

Subdued US hinders overall growth...

Q3 results were a mixed bag. While operational performance was below I-direct estimates amid lower than expected International (mainly US) and API sales, net profit was higher due to higher-than-expected profit contribution from Rhizen Phama (one-off). Revenues grew 8.7% YoY to ₹ 1314 crore led by strong growth in domestic, ROW formulations and API segment. US sales growth remained muted (down 0.6% YoY) at ₹ 512 crore due to competition in Sartans. Domestic formulations grew 13.6% YoY to ₹ 418 crore. EBITDA margins expanded 89 bps YoY to 27.8% due to better gross margins and lower R&D cost. Subsequently, EBITDA grew 12.3% YoY to ₹ 365 crore. Net Profit grew 24.9% YoY to ₹ 293 crore.

Domestic growth to remain steady...

Domestic sales comprise 31% of FY20 revenues with higher contribution from specialty (54% of domestic sales). However, despite having an established set-up, growth (FY16-20 CAGR of ~5%) has lagged the industry growth curve. Alembic is consciously focusing on this aspect by overhauling distribution channels (defocusing on trade generics). Overall, we expect domestic formulations to grow at 9.6% FY20-23E CAGR to ₹ 1875 crore.

New launches to drive US; impending capex to the fore...

US sales (43% of FY20 revenues) grew at ~12% CAGR in FY16-20 to ₹ 1976 crore on the back of consistent product launches including limited competition products. Despite being a late entrant, the company has done reasonably well with a product basket of 199 ANDA filings (62 pending final approval). It has already demonstrated required capabilities by securing limited competition approvals like gAbilify (CNS), gExforge (CVS), gCelebrex (Pain), gMicardis (CVS) and Sartans. We expect US sales to register 9.7% FY20-23E CAGR to ₹ 2608 on the back of 15-20 launches every year.

Valuation & Outlook

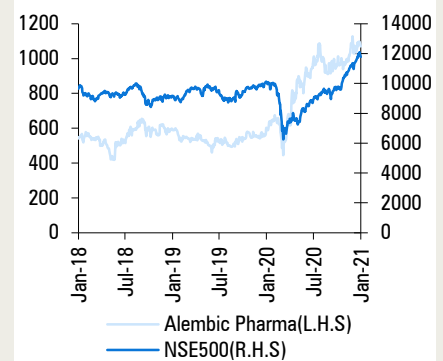
Key takeaways from Q3 numbers were domestic revival and continued traction from ROW and API segments (that hitherto were lumpy). Owing to increased competition in the Sartan portfolio, the management expects US quarterly sales to likely remain at ~US\$70 million in the near term despite new launches. On the domestic front, the management expects a steady run rate going forward. Additionally, in the API segment with Chinese players coming back into the market, the management expects some sales moderation but expects a steady growth. Apart from this, the management is aggressively spending in R&D and manufacturing for US oncology, injectables, derma segments which provides growth optimism for medium to long-term but may impact near term margins. We change from BUY to **HOLD** rating and arrive at a target price of ₹ 1055 (vs. ₹ 1170 earlier) based on 20x FY23E EPS of ₹ 52.7.



Particulars

Particular	Amount
Market Capitalisation	₹20260 crore
Debt (FY 20)	₹1747 crore
Cash & cash equivalents (FY 20)	₹81 crore
EV	₹21927 crore
52 week H/L	1150/435
Equity capital	₹39 crore
Face value	₹2

Price performance



Key risks to our call

- **Downside risk:** Delay in commercialization of new plants
- **Upside risk:** Better than expected traction from new launches in the US

Research Analyst

Siddhant Khandekar
siddhant.khandekar@icicisecurities.com

Mitesh Shah
mitesh.shah@icicisecurities.com

Sudarshan Agarwal
sudarshan.agarwal@icicisecurities.com

Key Financial Summary

(₹crore)	FY20	FY21E	FY22E	FY23E	CAGR (FY20-23E) %
Revenues	4605.7	5398.2	5736.9	6386.0	11.5
EBITDA	1223.0	1511.5	1333.8	1596.5	9.3
EBITDA margins (%)	26.6	28.0	23.2	25.0	
Net Profit	872.8	1130.0	863.3	1035.2	5.9
EPS (₹)	44.4	57.5	43.9	52.7	
PE (x)	24.4	17.9	23.5	19.6	
EV to EBITDA (x)	17.2	13.1	14.7	12.2	
RoCE (%)	21.0	23.9	17.0	18.9	
RoNW (%)	27.1	23.0	15.5	16.2	

Source: Company, ICICI Direct Research

Exhibit 1: Variance Analysis

	Q3FY21	Q3FY21E	Q3FY20	Q2FY21	YoY (%)	QoQ (%)	Comments
Revenue	1,314.3	1,422.8	1,209.1	1,457.1	8.7	-9.8	YoY growth mainly due to strong growth in domestic, RoW formulations and API segment
Raw Material Expense:	293.0	327.2	298.5	312.0	-1.9	-6.1	
Gross Margin (%)	77.7	77.0	75.3	78.6	240 bps	-88 bps	YoY improvement amid better product mix
Employee Expenses	262.5	284.6	226.9	276.1	15.7	-4.9	
R&D Expenditure	148.0	185.0	145.7	185.0	1.5	-20.0	
Other Expenditure	245.9	227.6	213.0	240.6	15.4	2.2	
EBITDA	365.1	398.4	325.1	443.4	12.3	-17.7	
EBITDA (%)	27.8	28.0	26.9	30.4	89 bps	-266 bps	Strong gross margins was partially offset by restoration of sales and marketing cost in domestic market
Interest	2.3	5.5	7.4	4.5	-68.6	-48.4	Decline amid repayment of debt via QIP
Depreciation	47.0	43.8	41.8	43.8	12.3	7.3	
Other Income	2.5	3.1	0.4	3.2	517.1	-21.4	
PBT before EO & Fore:	318.3	352.2	276.3	398.4	15.2	-20.1	
Forex & EO	0.0	0.0	0.0	0.0	NA	NA	
PBT	318.3	352.2	276.3	398.4	15.2	-20.1	
Tax	59.1	77.5	48.6	73.0	21.7	-19.0	
PAT before MI	259.2	274.7	227.7	325.4	13.8	-20.3	
Net Profit	292.6	280.9	234.2	333.4	24.9	-12.2	Delta vis-à-vis EBITDA was due to lower interest cost and higher profit contribution from JVs/Associates
Key Metrics							
Domestic Formulation	418.0	404.8	368.0	415.0	13.6	0.7	YoY growth was mainly due to strong growth across speciality segments which was partially offset by continued impact in Cough & Cold and anti-infective segments
US	512.0	576.5	515.0	582.0	-0.6	-12.0	Muted YoY growth and miss vis-à-vis I-direct estimates mainly due to increased competition in Sartan portfolio
RoW	171.0	193.7	149.0	197.0	14.8	-13.2	YoY growth was led by growth across key geographies
APIs	214.0	247.8	177.0	263.0	20.9	-18.6	YoY growth on account of grabbing opportunity arising out of China uncertainty

Source: ICICI Direct Research

Exhibit 2: Change in Estimates

(₹Crore)	FY21E			FY22E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	5,594.3	5,398.2	-3.5	6,138.8	5,736.9	-6.5	Changed mainly due to decline in US revenues amid increased competition in Sartans
EBITDA	1,556.7	1,511.5	-2.9	1,427.3	1,333.8	-6.5	
EBITDA Margin (%)	27.8	28.0	20 bps	23.3	23.2	-5 bps	Changed in sync with revenues
PAT	1,126.0	1,130.0	0.4	912.0	863.3	-5.3	Changed in sync with operational performance
EPS (₹)	57.3	57.5	0.4	46.4	43.9	-5.3	

Source: ICICI Direct Research

Exhibit 3: Change in Estimates

(₹crore)	Current				Earlier		Comments
	FY19	FY20	FY21E	FY22E	FY21E	FY22E	
Domestic Formulation	1,383.0	1,425.0	1,522.0	1,704.8	1,502.0	1,703.6	
US	1,266.0	1,976.0	2,219.3	2,268.1	2,415.4	2,651.1	Changed as per management guidance and increased competition in Sartan portfolio
RoW	516.0	496.0	714.6	759.1	735.6	781.1	
APIs	770.0	708.0	942.5	1,004.8	940.9	1,003.0	

Source: ICICI Direct Research

Conference call highlights

- Rhizen JV turned profitable for the first time contributing ~₹ 26 crore (one-time) to the bottom-line
- For Q3FY21, the company has filed 1 ANDAs, received 6 final approvals (excl. 2 tentative approvals) and launched 7 products in US
- A total of 82 products launched till date in US (excl. 7 with partner label). The company expects to launch 5+ products in US in Q4FY21
- Cumulative ANDAs filed stood at 199. Cumulative approved: 137 (incl. 18 tentative approvals)
- Gross debt stands stable at ~₹ 600 crore (vs ₹ 1439 crore in Q1FY21); Net D:E – 0.08
 - Debt in FY22 to come to ₹ 500 crore; completely pare debt in FY23
- R&D during the quarter stood at ₹ 148 crore (11% of sales)
 - Guidance: ₹ 630-650 crore for FY21; FY22 - ₹ 700-750 crore
 - Long-term to come down to 9-10% of sales p.a.
- Capex for Q3FY21 was ₹ 197 crore. Cumulative Capex for 9MFY21 stood at ~₹ 509 crore; Capex in ongoing projects ~₹ 1700 crore
- Aleor investment stood at ₹ 800 crore (cumulative); investment in the quarter - ₹ 60 crore; 9MFY21 - ₹ 125 crore
- India - Specialty segments grew by 16% for the quarter led by Cardio (15%), Diabeto (14%), Gyanaec (14%) and Gastro (19%) Segments
 - Continued underperformance in cough & cold (-24%) in-line with market
 - Launched 2 products
 - Growth largely driven by old products, helped by restructuring of India portfolio (especially in specialty segment)
 - Azithromycin growth has tempered down as opposed to Q2FY21
- US: FY24E sales to reach ~US\$400 million
 - US decline due to competition in sartans
 - 1 particular sartan let go due to price fluctuation
 - Rest all sartans single-digit price decline
 - US\$70 million guidance maintained
- API: profitability is stable though opportunities are lower than H1FY21
- EBITDA margins may be sustained around current levels going ahead
 - Promotions are back to pre-Covid levels
- Capex - ₹ 400-500 over 1.5-2 years + ₹ 250-300 crore of maintenance p.a. (incl. R&D)
 - Add 2-3 injectables lines (currently 3) at F3 plant
 - Investment in API segment owing to recently announced government support for the industry

Exhibit 4: Trends in quarterly financials

(₹Crore)	13FY18	14FY18	11FY19	12FY19	13FY19	14FY19	11FY20	12FY20	13FY20	14FY20	11FY21	12FY21	13FY21	YoY (%)	QoQ (%)
Revenues	840.0	853.3	862.5	1127.1	1018.2	927.0	948.9	1240.9	1209.1	1206.8	1341.3	1457.1	1314.3	8.7	-9.8
Raw Material Cost	226.4	263.8	255.4	272.1	248.5	216.7	204.4	272.6	298.5	263.9	337.8	312.0	293.0	-1.9	-6.1
% to revenues	27.0	30.9	29.6	24.1	24.4	23.4	21.5	22.0	24.7	21.9	25.2	21.4	22.3		
Gross Profit	613.6	589.5	607.1	855.0	769.7	710.2	744.5	968.3	910.6	942.9	1003.6	1145.1	1021.4	12.2	-10.8
Gross Profit Margin	73.0	69.1	70.4	75.9	75.6	76.6	78.5	78.0	75.3	78.1	74.8	78.6	77.7	240 bps	-88 bps
Employee cost	147.4	157.3	164.9	182.6	198.4	200.7	214.9	217.8	226.9	246.9	275.4	276.1	262.5	15.7	-4.9
% to revenues	17.6	18.4	19.1	16.2	19.5	21.7	22.6	17.5	18.8	20.5	20.5	18.9	20.0	121 bps	102 bps
R & D	98.1	121.1	121.5	144.7	112.2	119.7	140.3	173.8	145.7	185.0	142.6	185.0	148.0		
% to revenues	11.7	14.2	14.1	12.8	11.0	12.9	14.8	14.0	12.1	15.3	10.6	12.7	11.3	-80 bps	-144 bps
Other Expenditure	180.5	137.9	169.7	225.3	216.9	211.7	164.4	231.2	213.0	183.5	178.2	240.6	245.9	15.4	2.2
% to revenues	21.5	16.2	19.7	20.0	21.3	22.8	17.3	18.6	17.6	15.2	13.3	16.5	18.7	109 bps	219 bps
Total Expenditure	652.5	680.1	711.5	824.7	775.9	748.9	724.0	895.4	884.1	879.3	934.0	1013.7	949.3	7.4	-6.4
% to revenues	77.7	79.7	82.5	73.2	76.2	80.8	76.3	72.2	73.1	72.9	69.6	69.6	72.2		
EBIDTA	187.5	173.2	151.0	302.3	242.2	178.0	224.9	345.5	325.1	327.5	407.4	443.4	365.1	12.3	-17.7
EBITDA Margin (%)	22.3	20.3	17.5	26.8	23.8	19.2	23.7	27.8	26.9	27.1	30.4	30.4	27.8	89 bps	-266 bps
Depreciation	26.4	31.6	27.6	28.6	29.1	30.0	35.4	36.0	41.8	44.1	41.5	43.8	47.0	12.3	7.3
Interest	0.8	1.3	1.6	5.8	6.0	5.1	5.0	7.1	7.4	7.8	6.7	4.5	2.3	-68.6	-48.4
OI	0.3	0.6	0.1	2.4	3.5	3.4	3.3	0.4	0.4	0.9	0.3	3.2	2.5		
PBT	160.6	141.0	121.9	270.3	210.8	146.4	187.8	302.9	276.3	276.5	359.5	398.4	318.3	15.2	-20.1
Tax	29.8	38.5	31.5	70.3	40.0	14.9	36.0	52.5	48.6	62.1	66.8	73.0	59.1	21.7	-19.0
Tax Rate (%)	18.5	27.3	25.9	26.0	19.0	10.2	19.1	17.3	17.6	22.5	18.6	18.3	18.6		
PAT	130.9	102.4	90.4	200.0	170.8	131.5	151.9	250.4	227.7	214.4	292.7	325.4	259.2	13.8	-20.3
PAT Margin (%)	15.6	12.0	10.5	17.7	16.8	14.2	16.0	20.2	18.8	17.8	21.8	22.3	19.7		
Exceptional Items (0.0	0.0	0.0	0.0	0.0	0.0	32.8	0.0	0.0	10.9	0.0	0.0	0.0		
Net Profit before MI	130.9	102.4	90.4	200.0	170.8	131.5	119.1	250.4	227.7	203.5	292.7	325.4	259.2	13.8	-20.3
Add/(less) MI	0.0	0.2	0.0	0.0	-0.8	-0.8	4.2	4.2	-6.9	-21.2	-8.3	-8.1	-7.0		
Net Profit	130.9	102.2	90.4	200.0	171.5	132.3	114.8	246.2	234.6	224.7	301.0	333.5	266.2	13.5	-20.2

Source: ICICI Direct Research

Company Background

Tracing its roots way back to 1907, the company has remained an active player in the domestic formulations space with a few legacy brands like Azithral, Althrocin and Wikoryl in the anti-infective and cough & cold segments. In 2011, APL was demerged from Alembic Ltd to provide more thrust to formulations and insulate this business from the vagaries of commoditised APIs. Formulations account for 87% of the business while the rest comes from APIs. As of FY20, the domestic: exports formulation ratio was at 37:63. Consolidated revenues, EBITDA and PAT have grown at a CAGR of 10%, 21% and 20%, respectively, in FY16-20.

The company's domestic branded portfolio is gradually shifting to the speciality business segment, which now accounts for ~53% of domestic branded formulations in FY20.

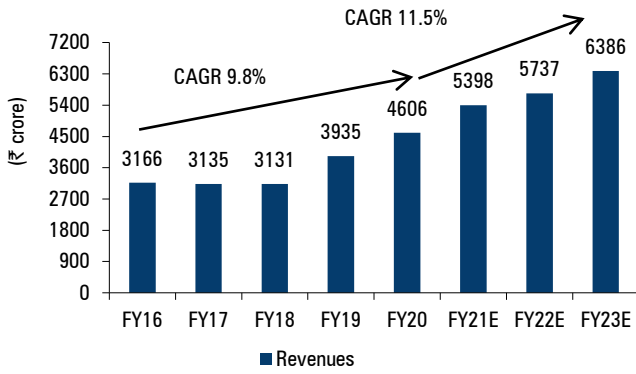
Export formulations constitute 63% of FY20 revenues. Of this, ~80% of export formulations are generics catering to the US.

In 2012, the company formed a JV, Rhizen Pharma for new chemical entity (NCE) research. In September 2014, Rhizen Pharmaceuticals SA (50% equity held), had entered into an out-licensing agreement for TGR-1202 (Umbralisib) with TG Therapeutics. Rhizen will receive milestone payments for filing, approval and launch of product and thereafter sales royalties. TG Therapeutics is expected to submit an NDA for Umbralisib by FY21.

In 2016, the company formed a 60:40 JV with Orbicular – Aleor Dermaceutical Limited (Aleor) for developing Dermatology products for international markets. Aleor's Derma facility in Karkhadi was approved by USFDA in 2018. In FY20, Aleor filed 11 ANDAs and received approval for 5 ANDAs.

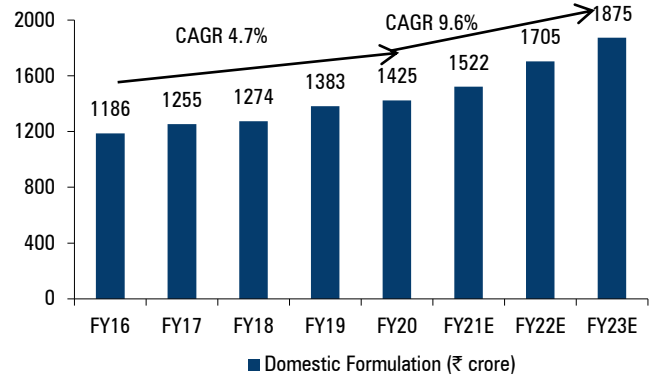
The company has acquired US based Orit Laboratories LLC along with real estate. Orit is focused on developing and filing oral solid and liquid products. With 8,600 square feet R&D and pilot manufacturing facility, it has seven approved ANDAs while four ANDAs are pending approval. Orit adds complementary skill sets in soft gelatine based oral solids and oral liquids to Alembic with a team of eight highly experienced scientists.

Exhibit 5: Revenues to grow at 12% CAGR over FY20-23E



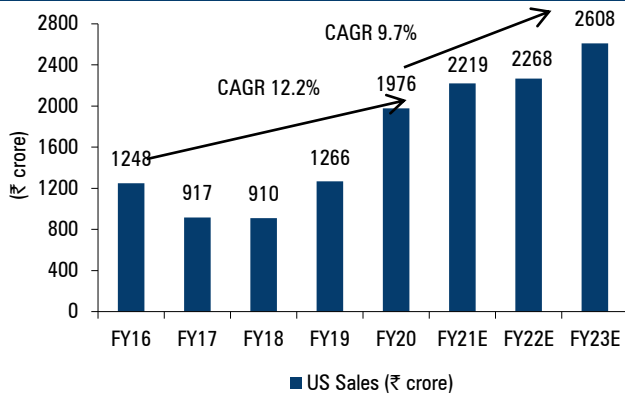
Source: ICICI Direct Research, Company

Exhibit 6: Domestic to grow at 10% CAGR over FY20-23E



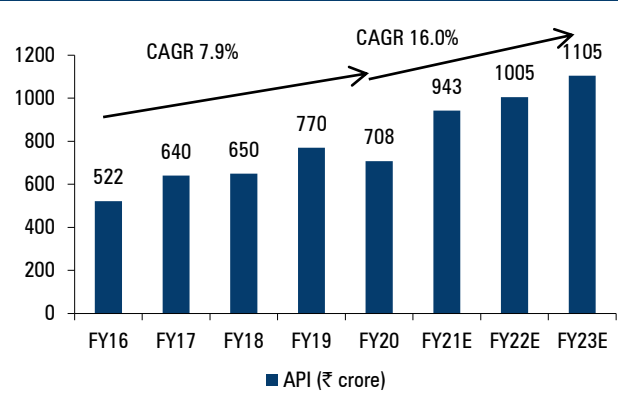
Source: ICICI Direct Research, Company

Exhibit 7: US to grow at 10% CAGR over FY20-23E



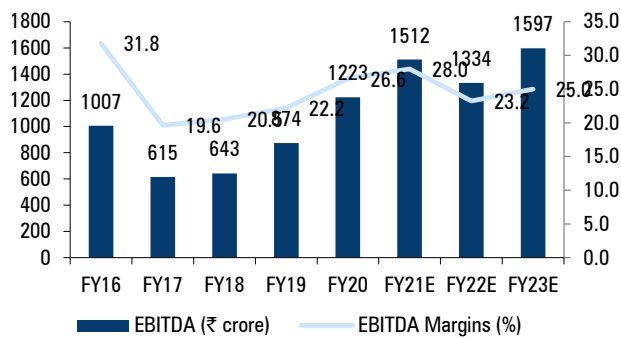
Source: ICICI Direct Research, Company

Exhibit 8: API to grow at 16% CAGR over FY20-23E



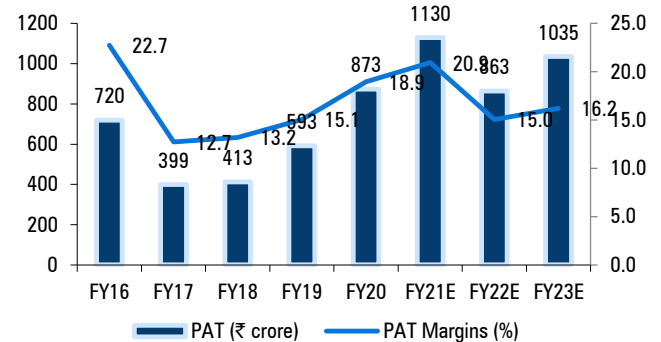
Source: ICICI Direct Research, Company

Exhibit 9: EBITDA & EBITDA margins trend



Source: ICICI Direct Research, Company

Exhibit 10: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 11: Valuation Summary

	Revenues	Growth	Adj. EPS	Growth	P/E	EV/EBITDA	RoNW	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY 20	4606	17.1	44.4	47.3	24.4	17.2	27.1	21.0
FY 21E	5398	17.2	57.5	29.5	17.9	13.1	23.0	23.9
FY 22E	5737	6.3	43.9	-23.6	23.5	14.7	15.5	17.0
FY 23E	6386	11.3	52.7	19.9	19.6	12.2	16.2	18.9

Source: ICICI Direct Research, Bloomberg

Exhibit 12: Shareholding Pattern

(in %)	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Promoter	73.0	73.0	73.0	69.8	69.8
Others	27.0	27.0	27.0	30.2	30.2

Source: ICICI Direct Research, Bloomberg

Financial Summary

Exhibit 13: Profit & Loss (₹ crore)

(Year-end March) ₹crore	FY20	FY21E	FY22E	FY23E
Revenues	4,605.7	5,398.2	5,736.9	6,386.0
Growth (%)	17.1	17.2	6.3	11.3
Raw Material Expenses	1,039.4	1,251.2	1,376.8	1,532.6
Employee Expenses	906.4	1,090.3	1,319.5	1,436.9
R&D Expenditure	644.8	642.7	702.8	734.4
Other Manufacturing Expenses	792.1	902.5	1,004.0	1,085.6
Total Operating Expenditure	3,382.7	3,886.7	4,403.1	4,789.5
EBITDA	1,223.0	1,511.5	1,333.8	1,596.5
Growth (%)	40.0	23.6	-11.8	19.7
Interest	27.2	16.1	8.8	3.5
Depreciation	157.3	180.8	309.8	355.3
Other Income	4.9	18.9	34.4	44.7
PBT	999.8	1,333.5	1,049.6	1,282.4
Total Tax	199.2	255.5	209.9	269.3
Tax Rate (%)	19.9	19.2	20.0	21.0
Adjusted PAT	872.8	1,130.0	863.3	1,035.2
Growth (%)	47.3	29.5	-23.6	19.9
EPS (Adjusted)	44.4	57.5	43.9	52.7

Source: ICICI Direct Research

Exhibit 14: Cash Flow Statement (₹ crore)

(Year-end March) ₹crore	FY20	FY21E	FY22E	FY23E
Profit/(Loss) after taxation	763.7	1,130.0	863.3	1,035.2
Depreciation	157.3	180.8	309.8	355.3
Net Increase in Current Assets	-597.5	-421.1	-189.3	-333.3
Net Increase in Current Liabilities	4.6	364.1	89.6	147.9
CF from operating activities	449.2	1,253.9	1,073.4	1,205.1
(Inc)/dec in Investments	0.0	0.0	-200.0	-400.0
(Inc)/dec in Fixed Assets	-734.3	-500.0	-500.0	-500.0
Other investing activities	2.1	7.3	2.5	1.0
CF from investing activities	-728.9	-492.2	-692.0	-891.7
Inc / (Dec) in Equity Capital	0.0	750.0	0.0	0.0
Inc / (Dec) in Loan	591.9	-1,150.0	-100.0	-300.0
Dividend & Dividend Tax	-326.0	-196.6	-196.6	-196.6
Other financing activities	-111.1	0.0	0.0	0.0
CF from financing activities	154.9	-596.6	-296.6	-496.6
Net Cash flow	-124.9	165.2	84.9	-183.1
Opening Cash	205.6	80.8	245.9	330.8
Closing Cash	80.8	245.9	330.8	147.6
Free Cash flow	-285.2	753.9	573.4	705.1

Source: ICICI Direct Research

Exhibit 15: Balance Sheet (₹ crore)

(Year-end March) ₹crore	FY20	FY21E	FY22E	FY23E
Equity Capital	37.7	37.7	37.7	37.7
Reserve and Surplus	3,181.7	4,865.2	5,531.9	6,370.5
Total Shareholders funds	3,219.4	4,902.9	5,569.6	6,408.2
Minority Interest	-29.0	-26.1	-23.5	-21.1
Total Debt	1,747.5	597.5	497.5	197.5
Deferred Tax Liability	12.2	13.4	14.7	16.2
Other Non Current Liabilities	73.3	80.6	88.7	97.6
Long Term Provisions	74.5	82.0	90.2	99.2
Source of Funds	5,097.9	5,650.3	6,237.2	6,797.5
Gross Block - Fixed Assets	2,126.0	2,776.0	4,426.0	5,076.0
Accumulated Depreciation	574.5	755.3	1,065.1	1,420.5
Net Block	1,551.5	2,020.7	3,360.9	3,655.6
Capital WIP	1,846.2	1,696.2	546.2	396.2
Total Fixed Assets	3,397.7	3,716.9	3,907.1	4,051.7
Goodwill on Consolidation	0.0	0.0	0.0	0.0
Investments	17.9	17.9	217.9	617.9
Inventory	1,187.5	1,479.0	1,571.7	1,749.6
Cash	80.8	245.9	330.8	147.6
Debtors	864.8	961.4	1,021.6	1,137.2
Loans & Advances & Other	0.0	0.0	0.0	0.0
Total Current Assets	2,462.7	3,049.0	3,323.1	3,473.3
Creditors	625.9	963.5	1,023.9	1,139.8
Provisions & Other CL	265.2	291.7	320.9	352.9
Total Current Liabilities	891.1	1,255.2	1,344.8	1,492.7
Net Current Assets	1,571.6	1,793.8	1,978.3	1,980.6
LT L& A, Other Assets	110.7	121.7	133.9	147.3
Deferred Tax Assets	0.0	0.0	0.0	0.0
Application of Funds	5,097.9	5,650.3	6,237.2	6,797.5

Source: ICICI Direct Research

Exhibit 16: Key Ratios (₹ crore)

(Year-end March)	FY20	FY21E	FY22E	FY23E
Per share data (₹)				
Adjusted EPS	44.4	57.5	43.9	52.7
BV per share	163.8	249.4	283.3	326.0
Dividend per share	12.0	10.0	10.0	10.0
Operating Ratios (%)				
Gross margins	77.4	76.8	76.0	76.0
EBITDA Margins	26.6	28.0	23.2	25.0
PAT Margins	18.9	20.9	15.0	16.2
Inventory days	94.1	100.0	100.0	100.0
Debtor days	68.5	65.0	65.0	65.0
Creditor days	49.6	65.1	65.1	65.1
Asset Turnover	2.2	1.9	1.3	1.3
EBITDA conversion Rate	36.7	83.0	80.5	75.5
Return Ratios (%)				
RoE	27.1	23.0	15.5	16.2
RoCE	21.0	23.9	17.0	18.9
RoIC	33.6	35.9	19.1	19.8
Valuation Ratios (x)				
P/E	24.4	17.9	23.5	19.6
EV / EBITDA	17.2	13.1	14.7	12.2
EV / Net Sales	4.6	3.7	3.4	3.1
Market Cap / Sales	4.2	3.6	3.4	3.0
Price to Book Value	6.3	4.1	3.6	3.2
Solvency Ratios				
Debt / Equity	0.5	0.1	0.1	0.0
Debt / EBITDA	1.4	0.4	0.4	0.1
Current Ratio	2.3	1.9	1.9	1.9

Source: ICICI Direct Research

Exhibit 17: ICICI Direct Coverage Universe (Healthcare)

Company	I-Direct Code	CMP (₹)	TP Rating	M Cap (₹cr)	EPS (₹)				PE(x)				RoCE (%)				RoE (%)				
					FY19	FY20	Y21E	Y22E	FY19	FY20	FY21E	Y22E	FY19	Y20	Y21E	Y22E	FY19	FY20	Y21E	Y22E	
Ajanta Pharma	AJAPHA	1796	1,960	Buy	15676	43.5	53.4	62.7	73.8	41.3	33.7	28.6	24.3	21.8	24.7	25.4	24.5	17.1	18.1	18.4	18.6
Alembic Pharma	ALEMPHA	1031	1,055	Hold	20260	30.2	44.4	57.5	43.9	34.2	23.2	17.9	23.5	19.6	21.0	23.9	17.0	21.8	27.1	23.0	15.5
Apollo Hospital	APOHOS	2646	2,310	Hold	36806	16.2	22.3	-1.6	36.1	162.9	118.4	NA	73.3	8.8	10.2	4.9	13.0	7.1	9.7	-0.5	10.0
Aurobindo Pharma	AURPHA	924	1,025	Buy	54155	41.9	48.8	55.1	61.7	22.1	19.0	16.8	15.0	15.9	17.2	17.9	17.3	17.7	17.0	14.3	13.9
Biocon	BIOCON	452	500	Buy	54192	6.2	5.8	7.5	15.3	72.8	77.6	60.5	29.5	10.9	10.2	10.7	17.9	12.2	10.4	11.9	20.0
Cadila Healthcare	CADHEA	485	555	Buy	49672	18.1	14.0	20.1	22.0	26.9	34.7	24.2	22.1	12.8	10.7	13.7	14.2	17.8	13.8	15.9	15.3
Cipla	CIPLA	822	965	Buy	66327	18.6	19.2	28.6	30.2	44.3	42.8	28.8	27.2	10.9	12.0	16.0	15.4	10.0	9.8	13.0	12.4
Divi's Lab	DIVLAB	3599	4,425	Buy	95554	51.0	51.9	74.1	89.8	70.6	69.4	48.6	40.1	25.5	23.9	28.8	28.6	19.4	18.8	22.5	22.3
Dr Reddy's Lab	DRREDD	5089	5,770	Buy	84623	114.6	121.8	153.6	195.4	44.4	41.8	33.1	26.0	10.7	9.6	17.7	19.3	13.6	13.0	14.3	15.8
Glenmark Pharma	GLEPHA	504	635	Buy	14231	26.9	26.4	36.5	37.6	18.7	19.1	13.8	13.4	15.3	12.7	14.9	14.1	13.5	12.2	14.5	13.1
Hikal	HIKCHE	172	230	Buy	2120	8.4	8.1	10.2	12.2	20.6	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	2129	2,665	Buy	26995	34.9	47.6	93.5	89.8	61.0	44.7	22.8	23.7	15.0	17.6	27.3	21.8	14.2	16.6	24.8	19.3
Jubilant Life	JUBLIF	981	850	Buy	15628	54.9	59.9	54.4	70.3	17.9	16.4	18.0	14.0	14.3	14.4	14.7	16.9	17.8	16.6	13.2	14.7
Lupin	LUPIN	1090	985	Hold	49440	16.5	-12.7	21.7	38.6	65.9	NA	50.2	28.3	9.4	9.7	8.6	13.6	5.4	-4.6	7.3	11.7
Narayana Hrudayam	NARHRU	480	405	Buy	9804	2.9	6.4	-4.2	8.3	165.3	75.5	NA	57.6	7.7	11.0	-2.4	12.8	5.5	11.4	-8.3	14.2
Natco Pharma	NATPHA	910	885	Hold	16580	35.4	25.3	32.7	28.0	25.7	36.0	27.8	32.5	21.3	14.0	17.1	13.6	18.5	12.2	14.0	11.0
Sun Pharma	SUNPHA	597	585	Buy	143129	15.9	16.8	25.7	23.2	37.6	35.6	23.2	25.7	10.3	10.0	11.9	12.3	9.2	8.9	13.0	10.6
Syngene Int.	SYNINT	599	635	Buy	23974	8.3	10.3	9.5	13.2	72.5	58.2	63.3	45.5	14.8	14.5	12.3	15.8	16.8	15.7	14.8	17.2
Torrent Pharmaceuticals	TORPHA	2751	3,135	Buy	46544	48.9	60.6	70.6	85.8	56.2	45.4	38.9	32.1	14.2	15.4	17.9	20.2	17.5	21.2	20.9	21.3
Shalby	SHALIM	113	130	Hold	1225	2.9	2.6	4.7	4.9	38.7	44.4	24.1	23.1	6.8	7.2	6.6	7.9	4.1	3.5	6.0	5.9
Aster DM	ASTDM	160	170	Buy	8015	6.7	5.5	3.1	9.9	24.1	29.0	51.6	16.1	8.3	7.1	5.2	9.1	10.4	8.5	4.5	12.7
Indoco Remedies	INDREM	326	380	Buy	3005	-0.3	2.6	9.3	14.8	NA	124.7	35.1	22.0	0.9	4.6	11.4	15.6	-0.4	3.5	11.4	15.7
Caplin Point	CAPPOI	494	605	Buy	3734	23.3	28.4	33.5	43.5	21.1	17.4	14.7	11.4	34.6	26.5	26.9	28.1	27.9	22.7	21.5	22.3
Granules India	GRANUL	350	460	Buy	8676	9.5	12.4	21.4	25.2	36.7	28.2	16.4	13.9	11.8	15.2	22.9	23.1	15.5	16.7	22.6	21.2

Source: ICICI Direct Research, Bloomberg

RATING RATIONALE

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

Buy: >15%;

Hold: -5% to 15%;

Reduce: -5% to -15%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruiti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com



ANALYST CERTIFICATION

I/We, 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 is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited 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 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, and 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 and ICICI Securities as a entity 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.