

Strong domestic growth partly offset by US decline...

Q3FY21 revenues grew 4.3% YoY to ₹ 3796 crore (I-direct estimate: ₹ 3906 crore). Domestic formulations posted strong growth of 21.2% YoY to ₹ 1104 crore. However, US sales declined 4.3% YoY to ₹ 1603 crore. Wellness segment also grew a robust 15.8% YoY to ₹ 376 crore. Emerging markets grew 10.9% YoY to ₹ 293 crore. API segment de-grew 18.8% YoY to ₹ 132 crore. Animal health segment grew 17.0% YoY to ₹ 163 crore. EBITDA margins expanded 220 bps YoY to 21.3% (I-direct estimate: 21.2%) due to a better overall operational performance. Subsequently, EBITDA grew 16.4% YoY to ₹ 807 crore (I-direct estimate: ₹ 828 crore). Adjusted PAT grew 40.5% YoY to ₹ 527 crore (I-direct estimates: ₹ 495 crore).

US expected to grow on new launches

US (44% of FY20 revenues) grew at ~12% CAGR in FY16-20 backed by aggressive filings, product launches. Launch of authorised generics also contributed to overall growth. US pipeline (cumulative) comprises 410 filed ANDAs, 312 having final approvals. However, resurfacing of cGMP issues at Moraiya, imminent slowdown in base are main near term headwinds. We expect US sales to grow at 5.6% CAGR in FY20-23E to ₹ 7361 crore.

India to witness restructuring; focus on profitable SKUs

With a market share of 4.2%, Cadila is the fifth largest player in the domestic formulations market, as per AIOCD September 2020. The acute: chronic: sub-chronic ratio for the company is 53:32:15. Domestic formulation grew at a CAGR of 5.7% in FY16-20 backed by new launches and acquisition of Biochem. Recently, the company optically initiated restructuring of business by rationalising slow moving SKUs. We expect Indian formulations to grow at a CAGR of ~11% in FY20-23E to ₹ 5040 crore.

Valuation & Outlook

Q3 operational performance was mostly in line with I-direct estimates (albeit skewed) led by strong domestic formulations growth, whereas profitability was higher due to lower interest cost and tax rate. On the US front, the company plans to venture into complex injectables (71 filed ANDAs), which is likely to provide meaningful traction from FY23-24 onwards. Similarly, addition of biosimilars (like Trastuzumab, Adalimumab, Pegfilgrastim, Bevacizumab, etc) for Emerging markets (like LatAm, MENA markets, South East Asia) are expected to provide growth impetus, going ahead. The wellness segment performance hinges upon Cadila's marketing & distribution prowess besides effective product positioning. India formulations business, after recent restructuring, is likely to stabilise. However, more importantly, it has significantly improved net debt position in 9MFY21 (down ~44% from FY20) utilising proceeds from QIP of consumer wellness business and through internal accruals amid better working capital control. Overall, continued b/s reduction, Moraiya warning letter resolution, US base business performance in tough times are some important aspects to watch. We maintain **BUY** and arrive at our TP of ₹ 555 (unchanged) based on 22x FY23E EPS of ₹ 25.2.

Key Financial Summary

(₹ crore)	FY20	FY21E	FY22E	FY23E	CAGR (FY20-23E) %
Revenues	14253.1	15204.9	16508.1	17852.4	7.8
EBITDA	2742.0	3325.7	3484.3	3883.9	12.3
EBITDA margins (%)	19.2	21.9	21.1	21.8	
Net Profit	1430.1	2077.1	2155.8	2577.1	21.7
EPS (₹)	14.0	20.3	21.1	25.2	
PE (x)	41.4	24.7	22.6	18.9	
EV to EBITDA (x)	20.3	16.0	14.9	13.1	
RoE (%)	13.8	16.0	14.7	15.4	
RoCE (%)	10.7	13.5	13.2	13.7	

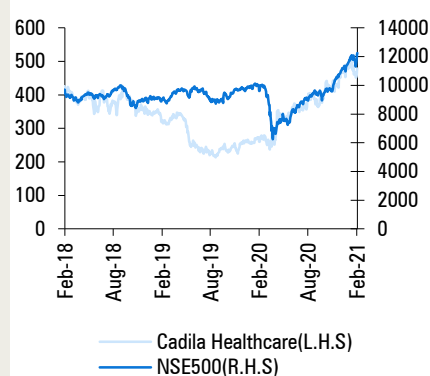
Source: ICICI Direct Research, Company



Particulars

Particular	Amount
Market Capitalisation	₹48669 crore
Debt (FY 20)	₹7999 crore
Cash (FY 20)	₹965 crore
EV	₹55703 crore
52 week H/L	509/213
Equity capital	₹102 crore
Face value	₹1

Price performance



Key risks to our call

- Delay in resolution of Moraiya warning letter
- Any adverse impact on US base business performance

Research Analyst

Siddhant Khandekar
siddhant.khandekar@icicisecurities.com

Mitesh Shah
mitesh.shah@icicisecurities.com

Sudarshan Agarwal
sudarshan.agarwal@icicisecurities.com

Exhibit 1: Variance Analysis

	Q3FY21	Q3FY21E	Q3FY20	Q2FY21	YoY (%)	QoQ (%)	Comments
Revenue	3795.6	3906.3	3638.1	3820.0	4.3	-0.6	Strong growth in domestic revenues was partially offset by decline in the US formulations
Raw Material Expenses	1293.5	1367.2	1244.3	1322.3	4.0	-2.2	
Employee Expenses	628.6	644.5	619.0	616.5	1.6	2.0	
Other expenditure	1066.6	1066.5	1081.6	1017.8	-1.4	4.8	Lower spend on marketing and travelling cost
EBITDA	806.9	828.0	693.2	863.4	16.4	-6.5	
EBITDA (%)	21.3	21.2	19.1	22.6	220 bps	-134 bps	YoY improvement mainly due to lower employee cost and other expenditure
Interest	26.8	45.7	80.5	45.7	-66.7	-41.4	
Depreciation	180.4	179.0	174.1	179.0	3.6	0.8	
Other Income	27.5	28.0	20.1	27.5	36.8	0.0	
PBT before EO & Forex	627.2	631.3	458.7	666.2	36.7	-5.9	
EO	0.0	0.0	1.6	132.0	0.0	0.0	
PBT	627.2	631.3	457.1	534.2	37.2	17.4	
Tax	114.7	126.3	92.7	110.6	23.7	3.7	
Tax rate (%)	18.3	20.0	20.3	20.7	-9.8	-11.7	
Net Profit	527.2	495.0	373.9	473.4	41.0	11.4	
Adjusted PAT	527.2	495.0	375.2	578.1	40.5	-8.8	YoY growth and beat vis-à-vis I-direct estimates mainly due to strong operational performance and lower interest cost
Key Metrics							
India	1103.5	1028.6	910.3	1087	21.2	1.5	YoY growth and beat vis-à-vis I-direct estimates amid Covid related launches and strong growth in speciality portfolio
US	1603.4	1788.3	1675.3	1709.0	-4.3	-6.2	YoY decline and miss vis-à-vis I-direct estimates mainly due to lower demand for seasonal flu products and inventory correction in few products
Europe	61.4	55.3	49.4	54.6	24.3	12.5	
EMs	293.2	277.5	264.3	236.1	10.9	24.2	
Wellness	375.7	350.4	324.4	335.2	15.8	12.1	YoY growth supported by economic recovery and higher demand amid festivals
JVs	21.1	18.7	8.5	19.6	148.2	7.7	
APIs	132.0	154.5	162.6	159.7	-18.8	-17.3	YoY growth and beat mainly due to better than expected demand
Animal Health & Others	163.4	156.5	139.7	161.1	17.0	1.4	YoY growth due to return of demand

Source: ICICI Direct Research

Exhibit 2: Change in Estimates

(₹Crore)	FY21E			FY22E			Comments
	Old	New	% Change	Old	New	% Change	
	Revenue	15,656.5	15,204.9	-2.9	17,030.5	16,508.1	
EBITDA	3,346.2	3,325.7	-0.6	3,673.1	3,484.3	-5.1	
EBITDA Margin (%)	21.4	21.9	47 bps	21.6	21.1	-49 bps	
PAT	1,926.6	1,971.4	2.3	2,265.8	2,155.8	-4.9	
EPS (₹)	18.8	19.3	2.4	22.1	21.1	-4.7	

Source: ICICI Direct Research

Exhibit 3: Change in Estimates

(₹crore)	Current			Earlier			Comments
	FY 19	FY 20	FY 21E	FY 22E	FY 21E	FY 22E	
India	3,533.8	3,714.1	4,045.7	4,499.8	3,943.6	4,483.1	
US	6,279.5	6,251.4	6,645.0	7,010.8	7,049.5	7,350.5	Changed mainly due to lower than expected sales in Q3FY 21
Europe	226.8	195.7	228.9	254.3	221.9	246.5	
EMs	831.2	875.3	1,024.4	1,126.8	1,035.1	1,138.6	
Wellness	807.6	1,737.9	1,771.6	1,977.1	1,746.2	1,949.7	
JVs	132.3	69.8	81.8	85.4	79.4	82.8	
APIs	424.5	453.0	562.2	602.4	616.0	697.3	Changed mainly due to lower than expected sales in Q3FY 21
Animal Health & Other	512.9	514.9	611.6	697.8	608.8	694.7	

Source: ICICI Direct Research

Conference Call Highlights

- Q3FY21 R&D: ₹ 348 crore; Capex for 9MFY21: ₹ 483.9 crore
 - R&D guidance: ~8% of sales for FY22 (50: 50 mix between generics + 505 b (2) : INDs, biosimilars/vaccines)
- Capex guidance - ₹ 700-800 crore for FY21 and FY22
- Vaccine – currently ~₹ 70 crore, by 2024-25 hoping to achieve US\$125 million (ex-Covid) sales
 - Targeting 10-12% market share in the two molecules being targeted
- Moraiya status quo - Completed remediation measures for warning letter, awaiting USFDA reply
- Lower other operating income due to lower export incentives and adverse forex translation
- Q3FY21: Forex fluctuation: ₹ 6 crore vs. ₹ -20.8 crore in Q3FY20
- Annual effective tax rate to be ~20-21% for FY21 and FY22
- US - Company launched seven new products in the US. The company received approval for nine new products (including four tentative approvals) and filed 10 additional ANDAs with the USFDA
 - Decline in Q3FY21 - Inventory correction at end of year + no flu season; QoQ decline - no one-time opportunities
 - Lialda market share above 55%, stable
 - Plans to launch 40+ in FY22, with eight to 10 high value launches
 - Q4FY21 guidance: US\$215-220 million; Q1FY22 to see significant uptick amid new launches
 - Cumulative filings: 410
 - First cycle approvals in Q3FY20 – 3, CY20 – 7
 - Total 38 ANDA approvals in CY20, second highest globally
 - Cumulative injectable filings: 71 with 56 being already USFDA approved
 - One in-licensed product has been successful, similar products to come in over 2-3 years
 - Saroglitazar introduction for PBC – in 2023, NASH – likely filing for approval by CY24-25
 - Market size – US\$10 billion by 2026 for PBC, for NASH 2-3x market of PBC
- India – launched dapagliflozin, Forglyn pMDI
 - Specialty grew faster than mass cluster segment
 - Saroglitazar can become the largest selling molecule for the company in three to five years
 - Can become a ₹ 250+ crore molecule
 - Gained market share in Pain, anti-infective, anti-diabetic segment
- Consumer wellness grew on the back of double digit volume growth across major brands

- Animal health grew on the back of digital initiatives and better customer connect
- ZyCov-D for Covid-19
 - Plant – to be ready by Q1FY22 with a capacity of 120 million doses
 - CMO (third party) – 50-70 million doses
 - Current/old plants – 10-20 million doses
 - ~₹ 150-250 crore investment through R&D and Capex
 - More orders than manufacturing capacity
 - First dose to be given to all 30,000 participants by end of February 2021
- Good traction in exports for Remdesivir
- No tax related cash outgo till 2027 in Cadila Healthcare
- Two more ₹ 40-50 crore products to be introduced in the year (1 is monoclonal antibody)
 - To also introduce saliva based at home Covid-19 testing kit in the year
- Net debt at ₹ 3800 crore at end of Q3FY21 vs. ₹ 4031 crore as on September 30, 2020 and ₹ 6740 crores as on March 31, 2020

Exhibit 4: Trends in quarterly financials

(₹Crore)	13FY18	14FY18	11FY19	12FY19	13FY19	14FY19	11FY20	12FY20	13FY20	14FY20	11FY21	12FY21	13FY21	YoY (%)	QoQ (%)
Sales	3259.6	3250.2	2893.7	2961.2	3577.9	3732.8	3496.3	3366.6	3638.1	3752.1	3639.9	3820.0	3795.6	4.3	-0.6
Raw Material Exp	1124.6	1083.3	986.6	991.9	1352.5	1385.7	1259.5	1156.5	1244.3	1259.7	1250.3	1322.3	1293.5	4.0	-2.2
% of revenue	34.5	33.3	34.1	33.5	37.8	37.1	36.0	34.4	34.2	33.6	34.3	34.6	34.1		
Gross Profit	2135.0	2166.9	1907.1	1969.3	2225.4	2347.1	2236.8	2210.1	2393.8	2492.4	2389.6	2497.7	2502.1	4.5	0.2
% of revenue	65.5	66.7	65.9	66.5	62.2	62.9	64.0	65.6	65.8	66.4	65.7	65.4	65.9	12 bps	54 bps
Employee Expens	460.8	491.5	526.6	521.2	524.0	552.3	589.8	596.7	619.0	609.0	634.5	616.5	628.6	1.6	2.0
% of revenue	14.1	15.1	18.2	17.6	14.6	14.8	16.9	17.7	17.0	16.2	17.4	16.1	16.6		
Other Expenditure	833.0	805.0	735.5	760.3	861.8	994.4	1015.0	987.8	1081.6	1092.2	939.7	1017.8	1066.6	-1.4	4.8
% of revenue	25.6	24.8	25.4	25.7	24.1	26.6	29.0	29.3	29.7	29.1	25.8	26.6	28.1		
Total Expenditure	2418.4	2379.8	2248.7	2273.4	2738.3	2932.4	2864.3	2741.0	2944.9	2960.9	2824.5	2956.6	2988.7	1.5	1.1
% of revenue	74.2	73.2	77.7	76.8	76.5	78.6	81.9	81.4	80.9	78.9	77.6	77.4	78.7		
EBITDA	841.2	870.4	645.0	687.8	839.6	800.4	632.0	625.6	693.2	791.2	815.4	863.4	806.9	16.4	-6.5
EBITDA Margins (%)	25.8	26.8	22.3	23.2	23.5	21.4	18.1	18.6	19.1	21.1	22.4	22.6	21.3	220 bps	-134 bps
Depreciation	147.3	144.0	141.8	147.5	153.7	155.6	171.6	172.3	174.1	178.5	176.8	179.0	180.4	3.6	0.8
Interest	13.5	15.4	35.0	35.7	45.5	77.3	89.1	89.7	80.5	82.5	67.7	45.7	26.8	-66.7	-41.4
Other Income	41.1	28.7	101.3	30.4	31.0	38.4	22.6	26.9	20.1	44.3	22.5	27.5	27.5	36.8	0.0
Forex & EO	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-268.1	-1.6	-52.5	0.0	-132.0	0.0		
PBT	721.5	739.7	569.5	535.0	671.4	605.9	393.9	122.4	457.1	522.0	593.4	534.2	627.2	37.2	17.4
Total Tax	178.6	144.2	120.3	124.7	158.6	126.7	79.1	39.5	92.7	108.5	123.5	110.6	114.7	23.7	3.7
Tax rate (%)	24.8	19.5	21.1	23.3	23.6	20.9	20.1	32.3	20.3	20.8	20.8	20.7	18.3	-199.2	-241.6
PAT before MI	542.9	595.5	449.2	410.3	512.8	479.2	314.8	82.9	364.4	413.5	469.9	423.6	512.5	40.6	21.0
Minority Interest	10.1	8.3	8.8	10.7	10.9	21.6	21.5	-13.2	-2.5	21.8	32.6	-38.4	0.8	-132.0	-102.1
PAT	543.3	606.7	461.0	417.5	510.4	460.1	303.8	107.2	373.9	391.9	454.0	473.4	527.2	41.0	11.4
Adjusted PAT	543.3	606.7	461.0	417.5	510.4	460.1	303.8	317.1	375.2	433.5	454.0	578.1	527.2	40.5	-8.8
Adjusted EPS (₹)	5.3	5.9	4.5	4.1	5.0	4.5	3.0	3.1	3.7	4.2	4.4	5.6	5.1		

Source: ICICI Direct Research

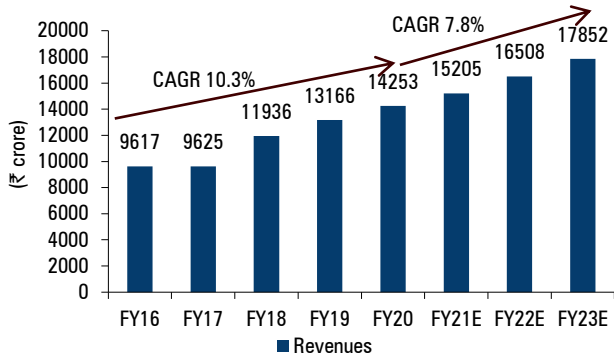
Company Background

The company was established in 1952 and restructured in 1995 post a family split. Cadila is one of the old generation family owned pedigree companies which, after establishing a strong base in domestic formulations, shifted focus to the exports markets. Over FY10-20, revenues and EBITDA have grown 3-4x while PAT has more than doubled. US has been the key driver for the company in the past five years and grew at ~12% CAGR in FY16-20, though the annual growth was volatile due to warning letters. It has received repeated warning letters (in FY12, FY16) from USFDA for its Moraiya facility (Gujarat). We believe that despite the headwinds, the US is likely to remain a key growth driver for the company due to aggressive filings and robust pending approvals.

Domestic growth remained steady in the past five years though JVs, wellness and other segments growth were volatile. On the margins front, base business EBITDA margins have been hovering in the range of 19-24% in the past five years. We believe the US and Indian formulations will remain main growth drivers, going ahead.

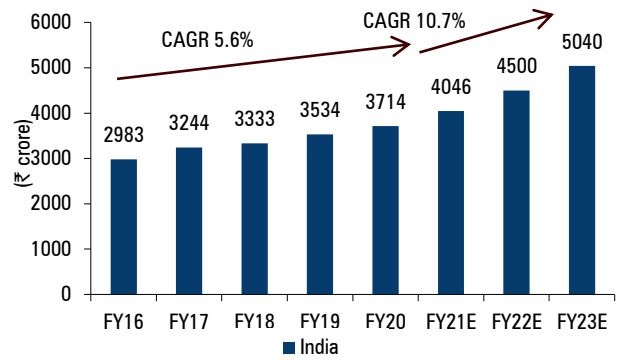
In FY19, the company acquired US-based Kraft Heinz's India business comprising Complian, Glucon-D, Nycil and Sampriti Ghee brands in addition to two manufacturing facilities for ~₹ 4600 crore. Other major brands in the company's wellness portfolio include Sugar Free, EverYuth and Nutralite. Post the acquisition (completed in January 2019), the wellness segment now contributes ~12% to the company's topline, up from the earlier 4% in FY16.

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



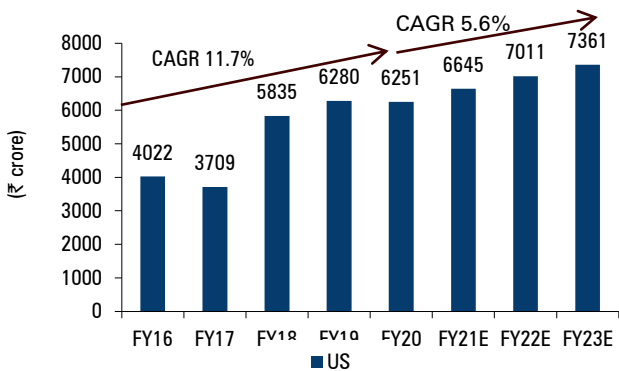
Source: ICICI Direct Research, Company

Exhibit 6: Domestic to grow at ~11% CAGR in FY20-23E



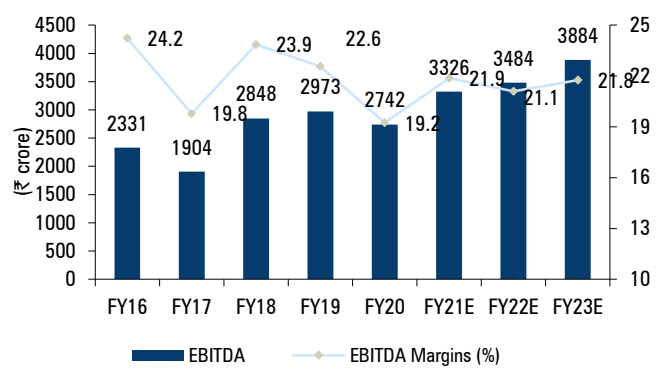
Source: ICICI Direct Research, Company

Exhibit 7: US to grow at CAGR of ~6% over FY20-23E



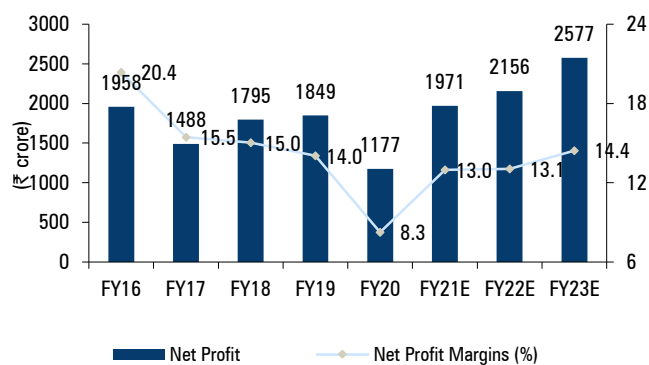
Source: ICICI Direct Research, Company

Exhibit 8: EBITDA & EBITDA margins trend



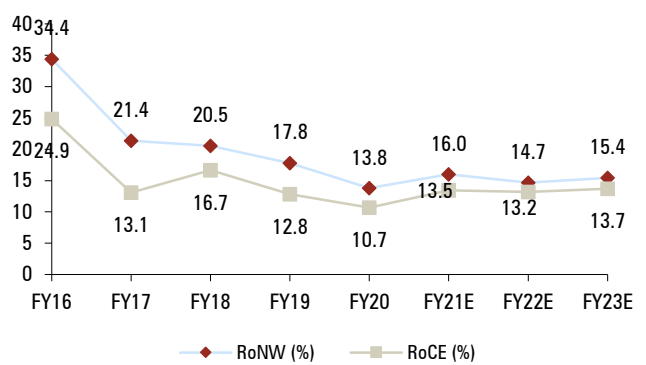
Source: ICICI Direct Research, Company

Exhibit 9: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 10: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 11: Revenue Mix

(₹ crore)	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E	CAGR (FY16-20) %	CAGR (FY20-23E) %
India	2,983	3,244	3,333	3,534	3,714	4,046	4,500	5,040	5.6	10.7
US	4,022	3,709	5,835	6,280	6,251	6,645	7,011	7,361	11.7	5.6
Europe	295	262	240	227	196	229	254	280	-9.8	12.6
EMs	690	749	762	831	875	1,024	1,127	1,239	6.1	12.3
Wellness	432	459	492	808	1,738	1,772	1,977	2,135	41.6	7.1
JVs	263	159	159	132	70	82	85	92	-28.2	9.7
Total APIs	365	380	366	425	453	562	602	663	5.6	13.5
Animal Healthcare	320	453	480	513	515	612	698	768	12.6	14.2

Source: ICICI Direct Research, Company

Exhibit 12: Valuation

	Revenues	Growth	EPS	Growth	P/E V/EBITDA		RoE	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY 20	14253	8.3	14.0	-22.7	41.4	20.3	13.8	10.7
FY 21E	15205	6.7	20.3	45.2	24.7	16.0	16.0	13.5
FY 22E	16508	8.6	21.1	3.8	22.6	14.9	14.7	13.2
FY 23E	17852	8.1	25.2	19.5	18.9	13.1	15.4	13.7

Source: ICICI Direct Research, Company

Exhibit 13: Shareholding Pattern

(in %)	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Promoter	74.9	74.9	74.9	74.9	74.9
Others	25.1	25.1	25.1	25.1	25.1

Source: ICICI Direct Research, Company

Financial Summary

Exhibit 14: Profit & Loss (₹ crore)

(Year-end March)	FY20	FY21E	FY22E	FY23E
Revenues	14,253.1	15,204.9	16,508.1	17,852.4
Growth (%)	8.3	6.7	8.6	8.1
Raw Material Expenses	4,920.0	5,228.7	5,700.0	6,069.8
Employee Expenses	2,414.5	2,500.9	2,701.9	2,900.2
Other expenses	4,176.6	4,149.7	4,622.0	4,998.5
Total Operating Expenditure	11,511.1	11,879.2	13,023.9	13,968.5
EBITDA	2,742.0	3,325.7	3,484.3	3,883.9
Growth (%)	-7.8	21.3	4.8	11.5
Depreciation	696.5	716.6	800.1	860.1
Interest	341.8	167.0	129.0	129.0
Other Income	113.9	106.1	81.3	131.8
Less: Exceptional Items	322.2	132.0	0.0	0.0
PBT after Exceptional Item	1,495.4	2,416.2	2,636.5	3,026.7
Total Tax	319.8	481.1	527.3	605.3
Minority Interest	27.6	7.8	50.9	60.2
PAT	1,176.8	1,971.4	2,155.8	2,577.1
Adjusted PAT	1,430.1	2,077.1	2,155.8	2,577.1
Growth (%)	-22.7	45.2	3.8	19.5
EPS (Adjusted)	14.0	20.3	21.1	25.2

Source: ICICI Direct Research

Exhibit 15: Cash Flow Statement (₹ crore)

(Year-end March)	FY20	FY21E	FY22E	FY23E
Profit/(Loss) after taxation	1,193.3	1,971.4	2,155.8	2,577.1
Add: Depreciation	696.5	716.6	800.1	860.1
Net Increase in Current Assets	224.9	-360.1	-682.0	-709.7
Net Increase in Current Liabilities	-95.5	252.8	276.1	287.4
Other Operating Activities	486.2	167.0	129.0	129.0
CF from operating activities	2,505.4	2,747.8	2,679.0	3,143.8
(Inc)/dec in Fixed Assets	-888.8	-800.0	-800.0	-800.0
Loan & Advances	0.0	-53.5	-58.3	-63.5
(Inc)/dec in MI	0.0	7.8	50.9	60.2
Other Investing Activities	-206.8	-32.5	-35.4	-638.6
CF from investing activities	-1,095.6	-878.2	-842.8	-1,441.8
Inc/(dec) in loan funds	-348.9	-2,699.9	-1,000.0	0.0
Dividend paid & dividend tax	-856.9	-457.0	-474.3	-567.0
Inc/(dec) in forex reserve	0.0	0.0	0.0	0.0
Interest Paid	111.6	-167.0	-129.0	-129.0
Other Financing Activities	0.0	1,100.0	0.0	0.0
CF from financing activities	-1,094.2	-2,223.9	-1,603.3	-695.9
Net Cash flow	315.6	-354.2	232.9	1,006.0
Opening Cash	649.3	964.9	610.7	843.6
Closing Cash	964.9	610.7	843.6	1,849.6
Free Cash Flow	1,616.6	1,947.8	1,879.0	2,343.8

Source: ICICI Direct Research

Exhibit 16: Balance Sheet (₹ crore)

(Year-end March)	FY20	FY21E	FY22E	FY23E
Equity Capital	102.4	102.4	102.4	102.4
Reserve and Surplus	10,273.3	12,887.7	14,569.3	16,579.4
Total Shareholders funds	10,375.7	12,990.1	14,671.7	16,681.8
Total Debt	7,999.3	5,299.4	4,299.4	4,299.4
Deferred Tax Liability	209.9	228.8	249.4	271.8
Minority Interest	1,334.7	1,342.5	1,393.4	1,453.6
Other Non Curr.Liab. & LTP	282.3	307.7	335.4	365.6
Total Liabilities	20,201.9	20,168.5	20,949.2	23,072.2
Gross Block - Fixed Assets	11,334.5	12,334.5	13,334.5	14,334.5
Less: Acc Depreciation	4,495.5	5,212.1	6,012.2	6,872.2
Net Block	6,839.0	7,122.4	7,322.3	7,462.3
Capital WIP	741.5	541.5	341.5	141.5
Total Fixed Assets	7,580.5	7,663.9	7,663.8	7,603.8
Goodwill on Consolidation	5,391.5	5,391.5	5,391.5	5,391.5
Investment	765.0	765.0	765.0	1,365.0
Inventory	2,789.0	3,023.0	3,282.1	3,549.4
Debtors	3,663.2	3,691.5	4,007.9	4,334.3
Other Current Assets	1,085.5	1,183.2	1,289.7	1,405.8
Cash	964.9	610.7	843.6	1,849.6
Total Current Assets	8,502.6	8,508.4	9,423.3	11,139.0
Creditors	2,031.0	2,201.4	2,390.1	2,584.7
Provisions	243.2	265.1	288.9	315.0
Other Current Liabilities	1,210.5	1,271.0	1,334.6	1,401.3
Total Current Liabilities	3,484.7	3,737.5	4,013.6	4,301.0
Deferred Tax Assets	852.9	929.7	1,013.3	1,104.5
Net Current Assets	5,017.9	4,770.9	5,409.7	6,838.0
Long term Loans and advanc	594.1	647.6	705.9	769.4
Application of Funds	20,201.9	20,168.5	20,949.2	23,072.2

Source: ICICI Direct Research

Exhibit 17: Key Ratios (₹ crore)

(Year-end March)	FY20	FY21E	FY22E	FY23E
Per share data (₹)				
Adjusted EPS	14.0	20.3	21.1	25.2
BV per share	101.4	126.9	143.3	163.0
Dividend per share	4.3	4.5	4.6	5.5
Cash Per Share	9.4	6.0	8.2	18.1
Operating Ratios (%)				
Gross Profit Margins	65.5	65.6	65.5	66.0
EBITDA margins	19.2	21.9	21.1	21.8
Net Profit margins	10.0	13.7	13.1	14.4
Inventory days	71.4	72.6	72.6	72.6
Debtor days	93.8	88.6	88.6	88.6
Creditor days	52.0	52.8	52.8	52.8
Asset Turnover	1.3	1.2	1.2	1.2
EBITDA Conversion Ratio	91.4	82.6	76.9	80.9
Return Ratios (%)				
RoE	13.8	16.0	14.7	15.4
RoCE	10.7	13.5	13.2	13.7
RoIC	11.1	13.8	13.6	14.4
Valuation Ratios (x)				
P/E	41.4	24.7	22.6	18.9
EV / EBITDA	20.3	16.0	14.9	13.1
EV / Net Sales	3.9	3.5	3.2	2.9
Market Cap / Sales	3.4	3.2	2.9	2.7
Price to Book Value	4.7	3.7	3.3	2.9
Solvency Ratios				
Debt / EBITDA	2.9	1.6	1.2	1.1
Debt / Equity	0.8	0.4	0.3	0.3
Current Ratio	2.2	2.1	2.1	2.2

Source: ICICI Direct Research

Exhibit 18: 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	1813	2,250	Buy	15823	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 Pharm	ALEMPHA	945	1,055	Hold	18579	30.2	44.4	57.5	43.9	31.3	21.3	16.4	21.5	19.6	21.0	23.9	17.0	21.8	27.1	23.0	15.5
Apollo Hospital	APOHOS	2732	2,310	Hold	39277	16.2	22.3	-1.6	36.1	168.2	122.3	NA	75.7	8.8	10.2	4.9	13.0	7.1	9.7	-0.5	10.0
Aurobindo Pha	AURPHA	927	1,025	Buy	54325	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	410	450	Hold	49188	6.2	5.8	6.5	13.9	66.0	70.4	63.0	29.5	10.9	10.2	9.2	16.5	12.2	10.4	10.5	18.7
Cadila Healthc	CADHEA	475	555	Buy	48669	18.1	14.0	20.3	21.1	26.3	34.0	23.4	22.6	12.8	10.7	13.5	13.2	17.8	13.8	16.0	14.7
Cipla	CIPLA	834	975	Buy	67295	18.6	19.2	31.0	32.4	44.9	43.4	26.9	25.8	10.9	12.0	17.0	16.1	10.0	9.8	14.0	13.1
Divi's Lab	DIVLAB	3679	4,425	Buy	97662	51.0	51.9	74.1	89.8	72.2	70.9	49.7	41.0	25.5	23.9	28.8	28.6	19.4	18.8	22.5	22.3
Dr Reddy's Lab	DRREDD	4668	5,525	Buy	77623	114.6	121.8	87.0	188.6	40.7	38.3	53.6	24.7	10.7	9.6	15.7	19.5	13.6	13.0	8.6	16.0
Glenmark Phar	GLEPHA	502	635	Buy	14152	26.9	26.4	36.5	37.6	18.6	19.0	13.7	13.3	15.3	12.7	14.9	14.1	13.5	12.2	14.5	13.1
Hikal	HIKCHE	181	230	Buy	2234	8.4	8.1	10.2	12.2	21.7	22.4	17.8	14.8	14.3	12.8	13.6	14.9	13.6	12.2	13.5	14.2
Ipca Laboratori	IPCLAB	1980	2,490	Buy	25112	34.9	47.6	95.8	96.0	56.8	41.6	20.7	20.6	15.0	17.6	27.8	22.9	14.2	16.6	25.3	20.3
Jubilant Life	JUBLIF	903	850	Buy	14379	54.9	59.9	54.4	70.3	16.5	15.1	16.6	12.8	14.3	14.4	14.7	16.9	17.8	16.6	13.2	14.7
Lupin	LUPIN	1051	1,165	Buy	47673	16.5	-12.7	24.5	37.3	63.5	NA	43.0	28.2	9.4	9.7	8.9	12.2	5.4	-4.6	8.2	11.2
Narayana Hrud	NARHRU	488	405	Buy	9963	2.9	6.4	-4.2	8.3	167.9	76.8	NA	58.5	7.7	11.0	-2.4	12.8	5.5	11.4	-8.3	14.2
Natco Pharma	NATPHA	899	885	Hold	16386	35.4	25.3	32.7	28.0	25.4	35.6	27.5	32.1	21.3	14.0	17.1	13.6	18.5	12.2	14.0	11.0
Sun Pharma	SUNPHA	632	675	Buy	151514	15.9	16.8	28.7	23.5	39.8	37.6	22.0	26.9	10.3	10.0	12.9	12.3	9.2	8.9	14.3	10.6
Syngene Int.	SYNINT	570	700	Buy	22786	8.3	10.3	9.7	13.2	68.9	55.3	58.8	43.2	14.8	14.5	12.6	15.8	16.8	15.7	15.1	17.1
Torrent Pharm	TORPHA	2682	3,135	Buy	45379	48.9	60.6	70.6	85.8	54.8	44.3	38.0	31.3	14.2	15.4	17.9	20.2	17.5	21.2	20.9	21.3
Shalby	SHALIM	114	130	Hold	1226	2.9	2.6	4.7	4.9	38.8	44.5	24.1	23.1	6.8	7.2	6.6	7.9	4.1	3.5	6.0	5.9
Aster DM	ASTDM	153	170	Buy	7648	6.7	5.5	3.1	9.9	23.0	27.6	49.3	15.4	8.3	7.1	5.2	9.1	10.4	8.5	4.5	12.7
Indoco Remedi	INDREM	322	380	Buy	2970	-0.3	2.6	9.3	14.8	NA	123.2	34.7	21.7	0.9	4.6	11.4	15.6	-0.4	3.5	11.4	15.7
Caplin Point	CAPPOI	482	605	Buy	3643	23.3	28.4	32.6	43.7	20.6	16.9	14.8	11.0	34.6	26.5	26.0	28.3	27.9	22.7	21.1	22.4
Granules India	GRANUL	348	460	Buy	8609	9.5	12.4	21.1	23.6	36.4	28.0	16.4	14.7	11.8	15.2	22.4	22.0	15.5	16.7	22.4	20.2
Laurus Labs	LAULAB	347	440	Buy	18599	1.7	4.8	17.9	21.1	198.3	72.9	19.4	16.4	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, 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 icidirect.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.