

US momentum continuous; India showing promise...

Alembic Pharma's Q4FY20 results were better than I-direct estimates on the revenue front due to a better-than-expected domestic performance while EBITDA margins and net profit were in line. Revenues grew 30.2% YoY to ₹ 1206.8 crore on account of 84.3% YoY growth in the US to ₹ 577 crore. Domestic formulations grew 13.2% to ₹ 342 crore. EBITDA margins improved 793 bps YoY to 27.1% mainly due to lower other expenditure. EBITDA grew 84% YoY to ₹ 327.5 crore. Net profit grew 70% YoY to ₹ 224.9 crore mainly due to strong operational performance.

Domestic sales growth steady; overhauling exercise on...

Domestic sales comprise 31% of FY20 revenues with higher contribution from specialty (54% of domestic sales). However, despite having an established set-up, growth (FY16-20 CAGR of ~5%) has lagged the industry growth curve. The company is consciously focusing on this aspect with focus on overhauling of distribution channels (defocusing on trade generics). Overall, we expect domestic formulations to grow at 10% CAGR in FY20-22E to ₹ 1724 crore.

New launches to drive US; impending capex to the fore...

US sales (43% of FY20 revenues) grew at ~12% CAGR in FY16-20 to ₹ 1976 crore on the back of consistent product launches including limited competition products. Despite being a late entrant, the company has done reasonably well with a product basket of 185 ANDA filings with 109 pending final approvals. It has already demonstrated required capabilities by securing limited competition approvals like gAbilify (CNS), gExforge (CVS), gCelebrex (Pain), gMicardis (CVS) and currently Sartans. We expect US sales to register ~14% CAGR in FY20-21E to ₹ 2572 on the back of new launches.

Valuation & Outlook

With 53% YoY growth in the US, the substance for FY20 clearly has been the stiff growth trajectory on the back of significant market share gains in Sartans where most other players continue to struggle with impurity and compliance issues. The optimism has prompted the management to adjust the US base business run rate upward to ~US\$70 million. Besides this, with the aggressive R&D and capex, the management has signalled its long term strategy that includes a foray into niche areas like oncology, injectables, derma, etc. Although this is fraught with a new set of challenges (the US is still a sticky ground), the company now looks in much better shape to withstand those challenges. On the domestic front, on which we used to be apprehensive, the management expects much more stability (reflected in Q4 numbers). We upgrade Alembic from HOLD to **BUY** as we expect FY21E, FY22E performances to outweigh legacy concerns. We arrive at a target price of ₹ 875 based on FY22E EPS of ₹ 39.8.



Particulars

Particular	Amount
Market Capitalisation	₹ 14271 crore
Debt (FY20)	₹ 1747 crore
Cash & cash equivalents (FY20)	₹ 81 crore
EV	₹ 15937 crore
52 week H/L	710/433
Equity capital	₹ 38 crore
Face value	₹ 2

Key Highlights

- Continuous strong US revenues, recovery in domestic formulations and better product mix drives Q4
- Management expects US base business run-rate to ~US\$70 million
- On the domestic front, on which we used to be apprehensive, management expects much more stability (reflected in Q4 numbers)
- Upgrade Alembic from HOLD to BUY as we expect FY21E, FY22E performance to outweigh legacy concerns

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Key Financial Summary

(₹ crore)	FY19	FY20E	FY21E	FY22E	CAGR (FY20-22E) %
Revenues	3934.7	4605.7	5196.4	5692.2	11.2
EBITDA	873.6	1223.0	1194.9	1238.0	0.6
EBITDA margins (%)	22.2	26.6	23.0	21.7	
Net Profit	592.7	872.8	779.9	749.8	-7.3
EPS (₹)	31.4	46.3	41.4	39.8	
PE (x)	24.1	17.2	18.3	19.0	
Target PE (x)	27.8	18.9	21.1	22.0	
EV to EBITDA (x)	17.4	13.0	12.9	12.1	
ROIC (%)	35.1	32.6	25.0	18.2	
RoNW (%)	21.8	26.3	19.5	16.2	

Exhibit 1: Variance Analysis

	Q4FY20	Q4FY20E	Q4FY19	Q3FY20	YoY (%)	QoQ (%)	Comments
Revenue	1,206.8	1,158.1	927.0	1,209.1	30.2	-0.2	YoY growth driven by strong growth in the US (continuing traction and market share gain in Sartans). Beat vis-à-vis I-direct estimates mainly due to higher-than-expected sales in domestic formulations
Raw Material Expenses	263.9	277.9	216.7	298.5	21.8	-11.6	
Employee Expenses	246.9	217.3	200.7	226.9	23.0	8.8	
R&D Expenditure	183.5	144.8	119.7	145.7	53.2	25.9	
Other Expenditure	185.0	204.0	211.7	213.0	-12.6	-13.1	
EBITDA	327.5	314.1	178.0	325.1	84.0	0.8	
EBITDA (%)	27.1	27.1	19.2	26.9	793 bps	26 bps	YoY improvement mainly due to lower other expenditure
Interest	7.8	7.4	5.1	7.4	52.6	5.3	
Depreciation	44.1	41.8	30.0	41.8	47.4	5.5	Increased mainly due to commercialisation of Aleor plant
Other Income	0.9	0.9	3.4	0.4	-73.6	117.1	
PBT before EO & Forex	276.5	265.8	146.4	276.3	88.9	0.1	
Forex & EO	10.9	0.0	0.0	0.0	NA	NA	
PBT	265.7	255.0	146.4	276.3	81.5	-3.8	
Tax	62.1	51.0	14.9	48.6	317.0	27.9	
PAT before MI	203.5	204.0	131.5	227.7	54.8	-10.6	
Net Profit	224.9	225.4	132.3	234.2	70.0	-4.0	YoY growth mainly driven by strong operational performance
Key Metrics							
Domestic Formulation	342.0	317.1	302.0	368.0	13.2	-7.1	YoY growth mainly due to robust acute segment growth led by strong growth in Azithromycin and cough & cold segment. Miss vis-à-vis I-direct estimates mainly due to higher-than-expected acute segment growth and lower-than-expected impact of Covid-19
US	577.0	550.4	313.0	515.0	84.3	12.0	YoY strong growth mainly due to continuous windfall opportunity in Sartans
RoW	132.0	106.6	82.0	149.0	61.0	-11.4	
APIs	155.0	184.0	230.0	177.0	-32.6	-12.4	YoY decline due to higher base of Q4FY19 pertaining to large order execution for a customer

Source: ICICI Direct Research

Exhibit 2: Change in Estimates

(₹ Crore)	FY21E			FY22E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	4,495.4	5,196.4	15.6	4,983.7	5,692.2	14.2	Changed mainly due to upward revision in US base as per management guidance
EBITDA	884.9	1,194.9	35.0	1,076.3	1,238.0	15.0	
EBITDA Margin (%)	19.7	23.0	330 bps	21.6	21.7	15 bps	Changed margins as per management guidance and stretched continuum of Sartan opportunities in the US
PAT	500.9	779.9	55.7	584.8	749.8	28.2	Changed mainly in sync with operational performance
EPS (₹)	26.6	41.4	55.5	31.0	39.8	28.3	

Source: ICICI Direct Research

Exhibit 3: Change in Estimates

(₹ crore)	Current				Earlier		Comments
	FY19	FY20E	FY21E	FY22E	FY21E	FY22E	
Domestic Formulation	1,383.0	1,425.0	1,567.5	1,724.3	1,585.0	1,775.2	
US	1,266.0	1,976.0	2,337.7	2,571.5	1,772.4	1,836.7	Changed mainly due to upward revision in US base as per management guidance
RoW	516.0	496.0	477.0	500.8	463.1	485.8	
APIs	770.0	708.0	814.2	895.6	810.7	891.8	

Source: ICICI Direct Research

Conference call Highlights

- There has been no material impact on the Q4FY20 business due to Covid-19. Any opportunity loss has been balanced by opportunity gains
- Alembic's manufacturing plants are running at ~70-80% of regular capacity. Currently, there are no in/out-bound supply issues
- For Q4FY20, the company has filed 10 ANDAs (including four from Aleor), received 10 final approvals and launched five products in US
- Total 22 products launched in the US in FY20. Total 69 products have been launched till date in the US (excluding seven on partner label). The company expects to launch another 10 products in the US in H1FY21
- In FY20, 25 ANDAs have been filed while 30 final approvals have been received in FY20. Cumulative ANDAs filed are at 183. Cumulative approved: 119 (including 12 tentative approvals)
- It has also filed five DMFs in Q4FY20. Nine DMFs have been filed in FY20
- Gross debt is at ₹ 1747 crore with net debt at ₹ 1666 crore. The company expects debt levels to go down after two years
- R&D during the quarter was ₹ 185 crore; ₹ 645 crore (14% of sales) for FY20. The company expects FY21 R&D to be ~₹ 700 crore
- Capex for FY20 was ₹ 697 crore. For the quarter ~₹ 146 crore. For FY21, capex is expected to be around ₹ 700 crore
- FY20 capex breakup
 - Core: ₹ 300 crore - maintenance + R&D (₹ 50 crore)
 - Project: 370 crore (pre-operative expenses mainly, ₹ 250 crore in opex)
- Total 14% of the company's product portfolio is under NLEM (including Azithromycin)
- Average receivables were at 68 days; inventory days: 93 days
- As per the management, the top five products in the US contribute ~35% of US revenues
- The company plans to launch Azithromycin in the US by the end of April, 2020. The company will continue looking to explore any potential short-term opportunities that arise out of the recent drug shortages in US on account of Covid-19
- Febuxostat – initially had only four to five players; one more player has launched the product in the last quarter
- As per the management, going ahead, the base business in the US will be ~US\$70 million (including Sartans)
- Apart from the four observations at its OSD facility (F1) at Panelav, the company has establishment inspection reports (EIRs) for all other facilities in place
- The management expects not more than ₹ 200 crore increase in debt in FY21
- As per the management, price erosion in its US portfolio has been in low single digits for FY20 and is a product specific phenomenon
- The increase in gross margins in Q4FY20 despite reports of raw material price hikes is due to sharp rupee depreciation and company's portfolio mix
- The company expects the current Sartan opportunity to continue in the short term for at least three to six months. The company has around 15 different Sartan ANDAs

- Opex in
 - FY21: F4 Jarod (oral solid): ₹ 40 crore annualised to come in H2FY21
 - FY22: (F3 and F2 oncology injectable): ₹ 250 crore annualised to come in H2FY22
- Going forward, the company plans to add MRs in a staggered manner on a quarterly basis
- The API revenue in Q4FY20 has been impacted due to exit of one major client. API segment is expected to grow 15-20% YoY in FY21
- The company mainly employs air shipments for its exports (~65% shipped by air)
- As per the management, 70% of supplies from China have resumed; 15% dependence on China (for raw materials)
- Aleor JV
 - Plant capitalised – ₹ 230 crore
 - R&D capitalisation (under intangibles)– ₹ 120 crore
 - Aleor opex is ~₹ 75 crore
- As per the management, gross margins for FY21 to be in the 70-75% range

Exhibit 4: Trends in quarterly financials

(₹ Crore)	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	YoY (%)	QoQ(%)
Revenues	741.4	648.2	789.3	840.0	853.3	862.5	1127.1	1018.2	927.0	948.9	1240.9	1209.1	1206.8	30.2	-0.2
Raw Material Cost	204.0	182.0	213.3	226.4	263.8	255.4	272.1	248.5	216.7	204.4	272.6	298.5	263.9	21.8	-11.6
% to revenues	27.5	28.1	27.0	27.0	30.9	29.6	24.1	24.4	23.4	21.5	22.0	24.7	21.9		
Gross Profit	537.3	466.2	576.0	613.6	589.5	607.1	855.0	769.7	710.2	744.5	968.3	910.6	942.9	32.8	3.5
Gross Profit Margin (%)	72.5	71.9	73.0	73.0	69.1	70.4	75.9	75.6	76.6	78.5	78.0	75.3	78.1	152 bps	282 bps
Employee cost	137.9	158.5	159.5	147.4	157.3	164.9	182.6	198.4	200.7	214.9	217.8	226.9	246.9	23.0	8.8
% to revenues	18.6	24.5	20.2	17.6	18.4	19.1	16.2	19.5	21.7	22.6	17.5	18.8	20.5	-120 bps	169 bps
R & D	109.0	94.0	98.1	98.1	121.1	121.5	144.7	112.2	119.7	140.3	173.8	145.7	183.5		
% to revenues	14.7	14.5	12.4	11.7	14.2	14.1	12.8	11.0	12.9	14.8	14.0	12.1	15.2	229 bps	315 bps
Other Expenditure	155.9	112.2	139.2	180.5	137.9	169.7	225.3	216.9	211.7	164.4	231.2	213.0	185.0	-12.6	-13.1
% to revenues	21.0	17.3	17.6	21.5	16.2	19.7	20.0	21.3	22.8	17.3	18.6	17.6	15.3	-751 bps	-228 bps
Total Expenditure	606.8	546.8	610.1	652.5	680.1	711.5	824.7	775.9	748.9	724.0	895.4	884.1	879.3	17.4	-0.5
% to revenues	81.8	84.4	77.3	77.7	79.7	82.5	73.2	76.2	80.8	76.3	72.2	73.1	72.9		
EBITDA	134.6	101.4	179.2	187.5	173.2	151.0	302.3	242.2	178.0	224.9	345.5	325.1	327.5	84.0	0.8
EBITDA Margin (%)	18.2	15.6	22.7	22.3	20.3	17.5	26.8	23.8	19.2	23.7	27.8	26.9	27.1	793 bps	26 bps
Depreciation	21.8	21.8	25.7	26.4	31.6	27.6	28.6	29.1	30.0	35.4	36.0	41.8	44.1	47.4	5.5
Interest	1.8	0.9	0.4	0.8	1.3	1.6	5.8	6.0	5.1	5.0	7.1	7.4	7.8	52.6	5.3
OI	0.9	0.2	7.7	0.3	0.6	0.1	2.4	3.5	3.4	3.3	0.4	0.4	0.9		
PBT	111.8	78.9	160.8	160.6	141.0	121.9	270.3	210.8	146.4	187.8	302.9	276.3	276.5	88.9	0.1
Tax	16.5	15.5	36.6	29.8	38.5	31.5	70.3	40.0	14.9	36.0	52.5	48.6	62.1	317.0	27.9
Tax Rate (%)	14.7	19.6	22.7	18.5	27.3	25.9	26.0	19.0	10.2	19.1	17.3	17.6	22.5		
PAT	95.3	63.4	124.3	130.9	102.4	90.4	200.0	170.8	131.5	151.9	250.4	227.7	214.4	63.1	-5.8
PAT Margin (%)	12.9	9.8	15.7	15.6	12.0	10.5	17.7	16.8	14.2	16.0	20.2	18.8	17.8		
Exceptional Items (EI)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	32.8	0.0	0.0	10.9		
Net Profit before MI	95.3	63.4	124.3	130.9	102.4	90.4	200.0	170.8	131.5	119.1	250.4	227.7	203.5	54.8	-10.6
Add/(less) MI	0.0	0.0	0.0	0.0	0.2	0.0	0.0	-0.8	-0.8	4.2	4.2	-6.9	-21.2		
Net Profit	95.3	63.4	124.3	130.9	102.2	90.4	200.0	171.5	132.3	114.8	246.2	234.6	224.7	69.9	-4.2
Net Profit (excl.EI)	95.3	63.4	124.3	130.9	102.2	90.4	200.0	171.5	132.3	147.6	246.2	234.6	235.6	78.1	0.4

Source: ICICI Direct Research

Company Background

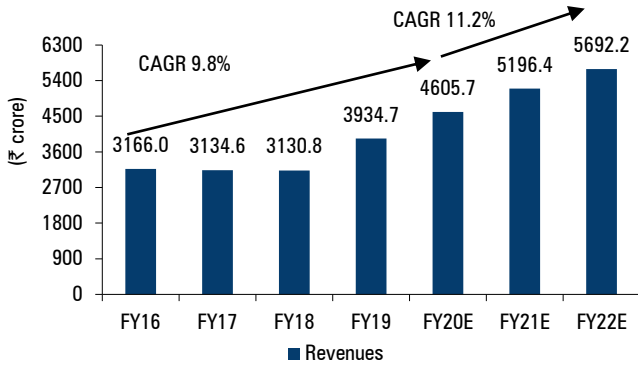
Tracing its roots way back to 1907, the company has remained an active player in the domestic formulations space with a few legacy brands like Azithral, Althrocin and Wikoryl in the anti-infective and cough & cold segments. In 2011, APL was de-merged from Alembic Ltd to provide more thrust to formulations and insulate this business from the vagaries of commoditised APIs. Formulations account for 87% of the business while the rest comes from APIs. As of FY20, the domestic: exports formulation ratio was at 37:63. Consolidated revenues, EBITDA and PAT have grown at a CAGR of 10%, 21% and 20%, respectively, in FY16-20.

The company's domestic branded portfolio is gradually shifting to the speciality business segment, which now accounts for ~53% of domestic branded formulations in FY20.

Export formulations constitute 63% of FY20 revenues. Of this, ~80% of export formulations are generics catering to the US.

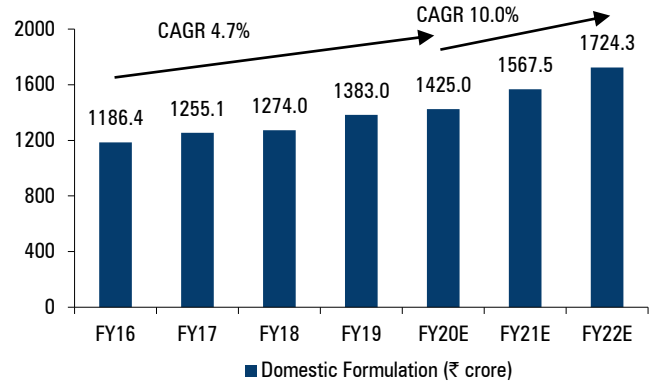
The company has acquired US based Orit Laboratories LLC along with real estate. Orit is focused on developing and filing oral solid and liquid products. With 8,600 square feet R&D and pilot manufacturing facility, it has seven approved ANDAs while four ANDAs are pending approval. Orit adds complementary skill sets in soft gelatin based oral solids and oral liquids to Alembic with a team of eight highly experienced scientists.

Exhibit 5: Revenues to grow at 11% CAGR over FY20-22E



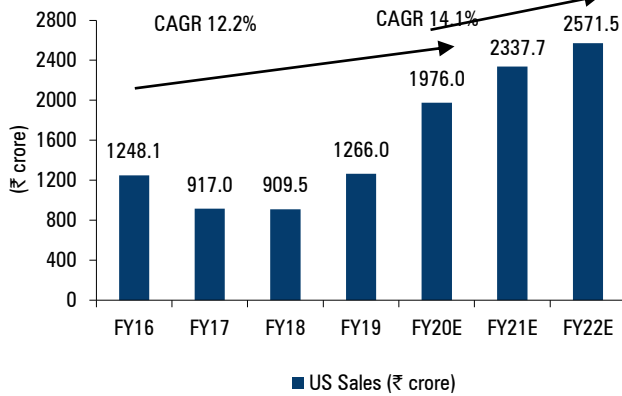
Source: ICICI Direct Research, Company

Exhibit 6: Domestic to grow at 10% CAGR over FY20-22E



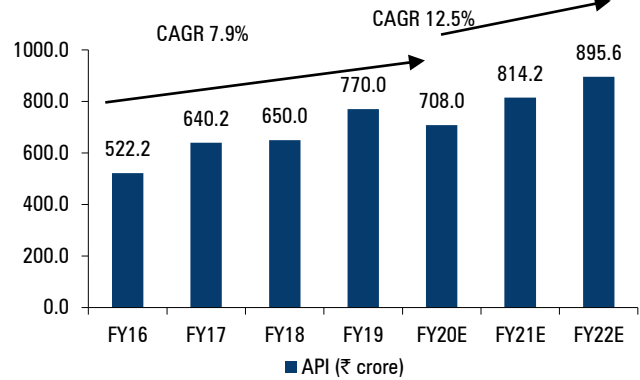
Source: ICICI Direct Research, Company

Exhibit 7: US to grow at 14% CAGR over FY20-22E



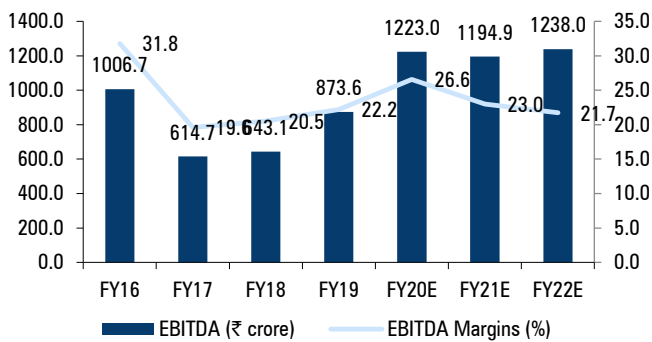
Source: ICICI Direct Research, Company

Exhibit 8: API to grow at 13% CAGR over FY20-22E



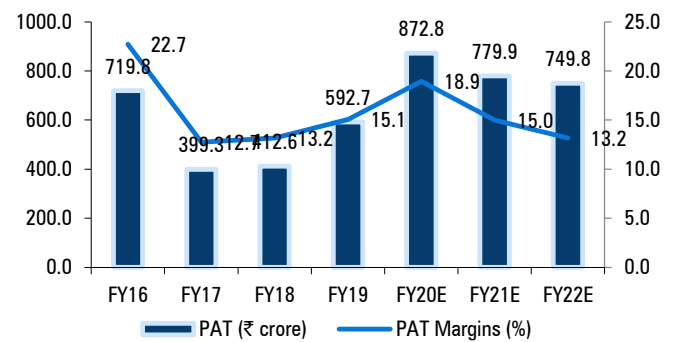
Source: ICICI Direct Research, Company

Exhibit 9: EBITDA & EBITDA margins trend



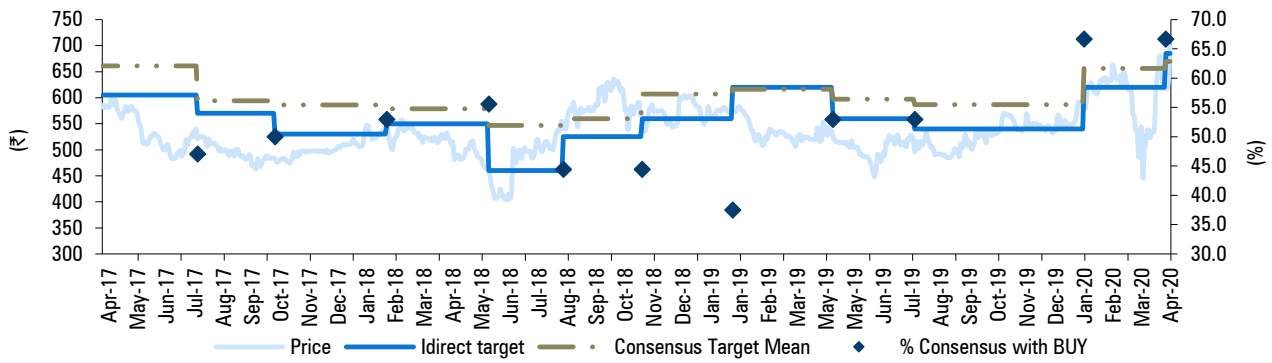
Source: ICICI Direct Research, Company

Exhibit 10: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 11: 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	Nirayu Pvt Ltd	31-Mar-20	37.2	70.04m	0.0m
2	Alembic Ltd	31-Mar-20	29.5	55.55m	0.0m
3	Amin Chirayu Ramanbhai	31-Mar-20	2.4	4.52m	0.0m
4	DSP Investment Managers Pvt Ltd	31-Mar-20	2.3	4.31m	0.1m
5	Matthews International Capital Man	31-Dec-19	1.7	3.29m	(1.1)m
6	Amin Malika Chirayu	31-Mar-20	1.6	3.01m	0.0m
7	Cresta Fund Ltd	30-Jun-19	1.4	2.56m	0.0m
8	Elara India Opportunities Fund Ltd	30-Jun-19	1.2	2.34m	0.0m
9	Schroders PLC	31-Dec-19	0.9	1.67m	0.5m
10	Vanguard Group Inc	31-Mar-20	0.8	1.55m	0.2m

Source: ICICI Direct Research, Bloomberg

Exhibit 13: Shareholding Pattern

(in %)	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Promoter	73.0	73.0	73.0	73.0	73.0
Others	27.0	27.0	27.0	27.0	27.0

Source: ICICI Direct Research, Bloomberg

Financial Summary

Exhibit 14: Profit & Loss (₹ crore)

(Year-end March) ₹ crore	FY19	FY20E	FY21E	FY22E
Revenues	3,934.7	4,605.7	5,196.4	5,692.2
Growth (%)	25.7	17.1	12.8	9.5
Raw Material Expenses	992.7	1,039.4	1,351.2	1,508.4
Employee Expenses	746.7	906.4	1,065.3	1,209.5
R&D Expenditure	498.2	644.8	701.5	711.5
Other Manufacturing Expenses	823.5	792.1	883.4	1,024.8
Total Operating Expenditure	3,061.1	3,382.7	4,001.5	4,454.2
EBITDA	873.6	1,223.0	1,194.9	1,238.0
Growth (%)	35.8	40.0	-2.3	3.6
Interest	18.4	27.2	25.7	20.4
Depreciation	115.2	157.3	211.9	299.1
Other Income	9.4	4.9	10.1	13.7
PBT	749.3	999.8	967.4	932.1
Total Tax	156.7	199.2	212.8	205.1
Tax Rate (%)	20.9	19.9	22.0	22.0
Adjusted PAT	592.7	872.8	779.9	749.8
Growth (%)	43.6	47.3	-10.6	-3.9
EPS (Adjusted)	31.4	46.3	41.4	39.8

Source: ICICI Direct Research

Exhibit 15: Cash Flow Statement (₹ crore)

(Year-end March) ₹ crore	FY19	FY20E	FY21E	FY22E
Profit/(Loss) after taxation	582.8	829.1	779.9	749.8
Depreciation	155.2	157.3	211.9	299.1
Net Increase in Current Assets	-22.6	-629.9	-329.7	-260.4
Net Increase in Current Liabilities	131.1	-71.5	317.8	106.4
CF from operating activities	812.0	285.1	979.9	895.0
(Inc)/dec in Investments	-14.4	30.8	0.0	0.0
(Inc)/dec in Fixed Assets	-763.1	-849.3	-350.0	-350.0
Other investing activities	2.1	7.3	2.5	1.0
CF from investing activities	-755.3	-802.9	-342.2	-342.0
Inc / (Dec) in Equity Capital	0.0	0.0	0.0	0.0
Inc / (Dec) in Loan	220.7	619.1	-300.0	-300.0
Dividend & Dividend Tax	-90.9	-226.2	-103.7	-122.5
Other financing activities	-70.7	0.0	0.0	0.0
CF from financing activities	59.0	392.9	-403.7	-422.5
Net Cash flow	115.7	-124.9	234.1	130.5
Opening Cash	89.9	205.6	80.7	314.8
Closing Cash	205.6	80.7	314.8	445.3
Free Cash flow	48.9	-564.2	629.9	545.0

Source: ICICI Direct Research

Exhibit 16: Balance Sheet (₹ crore)

(Year-end March) ₹ crore	FY19	FY20E	FY21E	FY22E
Equity Capital	37.7	37.7	37.7	37.7
Reserve and Surplus	2,681.1	3,284.1	3,960.3	4,587.6
Total Shareholders funds	2,718.8	3,321.8	3,998.0	4,625.3
Minority Interest	-0.8	-29.0	-26.1	-23.5
Total Debt	1,128.4	1,747.5	1,447.5	1,147.5
Deferred Tax Liability	18.8	12.2	13.4	14.7
Other Non Current Liabilities	0.0	73.3	80.6	88.7
Long Term Provisions	52.0	74.5	82.0	90.2
Source of Funds	3,917.3	5,200.3	5,595.4	5,942.9
Gross Block - Fixed Assets	1,518.4	2,072.7	2,922.7	4,272.7
Accumulated Depreciation	363.5	520.8	732.8	1,031.9
Net Block	1,154.8	1,551.8	2,189.9	3,240.8
Capital WIP	1,551.2	1,846.2	1,346.2	346.2
Total Fixed Assets	2,706.1	3,398.0	3,536.1	3,587.0
Goodwill on Consolidation	3.6	0.0	0.0	0.0
Investments	48.8	17.9	17.9	17.9
Inventory	967.3	1,187.5	1,423.7	1,559.5
Cash	205.6	80.7	314.8	445.3
Debtors	488.9	864.8	925.4	1,013.7
Loans & Advances & Other CA	0.0	0.0	0.0	0.0
Total Current Assets	1,957.7	2,462.7	3,026.6	3,417.5
Creditors	702.3	625.9	927.5	1,015.9
Provisions & Other CL	158.2	163.1	179.4	197.4
Total Current Liabilities	860.5	789.1	1,106.9	1,213.3
Net Current Assets	1,097.2	1,673.7	1,919.7	2,204.1
LT L& A, Other Assets	61.6	110.7	121.7	133.9
Deferred Tax Assets	0.0	0.0	0.0	0.0
Application of Funds	3,917.3	5,200.3	5,595.4	5,942.9

Source: ICICI Direct Research

Exhibit 17: Key Ratios (₹ crore)

(Year-end March)	FY19	FY20E	FY21E	FY22E
Per share data (₹)				
Adjusted EPS	31.4	46.3	41.4	39.8
BV per share	144.2	176.2	212.1	245.4
Dividend per share	6.4	12.0	5.5	6.5
Operating Ratios (%)				
Gross margins	74.8	77.4	74.0	73.5
EBITDA Margins	22.2	26.6	23.0	21.7
PAT Margins	15.1	18.9	15.0	13.2
Inventory days	89.7	94.1	100.0	100.0
Debtor days	45.4	68.5	65.0	65.0
Creditor days	65.2	49.6	65.1	65.1
Asset Turnover	2.6	2.2	1.8	1.3
EBITDA conversion Rate	92.9	23.3	82.0	72.3
Return Ratios (%)				
RoE	21.8	26.3	19.5	16.2
RoCE	19.6	20.6	17.7	16.0
RoIC	35.1	32.6	25.0	18.2
Valuation Ratios (x)				
P/E	24.1	17.2	18.3	19.0
EV / EBITDA	17.4	13.0	12.9	12.1
EV / Net Sales	3.9	3.5	3.0	2.6
Market Cap / Sales	3.6	3.1	2.7	2.5
Price to Book Value	5.2	4.3	3.6	3.1
Solvency Ratios				
Debt / Equity	0.4	0.5	0.4	0.2
Debt / EBITDA	1.3	1.4	1.2	0.9
Current Ratio	1.7	2.6	2.1	2.1

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	FY20E	FY21E	FY22E	FY19	FY20E	FY21E	FY22E	FY19	Y20E	Y21E	Y22E	FY19	FY20E	Y21E	Y22E
Ajanta Pharma	AJAPHA	1328	1,700	Buy	11813	43.5	53.1	64.1	77.2	30.5	25.0	20.7	17.2	21.8	24.2	23.4	24.2	17.1	18.1	18.7	19.3
Alembic Pharma	ALEMPHA	757	875	BUY	11977	31.4	46.3	41.4	39.8	24.1	16.3	18.3	19.0	19.6	20.6	17.7	16.0	21.8	26.3	19.5	16.2
Apollo Hospitals	APOHOS	1384	1,490	Buy	19260	17.0	21.5	35.2	65.7	81.6	64.2	39.3	21.1	8.8	10.4	12.6	16.8	7.1	8.1	11.2	17.9
Aurobindo Pharma	AURPHA	629	770	Buy	30530	42.1	49.2	54.8	59.4	14.9	12.8	11.5	10.6	15.9	17.8	18.1	17.8	17.7	17.4	16.4	15.3
Biocon	BIOCON	348	310	Hold	41730	6.2	6.9	9.5	14.6	56.0	50.3	36.6	23.9	10.9	12.1	14.3	18.5	12.2	11.4	13.8	17.7
Cadila Healthcare	CADHEA	331	375	Hold	34736	18.1	14.3	17.5	20.9	18.4	23.2	18.9	15.9	13.0	10.6	12.1	13.4	17.8	12.9	14.1	14.9
Cipla	CIPLA	587	610	Hold	48027	18.6	20.7	22.7	27.7	31.6	28.4	25.9	21.2	10.9	12.7	13.3	14.8	10.0	10.2	10.2	11.2
Divi's Lab	DIVLAB	2417	2,130	Hold	63780	51.0	49.9	58.4	71.0	47.4	48.5	41.4	34.0	25.5	21.7	21.8	22.8	19.4	16.6	16.9	17.5
Dr Reddy's Labs	DRREDD	4027	3,980	Hold	63539	114.7	106.3	152.8	180.8	35.1	37.9	26.4	22.3	11.1	8.4	14.4	17.1	13.6	11.4	14.4	14.9
Glenmark Pharma	GLEPHA	340	340	Hold	8894	26.9	26.8	34.6	43.2	12.6	12.7	9.8	7.9	15.3	12.8	14.5	16.1	13.5	12.0	13.5	14.5
Hikal	HIKCHE	116	160	Buy	1594	8.4	9.6	11.1	13.3	13.9	12.1	10.4	8.7	14.3	13.3	13.6	14.5	13.6	14.1	14.2	14.9
Ipca Laboratories	IPCLAB	1534	1,900	Buy	19370	35.1	55.7	65.6	79.3	43.8	27.5	23.4	19.3	15.0	20.5	21.0	21.6	14.2	19.1	18.9	19.2
Lupin	LUPIN	822	745	Hold	36981	16.5	-29.2	18.3	31.1	49.7	-28.2	45.0	26.5	9.4	9.0	7.9	12.3	5.4	-10.0	6.0	9.3
Narayana Hrudalaya	NARHRU	281	330	Buy	5615	2.9	6.2	8.2	11.4	96.8	45.0	34.4	24.6	7.7	11.6	12.7	15.3	5.5	10.8	12.5	15.1
Natco Pharma	NATPHA	617	650	Hold	11031	34.9	26.9	24.6	23.4	17.7	22.9	25.1	26.3	21.3	14.6	12.7	11.3	18.5	12.6	10.4	9.1
Sun Pharma	SUNPHA	477	510	Hold	109779	15.9	17.6	18.6	23.2	30.1	27.1	25.6	20.5	10.3	10.8	10.7	12.1	9.2	9.4	9.1	10.2
Syngene Int.	SYNINT	314	360	Buy	11148	8.3	10.2	9.7	12.1	38.0	30.7	28.8	23.3	14.8	13.4	13.2	15.2	16.8	14.3	14.2	15.1
Torrent Pharma	TORPHA	2423	2,395	Hold	38312	48.9	54.4	71.8	92.1	49.5	44.5	33.7	26.3	14.2	15.4	18.5	21.3	17.5	17.0	19.2	20.8

Source: ICICI Direct Research, Bloomberg

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