

## In line numbers; future holds on launch momentum

Q3 revenues remained flattish (up 1.5% YoY) at ₹ 1995 crore (I-direct estimate: ₹ 2072 crore) mainly due to 23.4% YoY decline in US formulations to ₹ 292 crore. Domestic sales grew 6.8% YoY to ₹ 930 crore. Brazil de-grew 8.5% YoY to ₹ 173 crore. Germany business grew a robust 21.0% YoY to ₹ 265 crore. EBITDA margins expanded 296 bps YoY to 30.4% (I-direct estimate: 30.5%) mainly due to lower other expenses amid lower travel and promotional spends. Subsequently, EBITDA grew 12.4% YoY to ₹ 607 crore (I-direct estimate: ₹ 632 crore). PAT grew 18.3% YoY to ₹ 297 crore (I-direct estimate: ₹ 289 crore) in line with operational performance.

## India growth steady; acquisitions to enhance coverage

Domestic branded formulations including CRAMs comprise 50% of sales. Acquisition of Elder Pharma's branded portfolio has added new therapies like nutraceuticals, gynaecology and helped fill up portfolio gaps. The Unichem acquisition has added branded portfolio comprising some power brands besides achievement of long term synergy benefits. Q3 saw continued recovery in sub-chronic segment while the chronic segment continued its growth momentum. We expect India sales to grow at ~11% CAGR in FY20-23E to ₹ 4850 crore.

## Volatility in export growth

Despite being a late entrant in US market, Torrent has built a healthy pipeline. Exclusivity (shared) launches like gCymbalta, gAbilify in past, have proven Torrent's capabilities. To expand its presence in non-oral segments like derma, injectable, oncology, it has acquired Zyg Pharma, Bio-Pharm. The company also entered into a number of collaborations. However, due to cGMP related issues in Indrad, Dahej plants, we expect US business growth to be muted in near term owing to delay in launches. Going ahead, we expect continued ramp up in Germany business as upgradation of its quality management systems is now complete. We expect Germany to grow at ~11% CAGR in FY20-23E. Branded business in Brazil is likely to remain strong. Overall, despite near-term challenging macroeconomic factors, region-specific volatility on larger scale, growth prospects stay intact.

## Valuation & Outlook

Q3 results were mostly in line with I-direct estimates (albeit skewed) on all fronts. While growth in India and Germany was mostly offset by decline in the US and Brazil, overall profitability was higher YoY amid lower on-ground activities and a lower tax rate. Overhang pertaining to two US focused plants notwithstanding, Torrent continues to impress thanks to its robust margin profile that can be attributed to global portfolio that comprises ~65% branded generics. We expect a further improvement in this matrix, product rationalisation to further strengthen margins. The company's portfolio is finely balanced between India, Brazil, Germany and the US with India being the leader. With consistent FCF generation, moderation in core capex, we expect the leverage situation to improve substantially. With these key characteristics we believe the premium valuation is justified. We maintain **BUY** with a TP of ₹ 3290 (earlier ₹ 3135) based on 32x FY23E EPS of ₹ 102.8.

## Key Financial Summary

	FY20	FY21E	FY22E	FY23E	CAGR FY20-23E (%)
Revenues	7939.0	8060.4	9120.6	10130.3	8.5
EBITDA	2170.0	2470.8	2645.0	3039.1	11.9
EBITDA margins (%)	27.3	30.7	29.0	30.0	
Net Profit	1025.0	1184.5	1381.1	1739.1	19.3
EPS (₹)	60.6	70.0	81.6	102.8	
PE (x)	45.5	39.4	33.8	26.8	
RoNW (%)	21.2	20.7	20.4	21.6	
RoCE (%)	15.4	17.4	19.4	22.7	

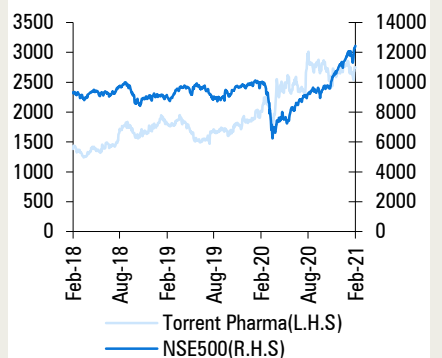
Source: ICICI Direct Research; Company



### Particulars

Particular	Amount
Market Capitalisation	₹46676 crore
Debt (FY 20)	₹5840 crore
Cash (FY 20)	₹666 crore
EV	₹51851 crore
52 week H/L (₹)	3040/1619
Equity capital	₹84.6 crore
Face value	₹5

### Price performance



### Key risks to our call

- Continued cGMP related issues in Indrad, Dahej plants
- Any adverse impact on US base business portfolio

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Exhibit 1: Variance Analysis

	Q3FY21	Q3FY21E	Q3FY20	Q2FY21	YoY (%)	QoQ (%)	Comments
Revenue	1,995.0	2,071.6	1,966.0	2,017.0	1.5	-1.1	Growth in India and Germany was largely offset by sharp decline in US and Brazil
Raw Material Expenses	562.0	569.7	542.0	554.0	3.7	1.4	
Gross margins (%)	71.8	72.5	72.4	72.5	-60 bps	-70 bps	
Employee Expenses	363.0	362.5	354.0	363.0	2.5	0.0	
Other Expenditure	463.0	507.6	530.0	465.0	-12.6	-0.4	YoY decline mainly due to lower travelling, promotional expenses though increase sequentially
EBITDA	607.0	631.9	540.0	635.0	12.4	-4.4	
EBITDA (%)	30.4	30.5	27.5	31.5	296 bps	-106 bps	YoY improvement and beat vis-à-vis I-direct estimates mainly due to lower other expenditure
Interest	91.0	96.8	111.0	92.0	-18.0	-1.1	
Depreciation	167.0	166.4	163.0	165.0	2.5	1.2	
Other Income	8.0	6.1	53.0	6.0	-84.9	33.3	
PBT before EO & Forex	357.0	374.7	319.0	384.0	11.9	-7.0	
EO	0.0	0.0	0.0	0.0	0.0	0.0	
PBT	357.0	374.7	319.0	384.0	11.9	-7.0	
Tax	60.0	86.2	68.0	74.0	-11.8	-18.9	
PAT before MI	297.0	288.5	251.0	310.0	18.3	-4.2	
MI	0.0	0.0	0.0	0.0	0.0	0.0	
Adjusted PAT	297.0	288.5	251.0	310.0	18.3	-4.2	YoY growth and beat vis-à-vis I-direct estimates mainly due to higher than expected operational performance and decline in interest cost amid debt repayment

Key Metrics

India	930.0	975.5	871.0	963.0	6.8	-3.4	YoY growth mainly due to strong growth in chronic portfolio and growth recovery in acute and sub chronic segments. While volume was almost muted, YoY growth was largely driven by price hikes. Miss vis-à-vis I-direct estimates amid lower than expected volume growth
Brazil	173.0	151.2	189.0	129.0	-8.5	34.1	YoY growth in constant currency term was 10.1%
US	292.0	306.0	381.0	327.0	-23.4	-10.7	Slow growth mainly due to price decline in base business and lack of new launches
Germany	265.0	262.8	219.0	261.0	21.0	1.5	The company has reported 10% YoY growth in constant currency term

Source: ICICI Direct Research

Exhibit 2: Change in Estimates

(₹ Crore)	FY21E			FY22E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	8,207.5	8,060.4	-1.8	9,217.6	9,120.6	-1.1	
EBITDA	2,505.5	2,470.8	-1.4	2,719.2	2,645.0	-2.7	
EBITDA Margin (%)	30.5	30.7	15 bps	29.5	29.0	-50 bps	
PAT	1,200.9	1,184.5	-1.4	1,454.5	1,381.1	-5.0	Changed mainly in sync with operational performance and lower other income
EPS (₹)	71.0	70.0	-1.4	85.9	81.6	-5.0	

Source: ICICI Direct Research

Exhibit 3: Change in Estimates

(₹ crore)	Current				Earlier		Comments
	FY19	FY20	FY21E	FY22E	FY21E	FY22E	
India	3,235.0	3,517.0	3,725.2	4,330.2	3,804.3	4,392.6	
Brazil	689.0	715.0	618.4	676.9	557.8	611.4	Changed mainly due to better than expected growth in Q3
US	1,590.0	1,522.0	1,298.1	1,304.6	1,349.8	1,346.9	
Germany	1,008.0	947.0	1,031.2	1,154.9	1,029.0	1,152.5	

Source: ICICI Direct Research

## Conference Call Highlights

- India - Growth led by continued momentum in chronic brands & strong recovery in sub-chronic brands (IPM growth of 8% for Q3FY21 as per AIOCD vs market growth of 6%)
  - MR restructuring: productivity per month at ₹ 8.1 lakh for 3800 MRs for Q3FY21 (4000 in Q2FY21). MRs down to 3600 in Q4FY21
  - AIOCD Q3FY21 growth bifurcation- Volume: -1.6%, Price hike: 6.7% and New product launches: 2.9%
  - New launches in 9MFY21 – 17; four to five expected in Q4; Q1FY22: four to five expected
  - New products reach 3-3.5% of revenue contribution over two years from launch
- US sales (constant currency US\$39 million) declined due to sartan issues and base portfolio price erosion
  - As of 9MFY21 - 47 ANDAs pending for approval. One ANDA was filed in Q3FY21. Six tentative approvals were received
  - To be back in Sartans in coming months but no impact on current fiscal
    - (a) Low single digit launches over next three to four months
    - (b) At peak US\$30 million contribution from Sartans
  - Levittown sales starting from April 2021, to contribute US\$10-15 million in one to two years
- Brazil - Constant currency sales at Brazilian Real 125 million up by 16%
  - Market grew 7.9% YoY, Torrent by 10.1% led by higher volumes and two new launches
  - Generics brands were at 6% of overall Brazil revenues, branded at 91%
- Germany - Constant currency sales were €30 million (up 10% YoY)
  - The company has completed quality management systems upgradation in Q3FY21
  - six products introduced in 9MFY21; two more to be launched by end of fiscal
  - Continue to launch eight to 10 products per annum; higher volume products to be targeted
  - Market share at 7% (close to peak of 7.2%); goal to reach 9-11% over the next two years
- 9MFY21 debt repayment was ₹ 830 crore; H1FY21 debt repayment was ₹ 440 crore
  - Net debt likely to reach pre-Unichem acquisition level next fiscal
- FCF was at ₹ 1200 crore
- Other operating income down due to loss of MEIS incentive scheme, a new scheme is on the way
- EBITDA margins for FY22 to be ~29%
- Tax rate for FY22 – 21-22%; FY23 – 23%

**Exhibit 4: Quarterly Performance**

₹Crore	13FY 18	14FY 18	11FY 19	12FY 19	13FY 19	14FY 19	11FY 20	12FY 20	13FY 20	14FY 20	11FY 21	12FY 21	13FY 21	YoY (%)	QoQ (%)
Revenues	1477.0	1722.0	1872.0	1894.0	2051.0	1856.0	2022.0	2005.0	1966.0	1946.0	2056.0	2017.0	1995.0	1.5	-1.1
Total RM cost	392.0	463.0	558.0	548.0	580.0	533.0	559.0	538.0	542.0	528.0	535.0	554.0	562.0	3.7	1.4
% sales	26.5	26.9	29.8	28.9	28.3	28.7	27.6	26.8	27.6	27.1	26.0	27.5	28.2	60 bps	70 bps
Gross Profit	1085.0	1259.0	1314.0	1346.0	1471.0	1323.0	1463.0	1467.0	1424.0	1418.0	1521.0	1463.0	1433.0	0.6	-2.1
GPM (%)	73.5	73.1	70.2	71.1	71.7	71.3	72.4	73.2	72.4	72.9	74.0	72.5	71.8	-60 bps	-70 bps
Employee cost	272.0	317.0	346.0	343.0	368.0	347.0	381.0	358.0	354.0	336.0	373.0	363.0	363.0	2.5	0.0
% sales	18.4	18.4	18.5	18.1	17.9	18.7	18.8	17.9	18.0	17.3	18.1	18.0	18.2	19 bps	20 bps
Other expenditure	454.0	578.0	491.0	530.0	542.0	503.0	541.0	568.0	530.0	534.0	487.0	465.0	463.0	-12.6	-0.4
% of sales	30.7	33.6	26.2	28.0	26.4	27.1	26.8	28.3	27.0	27.4	23.7	23.1	23.2	-375 bps	15 bps
Total Expenditure	1118.0	1358.0	1395.0	1421.0	1490.0	1383.0	1481.0	1464.0	1426.0	1398.0	1395.0	1382.0	1388.0	-2.7	0.4
% of Revenues	75.7	78.9	74.5	75.0	72.6	74.5	73.2	73.0	72.5	71.8	67.9	68.5	69.6	-296 bps	106 bps
EBITDA	359.0	364.0	477.0	473.0	561.0	473.0	541.0	541.0	540.0	548.0	661.0	635.0	607.0	12.4	-4.4
EBITDA Margins	24.3	21.1	25.5	25.0	27.4	25.5	26.8	27.0	27.5	28.2	32.1	31.5	30.4	296 bps	-106 bps
Depreciation	94.0	151.0	150.0	152.0	156.0	160.0	160.0	163.0	163.0	168.0	161.0	165.0	167.0	2.5	1.2
Interest cost	80.0	121.0	122.0	126.0	133.0	123.0	122.0	116.0	111.0	102.0	102.0	92.0	91.0	-18.0	-1.1
Other Income	74.0	42.0	27.0	10.0	3.0	17.0	20.0	34.0	53.0	15.0	4.0	6.0	8.0	-84.9	33.3
PBT before forex	259.0	134.0	232.0	205.0	275.0	207.0	279.0	296.0	319.0	293.0	402.0	384.0	357.0	11.9	-7.0
Forex & E O	0.0	0.0	0.0	0.0	0.0	-357.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
PBT	259.0	134.0	232.0	205.0	275.0	-150.0	279.0	296.0	319.0	293.0	402.0	384.0	357.0	11.9	-7.0
Tax	201.0	-94.0	69.0	26.0	29.0	2.0	63.0	52.0	68.0	-21.0	81.0	74.0	60.0	-11.8	-18.9
Tax rate (%)	77.6	-70.1	29.7	12.7	10.5	-1.3	22.6	17.6	21.3	-7.2	20.1	19.3	16.8		
PAT	58.0	228.0	163.0	179.0	246.0	-152.0	216.0	244.0	251.0	314.0	321.0	310.0	297.0	18.3	-4.2
PAT after MI	58.0	228.0	163.0	179.0	246.0	-152.0	216.0	244.0	251.0	314.0	321.0	310.0	297.0	18.3	-4.2

Source: ICICI Direct Research, Company

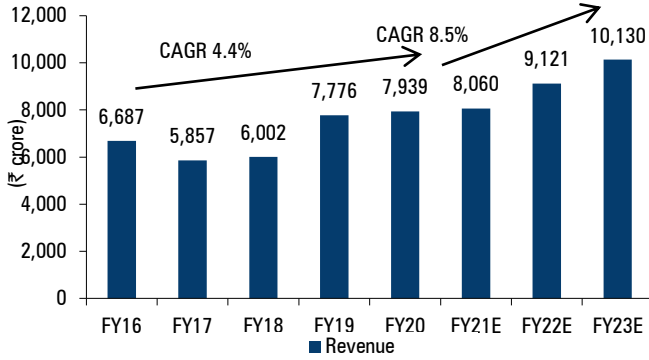
## Company Background

Incorporated in 1959, the company is a mid-sized generic player with a strong presence in domestic and semi-regulated markets and a growing presence in regulated markets. It is also present in the Indian CRAMS space via supply agreement with Danish pharma major Novo Nordisk for the latter's insulin business in India. Also, there are chronic therapies like cardiovascular, neurology and diabetology along with women's healthcare and pain management post acquisition of Elder's selected domestic portfolio. In FY14, the company acquired Elder Pharma's domestic portfolio of 30 brands mainly in the women's healthcare, pain management and nutraceuticals business. Elder's premium calcium supplement brand Shelcal had a market share of ~30%. Torrent acquired two brands from Novartis in Q1FY18, which further strengthens its domestic gynaecology portfolio.

The company acquired Unichem's branded business of India and Nepal on a slump sale basis for a consideration of ₹ 3,600 crore (~4x sales) in CY17. Unichem's India business comprises a portfolio of more than 120 brands in India and Nepal, a manufacturing plant at Sikkim catering to these markets and all the employees engaged in the said business. Unichem's top brands included Losar, Unienzyme, Ampoxin, Telsar and Vizylac.

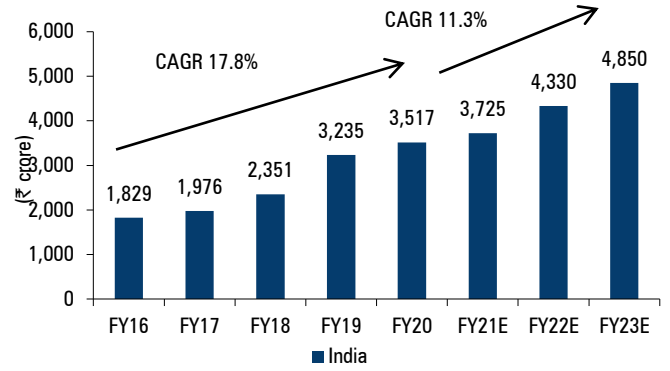
The company has a significant presence in the exports market in countries like Brazil, Germany and lately in the US among others. Despite being a late entrant in the US, the company's US revenue was at ~US\$200 million in FY20, up from just ~US\$23 million in FY11 mainly due to limited competition products such as gAbilify (Aripiprazole, CNS) in FY16 and gCymbalta (duloxetine; anti-depression) in FY14. Post acquisition of Zyg Pharma (from Mumbai based Encore Group), the company has also started filings in niche dermatological segment in the US. Chronic focus, financial discipline, successful M&A/deal making track record, higher return ratios and higher dividend payouts are some of the USPs of Torrent Pharma.

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



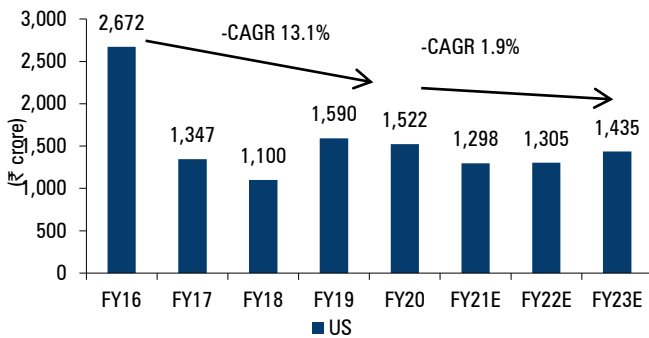
Source: ICICI Direct Research, Company

Exhibit 6: India to grow at CAGR of 11% over FY20-23E



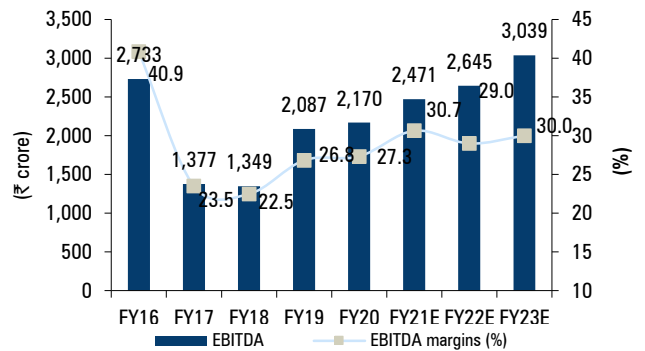
Source: ICICI Direct Research, Company

Exhibit 7: US to de-grow at a CAGR of 2% over FY20-23E



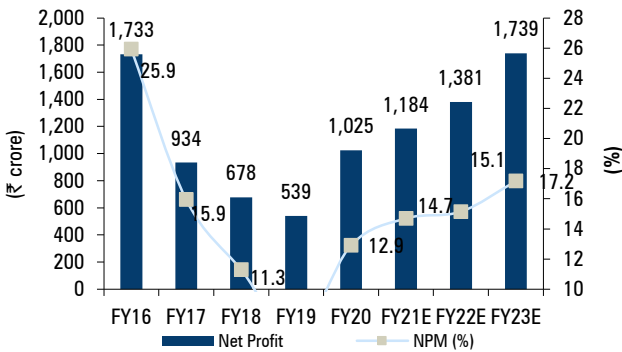
Source: ICICI Direct Research, Company

Exhibit 8: EBITDA & EBITDA margins trend



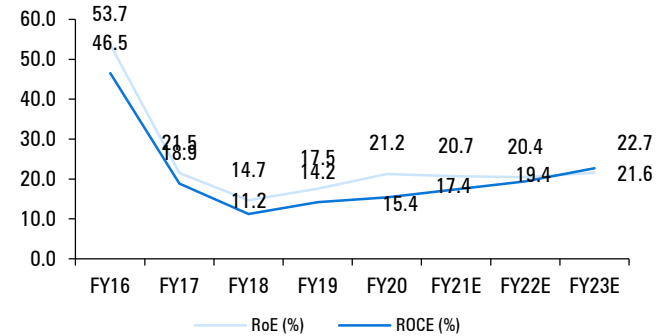
Source: ICICI Direct Research, Company

Exhibit 9: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 10: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 11: Revenue break-up

₹ crore	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21E	FY 22E	FY 23E	CAGR FY 16-20 (%)	CAGR FY 20-23E (%)
India	1829	1976	2351	3235	3517	3725	4330	4850	17.8	11.3
CRAMs (Incl O thers)	600	545	408	467	469	539	606	667	-6.0	12.5
US	2672	1347	1100	1590	1522	1298	1305	1435	-13.1	-1.9
O thers	425	488	522	684	769	829	912	1003	16.0	9.3
Germany	648	811	912	1008	947	1031	1155	1294	10.0	11.0
Brazil	506	699	709	689	715	618	677	731	9.0	0.7

Source: ICICI Direct Research

**Exhibit 12: Financial Summary**

	Revenues	Growth	Adj. EPS	Growth	P/E	EV/EBITDA	RoE	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY 20	7939	2.1	60.6	23.7	45.5	23.9	21.2	15.4
FY 21E	8060	1.5	70.0	15.6	39.4	20.4	20.7	17.4
FY 22E	9121	13.2	81.6	16.6	33.8	18.5	20.4	19.4
FY 23E	10130	11.1	102.8	25.9	26.8	15.6	21.6	22.7

Source: ICICI Direct Research, Company

**Exhibit 13: Shareholding Pattern**

(in %)	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Promoter	71.3	71.3	71.3	71.3	71.3
Others	28.8	28.8	28.8	28.8	28.8

Source: ICICI Direct Research, Company

## Financial Summary

Exhibit 14: Profit & Loss (₹ crore)

(Year-end March)	FY20	FY21E	FY22E	FY23E
<b>Revenues</b>	<b>7,939.0</b>	<b>8,060.4</b>	<b>9,120.6</b>	<b>10,130.3</b>
Growth (%)	2.1	1.5	13.2	11.1
Raw Material Expenses	2167.0	2198.9	2462.6	2735.2
Employee Expenses	1429.0	1447.7	1550.5	1671.5
Other Expenses	2173.0	1943.0	2462.6	2684.5
Total Operating Expend	5769.0	5589.6	6475.7	7091.2
<b>EBITDA</b>	<b>2,170.0</b>	<b>2,470.8</b>	<b>2,645.0</b>	<b>3,039.1</b>
Growth (%)	4.0	13.9	7.0	14.9
Depreciation	654.0	660.0	676.1	692.2
Interest	451.0	376.0	288.0	213.0
Other Income	122.0	25.9	89.8	124.7
PBT	1187.0	1460.7	1770.7	2258.6
Total Tax	162.0	276.2	389.6	519.5
PAT before MI	1025.0	1184.5	1381.1	1739.1
<b>Adjusted PAT</b>	<b>1,025.0</b>	<b>1,184.5</b>	<b>1,381.1</b>	<b>1,739.1</b>
Growth (%)	23.7	15.6	16.6	25.9
<b>EPS (Adjusted)</b>	<b>60.6</b>	<b>70.0</b>	<b>81.6</b>	<b>102.8</b>

Source: ICICI Direct Research; Company

Exhibit 15: Cash Flow Statement (₹ crore)

(Year-end March)	FY20	FY21E	FY22E	FY23E
Profit/(Loss) after taxation	903.0	1184.5	1381.1	1739.1
Depreciation	654.0	660.0	676.1	692.2
Add: Interest Paid	451.0	376.0	288.0	213.0
Other operational Activities	-616.0	89.4	56.6	-137.2
<b>CF from operation</b>	<b>1,392.0</b>	<b>2,309.9</b>	<b>2,401.9</b>	<b>2,507.1</b>
Purchase/sales of Fixed As	-402.0	-250.0	-250.0	-250.0
(Inc)/Dec in Investments	30.0	0.0	-500.0	-500.0
Long Term Provision	0.0	33.8	37.2	40.9
Other Investing Activities	379.0	-69.2	-76.1	-83.7
<b>CF from Investing Activities</b>	<b>7.0</b>	<b>-285.4</b>	<b>-788.9</b>	<b>-792.8</b>
Inc / (Dec) in Equity Capital	0.0	0.0	0.0	0.0
Inc / (Dec) in Loan Funds	-345.0	-1000.0	-1000.0	-1000.0
Dividend and dividend tax	-719.0	-292.4	-340.9	-429.3
Other Financing Activities	-485.0	-376.0	-288.0	-213.0
<b>CF from Financing Activities</b>	<b>-1,549.0</b>	<b>-1,668.4</b>	<b>-1,629.0</b>	<b>-1,642.3</b>
Cash generation during the	-150.0	356.1	-16.0	72.0
Op bal Cash & Cash equiva	816.0	666.0	1022.1	1006.1
Adjustments	0.0	0.0	0.0	0.0
<b>Closing Cash/ Cash Equiv</b>	<b>666.0</b>	<b>1,022.1</b>	<b>1,006.1</b>	<b>1,078.1</b>
<b>Free Cash Flow</b>	<b>990</b>	<b>2,059.9</b>	<b>2,151.9</b>	<b>2,257.1</b>

Source: ICICI Direct Research; Company

Exhibit 16: Balance Sheet (₹ crore)

(Year-end March)	FY20	FY21E	FY22E	FY23E
Equity Capital	85.0	85.0	85.0	85.0
Reserve and Surplus	4,739.0	5,631.1	6,671.3	7,981.1
Total Shareholders fund	4,824.0	5,716.1	6,756.3	8,066.1
Total Debt	5,840.3	4,840.3	3,840.3	2,840.3
Other LT Liabilities & LT	428.0	470.8	517.9	569.7
<b>Total Liabilities</b>	<b>11,092.3</b>	<b>11,027.2</b>	<b>11,114.5</b>	<b>11,476.1</b>
Gross Block - Fixed As	9,992.0	10,242.0	10,492.0	10,742.0
Accumulated Depreciat	2,801.0	3,461.0	4,137.1	4,829.3
Net Block	7,191.0	6,781.0	6,354.9	5,912.7
Capital WIP	712.0	712.0	712.0	712.0
Total Fixed Assets	7,903.0	7,493.0	7,066.9	6,624.7
Goodwill on Consolidati	342.0	342.0	342.0	342.0
Investments	2.0	2.0	502.0	1,002.0
Deferred tax assets	433.0	476.3	523.9	576.3
Other non-current asset	349.0	383.9	422.3	464.5
Cash	666.0	1,022.1	1,006.1	1,078.1
Debtors	1,649.0	1,683.0	1,904.4	2,115.2
Loans and Advances	4.0	5.1	6.2	7.3
Inventory	2,148.0	2,192.3	2,298.4	2,552.8
Other current assets	542.0	543.1	544.2	545.3
Total Current Assets	5,009.0	5,445.6	5,759.2	6,298.7
Creditors	2,076.0	2,200.8	2,490.3	2,766.0
Provisions & other curre	869.7	914.7	1,011.5	1,066.1
Total Current Liabilities	2,945.7	3,115.5	3,501.8	3,832.0
Net Current Assets	2,063.3	2,330.0	2,257.4	2,466.6
<b>Application of Funds</b>	<b>11,092.3</b>	<b>11,027.2</b>	<b>11,114.5</b>	<b>11,476.1</b>

Source: ICICI Direct Research; Company

Exhibit 17: Key Ratios (₹ crore)

(Year-end March)	FY20	FY21E	FY22E	FY23E
<b>Per share data (₹)</b>				
Reported EPS	60.6	70.0	81.6	102.8
BV per share	285.0	337.8	399.2	476.6
Dividend per share	32	17	20	25
Cash Per Share	39.4	60.4	59.4	63.7
<b>Operating Ratios (%)</b>				
Gross Profit Margins	72.7	72.7	73.0	73.0
EBITDA Margins	27.3	30.7	29.0	30.0
PAT Margins	12.9	14.7	15.1	17.2
Inventory days	98.8	99.3	92.0	92.0
Debtor days	75.8	76.2	76.2	76.2
Creditor days	95.4	99.7	99.7	99.7
Asset Turnover	0.8	0.8	0.9	0.9
EBITDA conversion Rate	64.1	93.5	90.8	82.5
<b>Return Ratios (%)</b>				
RoE	21.2	20.7	20.4	21.6
RoCE	15.4	17.4	19.4	22.7
RoIC	16.3	20.5	23.5	28.9
<b>Valuation Ratios (x)</b>				
P/E	45.5	39.4	33.8	26.8
EV / EBITDA	23.9	20.4	18.5	15.6
EV / Net Sales	6.5	6.3	5.4	4.7
Market Cap / Sales	5.9	5.8	5.1	4.6
Price to Book Value	9.7	8.2	6.9	5.8
<b>Solvency Ratios</b>				
Debt / EBITDA	2.7	2.0	1.5	0.9
Debt / Equity	1.2	0.8	0.6	0.4
Current Ratio	1.5	1.4	1.4	1.4

Source: ICICI Direct Research; Company



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	FY20	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	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	158	170	Buy	7892	6.7	5.5	3.1	9.9	23.7	28.5	50.8	15.9	8.3	7.1	5.2	9.1	10.4	8.5	4.5	12.7
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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