

June 29, 2020

## Numbers driven by India, Europe; US subdued...

Q4FY20 revenue grew 8% YoY to ₹ 2768 crore mainly due to ~29% growth in Europe business to ₹ 412 crore, 14% growth in domestic sales to ₹ 765 crore. US business stayed flattish (down 1% YoY) at ₹ 762 crore. EBITDA margins improved 262 bps YoY to 16.8% due to lower other expenditure. EBITDA grew 27.9% YoY to ₹ 466 crore. Adjusted PAT grew 16% YoY to ₹ 187 crore. Delta vis-à-vis EBITDA was due to higher depreciation.

## US growth dependent on new launches

US generics comprise ~30% of total revenues. So far, the company has received approval for 165 ANDAs while another 44 are pending approval, of which 24 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. We expect the US to grow at 6.5% CAGR in FY20-22E to ₹ 3565 crore on the back of new launches.

## Targeting specific therapies in IPM

Glenmark is ranked fourteenth in domestic formulations with a market share of 2.2%. It is a market leader in dermatology and improving its presence in respiratory, CVS, anti-infectives and anti-diabetics, in particular. The company has also forayed into consumer health segment focusing on Rx-OTC switch products (~₹ 150 crore) led by two brands, Candid and Scalpe+. We expect India sales to grow at 10.3% CAGR in FY20-22E to ₹ 3896 crore.

## Valuation & Outlook

FY20 revenues grew 7.9% YoY to ₹ 10641 crore whereas EBITDA margins remained stable at 16.0%. Topline growth was mainly attributable to 15.3% growth in domestic sales driven by Remogliflzin ramp-up and continuous market share gain in key therapeutics. Europe business also grew 11.4% YoY while US business remained flat due to stoppage of Ranitidine and sharp decline in dermatology portfolio. Operationally, barring the US, other geographies are, more or less, looking stable led by domestic formulations. The domestic consumer segment is also growing strong. Going ahead, the management expects margins to improve due to a decline in employee and R&D expenses as percentage of sales. The company had earlier shelved API monetisation plan and plans to reduce debt through internal accruals, pipeline monetisation and divestment of non-core business. On the other hand, higher capex (despite guidance of lower spend vis-à-vis FY20) and possible working capital strain are main deflators. We believe reduction of debt, improvement in free cash flow and margins are key to re-rate the stock. We arrive at our target price of ₹ 510 based on 14x FY22E EPS of ₹ 36.6.

### Key Financial Summary

(₹Crore)	FY19	FY20	FY21E	FY22E	CAGR (FY20-22E) %
Revenues	9865.5	10641.0	11358.5	12653.6	9.0
EBITDA	1585.8	1698.1	1850.9	2304.8	16.5
EBITDA margins (%)	16.1	16.0	16.3	18.2	
Adjusted PAT	757.8	743.1	703.6	1030.6	17.8
EPS (₹)	26.9	26.4	25.0	36.6	
PE (x)	14.4	17.2	19.0	12.9	
EV to EBITDA (x)	10.3	10.1	9.1	7.2	
RoNW (%)	13.5	12.2	10.5	13.4	
RoCE (%)	15.3	12.7	11.4	14.1	

Source: ICICI Direct Research; Company



### Particulars

Particular	Amount
Market Capitalisation	₹13373 crore
Debt (FY 20)	₹4868 crore
Cash & equivalent (FY 20)	₹1111 crore
EV	₹17130 crore
52 week H/L (₹)	573/162
Equity capital	₹28.2 crore
Face value	₹1

### Key Highlights

- Q4FY20 operational performance was in-line with expectations, while net profit was lower due to higher-than-expected depreciation. US growth was impacted due to stoppage of Ranitidine and sharp decline in dermatology portfolio
- Proposed unlocking of innovation business, divestment of non-core business to reduce debt as key catalyst for future re-rating of stock
- Maintain HOLD

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**Exhibit 1: Variance Analysis**

	Q4FY20	Q4FY20E	Q4FY19	Q3FY20	YoY (%)	QoQ (%)	Comments
Revenue	2,767.5	2,784.5	2,563.5	2,735.6	8.0	1.2	YoY growth mainly driven by strong growth in India, EU and LatAm. Growth partially due to pent-up demand amid Covid-19
Raw Material Expenses	976.1	974.6	860.7	926.3	13.4	5.4	
Employee Expenses	524.2	529.0	494.6	557.2	6.0	-5.9	
Other Expenditure	801.5	826.4	844.0	811.9	-5.0	-1.3	
EBITDA	465.7	454.4	364.1	440.1	27.9	5.8	
EBITDA (%)	16.8	16.3	14.2	16.1	262 bps	74 bps	YoY improvement mainly due to operational leverage and better product mix
Interest	98.5	96.1	81.9	96.1	20.2	2.5	
Depreciation	126.3	106.0	81.0	106.0	56.0	19.1	
Other Income	44.1	19.5	39.1	33.0	13.0	33.9	
PBT before EO & Forex	285.1	271.9	240.3	271.0	18.6	5.2	
PBT	318.0	271.9	240.3	271.0	32.3	17.3	
Tax	97.7	71.8	78.6	80.1	24.2	21.8	
PAT before MI	220.3	200.0	161.7	190.8	36.3	15.4	
Adj. Net Profit	187.4	200.0	161.7	190.8	15.9	-1.8	YoY growth mainly due to strong operational performance. Miss vis-à-vis I-direct estimates mainly due to higher depreciation and tax rate
<b>Key Metrics</b>							
US	761.9	815.5	769.6	799.8	-1.0	-4.7	YoY decline mainly due to stoppage of Ranitidine and sharp decline in dermatology portfolio specially in three products i.e. Mupirocin, Atomoxetine and Calcipotriene. Miss vis-à-vis I-direct estimates mainly due to higher-than-expected decline in dermatology portfolio
Europe	411.6	318.4	318.4	308.9	29.3	33.2	Constant currency growth was 20% YoY. Strong growth was mainly due to 23% growth in Western European region. Beat vis-à-vis I-direct estimates mainly due to higher-than-expected growth in key geographies and pent-up demand amid Covid-19
India	764.8	801.4	667.8	788.8	14.5	-3.1	YoY growth due to continuous market share gained in key therapies and pent-up demand owing to Covid-19
Latin America	176.9	144.5	120.4	156.3	46.9	13.1	Sharp growth and beat vis-à-vis I-direct estimates mainly due to launch of three respiratory products licensed from Novartis and 30% constant currency growth in Mexico
RoW markets	336.5	385.3	385.3	341.4	-12.6	-1.4	Sharp YoY decline and miss vis-à-vis I-direct estimates mainly due to subdued growth in Russia and Asia as well as currency devaluation
API	261.4	268.7	248.8	262.2	5.1	-0.3	

Source: ICICI Direct Research

**Exhibit 2: Change in Estimates**

(₹ Crore)	FY21E			FY22E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	11,816.3	11,358.5	-3.9	13,138.0	12,653.6	-3.7	
EBITDA	2,084.7	1,850.9	-11.2	2,449.3	2,304.8	-5.9	
EBITDA Margin (%)	17.6	16.3	-135 bps	18.6	18.2	-43 bps	Decline mainly due to negative operational leverage amid Covid-19
PAT	954.3	703.6	-26.3	1,196.0	1,030.6	-13.8	
EPS (₹)	33.9	25.0	-26.3	42.5	36.6	-13.8	Decline mainly in sync with EBITDA and increase in financial cost and tax rate

Source: ICICI Direct Research

**Exhibit 3: Change in Estimates**

(₹ crore)	Current				Earlier		Comments
	FY19	FY20	FY21E	FY22E	FY21E	FY22E	
US	3,139.3	3,140.4	3,300.9	3,564.9	3,357.7	3,626.3	
Europe	1,120.7	1,248.4	1,370.8	1,603.5	1,328.6	1,527.9	Increase mainly due to better-than-expected growth in Q4FY20
India	2,777.0	3,202.2	3,433.4	3,896.2	3,660.4	4,099.6	Decline mainly due to likely impact of Covid-19 in H1FY21
Latin America	418.0	535.6	564.6	613.9	585.6	632.5	Decline mainly due to likely impact of Covid-19 in H1FY21
RoW markets	1,275.9	1,285.4	1,370.7	1,539.0	1,534.3	1,764.5	Decline mainly due to likely impact of Covid-19 in H1FY21 and lower-than-expected growth in Q4FY20
API	949.3	1,023.9	1,087.4	1,179.0	1,134.3	1,247.8	

Source: ICICI Direct Research

## Conference Call Highlights

- Covid-19 – Production was impacted in March/April. In end-April stabilized. Currently, all facilities are operational. RM supply has improved and exports resumed by the first week of May
- India – Consumer care 31% YoY in Q4FY20. FY20 – ₹ 203.8 crore
  - Saw some positive benefit due to Covid-19
  - Candid dusting powder – 38% growth in Q4FY20
- Europe – Italy – last two weeks opportunity due to issues at a competitor
- US remains a challenging environment but some good launches are lined up
  - Generic topical dermatology market is estimated to have witnessed price erosion of around 20% in FY20
  - US business was impacted by 1) price erosion in three products -- Mupirocin Cream, Atomoxetine hydrochloride and Calcipotriene cream and 2) stoppage of sales of Ranitidine. The management expects Mupirocin sales to continue to be impacted going forward due to decline in market share/volume
  - Derma portfolio now contributes ~25-30% vs. 40-45% in FY19
  - Oral solid pricing pressure stabilised at 5-6%
- Growth in LatAm was mainly attributable to significant growth in the Brazilian subsidiary due to the three in-licensed products from Novartis
- Africa, Asia & CIS (ROW) – Russia subdued in Q4FY20 along with currency devaluation, Asia growth also remained subdued
- FabiFlu (Favipiravir) is prescription based, oral therapy for Covid-19 with emergency usage approval
  - The combination trials (with Umifenovir) are expected in the next two to three months
- FY20 capex was at ₹ 931 crore. Capex for FY21 is expected to be below ₹ 800 crore (~₹ 700 crore). With ~ ₹ 200 crore for in-licensing and rest for growth & routine capex
- FY21 costs – manpower (percentage of sales) and R&D costs (absolute) to be lower, going ahead
- Forex gain (part of OI) – Q4FY20: ₹ 35 crore, FY20: ₹ 115 crore
- R&D – Q4FY20: ₹ 350 crore, FY20: ₹ 1352 crore; Innovation - ₹ 819 crore and generic products - ₹ 533 crore
- As on FY20: Inventory: ₹ 2136 crore; receivables: ₹ 2409 crore; payables: ₹ 2126 crore
- Net debt as of FY20 was at ₹ 3758 crore; gross debt: ₹ 4868 crore (~₹ 400 crore in current maturities of LT debt). The company will continue to reduce debt through divestment of non-core business, reducing R&D and capex spend
- The company has invested ₹ 819.3 crore in ICHNOS Sciences for FY20. Ichnos will raise capital in FY21 for future growth
- Blended cost of debt likely around 5-6%
- GPM to be around 64.5-65.0% for FY21

- In the US, the company has received 14 ANDA approvals including 12 final approvals and two tentative approvals. Glenmark launched 16 products in FY20. The company has filed eight ANDAs in FY20
- The company currently has 44 applications pending with USFDA, of which 24 are Para IVs. It expects to file five ANDAs in Q1FY21 and plans to launch around 10 products in FY21

Exhibit 4: Trends in quarterly financials

(₹Crore)	14FY17	11FY18	12FY18	13FY18	14FY18	11FY19	12FY19	13FY19	14FY19	11FY20	12FY19	13FY20	14FY20	YoY (%)	QoQ (%)
Total Operating Incom	2457.2	2363.0	2256.6	2203.7	2279.8	2165.6	2581.3	2555.0	2563.5	2322.9	2581.3	2735.6	2767.5	8.0	1.2
Raw Material Expens	776.9	721.5	751.3	781.6	784.3	758.8	880.8	862.0	860.7	810.1	880.8	926.3	976.1	13.4	5.4
% of revenue	31.6	30.5	33.3	35.5	34.4	35.0	34.1	33.7	33.6	34.9	34.1	33.9	35.3		
Gross Profit	1680.2	1641.6	1505.3	1422.1	1495.5	1406.8	1700.5	1693.0	1702.8	1512.8	1700.5	1809.2	1791.4	5.2	-1.0
Gross Profit Margin (%)	68.4	69.5	66.7	64.5	65.6	65.0	65.9	66.3	66.4	65.1	65.9	66.1	64.7	-169 bps	-141 bps
Employee Expenses	384.7	384.4	557.2	465.9	464.3	452.5	605.9	503.1	494.6	486.7	605.9	557.2	524.2	6.0	-5.9
% of revenue	15.7	16.3	24.7	21.1	20.4	20.9	23.5	19.7	19.3	21.0	23.5	20.4	18.9		
Other Manufacturing l	851.7	679.7	559.7	633.5	704.4	607.4	654.5	755.3	844.0	684.2	654.5	811.9	801.5	-5.0	-1.3
% of revenue	34.7	28.8	24.8	28.7	30.9	28.0	25.4	29.6	32.9	29.5	25.4	29.7	29.0		
Total Expenditure	2013.3	1785.6	1868.2	1881.0	1953.0	1818.7	2141.2	2120.4	2199.3	1981.0	2141.2	2295.5	2301.8	4.7	0.3
% of revenue	81.9	75.6	82.8	85.4	85.7	84.0	83.0	83.0	85.8	85.3	83.0	83.9	83.2		
EBITDA	443.8	577.5	388.4	322.7	326.8	346.9	440.1	434.7	364.1	341.9	440.1	440.1	465.7	27.9	5.8
EBITDA Margins (%)	18.1	24.4	17.2	14.6	14.3	16.0	17.0	17.0	14.2	14.7	17.0	16.1	16.8	262 bps	74 bps
Depreciation	68.9	77.7	75.2	75.4	73.5	79.4	82.5	83.1	81.0	90.7	82.5	106.0	126.3	56.0	19.1
Interest	69.7	70.9	69.8	70.5	74.4	79.0	85.1	88.5	81.9	93.0	85.1	96.1	98.5	20.2	2.5
Other Income	-51.3	15.3	29.7	-23.2	69.6	138.2	139.9	-109.0	39.1	1.7	139.9	33.0	44.1	13.0	33.9
Forex & E O	-80.9	0.0	0.0	0.0	0.0	0.0	167.2	0.0	0.0	0.0	167.2	0.0	32.9		
PBT	173.0	444.2	273.1	153.7	248.5	326.7	579.6	154.0	240.3	159.8	579.6	271.0	318.0	32.3	17.3
Total Tax	-10.7	110.8	58.9	48.9	96.8	93.7	165.6	37.7	78.6	50.6	165.6	80.1	97.7	24.2	21.8
Tax rate (%)	-6.2	24.9	21.6	31.8	39.0	28.7	28.6	24.5	32.7	31.6	28.6	29.6	30.7	-202 bps	114 bps
PAT	183.8	333.4	214.1	104.7	151.6	233.0	414.0	116.3	161.7	109.3	414.0	190.8	220.3	36.3	15.4
Adjusted PAT	264.7	333.4	214.1	104.7	151.6	233.0	246.8	116.3	161.7	109.3	246.8	190.8	187.4	15.9	-1.8
EPS (₹)	9.4	11.8	7.6	3.7	5.4	8.3	8.8	4.1	5.7	3.9	8.8	6.8	6.7		

Source: ICICI Direct Research

## Company Background

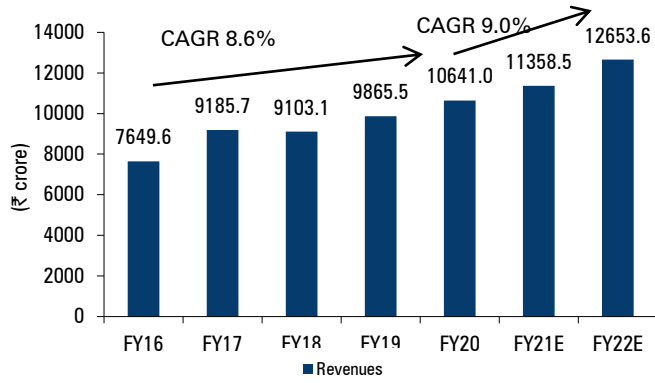
Incorporated in 1977, Glenmark was never a mass-market player with a clear focus on niche areas like dermatology, respiratory and cardiology. The company was one of the few Indian players (like Dr Reddy's) to identify the importance of dedicated R&D efforts in the nineties. Post its maiden IPO in 2000, the company started ramping up the API business via small acquisitions. In 2005, it struck its first out-licensing R&D deal with US based Forest Laboratories for COPD, asthma molecule with Oglemilast. Similar R&D deals were struck with innovator companies such as Eli Lilly and Merck KGaA (Germany). It received a substantial amount in the nature of upfront – milestone payments.

However, it received a setback in most deals, one after the other in 2007-09, as clients were unsatisfied with the progress or uninterested in pursuing the same any further due to changed priorities or budgetary constraints. This had hit the company hard during that period as unlike other Indian players, which hived off the risky R&D ventures into separate companies to protect the core balance sheet, Glenmark hived off the generic business. Its balance sheet got stretched with huge debts. However, post the R&D debacle, the company refocused on the generics business, especially in the US and Indian formulations putting R&D on the backburner. The change has worked going by the performance in the last two or three years as the strong traction in the US, backed by forays into niche areas such as oral contraceptives and dermatology, robust growth in Indian formulations and strong tractions from RoW and LatAm markets have improved the balance sheet and operating cash flows significantly. The R&D deals are still active with spend on innovative R&D and generic R&D split 65:35 ratio. The company has almost fully recovered the amount spent on innovative R&D. We expect US sales to remain subdued mainly due to a higher base, delay in product launches and acute pricing pressure in base business. However, ex-US, other geographies have started showing greater traction. The company also remains committed to API exports.

The company has undertaken a strategic step of reorganising its business into three separate entities operating independently – 1) Glenmark Pharmaceuticals (GPL) - To primarily focus on building a global generics, specialty and OTC business in the therapy areas of dermatology, respiratory and oncology. It also has a strong regional/country specific presence in other therapeutic areas like diabetes, cardiovascular and oral contraceptives, 2) Glenmark Life Sciences (GLS) - This primarily includes manufacturing and marketing of active pharmaceutical ingredient (API) products across all major markets globally. It also includes captive sales, 3) Innovation New Company (NewCo) - to focus on discovery and development of novel, first-in-class treatments in the therapeutic areas of immunology, oncology and pain encompassing both biologics (NBE) as well as new chemical entities (NCE).

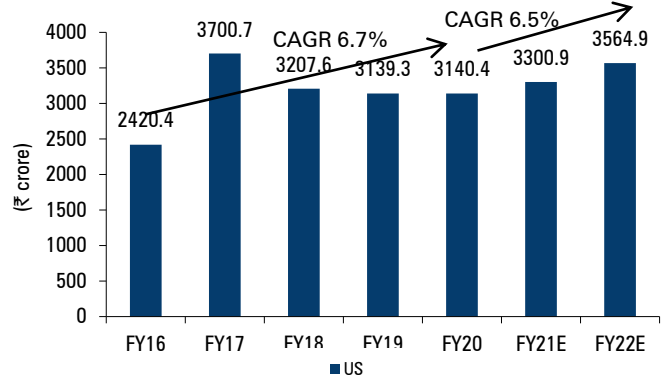
During Q4FY20, the company signed an agreement to divest its intimate female hygiene OTC brand, 'VWash' alongside other extensions (no employee transfer) to HUL for which it will receive an upfront payment and sales royalties for three years. The company's consumer business comprised three brands (Candid, VWash and Scalp) contributing ₹ 190 crore in FY19. As per our estimates, the brand had ~₹ 50-60 crore in annual sales (FY19) and is likely to fetch ₹ 200-250 crore (pre-tax) for the company at 4-5x.

Exhibit 5: Revenues to grow at CAGR of 9% over FY20-22E



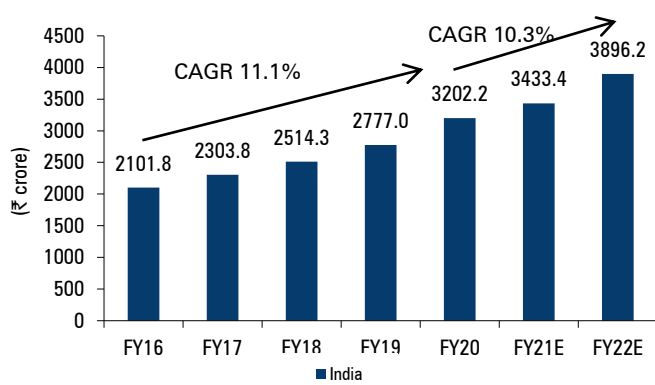
Source: ICICI Direct Research, Company

Exhibit 6: US to grow at CAGR of 6% over FY20-22E



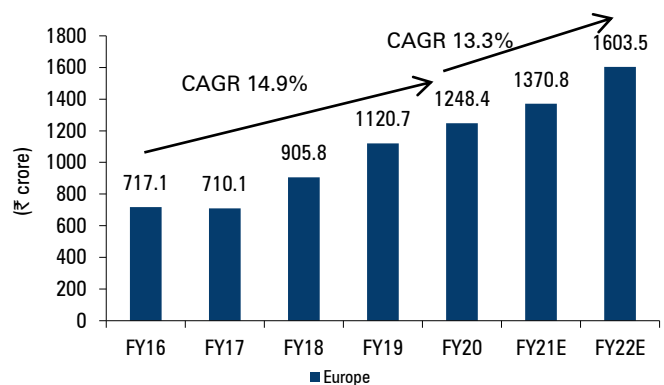
Source: ICICI Direct Research, Company

Exhibit 7: India to grow at CAGR of 10% over FY20-22E



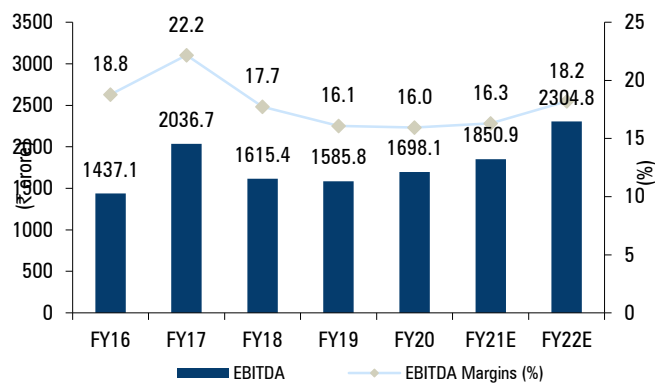
Source: ICICI Direct Research, Company

Exhibit 8: Europe to grow at CAGR of 13% over FY20-22E



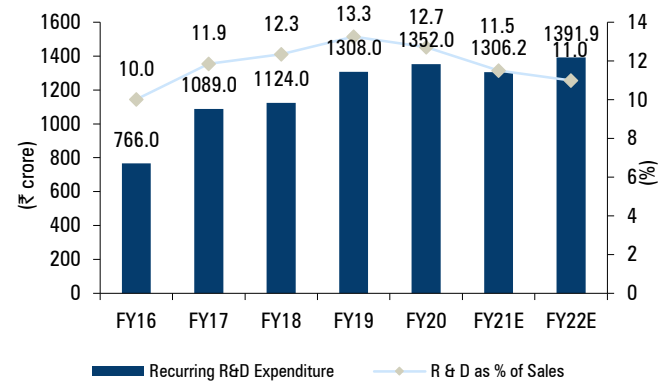
Source: ICICI Direct Research, Company

Exhibit 9: EBITDA & EBITDA margins trend



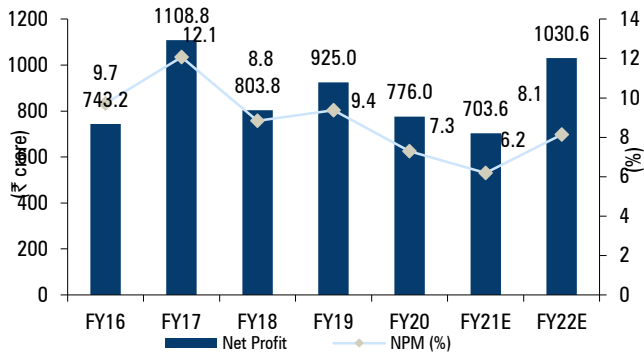
Source: ICICI Direct Research, Company

Exhibit 10: R&D and R&D as percentage of sales



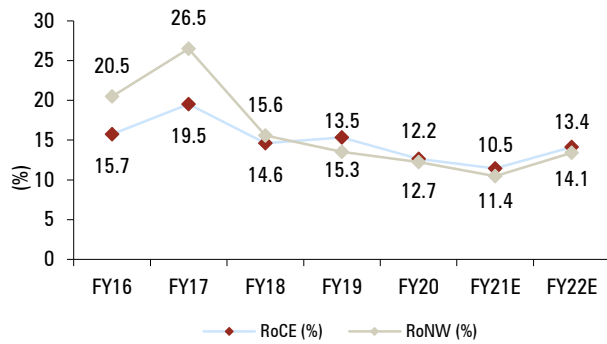
Source: ICICI Direct Research, Company

Exhibit 11: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 12: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 13: Revenue break-up (₹ crore)

	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	CAGR (FY16-20) %	CAGR (FY20-22E) %
US	2420.4	3700.7	3207.6	3139.3	3140.4	3300.9	3564.9	6.7	6.5
India	2101.8	2303.8	2514.3	2777.0	3202.2	3433.4	3896.2	11.1	10.3
Europe	717.1	710.1	905.8	1120.7	1248.4	1370.8	1603.5	14.9	13.3
Latin America	749.5	518.1	406.7	418.0	535.6	564.6	613.9	-8.1	7.1
RoW markets	903.3	988.8	1099.2	1275.9	1285.4	1370.7	1539.0	9.2	9.4
API	668.3	809.4	877.9	949.3	1023.9	1087.4	1179.0	11.3	7.3
<b>Total Revenues</b>	<b>7649.6</b>	<b>9185.7</b>	<b>9103.1</b>	<b>9865.5</b>	<b>10641.0</b>	<b>11358.5</b>	<b>12653.6</b>	<b>8.6</b>	<b>9.0</b>

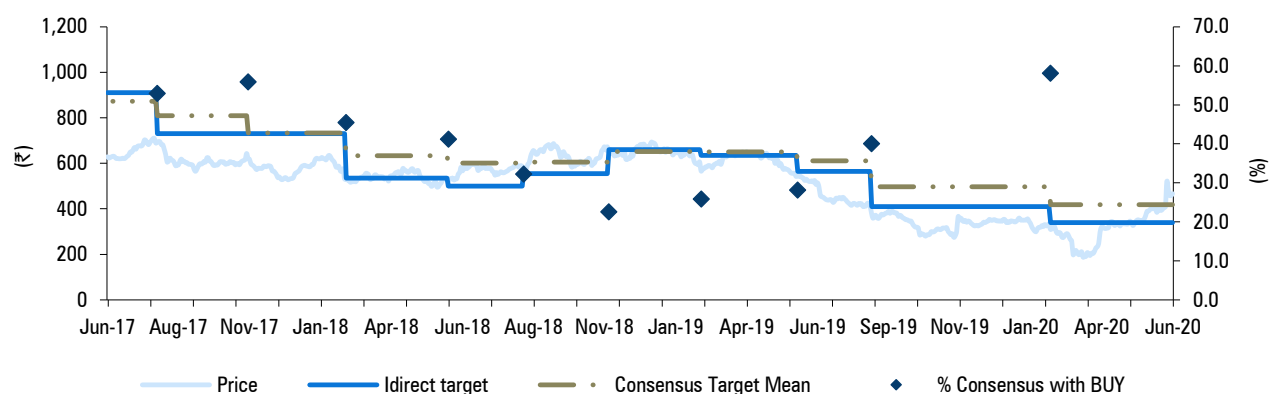
Source: ICICI Direct Research, Company

Exhibit 14: Financial Summary

	Revenues	Growth	Adj. EPS	Growth	P/E	EV/EBITDA	RoNW	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY19	9865	8.4	26.9	-5.7	14.4	10.3	13.5	15.3
FY20	10641	7.9	26.4	-1.9	17.2	10.1	12.2	12.7
FY21E	11358	6.7	25.0	-5.3	19.0	9.1	10.5	11.4
FY22E	12654	11.4	36.6	46.5	12.9	7.2	13.4	14.1

Source: ICICI Direct Research, Bloomberg

Exhibit 15: Recommendation History vs Consensus



Source: ICICI Direct Research; Bloomberg

Exhibit 16: Top 10 Shareholders

Rank	Investor Name	Filing Date	% O/S	Position (m)	Change
1	Saldanha Family Trust	31-Mar-20	45.5	128.24m	0.00m
2	HSBC Holdings PLC	29-Feb-20	5.1	14.40m	0.00m
3	Franklin Resources Inc	19-Jun-20	3.6	10.17m	(1.02)m
4	HDFC Asset Management Co Ltd	31-May-20	2.4	6.89m	(2.42)m
5	Vanguard Group Inc/The	31-May-20	1.7	4.91m	1.39m
6	Temasek Holdings Pte Ltd	31-Dec-19	1.3	3.67m	(4.12)m
7	HDFC Life Insurance Co Ltd	31-Mar-20	1.3	3.61m	3.61m
8	Dhawan Ashish	31-Mar-20	1.2	3.50m	0.50m
9	Bajaj Allianz Life Insurance Co Lt	31-Mar-20	1.2	3.41m	(0.61)m
10	Dimensional Fund Advisors Lp	30-Apr-20	1.2	3.25m	0.16m

Source: ICICI Direct Research; Bloomberg

Exhibit 17: Shareholding Pattern

(in %)	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Promoter	46.5	46.6	46.6	46.6	46.6
Others	53.5	53.4	53.4	53.4	53.4

Source: ICICI Direct Research; Company



## Financial Summary

Exhibit 18: Profit & Loss (₹ crore)

(Year-end March)	FY19	FY20	FY21E	FY22E
<b>Revenues</b>	<b>9,865.5</b>	<b>10,641.0</b>	<b>11,358.5</b>	<b>12,653.6</b>
Growth (%)	8.4	7.9	6.7	11.4
Raw Material Expenses	3,362.3	3,698.6	3,939.0	4,388.5
Employee Expenses	2,056.1	2,254.8	2,397.5	2,607.0
Other Manufacturing Expense:	2,861.3	2,989.5	3,171.1	3,353.2
Total Operating Expenditure	8,279.7	8,942.9	9,507.6	10,348.7
<b>EBITDA</b>	<b>1,585.8</b>	<b>1,698.1</b>	<b>1,850.9</b>	<b>2,304.8</b>
Growth (%)	-1.8	7.1	9.0	24.5
Interest	334.6	377.3	365.4	312.6
Depreciation	325.9	417.2	587.8	636.7
Other Income	208.1	159.6	79.5	75.9
PBT before Exceptional Items	1,133.4	1,063.2	977.2	1,431.4
PBT	1,300.6	1,096.1	977.2	1,431.4
Total Tax	375.6	320.1	273.6	400.8
PAT before MI	925.0	776.0	703.6	1,030.6
<b>PAT</b>	<b>925.0</b>	<b>776.0</b>	<b>703.6</b>	<b>1,030.6</b>
Adjusted PAT	757.8	743.1	703.6	1,030.6
Growth (%)	-5.7	-1.9	-5.3	46.5
<b>EPS (Adjusted)</b>	<b>26.9</b>	<b>26.4</b>	<b>25.0</b>	<b>36.6</b>

Source: ICICI Direct Research

Exhibit 19: Cash Flow Statement (₹ crore)

(Year-end March)	FY19	FY20	FY21E	FY22E
Profit/(Loss) after taxation	858.0	629.1	703.6	1,030.6
Add: Depreciation & Amortization	325.9	417.2	587.8	636.7
Net Increase in Current Assets	-313.1	-25.7	-634.6	-1,029.3
Net Increase in Current Liabilities	449.5	152.7	479.2	352.0
Others	3.9	219.1	334.6	334.6
<b>CF from operating activities</b>	<b>1,324.2</b>	<b>1,392.4</b>	<b>1,470.6</b>	<b>1,324.7</b>
(Inc)/dec in Investments	-15.0	5.0	0.0	0.0
(Inc)/dec in Fixed Assets	-610.1	-775.3	-750.0	-600.0
Others	-257.3	-3.9	-57.2	-60.0
<b>CF from investing activities</b>	<b>-882.4</b>	<b>-774.3</b>	<b>-807.2</b>	<b>-660.0</b>
Inc / (Dec) in Equity Capital	0.0	0.0	0.0	0.0
Inc / (Dec) in Loan Funds	-401.2	7.5	-300.0	-400.0
Other	-337.6	-452.2	-390.9	-390.9
<b>CF from financing activities</b>	<b>-738.7</b>	<b>-444.7</b>	<b>-690.9</b>	<b>-791</b>
Net Cash flow	-296.9	173.5	-27.6	-126.2
Opening Cash	1,234.7	937.8	1,111.2	1,083.7
<b>Closing Cash</b>	<b>937.8</b>	<b>1,111.2</b>	<b>1,083.7</b>	<b>957.5</b>
<b>Free Cash Flow</b>	<b>714.1</b>	<b>617.1</b>	<b>720.6</b>	<b>724.7</b>

Source: ICICI Direct Research

Exhibit 20: Balance Sheet (₹ crore)

(Year-end March)	FY19	FY20	FY21E	FY22E
Equity Capital	28.2	28.2	28.2	28.2
Reserve and Surplus	5,577.0	6,042.3	6,689.5	7,663.8
Total Shareholders fund	5,605.2	6,070.5	6,717.8	7,692.1
Total Debt	3,876.8	4,868.0	4,568.0	4,168.0
Deferred Tax Liability	0.0	16.4	18.1	19.9
Minority Interest	-0.4	-0.4	-0.4	-0.4
Other Non Current Liabilities	89.1	429.3	450.7	473.3
<b>Source of Funds</b>	<b>9,570.7</b>	<b>11,383.8</b>	<b>11,754.2</b>	<b>12,352.8</b>
Gross Block - Fixed Assets	6,472.5	8,249.8	9,599.8	10,399.8
Accumulated Depreciation	2,857.0	3,274.2	3,861.9	4,498.7
Net Block	5,014.5	6,197.5	6,359.8	6,323.1
Goodwill on Consolidation	54.7	52.9	52.9	52.9
Investments	29.7	24.6	24.6	24.6
Inventory	2,252.1	2,135.6	2,582.2	2,876.6
Cash	937.8	1,111.2	1,083.7	957.5
Debtors	2,194.6	2,409.0	2,516.3	2,803.2
Other Current Assets	1,312.4	1,147.8	1,228.4	1,676.4
Total Current Assets	6,696.8	6,803.6	7,410.6	8,313.7
Creditors	2,220.8	2,125.8	2,546.3	2,836.6
Provisions & Other CL	1,497.3	1,175.1	1,233.9	1,295.6
Total Current Liabilities	3,718.1	3,301.0	3,780.2	4,132.2
Net Current Assets	2,978.8	3,502.6	3,630.4	4,181.5
LT L& A, Other Assets	110.2	150.5	158.0	165.9
Deferred Tax Assets	1,383.0	1,455.7	1,528.5	1,604.9
<b>Application of Funds</b>	<b>9,570.7</b>	<b>11,383.8</b>	<b>11,754.2</b>	<b>12,352.8</b>

Source: ICICI Direct Research

Exhibit 21: Key Ratios (₹ crore)

(Year-end March)	FY19	FY20	FY21E	FY22E
<b>Per share data (₹)</b>				
Adj EPS	26.9	26.4	25.0	36.6
BV	199.0	215.6	238.6	273.2
DPS	2.3	2.9	2.0	2.0
Cash Per Share	101.5	116.3	137.1	159.8
<b>Operating Ratios (%)</b>				
Gross Margin	65.9	65.2	65.3	65.3
EBITDA margins	16.1	16.0	16.3	18.2
Net Profit margins	7.7	7.0	6.2	8.1
Inventory days	83	73	83	83
Debtor days	81	83	81	81
Creditor days	82	73	82	82
Asset Turnover	1.5	1.3	1.2	1.2
EBITDA conversion Rate	83.5	82.0	79.5	57.5
<b>Return Ratios (%)</b>				
RoE	13.5	12.2	10.5	13.4
RoCE	15.3	12.7	11.4	14.1
RoIC	22.2	17.3	15.2	18.2
<b>Valuation Ratios (x)</b>				
P/E	14.4	17.2	19.0	12.9
EV / EBITDA	10.3	10.1	9.1	7.2
Market Cap / Sales	1.4	1.3	1.2	1.1
Price to Book Value	2.4	2.2	2.0	1.7
<b>Solvency Ratios</b>				
Debt / Equity	0.7	0.8	0.7	0.5
Debt / EBITDA	2.4	2.9	2.5	1.8
<b>Current Ratio</b>	<b>1.5</b>	<b>1.7</b>	<b>1.7</b>	<b>1.8</b>

Source: ICICI Direct Research

Exhibit 22: ICICI Direct Coverage Universe (Healthcare)

Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹cr)	EPS (₹)				PE(x)				RoCE (%)				RoE (%)			
						FY19	FY20	Y21E	Y22E	FY19	FY20	Y21E	Y22E	FY19	FY20	Y21E	Y22E	FY19	FY20	Y21E	Y22E
Ajanta Pharma	AJAPHA	1429	1,730	Buy	12470	43.5	53.4	56.0	72.0	32.8	26.8	25.5	19.8	21.8	24.7	22.3	24.2	17.1	18.1	16.7	18.5
Alembic Pharm	ALEMPHA	893	875	Buy	16834	31.4	46.3	41.4	39.8	28.4	19.3	21.6	22.4	19.6	20.6	17.7	16.0	21.8	26.3	19.5	16.2
Aurobindo Pha	AURPHA	785	920	Buy	46011	41.9	48.8	55.0	61.4	18.8	16.1	14.3	12.8	15.9	17.2	18.2	18.7	17.7	17.0	16.3	15.6
Biocon	BIOCON	398	390	Buy	47808	6.2	5.8	9.8	18.2	64.2	68.5	40.5	21.9	10.9	10.9	15.1	22.1	12.2	10.4	15.2	22.4
Cadila Healthc	CADHEA	367	420	Buy	37602	18.1	14.0	16.9	20.9	20.3	26.3	21.7	17.6	13.0	11.0	12.2	13.8	17.8	13.8	14.8	16.0
Cipla	CIPLA	640	670	Buy	51617	18.6	19.2	23.0	30.2	34.5	33.3	27.8	21.2	10.9	12.0	13.0	15.4	10.0	9.8	10.8	12.6
Divi's Lab	DIVLAB	2342	2,355	Hold	62183	51.0	51.9	58.2	73.6	46.0	45.2	40.2	31.8	25.5	23.9	23.0	24.1	19.4	18.8	18.1	19.2
Dr Reddy's Lab	DRREDD	4013	4,615	Buy	66687	114.7	121.9	163.8	209.7	35.0	32.9	24.5	19.1	11.1	10.0	18.0	20.8	13.6	13.0	15.2	16.6
Glenmark Phar	GLEPHA	474	510	Hold	13373	26.9	26.4	25.0	36.6	17.6	18.0	19.0	12.9	15.3	12.7	11.4	14.1	13.5	12.2	10.5	13.4
Hikal	HIKCHE	126	165	Buy	1558	8.4	8.1	10.8	13.8	15.1	15.6	11.7	9.2	14.3	13.0	14.2	15.7	13.6	12.2	14.2	15.6
Ipca Laboratori	IPCLAB	1653	1,900	Buy	20889	35.1	47.8	63.3	79.2	47.2	34.6	26.1	20.9	15.0	17.4	19.7	20.7	14.2	16.6	18.1	18.6
Jubilant Life	JUBLIF	650	550	Buy	10352	54.9	59.9	69.8	89.8	11.8	10.9	9.3	7.2	14.3	14.6	17.2	19.7	17.8	16.6	16.4	17.5
Lupin	LUPIN	922	930	Hold	41765	16.5	-12.7	25.6	38.7	55.7	-72.6	36.1	23.8	9.4	10.6	10.4	14.6	5.4	-4.6	8.5	11.6
Narayana Hrud	NARHRU	268	340	Buy	5467	2.9	6.4	-3.1	9.6	92.1	42.1	-87.1	27.8	7.7	11.0	0.0	14.2	5.5	11.4	-5.8	15.7
Natco Pharma	NATPHA	624	740	Buy	11352	35.4	25.3	23.9	22.4	17.6	24.6	26.0	27.9	21.3	14.0	12.9	11.3	18.5	12.2	10.7	9.3
Sun Pharma	SUNPHA	482	540	Buy	115525	15.9	16.8	18.4	24.5	30.4	28.7	26.2	19.6	10.3	10.0	10.3	12.4	9.2	8.9	8.9	10.8
Syngene Int.	SYNINT	412	390	Buy	16468	8.3	10.3	8.6	12.2	49.8	40.0	38.6	27.3	14.8	15.0	12.9	16.4	16.8	15.7	13.7	16.3
Torrent Pharm	TORPHA	2471	2,475	Hold	41822	48.9	60.6	67.0	88.3	50.5	40.8	36.9	28.0	14.2	15.7	17.7	21.2	17.5	21.2	20.0	22.0
Shalby	SHALIM	70	70	Hold	752	2.9	2.6	0.7	4.0	23.8	27.3	94.9	17.3	6.8	7.2	1.8	7.0	4.1	3.5	1.0	5.2
Aster DM	ASTDM	123	160	Buy	6161	6.7	5.5	-1.4	9.6	18.5	22.3	-85.7	12.8	8.3	7.5	2.6	9.7	10.4	8.5	-2.2	13.1
Indoco Remedi	INDREM	212	260	Buy	1952	-0.3	2.6	7.4	14.3	-673.0	81.0	28.5	14.8	1.0	5.1	10.0	16.5	-0.4	3.5	9.3	15.5

Source: ICICI Direct Research, Bloomberg

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