

August 6, 2023

## Q1FY24 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

|                | Current  |          | Previous |          |
|----------------|----------|----------|----------|----------|
|                | FY24E    | FY25E    | FY24E    | FY25E    |
| Rating         | HOLD     |          | HOLD     |          |
| Target Price   | 1,010    |          | 730      |          |
| Sales (Rs. m)  | 1,93,317 | 2,08,979 | 1,86,186 | 2,03,363 |
| % Chng.        | 3.8      | 2.8      |          |          |
| EBITDA (Rs. m) | 32,386   | 36,181   | 27,393   | 33,069   |
| % Chng.        | 18.2     | 9.4      |          |          |
| EPS (Rs.)      | 34.6     | 41.8     | 26.7     | 36.6     |
| % Chng.        | 29.8     | 14.2     |          |          |

### Key Financials - Consolidated

| Y/e Mar        | FY22     | FY23     | FY24E    | FY25E    |
|----------------|----------|----------|----------|----------|
| Sales (Rs. m)  | 1,64,055 | 1,66,418 | 1,93,317 | 2,08,979 |
| EBITDA (Rs. m) | 22,904   | 17,207   | 32,386   | 36,181   |
| Margin (%)     | 14.0     | 10.3     | 16.8     | 17.3     |
| PAT (Rs. m)    | 12,513   | 4,302    | 15,742   | 19,026   |
| EPS (Rs.)      | 27.5     | 9.5      | 34.6     | 41.8     |
| Gr. (%)        | 2.7      | (65.7)   | 265.9    | 20.9     |
| DPS (Rs.)      | 4.7      | 4.7      | 5.9      | 7.0      |
| Yield (%)      | 0.4      | 0.4      | 0.5      | 0.7      |
| RoE (%)        | 9.6      | 3.5      | 11.9     | 12.9     |
| RoCE (%)       | 8.2      | 5.1      | 13.1     | 14.0     |
| EV/Sales (x)   | 3.1      | 3.1      | 2.6      | 2.4      |
| EV/EBITDA (x)  | 22.3     | 29.9     | 15.7     | 13.7     |
| PE (x)         | 38.6     | 112.5    | 30.8     | 25.4     |
| P/BV (x)       | 4.0      | 3.9      | 3.5      | 3.1      |

### Key Data

### LUPN.BO | LPC IN

|                     |                     |
|---------------------|---------------------|
| 52-W High / Low     | Rs.1,078 / Rs.603   |
| Sensex / Nifty      | 65,721 / 19,517     |
| Market Cap          | Rs.484bn/ \$ 5,845m |
| Shares Outstanding  | 455m                |
| 3M Avg. Daily Value | Rs.998.61m          |

### Shareholding Pattern (%)

|                         |       |
|-------------------------|-------|
| Promoter's              | 47.07 |
| Foreign                 | 13.94 |
| Domestic Institution    | 29.36 |
| Public & Others         | 9.63  |
| Promoter Pledge (Rs bn) | -     |

### Stock Performance (%)

|          | 1M   | 6M   | 12M  |
|----------|------|------|------|
| Absolute | 19.4 | 43.9 | 61.2 |
| Relative | 18.9 | 33.2 | 43.0 |

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## Strong gross margins; US ramp up is key

### Quick Pointers:

- Received milestone income of Rs 2bn from AbbVie.
- gSpiriva launch likely by end of Q2FY24 with LPC only being generic player.

**Lupin's (LPC) Q1FY24 adjusted EBITDA for NCE of Rs6.6bn (up 8% QoQ) was 10% above our estimate aided by higher GMs and healthy revenue growth across its key markets. Our FY24 and FY25E EBITDA stands increased by 18% and 9% as we factor in higher US sales and GMs. Margins are likely to improve further with gSpiriva launch, however any competition and delay in ramp up will be key risk to our estimates. At CMP, stock is trading at 25x FY25E EPS and we have factored margin recovery and certain niche launches in US. Maintain 'Hold' rating with revised TP of Rs1010/share, 24x FY25E EPS.**

- Growth driven by key markets:** Revenues grew 28.6% YoY to Rs 48bn. Adjusted for Rs2.1bn NCE income, revenue came in at Rs46bn vs our estimate of Rs 44bn. US business remained healthy at \$181mn up 3% QoQ. India formulation business grew 10% YoY to Rs 16.3bn. EMEA grew by 19.6% while growth markets were weak with 4% YoY decline. API sales grew strongly by 32% YoY. NCE income consists of milestone income of Rs 2bn for its Phase 1 clinical stage MAL T1 inhibitor program from AbbVie.
- Higher GMs; OPM further improve QoQ:** Company reported EBIDTA of Rs8.6bn. Adjusted for NCE income, EBITDA came in at Rs6.5bn up 8% QoQ, above our estimate of Rs6bn. Adjusted OPM came in at 14.1% expanded by 50bps QoQ. Adj GM for NCE came in sharply higher at 63%; up 450 bps QoQ mainly due to change in product mix and softening of input prices. However other expenses came in sharply higher at Rs14.7bn; up 13% QoQ. R&D expenses came in higher at 7.9% of sales; up 6% YoY. Tax came in lower at 19%. Reported PAT came in at Rs4.5bn vs our est of Rs3.5bn.
- Key concall takeaways: India branded business:** Growth was healthy despite NLEM impact and higher in licensing income in base. Mgmt cited products like Ondero likely to go off patent in Aug 2023 and thereby another product in 2025 which may impact growth slightly in India. Company has added +1000 new salesforce; benefit of that likely to start yielding productivity from Q2FY24. **US market** – Recent clearance of Pithampur unit 2 will aid 5-6 niche opthal launches including Prolensa where company enjoys FTF. On gSpiriva – guided for Q2FY24 end launch and market share ramp up will be gradual. LPC is likely to be only generic in market and not expecting any AG launch also. Price erosion in US base business was in low single digit. **R&D spend:** Increase in R&D spend was inclined towards newer platforms of biosimilars and injectables as well as clinical trials towards Risperidal completion. Overall 50% of R&D spend goes towards biosimilars, injectables and complex generics. **Net debt** was down sharply from Rs25bn to Rs13bn as of Q1FY24. Reiterated its margin guidance of +15% in FY24 with likely exit run-rate of 18% with double digit revenue growth. ETR guidance lower to 21-22% for FY24 & FY25 given benefits accruing from Sikkim plant and turnaround in US subsidiary.

**Exhibit 1: Q1FY24 Result Overview (Rs mn): Higher GMs aided growth**

| Y/e March                     | Q1FY24        | Q1FY23         | YoY gr. (%)      | Q4FY23        | QoQ gr. (%) | FY24E           | FY23            | YoY gr. (%)  |
|-------------------------------|---------------|----------------|------------------|---------------|-------------|-----------------|-----------------|--------------|
| <b>Net Sales</b>              | <b>48,141</b> | <b>37,438</b>  | <b>28.6</b>      | <b>44,301</b> | <b>8.7</b>  | <b>1,86,186</b> | <b>1,66,417</b> | <b>11.9</b>  |
| Raw Material                  | 16,408        | 16,098         | 1.9              | 17,500        | (6.2)       | 73,984          | 67,798          | 9.1          |
| <i>% of Net Sales</i>         | <i>34.1</i>   | <i>43.0</i>    |                  | <i>39.5</i>   |             | <i>39.7</i>     | <i>40.7</i>     |              |
| Personnel Cost                | 8,444         | 7,785          | 8.5              | 7,730         | 9.2         | 32,415          | 30,872          | 5.0          |
| <i>% of Net Sales</i>         | <i>17.5</i>   | <i>20.8</i>    |                  | <i>17.4</i>   |             | <i>17.4</i>     | <i>18.6</i>     |              |
| Others                        | 14,724        | 11,916         | 23.6             | 13,030        | 13.0        | 52,394          | 50,542          | 3.7          |
| <i>% of Net Sales</i>         | <i>30.6</i>   | <i>31.8</i>    |                  | <i>29.4</i>   |             | <i>28.1</i>     | <i>30.4</i>     |              |
| Total Expenditure             | 39,576        | 35,799         | 10.6             | 38,260        | 3.4         | 1,58,793        | 1,49,211        | 6.4          |
| <b>EBITDA</b>                 | <b>8,565</b>  | <b>1,639</b>   | <b>422.4</b>     | <b>6,041</b>  | <b>41.8</b> | <b>27,393</b>   | <b>17,206</b>   | <b>59.2</b>  |
| <i>Margin (%)</i>             | <i>17.8</i>   | <i>4.4</i>     |                  | <i>13.6</i>   |             | <i>14.7</i>     | <i>10.3</i>     |              |
| Depreciation                  | 2,347         | 1,928          | 21.7             | 2,640         | (11.1)      | 9,071           | 8,807           | 3.0          |
| <b>EBIT</b>                   | <b>6,218</b>  | <b>(289)</b>   | <b>(2,252.3)</b> | <b>3,401</b>  | <b>82.9</b> | <b>18,322</b>   | <b>8,399</b>    | <b>118.2</b> |
| Other Income (Includes FX)    | 227           | 739            | (69.4)           | 539           | (58.0)      | 1,000           | 1,509           | (33.7)       |
| Interest                      | 857           | 428            | 100.3            | 926           | (7.4)       | 2,500           | 2,743           | (8.9)        |
| <b>PBT</b>                    | <b>5,588</b>  | <b>23</b>      | <b>24,516.3</b>  | <b>3,014</b>  | <b>85.4</b> | <b>16,822</b>   | <b>7,165</b>    | <b>134.8</b> |
| Total Taxes                   | 1,055         | 891            | 18.4             | 161           | 554.6       | 4,542           | 2,688           | 69.0         |
| <i>ETR (%)</i>                | <i>18.9</i>   | <i>3,924.7</i> |                  | <i>5.3</i>    |             | <i>27.0</i>     | <i>37.5</i>     |              |
| <b>PAT before exceptional</b> | <b>4,533</b>  | <b>(868)</b>   | <b>(622.1)</b>   | <b>2,853</b>  | <b>58.9</b> | <b>12,280</b>   | <b>4,477</b>    | <b>174.3</b> |
| Minority interest             | (11)          | (23)           |                  | (64)          |             | 150             | 176             |              |
| Exceptional Item              | -             | -              |                  | -             |             | -               | -               |              |
| <b>Reported PAT</b>           | <b>4,523</b>  | <b>(891)</b>   | <b>(607.7)</b>   | <b>2,789</b>  | <b>62.2</b> | <b>12,130</b>   | <b>4,301</b>    | <b>182.0</b> |

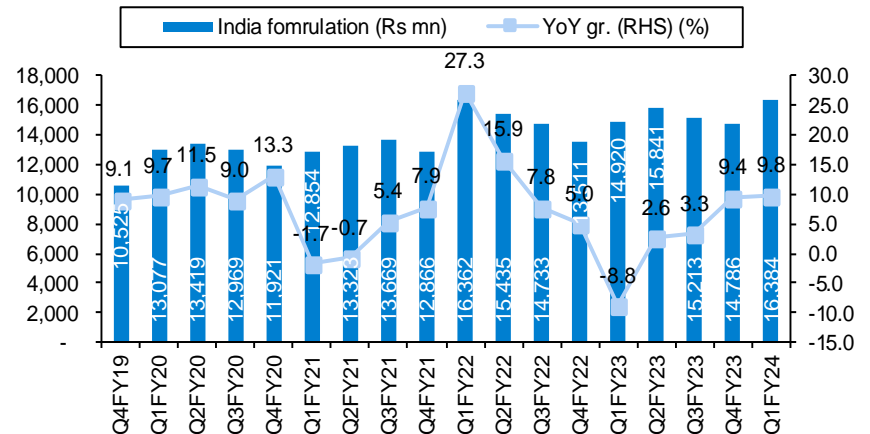
Source: Company, PL

**Exhibit 2: Contribution from key products in US and API sales spur growth**

| Major Sources of Revenues          | Q1FY24        | Q1FY23        | YoY gr. (%) | Q4FY23        | QoQ gr. (%) | FY24E           | FY23            | YoY gr. (%) |
|------------------------------------|---------------|---------------|-------------|---------------|-------------|-----------------|-----------------|-------------|
| Domestic market                    | 16,384        | 14,920        | 9.8         | 14,786        | 10.8        | 66,227          | 60,759          | 9.0         |
| <i>% of Sales</i>                  | <i>34.6</i>   | <i>41.4</i>   |             | <i>34.1</i>   |             | <i>35.0</i>     | <i>38.1</i>     |             |
| International market (Exports)     | 31,037        | 21,120        | 47.0        | 28,517        | 8.8         | 1,22,923        | 98,722          | 24.5        |
| <i>% of Sales</i>                  | <i>65.4</i>   | <i>58.6</i>   |             | <i>65.9</i>   |             | <i>65.0</i>     | <i>61.9</i>     |             |
| <b>Total</b>                       | <b>47,421</b> | <b>36,040</b> | <b>31.6</b> | <b>43,303</b> | <b>9.5</b>  | <b>1,89,150</b> | <b>1,59,481</b> | <b>18.6</b> |
| <b>Formulations</b>                | <b>41,997</b> | <b>33,489</b> | <b>25.4</b> | <b>40,077</b> | <b>4.8</b>  | <b>1,74,896</b> | <b>1,48,389</b> | <b>17.9</b> |
| <i>% of Sales</i>                  | <i>88.6</i>   | <i>92.9</i>   |             | <i>92.6</i>   |             | <i>92.5</i>     | <i>93.0</i>     |             |
| India                              | 16,384        | 14,920        | 9.8         | 14,786        | 10.8        | 66,227          | 60,759          | 9.0         |
| <i>% of Sales</i>                  | <i>34.6</i>   | <i>41.4</i>   |             | <i>34.1</i>   |             | <i>35.0</i>     | <i>38.1</i>     |             |
| International market (Exports)     | 25,613        | 18,569        | 37.9        | 25,291        | 1.3         | 1,08,668        | 87,630          | 24.0        |
| <i>% of Sales</i>                  | <i>54.0</i>   | <i>51.5</i>   |             | <i>58.4</i>   |             | <i>57.5</i>     | <i>54.9</i>     |             |
| North America                      | 15,905        | 10,104        | 57.4        | 15,503        | 2.6         | 69,212          | 50,969          | 35.8        |
| <i>% of Sales</i>                  | <i>33.5</i>   | <i>28.0</i>   |             | <i>35.8</i>   |             | <i>36.6</i>     | <i>32.0</i>     |             |
| Europe, Middle East, Africa (EMEA) | 3,987         | 3,335         | 19.6        | 4,535         | (12.1)      | 17,065          | 15,514          | 10.0        |
| <i>% of Sales</i>                  | <i>8.4</i>    | <i>9.3</i>    |             | <i>10.5</i>   |             | <i>9.0</i>      | <i>9.7</i>      |             |
| Emerging Markets (ROW) & LATAM     | 5,721         | 5,130         | 11.5        | 5,253         | 8.9         | 22,391          | 21,147          | 5.9         |
| <i>% of Sales</i>                  | <i>12.1</i>   | <i>14.2</i>   |             | <i>12.1</i>   |             | <i>11.8</i>     | <i>13.3</i>     |             |
| <b>APIs</b>                        | <b>3,371</b>  | <b>2,551</b>  | <b>32.1</b> | <b>3,226</b>  | <b>4.5</b>  | <b>12,201</b>   | <b>11,092</b>   | <b>10.0</b> |
| <i>% of Sales</i>                  | <i>7.1</i>    | <i>7.1</i>    |             | <i>7.4</i>    |             | <i>6.5</i>      | <i>7.0</i>      |             |
| <b>NCEs</b>                        | <b>2,053</b>  | <b>-</b>      |             | <b>-</b>      |             | <b>2,053</b>    | <b>-</b>        |             |
| <b>Grand Total</b>                 | <b>47,421</b> | <b>36,040</b> | <b>31.6</b> | <b>43,303</b> | <b>9.5</b>  | <b>1,89,150</b> | <b>1,59,481</b> | <b>18.6</b> |

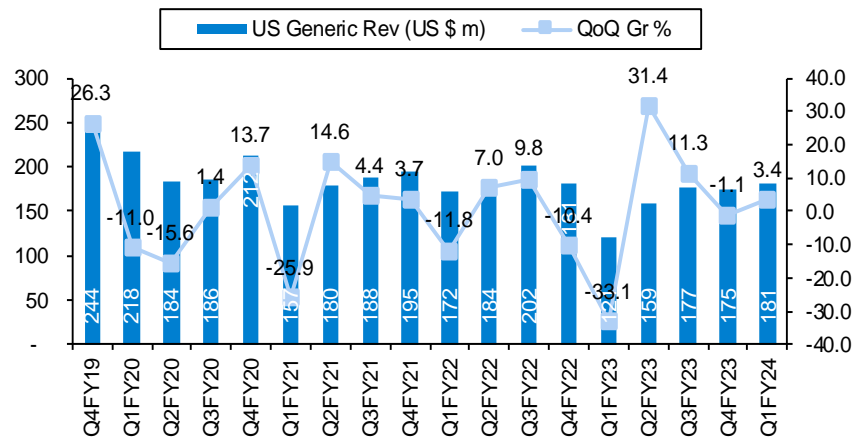
Source: Company, PL

**Exhibit 3: Domestic formulations business growth back to normalcy**



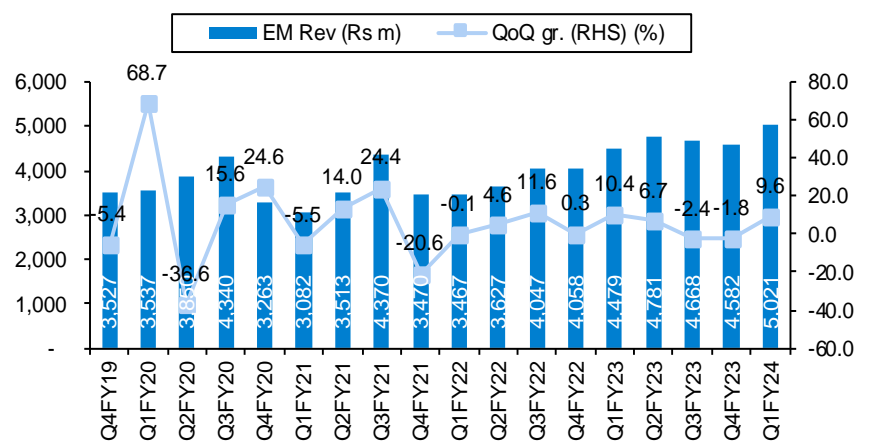
Source: Company, PL

**Exhibit 4: US performance enhanced on QoQ basis**



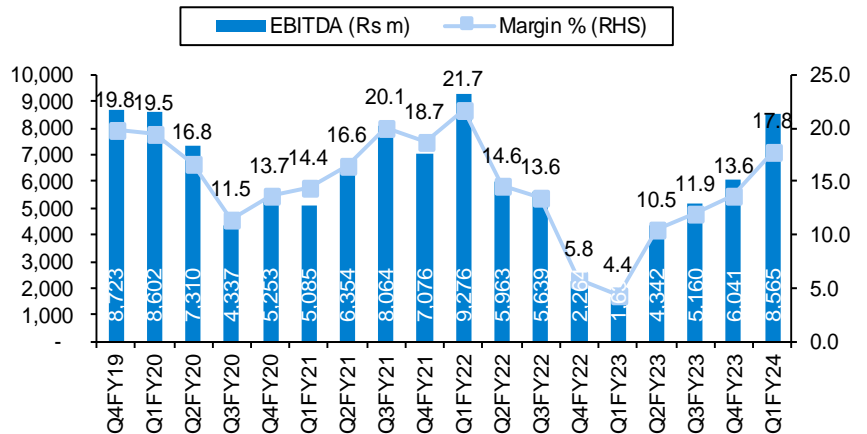
Source: Company, PL

**Exhibit 5: Revamp in EM's QoQ**



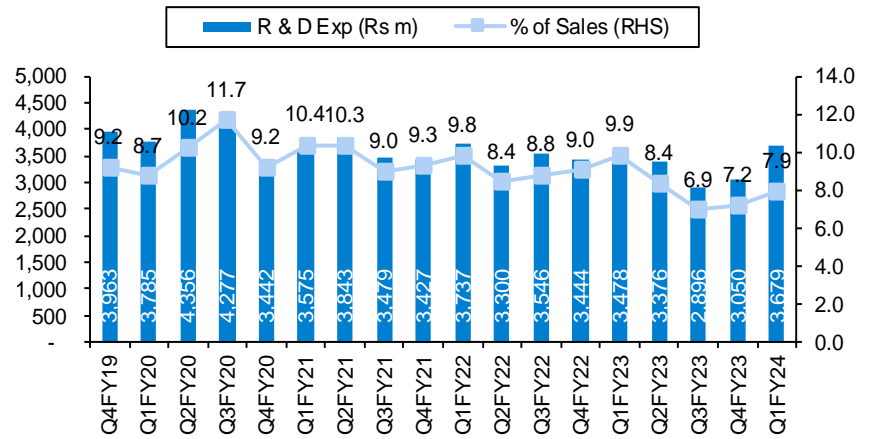
Source: Company, PL

**Exhibit 6: Better product mix and softening input prices aided margins**



Source: Company, PL

**Exhibit 7: R&D expenses to continue at existing levels**



Source: Company, PL

## Financials

### Income Statement (Rs m)

| Y/e Mar                       | FY22            | FY23            | FY24E           | FY25E           |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|
| <b>Net Revenues</b>           | <b>1,64,055</b> | <b>1,66,418</b> | <b>1,93,317</b> | <b>2,08,979</b> |
| YoY gr. (%)                   | 8.2             | 1.4             | 16.2            | 8.1             |
| Cost of Goods Sold            | 64,812          | 67,798          | 71,206          | 76,688          |
| Gross Profit                  | 99,243          | 98,620          | 1,22,111        | 1,32,292        |
| Margin (%)                    | 60.5            | 59.3            | 63.2            | 63.3            |
| Employee Cost                 | 29,893          | 30,872          | 33,959          | 36,675          |
| Other Expenses                | 46,446          | 50,542          | 55,767          | 59,435          |
| <b>EBITDA</b>                 | <b>22,904</b>   | <b>17,207</b>   | <b>32,386</b>   | <b>36,181</b>   |
| YoY gr. (%)                   | (14.2)          | (24.9)          | 88.2            | 11.7            |
| Margin (%)                    | 14.0            | 10.3            | 16.8            | 17.3            |
| Depreciation and Amortization | 9,510           | 8,807           | 9,511           | 9,797           |
| <b>EBIT</b>                   | <b>13,394</b>   | <b>8,400</b>    | <b>22,874</b>   | <b>26,384</b>   |
| Margin (%)                    | 8.2             | 5.0             | 11.8            | 12.6            |
| Net Interest                  | 1,428           | 2,743           | 3,500           | 3,000           |
| Other Income                  | 2,101           | 1,509           | 1,000           | 1,200           |
| <b>Profit Before Tax</b>      | <b>14,067</b>   | <b>7,166</b>    | <b>20,374</b>   | <b>24,584</b>   |
| Margin (%)                    | 8.6             | 4.3             | 10.5            | 11.8            |
| Total Tax                     | 1,371           | 2,688           | 4,482           | 5,409           |
| Effective tax rate (%)        | 9.7             | 37.5            | 22.0            | 22.0            |
| <b>Profit after tax</b>       | <b>12,696</b>   | <b>4,478</b>    | <b>15,892</b>   | <b>19,176</b>   |
| Minority interest             | 183             | 176             | 150             | 150             |
| Share Profit from Associate   | -               | -               | -               | -               |
| <b>Adjusted PAT</b>           | <b>12,513</b>   | <b>4,302</b>    | <b>15,742</b>   | <b>19,026</b>   |
| YoY gr. (%)                   | 2.9             | (65.6)          | 265.9           | 20.9            |
| Margin (%)                    | 7.6             | 2.6             | 8.1             | 9.1             |
| Extra Ord. Income / (Exp)     | -               | -               | -               | -               |
| <b>Reported PAT</b>           | <b>12,513</b>   | <b>4,302</b>    | <b>15,742</b>   | <b>19,026</b>   |
| YoY gr. (%)                   | 2.9             | (65.6)          | 265.9           | 20.9            |
| Margin (%)                    | 7.6             | 2.6             | 8.1             | 9.1             |
| Other Comprehensive Income    | -               | -               | -               | -               |
| Total Comprehensive Income    | 12,513          | 4,302           | 15,742          | 19,026          |
| <b>Equity Shares O/s (m)</b>  | <b>455</b>      | <b>455</b>      | <b>455</b>      | <b>455</b>      |
| <b>EPS (Rs)</b>               | <b>27.5</b>     | <b>9.5</b>      | <b>34.6</b>     | <b>41.8</b>     |

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

| Y/e Mar                               | FY22            | FY23            | FY24E           | FY25E           |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|
| <b>Non-Current Assets</b>             |                 |                 |                 |                 |
| <b>Gross Block</b>                    | <b>1,41,650</b> | <b>1,59,690</b> | <b>1,69,690</b> | <b>1,79,690</b> |
| Tangibles                             | 79,700          | 85,943          | 94,553          | 1,00,125        |
| Intangibles                           | 61,950          | 73,747          | 75,137          | 79,565          |
| <b>Acc: Dep / Amortization</b>        | <b>86,087</b>   | <b>94,894</b>   | <b>1,04,405</b> | <b>1,14,202</b> |
| Tangibles                             | 34,202          | 39,493          | 43,451          | 47,528          |
| Intangibles                           | 51,885          | 55,401          | 60,954          | 66,674          |
| <b>Net fixed assets</b>               | <b>55,563</b>   | <b>64,796</b>   | <b>65,285</b>   | <b>65,488</b>   |
| Tangibles                             | 45,498          | 46,450          | 51,102          | 52,597          |
| Intangibles                           | 10,065          | 18,346          | 14,183          | 12,891          |
| Capital Work In Progress              | 8,475           | 8,948           | 8,948           | 8,948           |
| Goodwill                              | 21,241          | 22,188          | 22,188          | 22,188          |
| Non-Current Investments               | 9,000           | 5,169           | 5,169           | 5,169           |
| Net Deferred tax assets               | (711)           | (738)           | (738)           | (738)           |
| Other Non-Current Assets              | -               | -               | -               | -               |
| <b>Current Assets</b>                 |                 |                 |                 |                 |
| Investments                           | -               | -               | -               | -               |
| Inventories                           | 46,307          | 44,918          | 53,011          | 57,397          |
| Trade receivables                     | 42,619          | 44,807          | 51,971          | 56,272          |
| Cash & Bank Balance                   | 10,981          | 12,931          | 18,287          | 28,549          |
| Other Current Assets                  | -               | -               | -               | -               |
| <b>Total Assets</b>                   | <b>2,16,515</b> | <b>2,28,003</b> | <b>2,49,105</b> | <b>2,68,257</b> |
| <b>Equity</b>                         |                 |                 |                 |                 |
| Equity Share Capital                  | 909             | 910             | 910             | 910             |
| Other Equity                          | 1,20,624        | 1,23,735        | 1,38,868        | 1,54,700        |
| <b>Total Network</b>                  | <b>1,21,533</b> | <b>1,24,645</b> | <b>1,39,778</b> | <b>1,55,610</b> |
| <b>Non-Current Liabilities</b>        |                 |                 |                 |                 |
| Long Term borrowings                  | 1,419           | 275             | 275             | (1,725)         |
| Provisions                            | -               | -               | -               | -               |
| Other non current liabilities         | -               | -               | -               | -               |
| <b>Current Liabilities</b>            |                 |                 |                 |                 |
| ST Debt / Current of LT Debt          | 37,023          | 42,165          | 42,165          | 42,165          |
| Trade payables                        | 22,829          | 25,315          | 28,584          | 30,950          |
| Other current liabilities             | 32,313          | 34,081          | 36,631          | 39,436          |
| <b>Total Equity &amp; Liabilities</b> | <b>2,16,515</b> | <b>2,28,003</b> | <b>2,49,105</b> | <b>2,68,257</b> |

Source: Company Data, PL Research

**Cash Flow (Rs m)**

| Y/e Mar                              | FY22            | FY23            | FY24E           | FY25E           |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|
| PBT                                  | 3,502           | (1,280)         | 20,374          | 24,584          |
| Add. Depreciation                    | 9,510           | 8,807           | 9,511           | 9,797           |
| Add. Interest                        | 1,428           | 2,743           | 3,500           | 3,000           |
| Less Financial Other Income          | 2,101           | 1,509           | 1,000           | 1,200           |
| Add. Other                           | (11,086)        | 7,870           | -               | -               |
| Op. profit before WC changes         | 3,354           | 18,140          | 33,386          | 37,381          |
| Net Changes-WC                       | (150)           | 3,263           | (9,438)         | (3,517)         |
| Direct tax                           | 469             | (2,432)         | (4,482)         | (5,409)         |
| <b>Net cash from Op. activities</b>  | <b>3,673</b>    | <b>18,970</b>   | <b>19,465</b>   | <b>28,455</b>   |
| Capital expenditures                 | (10,519)        | (17,906)        | (10,000)        | (10,000)        |
| Interest / Dividend Income           | -               | -               | -               | -               |
| Others                               | -               | -               | -               | -               |
| <b>Net Cash from Inv. activities</b> | <b>(10,519)</b> | <b>(17,906)</b> | <b>(10,000)</b> | <b>(10,000)</b> |
| Issue of share cap. / premium        | -               | -               | -               | -               |
| Debt changes                         | (10,787)        | 1,728           | -               | (2,000)         |
| Dividend paid                        | (2,951)         | (1,825)         | (2,662)         | (3,194)         |
| Interest paid                        | (1,428)         | (2,743)         | (3,500)         | (3,000)         |
| Others                               | 15,568          | 3,726           | 2,053           | -               |
| <b>Net cash from Fin. activities</b> | <b>403</b>      | <b>886</b>      | <b>(4,109)</b>  | <b>(8,194)</b>  |
| <b>Net change in cash</b>            | <b>(6,444)</b>  | <b>1,950</b>    | <b>5,356</b>    | <b>10,261</b>   |
| Free Cash Flow                       | (5,378)         | 3,974           | 9,465           | 18,455          |

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

| Y/e Mar                           | Q2FY23        | Q3FY23        | Q4FY23        | Q1FY24        |
|-----------------------------------|---------------|---------------|---------------|---------------|
| <b>Net Revenue</b>                | <b>41,455</b> | <b>43,222</b> | <b>44,301</b> | <b>48,141</b> |
| YoY gr. (%)                       | 1.3           | 3.9           | 14.1          | 28.6          |
| Raw Material Expenses             | 17,128        | 17,071        | 17,500        | 16,408        |
| Gross Profit                      | 24,328        | 26,151        | 26,800        | 31,733        |
| Margin (%)                        | 58.7          | 60.5          | 60.5          | 65.9          |
| <b>EBITDA</b>                     | <b>4,342</b>  | <b>5,160</b>  | <b>6,041</b>  | <b>8,565</b>  |
| YoY gr. (%)                       | (27.2)        | (8.5)         | 166.8         | 422.4         |
| Margin (%)                        | 10.5          | 11.9          | 13.6          | 17.8          |
| Depreciation / Depletion          | 2,035         | 2,204         | 2,640         | 2,347         |
| <b>EBIT</b>                       | <b>2,307</b>  | <b>2,956</b>  | <b>3,401</b>  | <b>6,218</b>  |
| Margin (%)                        | 5.6           | 6.8           | 7.7           | 12.9          |
| Net Interest                      | 549           | 841           | 926           | 857           |
| Other Income                      | 338           | 346           | 110           | 227           |
| <b>Profit before Tax</b>          | <b>2,096</b>  | <b>2,461</b>  | <b>2,585</b>  | <b>5,588</b>  |
| Margin (%)                        | 5.1           | 5.7           | 5.8           | 11.6          |
| Total Tax                         | 751           | 885           | 161           | 1,055         |
| Effective tax rate (%)            | 35.8          | 36.0          | 6.2           | 18.9          |
| <b>Profit after Tax</b>           | <b>1,345</b>  | <b>1,576</b>  | <b>2,424</b>  | <b>4,533</b>  |
| Minority interest                 | 47            | 42            | 64            | 11            |
| Share Profit from Associates      | -             | -             | -             | -             |
| <b>Adjusted PAT</b>               | <b>1,297</b>  | <b>1,535</b>  | <b>2,360</b>  | <b>4,523</b>  |
| YoY gr. (%)                       | (106.2)       | (71.9)        | (145.6)       | (607.7)       |
| Margin (%)                        | 3.1           | 3.6           | 5.3           | 9.4           |
| Extra Ord. Income / (Exp)         | -             | -             | -             | -             |
| <b>Reported PAT</b>               | <b>1,297</b>  | <b>1,535</b>  | <b>2,360</b>  | <b>4,523</b>  |
| YoY gr. (%)                       | (75.1)        | (79.2)        | (145.4)       | (607.7)       |
| Margin (%)                        | 3.1           | 3.6           | 5.3           | 9.4           |
| Other Comprehensive Income        | -             | -             | -             | -             |
| <b>Total Comprehensive Income</b> | <b>1,297</b>  | <b>1,535</b>  | <b>2,360</b>  | <b>4,523</b>  |
| Avg. Shares O/s (m)               | 452           | 452           | 452           | 452           |
| <b>EPS (Rs)</b>                   | <b>2.9</b>    | <b>3.4</b>    | <b>5.2</b>    | <b>10.0</b>   |

Source: Company Data, PL Research

**Key Financial Metrics**

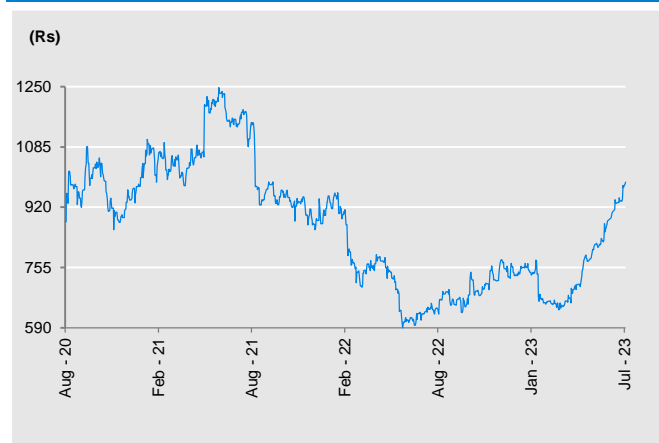
| Y/e Mar                    | FY22   | FY23  | FY24E | FY25E |
|----------------------------|--------|-------|-------|-------|
| <b>Per Share(Rs)</b>       |        |       |       |       |
| EPS                        | 27.5   | 9.5   | 34.6  | 41.8  |
| CEPS                       | 48.5   | 28.8  | 55.5  | 63.3  |
| BVPS                       | 267.4  | 273.9 | 307.2 | 342.0 |
| FCF                        | (11.8) | 8.7   | 20.8  | 40.6  |
| DPS                        | 4.7    | 4.7   | 5.9   | 7.0   |
| <b>Return Ratio(%)</b>     |        |       |       |       |
| RoCE                       | 8.2    | 5.1   | 13.1  | 14.0  |
| ROIC                       | 6.5    | 3.9   | 9.9   | 11.0  |
| RoE                        | 9.6    | 3.5   | 11.9  | 12.9  |
| <b>Balance Sheet</b>       |        |       |       |       |
| Net Debt : Equity (x)      | 0.2    | 0.2   | 0.2   | 0.1   |
| Net Working Capital (Days) | 147    | 141   | 144   | 144   |
| <b>Valuation(x)</b>        |        |       |       |       |
| PER                        | 38.6   | 112.5 | 30.8  | 25.4  |
| P/B                        | 4.0    | 3.9   | 3.5   | 3.1   |
| P/CEPS                     | 22.0   | 36.9  | 19.2  | 16.8  |
| EV/EBITDA                  | 22.3   | 29.9  | 15.7  | 13.7  |
| EV/Sales                   | 3.1    | 3.1   | 2.6   | 2.4   |
| Dividend Yield (%)         | 0.4    | 0.4   | 0.5   | 0.7   |

Source: Company Data, PL Research

**Key Operating Metrics**

| Y/e Mar            | FY22   | FY23   | FY24E  | FY25E  |
|--------------------|--------|--------|--------|--------|
| India Formulations | 60,042 | 60,759 | 66,227 | 73,512 |
| US formulations    | 54,953 | 50,964 | 69,212 | 72,798 |
| EU                 | 3,888  | 4,625  | 5,186  | 5,904  |
| ROW                | 21,420 | 24,110 | 25,784 | 28,108 |
| API                | 9,904  | 11,092 | 12,201 | 13,177 |
| Other              | 8,464  | 6,937  | 6,220  | 6,400  |

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


| No. | Date      | Rating | TP (Rs.) | Share Price (Rs.) |
|-----|-----------|--------|----------|-------------------|
| 1   | 06-Jul-23 | Hold   | 730      | 905               |
| 2   | 10-May-23 | Hold   | 730      | 750               |
| 3   | 06-Apr-23 | Hold   | 675      | 659               |
| 4   | 13-Feb-23 | Hold   | 675      | 737               |
| 5   | 06-Jan-23 | Hold   | 650      | 742               |
| 6   | 11-Nov-22 | Hold   | 650      | 719               |
| 7   | 06-Oct-22 | Hold   | 600      | 721               |

**Analyst Coverage Universe**

| Sr. No. | Company Name                          | Rating     | TP (Rs) | Share Price (Rs) |
|---------|---------------------------------------|------------|---------|------------------|
| 1       | Apollo Hospitals Enterprise           | BUY        | 5,300   | 5,283            |
| 2       | Aster DM Healthcare                   | BUY        | 335     | 311              |
| 3       | Aurobindo Pharma                      | BUY        | 660     | 761              |
| 4       | Cipla                                 | BUY        | 1,220   | 1,069            |
| 5       | Divi's Laboratories                   | Hold       | 2,700   | 3,737            |
| 6       | Dr. Reddy's Laboratories              | Reduce     | 5,150   | 5,476            |
| 7       | Eris Lifesciences                     | BUY        | 780     | 706              |
| 8       | Fortis Healthcare                     | BUY        | 365     | 322              |
| 9       | Glenmark Pharmaceuticals              | Reduce     | 570     | 668              |
| 10      | HealthCare Global Enterprises         | BUY        | 375     | 326              |
| 11      | Indoco Remedies                       | BUY        | 380     | 324              |
| 12      | Ipca Laboratories                     | Hold       | 750     | 760              |
| 13      | J.B. Chemicals & Pharmaceuticals      | BUY        | 2,450   | 2,314            |
| 14      | Krishna Institute of Medical Sciences | BUY        | 1,660   | 1,782            |
| 15      | Lupin                                 | Hold       | 730     | 905              |
| 16      | Max Healthcare Institute              | BUY        | 565     | 614              |
| 17      | Narayana Hrudayalaya                  | BUY        | 1,100   | 1,013            |
| 18      | Sun Pharmaceutical Industries         | BUY        | 1,265   | 1,141            |
| 19      | Torrent Pharmaceuticals               | BUY        | 1,900   | 1,899            |
| 20      | Zydus Lifesciences                    | Accumulate | 520     | 588              |

**PL's Recommendation Nomenclature (Absolute Performance)**

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

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