

July 24, 2020

Stable revenue growth with visible recovery...

Q1FY21 revenues grew 14% YoY to ₹ 1671 crore (I-direct estimate: ₹ 1651 crore) mainly due to 18.9% YoY growth in biosimilars to ₹ 692 crore. The Generics segment grew 16.1% YoY to ₹ 599 crore. Research services segment remained flat YoY at ₹ 422 crore. EBITDA margins contracted 512 bps YoY to 24.7% (I-direct estimate: 22.2%) mainly due to lower gross margins and higher R&D costs. EBITDA declined 5.5% YoY to ₹ 413 crore against I-direct estimate of ₹ 366 crore. Adjusted PAT declined 27.6% YoY to ₹ 149 crore (I-direct estimate: ₹ 127 crore). Delta vis-à-vis EBITDA was due to higher depreciation and lower other income.

Well placed to capture global biosimilar opportunities

The Biosimilars segment (35% of FY20 revenues) includes biosimilars and insulin. The company is heavily spending in this space. The progress has been encouraging with approvals and launches in the US, EU, Japan, Australia and Emerging Markets. Post Mylan Upjohn (Pfizer) merger, the scope has been extended to China as well. We expect this segment to grow at ~76% CAGR to ₹ 7164 crore in FY20-22E mainly due to a strong US pipeline (Pegfilgrastim (launched), Trastuzumab (launched), Glargine (expected by the end of FY21E), Aspart (expected in FY22E) and Bevacizumab (expected in FY22E)) besides launches across the globe.

Research services (Syngene) to maintain growth momentum

Biocon's contract research organisation (CRO) arm Syngene contributes 31% of total revenues. The company caters to 362 clients including eight out of global top 10 global players. We expect revenues to grow at a CAGR of ~16% to ₹ 2714 crore in FY20-22E.

Generics growth steady

The generics segment (34% of FY20 total revenue) comprise APIs like statins, immunosuppressants, specialty APIs & also include generic formulations business. The company is exploring fewer opportunities but with higher profitability in this segment. We expect generics segment to grow at a CAGR ~14% CAGR to ₹ 2882 crore in FY20-22E.

Valuation & Outlook

As guided by the management at Q4 conference call, Q1 numbers demonstrated visible recovery with operations coming back to pre-Covid level in most of the aspects. The management has reiterated the US\$1 billion target for biosimilars by FY22. This is based on a strong pipeline and expected new launches in key markets, especially the US. Similarly, we are getting visibility for scenario beyond FY23 for number of launches. The company remains committed on accelerated spending towards capex and R&D that is likely to push related expenses higher in the near term. Timely launches and ramp up of biosimilars in developed as well as EMs and Syngene's performances remain key levers for the company. We arrive at our revised target price of ₹ 490 on an SoTP basis. Despite recent run up the stock remains a compelling bet based on improved scalability and visibility.

Key Financial Summary

(Year End March)	FY19	FY20	FY21E	FY22E	CAGR (FY20-22E)
Revenues (₹crore)	5514.4	6367.2	8935.1	12800.3	41.
EBITDA (₹crore)	1361.2	1603.1	2651.2	4266.6	63.
EBITDA margins (%)	24.7	25.2	29.7	33.3	
Net Profit (₹crore)	744.8	698.2	1380.1	2517.4	89.
EPS (₹)	6.2	5.8	11.5	21.0	
P/E (x)	55.3	66.9	36.3	19.9	
RoCE (%)	10.9	10.2	16.1	23.3	
RoE (x)	37.2	31.8	19.2	11.7	

Source: Company, ICICI Direct Research



Particulars

Particular	Amount
Market Capitalisation	₹50040 crore
Debt (FY 20)	₹2715 crore
Cash (FY 20)	₹999 crore
EV	₹51757 crore
52 week H/L	455/211
Equity capital (₹crore)	₹600 crore
Face value (₹)	₹5

Key Highlights

- Q1 revenues grew 14% on the back of strong growth in Biosimilars (up 19%) and Generics segment (up 16%)
- Backed by a strong product pipeline and expected new launches, biosimilars segment remains a key driver for the company
- The management remains confident of achieving US\$1 billion target for biosimilars by FY22
- Maintain BUY

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Exhibit 1: Variance Analysis

	Q1FY21	Q1FY21E	Q1FY20	Q4FY20	YoY (%)	QoQ (%)	Comments
Revenue	1,671.3	1,651.1	1,465.9	1,581.0	14.0	5.7	YoY growth on the back of 19% YoY growth in Biosimilars and 16% YoY growth in Generics segment
Raw Material cos	541.6	577.9	424.5	572.5	27.6	-5.4	345 bps YoY contraction in gross margins mainly due to adverse product mix
Employee cost	393.7	396.3	341.0	388.4	15.5	1.4	
R & D Expenditu	107.0	126.5	79.0	125.0	35.4	-14.4	Gross R&D spend was ₹142 crore in Q1FY21
Other Expenditur	215.7	184.3	183.9	176.5	17.3	22.2	includes forex loss of ₹4 crore in the quarter
Total Expenditur	1,258.0	1,285.0	1,028.4	1,262.4	22.3	-0.3	
EBITDA	413.3	366.1	437.5	318.6	-5.5	29.7	
EBITDA (%)	24.7	22.2	29.8	20.2	-512 bps	458 bps	YoY decline due to change in product mix, higher R&D and lower profit sharing. Beat vis-à-vis I-direct estimates due to better than expected gross margin performance and lower R&D
Interest	12.5	16.8	16.6	16.8	-24.7	-25.6	
Depreciation	166.8	164.8	124.2	152.4	34.3	9.4	
Other income	18.3	33.0	24.1	63.1	-24.1	-71.0	
EO	0.0	0.0	0.0	0.0	0.0	0.0	
PBT	252.3	217.5	320.8	212.5	-21.4	18.7	
Tax	80.9	54.4	85.2	45.0	-5.0	79.8	
MI	18.4	27.3	21.4	35.7	-14.0	-48.5	
Adj. PAT	149.4	127.4	206.3	123.4	-27.6	21.1	Delta vis-à-vis EBITDA was mainly due to higher depreciation and lower other income. Beat vis-à-vis I-direct estimates mainly due to better-than-expected operational performance

Source: ICICI Direct Research

Exhibit 2: Change in Estimates

(₹Crore)	FY21E			FY22E			
	Old	New	% Change	Old	New	% Change	
Revenues	8,705.8	8,935.1	2.6	12,058.9	12,800.3	6.1	changed due to currency appreciation and higher expected API traction in Generics segment
EBITDA	2,500.1	2,651.2	6.0	3,923.2	4,266.6	8.8	
EBITDA Margin (%)	28.7	29.7	97 bps	32.5	33.3	83 bps	Improved margins expectations in FY 22 mainly due to shift in product mix towards margin accretive biologics segment
Net Profit	1,181.9	1,380.1	16.8	2,182.3	2,517.4	15.4	
EPS (₹)	9.8	11.5	17.4	18.2	21.0	15.3	Changed mainly in sync with operational performance

Source: ICICI Direct Research

Conference Call Highlights

- Covid-19 related commentary
 - Operated with skeleton crew in April as a precaution, ramp-up in May and back to pre-Covid operations in June
 - Logistical operations are normal now, have maintained buffer stock of key raw materials and finished goods
- Group restructuring in FY20 has resulted in four operating segments going ahead – Branded Formulations India business has been merged with Biosimilars and a new segment Novel Biologics has been introduced.
 - Generics (API + generics),
 - Biosimilars (Biocon Biologics + Biocon FZ, UAE),
 - Novel Biologics (insulin tregopil + DBX20 + Itolizumab + Bicara Therapeutics)
 - Research services (Syngene).
- Biosimilar growth driven by strong demand in most of the world (MoW) markets such as LatAm and AFMET+ deferred sales from Q4FY20 + stable US & Europe sales
 - Ogivri - Positive market share trend in the US in Q1FY21 (mid-single digits market share)
 - Fulphilia – launched in several key countries in Europe, stable US market share (~6% market share) in US
 - Bevacizumab – under review with USFDA (US) & EMA (Europe)
 - Etanercept to be launched in H2FY21 in Europe
 - Humira (Hulio) – partner Mylan received USFDA approval
- Insulins – a) On track development (with Mylan) for Insulin Aspart, b) continue rh-insulin development under 352(k) pathway c) insulin glargine (Semglee) to be launched soon and d) partnered with Voluntis for Insulia – digital therapeutic solution (USFDA approved) to manage Type-2 diabetes treatment
- At least eight biosimilars - Trastuzumab, Pegfilgrastim, Adalimumab, Bevacizumab, Etanercept, Insulin Glargine, Insulin Aspart and rh-Insulin to be available in developed markets by FY22 end (market size of US\$ 33 billion)
 - FY23-25: three molecules to be launched. Thereafter, two per year
- Geographical market segmentation for biosimilars: FY20 – 60:40 developed: MoW markets; Q1FY21 – 50:50 developed MoW, FY21 to be more favored towards developed markets
- Forex loss for Q1FY21 was ~₹ 4 crore
- Generics segment – API: formulation – 80:20
 - Q1 growth led by higher than normal demand of some key APIs
 - Partnered with DKSH for commercializing 7 generics in Singapore & Thailand
- Core margins (ex-licensing, forex & R&D cost) were at 32% in Q1FY21

- Gross R&D - ₹ 142 crore (₹ 107 in P&L), higher due to spend in biosimilar pipeline
- R&D: Gross – 14-15% of sales, Net (P&L) – 11-12% of sales (ex-Syngene)
- Neogen JV in UAE to be discontinued going ahead - ₹ 22 crore impact from discontinued operations in Q1FY21

Exhibit 3: Trends in quarterly performance

(₹Crore)	1FY18	2FY18	3FY18	4FY18	1FY19	2FY19	3FY19	4FY19	1FY20	2FY20	3FY20	4FY20	1FY21	YoY (%)	QoQ (%)
Revenues	933.7	968.6	1057.9	1169.5	1123.8	1321.0	1540.8	1528.8	1465.9	1572.2	1748.1	1581.0	1671.3	14.0	5.7
Raw Material Cost	365.8	377.6	423.8	475.2	433.8	446.7	528.1	487.9	424.5	477.9	577.3	572.5	541.6	27.6	-5.4
% to revenues	39.2	39.0	40.1	40.6	38.6	33.8	34.3	31.9	29.0	30.4	33.0	36.2	32.4		
Gross Profit	567.9	591.0	634.1	694.3	690.0	874.3	1012.7	1040.9	1041.4	1094.3	1170.8	1008.5	1129.7	8.5	12.0
Gross Profit Margin	60.8	61.0	59.9	59.4	61.4	66.2	65.7	68.1	71.0	69.6	67.0	63.8	67.6	-345 bps	381 bps
Employee cost	213.3	225.5	235.3	257.0	261.4	288.9	294.4	320.6	341.0	353.3	376.1	388.4	393.7	15.5	1.4
% to revenues	22.8	23.3	22.2	22.0	23.3	21.9	19.1	21.0	23.3	22.5	21.5	24.6	23.6	29 bps	101 bps
R & D	58.2	53.9	52.9	51.0	44.0	77.0	77.0	92.0	79.0	104.0	131.0	125.0	107.0		
% to revenues	6.2	5.6	5.0	4.4	3.9	5.8	5.0	6.0	5.4	6.6	7.5	7.9	6.4	101 bps	150 bps
Other Expenditure	104.3	129.3	124.2	153.3	146.7	168.8	260.6	225.3	183.9	234.2	219.5	176.5	215.7	17.3	22.2
% to revenues	11.2	13.3	11.7	13.1	13.1	12.8	16.9	14.7	12.5	14.9	12.6	11.2	12.9	36 bps	174 bps
Total Expenditure	741.6	786.3	836.2	936.5	885.9	981.4	1160.1	1125.8	1028.4	1169.4	1303.9	1262.4	1258.0	22.3	-0.3
% to revenues	79.4	81.2	79.0	80.1	78.8	74.3	75.3	73.6	70.2	74.4	74.6	79.8	75.3		
EBIDTA	192.1	182.3	221.7	233.0	237.9	339.6	380.7	403.0	437.5	402.8	444.2	318.6	413.3	-5.5	29.7
EBITDA Margin (%)	20.6	18.8	21.0	19.9	21.2	25.7	24.7	26.4	29.8	25.6	25.4	20.2	24.7	-512 bps	458 bps
Depreciation	98.8	93.6	97.4	95.3	99.1	112.2	116.7	119.8	124.2	131.6	144.0	152.4	166.8	34.3	9.4
Interest	16.1	13.8	14.7	16.9	17.6	18.8	18.6	15.9	16.6	13.8	17.7	16.8	12.5	-24.7	-25.6
OI	54.0	50.8	33.9	67.5	68.8	54.4	25.6	28.2	24.1	38.4	35.8	63.1	18.3	-24.1	-71.0
PBT	131.2	125.7	143.5	188.3	190.0	263.0	271.0	295.5	320.8	295.8	318.3	212.5	252.3	-21.4	18.7
Tax	37.6	42.5	36.1	40.7	52.1	73.2	46.1	40.9	85.2	100.1	84.8	45.0	80.9	-5.0	79.8
Tax Rate (%)	28.7	33.8	25.2	21.6	27.4	27.8	17.0	13.8	26.6	33.8	26.6	21.2	32.1		
PAT	93.6	83.2	107.4	147.6	137.9	189.8	224.9	254.6	235.6	195.7	233.5	167.5	171.4	-27.2	2.3
PAT Margin (%)	10.0	8.6	10.2	12.6	12.3	14.4	14.6	16.7	16.1	12.4	13.4	10.6	10.3		
Exceptional Items (0.0	0.0	0.0	0.0	0.0	-188.8	-5.8	0.0	0.0	-67.5	0.0	0.0	0.0		
Net Profit before MI	93.6	83.2	107.4	147.6	137.9	378.6	230.7	254.6	235.6	263.2	233.5	167.5	171.4	-27.2	2.3
Add/(less) MI	16.4	20.3	21.7	22.3	18.6	23.0	26.0	29.7	21.4	38.1	27.5	35.7	18.4		
Net Profit after MI	77.2	62.9	85.7	125.3	119.3	355.6	204.7	224.9	214.2	225.1	206.0	131.8	153.0	-28.6	16.1
Net Profit (excl.EI)	77.2	62.9	85.7	125.3	119.3	166.8	198.9	224.9	214.2	157.6	206.0	131.8	153.0	-28.6	16.1

Source: ICICI Direct Research

Company Background

Biocon was established in 1978 by first generation entrepreneur Dr Kiran Mazumdar-Shaw. Unlike most pharma companies that are chemical based, Biocon has carved out its niche in the more complex biotechnology field. Over the decades, Biocon has successfully evolved into an emerging global biopharma enterprise, serving its partners and customers in over 75 countries. As a fully integrated biopharma company, it delivers innovative biopharmaceutical solutions, ranging from discovery to development & commercialisation. In 2004, it came out with its maiden IPO.

The company has initiated filings and launches of biosimilars in the US, EU, Australia, Canada, Japan besides some developing markets. It has entered into a partnership with Mylan for six biosimilar programs (Trastuzumab, Pegfilgrastim, Adalimumab, Bevacizumab, Etanercept and Filgrastim) and three insulin analogue programmes (Glargine, Lispro and Aspart).

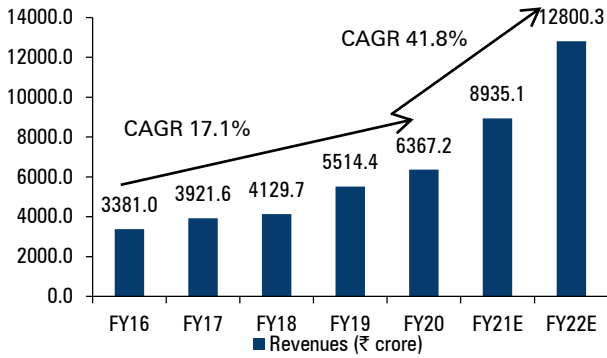
Recently, the company also entered into a partnership with Sandoz, a Novartis division and a global leader in biosimilars, for an exclusive portfolio of next-generation biosimilars in the area of immunology and oncology. This synergistic partnership will leverage the capabilities of both partners for an 'end to end' play encompassing development, manufacturing, regulatory approval and commercialization globally. This collaboration addresses some of the long term biosimilars opportunities beyond the near term opportunities being addressed by existing partnership with Mylan.

Exhibit 4: Progress on Biosimilars front

Date	Event
Jul-20	Partner Mylan has received USFDA approval for Hulio (adalimumab)
Jun-20	Biocon-Mylan has received USFDA approval for Semglee (insulin glargine)
Apr-20	Mylan and Biocon Launched Pegfilgrastim Biosimilar, Fulphila in Australia & Canada
Dec-19	PE fund True North acquires 2.44% stake in Biocon Biologics
Dec-19	Mylan and Biocon Launched Trastuzumab Biosimilar, Ogivri in the US
Oct-19	Biocon Biologics and Just - Evotec Biologics Sign Licensing Deal for a early stage Biosimilar Asset
Oct-19	Biocon and Mylan Launch First Insulin Glargine Biosimilar, Semglee in Australia
Aug-19	Mylan and Biocon Launch First Trastuzumab Biosimilar, Ogivri in Australia
May-19	Biocon-Mylan has received health Canada approval for bTrastuzumab
Nov-18	Biocon-Mylan has launched Insulin Glargine in EU
Nov-18	Biocon-Mylan has received EU approval for bPegfilgrastim and bTrastuzumab
Jul-18	Biocon-Mylan has launched Fulphila (pegfilgrastim-jmdb) in the US
Jun-18	Mylan entered into a commercialisation agreement with Lupin for bEtanercept for certain markets. Biocon has retained its economic interest in this arrangement vis-à-vis Mylan and would benefit from the accelerate commercialisation of this product
Jun-18	Biocon-Mylan has received USFDA approval for Fulphila (pegfilgrastim-jmdb) as the first biosimilar of Neulasta. Mylan has launched Fulphila in the US
Apr-18	Biocon-Mylan in-license Humira biosimilar from Fujifilm and expects to launch in Europe in H2CY18
Mar-18	Mylan and Biocon receive approval for Semglee biosimilar Insulin Glargine in EU and Australia
Jan-18	Collaborates with Sandoz for a global partnership to develop, manufacture and commercialize a number of next generation biosimilars
Dec-17	USFDA approval for Ogivri, a biosimilar Trastuzumab co-developed by Biocon and Mylan
Jul-17	Biocon's partner Fujifilm launches insulin Glargine in Japan
Jul-17	USFDA Oncologic Drugs Advisory Committee (ODAC) recommends approval of Biocon-Mylan's proposed biosimilar Trastuzumab in all eligible indications
Jan-17	USFDA accepts Biocon's biologics licence application for its biosimilar oncology drug Trastuzumab
Aug-16	European Medicines Agency accepts Biocon-Mylan Proposed Biosimilar Trastuzumab (gHerceptin) for review
Jul-16	European Medicines Agency accepts Biocon-Mylan Proposed Biosimilar Pegfilgrastim (gNeulasta) for review
Jul-16	Launches Biocon's Insulin Glargine in Japan
Jun-16	Biocon and Mylan to present Phase 3 Trastuzumab Biosimilar Data at the American Society of Clinical Oncology (ASCO) Annual Meeting
Mar-16	Biocon's Insulin Glargine receives regulatory approval in Japan
Mar-16	Biocon inks co-development & commercialisation agreement with Lab PISA for Rh-insulin in US
May-15	Biocon-Mylan's PEG-G-CSF and Adalimumab enter Phase III clinical trials; patient recruitment for one Insulin Glargine Phase III study completed

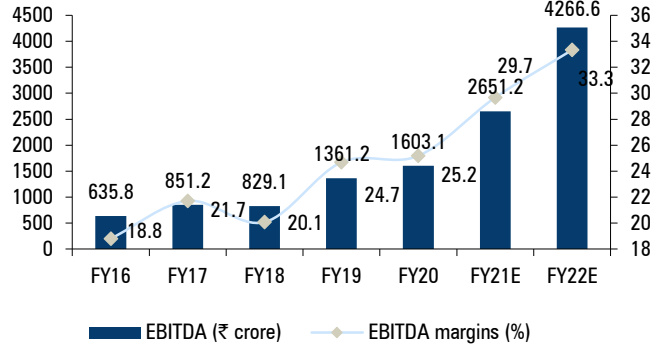
Source: ICICI Direct Research, Company

Exhibit 5: Revenues to grow at CAGR 42% over FY20-22E



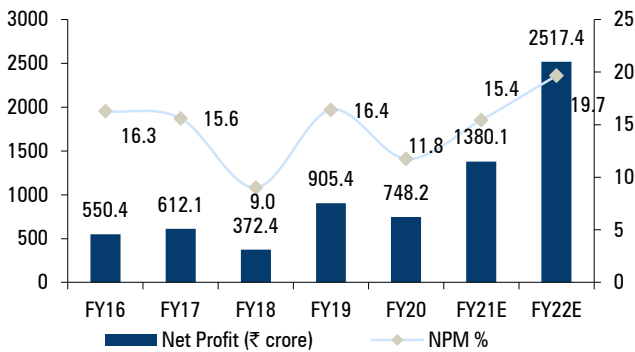
Source: ICICI Direct Research, Company

Exhibit 6: EBITDA & margins trend



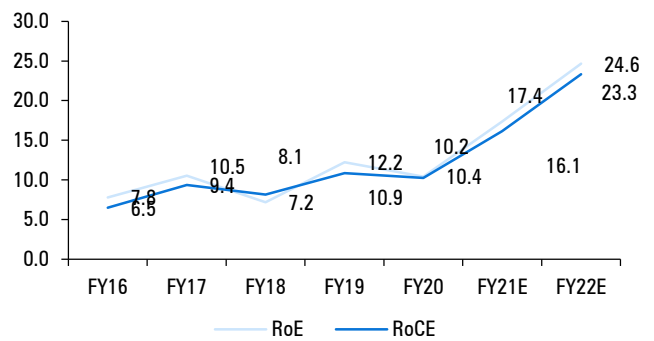
Source: ICICI Direct Research, Company

Exhibit 7: Net profit & margins trend



Source: ICICI Direct Research, Company

Exhibit 8: RoCE & RoE (%) trend



Source: ICICI Direct Research, Company

Exhibit 9: Valuation

Particulars	FY22E EPS (₹cr)	Multiple (x)	Per share (₹)
Biocon (ex Syngene)	18.2	22.0	400.8
Syngene			
Targeted Market Cap			19400
Biocon's Holding			71.1%
Holding Company Discount			20.0%
Syngene valuation			11029
Per share valuation			92
SOTP valuation			490

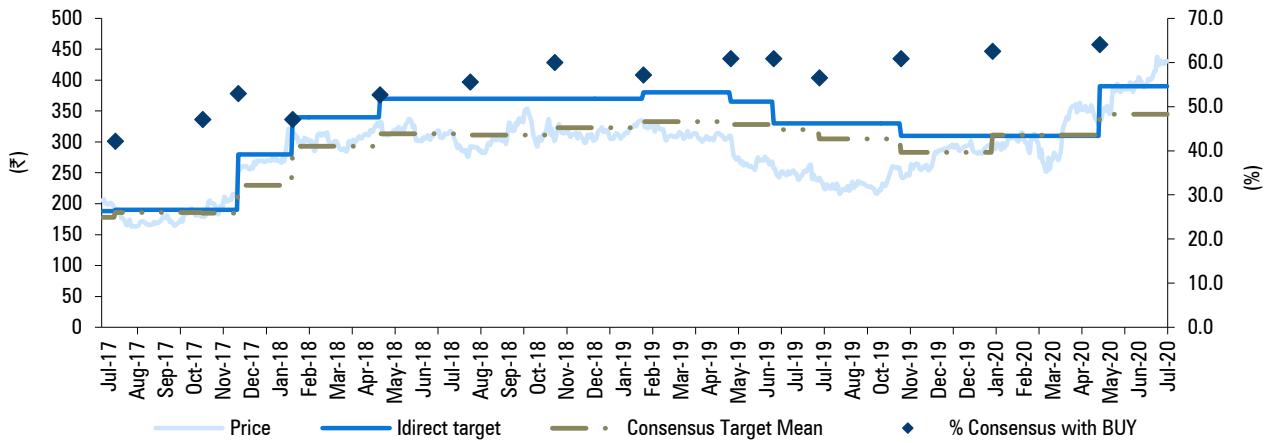
Source: ICICI Direct Research

Exhibit 10: Financial Summary

	Revenues (₹crore)	Growth (%)	EPS (₹)	Growth (%)	P/E V/EBITDA (x)	RoNW (X)	RoCE (%)
FY19	5514	33.5	6.2	100.0	55.3	37.2	12.2
FY20	6367	15.5	5.8	-6.3	66.9	31.8	10.4
FY21E	8935	40.3	11.5	97.7	36.3	19.2	17.4
FY22E	12800	43.3	21.0	82.4	19.9	11.7	24.6

Source: ICICI Direct Research

Exhibit 11: Recommendation history vs Consensus



Source: ICICI Direct Research; Bloomberg

Exhibit 12: Top 10 Shareholders

Rank	Investor Name	Filing Date	% O/S	Position (m)	Change
1	Shaw Kiran Mazumdar	31-Mar-20	39.6	475.73m	0.0m
2	Glentec International	31-Mar-20	19.8	237.21m	0.0m
3	Massachusetts Mutual	22-Dec-17	5.0	60.47m	60.5m
4	Ahan I Ltd	31-Mar-20	1.7	19.95m	19.9m
5	Life Insurance Corp	31-Mar-20	1.6	18.54m	18.5m
6	Cici Prudential Midc	31-Mar-20	1.4	17.11m	17.1m
7	Biocon India Ltd Emp	26-Sep-19	1.3	15.93m	0.9m
8	Icici Prudential Asset	31-May-20	1.3	15.67m	(0.7)m
9	Standard Life Aberde	30-Jun-20	1.2	14.06m	(1.7)m
10	Jupiter Fund Management	31-Jan-20	1.1	13.60m	0.1m

Source: ICICI Direct Research, Bloomberg

Exhibit 13: Shareholding Pattern

(in %)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoter	60.7	60.7	60.7	60.7	60.7
Others	39.3	39.3	39.3	39.3	39.3

Source: ICICI Direct Research, Company

Financial Summary

Exhibit 14: Profit and loss statement				
	₹ crore			
Year-end March	FY19	FY20	FY21E	FY22E
Total Operating Income	5514.4	6367.2	8935.1	12800.3
Growth (%)	33.5	15.5	40.3	43.3
Raw Material Expenses	1896.5	2052.2	2747.2	3776.1
Employee Expenses	1165.3	1458.8	1747.1	2304.1
R&D Expenditure	290.0	439.0	702.2	1109.5
Other Expenditures	801.4	814.1	1087.4	1344.0
Total Operating Expenditure	4153.2	4764.1	6283.9	8533.7
Operating Profit (EBITDA)	1361.2	1603.1	2651.2	4266.6
Growth (%)	64.2	17.8	65.4	60.9
Depreciation	447.8	552.2	660.5	790.3
Interest	70.9	64.9	59.2	54.5
Other Income	177.0	161.4	127.3	128.0
PBT before Exceptional Item	1019.5	1147.4	2058.8	3549.9
Less: Exceptional Items	-194.6	-67.5	0.0	0.0
Total Tax	212.3	315.1	532.5	852.0
PAT before MI	1001.8	899.8	1526.2	2697.9
Minority Interest	97.3	122.7	131.8	166.1
Adjusted PAT	744.8	698.2	1380.1	2517.4
Growth (%)	100.0	-6.3	97.7	82.4
EPS (Adjusted)	6.2	5.8	11.5	21.0

Source: ICICI Direct Research

Exhibit 15: Cash Flow Statement				
	₹ crore			
Year-end March	FY19	FY20	FY21E	FY22E
Profit/(Loss) after taxation	711.1	526.8	1380.1	2517.4
Add: Depreciation & Amortiza	447.8	552.2	660.5	790.3
Net Increase in Current Asset:	-637.4	-571.8	-1313.7	-1891.1
Net Increase in Current Liabilit	608.3	133.0	948.4	1249.6
Other Operating Activities	24.8	369.2	59.2	54.5
CF from operating activities	1154.6	1009.4	1734.4	2720.7
(Purchase)/Sale of Fixed Asses	-1491.6	-1829.4	-1500.0	-1500.0
(Increase)/Decrease in Investm	768.5	174.4	100.0	-500.0
Increase/ (Decrease) in Minori	0.0	0.0	67.7	74.5
Other Investing Activities	-385.2	-74.3	13.9	-4.1
CF from investing activities	-1108.3	-1729.3	-1318.4	-1929.6
Proceeds from issues of E quit	-69.2	538.8	0.0	0.0
Inc/(dec) in loan funds	7.5	292.3	-200.0	-200.0
(Payment) of Dividend and Div	-79.3	-70.1	-138.0	-251.7
Interest Paid	-100.7	-91.2	-59.2	-54.5
Other Financing Activities	0.0	-8.5	0.0	0.0
CF from financing activities	-241.7	661.3	-397.2	-506.2
Net Cash flow	-195.4	-58.6	18.8	284.9
Opening Cash	1252.6	1057.2	998.6	1017.4
Closing Cash	1057.2	998.6	1017.4	1302.3
Free Cash Flow	1923.1	1183.8	1834.4	2220.7

Source: ICICI Direct Research

Exhibit 16: Balance Sheet				
	₹ crore			
Year-end March	FY19	FY20	FY21E	FY22E
Liabilities				
Equity Capital	300.0	600.0	600.0	600.0
Reserve and Surplus	5798.0	6105.8	7347.8	9613.5
Total Shareholders funds	6098.0	6705.8	7947.8	10213.5
Total Debt	2423.0	2715.3	2515.3	2315.3
Minority Interest	608.9	677.3	745.0	819.5
Other NCL & LT Provisions	906.3	1747.4	1920.7	2111.2
Source of Funds	10036.2	11845.8	13128.8	15459.5
Assets				
Gross Block - Fixed Assets	7068.6	9121.0	10971.0	13171.0
Accumulated Depreciation	2624.0	3176.3	3836.8	4627.1
Net Block	4444.6	5944.7	7134.2	8543.9
Capital WIP	1898.9	2196.0	1846.0	1146.0
Total Fixed Assets	6343.5	8140.7	8980.2	9689.9
Goodwill on Consolidation	26.4	26.4	26.4	26.4
Investments	1011.8	966.1	866.1	1366.1
Inventory	1031.6	1435.9	1671.5	2394.6
Debtors	1291.8	1223.7	2093.1	2998.6
Cash	1057.2	998.6	1017.4	1302.3
Other Current Assets	612.9	809.2	1017.9	1280.4
Total Current Assets	3993.5	4467.4	5800.0	7975.9
Creditors	1198.3	1325.1	1941.6	2781.6
Provisions	80.5	103.0	133.2	163.3
Other Current Liabilities	877.4	1169.9	1471.6	1851.1
Total Current Liabilities	2156.2	2598.0	3546.4	4796.0
Net Current Assets	1837.3	1869.4	2253.6	3179.9
Deferred Tax Assets	324.7	368.0	404.8	445.3
Other Non Current assets	492.5	475.2	597.7	751.9
Application of Funds	10036.2	11845.8	13128.8	15459.5

Source: ICICI Direct Research

Exhibit 17: Ratio Analysis				
	₹ crore			
Year-end March	FY19	FY20	FY21E	FY22E
Per share data (₹)				
Reported EPS	7.5	6.2	11.5	21.0
BV per share	50.8	55.9	66.2	85.1
Dividend per share	0.6	0.6	1.2	2.1
Cash Per Share	8.8	8.3	8.5	10.9
Operating Ratios (%)				
Gross Margin	65.6	67.8	69.3	70.5
EBITDA margin	24.7	25.2	29.7	33.3
EBIT Margin	16.6	16.5	22.3	27.2
PAT Margin	13.5	11.0	15.4	19.7
Inventory days	68.3	82.3	68.3	68.3
Debtor days	85.5	70.1	85.5	85.5
Creditor days	79.3	76.0	79.3	79.3
Asset Turnover	0.5	0.5	0.7	0.8
EBITDA Conversion Ration	84.8	63.0	65.4	63.8
Return Ratios (%)				
RoE	12.2	10.4	17.4	24.6
RoCE	10.9	10.2	16.1	23.3
RoIC	15.5	14.2	21.9	30.8
Valuation Ratios (x)				
P/E	55.3	66.9	36.3	19.9
EV / EBITDA	37.2	31.8	19.2	11.7
EV / Net Sales	9.2	8.0	5.7	3.9
Market Cap / Sales	9.1	7.9	5.6	3.9
Price to Book Value	8.2	7.5	6.3	4.9
Solvency Ratios				
Debt / EBITDA	1.8	1.7	0.9	0.5
Debt / Equity	0.4	0.4	0.3	0.2
Current Ratio	1.4	1.3	1.3	1.4

Source: ICICI Direct Research

Exhibit 18: ICICI Direct Coverage Universe (Healthcare)

Company	I-Direct Code	CMP (₹)	TP Rating	M Cap (₹cr)	EPS (₹)				PE(x)				RoCE (%)				RoE (%)				
					FY19	FY20	Y21E	Y22E	FY19	FY20	Y21E	Y22E	FY19	FY20	Y21E	Y22E	FY19	FY20	Y21E	Y22E	
Ajanta Pharma	AJAPHA	1508	1,730	Buy	13158	43.5	53.4	56.1	72.1	34.6	28.2	26.9	20.9	21.8	24.7	22.4	24.2	17.1	18.1	16.7	18.5
Alembic Pharma	ALEMPHA	979	1,140	Buy	18450	31.4	46.3	52.6	51.9	31.1	21.1	18.6	18.9	19.6	21.0	21.9	20.1	21.8	27.1	24.1	19.7
Apollo Hospital	APOHOS	1516	1,490	Buy	21091	17.0	23.3	37.3	68.0	89.4	65.0	40.7	22.3	8.8	10.4	11.2	14.6	7.1	9.7	12.8	19.6
Aurobindo Pharma	AURPHA	812	920	Buy	47572	41.9	48.8	57.8	63.0	19.4	16.7	14.0	12.9	15.9	17.2	19.1	19.1	17.7	17.0	17.0	15.8
Biocon	BIOCON	417	490	Buy	50040	6.2	5.8	11.5	21.0	67.2	71.7	36.3	19.9	10.9	10.2	16.1	23.3	12.2	10.4	17.4	24.6
Cadila Healthcare	CADHEA	363	420	Buy	37126	18.1	14.0	16.8	20.5	20.1	26.0	21.6	17.7	13.0	11.0	12.3	13.8	17.8	13.8	14.7	15.7
Cipla	CIPLA	661	670	Buy	53311	18.6	19.2	23.0	30.2	35.6	34.4	28.7	21.9	10.9	12.0	13.0	15.4	10.0	9.8	10.8	12.6
Divi's Lab	DIVLAB	2342	2,355	Hold	62175	51.0	51.9	60.7	73.6	46.0	45.2	38.6	31.8	25.5	23.9	23.8	24.0	19.4	18.8	18.7	19.1
Dr Reddy's Lab	DRREDD	4066	4,615	Buy	67586	114.7	121.9	171.3	205.4	35.4	33.3	23.7	19.8	10.7	9.6	18.1	19.7	13.6	13.0	15.8	16.3
Glenmark Pharma	GLEPHA	423	510	Hold	11946	26.9	26.4	25.0	36.6	15.7	16.0	16.9	11.6	15.3	12.7	11.4	14.1	13.5	12.2	10.5	13.4
Hikal	HIKCHE	132	165	Buy	1631	8.4	8.1	10.8	13.8	15.8	16.3	12.3	9.6	14.3	13.0	14.2	15.7	13.6	12.2	14.2	15.6
Ipca Laboratories	IPCLAB	1783	1,900	Buy	22525	35.1	47.8	61.7	76.8	50.9	37.3	28.9	23.2	15.0	17.4	19.4	20.2	14.2	16.6	17.8	18.2
Jubilant Life	JUBLIF	751	550	Buy	11961	54.9	59.9	69.8	89.8	13.7	12.5	10.8	8.4	14.3	14.6	17.2	19.7	17.8	16.6	16.4	17.5
Lupin	LUPIN	851	930	Hold	38574	16.5	-12.7	25.3	38.9	51.5	-67.1	33.6	21.9	9.4	10.6	10.7	14.6	5.4	-4.6	8.5	11.6
Narayana Hrudayam	NARHRU	292	340	Buy	5960	2.9	6.4	-3.1	9.6	100.5	45.9	-95.0	30.4	7.7	11.0	0.0	14.2	5.5	11.4	-5.8	15.7
Natco Pharma	NATPHA	718	740	Buy	13081	35.4	25.3	23.9	22.4	20.3	28.4	30.0	32.1	21.3	14.0	12.9	11.3	18.5	12.2	10.7	9.3
Sun Pharma	SUNPHA	486	540	Buy	116509	15.9	16.8	15.5	24.1	30.6	28.9	31.3	20.2	10.3	10.0	8.9	12.3	9.2	8.9	7.7	10.7
Syngene Int.	SYNINT	456	485	Buy	18242	8.3	10.3	9.2	12.8	55.1	44.3	45.3	32.7	14.8	14.5	13.1	16.4	16.8	15.7	14.5	16.8
Torrent Pharma	TORPHA	2318	2,475	Hold	39222	48.9	60.6	67.0	87.3	47.4	38.3	34.6	26.5	14.2	15.4	17.5	20.7	17.5	21.2	20.0	21.8
Shalby	SHALIM	72	70	Hold	778	2.9	2.6	0.7	4.0	24.6	28.2	98.1	17.9	6.8	7.2	1.8	7.0	4.1	3.5	1.0	5.2
Aster DM	ASTDM	130	160	Buy	6469	6.7	5.5	-1.4	9.6	19.4	23.4	-89.9	13.5	8.3	7.5	2.6	9.7	10.4	8.5	-2.2	13.1
Indoco Remedies	INDREM	206	260	Buy	1902	-0.3	2.6	7.4	14.3	-655.7	78.9	27.8	14.4	1.0	5.1	10.0	16.5	-0.4	3.5	9.3	15.5

Source: ICICI Direct Research, Bloomberg

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