Biocon Ltd (BIOCON)

CMP: ₹ 285 Target: ₹ 290 (2%)

Target Period: 12 months

November 15, 2022

Steady performance; focus on Viatris integration...

About the stock: Biocon mainly operates in biologics (biosimilars), small molecules (generics), branded formulations and contract research (Syngene). Biocon Biologics (BBL), a subsidiary of Biocon, entered into an arrangement to acquire Viatris' biosimilars assets for US\$3.34 billion. Biocon Biologics entered into a strategic alliance with SILS for access to 100 million vaccine doses per annum for 15 years.

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

Q2FY23 Results: Sales in line but margins missed due to higher R&D spend.

- Revenues grew 26% YoY to ₹ 2320 crore
- EBITDA grew 5.6% YoY to ₹ 471 crore while EBITDA margins grew 393 bps YoY to 20.3%
- Adjusted PAT was down 66.1 % YoY to ₹ 47 crore

What should investors do? Biocon's share price has grown by $\sim 1.1x$ over the past three years (from $\sim ₹ 257$ in November 2019 to $\sim ₹ 285$ levels in November 2022).

We maintain HOLD rating due to 1) growing margins sensitivity, 2) Viatris
deal and subsequent execution risks and 3) impending price erosion risks,
regulatory issues and increasing competitive landscape

Target Price and Valuation: We value Biocon at ₹ 290 on an SOTP basis.

Key triggers for future price performance:

- Biosimilars- 1) market share gains in existing biosimilars, 2) approvals and launches of bBevacizumab and bAspart, 3) bGlargine ramp up, 4) Expected Adalimumab launch in FY23
- Generics- 1) Expansion beyond fermentation based APIs, 2) capacity augmentation in immunosuppressants and synthetic APIs and 3) expanding formulations portfolio through vertical integration
- CRAMs Syngene's consistent growth in Discovery, Dedicated, Development and Manufacturing services
- Execution on vaccines front post strategic alliance with Serum and potential synergies with acquisition of Vitaris biosimilar business from H2FY23

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

- Higher contribution from specialty and strong domestic franchise is likely to change the product mix towards more remunerative businesses by FY23
- BUY with a target price of ₹ 1225



HOLD



Particulars	
Particular	Amount
Market Capitalisation	₹ 34217 crore
Debt (FY22)	₹ 4904 crore
Cash (FY22)	₹ 1748 crore
EV	₹ 37374 crore
52 week H/L	411/305
Equity capital (₹Crore)	₹ 600 crore
Face value (₹)	₹5
Shareholding pattern	

Shareh	olding pa	ttern		
(in %)	Dec-21	Mar-22	Jun-22	Sep-22
Promote	60.6	60.6	60.6	60.6
Others	39.4	39.4	39.4	39.4

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100	Nov-19 -	May-20 -	Nov-20 -	May-21 -	Nov-21 -	May-22 -	Nov-22 +	U
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Recent Event & Key risks

Price Chart

- Three USFDA observations at site-3, Hyderabad
- Key Risk: (i) Better traction for launches in pipeline, (ii) pricing pressure in US

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 (₹ crore)	6367.2	7143.1	8184.0	15.9	11178.3	15361.7	37.0
EBITDA (₹ crore)	1603.1	1674.0	1915.2	17.6	2174.2	3274.1	30.8
EBITDA margins (%)	25.2	23.4	23.4		19.4	21.3	
Net Profit (₹ crore)	698.2	751.7	683.8	-0.6	357.8	573.9	-8.4
EPS (₹)	5.8	6.3	5.7		3.0	4.8	
P/E (x)	45.7	44.9	57.7		98.0	59.6	
RoCE (%)	10.2	7.7	7.5		3.8	6.1	
RoE (x)	10.4	9.9	8.1		1.5	2.4	



Key takeaways of recent quarter & conference call highlights

Q2FY23 Results: Revenues, GPM in line but EBITDA margins lower than estimates due to high R&D costs

- Revenues grew 26% YoY to ₹ 2320 crore on the back of traction in Generics, which grew 17.5% YoY to ₹ 623 crore, biosimilars, which grew 34.3% YoY to ₹ 997 crore and Syngene revenues that were up 26% to ₹ 768 crore. EBITDA grew 5.6% YoY to ₹ 471 crore while EBITDA margins grew 393 bps YoY to 20.3%. Margins were affected mainly due to increase in R&D expenditure. PAT was down 66.1% YoY to ₹ 47 crore, mainly due to tax adjustments
- Biosimilars growth was driven by increased prescriptions of existing products in the US besides new launches in EU and EM. Generics growth was driven by two antidiabetic launches in EU. Syngene growth was well rounded as reported earlier. Quarterly performances notwithstanding, the recent decision to acquire Viatris' front end business in the US and the leverage on the balance sheet is likely to have more influence on sentiments. On biosimilars front, two strategic transactions with Serum and Viatris are likely to contribute from H2FY22 while timely launches and ramp up of biosimilars in the developed and emerging markets remain key to capture market share in the projected 3.3x increase in Biocon's target addressable market from US\$21 billion in FY22 to US\$69 billion in FY26. Syngene's ability to take advantage in the CRAMS space with operating leverage will be an important factor for the company

Q2FY23 Earnings Conference Call highlights

- Generics Traction from two anti-diabetes launches Sitagliptin and Vildagliptin in the EU besides stable momentum in immunosuppressant's in the US. Received five approvals- three in EU (Posaconazole, Lenalidomide, Everolimus); one in UK (Posaconazole) and one in UAE (Mycophenolic acid). Commissioning and qualification of immunosuppressant's facility at Visakhapatnam and peptides facility at Bengaluru
- Biosimilars Interchangeable bGlargine (Semglee) gained new prescription share of 14% and overall prescription share of 12%. bPegfilgrastim (Fulphila) market share was at 10% in the US despite competition. bTrastuzumab (Ogivri) maintained 30% market share in Canada and Australia. Commercialisation of bBevacizumab and bTrastuzumab, in a few European markets. Out licensing of own pipeline assets, bUstekinumab and bDenosumab, to Yoshindo Inc. for commercialisation in Japan
- Decent traction in insulins and bTrastuzumab in key LatAm and APAC markets
- Insulins continue to hold double-digit market share in countries like Malaysia, Mexico and Morocco
- Strong traction in Insulin from Mexico, Argentina and Brazil



	O2EV22	OSEVSSE	OSEVSS	YoY	01EV22	QoQ	Commonto
	Q2FY23	Q2FY23E	uzry22	(%)	Q1FY23	(%)	Comments
Revenue	2,319.7	2,368.3	1,840.4	26.0	2,139.5	8.4	Revenues grew 26% YoY to ₹ 2320 crore on the back of traction in Generics, which grew 17.5 % YoY to ₹ 623 crore, biosimiliars, which grew 34.3 % YoY to ₹ 997 crore and Syngene revenues that were up 26% to ₹ 768 crore
Raw Material co:	751.9	777.9	565.1	33.1	702.8	7.0	
Gross margins	67.6	67.2	69.3	-171 bps	67.2	44 bps	
Employee cost	540.3	532.9	478.8	12.8	512.6	5.4	
R & D Expenditur	242.0	212.7	146.0	65.8	198.0	22.2	Gross R&D spend was ₹ 223 crore in Q1FY23
Other Expenditure	314.8	343.4	204.7	53.8	326.7	-3.6	
Total Expenditure	1,849.0	1,866.9	1,394.6	32.6	1,740.1	6.3	
EBITDA .	470.7	501.4	445.8	5.6	399.4	17.9	
EBITDA (%)	20.3	21.2	24.2	-393 bps	18.7	162 bps	EBITDA grew 5.6 % YoY to ₹ 471 crore while EBITDA margins grew 393 bps YoY to 20.3%. Margins were affected mainly due to increase in R&D expenditure
Interest	30.0	19.9	22.5	33.3	19.9	50.8	
Depreciation	230.8	228.8	201.5	14.5	217.5	6.1	
Other income	64.5	61.6	104.9	-38.5	77.9	-17.2	
EO	17.0	0.0	70.1	-75.7	0.0	0.0	
PBT	257.4	314.2	256.6	0.3	239.9	7.3	
Tax	147.3	69.1	46.3	218.1	29.5	399.3	
MI	34.9	30.6	21.4	63.1	23.0	51.7	
Adj. PAT	46.9	171.5	138.3	-66.1	144.4	-67.5	Adjusted PAT was down 66.1 % YoY to ₹ 47 crore, mainly due to tax adjustments
Key Metrics							
Generics	622.8	583.0	530.0	17.5	579.7	7.4	YoY growth on a low base amid traction for key new products launched while base business continued to encounter pricing pressur
Biosimilars	997.4	1038.5	742.5	34.3	976.6	2.1	YoY growth driven by sales of Glargine in the US and key biosimilars in emerging markets
Contract Researc	768.1	732.2	610.2	25.9	644.5	19.2	YoY growth on a high base of Remdesivir sales largely driven by momentum in development and manufacturing services

Source: Company, ICICI Direct Research

		FY23E			FY24E		Comments
(₹ Crore)	Old	New	% Change	Old	New	% Change	
Revenues	11,130.0	11,045.6	-0.8	14,710.8	14,736.4	0.2	Changed mainly on the back of higher growth in biosimilars in FY24 post Viatris integration
EBITDA	2,319.9	2,153.7	-7.2	3,438.4	3,162.2	-8.0	
EBITDA Margin (%	20.8	19.5	-135 bps	23.4	21.5	-192 bps	Changed due to guidance for increased R&D spend to the tune of 12-15% of revenues
Net Profit	777.7	349.6	-55.0	1,364.4	541.8	-60.3	
EPS (₹)	6.5	2.9	-55.0	11.4	4.5	-60.3	

Source: ICICI Direct Research

	Current						lier	Comments
Growth (%)	FY20	FY21	FY22	FY23E	FY24E	FY23E	FY24E	
Generics	2,207.3	2,362.5	2,340.9	2,473.6	2,671.5	2,433.8	2,628.5	Changed mainly due to lower offtake and continued pricing pressure
Biosimilars	2,315.0	2,800.5	3,464.3	5,544.3	8,275.9	5,585.4	8,275.9	Guidance for \sim US\$1.1 billion in FY24 post Viatris integration
Contract Research	2,012.0	2,184.1	2,604.2	3,124.1	3,748.8	3,124.1	3,748.8	

Source: ICICI Direct Research



Particulars	FY24E EBITDA (₹ cr)	Multiple (x)	Value (₹)
Biocon Biologics	2122.3	16.0	33,956.6
Biocon's Holding			68%
Holding Company Discount			20%
Biocon Biologics valuation			18472.39
Biocon (ex-Biologics and Syngen	26.3	5.0	131.4
Total EV			34,088.0
Implied Mcap			17,731.9
Syngene			
Targeted Market Cap			28400
Biocon's Holding			64.6%
Holding Company Discount			20.0%
Syngene Implied Mcap			14668
Per share valuation			270
NPV (Vaccines)			20.0
SOTP valuation			290

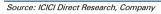
Source: Company, ICICI Direct Research

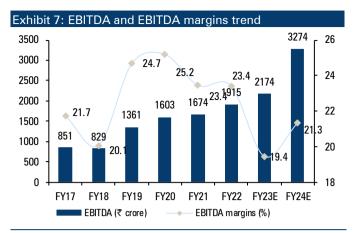
Exhib	it 5: Financi	ial Summar	У					
	Revenues	Growth	EPS	Growth	P/E	EV/EBITDA	RoNW	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY21	7143	12.2	6.3	7.7	44.9	21.1	9.9	7.7
FY22	8184	14.6	5.7	-9.0	57.7	18.9	8.1	7.5
FY23E	11178	36.6	3.0	-47.7	98.0	21.4	1.5	3.8
FY24E	15362	37.4	4.8	60.4	59.6	14.7	2.4	6.1

Source: Company, ICICI Direct Research

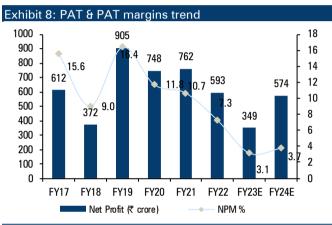
Key Metrics

Exhibit 6: Revenues to grow at CAGR of 37% over FY22-24E 18000 **オ**15362 CAGR 37.0% 16000 14000 11178 12000 CAGR 15.9% 10000 7143 8000 6367 5514 6000 3922 4130 4000 2000 FY18 FY19 FY20 FY21 FY17 FY22 FY23E FY24E ■ Revenues (₹ crore)

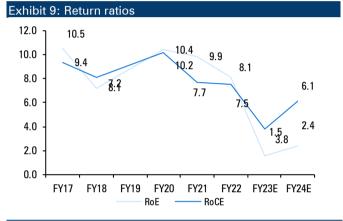




Source: ICICI Direct Research, Company



Source: ICICI Direct Research, Company



Source: ICICI Direct Research, Company

(₹ Crore)	02FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	YoY (%)	QοQ(%)
Revenues	1572.2	1748.1	1581.0	1693.8	1749.8	1857.4	1842.1	1760.6	1840.4	2174.2	2408.8	2139.5	2319.7	26.0	8.4
Raw Material Cost	477.9	577.3	572.5	541.6	531.4	559.9	578.9	612.1	565.1	712.9	828.3	702.8	751.9	33.1	7.0
% to revenues	30.4	33.0	36.2	32.0	30.4	30.1	31.4	34.8	30.7	32.8	34.4	32.8	32.4		
Gross Profit	1094.3	1170.8	1008.5	1152.2	1218.4	1297.5	1263.2	1148.5	1275.3	1461.3	1580.5	1436.7	1567.8	22.9	9.1
Gross Profit Margin (69.6	67.0	63.8	68.0	69.6	69.9	68.6	65.2	69.3	67.2	65.6	67.2	67.6	-171 bps	44 bps
Employee cost	353.3	376.1	388.4	393.7	431.9	463.3	452.1	436.0	478.8	495.0	470.3	512.6	540.3	12.8	5.4
% to revenues	22.5	21.5	24.6	23.2	24.7	24.9	24.5	24.8	26.0	22.8	19.5	24.0	23.3	-272 bps	-67 bps
R & D	104.0	131.0	125.0	107.0	148.0	171.0	127.0	120.0	146.0	138.0	191.0	198.0	242.0		
% to revenues	6.6	7.5	7.9	6.3	8.5	9.2	6.9	6.8	7.9	6.3	7.9	9.3	10.4	250 bps	118 bps
Other Expenditure	234.2	219.5	176.5	215.7	242.1	257.3	248.2	203.2	204.7	340.1	327.3	326.7	314.8	53.8	-3.6
% to revenues	14.9	12.6	11.2	12.7	13.8	13.9	13.5	11.5	11.1	15.6	13.6	15.3	13.6	245 bps	-170 bps
Total Expenditure	1169.4	1303.9	1262.4	1258.0	1353.4	1451.5	1406.2	1371.3	1394.6	1686.0	1816.9	1740.1	1849.0	32.6	6.3
% to revenues	74.4	74.6	79.8	74.3	77.3	78.1	76.3	77.9	75.8	77.5	75.4	81.3	79.7		
EBIDTA	402.8	444.2	318.6	435.8	396.4	405.9	435.9	389.3	445.8	488.2	591.9	399.4	470.7	5.6	17.9
EBITDA Margin (%)	25.6	25.4	20.2	25.7	22.7	21.9	23.7	22.1	24.2	22.5	24.6	18.7	20.3	-393 bps	162 bps
Depreciation	131.6	144.0	152.4	166.8	177.7	186.3	184.3	194.8	201.5	205.7	212.2	217.5	230.8	14.5	6.1
Interest	13.8	17.7	16.8	12.5	6.5	4.8	33.9	19.9	22.5	14.7	10.5	19.9	30.0	33.3	50.8
01	38.4	35.8	63.1	18.3	15.5	27.9	205.4	47.2	104.9	48.3	67.3	77.9	64.5	-38.5	-17.2
PBT	295.8	318.3	212.5	274.8	227.7	242.7	423.1	221.8	326.7	316.1	436.5	239.9	274.4	-16.0	14.4
Tax	100.1	84.8	45.0	80.9	22.3	48.9	69.4	57.3	46.3	49.3	58.6	29.5	147.3	218.1	399.3
Tax Rate (%)	33.8	26.6	21.2	29.4	9.8	20.1	16.4	25.8	14.2	15.6	13.4	12.3	53.7		
PAT	195.7	233.5	167.5	193.9	205.4	193.8	353.7	164.5	280.4	266.8	377.9	210.4	127.1	-54.7	-39.6
PAT Margin (%)	12.4	13.4	10.6	11.4	11.7	10.4	19.2	9.3	15.2	12.3	15.7	9.8	5.5		
Exceptional Items (EI	-67.5	0.0	0.0	0.0	0.0	0.0	-12.6	0.0	70.1	0.0	41.0	0.0	17.0		
Net Profit before MI	263.2	233.5	167.5	193.9	205.4	193.8	366.3	164.5	210.3	266.8	336.9	210.4	110.1	-47.6	-47.7
Add/(less) MI	38.1	27.5	35.7	18.4	26.1	18.0	43.2	24.0	21.4	32.5	45.3	23.0	34.9		
Net Profit after MI	225.1	206.0	131.8	175.5	179.3	175.8	323.1	140.5	188.9	234.3	291.6	187.4	75.2	-60.2	-59.9
Adjusted Net Profit	189.0	202.8	123.4	171.9	174.3	175.0	242.7	84.4	195.8	187.1	273.5	144.4	54.2	-72.3	-62.5

Source: ICICI Direct Research



Company	I-Direct	CMP	TP	Rating	M Cap		EPS	(₹)			PE	(x)			RoC	E (%)			Rol	E (%)	
	Code	(₹)	(₹)		(₹ cr)	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24
Hospitals																					
Apollo Hospitals	AP0H0S	4596	5,230	Buy	66175	7.9	59.1	79.0	101.0	584.6	77.7	58.2	45.5	6.3	15.1	15.3	18.8	2.5	15.1	17.4	18.
Narayana Hrudalaya	NARHRU	759	855	Buy	15483	-0.7	16.7	20.6	22.7	NA	45.4	36.9	33.5	1.2	20.5	19.6	19.7	-1.3	23.0	22.3	19.
Shalby	SHALIM	144	150	Buy	1558	3.9	5.4	7.5	9.9	36.7	26.6	19.3	14.6	6.5	8.4	11.7	14.3	5.1	6.7	8.6	10.
Aster DM	ASTDM	222	250	Buy	11078	3.0	10.5	10.8	16.7	74.9	21.0	20.6	13.3	5.4	9.0	9.4	12.5	4.4	13.3	12.0	15.
Healthcare Global	HEAGLO	298	380	Buy	4142	-13.9	3.9	4.5	8.8	-13.9	77.1	65.5	33.7	-0.9	5.0	9.4	12.1	-0.9	5.0	6.8	11.
MNC Pharma																					
Abbott India	ABBIND	19683	21,140	Hold	41335	325.0	375.9	427.7	528.6	60.6	52.4	46.0	37.2	33.8	36.6	37.1	37.3	26.5	28.3	28.9	28.
P&G Health	MERLIM	4345	4,500	Hold	7386	106.5	116.0	124.8	140.6	40.8	37.5	34.8	30.9	32.2	39.8	36.0	33.8	25.1	31.2	28.1	26.
Sanofi India	SANOFI	5584	6,385	Hold	12843	207.4	410.1	270.5	264.8	26.9	13.6	20.6	21.1	32.3	33.3	41.1	50.7	24.5	25.9	31.2	38.
Pfizer	PFIZER	4518	4,480	Hold	20783	108.8	133.9	140.4	149.3	41.5	33.7	32.2	30.3	27.6	26.1	22.4	21.8	20.8	21.4	17.9	17.
Pharma																					
Ajanta Pharma	AJAPHA	1280	1,505	Buy	16384	51.0	55.6	60.1	71.1	25.1	23.0	21.3	18.0	29.0	27.0	24.4	24.5	21.8	21.8	19.9	19.
Alembic Pharma	ALEMPHA	646	625	Reduce	12735	62.8	27.8	15.3	26.9	10.3	23.3	42.3	24.0	25.1	10.6	6.5	10.5	24.1	10.4	5.6	9.
Aurobindo Pharma	AURPHA	491	540	Hold	28773	55.0	47.4	41.1	51.3	8.9	10.4	12.0	9.6	16.9	12.9	11.5	13.3	14.7	11.3	9.0	10.
Biocon	BIOCON	283	290	Hold	33976	6.3	5.7	5.5	11.3	45.2	49.7	51.9	25.0	7.7	7.5	4.1	6.5	9.9	8.1	2.8	5.
Zydus Lifesciences	CADHEA	415	405	Hold	45043	23.3	21.0	21.0	23.8	17.8	19.8	19.8	17.4	13.8	12.0	11.8	11.7	18.4	12.6	11.4	11.
Cipla	CIPLA	1121	1,350	Buy	90501	29.9	32.9	38.6	45.8	37.5	34.1	29.1	24.5	16.3	16.7	17.9	19.0	13.1	12.7	13.3	14.
Dr Reddy's Labs	DRREDD	4422	4,750	Buy	73405	117.3	126.9	203.4	191.0	37.7	34.8	21.7	23.2	13.1	13.0	19.1	18.1	11.1	11.0	15.4	13.
Glenmark Pharma	GLEPHA	434	440	Hold	12249	32.9	42.7	39.5	44.9	13.2	10.2	11.0	9.7	13.9	14.8	14.7	14.4	13.1	13.2	11.0	11.
Ipca Laboratories	IPCLAB	874	925	Hold	22200	44.9	34.8	27.5	35.1	19.5	25.1	31.8	24.9	27.1	17.4	14.3	16.3	24.2	16.1	11.4	13.
Jubilant Pharmova	JUBLIF	386	340	Hold	6129	37.4	26.0	15.9	26.1	10.3	14.8	24.3	14.8	13.7	9.0	6.1	8.6	12.6	7.8	4.6	7.
Lupin	LUPIN	752	680	Reduce	34200	26.9	11.9	11.8	27.7	28.0	63.3	63.9	27.1	9.6	3.4	5.8	10.9	8.8	4.4	4.2	9.:
Natco Pharma	NATPHA	578	735	Hold	10583	24.2	9.3	41.6	42.3	23.9	62.1	13.9	13.7	13.1	4.6	18.1	16.9	10.7	4.0	15.5	13.
Sun Pharma	SUNPHA	1010	1.225	Buv	242203	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.:
Torrent Pharma	TORPHA	1643	1.730	Hold	55538	37.0	32.0	40.0	46.7	44.4	51.3	41.1	35.2	17.6	19.7	19.1	21.4	21.4	18.2	19.8	19.
Indoco Remedies	INDREM	355	465	Buy	3268	10.1	16.8	21.6	29.2	35.2	21.1	16.4	12.2	11.7	17.5	17.6	23.9	12.1	17.1	18.6	20.
Caplin Point	CAPPOI	764	955	Buv	5807	81.7	85.3	70.4	73.0	9.3	9.0	10.9	10.5	25.3	23.7	22.6	0.0	20.4	20.2	18.7	17.
Advanced Enzymes	ADVENZ	279	265	Reduce	3126	13.1	10.7	8.5	12.1	21.3	26.1	33.0	23.2			10.2		15.1	11.0	8.1	10.
Hester Biosciences	HESPHA	2000	2,070	HOLD	1749	44.4	45.7	35.9	51.8	43.8	42.5	54.2	37.5	16.2	10.9	9.3	11.8	16.5	15.0	10.8	14.
API/CRAMS																					
Divi's Lab	DIVLAB	3310	3,685	HOLD	87712	74.7	111.5	93.0	113.5	44.3	29.7	35.6	29.2	27.6	30.2	22.8	24.4	21.3	25.2	18.4	19.
Hikal	HIKCHE	331	330	Reduce	4070	10.8	13.0	3.8	14.4	30.6	25.4	86.4	22.9	15.1	13.6	5.6	13.8	~~~~	15.0	4.3	14.
Syngene Int.	SYNINT	623	710	Buy	24986	10.1	9.9	11.5	14.6	61.6	63.2	54.0	42.8	11.5	11.7	12.8	15.2		12.9	12.4	13.
Granules India	GRANUL	369	375	Buv	9161	22.2	16.6	21.9	26.8	16.7	22.2	16.9	13.8	24.0	15.6	18.6		25.3	16.0	17.6	17.
Laurus Labs	LAULAB	470	675	Buy	25260	18.3	15.4	20.7	27.0	25.7	30.5	22.7	17.5	31.7		23.6	26.0		24.7	25.6	25.
Suven Pharmaceutical:	SUVPH	428	530	BUY	10917	14.2	17.8	17.0	17.6	30.1	24.0	25.2	24.3		37.5	28.7		30.7	29.7	23.0	20.

Source: ICICI Direct Research



Financial Summary

Exhibit 12: Profit and loss s	tatement			₹ crore
Year-end March	FY21	FY22	FY23E	FY24E
Total Operating Income	7143.1	8184.0	11178.3	15361.7
Growth (%)	12.2	14.6	36.6	37.4
Raw Material Expenses	2211.8	2718.4	3672.0	4951.1
Employee Expenses	1741.0	1880.1	2531.1	3261.3
R&D Expenditure	553.0	595.0	1218.9	1806.2
Other Expenditures	963.3	1075.3	1582.2	2068.9
Total Operating Expenditure	5469.1	6268.8	9004.1	12087.6
Operating Profit (EBITDA)	1674.0	1915.2	2174.2	3274.1
Growth (%)	4.4	14.4	13.5	50.6
Depreciation	715.1	814.2	909.9	1020.7
Interest	57.7	67.6	375.4	696.1
Other Income	254.5	212.7	329.2	452.4
PBT before Exceptional Items	1155.7	1246.1	1218.0	2009.8
Less: Exceptional Items	-12.6	111.1	17.0	0.0
Total Tax	221.5	211.5	579.5	1150.2
PAT before MI	946.8	923.5	621.5	859.7
Minority Interest	105.7	123.2	144.6	172.6
Adjusted PAT	751.7	683.8	357.8	573.9
Growth (%)	7.7	-9.0	-47.7	60.4
EPS (Adjusted)	6.3	5.7	3.0	4.8

Source: Company, ICICI Direct Research

Exhibit 13: Cash flow statement ₹ cror					
Year-end March	FY21	FY22	FY23E	FY24E	
Profit/(Loss) after taxation	652.4	509.6	349.0	573.9	
Add: Depreciation & Amortization	715.1	814.2	909.9	1020.7	
Net Increase in Current Assets	-734.0	-951.3	-1639.0	-2404.7	
Net Increase in Current Liabilities	310.2	161.8	940.1	1185.0	
Other Operating Activities	216.0	642.3	375.4	696.1	
CF from operating activities	1159.7	1176.6	935.5	1071.0	
(Purchase)/Sale of Fixed Assets	-1297.1	-1922.7	-1590.0	-1033.5	
(Increase)/Decrease in Investments	-567.0	231.4	0.0	0.0	
Increase/ (Decrease) in Minority Into	0.0	0.0	103.8	114.1	
Other Investing Activities	-842.8	4.8	-23744.7	-834.0	
CF from investing activities	-2706.9	-1686.5	####	-1753.4	
Proceeds from issues of Equity Sha	797.7	42.5	14310.0	0.0	
Inc/(dec) in loan funds	1882.3	309.2	9564.4	1000.0	
(Payment) of Dividend and Dividend	0.0	0.0	-34.9	-57.4	
Interest Paid	-116.0	-109.6	-375.4	-696.1	
Other Financing Activities	0.0	0.0	0.0	0.0	
CF from financing activities	2564.0	242.1	23464.1	246.5	
Net Cash flow	1016.8	-267.8	-831.4	-435.8	
Opening Cash	998.5	2015.3	1747.5	916.1	
Closing Cash	2015.3	1747.5	916.1	480.3	
Free Cash Flow	592.7	1408.0	935.5	1071.0	

Source: Company, ICICI Direct Research

Exhibit 14: Balance Sheet				₹ crore
Year-end March	FY21	FY22	FY23E	FY24E
Liabilities				
Equity Capital	600.0	600.3	600.3	600.3
Reserve and Surplus	7026.9	7832.2	22792.9	23309.4
Total Shareholders funds	7626.9	8432.5	23393.2	23909.7
Total Debt	4358.6	4904.0	14468.4	15468.4
Minority Interest	880.7	1037.5	1141.3	1255.4
Other NCL & LT Provisions	2843	3097.5	3404.6	3742.4
Source of Funds	15709.2	17471.5	42407.5	44375.8
Assets				
Gross Block - Fixed Assets	10194.5	11206.6	12596.6	14130.1
Accumulated Depreciation	3857.0	4664.0	5573.9	6594.6
Net Block	6337.5	6542.6	7022.7	7535.5
Capital WIP	2800.2	4110.4	4310.4	3810.4
Total Fixed Assets	9137.7	10653.0	11333.1	11345.9
Goodwill on Consolidation	26.4	26.4	20775.8	20775.8
Investments	1951.9	1587.9	1587.9	1587.9
Inventory	1866.6	2298.2	3118.7	4205.1
Debtors	1217.6	2058.2	2603.2	3577.4
Cash	2015.4	1747.5	691.7	234.2
Other Current Assets	1292.1	1060.7	1334.2	1678.3
Total Current Assets	6391.7	7164.6	7747.8	9694.9
Creditors	1513.9	1608.5	2213.3	2984.2
Provisions	109.4	130.5	160.7	190.8
Other Current Liabilities	1189.7	1183.5	1488.7	1872.6
Total Current Liabilities	2813.0	2922.5	3862.6	5047.7
Net Current Assets	3578.7	4242.1	3885.2	4647.3
Deferred Tax Assets	307.7	293.3	322.6	354.9
Other Non Current assets	706.8	668.8	4502.9	5664.1
Application of Funds	15709.2	17471.5	42407.5	44375.8

Source: Company, ICICI Direct Research

Exhibit 15: Key ratios				
Year-end March	FY21	FY22	FY23E	FY24E
Per share data (₹)				
Reported EPS	6.3	4.9	2.9	4.8
BV per share	63.5	70.2	194.8	199.1
Dividend per share	0.0	0.5	0.3	0.5
Cash Per Share	16.8	14.6	5.8	2.0
Operating Ratios (%)				
Gross Margin	69.0	66.8	67.2	67.8
EBITDA margin	23.4	23.4	19.4	21.3
EBIT Margin	13.4	13.5	11.3	14.7
PAT Margin	10.5	8.4	3.2	3.7
Inventory days	308.0	308.6	310.0	310.0
Debtor days	62.2	91.8	85.0	85.0
Creditor days	249.8	216.0	220.0	220.0
Asset Turnover	0.5	0.5	0.3	0.3
EBITDA Conversion Ration	69.3	61.4	43.0	32.7
Return Ratios (%)				
RoE	9.9	8.1	1.5	2.4
RoCE	7.7	7.5	3.8	6.1
RoIC	10.3	10.9	8.4	12.5
Valuation Ratios (x)				
P/E	44.9	57.7	98.0	59.6
EV / EBITDA	21.1	18.9	21.5	14.7
EV / Net Sales	4.9	4.4	4.2	3.1
Market Cap / Sales	4.8	4.2	3.1	2.2
Price to Book Value	4.5	4.1	1.5	1.4
Solvency Ratios				
Debt / EBITDA	2.6	2.6	6.7	4.7
Debt / Equity	0.6	0.6	0.6	0.6
Current Ratio	1.6	1.9	1.8	1.9
Quick Ratio	0.9	1.1	1.0	1.0

Source: Company, ICICI Direct Research

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Pankaj Pandey

Head - Research

pankaj.pandey@icicisecurities.com

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



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