

Steady performance; focus on Viatris integration...

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 Viatris' biosimilars assets for US\$3.34 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 - bPegfilgrastim, bTrastuzumab, bGlargine, bAdalimumab)
- In generics, among the world's largest manufacturers of immunosuppressant and statin APIs
- Revenue breakup Q3FY23: Biosimilars (50%), Generics (26%), CRAMS (24%)

Q3FY23 Results: Numbers incorporating Viatris (November 29, 2023 cut-off date)

- Revenues grew 35.3% YoY to ₹ 2941.1 crore
- EBITDA margins declined 55 bps YoY to 21.9%. Overall EBITDA improved 32% YoY to ₹ 644.3 crore
- Loss of ₹ 41.8 crore due to ₹ 271 crore of Viatris integration related expenses

What should investors do? Biocon's share price has de-grown at 7.4% CAGR over the past three years.

- We maintain **HOLD** rating due to 1) growing margins sensitivity, 2) Viatris 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 ₹ 230 on an 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 bAdalimumab 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 Viatris biosimilar business from H2FY23

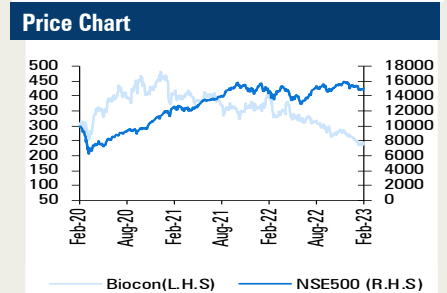
Alternate Stock Idea: Besides Biocon, in formulations space we like Sun Pharma.

- Higher contribution from specialty and strong domestic franchisee
- BUY with a target price of ₹ 1210



Particulars	
Particular	Amount
Market Capitalisation	₹ 28944 crore
Debt (FY22)	₹ 4904 crore
Cash (FY22)	₹ 1748 crore
EV	₹ 32101 crore
52 week H/L	407/230
Equity capital (₹Crore)	₹ 601 crore
Face value (₹)	₹ 5

Shareholding pattern				
(in %)	Mar-22	Jun-22	Sep-22	Dec-22
Promote	60.6	60.6	60.6	60.6
Others	39.4	39.4	39.4	39.4



- Recent Event & Key risks**
- Received CRL for bBevacizumab from the USFDA
 - **Key Risk:** (i) Better traction for launches in pipeline, (ii) Pricing pressure in US

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Key Financial Summary

Key Financials (₹ crore)	FY21	FY22	5 year CAGR (FY17-22)	FY23E	FY24E	FY25E	2 year CAGR (FY23E-25E)
Revenues (₹ crore)	7143.1	8184.0	15.9	10702.0	14154.6	17390.0	27.5
EBITDA (₹ crore)	1674.0	1915.2	17.6	2164.5	3075.8	3789.9	32.3
EBITDA margins (%)	23.4	23.4		20.2	21.7	21.8	
Net Profit (₹ crore)	751.7	683.8	-0.6	624.9	1539.3	2245.7	89.6
EPS (₹)	6.3	5.7		5.2	12.8	18.7	
P/E (x)	38.0	48.8		76.6	18.8	12.9	
RoCE (%)	7.7	7.5		3.3	5.1	6.2	
RoE (x)	9.9	8.1		2.7	6.2	8.3	

Source: Company, ICICI Direct Research

Key takeaways of recent quarter & conference call highlights

Q3FY23 Results: Mixed set of numbers

- Revenues grew 35.3% YoY to ₹ 2941.1 crore. Biosimilars grew 53.5% YoY to ₹ 1506 crore. Contract services segment grew 22.5% YoY at ₹ 785.9 crore while generic sales increased 18.1% YoY to ₹ 717.6 crore. Overall EBITDA improved 32% YoY to ₹ 644.3 crore. EBITDA margins declined 55 bps YoY to 21.9%. Margins were suppressed due to pricing pressure in the US. PBT declined due to higher interest and amortisation costs followed by exceptional item amounting to ₹ 182 crore net of tax that was linked with Viatris deal related expenses. Adjusted PAT was at - ₹ 41.8 crore. PAT was also impacted by dilution of Biocon's stake in Biocon Biologics and Syngene
- Biocon's Q3FY23 revenues were below estimates on the revenue front but beat on margins. Delta in revenues due to higher than expected Viatris integration sales (we had estimated full three month's impact)

ESG Disclosure Score*			
Score	FY20	FY21	FY22
Environmental	22.0	52.9	54.6
Social	22.8	43.4	45.9
Governance	89.9	89.9	89.9
Overall ESG Score	44.9	62.1	63.5

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

Q3FY23 Earnings Conference Call highlights:

Regional mix:

- Advanced Markets continued to see strong penetration of its commercialised products, where it enjoys double-digit share in the US. Aims to inch contribution from advanced market to ~70%
- In Europe, biosimilar bAdalimumab continued to witness strong uptake in key markets like Germany and France where it enjoys 18% and 10% market share, respectively
- During the quarter, it also witnessed traction in bTrastuzumab market, performance of which in Europe achieved 17% and 20% market share in France and Italy, respectively
- The Emerging Markets business continues to deliver a strong performance underpinned by the insulin portfolio and biosimilar bTrastuzumab

Biocon generics:

- An increase in demand for generic formulations, particularly statins, and immunosuppressant APIs, as well as recent product releases, contributed to the performance throughout the quarter. Margins remained muted due to the product mix and continuing pricing pressure in the US market
- It entered into a long-term strategic relationship with Farmanguinhos in Brazil for the supply and tech-transfer of a finished dose formulation immunosuppressant product
- It signed a partnership agreement with Zentiva for the commercialisation of Liraglutide in Europe. These partnerships will lead to expansion of market share, thus contributing towards attaining mid-teens growth in the short to medium term
- Zentiva has semi-exclusive rights. Hence, it plans to commercialise directly

Biocon Biologics:

- On November 29, 2022, it successfully finalised the acquisition of its Biosimilars business from Viatris
- Overall, the performance showed a 54% increase as a result of such deal and its ongoing expansion in BBL-led areas
- Q3FY23 only includes a small portion of the acquired business. However, starting in Q4FY23, the whole Biosimilars business will be recognised in the financials
- To increase the value of the combined organisation and spur growth, the company plans to execute integration of this business in various companies
- Market share rise in the US and EU is being accompanied by a growth trajectory from emerging markets

Product launches:

- It launched biosimilar products in eight new markets this quarter
- It continued to launch its products in new markets with biosimilar Bevacizumab in Australia and biosimilar gGlargine and gAspart in Canada during the quarter
- It also secured approvals for some of the key formulation products in Europe
- There are several upcoming launches including biosimilar Adalimumab in the US

Capex:

- Biocon's greenfield immunosuppressant API facility in Visakhapatnam and peptide facility in Bengaluru is progressing as per schedule. The commencement of validation batches at both sites is expected to be completed by H1FY24
- It spent US\$70 million. Most of the spends this year and next year will be towards the Malaysia Phase II expansion

Other highlights:

- Contract services benefited from repeat orders from existing clients as well as an increase in the number of collaborations with emerging biopharma companies. Biocon is also confident of delivering mid-teens growth in the fiscal year
- R&D investments normalised to around 12% levels of sales
- It experienced payer acceptance form other biosimilars, which have been launched during the quarter
- Enjoyed good success in Europe wherein there was good patient experience and the management expects it to translate to US markets
- Growth in FY24 will come from the launch of Adalimumab in the US and continued growth in Glargine, bTrastuzumab and bPegfilgrastim
- The company is into low-strength formulation for Adalimumab
- Launches of bAspart and Bevacizumab in the US post approval will support the growth story
- Revenues from Biocon Biologics are targeted at ₹ 2000 crore in Q4FY23 excluding vaccines
- It expects incremental revenues post regulatory approval for both bBevacizumab and bAspart
- CAPA plan has been accepted by the USFDA for Malaysia
- It received the CRL for bBevacizumab in Bangalore earlier this month
- bAflibercept remains a sizable opportunity for the company to foray into the ophthalmology space

Exhibit 1: Variance Analysis

	Q3FY23	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	Comments
Revenue	2,941.1	3,240.8	2,174.2	35.3	2,319.7	26.8	Revenues grew 35.3% YoY to ₹ 2941.1 crore. Biosimilars grew 53.5% YoY to ₹ 1506 crore. Research services segment grew 22.5% YoY at ₹ 786 crore while generic sales increased 18.1% YoY to ₹ 717.6 crore
Raw Material cost	979.6	1,069.5	712.9	37.4	751.9	30.3	
Gross margins	66.7	67.0	67.2	-52 bps	67.6	-89 bps	
Employee cost	558.8	713.0	495.0	12.9	540.3	3.4	
R & D Expenditure	337.0	384.3	138.0	144.2	242.0	39.3	Gross R&D spend was ₹ 365 crore in Q2FY23
Other Expenditures	421.4	453.7	340.1	23.9	314.8	33.9	
Total Expenditure	2,296.8	2,620.5	1,686.0	36.2	1,849.0	24.2	
EBITDA	644.3	620.3	488.2	32.0	470.7	36.9	
EBITDA (%)	21.9	19.1	22.5	-55 bps	20.3	162 bps	EBITDA margins declined 55 bps YoY to 21.9% . Overall EBITDA improved 32% YoY to ₹ 644.3 crore
Interest	120.3	162.8	14.7	718.4	30.0	301.0	
Depreciation	301.1	230.8	205.7	46.4	230.8	30.5	
Other income	78.6	90.1	48.3	62.7	64.5	21.9	
EO	271.4	0.0	0.0	0.0	17.0	1,496.5	
PBT	30.1	316.8	316.1	-90.5	257.4	-88.3	
Tax	-4.8	181.3	49.3	PL	147.3	PL	
MI	21.1	33.6	32.5	-35.1	34.9	-39.5	
Adj. PAT	-41.8	73.7	187.1	PL	46.9	PL	
Key Metrics							
Generics	717.6	656.0	607.4	18.1	622.8	15.2	Growth was driven by volumes and easing pricing pressure
Biosimilars	1506.6	1796.4	981.4	53.5	997.4	51.1	
Contract Research	785.9	769.7	641.4	22.5	768.1	2.3	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

	FY23E			FY24E			Comments
	Old	New	% Change	Old	New	% Change	
(₹ Crore)							
Revenues	11,045.6	10,702.0	-3.1	14,710.8	14,154.6	-3.8	
EBITDA	2,153.7	2,164.5	0.5	3,438.4	3,075.8	-10.5	Lowering of the estimates from Biocon Biologics segment in FY24
EBITDA Margin (%)	19.5	20.2	73 bps	23.4	21.7	-164 bps	
Net Profit	349.6	624.9	78.8	1,364.4	1,539.3	12.8	
EPS (₹)	2.9	5.2	79.4	11.4	12.8	12.8	

Source: ICICI Direct Research

Exhibit 3: Assumptions

	Current				Earlier			
	FY20	FY21	FY22	FY23E	FY24E	FY23E	FY24E	
Growth (%)								
Generics	2,207.3	2,362.5	2,340.9	2,601.4	2,861.6	2,473.6	2,671.5	
Biosimilars	2,315.0	2,800.5	3,464.3	5,062.5	7,484.8	5,544.3	8,275.9	
Contract Research	2,012.0	2,184.1	2,604.2	3,224.6	3,793.5	3,124.1	3,748.8	

Source: ICICI Direct Research

Exhibit 4: Valuation

Particulars	FY25E EBITDA (₹ cr)	Multiple (x)	Value (₹)
Biocon Biologics	2376.0	19.0	45,144.4
Biocon's Holding			68%
Holding Company Discount			20%
Biocon Biologics valuation			24558.56
Biocon Generics (x sales)	3147.7	1.0	3,147.7
Total EV			27,706.3
Implied Mcap			14,458.6
Syngene			
Targeted Market Cap			24400
Biocon's Holding			54.8%
Holding Company Discount			20.0%
Syngene Implied Mcap			10697
Per share valuation			209
NPV (Vaccines)			20.0
SOTP valuation			230

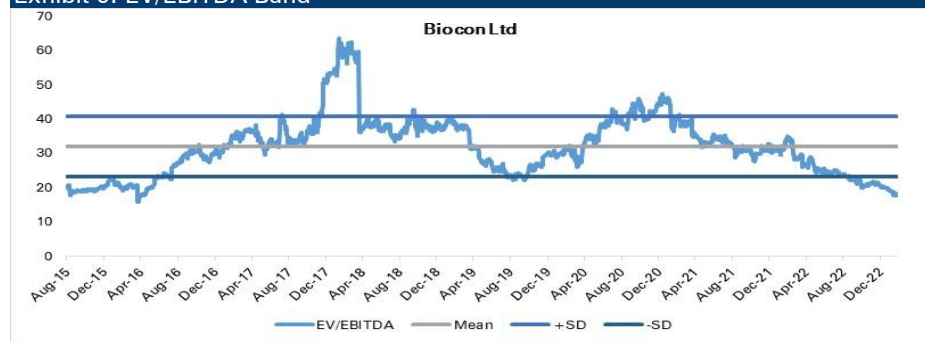
Source: Company, ICICI Direct Research

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	38.0	18.0	9.9	7.7
FY22	8184	14.6	5.7	-9.0	48.8	16.1	8.1	7.5
FY23E	10702	30.8	5.2	-8.6	76.6	18.7	2.7	3.3
FY24E	14155	32.3	12.8	146.3	18.8	12.8	6.2	5.1
FY25E	17390	22.9	18.7	45.9	12.9	10.3	8.3	6.2

Source: Company, ICICI Direct Research

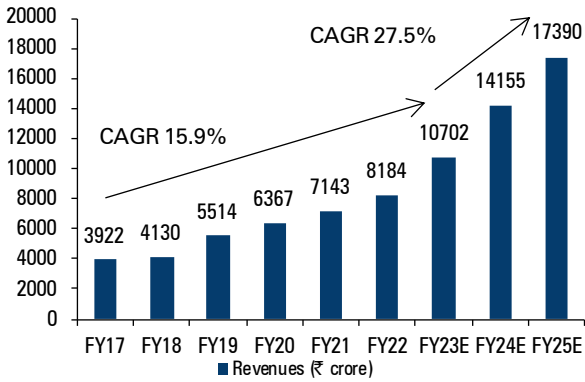
Exhibit 6: EV/EBITDA Band



Source: ICICI Direct Research

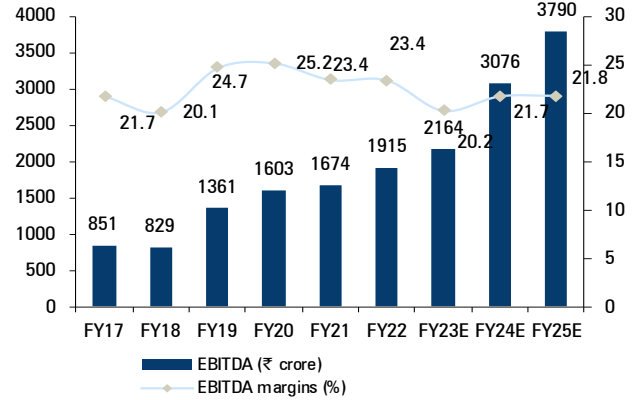
Key Metrics

Exhibit 7: Sales to grow at 27.5% CAGR over FY23E-25E



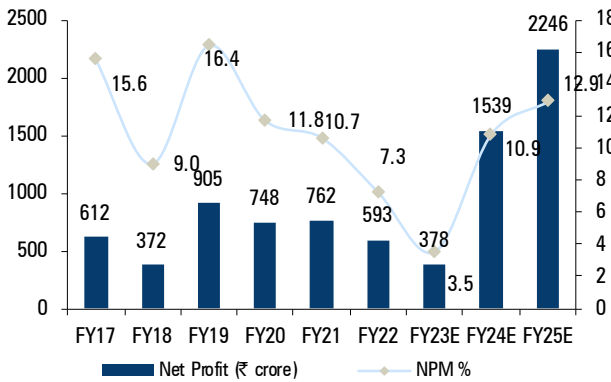
Source: Company, ICICI Direct Research

Exhibit 8: EBITDA and EBITDA margins trend



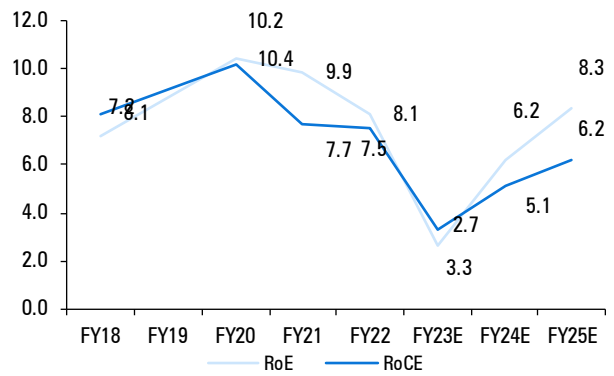
Source: Company, ICICI Direct Research

Exhibit 9: PAT & PAT margins trend



Source: Company, ICICI Direct Research

Exhibit 10: Return ratios



Source: Company, ICICI Direct Research

Exhibit 11: Trends in Quarterly Performance

(₹ Crore)	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	YoY (%)	QoQ(%)
Revenues	1748.1	1581.0	1693.8	1749.8	1857.4	1842.1	1760.6	1840.4	2174.2	2408.8	2139.5	2319.7	2941.1	35.3	26.8
Raw Material Cost	577.3	572.5	541.6	531.4	559.9	578.9	612.1	565.1	712.9	828.3	702.8	751.9	979.6	37.4	30.3
% to revenues	33.0	36.2	32.0	30.4	30.1	31.4	34.8	30.7	32.8	34.4	32.8	32.4	33.3		
Gross Profit	1170.8	1008.5	1152.2	1218.4	1297.5	1263.2	1148.5	1275.3	1461.3	1580.5	1436.7	1567.8	1961.5	34.2	25.1
Gross Profit Margin (%)	67.0	63.8	68.0	69.6	69.9	68.6	65.2	69.3	67.2	65.6	67.2	67.6	66.7	-52 bps	-89 bps
Employee cost	376.1	388.4	393.7	431.9	463.3	452.1	436.0	478.8	495.0	470.3	512.6	540.3	558.8	12.9	3.4
% to revenues	21.5	24.6	23.2	24.7	24.9	24.5	24.8	26.0	22.8	19.5	24.0	23.3	19.0	-377 bps	-429 bps
R & D	131.0	125.0	107.0	148.0	171.0	127.0	120.0	146.0	138.0	191.0	198.0	242.0	337.0		
% to revenues	7.5	7.9	6.3	8.5	9.2	6.9	6.8	7.9	6.3	7.9	9.3	10.4	11.5	511 bps	103 bps
Other Expenditure	219.5	176.5	215.7	242.1	257.3	248.2	203.2	204.7	340.1	327.3	326.7	314.8	421.4	23.9	33.9
% to revenues	12.6	11.2	12.7	13.8	13.9	13.5	11.5	11.1	15.6	13.6	15.3	13.6	14.3	-131 bps	76 bps
Total Expenditure	1303.9	1262.4	1258.0	1353.4	1451.5	1406.2	1371.3	1394.6	1686.0	1816.9	1740.1	1849.0	2296.8	36.2	24.2
% to revenues	74.6	79.8	74.3	77.3	78.1	76.3	77.9	75.8	77.5	75.4	81.3	79.7	78.1		
EBIDTA	444.2	318.6	435.8	396.4	405.9	435.9	389.3	445.8	488.2	591.9	399.4	470.7	644.3	32.0	36.9
EBITDA Margin (%)	25.4	20.2	25.7	22.7	21.9	23.7	22.1	24.2	22.5	24.6	18.7	20.3	21.9	-55 bps	162 bps
Depreciation	144.0	152.4	166.8	177.7	186.3	184.3	194.8	201.5	205.7	212.2	217.5	230.8	301.1	46.4	30.5
Interest	17.7	16.8	12.5	6.5	4.8	33.9	19.9	22.5	14.7	10.5	19.9	30.0	120.3	718.4	301.0
OI	35.8	63.1	18.3	15.5	27.9	205.4	47.2	104.9	48.3	67.3	77.9	64.5	78.6	62.7	21.9
PBT	318.3	212.5	274.8	227.7	242.7	423.1	221.8	326.7	316.1	436.5	239.9	274.4	301.5	-4.6	9.9
Tax	84.8	45.0	80.9	22.3	48.9	69.4	57.3	46.3	49.3	58.6	29.5	147.3	-4.8	-109.7	-103.3
Tax Rate (%)	26.6	21.2	29.4	9.8	20.1	16.4	25.8	14.2	15.6	13.4	12.3	53.7	-1.6		
PAT	233.5	167.5	193.9	205.4	193.8	353.7	164.5	280.4	266.8	377.9	210.4	127.1	306.3	14.8	141.0
PAT Margin (%)	13.4	10.6	11.4	11.7	10.4	19.2	9.3	15.2	12.3	15.7	9.8	5.5	10.4		
Exceptional Items (EI)	0.0	0.0	0.0	0.0	0.0	-12.6	0.0	70.1	0.0	41.0	0.0	17.0	271.4		
Net Profit before MI	233.5	167.5	193.9	205.4	193.8	366.3	164.5	210.3	266.8	336.9	210.4	110.1	34.9	-86.9	-68.3
Add/(less) MI	27.5	35.7	18.4	26.1	18.0	43.2	24.0	21.4	32.5	45.3	23.0	34.9	21.1		
Net Profit after MI	206.0	131.8	175.5	179.3	175.8	323.1	140.5	188.9	234.3	291.6	187.4	75.2	13.8	-94.1	-81.6
Adjusted Net Profit	202.8	123.4	171.9	174.3	175.0	242.7	84.4	195.8	187.1	273.5	144.4	54.2	272.9	45.8	403.7

Source: ICICI Direct Research

Financial Summary

Exhibit 12: Profit and loss statement				
	₹ crore			
Year-end March	FY22	FY23E	FY24E	FY25E
Total Operating Income	8184.0	10702.0	14154.6	17390.0
Growth (%)	14.6	30.8	32.3	22.9
Raw Material Expenses	2718.4	3523.8	4561.8	5605.1
Employee Expenses	1880.1	2338.1	3004.8	3692.2
R&D Expenditure	595.0	1150.4	1606.0	1959.8
Other Expenditures	1075.3	1525.1	1906.2	2342.9
Total Operating Expenditure	6268.8	8537.5	11078.8	13600.1
Operating Profit (EBITDA)	1915.2	2164.5	3075.8	3789.9
Growth (%)	14.4	13.0	42.1	23.2
Depreciation	814.2	1050.5	1144.1	1235.0
Interest	67.6	290.5	700.0	745.0
Other Income	212.7	309.2	409.0	502.5
PBT before Exceptional Items	1246.1	1132.7	1640.6	2312.5
Less: Exceptional Items	111.1	288.4	0.0	0.0
Total Tax	211.5	121.5	-261.6	-368.8
PAT before MI	923.5	722.9	1902.3	2681.2
Minority Interest	123.2	162.3	191.8	315.5
Adjusted PAT	683.8	624.9	1539.3	2245.7
Growth (%)	-9.0	-8.6	146.3	45.9
EPS (Adjusted)	5.7	5.2	12.8	18.7

Source: Company, ICICI Direct Research

Exhibit 13: Cash flow statement				
	₹ crore			
Year-end March	FY22	FY23E	FY24E	FY25E
Profit/(Loss) after taxation	509.6	378.0	1539.3	2245.7
Add: Depreciation & Amortization	814.2	1050.5	1144.1	1235.0
Net Increase in Current Assets	-951.3	-5058.1	1626.2	-2072.3
Net Increase in Current Liabilities	161.8	3240.9	-1350.3	1141.9
Other Operating Activities	642.3	290.5	700.0	745.0
CF from operating activities	1176.6	-98.3	3659.3	3295.3
(Purchase)/Sale of Fixed Assets	-1922.7	-5045.6	-1089.2	-1041.5
(Increase)/Decrease in Investments	231.4	-158.3	0.0	0.0
Increase/ (Decrease) in Minority Int	0.0	103.8	114.1	125.5
Other Investing Activities	4.8	-18983.9	-849.7	-1120.3
CF from investing activities	-1686.5	###	-1824.8	-2036.2
Proceeds from issues of Equity Sha	42.5	14778.0	0.0	0.0
Inc/(dec) in loan funds	309.2	9652.0	1000.0	1000.0
(Payment) of Dividend and Dividend	0.0	-37.8	-153.9	-224.6
Interest Paid	-109.6	-290.5	-700.0	-745.0
Other Financing Activities	0.0	0.0	0.0	0.0
CF from financing activities	242.1	24101.7	146.1	30.4
Net Cash flow	-267.8	-80.7	1980.6	1289.4
Opening Cash	2015.3	1747.5	1666.8	3647.4
Closing Cash	1747.5	1666.8	3647.4	4936.9
Free Cash Flow	1408.0	-256.6	3659.3	3295.3

Source: Company, ICICI Direct Research

Exhibit 14: Balance Sheet				
	₹ crore			
Year-end March	FY22	FY23E	FY24E	FY25E
Liabilities				
Equity Capital	600.3	600.3	600.3	600.3
Reserve and Surplus	7832.2	22950.4	24335.8	26356.9
Total Shareholders funds	8432.5	23550.7	24936.1	26957.2
Total Debt	4904.0	14556.0	15556.0	16556.0
Minority Interest	1037.5	1141.3	1255.4	1380.9
Other NCL & LT Provisions	3097.5	3732.7	4086.8	4475.4
Source of Funds	17471.5	42980.7	45834.3	49369.5
Assets				
Gross Block - Fixed Assets	11206.6	17828.6	19417.8	20959.2
Accumulated Depreciation	4664.0	5714.5	6858.6	8093.6
Net Block	6542.6	12114.1	12559.1	12865.6
Capital WIP	4110.4	2534.0	2034.0	1534.0
Total Fixed Assets	10653.0	14648.1	14593.1	14399.6
Goodwill on Consolidation	26.4	15729.9	15729.9	15729.9
Investments	1587.9	1746.2	1746.2	1746.2
Inventory	2298.2	4721.0	3874.4	4760.5
Debtors	2058.2	4420.0	3296.3	4049.7
Cash	1747.5	1666.8	3647.4	4936.9
Other Current Assets	1060.7	1334.2	1678.3	2111.1
Total Current Assets	7164.6	12142.0	12496.4	15858.2
Creditors	1608.5	4514.0	2749.6	3378.4
Provisions	130.5	160.7	190.8	221.0
Other Current Liabilities	1183.5	1488.7	1872.6	2355.5
Total Current Liabilities	2922.5	6163.4	4813.0	5954.9
Net Current Assets	4242.1	5978.7	7683.4	9903.3
Deferred Tax Assets	293.3	342.0	376.2	413.8
Other Non Current assets	668.8	4535.8	5705.4	7176.7
Application of Funds	17471.5	42980.6	45834.2	49369.5

Source: Company, ICICI Direct Research

Exhibit 15: Key ratios				
Year-end March	FY22	FY23E	FY24E	FY25E
Per share data (₹)				
Reported EPS	4.9	3.1	12.8	18.7
BV per share	70.2	196.1	207.6	224.5
Dividend per share	0.5	0.3	1.3	1.9
Cash Per Share	14.6	13.9	30.4	41.1
Operating Ratios (%)				
Gross Margin	66.8	67.1	67.8	67.8
EBITDA margin	23.4	20.2	21.7	21.8
EBIT Margin	13.5	10.4	13.6	14.7
PAT Margin	8.4	5.8	10.9	12.9
Inventory days	308.6	489.0	310.0	310.0
Debtor days	91.8	150.7	85.0	85.0
Creditor days	216.0	467.6	220.0	220.0
Asset Turnover	0.5	0.2	0.3	0.4
EBITDA Conversion Ratio	61.4	-4.5	119.0	86.9
Return Ratios (%)				
RoE	8.1	2.7	6.2	8.3
RoCE	7.5	3.3	5.1	6.2
RoIC	10.9	5.2	8.5	10.1
Valuation Ratios (x)				
P/E	48.8	76.6	18.8	12.9
EV / EBITDA	16.1	18.7	12.8	10.3
EV / Net Sales	3.8	3.8	2.8	2.3
Market Cap / Sales	3.5	2.7	2.0	1.7
Price to Book Value	3.4	1.2	1.2	1.1
Solvency Ratios				
Debt / EBITDA	2.6	6.7	5.1	4.4
Debt / Equity	0.6	0.6	0.6	0.6
Current Ratio	1.9	1.7	1.8	1.8

Source: Company, ICICI Direct Research

Exhibit 16: ICICI Direct Coverage Universe (Healthcare)

Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹ cr)	EPS (₹)				EV/EBITDA(x)				RoCE (%)			RoE (%)				
						FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E
Hospitals																					
Apollo Hospitals	APOHOS	4485	5,460	Buy	62259	7.8	59.1	61.6	80.2	57.7	29.8	29.3	24.6	6.3	15.1	14.3	16.6	2.5	15.1	14.0	15.9
Narayana Hrudalaya	NARHRU	721	870	Buy	14735	-0.7	16.7	28.8	28.9	86.0	23.8	18.1	16.4	1.2	20.5	24.2	21.0	-1.3	23.0	28.6	22.5
Shalby	SHALUM	138	180	Buy	1492	3.9	5.4	6.9	9.5	17.6	13.3	9.4	7.2	6.5	8.4	11.5	13.9	5.1	6.7	8.0	10.1
Aster DM	ASTDM	210	280	Buy	10410	3.0	10.5	9.5	18.0	16.0	11.5	10.6	7.2	5.4	9.0	9.2	13.5	4.4	13.3	10.7	16.9
Healthcare Global	HEAGLO	272	385	Buy	3786	-13.9	3.9	2.2	6.0	39.4	20.1	14.9	12.0	-0.9	5.0	8.7	12.7	-0.9	5.0	3.4	8.4
Company																					
MNC Pharma																					
Abbott India	ABBIND	20135	21,025	Hold	44328	328.9	380.3	476.5	519.3	61.2	52.9	42.3	38.8	33.8	36.6	39.7	35.6	26.5	28.3	30.9	27.5
P&G Health	MERLUM	4691	5,315	Buy	7787	106.5	116.0	150.0	163.6	44.0	40.4	31.3	28.7	32.2	39.8	42.5	38.0	25.1	31.2	32.0	28.5
Sanofi India	SANOFI	5360	6,385	Hold	12344	207.7	410.6	266.3	255.8	25.8	13.1	20.1	21.0	32.3	33.3	40.9	50.2	24.5	25.9	30.8	38.1
Pfizer	PFIZER	3833	4,505	Hold	17536	108.8	133.2	150.5	149.3	35.2	28.8	25.5	25.7	27.6	26.1	25.0	23.7	20.8	21.4	18.8	18.2
Pharma																					
Ajanta Pharma	AJAPHA	1210	1,385	Buy	15510	51.1	55.7	51.2	67.9	23.7	21.7	23.6	17.8	29.0	27.0	21.5	24.3	21.8	21.8	17.5	19.7
Alembic Pharma	ALEMPHA	516	550	Hold	10140	62.6	27.7	15.3	23.2	8.2	18.6	33.7	22.2	25.1	10.6	7.1	9.8	24.1	10.4	5.6	8.0
Aurobindo Pharma	AURPHA	472	525	Hold	27665	55.0	47.4	34.8	46.2	8.6	10.0	13.5	10.2	16.9	12.9	10.2	12.6	14.7	11.3	7.7	9.3
Biocon	BIOCON	241	230	Hold	29126	6.3	6.3	4.9	3.1	38.5	38.0	48.8	76.6	7.7	7.5	3.3	5.1	9.9	8.1	2.7	6.2
Zydus Lifesciences	CADHEA	469	500	Buy	47467	23.3	21.0	22.6	27.0	20.1	22.3	20.8	17.4	13.8	12.0	12.3	12.3	18.4	12.6	12.1	12.8
Cipla	CIPLA	1021	1,290	Buy	82409	29.9	32.9	38.3	45.5	34.1	31.0	26.7	22.4	17.0	16.7	18.4	19.1	13.1	12.7	13.3	14.1
Dr Reddy's Labs	DRREDD	4515	5,210	Buy	75191	117.6	127.2	262.2	215.5	38.4	35.5	17.2	21.0	13.1	13.0	24.2	20.8	11.1	11.0	18.9	13.8
Glenmark Pharma	GLEPHA	401	440	Hold	11879	32.9	42.7	33.3	47.4	12.2	9.4	12.1	8.5	13.9	14.8	14.9	15.7	13.1	13.2	9.4	11.9
Ipca Laboratories	IPCLAB	859	925	Hold	21792	44.9	34.8	24.5	35.7	19.1	24.7	35.1	24.1	27.1	17.4	13.3	16.5	24.2	16.1	10.3	13.3
Jubilant Pharmova	JUBLIF	319	395	Hold	5088	37.4	26.0	22.5	32.8	8.5	12.3	14.2	9.7	13.7	9.0	7.8	9.7	12.6	7.8	6.4	8.6
Lupin	LUPIN	675	725	Hold	30709	26.9	11.9	8.3	25.6	25.1	56.8	81.2	26.3	9.6	3.4	5.7	11.0	8.8	4.4	3.0	8.6
Natco Pharma	NATPHA	530	565	Hold	9765	24.1	9.3	36.4	40.3	22.0	57.1	14.6	13.2	13.1	4.6	16.0	16.5	10.7	4.0	13.9	13.6
Sun Pharma	SUNPHA	1015	1,210	Buy	243407	30.1	32.0	34.9	38.6	33.8	31.8	29.1	26.3	14.2	18.2	17.2	18.1	15.5	16.0	15.2	14.7
Torrent Pharma	TORPHA	1515	1,720	Hold	51274	37.0	32.0	36.3	45.1	41.0	47.3	41.7	33.6	17.6	19.7	17.1	20.4	21.4	18.2	17.9	19.0
Indoco Remedies	INDREM	367	440	Buy	3380	10.1	16.8	17.9	26.7	36.3	21.8	20.4	13.7	11.7	17.5	15.6	21.9	12.1	17.1	15.9	19.8
Caplin Point	CAPPOI	700	865	Buy	5323	31.9	39.5	48.8	47.9	22.0	17.7	14.3	14.6	25.4	25.3	23.5	22.4	20.4	20.2	20.2	16.7
Advanced Enzymes	ADVENZ	273	265	Reduce	3056	13.1	10.7	9.6	13.3	20.9	25.5	28.6	20.5	19.4	14.3	10.9	14.0	15.1	11.0	9.0	11.3
Hester Biosciences	HESPHA	1788	1,830	Hold	1521	44.4	45.7	35.6	49.7	40.3	39.1	50.2	36.0	16.2	10.9	9.9	10.9	16.5	15.0	10.7	13.5
API/CRAMS																					
Divi's Lab	DIVLAB	2770	2,945	Hold	73535	74.7	111.5	72.8	77.4	37.1	24.8	38.0	35.8	27.6	30.2	18.2	18.3	18.8	21.3	25.2	15.0
Hikal	HIKCHE	330	375	Hold	4064	10.8	13.0	5.7	14.6	30.6	25.3	58.0	22.7	15.1	13.6	7.2	14.3	14.3	15.0	6.3	14.1
Syngene Int.	SYNINT	562	610	Hold	22547	10.1	9.9	12.1	14.7	55.5	56.9	46.4	38.1	11.5	11.7	13.4	14.4	13.5	12.9	13.0	13.7
Granules India	GRANUL	285	355	Buy	7083	22.2	16.6	21.4	24.0	12.9	17.1	13.3	11.9	24.0	15.6	20.0	20.5	25.3	16.0	18.7	17.6
Laurus Labs	LAULAB	333	400	Buy	17926	18.3	15.4	16.5	19.1	18.2	21.6	20.1	17.4	31.7	21.3	21.8	21.5	37.9	24.7	21.4	20.2
Suven Pharmaceuticals	SUVPH	484	530	Buy	12318	14.2	17.8	14.7	17.7	34.0	27.2	32.8	27.4	31.2	37.5	26.0	25.6	30.7	29.7	20.6	20.5

Source: ICICI Direct Research

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