

Specialty, India branded propel numbers...

About the stock: Sun is the world's fourth largest generics/specialty pharma company with 43 manufacturing sites at its disposal addressing segments like specialty products, branded generics, complex generics, pure generics and APIs.

- With a market share of 8.6%, Sun is ranked No. 1 in domestic formulations. It enjoys leadership position in 11 specialties based on prescription
- Revenue breakup Q2FY23: US formulation~30%, Indian branded~32%, Emerging markets~19%, RoW~13%, API & others~6%

Q2FY23 Results: Revenues were in line with our estimates even after incorporating muted Taro numbers.

- Revenues grew 13.8% YoY to ₹ 10952.3 crore, driven by market share gain in India, sustained ramp-up of global specialty business and growth in Emerging Markets
- EBITDA increased 12.4% YoY to ₹ 2956.6 crore. EBITDA margins declined 33 bps YoY to 27%. YoY fall due to higher employee and other expenses
- Adjusted net profit was up 10.5% YoY to ₹ 2262 crore

What should investors do? Sun Pharma's share price has increased by ~2.4x in the past three years (from ~₹ 437 in November 2019 to ~₹ 1040 in November 2022).

- We maintain **BUY** as 1) global specialty portfolio continues to maintain momentum, 2) growth in India formulations from new launches and field force expansion and 3) calibrated cost approach including R&D spend

Target Price and Valuation: Valued at ₹ 1225 i.e. 30x P/E on FY24E EPS of ₹ 40.9

Key triggers for future price performance:

- Higher contribution from specialty to overall revenues (from 11% in FY21 to ~15% by FY24) & sustained momentum in India branded formulations to improve product mix and margins profile as US generics slows down
- In the 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 (32 launches in Q2), 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



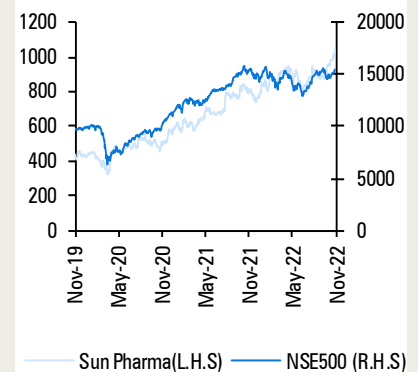
Particulars

Particular	Amount
Market Capitalisation	₹ 246412 crore
Debt (FY22)	₹ 1290 crore
Cash & Equivalents (FY22)	₹ 5033 crore
EV (₹ Cr)	₹ 242669 crore
52 week H/L (₹)	1048/734
Equity capital	₹ 239.9 crore
Face value	₹ 1

Shareholding pattern

(in %)	Dec-21	Mar-22	Jun-22	Sep-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, 500 mg (USRLD: Pentasa)
- **Key Risk:** (i) Regulatory concern (ii) Lower than expected traction for specialty products

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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	43669.8	48058.2	11.5
EBITDA	6989.8	8491.4	10397.7	0.6	12054.4	13840.8	15.4
EBITDA Margins (%)	21.3	25.3	26.9		27.6	28.8	
Adj. Profit	4025.6	7210.0	7667.1	1.9	8397.0	9803.8	13.1
Adj. EPS (₹)	16.8	30.0	32.0		35.0	40.9	
PE (x)	66.3	85.9	76.2		29.7	25.5	
EV to EBITDA (x)	35.3	28.7	22.9		19.3	16.3	
RoE (%)	8.9	15.5	16.0		15.2	15.4	
RoCE (%)	10.0	14.2	18.2		17.7	18.9	

Key takeaways of recent quarter & conference call highlights

Q2FY23 Results: Uptick in performance across all segments

- Revenues grew 13.8% YoY to ₹ 10952.3 crore, driven by market share gain in India, sustained ramp-up of global specialty business and growth in Emerging Markets. Gross margins increased ~147 bps over the previous year to 75.3%. The expansion was mainly due to the change in product mix, higher contribution from specialty products. EBITDA margins declined 33 bps YoY to 27%, the decline due to higher employee and other expenses. Adjusted PAT increased 10.5% YoY to ₹ 2262 crore. India formulations witnessed YoY growth of 8.5% driven by demand growth, new product launches and increased market shares. US formulations grew 22.9% YoY to ₹ 3292 crore, growth driven by specialty portfolio amid demand uptick for Cequa, Ilumya and Winlevi with Specialty at US\$200 million. Emerging markets witnessed YoY growth of 6.7% in US\$ terms. RoW markets witnessed de-growth of 3.8% YoY in US\$ terms, due to adverse currency movements. API's witnessed YoY growth of 9% to ₹543.2 crore
- Sun Pharma's Q2FY23 operational performance was in line with I-direct estimates. The company's performances continued to thrive on remunerative businesses of US (and Global) Specialty and domestic formulations. What is more important is despite muted Taro results the company was able to deliver a decent quarter. All business segments recorded good growth while specialty business grew 27.5% YoY driven by Ilumya, Cequa and Winlevi. India business continued to grow with branded portfolio, leading to increase in market share. It remains strategically focused on specialty and branded formulations for future growth with calibrated R&D allocation

Q2FY23 Earnings Conference Call highlights

- US:** Global specialty business grew 27.5% YoY in Q2FY23 to US\$200 million largely on the back of Cequa, Ilumya and Winlevi prescriptions. The management expects growth momentum to continue
- In the US, the specialty MR activity is now back to pre-Covid level
- Ex-Taro, US generics growth was attributable to new launches, market share gains and better supply chain management
- Halol resolution is likely to take longer
- As per the management, one-third customers for Winlevi are repeat patients
- India:** Excluding Covid products, sales for Q2 last year, sales were up 10.9%, and there were no Covid sales in this quarter. Growth was led by chronic and sub-chronic segment. The company improved market share by 0.5% YoY to 8.6%. The company launched 32 products in this quarter
- The company is done with MR expansion and no more expansion is lined up in the near future**
- Core therapies such as CNS, GI, gynaecology, urology continue to do well
- In emerging markets, the company is witnessing good traction for branded business, which was partly affected by volatility in currency of emerging markets
- The management guided R&D expenditure to be ~6-8% of sales whereas it has been hovering at ~5% for the past quarters
- Specialty accounted for ~22% of overall R&D spend

Exhibit 1: Variance Analysis

	Q2FY23	Q2FY23E	Q2FY22	YoY (%)	Q1FY23	QoQ (%)	Comments
Revenue	10,952.3	10,900.2	9,625.9	13.8	10,761.8	1.8	Revenues grew 13.8% YoY to ₹ 10952.3 crore, driven by market share gain in India, sustained ramp-up of global specialty business and growth in Emerging Markets
Raw Material Expen:	2,708.1	2,888.5	2,521.9	7.4	2,900.2	-6.6	
Gross margins (%)	75.3	73.5	73.8	147 bps	73.1	222 bps	
Employee Expenses	2,004.6	2,071.0	1,806.3	11.0	2,074.9	-3.4	
Other Expenditure	3,283.1	2,997.5	2,667.9	23.1	2,902.3	13.1	
Total Expenditure	7,995.7	7,957.1	6,996.0	14.3	7,877.4	1.5	YoY increase due to higher selling and administration expenses
EBITDA	2,956.6	2,943.0	2,629.9	12.4	2,884.4	2.5	EBITDA increased 12.4% YoY to ₹ 2956.6 crore
EBITDA (%)	27.0	27.0	27.3	-33 bps	26.8	19 bps	EBITDA margins declined 33 bps YoY to 27%, YoY decline due to higher employee and other expenses
Interest	19.4	13.5	36.0	-46.1	13.7	41.6	
Depreciation	610.0	589.1	530.4	15.0	588.0	3.7	
Other income	85.2	162.5	222.9	-61.8	2.1	3,881.3	
EO	0.0	0.0	0.0		0.0		
PBT	2,412.4	2,503.0	2,286.5	5.5	2,284.8	5.6	
Tax	152.3	475.6	197.8	-23.0	189.0	-19.4	
MI	-6.3	-4.1	39.3	PL	32.5	PL	
Net Profit	2,262.2	2,029.1	2,047.0	10.5	2,060.9	9.8	
Adj. Net Profit	2,262.2	2,029.1	2,047.0	10.5	2,060.9	9.8	Adjusted net profit was up by 10.5% YoY.
Key Metrics							
India formulations	3,460.0	3,602.2	3,187.8	8.5	3,387.1	2.2	YoY growth of 8.5% driven by demand growth and new product launches
US formulations	3,291.3	3,167.7	2,677.3	22.9	3,243.7	1.5	YoY growth driven by specialty portfolio amid demand uptick for cequa, ilumya, Winlevi , with Specialty at
Emerging Markets	2,070.4	1,944.6	1,800.5	15.0	1,891.1	9.5	YoY growth in US\$ term was 6.7%
RoW	1,440.9	1,531.9	1,392.6	3.5	1,467.8	-1.8	YoY de-growth in US\$ term was 3.8%, adverse currency movement
APIs	543.4	588.8	498.5	9.0	654.3	-16.9	YoY growth of 9%
US Sales (Ex Taro)	2,252.3	2,128.7	1,699.4	32.5	2,034.9	10.7	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

₹ Crore)	FY23E			FY24E			Comments
	Old	New	Change	Old	New	Change	
Total Operating Income	43,718.1	43,730.0	0.0	47,988.6	48,004.6	0.0	Changed mainly due to growth outlook in branded and specialty
EBITDA	11,892.9	11,895.3	0.0	13,557.9	13,563.9	0.0	
EBITDA Margin (%)	27.2	27.2	0 bps	28.3	28.3	0 bps	
Adjusted PAT	8,246.8	9,073.4	10.0	9,638.6	9,575.8	-0.7	
EPS (Adjusted)	34.4	37.8	10.0	40.2	39.9	-0.7	

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	13,863.0	15,526.6	13,894.6	15,561.9	Expecting continued IPM outperformance
US Formulations	10,092.1	11,373.7	13,426.5	14,240.2	12,840.0	13,529.6	Changed on the back of good specialty traction and incremental contribution from Winlevi
RoW markets	10,679.2	12,197.6	13,713.2	15,358.7	13,440.7	15,053.6	
APIs	2,118.2	2,095.7	2,331.9	2,448.5	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	85.9	28.7	15.5	14.2
FY22	38654	15.4	32.0	6.3	76.2	22.9	16.0	18.2
FY23E	43670	13.0	35.0	9.5	29.7	19.3	15.2	17.7
FY24E	48058	10.0	40.9	16.8	25.5	16.3	15.4	18.9

Source: ICICI Direct Research

Exhibit 5: Revenue Breakup

₹ crore	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY17-22 (%)	Y22-24E (%)
Domestic	7,749.1	8,029.3	7,348.3	9,710.5	10,343.2	12,760.3	13,737.7	15,386.2	10.5	9.8
US	13,758.8	8,746.6	10,673.6	10,542.5	10,092.1	11,373.7	13,492.0	14,433.5	-3.7	12.7
Emerging Markets	4,544.8	4,839.2	5,359.0	5,504.4	5,783.6	6,743.2	7,787.3	8,721.8	8.2	13.7
ROW	2,583.2	2,974.0	3,452.6	4,521.0	4,895.6	5,454.5	5,925.8	6,636.9	16.1	10.3
API & Others	1,634.5	1,476.8	1,811.7	2,047.0	2,118.2	2,095.7	2,331.9	2,448.5	5.1	8.1
ROW	7,128.0	7,813.2	8,811.7	10,025.3	10,679.2	12,197.6	13,713.2	15,358.7	11.3	12.2

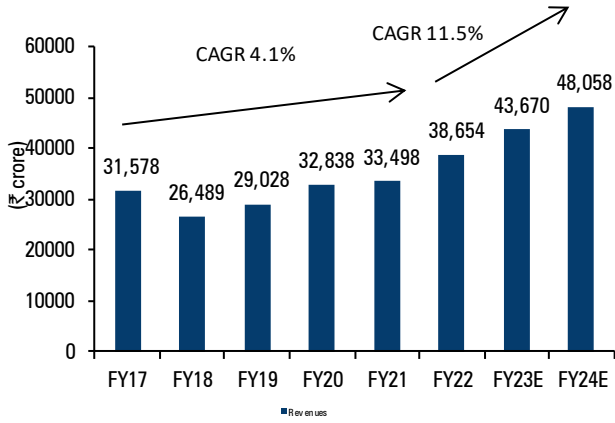
Source: ICICI Direct Research

Exhibit 6: Trends in Quarterly Performance

(₹ Crore)	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	YoY (%)	QoQ (%)
Total Operating Incom	8123.4	8154.9	8184.9	7585.3	8553.1	8836.8	8523.0	9718.7	9625.9	9863.1	9446.8	10761.8	10952.3	13.8	1.8
Raw Material Expens	2267.9	2200.0	2304.8	1969.6	2146.3	2333.4	2240.8	2649.4	2521.9	2640.6	2539.6	2900.2	2708.1	7.4	-6.6
Gross Profit Margin (%)	72.1	73.0	71.8	74.0	74.9	73.6	73.7	72.7	73.8	73.2	73.1	73.1	75.3		
Employee Expenses	1620.9	1549.1	1651.9	1759.0	1705.3	1720.5	1677.5	1758.7	1806.3	1850.9	1884.9	2074.9	2004.6	11.0	-3.4
% of Revenue	20.0	19.0	20.2	23.2	19.9	19.5	19.7	18.1	18.8	18.8	20.0	19.3	18.3		
Other Expenditure	2444.8	2564.3	2865.2	2013.1	2508.2	2376.8	2556.3	2489.5	2667.9	2765.2	2681.9	2902.3	3283.1	23.1	13.1
% of Revenue	30.1	31.4	35.0	26.5	29.3	26.9	30.0	25.6	27.7	28.0	28.4	27.0	30.0		
Total Expenditure	6333.6	6313.5	6821.9	5741.7	6359.9	6430.6	6474.5	6897.7	6996.0	7256.7	7106.4	7877.4	7995.7	14.3	1.5
% of Revenue	78.0	77.4	83.3	75.7	74.4	72.8	76.0	71.0	72.7	73.6	75.2	73.2	73.0		
EBITDA	1789.7	1841.4	1363.0	1843.5	2193.3	2406.1	2048.5	2821.1	2629.9	2606.3	2340.4	2884.4	2956.6	12.4	2.5
EBITDA Margin (%)	22.0	22.6	16.7	24.3	25.6	27.2	24.0	29.0	27.3	26.4	24.8	26.8	27.0		
Depreciation	473.3	547.0	575.4	495.9	498.6	531.9	553.5	503.2	530.4	553.7	556.5	588.0	610.0	15.0	3.7
Other Income	200.9	119.9	102.2	153.8	255.8	315.0	111.0	152.5	222.9	432.5	113.6	2.1	85.2	-61.8	3881.3
PBIT	1517.3	1414.3	889.9	1501.4	1950.5	2189.2	1606.0	2470.4	2322.5	2485.2	1897.5	2298.5	2431.8	4.7	5.8
Interest	83.9	63.0	51.8	52.0	33.3	26.1	30.1	35.1	36.0	19.0	37.3	13.7	19.4	-46.1	41.6
Less: Exceptional lten	0.0	0.0	260.6	3633.3	0.0	0.0	672.8	631.1	0.0	0.0	3935.8	0.0	0.0		
PBT	1433.4	1351.3	577.4	-2183.9	1917.2	2163.1	903.0	1804.2	2286.5	2466.2	-2075.6	2284.8	2412.4	5.5	5.6
Total Tax	266.0	327.6	83.1	245.9	-31.2	244.9	55.0	395.6	197.8	335.4	146.8	189.0	152.3	-23.0	-19.4
PAT before MI	1167.4	1023.7	494.3	-2429.8	1948.4	1918.1	848.0	1408.7	2088.7	2130.8	-2222.4	2095.9	2260.2	8.2	7.8
Minority Interest	99.1	105.9	92.9	-770.6	130.0	60.9	-51.7	-40.1	39.3	67.5	49.9	32.5	-6.3	-116.1	-119.4
PAT after MI	1068.3	917.9	401.4	-1659.2	1818.4	1857.2	899.7	1448.8	2049.4	2063.3	-2272.2	2063.3	2266.5	10.6	9.8
Profit from Associates	-4.2	-4.3	-1.6	3.6	-5.6	-4.7	-5.6	-4.6	-2.4	-4.5	-5.0	-2.5	-4.3		
PAT	1064.1	913.5	399.8	-1655.6	1812.8	1852.5	894.2	1444.2	2047.0	2058.8	-2277.3	2060.9	2262.2	10.5	9.8
Adjusted PAT	1064.1	913.5	660.5	1146.0	1812.8	1852.5	1343.1	1979.2	2047.0	2058.8	1582.1	2060.9	2262.2	10.5	9.8

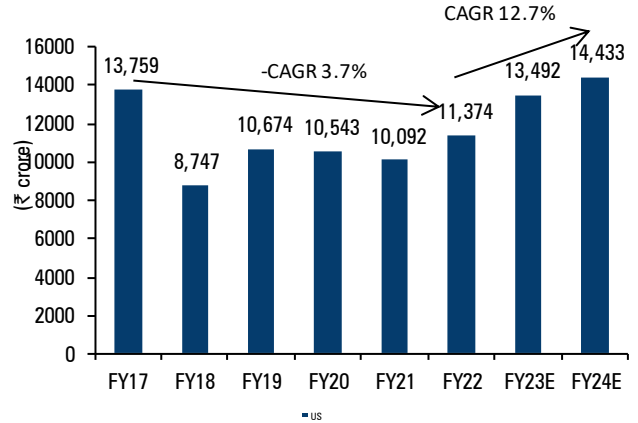
Source: ICICI Direct Research

Exhibit 7: Revenue to grow at CAGR of 11.5% over FY22-24E



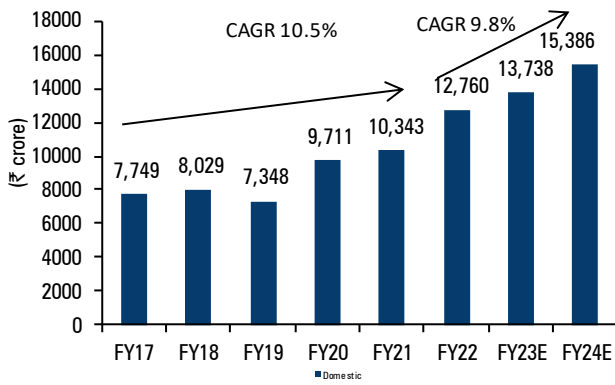
Source: ICICI Direct Research, Company

Exhibit 8: US to grow at CAGR of ~12.7% over FY22-24E



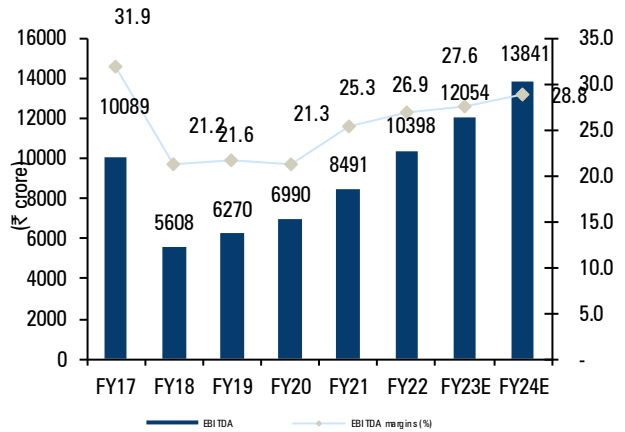
Source: ICICI Direct Research, Company

Exhibit 9: Domestic to grow at 9.8% CAGR in FY22-24E



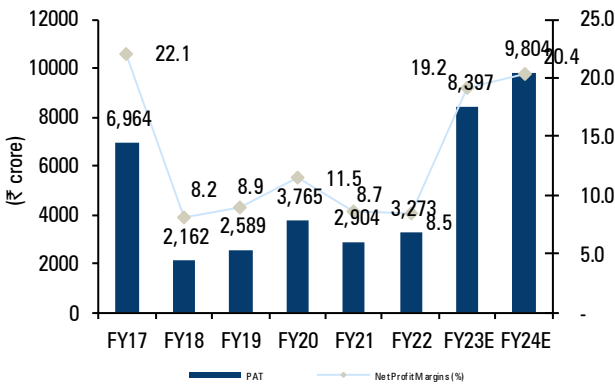
Source: ICICI Direct Research, Company

Exhibit 10: EBITDA & EBITDA margins trend



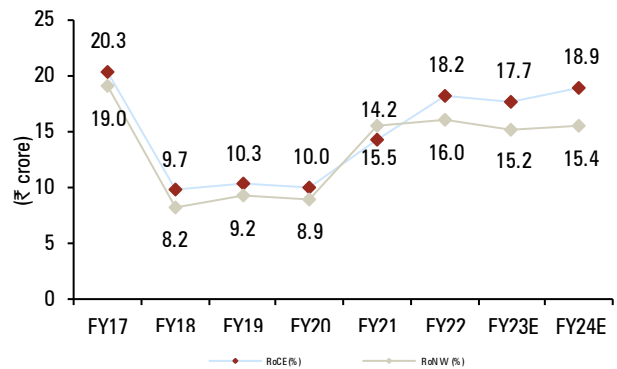
Source: ICICI Direct Research, Company

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	4503	5,080	Buy	64843	7.9	59.1	79.0	101.0	572.9	76.1	57.0	44.6	6.3	15.1	15.3	18.8	2.5	15.1	17.4	18.9
Narayana Hrudalaya	NARHRU	771	800	Buy	15728	-0.7	16.7	20.6	22.7	NA	46.1	37.5	34.0	1.2	20.5	19.6	19.7	-1.3	23.0	22.3	19.9
Shalby	SHALIM	138	150	Buy	1490	3.9	5.4	7.5	9.9	35.2	25.5	18.5	14.0	6.5	8.4	11.7	14.3	5.1	6.7	8.6	10.4
Aster DM	ASTDM	250	250	Buy	12508	3.0	10.5	10.8	16.7	84.6	23.8	23.2	15.0	5.4	9.0	9.4	12.5	4.4	13.3	12.0	15.6
Healthcare Global	HEAGLO	283	345	Buy	3934	-13.9	3.9	4.5	8.8	-13.9	73.2	62.2	32.0	-0.9	5.0	9.4	12.1	-0.9	5.0	6.8	11.6
MNC Pharma																					
Abbott India	ABBIND	19655	21,140	Hold	41276	325.0	375.9	427.7	528.6	60.5	52.3	46.0	37.2	33.8	36.6	37.1	37.3	26.5	28.3	28.9	28.8
P&G Health	MERLIM	4108	4,500	Hold	6984	106.5	116.0	124.8	140.6	38.6	35.4	32.9	29.2	32.2	39.8	36.0	33.8	25.1	31.2	28.1	26.2
Sanofi India	SANOFI	5635	6,885	Hold	12960	207.4	410.1	270.5	264.8	27.2	13.7	20.8	21.3	32.3	33.3	41.1	50.7	24.5	25.9	31.2	38.7
Pfizer	PFIZER	4396	4,480	Hold	20220	108.8	133.9	140.4	149.3	40.4	32.8	31.3	29.4	27.6	26.1	22.4	21.8	20.8	21.4	17.9	17.7
Pharma																					
Ajanta Pharma	AJAPHA	1325	1,495	Buy	16960	51.0	55.6	60.1	71.1	26.0	23.8	22.1	18.6	29.0	27.0	24.4	24.5	21.8	21.8	19.9	19.9
Alembic Pharma	ALEMPHA	582	590	Reduce	11465	62.8	27.8	15.3	26.9	9.3	21.0	38.1	21.6	25.1	10.6	6.5	10.5	24.1	10.4	5.6	9.1
Aurobindo Pharma	AURPHA	550	615	Hold	32221	55.0	47.4	41.1	51.3	10.0	11.6	13.4	10.7	16.9	12.9	11.5	13.3	14.7	11.3	9.0	10.1
Biocon	BIOCON	270	320	Hold	32463	6.3	5.7	5.5	11.3	43.2	47.5	49.6	23.8	7.7	7.5	4.1	6.5	9.9	8.1	2.8	5.5
Zydus Lifesciences	CADHEA	433	405	Hold	###	23.3	21.0	21.0	23.8	18.5	20.6	20.6	18.2	13.8	12.0	11.8	11.7	18.4	12.6	11.4	11.6
Cipla	CIPLA	1173	1,135	Buy	94693	29.9	32.9	38.6	45.8	39.3	35.6	30.4	25.6	16.3	16.7	17.9	19.0	13.1	12.7	13.3	14.1
Dr Reddy's Labs	DRREDD	4540	4,750	Buy	75362	117.3	126.9	203.4	191.0	38.7	35.8	22.3	23.8	13.1	13.0	19.1	18.1	11.1	11.0	15.4	13.0
Glenmark Pharma	GLEPHA	413	440	Hold	11658	32.9	42.7	39.5	44.9	12.6	9.7	10.5	9.2	13.9	14.8	14.7	14.4	13.1	13.2	11.0	11.2
Ipca Laboratories	IPCLAB	922	985	Hold	23419	44.9	34.8	27.5	35.1	20.5	26.5	33.6	26.3	27.1	17.4	14.3	16.3	24.2	16.1	11.4	13.0
Jubilant Pharmova	JUBLIF	385	340	Hold	6124	37.4	26.0	15.9	26.1	10.3	14.8	24.2	14.7	13.7	9.0	6.1	8.6	12.6	7.8	4.6	7.0
Lupin	LUPIN	707	610	Reduce	32171	26.9	11.9	11.8	27.7	26.3	59.5	60.1	25.5	9.6	3.4	5.8	10.9	8.8	4.4	4.2	9.2
Natco Pharma	NATPHA	623	735	Hold	11401	24.2	9.3	41.6	42.3	25.8	66.9	15.0	14.7	13.1	4.6	18.1	16.9	10.7	4.0	15.5	13.9
Sun Pharma	SUNPHA	1037	1,125	Buy	248680	30.0	32.0	34.8	40.1	34.5	32.4	29.8	25.8	14.2	18.2	18.0	18.7	15.5	16.0	15.2	15.2
Torrent Pharma	TORPHA	1686	1,730	Buy	56992	37.0	32.0	40.0	46.7	45.6	52.6	42.1	36.1	17.6	19.7	19.1	21.4	21.4	18.2	19.8	19.7
Indoco Remedies	INDREM	354	525	Buy	3255	10.1	16.8	21.6	29.2	35.0	21.1	16.4	12.1	11.7	17.5	17.6	23.9	12.1	17.1	18.6	20.6
Caplin Point	CAPPOI	734	1,000	Buy	5581	81.7	85.3	70.4	73.0	9.0	8.6	10.4	10.1	25.3	23.7	22.6	0.0	20.4	20.2	18.7	17.5
Advanced Enzymes	ADVENZ	285	265	Reduce	3186	13.1	10.7	8.5	12.1	21.8	26.6	33.6	23.6	19.4	14.3	10.2	13.2	15.1	11.0	8.1	10.4
Hester Biosciences	HESPHA	1962	2,015	Reduce	1766	44.4	45.7	35.9	51.8	44.2	42.9	54.7	37.9	16.2	10.9	9.3	11.8	16.5	15.0	10.8	14.0
API/CRAMS																					
Divi's Lab	DIVLAB	3829	4,315	Buy	101471	74.7	111.5	93.0	113.5	51.2	34.3	41.2	33.7	27.6	30.2	22.8	24.4	21.3	25.2	18.4	19.2
Hikal	HIKCHE	331	290	Hold	4074	10.8	13.0	3.8	14.4	30.7	25.4	86.5	23.0	15.1	13.6	5.6	13.8	14.3	15.0	4.3	14.2
Syngene Int.	SYNINT	626	710	Buy	25083	10.1	9.9	11.5	14.6	61.8	63.4	54.2	42.9	11.5	11.7	12.8	15.2	13.5	12.9	12.4	13.7
Granules India	GRANUL	374	375	Buy	9267	22.2	16.6	21.9	26.8	16.9	22.5	17.1	13.9	24.0	15.6	18.6	20.5	25.3	16.0	17.6	17.9
Laurus Labs	LAULAB	471	675	Buy	25285	18.3	15.4	20.7	27.0	25.7	30.6	22.7	17.5	31.7	21.3	23.6	26.0	37.9	24.7	25.6	25.6
Suven Pharmaceutical	SUVPH	408	530	Hold	10391	14.2	17.8	17.0	17.6	28.6	22.9	24.0	23.1	31.2	37.5	28.7	25.0	30.7	29.7	23.0	20.0

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	43,669.8	48,058.2	
Growth (%)	2.0	15.4	13.0	10.0	
Raw Material Expenses	8,690.1	10,351.5	10,921.6	11,569.8	
Employee Expenses	6,862.2	7,300.8	8,251.0	9,131.0	
Other Expenditure	9,454.5	10,604.4	12,442.8	13,516.6	
Total Operating Expenditure	25,006.8	28,256.8	31,615.4	34,217.4	
EBITDA	8,491.4	10,397.7	12,054.4	13,840.8	
Growth (%)	21.5	22.5	15.9	14.8	
Depreciation	2,080.0	2,143.7	2,417.9	2,534.2	
Interest	141.4	127.4	71.9	27.9	
Other Income	835.5	921.5	414.7	952.5	
PBT	7,105.5	9,048.1	9,979.4	12,231.2	
Less: Exceptional Items	4,306.1	4,566.8	0.0	0.0	
Total Tax	514.7	1,075.5	1,503.3	2,323.9	
PAT before MI	2,284.7	3,405.8	8,476.1	9,907.3	
Minority Interest	-631.5	116.6	63.9	86.4	
PAT	2,903.8	3,272.7	8,397.0	9,803.8	
Adjusted PAT	7,210.0	7,667.1	8,397.0	9,803.8	
Growth (%)	79.1	6.3	9.5	16.8	
EPS (Adjusted)	30.0	32.0	35.0	40.9	

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	8397.0	9803.8	
Depreciation	2080.0	2143.7	2417.9	2534.2	
(Inc)/Dec in Current Assets	-869.9	-1021.2	-1885.8	-1957.5	
(Inc)/Dec in Current Liabilities	3434.0	2580.3	1108.1	1200.5	
Others	-270.1	-168.8	71.9	27.9	
CF from operation Activities	6170.4	8984.5	10108.9	11608.9	
Purchase of Fixed Assets	-1073.0	-1434.4	-1595.0	-1620.0	
(Inc)/Dec in Investments	1167.1	-3784.7	-3305.4	-3305.4	
Others	-326.0	15.9	-296.0	-298.7	
CF from Investing Activities	-231.9	-5203.2	-5196.4	-5224.1	
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	-1259.5	-1470.6	
Other Financial Activities	280.8	-73.2	-71.9	-27.9	
CF from Financing Activities	-5980.5	-5193.5	-2131.4	-1798.5	
Cash generation during the year	-42.0	-1412.2	2781.2	4586.3	
Op bal Cash & Cash equivalents	6487.6	6445.5	5033.4	7814.5	
Closing Cash/ Cash Equivalent	6445.5	5033.4	7814.5	12400.8	
Free Cash Flow	5097.3	7550.1	8514.0	9988.9	

Source: Company, ICICI Direct Research

Exhibit 4: Balance Sheet		₹ crore		
(Year-end March)	FY21	FY22	FY23E	
Equity Capital	239.9	239.9	239.9	
Reserve and Surplus	46,222.9	47,771.3	54,908.7	
Total Shareholders funds	46,462.8	48,011.2	55,148.6	
Total Debt	3,868.6	1,290.3	490.3	
Deferred Tax Liability	44.5	31.9	34.1	
Minority Interest	3,017.1	3,054.9	3,118.8	
Other LT Liabilities & LT Provision	1,098.6	1,019.6	1,091.0	
Total Liabilities	54,491.6	53,407.9	59,882.8	
Gross Block - Fixed Assets	29,291.4	32,080.0	33,675.0	
Accumulated Depreciation	14,026.0	16,169.8	18,587.6	
Net Block	15,265.3	15,910.3	15,087.4	
Capital WIP	1,566.8	1,286.8	1,286.8	
Total Fixed Assets	16,832.2	17,197.1	16,374.2	
Investments	9,612.5	12,848.6	16,154.0	
Deferred tax assets	3,556.4	2,896.7	3,099.5	
Goodwill on Consolidation	6,287.6	6,549.5	6,549.5	
LT Loans & Advances & Assets	4,066.0	2,927.0	3,131.9	
Cash	6,445.5	5,033.4	7,814.5	
Debtors	9,061.4	10,592.9	11,857.0	
Loans and Advances	56.0	170.0	181.9	
Inventory	8,997.0	8,996.8	9,425.5	
Other current assets	2,752.1	2,588.0	2,769.2	
Total Current Assets	27,312.0	27,381.0	32,048.0	
Creditors	3,973.7	4,479.3	4,727.7	
Provisions & other current liability	920.2	11,912.6	12,746.5	
Total Current Liabilities	13,175.2	16,392.0	17,474.2	
Net Current Assets	14,136.8	10,989.1	14,573.8	
Application of Funds	54,491.6	53,407.9	59,882.8	

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios		FY21	FY22	FY23E	FY24E
Per share data (₹)					
Adjusted EPS		30.0	32.0	35.0	40.9
BV per share		193.6	200.1	229.8	264.6
Dividend per share		7.5	10.0	5.2	6.1
Cash Per Share		26.9	21.0	32.6	51.7
Operating Ratios (%)					
Gross Margin		74.1	73.2	75.0	75.9
EBITDA Margin		25.3	26.9	27.6	28.8
PAT Margin		21.5	19.8	19.2	20.4
Inventory days		377.9	317.2	315.0	315.0
Debtor days		98.7	100.0	99.1	99.1
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	83.9	83.9
Return Ratios (%)					
RoE		15.5	16.0	15.2	15.4
RoCE		14.2	18.2	17.7	18.9
RoIC		16.1	22.6	25.3	28.7
Valuation Ratios (x)					
P/E		85.9	76.2	29.7	25.5
EV / EBITDA		28.7	22.9	19.3	16.3
EV / Net Sales		7.3	6.2	5.3	4.7
Market Cap / Sales		7.4	6.5	5.7	5.2
Price to Book Value		5.4	5.2	4.5	3.9
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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