

US better than expected; margin recovery critical...

About the stock: Lupin is a multinational pharma company engaged in manufacturing & marketing branded & generic formulations, APIs, biotech products as well as OTC medicines across multiple dosage forms & therapeutic categories.

- It is the third largest generic player (by prescriptions) in the US (market leader: 44 products; Top three: 113 products) along with being sixth largest company in the Indian pharmaceutical market
- The company continues to face headwinds especially on the US generics front due to plant compliance issues besides persistent price erosion in OSD

Q2FY23 Results: Revenues were in line with estimates with beat on US front.

- Revenues de-grew 1.3% YoY to ₹ 4146 crore
- EBITDA margins declined 330 bps YoY to 10.5%
- Adjusted PAT came in at ₹ 118 crore

What should investors do? Lupin's share price de-grew 0.86x in past three years

- We maintain **REDUCE** rating due to 1) Sensitivity of margins recovery on few US launches, 2) Ongoing cost rationalisation, which is yet to bring sustainable cost reduction, 3) weak return ratios

Target Price and Valuation: Valued Lupin at ₹ 680 i.e. 26x FY24E EPS of ₹ 26.2.

Key triggers for future price performance:

- US-** Resolving regulatory challenges and speeding up approvals and key launches (FY23: Spiriva and Darunavir) besides traction from recently acquired inhalation brands- Brovana® and Xopenex HFA®
- Lupin plans to strengthen the biosimilars portfolio, especially in EU and the US. Change in mix towards complex products and with expense optimisation to improve margin profile
- R&D investment earmarked now to evolve generic portfolio focused towards complex generics in injectable, inhalation along with biosimilars
- Exploring both organic and inorganic opportunities in different therapies for domestic formulations

Alternate Stock Idea: Apart from Lupin, in our healthcare coverage we like Cipla.

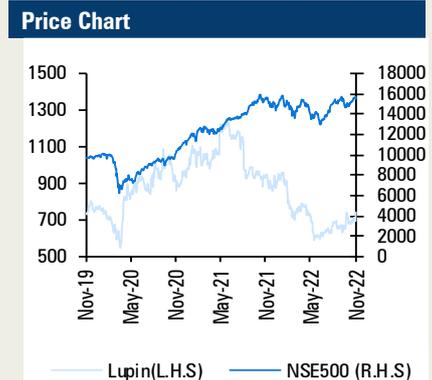
- Cipla has a long-drawn strategy of targeting four verticals viz. One-India, South Africa & EMs, US generics & specialty and lung leadership
- BUY with a target price of ₹ 1350

REDUCE



Particulars	
Particular	Amount
Market Capitalisation	₹ 32733 crore
Debt (FY22)	₹ 3936 crore
Cash (FY22)	₹ 1098 crore
EV	₹ 35571 crore
52 week H/L (₹)	1159/583
Equity capital	₹ 90.9 crore
Face value (₹)	₹ 2

Shareholding pattern				
(in %)	Dec-21	Mar-22	Jun-22	Sep-22
Promoter	46.8	46.8	47.1	47.1
Others	53.2	53.2	52.9	52.9



- Recent Event & Key risks**
- Warning letter for Tarapur facility.
 - Key Risk:** (i) Delay in resolution of regulatory hurdles (ii) Normalisation in US price erosion

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Key Financial Summary				FY23E	FY24E	2 year CAGR
(₹ Crore)	FY20	FY21	FY22	(FY17-22)		(FY22-24E)
Revenues	16393.1	15163.0	16405.4	-1.3	16131.3	4.1
EBITDA	2549.7	2657.8	2097.2	-14.1	1813.7	18.3
EBITDA margins(%)	15.6	17.5	12.8		11.2	16.5
Net Profit	-575.0	1216.5	538.0	-190.2	391.8	48.4
EPS (₹)	-12.7	26.9	11.9		8.6	26.2
PE (x)	-108.5	26.8	NA		74.3	27.5
EV to EBITDA (x)	13.4	12.5	16.5		19.0	11.2
RoNW (%)	-4.6	8.8	4.4		3.2	8.8
RoCE (%)	9.7	9.6	3.4		5.7	11.2

Key takeaways of recent quarter & conference call highlights

Q2FY23 Results: US recovers but continues to weigh on numbers

- Revenues de-grew 1.3% YoY to ₹ 4146 crore. India business grew 6.2% YoY to ₹ 1584 crore. US de-grew 7% YoY at ₹ 1329 crore. South Africa de-grew 7% YoY at ₹ 168 crore. RoW grew 31.1% YoY to ₹ 543.5 crore. API declined 6.7% YoY to ₹ 250 crore. Gross margins declined ~150 bps over the previous year to 58.7%. EBITDA margins declined 330 bps YoY to 10.5%. Adjusted PAT came in at ₹ 118 crore (₹ 130 crore)
- Lupin is in the process of calibrating the US business, which is an elongated process as the base business price erosion in the oral solid space along with pending compliance issues continue to weigh on performance, especially on the margins front. The company is focusing on complex launches in the US and traction in India branded formulations to overcome margin woes. We remain cautious on the company's recovery path and continue to monitor the launch selection for the US market

Q2FY23 Earnings Conference Call highlights

- **US:** In the last few years, Lupin has been experiencing huge stock return on account of high inventory levels in the US. Price erosion remained in single digits in the US, which brought down margins for certain products. Albuterol market share was at 21.3% in Q2 while further new launches remain key for progress on revenues and margins front. The management has focused on optimising workforce in manufacturing plants in India, with benefits likely to be witnessed from coming quarters
- Suprep was launched in late September. Hence, more revenues are expected to come in H2. Darunavir launch is expected in Q1FY24 while the company is expecting Spiriva launch in Q4FY23
- **Margins:** On the margins front, the company is expecting a sequential improvement and to reach double digits due to, 1) new initiatives on workforce planning, 2) Lupin to move out of legacy OSD business to complex generics, leading to better realisations, 3) increased ability for launches as plants come out of OAI, 4) reduction in FTS, 5) reduction in air freighting (at ~34%) and 4) progress in ex-US geographies. Partnered products have gone up recently (~15-16%), which will reduce over time. The management hopes to save about ~ ₹ 500-750 crore on an annualised basis from quarters ahead on the back of all the initiatives
- **India:** Core therapies like diabetes underperformed, respiratory, cardio did well for Lupin in Q2FY23. Women's health did extremely well and outperformed the market
- The company's R&D priorities are injectable, biosimilar and inhalation portfolio

Exhibit 1: Variance Analysis

(₹ crore)	Q2FY23	Q2FY23E	Q2FY22	YoY (%)	Q1FY23	QoQ (%)	Comments
Revenue	4,145.5	3,991.5	4,091.3	1.3	3,743.8	10.7	YoY increase due to increase in US sales.
Raw Material Expenses	1,712.8	1,656.5	1,626.5	5.3	1,609.8	6.4	
as % of sales	41.3	41.5	39.8	156 bps	43.0	-168 bps	
Employee Expenses	771.6	758.4	758.6	1.7	778.5	-0.9	
Other Expenditure	1,226.9	1,177.5	1,142.5	7.4	1,191.6	3.0	
EBITDA	434.2	399.2	563.7	-23.0	163.9	164.8	
EBITDA (%)	10.5	10.0	13.8	-330 bps	4.4	609 bps	Margins still remain muted, although improved QoQ . This quarter lupin had impact on margins due to high promotional expenses in India
Interest	54.9	43.0	34.4	59.4	42.8	28.3	
Depreciation	203.5	201.7	919.3	-77.9	192.8	5.5	
Other Income	14.9	19.7	72.8	-79.5	5.6	168.7	
Less: Exceptional Items	0.0	0.0	1,879.6	NA	0.0	NA	
PBT	209.6	174.2	-2,204.8	-109.5	2.3	9,132.6	
Tax	75.1	42.7	-109.9	-168.3	89.1	-15.7	
PAT before MI	134.5	131.5	-2,094.9	-106.4	-86.8	-254.9	
Minority Interest	4.7	1.3	3.2	49.5	2.3	109.7	
Net Profit	129.8	130.3	-2,098.0	-106.2	-89.1	-245.7	
Adjusted PAT	117.7	130.3	-312.2	-137.7	-89.1	-232.1	Delta vis-à-vis tax rate and EBITDA
Key Metrics							
India	1,584.1	1,667.0	1,543.5	2.6	1,492.0	6.2	Impacted due to Loss of exclusivity in Sitagliptin portfolio.
US	1,329.5	1,171.9	1,429.1	-7.0	1,010.4	31.6	US business rebounded on back of new launches and existing complex generics portfolio.
South Africa	168.0	155.8	180.7	-7.0	139.6	20.4	
ROW markets	543.5	497.5	414.6	31.1	513.0	5.9	
API	249.9	259.8	267.8	-6.7	255.1	-2.0	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY23E			FY24E			Comments
	Old	New	Change	Old	New	Change	
Revenue	15,829.6	16,131.3	1.9	17,353.5	17,772.2	2.4	Increased mainly due to some key launches like spiriva, brovana, darunavir, suprep in US
EBITDA	1,756.5	1,813.7	3.3	2,865.3	2,934.0	2.4	
EBITDA Margin (%)	11.1	11.2	15 bps	16.5	16.5	0 bps	
PAT	537.7	438.8	-18.4	1,252.4	1,185.5	-5.3	
EPS (₹)	11.9	9.7	-18.4	27.6	26.2	-5.3	Management guidance for ETR of 35% leading to lower EPS

Source: ICICI Direct Research

Exhibit 3: Assumptions

(₹ crore)	Current				Earlier		Comments
	FY21	FY22	FY23E	FY24E	FY23E	FY24E	
India	5,271.2	6,004.1	6,212.4	6,957.9	6,295.3	7,050.7	India business likely to continue on its growth trajectory organically (double digit) as well as by inorganic route
US	5,552.0	5,755.8	5,035.9	5,573.2	4,733.7	5,153.0	Changed due to persisting price erosion and complex launches likely to pan out.
EMEA (Ex South Africa)	681.4	670.6	784.5	878.6	756.1	846.8	
South Africa	596.6	688.5	693.2	730.1	681.0	717.1	
ROW markets	1,443.5	1,710.0	2,053.5	2,299.9	2,007.5	2,248.4	
API	1,382.3	990.4	1,049.6	1,102.1	1,059.5	1,112.4	

Source: ICICI Direct Research

Exhibit 4: Financial Summary

	Revenues	Growth	EPS	Growth	P/E	EV/EBITDA	RoNW	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY21	15163	-7.5	26.9	NA	26.8	12.5	8.8	9.6
FY22	16405	8.2	11.9	NA	NA	16.5	4.4	3.4
FY23E	16131	-1.7	8.6	-27.2	74.3	19.0	3.2	5.7
FY24E	17772	10.2	26.2	202.6	27.5	11.2	8.8	11.2

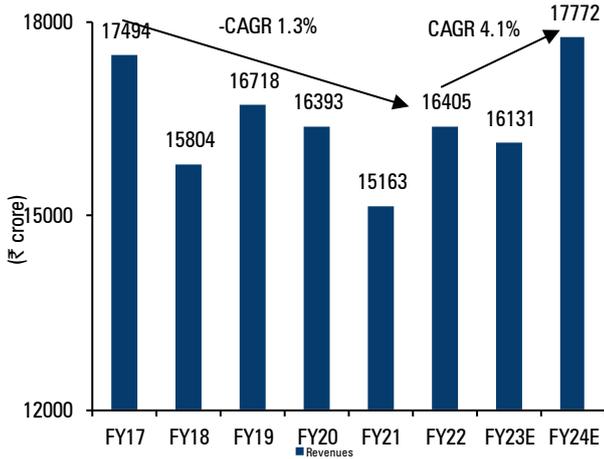
Source: ICICI Direct Research

Exhibit 5: Trends in Quarterly Performance

(₹ crore)	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	YoY (%)	QoQ (%)
US	1324.4	1376.6	1579.1	1216	1398.4	1442.4	1495.2	1333	1429.1	1577.5	1416.2	1010.4	1329.5	-7.0	31.6
EMEA (Ex South Af	172.2	151.5	187.7	150.5	192.1	174.1	164.7	118.7	167.7	187.5	196.8	193.9	216.2	28.9	11.5
Japan	510.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
India	1341.9	1296.9	1192.1	1285.4	1332.3	1366.9	1286.6	1636.2	1543.5	1473.3	1351.1	1492.0	1584.1	2.6	6.2
South Africa	147.4	139.8	177.3	99.5	133.8	153.1	210.2	142.6	180.7	154.7	210.4	139.6	168.0	-7.0	20.4
RoW	351.2	434.0	326.2	308.2	351.3	437.0	347.0	387.6	414.6	438.1	469.7	513.0	543.5	31.1	5.9
API	305.2	317.3	328.6	409.0	373.9	343.8	255.6	245.9	267.8	256.4	220.3	255.1	249.9	-6.7	-2.0
Net Sales	4296.9	3716.1	3791.0	3468.6	3781.8	3917.3	3759.3	4237.4	4003.4	4087.5	3864.5	3604.0	4091.2	2.2	13.5
OOI	62.8	53.2	54.7	59.2	53.2	100.1	23.8	32.8	87.9	73.4	18.5	139.9	54.4	-38.2	-61.1
Revenues	4359.7	3769.3	3845.7	3527.9	3835.0	4017.4	3783.1	4270.2	4091.3	4160.9	3883.0	3743.8	4145.5	1.3	10.7
RM Cost	1527.3	1359.3	1405.0	1288.0	1381.7	1375.0	1317.6	1528.0	1626.5	1694.6	1632.2	1609.8	1712.8	5.3	6.4
% of Revenue	35.0	36.1	36.5	36.5	36.0	34.2	34.8	35.8	39.8	40.7	42.0	43.0	41.3		
Gross Profit	2832.4	2410.0	2440.8	2239.9	2453.3	2642.4	2465.5	2742.2	2464.9	2466.3	2250.8	2134.0	2432.8	-1.3	14.0
GPM (%)	65.0	63.9	63.5	63.5	64.0	65.8	65.2	64.2	60.2	59.3	58.0	57.0	58.7	-156	168
Employee Cost	850.3	740.7	763.6	793.6	685.3	706.8	640.2	783.7	758.6	743.8	703.1	778.5	771.6	1.7	-0.9
% of Revenue	19.5	19.7	19.9	22.5	17.9	17.6	16.9	18.4	18.5	17.9	18.1	20.8	18.6	7.1	-218.1
Other expenditure	1250.1	1239.2	1150.9	958.2	1186.8	1156.9	1117.8	1030.9	1142.5	1351.8	1321.2	1191.6	1226.9	7.4	3.0
% of Revenue	28.7	32.9	29.9	27.2	30.9	28.8	29.5	24.1	27.9	32.5	34.0	31.8	29.6		
Total Expenditure	3627.7	3339.2	3319.4	3039.8	3253.8	3238.6	3075.6	3342.6	3527.6	3790.2	3656.6	3579.9	3711.4	5.2	3.7
% of Revenue	83.2	88.6	86.3	86.2	84.8	80.6	81.3	78.3	86.2	91.1	94.2	95.6	89.5	330.5	-609.4
EBITDA	732.0	430.1	526.3	488.1	581.2	778.7	707.6	927.6	563.7	370.7	226.5	163.9	434.2	-23.0	164.8
EBITDA Margin (%)	16.8	11.4	13.7	13.8	15.2	19.4	18.7	21.7	13.8	8.9	5.8	4.4	10.5	-330.5	609.4
Other income	133.3	93.6	208.6	43.3	25.0	21.2	48.6	27.8	72.8	34.1	15.7	5.6	14.9	-79.5	168.7
Interest	86.5	88.6	107.4	44.3	33.6	30.9	31.8	33.5	34.4	33.4	41.5	42.8	54.9	59.4	28.3
Depreciation	321.5	253.2	214.3	214.6	212.7	244.3	215.7	208.8	919.3	203.4	327.2	192.8	203.5	-77.9	5.5
PBT	-89.1	-106.8	496.4	272.5	359.8	524.7	508.6	713.2	-2196.8	168.0	-125.4	-66.1	190.8	-108.7	-388.5
Tax	34.3	767.0	105.1	164.3	146.7	83.5	54.0	202.3	-109.9	-382.0	426.7	89.1	75.1	-168.3	-15.7
Tax rate (%)	-38.5	-718.3	21.2	60.3	40.8	15.9	10.6	28.4	5.0	-227.4	-340.4	-134.8	39.4		
PAT	-123.4	-873.8	391.3	108.1	213.1	441.2	454.6	510.8	-2086.9	550.0	-552.1	-155.2	115.7	-105.5	-174.5
PAT Margin (%)	-2.8	-23.2	10.2	3.1	5.6	11.0	12.0	12.0	-51.0	13.2	-14.2	-4.1	2.8		
Minority Interest	3.6	-7.5	1.7	1.8	2.5	3.1	4.0	5.7	3.2	3.6	6.3	2.3	4.7	49.5	109.7
PAT After MI	-127.1	-866.3	389.6	106.3	210.6	438.1	450.6	505.1	-2090.1	546.4	-558.3	-157.5	110.9	-105.3	-170.4
Adjusted PAT	419.4	122.4	324.1	106.9	211.0	438.3	460.4	542.5	-312.2	545.5	-525.0	-89.1	117.7	-137.7	-232.1
EPS (₹)	9.2	2.7	7.1	2.4	4.6	9.6	10.1	11.9	-6.9	12.0	-11.5	-2.0	2.6		

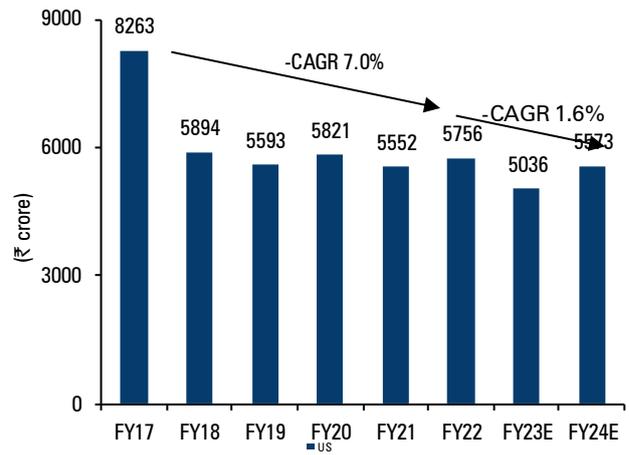
Source: ICICI Direct Research

Exhibit 6: Revenues to grow at CAGR of 4.1% over FY22-24E



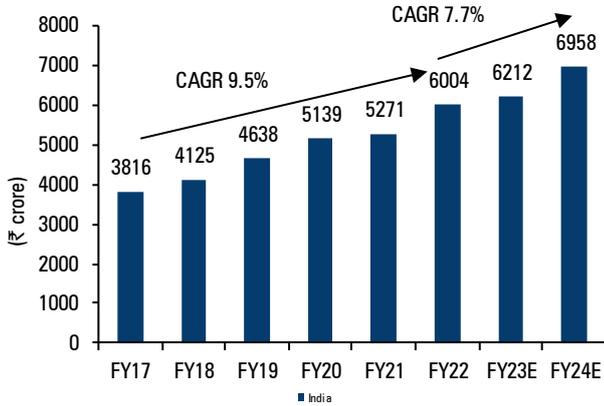
Source: ICICI Direct Research, Company

Exhibit 7: US to de-grow at CAGR of ~1.6% over FY22-24E



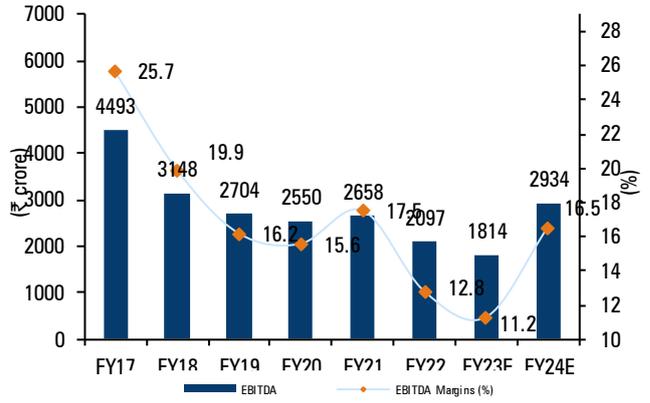
Source: ICICI Direct Research, Company

Exhibit 8: India to grow at CAGR of ~7.7% over FY22-24E



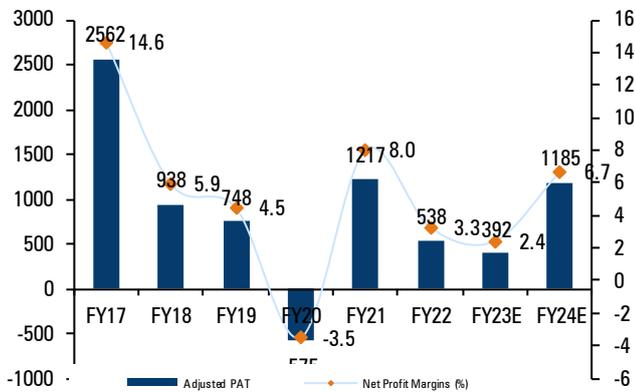
Source: ICICI Direct Research, Company

Exhibit 9: EBITDA & EBITDA margins trend



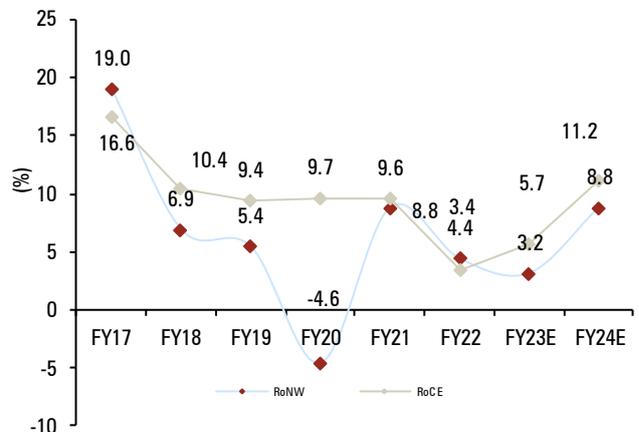
Source: ICICI Direct Research, Company

Exhibit 10: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 11: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 12: 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	4285	5,080	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	800	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	345	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	1,495	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	619	590	Reduce	12193	62.8	27.8	15.3	26.9	9.9	22.3	40.5	23.0	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	525	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	1,000	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 13: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Total Operating Inco	15,163.0	16,405.4	16,131.3	17,772.2
Growth (%)	-7.5	8.2	-1.7	10.2
Raw Material Expenses	5,362.2	6,481.2	6,557.6	6,775.0
Employee Expenses	2,825.9	2,989.3	3,054.3	3,243.4
Other expenditure	4,317.0	4,837.7	4,705.7	4,819.7
Total Operating Expenditu	12,505.2	14,308.3	14,317.6	14,838.2
EBITDA	2,657.8	2,097.2	1,813.7	2,934.0
Growth (%)	4.2	-21.1	-13.5	61.8
Depreciation	887.4	1,658.7	930.6	1,103.6
Interest	140.6	142.8	207.4	177.2
Other Income	136.3	141.7	91.7	153.5
PBT	1,675.1	505.8	854.6	1,806.7
EO	0.0	1878.4	0.0	0.0
Total Tax	448.5	137.2	394.5	578.1
PAT before MI	1,226.6	-1,509.8	460.1	1,228.5
Minority Interest	11.4	18.7	21.5	43.3
Adjusted PAT	1,216.5	538.0	391.8	1,185.5
Growth (%)	NA	NA	-27.2	202.6
EPS (Adjusted)	26.9	11.9	8.6	26.2

Source: Company, ICICI Direct Research

Exhibit 14: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit/(Loss) after taxation	960.9	-1325.3	438.8	1185.5
Depreciation	887.4	1658.7	930.6	1103.6
Other operating Activities	140.6	142.8	207.4	177.2
(inc)/dec in Current Assets	713.2	-539.6	-123.2	-590.2
Inc/ (dec) in Current Liabilities	-905.7	524.5	246.8	530.7
CF from Operating Activiti	1821.8	367.3	1700.3	2406.8
Purchase of Fixed Assets	-671.4	-1044.8	-1200.0	-500.0
(Inc)/Dec in Investments	-25.5	1589.1	0.0	0.0
Other Investing Activities	48.6	16.3	49.3	54.1
CF from Investing Activiti	-648.3	560.7	-1150.7	-445.9
Inc / (Dec) in Loan Funds	-1491.9	-1169.3	-500.0	-500.0
Inc / (Dec) in Equity Capital	0.2	0.2	0.0	0.0
Dividend and dividend tax	-272	-295	-181	-136
Other Financing Activities	-121.3	-108.1	-207.4	-177.2
CF from Financing Activiti	-1885.3	-1572.3	-888.6	-813.2
Net Cash Flow	-712	-644	-339	1,148
Opening Cash	2,454	1,742	1,098	759
Closing Cash	1,742.5	1,098.1	759.1	1,906.8
Free Cash flow	1,150.4	-677.5	500.3	1,906.8

Source: Company, ICICI Direct Research

Exhibit 15: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Equity Capital	90.7	90.9	90.9	90.9
Reserve and Surplus	13,712.4	12,062.4	12,319.9	13,369.5
Total Shareholders funds	13,803.1	12,153.3	12,410.8	13,460.4
Total Debt	4,870.4	3,936.4	3,436.4	2,936.4
Deferred Tax Liability	229.8	240.8	264.9	291.4
Minority Interest	55.0	68.7	75.6	83.1
Other NCL & LT Provisor	1,070.4	940.1	1,034.1	1,137.5
Total Liabilities	20,029	17,339	17,222	17,909
Gross Block - Fixed Asse	12,764.3	13,866.2	15,266.2	15,766.2
Accumulated Depreciatio	6,846.0	8,608.7	9,539.3	10,643.0
Net Block	5,918.3	5,257.5	5,726.9	5,123.2
Capital WIP	1,066.3	1,146.3	946.3	946.3
Total Fixed Assets	6,984.6	6,403.8	6,673.2	6,069.5
Investments	2,454.9	900.0	900.0	900.0
Goodwill on Consolidator	1,962.4	2,124.1	2,124.1	2,124.1
Inventory	4,092.0	4,630.7	4,685.3	4,454.8
Debtors	4,474.3	4,261.9	4,166.2	4,806.0
Loans and Advances	15.3	2.3	2.5	2.8
Other Current Assets	1,285.5	1,642.2	1,806.4	1,987.0
Cash	1,742.5	1,098.1	759.1	1,906.8
Total Current Assets	11,609.6	11,635.3	11,419.5	13,157.5
Creditors	2,014.4	2,282.9	2,309.8	2,598.6
Provisions & Other CL	1,567.4	2,199.0	2,418.9	2,660.8
Total Current Liabilities	3,581.8	4,481.9	4,728.7	5,259.4
Net Current Assets	8,027.7	7,153.4	6,690.8	7,898.1
Deferred Tax Assets	180.2	169.7	186.7	205.4
Long term Loans and adv	66.9	0.2	0.2	0.3
Other Non current assets	351.9	588.1	646.9	711.6
Application of Funds	20,029	17,339	17,222	17,909

Source: Company, ICICI Direct Research

Exhibit 16: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
Per Share data (₹)				
Reported EPS	26.9	-33.7	9.7	26.2
BV per share	304.7	268.3	273.9	297.1
Dividend per share	6.5	4.0	3.0	5.0
Cash per Share	38.5	24.2	16.8	42.1
Operating Ratios (%)				
Gross Margin	64.6	60.5	59.3	61.9
EBITDA margin	17.5	12.8	11.2	16.5
PAT Margin	8.0	3.3	2.4	6.7
Inventory Days	278.5	260.8	260.8	240.0
Debtor Days	107.7	94.8	94.3	98.7
Creditor Days	137.1	128.6	128.6	140.0
Asset Turnover	1.2	1.2	1.1	1.1
EBITDA conversion Rate	68.5	17.5	93.7	82.0
Return Ratio (%)				
RoE	8.8	4.4	3.2	8.8
RoCE	9.6	3.4	5.7	11.2
RoIC	12.1	3.1	6.1	13.0
Valuation Ratios (x)				
P/E	26.8	NA	74.3	27.5
EV / EBITDA	12.5	16.5	19.0	11.2
EV / Net Sales	2.2	2.1	2.1	1.8
Market Cap / Sales	2.1	2.0	2.0	1.8
Price to Book Value	2.4	2.7	2.6	2.4
Solvency Ratios				
Debt / EBITDA	1.8	1.9	1.9	1.0
Debt / Equity	0.4	0.3	0.3	0.2
Current Ratio	2.8	2.4	2.3	2.1

Source: Company, ICICI Direct Research

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