

Cipla

US drives growth, outlook for key geographies upbeat

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 major therapies include respiratory, anti-infectives, gastro-intestinal among others
- Cipla derives 26% of its export revenues from the US followed by 10% from South Africa, 17% from RoW markets and 2% from APIs

Q4FY23 Results: Cipla reported a mixed set of numbers wherein US sales and gross profit margins were above I-direct estimates but missed on the India front due to Covid base adjustment.

- Revenue grew 9.1% YoY to ₹ 5,739 crore
- EBITDA margins increased 620 bps YoY to 20.5%
- Adjusted PAT increased 59.3% YoY to ~₹ 654 crore

What should investors do? Cipla's share price has grown at 17.26% CAGR in the past three years.

- We maintain **BUY** rating due to 1) continued focus on its core strength of respiratory franchise along with other niche launches in the US (significant momentum expected from H2FY24), 2) calibrated focus on core therapies in India, 3) shift to private markets from tenderised models in other export markets

Target Price and Valuation: Valued at 1090 i.e. 22x P/E on FY25E EPS of ₹ 48.2 + ₹ 30 NPV for gRevlimid.

Key triggers for future price performance:

- US:** Significant momentum in the US on the back of possible approvals/launches of gAdvair, gAbroxane and other complex generics launches including peptides, traction from existing respiratory portfolio and Lanreotide. Pithampur USFDA status outcome
- 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 especially from tier II-VI cities
- 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

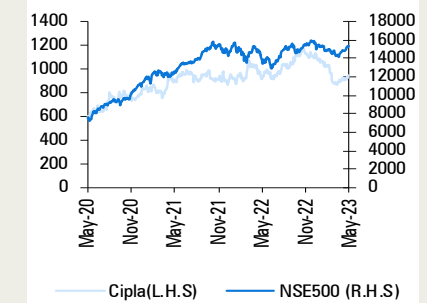
Particulars

| Particular | Amount |
|-----------------------|---------------|
| Market Capitalisation | ₹ 75455 crore |
| Debt (FY23) | ₹ 520 crore |
| Cash (FY23) | ₹ 628 crore |
| EV | ₹ 75347 crore |
| 52 week H/L (₹) | 1185/852 |
| Equity capital | ₹ 161.4 crore |
| Face value | ₹ 2 |

Shareholding pattern

| (in %) | Jun-22 | Sep-22 | Dec-22 | Mar-23 |
|----------|--------|--------|--------|--------|
| Promoter | 33.6 | 33.6 | 33.6 | 33.6 |
| Others | 66.4 | 66.4 | 66.4 | 66.5 |

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) | FY23 | FY24E | FY25E | 2 year CAGR (FY23-25E) |
|--------------------------|---------|---------|---------|-----------------------|---------|---------|---------|------------------------|
| Revenues | 17132.0 | 19159.6 | 21763.3 | 8.3 | 22753.0 | 25229.3 | 27846.0 | 10.6 |
| EBITDA | 3206.0 | 4252.4 | 4552.8 | 13.0 | 5026.9 | 5549.8 | 6278.6 | 11.8 |
| EBITDA margins (%) | 18.7 | 22.2 | 20.9 | | 22.1 | 22.0 | 22.5 | |
| Adjusted PAT | 1546.5 | 2404.9 | 2650.2 | 21.4 | 2929.9 | 3456.5 | 3883.5 | 15.1 |
| Adj. EPS (₹) | 19.2 | 29.9 | 32.9 | | 36.4 | 42.9 | 48.2 | |
| PE (x) | 48.7 | 31.3 | 29.9 | | 26.9 | 21.8 | 19.4 | |
| EV to EBITDA (x) | 23.7 | 17.2 | 15.8 | | 14.1 | 12.5 | 10.5 | |
| RoNW (%) | 9.8 | 13.1 | 12.7 | | 12.5 | 13.3 | 13.4 | |
| RoCE (%) | 12.0 | 16.3 | 16.7 | | 17.4 | 17.9 | 18.2 | |

Key takeaways of recent quarter & conference call highlights

Q4FY23 Results: Mixed set of numbers; revenues in line but EBITDA margins miss

- Revenues grew 9.1% YoY (ex-Covid 14% YoY) to ₹ 5,739 crore driven mainly by US business, which grew ~39% YoY to ₹ 1675 crore. Such growth was backed by expansion in share of differentiated and complex products. India business saw YoY growth of just 3.5% to ₹ 2259 crore. However, after adjusting for Covid base, growth was at 16% driven by sustained momentum across gastro intestinal, respiratory, cardiac and anti-diabetic in core portfolio. South Africa de-grew 6.8% YoY at ₹ 619 crore. APIs saw YoY de-growth of 2.2% to ₹ 134 crore. Gross margins increased 486 bps over the previous year to 64%. EBITDA margins increased 620 bps YoY to 20.5%. Adjusted PAT was up 59.3% YoY to ₹ ~654 crore.
- Adjusted for Covid base (we did not consider this in our assumption), India business continued its strong performance on the back of strong growth across all therapies. The US business performed well driven by solid execution on differentiated portfolio in the US including strong market share ramp-up with Lanreotide. Strong demand continues with overall South Africa private business growing faster than the market. We remain positive on the growth story specially relying on the new complex launches in US and continuing momentum in domestic branded formulations.

Q4FY23 Earnings Conference Call highlights:

India:

- One-India franchise grew 16% YoY on an ex-Covid basis
- Focus remains on the chronic category, which expanded 300 bps and accounts for 59% of the business
- Its growth in gastro intestinal (+15.6% YoY), respiratory (+11.2% YoY), cardiac (+9.7%) and anti-diabetic (+9% YoY) therapies outperformed the market

US:

- Lanreotide demonstrated strong market share ramp-up in FY23. Its present market share is at +17%
- For gAdvair, the management expects status disclosure by the USFDA by May end. The company has already made alternate arrangement outside India in case of adverse outcome. This may push the launch by 12 months
- Its three differentiated products are undergoing clinical trials. The filings are targeted in FY24
- Filings on complex generics, including peptide injectables, remain on track

SAGA:

- South Africa private business is growing faster than the market, which dictates strong demand from the region
- The company has achieved higher market share in South Africa during the period. Its key therapy area remains asthma, anti-biotics, cough & cold and probiotics. Launched 32 brands across South Africa
- European markets are picking up according to the management

Other highlights:

- The company invested €15 million in Ethris GmbH for the development of mRNA6-based therapies
- It intends to add field force of 1000+ between FY23 and FY24. Current MR strength remains at 7000
- The management has guided for its focus on Tier 2-6, which should help it penetrate deeper and increase retail presence
- It plans to expand into new category of weight supplement in the near future
- R&D expense to remain at 6.5% of overall sales
- Remediation efforts are going on for its Goa facility
- Albuterol market is constantly growing as per the management

Exhibit 1: Variance Analysis

| | Q4FY23 | Q4FY23E | Q4FY22 | YoY (%) | Q3FY23 | QoQ (%) | Comments |
|--------------------------------|---------|---------|---------|----------|---------|----------|-------------------------------------|
| Revenue | 5,739.3 | 5,908.1 | 5,260.3 | 9.1 | 5,810.0 | -1.2 | Growth driven mainly by US business |
| Raw Material Expenses | 2,063.4 | 2,186.0 | 2,146.7 | -3.9 | 2,004.3 | 2.9 | |
| Gross Profit | 3,675.9 | 3,722.1 | 3,113.6 | 18.1 | 3,805.7 | -3.4 | |
| Gross Margin (%) | 64.0 | 63.0 | 59.2 | 486 bps | 65.5 | -145 bps | |
| Employee Expenses | 964.8 | 1,004.4 | 892.4 | 8.1 | 948.7 | 1.7 | |
| Other Expenditure | 1,537.4 | 1,388.4 | 1,471.5 | 4.5 | 1,449.6 | 6.1 | |
| Total Operating Expenditure | 4,565.6 | 4,578.7 | 4,510.6 | 1.2 | 4,402.5 | 3.7 | |
| EBITDA | 1,173.7 | 1,329.3 | 749.7 | 56.6 | 1,407.5 | -16.6 | |
| EBITDA (%) | 20.5 | 22.5 | 14.3 | 620 bps | 24.2 | -377 bps | |
| Interest | 34.4 | 31.8 | 18.1 | 89.8 | 31.8 | 8.0 | |
| Depreciation | 346.2 | 272.1 | 290.3 | 19.3 | 272.1 | 27.2 | |
| Other income | 134.6 | 118.0 | 64.0 | 110.3 | 114.4 | 17.6 | |
| PBT before EO | 927.8 | 1,143.4 | 505.3 | 83.6 | 1,218.0 | -23.8 | |
| Less: Exceptional Items | 182.4 | 0.0 | 57.5 | 217.2 | 0.0 | 0.0 | |
| PBT | 745.4 | 1,143.4 | 447.8 | 66.4 | 1,218.0 | -38.8 | |
| Tax | 222.3 | 314.6 | 71.1 | 212.5 | 410.0 | -45.8 | |
| Tax Rate (%) | 29.8 | 27.5 | 15.9 | 1394 bps | 33.7 | -385 bps | |
| MI & Share of loss/ (gain) ass | -4.1 | 9.7 | 8.6 | PL | 6.9 | PL | |
| Adjusted PAT | 653.7 | 813.1 | 410.4 | 59.3 | 800.9 | -18.4 | |

Key Metrics

| | | | | | | | |
|--------------|--------|--------|--------|------|--------|-------|--|
| Domestic | 2259.0 | 2510.5 | 2183.0 | 3.5 | 2563.0 | -11.9 | After adjusting for covid base the growth was at 16% driven by sustained momentum across gastro intestinal, respiratory, cardiac and anti-diabetic in core portfolio |
| US | 1677.0 | 1451.1 | 1209.0 | 38.7 | 1600.0 | 4.8 | Growth was backed by expansion in share of differentiated and complex products such as Lanreotide |
| South Africa | 619.0 | 564.4 | 664.0 | -6.8 | 550.0 | 12.5 | YoY decline due to muted growth in private primary sales |
| RoW | 997.0 | 1132.3 | 1011.0 | -1.4 | 892.0 | 11.8 | |
| API | 134.0 | 191.8 | 137.0 | -2.2 | 147.0 | -8.8 | |

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

| (₹ Crore) | FY23 | | | FY24E | | | FY25E | | | Comments |
|-------------------|----------|----------|---------|----------|----------|---------|----------|----------|----------|---------------------------|
| | Old | Actual | Change | Old | New | Change | Old | New | Change | |
| Revenues | 22,921.8 | 22,753.0 | -0.7 | 25,479.1 | 25,229.3 | -1.0 | 28,122.4 | 27,846.0 | -1.0 | |
| EBITDA | 5,181.9 | 5,026.9 | -3.0 | 5,856.9 | 5,549.8 | -5.2 | 6,674.8 | 6,278.6 | -5.9 | Delayed launch of gAdvair |
| EBITDA Margin (%) | 22.6 | 22.1 | -51 bps | 23.0 | 22.0 | -99 bps | 23.7 | 22.5 | -119 bps | |
| PAT | 3,084.7 | 2,801.9 | -9.2 | 3,667.8 | 3,456.5 | -5.8 | 4,234.1 | 3,883.5 | -8.3 | |
| EPS (₹) | 38.3 | 34.8 | -9.2 | 45.6 | 42.9 | -5.8 | 52.6 | 48.2 | -8.3 | |

Source: ICICI Direct Research

Exhibit 3: Assumptions

| (₹ crore) | Current | | | | Earlier | | | Comments |
|---------------------|----------|----------|----------|----------|----------|----------|----------|----------|
| | FY22 | FY23 | FY24E | FY25E | FY23 | FY24E | FY25E | |
| Domestic | 9,828.0 | 9,868.0 | 11,052.2 | 12,378.4 | 10,119.5 | 11,333.8 | 12,693.8 | |
| Export Formulations | 10,971.0 | 12,103.0 | 13,367.7 | 14,628.3 | 11,957.8 | 13,255.2 | 14,505.6 | |
| API | 760.0 | 569.0 | 597.5 | 627.3 | 626.8 | 658.1 | 691.0 | |

Source: ICICI Direct Research

Exhibit 4: Financial Summary

| | Revenues | Growth | EPS | Growth | P/E | EV/EBITDA | RoNW | RoCE |
|-------|-----------|--------|------|--------|------|-----------|------|------|
| | (₹ crore) | (%) | (₹) | (%) | (x) | (X) | (%) | (%) |
| FY22 | 21763 | 13.6 | 32.9 | 10.2 | 29.9 | 15.8 | 12.7 | 16.7 |
| FY23 | 22753 | 4.5 | 36.4 | 10.6 | 26.9 | 14.3 | 12.5 | 17.4 |
| FY24E | 25229 | 10.9 | 42.7 | 17.3 | 21.9 | 12.7 | 13.2 | 17.8 |
| FY25E | 27846 | 10.4 | 48.2 | 13.0 | 19.4 | 10.7 | 13.4 | 18.2 |

Source: ICICI Direct Research

Exhibit 5: Revenue

| (₹ crore) | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E | CAGR (FY23-25E) |
|---------------------|--------|--------|--------|--------|--------|---------|---------|---------|---------|---------|-----------------|
| Domestic | 5036.0 | 5523.0 | 5867.0 | 6273.0 | 6640.0 | 7736.0 | 9828.0 | 9868.0 | 11052.2 | 12378.4 | 12.0 |
| Export Formulation: | 7798.0 | 8145.2 | 8321.8 | 9005.0 | 9243.0 | 10392.0 | 10971.0 | 12103.0 | 13367.7 | 14628.3 | 9.9 |
| US | 2037.9 | 2625.0 | 2589.5 | 3420.0 | 3874.0 | 4091.0 | 4431.0 | 5908.0 | 6599.9 | 7234.1 | 10.7 |
| South Africa (Cipla | 1562.4 | 1828.8 | 2061.8 | 2148.0 | 2204.0 | 2301.0 | 2633.0 | 2335.0 | 2521.8 | 2723.5 | 8.0 |
| RoW | 3396.5 | 3146.4 | 3670.5 | 3437.0 | 3165.0 | 3986.0 | 3909.0 | 3860.0 | 4246.0 | 4670.6 | 10.0 |
| APIs | 752.0 | 523.0 | 626.0 | 699.0 | 751.0 | 798.0 | 760.0 | 569.0 | 597.5 | 627.3 | 5.0 |

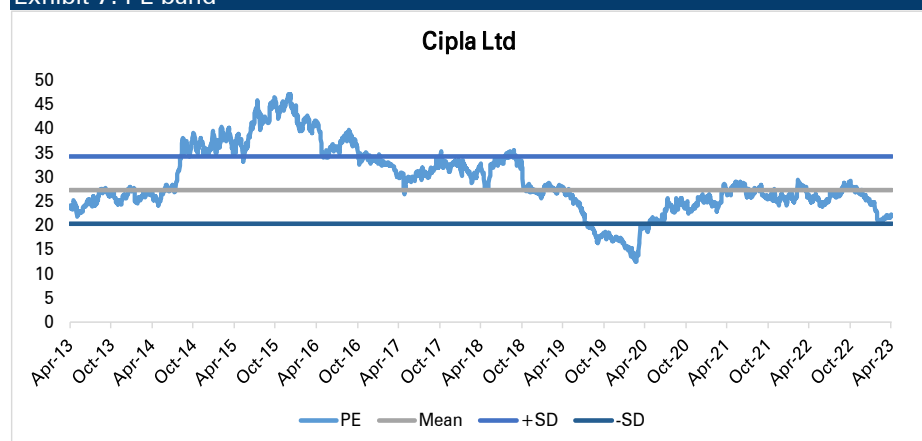
Source: ICICI Direct Research

Exhibit 6: Trends in quarterly performance

| (₹ crore) | 14FY20 | Q1FY21 | Q2FY21 | Q3FY21 | Q4FY21 | Q1FY22 | Q2FY22 | Q3FY22 | Q4FY22 | Q1FY23 | Q2FY23 | Q3FY23 | Q4FY23 | YoY (%) | QoQ. (%) |
|-----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|----------|
| Net Sales | 4301.6 | 4276.9 | 4972.6 | 5154.2 | 4584.9 | 5470.7 | 5485.8 | 5442.9 | 5223.9 | 5317.9 | 5759.3 | 5730.0 | 5666.0 | 8.5 | -1.1 |
| Other Operating Incom | 74.6 | 69.3 | 65.7 | 14.5 | 21.6 | 33.6 | 34.0 | 36.0 | 36.4 | 57.3 | 69.3 | 80.0 | 73.4 | 101.6 | -8.3 |
| Total Operating Incom | 4376.2 | 4346.2 | 5038.3 | 5168.7 | 4606.5 | 5504.4 | 5519.8 | 5478.9 | 5260.3 | 5375.2 | 5828.5 | 5810.0 | 5739.3 | 9.1 | -1.2 |
| Raw Material Expens | 1688.9 | 1589.5 | 1946.5 | 1993.5 | 1822.4 | 2068.8 | 2136.7 | 2143.4 | 2146.7 | 2024.4 | 2160.2 | 2004.3 | 2063.4 | -3.9 | 2.9 |
| Gross Profit | 2687.3 | 2756.7 | 3091.8 | 3175.2 | 2784.0 | 3435.5 | 3383.1 | 3335.5 | 3113.6 | 3350.8 | 3668.4 | 3805.7 | 3675.9 | 18.1 | -3.4 |
| Gross Profit Margins | 61.4 | 63.4 | 61.4 | 61.4 | 60.4 | 62.4 | 61.3 | 60.9 | 59.2 | 62.3 | 62.9 | 65.5 | 64.0 | 485.8 | -145.4 |
| Employee Expenses | 763.7 | 771.9 | 820.9 | 844.4 | 814.7 | 887.3 | 877.8 | 872.4 | 892.4 | 955.7 | 960.8 | 948.7 | 964.8 | 8.1 | 1.7 |
| % of revenues | 17.5 | 17.8 | 16.3 | 16.3 | 17.7 | 16.1 | 15.9 | 15.9 | 17.0 | 17.8 | 16.5 | 16.3 | 16.8 | -15.4 | 48.3 |
| Other Expenditure | 1290.0 | 936.1 | 1094.3 | 1100.0 | 1173.1 | 1202.3 | 1279.1 | 1232.1 | 1471.5 | 1251.7 | 1405.8 | 1449.6 | 1537.4 | 4.5 | 6.1 |
| % of revenues | 29.5 | 21.5 | 21.7 | 21.3 | 25.5 | 21.8 | 23.2 | 22.5 | 28.0 | 23.3 | 24.1 | 24.9 | 26.8 | -118.7 | 183.7 |
| Total Expenditure | 3742.7 | 3297.4 | 3861.7 | 3937.8 | 3810.2 | 4158.5 | 4293.6 | 4247.9 | 4510.6 | 4231.8 | 4526.8 | 4402.5 | 4565.6 | 1.2 | 3.7 |
| EBITDA | 633.5 | 1048.7 | 1176.6 | 1230.9 | 796.2 | 1345.9 | 1226.2 | 1231.0 | 749.7 | 1143.4 | 1301.7 | 1407.5 | 1173.7 | 56.6 | -16.6 |
| EBITDA (%) | 14.5 | 24.1 | 23.4 | 23.8 | 17.3 | 24.5 | 22.2 | 22.5 | 14.3 | 21.3 | 22.3 | 24.2 | 20.5 | 619.9 | -377.4 |
| Interest | 53.0 | 46.0 | 39.3 | 47.9 | 27.5 | 29.6 | 38.0 | 20.7 | 18.1 | 17.8 | 25.6 | 31.8 | 34.4 | 89.8 | 8.0 |
| Depreciation | 345.8 | 269.0 | 265.1 | 248.4 | 285.2 | 261.1 | 253.1 | 247.5 | 290.3 | 254.4 | 299.4 | 272.1 | 346.2 | 19.3 | 27.2 |
| Other Income | 93.2 | 65.5 | 53.5 | 86.9 | 60.1 | 64.9 | 60.7 | 91.3 | 64.0 | 103.4 | 123.0 | 114.4 | 134.6 | 110.3 | 17.6 |
| PBT | 327.9 | 799.2 | 925.7 | 1021.5 | 543.7 | 1120.1 | 995.8 | 1054.1 | 505.3 | 974.6 | 1099.8 | 1218.0 | 927.8 | 83.6 | -23.8 |
| Total Tax | 85.6 | 227.8 | 263.8 | 269.0 | 128.2 | 283.7 | 283.8 | 295.2 | 71.1 | 268.0 | 302.6 | 410.0 | 222.3 | 212.5 | -45.8 |
| PAT before MI | 242.3 | 571.4 | 661.9 | 752.5 | 415.5 | 711.8 | 712.0 | 759.0 | 376.7 | 706.6 | 797.2 | 808.0 | 523.1 | 38.9 | -35.3 |
| Minority Interest | -7.5 | -11.9 | -6.1 | 3.5 | -1.9 | -4.8 | -2.2 | 28.3 | 8.6 | 19.7 | 8.5 | 6.9 | -4.1 | -148.0 | -160.3 |
| PAT | 246.0 | 577.9 | 665.4 | 748.2 | 413.4 | 714.7 | 711.4 | 728.6 | 362.1 | 684.9 | 785.8 | 800.9 | 525.7 | 45.2 | -34.4 |
| EPS (₹) | 3.1 | 7.2 | 8.3 | 9.3 | 5.1 | 8.9 | 8.8 | 9.0 | 4.5 | 8.5 | 9.8 | 9.9 | 6.5 | | |

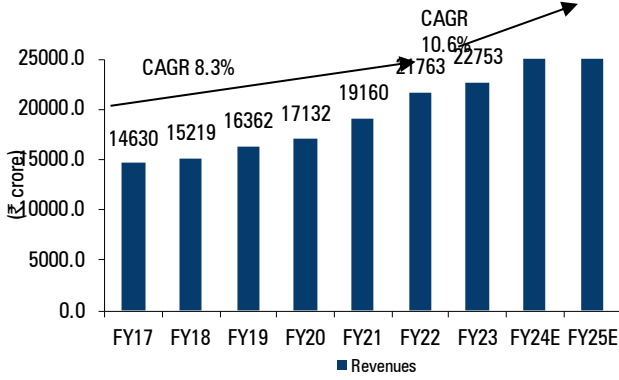
Source: ICICI Direct Research

Exhibit 7: PE band



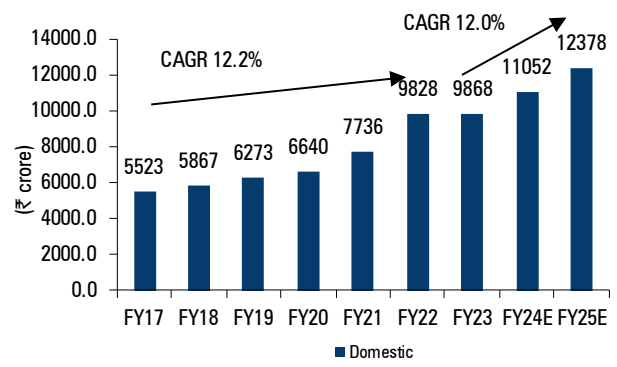
Source: Company, ICICI Direct Research

Exhibit 8: Revenues to grow at 10.6% CAGR over FY23-25E



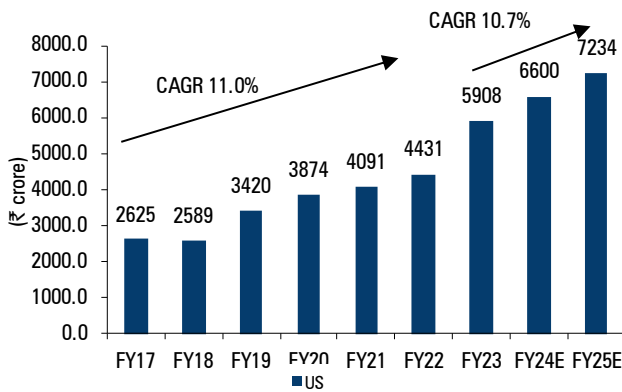
Source: Company, ICICI Direct Research

Exhibit 9: Domestic to grow at 6.6% CAGR over FY23-25E



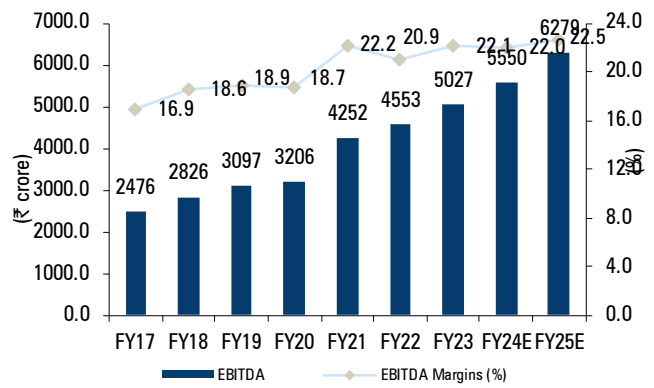
Source: Company, ICICI Direct Research

Exhibit 10: US to grow at CAGR of 10.7% over FY23-25E



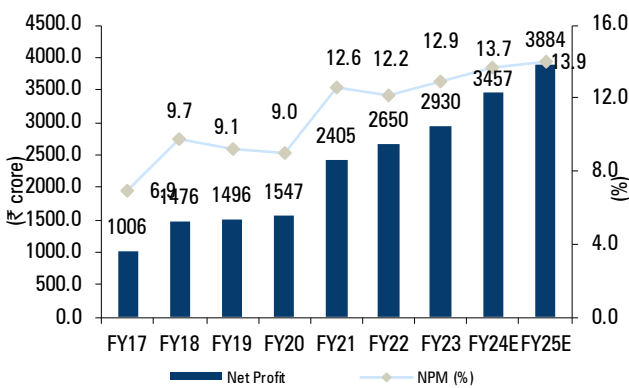
Source: ICICI Direct Research, Company

Exhibit 11: EBITDA & EBITDA margins trend



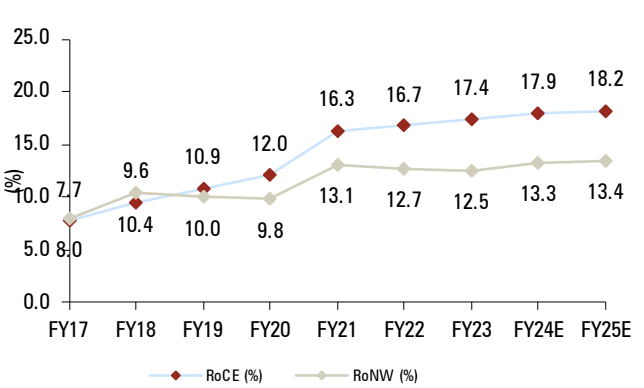
Source: ICICI Direct Research, Company

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 | Mar-20 | Mar-21 | Mar-22 | Mar-23 | GAGR 20-23 | YoY |
|------------------|-------------------|--------|--------|--------|--------|------------|-------|
| FORACORT | RESPIRATORY | 407.93 | 489.99 | 594.67 | 718.77 | 20.8% | 20.9% |
| DUOLIN | RESPIRATORY | 275.01 | 280.21 | 385.28 | 456.14 | 18.4% | 18.4% |
| BUDECORT | RESPIRATORY | 250.17 | 235.17 | 324.07 | 410.89 | 18.0% | 26.8% |
| SEROFLO | RESPIRATORY | 249.28 | 282.58 | 311.51 | 341.59 | 11.1% | 9.7% |
| MONTAIR-LC | ANTI-INFECTIVES | 198.95 | 198.73 | 248.59 | 284.08 | 12.6% | 14.3% |
| ASTHALIN | ANTI-INFECTIVES | 196.22 | 198.52 | 238.32 | 280.19 | 12.6% | 17.6% |
| AZEE | GASTRO INTESTINAL | 159.54 | 181.23 | 256.27 | 245.37 | 15.4% | -4.3% |
| DYTOR | CARDIAC | 150.73 | 170.60 | 199.16 | 229.54 | 15.0% | 15.3% |
| AEROCORT | RESPIRATORY | 147.09 | 184.42 | 197.72 | 205.98 | 11.9% | 4.2% |
| IBUGESIC PLUS | PAIN MANAGEMENT | 125.81 | 112.08 | 154.14 | 197.90 | 16.3% | 28.4% |
| Top 10 brands | | 2160.7 | 2333.5 | 2909.7 | 3370.4 | 16.0% | 15.8% |
| % of IQVIA sales | | 27.0% | 27.3% | 29.5% | 31.8% | | |

Source: IQVIA, ICICI Direct Research

Exhibit 15: Therapeutic break up

| Therapy | Mar-20 | Mar-21 | Mar-22 | Mar-23 | GAGR 20-23 | YoY |
|-------------------|----------|----------|----------|-----------|------------|-------|
| RESPIRATORY | 2,663.53 | 2,773.14 | 3,616.18 | 4,020.36 | 14.7% | 11.2% |
| ANTI-INFECTIVES | 1,385.79 | 1,210.49 | 1,512.00 | 1,588.96 | 4.7% | 5.1% |
| CARDIAC | 957.52 | 1,038.72 | 1,092.76 | 1,198.52 | 7.8% | 9.7% |
| GASTRO INTESTINAL | 480.19 | 474.76 | 558.93 | 646.17 | 10.4% | 15.6% |
| UROLOGY | 410.34 | 437.67 | 471.28 | 485.42 | 5.8% | 3.0% |
| Top Therapies | 5897.4 | 5934.8 | 7251.2 | 7,939.42 | 10.4% | 9.5% |
| Total IQVIA Sales | 7998.6 | 8536.2 | 9866.9 | 10,605.90 | 9.9% | 7.5% |

Source: IQVIA, ICICI Direct Research

Financial Summary

| Exhibit 16: Profit and loss statement | | | | |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | ₹ crore | | | |
| (Year-end March) | FY22 | FY23 | FY24E | FY25E |
| Revenues | 21,763.3 | 22,753.0 | 25,229.3 | 27,846.0 |
| Growth (%) | 13.6 | 4.5 | 10.9 | 10.4 |
| Raw Material Expenses | 8,495.6 | 8,252.3 | 9,210.3 | 10,096.1 |
| Gross Profit | 13,267.7 | 14,500.8 | 16,019.0 | 17,749.9 |
| Employee Expenses | 3,529.9 | 3,830.1 | 4,541.3 | 4,928.7 |
| Other Expenditure | 5,185.1 | 5,643.8 | 5,928.0 | 6,542.6 |
| Total Operating Expenditure | 17,210.6 | 17,726.2 | 19,679.5 | 21,567.5 |
| EBITDA | 4,552.8 | 5,026.9 | 5,549.8 | 6,278.6 |
| Growth (%) | 7.1 | 10.4 | 10.4 | 13.1 |
| Depreciation | 1,052.0 | 1,172.1 | 1,182.0 | 1,316.7 |
| Interest | 106.4 | 109.5 | 60.7 | 88.5 |
| Other Income | 280.9 | 475.5 | 533.8 | 589.1 |
| PBT | 3,493.3 | 4,038.3 | 4,840.8 | 5,462.5 |
| Total Tax | 933.8 | 1,202.9 | 1,355.4 | 1,529.5 |
| PAT before MI | 2,559.5 | 2,835.4 | 3,485.4 | 3,933.0 |
| Minority Interest | 29.9 | 31.0 | 40.7 | 43.0 |
| Adjusted PAT | 2,650.2 | 2,929.9 | 3,438.1 | 3,883.5 |
| Growth (%) | 10.2 | 10.6 | 17.3 | 13.0 |
| EPS (Adjusted) | 32.9 | 36.4 | 42.7 | 48.2 |

Source: Company, ICICI Direct Research

| Exhibit 17: Cash flow statement | | | | |
|-------------------------------------|-----------------|-----------------|----------------|-----------------|
| | ₹ crore | | | |
| (Year-end March) | FY22 | FY23 | FY24E | FY25E |
| Profit/(Loss) after taxation | 2,535.9 | 2,918.9 | 3,438.1 | 3,883.5 |
| Add: Depreciation | 1,052.0 | 1,172.1 | 1,182.0 | 1,316.7 |
| (inc)/Dec in Current Assets | -539.8 | -541.2 | -1,608.5 | -661.6 |
| inc/(Dec) in Current Liabilities | 362.3 | -18.2 | 169.1 | 350.6 |
| Others | -84.5 | -294.0 | 60.7 | 88.5 |
| CF from Operating activities | 3,325.9 | 3,237.6 | 3,241.4 | 4,977.7 |
| (Purchase)/Sale of Fixed Assets | -666.0 | -1,108.7 | -800.0 | -800.0 |
| Change In Investment | 152.6 | -938.8 | 0.0 | 0.0 |
| Others | -685.4 | -341.1 | -15.1 | -15.6 |
| CF from Investing activities | -1,198.9 | -2,388.5 | -815.1 | -815.6 |
| Change in Equity | 0.1 | 0.1 | 0.0 | 0.0 |
| Change in Loan | -1,098.3 | -485.6 | -50.0 | -50.0 |
| Dividend & Dividend tax | -403.4 | -403.5 | -859.5 | -970.9 |
| Others | -98.2 | -69.3 | -60.7 | -88.5 |
| CF from Financing activities | -1,599.8 | -958.3 | -970.2 | -1,109.4 |
| Net Cash Flow | 527.3 | -109.2 | 1,456.1 | 3,052.7 |
| Cash and Cash equ. at beginning | 1,401.2 | 658.1 | 627.6 | 2,083.7 |
| Cash | 1,928.5 | 548.9 | 2,083.7 | 5,136.5 |
| Free Cash Flow | 2,659.9 | 2,128.9 | 2,441.4 | 4,177.7 |

Source: Company, ICICI Direct Research

| Exhibit 18: Balance Sheet | | | | |
|------------------------------|-----------------|-----------------|-----------------|-----------------|
| | ₹ crore | | | |
| (Year-end March) | FY22 | FY23 | FY24E | FY25E |
| Equity Capital | 161.4 | 161.4 | 161.4 | 161.4 |
| Reserve and Surplus | 20,680.3 | 23,246.4 | 25,825.0 | 28,737.6 |
| Total Shareholders funds | 20,841.7 | 23,407.8 | 25,986.4 | 28,899.0 |
| Total Debt | 824.1 | 520.4 | 470.4 | 420.4 |
| Deferred Tax Liability | 244.0 | 163.3 | 171.4 | 180.0 |
| Long Term Provision | 100.2 | 102.2 | 107.3 | 112.6 |
| MI & Other Liabilities | 586.1 | 756.8 | 820.1 | 886.7 |
| Source of Funds | 22,596.2 | 24,950.4 | 27,555.5 | 30,498.7 |
| Gross Block - Fixed Assets | 13,789.2 | 14,594.1 | 15,494.1 | 16,394.1 |
| Accumulated Depreciation | 7,305.2 | 8,477.3 | 9,659.4 | 10,976.0 |
| Net Block | 6,484.0 | 6,116.8 | 5,834.8 | 5,418.1 |
| Capital WIP | 766.2 | 1,093.3 | 993.3 | 893.3 |
| Fixed Assets | 7,250.2 | 7,210.1 | 6,828.1 | 6,311.4 |
| Investments | 2,612.0 | 3,722.2 | 3,722.2 | 3,722.2 |
| Goodwill on Consolidation | 3,137.9 | 2,983.9 | 2,983.9 | 2,983.9 |
| Long term Loans & Advances | 0.0 | 0.0 | 0.0 | 0.0 |
| Other Non current assets | 1,585.1 | 1,831.9 | 1,923.5 | 2,019.7 |
| Inventory | 5,350.2 | 5,156.4 | 6,182.2 | 6,223.6 |
| Debtors | 3,424.4 | 4,057.0 | 4,492.9 | 4,958.9 |
| Loans and Advances | 3.6 | 7.6 | 8.0 | 8.4 |
| Other Current Assets | 1,809.1 | 2,929.6 | 3,076.0 | 3,229.8 |
| Cash | 1,928.5 | 627.6 | 2,083.7 | 5,136.5 |
| Bank Balance other than cash | - | 936.9 | 937.0 | 937.0 |
| Total Current Assets | 12,515.9 | 12,778.2 | 15,842.8 | 19,557.2 |
| Creditors | 2,508.1 | 2,457.1 | 2,523.4 | 2,766.1 |
| Provisions | 1,221.0 | 1,286.7 | 1,351.0 | 1,418.6 |
| Other current liabilities | 775.9 | 769.2 | 807.6 | 848.0 |
| Total Current Liabilities | 4,505.0 | 4,512.9 | 4,682.0 | 5,032.6 |
| Net Current Assets | 8,010.9 | 8,265.3 | 11,160.8 | 14,524.5 |
| Application of Funds | 22,596.2 | 24,950.3 | 27,555.5 | 30,498.7 |

Source: Company, ICICI Direct Research

| Exhibit 19: Key ratios | | | | |
|-----------------------------|-------|-------|-------|-------|
| (Year-end March) | FY22 | FY23 | FY24E | FY25E |
| Per share data (₹) | | | | |
| Adjusted EPS | 32.9 | 36.4 | 42.7 | 48.2 |
| BV per share | 258.9 | 290.7 | 322.8 | 358.9 |
| Cash per Share | 24.0 | 7.8 | 25.9 | 63.8 |
| Dividend per share | 7.8 | 8.7 | 10.7 | 12.1 |
| Operating Ratios (%) | | | | |
| Gross Margins | 61.0 | 63.7 | 63.5 | 63.7 |
| EBITDA margins | 20.9 | 22.1 | 22.0 | 22.5 |
| PAT Margins | 12.2 | 12.9 | 13.6 | 13.9 |
| Inventory days | 229.9 | 228.1 | 245.0 | 0.0 |
| Debtor days | 57.4 | 65.1 | 65.0 | 65.0 |
| Creditor days | 107.8 | 108.7 | 100.0 | 0.0 |
| Asset Turnover | 1.0 | 0.9 | 0.9 | 0.9 |
| EBITDA convsion rate | 73.1 | 64.4 | 58.4 | 79.3 |
| Return Ratios (%) | | | | |
| RoE | 12.7 | 12.5 | 13.2 | 13.4 |
| RoCE | 16.7 | 17.4 | 17.8 | 18.2 |
| RoC | 19.8 | 19.1 | 20.4 | 23.2 |
| Valuation Ratios (x) | | | | |
| P/E | 29.9 | 26.9 | 21.9 | 19.4 |
| EV / EBITDA | 15.8 | 14.3 | 12.7 | 10.7 |
| EV / Net Sales | 3.3 | 3.2 | 2.8 | icic |
| Market Cap / Sales | 3.4 | 3.3 | 3.0 | 2.7 |
| Price to Book Value | 3.6 | 3.2 | 2.9 | 2.6 |
| Solvency Ratios | | | | |
| Debt / EBITDA | 0.2 | 0.1 | 0.1 | 0.1 |
| Debt / Equity | 0.0 | 0.0 | 0.0 | 0.0 |
| Current Ratio | 2.4 | 2.7 | 2.9 | 2.9 |

Source: Company, ICICI Direct Research

Exhibit 20: ICICI Direct Healthcare Coverage Universe

| Company | I-Direct Code | CMP (₹) | TP (₹) | Rating | M Cap (₹ cr) | EPS (₹) | | | | EV/EBITDA(x) | | | | RoCE (%) | | | | RoE (%) | | | | |
|-----------------------------|---------------|---------|--------|--------|--------------|---------|-------|-------|-------|--------------|-------|-------|-------|----------|-------|-------|-------|---------|-------|-------|-------|--|
| | | | | | | FY22 | FY23E | FY24E | FY25E | FY22 | FY23E | FY24E | FY25E | FY22 | FY23E | FY24E | FY25E | FY22 | FY23E | FY24E | FY25E | |
| Hospitals | | | | | | | | | | | | | | | | | | | | | | |
| Apollo Hospitals | APOHOS | 4606 | 5,460 | Buy | 66331 | 59.1 | 60.5 | 80.2 | 126.8 | 30.2 | 31.6 | 25.8 | 18.8 | 15.1 | 14.1 | 16.6 | 21.8 | 15.1 | 13.8 | 16.0 | 21.1 | |
| Narayana Hrudalaya | NARHRU | 760 | 870 | Buy | 15513 | 16.7 | 27.9 | 29.0 | 27.4 | 23.1 | 16.7 | 14.0 | 13.7 | 20.5 | 23.6 | 21.2 | 17.1 | 23.0 | 27.9 | 22.7 | 17.8 | |
| Shalby | SHALIM | 141 | 180 | Buy | 1526 | 5.4 | 6.8 | 9.5 | 11.4 | 13.3 | 10.3 | 8.2 | 6.9 | 8.4 | 11.3 | 13.9 | 15.7 | 6.7 | 7.9 | 10.1 | 11.1 | |
| Aster DM | ASTDM | 253 | 280 | Buy | 12628 | 10.5 | 8.6 | 18.1 | 23.6 | 10.1 | 9.3 | 6.2 | 4.7 | 9.0 | 8.7 | 13.6 | 15.4 | 13.3 | 9.8 | 17.1 | 18.2 | |
| Healthcare Global | HEAGLO | 276 | 385 | Buy | 3840 | 3.9 | 2.3 | 6.1 | 8.5 | 19.8 | 15.2 | 11.9 | 10.2 | 5.0 | 8.8 | 12.8 | 14.8 | 5.0 | 3.6 | 8.5 | 10.7 | |
| Rainbow Children's Medicare | RAICHI | 849 | 840 | Buy | 8664 | 13.6 | 18.7 | 19.1 | 23.2 | 24.8 | 22.6 | 19.8 | 15.8 | 20.2 | 18.5 | 16.8 | 19.7 | 22.9 | 24.0 | 19.7 | 19.3 | |
| Company | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | |
| MNC Pharma | | | | | | | | | | | | | | | | | | | | | | |
| Abbott India | ABBIND | 21210 | 21,025 | Hold | 44541 | 380.3 | 476.5 | 519.3 | 584.0 | 55.8 | 44.5 | 40.8 | 36.3 | 36.6 | 39.7 | 35.6 | 33.5 | 28.3 | 30.9 | 27.5 | 25.8 | |
| P&G Health | MERLIM | 4760 | 5,315 | Buy | 8091 | 113.2 | 165.6 | 166.2 | 183.2 | 42.0 | 28.7 | 28.6 | 26.0 | 39.8 | 51.2 | 44.7 | 43.1 | 31.2 | 38.6 | 33.5 | 32.2 | |
| Sanofi India | SANOFI | 6440 | 6,270 | Hold | 14812 | 410.6 | 269.8 | 251.4 | 272.7 | 15.7 | 23.9 | 25.6 | 23.6 | 33.3 | 55.1 | 49.6 | 45.0 | 25.9 | 41.2 | 36.9 | 33.3 | |
| Pfizer | PFIZER | 3795 | 4,505 | Hold | 17459 | 133.2 | 139.7 | 149.3 | 162.0 | 28.5 | 27.2 | 25.4 | 23.4 | 26.1 | 23.5 | 24.0 | 22.6 | 21.4 | 17.6 | 18.4 | 17.3 | |
| Pharma | | | | | | | | | | | | | | | | | | | | | | |
| Ajanta Pharma | AJAPHA | 1260 | 1,520 | Buy | 16122 | 55.7 | 46.5 | 59.9 | 69.2 | 22.6 | 27.1 | 21.0 | 18.2 | 27.0 | 21.3 | 23.5 | 23.3 | 21.8 | 17.4 | 19.2 | 18.9 | |
| Alembic Pharma | ALEMPHA | 563 | 530 | Hold | 11091 | 27.7 | 17.4 | 14.1 | 22.1 | 20.3 | 32.4 | 40.0 | 25.5 | 10.6 | 8.6 | 8.0 | 11.6 | 10.4 | 7.8 | 6.2 | 9.1 | |
| Aurobindo Pharma | AURPHA | 609 | 525 | Hold | 35673 | 47.4 | 34.8 | 46.2 | 52.4 | 12.8 | 17.5 | 13.2 | 11.6 | 12.9 | 10.2 | 12.6 | 13.1 | 11.3 | 7.7 | 9.3 | 9.6 | |
| Biocon | BIOCON | 245 | 230 | Hold | 29425 | 6.3 | 4.9 | 3.1 | 3.1 | 38.6 | 49.6 | 77.8 | 77.8 | 7.5 | 3.3 | 5.1 | 6.2 | 8.1 | 2.7 | 6.2 | 8.3 | |
| Zydus Lifesciences | CADHEA | 514 | 500 | Buy | 52582 | 21.0 | 22.6 | 27.0 | 35.5 | 24.5 | 22.7 | 19.0 | 14.4 | 12.0 | 12.3 | 12.3 | 12.0 | 12.6 | 12.1 | 12.8 | 14.6 | |
| Cipla | CIPLA | 941 | 1,090 | Buy | 75939 | 32.9 | 36.4 | 42.7 | 48.2 | 28.6 | 25.9 | 22.0 | 19.5 | 16.7 | 17.4 | 17.8 | 18.2 | 12.7 | 12.5 | 13.2 | 13.4 | |
| Dr Reddy's Lab | DRREDD | 4466 | 5,520 | Buy | 74130 | 127.2 | 269.3 | 230.2 | 256.5 | 35.1 | 16.6 | 19.4 | 17.4 | 12.5 | 23.9 | 18.8 | 21.1 | 11.0 | 19.2 | 14.4 | 14.2 | |
| Glenmark | GLEPHA | 615 | 440 | Hold | 17329 | 42.7 | 33.3 | 47.4 | 54.8 | 14.4 | 18.5 | 13.0 | 11.2 | 14.8 | 14.9 | 15.7 | 16.4 | 13.2 | 9.4 | 11.9 | 12.2 | |
| Ipca Lab | IPCLAB | 695 | 885 | Hold | 17640 | 34.8 | 20.8 | 31.4 | 37.0 | 20.0 | 33.3 | 22.1 | 18.8 | 17.4 | 12.1 | 15.7 | 16.5 | 16.1 | 8.9 | 12.1 | 12.7 | |
| Lupin | LUPIN | 774 | 725 | Hold | 35222 | 11.9 | 8.3 | 25.6 | 33.0 | 65.2 | 93.1 | 30.2 | 23.5 | 3.4 | 5.7 | 11.0 | 13.0 | 4.4 | 3.0 | 8.6 | 10.2 | |
| Natco | NATPHA | 622 | 565 | Hold | 11385 | 9.3 | 36.3 | 40.3 | 30.2 | 67.0 | 17.1 | 15.4 | 20.6 | 4.6 | 15.9 | 16.5 | 11.6 | 4.0 | 13.9 | 13.6 | 9.4 | |
| Sun Pharma | SUNPHA | 955 | 1,210 | Buy | 229212 | 32.0 | 34.9 | 38.6 | 43.2 | 29.9 | 27.3 | 24.8 | 22.1 | 18.2 | 17.2 | 18.1 | 18.1 | 16.0 | 15.2 | 14.7 | 14.7 | |
| Torrent Pharma | TORPHA | 1651 | 1,720 | Hold | 55787 | 32.0 | 36.3 | 45.1 | 53.8 | 51.5 | 45.4 | 36.6 | 30.7 | 19.7 | 17.1 | 20.4 | 23.3 | 18.2 | 17.9 | 19.0 | 19.4 | |
| Indoco Remedies | INDREM | 353 | 440 | Buy | 3250 | 16.8 | 17.9 | 26.7 | 31.5 | 21.0 | 19.7 | 13.2 | 11.2 | 17.5 | 15.6 | 21.9 | 24.7 | 17.1 | 15.9 | 19.8 | 19.4 | |
| Caplin Point | CAPPDI | 706 | 865 | Buy | 5364 | 39.5 | 48.8 | 47.9 | 47.9 | 17.9 | 14.5 | 14.7 | 14.7 | 25.3 | 23.5 | 22.4 | 20.2 | 20.2 | 16.7 | 16.7 | | |
| Advanced Enzyme | ADVENZ | 289 | 265 | Reduce | 3233 | 9.4 | 13.6 | 15.3 | 15.3 | 30.6 | 21.3 | 18.8 | 18.8 | 19.4 | 14.3 | 10.8 | 14.2 | 19.4 | 14.3 | 10.8 | 14.2 | |
| Hester Bios | HESPHA | 1804 | 1,830 | Hold | 1624 | 45.7 | 35.6 | 49.7 | 59.8 | 39.5 | 50.6 | 36.3 | 30.2 | 10.9 | 9.9 | 10.9 | 12.0 | 15.0 | 10.7 | 13.5 | 14.4 | |
| API/CRAMS | | | | | | | | | | | | | | | | | | | | | | |
| Divi's Lab | DIVLAB | 3314 | 2,945 | Hold | 87825 | 111.5 | 72.8 | 77.4 | 95.0 | 29.7 | 45.5 | 42.8 | 34.9 | 30.2 | 18.2 | 18.3 | 18.3 | 21.3 | 25.2 | 15.0 | 15.0 | |
| Hikal | HIKCHE | 297 | 375 | Hold | 3657 | 13.0 | 5.7 | 14.6 | 20.7 | 22.8 | 52.2 | 20.4 | 14.4 | 13.6 | 7.2 | 14.3 | 17.7 | 15.0 | 6.3 | 14.1 | 17.0 | |
| Syngene International | SYNINT | 699 | 740 | Buy | 28048 | 9.9 | 11.6 | 13.3 | 17.9 | 70.9 | 60.4 | 52.5 | 39.1 | 11.7 | 13.8 | 14.2 | 16.9 | 12.9 | 12.8 | 13.0 | 14.9 | |
| Granules India | GRANUL | 296 | 355 | Buy | 7342 | 16.6 | 21.4 | 16.6 | 16.6 | 17.8 | 13.8 | 17.8 | 17.8 | 15.6 | 20.0 | 15.6 | 15.6 | 16.0 | 18.7 | 16.0 | 16.0 | |
| Laurus Labs | LAULAB | 309 | 300 | Hold | 16607 | 15.4 | 14.7 | 10.5 | 10.5 | 20.1 | 21.0 | 29.5 | 29.5 | 21.3 | 19.8 | 14.6 | 16.0 | 24.7 | 19.6 | 12.4 | 13.5 | |
| Suven Pharma | SUVPH | 473 | 530 | Buy | 12062 | 17.8 | 14.7 | 17.7 | 20.0 | 26.6 | 32.1 | 26.8 | 23.6 | 37.5 | 26.0 | 25.6 | 24.5 | 29.7 | 20.6 | 20.5 | 19.5 | |

Source: ICICI Direct Research

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