

High Covid base; eyes on US recovery...

About the stock: Zydus is a leading pharma company with family pedigree having a presence in domestic branded formulations, US generics and is in the process of repurposing itself into niche areas of specialty pharmaceuticals, biosimilars and vaccines.

- FY22 revenue break-up – US: 39%, India: 32%, Wellness: 13%, Europe & emerging markets including countries in LatAm, Asia Pacific & Africa: 10%
- Zydus is the fourth largest pharma company in India with 14 brands among Top 300 pharma brands in India and nine with ₹ 100 crore+ sales

Q1FY23 Results: India growth impacted by higher Covid base (9% YoY growth ex-Covid, generics portfolio and divested products) while US price erosion eased.

- Sales were up 2% YoY to ₹ 4073 crore (ex-Covid: up 11% YoY)
- EBITDA was at ₹ 833 crore, down 14% YoY with margins at 20.5%
- Adjusted PAT was at ₹ 529 crore (down 11% YoY)

What should investors do? Zydus Life's share price has grown by ~1.7x over the past three years (from ~₹ 226 in August 2019 to ~₹ 387 levels in August 2022).

- We maintain **HOLD** rating as we wait for 1) consistency from US business in terms of continued traction in base business, new launches and steadiness in price erosion besides pending cGMP resolution

Target Price and Valuation: We value Zydus Lifesciences at ₹ 405 (base business of ₹ 381 at 16x P/E on FY24E EPS of ₹ 23.8 + NPV of ₹ 26.7 for gRevlimid opportunity).

Key triggers for future price performance:

- Zydus plans to venture into complex injectable and niche orphan drugs in US. Complex launches likely to provide meaningful traction only from FY24
- USFDA cGMP issues at Moraiya (transdermal products) and base business growth (impending competition in Asacol) and execution of new launch schedule remain key for the US
- India formulations business is likely to stabilise as the company has optically initiated restructuring of business by rationalising slow moving SKUs
- Pipeline of innovative products like Saroglitazar Magnesium, Desidustat, anti-malarial compound, biologics and 505(b)(2) specialty initiatives

Alternate Stock Idea: Apart from Zydus, in our healthcare coverage we 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 ₹ 1135



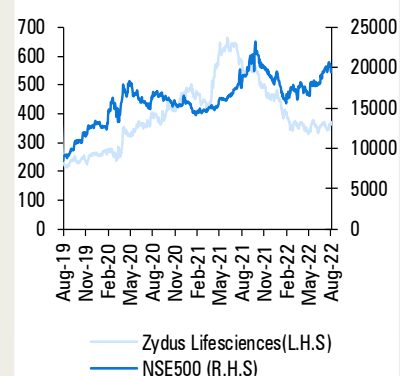
Particulars

Particular	Amount
Market Capitalisation	₹ 39162 crore
Debt (FY22)	₹ 4196 crore
Cash (FY22)	₹ 1107 crore
EV	₹ 42251 crore
52 week H/L	576/319
Equity capital	₹ 101 crore
Face value	₹ 1

Shareholding pattern

(in %)	Sep-21	Dec-21	Mar-22	Jun-22
Promoter	74.9	74.9	74.9	74.9
Others	25.1	25.1	25.1	25.1

Price Chart



Recent Event & Key risks

- USFDA issued four Form 483 observations for Moraiya facility
- Key Risk:** (i) Faster resolution of Moraiya (ii) Higher price erosion in US base business

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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)
Revenues	14253.1	14403.5	15265.2	9.7	16737.7	18125.2	9.0
EBITDA	2742.0	3387.1	3340.7	11.9	3427.8	3761.0	6.1
EBITDA margins (%)	19.2	23.5	21.9		20.5	20.8	
Net Profit	1430.1	2390.1	2149.2	4.0	2149.4	2435.3	6.4
EPS (₹)	14.0	23.3	21.0		21.0	23.8	
PE (x)	33.7	18.0	17.7		18.4	16.3	
EV to EBITDA (x)	17.0	12.8	12.8		12.0	10.4	
RoE (%)	13.8	18.4	12.6		11.4	11.6	
RoCE (%)	10.7	13.8	12.0		11.8	11.7	

Source: Company, ICICI Direct Research

Key takeaways of recent quarter & conference call highlights

Q1FY23 Results: Steady quarterly performance

- Revenues grew 2% YoY to ₹ 4073 crore, mainly on the back of 9% YoY growth in US business to ₹ 1559 crore. Domestic formulations de-grew 17% YoY to ₹ 1125 crore while consumer wellness grew 18% YoY to ₹ 692 crore. Emerging markets expanded 14% YoY to ₹ 315 crore while APIs posted de-growth of 10% YoY to ₹ 122 crore. EBITDA margins declined 383 bps to 20.5% mainly due to higher input cost and pricing pressure in US and higher employee benefit expenditure. Subsequently, EBITDA de-grew 14% YoY to ₹ 833 crore. Adjusted profit was down 11% YoY to ₹ 529 crore
- Zydus Lifesciences' Q1FY23 results were in-line with I-direct estimates. Ex-Covid related business, revenues grew 11% YoY this quarter. India formulations (ex-Covid: up 9% YoY) gained market share in key therapies like cardiovascular, gynaecology, respiratory and pain management, while consumer wellness business rebounded on the back of robust performance of summer heavy brands viz. Glucon-D and Nycil. On the US front, business grew on the back of volume expansion and eight new launches during the quarter. The company's plan to venture into complex injectables and incremental new launches bodes well. Similarly, addition of biosimilars (like Trastuzumab, Adalimumab, Pegfilgrastim, Bevacizumab, etc.) for emerging markets (like LatAm, MENA markets and South East Asia) is expected to provide growth impetus, going ahead. The wellness segment performance hinges upon the company's marketing & distribution prowess while India formulations business is likely to stabilise and grow with the market

Q1FY23 Earnings Conference Call highlights

- In India formulations, excluding sales of Covid related products, generics portfolio and divested products, the branded prescription business grew 9% YoY. Zydus has retained leadership position in the nephrology segment while in oncology, the company gained multiple ranks and is now among top two players in India. The management is indicating the India business will grow in line with IPM in the near term while guiding for outperformance in the long term due to focused approach in chronic, institutional sales, NCEs and biosimilar along with expanding reach
- In the US, price erosion (~2.5%) was neutralised on the back of volume share gains in base business and eight new launches in this quarter. The management has indicated that this base is sustainable for growth. Asacol is steady in terms of market share and the management is not expecting competition before Q4FY23. The company is looking to launch gRevlimid in the second wave and has guided for growth in FY24 despite competition in Asacol. ANDAs: Filings eight, Approvals seven (one tentative). Filings include three competitive generic therapies (CGT) while approvals include one first cycle approval. Zydus has filed five transdermal products from Moraiya while four are stuck due to pending clearance. Zydus has commenced commercial shipment of Nulibry (Fosdenopterin for injection). The management remains focused on commercialisation of differentiated pipeline and ramp-up in specialty portfolio. Zydus has five to six complex filings due in US with target to file one or two complex injectable every year. Zydus is aiming to file and launch 30-35 products every year in the US
- Zydus has received approval for Adalimumab in Russia. The management has guided for a meaningful tender opportunity. Biosimilars development is largely for India and emerging markets as the timeline is stretched for developed markets. Zydus is looking to target LatAm markets starting with Mexico, Colombia and Venezuela
- On the margins front, the company is guiding for 20% plus margins, going forward
- R&D guidance at 8% of sales over the next three years

Exhibit 1: Variance Analysis

	Q1FY23	Q1FY23E	Q1FY22	Q4FY22	YoY (%)	QoQ (%)	Comments
Revenue	4072.7	4094.0	4001.8	3863.8	1.8	5.4	Ex-Covid related business, revenues grew 11% YoY this quarter
Raw Material Expenses	1509.3	1494.3	1355.0	1495.8	11.4	0.9	
Employee Expenses	681.0	655.0	623.6	599.8	9.2	13.5	
Other expenditure	1049.4	1105.4	1051.3	1050.5	-0.2	-0.1	
EBITDA	833.0	839.3	971.9	717.7	-14.3	16.1	
EBITDA (%)	20.5	20.5	24.3	18.6	-383 bps	188 bps	YoY decline due to higher input cost and pricing pressure in US and higher employee benefit expenditure
Interest	34.3	32.0	27.3	38.5	25.6	-10.9	
Depreciation	180.7	204.1	173.3	185.4	4.3	-2.5	
Other Income	65.9	32.0	31.6	79.1	108.5	-16.7	
PBT before EO & Forex	683.9	635.2	802.9	572.9	-14.8	19.4	
EO	2.9	0.0	0.0	0.0	0.0	0.0	
PBT	681.0	635.2	802.9	572.9	-15.2	18.9	
Tax	118.4	127.0	157.4	109.2	-24.8	8.4	
Tax rate (%)	17.4	20.0	19.6	19.1	-11.3	-8.8	
Net Profit	526.6	491.2	597.2	412.4	-11.8	27.7	
Adjusted PAT	529.0	491.2	597.2	412.4	-11.4	28.3	Delta vis-à-vis EBITDA due to YoY increase in other income
Key Metrics							
India	1125.1	1220.9	1356.6	1164	-17.1	-3.3	India formulations (ex-Covid: up 9% YoY) gained market share in key therapies
US	1559.2	1535.2	1427.9	1423.3	9.2	9.5	YoY growth on the back of volume expansion and eight new launches during the quarter
Europe	61.4	65.9	59.9	63.3	2.5	-3.0	
EMs	315.5	304.7	277	275.0	13.9	14.7	
Wellness	691.6	674.1	586.2	633	18.0	9.3	YoY growth on the back of robust performance of summer heavy brands viz. Glucon-D and Nycil
JVs	47.7	51.0	51	46.9	-6.5	1.7	
APIs	122.4	142.3	135.5	136.3	-9.7	-10.2	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY23E			FY24E			
	Old	New	% Change	Old	New	% Change	
Revenue	15,894.9	16,737.7	5.3	17,150.3	18,125.2	5.7	Changed due to better offtake in US and steady guidance for India both wellness and formulations
EBITDA	3,575.7	3,427.8	-4.1	3,955.5	3,761.0	-4.9	
EBITDA Margin (%)	22.5	20.5	-202 bps	23.1	20.8	-231 bps	Guidance for 20%+ margins
Adj. PAT	2,234.3	2,149.4	-3.8	2,535.5	2,435.3	-4.0	
EPS (₹)	21.8	21.0	-3.8	24.8	23.8	-4.0	

Source: ICICI Direct Research

Exhibit 3: Assumptions

(₹ crore)	Current				Earlier		Comments
	FY21	FY22	FY23E	FY24E	FY23E	FY24E	
India	4,042.9	4,812.5	5,109.7	5,620.7	4,904.9	5,395.4	Changed amid guidance for tracking IPM growth
US	6,350.5	5,813.8	6,511.2	6,885.5	6,136.9	6,443.8	Changed mainly due to new launch momentum and better Q1FY23
Europe	227.5	252.3	272.2	299.4	283.5	311.9	
EMs	1,016.7	1,192.1	1,362.5	1,525.9	1,311.1	1,442.2	Changed mainly due to geographical expansion and launches
Wellness	1,840.9	1,978.8	2,223.7	2,457.1	2,003.8	2,205.3	Changed mainly due to better-than-expected sales in Q1FY23
JVs	84.4	207.9	211.4	221.9	202.1	202.1	
APIs	562.1	570.2	588.5	617.9	664.9	731.3	

Source: ICICI Direct Research

Exhibit 4: Financial Summary

	Revenues (₹ crore)	Growth (%)	EPS (₹)	Growth (%)	P/E (x)	EV/EBITDA (X)	RoE (%)	RoCE (%)
FY21	14404	1.1	23.3	67.1	18.0	12.8	18.4	13.8
FY22	15265	6.0	21.0	-10.1	17.7	12.8	12.6	12.0
FY23E	16738	9.6	21.0	0.0	18.4	12.0	11.4	11.8
FY24E	18125	8.3	23.8	13.3	16.3	10.4	11.6	11.7

Source: ICICI Direct Research

Exhibit 5: Revenue Mix

(₹ crore)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	CAGR (FY17-22) %	CAGR (FY22-24E) %
India	2,983	3,244	3,333	3,534	3,714	4,043	4,813	5,110	5,621	8.2	8.1
US	4,022	3,709	5,835	6,280	6,251	6,351	5,814	6,511	6,885	9.4	8.8
Europe	295	262	240	227	196	228	252	272	299	-0.8	8.9
EMs	690	749	762	831	875	1,017	1,192	1,362	1,526	9.7	13.1
Wellness	432	459	492	808	1,738	1,841	1,979	2,224	2,457	33.9	11.4
JVs	263	159	159	132	70	84	208	211	222	5.5	3.3
Total APIs	365	380	366	425	453	562	570	588	618	8.5	4.1

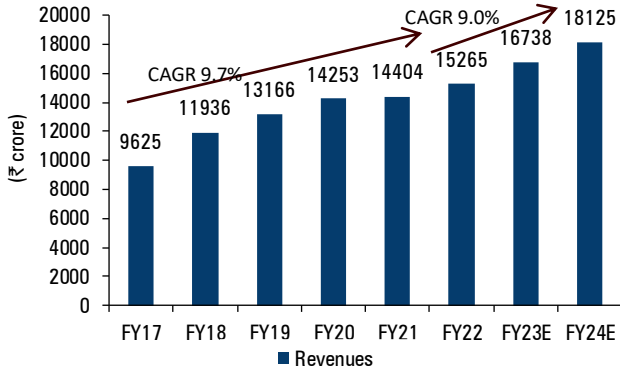
Source: ICICI Direct Research

Exhibit 6: Trends in Quarterly Performance

(₹ Crore)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	YoY (%)	QoQ (%)
Sales	3496.3	3366.6	3638.1	3752.1	3514.7	3820.0	3795.6	3670.3	4001.8	3784.8	3639.8	3863.8	4072.7	1.8	5.4
Raw Material Expense	1259.5	1156.5	1244.3	1259.7	1250.3	1322.3	1293.5	1236.4	1355.0	1382.3	1333.4	1495.8	1509.3	11.4	0.9
% of revenue	36.0	34.4	34.2	33.6	35.6	34.6	34.1	33.7	33.9	36.5	36.6	38.7	37.1		
Gross Profit	2236.8	2210.1	2393.8	2492.4	2264.4	2497.7	2502.1	2433.9	2646.8	2402.5	2306.4	2368.0	2563.4	-3.2	8.3
% of revenue	64.0	65.6	65.8	66.4	64.4	65.4	65.9	66.3	66.1	63.5	63.4	61.3	62.9	-320 bps	165 bps
Employee Expenses	589.8	596.7	619.0	609.0	634.5	616.5	628.6	580.1	623.6	647.7	591.2	599.8	681.0	9.2	13.5
% of revenue	16.9	17.7	17.0	16.2	18.1	16.1	16.6	15.8	15.6	17.1	16.2	15.5	16.7		
Other Expenditure	1015.0	987.8	1081.6	1092.2	939.7	1017.8	1066.6	1004.3	1051.3	894.0	963.6	1050.5	1049.4	-0.2	-0.1
% of revenue	29.0	29.3	29.7	29.1	26.7	26.6	28.1	27.4	26.3	23.6	26.5	27.2	25.8		
Total Expenditure	2864.3	2741.0	2944.9	2960.9	2824.5	2956.6	2988.7	2820.8	3029.9	2924.0	2888.2	3146.1	3239.7	6.9	3.0
% of revenue	81.9	81.4	80.9	78.9	80.4	77.4	78.7	76.9	75.7	77.3	79.4	81.4	79.5		
EBITDA	632.0	625.6	693.2	791.2	690.2	863.4	806.9	849.5	971.9	860.8	751.6	717.7	833.0	-14.3	16.1
EBITDA Margins (%)	18.1	18.6	19.1	21.1	19.6	22.6	21.3	23.1	24.3	22.7	20.6	18.6	20.5	-383 bps	188 bps
Depreciation	171.6	172.3	174.1	178.5	176.8	179.0	180.4	175.3	173.3	184.8	177.0	185.4	180.7	4.3	-2.5
Interest	89.1	89.7	80.5	82.5	67.7	45.7	26.8	23.2	27.3	30.1	31.1	38.5	34.3	25.6	-10.9
Other Income	22.6	26.9	20.1	44.3	22.5	27.5	27.5	-30.4	31.6	53.3	60.7	79.1	65.9	108.5	-16.7
Forex & EO	0.0	-268.1	-1.6	-52.5	0.0	-132.0	0.0	-73.1	0.0	-95.7	0.0	0.0	0.0	-2.9	
PBT	393.9	122.4	457.1	522.0	468.2	534.2	627.2	547.5	802.9	603.5	604.2	572.9	681.0	-15.2	18.9
Total Tax	79.1	39.5	92.7	108.5	123.5	110.6	114.7	-206.0	157.4	100.0	109.4	109.2	118.4	-24.8	8.4
Tax rate (%)	20.1	32.3	20.3	20.8	26.4	20.7	18.3	-37.6	19.6	16.6	18.1	19.1	17.4	-221.8	-167.5
PAT before MI	314.8	82.9	364.4	413.5	344.7	423.6	512.5	753.5	645.5	503.5	494.8	463.7	562.6	-12.8	21.3
Minority Interest	21.5	-13.2	-2.5	21.8	32.6	-38.4	0.8	56.4	55.3	9.6	10.2	55.9	58.1	5.1	3.9
PAT	303.8	107.2	373.9	391.9	328.8	473.4	527.2	700.9	597.2	506.2	506.9	412.4	526.6	-11.8	27.7
Adjusted PAT	303.8	317.1	375.2	433.5	328.8	578.1	527.2	801.5	597.2	586.0	506.9	412.4	529.0	-11.4	28.3
Adjusted EPS (₹)	3.0	3.1	3.7	4.2	3.2	5.6	5.1	7.8	5.8	5.7	5.0	4.0	5.2		

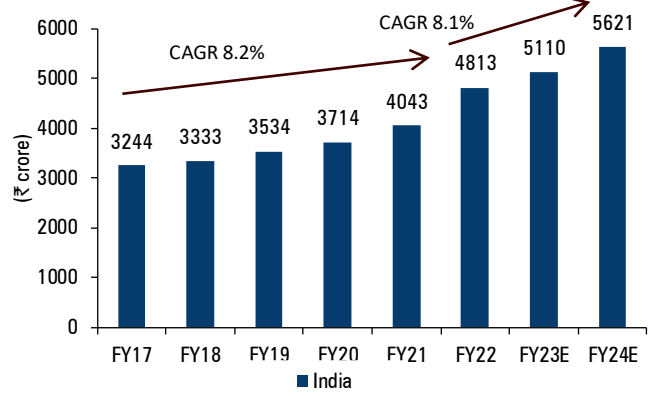
Source: ICICI Direct Research

Exhibit 7: Revenue to grow at CAGR of 9% over FY22-24E



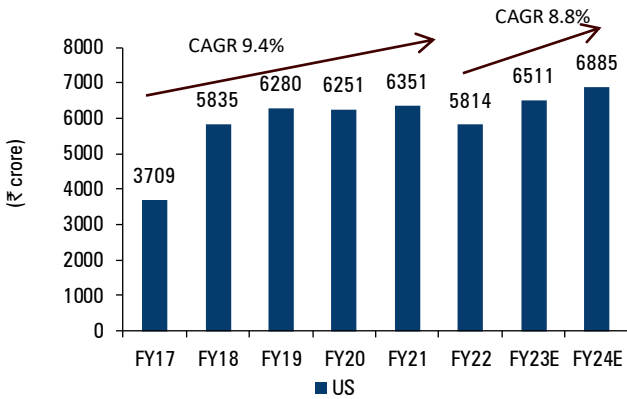
Source: ICICI Direct Research, Company

Exhibit 8: Domestic to grow at ~8.1% CAGR in FY22-24E



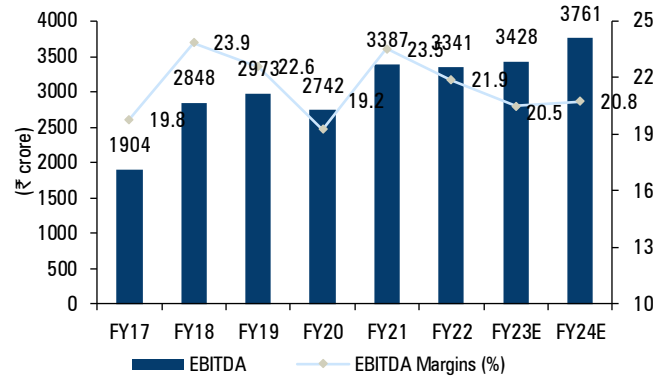
Source: ICICI Direct Research, Company

Exhibit 9: US to grow at ~9% over FY22-24E



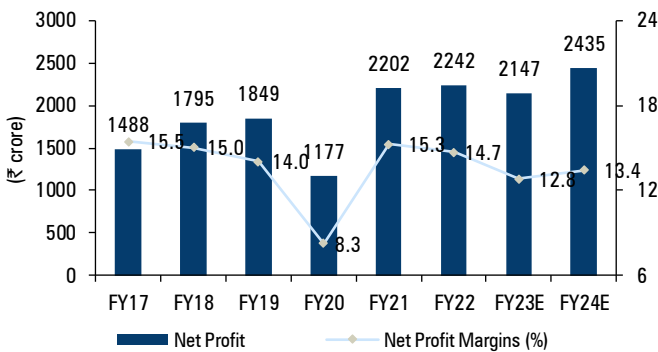
Source: ICICI Direct Research, Company

Exhibit 10: EBITDA & EBITDA margins trend



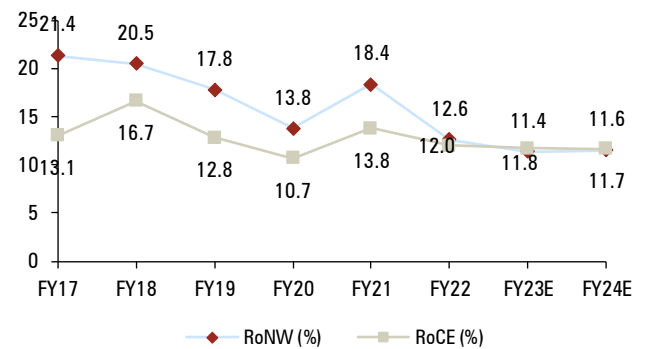
Source: ICICI Direct Research, Company

Exhibit 11: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 12: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 13: 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	4313	5,080	Buy	62011	7.9	59.1	79.0	101.0	548.7	72.9	54.6	42.7	6.3	15.1	15.3	18.8	2.5	15.1	17.4	18.9
Narayana Hrudalaya	NARHRU	682	800	Buy	13937	-0.7	16.7	20.6	22.7	NA	40.8	33.2	30.1	1.2	20.5	19.6	19.7	-1.3	23.0	22.3	19.9
Shalby	SHALIM	117	150	Buy	1269	3.9	5.4	7.5	9.9	29.9	21.7	15.7	11.9	6.5	8.4	11.7	14.3	5.1	6.7	8.6	10.4
Aster DM	ASTDM	216	250	Buy	10797	3.0	10.5	10.8	16.7	73.1	20.5	20.1	13.0	5.4	9.0	9.4	12.5	4.4	13.3	12.0	15.6
Healthcare Global	HEAGLO	285	345	Buy	3965	-13.9	3.9	4.5	8.8	-13.9	73.8	62.7	32.3	-0.9	5.0	9.4	12.1	-0.9	5.0	6.8	11.6
MNC Pharma																					
Abbott India	ABBIND	18870	20,560	Buy	40097	325.0	375.9	439.8	514.0	58.1	50.2	42.9	36.7	33.8	36.6	37.9	36.3	26.5	28.3	29.5	28.1
P&G Health	MERLIM	4375	4,955	Hold	7262	106.5	121.5	130.5	141.6	41.1	36.0	33.5	30.9	32.2	37.3	34.7	32.8	25.1	29.3	27.0	25.4
Sanofi India	SANOFI	6375	6,885	Hold	14682	207.4	410.1	270.5	264.8	30.7	15.5	23.6	24.1	32.3	33.3	41.1	50.7	24.5	25.9	31.2	38.7
Pfizer	PFIZER	4224	4,480	Hold	19324	108.8	133.9	140.4	149.3	38.8	31.5	30.1	28.3	27.6	26.1	22.4	21.8	20.8	21.4	17.9	17.7
Pharma																					
Ajanta Pharma	AJAPHA	1278	1,495	Buy	16380	51.0	55.6	60.1	71.1	25.0	23.0	21.3	18.0	29.0	27.0	24.4	24.5	21.8	21.8	19.9	19.9
Alembic Pharma	ALEMPHA	652	590	Reduce	12824	62.8	27.8	15.3	26.9	10.4	23.5	42.7	24.2	25.1	10.6	6.5	10.5	24.1	10.4	5.6	9.1
Aurobindo Pharma	AURPHA	593	615	Hold	34732	55.0	47.4	41.1	51.3	10.8	12.5	14.4	11.6	16.9	12.9	11.5	13.3	14.7	11.3	9.0	10.1
Biocon	BIOCON	311	320	Hold	37357	6.3	5.7	5.5	11.3	49.7	54.6	57.1	27.4	7.7	7.5	4.1	6.5	9.9	8.1	2.8	5.5
Zydus Lifesciences	CADHEA	387	405	Hold	39157	23.3	21.0	21.0	23.8	16.6	18.4	18.4	16.3	13.8	12.0	11.8	11.7	18.4	12.6	11.4	11.6
Cipla	CIPLA	1027	1,135	Buy	82881	29.9	32.9	38.6	45.8	34.4	31.2	26.6	22.4	16.3	16.7	17.9	19.0	13.1	12.7	13.3	14.1
Dr Reddy's Labs	DRREDD	4261	4,750	Buy	70917	117.3	126.9	203.4	191.0	36.3	33.6	20.9	22.3	13.1	13.0	19.1	18.1	11.1	11.0	15.4	13.0
Glenmark Pharma	GLEPHA	388	460	Hold	10950	32.9	42.7	41.0	48.3	11.8	9.1	9.5	8.0	13.9	14.8	14.5	15.4	13.1	13.2	11.4	11.9
Ipca Laboratories	IPCLAB	928	985	Hold	23545	44.9	34.8	27.5	35.1	20.7	26.6	33.8	26.4	27.1	17.4	14.3	16.3	24.2	16.1	11.4	13.0
Jubilant Pharmova	JUBLIF	350	340	Reduce	5579	37.4	26.0	15.9	26.1	9.4	13.5	22.1	13.4	13.7	9.0	6.1	8.6	12.6	7.8	4.6	7.0
Lupin	LUPIN	683	610	Reduce	31044	26.9	11.9	11.8	27.7	25.4	57.5	58.0	24.6	9.6	3.4	5.8	10.9	8.8	4.4	4.2	9.2
Natco Pharma	NATPHA	647	735	Hold	11818	24.2	9.3	41.6	42.3	26.8	69.5	15.6	15.3	13.1	4.6	18.1	16.9	10.7	4.0	15.5	13.9
Sun Pharma	SUNPHA	913	1,125	Buy	219167	30.0	32.0	34.8	40.1	30.4	28.6	26.2	22.8	14.2	18.2	18.0	18.7	15.5	16.0	15.2	15.2
Torrent Pharma	TORPHA	1540	1,800	Buy	52119	37.0	32.0	43.7	54.6	41.6	48.1	35.3	28.2	17.6	19.7	24.7	29.4	21.4	18.2	20.9	21.8
Indoco Remedies	INDREM	378	525	Buy	3483	10.1	16.8	21.6	29.2	37.4	22.5	17.5	13.0	11.7	17.5	17.6	23.9	12.1	17.1	18.6	20.6
Caplin Point	CAPPOI	792	1,000	Buy	6005	81.7	85.3	70.4	73.0	9.7	9.3	11.3	10.9	25.3	23.7	22.6	0.0	20.4	20.2	18.7	17.5
Advanced Enzymes	ADVENZ	264	265	Reduce	2951	13.1	10.7	8.5	12.1	20.2	24.7	31.2	21.9	19.4	14.3	10.2	13.2	15.1	11.0	8.1	10.4
Hester Biosciences	HESPHA	2245	2,445	Hold	1910	44.4	45.7	41.3	63.2	50.6	49.1	54.4	35.5	16.2	10.9	9.9	13.4	16.5	15.0	12.2	16.3
API/CRAMS																					
Divi's Lab	DIVLAB	3726	4,315	Buy	98919	74.7	111.5	93.0	113.5	49.9	33.4	40.1	32.8	27.6	30.2	22.8	24.4	21.3	25.2	18.4	19.2
Hikal	HIKCHE	270	340	Buy	3329	10.8	13.0	11.1	19.0	25.0	20.7	24.4	14.2	15.1	13.6	10.9	16.3	14.3	15.0	11.5	16.8
Syngene Int.	SYNINT	592	710	Buy	23771	10.1	9.9	11.5	14.6	58.5	60.1	51.3	40.6	11.5	11.7	12.8	15.2	13.5	12.9	12.4	13.7
Granules India	GRANUL	311	375	Buy	7704	22.2	16.6	21.9	26.8	14.0	18.7	14.2	11.6	24.0	15.6	18.6	20.5	25.3	16.0	17.6	17.9
Laurus Labs	LAULAB	567	675	Buy	30441	18.3	15.4	20.7	27.0	30.9	36.8	27.3	21.0	31.7	21.3	23.6	26.0	37.9	24.7	25.6	25.6
Suven Pharmaceuticals	SUVPH	455	530	Hold	11585	14.2	17.8	17.0	17.6	32.0	25.5	26.8	25.8	31.2	37.5	28.7	25.0	30.7	29.7	23.0	20.0

Source: ICICI Direct Research

Financial Summary

Exhibit 14: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Revenues	14,403.5	15,265.2	16,737.7	18,125.2
Growth (%)	1.1	6.0	9.6	8.3
Raw Material Expenses	4,802.1	5,545.2	6,089.1	6,434.4
Employee Expenses	2,295.1	2,434.1	2,770.7	3,036.0
Other expenses	3,919.2	3,945.2	4,450.1	4,893.8
Total Operating Expenditure	11,016.4	11,924.5	13,309.9	14,364.2
EBITDA	3,387.1	3,340.7	3,427.8	3,761.0
Growth (%)	23.5	-1.4	2.6	9.7
Depreciation	669.6	713.0	772.0	824.5
Interest	158.8	127.0	142.2	97.7
Other Income	45.6	224.7	273.5	141.0
Less: Exceptional Items	205.1	-112.7	2.9	0.0
PBT after Exceptional Items	2,399.2	2,838.1	2,784.1	2,979.9
Total Tax	193.6	511.7	539.0	596.0
Minority Interest	51.4	131.0	171.8	181.6
PAT	2,201.6	2,241.6	2,147.1	2,435.3
Adjusted PAT	2,390.1	2,149.2	2,149.4	2,435.3
Growth (%)	67.1	-10.1	0.0	13.3
EPS (Adjusted)	23.3	21.0	21.0	23.8

Source: Company, ICICI Direct Research

Exhibit 15: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit/(Loss) after taxation	1,939.8	4,557.7	2,147.1	2,435.3
Add: Depreciation	724.8	736.1	772.0	824.5
Net Increase in Current Assets	-125.0	-425.9	-842.4	-706.0
Net Increase in Current Liabilities	311.8	74.4	317.7	247.9
Other Operating Activities	441.6	-2838.2	142.2	97.7
CF from operating activities	3,293.0	2,104.1	2,536.6	2,899.3
(Inc)/dec in Fixed Assets	-743.4	-1,167.2	-600.0	-600.0
Loan & Advances	0.0	0.0	-53.0	-57.8
(Inc)/dec in MI	0.0	0.0	171.8	181.6
Other Investing Activities	-77.3	150.0	-50.0	-54.5
CF from investing activities	-820.7	-1,017.2	-531.2	-530.7
Inc/(dec) in loan funds	-3,342.7	-385.0	-1,000.0	-1,000.0
Dividend paid & dividend tax	-1.5	-372.2	-230.3	-281.5
Inc/(dec) in forex reserve	0.0	0.0	0.0	0.0
Interest Paid	-191.3	-111.1	-142.2	-97.7
Other Financing Activities	986.6	0.0	0.0	0.0
CF from financing activities	-2,548.9	-868.3	-1,372.5	-1,379.2
Net Cash flow	-76.6	218.6	632.8	989.4
Opening Cash	964.9	888.3	1,106.9	1,739.7
Closing Cash	888.3	1,106.9	1,739.7	2,729.2
Free Cash Flow	2,549.6	936.9	1,936.6	2,299.3

Source: Company, ICICI Direct Research

Exhibit 16: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Equity Capital	102.4	102.4	101.2	101.2
Reserve and Surplus	12,889.9	16,897.2	18,815.1	20,968.9
Total Shareholders funds	12,992.3	16,999.6	18,916.4	21,070.2
Total Debt	4,592.5	4,196.0	3,196.0	2,196.0
Deferred Tax Liability	119.7	153.8	167.6	182.7
Minority Interest	1,937.3	2,054.2	2,226.0	2,407.6
Other Non Curr.Liab. & LTP	364.6	386.3	421.1	459.0
Total Liabilities	20,006.4	23,789.9	24,927.1	26,315.5
Gross Block - Fixed Assets	11,988.2	12,340.9	13,140.9	13,740.9
Less: Acc Depreciation	5,201.9	5,452.1	6,224.1	7,048.6
Net Block	6,786.3	6,888.8	6,916.8	6,692.3
Capital WIP	783.2	661.0	461.0	461.0
Total Fixed Assets	7,569.5	7,549.8	7,377.8	7,153.3
Goodwill on Consolidation	5,346.5	5,364.6	5,364.6	5,364.6
Investment	830.1	3,288.0	3,288.0	3,288.0
Inventory	3,236.2	3,719.4	4,084.2	4,315.9
Debtors	3,127.3	3,340.3	3,661.2	3,964.7
Other Current Assets	1,265.3	1,741.6	1,898.3	2,069.2
Cash	888.3	1,106.9	1,739.7	2,729.2
Total Current Assets	8,517.1	9,908.2	11,383.5	13,078.9
Creditors	2,205.9	2,137.8	2,347.5	2,480.6
Provisions	329.9	365.6	398.5	434.4
Other Current Liabilities	1,342.5	1,502.1	1,577.2	1,656.1
Total Current Liabilities	3,878.3	4,005.5	4,323.2	4,571.1
Deferred Tax Assets	1,074.4	1,095.8	1,194.4	1,301.9
Net Current Assets	4,638.8	5,902.7	7,060.3	8,507.8
Long term Loans and advances	547.1	589.0	642.0	699.8
Application of Funds	20,006.4	23,789.9	24,927.1	26,315.5

Source: Company, ICICI Direct Research

Exhibit 17: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
Per share data (₹)				
Adjusted EPS	23.3	21.0	21.0	23.8
BV per share	126.9	166.1	184.8	205.8
Dividend per share	3.5	2.5	2.3	2.8
Cash Per Share	8.7	10.8	17.0	26.7
Operating Ratios (%)				
Gross Profit Margins	66.7	63.7	63.6	64.5
EBITDA margins	23.5	21.9	20.5	20.8
Net Profit margins	16.6	14.1	12.8	13.4
Inventory days	246.0	244.8	244.8	244.8
Debtor days	79.2	79.9	79.8	79.8
Creditor days	167.7	140.7	140.7	140.7
Asset Turnover	1.2	1.2	1.3	1.3
EBITDA Conversion Ratio	97.2	63.0	74.0	77.1
Return Ratios (%)				
RoE	18.4	12.6	11.4	11.6
RoCE	13.8	12.0	11.8	11.7
RoIC	14.9	12.0	11.7	12.7
Valuation Ratios (x)				
P/E	18.0	17.7	18.4	16.3
EV / EBITDA	12.8	12.8	12.0	10.4
EV / Net Sales	3.0	2.8	2.5	2.2
Market Cap / Sales	2.7	2.6	2.4	2.2
Price to Book Value	3.0	2.3	2.1	1.9
Solvency Ratios				
Debt / EBITDA	1.4	1.3	0.9	0.6
Debt / Equity	0.4	0.2	0.2	0.1
Current Ratio	2.0	2.2	2.2	2.3

Source: Company, ICICI Direct Research

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