

Domestic formulations in line, exports impacted...

About the stock: Indoco manufactures and markets branded formulations and APIs for the domestic and export markets. In domestic formulations, through its nine marketing divisions, the company serves a range of specialties (acute heavy).

- Domestic formulations accounted for 54% of revenues. Major therapies are: respiratory, anti-infectives, stomatologicals, gastrointestinal and vitamins
- Formulation exports accounted for 41% (regulated markets: 81%) of revenues while APIs contributed 4% with remaining coming from CRAMS

Q3FY23 Results: Domestic formulations grew 12.2% YoY to ₹ ~204 crore while export formulations expanded 30% YoY to ₹ ~186 crore.

- Sales were up 11.4% YoY to ₹ 399 crore
- EBITDA de-grew 16.3% YoY to ₹ 61.5 crore with margins at 15.4%
- PAT for Q3 was at ₹ 38 crore (down 16.4% YoY)

What should investors do? Indoco's share price has grown at a CAGR of 15.4% over the past three years.

- We maintain **BUY** on the back of 1) steady domestic business visibility, 2) strong exports guidance and 3) expected improvement in margins

Target Price and Valuation: We value Indoco Remedies at ₹ 440 i.e. 14x P/E on FY25E EPS of ₹ 31.5

Key triggers for future price performance:

- Restructuring exercise for improvement in MR productivity and therapy calibration is likely to yield productive growth in Indian formulations
- Clearance from UK-MHRA and lifting of USFDA warning letters for Goa plant II and III is likely to improve operating leverage for export formulations
- Indoco will benefit with market share gains in covered markets domestically while export formulations are likely to grow with a strong pipeline, visible launch schedule and robust order book
- Niche ANDA filings in ophthalmic, injectable and controlled release OSDs in the US to scale up the US share from a low base

Alternate Stock Idea: Apart from Indoco, 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 launches.
- BUY with a target price of ₹ 1495.



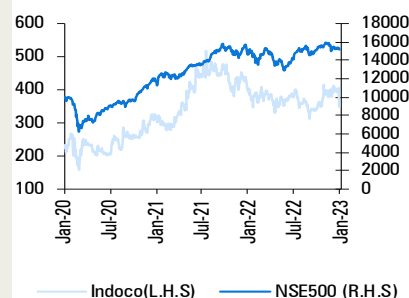
Particulars

| Particular | Amount |
|-----------------------|--------------|
| Market Capitalisation | ₹ 3211 crore |
| Debt (FY22) | ₹ 244 crore |
| Cash (FY22) | ₹ 20 crore |
| EV | ₹ 3435 crore |
| 52 week H/L (₹) | 429/308 |
| Equity capital | ₹ 18.4 crore |
| Face value | ₹ 2 |

Shareholding pattern

| (in %) | Mar-22 | Jun-22 | Sep-22 | Dec-22 |
|----------|--------|--------|--------|--------|
| Promoter | 58.7 | 58.7 | 58.7 | 58.7 |
| Others | 41.3 | 41.3 | 41.3 | 41.3 |

Price Chart



Recent Event & Key risks

- Conclusion of USFDA inspection at AnaCipher
- **Key Risk:** (i) CGMP regulatory concerns (ii) Competition in domestic power brands

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Key Financial Summary

| Key Financials | FY21 | FY22 | FY23E | 5 year CAGR | FY24E | FY25E | 2 year CAGR |
|--------------------|--------|--------|--------|-------------|--------|--------|-------------|
| Revenues | 1241.5 | 1540.8 | 1712.9 | 10.4 | 1965.3 | 2235.0 | 14.2 |
| EBITDA | 224.3 | 327.3 | 312.2 | 17.7 | 417.0 | 473.5 | 23.1 |
| EBITDA margins (%) | 18.1% | 21.2% | 18.2% | | 21.2% | 21.2% | |
| Adjusted PAT | 93.1 | 154.8 | 165.4 | 15.0 | 246.4 | 289.9 | 32.4 |
| EPS (Adjusted) | 10.1 | 16.8 | 17.9 | | 26.7 | 31.5 | |
| PE (x) | 34.5 | 20.7 | 19.4 | | 13.0 | 11.1 | |
| EV to EBITDA (x) | 15.4 | 10.5 | 11.0 | | 8.0 | 6.7 | |
| RoNW (%) | 12.1 | 17.1 | 15.9 | | 19.8 | 19.4 | |
| RoCE (%) | 11.7 | 17.5 | 15.6 | | 21.9 | 24.7 | |

Source: Company, ICICI Direct Research

Key takeaways of recent quarter & conference call highlights

Q3FY23 Results: US underperformance & MTM losses drags Q3 numbers

- Revenues grew 11.4% YoY to ₹ 399 crore. Domestic formulations grew 12.2% YoY to ₹ 204 crore while export formulations expanded 30% YoY to ₹ 186 crore. EBITDA de-grew 16.3% YoY to ₹ 61.5 crore. EBITDA margins declined 509 bps YoY to 15.4%. PAT for the quarter came in at ₹ 38 crore, down 16.4% YoY
- Q3 revenues were a miss on our estimates. Also GPM and EBITDA margins were missed due to rising input costs and one time MTM loss of ₹ 14 crore. Adjusted EBITDA margins were at 18.4%. Core segments India and Europe continue to deliver good traction. We continue to monitor progress on the US front as portfolio comprises significant non-oral products

ESG Disclosure Score*

| Score | FY20 | FY21 | FY22 |
|--------------------------|-------------|-------------|-------------|
| Environmental | 9.0 | 9.0 | 9.0 |
| Social | 17.2 | 18.2 | 21.0 |
| Governance | 78.6 | 78.6 | 78.6 |
| Overall ESG Score | 35.0 | 35.3 | 36.2 |

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

Q3FY23 Earnings Conference Call highlights:

Business mix:

- Traditional and new products both are seeing good demand especially from Germany, Spain, UK
- Its product mix includes ~50% acute, 30% chronic and remaining sub chronic portfolio. The sub chronic business is expected to deliver faster growth followed by chronic and acute
- Among therapy, cardiac, vitamins and stomatology performed relatively better YoY while respiratory and anti-infective reported lower growth
- The company aims to target 20% growth in European markets, which remains on track
- It has experienced stable demand for Paracetamol in the UK

Product launches:

- Indoco has successfully launched new products namely Noxa and Dropizin.
- Combigan was also released in the later half of October 2022. We expect its profit to start contributing from FY24
- It has started supplying Brizolamide whose profits are booked with a lag, post sales by front end partner
- Focus remains to reduce dossier licensing and milestone income and push its own product in the form of new launches

Capex:

- The company will evaluate to add further capacity in the US only if there is a requirement
- All high growth and volume products have been transferred to Baddi 1 and Baddi 3 facility for better control on efficiency
- It does not intend to expand in European markets
- All plants are going in for higher automation to bring down manpower costs

New Approvals/tender:

- Its ongoing Allupurinol (German tender) will end in January 2023. It has already won new tender contract for next two years to the tune of ~₹ 65-70 crore per annum
- It has applied for two additional products, but clarity is still awaited
- There are a total of 25 products awaiting USFDA approval, 10 of which are own products, comprising both oral and sterile medications

Other highlights:

- Other operating income included export incentive and forex fluctuation relating to MTM loss and unrealised fluctuation to an extent of ₹ ~14 crore
- Goa plants largely contributes to US business whereas Baddi and Aurangabad plants for European and Emerging markets, respectively
- Goa Plant 1 has received nine observations from USFDA. Its current sales is at ~₹ 6 crore

Exhibit 1: Variance Analysis

| | Q3FY23 | Q3FY23E | Q3FY22 | Q2FY23 | YoY (%) | QoQ (%) | Comments |
|-----------------------|---------------|----------------|---------------|---------------|----------------|----------------|---|
| Revenue | 398.6 | 442.1 | 358.0 | 433.1 | 11.4 | -8.0 | Revenues increased 11.4% YoY to ₹399 crores, growth driven by Exports formulations followed by growth in Domestic business. |
| Raw Material Expenses | 130.4 | 138.2 | 108.7 | 127.4 | 19.9 | 2.3 | |
| Gross margins (%) | 67.3 | 68.8 | 69.6 | 70.6 | -234 bps | -328 bps | |
| Employee Expenses | 82.1 | 77.4 | 71.3 | 80.4 | 15.2 | 2.1 | |
| Other Expenditure | 104.9 | 116.1 | 87.5 | 118.6 | 19.9 | -11.6 | |
| R&D | 19.8 | 19.2 | 17.1 | 18.8 | 15.9 | 5.6 | |
| EBITDA | 61.5 | 91.4 | 73.5 | 87.9 | -16.3 | -30.1 | |
| EBITDA (%) | 15.4 | 20.7 | 20.5 | 20.3 | -509 bps | -487 bps | EBITDA decreased 16.3% YoY to ₹ 61.5 crores while, EBITDA margins declined 509 bps to 15.4 %, YoY. Mainly due to rise in input costs & one time MTM loss of ₹ 14 crore. |
| Interest | 7.0 | 5.3 | 3.8 | 5.3 | 84.0 | 33.5 | |
| Depreciation | 17.2 | 15.7 | 19.2 | 15.7 | -10.7 | 9.7 | |
| Other Income | 0.4 | 0.3 | 0.2 | 0.3 | 125.0 | 44.0 | |
| PBT before EO & Forex | 37.7 | 70.8 | 50.6 | 67.3 | -25.5 | -44.0 | |
| Forex & EO | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| PBT | 37.7 | 70.8 | 50.6 | 67.3 | -25.5 | -44.0 | |
| Tax | 10.1 | 18.5 | 17.6 | 17.6 | -42.8 | -42.7 | |
| Net Profit | 27.6 | 52.3 | 33.0 | 49.7 | -16.4 | -44.5 | Net profit contracted by 16.4% YoY to ₹27.6 crores. |
| Key Metrics | Q3FY23 | Q3FY23E | Q3FY22 | Q2FY23 | YoY (%) | QoQ (%) | |
| Domestic Formulations | 203.7 | 199.7 | 181.6 | 208.5 | 12.2 | -2.3 | Therapies like Cardiac, Vitamins and Stomatology performed relatively better on YoY basis. |
| Export formulations | 186.1 | 201.5 | 143.1 | 174.1 | 30.0 | 6.9 | Regulated markets grew 39% YoY and Semi-regulated markets grew 15% YoY |
| APIs | 16.2 | 26.6 | 19.7 | 18.3 | -17.5 | -11.4 | |

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

| (₹ Crore) | FY23E | | | FY24E | | | Comments |
|-------------------|---------|---------|----------|---------|---------|----------|---|
| | Old | New | % Change | Old | New | % Change | |
| Revenue | 1,777.9 | 1,712.9 | -3.7 | 2,043.0 | 1,965.3 | -3.8 | Changed due to tweak in the median currency rate assumption |
| EBITDA | 356.6 | 312.2 | -12.4 | 435.2 | 417.0 | -4.2 | |
| EBITDA Margin (%) | 20.1 | 18.2 | -187 bps | 21.3 | 21.2 | -8 bps | Changed on the back of higher expenses |
| PAT | 203.6 | 165.4 | -18.8 | 266.7 | 246.4 | -7.6 | |
| EPS (₹) | 22.1 | 17.9 | -18.8 | 28.9 | 26.7 | -7.5 | |

Source: ICICI Direct Research

Exhibit 3: Assumptions

| (₹ crore) | Current | | | | Earlier | | Comments |
|----------------------------|---------|-------|-------|-------|---------|-------|--|
| | FY21 | FY22 | FY23E | FY24E | FY23E | FY24E | |
| Domestic Formulations | 618.2 | 803.1 | 834.0 | 934.0 | 830.0 | 929.6 | Domestic likely to continue to grow at ~10-12% |
| US Formulations | 148.3 | 212.8 | 288.5 | 335.8 | 300.1 | 364.4 | Delay in the approval of products |
| Export Formulations(Ex US) | 491.9 | 620.7 | 766.8 | 907.6 | 782.2 | 934.6 | Management guidance for visible order book |
| APIs | 93.8 | 63.4 | 76.7 | 88.1 | 87.0 | 100.0 | |
| US (US\$ m) | 20.0 | 28.5 | 35.9 | 41.3 | 38.5 | 48.1 | |

Source: ICICI Direct Research

Exhibit 4: Financial Summary

| | Revenues | Growth | Adj. EPS | Growth | P/E | EV/EBITDA | RoE | RoCE |
|-------|-----------|--------|----------|--------|------|-----------|------|------|
| | (₹ crore) | (%) | (₹) | (%) | (x) | (X) | (%) | (%) |
| FY21 | 1242 | 12.2 | 10.1 | NA | 34.5 | 15.4 | 12.1 | 11.7 |
| FY22 | 1541 | 24.1 | 16.8 | 66.4 | 20.7 | 10.5 | 17.1 | 17.5 |
| FY23E | 1713 | 11.2 | 17.9 | 6.9 | 19.4 | 11.0 | 15.9 | 15.6 |
| FY24E | 1965 | 14.7 | 26.7 | 49.0 | 13.0 | 8.0 | 19.8 | 21.9 |
| FY25E | 2235.0 | 13.7 | 31.50 | 17.65 | 11.1 | 6.7 | 19.4 | 24.7 |

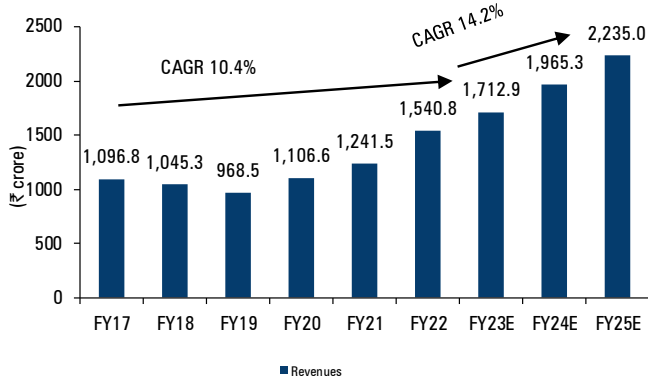
Source: ICICI Direct Research

Exhibit 5: Trends in Quarterly Performance

| (₹ Crore) | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21 | Q4FY21 | Q1FY22 | Q2FY22 | Q3FY22 | Q4FY22 | Q1FY23 | Q2FY23 | Q3FY23 | YoY (%) | QoQ (%) |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|----------|----------|
| Net Sales | 283.5 | 263.1 | 266.8 | 323.1 | 333.7 | 295.1 | 381.4 | 372.9 | 348.9 | 400.5 | 395.2 | 405.0 | 410.6 | 17.7 | 1.4 |
| Other Operating Income | 5.9 | 8.9 | 9.1 | 5.2 | -1.4 | 10.0 | 5.3 | 14.0 | 9.1 | 8.6 | 13.0 | 28.1 | -12.0 | -230.9 | -142.5 |
| Revenues | 289.4 | 272.0 | 275.9 | 328.2 | 332.3 | 305.1 | 386.8 | 386.9 | 358.0 | 409.1 | 408.2 | 433.1 | 398.6 | 11.4 | -8.0 |
| Raw Material Expenses | 82.8 | 72.4 | 81.6 | 90.2 | 94.4 | 87.9 | 110.3 | 106.3 | 108.7 | 131.5 | 132.1 | 127.4 | 130.4 | 19.9 | 2.3 |
| % of Revenues | 28.6 | 26.6 | 29.6 | 27.5 | 28.4 | 28.8 | 28.5 | 27.5 | 30.4 | 32.1 | 32.4 | 29.4 | 32.7 | 234 bps | 328 bps |
| Gross Profit | 206.5 | 199.6 | 194.2 | 238.0 | 237.9 | 217.2 | 276.4 | 280.6 | 249.3 | 277.7 | 276.1 | 305.7 | 268.3 | 7.6 | -12.2 |
| Gross Profit Margin (%) | 71.4 | 73.4 | 70.4 | 72.5 | 71.6 | 71.2 | 71.5 | 72.5 | 69.6 | 67.9 | 67.6 | 70.6 | 67.3 | -234 bps | -328 bps |
| Employee Expenses | 68.2 | 63.2 | 65.8 | 75.2 | 72.9 | 60.2 | 75.0 | 74.2 | 71.3 | 73.2 | 82.7 | 80.4 | 82.1 | 15.2 | 2.1 |
| % of Revenues | 23.6 | 23.2 | 23.9 | 22.9 | 21.9 | 19.7 | 19.4 | 19.2 | 19.9 | 17.9 | 20.3 | 18.6 | 20.6 | 68 bps | 204 bps |
| Research & Development | 12.9 | 14.0 | 10.3 | 15.7 | 17.4 | 16.4 | 16.5 | 21.3 | 17.1 | 19.7 | 18.3 | 18.8 | 19.8 | 15.9 | 5.6 |
| % of Revenues | 4.5 | 5.2 | 3.7 | 4.8 | 5.2 | 5.4 | 4.3 | 5.5 | 4.8 | 4.8 | 4.5 | 4.3 | 5.0 | 20 bps | 64 bps |
| Other Manufacturing Expen | 90.5 | 89.0 | 69.5 | 86.5 | 87.5 | 85.9 | 98.0 | 98.6 | 87.5 | 104.2 | 103.8 | 118.6 | 104.9 | 19.9 | -11.6 |
| % of Revenues | 31.3 | 32.7 | 25.2 | 26.4 | 26.3 | 28.2 | 25.3 | 25.5 | 24.4 | 25.5 | 25.4 | 27.4 | 26.3 | 187 bps | -108 bps |
| Total Expenditure | 254.5 | 238.7 | 227.2 | 267.5 | 272.1 | 250.4 | 299.9 | 300.4 | 284.6 | 328.6 | 336.8 | 345.2 | 337.2 | 18.5 | -2.3 |
| % of Revenues | 87.9 | 87.8 | 82.4 | 81.5 | 81.9 | 82.1 | 77.5 | 77.7 | 79.5 | 80.3 | 82.5 | 79.7 | 84.6 | 509 bps | 487 bps |
| EBITDA | 34.9 | 33.3 | 48.7 | 60.7 | 60.2 | 54.7 | 86.9 | 86.4 | 73.5 | 80.5 | 71.5 | 87.9 | 61.5 | -16.3 | -30.1 |
| EBITDA Margin (%) | 12.1 | 12.2 | 17.6 | 18.5 | 18.1 | 17.9 | 22.5 | 22.3 | 20.5 | 19.7 | 17.5 | 20.3 | 15.4 | -509 bps | -487 bps |
| Depreciation | 17.6 | 18.2 | 19.1 | 18.6 | 16.9 | 18.6 | 22.2 | 19.5 | 19.2 | 18.1 | 20.1 | 15.7 | 17.2 | -10.7 | 9.7 |
| Interest | 6.9 | 7.8 | 5.8 | 5.9 | 6.0 | 4.6 | 4.2 | 3.1 | 3.8 | 3.0 | 4.1 | 5.3 | 7.0 | 84.0 | 33.5 |
| Other Income | 0.7 | 0.5 | 0.3 | 0.5 | 0.4 | 2.0 | 0.9 | 1.0 | 0.2 | 0.3 | 1.1 | 0.3 | 0.4 | 125.0 | 44.0 |
| PBT | 11.1 | 7.8 | 24.0 | 36.8 | 37.6 | 33.6 | 61.3 | 65.0 | 50.6 | 59.8 | 48.4 | 67.3 | 37.7 | -25.5 | -44.0 |
| Total Tax | 2.0 | 2.4 | 7.0 | 11.1 | 12.3 | 8.6 | 21.6 | 23.3 | 17.6 | 19.3 | 9.8 | 17.6 | 10.1 | -42.8 | -42.7 |
| Tax Rate (%) | 17.8 | 30.9 | 29.1 | 30.3 | 32.6 | 25.5 | 35.3 | 35.8 | 34.8 | 32.3 | 20.2 | 26.1 | 26.7 | -804 bps | 61 bps |
| Net Profit | 9.1 | 5.4 | 17.0 | 25.7 | 25.4 | 25.0 | 39.7 | 41.7 | 33.0 | 40.5 | 38.6 | 49.7 | 27.6 | -16.4 | -44.5 |
| PAT Margin (%) | 3.1 | 2.0 | 6.2 | 7.8 | 7.6 | 8.2 | 10.3 | 10.8 | 9.2 | 9.9 | 9.4 | 11.5 | 6.9 | -229 bps | -455 bps |

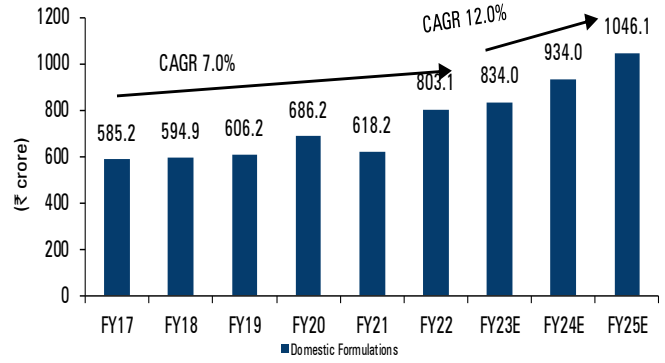
Source: ICICI Direct Research

Exhibit 6: Revenue to grow at CAGR of 14.2% over FY23-25E



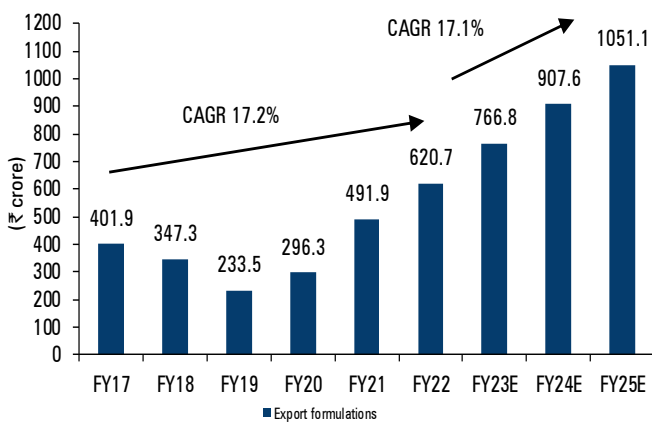
Source: ICICI Direct Research, Company

Exhibit 7: Domestic formulation to grow 12.0% in FY23-25E



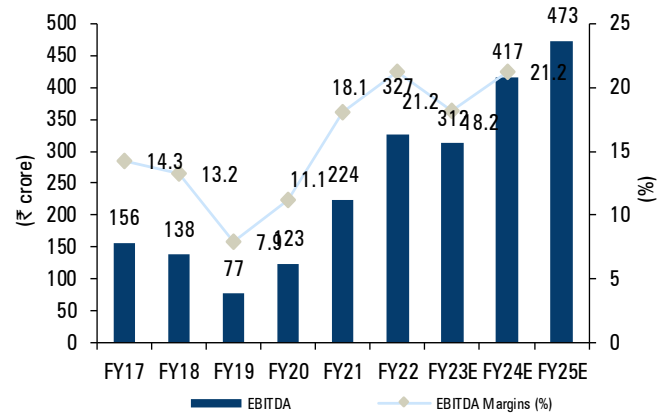
Source: ICICI Direct Research, Company

Exhibit 8: Export formulations to grow 17.1% in FY23-25E



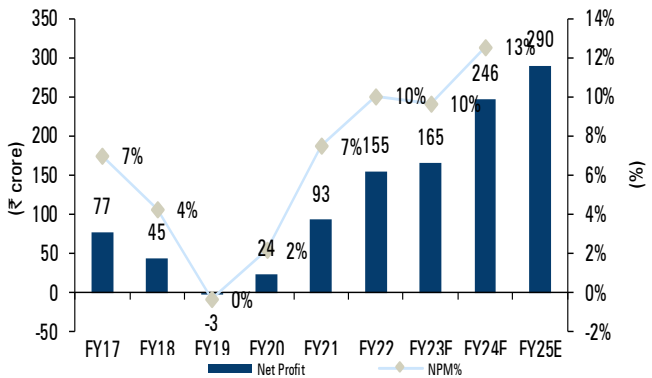
Source: ICICI Direct Research, Company

Exhibit 9: EBTDA & EBITDA margins trend



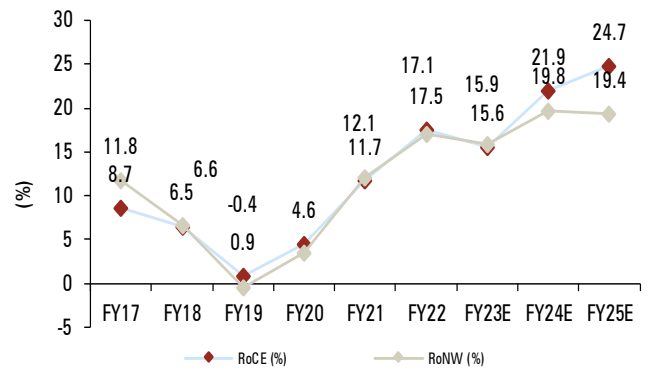
Source: ICICI Direct Research, Company

Exhibit 10: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 11: Return ratios trend



Source: ICICI Direct Research, Company

Exhibit 12: Power brands

| Brand | Therapy | Dec-19 | Dec-20 | Dec-21 | Dec-22 | CAGR 19-22 | YoY |
|------------------|-----------------|--------|--------|--------|--------|------------|---------|
| CYCLOPAM | PAIN MANAGEMENT | 110.05 | 105.30 | 126.14 | 143.85 | 9.34% | 14.04% |
| FEBREX PLUS | ANTI-INFECTIVES | 113.87 | 99.82 | 118.69 | 124.76 | 3.09% | 5.12% |
| ATM | ANTI-INFECTIVES | 61.30 | 77.42 | 109.79 | 100.03 | 17.73% | -8.88% |
| OXIPOD | ANTI-INFECTIVES | 61.03 | 46.06 | 60.07 | 72.56 | 5.94% | 20.79% |
| SENSODENT-K | STOMATOLOGICALS | 53.71 | 62.27 | 64.53 | 66.26 | 7.25% | 2.69% |
| CITAL | UROLOGY | 45.92 | 49.19 | 52.49 | 55.53 | 6.54% | 5.80% |
| SENSODENT-KF | STOMATOLOGICALS | 29.83 | 35.96 | 37.70 | 40.70 | 10.91% | 7.96% |
| KARVOL PLUS | RESPIRATORY | 31.59 | 46.71 | 51.73 | 37.98 | 6.33% | -26.59% |
| SENSOFORM | STOMATOLOGICALS | 29.41 | 32.71 | 31.82 | 32.68 | 3.58% | 2.68% |
| CITAL-UTI | UROLOGY | 19.25 | 21.96 | 27.41 | 31.41 | 17.74% | 14.62% |
| Top 10 Brands | | 555.96 | 577.40 | 680.36 | 705.78 | 8.28% | 3.74% |
| % of IQVIA sales | | 51.83% | 54.58% | 56.53% | 56.31% | | |
| Ex-Top 10 Brands | | 516.60 | 480.58 | 523.21 | 547.70 | 1.97% | 4.68% |

Source: IQVIA, ICICI Direct Research

Exhibit 13: Therapeutic break up

| Therapy | Dec-19 | Dec-20 | Dec-21 | Dec-22 | CAGR 19-22 | YoY |
|-----------------------------|----------|----------|----------|----------|------------|---------|
| ANTI-INFECTIVES | 193.81 | 174.65 | 224.03 | 230.49 | 5.95% | 2.89% |
| STOMATOLOGICALS | 172.22 | 195.00 | 210.96 | 229.91 | 10.11% | 8.98% |
| RESPIRATORY | 194.60 | 184.42 | 215.23 | 217.51 | 3.78% | 1.06% |
| GASTRO INTESTINAL | 145.37 | 137.73 | 160.99 | 179.06 | 7.19% | 11.22% |
| UROLOGY | 70.83 | 76.90 | 86.33 | 95.85 | 10.61% | 11.03% |
| OPHTHAL / OTOLOGICALS | 63.41 | 60.49 | 70.03 | 76.14 | 6.29% | 8.72% |
| VITAMINS/MINERALS/NUTRIENTS | 67.55 | 62.99 | 68.06 | 67.61 | 0.03% | -0.67% |
| DERMA | 47.59 | 51.28 | 46.45 | 57.09 | 6.25% | 22.91% |
| PAIN / ANALGESICS | 42.18 | 38.83 | 40.98 | 38.23 | -3.22% | -6.70% |
| ANTI DIABETIC | 42.88 | 43.88 | 42.86 | 37.82 | -4.10% | -11.77% |
| Top Therapies | 1,040.43 | 1,026.16 | 1,165.92 | 1,229.71 | 5.73% | 5.47% |
| Total IQVIA Sales | 1,072.56 | 1,057.98 | 1,203.57 | 1,253.48 | 5.33% | 4.15% |

Source: IQVIA, ICICI Direct Research

Exhibit 14: ICICI Direct Coverage Universe (Healthcare)

| ICICIdirect Healthcare coverage Universe | | | | | | | | | | | | | | | | | | | | | |
|--|---------------|---------|--------|--------|--------------|---------|-------|-------|-------|--------------|------|-------|-------|----------|------|-------|---------|------|------|-------|-------|
| Company | I-Direct Code | CMP (₹) | TP (₹) | Rating | M Cap (₹ cr) | EPS (₹) | | | | EV/EBITDA(x) | | | | RoCE (%) | | | RoE (%) | | | | |
| | | | | | | FY21 | FY22 | FY23E | FY24E | FY21 | FY22 | FY23E | FY24E | FY21 | FY22 | FY23E | FY24E | FY21 | FY22 | FY23E | FY24E |
| Hospitals | | | | | | | | | | | | | | | | | | | | | |
| Apollo Hospitals | APOHOS | 4227 | 5,230 | Buy | 60777 | 7.8 | 59.1 | 67.8 | 85.2 | 57.7 | 29.8 | 29.3 | 24.6 | 6.3 | 15.1 | 14.7 | 16.7 | 6.3 | 15.1 | 14.7 | 16.7 |
| Narayana Hrudalaya | NARHRU | 720 | 855 | Buy | 14714 | -0.7 | 16.7 | 27.9 | 25.6 | 86.0 | 23.8 | 18.1 | 16.4 | 1.2 | 20.5 | 23.6 | 19.0 | -1.3 | 23.0 | 28.0 | 20.6 |
| Shalby | SHALIM | 148 | 180 | Buy | 1600 | 3.9 | 5.4 | 7.9 | 11.1 | 17.6 | 13.3 | 9.4 | 7.2 | 6.5 | 8.4 | 12.9 | 15.8 | 5.1 | 6.7 | 9.1 | 11.5 |
| Aster DM | ASTDM | 216 | 300 | Buy | 10790 | 3.0 | 10.5 | 8.1 | 18.5 | 16.0 | 11.5 | 10.6 | 7.2 | 5.4 | 9.0 | 9.1 | 14.0 | 4.4 | 13.3 | 9.3 | 17.5 |
| Healthcare Global | HEAGLO | 286 | 370 | Buy | 3982 | -13.9 | 3.9 | 4.0 | 8.4 | 39.4 | 20.1 | 14.9 | 12.0 | -0.9 | 5.0 | 9.3 | 12.3 | -0.9 | 5.0 | 6.0 | 11.1 |
| MNC Pharma | | | | | | | | | | | | | | | | | | | | | |
| Abbott India | ABBIND | 21225 | 21,725 | Hold | 45101 | 325.0 | 375.9 | 452.0 | 543.1 | 65.3 | 56.5 | 47.0 | 39.1 | 33.8 | 36.6 | 38.6 | 37.5 | 26.5 | 28.3 | 30.1 | 29.0 |
| P&G Health | MERLIM | 4029 | 5,235 | Buy | 6690 | 106.5 | 116.0 | 150.0 | 163.6 | 37.8 | 34.7 | 26.9 | 24.6 | 32.2 | 39.8 | 42.5 | 38.0 | 25.1 | 31.2 | 32.0 | 28.5 |
| Sanofi India | SANOFI | 5629 | 6,385 | Hold | 12965 | 207.4 | 410.1 | 265.9 | 255.5 | 27.1 | 13.7 | 21.2 | 22.0 | 32.3 | 33.3 | 40.9 | 50.2 | 24.5 | 25.9 | 30.8 | 38.1 |
| Pfizer | PFIZER | 4023 | 4,505 | Hold | 18404 | 108.8 | 133.9 | 151.4 | 150.2 | 37.0 | 30.0 | 26.6 | 26.8 | 27.6 | 26.1 | 25.0 | 23.7 | 20.8 | 21.4 | 18.8 | 18.1 |
| Pharma | | | | | | | | | | | | | | | | | | | | | |
| Ajanta Pharma | AJAPHA | 1193 | 1,505 | Buy | 15285 | 51.1 | 55.7 | 55.9 | 68.4 | 23.4 | 21.4 | 21.3 | 17.4 | 29.0 | 27.0 | 23.4 | 24.4 | 21.8 | 21.8 | 18.8 | 19.5 |
| Alembic Pharma | ALEMPHA | 548 | 625 | Hold | 10775 | 62.6 | 27.7 | 14.6 | 21.0 | 8.7 | 19.8 | 37.4 | 26.2 | 25.1 | 10.6 | 6.3 | 8.6 | 24.1 | 10.4 | 5.3 | 7.3 |
| Aurobindo Pharma | AURPHA | 418 | 540 | Hold | 24495 | 55.0 | 47.4 | 34.7 | 44.8 | 7.6 | 8.8 | 12.0 | 9.3 | 16.9 | 12.9 | 9.6 | 11.9 | 14.7 | 11.3 | 7.7 | 9.1 |
| Biocon | BIOCON | 235 | 290 | Hold | 28250 | 6.3 | 5.7 | 3.0 | 4.8 | 37.5 | 41.3 | 78.1 | 48.5 | 7.7 | 7.5 | 3.8 | 6.1 | 9.9 | 8.1 | 1.5 | 2.4 |
| Zydus Lifesciences | CADHEA | 426 | 480 | Hold | 43130 | 23.3 | 21.0 | 21.1 | 25.3 | 18.2 | 20.3 | 20.2 | 16.9 | 13.8 | 12.0 | 11.7 | 12.2 | 18.4 | 12.6 | 11.4 | 12.2 |
| Cipla | CIPLA | 1039 | 1,350 | Buy | 83862 | 29.8 | 32.9 | 39.9 | 49.6 | 34.8 | 31.6 | 26.1 | 20.9 | 17.0 | 16.3 | 18.6 | 20.5 | 13.1 | 12.7 | 13.8 | 15.2 |
| Dr Reddy's Labs | DRREDD | 4196 | 5,215 | Buy | 69877 | 117.6 | 127.2 | 226.6 | 205.5 | 35.7 | 33.0 | 18.5 | 20.4 | 13.1 | 13.0 | 21.9 | 19.8 | 11.1 | 11.0 | 16.8 | 13.6 |
| Glenmark Pharma | GLEPHA | 399 | 440 | Hold | 11259 | 32.9 | 42.7 | 36.4 | 50.0 | 12.1 | 9.3 | 11.0 | 8.0 | 13.9 | 14.8 | 16.0 | 16.0 | 13.1 | 13.2 | 10.2 | 12.4 |
| Ipca Laboratories | IPCLAB | 865 | 925 | Hold | 21934 | 44.9 | 34.8 | 24.5 | 35.7 | 19.3 | 24.8 | 35.3 | 24.3 | 27.1 | 17.4 | 13.3 | 16.5 | 24.2 | 16.1 | 10.3 | 13.3 |
| Jubilant Pharmova | JUBLIF | 346 | 395 | Hold | 5517 | 37.4 | 26.0 | 22.5 | 32.8 | 9.2 | 13.3 | 15.3 | 10.5 | 13.7 | 9.0 | 7.8 | 9.7 | 12.6 | 7.8 | 6.4 | 8.6 |
| Lupin | LUPIN | 749 | 680 | Hold | 34052 | 26.9 | 11.9 | 9.1 | 26.4 | 27.9 | 63.1 | 81.9 | 28.4 | 9.6 | 3.4 | 5.9 | 11.3 | 8.8 | 4.4 | 3.3 | 8.8 |
| Natco Pharma | NATPHA | 528 | 660 | Hold | 9646 | 24.2 | 9.3 | 38.6 | 46.3 | 21.9 | 56.7 | 13.7 | 11.4 | 13.1 | 4.6 | 16.8 | 18.5 | 10.7 | 4.0 | 14.6 | 15.2 |
| Sun Pharma | SUNPHA | 1040 | 1,225 | Buy | 249513 | 30.1 | 32.0 | 34.3 | 40.9 | 34.6 | 32.5 | 30.3 | 25.4 | 14.2 | 18.2 | 17.4 | 19.0 | 15.5 | 16.0 | 15.0 | 15.5 |
| Torrent Pharma | TORPHA | 1551 | 1,690 | Hold | 52496 | 37.0 | 32.0 | 37.6 | 45.6 | 41.9 | 48.4 | 41.2 | 34.0 | 17.6 | 19.7 | 18.3 | 21.1 | 21.4 | 18.2 | 18.8 | 19.4 |
| Indoco Remedies | INDREM | 348 | 440 | Buy | 3211 | 10.1 | 16.8 | 17.9 | 26.7 | 34.5 | 20.7 | 19.4 | 13.0 | 11.7 | 17.5 | 15.6 | 21.9 | 12.1 | 17.1 | 15.9 | 19.8 |
| Caplin Point | CAPPOI | 692 | 955 | Buy | 5252 | 81.7 | 85.3 | 79.0 | 74.8 | 8.5 | 8.1 | 8.8 | 9.3 | 25.3 | 24.2 | 23.4 | 0.0 | 20.4 | 20.2 | 20.2 | 18.2 |
| Advanced Enzymes | ADVENZ | 273 | 265 | Reduce | 3053 | 13.1 | 10.7 | 9.6 | 13.3 | 20.9 | 25.5 | 28.6 | 20.5 | 19.4 | 14.3 | 10.9 | 14.0 | 15.1 | 11.0 | 9.0 | 11.3 |
| Hester Biosciences | HESPHA | 1811 | 2,280 | Hold | 1541 | 44.4 | 45.7 | 37.8 | 58.6 | 40.8 | 39.6 | 47.9 | 30.9 | 16.2 | 10.9 | 9.5 | 12.7 | 16.5 | 15.0 | 11.3 | 15.4 |
| API/CRAMS | | | | | | | | | | | | | | | | | | | | | |
| Divi's Lab | DIVLAB | 3349 | 3,685 | Hold | 88905 | 74.7 | 111.5 | 87.7 | 96.9 | 44.8 | 30.0 | 38.2 | 34.5 | 27.6 | 30.2 | 21.1 | 21.8 | 21.3 | 25.2 | 17.7 | 17.2 |
| Hikal | HIKCHE | 372 | 330 | Hold | 4591 | 10.8 | 13.0 | 6.8 | 16.6 | 34.4 | 28.6 | 54.8 | 22.5 | 15.1 | 13.6 | 7.8 | 14.9 | 14.3 | 15.0 | 7.4 | 15.6 |
| Syngene Int. | SYNINT | 571 | 610 | Hold | 22938 | 10.1 | 9.9 | 11.6 | 14.3 | 56.4 | 57.9 | 49.3 | 39.8 | 11.5 | 11.7 | 12.9 | 15.1 | 13.5 | 12.9 | 12.5 | 13.5 |
| Granules India | GRANUL | 289 | 410 | Buy | 6996 | 22.2 | 16.6 | 22.7 | 27.2 | 13.0 | 17.4 | 12.7 | 10.6 | 24.0 | 15.6 | 20.5 | 21.7 | 25.3 | 16.0 | 19.7 | 19.3 |
| Laurus Labs | LAULAB | 342 | 630 | Buy | 18408 | 18.3 | 15.4 | 17.0 | 23.3 | 18.7 | 22.2 | 20.1 | 14.7 | 31.7 | 21.3 | 20.8 | 24.3 | 37.9 | 24.7 | 21.9 | 23.6 |
| Suven Pharmaceuticals | SUVPH | 486 | 530 | Buy | 12376 | 14.2 | 17.8 | 14.7 | 17.7 | 34.1 | 27.3 | 33.0 | 27.5 | 31.2 | 37.5 | 26.0 | 25.6 | 30.7 | 29.7 | 20.6 | 20.5 |

Source: ICICI Direct Research

Financial Summary

| Exhibit 15: Profit and loss statement | | | | |
|---------------------------------------|----------------|----------------|----------------|----------------|
| | ₹ crore | | | |
| (Year-end March) | FY22 | FY23E | FY24E | FY25E |
| Revenues | 1,540.8 | 1,712.9 | 1,965.3 | 2,235.0 |
| Growth (%) | 24.1 | 11.2 | 14.7 | 13.7 |
| Raw Material Expenses | 456.8 | 544.5 | 605.5 | 688.6 |
| Employee Expenses | 293.7 | 324.4 | 338.8 | 385.2 |
| Other Manufacturing Expenses | 388.3 | 451.4 | 508.7 | 578.5 |
| Total Operating Expenditure | 1,213.4 | 1,400.7 | 1,548.3 | 1,761.6 |
| EBITDA | 327.3 | 312.2 | 417.0 | 473.5 |
| Growth (%) | 46.0 | -4.6 | 33.6 | 13.5 |
| Interest | 14.1 | 23.4 | 13.8 | 4.7 |
| Depreciation | 79.0 | 70.1 | 76.4 | 84.0 |
| Other Income | 2.3 | 2.2 | 3.9 | 4.5 |
| PBT | 236.6 | 220.9 | 330.8 | 389.2 |
| Total Tax | 81.8 | 55.5 | 84.4 | 99.2 |
| PAT | 154.8 | 165.4 | 246.4 | 289.9 |
| Adjusted PAT | 154.8 | 165.4 | 246.4 | 289.9 |
| Growth (%) | 66.4 | 6.9 | 49.0 | 17.7 |
| EPS | 16.8 | 17.9 | 26.7 | 31.5 |
| EPS (Adjusted) | 16.8 | 17.9 | 26.7 | 31.5 |

Source: Company, ICICI Direct Research

| Exhibit 16: Cash flow statement | | | | |
|-------------------------------------|---------------|---------------|---------------|---------------|
| | ₹ crore | | | |
| (Year-end March) | FY22 | FY23E | FY24E | FY25E |
| Profit/(Loss) after taxation | 195.5 | 165.4 | 246.4 | 289.9 |
| Add: Depreciation & Amortization | 79.0 | 70.1 | 76.4 | 84.0 |
| Net Increase in Current Assets | -142.4 | -107.4 | -106.2 | -126.2 |
| Net Increase in Current Liabilities | 33.6 | 32.7 | 25.2 | 32.1 |
| Other | 8.2 | 23.4 | 13.8 | 4.7 |
| CF from operating activities | 173.8 | 184.1 | 255.6 | 284.5 |
| (Inc)/dec in Fixed Assets | -124.4 | -120.0 | -100.0 | -100.0 |
| (Inc)/dec in Investments | 0.0 | 0.0 | 0.0 | 0.0 |
| Others | 0.4 | 0.1 | -0.1 | -0.2 |
| CF from investing activities | -124.0 | -119.9 | -100.1 | -100.2 |
| Inc / (Dec) in Equity Capital | 0.0 | 0.0 | 0.0 | 0.0 |
| Proceeds/(Repayment) Loan | -15.6 | 0.0 | -100.0 | -95.0 |
| Others | -28.8 | -53.3 | -53.0 | -43.9 |
| CF from financing activities | -44.4 | -53.3 | -153.0 | -138.9 |
| Net Cash flow | 5.4 | 10.8 | 2.6 | 45.5 |
| Opening Cash | 14.3 | 19.8 | 30.6 | 33.2 |
| Closing Cash | 19.8 | 30.6 | 33.2 | 78.7 |
| Free Cash flow | 49.5 | 64.1 | 155.6 | 184.5 |

Source: Company, ICICI Direct Research

| Exhibit 17: Balance Sheet | | | | |
|-------------------------------|----------------|----------------|----------------|----------------|
| | ₹ crore | | | |
| (Year-end March) | FY22 | FY23E | FY24E | FY25E |
| Equity Capital | 18.4 | 18.4 | 18.4 | 18.4 |
| Reserve and Surplus | 886.2 | 1,021.7 | 1,228.9 | 1,479.7 |
| Total Shareholders fund | 904.6 | 1,040.1 | 1,247.4 | 1,498.1 |
| Total Debt | 244.2 | 244.2 | 144.2 | 49.2 |
| Deferred Tax Liability | 10.6 | 11.7 | 12.8 | 14.1 |
| Other Non Current Liabilities | 19.9 | 20.9 | 21.9 | 23.0 |
| Long term Provisions | 31.7 | 33.3 | 35.0 | 36.7 |
| Source of Funds | 1,211.1 | 1,350.1 | 1,461.3 | 1,621.2 |
| Gross Block - Fixed Assets | 1,241.7 | 1,341.7 | 1,491.7 | 1,641.7 |
| Accumulated Depreciation | 686.7 | 756.8 | 833.2 | 917.2 |
| Net Block | 555.0 | 584.9 | 658.6 | 724.5 |
| Capital WIP | 121.5 | 141.5 | 91.5 | 41.5 |
| Net Fixed Assets | 676.5 | 726.5 | 750.1 | 766.1 |
| Goodwill on Consolidation | 0.1 | 0.1 | 0.1 | 0.1 |
| Investments | 0.0 | 0.0 | 0.0 | 0.0 |
| Inventory | 310.5 | 370.1 | 411.6 | 468.1 |
| Cash | 19.8 | 30.6 | 33.2 | 78.7 |
| Debtors | 297.2 | 330.5 | 379.1 | 431.2 |
| Loans & Advances & Other CA | 146.1 | 160.7 | 176.8 | 194.4 |
| Total Current Assets | 773.6 | 891.9 | 1,000.7 | 1,172.4 |
| Creditors | 133.3 | 158.9 | 176.7 | 200.9 |
| Provisions & Other CL | 141.8 | 148.8 | 156.3 | 164.1 |
| Total Current Liabilities | 275.0 | 307.7 | 333.0 | 365.0 |
| Net Current Assets | 498.6 | 584.2 | 667.7 | 807.3 |
| LT L&A, Other Assets | 35.8 | 39.4 | 43.3 | 47.7 |
| Deferred Tax Assets | 0.0 | 0.0 | 0.0 | 0.0 |
| Application of Funds | 1,211.1 | 1,350.1 | 1,461.3 | 1,621.2 |

Source: Company, ICICI Direct Research

| Exhibit 18: Key ratios | | | | |
|-----------------------------|-------|-------|-------|-------|
| (Year-end March) | FY22 | FY23E | FY24E | FY25E |
| Per share data (₹) | | | | |
| EPS | 16.8 | 17.9 | 26.7 | 31.5 |
| BV per share | 98.2 | 112.9 | 135.4 | 162.6 |
| Dividend per share | 2.3 | 3.3 | 4.3 | 4.3 |
| Operating Ratios (%) | | | | |
| Gross margins | 70.4 | 68.2 | 69.2 | 69.2 |
| EBITDA margins | 21.2 | 18.2 | 21.2 | 21.2 |
| Net Profit margins | 10.0 | 9.7 | 12.5 | 13.0 |
| Inventory days | 248 | 248 | 248 | 248 |
| Debtor days | 70 | 70 | 70 | 70 |
| Creditor days | 107 | 107 | 107 | 107 |
| Asset Turnover | 1.1 | 1.1 | 1.2 | 1.4 |
| EBITDA conversion rate | 53.1 | 59.0 | 61.3 | 60.1 |
| Return Ratios (%) | | | | |
| RoE | 17.1 | 15.9 | 19.8 | 19.4 |
| RoCE | 17.5 | 15.6 | 21.9 | 24.7 |
| RoIC | 19.2 | 17.4 | 23.6 | 26.5 |
| Valuation Ratios (x) | | | | |
| P/E | 20.7 | 19.4 | 13.0 | 11.1 |
| EV / EBITDA | 10.5 | 11.0 | 8.0 | 6.7 |
| EV / Net Sales | 2.2 | 2.0 | 1.7 | 1.4 |
| Market Cap / Sales | 2.1 | 1.9 | 1.6 | 1.4 |
| Price to Book Value | 3.5 | 3.1 | 2.6 | 2.1 |
| Solvency Ratios | | | | |
| Debt / Equity | 0.3 | 0.2 | 0.1 | 0.0 |
| Debt / EBITDA | 0.7 | 0.8 | 0.3 | 0.1 |
| Current Ratio | 2.7 | 2.8 | 2.9 | 3.0 |
| Working Capital Cycle | 212.0 | 212.0 | 212.0 | 212.0 |

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%



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