

CMP: ₹ 4200

Target: ₹ 5210 (24%)

Target Period: 12 months

January 27, 2023

BUY

Dr.Reddy's

Overall beat boosted by gRevlimid, other launches...

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

Q3FY23 Results: Revenues propelled by continued traction of gRevlimid.

- Revenues grew 27.2% YoY to ₹ 6331 crore, mainly driven by the US on the back of favourable currency impact and gRevlimid
- EBITDA margins grew 597 bps YoY to 28.7%
- Adjusted PAT increased 81.1% YoY to ₹ 1251 crore

What should investors do? Dr Reddy's share price has grown at 17.75% CAGR over the past three years.

- 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 ₹ 5210 i.e. 21x FY25E EPS of ₹ 241.8+ NPV of ₹ 131 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 the 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 ₹ 1225

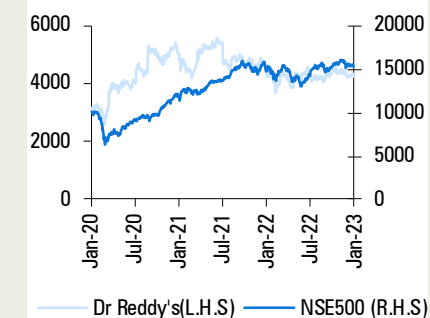
Particulars

Particular	Amount
Market Capitalisation	₹ 69720 crore
Debt (FY22)	₹ 3385 crore
Cash & equivalents (FY22)	₹ 2419 crore
EV	₹ 70685 crore
52 week H/L (₹)	4977/3654
Equity capital	₹ 83.0 crore
Face value	₹ 5

Shareholding pattern

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

Price Chart



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

Key Financials (₹crore)	FY20	FY21	FY22	5 year CAGR (FY17-22)	FY23E	FY24E	FY25E	2 year CAGR (FY23E-25E)
Revenues	17517.0	19047.5	21545.2	8.7	24486.9	25676.1	27817.9	6.6
EBITDA	2466.0	3869.9	3767.7	8.8	6185.3	5789.2	6386.0	1.6
EBITDA Margins (%)	14.1	20.3	17.5		25.3	22.5	23.0	
Adjusted PAT	2026.0	1951.6	2112.2	10.3	4352.4	3576.6	4014.0	-4.0
EPS (Adjusted)	122.0	117.6	127.2		262.2	215.5	241.8	
PE (x)	34.4	34.9	31.9		16.0	19.5	17.4	
RoE (%)	13.0	11.1	11.0		18.9	13.8	13.7	
RoCE (%)	9.6	13.1	13.0		24.2	20.8	23.4	

Key takeaways of recent quarter & conference call highlights

Q3FY23 Results: Strong revenue growth driven by continued traction US and Russia markets

- Revenues grew 27.2% YoY to ₹ 6790 crore, mainly driven by growth in US market due to favourable currency impact and new launches besides gRevlimid traction. Gross margins increased ~452 bps over the previous year to 70.5% 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 597 bps YoY to 28.7%. Adjusted PAT increased 81.1% YoY to ₹ 1251 crore
- US business grew 64% YoY to ₹ 3057 crore driven by new products launches, increase in volumes and a favourable forex movement, which was partly offset by price erosion. Europe grew 6% YoY to ₹ 430 crore, driven by new product launches, increase in volumes that was partly offset by price erosion and adverse forex rates. India revenues grew 10% YoY at ₹ 1127 crore, driven by increase in sales prices and new product launches, partly offset by reduction in volumes for certain products. Russia and Other CIS revenues grew 28.2 % YoY to ₹ 910 crore, In Russia, YoY growth of 45% was on account of increase in volumes and prices, new product launches and favourable forex rates. In CIS, YoY decline of 6% was due to reduction in volumes and adverse forex movement, partly offset by increase in sales price of some products and new product launches. RoW witnessed de-growth of 9.1% YoY at ₹ 400 crore. YoY decline of 9.1% was on account of higher base in previous year due to Covid product sales and decline in sales price of some of its key molecules, which was partly offset by new product launches
- Dr Reddy's numbers beat our estimates, mainly due to the surprise in the US business, which grew a massive 64% YoY due to the continued traction 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 witnessed growth due to favourable currency movements. We remain positive on the company's growth story based on simultaneous launches across major geographies

Q3FY23 Earnings Conference Call highlights:

North America:

- Sales continued to grow in the US markets with positive traction seen in both base business and recent launches
- It managed to launch five new products and expects the launch momentum to continue during remaining FY23

Europe:

- During the quarter, it launched 11 new products across various countries within Europe

Emerging markets:

- Russia business grew 29% YoY, 8% QoQ in constant currency terms. This strong growth was supported by higher sales of biosimilar products in Russia
- Overall, it launched 29 products across various countries in emerging markets

India:

- The company intends to create several growth engines for India business for Horizon 1 and Horizon 2, which includes ramping up internal portfolio, collaborations, innovation and inorganic opportunities. It launched two new products in the Indian markets during Q3FY23
- PSAI business recorded sales due to improvement of the volume pick up

Exhibit 1: Variance Analysis

	Q3FY23	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	Comments
Revenue	6,789.8	6,020.9	5,338.3	27.2	6,331.8	7.2	YoY growth of 27.2% mainly driven by growth in U.S. market due to currency tailwinds and new launches.
Raw Material Expenses	2,001.4	1,926.7	1,814.7	10.3	1,847.0	8.4	
Gross Profit	4,788.4	4,094.2	3,523.6	35.9	4,484.8	6.8	
Gross margins (%)	70.5	68.0	66.0	451.7	70.8	-30.6	Increased by ~452 bps over previous year and ~71 bps sequentially, majorly driven due to product mix (including new products) which was partly offset by price erosion and provision made on inventory for covid products.
Employee expenses	1,173.2	1,095.2	956.3	22.7	1,151.7	1.9	
Other expenses	1,663.3	1,625.7	1,351.6	23.1	1,434.2	16.0	
EBITDA	1,951.9	1,373.4	1,215.7	60.6	1,898.9	2.8	
EBITDA (%)	28.7	22.8	22.8	597.4	30.0	-124.2	EBITDA margins grew 597 bps YoY to 28.7%
Other Income	58.7	39.0	55.8	5.2	40.8	43.9	
Interest	41.8	30.9	21.6	93.5	30.9	35.3	
Depreciation	323.7	309.2	294.2	10.0	309.2	4.7	
PBT	1,639.1	1,072.3	974.2	68.3	1,613.6	1.6	
Tax	393.8	331.9	264.9	48.7	499.4	-21.1	
Net Profit	1,245.3	740.4	709.3	75.6	1,114.2	11.8	
Adjusted PAT	1,251.3	740.4	690.8	81.1	1,100.2	13.7	Adjusted PAT increased 81.1% YoY to ₹ 1251 crores
Key Metrics							
US	3,056.7	2,253.5	1,864.5	63.9	2,800.1	9.2	YoY growth driven continued traction of products such as Lenalidomide and favorable forex rates, which was offset by price erosion in some of key molecules
Europe	430.3	442.3	405.8	6.0	419.9	2.5	YoY growth driven by new product launches, increase in volumes which was partly offset by price erosion and adverse forex rates.
India	1,127.4	1,088.2	1,026.6	9.8	1,150.0	-2.0	Year-on-year growth driven by increase in sales prices and new product launches, partly offset by reduction in volumes for certain products.
Russia & Other CIS	910.0	766.8	710.0	28.2	810.0	12.3	In Russia Year-on-year growth of 45% was on account of increase in volumes and prices, new product launches, and favorable forex rates In CIS, year-on-year decline of 6% was due to reduction in volumes and adverse forex movement, partly offset by increase in sales price of some products and new product launches.
RoW	400.0	484.0	440.0	-9.1	410.0	-2.4	Year-on-year decline of 9.1% was on account of higher base in previous year due to the covid product sales and decrease in sales price of some of our key molecules, which was partly offset by new product launches.
PSAI	780.0	814.4	727.1	7.3	643.4	21.2	Year-on-year growth of 7.3% was driven by favorable forex movement and increase in volumes partly offset by price erosion.

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

₹ Crore)	FY23E			FY24E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	23,883.1	24,486.9	2.5	25,790.9	25,676.1	-0.4	
EBITDA	5,587.0	6,185.3	10.7	5,480.4	5,480.4	0.0	Better than expected gRevlimid traction
EBITDA Margin (%)	23.4	25.3	187 bps	21.2	21.3	9 bps	
Adjusted PAT	3,762.0	4,352.4	15.7	3,410.6	3,576.6	4.9	Better than expected gRevlimid traction
EPS (₹)	226.6	262.2	15.7	205.5	215.5	4.9	

Source: ICICI Direct Research

Exhibit 3: Assumptions

₹ crore)	Current				Earlier			Comments
	FY20	FY21	FY22	FY23E	FY24E	FY23E	FY24E	
US	6,465.8	7,049.5	7,491.5	9,996.3	9,735.7	9,357.3	9,735.7	gRevlimid and other launches will contribute to higher topline
Europe	1,170.7	1,540.4	1,663.1	1,753.1	1,893.4	1,765.2	1,941.7	
India	2,894.6	3,341.9	4,195.7	4,696.5	5,265.9	4,657.3	5,289.2	
Russia & Other C	2,340.0	2,323.0	2,910.0	3,012.0	3,316.7	2,868.8	3,156.4	Changed as market environment remains volatile currently
RoW	941.4	1,185.6	1,662.9	1,649.5	1,814.5	1,733.5	1,906.9	
PSAI	2,574.7	3,198.2	3,074.0	3,001.5	3,241.6	3,035.8	3,278.7	

Source: ICICI Direct Research

Exhibit 4: Revenue breakup

(₹ crore)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E	CAGR FY17-22 %	CAGR FY23E-25E %
US	7545	6360	5982	5996	6466	7050	7492	9996	9736	10260	3.3	1.3
Europe (₹ crore)	773	761	822	787	1171	1540	1663	1753	1893	2045	16.9	8.0
India (₹ crore)	2129	2313	2332	2618	2895	3342	4196	4696	5266	5898	12.6	12.1
Russia & Other CIS	1419	1520	1650	2050	2340	2323	2910	3012	3317	3655	13.9	10.2
RoW (₹ crore)	940	587	615	839	941	1186	1663	1650	1814	2032	23.1	11.0
PSAI	2238	2128	2199	2414	2575	3198	3074	3001	3242	3501	7.6	8.0

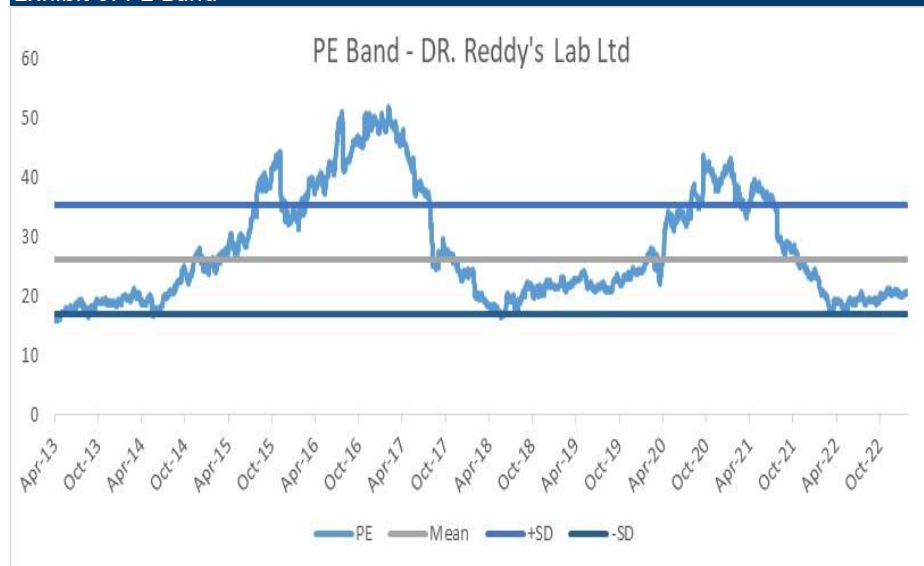
Source: ICICI Direct Research

Exhibit 5: Financial Summary

	Revenues (₹ crore)	Growth (%)	Adj. EPS (₹)	Growth (%)	P/E (x)	EV/EBITDA (X)	RoNW (%)	RoCE (%)
FY21	19047.5	8.7	117.6	-3.7	34.9	17.9	11.1	13.1
FY22	21545.2	13.1	127.2	8.2	31.9	18.2	11.0	13.0
FY23E	24486.9	13.7	262.2	106.1	16.0	10.7	18.9	24.2
FY24E	25676.1	4.9	215.5	-17.8	19.5	10.9	13.8	20.8
FY25E	27817.9	8.3	241.8	12.2	17.4	9.4	13.7	23.4

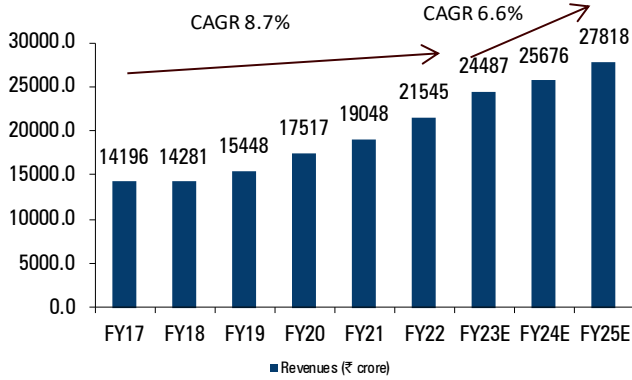
Source: ICICI Direct Research

Exhibit 6: PE Band



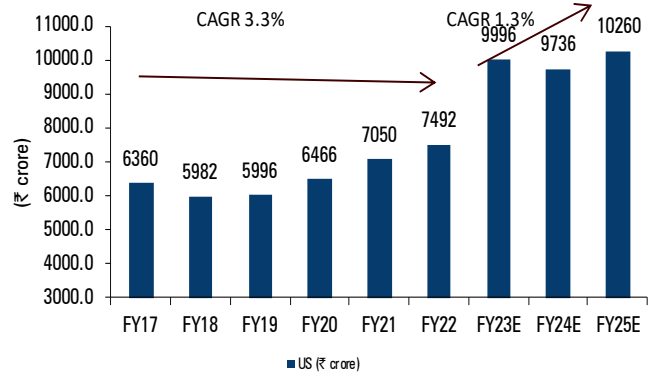
Source: ICICI Direct Research

Exhibit 7: Revenues to grow at CAGR of 6.6% in FY23E-25E



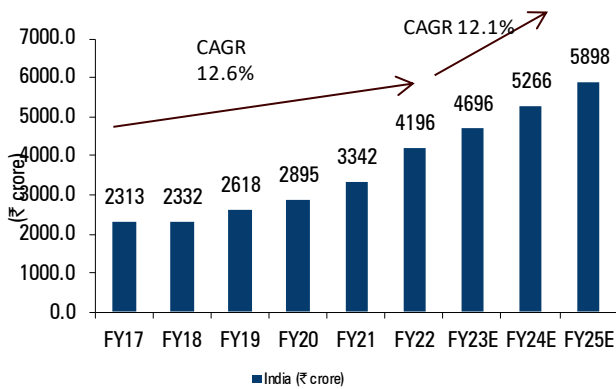
Source: Company, ICICI Direct Research

Exhibit 8: US to grow at CAGR of 1.3% over FY23E-25E



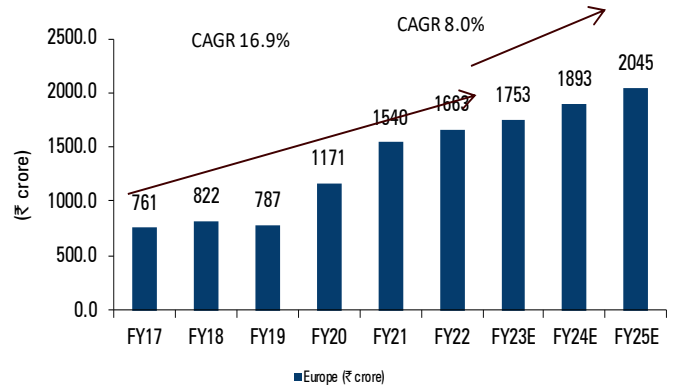
Source: Company, ICICI Direct Research

Exhibit 9: India to grow at CAGR of 12.1% over FY23E-25E



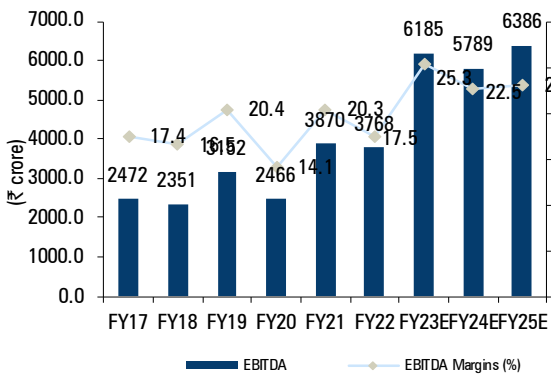
Source: Company, ICICI Direct Research

Exhibit 10: Europe to grow at 8% CAGR over FY23E-25E



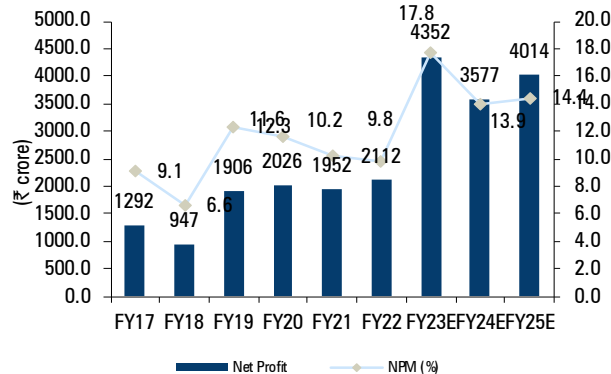
Source: Company, ICICI Direct Research

Exhibit 11: EBITDA & EBITDA margins trend



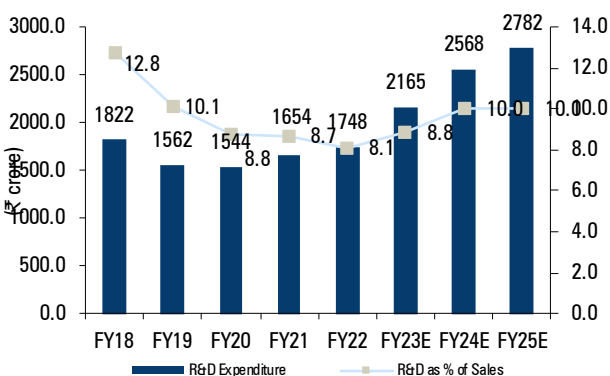
Source: Company, ICICI Direct Research

Exhibit 12: PAT & PAT margins trend



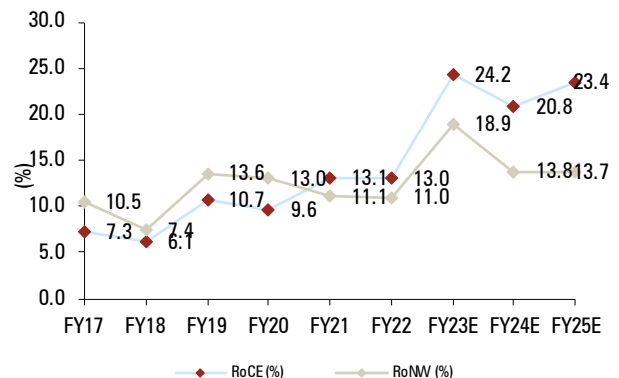
Source: Company, ICICI Direct Research

Exhibit 13: R&D and R&D as percentage of sales



Source: Company, ICICI Direct Research

Exhibit 14: RoE & RoCE trend



Source: Company, ICICI Direct Research

Exhibit 15: Trends in Quarterly Performance

₹ Crore	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	YoY (%)	QoQ (%)
Total Operating Income	4397.1	4448.9	4426.5	4910.9	4941.9	4768.2	4945.1	5786.9	5338.3	5474.9	5232.9	6331.8	6789.8	27.2	7.2
Raw Material Expense	1415.3	1531.1	1319.6	1580.1	1637.7	1541.5	1702.1	2027.6	1814.7	1897.8	1911.3	1847.0	2001.4	10.3	8.4
% of Revenues	32.2	34.4	29.8	32.2	33.1	32.3	34.4	35.0	34.0	34.7	36.5	29.2	29.5	-452 bps	31 bps
Gross Profit	2981.8	2917.8	3106.9	3330.8	3304.2	3226.7	3243.0	3759.3	3523.6	3577.1	3321.6	4484.8	4788.4	35.9	6.8
Gross Profit Margins (%)	67.8	65.6	70.2	67.8	66.9	67.7	65.6	65.0	66.0	65.3	63.5	70.8	70.5	452 bps	-31 bps
Employee expenses	837.7	855.5	872.4	948.8	915.7	893.0	946.5	1010.4	956.3	972.6	1045.7	1151.7	1173.2	22.7	1.9
% of Revenues	19.1	19.2	19.7	19.3	18.5	18.7	19.1	17.5	17.9	17.8	20.0	18.2	17.3	-64 bps	-91 bps
Other expenses	2432.8	1113.1	1113.2	1225.9	1849.2	1280.5	1562.0	1389.1	1351.6	2153.5	1334.7	1434.2	1663.3	23.1	16.0
% of Revenues	55.3	25.0	25.1	25.0	37.4	26.9	31.6	24.0	25.3	39.3	25.5	22.7	24.5	-82 bps	185 bps
Total Expenditure	4685.8	3499.7	3305.2	3754.8	4402.6	3715.0	4210.6	4427.1	4122.6	5023.9	4291.7	4432.9	4837.9	17.4	9.1
% of Revenues	106.6	78.7	74.7	76.5	89.1	77.9	85.1	76.5	77.2	91.8	82.0	70.0	71.3	-597 bps	124 bps
EBITDA	-288.7	949.2	1121.3	1156.1	539.3	1053.2	734.5	1359.8	1215.7	451.0	941.2	1898.9	1951.9	60.6	2.8
EBITDA Margins (%)	-6.6	21.3	25.3	23.5	10.9	22.1	14.9	23.5	22.8	8.2	18.0	30.0	28.7	597 bps	-124 bps
Total Depreciation	286.9	274.1	292.3	316.5	311.2	308.8	283.9	294.1	294.2	293.0	301.8	309.2	323.7	10.0	4.7
EBITDA	-575.6	675.1	829.0	839.6	228.1	744.4	450.6	1065.7	921.5	158.0	639.4	1589.7	1628.2	76.7	2.4
Interest	15.2	23.0	23.3	25.2	18.8	29.7	19.3	23.4	21.6	31.5	34.7	30.9	41.8	93.5	35.3
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	-590.8	652.1	805.7	814.4	209.3	732.6	447.9	1067.0	918.4	137.0	614.1	1572.8	1580.4	72.1	0.5
Total Tax	32.5	-44.9	305.9	101.1	267.0	257.9	175.4	276.7	264.9	161.9	279.0	499.4	393.8	48.7	-21.1
Tax %	-5.5	-6.9	38.0	12.4	127.6	35.2	39.2	25.9	28.8	118.2	45.4	31.8	24.9		
Adjusted PAT	638.9	781.1	594.6	771.8	699.2	557.3	363.8	971.1	690.8	325.6	607.0	1100.2	1251.3	81.1	13.7

Source: ICICI Direct Research

Exhibit 16: ICICI Direct Coverage Universe (Healthcare)

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
Hospitals																					
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
MNC Pharma																					
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
Pharma																					
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	5,210	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	1,722	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
API/CRAMS																					
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: ICICI Direct Research

Exhibit 17: Brands

Brand	Therapy	Dec-19	Dec-20	Dec-21	Dec-22	GAGR 19-22	YoY
VOVERAN	PAIN / ANALGESICS	198.2	198.0	206.3	217.5	3.2%	5.4%
OMEZ	GASTRO INTESTINAL	156.3	185.1	209.5	203.3	9.2%	-3.0%
CIDMUS	CARDIAC	71.2	113.0	135.3	189.9	38.7%	40.4%
ATARAX	ANTI-INFECTIVES	123.2	129.3	151.1	183.9	14.3%	21.8%
ECONORM	GASTRO INTESTINAL	99.3	78.1	121.5	152.7	15.4%	25.7%
PRACTIN	ANTI-INFECTIVES	84.1	86.3	138.4	151.3	21.6%	9.3%
OMEZ-D	GASTRO INTESTINAL	131.4	147.3	175.1	149.3	4.4%	-14.7%
KETOROL	PAIN / ANALGESICS	76.4	95.5	118.2	135.7	21.1%	14.8%
ZEDEX	RESPIRATORY	79.6	94.3	149.8	134.5	19.1%	-10.3%
RAZO-D	GASTRO INTESTINAL	88.0	97.4	127.0	133.5	14.9%	5.2%
Top 10 brands		1107.6	1224.4	1532.1	1651.7	14.2%	7.8%
% of IQVIA sales		24.9%	26.7%	27.3%	0.3		
Top 5 brands		732.2	789.9	962.0	1098.6	14.5%	14.2%
Ex-Top 10		3338.4	3362.6	4072.9	4095.3	7.0%	0.6%

Source: IQVIA, ICICI Direct Research

Exhibit 18: Therapeutic Break-up

Therapy	Dec-19	Dec-20	Dec-21	Dec-22	GAGR 19-22	YoY
GASTRO INTESTINAL	730.6	747.7	906.6	947.0	9.0%	4.5%
RESPIRATORY	651.6	634.8	852.4	843.0	9.0%	-1.1%
CARDIAC	489.8	576.2	652.2	704.1	12.9%	8.0%
PAIN / ANALGESICS	544.8	562.5	627.7	662.3	6.7%	5.5%
DERMA	373.3	351.7	414.1	451.5	6.5%	9.0%
Top Therapies	2790.1	2872.9	3453.1	3,607.96	8.9%	4.5%
Total IQVIA Sales	4446.0	4587.0	5605.0	5,747.00	8.9%	2.5%

Source: IQVIA, ICICI Direct Research

Financial Summary

Exhibit 19: Profit and loss statement					
	₹ crore				
(Year-end March)	FY21	FY22	FY23E	FY24E	FY25E
Revenues	19,047.5	21,545.2	24,486.9	25,676.1	27,817.9
Growth (%)	8.7	13.1	13.7	4.9	8.3
Raw Material Expenses	6,078.9	7,442.2	7,783.4	8,358.3	8,774.7
Employee expenses	3,629.9	3,885.8	4,430.2	4,339.3	4,868.1
Other expenses	5,468.8	6,449.5	6,087.9	7,189.3	7,789.0
Total Operating Expenditure	15,177.6	17,777.5	18,301.5	19,886.9	21,431.9
EBITDA	3,869.9	3,767.7	6,185.3	5,789.2	6,386.0
Growth (%)	56.9	-2.6	64.2	-6.4	10.3
Interest	97.0	95.8	149.2	119.2	94.2
Depreciation	1,228.8	1,165.2	1,258.4	1,350.3	1,423.8
PBT before Exceptional Items	2,835.5	2,991.1	5,784.3	4,833.2	5,424.3
Share of profit/ (loss) of equity	-48.0	-70.3	0.0	0.0	0.0
PBT	2,883.5	3,061.4	5,784.3	4,833.2	5,424.3
Total Tax	931.9	878.9	1,431.9	1,256.6	1,410.3
PAT	1,999.6	2,182.5	4,352.4	3,576.6	4,014.0
Adjusted PAT	1,951.6	2,112.2	4,352.4	3,576.6	4,014.0
Growth (%)	-3.7	8.2	106.1	-17.8	12.2
EPS	120.5	131.5	262.2	215.5	241.8
EPS (Adjusted)	117.6	127.2	262.2	215.5	241.8

Source: Company, ICICI Direct Research

Exhibit 20: Cash flow statement					
	₹ crore				
(Year-end March)	FY21	FY22	FY23E	FY24E	FY25E
Profit/(Loss) after taxation	2,311.9	2,317.7	4,352.4	3,576.6	4,014.0
Add: Depreciation & Amortization	1,228.8	1,165.2	1,258.4	1,350.3	1,423.8
Net Increase in Current Assets	-780.0	-2,234.0	-1,208.1	-265.0	-988.8
Net Increase in Current Liabilities	-48.8	851.7	291.5	370.2	329.7
CF from operating activities	3,570.3	2,810.8	4,843.4	5,151.2	4,873.0
(Inc)/dec in Fixed Assets	-2,799.0	-1,605.9	-1,500.0	-1,200.0	-900.0
(Inc)/dec in Investments	411.0	-1,120.1	0.0	0.0	0.0
Others	125.1	966.8	-70.3	-73.1	-76.0
CF from investing activities	-2,262.9	-1,759.2	-1,570.3	-1,273.1	-976.0
Inc / (Dec) in Equity Capital	-92.4	3.3	0.0	0.0	0.0
Inc / (Dec) in Loan	684.8	430.5	-500.0	-500.0	-500.0
Dividend & Dividend Tax	-414.7	-414.6	-581.0	-664.0	-664.0
Others	-207.5	-134.5	-149.2	-119.2	-94.2
CF from financing activities	-29.8	-115.3	-1,230.2	-1,283.2	-1,258.2
Net Cash flow	1,277.6	936.3	2,042.9	2,594.9	2,638.7
Opening Cash	205.3	1,482.9	2,419.2	4,462.1	7,057.0
Closing Cash	1,482.9	2,419.2	4,462.1	7,057.0	9,695.8
Free Cash Flow	771.3	1,204.9	3,343.4	3,951.2	3,973.0

Source: Company, ICICI Direct Research

Exhibit 21: Balance Sheet					
	₹ crore				
(Year-end March)	FY21	FY22	FY23E	FY24E	FY25E
Equity Capital	83.2	83.2	83.2	83.2	83.2
Net Network	17,558.5	19,129.2	22,900.6	25,813.1	29,163.1
Total Shareholders fund	17,641.7	19,212.4	22,983.8	25,896.3	29,246.3
Total Debt	3,030.8	3,384.5	2,884.5	2,384.5	1,884.5
Deferred Tax Liability	28.9	1.4	1.5	1.5	1.6
Other Non Current Liabilities	161.7	166.9	173.6	180.5	187.7
Long term Provisions	50.8	25.8	26.8	27.9	29.0
Source of Funds	20,914	22,791	26,070	28,491	31,349
Gross Block - Fixed Assets	17,995.8	19,238.8	20,538.8	22,038.8	23,238.8
Accumulated Depreciation	10,350.0	11,664.5	12,922.9	14,273.2	15,697.0
Net Block	7,645.8	7,574.3	7,615.9	7,765.6	7,541.8
Capital WIP	1,565.1	1,293.4	1,493.4	1,193.4	893.4
Net Fixed Assets	9,210.9	8,867.7	9,109.3	8,959.0	8,435.2
Goodwill	559.9	547.3	547.3	547.3	547.3
Investments	2,807.7	2,615.9	2,615.9	2,615.9	2,615.9
Inventory	4,541.2	5,088.4	5,321.7	5,152.4	5,409.1
Cash	1,482.9	2,419.2	4,462.1	7,057.0	9,695.8
Debtors	4,964.1	6,676.4	7,588.0	7,956.5	8,620.2
Loans & Advances & Other CA	1,587.7	1,581.0	1,644.2	1,710.0	1,778.4
Total Current Assets	12,575.9	15,765.0	19,016.0	21,875.9	25,503.4
Creditors	1,810.9	2,266.2	2,370.1	2,545.2	2,672.0
Provisions & Other CL	3,892.0	4,689.7	4,877.3	5,072.4	5,275.3
Total Current Liabilities	5,702.9	6,955.9	7,247.4	7,617.5	7,947.2
Net Current Assets	6,873.0	8,809.1	11,768.6	14,258.4	17,556.2
LT L&A, Other Assets	393.8	674.1	701.1	729.1	758.3
Deferred Tax Assets	1,068.6	1,277.0	1,328.1	1,381.2	1,436.5
Application of Funds	20,914	22,791	26,070	28,491	31,349

Source: Company, ICICI Direct Research

Exhibit 22: Key ratios					
(Year-end March)	FY21	FY22	FY23E	FY24E	FY25E
Per share data (₹)					
EPS	117.6	127.2	262.2	215.5	241.8
BV per share	1,062.8	1,157.4	1,384.6	1,560.0	1,761.8
Operating Ratios (%)					
Gross Profit Margins	68.1	65.5	68.2	67.4	68.5
EBITDA margins	20.3	17.5	25.3	22.5	23.0
Net Profit margins	10.2	9.8	17.8	13.9	14.4
Inventory days	272.7	249.6	249.6	225.0	225.0
Debtor days	95.1	113.1	113.1	113.1	113.1
Creditor days	108.7	111.1	111.1	111.1	111.1
Asset Turnover	1.1	1.1	1.2	1.2	1.2
EBITDA conversion Rate	92.3	74.6	78.3	89.0	76.3
Return Ratios (%)					
RoE	11.1	11.0	18.9	13.8	13.7
RoCE	13.1	13.0	24.2	20.8	23.4
RoIC	19.5	18.4	32.7	29.3	31.9
Valuation Ratios (x)					
P/E	34.9	31.9	16.0	19.5	17.4
EV / EBITDA	17.9	18.2	10.7	10.9	9.4
EV / Revenues	3.6	3.2	2.7	2.5	2.1
Market Cap / Revenues	3.7	3.2	2.8	2.7	2.5
Price to Book Value	4.0	3.6	3.0	2.7	2.4
Solvency Ratios					
Debt / Equity	0.2	0.2	0.1	0.1	0.1
Debt / EBITDA	0.8	0.9	0.5	0.4	0.3
Current Ratio	1.9	1.9	2.0	1.9	2.0

Source: Company, ICICI Direct Research

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