

CMP: ₹ 570

Target: ₹ 580 (1%)

Target Period: 12 months

May 22, 2023

In line numbers driven by exports, focus on margin recovery...

About the stock: Glenmark's business can be divided into three entities –

- Glenmark Pharmaceuticals for building a global generic, specialty, 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 therapeutic areas of immunology, oncology and pain encompassing both NBEs as well as NCEs

Q4FY23 Results: In line numbers, growth propelled by export markets, APIs.

- Revenues increased 11.7% YoY to ₹ 3373.7 crore, with growth driven by export markets and API segment
- EBITDA grew 30.6% YoY to ₹ 605.1 crore while EBITDA margins improved 259 bps to 17.9%
- Adjusted PAT was at ₹ 372 crore (up 56% YoY)

What should investors do? Glenmark's share price has grown at 8.64% CAGR over the past three years.

- Maintain **HOLD** as we await EBITDA margin improvement in the backdrop of global launches of Ryaltris besides addressing of regulatory issues

Target Price and Valuation: Valued at ₹ 580 i.e. 14x FY25E EPS of ₹ 41.3.

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 and in the US. Continuity of API performance momentum
- Performance of India portfolio post hive offs, especially in respiratory, CVS, and anti-diabetics. Traction from consumer business
- 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 ₹ 1520

HOLD



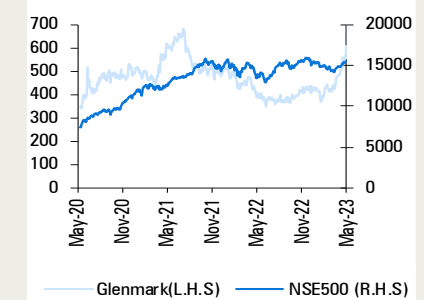
Particulars

Particular	Amount
Market Capitalisation	₹ 16084 crore
Debt (FY23)	₹ 4348 crore
Cash & equivalent (FY23)	₹ 1470 crore
EV	₹ 18962 crore
52 week H/L (₹)	630/348
Equity capital	₹ 28.2 crore
Face value	₹ 1

Shareholding pattern

(in %)	Jun-22	Sep-22	Dec-22	Mar-23
Promoter	46.7	46.7	46.7	46.7
Others	53.4	53.4	53.4	53.4

Price Chart



Recent Event & Key risks

- Launch of Ryaltris in new markets
- Key Risk:** (i) Better traction from new launches (ii) Pending regulatory issues for Monroe, Goa and Baddi facility

Research Analyst

Siddhant Khandekar
siddhant.khandekar@icicisecurities.com

Kushal Shah
kushal.shah@icicisecurities.com

Utkarsh Jain
utkarsh.jain@icicisecurities.com

Key Financial Summary

(₹ Crore)	FY21	FY22	FY23	5 year CAGR (FY17-22)	FY24E	FY25E	2 year CAGR (FY23-25E)
Revenues	10943.9	12304.9	12990.0	6.0	14462.1	16040.1	11.1
EBITDA	2084.4	2320.3	2278.5	2.6	2747.8	3047.6	15.7
EBITDA margins (%)	19.0	18.9	17.5		19.0	19.0	
Adjusted PAT	925.5	1202.6	1063.2	0.0	974.6	1162.5	4.6
EPS (₹)	32.9	42.7	37.8		34.6	41.3	
PE (x)	11.9	12.2	38.7		11.8	9.9	
EV to EBITDA (x)	7.2	5.9	6.3		5.2	4.6	
RoNW (%)	13.1	13.2	11.2		9.4	10.1	
RoCE (%)	13.9	14.8	13.4		13.5	14.9	

Source: Company, ICICI Direct Research

Key takeaways of recent quarter & conference call highlights

Q4FY23 Results: In line numbers, growth propelled by export markets, APIs

- Revenues increased 11.7% YoY to ₹ 3373.7 crore, with growth driven by export markets and API segment. US business grew 15% YoY to ~₹ 851 crore driven by new launches. Europe grew 22% YoY to ₹ 608 crore driven by momentum in base business as well as new launches. India de-grew 6% YoY to ₹ 828 crore due to divestment of few non-core brands, impact of NLEM price revisions and returns of Covid-related products; adjusted growth was 5.1%. RoW markets grew 25% YoY to ₹ 686 crore driven by strong growth across dermatology and respiratory segments. EBITDA grew 30.6% YoY to ₹ 605.1 crore while EBITDA margins improved 259 bps to 17.9%. Adjusted PAT was up 56% YoY to ₹ 371.6 crore
- Key export markets of US, EU, ROW registered decent growth during the quarter with a beat in EU and RoW markets vis-a-vis I-direct estimates. The growth was driven by new launches and currency benefits. API growth was driven by growth momentum across regulated as well as EMs and strong CDMO traction. On the margins front, however, progress remains slow as margins continue to hover around 17% and below the management's aspiration of 20%. We continue to monitor progress on the margins front

Q4FY23 Earnings Conference Call highlights:

India business:

- The impact of the divestiture of a few non-core brands and the impact of NLEM pricing changes caused a decline in Q4FY23
- Launched multiple new products during the quarter, which includes combination of Lobeglitazone + Metformin (diabetes product) and Sacubitril + Valsartan (Cardiac product)
- It also gained market share momentum in its existing key products

US:

- Eight products were launched during FY23
- It remains one of the first companies to launch generic Teriflunomide tablets

Europe:

- Increased base business combined with the launch of new products throughout the quarter drove growth
- The UK experienced substantial growth as a result of significant generics introductions while major branded respiratory drugs continue to hold market share in CEE nations
- Has entered the Italian market and plans to grow there in the coming quarters

RoW:

- Overall respiratory and derma brands remained the main contributors across RoW regions
- In Asia, Ryaltris sales improved across markets and gained 18%+ market share in Australian markets
- Respiratory and dermatology combined contributed ~60% to the overall sales of the MEA region
- In LatAm, secondary sales growth supported Mexican markets. Overall growth was experienced in both value and volume terms

API:

- Generic API revenues as well as CDMO revenues continued to show an uptrend
- The company witnessed steady growth momentum across regulated as well as emerging markets during the quarter

ESG Disclosure Score*

Score	FY20	FY21	FY22
Environmental	54.1	51.1	52.8
Social	52.8	51.0	51.0
Governance	91.1	91.1	91.1
Overall ESG Score	66.0	64.5	65.0

Source: Bloomberg, ICICI Direct Research, *Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures

Other highlights:

- The exceptional item primarily included settlement of the litigation related to generic Zetia in the US
- R&D expenses accounted for ₹ 336 crore (10% of sales)
- Ichnos spend was at \$24 million (mn) whereas it incurred capex of ₹ 190 crore in Q4FY23
- Ryaltris (respiratory product) has been commercialised in 27 markets, including major markets like the US, Europe (multiple markets across the EU), UK, Australia, Russia, South Africa, and South Korea. Its market share in various geographies remains as follows Australia – 18.1%, South Africa – 10.3%, Czech Republic – 15.6%, Poland – 5.6%
- MR strength was at 4800
- Most of the remediation work at the Baddi plant is expected to be done in Q1FY24
- There was MAT credit of ₹ 700 crore. The management remains optimistic on bringing down the tax rate to 25-26% in two to three years

Exhibit 1: Variance Analysis

	Q4FY23	Q4FY23E	Q4FY22	Q3FY23	YoY (%)	QoQ (%)	Comments
Revenue	3,373.7	3,390.0	3,019.1	3,463.8	11.7	-2.6	Revenues increased 7.2% YoY to ₹ 3375 crore, with growth being driven by India and API business
Raw Material Expenses	1,192.0	1,186.5	1,030.9	1,166.1	15.6	2.2	
Gross Margin (%)	64.7	65.0	65.9	66.3	-119 bps	-167 bps	
Employee Expenses	657.5	728.8	577.7	756.0	13.8	-13.0	
Other Expenditure	919.1	864.4	947.2	921.6	-3.0	-0.3	
EBITDA	605.1	610.2	463.4	620.2	30.6	-2.4	
EBITDA (%)	17.9	18.0	15.3	17.9	259 bps	3 bps	EBITDA grew 5.3% YoY to ₹ 622 crore while EBITDA margins declined 34 bps tp 18.4%
Interest	109.2	97.3	86.9	97.3	25.8	12.3	
Depreciation	146.5	162.3	131.5	162.3	11.4	-9.7	
Other Income	-40.2	76.4	107.2	76.4	-137.5	-152.6	
PBT before EO & Forex	309.2	427.0	352.2	437.1	-12.2	-29.3	
Less: EO & Forex	799.7	0.0	82.5	-33.9	NA	NA	
PBT	-490.5	427.0	269.7	470.9	-281.9	-204.2	
Tax	-87.6	163.3	97.1	180.2	-190.2	-148.6	
PAT before MI	-403.0	263.7	172.6	290.8	-333.5	-238.6	
Adj. Net Profit	371.6	245.3	238.1	238.7	56.0	55.7	Adjusted net profit increased 1% YoY to ₹ 260.4 crore
Key Metrics							
US	850.7	830.4	737.8	837.3	15.3	1.6	YoY decline amid price erosion in base business
Europe	607.8	531.6	496.8	493.2	22.3	23.2	YoY growth driven by healthy growth in both its key markets of Western Europe and Central Eastern Europe, respiratory portfolio continues to gain market share
India	828.4	945.9	884.7	1,074.5	-6.4	-22.9	The company launched nine new products during the quarter and continued to gain market share in some of the key launches in the cardiac and anti-diabetic segment
RoW markets	685.6	657.5	547.9	654.1	25.1	4.8	YoY growth witnessed due to healthy growth in base business across geographies (excluding Myanmar, Vietnam, Sri Lanka) in RoW markets
API	383.1	354.6	328.3	375.6	16.7	2.0	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

₹ Crore	FY23			FY24E			FY25E		
	Old	New	Change	Old	New	% Change	Old	New	% Change
Revenue	13,006.3	12,990.0	-0.1	14,208.2	14,462.1	1.8	15,614.5	16,040.1	2.7
EBITDA	2,283.6	2,278.5	-0.2	2,557.5	2,747.8	7.4	2,810.6	3,047.6	8.4
EBITDA Margin (%)	17.6	17.5	-2 bps	18.0	19.0	100 bps	18.0	19.0	100 bps
PAT	970.8	297.4	-69.4	1,336.0	974.6	-27.1	1,543.6	1,162.5	-24.7 Higher Tax rate
EPS (₹)	34.5	10.6	-69.4	47.4	34.6	-27.1	54.8	41.3	-24.7

Source: ICICI Direct Research

Exhibit 3: Assumptions

₹ crore	Current					Earlier			
	FY20	FY21	FY22	FY23	FY24E	FY25E	FY23	FY24E	FY25E
US	3,140.4	3,076.4	3,036.6	3,104.1	3,339.0	3,672.9	3,083.8	3,342.1	3,609.4
Europe	1,248.4	1,327.6	1,521.7	1,809.5	2,080.9	2,330.6	1,733.3	1,941.3	2,135.4
India	3,202.2	3,536.5	4,085.5	4,029.7	4,361.3	4,797.4	4,147.2	4,426.9	4,869.6
RoW markets	1,821.0	1,685.5	2,167.2	2,377.7	2,734.4	3,062.5	2,349.6	2,631.5	2,947.3
API	1,023.9	1,207.3	1,270.9	1,458.2	1,633.2	1,829.2	1,429.7	1,572.6	1,729.9

Source: ICICI Direct Research

Exhibit 4: Financial Summary

	Revenues (₹ crore)	Growth (%)	Adj. EPS (₹)	Growth (%)	P/E (x)	EV/EBITDA (X)	RoNW (%)	RoCE (%)
FY21	10944	2.8	32.9	24.5	11.9	7.2	13.1	13.9
FY22	12305	12.4	42.7	29.9	12.2	5.9	13.2	14.8
FY23	12990	5.6	37.8	-11.6	38.7	6.3	11.2	13.4
FY24E	14462	11.3	34.6	-8.3	11.8	5.2	9.4	13.5
FY25E	16040	10.9	41.3	34.6	9.9	4.6	10.1	14.9

Source: ICICI Direct Research

Exhibit 5: Revenue Breakup

	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	AGR (FY17-22) %	AGR (FY23-25E) %
US	2420	3701	3208	3139	3140	3076	3037	3104	3339	3673	-CAGR 3.9%	CAGR 8.8%
India	2102	2304	2514	2777	3202	3537	4086	4030	4361	4797	CAGR 12.1%	CAGR 9.1%
Europe	717	710	906	1121	1248	1328	1522	1810	2081	2331	CAGR 16.5%	CAGR 13.5%
RoW markets	1653	1507	1506	1694	1821	1685	2167	2378	2734	3062	CAGR 7.5%	CAGR 13.5%
API	668	809	878	949	1024	1207	1271	1458	1633	1829	CAGR 9.4%	CAGR 12.0%
Total Revenue	7650	9186	9103	9865	10641	10944	12305	12990	14462	16040	CAGR 6.0%	CAGR 11.1%

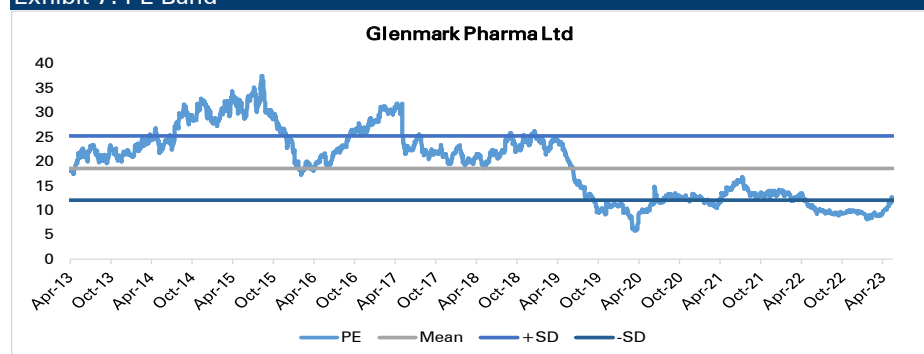
Source: ICICI Direct Research

Exhibit 6: Trends in Quarterly Performance

(₹ Crore)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	YoY (%)	QoQ (%)
Total Operating Income	2767.5	2344.8	2952.5	2786.8	2859.9	2964.9	3147.4	3173.4	3019.1	2777.3	3375.2	3463.8	3373.7	11.7	-2.6
Raw Material Expenses	976.1	808.4	1040.7	911.4	938.4	1139.0	1143.6	1071.9	1030.9	1012.0	1166.7	1166.1	1192.0	15.6	2.2
% of revenue	35.3	34.5	35.2	32.7	32.8	38.4	36.3	33.8	34.1	36.4	34.6	33.7	35.3		
Gross Profit	1791.4	1536.4	1911.8	1875.4	1921.5	1825.9	2003.9	2101.5	1988.3	1765.2	2208.5	2297.7	2181.7	9.7	-5.1
Gross Profit Margin (%)	64.7	65.5	64.8	67.3	67.2	61.6	63.7	66.2	65.9	63.6	65.4	66.3	64.7	-119 bps	-167 bps
Employee Expenses	524.2	509.6	700.3	596.6	537.2	596.4	687.3	586.0	577.7	636.4	731.0	756.0	657.5	13.8	-13.0
% of revenue	18.9	21.7	23.7	21.4	18.8	20.1	21.8	18.5	19.1	22.9	21.7	21.8	19.5		
Other Manufacturing Ex	801.5	548.7	658.7	748.7	860.9	655.9	726.4	822.4	947.2	697.3	855.9	921.6	919.1	-3.0	-0.3
% of revenue	29.0	23.4	22.3	26.9	30.1	22.1	23.1	25.9	31.4	25.1	25.4	26.6	27.2		
Total Expenditure	2301.8	1866.7	2399.7	2256.7	2336.5	2391.3	2557.3	2480.3	2555.7	2345.7	2753.7	2843.6	2768.6	8.3	-2.6
% of revenue	83.2	79.6	81.3	81.0	81.7	80.7	81.2	78.2	84.7	84.5	81.6	82.1	82.1		
EBITDA	465.7	478.1	552.8	530.1	523.4	573.6	590.2	693.2	463.4	431.6	621.6	620.2	605.1	30.6	-2.4
EBITDA Margins (%)	16.8	20.4	18.7	19.0	18.3	19.3	18.8	21.8	15.3	15.5	18.4	17.9	17.9	259 bps	3 bps
Depreciation	126.3	113.2	104.1	115.2	111.1	113.1	123.2	118.9	131.5	146.8	155.8	162.3	146.5	11.4	-9.7
Interest	98.5	93.7	80.6	95.4	83.3	75.6	68.9	66.7	86.9	60.0	83.1	97.3	109.2	25.8	12.3
Other Income	44.1	58.5	-31.9	15.1	8.5	58.6	-13.1	13.9	107.2	183.2	97.4	76.4	-40.2	-137.5	-152.6
Forex & EO	32.9	28.0	3.1	13.4	0.0	0.0	0.0	-178.4	-82.5	0.0	0.0	33.9	-799.7		
PBT	318.0	357.6	339.4	348.0	337.5	443.6	385.0	343.0	269.7	408.0	480.1	470.9	-490.5	-281.9	-204.2
Total Tax	97.7	103.6	105.4	99.8	103.6	137.0	110.2	103.3	97.1	196.9	201.5	180.2	-87.6	-190.2	-148.6
Tax rate (%)	30.7	29.0	31.1	28.7	30.7	30.9	28.6	30.1	36.0	48.3	42.0	38.3	17.9	-1816 bps	-2040 bps
PAT	220.3	254.0	234.0	248.2	233.9	306.5	274.8	239.8	172.6	211.1	278.6	290.8	-403.0	-333.5	-238.6
Adjusted PAT	187.4	226.1	230.9	234.8	233.9	306.5	274.8	418.1	255.1	211.1	278.6	256.9	396.7	55.5	54.4
EPS (₹)	6.7	8.0	8.2	8.3	8.3	10.9	9.8	14.8	9.1	7.5	9.9	9.1	14.1		

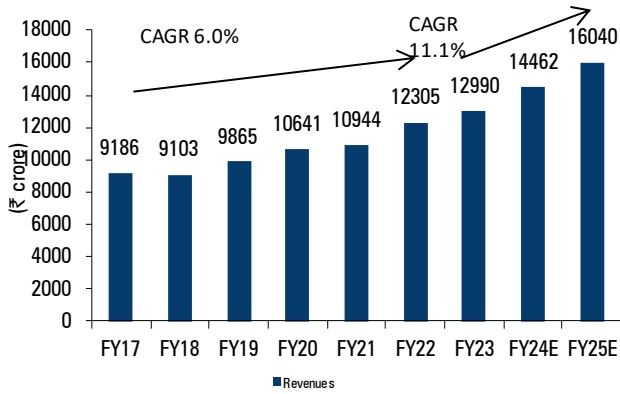
Source: ICICI Direct Research

Exhibit 7: PE Band



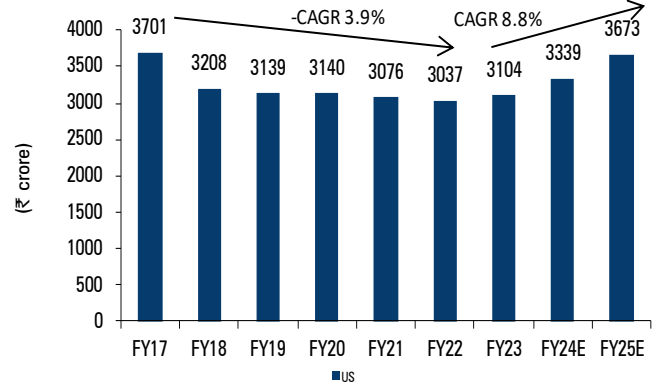
Source: ICICI Direct Research

Exhibit 8: Revenues to grow at 11.1% CAGR over FY23-25E



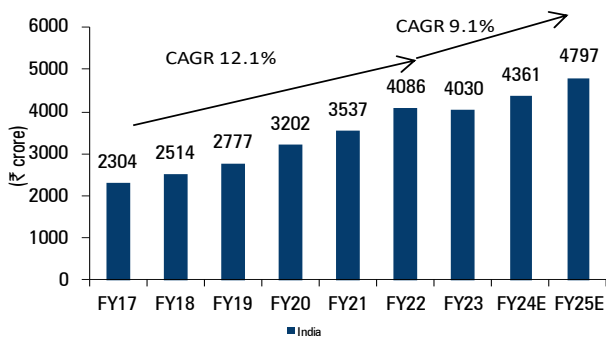
Source: Company, ICICI Direct Research

Exhibit 9: US to grow at 8.8% CAGR over FY23-25E



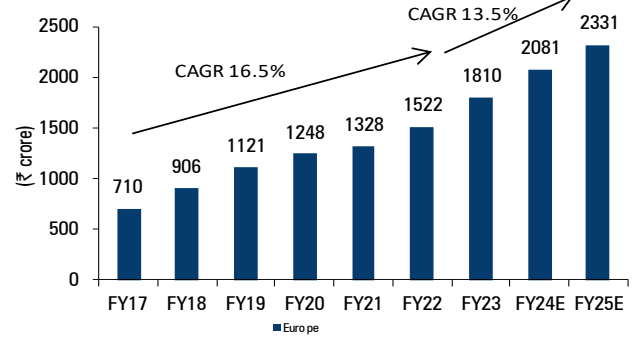
Source: Company, ICICI Direct Research

Exhibit 10: India to grow at 9.1% CAGR over FY23-25E



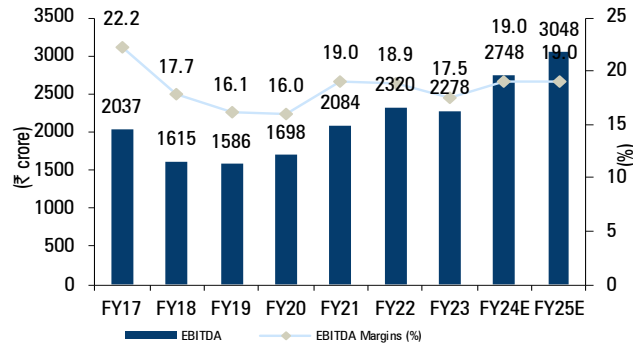
Source: Company, ICICI Direct Research

Exhibit 11: Europe to grow at 13.5% CAGR over FY23-25E



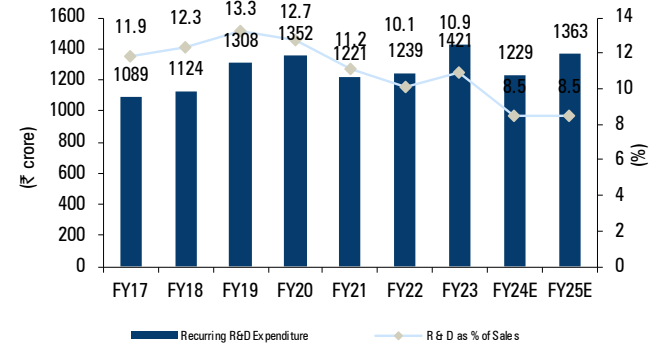
Source: Company, ICICI Direct Research

Exhibit 12: EBITDA & EBITDA margins trend



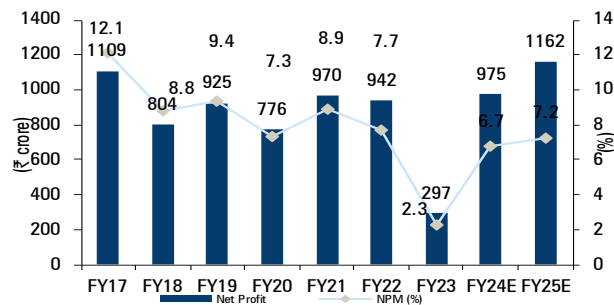
Source: Company, ICICI Direct Research

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



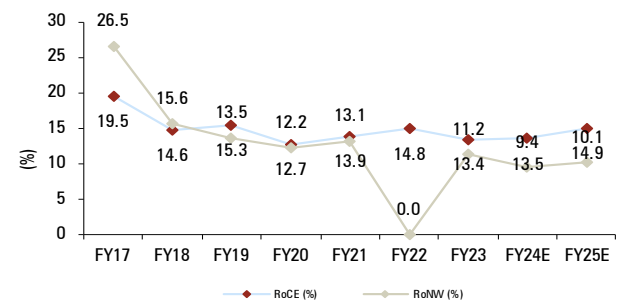
Source: Company, ICICI Direct Research

Exhibit 14: PAT & PAT margins trend



Source: Company, ICICI Direct Research

Exhibit 15: RoE & RoCE trend



Source: Company, ICICI Direct Research

Exhibit 16: Power brands

Brand	Therapy	Mar-20	Mar-21	Mar-22	Mar-23	GAGR 20-23	YoY
TELMA	CARDIAC	259.1	303.1	349.7	413.0	16.8%	18.1%
TELMA-H	CARDIAC	199.5	209.4	241.1	284.4	12.5%	18.0%
TELMA-AM	CARDIAC	129.3	159.5	193.0	251.2	24.8%	30.1%
ASCORIL-LS	RESPIRATORY	120.6	98.0	180.0	239.1	25.6%	32.8%
CANDID	ANTI-INFECTIVES	125.7	152.8	155.4	162.9	9.0%	4.8%
CANDID-B	DERMA	106.5	125.4	133.9	141.6	10.0%	5.7%
ASCORIL +	RESPIRATORY	123.0	105.3	151.9	139.6	4.3%	-8.1%
ALEX	RESPIRATORY	84.6	82.4	127.1	132.1	16.0%	4.0%
ASCORIL D PLUS	RESPIRATORY	63.4	60.1	110.3	108.4	19.6%	-1.7%
MILIBACT	ANTI-INFECTIVES	36.6	47.7	57.3	83.3	31.5%	45.2%
Top 10 brands		1248.5	1343.7	1699.8	1955.5	16.1%	15.0%
% of IQVIA sales		42.0%	39.7%	39.9%	47.8%		

Source: IQVIA, ICICI Direct Research

Exhibit 17: Therapeutic breakup

Therapy	Mar-20	Mar-21	Mar-22	Mar-23	GAGR 20-23	YoY
CARDIAC	740.65	845.28	982.92	1,190.46	17.1%	21.1%
DERMA	866.72	889.68	920.85	999.88	4.9%	8.6%
RESPIRATORY	623.98	558.59	878.34	949.57	15.0%	8.1%
ANTI-INFECTIVES	316.93	293.32	396.37	380.03	6.2%	-4.1%
ANTI DIABETIC	250.44	281.63	297.39	308.16	7.2%	3.6%
Top Therapies	2798.7	2868.5	3475.9	3,828.09	11.0%	10.1%
Total IQVIA Sales	2971.9	3388.0	4264.6	4,088.00	11.2%	-4.1%

Source: IQVIA, ICICI Direct Research

Financial Summary

Exhibit 18: Profit and loss statement					₹ crore
(Year-end March)	FY22	FY23	FY24E	FY25E	
Revenues	12,304.9	12,990.0	14,462.1	16,040.1	
Growth (%)	12.4	5.6	11.3	10.9	
Raw Material Expenses	4,385.3	4,536.9	4,989.4	5,533.8	
Employee Expenses	2,447.4	2,780.9	3,145.5	3,488.7	
Other Manufacturing Expenses	3,151.9	3,393.8	3,579.4	3,969.9	
Total Operating Expenditure	9,984.6	10,711.5	11,714.3	12,992.5	
EBITDA	2,320.3	2,278.5	2,747.8	3,047.6	
Growth (%)	11.3	-1.8	20.6	10.9	
Interest	298.1	349.6	269.2	188.8	
Depreciation	486.7	611.4	581.5	621.5	
Other Income	166.7	316.8	-176.1	-195.4	
PBT before Exceptional Items	1,702.2	1,634.4	1,721.0	2,042.0	
PBT	1,441.2	868.5	1,721.0	2,042.0	
Total Tax	447.6	491.0	654.0	776.0	
PAT before MI	993.7	377.5	1,067.0	1,266.1	
PAT	941.7	297.4	974.6	1,162.5	
Adjusted PAT	1,202.6	1,063.2	974.6	1,162.5	
Growth (%)	29.9	-11.6	-8.3	19.3	
EPS (Adjusted)	42.7	37.8	34.6	41.3	

Source: Company, ICICI Direct Research

Exhibit 19: Cash flow statement					₹ crore
(Year-end March)	FY22	FY23	FY24E	FY25E	
Profit/(Loss) after taxation	882.8	227.9	974.6	1,162.5	
Add: Depreciation & Amortization	486.7	611.3	581.5	621.5	
Net Increase in Current Assets	-646.0	-1,263.8	-904.0	-1,015.6	
Net Increase in Current Liabilities	84.8	166.2	346.5	400.3	
Others	300.4	883.7	269.2	269.2	
CF from operating activities	1,108.7	625.3	1,267.7	1,437.8	
(Inc)/dec in Fixed Assets	-788.5	-550.5	-700.0	-700.0	
(Inc)/dec in Investments	-10.0	-1.0	0.0	0.0	
Others	482.8	23.1	-47.8	-50.0	
CF from investing activities	-315.8	-528.4	-747.8	-750.0	
Inc / (Dec) in Equity Capital	0.0	0.0	0.0	0.0	
Inc / (Dec) in Loan Funds	-1,131.7	523.4	-1,000.0	-1,000.0	
Other	611.3	-562.1	-339.6	-339.6	
CF from financing activities	-520.5	-38.7	-1,340	-1,340	
Net Cash flow	272.4	58.2	-819.7	-651.8	
Opening Cash	1,139.2	1,411.5	1,469.7	650.0	
Closing Cash	1,411.5	1,469.7	650.0	-1.8	
Free Cash Flow	320.1	74.8	567.7	737.8	

Source: Company, ICICI Direct Research

Exhibit 20: Balance Sheet					₹ crore
(Year-end March)	FY22	FY23	FY24E	FY25E	
Equity Capital	28.2	28.2	28.2	28.2	
Reserve and Surplus	9,058.4	9,445.7	10,349.9	11,441.9	
Total Shareholders fund	9,086.6	9,473.9	10,378.1	11,470.2	
Total Debt	3,670.3	4,347.7	3,347.7	2,347.7	
Deferred Tax Liability	31.5	42.9	47.2	52.0	
Minority Interest	351.5	365.3	383.6	402.8	
Other Non Current Liabilities	352.5	591.8	621.4	652.5	
Source of Funds	13,492.5	14,821.7	14,778.0	14,925.1	
Gross Block - Fixed Assets	9,916.7	10,829.6	11,629.6	12,429.6	
Accumulated Depreciation	4,089.4	4,700.8	5,282.3	5,903.8	
Net Block	6,837.1	7,380.0	7,498.5	7,577.0	
Goodwill on Consolidation	60.0	73.6	73.6	73.6	
Investments	49.6	44.7	44.7	44.7	
Inventory	2,499.8	2,977.8	3,274.8	3,632.2	
Cash	1,411.5	1,469.7	650.0	-1.8	
Debtors	3,101.1	4,098.6	4,557.0	5,054.3	
Other Current Assets	1,269.9	1,327.6	1,476.1	1,637.2	
Total Current Assets	8,282.3	9,873.7	9,958.0	10,321.9	
Creditors	2,288.7	2,391.9	2,630.5	2,917.5	
Provisions & Other CL	1,302.2	2,158.1	2,266.0	2,379.3	
Total Current Liabilities	3,590.8	4,549.9	4,896.4	5,296.8	
Net Current Assets	4,691.5	5,323.8	5,061.6	5,025.1	
LT L& A, Other Assets	168.1	193.7	203.4	213.6	
Deferred Tax Assets	1,686.1	1,805.9	1,896.2	1,991.0	
Application of Funds	13,492.5	14,821.7	14,778.0	14,925.1	

Source: Company, ICICI Direct Research

Exhibit 21: Key ratios				
(Year-end March)	FY22	FY23	FY24E	FY25E
Per share data (₹)				
Adj EPS	42.7	37.8	34.6	41.3
BV	322.7	336.4	368.5	407.3
DPS	2.5	2.5	2.5	2.5
Cash Per Share	145.2	166.9	187.6	209.7
Operating Ratios (%)				
Gross Margin	64.4	65.1	65.5	65.5
EBITDA margins	18.9	17.5	19.0	19.0
Net Profit margins	9.8	8.2	6.7	7.2
Inventory days	208	240	240	240
Debtor days	92	115	115	115
Creditor days	190	192	192	192
Asset Turnover	1.2	1.2	1.2	1.3
EBITDA conversion Rate	47.8	27.4	46.1	47.2
Return Ratios (%)				
RoE	13.2	11.2	9.4	10.1
RoCE	14.8	13.4	13.5	14.9
RoIC	16.6	13.8	16.7	17.5
Valuation Ratios (x)				
P/E	12.2	38.7	11.8	9.9
EV / EBITDA	5.9	6.3	5.2	4.6
Market Cap / Sales	0.9	0.9	0.8	0.7
Price to Book Value	1.3	1.2	1.1	1.0
Solvency Ratios				
Debt / Equity	0.4	0.5	0.3	0.2
Debt / EBITDA	1.6	1.9	1.2	0.8
Current Ratio	1.9	1.8	1.9	1.9

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	4563	5,460	Buy	65700	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	814	870	Buy	16603	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	139	170	Buy	1504	5.4	6.3	8.2	10.3	12.8	10.9	8.1	6.7	8.4	9.9	11.8	13.9	6.7	7.4	8.9	10.2
Aster DM	ASTDM	259	280	Buy	12965	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	312	385	Buy	4336	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	912	900	Hold	9298	13.6	20.8	19.2	20.2	30.3	26.4	24.6	20.9	20.2	17.8	14.5	16.5	22.9	19.9	15.5	14.0
Company																					
Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹ cr)	EPS (₹)				P/E(x)				RoCE (%)				RoE (%)			
						FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E
MNC Pharma																					
Abbott India	ABBIND	21350	20,315	Hold	44835	380.3	452.1	501.7	564.3	56.1	47.2	42.6	37.8	36.6	38.7	34.1	31.0	28.3	29.8	26.1	23.6
P&G Health	MERLIM	4924	5,620	Buy	8371	113.2	152.2	144.4	165.2	43.5	32.4	34.1	29.8	39.8	43.7	34.5	33.6	31.2	33.2	26.5	25.7
Sanofi India	SANOFI	6304	6,270	Hold	14499	410.6	269.8	251.4	272.7	15.4	23.4	25.1	23.1	33.3	55.1	49.6	45.0	25.9	41.2	36.9	33.3
Pfizer	PFIZER	3819	3,830	Hold	17567	133.2	135.6	135.7	147.2	28.7	28.2	28.1	25.9	26.1	24.8	22.7	21.6	21.4	18.4	17.1	16.3
Pharma																					
Ajanta Pharma	AJAPHA	1315	1,520	Buy	16832	55.7	46.5	59.9	69.2	23.6	28.3	22.0	19.0	27.0	21.3	23.5	23.3	21.8	17.4	19.2	18.9
Alembic Pharma	ALEMPHA	561	530	Hold	11056	27.7	17.4	14.1	22.1	20.3	32.3	39.8	25.4	10.6	8.6	8.0	11.6	10.4	7.8	6.2	9.1
Aurobindo Pharma	AURPHA	601	525	Hold	35233	47.4	34.8	46.2	52.4	12.7	17.3	13.0	11.5	12.9	10.2	12.6	13.1	11.3	7.7	9.3	9.6
Biocon	BIOCON	242	230	Hold	29004	6.3	4.9	3.1	3.1	38.1	48.9	76.7	76.7	7.5	3.3	5.1	6.2	8.1	2.7	6.2	8.3
Zydus Lifesciences	CADHEA	511	600	Buy	52367	21.0	21.6	25.3	33.3	24.4	23.7	20.2	15.4	12.0	14.2	14.8	14.9	12.6	12.6	13.1	14.8
Cipla	CIPLA	927	1,090	Buy	74821	32.9	36.4	42.7	48.2	28.2	25.5	21.7	19.2	16.7	17.4	17.8	18.2	12.7	12.5	13.2	13.4
Dr Reddy's Lab	DRREDD	4465	5,520	Buy	74121	127.2	269.3	230.2	256.5	35.1	16.6	19.4	17.4	12.5	23.9	18.8	21.1	11.0	19.2	14.4	14.2
Glenmark	GLEPHA	570	580	Hold	16074	42.7	37.8	34.6	41.3	13.3	15.1	16.5	13.8	14.8	13.4	13.5	14.9	13.2	11.2	9.4	10.1
Ipca Lab	IPCLAB	677	885	Hold	17197	34.8	20.8	31.4	37.0	19.5	32.5	21.6	18.3	17.4	12.1	15.7	16.5	16.1	8.9	12.1	12.7
Lupin	LUPIN	775	725	Hold	35263	11.9	8.3	25.6	33.0	65.3	93.2	30.2	23.5	3.4	5.7	11.0	13.0	4.4	3.0	8.6	10.2
Natco	NATPHA	622	565	Hold	11391	9.3	36.3	40.3	30.2	67.0	17.1	15.4	20.6	4.6	15.9	16.5	11.6	4.0	13.9	13.6	9.4
Sun Pharma	SUNPHA	941	1,210	Buy	225758	32.0	34.9	38.6	43.2	29.4	26.9	24.4	21.8	18.2	17.2	18.1	18.1	16.0	15.2	14.7	14.7
Torrent Pharma	TORPHA	1670	1,720	Hold	56444	32.0	36.3	45.1	53.8	52.1	46.0	37.0	31.0	19.7	17.1	20.4	23.3	18.2	17.9	19.0	19.4
Indoco Remedies	INDREM	350	440	Buy	3217	16.8	17.9	26.7	31.5	20.8	19.5	13.1	11.1	17.5	15.6	21.9	24.7	17.1	15.9	19.8	19.4
Caplin Point	CAPPOI	705	865	Buy	5360	39.5	48.8	47.9	47.9	17.9	14.4	14.7	14.7	25.3	23.5	22.4	22.4	20.2	20.2	16.7	16.7
Advanced Enzyme	ADVENZ	276	310	Hold	3095	11.5	13.1	10.7	10.7	23.9	21.2	25.9	25.9	14.3	10.9	13.4	14.2	11.0	8.7	10.7	11.3
Hester Bios	HESPHA	1739	1,490	Reduce	1565	45.7	31.1	40.5	53.3	38.0	56.0	42.9	32.6	10.9	7.5	8.8	10.3	15.0	9.4	11.2	13.1
API/CRAMS																					
Div's Lab	DIVLAB	3180	3,575	Buy	84259	111.5	68.7	78.3	89.4	28.5	46.3	40.6	35.6	30.2	17.8	18.9	19.4	25.2	14.3	14.8	15.2
Hikal	HIKCHE	294	375	Hold	3616	13.0	5.7	14.6	20.7	22.6	51.6	20.2	14.2	13.6	7.2	14.3	17.7	15.0	6.3	14.1	17.0
Syngene International	SYNINT	697	740	Buy	27956	9.9	11.6	13.3	17.9	70.6	60.2	52.4	39.0	11.7	13.8	14.2	16.9	12.9	12.8	13.0	14.9
Granules India	GRANUL	278	360	Buy	3419	16.6	20.8	21.8	27.8	16.7	13.4	12.8	10.0	15.6	18.5	17.8	19.4	16.0	18.2	16.2	17.3
Laurus Labs	LAULAB	313	300	Hold	16824	15.4	14.7	10.5	10.5	20.3	21.2	29.8	29.8	21.3	19.8	14.6	16.0	24.7	19.6	12.4	13.5
Suven Pharma	SUVPH	475	0	Buy	12115	17.8	14.7	17.7	20.0	26.7	32.3	26.9	23.7	37.5	26.0	25.6	24.5	29.7	20.6	20.5	19.5

Source: ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Siddhant Khandekar -Inter CA, Kushal Shah -CFA L1, CFP, Utkarsh Jain -MBA, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH00000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Anoop Goyal

Contact number: 022-40701000 **E-mail Address:** complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Prabodh Avadhoot Email address: headsservicequality@icicidirect.com Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.