

CMP: ₹ 575

Target: ₹ 680 (18%)

Target Period: 12 months

August 16, 2021

## Q1 growth driven by India business...

**About the stock:** Glenmark's business is separated into three entities –

- Glenmark Pharmaceuticals for building a global generic, specialty and OTC business in therapy areas of dermatology, respiratory, oncology among others
- Glenmark Life Sciences for manufacturing and marketing APIs
- Innovation New Company (ICHNOS) to focus on discovery and development of novel, first-in-class treatments in the therapeutic areas of immunology, oncology and pain encompassing both NBEs as well as NCEs

**Q1FY22 Results:** Glenmark reported strong Q1FY22 results.

- Sales were up 26.4% YoY to ₹ 2964.9 crore
- EBITDA in Q1FY22 was at ₹ 573.6 crore, up 20% YoY with margins at 19.3%
- Consequent adjusted PAT was at ₹ 306 crore (up 35.6% YoY)

**What should investors do?** Glenmark's share price has de-grown by ~0.7x over the past five years (from ~₹ 856 in July 2016 to ~₹ 607 levels in July 2021).

- We retain our BUY rating on the stock

**Target Price and Valuation:** We value Glenmark at ₹ 680 based on SOTP valuation

**Key triggers for future price performance:**

- In India, it is the market leader in dermatology and improving its presence in respiratory, CVS, anti-infectives and anti-diabetics, in particular. It has also forayed into consumer health segment focusing on Rx-OTC switch products (~₹ 150 crore) led by two brands, Candid and Scalpe+
- In the US, traction from the newly commissioned US based Monroe facility will be the key determinant besides sustained product launches
- The management expects margins to improve due to cost rationalisation measures and decline in R&D expenses as percentage of sales

**Alternate Stock Idea:** Apart from Glenmark, in healthcare coverage we like Ajanta.

- It is mainly into domestic as well as exports formulations with focus on launching maximum number of first time branded generics launches
- BUY with a target price of ₹ 2695

### Key Financial Summary

(₹ Crore)	FY19	FY20	FY21	5 year CAGR (FY16-21)	FY22E	FY23E	2 year CAGR (FY21-23E)
Revenues	9865.5	10641.0	10943.9	7.4	12218.5	13111.8	9.5
EBITDA	1585.8	1698.1	2084.4	7.7	2339.4	2689.4	13.6
EBITDA margins (%)	16.1	16.0	19.0		19.1	20.5	
Adjusted PAT	757.8	743.1	925.5	5.5	1003.6	1350.1	20.8
EPS (₹)	26.9	26.4	32.9		35.6	47.9	
PE (x)	17.5	20.9	16.7		11.1	12.0	
EV to EBITDA (x)	12.1	11.8	9.5		8.1	6.7	
RoNW (%)	13.5	12.2	13.1		11.9	13.8	
RoCE (%)	15.3	12.7	13.7		15.9	17.0	

Source: Company, ICICI Direct Research

BUY



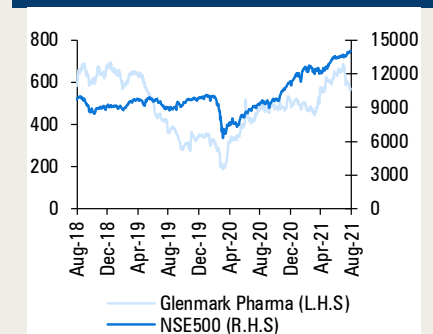
### Particulars

Particular	Amount
Market Capitalisation	₹ 16236 crore
Debt (FY21)	₹ 4785 crore
Cash & equivalent (FY21)	₹ 1139 crore
EV	₹ 19882 crore
52 week H/L (₹)	691/442
Equity capital	₹ 28.2 crore
Face value	₹ 1

### Shareholding pattern

(in %)	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Promotei	46.6	46.6	46.6	46.6	46.6
Others	53.4	53.4	53.4	53.4	53.4

### Price Chart



### Recent Event & Key risks

- Received CGT exclusivity in US for Theophylline 450mg
- **Key Risk:** (i) Continued price erosion in Derma US portfolio (ii) Delay in unlocking of innovation business

### Research Analyst

Siddhant Khandekar  
siddhant.khandekar@icicisecurities.com  
Mitesh Shah  
mitesh.sha@icicisecurities.com

## Key takeaways of recent quarter & conference call highlights

### Q1FY22 Results: Robust performance

- Q1 revenues grew 26.4% YoY to ₹ 2964.9 crore. Domestic sales grew 57.1% YoY to ₹ 1225 crore due to growth in both Covid and non Covid portfolio. US sales grew 6.1% to ₹ 787.8 crore, led by new launches. Europe business grew 11.7% YoY to ₹ 305.9 crore amid Covid restrictions in some countries partially being offset by growth in key markets. RoW markets grew 26.7% YoY to ₹ 268.6 crore whereas API segment grew 29.5% YoY to ₹ 304 crore. LatAm market grew 2.6% YoY to ₹ 67.5 crore due to a challenging environment in Brazil. EBITDA margins declined 104 bps YoY to 19.3% mainly due to lower gross margins. EBITDA grew 20% YoY to ₹ 573.6 crore. Adjusted PAT grew 35.6% YoY to ₹ 306.5 crore
- The company has received CGT exclusivity for Theophylline extended release tablets USP,450 mg and has a portfolio of 172 ANDAs while another 44 are pending approval, of which 21 are Para IV applications. However, Glenmark's derma portfolio is facing stiff pricing pressure in the US. Going ahead, traction from the newly commissioned US based Monroe facility will be the key determinant besides sustained product launches

### Q1FY22 Earnings Conference Call highlights

#### India

- A ₹ 350 crore Favipiravir in Q1FY22, Ex this, India business grew 12.2% led mainly by volume growth
- Almost nil sales of Favipiravir in July
- Glenmark is ranked first in antivirals, second in dermatology market, fourth in respiratory and sixth in the cardiology market in India
- Launched seven new products in Q1FY22
- Two to three big launches expected in this month and next month
- Secondary sales of Glenmark's Consumer Care business grew 24% YoY during the quarter
- Candid Powder recorded its highest ever secondary sales in June 2021
- Similarly, LaShield and Scalpe Plus both recorded their highest secondary sales in the quarter
- The company also launched Candid Cream during the quarter, which is available in more than 30,000 outlets currently
- Nasal spray for Covid-19 - Glenmark has recently signed an exclusive long term agreement with Canadian biotech SaNOTize to commercialise Nitric Oxide Nasal spray for Covid-19 treatment in Indian and other Asian markets
- Studies show that Nitric Oxide nasal spray is safe and highly effective in reducing viral load in Covid-19 patients and reduces onward transmission
- Phase III clinical trial is expected to be completed, followed by commercial launch under the brand name FabiSpray in India in Q3FY22
- Expects continue to grow better than industry
- Q2 expects negative growth amid higher base of Faviflu

#### US

- The company filed eight ANDAs, including three filings from Monroe.
- Expects to file 18-20 ANDAs in FY22 including four to five filings from Monroe
- Cumulative approvals were at 172 and 44 pending approvals of which 21 are para IV filings

- Expects 10-12 approvals annually
- US business expected to grow 10% in FY22
- No single products have more than US\$ 15 million sales

#### Russian and CIS

- In Russia and CIS secondary sales grew 42% YoY in Q1FY22
- In Russia, as per Q1 IQVIA, Glenmark's revenues grew 29% in value terms vis-à-vis 13.2% growth in the overall retail market.
- In Q1FY22, the company commercialized Ryaltris in Russia. Currently, it is focusing on building the distribution of the product across the region

#### RoW

- In the Asia region, a strong second wave of Covid especially in South East Asian countries impacted marketing activities
- Despite these challenges, secondary sales of the company grew 20% YoY during the quarter in the region, with strong growth in key markets like Philippines and Sri Lanka
- The company also witnessed a recovery in the Middle East/Africa region with secondary sales growth of 52% YoY with growth witnessed in markets like Kenya, South Africa and Saudi Arabia
- Covid products are negligible in RoW revenues

#### Europe

- The company witnessed a mixed performance in Western Europe
- While growth was affected by continued Covid restrictions in some countries, key markets like UK and Netherlands witnessed positive growth, The Central Eastern European region witnessed healthy growth across most key markets
- Among the key launches, the company launched one product each in UK, Germany and Spain during the quarter, respectively
- Glenmark became one of the first generic companies to successfully launch Tiotropium Dry Powder Inhaler, the bioequivalent version of Spiriva Handihaler under the brand name of Tiogiva in the UK in Q1FY22
- The company has a strategic exclusive in-licensing agreement to market Tiotropium DPI in Western Europe
- The company is planning subsequent launches of the product across markets in Western Europe under the brand name Tiogiva in Ireland, Sweden, Finland and Norway; Tavulus in Denmark, Spain and Netherlands; and Tiotropium Glenmark in Germany.

#### Latin America

- Revenue growth was impacted by Brazil where the market remained challenging due to the pandemic
- However, it witnessed a recovery in this region with most other markets recording positive growth momentum during the quarter including Mexico which grew 63% YoY during the quarter

#### Glenmark Life Sciences (API)

- Revenues including captive consumption grew 32.2% YoY to ₹ 524.9 crore
- Margins were at 31.3%

#### Others

- R&D was ₹ 284 crore in Q1FY22, 9.57%

- US\$ 22 million spend in ICHNOS in Q1FY22
- Expects 10.5% in FY22
- Capex guidance -- 650-700 crore in FY22 and 650 crore in FY23

**Key Guidance/objective for FY22**

- Revenue growth of 10-15% during the year
- Sustain EBITDA margin performance at similar levels of FY21
- Reduce debt by at least ₹ 1600 crore through a combination of free cash generation and IPO proceeds during the year
- Also, ₹ 1200 crore from IPO proceed
- Total ₹ 400 crore from internal accruals
- Post FY22, strategic priority to enhance free cash generation for further debt reduction; prioritizing over R&D investments and capital expenditure
- Close one or two out-licensing agreements at Ichnos
- Other expenditure expects more than 26%, mostly other expenditure in H2 is higher than H1
- Expect strong FY22

Exhibit 1: Variance Analysis

	Q1FY22	Q1FY21	Q4FY21	YoY (%)	QoQ (%)	Comments
Revenue	2,964.9	2,344.8	2,859.9	26.4	3.7	YoY growth driven by 57% growth in domestic formulations mainly led by surge in Favipiravir sales in second wave
Raw Material Expenses	1,139.0	808.4	938.4	40.9	21.4	
Gross Margin (%)	61.6	65.5	67.2	-394 bps	-560 bps	YoY impacted amid product mix led to Favipiravir
Employee Expenses	596.4	509.6	537.2	17.0	11.0	
Other Expenditure	655.9	548.7	860.9	19.5	-23.8	
EBITDA	573.6	478.1	523.4	20.0	9.6	
EBITDA (%)	19.3	20.4	18.3	-104 bps	104 bps	YoY decline in gross margins partially offset by lower other expenditure and staff cost
Interest	75.6	93.7	83.3	-19.3	-9.3	
Depreciation	113.1	113.2	111.1	-0.1	1.8	
Other Income	58.6	58.5	8.5	0.2	590.6	
PBT before EO & Forex	443.6	329.6	337.5	34.6	31.4	
Less: EO & Forex	0.0	-28.0	0.0	NA	NA	
PBT	443.6	357.6	337.5	24.0	31.4	
Tax	137.0	103.6	103.6	32.3	32.2	
PAT before MI	306.5	254.0	233.9	20.7	31.1	
Adj. Net Profit	306.5	226.1	233.9	35.6	31.1	Delta vis-à-vis EBITDA mainly due to lower interest and depreciation
<b>Key Metrics</b>						
US	787.8	742.6	801.2	6.1	-1.7	Growth primarily driven by new product launches
Europe	305.9	273.9	422.3	11.7	-27.6	YoY growth driven by positive growth in key markets like UK, Netherlands and strong growth in Central Eastern European region
India	1,225.0	779.9	823.8	57.1	48.7	Favipiravir reported ₹ 350 crore in Q1FY22, ex this India business grew 12.2%
Latin America	67.5	65.8	129.9	2.6	-48.0	Revenue growth impacted by Brazil where the market remained challenging due to the pandemic
RoW markets	268.6	212.0	334.2	26.7	-19.6	Russia and CIS markets secondary sales having grown 42% YoY in the region. Asia region secondary sales of the company grew 20% YoY
API	304.0	234.8	331.1	29.5	-8.2	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY22E			FY23E			
	Old	New	% Change	Old	New	% Change	
Revenue	12,158.7	12,218.5	0.5	13,249.5	13,111.8	-1.0	
EBITDA	2,424.8	2,339.4	-3.5	2,709.4	2,689.4	-0.7	
EBITDA Margin (%)	19.9	19.1	-80 bps	20.4	20.5	6 bps	Reduced as per guidance
PAT	1,185.1	1,457.2	23.0	1,410.4	1,350.1	-4.3	Included proceeds from Glenmark Lifescience IPO
EPS (₹)	42.1	51.7	23.0	50.1	47.9	-4.3	

Source: ICICI Direct Research

Exhibit 3: Assumptions

(₹ crore)	Current				Earlier		Comments
	FY20	FY21	FY22E	FY23E	FY22E	FY23E	
US	3,140.4	3,076.4	3,354.3	3,627.0	3,383.0	3,653.6	
Europe	1,248.4	1,327.6	1,517.7	1,745.4	1,526.8	1,755.8	
India	3,202.2	3,536.5	4,133.8	4,279.8	3,922.6	4,271.7	
Latin America	535.6	422.6	447.1	469.4	458.5	481.5	
RoW markets	1,285.4	1,262.8	1,424.5	1,567.0	1,420.9	1,563.0	
API	1,023.9	1,207.3	1,276.5	1,340.3	1,326.4	1,392.7	

Source: ICICI Direct Research

Exhibit 4: Financial Summary

	Revenues	Growth	Adj. EPS	Growth	P/E	EV/EBITDA	RoNW	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY20	10641	7.9	26.4	-1.9	20.9	11.8	12.2	12.7
FY21	10944	2.8	32.9	24.6	16.7	9.5	13.1	13.7
FY22E	12219	11.6	35.6	8.4	11.1	8.1	11.9	15.9
FY23E	13112	7.3	47.9	34.5	12.0	6.7	13.8	17.0

Source: ICICI Direct Research

Exhibit 5: Revenue Breakup

	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	CAGR (FY16-21) %	CAGR (FY21-23E) %
US	2420	3701	3208	3139	3140	3076	3354	3627	CAGR 4.9%	CAGR 8.6%
India	2102	2304	2514	2777	3202	3537	4134	4280	CAGR 11.0%	CAGR 10.0%
Europe	717	710	906	1121	1248	1328	1518	1745	CAGR 13.1%	CAGR 14.7%
Latin America	750	518	407	418	536	423	447	469	-CAGR 10.8%	CAGR 5.4%
RoW markets	903	989	1099	1276	1285	1263	1425	1567	CAGR 6.9%	CAGR 11.4%
API	668	809	878	949	1024	1207	1277	1340	CAGR 12.6%	CAGR 5.4%
<b>Total Revenues</b>	<b>7650</b>	<b>9186</b>	<b>9103</b>	<b>9865</b>	<b>10641</b>	<b>10944</b>	<b>12219</b>	<b>13112</b>	<b>CAGR 7.4%</b>	<b>CAGR 9.5%</b>

Source: ICICI Direct Research

Exhibit 6: Trends in Quarterly Performance

(₹ Crore)	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	YoY (%)	QoQ (%)
Total Operating Income	2165.6	2581.3	2555.0	2563.5	2322.9	2815.0	2735.6	2767.5	2344.8	2952.5	2786.8	2859.9	2964.9	26.4	3.7
Raw Material Expenses	758.8	880.8	862.0	860.7	810.1	986.1	926.3	976.1	808.4	1040.7	911.4	938.4	1139.0	40.9	21.4
% of revenue	35.0	34.1	33.7	33.6	34.9	35.0	33.9	35.3	34.5	35.2	32.7	32.8	38.4		
Gross Profit	1406.8	1700.5	1693.0	1702.8	1512.8	1828.9	1809.2	1791.4	1536.4	1911.8	1875.4	1921.5	1825.9	18.8	-5.0
Gross Profit Margin (%)	65.0	65.9	66.3	66.4	65.1	65.0	66.1	64.7	65.5	64.8	67.3	67.2	61.6	-394 bps	-560 bps
Employee Expenses	452.5	605.9	503.1	494.6	486.7	686.6	557.2	524.2	509.6	700.3	596.6	537.2	596.4	17.0	11.0
% of revenue	20.9	23.5	19.7	19.3	21.0	24.4	20.4	18.9	21.7	23.7	21.4	18.8	20.1		
Other Manufacturing Expense	607.4	654.5	755.3	844.0	684.2	691.9	811.9	801.5	548.7	658.7	748.7	860.9	655.9	19.5	-23.8
% of revenue	28.0	25.4	29.6	32.9	29.5	24.6	29.7	29.0	23.4	22.3	26.9	30.1	22.1		
Total Expenditure	1818.7	2141.2	2120.4	2199.3	1981.0	2364.6	2295.5	2301.8	1866.7	2399.7	2256.7	2336.5	2391.3	28.1	2.3
% of revenue	84.0	83.0	83.0	85.8	85.3	84.0	83.9	83.2	79.6	81.3	81.0	81.7	80.7		
EBITDA	346.9	440.1	434.7	364.1	341.9	450.4	440.1	465.7	478.1	552.8	530.1	523.4	573.6	20.0	9.6
EBITDA Margins (%)	16.0	17.0	17.0	14.2	14.7	16.0	16.1	16.8	20.4	18.7	19.0	18.3	19.3	-104 bps	104 bps
Depreciation	79.4	82.5	83.1	81.0	90.7	94.2	106.0	126.3	113.2	104.1	115.2	111.1	113.1	-0.1	1.8
Interest	79.0	85.1	88.5	81.9	93.0	89.8	96.1	98.5	93.7	80.6	95.4	83.3	75.6	-19.3	-9.3
Other Income	138.2	139.9	-109.0	39.1	1.7	80.8	33.0	44.1	58.5	-31.9	15.1	8.5	58.6	0.2	590.6
Forex & EO	0.0	167.2	0.0	0.0	0.0	0.0	0.0	32.9	28.0	3.1	13.4	0.0	0.0		
PBT	326.7	579.6	154.0	240.3	159.8	347.3	271.0	318.0	357.6	339.4	348.0	337.5	443.6	24.0	31.4
Total Tax	93.7	165.6	37.7	78.6	50.6	91.8	80.1	97.7	103.6	105.4	99.8	103.6	137.0	32.3	32.2
Tax rate (%)	28.7	28.6	24.5	32.7	31.6	26.4	29.6	30.7	29.0	31.1	28.7	30.7	30.9	193 bps	18 bps
PAT	233.0	414.0	116.3	161.7	109.3	255.5	190.8	220.3	254.0	234.0	248.2	233.9	306.5	20.7	31.1
Adjusted PAT	233.0	246.8	116.3	161.7	109.3	255.5	190.8	187.4	226.1	230.9	234.8	233.9	306.5	35.6	31.1
EPS (₹)	8.3	8.8	4.1	5.7	3.9	9.1	6.8	6.7	8.0	8.2	8.3	8.3	10.9		

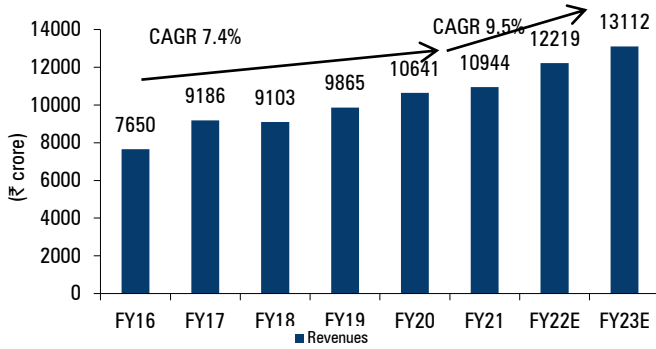
Source: ICICI Direct Research

**Exhibit 7: Valuation**

Particulars	FY23E EPS	Multiple (x)	Per share (₹ )
GLenmark (ex API)	34.8	10.0	347.9
API			
	Targeted Market Cap		9,079
	Glenmark's Holding		82.8%
	Holding Company Discount		40.0%
	API valuation		4512
	Per share valuation		332
<b>SOTP valuation</b>			<b>680</b>

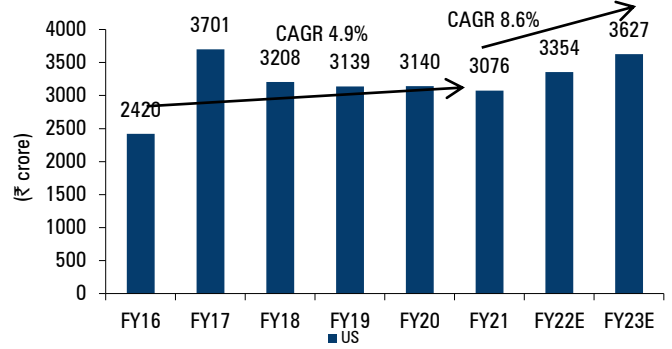
Source: ICICI Direct Research, Bloomberg

Exhibit 8: Revenues to grow at CAGR of 10% over FY21-23E



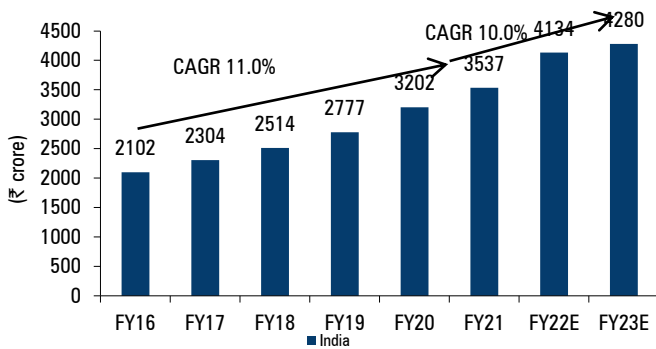
Source: ICICI Direct Research, Company

Exhibit 9: US to grow at CAGR of 9% over FY21-23E



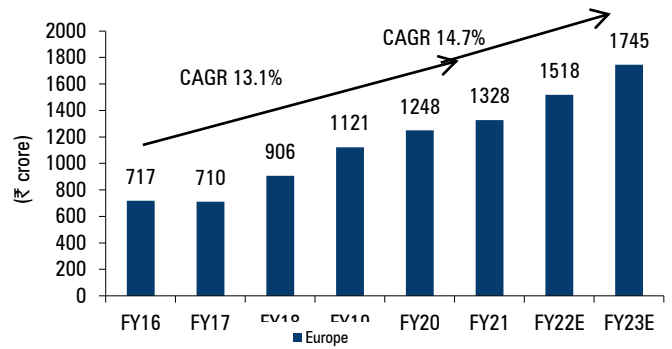
Source: ICICI Direct Research, Company

Exhibit 10: India to grow at CAGR of ~10% over FY21-23E



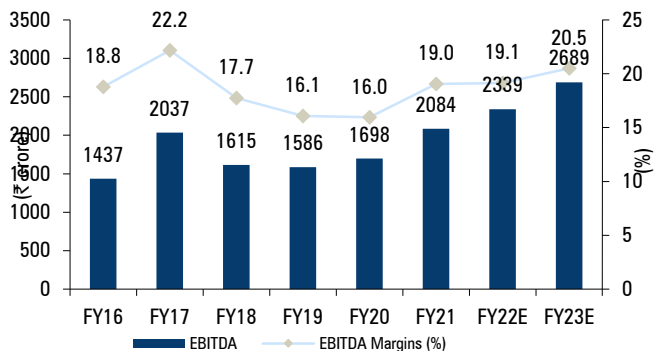
Source: ICICI Direct Research, Company

Exhibit 11: Europe to grow at CAGR of 15% over FY21-23E



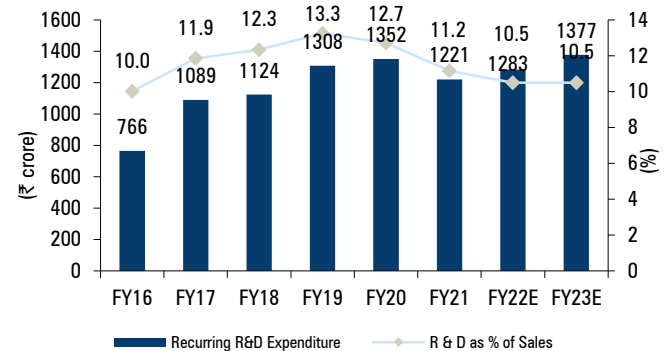
Source: ICICI Direct Research, Company

Exhibit 12: EBITDA & EBITDA margins trend



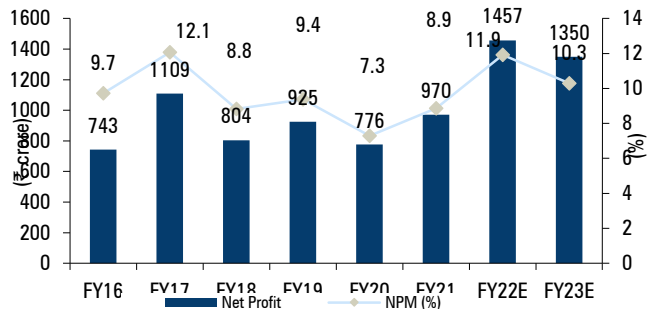
Source: ICICI Direct Research, Company

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



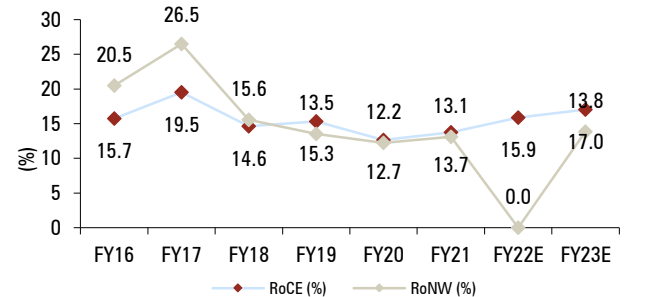
Source: ICICI Direct Research, Company

Exhibit 14: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 15: RoE & RoCE trend



Source: ICICI Direct Research, Company



Exhibit 16: ICICI Direct Coverage Universe (Healthcare)

Company	I-Direct Code	CMP (₹)	TP Rating	M Cap (₹ cr)	EPS (₹)				PE(x)				RoCE (%)			RoE (%)					
					FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	
Ajanta Pharma	AJAPHA	2234	2,695	Buy	19332	53.4	74.0	80.8	89.8	41.9	30.2	27.6	24.9	24.7	29.0	24.9	24.0	18.1	21.8	20.2	19.2
Alembic Pharma	ALEMPHA	770	885	Hold	15140	44.4	59.9	35.2	44.3	17.3	12.9	21.9	17.4	21.0	24.2	12.7	14.8	27.1	23.0	12.3	13.8
Apollo Hospitals	APOHOS	4304	4,510	Hold	61886	22.6	7.9	60.4	76.8	190.6	547.6	71.3	56.0	10.2	6.3	15.5	18.2	9.7	2.5	15.8	17.2
Aurobindo Pharma	AURPHA	741	865	Hold	43424	48.8	55.0	54.2	61.8	15.2	13.5	13.7	12.0	17.2	16.8	14.4	15.1	17.0	14.7	12.7	12.8
Biocon	BIOCON	367	400	Hold	43986	5.8	6.1	6.1	12.5	63.0	60.2	59.9	29.2	10.2	7.6	8.7	12.5	10.4	9.6	8.9	15.6
Cadila Healthcare	CADHEA	532	583	Hold	54463	14.0	21.5	20.8	22.0	38.1	24.8	25.5	24.2	10.7	12.6	13.1	12.9	13.8	16.9	12.6	12.1
Cipla	CIPLA	890	1,205	Buy	71783	19.2	29.9	35.5	41.6	46.3	29.8	25.1	21.4	12.0	16.3	17.9	18.4	9.8	13.1	14.0	14.5
Divi's Lab	DIVLAB	4900	5,815	Buy	130081	51.9	74.7	94.7	116.3	94.5	65.6	51.8	42.1	23.9	27.6	28.8	29.2	18.8	21.3	22.5	23.0
Dr Reddy's Labs	DRREDD	4672	5,250	Hold	77727	121.8	117.3	126.8	197.3	38.4	39.8	36.8	23.7	9.6	13.1	12.9	16.5	13.0	11.1	10.8	14.7
<b>Glenmark Pharm</b>	<b>GLEPHA</b>	<b>575</b>	<b>680</b>	<b>Buy</b>	<b>16225</b>	<b>26.4</b>	<b>32.9</b>	<b>35.6</b>	<b>47.9</b>	<b>21.8</b>	<b>17.5</b>	<b>16.1</b>	<b>12.0</b>	<b>12.7</b>	<b>13.7</b>	<b>15.9</b>	<b>17.0</b>	<b>12.2</b>	<b>13.1</b>	<b>11.9</b>	<b>13.8</b>
Hikal	HIKCHE	676	590	Hold	8339	8.1	10.8	16.5	19.6	83.5	62.6	41.0	34.4	12.8	15.1	17.2	18.4	12.2	14.3	18.1	17.9
Ipca Laboratories	IPCLAB	2408	2,560	Buy	30552	47.6	89.9	88.2	102.4	50.6	26.8	27.3	23.5	17.6	27.1	22.2	21.5	16.6	24.2	19.3	18.4
Jubilant Pharmova	JUBLIF	632	850	Buy	10067	44.6	37.4	59.9	84.9	14.2	16.9	10.6	7.4	11.7	13.7	18.2	22.4	12.7	12.6	16.9	19.5
Lupin	LUPIN	969	1,025	Hold	43983	-12.7	26.9	40.0	44.6	NA	36.1	24.2	21.7	9.7	9.0	12.6	13.2	-4.6	8.8	11.8	11.9
Narayana Hrudalaya	NARHRU	500	620	Buy	10222	6.4	-0.7	12.3	15.6	78.8	NA	40.6	32.1	11.0	1.2	14.5	16.8	11.4	-1.3	18.6	19.3
Natco Pharma	NATPHA	994	1,040	Hold	18130	25.3	24.2	19.4	22.6	39.3	41.1	51.3	44.0	14.0	13.1	9.7	10.9	12.2	10.7	8.1	8.8
Sun Pharma	SUNPHA	780	800	Hold	187208	16.8	30.0	25.1	28.6	46.5	26.0	31.0	27.3	10.0	14.4	15.1	15.3	8.9	15.5	12.0	12.2
Syngene Int.	SYNINT	627	780	Buy	25086	10.3	10.1	11.0	15.6	60.9	62.0	56.9	40.3	14.5	11.5	13.1	16.6	16.8	13.5	13.6	16.1
Torrent Pharma	TORPHA	2925	3,250	Buy	49503	60.6	74.0	78.5	101.5	48.3	39.5	37.2	28.8	15.4	17.7	20.8	22.2	21.2	21.4	19.4	21.1
Shalby	SHALIM	190	210	Hold	2229	2.6	3.9	4.8	5.3	74.3	48.4	39.3	35.5	7.2	6.5	8.3	8.2	3.5	5.1	6.0	6.3
Aster DM	ASTDM	164	200	Buy	8217	5.7	3.0	10.8	15.0	28.8	55.5	15.2	10.9	7.2	5.4	9.2	11.1	8.7	4.4	13.8	16.1
Indoco Remedies	INDREM	476	575	Buy	3945	2.6	10.1	16.7	23.9	182.0	47.1	28.4	19.9	4.6	11.8	19.4	21.8	3.5	12.1	17.1	20.2
Caplin Point	CAPPOI	823	1,135	Buy	6756	28.4	32.0	40.8	47.4	29.0	25.7	20.2	17.4	26.5	25.4	26.1	25.6	22.7	20.4	21.1	20.0
Granules India	GRANUL	353	430	Buy	9741	12.4	22.2	23.6	28.7	28.4	15.9	15.0	12.3	15.2	24.0	23.4	24.2	16.7	25.3	21.5	21.0
Laurus Labs	LAULAB	700	785	Buy	34493	4.8	18.3	22.6	28.0	147.1	38.2	31.0	25.0	13.0	31.7	30.6	30.6	14.4	37.9	32.9	29.8

Source: ICICI Direct Research

## Financial Summary

Exhibit 17: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
<b>Revenues</b>	<b>10,641.0</b>	<b>10,943.9</b>	<b>12,218.5</b>	<b>13,111.8</b>
Growth (%)	7.9	2.8	11.6	7.3
Raw Material Expenses	3,698.6	3,698.8	4,209.3	4,348.9
Employee Expenses	2,254.8	2,343.7	2,541.9	2,729.9
Other Manufacturing Expenses	2,989.5	2,817.0	3,128.0	3,343.5
Total Operating Expenditure	8,942.9	8,859.6	9,879.2	10,422.4
<b>EBITDA</b>	<b>1,698.1</b>	<b>2,084.4</b>	<b>2,339.4</b>	<b>2,689.4</b>
Growth (%)	7.1	22.7	12.2	15.0
Interest	377.3	353.1	242.8	208.8
Depreciation	417.2	443.6	480.5	522.8
Other Income	159.6	50.2	72.5	65.6
PBT before Exceptional Items	1,063.2	1,337.9	1,688.6	2,023.4
PBT	1,096.1	1,382.5	2,142.2	2,023.4
Total Tax	320.1	412.4	629.6	596.9
PAT before MI	776.0	970.1	1,512.6	1,426.5
<b>PAT</b>	<b>776.0</b>	<b>970.1</b>	<b>1,457.2</b>	<b>1,350.1</b>
Adjusted PAT	743.1	925.5	1,003.6	1,350.1
Growth (%)	-1.9	24.6	8.4	34.5
<b>EPS (Adjusted)</b>	<b>26.4</b>	<b>32.9</b>	<b>35.6</b>	<b>47.9</b>

Source: Company, ICICI Direct Research

Exhibit 18: Cash flow statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Profit/(Loss) after taxation	629.1	872.2	1,457.2	1,350.1
Add: Depreciation & Amortization	417.2	443.6	480.5	522.8
Net Increase in Current Assets	-25.7	-546.3	-768.6	-144.2
Net Increase in Current Liabilities	152.7	160.5	329.9	205.7
Others	219.1	201.3	334.6	334.6
<b>CF from operating activities</b>	<b>1,392.4</b>	<b>1,131.2</b>	<b>1,833.5</b>	<b>2,269.0</b>
(Inc)/dec in Fixed Assets	-775.3	-675.3	-650.0	-650.0
(Inc)/dec in Investments	5.0	0.0	0.0	0.0
Others	-3.9	13.8	-5.8	-61.7
<b>CF from investing activities</b>	<b>-774.3</b>	<b>-661.5</b>	<b>-655.8</b>	<b>-711.7</b>
Inc / (Dec) in Equity Capital	0.0	0.0	0.0	0.0
Inc / (Dec) in Loan Funds	7.5	-77.7	-1,600.4	-400.0
Other	-452.2	-364.1	-390.9	-390.9
<b>CF from financing activities</b>	<b>-444.7</b>	<b>-441.8</b>	<b>-1,991.3</b>	<b>-791</b>
Net Cash flow	173.5	27.9	-813.6	766.4
Opening Cash	937.8	1,111.2	1,139.2	325.6
<b>Closing Cash</b>	<b>1,111.2</b>	<b>1,139.2</b>	<b>325.6</b>	<b>1,092.0</b>
<b>Free Cash Flow</b>	<b>617.1</b>	<b>455.9</b>	<b>1,183.5</b>	<b>1,619.0</b>

Source: Company, ICICI Direct Research

Exhibit 19: Balance Sheet				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Equity Capital	28.2	28.2	28.2	28.2
Reserve and Surplus	6,042.3	7,036.4	8,437.3	9,731.1
Total Shareholders fund	6,070.5	7,064.6	8,465.5	9,759.3
Total Debt	4,868.6	4,784.9	3,184.5	2,784.5
Deferred Tax Liability	16.4	28.7	31.6	34.8
Minority Interest	-0.4	-0.4	55.4	58.2
Other Non Current Liabilities	429.3	420.9	442.0	464.1
<b>Source of Funds</b>	<b>11,384.5</b>	<b>12,298.8</b>	<b>12,178.9</b>	<b>13,100.8</b>
Gross Block - Fixed Assets	8,216.9	8,755.7	9,605.7	10,455.7
Accumulated Depreciation	3,241.3	3,684.8	4,165.3	4,688.1
Net Block	6,197.5	6,452.5	6,622.0	6,749.2
Goodwill on Consolidation	52.9	58.0	58.0	58.0
Investments	24.6	24.6	24.6	24.6
Inventory	2,135.6	2,276.8	2,558.2	2,676.2
Cash	1,111.2	1,139.2	325.6	1,092.0
Debtors	2,409.0	2,572.1	2,889.9	3,018.7
Other Current Assets	1,147.8	1,371.5	1,541.0	1,438.3
Total Current Assets	6,803.6	7,359.6	7,314.6	8,225.2
Creditors	2,125.8	2,237.8	2,514.3	2,663.9
Provisions & Other CL	1,174.5	1,067.2	1,120.6	1,176.6
Total Current Liabilities	3,300.3	3,305.0	3,634.8	3,840.5
Net Current Assets	3,503.3	4,054.6	3,679.8	4,384.7
LT L& A, Other Assets	150.5	174.4	183.1	192.3
Deferred Tax Assets	1,455.7	1,534.7	1,611.4	1,692.0
<b>Application of Funds</b>	<b>11,384.5</b>	<b>12,298.8</b>	<b>12,178.9</b>	<b>13,100.8</b>

Source: Company, ICICI Direct Research

Exhibit 20: Key ratios				
(Year-end March)	FY20	FY21	FY22E	FY23E
<b>Per share data (₹)</b>				
Adj EPS	26.4	32.9	35.6	47.9
BV	215.6	250.9	300.6	346.6
DPS	2.9	2.5	2.0	2.0
Cash Per Share	115.1	130.9	147.9	166.5
<b>Operating Ratios (%)</b>				
Gross Margin	65.2	66.2	65.6	66.8
EBITDA margins	16.0	19.0	19.1	20.5
Net Profit margins	7.0	8.5	8.2	10.3
Inventory days	73	76	76	74
Debtor days	83	86	86	84
Creditor days	73	75	75	74
Asset Turnover	1.3	1.2	1.3	1.3
EBITDA conversion Rate	82.0	54.3	78.4	84.4
<b>Return Ratios (%)</b>				
RoE	12.2	13.1	11.9	13.8
RoCE	12.7	13.7	15.9	17.0
RoIC	14.2	16.8	17.4	19.6
<b>Valuation Ratios (x)</b>				
P/E	20.9	16.7	11.1	12.0
EV / EBITDA	11.8	9.5	8.1	6.7
Market Cap / Sales	1.5	1.5	1.3	1.2
Price to Book Value	2.7	2.3	1.9	1.7
<b>Solvency Ratios</b>				
Debt / Equity	0.8	0.7	0.4	0.3
Debt / EBITDA	2.9	2.3	1.4	1.0
Current Ratio	1.7	1.9	1.9	1.9

Source: Company, ICICI Direct Research

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Pankaj Pandey

Head – Research

[pankaj.pandey@icicisecurities.com](mailto:pankaj.pandey@icicisecurities.com)

ICICI Direct Research Desk,  
ICICI Securities Limited,  
1st Floor, Akruiti Trade Centre,  
Road No 7, MIDC,  
Andheri (East)  
Mumbai – 400 093  
[research@icicidirect.com](mailto:research@icicidirect.com)

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