

CMP: ₹ 4550

Target: ₹ 5520 (21%)

Target Period: 12 months

May 11, 2023

BUY

Dr.Reddy's

In line numbers boosted by gRevlimid, divestitures of brands...

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

- Revenue breakup Q4FY23: US (41%), India (21%), Russia and CIS (12%), Europe (8%), RoW (6%), PSAI (12%)
- It owns 13 formulation facilities, nine API manufacturing facilities, one biologics facility and several R&D centres across the globe

Q4FY23 Results: Sales in line, margins beat. US, India, better than expected print.

- Revenues grew 15.3% YoY to ₹ 6315 crore, mainly driven by growth in the US and India market followed by improvement on the Europe front
- EBITDA margins grew 1,605 bps YoY to 24.3%
- Adjusted PAT increased 192.6% YoY to ₹ 952.5 crore

What should investors do? Dr Reddy's share price has grown at 8% CAGR over the past three years.

- Maintain **BUY** due to 1) ramp up across geographies on the back of new launches 2) calibrated cost approach based on better product mix, 3) focus on bolt-on acquisitions and divestments for better optimisation

Target Price and Valuation: We value Dr Reddy's at ₹ 5520 i.e. 21x FY25E EPS of ₹ 256.5+ NPV of ₹ 132 for gRevlimid.

Key triggers for future price performance:

- US pipeline:** Key launches in complex generics are likely to complement continued volume traction from gRevlimid in FY24 and FY25. Traction from recently acquired Mayne pharma portfolio is also a key monitorable
- 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 upcoming years
- Target to backward integrate 70% molecules to benefit gross margins in the 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

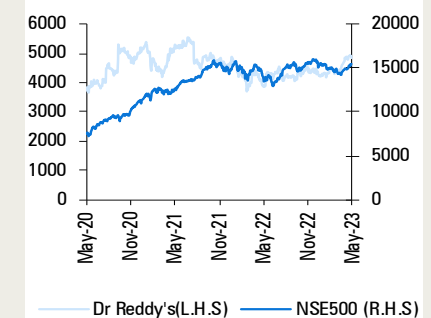
Particulars

Particular	Amount
Market Capitalisation	₹ 75530 crore
Debt (FY23)	₹ 1347 crore
Cash & equivalents (FY23)	₹ 578 crore
EV	₹ 76299 crore
52 week H/L (₹)	4989/3788
Equity capital	₹ 83.0 crore
Face value	₹ 5

Shareholding pattern

(in %)	Jun-22	Sep-22	Dec-22	Mar-23
Promoter	26.7	26.7	26.7	26.7
Others	73.3	73.3	73.3	73.3

Price Chart



Recent Event & Key risks

- Acquisition of Mayne Pharma portfolio
- Key Risk:** (i) Regulatory issues (ii) Slower ramp up in new launches

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Key Financial Summary

Key Financials (₹crore)	FY21	FY22	5 year CAGR (FY17-22)	FY23	FY24E	FY25E	2 year CAGR (FY23E-25E)
Revenues	19047.5	21545.2	8.7	24669.7	26537.8	28626.6	7.7
EBITDA	3869.9	3767.7	8.8	6348.9	5985.7	6572.1	1.7
EBITDA Margins (%)	20.3	17.5		25.7	22.6	23.0	
Adjusted PAT	1951.6	2112.2	10.3	4470.2	3820.6	4258.3	-2.4
EPS (Adjusted)	117.6	127.2		269.3	230.2	256.5	
PE (x)	37.8	34.6		16.8	19.8	17.7	
RoE (%)	11.1	11.0		19.2	14.4	14.2	
RoCE (%)	13.1	12.5		23.9	18.8	21.1	

Source: Company, ICICI Direct Research

Key takeaways of recent quarter & conference call highlights

Q4FY23 Results: Sales in line, margins beat. US, India, better than expected print

- Revenues grew 15.3% YoY to ₹ 6315 crore, mainly driven by growth in the US and India market followed by improvement on the Europe front. Adjusting for divestiture of brands from both the base and current year, growth was at ~18%. Gross margins increased ~460 bps over the previous year to 69.9% mainly driven by new product sales of certain products having higher margins and through divestment of non-core brands from the portfolio. Adjusting for non-core sales, margins were still healthy at 68.6%. EBITDA margins grew 1,605 bps YoY to 24.3%. However, adjusted for non-core brands sales, margins were at 21%. Adjusted PAT increased 192.6% YoY to ₹ 952.5 crore
- US business grew 26.8% YoY to ₹ 2,532 crore, driven by new products launches and favourable forex movement, which was partly offset by price erosion. Europe grew 11.6% YoY to ₹ 496 crore, driven by new product launches, increase in volumes, which was partly offset by price erosion and adverse forex rates. India revenues grew 32.5% YoY at ₹ 1283.4 crore, driven by increase in sales prices and new product launches. However, post adjustment of brand sales from both the base and current year, growth was 9.5%. Russia and Other CIS revenues were impacted by 18.5% YoY to ₹ 750 crore. In Russia, it declined due to divestment income and higher channel inventory in Q4FY22. In CIS, business remained flat due to favourable price movement. RoW witnessed growth of 27.6% YoY to ₹ 370 crore, YoY growth was on account of increase in volumes led by new product launches. PSAI grew 3.2% YoY to ₹ 780 crore, driven by favourable forex movement and increase in volumes
- While US growth was far ahead of our estimates, adjusted India growth was in line. Europe revenues were also higher than our estimates. Pharmaceutical services and active ingredients witnessed growth due to favourable currency movements but were below our estimates. Quarterly fluctuations notwithstanding, the company continues to deliver within its determined framework. We remain positive on the company's growth story based on simultaneous launches across major geographies and persistent recalibration of the existing portfolio.

Q4FY23 Earnings Conference Call highlights:

North America:

- Sales continued to grow in the US markets with positive traction seen from new product launches such as gRevlimid, sorafenib tablets and growing market share in certain key existing products
- It managed to launch six new products in Q4FY23 namely Difluprednate, Lurasidone tablets, Lubiprostone capsules, Sunitinib capsules, Nelarabine injection and Timolol gel. In FY23, it launched 25 products
- It completed the acquisition of Mayne Pharma's US generic prescription product portfolio for \$105 mn. Approved high-value products includes women health related and cardiovascular products. As on June 30, 2022, Mayne Pharma reported total revenue of \$111 mn for the acquired portfolio

Europe:

- It launched five new products during the quarter and 35 for the full year across all European markets. The launch momentum is likely to continue in FY24

India:

- It divested certain non-core brands in India to focus on strengthening the core portfolio
- It remains positive with acquisition of a Novartis cardiovascular brand Cidmus

PSAI

- It filed 12 DMFs in the US in FY23 out of which seven DMFs were launched in Q4FY23

Other highlights:

- Its R&D efforts remain inclined towards building a healthy pipeline of new products across the markets, including biosimilars. R&D percentage for the year was at 7.9%
- Higher net income was largely on account of income recognition from settlement agreement with Indivior Inc
- It also witnessed completions of Phase 1 study of biosimilar Tocilizumab while the global Phase 3 study was initiated during the period

Exhibit 1: Variance Analysis

	Q4FY23	Q4FY23E	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	Comments
Revenue	6,315.2	6,325.8	5,474.9	15.3	6,789.8	-7.0	YoY growth mainly driven by growth in the US market due to currency tailwinds and new launches
Raw Material Expenses	1,898.1	2,087.5	1,897.8	0.0	2,001.4	-5.2	
Gross Profit	4,417.1	4,238.3	3,577.1	23.5	4,788.4	-7.8	
Gross margins (%)	69.9	67.0	65.3	460.8	70.5	-57.9	Mainly driven by new product sales of certain products having higher margins and through divestment of non-core brands from portfolio. Adjusting for non-core sales, the margins were still healthy at 68.6%
Employee expenses	1,276.0	1,093.0	972.6	31.2	1,173.2	8.8	
Other expenses	1,607.2	1,708.0	2,153.5	-25.4	1,663.3	-3.4	
EBITDA	1,533.9	1,437.3	451.0	240.1	1,951.9	-21.4	
EBITDA (%)	24.3	22.7	8.2	1,605.1	28.7	-445.9	Adjusted for non-core brands sales, the margins were at 21%.
Other Income	138.5	54.8	121.9	13.6	58.7	135.9	
Interest	35.4	41.8	31.5	12.4	41.8	-15.3	
Depreciation	315.5	323.7	293.0	7.7	323.7	-2.5	
PBT	1,329.1	1,126.6	258.9	413.4	1,651.1	-19.5	
Tax	369.0	270.7	161.9	127.9	393.8	-6.3	
Net Profit	960.1	855.9	97.0	889.8	1,257.3	-23.6	
Adjusted PAT	952.5	855.9	325.6	192.6	1,251.3	-23.9	
Key Metrics							
US	2,532.1	2,451.2	1,997.1	26.8	3,056.7	-17.2	Growth driven by new products launches and favourable forex movement, which was partly offset by price
Europe	496.0	488.8	444.4	11.6	430.3	15.3	Growth driven by new product launches, increase in volumes, partly offset by price erosion and adverse forex rates
India	1,283.4	1,046.4	968.9	32.5	1,127.4	13.8	Growth driven by increase in sales prices and new product launches. However, post adjustment of brand sales from both the base and current year, growth was
Russia & Other CIS	750.0	920.0	920.0	-18.5	910.0	-17.6	In Russia de-growth due to divestment income and higher channel inventory in Q4FY22. In CIS, the business remained flat due to favourable price movement
RoW	370.0	449.5	290.0	27.6	400.0	-7.5	Year-on-year growth was on account of increase in volumes led by new product launches.
PSAI	780.0	869.1	755.7	3.2	780.0	0.0	Growth driven by favourable forex movement and increase in volumes

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

₹ Crore)	FY23			FY24E			FY25E		
	Old	New	Change	Old	New	% Change	Old	New	% Change
Revenue	24,680.3	24,669.7	0.0	25,798.6	26,537.8	2.9	27,817.0	28,626.6	2.9
EBITDA	6,229.3	6,348.9	1.9	5,789.0	5,985.7	3.4	6,386.0	6,572.1	2.9
EBITDA Margin (%)	25.2	25.7	50 bps	22.5	22.6	6 bps	23.0	23.0	-4 bps
Adjusted PAT	4,387.0	4,470.2	1.9	3,576.6	3,820.6	6.8	4,014.0	4,258.3	6.1
EPS (₹)	264.3	269.3	1.9	216.8	230.2	6.1	243.4	256.5	5.4

Source: ICICI Direct Research

Exhibit 3: Assumptions

₹ crore)	Current						Earlier			
	FY20	FY21	FY22	FY23	FY24E	FY25E	FY23	FY24E	FY25E	
US	6,465.8	7,049.5	7,491.5	10,170.4	10,681.9	11,213.7	9,357.3	9,735.7	10,272.0	Mayne Pharma acquisition
Europe	1,170.7	1,540.4	1,663.1	1,760.3	1,901.1	2,053.2	1,765.2	1,941.7	2,053.0	
India	2,894.6	3,341.9	4,195.7	4,894.7	5,452.7	6,052.5	4,657.3	5,289.2	6,153.0	
Russia & Other C	2,340.0	2,323.0	2,910.0	2,980.0	3,280.9	3,615.1	2,868.8	3,156.4	3,615.0	
RoW	941.4	1,185.6	1,662.9	1,570.0	1,727.0	1,934.2	1,733.5	1,906.9	1,934.0	
PSAI	2,574.7	3,198.2	3,074.0	2,912.4	3,058.0	3,302.7	3,035.8	3,278.7	3,397.0	

Source: ICICI Direct Research

Exhibit 4: Revenue breakup

(₹ crore)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	CAGR FY17-22 %	CAGR FY23-25E %
US	7545	6360	5982	5996	6466	7050	7492	10170	10682	11214	3.3	5.0
Europe (₹ crore)	773	761	822	787	1171	1540	1663	1760	1901	2053	16.9	8.0
India (₹ crore)	2129	2313	2332	2618	2895	3342	4196	4895	5453	6052	12.6	11.2
Russia & Other CIS	1419	1520	1650	2050	2340	2323	2910	2980	3281	3615	13.9	10.1
RoW (₹ crore)	940	587	615	839	941	1186	1663	1570	1727	1934	23.1	11.0
PSAI	2238	2128	2199	2414	2575	3198	3074	2912	3058	3303	7.6	6.5

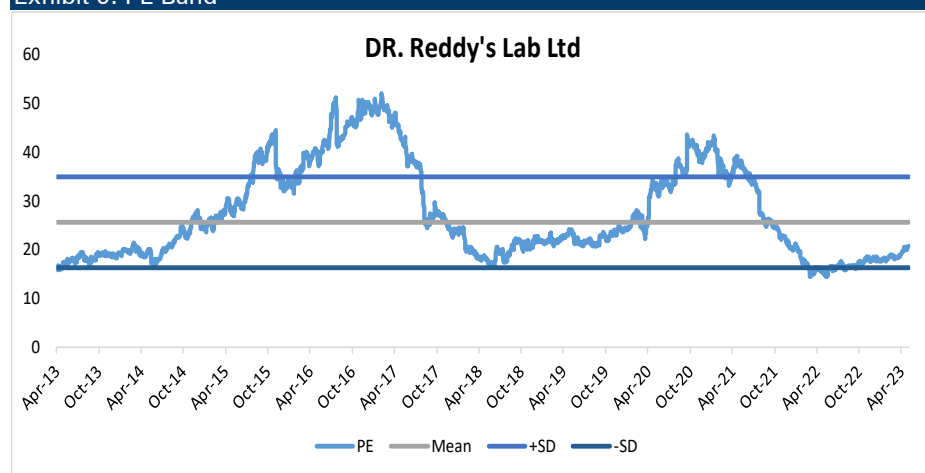
Source: ICICI Direct Research

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	37.8	19.4	11.1	13.1
FY22	21545.2	13.1	127.2	8.2	34.6	20.0	11.0	12.5
FY23	24669.7	14.5	269.3	111.6	16.8	11.3	19.2	23.9
FY24E	26537.8	7.6	230.2	-14.5	19.8	11.8	14.4	18.8
FY25E	28626.6	7.9	256.5	11.5	17.7	10.2	14.2	21.1

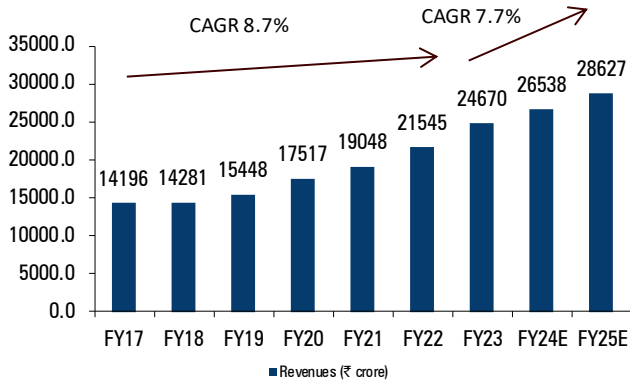
Source: ICICI Direct Research

Exhibit 6: PE Band



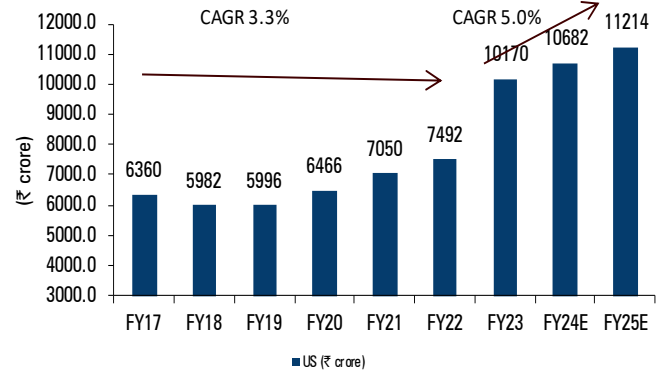
Source: ICICI Direct Research

Exhibit 7: Revenues to grow at CAGR of 7.7% in FY23-25E



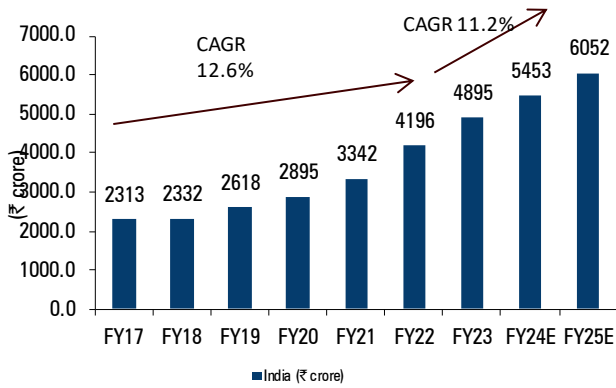
Source: Company, ICICI Direct Research

Exhibit 8: US to grow at CAGR of 5% over FY23-25E



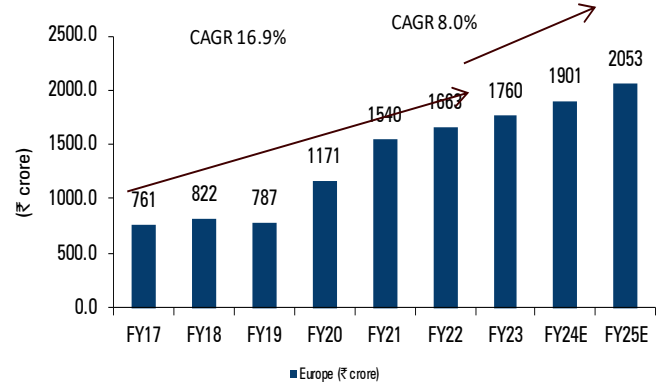
Source: Company, ICICI Direct Research

Exhibit 9: India to grow at CAGR of 11.2% over FY23-25E



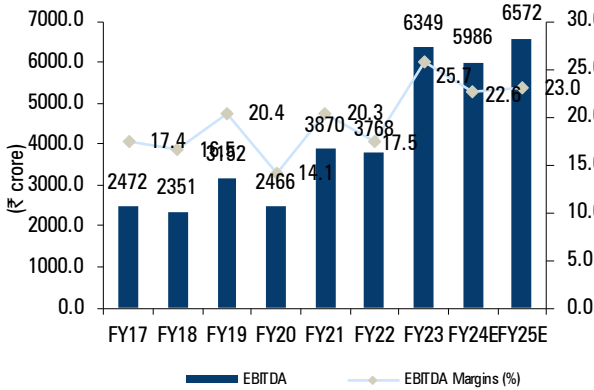
Source: Company, ICICI Direct Research

Exhibit 10: Europe to grow at 8% CAGR over FY23-25E



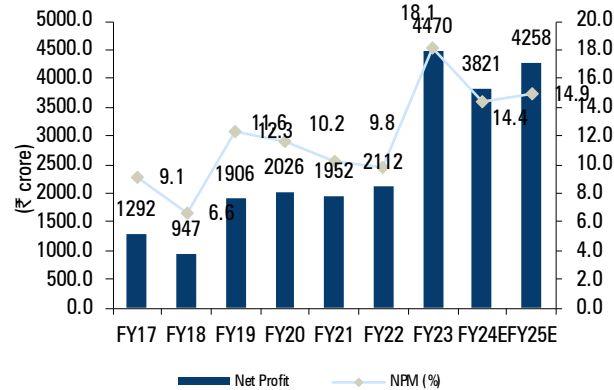
Source: Company, ICICI Direct Research

Exhibit 11: EBITDA & EBITDA margins trend



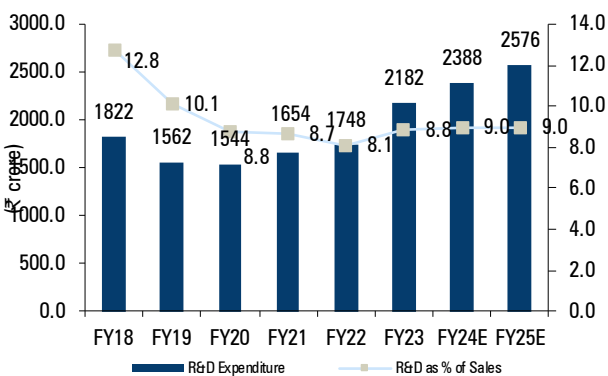
Source: Company, ICICI Direct Research

Exhibit 12: PAT & PAT margins trend



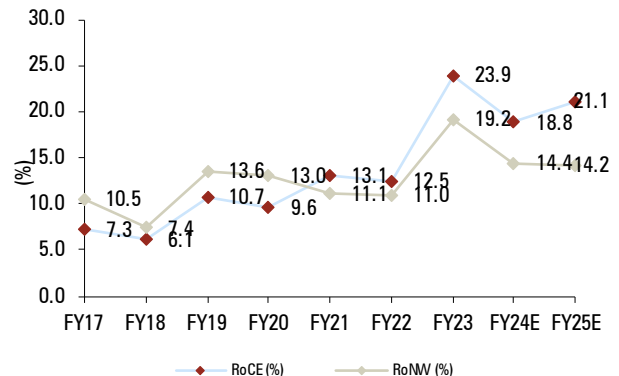
Source: Company, ICICI Direct Research

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	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	YoY (%)	QoQ (%)
Total Operating Income	4448.9	4426.5	4910.9	4941.9	4768.2	4945.1	5786.9	5338.3	5474.9	5232.9	6331.8	6789.8	6315.2	15.3	-7.0
Raw Material Expense	1531.1	1319.6	1580.1	1637.7	1541.5	1702.1	2027.6	1814.7	1897.8	1911.3	1847.0	2001.4	1898.1	0.0	-5.2
% of Revenues	34.4	29.8	32.2	33.1	32.3	34.4	35.0	34.0	34.7	36.5	29.2	29.5	30.1	-461 bps	58 bps
Gross Profit	2917.8	3106.9	3330.8	3304.2	3226.7	3243.0	3759.3	3523.6	3577.1	3321.6	4484.8	4788.4	4417.1	23.5	-7.8
Gross Profit Margins (%)	65.6	70.2	67.8	66.9	67.7	65.6	65.0	66.0	65.3	63.5	70.8	70.5	69.9	461 bps	-58 bps
Employee expenses	855.5	872.4	948.8	915.7	893.0	946.5	1010.4	956.3	972.6	1045.7	1151.7	1173.2	1276.0	31.2	8.8
% of Revenues	19.2	19.7	19.3	18.5	18.7	19.1	17.5	17.9	17.8	20.0	18.2	17.3	20.2	244 bps	293 bps
Other expenses	1113.1	1113.2	1225.9	1849.2	1280.5	1562.0	1389.1	1351.6	2153.5	1334.7	1434.2	1663.3	1607.2	-25.4	-3.4
% of Revenues	25.0	25.1	25.0	37.4	26.9	31.6	24.0	25.3	39.3	25.5	22.7	24.5	25.4	-1388 bps	95 bps
Total Expenditure	3499.7	3305.2	3754.8	4402.6	3715.0	4210.6	4427.1	4122.6	5023.9	4291.7	4432.9	4837.9	4781.3	-4.8	-1.2
% of Revenues	78.7	74.7	76.5	89.1	77.9	85.1	76.5	77.2	91.8	82.0	70.0	71.3	75.7	-1605 bps	446 bps
EBITDA	949.2	1121.3	1156.1	539.3	1053.2	734.5	1359.8	1215.7	451.0	941.2	1898.9	1951.9	1533.9	240.1	-21.4
EBITDA Margins (%)	21.3	25.3	23.5	10.9	22.1	14.9	23.5	22.8	8.2	18.0	30.0	28.7	24.3	1605 bps	-446 bps
Total Depreciation	274.1	292.3	316.5	311.2	308.8	283.9	294.1	294.2	293.0	301.8	309.2	323.7	315.5	7.7	-2.5
EBITDA	675.1	829.0	839.6	228.1	744.4	450.6	1065.7	921.5	158.0	639.4	1589.7	1628.2	1218.4	671.1	-25.2
Interest	23.0	23.3	25.2	18.8	29.7	19.3	23.4	21.6	31.5	34.7	30.9	41.8	35.4	12.4	-15.3
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	652.1	805.7	814.4	209.3	732.6	447.9	1067.0	918.4	137.0	614.1	1572.8	1580.4	1190.6	769.1	-24.7
Total Tax	-44.9	305.9	101.1	267.0	257.9	175.4	276.7	264.9	161.9	279.0	499.4	393.8	369.0	127.9	-6.3
Tax %	-6.9	38.0	12.4	127.6	35.2	39.2	25.9	28.8	118.2	45.4	31.8	24.9	31.0		
Adjusted PAT	781.1	594.6	771.8	699.2	557.3	363.8	971.1	690.8	325.6	607.0	1100.2	1251.3	952.5	192.6	-23.9

Source: ICICI Direct Research

Exhibit 16: Brands

Brand	Therapy	Mar-20	Mar-21	Mar-22	Mar-23	CAGR 20-23	YoY
VOVERAN	PAIN / ANALGESICS	199.2	202.6	202.4	215.9	2.7%	6.7%
OMEZ	GASTRO INTESTINAL	160.8	189.2	214.5	202.9	8.1%	-5.4%
CIDMUS	CARDIAC	82.1	121.9	138.6	195.9	33.6%	41.3%
ATARAX	ANTI-INFECTIVES	126.0	130.3	157.9	191.5	15.0%	21.3%
ECONORM	GASTRO INTESTINAL	96.8	82.8	126.2	166.9	19.9%	32.2%
OMEZ-D	GASTRO INTESTINAL	134.8	151.1	177.2	147.7	3.1%	-16.7%
PRACTIN	ANTI-INFECTIVES	84.4	95.5	143.9	147.3	20.4%	2.4%
ZEDEX	RESPIRATORY	82.9	97.4	157.3	147.2	21.1%	-6.4%
KETOROL	PAIN / ANALGESICS	78.3	101.6	123.4	143.5	22.4%	16.3%
BRO-ZEDEX	RESPIRATORY	97.0	105.5	169.3	135.8	11.9%	-19.8%
Top 10 brands		1142.5	1277.8	1610.7	1694.7	14.0%	5.2%
% of IQVIA sales		25.4%	27.2%	28.1%	28.9%		

Source: IQVIA, ICICI Direct Research

Exhibit 17: Therapeutic Break-up

Therapy	Mar-20	Mar-21	Mar-22	Mar-23	CAGR 20-23	YoY
GASTRO INTESTINAL	737.6	769.6	931.4	967.9	9.5%	3.9%
RESPIRATORY	668.1	611.7	908.0	891.1	10.1%	-1.9%
CARDIAC	505.1	595.4	661.5	714.5	12.3%	8.0%
PAIN / ANALGESICS	553.0	573.5	633.9	671.3	6.7%	5.9%
DERMA	370.1	364.3	418.2	465.9	8.0%	11.4%
Top Therapies	2833.9	2914.5	3553.0	3,710.70	9.4%	4.4%
Total IQVIA Sales	4498.1	4704.7	5727.4	5,869.50	9.3%	2.5%

Source: IQVIA, ICICI Direct Research

Financial Summary

Exhibit 18: Profit and loss statement				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
Revenues	21,545.2	24,669.7	26,537.8	28,626.6
Growth (%)	13.1	14.5	7.6	7.9
Raw Material Expenses	7,442.2	7,657.8	8,636.6	9,029.5
Employee expenses	3,885.8	4,646.6	4,750.3	5,295.9
Other expenses	6,449.5	6,016.4	7,165.2	7,729.2
Total Operating Expenditure	17,777.5	18,320.8	20,552.1	22,054.6
EBITDA	3,767.7	6,348.9	5,985.7	6,572.1
Growth (%)	-2.6	68.5	-5.7	9.8
Interest	95.8	142.8	42.4	17.4
Depreciation	1,165.2	1,250.2	1,379.9	1,449.4
PBT before Exceptional Items	2,991.1	6,011.4	5,094.2	5,677.8
Share of profit/ (loss) of equity	-70.3	-37.0	0.0	0.0
PBT	3,061.4	6,048.4	5,094.2	5,677.8
Total Tax	878.9	1,541.2	1,273.5	1,419.4
PAT	2,182.5	4,507.2	3,820.6	4,258.3
Adjusted PAT	2,112.2	4,470.2	3,820.6	4,258.3
Growth (%)	8.2	111.6	-14.5	11.5
EPS	131.5	271.5	230.2	256.5
EPS (Adjusted)	127.2	269.3	230.2	256.5

Source: Company, ICICI Direct Research

Exhibit 19: Cash flow statement				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
Profit/(Loss) after taxation	2,317.7	4,977.1	3,820.6	4,258.3
Add: Depreciation & Amortization	1,165.2	1,250.2	1,379.9	1,449.4
Net Increase in Current Assets	-2,234.0	-840.6	-2,098.3	-1,004.5
Net Increase in Current Liabilities	851.7	55.1	564.9	331.1
CF from operating activities	2,810.8	5,887.3	3,709.5	5,051.8
(Inc)/dec in Fixed Assets	-1,605.9	-1,878.2	-1,940.0	-900.0
(Inc)/dec in Investments	-1,120.1	-2,336.6	0.0	0.0
Others	87.3	77.6	-31.0	-32.2
CF from investing activities	-2,638.7	-4,137.2	-1,971.0	-932.2
Inc / (Dec) in Equity Capital	33.4	36.8	0.0	0.0
Inc / (Dec) in Loan	273.5	-2,039.7	-500.0	-500.0
Dividend & Dividend Tax	-414.6	-497.9	-664.0	-664.0
Others	-134.5	-185.3	-42.4	-17.4
CF from financing activities	-242.2	-2,686.1	-1,206.4	-1,181.4
Net Cash flow	-70.1	-936.0	532.2	2,938.2
Opening Cash	1,482.9	1,486.1	578.7	1,110.9
Closing Cash	1,412.8	550.1	1,110.9	4,049.0
Free Cash Flow	1,204.9	4,009.1	1,769.5	4,151.8
FCF Yield	1.6%	5.3%	2.3%	5.5%

Source: Company, ICICI Direct Research

Exhibit 20: Balance Sheet				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
Equity Capital	83.2	83.3	83.3	83.3
Net Networth	19,129.2	23,202.8	26,359.4	29,953.8
Total Shareholders fund	19,212.4	23,286.1	26,442.7	30,037.1
Total Debt	3,384.5	1,347.2	847.2	347.2
Deferred Tax Liability	1.4	76.0	79.0	82.2
Other Non Current Liabilities	166.9	203.2	211.3	219.8
Long term Provisions	25.8	19.9	20.7	21.5
Source of Funds	22,791	24,932	27,601	30,708
Gross Block - Fixed Assets	19,238.8	21,586.4	23,826.4	25,026.4
Accumulated Depreciation	11,664.5	12,914.7	14,294.6	15,744.1
Net Block	7,574.3	8,671.7	9,531.8	9,282.3
Capital WIP	1,293.4	1,030.1	730.1	430.1
Net Fixed Assets	8,867.7	9,701.8	10,261.9	9,712.4
Goodwill	547.3	547.4	547.4	547.4
Investments	2,615.9	4,985.8	4,985.8	4,985.8
Inventory	5,088.4	4,867.0	5,905.1	6,173.7
Cash	1,485.2	577.9	1,110.9	4,049.0
Debtors	6,676.4	7,248.5	8,223.5	8,870.8
Loans & Advances & Other CA	1,581.0	2,130.2	2,215.4	2,304.0
Total Current Assets	15,765.0	15,975.9	18,607.1	22,549.8
Creditors	2,266.2	2,268.4	2,629.9	2,749.5
Provisions & Other CL	4,689.7	5,084.3	5,287.7	5,499.2
Total Current Liabilities	6,955.9	7,352.7	7,917.6	8,248.7
Net Current Assets	8,809.1	8,623.2	10,689.6	14,301.1
LT L&A, Other Assets	674.1	369.0	383.8	399.1
Deferred Tax Assets	1,277.0	705.2	733.4	762.7
Application of Funds	22,791	24,932	27,602	30,709

Source: Company, ICICI Direct Research

Exhibit 21: Key ratios				
(Year-end March)	FY22	FY23	FY24E	FY25E
Per share data (₹)				
EPS	127.2	269.3	230.2	256.5
BV per share	1,157.4	1,402.8	1,592.9	1,809.5
Operating Ratios (%)				
Gross Profit Margins	65.5	69.0	67.5	68.5
EBITDA margins	17.5	25.7	22.6	23.0
Net Profit margins	9.8	18.1	14.4	14.9
Inventory days	249.6	232.0	249.6	249.6
Debtor days	113.1	107.2	113.1	113.1
Creditor days	111.1	108.1	111.1	111.1
Asset Turnover	1.1	1.1	1.1	1.1
EBITDA conversion Rate	74.6	92.7	62.0	76.9
Return Ratios (%)				
RoE	11.0	19.2	14.4	14.2
RoCE	12.5	23.9	18.8	21.1
RoIC	18.4	32.6	25.6	27.8
Valuation Ratios (x)				
P/E	34.6	16.8	19.8	17.7
EV / EBITDA	20.0	11.3	11.8	10.2
EV / Revenues	3.5	2.9	2.7	2.3
Market Cap / Revenues	3.5	3.1	2.8	2.6
Price to Book Value	3.9	3.2	2.9	2.5
Solvency Ratios				
Debt / Equity	0.2	0.1	0.0	0.0
Debt / EBITDA	0.9	0.2	0.1	0.1
Current Ratio	1.9	1.9	2.1	2.1

Source: Company, ICICI Direct Research

Exhibit 22: ICICI Direct Coverage Universe (Healthcare)

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	4607	5,460	Buy	66341	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	765	870	Buy	15614	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	138	180	Buy	1492	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	248	280	Buy	12413	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	3832	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	816	840	Buy	8323	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
Pharma																					
MNC Pharma																					
Abbott India	ABBIND	21482	21,025	Hold	45113	380.3	476.5	519.3	584.0	56.5	45.1	41.4	36.8	36.6	39.7	35.6	33.5	28.3	30.9	27.5	25.8
P&G Health	MERLIM	4715	5,315	Buy	8015	113.2	165.6	166.2	183.2	41.6	28.5	28.4	25.7	39.8	51.2	44.7	43.1	31.2	38.6	33.5	32.2
Sanofi India	SANOFI	6152	6,270	Hold	14150	410.6	269.8	251.4	272.7	15.0	22.8	24.5	22.6	33.3	55.1	49.6	45.0	25.9	41.2	36.9	33.3
Pfizer	PFIZER	3792	4,505	Hold	17445	133.2	139.7	149.3	162.0	28.5	27.1	25.4	23.4	26.1	23.5	24.0	22.6	21.4	17.6	18.4	17.3
Pharma																					
Ajanta Pharma	AJAPHA	1273	1,520	Buy	16291	55.7	46.5	59.9	69.2	22.9	27.4	21.3	18.4	27.0	21.3	23.5	23.3	21.8	17.4	19.2	18.9
Alembic Pharma	ALEMPHA	573	530	Hold	11293	27.7	17.4	14.1	22.1	20.7	33.0	40.7	26.0	10.6	8.6	8.0	11.6	10.4	7.8	6.2	9.1
Aurobindo Pharma	AURPHA	607	525	Hold	35550	47.4	34.8	46.2	52.4	12.8	17.4	13.1	11.6	12.9	10.2	12.6	13.1	11.3	7.7	9.3	9.6
Biocon	BIOCON	247	230	Hold	29641	6.3	4.9	3.1	3.1	38.9	50.0	78.4	78.4	7.5	3.3	5.1	6.2	8.1	2.7	6.2	8.3
Zydus Lifesciences	CADHEA	522	500	Buy	53412	21.0	22.6	27.0	35.5	24.8	23.1	19.3	14.7	12.0	12.3	12.3	12.0	12.6	12.1	12.8	14.6
Cipla	CIPLA	944	1,290	Buy	76177	32.9	38.3	45.5	52.5	28.7	24.7	20.7	18.0	16.7	18.4	19.1	19.8	12.7	13.3	14.1	14.5
Dr Reddy's Lab	DRREDD	4551	5,520	Buy	75552	127.2	269.3	230.2	256.5	35.8	16.9	19.8	17.7	12.5	23.9	18.8	21.1	11.0	19.2	14.4	14.2
Glenmark	GLEPHA	577	440	Hold	16267	42.7	33.3	47.4	54.8	13.5	17.3	12.2	10.5	14.8	14.9	15.7	16.4	13.2	9.4	11.9	12.2
Ipca Lab	IPCLAB	703	885	Hold	17851	34.8	20.8	31.4	37.0	20.2	33.7	22.4	19.0	17.4	12.1	15.7	16.5	16.1	8.9	12.1	12.7
Lupin	LUPIN	754	725	Hold	34321	11.9	8.3	25.6	33.0	63.5	90.7	29.4	22.9	3.4	5.7	11.0	13.0	4.4	3.0	8.6	10.2
Natco	NATPHA	643	565	Hold	11767	9.3	36.3	40.3	30.2	69.2	17.7	16.0	21.3	4.6	15.9	16.5	11.6	4.0	13.9	13.6	9.4
Sun Pharma	SUNPHA	958	1,210	Buy	229860	32.0	34.9	38.6	43.2	30.0	27.4	24.8	22.2	18.2	17.2	18.1	18.1	16.0	15.2	14.7	14.7
Torrent Pharma	TORPHA	1668	1,720	Hold	56389	32.0	36.3	45.1	53.8	52.1	45.9	37.0	31.0	19.7	17.1	20.4	23.3	18.2	17.9	19.0	19.4
Indoco Remedies	INDREM	341	440	Buy	3134	16.8	17.9	26.7	31.5	20.3	19.0	12.7	10.8	17.5	15.6	21.9	24.7	17.1	15.9	19.8	19.4
Caplin Point	CAPPOI	690	865	Buy	5244	39.5	48.8	47.9	47.9	17.5	14.1	14.4	14.4	25.3	23.5	22.4	22.4	20.2	20.2	16.7	16.7
Advanced Enzyme	ADVENZ	275	265	Reduce	3079	9.4	13.6	15.3	15.3	29.1	20.3	17.9	17.9	19.4	14.3	10.8	14.2	19.4	14.3	10.8	14.2
Hester Bios	HESPHA	1797	1,830	Hold	1618	45.7	35.6	49.7	59.8	39.3	50.4	36.2	30.1	10.9	9.9	10.9	12.0	15.0	10.7	13.5	14.4
API/CRAMS																					
Divi's Lab	DIVLAB	3407	2,945	Hold	90297	111.5	72.8	77.4	95.0	30.6	46.8	44.0	35.9	30.2	18.2	18.3	18.3	21.3	25.2	15.0	15.0
Hikal	HIKCHE	299	375	Hold	3674	13.0	5.7	14.6	20.7	22.9	52.5	20.5	14.4	13.6	7.2	14.3	17.7	15.0	6.3	14.1	17.0
Syngene International	SYNINT	705	740	Buy	28271	9.9	11.6	13.3	17.9	71.4	60.9	53.0	39.4	11.7	13.8	14.2	16.9	12.9	12.8	13.0	14.9
Granules India	GRANUL	301	355	Buy	7456	16.6	21.4	16.6	16.6	18.1	14.1	18.1	18.1	15.6	20.0	15.6	15.6	16.0	18.7	16.0	16.0
Laurus Labs	LAULAB	330	300	Hold	17694	15.4	14.7	10.5	10.5	21.4	22.3	31.4	31.4	21.3	19.8	14.6	16.0	24.7	19.6	12.4	13.5
Suven Pharma	SUVPH	475	530	Buy	12100	17.8	14.7	17.7	20.0	26.7	32.2	26.9	23.7	37.5	26.0	25.6	24.5	29.7	20.6	20.5	19.5

Source: ICICI Direct Research

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