

January 29, 2021

Q3FY21 Result Update

Change in Estimates | Target | Reco

Change in Estimates

| | Current | | Previous | |
|----------------|----------|----------|----------|----------|
| | FY22E | FY23E | FY22E | FY23E |
| Rating | BUY | | BUY | |
| Target Price | 1,287 | | 1,214 | |
| Sales (Rs. m) | 1,87,097 | 2,17,921 | 1,87,498 | 2,15,010 |
| % Chng. | (0.2) | 1.4 | | |
| EBITDA (Rs. m) | 40,264 | 46,129 | 39,093 | 44,021 |
| % Chng. | 3.0 | 4.8 | | |
| EPS (Rs.) | 47.0 | 53.6 | 45.2 | 50.5 |
| % Chng. | 4.0 | 6.0 | | |

Key Financials - Consolidated

| Y/e Mar | FY20 | FY21E | FY22E | FY23E |
|----------------|----------|----------|----------|----------|
| Sales (Rs. m) | 1,51,428 | 1,51,220 | 1,87,097 | 2,17,921 |
| EBITDA (Rs. m) | 21,229 | 24,020 | 40,264 | 46,129 |
| Margin (%) | 14.0 | 15.9 | 21.5 | 21.2 |
| PAT (Rs. m) | 3,518 | 11,732 | 21,276 | 24,260 |
| EPS (Rs.) | 7.8 | 25.9 | 47.0 | 53.6 |
| Gr. (%) | (62.7) | 233.5 | 81.3 | 14.0 |
| DPS (Rs.) | 5.0 | 6.0 | 6.0 | 6.0 |
| Yield (%) | 0.5 | 0.6 | 0.6 | 0.6 |
| RoE (%) | 2.7 | 9.2 | 15.4 | 15.4 |
| RoCE (%) | 5.9 | 8.8 | 16.7 | 18.1 |
| EV/Sales (x) | 3.1 | 2.9 | 2.3 | 1.9 |
| EV/EBITDA (x) | 22.2 | 18.3 | 10.5 | 9.0 |
| PE (x) | 135.1 | 40.5 | 22.3 | 19.6 |
| P/BV (x) | 3.8 | 3.7 | 3.2 | 2.8 |

Key Data

LUPN.BO | LPC IN

| | |
|---------------------|----------------------|
| 52-W High / Low | Rs.1,122 / Rs.505 |
| Sensex / Nifty | 46,874 / 13,818 |
| Market Cap | Rs.476bn / \$ 6,515m |
| Shares Outstanding | 454m |
| 3M Avg. Daily Value | Rs.7025.4m |

Shareholding Pattern (%)

| | |
|-------------------------|-------|
| Promoter's | 46.88 |
| Foreign | 18.97 |
| Domestic Institution | 21.08 |
| Public & Others | 13.08 |
| Promoter Pledge (Rs bn) | - |

Stock Performance (%)

| | 1M | 6M | 12M |
|----------|-----|------|------|
| Absolute | 6.7 | 24.7 | 40.4 |
| Relative | 7.8 | 2.4 | 22.7 |

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Cost optimization leads earnings upgrade

Quick Pointers:

- R&D guidance lowered to 9% of sales (v/s earlier 10%) for FY22-23E.
- US grew 4% QoQ on back of gAlbuterol's market share gain, while gTamiflu sales were lower with weaker flu season.

We increase our earnings estimate by 8%/4%/6% for FY21/22/23E on back of lower R&D spend guidance of 9% of sales (versus earlier 10%) and cost optimization towards US branded business. 3QFY21 EBITDAM was higher than our estimate as R&D spend declined 19% YoY and 9% QoQ with favorable business mix. LPC margin has been lower (compared to peers of 18-20%) due to cost escalation in recent past, regulatory issues and lack of key products launch. We believe LPC margin will pull back to 20%+ range in FY22E/23E with strong product pipeline and decreasing regulatory cost. US generics to be key growth driver for LPC with resolution of Somerset, Goa and Pithampur (Unit-2) plus Perrigo's decision to voluntary recall Albuterol will benefit LPC. On the other hand, domestic formulation will also reach pre-COVID levels of 10-12% in FY22E. With increase in earnings estimates due to lower R&D guidance for FY21E-23E, we increase our TP to Rs1,287 (earlier Rs1,214). We maintain BUY (Unchanged) and value LPC on 24x PE of FY23E EPS of Rs54.

Earnings beat due to favorable biz mix and cost control: Revenue grew 4% QoQ and 5% YoY to Rs39.1bn (PLe: Rs38.9bn). India formulations grew 5% YoY while US grew 4% QoQ (US\$188m). Growth Markets/EMEA/ROW grew 13%/0.4%/75% QoQ. EBITDA grew 29% QoQ and 81% YoY to Rs6.7bn (PLe: Rs6.1bn). EBITDA Margin was 17.3% (PLe 15.7%) v/s 10% YoY and 14% QoQ. R&D spend declined 19% YoY and 9% QoQ that led EBITDAM surprise. PBT grew 53% QoQ and 204% YoY to Rs5.4bn (PLe Rs4.5bn). 3QFY20 had an impairment costs of IPs of Rs15,797m and higher tax due to profit on sale of Kyowa.

Conference call and other key highlights:

North America: Revenue grew 4% QoQ to US\$188m (including branded biz of US\$2m) led by ramp up of Levothyroxyn and launch of Albuterol in 2QFY21 while demand for Solosec remains muted. LPC share in gLevothyroxyn increased to 17% v/s 12% in previous quarter while it aims for 20% Rx share in FY21E. Despite Albuterol ramp up and Metformin (gGlumetza) relaunch, US sales grew only 4% as weaker flu season led to muted traction of gTamiflu. LPC plans to relaunch gFortamet (Metormin) in 4QFY21 and improve Rx share in FY22E-23E. Post rationalization, LPC has a headcount of 43 for US branded/specialty business.

Albuterol: LPC launched Albuterol in Sep-CY20 and expects to gain Rx share from Perrigo recall as being the only AB-rated (direct) generic of ProAir. LPC market share (for device) in gAlbuterol is 9%+ and guided for 20% share in FY22E. Its currently operating at 100% capacity utilization level.

US pipeline: Guided for R&D spend of 9% of sales (vs. 10%) for FY22E despite complex products to be lined up for clinical trials in coming years. Plans for yearly launch of 30-35 products in US with 3-5 inhalation, 6-8 injectable while rest would be oral solid (OSD). It has 8-10 complex injections in pipeline, which are expected to be filed in FY22E. LPC filed ANDA on Spiriva (Tiotropium bromide) and LPC has First-to-File status for the same expected to launch in June-CY22E due to litigation issues. It would be filing its first US biosimilar Pegfilgrastim (Neulasta) in Q4FY22E while Ranibizumab (Lucentis) is in initial stage of clinical trial. LPC launched 3 products during the quarter and now has 169 products in US generic market.

Regulatory status update: LPC expects USFDA physical audit to commence from 2HCY21. Goa, Pithampur (Indore) Unit-2 and Somerset plants continue to be under OAI/WL status. Currently, Somerset engaged in resolutions of 13 observations post FDA visit in FY21 while Goa and Pithampur (Indore) Unit-2 inspections are still awaited. We believe resolution of these plants would be a key earnings trigger, as it would increase the flow of approvals. In last few months, LPC witnessed significant relief on regulatory front as its 6 plants have received EIR from USFDA and UK MHRA has successfully closed out Pithampur (Unit I, II and III) inspection.

India formulations: Revenue grew 5.4% YoY in 3QFY21. LPC guided growth in 2HFY21 to be 6-8% and reach normalcy of 10-12% in FY22E. It has 7,000 employees beside headcount of 5,500 MRs. It plans to add 300-400 workforce each year for the Indian market.

Growth Markets (LATAM and ROW): Sales grew 24% QoQ to Rs4,370m with Brazil/Mexico/Philippines/Australia growing at 11%/21%/8%/9% QoQ in constant currency terms.

EMEA: Sales were flat QoQ to Rs3,272m with Africa growing at 6% while Germany was flat QoQ in constant currency terms. In Q2, LPC launched Enbrel in selected European countries and currently the ramp is slower than expected.

Japan: After divestment of Kyowa in Japan, LPC will continue its business in Japan by supplying formulations to the acquirer for three years and Enbrel biosimilar to its partner YL Biologics.

Effective Tax Rate would be lower than 30% for FY22E.

Exhibit 1: Q3FY20 Result Overview (Rs m) : Earnings surprise due to lower R&D spend

| Y/e March | Q3FY21 | Q3FY20 | YoY gr. (%) | Q2FY21 | QoQ gr. (%) | 9MFY21 | 9MFY20 | YoY gr. (%) |
|-------------------------------|---------------|----------------|----------------|---------------|--------------|-----------------|-----------------|----------------|
| Net Sales | 39,173 | 37,161 | 5.4 | 37,818 | 3.6 | 1,11,677 | 1,13,518 | (1.6) |
| Raw Material | 13,750 | 13,593 | 1.2 | 13,817 | (0.5) | 40,447 | 40,256 | 0.5 |
| <i>% of Net Sales</i> | <i>35.1</i> | <i>36.6</i> | | <i>36.5</i> | | <i>36.2</i> | <i>35.5</i> | |
| Personnel Cost | 7,068 | 7,407 | (4.6) | 6,853 | 3.1 | 21,857 | 22,233 | (1.7) |
| <i>% of Net Sales</i> | <i>18.0</i> | <i>19.9</i> | | <i>18.1</i> | | <i>19.6</i> | <i>19.6</i> | |
| Others | 11,319 | 12,402 | (8.7) | 11,868 | (4.6) | 32,769 | 34,538 | (5.1) |
| <i>% of Net Sales</i> | <i>28.9</i> | <i>33.4</i> | | <i>31.4</i> | | <i>29.3</i> | <i>30.4</i> | |
| Total Expenditure | 32,136 | 33,402 | (3.8) | 32,538 | (1.2) | 95,073 | 97,027 | (2.0) |
| EBITDA | 7,037 | 3,759 | 87.2 | 5,280 | 33.3 | 16,605 | 16,491 | 0.7 |
| <i>Margin (%)</i> | <i>18.0</i> | <i>10.1</i> | | <i>14.0</i> | | <i>14.9</i> | <i>14.5</i> | |
| Depreciation | 2,443 | 2,532 | (3.5) | 2,127 | 14.8 | 6,717 | 7,560 | (11.1) |
| EBIT | 4,593 | 1,227 | 274.4 | 3,152 | 45.7 | 9,888 | 8,931 | 10.7 |
| Other Income | 1,212 | 1,468 | (17.4) | 782 | 55.1 | 3,015 | 4,556 | (33.8) |
| Interest | 309 | 886 | (65.1) | 336 | (8.0) | 1,088 | 2,556 | (57.4) |
| PBT | 5,497 | 1,809 | 203.9 | 3,598 | 52.8 | 11,815 | 10,931 | 8.1 |
| Total Taxes | 835 | 7,670 | (89.1) | 1,467 | (43.1) | 3,945 | 10,520 | (62.5) |
| <i>ETR (%)</i> | <i>15.2</i> | <i>424.1</i> | | <i>40.8</i> | | <i>33.4</i> | <i>96.2</i> | |
| PAT before exceptional | 4,662 | (5,862) | (179.5) | 2,131 | 118.8 | 7,870 | 410 | 1,817.6 |
| Exceptional Item | - | (2,887) | | - | | - | (8,352) | |
| Reported PAT | 4,662 | (8,748) | (153.3) | 2,131 | 118.8 | 7,870 | (7,941) | (199.1) |

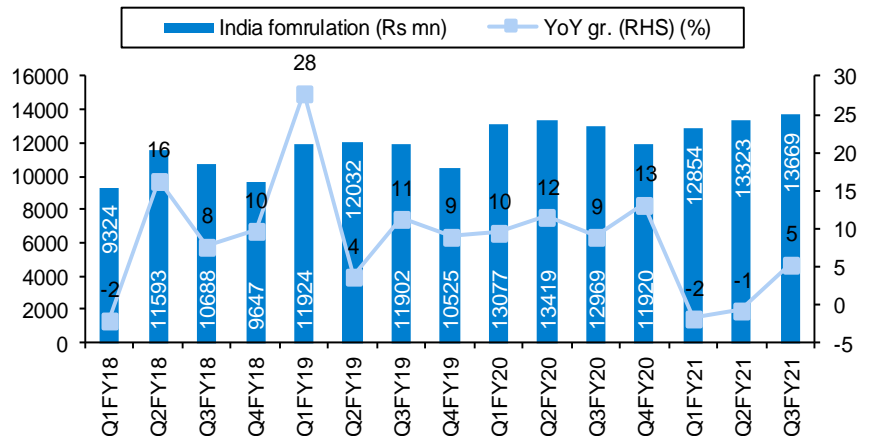
Source: Company, PL

Exhibit 2: Major Sources of Revenue

| Major Sources of Revenues | Q3FY21 | Q3FY20 | YoY gr. (%) | Q2FY21 | QoQ gr. (%) | 9MFY21 | 9MFY20 | YoY gr. (%) |
|---------------------------------------|---------------|---------------|-------------|---------------|--------------|-----------------|-----------------|--------------|
| Domestic market | 13,669 | 12,969 | 5.4 | 13,323 | 2.6 | 39,846 | 39,465 | 1.0 |
| <i>% of Sales</i> | <i>34.9</i> | <i>34.9</i> | | <i>35.2</i> | | <i>35.7</i> | <i>35.2</i> | |
| International market (Exports) | 25,504 | 24,192 | 5.4 | 24,495 | 4.1 | 71,831 | 72,612 | (1.1) |
| <i>% of Sales</i> | <i>65.1</i> | <i>65.1</i> | | <i>64.8</i> | | <i>64.3</i> | <i>64.8</i> | |
| Total | 39,173 | 37,161 | 5.4 | 37,818 | 3.6 | 1,11,677 | 1,12,077 | (0.4) |
| Formulations | 35,735 | 32,266 | 10.8 | 34,079 | 4.9 | 1,00,410 | 99,056 | 1.4 |
| <i>% of Sales</i> | <i>91.2</i> | <i>91.0</i> | | <i>90.1</i> | | <i>89.9</i> | <i>91.1</i> | |
| India | 13,669 | 12,969 | 5.4 | 13,323 | 2.6 | 39,846 | 39,465 | 1.0 |
| <i>% of Sales</i> | <i>34.9</i> | <i>36.6</i> | | <i>35.2</i> | | <i>35.7</i> | <i>36.3</i> | |
| International market (Exports) | 22,066 | 19,297 | 14.3 | 20,756 | 6.3 | 60,564 | 59,591 | 1.6 |
| <i>% of Sales</i> | <i>56.3</i> | <i>54.5</i> | | <i>54.9</i> | | <i>54.2</i> | <i>54.8</i> | |
| North America | 14,424 | 13,766 | 4.8 | 13,984 | 3.1 | 40,568 | 42,422 | (4.4) |
| <i>% of Sales</i> | <i>36.8</i> | <i>38.8</i> | | <i>37.0</i> | | <i>36.3</i> | <i>39.0</i> | |
| Europe, Middle East, Africa (EMEA) | 3,272 | 2,913 | 12.3 | 3,259 | 0.4 | 9,031 | 8,713 | 3.6 |
| <i>% of Sales</i> | <i>8.4</i> | <i>8.2</i> | | <i>8.6</i> | | <i>8.1</i> | <i>8.0</i> | |
| Emerging Markets (ROW) & LATAM | 4,370 | 2,618 | 66.9 | 3,513 | 24.4 | 10,965 | 8,456 | 29.7 |
| <i>% of Sales</i> | <i>11.2</i> | <i>7.4</i> | | <i>9.3</i> | | <i>9.8</i> | <i>7.8</i> | |
| APIs | 3,438 | 3,173 | 8.4 | 3,739 | (8.1) | 11,267 | 9,714 | 16.0 |
| <i>% of Sales</i> | <i>8.8</i> | <i>9.0</i> | | <i>9.9</i> | | <i>10.1</i> | <i>8.9</i> | |

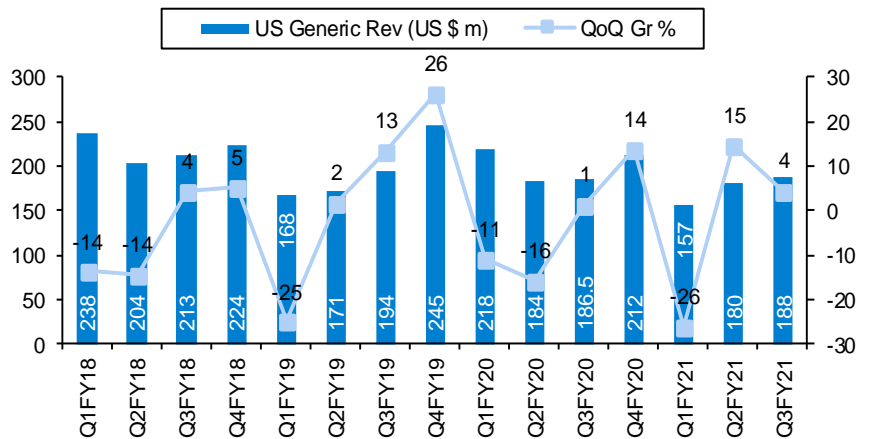
Source: Company, PL

Exhibit 3: Domestic Formulation :Growth muted due to lockdown



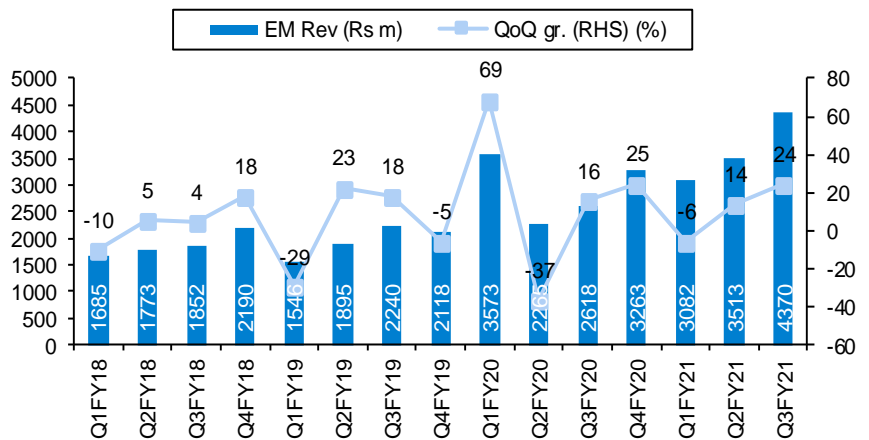
Source: Company, PL

Exhibit 4: US Generic (US\$m) : Growth led by Albuterol



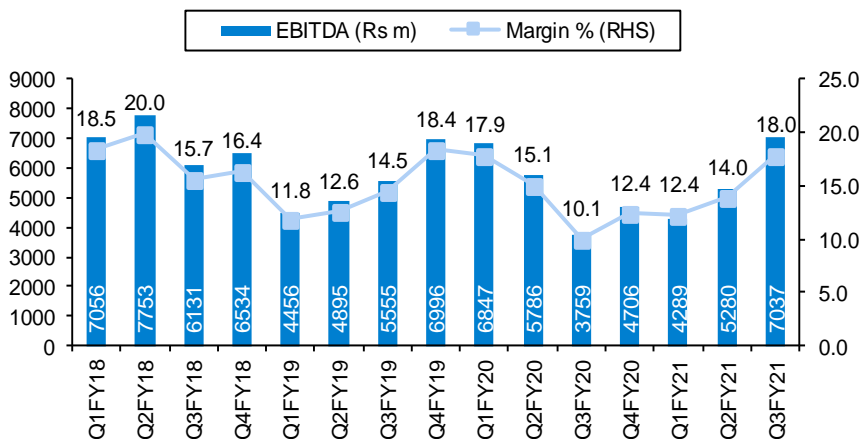
Source: Company, PL

Exhibit 5: Emerging Markets (Rs mn) & QoQ Growth (%)



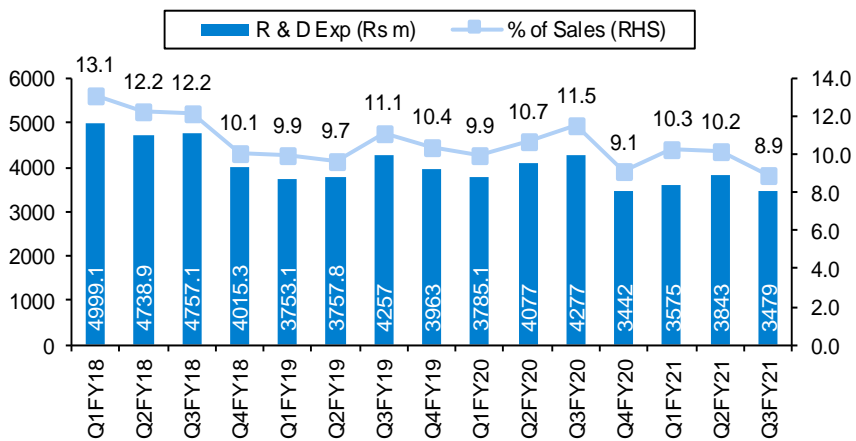
Source: Company, PL

Exhibit 6: EBITDA & EBITDAM:



Source: Company, PL

Exhibit 7: R&D Exp (Rs mn) % of Sales



Source: Company, PL

Financials

Income Statement (Rs m)

| Y/e Mar | FY20 | FY21E | FY22E | FY23E |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|
| Net Revenues | 1,51,428 | 1,51,220 | 1,87,097 | 2,17,921 |
| YoY gr. (%) | (7.5) | (0.1) | 23.7 | 16.5 |
| Cost of Goods Sold | 54,306 | 53,396 | 59,673 | 69,523 |
| Gross Profit | 97,122 | 97,824 | 1,27,424 | 1,48,399 |
| Margin (%) | 64.1 | 64.7 | 68.1 | 68.1 |
| Employee Cost | 29,868 | 28,975 | 36,466 | 42,509 |
| Other Expenses | 15,538 | 14,456 | 17,494 | 20,267 |
| EBITDA | 21,229 | 24,020 | 40,264 | 46,129 |
| YoY gr. (%) | (16.2) | 13.1 | 67.6 | 14.6 |
| Margin (%) | 14.0 | 15.9 | 21.5 | 21.2 |
| Depreciation and Amortization | 9,702 | 9,188 | 11,372 | 13,234 |
| EBIT | 11,526 | 14,831 | 28,892 | 32,895 |
| Margin (%) | 7.6 | 9.8 | 15.4 | 15.1 |
| Net Interest | 3,630 | 1,385 | 1,925 | 2,239 |
| Other Income | 7,157 | 3,889 | 3,420 | 4,000 |
| Profit Before Tax | 15,054 | 17,336 | 30,387 | 34,656 |
| Margin (%) | 9.9 | 11.5 | 16.2 | 15.9 |
| Total Tax | 11,571 | 5,581 | 9,146 | 10,431 |
| Effective tax rate (%) | 76.9 | 32.2 | 30.1 | 30.1 |
| Profit after tax | 3,483 | 11,755 | 21,240 | 24,224 |
| Minority interest | (36) | 23 | (36) | (36) |
| Share Profit from Associate | - | - | - | - |
| Adjusted PAT | 3,518 | 11,732 | 21,276 | 24,260 |
| YoY gr. (%) | (62.7) | 233.5 | 81.3 | 14.0 |
| Margin (%) | 2.3 | 7.8 | 11.4 | 11.1 |
| Extra Ord. Income / (Exp) | - | - | - | - |
| Reported PAT | 3,518 | 11,732 | 21,276 | 24,260 |
| YoY gr. (%) | (62.7) | 233.5 | 81.3 | 14.0 |
| Margin (%) | 2.3 | 7.8 | 11.4 | 11.1 |
| Other Comprehensive Income | - | - | - | - |
| Total Comprehensive Income | 3,518 | 11,732 | 21,276 | 24,260 |
| Equity Shares O/s (m) | 453 | 453 | 453 | 453 |
| EPS (Rs) | 7.8 | 25.9 | 47.0 | 53.6 |

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

| Y/e Mar | FY20 | FY21E | FY22E | FY23E |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|
| Non-Current Assets | | | | |
| Gross Block | 1,26,796 | 1,34,090 | 1,45,090 | 1,56,090 |
| Tangibles | 70,465 | 73,759 | 80,759 | 87,759 |
| Intangibles | 56,331 | 60,331 | 64,331 | 68,331 |
| Acc: Dep / Amortization | 63,232 | 82,316 | 1,03,528 | 1,15,619 |
| Tangibles | 24,112 | 28,868 | 35,036 | 41,636 |
| Intangibles | 39,120 | 53,448 | 68,492 | 73,984 |
| Net fixed assets | 60,867 | 51,774 | 41,562 | 40,471 |
| Tangibles | 43,656 | 44,891 | 45,723 | 46,124 |
| Intangibles | 17,211 | 6,883 | (4,161) | (5,653) |
| Capital Work In Progress | 9,396 | 7,987 | 6,789 | 5,770 |
| Goodwill | 18,515 | 15,738 | 16,524 | 17,351 |
| Non-Current Investments | 1,542 | 1,263 | 1,038 | 855 |
| Net Deferred tax assets | (252) | 23 | 136 | 167 |
| Other Non-Current Assets | 3,644 | 2,614 | 2,713 | 3,256 |
| Current Assets | | | | |
| Investments | 23,383 | 19,875 | 19,876 | 19,877 |
| Inventories | 34,569 | 34,387 | 42,545 | 49,555 |
| Trade receivables | 54,459 | 53,859 | 67,150 | 78,810 |
| Cash & Bank Balance | 24,543 | 56,584 | 61,634 | 60,834 |
| Other Current Assets | 12,913 | 6,457 | 3,228 | 1,614 |
| Total Assets | 2,49,839 | 2,54,873 | 2,65,686 | 2,80,102 |
| Equity | | | | |
| Equity Share Capital | 906 | 906 | 906 | 906 |
| Other Equity | 1,24,461 | 1,28,437 | 1,46,325 | 1,67,196 |
| Total Networkth | 1,25,367 | 1,29,343 | 1,47,231 | 1,68,102 |
| Non-Current Liabilities | | | | |
| Long Term borrowings | 17,933 | 15,243 | 11,432 | 8,574 |
| Provisions | 2,963 | 2,518 | 2,141 | 1,820 |
| Other non current liabilities | 1,637 | 269 | 269 | 269 |
| Current Liabilities | | | | |
| ST Debt / Current of LT Debt | 24,928 | 25,426 | 17,798 | 10,679 |
| Trade payables | 24,123 | 24,858 | 30,756 | 35,823 |
| Other current liabilities | 43,202 | 49,704 | 50,142 | 50,108 |
| Total Equity & Liabilities | 2,49,839 | 2,54,873 | 2,65,686 | 2,80,102 |

Source: Company Data, PL Research

Cash Flow (Rs m)

| Y/e Mar | FY20 | FY21E | FY22E | FY23E |
|--------------------------------------|-----------------|----------------|-----------------|-----------------|
| PBT | 15,054 | 17,336 | 30,387 | 34,656 |
| Add. Depreciation | 9,702 | 9,188 | 11,372 | 13,234 |
| Add. Interest | 3,630 | 1,385 | 1,925 | 2,239 |
| Less Financial Other Income | 7,157 | 3,889 | 3,420 | 4,000 |
| Add. Other | (15,991) | 18,075 | 5,004 | (6,390) |
| Op. profit before WC changes | 12,395 | 45,984 | 48,688 | 43,738 |
| Net Changes-WC | 26,118 | 15,626 | (10,541) | (11,361) |
| Direct tax | (11,571) | (5,581) | (9,146) | (10,431) |
| Net cash from Op. activities | 26,943 | 56,029 | 29,000 | 21,946 |
| Capital expenditures | 13,724 | (5,885) | (9,802) | (9,982) |
| Interest / Dividend Income | - | - | - | - |
| Others | (735) | 3,516 | 6 | 5 |
| Net Cash from Inv. activities | 12,988 | (2,369) | (9,796) | (9,977) |
| Issue of share cap. / premium | 1 | - | - | - |
| Debt changes | (39,359) | (2,191) | (11,439) | (9,977) |
| Dividend paid | - | - | - | - |
| Interest paid | (3,630) | (1,385) | (1,925) | (2,239) |
| Others | - | - | - | - |
| Net cash from Fin. activities | (42,988) | (3,576) | (13,364) | (12,216) |
| Net change in cash | (3,057) | 50,084 | 5,841 | (247) |
| Free Cash Flow | 40,666 | 50,144 | 19,198 | 11,964 |

Source: Company Data, PL Research

Quarterly Financials (Rs m)

| Y/e Mar | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21 |
|-----------------------------------|---------------|---------------|---------------|---------------|
| Net Revenue | 37,910 | 34,686 | 37,818 | 39,173 |
| YoY gr. (%) | (0.4) | (9.1) | (1.0) | 5.4 |
| Raw Material Expenses | 14,050 | 12,880 | 13,817 | 13,750 |
| Gross Profit | 23,860 | 21,807 | 24,001 | 25,423 |
| Margin (%) | 62.9 | 62.9 | 63.5 | 64.9 |
| EBITDA | 4,706 | 4,289 | 5,280 | 7,037 |
| YoY gr. (%) | (32.7) | (37.4) | (8.7) | 87.2 |
| Margin (%) | 12.4 | 12.4 | 14.0 | 18.0 |
| Depreciation / Depletion | 2,143 | 2,146 | 2,127 | 2,443 |
| EBIT | 2,563 | 2,142 | 3,152 | 4,593 |
| Margin (%) | 6.8 | 6.2 | 8.3 | 11.7 |
| Net Interest | 1,074 | 443 | 336 | 309 |
| Other Income | 2,633 | 1,025 | 782 | 1,212 |
| Profit before Tax | 4,123 | 2,725 | 3,598 | 5,497 |
| Margin (%) | 10.9 | 7.9 | 9.5 | 14.0 |
| Total Tax | 1,051 | 1,643 | 1,467 | 835 |
| Effective tax rate (%) | 25.5 | 60.3 | 40.8 | 15.2 |
| Profit after Tax | 3,072 | 1,081 | 2,131 | 4,662 |
| Minority interest | 10 | (12) | 21 | 29 |
| Share Profit from Associates | - | - | - | - |
| Adjusted PAT | 3,062 | 1,094 | 2,110 | 4,632 |
| YoY gr. (%) | 22.7 | (58.6) | (31.6) | (174.0) |
| Margin (%) | 8.1 | 3.2 | 5.6 | 11.8 |
| Extra Ord. Income / (Exp) | - | - | - | - |
| Reported PAT | 3,062 | 1,094 | 2,110 | 4,632 |
| YoY gr. (%) | 22.7 | (58.6) | (31.6) | (174.0) |
| Margin (%) | 8.1 | 3.2 | 5.6 | 11.8 |
| Other Comprehensive Income | - | - | - | - |
| Total Comprehensive Income | 3,062 | 1,094 | 2,110 | 4,632 |
| Avg. Shares O/s (m) | 452 | 452 | 452 | 452 |
| EPS (Rs) | 6.8 | 2.4 | 4.7 | 10.2 |

Source: Company Data, PL Research

Key Financial Metrics

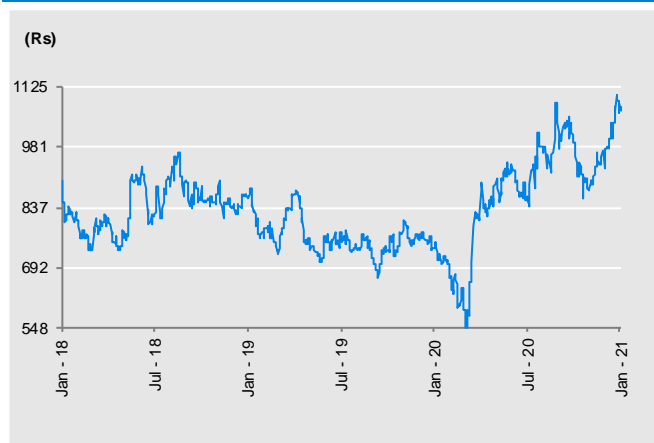
| Y/e Mar | FY20 | FY21E | FY22E | FY23E |
|----------------------------|-------|-------|-------|-------|
| Per Share(Rs) | | | | |
| EPS | 7.8 | 25.9 | 47.0 | 53.6 |
| CEPS | 29.2 | 46.2 | 72.1 | 82.8 |
| BVPS | 276.7 | 285.5 | 325.0 | 371.1 |
| FCF | 89.8 | 110.7 | 42.4 | 26.4 |
| DPS | 5.0 | 6.0 | 6.0 | 6.0 |
| Return Ratio(%) | | | | |
| RoCE | 5.9 | 8.8 | 16.7 | 18.1 |
| ROIC | 1.8 | 10.9 | 22.0 | 22.7 |
| RoE | 2.7 | 9.2 | 15.4 | 15.4 |
| Balance Sheet | | | | |
| Net Debt : Equity (x) | 0.0 | (0.3) | (0.4) | (0.4) |
| Net Working Capital (Days) | 156 | 153 | 154 | 155 |
| Valuation(x) | | | | |
| PER | 135.1 | 40.5 | 22.3 | 19.6 |
| P/B | 3.8 | 3.7 | 3.2 | 2.8 |
| P/CEPS | 36.0 | 22.7 | 14.6 | 12.7 |
| EV/EBITDA | 22.2 | 18.3 | 10.5 | 9.0 |
| EV/Sales | 3.1 | 2.9 | 2.3 | 1.9 |
| Dividend Yield (%) | 0.5 | 0.6 | 0.6 | 0.6 |

Source: Company Data, PL Research

Key Operating Metrics

| Y/e Mar | FY20 | FY21E | FY22E | FY23E |
|--------------------------|--------|--------|--------|----------|
| India Formulations | 50,788 | 56,121 | 62,126 | 68,773 |
| North America | 66,853 | 77,849 | 91,263 | 1,05,590 |
| APAC | 5,904 | - | - | - |
| ROW Formulations & LATAM | 15,486 | 17,744 | 21,018 | 24,896 |
| APIs | 12,707 | 12,858 | 13,090 | 13,342 |

Source: Company Data, PL Research

Price Chart
Recommendation History


| No. | Date | Rating | TP (Rs.) | Share Price (Rs.) |
|-----|-----------|--------|----------|-------------------|
| 1 | 11-Jan-21 | BUY | 1,214 | 1,039 |
| 2 | 06-Nov-20 | BUY | 1,212 | 936 |
| 3 | 13-Oct-20 | BUY | 1,085 | 1,047 |
| 4 | 30-Sep-20 | BUY | 1,085 | 1,007 |
| 5 | 25-Aug-20 | BUY | 1,085 | 972 |
| 6 | 07-Aug-20 | BUY | 1,001 | 880 |
| 7 | 08-Jul-20 | BUY | 1,001 | 865 |
| 8 | 30-May-20 | BUY | 1,001 | 870 |
| 9 | 11-May-20 | BUY | 978 | 835 |
| 10 | 18-Apr-20 | Reduce | 685 | 822 |

Analyst Coverage Universe

| Sr. No. | Company Name | Rating | TP (Rs) | Share Price (Rs) |
|---------|-------------------------------|------------|---------|------------------|
| 1 | Aurobindo Pharma | Hold | 920 | 945 |
| 2 | Cadila Healthcare | Sell | 357 | 485 |
| 3 | Cipla | Accumulate | 879 | 839 |
| 4 | Dr. Lal PathLabs | UR | - | 2,407 |
| 5 | Dr. Reddy's Laboratories | BUY | 5,975 | 5,338 |
| 6 | Eris Lifesciences | BUY | 666 | 621 |
| 7 | Glenmark Pharmaceuticals | Sell | 449 | 518 |
| 8 | Indoco Remedies | BUY | 352 | 325 |
| 9 | Ipca Laboratories | Accumulate | 2,413 | 2,143 |
| 10 | Jubilant Life Sciences | Accumulate | 964 | 929 |
| 11 | Lupin | BUY | 1,214 | 1,039 |
| 12 | Sun Pharmaceutical Industries | Hold | 602 | 570 |
| 13 | Thyrocare Technologies | UR | - | 970 |

PL's Recommendation Nomenclature (Absolute Performance)

| | |
|--------------------------|-----------------------------------|
| Buy | : > 15% |
| Accumulate | : 5% to 15% |
| Hold | : +5% to -5% |
| Reduce | : -5% to -15% |
| Sell | : < -15% |
| Not Rated (NR) | : No specific call on the stock |
| Under Review (UR) | : Rating likely to change shortly |

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