

CMP: ₹ 392

Target: ₹ 440 (12%)

Target Period: 12 months

August 16, 2022

Weak margins; US base business under pressure...

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

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

Q1FY23 Results: Glenmark reported traction in India (ex-Covid) while the US performance was subdued (both YoY and QoQ) as were margins.

- Sales were down 6% YoY to ₹ 2777 crore
- EBITDA was at ₹ 432 crore, down 25% YoY with margins at 15.5%
- Adjusted PAT was at ₹ 192 crore (down 37% YoY)

What should investors do? Glenmark's share price has de-grown by ~0.9x over past three years (from ~₹ 416 in August 2019 to ~₹ 388 levels in August 2022).

- Maintain **HOLD** as we await EBITDA margin sustainability besides persisting US base business pressure amid regulatory hurdles at Monroe facility

Target Price and Valuation: We value Glenmark at ₹440 based on SOTP valuation

Key triggers for future price performance:

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

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

- Ajanta Pharma is a focused player in branded space with specific strategy for maximum number of first time launches with new drug delivery system
- BUY with a target price of ₹ 1495

HOLD



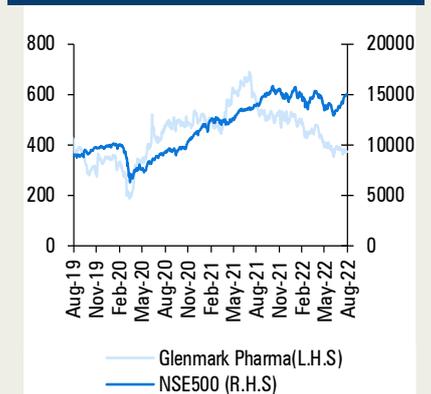
Particulars

Particular	Amount
Market Capitalisation	₹ 11061 crore
Debt (FY22)	₹ 3670 crore
Cash & equivalent (FY22)	₹ 1412 crore
EV	₹ 13320 crore
52 week H/L (₹)	583/349
Equity capital	₹ 28.2 crore
Face value	₹ 1

Shareholding pattern

(in %)	Sep-21	Dec-21	Mar-22	Jun-22
Promoter	46.7	46.7	46.7	46.7
Others	53.4	53.4	53.4	53.4

Price Chart



Recent Event & Key risks

- USFDA observations for Monroe and Goa facility
- **Key Risk:** (i) Better traction for new launches (ii) Delay in unlocking of innovation business

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Key Financial Summary

(₹ Crore)	FY20	FY21	FY22	5 year CAGR (FY17-22)	FY23E	FY24E	2 year CAGR (FY22-24E)
Revenues	10641.0	10943.9	12304.9	6.0	12699.1	13979.9	6.6
EBITDA	1698.1	2084.4	2320.3	2.6	2287.7	2516.4	4.1
EBITDA margins (%)	16.0	19.0	18.9		18.0	18.0	
Adjusted PAT	743.1	925.5	1202.6	0.0	1113.5	1263.2	2.5
EPS (₹)	26.4	32.9	42.7		39.5	44.9	
PE (x)	14.2	11.4	11.7		9.9	8.7	
EV to EBITDA (x)	8.7	7.0	5.7		5.5	4.8	
RoNW (%)	12.2	13.1	13.2		11.0	11.2	
RoCE (%)	12.7	13.9	14.8		14.7	14.4	

Source: Company, ICICI Direct Research

Key takeaways of recent quarter & conference call highlights

Q1FY23 Results: Muted numbers, margins trending lower

- Revenues de-grew 6% YoY to ₹ 2777 crore on the back of 16% YoY de-growth in US to ₹ 663 crore while 15% YoY decline in India to ₹ 1035 crore was on account of a high base due to sales of Covid-related products in Q1FY22. RoW markets grew 26% YoY to ₹ 423 crore and Europe grew 8% YoY to ₹ 330 crore. APIs sales increased 7% YoY to ₹ 325 crore. EBITDA margins declined 381 bps YoY to 15.5% mainly due to adverse operating leverage. EBITDA de-grew 25% YoY to ₹ 432 crore while adjusted PAT declined 37% YoY to ₹ 192 crore. Delta vis-à-vis EBITDA was mainly due to higher depreciation and tax being partly offset by higher other income
- Glenmark's numbers were below our expectations. Excluding Covid in base portfolio sales grew 10% YoY in this quarter. The company witnessed healthy growth in both its key markets of Western Europe and Central Eastern Europe during the quarter while there was healthy growth in base business across geographies in RoW markets. Glenmark is focused to meet key objectives for FY23 with 6-8% growth, steady EBITDA margins and prioritise free cash generation for further debt reduction

Q1FY23 Earnings Conference Call highlights

- **India:** The YoY decline is on account of a high base due to sales of Covid-related products in Q1FY22. During the quarter, Glenmark's India business further strengthened its position in its core therapy areas such as cardiac and anti-diabetic in terms of market share. The company launched seven new products in this quarter and has launches in place in respiratory and diabetic therapies for FY23. The management is indicating that 15-16% growth in base business ex-Covid is sustainable
- **US:** In Q1, Glenmark launched Abiraterone Acetate Tablets and Ezetimibe Tablet. Glenmark plans to file one application in the forthcoming quarter, as well as a prior approval supplement to expand the OTC portfolio, which is complemented by the acquisition of five approved OTC ANDAs from Wockhardt. The company plans to file 12-15 ANDAs and launch 10-12 products in FY23. Remediation for Munroe facility is underway and the management aims to commercialise production by Q4FY23. The management has indicated for flat to low single digit growth in FY23
- **Europe:** Glenmark witnessed steady growth in both its key markets of Western Europe and Central & Eastern Europe during the quarter. Glenmark has a comprehensive plan to grow its European business going ahead, including geographical expansion in new markets and expansion of its product portfolio to leverage launches in key therapeutic segments like respiratory and dermatology. The management is guiding to grow at CAGR of 15-20% on back of respiratory pipeline and Rylatris
- **RCIS, Asia, LatAm and MEA Region (RoW):** The challenging conditions in Russia, as a consequence of the economic sanctions led to erratic consumer behaviour in March, which impacted the sales in Q1FY23. Secondary sales de-grew 11% YoY in value terms during the current quarter
- Across the markets globally, Ryaltris has potential to be US\$150 million product in three years' time.
- Glenmark had ₹ 41 crore Covid related inventory provisioning in Q1FY23. Another ₹ 30-40 crore of Covid inventory remains in trade channels

Exhibit 1: Variance Analysis

	Q1FY23	Q1FY22	Q4FY22	YoY (%)	QoQ (%)	Comments
Revenue	2,777.3	2,964.9	3,019.1	-6.3	-8.0	YoY growth driven by India and US markets
Raw Material Expenses	1,012.0	1,139.0	1,030.9	-11.1	-1.8	
Gross Margin (%)	63.6	61.6	65.9	198 bps	-230 bps	
Employee Expenses	636.4	596.4	577.7	6.7	10.2	
Other Expenditure	697.3	655.9	947.2	6.3	-26.4	Covid related write-off of ₹ 41 crore in Q1FY23
EBITDA	431.6	573.6	463.4	-24.8	-6.9	
EBITDA (%)	15.5	19.3	15.3	-381 bps	19 bps	YoY decline due to higher other expenditure and employee cost
Interest	60.0	75.6	86.9	-20.7	-30.9	
Depreciation	146.8	113.1	131.5	29.8	11.6	
Other Income	183.2	58.6	107.2	212.3	70.9	
PBT before EO & Forex	408.0	443.6	352.2	-8.0	15.8	
Less: EO & Forex	0.0	0.0	82.5	NA	NA	
PBT	408.0	443.6	269.7	-8.0	51.3	
Tax	196.9	137.0	97.1	43.7	102.7	
PAT before MI	211.1	306.5	172.6	-31.1	22.3	
Adj. Net Profit	192.5	306.5	238.1	-37.2	-19.1	Delta vis-à-vis EBITDA was mainly due to higher depreciation and tax
Key Metrics						
US	662.8	787.8	737.8	-15.9	-10.2	YoY decline amid price erosion in base business
Europe	330.0	305.9	496.8	7.9	-33.6	YoY growth driven healthy growth in both its key markets of Western Europe and Central Eastern Europe
India	1,035.2	1,225.0	884.7	-15.5	17.0	YoY de-growth on a high base due to sales of Covid-related products in Q1FY22
RoW markets	422.6	336.1	547.9	25.7	-22.9	YoY growth witnessed due to healthy growth in base business across geographies (excluding Russia) in RoW markets
API	325.1	304.0	328.3	6.9	-1.0	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY23E			FY24E			
	Old	New	Change	Old	New	% Change	
Revenue	13,235.9	12,699.1	-4.1	14,520.4	13,979.9	-3.7	Changed amid lower than expected revenues from US
EBITDA	2,448.6	2,287.7	-6.6	2,741.8	2,516.4	-8.2	
EBITDA Margin (%)	18.5	18.0	-49 bps	18.9	18.0	-88 bps	
PAT	1,153.2	1,113.5	-3.4	1,360.2	1,263.2	-7.1	In-line with operational performance
EPS (₹)	41.0	39.5	-3.4	48.3	44.9	-7.1	

Source: ICICI Direct Research

Exhibit 3: Assumptions

(₹ crore)	Current					Earlier			
	FY20	FY21	FY22	FY23E	FY24E	FY23E	FY24E		
US	3,140.4	3,076.4	3,036.6	2,943.3	3,054.0	3,171.0	3,329.6	US price erosion persists and guidance for flattish FY23	
Europe	1,248.4	1,327.6	1,521.7	1,695.2	1,898.6	1,704.1	1,908.6	Guidance for 15-20% CAGR, going ahead	
India	3,202.2	3,536.5	4,085.5	4,298.2	4,814.0	4,227.8	4,744.8	Non-Covid portfolio to grow but base will reset due to loss of Covid revenues	
RoW markets	1,821.0	1,685.5	2,167.2	2,192.4	2,455.5	2,375.4	2,660.5	Strong traction across geographies and better performance to sustain, going ahead	
API	1,023.9	1,207.3	1,270.9	1,373.8	1,483.7	1,372.6	1,482.4		

Source: ICICI Direct Research

Exhibit 4: Financial Summary

	Revenues	Growth	Adj. EPS	Growth	P/E	EV/EBITDA	RoNW	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY21	10944	2.8	32.9	24.5	11.4	7.0	13.1	13.9
FY22	12305	12.4	42.7	29.9	11.7	5.7	13.2	14.8
FY23E	12699	3.2	39.5	-7.4	9.9	5.5	11.0	14.7
FY24E	13980	10.1	44.9	13.4	8.7	4.8	11.2	14.4

Source: ICICI Direct Research

Exhibit 5: Revenue Breakup

	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	CAGR (FY17-22) %	CAGR (FY22-24E) %
US	2420	3701	3208	3139	3140	3076	3037	2943	3054	-CAGR 3.9%	CAGR .3%
India	2102	2304	2514	2777	3202	3537	4086	4298	4814	CAGR 12.1%	CAGR 8.6%
Europe	717	710	906	1121	1248	1328	1522	1695	1899	CAGR 16.5%	CAGR 11.7%
RoW markets	1653	1507	1506	1694	1821	1685	2167	2192	2455	CAGR 7.5%	CAGR 6.4%
API	668	809	878	949	1024	1207	1271	1374	1484	CAGR 9.4%	CAGR 8.0%

Source: ICICI Direct Research

Exhibit 6: Trends in Quarterly Performance

(₹ Crore)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	YoY (%)	QoQ (%)
Total Operating Income	2322.9	2815.0	2735.6	2767.5	2344.8	2952.5	2786.8	2859.9	2964.9	3147.4	3173.4	3019.1	2777.3	-6.3	-8.0
Raw Material Expenses	810.1	986.1	926.3	976.1	808.4	1040.7	911.4	938.4	1139.0	1143.6	1071.9	1030.9	1012.0	-11.1	-1.8
% of revenue	34.9	35.0	33.9	35.3	34.5	35.2	32.7	32.8	38.4	36.3	33.8	34.1	36.4		
Gross Profit	1512.8	1828.9	1809.2	1791.4	1536.4	1911.8	1875.4	1921.5	1825.9	2003.9	2101.5	1988.3	1765.2	-3.3	-11.2
Gross Profit Margin (%)	65.1	65.0	66.1	64.7	65.5	64.8	67.3	67.2	61.6	63.7	66.2	65.9	63.6	198 bps	-230 bps
Employee Expenses	486.7	686.6	557.2	524.2	509.6	700.3	596.6	537.2	596.4	687.3	586.0	577.7	636.4	6.7	10.2
% of revenue	21.0	24.4	20.4	18.9	21.7	23.7	21.4	18.8	20.1	21.8	18.5	19.1	22.9		
Other Manufacturing Expe	684.2	691.9	811.9	801.5	548.7	658.7	748.7	860.9	655.9	726.4	822.4	947.2	697.3	6.3	-26.4
% of revenue	29.5	24.6	29.7	29.0	23.4	22.3	26.9	30.1	22.1	23.1	25.9	31.4	25.1		
Total Expenditure	1981.0	2364.6	2295.5	2301.8	1866.7	2399.7	2256.7	2336.5	2391.3	2557.3	2480.3	2555.7	2345.7	-1.9	-8.2
% of revenue	85.3	84.0	83.9	83.2	79.6	81.3	81.0	81.7	80.7	81.2	78.2	84.7	84.5		
EBITDA	341.9	450.4	440.1	465.7	478.1	552.8	530.1	523.4	573.6	590.2	693.2	463.4	431.6	-24.8	-6.9
EBITDA Margins (%)	14.7	16.0	16.1	16.8	20.4	18.7	19.0	18.3	19.3	18.8	21.8	15.3	15.5	-381 bps	19 bps
Depreciation	90.7	94.2	106.0	126.3	113.2	104.1	115.2	111.1	113.1	123.2	118.9	131.5	146.8	29.8	11.6
Interest	93.0	89.8	96.1	98.5	93.7	80.6	95.4	83.3	75.6	68.9	66.7	86.9	60.0	-20.7	-30.9
Other Income	1.7	80.8	33.0	44.1	58.5	-31.9	15.1	8.5	58.6	-13.1	13.9	107.2	183.2	212.3	70.9
Forex & EO	0.0	0.0	0.0	32.9	28.0	3.1	13.4	0.0	0.0	0.0	-178.4	-82.5	0.0		
PBT	159.8	347.3	271.0	318.0	357.6	339.4	348.0	337.5	443.6	385.0	343.0	269.7	408.0	-8.0	51.3
Total Tax	50.6	91.8	80.1	97.7	103.6	105.4	99.8	103.6	137.0	110.2	103.3	97.1	196.9	43.7	102.7
Tax rate (%)	31.6	26.4	29.6	30.7	29.0	31.1	28.7	30.7	30.9	28.6	30.1	36.0	48.3	1737 bps	1225 bps
PAT	109.3	255.5	190.8	220.3	254.0	234.0	248.2	233.9	306.5	274.8	239.8	172.6	211.1	-31.1	22.3
Adjusted PAT	109.3	255.5	190.8	187.4	226.1	230.9	234.8	233.9	306.5	274.8	418.1	255.1	211.1	-31.1	-17.2
EPS (₹)	3.9	9.1	6.8	6.7	8.0	8.2	8.3	8.3	10.9	9.8	14.8	9.1	7.5		

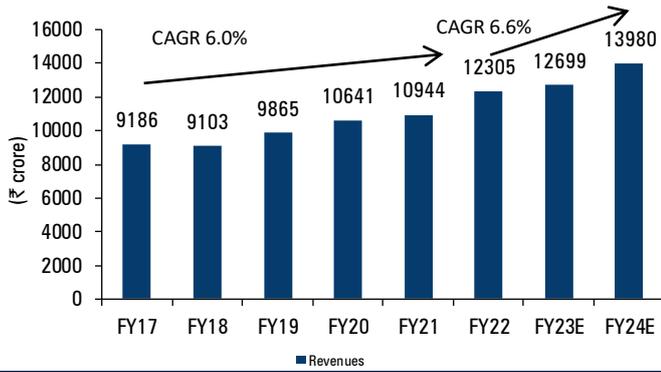
Source: ICICI Direct Research

Exhibit 7: Valuation

Particulars	FY24E EPS	Multiple (x)	Per share (₹)
Glenmark (ex API)	30.4	8.0	243.1
API			
Targeted Market Cap			5,405
Glenmark's Holding			82.8%
Holding Company Discount			45.0%
API valuation			2462
Per share valuation			201
SOTP valuation			440

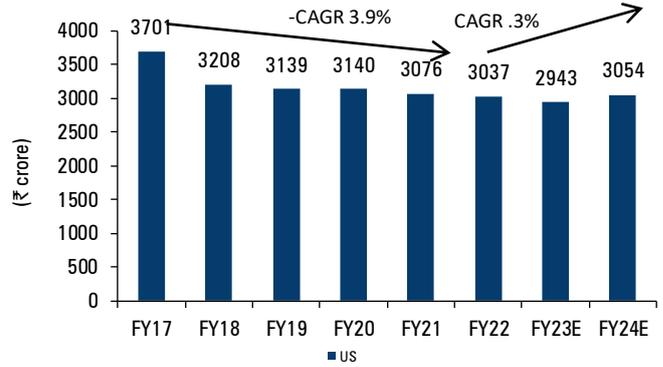
Source: ICICI Direct Research

Exhibit 8: Revenues to grow at CAGR of 7% over FY22-24E



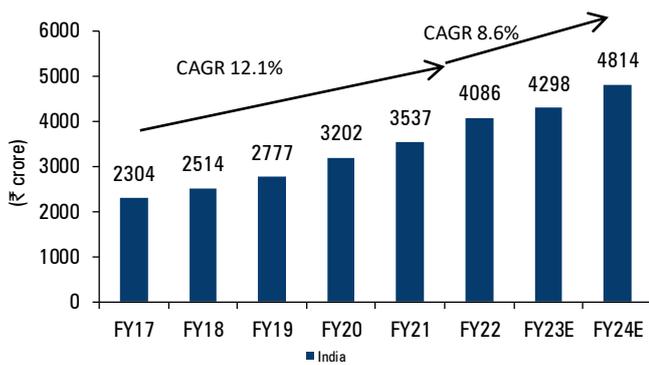
Source: ICICI Direct Research, Company

Exhibit 9: US to remain flat over FY22-24E



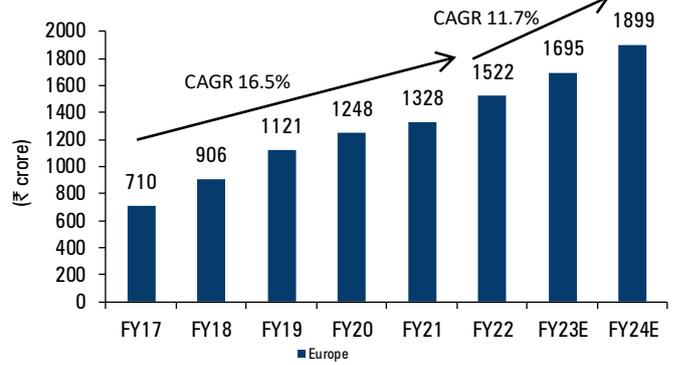
Source: ICICI Direct Research, Company

Exhibit 10: India to grow at CAGR of ~9% over FY22-24E



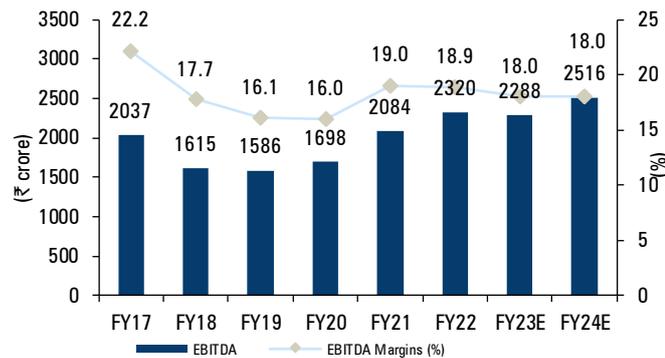
Source: ICICI Direct Research, Company

Exhibit 11: Europe to grow at CAGR of 12% over FY22-24E



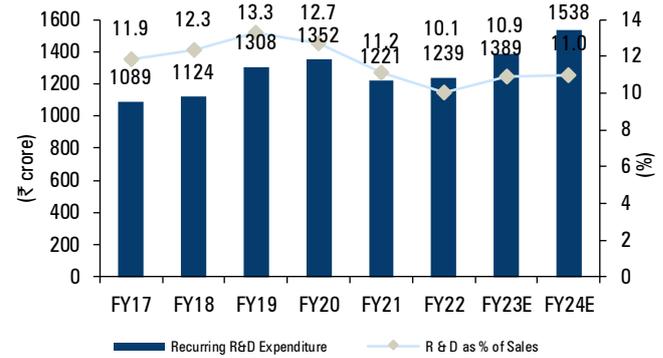
Source: ICICI Direct Research, Company

Exhibit 12: EBITDA & EBITDA margins trend



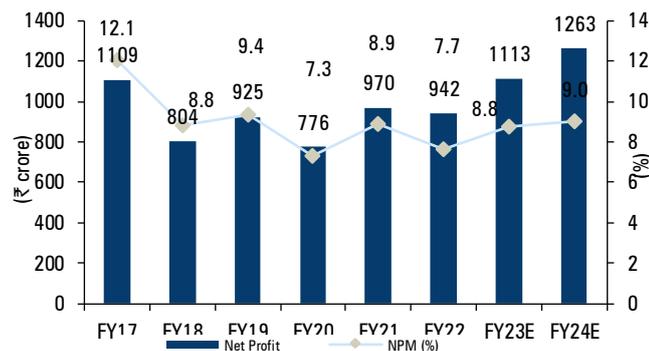
Source: ICICI Direct Research, Company

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



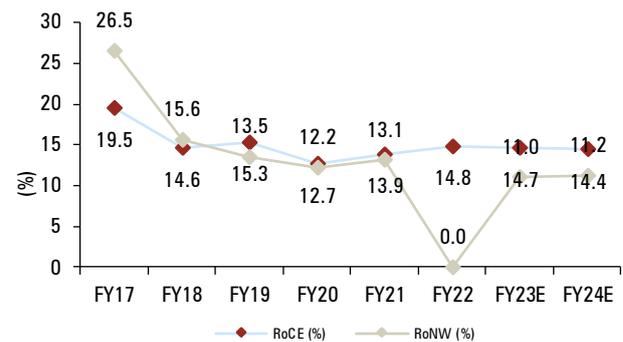
Source: ICICI Direct Research, Company

Exhibit 14: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 15: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 16: ICICI Direct Coverage Universe (Healthcare)

Company	I-Direct 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	4352	5,080	Buy	62577	7.9	59.1	79.0	101.0	553.7	73.6	55.1	43.1	6.3	15.1	15.3	18.8	2.5	15.1	17.4	18.9
Narayana Hrudalaya	NARHRU	697	800	Buy	14240	-0.7	16.7	20.6	22.7	NA	41.6	33.9	30.7	1.2	20.5	19.6	19.7	-1.3	23.0	22.3	19.9
Shalby	SHALIM	120	150	Buy	1292	3.9	5.4	7.5	9.9	30.5	22.1	16.0	12.1	6.5	8.4	11.7	14.3	5.1	6.7	8.6	10.4
Aster DM	ASTDM	206	250	Buy	10300	3.0	10.5	10.8	16.7	69.7	19.6	19.1	12.4	5.4	9.0	9.4	12.5	4.4	13.3	12.0	15.6
Healthcare Global	HEAGLO	284	345	Buy	3947	-13.9	3.9	4.5	8.8	-13.9	73.5	62.4	32.1	-0.9	5.0	9.4	12.1	-0.9	5.0	6.8	11.6
MNC Pharma																					
Abbott India	ABBIND	19152	21,140	Hold	40696	325.0	375.9	427.7	528.6	58.9	51.0	44.8	36.2	33.8	36.6	37.1	37.3	26.5	28.3	28.9	28.8
P&G Health	MERLIM	4403	4,955	Hold	7309	106.5	121.5	130.5	141.6	41.3	36.2	33.7	31.1	32.2	37.3	34.7	32.8	25.1	29.3	27.0	25.4
Sanofi India	SANOFI	6355	6,885	Hold	14637	207.4	410.1	270.5	264.8	30.6	15.5	23.5	24.0	32.3	33.3	41.1	50.7	24.5	25.9	31.2	38.7
Pfizer	PFIZER	4257	4,480	Hold	19475	108.8	133.9	140.4	149.3	39.1	31.8	30.3	28.5	27.6	26.1	22.4	21.8	20.8	21.4	17.9	17.7
Pharma																					
Ajanta Pharma	AJAPHA	1272	1,495	Buy	16298	51.0	55.6	60.1	71.1	24.9	22.9	21.2	17.9	29.0	27.0	24.4	24.5	21.8	21.8	19.9	19.9
Alembic Pharma	ALEMPHA	663	590	Reduce	13030	62.8	27.8	15.3	26.9	10.6	23.9	43.4	24.6	25.1	10.6	6.5	10.5	24.1	10.4	5.6	9.1
Aurobindo Pharma	AURPHA	588	615	Hold	34430	55.0	47.4	41.1	51.3	10.7	12.4	14.3	11.5	16.9	12.9	11.5	13.3	14.7	11.3	9.0	10.1
Biocon	BIOCON	315	320	Hold	37819	6.3	5.7	5.5	11.3	50.3	55.3	57.8	27.8	7.7	7.5	4.1	6.5	9.9	8.1	2.8	5.5
Zydus Lifesciences	CADHEA	394	405	Hold	39891	23.3	21.0	21.0	23.8	16.9	18.8	18.8	16.6	13.8	12.0	11.8	11.7	18.4	12.6	11.4	11.6
Cipla	CIPLA	1030	1,135	Buy	83148	29.9	32.9	38.6	45.8	34.5	31.3	26.7	22.5	16.3	16.7	17.9	19.0	13.1	12.7	13.3	14.1
Dr Reddy's Labs	DRREDD	4306	4,750	Buy	71668	117.3	126.9	203.4	191.0	36.7	33.9	21.2	22.5	13.1	13.0	19.1	18.1	11.1	11.0	15.4	13.0
Glenmark Pharma	GLEPHA	387	440	Hold	10911	32.9	42.7	39.5	44.9	11.8	9.1	9.8	8.6	13.9	14.8	14.7	14.4	13.1	13.2	11.0	11.2
Ipca Laboratories	IPCLAB	929	985	Hold	23560	44.9	34.8	27.5	35.1	20.7	26.7	33.8	26.4	27.1	17.4	14.3	16.3	24.2	16.1	11.4	13.0
Jubilant Pharmova	JUBLIF	345	340	Reduce	5495	37.4	26.0	15.9	26.1	9.2	13.3	21.7	13.2	13.7	9.0	6.1	8.6	12.6	7.8	4.6	7.0
Lupin	LUPIN	681	610	Reduce	30980	26.9	11.9	11.8	27.7	25.4	57.4	57.9	24.6	9.6	3.4	5.8	10.9	8.8	4.4	4.2	9.2
Natco Pharma	NATPHA	656	735	Hold	11969	24.2	9.3	41.6	42.3	27.1	70.4	15.8	15.5	13.1	4.6	18.1	16.9	10.7	4.0	15.5	13.9
Sun Pharma	SUNPHA	918	1,125	Buy	220151	30.0	32.0	34.8	40.1	30.5	28.7	26.4	22.9	14.2	18.2	18.0	18.7	15.5	16.0	15.2	15.2
Torrent Pharma	TORPHA	1580	1,800	Buy	53459	37.0	32.0	43.7	54.6	42.7	49.3	36.2	29.0	17.6	19.7	24.7	29.4	21.4	18.2	20.9	21.8
Indoco Remedies	INDREM	372	525	Buy	3429	10.1	16.8	21.6	29.2	36.9	22.2	17.2	12.8	11.7	17.5	17.6	23.9	12.1	17.1	18.6	20.6
Caplin Point	CAPPOI	811	1,000	Buy	6146	81.7	85.3	70.4	73.0	9.9	9.5	11.5	11.1	25.3	23.7	22.6	0.0	20.4	20.2	18.7	17.5
Advanced Enzymes	ADVENZ	270	265	Reduce	3017	13.1	10.7	8.5	12.1	20.6	25.2	31.9	22.4	19.4	14.3	10.2	13.2	15.1	11.0	8.1	10.4
Hester Biosciences	HESPHA	2125	2,015	Reduce	1808	44.4	45.7	35.9	51.8	47.9	46.5	59.2	41.1	16.2	10.9	9.3	11.8	16.5	15.0	10.8	14.0
API/CRAMS																					
Divi's Lab	DIVLAB	3745	4,315	Buy	99406	74.7	111.5	93.0	113.5	50.1	33.6	40.3	33.0	27.6	30.2	22.8	24.4	21.3	25.2	18.4	19.2
Hikal	HIKCHE	293	290	Hold	3618	10.8	13.0	3.8	14.4	27.2	22.5	76.6	20.3	15.1	13.6	5.6	13.8	14.3	15.0	4.3	14.2
Syngene Int.	SYNINT	587	710	Buy	23568	10.1	9.9	11.5	14.6	58.0	59.5	50.9	40.3	11.5	11.7	12.8	15.2	13.5	12.9	12.4	13.7
Granules India	GRANUL	316	375	Buy	7837	22.2	16.6	21.9	26.8	14.3	19.0	14.4	11.8	24.0	15.6	18.6	20.5	25.3	16.0	17.6	17.9
Laurus Labs	LAULAB	572	675	Buy	30737	18.3	15.4	20.7	27.0	31.3	37.1	27.6	21.2	31.7	21.3	23.6	26.0	37.9	24.7	25.6	25.6
Suven Pharmaceuticals	SUVPH	449	530	Hold	11436	14.2	17.8	17.0	17.6	31.6	25.2	26.4	25.5	31.2	37.5	28.7	25.0	30.7	29.7	23.0	20.0

Source: ICICI Direct Research

Financial Summary

Exhibit 17: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Revenues	10,943.9	12,304.9	12,699.1	13,979.9
Growth (%)	2.8	12.4	3.2	10.1
Raw Material Expenses	3,698.8	4,385.3	4,533.0	4,823.1
Employee Expenses	2,343.7	2,447.4	2,651.0	2,970.7
Other Manufacturing Expenses	2,817.0	3,151.9	3,227.3	3,669.7
Total Operating Expenditure	8,859.6	9,984.6	10,411.4	11,463.5
EBITDA	2,084.4	2,320.3	2,287.7	2,516.4
Growth (%)	22.7	11.3	-1.4	10.0
Interest	353.1	298.1	268.5	235.6
Depreciation	443.6	486.7	543.0	565.8
Other Income	50.2	166.7	332.0	209.7
PBT before Exceptional Items	1,337.9	1,702.2	1,808.2	1,924.6
PBT	1,382.5	1,441.2	1,808.2	1,924.6
Total Tax	412.4	447.6	617.0	577.4
PAT before MI	970.1	993.7	1,191.2	1,347.2
PAT	970.0	941.7	1,113.5	1,263.2
Adjusted PAT	925.5	1,202.6	1,113.5	1,263.2
Growth (%)	24.5	29.9	-7.4	13.4
EPS (Adjusted)	32.9	42.7	39.5	44.9

Source: Company, ICICI Direct Research

Exhibit 18: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit/(Loss) after taxation	872.2	882.8	1,113.5	1,263.2
Add: Depreciation & Amortization	443.6	486.7	543.0	565.8
Net Increase in Current Assets	-546.3	-646.0	-248.8	-623.9
Net Increase in Current Liabilities	160.5	84.8	142.2	219.7
Others	201.3	300.4	268.5	235.6
CF from operating activities	1,131.2	1,108.7	1,818.4	1,660.5
(Inc)/dec in Fixed Assets	-675.3	-788.5	-750.0	-650.0
(Inc)/dec in Investments	0.0	-10.0	0.0	0.0
Others	13.8	482.8	-54.4	-56.9
CF from investing activities	-661.5	-315.8	-804.4	-706.9
Inc / (Dec) in Equity Capital	0.0	0.0	0.0	0.0
Inc / (Dec) in Loan Funds	-77.7	-1,131.7	-400.0	-400.0
Other	-364.1	611.3	-353.0	-334.2
CF from financing activities	-441.8	-520.5	-753.0	-734
Net Cash flow	27.9	272.4	261.1	219.4
Opening Cash	1,111.2	1,139.2	1,411.5	1,672.6
Closing Cash	1,139.2	1,411.5	1,672.6	1,892.0
Free Cash Flow	455.9	320.1	1,068.4	1,010.5

Source: Company, ICICI Direct Research

Exhibit 19: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Equity Capital	28.2	28.2	28.2	28.2
Reserve and Surplus	7,036.4	9,058.4	10,087.4	11,252.1
Total Shareholders fund	7,064.6	9,086.6	10,115.7	11,280.3
Total Debt	4,687.4	3,670.3	3,270.3	2,870.3
Deferred Tax Liability	28.7	31.5	34.6	38.1
Minority Interest	-0.4	351.5	369.0	387.5
Other Non Current Liabilities	420.9	352.5	370.1	388.6
Source of Funds	12,201.4	13,492.5	14,159.8	14,964.9
Gross Block - Fixed Assets	8,673.6	9,916.7	10,566.7	11,316.7
Accumulated Depreciation	3,602.7	4,089.4	4,632.4	5,198.3
Net Block	6,452.5	6,837.1	7,044.1	7,128.3
Goodwill on Consolidation	58.0	60.0	60.0	60.0
Investments	24.6	49.6	49.6	49.6
Inventory	2,276.8	2,499.8	2,584.0	2,749.4
Cash	1,139.2	1,411.5	1,672.6	1,892.0
Debtors	2,572.1	3,101.1	3,001.0	3,304.4
Other Current Assets	1,371.5	1,269.9	1,534.6	1,689.8
Total Current Assets	7,359.6	8,282.3	8,792.2	9,635.5
Creditors	2,237.8	2,288.7	2,365.8	2,517.1
Provisions & Other CL	1,164.6	1,302.2	1,367.3	1,435.6
Total Current Liabilities	3,402.4	3,590.8	3,733.0	3,952.8
Net Current Assets	3,957.2	4,691.5	5,059.2	5,682.7
LT L& A, Other Assets	174.4	168.1	176.5	185.3
Deferred Tax Assets	1,534.7	1,686.1	1,770.4	1,859.0
Application of Funds	12,201.4	13,492.5	14,159.8	14,964.9

Source: Company, ICICI Direct Research

Exhibit 20: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
Per share data (₹)				
Adj EPS	32.9	42.7	39.5	44.9
BV	250.9	322.7	359.2	400.6
DPS	2.5	2.5	3.0	3.5
Cash Per Share	127.9	145.2	164.5	184.6
Operating Ratios (%)				
Gross Margin	66.2	64.4	64.3	65.5
EBITDA margins	19.0	18.9	18.0	18.0
Net Profit margins	8.5	9.8	8.8	9.0
Inventory days	225	208	208	208
Debtor days	86	92	86	86
Creditor days	221	190	190	190
Asset Turnover	1.3	1.2	1.2	1.2
EBITDA conversion Rate	54.3	47.8	79.5	66.0
Return Ratios (%)				
RoE	13.1	13.2	11.0	11.2
RoCE	13.9	14.8	14.7	14.4
RoIC	16.9	16.6	15.3	16.2
Valuation Ratios (x)				
P/E	11.4	11.7	9.9	8.7
EV / EBITDA	7.0	5.7	5.5	4.8
Market Cap / Sales	1.0	0.9	0.9	0.8
Price to Book Value	1.6	1.2	1.1	1.0
Solvency Ratios				
Debt / Equity	0.7	0.4	0.3	0.3
Debt / EBITDA	2.2	1.6	1.4	1.1
Current Ratio	1.8	1.9	1.9	2.0

Source: Company, ICICI Direct Research

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