

Beat on estimates, eyes on BBL's strategic moves...

About the stock: Biocon mainly operates in biologics (biosimilars), small molecules (generics), branded formulations and contract research (Syngene). Biocon Biologics (BBL), a subsidiary of Biocon, entered into an arrangement to acquire Viatrix' biosimilars assets for US\$3.335 billion. Biocon Biologics entered into a strategic alliance with SILS for access to 100 million vaccine doses per annum for 15 years.

- Biosimilar US pipeline: (approvals - Pegfilgrastim, Trastuzumab, Glargine, Adalimumab); filed - Aspart and Bevacizumab
- In generics, it is among the world's largest manufacturers of immunosuppressant and statin APIs
- Revenue breakup FY22: Biosimilars (41%), Generics (28%), CRAMS (31%)

Q4FY22 Results: Biocon reported strong revenues driven by all three segments.

- Revenue was up 31% YoY to ₹ 2409 crore
- EBITDA in Q4FY22 was ₹ 592 crore, up 36% YoY with margins at 24.6%
- Consequent adjusted PAT was at ₹ 239 crore (down 6% YoY)

What should investors do? Biocon's share price has grown by ~1.2x over the past three years (from ~₹ 310 in April 2019 to ~₹ 370 levels in April 2022).

- We maintain **HOLD** as 1) we wait for Viatrix deals impact considering sheer balance sheet expansion, 2) execution risks with incremental size of business verticals and 3) persistent price erosion and regulatory issues

Target Price and Valuation: We value Biocon at ₹ 380 on SOTP basis

Key triggers for future price performance:

- **Biosimilars-** 1) market share gains in existing biosimilars, 2) approvals and launches of bBevacizumab and bAspart, 3) bGlargine ramp up, 4) Expected Adalimumab launch in FY24
- **Generics-** 1) Expansion beyond fermentation based APIs, 2) Capacity augmentation in immunosuppressants and synthetic APIs and 3) expanding formulations portfolio through vertical integration
- **CRAMS-** Syngene's consistent growth in Discovery, Dedicated, Development and Manufacturing services
- Execution on vaccines front post strategic alliance with Serum and potential synergies with acquisition of Vitaris biosimilar business from H2CY22

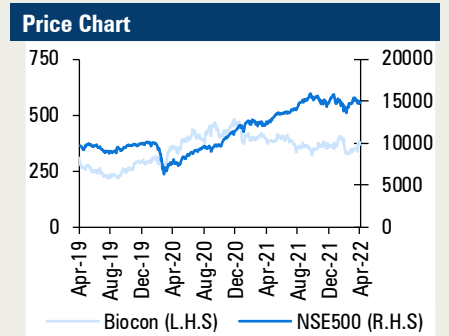
Alternate Stock Idea: Besides Biocon, in formulations space we like Sun Pharma.

- Higher contribution from specialty and strong domestic franchise is likely to change the product mix towards more remunerative businesses by FY23
- BUY with a target price of ₹ 1075



Particulars	
Particular	Amount
Market Capitalisation	₹ 44410 crore
Debt (FY22)	₹ 4904 crore
Cash (FY22)	₹ 1748 crore
EV	₹ 47567 crore
52 week H/L	420/315
Equity capital (₹Crore)	₹ 600 crore
Face value (₹)	₹ 5

Shareholding pattern				
(in %)	Jun-21	Sep-21	Dec-21	Mar-22
Promoter	60.6	60.6	60.6	60.6
Others	39.4	39.4	39.4	39.4



Recent Event & Key risks

- Three-year tender worth US\$90 million by Ministry of Health, Malaysia for supply of Insugen
- **Key Risk:** (i) Good launches in pipeline (ii) pricing pressure in US

Research Analyst

Siddhant Khandekar
siddhant.khandekar@icicisecurities.com

Raunak Thakur
raunak.thakur@icicisecurities.com

Kush Mehta
kush.mehta@icicisecurities.com

Key Financial Summary

Key Financials (₹ crore)	FY20	FY21	FY22	5 year CAGR (FY17-22)	FY23E	FY24E	2 year CAGR (FY22-24E)
Revenues (₹ crore)	6367.2	7143.1	8184.0	15.9	11213.0	14309.3	32.2
EBITDA (₹ crore)	1603.1	1674.0	1915.2	17.6	2649.8	3590.6	36.9
EBITDA margins (%)	25.2	23.4	23.4		23.6	25.1	
Net Profit (₹ crore)	698.2	751.7	683.8	-0.6	727.4	1401.5	43.2
EPS (₹)	5.8	6.3	5.7		6.1	11.7	
P/E (x)	59.4	58.3	74.8		61.1	31.7	
RoCE (%)	10.2	7.7	7.5		5.0	6.9	
RoE (x)	10.4	9.9	8.1		3.2	5.9	

Key takeaways of recent quarter & conference call highlights

Q4FY22 Results: Uptick in revenues, margins steady

- Revenues grew 31% YoY to ₹ 2409 crore driven by biosimilars growing 48% YoY to ₹ 982 crore on back of improved performance across geographies and market share gains by interchangeable bGlargine in the US. Research services segment grew 15% YoY to ₹ 758 crore driven by strong quarter for development services as it caught up on postponed projects in addition to planned work while generic sales increased 26% YoY to ₹ 717 crore driven by contribution from new launch of Everolimus in US, uptick in API business and normalisation of supply challenges. EBITDA margins came in-line with our expectations amid a 91 bps YoY improvement to 24.6% mainly due to decline in gross margin (down 296 bps YoY) at 65.6% and higher other expenditure being offset by lower employee cost. Overall EBITDA improved 36% YoY to ₹ 592 crore while adjusted PAT de-grew 5.8% YoY to ₹ 239 crore. Delta vis-a vis EBITDA was on account of lower other income and higher depreciation being partially offset by lower interest and tax expense
- Biocon's Q4FY22 revenues were above estimates driven by strong performance across all segments while margins were in line. In generics, Biocon's focus is on expediting product pipeline (launched Posaconazole and Dorzolamide in US) and operationalising new capacities (Vizag API facility in FY23). On the biosimilars front, two strategic transactions with Serum and Viatris are likely to contribute from H2CY22 while timely launches and ramp up of biosimilars in the developed as well as emerging markets remain key to capture market share in the projected 3.3x increase in Biocon's target addressable market from US\$21 billion in FY22 to US\$69 billion in FY26. Syngene's ability to take advantage in the CRAMS space with operating leverage will also be an important factor for the company

Q4FY22 Earnings Conference Call highlights

- Generics** – The business saw robust sequential as well as YoY growth in Q4, on the back of contributions from new product launches in the US, particularly Everolimus, an uptick in the API business and a normalisation of supply challenges that impacted in first half of the fiscal
- Biocon received USFDA approvals for Posaconazole, a vertically integrated anti-fungal drug and Dorzolamide, an ophthalmic product, both of which were launched during the quarter
- Greenfield immunosuppressant API facility in Vizag remains on track with qualification and validation activities planned in FY23
- Biosimilars** – Growth in revenues this quarter was a result of improved performance across developed and emerging markets, driven by strong market share gains for interchangeable bGlargine in the US
- R&D was at 9% of revenues in FY22 with ramp up guided for FY23
- Research Services** - Q4 growth was driven by solid delivery across all divisions, with a strong performance by Development Services.
- Capex Guidance** – US\$100 million in FY23
- R&D investments** guidance for 10-15% of revenue in FY23
- The two strategic transactions with Serum Institute Life Sciences (SILS) and Viatris announced in FY22 are progressing towards various regulatory approvals. The deals are expected to be closed in the second half of CY22

Exhibit 1: Variance Analysis

	Q4FY22	Q4FY22E	Q4FY21	YoY (%)	Q3FY22	QoQ (%)	Comments
Revenue	2,408.8	2,292.9	1,842.1	30.8	2,174.2	10.8	Revenue growth beats our estimates driven by strong performance across all segments
Raw Material cost	828.3	751.8	578.9	43.1	712.9	16.2	
Gross margins	65.6	67.2	68.6	-296 bps	67.2	-160 bps	YoY decline on the back of pricing pressure along with higher raw material prices
Employee cost	470.3	522.0	452.1	4.0	495.0	-5.0	
R & D Expenditure	191.0	158.9	127.0	50.4	138.0	38.4	Gross R&D spend was ₹ 232 crore in Q4FY22
Other Expenditure	327.3	298.1	248.2	31.9	340.1	-3.8	
Total Expenditure	1,816.9	1,730.8	1,406.2	29.2	1,686.0	7.8	
EBITDA	591.9	562.0	435.9	35.8	488.2	21.2	
EBITDA (%)	24.6	24.5	23.7	91 bps	22.5	212 bps	In-line with estimates as lower employee cost offsets the decline in gross margins and increase in R&D and other expenditure
Interest	10.5	42.6	33.9	-69.0	14.7	-28.6	
Depreciation	212.2	205.7	184.3	15.1	205.7	3.2	
Other income	67.3	50.9	205.4	-67.2	48.3	39.3	
EO	41.0	0.0	-12.6	LP	0.0	0.0	
PBT	395.5	364.7	435.7	-9.2	316.1	25.1	
Tax	58.6	80.2	69.4	-15.6	49.3	18.9	
MI	45.3	43.1	43.2	4.9	32.5	39.4	
Adj. PAT	238.6	237.8	253.3	-5.8	187.1	27.5	Delta vis-a vis EBITDA was on account of lower other income and higher depreciation being partially offset by lower interest and tax expense

Key Metrics

Generics	717.2	616.0	570.4	25.7	607.4	18.1	Beats estimates driven by contribution from new launch of Everolimus in US, uptick in API business, normalisation of supply challenges
Biosimilars	982.3	959.6	663.6	48.0	981.4	0.1	YoY growth on back of improved performance across geographies and market share gains by interchangeable bGlargine in US
Contract Research	758.1	703.6	658.6	15.1	641.4	18.2	YoY growth driven by strong quarter for development services as it caught up on postponed projects in addition to planned work

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY23E			FY24E			Comments
	Old	New	% Change	Old	New	% Change	
Revenues	11,030.2	11,213.0	1.7	13,930.5	14,309.3	2.7	
EBITDA	2,803.8	2,649.8	-5.5	3,686.3	3,590.6	-2.6	
EBITDA Margin (%)	25.4	23.6	-179 bps	26.5	25.1	-137 bps	Changed due to guidance for increased R&D spend to the tunes of 12-15% of revenues
Net Profit	1,039.5	727.4	-30.0	1,648.9	1,401.5	-15.0	
EPS (₹)	8.7	6.1	-30.0	13.7	11.7	-15.0	

Source: ICICI Direct Research

Exhibit 3: Assumptions

Growth (%)	Current			Earlier				Comments
	FY20	FY21	FY22	FY23E	FY24E	FY23E	FY24E	
Generics	2,207.3	2,362.5	2,340.9	2,581.2	2,839.3	2,489.6	2,702.0	Changed mainly due to better-than-expected sales in Q4FY22
Biosimilars	2,315.0	2,800.5	3,464.3	5,540.9	7,737.1	5,490.1	7,564.6	Changed mainly due to better-than-expected traction in Q4FY22
Contract Research	2,012.0	2,184.1	2,604.2	2,982.4	3,578.9	2,982.3	3,578.9	

Source: ICICI Direct Research

Exhibit 4: Valuation

Particulars	FY24E EBITDA (₹ cr)	Multiple (x)	Value (₹)
Biocon Biologics	2127.7	18.0	38,298.4
Biocon's Holding			63%
Holding Company Discount			20%
Biocon Biologics valuation			19302.40
Biocon (ex-Biologics and Syngene)	305.8	8.0	2,446.2
Total EV			40,744.6
Implied Mcap			25,618.2
Per share valuation			213.4
NPV (Vaccines)			31.7
Syngene			
Targeted Market Cap			29200
Biocon's Holding			71.1%
Holding Company Discount			20.0%
Syngene valuation			16600
Per share valuation			138
SOTP valuation			380

Source: Company, ICICI Direct Research

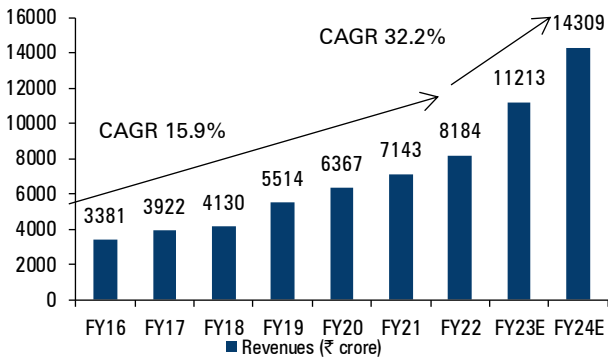
Exhibit 5: Financial Summary

	Revenues (₹ crore)	Growth (%)	EPS (₹)	Growth (%)	P/E (x)	EV/EBITDA (X)	RoNW (%)	RoCE (%)
FY21	7143	12.2	6.3	7.7	58.3	27.2	9.9	7.7
FY22	8184	14.6	5.7	-9.0	74.8	24.2	8.1	7.5
FY23E	11213	37.0	6.1	6.4	61.1	21.2	3.2	5.0
FY24E	14309	27.6	11.7	92.7	31.7	15.7	5.9	6.9

Source: Company, ICICI Direct Research

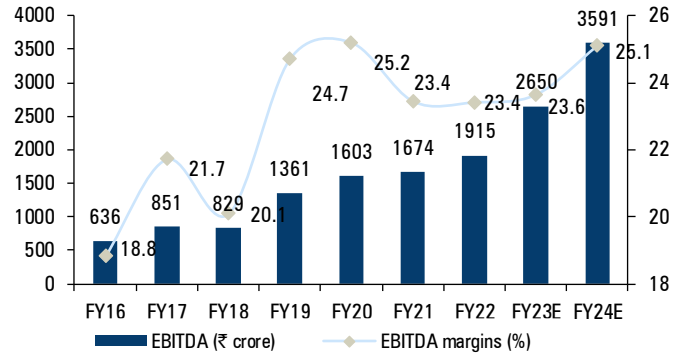
Key Metrics

Exhibit 6: Revenues to grow at CAGR of 32% over FY22-24E



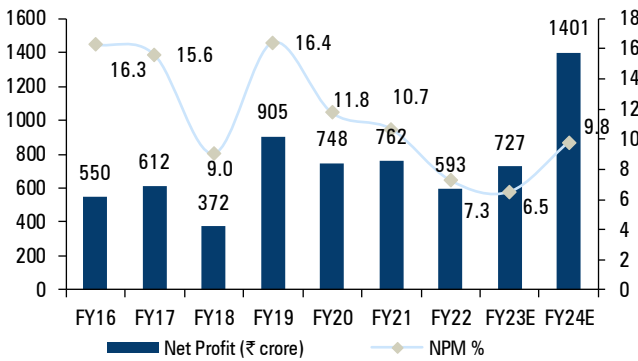
Source: ICICI Direct Research, Company

Exhibit 7: EBITDA and EBITDA margins trend



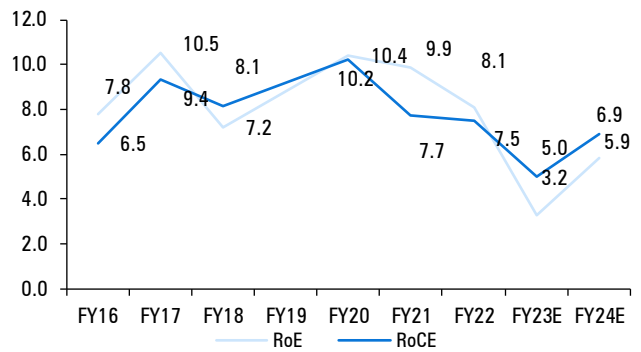
Source: ICICI Direct Research, Company

Exhibit 8: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 9: Return ratios



Source: ICICI Direct Research, Company

Exhibit 10: Trends in Quarterly Performance

(₹ Crore)	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	YoY (%)	QoQ(%)
Revenues	1528.8	1465.9	1572.2	1748.1	1581.0	1693.8	1749.8	1857.4	1842.1	1760.6	1840.4	2174.2	2408.8	30.8	10.8
Raw Material Cost	487.9	424.5	477.9	577.3	572.5	541.6	531.4	559.9	578.9	612.1	565.1	712.9	828.3	43.1	16.2
% to revenues	31.9	29.0	30.4	33.0	36.2	32.0	30.4	30.1	31.4	34.8	30.7	32.8	34.4		
Gross Profit	1040.9	1041.4	1094.3	1170.8	1008.5	1152.2	1218.4	1297.5	1263.2	1148.5	1275.3	1461.3	1580.5	25.1	8.2
Gross Profit Margin (%)	68.1	71.0	69.6	67.0	63.8	68.0	69.6	69.9	68.6	65.2	69.3	67.2	65.6	-296 bps	-160 bps
Employee cost	320.6	341.0	353.3	376.1	388.4	393.7	431.9	463.3	452.1	436.0	478.8	495.0	470.3	4.0	-5.0
% to revenues	21.0	23.3	22.5	21.5	24.6	23.2	24.7	24.9	24.5	24.8	26.0	22.8	19.5	-502 bps	-324 bps
R & D	92.0	79.0	104.0	131.0	125.0	107.0	148.0	171.0	127.0	120.0	146.0	138.0	191.0		
% to revenues	6.0	5.4	6.6	7.5	7.9	6.3	8.5	9.2	6.9	6.8	7.9	6.3	7.9	103 bps	158 bps
Other Expenditure	225.3	183.9	234.2	219.5	176.5	215.7	242.1	257.3	248.2	203.2	204.7	340.1	327.3	31.9	-3.8
% to revenues	14.7	12.5	14.9	12.6	11.2	12.7	13.8	13.9	13.5	11.5	11.1	15.6	13.6	11 bps	-205 bps
Total Expenditure	1125.8	1028.4	1169.4	1303.9	1262.4	1258.0	1353.4	1451.5	1406.2	1371.3	1394.6	1686.0	1816.9	29.2	7.8
% to revenues	73.6	70.2	74.4	74.6	79.8	74.3	77.3	78.1	76.3	77.9	75.8	77.5	75.4		
EBIDTA	403.0	437.5	402.8	444.2	318.6	435.8	396.4	405.9	435.9	389.3	445.8	488.2	591.9	35.8	21.2
EBITDA Margin (%)	26.4	29.8	25.6	25.4	20.2	25.7	22.7	21.9	23.7	22.1	24.2	22.5	24.6	91 bps	212 bps
Depreciation	119.8	124.2	131.6	144.0	152.4	166.8	177.7	186.3	184.3	194.8	201.5	205.7	212.2	15.1	3.2
Interest	15.9	16.6	13.8	17.7	16.8	12.5	6.5	4.8	33.9	19.9	22.5	14.7	10.5	-69.0	-28.6
OI	28.2	24.1	38.4	35.8	63.1	18.3	15.5	27.9	205.4	47.2	104.9	48.3	67.3	-67.2	39.3
PBT	295.5	320.8	295.8	318.3	212.5	274.8	227.7	242.7	423.1	221.8	326.7	316.1	436.5	3.2	38.1
Tax	40.9	85.2	100.1	84.8	45.0	80.9	22.3	48.9	69.4	57.3	46.3	49.3	58.6	-15.6	18.9
Tax Rate (%)	13.8	26.6	33.8	26.6	21.2	29.4	9.8	20.1	16.4	25.8	14.2	15.6	13.4		
PAT	254.6	235.6	195.7	233.5	167.5	193.9	205.4	193.8	353.7	164.5	280.4	266.8	377.9	6.8	41.6
PAT Margin (%)	16.7	16.1	12.4	13.4	10.6	11.4	11.7	10.4	19.2	9.3	15.2	12.3	15.7		
Exceptional Items (EI)	0.0	0.0	-67.5	0.0	0.0	0.0	0.0	0.0	-12.6	0.0	70.1	0.0	41.0		
Net Profit before MI	254.6	235.6	263.2	233.5	167.5	193.9	205.4	193.8	366.3	164.5	210.3	266.8	336.9	-8.0	26.3
Add/(less) MI	29.7	21.4	38.1	27.5	35.7	18.4	26.1	18.0	43.2	24.0	21.4	32.5	45.3		
Net Profit after MI	224.9	214.2	225.1	206.0	131.8	175.5	179.3	175.8	323.1	140.5	188.9	234.3	291.6	-9.7	24.5
Adjusted Net Profit	213.7	206.3	189.0	202.8	123.4	171.9	174.3	175.0	242.7	84.4	195.8	187.1	273.5	12.7	46.2

Source: ICICI Direct Research

Exhibit 11: ICICI Direct Coverage Universe (Healthcare)

Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹ cr)	EPS (₹)				PE(x)				RoCE (%)				RoE (%)			
						FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E
Hospitals																					
Apollo Hospitals	APOHOS	4437	5,480	Buy	63790	7.9	67.2	81.3	105.5	564.4	66.0	54.5	42.1	6.3	16.4	18.2	20.7	2.5	17.5	18.1	19.9
Narayana Hrudalaya	NARHRU	696	765	Buy	14231	-0.7	17.5	20.1	22.8	NA	39.9	34.6	30.6	1.2	21.2	22.4	21.5	-1.3	24.5	22.3	20.3
Shalby	SHALIM	126	170	Buy	1356	3.9	5.9	5.7	7.2	32.0	21.3	21.8	17.5	6.5	8.9	9.6	10.5	5.1	7.2	6.7	7.9
Aster DM	ASTDM	194	250	Buy	9676	3.0	10.6	17.6	NA	65.5	18.4	11.0	NA	5.4	9.2	12.9	NA	4.4	13.5	18.4	NA
Healthcare Global	HEAGLO	282	240	Hold	3529	-21.7	6.0	3.5	NA	NA	47.0	79.8	NA	-0.9	5.2	7.7	NA	NA	NA	3.4	NA
MNC Pharma																					
Abbott India	ABBIND	17020	19,840	Buy	36166	325.0	370.4	429.0	496.0	52.4	45.9	39.7	34.3	33.8	35.7	34.4	33.4	26.5	28.1	26.8	25.8
P&G Health	MERLIM	4490	5,365	Hold	7453	106.5	110.9	119.1	134.1	42.2	40.5	37.7	33.5	32.2	35.5	33.3	32.6	25.1	27.4	25.5	24.9
Sanofi India	SANOFI	6970	7,740	Hold	16053	207.4	410.1	285.7	276.4	33.6	17.0	24.4	25.2	32.3	33.3	42.3	40.8	24.5	25.9	32.6	31.3
Pfizer	PFIZER	4375	5,350	Buy	20015	108.8	135.2	133.0	148.6	40.2	32.4	32.9	29.4	27.6	27.4	23.6	22.9	20.8	21.7	18.6	18.1
Pharma																					
Ajanta Pharma	AJAPHA	1724	2,605	Buy	14914	74.0	85.4	87.0	100.4	23.3	20.2	19.8	17.2	29.0	27.0	23.8	23.6	21.8	22.4	19.5	19.2
Alembic Pharma	ALEMPHA	783	770	Hold	15393	59.9	34.0	34.8	38.5	13.1	23.0	22.5	20.3	24.2	12.1	12.3	12.6	23.0	11.9	11.2	11.4
Aurobindo Pharma	AURPHA	628	765	Hold	36794	55.0	44.3	53.4	61.2	11.4	14.2	11.7	10.3	16.9	12.5	14.3	15.2	14.7	10.7	11.5	11.7
Biocon	BIOCON	370	380	Hold	44386	6.3	5.7	6.1	11.7	59.0	64.9	61.0	31.7	7.7	7.5	5.0	6.9	9.9	8.1	3.2	5.9
Zydus Lifesciences	CADHEA	351	475	Hold	35938	21.5	21.1	22.4	25.4	16.3	16.6	15.7	13.8	12.6	13.5	13.7	14.6	16.9	14.8	14.0	14.1
Cipla	CIPLA	981	1,100	Buy	79138	29.9	35.9	39.3	43.5	32.8	27.3	24.9	22.5	16.3	18.3	18.0	18.0	13.1	14.1	13.8	13.6
Dr Reddy's Labs	DRREDD	4138	5,160	Buy	68872	117.3	156.5	190.9	236.0	35.3	26.4	21.7	17.5	13.1	15.4	18.6	22.7	11.1	13.1	14.0	15.1
Glenmark Pharma	GLEPHA	439	550	Hold	12384	32.9	44.2	44.2	49.1	13.4	9.9	9.9	8.9	13.9	15.5	15.2	15.4	13.1	13.1	11.7	11.6
Ipca Laboratories	IPCLAB	1012	1,175	Buy	25676	44.9	36.6	42.4	48.2	22.5	27.7	23.9	21.0	27.1	19.8	19.1	18.5	24.2	16.6	16.1	15.6
Jubilant Pharmova	JUBLIF	473	490	Hold	7530	37.4	28.7	32.5	40.8	12.6	16.5	14.5	11.6	13.7	10.1	10.4	12.2	12.6	8.9	9.2	10.4
Lupin	LUPIN	743	960	Hold	33765	26.9	16.0	29.7	39.4	27.7	46.6	25.0	18.9	9.1	6.0	10.3	12.6	8.8	5.7	9.5	11.3
Natco Pharma	NATPHA	787	955	Hold	14345	24.2	15.1	19.6	23.1	32.5	52.0	40.2	34.1	13.1	7.3	9.7	10.7	10.7	6.4	7.8	8.5
Sun Pharma	SUNPHA	930	1,075	Buy	223102	30.0	33.5	33.8	38.6	30.9	27.8	27.5	24.1	14.2	18.3	17.8	17.8	15.5	16.4	14.4	14.3
Torrent Pharma	TORPHA	2819	3,235	Hold	47701	74.0	67.6	94.7	114.5	38.1	41.7	29.8	24.6	17.7	18.2	21.1	23.5	21.4	17.1	20.3	20.7
Indoco Remedies	INDREM	382	510	Buy	3522	10.1	16.5	23.3	28.3	37.9	23.1	16.4	13.5	11.7	17.9	21.5	26.3	12.1	16.9	19.8	20.0
Caplin Point	CAPPOI	707	1,010	Buy	5358	81.7	76.7	55.5	60.4	8.7	9.2	12.8	11.7	25.6	24.1	23.5	0.0	20.4	20.5	18.8	18.3
Advanced Enzymes	ADVENZ	301	380	Buy	3365	13.1	11.3	13.6	15.8	23.0	26.7	22.2	19.1	19.4	15.4	16.7	17.2	15.1	11.6	12.4	12.7
Hester Biosciences	HESPHA	2605	2,780	Hold	2216	44.4	47.2	52.0	71.4	58.7	55.2	50.1	36.5	16.2	12.8	14.3	17.3	16.5	15.5	15.1	17.8
API/CRAMS																					
Divi's Lab	DIVLAB	4505	5,335	Buy	119584	74.7	107.8	108.4	126.4	60.3	41.8	41.6	35.6	27.6	30.1	27.7	27.5	21.3	25.4	21.7	21.6
Hikal	HIKCHE	397	500	Buy	4891	10.8	14.6	17.1	22.6	36.7	27.1	23.1	17.5	15.1	15.7	16.0	19.1	14.3	16.7	16.8	18.8
Syngene Int.	SYNINT	629	730	Buy	25196	10.1	9.9	11.4	15.5	62.1	63.7	55.3	40.6	11.5	11.7	12.2	15.7	13.5	12.9	12.3	14.4
Granules India	GRANUL	282	360	Buy	7000	22.2	16.2	19.4	25.8	12.7	17.4	14.5	11.0	24.0	16.2	17.4	20.2	25.3	15.8	16.1	17.8
Laurus Labs	LAULAB	585	690	Buy	31436	18.3	15.4	20.6	26.5	32.0	38.0	28.4	22.0	31.7	21.3	22.6	24.7	37.9	24.7	25.5	25.3
Suven Pharmaceuticals	SUVPH	601	555	Hold	15297	14.2	18.3	17.7	19.8	42.2	32.9	34.0	30.4	31.2	35.0	28.7	26.6	30.7	29.6	23.2	21.3

Source: ICICI Direct Research

Financial Summary

Exhibit 12: Profit and loss statement					₹ crore
Year-end March	FY21	FY22	FY23E	FY24E	
Total Operating Income	7143.1	8184.0	11213.0	14309.3	
Growth (%)	12.2	14.6	37.0	27.6	
Raw Material Expenses	2211.8	2718.4	3750.8	4613.0	
Employee Expenses	1741.0	1880.1	2307.5	2950.1	
R&D Expenditure	553.0	595.0	982.3	1278.7	
Other Expenditures	963.3	1075.3	1522.6	1876.9	
Total Operating Expenditure	5469.1	6268.8	8563.2	10718.7	
Operating Profit (EBITDA)	1674.0	1915.2	2649.8	3590.6	
Growth (%)	4.4	14.4	38.4	35.5	
Depreciation	715.1	814.2	910.0	1018.1	
Interest	57.7	67.6	589.3	589.3	
Other Income	254.5	212.7	291.4	371.9	
PBT before Exceptional Items	1155.7	1246.1	1441.9	2355.2	
Less: Exceptional Items	-12.6	111.1	0.0	0.0	
Total Tax	221.5	211.5	317.2	518.1	
PAT before MI	946.8	923.5	1124.7	1837.0	
Minority Interest	105.7	123.2	185.3	223.6	
Adjusted PAT	751.7	683.8	727.4	1401.5	
Growth (%)	7.7	-9.0	6.4	92.7	
EPS (Adjusted)	6.3	5.7	6.1	11.7	

Source: Company, ICICI Direct Research

Exhibit 13: Cash flow statement					₹ crore
Year-end March	FY21	FY22	FY23E	FY24E	
Profit/(Loss) after taxation	652.4	509.6	727.4	1401.5	
Add: Depreciation & Amortization	715.1	814.2	910.0	1018.1	
Net Increase in Current Assets	-734.0	-951.3	-1908.1	-1851.7	
Net Increase in Current Liabilities	310.2	161.8	946.2	924.2	
Other Operating Activities	216.0	642.3	589.3	589.3	
CF from operating activities	1159.7	1176.6	1264.9	2081.4	
(Purchase)/Sale of Fixed Assets	-1297.1	-1922.7	-1520.0	-988.0	
(Increase)/Decrease in Investments	-567.0	231.4	0.0	0.0	
Increase/ (Decrease) in Minority Intere:	0.0	0.0	103.8	114.1	
Other Investing Activities	-842.8	4.8	-22394.7	-781.8	
CF from investing activities	-2706.9	-1686.5	-23810.9	-1655.7	
Proceeds from issues of Equity Shares	797.7	42.5	13500.0	0.0	
Inc/(dec) in loan funds	1882.3	309.2	8800.0	0.0	
(Payment) of Dividend and Dividend Ta	0.0	0.0	-72.7	-140.1	
Interest Paid	-116.0	-109.6	-589.3	-589.3	
Other Financing Activities	0.0	0.0	0.0	0.0	
CF from financing activities	2564.0	242.1	21638.0	-729.4	
Net Cash flow	1016.8	-267.8	-908.0	-303.7	
Opening Cash	998.5	2015.3	1747.5	839.5	
Closing Cash	2015.3	1747.5	839.5	535.7	
Free Cash Flow	592.7	1408.0	1264.9	2081.4	

Source: Company, ICICI Direct Research

Exhibit 14: Balance Sheet					₹ crore
Year-end March	FY21	FY22	FY23E	FY24E	
Liabilities					
Equity Capital	600.0	600.3	600.3	600.3	
Reserve and Surplus	7026.9	7832.2	21986.9	23248.2	
Total Shareholders funds	7626.9	8432.5	22587.2	23848.5	
Total Debt	4358.6	4904.0	13704.0	13704.0	
Minority Interest	880.7	1037.5	1141.3	1255.4	
Other NCL & LT Provisions	2843	3097.5	3404.6	3742.4	
Source of Funds	15709.2	17471.5	40837.1	42550.2	
Assets					
Gross Block - Fixed Assets	10194.5	11213.8	12533.8	14021.8	
Accumulated Depreciation	3857.0	4671.2	5581.2	6599.3	
Net Block	6337.5	6542.6	6952.6	7422.5	
Capital WIP	2800.2	4110.4	4310.4	3810.4	
Total Fixed Assets	9137.7	10653.0	11263.0	11232.9	
Goodwill on Consolidation	26.4	26.4	19151.4	19151.4	
Investments	1951.9	1587.9	1587.9	1587.9	
Inventory	1866.6	2298.2	3171.0	3899.9	
Debtors	1217.6	2058.2	2820.0	3598.7	
Cash	2015.4	1747.5	839.5	535.7	
Other Current Assets	1292.1	1060.7	1334.2	1678.3	
Total Current Assets	6391.7	7164.6	8164.7	9712.6	
Creditors	1513.9	1608.5	2219.4	2729.5	
Provisions	109.4	130.5	160.7	190.8	
Other Current Liabilities	1189.7	1183.5	1488.7	1872.6	
Total Current Liabilities	2813.0	2922.5	3868.7	4793.0	
Net Current Assets	3578.7	4242.1	4295.9	4919.6	
Deferred Tax Assets	307.7	293.3	322.6	354.9	
Other Non Current assets	706.8	668.8	4216.3	5303.5	
Application of Funds	15709.2	17471.5	40837.1	42550.2	

Source: Company, ICICI Direct Research

Exhibit 15: Key ratios				
Year-end March	FY21	FY22	FY23E	FY24E
Per share data (₹)				
Reported EPS	6.3	4.9	6.1	11.7
BV per share	63.5	70.2	188.1	198.6
Dividend per share	0.0	0.5	0.6	1.2
Cash Per Share	16.8	14.6	7.0	4.5
Operating Ratios (%)				
Gross Margin	69.0	66.8	66.5	67.8
EBITDA margin	23.4	23.4	23.6	25.1
EBIT Margin	13.4	13.5	15.5	18.0
PAT Margin	10.5	8.4	6.5	9.8
Inventory days	308.0	308.6	308.6	308.6
Debtor days	62.2	91.8	91.8	91.8
Creditor days	249.8	216.0	216.0	216.0
Asset Turnover	0.5	0.5	0.3	0.3
EBITDA Conversion Ratio	69.3	61.4	47.7	58.0
Return Ratios (%)				
RoE	9.9	8.1	3.2	5.9
RoCE	7.7	7.5	5.0	6.9
RoIC	10.3	10.9	11.6	14.7
Valuation Ratios (x)				
P/E	58.3	74.8	61.1	31.7
EV / EBITDA	27.2	24.2	21.2	15.7
EV / Net Sales	6.4	5.7	5.0	3.9
Market Cap / Sales	6.2	5.4	4.0	3.1
Price to Book Value	5.8	5.3	2.0	1.9
Solvency Ratios				
Debt / EBITDA	2.6	2.6	5.2	3.8
Debt / Equity	0.6	0.6	0.6	0.6
Current Ratio	1.6	1.9	1.9	1.9

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruiti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Siddhant Khandekar, Inter CA, Raunak Thakur, PGDM, Kush Mehta, CA, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH00000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.