

CMP: ₹ 1180

Target: ₹ 1385 (17%)

Target Period: 12 months

February 2, 2023

BUY



## Margins weak but branded generics outlook strong...

**About the stock:** Ajanta Pharma is a focused player in branded, which constitutes ~72% of overall sales, spread across geographies including India.

- As of Q3FY23, overall exports: domestic formulations ratio was at 69:31
- Among exports, Asia accounts for ~34% of export formulations, Africa 26% & US ~40%. The company also participates in anti-malarial tenders in Africa (included in Africa)

**Q3FY23 Results:** Revenues beat estimates, dent in margins due to forex loss and lower GPM.

- Revenues grew 16% YoY to ~₹ 972 crore mainly due to growth from India business up ~16% at ₹ 294 crore and ~17% growth from Asia region, which came in at ₹ 228 crore
- EBITDA came in at ~₹ 170 crore, down ~30% YoY with margins at ~17%. Adjusted EBITDA came in at ~₹ 207 crore with margins at ~21%
- Adjusted PAT was at ~₹ 135 crore

**What should investors do?** Ajanta's share price has grown at a CAGR of 16.4% over the past three years.

- We maintain **BUY** as it remains a compelling play on branded generics (~72% exposure) with strong execution track record and financials

**Target Price and Valuation:** Valued at ₹ 1385 i.e. 18x P/E on FY25E EPS of ₹ 76.8

### Key triggers for future price performance:

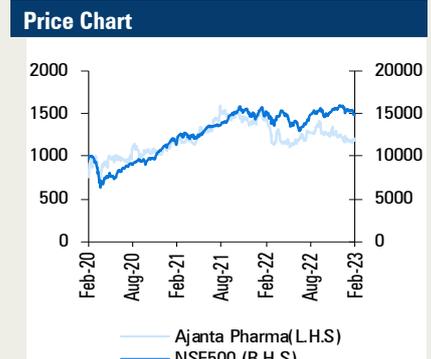
- Focus on maximum number of first time launches with focus on new drug delivery system (NDDS) in the domestic branded formulations space
- In emerging markets, front-end marketing for direct interaction with doctors
- Calculated focus, healthy margins, return profile and lighter balance sheet are some key differentiators for Ajanta
- Margins are likely to improve amid operational leverage, expected softening of raw material cost and incremental focus on branded business

**Alternate Stock Idea:** Apart from Ajanta, we like Indoco Remedies.

- Indoco manufactures and markets branded formulations and APIs for the domestic and export markets
- BUY with a target price of ₹ 440

Particulars	
Particular	Amount
Market Capitalisation	₹ 16192 crore
Debt (FY22)	₹ 2 crore
Cash (FY22)	₹ 212 crore
EV	₹ 15982 crore
52 week H/L	1569/1062
Equity capital	₹ 25.7 crore
Face value	₹ 2

Shareholding pattern				
(in %)	Mar-22	Jun-22	Sep-22	Dec-22
Promoter	70.5	70.5	70.5	66.1
Others	29.5	29.5	29.5	33.9



- ### Recent Event & Key risks
- Developed new products and registrations in new markets
  - Key Risks:** (i) Lower than expected growth in branded space (ii) Failure to maintain margin trajectory

### Research Analyst

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Key Financial Summary								
Key Financials (₹ Crore)	FY20	FY21	FY22	5 year CAGR (FY17-22)	FY23E	FY24E	FY25E	2 year CAGR (FY23E-25E)
Revenues	2587.9	2889.7	3341.0	10.8	3829.0	4239.8	4702.2	10.8
EBITDA	683.3	998.6	929.3	6.2	826.8	1094.9	1231.9	22.1
EBITDA margins (%)	26.4	34.6	27.8		21.6	25.8	26.2	
Net Profit	467.7	653.9	712.7	7.1	655.7	868.5	983.3	22.5
EPS (₹)	36.8	51.1	55.7		51.2	67.9	76.8	
PE (x)	34.6	24.8	22.7		24.7	18.6	16.5	
EV to EBITDA (x)	23.4	15.8	17.1		19.0	13.8	11.7	
RoCE (%)	24.7	29.0	27.0		21.5	24.3	23.5	
ROE (%)	18.1	21.8	21.8		17.5	19.7	18.9	

Source: Company, ICICI Direct Research

## Key takeaways of recent quarter & conference call highlights

### Q3FY23 Results: Revenues beat estimates, dent in margins due to forex loss

- Ajanta Pharma’s Q3FY23 revenues grew 16% YoY to ~₹ 972 crore mainly due to growth from India business up ~16% at ₹ 294 crore and ~17% growth from Asia region, which came in at ₹ 228 crore. On the operational front EBITDA came at ~ ₹ 170 crore, down ~30% YoY with margins at ~17%. Adjusted EBITDA came in at ~₹ 207 crore with margins at ~21%. This was mainly on account of adjusting forex derivative loss of ₹ 37 crore, which was included in other expenses. Adjusted PAT during the quarter was at ~₹ 135 crore
- Ajanta Pharma’s number beat our topline estimates but missed on the margin front due to forex losses and price erosion in US markets. New product launches and market share gain supported the performance. India business grew mainly on account of continued growth across therapies. Major therapeutic areas showed double digit growth YoY. Africa institution business remained subdued, down 15% YoY at ~₹ 15 crore. Going ahead, focus on penetration in newer markets of Uganda and Kenya with acquisition opportunities to further expand the share in its top therapeutic areas should augur well

### ESG Disclosure Score\*

Score	FY20	FY21	FY22
Environmental	-	-	36.0
Social	-	-	42.8
Governance	-	-	82.4
<b>Overall ESG Score</b>	-	-	<b>53.8</b>

Source: Bloomberg, ICICI Direct Research, \*Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures

### Q3FY23 Earnings Conference Call highlights:

#### Diversified revenue stream:

- **Branded generics:** Continue to see mid to high teen growth in the branded generic markets on the back of robust pipeline, increased productivity and execution of strategy across countries. Revenues were at ~₹ 667 crore, up 8% YoY, which contributes 69% of total revenues. India business remained the highest contributor of total revenues, followed by Asia and Africa
- Philippines and Middle East remained key markets in Asia
- Africa business showed de-growth, mainly due to rupee appreciation
- **US Generics:** Contribution came in at 28%. It benefitted largely due to flu season during the quarter
- **Africa institution:** 3% of total revenues. The management has guided that the contribution from this vertical remains unpredictable and depends on procurement and fund availability with the agencies

#### Therapeutic growth:

- The performance was mainly driven by major therapies contributing double digit growth during the quarter. Dermatology (up 24%), pain management (up 20%), ophthalmology (up 14%) and cardiology (up 12%)
- The management has guided that dermatology and cardiology segments of the company are growing at a better pace than the markets whereas ophthalmology is growing in line with the markets
- In dermatology, focus remains on larger opportunities especially moisturising cream, etc

**Other highlights:**

- More than 70% of its brands remain in the top five in respective therapies
- Overall growth was mainly driven by volumes and around 3% from price appreciation
- Price erosion has stabilised in US market in its existing portfolio
- Logistics cost is in a downward trend but still remains higher than earlier period
- Additional freight cost (₹ 16 crore) was due to sizeable quantity of air transport made to US markets to treat small babies and children from flu
- Higher R&D was mainly towards branded generics across India, Asia, Africa for developing newer products and registrations fees
- Capex including maintenance capex for FY23E remains at ₹ 150 crore
- Launched six first to market products
- Scaled up international MR strength by 50%
- Africa and Iraq have delivered low teen growth but are increasing at a faster rate than the market
- No inventory cost benefit enjoyed during the quarter as inventories consumed were all higher cost
- It intends to evaluate acquisition opportunities in the current therapeutic areas
- The company hedges 70-80% of the receivables

Exhibit 1: Variance Analysis

	Q3FY23	Q3FY23E	Q3FY22	Q2FY23	YoY (%)	QoQ (%)	Comments
Revenue	971.8	967.1	837.9	938.1	16.0	3.6	Revenue grew 6% YoY to ₹ 938.1 crore driven by growth in domestic and Asian markets
Raw Material Expenses	269.3	261.1	189.1	259.8	42.5	3.7	
gross margins (%)	72.3	73.0	77.4	72.3	-515 bps	-3 bps	Material cost was higher due to elevated API prices and price erosion in US
Employee Expenses	192.4	191.9	162.2	186.1	18.6	3.4	
Other Expenditure	340.5	275.6	247.1	295.9	37.8	15.1	
Total Operating Expenditure	802.2	728.6	598.3	741.8	34.1	8.2	
EBITDA	169.6	238.5	239.6	196.3	-29.2	-13.6	EBITDA de-grew 25.3% YoY to ₹ 196.3 crore due to high other expenditure
EBITDA (%)	17.4	24.7	28.6	20.9	-1115 bps	-348 bps	Margins declined 877 bps YoY to 20.9%. Sharp margin decline was also due to, 1) high freight costs, 2) forex loss and 3) high material costs
Interest	2.8	1.0	1.0	1.0	198.9	186.9	
Depreciation	33.3	32.7	31.7	32.7	5.0	1.8	
Other income	34.9	41.6	24.0	40.4	45.4	-13.4	
PBT before EO	168.3	246.4	230.9	203.0	-27.1	-17.1	
Less: Exceptional Items	0.0	0.0	0.0	0.0	0.0	0.0	
PBT	168.3	246.4	230.9	203.0	-27.1	-17.1	
Tax	33.8	56.3	39.2	46.4	-13.6	-27.1	
MI & Share of loss/ (gain)	0.0	0.0	0.0	0.0	0.0	0.0	
Adj. Net Profit	134.5	190.1	191.8	156.6	-29.9	-14.1	Adjusted PAT declined 20.1% YoY to ₹ 156.6 crore
<b>Key Metrics</b>							
<b>India</b>	<b>300.6</b>	<b>293.6</b>	<b>260.0</b>	<b>314.0</b>	<b>15.6</b>	<b>-4.3</b>	YoY growth of 10% in cardiology, 14% in ophthalmology, 20% in dermatology and 19% in pain management
<b>Total Export</b>	<b>670.0</b>	<b>659.1</b>	<b>563.0</b>	<b>615.0</b>	<b>19.0</b>	<b>8.9</b>	
Emerging Branded Markets	373.0	422.9	361.0	397.0	3.3	-6.0	
Africa - Branded	145.0	180.4	167.0	146.0	-13.2	-0.7	YoY growth backed by new launches and higher field force
Africa - Tender	31.0	40.0	36.0	33.0	-13.9	-6.1	
Asia	228.0	242.5	194.0	251.0	17.5	-9.2	YoY growth of 31.4%
US	266.0	196.3	166.0	185.0	60.2	43.8	De-growth of 4.6% mainly due to price erosion and competition

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

₹ Crore	FY23E			FY24E			Comment
	Old	New	% Change	Old	New	% Change	
Revenue	3,768.0	3,829.0	1.6	4,168.2	4,239.8	1.7	Changed in accordance with guidance of 20%+ in Asia, high single digit growth in Africa and US and high teen growth for India
EBITDA	973.2	826.8	-15.0	1,162.0	1,094.9	-5.8	
EBITDA Margin (%)	25.8	21.6	-424 bps	27.9	25.8	-205 bps	Change in accordance with continued high input and freight cost
PAT	760.3	655.7	-13.8	908.9	868.5	-4.4	
EPS (₹)	59.3	51.2	-13.7	70.9	67.9	-4.3	

Source: ICICI Direct Research

Exhibit 3: Assumptions

₹ crore	Current				Earlier			Comments
	FY20	FY21	FY22	FY23E	FY24E	FY23E	FY24E	
Domestic	769.0	813.0	982.0	1,175.5	1,327.4	1,089.6	1,221.7	Guidance for high-teen growth
Africa	594.0	673.0	793.0	803.8	875.3	862.9	947.8	Guidance for high single digit growth in Branded business
Asia	674.0	713.0	813.0	982.0	1,099.8	908.6	1,017.6	Guidance for 20%+ growth
US	515.0	637.0	696.0	835.2	912.7	754.2	829.6	FY23 likely to witness high single digit growth amid price erosion

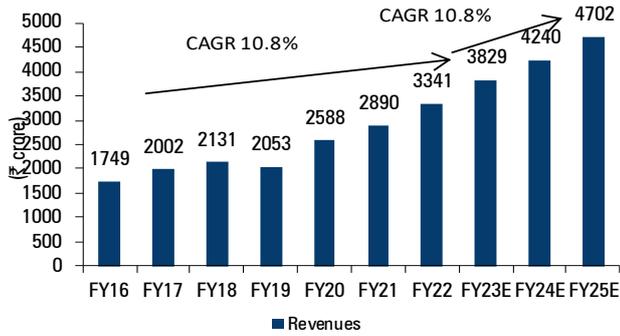
Source: ICICI Direct Research

Exhibit 4: Financial Summary

	Revenues	Growth	EPS	Growth	P/E	EV/EBITDA	RoE	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY21	2890	11.7	51.1	39.8	24.8	15.8	21.8	29.0
FY22	3341	15.6	55.7	9.0	22.7	17.1	21.8	27.0
FY23E	3829	14.6	51.2	-8.0	24.7	19.0	17.5	21.5
FY24E	4240	10.7	67.9	32.4	18.6	13.8	19.7	24.3
FY25E	4702	10.9	76.8	13.2	16.5	11.7	18.9	23.5

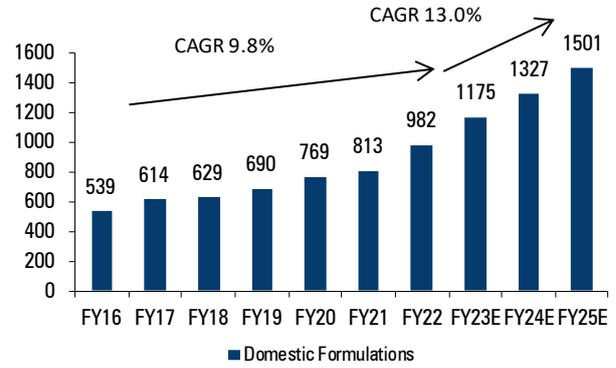
Source: ICICI Direct Research

Exhibit 5: Revenue to grow at 10.8% CAGR over FY23E-25E



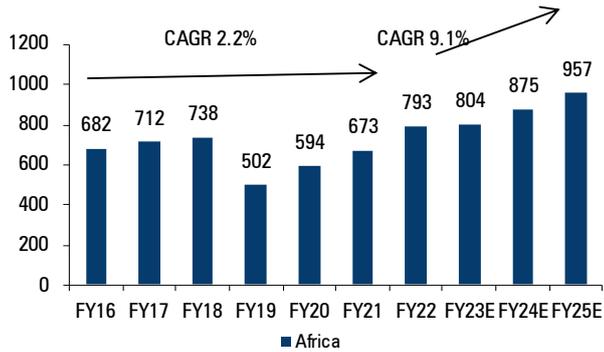
Source: Company, ICICI Direct Research

Exhibit 6: Domestic formulations (₹ crore)



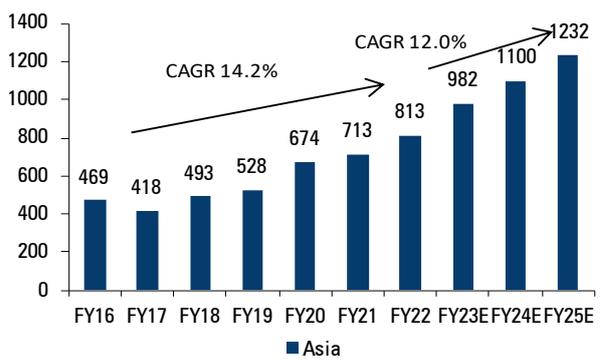
Source: Company, ICICI Direct Research

Exhibit 7: Africa formulations (₹ crore)



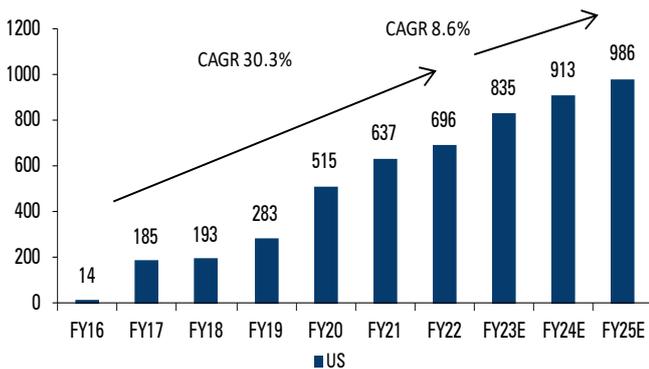
Source: Company, ICICI Direct Research

Exhibit 8: Asia formulations (₹ crore)



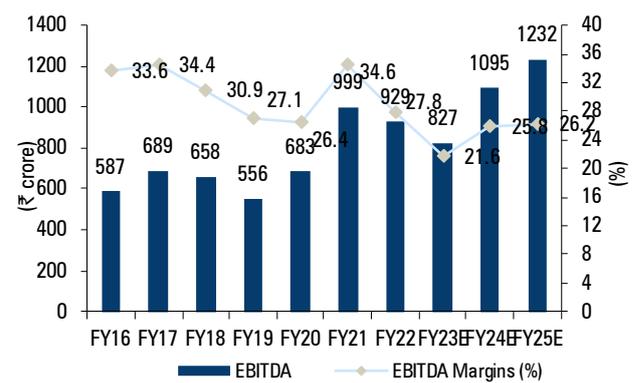
Source: Company, ICICI Direct Research

Exhibit 9: US revenues (₹ crore)



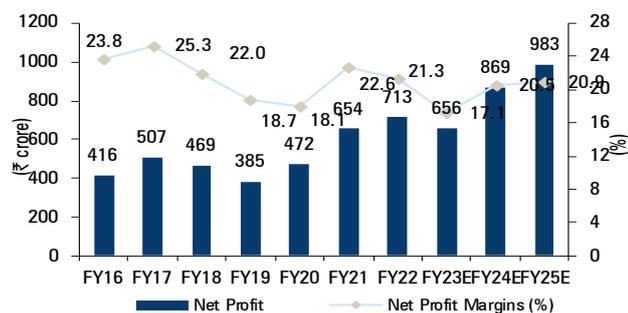
Source: Company, ICICI Direct Research

Exhibit 10: EBITDA & EBITDA margins trend



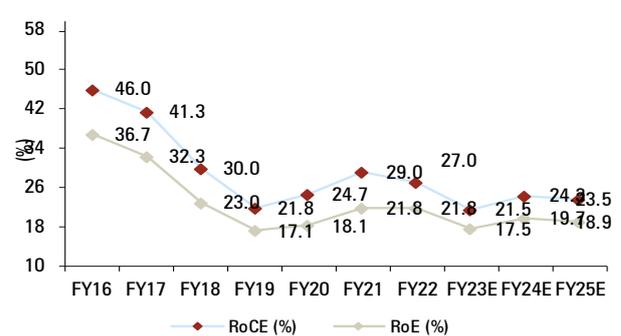
Source: Company, ICICI Direct Research

Exhibit 11: PAT & PAT margins trend



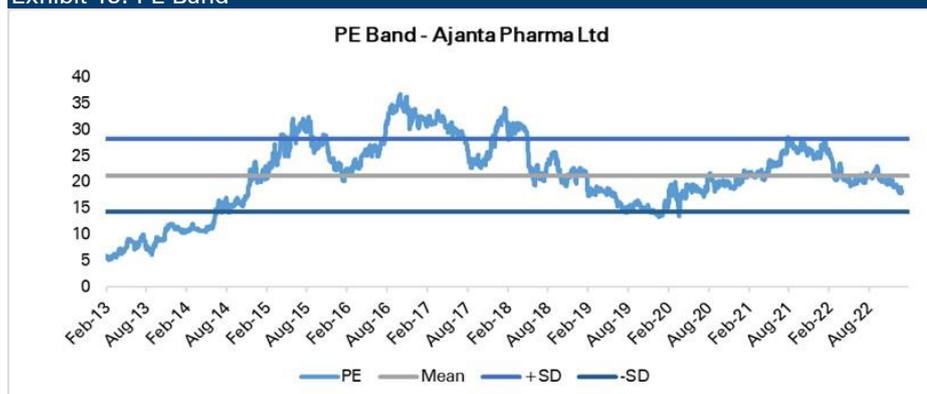
Source: Company, ICICI Direct Research

Exhibit 12: Return ratios



Source: Company, ICICI Direct Research

Exhibit 13: PE Band



Source: ICICI Direct Research

Exhibit 14: Power Brands

Brand	Therapy	Dec-19	Dec-20	Dec-21	Dec-22	GAGR 19-22	YoY
MET XL	CARDIAC	113.7	133.6	149.3	166.8	13.6%	11.8%
MELACARE	DERMA	60.2	65.0	62.1	73.5	6.9%	18.3%
FEBURIC	PAIN / ANALGESICS	43.8	47.5	57.3	66.9	15.2%	16.7%
ATORFIT-CV	CARDIAC	60.2	56.9	63.1	65.6	2.9%	3.9%
CINOD	CARDIAC	24.2	27.1	29.9	36.7	14.9%	22.6%
MET XL AM	CARDIAC	24.4	28.3	31.0	36.3	14.1%	16.9%
ROSUFIT-CV	CARDIAC	27.2	28.2	29.2	32.2	5.7%	10.4%
MET XL TRIO	CARDIAC	2.9	11.7	22.2	32.2	123.7%	45.2%
ROSUTOR-GOLD	CARDIAC	25.4	25.8	27.8	26.0	0.9%	-6.3%
SOFT DROPS	OPHTHAL / OTOLOGICALS	20.2	18.6	23.1	25.8	8.5%	11.6%
Top 10 brands		402.2	442.7	495.0	561.9	11.8%	13.5%
% of IQVIA sales		40.3%	42.4%	39.6%	39%		

Source: IQVIA, ICICI Direct Research

Exhibit 15: Therapeutic break-up

Therapy	Dec-19	Dec-20	Dec-21	Dec-22	CAGR 19-22	YoY
CARDIAC	373.04	420.23	471.76	526.57	12.2%	11.6%
OPHTHAL / OTOLOGICALS	276.14	271.28	349.03	398.56	13.0%	14.2%
DERMA	189.02	188.30	221.94	275.04	13.3%	23.9%
PAIN / ANALGESICS	59.38	67.26	89.97	108.32	22.2%	20.4%
ANTI DIABETIC	21.64	24.27	33.90	37.12	19.7%	9.5%
Top Therapies	919.2	971.3	1166.6	1,345.60	13.5%	15.3%
Total IQVIA Sales	998.0	1044.0	1251.0	1,436.00	12.9%	14.8%

Source: IQVIA, ICICI Direct Research

Exhibit 16: Trends in quarterly performance

(₹ crore)	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	YoY (%)	QoQ (%)
Total Operating Income	651.2	682.0	668.2	715.9	748.7	756.8	748.0	884.8	837.9	870.3	950.9	938.1	971.8	16.0	3.6
Raw Material Expenses	169.1	177.6	153.1	155.4	168.7	167.9	171.7	232.2	189.1	239.3	280.4	259.8	269.3	42.5	3.7
% of Revenue	26.0	26.0	22.9	21.7	22.5	22.2	22.9	26.2	22.6	27.5	29.5	27.7	27.7	515 bps	3 bps
Gross Profit	482.1	504.4	515.1	560.6	580.1	588.9	576.3	652.6	648.9	631.0	670.5	678.4	702.4	8.3	3.6
GPM (%)	74.0	74.0	77.1	78.3	77.5	77.8	77.1	73.8	77.4	72.5	70.5	72.3	72.3	-515 bps	-3 bps
Employee Expenses	120.4	129.5	135.8	130.5	136.2	145.8	158.0	160.1	162.2	165.5	182.9	186.1	192.4	18.6	3.4
% of Revenue	18.5	19.0	20.3	18.2	18.2	19.3	21.1	18.1	19.4	19.0	19.2	19.8	19.8	44 bps	-4 bps
Other Expenditure	175.8	223.5	156.1	155.8	202.2	183.8	198.1	229.7	247.1	258.8	265.8	295.9	340.5	37.8	15.1
% of Revenue	27.0	32.8	23.4	21.8	27.0	24.3	26.5	26.0	29.5	29.7	28.0	31.5	35.0	555 bps	350 bps
Total Expenditure	465.2	530.6	445.0	441.7	507.1	497.4	527.8	622.0	598.3	663.6	729.2	741.8	802.2	34.1	8.2
% of Revenue	71.4	77.8	66.6	61.7	67.7	65.7	70.6	70.3	71.4	76.3	76.7	79.1	82.6	1115 bps	348 bps
EBITDA	186.0	151.3	223.2	274.3	241.7	259.4	220.2	262.8	239.6	206.7	221.8	196.3	169.6	-29.2	-13.6
EBITDA Margin (%)	28.6	22.2	33.4	38.3	32.3	34.3	29.4	29.7	28.6	23.7	23.3	20.9	17.4	-1115 bps	-348 bps
Other Income	14.6	56.7	13.1	4.9	5.5	2.5	32.6	29.5	24.0	29.5	32.8	40.4	34.9	45.4	-13.4
Interest	1.6	3.6	1.6	1.5	2.6	2.6	1.5	0.4	1.0	7.3	0.9	1.0	2.8	198.9	186.9
Depreciation	23.6	26.0	28.0	28.3	29.1	30.6	30.9	31.5	31.7	31.2	31.8	32.7	33.3	5.0	1.8
PBT	175.4	178.4	206.7	249.2	215.5	228.8	220.5	260.4	230.9	197.7	221.9	203.0	168.3	-27.1	-17.1
Total Tax	67.6	46.7	58.9	79.0	38.8	69.5	46.7	64.5	39.2	46.5	47.2	46.4	33.8	-13.6	-27.1
Tax rate (%)	38.5	26.2	28.5	31.7	18.0	30.4	21.2	24.8	17.0	23.5	21.3	22.9	20.1	314 bps	-276 bps
PAT	107.6	129.2	147.8	170.2	176.6	159.3	173.8	195.9	191.8	151.2	174.6	156.6	134.5	-29.9	-14.1
PAT Margin (%)	16.5	18.9	22.1	23.8	23.6	21.0	23.2	22.1	22.9	17.4	18.4	16.7	13.8	-905 bps	-285 bps

Source: ICICI Direct Research

Exhibit 17: 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	
Ajanta Pharma	AJAPHA	1180	1,385	Buy	15097	51.1	55.7	55.9	68.4	23.1	21.2	21.1	17.3	29.0	27.0	23.4	24.4	21.8	21.8	18.8	19.5
Alembic Pharma	ALEMPHA	545	625	Hold	10713	62.6	27.7	14.6	21.0	8.7	19.7	37.2	26.0	25.1	10.6	6.3	8.6	24.1	10.4	5.3	7.3
Apollo Hospitals	APOHOS	4270	5,230	Buy	61396	7.8	59.1	67.8	85.2	544.1	72.3	63.0	50.1	6.3	15.1	14.7	16.7	6.3	15.1	14.7	16.7
Aurobindo Pharma	AURPHA	413	540	Hold	24173	55.0	47.4	34.7	44.8	7.5	8.7	11.9	9.2	16.9	12.9	9.6	11.9	14.7	11.3	7.7	9.1
Biocon	BIOCON	240	290	Hold	28784	6.3	5.7	3.0	4.8	38.3	42.1	79.7	49.5	7.7	7.5	3.8	6.1	9.9	8.1	1.5	2.4
Zydus Lifesciences	CADHEA	436	480	Hold	44092	23.3	21.0	21.1	25.3	18.7	20.8	20.6	17.3	13.8	12.0	11.7	12.2	18.4	12.6	11.4	12.2
Cipla	CIPLA	1032	1,290	Buy	83301	29.8	32.9	38.3	45.5	34.6	31.4	27.0	22.7	17.0	16.3	18.4	19.1	13.1	12.7	13.3	14.1
Divi's Lab	DIVLAB	3356	3,685	Hold	89087	74.7	111.5	87.7	96.9	44.9	30.1	38.3	34.6	27.6	30.2	21.1	21.8	21.3	25.2	17.7	17.2
Dr Reddy's Labs	DRREDD	4350	5,210	Buy	72446	117.6	127.2	262.2	215.5	37.0	34.2	16.6	20.2	13.1	13.0	24.2	20.8	11.1	11.0	18.9	13.8
Glenmark Pharma	GLEPHA	384	440	Hold	10842	32.9	42.7	36.4	50.0	11.7	9.0	10.5	7.7	13.9	14.8	16.0	16.0	13.1	13.2	10.2	12.4
Hikal	HIKCHE	347	330	Hold	4283	10.8	13.0	6.8	16.6	32.1	26.7	51.2	21.0	15.1	13.6	7.8	14.9	14.3	15.0	7.4	15.6
Ipca Laboratories	IPCLAB	853	925	Hold	21630	44.9	34.8	24.5	35.7	19.0	24.5	34.8	23.9	27.1	17.4	13.3	16.5	24.2	16.1	10.3	13.3
Jubilant Pharmova	JUBLIF	340	395	Hold	5422	37.4	26.0	22.5	32.8	9.1	13.1	15.1	10.4	13.7	9.0	7.8	9.7	12.6	7.8	6.4	8.6
Lupin	LUPIN	738	680	Hold	33567	26.9	11.9	9.1	26.4	27.5	62.1	80.7	28.0	9.6	3.4	5.9	11.3	8.8	4.4	3.3	8.8
Narayana Hrudalaya	NARHRU	717	855	Buy	14655	-0.7	16.7	27.9	25.6	NA	42.9	25.7	28.0	1.2	20.5	23.6	19.0	-1.3	23.0	28.0	20.6
Natco Pharma	NATPHA	529	660	Hold	9665	24.2	9.3	38.6	46.3	21.9	56.8	13.7	11.4	13.1	4.6	16.8	18.5	10.7	4.0	14.6	15.2
Sun Pharma	SUNPHA	1017	1,210	Buy	243988	30.1	32.0	34.3	40.9	33.8	31.8	29.6	24.8	14.2	18.2	17.4	19.0	15.5	16.0	15.0	15.5
Syngene Int.	SYNINT	564	610	Hold	22628	10.1	9.9	11.6	14.3	55.7	57.1	48.7	39.3	11.5	11.7	12.9	15.1	13.5	12.9	12.5	13.5
Torrent Pharma	TORPHA	1538	1,720	Hold	52070	37.0	32.0	37.6	45.6	41.6	48.0	40.9	33.7	17.6	19.7	18.3	21.1	21.4	18.2	18.8	19.4
Shalby	SHALIM	142	180	Buy	1531	3.9	5.4	7.9	11.1	36.2	26.2	17.9	12.8	6.5	8.4	12.9	15.8	5.1	6.7	9.1	11.5
Aster DM	ASTDM	211	300	Buy	10532	3.0	10.5	8.1	18.5	71.3	20.0	26.0	11.4	5.4	9.0	9.1	14.0	4.4	13.3	9.3	17.5
Indoco Remedies	INDREM	328	440	Buy	3024	10.1	16.8	17.9	26.7	32.5	19.5	18.3	12.3	11.7	17.5	15.6	21.9	12.1	17.1	15.9	19.8
Caplin Point	CAPPOI	692	955	Buy	5249	81.7	85.3	79.0	74.8	8.5	8.1	8.8	9.3	25.3	24.2	23.4	0.0	20.4	20.2	20.2	18.2
Granules India	GRANUL	292	355	Buy	7263	22.2	16.6	22.7	27.2	13.2	17.5	12.8	10.7	24.0	15.6	20.5	21.7	25.3	16.0	19.7	19.3
Laurus Labs	LAULAB	335	400	Buy	18021	18.3	15.4	16.5	19.1	18.3	21.8	20.3	17.5	31.7	21.3	21.8	24.3	37.9	24.7	21.9	23.6
Advanced Enzymes	ADVENZ	270	265	Reduce	3019	13.1	10.7	9.6	13.3	20.6	25.2	28.3	20.3	19.4	14.3	10.9	14.0	15.1	11.0	9.0	11.3
Pfizer	PFIZER	3822	4505	Hold	17484	108.8	133.9	151.4	150.2	35.1	28.5	25.3	25.5	27.6	26.1	25.0	23.7	20.8	21.4	18.8	18.1
Suven Pharmaceuticals	SUVPH	492	530	Buy	12537	14.2	17.8	14.7	17.7	34.6	27.6	33.4	27.8	31.2	37.5	26.0	25.6	30.7	29.7	20.6	20.5
Hester Biosciences	HESPHA	1797	2280	Hold	1529	44.4	45.7	37.8	58.6	40.5	39.3	47.6	30.7	16.2	10.9	9.5	12.7	16.5	15.0	11.3	15.4
Sanofi India	SANOFI	5450	6385	Hold	12551	207.4	410.1	265.9	255.5	26.3	13.3	20.5	21.3	32.3	33.3	40.9	50.2	24.5	25.9	30.8	38.1
P&G Health	MERLIM	4103	5235	Buy	6812	106.5	116.0	150.0	163.6	38.5	35.4	27.3	25.1	32.2	39.8	42.5	38.0	25.1	31.2	32.0	28.5
Abbott India	ABBIND	20809	21725	Hold	44220	325.0	375.9	452.0	543.1	64.0	55.4	46.0	38.3	33.8	36.6	38.6	37.5	26.5	28.3	30.1	29.0
Healthcare Global	HEAGLO	283	370	Buy	3930	-13.9	3.9	4.0	8.4	-13.9	73.2	71.4	33.9	-0.9	5.0	9.3	12.3	-0.9	5.0	6.0	11.1

Source: ICICI Direct Research

## Financial Summary

Exhibit 18: Profit and loss statement		₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E	
Total Operating Income	3,341.0	3,829.0	4,239.8	4,702.2	
Growth (%)	15.6	14.6	10.7	10.9	
Raw Material Expenses	832.3	1,070.9	1,102.3	1,222.6	
Gross Profit	2,508.7	2,758.1	3,137.4	3,479.6	
Gross Profit Margins (%)	75.1	72.0	74.0	74.0	
Employee Expenses	645.8	753.2	839.5	931.1	
Other Expenditure	933.6	1,178.1	1,203.0	1,316.6	
Total Operating Expenditure	2,411.7	3,002.2	3,144.9	3,470.2	
<b>EBITDA</b>	<b>929.3</b>	<b>826.8</b>	<b>1,094.9</b>	<b>1,231.9</b>	
Growth (%)	-6.9	-11.0	32.4	12.5	
Interest	10.2	7.6	11.4	11.4	
Depreciation	125.3	131.1	141.1	149.8	
Other Income	115.7	142.8	158.2	175.4	
<b>PBT before Exceptional Items</b>	<b>909.5</b>	<b>831.0</b>	<b>1,100.6</b>	<b>1,246.1</b>	
Less: Exceptional Items	0.0	0.0	0.0	0.0	
PBT after Exceptional Items	909.5	831.0	1,100.6	1,246.1	
Total Tax	196.8	175.3	232.1	262.8	
PAT before MI	712.7	655.7	868.5	983.3	
<b>PAT</b>	<b>712.7</b>	<b>655.7</b>	<b>868.5</b>	<b>983.3</b>	
Growth (%)	9.0	-8.0	32.4	13.2	
<b>EPS (Adjusted)</b>	<b>55.7</b>	<b>51.2</b>	<b>67.9</b>	<b>76.8</b>	

Source: Company, ICICI Direct Research

Exhibit 19: Cash flow statement		₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E	
Profit/(Loss) after taxation	670.4	655.7	868.5	983.3	
Add: Depreciation & Amortization	125.3	131.1	141.1	149.8	
Net Increase in Current Assets	-245.0	-378.2	-157.7	-257.9	
Net Increase in Current Liabilities	44.6	100.2	18.9	53.9	
Others	-33.2	7.5	11.4	11.4	
<b>CF from Operating activities</b>	<b>562.1</b>	<b>516.4</b>	<b>882.1</b>	<b>940.5</b>	
(Purchase)/Sale of Fixed Assets	-130.5	-150.0	-100.0	-100.0	
Investments	56.4	0.0	0.0	0.0	
Others	-25.7	0.8	0.8	0.9	
<b>CF from Investing activities</b>	<b>-99.8</b>	<b>-149.2</b>	<b>-99.2</b>	<b>-99.1</b>	
(inc)/Dec in Loan	0.2	0.0	0.0	0.0	
Dividend & Dividend tax	-82.2	-172.8	-198.4	-198.4	
Other	-378.1	-7.6	-11.4	-11.4	
CF from Financing activities	-460.0	-180.4	-209.8	-209.8	
<b>Net Cash Flow</b>	<b>2.2</b>	<b>186.9</b>	<b>573.2</b>	<b>631.6</b>	
Cash and Cash Equivalent	209.6	211.8	398.7	971.9	
<b>Cash</b>	<b>211.8</b>	<b>398.7</b>	<b>971.9</b>	<b>1,603.5</b>	
<b>Free Cash Flow</b>	<b>431.6</b>	<b>366.4</b>	<b>782.1</b>	<b>840.5</b>	

Source: Company, ICICI Direct Research

Exhibit 20: Balance Sheet		₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E	
Equity Capital	17.2	25.7	25.7	25.7	
Reserve and Surplus	3,247.2	3,721.6	4,391.7	5,176.6	
Total Shareholders funds	3,264.4	3,747.3	4,417.4	5,202.3	
Total Debt	1.9	1.9	1.9	1.9	
Deferred Tax Liability	101.9	103.9	106.0	108.1	
Long-Term Provisions	19.3	19.7	20.1	20.5	
Other Non Current Liabilities	21.0	21.4	21.9	22.3	
<b>Source of Funds</b>	<b>3,408.5</b>	<b>3,894.3</b>	<b>4,567.3</b>	<b>5,355.1</b>	
Gross Block - Fixed Assets	2,217.8	2,367.8	2,467.8	2,567.8	
Accumulated Depreciation	705.8	836.9	978.0	1,127.8	
Net Block	1,512.0	1,530.9	1,489.8	1,440.0	
Capital WIP	152.9	152.9	152.9	152.9	
Fixed Assets	1,664.9	1,683.8	1,642.7	1,592.8	
Investments	147.0	147.0	147.0	147.0	
Other non-Current Assets	101.2	103.2	105.3	107.4	
Inventory	791.1	1,017.9	1,047.8	1,162.0	
Debtors	1,019.8	1,168.8	1,294.2	1,435.3	
Other Current Assets	119.9	122.3	124.8	127.3	
Cash	211.8	398.7	971.9	1,603.5	
Total Current Assets	2,142.6	2,707.6	3,438.6	4,328.1	
Creditors	327.2	421.0	433.3	480.6	
Provisions	10.8	11.0	11.2	11.5	
Other Current Liabilities	309.1	315.3	321.6	328.1	
Total Current Liabilities	647.1	747.3	766.2	820.1	
Net Current Assets	1,495.5	1,960.3	2,672.4	3,508.0	
<b>Application of Funds</b>	<b>3,408.5</b>	<b>3,894.3</b>	<b>4,567.3</b>	<b>5,355.1</b>	

Source: Company, ICICI Direct Research

Exhibit 21: Key ratios					
(Year-end March)	FY22	FY23E	FY24E	FY25E	
<b>Per share data (₹)</b>					
Reported EPS	55.7	51.2	67.9	76.8	
Cash EPS	56.0	48.0	63.4	73.0	
BV per share	255.0	292.8	345.1	406.4	
Cash per Share	16.5	31.1	75.9	125.3	
Dividend per share	9.5	13.5	15.5	15.5	
<b>Operating Ratios (%)</b>					
Gross Profit Margins	75.1	72.0	74.0	74.0	
EBITDA margins	27.8	21.6	25.8	26.2	
PAT Margins	21.3	17.1	20.5	20.9	
Cash Conversion Cycle	314.9	314.9	314.9	314.9	
Asset Turnover	1.5	1.6	1.7	1.8	
EBITDA conversion Rate	60.5	62.5	80.6	76.3	
<b>Return Ratios (%)</b>					
RoE	21.8	17.5	19.7	18.9	
RoCE	27.0	21.5	24.3	23.5	
RoIC	27.5	21.6	28.7	31.1	
<b>Valuation Ratios (x)</b>					
P/E	22.7	24.7	18.6	16.5	
EV / EBITDA	17.1	19.0	13.8	11.7	
EV / Net Sales	4.7	4.1	3.6	3.1	
Market Cap / Sales	4.8	4.2	3.8	3.4	
Price to Book Value	5.0	4.3	3.7	3.1	
<b>Solvency Ratios</b>					
Debt / EBITDA	0.0	0.0	0.0	0.0	
Debt / Equity	0.0	0.0	0.0	0.0	
Current Ratio	3.0	3.1	3.2	3.3	
<b>Quick Ratio</b>	<b>1.8</b>	<b>1.7</b>	<b>1.9</b>	<b>1.9</b>	

Source: Company, ICICI Direct Research

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