

Ex-Covid core growth intact; eyes on US launches...

About the stock: Cipla is a global pharma company with over 1,500+ products in 65 therapeutic categories, with over 50 dosage forms.

- Indian branded formulations business accounts for ~45% of revenues and enjoys leadership in therapies like respiratory, anti-infective, cardiac, gynaecology & gastro-intestinal
- Cipla derives 20% of its export revenues from the US followed by 12% from South Africa, 18% from RoW markets and 3% from APIs

Q2FY23 Results: Cipla reported strong results in line with our estimates.

- Revenues up 5.6% YoY to ₹ 5828.5 crore (ex-Covid 12%) driven by traction in core portfolio across therapies in India and launch of gRevlimid in the US
- EBITDA margins up 12 bps YoY to 22.3% (24% adjusted for Covid inventory)
- Adjusted PAT increased 10.5% YoY to ₹ 786 crore

What should investors do? Cipla's share price has grown ~2.5x in past three years

- We maintain **BUY** due to 1) continued focus on its core strength of respiratory franchise, along with other niche launches in the US (significant momentum expected from H2FY23), 2) calibrated focus on core therapies in India and 3) shift to private markets from tenderised models in other export markets

Target Price and Valuation: Valued at ₹ 1350 i.e. 26x P/E on FY24E EPS of ₹ 50.6 + ₹ 31 NPV for gRevlimid.

Key triggers for future price performance:

- US:** Significant momentum from H2FY23 onwards in the US on the back of possible approvals/ launches of gAdvair, gAbraxane and other complex generics launches including peptides, traction from existing respiratory portfolio and g Revlimid
- One-India:** Branded prescription portfolio therapy mix reflects strong fundamentals across chronic and acute segments. Better execution and distribution synergies to drive prescription, trade generics, consumer health
- Exports:** Across the board transformation from tenderised model to private model in exports market and more focus towards DTM and new frontier markets for organic growth in Europe and Emerging markets

Alternate Stock Idea: Apart from Cipla, in healthcare coverage we like Sun Pharma.

- Higher contribution from specialty and strong domestic franchise is likely to change the product mix towards more remunerative business
- BUY with a target price of ₹ 1225

Key Financial Summary

Key Financials (₹ crore)	FY20	FY21	FY22	5 year CAGR (FY17-22)	FY23E	FY24E	2 year CAGR (FY22-24E)
Revenues	17132.0	19159.6	21763.3	8.3	24013.3	26627.7	10.6
EBITDA	3206.0	4252.4	4552.8	13.0	5360.2	6382.7	18.4
EBITDA margins (%)	18.7	22.2	20.9		22.3	24.0	
Adjusted PAT	1546.5	2404.9	2650.2	21.4	3281.4	4077.7	24.0
Adj. EPS (₹)	19.2	29.9	32.9		40.8	50.6	
PE (x)	59.7	38.4	36.7		28.1	22.6	
EV to EBITDA (x)	29.0	21.2	19.5		16.1	13.0	
RoNW (%)	9.8	13.1	12.7		14.0	15.2	
RoCE (%)	12.0	16.3	16.7		18.8	20.6	

Source: Company, ICICI Direct Research

BUY

Cipla

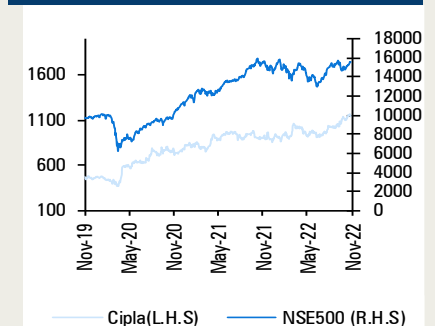
Particulars

Particular	Amount
Market Capitalisation	₹ 92472 crore
Debt (FY22)	₹ 824 crore
Cash (FY22)	₹ 1928 crore
EV	₹ 91367 crore
52 week H/L (₹)	1083/850
Equity capital	₹ 161.4 crore
Face value	₹ 2

Shareholding pattern

(in %)	Dec-21	Mar-22	Jun-22	Sep-22
Promoter	36.1	33.6	33.6	33.6
Others	63.9	66.4	66.4	66.4

Price Chart



Recent Event & Key risks

- Acquisition of Endura Mass in domestic consumer business
- Key Risk:** (i) Regulatory hurdles (ii) Increased competition

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Key takeaways of recent quarter & conference call highlights

Q2FY23 Results: Strong set of numbers in line with our estimates

- Revenues grew 5.6% YoY to ₹ 5828.5 crore driven by robust traction in core portfolio across therapies in India and launch of gRevlimid in US. US business grew ~35.1% YoY to ₹ 1432 crore. The growth was driven by the launch of gRevlimid and continued market share expansion in Lanreotide 505b2. India business witnessed YoY growth of 6.1 % to ₹ 2563 crore driven by double digit growth across all therapies. Healthy mix of price, volume and contribution from new launches. After adjusting Covid base growth was at 15%. South Africa de-grew 15.8% YoY at ₹ 598 crore, Cipla launched six products in this geography across multiple therapies. RoW markets witnessed de-growth of 6.7% YoY at 1032 crore. APIs witnessed YoY de-growth of 11% to ₹ 153 crore. Gross margins increased ~165 bps over previous year to 62.9%. EBITDA margins increased 12 bps YoY to 22.3%, due to lower logistic costs and effective management Adjusted PAT increased 10.5% YoY to ₹ 786 crore. Adjusted for one time Covid inventory adjustments, EBITDA margins were at ~24%
- Cipla numbers were in line with our expectations. India business continued its strong performance on the back of strong growth across all therapies, respiratory being the top performer. Acute therapies have also done well in this quarter due to seasonality. US business performed well driven by solid execution on differentiated portfolio in the US including the launch of gRevlimid. South Africa private market recovery is on track, and has grown in double digits sequentially. International markets maintained steady growth, even after getting affected by currency headwinds. API's continued growth in emerging markets. We remain positive on the growth story specially relying on the new complex launches in US and continuing momentum in domestic business

Q2FY23 Earnings Conference Call highlights

- One India:** Grew 15% YoY adjusted for Covid portfolio. In branded prescription, momentum was sustained across therapies like respiratory, cardio, diabetes, urology, etc. Acute therapy has also performed well in this quarter due to seasonality. Trade generics also remains strong with double digit growth. The management plans to accelerate India portfolio by launch of chronic brands
- Eight new brands launched during the quarter
- Trade generics momentum strong in tier II to tier VI towns
- Growth in branded portfolio was in double digits. It comprises 60-70% of India business
- US:** Grew 26% to US\$179 million
- The management is now guiding for US\$175-180 million quarterly run rate for the US business
- Expects five players (including Cipla) competitive scenario for gAdvair
- For gAdvair, pre-approval inspection at Indore concluded and EIR received for the same
- Approval for g Abraxane dependant on outcome of USFDA Goa inspection outcome by Q1FY24. Can get further delayed by six months
- Targets ~ 15% market share in Lanreotide 505b2 from the current share of ~10% in Q2FY23
- SAGA:** Declined 18% YoY in US\$ terms. Cipla launched six brands across multiple therapies in Q1FY23. Q2FY23 SAGA break-up (US\$ million) – South Africa Private:62, South Africa Tender:13 and SSA&CGA:34

- **International:** De-grew 14% YoY to US\$96 million in Q2FY23. In this quarter, strong DTM growth across geographies was offset by forex volatility in emerging markets.
- **South Africa-** Private market grew 28% sequentially in ZAR terms

Exhibit 1: Variance Analysis

	Q2FY23	Q2FY23E	Q2FY22	YoY (%)	Q1FY23	QoQ (%)	Comments
Revenue	5,828.5	5,820.0	5,519.8	5.6	5,375.2	8.4	YoY driven by robust traction in core portfolio across therapies in India and launch of gRevlimid in U.S.
Raw Material Expenses	2,160.2	2,182.5	2,136.7	1.1	2,024.4	6.7	
Gross Profit	3,668.4	3,637.5	3,383.1	8.4	3,350.8	9.5	
Gross Margin (%)	62.9	62.5	61.3	165 bps	62.3	60 bps	Gross Margins increased by ~165 bps over previous year to 62.9%
Employee Expenses	960.8	1,030.1	877.8	9.5	955.7	0.5	
Other Expenditure	1,405.8	1,350.2	1,279.1	9.9	1,251.7	12.3	
Total Operating Expenditure	4,526.8	4,562.9	4,293.6	5.4	4,231.8	7.0	
EBITDA	1,301.7	1,257.1	1,226.2	6.2	1,143.4	13.9	
EBITDA (%)	22.3	21.6	22.2	12 bps	21.3	106 bps	EBITDA margins increased 12 bps YoY to 22.3%, due to lower logistic costs and effective management.
Interest	25.6	16.9	38.0	-32.8	17.8	43.5	
Depreciation	299.4	276.3	253.1	18.3	254.4	17.7	
Other income	123.0	87.3	60.7	102.7	103.4	18.9	
PBT before EO	1,099.8	1,051.2	995.8	10.4	974.6	12.8	
Less: Exceptional Items	0.0	0.0	0.0	0.0	0.0	0.0	
PBT	1,099.8	1,051.2	995.8	10.4	974.6	12.8	
Tax	302.6	294.3	283.8	6.6	268.0	12.9	
Tax Rate (%)	27.5	28.0	28.5	-99 bps	27.5	2 bps	
MI & Share of loss/ (gain) ass	8.5	8.8	-2.2	LP	19.7	-56.9	
Adjusted PAT	785.8	745.2	711.4	10.5	684.9	14.7	In line with operational performance
Key Metrics							
Domestic	2563.0	2705.9	2416.0	6.1	2483.0	3.2	Ex-Covid 15% YoY growth
US	1432.0	1254.9	1060.0	35.1	1199.0	19.4	Driven by the launch of gRevlimid and continued market share expansion in Lanreotide 505b2.
South Africa	598.0	624.8	710.0	-15.8	568.0	5.3	YoY decline due to muted growth in private primary sales
RoW	1032.0	1028.6	1106.0	-6.7	939.0	9.9	Strong momentum across focused DTMs; steady double-digit secondary growth
API	153.0	154.8	172.0	-11.0	135.0	13.3	Continued growth in emerging markets offsetting normalisation in inventory levels for European customers.

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

₹ Crore)	FY23E			FY24E			Comments
	Old	New	Change	Old	New	Change	
Revenues	23,088.0	24,013.3	4.0	25,490.4	26,627.7	4.5	Changed due to complex launches in US in respiratory and peptides, incremental revenue from gRevlimid. Indian portfolio remains robust
EBITDA	5,106.8	5,360.2	5.0	5,992.0	6,382.7	6.5	
EBITDA Margin (%)	22.1	22.3	20 bps	23.5	24.0	46 bps	Change in product mix will lead to the improvement in margins
PAT	3,057.4	3,281.4	7.3	3,693.9	4,077.7	10.4	
EPS (₹)	38.0	40.8	7.3	45.9	50.6	10.4	

Source: ICICI Direct Research

Exhibit 3: Assumptions

₹ crore)	Current				Earlier		Comments
	FY21	FY22	FY23E	FY24E	FY23E	FY24E	
Domestic	7,736.0	9,828.0	10,311.1	11,548.5	10,545.5	11,811.0	Robust growth across therapies like respiratory, cardio, diabetes, urology.
Export Formulations	10,392.0	10,971.0	12,838.7	14,182.5	12,039.2	13,029.8	Cipla's upcoming complex launches in H2FY23 for US and contribution from gRevlimid
API	798.0	760.0	659.8	692.8	699.0	733.9	

Source: ICICI Direct Research

Exhibit 4: Financial Summary

	Revenues	Growth	EPS	Growth	P/E	EV/EBITDA	RoNW	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY21	19160	11.8	29.9	55.5	38.4	21.2	13.1	16.3
FY22	21763	13.6	32.9	10.2	36.7	19.5	12.7	16.7
FY23E	24013	10.3	40.8	23.8	28.1	16.1	14.0	18.8
FY24E	26628	10.9	50.6	24.3	22.6	13.0	15.2	20.6

Source: ICICI Direct Research

Exhibit 5: Revenue Breakup

(₹ crore)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	CAGR (FY22-24E)
Domestic	5036.0	5523.0	5867.0	6273.0	6640.0	7736.0	9828.0	10311.1	11548.5	8.4
Export Formulation:	7798.0	8145.2	8321.8	9005.0	9243.0	10392.0	10971.0	12838.7	14182.5	13.7
US	2037.9	2625.0	2589.5	3420.0	3874.0	4091.0	4431.0	6000.4	6660.4	22.6
South Africa (Cipla	1562.4	1828.8	2061.8	2148.0	2204.0	2301.0	2633.0	2626.1	2888.7	4.7
RoW	3396.5	3146.4	3670.5	3437.0	3165.0	3986.0	3909.0	4212.1	4633.3	8.9
APIs	752.0	523.0	626.0	699.0	751.0	798.0	760.0	659.8	692.8	-4.5

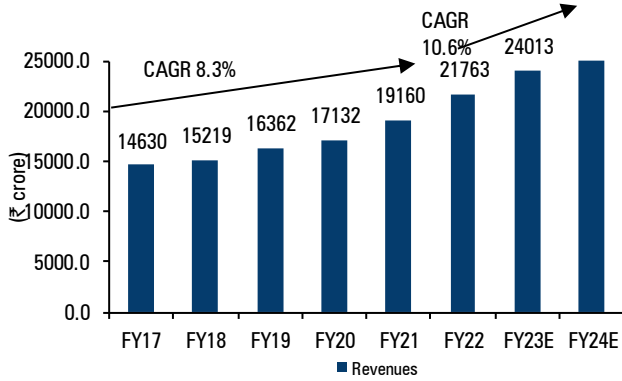
Source: ICICI Direct Research

Exhibit 6: Trends in quarterly performance

(₹ crore)	12FY20	13FY20	14FY20	11FY21	12FY21	13FY21	14FY21	11FY22	12FY22	13FY22	14FY22	11FY23	12FY23	YoY (%)	QoQ. (%)
Net Sales	4264.2	4234.6	4301.6	4276.9	4972.6	5154.2	4584.9	5470.7	5485.8	5442.9	5223.9	5317.9	5759.3	5.0	8.3
Other Operating Incom	131.5	136.5	74.6	69.3	65.7	14.5	21.6	33.6	34.0	36.0	36.4	57.3	69.3	103.9	20.8
Total Operating Incom	4395.8	4371.0	4376.2	4346.2	5038.3	5168.7	4606.5	5504.4	5519.8	5478.9	5260.3	5375.2	5828.5	5.6	8.4
Raw Material Expens	1461.2	1645.0	1688.9	1589.5	1946.5	1993.5	1822.4	2068.8	2136.7	2143.4	2146.7	2024.4	2160.2	1.1	6.7
Gross Profit	2934.6	2726.0	2687.3	2756.7	3091.8	3175.2	2784.0	3435.5	3383.1	3335.5	3113.6	3350.8	3668.4	8.4	9.5
Gross Profit Margins	66.8	62.4	61.4	63.4	61.4	61.4	60.4	62.4	61.3	60.9	59.2	62.3	62.9	164.7	60.0
Employee Expenses	761.6	745.5	763.7	771.9	820.9	844.4	814.7	887.3	877.8	872.4	892.4	955.7	960.8	9.5	0.5
% of revenues	17.3	17.1	17.5	17.8	16.3	16.3	17.7	16.1	15.9	15.9	17.0	17.8	16.5	58.2	-129.6
Other Expenditure	1263.4	1222.2	1290.0	936.1	1094.3	1100.0	1173.1	1202.3	1279.1	1232.1	1471.5	1251.7	1405.8	9.9	12.3
% of revenues	28.7	28.0	29.5	21.5	21.7	21.3	25.5	21.8	23.2	22.5	28.0	23.3	24.1	94.6	83.4
Total Expenditure	3486.3	3612.7	3742.7	3297.4	3861.7	3937.8	3810.2	4158.5	4293.6	4247.9	4510.6	4231.8	4526.8	5.4	7.0
EBITDA	909.5	758.3	633.5	1048.7	1176.6	1230.9	796.2	1345.9	1226.2	1231.0	749.7	1143.4	1301.7	6.2	13.9
EBITDA (%)	20.7	17.3	14.5	24.1	23.4	23.8	17.3	24.5	22.2	22.5	14.3	21.3	22.3	11.9	106.3
Interest	46.1	46.2	53.0	46.0	39.3	47.9	27.5	29.6	38.0	20.7	18.1	17.8	25.6	-32.8	43.5
Depreciation	283.0	277.9	345.8	269.0	265.1	248.4	285.2	261.1	253.1	247.5	290.3	254.4	299.4	18.3	17.7
Other Income	100.5	72.1	93.2	65.5	53.5	86.9	60.1	64.9	60.7	91.3	64.0	103.4	123.0	102.7	18.9
PBT	681.0	506.4	327.9	799.2	925.7	1021.5	543.7	1120.1	995.8	1054.1	505.3	974.6	1099.8	10.4	12.8
Total Tax	200.6	152.8	85.6	227.8	263.8	269.0	128.2	283.7	283.8	295.2	71.1	268.0	302.6	6.6	12.9
PAT before MI	480.4	353.6	242.3	571.4	661.9	752.5	415.5	711.8	712.0	759.0	376.7	706.6	797.2	12.0	12.8
Minority Interest	9.7	-11.7	-7.5	-11.9	-6.1	3.5	-1.9	-4.8	-2.2	28.3	8.6	19.7	8.5	-485.1	-56.9
PAT	464.8	351.0	246.0	577.9	665.4	748.2	413.4	714.7	711.4	728.6	362.1	684.9	785.8	10.5	14.7
EPS (₹)	5.8	4.4	3.1	7.2	8.3	9.3	5.1	8.9	8.8	9.0	4.5	8.5	9.8		

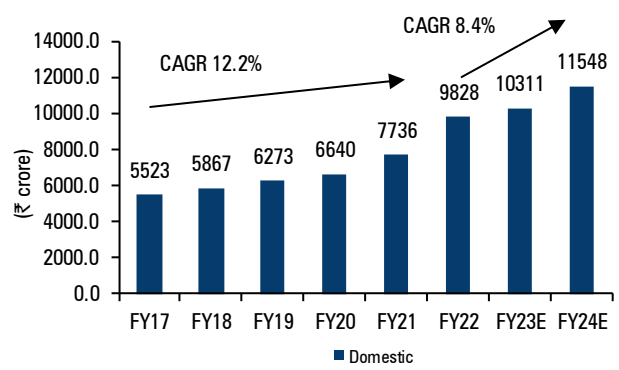
Source: ICICI Direct Research

Exhibit 7: Revenues to grow at 10.6% CAGR over FY22-24E



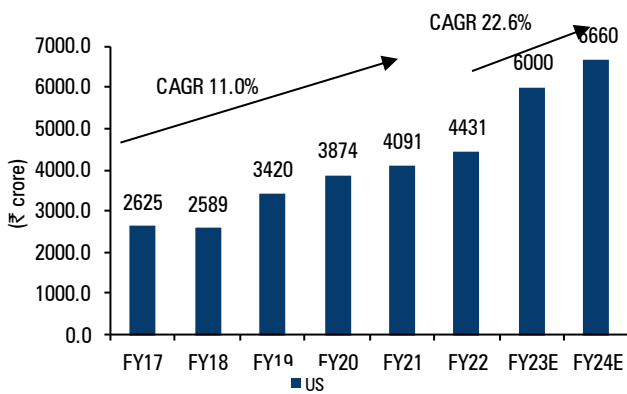
Source: ICICI Direct Research, Company

Exhibit 8: Domestic to grow at 8.4% CAGR over FY22-24E



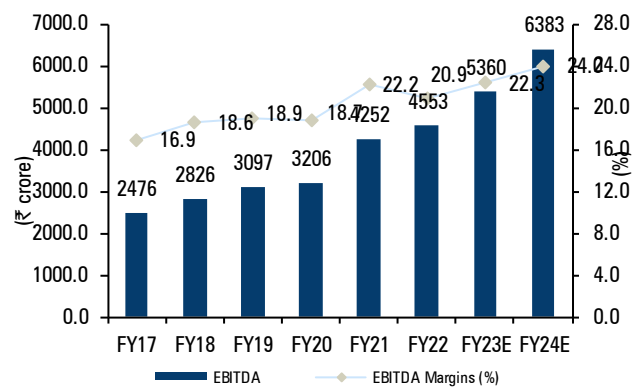
Source: ICICI Direct Research, Company

Exhibit 9: US to grow at CAGR of 22.6% over FY22-24E



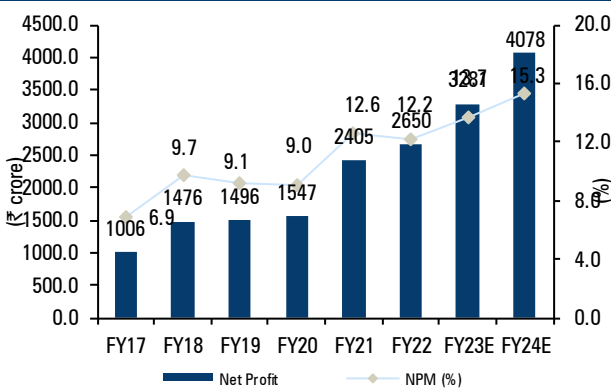
Source: ICICI Direct Research, Company

Exhibit 10: EBITDA & EBITDA margins trend



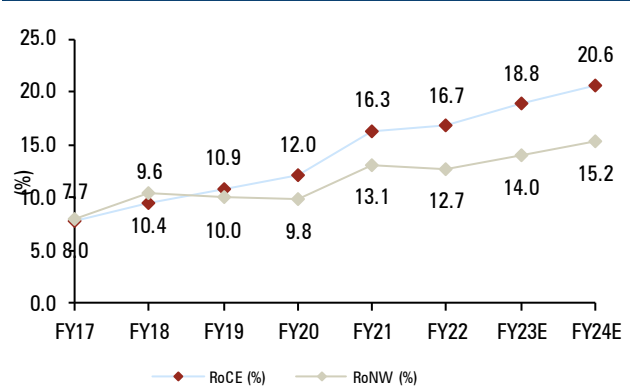
Source: ICICI Direct Research, Company

Exhibit 11: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 12: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 13: ICICI Direct Healthcare Coverage Universe

Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹ cr)	EPS (₹)				PE(x)				RoCE (%)				RoE (%)			
						FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E
Hospitals																					
Apollo Hospitals	APOHOS	4363	5,080	Buy	62821	7.9	59.1	79.0	101.0	555.0	73.8	55.3	43.2	6.3	15.1	15.3	18.8	2.5	15.1	17.4	18.9
Narayana Hrudalaya	NARHRU	740	800	Buy	15096	-0.7	16.7	20.6	22.7	NA	44.2	36.0	32.6	1.2	20.5	19.6	19.7	-1.3	23.0	22.3	19.9
Shalby	SHALIM	142	150	Buy	1528	3.9	5.4	7.5	9.9	36.0	26.1	18.9	14.3	6.5	8.4	11.7	14.3	5.1	6.7	8.6	10.4
Aster DM	ASTDM	268	250	Buy	13413	3.0	10.5	10.8	16.7	90.7	25.5	24.9	16.1	5.4	9.0	9.4	12.5	4.4	13.3	12.0	15.6
Healthcare Global	HEAGLO	300	345	Buy	4169	-13.9	3.9	4.5	8.8	-13.9	77.6	65.9	34.0	-0.9	5.0	9.4	12.1	-0.9	5.0	6.8	11.6
MNC Pharma																					
Abbott India	ABBIND	19475	21,140	Hold	40897	325.0	375.9	427.7	528.6	59.9	51.8	45.5	36.8	33.8	36.6	37.1	37.3	26.5	28.3	28.9	28.8
P&G Health	MERLIM	4240	4,500	Hold	7208	106.5	116.0	124.8	140.6	39.8	36.6	34.0	30.2	32.2	39.8	36.0	33.8	25.1	31.2	28.1	26.2
Sanofi India	SANOFI	5577	6,885	Hold	12827	207.4	410.1	270.5	264.8	26.9	13.6	20.6	21.1	32.3	33.3	41.1	50.7	24.5	25.9	31.2	38.7
Pfizer	PFIZER	4503	4,480	Hold	20714	108.8	133.9	140.4	149.3	41.4	33.6	32.1	30.2	27.6	26.1	22.4	21.8	20.8	21.4	17.9	17.7
Pharma																					
Ajanta Pharma	AJAPHA	1256	1,495	Buy	16079	51.0	55.6	60.1	71.1	24.6	22.6	20.9	17.7	29.0	27.0	24.4	24.5	21.8	21.8	19.9	19.9
Alembic Pharma	ALEMPHA	654	590	Reduce	12884	62.8	27.8	15.3	26.9	10.4	23.6	42.8	24.3	25.1	10.6	6.5	10.5	24.1	10.4	5.6	9.1
Aurobindo Pharma	AURPHA	554	615	Hold	32441	55.0	47.4	41.1	51.3	10.1	11.7	13.5	10.8	16.9	12.9	11.5	13.3	14.7	11.3	9.0	10.1
Biocon	BIOCON	274	320	Hold	32907	6.3	5.7	5.5	11.3	43.8	48.1	50.3	24.2	7.7	7.5	4.1	6.5	9.9	8.1	2.8	5.5
Zydus Lifesciences	CADHEA	440	405	Hold	###	23.3	21.0	21.0	23.8	18.8	21.0	21.0	18.5	13.8	12.0	11.8	11.7	18.4	12.6	11.4	11.6
Cipla	CIPLA	1146	1,135	Buy	92490	29.9	32.9	38.6	45.8	38.4	34.8	29.7	25.0	16.3	16.7	17.9	19.0	13.1	12.7	13.3	14.1
Dr Reddy's Labs	DRREDD	4525	4,750	Buy	75117	117.3	126.9	203.4	191.0	38.6	35.7	22.2	23.7	13.1	13.0	19.1	18.1	11.1	11.0	15.4	13.0
Glenmark Pharma	GLEPHA	421	440	Hold	11882	32.9	42.7	39.5	44.9	12.8	9.9	10.7	9.4	13.9	14.8	14.7	14.4	13.1	13.2	11.0	11.2
Ipca Laboratories	IPCLAB	905	985	Hold	22986	44.9	34.8	27.5	35.1	20.1	26.0	33.0	25.8	27.1	17.4	14.3	16.3	24.2	16.1	11.4	13.0
Jubilant Pharmova	JUBLIF	386	340	Hold	6140	37.4	26.0	15.9	26.1	10.3	14.9	24.3	14.8	13.7	9.0	6.1	8.6	12.6	7.8	4.6	7.0
Lupin	LUPIN	711	610	Reduce	32335	26.9	11.9	11.8	27.7	26.5	59.8	60.4	25.6	9.6	3.4	5.8	10.9	8.8	4.4	4.2	9.2
Natco Pharma	NATPHA	626	735	Hold	11451	24.2	9.3	41.6	42.3	25.9	67.2	15.0	14.8	13.1	4.6	18.1	16.9	10.7	4.0	15.5	13.9
Sun Pharma	SUNPHA	1040	1,125	Buy	249472	30.0	32.0	34.8	40.1	34.6	32.5	29.9	25.9	14.2	18.2	18.0	18.7	15.5	16.0	15.2	15.2
Torrent Pharma	TORPHA	1673	1,730	Buy	56546	37.0	32.0	40.0	46.7	45.2	52.2	41.8	35.8	17.6	19.7	19.1	21.4	21.4	18.2	19.8	19.7
Indoco Remedies	INDREM	360	525	Buy	3312	10.1	16.8	21.6	29.2	35.7	21.4	16.7	12.3	11.7	17.5	17.6	23.9	12.1	17.1	18.6	20.6
Caplin Point	CAPPOI	740	1,000	Buy	5624	81.7	85.3	70.4	73.0	9.1	8.7	10.5	10.1	25.3	23.7	22.6	0.0	20.4	20.2	18.7	17.5
Advanced Enzymes	ADVENZ	283	265	Reduce	3164	13.1	10.7	8.5	12.1	21.6	26.4	33.4	23.4	19.4	14.3	10.2	13.2	15.1	11.0	8.1	10.4
Hester Biosciences	HESPHA	1981	2,015	Reduce	1783	44.4	45.7	35.9	51.8	44.6	43.3	55.2	38.3	16.2	10.9	9.3	11.8	16.5	15.0	10.8	14.0
API/CRAMS																					
Divi's Lab	DIVLAB	3746	4,315	Buy	99277	74.7	111.5	93.0	113.5	50.1	33.6	40.3	33.0	27.6	30.2	22.8	24.4	21.3	25.2	18.4	19.2
Hikal	HIKCHE	342	290	Hold	4205	10.8	13.0	3.8	14.4	31.7	26.3	89.3	23.7	15.1	13.6	5.6	13.8	14.3	15.0	4.3	14.2
Syngene Int.	SYNINT	621	710	Buy	24920	10.1	9.9	11.5	14.6	61.4	63.0	53.9	42.6	11.5	11.7	12.8	15.2	13.5	12.9	12.4	13.7
Granules India	GRANUL	370	375	Buy	9171	22.2	16.6	21.9	26.8	16.7	22.2	16.9	13.8	24.0	15.6	18.6	20.5	25.3	16.0	17.6	17.9
Laurus Labs	LAULAB	465	675	Buy	24965	18.3	15.4	20.7	27.0	25.4	30.2	22.4	17.2	31.7	21.3	23.6	26.0	37.9	24.7	25.6	25.6
Suven Pharmaceutical	SUVPH	431	530	Hold	10991	14.2	17.8	17.0	17.6	30.3	24.2	25.4	24.4	31.2	37.5	28.7	25.0	30.7	29.7	23.0	20.0

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 14: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Revenues	19,159.6	21,763.3	24,013.3	26,627.7
Growth (%)	11.8	13.6	10.3	10.9
Raw Material Expenses	7,351.9	8,495.6	8,957.1	9,727.2
Gross Profit	11,807.7	13,267.7	15,056.2	16,900.5
Employee Expenses	3,251.8	3,529.9	4,094.2	4,526.7
Other Expenditure	4,303.4	5,185.1	5,601.9	5,991.1
Total Operating Expenditure	14,907.2	17,210.6	18,653.1	20,245.0
EBITDA	4,252.4	4,552.8	5,360.2	6,382.7
Growth (%)	32.6	7.1	17.7	19.1
Depreciation	1,067.7	1,052.0	1,152.5	1,162.6
Interest	160.7	106.4	94.5	28.9
Other Income	266.0	280.9	499.8	557.2
PBT	3,290.1	3,493.3	4,613.0	5,748.4
Total Tax	888.8	933.8	1,269.1	1,609.6
PAT before MI	2,401.3	2,559.5	3,343.9	4,138.9
Minority Interest	-16.4	29.9	49.7	48.4
Adjusted PAT	2,404.9	2,650.2	3,281.4	4,077.7
Growth (%)	55.5	10.2	23.8	24.3
EPS (Adjusted)	29.9	32.9	40.8	50.6

Source: Company, ICICI Direct Research

Exhibit 15: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit/(Loss) after taxation	2,252.6	2,535.9	3,281.4	4,077.7
Add: Depreciation	1,067.7	1,052.0	1,152.5	1,162.6
(inc)/Dec in Current Assets	168.6	-539.8	-739.7	-1,014.3
inc/(Dec) in Current Liabilities	203.1	362.3	236.1	332.2
Others	63.2	-84.5	94.5	28.9
CF from Operating activities	3,755.2	3,325.9	4,024.7	4,587.1
(Purchase)/Sale of Fixed Assets	-791.4	-666.0	-650.0	-650.0
Change In Investment	-1,256.0	152.6	0.0	0.0
Others	19.4	-685.4	3.2	-0.5
CF from Investing activities	-2,028.0	-1,198.9	-646.8	-650.5
Change in Equity	0.1	0.1	0.0	0.0
Change in Loan	-1,167.9	-1,098.3	-300.0	-300.0
Dividend & Dividend tax	0.0	-403.4	-629.2	-820.3
Others	-162.1	-98.2	-94.5	-28.9
CF from Financing activities	-1,329.9	-1,599.8	-1,023.7	-1,149.3
Net Cash Flow	397.3	527.3	2,354.3	2,787.4
Cash and Cash equ. at beginning	1,003.9	1,401.2	1,928.5	4,282.8
Cash	1,401.2	1,928.5	4,282.8	7,070.1
Free Cash Flow	2,963.8	2,659.9	3,374.7	3,937.1

Source: Company, ICICI Direct Research

Exhibit 16: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Equity Capital	161.3	161.4	161.4	161.4
Reserve and Surplus	18,165.2	20,680.3	23,332.5	26,589.9
Total Shareholders funds	18,326.5	20,841.7	23,493.9	26,751.2
Total Debt	1,755.6	824.1	524.1	224.1
Deferred Tax Liability	296.6	244.0	256.2	269.0
Long Term Provision	116.2	100.2	105.2	110.5
MI & Other Liabilities	618.7	586.1	651.4	716.1
Source of Funds	21,113.6	22,596.2	25,030.8	28,070.9
Gross Block - Fixed Assets	12,639.8	13,789.2	14,489.2	15,239.2
Accumulated Depreciation	6,253.3	7,305.2	8,457.8	9,620.3
Net Block	6,386.5	6,484.0	6,031.5	5,618.9
Capital WIP	968.9	766.2	716.2	616.2
Fixed Assets	7,355.4	7,250.2	6,747.6	6,235.1
Investments	2,831.8	2,612.0	2,612.0	2,612.0
Goodwill on Consolidation	3,007.3	3,137.9	3,137.9	3,137.9
Long term Loans & Advances	53.0	0.0	0.0	0.0
Other Non current assets	1,009.8	1,585.1	1,664.4	1,747.6
Inventory	4,669.2	5,350.2	5,640.9	6,125.9
Debtors	3,445.7	3,424.4	3,782.9	4,217.0
Loans and Advances	2.6	3.6	3.7	3.9
Other Current Assets	1,376.0	1,809.1	1,899.6	1,994.6
Cash	1,401.2	1,928.5	4,282.8	7,070.1
Total Current Assets	10,894.7	12,515.9	15,609.9	19,411.5
Creditors	2,066.8	2,508.1	2,644.3	2,871.7
Provisions	1,078.3	1,221.0	1,282.1	1,346.2
Other current liabilities	893.2	775.9	814.7	855.4
Total Current Liabilities	4,038.3	4,505.0	4,741.1	5,073.3
Net Current Assets	6,856.3	8,010.9	10,868.8	14,338.2
Application of Funds	21,113.6	22,596.2	25,030.8	28,070.9

Source: Company, ICICI Direct Research

Exhibit 17: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
Per share data (₹)				
Adjusted EPS	29.9	32.9	40.8	50.6
BV per share	227.6	258.9	291.8	332.3
Cash per Share	17.4	24.0	53.2	87.8
Dividend per share	8.0	7.8	10.2	12.7
Operating Ratios (%)				
Gross Margins	61.6	61.0	62.7	63.5
EBITDA margins	22.2	20.9	22.3	24.0
PAT Margins	12.6	12.2	13.7	15.3
Inventory days	231.8	229.9	229.9	229.9
Debtor days	65.6	57.4	57.5	57.8
Creditor days	102.6	107.8	107.8	107.8
Asset Turnover	0.9	1.0	1.0	0.9
EBITDA convsion rate	88.3	73.1	75.1	71.9
Return Ratios (%)				
RoE	13.1	12.7	14.0	15.2
RoCE	16.3	16.7	18.8	20.6
RoIC	19.4	19.8	23.6	28.7
Valuation Ratios (x)				
P/E	38.4	36.7	28.1	22.6
EV / EBITDA	21.2	19.5	16.1	13.0
EV / Net Sales	4.7	4.1	3.6	3.1
Market Cap / Sales	4.8	4.2	3.8	3.5
Price to Book Value	5.0	4.4	3.9	3.4
Solvency Ratios				
Debt / EBITDA	0.4	0.2	0.1	0.0
Debt / Equity	0.1	0.0	0.0	0.0
Current Ratio	2.4	2.4	2.4	2.4
Quick Ratio	1.2	1.2	1.2	1.2
Working Capital Cycle	194.8	179.5	179.6	179.9
Net Debt/Equity	0.0	-0.1	-0.2	-0.3

Source: Company, ICICI Direct Research

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