

High base, Covid-19 impact numbers...

Q4 revenues stayed flat YoY at ₹ 3752 crore (I-direct estimate: ₹ 4099 crore) due to high base of AndroGel AG and Covid-19 related disruptions. Consolidation of Craft portfolio in wellness segment, which grew 21.8% YoY to ₹ 490 crore was offset by 17.1% YoY fall in Emerging markets to ₹ 172 crore. US sales fell 1.9% YoY to ₹ 1761 crore. Domestic formulations also de-grew 1.1% YoY to ₹ 892 crore. EBITDA margins contracted 36 bps YoY to 21.1% (I-direct estimate: 19.5%) as higher gross margins were offset by increase in employee and other expenses. Subsequently, EBITDA de-grew 1.1% YoY to ₹ 791.2 crore (I-direct estimate: ₹ 799.4 crore). Adjusted PAT de-grew 5.8% YoY to ₹ 433.5 crore (I-direct estimate: ₹ 467.2 crore). Delta vis-à-vis EBITDA was mainly due to higher depreciation.

US expected to grow on new launches

US (44% of revenues) grew at ~12% CAGR in FY16-20 backed by aggressive filings, product launches. Launches of authorised generics also contributed to overall growth. US pipeline (cumulative) consists of 390 filed ANDAs, 99 pending final approvals. However, resurfacing of cGMP issues at Moraiya and an imminent slowdown in base are main near term headwinds. We expect US sales to grow at ~9.5% CAGR in FY20-22E to ₹ 7502 crore. Our growth assumptions model near term Hydroxychloroquine opportunity in the US but besides this no significant meaningful launches.

India to witness restructuring; focus on profitable SKUs

With market share of 4.2%, Cadila is the fourth largest player in domestic formulations market, as per AIOCD March 2020. The acute: chronic: sub-chronic ratio for the company is 53:31:16. Domestic formulation grew at a CAGR of 5.7% in FY16-20 backed by new launches and acquisition of Biochem. Recently, the company optically initiated restructuring of business by rationalising slow moving SKUs. We expect Indian formulations to grow at a CAGR of ~11% in FY20-22E to ₹ 4566 crore.

Valuation & Outlook

Q4 results were a mixed bag. While revenues and profitability were below our estimates, higher gross margins due to change in product mix and volume expansion in US contributed to better than expected EBITDA margins. The wellness segment (post acquisition) will be keenly watched as the company ventures into slightly uncharted territory with high amount of seasonality aspect. That said, it looks beneficial from an overall revenue point of view with India focused FMCG addition in the overall portfolio mix. Overall, the balance sheet reduction, Moraiya warning letter resolution and US base business performance in tough times are some important aspects to watch. We arrive at our target price of ₹ 420 based on 20x FY22E EPS of ₹ 20.9.



Particulars

Particular	Amount
Market Capitalisation	₹37065 crore
Debt (FY 20)	₹7495 crore
Cash (FY 20)	₹965 crore
EV	₹43594 crore
52 week H/L	384/202
Equity capital	₹102 crore
Face value	₹1

Key Highlights

- Muted Q4 growth was mainly due to high base of AndroGel AG (Hormones) and Covid-19 disruption
- As per management Heinz portfolio consolidation is better than expected.
- The balance sheet reduction, Moraiya warning letter resolution and US base business performance are key monitorable.
- Upgrade from HOLD to BUY

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Key Financial Summary

(₹crore)	FY19	FY20	FY21E	FY22E	CAGR (FY20-22E) %
Revenues	13165.6	14253.1	15643.5	17148.9	9.7
EBITDA	2972.8	2742.0	3160.9	3668.9	15.7
EBITDA margins (%)	22.6	19.2	20.2	21.4	
Net Profit	1849.0	1430.1	1734.7	2136.7	22.2
EPS (₹)	18.1	14.0	16.9	20.9	
PE (x)	20.0	31.5	21.4	17.3	
EV to EBITDA (x)	14.8	15.9	13.8	11.6	
RoE (%)	17.8	13.8	14.8	16.0	
RoCE (%)	13.0	11.0	12.2	13.8	

Source: ICICI Direct Research; Company

Exhibit 1: Variance Analysis

	Q4FY20	Q4FY20E	Q4FY19	Q3FY20	YoY (%)	QoQ (%)	Comments
Revenue	3752.1	4099.3	3732.8	3638.1	0.5	3.1	Muted growth mainly due to high base of AndroGel AG (Hormones) and Covid-19 (C19) related disruption. Excluding C19, revenues grew 10% sequentially. Miss vis-à-vis I-direct estimates mainly due to higher-than-expected impact of C19
Raw Material Expenses	1259.7	1475.7	1385.7	1244.3	-9.1	1.2	A 355 bps YoY improvement in gross margins to 66.4% mainly due to change in product mix led to volume expansion across portfolio in US
Employee Expenses	609.0	655.9	552.3	619.0	10.3	-1.6	YoY increase mainly due to consolidation of Heinz portfolio
Other expenditure	1092.2	1168.3	994.4	1081.6	9.8	1.0	YoY increase mainly due to lower base and consolidation of Heinz portfolio
EBITDA	791.2	799.4	800.4	693.2	-1.1	14.1	
EBITDA (%)	21.1	19.5	21.4	19.1	-36 bps	203 bps	Gross margin expansion largely offset by higher fixed cost due to Heinz consolidation
Interest	82.5	80.5	77.3	80.5	6.7	2.5	Increased mainly due to addition of debt for acquisition of Heinz portfolio
Depreciation	178.5	174.1	155.6	174.1	14.7	2.5	Increased mainly due to consolidation of Heinz portfolio
Other Income	44.3	22.7	38.4	20.1	15.4	120.4	
PBT before EO & Forex	574.5	567.5	605.9	458.7	-5.2	25.2	
EO	52.5	0.0	0.0	1.6	0.0	3181.3	
PBT	522.0	567.5	605.9	457.1	-13.8	14.2	
Tax	108.5	114.0	126.7	92.7	-14.4	17.0	
Tax rate (%)	20.8	20.1	20.9	20.3	-0.6	2.5	
Net Profit	391.9	467.2	460.1	373.9	-14.8	4.8	
Adjusted PAT	433.5	467.2	460.1	375.2	-5.8	15.5	YoY decline mainly in sync with operational performance, higher interest & depreciation amid Heinz consolidation. Beat vis-à-vis I-direct estimates mainly due to higher-than-expected revenue growth and lower interest cost
Key Metrics							
India	892.2	974.484	902.3	910.3	-1.1	-2.0	Muted growth and miss vis-à-vis I-direct estimates mainly due to C19. Ex C19, branded business grew 11% YoY
US	1760.7	1844.001	1795.4	1675.3	-1.9	5.1	Sequential growth mainly due to higher sales of gTamiflu, volume gain in key products and new launches
Europe	58.2	48.15	53.5	49.4	8.8	17.8	
EMs	171.7	227.92	207.2	264.3	-17.1	-35.0	Excluding C19, like to like growth was 5% YoY. The company has lost ₹ 47 crore amid C19
Wellness	489.9	636.8717	402.1	324.4	21.8	51.0	Adjusting C19 and base, like to like growth was ~11% YoY
JVs	18.3	3.77	37.7	8.5	-51.5	115.3	
APIs	116.3	120	96	162.6	21.1	-28.5	
Animal Health & Others	119.9	144.095	125.3	139.7	-4.3	-14.2	Excluding C19, like to like growth was 16% YoY

Source: ICICI Direct Research

Exhibit 2: Change in Estimates

	FY21E			FY22E			Comments
(₹ Crore)	Old	New	% Change	Old	New	% Change	
Revenue	15,533.6	15,643.5	0.7	16,832.8	17,148.9	1.9	
EBITDA	3,017.8	3,160.9	4.7	3,485.1	3,668.9	5.3	
EBITDA Margin (%)	19.4	20.2	78 bps	20.7	21.4	69 bps	Changed mainly due to better than expected margins in Q4
PAT	1,601.2	1,734.7	8.3	1,948.3	2,136.7	9.7	Changed mainly in sync with operational performance
EPS (₹)	15.6	16.9	8.3	19.0	20.9	9.7	

Source: ICICI Direct Research

Exhibit 3: Change in Estimates

	Current			Earlier			Comments
(₹ crore)	FY19	FY20	FY21E	FY22E	FY21E	FY22E	
India	3,533.8	3,727.9	3,982.7	4,565.7	4,287.6	4,802.1	Changed mainly due to C19 related challenges in FY21
US	6,279.5	6,251.4	7,144.5	7,501.7	6,464.8	6,788.0	Changed mainly due to better than expected volume growth in base business and likely positive impact of C19
Europe	226.8	195.7	230.5	253.6	218.2	240.1	
EMs	831.2	875.3	989.6	1,199.7	1,071.2	1,231.9	
Wellness	807.6	1,737.9	1,767.8	1,974.7	2,013.9	2,175.1	Changed mainly due to lower-than-expected growth in FY20
JVs	132.3	56.1	57.9	62.5	17.7	19.1	Changed mainly due to better-than-expected growth in FY20
APIs	424.5	453.0	503.8	529.0	469.5	492.9	Changed mainly due to higher-than-expected growth in FY20
Animal Health & Others	512.9	514.9	585.2	643.7	611.8	673.0	

Source: ICICI Direct Research

Conference Call Highlights

- The company faced logistical challenges in the first lockdown. However, the situation has stabilised now. The company has supplied HCQS In India and other countries at reasonable price
- Excluding Covid-19 (C19), consolidated revenues grew 10% sequentially
- Excluding C19 and adjustment of the wellness base, India business grew 11% YoY. The company lost ₹ 220 crore amid C19
- Excluding C19, branded business grew 11% YoY in Q4 and 10% in FY20
- Excluding C19 and adjusting base, wellness segment grew 11% YoY in Q4 and 10% in FY20
- Excluding C19, animal business grew 16% in Q4 and 5% in FY20
- Segment growth vs. industry -- gynaecology – 12.5% vs. 6.1% IPM (Indian pharma market); GI 8.6% vs. 7.9% IPM, pain management 12.4% vs. 9.3% IPM
- The company has divided domestic formulation business between mass and specialty for better focus. Mass segment is 55% of revenues and has 60-65% of total domestic field force. The company does not expect field force addition in the near term for the domestic market
- As per the management, integration of the Heinz portfolio is better than expected
- US business grew 7% QoQ in constant currency mainly due to volume growth and new launches. No major impact of C19 in the US growth
- Excluding C19, emerging markets grew 5% in Q4 and 11% in FY20. The company has lost ~₹ 47 crore amid C19
- Gross margins were mainly driven by volume expansion in the US
- Biologics segment grew 19% YoY to ₹ 280 crore. For the segment, the company focuses on India and Emerging markets. The company has filed nine or 10 products across markets. It expects a 12-15 products portfolio by FY23. For developed markets, it is likely to go with partners in the medium to long term
- The company has sent a fifth response to USFDA for the Moraiya facility and is awaiting the USFDA update. Meanwhile, it has already started site transfer of injectables to its Liva facility
- Remdesivir – Received license from Gilead. The product is likely to be ready for the launch by end of July
- HCQS -- has 40% market share in the US. In India, the company had ₹ 8 crore of institutional sales in Q4. It has produced and sold 20 tonnes each in April and May. Half of these sales came from the US. The company still expects good demand for HCQS across the world, including the US
- The management expects contraction of domestic sales in Q1 mainly due to slowdown in demand and loss of sales. The management expects the scenario to still not be normal while the domestic market recovery is likely to take time
- The company has guided for ₹ 600-700 crore of capex and ₹ 800-1000 crore of net debt reduction for FY21

Exhibit 4: Trends in quarterly financials

(₹Crore)	14FY17	11FY18	12FY18	13FY18	14FY18	11FY19	12FY19	13FY19	14FY19	11FY20	12FY20	13FY20	14FY20	YoY (%)	QoQ (%)
Total Operating Income	2524.9	2228.8	3234.0	3259.6	3250.2	2893.7	2961.2	3577.9	3732.8	3496.3	3366.6	3638.1	3752.1	0.5	3.1
Raw Material Expense	975.1	860.9	1100.7	1124.6	1083.3	986.6	991.9	1352.5	1385.7	1259.5	1156.5	1244.3	1259.7	-9.1	1.2
% of revenue	38.6	38.6	34.0	34.5	33.3	34.1	33.5	37.8	37.1	36.0	34.4	34.2	33.6		
Gross Profit	1549.8	1367.9	2133.3	2135.0	2166.9	1907.1	1969.3	2225.4	2347.1	2236.8	2210.1	2393.8	2492.4	6.2	4.1
Gross Profit Margin (%)	61.4	61.4	66.0	65.5	66.7	65.9	66.5	62.2	62.9	64.0	65.6	65.8	66.4	355 bps	63 bps
Employee Expenses	400.5	428.8	459.2	460.8	491.5	526.6	521.2	524.0	552.3	589.8	596.7	619.0	609.0	10.3	-1.6
% of revenue	15.9	19.2	14.2	14.1	15.1	18.2	17.6	14.6	14.8	16.9	17.7	17.0	16.2		
Other Expenditure	685.7	661.8	817.0	833.0	805.0	735.5	760.3	861.8	994.4	1015.0	987.8	1081.6	1092.2	9.8	1.0
% of revenue	27.2	29.7	25.3	25.6	24.8	25.4	25.7	24.1	26.6	29.0	29.3	29.7	29.1		
Total Expenditure	2061.3	1951.5	2376.9	2418.4	2379.8	2248.7	2273.4	2738.3	2932.4	2864.3	2741.0	2944.9	2960.9	1.0	0.5
% of revenue	81.6	87.6	73.5	74.2	73.2	77.7	76.8	76.5	78.6	81.9	81.4	80.9	78.9		
EBITDA	463.6	277.3	857.1	841.2	870.4	645.0	687.8	839.6	800.4	632.0	625.6	693.2	791.2	-1.1	14.1
EBITDA Margins (%)	18.4	12.4	26.5	25.8	26.8	22.3	23.2	23.5	21.4	18.1	18.6	19.1	21.1	-36 bps	203 bps
Depreciation	114.5	122.0	126.7	147.3	144.0	141.8	147.5	153.7	155.6	171.6	172.3	174.1	178.5	14.7	2.5
Interest	9.9	21.9	40.6	13.5	15.4	35.0	35.7	45.5	77.3	89.1	89.7	80.5	82.5	6.7	2.5
Other Income	73.1	21.0	22.5	41.1	28.7	101.3	30.4	31.0	38.4	22.6	26.9	20.1	44.3	15.4	120.4
Forex & EO	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-268.1	-1.6	-52.5		
PBT	412.3	154.4	712.3	721.5	739.7	569.5	535.0	671.4	605.9	393.9	122.4	457.1	522.0	-13.8	14.2
Total Tax	1.9	29.3	212.3	178.6	144.2	120.3	124.7	158.6	126.7	79.1	39.5	92.7	108.5	-14.4	17.0
Tax rate (%)	0.5	19.0	29.8	24.8	19.5	21.1	23.3	23.6	20.9	20.1	32.3	20.3	20.8	-12.6	50.5
PAT	410.4	125.1	500.0	542.9	595.5	449.2	410.3	512.8	479.2	314.8	82.9	364.4	413.5	-13.7	13.5
Minority Interest	7.0	6.9	9.3	10.1	8.3	8.8	10.7	10.9	21.6	21.5	-13.2	-2.5	21.8	0.9	-972.0
PAT after MI	396.4	112.2	485.7	528.8	583.2	437.4	397.6	500.9	457.6	293.3	96.1	366.9	391.7	-14.4	6.8
EPS (₹)	3.9	1.1	4.7	5.2	5.7	4.3	3.9	4.9	4.5	2.9	0.9	3.6	3.8	-14.4	6.8

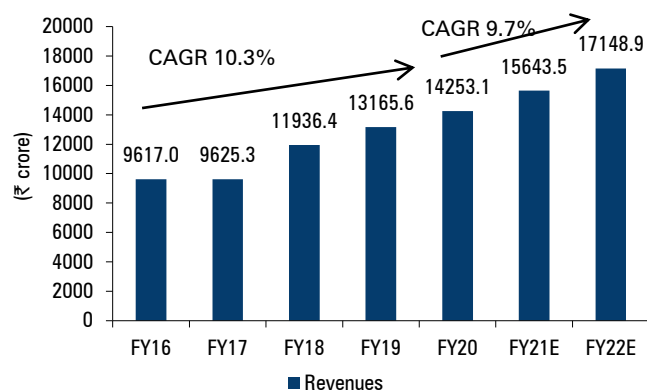
Source: ICICI Direct Research

Company Background

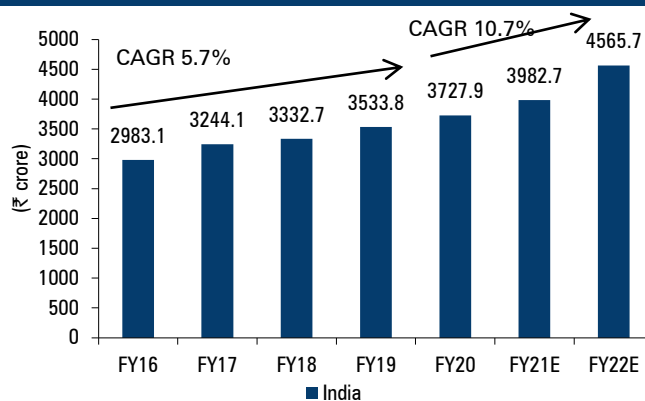
The company was established in 1952 and restructured in 1995 post a family split. Cadila is one of the old generation family owned pedigree companies which, after establishing a strong base in domestic formulations, shifted focus to the exports markets. Over FY10-20, revenues and EBITDA have grown 3-4x while PAT has more than doubled. US has been the key driver for the company in the past five years and grew at ~12% CAGR in FY16-20, though the annual growth was volatile due to warning letters. It has received repeated warning letters (in FY12, FY16) from USFDA for its Moraiya facility (Gujarat). We believe that despite the headwinds, the US is likely to remain a key growth driver for the company due to aggressive filings and robust pending approvals.

Domestic growth remained steady in the past five years though JVs, wellness and other segments growth were volatile. On the margins front, base business EBITDA margins have been hovering in the range of 19-24% in the past five years. We believe the US and Indian formulations will remain main growth drivers, going ahead.

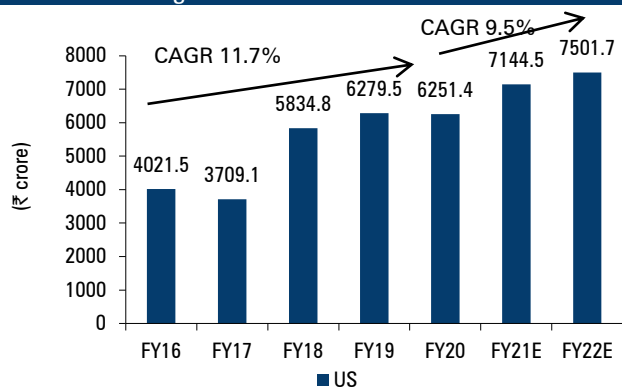
In FY19, the company acquired US-based Kraft Heinz's India business comprising Complian, Glucon-D, Nycil and Sampriti Ghee brands in addition to two manufacturing facilities for ~₹ 4600 crore. Other major brands in the company's wellness portfolio include Sugar Free, EverYuth and Nutralite. Post the acquisition (completed in January 2019), the wellness segment now contributes ~12% to the company's topline, up from the earlier 4% in FY16.

Exhibit 5: Revenues to grow at CAGR of 10% over FY20-22E

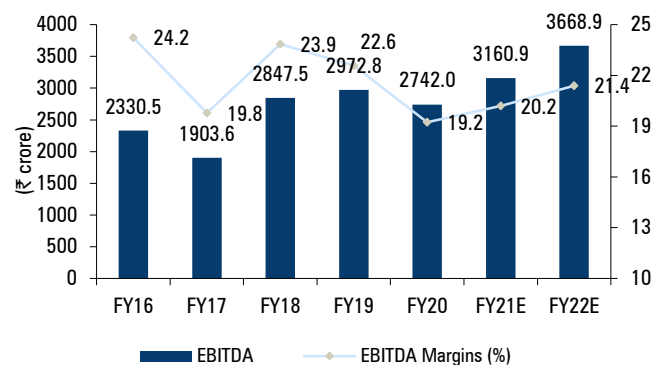
Source: ICICI Direct Research, Company

Exhibit 6: Domestic to grow at CAGR of 11% over FY20-22E

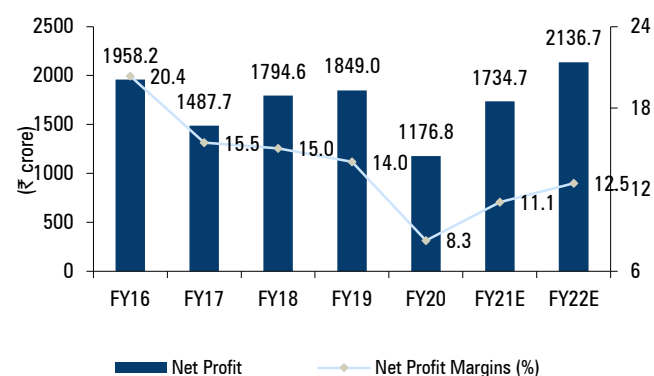
Source: ICICI Direct Research, Company

Exhibit 7: US to grow at CAGR of 10% over FY20-22E

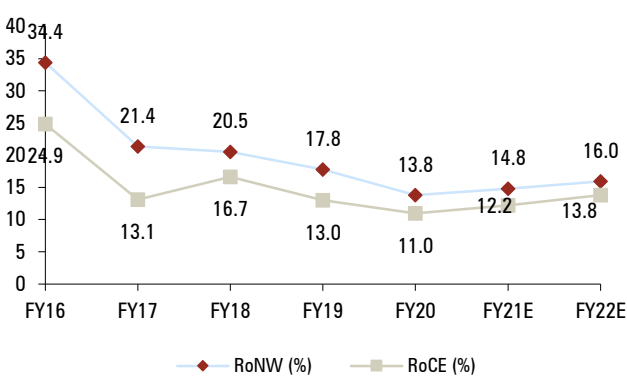
Source: ICICI Direct Research, Company

Exhibit 8: EBITDA & EBITDA margins trend

Source: ICICI Direct Research, Company

Exhibit 9: PAT & PAT margins trend

Source: ICICI Direct Research, Company

Exhibit 10: RoE & RoCE trend

Source: ICICI Direct Research, Company

Exhibit 11: Revenue Mix

(₹ crore)	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	CAGR (FY16-20) %	CAGR (FY20-22E) %
India	2,677	2,983	3,244	3,333	3,534	3,728	3,983	4,566	5.7	10.7
US	3,393	4,022	3,709	5,835	6,280	6,251	7,144	7,502	11.7	9.5
Europe	338	295	262	240	227	196	231	254	-9.8	13.8
EMs	641	690	749	762	831	875	990	1,200	6.1	17.1
Wellness	443	432	459	492	808	1,738	1,768	1,975	41.6	6.6
JVs	471	263	159	159	132	56	58	63	-32.1	5.6
Total APIs	372	365	380	366	425	453	504	529	5.6	8.1
Animal Healthcare	322	320	453	480	513	515	585	644	12.6	11.8

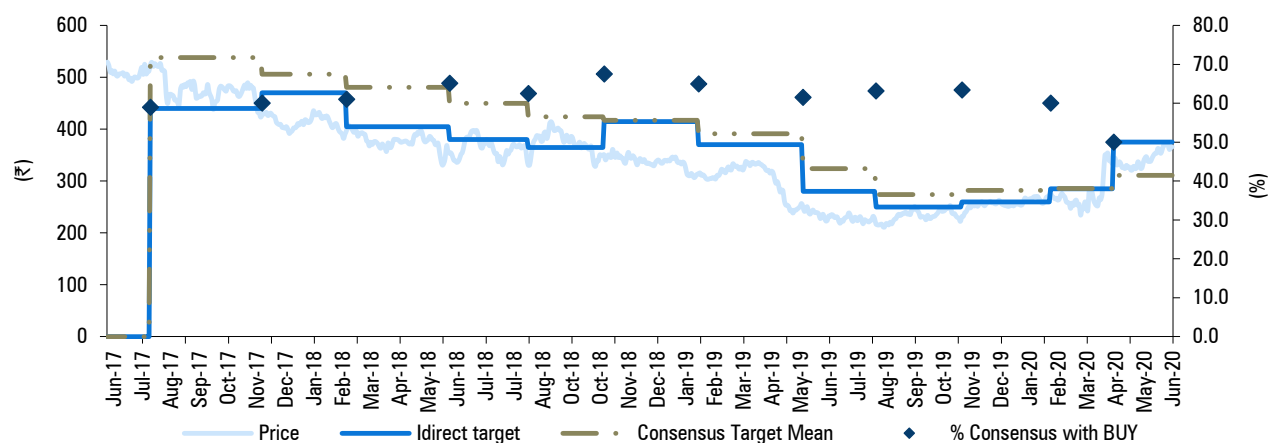
Source: ICICI Direct Research, Company

Exhibit 12: Valuation

	Revenues	Growth	EPS	Growth	P/E	V/EBITDA	RoE	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY 19	13166	10.3	18.1	3.0	20.0	14.8	17.8	13.0
FY 20	14253	8.3	14.0	-22.7	31.5	15.9	13.8	11.0
FY 21E	15643	9.8	16.9	21.3	21.4	13.8	14.8	12.2
FY 22E	17149	9.6	20.9	23.2	17.3	11.6	16.0	13.8

Source: ICICI Direct Research, Company

Exhibit 13: Recommendation History vs. Consensus



Source: ICICI Direct Research, Bloomberg

Exhibit 14: Top 10 Shareholders

Rank	Investor Name	Filing Date	% O/S	Position (m)	Change
1	Zyduz Family Trust	31-Mar-20	74.9	766.38m	(0.0)m
2	Life Insurance Corp	31-Mar-20	3.7	38.07m	0.3m
3	Kotak Mahindra AMC	31-May-20	2.3	23.20m	0.5m
4	Government Pension Fund	31-Mar-20	1.1	11.53m	0.0m
5	Norges Bank	31-Dec-19	1.1	11.51m	0.0m
6	Franklin Resources	16-Jun-20	1.1	11.24m	0.7m
7	ICICI Prudential AMC	31-May-20	1.0	9.77m	0.5m
8	Vanguard Group	31-May-20	0.9	8.74m	2.5m
9	UTI Asset Management	31-May-20	0.8	8.00m	(0.3)m
10	Aditya Birla Sun Life	31-May-20	0.6	6.50m	0.8m

Source: ICICI Direct Research, Bloomberg

Exhibit 15: Shareholding Pattern

(in %)	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Promoter	74.8	74.8	74.9	74.9	74.9
Others	25.2	25.2	25.1	25.1	25.1

Source: ICICI Direct Research, Company

Financial Summary

Exhibit 16: Profit & Loss (₹ crore)

(Year-end March)	FY19	FY20	FY21E	FY22E
Revenues	13,165.6	14,253.1	15,643.5	17,148.9
Growth (%)	10.3	8.3	9.8	9.6
Raw Material Expenses	4,716.7	4,920.0	5,495.6	5,981.3
Employee Expenses	2,124.1	2,414.5	2,606.9	2,785.9
Other expenses	3,352.0	4,176.6	4,380.2	4,712.8
Total Operating Expenditure	10,192.8	11,511.1	12,482.6	13,480.0
EBITDA	2,972.8	2,742.0	3,160.9	3,668.9
Growth (%)	4.4	-7.8	15.3	16.1
Depreciation	598.6	696.5	718.5	778.5
Interest	193.5	341.8	310.3	274.3
Other Income	201.1	113.9	61.0	83.7
Less: Exceptional Items	0.0	322.2	0.0	0.0
PBT after Exceptional Item	2,381.8	1,495.4	2,193.1	2,699.7
Total Tax	530.3	319.8	438.6	539.9
Minority Interest	52.0	27.6	48.9	52.4
PAT	1,849.0	1,176.8	1,734.7	2,136.7
Adjusted PAT	1,849.0	1,430.1	1,734.7	2,136.7
Growth (%)	3.0	-22.7	21.3	23.2
EPS (Adjusted)	18.1	14.0	16.9	20.9

Source: ICICI Direct Research

Exhibit 17: Cash Flow Statement (₹ crore)

(Year-end March)	FY19	FY20	FY21E	FY22E
Profit/(Loss) after taxation	1,714.5	1,193.3	1,734.7	2,136.7
Add: Depreciation	598.6	696.5	718.5	778.5
Net Increase in Current Ass	-769.6	224.9	-1,593.2	-871.3
Net Increase in Current Liab	-202.1	-95.5	378.3	335.4
Other Operating Activities	-59.5	486.2	310.3	274.3
CF from operating activiti	1,281.9	2,505.4	1,548.5	2,653.6
(Inc)/dec in Fixed Assets	453.6	-888.8	-800.0	-800.0
Loan & Advances	0.0	0.0	-53.5	-58.3
(Inc)/dec in MI	0.0	0.0	48.9	52.4
Other Investing Activities	-4,285.7	-206.8	-32.5	-35.4
CF from investing activiti	-3,832.1	-1,095.6	-837.0	-841.3
Inc/(dec) in loan funds	2,395.5	-348.9	-600.0	-800.0
Dividend paid & dividend tax	-431.4	-856.9	-381.6	-470.1
Inc/(dec) in forex reserve	0.0	0.0	0.0	0.0
Interest Paid	-79.5	111.6	-310.3	-274.3
Other Financing Activities	0.0	0.0	0.0	0.0
CF from financing activiti	1,884.6	-1,094.2	-1,291.9	-1,544.3
Net Cash flow	-665.6	315.6	-580.3	268.0
Opening Cash	1,314.9	649.3	964.9	384.6
Closing Cash	649.3	964.9	384.6	652.6
Free Cash Flow	1,735.5	1,616.6	748.5	1,853.6

Source: ICICI Direct Research

Exhibit 18: Balance Sheet (₹ crore)

(Year-end March)	FY19	FY20	FY21E	FY22E
Equity Capital	102.4	102.4	102.4	102.4
Reserve and Surplus	10,283.9	10,273.3	11,626.3	13,293.0
Total Shareholders funds	10,386.3	10,375.7	11,728.7	13,395.4
Total Debt	7,600.0	7,494.5	6,894.5	6,094.5
Deferred Tax Liability	252.3	209.9	228.8	249.4
Minority Interest	1,292.9	1,334.7	1,383.6	1,436.0
Other Non Curr.Liab. & LTP	259.4	282.3	307.7	335.4
Total Liabilities	19,790.9	19,697.1	20,543.4	21,510.7
Gross Block - Fixed Assets	10,314.9	10,975.7	11,975.7	12,975.7
Less: Acc Depreciation	3,440.2	4,136.7	4,855.2	5,633.8
Net Block	6,874.7	6,839.0	7,120.5	7,341.9
Capital WIP	837.2	741.5	541.5	341.5
Total Fixed Assets	7,711.9	7,580.5	7,662.0	7,683.4
Goodwill on Consolidation	5,289.0	5,391.5	5,391.5	5,391.5
Investment	673.5	765.0	765.0	765.0
Inventory	2,688.0	2,789.0	3,218.0	3,527.6
Debtors	3,950.8	3,663.2	4,729.8	5,184.9
Other Current Assets	980.1	1,085.5	1,183.2	1,289.7
Cash	649.3	964.9	384.6	652.6
Total Current Assets	8,268.2	8,502.6	9,515.5	10,654.8
Creditors	1,922.6	2,031.0	2,301.7	2,523.2
Provisions	135.7	243.2	265.1	288.9
Other Current Liabilities	1,633.9	1,715.3	1,801.1	1,891.1
Total Current Liabilities	3,692.2	3,989.5	4,367.8	4,703.2
Deferred Tax Assets	970.3	852.9	929.7	1,013.3
Net Current Assets	4,576.0	4,513.1	5,147.7	5,951.6
Long term Loans and advanc	570.2	594.1	647.6	705.9
Application of Funds	19,790.9	19,697.1	20,543.4	21,510.7

Source: ICICI Direct Research

Exhibit 19: Key Ratios (₹ crore)

(Year-end March)	FY19	FY20	FY21E	FY22E
Per share data (₹)				
Adjusted EPS	18.1	14.0	16.9	20.9
BV per share	101.5	101.4	114.6	130.9
Dividend per share	4.3	4.3	3.7	4.6
Cash Per Share	6.3	9.4	3.8	6.4
Operating Ratios (%)				
Gross Profit Margins	64.2	65.5	64.9	65.1
EBITDA margins	22.6	19.2	20.2	21.4
Net Profit margins	14.0	10.0	11.1	12.5
Inventory days	74.5	71.4	75.1	75.1
Debtor days	109.5	93.8	110.4	110.4
Creditor days	53.3	52.0	53.7	53.7
Asset Turnover	1.3	1.3	1.3	1.3
EBITDA Conversion Ratio	43.1	91.4	49.0	72.3
Return Ratios (%)				
RoE	17.8	13.8	14.8	16.0
RoCE	13.0	11.0	12.2	13.8
RoIC	13.0	11.4	12.5	14.1
Valuation Ratios (x)				
P/E	20.0	31.5	21.4	17.3
EV / EBITDA	14.8	15.9	13.8	11.6
EV / Net Sales	3.3	3.1	2.8	2.5
Market Cap / Sales	2.8	2.6	2.4	2.2
Price to Book Value	3.6	3.6	3.2	2.8
Solvency Ratios				
Debt / EBITDA	2.6	2.7	2.2	1.7
Debt / Equity	0.7	0.7	0.6	0.5
Current Ratio	2.1	1.9	2.1	2.1

Source: ICICI Direct Research

Exhibit 20: ICICI Direct Coverage Universe (Healthcare)

Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹cr)	EPS (₹)				PE(x)				RoCE (%)				RoE (%)			
						FY19	Y20E	Y21E	Y22E	FY19	Y20E	Y21E	Y22E	Y19	Y20E	Y21E	Y22E	FY19	Y20E	Y21E	Y22E
Ajanta Pharma	AJAPHA	1452	1,730	Buy	12666	43.5	53.4	56.0	72.0	33.3	27.2	25.9	20.2	21.8	24.7	22.3	24.2	17.1	18.1	16.7	18.5
Alembic Pharma	ALEMPHA	947	875	Buy	17843	31.4	46.3	41.4	39.8	30.1	20.4	22.9	23.8	19.6	20.6	17.7	16.0	21.8	26.3	19.5	16.2
Aurobindo Pharma	AURPHA	783	920	Buy	45905	41.9	48.8	55.0	61.4	18.7	16.1	14.2	12.8	15.9	17.2	18.2	18.7	17.7	17.0	16.3	15.6
Biocon	BIOCON	381	390	Buy	45750	6.2	5.8	9.8	18.2	61.4	65.5	38.7	21.0	10.9	10.9	15.1	22.1	12.2	10.4	15.2	22.4
Cadila Healthcare	CADHEA	362	420	Buy	37065	18.1	14.0	16.9	20.9	20.0	25.9	21.4	17.3	13.0	11.0	12.2	13.8	17.8	13.8	14.8	16.0
Cipla	CIPLA	636	670	Buy	51295	18.6	19.2	23.0	30.2	34.2	33.1	27.6	21.0	10.9	12.0	13.0	15.4	10.0	9.8	10.8	12.6
Divi's Lab	DIVLAB	2305	2,355	Hold	61184	51.0	51.9	58.2	73.6	45.2	44.4	39.6	31.3	25.5	23.9	23.0	24.1	19.4	18.8	18.1	19.2
Dr Reddy's Lab	DRREDD	4006	4,615	Buy	66558	114.7	121.9	163.8	209.7	34.9	32.9	24.5	19.1	11.1	10.0	18.0	20.8	13.6	13.0	15.2	16.6
Glenmark Pharma	GLEPHA	409	340	Hold	11551	26.9	26.8	34.6	43.2	15.2	15.3	11.8	9.5	15.3	12.8	14.5	16.1	13.5	12.0	13.5	14.5
Hikal	HIKCHE	117	165	Buy	1444	8.4	8.1	10.8	13.8	14.0	14.5	10.9	8.5	14.3	13.0	14.2	15.7	13.6	12.2	14.2	15.6
Ipca Laboratories	IPCLAB	1616	1,900	Buy	20413	35.1	47.8	63.3	79.2	46.1	33.8	25.5	20.4	15.0	17.4	19.7	20.7	14.2	16.6	18.1	18.6
Jubilant Life	JUBLIF	647	550	Buy	10299	54.9	59.9	69.8	89.8	11.8	10.8	9.3	7.2	14.3	14.6	17.2	19.7	17.8	16.6	16.4	17.5
Lupin	LUPIN	914	930	Hold	41430	16.5	-12.7	25.6	38.7	55.3	-72.0	35.8	23.6	9.4	10.6	10.4	14.6	5.4	-4.6	8.5	11.6
Narayana Hrudayam	NARHRU	271	340	Buy	5546	2.9	6.4	-3.1	9.6	93.5	42.7	-88.4	28.2	7.7	11.0	0.0	14.2	5.5	11.4	-5.8	15.7
Natco Pharma	NATPHA	629	740	Buy	11446	35.4	25.3	23.9	22.4	17.8	24.8	26.3	28.1	21.3	14.0	12.9	11.3	18.5	12.2	10.7	9.3
Sun Pharma	SUNPHA	488	540	Buy	117109	15.9	16.8	18.4	24.5	30.8	29.1	26.6	19.9	10.3	10.0	10.3	12.4	9.2	8.9	8.9	10.8
Syngene Int.	SYNINT	378	390	Buy	15120	8.3	10.3	8.6	12.2	45.7	36.7	38.6	27.3	14.8	15.0	12.9	16.4	16.8	15.7	13.7	16.3
Torrent Pharmaceuticals	TORPHA	2543	2,475	Hold	43039	48.9	60.6	67.0	88.3	52.0	42.0	38.0	28.8	14.2	15.7	17.7	21.2	17.5	21.2	20.0	22.0
Shalby	SHALIM	69	70	Hold	745	2.9	2.6	0.7	4.0	23.5	27.0	93.9	17.1	6.8	7.2	1.8	7.0	4.1	3.5	1.0	5.2

Source: ICICI Direct Research, Bloomberg

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