

CMP: ₹ 1040

Target: ₹ 1210 (16%)

Target Period: 12 months

February 1, 2023

Numbers in line despite Taro weakness, below-par India...

About the stock: Sun is the world's fourth largest generics/specialty pharma company with 43 manufacturing sites at its disposal addressing segments like specialty products, branded generics, complex generics, pure generics and APIs.

- With a market share of 8.6%, Sun is ranked No. 1 in domestic formulations. It enjoys leadership position in 11 specialties based on prescription
- Revenue break-up Q3FY23: US formulation~31%, Indian branded~31%, Emerging markets~19%, RoW~14%, API & Others~5%

Q3FY23 Results: Revenues were in line with our estimates.

- Revenues grew 14% YoY to ₹ 11241 crore, driven by market share gain in India, sustained ramp-up of global specialty business and growth in Emerging Markets
- EBITDA increased 15.2% YoY to ₹ 3003.6 crore. EBITDA margins increased 30 bps YoY to 26.7%
- Adjusted PAT was up 5.2% YoY to ₹ 2166 crore

What should investors do? Sun Pharma's share price has grown at a CAGR of 33.55% over the past three years.

- We maintain **BUY** as 1) Global specialty portfolio continues to maintain momentum, 2) Growth in India formulations from new launches and field force expansion and 3) Calibrated cost approach including R&D spend

Target Price and Valuation: Valued at ₹ 1210 i.e. 28x P/E on FY25E EPS of ₹ 43.2.

Key triggers for future price performance:

- Higher contribution from specialty to overall revenues (from 11% in FY21 to ~13% by FY24) & sustained momentum in India branded formulations to improve product mix and margins profile as US generics slow down
- In the US, Sun has diversified into specialty products like Ilumya, Levulan, BromSite, Cequa, Xelpros, Odomzo, Yonsa, Winlevi, etc, which has led to incremental remunerative contribution offsetting slowdown in US generics
- Launch momentum in India (32 launches in Q2), pick-up in demand for chronic and sub-chronic segment backed by high PCPM and field expansion by 10% in FY23 to sustain growth

Alternate Stock Idea: Apart from Sun, in our healthcare coverage we also 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 target price of ₹ 1290

BUY



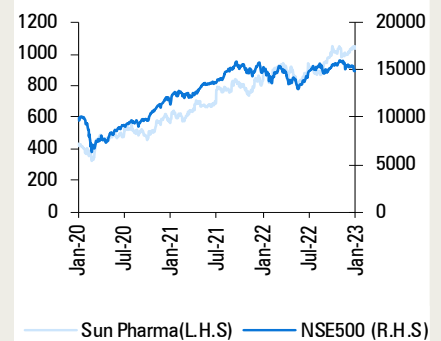
Particulars

Particular	Amount
Market Capitalisation	₹ 249496 crore
Debt (FY22)	₹ 1290 crore
Cash & Equivalents (FY22)	₹ 5033 crore
EV (₹ Cr)	₹ 245753 crore
52 week H/L (₹)	1072/790
Equity capital	₹ 239.9 crore
Face value	₹ 1

Shareholding pattern

(in %)	Mar-22	Jun-22	Sep-22	Dec-22
Promoter	54.5	54.5	54.5	54.5
Others	45.5	45.5	45.5	45.5

Price Chart



Recent Event & Key risks

- Acquisition of Concert Pharma
- **Key Risk:** (i) Regulatory concern (ii) Lower than expected traction from specialty products

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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)
Net Sales	32837.5	33498.1	38654.5	4.1	43867.1	48814.4	53694.1	10.6
EBITDA	6989.8	8491.4	10397.7	0.6	11851.7	13326.3	14658.5	11.2
EBITDA Margins (%)	21.3	25.3	26.9		27.0	27.3	27.3	
Adj. Profit	4025.6	7210.0	7667.1	1.9	8381.3	9250.5	10371.8	11.2
Adj. EPS (₹)	16.8	30.1	32.0		34.9	38.6	43.2	
PE (x)	66.3	85.9	76.2		29.8	27.0	24.1	
EV to EBITDA (x)	35.3	28.7	22.9		19.9	17.2	15.1	
RoE (%)	8.9	15.5	16.0		15.2	14.7	14.4	
RoCE (%)	10.0	14.2	18.2		17.2	18.1	17.8	

Key takeaways of recent quarter & conference call highlights

Q3FY23 Results: Better product mix with higher specialty business aid growth

- Revenues grew 14% YoY to ₹ 11241 crore driven by continued traction of global specialty business with market share gain in India and growth in Emerging Markets. US formulations grew 16% YoY to ₹ 3466 crore as the growth was driven by specialty portfolio amid demand uptick from Ilumya and Winlevi among others. US ex-Taro generics also did well. Global Specialty sales (ex-milestone) came at US\$222.5 million. India formulations witnessed YoY growth of 7.1% to ₹ 3392 crore driven by new product launches and increased market share. Emerging markets witnessed YoY growth of 18.2% to ₹ 2116 crore. RoW markets witnessed growth of 15% YoY in to ₹ 1556 crore. APIs witnessed YoY growth of 7.2% to ₹ 570.2 crore. Gross margins increased ~183 bps over the previous year to 75.1%. EBITDA margins expanded 30 bps YoY to 26.7%. Adjusted PAT increased 10.5% YoY to ₹ 2262 crore
- Sun Pharma's Q3FY23 operational performance was better than expected I-direct estimates. The company's performances continued to thrive on remunerative businesses of US (and Global) Specialty and domestic formulations. Overall better product mix with higher specialty business up 21.6% YoY driven by Ilumya and Winlevi aided growth during the quarter. India business continued to grow with branded portfolio, leading to increase in its market share. The management's enhanced focus on its specialist sector is reaffirmed by the most recent acquisition of Concert Pharma. With that its strategic focus on branded formulations for with calibrated R&D allocation should augur well in the near future.

Q3FY23 Earnings Conference Call highlights:

Business performance:

- Revenue was driven by continued traction of global specialty business with market share gain in India and growth in Emerging Markets
- Ilumya and Winlevi remained key growth drivers in the US formulations business during the quarter
- It intends to increase specialty portfolio especially in core therapy areas like dermatology, ophthalmology and oncology, which remain the key focus
- Its formulations business benefited from vertical integration and supply chain continuity provided by the API business
- US generic business ex Taro declined due to shortage of shipment from Halol facility
- Price reduction due to two in-licensed Merck drugs that were about to lose their patent protection as well as a few difficulties in the gastro business had a minor impact on the domestic business in Q3 results

Concert Pharma acquisition:

- Sun Pharma entered into a definitive agreement to acquire Concert Pharmaceuticals Inc. for an equity consideration of \$576 million. As on September 30, 2022, Concert Pharma's cash balance was at ~\$150 mn.
- The recent acquisition added late stage asset Deuroxolitinib for treating Alopecia Areata. The transaction is expected to get completed in Q1CY23.
- Immediate priority remains to follow concert's plan to submit NDA for the lead asset to USFDA

Launches:

- For Q3FY23, the company launched 25 new products in the Indian market
- Launched two generic products in US on ex Taro basis during the quarter
- In January 2023 it also announced the launch of Sezaby
- It plans to launch dermatology assets in the US and is targeting newer markets in the coming future

R&D update:

- R&D for specialty business was at 26% to total R&D cost during the quarter

- Currently specialty R&D pipeline includes four molecules undergoing clinical trials
- Its efforts in the R&D space span across both specialty and generic businesses

Other highlights:

- It continues to witness good growth in chronic as well as sub chronic segment
- The focus remains on increasing API supply for captive consumption for its key products
- Halol shipment accounted for 3% of US exports before the site received import alert
- There was an increase in expense due to import alert. This was primarily on account of provision related to inventory
- Higher distribution expenses, consolidation of higher Alchemee business and R&D caused a spike in costs
- It continues to invest in building the pipeline for various markets including the US, Emerging Markets, RoW Markets and India

Exhibit 1: Variance Analysis

	Q3FY23	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	Comments
Revenue	11,240.8	10,973.3	9,863.1	14.0	10,952.3	2.6	Revenues grew 14% YoY to ₹11240.8 crore, driven by market share gain in India, sustained ramp-up of global specialty business and growth in Emerging Markets
Raw Material Expen:	2,803.7	2,743.3	2,640.6	6.2	2,708.1	3.5	
Gross margins (%)	75.1	75.0	73.2	183 bps	75.3	-22 bps	
Employee Expenses	2,037.1	2,139.8	1,850.9	10.1	2,004.6	1.6	
Other Expenditure	3,396.5	3,127.4	2,765.2	22.8	3,283.1	3.5	
Total Expenditure	8,237.3	8,010.5	7,256.7	13.5	7,995.7	3.0	YoY increase due to higher selling and administration expenses
EBITDA	3,003.6	2,962.8	2,606.3	15.2	2,956.6	1.6	Ebitda increased 15.2% YoY to 3003.6 crore
EBITDA (%)	26.7	27.0	26.4	30 bps	27.0	-27 bps	Ebitda margins decreased 30 bps YoY to 26.7%, YoY
Interest	46.2	19.4	19.0	143.4	19.4	138.2	
Depreciation	660.0	610.0	553.7	19.2	610.0	8.2	
Other income	173.9	163.6	432.5	-59.8	85.2	104.1	
EO	0.0	0.0	0.0		0.0		
PBT	2,471.3	2,497.1	2,466.2	0.2	2,412.4	2.4	
Tax	283.4	549.4	335.4	-15.5	152.3	86.1	
MI	14.7	10.9	67.5	-78.2	-6.3	LP	
Net Profit	2,165.8	1,932.5	2,058.8	5.2	2,262.2	-4.3	
Adj. Net Profit	2,165.8	1,932.5	2,058.8	5.2	2,262.2	-4.3	Adjusted net profit was up by 5.2% YoY to ₹2262 crore.
Key Metrics							
India formulations	3,391.9	3,484.3	3,167.6	7.1	3,460.0	-2.0	YoY growth of 7.1% driven by demand growth and new product launches
US formulations	3,466.0	3,347.7	2,971.8	16.6	3,291.3	5.3	YoY growth driven by specialty portfolio amid demand uptick for cequa, ilumya, Winlevi , with Specialty at US\$222.5million
Emerging Markets	2,115.8	1,968.9	1,789.9	18.2	2,070.4	2.2	YoY growth in US\$ term was 7.7%
RoW	1,556.3	1,515.5	1,353.2	15.0	1,440.9	8.0	YoY de-growth in US\$ term was 4.8%
APIs	570.2	591.3	531.8	7.2	543.4	4.9	YoY growth of 7.2%
US Sales (Ex Taro)	2,322.9	2,204.6	1,930.2	20.3	2,252.3	3.1	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

₹ Crore)	FY23E			FY24E			Comments
	Old	New	Change	Old	New	Change	
Total Operating Income	43,718.1	43,867.1	0.3	47,988.6	48,814.4	1.7	
EBITDA	11,892.9	11,851.7	-0.3	13,557.9	13,326.3	-1.7	
EBITDA Margin (%)	27.2	27.0	-19 bps	28.3	27.3	-95 bps	Revised due to higher R&D expenditure guided by the management
Adjusted PAT	8,246.8	8,381.3	1.6	9,638.6	9,250.5	-4.0	
EPS (Adjusted)	34.4	34.9	1.6	40.2	38.6	-4.0	

Source: ICICI Direct Research

Exhibit 3: Assumptions

₹ crore	Current				Earlier		Comments
	FY21	FY22	FY23E	FY24E	FY23E	FY24E	
Indian Formulations	10,343.2	12,760.3	13,737.7	15,386.2	13,894.6	15,561.9	
US Formulations	10,092.1	11,373.7	13,492.0	14,433.5	12,840.0	13,529.6	Changed on back of good specialty traction and incremental contribution from Winlevi
RoW markets	10,679.2	12,197.6	13,713.2	15,358.7	13,440.7	15,053.6	
APIs	2,118.2	2,095.7	2,331.9	2,448.5	2,180.3	2,289.3	

Source: ICICI Direct Research

Exhibit 4: Financial Summary

	Revenues (₹ crore)	Growth (%)	EPS (₹)	Growth (%)	P/E (x)	EV/EBITDA (X)	RoE (%)	RoCE (%)
FY21	33498	2.0	30.1	79.1	85.9	28.7	15.5	14.2
FY22	38654	15.4	32.0	6.3	76.2	22.9	16.0	18.2
FY23E	43867	13.5	34.9	9.3	29.8	19.9	15.2	17.2
FY24E	48814	11.3	38.6	10.4	27.0	17.2	14.7	18.1
FY25E	53694	10.0	43.2	12.1	24.1	15.1	14.4	17.8

Source: ICICI Direct Research

Exhibit 5: Revenue Breakup

₹ crore	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E	FY17-22 (%)	FY23E-25E (%)
Domestic	7,749.1	8,029.3	7,348.3	9,710.5	10,343.2	12,760.3	13,645.3	15,282.7	17,116.7	10.5	12.0
US	13,758.8	8,746.6	10,673.6	10,542.5	10,092.1	11,373.7	13,468.7	14,937.3	16,067.3	-3.7	9.2
Emerging Markets	4,544.8	4,839.2	5,359.0	5,504.4	5,783.6	6,743.2	7,934.2	8,886.3	9,952.7	8.2	12.0
ROW	2,583.2	2,974.0	3,452.6	4,521.0	4,895.6	5,454.5	5,966.6	6,682.5	7,350.8	16.1	11.0
API & Others	1,634.5	1,476.8	1,811.7	2,047.0	2,118.2	2,095.7	2,310.8	2,426.3	2,547.6	5.1	5.0
ROW	7,128.0	7,813.2	8,811.7	10,025.3	10,679.2	12,197.6	13,900.8	15,568.9	17,303.5	11.3	11.6

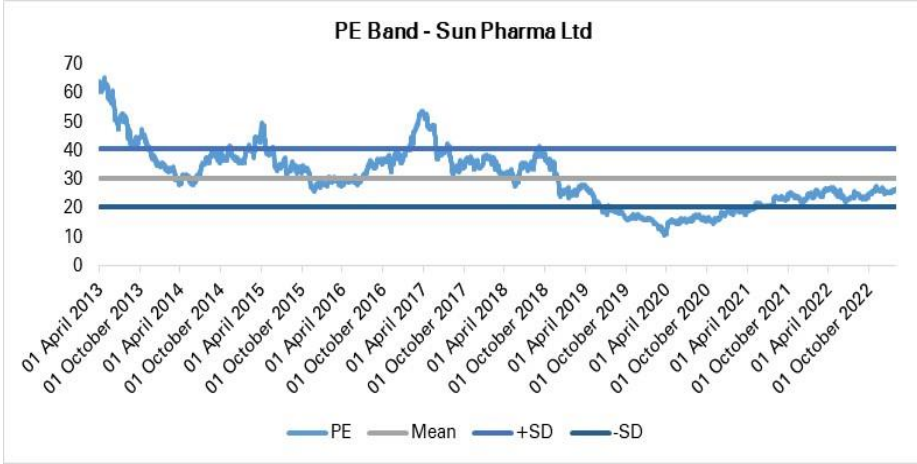
Source: ICICI Direct Research

Exhibit 6: Trends in Quarterly Performance

(₹ Crore)	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	YoY (%)	QoQ (%)
Total Operating Incom	8154.9	8184.9	7585.3	8553.1	8836.8	8523.0	9718.7	9625.9	9863.1	9446.8	10761.8	10952.3	11240.8	14.0	2.6
Raw Material Expens	2200.0	2304.8	1969.6	2146.3	2333.4	2240.8	2649.4	2521.9	2640.6	2539.6	2900.2	2708.1	2803.7	6.2	3.5
Gross Profit Margin (%)	73.0	71.8	74.0	74.9	73.6	73.7	72.7	73.8	73.2	73.1	73.1	75.3	75.1		
Employee Expenses	1549.1	1651.9	1759.0	1705.3	1720.5	1677.5	1758.7	1806.3	1850.9	1884.9	2074.9	2004.6	2037.1	10.1	1.6
% of Revenue	19.0	20.2	23.2	19.9	19.5	19.7	18.1	18.8	18.8	20.0	19.3	18.3	18.1		
Other Expenditure	2564.3	2865.2	2013.1	2508.2	2376.8	2556.3	2489.5	2667.9	2765.2	2681.9	2902.3	3283.1	3396.5	22.8	3.5
% of Revenue	31.4	35.0	26.5	29.3	26.9	30.0	25.6	27.7	28.0	28.4	27.0	30.0	30.2		
Total Expenditure	6313.5	6821.9	5741.7	6359.9	6430.6	6474.5	6897.7	6996.0	7256.7	7106.4	7877.4	7995.7	8237.3	13.5	3.0
% of Revenue	77.4	83.3	75.7	74.4	72.8	76.0	71.0	72.7	73.6	75.2	73.2	73.0	73.3		
EBITDA	1841.4	1363.0	1843.5	2193.3	2406.1	2048.5	2821.1	2629.9	2606.3	2340.4	2884.4	2956.6	3003.6	15.2	1.6
EBITDA Margin (%)	22.6	16.7	24.3	25.6	27.2	24.0	29.0	27.3	26.4	24.8	26.8	27.0	26.7		
Depreciation	547.0	575.4	495.9	498.6	531.9	553.5	503.2	530.4	553.7	556.5	588.0	610.0	660.0	19.2	8.2
Other Income	119.9	102.2	153.8	255.8	315.0	111.0	152.5	222.9	432.5	113.6	2.1	85.2	173.9	-59.8	104.1
PBIT	1414.3	889.9	1501.4	1950.5	2189.2	1606.0	2470.4	2322.5	2485.2	1897.5	2298.5	2431.8	2517.5	1.3	3.5
Interest	63.0	51.8	52.0	33.3	26.1	30.1	35.1	36.0	19.0	37.3	13.7	19.4	46.2	143.4	138.2
Less: Exceptional Ite	0.0	260.6	3633.3	0.0	0.0	672.8	631.1	0.0	0.0	3935.8	0.0	0.0	0.0		
PBT	1351.3	577.4	-2183.9	1917.2	2163.1	903.0	1804.2	2286.5	2466.2	-2075.6	2284.8	2412.4	2471.3	0.2	2.4
Total Tax	327.6	83.1	245.9	-31.2	244.9	55.0	395.6	197.8	335.4	146.8	189.0	152.3	283.4	-15.5	86.1
PAT before MI	1023.7	494.3	-2429.8	1948.4	1918.1	848.0	1408.7	2088.7	2130.8	-2222.4	2095.9	2260.2	2187.9	2.7	-3.2
Minority Interest	105.9	92.9	-770.6	130.0	60.9	-51.7	-40.1	39.3	67.5	49.9	32.5	-6.3	14.7	-78.2	-333.2
PAT after MI	917.9	401.4	-1659.2	1818.4	1857.2	899.7	1448.8	2049.4	2063.3	-2272.2	2063.3	2266.5	2173.1	5.3	-4.1
Profit from Associates	-4.3	-1.6	3.6	-5.6	-4.7	-5.6	-4.6	-2.4	-4.5	-5.0	-2.5	-4.3	-7.3		
PAT	913.5	399.8	-1655.6	1812.8	1852.5	894.2	1444.2	2047.0	2058.8	-2277.3	2060.9	2262.2	2165.8	5.2	-4.3
Adjusted PAT	913.5	660.5	1146.0	1812.8	1852.5	1343.1	1979.2	2047.0	2058.8	1582.1	2060.9	2262.2	2165.8	5.2	-4.3
Adjusted EPS (₹)	3.8	2.8	4.8	7.6	7.7	5.6	8.2	8.5	8.6	6.6	8.6	9.4	9.0		
Share Capital (cr)	239.9	239.9	239.9	239.9	239.9	239.9	239.9	239.9	239.9	239.9	239.9	239.9	239.9		

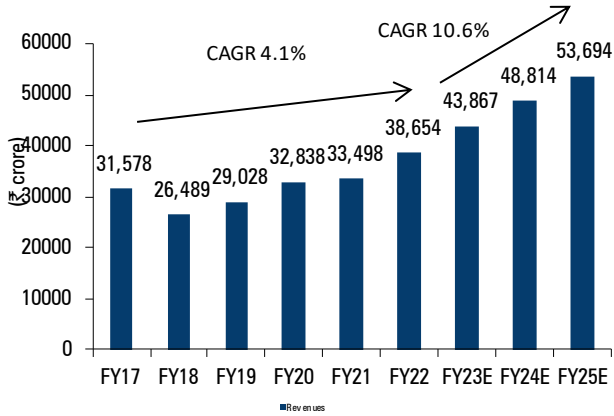
Source: ICICI Direct Research

Exhibit 7: PE Band



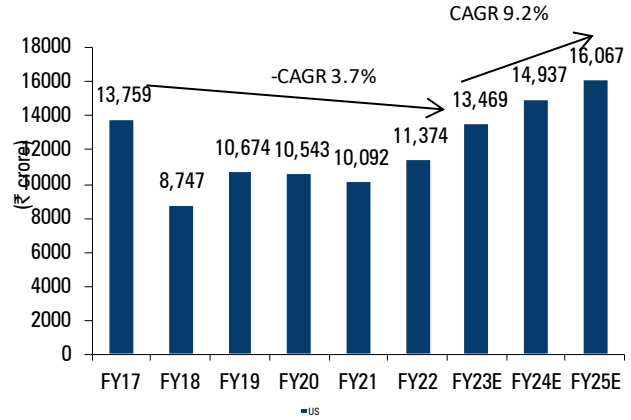
Source: ICICI Direct Research

Exhibit 8: Revenue to grow at 10.6% CAGR over FY23E-25E



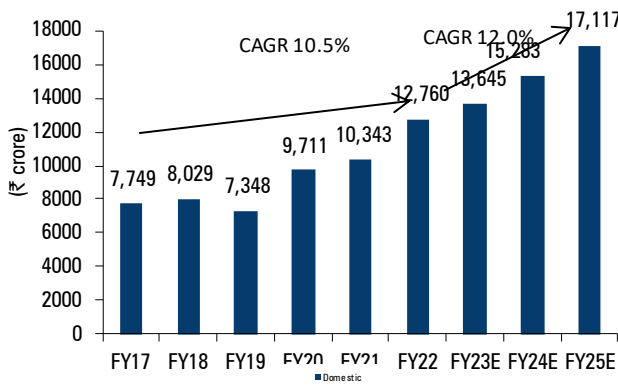
Source: Company, ICICI Direct Research

Exhibit 9: US to grow at CAGR of 9.2% over FY23E-25E



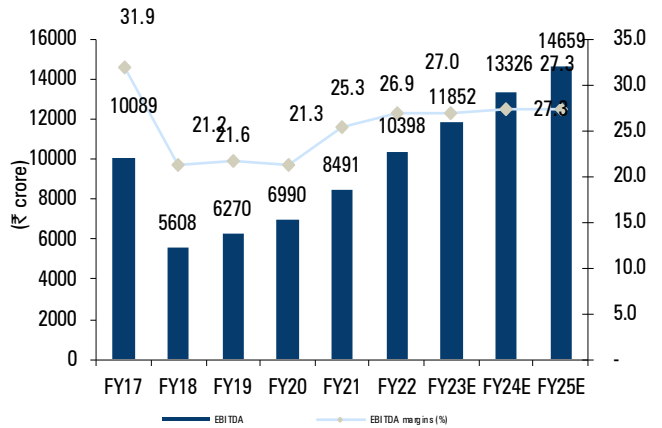
Source: Company, ICICI Direct Research

Exhibit 10: Domestic to grow at 12.0% CAGR in FY23E-25E



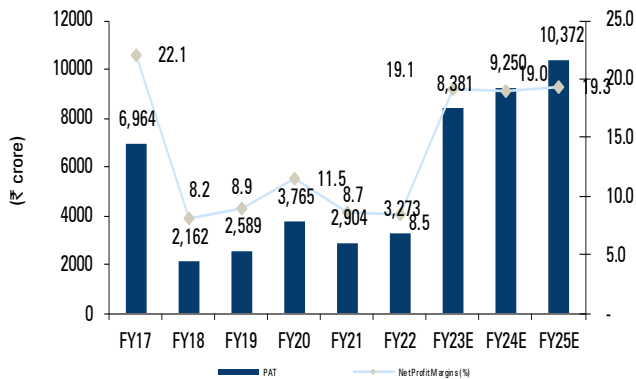
Source: Company, ICICI Direct Research

Exhibit 11: EBITDA & EBITDA margins trend



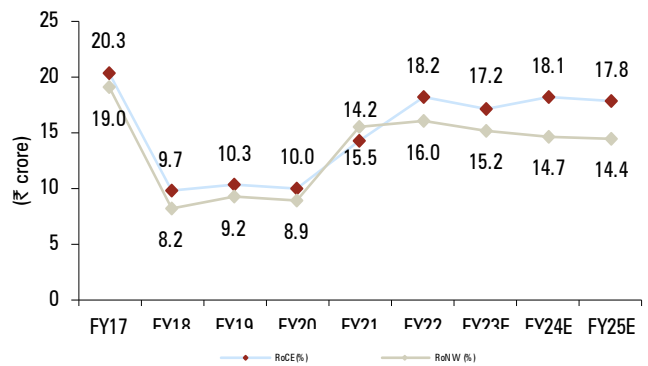
Source: Company, ICICI Direct Research

Exhibit 12: PAT & PAT margins trend



Source: Company, ICICI Direct Research

Exhibit 13: RoCE & RoE trend



Source: Company, ICICI Direct Research

Exhibit 14: Power Brands

Brand	Therapy	Dec-19	Dec-20	Dec-21	Dec-22	CAGR 19-22	YoY
LEVIPIIL	NEURO / CNS	268.84	313.10	330.98	355.88	9.80%	7.53%
VOLINI	PAIN / ANALGESICS	272.18	311.27	344.38	352.02	8.95%	2.22%
ROSUVAS	CARDIAC	220.26	242.07	284.23	333.03	14.78%	17.17%
GEMER	ANTI DIABETIC	220.02	247.60	282.51	304.63	11.46%	7.83%
SUSTEN	NEURO / CNS	207.40	219.11	250.36	272.90	9.58%	9.00%
PANTOCID	GASTRO INTESTINAL	177.71	201.42	232.60	255.98	12.94%	10.06%
PANTOCID-D	GASTRO INTESTINAL	183.39	204.16	224.86	240.89	9.52%	7.13%
MONTEK-LC	ANTI-INFECTIVES	126.26	152.37	180.98	219.54	20.25%	21.31%
ISTAMET	ANTI DIABETIC	243.39	242.99	234.55	212.15	-4.48%	-9.55%
MOXCLAV	ANTI-INFECTIVES	134.73	121.12	149.89	209.90	15.93%	40.04%
Top 10 Brands		2,054.17	2,255.21	2,515.33	2,756.94	10.31%	9.61%
% of IQVIA sales		18.63%	19.25%	18.74%	18.47%		
Ex-Top 10 Brands		8,974.55	9,461.57	10,909.43	12,170.48	10.69%	11.56%

Source: IQVIA, ICICI Direct Research

Exhibit 15: Therapeutic Break-up

Therapy	Dec-19	Dec-20	Dec-21	Dec-22	CAGR 19-22	YoY
NEURO / CNS	1,920.50	2,159.68	2,329.50	2,579.38	10.33%	10.73%
CARDIAC	1,903.33	2,068.02	2,249.77	2,511.35	9.68%	11.63%
GASTRO INTESTINAL	1,275.10	1,370.88	1,660.18	1,918.18	14.58%	15.54%
ANTI-INFECTIVES	1,018.56	943.92	1,168.89	1,348.83	9.81%	15.39%
ANTI DIABETIC	1,037.68	1,118.77	1,133.75	1,125.41	2.74%	-0.74%
PAIN / ANALGESICS	805.83	848.93	965.81	1,097.12	10.83%	13.60%
RESPIRATORY	454.92	497.47	667.05	777.65	19.57%	16.58%
DERMA	599.93	590.91	676.26	704.77	5.52%	4.22%
VITAMINS/MINERALS/NUTRIENTS	457.72	504.49	614.26	663.31	13.16%	7.99%
GYNAEC.	454.66	463.44	560.75	648.67	12.58%	15.68%
Top Therapies	9,848.85	10,466.29	11,919.71	13,247.43	10.39%	11.14%
Total IQVIA Sales	11,028.73	11,716.78	13,424.76	14,927.42	10.62%	11.19%

Source: IQVIA, ICICI Direct Research

Exhibit 1: 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
MNC Pharma																					
Abbott India	ABBIND	20842	21,725	Hold	44288	325.0	375.9	452.0	543.1	64.1	55.4	46.1	38.4	33.8	36.6	38.6	37.5	26.5	28.3	30.1	29.0
P&G Health	MERLIM	4092	5,235	Buy	6793	106.5	116.0	150.0	163.6	38.4	35.3	27.3	25.0	32.2	39.8	42.5	38.0	25.1	31.2	32.0	28.5
Sanofi India	SANOFI	5496	6,385	Hold	12657	207.4	410.1	265.9	255.5	26.5	13.4	20.7	21.5	32.3	33.3	40.9	50.2	24.5	25.9	30.8	38.1
Pfizer	PFIZER	3872	4,505	Hold	17713	108.8	133.9	151.4	150.2	35.6	28.9	25.6	25.8	27.6	26.1	25.0	23.7	20.8	21.4	18.8	18.1
Pharma																					
Ajanta Pharma	AJAPHA	1208	1,505	Buy	15482	51.1	55.7	55.9	68.4	23.6	21.7	21.6	17.7	29.0	27.0	23.4	24.4	21.8	21.8	18.8	19.5
Alembic Pharma	ALEMPHA	539	625	Hold	10605	62.6	27.7	14.6	21.0	8.6	19.5	36.8	25.7	25.1	10.6	6.3	8.6	24.1	10.4	5.3	7.3
Aurobindo Pharma	AURPHA	408	540	Hold	23924	55.0	47.4	34.7	44.8	7.4	8.6	11.7	9.1	16.9	12.9	9.6	11.9	14.7	11.3	7.7	9.1
Biocon	BIOCON	235	290	Hold	28250	6.3	5.7	3.0	4.8	37.5	41.3	78.1	48.5	7.7	7.5	3.8	6.1	9.9	8.1	1.5	2.4
Zydus Lifesciences	CADHEA	431	480	Hold	43600	23.3	21.0	21.1	25.3	18.5	20.5	20.4	17.1	13.8	12.0	11.7	12.2	18.4	12.6	11.4	12.2
Cipla	CIPLA	1017	1,290	Buy	82086	29.8	32.9	39.9	49.6	34.1	30.9	25.5	20.5	17.0	16.3	18.6	20.5	13.1	12.7	13.8	15.2
Dr Reddy's Labs	DRREDD	4324	5,210	Buy	72001	117.6	127.2	226.6	205.5	36.8	34.0	19.1	21.0	13.1	13.0	21.9	19.8	11.1	11.0	16.8	13.6
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
Ipca Laboratories	IPCLAB	850	925	Hold	21565	44.9	34.8	24.5	35.7	18.9	24.4	34.7	23.8	27.1	17.4	13.3	16.5	24.2	16.1	10.3	13.3
Jubilant Pharmova	JUBLIF	352	395	Hold	5606	37.4	26.0	22.5	32.8	9.4	13.5	15.6	10.7	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
Natco Pharma	NATPHA	533	660	Hold	9733	24.2	9.3	38.6	46.3	22.1	57.2	13.8	11.5	13.1	4.6	16.8	18.5	10.7	4.0	14.6	15.2
Sun Pharma	SUNPHA	1040	1,210	Buy	248325	30.1	32.0	34.3	40.9	34.6	32.5	30.3	25.4	14.2	18.2	17.4	19.0	15.5	16.0	15.0	15.5
Torrent Pharma	TORPHA	1521	1,720	Hold	51490	37.0	32.0	37.6	45.6	41.1	47.5	40.4	33.3	17.6	19.7	18.3	21.1	21.4	18.2	18.8	19.4
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
Advanced Enzymes	ADVENZ	280	265	Reduce	3137	13.1	10.7	9.6	13.3	21.4	26.2	29.3	21.0	19.4	14.3	10.9	14.0	15.1	11.0	9.0	11.3
Hester Biosciences	HESPHA	1868	2,280	Hold	1590	44.4	45.7	37.8	58.6	42.1	40.9	49.4	31.9	16.2	10.9	9.5	12.7	16.5	15.0	11.3	15.4
API/CRAMS																					
Divi's Lab	DIVLAB	3317	3,685	Hold	88068	74.7	111.5	87.7	96.9	44.4	29.7	37.8	34.2	27.6	30.2	21.1	21.8	21.3	25.2	17.7	17.2
Hikal	HIKCHE	357	330	Hold	4399	10.8	13.0	6.8	16.6	33.1	27.4	52.6	21.6	15.1	13.6	7.8	14.9	14.3	15.0	7.4	15.6
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
Granules India	GRANUL	295	355	Buy	7325	22.2	16.6	22.7	27.2	13.3	17.7	13.0	10.9	24.0	15.6	20.5	21.7	25.3	16.0	19.7	19.3
Laurus Labs	LAULAB	330	400	Buy	18408	18.3	15.4	16.5	19.1	18.0	21.4	20.0	17.3	31.7	21.3	21.8	24.3	37.9	24.7	21.9	23.6
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

Source: ICICI Direct Research

Financial Summary

Exhibit 2: Profit and loss statement				
	₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E
Revenues	38,654.5	43,867.1	48,814.4	53,694.1
Growth (%)	15.4	13.5	11.3	10.0
Raw Material Expenses	10,351.5	11,133.6	11,753.2	12,924.3
Employee Expenses	7,300.8	8,189.8	9,274.7	10,201.9
Other Expenditure	10,604.4	12,691.9	14,460.2	15,909.4
Total Operating Expenditure	28,256.8	32,015.4	35,488.1	39,035.6
EBITDA	10,397.7	11,851.7	13,326.3	14,658.5
Growth (%)	22.5	14.0	12.4	10.0
Depreciation	2,143.7	2,517.9	2,640.7	2,757.3
Interest	127.4	125.4	48.7	-28.1
Other Income	921.5	430.0	964.3	1,060.7
PBT	9,048.1	9,638.4	11,601.3	12,989.9
Less: Exceptional Items	4,566.8	0.0	0.0	0.0
Total Tax	1,075.5	1,168.0	2,204.2	2,468.1
PAT before MI	3,405.8	8,470.3	9,397.0	10,521.9
Minority Interest	116.6	67.8	117.4	120.9
PAT	3,272.7	8,381.3	9,250.5	10,371.8
Adjusted PAT	7,667.1	8,381.3	9,250.5	10,371.8
Growth (%)	6.3	9.3	10.4	12.1
EPS (Adjusted)	32.0	34.9	38.6	43.2

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement				
	₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E
Profit/(Loss) after taxation	5450.5	8381.3	9250.5	10371.8
Depreciation	2143.7	2517.9	2640.7	2757.3
(Inc)/Dec in Current Assets	-1021.2	-1625.2	-2054.5	-2504.1
(Inc)/Dec in Current Liabilities	2580.3	1199.9	1188.1	1491.3
Others	-168.8	125.4	48.7	-28.1
CF from operation Activities	8984.5	10599.3	11073.4	12088.2
Purchase of Fixed Assets	-1434.4	-1606.2	-1642.4	-1560.3
(Inc)/Dec in Investments	-3784.7	-3305.4	-3305.4	-3305.4
Others	15.9	-3832.4	-267.7	-291.1
CF from Investing Activities	-5203.2	-8744.0	-5215.5	-5156.8
Inc / (Dec) in Loan Funds	-2765.4	-800.0	-300.0	-300.0
Inc / (Dec) in Equity Capital	-185.7	0.0	0.0	0.0
Dividend and dividend tax	-2169.2	-1257.2	-1387.6	-1555.8
Other Financial Activities	-73.2	-125.4	-48.7	28.1
CF from Financing Activities	-5193.5	-2182.6	-1736.3	-1827.7
Cash generation during the year	-1412.2	-327.3	4121.6	5103.7
Op bal Cash & Cash equivalents	6445.5	5033.4	4706.1	8827.7
Closing Cash/ Cash Equivalent	5033.4	4706.1	8827.7	13931.4
Free Cash Flow	7550.1	8993.2	9431.0	10527.9

Source: Company, ICICI Direct Research

Exhibit 4: Balance Sheet				
	₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E
Equity Capital	239.9	239.9	239.9	239.9
Reserve and Surplus	47,771.3	54,895.4	62,758.3	71,574.3
Total Shareholders funds	48,011.2	55,135.3	62,998.2	71,814.2
Total Debt	1,290.3	490.3	190.3	-109.7
Deferred Tax Liability	31.9	34.1	36.5	39.0
Minority Interest	3,054.9	3,122.6	3,240.0	3,360.9
Other LT Liabilities & LT Provision	1,019.6	1,091.0	1,167.4	1,249.1
Total Liabilities	53,407.9	59,873.3	67,632.4	76,353.6
Gross Block - Fixed Assets	32,080.0	33,686.2	35,328.6	36,888.9
Accumulated Depreciation	16,169.8	18,687.7	21,328.4	24,085.7
Net Block	15,910.3	14,998.5	14,000.2	12,803.1
Capital WIP	1,286.8	1,286.8	1,286.8	1,286.8
Total Fixed Assets	17,197.1	16,285.3	15,287.0	14,089.9
Investments	12,848.6	16,154.0	19,459.4	22,764.8
Deferred tax assets	2,896.7	3,099.5	3,316.5	3,548.6
Goodwill on Consolidation	6,549.5	10,089.8	10,089.8	10,089.8
LT Loans & Advances & Assets	2,927.0	3,131.9	3,351.1	3,585.7
Cash	5,033.4	4,706.1	8,827.7	13,931.4
Debtors	10,592.9	11,870.9	13,209.7	14,530.1
Loans and Advances	170.0	181.9	194.6	208.2
Inventory	8,996.8	9,150.9	9,660.1	10,622.7
Other current assets	2,588.0	2,769.2	2,963.0	3,170.4
Total Current Assets	27,381.0	28,678.9	34,855.1	42,462.9
Creditors	4,479.3	4,819.5	5,087.7	5,594.6
Provisions & other current liability	11,912.6	12,746.5	13,638.8	14,593.5
Total Current Liabilities	16,392.0	17,566.0	18,726.4	20,188.1
Net Current Assets	10,989.1	11,112.9	16,128.7	22,274.8
Application of Funds	53,407.9	59,873.3	67,632.4	76,353.6

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios				
(Year-end March)	FY22	FY23E	FY24E	FY25E
Per share data (₹)				
Adjusted EPS	32.0	34.9	38.6	43.2
BV per share	200.1	229.8	262.6	299.4
Dividend per share	10.0	5.2	5.8	6.5
Cash Per Share	21.0	19.6	36.8	58.1
Operating Ratios (%)				
Gross Margin	73.2	74.6	75.9	75.9
EBITDA Margin	26.9	27.0	27.3	27.3
PAT Margin	19.8	19.1	19.0	19.3
Inventory days	317.2	300.0	300.0	98.8
Debtor days	100.0	98.8	98.8	158.0
Creditor days	157.9	158.0	158.0	0.7
Asset Turnover	0.8	0.8	0.8	0.7
EBITDA Conversion rate	86.4	89.4	83.1	82.5
Return Ratios (%)				
RoE	16.0	15.2	14.7	14.4
RoCE	18.2	17.2	18.1	17.8
RoIC	22.6	22.7	25.1	27.1
Valuation Ratios (x)				
P/E	76.2	29.8	27.0	24.1
EV / EBITDA	22.9	19.9	17.2	15.1
EV / Net Sales	6.2	5.4	4.7	4.1
Market Cap / Sales	6.5	5.7	5.1	4.6
Price to Book Value	5.2	4.5	4.0	3.5
Solvency Ratios				
Debt / EBITDA	0.1	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	1.4	1.4	1.4	1.4
Working Capital Cycle	259.3	240.8	240.8	256.0

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

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