

Margin pressure continues; triggers for US awaited...

About the stock: Lupin is a multinational pharma company engaged in manufacturing & marketing branded & generic formulations, APIs, biotech products as well as OTC medicines across multiple dosage forms & therapeutic categories.

- It is the third largest generic player (by prescriptions) in the US with 168 generic products (market leader: 52 products; Top 3: 122 products) along with being the sixth largest company in the Indian pharmaceutical market
- Lupin is recently going through a rough patch, especially on the US generics front due to plant compliance issues besides margins pressure

Q3FY22 Results: Lupin's revenues were in line driven by India and US while margins were impacted due to one-off expenses and continued price erosion in US.

- Sales were up 3.6% YoY to ₹ 4160.9 crore
- EBITDA was at ₹ 370.7 crore, down 52.4% YoY with margins at 8.9% (ex-onetime expense EBITDA margins ~ 13.6%)
- Adjusted PAT was at ₹ 548.6 crore (up 25.2% YoY)

What should investors do? Lupin's share price has de-grown by ~0.6x over the past five years (from ~₹ 1474 in Feb 2017 to ~₹ 871 levels in Feb 2022).

- We retain HOLD rating on the stock as high price erosion in the US is likely to persist in near to medium term while we await regulatory clearances and key high value complex launches in US to offset margin pressure

Target Price and Valuation: Valued Lupin at ₹ 960 i.e. 24x FY24E EPS of ₹ 40

Key triggers for future price performance:

- Resolving regulatory challenges and speeding up approvals (guidance for seven launches from Goa plant while another 20 in pipeline), planned key high value launches from pipeline: Tiotropium, Suprep, bPegfilgrastim, etc
- Lupin plans to strengthen the biosimilars portfolio across especially in EU and US apart from continued respiratory traction (gAlbuterol and Brovana) in US. Change in mix towards complex products to improve margin profile
- Its tie-ups with Eli Lilly, Boehringer for anti-diabetics and with MSD for pneumonia vaccines will help bolster domestic franchise
- Expansion in CNS, derma in domestic formulations along with progress on inorganic opportunities for growth and traction in diagnostic business

Alternate Stock Idea: Apart from Lupin, in our healthcare coverage we like Cipla.

- Cipla has a long-drawn strategy of targeting four verticals viz. One-India, South Africa & EMs, US generics & specialty and lung leadership
- BUY with a target price of ₹ 1100



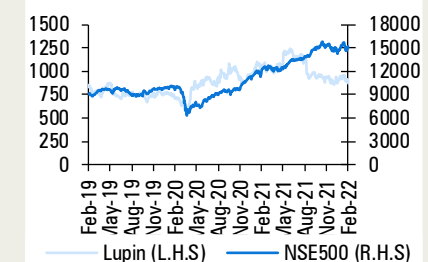
Particulars

Particular	Amount
Market Capitalisation	₹ 39567 crore
Debt (FY21)	₹ 3870 crore
Cash (FY21)	₹ 457 crore
EV	₹ 42981 crore
52 week H/L (₹)	1268/854
Equity capital	₹ 90.8 crore
Face value (₹)	₹ 2

Shareholding pattern

(in %)	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
Promoter	46.9	46.9	46.8	46.8	46.8
Others	53.1	53.1	53.2	53.2	53.2

Price Chart



Recent Event & Key risks

- Acquisition of brands of Anglo-French Drugs in VMNS
- Key Risk:** (i) Delay in resolution of warning letters, OALs (ii) Normalisation in US price erosion

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Key Financial Summary

Key Financials (₹ Crore)	FY20	FY21	5 year CAGR (FY16-21)	FY22E	FY23E	FY24E	3 year CAGR (FY21-24E)
Revenues	16393.1	15163.3	1.2	16648.1	17482.1	19504.0	8.8
EBITDA	2549.7	2555.5	-7.1	2413.8	2717.6	3324.4	9.2
EBITDA margins (%)	15.6	16.9		14.5	15.5	17.0	
Net Profit	-575.0	1216.5	-11.7	734.2	1367.7	1812.2	14.2
EPS (₹)	-12.7	26.9		16.2	30.2	40.0	
PE (x)	-131.3	32.4		NA	28.9	21.8	
EV to EBITDA (x)	16.1	15.7		16.7	14.2	11.2	
RoNW (%)	-4.6	8.8		5.8	9.6	11.4	
RoCE (%)	9.7	9.1		6.1	10.5	12.8	

Source: Company, ICICI Direct Research

Key takeaways of recent quarter & conference call highlights

Q3FY22 Results: Revenue steady, Margins weak

- Revenues grew 3.6% YoY to ₹ 4160.9 crore wherein domestic formulations grew 7.8% YoY to ₹ 1473.3 crore. US revenues grew 9.4% YoY to ₹ 1577.5 crore while South Africa business grew a mere 1.1% YoY to ₹ 154.7 crore and RoW markets grew remained steady YoY at ₹ 438.1 crore. Amid higher base, API de-grew 25.4% YoY to ₹ 256.4 crore. EBITDA margins were down 1047 bps YoY at ~8.9% against I-direct estimate of 16%. EBITDA de-grew 52.4% YoY to ₹ 370.7 crore due to one-time costs of ₹ 193.2 crores, related to residual metformin returns and provision for aged stock returns of Oseltamivir. Adjusted PAT grew 25.2% YoY to ₹ 548.6 crore. Delta vis-à-vis EBITDA was mainly due to credit in tax line on count of one-time items in Q2 creating a negative impact on the overall profitability for 9MFY22
- Lupin's performance was skewed while revenues were in line. Both margins and profitability were a miss due to one-time expenses related to residual metformin returns and provision for aged stock returns of Oseltamivir. Lupin's inhalation portfolio continues to build market share in US and registered good growth despite pricing and demand challenges on seasonal products while India also posted steady numbers. Resolution of warning letters and clearance of official action Indicated status on plants could be the near term overhang along with progress on the margins front

Q3FY22 Earnings Conference Call highlights

- During the quarter, the company booked a one-time expenses of ₹ 193.2 crore related to residual metformin returns and provision for aged stock returns of Oseltamivir
- North America:** Albuterol has achieved a market share of 20% and Brovana is also gaining traction but management has guided for pricing pressures to sustain in the base business going ahead in the near term
- The management indicated at launches lined up from H2FY23 in the FTF space like Tiotropium and Suprep and likes of bPegflgrastim and Linalidomide are most likely to follow in FY24
- Lupin intends to launch seven new products from the Goa plant in US and has another 20 new products pending approval from Goa
- Filed three ANDAs in Q3 and received three approvals from the USFDA while launching two new products in Q3FY22
- Lupin has submitted response for Pithampur (unit-II), and Tarapur and is awaiting a reply from USFDA
- India:** One launch in respiratory segment and two in cardiac segment
- The management indicated at growth opportunities in therapies of CNS, dermatology while also evaluating in-organic route for growth
- R&D expenses for Q3FY22 were at ₹ 354.6 crore. Lupin is evaluating spinning off the NCE business, which includes a high share of R&D expense

Exhibit 1: Variance Analysis

(₹ crore)	Q3FY22	Q3FY22E	Q3FY21	YoY (%)	Q2FY22	QoQ (%)	Comments
Revenue	4,160.9	4,214.6	4,017.4	3.6	4,091.3	1.7	YoY revenues mainly driven by strong growth in domestic business and US
Raw Material Expenses	1,694.6	1,622.6	1,375.0	23.2	1,626.5	4.2	
as % of sales	40.7	38.5	34.2	650 bps	39.8	97 bps	Gross margins at 59.3% against 60.2% in Q2FY22, sequential decline of 0.5% due to inflation and 0.3% due to sales mix
Employee Expenses	743.8	781.5	706.8	5.2	758.6	-2.0	
Other Expenditure	1,351.8	1,138.0	1,156.9	16.8	1,142.5	18.3	
EBITDA	370.7	672.6	778.7	-52.4	563.7	-34.2	
EBITDA (%)	8.9	16.0	19.4	-1047 bps	13.8	-487 bps	₹ 193.2 crore of one time expenses related to residual metformin returns and provision for aged stock returns of Oseltamivir (Ex-onetime expense EBITDA margins ~ 13.6%)
Interest	33.4	34.4	30.9	8.0	34.4	-3.0	
Depreciation	203.4	234.0	244.3	-16.7	919.3	-77.9	
Other Income	34.1	28.9	21.2	60.9	72.8	-53.2	
Less: Exceptional Items	0.0	0.0	0.0	NA	1,879.6	NA	
PBT	167.0	433.0	524.7	-68.2	-2,196.8	-107.6	
Tax	-382.0	114.7	83.5	-557.5	-109.9	247.6	Credit in tax line on count of one-time items in last quarter creating a negative impact on the overall profitability for 9MFY22.
PAT before MI	549.0	318.2	441.2	24.4	-2,086.9	-126.3	
Minority Interest	3.6	-0.5	3.1	14.8	3.2	12.3	
Net Profit	545.5	318.9	438.3	24.5	-2,090.0	-126.1	
Adjusted PAT	548.6	318.9	438.3	25.2	-304.5	-280.2	Profitability a miss due to one off expense of ₹ 193.2 crore and tax credit
Key Metrics							
India	1,473.3	1,503.6	1,366.9	7.8	1,543.5	-4.5	YoY growth amid double digit growth in Respiratory, Gynaec and VMS
US	1,577.5	1,470.0	1,442.4	9.4	1,429.1	10.4	YoY growth mainly driven by Albuterol, which is now at ~ 20% market share
South Africa	154.7	172.3	153.1	1.1	180.7	-14.4	
ROW markets	438.1	480.7	437.0	0.3	414.6	5.7	
API	256.4	309.4	343.8	-25.4	267.8	-4.3	YoY decline mainly due to lower demand

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY22E			FY23E			FY24E	Comments
	Old	New	% Change	Old	New	% Change	Introduced	
Revenue	16,799.2	16,648.1	-0.9	18,060.2	17,482.1	-3.2	19,504.0	Decreased mainly because offtake in US is likely in FY23 end
EBITDA	2,837.7	2,413.8	-14.9	3,232.2	2,717.6	-15.9	3,324.4	
EBITDA Margin	16.9	14.5	-239 bps	17.9	15.5	-235 bps	17.0	Changed mainly due sustained pricing pressure in US
PAT	-908.7	-748.0	-17.7	1,697.5	1,367.7	-19.4	1,812.2	Changed mainly in sync with operational performance
EPS (₹)	-20.1	-16.5	-17.7	37.5	30.2	-19.4	40.0	

Source: ICICI Direct Research

Exhibit 3: Assumptions

(₹ crore)	Current			Earlier			Comments
	FY20	FY21	FY22E	FY23E	FY22E	FY23E	
India	5,138.6	5,271.2	6,068.3	6,518.3	6,162.9	6,787.9	India business likely to continue on its growth trajectory organically as well as by inorganic route
US	5,821.3	5,552.0	5,885.8	6,221.9	5,778.3	6,314.7	Changed due to higher price erosion, complex launches to pan out in FY24
EMEA (Ex South Africa)	651.8	681.4	663.3	732.0	659.3	727.7	
South Africa	584.5	596.6	687.1	730.8	721.9	798.1	
ROW markets	1,451.0	1,443.5	1,639.4	1,828.3	1,671.5	1,864.4	
API	1,300.0	1,382.3	1,064.0	1,170.4	1,129.8	1,242.8	Changed mainly due to lower than expected sales in Q3FY22

Source: ICICI Direct Research

Exhibit 4: Financial Summary

	Revenues	Growth	EPS	Growth	P/E	EV/EBITDA	RoNW	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY21	15163	-7.5	26.9	NA	32.4	15.7	8.8	9.1
FY22E	16648	9.8	16.2	NA	NA	16.7	5.8	6.1
FY23E	17482	5.0	30.2	86.3	28.9	14.2	9.6	10.5
FY24E	19504	11.6	40.0	32.5	21.8	11.2	11.4	12.8

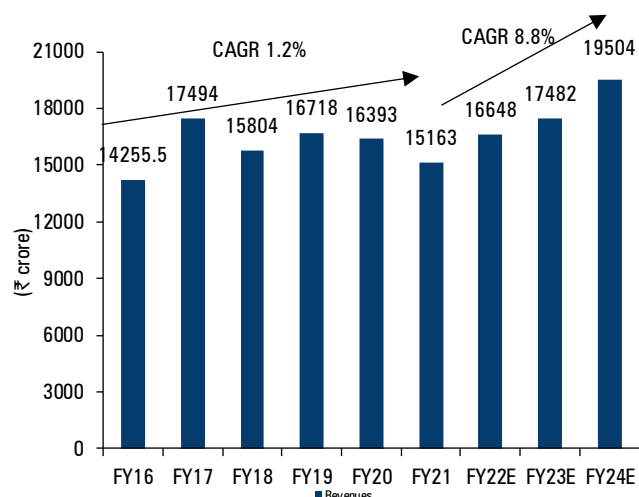
Source: ICICI Direct Research

Exhibit 5: Trends in Quarterly Performance

(₹ crore)	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	YoY (%)	QoQ (%)
US	1417.4	1740.6	1541.2	1324.4	1376.6	1579.1	1216	1398.4	1442.4	1495.2	1333	1429.1	1577.5	9.4	10.4
EMEA (Ex South Afric	142.3	168.7	140.4	172.2	151.5	187.7	150.5	192.1	174.1	164.7	118.7	167.7	187.5	7.7	11.8
Japan	568.8	549.1	558.1	510.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
India	1190.2	1052.5	1307.7	1341.9	1296.9	1192.1	1285.4	1332.3	1366.9	1286.6	1636.2	1543.5	1473.3	7.8	-4.5
South Africa	137.7	171.0	120.0	147.4	139.8	177.3	99.5	133.8	153.1	210.2	142.6	180.7	154.7	1.1	-14.4
RoW	348.8	352.8	339.5	351.2	434.0	326.2	308.2	351.3	437.0	347.0	387.6	414.6	438.1	0.3	5.7
API	362.4	291.2	348.9	305.2	317.3	328.6	409.0	373.9	343.8	255.6	245.9	267.8	256.4	-25.4	-4.3
Net Sales	4377.9	4325.9	4355.8	4296.9	3716.1	3791.0	3468.6	3781.8	3917.3	3759.3	4237.4	4003.4	4087.5	4.3	2.1
OOI	126.9	80.4	62.6	62.8	53.2	54.7	59.2	53.2	100.1	23.8	32.8	87.9	73.4	-26.6	-16.5
Revenues	4504.9	4406.3	4418.4	4359.7	3769.3	3845.7	3527.9	3835.0	4017.4	3783.1	4270.2	4091.3	4160.9	3.6	1.7
RM Cost	1601.0	1407.8	1550.0	1527.3	1359.3	1405.0	1288.0	1381.7	1375.0	1317.6	1528.0	1626.5	1694.6	23.2	4.2
% of Revenue	35.5	32.0	35.1	35.0	36.1	36.5	36.5	36.0	34.2	34.8	35.8	39.8	40.7		
Gross Profit	2903.9	2998.5	2868.4	2832.4	2410.0	2440.8	2239.9	2453.3	2642.4	2465.5	2742.2	2464.9	2466.3	-6.7	0.1
GPM (%)	64.5	68.0	64.9	65.0	63.9	63.5	63.5	64.0	65.8	65.2	64.2	60.2	59.3	-650	-97
Employee Cost	808.5	799.6	807.2	850.3	740.7	763.6	793.6	685.3	706.8	640.2	783.7	758.6	743.8	5.2	-2.0
% of Revenue	17.9	18.1	18.3	19.5	19.7	19.9	22.5	17.9	17.6	16.9	18.4	18.5	17.9	28.4	-66.6
Other expenditure	1341.6	1325.1	1199.9	1250.1	1239.2	1150.9	958.2	1186.8	1156.9	1117.8	1030.9	1142.5	1351.8	16.8	18.3
% of Revenue	29.8	30.1	27.2	28.7	32.9	29.9	27.2	30.9	28.8	29.5	24.1	27.9	32.5		
Total Expenditure	3751.1	3532.6	3557.2	3627.7	3339.2	3319.4	3039.8	3253.8	3238.6	3075.6	3342.6	3527.6	3790.2	17.0	7.4
% of Revenue	83.3	80.2	80.5	83.2	88.6	86.3	86.2	84.8	80.6	81.3	78.3	86.2	91.1	1047.4	486.8
EBITDA	753.8	873.8	861.2	732.0	430.1	526.3	488.1	581.2	778.7	707.6	927.6	563.7	370.7	-52.4	-34.2
EBITDA Margin (%)	16.7	19.8	19.5	16.8	11.4	13.7	13.8	15.2	19.4	18.7	21.7	13.8	8.9	-1047.4	-486.8
Other income	43.4	86.5	72.2	133.3	93.6	208.6	43.3	25.0	21.2	58.2	65.0	72.8	34.1	60.9	-53.2
Interest	79.8	85.5	85.6	86.5	88.6	107.4	44.3	33.6	30.9	31.8	33.5	34.4	33.4	8.0	-3.0
Depreciation	279.8	280.8	317.1	321.5	253.2	214.3	214.6	212.7	244.3	215.7	208.8	919.3	203.4	-16.7	-77.9
PBT	95.4	596.2	530.7	-89.1	-106.8	496.4	272.5	359.8	524.7	518.2	750.3	-2196.8	168.0	-68.0	-107.6
Tax	247.8	299.8	228.0	34.3	767.0	105.1	164.3	146.7	83.5	54.0	202.3	-109.9	-382.0	-557.5	247.6
Tax rate (%)	259.6	50.3	43.0	-38.5	-718.3	21.2	60.3	40.8	15.9	10.4	27.0	5.0	-227.4		
PAT	-152.4	296.4	302.7	-123.4	-873.8	391.3	108.1	213.1	441.2	464.2	548.0	-2086.9	550.0	24.7	-126.4
PAT Margin (%)	-3.4	6.7	6.9	-2.8	-23.2	10.2	3.1	5.6	11.0	12.3	12.8	-51.0	13.2		
Minority Interest	-4.2	6.8	-0.3	3.6	-7.5	1.7	1.8	2.5	3.1	4.0	5.7	3.2	3.6	14.8	12.3
PAT After MI	-148.1	289.6	303.1	-127.1	-866.3	389.6	106.3	210.6	438.1	460.2	542.3	-2090.1	546.4	24.7	-126.1
Adjusted PAT	194.1	288.4	303.1	419.4	122.4	324.1	106.9	211.0	438.3	460.4	542.5	-304.5	548.6	25.2	-280.2
EPS (₹)	4.3	6.4	6.7	9.2	2.7	7.1	2.4	4.6	9.6	10.1	11.9	-6.7	12.1		

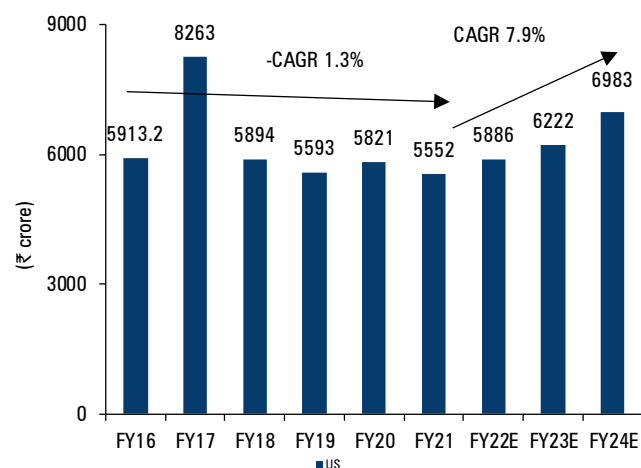
Source: ICICI Direct Research

Exhibit 6: Revenues to grow at CAGR of 8.8% over FY21-24E



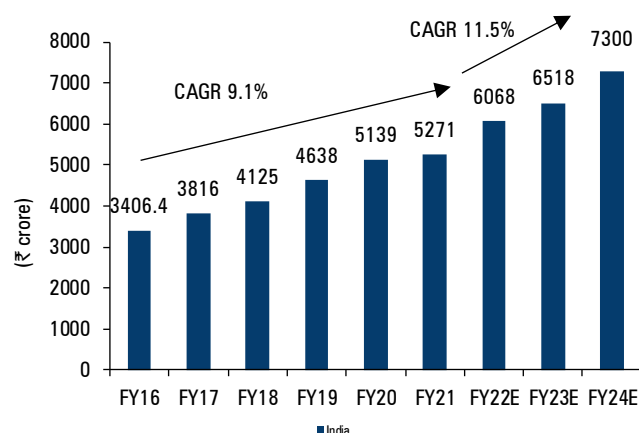
Source: ICICI Direct Research, Company

Exhibit 7: US to grow at CAGR of ~7.9% over FY21-24E



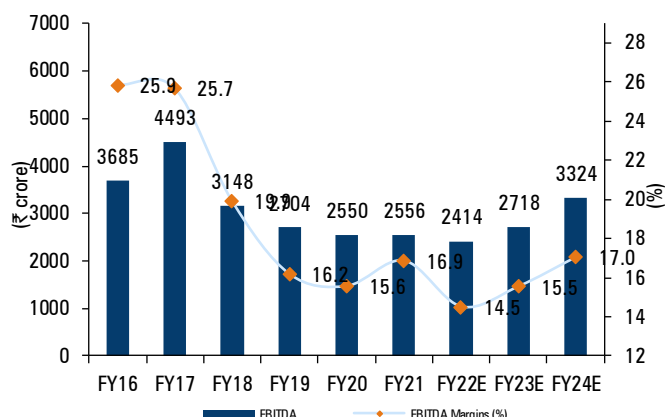
Source: ICICI Direct Research, Company

Exhibit 8: India to grow at CAGR of ~11.5% over FY21-24E



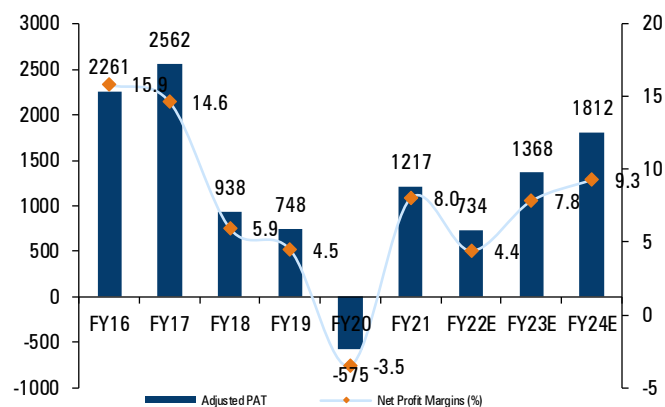
Source: ICICI Direct Research, Company

Exhibit 9: EBITDA & EBITDA margins trend



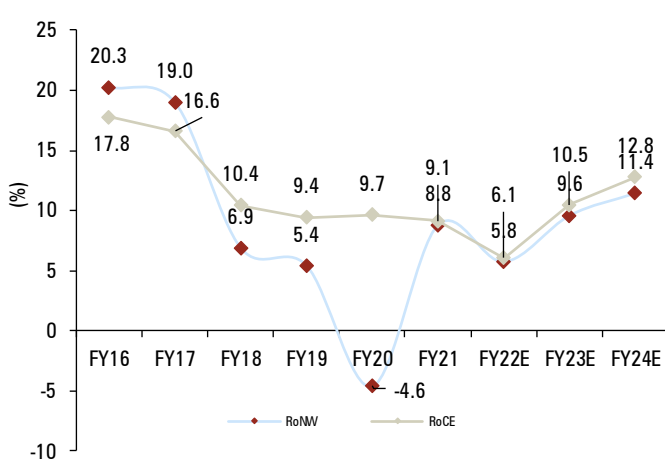
Source: ICICI Direct Research, Company

Exhibit 10: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 11: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 12: ICICI Direct Coverage Universe (Healthcare)

Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹ cr)	EPS (₹)				PE(x)				RoCE (%)				RoE (%)			
						FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E
Hospitals																					
Apollo Hospitals	APOHOS	4688	5,930	Buy	67405	22.6	7.9	72.9	99.4	207.6	596.4	64.3	47.2	10.2	6.3	18.1	21.7	9.7	2.5	18.6	20.9
Narayana Hrudalaya	NARHRU	647	650	Buy	13222	6.4	-0.7	16.4	18.3	101.9	NA	39.5	35.4	11.0	1.2	17.5	18.4	11.4	-1.3	23.3	20.9
Shalby	SHALIM	147	170	Buy	1586	2.6	3.9	5.9	5.8	57.5	37.4	24.8	25.3	7.2	6.5	8.9	9.6	3.5	5.1	7.2	6.7
Aster DM	ASTDM	187	250	Buy	9316	5.7	3.0	10.6	17.2	32.7	63.1	17.6	10.9	7.2	5.4	8.7	12.1	8.7	4.4	13.5	18.0
Healthcare Global	HEAGLO	250	240	Hold	3135	-12.0	-21.7	15.6	8.4	NA	NA	16.1	29.6	1.0	-0.9	7.6	10.4	NA	NA	NA	7.2
MNC Pharma																					
Abbott India	ABBIND	15850	20,360	Buy	33680	279.0	325.0	362.3	471.9	56.8	48.8	43.8	33.6	30.7	33.8	35.3	37.2	24.4	26.5	27.6	28.9
P&G Health	MERLIM	5068	6,555	Buy	8412	102.0	106.5	135.7	145.7	49.7	47.6	37.4	34.8	24.0	32.2	41.0	37.7	18.7	25.1	31.6	28.8
Sanofi India	SANOFI	7463	9,800	Buy	17187	179.8	207.4	431.8	280.0	41.5	36.0	17.3	26.7	26.0	32.3	34.2	41.9	19.4	24.5	22.2	33.5
Pfizer	PFIZER	4464	5,350	Buy	20422	111.3	108.8	135.2	133.0	40.1	41.0	33.0	33.6	18.5	27.6	27.4	23.6	15.0	20.8	21.7	18.6
Pharma																					
Ajanta Pharma	AJAPHA	2118	2,500	Buy	18329	53.4	74.0	79.3	89.3	39.7	28.6	26.7	23.7	24.7	29.0	25.2	23.8	18.1	21.8	19.9	19.2
Alembic Pharma	ALEMPHA	748	790	Hold	14704	44.4	59.9	33.3	39.6	16.8	12.5	22.5	18.9	21.0	24.2	11.9	13.9	27.1	23.0	11.7	12.6
Aurobindo Pharma	AURPHA	663	795	Hold	38824	48.8	55.0	50.3	61.2	13.6	12.0	13.2	10.8	17.2	16.9	13.8	15.2	17.0	14.7	11.9	12.8
Biocon	BIOCON	391	380	Hold	46932	5.8	6.1	5.4	9.3	67.2	64.3	72.7	42.2	10.2	7.6	7.8	10.0	10.4	9.6	7.9	12.2
Cadila Healthcare	CADHEA	409	477	Hold	41897	14.0	21.5	20.9	21.8	29.3	19.0	19.6	18.8	10.7	12.6	13.4	13.4	13.8	16.9	14.7	13.7
Cipla	CIPLA	946	1,085	Buy	76299	19.2	29.9	34.6	41.8	49.3	31.7	27.3	22.7	12.0	16.3	17.8	18.4	9.8	13.1	13.7	14.6
Dr Reddy's Labs	DRREDD	4345	5,170	Hold	72283	121.8	117.3	181.2	204.2	35.7	37.0	24.0	21.3	9.6	13.1	16.3	17.3	13.0	11.1	14.9	14.7
Glenmark Pharma	GLEPHA	490	580	Hold	13835	26.4	32.9	37.7	43.7	18.6	14.9	13.0	11.2	12.7	13.9	15.3	15.9	12.2	13.1	12.5	12.7
Ipca Laboratories	IPCLAB	1037	2,490	Buy	13150	47.6	89.9	78.0	95.8	21.8	11.5	13.3	10.8	17.6	27.1	20.5	20.9	16.6	24.2	17.5	17.7
Jubilant Pharmova	JUBLIF	527	625	Hold	8387	44.6	37.4	44.0	62.6	11.8	14.1	12.0	8.4	11.7	13.7	14.9	18.1	12.7	12.6	13.0	15.7
Lupin	LUPIN	872	960	Hold	39589	-12.7	26.9	16.2	30.2	NA	32.5	53.8	28.9	9.7	9.1	6.1	10.5	-4.6	8.8	5.8	9.6
Natco Pharma	NATPHA	911	925	Hold	16613	25.3	24.2	17.1	20.1	36.1	37.7	53.3	45.3	14.0	13.1	8.4	9.9	12.2	10.7	7.2	8.0
Sun Pharma	SUNPHA	894	965	Buy	214489	16.8	30.0	30.6	32.2	53.3	29.7	29.2	27.7	10.0	14.2	16.7	16.3	8.9	15.5	14.2	13.2
Torrent Pharma	TORPHA	2683	3,110	Hold	45401	60.6	74.0	78.3	103.7	44.3	36.3	34.3	25.9	15.4	17.7	21.0	22.6	21.2	21.4	19.4	21.5
Indoco Remedies	INDREM	385	575	Buy	3553	2.6	10.1	17.3	23.9	147.0	38.1	22.2	16.1	4.6	11.7	19.8	21.5	3.5	12.1	17.6	20.2
Caplin Point	CAPPOI	806	1,010	Buy	6093	17.2	81.7	76.7	55.5	46.9	9.9	10.5	14.5	25.4	25.6	24.1	23.5	22.7	20.4	20.5	18.8
Advanced Enzymes	ADVENZ	340	420	Buy	3805	11.6	13.1	13.0	16.1	29.4	26.0	26.1	21.2	19.6	19.4	16.8	18.3	15.4	15.1	13.2	14.1
Hester Biosciences	HESPHA	2487	2,780	Hold	2116	34.3	44.4	47.2	52.0	72.5	56.0	52.7	47.8	14.0	16.2	12.8	14.3	14.5	16.5	15.5	15.1
API/CRAMS																					
Divi's Lab	DIVLAB	4303	5,815	Buy	114231	51.9	74.7	90.6	107.5	83.0	57.6	47.5	40.0	23.9	27.6	27.7	27.7	18.8	21.3	21.8	21.8
Hikal	HIKCHE	430	640	Buy	5299	8.1	10.8	17.2	21.4	53.1	39.8	25.0	20.1	12.8	15.1	17.7	18.5	12.2	14.3	18.7	19.1
Syngene Int.	SYNINT	568	710	Buy	22712	10.3	10.1	9.8	13.9	55.1	56.1	58.1	40.7	14.5	11.5	12.6	15.5	16.8	13.5	13.2	14.9
Granules India	GRANUL	320	350	Hold	7929	12.4	22.2	15.0	23.3	25.8	14.4	21.3	13.7	15.2	24.0	16.1	21.7	16.7	25.3	14.8	18.9
Laurus Labs	LAULAB	529	670	Buy	28359	4.8	18.3	17.6	23.9	111.1	28.8	30.0	22.1	13.0	31.7	25.1	28.0	14.4	37.9	27.4	27.9
Suven Pharmaceuticals	SUVPH	560	600	Buy	14256	12.5	14.2	15.0	18.7	45.0	39.3	37.2	29.9	35.6	31.2	25.7	24.7	37.5	30.7	24.9	23.9

Source: ICICI Direct Research

Financial Summary

Exhibit 13: Profit and loss statement ₹ crore				
(Year-end March)	FY21	FY22E	FY23E	FY24E
Total Operating Income	15,163.3	16,648.1	17,482.1	19,504.0
Growth (%)	-7.5	9.8	5.0	11.6
Raw Material Expenses	5,362.2	6,529.2	6,947.9	7,506.4
Employee Expenses	2,825.9	3,023.7	3,059.4	3,413.2
Other expenditure	4,419.6	4,681.3	4,757.2	5,260.0
Total Operating Expenditure	12,607.8	14,234.3	14,764.5	16,179.6
EBITDA	2,555.5	2,413.8	2,717.6	3,324.4
Growth (%)	0.2	-5.5	12.6	22.3
Depreciation	887.4	1,535.0	861.7	891.7
Interest	140.6	134.7	117.3	99.9
Other Income	147.6	205.6	139.2	155.3
PBT	1,675.1	948.9	1,877.7	2,488.1
EO	0.0	1879.6	0.0	0.0
Total Tax	448.5	-197.2	497.6	659.3
PAT before MI	1,226.6	-733.5	1,380.1	1,828.7
Minority Interest	11.4	14.8	12.8	17.0
Adjusted PAT	1,216.5	734.2	1,367.7	1,812.2
Growth (%)	NA	NA	86.3	32.5
EPS (Adjusted)	26.9	16.2	30.2	40.0

Source: Company, ICICI Direct Research

Exhibit 14: Cash flow statement ₹ crore				
(Year-end March)	FY21	FY22E	FY23E	FY24E
Profit/(Loss) after taxation	960.9	-748.0	1367.7	1812.2
Depreciation	887.4	1535.0	861.7	891.7
Other operating Activities	140.6	134.7	117.3	99.9
(inc)/dec in Current Assets	713.2	-539.8	-357.1	-957.4
Inc/ (dec) in Current Liabilities	-905.7	386.3	284.8	462.2
CF from Operating Activities	1821.8	768.2	2274.5	2308.6
Purchase of Fixed Assets	-671.4	-700.0	-600.0	-500.0
(Inc)/Dec in Investments	-25.5	0.0	0.0	0.0
Other Investing Activities	48.6	75.6	83.2	91.5
CF from Investing Activities	-648.3	-624.4	-516.8	-408.5
Inc / (Dec) in Loan Funds	-1491.9	-1000.0	-500.0	-500.0
Inc / (Dec) in Equity Capital	0.2	0.0	0.0	0.0
Dividend and dividend tax	-272	-294	127	-233
Other Financing Activities	-121.3	-134.7	-117.3	-99.9
CF from Financing Activities	-1885.3	-1429.2	-490.1	-832.4
Net Cash Flow	-712	-1,285	1,267	1,068
Opening Cash	2,454	1,742	457	1,725
Closing Cash	1,742.5	457.1	1,724.6	2,792.3
Free Cash flow	1,150.4	68.2	1,674.5	1,808.6

Source: Company, ICICI Direct Research

Exhibit 15: Balance Sheet ₹ crore				
(Year-end March)	FY21	FY22E	FY23E	FY24E
Equity Capital	90.7	90.7	90.7	90.7
Reserve and Surplus	13,712.4	12,670.0	14,164.8	15,744.5
Total Shareholders funds	13,803.1	12,760.7	14,255.6	15,835.3
Total Debt	4,870.4	3,870.4	3,370.4	2,870.4
Deferred Tax Liability	229.8	252.7	278.0	305.8
Minority Interest	55.0	60.5	66.5	73.2
Other NCL & LT Provisions	1,070.4	1,177.4	1,295.1	1,424.6
Total Liabilities	20,028.6	18,121.7	19,265.6	20,509.3
Gross Block - Fixed Assets	12,764.3	13,564.3	14,364.3	14,864.3
Accumulated Depreciation	6,846.0	8,380.9	9,242.7	10,134.4
Net Block	5,918.3	5,183.4	5,121.7	4,730.0
Capital WIP	1,066.3	966.3	766.3	766.3
Total Fixed Assets	6,984.6	6,149.7	5,887.9	5,496.2
Investments	2,454.9	2,454.9	2,454.9	2,454.9
Goodwill on Consolidation	1,962.4	1,962.4	1,962.4	1,962.4
Inventory	4,092.0	4,488.0	4,477.2	4,732.1
Debtors	4,474.3	4,488.0	4,712.8	5,257.9
Loans and Advances	15.3	16.8	18.5	20.4
Other Current Assets	1,285.5	1,414.0	1,555.4	1,711.0
Cash	1,742.5	457.1	1,724.6	2,792.3
Total Current Assets	11,609.6	10,864.0	12,488.6	14,513.6
Creditors	2,014.4	2,244.0	2,356.4	2,628.9
Provisions & Other CL	1,567.4	1,724.1	1,896.5	2,086.2
Total Current Liabilities	3,581.8	3,968.1	4,252.9	4,715.1
Net Current Assets	8,027.7	6,895.9	8,235.6	9,798.5
Deferred Tax Assets	180.2	198.2	218.1	239.9
Long term Loans and advan	66.9	73.5	80.9	89.0
Other Non current assets	351.9	387.1	425.8	468.4
Application of Funds	20,028.6	18,121.7	19,265.6	20,509.3

Source: Company, ICICI Direct Research

Exhibit 16: Key ratios				
(Year-end March)	FY21	FY22E	FY23E	FY24E
Per Share data (₹)				
Reported EPS	26.9	-16.5	30.2	40.0
BV per share	304.7	281.7	314.7	349.5
Dividend per share	6.5	-2.8	5.1	6.8
Cash per Share	38.5	10.1	38.1	61.6
Operating Ratios (%)				
Gross Margin	64.6	60.8	60.3	61.5
EBITDA margin	16.9	14.5	15.5	17.0
PAT Margin	8.0	4.4	7.8	9.3
Inventory Days	98.5	98.4	93.5	88.6
Debtor Days	107.7	98.4	98.4	98.4
Creditor Days	48.5	49.2	49.2	49.2
Asset Turnover	1.2	1.2	1.2	1.3
EBITDA conversion Rate	71.3	31.8	83.7	69.4
Return Ratio (%)				
RoE	8.8	5.8	9.6	11.4
RoCE	9.1	6.1	10.5	12.8
RoIC	11.4	6.2	13.1	17.0
Valuation Ratios (x)				
P/E	32.4	NA	28.9	21.8
EV / EBITDA	15.7	16.7	14.2	11.2
EV / Net Sales	2.6	2.4	2.2	1.9
Market Cap / Sales	2.6	2.4	2.3	2.0
Price to Book Value	2.9	3.1	2.8	2.5
Solvency Ratios				
Debt / EBITDA	1.9	1.6	1.2	0.9
Debt / Equity	0.4	0.3	0.2	0.2
Current Ratio	2.8	2.6	2.5	2.5

Source: Company, ICICI Direct Research

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