

## Strong growth across segments, better product mix...

Q2 revenues grew 22.7% YoY to ₹ 858 crore on the back of strong growth across segments. Formulations (FD) grew 22.4% YoY to ₹ 430 crore, API grew 17.2% to ₹ 255 crore and PFI grew 32.6% to ₹ 173 crore. EBITDA margin improved 935 bps YoY to 29.9% due to change in product mix, higher operational efficiency. EBITDA grew 78.6% YoY to ₹ 256 crore. PAT grew 70.8% YoY to ₹ 164 crore. Delta vis-à-vis EBITDA was mainly due to higher tax rate.

### Formulation – Focus on fewer launches, higher market share

Formulation revenues grew 31% in FY16-20 to ₹ 1360 crore mainly due to timely launches, market share gains in both core, small but complex products like Methergine along with extension of its core products launches in OTC segment. Its vertically integrated business model, sustained market share in volume products, focus on select small but high value accretive launches where competition is less bode well in crowded generics market. Extending its core products via additional strength/different forms in US, launching in other geographies may provide better operating leverage. We expect formulation revenues to grow 21% in FY20-23E to ₹ 2422 crore.

### API+PFI - Well poised to capture global opportunities besides complementing formulation foray

These segments grew just 7.7% in FY16-20 mainly due to captive consumption, capacity constraints. However, with new capacities getting commissioned (Vizag unit V) for multiple APIs, oncology blocks, we expect good traction in this space. The company is also working on backward integration for key APIs. Similarly, by already having critical mass globally in key APIs, we believe Granules could be one of the prime beneficiaries of 'China + one' substitute play. Overall, we expect 12.6% CAGR in FY20-23E to ₹ 1770 crore owing to improved demand and capacity addition.

### Valuation & Outlook

Q2FY21 results were above I-direct/Street estimates on all fronts. After achieving critical mass in commoditised but important products in the last few quarters, Granules has been steadily expanding its reach into formulations with a vertically integrated model. This bodes well at a time when generic supply script globally is likely to be rewritten in the post-pandemic era that would be more conducive for vertically integrated players like Granules. Apart from a strong quarterly performance, the management is looking to sustain 27%+ EBITDA margins for FY21 with YoY bottomline growth of ~65% (similar to FY20). We like Granules' clear vision to play on its strength of economies of scale and gradually expand into more complex products/forms to improve margins. Sustained margin expansion is likely to support FCF generation despite brownfield capex lined up till FY23E. We maintain **BUY** with a target price of ₹ 460 (15x of FY23E EPS of ₹ 30.6).

### Key Financial Summary

₹Crore	FY20	FY21E	FY22E	FY23E	CAGR FY20-23(%)
Revenues	2598.6	3150.1	3627.8	4192.4	17.3
EBITDA	525.3	852.5	979.5	1152.9	30.0
EBITDA Margins (%)	20.2	27.1	27.0	27.5	
Net Profit	309.9	528.9	623.5	758.0	34.7
EPS (Adjusted)	12.4	21.4	25.2	30.6	
PE (x)	28.9	18.3	15.5	12.8	
EV to EBITDA (x)	19.6	12.0	10.1	8.2	
RoCE (%)	15.2	22.9	23.1	23.9	
RoE (%)	16.7	22.6	21.2	20.7	

Source: ICICI Direct Research; Company



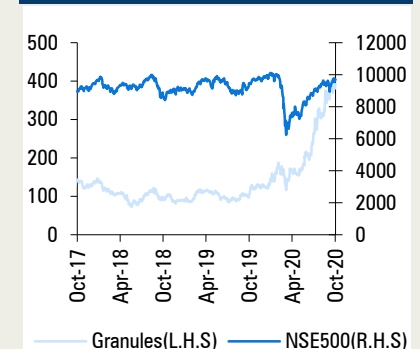
### Particulars

Particular	Amount
Market Capitalisation	₹9683 crore
Debt (FY 20)	₹892 crore
Cash (FY 20)	₹284 crore
EV	₹10291 crore
52 week H/L	407/103
Equity capital	₹25.4 crore
Face value	₹1

### Key Highlights

- Strong backward integration remains key strength for company in steep competitive generic market
- We like the company's clear vision to play on its strength of economies of scale, gradually expand to more complex products/forms to improve margins
- Maintain BUY

### Price movement



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**Exhibit 1: Variance Analysis**

	Q2FY21	Q2FY20	Q1FY21	YoY (%)	QoQ (%)	Comments
Revenue	858.1	699.5	735.6	22.7	16.7	YoY growth mainly due to new launches and increase in market share of existing products across all three verticals
Raw Material Expenses	361.1	359.4	297.6	0.5	21.3	
Gross margins (%)	57.9	48.6	59.5	929 bps	-163 bps	YoY improvement in gross margins mainly due to change in product mix and product rationalisation
Employee Expenses	79.7	63.4	83.7	25.6	-4.7	
Other Expenditure	160.9	133.1	170.8	20.9	-5.8	
Total Operating Expenditure	601.7	555.9	552.0	8.2	9.0	
EBITDA	256.4	143.6	183.6	78.6	39.7	
EBITDA (%)	29.9	20.5	25.0	935 bps	492 bps	Improvement mainly in sync with gross margins
Interest	6.3	6.9	6.0	-8.5	5.4	
Depreciation	36.1	30.3	34.1	18.9	5.8	
Other income	3.2	8.7	5.6	-62.8	-42.8	
PBT before EO	217.3	115.1	149.2	88.8	45.6	
Less: Exceptional Items	0.0	0.0	0.0	0.0	0.0	
PBT	217.3	115.1	149.2	88.8	45.6	
Tax	53.7	19.3	37.7	178.1	42.2	
MI & Share of loss/ (gain) asso.	0.0	0.0	0.0	0.0	0.0	
Adj. Net Profit	163.6	95.8	111.5	70.8	46.8	Improvement mainly due to strong operational performance, which was marginally offset by higher tax rate
<b>Key Metrics</b>						
API	254.7	217.4	212.1	17.2	20.1	
PFI	173.3	130.7	137.9	32.6	25.7	
Formulations	430.1	351.5	385.6	22.4	11.5	

Source: ICICI Direct Research

**Exhibit 2: Change in Estimates**

	FY21E			FY22E			Comments
	Old	New	% Change	Old	New	% Change	
(₹ Crore)							
Revenue	3,061.0	3,150.1	2.9	3,532.4	3,627.8	2.7	
EBITDA	709.8	852.5	20.1	851.3	979.5	15.1	
EBITDA Margin (%)	23.2	27.1	387 bps	24.1	27.0	290 bps	Changed as per management guidance
PAT	428.1	528.9	23.5	521.4	623.5	19.6	Changed mainly in sync with EBITDA
EPS (₹)	17.3	21.4	23.5	21.1	25.2	19.5	

Source: ICICI Direct Research

**Exhibit 3: Change in Estimates**

	Current			Earlier			Comments
	FY19	FY20	FY21E	FY22E	FY21E	FY22E	
(₹ crore)							
API	819.7	817.0	899.6	989.6	861.7	947.9	
PFI	386.9	421.4	563.2	619.5	522.8	575.1	Increase mainly due to higher-than-expected sales in Q2FY21
Formulations	1,072.6	1,360.1	1,687.3	2,018.7	1,676.5	2,009.4	

Source: ICICI Direct Research

## Conference Call Highlights

- Margin expansion due to change in product mix, efficiency due to better capacity utilisation
  - Metformin recall provision of ₹ 15 crore in Q1FY21, reversed ₹ 7.5 crore in Q2
  - Higher gross margin due to new launches in FD, product rationalisation in API and PFI segment
- Q2FY21 R&D – 2.6% of sales at ₹ 22.2 crore; to file seven to eight ANDAs, two to four dossiers per year
- Net debt was at ₹ 613.3 crore while gross debt was at ₹ 861 crore
- Q2FY21 growth
  - FD – new launches, increased existing product market share
    - Launched one product through Granules Pharma
    - Four ANDA approvals in Q2FY21
  - PFI – higher penetration; growth mainly from Europe
  - API – new customers; growth mainly from US, some from India
- New Vizag facility to be 100% operational in FY22
- Core molecules contribution to come down to 50% from the current 70% of sales over time, but continue to grow on absolute level
- Current capacity to support till next year when new capacities come in
- Guidance
  - Revenue growth led by quicker approvals, faster scale-up of production, and higher market share
  - EBITDA margins to be +27%, going ahead
  - PAT guidance for FY21 – similar to FY20 (65% growth), post FY21 – 30% YoY growth
  - Capex over FY21-22 to be ₹ 400 crore
    - ₹ 80 crore – API
- Total 32 approved ANDAs, 13 pending approvals
  - Six products approved but pending launch
- H2FY21: Three to five products to be launched from GIL, GPI
- One product launch in Europe in Q4FY21 or early Q1FY22
  - Europe launches through partner, so better receivable days
- multi-unit pellet system (MUPS) block to be operational by Q3FY22
  - First product approval (with three to four active competitors) to come in FY21 and launched from Gagillapur facility

Exhibit 4: Trends in quarterly financials

(₹ crore)	12FY 18	13FY 18	14FY 18	11FY 19	12FY 19	13FY 19	14FY 19	11FY 20	12FY 20	13FY 20	14FY 20	11FY 21	12FY 21	YoY (%)	QoQ (%)
Net Sales	392.6	410.7	503.8	453.2	580.9	631.8	613.3	595.3	699.5	704.0	599.9	735.6	858.1	22.7	16.7
Raw Material Expens	197.7	208.9	309.7	247.1	317.7	359.2	331.6	295.5	359.4	347.1	279.0	297.6	361.1	0.5	21.3
% of Revenue	50.4	50.9	61.5	54.5	54.7	56.8	54.1	49.6	51.4	49.3	46.5	40.5	42.1	-929 bps	163 bps
Gross Profit	194.9	201.8	194.1	206.1	263.2	272.6	281.8	299.8	340.1	356.9	320.8	438.0	497.0	46.1	13.5
Gross Profit Margin (%)	49.6	49.1	38.5	45.5	45.3	43.2	45.9	50.4	48.6	50.7	53.5	59.5	57.9	929 bps	-163 bps
Employee Expenses	42.3	41.5	42.4	50.3	54.6	53.6	51.3	57.0	63.4	64.8	73.8	83.7	79.7	25.6	-4.7
% of Revenue	10.8	10.1	8.4	11.1	9.4	8.5	8.4	9.6	9.1	9.2	12.3	11.4	9.3	22 bps	-208 bps
Other Expenditure	75.7	86.2	108.1	83.3	108.0	105.7	132.8	124.2	133.1	161.0	147.1	170.8	160.9	20.9	-5.8
% of Revenue	19.3	21.0	21.5	18.4	18.6	16.7	21.7	20.9	19.0	22.9	24.5	23.2	18.7	-28 bps	-446 bps
Total Expenditure	315.6	336.7	460.2	380.6	480.3	518.5	515.7	476.7	555.9	572.8	499.9	552.0	601.7	8.2	9.0
% of Revenue	80.4	82.0	91.3	84.0	82.7	82.1	84.1	80.1	79.5	81.4	83.3	75.0	70.1	-935 bps	-492 bps
EBITDA	76.9	74.0	43.6	72.6	100.5	113.3	97.6	118.6	143.6	131.1	99.9	183.6	256.4	78.6	39.7
EBITDA Margin (%)	19.6	18.0	8.7	16.0	17.3	17.9	15.9	19.9	20.5	18.6	16.7	25.0	29.9	935 bps	492 bps
Depreciation	18.6	19.6	20.4	24.5	26.5	27.0	27.4	28.7	30.3	39.0	39.0	34.1	36.1	18.9	5.8
Interest	10.4	8.2	6.2	6.5	7.6	7.5	6.9	6.9	6.9	6.7	6.6	6.0	6.3	-8.5	5.4
Other Income	11.7	5.7	12.9	29.4	17.2	8.0	20.9	27.4	8.7	3.5	82.3	5.6	3.2	-62.8	-42.8
Less: Exceptional lte	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		
PBT	59.6	51.9	29.9	70.9	83.6	86.8	84.2	110.4	115.1	88.9	136.7	149.2	217.3	88.8	45.6
Total Tax	19.3	16.9	9.5	19.1	23.4	26.5	20.2	27.2	19.3	24.9	44.4	37.7	53.7	178.1	42.2
Tax rate (%)	32.3	32.5	31.7	26.9	27.9	30.5	24.0	24.6	16.8	28.0	32.5	25.3	24.7	793 bps	-60 bps
PAT before MI	40.3	35.0	20.4	51.8	60.3	60.3	64.0	83.2	95.8	64.0	92.3	111.5	163.6	70.8	46.8
Minority Interest	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		
PAT	40.3	35.0	20.4	51.8	60.3	60.3	64.0	83.2	95.8	64.0	92.3	111.5	163.6	70.8	46.8
PAT Margin (%)	10.3	8.5	4.1	11.4	10.4	9.5	10.4	14.0	13.7	9.1	15.4	15.2	19.1	537 bps	392 bps
EPS (₹)	1.6	1.4	0.8	2.1	2.4	2.4	2.6	3.4	3.9	2.6	3.7	4.5	6.6		

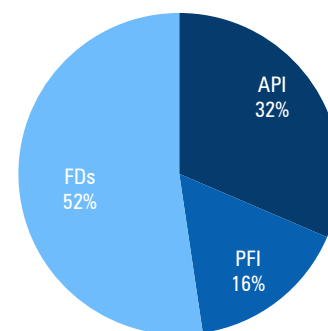
Source: ICICI Direct Research

## Company Background

Originating in 1984 and incorporated in 1991, Granules India (Granules) is a large-scale vertically integrated company manufacturing active pharmaceutical ingredient (API), pharmaceutical formulation intermediate (PFI) and finished dosage (Formulation). Over the years, it has created a strong presence in 'the first line of defence' products such as Paracetamol (pain), Ibuprofen (pain), Metformin (diabetic), Methocarbamol (muscle relaxant), and Guaifenesin (chest congestion control). Granules provides worldwide services to over 250 customers across 60+ countries. Exports comprise over 81% of total revenue. It has one of the largest PFI and single site formulation facilities in the world. It is also home to one of the world's largest Paracetamol API facilities.

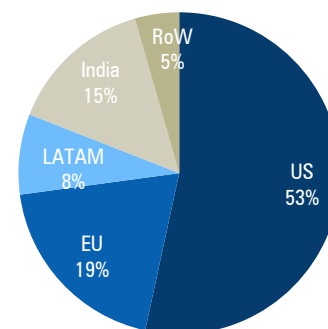
As of FY20, the company has filed 45 ANDAs, out of which 26 have been approved. Granules has also filed 20 US DMFs, 16 CEPs and seven EDMFs.

### Segment Bifurcation



Source: ICICI Direct Research, Company

### Geographical Bifurcation



Source: ICICI Direct Research, Company

### Exhibit 5: Timeline of company events

Year	Details
1984	Granules formed as Triton Labs to produce Paracetamol API at Bonthapally
1987	Second Indian company to export pharmaceutical products to US
1990	Opened first PFI facility in Jeedimetla
1995	Listed on the Hyderabad Stock Exchange
2000	Triton Laborites private limited amalgamated with Granules India
2002	Listed on the BSE
2003	Opened a new large volume PFI facility in Gagillapur
2003	Setup a wholly owned subsidiary, Granules USA, for marketing in the US
2005	New Paracetamol plant was built in Bonthapally, Hyderabad
2006	Formed a joint venture (JV) with Hubei China for backward integration (Ibuprofen API)
2008	Entered into the Finished Dosage segment
2010	Received USFDA approval for its first ANDA
2011	JV with Ajinomoto OmniChem to venture into CRAMS business
2013	Established a 15,000 sq. foot R&D facility in Pragathi Nagar, Hyderabad
2014	Acquired Auctus Pharma to further strengthen the API portfolio
2015	Entered OTC business in the US through Granules Consumer Healthcare
2016	Acquisition of Formulation Facility GPI in Virginia
2017	QIP issue for ₹ 300 crore
2018	Commenced commercial operations of GPI
2019	Divested stake in Omnicem and Biocause JV to partner

Source: ICICI Direct Research, Company

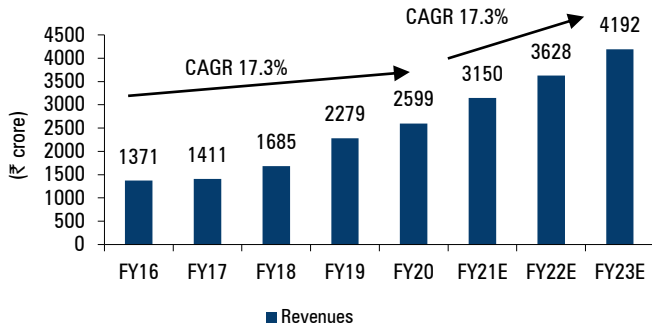
The company has eight manufacturing facilities, seven plants are in India and one in the US. API facilities are located at Bonthapally, Jeedimetla and Vizag. The Bonthapally unit manufactures Paracetamol API. The Jeedimetla unit manufactures Metformin, Guaifenesin and Methocarbamol APIs. The Jeedimetla plant also has a PFI manufacturing facility. The Vizag unit manufactures API (oncology and non-oncology) and finished dosage in oncology therapeutics through acquisition of Auctus Pharmaceuticals. Granules has taken over a multi-product API manufacturing facility at Vizag and an intermediary manufacturing facility at Bonthapally. The Gagillapur unit manufactures PFIs and finished dosages.

### Exhibit 6: Manufacturing facilities

Value chain	Location	Installed Capacity	Approvals	Inspection
API	Bonthapally	34,560 TPA	U.S. FDA, EDQM, WHO, COFEPRIS, INFARMED	Jul-19
	Jeedimetla	4,800 TPA	U.S. FDA, EDQM, COFEPRIS, WHO, CDCSO	Mar-18
	Vizag (Unit IV)	290 KL	U.S. FDA, KFDA, EU GMP, WHO GMP, EDQM	Dec-15
	Vizag (Unit V)		EU GMP	Apr-20
PFI	Gagillapur	23,200 TPA	US FDA, COFEPRIS, TGA, MCC, INFARMED	Feb-20
	Jeedimetla	1,440 TPA	WHO GMP, COFEPRIS, INFARMED	Mar-18
Formulations	Gagillapur	21.8 billion	US FDA, MCC, COFEPRIS, TGA, INFARMED	Feb-20
	Virginia, USA	1.5 billion	US FDA, DEA	Aug-19
API Intermediates	Bonthapally	61.5 KL		

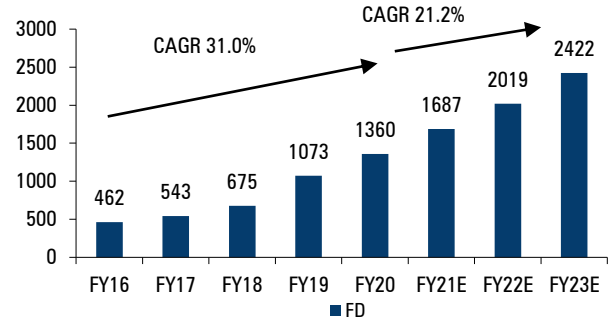
Source: ICICI Direct Research, Company

Exhibit 7: Revenues to grow at CAGR of 17% in FY20-23E



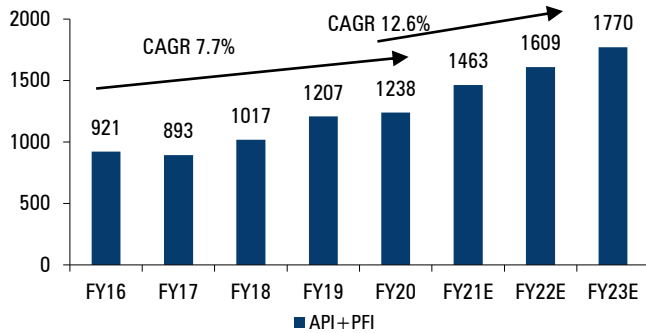
Source: ICICI Direct Research, Company

Exhibit 8: Formulations to grow at 21% CAGR in FY20-23E



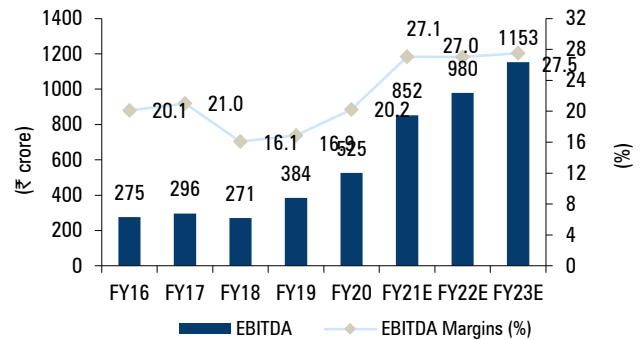
Source: ICICI Direct Research, Company

Exhibit 9: API+PFI to grow at CAGR of 13% over FY20-23E



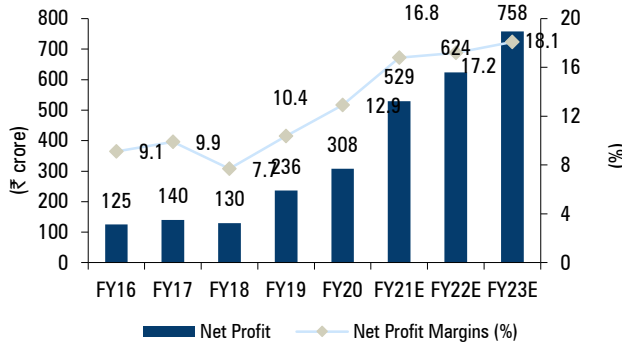
Source: ICICI Direct Research, Company

Exhibit 10: EBITDA & EBITDA margins trend



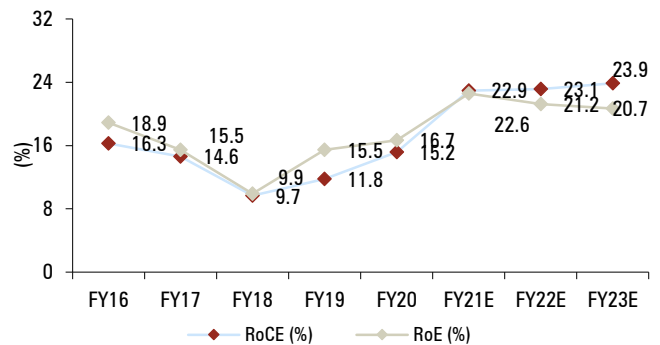
Source: ICICI Direct Research, Company

Exhibit 11: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 12: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 13: Financial Summary

	Revenues (₹ crore)	Growth (%)	EPS (₹)	Growth (%)	P/E V/EBITDA (x)	RoE (%)	RoCE (%)
FY 20	2599	14.0	12.4	65.2	28.9	19.6	16.7
FY21E	3150	21.2	21.4	70.6	18.3	12.0	22.6
FY22E	3628	15.2	25.2	17.9	15.5	10.1	21.2
FY23E	4192	15.6	30.6	21.6	12.8	8.2	20.7

Source: ICICI Direct Research, Company

Exhibit 14: Shareholding Pattern

(in %)	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
Promoter	42.9	42.9	42.9	42.1	42.0
Others	57.1	57.1	57.1	57.9	58.0

Source: ICICI Direct Research, Company

## Financial Summary

Exhibit 15: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Total Operating Income	2,598.6	3,150.1	3,627.8	4,192.4
Growth (%)	14.0	21.2	15.2	15.6
Raw Material Expenses	1,280.9	1,312.4	1,523.7	1,760.8
Gross Profit	1,317.7	1,837.7	2,104.1	2,431.6
Gross Profit Margins (%)	50.7	58.3	58.0	58.0
Employee Expenses	259.0	326.8	399.1	461.2
Other Expenditure	533.4	658.5	725.6	817.5
Total Operating Expenditure	2,073.3	2,297.7	2,648.3	3,039.5
<b>EBITDA</b>	<b>525.3</b>	<b>852.5</b>	<b>979.5</b>	<b>1,152.9</b>
Growth (%)	36.8	62.3	14.9	17.7
Interest	27.0	24.8	20.3	17.3
Depreciation	137.0	142.3	164.1	183.6
Other Income	36.6	20.8	36.3	58.7
<b>PBT before Exceptional</b>	<b>397.9</b>	<b>706.2</b>	<b>831.3</b>	<b>1,010.7</b>
Less: Exceptional Items	-27.7	0.0	0.0	0.0
PBT after Exceptional Item	425.6	706.2	831.3	1,010.7
Total Tax	115.7	177.3	207.8	252.7
PAT before MI	309.9	528.9	623.5	758.0
<b>PAT</b>	<b>309.9</b>	<b>528.9</b>	<b>623.5</b>	<b>758.0</b>
Growth (%)	65.2	70.6	17.9	21.6
<b>EPS (Adjusted)</b>	<b>12.4</b>	<b>21.4</b>	<b>25.2</b>	<b>30.6</b>

Source: ICICI Direct Research

Exhibit 16: Cash Flow Statement				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Profit/(Loss) after taxation	306.6	528.9	623.5	758.0
Add: Depreciation & Amorti	137.0	142.3	164.1	183.6
Net Increase in Current Ass	-88.9	-238.1	-218.3	-257.2
Net Increase in Current Liab	101.6	89.1	79.9	94.2
Others	19.9	24.8	20.3	17.3
<b>CF from Operating activities</b>	<b>476.2</b>	<b>547.0</b>	<b>669.5</b>	<b>795.9</b>
Investments	0.0	0.0	0.0	-300.0
(Purchase)/Sale of Fixed A	-72.0	-400.0	-300.0	-300.0
Others	3.5	-0.2	-0.3	-0.3
<b>CF from Investing activities</b>	<b>-68.4</b>	<b>-400.2</b>	<b>-300.3</b>	<b>-600.3</b>
(inc)/Dec in Loan	-155.6	-115.7	-100.0	-100.0
Dividend & Dividend tax	-30.7	-29.7	-29.7	-29.7
Other	-26.6	-24.8	-20.3	-17.3
CF from Financing activities	-212.9	-170.2	-150.0	-147.0
<b>Net Cash Flow</b>	<b>194.9</b>	<b>-23.4</b>	<b>219.3</b>	<b>48.6</b>
Cash and Cash Equivalent	89.0	283.9	260.5	479.8
<b>Cash</b>	<b>283.9</b>	<b>260.5</b>	<b>479.8</b>	<b>528.4</b>
<b>Free Cash Flow</b>	<b>404.2</b>	<b>147.0</b>	<b>369.5</b>	<b>495.9</b>

Source: ICICI Direct Research

Exhibit 17: Balance Sheet				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Equity Capital	25.4	25.4	25.4	25.4
Reserve and Surplus	1,818.3	2,317.5	2,911.2	3,639.5
Total Shareholders funds	1,843.7	2,342.9	2,936.7	3,665.0
Total Debt	892.1	776.4	676.4	576.4
Net Deferred Tax Liability	43.0	43.8	44.7	45.6
Long-Term Provisions	0.0	0.0	0.0	0.0
Other Non Current Liabilities	21.5	21.9	22.4	22.8
<b>Source of Funds</b>	<b>2,800.3</b>	<b>3,185.0</b>	<b>3,680.2</b>	<b>4,309.8</b>
Gross Block - Fixed Asset	1,875.2	2,075.2	2,525.2	2,825.2
Accumulated Depreciation	671.3	813.5	977.7	1,161.3
Net Block	1,204.0	1,261.7	1,547.6	1,663.9
Capital WIP	294.2	494.2	344.2	344.2
Fixed Assets	1,498.2	1,755.9	1,891.8	2,008.1
Investments	19.3	19.3	19.3	319.3
Other non-Current Assets	76.9	78.4	80.0	81.6
Inventory	438.4	526.5	606.3	700.7
Debtors	735.2	880.3	1,013.8	1,171.6
Other Current Assets	244.3	249.2	254.2	259.2
Cash	283.9	260.5	479.8	528.4
Total Current Assets	1,701.8	1,916.5	2,354.0	2,659.9
Creditors	430.0	517.8	596.3	689.2
Provisions	11.7	11.9	12.1	12.4
Other Current Liabilities	54.3	55.4	56.5	57.6
Total Current Liabilities	496.0	585.1	665.0	759.1
Net Current Assets	1,205.9	1,331.4	1,689.0	1,900.7
<b>Application of Funds</b>	<b>2,800.3</b>	<b>3,185.0</b>	<b>3,680.1</b>	<b>4,309.8</b>

Source: ICICI Direct Research

Exhibit 18: Ratio Analysis				
(Year-end March)	FY20	FY21E	FY22E	FY23E
<b>Per share data (₹)</b>				
Reported EPS	13.5	21.4	25.2	30.6
Cash EPS	11.2	20.2	24.0	29.4
BV per share	74.5	94.6	118.6	148.0
Cash per Share	11.5	10.5	19.4	21.3
Dividend per share	1.2	1.2	1.2	1.2
<b>Operating Ratios (%)</b>				
Gross Profit Margins	50.7	58.3	58.0	58.0
EBITDA margins	20.2	27.1	27.0	27.5
PAT Margins	11.8	16.8	17.2	18.1
Cash Conversion Cycle	104.4	103.0	103.0	103.0
Asset Turnover	1.4	1.5	1.4	1.5
EBITDA conversion Rate	90.6	64.2	68.4	69.0
<b>Return Ratios (%)</b>				
RoE	16.7	22.6	21.2	20.7
RoCE	15.2	22.9	23.1	23.9
RoIC	17.5	29.2	28.5	30.9
<b>Valuation Ratios (x)</b>				
P/E	28.9	18.3	15.5	12.8
EV / EBITDA	19.6	12.0	10.1	8.2
EV / Net Sales	4.0	3.2	2.7	2.2
Market Cap / Sales	3.7	3.1	2.7	2.3
Price to Book Value	5.3	4.1	3.3	2.6
<b>Solvency Ratios</b>				
Debt / EBITDA	1.7	0.9	0.7	0.5
Debt / Equity	0.5	0.3	0.2	0.2
Current Ratio	2.9	2.8	2.8	2.8

Source: ICICI Direct Research

Exhibit 1: 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	1580	1,810	Buy	13787	43.5	53.4	60.2	72.5	36.3	29.6	26.2	21.8	21.8	24.7	23.4	24.3	17.1	18.1	17.7	18.4
Alembic Pharm	ALEMPHA	978	1,140	Buy	19216	31.4	46.3	52.6	51.9	31.1	21.1	18.6	18.8	19.6	21.0	21.9	20.1	21.8	27.1	24.1	19.7
Apollo Hospital	APOHOS	2222	1,970	Buy	30914	17.0	23.3	-11.4	28.7	131.0	95.2	NA	77.3	8.8	10.2	3.9	15.2	7.1	9.7	-4.6	10.5
Aurobindo Pha	AURPHA	799	1,100	Buy	46816	41.9	48.8	59.9	72.4	19.1	16.4	13.3	11.0	15.9	17.2	19.7	21.3	17.7	17.0	17.5	17.7
Biocon	BIOCON	440	490	Buy	52758	6.2	5.8	10.0	19.9	70.8	75.6	43.9	22.1	10.9	10.2	14.5	22.6	12.2	10.4	15.4	24.0
Cadila Healthc	CADHEA	428	470	Buy	43816	18.1	14.0	17.4	21.0	23.7	30.6	24.6	20.4	12.8	10.7	12.4	13.8	17.8	13.8	15.1	16.0
Cipla	CIPLA	763	900	Buy	61544	18.6	19.2	30.3	36.0	41.1	39.7	25.1	21.2	10.9	12.0	16.4	17.3	10.0	9.8	13.7	14.2
Divi's Lab	DIVLAB	3090	3,260	Buy	82030	51.0	51.9	70.7	85.7	60.6	59.6	43.7	36.1	25.5	23.9	27.1	26.5	19.4	18.8	21.2	21.0
Dr Reddy's Lab	DRREDD	5072	5,710	Buy	84323	114.7	121.9	158.1	196.0	44.2	41.6	32.1	25.9	10.7	9.6	18.2	19.4	13.6	13.0	14.7	15.8
Glenmark Phar	GLEPHA	483	560	Buy	13626	26.9	26.4	32.8	39.9	17.9	18.3	14.7	12.1	15.3	12.7	13.8	14.9	13.5	12.2	13.3	14.0
Hikal	HIKCHE	171	165	Buy	2110	8.4	8.1	8.8	12.7	20.5	21.1	19.4	13.4	14.3	13.0	13.1	15.1	13.6	12.2	11.9	14.9
Ipca Laboratori	IPCLAB	2065	2,400	Buy	26190	35.1	47.8	92.3	93.4	58.9	43.2	22.4	22.1	15.0	17.6	26.9	22.4	14.2	16.6	24.5	20.0
Jubilant Life	JUBLIF	693	1,060	Buy	11038	54.9	59.9	62.1	91.3	12.6	11.6	11.2	7.6	14.3	14.4	15.8	20.6	17.8	16.6	14.8	18.0
Lupin	LUPIN	1009	1,030	Buy	45732	16.5	-12.7	25.3	39.2	61.0	NA	39.9	25.8	9.4	9.7	10.2	13.8	5.4	-4.6	8.4	11.7
Narayana Hrud	NARHRU	333	340	Buy	6797	2.9	6.4	-7.0	7.1	114.6	52.4	NA	46.5	7.7	11.0	-4.6	11.9	5.5	11.4	-14.5	13.1
Natco Pharma	NATPHA	925	950	Buy	16852	35.4	25.3	31.0	29.7	26.1	36.5	29.9	31.1	21.3	14.0	16.1	14.2	18.5	12.2	13.4	11.6
Sun Pharma	SUNPHA	487	625	Buy	116761	15.9	16.8	21.0	24.2	30.7	29.0	23.2	20.1	10.3	10.0	10.2	12.9	9.2	8.9	10.8	11.2
Syngene Int.	SYNINT	553	485	Buy	22120	8.3	10.3	9.1	12.6	66.9	53.7	60.7	43.7	14.8	14.5	12.9	16.3	16.8	15.7	14.3	16.7
Torrent Pharm	TORPHA	2704	2,865	Buy	45758	48.9	60.6	69.4	94.3	55.2	44.6	39.0	28.7	14.2	15.4	18.1	21.7	17.5	21.2	20.6	23.1
Shalby	SHALIM	92	100	Hold	992	2.9	2.6	4.2	4.8	31.3	36.0	22.0	19.1	6.8	7.2	5.8	7.8	4.1	3.5	5.3	5.9
Aster DM	ASTDM	137	160	Buy	6848	6.7	5.5	-0.3	8.3	20.6	24.8	NA	16.5	8.3	7.1	3.4	8.7	10.4	8.5	-0.5	11.3
Indoco Remedi	INDREM	250	330	Buy	2307	-0.3	2.6	11.0	15.0	NA	95.7	22.8	16.7	1.0	5.1	13.5	16.9	-0.4	3.5	13.2	15.6
Caplin Point	CAPPOI	529	670	Buy	4002	23.3	28.4	33.2	44.6	22.7	18.6	15.9	11.9	34.6	26.5	26.0	28.0	27.9	22.7	21.4	22.7
Granules India	GRANUL	391	460	Buy	9683	9.5	12.4	21.4	25.2	41.0	31.5	18.3	15.5	11.8	15.2	22.9	23.1	15.5	16.7	22.6	21.2

Source: ICICI Direct Research, Bloomberg



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