

CMP: ₹ 1620

Target: ₹ 1955 (21%)

Target Period: 12 months

May 11, 2022

BUY



## Margins weak but branded generics outlook strong...

**About the stock:** Ajanta Pharma is a focused player in branded, which constitutes ~72% of overall sales, spread across geographies including India.

- As of FY22, overall exports: domestic formulations ratio was at 70:30
- Among exports, Asia accounts for ~35% of export formulations, Africa 34% & US 30%. The company also participates in anti-malarial tenders in Africa (included in Africa)

**Q4FY22 Results:** Revenues were above estimates amid strong traction in India and export branded business while margins were sub-par amid 531 bps YoY decline in gross margins to 72.5%.

- Sales were up 15% YoY to ₹ 870 crore
- EBITDA was at ₹ 207 crore while margins contracted 1053 bps YoY to 24%
- Adjusted PAT was at ₹ 151 crore (down 5% YoY)

**What should investors do?** Ajanta's share price has grown by ~1.5x over the past three years (from ~₹ 1068 in May 2019 to ~₹ 1620 levels in May 2022).

- We maintain **BUY** as it remains a compelling play on branded generics (~72% exposure) with strong execution track record and financials

**Target Price and Valuation:** Valued at ₹ 1955 i.e. 20x P/E on FY24E EPS of ₹ 97.8.

### Key triggers for future price performance:

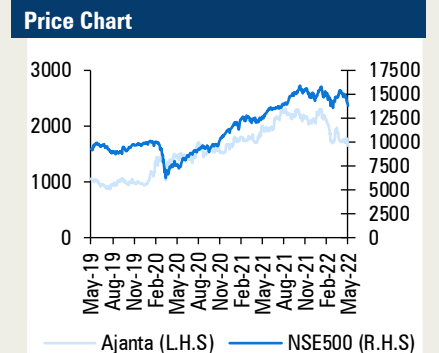
- Focus on maximum number of first time launches with focus on new drug delivery system (NDDS)
- In emerging markets, front-end marketing for direct interaction with doctors
- Calculated focus, healthy margins, return profile and lighter balance sheet are some key differentiators for Ajanta
- Margins are likely to improve amid operational leverage and incremental focus on branded business

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

- Ipca is a fully integrated pharma company with a judicious mix of strong domestic franchise and a spread out exports model
- BUY with a target price of ₹ 1175

Particulars	
Particular	Amount
Market Capitalisation	₹ 13837 crore
Debt (FY22)	₹ 2 crore
Cash (FY22)	₹ 212 crore
EV	₹ 13627 crore
52 week H/L	2420/1632
Equity capital	₹ 17.4 crore
Face value	₹ 2

Shareholding pattern				
(in %)	Jun-21	Sep-21	Dec-21	Mar-22
Promoter	70.3	70.3	70.3	70.5
Others	29.7	29.7	29.7	29.5



- ### Recent Event & Key risks
- Bonus share issue 1:2 equity shares
  - Key Risk:** (i) Regulatory delays (ii) Volatility in tender business

### Research Analyst

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### Key Financial Summary

Key Financials (₹ Crore)	FY20	FY21	FY22	5 year CAGR (FY17-22)	FY23E	FY24E	2 year CAGR (FY22-24E)
Revenues	2587.9	2889.7	3341.0	10.8	3669.4	4076.9	10.5
EBITDA	683.3	998.6	929.3	6.2	1018.9	1182.3	12.8
EBITDA margins (%)	26.4	34.6	27.8		27.8	29.0	
Net Profit	467.7	653.9	712.7	7.1	711.8	835.4	8.3
EPS (₹)	53.4	74.0	83.4		83.3	97.8	
PE (x)	30.6	21.9	19.4		19.4	16.6	
EV to EBITDA (x)	20.6	13.9	15.0		13.3	11.0	
RoCE (%)	24.7	29.0	27.0		22.9	22.9	
ROE (%)	18.1	21.8	21.8		18.4	18.3	

Source: Company, ICICI Direct Research

## Key takeaways of recent quarter & conference call highlights

### Q4FY22 Results: Robust branded performance while margins dive

- Ajanta's revenues grew 15% YoY to ₹ 870 crore driven by domestic business growth of 12% YoY to ₹ 245 crore and Emerging markets (branded), which grew 46% YoY to ₹ 399 crore. US sales de-grew 3% YoY to ₹ 168 crore while Africa tender business was down 37% YoY to ₹ 50 crore. EBITDA margins declined 1053 bps YoY to 23.7% due to lower gross margins (down 531 bps) and higher other expenses. Sharp margins decline was also due to, 1) write-off one product sent to US nearing expiry (contributing ~1.5% decline) and 2) US price erosion (contributing ~1.5% decline). EBITDA contracted 20% YoY to ₹ 207 crores while PAT de-grew 5% YoY to ₹ 151 crores. Delta vis-à-vis EBITDA was mainly due to increase in other income and lower tax expense. Board of directors has approved the bonus issue of equity shares in the proportion of 1:2 equity share of ₹ 2/- each
- Ajanta's domestic business was driven by growth of 11% in cardiology, 25% in ophthalmology, 17% in dermatology and 28% in pain management while traction in Africa branded business was supplemented by growth in Asia markets on back of strengthening of brands. US business witnessed continued pricing erosion (~18%) amid increase in competition. Ajanta is likely to maintain domestic growth momentum leveraging on the already launched products (16 new launches in FY22, four being FTF) and leverage its branded position in emerging markets through market share gain and new launches. On margins front, material cost was higher due to inflationary API prices and US price erosion. The management expects to maintain ~28% EBITDA margins FY23. Overall, calculated focus, steady gross margins and lighter balance sheet are some key differentiators for Ajanta.

### Q4FY22 Earnings Conference Call highlights

- **India:** Grew 21% from ₹ 813 crore in FY21 to ₹ 982 crore in FY22. Therapy break-up – cardio:41%, ophthal:31%, derma:20%, pain:8%. Trade generics contributed ₹ 30 crore in Q4FY22 and ₹ 117 crore in FY22. Total 16 new products launched in FY22 and four were FTF. NLEM basket constitutes ~20% of domestic portfolio. Non-NLEM price hike is an annual activity and maximum hike is capped at 10%. Management is guiding for mid-teen growth. The company is also looking at acquisitions in India branded space
- **Exports:** Grew 13% from ₹ 2032 crore to ₹ 2302 crore. Sales break-up – Asia branded:36%, US:30%, Africa branded:25%, Africa institutional:9%. Ajanta's branded presence has strengthened while Africa tender business remains unpredictable. New launches, market share gain and price hike are expected to drive growth to mid-teens in emerging markets. The management is also looking to increase MRs in these markets
- **US:** Grew 9% from ₹ 637 crore to ₹ 696 crore. Ajanta launched three products in FY22. Total 20 ANDAs pending for approval while it expects to file another 10-12 ANDAs in FY23. Traditionally, US experiences ~10% price erosion but Ajanta's base business is seeing 18% price erosion currently. US requires higher inventory, receivables days and will continue to be so
- Material cost was higher due to elevated API prices and price erosion in US. This is likely to continue, going forward. Out of ₹ 832 crore of material cost in FY22, ~ ₹ 700 crore is sourced from third party. There was a one-time impact of ~1.5% due to write-off of one product nearing expiry, which was sent to US while another ~1.5% impact is due to US price erosion, which is likely to continue. Management has guided for ~28% EBITDA margins
- R&D expense ₹ 59 crore (7% of sales) in Q4FY22 while ₹ 204 crore (6% of sales) in FY22. About ~55% of R&D is earmarked for US
- Other Income includes forex gain of ₹ 73 crore in FY22
- Capex ₹ 154 crore in FY22 and management guided for ₹ 200 crore in FY23

Exhibit 1: Variance Analysis

	Q4FY22	14FY22E	Q4FY21	Q3FY22	YoY (%)	QoQ (%)	Comments
Revenue	870.3	817.0	756.8	837.9	15.0	3.9	YoY growth mainly driven by strong growth in branded portfolio
Raw Material Expenses	239.3	187.9	167.9	189.1	42.5	26.6	
gross margins (%)	72.5	77.0	77.8	77.4	-531 bps	-494 bps	Material cost was higher due to elevated API prices and price erosion in US
Employee Expenses	165.5	158.1	145.8	162.2	13.5	2.1	
Other Expenditure	258.8	245.9	183.8	247.1	40.8	4.7	
Total Operating Expenditure	663.6	592.0	497.4	598.3	33.4	10.9	
EBITDA	206.7	225.0	259.4	239.6	-20.3	-13.7	
EBITDA (%)	23.7	27.5	34.3	28.6	-1053 bps	-484 bps	YoY sharp margins decline was also due to, 1) write-off one product sent to US nearing expiry (contributing ~1.5% decline) and 2) US price erosion (contributing ~1.5% decline)
Interest	7.3	1.0	2.6	1.0	186.7	672.6	
Depreciation	31.2	31.7	30.6	31.7	1.8	-1.8	
Other income	29.5	10.2	2.5	24.0	1,065.2	22.7	
PBT before EO	197.7	202.6	228.8	230.9	-13.6	-14.4	
Less: Exceptional Items	0.0	0.0	0.0	0.0	0.0	0.0	
PBT	197.7	202.6	228.8	230.9	-13.6	-14.4	
Tax	46.5	34.4	69.5	39.2	-33.2	18.6	
MI & Share of loss/ (gain)	0.0	0.0	0.0	0.0	0.0	0.0	
Adj. Net Profit	151.2	168.2	159.3	191.8	-5.1	-21.2	Delta vis-à-vis EBITDA mainly due to increase in other income and lower tax expense
<b>Key Metrics</b>							
<b>India</b>	<b>245.0</b>	<b>245.3</b>	<b>218.0</b>	<b>260.0</b>	<b>12.4</b>	<b>-5.8</b>	Ajanta's domestic business driven by new launches, market share gain and price increase
<b>Total Export</b>	<b>616.0</b>	<b>559.7</b>	<b>526.0</b>	<b>563.0</b>	<b>17.1</b>	<b>9.4</b>	
Emerging Branded Markets	399.0	349.9	273.0	361.0	46.2	10.5	YoY growth amid traction in branded business and improvement in brands market share
Africa - Branded	136.0	145.5	97.0	167.0	40.2	-18.6	
Africa - Tender	50.0	40.0	80.0	36.0	-37.5	38.9	
Asia	263.0	202.4	176.0	194.0	49.4	35.6	
US	168.0	169.8	173.0	166.0	-2.9	1.2	Ajanta's base business is witnessing 18% price erosion currently

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

₹ Crore)	FY23E			FY24E			
	Old	New	% Change	Old	New	% Change	
Revenue	3,594.8	3,669.4	2.1	3,970.9	4,076.9	2.7	Changed in accordance with ramp-up in branded business
EBITDA	1,042.5	1,018.9	-2.3	1,191.3	1,182.3	-0.8	
EBITDA Margin (%)	29.0	27.8	-123 bps	30.0	29.0	-100 bps	Change in accordance with management guidance and elevated pricing pressure, high freight cost and lower gross margins
PAT	740.9	711.8	-3.9	855.1	835.4	-2.3	
EPS (₹)	86.7	83.3	-3.9	100.1	97.8	-2.3	

Source: ICICI Direct Research

Exhibit 3: Assumptions

₹ crore)	Current				Earlier			
	FY20	FY21	FY22	FY23E	FY24E	FY23E	FY24E	
Domestic	769.0	813.0	982.0	1,089.6	1,221.7	1,080.3	1,199.8	Guidance for mid-teen growth
Africa	594.0	673.0	791.0	862.9	947.8	860.6	936.4	Guidance for mid-teen growth
Asia	674.0	713.0	813.0	908.6	1,017.6	821.8	904.0	Changed maily due to better than expected QrFY22 numbers
US	515.0	637.0	696.0	754.2	829.6	772.7	865.4	Changed maily due to challenging price erosion

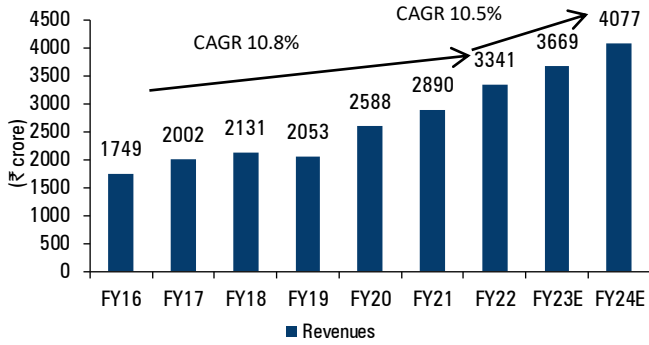
Source: ICICI Direct Research

Exhibit 4: Financial Summary

	Revenues	Growth	EPS	Growth	P/E	EV/EBITDA	RoE	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY21	2890	11.7	74.0	39.8	21.9	13.9	21.8	29.0
FY22	3341	15.6	83.4	9.0	19.4	15.0	21.8	27.0
FY23E	3669	9.8	83.3	-0.1	19.4	13.3	18.4	22.9
FY24E	4077	11.1	97.8	17.4	16.6	11.0	18.3	22.9

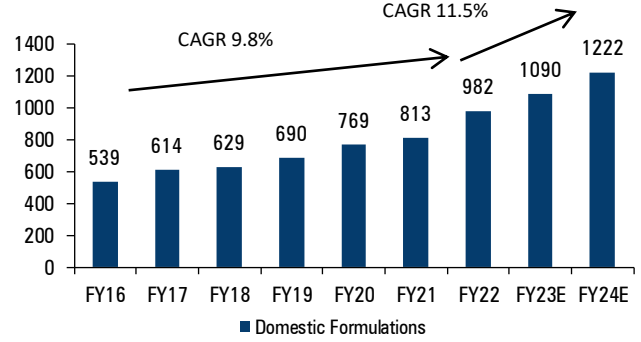
Source: ICICI Direct Research

Exhibit 5: Revenue to grow at ~10.5% CAGR over FY22-24E



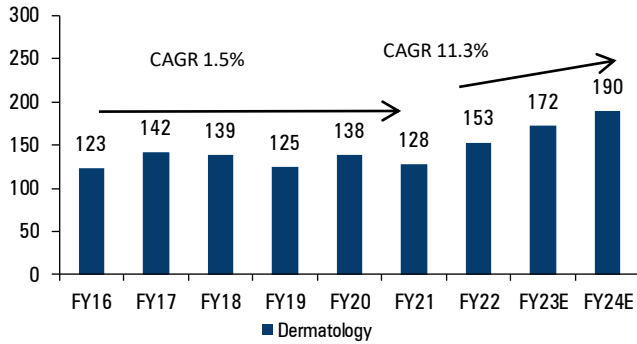
Source: ICICI Direct Research, Company

Exhibit 6: Domestic formulations (₹ crore)



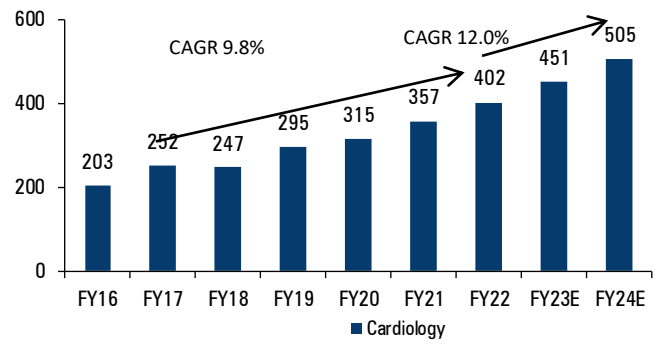
Source: ICICI Direct Research, Company

Exhibit 7: Domestic dermatology segment (₹ crore)



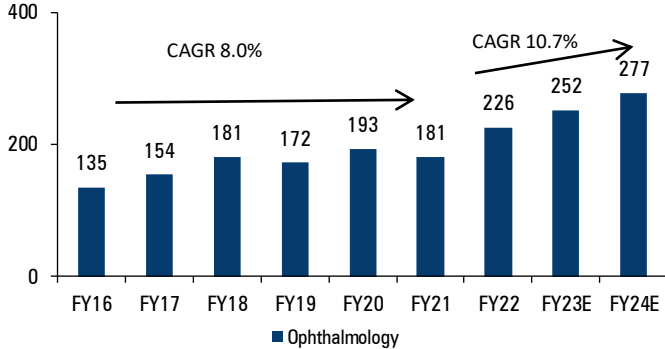
Source: ICICI Direct Research, Company

Exhibit 8: Domestic cardiology segment (₹ crore)



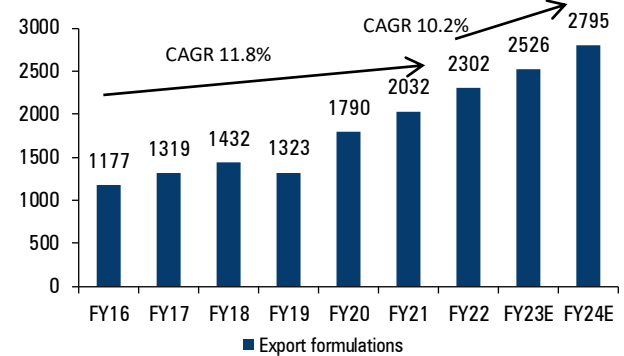
Source: ICICI Direct Research, Company

Exhibit 9: Domestic ophthalmology segment (₹ crore)



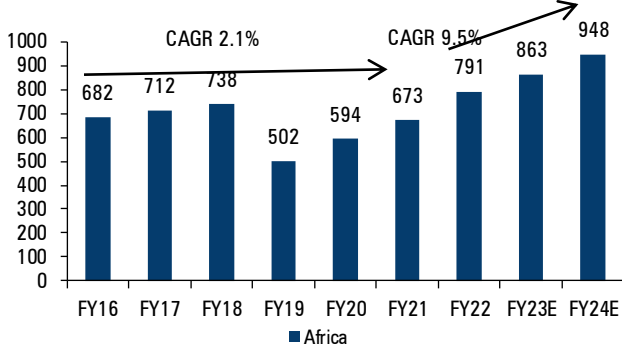
Source: ICICI Direct Research, Company

Exhibit 10: Export formulations (₹ crore)



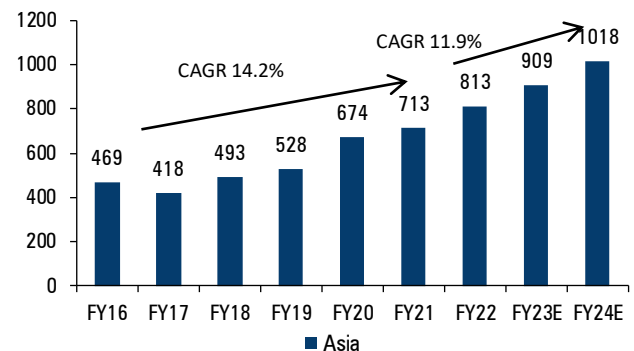
Source: ICICI Direct Research, Company

Exhibit 11: Africa revenues (₹ crore)

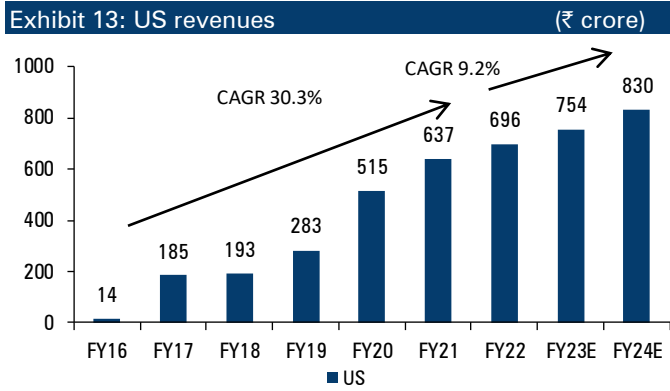


Source: ICICI Direct Research, Company

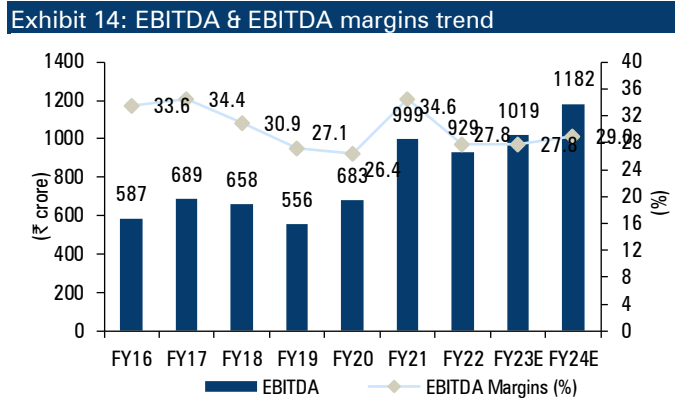
Exhibit 12: Asia revenues (₹ crore)



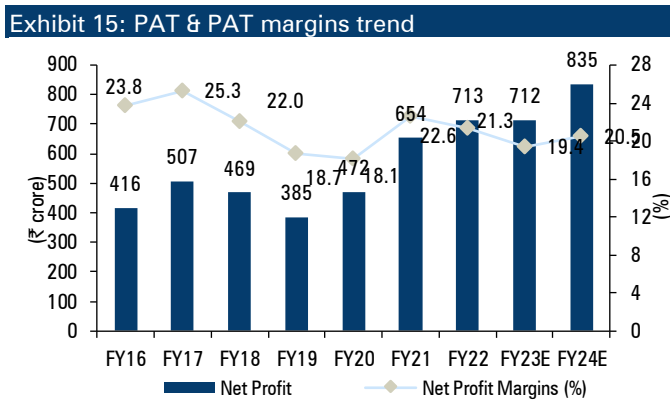
Source: ICICI Direct Research, Company



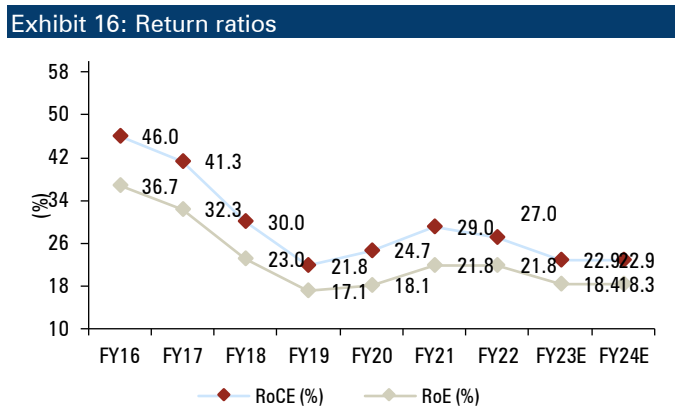
Source: ICICI Direct Research, Company



Source: ICICI Direct Research, Company



Source: ICICI Direct Research, Company



Source: ICICI Direct Research, Company

### Exhibit 17: Trends in quarterly performance

(₹ crore)	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	YoY (%)	QoQ (%)
Total Operating Income	515.2	611.9	642.8	651.2	682.0	668.2	715.9	748.7	756.8	748.0	884.8	837.9	870.3	15.0	3.9
Raw Material Expenses	105.5	142.5	166.5	169.1	177.6	153.1	155.4	168.7	167.9	171.7	232.2	189.1	239.3	42.5	26.6
% of Revenue	20.5	23.3	25.9	26.0	26.0	22.9	21.7	22.5	22.2	22.9	26.2	22.6	27.5	531 bps	494 bps
Gross Profit	409.6	469.4	476.3	482.1	504.4	515.1	560.6	580.1	588.9	576.3	652.6	648.9	631.0	7.1	-2.8
GPM (%)	79.5	76.7	74.1	74.0	74.0	77.1	78.3	77.5	77.8	77.1	73.8	77.4	72.5	-531 bps	-494 bps
Employee Expenses	107.4	118.3	117.4	120.4	129.5	135.8	130.5	136.2	145.8	158.0	160.1	162.2	165.5	13.5	2.1
% of Revenue	20.8	19.3	18.3	18.5	19.0	20.3	18.2	18.2	19.3	21.1	18.1	19.4	19.0	-24 bps	-34 bps
Other Expenditure	175.2	182.7	181.2	175.8	223.5	156.1	155.8	202.2	183.8	198.1	229.7	247.1	258.8	40.8	4.7
% of Revenue	34.0	29.9	28.2	27.0	32.8	23.4	21.8	27.0	24.3	26.5	26.0	29.5	29.7	545 bps	24 bps
Total Expenditure	388.1	443.6	465.1	465.2	530.6	445.0	441.7	507.1	497.4	527.8	622.0	598.3	663.6	33.4	10.9
% of Revenue	75.3	72.5	72.4	71.4	77.8	66.6	61.7	67.7	65.7	70.6	70.3	71.4	76.3	1053 bps	484 bps
EBITDA	127.1	168.4	177.6	186.0	151.3	223.2	274.3	241.7	259.4	220.2	262.8	239.6	206.7	-20.3	-13.7
EBITDA Margin (%)	24.7	27.5	27.6	28.6	22.2	33.4	38.3	32.3	34.3	29.4	29.7	28.6	23.7	-1053 bps	-484 bps
Other Income	1.6	7.6	13.2	14.6	56.7	13.1	4.9	5.5	2.5	32.6	29.5	24.0	29.5	1065.2	22.7
Interest	0.8	1.8	4.9	1.6	3.6	1.6	1.5	2.6	2.6	1.5	0.4	1.0	7.3	186.7	672.6
Depreciation	18.8	22.8	23.3	23.6	26.0	28.0	28.3	29.1	30.6	30.9	31.5	31.7	31.2	1.8	-1.8
PBT	109.2	151.5	162.6	175.4	178.4	206.7	249.2	215.5	228.8	220.5	260.4	230.9	197.7	-13.6	-14.4
Total Tax	20.3	36.8	45.2	67.6	46.7	58.9	79.0	38.8	69.5	46.7	64.5	39.2	46.5	-33.2	18.6
Tax rate (%)	18.6	24.3	27.8	38.5	26.2	28.5	31.7	18.0	30.4	21.2	24.8	17.0	23.5	-688 bps	655 bps
PAT	88.9	114.6	116.4	107.6	129.2	147.8	170.2	176.6	159.3	173.8	195.9	191.8	151.2	-5.1	-21.2
PAT Margin (%)	17.3	18.7	18.1	16.5	18.9	22.1	23.8	23.6	21.0	23.2	22.1	22.9	17.4	-367 bps	-551 bps

Source: ICICI Direct Research

Exhibit 18: 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
<b>Hospitals</b>																					
Apollo Hospitals	APOHOS	3676	5,480	Buy	52853	7.9	67.2	81.3	105.5	467.6	54.7	45.2	34.9	6.3	16.4	18.2	20.7	2.5	17.5	18.1	19.9
Narayana Hrudalaya	NARHRU	675	765	Buy	13789	-0.7	17.5	20.1	22.8	NA	38.6	33.5	29.6	1.2	21.2	22.4	21.5	-1.3	24.5	22.3	20.3
Shalby	SHALIM	110	170	Buy	1186	3.9	5.9	5.7	7.2	28.0	18.6	19.1	15.3	6.5	8.9	9.6	10.5	5.1	7.2	6.7	7.9
Aster DM	ASTDM	173	250	Buy	8642	3.0	10.6	17.6	NA	58.5	16.4	9.8	NA	5.4	9.2	12.9	NA	4.4	13.5	18.4	NA
Healthcare Global	HEAGLO	262	240	Hold	3279	-21.7	6.0	3.5	NA	NA	43.6	74.2	NA	-0.9	5.2	7.7	NA	NA	NA	3.4	NA
<b>MNC Pharma</b>																					
Abbott India	ABBIND	16580	19,840	Buy	35231	325.0	370.4	429.0	496.0	51.0	44.8	38.6	33.4	33.8	35.7	34.4	33.4	26.5	28.1	26.8	25.8
PfG Health	MERLIM	4351	4,955	Hold	7223	106.5	121.5	130.5	141.6	40.9	35.8	33.3	30.7	32.2	37.3	34.7	32.8	25.1	29.3	27.0	25.4
Sanofi India	SANOFI	6551	7,740	Hold	15087	207.4	410.1	285.7	276.4	31.6	16.0	22.9	23.7	32.3	33.3	42.3	40.8	24.5	25.9	32.6	31.3
Pfizer	PFIZER	4218	5,350	Buy	19296	108.8	135.2	133.0	148.6	38.8	31.2	31.7	28.4	27.6	27.4	23.6	22.9	20.8	21.7	18.6	18.1
<b>Pharma</b>																					
Ajanta Pharma	AJAPHA	1685	1,955	Buy	14393	74.0	83.4	83.3	97.8	22.8	20.2	20.2	17.2	29.0	27.0	22.9	22.9	21.8	21.8	18.4	18.3
Alembic Pharma	ALEMPHA	728	720	Hold	14310	62.8	27.8	29.7	35.9	11.6	26.2	24.5	20.3	25.1	10.6	11.2	13.8	24.1	10.4	10.3	11.3
Aurobindo Pharma	AURPHA	590	765	Hold	34570	55.0	44.3	53.4	61.2	10.7	13.3	11.0	9.6	16.9	12.5	14.3	15.2	14.7	10.7	11.5	11.7
Biocon	BIOCON	335	380	Hold	40232	6.3	5.7	6.1	11.7	53.5	58.8	55.3	28.7	7.7	7.5	5.0	6.9	9.9	8.1	3.2	5.9
Zydus Lifesciences	CADHEA	329	475	Hold	33656	21.5	21.1	22.4	25.4	15.3	15.6	14.7	12.9	12.6	13.5	13.7	14.6	16.9	14.8	14.0	14.1
Cipla	CIPLA	938	1,100	Buy	75639	29.9	35.9	39.3	43.5	31.4	26.1	23.8	21.6	16.3	18.3	18.0	18.0	13.1	14.1	13.8	13.6
Dr Reddy's Labs	DRREDD	3900	5,160	Buy	64900	117.3	156.5	190.9	236.0	33.3	24.9	20.4	16.5	13.1	15.4	18.6	22.7	11.1	13.1	14.0	15.1
Glenmark Pharma	GLEPHA	404	550	Hold	11388	32.9	44.2	44.2	49.1	12.3	9.1	9.1	8.2	13.9	15.5	15.2	15.4	13.1	13.1	11.7	11.6
Ipca Laboratories	IPCLAB	968	1,175	Buy	24567	44.9	36.6	42.4	48.2	21.6	26.5	22.9	20.1	27.1	19.8	19.1	18.5	24.2	16.6	16.1	15.6
Jubilant Pharmova	JUBLIF	410	490	Hold	6529	37.4	28.7	32.5	40.8	11.0	14.3	12.6	10.1	13.7	10.1	10.4	12.2	12.6	8.9	9.2	10.4
Lupin	LUPIN	718	960	Hold	32589	26.9	16.0	29.7	39.4	26.7	44.9	24.2	18.2	9.1	6.0	10.3	12.6	8.8	5.7	9.5	11.3
Natco Pharma	NATPHA	679	955	Hold	12384	24.2	15.1	19.6	23.1	28.1	44.9	34.7	29.4	13.1	7.3	9.7	10.7	10.7	6.4	7.8	8.5
Sun Pharma	SUNPHA	859	1,075	Buy	206163	30.0	33.5	33.8	38.6	28.6	25.6	25.4	22.3	14.2	18.3	17.8	17.8	15.5	16.4	14.4	14.3
Torrent Pharma	TORPHA	2552	3,235	Hold	43184	74.0	67.6	94.7	114.5	34.5	37.7	26.9	22.3	17.7	18.2	21.1	23.5	21.4	17.1	20.3	20.7
Indoco Remedies	INDREM	350	510	Buy	3222	10.1	16.5	23.3	28.3	34.6	21.2	15.0	12.3	11.7	17.9	21.5	26.3	12.1	16.9	19.8	20.0
Caplin Point	CAPPOI	651	1,010	Buy	4932	81.7	76.7	55.5	60.4	8.0	8.5	11.7	10.8	25.6	24.1	23.5	0.0	20.4	20.5	18.8	18.3
Advanced Enzymes	ADVENZ	280	380	Buy	3127	13.1	11.3	13.6	15.8	21.4	24.9	20.6	17.7	19.4	15.4	16.7	17.2	15.1	11.6	12.4	12.7
Hester Biosciences	HESPHA	2243	2,780	Hold	1908	44.4	47.2	52.0	71.4	50.5	47.6	43.2	31.4	16.2	12.8	14.3	17.3	16.5	15.5	15.1	17.8
<b>API/CRAMS</b>																					
Divi's Lab	DIVLAB	4310	5,335	Buy	114417	74.7	107.8	108.4	126.4	57.7	40.0	39.8	34.1	27.6	30.1	27.7	27.5	21.3	25.4	21.7	21.6
Hikal	HIKCHE	394	500	Buy	4859	10.8	14.6	17.1	22.6	36.5	26.9	23.0	17.4	15.1	15.7	16.0	19.1	14.3	16.7	16.8	18.8
Syngene Int.	SYNINT	552	730	Buy	22124	10.1	9.9	11.4	15.5	54.5	55.9	48.5	35.7	11.5	11.7	12.2	15.7	13.5	12.9	12.3	14.4
Granules India	GRANUL	246	360	Buy	6105	22.2	16.2	19.4	25.8	11.1	15.2	12.7	9.5	24.0	16.2	17.4	20.2	25.3	15.8	16.1	17.8
Laurus Labs	LAULAB	540	690	Buy	29012	18.3	15.4	20.6	26.5	29.5	35.1	26.2	20.3	31.7	21.3	22.6	24.7	37.9	24.7	25.5	25.3
Suven Pharmaceuticals	SUVPH	530	555	Hold	13483	14.2	17.8	17.0	18.5	37.2	29.7	31.1	28.6	31.2	37.5	28.5	26.0	30.7	29.7	23.0	20.8

Source: ICICI Direct Research

## Financial Summary

Exhibit 19: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Total Operating Income	2,889.7	3,341.0	3,669.4	4,076.9
Growth (%)	11.7	15.6	9.8	11.1
Raw Material Expenses	645.1	832.3	925.9	998.8
Gross Profit	2,244.6	2,508.7	2,743.5	3,078.1
Gross Profit Margins (%)	77.7	75.1	74.8	75.5
Employee Expenses	548.3	645.8	715.5	784.8
Other Expenditure	697.8	933.6	1,009.1	1,111.0
Total Operating Expenditure	1,891.1	2,411.7	2,650.5	2,894.6
<b>EBITDA</b>	<b>998.6</b>	<b>929.3</b>	<b>1,018.9</b>	<b>1,182.3</b>
Growth (%)	46.1	-6.9	9.6	16.0
Interest	8.3	10.2	0.1	0.1
Depreciation	116.1	125.3	146.2	155.2
Other Income	26.0	115.7	45.9	51.0
<b>PBT before Exceptional Item</b>	<b>900.2</b>	<b>909.5</b>	<b>918.4</b>	<b>1,077.9</b>
Less: Exceptional Items	0.0	0.0	0.0	0.0
PBT after Exceptional Items	900.2	909.5	918.4	1,077.9
Total Tax	246.3	196.8	206.6	242.5
PAT before MI	653.9	712.7	711.8	835.4
<b>PAT</b>	<b>653.9</b>	<b>712.7</b>	<b>711.8</b>	<b>835.4</b>
Growth (%)	39.8	9.0	-0.1	17.4
<b>EPS (Adjusted)</b>	<b>74.0</b>	<b>83.4</b>	<b>83.3</b>	<b>97.8</b>

Source: Company, ICICI Direct Research

Exhibit 20: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit/(Loss) after taxation	669.8	670.4	711.8	835.4
Add: Depreciation & Amortization	116.1	125.3	146.2	155.2
Net Increase in Current Assets	-268.5	-245.0	-191.6	-196.2
Net Increase in Current Liabilities	59.7	44.6	43.2	35.2
Others	-0.8	-33.2	0.1	0.1
<b>CF from Operating activities</b>	<b>576.3</b>	<b>562.1</b>	<b>709.7</b>	<b>829.7</b>
(Purchase)/Sale of Fixed Assets	-158.9	-130.5	-200.0	-150.0
Investments	-123.5	56.4	0.0	0.0
Others	28.7	-25.7	0.8	0.8
<b>CF from Investing activities</b>	<b>-253.7</b>	<b>-99.8</b>	<b>-199.2</b>	<b>-149.2</b>
(inc)/Dec in Loan	-44.0	0.2	0.0	0.0
Dividend & Dividend tax	-82.9	-82.2	-115.3	-132.4
Other	-191.4	-378.1	-0.1	-0.1
CF from Financing activities	-318.3	-460.0	-115.4	-132.5
<b>Net Cash Flow</b>	<b>4.4</b>	<b>2.2</b>	<b>395.1</b>	<b>548.1</b>
Cash and Cash Equivalent	205.3	209.6	211.8	606.9
<b>Cash</b>	<b>209.6</b>	<b>211.8</b>	<b>606.9</b>	<b>1,154.9</b>
<b>Free Cash Flow</b>	<b>417.4</b>	<b>431.6</b>	<b>509.7</b>	<b>679.7</b>

Source: Company, ICICI Direct Research

Exhibit 21: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Equity Capital	17.4	17.2	17.2	17.2
Reserve and Surplus	2,978.2	3,247.2	3,843.6	4,546.6
Total Shareholders funds	2,995.6	3,264.4	3,860.8	4,563.8
Total Debt	1.7	1.9	1.9	1.9
Deferred Tax Liability	92.2	101.9	103.9	106.0
Long-Term Provisions	17.9	19.3	19.7	20.1
Other Non Current Liabilities	22.8	21.0	21.4	21.9
<b>Source of Funds</b>	<b>3,130.2</b>	<b>3,408.5</b>	<b>4,007.8</b>	<b>4,713.7</b>
Gross Block - Fixed Assets	2,140.8	2,237.0	2,437.0	2,587.0
Accumulated Depreciation	599.7	725.0	871.2	1,026.4
Net Block	1,541.1	1,512.0	1,565.8	1,560.6
Capital WIP	108.2	152.9	152.9	152.9
Fixed Assets	1,649.3	1,664.9	1,718.6	1,713.4
Investments	175.7	147.0	147.0	147.0
Other non-Current Assets	101.8	101.2	103.2	105.3
Inventory	766.5	791.1	880.1	949.4
Debtors	738.4	1,019.8	1,120.0	1,244.4
Other Current Assets	137.4	119.9	122.3	124.8
Cash	209.6	211.8	606.9	1,154.9
Total Current Assets	1,851.9	2,142.6	2,729.3	3,473.6
Creditors	373.9	327.2	364.0	392.7
Provisions	11.7	10.8	11.0	11.2
Other Current Liabilities	263.0	309.1	315.3	321.6
Total Current Liabilities	648.5	647.1	690.3	725.5
Net Current Assets	1,203.4	1,495.5	2,039.0	2,748.0
<b>Application of Funds</b>	<b>3,130.2</b>	<b>3,408.5</b>	<b>4,007.8</b>	<b>4,713.7</b>

Source: Company, ICICI Direct Research

Exhibit 22: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
<b>Per share data (₹)</b>				
Reported EPS	74.0	83.4	83.3	97.8
Cash EPS	68.7	88.6	86.9	100.5
BV per share	339.1	382.2	452.0	534.3
Cash per Share	23.7	24.8	71.0	135.2
Dividend per share	18.5	9.5	13.5	15.5
<b>Operating Ratios (%)</b>				
Gross Profit Margins	77.7	75.1	74.8	75.5
EBITDA margins	34.6	27.8	27.8	29.0
PAT Margins	22.6	21.3	19.4	20.5
Cash Conversion Cycle	315.4	314.9	314.9	314.9
Asset Turnover	1.3	1.5	1.5	1.6
EBITDA conversion Rate	57.7	60.5	69.7	70.2
<b>Return Ratios (%)</b>				
RoE	21.8	21.8	18.4	18.3
RoCE	29.0	27.0	22.9	22.9
RoIC	33.5	27.5	27.9	31.3
<b>Valuation Ratios (x)</b>				
P/E	21.9	19.4	19.4	16.6
EV / EBITDA	13.9	15.0	13.3	11.0
EV / Net Sales	4.8	4.2	3.7	3.2
Market Cap / Sales	5.0	4.3	3.9	3.5
Price to Book Value	4.8	4.2	3.6	3.0
<b>Solvency Ratios</b>				
Debt / EBITDA	0.0	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	2.5	3.0	3.1	3.2

Source: Company, ICICI Direct Research

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