

August 2, 2020

US drags down revenues but margins improve...

Revenues de-grew 9.4% YoY to ₹ 7585 crore (I-direct estimate: ₹ 7948 crore) mainly due to 27.5% YoY decline in US formulations to ₹ 2136 crore due to high base and continued pressure on dermatology segment (Taro included). India business grew 3.2% YoY to ₹ 2388 crore whereas Emerging Markets business de-grew 2.4% YoY to ₹ 1316 crore. RoW markets business also de-grew 11.1% YoY to ₹ 1030 crore. EBITDA margins expanded 47 bps YoY, 765 bps QoQ to 24.3% (I-direct estimate: 17.0%) despite higher employee expenses mainly due to lower other expenditure and better gross margins. EBITDA de-grew 7.6% YoY to ₹ 1844 crore (I-direct estimate: ₹ 1351 crore). Adjusted PAT de-grew 17.4% YoY to ₹ 1146 crore (I-direct estimate: ₹ 621 crore). Exceptional expense of ₹ 3633 crore pertain to Taro's settlement with US DoJ (cumulative US\$419 million) and US\$60 million provision for multi-jurisdiction antitrust matters.

Specialty diversification to be key for US business

The US business comprises ~32% of turnover (FY20). The US product basket comprises 491 approved ANDAs, 95 pending final approvals (including 20 tentative approvals). It also has 55 approved NDAs and six pending NDAs. US growth has also been backed by extensive infrastructure with 44 global manufacturing facilities. Due to a challenging environment on the generics front, the management plans to diversify into specialty products such as Ilumya, Levulan (dermatology), BromSite, Cequa, Xelpros (ophthalmic), Odomzo, Yonsa (oncology), etc. US growth, however, is likely to remain muted in the near term mainly due to expiry of Absorica patent, lockdown impact on Ilumya & Levulan and slowdown in the generics space.

New launches to drive domestic revenues

Indian formulations form 30% of turnover (FY20). With a market share of 8.2%, Sun is ranked No. 1 in domestic formulations. It leads prescription share in 11 specialties including psychiatrists, neurologist, cardiovascular and diabetes. It has also embarked on a strategy to in-license latest generation patent protected products from various innovators. We expect Indian formulations to grow at ~11% CAGR to ₹ 11979 crore in FY20-22E backed by a lower base, new launches and price hikes.

Valuation & Outlook

While the company's US generics front is going through calibrated product rationalisation, specialty segment looks promising due to robust product pipeline, steady progress. This metamorphic shift from generics to specialty, however, is likely to weigh on US growth in the near term. That said, higher contribution from specialty and strong domestic franchise is likely to change the product mix towards more remunerative businesses by FY22. This would have positive implications for margins also as we expect faster absorption of frontloaded costs on the specialty front. We maintain **BUY** and arrive at our new target price of ₹ 625 based on 26x FY22E EPS of ₹ 24.1.



Particulars

Particular	Amount
Market Capitalisation	₹127641 crore
Debt (FY 20)	₹8199 crore
Cash & Equivalents (FY 20)	₹6488 crore
EV (₹Cr)	₹129353 crore
52 week H/L (₹)	541/315
Equity capital	₹239.9 crore
Face value	₹1

Key Highlights

- Q1 revenues below I-direct estimates due to weak Taro performance but profitability was above I-direct estimates amid significantly lower-than-expected other expenses on account of lower R&D spend and marketing activities
- Higher contribution from specialty and strong domestic franchise is likely to change the product mix towards more remunerative businesses by FY22
- Maintain BUY

Research Analyst

Siddhant Khandekar
siddhant.khandekar@icicisecurities.com

Mitesh Shah, CFA
mitesh.shah@icicisecurities.com

Sudarshan Agarwal
sudarshan.agarwal@icicisecurities.com

Key Financial Summary

(₹Crore)	FY19	FY20	FY21E	FY22E	CAGR FY20-22E (%)
Net Sales	29028.1	32837.5	33219.5	37786.4	7.3
EBITDA	6269.8	6989.8	7167.2	8501.9	10.3
EBITDA Margins (%)	21.6	21.3	21.6	22.5	
Adj. Profit	3803.3	4025.6	5225.2	5785.1	19.9
Adj. EPS (₹)	15.9	16.8	21.8	24.1	
PE (x)	49.3	33.9	80.2	22.1	
EV to EBITDA (x)	20.2	17.8	17.4	14.2	
Price to book (x)	3.1	2.8	2.7	2.5	
RoE (%)	9.2	8.9	11.2	11.1	
RoCE (%)	10.3	10.0	10.7	13.0	

Source: ICICI Direct Research; Company

Exhibit 1: Variance Analysis

	Q1FY21	Q1FY21E	Q1FY20	Q4FY20	YoY (%)	QoQ (%)	Comments
Revenue	7,585.3	7,948.5	8,374.4	8,184.9	-9.4	-7.3	YoY decline mainly due to sharp decline in the US
Raw Material Expenses	1,969.6	2,225.6	2,457.8	2,304.8	-19.9	-14.5	A 338 bps YoY improvement mainly due to change in product mix
Employee Expenses	1,759.0	1,589.7	1,540.4	1,651.9	14.2	6.5	Increased mainly due to increase field force in the US and India
Other Expenditure	2,013.1	2,782.0	2,380.6	2,865.2	-15.4	-29.7	Declined mainly due to lower marketing, selling and travelling cost across regions
Total Expenditure	5,741.7	6,597.3	6,378.8	6,821.9	-10.0	-15.8	
EBITDA	1,843.5	1,351.2	1,995.6	1,363.0	-7.6	35.3	
EBITDA (%)	24.3	17.0	23.8	16.7	47 bps	765 bps	YoY increase and beat vis-à-vis I-direct estimates mainly due to better product mix and lower other expenditure
Interest	52.0	54.0	104.1	51.8	-50.1	0.3	
Depreciation	495.9	563.2	457.1	575.4	8.5	-13.8	
Other income	153.8	117.5	213.0	102.2	-27.8	50.4	
EO	3,633.3	0.0	0.0	260.6	NA	1,294.0	Taro Pharma's settlement with US DoJ (cumulative US\$419 million = ₹ 3178 crore) and US\$60 million provision for multi-jurisdiction antitrust matters (₹ 455 crore)
PBT	-2,183.9	851.5	1,647.4	577.4	-232.6	-478.2	
Tax	245.9	161.8	146.1	83.1	68.4	196.0	
MI	-770.6	67.2	109.2	92.9	-805.9	-929.3	
Net Profit	-1,655.6	620.9	1,387.5	399.8	-219.3	-514.1	
Adj. Net Profit	1,146.0	620.9	1,387.5	660.5	-17.4	73.5	YoY decline mainly in sync with operational performance. Beat vis-à-vis I-direct estimates mainly due to better-than-expected operational performance
Key Metrics							
India formulations	2,388.4	2,314.0	2,314.0	2,364.8	3.2	1.0	Muted growth mainly due to Covid-19. A 10% growth in chronic segment was largely offset by more than 20% decline in acute segment
US formulations	2,136.4	2,494.3	2,947.4	2,712.9	-27.5	-21.2	YoY decline mainly due to lockdown and closure of clinics amid Covid-19
Emerging Markets	1,316.1	1,348.6	1,348.6	1,354.0	-2.4	-2.8	YoY decline mainly due to decline in South African's tender business. Excluding tender business YoY growth was flat on constant currency
RoW	1,030.0	1,159.1	1,159.1	1,121.2	-11.1	-8.1	YoY decline mainly due to lower sales in Japan and Taro's RoW sales
APIs	596.3	515.0	490.5	525.2	21.6	13.6	

Source: ICICI Direct Research

Exhibit 2: Change in Estimates

₹ Crore	FY21E			FY22E			Comments
	Old	New	% Change	Old	New	% Change	
Total Operating Income	34,447.3	33,219.5	-3.6	38,038.0	37,786.4	-0.7	
EBITDA	6,912.2	7,167.2	3.7	8,469.8	8,501.9	0.4	
EBITDA Margin (%)	20.1	21.6	148 bps	22.3	22.5	20 bps	Changed in FY21 mainly due to decline in other expenditure
Adjusted PAT	4,403.5	5,225.2	18.7	5,881.7	5,785.1	-1.6	Changed in FY21 mainly due to exceptional item
EPS (Adjusted)	18.4	21.8	18.4	24.5	24.1	-1.6	

Source: ICICI Direct Research

Exhibit 3: Change in estimates

₹ crore	Current			Earlier			Comments
	FY19	FY20	FY21E	FY22E	FY21E	FY22E	
Indian Formulations	7,348.3	9,710.5	10,496.5	11,978.6	10,663.5	12,071.4	
US Formulations	10,673.6	10,542.5	9,470.1	10,910.1	10,348.3	11,167.5	Declined mainly due to sharp decline in Q1 and expected delay in speciality business ramp up
RoW markets	8,811.7	10,025.3	10,431.1	11,891.3	10,777.1	11,980.2	
APIs	1,811.7	2,047.0	2,324.9	2,441.2	2,149.4	2,256.8	Changed mainly due to strong growth in Q1FY21

Source: ICICI Direct Research

Conference Call Highlights

- India sales were impacted due to drop in acute segment, patient footfalls and lower prescriptions
 - Physical interaction of MRs with doctors was nil in April, ~25% in May, ~50% in June and ~60% in July
 - There was ~10% growth in chronic segment, ~20% decline in acute segment (50% portfolio is chronic)
 - Enacted the expansion of field force (had increased 7% in Q4 vs. overall plan of 10% increase earlier)
 - Approximately 8.2% market share in IPM as per AIOCD MAT June 2020
 - Total 10 new products launched in Q1FY21
- Specialty revenues for Q1FY21 were US\$76 million across all markets; specialty R&D- 39% of the overall R&D spend.
 - Gradual shift from Absorica to Absorica LD
 - Ilumya and Levulan sales declined due to lockdown as both are clinically administered. Ilumya launch in Japan initiated
 - No market share decline in key products, prescription levels are increasing
- US - 491 approved ANDAs, 95 pending approvals (incl. 20 tentative)
 - Pipeline - 55 approved NDAs and six NDAs awaiting USFDA approval
 - In Q1FY21, eight ANDAs were approved and seven were filed
- Q2FY21 marketing spends to continue to be lower with normalisation from Q3 onwards. No substantial change in long-term marketing strategy
- Derma (specialty & generics) : 35-40% of clinics opening – gradual recovery however Q2 sales will continue to be impacted
- Exceptional expense in the quarter was ₹ 3633 crore relating to subsidiary Taro Pharma's settlement with US Department of Justice (DoJ) (cumulative US\$419 million = ₹ 3178 crore) and US\$60 million provision for multi-jurisdiction antitrust matters (₹ 455 crore)
- Q1FY21 R&D was at ₹ 421 crore (5.6% of sales)
- The company is conducting trials for two Covid-related products and expects to provide results for the same by end of Q3FY21
- Forex gain in Q1FY21: ₹ 79 crore
- Reduction in debt in Q1FY21 from FY20 of ~US\$200 million. Net debt (ex-Taro) was US\$451 million

Exhibit 4: Trends in quarterly financials

(₹Crore)	1FY18	2FY18	3FY18	4FY18	1FY19	2FY19	3FY19	4FY19	1FY20	2FY20	3FY20	4FY20	1FY21	YoY (%)	QoQ (%)
Total Operating Incon	6208.8	6650.3	6653.2	6977.1	7224.2	6937.6	7740.2	7163.9	8374.4	8123.4	8154.9	8184.9	7585.3	-9.4	-7.3
Raw Material Expens	1677.4	1877.5	2099.7	1770.1	2106.8	1757.7	2165.7	1838.8	2457.8	2267.9	2200.0	2304.8	1969.6	-19.9	-14.5
Gross Profit Margin (%)	73.0	71.8	68.4	74.6	70.8	74.7	72.0	74.3	70.7	72.1	73.0	71.8	74.0		
Employee Expenses	1329.9	1323.3	1372.6	1341.3	1433.0	1470.3	1495.0	1568.8	1540.4	1620.9	1549.1	1651.9	1759.0	14.2	6.5
% of Revenue	21.4	19.9	20.6	19.2	19.8	21.2	19.3	21.9	18.4	20.0	19.0	20.2	23.2		
Other Expenditure	2105.9	2073.9	1727.5	2182.3	2077.6	2178.4	1926.7	2739.6	2380.6	2444.8	2564.3	2865.2	2013.1	-15.4	-29.7
% of Revenue	33.9	31.2	26.0	31.3	28.8	31.4	24.9	38.2	28.4	30.1	31.4	35.0	26.5		
Total Expenditure	5113.1	5274.7	5199.9	5293.6	5617.5	5406.4	5587.3	6147.1	6378.8	6333.6	6313.5	6821.9	5741.7	-10.0	-15.8
% of Revenue	82.4	79.3	78.2	75.9	77.8	77.9	72.2	85.8	76.2	78.0	77.4	83.3	75.7		
EBITDA	1095.7	1375.6	1453.4	1683.5	1606.7	1531.2	2152.9	1016.8	1995.6	1789.7	1841.4	1363.0	1843.5	-7.6	35.3
EBITDA Margin (%)	17.6	20.7	21.8	24.1	22.2	22.1	27.8	14.2	23.8	22.0	22.6	16.7	24.3		
Depreciation	346.6	358.7	339.3	455.2	401.6	426.5	471.1	454.1	457.1	473.3	547.0	575.4	495.9	8.5	-13.8
Other Income	152.0	254.8	129.2	302.8	199.8	351.2	193.1	281.5	213.0	200.9	119.9	102.2	153.8	-27.8	50.4
PBIT	901.0	1271.8	1243.3	1531.0	1404.8	1455.9	1874.9	844.3	1751.5	1517.3	1414.3	889.9	1501.4	-14.3	68.7
Interest	109.4	157.4	95.3	155.4	130.9	129.5	144.8	150.0	104.1	83.9	63.0	51.8	52.0	-50.1	0.3
Less: Exceptional Ite	950.5	0.0	0.0	0.0	0.0	1214.4	0.0	0.0	0.0	0.0	0.0	260.6	3633.3		
PBT	-158.9	1114.3	1147.9	1375.6	1273.9	111.9	1730.1	694.2	1647.4	1433.4	1351.3	577.4	-2183.9	-232.6	-478.2
Total Tax	161.8	111.4	748.7	-176.7	163.9	218.9	270.9	-28.8	146.1	266.0	327.6	83.1	245.9	68.4	196.0
PAT before MI	-320.7	1002.9	399.2	1552.3	1110.1	-107.0	1459.2	723.1	1501.4	1167.4	1023.7	494.3	-2429.8	-261.8	-591.5
Minority Interest	102.3	89.7	34.8	220.0	122.7	110.0	219.2	105.2	109.2	99.1	105.9	92.9	-770.6	-805.9	-929.3
PAT after MI	-423.0	913.2	364.4	1332.3	987.3	-217.0	1240.0	617.8	1392.2	1068.3	917.9	401.4	-1659.2	-219.2	-513.3
Profit from Associate	-1.9	-1.2	1.0	-23.3	1.0	-1.9	1.8	-2.4	-4.7	-4.2	-4.3	-1.6	3.6		
PAT	-424.9	912.1	365.4	1309.0	988.3	-218.8	1241.9	615.4	1387.5	1064.1	913.5	399.8	-1655.6	-219.3	-514.1
Adjusted PAT	525.6	912.1	365.4	1309.0	988.3	995.6	1241.9	615.4	1387.5	1064.1	913.5	660.5	1146.0	-17.4	73.5
Adjusted EPS (₹)	2.2	3.8	1.5	5.5	4.1	4.1	5.2	2.6	5.8	4.4	3.8	2.8	4.8		

Source: ICICI Direct Research

Company Background

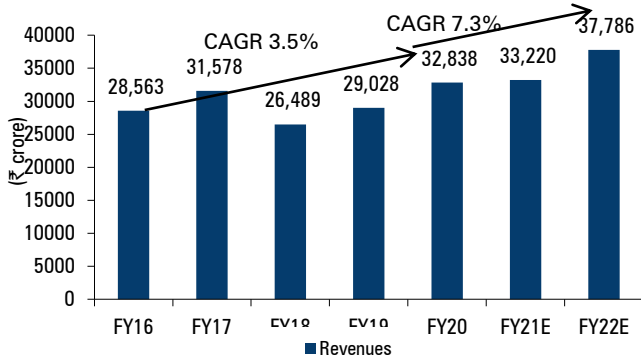
Established in 1983, Sun Pharma is the largest Indian pharmaceutical company both in terms of market capitalisation and turnover (FY17).

The company manufactures and markets a large basket of pharmaceutical formulations in India, the US and several other markets across the world. However, US and Indian formulations are by far the core strengths and growth drivers of the company. The company has ~44 manufacturing sites across the world. The US business has been built mostly on acquisitions and generic focus. It owns the largest product basket among Indian players with as many as 586 product (ANDA) filings as of Q1FY21. In Indian formulations, the company is a leader in niche therapy areas of psychiatry, gastroenterology, neurology, cardiology, nephrology, orthopaedics and ophthalmology.

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

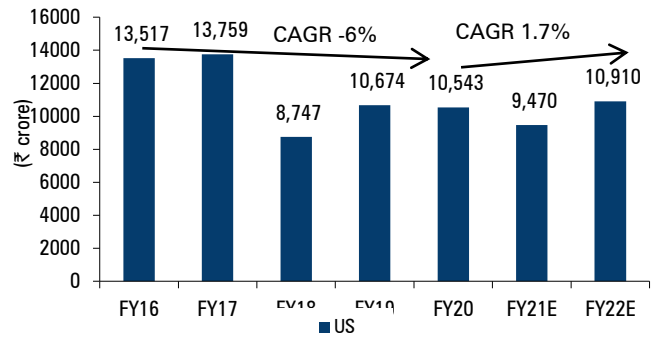
Sun acquired Odomzo (oncology) from Novartis in December, 2016, for \$175 million and additional milestones payments. USFDA approved this in July, 2015 for treatment of locally advanced basal cell cancer and is the first branded oncology product for Sun Pharma in the US. Total 70% who prescribe the products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

Exhibit 5: Revenues to grow at CAGR of 7% over FY20-22E



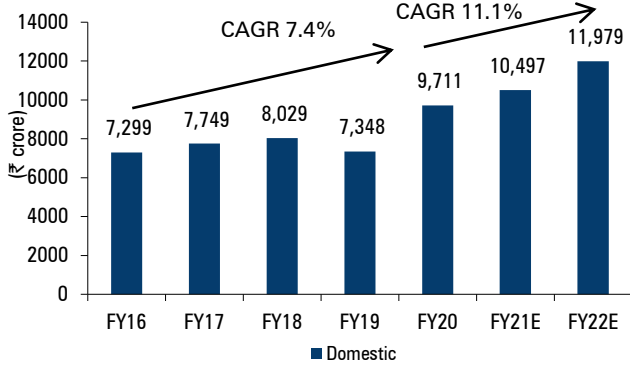
Source: ICICI Direct Research, Company

Exhibit 6: US to grow at CAGR of 2% over FY20-22E



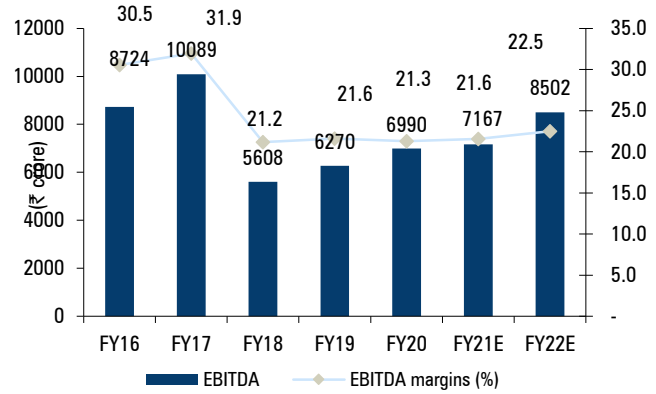
Source: ICICI Direct Research, Company

Exhibit 7: Domestic to grow at 11% CAGR in FY20-22E



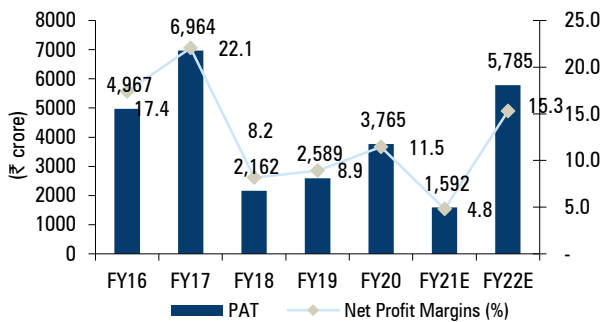
Source: ICICI Direct Research, Company

Exhibit 8: EBITDA & EBITDA margins trend



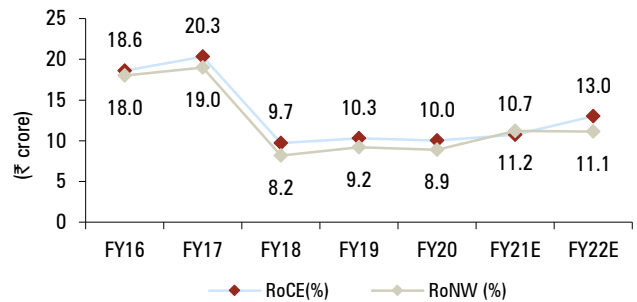
Source: ICICI Direct Research, Company

Exhibit 9: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 10: RoCE & RoE trend



Source: ICICI Direct Research, Company

Exhibit 11: Revenue break-up

₹ crore	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	CAGR FY16-20 (%)	CAGR 20-22E (%)
Domestic	7,299.2	7,749.1	8,029.3	7,348.3	9,710.5	10,496.5	11,978.6	7.4	11.1
US	13,516.9	13,758.8	8,746.6	10,673.6	10,542.5	9,470.1	10,910.1	-6.0	1.7
Emerging Markets	3,584.3	4,544.8	4,839.2	5,359.0	5,504.4	5,816.9	6,604.3	11.3	9.5
ROW	2,161.8	2,583.2	2,974.0	3,452.6	4,521.0	4,614.3	5,287.1	20.3	8.1
API & Others	1,475.2	1,634.5	1,476.8	1,811.7	2,047.0	2,324.9	2,441.2	8.5	9.2

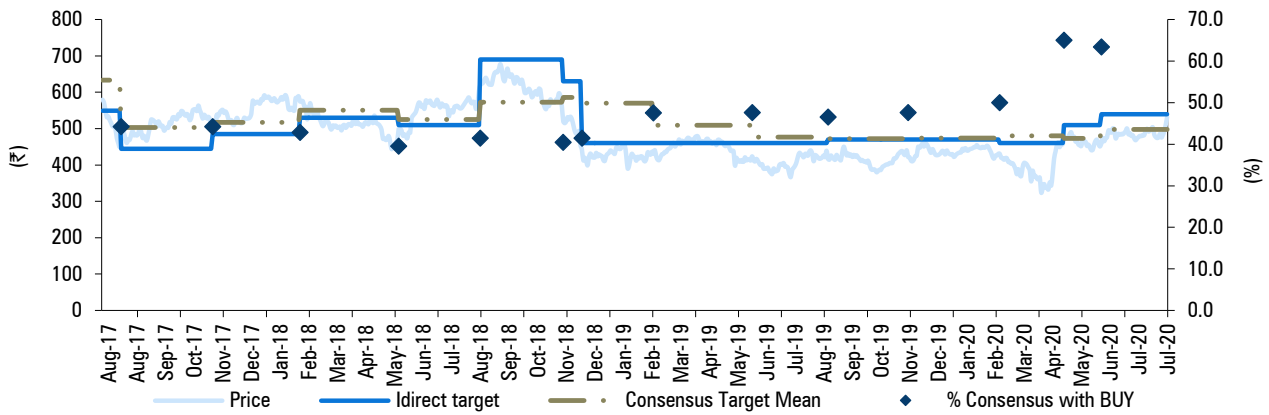
Source: ICICI Direct Research, Company

Exhibit 12: Valuation

	Revenues	Growth	EPS	Growth	P/E	EV/EBITDA	RoE	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY 19	29028	9.6	15.9	22.2	49.3	20.2	9.2	10.3
FY 20	32838	13.1	16.8	5.8	33.9	17.8	8.9	10.0
FY 21E	33220	1.2	21.8	29.8	80.2	17.4	11.2	10.7
FY 22E	37786	13.7	24.1	10.7	22.1	14.2	11.1	13.0

Source: ICICI Direct Research, Company

Exhibit 13: Recommendation History vs. Consensus



Source: ICICI Direct Research; Reuters

Exhibit 14: Top 10 Shareholders

Rank	Investor Name	Filing Date	% O/S	Position (m)	Change
1	Shanghvi Finance Pvt Ltd	31-Mar-20	40.3	967.05m	0.0m
2	Shanghvi Dilip Shantilal	31-Mar-20	9.6	230.29m	0.0m
3	Life Insurance Corp Of India	30-Jun-19	5.9	141.12m	(1.1)m
4	Icici Prudential Asset Management	31-May-20	3.4	80.88m	0.8m
5	Aditya Medisales Ltd	31-Mar-20	1.7	40.15m	0.0m
6	Vanguard Group Inc/The	30-Jun-20	1.6	39.00m	(0.2)m
7	Reliance Capital Trustee Co Ltd	30-Jun-19	1.5	35.09m	35.1m
8	Valia Raksha Sudhir	31-Mar-20	1.4	33.83m	0.0m
9	Lakshdeep Investments And Finance	31-Mar-20	1.3	31.38m	(0.5)m
10	Republic Of Singapore	30-Jun-19	1.3	30.89m	(2.2)m

Source: ICICI Direct Research, Reuters

Exhibit 15: Shareholding Pattern

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

Source: ICICI Direct Research, Company

Financial Summary

Exhibit 16: Profit & Loss (₹ crore)

(Year-end March)	FY19	FY20	FY21E	FY22E
Revenues	29,028.1	32,837.5	33,219.5	37,786.4
Growth (%)	9.6	13.1	1.2	13.7
Raw Material Expenses	7,869.0	9,230.5	8,890.9	9,824.5
Employee Expenses	5,967.1	6,362.4	7,224.2	7,746.2
Other Expenditure	8,922.3	10,254.9	9,937.3	11,713.8
Total Operating Expenditure	22,758.3	25,847.7	26,052.4	29,284.5
EBITDA	6,269.8	6,989.8	7,167.2	8,501.9
Growth (%)	11.8	11.5	2.5	18.6
Depreciation	1,753.3	2,052.8	2,131.0	2,204.3
Interest	555.3	302.7	207.8	178.9
Other Income	1,025.5	636.0	911.5	1,488.8
PBT	4,986.8	5,270.2	5,739.8	7,607.5
Less: Exceptional Items	1,214.4	260.6	3,633.3	0.0
Total Tax	624.9	822.8	1,018.2	1,445.4
PAT before MI	3,147.5	4,186.8	1,088.3	6,162.1
Minority Interest	557.1	407.0	-489.2	391.3
PAT	2,588.9	3,764.9	1,591.8	5,785.1
Adjusted PAT	3,803.3	4,025.6	5,225.2	5,785.1
Growth (%)	22.2	5.8	29.8	10.7
EPS (Adjusted)	15.9	16.8	21.8	24.1

Source: ICICI Direct Research

Exhibit 17: Cash Flow Statement (₹ crore)

(Year-end March)	FY19	FY20	FY21E	FY22E
Profit/(Loss) after taxation	2923.8	3663.7	1591.8	5785.1
Depreciation	1753.3	2052.8	2131.0	2204.3
(Inc)/Dec in Current Assets	-1467.5	-292.5	-1420.9	-2767.2
(Inc)/Dec in Current Liabilities	-1228.5	1191.0	901.0	1075.3
Others	215.4	-60.2	207.8	178.9
CF from operation Activities	2196.5	6554.8	3410.7	6476.4
Purchase of Fixed Assets	-3162.4	-1450.0	-800.0	-1000.0
(Inc)/Dec in Investments	-188.7	-1551.8	-2305.4	-2305.4
Others	1231.3	1374.1	-937.5	-88.4
CF from Investing Activities	-2119.7	-1627.7	-4042.9	-3393.8
Inc / (Dec) in Loan Funds	890.2	-3341.9	-1000.0	-1000.0
Inc / (Dec) in Equity Capital	0.0	-425.0	0.0	0.0
Dividend and dividend tax	-578.7	-1662.6	-159.2	-578.5
Other Financial Activities	-3042.0	-285.6	-207.8	-178.9
CF from Financing Activities	-2730.5	-5715.1	-1367.0	-1757.4
Cash generation during the year	-2653.8	-788.1	-1999.2	1325.2
Op bal Cash & Cash equivalents	9929.4	7275.6	6487.6	4488.4
Closing Cash/ Cash Equivalents	7275.6	6487.6	4488.4	5813.6
Free Cash Flow	-965.9	5104.8	2610.7	5476.4

Source: ICICI Direct Research

Exhibit 18: Balance Sheet (₹ crore)

(Year-end March)	FY19	FY20	FY21E	FY22E
Equity Capital	239.9	239.9	239.9	239.9
Reserve and Surplus	41,169.1	45,024.5	46,457.2	51,663.8
Total Shareholders funds	41,409.1	45,264.5	46,697.1	51,903.7
Total Debt	10,514.4	8,199.3	7,199.3	6,199.3
Deferred Tax Liability	104.3	58.1	62.2	66.6
Minority Interest	3,313.5	3,860.2	3,371.0	3,762.3
Other LT Liabilities & LT Provisions	1,004.7	1,334.3	1,427.7	1,527.6
Total Liabilities	56,345.9	58,716.4	58,757.3	63,459.5
Gross Block - Fixed Assets	25,731.3	28,268.7	29,068.7	30,068.7
Accumulated Depreciation	9,850.5	11,903.3	14,034.3	16,238.7
Net Block	15,880.8	16,365.5	15,034.4	13,830.1
Capital WIP	1,411.2	1,220.3	1,220.3	1,220.3
Total Fixed Assets	17,291.9	17,585.8	16,254.8	15,050.4
Investments	7,902.5	10,143.1	12,448.5	14,753.9
Deferred tax assets	2,554.9	3,175.3	3,397.6	3,635.4
Goodwill on Consolidation	5,955.8	6,481.5	6,481.5	6,481.5
LT Loans & Advances & A	3,870.3	4,110.0	4,397.7	4,705.6
Cash	7,275.6	6,487.6	4,488.4	5,813.6
Debtors	8,884.2	9,421.2	9,805.4	11,153.4
Loans and Advances	309.4	148.4	158.8	169.9
Inventory	7,886.0	7,875.0	8,703.7	9,900.2
Other current assets	2,763.3	2,824.6	3,022.4	3,233.9
Total Current Assets	27,118.5	26,756.8	26,178.5	30,271.0
Creditors	4,147.9	4,093.7	4,578.0	5,207.3
Provisions & other current liabilities	4,200.0	5,442.3	5,823.3	6,230.9
Total Current Liabilities	8,347.9	9,536.1	10,401.2	11,438.2
Net Current Assets	18,770.6	17,220.7	15,777.3	18,832.8
Application of Funds	56,345.9	58,716.4	58,757.3	63,459.5

Source: ICICI Direct Research

Exhibit 19: Key Ratios (₹ crore)

(Year-end March)	FY19	FY20	FY21E	FY22E
Per share data (₹)				
Adjusted EPS	15.9	16.8	21.8	24.1
BV per share	172.6	188.7	194.6	216.3
Dividend per share	2.7	1.0	0.7	2.4
Cash Per Share	30.3	27.0	18.7	24.2
Operating Ratios (%)				
Gross Margin	72.9	71.9	73.2	74.0
EBITDA Margin	21.6	21.3	21.6	22.5
PAT Margin	13.1	12.3	15.7	15.3
Inventory days	99.2	87.5	95.6	95.6
Debtor days	111.7	104.7	107.7	107.7
Creditor days	52.2	45.5	50.3	50.3
Asset Turnover	0.5	0.6	0.6	0.6
EBITDA Conversion rate	35.0	93.8	47.6	76.2
Return Ratios (%)				
RoE	9.2	8.9	11.2	11.1
RoCE	10.3	10.0	10.7	13.0
RoIC	11.0	11.5	11.5	13.7
Valuation Ratios (x)				
P/E	49.3	33.9	80.2	22.1
EV / EBITDA	20.2	17.8	17.4	14.2
EV / Net Sales	4.4	3.8	3.7	3.2
Market Cap / Sales	4.4	3.9	3.8	3.4
Price to Book Value	3.1	2.8	2.7	2.5
Solvency Ratios				
Debt / EBITDA	1.7	1.2	1.0	0.7
Debt / Equity	0.3	0.2	0.2	0.1
Current Ratio	2.4	2.1	2.1	2.1

Source: ICICI Direct Research

Exhibit 20: ICICI Direct Coverage Universe (Healthcare)

Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹cr)	EPS (₹)				PE(x)				RoCE (%)				RoE (%)			
						FY19	FY20	Y21E	Y22E	FY19	FY20	Y21E	Y22E	Y19	Y20	Y21E	Y22E	FY19	FY20	Y21E	Y22E
Ajanta Pharma	AJAPHA	1512	1,810	Buy	13194	43.5	53.4	60.2	72.5	34.7	28.3	25.1	20.9	21.8	24.7	23.4	24.3	17.1	18.1	17.7	18.4
Alembic Pharma	ALEMPHA	1006	1,140	Buy	18956	31.4	46.3	52.6	51.9	32.0	21.7	19.1	19.4	19.6	21.0	21.9	20.1	21.8	27.1	24.1	19.7
Apollo Hospital	APOHOS	1690	1,490	Buy	23514	17.0	23.3	37.3	68.0	99.6	72.4	45.4	24.8	8.8	10.4	11.2	14.6	7.1	9.7	12.8	19.6
Aurobindo Pharma	AURPHA	826	920	Buy	48390	41.9	48.8	57.8	63.0	19.7	16.9	14.3	13.1	15.9	17.2	19.1	19.1	17.7	17.0	17.0	15.8
Biocon	BIOCON	400	490	Buy	48018	6.2	5.8	11.5	21.0	64.5	68.8	34.8	19.1	10.9	10.2	16.1	23.3	12.2	10.4	17.4	24.6
Cadila Healthcare	CADHEA	365	420	Buy	37372	18.1	14.0	16.8	20.5	20.2	26.1	21.7	17.8	13.0	11.0	12.3	13.8	17.8	13.8	14.7	15.7
Cipla	CIPLA	694	670	Buy	55958	18.6	19.2	23.0	30.2	37.3	36.1	30.1	23.0	10.9	12.0	13.0	15.4	10.0	9.8	10.8	12.6
Divi's Lab	DIVLAB	2521	2,355	Hold	66925	51.0	51.9	60.7	73.6	49.5	48.6	41.5	34.3	25.5	23.9	23.8	24.0	19.4	18.8	18.7	19.1
Dr Reddy's Lab	DRREDD	4300	5,000	Buy	71476	114.7	121.9	161.3	200.0	37.5	35.3	26.7	21.5	10.7	9.6	18.4	19.7	13.6	13.0	15.0	16.0
Glenmark Pharma	GLEPHA	447	510	Hold	12613	26.9	26.4	25.0	36.6	16.6	16.9	17.9	12.2	15.3	12.7	11.4	14.1	13.5	12.2	10.5	13.4
Hikal	HIKCHE	153	165	Buy	1883	8.4	8.1	10.8	13.8	18.3	18.9	14.2	11.1	14.3	13.0	14.2	15.7	13.6	12.2	14.2	15.6
Ipca Laboratories	IPCLAB	1818	1,900	Buy	22967	35.1	47.8	61.7	76.8	51.9	38.0	29.5	23.7	15.0	17.4	19.4	20.2	14.2	16.6	17.8	18.2
Jubilant Life	JUBLIF	788	550	Buy	12547	54.9	59.9	69.8	89.8	14.4	13.2	11.3	8.8	14.3	14.6	17.2	19.7	17.8	16.6	16.4	17.5
Lupin	LUPIN	880	930	Hold	39854	16.5	-12.7	25.3	38.9	53.2	-69.3	34.8	22.6	9.4	10.6	10.7	14.6	5.4	-4.6	8.5	11.6
Narayana Hrudayam	NARHRU	287	340	Buy	5863	2.9	6.4	-3.1	9.6	98.8	45.2	-93.4	29.9	7.7	11.0	0.0	14.2	5.5	11.4	-5.8	15.7
Natco Pharma	NATPHA	723	740	Buy	13169	35.4	25.3	23.9	22.4	20.4	28.6	30.2	32.3	21.3	14.0	12.9	11.3	18.5	12.2	10.7	9.3
Sun Pharma	SUNPHA	532	625	Buy	127641	15.9	16.8	21.8	24.1	33.6	31.7	24.4	22.1	10.3	10.0	10.7	13.0	9.2	8.9	11.2	11.1
Syngene Int.	SYNINT	470	485	Buy	18812	8.3	10.3	9.2	12.8	56.9	45.7	45.3	32.7	14.8	14.5	13.1	16.4	16.8	15.7	14.5	16.8
Torrent Pharmaceuticals	TORPHA	2663	2,865	Buy	45059	48.9	60.6	72.2	95.5	54.4	44.0	36.9	27.9	14.2	15.4	18.6	21.8	17.5	21.2	21.3	23.2
Shalby	SHALIM	77	70	Hold	831	2.9	2.6	0.7	4.0	26.3	30.1	104.8	19.1	6.8	7.2	1.8	7.0	4.1	3.5	1.0	5.2
Aster DM	ASTDM	133	160	Buy	6619	6.7	5.5	-1.4	9.6	19.9	23.9	-92.0	13.8	8.3	7.5	2.6	9.7	10.4	8.5	-2.2	13.1
Indoco Remedies	INDREM	214	260	Buy	1969	-0.3	2.6	7.4	14.3	-678.9	81.7	28.7	14.9	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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Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, AkruTI Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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