



24/7 cost dents margins; upbeat outlook maintained...

About the stock: Apollo is a leading integrated healthcare service provider.

- Group capacity of 9911 beds across 71 hospitals in India. Total 8538 beds owned in 44 hospitals; 278 beds in 11 cradles; 244 beds in 11 day-care/short surgical stay centres; 851 beds in five hospitals under O&M contracts
- It has got a digital presence with "ASK Apollo" & digital health platform "Apollo 24/7". Apollo Hospitals is the exclusive supplier for APL, which operates India's largest standalone pharmacy chain with 4529 outlets
- Apollo Health & Lifestyle Ltd runs the largest chain of standardised primary healthcare models, multi-specialty clinics under the brand: Apollo Clinics in India and Middle East, diabetes management clinics: Apollo Sugar, diagnostic centres: Apollo Diagnostics, specialty formats: Apollo Cradle for women & children, Apollo Spectra for planned surgery

Q1FY23 Results: Apollo's revenues were in line with our expectations while margins were missed amid ₹ 135 crore operation spend on 24/7.

- Revenues increased 7% QoQ to ₹ 3796 crore
- EBITDA was at ₹ 491 crore, up 6% QoQ with margins at 12.9%
- Adjusted PAT was at ₹ 317 crore (up 252% QoQ)

What should investors do? Apollo's share price grew 3.2x over past three years

- We maintain **BUY** due to 1) pick-up in elective surgeries and margins at hospitals to improve through better operating leverage and optimisation of payer and case mix, 2) impending value unlocking through Apollo HealthCo and 3) increase in reach for all verticals through integrated digital platform to be remunerative in long term albeit with front-loaded cost pressure

Target Price and Valuation: We value Apollo at ₹ 5080 based on SOTP valuation.

Key triggers for future price performance:

- Apollo is undergoing optical transformational journey towards creating an omni-channel healthcare platform that could set the platform for tapping new-age investors enabling rapid scale up of the digital healthcare platform
- Business normalisation in healthcare is expected to continue with further momentum due to lifting of travel restrictions, international patients. Also with strong healthcare pedigree & asset base, the company is on course to integrate all entities digitally to leverage its brand and physical presence
- The new hospitals, ventures are turning profitable on the back of a judicious case mix besides better occupancy & ramp up at new hospitals and AHLL

Alternate Stock Idea: Apart from Apollo, in our hospital coverage we like Narayana.

- Narayana operates a dual model, which perfectly blends established "Asset-right" India business with a hospital in Cayman Islands
- BUY with a target price of ₹ 800

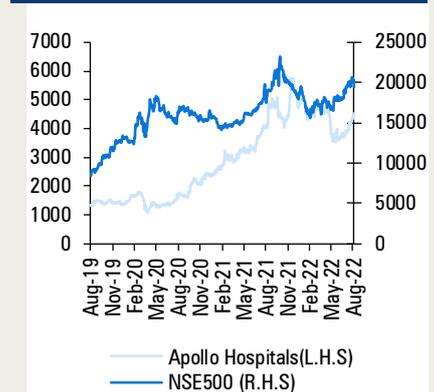
Particulars

Particular	Amount
Market Capitalisation	₹ 61969 crore
Debt (FY22)	₹ 2636 crore
Cash (FY22)	₹ 1036 crore
EV	₹ 63569 crore
52 week H/L (₹)	5931/3366
Equity capital	₹ 71.9 crore
Face value	₹ 5

Shareholding pattern

(in %)	Sep-21	Dec-21	Mar-22	Jun-22
Promoter	29.8	29.3	29.3	29.3
Others	70.2	70.7	70.7	70.7

Price Chart



Recent Event & Key risks

- Acquisition of hospital asset in Gurugram for ₹ 450 crore
- Key Risk:** (i) Slower ramp up in elective surgeries (ii) Higher operational expense in 24/7

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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)
Net Sales	11246.8	10560.0	14662.6	15.1	16555.7	18672.9	12.8
EBITDA	1583.4	1137.4	2185.1	24.6	2318.4	2912.9	15.5
EBITDA margins (%)	14.1	10.8	14.9		14.0	15.6	
PAT	454.9	113.0	850.4	36.7	1135.3	1452.6	30.7
EPS (₹)	22.6	7.9	59.1		79.0	101.0	
PE (x)	136.2	412.1	58.7		54.6	42.7	
P/BV (x)	18.6	13.5	11.0		9.5	8.1	
RoE (%)	9.7	2.5	15.1		17.4	18.9	
RoCE (%)	10.2	6.3	15.1		15.3	18.8	

Source: Company, ICICI Direct Research

Key takeaways of recent quarter & conference call highlights

Q1FY23 Results: Hospitals ramp-up continues; 24/7 spends high

- Consolidated revenues grew 7% QoQ to ₹ 3796 crore as hospitals segments grew 9% QoQ to ₹ 2023 crore. HealthCo and pharmacy grew 8% QoQ to ₹ 1479 crore while AHLL reported de-growth of 5% QoQ to ₹ 293 crore. EBITDA margins declined 13 bps QoQ to 12.9%, mainly on the back of increase in other expenditure. EBITDA, in absolute terms, grew 6% QoQ to ₹ 491 crore. Adjusted profit for the quarter was at ₹ 317 crore vs. profit of ₹ 90 crore in Q4FY22. Delta vis-à-vis EBITDA was mainly due to lower tax and depreciation and interest expense
- Apollo Hospitals' Q1FY23 revenues were more or less in line with our estimates while margins were missed. Healthcare business returned to normalcy in this quarter and hospital segments largely capture it. Pharmacy distribution business was re-organised into a 100% subsidiary Apollo HealthCo Ltd along with Apollo 24/7, the group's digital healthcare services platform is making steady progress while also incurring cash burn for digital platform. The pharmacy business remains a steady growth engine albeit in a changed structure. AHLL (clinics and diagnostics) has witnessed softer quarter while Apollo Diagnostics has set an aspirational target to achieve ₹ 1000 crore revenue mark over the next three years. Structurally, cost reduction drives, expanding of complex procedures and profitability of new hospitals remain key management focus areas

Q1FY23 Earnings Conference Call highlights

- Hospitals** ARPOB was at ₹ 51,999 vs. 41,102, registering growth of 27% in Q1FY23 compared to the same period in the previous year. ARPOB levels have improved due to shift in pay mix (insurance and cash increased to 41% from 34% in pre-Covid levels), price hike of 2% and surgical revenue increased to 68% from 60% of sales. In-patient volumes across the group increased 9% from 115,902 to 126,511. Q1FY23 occupancy across the group was at 4,696 beds (60% occupancy) compared to 5,108 beds (67% occupancy) in Q1FY22. The Q1FY23 occupancy in mature hospitals was at 3,365 beds (62% occupancy). New hospitals had an occupancy of 1,331 beds (55% occupancy) in Q1FY23. Cardiac sciences grew 7%, oncology 17%, neuroscience 11%, orthopaedics at 28%, gastro at 19% and transplant at 18%. International mix has reached ~ 85% of pre-Covid levels
- Apollo has tied up with Imperial hospitals Bangladesh to manage their 375-bed hospital in Chittagong, Bangladesh. Apollo has completed the acquisition of a hospital asset in Gurugram for ₹ 450 crore with potential for 650 beds over 700,000 square feet and will be commissioned in 24 months
- The management has indicated at improving the occupancy from 60% to 70% in 12-15 months, leading to 15% increase in volumes, which, in turn, is likely to result in 15-20% revenue growth, going ahead. The company has indicated at better operating leverage and optimisation of payer and case mix to result into 200 bps margin improvement from 24% to 26%. Post this timeline, announced expansions would kick-in, starting with Gurgaon in 24 months followed by Chennai. Both will lead to addition of 1,000 beds. The management is also looking at the possibility of expansion in Mumbai, Bangalore, North India and acquisitions
- Apollo Hospitals incurred routine capex of ₹ 300 crore. Expansion plans in Chennai are for ₹ 800 crore while Gurgaon is ₹ 900 crore (acquisition: ₹ 450 crore, investment: ₹ 450 crore). The company has guided to fund these through internal accruals (expecting ₹ 800 crore plus FCF generation). Apollo will also receive ₹ 1200 crore from 24/7 in the next one year as fund raise is expected by December, 2022

- **Pharmacy:** Number of pharmacies 4761. Net addition of 232 stores in Q1FY23. Private label sales at 10.3% of revenues in Q1FY23. Pharmacy distribution margins at 7.6% in this quarter. The company's focus continues on increasing private label sales and expansion of stores
- While backend pharmacy margins were steady, front end pharmacy margins declined due to 1) technology alignment with Amazon system for pan-India delivery, 2) creation of infrastructure (16 dark stores in Mumbai, 12 in other parts) for Amazon delivery and 3) addition of new stores. Overall there was additional ₹ 25-30 crore cost with ₹ 20 crore being one-time. The management expects margins to return from Q2FY23. They have guided for offline pharmacy to grow at 22% with steady margins. Apollo is aiming at over ₹ 8,500 crore revenues from combined pharmacy in FY23
- On the digital front, Q1FY23 GMV: ₹ 215 crore (up 21% QoQ and ex-Covid up 34% QoQ). The platform is witnessing 35,000 transactions per day vs. 25,00 last quarter. The management has raised the guidance for FY23 GMV from earlier ₹ 1000 crore to ₹ 1500 crore. Apollo expects additional 20% increase in expenditure over earlier guided ₹ 450 crore in FY23. In Q1FY23, operating expense was ₹ 135 crore. The additional expense is due to better-than-expected traction for digital platform. The company expects offline and online pharmacy to grow 27% in FY23. On the Amazon deal front, Apollo has a contract for ~15% discounts. However, the company has guided for rationalisation in cost and discounting on its platform
- **AHLL:** Revenues declined QoQ as in Q4FY22, Covid and Covid allied testing was very high. In non-Covid testing, business grew 12% QoQ. The management has reiterated diagnostics revenue guidance of ₹ 1,000 crore in three-years

Exhibit 1: Variance Analysis

	Q1FY23	Q1FY23E	Q1FY22	Q4FY22	YoY (%)	QoQ (%)	Comments
Revenue	3,795.6	3,898.0	3,760.2	3,546.4	0.9	7.0	QoQ growth due to normalcy in healthcare services
Raw Material Expenses	1,952.1	2,013.3	2,062.0	1,815.7	-5.3	7.5	
Employee Expenses	447.4	474.9	443.5	446.6	0.9	0.2	
Other expenditure	905.3	841.3	734.9	820.9	23.2	10.3	
EBITDA	490.7	568.4	519.9	463.2	-5.6	5.9	
EBITDA (%)	12.9	14.6	13.8	13.1	-90 bps	-13 bps	QoQ decline due to ~ ₹ 135 crore expense for 24/7
Interest	92.7	77.4	94.7	94.9	-2.1	-2.3	
Depreciation	147.8	160.4	140.6	166.4	5.1	-11.2	
Other Income	16.1	20.8	24.6	30.7	-34.8	-47.7	
PBT before EO & Forex	266.3	351.4	309.3	232.7	-13.9	14.5	
EO	0.0	0.0	-294.1	0.0	0.0	0.0	
PBT after Exceptional lte	266.3	351.4	603.4	232.7	-55.9	14.5	
Tax	-69.5	87.8	98.6	138.7	PL	PL	
Tax rate (%)	-26.1	25.0	16.3	59.6	PL	PL	
Net Profit	317.1	246.8	489.3	90.1	-35.2	251.8	
Adj. Net Profit	317.1	246.8	243.2	90.1	30.4	251.8	Delta vis-à-vis EBITDA mainly due to lower tax
EPS (₹)	22.1	17.2	34.0	6.3	-35.2	251.8	
Key Metrics							
Hospitals	2023.4	2032.6	1939.2	1863.1	4.3	8.6	Occupancy in mature hospitals at 62%, new hospitals at 55%
Pharmacy	1479.2	1525.4	1512.0	1374.5	-2.2	7.6	Combined pharmacy platform sales at ₹ 1808.1 crore
AHLL	293.0	339.9	309.0	308.9	-5.2	-5.1	Diagnostics: ₹ 81.5 crore, Primary care: ₹ 85.1 crore and specialty care: ₹ 139.7 crore

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY23E			FY24E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	16,544.9	16,555.7	0.1	18,884.0	18,672.9	-1.1	
EBITDA	2,555.1	2,318.4	-9.3	3,056.1	2,912.9	-4.7	
EBITDA Margin (%)	15.4	14.0	-144 bps	16.2	15.6	-58 bps	Hospitals likely to expand margins by 200 bps, Pharmacy margins to be steady while increased spend by 20% being incurred for scaling up digital platform
Adjusted PAT	1,163.2	1,135.3	-2.4	1,544.3	1,452.6	-5.9	
EPS (₹)	80.9	79.0	-2.4	107.4	101.0	-5.9	

Source: ICICI Direct Research

Exhibit 3: Assumptions

(% Growth)	Current				Earlier		
	FY21	FY22	FY23E	FY24E	FY23E	FY24E	
Healthcare Services	5,002.2	7,989.2	8,787.2	9,680.0	8,621.0	9,438.7	Occupancy levels to improve in newer hospitals with maturing profile. Guided mid-teen growth
Pharmacy	4,876.0	5,361.0	6,300.4	7,157.8	6,347.5	7,474.8	Guided for 20% growth in offline pharmacies
AHLL	681.8	1,312.5	1,468.0	1,835.0	1,576.4	1,970.5	Guidance for diagnostics likely to scale up to ₹ 1000 crore

Source: ICICI Direct Research

Exhibit 4: Financial Summary

	Revenues	Growth	EPS	Growth	P/E	EV/EBITDA	RoNW	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY21	10560	-6.1	7.9	-75.2	412.1	56.3	2.5	6.3
FY22	14663	38.9	59.1	652.4	58.7	29.0	15.1	15.1
FY23E	16556	12.9	79.0	33.5	54.6	27.1	17.4	15.3
FY24E	18673	12.8	101.0	27.9	42.7	21.3	18.9	18.8

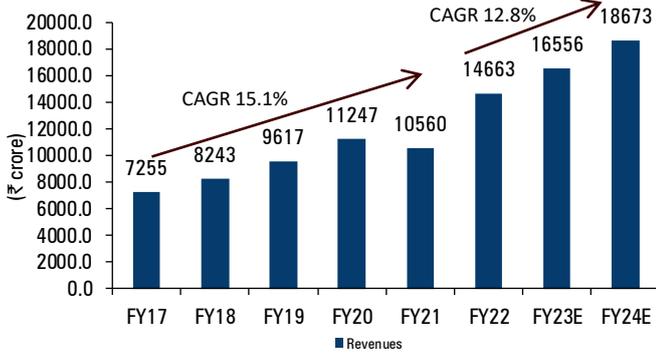
Source: ICICI Direct Research

Exhibit 5: Trends in Quarterly Performance

(₹ crore)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	YoY (%)	QoQ (%)
Total Operating Incom	2571.9	2840.7	2911.7	2922.4	2171.5	2760.7	2759.8	2868.0	3760.2	3717.1	3638.9	3546.4	3795.6	0.9	7.0
Raw Material Expense	1237.8	1372.9	1417.2	1471.1	1217.5	1505.1	1486.5	1475.0	2062.0	1872.3	1823.5	1815.7	1952.1	-5.3	7.5
as % revenues	48.1	48.3	48.7	50.3	56.1	54.5	53.9	51.4	54.8	50.4	50.1	51.2	51.4		
Gross Profit	1334.1	1467.9	1494.6	1451.4	954.0	1255.6	1273.3	1392.9	1698.3	1844.7	1815.4	1730.8	1843.5	8.6	6.5
GPM (%)	51.9	51.7	51.3	49.7	43.9	45.5	46.1	48.6	45.2	49.6	49.9	48.8	48.6		
Employee Expenses	433.4	468.7	475.4	475.5	448.6	411.6	352.4	388.4	443.5	456.8	439.6	446.6	447.4	0.9	0.2
as % revenues	16.9	16.5	16.3	16.3	20.7	14.9	12.8	13.5	11.8	12.3	12.1	12.6	11.8		
Other expenditure	546.4	580.2	589.2	595.8	469.9	544.2	530.7	592.7	734.9	772.9	788.8	820.9	905.3	23.2	10.3
as % revenues	21.2	20.4	20.2	20.4	21.6	19.7	19.2	20.7	19.5	20.8	21.7	23.1	23.9		
Total expenditure	2217.6	2421.7	2481.7	2542.4	2136.0	2460.9	2369.6	2456.1	3240.3	3102.1	3051.9	3083.2	3304.9	2.0	7.2
EBITDA	354.3	419.0	430.0	380.1	35.5	299.8	390.3	411.8	519.9	615.0	587.0	463.2	490.7	-5.6	5.9
EBITDA Margins (%)	13.8	14.7	14.8	13.0	1.6	10.9	14.1	14.4	13.8	16.5	16.1	13.1	12.9	-90 bps	-13 bps
Depreciation	144.0	154.5	157.3	163.9	160.2	149.5	125.0	138.5	140.6	144.8	149.0	166.4	147.8	5.1	-11.2
Interest	125.8	134.3	137.4	135.2	127.4	122.3	101.0	98.6	94.7	95.4	93.7	94.9	92.7	-2.1	-2.3
Other Income	9.9	3.5	9.7	4.0	7.7	11.3	5.5	20.5	24.6	5.6	17.2	30.7	16.1	-34.8	-47.7
PBT	94.4	133.7	144.9	84.9	-244.4	39.4	169.8	195.2	309.3	380.5	361.5	232.7	266.3	-13.9	14.5
Less: Exceptional Iterr	0.0	0.0	0.0	198.3	0.0	35.4	0.0	25.2	294.1	0.0	0.0	0.0	0.0		
Total Tax	45.3	50.6	55.4	74.0	-40.8	6.6	51.2	67.7	98.6	115.6	124.2	138.7	-69.5	PL	PL
Tax rate (%)	47.9	37.8	38.2	87.2	16.7	16.8	30.1	34.7	31.9	30.4	34.4	59.6	-26.1		
PAT	57.2	86.2	92.1	219.4	-208.2	60.3	130.5	167.9	489.3	247.8	228.4	90.1	317.1	-35.2	251.8
Net Profit Margin (%)	2.2	3.0	3.2	7.5	-9.6	2.2	4.7	5.9	13.0	6.7	6.3	2.5	8.4		
EPS (Adjusted)	4.0	6.0	6.4	15.3	-14.5	4.2	9.1	11.7	34.0	17.2	15.9	6.3	22.1		

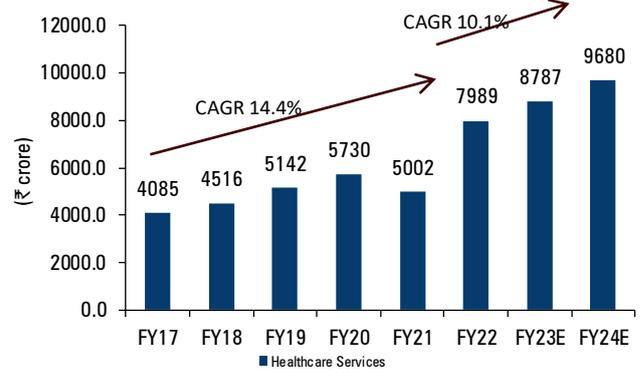
Source: ICICI Direct Research

Exhibit 6: Revenues to grow at CAGR of 13% over FY22-24E



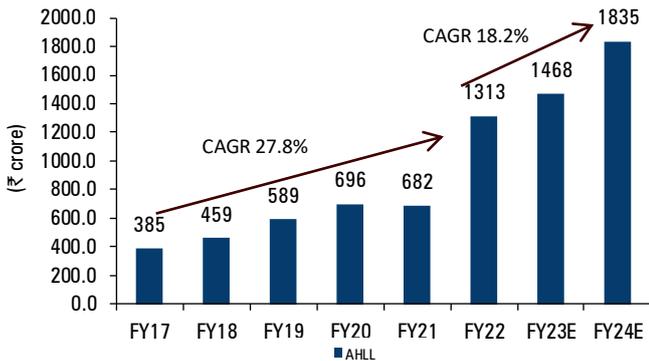
Source: ICICI Direct Research, Company

Exhibit 7: Hospitals to grow at CAGR of 10% over FY22-24E



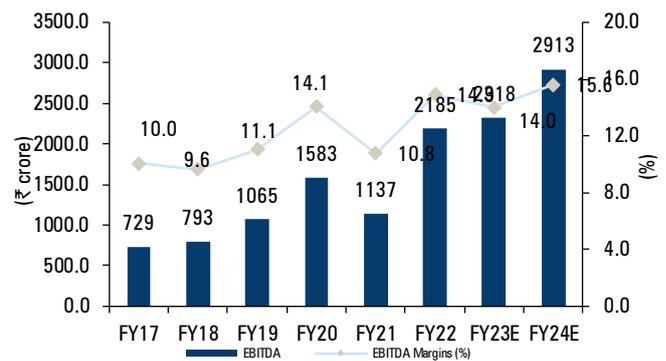
Source: ICICI Direct Research, Company

Exhibit 8: AHLL to grow at CAGR of ~18% over FY22-24E



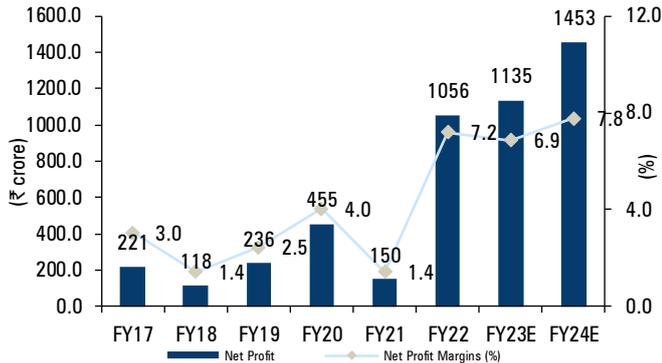
Source: ICICI Direct Research, Company

Exhibit 9: EBITDA & EBITDA margins trend



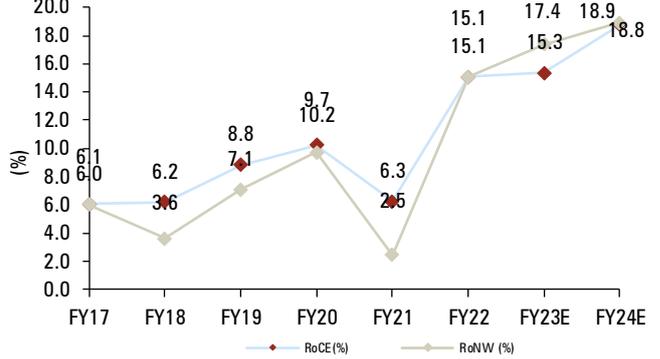
Source: ICICI Direct Research, Company

Exhibit 10: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 11: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 12: Valuation

Particulars	FY24E (₹ cr)	Valuation Matrix	Multiple (x)	EV (₹ cr)
Healthcare (Existing Hospitals)	1788.5	EV/EBITDA	16.0	28,616
Healthcare (New Hospitals)	582.1	EV/EBITDA	12.0	6,985
Pharmacy	7555.7	EV/Sales	4.0	30,223
AHLL	1835.0	EV/Sales	4.0	7,340
Net Debt FY24E (₹ cr)				66.5
Targeted MCap (₹ cr)				73,097
No of shares (cr)				14.4
Per Share Value (₹)				5,080

Source: ICICI Direct Research

Exhibit 13: ICICI Direct Universe Coverage (Healthcare)

Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹ cr)	EPS (₹)				PE(x)				RoCE (%)				RoE (%)			
						FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E
Hospitals																					
Apollo Hospitals	APOHOS	4313	5,080	Buy	62011	7.9	59.1	79.0	101.0	548.7	72.9	54.6	42.7	6.3	15.1	15.3	18.8	2.5	15.1	17.4	18.9
Narayana Hrudalaya	NARHRU	682	800	Buy	13937	-0.7	16.7	20.6	22.7	NA	40.8	33.2	30.1	1.2	20.5	19.6	19.7	-1.3	23.0	22.3	19.9
Shalby	SHALIM	117	150	Buy	1269	3.9	5.4	7.5	9.9	29.9	21.7	15.7	11.9	6.5	8.4	11.7	14.3	5.1	6.7	8.6	10.4
Aster DM	ASTDM	216	250	Buy	10797	3.0	10.5	10.8	16.7	73.1	20.5	20.1	13.0	5.4	9.0	9.4	12.5	4.4	13.3	12.0	15.6
Healthcare Global	HEAGLO	285	345	Buy	3965	-13.9	3.9	4.5	8.8	-13.9	73.8	62.7	32.3	-0.9	5.0	9.4	12.1	-0.9	5.0	6.8	11.6
MNC Pharma																					
Abbott India	ABBIND	18870	20,560	Buy	40097	325.0	375.9	439.8	514.0	58.1	50.2	42.9	36.7	33.8	36.6	37.9	36.3	26.5	28.3	29.5	28.1
P&G Health	MERLIM	4375	4,955	Hold	7262	106.5	121.5	130.5	141.6	41.1	36.0	33.5	30.9	32.2	37.3	34.7	32.8	25.1	29.3	27.0	25.4
Sanofi India	SANOFI	6375	6,885	Hold	14682	207.4	410.1	270.5	264.8	30.7	15.5	23.6	24.1	32.3	33.3	41.1	50.7	24.5	25.9	31.2	38.7
Pfizer	PFIZER	4224	4,480	Hold	19324	108.8	133.9	140.4	149.3	38.8	31.5	30.1	28.3	27.6	26.1	22.4	21.8	20.8	21.4	17.9	17.7
Pharma																					
Ajanta Pharma	AJAPHA	1278	1,495	Buy	16380	51.0	55.6	60.1	71.1	25.0	23.0	21.3	18.0	29.0	27.0	24.4	24.5	21.8	21.8	19.9	19.9
Alembic Pharma	ALEMPHA	652	590	Reduce	12824	62.8	27.8	15.3	26.9	10.4	23.5	42.7	24.2	25.1	10.6	6.5	10.5	24.1	10.4	5.6	9.1
Aurobindo Pharma	AURPHA	593	615	Hold	34732	55.0	47.4	41.1	51.3	10.8	12.5	14.4	11.6	16.9	12.9	11.5	13.3	14.7	11.3	9.0	10.1
Biocon	BIOCON	311	320	Hold	37357	6.3	5.7	5.5	11.3	49.7	54.6	57.1	27.4	7.7	7.5	4.1	6.5	9.9	8.1	2.8	5.5
Zydus Lifesciences	CADHEA	387	405	Hold	39157	23.3	21.0	21.0	23.8	16.6	18.4	18.4	16.3	13.8	12.0	11.8	11.7	18.4	12.6	11.4	11.6
Cipla	CIPLA	1027	1,135	Buy	82881	29.9	32.9	38.6	45.8	34.4	31.2	26.6	22.4	16.3	16.7	17.9	19.0	13.1	12.7	13.3	14.1
Dr Reddy's Labs	DRREDD	4261	4,750	Buy	70917	117.3	126.9	203.4	191.0	36.3	33.6	20.9	22.3	13.1	13.0	19.1	18.1	11.1	11.0	15.4	13.0
Glenmark Pharma	GLEPHA	388	460	Hold	10950	32.9	42.7	41.0	48.3	11.8	9.1	9.5	8.0	13.9	14.8	14.5	15.4	13.1	13.2	11.4	11.9
Ipca Laboratories	IPCLAB	928	985	Hold	23545	44.9	34.8	27.5	35.1	20.7	26.6	33.8	26.4	27.1	17.4	14.3	16.3	24.2	16.1	11.4	13.0
Jubilant Pharmova	JUBLIF	350	340	Reduce	5579	37.4	26.0	15.9	26.1	9.4	13.5	22.1	13.4	13.7	9.0	6.1	8.6	12.6	7.8	4.6	7.0
Lupin	LUPIN	683	610	Reduce	31044	26.9	11.9	11.8	27.7	25.4	57.5	58.0	24.6	9.6	3.4	5.8	10.9	8.8	4.4	4.2	9.2
Natco Pharma	NATPHA	647	735	Hold	11818	24.2	9.3	41.6	42.3	26.8	69.5	15.6	15.3	13.1	4.6	18.1	16.9	10.7	4.0	15.5	13.9
Sun Pharma	SUNPHA	913	1,125	Buy	219167	30.0	32.0	34.8	40.1	30.4	28.6	26.2	22.8	14.2	18.2	18.0	18.7	15.5	16.0	15.2	15.2
Torrent Pharma	TORPHA	1540	1,800	Buy	52119	37.0	32.0	43.7	54.6	41.6	48.1	35.3	28.2	17.6	19.7	24.7	29.4	21.4	18.2	20.9	21.8
Indoco Remedies	INDREM	378	525	Buy	3483	10.1	16.8	21.6	29.2	37.4	22.5	17.5	13.0	11.7	17.5	17.6	23.9	12.1	17.1	18.6	20.6
Caplin Point	CAPPOI	792	1,000	Buy	6005	81.7	85.3	70.4	73.0	9.7	9.3	11.3	10.9	25.3	23.7	22.6	0.0	20.4	20.2	18.7	17.5
Advanced Enzymes	ADVENZ	264	265	Reduce	2951	13.1	10.7	8.5	12.1	20.2	24.7	31.2	21.9	19.4	14.3	10.2	13.2	15.1	11.0	8.1	10.4
Hester Biosciences	HESPHA	2245	2,445	Hold	1910	44.4	45.7	41.3	63.2	50.6	49.1	54.4	35.5	16.2	10.9	9.9	13.4	16.5	15.0	12.2	16.3
API/CRAMS																					
Divi's Lab	DIVLAB	3726	4,315	Buy	98919	74.7	111.5	93.0	113.5	49.9	33.4	40.1	32.8	27.6	30.2	22.8	24.4	21.3	25.2	18.4	19.2
Hikal	HIKCHE	270	340	Buy	3329	10.8	13.0	11.1	19.0	25.0	20.7	24.4	14.2	15.1	13.6	10.9	16.3	14.3	15.0	11.5	16.8
Syngene Int.	SYNINT	592	710	Buy	23771	10.1	9.9	11.5	14.6	58.5	60.1	51.3	40.6	11.5	11.7	12.8	15.2	13.5	12.9	12.4	13.7
Granules India	GRANUL	311	375	Buy	7704	22.2	16.6	21.9	26.8	14.0	18.7	14.2	11.6	24.0	15.6	18.6	20.5	25.3	16.0	17.6	17.9
Laurus Labs	LAULAB	567	675	Buy	30441	18.3	15.4	20.7	27.0	30.9	36.8	27.3	21.0	31.7	21.3	23.6	26.0	37.9	24.7	25.6	25.6
Suven Pharmaceuticals	SUVPH	455	530	Hold	11585	14.2	17.8	17.0	17.6	32.0	25.5	26.8	25.8	31.2	37.5	28.7	25.0	30.7	29.7	23.0	20.0

Source: ICICI Direct Research

Financial Summary

Exhibit 14: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Revenues	10,560.0	14,662.6	16,555.7	18,672.9
Growth (%)	-6.1	38.9	12.9	12.8
Raw Material Expenses	5,684.2	7,573.5	8,514.8	9,603.7
Employee Expenses	1,601.0	1,786.5	1,951.6	2,201.1
Other expenditure	2,137.4	3,117.5	3,770.9	3,955.2
Total Operating Expenditure	9,422.6	12,477.5	14,237.2	15,760.0
EBITDA	1,137.4	2,185.1	2,318.4	2,912.9
Growth (%)	-28.2	92.1	6.1	25.6
Depreciation	573.1	600.7	635.6	685.5
Interest	449.2	378.6	370.9	284.1
Other Income	45.0	78.1	84.1	74.7
PBT before exceptionals	160.1	1,283.9	1,396.0	2,018.1
Less: Exceptional Items	-60.6	-294.1	0.0	0.0
PBT	220.7	1,578.0	1,396.0	2,018.1
Total Tax	84.7	477.0	212.9	504.5
MI & Profit from Associates	14.4	-45.4	-47.8	-61.0
Adjusted PAT	113.0	850.4	1,135.3	1,452.6
Growth (%)	-75.2	652.4	33.5	27.9
EPS (Adjusted)	7.9	59.1	79.0	101.0

Source: Company, ICICI Direct Research

Exhibit 15: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit/(Loss) after taxation	172.1	904.1	1,135.3	1,452.6
Add: Depreciation & Amortization	573.1	600.7	635.6	685.5
Working Capital Changes	-72.1	-463.0	-167.1	-91.1
CF from operating activities	673.1	1,041.8	1,603.9	2,046.9
Change in Capex	247.4	-651.8	-900.0	-850.0
(Inc)/dec in Investments	-942.5	-185.9	0.0	0.0
Others	19.3	301.2	87.1	101.1
CF from investing activities	-675.8	-536.5	-812.9	-748.9
Issue of Equity	1,152.0	0.0	0.0	0.0
Inc/(dec) in loan funds	-898.5	-286.6	-500.0	-500.0
Dividend paid & dividend tax	-38.3	-43.3	-243.8	-311.9
Others	-555.3	-437.8	0.0	0.0
CF from financing activities	-340.1	-767.7	-743.8	-811.9
Net Cash flow	-342.8	-262.4	47.2	486.1
Opening Cash	466.8	724.4	1,035.9	1,083.1
Closing Cash	124.0	462.0	1,083.1	1,569.2
Free Cash Flow	920.5	390.0	703.9	1,196.9

Source: Company, ICICI Direct Research

Exhibit 16: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Equity Capital	71.9	71.9	71.9	71.9
Reserve and Surplus	4,530.7	5,573.3	6,464.8	7,605.5
Total Shareholders funds	4,602.6	5,645.2	6,536.7	7,677.4
Total Debt	2,859.6	2,635.7	2,135.7	1,635.7
Deferred Tax Liability	260.5	529.8	540.4	551.2
Minority Interest	199.9	254.3	301.6	362.0
Long term provisions	22.3	23.3	23.8	24.3
Other Non Current Liabilities	1,820.3	1,951.2	1,990.3	2,030.1
Total Liabilities	9,765.2	11,039.5	11,528.4	12,280.6
Gross Block - Fixed Assets	7,713.6	9,168.6	9,768.6	10,618.6
Accumulated Depreciation	2,299.5	2,900.2	3,535.9	4,221.3
Net Block	5,414.1	6,268.4	6,232.8	6,397.3
Capital WIP	233.9	45.5	345.5	345.5
Goodwill on Consolidation	375.3	923.5	923.5	923.5
Total Fixed Assets	7,006.9	8,310.3	8,574.6	8,739.1
Investments	1,347.9	806.3	806.3	806.3
Inventory	249.5	431.8	485.4	547.5
Debtors	1,331.2	1,767.6	2,087.0	2,353.9
Loans & Advances, & other CA	456.4	645.6	332.1	294.9
Cash	724.4	1,035.9	1,083.1	1,569.2
Total Current Assets	2,643.7	3,620.1	4,048.1	4,871.0
Creditors	1,159.9	1,631.8	1,834.6	2,069.3
Provisions & Other CL	393.0	410.6	426.2	474.9
Total Current Liabilities	1,651.7	2,174.7	2,388.4	2,634.1
Net Current Assets	992.0	1,445.4	1,659.7	2,236.9
Long term loans & advances	393.3	469.2	478.6	488.2
Deferred Tax Assets	25.2	8.3	9.2	10.1
Application of Funds	9,765.2	11,039.5	11,528.4	12,280.6

Source: Company, ICICI Direct Research

Exhibit 17: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
Per share data (₹)				
Adjusted EPS	7.9	59.1	79.0	101.0
BV per share	320.1	392.6	454.6	533.9
Dividend per share	3.0	14.8	17.0	21.7
Cash Per Share	50.4	72.0	75.3	109.1
Operating Ratios (%)				
Gross Profit Margins	46.2	48.3	48.6	48.6
EBITDA margins	10.8	14.9	14.0	15.6
Net Profit margins	1.1	5.8	6.9	7.8
Inventory days	16.0	20.8	20.8	20.8
Debtor days	46.0	44.0	46.0	46.0
Creditor days	74.5	78.6	78.6	78.6
Asset Turnover	1.4	1.6	1.7	1.8
EBITDA Conversion Rate	59.2	47.7	69.2	70.3
Return Ratios (%)				
RoE	2.5	15.1	17.4	18.9
RoCE	6.3	15.1	15.3	18.8
RoIC	6.5	16.1	16.9	21.7
Valuation Ratios (x)				
P/E	412.1	58.7	54.6	42.7
EV / EBITDA	56.3	29.0	27.1	21.3
EV / Net Sales	6.1	4.3	3.8	3.3
Market Cap / Sales	5.9	4.2	3.7	3.3
Price to Book Value	13.5	11.0	9.5	8.1
Solvency Ratios				
Debt / EBITDA	2.5	1.2	0.9	0.6
Debt / Equity	0.6	0.5	0.3	0.2
Net Debt / Equity	0.6	0.4	0.3	0.2
Current Ratio	1.2	1.2	1.2	1.3

Source: Company, ICICI Direct Research

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