

Numbers dwindle; US traction key for margins, return ratios...

About the stock: Alembic Pharma operates in international generics (US:31% & ex-US: 15% in FY22), domestic branded (36% in FY22) and API (18% in FY22).

- Domestic business has 1.5% of market share of IPM with three brands in the top 300. Going ahead, emphasis is on the speciality segment
- The company has invested ~ ₹ 1800 crore in recent years in facilities geared mainly towards US formulations. As of Q1FY23, it has filed 237 ANDA and has 167 approvals with 110 launches in the US

Q1FY23 Results: Alembic's numbers were a miss on revenues led by lower traction in US due to price erosion across the portfolio and high stocking in Q4FY22

- Sales de-grew 5% YoY to ₹ 1262 crore
- EBITDA was at ₹ 15 crore, down 94% YoY with margins at 1.2%. Adjusted EBITDA for Aleor's impact was ₹ 115 crore with margins at 9.1%
- Adjusting for ₹ 115 crore impact of Aleor, adjusted PAT was at ₹ 36 crore

What should investors do? Alembic's share price has grown by ~1.3x over the past five years (from ~₹ 530 in August 2017 to ~₹ 680 levels in August 2022).

- Downgraded from HOLD to **REDUCE** rating on the stock amid 1) poor offtake in US amid persisting price erosion, 2) impending USFDA clearances of three plants and 3) likelihood of ~ ₹ 350 crore expenses post commercialisation of F-2, F-3 and F-4 plants affecting profitability

Target Price and Valuation: Valued at ₹ 590 i.e. 22x P/E on FY24E EPS of ₹ 26.9

Key triggers for future price performance:

- Commercialisation of international formulation plants F2 (oncology injectable), F3 (general injectable & ophthalmic) & F4 (general oral solids)
- Aleor acquisition and ramp up in dermatology portfolio, further amortisation of Aleor's intangible assets
- US performance in backdrop of price erosion. Resolving USFDA issues for timely new launches to improve margins amid additional expense of ~₹ 350 is expected to be incurred on commercialisation of F2, F3 and F4 facility
- Consistency of performances in Indian branded formulations

Alternate Stock Idea: Apart from Alembic, we like Ajanta Pharma.

- Ajanta Pharma is a focused player in branded with focus on launching maximum number of first time launches with new drug delivery system
- BUY with a target price of ₹ 1495



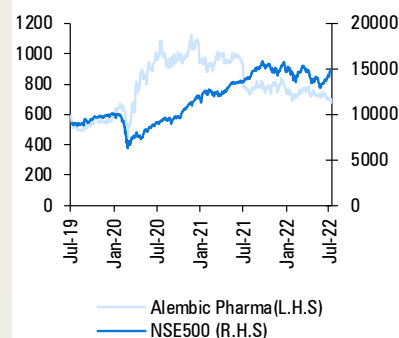
Particulars

Particular	Amount
Market Capitalisation	₹ 13366 crore
Debt (FY22)	₹ 630 crore
Cash & cash equivalents (FY22)	₹ 69 crore
EV	₹ 13927 crore
52 week H/L	863/671
Equity capital	₹ 39 crore
Face value	₹ 2

Shareholding pattern

(in %)	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22
Promoter	69.5	69.5	69.5	69.6	69.6
Others	30.5	30.5	30.5	30.4	30.4

Price Chart



Recent Event & Key risks

- Full acquisition of Aleor Dermaceuticals
- **Key Risk:** (i) Regulatory delays (ii) Better traction for new launches

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Key Financial Summary

Key Financials (₹ crore)	FY20	FY21	FY22	5 year CAGR (FY17-22)	FY23E	FY24E	2 year CAGR (FY22-24E)
Revenues	4605.7	5393.1	5305.8	11.1	5498.1	6052.4	6.8
EBITDA	1223.0	1536.1	874.2	7.3	715.9	1028.9	8.5
EBITDA margins (%)	26.6	28.5	16.5		13.0	17.0	
Net Profit	872.8	1233.9	545.7	6.4	300.5	529.0	-1.5
EPS (₹)	44.4	62.8	27.8		15.3	26.9	
PE (x)	16.1	10.8	24.5		44.5	25.3	
EV to EBITDA (x)	11.8	8.5	15.3		18.7	12.6	
RoCE (%)	21.0	25.1	10.6		6.5	10.5	
RoNW (%)	27.1	24.1	10.4		5.6	9.1	

Key takeaways of recent quarter & conference call highlights

Q1FY23 Results: Weak revenues and margins

- Revenues declined 5% YoY to ₹ 1262 crore. Domestic formulations were flat YoY at ₹ 480 crore while domestic business grew 20% YoY adjusting for Covid sales in Q1FY22. US generics was also flat YoY at ₹ 367 crore, mainly due to price erosion across the portfolio and high stocking in Q4FY22. International formulations sales de-grew 8% YoY at ₹ 182 crore while APIs also declined 16% YoY to ₹ 233 crore mainly impacted by lower volumes. EBITDA margins declined 1647 bps YoY to 1.2% mainly due to higher other expenditure (Aleor's recurring R&D expenses of ₹100 crore). Adjusted EBITDA margins were at ~ 9.1%. EBITDA declined 94% YoY to ₹ 15 crore. Adjusted EBITDA for Q1FY23 was ₹ 115 crore. Alembic posted loss of ₹ 66 crore versus adjusted PAT of ₹ 164 crore in Q1FY22. Adjusted for Aleor's impact, PAT was at ₹ 36 crore
- Alembic's numbers were a miss on revenues on the back of lower traction in the US and RoW markets. On the profitability front, Q1 was impacted as intangible assets (R&D development expenses) of Aleor Dermaceuticals worth ₹ 115 crore were charged off during the current quarter. India branded business continues to perform well on back of 23% YoY growth in specialty segment and likelihood of recovery in acute segment. US is weighing on numbers as the company is witnessing double-digit price erosion and squeezing of base business. New launches and commercialisation of new facilities earmarked for the US market and consistency of performances in Indian branded formulations are key levers for the company

Q1FY23 earnings conference call highlights

- Intangible assets (R&D development expenses) of Aleor Dermaceuticals of ₹ 115 crore (₹ 100 crore in other expenses and ₹ 15 crore in depreciation) were charged off during Q1 after thorough review of current market conditions in the US Generic business. Residual intangible assets to be written off is now at ₹ 40 crore
- US:** Q1FY23 was challenging. Alembic switched to a new logistics provider in Q4FY22 and distributors had held extra inventory last quarter. In the US, new base is around US\$50 million. In the US, price erosion (low double-digits) is across the board in generics. Alembic has reached ~15% market share in Formoterol (CMO product). The company launched five products in Q1 and plans to launch five to six products in Q2, 15-18 in FY23. Remediation measures are going on at F-3 facility
- India:** Ex-Covid topline India branded business grew 20% YoY. Ex-Azithromycin IPM de-grew by 1% while Alembic grew by 12% YoY. Alembic has started to increase investments from Q4FY22 onwards and expects increased traction to be visible from coming quarters. The management is expecting Acute portfolio (~ 118 crore in Q1FY23) to gain traction from Q2FY23.
- R&D in absolute terms to remain at ₹ 650-700 crore in coming years. Majority of R&D is earmarked for US and some for other regulated markets
- The management indicated that input cost and freight cost have gone up significantly. Around ₹ 180-200 crore of cash expense along with ₹ 150 crore of depreciation is likely to hit P&L on commercialisation of all the three plants. The management is more focused on getting these plants (F-3, F-2 and F-4) operational and generate revenues as soon as possible. Part of F-2 (oncology oral solids) plant is already cleared by USFDA while from other part (oncology injectables) Alembic has begun fillings and inspection has been triggered
- The management indicated that margins are likely to remain under some pressure until realisations from US improve

Exhibit 1: Variance Analysis

	Q1FY23	Q1FY23E	Q1FY22	YoY (%)	Q4FY22	QoQ (%)	Comments
Revenue	1,262.1	1,355.2	1,326.0	-4.8	1,415.7	-10.8	Significant miss on revenues on back of lower traction in the US and RoW markets
Raw Material Expenses	378.3	365.9	385.1	-1.8	385.8	-2.0	
Gross Margin (%)	70.0	73.0	71.0	-93 bps	72.7	-272 bps	Alembic witnessing double digit price erosion in US
Employee Expenses	290.4	284.6	289.9	0.2	277.2	4.8	
R&D Expenditure	146.4	169.4	167.2	-12.5	161.8	-9.5	
Other Expenditure	432.5	311.7	250.1	72.9	430.9	0.4	Q1FY23 includes ₹ 100 crore of Intangible assets (R&D development expenses) of Aleor Dermaceuticals being charged off
EBITDA	14.7	223.6	233.8	-93.7	160.1	-90.8	Adjusted EBITDA for Q1FY23 was ₹ 115 crore
EBITDA (%)	1.2	16.5	17.6	-1647 bps	11.3	-1015 bps	Adjusted EBITDA margins were at ~ 9.1%
Interest	8.8	4.0	2.1	316.6	6.7	31.2	
Depreciation	67.1	69.0	53.2	26.2	123.1	-45.5	Total ₹ 15 crore higher in amortisation expense on count of Aleor
Other Income	1.1	10.2	4.1	-73.3	10.3	-89.5	
PBT before EO & Forex	-60.1	160.8	182.6	-132.9	40.6	-248.2	
Forex & EO	0.0	0.0	0.0	NA	0.0	NA	
PBT	-60.1	160.8	182.6	-132.9	40.6	-248.2	
Tax	-1.5	33.8	34.2	-104.4	-1.7	-13.3	
PAT before MI	-58.6	127.0	148.4	-139.5	42.3	-238.6	
Adjusted Net Profit	-65.9	142.7	164.5	-140.0	35.5	-285.8	Adjusted for Aleor's impact, PAT was at ₹ 36 crore
Key Metrics							
Domestic Formulation	480.0	461.8	481.0	-0.2	449.0	6.9	Ex-Covid India branded business grew 20% YoY
US	367.0	463.4	369.0	-0.5	557.0	-34.1	YoY decline amid price erosion across the portfolio and high stocking-up by distributors in Q4FY22
RoW	182.0	206.9	197.0	-7.6	188.0	-3.2	
APIs	233.0	223.2	279.0	-16.5	222.0	5.0	YoY decline due to lower volumes

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

₹ Crore	FY23E			FY24E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	5,659.0	5,498.1	-2.8	6,216.8	6,052.4	-2.6	Changed mainly due to lower-than-expected Q1FY23 and price erosion in US
EBITDA	950.1	715.9	-24.6	1,212.3	1,028.9	-15.1	
EBITDA Margin (%)	16.8	13.0	-377 bps	19.5	17.0	-250 bps	Changed due to persisting price erosion and additional expenses likely to hit P&L on commercialisation of F-2,F-3 and F-4 plants
PAT	583.8	300.5	-48.5	705.6	529.0	-25.0	
EPS (₹)	29.7	15.3	-48.5	35.9	26.9	-25.0	

Source: ICICI Direct Research

Exhibit 3: Assumptions

₹ crore	Current				Earlier			Comments
	FY20	FY21	FY22	FY23E	FY24E	FY23E	FY24E	
Domestic Formulation	1,425.0	1,497.0	1,927.0	2,070.6	2,319.1	2,056.5	2,303.3	India is expected to post single digit growth in FY23 on a high base and then guidance for IPM +2% growth in FY24
US	1,976.0	2,165.0	1,667.0	1,605.4	1,779.4	1,765.5	1,942.1	US new base at US\$50 million, changed due to lower sales in Q1FY23
RoW	496.0	776.0	775.0	817.8	899.6	852.5	937.8	
APIs	708.0	955.0	938.0	1,004.2	1,054.4	984.5	1,033.7	

Source: ICICI Direct Research

Exhibit 4: Revenue break-up

Revenue Breakup	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	CAGR FY17-22	CAGR FY22-24E
Total Formulation	2636.6	2491.6	2481.0	3165.0	3897.0	4438.0	4369.0	4493.8	4998.0	11.9	7.0
Domestic Formulation (₹ crore)	1186.4	1255.1	1274.0	1383.0	1425.0	1497.0	1927.0	2070.6	2319.1	9.0	9.7
US Sales (₹ crore)	1248.1	917.0	909.5	1266.0	1976.0	2165.0	1667.0	1605.4	1779.4	12.7	3.3
RoW	210.2	319.5	297.5	516.0	496.0	776.0	775.0	817.8	899.6	19.4	7.7
API (₹ crore)	522.2	640.2	650.0	770.0	708.0	955.0	938.0	1004.2	1054.4	7.9	6.0
Total Sales	3191.5	3159.0	3148.9	3935.0	4605.0	5393.0	5307.0	5498.0	6052.4	10.9	6.8

Source: ICICI Direct Research

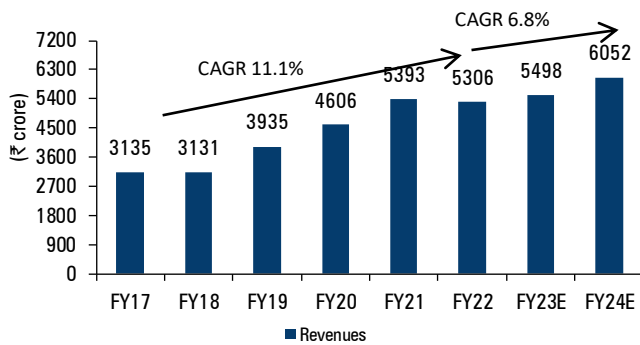
Exhibit 5: Financial Summary

	Revenues (₹ crore)	Growth (%)	Adj. EPS (₹)	Growth (%)	P/E (x)	EV/EBITDA (X)	RoNW (%)	RoCE (%)
FY21	5393	17.1	62.8	41.4	10.8	8.5	24.1	25.1
FY22	5306	-1.6	27.8	-55.8	24.5	15.3	10.4	10.6
FY23E	5498	3.6	15.3	-44.9	44.5	18.7	5.6	6.5
FY24E	6052	10.1	26.9	76.0	25.3	12.6	9.1	10.5

Source: ICICI Direct Research

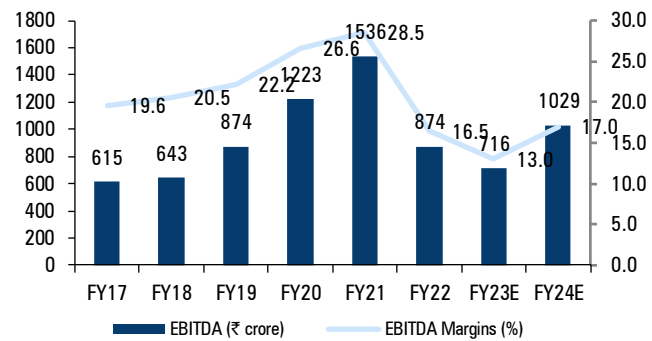
Key Metrics

Exhibit 6: Revenues to grow at CAGR of 6.8% over FY22-24E



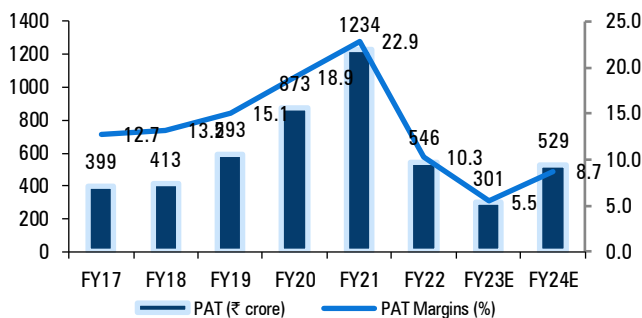
Source: ICICI Direct Research, Company

Exhibit 7: EBITDA and EBITDA margins trend



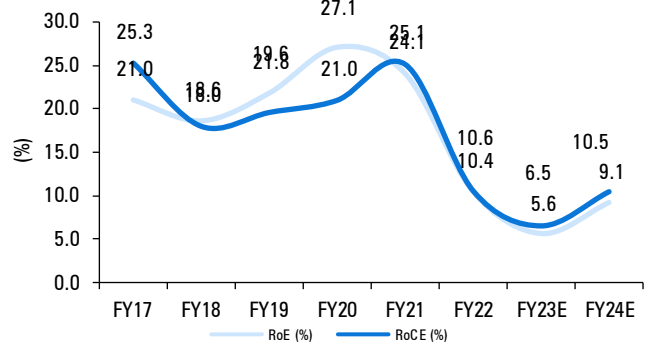
Source: ICICI Direct Research, Company

Exhibit 8: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 9: Return ratios



Source: ICICI Direct Research, Company

Exhibit 10: Trends in Quarterly Performance

(₹ Crore)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	YoY (%)	QoQ(%)
Revenues	948.9	1240.9	1209.1	1206.8	1341.3	1457.1	1314.3	1280.4	1326.0	1292.3	1271.7	1415.7	1262.1	-4.8	-10.8
Raw Material Cost	204.4	272.6	298.5	263.9	337.8	312.0	293.0	314.6	385.1	332.9	342.7	385.8	378.3	-1.8	-2.0
% to revenues	21.5	22.0	24.7	21.9	25.2	21.4	22.3	24.6	29.0	25.8	26.9	27.3	30.0		
Gross Profit	744.5	968.3	910.6	942.9	1003.6	1145.1	1021.4	965.8	941.0	959.4	929.0	1029.9	883.9	-6.1	-14.2
Gross Profit Margin (%)	78.5	78.0	75.3	78.1	74.8	78.6	77.7	75.4	71.0	74.2	73.1	72.7	70.0	-93 bps	-272 bps
Employee cost	214.9	217.8	226.9	246.9	275.4	276.1	262.5	237.2	289.9	293.2	272.8	277.2	290.4	0.2	4.8
% to revenues	22.6	17.5	18.8	20.5	20.5	18.9	20.0	18.5	21.9	22.7	21.5	19.6	23.0	115 bps	343 bps
R & D	140.3	173.8	145.7	185.0	142.6	185.0	148.0	194.9	167.2	167.8	153.6	161.8	146.4		
% to revenues	14.8	14.0	12.1	15.3	10.6	12.7	11.3	15.2	12.6	13.0	12.1	11.4	11.6	-101 bps	17 bps
Other Expenditure	164.4	231.2	213.0	183.5	178.2	240.6	245.9	213.4	250.1	241.2	260.9	430.9	432.5	72.9	0.4
% to revenues	17.3	18.6	17.6	15.2	13.3	16.5	18.7	16.7	18.9	18.7	20.5	30.4	34.3	1540 bps	383 bps
Total Expenditure	724.0	895.4	884.1	879.3	934.0	1013.7	949.3	960.2	1092.3	1035.1	1030.0	1255.6	1247.5	14.2	-0.6
% to revenues	76.3	72.2	73.1	72.9	69.6	69.6	72.2	75.0	82.4	80.1	81.0	88.7	98.8		
EBIDTA	224.9	345.5	325.1	327.5	407.4	443.4	365.1	320.2	233.8	257.2	241.7	160.1	14.7	-93.7	-90.8
EBITDA Margin (%)	23.7	27.8	26.9	27.1	30.4	30.4	27.8	25.0	17.6	19.9	19.0	11.3	1.2	1647 bps	1015 bps
Depreciation	35.4	36.0	41.8	44.1	41.5	43.8	47.0	51.2	53.2	54.6	55.9	123.1	67.1	26.2	-45.5
Interest	5.0	7.1	7.4	7.8	6.7	4.5	2.3	2.6	2.1	4.6	4.3	6.7	8.8	316.6	31.2
OI	3.3	0.4	0.4	0.9	0.3	3.2	2.5	25.4	4.1	2.2	15.3	10.3	1.1		
PBT	187.8	302.9	276.3	276.5	359.5	398.4	318.3	291.9	182.6	200.3	196.7	40.6	-60.1	-132.9	-248.2
Tax	36.0	52.5	48.6	62.1	66.8	73.0	59.1	54.5	34.2	39.5	32.5	-1.7	-1.5	-104.4	-13.3
Tax Rate (%)	19.1	17.3	17.6	22.5	18.6	18.3	18.6	18.7	18.7	19.7	16.5	-4.3	2.5		
PAT	151.9	250.4	227.7	214.4	292.7	325.4	259.2	237.4	148.4	160.7	164.3	42.3	-58.6	-139.5	-238.6
PAT Margin (%)	16.0	20.2	18.8	17.8	21.8	22.3	19.7	18.5	11.2	12.4	12.9	3.0	-4.6		
Exceptional Items (EI)	32.8	0.0	0.0	10.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Net Profit before MI	119.1	250.4	227.7	203.5	292.7	325.4	259.2	237.4	148.4	160.7	164.3	42.3	-58.6	-139.5	-238.6
Add/(less) MI	4.2	4.2	-6.9	-21.2	-8.3	-8.1	-7.0	-8.3	-6.3	-5.3	-8.1	-5.1	0.0		
Profit from Associates	0.4	0.1	-0.4	-0.1	0.5	-0.2	26.4	5.1	9.9	3.3	4.1	-11.9	-7.2		
Net Profit	115.2	246.3	234.2	224.6	301.5	333.4	292.6	250.7	164.5	169.3	176.4	35.5	-65.9	-140.0	-285.8
Net Profit (excl.EI)	148.0	246.3	234.2	235.5	301.5	333.4	292.6	250.7	164.5	169.3	176.4	35.5	-65.9	-140.0	-285.8

Source: ICICI Direct Research

Exhibit 11: ICICI Direct Universe Coverage (Healthcare)

Company	I-Direct	CMP	TP	Rating	M Cap	EPS (₹)				PE(x)				RoCE (%)				RoE (%)			
	Code	(₹)	(₹)		(₹ cr)	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E
Hospitals																					
Apollo Hospitals	APOHOS	4367	4,500	Buy	62789	7.9	59.1	80.9	107.4	555.6	73.8	54.0	40.7	6.3	15.1	16.7	19.3	2.5	15.1	17.7	19.9
Narayana Hrudalaya	NARHRU	638	750	Buy	13045	-0.7	16.7	18.9	21.6	NA	38.2	33.8	29.6	1.2	20.5	18.8	19.5	-1.3	23.0	20.8	19.4
Shalby	SHALIM	118	150	Buy	1278	3.9	5.4	7.5	9.9	30.1	21.8	15.8	12.0	6.5	8.4	11.7	14.3	5.1	6.7	8.6	10.4
Aster DM	ASTDM	238	270	Buy	11871	3.0	10.5	14.4	18.4	80.3	22.6	16.5	12.9	5.4	9.0	11.4	12.9	4.4	13.3	15.4	16.4
Healthcare Global	HEAGLO	272	340	Buy	3782	-13.9	3.9	3.6	8.0	-13.9	70.4	75.1	33.9	-0.9	5.0	7.6	10.2	-0.9	5.0	5.5	10.8
MNC Pharma																					
Abbott India	ABBIND	20284	20,560	Buy	43101	325.0	375.9	439.8	514.0	62.4	54.0	46.1	39.5	33.8	36.6	37.9	36.3	26.5	28.3	29.5	28.1
P&G Health	MERLIM	4457	4,955	Hold	7398	106.5	121.5	130.5	141.6	41.8	36.7	34.2	31.5	32.2	37.3	34.7	32.8	25.1	29.3	27.0	25.4
Sanofi India	SANOFI	6541	6,885	Hold	15064	207.4	410.1	270.5	264.8	31.5	16.0	24.2	24.7	32.3	33.3	41.1	50.7	24.5	25.9	31.2	38.7
Pfizer	PFIZER	4265	4,810	Hold	19510	108.8	133.9	140.4	160.3	39.2	31.9	30.4	26.6	27.6	26.1	23.5	23.0	20.8	21.4	19.2	18.7
Pharma																					
Ajanta Pharma	AJAPHA	1274	1,495	Buy	16323	51.0	55.6	60.1	71.1	25.0	22.9	21.2	17.9	29.0	27.0	24.4	24.5	21.8	21.8	19.9	19.9
Alembic Pharma	ALEMPHA	677	590	Reduce	13307	62.8	27.8	15.3	26.9	10.8	24.4	44.3	25.2	25.1	10.6	6.5	10.5	24.1	10.4	5.6	9.1
Aurobindo Pharma	AURPHA	570	610	Hold	33402	55.0	47.4	45.6	51.0	10.4	12.0	12.5	11.2	16.9	12.9	12.5	13.1	14.7	11.3	9.9	10.0
Biocon	BIOCON	314	320	Hold	37639	6.3	5.7	5.5	11.3	50.1	55.0	57.5	27.6	7.7	7.5	4.1	6.5	9.9	8.1	2.8	5.5
Zydus Lifesciences	CADHEA	360	475	Hold	36814	23.3	21.0	20.2	24.0	15.4	17.1	17.8	15.0	13.8	12.0	11.2	12.4	18.4	12.6	11.0	11.7
Cipla	CIPLA	1039	1,135	Buy	83842	29.9	32.9	38.6	45.8	34.8	31.6	26.9	22.7	16.3	16.7	17.9	19.0	13.1	12.7	13.3	14.1
Dr Reddy's Labs	DRREDD	4181	4,750	Buy	69596	117.3	126.9	203.4	191.0	35.7	32.9	20.6	21.9	13.1	13.0	19.1	18.1	11.1	11.0	15.4	13.0
Glenmark Pharma	GLEPHA	380	460	Hold	10722	32.9	42.7	41.0	48.3	11.6	8.9	9.3	7.9	13.9	14.8	14.5	15.4	13.1	13.2	11.4	11.9
Ipca Laboratories	IPCLAB	1007	1,000	Hold	25539	44.9	34.8	32.7	39.9	22.4	28.9	30.8	25.2	27.1	17.4	16.2	17.4	24.2	16.1	13.4	14.4
Jubilant Pharmova	JUBLIF	352	340	Reduce	5601	37.4	26.0	15.9	26.1	9.4	13.5	22.1	13.5	13.7	9.0	6.1	8.6	12.6	7.8	4.6	7.0
Lupin	LUPIN	664	610	Reduce	30189	26.9	11.9	11.8	27.7	24.7	55.9	56.5	24.0	9.6	3.4	5.8	10.9	8.8	4.4	4.2	9.2
Natco Pharma	NATPHA	747	820	Hold	13636	24.2	9.3	28.3	33.2	30.9	80.2	26.4	22.5	13.1	4.6	13.3	14.1	10.7	4.0	11.0	11.6
Sun Pharma	SUNPHA	919	1,125	Buy	220499	30.0	32.0	34.8	40.1	30.6	28.8	26.4	22.9	14.2	18.2	18.0	18.7	15.5	16.0	15.2	15.2
Torrent Pharma	TORPHA	1557	1,800	Buy	52679	37.0	32.0	43.7	54.6	42.1	48.6	35.7	28.5	17.6	19.7	24.7	29.4	21.4	18.2	20.9	21.8
Indoco Remedies	INDREM	394	510	Buy	3630	10.1	16.8	21.8	28.4	39.0	23.5	18.0	13.9	11.7	17.5	18.8	24.9	12.1	17.1	18.7	20.2
Caplin Point	CAPPOI	821	895	Buy	6223	81.7	85.3	68.3	70.8	10.0	9.6	12.0	11.6	25.3	23.7	22.5	0.0	20.4	20.2	18.5	17.5
Advanced Enzymes	ADVENZ	293	290	Hold	3276	13.1	10.7	10.2	13.2	22.4	27.4	28.7	22.3	19.4	14.3	12.6	14.7	15.1	11.0	9.6	11.1
Hester Biosciences	HESPHA	2387	2,445	Hold	2030	44.4	45.7	41.3	63.2	53.8	52.2	57.8	37.8	16.2	10.9	9.9	13.4	16.5	15.0	12.2	16.3
API/CRAMS																					
Divi's Lab	DIVLAB	3937	4,655	Buy	104510	74.7	111.5	105.7	122.5	52.7	35.3	37.3	32.1	27.6	30.2	25.8	25.5	21.3	25.2	20.3	20.0
Hikal	HIKCHE	268	340	Buy	3300	10.8	13.0	11.1	19.0	24.8	20.6	24.2	14.1	15.1	13.6	10.9	16.3	14.3	15.0	11.5	16.8
Syngene Int.	SYNINT	568	710	Buy	22816	10.1	9.9	11.5	14.6	56.1	57.6	49.3	39.0	11.5	11.7	12.8	15.2	13.5	12.9	12.4	13.7
Granules India	GRANUL	311	345	Buy	7708	22.2	16.6	19.6	24.6	14.0	18.7	15.8	12.6	24.0	15.6	16.8	18.6	25.3	16.0	16.0	16.9
Laurus Labs	LAULAB	552	675	Buy	29635	18.3	15.4	20.7	27.0	30.1	35.8	26.6	20.5	31.7	21.3	23.6	26.0	37.9	24.7	25.6	25.6
Suven Pharmaceuticals	SUVPH	466	555	Hold	11863	14.2	17.8	17.0	18.5	32.7	26.1	27.4	25.1	31.2	37.5	28.5	26.0	30.7	29.7	23.0	20.8

Source: ICICI Direct Research

Financial Summary

Exhibit 12: Profit and loss statement				
₹ crore				
(Year-end March) ₹ crore	FY21	FY22	FY23E	FY24E
Revenues	5,393.1	5,305.8	5,498.1	6,052.4
Growth (%)	17.1	-1.6	3.6	10.1
Raw Material Expenses	1,257.3	1,446.4	1,585.6	1,664.4
Employee Expenses	1,051.2	1,133.0	1,180.0	1,271.0
R&D Expenditure	670.4	650.5	654.7	665.8
Other Manufacturing Expenses	878.1	1,201.8	1,362.0	1,422.3
Total Operating Expenditure	3,857.0	4,431.6	4,782.2	5,023.5
EBITDA	1,536.1	874.2	715.9	1,028.9
Growth (%)	25.6	-43.1	-18.1	43.7
Interest	16.0	17.7	47.1	37.1
Depreciation	183.5	286.8	343.7	404.2
Other Income	87.3	50.5	41.4	57.5
PBT	1,423.9	620.1	366.4	645.1
Total Tax	253.3	104.5	71.0	129.0
Tax Rate (%)	17.8	16.8	19.4	20.0
Adjusted PAT	1,233.9	545.7	300.5	529.0
Growth (%)	41.4	-55.8	-44.9	76.0
EPS (Adjusted)	62.8	27.8	15.3	26.9

Source: Company, ICICI Direct Research

Exhibit 13: Cash flow statement				
₹ crore				
(Year-end March) ₹ crore	FY21	FY22	FY23E	FY24E
Profit/(Loss) after taxation	1,122.6	496.7	300.5	529.0
Depreciation	183.5	286.8	343.7	404.2
Net Increase in Current Assets	66.1	-465.0	-213.2	-84.8
Net Increase in Current Liabilities	173.4	97.6	106.0	133.9
CF from operating activities	1,463.4	552.4	537.1	982.3
(Inc)/dec in Investments	-181.1	50.6	0.0	0.0
(Inc)/dec in Fixed Assets	-659.2	-424.3	-450.0	-350.0
Other investing activities	2.1	7.3	2.5	1.0
CF from investing activities	-840.8	-371.4	-444.8	-344.3
Inc / (Dec) in Equity Capital	734.1	0.0	0.0	0.0
Inc / (Dec) in Loan	-1,258.5	109.8	100.0	-200.0
Dividend & Dividend Tax	0.0	-275.2	-127.8	-157.3
Other financing activities	-73.0	-52.0	0.0	0.0
CF from financing activities	-597.4	-217.4	-27.8	-357.3
Net Cash flow	25.1	-36.4	64.5	280.7
Opening Cash	80.8	105.8	69.4	133.9
Closing Cash	105.8	69.4	133.9	414.6
Free Cash flow	804.1	128.1	87.1	632.3

Source: Company, ICICI Direct Research

Exhibit 14: Balance Sheet				
₹ crore				
(Year-end March) ₹ crore	FY21	FY22	FY23E	FY24E
Equity Capital	39.3	39.3	39.3	39.3
Reserve and Surplus	5,088.3	5,198.2	5,371.0	5,742.8
Total Shareholders funds	5,127.6	5,237.5	5,410.3	5,782.1
Minority Interest	-60.6	0.0	0.0	0.0
Total Debt	499.8	630.0	730.0	530.0
Deferred Tax Liability	4.2	0.0	0.0	0.0
Other Non Current Liabilities	71.5	72.1	79.4	87.3
Long Term Provisions	85.5	95.8	105.4	115.9
Source of Funds	5,728	6,035	6,325	6,515
Gross Block - Fixed Assets	2,546.3	2,842.5	3,492.5	4,042.5
Accumulated Depreciation	757.0	1,043.7	1,387.5	1,791.7
Net Block	1,789.3	1,798.7	2,105.0	2,250.7
Capital WIP	2,181.7	2,303.4	2,103.4	1,903.4
Total Fixed Assets	3,971.0	4,102.1	4,208.3	4,154.1
Goodwill on Consolidation	0.0	0.0	0.0	0.0
Investments	236.3	118.4	118.4	118.4
Inventory	1,486.2	1,609.7	1,764.5	1,732.8
Cash	105.8	69.4	133.9	414.6
Debtors	348.6	807.1	836.2	920.5
Loans & Advances & Other CA	0.0	0.0	0.0	0.0
Total Current Assets	2,390.9	2,779.4	3,057.0	3,422.6
Creditors	668.8	706.4	774.3	866.4
Provisions & Other CL	312.2	380.2	418.2	460.0
Total Current Liabilities	980.9	1,086.6	1,192.5	1,326.4
Net Current Assets	1,410.0	1,692.8	1,864.5	2,096.2
LT L& A, Other Assets	110.8	116.3	127.9	140.7
Deferred Tax Assets	0.0	5.9	5.9	5.9
Application of Funds	5,728	6,035	6,325	6,515

Source: Company, ICICI Direct Research

Exhibit 15: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
Per share data (₹)				
Adjusted EPS	62.8	27.8	15.3	26.9
BV per share	260.9	266.5	275.2	294.2
Dividend per share	14.0	10.0	6.5	8.0
Operating Ratios (%)				
Gross margins	76.7	72.7	71.2	72.5
EBITDA Margins	28.5	16.5	13.0	17.0
PAT Margins	22.9	10.3	5.5	8.7
Inventory days	431.4	406.2	406.2	380.0
Debtor days	23.6	55.5	55.5	55.5
Creditor days	194.1	178.3	178.3	190.0
Asset Turnover	2.1	1.9	1.6	1.5
EBITDA conversion Rate	95.3	63.2	75.0	95.5
Return Ratios (%)				
RoE	24.1	10.4	5.6	9.1
RoCE	25.1	10.6	6.5	10.5
RoIC	41.6	16.1	9.1	14.9
Valuation Ratios (x)				
P/E	10.8	24.5	44.5	25.3
EV / EBITDA	8.5	15.3	18.7	12.6
EV / Net Sales	2.4	2.5	2.4	2.1
Market Cap / Sales	2.4	2.4	2.3	2.1
Price to Book Value	2.6	2.6	2.5	2.3
Solvency Ratios				
Debt / Equity	0.1	0.1	0.1	0.1
Debt / EBITDA	0.3	0.7	1.0	0.5
Current Ratio	1.9	2.2	2.2	2.0

Source: Company, ICICI Direct Research

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