

## Miss on estimates; Margins key monitorable...

**About the stock:** Biocon mainly operates in biologics (biosimilars), small molecules (generics), branded formulations and contract research (Syngene). Biocon Biologics (BBL), a subsidiary of Biocon, entered into an arrangement to acquire Viatrix' biosimilars assets for US\$3.335 billion. Biocon Biologics entered into a strategic alliance with SILS for access to 100 million vaccine doses per annum for 15 years.

- Biosimilar US pipeline: (approvals - Pegfilgrastim, Trastuzumab, Glargine, Adalimumab); filed - Aspart and Bevacizumab
- In generics, it is among the world's largest manufacturers of immunosuppressant and statin APIs
- Revenue breakup FY22: Biosimilars (41%), Generics (28%), CRAMS (31%)

**Q1FY23 Results:** Biocon reported lower than expected sales and margins.

- Revenue was up 22% YoY to ₹ 2140 crore
- EBITDA in Q1FY23 was ₹ 400 crore, up 3% YoY with margins at 18.7%
- Consequent adjusted PAT was at ₹ 144 crore (up 71% YoY)

**What should investors do?** Biocon's share price has grown by ~1.3x over the past three years (from ~₹ 237 in July 2019 to ~₹ 309 levels in July 2022).

- We maintain **HOLD** due to 1) growing margins sensitivity, 2) Viatrix deal and subsequent execution risks and 3) impending price erosion risks, regulatory issues and increasing competitive landscape

**Target Price and Valuation:** We value Biocon at ₹ 320 on SOTP basis

**Key triggers for future price performance:**

- **Biosimilars-** 1) market share gains in existing biosimilars, 2) approvals and launches of bBevacizumab and bAspart, 3) bGlargine ramp up, 4) Expected Adalimumab launch in FY23
- **Generics-** 1) Expansion beyond fermentation based APIs, 2) Capacity augmentation in immunosuppressants and synthetic APIs and 3) expanding formulations portfolio through vertical integration
- **CRAMS-** Syngene's consistent growth in Discovery, Dedicated, Development and Manufacturing services
- Execution on vaccines front post strategic alliance with Serum and potential synergies with acquisition of Vitaris biosimilar business from H2FY23

**Alternate Stock Idea:** Besides Biocon, in formulations space we like Sun Pharma.

- Higher contribution from specialty and strong domestic franchise is likely to change the product mix towards more remunerative businesses by FY23
- BUY with a target price of ₹ 1070



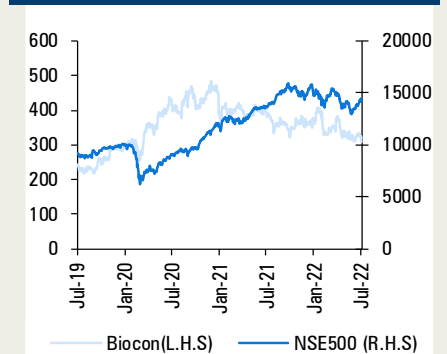
### Particulars

Particular	Amount
Market Capitalisation	₹ 37045 crore
Debt (FY22)	₹ 4904 crore
Cash (FY22)	₹ 1748 crore
EV	₹ 40201 crore
52 week H/L	411/305
Equity capital (₹Crore)	₹ 600 crore
Face value (₹)	₹ 5

### Shareholding pattern

(in %)	Sep-21	Dec-21	Mar-22	Jun-22
Promoter	60.6	60.6	60.6	60.6
Others	39.4	39.4	39.4	39.4

### Price Chart



### Recent Event & Key risks

- 3 USFDA observations at site-3, Hyderabad
- **Key Risk:** (i) Better traction for launches in pipeline, (ii) pricing pressure in US

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### Key Financial Summary

Key Financials (₹ crore)	FY20	FY21	FY22	5 year CAGR (FY17-22)	FY23E	FY24E	2 year CAGR (FY22-24E)
Revenues (₹ crore)	6367.2	7143.1	8184.0	15.9	11119.4	14694.0	34.0
EBITDA (₹ crore)	1603.1	1674.0	1915.2	17.6	2302.1	3434.4	33.9
EBITDA margins (%)	25.2	23.4	23.4		20.7	23.4	
Net Profit (₹ crore)	698.2	751.7	683.8	-0.6	654.4	1361.3	41.1
EPS (₹)	5.8	6.3	5.7		5.5	11.3	
P/E (x)	49.5	48.6	62.4		56.6	27.2	
RoCE (%)	10.2	7.7	7.5		4.1	6.5	
RoE (x)	10.4	9.9	8.1		2.8	5.5	

## Key takeaways of recent quarter & conference call highlights

### Q1FY23 Results: Margins plummet amid higher operating cost

- Revenues grew 21.5% YoY to ₹ 2139.5 crore. Biosimilars grew 28.8% YoY to ₹ 976.6 crore driven by sales of Glargine in the US, and key biosimilars in emerging markets. Research Services segment grew 8.4% YoY at ₹ 644.5 crore, while Generic sales increased 19.2% YoY to ₹ 579.7 crore amid traction for key new products launched in previous quarters, while base business continued to encounter pricing pressure. EBITDA margins came lower than our expectations amid a 344 bps YoY contraction to 18.7% due to 1) higher employee cost (up 17.6% YoY) due to impact of annual increments, 2) R&D expenditure (up 65% YoY), largely due to pipeline progression and 3) other expense (up 61% YoY) amid increase in freight cost, being partly offset by higher gross margin (up 192 bps YoY) at 67.2%. Overall EBITDA improved 2.6% YoY to ₹ 399.4 crore as against I-direct estimate of ₹ 561.2 crore. Adjusted PAT grew 71.1% YoY to ₹ 144.4 crore (I-direct estimate: ₹ 97.9 crore). Delta vis-a vis EBITDA was on account of lower tax expense and higher other income.
- Biocon's Q1FY23 revenues were below estimates amid lower than expected traction in generics and research services while margins were also a miss due to higher employee cost, R&D expenditure, other expenditure and forex loss. In Generics, Biocon's focus is on expediting product pipeline (launched Mycophenolic Acid Delayed-Release Tablets in US) and operationalizing new capacities (Vizag API facility in FY23). On Biosimilars front, two strategic transactions with Serum and Viatris are likely to contribute from H2FY22 while timely launches and ramp up of Biosimilars in the developed as well as emerging markets remain key to capture market share in the projected 3.3x increase in Biocon's target addressable market from US\$21 billion in FY22 to US\$69 billion in FY26. Syngene's ability to take advantage in CRAMS space with operating leverage will be important factor for company.

### Q1FY23 Earnings Conference Call highlights

- Generics** – The business saw YoY growth on a low base due to continued performance in API (Statins and Immunosuppressant's) & recently launched generic formulations. Generics business continued to witness pricing pressure and inflationary cost. Sequentially, sales were impacted due to planned capacity expansions to augment growth in H2FY23, that required temporary manufacturing stoppages.
- Biocon received approvals for Lenalidomide in EU, Mycophenolic Acid DR Tablets in US. Company got the GMP certificate from the MHRA, UK for Oral Solid Dosage facility in Bengaluru.
- Greenfield immunosuppressant API facility in Vizag remains on track with qualification and validation activities planned in FY23
- Generics revenues in Q2FY23 is expected to be largely on lines with Q1FY23
- Biosimilars** – Revenue growth excluding Covid-19 related sales at 46% YoY. Growth in revenues this quarter was led primarily by sales of interchangeable bGlargine in US while in Europe, bPegfilgrastim and bTrastuzumab reported an increase in market share. Sequentially, sales were largely flat due to lower realizations from Viatris EU business mainly due to Euro depreciations versus US dollar.
- Biocon started 2022, with 3% market share in Glargine which has progressed to ~10% in July,2022 and management expects this to further ramp-up towards mid-teen by year end. Trastuzumab market share dipped from ~ 10-11% in April-May,2022 to 7-8% due to some customer loss. Market share is back at ~10%. In Pegfilgrastim, market share is held at ~ 8-9% amid loss of market share by innovator.

- Company launched bBevacizumab in Canada with bGlargine and bAspart expected to be launched in CY22.
- Biocon expects site inspections by USFDA in August 2022, for bBevacizumab and bAspart approval in US
- Initiation of global clinical trials (Phase-I and Phase-III) for two monoclonal antibodies (bUstekinumab & bDenosumab) and advancement of other pipeline assets led to a 120% YoY increase in R&D investments this quarter to ₹ 130 crore (13% of Biocon Biologics revenue). R&D investments guidance reiterated for 10-15% of revenue.
- EBITDA for the quarter was lower by 12% YoY at ₹ 190 Crore on account of higher R&D investments and non-cash foreign currency translational loss of ₹ 43 Crore on Goldman Sachs OCD investment.
- **Research Services** - The decline in profit in Q1FY23 compared to Q1FY22 was expected given the strong sales of Remdesivir last year. Syngene signed a 10-year agreement with Zoetis for the commercial manufacturing of the drug substance for Librela. Syngene has raised Revenue guidance for FY23 from mid-teens to high teens.
- The two strategic transactions with Serum Institute Life Sciences (SILS) and Viatris announced in FY22 are progressing towards various regulatory approvals. The deals are expected to be closed in H2FY22. Biocon will get access to SILS vaccine portfolio (Covishield and Covovax) and other next generation vaccines (like mosquito-borne disease vaccines)

**Exhibit 1: Variance Analysis**

	Q1FY23	Q1FY23E	Q1FY22	YoY (%)	Q4FY22	QoQ (%)	Comments
Revenue	2,139.5	2,337.2	1,760.6	21.5	2,408.8	-11.2	Revenue growth below estimates amid lower than expected traction in generics and research services
Raw Material cost	702.8	794.6	612.1	14.8	828.3	-15.2	
Gross margins	67.2	66.0	65.2	192 bps	65.6	154 bps	
Employee cost	512.6	467.4	436.0	17.6	470.3	9.0	
R & D Expenditure	198.0	198.4	120.0	65.0	191.0	3.7	Gross R&D spend was ₹ 223 crore in Q1FY23
Other Expenditures	326.7	315.5	203.2	60.8	327.3	-0.2	
Total Expenditure	1,740.1	1,776.0	1,371.3	26.9	1,816.9	-4.2	
EBITDA	399.4	561.2	389.3	2.6	591.9	-32.5	
EBITDA (%)	18.7	24.0	22.1	-344 bps	24.6	-590 bps	Lower than estimates due to 1) higher employee cost due to impact of annual increments, 2) R&D expenditure largely due to pipeline progression and 3) other expense amid increase in freight cost
Interest	19.9	147.3	19.9	0.0	10.5	89.5	
Depreciation	217.5	227.5	194.8	11.7	212.2	2.5	
Other income	77.9	60.7	47.2	65.0	67.3	15.8	
EO	0.0	0.0	0.0	0.0	41.0	0.0	
PBT	239.9	247.1	221.8	8.2	395.5	-39.3	
Tax	29.5	54.4	57.3	-48.5	58.6	-49.7	
MI	23.0	41.8	24.0	-4.2	45.3	-49.2	
Adj. PAT	144.4	97.9	84.4	71.1	238.6	-39.5	Delta vis-a vis EBITDA wdue to lower tax expense and higher other income
<b>Key Metrics</b>							
Generics	579.7	632.2	486.3	19.2	717.2	-19.2	YoY growth on a low base amid traction for key new products launched, while base business continued to encounter pricing pressure.
Biosimilars	976.6	1007.5	758.1	28.8	982.3	-0.6	YoY growth driven by sales of Glargine in the US, and key biosimilars in emerging markets
Contract Research	644.5	683.7	594.5	8.4	758.1	-15.0	YoY growth on a high base of Remdesivir sales largely driven by momentum in Development and Manufacturing Services

Source: Company, ICICI Direct Research

**Exhibit 2: Change in estimates**

(₹ Crore)	FY23E			FY24E			Comments
	Old	New	% Change	Old	New	% Change	
Revenues	11,213.0	11,119.4	-0.8	14,309.3	14,694.0	2.7	Changed mainly on back of raised growth in Biosimilars in FY24 post Viatrix integration
EBITDA	2,649.8	2,302.1	-13.1	3,590.6	3,434.4	-4.4	
EBITDA Margin (%)	23.6	20.7	-293 bps	25.1	23.4	-172 bps	Changed due to guidance for increased R&D spend to the tunes of 12-15% of revenues
Net Profit	727.4	654.4	-10.0	1,401.5	1,361.3	-2.9	
EPS (₹)	6.1	5.5	-10.0	11.7	11.3	-2.9	

Source: ICICI Direct Research

**Exhibit 3: Assumptions**

Growth (%)	Current				Earlier				Comments
	FY20	FY21	FY22	FY23E	FY24E	FY23E	FY24E		
Generics	2,207.3	2,362.5	2,340.9	2,433.8	2,628.5	2,581.2	2,839.3	Changed mainly due to lower offtake and continued pricing pressure	
Biosimilars	2,315.0	2,800.5	3,464.3	5,578.7	8,263.9	5,540.9	7,737.1	Guidance for ~ US\$1.1 billion in FY24 post Viatrix integration	
Contract Research	2,012.0	2,184.1	2,604.2	3,120.2	3,744.1	3,027.1	3,653.2		

Source: ICICI Direct Research

**Exhibit 4: Valuation**

Particulars	FY24E EBITDA (₹ cr)	Multiple (x)	Value (₹ )
<b>Biocon Biologics</b>	<b>1983.3</b>	<b>17.0</b>	<b>33,716.6</b>
Biocon's Holding			63%
Holding Company Discount			20%
Biocon Biologics valuation			16993.17
<b>Biocon (ex-Biologics and Syngene)</b>	<b>326.9</b>	<b>5.0</b>	<b>1,634.4</b>
Total EV			35,351.0
Implied Mcap			20,150.0
<b>Syngene</b>			
Targeted Market Cap			28400
Biocon's Holding			70.0%
Holding Company Discount			20.0%
Syngene Implied Mcap			15902
<b>Per share valuation</b>			<b>300</b>
<b>NPV (Vaccines)</b>			<b>20.0</b>
<b>SOTP valuation</b>			<b>320</b>

Source: Company, ICICI Direct Research

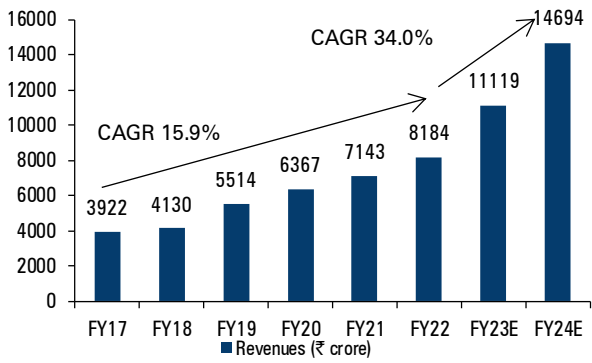
**Exhibit 5: Financial Summary**

	Revenues (₹ crore)	Growth (%)	EPS (₹)	Growth (%)	P/E (x)	EV/EBITDA (X)	RoNW (%)	RoCE (%)
FY21	7143	12.2	6.3	7.7	48.6	22.8	9.9	7.7
FY22	8184	14.6	5.7	-9.0	62.4	20.4	8.1	7.5
FY23E	11119	35.9	5.5	-4.3	56.6	21.3	2.8	4.1
FY24E	14694	32.1	11.3	108.0	27.2	14.5	5.5	6.5

Source: Company, ICICI Direct Research

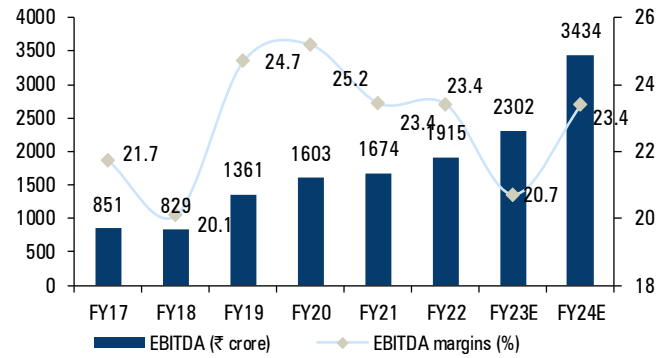
### Key Metrics

**Exhibit 6: Revenues to grow at CAGR of 34% over FY22-24E**



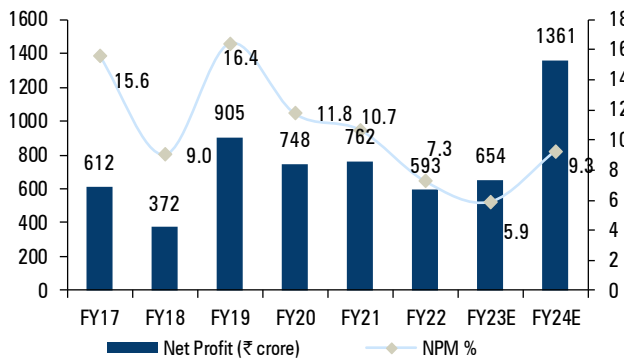
Source: ICICI Direct Research, Company

**Exhibit 7: EBITDA and EBITDA margins trend**



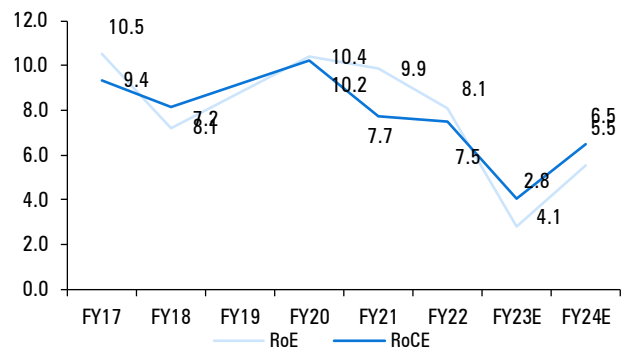
Source: ICICI Direct Research, Company

**Exhibit 8: PAT & PAT margins trend**



Source: ICICI Direct Research, Company

**Exhibit 9: Return ratios**



Source: ICICI Direct Research, Company

Exhibit 10: Trends in Quarterly Performance

(₹ Crore)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	YoY (%)	QoQ(%)
Revenues	1465.9	1572.2	1748.1	1581.0	1693.8	1749.8	1857.4	1842.1	1760.6	1840.4	2174.2	2408.8	2139.5	21.5	-11.2
Raw Material Cost	424.5	477.9	577.3	572.5	541.6	531.4	559.9	578.9	612.1	565.1	712.9	828.3	702.8	14.8	-15.2
% to revenues	29.0	30.4	33.0	36.2	32.0	30.4	30.1	31.4	34.8	30.7	32.8	34.4	32.8		
Gross Profit	1041.4	1094.3	1170.8	1008.5	1152.2	1218.4	1297.5	1263.2	1148.5	1275.3	1461.3	1580.5	1436.7	25.1	-9.1
Gross Profit Margin (%)	71.0	69.6	67.0	63.8	68.0	69.6	69.9	68.6	65.2	69.3	67.2	65.6	67.2	192 bps	154 bps
Employee cost	341.0	353.3	376.1	388.4	393.7	431.9	463.3	452.1	436.0	478.8	495.0	470.3	512.6	17.6	9.0
% to revenues	23.3	22.5	21.5	24.6	23.2	24.7	24.9	24.5	24.8	26.0	22.8	19.5	24.0	-81 bps	443 bps
R & D	79.0	104.0	131.0	125.0	107.0	148.0	171.0	127.0	120.0	146.0	138.0	191.0	198.0		
% to revenues	5.4	6.6	7.5	7.9	6.3	8.5	9.2	6.9	6.8	7.9	6.3	7.9	9.3	244 bps	133 bps
Other Expenditure	183.9	234.2	219.5	176.5	215.7	242.1	257.3	248.2	203.2	204.7	340.1	327.3	326.7	60.8	-0.2
% to revenues	12.5	14.9	12.6	11.2	12.7	13.8	13.9	13.5	11.5	11.1	15.6	13.6	15.3	373 bps	168 bps
Total Expenditure	1028.4	1169.4	1303.9	1262.4	1258.0	1353.4	1451.5	1406.2	1371.3	1394.6	1686.0	1816.9	1740.1	26.9	-4.2
% to revenues	70.2	74.4	74.6	79.8	74.3	77.3	78.1	76.3	77.9	75.8	77.5	75.4	81.3		
EBIDTA	437.5	402.8	444.2	318.6	435.8	396.4	405.9	435.9	389.3	445.8	488.2	591.9	399.4	2.6	-32.5
EBITDA Margin (%)	29.8	25.6	25.4	20.2	25.7	22.7	21.9	23.7	22.1	24.2	22.5	24.6	18.7	-344 bps	-590 bps
Depreciation	124.2	131.6	144.0	152.4	166.8	177.7	186.3	184.3	194.8	201.5	205.7	212.2	217.5	11.7	2.5
Interest	16.6	13.8	17.7	16.8	12.5	6.5	4.8	33.9	19.9	22.5	14.7	10.5	19.9	0.0	89.5
OI	24.1	38.4	35.8	63.1	18.3	15.5	27.9	205.4	47.2	104.9	48.3	67.3	77.9	65.0	15.8
PBT	320.8	295.8	318.3	212.5	274.8	227.7	242.7	423.1	221.8	326.7	316.1	436.5	239.9	8.2	-45.0
Tax	85.2	100.1	84.8	45.0	80.9	22.3	48.9	69.4	57.3	46.3	49.3	58.6	29.5	-48.5	-49.7
Tax Rate (%)	26.6	33.8	26.6	21.2	29.4	9.8	20.1	16.4	25.8	14.2	15.6	13.4	12.3		
PAT	235.6	195.7	233.5	167.5	193.9	205.4	193.8	353.7	164.5	280.4	266.8	377.9	210.4	27.9	-44.3
PAT Margin (%)	16.1	12.4	13.4	10.6	11.4	11.7	10.4	19.2	9.3	15.2	12.3	15.7	9.8		
Exceptional Items (EI)	0.0	-67.5	0.0	0.0	0.0	0.0	0.0	-12.6	0.0	70.1	0.0	41.0	0.0		
Net Profit before MI	235.6	263.2	233.5	167.5	193.9	205.4	193.8	366.3	164.5	210.3	266.8	336.9	210.4	27.9	-37.5
Add/(less) MI	21.4	38.1	27.5	35.7	18.4	26.1	18.0	43.2	24.0	21.4	32.5	45.3	23.0		
Net Profit after MI	214.2	225.1	206.0	131.8	175.5	179.3	175.8	323.1	140.5	188.9	234.3	291.6	187.4	33.4	-35.7
Adjusted Net Profit	206.3	189.0	202.8	123.4	171.9	174.3	175.0	242.7	84.4	195.8	187.1	273.5	144.4	71.1	-47.2

Source: ICICI Direct Research

Exhibit 11: ICICI Direct Coverage Universe (Healthcare)

Company	I-Direct	CMP	TP	Rating	M Cap	EPS (₹)				PE(x)				RoCE (%)				RoE (%)			
	Code	(₹)	(₹)		(₹ cr)	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E
<b>MNC Pharma</b>																					
Abbott India	ABBIND	19656	20,560	Buy	41768	325.0	375.9	439.8	514.0	60.5	52.3	44.7	38.2	33.8	36.6	37.9	36.3	26.5	28.3	29.5	28.1
Pfizer	PFIZER	4163	4,810	Hold	19046	108.8	133.9	140.4	160.3	38.3	31.1	29.6	26.0	27.6	26.1	23.5	23.0	20.8	21.4	19.2	18.7
Sanofi India	SANOFI	6334	6,885	Hold	14588	207.4	410.1	270.5	264.8	30.5	15.4	23.4	23.9	32.3	33.3	41.1	50.7	24.5	25.9	31.2	38.7
Pfizer	PFIZER	4163	4,810	Hold	19046	108.8	133.9	140.4	160.3	38.3	31.1	29.6	26.0	27.6	26.1	23.5	23.0	20.8	21.4	19.2	18.7
<b>Pharma</b>																					
Ajanta Pharma	AJAPHA	1271	1,305	Hold	16279	51.0	55.6	55.6	65.2	24.9	22.8	22.9	19.5	29.0	27.0	23.3	23.5	21.8	21.8	18.7	18.8
Alembic Pharma	ALEMPHA	703	720	Hold	13810	62.8	27.8	29.7	35.9	11.2	25.3	23.7	19.6	25.1	10.6	11.2	13.8	24.1	10.4	10.3	11.3
Biocon	BIOCON	306	320	Hold	36792	6.3	5.7	5.5	11.3	48.9	53.8	56.2	27.0	7.7	7.5	4.1	6.5	9.9	8.1	2.8	5.5
Dr Reddy's Labs	DRREDD	4220	4,960	Buy	70232	117.3	127.9	187.1	218.0	36.0	33.0	22.6	19.4	13.1	13.0	17.8	20.2	11.1	11.1	14.3	14.7
Glenmark Pharma	GLEPHA	379	460	Hold	10690	32.9	42.7	41.0	48.3	11.5	8.9	9.3	7.8	13.9	14.8	14.5	15.4	13.1	13.2	11.4	11.9
Ipca Laboratories	IPCLAB	993	1,000	Hold	25203	44.9	34.8	32.7	39.9	22.1	28.5	30.4	24.9	27.1	17.4	16.2	17.4	24.2	16.1	13.4	14.4
Jubilant Pharmova	JUBLIF	356	410	Hold	5670	37.4	26.0	24.2	31.4	9.5	13.7	14.7	11.3	13.7	9.0	7.7	9.4	12.6	7.8	6.8	8.2
Lupin	LUPIN	639	610	Hold	29052	26.9	11.9	18.7	30.5	23.8	53.8	34.1	21.0	9.6	3.4	7.6	11.2	8.8	4.4	6.6	9.8
Natco Pharma	NATPHA	687	820	Hold	12540	24.2	9.3	28.3	33.2	28.4	73.8	24.3	20.7	13.1	4.6	13.3	14.1	10.7	4.0	11.0	11.6
Sun Pharma	SUNPHA	891	1,070	Buy	213853	30.0	32.0	32.6	38.3	29.7	27.9	27.3	23.3	14.2	18.2	17.7	18.2	15.5	16.0	14.3	14.7
Torrent Pharma	TORPHA	1502	1,615	Hold	50850	37.0	32.0	43.4	53.9	40.6	46.9	34.6	27.9	17.6	19.7	24.3	29.1	21.4	18.2	20.8	21.6
Indoco Remedies	INDREM	380	510	Buy	3505	10.1	16.8	21.8	28.4	37.7	22.6	17.4	13.4	11.7	17.5	18.8	24.9	12.1	17.1	18.7	20.2
Caplin Point	CAPPOI	760	895	Buy	5759	81.7	85.3	68.3	70.8	9.3	8.9	11.1	10.7	25.3	23.7	22.5	0.0	20.4	20.2	18.5	17.5
Advanced Enzymes	ADVENZ	286	290	Hold	3199	13.1	10.7	10.2	13.2	21.9	26.7	28.0	21.8	19.4	14.3	12.6	14.7	15.1	11.0	9.6	11.1
Hester Biosciences	HESPHA	2217	2,445	Hold	1886	44.4	45.7	41.3	63.2	49.9	48.5	53.7	35.1	16.2	10.9	9.9	13.4	16.5	15.0	12.2	16.3
<b>API/CRAMS</b>																					
Divi's Lab	DIVLAB	3833	4,655	Buy	101741	74.7	111.5	105.7	122.5	51.3	34.4	36.3	31.3	27.6	30.2	25.8	25.5	21.3	25.2	20.3	20.0
Hikal	HIKCHE	249	340	Buy	3068	10.8	13.0	11.1	19.0	23.0	19.1	22.5	13.1	15.1	13.6	10.9	16.3	14.3	15.0	11.5	16.8
Syngene Int.	SYNINT	570	710	Buy	22896	10.1	9.9	11.5	14.6	56.3	57.8	49.5	39.1	11.5	11.7	12.8	15.2	13.5	12.9	12.4	13.7
Granules India	GRANUL	298	345	Buy	7392	22.2	16.6	19.6	24.6	13.5	17.9	15.2	12.1	24.0	15.6	16.8	18.6	25.3	16.0	16.0	16.9
Laurus Labs	LAULAB	524	675	Buy	28150	18.3	15.4	20.7	27.0	28.6	34.0	25.3	19.4	31.7	21.3	23.6	26.0	37.9	24.7	25.6	25.6
Suven Pharmaceuticals	SUVPH	468	555	Hold	11914	14.2	17.8	17.0	18.5	32.9	26.3	27.5	25.2	31.2	37.5	28.5	26.0	30.7	29.7	23.0	20.8

Source: ICICI Direct Research



## Financial Summary

Exhibit 12: Profit and loss statement					₹ crore
Year-end March	FY21	FY22	FY23E	FY24E	
<b>Total Operating Income</b>	<b>7143.1</b>	<b>8184.0</b>	<b>11119.4</b>	<b>14694.0</b>	
Growth (%)	12.2	14.6	35.9	32.1	
Raw Material Expenses	2211.8	2718.4	3678.0	4736.4	
Employee Expenses	1741.0	1880.1	2500.0	3120.0	
R&D Expenditure	553.0	595.0	1043.5	1423.5	
Other Expenditures	963.3	1075.3	1595.7	1979.8	
Total Operating Expenditure	5469.1	6268.8	8817.2	11259.7	
<b>Operating Profit (EBITDA)</b>	<b>1674.0</b>	<b>1915.2</b>	<b>2302.1</b>	<b>3434.4</b>	
Growth (%)	4.4	14.4	20.2	49.2	
Depreciation	715.1	814.2	903.9	1013.9	
Interest	57.7	67.6	500.6	641.0	
Other Income	254.5	212.7	311.3	411.4	
PBT before Exceptional Items	1155.7	1246.1	1208.9	2190.8	
Less: Exceptional Items	-12.6	111.1	0.0	0.0	
Total Tax	221.5	211.5	242.7	482.0	
PAT before MI	946.8	923.5	966.2	1708.8	
Minority Interest	105.7	123.2	139.8	175.6	
<b>Adjusted PAT</b>	<b>751.7</b>	<b>683.8</b>	<b>654.4</b>	<b>1361.3</b>	
Growth (%)	7.7	-9.0	-4.3	108.0	
<b>EPS (Adjusted)</b>	<b>6.3</b>	<b>5.7</b>	<b>5.5</b>	<b>11.3</b>	

Source: Company, ICICI Direct Research

Exhibit 13: Cash flow statement					₹ crore
Year-end March	FY21	FY22	FY23E	FY24E	
Profit/(Loss) after taxation	652.4	509.6	654.4	1361.3	
Add: Depreciation & Amortization	715.1	814.2	903.9	1013.9	
Net Increase in Current Assets	-734.0	-951.3	-1630.3	-2075.4	
Net Increase in Current Liabilities	310.2	161.8	943.7	1052.0	
Other Operating Activities	216.0	642.3	500.6	641.0	
<b>CF from operating activities</b>	<b>1159.7</b>	<b>1176.6</b>	<b>1372.3</b>	<b>1992.8</b>	
(Purchase)/Sale of Fixed Assets	-1297.1	-1922.7	-1590.0	-1033.5	
(Increase)/Decrease in Investments	-567.0	231.4	0.0	0.0	
Increase/ (Decrease) in Minority Intere:	0.0	0.0	103.8	114.1	
Other Investing Activities	-842.8	4.8	-23744.7	-834.0	
<b>CF from investing activities</b>	<b>-2706.9</b>	<b>-1686.5</b>	<b>-25230.9</b>	<b>-1753.4</b>	
Proceeds from issues of Equity Shares	797.7	42.5	14310.0	0.0	
Inc/(dec) in loan funds	1882.3	309.2	9340.0	0.0	
(Payment) of Dividend and Dividend Ta	0.0	0.0	-65.4	-136.1	
Interest Paid	-116.0	-109.6	-500.6	-641.0	
Other Financing Activities	0.0	0.0	0.0	0.0	
<b>CF from financing activities</b>	<b>2564.0</b>	<b>242.1</b>	<b>23083.9</b>	<b>-777.1</b>	
Net Cash flow	1016.8	-267.8	-774.6	-537.7	
Opening Cash	998.5	2015.3	1747.5	972.9	
<b>Closing Cash</b>	<b>2015.3</b>	<b>1747.5</b>	<b>972.9</b>	<b>435.1</b>	
<b>Free Cash Flow</b>	<b>592.7</b>	<b>1408.0</b>	<b>1372.3</b>	<b>1992.8</b>	

Source: Company, ICICI Direct Research

Exhibit 14: Balance Sheet					₹ crore
Year-end March	FY21	FY22	FY23E	FY24E	
<b>Liabilities</b>					
Equity Capital	600.0	600.3	600.3	600.3	
Reserve and Surplus	7026.9	7832.2	22731.2	23956.3	
Total Shareholders funds	7626.9	8432.5	23331.5	24556.6	
Total Debt	4358.6	4904.0	14244.0	14244.0	
Minority Interest	880.7	1037.5	1141.3	1255.4	
Other NCL & LT Provisions	2843	3097.5	3404.6	3742.4	
<b>Source of Funds</b>	<b>15709.2</b>	<b>17471.5</b>	<b>42121.4</b>	<b>43798.4</b>	
<b>Assets</b>					
Gross Block - Fixed Assets	10194.5	11206.6	12596.6	14130.1	
Accumulated Depreciation	3857.0	4664.0	5567.9	6581.8	
Net Block	6337.5	6542.6	7028.7	7548.3	
Capital WIP	2800.2	4110.4	4310.4	3810.4	
Total Fixed Assets	9137.7	10653.0	11339.1	11358.7	
Goodwill on Consolidation	26.4	26.4	20298.9	20298.9	
Investments	1951.9	1587.9	1587.9	1587.9	
Inventory	1866.6	2298.2	3123.8	4022.7	
Debtors	1217.6	2058.2	2589.4	3421.9	
Cash	2015.4	1747.5	972.9	435.1	
Other Current Assets	1292.1	1060.7	1334.2	1678.3	
Total Current Assets	6391.7	7164.6	8020.3	9558.0	
Creditors	1513.9	1608.5	2216.9	2854.8	
Provisions	109.4	130.5	160.7	190.8	
Other Current Liabilities	1189.7	1183.5	1488.7	1872.6	
Total Current Liabilities	2813.0	2922.5	3866.2	4918.2	
Net Current Assets	3578.7	4242.1	4154.1	4639.8	
Deferred Tax Assets	307.7	293.3	322.6	354.9	
Other Non Current assets	706.8	668.8	4418.8	5558.3	
<b>Application of Funds</b>	<b>15709.2</b>	<b>17471.5</b>	<b>42121.4</b>	<b>43798.4</b>	

Source: Company, ICICI Direct Research

Exhibit 15: Key ratios				
Year-end March	FY21	FY22	FY23E	FY24E
<b>Per share data (₹)</b>				
Reported EPS	6.3	4.9	5.5	11.3
BV per share	63.5	70.2	194.3	204.5
Dividend per share	0.0	0.5	0.5	1.1
Cash Per Share	16.8	14.6	8.1	3.6
<b>Operating Ratios (%)</b>				
Gross Margin	69.0	66.8	66.9	67.8
EBITDA margin	23.4	23.4	20.7	23.4
EBIT Margin	13.4	13.5	12.6	16.5
PAT Margin	10.5	8.4	5.9	9.3
Inventory days	308.0	308.6	310.0	310.0
Debtor days	62.2	91.8	85.0	85.0
Creditor days	249.8	216.0	220.0	220.0
Asset Turnover	0.5	0.5	0.3	0.3
EBITDA Conversion Ratio	69.3	61.4	59.6	58.0
<b>Return Ratios (%)</b>				
RoE	9.9	8.1	2.8	5.5
RoCE	7.7	7.5	4.1	6.5
RoIC	10.3	10.9	9.3	13.7
<b>Valuation Ratios (x)</b>				
P/E	48.6	62.4	56.6	27.2
EV / EBITDA	22.8	20.4	21.3	14.5
EV / Net Sales	5.3	4.8	4.4	3.4
Market Cap / Sales	5.2	4.5	3.3	2.5
Price to Book Value	4.9	4.4	1.6	1.5
<b>Solvency Ratios</b>				
Debt / EBITDA	2.6	2.6	6.2	4.1
Debt / Equity	0.6	0.6	0.6	0.6
Current Ratio	1.6	1.9	1.8	1.9

Source: Company, ICICI Direct Research

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