

## Steady performance; focus shifts to crop protection...

**About the stock:** Natco has, over the years, developed a knack for manufacturing complex generic products with few competitors, especially for the US market.

- India formulations mainly comprise oncology products (39 brands). For the US, it follows partnership products for risky launches and acquired Dash Pharma for a front-end presence. It has six FDF, two API manufacturing facilities and two crop health sciences units
- Maiden entry into crop protection was via launch of pheromone product, Natmate PBW for controlling pink bollworm in cotton
- Q3FY23 revenue break-up - domestic business: 20.7%, international business: 68% (mainly from the US), APIs: 11.3%

**Q3FY23 Results:** In line revenues but margin beat

- Revenue declined 12% YoY to ₹ 493.3 crore
- EBITDA improved 4.8% YoY to ₹ 106.7 crore and margins increased 347 bps YoY to 21.6%
- Adjusted PAT declined 22.5% YoY to ₹ 62.3 crore

**What should investors do?** Natco's share price de-grew at 7.77% CAGR over the past three years.

- We maintain **HOLD** rating on the stock due to 1) impending competition in gRevlimid in US and other complex products, 2) high risk-reward play in crop protection with possible new entrants and 3) stagnancy in domestic formulations, especially oncology (scouting for a decent domestic target)

**Target Price and Valuation:** Valued at ₹ 565 (base business at ₹ 481 with 16x P/E on FY25E EPS of ₹ 30 + ₹ 83 NPV for gRevlimid).

**Key triggers for future price performance:**

- US:** Momentum likely amid contribution from gRevlimid, key being market formation post new competition. Focus on Para IV and FTF opportunities
- India:** Natco is a leading player in oncology segment with 39 products & new launches in cardio/diabetology, expanding portfolio remains key for growth
- Plans to expand in other geographies and crop protection with India, Brazil, Canada, China, crop protection together likely to contribute 70-80% of revenues in the medium to long term
- Inorganic opportunities in both domestic and export formulations

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

- Ajanta Pharma is a focused player in the branded space with a strategy to launch maximum first time launches with new drug delivery system
- BUY with a target price of ₹ 1385



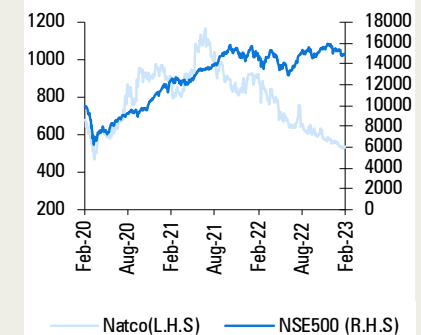
### Particulars

Particular	Amount
Market Capitalisation	₹ 9699 crore
Debt (FY22)	₹ 412 crore
Cash (FY22)	₹ 206 crore
EV	₹ 9905 crore
52 week H/L (₹)	930/502
Equity capital	₹ 36.6 crore
Face value	₹ 2

### Shareholding pattern

(in %)	Mar-22	Jun-22	Sep-22	Dec-22
Promoti	48.8	48.8	48.8	48.8
Others	51.2	51.2	51.2	51.2

### Price Chart



### Recent Event & Key risks

- Launch of CTPR
- Key Risk:** (i) Competition in key products in US and other export markets (ii) Better traction in crop protection and a value accretive domestic acquisition

### 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	2052.1	1944.8	-1.2	2583.4	2973.6	2684.2	1.9
EBITDA	606.2	263.5	-17.4	908.9	1008.6	782.3	-7.2
EBITDA Margins (%)	29.5	13.5		35.2	33.9	29.1	
Net Profit	440.9	170.0	-18.9	666.0	737.4	549.7	-9.1
EPS (₹)	24.1	9.3		36.4	40.3	30.0	
PE (x)	22.0	57.1		14.6	13.2	17.6	
EV to EBITDA (x)	15.7	36.8		10.2	8.8	10.5	
RoNW (%)	10.7	4.0		13.9	13.6	9.4	
RoCE (%)	13.1	4.6		16.0	16.5	11.5	

## Key takeaways of recent quarter & conference call highlights

### Q3FY23 Results: In line revenues but margin beat

- Revenue declined 12% YoY to ₹ 493.3 crore. On the operational front, EBITDA improved 4.8% YoY to ₹ 106.7 crore and margins increased 347 bps YoY to 21.6%. Adjusted PAT declined 22.5% YoY to ₹ 62.3 crore. Segmental mix includes domestic formulations, which were up 0.5% YoY to ₹ 101.1 crore while export formulations and API business were impacted, both down 12.9% YoY to ₹ 333.7 crore and 31% YoY to ₹ 42.6 crore, respectively
- Q3 numbers were better on the margins front while revenues were in line. Sequential recovery was visible in domestic formulations (mainly oncology), which is struggling since the Covid outbreak. The company also registered meaningful revenues in the agrochemical space but the quantum is still small. Overall, competitive scenario in the US generics and pricing pressure in the domestic oncology business has forced the company to explore the branded agrochemical space, which is a long-drawn strategy

### Q3FY23 Earnings Conference Call highlights:

#### Revenue division:

- Strength remains in regulated markets for the company
- It intends to reduce dependency on US markets and diversify into other geographies
- The company has been awarded new tenders in Asian markets including Malaysia and Thailand under export formulation division
- Agrochemical division is in an upward trajectory and has given a reasonable start. It is expected to deliver well due to the coming Kharif season. The management has guided for ₹ 150-200 crore revenue contribution in the next 12 months from this business. The same will be driven by both branded India business and exports

#### Product Pipeline:

- The company has made filings under para IV drugs for which it is expected to reveal the pipeline in Q4FY23
- Many patents are There with the company till FY25. These are expected to be the value creator due to limited market suppliers in that space
- Brazil has 12 launches in the coming year, followed by a couple of launches in Canada. Launched Nat-Lenalidomide in the Canadian market
- It is targeting 10 product launches a year with over 12% growth under domestic formulation segment
- It has also guided to strengthen the gastroenterology, critical care, oncology and cardiometabolic portfolios under domestic formulation

#### Other highlights:

- It is willing to look for an inorganic growth opportunity in India
- The management expects gRevlimid traction in Q4FY23 and Q1FY24
- B2B customers in the agrochemical division are all lined up, which contributes 30% of sales generation. Rest 60-70% sales are derived from the company level
- The management has guided that it will witness some uptake from the UP region due to good sugar production
- Growth is expected to come from the base business and from niche complex filings, which will boost earnings
- It launched first generic of Abiraterone tablets in Taiwan and Indonesia
- Plans to launch new divisions to penetrate in various therapies and has also increased field force as a part of expansion plan
- Q4FY3 is expected to deliver a better performance due to higher contribution from gRevlimid and agrochemical products
- In Brazil, continued to increase its presence in the oncology and primary healthcare segments with a strong market share in both Everolimus and Oseltamivir
- Increasing its presence in Singapore with tenders
- The management expects CTPR traction in crop care to generate momentum in the coming quarters
- The company experienced price erosion in the US

**Exhibit 1: Variance Analysis**

	Q3FY23	Q3FY22	Q2FY23	YoY (%)	QoQ (%)	Comments
Revenue	493.3	560.5	432.1	-12.0	14.2	Revenue declined 12% YoY to ₹ 493.3 crore. Segmental mix includes domestic formulations, which was up 0.5% YoY to ₹ 101.1 crore while export formulations and API business were impacted both down 12.9% YoY to ₹ 333.7 crore and 31% YoY to ₹ 42.6 crore
Raw Material Expenses	115.4	93.0	105.8	24.1	9.1	
Employee Expenses	105.6	118.2	110.3	-10.7	-4.3	
Other Expenditure	165.6	247.5	120.7	-33.1	37.2	
Total Operating Expenditure	386.6	458.7	336.8	-15.7	14.8	
EBITDA	106.7	101.8	95.3	4.8	12.0	
EBITDA (%)	21.6	18.2	22.1	347 bps	-43 bps	On the operational front, EBITDA improved 4.8% YoY to ₹ 106.7 crore and margins increased 347 bps YoY to 21.6%
Interest	3.8	5.0	3.8	-24.0	0.0	
Depreciation	41.5	36.0	41.7	15.3	-0.5	
Other Income	20.0	30.2	20.5	-33.8	-2.4	
EO	0.0	0.0	0.0	0.0	0.0	
PBT	81.4	91.0	70.3	-10.5	15.8	
Tax	19.1	10.6	13.5	80.2	41.5	
PAT before MI	62.3	80.4	56.8	-22.5	9.7	
MI	0.0	0.0	0.0	0.0	0.0	
Adj.Net Profit	62.3	80.4	56.8	-22.5	9.7	Adjusted PAT declined 22.5% YoY to ₹ 62.3 crore
<b>Key Metrics</b>						
Domestic formulations	101.1	100.6	93.5	0.5	8.1	
Export Formulations	333.7	383.1	283.4	-12.9	17.7	
APIs	42.6	61.7	44.1	-31.0	-3.4	

Source: Company, ICICI Direct Research

**Exhibit 2: Change in estimates**

(₹ Crore)	FY23E			FY24E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	2,612.4	2,583.4	-1.1	3,035.9	2,973.6	-2.1	
EBITDA	941.9	908.9	-3.5	1,142.6	1,008.6	-11.7	Impact of gRevlimid adjustment post revised estimates
EBITDA Margin (%)	36.1	35.2	-87 bps	37.6	33.9	-372 bps	
PAT	697.8	666.0	-4.6	841.6	737.4	-12.4	
EPS (₹)	38.2	36.4	-4.6	46.1	40.3	-12.4	

Source: ICICI Direct Research

**Exhibit 3: Assumptions**

	Current			Earlier			
	FY20	FY21	FY22	FY23E	FY24E	FY23E	FY24E
APIs	355.2	512.2	248.2	188.5	207.4	238.1	266.7
Domestic formulations	540.8	414.4	486.8	375.0	404.9	408.0	448.2
Exports formulations	932.6	1,077.1	1,184.1	1,930.1	2,045.9	1,877.6	2,012.4
	<b>2,003.8</b>	<b>1,919.1</b>	<b>2,493.7</b>	<b>2,658.2</b>	<b>2,523.7</b>	<b>2,727.3</b>	

Source: ICICI Direct Research

**Exhibit 4: Financial Summary**

	Revenues	Growth	EPS	Growth	P/E	EV/EBITDA	RoE	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY21	2052	7.2	24.1	-4.3	22.0	15.7	10.7	13.1
FY22	1945	-5.2	9.3	-61.4	57.1	36.8	4.0	4.6
FY23E	2583	32.8	36.4	291.8	14.6	10.2	13.9	16.0
FY24E	2974	15.1	40.3	10.7	13.2	8.8	13.6	16.5
FY25E	2684	-9.7	30.0	-25.4	17.6	10.5	9.4	11.5

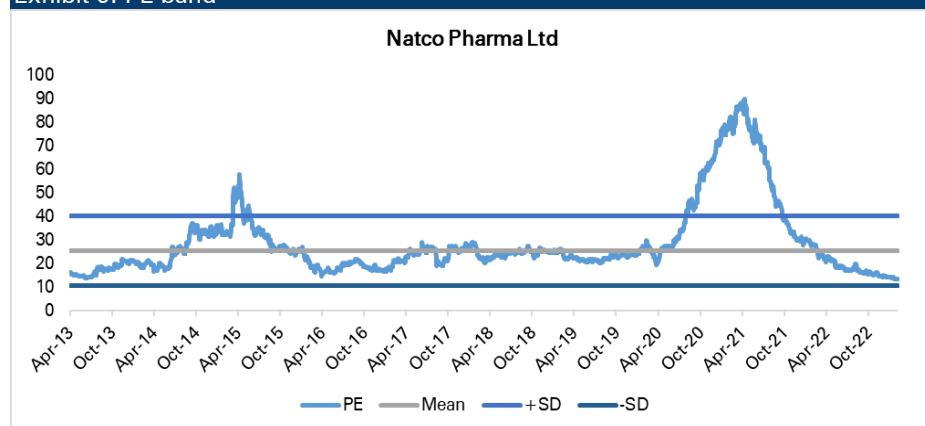
Source: ICICI Direct Research

Exhibit 5: Trends in Quarterly Performance

₹ Crore	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	YoY (%)	QoQ (%)
Revenues	482.2	454.8	563.4	802.2	361.1	331.3	410.3	377.2	560.5	596.8	884.6	432.1	493.3	-12.0	14.2
Raw Material Expe	91.5	94.9	178.9	194.9	83.1	54.5	79.1	92.5	93.0	296.3	147.7	105.8	115.4	24.1	9.1
% of Revenues	19.0	20.9	31.8	24.3	23.0	16.5	19.3	24.5	16.6	49.6	16.7	24.5	23.4	680 bps	-109 bps
Gross Profit	390.7	359.9	384.5	607.3	278.0	276.8	331.2	284.7	467.5	300.5	736.9	326.3	377.9	-19.2	15.8
Gross Profit Margin	81.0	79.1	68.2	75.7	77.0	83.5	80.7	75.5	83.4	50.4	83.3	75.5	76.6	-680 bps	109 bps
Employee Expense:	97.8	81.6	95.2	123.7	101.4	94.6	108.1	109.2	118.2	109.3	151.9	110.3	105.6	-10.7	-4.3
% of Revenues	20.3	17.9	16.9	15.4	28.1	28.6	26.3	29.0	21.1	18.3	17.2	25.5	21.4	32 bps	-412 bps
Other Expenses	164.2	150.0	118.2	207.2	88.2	106.0	113.3	105.0	247.5	209.8	189.7	120.7	165.6	-33.1	37.2
% of Revenues	34.1	33.0	21.0	25.8	24.4	32.0	27.6	27.8	44.2	35.2	21.4	27.9	33.6	-1059 bps	564 bps
Total Expenditure	353.5	326.5	392.3	525.8	272.7	255.1	300.5	306.7	458.7	615.4	489.3	336.8	386.6	-15.7	14.8
% of Revenues	73.3	71.8	69.6	65.5	75.5	77.0	73.2	81.3	81.8	103.1	55.3	77.9	78.4	-347 bps	43 bps
EBITDA	128.7	128.3	171.1	276.4	88.4	76.2	109.8	70.5	101.8	-18.6	395.3	95.3	106.7	4.8	12.0
EBITDA Margins(%)	26.7	28.2	30.4	34.5	24.5	23.0	26.8	18.7	18.2	-3.1	44.7	22.1	21.6	347 bps	-43 bps
Depreciation	25.4	30.5	28.0	28.7	29.8	30.4	33.8	34.7	36.0	38.1	39.6	41.7	41.5	15.3	-0.5
Interest	5.3	3.5	3.7	2.7	3.4	3.5	2.0	4.0	5.0	6.7	4.2	3.8	3.8	-24.0	0.0
Other income	30.8	22.4	18.7	25.7	30.8	28.4	17.0	38.0	30.2	13.8	34.3	20.5	20.0	-33.8	-2.4
Less: Exceptional It	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
PBT	128.8	116.7	158.1	270.7	86.0	70.7	91.0	69.8	91.0	-49.6	385.8	70.3	81.4	-10.5	15.8
Total Tax	24.4	23.5	36.0	66.8	16.7	17.7	16.0	4.7	10.6	0.9	65.4	13.5	19.1	80.2	41.5
Tax rate (%)	18.9	20.1	22.8	24.7	19.4	25.0	17.6	6.7	11.6	-1.8	17.0	19.2	23.5		
PAT	104.4	93.2	122.1	203.9	69.3	53.0	75.0	65.1	80.4	-50.5	320.4	56.8	62.3	-22.5	9.7
PAT Margin (%)	21.7	20.5	21.7	25.4	19.2	16.0	18.3	17.3	14.3	-8.5	36.2	13.1	12.6	-172 bps	-52 bps
Minority Interest	-0.1	-0.9	-0.7	1.5	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
PAT after MI	104.5	94.1	122.8	202.4	68.6	53.0	75.0	65.1	80.4	-50.5	320.4	56.8	62.3	-22.5	9.7
EPS (₹)	5.7	5.2	6.7	11.1	3.8	2.9	4.1	3.6	4.4	-2.8	17.6	3.1	3.4		
Adj PAT	104.5	94.1	122.8	202.4	68.6	53.0	75.0	65.1	80.4	-50.5	320.4	56.8	62.3	-22.5	9.7

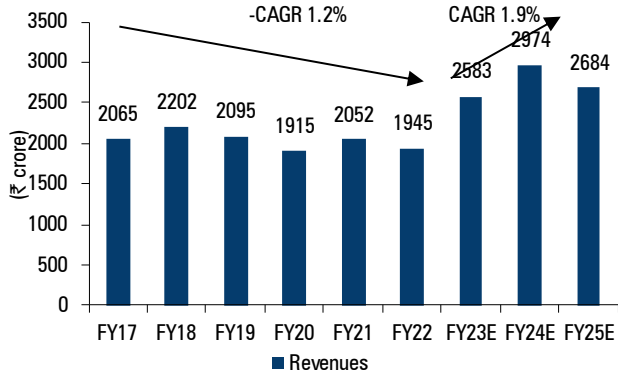
Source: ICICI Direct Research

Exhibit 6: PE band



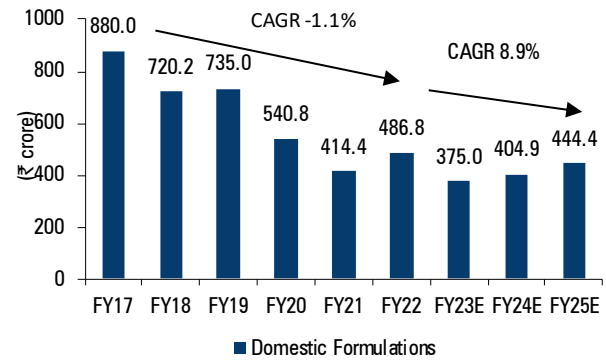
Source: ICICI Direct Research

Exhibit 7: Revenue to grow at 1.9% CAGR in FY23E-25E



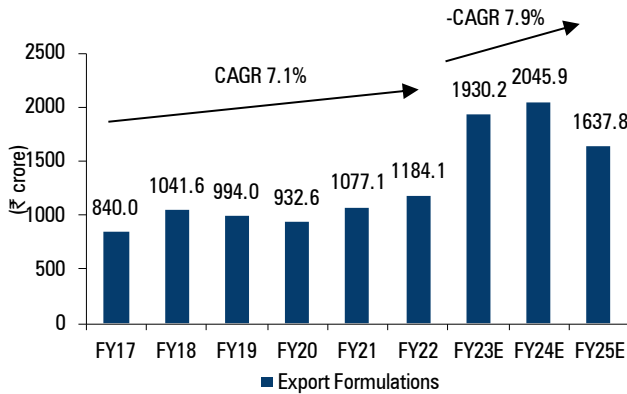
Source: Company, ICICI Direct Research

Exhibit 8: Domestic to grow at 8.9% CAGR over FY23E-25E



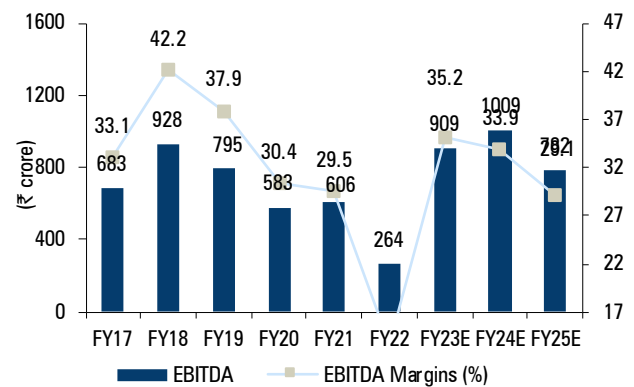
Source: Company, ICICI Direct Research

Exhibit 9: Exports to de-grow at 7.9% CAGR over FY23E-25E



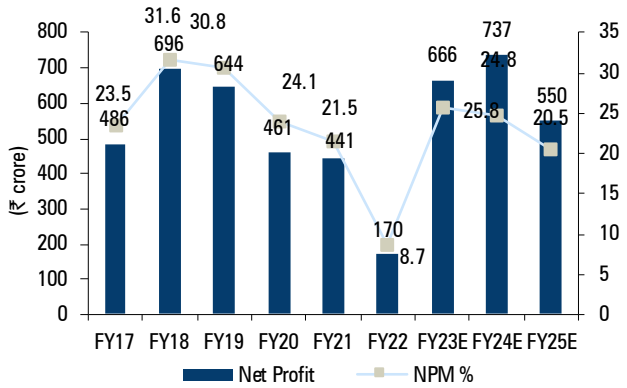
Source: Company, ICICI Direct Research

Exhibit 10: EBITDA & EBITDA margins trend



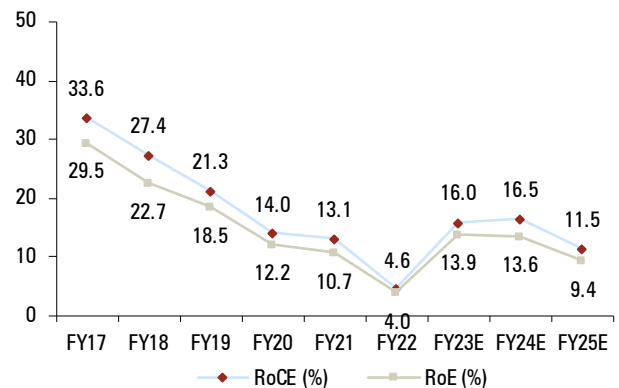
Source: Company, ICICI Direct Research

Exhibit 11: Net profit & net profit margins trend



Source: Company, ICICI Direct Research

Exhibit 12: RoE & RoCE trend



Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 13: Profit and loss statement				
	₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E
<b>Revenues</b>	<b>1,944.8</b>	<b>2,583.4</b>	<b>2,973.6</b>	<b>2,684.2</b>
Growth (%)	-5.2	32.8	15.1	-9.7
Raw Material Expenses	560.9	508.1	662.6	617.2
Employee Expenses	444.8	499.0	515.7	537.2
Other expenses	675.6	667.4	786.6	747.5
Total Operating Expenditure	1,681.3	1,674.5	1,965.0	1,901.9
<b>EBITDA</b>	<b>263.5</b>	<b>908.9</b>	<b>1,008.6</b>	<b>782.3</b>
Growth(%)	-56.5	244.9	11.0	-22.4
Depreciation	142.6	164.3	170.6	176.9
Interest	17.7	15.6	15.6	15.6
Other Income	99.0	106.5	147.9	133.5
PBT	202.2	835.6	970.3	723.3
Total Tax	32.2	169.5	232.9	173.6
PAT before MI	170.0	666.0	737.4	549.7
Minority Interest	0.0	0.0	0.0	0.0
<b>Adjusted PAT</b>	<b>170.0</b>	<b>666.0</b>	<b>737.4</b>	<b>549.7</b>
Growth(%)	-61.4	291.8	10.7	-25.4
<b>EPS (Adjusted)</b>	<b>9.3</b>	<b>36.4</b>	<b>40.3</b>	<b>30.0</b>

Source: Company, ICICI Direct Research

Exhibit 14: Cash flow statement				
	₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E
Profit/(Loss) after taxation	154.0	666.0	737.4	549.7
Add: Depreciation	142.6	164.3	170.6	176.9
(Inc)/dec in Current Assets	-223.1	-140.9	-335.8	155.1
Inc/(dec) in CL and Provisions	-8.3	-3.7	57.1	0.4
Others	-18.7	15.6	15.6	15.6
<b>CF from operating activities</b>	<b>46.5</b>	<b>701.4</b>	<b>644.9</b>	<b>897.7</b>
(Purchase)/Sale of Fixed Assets	-188.8	-125.0	-125.0	-125.0
(Increase)/Decrease in Investments	203.9	0.0	0.0	0.0
Others	-173.8	2.5	2.7	2.9
<b>CF from investing activities</b>	<b>-158.7</b>	<b>-122.5</b>	<b>-122.3</b>	<b>-122.1</b>
Inc / (Dec) in Equity Capital	0.0	0.1	0.0	0.0
Inc / (Dec) in Loan	0.0	0.0	0.0	0.0
Dividend & Dividend tax	-82.2	-137.3	-109.8	-109.8
Others	117.0	-15.6	-15.6	-15.6
<b>CF from financing activities</b>	<b>34.8</b>	<b>-152.8</b>	<b>-125.4</b>	<b>-125.4</b>
Net Cash flow	-77.4	426.1	397.2	650.3
Opening Cash	283.5	206.1	632.2	1,029.4
<b>Closing Cash</b>	<b>206.1</b>	<b>632.2</b>	<b>1,029.4</b>	<b>1,679.7</b>
<b>Free Cash Flow</b>	<b>-142.3</b>	<b>576.4</b>	<b>519.9</b>	<b>772.7</b>

Source: Company, ICICI Direct Research

Exhibit 15: Balance Sheet				
	₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E
Equity Capital	36.5	36.6	36.6	36.6
Reserve and Surplus	4,227.1	4,755.9	5,383.5	5,823.4
Total Shareholders funds	4,263.6	4,792.5	5,420.1	5,860.0
Total Debt	412.0	412.0	412.0	412.0
Deferred Tax Liability	30.1	32.5	35.1	37.9
Minority Interest / Others	1.3	1.4	1.5	1.6
Long Term Provisions	95.7	95.7	95.7	95.7
<b>Total Liabilities</b>	<b>4,802.7</b>	<b>5,334.1</b>	<b>5,964.4</b>	<b>6,407.3</b>
Gross Block - Fixed Assets	3,082.6	3,257.6	3,382.6	3,507.6
Accumulated Depreciation	821.5	985.8	1,156.4	1,333.3
Net Block	2,261.1	2,271.8	2,226.2	2,174.3
Capital WIP	129.5	79.5	79.5	79.5
Total Fixed Assets	2,390.6	2,351.3	2,305.7	2,253.8
Goodwill on Consolidation	50.7	50.7	50.7	50.7
Investments	308.1	308.1	308.1	308.1
Inventory	762.0	690.3	900.2	838.4
Debtors	620.6	833.2	959.1	865.7
Cash	206.1	632.2	1,029.4	1,679.7
Other Current Assets	704.8	704.8	704.8	704.8
Total Current Assets	2,293.5	2,860.5	3,593.5	4,088.7
Creditors	161.8	146.6	191.1	178.0
Provisions	17.0	18.4	19.8	21.4
Other Current Liabilities	127.6	137.8	148.8	160.7
Total Current Liabilities	306.4	302.7	359.8	360.2
Net Current Assets	1,987.1	2,557.8	3,233.7	3,728.5
LT L & A & Other Non CA	66.2	66.2	66.2	66.2
<b>Application of Funds</b>	<b>4,802.7</b>	<b>5,334.1</b>	<b>5,964.4</b>	<b>6,407.3</b>

Source: Company, ICICI Direct Research

Exhibit 16: Key ratios				
(Year-end March)	FY22	FY23E	FY24E	FY25E
<b>Per share data (₹)</b>				
Adjusted EPS	9.3	36.4	40.3	30.0
BV per share	233.0	261.9	296.2	320.2
Dividend per share	4.5	7.5	6.0	6.0
Cash Per Share	11.3	34.5	56.3	91.8
<b>Operating Ratios (%)</b>				
Gross Profit Margins	71.2	80.3	77.7	77.0
EBITDA Margins	13.5	35.2	33.9	29.1
PAT Margins	8.7	25.8	24.8	20.5
Inventory days	495.9	495.9	495.9	495.9
Debtor days	116.5	117.7	117.7	117.7
Creditor days	105.3	105.3	105.3	105.3
Asset Turnover	0.6	0.8	0.9	0.8
EBITDA Conversion Rate	17.6	77.2	63.9	114.7
<b>Return Ratios (%)</b>				
RoE	4.0	13.9	13.6	9.4
RoCE	4.6	16.0	16.5	11.5
RoIC	2.8	16.9	18.0	13.6
<b>Valuation Ratios (x)</b>				
P/E	57.1	14.6	13.2	17.6
EV / EBITDA	36.8	10.2	8.8	10.5
EV / Net Sales	5.0	3.6	3.0	3.1
Market Cap / Sales	5.0	3.8	3.3	3.6
Price to Book Value	2.3	2.0	1.8	1.7
<b>Solvency Ratios</b>				
Debt / EBITDA	1.6	0.5	0.4	0.5
Debt / Equity	0.1	0.1	0.1	0.1
Current Ratio	6.8	7.4	7.1	6.7

Source: Company, ICICI Direct Research

Exhibit 17: 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
<b>Hospitals</b>																					
Apollo Hospitals	APOHOS	4330	5,230	Buy	62259	7.8	59.1	67.8	85.2	57.7	29.8	29.3	24.6	6.3	15.1	14.7	16.7	2.5	15.1	15.2	16.6
Narayana Hrudalaya	NARHRU	721	870	Buy	14735	-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	SHALIM	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	208	300	Buy	10410	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	272	385	Buy	3786	-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
<b>Company</b>																					
	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>MNC Pharma</b>																					
Abbott India	ABBIND	20135	21,025	Hold	44328	328.9	380.3	476.5	519.3	61.2	52.9	42.3	38.8	33.8	36.6	39.7	35.6	26.5	28.3	30.9	27.5
Pfizer	PFIZER	3833	4,505	Hold	17536	108.8	133.2	150.5	149.3	35.2	28.8	25.5	25.7	27.6	26.1	25.0	23.7	20.8	21.4	18.8	18.2
<b>Pharma</b>																					
Ajanta Pharma	AJAPHA	1210	1,385	Buy	15510	51.1	55.7	51.2	67.9	23.7	21.7	23.6	17.8	29.0	27.0	21.5	24.3	21.8	21.8	17.5	19.7
Alembic Pharma	ALEMPHA	516	550	Hold	10140	62.6	27.7	15.3	23.2	8.2	18.6	33.7	22.2	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	238	290	Hold	28538	6.3	4.9	3.0	5.3	38.0	48.2	78.2	45.2	7.7	7.5	3.8	6.1	9.9	8.1	1.5	2.4
Zydus Lifesciences	CADHEA	469	500	Buy	47467	23.3	21.0	22.6	27.0	20.1	22.3	20.8	17.4	13.8	12.0	12.3	12.3	18.4	12.6	12.1	12.8
Cipla	CIPLA	1021	1,290	Buy	82409	29.9	32.9	38.3	45.5	34.1	31.0	26.7	22.4	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	401	440	Hold	11879	32.9	42.7	33.3	47.4	12.2	9.4	12.1	8.5	13.9	14.8	14.9	15.7	13.1	13.2	9.4	11.9
Ipca Laboratories	IPCLAB	859	925	Hold	21792	44.9	34.8	24.5	35.7	19.1	24.7	35.1	24.1	27.1	17.4	13.3	16.5	24.2	16.1	10.3	13.3
Jubilant Pharmova	JUBLIF	319	395	Hold	5088	37.4	26.0	22.5	32.8	8.5	12.3	14.2	9.7	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	530	565	Hold	9765	24.1	9.3	36.4	40.3	22.0	57.1	14.6	13.2	13.1	4.6	16.0	16.5	10.7	4.0	13.9	13.6
Sun Pharma	SUNPHA	1015	1,210	Buy	243407	30.1	32.0	34.9	38.6	33.8	31.8	29.1	26.3	14.2	18.2	17.2	18.1	15.5	16.0	15.2	14.7
Torrent Pharma	TORPHA	1515	1,720	Hold	51274	37.0	32.0	36.3	45.1	41.0	47.3	41.7	33.6	17.6	19.7	17.1	20.4	21.4	18.2	17.9	19.0
Indoco Remedies	INDREM	367	440	Buy	3380	10.1	16.8	17.9	26.7	36.3	21.8	20.4	13.7	11.7	17.5	15.6	21.9	12.1	17.1	15.9	19.8
Caplin Point	CAPPOI	700	865	Buy	5323	31.9	39.5	48.8	47.9	22.0	17.7	14.3	14.6	25.4	25.3	23.5	22.4	20.4	20.2	20.2	16.7
Advanced Enzymes	ADVENZ	273	265	Reduce	3056	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	1788	1,830	Hold	1521	44.4	45.7	35.6	49.7	40.3	39.1	50.2	36.0	16.2	10.9	9.9	10.9	16.5	15.0	10.7	13.5
<b>API/CRAMS</b>																					
Divi's Lab	DIVLAB	2770	2,945	Hold	73535	74.7	111.5	72.8	77.4	37.1	24.8	38.0	35.8	27.6	30.2	18.2	18.3	18.8	21.3	25.2	15.0
Hikal	HIKCHE	330	375	Hold	4064	10.8	13.0	5.7	14.6	30.6	25.3	58.0	22.7	15.1	13.6	7.2	14.3	14.3	15.0	6.3	14.1
Syngene Int.	SYNINT	562	610	Hold	22547	10.1	9.9	12.1	14.7	55.5	56.9	46.4	38.1	11.5	11.7	13.4	14.4	13.5	12.9	13.0	13.7
Granules India	GRANUL	285	355	Buy	7083	22.2	16.6	21.4	24.0	12.9	17.1	13.3	11.9	24.0	15.6	20.0	20.5	25.3	16.0	18.7	17.6
Laurus Labs	LAULAB	333	400	Buy	17926	18.3	15.4	16.5	19.1	18.2	21.6	20.1	17.4	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

## 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](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)



## 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 INZ00183631 for stock broker. 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](http://www.icicibank.com).

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](http://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.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.