

# Glenmark Pharmaceuticals (GLEPHA)

CMP: ₹ 485

Target: ₹ 550 (13%)

Target Period: 12 months

February 14, 2022

## Launches, margins sustainability to hold key...

**About the stock:** Glenmark's business is separated into three entities –

- Glenmark Pharmaceuticals for building a global generic, specialty and OTC business in therapy areas of dermatology, respiratory, oncology among others
- Glenmark Life Sciences for manufacturing and marketing APIs
- Innovation new company (ICHNOS) to focus on discovery and development of novel, first-in-class treatments in the therapeutic areas of immunology, oncology and pain encompassing both NBEs as well as NCEs

**Q3FY22 Results:** Glenmark reported strong numbers in India, Europe and RoW markets offsetting the de-growth in US, Latin America and APIs business.

- Sales were up 13.9% YoY to ₹ 3173.4 crore
- EBITDA was at ₹ 693.2 crore, up 30.8% YoY with margins at 21.8%
- Adjusted PAT was at ₹ 400.3 crore (up 70.5% YoY) [Note: profit adjusted for one-time loss of ₹ 178.3 crore on account of impairment of intangible assets]

**What should investors do?** Glenmark's share price has de-grown by ~0.7x over the past five years (from ~₹ 946 in February 2017 to ~₹ 484 levels in February 2022).

- Maintain HOLD as we await EBITDA margin sustainability besides persisting US base business pressure. We also monitor future launches.

**Target Price and Valuation:** We value Glenmark at ₹ 550 based on SOTP valuation

**Key triggers for future price performance:**

- In the US, traction from the newly commissioned US based Monroe facility will be the key determinant besides sustained product launches
- Traction for Ryaltris in global markets along with the launch in the US
- In India, it is the market leader in dermatology and improving its presence in respiratory, CVS, anti-infectives and anti-diabetics, in particular. It has also forayed into consumer health segment focusing on Rx-OTC switch products (~₹ 150 crore) led by two brands, Candid and Scalpe+
- Progress on the margins front amid cost rationalisation measures and decline in R&D expenses as percentage of sales

**Alternate Stock Idea:** Apart from Glenmark, in healthcare coverage we like Ajanta.

- Ajanta Pharma is a focused player in branded space with specific strategy for maximum number of first time launches with new drug delivery system.
- BUY with a target price of ₹ 2605

HOLD



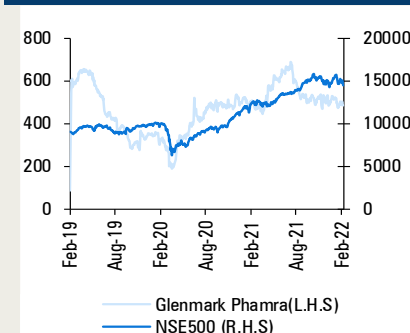
### Particulars

Particular	Amount
Market Capitalisation	₹ 13685 crore
Debt (FY21)	₹ 3287 crore
Cash & equivalent (FY21)	₹ 1263 crore
EV	₹ 15709 crore
52 week H/L (₹)	691/442
Equity capital	₹ 28.2 crore
Face value	₹ 1

### Shareholding pattern

(in %)	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
Promoter	46.6	46.6	46.6	46.7	46.7
Others	53.4	53.4	53.4	53.4	53.4

### Price Chart



### Recent Event & Key risks

- USFDA approval for Ryaltris
- Key Risk:** (i) Better traction for new launches (ii) Delay in unlocking of innovation business

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### Key Financial Summary

(₹ Crore)	FY20	FY21	5 year CAGR (FY16-21)	FY22E	FY23E	FY24E	3 year CAGR (FY21-24E)
Revenues	10641.0	10943.9	7.4	12374.5	13042.5	14233.7	9.2
EBITDA	1698.1	2084.4	7.7	2459.2	2577.1	2775.6	10.0
EBITDA margins (%)	16.0	19.0		19.9	19.8	19.5	
Adjusted PAT	743.1	925.5	5.5	1245.1	1245.2	1381.9	14.3
EPS (₹)	26.4	32.9		44.2	44.2	49.1	
PE (x)	17.6	14.1		12.8	11.0	9.9	
EV to EBITDA (x)	10.3	8.3		6.4	5.8	5.1	
RoNW (%)	12.2	13.1		13.1	11.7	11.6	
RoCE (%)	12.7	13.9		15.5	15.2	15.4	

## Key takeaways of recent quarter & conference call highlights

### Q3FY22 Results: Steady quarter, margins unsustainable

- Revenues grew 13.9% YoY to ₹ 3173.4 crore driven by 21.5% YoY growth in Europe to ₹ 380.7 crore, 14.1% YoY growth in India to ₹ 1006.9 crore and 24.3% YoY growth in RoW markets to ₹ 417.8 crore. This was partially offset by YoY de-growth of 3% in US to ₹ 756.7 crore, YoY decline of 9% in LatAm market to ₹ 117 crore and YoY de-growth of 5.3% in APIs to ₹ 303.2 crore. EBITDA margins improved 282 bps YoY to 21.8% mainly due to lower employee and other expenditure being partially offset by lower gross margins. EBITDA grew 30.8% YoY to ₹ 693.2 crore while adjusted PAT grew 70.5% YoY to ₹ 400.3 crore. [Note: Glenmark incurred one-time loss of ₹ 178.3 crore on account of impairment of certain intangible assets]
- Glenmark continued to outperform IPM in Q3 while in consumer business Candid cream and La Shield delivered strong growth. The company witnessed healthy growth in both its key markets of Western Europe and Central Eastern Europe during the quarter while there was healthy growth in base business across geographies in RoW markets. Latin America market remained challenging due to pandemic in Brazil. On US front, company received USFDA approval for NDA Ryaltis. Glenmark remains on track to meet key objectives for FY22 with 10-15% growth and steady EBITDA margins. We expect the US to grow on the back of new launches

### Q3FY22 Earnings Conference Call highlights

#### India

- Non Covid base portfolio grew 16.5% compared to the non Covid IPM growth of 11.7% during the quarter
- The company launched eight new products during the quarter. Among key launches, the company launched first triple combination of Remogliflozin, Vildagliptin and Metformin in diabetes segment and Vilor-F, only ultra Laba and ICS combination with once a day schedule for treatment of COPD. Launched FabiSpray for the treatment of adult patients with Covid-19
- Candid Cream and La Shield, delivering strong robust growth, reported robust growth in consumer care business

#### US

- Total 13 ANDAs filed with USFDA in 9MFY22. The company also received USFDA approval for first NDA product Ryaltis in the US (Q1 launch, commercialisation by Hikma). Company is on track to file 18-20 ANDAs in FY22 including four to five filings from Monroe
- Glenmark witnessing 7-8% price erosion in the US base business

#### RCIS, Asia, MEA Region (RoW)

- In Asia, secondary sales grew 22% YoY during the quarter led by positive momentum in key markets like Vietnam, Malaysia and Philippines
- In Russia, as per IQVIA, revenues grew 20.8% for the quarter vis-à-vis 10.7% growth in the overall retail market

#### Europe

- Double digit growth in markets like UK and Netherlands. Launched Tiotropium DPI in Germany, Denmark and Sweden during the quarter – launched in seven markets so far. Signed nine contracts for in-licensing products in the region in 9MFY22

#### LATAM

- Revenue growth was impacted by Brazil business where the market remained challenging due to the pandemic.

**Exhibit 1: Variance Analysis**

	Q3FY22	Q3FY22E	Q3FY21	Q2FY22	YoY (%)	QoQ (%)	Comments
Revenue	3,173.4	3,026.2	2,786.8	3,147.4	13.9	0.8	YoY growth driven by India, Europe and RoW markets aided by growth in the base business
Raw Material Expenses	1,071.9	1,059.2	911.4	1,143.6	17.6	-6.3	
Gross Margin (%)	66.2	65.0	67.3	63.7	-107 bps	256 bps	YoY impacted amid increase in input cost
Employee Expenses	586.0	632.8	596.6	687.3	-1.8	-14.7	
Other Expenditure	822.4	757.6	748.7	726.4	9.8	13.2	
EBITDA	693.2	576.6	530.1	590.2	30.8	17.4	
EBITDA (%)	21.8	19.1	19.0	18.8	282 bps	309 bps	YoY increase amid lower staff cost and other expenditure
Interest	66.7	68.9	95.4	68.9	-30.1	-3.3	
Depreciation	118.9	123.2	115.2	123.2	3.2	-3.5	
Other Income	13.9	-12.7	15.1	-13.1	-7.9	-206.3	
PBT before EO & Forex	521.4	371.8	334.6	385.0	55.9	35.4	
Less: EO & Forex	178.4	0.0	-13.4	0.0	NA	NA	
PBT	343.0	371.8	348.0	385.0	-1.4	-10.9	
Tax	103.3	106.4	99.8	110.2	3.5	-6.2	
PAT before MI	239.8	265.4	248.2	274.8	-3.4	-12.8	
Adj. Net Profit	400.3	245.6	234.8	257.7	70.5	55.4	Glenmark incurred one-time loss of ₹ 178.3 crore on account of impairment of certain intangible assets
<b>Key Metrics</b>							
US	756.7	799.2	780.4	754.3	-3.0	0.3	Steady YoY amid 5-6% price erosion in US portfolio
Europe	380.7	360.3	313.3	338.3	21.5	12.5	YoY growth driven by key markets like UK, Netherlands and the Western, Central Eastern European region
India	1,006.9	988.0	882.1	968.9	14.1	3.9	YoY growth with non-Covid base portfolio grew 16.5%
Latin America	117.0	135.0	128.6	96.0	-9.0	21.9	YoY growth was impacted by Brazil where the market remained challenging due to the pandemic
RoW markets	417.8	386.4	336.0	652.6	24.3	-36.0	YoY growth witnessed due to healthy growth in the region, aided by growth in the base business
API	303.2	336.1	320.1	335.4	-5.3	-9.6	

Source: Company, ICICI Direct Research

**Exhibit 2: Change in estimates**

	FY22E			FY23E			FY24E
(₹ Crore)	Old	New	% Change	Old	New	% Change	Introduced
Revenue	12,224.8	12,374.5	1.2	12,953.9	13,042.5	0.7	14,233.7
EBITDA	2,328.1	2,459.2	5.6	2,524.4	2,577.1	2.1	2,775.6
EBITDA Margin (%)	19.0	19.9	83 bps	19.5	19.8	27 bps	19.5 Reduced as per management's guidance for ~ 19% margins
PAT	1,062.5	1,066.8	0.4	1,230.3	1,245.2	1.2	1,381.9 In line with operational performance
EPS (₹)	37.7	37.9	0.4	43.7	44.2	1.2	49.1

Source: ICICI Direct Research

**Exhibit 3: Assumptions**

	Current				Earlier			Comments
(₹ crore)	FY20	FY21	FY22E	FY23E	FY24E	FY22E	FY23E	
US	3,140.4	3,076.4	3,080.1	3,353.1	3,621.4	3,171.6	3,430.1	
Europe	1,248.4	1,327.6	1,447.2	1,631.0	1,826.7	1,447.9	1,665.1	
India	3,202.2	3,536.5	4,189.4	4,258.3	4,748.5	4,104.5	4,165.0	
Latin America	535.6	422.6	403.9	441.0	463.0	434.9	456.6	
RoW markets	1,285.4	1,262.8	1,740.0	1,841.5	1,933.6	1,692.0	1,717.4	
API	1,023.9	1,207.3	1,283.6	1,386.3	1,497.2	1,323.1	1,429.0	

Source: ICICI Direct Research

**Exhibit 4: Financial Summary**

	Revenues	Growth	Adj. EPS	Growth	P/E	EV/EBITDA	RoNW	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY21	10944	2.8	32.9	24.6	14.1	8.3	13.1	13.9
FY22E	12375	13.1	44.2	34.5	12.8	6.4	13.1	15.5
FY23E	13043	5.4	44.2	0.0	11.0	5.8	11.7	15.2
FY24E	14234	9.1	49.1	11.0	9.9	5.1	11.6	15.4

Source: ICICI Direct Research

**Exhibit 5: Revenue Breakup**

	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E	CAGR (FY16-21) %	(FY21-24E) %
US	2420	3701	3208	3139	3140	3076	3080	3353	3621	CAGR 4.9%	CAGR 5.6%
India	2102	2304	2514	2777	3202	3537	4189	4258	4748	CAGR 11.0%	CAGR 10.3%
Europe	717	710	906	1121	1248	1328	1447	1631	1827	CAGR 13.1%	CAGR 11.2%
Latin America	750	518	407	418	536	423	404	441	463	-CAGR 10.8%	CAGR 3.1%
RoW markets	903	989	1099	1276	1285	1263	1740	1841	1934	CAGR 6.9%	CAGR 15.3%
API	668	809	878	949	1024	1207	1284	1386	1497	CAGR 12.6%	CAGR 7.4%

Source: ICICI Direct Research

**Exhibit 6: Trends in Quarterly Performance**

(₹ Crore)	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	YoY (%)	QoQ (%)
Total Operating Income	2555.0	2563.5	2322.9	2815.0	2735.6	2767.5	2344.8	2952.5	2786.8	2859.9	2964.9	3147.4	3173.4	13.9	0.8
Raw Material Expenses	862.0	860.7	810.1	986.1	926.3	976.1	808.4	1040.7	911.4	938.4	1139.0	1143.6	1071.9	17.6	-6.3
% of revenue	33.7	33.6	34.9	35.0	33.9	35.3	34.5	35.2	32.7	32.8	38.4	36.3	33.8		
Gross Profit	1693.0	1702.8	1512.8	1828.9	1809.2	1791.4	1536.4	1911.8	1875.4	1921.5	1825.9	2003.9	2101.5	12.1	4.9
Gross Profit Margin (%)	66.3	66.4	65.1	65.0	66.1	64.7	65.5	64.8	67.3	67.2	61.6	63.7	66.2	-107 bps	256 bps
Employee Expenses	503.1	494.6	486.7	686.6	557.2	524.2	509.6	700.3	596.6	537.2	596.4	687.3	586.0	-1.8	-14.7
% of revenue	19.7	19.3	21.0	24.4	20.4	18.9	21.7	23.7	21.4	18.8	20.1	21.8	18.5		
Other Manufacturing Expense	755.3	844.0	684.2	691.9	811.9	801.5	548.7	658.7	748.7	860.9	655.9	726.4	822.4	9.8	13.2
% of revenue	29.6	32.9	29.5	24.6	29.7	29.0	23.4	22.3	26.9	30.1	22.1	23.1	25.9		
Total Expenditure	2120.4	2199.3	1981.0	2364.6	2295.5	2301.8	1866.7	2399.7	2256.7	2336.5	2391.3	2557.3	2480.3	9.9	-3.0
% of revenue	83.0	85.8	85.3	84.0	83.9	83.2	79.6	81.3	81.0	81.7	80.7	81.2	78.2		
EBITDA	434.7	364.1	341.9	450.4	440.1	465.7	478.1	552.8	530.1	523.4	573.6	590.2	693.2	30.8	17.4
EBITDA Margins (%)	17.0	14.2	14.7	16.0	16.1	16.8	20.4	18.7	19.0	18.3	19.3	18.8	21.8	282 bps	309 bps
Depreciation	83.1	81.0	90.7	94.2	106.0	126.3	113.2	104.1	115.2	111.1	113.1	123.2	118.9	3.2	-3.5
Interest	88.5	81.9	93.0	89.8	96.1	98.5	93.7	80.6	95.4	83.3	75.6	68.9	66.7	-30.1	-3.3
Other Income	-109.0	39.1	1.7	80.8	33.0	44.1	58.5	-31.9	15.1	8.5	58.6	-13.1	13.9	-7.9	-206.3
Forex & EO	0.0	0.0	0.0	0.0	0.0	32.9	28.0	3.1	13.4	0.0	0.0	0.0	-178.4		
PBT	154.0	240.3	159.8	347.3	271.0	318.0	357.6	339.4	348.0	337.5	443.6	385.0	343.0	-1.4	-10.9
Total Tax	37.7	78.6	50.6	91.8	80.1	97.7	103.6	105.4	99.8	103.6	137.0	110.2	103.3	3.5	-6.2
Tax rate (%)	24.5	32.7	31.6	26.4	29.6	30.7	29.0	31.1	28.7	30.7	30.9	28.6	30.1	143 bps	150 bps
PAT	116.3	161.7	109.3	255.5	190.8	220.3	254.0	234.0	248.2	233.9	306.5	274.8	239.8	-3.4	-12.8
Adjusted PAT	116.3	161.7	109.3	255.5	190.8	187.4	226.1	230.9	234.8	233.9	306.5	274.8	418.1	78.1	52.2
EPS (₹)	4.1	5.7	3.9	9.1	6.8	6.7	8.0	8.2	8.3	8.3	10.9	9.8	14.8		

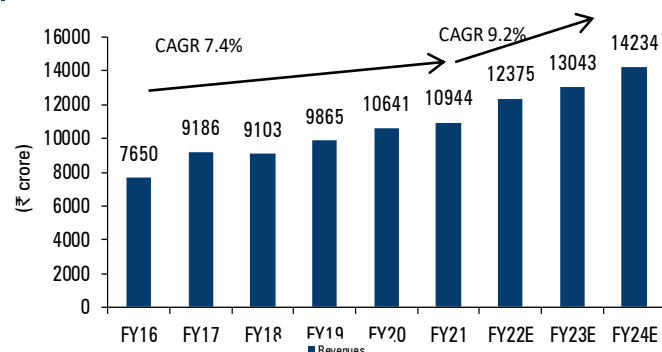
Source: ICICI Direct Research

**Exhibit 7: Valuation**

Particulars	FY24E EPS	Multiple (x)	Per share (₹)
Glenmark (ex API)	34.0	9.0	305.9
API			
Targeted Market Cap			6,518
Glenmark's Holding			82.9%
Holding Company Discount			45.0%
API valuation			2970
Per share valuation			242
<b>SOTP valuation</b>			<b>550</b>
Upside			13%

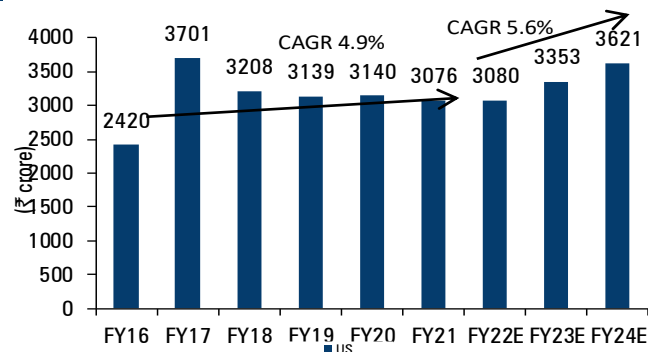
Source: ICICI Direct Research, Bloomberg

**Exhibit 8: Revenues to grow at CAGR of 9.2% over FY21-24E**



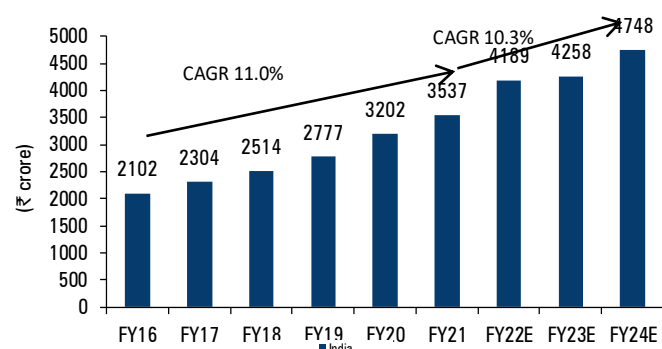
Source: ICICI Direct Research, Company

**Exhibit 9: US to grow at CAGR of 5.6% over FY21-24E**



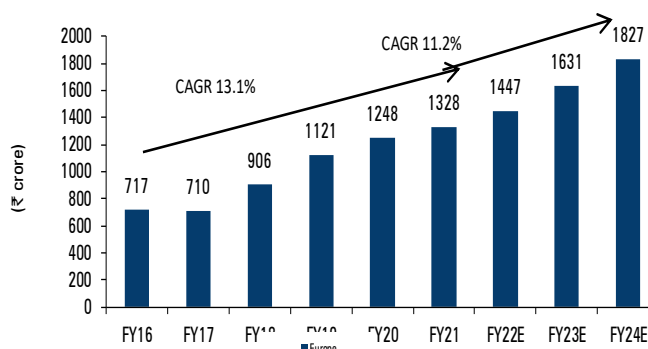
Source: ICICI Direct Research, Company

**Exhibit 10: India to grow at CAGR of ~10.3% over FY21-24E**



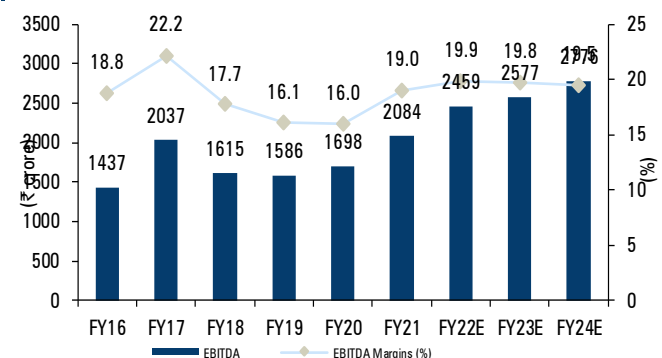
Source: ICICI Direct Research, Company

**Exhibit 11: Europe to grow at CAGR of 11.2% over FY21-24E**



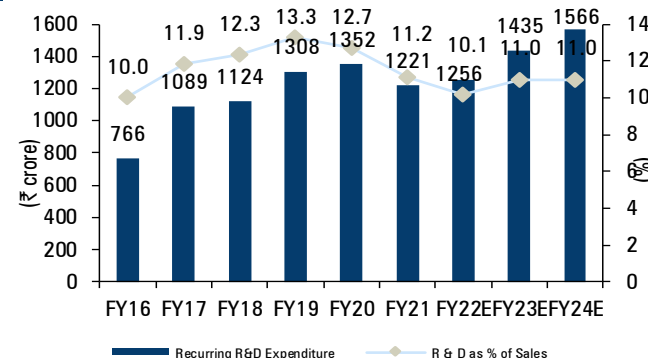
Source: ICICI Direct Research, Company

**Exhibit 12: EBITDA & EBITDA margins trend**



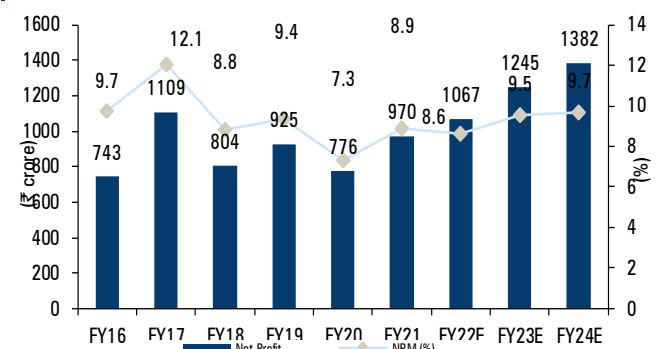
Source: ICICI Direct Research, Company

**Exhibit 13: R&D and R&D as percentage of sales**



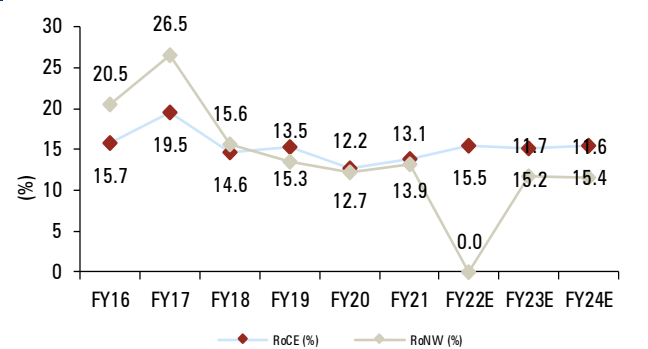
Source: ICICI Direct Research, Company

**Exhibit 14: PAT & PAT margins trend**



Source: ICICI Direct Research, Company

**Exhibit 15: RoE & RoCE trend**



Source: ICICI Direct Research, Company

**Exhibit 16: ICICI Direct Coverage Universe (Healthcare)**

Company	I-Direct	CMP	TP	Rating	M Cap	EPS (₹)				PE(x)				RoCE (%)				RoE (%)			
	Code	(₹)	(₹)		(₹ cr)	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E
Hospitals																					
Apollo Hospitals	APOHOS	4549	5,480	Buy	65402	22.6	7.9	66.6	80.7	201.4	578.7	68.3	56.4	10.2	6.3	16.3	18.1	9.7	2.5	17.3	18.0
Narayana Hrudalaya	NARHRU	648	765	Buy	13232	6.4	-0.7	17.4	19.9	102.0	NA	37.2	32.5	11.0	1.2	21.0	22.3	11.4	-1.3	24.4	22.1
Shalby	SHALIM	138	170	Buy	1491	2.6	3.9	5.9	5.8	54.1	35.2	23.3	23.8	7.2	6.5	8.9	9.6	3.5	5.1	7.2	6.7
Aster DM	ASTDM	182	250	Buy	9094	5.7	3.0	10.5	17.5	31.9	61.5	17.3	10.4	7.2	5.4	9.2	12.8	8.7	4.4	13.5	18.4
Healthcare Global	HEAGLO	238	240	Hold	2989	-12.0	-21.7	15.6	8.4	NA	NA	15.3	28.3	1.0	-0.9	7.6	10.4	NA	NA	NA	7.2
MNC Pharma																					
Abbott India	ABBIND	16192	19,840	Buy	34407	279.0	325.0	370.4	429.0	58.0	49.8	43.7	37.7	30.7	33.8	35.7	34.4	24.4	26.5	28.1	26.8
P&G Health	MERLIM	4866	5,365	Hold	8078	102.0	106.5	110.9	119.1	47.7	45.7	43.9	40.8	24.0	32.2	35.5	33.3	18.7	25.1	27.4	25.5
Sanofi India	SANOFI	7264	9,800	Buy	16729	179.8	207.4	431.8	280.0	40.4	35.0	16.8	25.9	26.0	32.3	34.2	41.9	19.4	24.5	22.2	33.5
Pfizer	PFIZER	4375	5,350	Buy	20015	111.3	108.8	135.2	133.0	39.3	40.2	32.4	32.9	18.5	27.6	27.4	23.6	15.0	20.8	21.7	18.6
Pharma																					
Ajanta Pharma	AJAPHA	2046	2,605	Buy	17706	53.4	74.0	86.1	86.7	38.3	27.6	23.8	23.6	24.7	29.0	27.2	23.7	18.1	21.8	22.5	19.4
Alembic Pharma	ALEMPHA	738	770	Hold	14505	44.4	59.9	34.4	34.9	16.6	12.3	21.5	21.2	21.0	24.2	12.3	12.3	27.1	23.0	12.1	11.2
Aurobindo Pharma	AURPHA	695	765	Hold	40723	48.8	55.0	46.4	55.6	14.3	12.6	15.0	12.5	17.2	16.9	13.1	14.7	17.0	14.7	11.1	11.8
Biocon	BIOCON	394	410	Hold	47286	5.8	6.1	5.9	9.5	67.7	64.7	67.1	41.5	10.2	7.6	7.9	10.2	10.4	9.6	8.6	12.3
Cadila Healthcare	CADHEA	385	475	Hold	39373	14.0	21.5	20.9	21.8	27.5	17.9	18.4	17.6	10.7	12.6	13.4	13.4	13.8	16.9	14.7	13.7
Cipla	CIPLA	956	1,100	Buy	77089	19.2	29.9	37.1	40.3	49.7	32.0	25.7	23.7	12.0	16.3	18.8	18.3	9.8	13.1	14.5	14.0
Dr Reddy's Labs	DRREDD	4219	5,160	Buy	70214	121.7	117.3	163.6	192.9	34.7	36.0	25.8	21.9	9.6	13.1	16.1	18.8	13.0	11.1	13.6	14.1
Glenmark Pharma	GLEPHA	483	550	Hold	13629	26.4	32.9	44.2	44.2	18.3	14.7	10.9	10.9	12.7	13.9	15.5	15.2	12.2	13.1	13.1	11.7
Ipca Laboratories	IPCLAB	974	1,245	Hold	24713	23.8	44.9	39.1	47.9	41.0	21.7	24.9	20.3	17.6	27.1	20.6	20.9	16.6	24.2	17.5	17.7
Jubilant Pharmova	JUBLIF	457	490	Hold	7281	44.6	37.4	28.7	32.5	10.2	12.2	15.9	14.1	11.7	13.7	10.1	10.4	12.7	12.6	8.9	9.2
Lupin	LUPIN	769	960	Hold	34905	-12.7	26.9	16.2	30.2	NA	28.6	47.4	25.5	9.7	9.1	6.1	10.5	-4.6	8.8	5.8	9.6
Natco Pharma	NATPHA	919	925	Hold	16758	25.3	24.2	17.1	20.1	36.4	38.0	53.8	45.6	14.0	13.1	8.4	9.9	12.2	10.7	7.2	8.0
Sun Pharma	SUNPHA	873	1,075	Buy	209462	16.8	30.0	32.9	33.6	52.0	29.1	26.5	26.0	10.0	14.2	17.4	16.9	8.9	15.5	15.2	13.6
Torrent Pharma	TORPHA	2588	3,235	Hold	43791	60.6	74.0	70.4	95.6	42.7	35.0	36.8	27.1	15.4	17.7	18.8	21.2	21.2	21.4	17.7	20.3
Indoco Remedies	INDREM	364	510	Buy	3350	2.6	10.1	16.5	23.3	138.9	36.0	22.0	15.6	4.6	11.7	17.9	21.5	3.5	12.1	16.9	19.8
Caplin Point	CAPPOI	772	1,010	Buy	5848	17.2	81.7	76.7	55.5	44.9	9.4	10.1	13.9	25.4	25.6	24.1	23.5	22.7	20.4	20.5	18.8
Advanced Enzymes	ADVENZ	306	380	Buy	3416	11.6	13.1	11.3	13.6	26.4	23.4	27.2	22.5	19.6	19.4	15.4	16.7	15.4	15.1	11.6	12.4
Hester Biosciences	HESPHA	2386	2,780	Hold	2030	34.3	44.4	47.2	52.0	69.6	53.8	50.6	45.9	14.0	16.2	12.8	14.3	14.5	16.5	15.5	15.1
API/CRAMS																					
Divi's Lab	DIVLAB	4276	5,335	Buy	113517	51.9	74.7	109.9	108.9	82.5	57.2	38.9	39.3	23.9	27.6	30.5	27.6	18.8	21.3	25.7	21.7
Hikal	HIKCHE	415	640	Buy	5117	8.1	10.8	17.2	21.4	51.3	38.4	24.1	19.4	12.8	15.1	17.7	18.5	12.2	14.3	18.7	19.1
Syngene Int.	SYNINT	573	710	Buy	22950	10.3	10.1	9.4	13.1	55.6	56.6	60.8	43.7	14.5	11.5	12.4	14.9	16.8	13.5	12.8	14.2
Granules India	GRANUL	305	360	Buy	7560	12.4	22.2	16.2	19.4	24.6	13.8	18.8	15.7	15.2	24.0	16.2	17.4	16.7	25.3	15.8	16.1
Laurus Labs	LAULAB	540	625	Buy	29009	4.8	18.3	15.1	20.7	113.6	29.5	35.8	26.0	13.0	31.7	21.3	24.3	14.4	37.9	24.3	25.7
Suven Pharmaceuticals	SUVPH	503	555	Hold	12803	12.5	14.2	18.3	17.7	40.4	35.3	27.5	28.5	35.6	31.2	35.0	28.7	37.5	30.7	29.6	23.2

Source: ICICI Direct Research

## Financial Summary

Exhibit 17: Profit and loss statement					₹ crore
(Year-end March)	FY21	FY22E	FY23E	FY24E	
<b>Revenues</b>	<b>10,943.9</b>	<b>12,374.5</b>	<b>13,042.5</b>	<b>14,233.7</b>	
Growth (%)	2.8	13.1	5.4	9.1	
Raw Material Expenses	3,698.8	4,404.6	4,434.5	4,768.3	
Employee Expenses	2,343.7	2,487.5	2,608.5	2,846.7	
Other Manufacturing Expenses	2,817.0	3,023.2	3,422.5	3,843.1	
Total Operating Expenditure	8,859.6	9,915.3	10,465.4	11,458.1	
<b>EBITDA</b>	<b>2,084.4</b>	<b>2,459.2</b>	<b>2,577.1</b>	<b>2,775.6</b>	
Growth (%)	22.7	18.0	4.8	7.7	
Interest	353.1	277.9	259.9	223.9	
Depreciation	443.6	474.1	501.2	538.7	
Other Income	50.2	73.1	65.2	71.2	
PBT before Exceptional Items	1,337.9	1,780.3	1,881.2	2,084.2	
PBT	1,382.5	1,601.9	1,881.2	2,084.2	
Total Tax	412.4	480.1	555.0	614.8	
PAT before MI	970.1	1,121.9	1,326.3	1,469.4	
<b>PAT</b>	<b>970.1</b>	<b>1,066.8</b>	<b>1,245.2</b>	<b>1,381.9</b>	
Adjusted PAT	925.5	1,245.1	1,245.2	1,381.9	
Growth (%)	24.6	34.5	0.0	11.0	
<b>EPS (Adjusted)</b>	<b>32.9</b>	<b>44.2</b>	<b>44.2</b>	<b>49.1</b>	

Source: Company, ICICI Direct Research

Exhibit 18: Cash flow statement					₹ crore
(Year-end March)	FY21	FY22E	FY23E	FY24E	
Profit/(Loss) after taxation	872.2	1,066.8	1,245.2	1,381.9	
Add: Depreciation & Amortization	443.6	474.1	501.2	538.7	
Net Increase in Current Assets	-546.3	-940.3	-373.8	-688.1	
Net Increase in Current Liabilities	160.5	207.4	185.7	293.6	
Others	201.3	277.9	259.9	223.9	
<b>CF from operating activities</b>	<b>1,131.2</b>	<b>1,085.9</b>	<b>1,818.3</b>	<b>1,749.9</b>	
(Inc)/dec in Fixed Assets	-675.3	-650.0	-650.0	-650.0	
(Inc)/dec in Investments	0.0	0.0	0.0	0.0	
Others	13.8	424.2	-61.7	-64.6	
<b>CF from investing activities</b>	<b>-661.5</b>	<b>-225.8</b>	<b>-711.7</b>	<b>-714.6</b>	
Inc / (Dec) in Equity Capital	0.0	0.0	0.0	0.0	
Inc / (Dec) in Loan Funds	-77.7	-1,400.0	-400.0	-400.0	
Other	-364.1	664.1	-358.4	-336.5	
<b>CF from financing activities</b>	<b>-441.8</b>	<b>-735.9</b>	<b>-758.4</b>	<b>-737</b>	
Net Cash flow	27.9	124.2	348.1	298.7	
Opening Cash	1,111.2	1,139.2	1,263.3	1,611.5	
<b>Closing Cash</b>	<b>1,139.2</b>	<b>1,263.3</b>	<b>1,611.5</b>	<b>1,910.2</b>	
<b>Free Cash Flow</b>	<b>455.9</b>	<b>435.9</b>	<b>1,168.3</b>	<b>1,099.9</b>	
FCF Yield	3%	3%	9%	8%	

Source: Company, ICICI Direct Research

Exhibit 19: Balance Sheet					₹ crore
(Year-end March)	FY21	FY22E	FY23E	FY24E	
Equity Capital	28.2	28.2	28.2	28.2	
Reserve and Surplus	7,036.4	9,475.5	10,622.2	11,891.4	
Total Shareholders fund	7,064.6	9,503.7	10,650.4	11,919.6	
Total Debt	4,687.4	3,287.4	2,887.4	2,487.4	
Deferred Tax Liability	28.7	31.6	34.8	38.3	
Minority Interest	-0.4	55.1	57.8	60.7	
Other Non Current Liabilities	420.9	442.0	464.1	487.3	
<b>Source of Funds</b>	<b>12,201.4</b>	<b>13,319.8</b>	<b>14,094.5</b>	<b>14,993.3</b>	
Gross Block - Fixed Assets	8,673.6	9,173.6	10,023.6	10,773.6	
Accumulated Depreciation	3,602.7	4,076.9	4,578.0	5,116.7	
Net Block	6,452.5	6,628.4	6,777.2	6,888.5	
Goodwill on Consolidation	58.0	58.0	58.0	58.0	
Investments	24.6	24.6	24.6	24.6	
Inventory	2,276.8	2,689.5	2,829.9	3,088.3	
Cash	1,139.2	1,263.3	1,611.5	1,910.2	
Debtors	2,572.1	2,958.4	3,112.8	3,397.1	
Other Current Assets	1,371.5	1,512.8	1,591.8	1,737.2	
Total Current Assets	7,359.6	8,424.1	9,146.0	10,132.8	
Creditors	2,237.8	2,386.9	2,511.5	2,740.9	
Provisions & Other CL	1,164.6	1,222.9	1,284.0	1,348.2	
Total Current Liabilities	3,402.4	3,609.8	3,795.5	4,089.1	
Net Current Assets	3,957.2	4,814.3	5,350.4	6,043.7	
LT L& A, Other Assets	174.4	183.1	192.3	201.9	
Deferred Tax Assets	1,534.7	1,611.4	1,692.0	1,776.6	
<b>Application of Funds</b>	<b>12,201.4</b>	<b>13,319.8</b>	<b>14,094.5</b>	<b>14,993.3</b>	

Source: Company, ICICI Direct Research

Exhibit 20: Key ratios					
(Year-end March)	FY21	FY22E	FY23E	FY24E	
<b>Per share data (₹)</b>					
Adj EPS	32.9	44.2	44.2	49.1	
BV	250.9	337.5	378.2	423.3	
DPS	2.5	3.0	3.5	4.0	
Cash Per Share	127.9	144.8	162.6	181.7	
<b>Operating Ratios (%)</b>					
Gross Margin	66.2	64.4	66.0	66.5	
EBITDA margins	19.0	19.9	19.8	19.5	
Net Profit margins	8.5	10.1	9.5	9.7	
Inventory days	76	79	79	79	
Debtor days	86	87	87	87	
Creditor days	75	70	70	70	
Asset Turnover	1.3	1.3	1.3	1.3	
EBITDA conversion Rate	54.3	44.2	70.6	63.0	
<b>Return Ratios (%)</b>					
RoE	13.1	13.1	11.7	11.6	
RoCE	13.9	15.5	15.2	15.4	
RoIC	16.9	18.9	18.6	18.9	
<b>Valuation Ratios (x)</b>					
P/E	14.1	12.8	11.0	9.9	
EV / EBITDA	8.3	6.4	5.8	5.1	
Market Cap / Sales	1.2	1.1	1.0	1.0	
Price to Book Value	1.9	1.4	1.3	1.1	
<b>Solvency Ratios</b>					
Debt / Equity	0.7	0.3	0.3	0.2	
Debt / EBITDA	2.2	1.3	1.1	0.9	
Current Ratio	1.8	2.0	2.0	2.0	

Source: Company, ICICI Direct Research

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