

## US measures weigh on Q1; turnaround stretched...

**About the stock:** Lupin is a multinational pharma company engaged in manufacturing & marketing branded & generic formulations, APIs, biotech products as well as OTC medicines across multiple dosage forms & therapeutic categories.

- It is the third largest generic player (by prescriptions) in the US (market leader: 44 products; Top 3: 113 products) along with being sixth largest company in the Indian pharmaceutical market
- The company was recently going through a rough patch especially on the US generics front due to plant compliance issues besides margins pressure

**Q1FY23 Results:** Lupin's revenues from US plummeted due to price erosion, shelf stock adjustments and inventory write-downs.

- Sales were down 12% YoY to ₹ 3744 crore
- EBITDA was at ₹ 164 crore, down 82% YoY with margins at 4.4%
- Adjusted loss of ₹ 89 crore vs. profit of ₹ 542 crore in Q1FY22

**What should investors do?** Lupin's share price de-grew 0.86x in past three years

- Downgraded the stock from HOLD to **REDUCE** rating due to 1) uncertainty and weak visibility on key high value launches, along with likely over-reliance on gSpiriva US launch in Q4FY23, 2) pending regulatory clearances and 3) delay in margin recovery

**Target Price and Valuation:** Valued Lupin at ₹ 610 i.e. 22x FY24E EPS of ₹ 27.7

**Key triggers for future price performance:**

- Resolving regulatory challenges and speeding up approvals and planned key launches (FY23: Suprep and Spiriva) from pipeline earmarked for US
- Lupin plans to strengthen the biosimilars portfolio, especially in EU and US apart from continued respiratory traction (gAlbuterol and Brovana) in US. Change in mix towards complex products and with expense optimisation to improve margin profile
- R&D investment earmarked now to evolve generic portfolio focused towards complex generics in Injectable, Inhalation along with biosimilars
- Doubling down on India and ex-US geographies. Exploring both organic and inorganic opportunities in different therapies for domestic formulations

**Alternate Stock Idea:** Apart from Lupin, in our healthcare coverage we like Cipla.

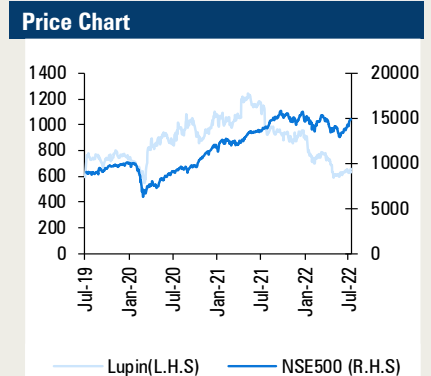
- Cipla has a long-drawn strategy of targeting four verticals viz. One-India, South Africa & EMs, US generics & specialty and lung leadership
- BUY with a target price of ₹ 1135

REDUCE



Particulars	
Particular	Amount
Market Capitalisation	₹ 30005 crore
Debt (FY22)	₹ 3936 crore
Cash (FY22)	₹ 1098 crore
EV	₹ 32843 crore
52 week H/L (₹)	1159/583
Equity capital	₹ 90.9 crore
Face value (₹)	₹ 2

Shareholding pattern				
(in %)	Sep-21	Dec-21	Mar-22	Jun-22
Promoter	46.8	46.8	46.8	47.1
Others	53.2	53.2	53.2	52.9



- Recent Event & Key risks**
- USFDA issued EIR with VAI for Somerset facility
  - Key Risk:** (i) Delay in resolution of regulatory hurdles (ii) normalisation in US price erosion

**Research Analyst**

Siddhant Khandekar  
siddhant.khandekar@icicisecurities.com

Raunak Thakur  
raunak.thakur@icicisecurities.com

Kush Mehta  
kush.mehta@icicisecurities.com

### Key Financial Summary

Key Financials (₹ Crore)	FY20	FY21	FY22	5 year CAGR (FY17-22)	FY23E	FY24E	2 year CAGR (FY22-24E)
Revenues	16393.1	15163.0	16405.4	-1.3	15857.7	17379.0	2.9
EBITDA	2549.7	2657.8	2097.2	-14.1	1850.2	2869.5	17.0
EBITDA margins(%)	15.6	17.5	12.8		11.7	16.5	
Net Profit	-575.0	1216.5	538.0	-190.2	533.0	1255.5	52.8
EPS (₹)	-12.7	26.9	11.9		11.8	27.7	
PE (x)	-99.5	24.6	NA		51.7	23.8	
EV to EBITDA (x)	12.3	11.5	15.2		16.7	10.1	
RoNW (%)	-4.6	8.8	4.4		4.2	9.2	
RoCE (%)	9.7	9.6	3.4		5.8	10.9	
Debt / Equity	0.5	0.4	0.3		0.3	0.2	

## Key takeaways of recent quarter & conference call highlights

### Q1FY23 Results: US continues to weigh on numbers

- Revenues declined 12% YoY to ₹ 3744 crore wherein domestic formulations de-grew 9% YoY to ₹ 1492 crore. US revenues declined 24% YoY to ₹ 1010 crore while South Africa business declined 2% YoY to ₹ 140 crore. RoW markets expanded 32% YoY to ₹ 513 crore and APIs grew 4% YoY to ₹ 255 crore. EBITDA margins were down 1734 bps YoY at ~4.4% against I-direct estimate of 11.5%. EBITDA de-grew 82% YoY to ₹ 164 crore. Lupin posted loss of ₹ 89 crore vs. profit of ₹ 542 crore in Q1FY22
- Lupin's Q1 was a miss on all fronts. Revenues came in below expectations as US, South Africa and India posted lower than expected sales being only partly offset by RoW and APIs offtake. Margins and profitability were a significant miss amid adverse operating leverage and strategic initiatives in US. Lupin continues to remain on a weak footing in US which largely reflects in single digit margin profile for consecutive quarters. In Q1, the management pared down inventories and undertook shelf stock adjustments in US while the base business remains impacted by price erosion. Lupin is focused on optimising operating expenses and ensuring the evolution of complex generic platforms along with global portfolio maximisation while doubling down on markets like India. We believe new launches post clearance of Goa and Somerset facility along with regulatory clearance for other plants could be the near term trigger along with progress on the margins front

### Q1FY23 Earnings Conference Call highlights

- US:** In last few years, Lupin has been experiencing huge stock return on account of high inventory levels in US. During Q1, Lupin brought down inventory levels in key products which impacted sales in this quarter. Price erosion in certain products had brought down margins for certain products to single digit to negative territory, so company has discontinued some of those products from this quarter in US. Double digit price erosion (~10%) coupled with shelf stock adjustments also contributed to muted show in US. Albuterol market share was at 23.2% in Q1 while further new launches remain key for progress on revenues and margins front. Management has focussed on optimising workforce (impacting 14% of workforce) in manufacturing plants in India, with benefits likely to be witnessed from Q2
- In terms of guidance management is indicating for ~ US\$150-160 million sales per quarter as new base for US. Authorised generic for Suprep is already launched and generic for Suprep (from Somerset facility) is expected by late Q2FY23. Device manufacturer for Spiriva was inspected by USFDA and management has answered all the queries, while Pithampur unit-III was also inspected in past for the same. Post clearance of Somerset facility, management is guiding for couple of niche products (Diazepam gel and Nascobal spray) from here apart from Suprep. Company is expecting Somerset facility to be profitable going forward. Overall Lupin is targeting 10+ launches in FY23
- Margins:** Adjusting for strategic moves in revenues (~US\$50 million), gross margins were impacted by about 200 bps in this quarter. On margins front, company is expecting sequential improvement and reach double digits due to, 1) new initiatives on workforce planning, 2) Lupin to move out of legacy OSD business to complex generics, leading to better realisations, 3) increased ability for launches as plants come out of OAI, 4) reduction in FTS, 5) reduction in air freighting (at ~34%) and 4) progress in ex-US geographies. Partnered products have gone up recently (~15-16%) which will decrease over time. Management hopes to save about ~ ₹ 500 - ₹ 750 crores on annualised basis from quarters ahead on back of all the initiatives. About 20-24% SG&A spend is allocated to US. The management is guiding

to exit FY23 with 17-18% margin profile in Q4 and do about 20%+ margins on back of ramp-up for Spiriva in FY24

- **India:** Ex-Covid India grew 5.6% YoY. Core chronic therapies like CVS, diabetics and respiratory de-grew for IPM and Lupin in Q1FY23. There are some headwinds amid a brand lost in Cardiac, additional generic competition in Diabetic and slow ramp up in respiratory. The management is expecting double digit growth in remainder of FY23
- Etanercept is progressing well in geographies in partnership with Mylan and has crossed US\$10 million levels
- Emerging market business was US\$200 million in revenues and with margins of about 18%. The company is looking to turn profitable in Brazil while other geographies are fetching high margins. Lupin aims to grow at 15-20% in the next four to five years and reach US\$400-500 revenues
- Lupin is maintaining high inventory levels due to strategic buying of raw materials. Working capital days has increased to 147 days and the management hopes to bring it down to about 130 days

**Exhibit 1: Variance Analysis**

(₹ crore)	Q1FY23	Q1FY23E	Q1FY22	YoY (%)	Q4FY22	QoQ (%)	Comments
Revenue	3,743.8	4,007.3	4,270.2	-12.3	3,883.0	-3.6	YoY revenues declined mainly driven by US on back of discontinuation of ~15 products, shelf stock adjustments and lowering trade inventory
Raw Material Expenses	1,609.8	1,683.1	1,528.0	5.4	1,632.2	-1.4	Gross margins at 57% against 64% in Q1FY22, decline due to double digit price erosion in US, higher input cost and strategic measures
as % of sales	43.0	42.0	35.8	722 bps	42.0	96 bps	
Employee Expenses	778.5	721.3	783.7	-0.7	703.1	10.7	YoY decline due to lower gross margins and adverse operating leverage
Other Expenditure	1,191.6	1,144.0	1,030.9	15.6	1,321.2	-9.8	
EBITDA	163.9	458.9	927.6	-82.3	226.5	-27.6	YoY decline due to lower gross margins and adverse operating leverage
EBITDA (%)	4.4	11.5	21.7	-1734 bps	5.8	-145 bps	
Interest	42.8	38.7	33.5	27.8	41.5	3.2	
Depreciation	192.8	254.8	208.8	-7.6	327.2	-41.1	
Other Income	5.6	34.6	27.8	-80.0	15.7	-64.5	
Less: Exceptional Items	0.0	0.0	0.0	NA	-1.2	NA	
PBT	2.3	200.0	750.3	-99.7	-85.2	-102.7	
Tax	89.1	54.0	202.3	-56.0	426.7	-79.1	
PAT before MI	-86.8	146.0	548.0	-115.8	-511.9	-83.0	
Minority Interest	2.3	1.5	5.7	-60.4	6.3	-63.8	
Net Profit	-89.1	144.7	542.5	-116.4	-518.0	-82.8	
Adjusted PAT	-89.1	144.7	542.5	-116.4	-525.0	-83.0	
<b>Key Metrics</b>							
India	1,492.0	1,554.4	1,636.2	-8.8	1,351.1	10.4	Ex-Covid India grew 5.6% YoY
US	1,010.4	1,367.7	1,333.0	-24.2	1,416.2	-28.7	YoY decline as Lupin pared down inventories and undertook shelf stock adjustments in US while the base remains impacted by price erosion
South Africa	139.6	175.7	142.6	-2.1	210.4	-33.7	ZAR 282 million sales in Q1FY23 versus ZAR 273 million in Q1FY22
ROW markets	513.0	434.1	387.6	32.4	469.7	9.2	
API	255.1	233.6	245.9	3.7	220.3	15.8	

Source: Company, ICICI Direct Research

**Exhibit 2: Change in estimates**

(₹ Crore)	FY23E			FY24E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	16,673.0	15,857.7	-4.9	18,134.3	17,379.0	-4.2	Decreased mainly because of persisting price erosion in US and lack of meaningful and timely launches
EBITDA	2,204.3	1,850.2	-16.1	2,939.4	2,869.5	-2.4	Amid sustained pricing pressure in US and inflationary environment, management looking to optimize US portfolio and cost. Guidance for 20% margins in FY24
EBITDA Margin (%)	13.2	11.7	-155 bps	16.2	16.5	30 bps	
PAT	849.0	577.9	-31.9	1,380.5	1,255.5	-9.1	Management guidance for ETR of 35% leading to lower EPS
EPS (₹)	18.7	12.8	-31.9	30.5	27.7	-9.1	

Source: ICICI Direct Research

**Exhibit 3: Assumptions**

(₹ crore)	Current				Earlier		Comments
	FY21	FY22	FY23E	FY24E	FY23E	FY24E	
India	5,271.2	6,004.1	6,295.3	7,050.7	6,415.6	7,185.4	India business likely to continue on its growth trajectory organically (double digit) as well as by inorganic route
US	5,552.0	5,755.8	4,728.3	5,145.5	5,652.5	5,935.1	Changed due to persisting price erosion and complex launches likely to pan out with some delay
EMEA (Ex South Africa)	681.4	670.6	756.1	846.8	738.9	812.8	
South Africa	596.6	688.5	714.2	749.9	713.4	749.1	
ROW markets	1,443.5	1,710.0	2,007.5	2,248.4	1,907.4	2,136.3	
API	1,382.3	990.4	1,059.5	1,112.4	1,029.1	1,080.5	Changed mainly due to better than expected sales in Q1FY23

Source: ICICI Direct Research

**Exhibit 4: Financial Summary**

	Revenues	Growth	EPS	Growth	P/E	EV/EBITDA	RoNW	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY21	15163	-7.5	26.9	NA	24.6	11.5	8.8	9.6
FY22	16405	8.2	11.9	NA	NA	15.2	4.4	3.4
FY23E	15858	-3.3	11.8	-0.9	51.7	16.7	4.2	5.8
FY24E	17379	9.6	27.7	135.5	23.8	10.1	9.2	10.9

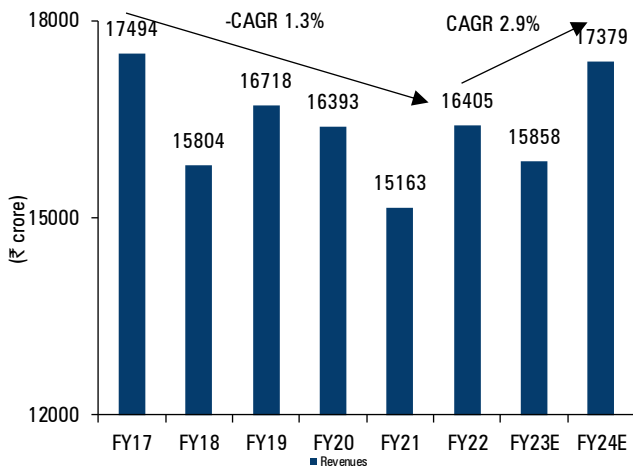
Source: ICICI Direct Research

Exhibit 5: Trends in Quarterly Performance

(₹ crore)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	YoY (%)	QoQ (%)
US	1541.2	1324.4	1376.6	1579.1	1216	1398.4	1442.4	1495.2	1333	1429.1	1577.5	1416.2	1010.4	-24.2	-28.7
EMEA (Ex South Afric	140.4	172.2	151.5	187.7	150.5	192.1	174.1	164.7	118.7	167.7	187.5	196.8	193.9	63.4	-1.4
Japan	558.1	510.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
India	1307.7	1341.9	1296.9	1192.1	1285.4	1332.3	1366.9	1286.6	1636.2	1543.5	1473.3	1351.1	1492.0	-8.8	10.4
South Africa	120.0	147.4	139.8	177.3	99.5	133.8	153.1	210.2	142.6	180.7	154.7	210.4	139.6	-2.1	-33.7
RoW	339.5	351.2	434.0	326.2	308.2	351.3	437.0	347.0	387.6	414.6	438.1	469.7	513.0	32.4	9.2
API	348.9	305.2	317.3	328.6	409.0	373.9	343.8	255.6	245.9	267.8	256.4	220.3	255.1	3.7	15.8
Net Sales	4355.8	4296.9	3716.1	3791.0	3468.6	3781.8	3917.3	3759.3	4237.4	4003.4	4087.5	3864.5	3604.0	-14.9	-6.7
OOI	62.6	62.8	53.2	54.7	59.2	53.2	100.1	23.8	32.8	87.9	73.4	18.5	139.9	326.5	654.9
Revenues	4418.4	4359.7	3769.3	3845.7	3527.9	3835.0	4017.4	3783.1	4270.2	4091.3	4160.9	3883.0	3743.8	-12.3	-3.6
RM Cost	1550.0	1527.3	1359.3	1405.0	1288.0	1381.7	1375.0	1317.6	1528.0	1626.5	1694.6	1632.2	1609.8	5.4	-1.4
% of Revenue	35.1	35.0	36.1	36.5	36.5	36.0	34.2	34.8	35.8	39.8	40.7	42.0	43.0		
Gross Profit	2868.4	2832.4	2410.0	2440.8	2239.9	2453.3	2642.4	2465.5	2742.2	2464.9	2466.3	2250.8	2134.0	-22.2	-5.2
GPM (%)	64.9	65.0	63.9	63.5	63.5	64.0	65.8	65.2	64.2	60.2	59.3	58.0	57.0	-722	-96
Employee Cost	807.2	850.3	740.7	763.6	793.6	685.3	706.8	640.2	783.7	758.6	743.8	703.1	778.5	-0.7	10.7
% of Revenue	18.3	19.5	19.7	19.9	22.5	17.9	17.6	16.9	18.4	18.5	17.9	18.1	20.8	244.2	268.7
Other expenditure	1199.9	1250.1	1239.2	1150.9	958.2	1186.8	1156.9	1117.8	1030.9	1142.5	1351.8	1321.2	1191.6	15.6	-9.8
% of Revenue	27.2	28.7	32.9	29.9	27.2	30.9	28.8	29.5	24.1	27.9	32.5	34.0	31.8		
Total Expenditure	3557.2	3627.7	3339.2	3319.4	3039.8	3253.8	3238.6	3075.6	3342.6	3527.6	3790.2	3656.6	3579.9	7.1	-2.1
% of Revenue	80.5	83.2	88.6	86.3	86.2	84.8	80.6	81.3	78.3	86.2	91.1	94.2	95.6	1734.3	145.3
EBITDA	861.2	732.0	430.1	526.3	488.1	581.2	778.7	707.6	927.6	563.7	370.7	226.5	163.9	-82.3	-27.6
EBITDA Margin (%)	19.5	16.8	11.4	13.7	13.8	15.2	19.4	18.7	21.7	13.8	8.9	5.8	4.4	-1734.3	-145.3
Other income	72.2	133.3	93.6	208.6	43.3	25.0	21.2	48.6	27.8	72.8	34.1	15.7	5.6	-80.0	-64.5
Interest	85.6	86.5	88.6	107.4	44.3	33.6	30.9	31.8	33.5	34.4	33.4	41.5	42.8	27.8	3.2
Depreciation	317.1	321.5	253.2	214.3	214.6	212.7	244.3	215.7	208.8	919.3	203.4	327.2	192.8	-7.6	-41.1
PBT	530.7	-89.1	-106.8	496.4	272.5	359.8	524.7	508.6	713.2	-2196.8	168.0	-125.4	-66.1	-109.3	-47.3
Tax	228.0	34.3	767.0	105.1	164.3	146.7	83.5	54.0	202.3	-109.9	-382.0	426.7	89.1	-56.0	-79.1
Tax rate (%)	43.0	-38.5	-718.3	21.2	60.3	40.8	15.9	10.6	28.4	5.0	-227.4	-340.4	-134.8		
PAT	302.7	-123.4	-873.8	391.3	108.1	213.1	441.2	454.6	510.8	-2086.9	550.0	-552.1	-155.2	-130.4	-71.9
PAT Margin (%)	6.9	-2.8	-23.2	10.2	3.1	5.6	11.0	12.0	12.0	-51.0	13.2	-14.2	-4.1		
Minority Interest	-0.3	3.6	-7.5	1.7	1.8	2.5	3.1	4.0	5.7	3.2	3.6	6.3	2.3	-60.4	-63.8
PAT After MI	303.1	-127.1	-866.3	389.6	106.3	210.6	438.1	450.6	505.1	-2090.1	546.4	-558.3	-157.5	-131.2	-71.8
Adjusted PAT	303.1	419.4	122.4	324.1	106.9	211.0	438.3	460.4	542.5	-312.2	545.5	-525.0	-89.1	-116.4	-83.0
EPS (₹)	6.7	9.2	2.7	7.1	2.4	4.6	9.6	10.1	11.9	-6.9	12.0	-11.5	-2.0		
PAT (%)	6.9%	-2.9%	-23.0%	10.1%	3.0%	5.5%	10.9%	11.9%	11.8%	-51.1%	13.1%	-14.4%	-4.2%		

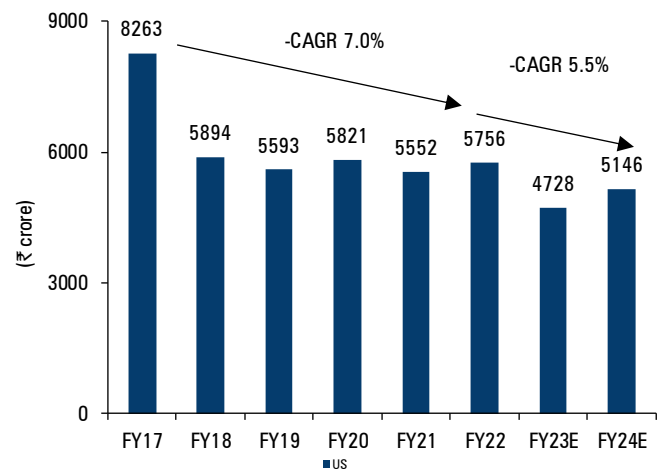
Source: ICICI Direct Research

Exhibit 6: Revenues to grow at CAGR of 2.9% over FY22-24E



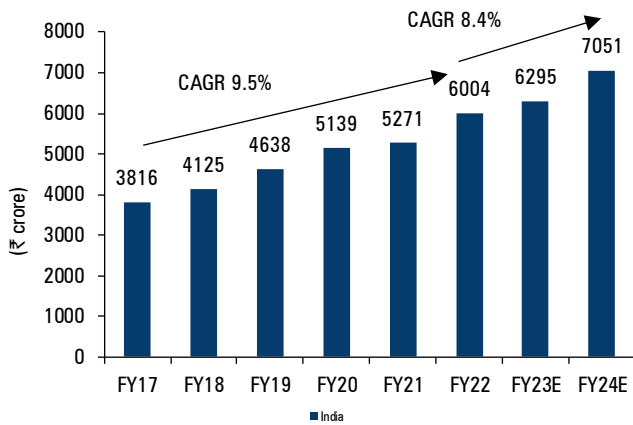
Source: ICICI Direct Research, Company

Exhibit 7: US to de-grow at CAGR of ~5.5% over FY22-24E



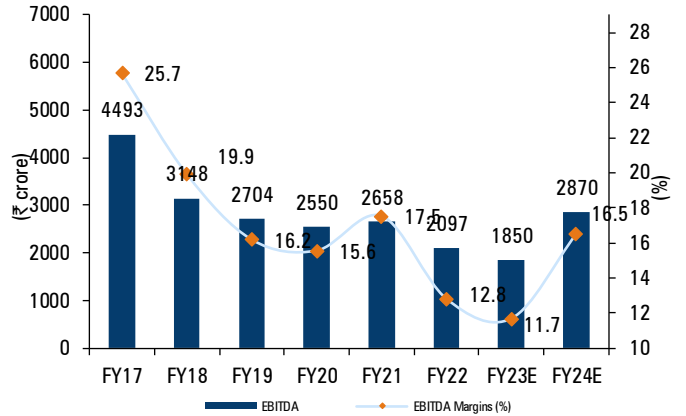
Source: ICICI Direct Research, Company

Exhibit 8: India to grow at CAGR of ~8.4% over FY22-24E



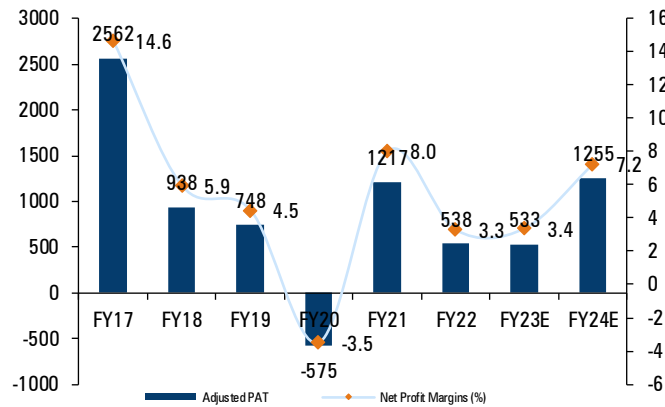
Source: ICICI Direct Research, Company

Exhibit 9: EBITDA & EBITDA margins trend



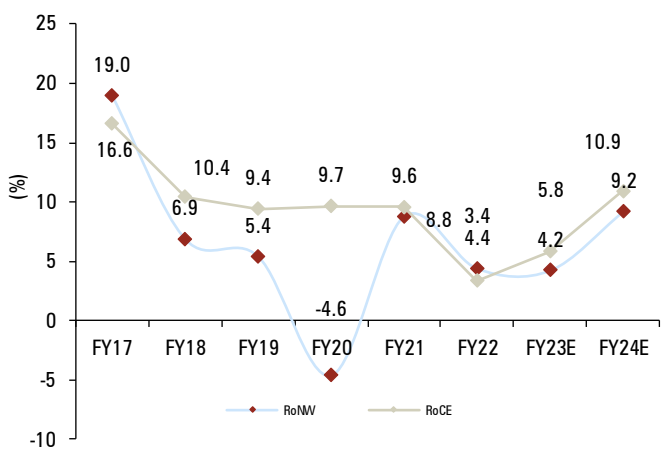
Source: ICICI Direct Research, Company

Exhibit 10: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 11: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 12: ICICI Direct Coverage Universe (Healthcare)

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
<b>Hospitals</b>																					
Apollo Hospitals	APOHOS	4367	4,500	Buy	62789	7.9	59.1	80.9	107.4	555.6	73.8	54.0	40.7	6.3	15.1	16.7	19.3	2.5	15.1	17.7	19.9
Narayana Hrudalaya	NARHRU	638	750	Buy	13045	-0.7	16.7	18.9	21.6	NA	38.2	33.8	29.6	1.2	20.5	18.8	19.5	-1.3	23.0	20.8	19.4
Shalby	SHALIM	118	150	Buy	1278	3.9	5.4	7.5	9.9	30.1	21.8	15.8	12.0	6.5	8.4	11.7	14.3	5.1	6.7	8.6	10.4
Aster DM	ASTDM	238	270	Buy	11871	3.0	10.5	14.4	18.4	80.3	22.6	16.5	12.9	5.4	9.0	11.4	12.9	4.4	13.3	15.4	16.4
Healthcare Global	HEAGLO	272	340	Buy	3782	-13.9	3.9	3.6	8.0	-13.9	70.4	75.1	33.9	-0.9	5.0	7.6	10.2	-0.9	5.0	5.5	10.8
<b>MNC Pharma</b>																					
Abbott India	ABBIND	20284	20,560	Buy	43101	325.0	375.9	439.8	514.0	62.4	54.0	46.1	39.5	33.8	36.6	37.9	36.3	26.5	28.3	29.5	28.1
P&G Health	MERLIM	4457	4,955	Hold	7398	106.5	121.5	130.5	141.6	41.8	36.7	34.2	31.5	32.2	37.3	34.7	32.8	25.1	29.3	27.0	25.4
Sanofi India	SANOFI	6541	6,885	Hold	15064	207.4	410.1	270.5	264.8	31.5	16.0	24.2	24.7	32.3	33.3	41.1	50.7	24.5	25.9	31.2	38.7
Pfizer	PFIZER	4265	4,810	Hold	19510	108.8	133.9	140.4	160.3	39.2	31.9	30.4	26.6	27.6	26.1	23.5	23.0	20.8	21.4	19.2	18.7
<b>Pharma</b>																					
Ajanta Pharma	AJAPHA	1274	1,495	Buy	16323	51.0	55.6	60.1	71.1	25.0	22.9	21.2	17.9	29.0	27.0	24.4	24.5	21.8	21.8	19.9	19.9
Alembic Pharma	ALEMPHA	677	590	Reduce	13307	62.8	27.8	15.3	26.9	10.8	24.4	44.3	25.2	25.1	10.6	6.5	10.5	24.1	10.4	5.6	9.1
Aurobindo Pharma	AURPHA	570	610	Hold	33402	55.0	47.4	45.6	51.0	10.4	12.0	12.5	11.2	16.9	12.9	12.5	13.1	14.7	11.3	9.9	10.0
Biocon	BIOCON	314	320	Hold	37639	6.3	5.7	5.5	11.3	50.1	55.0	57.5	27.6	7.7	7.5	4.1	6.5	9.9	8.1	2.8	5.5
Zydus Lifesciences	CADHEA	360	475	Hold	36814	23.3	21.0	20.2	24.0	15.4	17.1	17.8	15.0	13.8	12.0	11.2	12.4	18.4	12.6	11.0	11.7
Cipla	CIPLA	1039	1,135	Buy	83842	29.9	32.9	38.6	45.8	34.8	31.6	26.9	22.7	16.3	16.7	17.9	19.0	13.1	12.7	13.3	14.1
Dr Reddy's Labs	DRREDD	4181	4,750	Buy	69596	117.3	126.9	203.4	191.0	35.7	32.9	20.6	21.9	13.1	13.0	19.1	18.1	11.1	11.0	15.4	13.0
Glenmark Pharma	GLEPHA	380	460	Hold	10722	32.9	42.7	41.0	48.3	11.6	8.9	9.3	7.9	13.9	14.8	14.5	15.4	13.1	13.2	11.4	11.9
Ipca Laboratories	IPCLAB	1007	1,000	Hold	25539	44.9	34.8	32.7	39.9	22.4	28.9	30.8	25.2	27.1	17.4	16.2	17.4	24.2	16.1	13.4	14.4
Jubilant Pharmova	JUBLIF	352	340	Reduce	5601	37.4	26.0	15.9	26.1	9.4	13.5	22.1	13.5	13.7	9.0	6.1	8.6	12.6	7.8	4.6	7.0
Lupin	LUPIN	664	610	Reduce	30189	26.9	11.9	11.8	27.7	24.7	55.9	56.5	24.0	9.6	3.4	5.8	10.9	8.8	4.4	4.2	9.2
Natco Pharma	NATPHA	747	820	Hold	13636	24.2	9.3	28.3	33.2	30.9	80.2	26.4	22.5	13.1	4.6	13.3	14.1	10.7	4.0	11.0	11.6
Sun Pharma	SUNPHA	919	1,125	Buy	220499	30.0	32.0	34.8	40.1	30.6	28.8	26.4	22.9	14.2	18.2	18.0	18.7	15.5	16.0	15.2	15.2
Torrent Pharma	TORPHA	1557	1,800	Buy	52679	37.0	32.0	43.7	54.6	42.1	48.6	35.7	28.5	17.6	19.7	24.7	29.4	21.4	18.2	20.9	21.8
Indoco Remedies	INDREM	394	510	Buy	3630	10.1	16.8	21.8	28.4	39.0	23.5	18.0	13.9	11.7	17.5	18.8	24.9	12.1	17.1	18.7	20.2
Caplin Point	CAPPOI	821	895	Buy	6223	81.7	85.3	68.3	70.8	10.0	9.6	12.0	11.6	25.3	23.7	22.5	0.0	20.4	20.2	18.5	17.5
Advanced Enzymes	ADVENZ	293	290	Hold	3276	13.1	10.7	10.2	13.2	22.4	27.4	28.7	22.3	19.4	14.3	12.6	14.7	15.1	11.0	9.6	11.1
Hester Biosciences	HESPHA	2387	2,445	Hold	2030	44.4	45.7	41.3	63.2	53.8	52.2	57.8	37.8	16.2	10.9	9.9	13.4	16.5	15.0	12.2	16.3
<b>API/CRAMS</b>																					
Divi's Lab	DIVLAB	3937	4,655	Buy	104510	74.7	111.5	105.7	122.5	52.7	35.3	37.3	32.1	27.6	30.2	25.8	25.5	21.3	25.2	20.3	20.0
Hikal	HIKCHE	268	340	Buy	3300	10.8	13.0	11.1	19.0	24.8	20.6	24.2	14.1	15.1	13.6	10.9	16.3	14.3	15.0	11.5	16.8
Syngene Int.	SYNINT	568	710	Buy	22816	10.1	9.9	11.5	14.6	56.1	57.6	49.3	39.0	11.5	11.7	12.8	15.2	13.5	12.9	12.4	13.7
Granules India	GRANUL	311	345	Buy	7708	22.2	16.6	19.6	24.6	14.0	18.7	15.8	12.6	24.0	15.6	16.8	18.6	25.3	16.0	16.0	16.9
Laurus Labs	LAULAB	552	675	Buy	29635	18.3	15.4	20.7	27.0	30.1	35.8	26.6	20.5	31.7	21.3	23.6	26.0	37.9	24.7	25.6	25.6
Suven Pharmaceuticals	SUVPH	466	555	Hold	11863	14.2	17.8	17.0	18.5	32.7	26.1	27.4	25.1	31.2	37.5	28.5	26.0	30.7	29.7	23.0	20.8

Source: ICICI Direct Research

## Financial Summary

Exhibit 13: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
<b>Total Operating Income</b>	<b>15,163.0</b>	<b>16,405.4</b>	<b>15,857.7</b>	<b>17,379.0</b>
Growth (%)	-7.5	8.2	-3.3	9.6
Raw Material Expenses	5,362.2	6,481.2	6,434.8	6,624.9
Employee Expenses	2,825.9	2,989.3	2,989.3	3,171.7
Other expenditure	4,317.0	4,837.7	4,583.4	4,712.9
Total Operating Expenditure	12,505.2	14,308.3	14,007.5	14,509.5
<b>EBITDA</b>	<b>2,657.8</b>	<b>2,097.2</b>	<b>1,850.2</b>	<b>2,869.5</b>
Growth (%)	4.2	-21.1	-11.8	55.1
Depreciation	887.4	1,658.7	962.8	1,061.6
Interest	140.6	142.8	171.6	146.7
Other Income	136.3	141.7	110.2	150.1
PBT	1,675.1	505.8	894.3	1,811.3
EO	0.0	1878.4	0.0	0.0
Total Tax	448.5	137.2	307.6	543.4
PAT before MI	1,226.6	-1,509.8	586.7	1,267.9
Minority Interest	11.4	18.7	9.0	12.7
<b>Adjusted PAT</b>	<b>1,216.5</b>	<b>538.0</b>	<b>533.0</b>	<b>1,255.5</b>
Growth (%)	NA	NA	-0.9	135.5
<b>EPS (Adjusted)</b>	<b>26.9</b>	<b>11.9</b>	<b>11.8</b>	<b>27.7</b>

Source: Company, ICICI Direct Research

Exhibit 14: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit/(Loss) after taxation	960.9	-1325.3	577.9	1255.5
Depreciation	887.4	1658.7	962.8	1061.6
Other operating Activities	140.6	142.8	171.6	146.7
(inc)/dec in Current Assets	713.2	-539.6	35.1	-543.5
Inc/ (dec) in Current Liabilities	-905.7	524.5	203.5	516.4
<b>CF from Operating Activities</b>	<b>1821.8</b>	<b>367.3</b>	<b>1951.0</b>	<b>2436.6</b>
Purchase of Fixed Assets	-671.4	-1044.8	-600.0	-500.0
(Inc)/Dec in Investments	-25.5	1589.1	0.0	0.0
Other Investing Activities	48.6	16.3	49.3	54.1
<b>CF from Investing Activities</b>	<b>-648.3</b>	<b>560.7</b>	<b>-550.7</b>	<b>-445.9</b>
Inc / (Dec) in Loan Funds	-1491.9	-1169.3	-500.0	-500.0
Inc / (Dec) in Equity Capital	0.2	0.2	0.0	0.0
Dividend and dividend tax	-272	-295	-181	-136
Other Financing Activities	-121.3	-108.1	-171.6	-146.7
<b>CF from Financing Activities</b>	<b>-1885.3</b>	<b>-1572.3</b>	<b>-852.9</b>	<b>-782.6</b>
Net Cash Flow	-712	-644	547	1,208
Opening Cash	2,454	1,742	1,098	1,645
<b>Closing Cash</b>	<b>1,742.5</b>	<b>1,098.1</b>	<b>1,645.5</b>	<b>2,853.6</b>
<b>Free Cash flow</b>	<b>1,150.4</b>	<b>-677.5</b>	<b>1,351.0</b>	<b>1,936.6</b>

Source: Company, ICICI Direct Research

Exhibit 15: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Equity Capital	90.7	90.9	90.9	90.9
Reserve and Surplus	13,712.4	12,062.4	12,459.0	13,578.6
Total Shareholders funds	13,803.1	12,153.3	12,549.9	13,669.5
Total Debt	4,870.4	3,936.4	3,436.4	2,936.4
Deferred Tax Liability	229.8	240.8	264.9	291.4
Minority Interest	55.0	68.7	75.6	83.1
Other NCL & LT Provisions	1,070.4	940.1	1,034.1	1,137.5
<b>Total Liabilities</b>	<b>20,029</b>	<b>17,339</b>	<b>17,361</b>	<b>18,118</b>
Gross Block - Fixed Assets	12,764.3	13,866.2	14,666.2	15,166.2
Accumulated Depreciation	6,846.0	8,608.7	9,571.5	10,633.1
Net Block	5,918.3	5,257.5	5,094.7	4,533.1
Capital WIP	1,066.3	1,146.3	946.3	946.3
Total Fixed Assets	6,984.6	6,403.8	6,041.0	5,479.3
Investments	2,454.9	900.0	900.0	900.0
Goodwill on Consolidation	1,962.4	2,124.1	2,124.1	2,124.1
Inventory	4,092.0	4,630.7	4,597.5	4,356.1
Debtors	4,474.3	4,261.9	4,095.6	4,699.7
Loans and Advances	15.3	2.3	2.5	2.8
Other Current Assets	1,285.5	1,642.2	1,806.4	1,987.0
Cash	1,742.5	1,098.1	1,645.5	2,853.6
Total Current Assets	11,609.6	11,635.3	12,147.5	13,899.2
Creditors	2,014.4	2,282.9	2,266.5	2,541.1
Provisions & Other CL	1,567.4	2,199.0	2,418.9	2,660.8
Total Current Liabilities	3,581.8	4,481.9	4,685.4	5,201.8
Net Current Assets	8,027.7	7,153.4	7,462.1	8,697.4
Deferred Tax Assets	180.2	169.7	186.7	205.4
Long term Loans and advan	66.9	0.2	0.2	0.3
Other Non current assets	351.9	588.1	646.9	711.6
<b>Application of Funds</b>	<b>20,029</b>	<b>17,339</b>	<b>17,361</b>	<b>18,118</b>

Source: Company, ICICI Direct Research

Exhibit 16: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
<b>Per Share data (₹)</b>				
Reported EPS	26.9	-33.7	12.8	27.7
BV per share	304.7	268.3	277.0	301.7
Dividend per share	6.5	4.0	3.0	5.0
Cash per Share	38.5	24.2	36.3	63.0
<b>Operating Ratios (%)</b>				
Gross Margin	64.6	60.5	59.4	61.9
EBITDA margin	17.5	12.8	11.7	16.5
PAT Margin	8.0	3.3	3.4	7.2
Inventory Days	278.5	260.8	260.8	240.0
Debtor Days	107.7	94.8	94.3	98.7
Creditor Days	137.1	128.6	128.6	140.0
Asset Turnover	1.2	1.2	1.1	1.1
EBITDA conversion Rate	68.5	17.5	105.4	84.9
<b>Return Ratio (%)</b>				
RoE	8.8	4.4	4.2	9.2
RoCE	9.6	3.4	5.8	10.9
RoIC	12.1	3.1	6.4	13.6
<b>Valuation Ratios (x)</b>				
P/E	24.6	NA	51.7	23.8
EV / EBITDA	11.5	15.2	16.7	10.1
EV / Net Sales	2.0	1.9	1.9	1.7
Market Cap / Sales	2.0	1.8	1.9	1.7
Price to Book Value	2.2	2.5	2.4	2.2
<b>Solvency Ratios</b>				
Debt / EBITDA	1.8	1.9	1.9	1.0
Debt / Equity	0.4	0.3	0.3	0.2
Current Ratio	2.8	2.4	2.2	2.1

Source: Company, ICICI Direct Research



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Sell: <-15%



**Pankaj Pandey**

**Head – Research**

**[pankaj.pandey@icicisecurities.com](mailto:pankaj.pandey@icicisecurities.com)**

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

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