

US gets gRevlimid, new launches booster; India trajectory decent..

About the stock: Zydus is a leading pharma company with a 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.

- FY23 revenue break-up – US: 44%, India: 29%, Wellness: 13%, Europe & emerging markets including countries in LatAm, Asia Pacific & Africa: 10%
- Zydus is the fifth largest generic pharma company in US. Its 12 brands are among Top 300 pharma brands in India

Q4FY23 Results: Beat on all fronts, US remains the key performer.

- Revenues grew 29.7% YoY to ₹ 5010 crore
- EBITDA grew 83% YoY to ₹ 1314 crore. EBITDA margins improved 765 bps YoY to 26.2%
- Adjusted net profit rose 87.2% YoY to ₹ 772 crore

What should investors do? Zydus Life's share price has grown at 16.3% CAGR over the past three years.

- We maintain **BUY** as we see 1) Consistency from the US business in terms of continued traction in base business and new launches momentum and 2) continued traction in wellness and India formulations

Target Price and Valuation: Valued at ₹ 600 i.e. 18x FY25E EPS of 33.3

Key triggers for future price performance:

- Continuum of US launches and plans for complex injectable and niche orphan drugs from FY25
- Moraiya launch momentum and base business growth (impending competition in Asacol) in 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 ₹ 1090



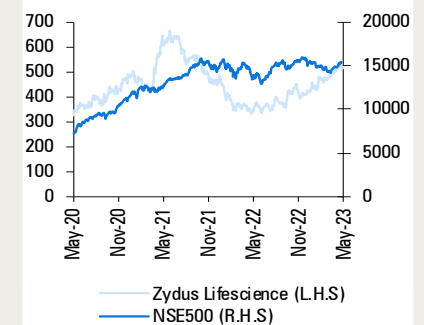
Particulars

Particular	Amount
Market Capitalisation	₹ 51344 crore
Debt (FY23)	₹ 1163 crore
Cash (FY23)	₹ 573 crore
EV	₹ 51934 crore
52 week H/L	530/330
Equity capital	₹ 101 crore
Face value	₹ 1

Shareholding pattern

(in %)	Jun-22	Sep-22	Dec-22	Mar-23
Promoter	74.9	75.0	75.0	75.0
Others	25.1	25.0	25.0	25.0

Price Chart



Recent Event & Key risks

- Launch of Topiramate ER capsules
- Key Risk:** (i) Higher than expected price erosion in US base business (ii) margins going off the track in case of delay in launch momentum

Research Analyst

Siddhant Khandekar
siddhant.khandekar@icicisecurities.com

Kushal Shah
kushal.shah@icicisecurities.com

Utkarsh Jain
utkarsh.jain@icicisecurities.com

Key Financial Summary

Key Financials (₹ crore)	FY21	FY22	FY23	5 year CAGR (FY17-22)	FY24E	FY25E	2 year CAGR (FY23-25E)
Revenues	14403.5	15265.2	17237.1	9.7	18873.3	20676.0	9.5
EBITDA	3387.1	3340.7	3575.2	11.9	4152.1	4652.1	14.1
EBITDA margins (%)	23.5	21.9	20.7		22.0	22.5	
Net Profit	2390.1	2149.2	2211.8	4.0	2591.5	3404.3	24.1
EPS (₹)	23.3	21.0	21.6		25.3	33.3	
PE (x)	23.5	23.1	26.3		19.9	15.2	
EV to EBITDA (x)	16.3	16.4	14.6		12.1	9.7	
RoE (%)	18.4	12.6	12.6		13.1	14.8	
RoCE (%)	13.8	12.0	14.2		14.8	14.9	

Key takeaways of recent quarter & conference call highlights

Q4FY23 Earnings Summary: Beat on all fronts, US remains key performer

- Revenues grew 29.7% YoY to ₹ 5010 crore. Growth was driven by the US followed by the India business. Segmental mix includes India sales, which increased 10.8% YoY to ₹ 1289.6 crore on the back of strengthening of presence in focused therapy areas. US formulations revenues increased 58.3% YoY to ₹ 2252 crore, aided by volume expansion in base portfolio and new launches. Emerging markets and Europe revenues increased 29.8% YoY to ₹ 439 crore, on the back of performance across key markets. Zydus Wellness revenues increased 11.8% YoY to ₹ 708 crore on the back of firm market share in key brands viz. Glucon-D, Nycil and EverYuth (Scrub, PeelOff). On the operational front, EBITDA showed growth of 83.1% YoY to ₹ 1313 crore whereas EBITDA margins improved 765 bps YoY to 26.2%. Adjusted PAT improved 53.1% YoY to ₹ 631.2 crore
- The company's performance was a beat against our estimates on all fronts. India business continues to do well with market share gain in key therapies. Timely launches and volumes supported US growth. Consumer wellness business maintained a dominating market position in key brands despite the difficult environment. We continue to monitor India and US business momentum as historically these two markets have been persistent laggards vis-à-vis peers, thus having direct implications for its muted valuations

ESG Disclosure Score*			
Score	FY20	FY21	FY22
Environmental	1.8	1.8	48.5
Social	36.9	25.7	58.8
Governance	84.9	84.9	84.9
Overall ESG Score	41.2	37.5	64.1

Source: Bloomberg, ICICI Direct Research, *Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures

Q4FY23 Earnings Conference Call highlights:

US:

- The traction from gRevlimid continued during the quarter
- It received 28 new product approvals (including five tentative approvals) and launched eight new products
- It launched Topiramate Extended Release Capsules (gTrokendi), which enjoyed exclusivity being the first generic launch of the product

India

- Major therapy contribution in Q4FY23: Cardiac (16%), anti-infective (13%) and respiratory (11%)
- The patient base of the Lipaglyn brand increased by 37% in FY23, thus extending its reach
- It retained leadership position in the nephrology segment on the super specialty front

Consumer Wellness:

- Gross margins largely improved on account of price hikes taken across portfolio and also with softening of key inputs except milk
- The market share momentum continued in key brands such as Glucon-D (60%), Nycil (35.4%) and EverYuth (Scrub:41.9% and Peel-Off: 78.4%)

Other highlights:

- Saroglitazar received approval from the regulatory authority of Turkey to conduct clinical trials and is undergoing Phase II(b) clinical trials for NASH indication for the US market
- It received pre-qualification from WHO for rabies vaccine
- It's spend in R&D for the quarter was at ₹ 354 crore (7.1% of revenues) and ₹ 1,236 crore for FY23 (7.2% of revenues)
- During the quarter there was an exceptional item of ₹ 601.2 crore, which included goodwill impairment of ₹ 594 crore by Senlyn Therapeutic Inc, wholly owned subsidiary and expenses towards cessation of the operations of one of the manufacturing facility of ₹ 7.2 crore
- gRevlimid is expected to see continued momentum in Q1FY24
- Capex for the quarter was at ₹ 204 crore whereas for FY23 it was at ₹ 958 crore
- It intends to launch two to three products under REMS programme in FY24
- MR strength was at 7000+ including field force and managers

Exhibit 1: Variance Analysis

	Q4FY23	Q4FY23E	Q4FY22	Q3FY23	YoY (%)	QoQ (%)	Comments
Revenue	5010.3	4767.6	3863.8	4362.3	29.7	14.9	Growth was driven by higher sales gRelvimid coupled with new launches in US
Raw Material Expense	1696.0	1716.3	1495.8	1510.4	13.4	12.3	
Employee Expenses	723.9	753.0	599.8	689.0	20.7	5.1	
Other expenditure	1276.6	1287.3	1050.5	1206.9	21.5	5.8	
EBITDA	1313.8	1011.0	717.7	956.0	83.1	37.4	
EBITDA (%)	26.2	21.2	18.6	21.9	765 bps	431 bps	Led by Sales of complex products
Interest	27.7	32.8	38.5	32.8	-28.1	-15.5	
Depreciation	178.6	181.6	185.4	181.6	-3.7	-1.7	
Other Income	37.8	42.1	79.1	38.5	-52.2	-1.8	
PBT before EO & Forex	1086.8	838.7	572.9	780.1	89.7	39.3	
EO	601.3	0.0	0.0	0.0	0.0	0.0	
PBT	485.5	838.7	572.9	780.1	-15.3	-37.8	
Tax	137.2	209.9	109.2	195.2	25.6	-29.7	
Tax rate (%)	28.3	25.0	19.1	25.0	48.3	12.9	
Net Profit	298.5	638.9	412.4	622.5	-27.6	-52.0	
Adjusted PAT	771.8	638.9	412.4	622.5	87.2	24.0	
Key Metrics							
India	1289.6	1315.3	1164	1231.6	10.8	4.7	Sustained growth momentum driven by focused execution, Ex-Covid growth at 12%
US	2252.5	1929.4	1423.3	1925.0	58.3	17.0	Growth was driven by Topiramate ER (180-days exclusivity), gRelvimid and other new launches
Ems & Europe	439.0	316.3	338.3	378.3	29.8	16.0	
Wellness	707.5	696.9	633	412	11.8	71.7	Continued performance from key brands
JVs	38.5	53.9	46.9	24.8	-17.9	55.2	
APIs	125.1	163.6	136.3	188.1	-8.2	-33.5	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

₹ Crore)	FY23			FY24E			FY25E			Comments
	Old	Actual	% Change	Old	New	% Change	Old	New	% Change	
Revenue	17,337.3	17,237.1	-0.6	18,929.6	18,873.3	-0.3	20,246.8	20,676.0	2.1	
EBITDA	3,615.3	3,575.2	-1.1	3,975.2	4,152.1	4.4	4,251.8	4,652.1	9.4	Better margins from Complex launches
EBITDA Margin (%)	20.9	20.7	-11 bps	21.0	22.0	100 bps	21.0	22.5	150 bps	
Adj. PAT	2,307.2	2,211.8	-4.1	2,760.2	2,591.5	-6.1	3,638.4	3,404.3	-6.4	
EPS (₹)	22.5	21.6	-4.1	27.0	25.3	-6.1	35.5	33.3	-6.4	

Source: ICICI Direct Research

Exhibit 3: Assumptions

₹ crore)	Current					Earlier				Comments
	FY21	FY22	FY23	FY24E	FY25E	FY23	FY24E	FY25E		
India	4,042.9	4,812.5	4,911.1	5,402.2	5,942.4	4,936.8	5,430.5	5,973.6		
US	6,350.5	5,813.8	7,445.1	8,107.7	8,837.3	7,122.0	7,711.7	8,405.7	Better traction from complex products	
Ems & Europe	1,244.2	1,444.6	1,579.1	1,768.6	1,980.8	1,270.4	1,422.8	1,593.5		
Wellness	1,840.9	1,978.8	2,233.8	2,457.2	2,702.9	2,223.2	2,445.6	2,690.1		
JVs	84.4	207.9	161.2	169.3	177.7	176.6	185.5	194.7		
APIs	562.1	570.2	547.3	574.7	603.4	585.8	615.0	645.8		

Source: ICICI Direct Research

Exhibit 4: Financial Summary

	Revenues	Growth	EPS	Growth	P/E	EV/EBITDA	RoE	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY21	14404	1.1	23.3	67.1	23.5	16.3	18.4	13.8
FY22	15265	6.0	21.0	-10.1	23.1	16.4	12.6	12.0
FY23	17237	12.9	21.6	2.9	26.3	14.6	12.6	14.2
FY24E	18873	9.5	25.3	17.2	19.9	12.1	13.1	14.8
FY25E	20676	9.6	33.3	31.4	15.2	9.7	14.8	14.9

Source: ICICI Direct Research

Exhibit 5: Revenue Mix

(₹ crore)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	CAGR (FY17-22)	‡CAGR (FY23-25E)	%
India	3,244	3,333	3,534	3,714	4,043	4,813	4,911	5,402	5,942	8.2		10.0
US	3,709	5,835	6,280	6,251	6,351	5,814	7,445	8,108	8,837	9.4		8.9
Europe	262	240	227	196	228	252	186	205	225	-0.8		10.0
EMs	749	762	831	875	1,017	1,192	1,393	1,560	1,748	9.7		12.0
Wellness	459	492	808	1,738	1,841	1,979	2,234	2,457	2,703	33.9		10.0
JVs	159	159	132	70	84	208	161	169	178	5.5		5.0
Total APIs	380	366	425	453	562	570	547	575	603	8.5		5.0

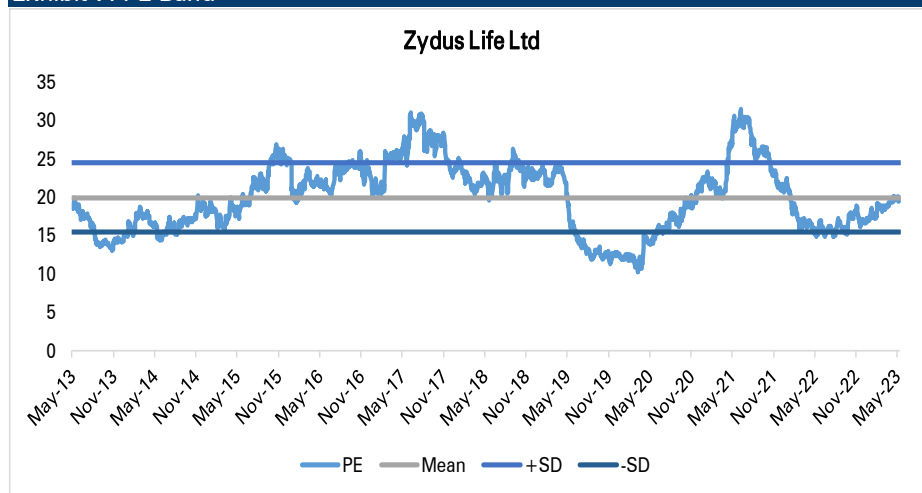
Source: ICICI Direct Research

Exhibit 6: Trends in Quarterly Performance

(₹ Crore)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	YoY (%)	QoQ (%)
Sales	3514.7	3820.0	3795.6	3670.3	4001.8	3784.8	3639.8	3863.8	4072.7	4134.7	4362.3	5010.3	23.0	14.9
Raw Material Expen	1250.3	1322.3	1293.5	1236.4	1355.0	1382.3	1333.4	1495.8	1509.3	1594.4	1510.4	1696.0	12.4	12.3
% of revenue	35.6	34.6	34.1	33.7	33.9	36.5	36.6	38.7	37.1	38.6	34.6	33.9		
Gross Profit	2264.4	2497.7	2502.1	2433.9	2646.8	2402.5	2306.4	2368.0	2563.4	2540.3	2851.9	3314.3	29.3	16.2
% of revenue	64.4	65.4	65.9	66.3	66.1	63.5	63.4	61.3	62.9	61.4	65.4	66.1	321 bps	77 bps
Employee Expenses	634.5	616.5	628.6	580.1	623.6	647.7	591.2	599.8	681.0	671.7	689.0	723.9	6.3	5.1
% of revenue	18.1	16.1	16.6	15.8	15.6	17.1	16.2	15.5	16.7	16.2	15.8	14.4		
Other Expenditure	939.7	1017.8	1066.6	1004.3	1051.3	894.0	963.6	1050.5	1049.4	1053.3	1206.9	1276.6	21.7	5.8
% of revenue	26.7	26.6	28.1	27.4	26.3	23.6	26.5	27.2	25.8	25.5	27.7	25.5		
Total Expenditure	2824.5	2956.6	2988.7	2820.8	3029.9	2924.0	2888.2	3146.1	3239.7	3319.4	3406.3	3696.5	14.1	8.5
% of revenue	80.4	77.4	78.7	76.9	75.7	77.3	79.4	81.4	79.5	80.3	78.1	73.8		
EBITDA	690.2	863.4	806.9	849.5	971.9	860.8	751.6	717.7	833.0	815.3	956.0	1313.8	57.7	37.4
EBITDA Margins (%)	19.6	22.6	21.3	23.1	24.3	22.7	20.6	18.6	20.5	19.7	21.9	26.2	577 bps	431 bps
Depreciation	176.8	179.0	180.4	175.3	173.3	184.8	177.0	185.4	180.7	181.8	181.6	178.6	-1.2	-1.7
Interest	67.7	45.7	26.8	23.2	27.3	30.1	31.1	38.5	34.3	35.1	32.8	27.7	-19.2	-15.5
Other Income	22.5	27.5	27.5	-30.4	31.6	53.3	60.7	79.1	65.9	44.4	38.5	37.8	-42.6	-1.8
Forex & EO	0.0	-132.0	0.0	-73.1	0.0	-95.7	0.0	0.0	-2.9	0.0	0.0	-601.3		
PBT	468.2	534.2	627.2	547.5	802.9	603.5	604.2	572.9	681.0	642.8	780.1	544.0	-20.1	-30.3
Total Tax	123.5	110.6	114.7	-206.0	157.4	100.0	109.4	109.2	118.4	137.0	195.2	137.2	15.9	-29.7
Tax rate (%)	26.4	20.7	18.3	-37.6	19.6	16.6	18.1	19.1	17.4	21.3	25.0	25.2	783.4	19.8
PAT before MI	344.7	423.6	512.5	753.5	645.5	503.5	494.8	463.7	562.6	505.8	584.9	406.8	-27.7	-30.4
Minority Interest	32.6	-38.4	0.8	56.4	55.3	9.6	10.2	55.9	58.1	3.6	8.3	61.6	6.0	642.2
PAT	328.8	473.4	527.2	700.9	597.2	506.2	506.9	412.4	526.6	517.0	622.5	298.5	-43.3	-52.0
Adjusted PAT	328.8	578.1	527.2	801.5	597.2	586.0	506.9	412.4	529.0	517.0	622.5	771.8	45.9	24.0
Adjusted EPS (₹)	3.2	5.6	5.1	7.8	5.8	5.7	5.0	4.0	5.2	5.1	6.1	7.5		

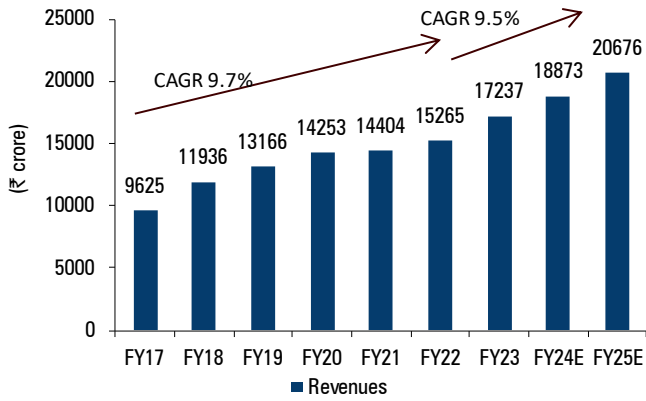
Source: ICICI Direct Research

Exhibit 7: PE Band



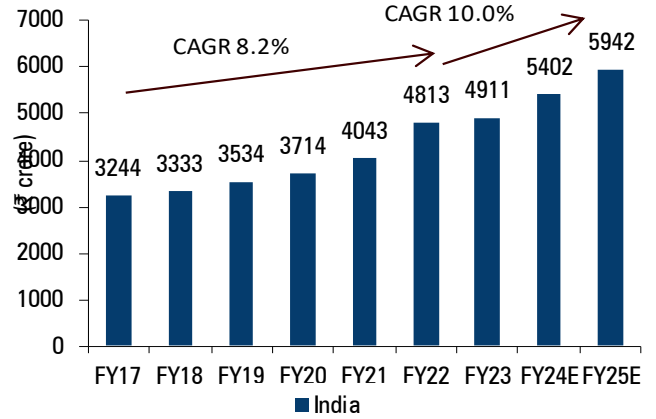
Source: ICICI Direct Research

Exhibit 8: Revenue to grow at 9.5% CAGR over FY23-25E



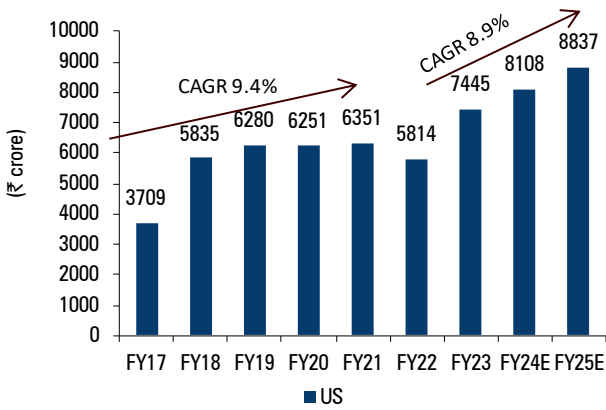
Source: Company, ICICI Direct Research

Exhibit 9: Domestic to grow at 10% CAGR in FY23E-25E



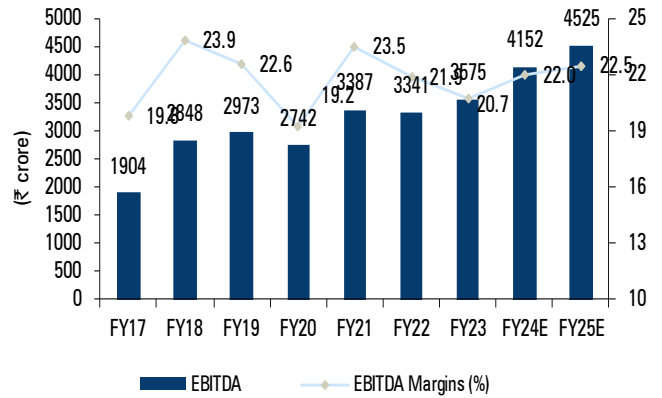
Source: Company, ICICI Direct Research

Exhibit 10: US to grow at 8.9% over FY23-25E



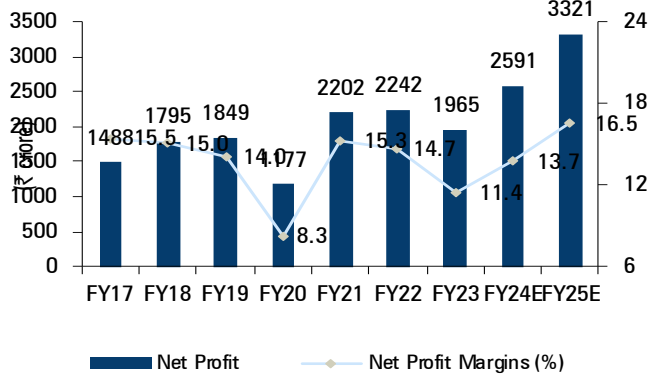
Source: Company, ICICI Direct Research

Exhibit 11: EBITDA & EBITDA margins trend



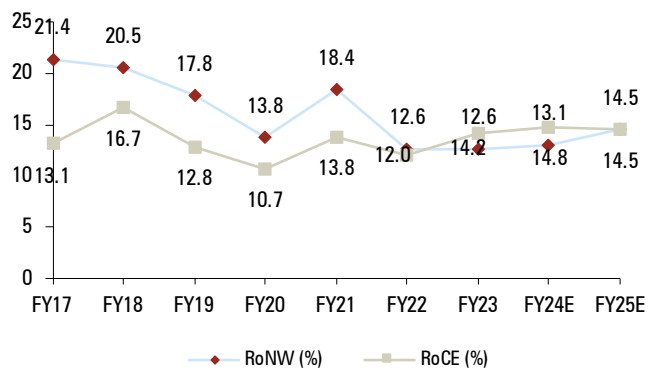
Source: Company, ICICI Direct Research

Exhibit 12: PAT & PAT margins trend



Source: Company, ICICI Direct Research

Exhibit 13: RoE & RoCE trend



Source: Company, Direct Research

Exhibit 14: Power Brands

Brand	Therapy	Mar-20	Mar-21	Mar-22	Mar-23	CAGR 20-23	YoY
DERIPHYLLIN	RESPIRATORY	158.34	156.26	200.68	209.33	9.8%	4.3%
ATORVA	CARDIAC	117.50	139.71	151.72	179.46	15.2%	18.3%
THROMBOPHOB	PAIN / ANALGESICS	84.99	95.91	118.84	138.73	17.7%	16.7%
SKINLITE	DERMA	128.06	124.80	121.94	128.69	0.2%	5.5%
AMICIN	ANTI-INFECTIVES	110.04	71.57	100.26	125.71	4.5%	25.4%
FORMONIDE	RESPIRATORY	82.11	91.05	108.08	113.07	11.3%	4.6%
DEXONA	PAIN / ANALGESICS	64.86	67.34	96.14	105.41	17.6%	9.6%
LIPAGLYN	ANTI DIABETIC	36.48	48.00	68.83	104.74	42.1%	52.2%
DECA DURABOLIN	VITAMINS/MINERALS/NUTRIENT:	95.85	96.03	107.47	94.85	-0.3%	-11.7%
PANTODAC	GASTRO INTESTINAL	89.38	92.40	87.97	89.50	0.0%	1.7%
Top 10 Brands		967.61	983.08	1,161.94	1,289.48	10.0%	11.0%
% of IQVIA sales		21.59%	20.97%	21.49%	22.23%		
Ex-Top 10 Brands		3,514.96	3,704.76	4,246.05	4,512.41	8.7%	6.3%

Source: IQVIA, ICICI Direct Research

Exhibit 15: Therapeutic break-up

Therapy	Mar-20	Mar-21	Mar-22	Mar-23	CAGR 20-23	YoY
RESPIRATORY	580.88	568.00	751.54	829.14	12.59%	10.33%
ANTI-INFECTIVES	632.31	535.24	731.99	731.10	4.96%	-0.12%
CARDIAC	551.65	609.51	632.40	661.97	6.26%	4.68%
GASTRO INTESTINAL	486.95	501.52	573.38	625.12	8.68%	9.02%
PAIN / ANALGESICS	365.57	359.06	398.12	445.37	6.80%	11.87%
GYNAEC.	305.93	308.83	376.82	435.84	12.52%	15.66%
DERMA	345.50	348.37	364.32	382.63	3.46%	5.02%
ANTINEOPLAST/IMMUNOMODULATOI	138.45	164.87	242.66	314.91	31.51%	29.77%
ANTI DIABETIC	132.55	172.96	238.93	297.90	30.99%	24.68%
VITAMINS/MINERALS/NUTRIENTS	234.45	247.91	257.07	240.33	0.83%	-6.51%
Top Therapies	3,774.23	3,816.28	4,567.23	4,964.31	9.57%	8.69%
Total IQVIA Sales	4,482.57	4,687.84	5,407.99	5,801.89	8.98%	7.28%

Source: IQVIA, ICICI Direct Research

Financial Summary

Exhibit 16: Profit and loss statement				
	₹ crore			
(Year-end Marcl	FY22	FY23	FY24E	FY25E
Revenues	15,265.2	17,237.1	18,873.3	20,676.0
Growth (%)	6.0	12.9	9.5	9.6
Raw Material Expe	5,545.2	6,310.1	6,794.4	7,340.0
Employee Expenses	2,434.1	2,765.6	2,831.0	2,998.0
Other expenses	3,945.2	4,586.2	5,095.8	5,685.9
Total Operating Exp	11,924.5	13,661.9	14,721.2	16,023.9
EBITDA	3,340.7	3,575.2	4,152.1	4,652.1
Growth (%)	-1.4	7.0	16.1	12.0
Depreciation	713.0	722.7	825.7	873.7
Interest	127.0	129.9	74.1	18.2
Other Income	224.7	186.6	147.8	162.0
Less: Exceptional It	-112.7	604.2	0.0	0.0
PBT after Excep	2,838.1	2,589.4	3,400.2	3,922.1
Total Tax	511.7	587.8	850.0	902.1
Minority Interest	131.0	131.6	201.3	238.2
PAT	2,241.6	1,964.6	2,591.5	3,404.3
Adjusted PAT	2,149.2	2,211.8	2,591.5	3,404.3
Growth (%)	-10.1	2.9	17.2	31.4
EPS (Adjusted)	21.0	21.6	25.3	33.3

Source: Company, ICICI Direct Research

Exhibit 17: Cash flow statement				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
Profit/(Loss) after taxation	4,557.7	1,990.7	2,591.5	3,404.3
Add: Depreciation	736.1	722.7	825.7	873.7
Net Increase in Current Assets	-425.9	-261.9	-972.7	1,491.8
Net Increase in Current Liabilities	74.4	26.1	621.1	344.7
Other Operating Activities	-2838.2	211.2	74.1	18.2
CF from operating activities	2,104.1	2,688.8	3,139.6	6,132.8
(Inc)/dec in Fixed Assets	-1,167.2	-991.5	-800.0	-800.0
Loan & Advances	0.0	0.0	-74.4	-81.1
(Inc)/dec in MI	0.0	0.0	201.3	238.2
Other Investing Activities	150.0	2,162.7	-65.3	-71.1
CF from investing activities	-1,017.2	1,171.2	-738.3	-714.0
Inc/(dec) in loan funds	-385.0	-4,007.1	-500.0	-500.0
Dividend paid & dividend tax	-372.2	-267.1	-281.5	-281.5
Inc/(dec) in forex reserve	0.0	0.0	0.0	0.0
Interest Paid	-111.1	-126.2	-74.1	-18.2
Other Financing Activities	0.0	0.0	0.0	0.0
CF from financing activities	-868.3	-4,400.4	-855.6	-799.7
Net Cash flow	218.6	-540.4	1,545.7	4,619.0
Opening Cash	888.3	1,106.9	573.1	2,118.8
Closing Cash	1,106.9	566.5	2,118.8	6,737.8
Free Cash Flow	936.9	1,697.3	2,339.6	5,332.8

Source: Company, ICICI Direct Research

Exhibit 18: Balance Sheet				
	₹ crore			
(Year-end Marcl	FY22	FY23	FY24E	FY25E
Equity Capital	102.4	101.2	101.2	101.2
Reserve and Surplu	16,897.2	17,414.6	19,724.6	22,847.4
Total Shareholders	16,999.6	17,515.8	19,825.8	22,948.6
Total Debt	4,196.0	1,163.2	663.2	163.2
Deferred Tax Liabilit	153.8	194.4	211.9	231.0
Minority Interest	2,054.2	2,172.5	2,373.8	2,612.0
Other Non Curr. Liab	386.3	343.0	373.9	407.5
Total Liabilities	23,789.9	21,388.9	23,448.6	26,362.3
Gross Block - Fixed	12,340.9	12,961.8	13,761.8	14,561.8
Less: Acc Deprecia	5,452.1	6,174.8	7,000.5	7,874.2
Net Block	6,888.8	6,787.0	6,761.3	6,687.6
Capital WIP	661.0	1,130.2	1,130.2	1,130.2
Total Fixed Assets	7,549.8	7,917.2	7,891.5	7,817.8
Goodwill on Consoli	5,364.6	4,804.4	4,804.4	4,804.4
Investment	3,288.0	1,548.6	1,548.6	1,548.6
Inventory	3,719.4	3,413.3	4,557.3	4,923.2
Debtors	3,340.3	4,416.8	4,156.1	2,200.9
Other Current Asset	1,741.6	993.9	1,083.4	1,180.9
Cash	1,106.9	573.1	2,118.8	6,737.8
Total Current Asset	9,908.2	9,397.1	11,915.6	15,042.8
Creditors	2,137.8	2,125.0	2,619.4	2,829.7
Provisions	365.6	365.4	398.3	434.1
Other Current Liabili	1,502.1	1,877.1	1,971.0	2,069.5
Total Current Liabili	4,005.5	4,367.5	4,988.6	5,333.4
Deferred Tax Asset	1,095.8	1,262.4	1,376.0	1,499.9
Net Current Assets	5,902.7	5,029.6	6,926.9	9,709.4
Long term Loans ar	589.0	826.7	901.1	982.2
Application of F	23,789.9	21,388.9	23,448.6	26,362.3

Source: Company, ICICI Direct Research

Exhibit 19: Key ratios				
(Year-end March)	FY22	FY23	FY24E	FY25E
Per share data (₹)				
Adjusted EPS	21.0	21.6	25.3	33.3
BV per share	166.1	171.1	193.7	224.2
Dividend per share	2.5	6.0	2.8	2.8
Cash Per Share	10.8	5.6	20.7	65.8
Operating Ratios (%)				
Gross Profit Margins	63.7	63.4	64.0	64.5
EBITDA margins	21.9	20.7	22.0	22.5
Net Profit margins	14.1	12.8	13.7	16.5
Inventory days	244.8	197.4	244.8	244.8
Debtor days	79.9	93.5	80.4	38.9
Creditor days	140.7	122.9	140.7	140.7
Asset Turnover	1.2	1.3	1.4	1.4
EBITDA Conversion Ratio	63.0	75.2	75.6	131.8
Return Ratios (%)				
RoE	12.6	12.6	13.1	14.8
RoCE	12.0	14.2	14.8	14.9
RoIC	12.0	14.5	16.5	20.5
Valuation Ratios (x)				
P/E	23.1	26.3	19.9	15.2
EV / EBITDA	16.4	14.6	12.1	9.7
EV / Net Sales	3.6	3.0	2.7	2.2
Market Cap / Sales	3.4	3.0	2.7	2.5
Price to Book Value	3.0	3.0	2.6	2.3
Solvency Ratios				
Debt / EBITDA	1.3	0.3	0.2	0.0
Debt / Equity	0.2	0.1	0.0	0.0
Current Ratio	2.2	2.0	2.0	1.6

Source: Company, ICICI Direct Research

Exhibit 20: Healthcare Coverage Universe

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
Hospitals																					
Apollo Hospitals	APOHOS	4492	5,460	Buy	64688	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	773	870	Buy	15769	16.7	27.9	29.0	27.4	23.1	16.7	14.0	13.7	20.5	23.6	21.2	17.1	23.0	27.9	22.7	17.8
Shalby	SHALIM	149	180	Buy	1612	5.4	6.8	9.5	11.4	13.3	10.3	8.2	6.9	8.4	11.3	13.9	15.7	6.7	7.9	10.1	11.1
Aster DM	ASTDLM	265	280	Buy	13250	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	314	385	Buy	4365	3.9	2.3	6.1	8.5	19.8	15.2	11.9	10.2	5.0	8.8	12.8	14.8	5.0	3.6	8.5	10.7
Rainbow Children's Medicare	RAICHI	902	900	Hold	9198	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
Company																					
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
MNC Pharma																					
Abbott India	ABBIND	21280	21,025	Hold	44688	380.3	476.5	519.3	584.0	56.0	44.7	41.0	36.4	36.6	39.7	35.6	33.5	28.3	30.9	27.5	25.8
PfG Health	MERLIM	5038	5,620	Buy	8564	113.2	152.2	144.4	165.2	44.5	33.1	34.9	30.5	39.8	43.7	34.5	33.6	31.2	33.2	26.5	25.7
Sanofi India	SANOFI	6591	6,270	Hold	15160	410.6	269.8	251.4	272.7	16.1	24.4	26.2	24.2	33.3	55.1	49.6	45.0	25.9	41.2	36.9	33.3
Pfizer	PFIZER	3813	3,830	Hold	17540	133.2	135.6	135.7	147.2	28.6	28.1	28.1	25.9	26.1	24.8	22.7	21.6	21.4	18.4	17.1	16.3
Pharma																					
Ajanta Pharma	AJAPHA	1296	1,520	Buy	16583	55.7	46.5	59.9	69.2	23.3	27.9	21.6	18.7	27.0	21.3	23.5	23.3	21.8	17.4	19.2	18.9
Alembic Pharma	ALEMPHA	565	530	Hold	11131	27.7	17.4	14.1	22.1	20.4	32.5	40.1	25.6	10.6	8.6	8.0	11.6	10.4	7.8	6.2	9.1
Aurobindo Pharma	AURPHA	612	525	Hold	35875	47.4	34.8	46.2	52.4	12.9	17.6	13.3	11.7	12.9	10.2	12.6	13.1	11.3	7.7	9.3	9.6
Biocon	BIOCON	246	230	Hold	29593	6.3	4.9	3.1	3.1	38.8	49.9	78.3	78.3	7.5	3.3	5.1	6.2	8.1	2.7	6.2	8.3
Zydus Lifesciences	CADHEA	505	600	Buy	51712	21.0	21.6	25.3	33.3	24.1	23.4	19.9	15.2	12.0	14.2	14.8	14.9	12.6	12.6	13.1	14.8
Cipla	CIPLA	922	1,090	Buy	74381	32.9	36.4	42.7	48.2	28.0	25.3	21.6	19.1	16.7	17.4	17.8	18.2	12.7	12.5	13.2	13.4
Dr Reddy's Lab	DRREDD	4440	5,520	Buy	73704	127.2	269.3	230.2	256.5	34.9	16.5	19.3	17.3	12.5	23.9	18.8	21.1	11.0	19.2	14.4	14.2
Glenmark	GLEPHA	609	440	Hold	17174	42.7	33.3	47.4	54.8	14.3	18.3	12.8	11.1	14.8	14.9	15.7	16.4	13.2	9.4	11.9	12.2
Ipsa Lab	IPCLAB	681	885	Hold	17286	34.8	20.8	31.4	37.0	19.6	32.7	21.7	18.4	17.4	12.1	15.7	16.5	16.1	8.9	12.1	12.7
Lupin	LUPIN	779	725	Hold	35456	11.9	8.3	25.6	33.0	65.6	93.7	30.4	23.6	3.4	5.7	11.0	13.0	4.4	3.0	8.6	10.2
Natco	NATPHA	626	565	Hold	11451	9.3	36.3	40.3	30.2	67.4	17.2	15.5	20.7	4.6	15.9	16.5	11.6	4.0	13.9	13.6	9.4
Sun Pharma	SUNPHA	933	1,210	Buy	223719	32.0	34.9	38.6	43.2	29.2	26.7	24.2	21.6	18.2	17.2	18.1	18.1	16.0	15.2	14.7	14.7
Torrent Pharma	TORPHA	1654	1,720	Hold	55893	32.0	36.3	45.1	53.8	51.6	45.5	36.6	30.7	19.7	17.1	20.4	23.3	18.2	17.9	19.0	19.4
Indoco Remedies	INDREM	360	440	Buy	3309	16.8	17.9	26.7	31.5	21.4	20.0	13.4	11.4	17.5	15.6	21.9	24.7	17.1	15.9	19.8	19.4
Caplin Point	CAPPOI	717	865	Buy	5452	39.5	48.8	47.9	47.9	18.2	14.7	15.0	15.0	25.3	23.5	22.4	22.4	20.2	20.2	16.7	16.7
Advanced Enzyme	ADVENZ	282	310	Hold	3161	11.5	13.1	10.7	10.7	24.4	21.6	26.4	26.4	14.3	10.9	13.4	14.2	11.0	8.7	10.7	11.3
Hester Bios	HESPHA	1719	1,490	Reduce	1547	45.7	31.1	40.5	53.3	37.6	55.3	42.4	32.2	10.9	7.5	8.8	10.3	15.0	9.4	11.2	13.1
API/GRAMS																					
Divi's Lab	DIVLAB	3161	2,945	Hold	83764	111.5	72.8	77.4	95.0	28.3	43.4	40.8	33.3	30.2	18.2	18.3	18.3	21.3	25.2	15.0	15.0
Hikal	HIKCHE	299	375	Hold	3680	13.0	5.7	14.6	20.7	23.0	52.5	20.5	14.5	13.6	7.2	14.3	17.7	15.0	6.3	14.1	17.0
Syngene International	SYNINT	698	740	Buy	28004	9.9	11.6	13.3	17.9	70.8	60.3	52.5	39.1	11.7	13.8	14.2	16.9	12.9	12.8	13.0	14.9
Granules India	GRANUL	283	360	Buy	7027	16.6	20.8	21.8	27.8	17.0	13.6	13.0	10.2	15.6	18.5	17.8	19.4	16.0	18.2	16.2	17.3
Laurus Labs	LAULAB	312	300	Hold	16779	15.4	14.7	10.5	10.5	20.3	21.2	29.8	29.8	21.3	19.8	14.6	16.0	24.7	19.6	12.4	13.5
Suven Pharma	SUVPH	476	0	Buy	12137	17.8	14.7	17.7	20.0	26.7	32.3	27.0	23.8	37.5	26.0	25.6	24.5	29.7	20.6	20.5	19.5

Source: ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

**ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com**

ANALYST CERTIFICATION

I/We, Siddhant Khandekar -Inter CA, Kushal Shah -CFA L1, CFP, Utkarsh Jain -MBA, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Anoop Goyal

Contact number: 022-40701000 **E-mail Address:** complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Prabodh Avadhoot Email address: headservicequality@icicidirect.com Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.