

CMP: ₹ 406

Target: ₹ 460 (13%)

Target Period: 12 months

May 30, 2022

Growth (ex-Covid) but US, margins below par...

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

Q4FY22 Results: Glenmark reported some traction in India (ex-Covid), Europe and RoW but US performance was subdued (both YoY and QoQ and so were margins

- Sales were up 6% YoY to ₹ 3019 crore
- EBITDA was at ₹ 463 crore, down 11% YoY with margins at 15.3%
- Adjusted PAT was at ₹ 238 crore (up 2% YoY) [Note: Profit adjusted for one-time loss of ₹ 82.5 crore due to recall and Monroe facility remediation]

What should investors do? Glenmark's share price has de-grown by ~0.7x over past five years (from ~₹ 623 in May 2017 to ~₹ 406 levels in May 2022).

- Maintain **HOLD** as we await EBITDA margin sustainability besides persisting US base business pressure amid regulatory hurdles at Monroe facility. We also monitor future launches

Target Price and Valuation: We value Glenmark at ₹460 based on SOTP valuation

Key triggers for future price performance:

- In the US, regulatory clearance for newly commissioned US based Monroe facility will be the key determinant for future launches
- Traction for Ryaltris in global markets along with the launch in the US
- 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 led by two brands, Candid and Scalpe+
- Progress on the margins front amid 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.

- Ajanta Pharma is a focused player in branded space with specific strategy for maximum number of first time launches with new drug delivery system.
- BUY with a target price of ₹ 1955

HOLD



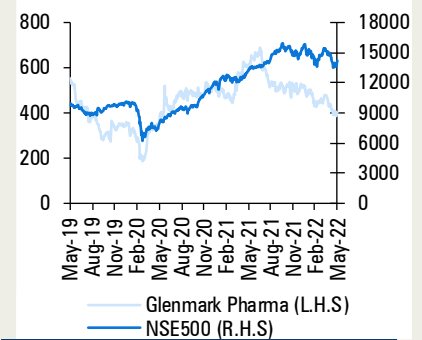
Particulars

Particular	Amount
Market Capitalisation	₹ 11456 crore
Debt (FY22)	₹ 3670 crore
Cash & equivalent (FY22)	₹ 1412 crore
EV	₹ 13715 crore
52 week H/L (₹)	691/378
Equity capital	₹ 28.2 crore
Face value	₹ 1

Shareholding pattern

(in %)	Jun-21	Sep-21	Dec-21	Mar-22
Promoter	46.6	46.7	46.7	46.7
Others	53.4	53.4	53.4	53.4

Price Chart



Recent Event & Key risks

- USFDA observations for Monroe and Goa facility
- **Key Risk:** (i) Better traction for new launches (ii) Delay in unlocking of innovation business

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Key Financial Summary

(₹ Crore)	FY20	FY21	FY22	5 year CAGR (FY17-22)	FY23E	FY24E	2 year CAGR (FY22-24E)
Revenues	10641.0	10943.9	12304.9	6.0	13235.9	14520.4	8.6
EBITDA	1698.1	2084.4	2320.3	2.6	2448.6	2741.8	8.7
EBITDA margins (%)	16.0	19.0	18.9		18.5	18.9	
Adjusted PAT	743.1	925.5	1202.6	0.0	1153.2	1360.2	6.4
EPS (₹)	26.4	32.9	42.7		41.0	48.3	
PE (x)	14.7	11.8	12.1		9.9	8.4	
EV to EBITDA (x)	8.9	7.2	5.9		5.4	4.6	
RoNW (%)	12.2	13.1	13.2		11.4	11.9	
RoCE (%)	12.7	13.9	14.8		14.5	15.4	

Source: Company, ICICI Direct Research

Key takeaways of recent quarter & conference call highlights

Q4FY22 Results: Steady revenues, margins trending lower

- Revenues grew 6% YoY to ₹ 3019 crore, driven by 18% YoY growth in Europe to ₹ 497 crore, 7% YoY growth in India to ₹ 885 crore and 18% YoY growth in RoW markets to ₹ 548 crore. This was partially offset by YoY de-growth of 8% in US to ₹ 738 crore. APIs was flat YoY at ₹ 328 crore. EBITDA margins declined 295 bps YoY to 15.3% mainly due to lower gross margins (down 133 bps YoY) and higher other expenditure. EBITDA de-grew 11% YoY to ₹ 463 crore while adjusted PAT grew 2% YoY to ₹ 238 crore. Delta vis-à-vis EBITDA was mainly due to higher other income. [note: Glenmark incurred one-time loss of ₹ 82.5 crore on account of recall of products and remediation cost of Monroe facility]
- Glenmark's non-Covid base portfolio grew 15.5% in Q4 while consumer business was led by new product launches like Candid Cream. The company witnessed healthy growth in both its key markets of Western Europe and Central Eastern Europe during the quarter while there was healthy growth in base business across geographies in RoW markets. Glenmark is focused to meet key objectives for FY23 with 6-8% growth, steady EBITDA margins and prioritise free cash generation for further debt reduction.

Q4FY22 Earnings Conference Call highlights

- India:** Non Covid base portfolio grew 15.5% as compared to the non Covid IPM growth of 10.6% during the quarter. Glenmark's India business further strengthened its position in its core therapy like Cardiac and Respiratory. The company launched seven new products during the quarter and 31 during FY22. Candid Cream and La Shield delivering robust growth in consumer care business
- US:** Nine ANDAs approvals from USFDA in FY22. The company filed 19 ANDAs in FY22, four from Monroe in FY22 and looks to file 14-15 ANDAs in FY23. Glenmark is witnessing high single digit price erosion in US base business. Monroe facility post product recalls in August, 2021 did not supply in Q3 and Q4. The company is carrying out remediation measures for USFDA observations. The management expects supplies to begin by Q4FY23. Glenmark has invested ~ US\$200 million in Monroe facility. The management is guiding for low single digit growth in the US
- Glenmark Pharma's Monroe, facility received form 483 with 17 observations from USFDA. Glenmark had done a voluntary recall of all its products from this site in August 2021 and since then has not been commercializing any product from this site. In another development, USFDA also issued form 483 with 5 observations for Glenmark's Goa facility.
- RCIS, Asia, LATAM and MEA Region (RoW):** In Asia, secondary sales grew 53% YoY during the quarter led by positive momentum in key markets like Vietnam, Malaysia and Philippines. In Russia, as per IQVIA MAT'22, revenues grew 27.6% vis-à-vis 21.6% growth in the overall retail market. MEA region recorded primary sales growth of 13% YoY during the quarter, with positive growth across major MEA markets like Kenya, South Africa and Saudi Arabia. In LatAm while the company recorded positive growth momentum in some markets including Peru, Ecuador and Columbia during the quarter. Overall, the business has been impacted by Brazil where the market remained challenging for the company due to the pandemic
- Europe:** Growth in Western Europe was strong, led by double digit growth in key markets like Netherlands, Spain and Nordic countries. The Central Eastern European region maintained its strong growth trajectory in markets like Poland.
- Others:** About ₹ 38 crore of Covid related write-off in Q4FY22 while another ₹ 90 crore of Covid products remain in trade channels. The company booked forex gain of ₹ 92 core in Q4FY22.

Exhibit 1: Variance Analysis

	Q4FY22	Q4FY21	Q3FY22	YoY (%)	QoQ (%)	Comments
Revenue	3,019.1	2,859.9	3,173.4	5.6	-4.9	YoY growth driven by India, Europe and RoW markets
Raw Material Expenses	1,030.9	938.4	1,071.9	9.9	-3.8	
Gross Margin (%)	65.9	67.2	66.2	-133 bps	-37 bps	YoY impacted amid increase in input cost
Employee Expenses	577.7	537.2	586.0	7.5	-1.4	
Other Expenditure	947.2	860.9	822.4	10.0	15.2	Covid related write-off of ₹ 38 crore in Q4FY22
EBITDA	463.4	523.4	693.2	-11.5	-33.1	
EBITDA (%)	15.3	18.3	21.8	-295 bps	-649 bps	YoY decline due to lower gross margins and higher other expenditure.
Interest	86.9	83.3	66.7	4.2	30.2	
Depreciation	131.5	111.1	118.9	18.4	10.6	
Other Income	107.2	8.5	13.9	1,162.2	671.5	Forex gain of ₹ 92 crore in Q4FY22
PBT before EO & Forex	352.2	337.5	521.4	4.4	-32.4	
Less: EO & Forex	82.5	0.0	178.4	NA	NA	One-time loss of ₹ 82.5 crore on account of recall of products and remediation cost of Monroe facility in Q4FY22
PBT	269.7	337.5	343.0	-20.1	-21.4	
Tax	97.1	103.6	103.3	-6.3	-6.0	
PAT before MI	172.6	233.9	239.8	-26.2	-28.0	
Adj. Net Profit	238.1	234.0	400.3	1.8	-40.5	Delta vis-à-vis EBITDA was mainly due to higher other income
Key Metrics						
US	737.8	801.2	756.7	-7.9	-2.5	High single digit price erosion in US business
Europe	496.8	422.3	380.7	17.6	30.5	YoY growth driven healthy growth in both its key markets of Western Europe and Central Eastern Europe
India	884.7	823.8	1,006.9	7.4	-12.1	YoY growth with non-Covid base portfolio grew 15.5%
RoW markets	547.9	464.1	534.8	18.1	2.4	YoY growth witnessed due to healthy growth in base business across geographies in RoW markets
API	328.3	331.1	303.2	-0.8	8.3	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

₹ Crore)	FY23E			FY24E			
	Old	New	% Change	Old	New	% Change	
Revenue	13,042.5	13,235.9	1.5	14,233.7	14,520.4	2.0	
EBITDA	2,577.1	2,448.6	-5.0	2,775.6	2,741.8	-1.2	
EBITDA Margin (%)	19.8	18.5	-126 bps	19.5	18.9	-62 bps	Reduced as per management's guidance for ~ 19% margins and inflation in raw material prices
PAT	1,245.2	1,153.2	-7.4	1,381.9	1,360.2	-1.6	In line with operational performance
EPS (₹)	44.2	41.0	-7.4	49.1	48.3	-1.6	

Source: ICICI Direct Research

Exhibit 3: Assumptions

₹ crore)	Current					Earlier		
	FY20	FY21	FY22	FY23E	FY24E	FY23E	FY24E	
US	3,140.4	3,076.4	3,036.6	3,171.0	3,329.6	3,353.1	3,621.4	US price erosion persists and guidance for low single digit growth in FY23
Europe	1,248.4	1,327.6	1,521.7	1,704.1	1,908.6	1,631.0	1,826.7	
India	3,202.2	3,536.5	4,085.5	4,227.8	4,744.8	4,258.3	4,748.5	Non-Covid portfolio to grow but base will reset due to loss of Covid revenues
RoW markets	1,821.0	1,685.5	2,167.2	2,375.4	2,660.5	2,282.5	2,396.6	Strong traction across geographies and better performance in Q4FY22
API	1,023.9	1,207.3	1,270.9	1,372.6	1,482.4	1,386.3	1,497.2	

Source: ICICI Direct Research

Exhibit 4: Financial Summary

	Revenues	Growth	Adj. EPS	Growth	P/E	EV/EBITDA	RoNW	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY21	10944	2.8	32.9	24.5	11.8	7.2	13.1	13.9
FY22	12305	12.4	42.7	29.9	12.1	5.9	13.2	14.8
FY23E	13236	7.6	41.0	-4.1	9.9	5.4	11.4	14.5
FY24E	14520	9.7	48.3	17.9	8.4	4.6	11.9	15.4

Source: ICICI Direct Research

Exhibit 5: Revenue Breakup

	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	CAGR (FY17-22) %	(FY22-24E) %
US	2420	3701	3208	3139	3140	3076	3037	3171	3330	-CAGR 3.9%	CAGR 4.7%
India	2102	2304	2514	2777	3202	3537	4086	4228	4745	CAGR 12.1%	CAGR 7.8%
Europe	717	710	906	1121	1248	1328	1522	1704	1909	CAGR 16.5%	CAGR 12.0%
RoW markets	1653	1507	1506	1694	1821	1685	2167	2375	2660	CAGR 7.5%	CAGR 10.8%
API	668	809	878	949	1024	1207	1271	1373	1482	CAGR 9.4%	CAGR 8.0%

Source: ICICI Direct Research

Exhibit 6: Trends in Quarterly Performance

(₹ Crore)	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	YoY (%)	QoQ (%)
Total Operating Income	2563.5	2322.9	2815.0	2735.6	2767.5	2344.8	2952.5	2786.8	2859.9	2964.9	3147.4	3173.4	3019.1	5.6	-4.9
Raw Material Expenses	860.7	810.1	986.1	926.3	976.1	808.4	1040.7	911.4	938.4	1139.0	1143.6	1071.9	1030.9	9.9	-3.8
% of revenue	33.6	34.9	35.0	33.9	35.3	34.5	35.2	32.7	32.8	38.4	36.3	33.8	34.1		
Gross Profit	1702.8	1512.8	1828.9	1809.2	1791.4	1536.4	1911.8	1875.4	1921.5	1825.9	2003.9	2101.5	1988.3	3.5	-5.4
Gross Profit Margin (%)	66.4	65.1	65.0	66.1	64.7	65.5	64.8	67.3	67.2	61.6	63.7	66.2	65.9	-133 bps	-37 bps
Employee Expenses	494.6	486.7	686.6	557.2	524.2	509.6	700.3	596.6	537.2	596.4	687.3	586.0	577.7	7.5	-1.4
% of revenue	19.3	21.0	24.4	20.4	18.9	21.7	23.7	21.4	18.8	20.1	21.8	18.5	19.1		
Other Manufacturing Expe	844.0	684.2	691.9	811.9	801.5	548.7	658.7	748.7	860.9	655.9	726.4	822.4	947.2	10.0	15.2
% of revenue	32.9	29.5	24.6	29.7	29.0	23.4	22.3	26.9	30.1	22.1	23.1	25.9	31.4		
Total Expenditure	2199.3	1981.0	2364.6	2295.5	2301.8	1866.7	2399.7	2256.7	2336.5	2391.3	2557.3	2480.3	2555.7	9.4	3.0
% of revenue	85.8	85.3	84.0	83.9	83.2	79.6	81.3	81.0	81.7	80.7	81.2	78.2	84.7		
EBITDA	364.1	341.9	450.4	440.1	465.7	478.1	552.8	530.1	523.4	573.6	590.2	693.2	463.4	-11.5	-33.1
EBITDA Margins (%)	14.2	14.7	16.0	16.1	16.8	20.4	18.7	19.0	18.3	19.3	18.8	21.8	15.3	-295 bps	-649 bps
Depreciation	81.0	90.7	94.2	106.0	126.3	113.2	104.1	115.2	111.1	113.1	123.2	118.9	131.5	18.4	10.6
Interest	81.9	93.0	89.8	96.1	98.5	93.7	80.6	95.4	83.3	75.6	68.9	66.7	86.9	4.2	30.2
Other Income	39.1	1.7	80.8	33.0	44.1	58.5	-31.9	15.1	8.5	58.6	-13.1	13.9	107.2	1162.2	671.5
Forex & EO	0.0	0.0	0.0	0.0	32.9	28.0	3.1	13.4	0.0	0.0	0.0	-178.4	-82.5		
PBT	240.3	159.8	347.3	271.0	318.0	357.6	339.4	348.0	337.5	443.6	385.0	343.0	269.7	-20.1	-21.4
Total Tax	78.6	50.6	91.8	80.1	97.7	103.6	105.4	99.8	103.6	137.0	110.2	103.3	97.1	-6.3	-6.0
Tax rate (%)	32.7	31.6	26.4	29.6	30.7	29.0	31.1	28.7	30.7	30.9	28.6	30.1	36.0	530 bps	590 bps
PAT	161.7	109.3	255.5	190.8	220.3	254.0	234.0	248.2	233.9	306.5	274.8	239.8	172.6	-26.2	-28.0
Adjusted PAT	161.7	109.3	255.5	190.8	187.4	226.1	230.9	234.8	233.9	306.5	274.8	418.1	255.1	9.1	-39.0
EPS (₹)	5.7	3.9	9.1	6.8	6.7	8.0	8.2	8.3	8.3	10.9	9.8	14.8	9.1		

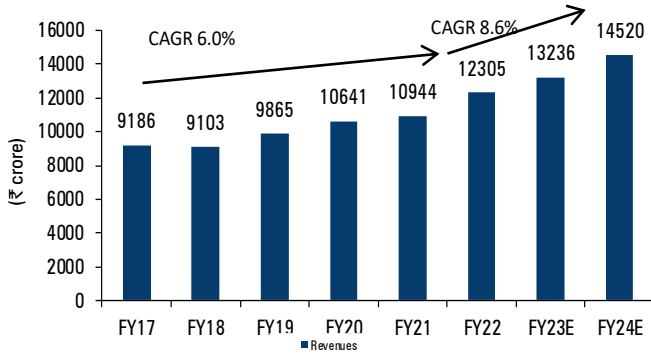
Source: ICICI Direct Research

Exhibit 7: Valuation

Particulars	FY24E EPS	Multiple (x)	Per share (₹)
Glenmark (ex API)	33.9	8.0	270.9
API			
Targeted Market Cap			5,190
Glenmark's Holding			82.8%
Holding Company Discount			45.0%
API valuation			2365
Per share valuation			193
SOTP valuation			460

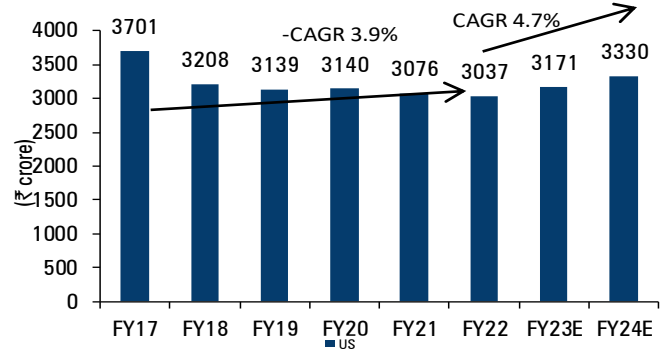
Source: ICICI Direct Research, Bloomberg

Exhibit 8: Revenues to grow at CAGR of 8.6% over FY22-24E



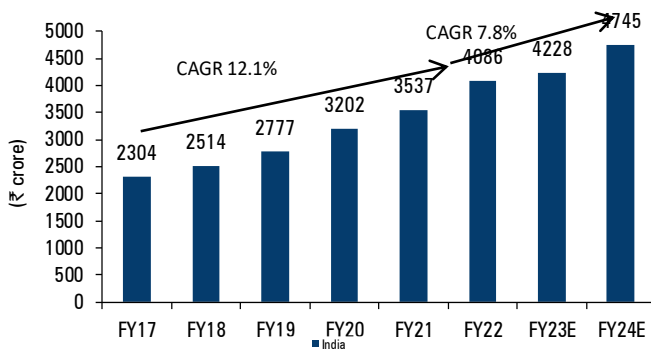
Source: ICICI Direct Research, Company

Exhibit 9: US to grow at CAGR of 4.7% over FY22-24E



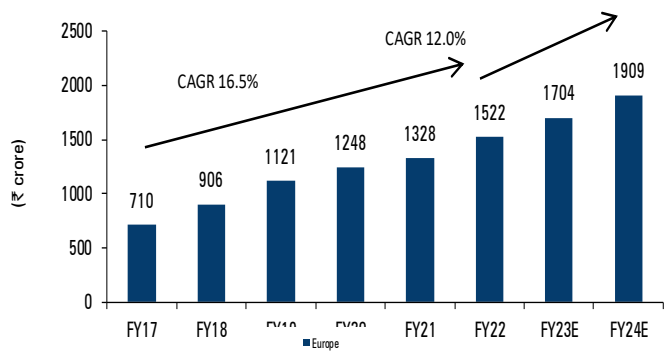
Source: ICICI Direct Research, Company

Exhibit 10: India to grow at CAGR of ~7.8% over FY22-24E



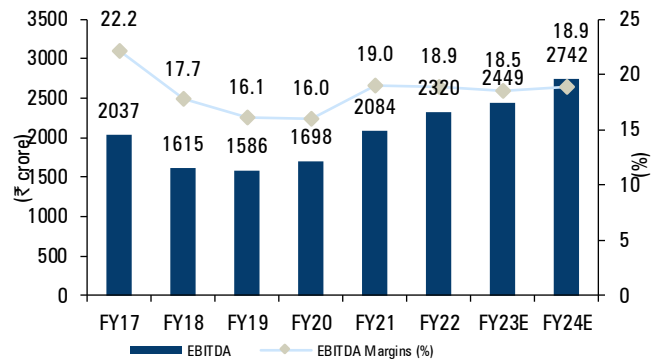
Source: ICICI Direct Research, Company

Exhibit 11: Europe to grow at CAGR of 12% over FY22-24E



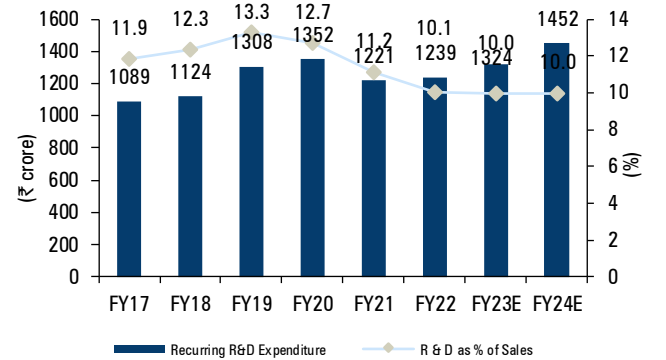
Source: ICICI Direct Research, Company

Exhibit 12: EBITDA & EBITDA margins trend



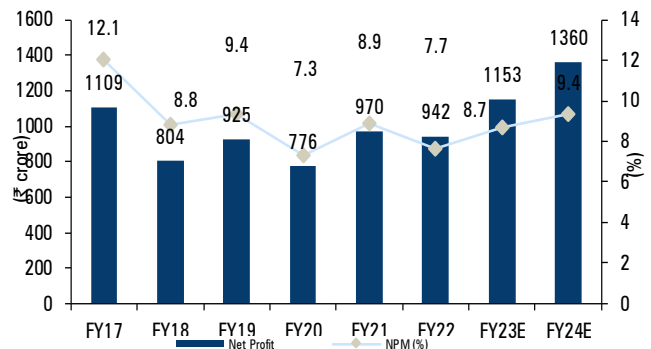
Source: ICICI Direct Research, Company

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



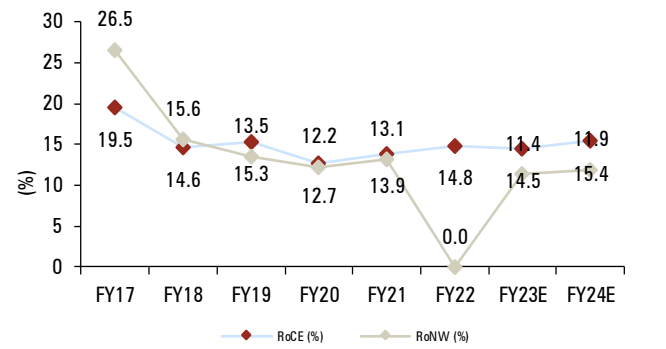
Source: ICICI Direct Research, Company

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 (%)			
						FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E
Hospitals																					
Apollo Hospitals	APOHOS	3874	4,500	Buy	55703	7.9	59.1	80.9	107.4	492.9	65.5	47.9	36.1	6.3	15.1	16.7	19.3	2.5	15.1	17.7	19.9
Narayana Hrudalaya	NARHRU	667	750	Buy	13632	-0.7	16.7	18.9	21.6	NA	39.9	35.3	30.9	1.2	20.5	18.8	19.5	-1.3	23.0	20.8	19.4
Shalby	SHALIM	107	170	Buy	1160	3.9	5.9	5.7	7.2	27.4	18.2	18.7	15.0	6.5	8.9	9.6	10.5	5.1	7.2	6.7	7.9
Aster DM	ASTDM	199	270	Buy	9925	3.0	10.5	14.4	18.4	67.2	18.9	13.8	10.8	5.4	9.0	11.4	12.9	4.4	13.3	15.4	16.4
Healthcare Global	HEAGLO	278	340	Buy	3858	-13.9	3.9	3.6	8.0	-13.9	71.8	76.6	34.5	-0.9	5.0	7.6	10.2	-0.9	5.0	5.5	10.8
MNC Pharma																					
Abbott India	ABBIND	18115	20,560	Buy	38493	325.0	375.9	439.8	514.0	55.7	48.2	41.2	35.2	33.8	36.6	37.9	36.3	26.5	28.3	29.5	28.1
P&G Health	MERLIM	4246	4,955	Hold	7047	106.5	121.5	130.5	141.6	39.9	34.9	32.5	30.0	32.2	37.3	34.7	32.8	25.1	29.3	27.0	25.4
Sanofi India	SANOFI	6682	7,740	Hold	15389	207.4	410.1	285.7	276.4	32.2	16.3	23.4	24.2	32.3	33.3	42.3	40.8	24.5	25.9	32.6	31.3
Pfizer	PFIZER	4264	4,810	Hold	19505	108.8	133.9	140.4	160.3	39.2	31.8	30.4	26.6	27.6	26.1	23.5	23.0	20.8	21.4	19.2	18.7
Pharma																					
Ajanta Pharma	AJAPHA	1710	1,955	Buy	14607	74.0	83.4	83.3	97.8	23.1	20.5	20.5	17.5	29.0	27.0	22.9	22.9	21.8	21.8	18.4	18.3
Alembic Pharma	ALEMPHA	734	720	Hold	14428	62.8	27.8	29.7	35.9	11.7	26.4	24.7	20.4	25.1	10.6	11.2	13.8	24.1	10.4	10.3	11.3
Aurobindo Pharma	AURPHA	528	765	Hold	30926	55.0	44.3	53.4	61.2	9.6	11.9	9.9	8.6	16.9	12.5	14.3	15.2	14.7	10.7	11.5	11.7
Biocon	BIOCON	335	380	Hold	40166	6.3	5.7	6.1	11.7	53.4	58.7	55.2	28.7	7.7	7.5	5.0	6.9	9.9	8.1	3.2	5.9
Zydus Lifesciences	CADHEA	377	475	Hold	38621	21.5	21.1	22.4	25.4	17.6	17.9	16.8	14.8	12.6	13.5	13.7	14.6	16.9	14.8	14.0	14.1
Cipla	CIPLA	987	1,095	Buy	79649	29.9	32.9	36.2	42.5	33.0	30.0	27.3	23.2	16.3	16.7	16.7	17.7	13.1	12.7	12.6	13.3
Dr Reddy's Labs	DRREDD	4368	4,800	Buy	72696	117.3	127.9	192.4	224.6	37.2	34.1	22.7	19.4	13.1	13.0	18.3	21.3	11.1	11.1	14.7	15.0
Glenmark Pharma	GLEPHA	404	460	Hold	11385	32.9	42.7	41.0	48.3	12.3	9.4	9.9	8.4	13.9	14.8	14.5	15.4	13.1	13.2	11.4	11.9
Ipca Laboratories	IPCLAB	902	1,000	Hold	22884	44.9	34.8	32.7	39.9	20.1	25.9	27.6	22.6	27.1	17.4	16.2	17.4	24.2	16.1	13.4	14.4
Jubilant Pharmova	JUBLIF	408	410	Hold	6493	37.4	26.0	24.2	31.4	10.9	15.7	16.9	13.0	13.7	9.0	7.7	9.4	12.6	7.8	6.8	8.2
Lupin	LUPIN	615	610	Hold	27959	26.9	11.9	18.7	30.5	22.9	51.8	32.8	20.2	9.6	3.4	7.6	11.2	8.8	4.4	6.6	9.8
Natco Pharma	NATPHA	688	955	Hold	12546	24.2	15.1	19.6	23.1	28.5	45.5	35.2	29.8	13.1	7.3	9.7	10.7	10.7	6.4	7.8	8.5
Sun Pharma	SUNPHA	898	1,075	Buy	215412	30.0	33.5	33.8	38.6	29.9	26.8	26.5	23.3	14.2	18.3	17.8	17.8	15.5	16.4	14.4	14.3
Torrent Pharma	TORPHA	2919	3,235	Buy	49388	74.0	64.1	86.8	107.8	39.5	45.5	33.6	27.1	17.6	19.7	24.3	29.1	21.4	18.2	20.8	21.6
Indoco Remedies	INDREM	355	510	Buy	3269	10.1	16.8	21.8	28.4	35.1	21.1	16.2	12.5	11.7	17.5	18.8	24.9	12.1	17.1	18.7	20.2
Caplin Point	CAPPOI	752	895	Buy	5698	81.7	85.3	68.3	70.8	9.2	8.8	11.0	10.6	25.3	23.7	22.5	0.0	20.4	20.2	18.5	17.5
Advanced Enzymes	ADVENZ	293	290	Hold	3270	13.1	10.7	10.2	13.2	22.4	27.3	28.6	22.2	19.4	14.3	12.6	14.7	15.1	11.0	9.6	11.1
Hester Biosciences	HESPHA	2251	2,445	Hold	1915	44.4	45.7	41.3	63.2	50.7	49.2	54.5	35.6	16.2	10.9	9.9	13.4	16.5	15.0	12.2	16.3
API/CRAMS																					
Divi's Lab	DIVLAB	3584	4,655	Buy	95156	74.7	111.5	105.7	122.5	48.0	32.1	33.9	29.3	27.6	30.2	25.8	25.5	21.3	25.2	20.3	20.0
Hikal	HIKCHE	354	500	Buy	4361	10.8	14.6	17.1	22.6	32.7	24.2	20.6	15.6	15.1	15.7	16.0	19.1	14.3	16.7	16.8	18.8
Syngene Int.	SYNINT	554	730	Buy	22196	10.1	9.9	11.4	15.5	54.7	56.1	48.7	35.8	11.5	11.7	12.2	15.7	13.5	12.9	12.3	14.4
Granules India	GRANUL	274	345	Buy	6797	22.2	16.6	19.6	24.6	12.4	16.5	14.0	11.1	24.0	15.6	16.8	18.6	25.3	16.0	16.0	16.9
Laurus Labs	LAULAB	567	690	Buy	30476	18.3	15.4	20.6	26.5	31.0	36.8	27.5	21.4	31.7	21.3	22.6	24.7	37.9	24.7	25.5	25.3
Suven Pharmaceuticals	SUVPH	512	555	Hold	13022	14.2	17.8	17.0	18.5	35.9	28.7	30.1	27.6	31.2	37.5	28.5	26.0	30.7	29.7	23.0	20.8

Source: ICICI Direct Research

Financial Summary

Exhibit 17: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Revenues	10,943.9	12,304.9	13,235.9	14,520.4
Growth (%)	2.8	12.4	7.6	9.7
Raw Material Expenses	3,698.8	4,385.3	4,566.4	4,936.9
Employee Expenses	2,343.7	2,447.4	2,713.4	2,976.7
Other Manufacturing Expenses	2,817.0	3,151.9	3,507.5	3,865.0
Total Operating Expenditure	8,859.6	9,984.6	10,787.3	11,778.6
EBITDA	2,084.4	2,320.3	2,448.6	2,741.8
Growth (%)	22.7	11.3	5.5	12.0
Interest	353.1	298.1	294.3	258.3
Depreciation	443.6	486.7	528.3	565.8
Other Income	50.2	166.7	132.4	145.2
PBT before Exceptional Items	1,337.9	1,702.2	1,758.3	2,062.8
PBT	1,382.5	1,441.2	1,758.3	2,062.8
Total Tax	412.4	447.6	527.5	618.8
PAT before MI	970.1	993.7	1,230.8	1,444.0
PAT	970.0	941.7	1,153.2	1,360.2
Adjusted PAT	925.5	1,202.6	1,153.2	1,360.2
Growth (%)	24.5	29.9	-4.1	17.9
EPS (Adjusted)	32.9	42.7	41.0	48.3

Source: Company, ICICI Direct Research

Exhibit 18: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit/(Loss) after taxation	872.2	882.8	1,153.2	1,360.2
Add: Depreciation & Amortization	443.6	486.7	528.3	565.8
Net Increase in Current Assets	-546.3	-646.0	-462.6	-670.3
Net Increase in Current Liabilities	160.5	84.8	159.6	261.7
Others	201.3	300.4	294.3	258.3
CF from operating activities	1,131.2	1,108.7	1,673.0	1,775.8
(Inc)/dec in Fixed Assets	-675.3	-788.5	-750.0	-650.0
(Inc)/dec in Investments	0.0	-10.0	0.0	0.0
Others	13.8	482.8	-54.4	-56.9
CF from investing activities	-661.5	-315.8	-804.4	-706.9
Inc / (Dec) in Equity Capital	0.0	0.0	0.0	0.0
Inc / (Dec) in Loan Funds	-77.7	-1,131.7	-400.0	-400.0
Other	-364.1	611.3	-378.8	-356.9
CF from financing activities	-441.8	-520.5	-778.8	-757
Net Cash flow	27.9	272.4	89.8	312.0
Opening Cash	1,111.2	1,139.2	1,411.5	1,501.3
Closing Cash	1,139.2	1,411.5	1,501.3	1,813.3
Free Cash Flow	455.9	320.1	923.0	1,125.8

Source: Company, ICICI Direct Research

Exhibit 19: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Equity Capital	28.2	28.2	28.2	28.2
Reserve and Surplus	7,036.4	9,058.4	10,127.2	11,388.8
Total Shareholders fund	7,064.6	9,086.6	10,155.4	11,417.0
Total Debt	4,687.4	3,670.3	3,270.3	2,870.3
Deferred Tax Liability	28.7	31.5	34.6	38.1
Minority Interest	-0.4	351.5	369.0	387.5
Other Non Current Liabilities	420.9	352.5	370.1	388.6
Source of Funds	12,201.4	13,492.5	14,199.6	15,101.6
Gross Block - Fixed Assets	8,673.6	9,916.7	10,566.7	11,316.7
Accumulated Depreciation	3,602.7	4,089.4	4,617.8	5,183.6
Net Block	6,452.5	6,837.1	7,058.8	7,142.9
Goodwill on Consolidation	58.0	60.0	60.0	60.0
Investments	24.6	49.6	49.6	49.6
Inventory	2,276.8	2,499.8	2,603.1	2,814.3
Cash	1,139.2	1,411.5	1,501.3	1,813.3
Debtors	2,572.1	3,101.1	3,129.8	3,433.6
Other Current Assets	1,371.5	1,269.9	1,600.5	1,755.8
Total Current Assets	7,359.6	8,282.3	8,834.7	9,817.0
Creditors	2,237.8	2,288.7	2,383.2	2,576.6
Provisions & Other CL	1,164.6	1,302.2	1,367.3	1,435.6
Total Current Liabilities	3,402.4	3,590.8	3,750.5	4,012.2
Net Current Assets	3,957.2	4,691.5	5,084.3	5,804.8
LT L& A, Other Assets	174.4	168.1	176.5	185.3
Deferred Tax Assets	1,534.7	1,686.1	1,770.4	1,859.0
Application of Funds	12,201.4	13,492.5	14,199.6	15,101.6

Source: Company, ICICI Direct Research

Exhibit 20: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
Per share data (₹)				
Adj EPS	32.9	42.7	41.0	48.3
BV	250.9	322.7	360.6	405.4
DPS	2.5	2.5	3.0	3.5
Cash Per Share	127.9	145.2	164.0	184.1
Operating Ratios (%)				
Gross Margin	66.2	64.4	65.5	66.0
EBITDA margins	19.0	18.9	18.5	18.9
Net Profit margins	8.5	9.8	8.7	9.4
Inventory days	225	208	208	208
Debtor days	86	92	86	86
Creditor days	221	190	190	190
Asset Turnover	1.3	1.2	1.3	1.3
EBITDA conversion Rate	54.3	47.8	68.3	64.8
Return Ratios (%)				
RoE	13.1	13.2	11.4	11.9
RoCE	13.9	14.8	14.5	15.4
RoIC	16.9	16.6	16.6	17.7
Valuation Ratios (x)				
P/E	11.8	12.1	9.9	8.4
EV / EBITDA	7.2	5.9	5.4	4.6
Market Cap / Sales	1.0	0.9	0.9	0.8
Price to Book Value	1.6	1.3	1.1	1.0
Solvency Ratios				
Debt / Equity	0.7	0.4	0.3	0.3
Debt / EBITDA	2.2	1.6	1.3	1.0
Current Ratio	1.8	1.9	2.0	2.0

Source: Company, ICICI Direct Research

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