

CMP: ₹ 830

Target: ₹ 885 (7%)

Target Period: 12 months

HOLD

February 17, 2023

Margins below par; gradual recovery expected...

About the stock: Ipca is a fully integrated pharma company manufacturing over 350 formulations and 80 APIs.

- Major therapeutic segments include pain management, cardiovascular and anti-diabetics, anti-infectives, anti-malarials, which together account for 75% of revenues
- Revenue break-up Q3FY23 – Formulations: 70% (domestic: 45%, export: 25% - export generic: 12%, export institutional: 5%, export branded: 8%), API: 23% (export API: 16%, domestic API: 7%), subsidiaries: 8%

Q3FY23 Results: Revenues in line but margins miss due to lower GPM.

- Revenues grew 8.1% YoY to ₹ 1546 crore
- EBITDA de-grew 29.9% YoY to ₹ 215.9 crore while EBITDA margins declined 756 bps to 14%. Increase in solvent costs impacted the margins
- PAT declined 45% YoY to ₹ 107.8 crore

What should investors do? Ipca's share price has grown at ~7% CAGR over the past three years.

- We maintain **HOLD** rating due to impending margin pressure in the medium term. We also monitor stability of performances in the exports business

Target Price and Valuation: Valued at ₹ 885 i.e. 24x P/E on FY25E EPS of ₹ 37.0

Key triggers for future price performance:

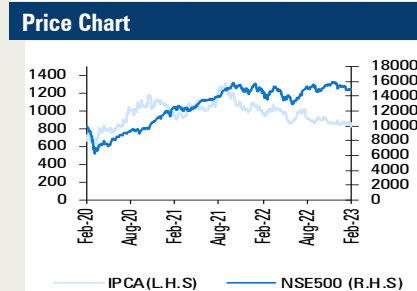
- Incremental growth in other therapies (excluding malaria), especially non-communicable diseases like pain management, cardio-diabetology, etc. The overall portfolio is poised for steady growth due to launch of new divisions and additional MRs (1200) in FY23
- Sustained traction from branded and generics exports sales with a revival in the EU likely to mitigate the US void. Better offtake and market gains in export of Sartan APIs remains key, going forward
- Commissioning of Devas plant and additional capacities from Ratlam
- Maiden foray into biosimilars development

Alternate Stock Idea: Apart from Ipca, in our healthcare coverage we like Ajanta.

- Ajanta Pharma is a focused player in branded, launching maximum number of first time launches with new drug delivery system (NDDS)
- BUY with target price of ₹ 1385

| Particulars | |
|-----------------------|---------------|
| Particular | Amount |
| Market Capitalisation | ₹ 20828 crore |
| Debt (FY22) | ₹ 807 crore |
| Cash (FY22) | ₹ 641 crore |
| EV | ₹ 20995 crore |
| 52 week H/L (₹) | 1095/816 |
| Equity capital | ₹ 25.4 crore |
| Face value | ₹ 1 |

| Shareholding pattern | | | | |
|----------------------|--------|--------|--------|--------|
| (in %) | Mar-22 | Jun-22 | Sep-22 | Dec-22 |
| Promoter | 46.3 | 46.3 | 46.3 | 46.3 |
| Others | 53.7 | 53.7 | 53.7 | 53.7 |



- Recent Event & Key risks**
- Improvement in rank of top brands
 - Key Risk:** (i) Slower margins recovery (ii) Better than expected traction in branded/generic exports

Research Analyst
 Siddhant Khandekar
 siddhant.khandekar@icicisecurities.com
 Kushal Shah
 kushal.shah@icicisecurities.com
 Utkarsh Jain
 utkarsh.jain@icicisecurities.com

Key Financial Summary

| Key Financials (₹ crore) | FY21 | FY22 | 5 year CAGR (FY17-22) | FY23E | FY24E | FY25E | 2 year CAGR (FY23E-25E) |
|--------------------------|--------|--------|-----------------------|--------|--------|--------|-------------------------|
| Revenues | 5419.9 | 5829.8 | 12.7 | 6154.3 | 6766.2 | 7471.5 | 10.2 |
| EBITDA | 1544.3 | 1309.2 | 24.1 | 986.7 | 1361.5 | 1569.8 | 26.1 |
| EBITDA Margins (%) | 28.5 | 22.5 | | 16.0 | 20.1 | 21.0 | |
| Net Profit | 1139.9 | 884.1 | 35.4 | 529.0 | 797.9 | 938.9 | 33.2 |
| EPS (₹) | 44.9 | 34.8 | | 20.8 | 31.4 | 37.0 | |
| PE (x) | 18.5 | 23.8 | | 39.9 | 26.4 | 22.5 | |
| EV to EBITDA (x) | 13.3 | 15.7 | | 20.5 | 14.5 | 12.3 | |
| RoNW (%) | 24.2 | 16.1 | | 8.9 | 12.1 | 12.7 | |
| RoCE (%) | 27.1 | 17.4 | | 12.1 | 15.7 | 16.5 | |

Source: Company, ICICI Direct Research

Key takeaways of recent quarter & conference call highlights

Q3FY23 Results: Revenues in line but margin miss due to lower GPM

- Revenues grew 8.1% YoY to ₹ 1546 crore, mainly on the back of strong YoY growth of 8.8% from domestic formulations to ₹ 702.3 crore. Export formulations grew 15.2% YoY to ₹ 400.4 crore. In exports, branded business grew 17.3% YoY ₹ 128.2 crore, generics business grew 5.5% YoY to ₹ 188.9 crore and institutional business grew 40% YoY to ₹ 83.3 crore. API sales increased 4.2% YoY to ₹ 322.2 crore. EBITDA declined 29.9% YoY to ₹ 215.9 crore while EBITDA margins declined 756 bps to 14%. There was a spike in input costs due to rising solvent and aluminium foil prices. PAT declined 45.3% YoY to ₹ 107.8 crore
- Ipca's numbers were in line in terms of revenue but missed on our estimates on operational front and margins due to lower GPM. GPM declined 149 bps YoY to ₹ 63.7%. Ipca remains a decent player with a judicious mix of strong domestic franchise and a spread-out exports model with healthy balance sheet. That said, we believe progress on the margins front is likely to weigh on sentiments

Q3FY23 Earnings Conference Call highlights:

Business highlights:

- The company has been successful on increasing the market share of its product portfolio. This was reflected from its top brands that jumped the rank during the quarter
- The revenues from anti-malarial formulation declined during the quarter
- The management expects growth to be driven by export formulation business, going ahead
- Most of its products are expected to bear 15% cost reduction due to scheduled product pricing under NLEM
- Its 104 SKUs are currently under price control, which was announced recently. This indicates 17% of the total portfolio under NLEM, rest remains out of the price control. Its impact is largely going to be felt in Q4FY23. The prices are expected to improve again from April-May onwards
- Its focus remains on cardiovascular therapy where it intends to grow faster than the industry. It added two more divisions under the same therapy

Costs Metric:

- Price reduction and impurity problems affected the API business. Most of the declines are expected to recover in Q4FY23
- Major increase has come due to manufacturing costs followed by MR and promotional costs
- Power tariff and energy costs also increased significantly due to higher consumption of coal and furnace oil
- Hopes to improve GPM in the coming quarters as KSM price trends are now on a downtrend

Capex:

- It has announced ~ ₹ 400 crore of annual capital expenditure pertaining to capacity addition and maintenance related capex

Other highlights:

- New products, current product headroom as well as capex to drive API
- The revenues from Valsartan and Losartan are gaining traction
- The company has showed its intent to working on flow chemistry projects. This will be conducted from Aurangabad facility
- Testing costs for API to come down as most of it is incurred in past quarters
- The new biotech products include biosimilars mainly to cater the global markets
- Five products are in pipeline in biotech space out of which two are already undergoing clinical trial. Cost will be ~₹ 15 crore for each biotech molecule
- Tax rate is expected to remain in the range of 29-30% in the coming years

| ESG Disclosure Score* | | | |
|--------------------------|-------------|-------------|-------------|
| Score | FY20 | FY21 | FY22 |
| Environmental | 1.9 | 1.9 | 1.9 |
| Social | 15.5 | 18.0 | 19.6 |
| Governance | 78.6 | 78.6 | 78.6 |
| Overall ESG Score | 32.1 | 32.9 | 33.4 |

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

Exhibit 1: Variance Analysis

| | Q3FY23 | Q3FY23E | Q3FY22 | YoY (%) | Q2FY23 | QoQ (%) | Comments |
|---------------------------|---------|---------|---------|----------|---------|----------|---|
| Revenue | 1,546.0 | 1,540.7 | 1,430.5 | 8.1 | 1,600.1 | -3.4 | Revenues increased 3.6% YoY to ₹ 1600 crore |
| Raw Material Expenses | 561.8 | 536.1 | 498.6 | 12.7 | 574.8 | -2.3 | |
| Gross margins (%) | 63.7 | 65.2 | 65.1 | -149 bps | 64.1 | -42 bps | |
| Employee Expenses | 318.4 | 307.3 | 283.7 | 12.3 | 319.2 | -0.2 | |
| Other Expense | 449.9 | 429.8 | 340.4 | 32.1 | 446.4 | 0.8 | |
| Operating Profit (EBITDA) | 215.9 | 267.4 | 307.8 | -29.9 | 259.8 | -16.9 | |
| EBITDA (%) | 14.0 | 17.4 | 21.5 | -756 bps | 16.2 | -227 bps | EBITDA de-grew 28.9% YoY to ₹ 260 crore while EBITDA margins declined 744 bps to 16.2%, mainly due to increase in other expenditure and employee expenses |
| Interest | 10.8 | 9.3 | 1.4 | 658.0 | 9.3 | 16.4 | |
| Depreciation | 66.6 | 63.7 | 58.7 | 13.5 | 63.7 | 4.4 | |
| Other Income | 30.9 | 34.9 | 12.9 | 138.9 | 36.2 | -14.7 | |
| PBT | 169.3 | 229.2 | 260.7 | -35.0 | 223.0 | -24.1 | |
| Tax | 53.7 | 59.6 | 57.3 | -6.3 | 77.0 | -30.2 | |
| Tax Rate (%) | 31.7 | 26.0 | 22.0 | 973 bps | 34.5 | -280 bps | |
| Reported PAT | 107.8 | 166.9 | 197.0 | -45.3 | 143.1 | -24.6 | PAT declined 42.8% YoY to ₹ 143 crore |
| EPS (₹) | 4.2 | 6.6 | 7.8 | -45.3 | 5.6 | -24.6 | |
| Key Metrics | | | | | | | |
| Domestic formulations | 702.3 | 709.8 | 645.3 | 8.8 | 765.7 | -8.3 | |
| Export - Generic | 188.9 | 197.0 | 179.1 | 5.5 | 200.0 | -5.5 | |
| Export - Institutional | 83.3 | 59.2 | 59.2 | 40.6 | 77.0 | 8.1 | |
| Export - Branded | 128.2 | 125.6 | 109.2 | 17.3 | 127.3 | 0.7 | |
| API | 322.2 | 331.6 | 309.4 | 4.2 | 307.2 | 4.9 | |
| Export Formulations | 400.4 | 381.8 | 347.5 | 15.2 | 404.4 | -1.0 | |

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

| | FY23E | | | FY24E | | | Comments |
|-------------------|---------|---------|----------|---------|---------|---------|----------------------------------|
| | Old | New | Change | Old | New | Change | |
| Revenue | 6,193.4 | 6,154.3 | -0.6 | 6,839.0 | 6,766.2 | -1.1 | |
| EBITDA | 1,067.8 | 986.7 | -7.6 | 1,424.7 | 1,361.5 | -4.4 | |
| EBITDA Margin (%) | 17.2 | 16.0 | -121 bps | 20.8 | 20.1 | -71 bps | |
| PAT | 621.7 | 529.0 | -14.9 | 904.7 | 797.9 | -11.8 | Changed tax rate as per guidance |
| EPS (₹) | 24.5 | 20.8 | -15.0 | 35.7 | 31.4 | -11.9 | |

Source: ICICI Direct Research

Exhibit 3: Assumptions

| | Current | | | | Earlier | | |
|----------------------|---------|---------|---------|---------|---------|---------|---------|
| | FY20 | FY21 | FY22 | FY23E | FY24E | FY23E | FY24E |
| Domestic formulation | 1,912.6 | 1,981.7 | 2,508.3 | 2,748.7 | 3,049.5 | 2,767.3 | 3,099.4 |
| Export formulations | 1,221.6 | 1,597.2 | 1,486.7 | 1,572.0 | 1,700.0 | 1,561.8 | 1,690.4 |
| API | 1,173.1 | 1,506.3 | 1,341.4 | 1,328.1 | 1,467.8 | 1,362.7 | 1,506.0 |

Source: ICICI Direct Research

Exhibit 4: Financial Summary

| | Revenues | Growth | Adj. EPS | Growth | P/E | EV/EBITDA | RoNW | RoCE |
|-------|-----------|--------|----------|--------|------|-----------|------|------|
| | (₹ crore) | (%) | (₹) | (%) | (x) | (X) | (%) | (%) |
| FY21 | 5420 | 16.6 | 44.9 | 88.9 | 18.5 | 13.3 | 24.2 | 27.1 |
| FY22 | 5830 | 7.6 | 34.8 | -22.4 | 23.8 | 15.7 | 16.1 | 17.4 |
| FY23E | 6154 | 5.6 | 20.8 | -40.2 | 39.9 | 20.5 | 8.9 | 12.1 |
| FY24E | 6766 | 9.9 | 31.4 | 50.8 | 26.4 | 14.5 | 12.1 | 15.7 |
| FY25E | 7472 | 10.4 | 37.0 | 17.7 | 22.5 | 12.3 | 12.7 | 16.5 |

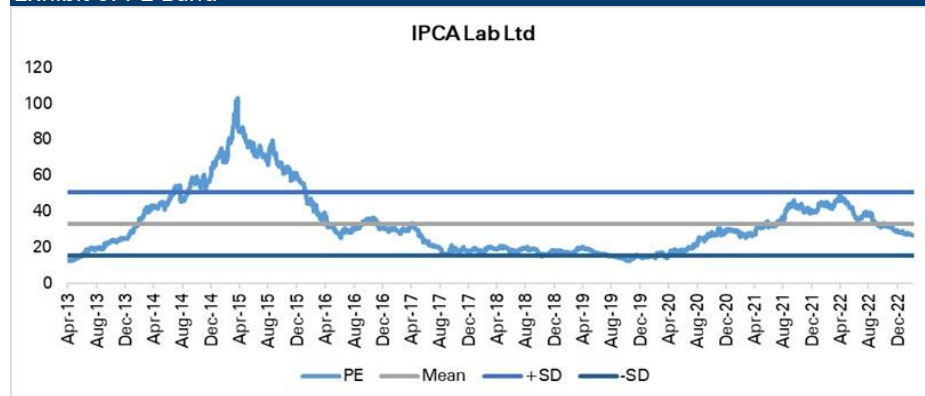
Source: ICICI Direct Research

Exhibit 5: Trends in Quarterly Performance

| ₹ Crore | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21 | Q4FY21 | Q1FY22 | Q2FY22 | Q3FY22 | Q4FY22 | Q1FY23 | Q2FY23 | Q3FY23 | YoY (%) | QoQ (%) |
|-----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|
| Net Sales | 1212.9 | 1073.8 | 1534.4 | 1361.1 | 1409.8 | 1114.6 | 1565.8 | 1544.4 | 1430.5 | 1289.1 | 1585.7 | 1636.3 | 1576.9 | 6.0 | 3.2 |
| Revenues | 1212.9 | 1073.8 | 1534.4 | 1361.1 | 1409.8 | 1114.6 | 1565.8 | 1544.4 | 1430.5 | 1289.1 | 1585.7 | 1636.3 | 1576.9 | 6.0 | 3.2 |
| Raw Material Expenses | 423.8 | 364.6 | 431.6 | 442.7 | 515.4 | 338.6 | 545.7 | 544.4 | 498.6 | 426.2 | 578.7 | 574.8 | 561.8 | 5.6 | -0.7 |
| % of Revenue | 34.9 | 34.0 | 28.1 | 32.5 | 36.6 | 30.4 | 34.9 | 35.2 | 34.9 | 33.1 | 36.5 | 35.1 | 35.6 | -12bps | -137bps |
| Gross Profit | 789.1 | 709.2 | 1102.8 | 918.4 | 894.4 | 776.0 | 1020.1 | 1000.0 | 931.9 | 862.9 | 1007.0 | 1061.6 | 1015.1 | 6.2 | 5.4 |
| GPM (%) | 65.1 | 66.0 | 71.9 | 67.5 | 63.4 | 69.6 | 65.1 | 64.8 | 65.1 | 66.9 | 63.5 | 64.9 | 64.4 | 12bps | 137bps |
| Employee Expenses | 231.3 | 242.2 | 256.3 | 254.5 | 245.1 | 257.6 | 299.6 | 296.4 | 283.7 | 297.7 | 322.7 | 319.2 | 318.4 | 7.7 | -1.1 |
| % of Revenue | 19.1 | 22.6 | 16.7 | 18.7 | 17.4 | 23.1 | 19.1 | 19.2 | 19.8 | 23.1 | 20.4 | 19.5 | 20.2 | 31bps | -85bps |
| Other expense | 284.1 | 298.5 | 258.1 | 303.7 | 282.4 | 289.5 | 304.0 | 338.1 | 340.4 | 345.8 | 415.1 | 446.4 | 449.9 | 32.0 | 7.5 |
| % of Revenue | 23.4 | 27.8 | 16.8 | 22.3 | 20.0 | 26.0 | 19.4 | 21.9 | 23.8 | 26.8 | 26.2 | 27.3 | 28.5 | 539bps | 111bps |
| Total Expenditure | 939.2 | 905.3 | 946.1 | 1000.9 | 1042.9 | 885.8 | 1149.3 | 1178.9 | 1122.7 | 1069.8 | 1316.5 | 1340.3 | 1330.1 | 13.7 | 1.8 |
| % of Revenue | 77.4 | 84.3 | 61.7 | 73.5 | 74.0 | 79.5 | 73.4 | 76.3 | 78.5 | 83.0 | 83.0 | 81.9 | 84.4 | 558bps | -111bps |
| EBIDTA | 273.7 | 168.5 | 588.3 | 360.2 | 366.9 | 228.8 | 416.5 | 365.6 | 307.8 | 219.3 | 269.2 | 296.0 | 246.8 | -19.0 | 10.0 |
| EBIDTA Margin (%) | 22.6 | 15.7 | 38.3 | 26.5 | 26.0 | 20.5 | 26.6 | 23.7 | 21.5 | 17.0 | 17.0 | 18.1 | 15.6 | -558bps | 111bps |
| Depreciation | 50.8 | 63.9 | 51.0 | 52.1 | 53.5 | 52.5 | 55.9 | 57.0 | 58.7 | 60.9 | 61.7 | 63.7 | 66.6 | 11.9 | 3.3 |
| Interest | 4.0 | 3.7 | 2.7 | 2.3 | 2.3 | 1.7 | 1.8 | 1.1 | 1.4 | 3.4 | 6.9 | 9.3 | 10.8 | 778.3 | 34.1 |
| Other Income | 18.1 | 13.7 | 12.1 | 15.5 | 15.4 | 19.9 | 21.0 | 18.1 | 12.9 | 14.5 | 22.1 | 36.2 | 30.9 | 100.4 | 63.9 |
| PBT | 237.0 | 114.6 | 546.6 | 321.2 | 326.5 | 194.5 | 379.9 | 325.6 | 260.7 | 169.5 | 222.7 | 259.2 | 200.2 | -20.4 | 16.4 |
| Tax | 36.9 | 29.2 | 99.9 | 52.6 | 56.7 | 30.9 | 70.8 | 67.9 | 57.3 | 28.8 | 74.3 | 77.0 | 53.7 | 13.4 | 3.7 |
| Tax Rate (%) | 15.6 | 25.5 | 18.3 | 16.4 | 17.4 | 15.9 | 18.6 | 20.9 | 22.0 | 17.0 | 33.3 | 29.7 | 26.8 | 885bps | -364bps |
| PAT | 197.6 | 86.0 | 446.2 | 267.1 | 265.5 | 161.2 | 306.7 | 250.2 | 197.0 | 130.2 | 143.1 | 143.1 | 107.8 | -42.8 | 0.0 |
| PAT Margin (%) | 16.3 | 8.0 | 29.1 | 19.6 | 18.8 | 14.5 | 19.6 | 16.2 | 13.8 | 10.1 | 9.0 | 8.7 | 6.8 | -746bps | -28bps |
| EPS (₹) | 7.8 | 3.4 | 17.6 | 10.5 | 10.5 | 6.4 | 12.1 | 9.9 | 7.8 | 5.1 | 5.6 | 5.6 | 4.2 | -42.9 | -0.1 |

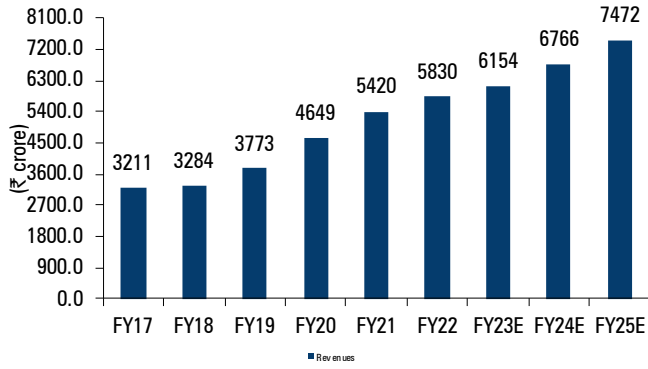
Source: ICICI Direct Research

Exhibit 6: PE Band



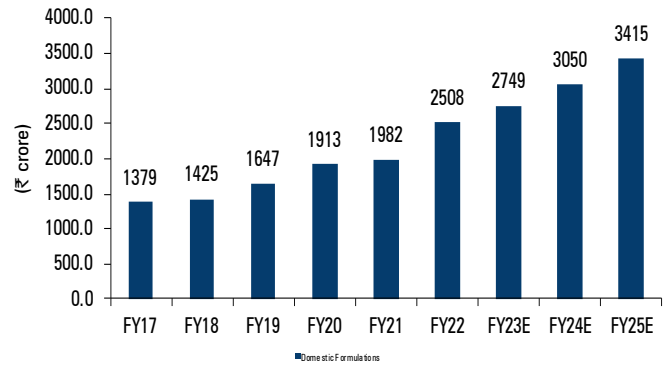
Source: ICICI Direct Research

Exhibit 7: Revenues to grow at 10.2% CAGR in FY23E-25E



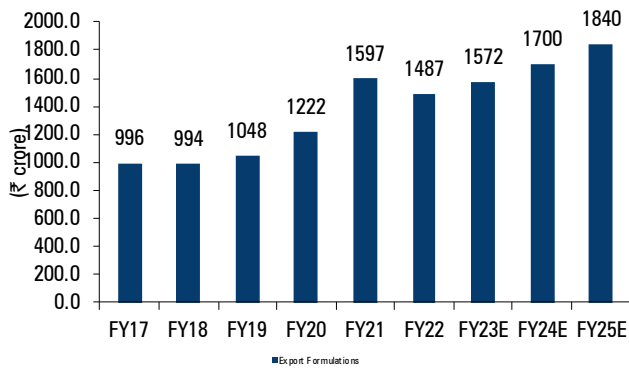
Source: Company, ICICI Direct Research

Exhibit 8: India to grow at 11.5% CAGR over FY23E-25E



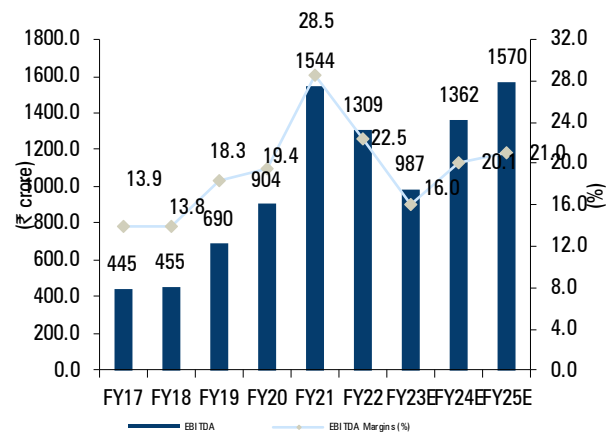
Source: Company, ICICI Direct Research

Exhibit 9: Export to grow at 8.2% CAGR over FY23E-25E



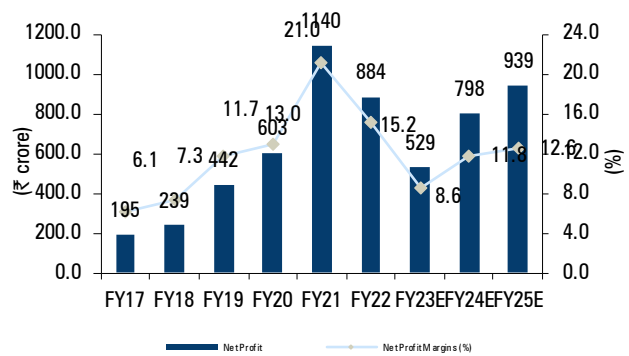
Source: Company, ICICI Direct Research

Exhibit 10: EBITDA & EBITDA margins trend



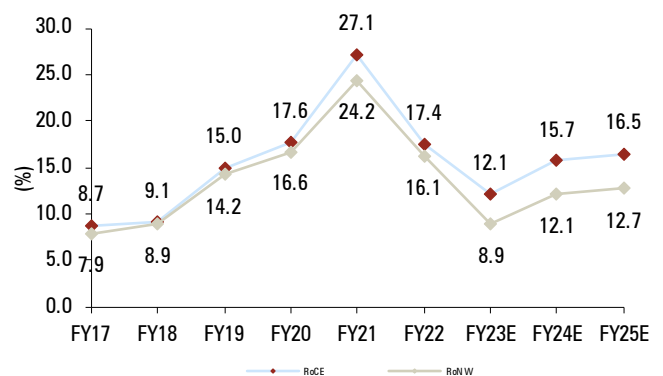
Source: Company, ICICI Direct Research

Exhibit 11: PAT & PAT margins trend



Source: Company, ICICI Direct Research

Exhibit 12: RoE & RoCE trend



Source: Company, ICICI Direct Research

Exhibit 13: Power brands

| Brand | Therapy | Dec-19 | Dec-20 | Dec-21 | Dec-22 | CAGR 19-22 | YoY |
|------------------|-------------------|----------|----------|----------|----------|------------|-----|
| ZERODOL-SP | PAIN / ANALGESICS | 208.50 | 271.05 | 334.83 | 411.77 | 25% | 23% |
| ZERODOL-P | PAIN / ANALGESICS | 150.33 | 188.49 | 217.41 | 245.91 | 18% | 13% |
| HCQS | PAIN / ANALGESICS | 116.66 | 166.16 | 152.70 | 174.72 | 14% | 14% |
| ZERODOL-TH | PAIN / ANALGESICS | 59.82 | 74.86 | 88.16 | 105.45 | 21% | 20% |
| FOLITRAX | PAIN / ANALGESICS | 66.10 | 82.03 | 88.33 | 103.96 | 16% | 18% |
| SOLVIN COLD | ANTI-INFECTIVES | 47.16 | 48.59 | 65.66 | 83.32 | 21% | 27% |
| CTD-T | CARDIAC | 47.63 | 58.49 | 61.66 | 72.94 | 15% | 18% |
| CTD | CARDIAC | 51.91 | 61.34 | 63.42 | 67.45 | 9% | 6% |
| SAAZ | PAIN / ANALGESICS | 45.89 | 57.15 | 60.07 | 62.99 | 11% | 5% |
| ZERODOL | PAIN / ANALGESICS | 35.33 | 42.98 | 49.80 | 55.42 | 16% | 11% |
| Top 10 Brands | | 829.34 | 1,051.14 | 1,182.05 | 1,383.95 | 19% | 17% |
| % of IQVIA sales | | 37.0% | 39.9% | 38.1% | 39.4% | | |
| Ex-Top 10 Brands | | 1,410.89 | 1,581.72 | 1,923.83 | 2,125.92 | 15% | 11% |

Source: IQVIA, ICICI Direct Research

Exhibit 14: Therapeutic break-up

| Therapy | Dec-19 | Dec-20 | Dec-21 | Dec-22 | CAGR 19-22 | YoY |
|------------------------------|--------|--------|--------|--------|------------|---------|
| PAIN / ANALGESICS | 770 | 960 | 1133 | 1378 | 21.44% | 21.63% |
| CARDIAC | 345 | 412 | 419 | 449 | 9.17% | 7.12% |
| ANTI-INFECTIVES | 206 | 216 | 291 | 297 | 13.06% | 2.16% |
| GASTRO INTESTINAL | 139 | 153 | 183 | 199 | 12.69% | 8.76% |
| DERMA | 87 | 102 | 149 | 183 | 27.95% | 23.28% |
| RESPIRATORY | 98 | 101 | 140 | 179 | 22.19% | 27.77% |
| ANTINEOPLAST/IMMUNOMODULATOR | 123 | 152 | 145 | 176 | 12.56% | 20.78% |
| ANTI MALARIALS | 183 | 158 | 193 | 155 | -5.56% | -19.95% |
| NEURO / CNS | 81 | 97 | 118 | 149 | 22.53% | 26.48% |
| UROLOGY | 63 | 73 | 91 | 125 | 25.86% | 37.82% |
| Top Therapies | 2095 | 2425 | 2862 | 3290 | 16.23% | 14.96% |
| Total IQVIA Sales | 2240 | 2633 | 3106 | 3510 | 16.14% | 13.01% |

Source: IQVIA, ICICI Direct Research

Financial Summary

| Exhibit 15: Profit and loss statement | | | | |
|---------------------------------------|----------------|----------------|----------------|----------------|
| | ₹ crore | | | |
| (Year-end March) | FY22 | FY23E | FY24E | FY25E |
| Revenues | 5,829.8 | 6,154.3 | 6,766.2 | 7,471.5 |
| Growth (%) | 7.6 | 5.6 | 9.9 | 10.4 |
| Raw Material Expenses | 2,014.9 | 2,234.5 | 2,385.5 | 2,578.8 |
| Employee Expenses | 1,177.4 | 1,266.1 | 1,392.0 | 1,537.1 |
| Other Expense | 1,328.3 | 1,666.9 | 1,627.1 | 1,785.7 |
| Total Operating Expenditure | 4,520.6 | 5,167.6 | 5,404.7 | 5,901.7 |
| EBITDA | 1,309.2 | 986.7 | 1,361.5 | 1,569.8 |
| Growth (%) | -15.2 | -24.6 | 38.0 | 15.3 |
| Interest | 7.7 | 37.9 | 37.9 | 37.9 |
| Depreciation | 232.4 | 258.6 | 285.0 | 308.1 |
| Other Income | 66.6 | 117.7 | 129.3 | 142.8 |
| PBT after EO/Forex | 1,135.7 | 807.8 | 1,168.0 | 1,366.7 |
| Total Tax | 224.8 | 255.1 | 338.7 | 396.3 |
| MI & Profit from associates | -15.5 | -8.1 | -15.8 | -15.8 |
| PAT | 884.1 | 529.0 | 797.9 | 938.9 |
| Growth (%) | -22.4 | -40.2 | 50.8 | 17.7 |
| Adjusted PAT | 884.1 | 529.0 | 797.9 | 938.9 |
| EPS | 34.8 | 20.8 | 31.4 | 37.0 |
| EPS (Adjusted) | 34.8 | 20.8 | 31.4 | 37.0 |

Source: Company, ICICI Direct Research

| Exhibit 16: Cash flow statement | | | | |
|-------------------------------------|-----------------|---------------|----------------|----------------|
| | ₹ crore | | | |
| (Year-end March) | FY22 | FY23E | FY24E | FY25E |
| Profit after Tax | 933.7 | 529.0 | 797.9 | 938.9 |
| Add: Depreciation | 232.4 | 258.6 | 285.0 | 308.1 |
| (Inc)/dec in Current Assets | -328.0 | -276.3 | -259.4 | -314.8 |
| Inc/(dec) in CL and Provisions | 55.2 | 96.3 | 79.8 | 94.2 |
| Others | -37.3 | 37.9 | 37.9 | 37.9 |
| CF from operating activities | 856.0 | 645.6 | 941.2 | 1,064.4 |
| (Inc)/dec in Fixed Assets | -476.1 | -200.0 | -400.0 | -350.0 |
| (Inc)/dec in Investments | -235.8 | 0.0 | 0.0 | 0.0 |
| Others | -295.4 | 8.4 | 9.2 | 10.1 |
| CF from investing activities | -1,007.3 | -191.6 | -390.8 | -339.9 |
| Issue/(Buy back) of Equity | 0.0 | 0.0 | 0.0 | 0.0 |
| Inc/(dec) in loan funds | 533.2 | -50.0 | 0.0 | 0.0 |
| Dividend paid & dividend tax | -101.5 | -79.3 | -119.7 | -140.8 |
| Other | -538.1 | 12.1 | -37.9 | -37.9 |
| CF from financing activities | 426.8 | -167.3 | -157.6 | -178.8 |
| Net Cash flow | 275.6 | 286.7 | 392.8 | 545.7 |
| Opening Cash | 365.1 | 640.7 | 927.4 | 1,320.1 |
| Closing Cash | 640.7 | 927.4 | 1,320.1 | 1,865.9 |
| Free Cash Flow | 379.9 | 445.6 | 541.2 | 714.4 |
| FCF Yield % | 2% | 2% | 3% | 3% |

Source: Company, ICICI Direct Research

| Exhibit 17: Balance Sheet | | | | |
|-----------------------------|----------------|----------------|----------------|----------------|
| | ₹ crore | | | |
| (Year-end March) | FY22 | FY23E | FY24E | FY25E |
| Equity Capital | 25.4 | 25.4 | 25.4 | 25.4 |
| Reserve and Surplus | 5,466.6 | 5,916.2 | 6,594.4 | 7,392.5 |
| Total Shareholders funds | 5,492.0 | 5,941.6 | 6,619.8 | 7,417.9 |
| Total Debt | 807.2 | 757.2 | 757.2 | 757.2 |
| Deferred Tax Liability | 152.6 | 163.3 | 174.7 | 186.9 |
| Minority Interest | 76.9 | 84.6 | 93.1 | 102.4 |
| LTP & Other LTL | 44.8 | 48.0 | 51.3 | 54.9 |
| Total Liabilities | 6,573.5 | 6,994.7 | 7,696.1 | 8,519.3 |
| Gross Block - Fixed Assets | 3,719.6 | 3,919.6 | 4,319.6 | 4,669.6 |
| Accumulated Depreciation | 1,356.3 | 1,614.9 | 1,899.8 | 2,207.9 |
| Net Block | 2,363.4 | 2,304.8 | 2,419.8 | 2,461.7 |
| Capital WIP | 306.4 | 306.4 | 306.4 | 306.4 |
| Total Fixed Assets | 2,669.8 | 2,611.2 | 2,726.2 | 2,768.2 |
| Goodwill on Consolidation | 54.2 | 54.2 | 54.2 | 54.2 |
| Investments | 989.2 | 989.2 | 989.2 | 989.2 |
| LT L&A, Non Current Assets | 187.9 | 201.0 | 215.0 | 230.0 |
| Inventory | 1,858.0 | 2,060.5 | 2,199.8 | 2,378.0 |
| Debtors | 910.8 | 961.5 | 1,057.1 | 1,167.3 |
| Loans and Advances | 10.3 | 11.1 | 11.8 | 12.7 |
| Other Current Assets | 318.1 | 340.4 | 364.2 | 389.7 |
| Cash | 640.7 | 927.4 | 1,320.1 | 1,865.9 |
| Total Current Assets | 3,737.9 | 4,300.8 | 4,953.0 | 5,813.5 |
| Creditors | 557.7 | 618.5 | 660.3 | 713.8 |
| Provisions | 101.5 | 108.6 | 116.2 | 124.4 |
| Other current liabilities | 406.1 | 434.5 | 465.0 | 497.5 |
| Total Current Liabilities | 1,065.3 | 1,161.7 | 1,241.5 | 1,335.7 |
| Net Current Assets | 2,672.5 | 3,139.2 | 3,711.5 | 4,477.8 |
| Application of Funds | 6,573.5 | 6,994.7 | 7,696.1 | 8,519.3 |

Source: Company, ICICI Direct Research

| Exhibit 18: Key ratios | | | | |
|-----------------------------|-------|-------|-------|-------|
| (Year-end March) | FY22 | FY23E | FY24E | FY25E |
| Per share data (₹) | | | | |
| Adjusted EPS | 34.8 | 20.8 | 31.4 | 37.0 |
| BV per share | 216.2 | 233.9 | 260.6 | 292.0 |
| Dividend per share | 5.4 | 5.8 | 6.4 | 7.1 |
| Operating Ratios (%) | | | | |
| Gross Profit Margins | 65.4 | 63.7 | 64.7 | 65.5 |
| EBITDA Margins | 22.5 | 16.0 | 20.1 | 21.0 |
| PAT Margins | 15.2 | 8.6 | 11.8 | 12.6 |
| Inventory days | 336.6 | 336.6 | 336.6 | 336.6 |
| Debtor days | 57.0 | 57.0 | 57.0 | 57.0 |
| Creditor days | 101.0 | 101.0 | 101.0 | 101.0 |
| Asset Turnover | 1.6 | 1.6 | 1.6 | 1.6 |
| EBITDA conversion Rate | 65.4 | 65.4 | 69.1 | 67.8 |
| Return Ratios (%) | | | | |
| RoE | 16.1 | 8.9 | 12.1 | 12.7 |
| RoCE | 17.4 | 12.1 | 15.7 | 16.5 |
| RoC | 23.1 | 15.2 | 21.2 | 23.6 |
| Valuation Ratios (x) | | | | |
| P/E | 23.8 | 39.9 | 26.4 | 22.5 |
| EV / EBITDA | 15.7 | 20.5 | 14.5 | 12.3 |
| EV / Net Sales | 3.5 | 3.3 | 2.9 | 2.6 |
| Market Cap / Sales | 3.6 | 3.4 | 3.1 | 2.8 |
| Price to Book Value | 3.8 | 3.5 | 3.2 | 2.8 |
| Solvency Ratios | | | | |
| Debt / EBITDA | 0.6 | 0.8 | 0.6 | 0.5 |
| Debt / Equity | 0.1 | 0.1 | 0.1 | 0.1 |
| Current Ratio | 2.9 | 2.9 | 2.9 | 3.0 |

Source: Company, ICICI Direct Research

Exhibit 19: ICICI Direct Coverage Universe (Healthcare)

| 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 | 4595 | 5,460 | Buy | 66070 | 7.8 | 59.1 | 61.6 | 80.2 | 57.7 | 29.8 | 29.3 | 24.6 | 6.3 | 15.1 | 14.3 | 16.6 | 2.5 | 15.1 | 14.0 | 15.9 |
| Narayana Hrudalaya | NARHRU | 732 | 870 | Buy | 14954 | -0.7 | 16.7 | 28.8 | 28.9 | 86.0 | 23.8 | 18.1 | 16.4 | 1.2 | 20.5 | 24.2 | 21.0 | -1.3 | 23.0 | 28.6 | 22.5 |
| Shalby | SHALUM | 138 | 180 | Buy | 1492 | 3.9 | 5.4 | 6.9 | 9.5 | 17.6 | 13.3 | 9.4 | 7.2 | 6.5 | 8.4 | 11.5 | 13.9 | 5.1 | 6.7 | 8.0 | 10.1 |
| Aster DM | ASTDM | 226 | 280 | Buy | 11289 | 3.0 | 10.5 | 9.5 | 18.0 | 16.0 | 11.5 | 10.6 | 7.2 | 5.4 | 9.0 | 9.2 | 13.5 | 4.4 | 13.3 | 10.7 | 16.9 |
| Healthcare Global | HEAGLO | 281 | 385 | Buy | 3906 | -13.9 | 3.9 | 2.2 | 6.0 | 39.4 | 20.1 | 14.9 | 12.0 | -0.9 | 5.0 | 8.7 | 12.7 | -0.9 | 5.0 | 3.4 | 8.4 |
| Company | | | | | | | | | | | | | | | | | | | | | |
| Company | I-Direct Code | CMP (₹) | TP (₹) | Rating | M Cap (₹ cr) | EPS (₹) | | | | PE(x) | | | | RoCE (%) | | | RoE (%) | | | | |
| | | | | | | FY21 | FY22 | FY23E | FY24E | FY21 | FY22 | FY23E | FY24E | FY21 | FY22 | FY23E | FY24E | FY21 | FY22 | FY23E | FY24E |
| MNC Pharma | | | | | | | | | | | | | | | | | | | | | |
| Abbott India | ABBIND | 20181 | 21,025 | Hold | 42883 | 328.9 | 380.3 | 476.5 | 519.3 | 61.4 | 53.1 | 42.3 | 38.9 | 33.8 | 36.6 | 39.7 | 35.6 | 26.5 | 28.3 | 30.9 | 27.5 |
| P&G Health | MERUM | 4632 | 5,315 | Buy | 7689 | 106.5 | 116.0 | 150.0 | 163.6 | 43.5 | 39.9 | 30.9 | 28.3 | 32.2 | 39.8 | 42.5 | 38.0 | 25.1 | 31.2 | 32.0 | 28.5 |
| Sanofi India | SANOFI | 5363 | 6,385 | Hold | 12351 | 207.7 | 410.6 | 266.3 | 255.8 | 25.8 | 13.1 | 20.1 | 21.0 | 32.3 | 33.3 | 40.9 | 50.2 | 24.5 | 25.9 | 30.8 | 38.1 |
| Pfizer | PFIZER | 3864 | 4,505 | Hold | 17677 | 108.8 | 133.2 | 150.5 | 149.3 | 35.5 | 29.0 | 25.7 | 25.9 | 27.6 | 26.1 | 25.0 | 23.7 | 20.8 | 21.4 | 18.8 | 18.2 |
| Pharma | | | | | | | | | | | | | | | | | | | | | |
| Ajanta Pharma | AJAPHA | 1197 | 1,385 | Buy | 15334 | 51.1 | 55.7 | 51.2 | 67.9 | 23.4 | 21.5 | 23.4 | 17.6 | 29.0 | 27.0 | 21.5 | 24.3 | 21.8 | 21.8 | 17.5 | 19.7 |
| Alembic Pharma | ALEMPHA | 506 | 550 | Hold | 9945 | 62.6 | 27.7 | 15.3 | 23.2 | 8.1 | 18.3 | 33.1 | 21.8 | 25.1 | 10.6 | 7.1 | 9.8 | 24.1 | 10.4 | 5.6 | 8.0 |
| Aurobindo Pharma | AURPHA | 472 | 525 | Hold | 27665 | 55.0 | 47.4 | 34.8 | 46.2 | 8.6 | 10.0 | 13.5 | 10.2 | 16.9 | 12.9 | 10.2 | 12.6 | 14.7 | 11.3 | 7.7 | 9.3 |
| Biocon | BIOCON | 235 | 230 | Hold | 28160 | 6.3 | 6.3 | 4.9 | 3.1 | 37.5 | 37.0 | 47.6 | 74.7 | 7.7 | 7.5 | 3.3 | 5.1 | 9.9 | 8.1 | 2.7 | 6.2 |
| Zydus Lifesciences | CADHEA | 473 | 500 | Buy | 47897 | 23.3 | 21.0 | 22.6 | 27.0 | 20.3 | 22.5 | 21.0 | 17.5 | 13.8 | 12.0 | 12.3 | 12.3 | 18.4 | 12.6 | 12.1 | 12.8 |
| Cipla | CIPLA | 1025 | 1,290 | Buy | 82784 | 29.9 | 32.9 | 38.3 | 45.5 | 34.3 | 31.1 | 26.8 | 22.5 | 17.0 | 16.7 | 18.4 | 19.1 | 13.1 | 12.7 | 13.3 | 14.1 |
| Dr Reddy's Labs | DRREDD | 4515 | 5,210 | Buy | 75191 | 117.6 | 127.2 | 262.2 | 215.5 | 38.4 | 35.5 | 17.2 | 21.0 | 13.1 | 13.0 | 24.2 | 20.8 | 11.1 | 11.0 | 18.9 | 13.8 |
| Glenmark Pharma | GLEPHA | 437 | 440 | Hold | 12340 | 32.9 | 42.7 | 33.3 | 47.4 | 13.3 | 10.2 | 13.1 | 9.2 | 13.9 | 14.8 | 14.9 | 15.7 | 13.1 | 13.2 | 9.4 | 11.9 |
| Ipca Laboratories | IPCLAB | 830 | 885 | Hold | 20927 | 44.9 | 34.8 | 20.8 | 31.4 | 18.5 | 23.8 | 39.9 | 26.4 | 27.1 | 17.4 | 12.1 | 15.7 | 24.2 | 16.1 | 8.9 | 12.1 |
| Jubilant Pharmova | JUBLIF | 316 | 395 | Hold | 5038 | 37.4 | 26.0 | 22.5 | 32.8 | 8.4 | 12.1 | 14.0 | 9.6 | 13.7 | 9.0 | 7.8 | 9.7 | 12.6 | 7.8 | 6.4 | 8.6 |
| Lupin | LUPIN | 675 | 725 | Hold | 30709 | 26.9 | 11.9 | 8.3 | 25.6 | 25.1 | 56.8 | 81.2 | 26.3 | 9.6 | 3.4 | 5.7 | 11.0 | 8.8 | 4.4 | 3.0 | 8.6 |
| Natco Pharma | NATPHA | 537 | 565 | Hold | 9802 | 24.1 | 9.3 | 36.4 | 40.3 | 22.3 | 57.8 | 14.8 | 13.3 | 13.1 | 4.6 | 16.0 | 16.5 | 10.7 | 4.0 | 13.9 | 13.6 |
| Sun Pharma | SUNPHA | 993 | 1,210 | Buy | 238237 | 30.1 | 32.0 | 34.9 | 38.6 | 33.0 | 31.1 | 28.4 | 25.8 | 14.2 | 18.2 | 17.2 | 18.1 | 15.5 | 16.0 | 15.2 | 14.7 |
| Torrent Pharma | TORPHA | 1498 | 1,720 | Hold | 50685 | 37.0 | 32.0 | 36.3 | 45.1 | 40.5 | 46.8 | 41.2 | 33.2 | 17.6 | 19.7 | 17.1 | 20.4 | 21.4 | 18.2 | 17.9 | 19.0 |
| Indoco Remedies | INDREM | 374 | 440 | Buy | 3445 | 10.1 | 16.8 | 17.9 | 26.7 | 37.0 | 22.3 | 20.8 | 14.0 | 11.7 | 17.5 | 15.6 | 21.9 | 12.1 | 17.1 | 15.9 | 19.8 |
| Caplin Point | CAPPOI | 689 | 865 | Buy | 5227 | 31.9 | 39.5 | 48.8 | 47.9 | 21.6 | 17.5 | 14.1 | 14.4 | 25.4 | 25.3 | 23.5 | 22.4 | 20.4 | 20.2 | 20.2 | 16.7 |
| Advanced Enzymes | ADVENZ | 276 | 265 | Reduce | 3092 | 13.1 | 10.7 | 9.6 | 13.3 | 21.1 | 25.8 | 28.9 | 20.7 | 19.4 | 14.3 | 10.9 | 14.0 | 15.1 | 11.0 | 9.0 | 11.3 |
| Hester Biosciences | HESPHA | 1791 | 1,830 | Hold | 1524 | 44.4 | 45.7 | 35.6 | 49.7 | 40.4 | 39.2 | 50.2 | 36.0 | 16.2 | 10.9 | 9.9 | 10.9 | 16.5 | 15.0 | 10.7 | 13.5 |
| API/CRAMS | | | | | | | | | | | | | | | | | | | | | |
| Divi's Lab | DIVLAB | 2852 | 2,945 | Hold | 75720 | 74.7 | 111.5 | 72.8 | 77.4 | 38.2 | 25.6 | 39.2 | 36.9 | 27.6 | 30.2 | 18.2 | 18.3 | 18.8 | 21.3 | 25.2 | 15.0 |
| Hikal | HIKCHE | 315 | 375 | Hold | 3883 | 10.8 | 13.0 | 5.7 | 14.6 | 29.2 | 24.2 | 55.3 | 21.6 | 15.1 | 13.6 | 7.2 | 14.3 | 14.3 | 15.0 | 6.3 | 14.1 |
| Syngene Int. | SYNINT | 564 | 610 | Hold | 22657 | 10.1 | 9.9 | 12.1 | 14.7 | 55.7 | 57.1 | 46.6 | 38.3 | 11.5 | 11.7 | 13.4 | 14.4 | 13.5 | 12.9 | 13.0 | 13.7 |
| Granules India | GRANUL | 293 | 355 | Buy | 7102 | 22.2 | 16.6 | 21.4 | 24.0 | 13.2 | 17.6 | 13.7 | 12.2 | 24.0 | 15.6 | 20.0 | 20.5 | 25.3 | 16.0 | 18.7 | 17.6 |
| Laurus Labs | LAULAB | 331 | 400 | Buy | 17823 | 18.3 | 15.4 | 16.5 | 19.1 | 18.1 | 21.5 | 20.0 | 17.3 | 31.7 | 21.3 | 21.8 | 21.5 | 37.9 | 24.7 | 21.4 | 20.2 |
| Suven Pharmaceuticals | SUVPH | 484 | 530 | Buy | 12318 | 14.2 | 17.8 | 14.7 | 17.7 | 34.0 | 27.2 | 32.8 | 27.4 | 31.2 | 37.5 | 26.0 | 25.6 | 30.7 | 29.7 | 20.6 | 20.5 |

Source: ICICI Direct Research

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Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

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

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