

CMP: ₹ 430

Target: ₹ 500 (16%)

Target Period: 12 months

February 4, 2023

BUY

Decent performance; US pipeline, India traction key...

About the stock: Zydus is a leading pharma company with family pedigree having a presence in domestic branded formulations, US generics and is in the process of repurposing itself into niche areas of specialty pharmaceuticals, biosimilars and vaccines.

- FY22 revenue break-up – US: 39%, India: 32%, Wellness: 13%, Europe & emerging markets including countries in LatAm, Asia Pacific & Africa: 10%
- Zydus is the fourth largest pharma company in India with 14 brands among Top 300 pharma brands in India and nine with ₹ 100 crore+ sales

Q3FY23 Results: Zydus delivered good set of numbers, which beat our estimates.

- Revenues grew 19.8% YoY at ₹ 4362 crore
- EBITDA grew 27.2% YoY to ₹ 956 crore. EBITDA margins improved 127 bps YoY to 21.9%
- Adjusted net profit rose 22.8% YoY to ₹ 622.5 crore

What should investors do? Zydus Life's share price has grown at 18% CAGR over the past three years.

- We upgrade the stock from HOLD to **BUY** for improved risk-reward proposition as we see 1) consistency from US business in terms of continued traction in base business and new launches momentum (post Moraiya EIR) and 2) continued traction in Wellness and India formulations

Target Price and Valuation: Valued at ₹ 500 i.e., 14x FY25E EPS of 35.5

Key triggers for future price performance:

- Zydus plans to venture into complex injectable and niche orphan drugs in US. Complex launches are likely to provide meaningful traction from FY24
- Moraiya launch momentum and base business growth (impending competition in Asacol) in the US
- India formulations business is likely to stabilise as the company has optically initiated restructuring of business by rationalising slow moving SKUs
- Pipeline of innovative products like Saroglitazar Magnesium, Desidustat, anti-malarial compound, biologics and 505(b)(2) specialty initiatives

Alternate Stock Idea: Apart from Zydus, 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 ₹ 1290



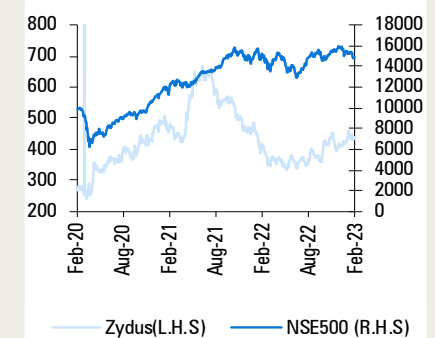
Particulars

Particular	Amount
Market Capitalisation	₹ 43525 crore
Debt (FY22)	₹ 4196 crore
Cash (FY22)	₹ 1107 crore
EV	₹ 46614 crore
52 week H/L	460/319
Equity capital	₹ 101 crore
Face value	₹ 1

Shareholding pattern

(in %)	Mar-22	Jun-22	Sep-22	Dec-22
Promoter	74.9	74.9	75.0	75.0
Others	25.1	25.1	25.0	25.0

Price Chart



Recent Event & Key risks

- Moraiya facility received EIR with VAI status.
- Key Risk:** (i) Higher price erosion in US base business (ii) Better than expected margins

Research Analyst

Siddhant Khandekar
siddhant.khandekar@icicisecurities.com

Kushal Shah
kushal.shah@icicisecurities.com

Utkarsh Jain
utkarsh.jain@icicisecurities.com

Key Financial Summary

Key Financials (₹ crore)	FY21	FY22	5 year CAGR (FY17-22)	FY23E	FY24E	FY25E	2 year CAGR (FY23E-25E)
Revenues	14403.5	15265.2	9.7	17361.7	18956.5	20246.8	8.0
EBITDA	3387.1	3340.7	11.9	3620.5	3980.9	4251.8	8.4
EBITDA margins (%)	23.5	21.9		20.9	21.0	21.0	
Net Profit	2390.1	2149.2	4.0	2311.2	2764.9	3638.5	25.5
EPS (₹)	23.3	21.0		22.6	27.0	35.5	
PE (x)	20.0	19.6		19.1	15.9	12.1	
EV to EBITDA (x)	14.1	14.1		12.7	11.0	9.1	
RoE (%)	18.4	12.6		12.1	12.8	14.6	
RoCE (%)	13.8	12.0		12.3	12.3	12.0	

Key takeaways of recent quarter & conference call highlights

Q3FY23 Earnings Summary: Good set of numbers led by solid performance on all the parameters.

- Revenues grew 19.8% YoY to ₹ 4362 crore. Growth was driven by the US followed by India business. Segmental mix includes India sales, which increased 14.2% YoY to ₹ 1231.6 crore on the back of market share gains and improved ranking in gynaecology, anti-diabetic and nutraceutical portfolio. US formulations revenues increased 29.3% YoY to ₹ 1925 crore, aided by volume expansion in base portfolio and some impact of seasonality. Emerging markets revenues increased 5.6% YoY to ₹ 307.8 crore, on the back of robust performance across key markets. Zydus Wellness' revenues increased 7.8% YoY to ₹ 412 crore on the back of firm market share in key brands viz. Glucon-D, Nycil and EverYuth (Scrub, Peel-Off). On operational front, EBITDA showed growth of 27.2% YoY to ₹ 956 crore whereas EBITDA margins improved 127 bps YoY to 21.9% despite higher R&D and US related risk evolution and mitigation study (REMS) programme cost. Adjusted PAT improved 22.8% YoY to ₹ 622.5 crore
- The company's performance was a beat against our estimates on all fronts. India business continues to do well with market share gain in key therapies. Timely launches and volumes supported US growth. Consumer wellness business maintained a dominating market position in key brands despite the difficult environment. We continue to monitor India and US business momentum as historically these two markets have been persistent laggards vis-à-vis peers, thus having direct implications on its muted valuations

Q3FY23 Earnings Conference Call highlights:

Business mix:

- The overall performance was led by robust growth across businesses. US contributed 46% to the topline followed by India formulation 30%, Consumer wellness 10% and EM 7% during the period
- US formulation business – Received final approval for Estradiol Transdermal System, which will be manufactured from Moraiya site
- It filed first ANDA filed from the new oral solids formulations manufacturing facility in Ahmedabad SEZ (SEZ II)
- In India formulation business - The patient base of the Lipaglyn brand increased by 45% in CY22, thus extending its reach
- Consumer Wellness – The company has undertaken price increase in order to mitigate inflation, which has cooled down compared to the previous quarters except milk, where it still remains high

Financial metric:

- The operational performance was largely attributable to robust double digit growth in India and US formulations businesses
- It undertook price increase, which would reflect in Q4FY24
- It also incurred one-time REMS setup cost of US\$8 million during the quarter for an upcoming launch, where the opportunities are likely to come in from H2FY24
- R&D spend during the quarter was at 7.9% for which management has guided to remain at 8.5-9% in the near term. R&D is expected to be inclined more towards NCE's and biologics.
- Currently 30% of R&D spends is towards specialty and new ventures

Launches:

- It became the first player to launch Topiramate ER capsules (gTrokendi) in the US in January 2023
- It plans to launch two transdermal products in FY24
- Biosimilar focus remains for two to three launches in the next two years in India and other semi-regulated markets

ESG Disclosure Score*

Score	FY20	FY21	FY22
Environmental	1.8	1.8	1.8
Social	36.9	25.7	58.8
Governance	84.9	84.9	84.9
Overall ESG Score	41.2	37.5	64.1

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

Other highlights:

- Established products of the company have largely done better than the markets
- US business to remain strong due to REMS programme and new launches
- The management expects further value addition from its recent launch of Topiramate ER capsules (gTrokendi) in US
- They have guided that performance from Biologics/Biosimilar business is stable in India in terms of both revenues and profits
- The company is taking calibrated measures to develop specialty chemical business
- Focus remains on inorganics opportunities
- Revlimid is expected to see higher sales in Q4FY23.
- Capex for the quarter was at ₹ 255 crore. It expects to continue with ₹ 800-900 crore of run rate for the coming years

Exhibit 1: Variance Analysis

	Q3FY23	Q3FY23E	Q3FY22	Q2FY23	YoY (%)	QoQ (%)	Comments
Revenue	4362.3	4180.1	3639.8	4134.7	19.8	5.5	Growth was driven by US followed by India business
Raw Material Expenses	1510.4	1504.8	1333.4	1594.4	13.3	-5.3	
Employee Expenses	689.0	679.1	591.2	671.7	16.5	2.6	
Other expenditure	1206.9	1128.6	963.6	1053.3	25.2	14.6	
EBITDA	956.0	867.6	751.6	815.3	27.2	17.3	
EBITDA (%)	21.9	20.8	20.6	19.7	127 bps	220 bps	YoY increase of 127 bps due to better product mix
Interest	32.8	35.1	31.1	35.1	5.5	-6.6	
Depreciation	181.6	197.1	177.0	181.8	2.6	-0.1	
Other Income	38.5	45.9	60.7	44.4	-36.6	-13.3	
PBT before EO & Forex	780.1	681.3	604.2	642.8	29.1	21.4	
EO	0.0	0.0	0.0	0.0	0.0	0.0	
PBT	780.1	681.3	604.2	642.8	29.1	21.4	
Tax	195.2	145.2	109.4	137.0	78.4	42.5	
Tax rate (%)	25.0	21.3	18.1	21.3	38.2	17.4	
Net Profit	622.5	503.0	506.9	517.0	22.8	20.4	
Adjusted PAT	622.5	503.0	506.9	517.0	22.8	20.4	Delta vis-à-vis EBITDA.
Key Metrics							
India	1231.6	1261.8	1078.5	1264.8	14.2	-2.6	The business grew by 16% YoY, ex-COVID opportunities, and divested products
US	1925.0	1728.4	1489.2	1708.4	29.3	12.7	Growth was driven by launch of six new products
Europe	70.5	72.8	68	54.1	3.7	30.3	
EMs	307.8	364.3	291.4	330.8	5.6	-7.0	
Wellness	412.0	428.1	382.2	422.7	7.8	-2.5	Continued to gain market share in key brands viz. Glucon-D, Nycil and EverYuth (Scrub and Peel-Off).
JVs	24.8	58.3	55.5	50.2	-55.3	-50.6	
APIs	188.1	164.5	164.5	111.7	14.3	68.4	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY23E			FY24E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	16,955.1	17,361.7	2.4	18,724.9	18,956.5	1.2	
EBITDA	3,463.9	3,620.5	4.5	3,885.4	3,980.9	2.5	Guided by the management as well as better performance in Q3FY23
EBITDA Margin (%)	20.4	20.9	42 bps	20.8	21.0	25 bps	
Adj. PAT	2,161.9	2,311.2	6.9	2,586.5	2,764.9	6.9	
EPS (₹)	21.1	22.6	6.9	25.3	27.0	6.9	

Source: ICICI Direct Research

Exhibit 3: Assumptions

(₹ crore)	Current				Earlier		Comments
	FY21	FY22	FY23E	FY24E	FY23E	FY24E	
India	4,042.9	4,812.5	4,960.1	5,456.1	4,990.3	5,489.4	
US	6,350.5	5,813.8	7,122.0	7,711.7	6,812.1	7,577.1	Changed due to better performance in Q3 and new launch momentum to continue in upcoming quarters
Europe	227.5	252.3	256.9	282.6	259.2	285.1	
EMs	1,016.7	1,192.1	1,270.4	1,422.8	1,326.8	1,486.0	
Wellness	1,840.9	1,978.8	2,223.2	2,445.6	2,239.3	2,463.2	
JVs	84.4	207.9	176.6	185.5	210.1	220.6	
APIs	562.1	570.2	585.8	615.0	562.2	590.3	

Source: ICICI Direct Research

Exhibit 4: Financial Summary

	Revenues (₹ crore)	Growth (%)	EPS (₹)	Growth (%)	P/E (x)	EV/EBITDA (X)	RoE (%)	RoCE (%)
FY21	14404	1.1	23.3	67.1	20.0	14.1	18.4	13.8
FY22	15265	6.0	21.0	-10.1	19.6	14.1	12.6	12.0
FY23E	17362	13.7	22.6	7.5	19.1	12.7	12.1	12.3
FY24E	18957	9.2	27.0	19.6	15.9	11.0	12.8	12.3
FY25E	20247	6.8	35.5	31.6	12.1	9.1	14.6	12.0

Source: ICICI Direct Research

Exhibit 5: Revenue Mix

(₹ crore)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E	CAGR (FY17-22)	% CAGR (FY23E-25E)
India	2,983	3,244	3,333	3,534	3,714	4,043	4,813	4,960	5,456	6,002	8.2	10.0
US	4,022	3,709	5,835	6,280	6,251	6,351	5,814	7,122	7,712	8,406	9.4	8.6
Europe	295	262	240	227	196	228	252	257	283	311	-0.8	10.0
EMs	690	749	762	831	875	1,017	1,192	1,270	1,423	1,594	9.7	12.0
Wellness	432	459	492	808	1,738	1,841	1,979	2,223	2,446	2,690	33.9	10.0
JVs	263	159	159	132	70	84	208	177	185	195	5.5	5.0
Total APIs	365	380	366	425	453	562	570	586	615	646	8.5	5.0

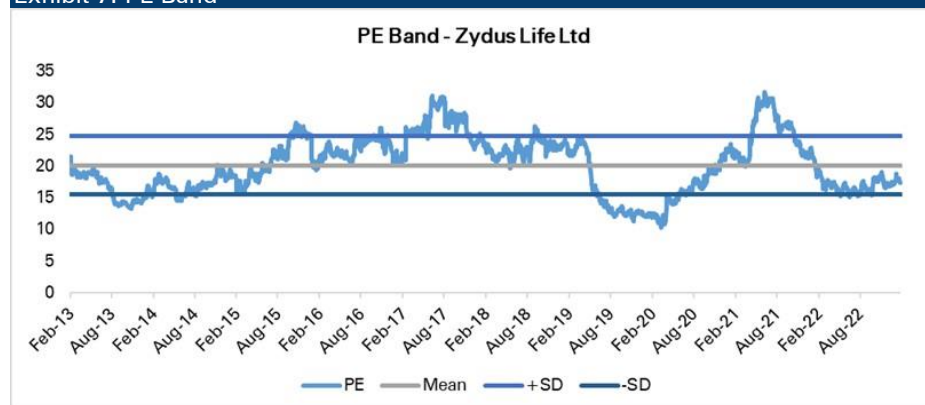
Source: ICICI Direct Research

Exhibit 6: Trends in Quarterly Performance

(₹ Crore)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	YoY (%)	QoQ (%)
Sales	3752.1	3514.7	3820.0	3795.6	3670.3	4001.8	3784.8	3639.8	3863.8	4072.7	4134.7	4362.3	12.9	5.5
Raw Material Expense	1259.7	1250.3	1322.3	1293.5	1236.4	1355.0	1382.3	1333.4	1495.8	1509.3	1594.4	1510.4	1.0	-5.3
% of revenue	33.6	35.6	34.6	34.1	33.7	33.9	36.5	36.6	38.7	37.1	38.6	34.6		
Gross Profit	2492.4	2264.4	2497.7	2502.1	2433.9	2646.8	2402.5	2306.4	2368.0	2563.4	2540.3	2851.9	20.4	12.3
% of revenue	66.4	64.4	65.4	65.9	66.3	66.1	63.5	63.4	61.3	62.9	61.4	65.4	409 bps	394 bps
Employee Expenses	609.0	634.5	616.5	628.6	580.1	623.6	647.7	591.2	599.8	681.0	671.7	689.0	14.9	2.6
% of revenue	16.2	18.1	16.1	16.6	15.8	15.6	17.1	16.2	15.5	16.7	16.2	15.8		
Other Expenditure	1092.2	939.7	1017.8	1066.6	1004.3	1051.3	894.0	963.6	1050.5	1049.4	1053.3	1206.9	14.9	14.6
% of revenue	29.1	26.7	26.6	28.1	27.4	26.3	23.6	26.5	27.2	25.8	25.5	27.7		
Total Expenditure	2960.9	2824.5	2956.6	2988.7	2820.8	3029.9	2924.0	2888.2	3146.1	3239.7	3319.4	3406.3	8.3	2.6
% of revenue	78.9	80.4	77.4	78.7	76.9	75.7	77.3	79.4	81.4	79.5	80.3	78.1		
EBITDA	791.2	690.2	863.4	806.9	849.5	971.9	860.8	751.6	717.7	833.0	815.3	956.0	33.2	17.3
EBITDA Margins (%)	21.1	19.6	22.6	21.3	23.1	24.3	22.7	20.6	18.6	20.5	19.7	21.9	334 bps	220 bps
Depreciation	178.5	176.8	179.0	180.4	175.3	173.3	184.8	177.0	185.4	180.7	181.8	181.6	-2.0	-0.1
Interest	82.5	67.7	45.7	26.8	23.2	27.3	30.1	31.1	38.5	34.3	35.1	32.8	-14.8	-6.6
Other Income	44.3	22.5	27.5	27.5	-30.4	31.6	53.3	60.7	79.1	65.9	44.4	38.5	-51.3	-13.3
Forex & EO	-52.5	0.0	-132.0	0.0	-73.1	0.0	-95.7	0.0	0.0	-2.9	0.0	0.0		
PBT	522.0	468.2	534.2	627.2	547.5	802.9	603.5	604.2	572.9	681.0	642.8	780.1	36.2	21.4
Total Tax	108.5	123.5	110.6	114.7	-206.0	157.4	100.0	109.4	109.2	118.4	137.0	195.2	78.8	42.5
Tax rate (%)	20.8	26.4	20.7	18.3	-37.6	19.6	16.6	18.1	19.1	17.4	21.3	25.0	596.2	370.9
PAT before MI	413.5	344.7	423.6	512.5	753.5	645.5	503.5	494.8	463.7	562.6	505.8	584.9	26.1	15.6
Minority Interest	21.8	32.6	-38.4	0.8	56.4	55.3	9.6	10.2	55.9	58.1	3.6	8.3	-85.2	130.6
PAT	391.9	328.8	473.4	527.2	700.9	597.2	506.2	506.9	412.4	526.6	517.0	622.5	50.9	20.4
Adjusted PAT	433.5	328.8	578.1	527.2	801.5	597.2	586.0	506.9	412.4	529.0	517.0	622.5	50.9	20.4
Adjusted EPS (₹)	4.2	3.2	5.6	5.1	7.8	5.8	5.7	5.0	4.0	5.2	5.1	6.1		

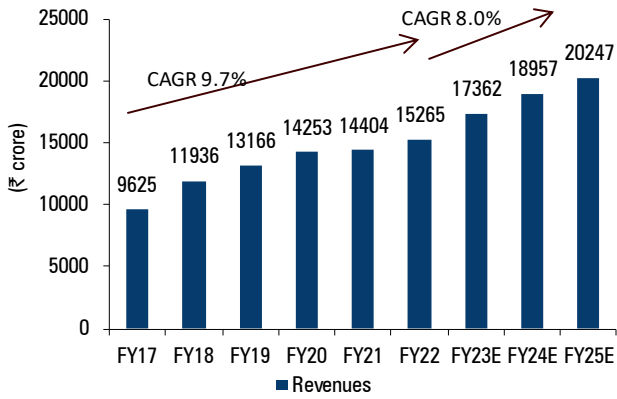
Source: ICICI Direct Research

Exhibit 7: PE Band



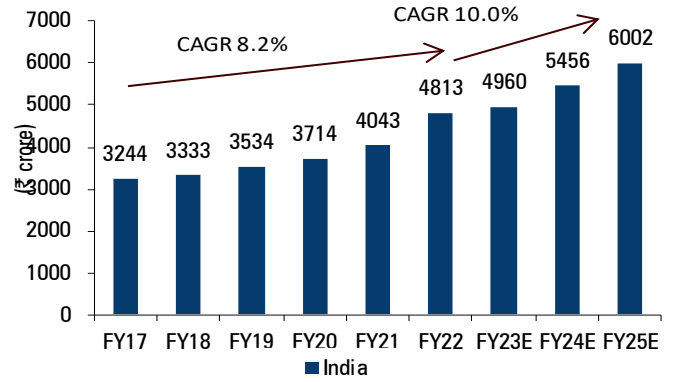
Source: ICICI Direct Research

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



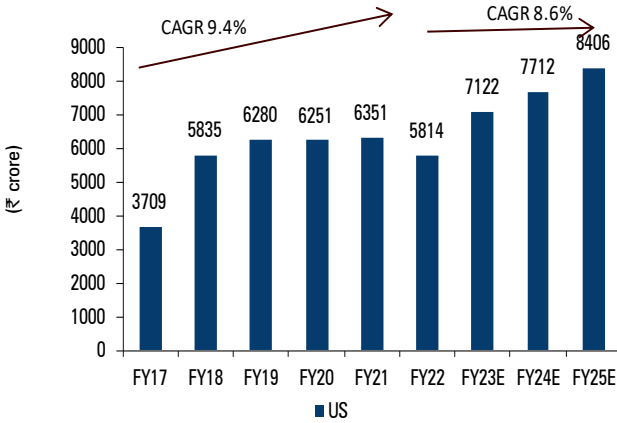
Source: Company, ICICI Direct Research

Exhibit 9: Domestic to grow at 10% CAGR in FY23E-25E



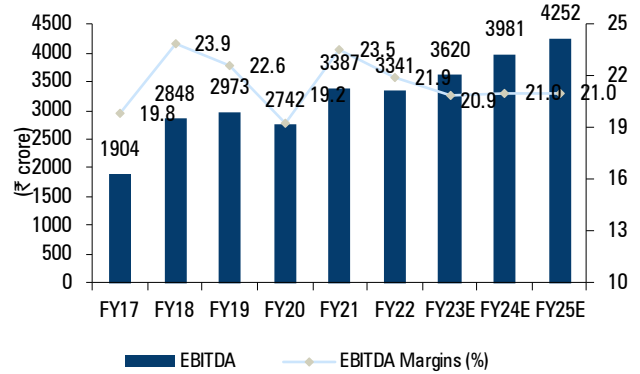
Source: Company, ICICI Direct Research

Exhibit 10: US to grow at 8.6% over FY23E-25E



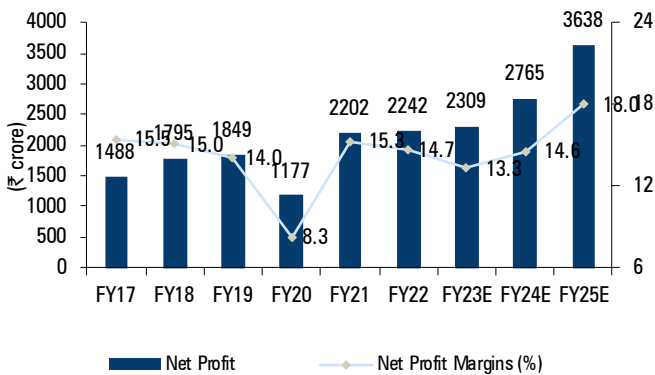
Source: Company, ICICI Direct Research

Exhibit 11: EBITDA & EBITDA margins trend



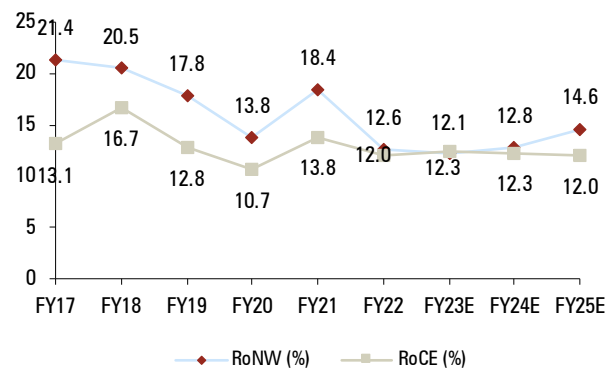
Source: Company, ICICI Direct Research

Exhibit 12: PAT & PAT margins trend



Source: Company, ICICI Direct Research

Exhibit 13: RoE & RoCE trend



Source: Company, Direct Research

Exhibit 14: Power Brands

Brand	Therapy	Dec-19	Dec-20	Dec-21	Dec-22	CAGR 19-22	YoY
DERIPHYLLIN	RESPIRATORY	151.78	162.05	188.59	198.64	9.4%	5.3%
ATORVA	CARDIAC	114.40	133.37	150.08	168.09	13.7%	12.0%
THROMBOPHOB	PAIN / ANALGESICS	83.57	90.57	115.04	132.50	16.6%	15.2%
SKINLITE	DERMA	133.62	121.65	121.21	131.74	-0.5%	8.7%
AMICIN	ANTI-INFECTIVES	111.36	75.59	96.81	117.01	1.7%	20.9%
FORMONIDE	RESPIRATORY	79.31	89.03	107.19	107.28	10.6%	0.1%
DEXONA	PAIN / ANALGESICS	61.35	68.31	86.50	102.88	18.8%	18.9%
LIPAGLYN	ANTI DIABETIC	34.89	44.63	62.69	96.27	40.3%	53.5%
DECA DURABOLIN	VITAMINS/MINERALS/NUTRIENTS	96.24	93.02	108.95	92.14	-1.4%	-15.4%
PANTODAC	GASTRO INTESTINAL	85.29	92.02	89.01	90.36	1.9%	1.5%
Top 10 Brands		951.81	970.24	1,126.09	1,236.90	9.1%	9.8%
% of IQVIA sales		21.63%	21.16%	21.25%	21.98%		
Ex-Top 10 Brands		3,449.16	3,615.14	4,172.93	4,391.74	8.4%	5.2%

Source: IQVIA, ICICI Direct Research

Exhibit 15: Therapeutic break-up

Therapy	Dec-19	Dec-20	Dec-21	Dec-22	CAGR 19-22	YoY
RESPIRATORY	559.78	579.22	716.49	776.15	11.51%	8.33%
ANTI-INFECTIVES	629.26	538.78	712.06	700.70	3.65%	-1.60%
CARDIAC	536.87	599.97	628.68	650.80	6.62%	3.52%
GASTRO INTESTINAL	475.41	491.60	556.92	616.59	9.05%	10.71%
PAIN / ANALGESICS	361.92	354.44	390.27	434.77	6.30%	11.40%
GYNAEC.	303.05	297.07	357.75	433.58	12.68%	21.20%
DERMA	345.99	341.67	364.13	378.67	3.05%	3.99%
ANTINEOPLAST/IMMUNOMODULATOR	130.06	151.71	229.99	294.05	31.25%	27.86%
ANTI DIABETIC	122.67	161.19	224.67	284.74	32.41%	26.74%
VITAMINS/MINERALS/NUTRIENTS	235.81	243.90	254.97	239.26	0.49%	-6.16%
Top Therapies	3,700.82	3,759.55	4,435.92	4,809.31	9.13%	8.42%
Total IQVIA Sales	4,400.97	4,585.37	5,299.02	5,628.64	8.55%	6.22%

Source: IQVIA, ICICI Direct Research

Financial Summary

Exhibit 16: Profit and loss statement				
	₹ crore			
(Year-end Marcl	FY22	FY23E	FY24E	FY25E
Revenues	15,265.2	17,361.7	18,956.5	20,246.8
Growth (%)	6.0	13.7	9.2	6.8
Raw Material Expe	5,545.2	6,339.2	6,824.3	7,187.6
Employee Expense	2,434.1	2,798.6	3,033.0	3,239.5
Other expenses	3,945.2	4,603.4	5,118.3	5,567.9
Total Operating Exp	11,924.5	13,741.2	14,975.6	15,995.0
EBITDA	3,340.7	3,620.5	3,980.9	4,251.8
Growth (%)	-1.4	8.4	10.0	6.8
Depreciation	713.0	725.7	860.5	908.5
Interest	127.0	135.0	92.8	50.5
Other Income	224.7	191.1	145.0	154.8
Less: Exceptional It	-112.7	2.9	0.0	0.0
PBT after Excep	2,838.1	2,948.0	3,172.6	3,447.7
Total Tax	511.7	661.8	634.5	689.5
Minority Interest	131.0	74.5	80.5	89.8
PAT	2,241.6	2,309.0	2,764.9	3,638.5
Adjusted PAT	2,149.2	2,311.2	2,764.9	3,638.5
Growth (%)	-10.1	7.5	19.6	31.6
EPS (Adjusted)	21.0	22.6	27.0	35.5

Source: Company, ICICI Direct Research

Exhibit 17: Cash flow statement				
	₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E
Profit/(Loss) after taxation	4,557.7	2,309.0	2,764.9	3,638.5
Add: Depreciation	736.1	725.7	860.5	908.5
Net Increase in Current Assets	-425.9	-1,081.3	-839.0	1,538.5
Net Increase in Current Liabilities	74.4	414.1	301.7	262.0
Other Operating Activities	-2838.2	135.0	92.8	50.5
CF from operating activities	2,104.1	2,502.5	3,180.8	6,397.9
(Inc)/dec in Fixed Assets	-1,167.2	-1,000.0	-800.0	-800.0
Loan & Advances	0.0	-53.0	-57.8	-63.0
(Inc)/dec in MI	0.0	74.5	80.5	89.8
Other Investing Activities	150.0	-50.0	-54.5	-59.4
CF from investing activities	-1,017.2	-1,028.5	-831.8	-832.6
Inc/(dec) in loan funds	-385.0	-1,000.0	-1,000.0	-1,000.0
Dividend paid & dividend tax	-372.2	-230.3	-281.5	-281.5
Inc/(dec) in forex reserve	0.0	0.0	0.0	0.0
Interest Paid	-111.1	-135.0	-92.8	-50.5
Other Financing Activities	0.0	0.0	0.0	0.0
CF from financing activities	-868.3	-1,365.3	-1,374.3	-1,332.0
Net Cash flow	218.6	108.7	974.7	4,233.2
Opening Cash	888.3	1,106.9	1,215.6	2,190.3
Closing Cash	1,106.9	1,215.6	2,190.3	6,423.4
Free Cash Flow	936.9	1,502.5	2,380.8	5,597.9

Source: Company, ICICI Direct Research

Exhibit 18: Balance Sheet				
	₹ crore			
(Year-end Marcl	FY22	FY23E	FY24E	FY25E
Equity Capital	102.4	101.2	101.2	101.2
Reserve and Surplu	16,897.2	18,977.0	21,460.4	24,817.3
Total Shareholders	16,999.6	19,078.2	21,561.6	24,918.5
Total Debt	4,196.0	3,196.0	2,196.0	1,196.0
Deferred Tax Liabili	153.8	167.6	182.7	199.2
Minority Interest	2,054.2	2,128.7	2,209.2	2,298.9
Other Non Curr.Liab	386.3	421.1	459.0	500.3
Total Liabilities	23,789.9	24,991.7	26,608.5	29,112.9
Gross Block - Fixed	12,340.9	13,540.9	14,340.9	15,140.9
Less: Acc Deprecia	5,452.1	6,177.8	7,038.3	7,946.7
Net Block	6,888.8	7,363.1	7,302.6	7,194.2
Capital WIP	661.0	461.0	461.0	461.0
Total Fixed Assets	7,549.8	7,824.1	7,763.6	7,655.2
Goodwill on Consoli	5,364.6	5,364.6	5,364.6	5,364.6
Investment	3,288.0	3,288.0	3,288.0	3,288.0
Inventory	3,719.4	4,252.0	4,577.4	4,821.0
Debtors	3,340.3	3,732.3	4,075.1	2,106.7
Other Current Asset	1,741.6	1,898.3	2,069.2	2,255.4
Cash	1,106.9	1,215.6	2,190.3	6,423.4
Total Current Asset	9,908.2	11,098.2	12,911.9	15,606.6
Creditors	2,137.8	2,443.9	2,630.9	2,771.0
Provisions	365.6	398.5	434.4	473.5
Other Current Liabili	1,502.1	1,577.2	1,656.1	1,738.9
Total Current Liabili	4,005.5	4,419.6	4,721.4	4,983.3
Deferred Tax Asset	1,095.8	1,194.4	1,301.9	1,419.1
Net Current Assets	5,902.7	6,678.5	8,190.5	10,623.3
Long term Loans ar	589.0	642.0	699.8	762.8
Application of F	23,789.9	24,991.7	26,608.5	29,112.9

Source: Company, ICICI Direct Research

Exhibit 19: Key ratios				
(Year-end March)	FY22	FY23E	FY24E	FY25E
Per share data (₹)				
Adjusted EPS	21.0	22.6	27.0	35.5
BV per share	166.1	186.4	210.6	243.4
Dividend per share	2.5	2.3	2.8	2.8
Cash Per Share	10.8	11.9	21.4	62.7
Operating Ratios (%)				
Gross Profit Margins	63.7	63.5	64.0	64.5
EBITDA margins	21.9	20.9	21.0	21.0
Net Profit margins	14.1	13.3	14.6	18.0
Inventory days	244.8	244.8	244.8	244.8
Debtor days	79.9	78.5	78.5	38.0
Creditor days	140.7	140.7	140.7	140.7
Asset Turnover	1.2	1.3	1.3	1.3
EBITDA Conversion Ratio	63.0	69.1	79.9	150.5
Return Ratios (%)				
RoE	12.6	12.1	12.8	14.6
RoCE	12.0	12.3	12.3	12.0
RoIC	12.0	12.4	13.1	15.1
Valuation Ratios (x)				
P/E	19.6	19.1	15.9	12.1
EV / EBITDA	14.1	12.7	11.0	9.1
EV / Net Sales	3.1	2.6	2.3	1.9
Market Cap / Sales	2.9	2.5	2.3	2.2
Price to Book Value	2.6	2.3	2.0	1.8
Solvency Ratios				
Debt / EBITDA	1.3	0.9	0.6	0.3
Debt / Equity	0.2	0.2	0.1	0.0
Current Ratio	2.2	2.2	2.3	1.8

Source: Company, ICICI Direct Research

Exhibit 20: Healthcare Coverage Universe

Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹ cr)	EPS (₹)				EV/EBITDA(x)				RoCE (%)			RoE (%)				
						FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E
Hospitals																					
Apollo Hospitals	APOHOS	4164	5,230	Buy	59871	7.8	59.1	67.8	85.2	57.7	29.8	29.3	24.6	6.3	15.1	14.7	16.7	6.3	15.1	14.7	16.7
Narayana Hrudalaya	NARHRU	728	855	Buy	14887	-0.7	16.7	27.9	25.6	86.0	23.8	18.1	16.4	1.2	20.5	23.6	19.0	-1.3	23.0	28.0	20.6
Shabby	SHALIM	139	180	Buy	1501	3.9	5.4	7.9	11.1	17.6	13.3	9.4	7.2	6.5	8.4	12.9	15.8	5.1	6.7	9.1	11.5
Aster DM	ASTDM	204	300	Buy	10195	3.0	10.5	8.1	18.5	16.0	11.5	10.6	7.2	5.4	9.0	9.1	14.0	4.4	13.3	9.3	17.5
Healthcare Global	HEAGLO	280	370	Buy	3889	-13.9	3.9	4.0	8.4	39.4	20.1	14.9	12.0	-0.9	5.0	9.3	12.3	-0.9	5.0	6.0	11.1
MNC Pharma																					
Abbott India	ABBIND	20564	21,725	Hold	43700	325.0	375.9	452.0	543.1	63.3	54.7	45.5	37.9	33.8	36.6	38.6	37.5	26.5	28.3	30.1	29.0
P&G Health	MERLIM	4086	5,235	Buy	6782	106.5	116.0	150.0	163.6	38.4	35.2	27.2	25.0	32.2	39.8	42.5	38.0	25.1	31.2	32.0	28.5
Sanofi India	SANOFI	5383	6,385	Hold	12396	207.4	410.1	265.9	255.5	26.0	13.1	20.2	21.1	32.3	33.3	40.9	50.2	24.5	25.9	30.8	38.1
Pfizer	PFIZER	3867	4,505	Hold	17690	108.8	133.9	151.4	150.2	35.6	28.9	25.5	25.8	27.6	26.1	25.0	23.7	20.8	21.4	18.8	18.1
Pharma																					
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	527	550	Hold	10358	62.6	27.7	14.6	21.0	8.4	19.0	36.0	25.2	25.1	10.6	6.3	8.6	24.1	10.4	5.3	7.3
Aurobindo Pharma	AURPHA	405	540	Hold	23704	55.0	47.4	34.7	44.8	7.4	8.5	11.7	9.0	16.9	12.9	9.6	11.9	14.7	11.3	7.7	9.1
Biocon	BIOCON	235	290	Hold	28214	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	430	500	Buy	43793	23.3	21.0	21.1	25.3	18.4	20.5	20.4	17.0	13.8	12.0	11.7	12.2	18.4	12.6	11.4	12.2
Cipla	CIPLA	1025	1,290	Buy	82716	29.8	32.9	38.3	45.5	34.4	31.1	26.8	25.5	17.0	16.3	18.4	19.1	13.1	12.7	13.3	14.1
Dr Reddy's Labs	DRREDD	4418	5,210	Buy	73576	117.6	127.2	262.2	215.5	37.6	34.7	16.9	20.5	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
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	344	395	Hold	5486	37.4	26.0	22.5	32.8	9.2	13.2	15.3	10.5	13.7	9.0	7.8	9.7	12.6	7.8	6.4	8.6
Lupin	LUPIN	741	680	Hold	33687	26.9	11.9	9.1	26.4	27.6	62.4	81.0	28.1	9.6	3.4	5.9	11.3	8.8	4.4	3.3	8.8
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	1008	1,210	Buy	241877	30.1	32.0	34.3	40.9	33.5	31.5	29.4	24.6	14.2	18.2	17.4	19.0	15.5	16.0	15.0	15.5
Torrent Pharma	TORPHA	1535	1,720	Hold	51951	37.0	32.0	37.6	45.6	41.5	47.9	40.8	33.6	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	697	955	Buy	5291	81.7	85.3	79.0	74.8	8.5	8.2	8.8	9.3	25.3	24.2	23.4	0.0	20.4	20.2	20.2	18.2
Advanced Enzymes	ADVENZ	272	265	Reduce	3037	13.1	10.7	9.6	13.3	20.8	25.4	28.5	20.4	19.4	14.3	10.9	14.0	15.1	11.0	9.0	11.3
Hester Biosciences	HESPHA	1784	1,830	Hold	1517	44.4	45.7	37.8	58.6	40.2	39.0	47.2	30.4	16.2	10.9	9.5	12.7	16.5	15.0	11.3	15.4
API/CRAMS																					
Divi's Lab	DIVLAB	2860	2,945	Hold	84102	74.7	111.5	87.7	96.9	38.3	25.6	32.6	29.5	27.6	30.2	21.1	21.8	21.3	25.2	17.7	17.2
Hikal	HIKCHE	334	375	Hold	4283	10.8	13.0	6.8	16.6	30.9	25.7	49.2	20.2	15.1	13.6	7.2	14.3	14.3	15.0	6.3	14.1
Syngene Int.	SYNINT	569	610	Hold	22848	10.1	9.9	11.6	14.3	56.2	57.6	49.1	39.7	11.5	11.7	12.9	15.1	13.5	12.9	12.5	13.5
Granules India	GRANUL	289	355	Buy	7171	22.2	16.6	22.7	27.2	13.0	17.4	12.7	10.6	24.0	15.6	20.5	21.7	25.3	16.0	19.7	19.3
Laurus Labs	LAULAB	330	400	Buy	17802	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	486	530	Buy	12383	14.2	17.8	14.7	17.7	34.1	27.3	33.0	27.5	31.2	37.5	26.0	25.6	30.7	29.7	20.6	20.5

Source: ICICI Direct Research

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Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

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

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