

CMP: ₹ 944

Target: ₹ 1125 (19%)

Target Period: 12 months

July 30, 2022

BUY



Branded and specialty franchise driving trajectory...

About the stock: Sun is the world's fourth largest specialty generics company with sales of US\$3.8 billion and boasts of 43 manufacturing sites addressing segments like specialty products, branded generics, complex generics, pure generics and APIs.

- With a market share of 8.5%, Sun is ranked No. 1 in domestic formulations. It enjoys leadership position in 11 specialties based on prescription
- Revenue breakup FY22: US formulation~30%, Indian branded~33%, Emerging markets~18%, RoW~14%, API & Others~6%

Q1FY23 Results: Revenues were better than our estimates amid strong momentum across business verticals while margins also beat estimates.

- Sales were up 11% YoY to ₹ 10762 crore
- EBITDA was at ₹ 2884 crore, up 2% YoY with margins at 26.8%
- Adjusted PAT was at ₹ 2061 crore (up 4% YoY) [YoY growth is excluding the exceptional items of Q1FY22]

What should investors do? Sun Pharma's share price has increased by ~2.2x over past three years (from ~₹ 431 in July 2019 to ~₹ 943 levels in July 2022).

- We maintain **BUY** as 1) global specialty portfolio continues robust momentum, 2) growth in India formulations from new launches and field force expansion and 3) pricing power in branded space for better margins

Target Price and Valuation: Valued at ₹ 1125 i.e. 28x P/E on FY24E EPS of ₹ 40.1

Key triggers for future price performance:

- Higher contribution from specialty (~13% of top-line) & branded generics (~51% of topline) in domestic franchise and emerging markets is likely to change the product mix towards more remunerative businesses
- It has embarked on a strategy to in-license latest generation patent protected products from various innovators for India market
- In US, Sun has diversified into specialty products like Ilumya, Levulan, BromSite, Cequa, Xelpros, Odomzo, Yonsa, Winlevi, etc, which has led to incremental remunerative contribution offsetting slowdown in US generics
- Launch momentum in India (22 launches in Q1), pick-up in demand for chronic and sub-chronic segment backed by high PCPM and field expansion by 10% in FY23 to sustain growth

Alternate Stock Idea: Apart from Sun, in our healthcare coverage we also 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 target price of ₹ 1135

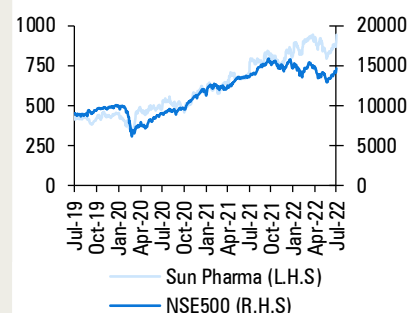
Particulars

Particular	Amount
Market Capitalisation	₹ 226389 crore
Debt (FY22)	₹ 1290 crore
Cash & Equivalents (FY22)	₹ 5033 crore
EV (₹ Cr)	₹ 222646 crore
52 week H/L (₹)	967/681
Equity capital	₹ 239.9 crore
Face value	₹ 1

Shareholding pattern

(in %)	Sep-21	Dec-21	Mar-22	Jun-22
Promoter	54.5	54.5	54.5	54.5
Others	45.5	45.5	45.5	45.5

Price Chart



Recent Event & Key risks

- US launch of generic Mesalamine ER, 500mg (USRLD: Pentasa)
- **Key Risk:** (i) Regulatory concern (ii) Less than expected traction for specialty products

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)
Net Sales	32837.5	33498.1	38654.5	4.1	43928.9	48200.8	11.7
EBITDA	6989.8	8491.4	10397.7	0.6	11921.9	13617.2	14.4
EBITDA Margins (%)	21.3	25.3	26.9		27.1	28.3	
Adj. Profit	4025.6	7210.0	7667.1	1.9	8353.9	9631.6	12.1
Adj. EPS (₹)	16.8	30.0	32.0		34.8	40.1	
PE (x)	60.1	78.0	69.2		27.1	23.5	
EV to EBITDA (x)	31.9	26.0	20.7		17.6	14.9	
RoE (%)	8.9	15.5	16.0		15.2	15.2	
RoCE (%)	10.0	14.2	18.2		18.0	18.7	

Source: Company, ICICI Direct Research

Key takeaways of recent quarter & conference call highlights

Q1FY23 Results: Robust quarterly performance

- Revenues grew 11% YoY to ₹ 10762 crore (excluding Covid products sales for Q1 last year, overall sales up by 14%). Indian formulations grew 2% YoY to ₹ 3387 crore, while excluding Covid sales in Q1FY22, India formulations grew by 13%. US formulations grew to ₹ 3244 crore, up 16% YoY as the specialty business has grown by 29% YoY to US\$191 million. Emerging Markets business grew 18% YoY to ₹ 1891 crore. RoW Markets business grew 7% YoY to ₹ 1468 crore. API segment posted growth of 11% YoY to ₹ 654 crore. EBITDA margins declined 223 bps YoY, amid lower margins from Taro in Q1, and stood at 26.8% on back of higher employee and other expenses on a low base of Q1FY22 and Alchemee consolidation. Subsequently, EBITDA grew 2% YoY to ₹ 2884 crore. Adjusted profit for exceptional items in base of Q1FY22, grew by 4% YoY to ₹ 2061 crore.
- Sun Pharma's Q1FY23 operational performance was better than I-direct estimates with comprehensive beat on margins front. All the business segments recorded good growth while specialty business grew by 29% YoY driven by Ilumya, Cequa, Odomzo and Winlevi. India business continued to grow faster than market, leading to increase in market share. The company's US generics front is going through calibrated product rationalisation, the specialty segment looks promising due to robust product pipeline and steady progress. This metamorphic shift from generics to specialty and higher contribution from specialty and strong domestic franchise is likely to change the product mix towards more remunerative businesses. This would have positive implications for margins also as we expect faster absorption of frontloaded costs on the specialty front.

Q1FY23 Earnings Conference Call highlights

- US:** Global specialty business grew 29% YoY in Q1FY23 to US\$191 million largely on back of led by cequa, ilumya, odomzo and Winlevi prescriptions. There was seasonal decline in Levulan sales and also in-clinic patient level is still lower than pre-Covid times, resulting in lower thought put per doctor. In case of cequa, post generic entry, Sun pharma has gained market share with no significant impact on pricing. Company continues to invest in Winlevi, which has been prescribed by 10,000 doctors. Winlevi sales grew by 22% QoQ in a slower summer season for derma products. About 21% of R&D in Q1FY23 was for Specialty business. Sun Pharma has 4 specialty molecules in clinical trial in pipeline – Ilumya, SCD-044, MM-II and GL0034. US generics also grew due to new launches (2 in Q1FY23), market share gains and better supply chain management. In US generics, Sun has pipeline of 89 ANDAs and 13 NDAs awaiting USFDA approval. Management has no guidance for EIR for Halol facility from USFDA. Taro posted sales of US\$157 million post first full quarter of consolidation of the Alchemee acquisition.
- India:** Excluding Covid products sales for Q1 last year, sales was up by 13%. Growth was led by chronic and sub-chronic segment. The company is continuing to outperform IPM and has improved market share by 0.5% YoY to 8.5%. Sun Pharma's expansion of field force is on track with ~ 90% hiring being completed. Company launched 22 products in Q1. Around 25 companies have launched Sitagliptin, Sun has ~ 33% market share and management is guiding to protect current share and grow subsequently.
- In emerging markets, company is witnessing good traction for branded business which was partly affected by volatility in currency of emerging markets.
- In Q1FY23, employee expenses increased on back of annual merit increase, Alchemee integration and salesforce expansion in India. Other expenses are also on an increasing trend on back of higher selling and administration expenses due to business normalization across markets and consolidation of Alchemee business.

Exhibit 1: Variance Analysis

	Q1FY23	Q1FY23E	Q1FY22	YoY (%)	Q4FY22	QoQ (%)	Comments
Revenue	10,761.8	10,382.7	9,718.7	10.7	9,446.8	13.9	Excluding Covid products sales for Q1 last year, overall sales up by 14%
Raw Material Expense	2,900.2	2,791.2	2,649.4	9.5	2,539.6	14.2	
Gross margins (%)	73.1	73.1	72.7	31 bps	73.1	-7 bps	
Employee Expenses	2,074.9	2,024.6	1,758.7	18.0	1,884.9	10.1	YoY increase due to annual merit increase, Alchemee integration and salesforce expansion in India
Other Expenditure	2,902.3	3,036.9	2,489.5	16.6	2,681.9	8.2	
Total Expenditure	7,877.4	7,852.8	6,897.7	14.2	7,106.4	10.8	YoY increase due to higher selling and administration expenses and consolidation of Alchemee business
EBITDA	2,884.4	2,529.9	2,821.1	2.2	2,340.4	23.2	
EBITDA (%)	26.8	24.4	29.0	-223 bps	24.8	203 bps	YoY decline due to higher employee and other expenses
Interest	13.7	12.1	35.1	-61.0	37.3	-63.3	
Depreciation	588.0	588.9	503.2	16.8	556.5	5.7	
Other income	2.1	206.4	152.5	-98.6	113.6	-98.1	
EO	0.0	0.0	631.1		3,935.8		
PBT	2,284.8	2,135.3	1,804.2	26.6	-2,075.6	LP	
Tax	189.0	405.7	395.6	-52.2	146.8	28.8	
MI	32.5	51.5	-40.1	LP	49.9	-34.8	
Net Profit	2,060.9	1,673.1	1,444.2	42.7	-2,277.3	LP	
Adj. Net Profit	2,060.9	1,673.1	1,979.2	4.1	1,582.1	30.3	Excluding the exceptional items of Q1FY22, adjusted net profit was up by 4.1%
Key Metrics							
India formulations	3,387.1	3,473.8	3,308.4	2.4	3,096.6	9.4	Excluding Covid products sales for Q1 last year, sales up by 13%
US formulations	3,243.7	3,170.4	2,800.0	15.8	2,924.6	10.9	YoY growth driven by specialty portfolio amid demand uptick for cequa, ilumya, Winlevi and Odomzo, with Specialty at US\$191 million
Emerging Markets	1,891.1	1,685.5	1,605.3	17.8	1,547.5	22.2	YoY growth in US\$ term was 12.6%
RoW	1,467.8	1,477.4	1,368.0	7.3	1,340.7	9.5	YoY growth in US\$ term was 2.6%
APIs	654.3	514.2	587.8	11.3	477.7	37.0	
US Sales (Ex Taro)	2,034.9	1,921.2	1,715.1	18.6	1,847.1	10.2	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

₹ Crore)	FY23E			FY24E			Comments
	Old	New	% Change	Old	New	% Change	
Total Operating Income	42,606.9	43,928.9	3.1	46,710.0	48,200.8	3.2	Changed mainly due to growth outlook in branded and specialty
EBITDA	11,500.2	11,921.9	3.7	13,195.6	13,617.2	3.2	
EBITDA Margin (%)	27.0	27.1	15 bps	28.3	28.3	0 bps	
Adjusted PAT	7,822.9	8,353.9	6.8	9,189.1	9,631.6	4.8	
EPS (Adjusted)	32.6	34.8	6.8	38.3	40.1	4.8	

Source: ICICI Direct Research

Exhibit 3: Assumptions

₹ crore	Current			Earlier			Comments
	FY21	FY22	FY23E	FY24E	FY23E	FY24E	
Indian Formulations	10,343.2	12,760.3	13,973.3	15,650.1	13,894.6	15,561.9	Expecting continued IPM outperformance
US Formulations	10,092.1	11,373.7	13,561.4	14,361.9	12,840.0	13,529.6	Changed on back of good specialty traction and incremental contribution from Winlevi
RoW markets	10,679.2	12,197.6	13,714.3	15,360.0	13,440.7	15,053.6	
APIs	2,118.2	2,095.7	2,364.2	2,482.4	2,180.3	2,289.3	

Source: ICICI Direct Research

Exhibit 4: Financial Summary

	Revenues	Growth	EPS	Growth	P/E	EV/EBITDA	RoE	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY21	33498	2.0	30.0	79.1	78.0	26.0	15.5	14.2
FY22	38654	15.4	32.0	6.3	69.2	20.7	16.0	18.2
FY23E	43929	13.6	34.8	9.0	27.1	17.6	15.2	18.0
FY24E	48201	9.7	40.1	15.3	23.5	14.9	15.2	18.7

Source: ICICI Direct Research

Exhibit 5: Revenue Breakup

₹ crore	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY17-22 (%)	FY22-24E (%)
Domestic	7,749.1	8,029.3	7,348.3	9,710.5	10,343.2	12,760.3	13,973.3	15,650.1	10.5	10.7
US	13,758.8	8,746.6	10,673.6	10,542.5	10,092.1	11,373.7	13,561.4	14,361.9	-3.7	12.4
Emerging Markets	4,544.8	4,839.2	5,359.0	5,504.4	5,783.6	6,743.2	7,697.5	8,621.2	8.2	13.1
ROW	2,583.2	2,974.0	3,452.6	4,521.0	4,895.6	5,454.5	6,016.8	6,738.8	16.1	11.2
API & Others	1,634.5	1,476.8	1,811.7	2,047.0	2,118.2	2,095.7	2,364.2	2,482.4	5.1	8.8
ROW	7,128.0	7,813.2	8,811.7	10,025.3	10,679.2	12,197.6	13,714.3	15,360.0	11.3	12.2

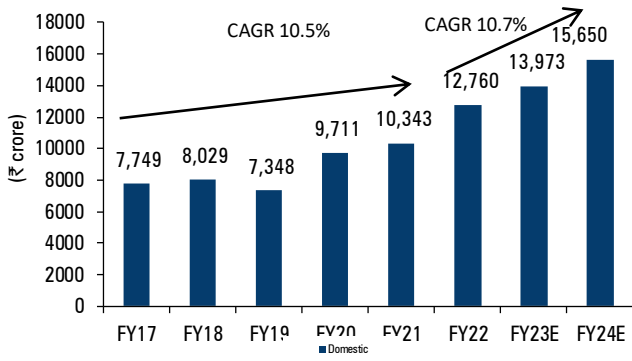
Source: ICICI Direct Research

Exhibit 6: Trends in Quarterly Performance

(₹ Crore)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	YoY (%)	QoQ (%)
Total Operating Income	8374.4	8123.4	8154.9	8184.9	7585.3	8553.1	8836.8	8523.0	9718.7	9625.9	9863.1	9446.8	10761.8	10.7	13.9
Raw Material Expenses	2457.8	2267.9	2200.0	2304.8	1969.6	2146.3	2333.4	2240.8	2649.4	2521.9	2640.6	2539.6	2900.2	9.5	14.2
Gross Profit Margin (%)	70.7	72.1	73.0	71.8	74.0	74.9	73.6	73.7	72.7	73.8	73.2	73.1	73.1		
Employee Expenses	1540.4	1620.9	1549.1	1651.9	1759.0	1705.3	1720.5	1677.5	1758.7	1806.3	1850.9	1884.9	2074.9	18.0	10.1
% of Revenue	18.4	20.0	19.0	20.2	23.2	19.9	19.5	19.7	18.1	18.8	18.8	20.0	19.3		
Other Expenditure	2380.6	2444.8	2564.3	2865.2	2013.1	2508.2	2376.8	2556.3	2489.5	2667.9	2765.2	2681.9	2902.3	16.6	8.2
% of Revenue	28.4	30.1	31.4	35.0	26.5	29.3	26.9	30.0	25.6	27.7	28.0	28.4	27.0		
Total Expenditure	6378.8	6333.6	6313.5	6821.9	5741.7	6359.9	6430.6	6474.5	6897.7	6996.0	7256.7	7106.4	7877.4	14.2	10.8
% of Revenue	76.2	78.0	77.4	83.3	75.7	74.4	72.8	76.0	71.0	72.7	73.6	75.2	73.2		
EBITDA	1995.6	1789.7	1841.4	1363.0	1843.5	2193.3	2406.1	2048.5	2821.1	2629.9	2606.3	2340.4	2884.4	2.2	23.2
EBITDA Margin (%)	23.8	22.0	22.6	16.7	24.3	25.6	27.2	24.0	29.0	27.3	26.4	24.8	26.8		
Depreciation	457.1	473.3	547.0	575.4	495.9	498.6	531.9	553.5	503.2	530.4	553.7	556.5	588.0	16.8	5.7
Other Income	213.0	200.9	119.9	102.2	153.8	255.8	315.0	111.0	152.5	222.9	432.5	113.6	2.1	-98.6	-98.1
PBIT	1751.5	1517.3	1414.3	889.9	1501.4	1950.5	2189.2	1606.0	2470.4	2322.5	2485.2	1897.5	2298.5	-7.0	21.1
Interest	104.1	83.9	63.0	51.8	52.0	33.3	26.1	30.1	35.1	36.0	19.0	37.3	13.7	-61.0	-63.3
Less: Exceptional Items	0.0	0.0	0.0	260.6	3633.3	0.0	0.0	672.8	631.1	0.0	0.0	3935.8	0.0		
PBT	1647.4	1433.4	1351.3	577.4	-2183.9	1917.2	2163.1	903.0	1804.2	2286.5	2466.2	-2075.6	2284.8	26.6	-210.1
Total Tax	146.1	266.0	327.6	83.1	245.9	-31.2	244.9	55.0	395.6	197.8	335.4	146.8	189.0	-52.2	28.8
PAT before MI	1501.4	1167.4	1023.7	494.3	-2429.8	1948.4	1918.1	848.0	1408.7	2088.7	2130.8	-2222.4	2095.9	48.8	-194.3
Minority Interest	109.2	99.1	105.9	92.9	-770.6	130.0	60.9	-51.7	-40.1	39.3	67.5	49.9	32.5	-181.0	-34.8
PAT after MI	1392.2	1068.3	917.9	401.4	-1659.2	1818.4	1857.2	899.7	1448.8	2049.4	2063.3	-2272.2	2063.3	42.4	-190.8
Profit from Associates	-4.7	-4.2	-4.3	-1.6	3.6	-5.6	-4.7	-5.6	-4.6	-2.4	-4.5	-5.0	-2.5		
PAT	1387.5	1064.1	913.5	399.8	-1655.6	1812.8	1852.5	894.2	1444.2	2047.0	2058.8	-2277.3	2060.9	42.7	-190.5
Adjusted PAT	1387.5	1064.1	913.5	660.5	1146.0	1812.8	1852.5	1343.1	1979.2	2047.0	2058.8	1582.1	2060.9	4.1	30.3
Adjusted EPS (₹)	5.8	4.4	3.8	2.8	4.8	7.6	7.7	5.6	8.2	8.5	8.6	6.6	8.6		

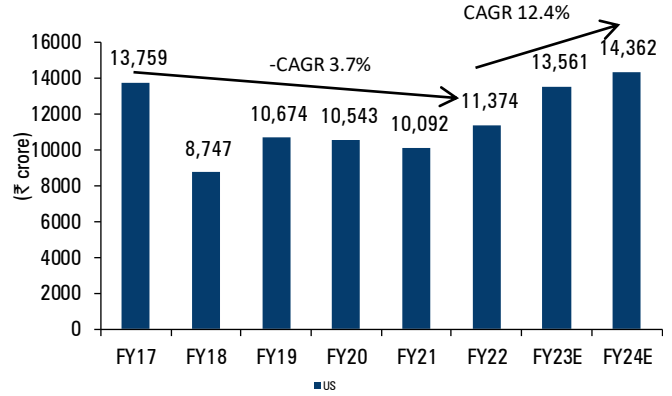
Source: ICICI Direct Research

Exhibit 7: Revenue to grow at CAGR of 11% over FY22-24E



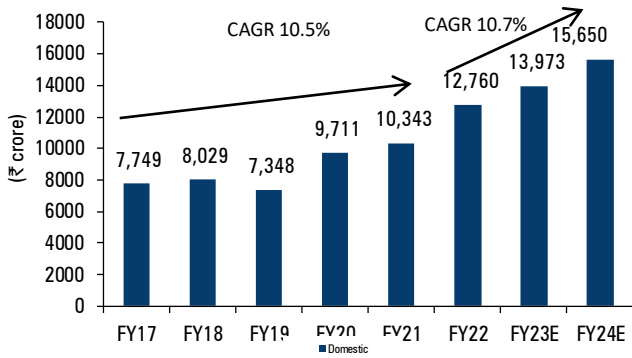
Source: ICICI Direct Research, Company

Exhibit 8: US to grow at CAGR of ~12% over FY22-24E



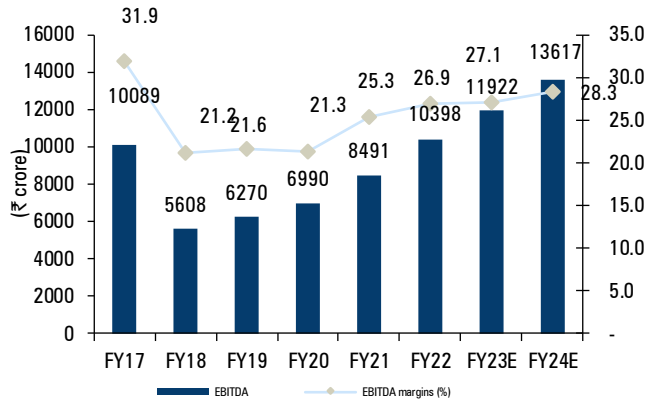
Source: ICICI Direct Research, Company

Exhibit 9: Domestic to grow at 11% CAGR in FY22-24E



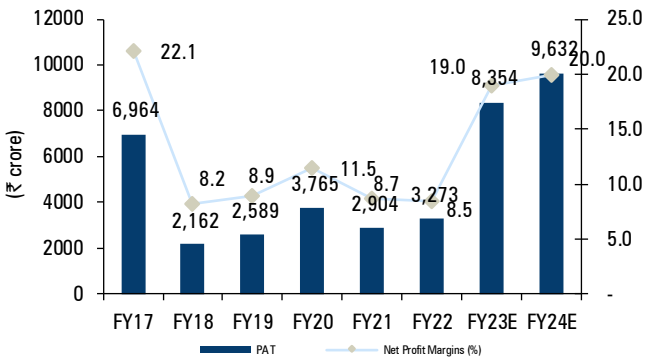
Source: ICICI Direct Research, Company

Exhibit 10: EBITDA & EBITDA margins trend



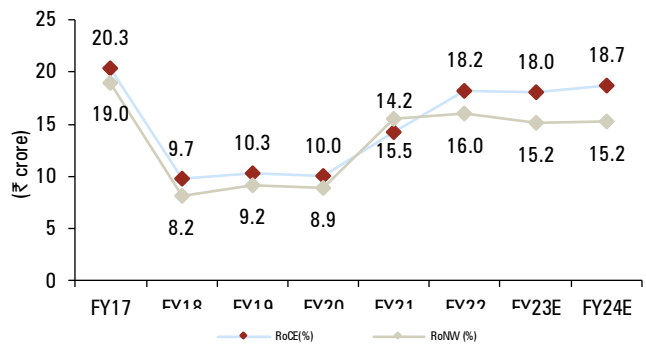
Source: ICICI Direct Research, Company

Exhibit 11: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 12: RoCE & RoE trend



Source: ICICI Direct Research, Company

Exhibit 1: 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
Hospitals																					
Apollo Hospitals	APOHOS	4212	4,500	Buy	60566	7.9	59.1	80.9	107.4	535.9	71.2	52.1	39.2	6.3	15.1	16.7	19.3	2.5	15.1	17.7	19.9
Narayana Hrudalaya	NARHRU	654	750	Buy	13367	-0.7	16.7	18.9	21.6	NA	39.1	34.6	30.3	1.2	20.5	18.8	19.5	-1.3	23.0	20.8	19.4
Shalby	SHALIM	115	150	Buy	1240	3.9	5.4	7.5	9.9	29.3	21.2	15.4	11.6	6.5	8.4	11.7	14.3	5.1	6.7	8.6	10.4
Aster DM	ASTDM	229	270	Buy	11421	3.0	10.5	14.4	18.4	77.3	21.7	15.9	12.4	5.4	9.0	11.4	12.9	4.4	13.3	15.4	16.4
Healthcare Global	HEAGLO	270	340	Buy	3753	-13.9	3.9	3.6	8.0	-13.9	69.9	74.6	33.6	-0.9	5.0	7.6	10.2	-0.9	5.0	5.5	10.8
MNC Pharma																					
Abbott India	ABBIND	20015	20,560	Buy	42531	325.0	375.9	439.8	514.0	61.6	53.2	45.5	38.9	33.8	36.6	37.9	36.3	26.5	28.3	29.5	28.1
P&G Health	MERLIM	4422	4,955	Hold	7340	106.5	121.5	130.5	141.6	41.5	36.4	33.9	31.2	32.2	37.3	34.7	32.8	25.1	29.3	27.0	25.4
Sanofi India	SANOFI	6335	6,885	Hold	14590	207.4	410.1	270.5	264.8	30.5	15.4	23.4	23.9	32.3	33.3	41.1	50.7	24.5	25.9	31.2	38.7
Pfizer	PFIZER	4184	4,810	Hold	19139	108.8	133.9	140.4	160.3	38.5	31.2	29.8	26.1	27.6	26.1	23.5	23.0	20.8	21.4	19.2	18.7
Pharma																					
Ajanta Pharma	AJAPHA	1275	1,495	Buy	16336	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	702	720	Hold	13805	62.8	27.8	29.7	35.9	11.2	25.3	23.6	19.6	25.1	10.6	11.2	13.8	24.1	10.4	10.3	11.3
Aurobindo Pharma	AURPHA	547	610	Hold	32051	55.0	47.4	45.6	51.0	9.9	11.5	12.0	10.7	16.9	12.9	12.5	13.1	14.7	11.3	9.9	10.0
Biocon	BIOCON	307	320	Hold	36882	6.3	5.7	5.5	11.3	49.1	53.9	56.4	27.1	7.7	7.5	4.1	6.5	9.9	8.1	2.8	5.5
Zydus Lifesciences	CADHEA	347	475	Hold	35503	23.3	21.0	20.2	24.0	14.9	16.5	17.2	14.5	13.8	12.0	11.2	12.4	18.4	12.6	11.0	11.7
Cipla	CIPLA	977	1,135	Buy	78867	29.9	32.9	38.6	45.8	32.7	29.7	25.3	21.3	16.3	16.7	17.9	19.0	13.1	12.7	13.3	14.1
Dr Reddy's Labs	DRREDD	4090	4,750	Buy	68080	117.3	126.9	203.4	191.0	34.9	32.2	20.1	21.4	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	1000	1,000	Hold	25377	44.9	34.8	32.7	39.9	22.3	28.7	30.6	25.1	27.1	17.4	16.2	17.4	24.2	16.1	13.4	14.4
Jubilant Pharmova	JUBLIF	361	410	Hold	5745	37.4	26.0	24.2	31.4	9.7	13.9	14.9	11.5	13.7	9.0	7.7	9.4	12.6	7.8	6.8	8.2
Lupin	LUPIN	644	610	Hold	29273	26.9	11.9	18.7	30.5	24.0	54.2	34.4	21.1	9.6	3.4	7.6	11.2	8.8	4.4	6.6	9.8
Natco Pharma	NATPHA	682	820	Hold	12451	24.2	9.3	28.3	33.2	28.2	73.2	24.1	20.6	13.1	4.6	13.3	14.1	10.7	4.0	11.0	11.6
Sun Pharma	SUNPHA	943	1,125	Buy	226305	30.0	32.0	34.8	40.1	31.4	29.5	27.1	23.5	14.2	18.2	18.0	18.7	15.5	16.0	15.2	15.2
Torrent Pharma	TORPHA	1529	1,800	Buy	51742	37.0	32.0	43.7	54.6	41.3	47.7	35.0	28.0	17.6	19.7	24.7	29.4	21.4	18.2	20.9	21.8
Indoco Remedies	INDREM	386	510	Buy	3557	10.1	16.8	21.8	28.4	38.2	23.0	17.7	13.6	11.7	17.5	18.8	24.9	12.1	17.1	18.7	20.2
Caplin Point	CAPPOI	778	895	Buy	5897	81.7	85.3	68.3	70.8	9.5	9.1	11.4	11.0	25.3	23.7	22.5	0.0	20.4	20.2	18.5	17.5
Advanced Enzymes	ADVENZ	287	290	Hold	3209	13.1	10.7	10.2	13.2	22.0	26.8	28.1	21.8	19.4	14.3	12.6	14.7	15.1	11.0	9.6	11.1
Hester Biosciences	HESPHA	2215	2,445	Hold	1884	44.4	45.7	41.3	63.2	49.9	48.4	53.6	35.0	16.2	10.9	9.9	13.4	16.5	15.0	12.2	16.3
API/CRAMS																					
Divi's Lab	DIVLAB	3832	4,655	Buy	101718	74.7	111.5	105.7	122.5	51.3	34.4	36.3	31.3	27.6	30.2	25.8	25.5	21.3	25.2	20.3	20.0
Hikal	HIKCHE	252	340	Buy	3106	10.8	13.0	11.1	19.0	23.3	19.4	22.8	13.3	15.1	13.6	10.9	16.3	14.3	15.0	11.5	16.8
Syngene Int.	SYNINT	568	710	Buy	22799	10.1	9.9	11.5	14.6	56.1	57.6	49.2	39.0	11.5	11.7	12.8	15.2	13.5	12.9	12.4	13.7
Granules India	GRANUL	297	345	Buy	7366	22.2	16.6	19.6	24.6	13.4	17.8	15.1	12.1	24.0	15.6	16.8	18.6	25.3	16.0	16.0	16.9
Laurus Labs	LAULAB	521	675	Buy	27999	18.3	15.4	20.7	27.0	28.5	33.8	25.1	19.3	31.7	21.3	23.6	26.0	37.9	24.7	25.6	25.6
Suven Pharmaceuticals	SUVPH	485	555	Hold	12346	14.2	17.8	17.0	18.5	34.1	27.2	28.5	26.2	31.2	37.5	28.5	26.0	30.7	29.7	23.0	20.8

Source: ICICI Direct Research

Financial Summary

Exhibit 2: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Revenues	33,498.1	38,654.5	43,928.9	48,200.8
Growth (%)	2.0	15.4	13.6	9.7
Raw Material Expenses	8,690.1	10,351.5	11,579.3	12,351.2
Employee Expenses	6,862.2	7,300.8	8,376.6	9,158.2
Other Expenditure	9,454.5	10,604.4	12,051.1	13,074.2
Total Operating Expenditure	25,006.8	28,256.8	32,006.9	34,583.6
EBITDA	8,491.4	10,397.7	11,921.9	13,617.2
Growth (%)	21.5	22.5	14.7	14.2
Depreciation	2,080.0	2,143.7	2,355.1	2,466.3
Interest	141.4	127.4	54.1	21.0
Other Income	835.5	921.5	661.5	957.1
PBT	7,105.5	9,048.1	10,174.3	12,087.0
Less: Exceptional Items	4,306.1	4,566.8	0.0	0.0
Total Tax	514.7	1,075.5	1,688.0	2,296.5
PAT before MI	2,284.7	3,405.8	8,486.3	9,790.4
Minority Interest	-631.5	116.6	122.5	149.0
PAT	2,903.8	3,272.7	8,353.9	9,631.6
Adjusted PAT	7,210.0	7,667.1	8,353.9	9,631.6
Growth (%)	79.1	6.3	9.0	15.3
EPS (Adjusted)	30.0	32.0	34.8	40.1

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit/(Loss) after taxation	1796.4	5450.5	8353.9	9631.6
Depreciation	2080.0	2143.7	2355.1	2466.3
(Inc)/Dec in Current Assets	-869.9	-1021.2	-2545.3	-2034.8
(Inc)/Dec in Current Liabilities	3434.0	2580.3	1392.8	1254.1
Others	-270.1	-168.8	54.1	21.0
CF from operation Activities	6170.4	8984.5	9610.6	11338.3
Purchase of Fixed Assets	-1073.0	-1434.4	-1578.3	-1590.0
(Inc)/Dec in Investments	1167.1	-3784.7	-3305.4	-3305.4
Others	-326.0	15.9	-237.4	-236.1
CF from Investing Activities	-231.9	-5203.2	-5121.1	-5131.5
Inc / (Dec) in Loan Funds	-4489.6	-2765.4	-800.0	-300.0
Inc / (Dec) in Equity Capital	-185.4	-185.7	0.0	0.0
Dividend and dividend tax	-1586.2	-2169.2	-1253.1	-1444.7
Other Financial Activities	280.8	-73.2	-54.1	-21.0
CF from Financing Activities	-5980.5	-5193.5	-2107.2	-1765.8
Cash generation during the year	-42.0	-1412.2	2382.3	4441.0
Op bal Cash & Cash equivalents	6487.6	6445.5	5033.4	7415.7
Closing Cash/ Cash Equivalent	6445.5	5033.4	7415.7	11856.7
Free Cash Flow	5097.3	7550.1	8032.3	9748.3

Source: Company, ICICI Direct Research

Exhibit 4: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Equity Capital	239.9	239.9	239.9	239.9
Reserve and Surplus	46,222.9	47,771.3	54,872.1	63,059.0
Total Shareholders funds	46,462.8	48,011.2	55,112.1	63,298.9
Total Debt	3,868.6	1,290.3	490.3	190.3
Deferred Tax Liability	44.5	31.9	34.1	36.5
Minority Interest	3,017.1	3,054.9	3,177.4	3,326.4
Other LT Liabilities & LT Provision	1,098.6	1,019.6	1,091.0	1,167.4
Total Liabilities	54,491.6	53,407.9	59,904.9	68,019.5
Gross Block - Fixed Assets	29,291.4	32,080.0	33,658.3	35,248.3
Accumulated Depreciation	14,026.0	16,169.8	18,524.8	20,991.1
Net Block	15,265.3	15,910.3	15,133.5	14,257.2
Capital WIP	1,566.8	1,286.8	1,286.8	1,286.8
Total Fixed Assets	16,832.2	17,197.1	16,420.3	15,544.0
Investments	9,612.5	12,848.6	16,154.0	19,459.4
Deferred tax assets	3,556.4	2,896.7	3,099.5	3,316.5
Goodwill on Consolidation	6,287.6	6,549.5	6,549.5	6,549.5
LT Loans & Advances & Assets	4,066.0	2,927.0	3,131.9	3,351.1
Cash	6,445.5	5,033.4	7,415.7	11,856.7
Debtors	9,061.4	10,592.9	11,948.8	13,110.8
Loans and Advances	56.0	170.0	181.9	194.6
Inventory	8,997.0	8,996.8	9,993.1	10,659.3
Other current assets	2,752.1	2,588.0	2,769.2	2,963.0
Total Current Assets	27,312.0	27,381.0	32,308.6	38,784.4
Creditors	3,973.7	4,479.3	5,012.4	5,346.6
Provisions & other current liability	920.2	11,912.6	12,746.5	13,638.8
Total Current Liabilities	13,175.2	16,392.0	17,758.9	18,985.3
Net Current Assets	14,136.8	10,989.1	14,549.7	19,799.1
Application of Funds	54,491.6	53,407.9	59,904.9	68,019.5

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
Per share data (₹)				
Adjusted EPS	30.0	32.0	34.8	40.1
BV per share	193.6	200.1	229.7	263.8
Dividend per share	7.5	10.0	5.2	6.0
Cash Per Share	26.9	21.0	30.9	49.4
Operating Ratios (%)				
Gross Margin	74.1	73.2	73.6	74.4
EBITDA Margin	25.3	26.9	27.1	28.3
PAT Margin	21.5	19.8	19.0	20.0
Inventory days	377.9	317.2	315.0	315.0
Debtor days	98.7	100.0	99.3	99.3
Creditor days	166.9	157.9	158.0	158.0
Asset Turnover	0.7	0.8	0.8	0.7
EBITDA Conversion rate	72.7	86.4	80.6	83.3
Return Ratios (%)				
RoE	15.5	16.0	15.2	15.2
RoCE	14.2	18.2	18.0	18.7
RoIC	16.1	22.6	24.9	27.9
Valuation Ratios (x)				
P/E	78.0	69.2	27.1	23.5
EV / EBITDA	26.0	20.7	17.6	14.9
EV / Net Sales	6.6	5.6	4.8	4.2
Market Cap / Sales	6.8	5.9	5.2	4.7
Price to Book Value	4.9	4.7	4.1	3.6
Solvency Ratios				
Debt / EBITDA	0.5	0.1	0.0	0.0
Debt / Equity	0.1	0.0	0.0	0.0
Current Ratio	1.6	1.4	1.4	1.4

Source: Company, 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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