

Strong growth in Europe, India and RoW markets...

Q3 revenues grew 12.4% YoY to ₹ 4942 crore (I-direct estimate: ₹ 5014 crore). Domestic revenues grew 25.6% YoY to ₹ 959 crore due to Wockhardt integration and new product launches. Europe revenues grew 33.9% YoY to ₹ 414 crore due to new launches. US revenues grew 8.7% YoY to ₹ 1739 crore on the back of new product launches, favourable forex rate partly offset by price erosion. Adjusting for impairment charge of ₹ 597.2 crore in Q3FY21, ₹ 1320 crore in Q3FY20, EBITDA margins were down 46 bps YoY at 23.0% (I-direct estimate: 23.4%) due to lower gross margins amid price erosion, higher freight charges. Hence, EBITDA grew 10.2% YoY to ₹ 1136 crore vs. I-direct estimate of ₹ 1172 crore. Adjusted PAT grew 7.2% YoY to ₹ 685 crore.

US, key growth driver with promising launches ahead

US remains a key driver, contributing ~37% to revenues as of FY20. DRL has a strong pending pipeline comprising 89 ANDAs (48 Para IV filings, 24 FTFs) and two NDAs under 505 (b) (2) route. We expect US sales to grow at a FY20-23E CAGR of 9% to ₹ 8329 crore on the back of new launches.

India, Russia CIS to provide more stability

India, Russia CIS markets are more or less identical in nature (branded generics, OTC) with similar growth potential, similar kinds of risks. DRL is well versed with the dynamics of Russia by virtue of being an early mover. Notwithstanding Covid-19 related quarterly gyrations, we expect strong growth in these markets on the back of a stabilising currency, geographical expansion, robust biological portfolio, ramp up in institutional business. For India, growth may be largely from launches in oncology & biosimilar space, UCB/Wockhardt like acquisitions besides MR productivity improvement. We expect Russia & other CIS to grow at ~10% CAGR in FY20-23E to ₹ 3118 crore with India growing at ~14% CAGR in FY20-23E to ₹ 4275 crore.

Valuation & Outlook

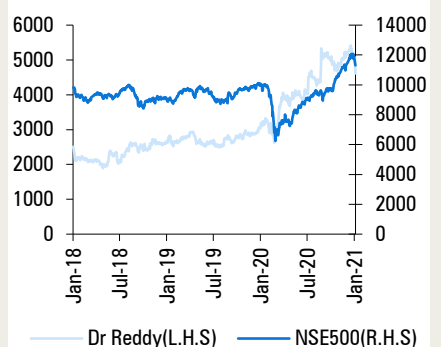
Adjusting for one-time impairment charges taken in Q3, results were in line with I-direct estimates on all fronts. We draw comfort from the management's sustained focus on cost rationalisation, especially on SGN&A front and endeavour to focus on simultaneous launches across geographies and segments besides realignment of R&D spend towards - Global Generics, Biosimilars and PSAI segment. We believe this is a welcome change from earlier stance of overemphasis on a particular market (read US). Strong FCF generation, healthy b/s are some legacy strongholds for the company. We believe the efforts taken in the last few quarters are sustainable and should support stable performances, going ahead. We maintain **BUY** and arrive at a target price of ₹ 5525 (vs. ₹ 5770 earlier), which includes a base business value of ~₹ 5312 (25x FY23E EPS of ₹ 212.5) + ₹ 213 for NPV of gRevlimid.



Particulars

Particular	Amount
Market Capitalisation	₹76470 crore
Debt (FY 20)	₹2210 crore
Cash & equivalents (FY 20)	₹205 crore
EV	₹78475 crore
52 week H/L (₹)	5515/2498
Equity capital	₹83.1 crore
Face value	₹5

Price performance



Key risks to our call

- Adverse market conditions leading to further impairment in key pipeline products
- Continued regulatory challenges in launching new products (like gCopaxone)

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Key Financial Summary

(₹crore)	FY20	FY21E	FY22E	FY23E	CAGR FY20-23E %
Revenues	17517.0	19130.0	21464.4	23556.1	10.4
EBITDA	2466.0	3911.0	5143.5	5699.0	32.2
EBITDA Margins (%)	14.1	20.4	24.0	24.2	
Adjusted PAT	2026.0	1447.5	3136.8	3532.9	20.4
EPS (Adjusted)	121.8	87.0	188.6	212.5	
PE (x)	37.7	52.8	24.4	21.6	
RoE (%)	13.0	8.6	16.0	15.6	
RoCE (%)	9.6	15.7	19.5	19.4	

Source: ICICI Direct Research; Company

Exhibit 1: Variance Analysis

	Q3FY21	Q3FY21E	Q3FY20	Q2FY21	YoY (%)	QoQ (%)	Comments
Revenue	4,941.9	5,014.3	4,397.1	4,910.9	12.4	0.6	YoY growth primarily driven by new product launches, integration of acquired portfolio from Wockhardt in India. Volume growth in base business largely offset by price erosion
Raw Material Expenses	1,637.7	1,613.4	1,415.3	1,580.1	15.7	3.6	
Gross Profit	3,304.2	3,400.9	2,981.8	3,330.8	10.8	-0.8	
Gross margins (%)	66.9	67.8	67.8	67.8	-95.2	-96.4	Gross margins primarily impacted due to price erosion and lower export benefits, partially offset by the milestone income received for the compound AUR102
Employee expenses	915.7	962.7	837.7	948.8	9.3	-3.5	
Other expenses	1,849.2	1,266.1	2,432.8	1,225.9	-24.0	50.8	Included impairment charge of ₹1320 crore in Q3FY20, impairment charge of ₹ 597.2 crore in Q3FY21. Impairment in Q3FY21 related to 1) Products: gNuvaRing, gKombiglyze-XR, gQsymia, 2) intangible assets of Global Generics, Proprietary Products segments and 3) PPE write-downs of Global Generics. YoY. Other expenditure also impacted amid higher freight cost
EBITDA	539.3	1,172.1	-288.7	1,156.1	-286.8	-53.4	
EBITDA (%)	10.9	23.4	-6.6	23.5	1,747.8	-1,262.9	Excluding one off, EBITDA margins decline 46 bps YoY to 23% due to lower gross margins amid price erosion and lower export benefits along with higher freight charges
Other Income	70.5	52.4	67.3	51.2	4.8	37.7	
Interest	18.8	25.2	15.2	25.2	23.7	-25.4	
Depreciation	311.2	316.5	286.9	316.5	8.5	-1.7	
PBT	279.8	882.9	-523.5	865.6	-153.4	-67.7	
Tax	267.0	256.0	32.5	101.1	721.5	164.1	Effective tax rate is 25%
Net Profit	27.9	634.1	-538.4	771.8	-105.2	-96.4	
Adjusted PAT	685.1	634.1	638.9	771.8	7.2	-11.2	Delta vis-a-vis EBITDA was due to non-recognition of deferred tax assets on impairment

Key Metrics

US	1,739.4	1,857.0	1,599.9	1,832.8	8.7	-5.1	YoY growth driven by new product launches, increase in volumes of our base business and a favourable forex rate, which was partially offset by price erosion. Miss vis-à-vis I-direct estimates amid higher than expected price erosion in some of the key molecules
Europe	414.3	386.6	309.3	375.4	33.9	10.4	YoY growth primarily on account of new product launches, favourable forex movement and volume traction. Beat vis-à-vis I-direct estimates mainly due to better than expected traction from new geographies
India	959.1	926.8	763.6	912.3	25.6	5.1	Strong YoY growth primarily on account of revenues from the acquired business of Wockhardt and contribution from new products. Ex Wockhardt, growth was 8% YoY
Russia & Other CIS	660.0	616.4	670.0	600.0	-1.5	10.0	YoY fall of 8% in Russia to ₹ 450 crore primarily due to weakening ruble. QoQ growth of 14% contributed by increased volumes. Revenues from CIS, Romania grew 18% to ₹210 crore driven by both base business, new product launches
RoW	302.3	275.0	250.0	263.6	20.9	14.7	YoY growth was driven by volume traction in the base business and new product launches
PSAI	700.9	842.5	690.6	850.5	1.5	-17.6	New products and favourable forex rate offset by lower volumes for some products

Source: ICICI Direct Research

Exhibit 2: Change in Estimates

₹ Crore	FY21E			FY22E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	19,187.9	19,130.0	-0.3	22,132.4	21,464.4	-3.0	
EBITDA	4,463.6	3,911.0	-12.4	5,303.3	5,143.5	-3.0	Changed mainly due to one off impairment reported in Q3FY21
EBITDA Margin (%)	23.3	20.4	-286 bps	24.0	24.0	-4 bps	
Adjusted PAT	2,799.3	1,447.5	-48.3	3,231.8	3,136.8	-2.9	Changed mainly due to one off impairment reported in Q3FY21
EPS (₹)	168.4	87.0	-48.3	194.4	188.6	-3.0	

Source: ICICI Direct Research

Exhibit 3: Change in Estimates

₹ crore	Current				Earlier		Comments
	FY19	FY20	FY21E	FY22E	FY21E	FY22E	
US	5,995.7	6,465.8	7,128.9	7,812.8	7,168.4	8,188.6	
Europe	787.3	1,170.7	1,523.9	1,752.4	1,463.5	1,683.0	
India	2,618.4	2,894.6	3,374.7	3,886.7	3,380.6	3,924.3	
Russia & Other CIS	2,050.0	2,340.0	2,368.4	2,784.2	2,344.9	2,757.9	
RoW	838.9	941.4	1,163.4	1,337.9	1,148.6	1,320.9	
PSAI	2,414.0	2,574.7	3,162.2	3,478.4	3,327.4	3,826.5	Changed mainly due to lower than expected sales in Q3FY21

Source: ICICI Direct Research

Conference Call Highlights

- No additional impairment expected henceforth for the eight ANDAs acquired from Teva
- R&D spend during the quarter was ₹ 411 crore (8.3% of revenues)
- Capex in Q3FY21 was ~₹ 287 crore
- Net cash is at ₹ 84 crore as of Q3FY21; FCF for Q3FY21: ~₹ 58 crore
- **US:** growth amid new products launches, increase in base business volumes, favourable forex rate, which was partially offset by price erosion
 - four products launched in Q3 namely Cinacalcet tablets, Sapropterin Dihydrochloride tablets and Succinylcholine Chloride Injection in US + Daptomycin Injection in Canada
 - Re-launched one product in US - OTC Famotidine
 - As of Q3FY21, the company has 89 ANDAs pending USFDA approval (incl. 48 para IV, 24 FTF) and 2 NDA 505 (b)(2) route.
 - two ANDAs, five DMFs filed in Q3FY21
 - In FY21, the company plans to launch 25+ products in US (22 already launched)
 - NuvaRing – response submitted in December 2020
 - Copaxone – received second CRL, preparing a response (to be submitted within the next few months)
 - Weight of injectables to be higher over time (~25% in FY20)
- **India:** Seven new products launched
 - Ex-Wockhardt, base business grew 8% YoY in Q3FY21
- **Europe:** growth due to new product launches and favourable forex
 - three launches in Germany, one each in UK, Italy, Spain and France
- **Emerging market:** YoY decline in Russia due to weakening of ruble
 - The company has launched 27 products across Emerging markets
 - CIS and others growth due to base business growth and new launches
 - Rest of World growth due to base business volume traction new launches
- US\$/INR translated at 73.77 for Q3FY21
- Gross profit margin at 53.8% (down 30 bps YoY) due to price erosion and lower export benefits, partially offset by the milestone income received for the compound AUR102.
 - GPM for Global generics and PSAI segments stood at 57.6% and 25.3% respectively
- SG&A – incremental cost due to Wockhardt integration, higher freight costs, pickup in sales & marketing activity, some one-time charges (litigation and Covid related costs)
 - No one-off costs related to Wockhardt
 - Investing in brands in India, Russia, digital capabilities
- Increase in working capital – higher receivables amid lower discounting in US, planned increase in inventory
- EBITDA aspiration of 25% (incl. other income) on a sustainable basis

Exhibit 4: Trends in quarterly financials

₹Crore	13FY18	14FY18	15FY19	16FY19	17FY19	18FY19	19FY20	20FY20	21FY20	22FY20	23FY21	24FY21	25FY21	YoY (%)	QoQ (%)
Total Operating Incor	3834.1	3553.9	3736.5	3817.5	3864.6	4029.6	3858.2	4812.8	4397.1	4448.9	4426.5	4910.9	4941.9	12.4	0.6
Raw Material Expenses	1036.7	1006.7	1004.9	1051.7	1175.8	1262.4	1206.9	1401.1	1415.3	1531.1	1319.6	1580.1	1637.7	15.7	3.6
% of Revenues	27.0	28.3	26.9	27.5	30.4	31.3	31.3	29.1	32.2	34.4	29.8	32.2	33.1	95 bps	96 bps
Gross Profit	2797.4	2547.2	2731.6	2765.8	2688.8	2767.2	2651.3	3411.7	2981.8	2917.8	3106.9	3330.8	3304.2	10.8	-0.8
Gross Profit Margins	73.0	71.7	73.1	72.5	69.6	68.7	68.7	70.9	67.8	65.6	70.2	67.8	66.9	-95 bps	-96 bps
Employee expenses	818.1	800.5	837.1	872.2	805.4	841.5	861.5	825.5	837.7	855.5	872.4	948.8	915.7	9.3	-3.5
% of Revenues	21.3	22.5	22.4	22.8	20.8	20.9	22.3	17.2	19.1	19.2	19.7	19.3	18.5	-52 bps	-79 bps
Other expenses	1186.6	1183.1	1125.7	1134.3	1078.8	1106.8	1048.1	1522.4	2432.8	1113.1	1113.2	1225.9	1849.2	-24.0	50.8
% of Revenues	30.9	33.3	30.1	29.7	27.9	27.5	27.2	31.6	55.3	25.0	25.1	25.0	37.4	-1791 bps	1246 bps
Total Expenditure	3041.4	2990.3	2967.7	3058.2	3060.0	3210.7	3116.5	3749.0	4685.8	3499.7	3305.2	3754.8	4402.6	-6.0	17.3
% of Revenues	79.3	84.1	79.4	80.1	79.2	79.7	80.8	77.9	106.6	78.7	74.7	76.5	89.1	-1748 bps	1263 bps
EBITDA	792.7	563.6	768.8	759.3	804.6	818.9	741.7	1063.8	-288.7	949.2	1121.3	1156.1	539.3	-286.8	-53.4
EBITDA Margins (%)	20.7	15.9	20.6	19.9	20.8	20.3	19.2	22.1	-6.6	21.3	25.3	23.5	10.9	1748 bps	-1263 bps
Total Depreciation	271.5	276.3	278.7	278.6	290.3	287.2	289.0	313.1	286.9	274.1	292.3	316.5	311.2	8.5	-1.7
EBITDA	521.2	287.3	490.1	480.7	514.3	531.7	452.7	750.7	-575.6	675.1	829.0	839.6	228.1	-139.6	-72.8
Interest	17.2	17.8	19.5	20.8	24.1	24.5	29.8	30.3	15.2	23.0	23.3	25.2	18.8	23.7	-25.4
Exceptional Items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
EBT	504.0	269.5	470.6	459.9	490.2	507.2	422.9	720.4	-590.8	652.1	805.7	814.4	209.3	-135.4	-74.3
Total Tax	252.8	49.2	53.2	80.7	101.1	150.8	192.8	-320.7	32.5	-44.9	305.9	101.1	267.0	721.5	164.1
Tax %	50.2	18.3	11.3	17.5	20.6	29.7	45.6	-44.5	-5.5	-6.9	38.0	12.4	127.6		
Adjusted PAT	302.7	272.1	476.1	518.3	500.3	455.4	676.5	1106.8	638.9	781.1	594.6	771.8	685.1	7.2	-11.2

Source: ICICI Direct Research

Company Background

Established in 1984, Dr Reddy's Laboratories (DRL) is one of India's pedigreed players having a firm footing in the US and other export markets with deep rooted product and market knowledge across therapies. Like Cipla, DRL also recognised the importance of having good manufacturing practices (GMP) accreditation in the eighties and eventually got USFDA approval (first of its kind approval for a formulation facility in India) in 1987. The company owns 22 manufacturing facilities and four developing centres across the globe. The facilities have been approved by various agencies such as the USFDA, WHO-Geneva, UKMHRA, TGA-Australia, MCC-South Africa, DMA Denmark, Brail Anvisa, among others. Over the years, along with generics, the company also established itself in the field of discovery of new chemical entities (NCEs) but with little success.

DRL's business can be classified into three broad segments- 1) Global Generics (GG), 2) Pharmaceutical services and active ingredients (PSAI) and 3) Proprietary Products (PP). Global Generics (~80% of revenues) includes branded and unbranded prescription and over-the-counter (OTC) products business. It also includes the operations of the biologics business. This segment comprises formulation sales to regulated markets of the US, Europe and emerging markets such as Russia/CIS, India and RoW.

Pharmaceutical services and active ingredients (~18% of revenues) consist of the active pharmaceutical ingredients (API) business and custom pharmaceutical services (CPS) business. Proprietary products (PP, ~2% of revenues) consists mainly of differentiated formulations business.

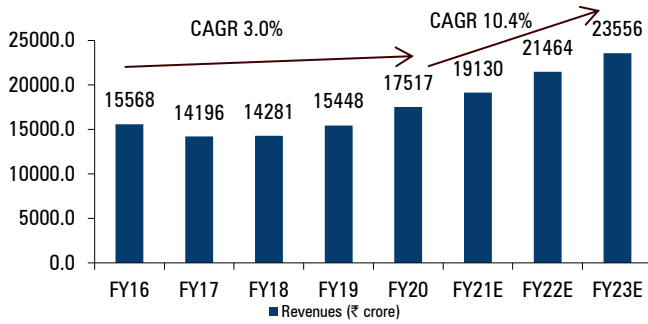
DRL has spent ~9% of the turnover on R&D in FY20 and is likely to be ~9-10% in FY21. As of Q2FY21, the company has 92 ANDAs pending USFDA approval (including 50 para IVs) and 2 NDA via 505 (b)(2) route.

It also has Sernivo, a prescription topical steroid spray, used for mild to moderate plaque psoriasis.

DRL has acquired Wockhardt's portion of domestic branded business comprising 62 products including manufacturing facility at Baddi, Himachal Pradesh for a consideration of ₹ 1850 crore. Revenues of the proposed acquired business was ₹ 377 crore in 9MFY20 (₹ 503 crore on annualised basis). The implied valuation comes at ~3.8x annualised revenue. Post this acquisition, completed in June 2020, the domestic business contribution of DRL in total revenues will likely increase to 19-20% from 17% in FY20.

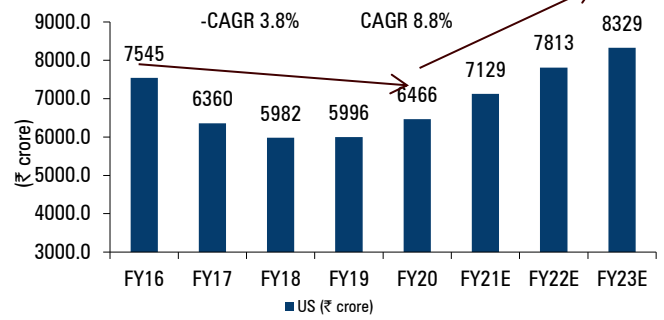
DRL, Russian Direct Investment Fund (RDIF) had recently signed an agreement in September 2020 to cooperate on clinical trials and distribution of Sputnik V Covid vaccine in India. Dr Reddy's will be conducting phase-III trials in India whereas RDIF will, upon regulatory approval, supply 10 crore doses of the vaccine to Dr Reddy's for distribution. As per company, deliveries of the vaccine are likely to begin in late 2020 depending on clinical trial outcomes and regulatory approval.

Exhibit 5: Revenues to grow at CAGR of 10% in FY20-23E



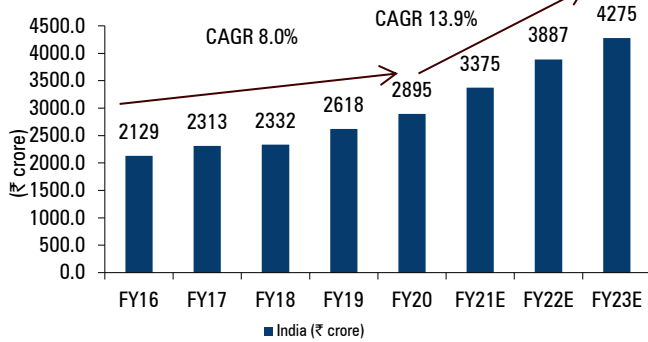
Source: ICICI Direct Research, Company

Exhibit 6: US to grow at CAGR of 9% over FY20-23E



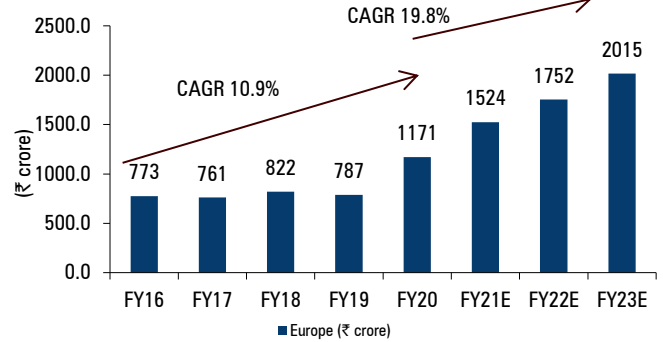
Source: ICICI Direct Research, Company

Exhibit 7: India to grow at CAGR of 14% over FY20-23E



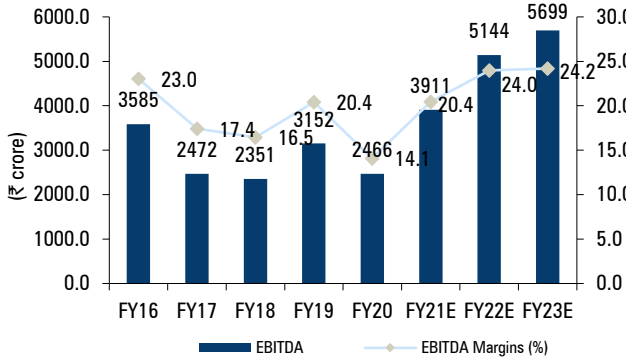
Source: ICICI Direct Research, Company

Exhibit 8: Europe to grow at 20% CAGR over FY20-23E



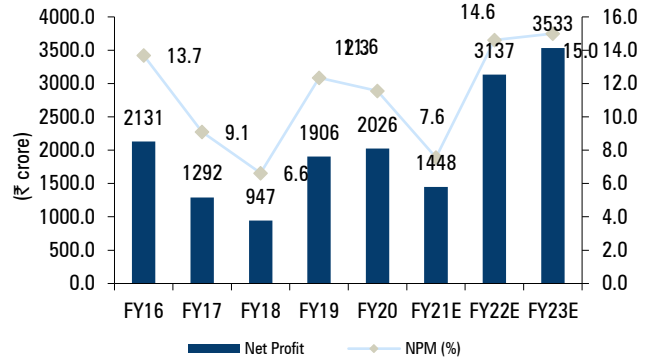
Source: ICICI Direct Research, Company

Exhibit 9: EBITDA & EBITDA margins trend



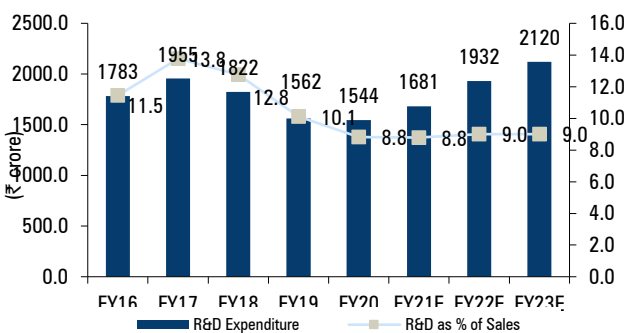
Source: ICICI Direct Research, Company

Exhibit 10: PAT & PAT margins trend



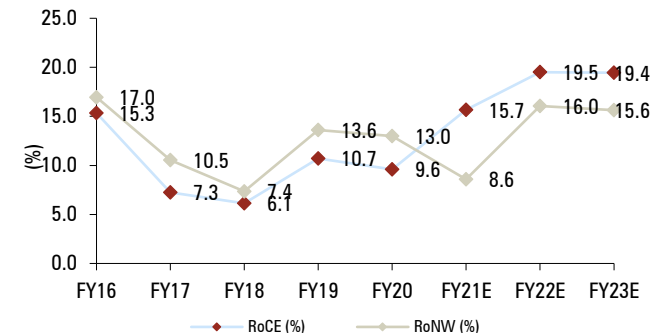
Source: ICICI Direct Research, Company

Exhibit 11: R&D and R&D as percentage of sales



Source: ICICI Direct Research, Company

Exhibit 12: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 13: Revenue break-up

(₹crore)	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E	CAGR	
									FY16-20 %	FY20-23E %
US	7545	6360	5982	5996	6466	7129	7813	8329	-3.8	8.8
Europe (₹crore)	773	761	822	787	1171	1524	1752	2015	10.9	19.8
India (₹crore)	2129	2313	2332	2618	2895	3375	3887	4275	8.0	13.9
Russia & Other CIS (₹crore)	1419	1520	1650	2050	2340	2368	2784	3118	13.3	10.0
RoW (₹crore)	940	587	615	839	941	1163	1338	1539	0.0	17.8
PSAI	2238	2128	2199	2414	2575	3162	3478	3826	3.6	14.1

Source: ICICI Direct Research, Company

Exhibit 14: Financial Summary

	Revenues	Growth	Adj. EPS	Growth	P/E	EV/EBITDA	RoNW	RoCE
	(₹crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY20	17517.0	13.4	121.8	6.3	37.7	30.8	13.0	9.6
FY21E	19130.0	9.2	87.0	-28.6	52.8	19.5	8.6	15.7
FY22E	21464.4	12.2	188.6	116.7	24.4	14.5	16.0	19.5
FY23E	23556.1	9.7	212.5	12.6	21.6	12.7	15.6	19.4

Source: ICICI Direct Research, Company

Exhibit 15: Shareholding Pattern

(in %)	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Promoter	26.8	26.8	26.7	26.7	26.7
Others	73.3	73.3	73.3	73.3	73.3

Source: ICICI Direct Research, Company

Financial Summary

Exhibit 16: Profit & Loss (₹ crore)

(Year-end March)	FY20	FY21E	FY22E	FY23E
Revenues	17,517.0	19,130.0	21,464.4	23,556.1
Growth (%)	13.4	9.2	12.2	9.7
Raw Material Expenses	5,554.4	6,098.1	6,760.3	7,361.1
Employee expenses	3,380.2	3,647.1	3,979.8	4,371.4
Other expenses	6,116.4	5,473.7	5,580.8	6,124.6
Total Operating Expenditure	15,051.0	15,219.0	16,320.9	17,857.1
EBITDA	2,466.0	3,911.0	5,143.5	5,699.0
Growth (%)	-21.8	58.6	31.5	10.8
Interest	98.3	86.1	50.5	50.5
Depreciation	1,163.1	1,231.2	1,281.3	1,354.0
PBT before Exceptional It	1,829.6	2,871.9	4,157.3	4,692.6
Share of profit/ (loss) of e	0.0	0.0	0.0	0.0
PBT	1,829.6	2,871.9	4,157.3	4,692.6
Total Tax	-140.3	1,469.6	1,080.9	1,220.1
PAT	2,026.0	1,447.5	3,136.8	3,532.9
Adjusted PAT	2,026.0	1,447.5	3,136.8	3,532.9
Growth (%)	6.3	-28.6	116.7	12.6
EPS	121.8	87.0	188.6	212.5
EPS (Adjusted)	121.8	87.0	188.6	212.5

Source: ICICI Direct Research

Exhibit 17: Cash Flow Statement (₹ crore)

(Year-end March)	FY20	FY21E	FY22E	FY23E
Profit/(Loss) after taxation	1,175.2	1,447.5	3,136.8	3,532.9
Add: Depreciation & Amortiz	1,163.1	1,231.2	1,281.3	1,354.0
Net Increase in Current Ass	-1,393.3	-291.8	-1,131.8	-1,023.0
Net Increase in Current Liabi	639.7	284.8	353.4	338.2
CF from operating activiti	2,984.1	2,757.8	3,690.2	4,252.6
(Inc)/dec in Fixed Assets	-572.5	-2,650.0	-1,400.0	-1,400.0
(Inc)/dec in Investments	-21.4	1,500.0	-1,700.0	-2,000.0
Others	108.2	-66.0	-68.6	-71.4
CF from investing activitie	-485.7	-1,216.0	-3,168.6	-3,471.4
Inc / (Dec) in Equity Capital	-47.0	0.0	0.0	0.0
Inc / (Dec) in Loan	-1,868.3	-1,200.0	0.0	0.0
Dividend & Dividend Tax	-391.6	-198.9	-431.0	-485.5
Others	-209.0	-86.1	-50.5	-50.5
CF from financing activitie	-2,515.9	-1,485.0	-481.5	-536.0
Net Cash flow	-17.5	56.8	40.0	245.3
Opening Cash	222.8	205.3	262.1	302.1
Closing Cash	205.3	262.1	302.1	547.4
Free Cash Flow	2,411.6	107.8	2,290.2	2,852.6

Source: ICICI Direct Research

Exhibit 18: Balance Sheet (₹ crore)

(Year-end March)	FY20	FY21E	FY22E	FY23E
Equity Capital	83.1	83.1	83.1	83.1
Net Network	15,515.7	16,764.3	19,470.1	22,517.5
Total Shareholders fund	15,598.8	16,847.4	19,553.2	22,600.6
Total Debt	2,210.2	1,010.2	1,010.2	1,010.2
Deferred Tax Liability	2.0	2.1	2.2	2.2
Other Non Current Liabilit	205.5	213.7	222.3	231.2
Long term Provisions	74.5	77.5	80.6	83.8
Source of Funds	18,091.0	18,150.9	20,868.4	23,928.0
Gross Block - Fixed Ass	15,616.9	18,766.9	20,666.9	22,566.9
Accumulated Depreciatio	9,257.9	10,489.1	11,770.4	13,124.5
Net Block	6,359.0	8,277.8	8,896.5	9,442.4
Capital WIP	1,535.1	1,035.1	535.1	35.1
Net Fixed Assets	7,894.1	9,312.9	9,431.6	9,477.5
Goodwill	491.3	491.3	491.3	491.3
Investments	2,677.8	1,177.8	2,877.8	4,877.8
Inventory	3,506.7	3,829.6	4,296.9	4,715.7
Cash	205.3	262.1	302.1	547.4
Debtors	5,027.8	4,937.1	5,539.6	6,079.4
Loans & Advances & Oth	1,490.6	1,550.2	1,612.2	1,676.7
Total Current Assets	10,230.4	10,579.0	11,750.8	13,019.2
Creditors	1,524.8	1,665.2	1,868.4	2,050.5
Provisions & Other CL	3,609.5	3,753.9	3,904.0	4,060.2
Total Current Liabilities	5,134.3	5,419.1	5,772.4	6,110.7
Net Current Assets	5,096.1	5,159.9	5,978.4	6,908.5
LT L& A, Other Assets	711.8	740.3	769.9	800.7
Deferred Tax Assets	1,219.9	1,268.7	1,319.4	1,372.2
Application of Funds	18,091.0	18,150.9	20,868.4	23,928.0

Source: ICICI Direct Research

Exhibit 19: Key Ratios (₹ crore)

(Year-end March)	FY20	FY21E	FY22E	FY23E
Per share data (₹)				
EPS	121.8	87.0	188.6	212.5
BV per share	938.1	1,013.1	1,175.9	1,359.1
Operating Ratios (%)				
Gross Profit Margins	68.3	68.1	68.5	68.8
EBITDA margins	14.1	20.4	24.0	24.2
Net Profit margins	11.6	7.6	14.6	15.0
Inventory days	73.1	73.1	73.1	73.1
Debtor days	104.8	94.2	94.2	94.2
Creditor days	31.8	31.8	31.8	31.8
Asset Turnover	1.1	1.0	1.0	1.0
EBITDA conversion Rate	121.0	70.5	71.7	74.6
Return Ratios (%)				
RoE	13.0	8.6	16.0	15.6
RoCE	9.6	15.7	19.5	19.4
RoIC	11.5	20.3	26.4	27.4
Valuation Ratios (x)				
P/E	37.7	52.8	24.4	21.6
EV / EBITDA	30.8	19.5	14.5	12.7
EV / Revenues	4.3	4.0	3.5	3.1
Market Cap / Revenues	4.4	4.0	3.6	3.2
Price to Book Value	4.9	4.5	3.9	3.4
Solvency Ratios				
Debt / Equity	0.1	0.1	0.1	0.0
Debt / EBITDA	0.9	0.3	0.2	0.2
Current Ratio	2.0	1.9	2.0	2.0

Source: ICICI Direct Research

Exhibit 20: ICICI Direct Coverage Universe (Healthcare)																			(₹ crore)			
Company	I-Direct Code	CMP (₹)	TP Rating	M Cap (₹cr)	EPS (₹)				PE(x)				RoCE (%)				RoE (%)					
					FY19	FY20	Y21E	Y22E	FY19	FY20	FY21E	Y22E	FY19	Y20	Y21E	Y22E	FY19	FY20	Y21E	Y22E		
Ajanta Pharma	AJAPHA	1758	1,960	Buy	15340	43.5	53.4	62.7	73.8	40.4	32.9	28.0	23.8	21.8	24.7	25.4	24.5	17.1	18.1	18.4	18.6	
Alembic Pharm	ALEMPHA	948	1,055	Hold	18636	30.2	44.4	57.5	43.9	31.4	21.4	16.5	21.6	19.6	21.0	23.9	17.0	21.8	27.1	23.0	15.5	
Apollo Hospital	APOHOS	2622	2,310	Hold	37706	16.2	22.3	-1.6	36.1	161.5	117.4	NA	72.7	8.8	10.2	4.9	13.0	7.1	9.7	-0.5	10.0	
Aurobindo Pha	AURPHA	944	1,025	Buy	55333	41.9	48.8	55.1	61.7	22.6	19.4	17.2	15.3	15.9	17.2	17.9	17.3	17.7	17.0	14.3	13.9	
Biocon	BIOCON	380	450	Hold	45612	6.2	5.8	6.5	13.9	61.2	65.3	58.4	27.4	10.9	10.2	9.2	16.5	12.2	10.4	10.5	18.7	
Cadila Healthc	CADHEA	462	555	Buy	47312	18.1	14.0	20.1	22.0	25.6	33.1	23.0	21.0	12.8	10.7	13.7	14.2	17.8	13.8	15.9	15.3	
Cipla	CIPLA	826	965	Buy	66581	18.6	19.2	28.6	30.2	44.4	43.0	28.9	27.3	10.9	12.0	16.0	15.4	10.0	9.8	13.0	12.4	
Divi's Lab	DIVLAB	3430	4,425	Buy	91049	51.0	51.9	74.1	89.8	67.3	66.1	46.3	38.2	25.5	23.9	28.8	28.6	19.4	18.8	22.5	22.3	
Dr Reddy's Lab	DRREDD	4599	5,525	Buy	76470	114.6	121.8	87.0	188.6	40.1	37.7	52.8	24.4	10.7	9.6	15.7	19.5	13.6	13.0	8.6	16.0	
Glenmark Phar	GLEPHA	481	635	Buy	13565	26.9	26.4	36.5	37.6	17.9	18.2	13.2	12.8	15.3	12.7	14.9	14.1	13.5	12.2	14.5	13.1	
Hikal	HIKCHE	171	230	Buy	2110	8.4	8.1	10.2	12.2	20.5	21.1	16.8	14.0	14.3	12.8	13.6	14.9	13.6	12.2	13.5	14.2	
Ipca Laboratori	IPCLAB	1896	2,665	Buy	24052	34.9	47.6	93.5	89.8	54.4	39.9	20.3	21.1	15.0	17.6	27.3	21.8	14.2	16.6	24.8	19.3	
Jubilant Life	JUBLIF	901	850	Buy	14351	54.9	59.9	54.4	70.3	16.4	15.0	16.6	12.8	14.3	14.4	14.7	16.9	17.8	16.6	13.2	14.7	
Lupin	LUPIN	1012	1,165	Buy	45896	16.5	-12.7	24.5	37.3	61.2	NA	41.4	27.2	9.4	9.7	8.9	12.2	5.4	-4.6	8.2	11.2	
Narayana Hrud	NARHRU	438	405	Buy	8954	2.9	6.4	-4.2	8.3	150.9	69.0	NA	52.6	7.7	11.0	-2.4	12.8	5.5	11.4	-8.3	14.2	
Natco Pharma	NATPHA	894	885	Hold	16298	35.4	25.3	32.7	28.0	25.3	35.4	27.4	31.9	21.3	14.0	17.1	13.6	18.5	12.2	14.0	11.0	
Sun Pharma	SUNPHA	586	585	Buy	140706	15.9	16.8	25.7	23.2	37.0	35.0	22.8	25.2	10.3	10.0	11.9	12.3	9.2	8.9	13.0	10.6	
Syngene Int.	SYNINT	588	700	Buy	23508	8.3	10.3	9.7	13.2	71.1	57.1	60.6	44.5	14.8	14.5	12.6	15.8	16.8	15.7	15.1	17.1	
Torrent Pharm	TORPHA	2664	3,135	Buy	45078	48.9	60.6	70.6	85.8	54.4	44.0	37.7	31.1	14.2	15.4	17.9	20.2	17.5	21.2	20.9	21.3	
Shalby	SHALIM	110	130	Hold	1185	2.9	2.6	4.7	4.9	37.4	43.0	23.3	22.3	6.8	7.2	6.6	7.9	4.1	3.5	6.0	5.9	
Aster DM	ASTDM	155	170	Buy	7760	6.7	5.5	3.1	9.9	23.3	28.1	50.0	15.6	8.3	7.1	5.2	9.1	10.4	8.5	4.5	12.7	
Indoco Remedi	INDREM	310	380	Buy	2861	-0.3	2.6	9.3	14.8	NA	118.7	33.4	20.9	0.9	4.6	11.4	15.6	-0.4	3.5	11.4	15.7	
Caplin Point	CAPPOI	462	605	Buy	3496	23.3	28.4	33.5	43.5	19.8	16.3	13.8	10.6	34.6	26.5	26.9	28.1	27.9	22.7	21.5	22.3	
Granules India	GRANUL	354	460	Buy	8757	9.5	12.4	21.1	23.6	37.0	28.5	16.7	15.0	11.8	15.2	22.4	22.0	15.5	16.7	22.4	20.2	
Laurus Labs	LAULAB	343	440	Buy	18392	1.7	4.8	17.9	21.1	196.1	72.0	19.2	16.3	7.7	13.0	33.8	31.6	6.0	14.4	36.4	31.0	

Source: ICICI Direct Research, Bloomberg

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