

US, APIs boost sales; traction from injectables key to watch as plant costs loom...

About the stock: Alembic Pharma operates in international generics (US:31% & ex-US: 15% in FY22), domestic branded (36% in FY22) and API (18% in FY22).

- Domestic business has 1.5% of market share of IPM with three brands in the top 300. Going ahead, emphasis is on the specialty segment
- The company has invested ~ ₹ 1800 crore in recent years in facilities geared mainly towards US formulations. As of Q2FY23, it has filed 242 ANDA and has 170 approvals with 115 launches in the US

Q2FY23 Results: APL delivered a strong performance, which beat our sales and EBITDA estimates but missed GPM estimates.

- Revenues grew 14.1% YoY to ₹ 1475 crore
- EBITDA de-grew 9.5% YoY to ₹ 233 crore, EBITDA margins declined 413 bps YoY to 15.8%
- Adjusted net profit declined 21.2% YoY to ₹ 133.4 crore

What should investors do? Alembic's share price has grown by ~1.1x over the past three years (from ~₹ 580 in November 2019 to ~₹ 638 levels in November 2022).

- We upgrade from Reduce to **HOLD** but maintain neutral stance as we await traction from the US focused facilities (F2, F3), which received three USFDA product approvals (plant approvals pending) amid significant cash burn. We also keep tabs on consistency in India formulations performance.

Target Price and Valuation: Valued at ₹ 625 i.e. 30x P/E on FY24E EPS of ₹ 20.8.

Key triggers for future price performance:

- Commercialisation of international formulation plants F2 (oncology injectable), F3 (general injectable & ophthalmic) & F4 (general oral solids) in the backdrop of impending expense hit (~ ₹ 300 crore per annum at least)
- Performance of the US oral solid (OSD) generics, which will continue to weigh as 70-75% of USFDA approved products are OSDs
- Consistency of performances in Indian branded formulations especially from the specialty group, which comprises ~50-55% of branded formulations

Alternate Stock Idea: Apart from Alembic, we like Ajanta Pharma.

- Ajanta Pharma is a focused player in branded with focus on launching maximum number of first time launches with new drug delivery system
- BUY with a target price of ₹ 1505



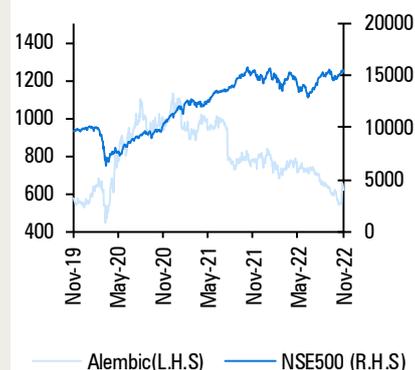
Particulars

Particular	Amount
Market Capitalisation	₹ 12541 crore
Debt (FY22)	₹ 630 crore
Cash & cash equivalents (FY22)	₹ 69 crore
EV	₹ 13101 crore
52 week H/L	863/671
Equity capital	₹ 39 crore
Face value	₹ 2

Shareholding pattern

(in %)	Dec-21	Mar-22	Jun-22	Sep-22
Promote	69.5	69.6	69.6	69.6
Others	30.5	30.4	30.4	30.4

Price Chart



Recent Event & Key risks

- USFDA approval for Ketorolac Tromethamine Injection
- **Key Risk:** (i) Regulatory delays (ii) Better traction for new launches

Research Analyst

Siddhant Khandekar
siddhant.khandekar@icicisecurities.com

Utkarsh Jain
utkarsh.jain@icicisecurities.com

Key Financial Summary

Key Financials (₹ crore)	FY20	FY21	FY22	5 year CAGR (FY17-22)	FY23E	FY24E	2 year CAGR (FY22-24E)
Revenues	4605.7	5393.1	5305.8	11.1	5565.5	6224.6	8.3
EBITDA	1223.0	1536.1	874.2	7.3	747.0	1043.2	9.2
EBITDA margins (%)	26.6	28.5	16.5		13.4	16.8	
Net Profit	872.8	1233.9	545.7	6.4	285.9	408.4	-13.5
EPS (₹)	44.4	62.8	27.8		14.5	20.8	
PE (x)	15.1	10.2	23.0		43.9	30.7	
EV to EBITDA (x)	11.2	8.0	14.4		16.9	11.7	
RoCE (%)	21.0	25.1	10.6		6.3	8.5	
RoNW (%)	27.1	24.1	10.4		5.3	7.2	

Key takeaways of recent quarter & conference call highlights

Q2FY23 Results: Beat on sales, EBITDA margins, miss on GPM

- Revenues grew 14.1% YoY at ₹ 1475 crore. Growth was driven by the US and API business. EBITDA de-grew 9.5% YoY to ₹ 233 crore. EBITDA margins declined 413 bps YoY to 15.8%. Domestic formulations sales increased 8% YoY to ₹ 549 crore, on the back of speciality segment. US formulations revenues increased 20.1% YoY to ₹ 418 crore on the back of new launches and well-established US front end. RoW revenues increased 9.1% YoY to ₹ 215 crore, RoW includes - Europe, Canada, Australia, Brazil and South Africa. API sales increased 23% YoY to ₹ 294 crore. Growth was driven by high offtake and better product mix in Q2. Adjusted net profit declined 21.2% YoY to ₹ 133.4 crore
- India branded business continues to perform well on the back of growth in specialty segment. In the US, growth of 20% was driven by new launches and scale up of new products. Market share gain in several products has continued for this quarter as well for APL. API order book continues to remain robust. New launches and commercialisation of new facilities earmarked for the US market and consistency of performances in the Indian branded formulations are key levers for the company

Q2FY23 earnings conference call highlights

- R&D Intangibles write-off pertaining to Aleor during the quarter ₹ 16 crore; H1- ₹ 131 crore
- Residual amortisation to be expensed out in the next quarter- ₹ 24 crore
- R&D excluding Aleor write off- ₹ 151 crore
- Gross debt as on September 30, 2022- ₹ 693 crore; Cash- ₹ 65 crore
- F2 (oncology injectables), F3 (general injectables / ophthalmic) site approvals pending from the USFDA but received three approvals
- Total 34 filings from these two plants besides 17 for CMO. Seven to eight are OSD oncology
- Quantum of expenses likely to hit to the P&L- ₹ 160 crore in other expenses and ₹ 100 crore of depreciation, annually
- US sales (US\$52 million) include some one-time opportunities. The management continues to guide for US\$45-50 million per quarter. Can be higher post the traction from new injectable launches
- Complex product launches still six to eight months away
- US generics price erosion still intense (high teen) and 50% in some products due to over supply
- India ex-Amphotericin-B base adjustment growth was 11%. Specialty growth 10%, Acute- 11%, Animal Health 15%

Exhibit 1: Variance Analysis

	Q2FY23	Q2FY23E	Q2FY22	YoY (%)	Q1FY23	QoQ (%)	Comments
Revenue	1,475.0	1,401.8	1,292.3	14.1	1,262.1	16.9	Beat on revenues on the back of US and API
Raw Material Expenses	443.0	406.5	332.9	33.1	378.3	17.1	
Gross Margin (%)	70.0	71.0	74.2	-428 bps	70.0	-7 bps	Alembic witnessing double digit price erosion in US
Employee Expenses	289.8	294.4	293.2	-1.2	290.4	-0.2	
R&D Expenditure	151.5	168.2	167.8	-9.7	146.4	3.5	
Other Expenditure	358.0	320.4	241.2	48.4	432.5	-17.2	Q2FY23 includes ₹ 16 crore of Intangible assets (R&D development expenses) of Aleor Dermaceuticals being charged
EBITDA	232.7	212.3	257.2	-9.5	14.7	1,487.6	Adjusted EBITDA for Q2FY23 was ₹ 233 crore
EBITDA (%)	15.8	15.1	19.9	-413 bps	1.2	1462 bps	Adjusted EBITDA margins were at ~ 15.8%
Interest	12.4	8.8	4.6	171.0	8.8	41.2	
Depreciation	67.7	67.1	54.6	24.0	67.1	0.9	
Other Income	0.3	1.2	2.2	-85.0	1.1	-69.4	
PBT before EO & Forex	153.0	137.6	200.3	-23.6	-60.1	-354.3	
Forex & EO	0.0	0.0	0.0	NA	0.0	NA	
PBT	153.0	137.6	200.3	-23.6	-60.1	-354.3	
Tax	18.0	23.4	39.5	-54.5	-1.5	-1,297.3	
PAT before MI	135.0	114.2	160.7	-16.0	-58.6	-330.2	
Adjusted Net Profit	133.4	123.0	169.3	-21.2	-65.9	-302.4	Ajusted net profit declined 21.2% YoY to ₹ 133.4 crore
Key Metrics							
Domestic Formulation	549.0	549.7	509.0	7.9	480.0	14.4	India formulations grew 11% (excluding one-time non-recurring sales of Amphotericin-B of ₹ 13 crore in Q2 last year) gained market share in key therapies
US	418.0	393.1	348.0	20.1	367.0	13.9	YoY growth driven by new launches specifically gRevlimid
RoW	215.0	212.8	197.0	9.1	182.0	18.1	
APIs	294.0	246.2	239.0	23.0	233.0	26.2	YoY outperformance largely led by high offtake and better product mix in Q2

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY23E			FY24E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	5,484.6	5,565.5	1.5	6,036.7	6,224.6	3.1	Changed mainly due to upcoming injectable launches in US
EBITDA	727.6	747.0	2.7	1,026.2	1,043.2	1.7	
EBITDA Margin (%)	13.3	13.4	15 bps	17.0	16.8	-24 bps	
PAT	282.3	285.9	1.3	482.8	408.4	-15.4	PAT delta is due to the depreciation expenses jacking up for F2,F3 facility from Q4FY23 onwards.
EPS (₹)	14.4	14.5	1.3	24.6	20.8	-15.4	

Source: ICICI Direct Research

Exhibit 3: Assumptions

(₹ crore)	Current				Earlier			Comments
	FY20	FY21	FY22	FY23E	FY24E	FY23E	FY24E	
Domestic Formulat	1,425.0	1,497.0	1,927.0	2,059.7	2,306.9	2,056.5	2,303.3	
US	1,976.0	2,165.0	1,667.0	1,659.5	1,937.4	1,765.5	1,942.1	Expecting some key launches in Injectables and Oncology as Alembic recent got approvals
RoW	496.0	776.0	775.0	816.1	897.7	852.5	937.8	
APIs	708.0	955.0	938.0	1,031.0	1,082.6	984.5	1,033.7	

Source: ICICI Direct Research

Exhibit 4: Revenue break-up

Revenue Breakup	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	CAGR FY17-22	CAGR FY22-24E
Total Formulation	2636.6	2491.6	2481.0	3165.0	3897.0	4438.0	4369.0	4535.3	5142.0	11.9	8.5
Domestic Formulation (₹ crore)	1186.4	1255.1	1274.0	1383.0	1425.0	1497.0	1927.0	2059.7	2306.9	9.0	9.4
US Sales (₹ crore)	1248.1	917.0	909.5	1266.0	1976.0	2165.0	1667.0	1659.5	1937.4	12.7	7.8
RoW	210.2	319.5	297.5	516.0	496.0	776.0	775.0	816.1	897.7	19.4	7.6
API (₹ crore)	522.2	640.2	650.0	770.0	708.0	955.0	938.0	1031.0	1082.6	7.9	7.4
Total Sales	3191.5	3159.0	3148.9	3935.0	4605.0	5393.0	5307.0	5566.3	6224.6	10.9	8.3

Source: ICICI Direct Research

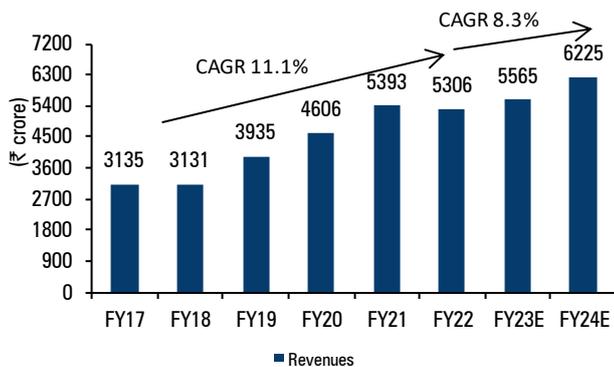
Exhibit 5: Financial Summary

	Revenues	Growth	Adj. EPS	Growth	P/E	EV/EBITDA	RoNW	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY21	5393	17.1	62.8	41.4	10.2	8.0	24.1	25.1
FY22	5306	-1.6	27.8	-55.8	23.0	14.4	10.4	10.6
FY23E	5565	4.9	14.5	-47.6	43.9	16.9	5.3	6.3
FY24E	6225	11.8	20.8	42.9	30.7	11.7	7.2	8.5

Source: ICICI Direct Research

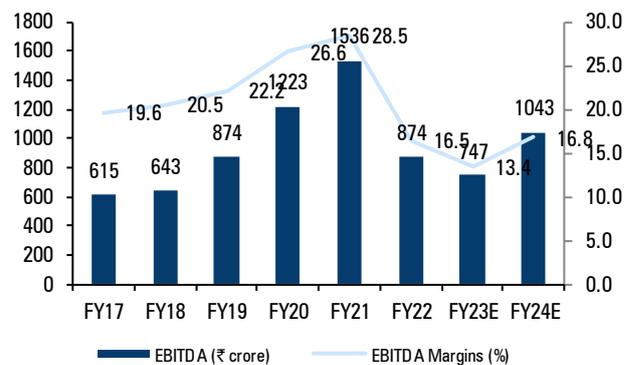
Key Metrics

Exhibit 6: Revenues to grow at CAGR of 8.3% over FY22-24E



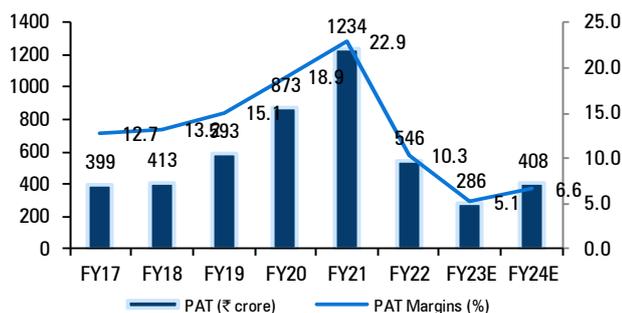
Source: ICICI Direct Research, Company

Exhibit 7: EBITDA and EBITDA margins trend



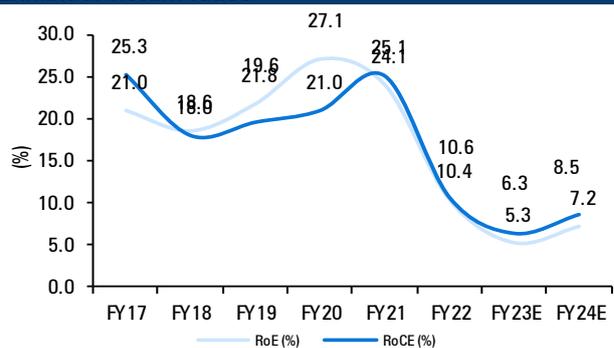
Source: ICICI Direct Research, Company

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)	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	YoY (%)	QoQ(%)
Revenues	1240.9	1209.1	1206.8	1341.3	1457.1	1314.3	1280.4	1326.0	1292.3	1271.7	1415.7	1262.1	1475.0	14.1	16.9
Raw Material Cost	272.6	298.5	263.9	337.8	312.0	293.0	314.6	385.1	332.9	342.7	385.8	378.3	443.0	33.1	17.1
% to revenues	22.0	24.7	21.9	25.2	21.4	22.3	24.6	29.0	25.8	26.9	27.3	30.0	30.0		
Gross Profit	968.3	910.6	942.9	1003.6	1145.1	1021.4	965.8	941.0	959.4	929.0	1029.9	883.9	1032.0	7.6	16.8
Gross Profit Margin (%)	78.0	75.3	78.1	74.8	78.6	77.7	75.4	71.0	74.2	73.1	72.7	70.0	70.0	-428 bps	-7 bps
Employee cost	217.8	226.9	246.9	275.4	276.1	262.5	237.2	289.9	293.2	272.8	277.2	290.4	289.8	-1.2	-0.2
% to revenues	17.5	18.8	20.5	20.5	18.9	20.0	18.5	21.9	22.7	21.5	19.6	23.0	19.6	-304 bps	-336 bps
R & D	173.8	145.7	185.0	142.6	185.0	148.0	194.9	167.2	167.8	153.6	161.8	146.4	151.5		
% to revenues	14.0	12.1	15.3	10.6	12.7	11.3	15.2	12.6	13.0	12.1	11.4	11.6	10.3	-272 bps	-133 bps
Other Expenditure	231.2	213.0	183.5	178.2	240.6	245.9	213.4	250.1	241.2	260.9	430.9	432.5	358.0	48.4	-17.2
% to revenues	18.6	17.6	15.2	13.3	16.5	18.7	16.7	18.9	18.7	20.5	30.4	34.3	24.3	560 bps	1000 bps
Total Expenditure	895.4	884.1	879.3	934.0	1013.7	949.3	960.2	1092.3	1035.1	1030.0	1255.6	1247.5	1242.3	20.0	-0.4
% to revenues	72.2	73.1	72.9	69.6	69.6	72.2	75.0	82.4	80.1	81.0	88.7	98.8	84.2		
EBIDTA	345.5	325.1	327.5	407.4	443.4	365.1	320.2	233.8	257.2	241.7	160.1	14.7	232.7	-9.5	1487.6
EBITDA Margin (%)	27.8	26.9	27.1	30.4	30.4	27.8	25.0	17.6	19.9	19.0	11.3	1.2	15.8	-413 bps	1462 bps
Depreciation	36.0	41.8	44.1	41.5	43.8	47.0	51.2	53.2	54.6	55.9	123.1	67.1	67.7	24.0	0.9
Interest	7.1	7.4	7.8	6.7	4.5	2.3	2.6	2.1	4.6	4.3	6.7	8.8	12.4	171.0	41.2
OI	0.4	0.4	0.9	0.3	3.2	2.5	25.4	4.1	2.2	15.3	10.3	1.1	0.3		
PBT	302.9	276.3	276.5	359.5	398.4	318.3	291.9	182.6	200.3	196.7	40.6	-60.1	153.0	-23.6	-354.3
Tax	52.5	48.6	62.1	66.8	73.0	59.1	54.5	34.2	39.5	32.5	-1.7	-1.5	18.0	-54.5	-1297.3
Tax Rate (%)	17.3	17.6	22.5	18.6	18.3	18.6	18.7	18.7	19.7	16.5	-4.3	2.5	11.7		
PAT	250.4	227.7	214.4	292.7	325.4	259.2	237.4	148.4	160.7	164.3	42.3	-58.6	135.0	-16.0	-330.2
PAT Margin (%)	20.2	18.8	17.8	21.8	22.3	19.7	18.5	11.2	12.4	12.9	3.0	-4.6	9.2		
Exceptional Items (EI)	0.0	0.0	10.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Net Profit before MI	250.4	227.7	203.5	292.7	325.4	259.2	237.4	148.4	160.7	164.3	42.3	-58.6	135.0	-16.0	-330.2
Add/(less) MI	4.2	-6.9	-21.2	-8.3	-8.1	-7.0	-8.3	-6.3	-5.3	-8.1	-5.1	0.0	0.0		
Profit from Associates	0.1	-0.4	-0.1	0.5	-0.2	26.4	5.1	9.9	3.3	4.1	-11.9	-7.2	-1.7		
Net Profit	246.3	234.2	224.6	301.5	333.4	292.6	250.7	164.5	169.3	176.4	35.5	-65.9	133.4	-21.2	-302.4
Net Profit (excl.EI)	246.3	234.2	235.5	301.5	333.4	292.6	250.7	164.5	169.3	176.4	35.5	-65.9	133.4	-21.2	-302.4

Source: ICICI Direct Research

Exhibit 11: 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	4285	5,230	Buy	61710	7.9	59.1	79.0	101.0	545.2	72.5	54.3	42.4	6.3	15.1	15.3	18.8	2.5	15.1	17.4	18.9
Narayana Hrudalaya	NARHRU	767	855	Buy	15655	-0.7	16.7	20.6	22.7	NA	45.9	37.3	33.8	1.2	20.5	19.6	19.7	-1.3	23.0	22.3	19.9
Shalby	SHALIM	146	150	Buy	1575	3.9	5.4	7.5	9.9	37.1	26.9	19.5	14.8	6.5	8.4	11.7	14.3	5.1	6.7	8.6	10.4
Aster DM	ASTDM	265	250	Buy	13250	3.0	10.5	10.8	16.7	89.6	25.2	24.6	15.9	5.4	9.0	9.4	12.5	4.4	13.3	12.0	15.6
Healthcare Global	HEAGLO	296	380	Buy	4114	-13.9	3.9	4.5	8.8	-13.9	76.6	65.1	33.5	-0.9	5.0	9.4	12.1	-0.9	5.0	6.8	11.6
MNC Pharma																					
Abbott India	ABBIND	19175	21,140	Hold	40268	325.0	375.9	427.7	528.6	59.0	51.0	44.8	36.3	33.8	36.6	37.1	37.3	26.5	28.3	28.9	28.8
P&G Health	MERLIM	4230	4,500	Hold	7191	106.5	116.0	124.8	140.6	39.7	36.5	33.9	30.1	32.2	39.8	36.0	33.8	25.1	31.2	28.1	26.2
Sanofi India	SANOFI	5623	6,385	Hold	12932	207.4	410.1	270.5	264.8	27.1	13.7	20.8	21.2	32.3	33.3	41.1	50.7	24.5	25.9	31.2	38.7
Pfizer	PFIZER	4339	4,480	Hold	19960	108.8	133.9	140.4	149.3	39.9	32.4	30.9	29.1	27.6	26.1	22.4	21.8	20.8	21.4	17.9	17.7
Pharma																					
Ajanta Pharma	AJAPHA	1254	1,505	Buy	16046	51.0	55.6	60.1	71.1	24.6	22.5	20.9	17.6	29.0	27.0	24.4	24.5	21.8	21.8	19.9	19.9
Alembic Pharma	ALEMPHA	638	625	Reduce	12569	62.8	27.8	15.3	26.9	10.2	23.0	41.7	23.7	25.1	10.6	6.5	10.5	24.1	10.4	5.6	9.1
Aurobindo Pharma	AURPHA	478	615	Hold	27999	55.0	47.4	41.1	51.3	8.7	10.1	11.6	9.3	16.9	12.9	11.5	13.3	14.7	11.3	9.0	10.1
Biocon	BIOCON	277	320	Hold	33268	6.3	5.7	5.5	11.3	44.2	48.6	50.8	24.4	7.7	7.5	4.1	6.5	9.9	8.1	2.8	5.5
Zydus Lifesciences	CADHEA	434	405	Hold	45043	23.3	21.0	21.0	23.8	18.6	20.7	20.7	18.2	13.8	12.0	11.8	11.7	18.4	12.6	11.4	11.6
Cipla	CIPLA	1125	1,350	Buy	90747	29.9	32.9	38.6	45.8	37.6	34.2	29.2	24.5	16.3	16.7	17.9	19.0	13.1	12.7	13.3	14.1
Dr Reddy's Labs	DRREDD	4549	4,750	Buy	75521	117.3	126.9	203.4	191.0	38.8	35.8	22.4	23.8	13.1	13.0	19.1	18.1	11.1	11.0	15.4	13.0
Glenmark Pharma	GLEPHA	414	440	Hold	11675	32.9	42.7	39.5	44.9	12.6	9.7	10.5	9.2	13.9	14.8	14.7	14.4	13.1	13.2	11.0	11.2
Ipca Laboratories	IPCLAB	888	985	Hold	22564	44.9	34.8	27.5	35.1	19.8	25.5	32.4	25.3	27.1	17.4	14.3	16.3	24.2	16.1	11.4	13.0
Jubilant Pharmova	JUBLIF	388	340	Hold	6161	37.4	26.0	15.9	26.1	10.4	14.9	24.4	14.8	13.7	9.0	6.1	8.6	12.6	7.8	4.6	7.0
Lupin	LUPIN	719	680	Reduce	32730	26.9	11.9	11.8	27.7	26.8	60.6	61.1	26.0	9.6	3.4	5.8	10.9	8.8	4.4	4.2	9.2
Natco Pharma	NATPHA	585	735	Hold	10704	24.2	9.3	41.6	42.3	24.2	62.8	14.1	13.8	13.1	4.6	18.1	16.9	10.7	4.0	15.5	13.9
Sun Pharma	SUNPHA	1011	1,225	Buy	242455	30.0	32.0	34.8	40.1	33.6	31.6	29.0	25.2	14.2	18.2	18.0	18.7	15.5	16.0	15.2	15.2
Torrent Pharma	TORPHA	1665	1,730	Hold	56292	37.0	32.0	40.0	46.7	45.0	52.0	41.6	35.7	17.6	19.7	19.1	21.4	21.4	18.2	19.8	19.7
Indoco Remedies	INDREM	359	465	Buy	3303	10.1	16.8	21.6	29.2	35.6	21.4	16.6	12.3	11.7	17.5	17.6	23.9	12.1	17.1	18.6	20.6
Caplin Point	CAPPOI	734	955	Buy	5578	81.7	85.3	70.4	73.0	9.0	8.6	10.4	10.1	25.3	23.7	22.6	0.0	20.4	20.2	18.7	17.5
Advanced Enzymes	ADVENZ	292	265	Reduce	3270	13.1	10.7	8.5	12.1	22.3	27.3	34.5	24.2	19.4	14.3	10.2	13.2	15.1	11.0	8.1	10.4
Hester Biosciences	HESPHA	2000	2,070	HOLD	1741	44.4	45.7	35.9	51.8	43.6	42.3	53.9	37.4	16.2	10.9	9.3	11.8	16.5	15.0	10.8	14.0
API/CRAMS																					
Divi's Lab	DIVLAB	3287	3,685	HOLD	87099	74.7	111.5	93.0	113.5	44.0	29.5	35.3	29.0	27.6	30.2	22.8	24.4	21.3	25.2	18.4	19.2
Hikal	HIKCHE	343	330	Reduce	4223	10.8	13.0	3.8	14.4	31.8	26.4	89.6	23.8	15.1	13.6	5.6	13.8	14.3	15.0	4.3	14.2
Syngene Int.	SYNINT	606	710	Buy	24311	10.1	9.9	11.5	14.6	59.9	61.5	52.6	41.6	11.5	11.7	12.8	15.2	13.5	12.9	12.4	13.7
Granules India	GRANUL	359	375	Buy	8906	22.2	16.6	21.9	26.8	16.2	21.6	16.4	13.4	24.0	15.6	18.6	20.5	25.3	16.0	17.6	17.9
Laurus Labs	LAULAB	451	675	Buy	24208	18.3	15.4	20.7	27.0	24.6	29.3	21.7	16.7	31.7	21.3	23.6	26.0	37.9	24.7	25.6	25.6
Suven Pharmaceutical	SUVPH	438	530	BUY	11158	14.2	17.8	17.0	17.6	30.7	24.5	25.8	24.8	31.2	37.5	28.7	25.0	30.7	29.7	23.0	20.0

Source: ICICI Direct Research

Financial Summary

Exhibit 12: Profit and loss statement				
₹ crore				
(Year-end March) ₹ crore	FY21	FY22	FY23E	FY24E
Revenues	5,393.1	5,305.8	5,565.5	6,224.6
Growth (%)	17.1	-1.6	4.89	11.84
Raw Material Expenses	1,257.3	1,446.4	1,620.2	1,680.6
Employee Expenses	1,051.2	1,133.0	1,135.9	1,307.2
R&D Expenditure	670.4	650.5	637.3	622.5
Other Manufacturing Expenses	878.1	1,201.8	1,425.2	1,571.1
Total Operating Expenditure	3,857.0	4,431.6	4,818.5	5,181.4
EBITDA	1,536.1	874.2	747.0	1,043.2
Growth (%)	25.6	-43.1	-14.6	39.7
Interest	16.0	17.7	46.7	37.1
Depreciation	183.5	286.8	353.1	501.3
Other Income	87.3	50.5	2.0	2.3
PBT	1,423.9	620.1	349.2	507.1
Total Tax	253.3	104.5	46.6	101.4
Tax Rate (%)	17.8	16.8	13.3	20.0
Adjusted PAT	1,233.9	545.7	285.9	408.4
Growth (%)	41.4	-55.8	-47.6	42.9
EPS (Adjusted)	62.8	27.8	14.5	20.8

Source: Company, ICICI Direct Research

Exhibit 13: Cash flow statement				
₹ crore				
(Year-end March) ₹ crore	FY21	FY22	FY23E	FY24E
Profit/(Loss) after taxation	1,122.6	496.7	285.9	408.4
Depreciation	183.5	286.8	353.1	501.3
Net Increase in Current Assets	66.1	-465.0	-262.1	-79.0
Net Increase in Current Liabilities	173.4	97.6	122.9	125.4
CF from operating activities	###	552.4	499.7	956.1
(Inc)/dec in Investments	-181.1	50.6	0.0	0.0
(Inc)/dec in Fixed Assets	-659.2	-424.3	-450.0	-350.0
Other investing activities	2.1	7.3	2.5	1.0
CF from investing activities	-840.8	-371.4	-444.8	-344.3
Inc / (Dec) in Equity Capital	734.1	0.0	0.0	0.0
Inc / (Dec) in Loan	-1,258.5	109.8	100.0	-200.0
Dividend & Dividend Tax	0.0	-275.2	-127.8	-157.3
Other financing activities	-73.0	-52.0	0.0	0.0
CF from financing activities	-597.4	-217.4	-27.8	-357.3
Net Cash flow	25.1	-36.4	27.1	254.5
Opening Cash	80.8	105.8	69.4	96.5
Closing Cash	105.8	69.4	96.5	351.1
Free Cash flow	804.1	128.1	49.7	606.1

Source: Company, ICICI Direct Research

Exhibit 14: Balance Sheet				
₹ crore				
(Year-end March) ₹ crore	FY21	FY22	FY23E	FY24E
Equity Capital	39.3	39.3	39.3	39.3
Reserve and Surplus	5,088.3	5,198.2	5,356.3	5,607.5
Total Shareholders funds	5,127.6	5,237.5	5,395.6	5,646.8
Minority Interest	-60.6	0.0	0.0	0.0
Total Debt	499.8	630.0	730.0	530.0
Deferred Tax Liability	4.2	0.0	0.0	0.0
Other Non Current Liabilities	71.5	72.1	79.4	87.3
Long Term Provisions	85.5	95.8	105.4	115.9
Source of Funds	5,728	6,035	6,310	6,380
Gross Block - Fixed Assets	2,546.3	2,842.5	3,492.5	4,042.5
Accumulated Depreciation	757.0	1,043.7	1,396.8	1,898.1
Net Block	1,789.3	1,798.7	2,095.6	2,144.4
Capital WIP	2,181.7	2,303.4	2,103.4	1,903.4
Total Fixed Assets	3,971.0	4,102.1	4,199.0	4,047.7
Goodwill on Consolidation	0.0	0.0	0.0	0.0
Investments	236.3	118.4	118.4	118.4
Inventory	1,486.2	1,609.7	1,803.1	1,749.7
Cash	105.8	69.4	96.5	351.1
Debtors	348.6	807.1	846.6	946.7
Loans & Advances & Other CA	0.0	0.0	0.0	0.0
Total Current Assets	2,390.9	2,779.4	3,068.6	3,402.1
Creditors	668.8	706.4	791.2	874.8
Provisions & Other CL	312.2	380.2	418.2	460.0
Total Current Liabilities	980.9	1,086.6	1,209.4	1,334.8
Net Current Assets	1,410.0	1,692.8	1,859.2	2,067.3
LT L& A, Other Assets	110.8	116.3	127.9	140.7
Deferred Tax Assets	0.0	5.9	5.9	5.9
Application of Funds	5,728	6,035	6,310	6,380

Source: Company, ICICI Direct Research

Exhibit 15: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
Per share data (₹)				
Adjusted EPS	62.8	27.8	14.5	20.8
BV per share	260.9	266.5	274.5	287.3
Dividend per share	14.0	10.0	6.5	8.0
Operating Ratios (%)				
Gross margins	76.7	72.7	70.9	73.0
EBITDA Margins	28.5	16.5	13.4	16.8
PAT Margins	22.9	10.3	5.1	6.6
Inventory days	431.4	406.2	406.2	380.0
Debtor days	23.6	55.5	55.5	55.5
Creditor days	194.1	178.3	178.3	190.0
Asset Turnover	2.1	1.9	1.6	1.5
EBITDA conversion Rate	95.3	63.2	66.9	91.7
Return Ratios (%)				
RoE	24.1	10.4	5.3	7.2
RoCE	25.1	10.6	6.3	8.5
RoIC	41.6	16.1	9.6	13.2
Valuation Ratios (x)				
P/E	10.2	23.0	43.9	30.7
EV / EBITDA	8.0	14.4	16.9	11.7
EV / Net Sales	2.3	2.4	2.3	2.0
Market Cap / Sales	2.2	2.3	2.2	1.9
Price to Book Value	2.4	2.4	2.3	2.2
Solvency Ratios				
Debt / Equity	0.1	0.1	0.1	0.1
Debt / EBITDA	0.3	0.7	1.0	0.5
Current Ratio	1.9	2.2	2.2	2.0

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, Utkarsh Jain, MBA, 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 icicidirect.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.