

APIs boost sales; traction from injectables key to watch as plant costs loom...

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 specialty segment
- The company has invested ~ ₹ 1800 crore in recent years in facilities geared mainly towards US formulations

Q3FY23 Results: Revenue beat due to APIs, margins still below par.

- Revenues grew 18.7% YoY at ₹ 1509 crore. Growth was mainly driven by US and API business
- EBITDA grew 2.9% YoY to ₹ 248.8 crore whereas margins showed a downtrend of 252 bps YoY to 16.5%
- Adjusted PAT declined 30.9% YoY to ₹ 121.9 crore

What should investors do? Alembic's share price has de-grown at 4.7% CAGR over the past three years.

- We maintain **HOLD** as we await traction from the US focused facilities (F2, F3), which received three USFDA product approvals (plant approvals pending) amid significant cash burn. We also keep tabs on consistency in India formulations performance

Target Price and Valuation: Valued at ₹ 550 i.e. 20x P/E on FY25E EPS of ₹ 27.4.

Key triggers for future price performance:

- Commercialisation of international formulation plants F2 (oncology injectable), F3 (general injectable & ophthalmic) & F4 (general oral solids) in the backdrop of impending expense hit (~ ₹ 300 crore per annum at least)
- Performance of the US oral solid (OSD) generics, which will continue to weigh as 70-75% of USFDA approved products are OSDs
- Consistency of performance in Indian branded formulations especially from the specialty group, which comprises ~50-55% of 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 ₹ 1385



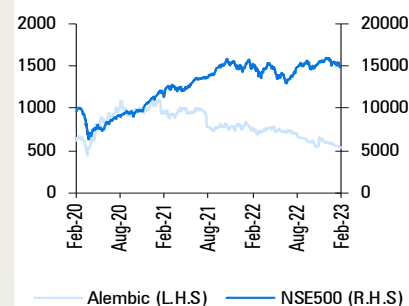
Particulars

Particular	Amount
Market Capitalisation	₹ 10776 crore
Debt (FY22)	₹ 630 crore
Cash & cash equivalents (FY22)	₹ 69 crore
EV	₹ 11336 crore
52 week H/L	792/528
Equity capital	₹ 39 crore
Face value	₹ 2

Shareholding pattern

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

Price Chart



Recent Event & Key risks

- Scale up of new products
- **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	FY25E	3 year CAGR (FY22-25E)
Revenues	4605.7	5393.1	5305.8	11.1	5687.1	6312.5	6969.9	14.6
EBITDA	1223.0	1536.1	874.2	7.3	764.1	1134.6	1322.4	23.0
EBITDA margins (%)	26.6	28.5	16.5		13.4	18.0	19.0	
Net Profit	872.8	1233.9	545.7	6.4	301.2	457.9	539.1	-0.6
EPS (₹)	44.3	62.6	27.7		15.3	23.2	27.4	
PE (x)	13.0	8.7	19.7		35.8	23.5	20.0	
EV to EBITDA (x)	9.8	6.8	12.4		14.4	9.3	7.7	
RoCE (%)	21.0	25.1	10.6		7.1	9.8	11.2	

Source: Company, ICICI Direct Research

Key takeaways of recent quarter & conference call highlights

Q3FY23 Results: Revenues beat due to APIs, margin still below par

- Revenues grew 18.7% YoY at ₹ 1509 crore. Growth was mainly driven by the US and API business. On the operational front, EBITDA grew 2.9% YoY to ₹ 248.8 crore whereas margins showed a downtrend of 252 bps YoY to 16.5%. Adjusted PAT declined 30.9% to ₹ 121.9 crore. Domestic formulations sales increased 11.7% to ₹ 545 crore supported by both specialty and acute segments. US formulations grew 9.9% to ₹ 432 crore. RoW revenues increased 6.7% to ₹ 206 crore. RoW includes – Europe, Canada, Australia, Brazil and South Africa. API sales increased 64.6% to ₹ 326 crore. Growth was driven on account of high offtake and better product mix in Q3
- India branded business continues to perform well on the back of growth in specialty and acute segment. In the US, growth was driven by new launches and market share gain in few products. Demand outlook for RoW business remains strong as product registrations as well as dossier extension to accelerate growth. 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

Q3FY23 earnings conference call highlights:

Business performance:

- **India business:** The performance was led by both specialty (up 14%) and acute segments (up 21%) YoY. Specialty segment growth was supported by therapies like gynaecology, anti-diabetic & ophthalmology during the period
- **International business:** Both US generic business and demand from RoW markets remained stable. US generic business was at ₹ 432 crore, up 10% YoY whereas RoW came at ₹ 206 crore, up 7% YoY. Its US business was supported by increased demand for its flu products as well as launches and scale up of new products coupled with favourable forex
- The management expects softer growth in these products in the coming quarters. It has received nine ANDA approvals during the quarter and filed four other ANDAs
- **API business:** Robust growth of ~65% YoY during the quarter. Jump in the performance was mainly on account of bulk revenues from a CDMO project and better product mix

Other key highlights:

- Focus remains on cost reduction and reducing R&D towards US markets
- The management has guided for ~10% growth in API business from FY24
- There were more dispatches in Q3FY23 due to lumpy CDMO business
- Early flu supported sales of anti-infective products in the US
- Price erosion in US markets still remains a concern
- Launched two products in US, plans to launch two more products in Q4FY23
- Commercialisation from new facilities is expected to start from Q4FY23. Its commercialisation from oncology and general injectable facilities would start from Q4FY23 and Q1FY24, respectively
- The management has not provided a deadline for commercialisation of new oral solid blocks
- For all facilities, cash expenses are expected to be in the range ~₹ 200 crore
- It intends to add more projects in RoW markets

Exhibit 1: Variance Analysis

	Q3FY23	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	Comments
Revenue	1,509.0	1,404.8	1,271.7	18.7	1,475.0	2.3	Beat on revenues on the back of US and API
Raw Material Expenses	455.0	400.4	342.7	32.8	443.0	2.7	
Gross Margin (%)	69.8	71.5	73.1	-321 bps	70.0	-12 bps	Price erosion in US and currency volatility
Employee Expenses	291.4	276.0	272.8	6.8	289.8	0.5	
R&D Expenditure	143.7	168.6	153.6	-6.5	151.5	-5.2	Focus on R&D cost reduction
Other Expenditure	370.2	320.3	260.9	41.9	358.0	3.4	
EBITDA	248.8	239.6	241.7	2.9	232.7	6.9	
EBITDA (%)	16.5	17.1	19.0	-252 bps	15.8	71 bps	
Interest	14.6	12.8	4.3	237.2	12.4	17.6	
Depreciation	66.5	104.8	55.9	18.9	67.7	-1.8	
Other Income	0.4	0.3	15.3	-97.1	0.3	33.3	
PBT before EO & Forex	168.1	122.3	196.7	-14.6	153.0	9.9	
Forex & EO	0.0	0.0	0.0	NA	0.0	NA	
PBT	168.1	122.3	196.7	-14.6	153.0	9.9	
Tax	32.6	14.4	32.5	0.3	18.0	81.3	
PAT before MI	135.5	108.0	164.3	-17.5	135.0	0.4	
Adjusted Net Profit	121.9	112.0	176.4	-30.9	133.4	-8.6	
Key Metrics							
Domestic Formulation	545.0	546.6	488.0	11.7	549.0	-0.7	Performance driven by both specialty and acute segment
US	432.0	428.2	393.0	9.9	418.0	3.3	Higher sales from flu products and scale up of new products
RoW	206.0	212.3	193.0	6.7	215.0	-4.2	
APIs	326.0	217.8	198.0	64.6	294.0	10.9	YoY outperformance largely led by high offtake and better product

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

₹ Crore)	FY23E		FY24E		Comments		
	Old	New % Change	Old	New % Change			
Revenue	5,565.5	5,687.1	2.2	6,224.6	6,312.5	1.4	Commercialisation of oncology and generic injectible facilities
EBITDA	747.0	764.1	2.3	1,043.2	1,134.6	8.8	
EBITDA Margin (%)	13.4	13.4	3 bps	16.8	18.0	117 bps	Reduction in R&D spending
PAT	285.9	301.2	5.4	408.4	457.9	12.1	
EPS (₹)	14.5	15.3	5.5	20.8	23.2	11.8	

Source: ICICI Direct Research

Exhibit 3: Assumptions

₹ crore)	Current			Earlier			Comments	
	FY20	FY21	FY23E	FY24E	FY23E	FY24E		
Domestic Formulation	1,425.0	1,497.0	1,927.0	2,067.9	2,316.0	2,059.7	2,306.9	On the back of growth from specialty & acute segment
US	1,976.0	2,165.0	1,667.0	1,690.8	1,930.3	1,659.6	1,937.4	New launches and commercialisation of facilities
RoW	496.0	776.0	775.0	809.8	890.8	816.1	897.7	
APIs	708.0	955.0	938.0	1,119.4	1,175.4	1,031.0	1,082.6	Improving product mix

Source: ICICI Direct Research

Exhibit 4: Revenue break-up

Revenue Breakup	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E	CAGR	FY17-22 AGR	FY23E-25E
Total Formulation	2636.6	2491.6	2481.0	3165.0	3897.0	4438.0	4369.0	4568.5	5137.1	5735.7		11.9	12.0
Domestic Formulation (₹ crore)	1186.4	1255.1	1274.0	1383.0	1425.0	1497.0	1927.0	2067.9	2316.0	2594.0		9.0	12.0
US Sales (₹ crore)	1248.1	917.0	909.5	1266.0	1976.0	2165.0	1667.0	1690.8	1930.3	2161.9		12.7	13.1
RoW	210.2	319.5	297.5	516.0	496.0	776.0	775.0	809.8	890.8	979.9		19.4	10.0
API (₹ crore)	522.2	640.2	650.0	770.0	708.0	955.0	938.0	1119.4	1175.4	1234.1		7.9	5.0
Total Sales	3191.5	3159.0	3148.9	3935.0	4605.0	5393.0	5307.0	5687.9	6312.5	6969.9		10.9	10.7

Source: ICICI Direct Research

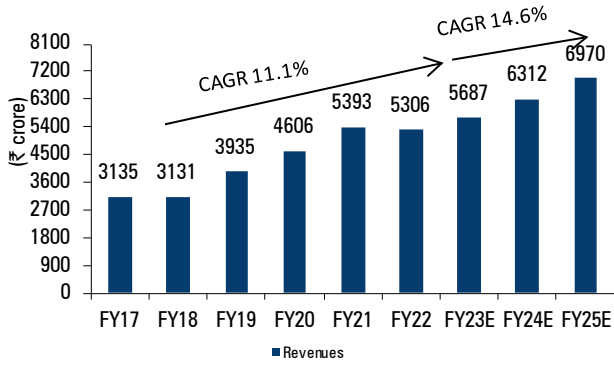
Exhibit 5: Financial Summary

	Revenues	Growth	Adj. EPS	Growth	P/E	EV/EBITDA	RoNW	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY21	5393	17.1	62.6	41.4	8.7	6.8	24.1	25.1
FY22	5306	-1.6	27.7	-55.8	19.7	12.4	10.4	10.6
FY23E	5687	7.2	15.3	-44.8	35.8	14.4	5.6	7.1
FY24E	6312	11.0	23.2	52.0	23.5	9.3	8.0	9.8
FY25E	6970	10.4	27.4	17.7	20.0	7.7	8.8	11.2

Source: ICICI Direct Research

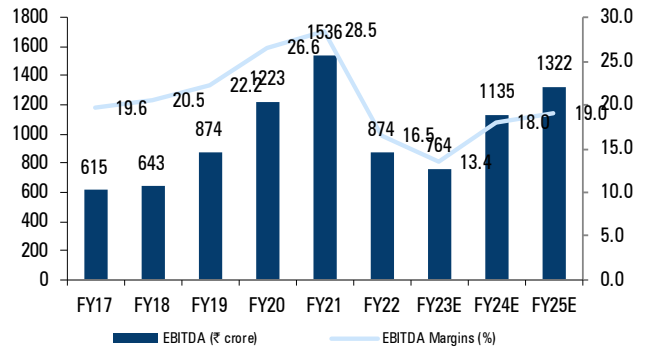
Key Metrics

Exhibit 6: Revenues to grow at 14.6% CAGR over FY23E-25E



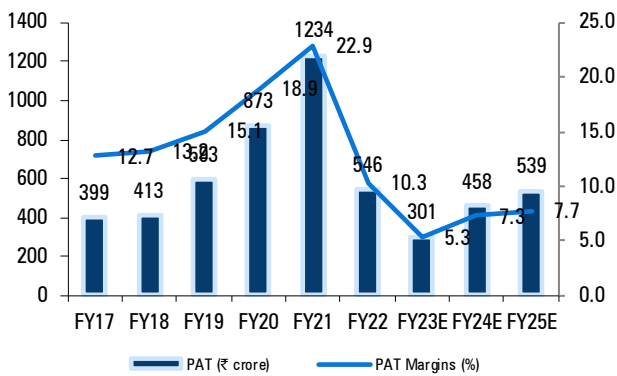
Source: Company, ICICI Direct Research

Exhibit 7: EBITDA and EBITDA margins trend



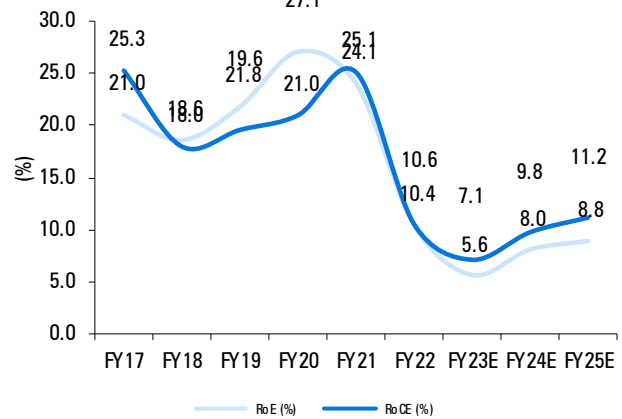
Source: Company, ICICI Direct Research

Exhibit 8: PAT & PAT margins trend



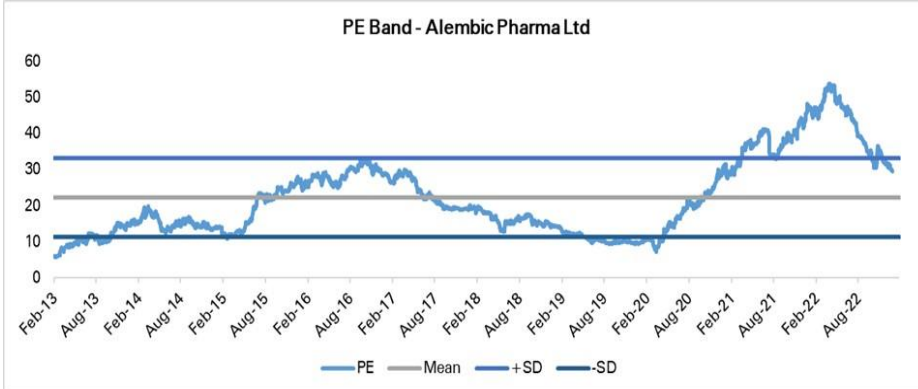
Source: Company, ICICI Direct Research

Exhibit 9: Return ratios



Source: Company, ICICI Direct Research

Exhibit 10: PE Band



Source: ICICI Direct Research

Exhibit 11: Trends in Quarterly Performance

(₹ Crore)	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	YoY (%)	QoQ(%)
Revenues	1209.1	1206.8	1341.3	1457.1	1314.3	1280.4	1326.0	1292.3	1271.7	1415.7	1262.1	1475.0	1509.0	18.7	2.3
Raw Material Cost	298.5	263.9	337.8	312.0	293.0	314.6	385.1	332.9	342.7	385.8	378.3	443.0	455.0	32.8	2.7
% to revenues	24.7	21.9	25.2	21.4	22.3	24.6	29.0	25.8	26.9	27.3	30.0	30.0	30.2		
Gross Profit	910.6	942.9	1003.6	1145.1	1021.4	965.8	941.0	959.4	929.0	1029.9	883.9	1032.0	1054.0	13.5	2.1
Gross Profit Margin (%)	75.3	78.1	74.8	78.6	77.7	75.4	71.0	74.2	73.1	72.7	70.0	70.0	69.8	-321 bps	-12 bps
Employee cost	226.9	246.9	275.4	276.1	262.5	237.2	289.9	293.2	272.8	277.2	290.4	289.8	291.4	6.8	0.5
% to revenues	18.8	20.5	20.5	18.9	20.0	18.5	21.9	22.7	21.5	19.6	23.0	19.6	19.3	-214 bps	-34 bps
R & D	145.7	185.0	142.6	185.0	148.0	194.9	167.2	167.8	153.6	161.8	146.4	151.5	143.7		
% to revenues	12.1	15.3	10.6	12.7	11.3	15.2	12.6	13.0	12.1	11.4	11.6	10.3	9.5	-256 bps	-75 bps
Other Expenditure	213.0	183.5	178.2	240.6	245.9	213.4	250.1	241.2	260.9	430.9	432.5	358.0	370.2	41.9	3.4
% to revenues	17.6	15.2	13.3	16.5	18.7	16.7	18.9	18.7	20.5	30.4	34.3	24.3	24.5	402 bps	27 bps
Total Expenditure	884.1	879.3	934.0	1013.7	949.3	960.2	1092.3	1035.1	1030.0	1255.6	1247.5	1242.3	1260.3	22.4	1.4
% to revenues	73.1	72.9	69.6	69.6	72.2	75.0	82.4	80.1	81.0	88.7	98.8	84.2	83.5		
EBIDTA	325.1	327.5	407.4	443.4	365.1	320.2	233.8	257.2	241.7	160.1	14.7	232.7	248.8	2.9	6.9
EBITDA Margin (%)	26.9	27.1	30.4	30.4	27.8	25.0	17.6	19.9	19.0	11.3	1.2	15.8	16.5	-252 bps	71 bps
Depreciation	41.8	44.1	41.5	43.8	47.0	51.2	53.2	54.6	55.9	123.1	67.1	67.7	66.5	18.9	-1.8
Interest	7.4	7.8	6.7	4.5	2.3	2.6	2.1	4.6	4.3	6.7	8.8	12.4	14.6	237.2	17.6
OI	0.4	0.9	0.3	3.2	2.5	25.4	4.1	2.2	15.3	10.3	1.1	0.3	0.4		
PBT	276.3	276.5	359.5	398.4	318.3	291.9	182.6	200.3	196.7	40.6	-60.1	153.0	168.1	-14.6	9.9
Tax	48.6	62.1	66.8	73.0	59.1	54.5	34.2	39.5	32.5	-1.7	-1.5	18.0	32.6	0.3	81.3
Tax Rate (%)	17.6	22.5	18.6	18.3	18.6	18.7	18.7	19.7	16.5	-4.3	2.5	11.7	19.4		
PAT	227.7	214.4	292.7	325.4	259.2	237.4	148.4	160.7	164.3	42.3	-58.6	135.0	135.5	-17.5	0.4
PAT Margin (%)	18.8	17.8	21.8	22.3	19.7	18.5	11.2	12.4	12.9	3.0	-4.6	9.2	9.0		
Exceptional Items (EI)	0.0	10.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Net Profit before MI	227.7	203.5	292.7	325.4	259.2	237.4	148.4	160.7	164.3	42.3	-58.6	135.0	135.5	-17.5	0.4
Add/(less) MI	-6.9	-21.2	-8.3	-8.1	-7.0	-8.3	-6.3	-5.3	-8.1	-5.1	0.0	0.0	0.0		
Profit from Associates	-0.4	-0.1	0.5	-0.2	26.4	5.1	9.9	3.3	4.1	-11.9	-7.2	-1.7	-13.6		
Net Profit	234.2	224.6	301.5	333.4	292.6	250.7	164.5	169.3	176.4	35.5	-65.9	133.4	121.9	-30.9	-8.6
Net Profit (excl. EI)	234.2	235.5	301.5	333.4	292.6	250.7	164.5	169.3	176.4	35.5	-65.9	133.4	121.9	-30.9	-8.6

Source: ICICI Direct Research

Exhibit 12: Power brands

Brand	Therapy	Dec-19	Dec-20	Dec-21	Dec-22	GAGR 19-22	YoY
AZITHRAL	ANTI-INFECTIVES	288.88	347.83	454.19	447.23	15.7%	-1.5%
ALTHROCIN	ANTI-INFECTIVES	120.48	125.51	117.70	125.23	1.3%	6.4%
WIKORYL	ANTI-INFECTIVES	99.77	88.67	111.42	121.14	6.7%	8.7%
GESTOFIT	GYNAECOLOGICAL	63.41	64.44	78.84	90.75	12.7%	15.1%
CRINA-NCR	GYNAECOLOGICAL	39.37	42.78	53.10	64.69	18.0%	21.8%
ROXID	ANTI-INFECTIVES	68.54	62.60	62.28	63.22	-2.7%	1.5%
RICHAR CR	CARDIAC	39.66	39.42	49.67	61.96	16.0%	24.7%
BROZEET-LS	ANTI-INFECTIVES	38.25	30.13	43.03	59.38	15.8%	38.0%
REKOOL-D	GASTRO INTESTINAL	40.06	42.70	54.72	55.35	11.4%	1.1%
ULGEL	GASTRO INTESTINAL	42.77	51.98	58.25	54.24	8.2%	-6.9%
Top 10 brands		841.2	896.1	1083.2	1143.2	10.8%	5.5%
% of IQVIA sales		37.6%	39.1%	40.1%	0.4		

Source: IQVIA, ICICI Direct Research

Exhibit 13: Therapeutic break-up

Therapy	Dec-19	Dec-20	Dec-21	Dec-22	GAGR 19-22	YoY
ANTI-INFECTIVES	527.12	569.77	673.31	672.73	8.5%	-0.1%
CARDIAC	353.66	398.46	425.18	452.05	8.5%	6.3%
RESPIRATORY	303.64	260.11	343.19	386.78	8.4%	12.7%
GYNAEC.	245.74	248.31	298.63	384.33	16.1%	28.7%
GASTRO INTESTINAL	234.32	246.98	298.98	307.73	9.5%	2.9%
Top Therapies	1664.5	1723.6	2039.3	2,203.61	9.8%	8.1%
Total IQVIA Sales	2240.0	2292.0	2699.0	2,937.00	9.5%	8.8%

Source: IQVIA, ICICI Direct Research

Exhibit 14: ICICI Direct Universe Coverage (Healthcare)

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	4270	5,230	Buy	61396	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	717	855	Buy	14655	-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
Shaby	SHALJM	142	180	Buy	1531	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	211	300	Buy	10532	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	283	370	Buy	3930	-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
Company																					
Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹ cr)	EPS (₹)				PE(x)				RoCE (%)			RoE (%)				
						FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E
MNC Pharma																					
Abbott India	ABBIND	20809	21,725	Hold	44220	325.0	375.9	452.0	543.1	64.0	55.4	46.0	38.3	33.8	36.6	38.6	37.5	26.5	28.3	30.1	29.0
P&G Health	MERLJM	4103	5,235	Buy	6812	106.5	116.0	150.0	163.6	38.5	35.4	27.3	25.1	32.2	39.8	42.5	38.0	25.1	31.2	32.0	28.5
Sanofi India	SANOFI	5450	6,385	Hold	12551	207.4	410.1	265.9	255.5	26.3	13.3	20.5	21.3	32.3	33.3	40.9	50.2	24.5	25.9	30.8	38.1
Pfizer	PFIZER	3822	4,505	Hold	17484	108.8	133.9	151.4	150.2	35.1	28.5	25.3	25.5	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	545	550	Hold	10713	62.6	27.7	14.6	21.0	8.7	19.7	37.2	26.0	25.1	10.6	6.3	8.6	24.1	10.4	5.3	7.3
Aurobindo Pharma	AURPHA	413	540	Hold	24173	55.0	47.4	34.7	44.8	7.5	8.7	11.9	9.2	16.9	12.9	9.6	11.9	14.7	11.3	7.7	9.1
Biocon	BIOCON	240	290	Hold	28784	6.3	5.7	3.0	4.8	38.3	42.1	79.7	49.5	7.7	7.5	3.8	6.1	9.9	8.1	1.5	2.4
Zydus Lifesciences	CADHEA	436	480	Hold	44092	23.3	21.0	21.1	25.3	18.7	20.8	20.6	17.3	13.8	12.0	11.7	12.2	18.4	12.6	11.4	12.2
Cipla	CIPLA	1032	1,290	Buy	83301	29.8	32.9	38.3	45.5	34.6	31.4	27.0	22.7	17.0	16.3	18.4	19.1	13.1	12.7	13.3	14.1
Dr Reddy's Labs	DRREDD	4350	5,210	Buy	72446	117.6	127.2	262.2	215.5	37.0	34.2	16.6	20.2	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	340	395	Hold	5422	37.4	26.0	22.5	32.8	9.1	13.1	15.1	10.4	13.7	9.0	7.8	9.7	12.6	7.8	6.4	8.6
Lupin	LUPIN	738	680	Hold	33567	26.9	11.9	9.1	26.4	27.5	62.1	80.7	28.0	9.6	3.4	5.9	11.3	8.8	4.4	3.3	8.8
Natco Pharma	NATPHA	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	1017	1,210	Buy	243988	30.1	32.0	34.3	40.9	33.8	31.8	29.6	24.8	14.2	18.2	17.4	19.0	15.5	16.0	15.0	15.5
Torrent Pharma	TORPHA	1538	1,720	Hold	52070	37.0	32.0	37.6	45.6	41.6	48.0	40.9	33.7	17.6	19.7	18.3	21.1	21.4	18.2	18.8	19.4
Indoco Remedies	INDREM	328	440	Buy	3024	10.1	16.8	17.9	26.7	32.5	19.5	18.3	12.3	11.7	17.5	15.6	21.9	12.1	17.1	15.9	19.8
Caplin Point	CAPPOI	692	955	Buy	5249	81.7	85.3	79.0	74.8	8.5	8.1	8.8	9.3	25.3	24.2	23.4	0.0	20.4	20.2	20.2	18.2
Advanced Enzymes	ADVENZ	270	265	Reduce	3019	13.1	10.7	9.6	13.3	20.6	25.2	28.3	20.3	19.4	14.3	10.9	14.0	15.1	11.0	9.0	11.3
Hester Biosciences	HESPHA	1797	2,280	Hold	1529	44.4	45.7	37.8	58.6	40.5	39.3	47.6	30.7	16.2	10.9	9.5	12.7	16.5	15.0	11.3	15.4
API/CRAMS																					
Divi's Lab	DIVLAB	3356	3,685	Hold	89087	74.7	111.5	87.7	96.9	44.9	30.1	38.3	34.6	27.6	30.2	21.1	21.8	21.3	25.2	17.7	17.2
Hikal	HIKCHE	347	330	Hold	4283	10.8	13.0	6.8	16.6	32.1	26.7	51.2	21.0	15.1	13.6	7.8	14.9	14.3	15.0	7.4	15.6
Syngene Int.	SYNINT	564	610	Hold	22628	10.1	9.9	11.6	14.3	55.7	57.1	48.7	39.3	11.5	11.7	12.9	15.1	13.5	12.9	12.5	13.5
Granules India	GRANUL	292	355	Buy	7263	22.2	16.6	22.7	27.2	13.2	17.5	12.8	10.7	24.0	15.6	20.5	21.7	25.3	16.0	19.7	19.3
Laurus Labs	LAULAB	335	400	Buy	18021	18.3	15.4	16.5	19.1	18.3	21.8	20.3	17.5	31.7	21.3	21.8	24.3	37.9	24.7	21.9	23.6
Suven Pharmaceuticals	SUVPH	492	530	Buy	12537	14.2	17.8	14.7	17.7	34.6	27.6	33.4	27.8	31.2	37.5	26.0	25.6	30.7	29.7	20.6	20.5

Source: ICICI Direct Research

Financial Summary

Exhibit 15: Profit and loss statement				
	₹ crore			
(Year-end March) ₹ crore	FY22	FY23E	FY24E	FY25E
Revenues	5,305.8	5,687.1	6,312.5	6,969.9
Growth (%)	-1.6	7.19	11.00	10.41
Raw Material Expenses	1,446.4	1,679.7	1,704.4	1,881.9
Employee Expenses	1,133.0	1,149.8	1,249.9	1,310.3
R&D Expenditure	650.5	614.4	631.2	697.0
Other Manufacturing Expenses	1,201.8	1,479.1	1,592.4	1,758.3
Total Operating Expenditure	4,431.6	4,923.0	5,177.9	5,647.5
EBITDA	874.2	764.1	1,134.6	1,322.4
Growth (%)	-43.1	-12.6	48.5	16.6
Interest	17.7	50.4	42.4	26.4
Depreciation	286.8	314.8	507.5	581.9
Other Income	50.5	2.3	2.5	2.8
PBT	620.1	401.1	587.2	716.9
Total Tax	104.5	65.5	117.4	143.4
Tax Rate (%)	16.8	16.3	20.0	20.0
Adjusted PAT	545.7	301.2	457.9	539.1
Growth (%)	-55.8	-44.8	52.0	17.7
EPS (Adjusted)	27.7	15.3	23.2	27.4

Source: Company, ICICI Direct Research

Exhibit 16: Cash flow statement				
	₹ crore			
(Year-end March) ₹ crore	FY22	FY23E	FY24E	FY25E
Profit/(Loss) after taxation	496.7	301.2	457.9	539.1
Depreciation	286.8	314.8	507.5	581.9
Net Increase in Current Assets	-465.0	-346.9	-32.3	-320.2
Net Increase in Current Liabilities	97.6	152.0	108.7	138.4
CF from operating activities	552.4	421.1	1,041.8	939.2
(Inc)/dec in Investments	50.6	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	-424.3	-450.0	-400.0	-400.0
Other investing activities	7.3	2.5	1.0	22.2
CF from investing activities	-371.4	-444.8	-394.3	-393.7
Inc / (Dec) in Equity Capital	0.0	0.0	0.0	0.0
Inc / (Dec) in Loan	109.8	100.0	-200.0	-200.0
Dividend & Dividend Tax	-275.2	-128.1	-157.6	-157.6
Other financing activities	-52.0	0.0	0.0	0.0
CF from financing activities	-217.4	-28.1	-357.6	-357.6
Net Cash flow	-36.4	-51.8	289.9	187.8
Opening Cash	105.8	69.4	17.7	307.5
Closing Cash	69.4	17.7	307.5	495.3
Free Cash flow	128.1	-28.9	641.8	539.2

Source: Company, ICICI Direct Research

Exhibit 17: Balance Sheet				
	₹ crore			
(Year-end March) ₹ crore	FY22	FY23E	FY24E	FY25E
Equity Capital	39.3	39.3	39.3	39.3
Reserve and Surplus	5,198.2	5,371.4	5,671.7	6,053.3
Total Shareholders funds	5,237.5	5,410.7	5,711.0	6,092.6
Minority Interest	0.0	0.0	0.0	0.0
Total Debt	630.0	730.0	530.0	330.0
Deferred Tax Liability	0.0	0.0	0.0	0.0
Other Non Current Liabilities	72.1	79.4	87.3	96.0
Long Term Provisions	95.8	105.4	115.9	127.5
Source of Funds	6,035	6,325	6,444	6,646
Gross Block - Fixed Assets	2,842.5	3,492.5	4,092.5	4,692.5
Accumulated Depreciation	1,043.7	1,358.6	1,866.0	2,447.9
Net Block	1,798.7	2,133.9	2,226.4	2,244.6
Capital WIP	2,303.4	2,103.4	1,903.4	1,703.4
Total Fixed Assets	4,102.1	4,237.3	4,129.8	3,947.9
Goodwill on Consolidation	0.0	0.0	0.0	0.0
Investments	118.4	118.4	118.4	118.4
Inventory	1,609.7	1,869.4	1,774.4	1,959.2
Cash	69.4	17.7	307.5	495.3
Debtors	807.1	865.1	960.1	1,060.0
Loans & Advances & Other CA	0.0	0.0	0.0	0.0
Total Current Assets	2,779.4	3,074.5	3,396.7	3,904.7
Creditors	706.4	820.3	887.2	979.6
Provisions & Other CL	380.2	418.2	460.0	506.0
Total Current Liabilities	1,086.6	1,238.5	1,347.2	1,485.6
Net Current Assets	1,692.8	1,836.0	2,049.5	2,419.1
LT L& A, Other Assets	116.3	127.9	140.7	154.7
Deferred Tax Assets	5.9	5.9	5.9	5.9
Application of Funds	6,035	6,325	6,444	6,646

Source: Company, ICICI Direct Research

Exhibit 18: Key ratios				
(Year-end March)	FY22	FY23E	FY24E	FY25E
Per share data (₹)				
Adjusted EPS	27.7	15.3	23.2	27.4
BV per share	265.9	274.7	289.9	309.3
Dividend per share	10.0	6.5	8.0	8.0
Operating Ratios (%)				
Gross margins	72.7	70.5	73.0	73.0
EBITDA Margins	16.5	13.4	18.0	19.0
PAT Margins	10.3	5.3	7.3	7.7
Inventory days	406.2	406.2	380.0	380.0
Debtor days	55.5	55.5	55.5	55.5
Creditor days	178.3	178.3	190.0	190.0
Asset Turnover	1.9	1.6	1.5	1.5
EBITDA conversion Rate	63.2	55.1	91.8	71.0
Return Ratios (%)				
RoE	10.4	5.6	8.0	8.8
RoCE	10.6	7.1	9.8	11.2
RoIC	16.1	10.7	14.8	16.7
Valuation Ratios (x)				
P/E	19.7	35.8	23.5	20.0
EV / EBITDA	12.4	14.4	9.3	7.7
EV / Net Sales	2.0	1.9	1.7	1.5
Market Cap / Sales	1.9	1.8	1.6	1.5
Price to Book Value	2.1	2.0	1.9	1.8
Solvency Ratios				
Debt / Equity	0.1	0.1	0.1	0.1
Debt / EBITDA	0.7	1.0	0.5	0.2
Current Ratio	2.2	2.2	2.0	2.0

Source: Company, ICICI Direct Research

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