

## US launches drive growth; India ex-Covid growth solid

**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

**Q3FY23 Results:** Cipla reported a mixed set of numbers wherein US sales and EBITDA margins were above I-direct estimates but missed on India front due to Covid base adjustment.

- Revenues grew 6% YoY to ₹ 5810 crore (ex-Covid 11%)
- EBITDA margins increased 176 bps YoY to 24.2%
- Adjusted PAT increased 10% YoY to ₹ 801 crore

**What should investors do?** Cipla's share price has grown at a CAGR of 30.6% over the 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 1290 i.e. 24x P/E on FY25E EPS of ₹ 52.5 + ₹ 30 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 Lanreotide
- One-India:** Branded prescription portfolio therapy mix reflects strong fundamentals across chronic and acute segments. Better execution, 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

# Cipla

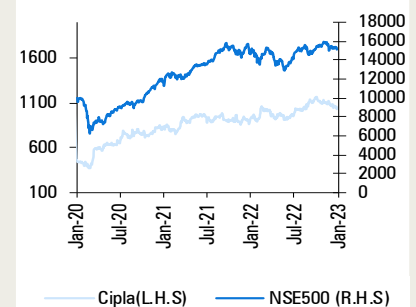
### Particulars

Particular	Amount
Market Capitalisation	₹ 83928 crore
Debt (FY22)	₹ 824 crore
Cash (FY22)	₹ 1928 crore
EV	₹ 82824 crore
52 week H/L (₹)	1150/850
Equity capital	₹ 161.4 crore
Face value	₹ 2

### Shareholding pattern

(in %)	Mar-22	Jun-22	Sep-22	Dec-22
Promoter	33.6	33.6	33.6	33.6
Others	66.4	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 Financial Summary

Key Financials (₹ crore)	FY20	FY21	FY22	5 year CAGR (FY17-22)	FY23E	FY24E	FY25E	2 year CAGR (FY23E-25E)
Revenues	17132.0	19159.6	21763.3	8.3	22903.4	25459.2	28096.4	10.8
EBITDA	3206.0	4252.4	4552.8	13.0	5177.7	5852.6	6669.1	13.5
EBITDA margins (%)	18.7	22.2	20.9		22.6	23.0	23.7	
Adjusted PAT	1546.5	2404.9	2650.2	21.4	3081.5	3664.5	4229.6	17.2
Adj. EPS (₹)	19.2	29.9	32.9		38.3	45.5	52.5	
PE (x)	54.1	34.8	33.3		27.2	22.8	19.8	
EV to EBITDA (x)	26.3	19.2	17.6		15.2	13.0	10.9	
RoNW (%)	9.8	13.1	12.7		13.3	14.1	14.5	
RoCE (%)	12.0	16.3	16.7		18.4	19.1	19.8	

## Key takeaways of recent quarter & conference call highlights

### Q3FY23 Results: Miss on topline but upbeat on margins front

- Revenues grew 6% YoY to ₹ 5810 crore driven mainly by the US. The business grew ~42% YoY to ₹ 1600 crore. Growth was driven by the launch of gRevlimid and continued market share expansion in Lanreotide 505(b)2. India business witnessed YoY growth of just 1.8% to ₹ 2563 crore. However, after adjusting Covid base, growth was at 11% driven by sustained momentum across respiratory, cardiac, anti-diabetic in core portfolio. South Africa de-grew 11.7% YoY at ₹550 crore. RoW markets witnessed de-growth of 11.5% YoY at ₹ 892 crore. APIs witnessed YoY de-growth of 2% to ₹ 147 crore. Gross margins driven by contribution from new launches and overall mix change. Our EBITDA margins increased 176 bps YoY to 24.2%. The margins subsume the impact of lower than anticipated SAGA performance, a higher inflationary market and a higher R&D outlay. Adjusted PAT increased 9.9% YoY to ₹ 801 crore. There was one-time charge of reversal of deferred tax asset
- Cipla numbers missed our expectations on the revenue front but were upbeat on margin front. India business continued its strong performance on the back of strong growth across all therapies but missed our expectations. 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. We remain positive on the growth story specially relying on the new complex launches in the US and continuing momentum in domestic branded formulations

### Q3FY23 Earnings Conference Call highlights:

#### Continued performance across core businesses:

- Q3FY23 witnessed expansion in the profitability despite increase in R&D investments
- The quarterly performance reflected sustained momentum in its branded markets and contribution from its differentiated launches in the US

#### Geographical mix:

##### India:

- One-India franchise grew in healthy double digits on an ex-Covid basis. It grew 14% YoY in rupee terms over the last year, after adjusting for the acquisition made in Q2FY23
- Focus remains on the chronic category
- Its growth in respiratory, cardiac and anti-diabetic therapies outperformed the market and the overall chronic share has expanded by 240 basis points YoY and accounts for 60% of mix for the quarter

##### US:

- US core formulation sales were supported by demonstrating an increasing share in our respiratory, peptides and differentiated launches like Lenalidomide
- It is working closely with the USFDA on the approval for Advair files
- Its peptide franchise continues to be on track with Lanreotide steadily gaining market share to 14.1% as of November 2022 end
- It has also launched Leuprolide Depot during the quarter, which would further expand its peptide franchise

##### SAGA:

- The South African private business is recovering from a reconfiguration of supply and an evolving business mix between private and tender
- Global consumer franchise including South Africa was at close to 9% of overall Cipla's revenue for the quarter

**Operational metrics:**

- The procurement cost remained escalated during the quarter, which was offset by freight cost, which had improved sequentially, responding to lower rates and improving logistics mix
- The management has guided that coming quarter margins would be moderate due to seasonality
- It incurred ~₹ 363 crore of R&D during the quarter, which we expect to inch up gradually, going ahead
- Its R&D investments were driven by ongoing clinical trials on a respiratory asset as well as other developmental efforts including contribution to biosimilar JV. Such expenses were also followed-up with judicious promotional and growth-linked investments

**Growth Drivers:**

- Cipla has high strong launch momentum in the coming years. This includes continued investments in developing a robust pipeline across the categories of respiratory, peptide, complex generics and biosimilars
- Its growth levers in the subsequent quarter from India will be across all three categories of prescription, trade generics and consumer health

**Other highlights:**

- The company invested in a critical partnership this quarter to support development in various therapies
- It also partnered with Ethris GmbH for the development of mRNA based therapies. This would fast track the company's participation in cutting-edge healthcare solutions to patients

**Exhibit 1: Variance Analysis**

	Q3FY23	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	Comments
Revenue	5,810.0	6,178.5	5,478.9	6.0	5,828.5	-0.3	Sustained momentum in branded markets and improved contribution from new launches in US
Raw Material	2,004.3	2,316.9	2,143.4	-6.5	2,160.2	-7.2	
Gross Profit	3,805.7	3,861.5	3,335.5	14.1	3,668.4	3.7	
Gross Margin (%)	65.5	62.5	60.9	462 bps	62.9	256 bps	Gross margins increased due to contribution from new launches and overall mix change
Employee Expenses	948.7	1,050.3	872.4	8.7	960.8	-1.3	
Other Expenditure	1,449.6	1,390.2	1,232.1	17.6	1,405.8	3.1	
Total Operating Expenditure	4,402.5	4,757.4	4,247.9	3.6	4,526.8	-2.7	
EBITDA	1,407.5	1,421.0	1,231.0	14.3	1,301.7	8.1	
EBITDA (%)	24.2	23.0	22.5	176 bps	22.3	189 bps	Freight cost has improved sequentially, responding to lower rates and improving logistics mix
Interest	31.8	25.6	20.7	53.9	25.6	24.5	
Depreciation	272.1	299.4	247.5	10.0	299.4	-9.1	
Other income	114.4	131.9	91.3	25.4	123.0	-6.9	
PBT before EO	1,218.0	1,228.0	1,054.1	15.5	1,099.8	10.7	
Less: Exceptional	0.0	0.0	0.0	0.0	0.0	0.0	
PBT	1,218.0	1,228.0	1,054.1	15.5	1,099.8	10.7	
Tax	410.0	337.9	295.2	38.9	302.6	35.5	
Tax Rate (%)	33.7	27.5	28.0	566 bps	27.5	615 bps	
MI & Share of loss/ (gain) asso.	6.9	10.4	28.3	-75.7	8.5	-19.3	
Adjusted PAT	800.9	877.7	728.6	9.9	785.8	1.9	PAT for the quarter subsumes one-time charge of reversal of deferred tax asset
<b>Key Metrics</b>							
Domestic	2563.0	2820.2	2518.0	1.8	2563.0	0.0	
US	1600.0	1398.6	1124.0	42.3	1432.0	11.7	Demonstrating an increasing share in respiratory and peptides.
South Africa	550.0	685.3	623.0	-11.7	598.0	-8.0	Lower tender business
RoW	892.0	1058.4	1008.0	-11.5	1032.0	-13.6	Challenging macro environment
API	147.0	165.0	150.0	-2.0	153.0	-3.9	

Source: Company, ICICI Direct Research

**Exhibit 2: Change in estimates**

(₹ Crore)	FY23E			FY24E			Comments
	Old	New	Change	Old	New	Change	
Revenues	24,013.0	22,903.4	-4.6	26,628.0	25,459.2	-4.4	Moderation from South Africa (due to tender business) and RoW markets.
EBITDA	5,360.0	5,177.7	-3.4	6,383.0	5,852.6	-8.3	
EBITDA Margin (%)	22.3	22.6	30 bps	24.0	23.0	-98 bps	Change in product mix and increase in R&D costs.
PAT	3,281.4	3,081.5	-6.1	4,078.0	3,664.5	-10.1	
EPS (₹)	40.8	38.3	-6.2	50.6	45.5	-10.0	

Source: ICICI Direct Research

**Exhibit 3: Assumptions**

(₹ crore)	Current			Earlier		Comments
	FY22	FY23E	FY24E	FY23E	FY24E	
Domestic	9,828.0	9,966.6	11,162.6	10,311.1	11,548.5	Steady growth across therapies like respiratory, cardio, diabetes,
Export Formulations	10,971.0	12,092.2	13,406.4	12,838.7	14,182.5	Challenging operating environment & currency volatility
API	760.0	626.8	658.1	659.8	692.8	

Source: ICICI Direct Research

Exhibit 4: Financial Summary

	Revenues	Growth	EPS	Growth	P/E	EV/EBITDA	RoNW	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY22	21763	27.0	32.9	10.0	33.3	17.6	12.7	16.7
FY23E	22903	5.2	38.3	16.3	27.2	15.2	13.3	18.4
FY24E	25459	11.2	45.5	18.9	22.8	13.0	14.1	19.1
FY25E	28096	10.4	52.5	15.4	19.8	10.9	14.5	19.8

Source: ICICI Direct Research

Exhibit 5: Revenue

	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Domestic	5036	5523	5867	6273	6640	7736	9828	9967	11163	12502
Export API	752	523	626	699	751	798	760	627	658	691
US	2038	2625	2589	3420	3874	4091	4431	5783	6513	7138
EU	543	545	623	700	813	988	1112	1223	1346	1480
South Africa (Cipla Medpro)	1562	1829	2062	2148	2204	2301	2633	2314	2499	2699
RoW	3397	3146	3671	3437	3165	3986	3909	3995	4395	4834

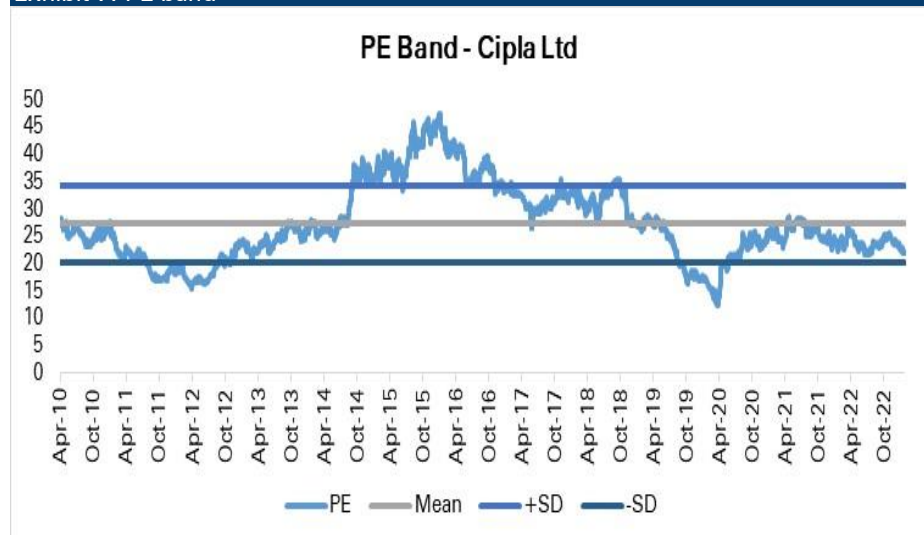
Source: ICICI Direct Research

Exhibit 6: Trends in quarterly performance

(₹ crore)	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	YoY (%)	QoQ. (%)
Net Sales	4234.6	4301.6	4276.9	4972.6	5154.2	4584.9	5470.7	5485.8	5442.9	5223.9	5317.9	5759.3	5730.0	5.3	-0.5
Other Operating Income	136.5	74.6	69.3	65.7	14.5	21.6	33.6	34.0	36.0	36.4	57.3	69.3	80.0	122.3	15.5
Total Operating Income	4371.0	4376.2	4346.2	5038.3	5168.7	4606.5	5504.4	5519.8	5478.9	5260.3	5375.2	5828.5	5810.0	6.0	-0.3
Raw Material Expenses	1645.0	1688.9	1589.5	1946.5	1993.5	1822.4	2068.8	2136.7	2143.4	2146.7	2024.4	2160.2	2004.3	-6.5	-7.2
Gross Profit	2726.0	2687.3	2756.7	3091.8	3175.2	2784.0	3435.5	3383.1	3335.5	3113.6	3350.8	3668.4	3805.7	14.1	3.7
Gross Profit Margins	62.4	61.4	63.4	61.4	61.4	60.4	62.4	61.3	60.9	59.2	62.3	62.9	65.5	462.3	256.5
Employee Expenses	745.5	763.7	771.9	820.9	844.4	814.7	887.3	877.8	872.4	892.4	955.7	960.8	948.7	8.7	-1.3
% of revenues	17.1	17.5	17.8	16.3	16.3	17.7	16.1	15.9	15.9	17.0	17.8	16.5	16.3	40.5	-15.6
Other Expenditure	1222.2	1290.0	936.1	1094.3	1100.0	1173.1	1202.3	1279.1	1232.1	1471.5	1251.7	1405.8	1449.6	17.6	3.1
% of revenues	28.0	29.5	21.5	21.7	21.3	25.5	21.8	23.2	22.5	28.0	23.3	24.1	24.9	246.1	83.0
Total Expenditure	3612.7	3742.7	3297.4	3861.7	3937.8	3810.2	4158.5	4293.6	4247.9	4510.6	4231.8	4526.8	4402.5	3.6	-2.7
EBITDA	758.3	633.5	1048.7	1176.6	1230.9	796.2	1345.9	1226.2	1231.0	749.7	1143.4	1301.7	1407.5	14.3	8.1
EBITDA (%)	17.3	14.5	24.1	23.4	23.8	17.3	24.5	22.2	22.5	14.3	21.3	22.3	24.2	175.7	189.1
Interest	46.2	53.0	46.0	39.3	47.9	27.5	29.6	38.0	20.7	18.1	17.8	25.6	31.8	53.9	24.5
Depreciation	277.9	345.8	269.0	265.1	248.4	285.2	261.1	253.1	247.5	290.3	254.4	299.4	272.1	10.0	-9.1
Other Income	72.1	93.2	65.5	53.5	86.9	60.1	64.9	60.7	91.3	64.0	103.4	123.0	114.4	25.4	-6.9
PBT	506.4	327.9	799.2	925.7	1021.5	543.7	1120.1	995.8	1054.1	505.3	974.6	1099.8	1218.0	15.5	10.7
Total Tax	152.8	85.6	227.8	263.8	269.0	128.2	283.7	283.8	295.2	71.1	268.0	302.6	410.0	38.9	35.5
PAT before MI	353.6	242.3	571.4	661.9	752.5	415.5	711.8	712.0	759.0	376.7	706.6	797.2	808.0	6.5	1.4
Minority Interest	-11.7	-7.5	-11.9	-6.1	3.5	-1.9	-4.8	-2.2	28.3	8.6	19.7	8.5	6.9	-75.7	-19.3
PAT	351.0	246.0	577.9	665.4	748.2	413.4	714.7	711.4	728.6	362.1	684.9	785.8	800.9	9.9	1.9
EPS (₹)	4.4	3.1	7.2	8.3	9.3	5.1	8.9	8.8	9.0	4.5	8.5	9.8	9.9		

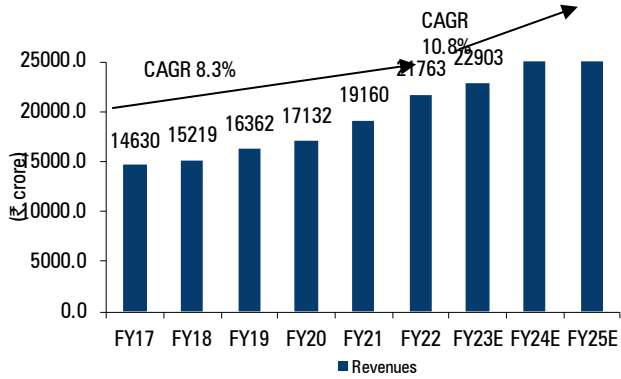
Source: ICICI Direct Research

Exhibit 7: PE band



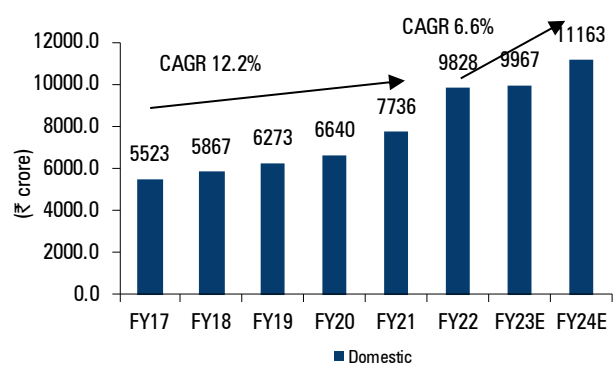
Source: Company, ICICI Direct Research

Exhibit 8: Revenues to grow at 10.8% CAGR over FY23E-25E



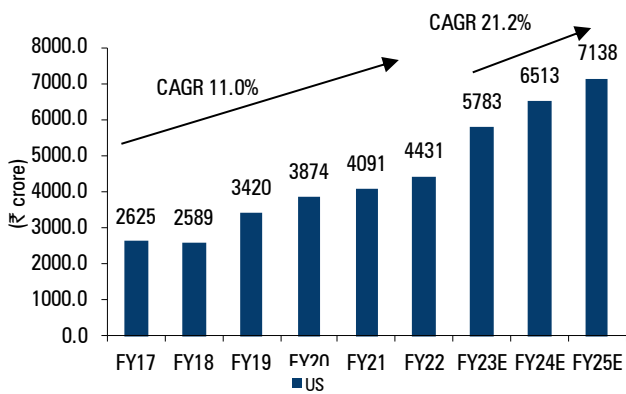
Source: Company, ICICI Direct Research

Exhibit 9: Domestic to grow at 6.6% CAGR over FY23E-25E



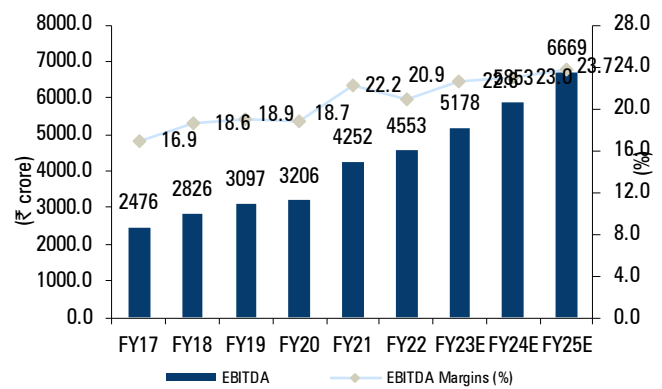
Source: Company, ICICI Direct Research

Exhibit 10: US to grow at CAGR of 21.2% over FY23E-25E



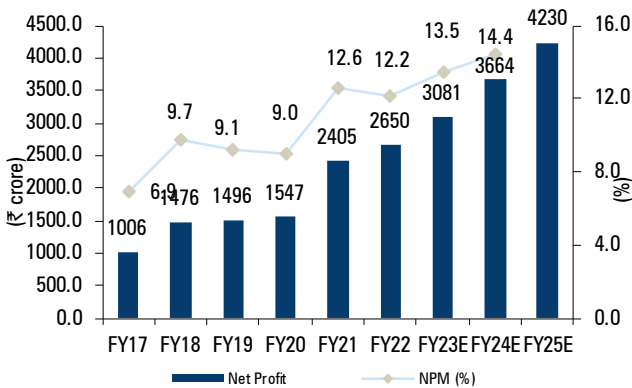
Source: ICICI Direct Research, Company

Exhibit 11: EBITDA & EBITDA margins trend



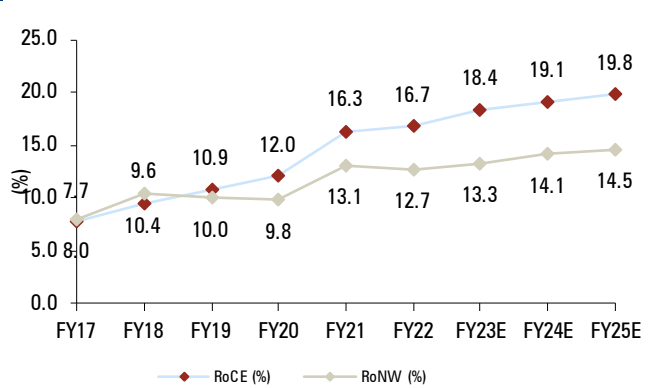
Source: ICICI Direct Research, Company

Exhibit 12: PAT & PAT margins trend



Source: Company, ICICI Direct Research

Exhibit 13: RoE & RoCE trend



Source: Company, ICICI Direct Research

**Exhibit 14: Power brands**

Brand	Therapy	Dec-19	Dec-20	Dec-21	Dec-22	GAGR 19-22	YoY
FORACORT	RESPIRATORY	392.53	469.52	573.93	670.18	19.5%	16.8%
DUOLIN	RESPIRATORY	260.84	283.11	365.68	418.73	17.1%	14.5%
BUDECORT	RESPIRATORY	243.40	244.88	307.78	362.73	14.2%	17.9%
SEROFLO	RESPIRATORY	245.58	272.45	300.64	345.33	12.0%	14.9%
MONTAIR-LC	ANTI-INFECTIVES	185.73	213.95	222.92	271.91	13.5%	22.0%
ASTHALIN	ANTI-INFECTIVES	188.30	202.69	228.87	266.44	12.3%	16.4%
AZEE	GASTRO INTESTINAL	148.33	188.42	232.30	244.05	18.1%	5.1%
DYTOR	CARDIAC	147.45	163.90	193.47	221.86	14.6%	14.7%
AEROCORT	RESPIRATORY	143.21	176.75	195.00	202.47	12.2%	3.8%
IBUGESIC PLUS	PAIN MANAGEMENT	119.05	119.70	143.53	182.17	15.2%	26.9%
Top 10 brands		2074.4	2335.4	2764.1	3185.9	15.4%	15.3%
% of IQVIA sales		26.6%	27.9%	28.5%	0.3		
Top 5 brands		1328.1	1483.9	1771.0	2068.9	15.9%	16.8%
Ex-Top 10		5724.6	6035.6	6950.9	6996.1	6.9%	0.7%

Source: IQVIA, ICICI Direct Research

**Exhibit 15: Therapeutic break up**

Therapy	Dec-19	Dec-20	Dec-21	Dec-22	GAGR 19-22	YoY
RESPIRATORY	2,557.67	2,792.23	3,437.24	3,806.40	14.2%	10.7%
ANTI-INFECTIVES	1,380.50	1,233.96	1,491.32	1,520.66	3.3%	2.0%
CARDIAC	936.78	1,024.10	1,080.26	1,167.27	7.6%	8.1%
GASTRO INTESTINAL	468.13	456.90	560.40	630.55	10.4%	12.5%
UROLOGY	404.06	429.64	466.21	478.68	5.8%	2.7%
Top Therapies	5747.1	5936.8	7035.4	7,603.56	9.8%	8.1%
Total IQVIA Sales	7799.0	8371.0	9715.0	10,182.00	9.3%	4.8%

Source: IQVIA, ICICI Direct Research

Exhibit 16: ICICI Direct Healthcare Coverage Universe

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
<b>Hospitals</b>																					
Apollo Hospitals	APOHOS	4227	5,230	Buy	60777	7.8	59.1	67.8	85.2	57.7	29.8	29.3	24.6	6.3	15.1	14.7	16.7	6.3	15.1	14.7	16.7
Narayana Hrudalaya	NARHRU	720	855	Buy	14714	-0.7	16.7	27.9	25.6	86.0	23.8	18.1	16.4	1.2	20.5	23.6	19.0	-1.3	23.0	28.0	20.6
Shalby	SHALIM	148	180	Buy	1600	3.9	5.4	7.9	11.1	17.6	13.3	9.4	7.2	6.5	8.4	12.9	15.8	5.1	6.7	9.1	11.5
Aster DM	ASTDM	216	300	Buy	10790	3.0	10.5	8.1	18.5	16.0	11.5	10.6	7.2	5.4	9.0	9.1	14.0	4.4	13.3	9.3	17.5
Healthcare Global	HEAGLO	286	370	Buy	3982	-13.9	3.9	4.0	8.4	39.4	20.1	14.9	12.0	-0.9	5.0	9.3	12.3	-0.9	5.0	6.0	11.1
<b>Company</b>																					
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
<b>MNC Pharma</b>																					
Abbott India	ABBIND	21225	21,725	Hold	45101	325.0	375.9	452.0	543.1	65.3	56.5	47.0	39.1	33.8	36.6	38.6	37.5	26.5	28.3	30.1	29.0
P&G Health	MERLIM	4029	5,235	Buy	6690	106.5	116.0	150.0	163.6	37.8	34.7	26.9	24.6	32.2	39.8	42.5	38.0	25.1	31.2	32.0	28.5
Sanofi India	SANOFI	5629	6,385	Hold	12965	207.4	410.1	265.9	255.5	27.1	13.7	21.2	22.0	32.3	33.3	40.9	50.2	24.5	25.9	30.8	38.1
Pfizer	PFIZER	4023	4,505	Hold	18404	108.8	133.9	151.4	150.2	37.0	30.0	26.6	26.8	27.6	26.1	25.0	23.7	20.8	21.4	18.8	18.1
<b>Pharma</b>																					
Ajanta Pharma	AJAPHA	1193	1,505	Buy	15285	51.1	55.7	55.9	68.4	23.4	21.4	21.3	17.4	29.0	27.0	23.4	24.4	21.8	21.8	18.8	19.5
Alembic Pharma	ALEMPHA	548	625	Hold	10775	62.6	27.7	14.6	21.0	8.7	19.8	37.4	26.2	25.1	10.6	6.3	8.6	24.1	10.4	5.3	7.3
Aurobindo Pharma	AURPHA	418	540	Hold	24495	55.0	47.4	34.7	44.8	7.6	8.8	12.0	9.3	16.9	12.9	9.6	11.9	14.7	11.3	7.7	9.1
Biocon	BIOCON	235	290	Hold	28250	6.3	5.7	3.0	4.8	37.5	41.3	78.1	48.5	7.7	7.5	3.8	6.1	9.9	8.1	1.5	2.4
Zydus Lifesciences	CADHEA	426	480	Hold	43130	23.3	21.0	21.1	25.3	18.2	20.3	20.2	16.9	13.8	12.0	11.7	12.2	18.4	12.6	11.4	12.2
Cipla	CIPLA	1040	1,290	Buy	83928	29.8	32.9	39.9	49.6	34.9	31.6	26.1	21.0	17.0	16.3	18.6	20.5	13.1	12.7	13.8	15.2
Dr Reddy's Labs	DRREDD	4196	5,215	Buy	69877	117.6	127.2	226.6	205.5	35.7	33.0	18.5	20.4	13.1	13.0	21.9	19.8	11.1	11.0	16.8	13.6
Glenmark Pharma	GLEPHA	399	440	Hold	11259	32.9	42.7	36.4	50.0	12.1	9.3	11.0	8.0	13.9	14.8	16.0	16.0	13.1	13.2	10.2	12.4
Ipca Laboratories	IPCLAB	865	925	Hold	21934	44.9	34.8	24.5	35.7	19.3	24.8	35.3	24.3	27.1	17.4	13.3	16.5	24.2	16.1	10.3	13.3
Jubilant Pharmova	JUBLIF	346	395	Hold	5517	37.4	26.0	22.5	32.8	9.2	13.3	15.3	10.5	13.7	9.0	7.8	9.7	12.6	7.8	6.4	8.6
Lupin	LUPIN	749	680	Hold	34052	26.9	11.9	9.1	26.4	27.9	63.1	81.9	28.4	9.6	3.4	5.9	11.3	8.8	4.4	3.3	8.8
Natco Pharma	NATPHA	528	660	Hold	9646	24.2	9.3	38.6	46.3	21.9	56.7	13.7	11.4	13.1	4.6	16.8	18.5	10.7	4.0	14.6	15.2
Sun Pharma	SUNPHA	1040	1,225	Buy	249513	30.1	32.0	34.3	40.9	34.6	32.5	30.3	25.4	14.2	18.2	17.4	19.0	15.5	16.0	15.0	15.5
Torrent Pharma	TORPHA	1557	1,720	Hold	52710	37.0	32.0	37.6	45.6	42.1	48.6	41.4	34.1	17.6	19.7	18.3	21.1	21.4	18.2	18.8	19.4
Indoco Remedies	INDREM	348	440	Buy	3211	10.1	16.8	17.9	26.7	34.5	20.7	19.4	13.0	11.7	17.5	15.6	21.9	12.1	17.1	15.9	19.8
Caplin Point	CAPPOI	692	955	Buy	5252	81.7	85.3	79.0	74.8	8.5	8.1	8.8	9.3	25.3	24.2	23.4	0.0	20.4	20.2	20.2	18.2
Advanced Enzymes	ADVENZ	273	265	Reduce	3053	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	1811	2,280	Hold	1541	44.4	45.7	37.8	58.6	40.8	39.6	47.9	30.9	16.2	10.9	9.5	12.7	16.5	15.0	11.3	15.4
<b>API/CRAMS</b>																					
Divi's Lab	DIVLAB	3349	3,685	Hold	88905	74.7	111.5	87.7	96.9	44.8	30.0	38.2	34.5	27.6	30.2	21.1	21.8	21.3	25.2	17.7	17.2
Hikal	HIKCHE	372	330	Hold	4591	10.8	13.0	6.8	16.6	34.4	28.6	54.8	22.5	15.1	13.6	7.8	14.9	14.3	15.0	7.4	15.6
Syngene Int.	SYNINT	571	610	Hold	22938	10.1	9.9	11.6	14.3	56.4	57.9	49.3	39.8	11.5	11.7	12.9	15.1	13.5	12.9	12.5	13.5
Granules India	GRANUL	289	410	Buy	6996	22.2	16.6	22.7	27.2	13.0	17.4	12.7	10.6	24.0	15.6	20.5	21.7	25.3	16.0	19.7	19.3
Laurus Labs	LAULAB	342	630	Buy	18408	18.3	15.4	17.0	23.3	18.7	22.2	20.1	14.7	31.7	21.3	20.8	24.3	37.9	24.7	21.9	23.6
Suven Pharmaceuticals	SUVPH	486	530	Buy	12376	14.2	17.8	14.7	17.7	34.1	27.3	33.0	27.5	31.2	37.5	26.0	25.6	30.7	29.7	20.6	20.5

Source: Company, ICICI Direct Research



## Financial Summary

Exhibit 17: Profit and loss statement				
	₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E
<b>Revenues</b>	<b>21,763.3</b>	<b>22,903.4</b>	<b>25,459.2</b>	<b>28,096.4</b>
Growth (%)	27.0	5.2	11.2	10.4
Raw Material Expenses	8,495.6	8,368.1	9,295.0	10,188.2
Gross Profit	13,267.7	14,535.3	16,164.2	17,908.2
Employee Expenses	3,529.9	3,866.5	4,455.4	4,776.4
Other Expenditure	5,185.1	5,491.1	5,856.3	6,462.7
Total Operating Expenditure	17,210.6	17,725.7	19,606.7	21,427.3
<b>EBITDA</b>	<b>4,552.8</b>	<b>5,177.7</b>	<b>5,852.6</b>	<b>6,669.1</b>
Growth (%)	#REF!	13.7	13.0	14.0
Depreciation	1,052.0	1,098.0	1,166.4	1,219.2
Interest	106.4	107.0	35.4	42.4
Other Income	280.9	458.4	514.2	567.5
PBT	3,493.3	4,431.2	5,165.1	5,974.9
Total Tax	933.8	1,294.0	1,446.2	1,673.0
PAT before MI	2,559.5	3,137.2	3,718.8	4,301.9
Minority Interest	29.9	44.8	43.4	61.4
<b>Adjusted PAT</b>	<b>2,650.2</b>	<b>3,081.5</b>	<b>3,664.5</b>	<b>4,229.6</b>
Growth (%)	12.0	16.3	18.9	15.4
<b>EPS (Adjusted)</b>	<b>32.9</b>	<b>38.3</b>	<b>45.5</b>	<b>52.5</b>

Source: Company, ICICI Direct Research

Exhibit 18: Cash flow statement				
	₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E
Profit/(Loss) after taxation	2,535.9	3,081.5	3,664.5	4,229.6
Add: Depreciation	1,052.0	1,098.0	1,166.4	1,219.2
(inc)/Dec in Current Assets	-539.8	-974.8	-1,209.3	-610.9
inc/(Dec) in Current Liabilities	362.3	-115.6	358.8	354.8
Others	-84.5	107.0	35.4	42.4
<b>CF from Operating activities</b>	<b>3,325.9</b>	<b>3,196.1</b>	<b>4,015.7</b>	<b>5,235.3</b>
(Purchase)/Sale of Fixed Assets	-666.0	-650.0	-700.0	-700.0
Change In Investment	152.6	0.0	0.0	0.0
Others	-685.4	-1.8	-5.4	10.1
<b>CF from Investing activities</b>	<b>-1,198.9</b>	<b>-651.8</b>	<b>-705.4</b>	<b>-689.9</b>
Change in Equity	0.1	0.0	0.0	0.0
Change in Loan	-1,098.3	-300.0	-250.0	-66.2
Dividend & Dividend tax	-403.4	-770.4	-916.1	-1,057.4
Others	-98.2	-107.0	-35.4	-42.4
<b>CF from Financing activities</b>	<b>-1,599.8</b>	<b>-1,177.4</b>	<b>-1,201.5</b>	<b>-1,166.1</b>
Net Cash Flow	527.3	1,366.9	2,108.8	3,379.3
Cash and Cash equ. at beginning	1,401.2	1,928.5	3,295.4	5,404.2
<b>Cash</b>	<b>1,928.5</b>	<b>3,295.4</b>	<b>5,404.2</b>	<b>8,783.5</b>
<b>Free Cash Flow</b>	<b>2,659.9</b>	<b>2,546.1</b>	<b>3,315.7</b>	<b>4,535.3</b>

Source: Company, ICICI Direct Research

Exhibit 19: Balance Sheet				
	₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E
Equity Capital	161.4	161.4	161.4	161.4
Reserve and Surplus	20,680.3	22,991.5	25,739.8	28,912.0
Total Shareholders funds	20,841.7	23,152.8	25,901.2	29,073.4
Total Debt	824.1	524.1	274.1	207.9
Deferred Tax Liability	244.0	256.2	269.0	282.4
Long Term Provision	100.2	105.2	110.5	116.0
MI & Other Liabilities	586.1	646.4	706.2	784.7
<b>Source of Funds</b>	<b>22,596.2</b>	<b>24,684.8</b>	<b>27,260.9</b>	<b>30,464.4</b>
Gross Block - Fixed Assets	13,789.2	14,489.2	15,289.2	16,089.2
Accumulated Depreciation	7,305.2	8,403.2	9,569.6	10,788.9
Net Block	6,484.0	6,086.0	5,719.6	5,300.3
Capital WIP	766.2	716.2	616.2	516.2
Fixed Assets	7,250.2	6,802.2	6,335.8	5,816.5
Investments	2,612.0	2,612.0	2,612.0	2,612.0
Goodwill on Consolidation	3,137.9	3,137.9	3,137.9	3,137.9
Long term Loans & Advances	0.0	0.0	0.0	0.0
Other Non current assets	1,585.1	1,664.4	1,747.6	1,835.0
Inventory	5,350.2	5,616.9	6,239.1	6,280.4
Debtors	3,424.4	4,041.9	4,533.8	5,003.5
Loans and Advances	3.6	3.7	3.9	4.1
Other Current Assets	1,809.1	1,899.6	1,994.6	2,094.3
Cash	1,928.5	3,295.4	5,404.2	8,783.5
Total Current Assets	12,515.9	14,857.6	18,175.7	22,165.8
Creditors	2,508.1	2,292.6	2,546.6	2,791.3
Provisions	1,221.0	1,282.1	1,346.2	1,413.5
Other current liabilities	775.9	814.7	855.4	898.2
Total Current Liabilities	4,505.0	4,389.3	4,748.1	5,102.9
Net Current Assets	8,010.9	10,468.2	13,427.6	17,062.9
<b>Application of Funds</b>	<b>22,596.2</b>	<b>24,684.8</b>	<b>27,260.9</b>	<b>30,464.4</b>

Source: Company, ICICI Direct Research

Exhibit 20: Key ratios				
(Year-end March)	FY22	FY23E	FY24E	FY25E
<b>Per share data (₹)</b>				
Adjusted EPS	32.9	38.3	45.5	52.5
BV per share	258.9	287.6	321.7	361.1
Cash per Share	24.0	40.9	67.1	109.1
Dividend per share	7.8	9.6	11.4	13.1
<b>Operating Ratios (%)</b>				
Gross Margins	61.0	63.5	63.5	63.7
EBITDA margins	20.9	22.6	23.0	23.7
PAT Margins	12.2	13.5	14.4	15.1
Inventory days	229.9	245.0	245.0	0.0
Debtor days	57.4	64.4	65.0	65.0
Creditor days	107.8	100.0	100.0	0.0
Asset Turnover	1.0	0.9	0.9	0.9
EBITDA convsion rate	73.1	61.7	68.6	78.5
<b>Return Ratios (%)</b>				
RoE	12.7	13.3	14.1	14.5
RoCE	16.7	18.4	19.1	19.8
RoIC	19.8	22.1	24.6	28.7
<b>Valuation Ratios (x)</b>				
P/E	33.3	27.2	22.8	19.8
EV / EBITDA	17.6	15.2	13.0	10.9
EV / Net Sales	3.7	3.4	3.0	icic
Market Cap / Sales	3.8	3.6	3.3	3.0
Price to Book Value	4.0	3.6	3.2	2.9
<b>Solvency Ratios</b>				
Debt / EBITDA	0.2	0.1	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	2.4	2.6	2.7	2.6

Source: Company, ICICI Direct Research

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Sell: <-15%



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