

CMP: ₹ 970

Target: ₹ 1140 (18%)

Target Period: 12 months

May 27, 2023

## Specialty growth tempo solid; to sustain momentum along with domestic branded...

**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.

- Sun is ranked No. 1 in domestic formulations. It enjoys a leadership position in 11 specialties based on prescription
- Revenue break-up Q4FY23: US formulation~33%, Indian branded~31%, Emerging markets~17%, RoW~15%, API & Others - 4%

**Q4FY23 Results:** Revenue in line but mixed trend in profitability- significant GPM beat but EBITDA margin missed estimate on higher-than-expected other expenses.

- Revenues grew 15.7% YoY to ₹ 10931 crore
- EBITDA margins expanded 111 bps YoY to 25.9%
- Adjusted PAT increased 36.9% YoY to ₹ 2166 crore

**What should investors do?** Sun Pharma's share price has grown at a CAGR of 28.15% over the past three years.

- 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) revenue mix continues to tilt towards more remunerative businesses

**Target Price and Valuation:** Valued at ₹ 1140 i.e. 28x P/E on FY25E EPS of ₹ 40.8.

### Key triggers for future price performance:

- Higher contribution from specialty to overall revenues (from 13% in FY22 to ~16% by FY25E) and sustained momentum in India branded formulations to improve product mix and margins profile as US generics slow down
- In the US, Sun has diversified into specialty products like Ilumya, Levulan, BromSite, Cequa, Xelpros, Odomzo, Yonsa, Winlevi, etc. Developments on the deuruxolitinib (8 mg) front in the backdrop of recent partial clinical hold by the USFDA for 12 mg
- In India, launch momentum, pick-up in demand for chronic and sub-chronic segment backed by high PCPM and field expansion to lead further 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 a target price of ₹ 1090

BUY



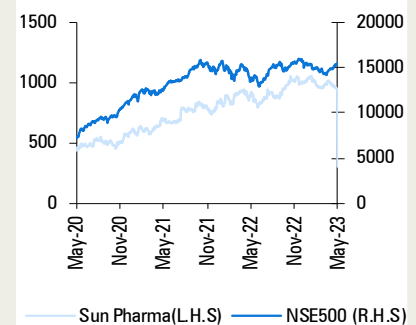
### Particulars

Particular	Amount
Market Capitalisation	₹ 232703 crore
Debt (FY23)	₹ 6886 crore
Cash & Equivalents (FY23)	₹ 5770 crore
EV (₹ Cr)	₹ 233819 crore
52 week H/L (₹)	1072/790
Equity capital	₹ 239.9 crore
Face value	₹ 1

### Shareholding pattern

(in %)	Jun-22	Sep-22	Dec-22	Mar-23
Promoter	54.5	54.5	54.5	54.5
Others	45.5	45.5	45.5	45.5

### Price Chart



### Recent Event & Key risks

- Acquisition of Concert Pharma in the US.
- **Key Risk:** (i) Regulatory concerns for Halol and Mohali (ii) Lower than expected traction from specialty products

### Research Analyst

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### Key Financial Summary

Key Financials (₹ Crore)	FY21	FY22	FY23	5 year CAGR (FY17-22)	FY24E	FY25E	2 year CAGR (FY23-25E)
Net Sales	33498.1	38654.5	43885.5	4.1	48251.5	52968.6	9.9
EBITDA	8491.4	10397.7	11673.8	0.6	12690.2	14195.6	10.3
EBITDA Margins (%)	25.3	26.9	26.6		26.3	26.8	
Adj. Profit	7210.0	7667.1	8655.2	1.9	8580.2	9787.1	6.3
Adj. EPS (₹)	30.1	32.0	36.1		35.8	40.8	
PE (x)	80.1	71.1	27.4		27.1	23.8	
EV to EBITDA (x)	26.7	21.3	19.2		17.3	15.0	
RoE (%)	15.5	16.0	15.5		13.6	13.7	
RoCE (%)	14.2	18.2	15.3		15.5	15.8	

Source: ICICI Direct Research

## Key takeaways of recent quarter & conference call highlights

### Q4FY23 Results: Revenues in line but mixed trend in profitability - significant beat in GPM but EBITDA margin misses

- Revenues grew 15.7% YoY to ₹ 10931 crore driven by continued traction of global specialty business with market share gain in India and growth in Emerging Markets. US formulations grew 20.8% YoY to ₹ 3534 crore and growth driven by specialty portfolio amid demand uptick for Cequa, Ilumya and Winlevi among others. US ex-Taro generics also did well, up 26.2% YoY. Global Specialty sales (ex-milestone) came in at US\$244 million. India Formulations witnessed YoY growth of 8.7% to ₹ 3364 crore driven by new product launches and increased market share. Emerging markets witnessed YoY growth of 17.6% to ₹ 1820.3 crore. RoW markets witnessed growth of 17.4% YoY to ₹ 1574 crore. APIs witnessed YoY de-growth of 9.5% to ₹ 432.3 crore. Gross margins increased ~650 bps over the previous year to 79.4%. EBITDA margins expanded 111 bps YoY to 25.9%. Adjusted PAT increased 36.9% YoY to ₹ 2166 crore
- Sun Pharma's performance continued to thrive on remunerative businesses of US (along with Global Specialty) and domestic formulations. Overall better product mix with higher specialty business aided growth during the quarter. India business continued to grow with branded portfolio, leading to increase in its market share. Despite Taro's muted results the company was able to deliver decent results. It remains strategically focused on Specialty business (evident from recent Concert acquisition) and Branded formulations for future growth with calibrated R&D allocation

### Q4FY23 Earnings Conference Call highlights:

#### Business performance:

- Revenue was driven by continued traction of global specialty business with market share gain in India and growth in Emerging Markets
- Ilumya, Winlevi and Cequa remained key growth drivers in the US formulations business during the quarter
- Global Ilumya sales for FY23 were at US\$477 million, growth of 51% YoY
- The recent Concert Pharma acquisition added late-stage asset Deuroxolitinib for treating Alopecia Areata. The filing is expected to get applied in Q2FY24

#### Launches:

- For Q4FY23, the company launched 24 new products in the Indian market
- Launched four generic products in US on ex Taro basis during the quarter
- In the US, Sezaby was launched during January 2023, which is indicated to treat neonatal
- Also, successful launch of gRevlimid in Q4 significantly aided growth in US markets

#### R&D update:

- R&D for specialty business was at 31% to total R&D cost during the quarter
- Overall R&D cost was at 6% of sales during the quarter. The management has guided higher R&D costs towards specialty and US generics, which will inch up R&D costs to ~8% in FY24

#### Other highlights:

- The company is witnessing some improvement in gastro products
- The growth was mainly supported by 2% jump due to launch of newer products as well as 3% jump due to price increase
- The company has increased the field force to 11000 (added 1000 in FY23)
- During the quarter, shipments from Mohali facility were halted due to directives of corrective actions from USFDA. The facility is expected to commence operations in gradual and timely manner as highlighted by the management.

Exhibit 1: Variance Analysis

	Q4FY23	Q4FY23E	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	Comments
Revenue	10,930.7	11,019.2	9,446.8	15.7	11,240.8	-2.8	Growth driven by continued traction of global specialty business (US\$ 244 million) with market share gain in India and growth in Emerging Markets.
Raw Material Expenses	2,250.2	2,748.4	2,539.6	-11.4	2,803.7	-19.7	
Gross margins (%)	79.4	75.1	73.1	630 bps	75.1	436 bps	
Employee Expenses	2,179.6	2,093.6	1,884.9	15.6	2,037.1	7.0	
Other Expenditure	3,671.6	3,140.5	2,681.9	36.9	3,396.5	8.1	
Total Expenditure	8,101.4	7,982.5	7,106.4	14.0	8,237.3	-1.6	
EBITDA	2,829.3	3,036.7	2,340.4	20.9	3,003.6	-5.8	
EBITDA (%)	25.9	27.6	24.8	111 bps	26.7	-84 bps	Margins improved 111 bps mainly driven by higher specialty
Interest	92.7	46.2	37.3	148.4	46.2	100.8	
Depreciation	671.5	660.0	556.5	20.7	660.0	1.7	
Other income	373.2	170.5	113.6	228.6	173.9	114.6	
EO	171.4	0.0	3,935.8		0.0		
PBT	2,266.9	2,501.0	-2,075.6	LP	2,471.3	-8.3	
Tax	222.9	550.2	146.8	51.9	283.4	-21.4	
MI	-1.6	26.8	49.9	PL	14.7	PL	
Net Profit	2,011.7	1,916.6	-2,277.3	LP	2,165.8	-7.1	
Adj. Net Profit	2,166.3	1,916.6	1,582.1	36.9	2,165.8	0.0	
<b>Key Metrics</b>							
India formulations	3,364.1	3,468.2	3,096.6	8.6	3,391.9	-0.8	Growth driven by new product launches and increased market share. Ex-Covid growth was 9.8%.
US formulations	3,534.3	3,542.4	2,924.6	20.8	3,466.0	2.0	Growth driven by specialty portfolio amid demand uptick for Cequa, Ilumya and Winlevi among others. US ex-Taro generics also did well, up 26.2% YoY. Global Specialty sales (ex-milestone) came at US\$ 244 million
Emerging Markets	1,820.3	1,826.0	1,547.5	17.6	2,115.8	-14.0	
RoW	1,574.3	1,501.6	1,340.7	17.4	1,556.3	1.2	
APIs	432.3	542.9	477.7	-9.5	570.2	-24.2	
US Sales (Ex Taro)	2,330.4	2,342.4	1,847.1	26.2	2,322.9	0.3	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(\$ Crore)	FY23			FY24E			FY25E		
	Old	Actual	Change	Old	New	Change	Old	New	Change
Total Operating Income	43,974.0	43,885.5	-0.2	48,927.4	48,251.5	-1.4	53,813.6	52,968.6	-1.6
EBITDA	11,881.2	11,673.8	-1.7	13,357.2	12,690.2	-5.0	14,691.1	14,195.6	-3.4
EBITDA Margin (%)	27.0	26.6	-42 bps	27.3	26.3	-100 bps	27.3	26.8	-50 bps
Adjusted PAT	8,405.5	8,655.2	3.0	9,277.3	8,580.2	-7.5	10,400.1	9,787.1	-5.9
EPS (Adjusted)	35.0	36.1	3.0	38.7	35.8	-7.5	43.4	40.8	-5.9

Source: ICICI Direct Research

Exhibit 3: Assumptions

₹ crore	Current					Earlier			Comments
	FY21	FY22	FY23	FY24E	FY25E	FY23	FY24E	FY25E	
Indian Formulations	10,343.2	12,760.3	13,603.1	15,235.5	17,063.7	13,707.2	15,352.1	17,194.3	
US Formulations	10,092.1	11,373.7	13,535.2	14,429.3	15,399.6	13,543.4	15,014.2	16,146.5	
RoW markets	10,679.2	12,197.6	13,936.8	15,609.3	17,347.1	13,869.8	15,534.2	17,264.6	
APIs	2,118.2	2,095.7	2,200.2	2,310.3	2,425.8	2,310.8	2,426.3	2,547.6	

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	30.1	79.1	80.1	26.7	15.5	14.2
FY22	38654	15.4	32.0	6.3	71.1	21.3	16.0	18.2
FY23	43886	13.5	36.1	12.9	27.4	19.2	15.5	15.3
FY24E	48251	9.9	35.8	-0.9	27.1	17.3	13.6	15.5
FY25E	52969	9.8	40.8	14.1	23.8	15.0	13.7	15.8

Source: ICICI Direct Research

Exhibit 5: Revenue break-up

₹ crore	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY17-22 (%)	FY23-25E (%)
Domestic	7,749.1	8,029.3	7,348.3	9,710.5	10,343.2	12,760.3	13,603.1	15,235.5	17,063.7	10.5	12.0
US	13,758.8	8,746.6	10,673.6	10,542.5	10,092.1	11,373.7	13,535.2	14,429.3	15,399.6	-3.7	6.7
Emerging Markets	4,544.8	4,839.2	5,359.0	5,504.4	5,783.6	6,743.2	7,897.6	8,845.3	9,906.7	8.2	12.0
ROW	2,583.2	2,974.0	3,452.6	4,521.0	4,895.6	5,454.5	6,039.3	6,764.0	7,440.4	16.1	11.0
API & Others	1,634.5	1,476.8	1,811.7	2,047.0	2,118.2	2,095.7	2,200.2	2,310.3	2,425.8	5.1	5.0
ROW	7,128.0	7,813.2	8,811.7	10,025.3	10,679.2	12,197.6	13,936.8	15,609.3	17,347.1	11.3	11.6

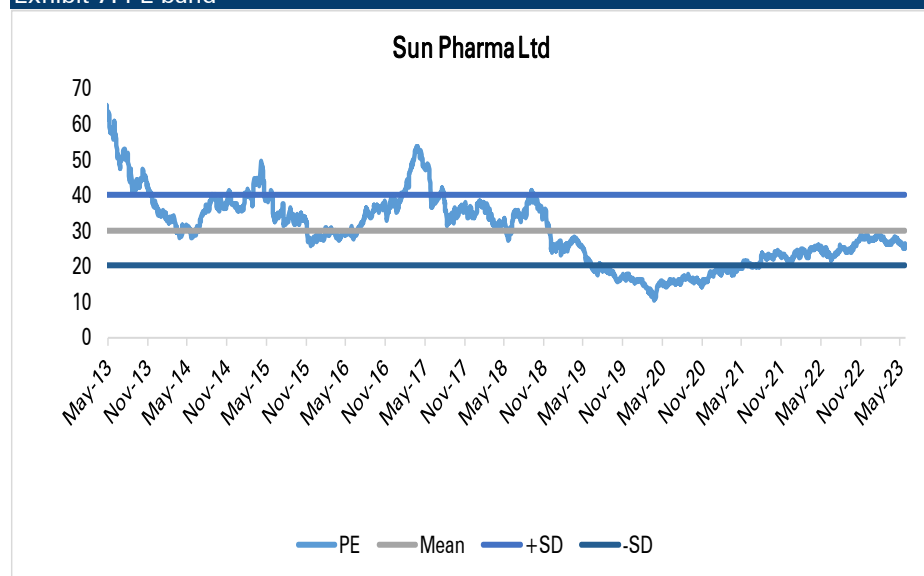
Source: ICICI Direct Research

Exhibit 6: Trends in Quarterly Performance

(₹ Crore)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	YoY (%)	QoQ (%)
Total Operating Incom	8184.9	7585.3	8553.1	8836.8	8523.0	9718.7	9625.9	9863.1	9446.8	10761.8	10952.3	11240.8	10930.7	15.7	-2.8
Raw Material Expens	2304.8	1969.6	2146.3	2333.4	2240.8	2649.4	2521.9	2640.6	2539.6	2900.2	2708.1	2803.7	2250.2	-11.4	-19.7
Gross Profit Margin (%)	71.8	74.0	74.9	73.6	73.7	72.7	73.8	73.2	73.1	73.1	75.3	75.1	79.4		
Employee Expenses	1651.9	1759.0	1705.3	1720.5	1677.5	1758.7	1806.3	1850.9	1884.9	2074.9	2004.6	2037.1	2179.6	15.6	7.0
% of Revenue	20.2	23.2	19.9	19.5	19.7	18.1	18.8	18.8	20.0	19.3	18.3	18.1	19.9		
Other Expenditure	2865.2	2013.1	2508.2	2376.8	2556.3	2489.5	2667.9	2765.2	2681.9	2902.3	3283.1	3396.5	3671.6	36.9	8.1
% of Revenue	35.0	26.5	29.3	26.9	30.0	25.6	27.7	28.0	28.4	27.0	30.0	30.2	33.6		
Total Expenditure	6821.9	5741.7	6359.9	6430.6	6474.5	6897.7	6996.0	7256.7	7106.4	7877.4	7995.7	8237.3	8101.4	14.0	-1.6
% of Revenue	83.3	75.7	74.4	72.8	76.0	71.0	72.7	73.6	75.2	73.2	73.0	73.3	74.1		
EBITDA	1363.0	1843.5	2193.3	2406.1	2048.5	2821.1	2629.9	2606.3	2340.4	2884.4	2956.6	3003.6	2829.3	20.9	-5.8
EBITDA Margin (%)	16.7	24.3	25.6	27.2	24.0	29.0	27.3	26.4	24.8	26.8	27.0	26.7	25.9		
Depreciation	575.4	495.9	498.6	531.9	553.5	503.2	530.4	553.7	556.5	588.0	610.0	660.0	671.5	20.7	1.7
Other Income	102.2	153.8	255.8	315.0	111.0	152.5	222.9	432.5	113.6	2.1	85.2	173.9	373.2	228.6	114.6
PBIT	889.9	1501.4	1950.5	2189.2	1606.0	2470.4	2322.5	2485.2	1897.5	2298.5	2431.8	2517.5	2531.0	33.4	0.5
Interest	51.8	52.0	33.3	26.1	30.1	35.1	36.0	19.0	37.3	13.7	19.4	46.2	92.7	148.4	100.8
Less: Exceptional Iten	260.6	3633.3	0.0	0.0	672.8	631.1	0.0	0.0	3935.8	0.0	0.0	0.0	171.4		
PBT	577.4	-2183.9	1917.2	2163.1	903.0	1804.2	2286.5	2466.2	-2075.6	2284.8	2412.4	2471.3	2266.9	-209.2	-8.3
Total Tax	83.1	245.9	-31.2	244.9	55.0	395.6	197.8	335.4	146.8	189.0	152.3	283.4	222.9	51.9	-21.4
PAT before MI	494.3	-2429.8	1948.4	1918.1	848.0	1408.7	2088.7	2130.8	-2222.4	2095.9	2260.2	2187.9	2044.0	-192.0	-6.6
Minority Interest	92.9	-770.6	130.0	60.9	-51.7	-40.1	39.3	67.5	49.9	32.5	-6.3	14.7	-1.6	-103.1	-110.7
PAT after MI	401.4	-1659.2	1818.4	1857.2	899.7	1448.8	2049.4	2063.3	-2272.2	2063.3	2266.5	2173.1	2045.5	-190.0	-5.9
Profit from Associates	-1.6	3.6	-5.6	-4.7	-5.6	-4.6	-2.4	-4.5	-5.0	-2.5	-4.3	-7.3	-33.8		
PAT	399.8	-1655.6	1812.8	1852.5	894.2	1444.2	2047.0	2058.8	-2277.3	2060.9	2262.2	2165.8	2011.7	-188.3	-7.1
Adjusted PAT	660.5	1146.0	1812.8	1852.5	1343.1	1979.2	2047.0	2058.8	1582.1	2060.9	2262.2	2165.8	2166.3	36.9	0.0
Adjusted EPS (₹)	2.8	4.8	7.6	7.7	5.6	8.2	8.5	8.6	6.6	8.6	9.4	9.0	9.0		

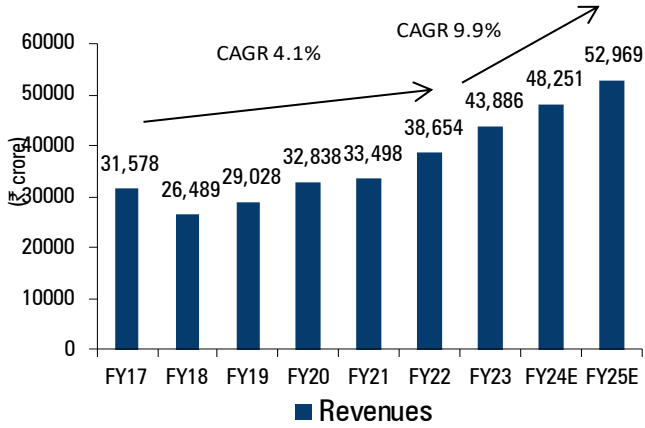
Source: ICICI Direct Research

Exhibit 7: PE band



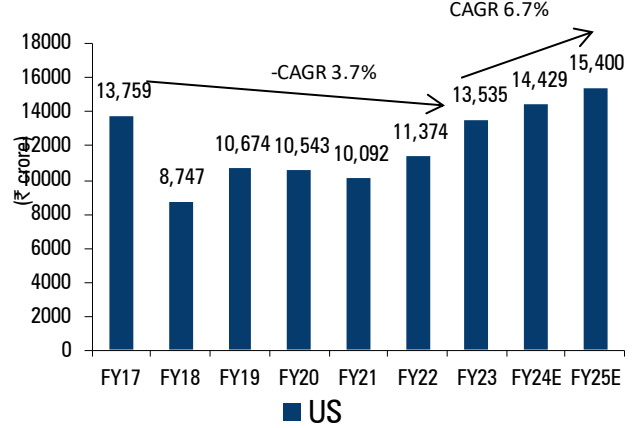
Source: ICICI Direct Research

Exhibit 8: Revenue to grow at 9.9% CAGR over FY23-25E



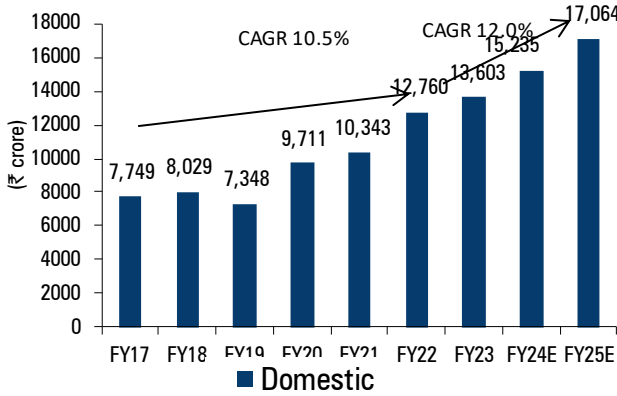
Source: Company, ICICI Direct Research

Exhibit 9: US to grow at CAGR of 6.7% over FY23-25E



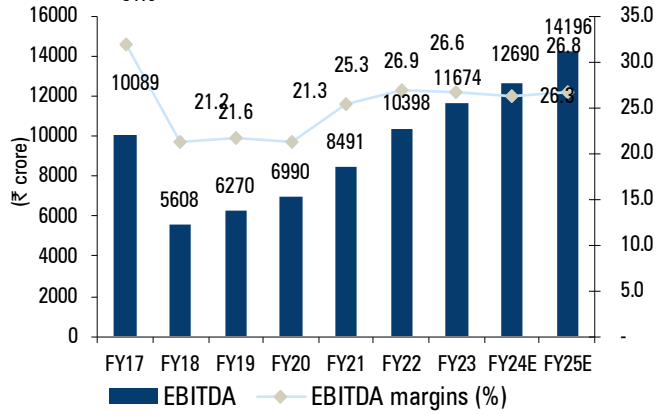
Source: Company, ICICI Direct Research

Exhibit 10: Domestic to grow at 12.0% CAGR in FY23-25E



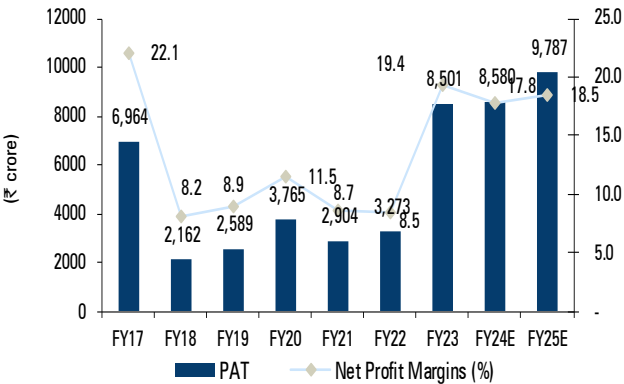
Source: Company, ICICI Direct Research

Exhibit 11: EBITDA & EBITDA margins trend



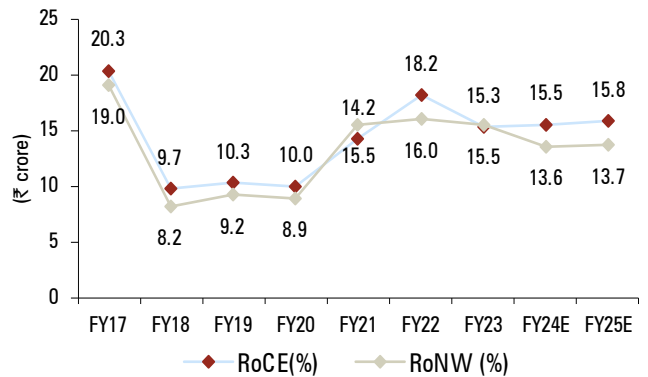
Source: Company, ICICI Direct Research

Exhibit 12: PAT & PAT margins trend



Source: Company, ICICI Direct Research

Exhibit 13: RoCE & RoE trend



Source: Company, ICICI Direct Research

**Exhibit 14: Power brands**

Brand	Therapy	Mar-20	Mar-21	Mar-22	Mar-23	CAGR 20-23	YoY
LEVIPIIL	NEURO / CNS	280.85	317.39	337.55	361.67	8.80%	7.14%
ROSUVAS	CARDIAC	226.41	250.17	294.51	352.72	15.92%	19.77%
VOLINI	PAIN / ANALGESICS	273.00	325.11	349.29	348.45	8.47%	-0.24%
GEMER	ANTI DIABETIC	229.07	252.10	288.16	314.34	11.12%	9.08%
SUSTEN	NEURO / CNS	211.56	227.30	253.23	277.54	9.47%	9.60%
PANTOCID	GASTRO INTESTINAL	185.75	206.96	237.63	261.99	12.15%	10.25%
PANTOCID-D	GASTRO INTESTINAL	189.69	209.94	227.72	245.34	8.95%	7.74%
MONTEK-LC	ANTI-INFECTIVES	133.96	149.26	202.25	230.05	19.75%	13.75%
MOXCLAV	ANTI-INFECTIVES	139.05	113.94	161.82	229.52	18.18%	41.84%
SOMPRAZ-D	GASTRO INTESTINAL	94.03	121.57	154.63	191.62	26.78%	23.92%
Top 10 Brands		1,963.36	2,173.73	2,506.79	2,813.24	12.74%	12.22%
% of IQVIA sales		17.33%	18.23%	18.18%	18.32%		
Ex-Top 10 Brands		9,368.07	9,747.15	11,284.02	12,546.52	10.23%	11.19%

Source: IQVIA, ICICI Direct Research

**Exhibit 15: Therapeutic break-up**

Therapy	Mar-20	Mar-21	Mar-22	Mar-23	CAGR 20-23	YoY
NEURO / CNS	1,982.64	2,196.94	2,380.46	2,649.17	10.14%	11.29%
CARDIAC	1,956.58	2,088.78	2,309.31	2,597.59	9.91%	12.48%
GASTRO INTESTINAL	1,320.31	1,420.67	1,707.22	1,986.52	14.59%	16.36%
ANTI-INFECTIVES	1,041.61	921.82	1,230.39	1,418.71	10.85%	15.31%
ANTI DIABETIC	1,073.09	1,116.35	1,139.61	1,117.06	1.35%	-1.98%
PAIN / ANALGESICS	817.74	878.50	985.02	1,115.29	10.90%	13.23%
RESPIRATORY	481.40	496.30	717.40	828.11	19.82%	15.43%
DERMA	597.96	606.64	679.49	711.79	5.98%	4.75%
VITAMINS/MINERALS/NUTRIENTS	469.22	531.58	641.79	670.81	12.65%	4.52%
GYNAEC.	468.63	479.23	577.56	656.91	11.92%	13.74%
Top Therapies	9,848.85	10,466.29	11,919.71	13,247.43	10.39%	11.14%
Total IQVIA Sales	11,331.43	11,920.87	13,790.81	15,359.76	10.67%	11.38%

Source: IQVIA, ICICI Direct Research



## Financial Summary

Exhibit 16: Profit and loss statement				₹ crore
(Year-end March)	FY22	FY23	FY24E	FY25E
<b>Revenues</b>	<b>38,654.5</b>	<b>43,885.5</b>	<b>48,251.5</b>	<b>52,968.6</b>
Growth (%)	15.4	13.5	9.9	9.8
Raw Material Expenses	10,351.5	10,662.1	11,616.6	12,752.2
Employee Expenses	7,300.8	8,296.0	9,650.3	10,328.9
Other Expenditure	10,604.4	13,253.5	14,294.4	15,691.9
Total Operating Expenditure	28,256.8	32,211.7	35,561.3	38,773.0
<b>EBITDA</b>	<b>10,397.7</b>	<b>11,673.8</b>	<b>12,690.2</b>	<b>14,195.6</b>
Growth (%)	22.5	12.3	8.7	11.9
Depreciation	2,143.7	2,529.4	2,649.3	2,763.1
Interest	127.4	172.0	164.5	157.0
Other Income	921.5	634.4	951.7	1,044.7
PBT	9,048.1	9,606.8	10,828.1	12,320.2
Less: Exceptional Items	4,566.8	171.4	0.0	0.0
Total Tax	1,075.5	847.6	2,057.3	2,340.8
PAT before MI	3,405.8	8,587.8	8,770.7	9,979.4
Minority Interest	116.6	39.4	55.4	57.0
PAT	3,272.7	8,500.6	8,580.2	9,787.1
<b>Adjusted PAT</b>	<b>7,667.1</b>	<b>8,655.2</b>	<b>8,580.2</b>	<b>9,787.1</b>
Growth (%)	6.3	12.9	-0.9	14.1
<b>EPS (Adjusted)</b>	<b>32.0</b>	<b>36.1</b>	<b>35.8</b>	<b>40.8</b>

Source: Company, ICICI Direct Research

Exhibit 17: Cash flow statement				₹ crore
(Year-end March)	FY22	FY23	FY24E	FY25E
Profit/(Loss) after taxation	5450.5	7898.6	8580.2	9787.1
Depreciation	2143.7	2529.4	2649.3	2763.1
(Inc)/Dec in Current Assets	-1021.2	-2371.2	-2274.3	-2558.1
(Inc)/Dec in Current Liabilities	2580.3	-3290.6	1085.5	1222.4
Others	-168.8	193.1	164.5	157.0
<b>CF from operation Activities</b>	<b>8984.5</b>	<b>4959.3</b>	<b>10205.2</b>	<b>11371.6</b>
Purchase of Fixed Assets	-1434.4	-2064.6	-1630.0	-1548.5
(Inc)/Dec in Investments	-3784.7	-6329.4	-3305.4	-3305.4
Others	15.9	450.3	-322.0	-346.8
<b>CF from Investing Activities</b>	<b>-5203.2</b>	<b>-7943.7</b>	<b>-5257.4</b>	<b>-5200.7</b>
Inc / (Dec) in Loan Funds	-2765.4	4995.0	-300.0	-300.0
Inc / (Dec) in Equity Capital	-185.7	0.0	0.0	0.0
Dividend and dividend tax	-2169.2	-2519.7	-1287.0	-1468.1
Other Financial Activities	-73.2	-99.2	-164.5	-157.0
<b>CF from Financing Activities</b>	<b>-5193.5</b>	<b>2376.1</b>	<b>-1751.5</b>	<b>-1925.1</b>
Cash generation during the year	-1412.2	-608.3	3196.3	4245.9
Op bal Cash & Cash equivalents	6445.5	5232.0	4623.7	7820.0
<b>Closing Cash/ Cash Equivalent</b>	<b>5033.4</b>	<b>4623.7</b>	<b>7820.0</b>	<b>12065.9</b>
<b>Free Cash Flow</b>	<b>7550.1</b>	<b>2894.8</b>	<b>8575.2</b>	<b>9823.1</b>

Source: Company, ICICI Direct Research

Exhibit 18: Balance Sheet				₹ crore
(Year-end March)	FY22	FY23	FY24E	FY25E
Equity Capital	239.9	239.9	239.9	239.9
Reserve and Surplus	47,771.3	55,755.5	63,048.6	71,367.7
Total Shareholders funds	48,011.2	55,995.4	63,288.5	71,607.6
Total Debt	1,290.3	6,885.9	6,585.9	6,285.9
Deferred Tax Liability	31.9	31.7	33.9	36.3
Minority Interest	3,054.9	3,320.1	3,375.5	3,432.5
Other LT Liabilities & LT Provision	1,019.6	929.5	994.6	1,064.2
<b>Total Liabilities</b>	<b>53,407.9</b>	<b>67,162.6</b>	<b>74,278.4</b>	<b>82,426.4</b>
Gross Block - Fixed Assets	32,080.0	34,406.6	36,036.6	37,585.1
Accumulated Depreciation	16,169.8	18,699.2	21,348.5	24,111.6
Net Block	15,910.3	15,707.4	14,688.1	13,473.5
Capital WIP	1,286.8	4,973.2	4,973.2	4,973.2
Total Fixed Assets	17,197.1	20,680.6	19,661.3	18,446.7
Investments	12,848.6	14,830.1	18,135.5	21,440.9
Deferred tax assets	2,896.7	3,164.2	3,385.7	3,622.7
Goodwill on Consolidation	6,549.5	8,712.7	8,712.7	8,712.7
LT Loans & Advances & Assets	2,927.0	2,845.3	3,044.4	3,257.5
Cash	5,033.4	5,769.7	8,965.9	13,211.8
Debtors	10,592.9	11,438.5	12,576.5	13,806.0
Loans and Advances	170.0	41.3	44.2	47.3
Inventory	8,996.8	10,513.1	11,454.1	12,573.9
Other current assets	2,588.0	2,747.6	2,939.9	3,145.7
Total Current Assets	27,381.0	30,510.1	35,980.6	42,784.6
Creditors	4,479.3	5,681.5	6,190.1	6,795.2
Provisions & other current liability	11,912.6	7,898.9	8,451.8	9,043.5
Total Current Liabilities	16,392.0	13,580.4	14,641.9	15,838.7
Net Current Assets	10,989.1	16,929.7	21,338.7	26,945.9
<b>Application of Funds</b>	<b>53,407.9</b>	<b>67,162.6</b>	<b>74,278.3</b>	<b>82,426.4</b>

Source: Company, ICICI Direct Research

Exhibit 19: Key ratios				
(Year-end March)	FY22	FY23	FY24E	FY25E
<b>Per share data (₹)</b>				
Adjusted EPS	32.0	36.1	35.8	40.8
BV per share	200.1	233.4	263.8	298.5
Dividend per share	10.0	11.5	5.4	6.1
Cash Per Share	21.0	24.1	37.4	55.1
<b>Operating Ratios (%)</b>				
Gross Margin	73.2	75.7	75.9	75.9
EBITDA Margin	26.9	26.6	26.3	26.8
PAT Margin	19.8	19.7	17.8	18.5
Inventory days	317.2	359.9	359.9	95.1
Debtor days	100.0	95.1	95.1	194.5
Creditor days	157.9	194.5	194.5	0.7
Asset Turnover	0.8	0.7	0.7	0.7
EBITDA Conversion rate	86.4	42.5	80.4	80.1
<b>Return Ratios (%)</b>				
RoE	16.0	15.5	13.6	13.7
RoCE	18.2	15.3	15.5	15.8
RoC	22.6	20.8	22.0	24.2
<b>Valuation Ratios (x)</b>				
P/E	71.1	27.4	27.1	23.8
EV / EBITDA	21.3	19.2	17.3	15.0
EV / Net Sales	5.7	5.1	4.5	4.0
Market Cap / Sales	6.0	5.3	4.8	4.4
Price to Book Value	4.8	4.2	3.7	3.2
<b>Solvency Ratios</b>				
Debt / EBITDA	0.1	0.6	0.5	0.4
Debt / Equity	0.0	0.1	0.1	0.1
Current Ratio	1.4	1.8	1.8	1.9
Working Capital Cycle	259.3	260.5	260.5	289.0

Source: Company, ICICI Direct Research

Exhibit 20: ICICI Direct Coverage Universe ( Healthcare)

Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹ cr)	EPS (₹)				EV/EBITDA(x)				RoCE (%)				RoE (%)			
						FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E
<b>Hospitals</b>																					
Apollo Hospitals	APOHOS	4610	5,460	Buy	66383	59.1	60.5	80.2	126.8	30.2	31.6	25.8	18.8	15.1	14.1	16.6	21.8	15.1	13.8	16.0	21.1
Narayana Hrudalaya	NARHRU	844	990	Buy	17219	16.7	29.7	27.0	32.0	26.9	18.0	16.1	13.7	20.5	25.2	19.1	19.4	23.0	28.4	20.7	19.8
Shalby	SHALIM	136	170	Buy	1473	5.4	6.3	8.2	10.3	12.8	10.9	8.1	6.7	8.4	9.9	11.8	13.9	6.7	7.4	8.9	10.2
Aster DM	ASTDM	270	280	Buy	13500	10.5	8.6	18.1	23.6	10.1	9.3	6.2	4.7	9.0	8.7	13.6	15.4	13.3	9.8	17.1	18.2
Healthcare Global	HEAGLO	302	390	Buy	4198	3.9	2.1	6.4	8.6	20.8	16.4	12.3	10.6	5.0	8.1	12.5	14.3	5.0	3.4	9.4	11.2
Rainbow Children's Medicare	RAICHI	955	900	Hold	9742	13.6	20.8	19.2	20.2	30.3	26.4	24.6	20.9	20.2	17.8	14.5	16.5	22.9	19.9	15.5	14.0
<b>Company</b>																					
Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹ cr)	EPS (₹)				P/E(x)				RoCE (%)				RoE (%)			
						FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E
<b>MNC Pharma</b>																					
Abbott India	ABBIND	21901	20,315	Hold	45993	380.3	452.1	501.7	564.3	57.6	48.4	43.7	38.8	36.6	38.7	34.1	31.0	28.3	29.8	26.1	23.6
P&G Health	MERLIM	5135	5,620	Buy	8729	113.2	152.2	144.4	165.2	45.3	33.7	35.6	31.1	39.8	43.7	34.5	33.6	31.2	33.2	26.5	25.7
Sanofi India	SANOFI	6850	6,270	Hold	15755	410.6	269.8	251.4	272.7	16.7	25.4	27.3	25.1	33.3	55.1	49.6	45.0	25.9	41.2	36.9	33.3
Pfizer	PFIZER	3806	3,830	Hold	17505	133.2	135.6	135.7	147.2	28.6	28.1	28.0	25.8	26.1	24.8	22.7	21.6	21.4	18.4	17.1	16.3
<b>Pharma</b>																					
Ajanta Pharma	AJAPHA	1290	1,520	Buy	16514	55.7	46.5	59.9	69.2	23.2	27.7	21.5	18.6	27.0	21.3	23.5	23.3	21.8	17.4	19.2	18.9
Alembic Pharma	ALEMPHA	546	530	Hold	10764	27.7	17.4	14.1	22.1	19.7	31.5	38.8	24.7	10.6	8.6	8.0	11.6	10.4	7.8	6.2	9.1
Aurobindo Pharma	AURPHA	615	525	Hold	36030	47.4	34.8	46.2	52.4	13.0	17.6	13.3	11.7	12.9	10.2	12.6	13.1	11.3	7.7	9.3	9.6
Biocon	BIOCON	239	235	Hold	28758	5.7	5.7	8.8	15.4	42.1	42.0	27.2	15.6	7.5	3.9	5.6	6.8	8.1	3.8	5.6	9.0
Zydus Lifesciences	CADHEA	508	600	Buy	52045	21.0	21.6	25.3	33.3	24.2	23.5	20.1	15.3	12.0	14.2	14.8	14.9	12.6	12.6	13.1	14.8
Cipla	CIPLA	951	1,090	Buy	76774	32.9	36.4	42.7	48.2	28.9	26.1	22.3	19.7	16.7	17.4	17.8	18.2	12.7	12.5	13.2	13.4
Dr Reddy's Lab	DRREDD	4531	5,520	Buy	75214	127.2	269.3	230.2	256.5	35.6	16.8	19.7	17.7	12.5	23.9	18.8	21.1	11.0	19.2	14.4	14.2
Glenmark	GLEPHA	591	580	Hold	16677	42.7	37.8	34.6	41.3	13.8	15.7	17.1	14.3	14.8	13.4	13.5	14.9	13.2	11.2	9.4	10.1
Ipca Lab	IPCLAB	684	885	Hold	17385	34.8	20.8	31.4	37.0	19.7	32.9	21.8	18.5	17.4	12.1	15.7	16.5	16.1	8.9	12.1	12.7
Lupin	LUPIN	780	725	Hold	35488	11.9	8.3	25.6	33.0	65.7	93.8	30.4	23.7	3.4	5.7	11.0	13.0	4.4	3.0	8.6	10.2
Natco	NATPHA	630	565	Hold	11525	9.3	36.3	40.3	30.2	67.8	17.3	15.6	20.8	4.6	15.9	16.5	11.6	4.0	13.9	13.6	9.4
Sun Pharma	SUNPHA	970	1,140	Buy	232679	32.0	36.1	35.8	40.8	30.3	26.9	27.1	23.8	18.2	15.3	15.5	15.8	16.0	15.5	13.6	13.7
Torrent Pharma	TORPHA	1700	1,720	Hold	57468	32.0	36.3	45.1	53.8	53.1	46.8	37.7	31.6	19.7	17.1	20.4	23.3	18.2	17.9	19.0	19.4
Indoco Remedies	INDREM	335	405	Buy	3080	16.8	15.6	21.3	27.1	19.9	21.5	15.8	12.4	17.5	12.7	15.8	18.9	17.1	14.0	16.5	17.9
Caplin Point	CAPPOI	736	865	Buy	5596	39.5	48.8	47.9	47.9	18.7	15.1	15.4	15.4	25.3	23.5	22.4	22.4	20.2	20.2	16.7	16.7
Advanced Enzyme	ADVENZ	274	310	Hold	3068	11.5	13.1	10.7	10.7	23.7	21.0	25.7	25.7	14.3	10.9	13.4	14.2	11.0	8.7	10.7	11.3
Hester Bios	HESPHA	1651	1,490	Reduce	1486	45.7	31.1	40.5	53.3	36.1	53.1	40.8	31.0	10.9	7.5	8.8	10.3	15.0	9.4	11.2	13.1
<b>API/CRAMS</b>																					
Divi's Lab	DIVLAB	3514	3,575	Buy	93121	111.5	68.7	78.3	89.4	31.5	51.2	44.9	39.3	30.2	17.8	18.9	19.4	25.2	14.3	14.8	15.2
Hikal	HIKCHE	284	375	Hold	3493	13.0	5.7	14.6	20.7	21.8	49.9	19.5	13.7	13.6	7.2	14.3	17.7	15.0	6.3	14.1	17.0
Syngene International	SYNINT	718	740	Buy	28794	9.9	11.6	13.3	17.9	72.7	62.0	53.9	40.2	11.7	13.8	14.2	16.9	12.9	12.8	13.0	14.9
Granules India	GRANUL	277	1,090	Buy	3405	16.6	20.8	21.8	27.8	16.6	13.3	12.7	10.0	15.6	18.5	17.8	19.4	16.0	18.2	16.2	17.3
Laurus Labs	LAULAB	335	300	Hold	17981	15.4	14.7	10.5	10.5	21.7	22.7	31.9	31.9	21.3	19.8	14.6	16.0	24.7	19.6	12.4	13.5
Suven Pharma	SUVPH	477	0	Buy	12164	17.8	14.7	17.7	20.0	26.8	32.4	27.0	23.8	37.5	26.0	25.6	24.5	29.7	20.6	20.5	19.5

Source: ICICI Direct Research



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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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