% growth in APIs to ₹ 200 crore. Domestic formulations de-grew 11.2% YoY to ₹ 108 crore due to continued impact on Hep-C sales and oncology segment due to lower hospitalisation rate amid the pandemic. EBITDA margins improved 680 bps YoY to 34.5% due to better operating leverage. Hence, EBITDA grew 105.8% YoY to ₹ 276 crore. PAT grew 70.1% YoY to ₹ 202.4 crore. Delta vis-a-vis EBITDA was due to lower other income and higher tax rate (24.7% vs 15.6% in Q2FY20).

Focused approach in US

Natco has carved out its own identity via tie-ups to tap limited but niche products pipeline including 20 Para IVs filings (FY20). As per the revised and more feasible game plan, it plans to market products via tie-ups with established players in the generic space. Till FY20, the company had filed 55 ANDAs, which includes some niche FTF opportunities. Overall, the management expects one or two complex product launches in the US.

New launches in CND/oncology to drive domestic revenues

Natco is a leading player in domestic oncology segment with a product basket of ~33 products (FY20). Covid related disturbances, pricing pressure notwithstanding, we expect momentum in oncology segment to be decent on the back of incremental launches. New launches in cardio/diabetology segment (CND) is also expected to support overall growth. Going ahead, the company is looking to launch six to eight products a year. We expect domestic sales to grow at 12.4% CAGR in FY20-23E to ₹ 768 crore.

Valuation & Outlook

Q2 results were better than l-direct estimates on all fronts. Growth in export formulations was led by inclusion of gRevlimgd settlement income in Canada from Celgene, API segment was led by stockings for Tamiflu especially in Brazil and Canada. The next big US approval will be gRevlimgd while there are handful of other US approvals and launches lined up. Broadly, given the current trend in US with niche opportunities being specifically targeted by USFDA to encourage more generic players, this funnel is getting squeezed. In this backdrop, the management is looking to expand in other geographies, businesses (agrochemicals). As per new strategy, specific markets- India, Brazil, Canada, China, agrochemical segment, together may contribute 70-80% of revenues in the next two to three years. The bright spot for Natco is of course its strong b/s besides management’s ability to carve out a niche out of available opportunities. The growth trajectory is likely to improve from FY23 onwards as the new strategy settles down. We ascribe a target price of ₹ 970, which includes base business value of ~₹ 676 (25x FY23E EPS of ₹ 27.0) + ₹ 294 for NPV of FTF/Para IVs in US. Given the recent run-up besides impending TAD for gRevlimgd approval, we change our stance to HOLD.
### Exhibit 1: Variance Analysis

<table>
<thead>
<tr>
<th></th>
<th>Q2FY21</th>
<th>Q2FY20</th>
<th>Q1FY21</th>
<th>YoY (%)</th>
<th>QoQ (%)</th>
<th>Comments</th>
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</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>802.2</td>
<td>485.7</td>
<td>563.4</td>
<td>65.2</td>
<td>42.4</td>
<td>YoY growth due to multiple one offs pertaining to Covid related opportunities and licensing income</td>
</tr>
<tr>
<td>Raw Material Expenses</td>
<td>194.9</td>
<td>119.2</td>
<td>178.9</td>
<td>63.5</td>
<td>8.9</td>
<td>Sharp decline mainly due to change in product mix</td>
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<tr>
<td>Employee Expenses</td>
<td>123.7</td>
<td>102.4</td>
<td>95.2</td>
<td>20.8</td>
<td>29.9</td>
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<td>Other Expenditure</td>
<td>207.2</td>
<td>129.8</td>
<td>118.2</td>
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<td>Total Operating Expenditure</td>
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<td>351.4</td>
<td>392.3</td>
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<td>34.0</td>
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<td>EBITDA</td>
<td>276.4</td>
<td>134.3</td>
<td>171.1</td>
<td>105.8</td>
<td>61.5</td>
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<td>EBITDA (%)</td>
<td>34.5</td>
<td>27.7</td>
<td>30.4</td>
<td>680 bps</td>
<td>409 bps</td>
<td>YoY improvement amid operational leverage due to sharp increase in revenues</td>
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<td>Interest</td>
<td>2.7</td>
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<td>-56.5</td>
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<tr>
<td>Depreciation</td>
<td>28.7</td>
<td>21.9</td>
<td>28.0</td>
<td>31.1</td>
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<tr>
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<td>0.0</td>
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<td>PAT</td>
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<td>139.4</td>
<td>158.1</td>
<td>94.2</td>
<td>71.2</td>
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<td>Tax</td>
<td>66.8</td>
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<tr>
<td>PAT before MI</td>
<td>203.9</td>
<td>117.7</td>
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<td>73.2</td>
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<td>MI</td>
<td>1.5</td>
<td>-1.3</td>
<td>-0.7</td>
<td>LP</td>
<td>LP</td>
<td></td>
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<tr>
<td>Adj.Net Profit</td>
<td>202.4</td>
<td>119.0</td>
<td>122.8</td>
<td>70.1</td>
<td>64.8</td>
<td>YoY increase mainly due to strong operational performance</td>
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</table>

### Key Metrics

- **Domestic formulations**
  - FY19: 108.3
  - FY20: 122.0
  - FY21E: 125.6
  - YoY: -11.2
  - QoQ: -13.8
  - Comments: YoY decline amid sharp decline in oncology segment amid Covid-19

- **Export Formulations**
  - FY19: 482.0
  - FY20: 252.0
  - FY21E: 274.2
  - YoY: 91.3
  - QoQ: 75.8
  - Comments: Strong growth due to Oseltamivir supply amid Covid-19 and one-time licensing income

- **APIs**
  - FY19: 199.7
  - FY20: 68.0
  - FY21E: 143.9
  - YoY: 193.7
  - QoQ: 38.8
  - Comments: Strong growth due to Oseltamivir stocking amid Covid-19

### Exhibit 2: Change in Estimates

<table>
<thead>
<tr>
<th></th>
<th>FY21E</th>
<th>FY22E</th>
<th>Old % Change</th>
<th>New % Change</th>
<th>Old % Change</th>
<th>New % Change</th>
<th>Comments</th>
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<tbody>
<tr>
<td>Revenue</td>
<td>2,253.4</td>
<td>2,542.4</td>
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<td>12.8</td>
<td>12.8</td>
<td>12.8</td>
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<tr>
<td>EBITDA</td>
<td>774.1</td>
<td>821.3</td>
<td>6.1</td>
<td>6.1</td>
<td>6.1</td>
<td>6.1</td>
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<tr>
<td>EBITDA Margin (%)</td>
<td>34.4</td>
<td>32.3</td>
<td>205 bps</td>
<td>32.9</td>
<td>30.9</td>
<td>-193 bps</td>
<td>Increase in employee expenditure owing to addition of field force</td>
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<tr>
<td>PAT</td>
<td>564.0</td>
<td>595.5</td>
<td>5.6</td>
<td>5.6</td>
<td>5.6</td>
<td>5.6</td>
<td>Increased mainly in sync with operational performance</td>
</tr>
<tr>
<td>EPS ((</td>
<td>))</td>
<td>31.0</td>
<td>32.7</td>
<td>5.6</td>
<td>5.6</td>
<td>29.7</td>
<td>28.0</td>
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</table>

### Exhibit 3: Change in Estimates

<table>
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<th>Comments</th>
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<tbody>
<tr>
<td>APIs</td>
<td>FY19: 303.0</td>
<td>FY20: 355.2</td>
<td>FY21E: 551.4</td>
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<tr>
<td>Domestic formulations</td>
<td>FY19: 735.0</td>
<td>FY20: 540.8</td>
<td>FY21E: 523.4</td>
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<tr>
<td>Exports formulations</td>
<td>FY19: 994.0</td>
<td>FY20: 932.6</td>
<td>FY21E: 1,394.9</td>
</tr>
</tbody>
</table>

Source: ICICI Direct Research
Conference Call Highlights

- Guidance of 20-25% YoY PAT growth in FY21 maintained
- FY21 revenues could be ₹2400 crore

- Costs: One-time employee increment/incentive in Q2; Litigation costs expensed; setting up Risk Evaluation and Mitigation Strategy (REMS) for three to four products
- Costs ~US$3-4 million to set up REMS per product
- REMS products – Lenalidomide, Pomalidomide, Bosentan

- As of Q2FY21: Cash – ₹1065 crore; total debt - ₹431 crore (₹105 crore: short-term working capital + ₹322 crore: in export receivables)
- Domestic – Hep-C decline; drop in oncology patient footfalls in hospitals due to Covid (~70-75% of normal sales currently)
- Topline includes gRevlimid settlement income in Canada; API growth – led by Tamiflu stocking
- Strong Tamiflu supply, won government orders from Canada, launched in Brazil, stocked material with partner (Alvogen) in US; won tenders
- Apixaban doing well in India market
- gCopaxone - stable volumes
- Recruiting reps all over India for agrochem product (CTPR) – May be ready to launch by end of fiscal depending on litigation and approval outcomes
- Agrochem capex as of Q2FY21: ~₹176 crore
- The company plans to hire about 80-100 people. They have already hired about 50-60 people

Exhibit 4: Trends in quarterly financials

<table>
<thead>
<tr>
<th><code>Cr</code></th>
<th>Q1FY19</th>
<th>Q2FY19</th>
<th>Q3FY19</th>
<th>Q4FY19</th>
<th>Q1FY20</th>
<th>Q2FY20</th>
<th>Q3FY20</th>
<th>Q4FY20</th>
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<tr>
<td>Revenues</td>
<td>426.7</td>
<td>562.2</td>
<td>767.8</td>
<td>539.6</td>
<td>543.5</td>
<td>556.7</td>
<td>455.7</td>
<td>492.3</td>
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<td>Raw Material Exp</td>
<td>112.9</td>
<td>65.8</td>
<td>123.0</td>
<td>87.3</td>
<td>94.9</td>
<td>105.0</td>
<td>67.0</td>
<td>76.0</td>
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<tr>
<td>% of Revenues</td>
<td>26.5</td>
<td>11.7</td>
<td>16.0</td>
<td>16.2</td>
<td>17.5</td>
<td>18.9</td>
<td>14.7</td>
<td>15.4</td>
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<tr>
<td>Gross Profit</td>
<td>313.8</td>
<td>496.4</td>
<td>644.8</td>
<td>451.3</td>
<td>448.6</td>
<td>451.7</td>
<td>388.7</td>
<td>416.3</td>
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<tr>
<td>% of Revenues</td>
<td>73.5</td>
<td>88.3</td>
<td>84.0</td>
<td>83.8</td>
<td>82.5</td>
<td>81.1</td>
<td>85.3</td>
<td>84.6</td>
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<tr>
<td>Employee Expenses</td>
<td>73.6</td>
<td>78.8</td>
<td>110.1</td>
<td>88.7</td>
<td>92.6</td>
<td>93.3</td>
<td>81.3</td>
<td>93.2</td>
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<td>% of Revenues</td>
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<td>14.0</td>
<td>14.3</td>
<td>16.5</td>
<td>17.0</td>
<td>16.8</td>
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<td>Other Expenses</td>
<td>118.3</td>
<td>131.1</td>
<td>151.4</td>
<td>145.0</td>
<td>135.5</td>
<td>150.0</td>
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<tr>
<td>% of Revenues</td>
<td>27.7</td>
<td>23.3</td>
<td>19.7</td>
<td>26.9</td>
<td>24.9</td>
<td>26.9</td>
<td>34.9</td>
<td>26.8</td>
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<tr>
<td>Total Expenditure</td>
<td>304.8</td>
<td>275.7</td>
<td>384.5</td>
<td>321.0</td>
<td>323.0</td>
<td>348.3</td>
<td>307.4</td>
<td>301.0</td>
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<tr>
<td>EBITDA</td>
<td>121.9</td>
<td>286.5</td>
<td>383.3</td>
<td>217.6</td>
<td>220.5</td>
<td>208.4</td>
<td>148.3</td>
<td>191.3</td>
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<td>EBITDA Margins (%)</td>
<td>28.6</td>
<td>51.0</td>
<td>49.9</td>
<td>40.4</td>
<td>40.6</td>
<td>37.4</td>
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<td>38.9</td>
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<td>Depreciation</td>
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<td>18.0</td>
<td>18.4</td>
<td>20.2</td>
<td>21.7</td>
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<td>Interest</td>
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<td>2.8</td>
<td>5.0</td>
<td>6.3</td>
<td>5.2</td>
<td>6.5</td>
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<td>Other income</td>
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<td>11.4</td>
<td>20.1</td>
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<td>40.0</td>
<td>23.3</td>
<td>31.0</td>
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<td>EBIT</td>
<td>107.2</td>
<td>276.4</td>
<td>382.4</td>
<td>232.3</td>
<td>235.3</td>
<td>204.7</td>
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<tr>
<td>PAT</td>
<td>84.4</td>
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<td>181.6</td>
<td>159.3</td>
<td>120.4</td>
<td>142.8</td>
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<td>PAT Margin (%)</td>
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<td>39.0</td>
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<td>33.4</td>
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<tr>
<td>PAT after MI</td>
<td>84.8</td>
<td>217.5</td>
<td>299.9</td>
<td>181.6</td>
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<td>159.5</td>
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<td>EPS (₹)</td>
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<td>182.5</td>
<td>159.5</td>
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<td>143.2</td>
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Source: ICICI Direct Research
Company Background

Natco Pharma (NPL) is a mid-sized pharmaceutical company with a presence across the pharma value chain. The company also has a US retail business. It owns eight manufacturing facilities including six formulations facilities and two API facilities. Overall revenues grew at a CAGR of 15.4% in FY16-20.

Natco is a leading domestic player in the oncology space. Its product pipeline consists of drugs, which are used for various types of cancer like blood cancer, breast cancer, brain cancer, ovarian cancer, lung cancer and prostate cancer. Currently, Natco is marketing 33 oncology products in the Indian market (FY20).

On the export front, Natco exports products to US, Canada and Europe regions. Despite being a late entrant in the US market, it has carved out its own identity via tie-ups to tap limited but niche products pipeline including 20 Para IVs and two limited competition products. The products, which have first to file status, are Lenalidomide capsules, Lanthanum Carbonate chewable tablets, Lapatinib Ditosylate tablets and Bendamustine Hydrochloride powder. There are still more such candidates in the pipeline.

The management has charted a new growth roadmap with plans to enter the agrochemical business. Subsequently the company filed a broad spectrum insecticide, Chlorantraniliprole (CTPR) in India for which it expects approval from agricultural ministry shortly. The company has invested ~100 crore in this segment till date. Additionally, the company has filed another Agro product (undisclosed) recently. Overall, the management expects this segment to contribute ~10-15% of overall revenues two- three years down the line.
Exhibit 5: Revenues grow at CAGR of ~8% over FY20-23E

Source: ICICI Direct Research, Company

Exhibit 6: Domestic to grow at CAGR of 12% over FY20-23E

Source: ICICI Direct Research, Company

Exhibit 7: Export to grow at CAGR of ~3% 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: Valuation Summary

Source: ICICI Direct Research, Bloomberg

<table>
<thead>
<tr>
<th></th>
<th>Revenues Growth</th>
<th>EPS Growth</th>
<th>P/E</th>
<th>EV/EBITDA</th>
<th>RoE</th>
<th>RoCE</th>
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<tbody>
<tr>
<td>FY 20</td>
<td>1915 (25.3)</td>
<td>-8.6 (28.5)</td>
<td>35.6</td>
<td>28.5 (12.2)</td>
<td>14.0</td>
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<tr>
<td>FY 21E</td>
<td>2542 (32.7)</td>
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<td>27.5</td>
<td>19.7 (14.0)</td>
<td>17.1</td>
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<td>FY 22E</td>
<td>2332 (28.0)</td>
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<td>32.1</td>
<td>22.0 (11.0)</td>
<td>13.6</td>
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<td>FY 23E</td>
<td>2377 (27.0)</td>
<td>1.9 (3.5)</td>
<td>33.3</td>
<td>22.0 (9.8)</td>
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<td></td>
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<td>Dec-19</td>
<td>Mar-20</td>
<td>Jun-20</td>
<td>Sep-20</td>
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Source: ICICI Direct Research, Company
## Financial Summary

### Exhibit 13: Profit & Loss (₹ crore)

<table>
<thead>
<tr>
<th>(Year-end March)</th>
<th>FY20</th>
<th>FY21E</th>
<th>FY22E</th>
<th>FY23E</th>
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<tbody>
<tr>
<td>Revenues</td>
<td>1,915.0</td>
<td>2,542.4</td>
<td>2,332.1</td>
<td>2,376.6</td>
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<tr>
<td>Growth (%)</td>
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<td>1.9</td>
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<td>Raw Material Expenses</td>
<td>381.6</td>
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<tr>
<td>Employee Expenses</td>
<td>375.0</td>
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<tr>
<td>Other expenses</td>
<td>575.8</td>
<td>668.6</td>
<td>697.7</td>
<td>752.5</td>
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<tr>
<td>Total Operating Expenditure</td>
<td>1,332.4</td>
<td>1,721.1</td>
<td>1,610.8</td>
<td>1,686.8</td>
</tr>
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<td>EBITDA</td>
<td>582.6</td>
<td>821.3</td>
<td>721.3</td>
<td>708.2</td>
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<tr>
<td>Growth (%)</td>
<td>-26.7</td>
<td>-41.0</td>
<td>-12.2</td>
<td>-1.8</td>
</tr>
<tr>
<td>Depreciation</td>
<td>99.8</td>
<td>114.1</td>
<td>130.1</td>
<td>146.1</td>
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<td>Interest</td>
<td>21.5</td>
<td>14.3</td>
<td>15.8</td>
<td>15.8</td>
</tr>
<tr>
<td>Other Income</td>
<td>107.4</td>
<td>95.5</td>
<td>104.2</td>
<td>109.7</td>
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<tr>
<td>PBT</td>
<td>568.7</td>
<td>788.4</td>
<td>679.7</td>
<td>656.0</td>
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<tr>
<td>Total Tax</td>
<td>110.6</td>
<td>189.1</td>
<td>163.1</td>
<td>157.4</td>
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<tr>
<td>PAT before MI</td>
<td>458.1</td>
<td>599.3</td>
<td>516.5</td>
<td>498.6</td>
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<td>Majority Interest</td>
<td>-2.7</td>
<td>3.8</td>
<td>6.0</td>
<td>6.0</td>
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<tr>
<td>Adjusted PAT</td>
<td>460.8</td>
<td>595.5</td>
<td>510.5</td>
<td>492.6</td>
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<td>Growth (%)</td>
<td>-28.5</td>
<td>29.2</td>
<td>-14.3</td>
<td>-3.5</td>
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<tr>
<td>EPS (Adjusted)</td>
<td>25.3</td>
<td>32.7</td>
<td>28.0</td>
<td>27.0</td>
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</table>

Source: ICICI Direct Research

### Exhibit 14: Cash Flow Statement (₹ crore)

<table>
<thead>
<tr>
<th>(Year-end March)</th>
<th>FY20</th>
<th>FY21E</th>
<th>FY22E</th>
<th>FY23E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>1,915.0</td>
<td>2,542.4</td>
<td>2,332.1</td>
<td>2,376.6</td>
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<td>CF from operating activities</td>
<td>463.1</td>
<td>767.8</td>
<td>717.1</td>
<td>635.3</td>
</tr>
<tr>
<td>(Purchase)/Sale of Fixed Assets</td>
<td>-336.5</td>
<td>-250.0</td>
<td>-250.0</td>
<td>-250.0</td>
</tr>
<tr>
<td>P/E</td>
<td>16.0</td>
<td>112.8</td>
<td>8.7</td>
<td>-109.3</td>
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<tr>
<td>Net Cash flow</td>
<td>-157.7</td>
<td>-200.0</td>
<td>-200.0</td>
<td>-200.0</td>
</tr>
<tr>
<td>Opening Cash</td>
<td>279.5</td>
<td>66.0</td>
<td>296.9</td>
<td>458.0</td>
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<tr>
<td>Closing Cash</td>
<td>111.8</td>
<td>282.6</td>
<td>442.2</td>
<td>521.7</td>
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<tr>
<td>Free Cash Flow</td>
<td>126.6</td>
<td>517.8</td>
<td>467.1</td>
<td>385.3</td>
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Source: ICICI Direct Research

### Exhibit 15: Balance Sheet (₹ crore)

<table>
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<tr>
<th>(Year-end March)</th>
<th>FY20</th>
<th>FY21E</th>
<th>FY22E</th>
<th>FY23E</th>
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<td>Equity Capital</td>
<td>36.4</td>
<td>36.4</td>
<td>36.4</td>
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<td>4,214.2</td>
<td>4,615.4</td>
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<td>Total Shareholders funds</td>
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<td>4,250.6</td>
<td>4,651.9</td>
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<td>Total Debt</td>
<td>315.9</td>
<td>315.9</td>
<td>315.9</td>
<td>315.9</td>
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<td>Deferred Tax Liability</td>
<td>25.9</td>
<td>28.0</td>
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<td>32.6</td>
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<td>Minority Interest / Others</td>
<td>12.0</td>
<td>13.0</td>
<td>14.0</td>
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<td>Long Term Provisions</td>
<td>90.2</td>
<td>90.2</td>
<td>90.2</td>
<td>90.2</td>
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<tr>
<td>Total Liabilities</td>
<td>4,217.5</td>
<td>4,697.7</td>
<td>5,102.2</td>
<td>5,489.0</td>
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<td>Gross Block - Fixed Assets</td>
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<td>2,498.6</td>
<td>2,848.6</td>
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<td>Accumulated Depreciation</td>
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<td>678.3</td>
<td>808.4</td>
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<td>Net Block</td>
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<td>Total Fixed Assets</td>
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<td>2,238.3</td>
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<td>683.9</td>
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<td>Inventory</td>
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<td>454.6</td>
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<td>613.5</td>
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<td>573.5</td>
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<td>Cash</td>
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<td>Other Current Assets</td>
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<td>1,121.6</td>
<td>1,121.6</td>
<td>1,121.6</td>
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<td>284.4</td>
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<td>Provisions</td>
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<td>11.3</td>
<td>12.2</td>
<td>13.2</td>
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<tr>
<td>Other Current Liabilities</td>
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<td>Total Current Liabilities</td>
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<td>4,697.7</td>
<td>5,102.2</td>
<td>5,489.0</td>
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Source: ICICI Direct Research

### Exhibit 16: Key Ratios

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<tr>
<th>(Year-end March)</th>
<th>FY20</th>
<th>FY21E</th>
<th>FY22E</th>
<th>FY23E</th>
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<tbody>
<tr>
<td>Per share data (%)</td>
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<td>Adjusted EPS</td>
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<td>27.0</td>
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<td>BV per share</td>
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<td>Dividend per share</td>
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<td>6.5</td>
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<td>Cash Per Share</td>
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<td>16.3</td>
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<td>Operating Ratios (%)</td>
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<td></td>
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<td>Gross Profit Margins</td>
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<td>75.1</td>
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<td>80.0</td>
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<td>EBITDA Margins</td>
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<td>32.3</td>
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<td>PAT Margins</td>
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<td>Inventory days</td>
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<td>88.1</td>
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<td>Creditor days</td>
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<td>Asset Turnover</td>
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<td>EBITDA Conversion Rate</td>
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<td>95.5</td>
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<td>89.7</td>
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<td>Return Ratios (%)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>RoE</td>
<td>12.2</td>
<td>14.0</td>
<td>11.0</td>
<td>9.8</td>
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<tr>
<td>RoCE</td>
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<td>17.1</td>
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<tr>
<td>RoC</td>
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<td>15.1</td>
<td>13.6</td>
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<tr>
<td>Valuation Ratios (x)</td>
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<tr>
<td>PE</td>
<td>35.6</td>
<td>27.5</td>
<td>32.1</td>
<td>33.3</td>
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<tr>
<td>EV / EBITDA</td>
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<td>22.0</td>
</tr>
<tr>
<td>EV / Net Sales</td>
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<td>6.4</td>
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<td>6.6</td>
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<tr>
<td>Market Cap / Sales</td>
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<td>6.4</td>
<td>7.0</td>
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<tr>
<td>Price to Book Value</td>
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<td>3.9</td>
<td>3.5</td>
<td>3.3</td>
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<tr>
<td>Solvency Ratios</td>
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<tr>
<td>Debt / EBITDA</td>
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<td>0.4</td>
<td>0.4</td>
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<td>Debt / Equity</td>
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<td>0.1</td>
<td>0.1</td>
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<tr>
<td>Current Ratio</td>
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Source: ICICI Direct Research
## Exhibit 17: ICICI Direct Coverage Universe (Healthcare)

<table>
<thead>
<tr>
<th>Company</th>
<th>ICICI Direct CMP Code</th>
<th>TP (Cr)</th>
<th>M Cap</th>
<th>EPS ($)</th>
<th>PE(x)</th>
<th>RoCE (%)</th>
<th>RoE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ajanta Pharma</td>
<td>AJP - 1551</td>
<td>Buy</td>
<td>1,960</td>
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<td>53.4</td>
<td>36.2</td>
<td>73.8 35.6</td>
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<td>Alembic Pharmaka</td>
<td>EML - 957</td>
<td>Buy</td>
<td>1,170</td>
<td>31.4</td>
<td>46.3</td>
<td>59.7</td>
<td>48.4 30.4</td>
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<tr>
<td>Apollo Hospital</td>
<td>APH - 2111</td>
<td>Hold</td>
<td>2,310</td>
<td>16.1</td>
<td>22.2</td>
<td>1.9</td>
<td>35.5 130.8</td>
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<td>Aurobindo Pharma</td>
<td>AUR - 850</td>
<td>Buy</td>
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<td>48.8</td>
<td>56.0</td>
<td>63.4 20.3</td>
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<td>Biocon</td>
<td>BICON - 418</td>
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<td>501</td>
<td>6.2</td>
<td>5.8</td>
<td>8.4</td>
<td>15.8 67.3</td>
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<td>Cadila HealthCare</td>
<td>CADHEA - 416</td>
<td>Buy</td>
<td>555</td>
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<td>14.0</td>
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<td>22.1 23.1</td>
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<td>Cipla</td>
<td>CIPA - 742</td>
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<td>19.2</td>
<td>27.6</td>
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<td>Div's Lab</td>
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<td>51.9</td>
<td>73.0</td>
<td>89.9 65.8</td>
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<td>Dr Reddy's Lab</td>
<td>DRREDD - 4882</td>
<td>Buy</td>
<td>6,000</td>
<td>81178</td>
<td>114.7</td>
<td>121.9</td>
<td>168.4 194.4</td>
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<td>Glenmark Pharma</td>
<td>GLEPHA - 461</td>
<td>Buy</td>
<td>635</td>
<td>26.9</td>
<td>26.4</td>
<td>36.5</td>
<td>37.6 17.9</td>
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<td>Hikal</td>
<td>HICHE - 174</td>
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<td>230</td>
<td>2145</td>
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<td>8.1</td>
<td>10.2 12.2</td>
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<td>Ipca Laboratories</td>
<td>IPCLAB - 2041</td>
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<td>2,685</td>
<td>34.9</td>
<td>47.6</td>
<td>93.0</td>
<td>89.3 58.5</td>
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<td>Jubilant Life</td>
<td>JUBLIF - 689</td>
<td>Buy</td>
<td>850</td>
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<td>59.9</td>
<td>54.4</td>
<td>70.3 12.6</td>
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<td>Lupin</td>
<td>LUPIN - 911</td>
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<td>985</td>
<td>16.5</td>
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<td>38.4 55.1</td>
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<td>NARHRU - 342</td>
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<td>405</td>
<td>2.9</td>
<td>6.4</td>
<td>4.2</td>
<td>8.3 117.8</td>
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<td>Natco Pharma</td>
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<td>970</td>
<td>16397</td>
<td>35.4</td>
<td>25.3</td>
<td>32.7 28.0</td>
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<td>121145</td>
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<td>25.5 31.9</td>
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<td>Syngene Int.</td>
<td>SYNIINT - 541</td>
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<td>635</td>
<td>21654</td>
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<td>43254</td>
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<td>Shalby</td>
<td>SHALIM - 92</td>
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<td>100</td>
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<td>3.1 7.1</td>
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<td>12.4</td>
<td>21.4 25.2</td>
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<td>Laurus Labs</td>
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<td>Buy</td>
<td>390</td>
<td>15128</td>
<td>1.7</td>
<td>4.8</td>
<td>16.0 17.7</td>
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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%

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