Prabhudas Lilladher
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Healthcare

Apr-Jun'23 Earnings Preview

July 6, 2023

Margins to improve

We expect pharmaceuticals companies under our coverage to report strong EBIDTA growth of 23% YoY (up 7% QoQ), mainly aided by steady domestic growth, new launches like gRevlimid in US and easing cost pressures. Benefits of INR depreciation vs USD (+6% YoY) will also aid profitability. We expect the quarter to see easing of cost pressures. Base business in US is likely to remain steady. Due to delayed monsoon, acute and trade generic business will be subdued YoY while benefit of price hike in NLEM portfolio will be seen in few domestic focused companies. Our top picks remain SUNP, Aurobindo, JBCP and TRP.

- **DRRD and ZYDUSLIF to report strong EBITDA growth:** Amongst PL universe we expect companies like DRRD and ZYDUSLIF to report higher EBIDTA growth of 56% and 43% YoY, aided by strong growth in US market as a result of new launches like gRevlimid. LPC to register strong YoY growth given low base and one-time milestone income of $25mn. SUNP to report EBIDTA growth of 12% YoY, led by continued growth momentum in Specialty and gRevlimid. Due to seasonality in India business, Cipla, Ipca will report QoQ EBITDA growth.

- **Margins to improve QoQ for CIPLA, DIVI and IPCA:** Companies like Cipla and IPCA will see QoQ margin improvement aided by higher domestic sales. We have factored in 300bps QoQ margin improvement in Divis, likely aided by higher gross margin.

- **Healthy growth for JBCP and ERIS:** JBCP to report EBITDA growth of 16%, given steady scale up in Sanzyme portfolio along with underlying strong base business growth. Seasonally Q1 is healthy for JBCP. In case of ERIS, scale up in Oaknet portfolio and margin improvement will aid EBITDA growth by 27% YoY. Key markets for TRP like Brazil and Germany will see healthy YoY growth.

- **US sales – stable QoQ:** We expect US sales to grow by 15% YoY in constant currency (CC) for our coverage universe aided by launches like gRevlimid and stable base business. On QoQ basis, expect flat sales. Among our coverage universe, we expect 7% QoQ and 2% QoQ decline for CIPLA and SUNP given likely lower sales from gAlbuterol and impact of import alert at Halol unit. On other hand ZYDUSLIF and DRRD will see strong YoY growth aided by gRevlimid and other new launches. We have factored in $70mn sales for DRRD and $20-40mn sales each for ZYDUSLIF, CIPLA and SUNP from gRevlimid in Q1FY24.

- **Sector outperformance will continue:** After multiple quarters of underperformance, BSE Healthcare Index outperformed Sensex by 8% in April-June23. Our sectoral outlook remains positive led by tailwinds in US generics, healthy domestic formulations segment and normalization in input cost. Henceforth we expect profitability to continue to improve with steady domestic business, niche launches in US market and continued cost optimization. We prefer companies with steady domestic franchises and strong US visibility. **Our top picks remain SUNP, JBCP and TRP.**

Exhibit 1: PL Universe - Pharma

Companies	Rating	CMP (Rs)	TP (Rs)
Aurobindo Pharma	BUY	761	660
Cipla	BUY	1,021	1,070
Divi's Laboratories	Hold	3,737	2,700
Dr. Reddy's Laboratories	Reduce	5,232	4,500
Eris Lifesciences	BUY	706	780
Glenmark Pharmaceuticals	Reduce	668	570
Indoco Remedies	BUY	328	400
Ipca Laboratories	HOLD	760	750
J.B. Chemicals & Pharma	BUY	2,314	2,450
Lupin	Hold	905	730
Sun Pharmaceutical Industries	BUY	1,043	1,140
Torrent Pharmaceuticals	BUY	1,899	1,900
Zydus Lifesciences	Acc	588	520

Source: PL *Acc=Accumulate*

Exhibit 2: PL Universe – Hospital

Companies	Rating	CMP (Rs)	TP (Rs)
Apollo Hospitals Enterprise	BUY	5,283	5,300
Aster DM Healthcare	BUY	311	335
Fortis Healthcare	BUY	322	365
Healthcare Global Enterprises	BUY	326	375
KIMS	BUY	1,782	1,660
Max Healthcare Institute	BUY	614	565
Narayana Hrudayalaya	BUY	1,013	1,100

Source: PL

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Top picks

- **SUNP** – Over last few years SUNP dependency on US generics has reduced and company's growth is more functional on US specialty, RoW and domestic pharma business, that continues to show strong growth visibility. **Maintain 'BUY' rating on the stock at TP Rs 1,140.**

- **JBCP** – Company's strong positioning in domestic markets and focus on scaling emerging opportunities in export segment, places it in an advantageous position to ride on near term growth prospects. **Maintain 'BUY' rating at TP of Rs. 2,450.**

- **TRP** – Strong presence in highly profitable branded business in domestic as well as Brazil and ROW market and recent completion of Curatio acquisition gives us comfort on the stock. **Maintain 'BUY' rating at TP Rs 1,900.**

Exhibit 3: YoY EBITDA growth aided by US sales and margin improvement

Fig in Rs mn	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24E	*YoY gr. (%)*	*QoQ gr. (%)*
ARBP	9,647	8,369	9,544	10,022	10,684	*10.8*	*6.6*
CIPLA	11,434	13,023	14,076	11,737	13,430	*17.5*	*14.4*
DIVI	8,467	6,210	4,083	4,918	5,712	*(32.5)*	*16.2*
DRRD	9,238	18,943	20,562	15,829	14,425	*56.1*	*(8.9)*
ERIS	1,292	1,514	1,372	1,189	1,643	*27.2*	*38.2*
GNP	4,316	6,215	6,202	6,050	5,225	*21.1*	*(13.6)*
INDOCO	715	879	620	648	754	*5.4*	*16.4*
IPCA	2,835	2,723	2,319	1,705	3,021	*6.6*	*77.1*
JBCP	1,728	1,846	1,748	1,636	1,995	*15.5*	*21.9*
LPC	1,639	4,342	5,160	6,041	7,798	*375.8*	*29.1*
SUNP	27,387	31,980	30,069	28,293	30,561	*11.6*	*8.0*
TRP	7,120	6,790	7,240	7,270	7,901	*11.0*	*8.7*
ZYDUSLIF	8,330	8,153	8,508	13,141	12,589	*51.1*	*(4.2)*
Total	**94,148**	**1,10,987**	**1,11,503**	**1,08,479**	**1,15,737**	***22.9***	***6.7***

Source: Company, PL

Exhibit 4: EBITDA margin – Margin improvement QoQ across companies

Fig in %	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24E	*YoY chng.*	*QoQ chng.*
ARBP	15.5	14.6	14.9	15.5	16.3	*83 bps*	*82 bps*
CIPLA	21.3	22.3	24.2	20.5	22.1	*82 bps*	*164 bps*
DIVI	37.6	33.5	23.9	25.2	28.2	*-938 bps*	*296 bps*
DRRD	17.7	30.0	30.4	25.1	23.5	*582 bps*	*-160 bps*
ERIS	32.4	32.9	32.4	29.5	34.7	*231 bps*	*521 bps*
GNP	15.5	18.4	17.9	17.9	17.4	*187 bps*	*-56 bps*
INDOCO	17.5	20.3	15.5	15.1	17.6	*6 bps*	*243 bps*
IPCA	17.9	17.0	15.0	11.3	17.5	*-35 bps*	*626 bps*
JBCP	22.0	22.8	22.0	21.5	22.6	*61 bps*	*114 bps*
LPC	4.4	10.5	11.9	13.6	16.8	*1240 bps*	*316 bps*
SUNP	25.4	29.2	26.7	25.9	26.3	*90 bps*	*42 bps*
TRP	30.3	29.6	29.1	29.2	30.0	*-28 bps*	*84 bps*
ZYDUSLIF	20.5	19.7	20.0	26.2	25.3	*483 bps*	*-89 bps*

Source: Company, PL

Exhibit 5: USD/INR tailwind YoY in Q1FY24 continue to aid exports

	Q1FY24E	Q1FY23	Q4FY23	*YoY gr. (%)*	*QoQ gr. (%)*
USD/INR	82.2	77.2	82.2	*6.5*	*(0.0)*
EUR/INR	89.4	82.3	88.2	*8.7*	*1.4*
BRL/INR	16.6	15.7	15.8	*5.8*	*5.0*
ZAR/INR	4.4	5.0	4.6	*(12.1)*	*(5.3)*
RUB/INR	1.0	1.2	1.1	*(15.8)*	*(9.8)*
GBP/INR	102.9	97.1	99.8	*6.0*	*3.1*
JPY/INR	0.6	0.6	0.6	*(0.2)*	*(3.4)*
CHF/INR	91.4	80.1	88.9	*14.2*	*2.9*

Source: Company, PL

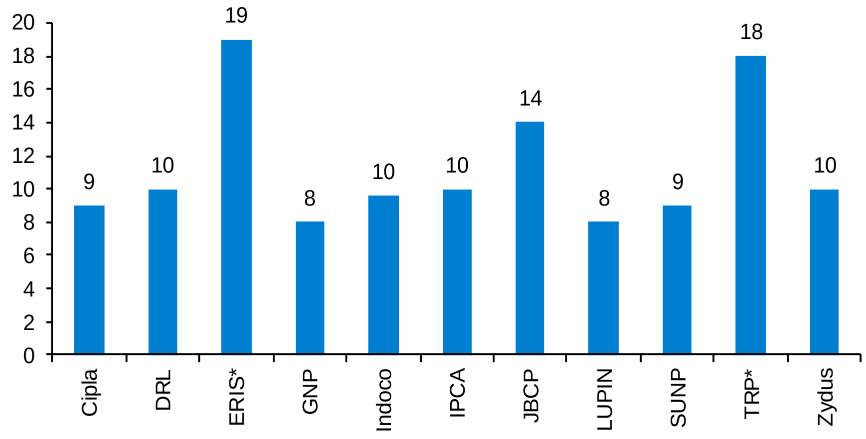
Exhibit 6: US revenues –Steady QoQ - ARBP and ZYDUSLIF likely to report healthy US sales

US Sales ($ mn)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24E	*YoY gr. (%)*	*QoQ gr. (%)*
ARBP	366	363	385	331	365	370	390	*1.3*	*5.3*
Cipla	150	161	155	179	195	204	190	*22.3*	*(6.9)*
DRL	249	266	231	351	372	308	300	*30.0*	*(2.6)*
GNP	101	98	86	94	102	103	104	*21.1*	*1.0*
LUPIN	202	181	121	159	177	175	180	*48.8*	*2.8*
SUNP	397	389	420	412	422	430	420	*(0.2)*	*(2.4)*
TRP	31	38	39	36	35	34	34	*(12.2)*	*(1.0)*
ZYDUSLIF	201	189	202	214	234	274	275	*36.2*	*0.4*

Source: Company, PL

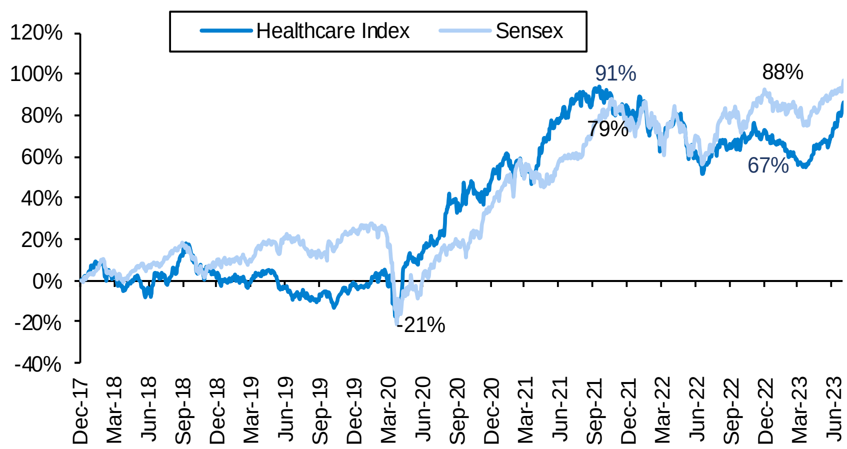
***Note –** Strong YoY growth for ERIS and TRP on consolidation of derma acquistion and Curatio biz*

Exhibit 7: Domestic formulation revenue to show steady YoY growth



Source: Company, PL

Exhibit 8: Healthcare index outperformed Sensex in Q1FY24 by 8%



Source: Company, PL

Exhibit 9: Q1FY24 Result Preview

Company Name		Q1FY24E	Q1FY23	YoY gr. (%)	Q4FY23	QoQ gr. (%)	Remarks
Aurobindo Pharma	Sales	65,552	62,359	5.1	64,730	1.3	Margins to improve QoQ. US revenues to improve QoQ on increase demand, volume uptick and higher injectable sales'. Commentary on input cost pressures and price erosion will be key monitorables.
	EBITDA	10,684	9,647	10.7	10,022	6.6	
	Margin (%)	16.3	15.5		15.5		
	PBT	7,634	6,830	11.8	7,359	3.7	
	Adj. PAT	5,523	5,204	6.1	5,059	9.2	
Cipla	Sales	60,782	53,752	13.1	57,393	5.9	Q1 is seasonally strong quarter for Cipla. Expect margins to improve QoQ. Segment wise Domestic formulations Rx biz to be healthy while trade generic biz may be subdued. US sales expected to decline QoQ led by competiton in certain products. Commentary on Indore facility will be key montiorable.
	EBITDA	13,430	11,434	17.5	11,737	14.4	
	Margin (%)	22.1	21.3		20.5		
	PBT	10,886	9,746	11.7	9,278	17.3	
	Adj. PAT	7,972	6,864	16.1	5,257	51.7	
Divi's Laboratories	Sales	20,275	22,545	-10.1	19,508	3.9	Expect QoQ improvement in margins aided by higher GMs. YoY profitability will continue to be lower given high base. Outlook on margins and growth in custom synthesis are key monitorables.
	EBITDA	5,712	8,467	(32.5)	4,918	16.2	
	Margin (%)	28.2	37.6		25.2		
	PBT	5,540	8,513	(34.9)	4,749	16.7	
	Adj. PAT	3,878	7,020	(44.8)	3,294	17.7	
Dr. Reddy's Laboratories	Sales	61,295	52,154	17.5	62,968	(2.7)	Expect healthy growth in US sales YoY aided by gRevlimid and other new launches. Commentary on margins and US sales ex of gRevlimid are key monitorables.
	EBITDA	14,425	9,238	56.1	15,829	(8.9)	
	Margin (%)	23.5	17.7		25.1		
	PBT	11,825	14,561	(18.8)	13,719	(13.8)	
	Adj. PAT	8,932	11,876	(24.8)	9,592	(6.9)	
Eris Lifesciences	Sales	4,731	3,986	18.7	4,028	17.4	Expect muted growth in base biz. Revenue growth on traction from Oaknet scale up. Margins to improve sharply QoQ and YoY at 35%. Commentary on new launches and outlook for base biz are key monitorables.
	EBITDA	1,643	1,292	27.2	1,189	38.2	
	Margin (%)	34.7	32.4		29.5		
	PBT	1,081	1,013	6.7	759	42.4	
	Adj. PAT	993	946	5.0	654	51.8	
Glenmark Pharmaceuticals	Sales	30,083	27,773	8.3	33,737	(10.8)	Margins and US sales to remain steady QoQ. Commentary on net debt reduction and data point on Ichnos assets are key montiorables.
	EBITDA	5,225	4,316	21.1	6,050	(13.6)	
	Margin (%)	17.4	15.5		17.9		
	PBT	2,825	4,080	(30.8)	3,090	(8.6)	
	Adj. PAT	1,778	1,925	(7.7)	-4,283	NA	
Indoco Remedies	Sales	4,292	4,082	5.1	4,282	0.2	India formulation sales may get impacted due to weak acute season. Outlook on margins and Goa facility resolution will be key monitorables.
	EBITDA	754	715	5.5	648	16.4	
	Margin (%)	17.6	17.5		15.1		
	PBT	489	484	1.1	389	25.5	
	Adj. PAT	367	386	(5.0)	258	42.0	
Ipca Laboratories	Sales	17,216	15,857	8.6	15,116	13.9	Seasonally Q1 is strong. Expects QoQ improvement in margins. Benefit of NLEM price hike will be reflected in domestic formulation biz. Commentary on margin oultook in base biz will be key.
	EBITDA	3,021	2,835	6.6	1,705	77.1	
	Margin (%)	17.5	17.9		11.3		
	PBT	2,481	2,227	11.4	1,295	91.6	
	Adj. PAT	1,716	1,431	19.9	765	124.2	
J.B. Chemicals & Pharmaceuticals	Sales	8,823	7,848	12.4	7,623	15.7	Seasonally Q1 is strong. Overall strong growth expected from Sanzyme and cardiac portfolio. Guidance on margins and growth outlook will be a key monitorables.
	EBITDA	1,995	1,728	15.5	1,636	21.9	
	Margin (%)	22.6	22.0		21.5		
	PBT	1,590	1,417	12.2	1,225	29.8	
	Adj. PAT	1,177	1,050	12.0	876	34.3	
Lupin	Sales	46,415	37,438	24.0	44,301	4.8	US sales will remain healthy QoQ. Margin guidance and update on gSpiriva launch will be key monitorables.
	EBITDA	7,798	1,639	375.6	6,041	29.1	
	Margin (%)	16.8	4.4		13.6		
	PBT	4,608	23	20,197.7	2,585	78.2	
	Adj. PAT	3,314	-891	NA	2,360	40.4	

Company Name		Q1FY24E	Q1FY23	*YoY gr. (%)*	Q4FY23	*QoQ gr. (%)*	Remarks
Sun Pharmaceutical Industries	Sales	1,16,189	1,07,618	*8.0*	1,09,307	*6.3*	Specialty product portfolio will continue to grow while US generic busines will be aided by gRevlimid. Domestic formulation business to grow at 8-9% YoY. Outlook on overheads and margins will be key monitorables .
	EBITDA	30,561	27,387	*11.6*	28,293	*8.0*	
	Margin (%)	26.3	25.4		25.9		
	PBT	25,011	21,392	*16.9*	24,383	*2.6*	
	Adj. PAT	21,209	20,609	*2.9*	19,845	*6.9*	
Torrent Pharmaceuticals	Sales	26,315	23,470	*12.1*	24,910	*5.6*	Healthy growth to continue in key markets like India and Brazil market. Margins to remain steady on QoQ.
	EBITDA	7,901	7,120	*11.0*	7,270	*8.7*	
	Margin (%)	*30.0*	*30.3*		*29.2*		
	PBT	4,941	5,320	*(7.1)*	4,330	*14.1*	
	Adj. PAT	3,409	3,540	*(3.7)*	2,870	*18.8*	
Zydus Lifesciences	Sales	49,696	40,727	*22.0*	50,106	*(0.8)*	Another strong quarter. US sales to remain healthy aided by new launches like gRevlimid and gTrokendi.
	EBITDA	12,589	8,330	*51.1*	13,141	*(4.2)*	
	Margin (%)	25.3	20.5		26.2		
	PBT	10,889	6,839	*59.2*	11,456	*(4.9)*	
	Adj. PAT	8,311	5,266	*57.8*	9,586	*(13.3)*	

Source: Company, PL

Hospitals: Steady quarter

Hospital companies under our coverage are expected to post 13% YoY growth (8% QoQ de-growth) in post IND AS EBIDTA (16% YoY EBIDTA growth ex of Rs2.05bn loss in Apollo 24x7) in Q1. We expect occupancy across our coverage universe to report steady to marginal decline QoQ. Further we see 50-500bps improvement in occupancy across our coverage universe on YoY basis as elective surgeries continues to recover post COVID waves. We anticipate ARPOB to continue to remain healthy, aided by improving case and payor mix. We remain structurally positive in the hospitals space and expect momentum to continue in FY24 with 1) improvement in occupancy, 2) better case mix and 3) sustainability of current ARPOB.

Our top picks in the sector are APHS, FORH and MAXHEALT.

- **Healthy YoY growth across hospitals:** APHS hospital segment is likely to report 11% YoY growth aided by higher occupancy and ARPOB. In case of NARH, we continue to see higher YoY profitability across Cayman given low base and commencement of radiation block. Overall we see 31% YoY (9% QoQ decline) growth in consolidated EBIDTA for NARH. MAXHEALT is likely to report 13% YoY EBIDTA growth aided by higher occupancy and better payor mix. KIMS is likely to report 14% YoY (5% QoQ decline) growth in EBIDTA, aided by Sunshine and steady profitability across flagship units. For HCG, we foresee steady occupancy and improvement in margins along with ramp up in new units. Hence, we see healthy 15% YoY growth in EBIDTA. ASTERDM likely to report 18% YoY EBIDTA growth aided by India business.

- **24*7 losses to drag APHS profitability:** APHS is likely to report 4% YoY growth in post IND AS EBIDTA, due to elevated losses from 24x7. We have factored in Rs2.05bn losses including ESOP from 24x7 vs Rs2.2bn in Q4FY23. Adjusted for this, we see 15% YoY growth (2% QoQ) in EBIDTA for APHS. FORH's diagnostic business's EBIDTA to improve 7% YoY, while hospital EBIDTA to see 14% YoY growth. Benefit of Arcot road monetization will be reflected from Q2FY24 onwards.

Top picks:

- **APHS –** A solid growth platform across segments and digital foraying has created a strong Omni channel play. APHS also has good presence in offline format, making it more of a formidable player than just pure play online companies. Though stake sale in Apollo HealthCo has been delayed, scale up in business is on track; APHS remains our top pick. **We maintain our TP of Rs 5,300 and 'BUY' rating on the stock.**

- **FORH –** FORH's improving operational performance and efficiency has been visible in margins despite of no expansion in last three years. We believe company's brownfield expansion plan, improving case and payor mix, cost rationalization initiatives and divestment of non-profitable assets will aid its growth momentum. **We maintain our 'Buy' rating with TP of Rs365.**

- **MAXHEALT –** MAXHEALT has shown phenomenal growth in past two years and we expect this momentum to continue given 1) strong expansion plans, 2) improving payor mix and 3) scale up in labs. **We maintain 'Buy' rating with TP of Rs 565.**

Exhibit 10: Healthy YoY growth across hospitals

EBITDA (Fig in Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24E	*YoY gr. (%)*	*QoQ gr. (%)*
APHS IN	4,907	5,654	5,054	4,882	5,111	*4.2*	*4.7*
ASTERDM IN	2,921	3,189	4,487	5,056	3,439	*17.7*	*-32.0*
FORH IN	2,511	3,029	2,764	2,709	2,814	*12.1*	*3.9*
HCG IN	722	747	755	763	830	*15.0*	*8.7*
KIMS IN	1,372	1,524	1,512	1,632	1,559	*13.7*	*-4.5*
MAXHEALT IN	3,670	4,000	4,050	4,290	4,136	*12.7*	*-3.6*
NARH IN	1,920	2,437	2,544	2,757	2,517	*31.1*	*-8.7*
Total	**18,022**	**20,580**	**21,166**	**22,089**	**20,406**	***13.2***	***-7.6***

Source: Company, PL

Exhibit 11: Steady EBITDA margins QoQ

Margin (%)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24E	*YoY chng.*	*QoQ chng.*
APHS IN	12.9	13.3	11.9	11.3	11.8	*-117 bps*	*+41 bps*
ASTERDM IN	11.0	11.3	14.1	15.5	11.6	*+60 bps*	*-392 bps*
FORH IN	16.9	18.8	17.7	16.5	17.2	*+28 bps*	*+67 bps*
HCG IN	17.7	17.8	17.8	17.3	18.6	*+93 bps*	*+134 bps*
KIMS IN	27.7	27.0	26.9	28.3	27.4	*-28 bps*	*-94 bps*
MAXHEALT IN	26.4	27.2	27.7	27.8	27.3	*+90bps*	*-48 bps*
NARH IN	18.6	21.3	22.6	22.6	21.9	*+329 bps*	*-70 bps*

Source: Company, PL

Exhibit 12: Expect healthy ARPOB (Rs. per day) in Q1

Company Name	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	*YoY gr. (%)*	*QoQ gr. (%)*
APHS IN	48,510	51,999	50,353	51,482	53,232	*9.7*	*3.4*
ASTERDM IN	36,700	36,300	34,900	37,200	37,900	*3.3*	*1.9*
FORH IN	51,507	53,699	53,973	55,342	57,500	*11.6*	*3.9*
HCG IN	38,805	38,454	36,914	37,014	39,864	*2.7*	*7.7*
KIMS IN	25,144	30,192	29,237	29,812	30,573	*21.6*	*2.6*
MAXHEALT IN	63,500	66,000	66,000	66,800	70,700	*11.3*	*5.8*
NARH IN	33,425	33,425	33,699	35,068	36,986	*10.7*	*5.5*

Source: Company, PL *(Note: AsterDM - India ARPOB)*

Exhibit 13: Occupancy at steady to marginal decline QoQ given seasonality

Occupancy (%)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24E
APHS IN	60.0	68.0	65.0	64.0	65.0
ASTERDM IN	63.0	72.0	68.0	68.0	67.0
FORH IN	65.0	70.0	66.1	67.0	66.0
HCG IN	64.6	66.4	65.7	65.1	65.0
KIMS IN	65.5	72.6	68.2	70.8	70.0
MAXHEALT IN	74.0	78.0	77.0	77.0	76.0

Source: Company, PL *(Note: AsterDM - India Hospital Occupancy)*

Exhibit 14: Q1FY24 Result Preview – Hospitals

Company Name		Q1FY24E	Q1FY23	*YoY gr. (%)*	Q4FY23	*QoQ gr. (%)*	Remark
Apollo Hospitals Enterprise	Sales	43,481	37,956	*14.6*	43,022	*1.1*	We expect occupancy to remain steady QoQ. Losses from 24x7 are expected to remain elevated. SAP revenues to see strong YoY growth. Adj for 24x7 losses, we see 15% YoY EBITDA growth. Commentary on 24x7 losses and outlook for hospital segment occupancy will be key monitorables.
	EBITDA	5,111	4,907	*4.2*	4,882	*4.7*	
	Margin (%)	*11.8*	*12.9*		*11.3*		
	PBT	2,711	2,663	*1.8*	2,500	*8.4*	
	Adj. PAT	1,669	3,171	*(47.4)*	1,445	*15.5*	
Aster DM Healthcare	Sales	29,707	26,621	*11.6*	32,623	*(8.9)*	Expect GCC biz profitability to remain steady; India biz to continue to show healthy growth. Status of GCC biz restructuring will be key.
	EBITDA	3,439	2,921	*17.7*	5,056	*(32.0)*	
	Margin (%)	*11.6*	*11.0*		*15.5*		
	PBT	589	856	*(31.2)*	2,051	*(71.3)*	
	Adj. PAT	392	685	*(42.7)*	1,708	*(77.0)*	
Fortis Healthcare	Sales	16,397	14,879	*10.2*	16,427	*(0.2)*	Expect occupancy to decline QoQ. Hospital EBIDTA to improve 14% YoY. While diagnostic business's EBIDTA to witness 7% YoY improvement. Update on margin scale up in hospital segment will be key monitorable.
	EBITDA	2,814	2,511	*12.1*	2,709	*3.9*	
	Margin (%)	*17.2*	*16.9*		*16.5*		
	PBT	1,863	1,663	*12.0*	1,712	*8.9*	
	Adj. PAT	1,329	1,223	*8.7*	1,326	*0.3*	
HealthCare Global Enterprises	Sales	4,457	4,081	*9.2*	4,417	*0.9*	Expect ARPOB and occupancy to remain healthy. Ramp up in new units will be key monitorable.
	EBITDA	830	722	*15.0*	763	*8.7*	
	Margin (%)	*18.6*	*17.7*		*17.3*		
	PBT	195	104	*86.8*	131	*48.1*	
	Adj. PAT	176	60	*190.9*	84	*110.0*	
Krishna Institute of Medical Sciences	Sales	5,690	4,955	*14.8*	5,759	*(1.2)*	Occupancy to remain steady QoQ. Sunshine business to see YoY and QoQ growth.
	EBITDA	1,559	1,372	*13.7*	1,632	*(4.5)*	
	Margin (%)	*27.4*	*27.7*		*28.3*		
	PBT	1,202	1,074	*11.9*	1,273	*(5.6)*	
	Adj. PAT	814	700	*16.4*	933	*(12.7)*	
Max Healthcare Institute	Sales	15,151	13,900	*9.0*	15,440	*(1.9)*	Expect occupancy and ARPOB to remain healthy. Improvement in operational profitability aided by better payor and case mix.
	EBITDA	4,136	3,670	*12.7*	4,290	*(3.6)*	
	Margin (%)	*27.3*	*26.4*		*27.8*		
	PBT	3,459	2,850	*21.4*	3,690	*(6.3)*	
	Adj. PAT	2,836	2,280	*24.4*	3,190	*(11.1)*	
Narayana Hrudayalaya	Sales	11,508	10,334	*11.4*	12,216	*(5.8)*	India and Cayman hospital business profitability will continue to see healthy YoY growth. Performance of radiation block in Cayman will be key montiorable
	EBITDA	2,517	1,920	*31.1*	2,757	*(8.7)*	
	Margin (%)	*21.9*	*18.6*		*22.6*		
	PBT	1,867	1,375	*35.8*	2,135	*(12.6)*	
	Adj. PAT	1,489	1,106	*34.6*	1,733	*(14.1)*	

Source: Company, PL

Exhibit 15: Valuation Summary - Pharma

Company Names	S/C	Rating	CMP (Rs)	TP (Rs)	MCap (Rs bn)	Sales (Rs bn)				EBITDA (Rs bn)				PAT (Rs bn)				EPS (Rs)				RoE (%)				PE (x)			
						FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E
Aurobindo Pharma	C	BUY	761	660	446.0	234.5	248.6	272.4	291.5	43.9	37.6	46.6	51.1	26.5	19.3	26.3	29.5	45.2	32.9	44.9	50.4	11.4	7.5	9.4	9.7	16.8	23.1	16.9	15.1
Cipla	C	BUY	1,021	1,070	824.3	217.6	227.5	248.3	273.3	45.5	50.3	54.7	62.1	25.2	29.8	33.6	38.9	31.2	37.0	41.6	48.2	12.9	13.5	13.6	14.2	32.7	27.6	24.5	21.2
Divi's Laboratories	C	Hold	3,737	2,700	991.9	89.6	77.7	85.1	97.9	38.8	23.7	27.1	32.3	29.2	18.2	19.8	23.6	110.0	68.7	74.5	88.9	27.8	14.9	14.9	16.4	34.0	54.4	50.1	42.0
Dr. Reddy's Laboratories	C	Reduce	5,232	4,500	871.6	214.4	245.9	252.2	276.5	46.1	64.6	58.3	67.4	23.6	45.1	38.5	45.0	141.6	270.5	231.0	270.1	12.9	21.4	15.6	16.1	36.9	19.3	22.7	19.4
Eris Lifesciences	C	BUY	706	780	96.0	13.5	16.9	19.9	22.2	4.8	5.4	6.7	7.6	4.1	3.8	4.2	5.0	29.9	28.1	30.7	36.6	23.3	18.6	17.7	18.3	23.6	25.1	23.0	19.3
Glenmark Pharmaceuticals	C	Reduce	668	570	188.6	123.0	129.9	137.6	148.6	23.5	22.8	24.8	27.1	9.4	3.0	9.4	10.7	42.6	37.7	33.4	37.9	11.7	3.2	9.5	9.9	15.7	17.7	20.0	17.6
Indoco Remedies	C	BUY	328	400	30.2	15.4	16.7	18.5	20.7	3.3	2.9	3.3	3.8	1.5	1.4	1.7	2.1	16.8	15.4	18.6	22.3	18.5	14.7	15.5	16.2	19.5	21.2	17.6	14.7
Ipca Laboratories	C	HOLD	760	750	192.8	58.3	62.4	69.4	77.6	12.8	9.6	13.2	16.0	8.9	4.8	7.6	9.5	17.5	18.9	29.8	37.3	17.5	8.5	12.4	14.1	43.3	40.3	25.5	20.4
J.B. Chemicals & Pharmaceuticals	C	BUY	2,314	2,450	179.1	24.2	31.5	36.2	41.1	5.4	7.0	8.8	10.6	3.9	4.1	5.5	7.1	49.9	52.9	70.6	91.5	19.5	17.8	20.3	22.1	46.4	43.7	32.8	25.3
Lupin	C	Hold	905	730	411.9	164.1	166.4	186.2	203.4	22.9	17.2	27.4	33.1	12.5	4.3	12.1	16.7	27.5	9.5	26.7	36.6	9.6	3.5	9.4	11.8	32.9	95.8	34.0	24.7
Sun Pharmaceutical Industries	C	BUY	1,043	1,140	2,501.3	386.5	438.9	481.5	533.9	102.4	117.7	129.2	149.5	32.7	84.7	92.5	109.7	32.0	36.6	38.5	45.7	6.9	16.3	15.7	16.8	32.5	28.5	27.0	22.8
Torrent Pharmaceuticals	C	BUY	1,899	1,900	642.0	85.1	96.2	110.1	125.8	24.3	28.4	32.9	39.2	7.8	12.4	15.7	20.3	37.3	36.8	46.3	60.0	21.4	20.5	24.1	27.7	51.0	51.6	41.0	31.7
Zydus Lifesciences	C	Acc	588	520	595.2	151.1	172.4	183.8	197.7	31.9	35.8	39.5	43.4	22.4	19.6	25.7	28.4	21.9	19.4	25.4	28.0	15.0	11.4	13.8	13.7	26.9	30.3	23.2	21.0

Source: Company, PL *S=Standalone / C=Consolidated / Acc=Accumulate*

Some stocks have variation from our rating system with regards to target prices and upsides given increased market volatility. We shall review the same at the time of results.

Exhibit 16: Change in Estimates – Pharma

	Rating		Target Price			Sales						PAT						EPS					
						FY24E			FY25E			FY24E			FY25E			FY24E			FY25E		
	C	P	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.
Aurobindo Pharma	BUY	BUY	660	660	0.0%	2,72,431	2,72,431	0.0%	2,91,512	2,91,512	0.0%	26,329	26,329	0.0%	29,510	29,510	0.0%	44.9	44.9	0.0%	50.4	50.4	0.0%
Cipla	BUY	BUY	1,070	1,070	0.0%	2,48,344	2,48,344	0.0%	2,73,272	2,73,272	0.0%	33,593	33,593	0.0%	38,927	38,927	0.0%	41.6	41.6	0.0%	48.2	48.2	0.0%
Divi's Laboratories	Hold	Hold	2,700	2,700	0.0%	85,150	85,150	0.0%	97,922	97,922	0.0%	19,784	19,784	0.0%	23,596	23,596	0.0%	74.5	74.5	0.0%	88.9	88.9	0.0%
Dr. Reddy's Laboratories	Reduce	Reduce	4,500	4,500	0.0%	2,52,204	2,52,204	0.0%	2,76,465	2,76,465	0.0%	38,477	38,477	0.0%	45,000	45,000	0.0%	231.0	231.0	0.0%	270.1	270.1	0.0%
Eris Lifesciences	BUY	BUY	780	780	0.0%	19,907	20,349	-2.2%	22,210	22,679	-2.1%	4,177	4,212	-0.8%	4,979	5,031	-1.0%	30.7	31.0	-0.8%	36.6	37.0	-1.0%
Glenmark Pharmaceuticals	Reduce	Reduce	570	570	0.0%	1,37,570	1,37,570	0.0%	1,48,562	1,48,562	0.0%	9,430	9,430	0.0%	10,693	10,693	0.0%	33.4	33.4	0.0%	37.9	37.9	0.0%
Indoco Remedies	BUY	BUY	400	400	0.0%	18,549	18,549	0.0%	20,744	20,744	0.0%	1,712	1,712	0.0%	2,057	2,057	0.0%	18.6	18.6	0.0%	22.3	22.3	0.0%
Ipca Laboratories	HOLD	HOLD	750	750	0.0%	69,375	69,154	0.3%	77,641	77,404	0.3%	7,568	7,623	-0.7%	9,458	9,519	-0.6%	29.8	30.0	-0.7%	37.3	37.5	-0.6%
J.B. Chemicals & Pharmaceuticals	BUY	BUY	2,450	2,450	0.0%	36,223	36,223	0.0%	41,132	41,132	0.0%	5,466	5,466	0.0%	7,083	7,083	0.0%	70.6	70.6	0.0%	91.5	91.5	0.0%
Lupin	Hold	Hold	730	730	0.0%	1,86,186	1,86,186	0.0%	2,03,363	2,03,363	0.0%	12,130	12,130	0.0%	16,667	16,667	0.0%	26.7	26.7	0.0%	36.6	36.6	0.0%
Sun Pharmaceutical Industries	BUY	BUY	1,140	1,140	0.0%	4,81,515	4,81,515	0.0%	5,33,950	5,33,950	0.0%	92,491	92,491	0.0%	1,09,726	1,09,726	0.0%	38.5	38.5	0.0%	45.7	45.7	0.0%
Torrent Pharmaceuticals	BUY	BUY	1,900	1,900	0.0%	1,10,121	1,10,121	0.0%	1,25,819	1,25,819	0.0%	15,663	15,663	0.0%	20,265	20,265	0.0%	46.3	46.3	0.0%	60.0	60.0	0.0%
Zydus Lifesciences	Acc	Acc	520	520	0.0%	1,83,773	1,83,773	0.0%	1,97,657	1,97,657	0.0%	25,689	25,689	0.0%	28,383	28,383	0.0%	25.4	25.4	0.0%	28.0	28.0	0.0%

Source: Company, PL *C=Current / P=Previous / Acc=Accumulate*

Exhibit 17: Valuation Summary – Hospitals

Company Names	S/C	Rating	CMP (Rs)	TP (Rs)	MCap (Rs bn)	Sales (Rs bn)				EBIDTA (Rs bn)				PAT (Rs bn)				EPS (Rs)				RoE (%)				PE (x)			
						FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E
Apollo Hospitals Enterprise	C	BUY	5,283	5,300	759.6	146.6	166.1	194.0	225.2	21.9	20.5	26.4	33.7	10.6	8.2	11.3	16.2	53.0	57.0	78.3	112.4	14.9	13.9	17.0	21.0	99.8	92.7	67.5	47.0
Aster DM Healthcare	C	BUY	311	335	155.3	102.5	119.3	128.8	139.5	14.8	15.7	17.9	20.1	5.3	4.2	5.4	6.9	12.1	9.5	12.2	15.3	14.4	10.1	11.5	13.5	25.7	32.7	25.6	20.3
Fortis Healthcare	C	BUY	322	365	243.2	57.2	63.0	68.9	76.3	10.7	11.0	13.0	15.2	2.4	5.2	6.8	8.4	7.4	6.8	9.0	11.1	3.9	7.7	8.9	10.1	43.8	47.2	36.0	28.9
HealthCare Global Enterprises	C	BUY	326	375	45.4	14.0	16.9	18.8	21.1	2.4	3.0	3.6	4.3	0.5	0.3	1.0	1.5	-2.9	2.1	7.2	10.6	-5.2	3.4	10.9	14.2	-110.9	154.6	45.6	30.8
Krishna Institute of Medical Sciences	C	BUY	1,782	1,660	142.6	16.5	22.0	25.1	29.5	5.2	6.0	7.1	8.2	3.3	3.2	3.7	4.2	41.6	40.2	45.7	53.1	29.6	21.0	20.0	19.6	42.9	44.4	39.0	33.6
Max Healthcare Institute	C	BUY	614	565	596.4	51.7	58.8	64.3	76.1	13.4	16.1	17.8	21.0	8.9	13.7	12.4	14.9	9.2	14.1	12.8	15.3	14.3	18.5	14.3	14.8	67.1	43.6	48.1	40.1
Narayana Hrudayalaya	C	BUY	1,013	1,100	207.0	37.0	45.2	49.8	55.7	6.5	9.7	10.8	12.3	3.4	6.1	6.5	7.7	16.7	29.7	32.0	37.7	26.2	33.5	26.7	24.6	60.5	34.1	31.7	26.9

Source: Company, PL *S=Standalone / C=Consolidated*

Some stocks have variation from our rating system with regards to target prices and upsides given increased market volatility. We shall review the same at the time of results.

Exhibit 18: Change in Estimates – Hospitals

	Rating		Target Price			Sales						PAT						EPS					
						FY24E			FY25E			FY24E			FY25E			FY24E			FY25E		
	C	P	C	P	*% Chng.*	C	P	*% Chng.*	C	P	*% Chng.*	C	P	*% Chng.*	C	P	*% Chng.*	C	P	*% Chng.*	C	P	*% Chng.*
Apollo Hospitals Enterprise	BUY	BUY	5,300	5,300	*0.0%*	1,94,023	1,94,023	*0.0%*	2,25,193	2,25,193	*0.0%*	11,256	11,256	*0.0%*	16,156	16,156	*0.0%*	78.3	78.3	*0.0%*	112.4	112.4	*0.0%*
Aster DM Healthcare	BUY	BUY	335	335	*0.0%*	1,28,849	1,29,661	*-0.6%*	1,39,461	1,40,046	*-0.4%*	5,373	5,670	*-5.2%*	6,937	7,469	*-7.1%*	12.2	12.8	*-4.7%*	15.3	16.4	*-6.5%*
Fortis Healthcare	BUY	BUY	365	365	*0.0%*	68,880	68,880	*0.0%*	76,342	76,342	*0.0%*	6,765	6,765	*0.0%*	8,407	8,407	*0.0%*	9.0	9.0	*0.0%*	11.1	11.1	*0.0%*
HealthCare Global Enterprises	BUY	BUY	375	375	*0.0%*	18,845	18,845	*0.0%*	21,125	21,125	*0.0%*	995	995	*0.0%*	1,470	1,470	*0.0%*	7.2	7.2	*0.0%*	10.6	10.6	*0.0%*
Krishna Institute of Medical Sciences	BUY	BUY	1,660	1,660	*0.0%*	25,085	25,085	*0.0%*	29,519	29,519	*0.0%*	3,656	3,656	*0.0%*	4,248	4,248	*0.0%*	45.7	45.7	*0.0%*	53.1	53.1	*0.0%*
Max Healthcare Institute	BUY	BUY	565	565	*0.0%*	64,293	64,293	*0.0%*	76,139	76,139	*0.0%*	12,403	12,403	*0.0%*	14,886	14,886	*0.0%*	12.8	12.8	*-0.1%*	15.3	15.4	*-0.1%*
Narayana Hrudayalaya	BUY	BUY	1,100	1,100	*0.0%*	49,789	49,789	*0.0%*	55,652	55,652	*0.0%*	6,535	6,535	*0.0%*	7,695	7,695	*0.0%*	32.0	32.0	*0.0%*	37.7	37.7	*0.0%*

Source: Company, PL *C=Current / P=Previous*

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	5,300	4,622
2	Aster DM Healthcare	BUY	335	270
3	Aurobindo Pharma	BUY	660	611
4	Cipla	BUY	1,070	937
5	Divi's Laboratories	Hold	2,700	3,098
6	Dr. Reddy's Laboratories	Reduce	4,500	4,867
7	Eris Lifesciences	BUY	780	638
8	Fortis Healthcare	BUY	365	309
9	Glenmark Pharmaceuticals	Reduce	570	609
10	HealthCare Global Enterprises	BUY	375	294
11	Indoco Remedies	BUY	400	340
12	Ipca Laboratories	Hold	750	741
13	J.B. Chemicals & Pharmaceuticals	BUY	2,450	2,055
14	Krishna Institute of Medical Sciences	BUY	1,660	1,527
15	Lupin	Hold	730	750
16	Max Healthcare Institute	BUY	565	523
17	Narayana Hrudayalaya	BUY	1,100	1,037
18	Sun Pharmaceutical Industries	BUY	1,140	970
19	Torrent Pharmaceuticals	BUY	1,900	1,714
20	Zydus Lifesciences	Accumulate	520	508

PL's Recommendation Nomenclature

Buy	:	> 15%
Accumulate	:	5% to 15%
Hold	:	+5% to -5%
Reduce	:	-5% to -15%
Sell	:	< -15%
Not Rated (NR)	:	No specific call on the stock
Under Review (UR)	:	Rating likely to change shortly

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