

## Muted numbers; cautious outlook with overheads recalibration...

**About the stock:** Alembic Pharma operates in international generics (US: 28% & ex-US: 15% in FY23), domestic branded (35% in FY23) and API (21% in FY23).

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

**Q4FY23 Results:** Revenue impacted, margins still below par.

- Revenues de-grew 0.7% YoY to ₹ 1,406 crore
- EBITDA grew 32.3% YoY to ₹ 211.8 crore whereas margins showed an improvement of 375 bps YoY to 15.1%
- Adjusted PAT came in at ₹ 152.2 crore

**What should investors do?** Alembic's share price has de-grown at 13.06% CAGR over the past three years.

- We maintain **HOLD** rating as Alembic continues to recalibrate investments and R&D amid persistent US pricing pressure and overheads pertaining to the newly inducted US focused plants start hitting the P&L. We also keep tabs on consistency in the India formulations performance

**Target Price and Valuation:** Valued at ₹ 530 i.e. 24x P/E on FY25E EPS of ₹ 22.1

**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 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 ₹ 1520



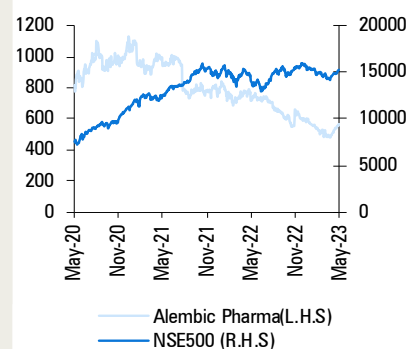
### Particulars

Particular	Amount
Market Capitalisation	₹ 10776 crore
Debt (FY23)	₹ 636 crore
Cash & cash equivalents (FY23)	₹ 75 crore
EV	₹ 11336 crore
52 week H/L	775/462
Equity capital	₹ 39 crore
Face value	₹ 2

### Shareholding pattern

(in %)	Jun-22	Sep-22	Dec-22	Mar-23
Promoter	69.6	69.6	69.6	69.6
Others	30.4	30.4	30.4	30.4

### Price Chart



### Recent Event & Key risks

- Scaling up of new products
- Key Risk:** (i) Regulatory delays (ii) Better traction for new launches

### Research Analyst

Siddhant Khandekar  
siddhant.khandekar@icicisecurities.com

Kushal Shah  
Kushal.shah@icicisecurities.com

Utkarsh Jain  
utkarsh.jain@icicisecurities.com

### Key Financial Summary

Key Financials (₹ crore)	FY21	FY22	5 year CAGR (FY17-22)	FY23	FY24E	FY25E	2 year CAGR (FY23-25E)
Revenues	5393.1	5305.8	11.1	5652.6	6240.9	6865.0	10.2
EBITDA	1536.1	874.2	7.3	708.4	918.2	1164.9	28.2
EBITDA margins (%)	28.5	16.5		12.5	14.7	17.0	
Net Profit	1233.9	545.7	6.4	342.0	277.5	435.0	12.8
EPS (₹)	62.6	27.7		17.4	14.1	22.1	
PE (x)	8.7	19.7		31.5	38.8	24.8	
EV to EBITDA (x)	6.8	12.4		15.3	11.3	8.5	
RoCE (%)	25.1	10.6		8.6	8.0	11.6	
RoNW (%)	24.1	10.4		7.8	6.2	9.1	

Source: Company, ICICI Direct Research

## Key takeaways of recent quarter & conference call highlights

### Q4FY23 Results: Revenues impacted, margins still below par

- Revenues de-grew 0.7% YoY at ₹ 1,406 crore. The performance was led by the higher India branded business and API business. The performance of US generics remained sluggish during the quarter. On the operational front, EBITDA grew 32.3% YoY to ₹ 211.8 crore whereas margins showed an improvement of 375 bps YoY to 15.1%. Adjusted PAT came in at ₹ 152.2 crore. India business sales increased 9.1% to ₹ 409 crore supported by both specialty segment (+13% YoY) and better performance from its top therapies. US generics was down 36.4% YoY to ₹ 354 crore. RoW revenues increased 32.4% to ₹ 249 crore. API sales increased 41% to ₹ 313 crore. Growth was driven by high offtake and better product mix
- India branded business continues to perform well on the back of growth in the specialty segment and acute business (+23% YoY). In the US, the scenario remains challenging. Demand outlook for the RoW business remains strong as product registrations as well as dossier extension to new markets would accelerate growth. However, muted EBITDA guidance of ~15% still suggests the revenue generation and GPM are not enough to cover the fixed overheads of new plants and R&D expenses

### Q4FY23 earnings conference call highlights:

#### Business performance:

- **India business:** The performance was led by both specialty (up 13%) and acute segments (up 23%) YoY. Specialty segment growth was supported by therapies like gynaecology, anti-diabetic & ophthalmology and Ortho during the period. Animal health business grew 15% YoY. Ex-Azithral, growth of India business came in at 12%
- **International business:** The performance of US generics remained sluggish during the quarter. It was impacted by 36.4% YoY to ₹ 354 crore. The scenario remains challenging on account of excess supplies. RoW, which includes Europe, Canada, Australia, Brazil and South Africa showed growth of 32.4% YoY in Q4FY23. The management remains confident about the demand outlook from these regions with launches from new facilities to drive further growth
- **API business:** Robust growth of ~41% YoY during the quarter. The jump in the performance was mainly on account of better product mix. The management has guided for steady growth in coming years with timely execution of strong order book

#### Other key highlights:

- The company received PLI scheme benefit of ₹ 21 crore from the Government of India
- Price erosion in US markets still remains a concern
- R&D expense incurred during the quarter was ₹ 136 crore, which included one-time non cash write-off of ₹ 11 crore
- Focus remains to optimise R&D costs for oral solid dosages
- During the quarter, it successfully commercialised plant F2 (oncology injectables) & F3 (general injectables ophthalmic)
- It launched six products in Q4FY23 and plans to launch ~10 in Q1FY24 and ~20 in FY24
- The company intends to invest in solar power to bring down energy costs
- Margins to remain under pressure and sustain at ~15% due to commercialisation of new plants

Exhibit 1: Variance Analysis

	Q4FY23	Q4FY23E	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	Comments
Revenue	1,406.5	1,463.4	1,415.7	-0.7	1,509.0	-6.8	The performance was led by the higher India branded business and API business
Raw Material Expenses	432.5	431.7	385.8	12.1	455.0	-4.9	
Gross Margin (%)	69.3	70.5	72.7	-350 bps	69.8	-60 bps	Price erosion in US
Employee Expenses	297.6	282.5	277.2	7.4	291.4	2.1	
R&D Expenditure	168.8	175.6	161.8	4.3	143.7	17.5	
Other Expenditure	295.4	323.4	430.9	-31.4	370.2	-20.2	
EBITDA	212.2	250.1	160.1	32.6	248.8	-14.7	
EBITDA (%)	15.1	17.1	11.3	378 bps	16.5	-140 bps	
Interest	14.4	14.6	6.7	114.5	14.6	-1.6	
Depreciation	74.1	113.5	123.1	-39.8	66.5	11.4	
Other Income	0.9	0.4	10.3	-91.3	0.4	102.3	
PBT before EO & Forex	124.6	122.4	40.6	207.0	168.1	-25.9	
Forex & EO	0.0	0.0	0.0	NA	0.0	NA	
PBT	124.6	122.4	40.6	207.0	168.1	-25.9	
Tax	-36.4	14.4	-1.7	2,005.8	32.6	-211.9	
PAT before MI	161.1	108.1	42.3	280.6	135.5	18.8	
Adjusted Net Profit	152.6	96.1	35.5	330.3	121.9	25.2	
<b>Key Metrics</b>							
Domestic Formulation	490.0	516.4	449.0	9.1	545.0	-10.1	Performance driven by both specialty and acute segment
US	354.0	473.8	557.0	-36.4	432.0	-18.1	Challenging competitive scenario
RoW	249.0	206.8	188.0	32.4	206.0	20.9	
APIs	313.0	266.4	222.0	41.0	326.0	-4.0	YoY outperformance largely led by high offtake and better product mix

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

₹ Crore)	FY23			FY24E			FY25E			Comments
	Old	Actual	% Change	Old	New	% Change	Old	New	% Change	
Revenue	5,565.5	5,652.6	1.6	6,224.6	6,240.9	0.3	6,969.9	6,865.0	-1.5	
EBITDA	747.0	708.4	-5.2	1,043.2	918.2	-12.0	1,322.2	1,164.9	-11.9	Commercialization of new plants
EBITDA Margin (%)	13.4	12.5	-87 bps	16.8	14.7	-209 bps	19.0	17.0	-203 bps	
PAT	285.9	342.0	19.6	408.4	277.5	-32.1	539.0	435.0	-19.3	
EPS (₹)	14.5	17.4	19.7	20.8	14.1	-32.3	27.4	22.1	-19.4	

Source: ICICI Direct Research

Exhibit 3: Assumptions

₹ crore)	Current					Earlier					Comments
	FY20	FY21	FY22	FY23	FY24E	FY25E	FY23E	FY24E	FY25E		
Domestic Formulatio	1,425.0	1,497.0	1,927.0	2,064.0	2,270.4	2,497.4	2,059.7	2,306.9	2,622.1		
US	1,976.0	2,165.0	1,667.0	1,571.0	1,750.7	1,925.8	1,659.6	1,937.4	2,161.9	Continued price erosion	
RoW	496.0	776.0	775.0	852.0	937.2	1,030.9	816.1	897.7	979.9		
APIs	708.0	955.0	938.0	1,166.0	1,282.6	1,410.9	1,031.0	1,082.6	1,234.1	Strong order book	

Source: ICICI Direct Research

Exhibit 4: Revenue break-up

	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
FY23	5653	6.5	17.4	-37.3	31.5	15.3	7.8	8.6
FY24E	6241	10.4	14.1	-18.9	38.8	11.3	6.2	8.0
FY25E	6865	10.0	22.1	17.7	24.8	8.5	9.1	11.6

Source: ICICI Direct Research

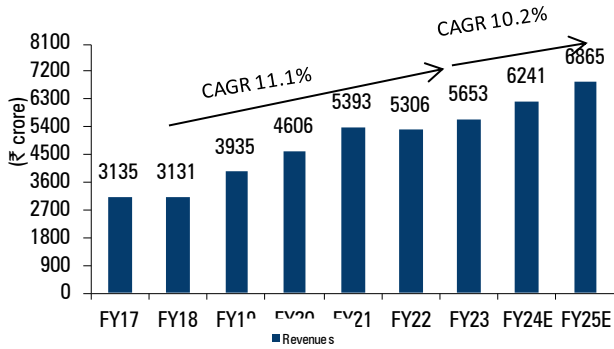
Exhibit 5: Financial Summary

	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

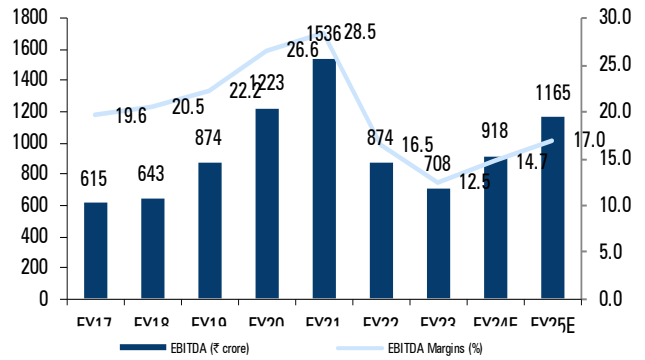
## Key Metrics

Exhibit 6: Revenues to grow at 10.2% CAGR over FY23-25E



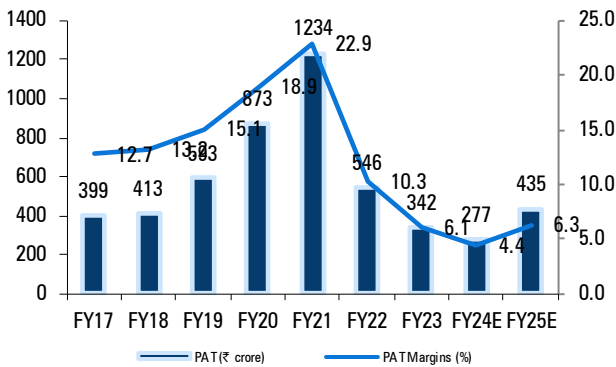
Source: Company, ICICI Direct Research

Exhibit 7: EBITDA and EBITDA margins trend



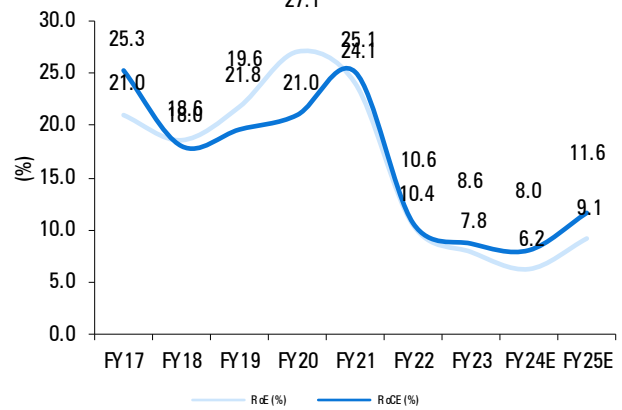
Source: Company, ICICI Direct Research

Exhibit 8: PAT & PAT margins trend



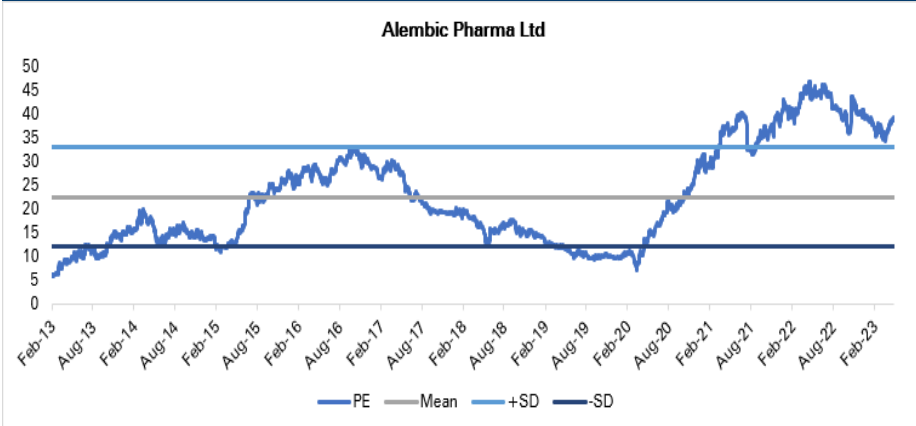
Source: Company, ICICI Direct Research

Exhibit 9: Return ratios



Source: Company, ICICI Direct Research

Exhibit 10: PE Band



Source: ICICI Direct Research

**Exhibit 11: Trends in Quarterly Performance**

(₹ Crore)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	YoY (%)	QoQ(%)
Revenues	1206.8	1341.3	1457.1	1314.3	1280.4	1326.0	1292.3	1271.7	1415.7	1262.1	1475.0	1509.0	1406.5	-0.7	-6.8
Raw Material Cost	263.9	337.8	312.0	293.0	314.6	385.1	332.9	342.7	385.8	378.3	443.0	455.0	432.5	12.1	-4.9
% to revenues	21.9	25.2	21.4	22.3	24.6	29.0	25.8	26.9	27.3	30.0	30.0	30.2	30.7		
Gross Profit	942.9	1003.6	1145.1	1021.4	965.8	941.0	959.4	929.0	1029.9	883.9	1032.0	1054.0	974.0	-5.4	-7.6
Gross Profit Margin (%)	78.1	74.8	78.6	77.7	75.4	71.0	74.2	73.1	72.7	70.0	70.0	69.8	69.3	-350 bps	-60 bps
Employee cost	246.9	275.4	276.1	262.5	237.2	289.9	293.2	272.8	277.2	290.4	289.8	291.4	297.6	7.4	2.1
% to revenues	20.5	20.5	18.9	20.0	18.5	21.9	22.7	21.5	19.6	23.0	19.6	19.3	21.2	158 bps	185 bps
R & D	185.0	142.6	185.0	148.0	194.9	167.2	167.8	153.6	161.8	146.4	151.5	143.7	168.8		
% to revenues	15.3	10.6	12.7	11.3	15.2	12.6	13.0	12.1	11.4	11.6	10.3	9.5	12.0	57 bps	248 bps
Other Expenditure	183.5	178.2	240.6	245.9	213.4	250.1	241.2	260.9	430.9	432.5	358.0	370.2	295.4	-31.4	-20.2
% to revenues	15.2	13.3	16.5	18.7	16.7	18.9	18.7	20.5	30.4	34.3	24.3	24.5	21.0	-943 bps	-353 bps
Total Expenditure	879.3	934.0	1013.7	949.3	960.2	1092.3	1035.1	1030.0	1255.6	1247.5	1242.3	1260.3	1194.2	-4.9	-5.2
% to revenues	72.9	69.6	69.6	72.2	75.0	82.4	80.1	81.0	88.7	98.8	84.2	83.5	84.9		
EBIDTA	327.5	407.4	443.4	365.1	320.2	233.8	257.2	241.7	160.1	14.7	232.7	248.8	212.2	32.6	-14.7
EBITDA Margin (%)	27.1	30.4	30.4	27.8	25.0	17.6	19.9	19.0	11.3	1.2	15.8	16.5	15.1	378 bps	-140 bps
Depreciation	44.1	41.5	43.8	47.0	51.2	53.2	54.6	55.9	123.1	67.1	67.7	66.5	74.1	-39.8	11.4
Interest	7.8	6.7	4.5	2.3	2.6	2.1	4.6	4.3	6.7	8.8	12.4	14.6	14.4	114.5	-1.6
OI	0.9	0.3	3.2	2.5	25.4	4.1	2.2	15.3	10.3	1.1	0.3	0.4	0.9		
PBT	276.5	359.5	398.4	318.3	291.9	182.6	200.3	196.7	40.6	-60.1	153.0	168.1	124.6	207.0	-25.9
Tax	62.1	66.8	73.0	59.1	54.5	34.2	39.5	32.5	-1.7	-1.5	18.0	32.6	-36.4	2005.8	-211.9
Tax Rate (%)	22.5	18.6	18.3	18.6	18.7	18.7	19.7	16.5	-4.3	2.5	11.7	19.4	-29.2		
PAT	214.4	292.7	325.4	259.2	237.4	148.4	160.7	164.3	42.3	-58.6	135.0	135.5	161.1	280.6	18.8
PAT Margin (%)	17.8	21.8	22.3	19.7	18.5	11.2	12.4	12.9	3.0	-4.6	9.2	9.0	11.5		
Exceptional Items (EI)	10.9	0.0	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	203.5	292.7	325.4	259.2	237.4	148.4	160.7	164.3	42.3	-58.6	135.0	135.5	161.1	280.6	18.8
Add/(less) MI	-21.2	-8.3	-8.1	-7.0	-8.3	-6.3	-5.3	-8.1	-5.1	0.0	0.0	0.0	0.0		
Profit from Associates	-0.1	0.5	-0.2	26.4	5.1	9.9	3.3	4.1	-11.9	-7.2	-1.7	-13.6	-8.5		
Net Profit	224.6	301.5	333.4	292.6	250.7	164.5	169.3	176.4	35.5	-65.9	133.4	121.9	152.6	330.3	25.2
Net Profit (excl.EI)	235.5	301.5	333.4	292.6	250.7	164.5	169.3	176.4	35.5	-65.9	133.4	121.9	152.6	330.3	25.2

Source: ICICI Direct Research

**Exhibit 12: Power brands**

Brand	Therapy	Mar-20	Mar-21	Mar-22	Mar-23	GAGR 20-23	YoY
AZITHRAL	ANTH-INFECTIVES	303.58	333.52	503.39	460.68	14.9%	-8.5%
WIKORYL	ANTH-INFECTIVES	105.30	80.32	118.78	128.31	6.8%	8.0%
ALTHROCIN	ANTH-INFECTIVES	122.79	123.35	119.63	127.93	1.4%	6.9%
GESTOFIT	GYNAECOLOGICAL	61.19	70.27	79.62	95.11	15.8%	19.5%
BROZEET-LS	ANTH-INFECTIVES	41.21	23.90	48.24	70.73	19.7%	46.6%
CRINA-NCR	GYNAECOLOGICAL	39.96	46.49	54.50	66.75	18.7%	22.5%
ROXID	ANTH-INFECTIVES	69.61	58.21	64.74	66.30	-1.6%	2.4%
RICHAR CR	CARDIAC	37.88	41.99	51.89	64.02	19.1%	23.4%
REKOOL-D	GASTRO INTESTINAL	39.59	44.60	56.88	54.61	11.3%	-4.0%
TELLZY-AM	CARDIAC	37.27	43.48	46.20	53.18	12.6%	15.1%
Top 10 brands		858.4	866.1	1143.9	1187.6	11.4%	3.8%
% of IQVIA sales		37.7%	37.8%	40.6%	0.4		

Source: IQVIA, ICICI Direct Research

**Exhibit 13: Therapeutic break-up**

Therapy	Mar-20	Mar-21	Mar-22	Mar-23	GAGR 20-23	YoY
ANTI-INFECTIVES	545.07	543.61	728.01	697.05	8.5%	-4.3%
CARDIAC	362.92	409.18	428.17	460.44	8.3%	7.5%
RESPIRATORY	315.71	232.80	371.29	422.95	10.2%	13.9%
GYNAEC.	242.90	263.78	308.66	406.28	18.7%	31.6%
GASTRO INTESTINAL	232.85	258.37	304.96	309.77	10.0%	1.6%
Top Therapies	1699.5	1707.7	2141.1	2,296.48	10.6%	7.3%
Total IQVIA Sales	2274.3	2293.1	2816.0	3,047.60	10.2%	8.2%

Source: IQVIA, ICICI Direct Research

## Financial Summary

Exhibit 14: Profit and loss statement				
	₹ crore			
(Year-end March) ₹ crore	FY22	FY23	FY24E	FY25E
<b>Revenues</b>	<b>5,305.8</b>	<b>5,652.6</b>	<b>6,240.9</b>	<b>6,865.0</b>
Growth (%)	-1.6	6.54	10.41	10.00
Raw Material Expenses	1,446.4	1,708.8	1,809.9	1,922.2
Employee Expenses	1,133.0	1,169.1	1,235.7	1,290.6
R&D Expenditure	650.5	610.3	624.1	686.5
Other Manufacturing Expenses	1,201.8	1,456.0	1,653.0	1,800.7
Total Operating Expenditure	4,431.6	4,944.2	5,322.7	5,700.1
<b>EBITDA</b>	<b>874.2</b>	<b>708.4</b>	<b>918.2</b>	<b>1,164.9</b>
Growth (%)	-43.1	-19.0	29.6	26.9
Interest	17.7	50.2	39.4	21.3
Depreciation	286.8	275.4	523.0	578.8
Other Income	50.5	2.7	3.0	3.3
<b>PBT</b>	<b>620.1</b>	<b>385.5</b>	<b>358.8</b>	<b>568.1</b>
Total Tax	104.5	12.6	64.6	102.3
Tax Rate (%)	16.8	3.3	18.0	18.0
<b>Adjusted PAT</b>	<b>545.7</b>	<b>342.0</b>	<b>277.5</b>	<b>435.0</b>
Growth (%)	-55.8	-37.3	-18.9	56.8
<b>EPS (Adjusted)</b>	<b>27.7</b>	<b>17.4</b>	<b>14.1</b>	<b>22.1</b>

Source: Company, ICICI Direct Research

Exhibit 15: Cash flow statement				
	₹ crore			
(Year-end March) ₹ crore	FY22	FY23	FY24E	FY25E
Profit/(Loss) after taxation	496.7	324.8	277.5	435.0
Depreciation	286.8	275.4	523.0	578.8
Net Increase in Current Assets	-465.0	38.7	-194.3	-237.1
Net Increase in Current Liabilities	97.6	-96.3	294.4	93.8
<b>CF from operating activities</b>	<b>552.4</b>	<b>724.0</b>	<b>900.6</b>	<b>870.5</b>
(Inc)/dec in Investments	50.6	-7.0	0.0	0.0
(Inc)/dec in Fixed Assets	-424.3	-441.5	-300.0	-250.0
Other investing activities	7.3	2.5	1.0	22.2
<b>CF from investing activities</b>	<b>-372.0</b>	<b>-447.6</b>	<b>-287.8</b>	<b>-236.6</b>
Inc / (Dec) in Equity Capital	0.0	0.0	0.0	0.0
Inc / (Dec) in Loan	109.8	-17.2	-200.0	-200.0
Dividend & Dividend Tax	-275.2	-196.6	-157.6	-157.6
Other financing activities	-51.5	-48.2	0.0	0.0
<b>CF from financing activities</b>	<b>-216.9</b>	<b>-262.0</b>	<b>-357.6</b>	<b>-357.6</b>
Net Cash flow	-36.4	14.4	255.2	276.3
Opening Cash	97.5	61.1	75.5	330.7
<b>Closing Cash</b>	<b>61.1</b>	<b>75.5</b>	<b>330.7</b>	<b>607.0</b>
<b>Free Cash flow</b>	<b>128.1</b>	<b>282.4</b>	<b>600.6</b>	<b>620.5</b>

Source: Company, ICICI Direct Research

Exhibit 16: Balance Sheet				
	₹ crore			
(Year-end March) ₹ crore	FY22	FY23	FY24E	FY25E
Equity Capital	39.3	39.3	39.3	39.3
Reserve and Surplus	5,198.2	4,331.2	4,451.0	4,728.4
Total Shareholders funds	5,237.5	4,370.5	4,490.3	4,767.7
Minority Interest	0.0	0.0	0.0	0.0
Total Debt	630.0	635.9	435.9	235.9
Deferred Tax Liability	0.0	0.0	0.0	0.0
Other Non Current Liabilities	72.1	69.2	76.2	83.8
Long Term Provisions	95.8	106.2	116.8	128.5
<b>Source of Funds</b>	<b>6,035</b>	<b>5,182</b>	<b>5,119</b>	<b>5,216</b>
Gross Block - Fixed Assets	2,842.5	3,717.6	4,217.6	4,667.6
Accumulated Depreciation	1,043.7	1,319.2	1,842.2	2,420.9
Net Block	1,798.7	2,398.5	2,375.5	2,246.7
Capital WIP	2,303.4	601.3	401.3	201.3
Total Fixed Assets	4,102.1	2,999.7	2,776.7	2,448.0
Goodwill on Consolidation	0.0	0.0	0.0	0.0
Investments	118.4	96.3	96.3	96.3
Inventory	1,609.7	1,475.3	1,735.5	1,843.2
Cash	61.1	75.5	330.7	607.0
Debtors	807.1	1,046.4	949.2	1,044.1
Loans & Advances & Other CA	0.0	0.0	0.0	0.0
Total Current Assets	2,779.4	2,910.0	3,359.5	3,872.8
Creditors	706.4	679.8	942.1	1,000.6
Provisions & Other CL	380.2	321.3	353.4	388.7
Total Current Liabilities	1,086.6	1,001.1	1,295.5	1,389.3
Net Current Assets	1,692.8	1,909.0	2,064.0	2,483.5
LT L& A, Other Assets	116.3	53.7	59.1	65.0
Deferred Tax Assets	5.9	123.0	123.0	123.0
<b>Application of Funds</b>	<b>6,035</b>	<b>5,182</b>	<b>5,119</b>	<b>5,216</b>

Source: Company, ICICI Direct Research

Exhibit 17: Key ratios				
(Year-end March)	FY22	FY23	FY24E	FY25E
<b>Per share data (₹)</b>				
Adjusted EPS	27.7	17.4	14.1	22.1
BV per share	265.9	221.9	227.9	242.0
Dividend per share	10.0	10.0	8.0	8.0
<b>Operating Ratios (%)</b>				
Gross margins	72.7	69.8	71.0	72.0
EBITDA Margins	16.5	12.5	14.7	17.0
PAT Margins	10.3	6.1	4.4	6.3
Inventory days	406.2	315.1	350.0	350.0
Debtor days	55.5	67.6	55.5	55.5
Creditor days	178.3	145.2	190.0	190.0
Asset Turnover	1.9	1.5	1.5	1.5
EBITDA conversion Rate	63.2	102.2	98.1	74.7
<b>Return Ratios (%)</b>				
RoE	10.4	7.8	6.2	9.1
RoCE	10.6	8.6	8.0	11.6
RoIC	16.0	9.9	9.3	13.7
<b>Valuation Ratios (x)</b>				
P/E	19.7	31.5	38.8	24.8
EV / EBITDA	12.4	15.3	11.3	8.5
EV / Net Sales	2.1	1.9	1.7	1.4
Market Cap / Sales	1.9	1.8	1.7	1.5
Price to Book Value	2.1	2.5	2.4	2.3
<b>Solvency Ratios</b>				
Debt / Equity	0.1	0.1	0.1	0.0
Debt / EBITDA	0.7	0.9	0.5	0.2
Current Ratio	2.2	2.5	2.1	2.1

Source: Company, ICICI Direct Research

Exhibit 18: ICICI Direct Coverage Universe ( Healthcare)

Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹ cr)	EPS (₹)				EV/EBITDA(x)				RoCE (%)				RoE (%)			
						FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E
<b>Hospitals</b>																					
Apollo Hospitals	APOHOS	4649	5,460	Buy	66946	59.1	60.5	80.2	126.8	30.2	31.6	25.8	18.8	15.1	14.1	16.6	21.8	15.1	13.8	16.0	21.1
Narayana Hrudalaya	NARHRU	771	870	Buy	15730	16.7	27.9	29.0	27.4	23.1	16.7	14.0	13.7	20.5	23.6	21.2	17.1	23.0	27.9	22.7	17.8
Shalby	SHALIM	142	180	Buy	1531	5.4	6.8	9.5	11.4	13.3	10.3	8.2	6.9	8.4	11.3	13.9	15.7	6.7	7.9	10.1	11.1
Aster DM	ASTDM	247	280	Buy	12348	10.5	8.6	18.1	23.6	10.1	9.3	6.2	4.7	9.0	8.7	13.6	15.4	13.3	9.8	17.1	18.2
Healthcare Global	HEAGLO	270	385	Buy	3750	3.9	2.3	6.1	8.5	19.8	15.2	11.9	10.2	5.0	8.8	12.8	14.8	5.0	3.6	8.5	10.7
Rainbow Children's Medicare	RAICHI	822	840	Buy	8389	13.6	18.7	19.1	23.2	24.8	22.6	19.8	15.8	20.2	18.5	16.8	19.7	22.9	24.0	19.7	19.3
<b>Company</b>																					
Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹ cr)	EPS (₹)				P/E(x)				RoCE (%)				RoE (%)			
						FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E
<b>MNC Pharma</b>																					
Abbott India	ABBIND	22500	21,025	Hold	47250	380.3	476.5	519.3	584.0	59.2	47.2	43.3	38.5	36.6	39.7	35.6	33.5	28.3	30.9	27.5	25.8
P&G Health	MERLIM	4723	5,315	Buy	8029	113.2	165.6	166.2	183.2	41.7	28.5	28.4	25.8	39.8	51.2	44.7	43.1	31.2	38.6	33.5	32.2
Sanofi India	SANOFI	5587	6,270	Hold	12851	410.6	269.8	251.4	272.7	13.6	20.7	22.2	20.5	33.3	55.1	49.6	45.0	25.9	41.2	36.9	33.3
Pfizer	PFIZER	3772	4,505	Hold	17349	133.2	139.7	149.3	162.0	28.3	27.0	25.3	23.3	26.1	23.5	24.0	22.6	21.4	17.6	18.4	17.3
<b>Pharma</b>																					
Ajanta Pharma	AJAPHA	1280	1,520	Buy	16382	55.7	46.5	59.9	69.2	23.0	27.5	21.4	18.5	27.0	21.3	23.5	23.3	21.8	17.4	19.2	18.9
Alembic Pharma	ALEMPHA	569	530	Hold	11209	27.7	17.4	14.1	22.1	20.5	32.8	40.4	25.8	10.6	8.6	8.0	11.6	10.4	7.8	6.2	9.1
Aurobindo Pharma	AURPHA	613	525	Hold	35928	47.4	34.8	46.2	52.4	12.9	17.6	13.3	11.7	12.9	10.2	12.6	13.1	11.3	7.7	9.3	9.6
Biocon	BIOCON	244	230	Hold	29262	6.3	4.9	3.1	3.1	38.4	49.3	77.4	77.4	7.5	3.3	5.1	6.2	8.1	2.7	6.2	8.3
Zydus Lifesciences	CADHEA	520	500	Buy	53258	21.0	22.6	27.0	35.5	24.8	23.0	19.3	14.6	12.0	12.3	12.3	12.0	12.6	12.1	12.8	14.6
Cipla	CIPLA	922	1,290	Buy	74393	32.9	38.3	45.5	52.5	28.0	24.1	20.3	17.5	16.7	18.4	19.1	19.8	12.7	13.3	14.1	14.5
Dr Reddy's Lab	DRREDD	4867	5,210	Buy	80792	127.2	262.2	215.5	241.8	38.3	18.6	22.6	20.1	13.0	24.2	20.8	23.4	11.0	18.9	13.8	13.7
Glenmark	GLEPHA	560	440	Hold	15805	42.7	33.3	47.4	54.8	13.1	16.8	11.8	10.2	14.8	14.9	15.7	16.4	13.2	9.4	11.9	12.2
Ipca Lab	IPCLAB	705	885	Hold	17915	34.8	20.8	31.4	37.0	20.3	33.9	22.5	19.1	17.4	12.1	15.7	16.5	16.1	8.9	12.1	12.7
Lupin	LUPIN	708	725	Hold	32225	11.9	8.3	25.6	33.0	59.6	85.2	27.6	21.5	3.4	5.7	11.0	13.0	4.4	3.0	8.6	10.2
Natco	NATPHA	608	565	Hold	11117	9.3	36.3	40.3	30.2	65.4	16.7	15.1	20.1	4.6	15.9	16.5	11.6	4.0	13.9	13.6	9.4
Sun Pharma	SUNPHA	966	1,210	Buy	231791	32.0	34.9	38.6	43.2	30.2	27.7	25.1	22.3	18.2	17.2	18.1	18.1	16.0	15.2	14.7	14.7
Torrent Pharma	TORPHA	1661	1,720	Hold	56140	32.0	36.3	45.1	53.8	51.8	45.7	36.8	30.9	19.7	17.1	20.4	23.3	18.2	17.9	19.0	19.4
Indoco Remedies	INDREM	332	440	Buy	3053	16.8	17.9	26.7	31.5	19.8	18.5	12.4	10.5	17.5	15.6	21.9	24.7	17.1	15.9	19.8	19.4
Caplin Point	CAPPOI	688	865	Buy	5228	39.5	48.8	47.9	47.9	17.4	14.1	14.4	14.4	25.3	23.5	22.4	22.4	20.2	20.2	16.7	16.7
Advanced Enzyme	ADVENZ	275	265	Reduce	3080	9.4	13.6	15.3	15.3	29.1	20.3	17.9	17.9	19.4	14.3	10.8	14.2	19.4	14.3	10.8	14.2
Hester Bios	HESPHA	1764	1,830	Hold	1587	45.7	35.6	49.7	59.8	38.6	49.5	35.5	29.5	10.9	9.9	10.9	12.0	15.0	10.7	13.5	14.4
<b>API/CRAMS</b>																					
Divis Lab	DIVLAB	3291	2,945	Hold	87221	111.5	72.8	77.4	95.0	29.5	45.2	42.5	34.6	30.2	18.2	18.3	18.3	21.3	25.2	15.0	15.0
Hikal	HIKCHE	303	375	Hold	3722	13.0	5.7	14.6	20.7	23.2	53.1	20.8	14.6	13.6	7.2	14.3	17.7	15.0	6.3	14.1	17.0
Syngene International	SYNINT	699	740	Buy	28024	9.9	11.6	13.3	17.9	70.8	60.4	52.5	39.1	11.7	13.8	14.2	16.9	12.9	12.8	13.0	14.9
Granules India	GRANUL	296	355	Buy	7343	16.6	21.4	16.6	16.6	17.8	13.9	17.8	17.8	15.6	20.0	15.6	15.6	16.0	18.7	16.0	16.0
Laurus Labs	LAULAB	320	300	Buy	17189	15.4	14.7	10.5	10.5	20.8	21.7	30.5	30.5	21.3	19.8	14.6	16.0	24.7	19.6	12.4	13.5
Suven Pharma	SUVPH	477	530	Buy	12166	17.8	14.7	17.7	20.0	26.8	32.4	27.0	23.8	37.5	26.0	25.6	24.5	29.7	20.6	20.5	19.5

Source: ICICI Direct Research

## RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,  
ICICI Securities Limited,  
Third Floor, Brillanto House,  
Road No 13, MIDC,  
Andheri (East)  
Mumbai – 400 093  
research@icicidirect.com



## ANALYST CERTIFICATION

I/We, Siddhant Khandekar -Inter CA, Kushal Shah -CFA L1, CFP, Utkarsh Jain -MBA, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

## Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH00000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com).

### Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Anoop Goyal

Contact number: 022-40701000 E-mail Address: [complianceofficer@icicisecurities.com](mailto:complianceofficer@icicisecurities.com)

For any queries or grievances: Mr. Prabodh Avadhoot Email address: [headservicequality@icicidirect.com](mailto:headservicequality@icicidirect.com) Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icicidirect.com](http://icicidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.