

## Continued uptick in footfalls, occupancy...

Q3 revenues, which came in at ₹ 2760 crore are not comparable on YoY, QoQ basis due to restructuring of retail pharmacy to pharmacy distribution. Hospital segment grew 16.6% QoQ to ₹ 1443 crore (down 3.4% YoY). AHLL segment revenues are back on the growth track registering 6.4% YoY growth to ₹ 197 crore. Pharmacy distribution segment revenues came in at ₹ 1126. EBITDA margins improved to 14.1% vs. 10.9% in Q2FY21 mainly due to lower staff cost stemming from pharmacy restructuring. Subsequently EBITDA grew 30.2% QoQ to ₹ 390 crore. PAT for the quarter was at ₹ 130 crore, up 41.6% YoY and nearly 4.7x of Q2FY21 net profit.

## Healthcare expansion moderates; focus on asset sweating

Rapid expansion and maturity of older hospitals has kept overall growth tempo at 12-14% per annum. After a prolonged capex cycle, especially in FY14-18, Apollo is focusing on profitability and return ratios with capex moderation. This has reflected in a marked improvement in both EBITDA margins and RoCE. The new hospitals, ventures are turning profitable ahead of schedule on the back of a judicious case mix besides better occupancy and other matrix. We expect healthcare sales to grow at 11.5% CAGR (FY20-23E) to ₹ 8907 crore driven by ramp up at new hospitals and AHLL.

## Pharmacy composition to change from front-end to back-end

The pharmacy business (43% of FY20 revenues) had grown at ~22% CAGR in the last five years. Having received NCLT approval for front-end pharmacy demerger, AHEL has spun it off into Apollo Pharmacies (APL), a wholly-owned subsidiary of Apollo Medicals (AMPL) of which AHEL owns 25.5%. The proposed reorganisation is not expected to have a material impact on AHEL's financials as the backend business related to standalone pharmacies, which represents ~85% of business economics, will continue to be held by AHEL. Henceforth, the company will have pharmacy distribution as its operating and reportable segment that represents the business of procurement and distribution of pharma, FMCG and private label products. We expect this segment to grow at ~12% CAGR in FY20-23E piggybacking on supply traction based on prospects of the retail pharmacy.

## Valuation & Outlook

While complete business normalisation in the healthcare segment is expected to be more pronounced from H1CY21 onwards, Apollo's management has already charted a way to reduce costs in the short-term. On the other hand, structural cost saving initiatives are also under way to reduce costs by 12-15% in the long-term. We remain positive on the company as besides strong healthcare pedigree and asset base the company owns one of the best pharmacy models in the world that provides an overall cushion in difficult times. We upgrade from HOLD to **BUY** at a revised TP of ₹ 3170 (earlier ₹ 2310) on SOTP basis by valuing healthcare business (existing hospitals & JV) at 18x FY23E EV/EBITDA, healthcare (new hospitals), pharmacy both at 2x and AHLL at 5x FY23E EV/sales respectively.

### Key Financial Summary

	FY20	FY21E	FY22E	FY23E	CAGR (FY20-23E) %
Net Sales	11246.8	10502.1	12754.4	14209.4	8.1
EBITDA	1583.4	1114.8	1936.7	2339.8	13.9
EBITDA margins (%)	14.1	10.6	15.2	16.5	
PAT	454.9	104.4	872.9	1233.1	39.4
EPS (₹)	22.6	7.3	60.7	85.8	
PE (x)	86.8	313.5	45.3	32.0	
P/BV (x)	11.8	8.6	7.4	6.2	
RoE (%)	9.7	2.3	16.4	19.4	
RoCE (%)	10.2	6.1	14.6	18.1	

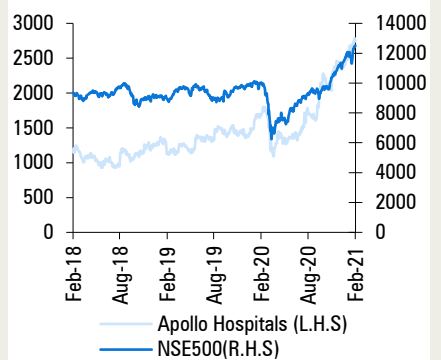
Source: ICICI Direct Research; Company



### Particulars

Particular	Amount
Market Capitalisation	₹39503 crore
Debt (FY 20)	₹3596 crore
Cash (FY 20)	₹467 crore
EV	₹42631 crore
52 week H/L (₹)	2839/1047
Equity capital	₹71.9 crore
Face value	₹5

### Price performance



### Key risks to our call

- Re-imposition of lockdown restrictions in case of a second Covid wave
- Slower than expected ramp-up in AHLL segment

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**Exhibit 1: Variance Analysis**

	Q3FY21	Q3FY21E	Q3FY20	Q2FY21	YoY (%)	QoQ (%)	Comments
Revenue	2,759.8	2,832.5	2,911.7	2,760.7	-5.2	0.0	Excluding divestment of frontend pharmacy, sequential improvement witnessed across segments
Raw Material Expenses	1,486.5	1,472.9	1,417.2	1,505.1	4.9	-1.2	
Employee Expenses	352.4	453.2	475.4	411.6	-25.9	-14.4	Sharp reduction amid divested pharmacy front end business
Other expenditure	530.7	549.6	589.2	544.2	-9.9	-2.5	
EBITDA	390.3	356.8	430.0	299.8	-9.2	30.2	
EBITDA (%)	14.1	12.6	14.8	10.9	-63 bps	328 bps	Sequential improvement due to decline in employee cost
Interest	101.0	122.3	137.4	122.3	-26.5	-17.4	
Depreciation	125.0	149.5	157.3	149.5	-20.5	-16.3	
Other Income	5.5	11.6	9.7	11.3	-43.1	-51.4	
PBT before EO & Forex	169.8	96.7	144.9	39.4	17.2	331.0	
EO	0.0	0.0	0.0	-35.4	0.0	0.0	
PBT after Exceptional lte	169.8	96.7	144.9	74.8	17.2	126.9	
Tax	51.2	29.0	55.4	6.6	-7.5	675.5	
Tax rate (%)	30.1	30.0	38.2	8.8			
Net Profit	130.5	55.2	92.1	60.3	41.6	116.4	
Adj. Net Profit	130.5	55.2	92.1	28.0	41.6	366.6	Delta vis-à-vis EBITDA and beat I-direct estimates amid lower interest, depreciation and tax rate
EPS (₹)	9.1	3.8	6.4	4.2	41.6	116.4	
<b>Key Metrics</b>							
Hospitals	1436.1	1401.0	1493.7	1237.4	-3.9	16.1	QoQ improvement led to improvement in occupancy of non Covid patients
Pharmacy	1126.3	1237.0	NA	361.2	NA	NA	Like to like pharmacy growth was 17% YoY
AHLL	197.3	194.7	185.4	171.6	6.4	15.0	YoY growth was mainly due to strong diagnostic growth mainly due to increase in Covid test

Source: ICICI Direct Research

## Conference Call Highlights

- Q3FY21 saw uptick across parameters like patient footfalls, occupancies
  - However due to lower air/rail travel – out of state/international patients are lower; outpatients are at 65-70% of pre-Covid
- Consolidated net debt as on December 2020: ₹ 2704.2 crore; Gross debt: ₹ 3185.7 crore
- Apollo 24x7 - 2000+ tele-consults a day; already done 250,000+ tele-consults already
- Q3FY21 cost saving of ~₹ 40 crore; FY22 saving to be ~₹ 120-125 crore in comparison to FY20
- Covid: 17% of net revenue; 25% of occupied beds; ARPOB near ~28000; EBITDA margin ~14%
  - – 290,000+ tests; In-patients – 34,000+
  - Allocated beds down to 1600 from 2300 earlier, January 2021 – 800;
    - (a) Q3 - 73% occupancy (1173 beds); December was 48%
  - Non-Covid occupancy: 60%; December was 67%
- Hospitals - Of the 8816 owned hospital beds capacity, 7366 beds were operational and had an occupancy of 63% in Q3FY21
  - Q3FY21 occupancy across the group was at 4,658 beds (63% occupancy) compared to 4119 beds (56% occupancy) in Q2FY21. The Q3FY21 occupancy in mature hospitals was at 3243 beds (62% occupancy). New hospitals had an occupancy of 1415 beds (66% occupancy)
  - Mature hospitals revenue de-grew 9% from ₹ 1104.4 crore in Q3FY20 to ₹ 1010.1 crore in Q3FY21
  - New hospitals revenues grew 9% from ₹ 367.1 crore in Q3FY20 to ₹ 398.7 crore in Q3FY21
  - New hospitals (excluding Proton) reported EBITDA of ₹ 43.7 crore in Q3FY21 vs. ₹ 30.2 crore in Q3FY20
  - Proton reported EBITDA (pre-Ind-AS116) of nil in Q3FY21 vs. loss of ₹ 3.4 crore in Q3FY20
  - AHLL –reported EBITDA (pre-Ind-AS 116) of ₹ 11.2 crore in Q3FY21 vs. ₹ 5.7 crore in Q3Y20
  - New hospital ARPOB at ~₹ 36,000; Total ARPOB at ~₹ 40,000
- Pharmacy – Pursuant to demerger of front end pharmacy, AHEL's ownership in erstwhile wholly owned subsidiary AMPL, has changed to 25.5%
  - SAP backend EBITDA of ₹ 72.7 crore (6.5% margin) in Q3FY21 compared to ₹ 75.1 crore (6.1% margin) in Q3FY20
  - Total number of pharmacies as of Q3FY21 was 4000. Net addition of 150 stores in Q3
  - Pharmacy margin to touch 6.6% in FY21, 7% expected in FY22
- Overall inpatient volume across the group grew 21% QoQ from 82153 to 99197 and ARPOB registered growth of 8.7% YoY
- Raised ₹ 1170 crore via QIP; break-up of fund utilisation given below:

- ₹ 700 crore set aside for
  - (a) ₹ 410 crore - purchasing the balance 50% stake in Apollo Gleneagles,
  - (b) ₹ 140 crore – Apollo 24x7,
  - (c) ₹ 150 crore for diagnostics expansion into north and east,
- Balance ₹ 470 crore for
  - (a) any potential inorganic opportunity,
  - (b) reducing debt.
- AHLL – Over three years try to reach ₹ 1800-2000 crore sales with 12-14% EBITDA margin
  - 30-35% growth in diagnostic segment
  - Preventive health: currently doing ₹ 262 crore; targeting ₹ 1000 crore over three years; ~30% margins; capex of ~₹ 50 crore + asset sweating
  - Home care doing ₹ 60 crore per annum sales currently; may see post operation care to move from hospitals to this segment

Exhibit 2: Trend in quarterly financials

(₹ crore)	13FY 18	14FY 18	11FY 19	12FY 19	13FY 19	14FY 19	11FY 20	12FY 20	13FY 20	14FY 20	11FY 21	12FY 21	13FY 21	YoY (%)	QoQ (%)
Total Operating Inc	2139.1	2109.3	2210.5	2401.6	2495.0	2499.5	2571.9	2840.7	2911.7	2922.4	2171.5	2760.7	2759.8	-5.2	0.0
Raw Material Expe	1117.4	1109.3	1078.3	1227.1	1210.1	1198.7	1237.8	1372.9	1417.2	1471.1	1217.5	1505.1	1486.5	4.9	-1.2
as % revenues	52.2	52.6	48.8	51.1	48.5	48.0	48.1	48.3	48.7	50.3	56.1	54.5	53.9		
Gross Profit	1021.7	1000.0	1132.2	1174.5	1285.0	1300.8	1334.1	1467.9	1494.6	1451.4	954.0	1255.6	1273.3	-14.8	1.4
GPM (%)	47.8	47.4	51.2	48.9	51.5	52.0	51.9	51.7	51.3	49.7	43.9	45.5	46.1		
Employee Expendi	320.1	329.3	366.8	367.1	418.1	425.6	433.4	468.7	475.4	475.5	448.6	411.6	352.4	-25.9	-14.4
as % revenues	15.0	15.6	16.6	15.3	16.8	17.0	16.9	16.5	16.3	16.3	20.7	14.9	12.8		
Other expenditure	484.5	484.3	536.1	535.5	587.8	581.5	546.4	580.2	589.2	595.8	469.9	544.2	530.7	-9.9	-2.5
as % revenues	22.6	23.0	24.3	22.3	23.6	23.3	21.2	20.4	20.2	20.4	21.6	19.7	19.2		
Total expenditure	1921.9	1923.0	1981.2	2129.7	2215.9	2205.8	2217.6	2421.7	2481.7	2542.4	2136.0	2460.9	2369.6	-4.5	-3.7
EBITDA	217.2	186.3	229.3	271.9	279.1	293.7	354.3	419.0	430.0	380.1	35.5	299.8	390.3	-9.2	30.2
EBITDA Margins (%)	10.2	8.8	10.4	11.3	11.2	11.8	13.8	14.7	14.8	13.0	1.6	10.9	14.1	-63 bps	328 bps
Depreciation	88.8	76.4	95.1	93.6	98.4	104.9	144.0	154.5	157.3	163.9	160.2	149.5	125.0	-20.5	-16.3
Interest	88.8	88.8	76.2	79.1	84.4	85.4	125.8	134.3	137.4	135.2	127.4	122.3	101.0	-26.5	-17.4
Other Income	5.6	5.5	4.6	6.3	12.5	11.8	9.9	3.5	9.7	4.0	7.7	11.3	5.5	-43.1	-51.4
PBT	45.2	26.6	62.7	105.6	108.7	115.2	94.4	133.7	144.9	84.9	-244.4	39.4	169.8	17.2	331.0
Less: Exceptional	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	198.3	0.0	35.4	0.0		
Total Tax	13.6	8.0	39.3	34.8	53.1	39.1	45.3	50.6	55.4	74.0	-40.8	6.6	51.2	-7.5	675.5
Tax rate (%)	30.0	30.0	62.8	33.0	48.9	33.9	47.9	37.8	38.2	87.2	16.7	16.8	30.1		
PAT	43.8	42.1	34.1	80.3	57.0	84.9	57.2	86.2	92.1	219.4	-208.2	60.3	130.5	41.6	116.4
Net Profit Margin (%)	2.0	2.0	1.5	3.3	2.3	3.4	2.2	3.0	3.2	7.5	-9.6	2.2	4.7		
EPS (Adjusted)	3.0	2.9	2.4	5.6	4.0	5.9	4.0	6.0	6.4	15.3	-14.5	4.2	9.1		

Source: ICICI Direct Research, Company

## Company Background

Established in 1983, the company is one of the few listed players in the healthcare space. It derives revenues from two broader segments in the standalone accounts - 1) healthcare services i.e. hospitals and 2) standalone pharmacies. In the consolidated accounts, other reporting segments are – 1) hospital revenues from JVs/subsidiaries and associates, 2) Apollo-Munich Health insurance JV, 3) Apollo Health & Lifestyle Ltd, which is the retail healthcare business of Apollo Hospitals.

Apollo owns 70 hospitals with total bed capacity of 10197 beds. Of these 70 hospitals, 44 are owned by the company (including JVs, subsidiaries and associates) while five are managed by the company with 851 beds while 11 are day care/short surgical stay centres with 270 beds and 10 cradles with 260 beds.

In case of managed hospitals, the company charges 5-6% management fees for third party hospitals for project management and consultancy covering all facets of development and operation of a hospital, including market research, technical design, arranging finance, hiring manpower and running the facility.

The healthcare segment has been divided into four clusters- 1) Tamil Nadu Region (Chennai and others), 2) AP, Telangana Region (Hyderabad and others) 3) Karnataka Region (Bangalore and others) and 3) others that include hospitals in Bhubaneswar, Bilaspur, Nashik and Navi Mumbai.

In June 2015, the company acquired a 51% stake in Assam Hospitals Ltd, which runs a 220 bed hospital in Guwahati.

Apollo Healthcare and Lifestyle (AHLL) subsidiary covers the retail healthcare business of the Apollo group, comprising Apollo Clinics, Apollo Sugar, White Dental, Apollo Day Surgery centres and Apollo Cradle. AHLL reported ₹ 696 crore of sales in FY20.

Apollo Sugar Clinics is a one-stop shop for diabetics and offer packages to better manage diabetes through a combination of prescriptions, dietary, exercise regimens and other lifestyle changes apart from management of diabetes related complications. Sanofi has 20% stake in Apollo Sugar Clinics business. The company has 30 Apollo Sugar Clinics.

Apollo Day Surgery centres focus on planned surgeries done in a day/short stay basis. The company has 11 centres as of FY20.

Apollo Cradle denotes lifestyle birthing centres. It launched the first Apollo Cradle in Delhi a decade ago and currently has twelve cradles in the network.

In FY15, AHLL acquired 11 day and short stay surgery centres (over 350 beds) from Nova Specialty Hospitals with a presence in eight cities across India. This acquisition provides APL an opportunity to provide quality healthcare delivery closer to home and also entry in new markets such as Mumbai, Jaipur and Kanpur.

In case of standalone pharmacies, which are basically drug stores chain selling prescription, OTC and private label FMCG products, the company owned 3766 stores as of FY20. In FY15, the company acquired Hyderabad-based Hetero Med Solutions Ltd (HMSL). HMSL has ~320 stores across Telangana, Andhra Pradesh and Tamil Nadu.

The Apollo board has segregated the front-end retail pharmacy business carried out in the standalone pharmacy segment into a separate company Apollo Pharmacies (APL) as part of the proposed reorganisation.

APL to focus on- 1) Building a growth platform for the standalone pharmacies business to get to a medium-term target of over 5000 pharmacy outlets over five years with a goal of over ₹ 10,000 crore sales and 30% RoCE for the standalone pharmacy business in five years, 2) enabling foray into digital commerce as part of AHLL's Omni-channel strategy to provide consumers increased convenience and ability to choose between online and physical stores, 3) enhancing the private label business further from the

current ~9% levels to over 12% in two years through a combination of both broadening and deepening the product portfolio.

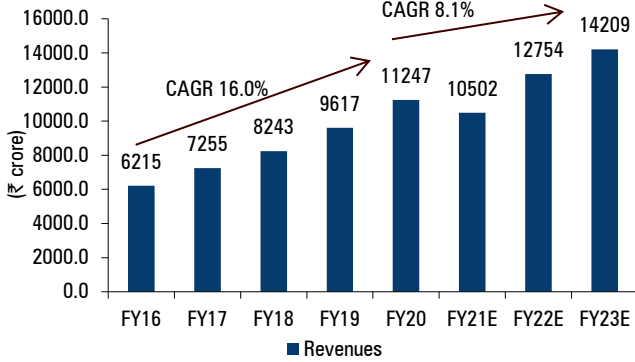
APL will become a wholly-owned subsidiary of Apollo Medicals Pvt Ltd (AMPL). The entire shareholding of AMPL will be held by AHEL and certain identified investors. AHEL will hold 25.5% of total share capital of AMPL with other investors collectively holding the remaining share capital of AMPL. Specifically, Jhelum Investment Fund 1 will hold 19.9%, Hemendra Kothari will hold 9.9% while Enam Securities Pvt Ltd will hold 44.7% of total share capital of AMPL.

AHEL shall have the right to acquire the shares of AMPL from investors in compliance with the regulatory framework AHEL will be the exclusive supplier for APL under a long-term supplier agreement while AHEL will enter into a brand licencing agreement with APL to licence the "Apollo Pharmacy" brand to the frontend stores and online pharmacy operations. The proposed reorganisation is not expected to have a material impact on the financials of AHEL as the backend business related to the standalone pharmacies, which represents ~85% of the business economics, will continue to be held by AHEL. The structure is likely to take AHEL one step closer to a potential unlocking of value in the standalone pharmacy segment.

For the purposes of effectuating the restructuring, AHEL will transfer the business of the front-end retail pharmacy business carried out in the standalone pharmacy segment to APL by way of slump sale under a scheme of arrangement with such transfer being effective from April 1, 2019. The slump sale has been decided at ₹ 527.8 crore.

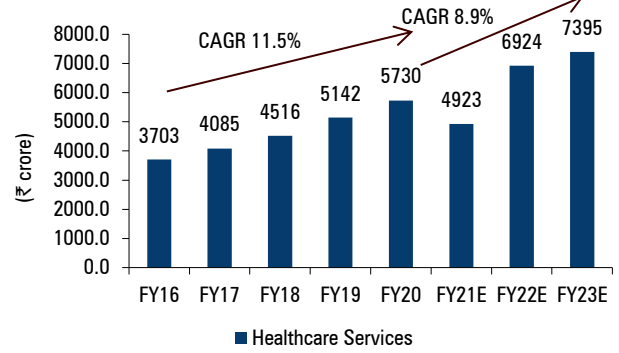
The company has, in January 2021, raised ₹ 1170 crore via QIP (priced at ₹ 2511 per share). The breakup of fund utilization is divided into a) ₹ 700 crore set aside for 1) ₹ 410 crore - purchasing the balance 50% stake in Apollo Gleneagles, 2) ₹ 140 crore – enhancement and implementation of Apollo 24x7, 3) ₹ 150 crore for diagnostics expansion into north and east; b) Balance ₹ 470 crore for 1) any potential inorganic opportunity, and 2) reducing debt.

Exhibit 3: Revenues to grow at CAGR of 8% over FY20-23E



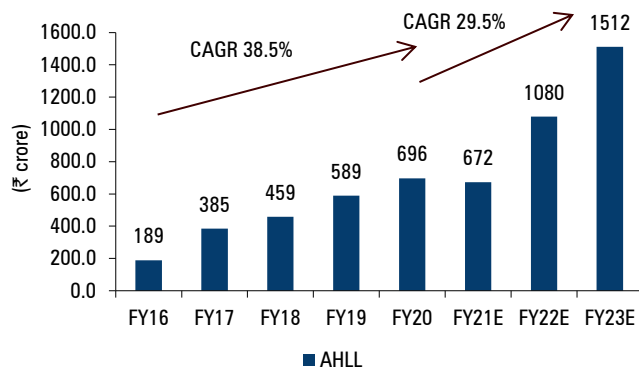
Source: ICICI Direct Research, Company

Exhibit 4: Hospitals to grow at CAGR of 9% over FY20-23E



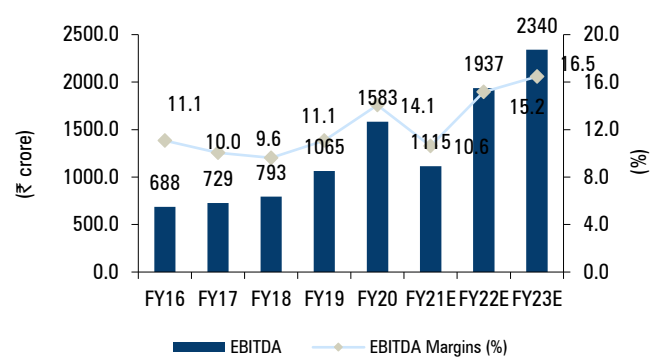
Source: ICICI Direct Research, Company

Exhibit 5: AHLL to grow at CAGR of ~30% over FY20-23E



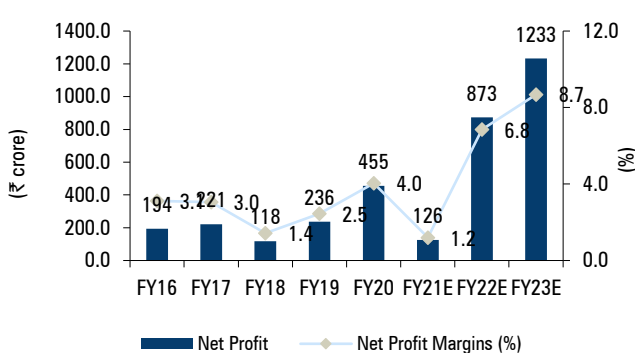
Source: ICICI Direct Research, Company

Exhibit 6: EBITDA & EBITDA margins trend



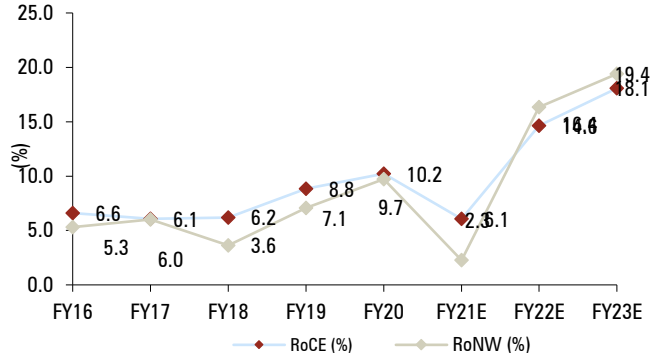
Source: ICICI Direct Research, Company

Exhibit 7: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 8: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 9: Valuation

Particulars	Valuation Matrix	Multiple (x)	EV (₹cr)
Healthcare (E existing Hospitals & JV)	EV/EBITDA	18.0	23,360
Healthcare (New Hospitals)	EV/Sales	2.0	4,294
Pharmacy	EV/Sales	2.0	10,351
AHLL	EV/Sales	5.0	7,558
Net Debt FY 23E (₹cr)			-17.7
Targeted MCap (₹cr)			45,581
No of shares (cr)			14.4
<b>Per Share Value (₹)</b>			<b>3,170</b>

Source: ICICI Direct Research, Bloomberg

**Exhibit 10: Summary**

	<b>Revenues</b>	<b>Growth</b>	<b>EPS</b>	<b>Growth</b>	<b>P/E</b>	<b>EV/EBITDA</b>	<b>RoNW</b>	<b>RoCE</b>
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY 20	11247	16.9	22.6	92.7	86.8	26.9	9.7	10.2
FY 21E	10502	-6.6	7.3	-77.0	313.5	36.8	2.3	6.1
FY 22E	12754	21.4	60.7	736.0	45.3	20.9	16.4	14.6
FY 23E	14209	11.4	85.8	41.3	32.0	16.8	19.4	18.1

Source: ICICI Direct Research, Bloomberg

**Exhibit 11: Shareholding Pattern**

(in %)	<b>Dec-19</b>	<b>Mar-20</b>	<b>Jun-20</b>	<b>Sep-20</b>	<b>Dec-20</b>
Promoter	30.8	30.8	30.8	30.8	30.8
Others	69.2	69.2	69.2	69.2	69.2

Source: ICICI Direct Research, Company



## Financial Summary

Exhibit 12: Profit & Loss (₹ crore)

(Year-end March)	FY20	FY21E	FY22E	FY23E
<b>Revenues</b>	<b>11,246.8</b>	<b>10,502.1</b>	<b>12,754.4</b>	<b>14,209.4</b>
Growth (%)	16.9	-6.6	21.4	11.4
Raw Material Expenses	5,498.9	5,583.1	6,236.0	6,947.3
Employee Expenses	1,852.9	1,571.3	1,658.1	1,847.2
Other expenditure	2,311.6	2,232.9	2,923.7	3,075.0
Total Operating Expenditure	9,663.4	9,387.3	10,817.8	11,869.6
<b>EBITDA</b>	<b>1,583.4</b>	<b>1,114.8</b>	<b>1,936.7</b>	<b>2,339.8</b>
Growth (%)	48.7	-29.6	73.7	20.8
Depreciation	619.7	559.7	576.0	592.4
Interest	532.8	434.9	200.9	109.9
Other Income	27.0	30.1	63.8	85.3
PBT before exceptionals	<b>457.9</b>	<b>150.4</b>	<b>1,223.5</b>	<b>1,722.7</b>
Less: Exceptional Items	-198.3	-35.4	0.0	0.0
<b>PBT</b>	<b>656.2</b>	<b>185.9</b>	<b>1,223.5</b>	<b>1,722.7</b>
Total Tax	225.2	72.7	367.0	516.8
MI & Profit from Associate	23.9	12.8	16.4	27.2
<b>Adjusted PAT</b>	<b>454.9</b>	<b>104.4</b>	<b>872.9</b>	<b>1,233.1</b>
Growth (%)	92.7	-77.0	736.0	41.3
<b>EPS (Adjusted)</b>	<b>22.6</b>	<b>7.3</b>	<b>60.7</b>	<b>85.8</b>

Source: ICICI Direct Research

Exhibit 13: Cash Flow Statement (₹ crore)

(Year-end March)	FY20	FY21E	FY22E	FY23E
Profit/(Loss) after taxation	259.4	126.0	872.9	1,233.1
Add: Depreciation & Amortiza	619.7	559.7	576.0	592.4
Working Capital Changes	-83.1	114.0	-153.6	-96.6
<b>CF from operating activities</b>	<b>796.0</b>	<b>799.6</b>	<b>1,295.3</b>	<b>1,728.9</b>
Change in Capex	-510.0	-183.3	-260.0	-260.0
(Inc)/dec in Investments	229.6	-300.0	-300.0	-300.0
Others	19.8	22.7	49.7	67.0
<b>CF from investing activities</b>	<b>-260.6</b>	<b>-460.6</b>	<b>-510.3</b>	<b>-493.0</b>
Issue of Equity	0.0	1,170.0	0.0	0.0
Inc/(dec) in loan funds	-57.1	-1,350.0	-700.0	-700.0
Dividend paid & dividend tax	-155.1	-21.6	-149.9	-211.8
Others	-697.3	0.0	0.0	0.0
<b>CF from financing activities</b>	<b>-909.6</b>	<b>-201.6</b>	<b>-849.9</b>	<b>-911.8</b>
Net Cash flow	-374.2	137.4	-65.0	324.1
Opening Cash	347.0	466.8	604.2	539.2
<b>Closing Cash</b>	<b>-27.2</b>	<b>604.2</b>	<b>539.2</b>	<b>863.3</b>
<b>Free Cash Flow</b>	<b>285.9</b>	<b>616.4</b>	<b>1,035.3</b>	<b>1,468.9</b>

Source: ICICI Direct Research

Exhibit 14: Balance Sheet (₹ crore)

(Year-end March)	FY20	FY21E	FY22E	FY23E
Equity Capital	69.6	71.9	71.9	71.9
Reserve and Surplus	3,269.5	4,541.5	5,264.5	6,285.8
Total Shareholders funds	3,339.1	4,613.4	5,336.4	6,357.7
Total Debt	3,595.6	2,245.6	1,545.6	845.6
Deferred Tax Liability	294.2	300.1	306.1	312.2
Minority Interest	130.7	117.1	130.1	160.2
Long term provisions	10.1	10.3	10.5	10.7
Other Non Current Liabiliti	2,375.0	2,422.5	2,471.0	2,520.4
<b>Total Liabilities</b>	<b>9,744.7</b>	<b>9,709.0</b>	<b>9,799.6</b>	<b>10,206.8</b>
Gross Block - Fixed Asse	7,429.2	7,929.2	8,189.2	8,449.2
Accumulated Depreciation	1,996.6	2,556.3	3,132.3	3,724.7
Net Block	5,432.6	5,372.9	5,056.9	4,724.5
Capital WIP	235.5	311.1	311.1	311.1
Goodwill on Consolidation	346.2	635.5	635.5	635.5
Total Fixed Assets	7,661.7	7,285.3	6,969.3	6,636.9
Investments	440.0	740.0	1,040.0	1,340.0
Inventory	737.8	638.6	775.5	864.0
Debtors	1,027.2	959.2	1,164.9	1,297.8
Loans & Advances, & othe	456.4	645.6	332.1	294.9
Cash	466.8	604.2	539.2	863.3
Total Current Assets	2,572.0	2,549.0	2,833.6	3,386.1
Creditors	908.8	848.6	1,030.6	1,148.2
Provisions & Other CL	393.0	410.6	426.2	474.9
Total Current Liabilities	1,593.7	1,547.2	1,743.2	1,875.0
Net Current Assets	978.3	1,001.7	1,090.4	1,511.1
Long term loans & advanc	615.1	627.4	640.0	652.7
Deferred Tax Assets	49.6	54.6	60.0	66.0
<b>Application of Funds</b>	<b>9,744.7</b>	<b>9,709.0</b>	<b>9,799.6</b>	<b>10,206.8</b>

Source: ICICI Direct Research

Exhibit 15: Key Ratios (₹ crore)

(Year-end March)	FY20	FY21E	FY22E	FY23E
<b>Per share data (₹)</b>				
Adjusted EPS	22.6	7.3	60.7	85.8
BV per share	232.2	320.9	371.1	442.2
Dividend per share	7.2	1.5	10.4	14.7
Cash Per Share	32.5	42.0	37.5	60.0
<b>Operating Ratios (%)</b>				
Gross Profit Margins	51.1	46.8	51.1	51.1
EBITDA margins	14.1	10.6	15.2	16.5
Net Profit margins	2.9	1.0	6.8	8.7
Inventory days	23.9	22.2	22.2	22.2
Debtor days	33.3	33.3	33.3	33.3
Creditor days	29.5	29.5	29.5	29.5
Asset Turnover	1.5	1.3	1.6	1.7
EBITDA Conversion Rate	50.3	71.7	66.9	73.9
<b>Return Ratios (%)</b>				
RoE	9.7	2.3	16.4	19.4
RoCE	10.2	6.1	14.6	18.1
RoIC	10.9	6.4	15.5	19.7
<b>Valuation Ratios (x)</b>				
P/E	86.8	313.5	45.3	32.0
EV / EBITDA	26.9	36.8	20.9	16.8
EV / Net Sales	3.8	3.9	3.2	2.8
Market Cap / Sales	3.5	3.8	3.1	2.8
Price to Book Value	11.8	8.6	7.4	6.2
<b>Solvency Ratios</b>				
Debt / EBITDA	2.3	2.0	0.8	0.4
Debt / Equity	1.1	0.5	0.3	0.1
Net Debt / E equity	1.0	0.5	0.3	0.1
Current Ratio	1.3	1.3	1.3	1.3

Source: ICICI Direct Research

Exhibit 16: ICICI Direct Coverage Universe (Healthcare)

Company	I-Direct Code	CMP (₹)	TP Rating	M Cap (₹cr)	EPS (₹)				PE(x)				RoCE (%)				RoE (%)				
					FY19	FY20	Y21E	Y22E	FY19	FY20	FY21E	Y22E	FY19	Y20	Y21E	Y22E	FY19	FY20	Y21E	Y22E	
Ajanta Pharma	AJAPHA	1815	2,250	Buy	15841	43.5	53.4	70.3	77.3	41.7	34.0	25.8	23.5	21.8	24.7	26.7	24.8	17.1	18.1	20.3	19.1
Alembic Pharma	ALEMPHA	938	1,055	Hold	18438	30.2	44.4	57.5	43.9	31.1	21.1	16.3	21.4	19.6	21.0	23.9	17.0	21.8	27.1	23.0	15.5
Apollo Hospital	APOHOS	2747	3,170	Buy	39503	16.4	22.6	7.3	60.7	167.4	121.7	378.3	45.3	8.8	10.2	6.1	14.6	7.1	9.7	2.3	16.4
Aurobindo Pharma	AURPHA	948	1,165	Buy	55547	41.9	48.8	55.8	63.9	22.6	19.4	17.0	14.8	15.9	17.2	19.1	18.5	17.7	17.0	15.0	14.8
Biocon	BIOCON	408	450	Hold	48984	6.2	5.8	6.5	13.9	65.8	70.2	62.7	29.4	10.9	10.2	9.2	16.5	12.2	10.4	10.5	18.7
Cadila Healthcare	CADHEA	474	555	Buy	48505	18.1	14.0	20.3	21.1	26.2	33.9	23.4	22.5	12.8	10.7	13.5	13.2	17.8	13.8	16.0	14.7
Cipla	CIPLA	846	975	Buy	68231	18.6	19.2	31.0	32.4	45.5	44.0	27.3	26.2	10.9	12.0	17.0	16.1	10.0	9.8	14.0	13.1
Divi's Lab	DIVLAB	3783	4,440	Buy	100428	51.0	51.9	72.3	88.3	74.2	73.0	52.3	42.9	25.5	23.9	28.5	28.4	19.4	18.8	22.1	22.1
Dr Reddy's Lab	DRREDD	4861	5,525	Buy	80833	114.6	121.8	87.0	188.6	42.4	39.9	55.8	25.8	10.7	9.6	15.7	19.5	13.6	13.0	8.6	16.0
Glenmark Pharma	GLEPHA	504	635	Buy	14227	26.9	26.4	36.5	37.6	18.7	19.1	13.8	13.4	15.3	12.7	14.9	14.1	13.5	12.2	14.5	13.1
Hikal	HIKCHE	172	230	Buy	2126	8.4	8.1	10.2	12.2	20.6	21.3	17.0	14.1	14.3	12.8	13.6	14.9	13.6	12.2	13.5	14.2
Ipca Laboratories	IPCLAB	1939	2,490	Buy	24592	34.9	47.6	95.8	96.0	55.6	40.8	20.2	20.2	15.0	17.6	27.8	22.9	14.2	16.6	25.3	20.3
Jubilant Life	JUBLIF	962	850	Buy	15317	54.9	59.9	54.4	70.3	17.5	16.1	17.7	13.7	14.3	14.4	14.7	16.9	17.8	16.6	13.2	14.7
Lupin	LUPIN	1069	1,165	Buy	48469	16.5	-12.7	24.5	37.3	64.6	NA	43.7	28.7	9.4	9.7	8.9	12.2	5.4	-4.6	8.2	11.2
Narayana Hrudayam	NARHRU	490	580	Buy	10003	2.9	6.4	-2.3	8.0	168.6	77.1	NA	61.3	7.7	11.0	-0.5	12.1	5.5	11.4	-4.3	13.2
Natco Pharma	NATPHA	909	885	Hold	16556	35.4	25.3	32.7	28.0	25.7	35.9	27.8	32.4	21.3	14.0	17.1	13.6	18.5	12.2	14.0	11.0
Sun Pharma	SUNPHA	634	675	Buy	152102	15.9	16.8	28.7	23.5	40.0	37.8	22.1	27.0	10.3	10.0	12.9	12.3	9.2	8.9	14.3	10.6
Syngene Int.	SYNINT	580	700	Buy	23200	8.3	10.3	9.7	13.2	70.1	56.3	59.8	44.0	14.8	14.5	12.6	15.8	16.8	15.7	15.1	17.1
Torrent Pharmaceuticals	TORPHA	2758	3,290	Buy	46676	48.9	60.6	70.0	81.6	56.4	45.5	39.4	33.8	14.2	15.4	17.4	19.4	17.5	21.2	20.7	20.4
Shalby	SHALIM	111	130	Hold	1199	2.9	2.6	4.7	4.9	37.9	43.5	23.6	22.6	6.8	7.2	6.6	7.9	4.1	3.5	6.0	5.9
Aster DM	ASTDM	151	210	Buy	7543	6.7	5.5	3.9	10.7	22.6	27.3	38.7	14.1	8.3	7.1	5.4	9.2	10.4	8.5	5.6	13.4
Indoco Remedies	INDREM	317	380	Buy	2922	-0.3	2.6	9.3	14.8	NA	121.2	34.1	21.4	0.9	4.6	11.4	15.6	-0.4	3.5	11.4	15.7
Caplin Point	CAPPOI	461	605	Buy	3487	23.3	28.4	32.6	43.7	19.7	16.2	14.1	10.6	34.6	26.5	26.0	28.3	27.9	22.7	21.1	22.4
Granules India	GRANUL	333	460	Buy	8235	9.5	12.4	21.1	23.6	34.8	26.8	15.7	14.1	11.8	15.2	22.4	22.0	15.5	16.7	22.4	20.2
Laurus Labs	LAULAB	358	440	Buy	19216	1.7	4.8	17.9	21.1	204.9	75.3	20.0	17.0	7.7	13.0	33.8	31.6	6.0	14.4	36.4	31.0

Source: ICICI Direct Research, Bloomberg

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