

CMP: ₹ 4600

Target: ₹ 5440 (18%)

Target Period: 12 months

May 31, 2023

BUY

In line numbers; focus on expansion, margins trajectory across divisions...

About the stock: Apollo is a leading integrated healthcare service provider with group capacity of 10006 beds across 48 hospitals in India. Its operational bed count was at 9395 beds. Overall, it has 1700+ diagnostics centres, 129 dental centres and 343 clinics.

- It has got a digital presence with "ASK Apollo" & digital health platform "Apollo 24/7". Apollo Hospitals is the exclusive supplier for APL, which operates India's largest standalone pharmacy chain with 5541 outlets
- Apollo Health & Lifestyle runs the largest chain of standardised primary healthcare models, multi-specialty clinics under the brand: Apollo Clinics in India and Middle East, diabetes management clinics: Apollo Sugar, diagnostic centres: Apollo Diagnostics, specialty formats: Apollo Cradle for women & children, Apollo Spectra for planned surgery

Q4FY23 Results: In line set of numbers with a slight miss, which was attributable to lower-than-expected AHLL performance.

- Revenues grew 0.9% to ₹ 4302 crore mainly supported by healthcare as well as HealthCo (Pharmacy) business
- EBITDA declined 3.4% QoQ to ₹ 488 crore. EBITDA margins declined 51 bps to 11.3% due to higher employee expenses
- Adjusted net profit declined 5.9% QoQ to ₹ 145 crore

What should investors do? Apollo's share price grew at 51.53% CAGR over the past three years.

- We maintain **BUY** due to 1) pick-up in elective surgeries and margins at hospitals to improve through better operating leverage, optimisation of payer and case mix, 2) improved performances at HealthCo to be backed by improved GMV and stores addition 3) expected improvement in AHLL segment based on better traction in all subsegments post Covid

Target Price and Valuation: We value Apollo at ₹ 5440 based on SOTP valuation.

Key triggers for future price performance:

- Apollo is undergoing an optical transformational journey towards creating an omni-channel healthcare platform that could set the platform for tapping new-age investors enabling rapid scale up of the digital healthcare platform
- Business normalisation in healthcare is expected to continue with further momentum due to lifting of travel restrictions, international patients
- The new hospitals, ventures are turning profitable on the back of a judicious case mix besides better occupancy and ramp up at new hospitals and AHLL

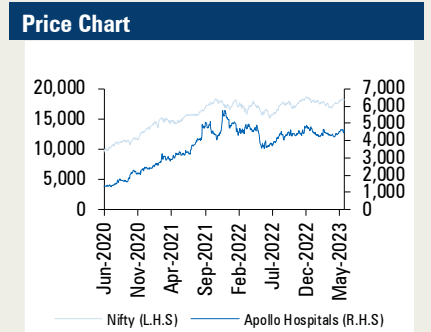
Alternate Stock Idea: Apart from Apollo, in our hospital coverage we like Narayana.

- Narayana operates a dual model, which perfectly blends established "Asset-right" India business with a hospital in Cayman Islands
- BUY with a target price of ₹ 990



Particulars	
Particular	Amount
Market Capitalisation	₹ 61396 crore
Debt (FY23)	₹ 2710 crore
Cash (FY23)	₹ 776 crore
EV	₹ 63330 crore
52 week H/L (₹)	4900/3530
Equity capital	₹ 72.0 crore
Face value	₹ 5

Shareholding pattern				
(in %)	Mar-22	Jun-22	Sep-22	Mar-23
Promoter	29.3	29.3	29.3	29.3
Others	70.7	70.7	70.7	70.7



- ### Recent Event & Key risks
- Launched fourth Gen Da Vinci Xi Robot at its Navi Mumbai centre
 - Key Risk:** (i) Slower AHLL ramp up and margin improvement (ii) Higher than anticipated operational expenses in 24/7

Research Analyst
 Siddhant Khandekar
 siddhant.khandekar@icicisecurities.com
 Kushal Shah
 kushal.shah@icicisecurities.com

Key Financial Summary

Key Financials (₹ crore)	FY20	FY21	FY22	FY23	5 year CAGR (FY17-22)	FY24E	FY25E	2 year CAGR (FY23-25E)
Net Sales	11246.8	10560.0	14662.6	16612.5	15.1	20167.0	23298.6	18.4
EBITDA	1583.4	1137.4	2185.1	2049.6	24.6	2541.3	3351.7	27.9
EBITDA margins (%)	14.1	10.8	14.9	12.3		12.6	14.4	
PAT	454.9	113.0	850.4	819.6	36.7	1095.9	1656.2	42.2
EPS (₹)	22.5	7.8	59.1	56.9		76.1	115.0	
PE (x)	145.6	440.5	62.8	80.7		60.4	40.0	
P/BV (x)	19.8	14.4	11.7	10.7		9.3	7.7	
RoE (%)	9.7	2.5	15.1	13.2		15.4	19.3	
RoCE (%)	10.2	6.3	15.1	12.9		15.0	18.8	

Key takeaways of recent quarter & conference call highlights

Q4FY23 Results: In line set of numbers with slight miss, which was attributable to lower than expected AHLL performance

- Revenues grew 0.9% QoQ to ₹ 4302 crore, mainly supported by hospitals as well as pharmacy business. EBITDA declined 3.4% QoQ to ₹ 488 crore. EBITDA margins declined 51 bps to 11.3% due to higher employee expenses. PAT declined 5.9% QoQ to ₹ 145 crore. Healthcare services division (Hospitals) was up 1.5% QoQ to ₹ 2227.4 on the back of growth from both new as well as existing hospitals. Hospitals EBITDA came in at 24%. Pharmacy showed growth of 2.4% QoQ at ₹ 1799.2 crore. Revenue from digital platform came in at ₹ 253.9 crore whereas Offline pharmacy reported revenue of ₹1545 crore. AHLL revenues came at ₹ 308.5 crore down 0.9% QoQ.
- The hospitals business continues to see improved profitability with optimum case mix and payor mix. The company has embarked upon new capex plan to add 2000 beds with over ₹ 3000 crore in the next 4 years in key metros. Growth in pharmacy business was also decent but the expenses related to Apollo 24x7 are expected will continue to hit the P&L for few more quarters. Structurally, cost reduction drives, expanding of complex procedures and profitability of new hospitals remain key management focus areas

ESG Disclosure Score*			
Score	FY20	FY21	FY22
Environmental	2.1	2.1	2.4
Social	22.4	26.2	25.4
Governance	78.6	78.6	78.6
Overall ESG Score	34.4	35.7	35.5

Source: Bloomberg, ICICI Direct Research, *Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures

Q4FY23 Earnings Conference Call highlights:

Hospitals:

- Occupancy in Q4FY23 for existing hospital was at 65% whereas for new hospitals it was 62%
- ARPOB on blended basis was at ₹ 53,232
- Top therapies such as Cardiac, Onco, Neuro, Nephro, Gastro and Ortho contributed ~ 60% of the hospital's revenues
- The ARPOB in metro cities was at ₹ 61,129 in FY23 whereas non metro cities was at ₹ 36,199
- The company has embarked upon a new capex plan to add 2000 beds with capital outlay of ₹ 3000 crore till FY27
- Inpatient and outpatient volumes increased significantly during the quarter across its clusters namely Tamil Nadu, AP, Telangana and Karnataka

Pharmacy:

- The company added 345 net new stores during the period
- GMV of Apollo 24/7 was at ₹ 593 crore in Q4FY23, compared to ₹ 543 crore in Q3FY23
- Private label/generic sales came in at ~15.5% in FY23
- It expects the pharmacy segment to achieve EBITDA neutral status
- Intends to add 500-600 pharmacy stores per year

AHLL:

- Its focus to expand in key markets across select metros will help it consolidate market share for cradle business in the specialty care segment
- Launched one new centre in April 2023 whereas additional two to three centres are expected to get commissioned by Q2FY24
- Expects AHLL's EBITDA margin improvement to 10% in the next few quarters

Other highlights:

- Higher occupancy to drive growth for healthcare services segment in the coming years
- The management expects occupancy levels for mature hospitals to touch 70% from current 65% levels
- The current payor mix includes 45% retail and 45% insurance
- Apollo Cancer Centres Navi Mumbai launched the fourth-generation Da Vinci Xi Robot surgical systems for complex surgeries

Exhibit 1: Variance Analysis

	Q4FY23	Q4FY23E	Q4FY22	Q3FY23	YoY (%)	QoQ (%)	Comments
Revenue	4,302.2	4,489.8	3,546.4	4,263.6	21.3	0.9	Performance supported by better volumes, case and price
Raw Material Expenses	2,234.2	2,333.6	1,815.7	2,216.1	23.1	0.8	
Employee Expenses	590.8	594.7	446.6	564.8	32.3	4.6	
Other expenditure	989.1	1,028.8	820.9	977.4	20.5	1.2	
EBITDA	488.1	532.6	463.2	505.4	5.4	-3.4	Increased establishment costs
EBITDA (%)	11.3	11.9	13.1	11.9	-172 bps	-51 bps	
Interest	95.4	100.0	94.9	100.0	0.5	-4.6	
Depreciation	159.1	153.4	166.4	153.4	-4.4	3.7	
Other Income	16.4	37.2	30.7	35.4	-46.8	-53.8	
PBT before EO & Forex	250.0	316.5	232.7	287.4	7.4	-13.0	
EO	0.0	0.0	0.0	0.0	0.0	0.0	
PBT after Exceptional lte	250.0	316.5	232.7	287.4	7.4	-13.0	
Tax	108.0	114.0	138.7	103.5	-22.1	4.3	
Tax rate (%)	43.2	36.0	59.6	36.0	-27.5	19.9	
Net Profit	144.5	195.8	90.1	153.6	60.3	-5.9	
Adj. Net Profit	144.5	195.8	90.1	153.6	60.3	-5.9	Delta vis-a-vis EBITDA
EPS (₹)	10.0	13.6	6.3	10.7	60.3	-5.9	

Key Metrics

Hospitals	2194.5	2258.3	1863.1	2194.4	17.8	0.0	Occupancy in mature hospitals at 65%, new hospitals at 62%
Pharmacy	1799.2	1888.6	1374.5	1757.8	30.9	2.4	Increase in daily transaction run rate
AHLL	308.5	342.9	308.9	311.4	-0.1	-0.9	Supported by primary and specialty care segment

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

₹ Crore)	FY23			FY24E			FY25E			Comments
	Old	New	% Change	Old	New	% Change	Old	New	% Change	
Revenue	16,800.1	16,612.5	-1.1	20,507.6	20,167.0	-1.7	23,202.1	23,298.6	0.4	
EBITDA	2,094.0	2,049.6	-2.1	2,564.6	2,541.3	-0.9	3,415.5	3,351.7	-1.9	
EBITDA Margin (%)	12.5	12.3	-13 bps	12.5	12.6	10 bps	14.7	14.4	-34 bps	
Adjusted PAT	870.9	819.6	-5.9	1,155.2	1,095.9	-5.1	1,826.6	1,656.2	-9.3	Higher effective tax rate
EPS (₹)	60.5	56.9	-5.9	80.2	76.1	-5.1	126.8	115.0	-9.3	

Source: ICICI Direct Research

Exhibit 3: Assumptions

(% Growth)	Current					Earlier			
	FY21	FY22	FY23	FY24E	FY25E	FY23	FY24E	FY25E	
Healthcare Services	5,002.2	7,989.2	8,676.8	9,764.8	10,902.6	8,740.6	9,744.0	10,642.5	
Pharmacy	4,876.0	5,361.0	6,704.5	8,924.7	10,623.0	6,793.9	9,244.9	10,737.1	
AHLL	681.8	1,312.5	1,231.2	1,477.4	1,772.9	1,265.6	1,518.7	1,822.4	

Source: ICICI Direct Research

Exhibit 4: Financial Summary

	Revenues	Growth	EPS	Growth	P/E	EV/EBITDA	RoNW	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY21	10560	-6.1	7.8	-75.2	440.5	60.0	2.5	6.3
FY22	14663	38.9	59.1	652.4	62.8	31.0	15.1	15.1
FY23	16612	13.3	56.9	-3.6	80.7	33.2	13.2	12.9
FY24E	20167	21.4	76.1	33.7	60.4	26.8	15.4	15.0
FY25E	23299	15.5	115.0	0.1	40.0	19.9	19.3	18.8

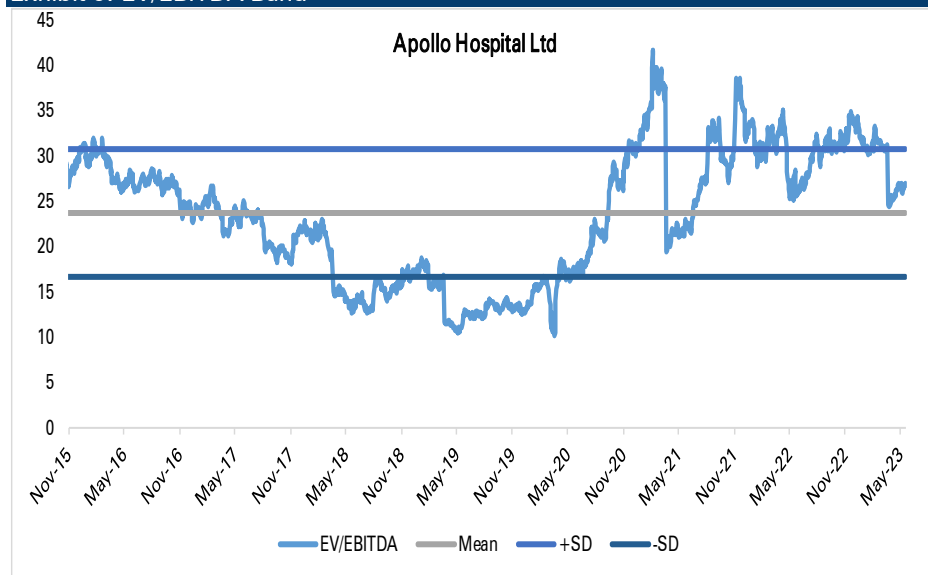
Source: ICICI Direct Research

Exhibit 5: Trends in Quarterly Performance

Particulars (₹ crore)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	YoY (%)	QoQ (%)
Total Operating Income	2922.4	2171.5	2760.7	2759.8	2868.0	3760.2	3717.1	3638.9	3546.4	3795.6	4251.1	4263.6	4302.2	21.3	0.9
Raw Material Expenses	1471.1	1217.5	1505.1	1486.5	1475.0	2062.0	1872.3	1823.5	1815.7	1952.1	2171.9	2216.1	2234.2	23.1	0.8
as % revenues	50.3	56.1	54.5	53.9	51.4	54.8	50.4	50.1	51.2	51.4	51.1	52.0	51.9		
Gross Profit	1451.4	954.0	1255.6	1273.3	1392.9	1698.3	1844.7	1815.4	1730.8	1843.5	2079.2	2047.5	2068.0	19.5	1.0
GPM (%)	49.7	43.9	45.5	46.1	48.6	45.2	49.6	49.9	48.8	48.6	48.9	48.0	48.1		
Employee Expenses	475.5	448.6	411.6	352.4	388.4	443.5	456.8	439.6	446.6	447.4	540.8	564.8	590.8	32.3	4.6
as % revenues	16.3	20.7	14.9	12.8	13.5	11.8	12.3	12.1	12.6	11.8	12.7	13.2	13.7		
Other expenditure	595.8	469.9	544.2	530.7	592.7	734.9	772.9	788.8	820.9	905.3	973.0	977.4	989.1	20.5	1.2
as % revenues	20.4	21.6	19.7	19.2	20.7	19.5	20.8	21.7	23.1	23.9	22.9	22.9	23.0		
Total expenditure	2542.4	2136.0	2460.9	2369.6	2456.1	3240.3	3102.1	3051.9	3083.2	3304.9	3685.7	3758.2	3814.1	23.7	1.5
EBITDA	380.1	35.5	299.8	390.3	411.8	519.9	615.0	587.0	463.2	490.7	565.4	505.3	488.2	5.4	-3.4
EBITDA Margins (%)	13.0	1.6	10.9	14.1	14.4	13.8	16.5	16.1	13.1	12.9	13.3	11.9	11.3	-172 bps	-51 bps
Depreciation	163.9	160.2	149.5	125.0	138.5	140.6	144.8	149.0	166.4	147.8	155.0	153.4	159.1	-4.4	3.7
Interest	135.2	127.4	122.3	101.0	98.6	94.7	95.4	93.7	94.9	92.7	92.7	100.0	95.4	0.5	-4.6
Other Income	4.0	7.7	11.3	5.5	20.5	24.6	5.6	17.2	30.7	16.1	22.6	35.4	16.4	-46.8	-53.8
PBT	84.9	-244.4	39.4	169.8	195.2	309.3	380.5	361.5	232.7	266.3	340.2	287.4	250.0	7.5	-13.0
Less: Exceptional Items	198.3	0.0	35.4	0.0	25.2	294.1	0.0	0.0	0.0	0.0	2.0	0.0	0.0		
Total Tax	74.0	-40.8	6.6	51.2	67.7	98.6	115.6	124.2	138.7	-69.5	114.2	103.5	108.0	-22.1	4.3
Tax rate (%)	87.2	16.7	16.8	30.1	34.7	31.9	30.4	34.4	59.6	-26.1	33.6	36.0	43.2		
PAT	219.4	-208.2	60.3	130.5	167.9	489.3	247.8	228.4	90.1	317.1	206.0	153.6	144.5	60.3	-5.9
Net Profit Margin (%)	7.5	-9.6	2.2	4.7	5.9	13.0	6.7	6.3	2.5	8.4	4.8	3.6	3.4		
EPS (Adjusted)	15.3	-14.5	4.2	9.1	11.7	34.0	17.2	15.9	6.3	22.1	14.3	10.7	10.0		

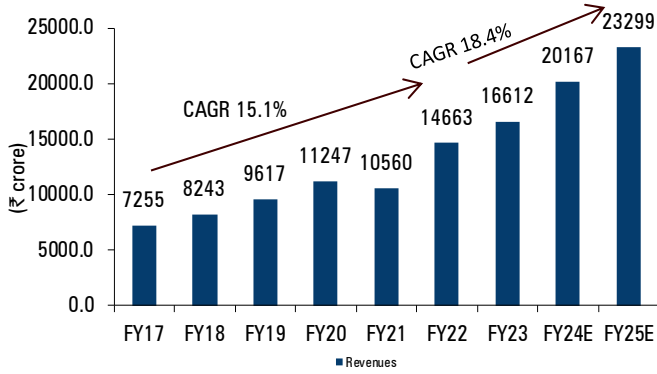
Source: ICICI Direct Research

Exhibit 6: EV/EBITDA Band



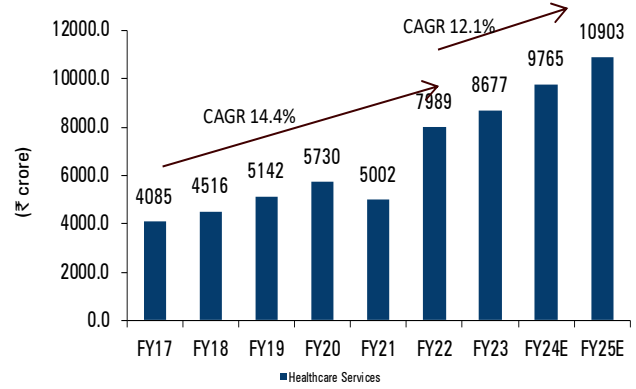
Source: ICICI Direct Research

Exhibit 7: Revenues to grow at 18.4% CAGR over FY23-25E



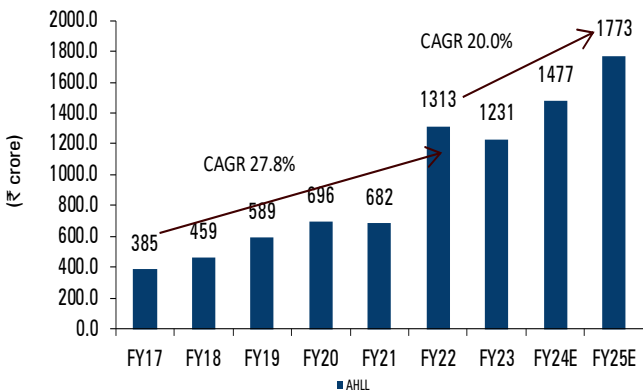
Source: Company, ICICI Direct Research

Exhibit 8: Hospitals to grow at 12.1% CAGR in FY23-25E



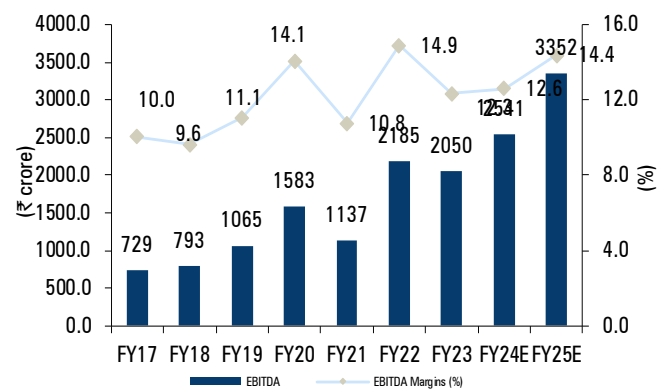
Source: Company, ICICI Direct Research

Exhibit 9: AHLL to grow at 20% CAGR over FY23-25E



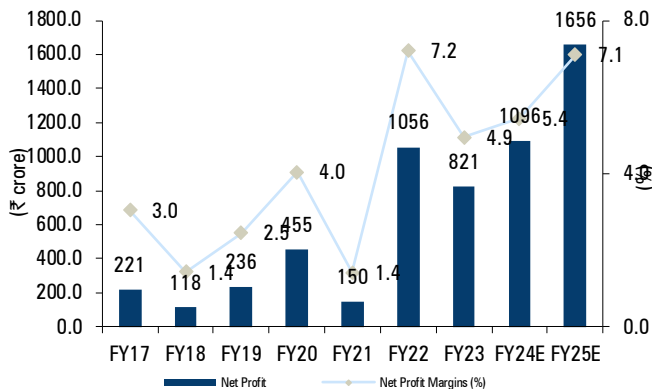
Source: Company, ICICI Direct Research

Exhibit 10: EBITDA & EBITDA margins trend



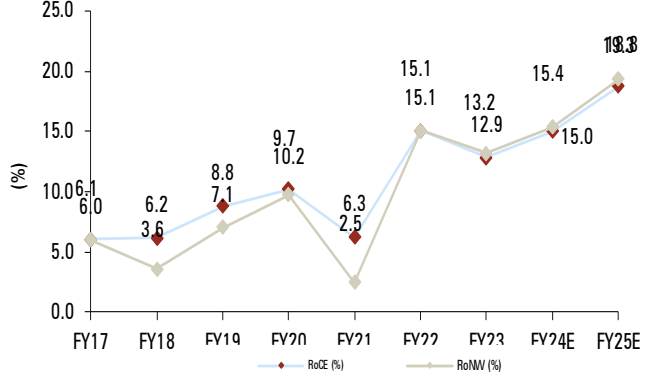
Source: Company, ICICI Direct Research

Exhibit 11: PAT & PAT margins trend



Source: Company, ICICI Direct Research

Exhibit 12: RoE & RoCE trend



Source: Company, ICICI Direct Research

Exhibit 13: Valuation

Particulars	FY25E (₹ cr)	Multiple (x)	EV (₹ cr)
Healthcare (Existing Hospitals)	2104.0	16.0	33,664
Healthcare (New Hospitals)	713.8	14.0	9,993
Pharmacy	10623.0	3.0	31,869
AHLL	1772.9	2.0	3,546
Net Debt FY25E (₹ cr)			684.4
Targeted MCap (₹ cr)			78,387
No of shares (cr)			14.4
Per Share Value (₹)			5,440

Source: ICICI Direct Research

Financial Summary

Exhibit 14: Profit and loss statement				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
Revenues	14,662.6	16,612.5	20,167.0	23,298.6
Growth (%)	38.9	13.3	21.4	15.5
Raw Material Expenses	7,573.5	8,574.2	10,473.0	12,099.3
Employee Expenses	1,786.5	2,143.8	2,602.5	3,006.6
Other expenditure	3,117.5	3,844.8	4,550.2	4,841.0
Total Operating Expenditure	12,477.5	14,562.8	17,625.6	19,946.9
EBITDA	2,185.1	2,049.6	2,541.3	3,351.7
Growth (%)	92.1	-6.2	24.0	31.9
Depreciation	600.7	615.2	687.8	741.5
Interest	378.6	380.8	370.8	370.8
Other Income	78.1	90.3	80.7	93.2
PBT before exceptionals	1,283.9	1,143.9	1,563.4	2,332.6
Less: Exceptional Items	-294.1	-2.0	0.0	0.0
PBT	1,578.0	1,145.9	1,563.4	2,332.6
Total Tax	477.0	256.2	390.9	583.1
MI & Profit from Associates	-45.4	-68.6	-76.7	-93.2
Adjusted PAT	850.4	819.6	1,095.9	1,656.2
Growth (%)	652.4	-3.6	33.7	51.1
EPS (Adjusted)	59.1	56.9	76.1	115.0

Source: Company, ICICI Direct Research

Exhibit 15: Cash flow statement				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
Profit/(Loss) after taxation	904.1	462.6	1,095.9	1,656.2
Add: Depreciation & Amortization	600.7	615.2	687.8	741.5
Working Capital Changes	-463.0	689.4	31.8	24.9
CF from operating activities	1,041.8	1,767.2	1,815.5	2,422.6
Change in Capex	-651.8	-1,124.5	-1,350.0	-1,000.0
(Inc)/dec in Investments	-185.9	206.5	0.0	0.0
Others	301.2	47.2	69.3	86.5
CF from investing activities	-536.5	-870.8	-1,280.7	-913.5
Issue of Equity	0.0	4.5	0.0	0.0
Inc/(dec) in loan funds	-286.6	-128.5	0.0	0.0
Dividend paid & dividend tax	-43.3	-257.9	-172.8	-216.0
Others	-437.8	-251.4	0.0	0.0
CF from financing activities	-767.7	-633.3	-172.8	-216.0
Net Cash flow	-262.4	263.1	362.0	1,293.1
Opening Cash	724.4	1,035.9	908.9	732.8
Closing Cash	462.0	1,299.0	1,270.9	2,025.9
Free Cash Flow	390.0	642.8	465.5	1,422.6

Source: Company, ICICI Direct Research

Exhibit 16: Balance Sheet				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
Equity Capital	71.9	71.9	71.9	71.9
Reserve and Surplus	5,573.3	6,125.3	7,048.3	8,488.6
Total Shareholders funds	5,645.2	6,197.1	7,120.2	8,560.5
Total Debt	2,635.7	2,710.3	2,710.3	2,710.3
Deferred Tax Liability	529.8	442.4	451.3	460.3
Minority Interest	254.3	334.1	367.7	417.7
Long term provisions	23.3	57.4	58.6	59.7
Other Non Current Liabilities	1,951.2	2,134.2	2,176.9	2,220.4
Total Liabilities	11,039.5	11,875.7	12,884.9	14,428.9
Gross Block - Fixed Assets	9,168.6	10,218.6	11,568.6	12,568.6
Accumulated Depreciation	2,900.2	3,515.5	4,203.2	4,944.7
Net Block	6,268.4	6,298.1	7,365.4	7,623.9
Capital WIP	45.5	601.7	601.7	601.7
Goodwill on Consolidation	923.5	985.8	985.8	985.8
Total Fixed Assets	8,310.3	9,117.3	10,184.5	10,443.0
Investments	806.3	577.7	577.7	577.7
Inventory	431.8	390.2	476.6	550.6
Debtors	1,767.6	2,234.2	2,542.2	2,808.7
Loans & Advances, & other CA	645.6	332.1	294.9	258.0
Cash	1,035.9	775.8	732.8	2,025.9
Total Current Assets	3,620.1	3,699.8	4,057.1	5,696.8
Creditors	1,631.8	1,915.7	2,339.9	2,703.2
Provisions & Other CL	410.6	426.2	474.9	521.3
Total Current Liabilities	2,174.7	2,314.4	2,746.6	3,118.1
Net Current Assets	1,445.4	1,385.4	1,310.5	2,578.7
Long term loans & advances	469.2	783.2	798.9	814.8
Deferred Tax Assets	8.3	12.1	13.3	14.6
Application of Funds	11,039.5	11,875.6	12,884.9	14,428.9

Source: Company, ICICI Direct Research

Exhibit 17: Key ratios				
(Year-end March)	FY22	FY23	FY24E	FY25E
Per share data (₹)				
Adjusted EPS	59.1	56.9	76.1	115.0
BV per share	392.0	430.4	494.5	594.5
Dividend per share	14.8	9.0	12.0	15.0
Cash Per Share	71.9	53.9	50.9	140.7
Operating Ratios (%)				
Gross Profit Margins	48.3	48.4	48.1	48.1
EBITDA margins	14.9	12.3	12.6	14.4
Net Profit margins	5.8	4.9	5.4	7.1
Inventory days	20.8	16.6	16.6	16.6
Debtor days	44.0	49.1	46.0	44.0
Creditor days	78.6	81.5	81.5	81.5
Asset Turnover	1.6	1.6	1.7	1.9
EBITDA Conversion Rate	47.7	86.2	71.4	72.3
Return Ratios (%)				
RoE	15.1	13.2	15.4	19.3
RoCE	15.1	12.9	15.0	18.8
RoIC	16.1	13.8	16.2	22.4
Valuation Ratios (x)				
P/E	62.8	80.7	60.4	40.0
EV / EBITDA	31.0	33.2	26.8	19.9
EV / Net Sales	4.6	4.1	3.4	2.9
Market Cap / Sales	4.5	4.0	3.3	2.8
Price to Book Value	11.7	10.7	9.3	7.7
Solvency Ratios				
Debt / EBITDA	1.2	1.3	1.1	0.8
Debt / Equity	0.5	0.4	0.4	0.3
Net Debt / Equity	0.4	0.4	0.4	0.3
Current Ratio	1.2	1.3	1.2	1.2

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
Hospitals																					
Apollo Hospitals	APOHOS	4600	5,440	Buy	66240	59.1	56.9	76.1	115.0	31.0	33.2	26.8	19.9	15.1	12.9	15.0	18.8	15.1	13.2	15.4	19.3
Narayana Hrudalaya	NARHRU	883	990	Buy	18013	16.7	29.7	27.0	32.0	26.9	18.0	16.1	13.7	20.5	25.2	19.1	19.4	23.0	28.4	20.7	19.8
Shalby	SHALIM	137	170	Buy	1477	5.4	6.3	8.2	10.3	12.8	10.9	8.1	6.7	8.4	9.9	11.8	13.9	6.7	7.4	8.9	10.2
Aster DM	ASTDM	261	280	Buy	13060	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	309	390	Buy	4290	3.9	2.1	6.4	8.6	20.8	16.4	12.3	10.6	5.0	8.1	12.5	14.3	5.0	3.4	9.4	11.2
Rainbow Children's Medicare	RAICHI	971	900	Hold	9905	13.6	20.8	19.2	20.2	30.3	26.4	24.6	20.9	20.2	17.8	14.5	16.5	22.9	19.9	15.5	14.0
Company																					
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
MNC Pharma																					
Abbott India	ABBIND	21734	20,315	Hold	45641	380.3	452.1	501.7	564.3	57.1	48.1	43.3	38.5	36.6	38.7	34.1	31.0	28.3	29.8	26.1	23.6
P&G Health	MERLIM	5217	5,620	Buy	8868	113.2	152.2	144.4	165.2	46.1	34.3	36.1	31.6	39.8	43.7	34.5	33.6	31.2	33.2	26.5	25.7
Sanofi India	SANOFI	6807	6,270	Hold	15655	410.6	269.8	251.4	272.7	16.6	25.2	27.1	25.0	33.3	55.1	49.6	45.0	25.9	41.2	36.9	33.3
Pfizer	PFIZER	3800	3,830	Hold	17480	133.2	135.6	135.7	147.2	28.5	28.0	28.0	25.8	26.1	24.8	22.7	21.6	21.4	18.4	17.1	16.3
Pharma																					
Ajanta Pharma	AJAPHA	1289	1,520	Buy	16494	39.5	49.2	48.0	50.1	32.7	26.2	26.9	25.7	25.3	23.4	21.9	19.8	20.2	19.9	16.4	14.8
Alembic Pharma	ALEMPHA	557	530	Hold	10972	27.7	17.4	14.1	22.1	20.1	32.1	39.5	25.2	10.6	8.6	8.0	11.6	10.4	7.8	6.2	9.1
Aurobindo Pharma	AURPHA	660	615	Hold	38650	47.4	33.0	50.0	55.8	13.9	20.0	13.2	11.8	12.9	8.6	12.2	12.7	11.3	7.2	9.9	10.0
Biocon	BIOCON	244	235	Hold	29274	5.7	5.7	8.8	15.4	42.8	42.8	27.7	15.9	7.5	3.9	5.6	6.8	8.1	3.8	5.6	9.0
Zydus Lifesciences	CADHEA	501	600	Buy	51282	21.0	21.6	25.3	33.3	23.9	23.2	19.8	15.1	12.0	14.2	14.8	14.9	12.6	12.6	13.1	14.8
Cipla	CIPLA	962	1,090	Buy	77633	32.9	36.4	42.7	48.2	29.2	26.4	22.5	19.9	16.7	17.4	17.8	18.2	12.7	12.5	13.2	13.4
Dr Reddy's Lab	DRREDD	4502	5,520	Buy	74727	127.2	269.3	230.2	256.5	35.4	16.7	19.6	17.5	12.5	23.9	18.8	21.1	11.0	19.2	14.4	14.2
Glenmark	GLEPHA	596	580	Hold	16799	42.7	37.8	34.6	41.3	13.9	15.8	17.2	14.4	14.8	13.4	13.5	14.9	13.2	11.2	9.4	10.1
Ipca Lab	IPCLAB	706	885	Hold	17927	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	803	725	Hold	36555	11.9	8.3	25.6	33.0	67.7	96.6	31.3	24.4	3.4	5.7	11.0	13.0	4.4	3.0	8.6	10.2
Natco	NATPHA	617	565	Hold	11291	9.3	36.3	40.3	30.2	66.4	17.0	15.3	20.4	4.6	15.9	16.5	11.6	4.0	13.9	13.6	9.4
Sun Pharma	SUNPHA	974	1,140	Buy	233663	32.0	36.1	35.8	40.8	30.5	27.0	27.2	23.9	18.2	15.3	15.5	15.8	16.0	15.5	13.6	13.7
Torrent Pharma	TORPHA	1786	2,010	Buy	60379	32.0	36.5	48.6	58.2	55.8	48.9	36.7	30.7	19.7	19.0	24.7	28.0	18.2	19.9	22.1	22.1
Indoco Remedies	INDREM	332	405	Buy	3055	16.8	15.6	21.3	27.1	19.8	21.3	15.6	12.3	17.5	12.7	15.8	18.9	17.1	14.0	16.5	17.9
Caplin Point	CAPPOI	743	900	Buy	5649	39.5	49.2	48.0	50.1	18.8	15.1	15.5	14.8	25.3	23.4	21.9	19.8	20.2	19.9	16.4	14.8
Advanced Enzyme	ADVENZ	275	310	Hold	3081	11.5	13.1	10.7	10.7	23.8	21.1	25.8	25.8	14.3	10.9	13.4	14.2	11.0	8.7	10.7	11.3
Hester Bios	HESPHA	1644	1,490	Reduce	1480	45.7	31.1	40.5	53.3	36.0	52.9	40.6	30.8	10.9	7.5	8.8	10.3	15.0	9.4	11.2	13.1
API/CRAMS																					
Divi's Lab	DIVLAB	3484	3,575	Buy	92337	111.5	68.7	78.3	89.4	31.2	50.7	44.5	39.0	30.2	17.8	18.9	19.4	25.2	14.3	14.8	15.2
Hikal	HIKCHE	302	305	Hold	3713	13.0	6.4	11.5	17.0	23.2	47.5	26.3	17.8	13.6	7.7	11.5	14.8	15.0	6.9	11.2	14.4
Syngene International	SYNINT	724	740	Buy	29024	9.9	11.6	13.3	17.9	73.3	62.5	54.4	40.5	11.7	13.8	14.2	16.9	12.9	12.8	13.0	14.9
Granules India	GRANUL	283	360	Buy	3482	16.6	20.8	21.8	27.8	17.0	13.6	13.0	10.2	15.6	18.5	17.8	19.4	16.0	18.2	16.2	17.3
Laurus Labs	LAULAB	331	300	Hold	17764	15.4	14.7	10.5	10.5	21.5	22.4	31.5	31.5	21.3	19.8	14.6	16.0	24.7	19.6	12.4	13.5
Suven Pharma	SUVPH	477	530	Buy	12167	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, 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.

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

For any queries or grievances: Mr. Prabodh Avadhoot Email address: 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 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.