

CMP: ₹ 4460

Target: ₹ 5215 (17%)

Target Period: 12 months

October 29, 2022

BUY

Dr.Reddy's

Launch of gRevlimid boosts numbers...

About the stock: Dr Reddy's (DRL) portfolio includes pharmaceutical generics, APIs, custom pharmaceutical services, biosimilar and complex formulations.

- Revenue breakup Q2FY23: US (44%), India (19%), Russia and CIS (13%), Europe (7%), RoW (7%), PSAI (10%)
- It has 13 formulation facilities, nine API manufacturing facilities, one biologics facility and several R&D centres across the globe

Q2FY23 Results: Revenues propelled by launch of gRevlimid in US

- Revenues grew 9.4% YoY to ₹ 6331 crore, mainly driven by the US on the back of favourable currency impact and gRevlimid and other launches
- EBITDA margins grew 649 bps YoY to 30%
- Adjusted PAT increased 13.3% YoY to ₹ 1100 crore

What should investors do? Dr Reddy's share price grew 1.6x in past three years.

- We maintain **BUY** due to 1) ramp up across geographies on back of new launches, 2) strong FCF generation to be driven by gRevlimid and other niche launches and 3) calibrated cost approach based on better product mix

Target Price and Valuation: We value Dr Reddy's at ₹ 5215 i.e. 25x FY24E EPS of ₹ 202.4+ NPV of ₹ 154 for gRevlimid.

Key triggers for future price performance:

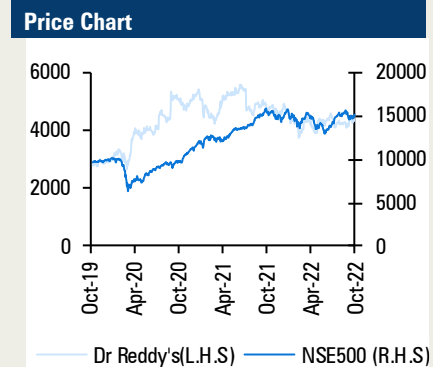
- US pipeline:** In the near term, key launches in complex generics (guidance for 25 launches in FY23) is likely to weather persisting price erosion in US, along with additional impetus from gRevlimid in H2FY23. Structurally, 1) 40% of pipeline being injectable/sterile, 2) 25+ complex products and 3) select Biosimilars and complex generics bodes well for US market
- Emerging Markets & India:** New launches to offset price erosion and loss in Covid opportunities. Domestically, ramp-up of acquired assets and faster integration to increase base business
- Easing of volatility in currency for Russia-CIS market and possible gains from inventory normalisation in H2FY23
- Target to backward integrate 70% molecules to benefit gross margins in medium term. Immediate focus on cost rationalisation, on SG&A front and simultaneous launches across geographies

Alternate Stock Idea: Apart from Dr Reddy's, in healthcare we like Sun Pharma.

- Higher contribution from specialty and strong domestic franchise is likely to change the product mix towards more remunerative businesses by FY23
- BUY with a target price of ₹ 1070

Particulars	
Particular	Amount
Market Capitalisation	₹ 74233 crore
Debt (FY22)	₹ 3385 crore
Cash & equivalents (FY22)	₹ 2419 crore
EV	₹ 75198 crore
52 week H/L (₹)	5079/3655
Equity capital	₹ 83.2 crore
Face value	₹ 5

Shareholding pattern				
(in %)	Dec-21	Mar-22	Jun-22	Sep-22
Promoter	26.7	26.7	26.7	26.7
Others	73.3	73.3	73.3	73.3



- Recent Event & Key risks**
- Announced US launch of gRevlimid in September,2022
 - Key Risk:** (i) Regulatory issues (ii) Slower ramp up in new launches

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Key Financial Summary	R				FY23E	FY24E	2 year CAGR (FY22-24E)
	(FY17-22)						
Revenues	17517.0	19047.5	21545.2	8.7	24104.9	25539.8	8.9
EBITDA	2466.0	3869.9	3767.7	8.8	5637.9	5480.4	20.6
EBITDA Margins (%)	14.1	20.3	17.5		23.4	21.5	
Adjusted PAT	2026.0	1951.6	2112.2	10.3	3798.1	3369.1	26.3
EPS (Adjusted)	121.7	117.3	126.9		228.2	202.4	
PE (x)	36.6	37.1	34.0		19.5	22.0	
RoE (%)	13.0	11.1	11.0		16.9	13.4	
RoCE (%)	9.6	13.1	13.0		22.0	19.2	

Key takeaways of recent quarter & conference call highlights

Q2FY23 Results: Strong performance led by launch of gRevlimid

- Revenues grew 9.4% YoY to ₹ 6331 crore, mainly driven by growth in US market due to favourable currency impact and new launches. Gross margins increased ~586 bps over previous year and ~735 bps sequentially, mainly driven by product mix (including new products), accruals related to production linked incentive scheme, which was partly offset by price erosion and provision made on inventory for Covid products. EBITDA margins grew 649 bps YoY to 30%. Adjusted PAT increased 13.3% YoY to ₹ 1100 crore. US business grew 48.1% YoY to ₹ 2800 crore, driven by launch of gRevlimid and other products and favourable forex rates, which was offset by price erosion in some of key molecules. Europe grew 1.5% YoY to ₹ 420 crore, driven by volume traction in base business and new product launches across markets. However, it was partially offset by price erosion in some molecules and the impact of adverse forex rates during the quarter. India revenues grew 1% YoY at ₹ 1150 crore, impacted by higher base of Q2FY22, which included contribution from Covid product sales. Adjusted for this, growth is in double digit. Launched two new products during the quarter - Curaprox and Stig Russia and Other CIS revenues grew 2.5% YoY to ₹ 810 crore. In Russia, YoY growth of 4% was on account of new product launches, increase in sales prices and favourable movement of forex rates, partly offset by reduction in base volumes. In CIS, Year-on-year decline of 1% due to reduction in base volumes and adverse movement of forex rates, partly offset by increase in sales prices and new product launches. RoW witnessed de-growth of 19.6% YoY at ₹ 410 crore. De-growth was on account of reduction in Covid product sales in current quarter vs. last year, decline in sales prices, partly offset by new product launches. PSAI de-grew 23.1% YoY to ₹ 643.4 crore, YoY decline was primarily on account lower volumes due to higher base in Q2 FY22 which had Covid product sales, partly offset by new product sales and favourable forex rates
- Dr Reddy's numbers were beat to our estimates, mainly due to the surprise in the U.S business which grew massive 48.1% YoY due to the launch of gRevlimid and also the upbeat performance in Russia& CIS markets. Europe revenues were lower than our estimates, due to the price erosion in some molecules. India business grew in double digits if adjusted for the covid growth. Pharmaceutical Services and Active Ingredients was also impacted due to the high base in Q2FY22 and due to lower volumes. Key growth drivers in the near term would be key launches across geographies besides continuing growth momentum in Global Generics especially in India and Russia.

Q2FY23 Earnings Conference Call highlights

- North America:** Growth was mainly due to the launch of gRevlimid. The management expects the momentum to continue from the same. Base business is expected to grow in single digits as the company is facing competition in key products, but it is confident of launching new products
- India:** Growth was impacted due to higher base of Q2FY22, which included contribution from covid product sales. Adjusted for this, growth is in double digits. Launched two new products during the quarter - Curaprox and Stig
- DRL received a benefit of ₹ 193 crore in Q2FY23 mainly from PLI and export benefits. The management expects contribution from it in upcoming quarters as well but the quantum will fluctuate.
- The management guided for higher ANDA filing in H2FY23, mainly injectable and biosimilars

Exhibit 1: Variance Analysis

	Q2FY23	Q2FY23E	Q2FY22	YoY (%)	Q1FY23	QoQ (%)	Comments
Revenue	6,331.8	5,809.0	5,786.9	9.4	5,232.9	21.0	YoY growth of 9.4% mainly driven by growth in US market due to currency tailwinds and new launches.
Raw Material Expenses	1,847.0	2,004.1	2,027.6	-8.9	1,911.3	-3.4	
Gross Profit	4,484.8	3,804.9	3,759.3	19.3	3,321.6	35.0	
Gross margins (%)	70.8	65.5	65.0	586.8	63.5	735.4	Increased by ~586 bps over previous year and ~735 bps sequentially, majorly driven due to product mix (including new products), accruals related to production linked incentive scheme, which was partly offset by price erosion and provision made on inventory for covid products.
Employee expenses	1,151.7	1,045.6	1,010.4	14.0	1,045.7	10.1	
Other expenses	1,434.2	1,568.4	1,389.1	3.2	1,334.7	7.5	
EBITDA	1,898.9	1,190.9	1,359.8	39.6	941.2	101.8	
EBITDA (%)	30.0	20.5	23.5	649.2	18.0	1,200.4	EBITDA margins grew 649 bps YoY to 30%
Other Income	40.8	116.2	205.5	-80.1	853.9	-95.2	
Interest	30.9	36.1	23.4	32.1	34.7	-11.0	
Depreciation	309.2	311.0	294.1	5.1	301.8	2.5	
PBT	1,613.6	960.0	1,272.5	26.8	1,468.0	9.9	
Tax	499.4	249.6	276.7	80.5	279.0	79.0	
Net Profit	1,114.2	710.4	995.8	11.9	1,189.0	-6.3	
Adjusted PAT	1,100.2	710.4	971.1	13.3	607.0	81.2	Adjusted PAT increased 13.3% YoY to ₹ 1100 crores

Key Metrics

US	2,800.1	2,030.0	1,890.9	48.1	1,781.5	57.2	YoY growth driven by launch of new products such as Lenalidomide and favorable forex rates, which was offset by price erosion in some of key molecules
Europe	419.9	434.2	413.5	1.5	414.1	1.4	YoY growth driven by volume traction in base business and new product launches across markets, however, it was partially offset by price erosion in some molecules and the impact of adverse forex rates during the quarter
India	1,150.0	1,309.2	1,140.2	0.9	1,333.9	-13.8	Year-on-year growth of 1 % impacted due to higher base of Q1 FY22, which included contribution from covid product sales. Adjusted for this, growth is in double digit. Launched two new products during the quarter - Curaprox and Stig
Russia & Other CIS	810.0	632.0	790.0	2.5	510.0	58.8	In Russia Year-on-year growth of 4% was on account of new product launches, increase in sales prices and favorable movement of forex rates, partly offset by reduction in base volumes. In CIS, Year-on-year decline of 1 % due to reduction in base volumes and adverse movement of forex rates, partly offset by increase in sales prices and new product launches.
RoW	410.0	459.0	510.0	-19.6	390.0	5.1	Year-on-year decline of 19.6% was on account of reduction in the covid product sales in current quarter vs. last year, decrease in sales prices, which was partly offset by new product launches
PSAI	643.4	778.6	837.2	-23.1	709.0	-9.3	Year-on-year decline was primarily on account lower volumes due to higher base in Q2 FY22 which had covid product sales, partly offset by new product sales and favorable forex rates

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(\$ Crore)	FY23E			FY24E			Comments
	Old	New	Change	Old	New	% Change	
Revenue	22,981.3	24,104.9	4.9	25,097.3	25,539.8	1.8	Changed mainly due to higher than expected revenue from launch of gRevlimid
EBITDA	4,639.3	5,637.9	21.5	5,308.4	5,480.4	3.2	Changed due to the higher EBITDA contribution from gRevlimid
EBITDA Margin (%)	20.2	23.4	320 bps	21.2	21.5	31 bps	
Adjusted PAT	3,408.5	3,798.1	11.4	3,231.0	3,369.1	4.3	Changed in-sync with operational performance
EPS (₹)	204.8	228.2	11.4	194.1	202.4	4.3	

Source: ICICI Direct Research

Exhibit 3: Assumptions

(₹ crore)	Current				Earlier			
	FY20	FY21	FY22	FY23E	FY24E	FY23E	FY24E	
US	6,465.8	7,049.5	7,491.5	9,517.1	9,646.8	8,519.2	9,200.8	gRevlimid and other launches will contribute to higher topline
Europe	1,170.7	1,540.4	1,663.1	1,777.3	1,955.1	1,829.4	2,012.4	
India	2,894.6	3,341.9	4,195.7	4,718.9	5,129.9	4,622.3	5,177.0	
Russia & Other C	2,340.0	2,323.0	2,910.0	2,812.0	3,092.7	3,197.1	3,580.8	Changed as market environment remains volatile currently
RoW	941.4	1,185.6	1,662.9	1,777.5	1,955.3	1,834.2	2,054.3	
PSAI	2,574.7	3,198.2	3,074.0	3,035.8	3,278.7	3,321.5	3,653.6	

Source: ICICI Direct Research

Exhibit 4: Revenue Breakup

(₹ crore)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	CAGR FY17-22 %	CAGR FY22-24E %
US	7545	6360	5982	5996	6466	7050	7492	9517	9647	3.3	13.5
Europe (₹ crore)	773	761	822	787	1171	1540	1663	1777	1955	16.9	8.4
India (₹ crore)	2129	2313	2332	2618	2895	3342	4196	4719	5130	12.6	10.6
Russia & Other CIS	1419	1520	1650	2050	2340	2323	2910	2812	3093	13.9	3.1
RoW (₹ crore)	940	587	615	839	941	1186	1663	1778	1955	23.1	8.4
PSAI	2238	2128	2199	2414	2575	3198	3074	3036	3279	7.6	3.3

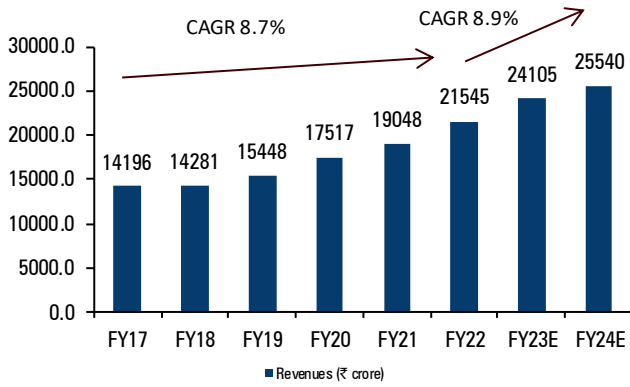
Source: ICICI Direct Research

Exhibit 5: Financial Summary

	Revenues	Growth	Adj. EPS	Growth	P/E	EV/EBITDA	RoNW	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY21	19047.5	8.7	117.3	-3.7	37.1	19.0	11.1	13.1
FY22	21545.2	13.1	126.9	8.2	34.0	19.3	11.0	13.0
FY23E	24104.9	11.9	228.2	79.8	19.5	12.6	16.9	22.0
FY24E	25539.8	6.0	202.4	-11.3	22.0	12.5	13.4	19.2

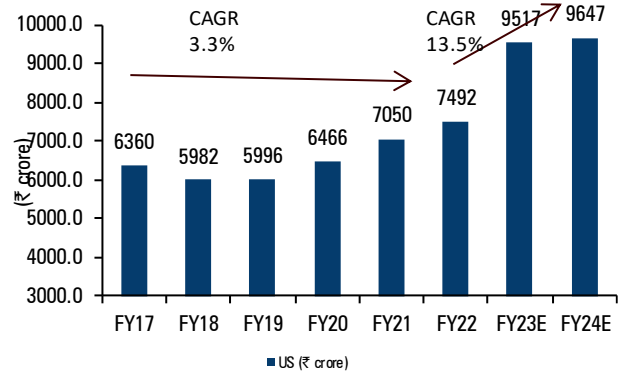
Source: ICICI Direct Research

Exhibit 6: Revenues to grow at CAGR of 8.9% in FY22-24E



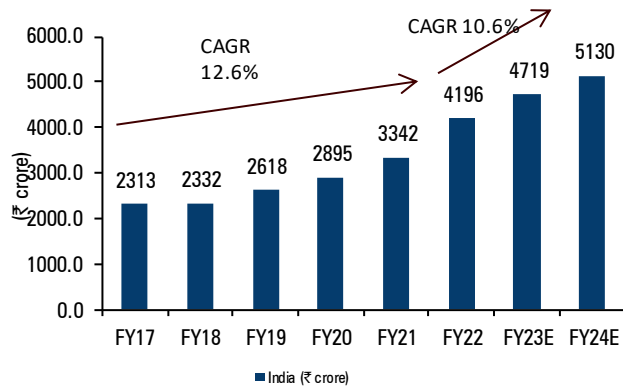
Source: ICICI Direct Research, Company

Exhibit 7: US to grow at CAGR of 13.5% over FY22-24E



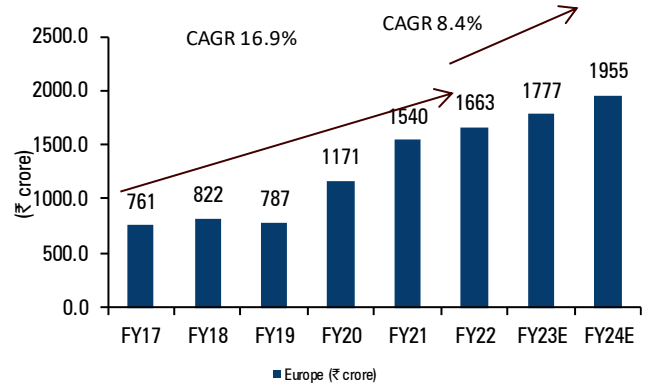
Source: ICICI Direct Research, Company

Exhibit 8: India to grow at CAGR of 10.6% over FY22-24E



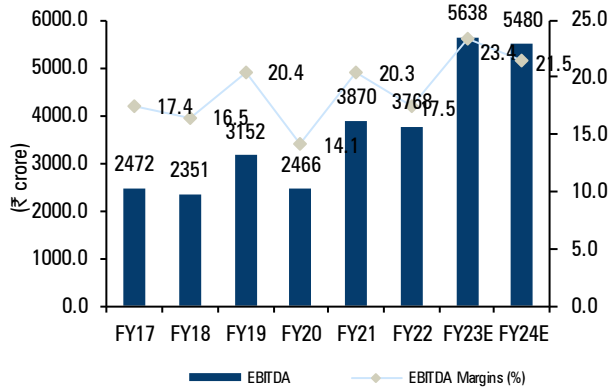
Source: ICICI Direct Research, Company

Exhibit 9: Europe to grow at 8.4% CAGR over FY22-24E



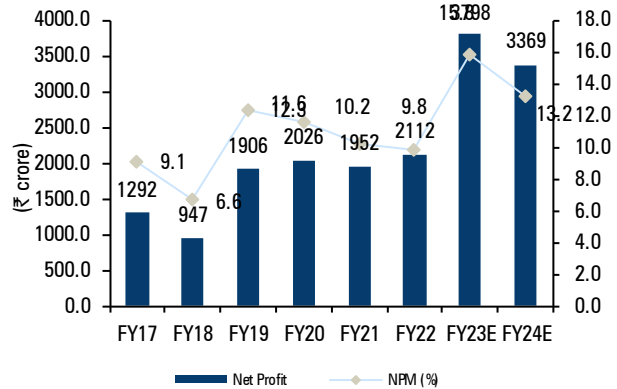
Source: ICICI Direct Research, Company

Exhibit 10: EBITDA & EBITDA margins trend



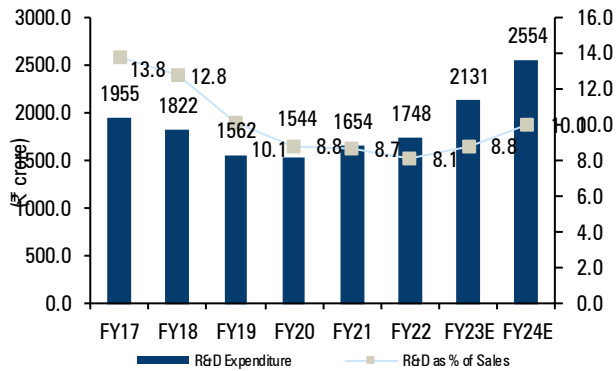
Source: ICICI Direct Research, Company

Exhibit 11: PAT & PAT margins trend



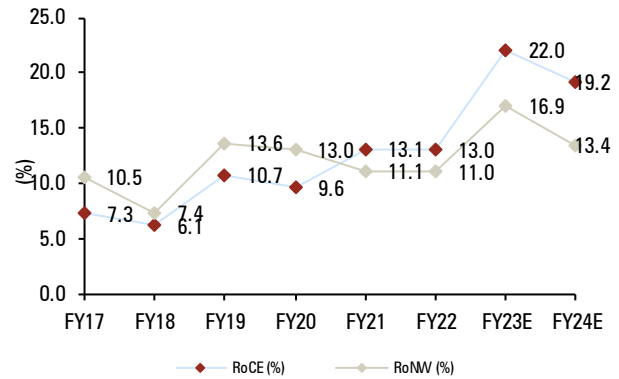
Source: ICICI Direct Research, Company

Exhibit 12: R&D and R&D as percentage of sales



Source: ICICI Direct Research, Company

Exhibit 13: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 14: Trends in Quarterly Performance

₹ Crore	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	YoY (%)	QoQ (%)
Total Operating Income	4812.8	4397.1	4448.9	4426.5	4910.9	4941.9	4768.2	4945.1	5786.9	5338.3	5474.9	5232.9	6331.8	9.4	21.0
Raw Material Expense	1401.1	1415.3	1531.1	1319.6	1580.1	1637.7	1541.5	1702.1	2027.6	1814.7	1897.8	1911.3	1847.0	-8.9	-3.4
% of Revenues	29.1	32.2	34.4	29.8	32.2	33.1	32.3	34.4	35.0	34.0	34.7	36.5	29.2	-587 bps	-735 bps
Gross Profit	3411.7	2981.8	2917.8	3106.9	3330.8	3304.2	3226.7	3243.0	3759.3	3523.6	3577.1	3321.6	4484.8	19.3	35.0
Gross Profit Margins (%)	70.9	67.8	65.6	70.2	67.8	66.9	67.7	65.6	65.0	66.0	65.3	63.5	70.8	587 bps	735 bps
Employee expenses	825.5	837.7	855.5	872.4	948.8	915.7	893.0	946.5	1010.4	956.3	972.6	1045.7	1151.7	14.0	10.1
% of Revenues	17.2	19.1	19.2	19.7	19.3	18.5	18.7	19.1	17.5	17.9	17.8	20.0	18.2	73 bps	-179 bps
Other expenses	1522.4	2432.8	1113.1	1113.2	1225.9	1849.2	1280.5	1562.0	1389.1	1351.6	2153.5	1334.7	1434.2	3.2	7.5
% of Revenues	31.6	55.3	25.0	25.1	25.0	37.4	26.9	31.6	24.0	25.3	39.3	25.5	22.7	-135 bps	-286 bps
Total Expenditure	3749.0	4685.8	3499.7	3305.2	3754.8	4402.6	3715.0	4210.6	4427.1	4122.6	5023.9	4291.7	4432.9	0.1	3.3
% of Revenues	77.9	106.6	78.7	74.7	76.5	89.1	77.9	85.1	76.5	77.2	91.8	82.0	70.0	-649 bps	-1200 bps
EBITDA	1063.8	-288.7	949.2	1121.3	1156.1	539.3	1053.2	734.5	1359.8	1215.7	451.0	941.2	1898.9	39.6	101.8
EBITDA Margins (%)	22.1	-6.6	21.3	25.3	23.5	10.9	22.1	14.9	23.5	22.8	8.2	18.0	30.0	649 bps	1200 bps
Total Depreciation	313.1	286.9	274.1	292.3	316.5	311.2	308.8	283.9	294.1	294.2	293.0	301.8	309.2	5.1	2.5
EBITDA	750.7	-575.6	675.1	829.0	839.6	228.1	744.4	450.6	1065.7	921.5	158.0	639.4	1589.7	49.2	148.6
Interest	30.3	15.2	23.0	23.3	25.2	18.8	29.7	19.3	23.4	21.6	31.5	34.7	30.9	32.1	-11.0
Exceptional Items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
EBT	720.4	-590.8	652.1	805.7	814.4	209.3	732.6	447.9	1067.0	918.4	137.0	614.1	1572.8	47.4	156.1
Total Tax	-320.7	32.5	-44.9	305.9	101.1	267.0	257.9	175.4	276.7	264.9	161.9	279.0	499.4	80.5	79.0
Tax %	-44.5	-5.5	-6.9	38.0	12.4	127.6	35.2	39.2	25.9	28.8	118.2	45.4	31.8		
Adjusted PAT	1106.8	638.9	781.1	594.6	771.8	699.2	557.3	363.8	971.1	690.8	325.6	607.0	1100.2	13.3	81.2

Source: ICICI Direct Research

Exhibit 15: ICICI Direct Coverage Universe (Healthcare)

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	4567	5,080	Buy	65765	7.9	59.1	79.0	101.0	581.0	77.2	57.8	45.2	6.3	15.1	15.3	18.8	2.5	15.1	17.4	18.9
Narayana Hrudalaya	NARHRU	763	800	Buy	15561	-0.7	16.7	20.6	22.7	NA	45.6	37.1	33.6	1.2	20.5	19.6	19.7	-1.3	23.0	22.3	19.9
Shalby	SHALIM	142	150	Buy	1537	3.9	5.4	7.5	9.9	36.3	26.2	19.0	14.4	6.5	8.4	11.7	14.3	5.1	6.7	8.6	10.4
Aster DM	ASTDM	244	250	Buy	12198	3.0	10.5	10.8	16.7	82.5	23.2	22.6	14.6	5.4	9.0	9.4	12.5	4.4	13.3	12.0	15.6
Healthcare Global	HEAGLO	286	345	Buy	3975	-13.9	3.9	4.5	8.8	-13.9	74.0	62.9	32.4	-0.9	5.0	9.4	12.1	-0.9	5.0	6.8	11.6
MNC Pharma																					
Abbott India	ABBIND	18900	21,140	Hold	39690	325.0	375.9	427.7	528.6	58.1	50.3	44.2	35.8	33.8	36.6	37.1	37.3	26.5	28.3	28.9	28.8
P&G Health	MERLIM	4010	4,500	Hold	6817	106.5	116.0	124.8	140.6	37.6	34.6	32.1	28.5	32.2	39.8	36.0	33.8	25.1	31.2	28.1	26.2
Sanofi India	SANOFI	5572	6,885	Hold	12816	207.4	410.1	270.5	264.8	26.9	13.6	20.6	21.0	32.3	33.3	41.1	50.7	24.5	25.9	31.2	38.7
Pfizer	PFIZER	4371	4,480	Hold	20107	108.8	133.9	140.4	149.3	40.2	32.6	31.1	29.3	27.6	26.1	22.4	21.8	20.8	21.4	17.9	17.7
Pharma																					
Ajanta Pharma	AJAPHA	1311	1,495	Buy	16774	51.0	55.6	60.1	71.1	25.7	23.6	21.8	18.4	29.0	27.0	24.4	24.5	21.8	21.8	19.9	19.9
Alembic Pharma	ALEMPHA	550	590	Reduce	10825	62.8	27.8	15.3	26.9	8.8	19.8	35.9	20.4	25.1	10.6	6.5	10.5	24.1	10.4	5.6	9.1
Aurobindo Pharma	AURPHA	523	615	Hold	30621	55.0	47.4	41.1	51.3	9.5	11.0	12.7	10.2	16.9	12.9	11.5	13.3	14.7	11.3	9.0	10.1
Biocon	BIOCON	273	320	Hold	32739	6.3	5.7	5.5	11.3	43.5	47.9	50.0	24.0	7.7	7.5	4.1	6.5	9.9	8.1	2.8	5.5
Zydus Lifesciences	CADHEA	430	405	Hold	###	23.3	21.0	21.0	23.8	18.4	20.5	20.5	18.1	13.8	12.0	11.8	11.7	18.4	12.6	11.4	11.6
Cipla	CIPLA	1155	1,135	Buy	93225	29.9	32.9	38.6	45.8	38.7	35.1	30.0	25.2	16.3	16.7	17.9	19.0	13.1	12.7	13.3	14.1
Dr Reddy's Labs	DRREDD	4460	4,750	Buy	74035	117.3	126.9	203.4	191.0	38.0	35.1	21.9	23.3	13.1	13.0	19.1	18.1	11.1	11.0	15.4	13.0
Glenmark Pharma	GLEPHA	400	440	Hold	11272	32.9	42.7	39.5	44.9	12.2	9.4	10.1	8.9	13.9	14.8	14.7	14.4	13.1	13.2	11.0	11.2
Ipca Laboratories	IPCLAB	900	985	Hold	22847	44.9	34.8	27.5	35.1	20.0	25.8	32.8	25.6	27.1	17.4	14.3	16.3	24.2	16.1	11.4	13.0
Jubilant Pharmova	JUBLIF	372	340	Hold	5907	37.4	26.0	15.9	26.1	9.9	14.3	23.4	14.2	13.7	9.0	6.1	8.6	12.6	7.8	4.6	7.0
Lupin	LUPIN	696	610	Reduce	31686	26.9	11.9	11.8	27.7	25.9	58.6	59.2	25.1	9.6	3.4	5.8	10.9	8.8	4.4	4.2	9.2
Natco Pharma	NATPHA	599	735	Hold	10953	24.2	9.3	41.6	42.3	24.8	64.3	14.4	14.2	13.1	4.6	18.1	16.9	10.7	4.0	15.5	13.9
Sun Pharma	SUNPHA	990	1,125	Buy	237501	30.0	32.0	34.8	40.1	32.9	31.0	28.4	24.7	14.2	18.2	18.0	18.7	15.5	16.0	15.2	15.2
Torrent Pharma	TORPHA	1605	1,730	Buy	54246	37.0	32.0	40.0	46.7	43.4	50.1	40.1	34.4	17.6	19.7	19.1	21.4	21.4	18.2	19.8	19.7
Indoco Remedies	INDREM	340	525	Buy	3129	10.1	16.8	21.6	29.2	33.7	20.2	15.7	11.7	11.7	17.5	17.6	23.9	12.1	17.1	18.6	20.6
Caplin Point	CAPPOI	739	1,000	Buy	5616	81.7	85.3	70.4	73.0	9.0	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	284	265	Reduce	3181	13.1	10.7	8.5	12.1	21.7	26.6	33.5	23.6	19.4	14.3	10.2	13.2	15.1	11.0	8.1	10.4
Hester Biosciences	HESPHA	1990	2,015	Reduce	1791	44.4	45.7	35.9	51.8	44.8	43.5	55.5	38.4	16.2	10.9	9.3	11.8	16.5	15.0	10.8	14.0
API/CRAMS																					
Divi's Lab	DIVLAB	3548	4,315	Buy	94009	74.7	111.5	93.0	113.5	47.5	31.8	38.1	31.3	27.6	30.2	22.8	24.4	21.3	25.2	18.4	19.2
Hikal	HIKCHE	330	290	Hold	4059	10.8	13.0	3.8	14.4	30.6	25.3	86.2	22.9	15.1	13.6	5.6	13.8	14.3	15.0	4.3	14.2
Syngene Int.	SYNINT	613	710	Buy	24589	10.1	9.9	11.5	14.6	60.6	62.2	53.2	42.1	11.5	11.7	12.8	15.2	13.5	12.9	12.4	13.7
Granules India	GRANUL	367	375	Buy	9104	22.2	16.6	21.9	26.8	16.6	22.1	16.8	13.7	24.0	15.6	18.6	20.5	25.3	16.0	17.6	17.9
Laurus Labs	LAULAB	445	675	Buy	23878	18.3	15.4	20.7	27.0	24.3	28.9	21.5	16.5	31.7	21.3	23.6	26.0	37.9	24.7	25.6	25.6
Suven Pharmaceutical	SUVPH	402	530	Hold	10240	14.2	17.8	17.0	17.6	28.2	22.5	23.6	22.8	31.2	37.5	28.7	25.0	30.7	29.7	23.0	20.0

Source: ICICI Direct Research

Financial Summary

Exhibit 16: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Revenues	19,047.5	21,545.2	24,104.9	25,539.8
Growth (%)	8.7	13.1	11.9	6.0
Raw Material Expenses	6,078.9	7,442.2	7,833.9	8,311.1
Employee expenses	3,629.9	3,885.8	4,478.4	4,597.2
Other expenses	5,468.8	6,449.5	6,154.8	7,151.2
Total Operating Expenditure	15,177.6	17,777.5	18,467.0	20,059.4
EBITDA	3,869.9	3,767.7	5,637.9	5,480.4
Growth (%)	56.9	-2.6	49.6	-2.8
Interest	97.0	95.8	127.4	119.2
Depreciation	1,228.8	1,165.2	1,229.4	1,319.2
PBT before Exceptional Items	2,835.5	2,991.1	5,257.0	4,552.8
Share of profit/ (loss) of equity	-48.0	-70.3	0.0	0.0
PBT	2,883.5	3,061.4	5,257.0	4,552.8
Total Tax	931.9	878.9	1,458.9	1,183.7
PAT	1,999.6	2,182.5	3,798.1	3,369.1
Adjusted PAT	1,951.6	2,112.2	3,798.1	3,369.1
Growth (%)	-3.7	8.2	79.8	-11.3
EPS	120.1	131.1	228.2	202.4
EPS (Adjusted)	117.3	126.9	228.2	202.4

Source: Company, ICICI Direct Research

Exhibit 17: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit/(Loss) after taxation	2,311.9	2,317.7	3,798.1	3,369.1
Add: Depreciation & Amortization	1,228.8	1,165.2	1,229.4	1,319.2
Net Increase in Current Assets	-780.0	-2,234.0	-1,124.3	-836.6
Net Increase in Current Liabilities	-48.8	851.7	306.9	340.4
CF from operating activities	3,570.3	2,810.8	4,337.5	4,311.3
(Inc)/dec in Fixed Assets	-2,799.0	-1,605.9	-1,500.0	-1,200.0
(Inc)/dec in Investments	411.0	-1,120.1	0.0	0.0
Others	125.1	966.8	-70.3	-73.1
CF from investing activities	-2,262.9	-1,759.2	-1,570.3	-1,273.1
Inc / (Dec) in Equity Capital	-92.4	3.3	0.0	0.0
Inc / (Dec) in Loan	684.8	430.5	-500.0	-500.0
Dividend & Dividend Tax	-414.7	-414.6	-582.5	-665.8
Others	-207.5	-134.5	-127.4	-119.2
CF from financing activities	-29.8	-115.3	-1,209.9	-1,285.0
Net Cash flow	1,277.6	936.3	1,557.2	1,753.2
Opening Cash	205.3	1,482.9	2,419.2	3,976.4
Closing Cash	1,482.9	2,419.2	3,976.4	5,729.6
Free Cash Flow	771.3	1,204.9	2,837.5	3,111.3

Source: Company, ICICI Direct Research

Exhibit 18: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Equity Capital	83.2	83.2	83.2	83.2
Net Networth	17,558.5	19,129.2	22,344.7	25,048.1
Total Shareholders fund	17,641.7	19,212.4	22,427.9	25,131.3
Total Debt	3,030.8	3,384.5	2,884.5	2,384.5
Deferred Tax Liability	28.9	1.4	1.5	1.5
Other Non Current Liabilities	161.7	166.9	173.6	180.5
Long term Provisions	50.8	25.8	26.8	27.9
Source of Funds	20,914	22,791	25,514	27,726
Gross Block - Fixed Assets	17,995.8	19,238.8	20,538.8	22,038.8
Accumulated Depreciation	10,350.0	11,664.5	12,893.9	14,213.1
Net Block	7,645.8	7,574.3	7,644.9	7,825.7
Capital WIP	1,565.1	1,293.4	1,493.4	1,193.4
Net Fixed Assets	9,210.9	8,867.7	9,138.3	9,019.1
Goodwill	559.9	547.3	547.3	547.3
Investments	2,807.7	2,615.9	2,615.9	2,615.9
Inventory	4,541.2	5,088.4	5,356.2	5,682.5
Cash	1,482.9	2,419.2	3,976.4	5,729.6
Debtors	4,964.1	6,676.4	7,469.6	7,914.2
Loans & Advances & Other CA	1,587.7	1,581.0	1,644.2	1,710.0
Total Current Assets	12,575.9	15,765.0	18,446.5	21,036.3
Creditors	1,810.9	2,266.2	2,385.5	2,530.8
Provisions & Other CL	3,892.0	4,689.7	4,877.3	5,072.4
Total Current Liabilities	5,702.9	6,955.9	7,262.8	7,603.2
Net Current Assets	6,873.0	8,809.1	11,183.8	13,433.2
LT L&A, Other Assets	393.8	674.1	701.1	729.1
Deferred Tax Assets	1,068.6	1,277.0	1,328.1	1,381.2
Application of Funds	20,914	22,791	25,514	27,726

Source: Company, ICICI Direct Research

Exhibit 19: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
Per share data (₹)				
EPS	117.3	126.9	228.2	202.4
BV per share	1,059.9	1,154.3	1,347.5	1,509.9
Operating Ratios (%)				
Gross Profit Margins	68.1	65.5	67.5	67.5
EBITDA margins	20.3	17.5	23.4	21.5
Net Profit margins	10.2	9.8	15.8	13.2
Inventory days	272.7	249.6	249.6	249.6
Debtor days	95.1	113.1	113.1	113.1
Creditor days	108.7	111.1	111.1	111.1
Asset Turnover	1.1	1.1	1.2	1.2
EBITDA conversion Rate	92.3	74.6	76.9	78.7
Return Ratios (%)				
RoE	11.1	11.0	16.9	13.4
RoCE	13.1	13.0	22.0	19.2
RoIC	19.5	18.4	29.4	26.5
Valuation Ratios (x)				
P/E	37.1	34.0	19.5	22.0
EV / EBITDA	19.0	19.3	12.6	12.5
EV / Revenues	3.9	3.4	2.9	2.7
Market Cap / Revenues	3.9	3.4	3.1	2.9
Price to Book Value	4.2	3.9	3.3	3.0
Solvency Ratios				
Debt / Equity	0.2	0.2	0.1	0.1
Debt / EBITDA	0.8	0.9	0.5	0.4
Current Ratio	1.9	1.9	2.0	2.0

Source: Company, ICICI Direct Research

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