

## Second wave impacts GCC, India back to near normal

Q3 revenues stayed flat QoQ at ₹ 2259 crore (still down 2.7% YoY) vs. ₹ 2268 crore in the last quarter. India revenues grew 10.8% QoQ (up 6.7% YoY) to ₹ 460 crore. However, GCC revenues de-grew 3.4% QoQ (down 4.6% YoY) to ₹ 1866 crore. EBITDA margins expanded 257 bps QoQ to 14.5% due to lower other expenditure. Subsequent EBITDA grew 21.0% QoQ to ₹ 328 crore. PAT came in at ₹ 92 crore, which is ~2.8x of last quarter.

## Strong RoCE in GCC despite aggressive expansion

Aster derives ~81% of revenues from GCC countries. In the last six years, it expanded its hospitals, clinics, pharmacy count by ~2x. However, despite aggressive expansion, RoCE stayed healthy [hospitals- 12% (established hospitals- 25%), clinics- 21% and pharmacies- 44%] due to 1) asset light model, 2) integrated business model, 3) faster occupancy owing to strong brand equity, 4) healthy ARPOB and 5) targeted strategy. We believe RoCE would improve further due to continuing improvement in occupancy, operational leverage at new assets. Despite disturbances due to second Covid-19 wave, overall GCC region has done fairly well in the crisis, auguring well for healthcare players like Aster to return to normalcy in due course.

## Expanding presence in India

Notwithstanding being a late entrant, Aster has a network of ~13 hospitals and nine clinics, mainly in Tier-II, Tier-III cities in India. The company is now looking to expand its network in metros and Tier-I cities, which is likely to improve its overall ARPOB. However, due to continuous expansion and few specific unforeseen issues, the RoCE in India is just 3%, which is dragging its overall RoCE. To improve return ratios, the company is focusing on an assets light model for future expansion.

## Valuation & Outlook

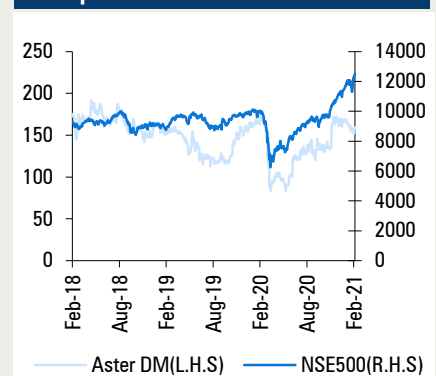
Despite the pandemic having created unforeseen hurdles, Aster continues to sequentially improve on the profitability front. While GCC operations are once again seeing a second Covid wave impact in UAE, India revenues are already back on the growth track amid waning Covid impact. Aster owns a unique business model among Indian healthcare services providers with strong established presence in GCC and India. While the India expansion remains on investment curve, firm footing and FCF generation from the GCC set-up is keeping the entire scheme of things under control, especially when the company is pursuing aggressive expansion mode in both GCC and India albeit via assets light model. Despite the capex cycle getting pushed further due to the pandemic, we are positive on Aster's integrated business model and expect gradual margins and RoCE improvement on the back of higher occupancy and capacity optimisation in new assets from FY22E onwards. At current levels, we envisage favourable risk-reward matrix and maintain **BUY** rating with a target price of ₹ 210 on SOTP basis (vs. earlier ₹ 170).



### Particulars

Particular	Amount
Market Capitalisation	₹7543 crore
Debt (FY 20)	₹5605 crore
Cash (FY 20)	₹34 crore
EV	₹13113 crore
52 week H/L (₹)	181/79
Equity capital	₹499.5 crore
Face value	₹10

### Price performance



### Key risks to our call

- Prolonged second Covid wave in UAE impacting GCC operations.
- Delay in reduction of Covid cases in Kerala (majority India business)

### 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	8738.1	8563.0	9595.2	10524.3	6.4
EBITDA	1257.2	1128.3	1452.3	1642.2	9.3
EBITDA margins (%)	14.4	13.2	15.1	15.6	
Net Profit	276.6	194.9	536.2	699.1	36.2
EPS (₹)	5.5	3.9	10.7	14.0	
PE (x)	27.3	38.7	14.1	10.8	
EV to EBITDA (x)	10.3	10.8	7.9	6.5	
RoCE (%)	7.1	5.4	9.2	10.8	
ROE	8.5	5.6	13.4	14.9	

Source: ICICI Direct Research; Company

**Exhibit 1: Variance Analysis**

	Q3FY21	Q3FY20	Q2FY21	YoY (%)	QoQ (%)	Comments
Revenue	2,258.9	2,321.6	2,267.7	-2.7	-0.4	In constant currency, YoY revenues declined 6%. YoY growth impacted amid second wave of Covid and further lockdown in UAE
Raw Material Expenses	682.6	695.1	686.6	-1.8	-0.6	
Employee Expenses	714.2	730.1	714.1	-2.2	0.0	YoY decline mainly due to cost rationalisation
Other Expenditure	534.1	511.4	595.9	4.4	-10.4	YoY decline mainly due to cost rationalisation
Operating Profit (EBITDA)	327.9	385.0	271.1	-14.8	21.0	
EBITDA (%)	14.5	16.6	12.0	-207 bps	257 bps	QoQ Improvement in margins mainly due to decline in other expenditure
Interest	62.1	71.5	74.6	-13.1	-16.7	
Depreciation	157.3	139.8	152.9	12.5	2.9	
Other Income	5.7	3.9	7.9	45.4	-28.2	
PBT before EO & Forex	114.2	177.7	51.5	-35.7	121.6	
Forex & EO	0.0	18.4	0.0	0.0	0.0	
PBT after Exceptional Items	114.2	159.3	51.5	-28.3	121.6	
Tax	7.8	8.2	10.3	-5.6	-24.6	
PAT before MI	106.4	151.1	41.2	-29.6	158.2	
MI	15.0	12.3	9.4	22.1	60.1	
Net Profit	92.4	139.0	32.9	-33.5	181.3	QoQ delta vis-à-vis EBITDA mainly due to lower other income and higher depreciation
<b>Key Metrics</b>						
India	460.0	431.0	415.0	6.7	10.8	YoY and QoQ improvement amid normalising OPD and IPD patients flow and continuous flow of Covid patients though decline QoQ
GCC	1,866.0	1,957.0	1,932.0	-4.6	-3.4	YoY and QoQ growth impacted amid second wave of Covid and further lockdown in UAE

Source: ICICI Direct Research

**Exhibit 2: Change in Estimates**

(₹ Crore)	FY21E			FY22E			Comment
	Old	New	% Change	Old	New	% Change	
Revenue	9,031.9	8,563.0	-5.2	9,963.2	9,595.2	-3.7	
EBITDA	1,090.9	1,128.3	3.4	1,428.2	1,452.3	1.7	
EBITDA Margin (%)	12.1	13.2	110 bps	14.3	15.1	80 bps	
PAT	155.2	194.9	25.6	496.5	536.2	8.0	Changed mainly due to change in tax guidance and better-than-expected Q3FY21 profitability
EPS (₹)	3.1	3.9	25.6	9.9	10.7	8.0	

Source: ICICI Direct Research

**Exhibit 3: Change in Estimates**

(₹ crore)	Current				Earlier		Comment
	FY19	FY20	FY21E	FY22E	FY21E	FY22E	
India	1,314	1,613	1,635	1,818	1,584	1,777	Changed mainly due to better-than-expected growth in Q3FY21
GCC	6,823	7,354	7,208	8,058	7,726	8,465	Changed mainly due to impact of second wave of Covid and fresh lockdown in UAE

Source: ICICI Direct Research

## Conference Call Highlights

- Net Debt: ₹ 2488 crore; Net debt (India): ₹ 342 crore; Net debt (GCC): US\$ 293 million
- **GCC** – UAE second Covid wave
  - ALOS, occupancy impacted by Covid
    - (a) occupancy dropped to 47% vs 61% in Q3FY20
    - (b) January-February occupancy lower amid higher Dubai Covid cases (Q4FY21 to be impacted)
      - (i) but pent-up demand to come back post likely decline in cases in March/Q1FY22
    - (c) ARPOB looks high optically as occupied beds are lower against similar out-patient revenue
    - (d) Covid contribution to Hospitals mostly via out-patients
      - (i) Q4FY21 to be higher
  - Clinics – PCR testing led to higher margins, but patient don't flow to Pharmacy
    - (a) Normalised margins: 15-16%+2%
    - (b) Covid contribution in Q3FY21: 30-40%
- **India** – Kerala (majority Indian operations) – Covid cases remain high
  - In the process of setup of Aster labs in India – asset light
  - situation more or less normalised as OP/IP patients coming back; Waning impact of Covid
  - Aster Home strongly active in Kerala, Bangalore
- Cayman: in process of building a 150 bed multispecialty over next 3 years which will cater to Caribbean, US and Canada population
  - Capex for the same: US\$120-130 million; not looking to increase debt for this Capex through other alternatives
  - Move focus from GCC expansion to Cayman
- Aster Labs has done ~60,000 Covid tests as on date
- Capex for FY21 – ₹ 300 crore; FY22 - ₹ 400 crore; Cayman capex is over and above this
- Pharmacy – volume rebates to come back within the next quarter/s
- Out-patient revenue contribution in normal situation at hospitals
  - GCC: 50%; India: 20%
- Reduced footfalls across all segments impacted YoY profitability
- Tax guidance: FY22/23 – 7-8%; as India portion increases it might trend upwards

**Exhibit 4: Quarterly Financials**

(₹ crore)	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	YoY (%)	QoQ (%)
Total Operating Incom	1774.7	1836.9	2150.1	2201.0	2028.4	2086.7	2321.6	2301.3	1760.6	2267.7	2258.9	-2.7	-0.4
Raw Material Expend	552.0	549.9	654.8	663.1	627.3	615.8	695.1	697.3	584.2	686.6	682.6	-1.8	-0.6
% of Revenue	31.1	29.9	30.5	30.1	30.9	29.5	29.9	30.3	33.2	30.3	30.2	28 bps	-6 bps
Gross Profit	1222.6	1287.1	1495.3	1537.9	1401.2	1470.9	1626.5	1604.0	1176.4	1581.1	1576.3	-3.1	-0.3
Gross Profit Margin (%)	68.9	70.1	69.5	69.9	69.1	70.5	70.1	69.7	66.8	69.7	69.8	-28 bps	6 bps
Employee Expenses	633.1	657.2	708.4	689.5	707.1	728.8	730.1	737.9	624.5	714.1	714.2	-2.2	0.0
% of Revenue	35.7	35.8	32.9	31.3	34.9	34.9	31.4	32.1	35.5	31.5	31.6	17 bps	13 bps
Other Expenditure	465.7	504.5	523.6	498.1	470.5	497.5	511.4	462.2	409.2	595.9	534.1	4.4	-10.4
% of Revenue	26.2	27.5	24.4	22.6	23.2	23.8	22.0	20.1	23.2	26.3	23.6	162 bps	-263 bps
Total Expenditure	1650.8	1711.5	1886.9	1850.7	1804.9	1842.0	1936.6	1897.4	1617.9	1996.7	1930.9	-0.3	-3.3
% of Revenue	93.0	93.2	87.8	84.1	89.0	88.3	83.4	82.4	91.9	88.0	85.5	207 bps	-257 bps
EBITDA	123.8	125.4	263.2	350.3	223.6	244.7	385.0	403.9	142.7	271.1	327.9	-14.8	21.0
EBITDA Margin (%)	7.0	6.8	12.2	15.9	11.0	11.7	16.6	17.6	8.1	12.0	14.5	-207 bps	257 bps
Other Income	17.3	16.2	5.8	7.5	3.3	4.1	3.9	26.6	6.5	7.9	5.7	45.4	-28.2
Interest	40.1	39.5	56.4	55.4	87.7	88.4	71.5	112.1	80.3	74.6	62.1	-13.1	-16.7
Depreciation	73.8	75.8	78.9	78.0	126.0	149.0	139.8	171.1	154.7	152.9	157.3	12.5	2.9
PBT	27.3	26.3	133.7	224.5	13.0	11.4	177.7	147.3	-85.7	51.5	114.2	-35.7	121.6
Total Tax	11.7	10.2	16.7	4.4	2.2	5.0	8.2	-0.1	3.9	10.3	7.8	-5.6	-24.6
Tax rate (%)	42.7	38.6	12.5	2.0	17.1	43.4	4.6	0.0	-4.5	20.0	6.8	217 bps	-1321 bps
PAT	12.3	11.0	100.3	209.2	3.1	3.0	139.0	131.1	-82.9	32.9	92.4	-33.5	181.3
PAT Margin (%)	0.7	0.6	4.7	9.5	0.2	0.1	6.0	5.7	-4.7	1.4	4.1		

Source: ICICI Direct Research, Company

## Company Background

Aster DM Healthcare (Aster) commenced its operations in 1987 as a single doctor clinic in Dubai established by Dr Azad Moopen. The company was incorporated in 2008 in a reorganisation to facilitate the growth of operations, subsequent to which operations in the GCC states and India were consolidated. Aster is one of the largest private healthcare service providers, which operates in multiple GCC states based on number of hospitals and clinics besides an emerging presence in India.

The company currently operates in all of the GCC states, which comprise the United Arab Emirates (UAE), Oman, Saudi Arabia, Qatar, Kuwait, Bahrain and Jordan (which is classified as a GCC state as part of the company's GCC operations), India and the Philippines. Its GCC operations are headquartered in Dubai (UAE) and Indian operations are headquartered in Kochi, Kerala.

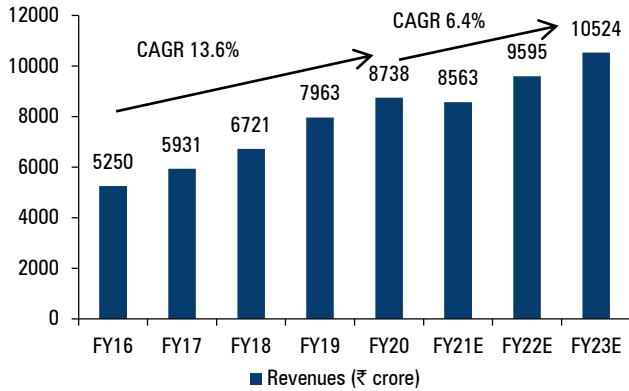
Aster operates in multiple segments of the healthcare industry, including hospitals, clinics and retail pharmacies and provide healthcare services to patients across economic segments in several GCC states through various brands such as Aster, Medicare and Access. Aster and other brands are widely recognised in the GCC states both by healthcare professionals and patients.

The company has a diversified portfolio of healthcare facilities, consisting of 12 hospitals, 108 clinics and 238 retail pharmacies in the GCC states, 13 multi-specialty hospitals and nine clinics in India as of FY20. According to the Frost & Sullivan Report, the company operates the largest chain of retail pharmacies in the UAE based on number of centres as of FY19.

It has an employee base of 21091 employees as of FY20, including 3086 doctors, 7263 nurses and 10742 other employees (including pharmacists). A majority of the company's hospitals and clinics provide secondary and tertiary healthcare services to patients. In addition to providing core medical, surgical and emergency services, some of the company's hospitals provide complex and advanced quaternary healthcare in various specialties, including cardiology, oncology, radiology, ophthalmology, neurosciences, paediatrics, gastroenterology, orthopaedics and critical care services. In all, five of the company's hospitals, one clinic and one diagnostic centre have obtained Joint Commission International (JCI) accreditation.

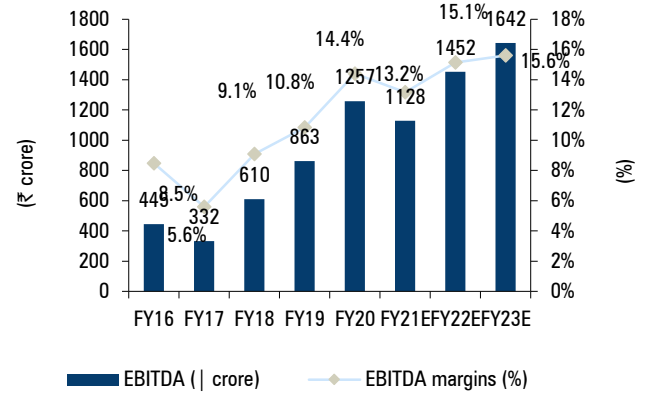
Of the total revenues from operations for FY20, hospital segment accounted for 51%, clinic segment accounted for 23% and retail pharmacy segment accounted for 26%. The company's operations in India, which primarily consist of hospitals, accounted for 19% of total revenues from operations for FY20.

Exhibit 5: Revenues to grow at CAGR of 6% over FY20-22E



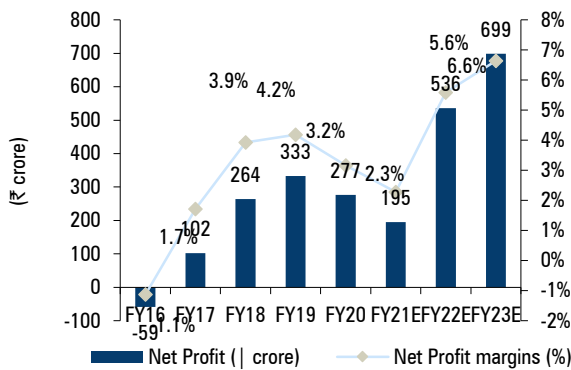
Source: ICICI Direct Research, Company

Exhibit 6: EBITDA & EBITDA margins trend



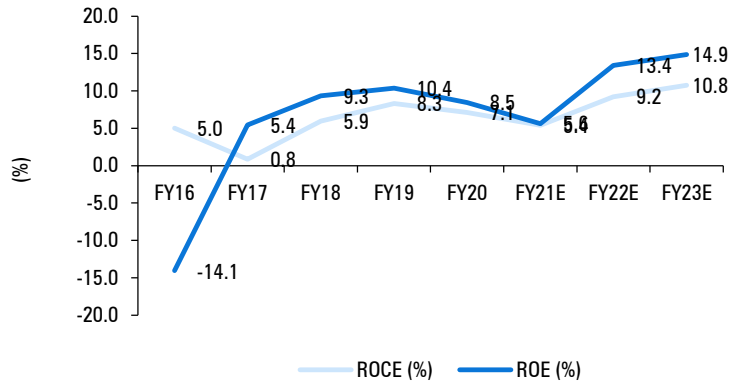
Source: ICICI Direct Research, Company

Exhibit 7: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 8: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 9: Valuation

Particulars	Valuation Matrix	Multiple (x)	EV (₹cr)
GCC Mature Hospitals	EV/EBITDA	10.0	6,087
India Mature Hospitals	EV/EBITDA	10.0	2,286
GCC New Hospitals	EV/Sales	1.0	448
India New Hospitals	EV/Sales	1.0	385
Clinics	EV/Sales	1.0	2,451
Pharmacies	EV/Sales	1.0	2,631
Net Debt FY 23E (₹cr)			3,079.7
Minority Interest			594.1
Targeted MCap (₹cr)			10,615
No of shares (cr)			50.0
<b>Per Share Value (₹)</b>			<b>210</b>

Source: ICICI Direct Research, Company

Exhibit 10: Summary

	Revenues (₹ crore)	Growth (%)	Adj. EPS (₹)	Growth (%)	P/E V/EBITDA (x)	RoNW (X)	RoCE (%)
FY20	8738	9.7	5.5	-17.0	27.3	10.3	7.1
FY21E	8563	-2.0	3.9	-29.5	38.7	10.8	5.4
FY22E	9595	12.1	10.7	175.1	14.1	7.9	9.2
FY23E	10524	9.7	14.0	30.4	10.8	6.5	14.9

Source: ICICI Direct Research, Company

Exhibit 11: Shareholding Pattern

(in %)	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Promoter	37.8	37.9	37.9	37.9	37.9
Others	62.2	62.1	62.1	62.1	62.1

Source: ICICI Direct Research, Company

## Financial Summary

Exhibit 12: Profit & Loss (₹ crore)

(Year-end March)	FY20	FY21E	FY22E	FY23E
<b>Revenues</b>	<b>8,738.1</b>	<b>8,563.0</b>	<b>9,595.2</b>	<b>10,524.3</b>
Growth (%)	9.7	-2.0	12.1	9.7
Raw Material Expenses	2,635.5	2,636.2	2,878.6	3,157.3
Employee Expenses	2,903.9	2,894.9	3,204.8	3,515.1
Other Expenditure	1,941.5	1,903.7	2,059.5	2,209.7
Total Operating Expenditure	7,480.9	7,434.8	8,142.9	8,882.1
<b>EBITDA</b>	<b>1,257.2</b>	<b>1,128.3</b>	<b>1,452.3</b>	<b>1,642.2</b>
Growth (%)	-10.3	28.7	13.1	
Interest	359.7	279.0	252.3	209.5
Depreciation	585.9	622.3	609.8	644.8
Other Income	37.9	25.9	38.4	42.1
PBT before Exceptional It	349.5	252.9	628.7	830.1
Less: Forex & Exceptional	19.6	0.0	0.0	0.0
PBT	329.8	252.9	628.7	830.1
Total Tax	15.4	35.8	50.3	74.7
PAT before MI	314.4	217.1	578.4	755.4
Minority Interest	38.1	26.3	46.3	60.4
<b>PAT</b>	<b>276.6</b>	<b>194.9</b>	<b>536.2</b>	<b>699.1</b>
Adjusted PAT	276.6	194.9	536.2	699.1
Growth (%)	-17.0	-29.5	175.1	30.4
EPS	5.5	3.9	10.7	14.0
<b>EPS (Adjusted)</b>	<b>5.5</b>	<b>3.9</b>	<b>10.7</b>	<b>14.0</b>

Source: ICICI Direct Research

Exhibit 14: Balance Sheet (₹ crore)

(Year-end March)	FY20	FY21E	FY22E	FY23E
Equity Capital	499.5	499.5	499.5	499.5
Reserve and Surplus	2,772.6	2,967.5	3,503.7	4,202.8
Total Shareholders fund	3,272.1	3,467.0	4,003.2	4,702.3
Total Debt	5,604.7	5,141.5	4,204.6	3,491.3
Deferred Tax Liability	155.2	170.7	187.8	206.5
Minority Interest	446.4	491.0	540.1	594.1
Long term Provisions	327.3	360.0	396.0	435.6
Other Non Current Liabilities	173.2	190.5	209.6	230.6
<b>Source of Funds</b>	<b>9,978.8</b>	<b>9,820.7</b>	<b>9,541.2</b>	<b>9,660.4</b>
Gross Block - Fixed Asset	8,110.8	8,210.8	8,710.8	9,210.8
Accumulated Depreciation	2,055.9	2,678.2	3,287.9	3,932.7
Net Block	6,054.9	5,532.6	5,422.8	5,278.1
Capital WIP	736.0	936.0	836.0	736.0
Net Fixed Assets	6,790.8	6,468.6	6,258.8	6,014.1
Goodwill on Consolidation	1,068.7	1,068.7	1,068.7	1,068.7
Investments	34.4	34.4	34.4	34.4
Inventory	961.0	787.4	882.3	967.7
Cash	177.1	511.8	232.7	411.6
Debtors	2,366.4	2,181.6	2,444.6	2,681.3
Loans & Advances & Other	579.6	634.5	695.0	761.6
Total Current Assets	4,084.1	4,115.3	4,254.6	4,822.2
Creditors	1,293.9	1,090.5	1,222.0	1,340.3
Provisions & Other CL	1,165.1	1,281.6	1,409.8	1,550.7
Total Current Liabilities	2,459.0	2,372.1	2,631.7	2,891.0
Net Current Assets	1,625.1	1,743.2	1,622.9	1,931.2
LT L& A, Other Assets	427.3	470.1	517.1	568.8
Deferred Tax Assets	32.5	35.8	39.3	43.3
<b>Application of Funds</b>	<b>9,978.8</b>	<b>9,820.7</b>	<b>9,541.2</b>	<b>9,660.4</b>

Source: ICICI Direct Research

Exhibit 13: Cash Flow Statement (₹ crore)

(Year-end March)	FY20	FY21E	FY22E	FY23E
Profit/(Loss) after taxation	284.2	194.9	536.2	699.1
Add: Depreciation & Amortization	585.9	622.3	609.8	644.8
Net Increase in Current Assets	-555.5	303.4	-418.4	-388.7
Net Increase in Current Liabilities	378.2	-86.9	259.6	259.3
Others	530.4	279.0	252.3	209.5
<b>Net cash flow from operating</b>	<b>1,223.3</b>	<b>1,312.7</b>	<b>1,239.5</b>	<b>1,423.9</b>
(Inc)/dec in Fixed Assets	-741.5	-300.0	-400.0	-400.0
(Inc)/dec in Investments	-0.1	0.0	0.0	0.0
Others	29.1	64.2	70.6	77.7
<b>CF from investing activities</b>	<b>-712.5</b>	<b>-235.8</b>	<b>-329.4</b>	<b>-322.3</b>
Inc / (Dec) in Equity Capital	-120.5	0.0	0.0	0.0
Proceeds/(Repayment) Loan	-217.4	-463.2	-936.9	-713.2
Dividend & Dividend Tax	-9.7	0.0	0.0	0.0
Others	-327.2	-279.0	-252.3	-209.5
<b>CF from financing activities</b>	<b>-674.8</b>	<b>-742.3</b>	<b>-1,189.2</b>	<b>-922.7</b>
Net Cash flow	-164.0	334.7	-279.1	178.9
Opening Cash	341.1	177.1	511.8	232.7
<b>Closing Cash</b>	<b>177.1</b>	<b>511.8</b>	<b>232.7</b>	<b>411.6</b>
<b>FCF</b>	<b>481.7</b>	<b>1,012.7</b>	<b>839.5</b>	<b>1,023.9</b>

Source: ICICI Direct Research

Exhibit 15: Key Ratios (₹ crore)

(Year-end March)	FY20	FY21E	FY22E	FY23E
<b>Per share data (₹)</b>				
EPS	5.5	3.9	10.7	14.0
Cash EPS	17.3	16.4	22.9	26.9
BV	65.5	69.4	80.1	94.1
DPS	0.0	0.0	0.0	0.0
Cash Per Share	41.2	53.6	65.8	78.7
<b>Operating Ratios (%)</b>				
Gross Profit	69.8	69.2	70.0	70.0
EBITDA margins	14.4	13.2	15.1	15.6
Net Profit margins	3.2	2.3	5.6	6.6
Inventory days	40.1	33.6	33.6	33.6
Debtor days	98.8	93.0	93.0	93.0
Creditor days	54.0	46.5	46.5	46.5
Assets Turnover	1.1	1.0	1.1	1.1
<b>Return Ratios (%)</b>				
RoE	8.5	5.6	13.4	14.9
RoCE	7.1	5.4	9.2	10.8
RoIC	7.4	6.1	10.0	11.7
<b>Valuation Ratios (x)</b>				
P/E	27.3	38.7	14.1	10.8
EV / EBITDA	10.3	10.8	7.9	6.5
EV / Revenues	1.5	1.4	1.2	1.0
Market Cap / Revenues	0.9	0.9	0.8	0.7
Price to Book Value	2.3	2.2	1.9	1.6
<b>Solvency Ratios</b>				
Debt / Equity	1.7	1.5	1.1	0.7
Debt/EBITDA	4.5	4.6	2.9	2.1
Current Ratio	1.6	1.5	1.5	1.5

Source: ICICI Direct Research

**Exhibit 16: ICICI Direct universal Coverage (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	'21E	'22E	FY19	FY20	Y21E	Y22E
Ajanta Pharma	AJAPHA	1815	2,250	Buy	15841	43.5	53.4	70.3	77.3	41.7	34.0	25.8	23.5	21.8	24.7	26.7	24.8	17.1	18.1	20.3	19.1
Alembic Pharma	ALEMPHA	938	1,055	Hold	18438	30.2	44.4	57.5	43.9	31.1	21.1	16.3	21.4	19.6	21.0	23.9	17.0	21.8	27.1	23.0	15.5
Apollo Hospital	APOHOS	2736	2,310	Hold	39339	16.2	22.3	-1.6	36.1	168.5	122.5	NA	75.8	8.8	10.2	4.9	13.0	7.1	9.7	-0.5	10.0
Aurobindo Pharma	AURPHA	959	1,025	Buy	56192	41.9	48.8	55.1	61.7	22.9	19.7	17.4	15.6	15.9	17.2	17.9	17.3	17.7	17.0	14.3	13.9
Biocon	BIOCON	408	450	Hold	48984	6.2	5.8	6.5	13.9	65.8	70.2	62.7	29.4	10.9	10.2	9.2	16.5	12.2	10.4	10.5	18.7
Cadila Healthcare	CADHEA	474	555	Buy	48505	18.1	14.0	20.3	21.1	26.2	33.9	23.4	22.5	12.8	10.7	13.5	13.2	17.8	13.8	16.0	14.7
Cipla	CIPLA	846	975	Buy	68231	18.6	19.2	31.0	32.4	45.5	44.0	27.3	26.2	10.9	12.0	17.0	16.1	10.0	9.8	14.0	13.1
Divi's Lab	DIVLAB	3783	4,440	Buy	100428	51.0	51.9	72.3	88.3	74.2	73.0	52.3	42.9	25.5	23.9	28.5	28.4	19.4	18.8	22.1	22.1
Dr Reddy's Lab	DRREDD	4861	5,525	Buy	80833	114.6	121.8	87.0	188.6	42.4	39.9	55.8	25.8	10.7	9.6	15.7	19.5	13.6	13.0	8.6	16.0
Glenmark Pharma	GLEPHA	504	635	Buy	14207	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	2126	8.4	8.1	10.2	12.2	20.6	21.3	17.0	14.1	14.3	12.8	13.6	14.9	13.6	12.2	13.5	14.2
Ipca Laboratories	IPCLAB	1939	2,490	Buy	24592	34.9	47.6	95.8	96.0	55.6	40.8	20.2	20.2	15.0	17.6	27.8	22.9	14.2	16.6	25.3	20.3
Jubilant Life	JUBLIF	962	850	Buy	15317	54.9	59.9	54.4	70.3	17.5	16.1	17.7	13.7	14.3	14.4	14.7	16.9	17.8	16.6	13.2	14.7
Lupin	LUPIN	1069	1,165	Buy	48469	16.5	-12.7	24.5	37.3	64.6	NA	43.7	28.7	9.4	9.7	8.9	12.2	5.4	-4.6	8.2	11.2
Narayana Hrudayam	NARHRU	490	580	Buy	10003	2.9	6.4	-2.3	8.0	168.6	77.1	NA	61.3	7.7	11.0	-0.5	12.1	5.5	11.4	-4.3	13.2
Natco Pharma	NATPHA	909	885	Hold	16556	35.4	25.3	32.7	28.0	25.7	35.9	27.8	32.4	21.3	14.0	17.1	13.6	18.5	12.2	14.0	11.0
Sun Pharma	SUNPHA	634	675	Buy	152102	15.9	16.8	28.7	23.5	40.0	37.8	22.1	27.0	10.3	10.0	12.9	12.3	9.2	8.9	14.3	10.6
Syngene Int.	SYNINT	580	700	Buy	23200	8.3	10.3	9.7	13.2	70.1	56.3	59.8	44.0	14.8	14.5	12.6	15.8	16.8	15.7	15.1	17.1
Torrent Pharmaceuticals	TORPHA	2758	3,290	Buy	46676	48.9	60.6	70.0	81.6	56.4	45.5	39.4	33.8	14.2	15.4	17.4	19.4	17.5	21.2	20.7	20.4
Shalby	SHALIM	111	130	Hold	1199	2.9	2.6	4.7	4.9	37.9	43.5	23.6	22.6	6.8	7.2	6.6	7.9	4.1	3.5	6.0	5.9
Aster DM	ASTDM	151	210	Buy	7543	6.7	5.5	3.9	10.7	22.6	27.3	38.7	14.1	8.3	7.1	5.4	9.2	10.4	8.5	5.6	13.4
Indoco Remedies	INDREM	317	380	Buy	2922	-0.3	2.6	9.3	14.8	NA	121.2	34.1	21.4	0.9	4.6	11.4	15.6	-0.4	3.5	11.4	15.7
Caplin Point	CAPPOI	461	605	Buy	3487	23.3	28.4	32.6	43.7	19.7	16.2	14.1	10.6	34.6	26.5	26.0	28.3	27.9	22.7	21.1	22.4
Granules India	GRANUL	333	460	Buy	8235	9.5	12.4	21.1	23.6	34.8	26.8	15.7	14.1	11.8	15.2	22.4	22.0	15.5	16.7	22.4	20.2
Laurus Labs	LAULAB	358	440	Buy	19216	1.7	4.8	17.9	21.1	204.9	75.3	20.0	17.0	7.7	13.0	33.8	31.6	6.0	14.4	36.4	31.0

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, Akruvi 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](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 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](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, 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.