

May 28, 2020

Numbers mixed; speciality, domestic promising

Revenues were in line with I-direct estimates but profitability was below I-direct estimates due to lower-than-expected operational performance and a forex loss of ₹ 142 crore. Q4FY20 revenues grew 14.3% YoY to ₹ 8184.9 crore, mainly due to adjusted 8.2% YoY growth in India formulations to ₹ 2364.8 crore (adjusted for one-time distribution change impact of ~₹ 1085 crore in Q4FY19). US business declined by 13.1% YoY to ₹ 2712.9 crore due to one-time business opportunity in Q4FY19. EBITDA margins expanded 246 bps YoY to 16.7% due to lower employee and other expenditure. EBITDA grew 34.1% YoY to ₹ 1363.0 crore. Adjusted net profit grew 7.3% YoY to ₹ 660.5 crore. Delta vis-à-vis EBITDA was due to higher tax rate (14.4% vs -4.1% in Q4FY19) and lower other income.

Specialty diversification to be key for US business

The US business constitutes ~32% of turnover (FY20). The US product basket stays robust - 483 approved ANDAs and 98 pending final approvals (including 20 tentative approvals). It also has 55 approved NDAs and four pending NDAs. US growth has also been backed by extensive infrastructure with 42 global manufacturing facilities. Due to a challenging environment on the generics front, the management plans to diversify into specialty products such as Ilumya, Levulan (dermatology), BromSite, Cequa, Xelpros (ophthalmic) and Odomzo, Yonsa (oncology), etc. US growth, however, is likely to remain muted in the near term mainly due to expiry of Absorica patent and slowdown in the generics space.

New launches to drive domestic revenues

Indian formulations form 30% of turnover (FY20). With market share of 8.2%, Sun is ranked No. 1 in domestic formulations. It leads prescription share in 11 specialties including psychiatrists, neurologist, cardiovascular and diabetes. It has also embarked on a strategy to in-license latest generation patent protected products from various innovators. We expect Indian formulations to grow at ~11.5% CAGR to ₹ 12071 crore in FY20-22E backed by lower base, new launches and price hikes.

Valuation & Outlook

While the US generics front is seeing calibrated product rationalisation, specialty segment looks promising due to robust product pipeline, steady progress. This metamorphic shift from generics to specialty, however, is likely to weigh on US growth in the near term. That said, higher contribution from specialty and strong domestic franchise is likely to change the product mix towards more remunerative businesses by FY22. This would have positive implications on margins also as we expect faster absorption of frontloaded costs on the specialty front. We upgrade to BUY and arrive at our new TP of ₹ 540 based on 22x FY22E EPS of ₹ 24.5.



Particulars

Particular	Amount
Market Capitalisation	₹108183 crore
Debt (FY20)	₹8199 crore
Cash & Equivalents (FY20)	₹6488 crore
EV (₹Cr)	₹109895 crore
52 week H/L (₹)	505/312
Equity capital	₹239.9 crore
Face value	₹1

Key Highlights

- Strong domestic growth coupled with specialty ramp-up drives Q4FY20 revenues
- Higher contribution from specialty and strong domestic franchise is likely to change the product mix towards more remunerative businesses by FY22
- Upgrade from HOLD to BUY

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Key Financial Summary

(₹Crore)	FY19	FY20	FY21E	FY22E	CAGR FY20-22E (%)
Net Sales	29028.1	32837.5	34447.3	38038.0	7.6
EBITDA	6269.8	6989.8	6912.2	8469.8	10.1
EBITDA Margins (%)	21.6	21.3	20.1	22.3	
Adj. Profit	3803.3	4025.6	4403.5	5881.7	20.9
Adj. EPS (₹)	15.9	16.8	18.4	24.5	
PE (x)	41.8	28.7	24.6	18.4	
EV to EBITDA (x)	17.1	15.0	14.8	11.6	
Price to book (x)	2.6	2.4	2.2	2.0	
RoE (%)	9.2	8.9	8.9	10.8	
RoCE (%)	10.3	10.0	10.3	12.4	

Source: ICICI Direct Research; Company

Exhibit 1: Variance Analysis

	Q4FY20	Q4FY20E	Q4FY19	Q3FY20	YoY (%)	QoQ (%)	Comments
Revenue	8,184.9	7,925.3	7,163.9	8,154.9	14.3	0.4	YoY growth mainly due to strong growth in domestic formulations
Raw Material Expense	2,304.8	2,138.1	1,838.8	2,200.0	25.3	4.8	A 249 bps YoY decline mainly due to change in product mix and higher material cost in Taro
Employee Expenses	1,651.9	1,585.1	1,568.8	1,549.1	5.3	6.6	
Other Expenditure	2,865.2	2,492.2	2,739.6	2,564.3	4.6	11.7	
Total Expenditure	6,821.9	6,215.3	6,147.1	6,313.5	11.0	8.1	Forex loss of ₹ 142 crore against gain of ₹ 83 crore in Q4FY19
EBITDA	1,363.0	1,710.0	1,016.8	1,841.4	34.1	-26.0	
EBITDA (%)	16.7	21.6	14.2	22.6	246 bps	-593 bps	Sequentially sharp fall and miss vis-à-vis I-direct estimates mainly due to lower gross margins and forex loss
Interest	51.8	63.0	150.0	63.0	-65.5	-17.8	
Depreciation	575.4	547.0	454.1	547.0	26.7	5.2	
Other income	102.2	116.5	281.5	119.9	-63.7	-14.7	
EO	260.6	0.0	0.0	0.0	NA	NA	
PBT	577.4	1,216.6	694.2	1,351.3	-16.8	-57.3	
Tax	83.1	225.8	-28.8	327.6	-388.4	-74.6	
MI	92.9	122.7	105.2	105.9	-11.7	-12.2	
Net Profit	399.8	868.1	615.4	913.5	-35.0	-56.2	
Adj. Net Profit	660.5	868.1	615.4	913.5	7.3	-27.7	Delta vis-à-vis EBITDA due to higher tax rate and lower other income partially offset by lower interest. Miss vis-à-vis I-direct estimates mainly due to below expected operational performance
Key Metrics							
India formulations	2,364.8	2,470.3	1,101.0	2,517.0	114.8	-6.0	Excluding one-time impact of ~₹ 1085 crore in Q4FY19, domestic formulations grew 8% YoY
US formulations	2,712.9	2,405.9	3,123.2	2,492.4	-13.1	8.8	YoY growth impacted by one-time contribution from the special business in Q4FY19. Beat vis-à-vis I-direct estimates mainly due to better-than expected sales in Taro and speciality segment
Emerging Markets	1,354.0	1,256.2	1,219.7	1,390.1	11.0	-2.6	Beat vis-à-vis I-direct estimates mainly due to lower than expected impact of Covid-19 and better speciality traction
RoW	1,121.2	1,132.6	1,078.7	1,103.5	3.9	1.6	
APIs	525.2	547.2	484.0	535.6	8.5	-1.9	

Source: ICICI Direct Research

Exhibit 2: Change in Estimates

₹ Crore)	FY21E			FY22E			Comments
	Old	New	% Change	Old	New	% Change	
Total Operating Income	34,289.3	34,447.3	0.5	37,560.3	38,038.0	1.3	
EBITDA	7,288.5	6,912.2	-5.2	8,359.9	8,469.8	1.3	
EBITDA Margin (%)	21.3	20.1	-119 bps	22.3	22.3	1 bps	Changed mainly due likely impact of Covid-19 in Q1FY21
Adjusted PAT	4,422.5	4,403.5	-0.4	5,508.7	5,881.7	6.8	Higher delta vis-à-vis EBITDA mainly due to change in depreciation and interest assumptions
EPS (Adjusted)	18.4	18.4	-0.4	23.0	24.5	6.8	

Source: ICICI Direct Research

Exhibit 3: Change in estimates

₹ crore	Current				Earlier		Comments
	FY19	FY20	FY21E	FY22E	FY21E	FY22E	
Indian Formulations	7,348.3	9,710.5	10,663.5	12,071.4	11,165.3	12,505.2	
US Formulations	10,673.6	10,542.5	10,348.3	11,167.5	9,511.9	10,192.8	Changed mainly due to better-than-expected growth in speciality segment
RoW markets	8,811.7	10,025.3	10,777.1	11,980.2	10,932.9	12,026.1	
APIs	1,811.7	2,047.0	2,149.4	2,256.8	2,172.5	2,281.1	

Source: ICICI Direct Research

Conference Call Highlights

- Covid-19 related commentary: Softening of sales expected due to lockdown and stocking
 - Some US orders could not be executed
 - India business saw some stocking on the chronic side. On the sales & promotion front, travel & incentives may reduce amid Covid-19 but promotional expenses will continue
 - The management will increase focus on improving productivity, maintaining optimum capacity utilisation and supply chain management
- Specialty revenues for Q4FY20 were US\$126 million across all markets; specialty R&D- 24% of overall R&D spend
 - The growth in specialty was driven by Ilumya, Cequa and Yonsa. Absorica LD launched in February 2020 also supported sales
 - Ilumya sales were ~US\$94 million for FY20
- US: Q4FY19 included a one-time generics opportunity in US
 - 483 approved ANDAs, 98 pending approvals (including 20 tentative); 55 NDAs in pipeline
 - In Q4FY20, two ANDAs were approved and six ANDAs were filed
- India: Approximately 8.2% market share in IPM as per AIOCD MAT March 2020
 - Increased its domestic formulations field force by ~7% in Q4FY20
- Emerging markets: Growth was driven by Russia, Romania, Brazil
 - In South Africa, the company is seeing a decline in tender business
- RoW growth in FY20 partly due to Pola Pharma acquisition in Japan
- Q4FY20 R&D was at ₹ 536 crore (6.6% of sales); FY20 R&D: ₹ 1,974 crore (6.1% of sales); R&D for FY21 could be ~8-9% of sales due to deferral of certain clinical trials
- No greenfield projects but expansion capex in FY21; post that debt reduction and focus on cash collection and preservation
- 50% of QoQ EBITDA margin decline is attributable to forex loss in Q4FY20. Additionally, higher SG&A costs at Taro impacted EBITDA margins
- Increase in staff costs due to provisioning for bonus at one of its subsidiaries
- Q4FY20 had ₹ 260 crore of exceptional items: ₹ 104 crore central excise reversal + Dusa's settlement with US DoJ for ₹ 156 crore for Levulan and Blu-u products

Exhibit 4: Trends in quarterly financials

(₹Crore)	14FY17	15FY18	16FY18	17FY18	18Q4FY18	19Q1FY19	19Q2FY19	19Q3FY19	19Q4FY19	1FY20	2FY20	3FY20	4FY20	YoY (%)	QoQ (%)
Total Operating Incon	5558.9	6208.8	6650.3	6653.2	6977.1	7224.2	6937.6	7740.2	7163.9	8374.4	8123.4	8154.9	8184.9	14.3	0.4
Raw Material Expens	1427.4	1677.4	1877.5	2099.7	1770.1	2106.8	1757.7	2165.7	1838.8	2457.8	2267.9	2200.0	2304.8	25.3	4.8
Gross Profit Margin (%)	74.3	73.0	71.8	68.4	74.6	70.8	74.7	72.0	74.3	70.7	72.1	73.0	71.8		
Employee Expenses	925.7	1329.9	1323.3	1372.6	1341.3	1433.0	1470.3	1495.0	1568.8	1540.4	1620.9	1549.1	1651.9	5.3	6.6
% of Revenue	16.7	21.4	19.9	20.6	19.2	19.8	21.2	19.3	21.9	18.4	20.0	19.0	20.2		
Other Expenditure	1693.7	2105.9	2073.9	1727.5	2182.3	2077.6	2178.4	1926.7	2739.6	2380.6	2444.8	2564.3	2865.2	4.6	11.7
% of Revenue	30.5	33.9	31.2	26.0	31.3	28.8	31.4	24.9	38.2	28.4	30.1	31.4	35.0		
Total Expenditure	4046.7	5113.1	5274.7	5199.9	5293.6	5617.5	5406.4	5587.3	6147.1	6378.8	6333.6	6313.5	6821.9	11.0	8.1
% of Revenue	72.8	82.4	79.3	78.2	75.9	77.8	77.9	72.2	85.8	76.2	78.0	77.4	83.3		
EBITDA	1512.2	1095.7	1375.6	1453.4	1683.5	1606.7	1531.2	2152.9	1016.8	1995.6	1789.7	1841.4	1363.0	34.1	-26.0
EBITDA Margin (%)	27.2	17.6	20.7	21.8	24.1	22.2	22.1	27.8	14.2	23.8	22.0	22.6	16.7		
Depreciation	168.4	346.6	358.7	339.3	455.2	401.6	426.5	471.1	454.1	457.1	473.3	547.0	575.4	26.7	5.2
Other Income	246.1	152.0	254.8	129.2	302.8	199.8	351.2	193.1	281.5	213.0	200.9	119.9	102.2	-63.7	-14.7
PBIT	1589.9	901.0	1271.8	1243.3	1531.0	1404.8	1455.9	1874.9	844.3	1751.5	1517.3	1414.3	889.9	5.4	-37.1
Interest	59.7	109.4	157.4	95.3	155.4	130.9	129.5	144.8	150.0	104.1	83.9	63.0	51.8	-65.5	-17.8
Less: Exceptional lte	81.8	950.5	0.0	0.0	0.0	0.0	1214.4	0.0	0.0	0.0	0.0	0.0	260.6	NA	NA
PBT	1448.4	-158.9	1114.3	1147.9	1375.6	1273.9	111.9	1730.1	694.2	1647.4	1433.4	1351.3	577.4	-16.8	-57.3
Total Tax	212.6	161.8	111.4	748.7	-176.7	163.9	218.9	270.9	-28.8	146.1	266.0	327.6	83.1	-388.4	-74.6
PAT	1235.7	-320.7	1002.9	399.2	1552.3	1110.1	-107.0	1459.2	723.1	1501.4	1167.4	1023.7	494.3	-31.6	-51.7
Minority Interest	96.7	102.3	89.7	34.8	220.0	122.7	110.0	219.2	105.2	109.2	99.1	105.9	92.9	-11.7	-12.2
PAT after MI	1139.1	-423.0	913.2	364.4	1332.3	987.3	-217.0	1240.0	617.8	1392.2	1068.3	917.9	401.4	-35.0	-56.3
Profit from Associate	41.1	-1.9	-1.2	1.0	-23.3	1.0	-1.9	1.8	-2.4	-4.7	-4.2	-4.3	-1.6		
PAT	1180.1	-424.9	912.1	365.4	1309.0	988.3	-218.8	1241.9	615.4	1387.5	1064.1	913.5	399.8	-35.0	-56.2
Adjusted PAT	1261.9	525.6	912.1	365.4	1309.0	988.3	995.6	1241.9	615.4	1387.5	1064.1	913.5	660.5	7.3	-27.7
Adjusted EPS (₹)	4.0	2.2	3.8	1.5	5.5	4.1	4.1	5.2	2.6	5.8	4.4	3.8	2.8		

Source: ICICI Direct Research

Company Background

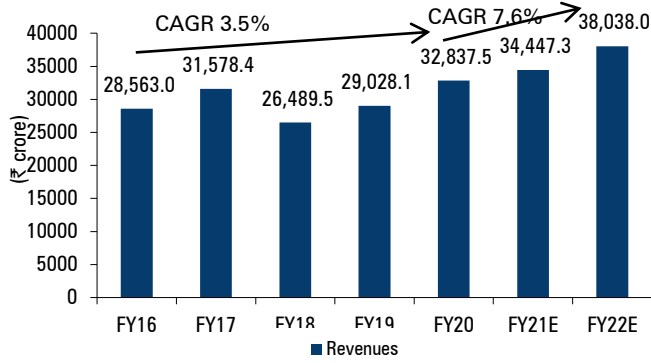
Established in 1983, Sun Pharma is the largest Indian pharmaceutical company both in terms of market capitalisation and turnover (FY17).

The company manufactures and markets a large basket of pharmaceutical formulations in India, the US and several other markets across the world. However, US and Indian formulations are by far the core strengths and growth drivers of the company. The company has ~42 manufacturing sites across the world. The US business has been built mostly on acquisitions and generic focus. It owns the largest product basket among Indian players with as many as 581 product (ANDA) filings as of FY20. In Indian formulations, the company is a leader in niche therapy areas of psychiatry, gastroenterology, neurology, cardiology, nephrology, orthopaedics and ophthalmology.

The company completed the \$3.2 billion acquisition of Ranbaxy Laboratories after almost a year of navigating the regulatory gauntlet to create the world's fifth-largest generic pharmaceutical company by revenue. The company has planned a capex of US\$250 million for Tildrakizumab, the IL-23 monoclonal anti-body in-licensed from MSD (US) over four or five years to be utilised for its psoriasis trials.

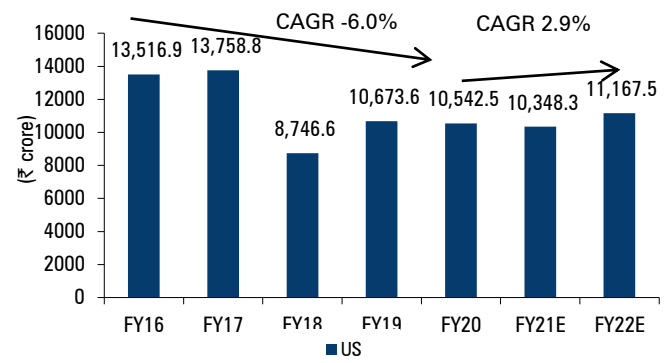
Sun acquired Odomzo (oncology) from Novartis in December, 2016, for \$175 million and additional milestones payments. USFDA approved this in July, 2015 for treatment of locally advanced basal cell cancer and is the first branded oncology product for Sun Pharma in the US. Total 70% who prescribe the products are dermatologists while the rest are oncologists for this drug. Seciera (for dry eyes disease), which was acquired from Ocular Technologies, has shown promising phase III results. The company will enter into dialogue with the USFDA regarding further course of action for the product.

Exhibit 5: Revenues to grow at CAGR of 8% over FY20-22E



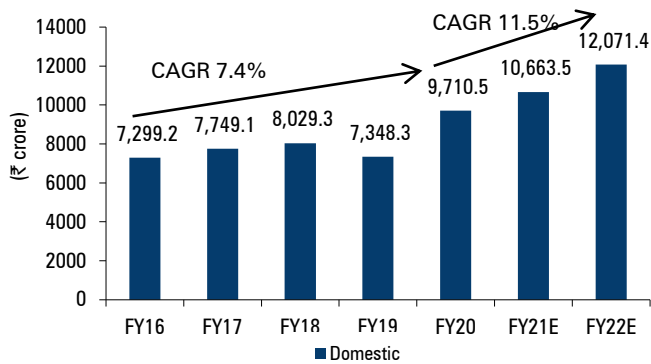
Source: ICICI Direct Research, Company

Exhibit 6: US to grow at CAGR of 3% over FY20-22E



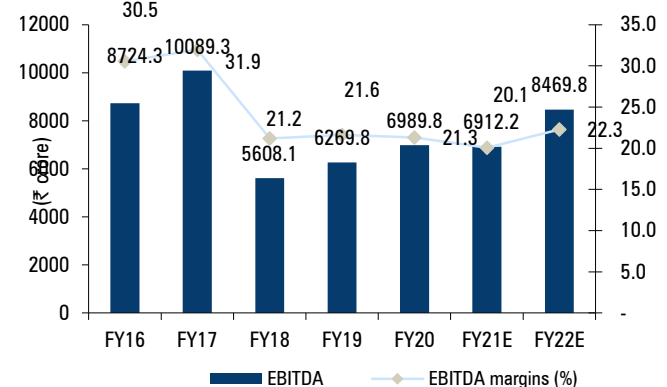
Source: ICICI Direct Research, Company

Exhibit 7: Domestic to grow at 12% CAGR in FY20-22E



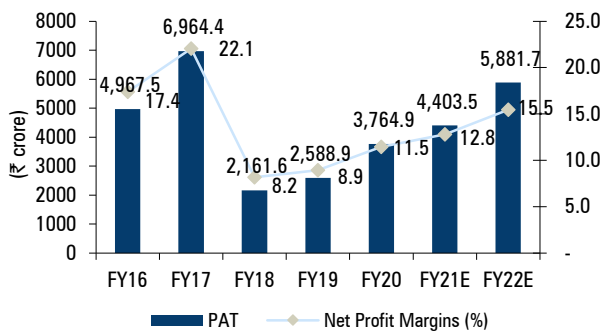
Source: ICICI Direct Research, Company

Exhibit 8: EBITDA & EBITDA margins trend



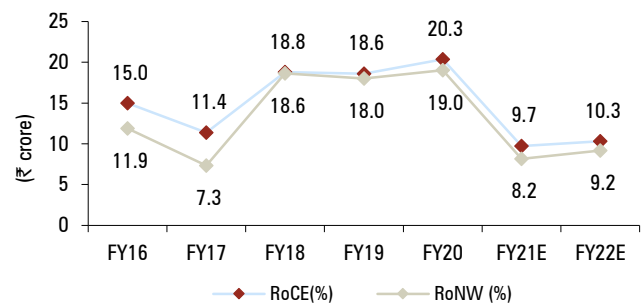
Source: ICICI Direct Research, Company

Exhibit 9: Net profit & margins trend



Source: ICICI Direct Research, Company

Exhibit 10: RoCE & RoE trend



Source: ICICI Direct Research, Company

Exhibit 11: Revenue break-up

₹ crore	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	CAGR FY16-20 (%)	CAGR 20-22E (%)
Domestic	7,299.2	7,749.1	8,029.3	7,348.3	9,710.5	10,663.5	12,071.4	7.4	11.5
US	13,516.9	13,758.8	8,746.6	10,673.6	10,542.5	10,348.3	11,167.5	-6.0	2.9
Emerging Markets	3,584.3	4,544.8	4,839.2	5,359.0	5,504.4	5,920.0	6,579.4	11.3	9.3
ROW	2,161.8	2,583.2	2,974.0	3,452.6	4,521.0	4,857.1	5,400.8	20.3	9.3
API & Others	1,475.2	1,634.5	1,476.8	1,811.7	2,047.0	2,149.4	2,256.8	8.5	5.0
ROW	5,746.1	7,128.0	7,813.2	8,811.7	10,025.3	10,777.1	11,980.2	14.9	9.3

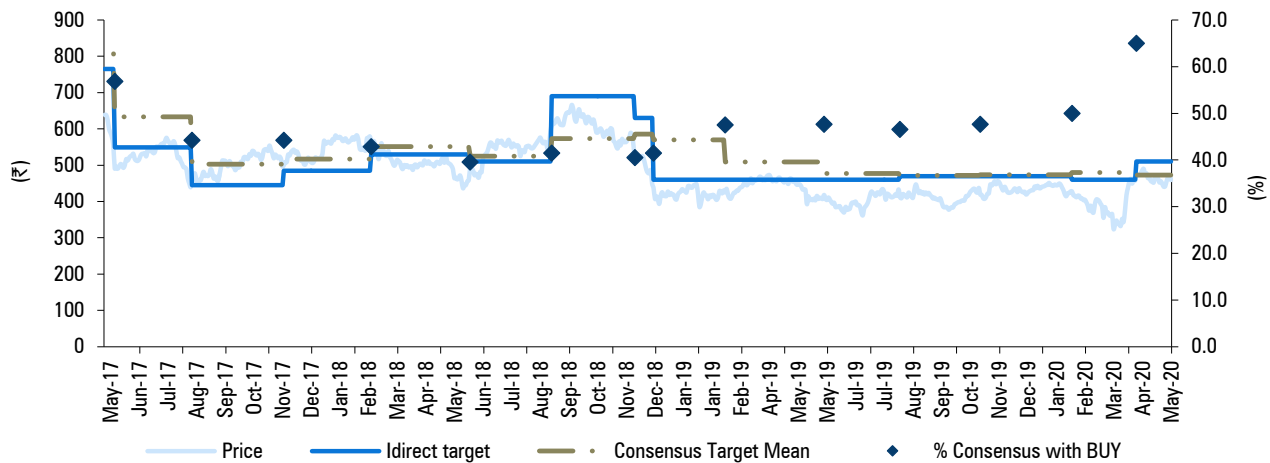
Source: ICICI Direct Research, Company

Exhibit 12: Valuation

	Revenues (₹ crore)	Growth (%)	EPS (₹)	Growth (%)	P/E (x)	EV/EBITDA (X)	RoE (%)	RoCE (%)
FY 19	29028	9.6	15.9	22.2	41.8	17.1	9.2	10.3
FY 20	32838	13.1	16.8	5.8	28.7	15.0	8.9	10.0
FY 21E	34447	4.9	18.4	9.4	24.6	14.8	8.9	10.3
FY 22E	38038	10.4	24.5	33.6	18.4	11.6	10.8	12.4

Source: ICICI Direct Research, Company

Exhibit 13: Recommendation History vs. Consensus



Source: ICICI Direct Research; Reuters

Exhibit 14: Top 10 Shareholders

Rank	Investor Name	Filing Date	% O/S	Position (m)	Change
1	Shanghvi Finance Pvt Ltd	11-Mar-20	40.3	967.05m	0.5m
2	Shanghvi Dilip Shantilal	31-Dec-19	9.6	230.29m	0.0m
3	Life Insurance Corp Of India	30-Jun-19	5.9	141.12m	(1.1)m
4	Icici Prudential Asset Management	30-Apr-20	3.3	79.52m	(4.0)m
5	Aditya Medisales Ltd	31-Dec-19	1.7	40.15m	0.0m
6	Reliance Capital Trustee Co Ltd	30-Jun-19	1.5	35.09m	35.1m
7	Sbi Funds Management Pvt Ltd	30-Apr-20	1.5	34.73m	7.1m
8	Valia Raksha Sudhir	31-Dec-19	1.4	33.83m	0.0m
9	Lakshdeep Investments And Finance	31-Dec-19	1.3	31.88m	0.5m
10	Republic Of Singapore	30-Jun-19	1.3	30.89m	(2.2)m

Source: ICICI Direct Research, Reuters

Exhibit 15: Shareholding Pattern

(in %)	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Promoter	54.4	54.4	54.6	54.6	54.7
Others	45.6	45.6	45.5	45.4	45.3

Source: ICICI Direct Research, Company

Financial Summary

Exhibit 16: Profit & Loss (₹ crore)

(Year-end March)	FY19	FY20	FY21E	FY22E
Revenues	29,028.1	32,837.5	34,447.3	38,038.0
Growth (%)	9.6	13.1	4.9	10.4
Raw Material Expenses	7,869.0	9,230.5	9,645.3	10,650.6
Employee Expenses	5,967.1	6,362.4	6,452.4	6,935.6
Other Expenditure	8,922.3	10,254.9	11,437.4	11,982.0
Total Operating Expenditure	22,758.3	25,847.7	27,535.1	29,568.2
EBITDA	6,269.8	6,989.8	6,912.2	8,469.8
Growth (%)	11.8	11.5	-1.1	22.5
Depreciation	1,753.3	2,052.8	2,034.8	2,104.8
Interest	555.3	302.7	216.0	186.0
Other Income	1,025.5	636.0	1,187.8	1,499.0
PBT	4,986.8	5,270.2	5,849.3	7,678.1
Less: Exceptional Items	1,214.4	260.6	0.0	0.0
Total Tax	624.9	822.8	1,111.4	1,458.8
PAT before MI	3,147.5	4,186.8	4,737.9	6,219.2
Minority Interest	557.1	407.0	328.1	331.1
PAT	2,588.9	3,764.9	4,403.5	5,881.7
Adjusted PAT	3,803.3	4,025.6	4,403.5	5,881.7
Growth (%)	22.2	5.8	9.4	33.6
EPS (Adjusted)	15.9	16.8	18.4	24.5

Source: ICICI Direct Research

Exhibit 17: Cash Flow Statement (₹ crore)

(Year-end March)	FY19	FY20	FY21E	FY22E
Profit/(Loss) after taxation	2923.8	3663.7	4403.5	5881.7
Depreciation	1753.3	2052.8	2034.8	2104.8
(Inc)/Dec in Current Assets	-1467.5	-292.5	-2108.5	-2223.7
(Inc)/Dec in Current Liabilities	-1228.5	1191.0	1071.0	940.8
Others	215.4	-60.2	216.0	186.0
CF from operation Activities	2196.5	6554.8	5616.8	6889.7
Purchase of Fixed Assets	-3162.4	-1450.0	-800.0	-1000.0
(Inc)/Dec in Investments	-188.7	-1551.8	-2305.4	-2305.4
Others	1231.3	1374.1	-120.2	-148.5
CF from Investing Activities	-2119.7	-1627.7	-3225.6	-3453.9
Inc / (Dec) in Loan Funds	890.2	-3341.9	-1000.0	-1000.0
Inc / (Dec) in Equity Capital	0.0	-425.0	0.0	0.0
Dividend and dividend tax	-578.7	-1662.6	-440.3	-588.2
Other Financial Activities	-3042.0	-285.6	-216.0	-186.0
CF from Financing Activities	-2730.5	-5715.1	-1656.3	-1774.2
Cash generation during the year	-2653.8	-788.1	734.9	1661.6
Op bal Cash & Cash equivalents	9929.4	7275.6	6487.6	7222.4
Closing Cash/ Cash Equivalents	7275.6	6487.6	7222.4	8884.0
Free Cash Flow	-965.9	5104.8	4816.8	5889.7

Source: ICICI Direct Research

Exhibit 18: Balance Sheet (₹ crore)

(Year-end March)	FY19	FY20	FY21E	FY22E
Equity Capital	239.9	239.9	239.9	239.9
Reserve and Surplus	41,169.1	45,024.5	48,987.6	54,281.2
Total Shareholders funds	41,409.1	45,264.5	49,227.6	54,521.1
Total Debt	10,514.4	8,199.3	7,199.3	6,199.3
Deferred Tax Liability	104.3	58.1	62.2	66.6
Minority Interest	3,313.5	3,860.2	4,188.3	4,519.5
Other LT Liabilities & LT Provisions	1,004.7	1,334.3	1,427.7	1,527.6
Total Liabilities	56,345.9	58,716.4	62,105.1	66,834.1
Gross Block - Fixed Asset	25,731.3	28,268.7	29,068.7	30,068.7
Accumulated Depreciation	9,850.5	11,903.3	13,938.1	16,042.9
Net Block	15,880.8	16,365.5	15,130.6	14,025.8
Capital WIP	1,411.2	1,220.3	1,220.3	1,220.3
Total Fixed Assets	17,291.9	17,585.8	16,351.0	15,246.2
Investments	7,902.5	10,143.1	12,448.5	14,753.9
Deferred tax assets	2,554.9	3,175.3	3,397.6	3,635.4
Goodwill on Consolidation	5,955.8	6,481.5	6,481.5	6,481.5
LT Loans & Advances & A	3,870.3	4,110.0	4,397.7	4,705.6
Cash	7,275.6	6,487.6	7,222.4	8,884.0
Debtors	8,884.2	9,421.2	10,169.6	11,229.7
Loans and Advances	309.4	148.4	158.8	169.9
Inventory	7,886.0	7,875.0	9,027.0	9,967.9
Other current assets	2,763.3	2,824.6	3,022.4	3,233.9
Total Current Assets	27,118.5	26,756.8	29,600.2	33,485.4
Creditors	4,147.9	4,093.7	4,748.0	5,242.9
Provisions & other current liabilities	4,200.0	5,442.3	5,823.3	6,230.9
Total Current Liabilities	8,347.9	9,536.1	10,571.3	11,473.9
Net Current Assets	18,770.6	17,220.7	19,028.9	22,011.6
Application of Funds	56,345.9	58,716.4	62,105.1	66,834.1

Source: ICICI Direct Research

Exhibit 19: Key Ratios (₹ crore)

(Year-end March)	FY19	FY20	FY21E	FY22E
Per share data (₹)				
Adjusted EPS	15.9	16.8	18.4	24.5
BV per share	172.6	188.7	205.2	227.2
Dividend per share	2.7	1.0	1.8	2.5
Cash Per Share	30.3	27.0	30.1	37.0
Operating Ratios (%)				
Gross Margin	72.9	71.9	72.0	72.0
EBITDA Margin	21.6	21.3	20.1	22.3
PAT Margin	13.1	12.3	12.8	15.5
Inventory days	99.2	87.5	95.6	95.6
Debtor days	111.7	104.7	107.8	107.8
Creditor days	52.2	45.5	50.3	50.3
Asset Turnover	0.5	0.6	0.6	0.6
EBITDA Conversion rate	35.0	93.8	81.3	81.3
Return Ratios (%)				
RoE	9.2	8.9	8.9	10.8
RoCE	10.3	10.0	10.3	12.4
RoIC	11.0	11.5	11.0	13.8
Valuation Ratios (x)				
P/E	41.8	28.7	24.6	18.4
EV / EBITDA	17.1	15.0	14.8	11.6
EV / Net Sales	3.7	3.2	3.0	2.6
Market Cap / Sales	3.7	3.3	3.1	2.8
Price to Book Value	2.6	2.4	2.2	2.0
Solvency Ratios				
Debt / EBITDA	1.7	1.2	1.0	0.7
Debt / Equity	0.3	0.2	0.1	0.1
Current Ratio	2.4	2.1	2.1	2.1

Source: ICICI Direct Research

Exhibit 20: ICICI Direct Coverage Universe (Healthcare)

Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹cr)	EPS (₹)				PE(x)				RoCE (%)				RoE (%)			
						FY 19	Y 20E	Y 21E	Y 22E	FY 19	Y 20E	Y 21E	Y 22E	Y 19 / 20E	20E / 21E	21E / 22E	FY 19	Y 20E	Y 21E	Y 22E	
Ajanta Pharma	AJAPHA	1448	1,730	Buy	12633	43.5	53.4	56.0	72.0	33.3	27.1	25.8	20.1	21.8	24.7	22.3	24.2	17.1	18.1	16.7	18.5
Alembic Pharma	ALEMPHA	835	875	Buy	15735	31.4	46.3	41.4	39.8	26.5	18.0	20.2	21.0	19.6	20.6	17.7	16.0	21.8	26.3	19.5	16.2
Apollo Hospital	APOHOS	1338	1,490	Buy	18609	17.0	21.5	35.2	65.7	78.8	62.1	38.0	20.3	8.8	10.4	12.6	16.8	7.1	8.1	11.2	17.9
Aurobindo Pharma	AURPHA	713	770	Buy	41801	42.1	49.2	54.8	59.4	16.9	14.5	13.0	12.0	15.9	17.8	18.1	17.8	17.7	17.4	16.4	15.3
Biocon	BIOCON	351	390	Buy	42102	6.2	5.8	9.8	18.2	56.5	60.3	35.6	19.3	10.9	10.9	15.1	22.1	12.2	10.4	15.2	22.4
Cadila Healthcare	CADHEA	338	375	Hold	34562	18.1	14.3	17.5	20.9	18.7	23.6	19.3	16.2	13.0	10.6	12.1	13.4	17.8	12.9	14.1	14.9
Cipla	CIPLA	633	670	Buy	51039	18.6	19.2	23.0	30.2	34.1	33.0	27.5	20.9	10.9	12.0	13.0	15.4	10.0	9.8	10.8	12.6
Divi's Lab	DIVLAB	2290	2,130	Hold	60803	51.0	49.9	58.4	71.0	44.9	45.9	39.2	32.2	25.5	21.7	21.8	22.8	19.4	16.6	16.9	17.5
Dr Reddy's Lab	DRREDD	3883	4,615	Buy	64521	114.7	121.9	163.8	209.7	33.8	31.8	23.7	18.5	11.1	10.0	18.0	20.8	13.6	13.0	15.2	16.6
Glenmark Pharma	GLEPHA	349	340	Hold	9848	26.9	26.8	34.6	43.2	13.0	13.0	10.1	8.1	15.3	12.8	14.5	16.1	13.5	12.0	13.5	14.5
Hikal	HIKCHE	115	160	Buy	1415	8.4	9.6	11.1	13.3	13.7	11.9	10.3	8.6	14.3	13.3	13.6	14.5	13.6	14.1	14.2	14.9
Ipca Laboratories	IPCLAB	1548	1,900	Buy	19561	35.1	55.7	65.6	79.3	44.2	27.8	23.6	19.5	15.0	20.5	21.0	21.6	14.2	19.1	18.9	19.2
Lupin	LUPIN	895	745	Hold	40527	16.5	-29.2	18.3	31.1	54.1	-30.6	48.9	28.8	9.4	9.0	7.9	12.3	5.4	-10.0	6.0	9.3
Narayana Hrudayam	NARHRU	260	330	Buy	5312	2.9	6.2	8.2	11.4	89.5	41.6	31.8	22.8	7.7	11.6	12.7	15.3	5.5	10.8	12.5	15.1
Natco Pharma	NATPHA	581	650	Hold	10585	34.9	26.9	24.6	23.4	16.6	21.6	23.7	24.8	21.3	14.6	12.7	11.3	18.5	12.6	10.4	9.1
Sun Pharma	SUNPHA	451	540	Buy	108183	15.9	16.8	18.4	24.5	28.4	26.9	24.6	18.4	10.3	10.0	10.3	12.4	9.2	8.9	8.9	10.8
Syngene Int.	SYNINT	344	390	Buy	13758	8.3	10.3	8.6	12.2	41.6	33.4	38.6	27.3	14.8	15.0	12.9	16.4	16.8	15.7	13.7	16.3
Torrent Pharmaceuticals	TORPHA	2403	2,475	Hold	40656	48.9	60.6	67.0	88.3	49.1	39.7	35.9	27.2	14.2	15.7	17.7	21.2	17.5	21.2	20.0	22.0

Source: ICICI Direct Research, Bloomberg

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