

## Stable numbers; margin expansion to the fore...

Q3 revenues grew 1.9% YoY to ₹ 2787 crore with 11.8% YoY growth in domestic sales to ₹ 882 crore supported by Fabiflu (favipiravir) sales being partly offset by 2.4% decline in US to ₹ 780 crore. Europe business grew just 1.4% YoY to ₹ 313 crore amid enhanced lockdown measures. RoW markets de-grew 1.6% YoY to ₹ 336 crore whereas API segment grew 22.1% YoY to ₹ 320 crore. EBITDA margins improved 293 bps YoY to 19.0% mainly due to lower other expenditure, better gross margins. EBITDA grew 20.5% YoY to ₹ 530 crore. Adjusted PAT grew 23.0% YoY to ₹ 235 crore. Exceptional items in Q3FY21 were ₹ 13.4 crore on gain arising from 1) transfer of a) Vwash & b) Momat brands, 2) sale of IP assets, 2) reimbursement of one-time costs.

## US growth dependent on new launches

US generics comprise ~30% of total revenues. So far, the company has received approval for 167 ANDAs while another 44 are pending approval, of which 22 are Para IV applications. However, Glenmark's derma portfolio is facing stiff pricing pressure in the US. Going ahead, traction from the newly commissioned US based Monroe facility will be the key determinant besides sustained product launches. We expect the US to grow at 4.5% CAGR in FY20-23E to ₹ 3581 crore on the back of new launches.

## Targeting specific therapies in IPM

Glenmark is ranked fourteenth in domestic formulations with a market share of 2.3%. It is a market leader in dermatology and improving its presence in respiratory, CVS, anti-infectives and anti-diabetics, in particular. The company has also forayed into consumer health segment focusing on Rx-OTC switch products (~₹ 150 crore) led by two brands, Candid and Scalpe+. We expect India sales to grow at 10.4% CAGR in FY20-23E to ₹ 4303 crore.

## Valuation & Outlook

Despite facing Covid-related challenges in various geographies in Q3, the company posted a stable topline while EBITDA was higher mainly due to reduced travel & promotional spend. While domestic sales reported strong growth supported by Fabiflu sales, US business was impacted by decline in dermatology portfolio. Operationally, barring US, other geographies are, more or less, looking stable led by domestic formulations. Going ahead, the management expects margins to improve due to cost rationalisation measures and decline in R&D expenses as percentage of sales. Glenmark had earlier shelved API monetisation plan and plans to reduce debt through internal accruals, pipeline monetisation (ICHNOS) and divestment of non-core business. On the capex front, although things are looking a bit strained, the management expects some moderation. We believe debt reduction, improvement in free cash flow and margins are key events to watch. We maintain **BUY** and arrive at our target price of ₹ 635 (unchanged) based on 13x FY23E EPS of ₹ 48.9.

### Key Financial Summary

(₹Crore)	FY20	FY21E	FY22E	FY23E	CAGR (FY20-23E) %
Revenues	10641.0	11021.0	12010.7	13132.5	7.3
EBITDA	1698.1	2148.3	2358.9	2644.8	15.9
EBITDA margins (%)	16.0	19.5	19.6	20.1	
Adjusted PAT	743.1	951.1	1149.8	1375.8	22.8
EPS (₹)	26.4	33.8	40.8	48.9	
PE (x)	18.0	14.0	12.1	10.2	
EV to EBITDA (x)	10.4	8.0	7.1	5.9	
RoNW (%)	12.2	13.6	14.2	14.6	
RoCE (%)	12.7	14.4	15.1	16.1	

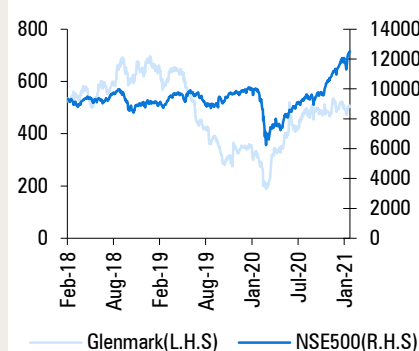
Source: ICICI Direct Research; Company



### Particulars

Particular	Amount
Market Capitalisation	₹13996 crore
Debt (FY 20)	₹4869 crore
Cash & equivalent (FY 20)	₹1111 crore
EV	₹17753 crore
52 week H/L (₹)	573/168
Equity capital	₹28.2 crore
Face value	₹1

### Price performance



### Key risks to our call

- Continued price erosion in Derma US portfolio
- Delay in proposed unlocking of innovation business

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**Exhibit 1: Variance Analysis**

	Q3FY21	Q3FY20	Q2FY21	YoY (%)	QoQ (%)	Comments
Revenue	2,786.8	2,735.6	2,952.5	1.9	-5.6	Strong domestic formulations sales nullified by decline in US and Latin America markets
Raw Material Expenses	911.4	926.3	1,040.7	-1.6	-12.4	
Gross Margin (%)	67.3	66.1	64.8	116 bps	255 bps	YoY improvement amid better product mix
Employee Expenses	596.6	557.2	700.3	7.1	-14.8	
Other Expenditure	748.7	811.9	658.7	-7.8	13.7	Included forex loss of ₹ 53 crore
EBITDA	530.1	440.1	552.8	20.5	-4.1	
EBITDA (%)	19.0	16.1	18.7	293 bps	30 bps	YoY improvement mainly due to better product mix and lower fixed cost amid Covid and cost rationalisation
Interest	95.4	96.1	80.6	-0.7	18.3	
Depreciation	115.2	106.0	104.1	8.7	10.7	
Other Income	15.1	33.0	-31.9	-54.2	-147.3	
PBT before EO & Forex	334.6	271.0	336.2	23.5	-0.5	
Less: EO & Forex	-13.4	0.0	-3.1			Included gain from transfer of Vwash brand, Momat brands in certain geographies, sale of IP assets and reimbursement of onetime costs
PBT	348.0	271.0	339.4	28.4	2.5	
Tax	99.8	80.1	105.4	24.5	-5.3	
PAT before MI	248.2	190.8	234.0	30.0	6.1	
Adj. Net Profit	234.8	190.8	230.8	23.0	1.7	Delta vis-à-vis EBITDA and miss I-direct estimates mainly due to decline in other income
<b>Key Metrics</b>						
US	780.4	799.8	752.2	-2.4	3.8	YoY decline amid lack of new meaningful launches
Europe	313.3	308.9	318.1	1.4	-1.5	Muted growth amid enhanced lockdown measures due to heightened pandemic concerns in most key markets.
India	882.1	788.8	1,050.7	11.8	-16.0	Sequential sharp decline amid decline in Favipiravir sales
Latin America	128.6	156.3	98.4	-17.8	30.7	YoY decline mainly due to Covid-19 impact and currency headwinds
RoW markets	336.0	341.4	380.6	-1.6	-11.7	YoY growth and beat vis-à-vis I-direct estimates amid better-than-expected growth across geographies
API	320.1	262.2	321.3	22.1	-0.4	The India API business grew over 50% YoY and LatAm business grew in excess of 30% YoY

Source: ICICI Direct Research

**Exhibit 2: Change in Estimates**

	FY21E			FY22E		
(₹ Crore)	Old	New	% Change	Old	New	% Change
Revenue	11,167.5	11,021.0	-1.3	12,318.4	12,010.7	-2.5
EBITDA	2,204.9	2,148.3	-2.6	2,327.7	2,358.9	1.3
EBITDA Margin (%)	19.7	19.5	-25 bps	18.9	19.6	74 bps
PAT	1,059.8	995.7	-6.0	1,058.0	1,149.8	8.7
EPS (₹)	37.6	35.4	-6.0	37.6	40.8	8.7

Source: ICICI Direct Research

**Exhibit 3: Change in Estimates**

	Current				Earlier	
(₹ crore)	FY19	FY20	FY21E	FY22E	FY21E	FY22E
US	3,139.3	3,140.4	3,068.6	3,315.5	3,103.8	3,335.5
Europe	1,120.7	1,248.4	1,337.5	1,471.2	1,384.6	1,523.0
India	2,777.0	3,202.2	3,569.2	3,842.3	3,570.6	4,001.5
Latin America	418.0	535.6	434.2	470.7	430.7	467.0
RoW markets	1,275.9	1,285.4	1,298.8	1,460.5	1,338.3	1,504.0
API	949.3	1,023.9	1,189.9	1,308.1	1,184.4	1,302.3

Source: ICICI Direct Research

## Conference Call Highlights

- In US – Glenmark currently has 167 approved ANDAs, 44 applications pending with USFDA, of which 22 are Para IVs. The company expects to file 15+ ANDAs in FY21
- RoW
  - Russia – Recorded value growth of 3.5% vis-a-vis overall retail market growth of 10%
  - challenging conditions continued to persist across CIS markets; Glenmark Ukraine sales declined 9.3%
  - Asian markets continued to remain under pressure due to the lockdown; Philippines and Malaysian unit continued to struggle with decline in secondary sales
  - Middle-East and Africa: Recorded growth as number of markets witnessed signs of recovery due to the easing of lockdown measures. Secondary sales growth for the region was in excess of 20%
- Europe – Impacted by the enhanced lockdown measures due to heightened pandemic concerns in most key markets
  - Czech and Slovak subsidiaries launched three products in Q3
  - German subsidiary launched two products and the Spain unit launched one product in Q3
- LatAm - pandemic continues to impact the Brazilian business
  - Entire region continues to witness a challenging environment on account of the pandemic
- Glenmark Life Sciences (API) - submitted 9 new DMFs across markets, looking to file at least 10-12 DMFs in Q4FY21
  - India API business grew over 50% and the LatAm business grew in excess of 30%
  - 9MFY21 EBITDA margins were at 29.8%
- China – expect to file Ryaltris IND application in mid-2021
- India – Outperformed market, supported by Fabiflu
  - Favipiravir revenue dropped QoQ; thus majority growth from base business
  - Strengthened its position in core therapies such as Cardiac, Diabetes and Respiratory
  - As per IQVIA, growth of 15.11% compared to IPM growth of 9.75% in Q3
  - Remogliflozin ranks first in terms of prescription with Rx share of 22.8% and fifth in terms of value with a market share of 6.5%
  - GCC business clocked revenue of ₹ 26.6 crore in Q3FY21 growing in excess of 29% (excluding VWash)
    - Candid Powder grew in excess of 30% in Q3
    - Scalpe+ grew in excess of 25% in Q3
- The company has invested ₹ 171.3 crore in ICHNOS Sciences for Q3FY21 (₹ 569.3 crore in 9MFY21)
- Q3FY21 -Forex loss of ₹ 53 crore in other expenses
- Asset addition/Capex in Q3FY21 - ₹ 138 crore (9M - ₹ 528 crore);

- Tangible addition was at ₹ 83 crore in Q3FY21, ₹ 285 crore in 9MFY21
- ₹ 600-650 crore capex expected in FY22
- R&D – Q3FY21: ₹ 298 crore (10.7% of sales); ₹ 171 crore at ICHNOS
- Net debt as of Q3FY21 stood at ₹ 3614 crore; Gross debt: ₹ 4690 crore
  - Net debt reduction of ₹ 150-200 crore by end of year
- As on Q3FY21- Inventory: ₹ 2292 crore; Receivables: ₹ 2598 crore; Payables: ₹ 2103 crore
- Remo could become a ₹ 150-200 crore product over 3 years (currently at ₹ 100 crore)
- FY22 US growth to be ~10%
- EBITDA at 19-20% could be sustainable for FY22
  - Gross margins to be ~66%
- Monroe – 50% OSD costs reflected currently, nebulizers/injectables to come in later in the year
- MEIS incentive lower by ₹ 15-20 crore in Q3FY21
- ETR to be around current levels for a couple years as MAT Credit is utilised

**Exhibit 4: Trends in quarterly financials**

(₹Crore)	13FY18	14FY18	11FY19	12FY19	13FY19	14FY19	11FY20	12FY20	13FY20	14FY20	11FY21	12FY21	13FY21	YoY (%)	QoQ (%)
Total Operating Incom	2203.7	2279.8	2165.6	2581.3	2555.0	2563.5	2322.9	2815.0	2735.6	2767.5	2344.8	2952.5	2786.8	1.9	-5.6
Raw Material Expens	781.6	784.3	758.8	880.8	862.0	860.7	810.1	986.1	926.3	976.1	808.4	1040.7	911.4	-1.6	-12.4
% of revenue	35.5	34.4	35.0	34.1	33.7	33.6	34.9	35.0	33.9	35.3	34.5	35.2	32.7		
Gross Profit	1422.1	1495.5	1406.8	1700.5	1693.0	1702.8	1512.8	1828.9	1809.2	1791.4	1536.4	1911.8	1875.4	3.7	-1.9
Gross Profit Margin (%)	64.5	65.6	65.0	65.9	66.3	66.4	65.1	65.0	66.1	64.7	65.5	64.8	67.3	116 bps	255 bps
Employee Expenses	465.9	464.3	452.5	605.9	503.1	494.6	486.7	686.6	557.2	524.2	509.6	700.3	596.6	7.1	-14.8
% of revenue	21.1	20.4	20.9	23.5	19.7	19.3	21.0	24.4	20.4	18.9	21.7	23.7	21.4		
Other Manufacturing	633.5	704.4	607.4	654.5	755.3	844.0	684.2	691.9	811.9	801.5	548.7	658.7	748.7	-7.8	13.7
% of revenue	28.7	30.9	28.0	25.4	29.6	32.9	29.5	24.6	29.7	29.0	23.4	22.3	26.9		
Total Expenditure	1881.0	1953.0	1818.7	2141.2	2120.4	2199.3	1981.0	2364.6	2295.5	2301.8	1866.7	2399.7	2256.7	-1.7	-6.0
% of revenue	85.4	85.7	84.0	83.0	83.0	85.8	85.3	84.0	83.9	83.2	79.6	81.3	81.0		
EBITDA	322.7	326.8	346.9	440.1	434.7	364.1	341.9	450.4	440.1	465.7	478.1	552.8	530.1	20.5	-4.1
EBITDA Margins (%)	14.6	14.3	16.0	17.0	17.0	14.2	14.7	16.0	16.1	16.8	20.4	18.7	19.0	293 bps	30 bps
Depreciation	75.4	73.5	79.4	82.5	83.1	81.0	90.7	94.2	106.0	126.3	113.2	104.1	115.2	8.7	10.7
Interest	70.5	74.4	79.0	85.1	88.5	81.9	93.0	89.8	96.1	98.5	93.7	80.6	95.4	-0.7	18.3
Other Income	-23.2	69.6	138.2	139.9	-109.0	39.1	1.7	80.8	33.0	44.1	58.5	-31.9	15.1	-54.2	-147.3
Forex & EO	0.0	0.0	0.0	167.2	0.0	0.0	0.0	0.0	0.0	32.9	28.0	3.1	13.4		
PBT	153.7	248.5	326.7	579.6	154.0	240.3	159.8	347.3	271.0	318.0	357.6	339.4	348.0	28.4	2.5
Total Tax	48.9	96.8	93.7	165.6	37.7	78.6	50.6	91.8	80.1	97.7	103.6	105.4	99.8	24.5	-5.3
Tax rate (%)	31.8	39.0	28.7	28.6	24.5	32.7	31.6	26.4	29.6	30.7	29.0	31.1	28.7	-90 bps	-237 bps
PAT	104.7	151.6	233.0	414.0	116.3	161.7	109.3	255.5	190.8	220.3	254.0	234.0	248.2	30.0	6.1
Adjusted PAT	104.7	151.6	233.0	246.8	116.3	161.7	109.3	255.5	190.8	187.4	226.1	230.9	234.8	23.0	1.7

Source: ICICI Direct Research

## Company Background

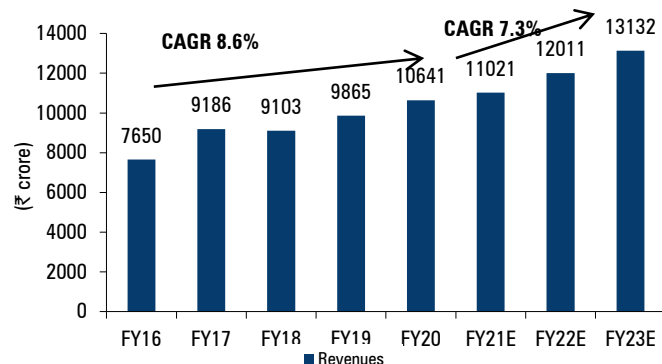
Incorporated in 1977, Glenmark was never a mass-market player with a clear focus on niche areas like dermatology, respiratory and cardiology. The company was one of the few Indian players (like Dr Reddy's) to identify the importance of dedicated R&D efforts in the nineties. Post its maiden IPO in 2000, the company started ramping up the API business via small acquisitions. In 2005, it struck its first out-licensing R&D deal with US based Forest Laboratories for COPD, asthma molecule with Oglemilast. Similar R&D deals were struck with innovator companies such as Eli Lilly and Merck KGaA (Germany). It received a substantial amount in the nature of upfront – milestone payments.

However, it received a setback in most deals, one after the other in 2007-09, as clients were unsatisfied with the progress or uninterested in pursuing the same any further due to changed priorities or budgetary constraints. This had hit the company hard during that period as unlike other Indian players, which hived off the risky R&D ventures into separate companies to protect the core balance sheet, Glenmark hived off the generic business. Its balance sheet got stretched with huge debts. However, post the R&D debacle, the company refocused on the generics business, especially in the US and Indian formulations putting R&D on the backburner. The change has worked going by the performance in the last two or three years as the strong traction in the US, backed by forays into niche areas such as oral contraceptives and dermatology, robust growth in Indian formulations and strong tractions from RoW and LatAm markets have improved the balance sheet and operating cash flows significantly. The R&D deals are still active with spend on innovative R&D and generic R&D split 65:35 ratio. The company has almost fully recovered the amount spent on innovative R&D. We expect US sales to remain subdued mainly due to a higher base, delay in product launches and acute pricing pressure in base business. However, ex-US, other geographies have started showing greater traction. The company also remains committed to API exports.

The company has undertaken a strategic step of reorganising its business into three separate entities operating independently – 1) Glenmark Pharmaceuticals (GPL) - To primarily focus on building a global generics, specialty and OTC business in the therapy areas of dermatology, respiratory and oncology. It also has a strong regional/country specific presence in other therapeutic areas like diabetes, cardiovascular and oral contraceptives, 2) Glenmark Life Sciences (GLS) - This primarily includes manufacturing and marketing of active pharmaceutical ingredient (API) products across all major markets globally. It also includes captive sales, 3) Innovation New Company (NewCo) - to focus on discovery and development of novel, first-in-class treatments in the therapeutic areas of immunology, oncology and pain encompassing both biologics (NBE) as well as new chemical entities (NCE).

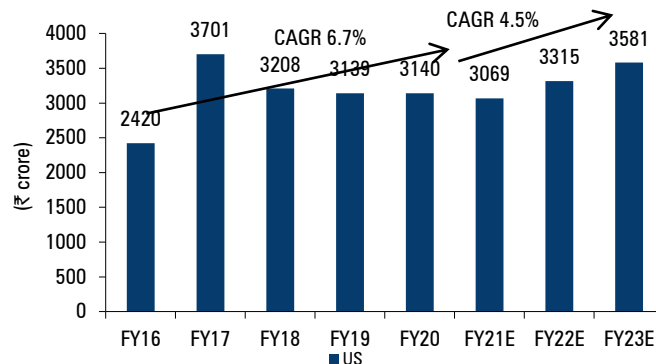
During Q4FY20, the company signed an agreement to divest its intimate female hygiene OTC brand, 'VWash' alongside other extensions (no employee transfer) to HUL for which it will receive an upfront payment and sales royalties for three years. The company's consumer business comprised three brands (Candid, VWash and Scalp) contributing ₹ 190 crore in FY19. As per our estimates, the brand had ~₹ 50-60 crore in annual sales (FY19) and is likely to fetch ₹ 200-250 crore (pre-tax) for the company at 4-5x.

**Exhibit 5: Revenues to grow at CAGR of 7% over FY20-23E**



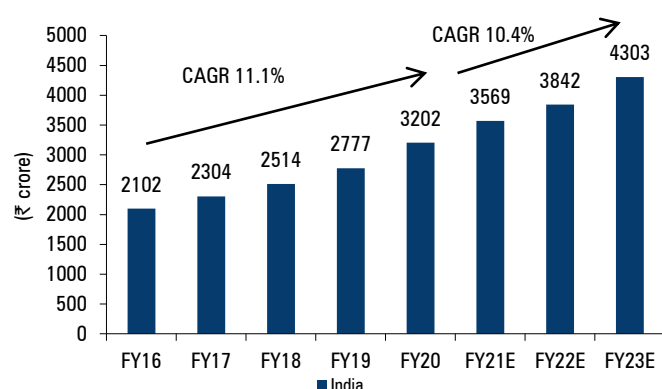
Source: ICICI Direct Research, Company

**Exhibit 6: US to grow at CAGR of 4.5% over FY20-23E**



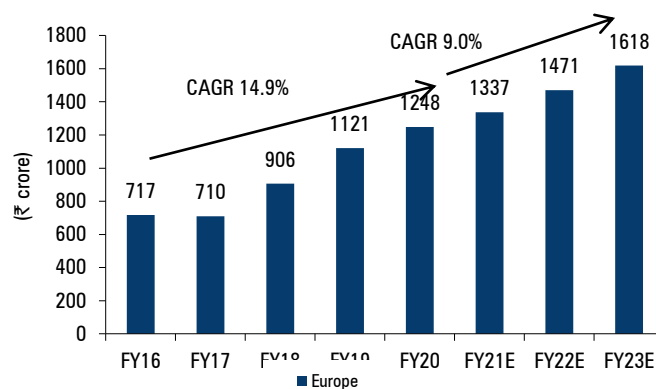
Source: ICICI Direct Research, Company

**Exhibit 7: India to grow at CAGR of ~10% over FY20-23E**



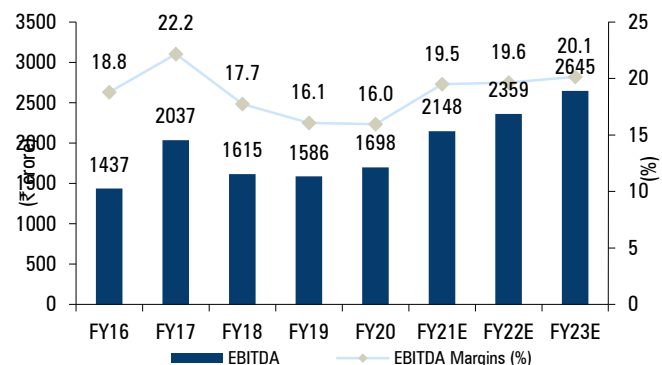
Source: ICICI Direct Research, Company

**Exhibit 8: Europe to grow at CAGR of 9% over FY20-23E**



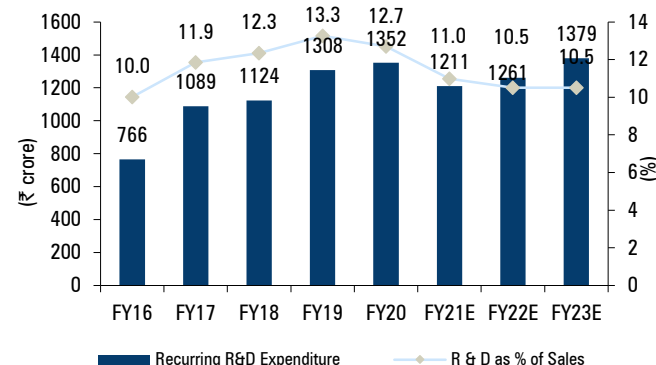
Source: ICICI Direct Research, Company

**Exhibit 9: EBITDA & EBITDA margins trend**



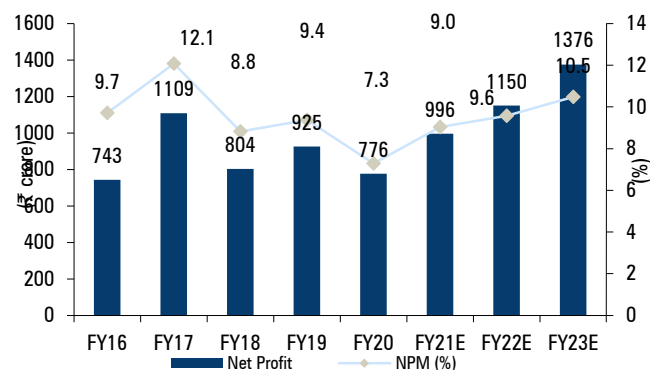
Source: ICICI Direct Research, Company

**Exhibit 10: R&D and R&D as percentage of sales**



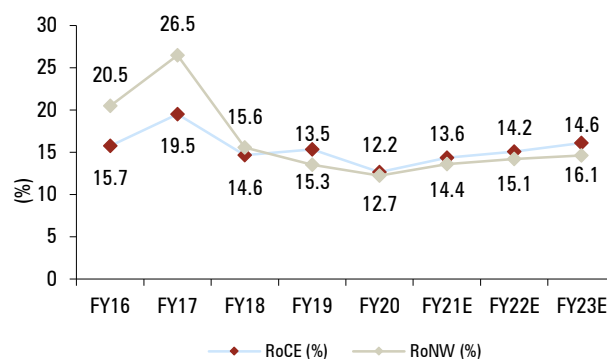
Source: ICICI Direct Research, Company

**Exhibit 11: PAT & PAT margins trend**



Source: ICICI Direct Research, Company

**Exhibit 12: RoE & RoCE trend**



Source: ICICI Direct Research, Company

**Exhibit 13: Revenue break-up (₹ crore)**

	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E	CAGR (FY16-20) %	CAGR (FY20-23E) %
US	2420.4	3700.7	3207.6	3139.3	3140.4	3068.6	3315.5	3580.7	6.7	4.5
India	2101.8	2303.8	2514.3	2777.0	3202.2	3569.2	3842.3	4303.4	11.1	10.4
Europe	717.1	710.1	905.8	1120.7	1248.4	1337.5	1471.2	1618.3	14.9	9.0
Latin America	749.5	518.1	406.7	418.0	535.6	434.2	470.7	494.2	-8.1	-2.6
RoW markets	903.3	988.8	1099.2	1275.9	1285.4	1298.8	1460.5	1606.6	9.2	7.7
API	668.3	809.4	877.9	949.3	1023.9	1189.9	1308.1	1373.5	11.3	10.3
<b>Total Revenues</b>	<b>7649.6</b>	<b>9185.7</b>	<b>9103.1</b>	<b>9865.5</b>	<b>10641.0</b>	<b>11021.0</b>	<b>12010.7</b>	<b>13132.5</b>	<b>8.6</b>	<b>7.3</b>

Source: ICICI Direct Research, Company

**Exhibit 14: Financial Summary**

	Revenues	Growth	Adj. EPS	Growth	P/E	EV/EBITDA	RoNW	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY 20	10641	7.9	26.4	-1.9	18.0	10.4	12.2	12.7
FY 21E	11021	3.6	33.8	28.0	14.0	8.0	13.6	14.4
FY 22E	12011	9.0	40.8	20.9	12.1	7.1	14.2	15.1
FY 23E	13132	9.3	48.9	19.7	10.2	5.9	14.6	16.1

Source: ICICI Direct Research, Bloomberg

**Exhibit 15: Shareholding Pattern**

(in %)	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Promoter	46.6	46.6	46.6	46.6	46.6
Others	53.4	53.4	53.4	53.4	53.4

Source: ICICI Direct Research, Company



## Financial Summary

**Exhibit 16: Profit & Loss (₹ crore)**

(Year-end March)	FY20	FY21E	FY22E	FY23E
<b>Revenues</b>	<b>10,641.0</b>	<b>11,021.0</b>	<b>12,010.7</b>	<b>13,132.5</b>
Growth (%)	7.9	3.6	9.0	9.3
Raw Material Expenses	3,698.6	3,788.4	4,131.7	4,451.9
Employee Expenses	2,254.8	2,423.3	2,577.5	2,818.3
Other Manufacturing Expenses	2,989.5	2,661.0	2,942.6	3,217.5
Total Operating Expenditure	8,942.9	8,872.6	9,651.9	10,487.7
<b>EBITDA</b>	<b>1,698.1</b>	<b>2,148.3</b>	<b>2,358.9</b>	<b>2,644.8</b>
Growth (%)	7.1	26.5	9.8	12.1
Interest	377.3	365.2	325.2	294.0
Depreciation	417.2	476.7	520.8	560.8
Other Income	159.6	57.8	84.1	120.8
PBT before Exceptional Items	1,063.2	1,364.2	1,597.0	1,910.8
PBT	1,096.1	1,408.7	1,597.0	1,910.8
Total Tax	320.1	413.1	447.2	535.0
PAT before MI	776.0	995.7	1,149.8	1,375.8
<b>PAT</b>	<b>776.0</b>	<b>995.7</b>	<b>1,149.8</b>	<b>1,375.8</b>
Adjusted PAT	743.1	951.1	1,149.8	1,375.8
Growth (%)	-1.9	28.0	20.9	19.7
<b>EPS (Adjusted)</b>	<b>26.4</b>	<b>33.8</b>	<b>40.8</b>	<b>48.9</b>

Source: ICICI Direct Research

**Exhibit 17: Cash Flow Statement (₹ crore)**

(Year-end March)	FY20	FY21E	FY22E	FY23E
Profit/(Loss) after taxation	629.1	995.7	1,149.8	1,375.8
Add: Depreciation & Amortization	417.2	476.7	520.8	560.8
Net Increase in Current Assets	-25.7	-495.7	-854.7	-61.9
Net Increase in Current Liabilities	152.7	423.3	287.0	2.3
Others	219.1	334.6	334.6	334.6
<b>CF from operating activities</b>	<b>1,392.4</b>	<b>1,734.6</b>	<b>1,437.6</b>	<b>2,211.6</b>
(Inc)/dec in Investments	5.0	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	-775.3	-700.0	-600.0	-600.0
Others	-3.9	-57.2	-60.0	-62.9
<b>CF from investing activities</b>	<b>-774.3</b>	<b>-757.2</b>	<b>-660.0</b>	<b>-662.9</b>
Inc / (Dec) in Equity Capital	0.0	0.0	0.0	0.0
Inc / (Dec) in Loan Funds	7.5	-300.0	-400.0	-400.0
Other	-452.2	-390.9	-390.9	-390.9
<b>CF from financing activities</b>	<b>-444.7</b>	<b>-690.9</b>	<b>-790.9</b>	<b>-791</b>
Net Cash flow	173.5	286.5	-13.3	757.8
Opening Cash	937.8	1,111.2	1,397.7	1,384.4
<b>Closing Cash</b>	<b>1,111.2</b>	<b>1,397.7</b>	<b>1,384.4</b>	<b>2,142.2</b>
<b>Free Cash Flow</b>	<b>617.1</b>	<b>1,034.6</b>	<b>837.6</b>	<b>1,611.6</b>

Source: ICICI Direct Research

**Exhibit 18: Balance Sheet (₹ crore)**

(Year-end March)	FY20	FY21E	FY22E	FY23E
Equity Capital	28.2	28.2	28.2	28.2
Reserve and Surplus	6,042.3	6,981.6	8,075.1	9,394.6
Total Shareholders fund	6,070.5	7,009.9	8,103.4	9,422.8
Total Debt	4,868.6	4,568.6	4,168.6	3,768.6
Deferred Tax Liability	16.4	18.1	19.9	21.9
Minority Interest	-0.4	-0.4	-0.4	-0.5
Other Non Current Liabilities	429.3	450.7	473.3	496.9
<b>Source of Funds</b>	<b>11,384.5</b>	<b>12,046.9</b>	<b>12,764.7</b>	<b>13,709.8</b>
Gross Block - Fixed Assets	8,216.9	9,616.9	10,416.9	11,216.9
Accumulated Depreciation	3,241.3	3,718.0	4,238.9	4,799.7
Net Block	6,197.5	6,420.8	6,500.0	6,539.1
Goodwill on Consolidation	52.9	52.9	52.9	52.9
Investments	24.6	24.6	24.6	24.6
Inventory	2,135.6	2,525.5	2,754.1	2,665.5
Cash	1,111.2	1,397.7	1,384.4	2,142.2
Debtors	2,409.0	2,461.1	2,683.8	3,006.6
Other Current Assets	1,147.8	1,201.5	1,604.9	1,432.6
Total Current Assets	6,803.6	7,585.8	8,427.1	9,246.8
Creditors	2,125.8	2,490.4	2,715.8	2,653.3
Provisions & Other CL	1,174.5	1,233.2	1,294.9	1,359.6
Total Current Liabilities	3,300.3	3,723.6	4,010.6	4,012.9
Net Current Assets	3,503.3	3,862.1	4,416.5	5,233.9
LT L& A, Other Assets	150.5	158.0	165.9	174.2
Deferred Tax Assets	1,455.7	1,528.5	1,604.9	1,685.2
<b>Application of Funds</b>	<b>11,384.5</b>	<b>12,046.9</b>	<b>12,764.7</b>	<b>13,709.8</b>

Source: ICICI Direct Research

**Exhibit 19: Key Ratios**

(Year-end March)	FY20	FY21E	FY22E	FY23E
<b>Per share data (₹)</b>				
Adj EPS	26.4	33.8	40.8	48.9
BV	215.6	248.9	287.8	334.6
DPS	2.9	2.0	2.0	2.0
Cash Per Share	115.1	132.0	150.5	170.4
<b>Operating Ratios (%)</b>				
Gross Margin	65.2	65.6	65.6	66.1
EBITDA margins	16.0	19.5	19.6	20.1
Net Profit margins	7.0	8.6	9.6	10.5
Inventory days	73	84	84	74
Debtor days	83	82	82	84
Creditor days	73	82	83	74
Asset Turnover	1.3	1.1	1.2	1.2
EBITDA conversion Rate	82.0	80.7	60.9	83.6
<b>Return Ratios (%)</b>				
RoE	12.2	13.6	14.2	14.6
RoCE	12.7	14.4	15.1	16.1
RoIC	17.3	19.9	19.9	21.9
<b>Valuation Ratios (x)</b>				
P/E	18.0	14.0	12.1	10.2
EV / EBITDA	10.4	8.0	7.1	5.9
Market Cap / Sales	1.3	1.3	1.2	1.1
Price to Book Value	2.3	2.0	1.7	1.5
<b>Solvency Ratios</b>				
Debt / Equity	0.8	0.7	0.5	0.4
Debt / EBITDA	2.9	2.1	1.8	1.4
Current Ratio	1.7	1.7	1.8	1.8

Source: ICICI Direct Research



**Exhibit 20: 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	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	2747	3,170	Buy	39503	16.4	22.6	7.3	60.7	167.4	121.7	378.3	45.3	8.8	10.2	6.1	14.6	7.1	9.7	2.3	16.4
Aurobindo Pharma	AURPHA	948	1,165	Buy	55547	41.9	48.8	55.8	63.9	22.6	19.4	17.0	14.8	15.9	17.2	19.1	18.5	17.7	17.0	15.0	14.8
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	496	635	Buy	13996	26.9	26.4	33.8	40.8	18.4	18.8	14.7	12.1	15.3	12.7	14.4	15.1	13.5	12.2	13.6	14.2
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

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