

Strong growth in biologics segment continues...

Revenues grew 30.4% YoY to ₹ 1465.9 crore (I-direct estimate: ₹ 1573.3 crore) mainly due to 96.0% YoY growth in biologics to ₹ 490 crore (I-direct estimate: ₹ 462.5 crore). EBITDA margins improved 868 bps YoY to 29.8% (I-direct estimate: 26.4%) mainly due to strong gross margin performance (71.0% vs. 61.4% in Q1FY19). EBITDA grew 83.9% YoY to ₹ 437.5 crore against I-direct estimate of ₹ 415.6 crore. Adjusted net profit grew 72.2% to ₹ 206.2 crore (I-direct estimate: ₹ 202.6 crore) mainly due to strong operational performance.

Well placed on capturing global biosimilars opportunity

The biologics segment (28% of FY19 in total revenues) includes biosimilars, encompassing Rh-insulin, insulin analogs, monoclonal antibodies & recombinant proteins. The company has invested heavily in this space in the last two to three years. The progress has been encouraging with approvals and launches in the US, EU, Japan, Australia and emerging markets. We expect biologics to grow at ~41% CAGR to ₹ 3012 crore in FY19-21E.

Research services (Syngene) to maintain growth momentum

Biocon's contract research organisation (CRO) arm Syngene contributes 33% of total revenues. The company caters to 331 clients including eight out of global top 10 global players. We expect revenues to grow at a CAGR of ~19% to ₹ 2597 crore in FY19-21E.

Small molecules growth steady

Small molecules (32% of FY19 total revenue) comprise APIs like statins, immunosuppressants, specialty APIs & also include generic formulations business. The company is exploring fewer opportunities but with higher profitability in this segment. We expect the small molecules segment to grow at a CAGR ~13% CAGR to ₹ 2228 crore in FY19-21E.

Valuation & Outlook

Like FY19, FY20 is also expected to be driven by growth segments i.e. 1) biologics mainly on the back of new launches across developed markets and geographical expansion in emerging markets and 2) Syngene on the back of persistent clients' addition. With better visibility, the company has optically accelerated the scalability capex and R&D, which is likely to push related expenses higher in the near term. Biosimilar launches in developed as well as emerging markets and Syngene's performances remain key levers for the company. On an SoTP basis, we ascribe a target price of ₹ 330/share.



Particulars

Particular	Amount
Market Capitalisation	₹ 28632 crore
Debt (FY19)	₹ 2423 crore
Cash (FY19)	₹ 1057 crore
EV	₹ 29998 crore
52 week H/L	359/230
Equity capital (₹Crore)	₹ 600 crore
Face value (₹)	₹ 5

Key Highlights

- Strong growth in biologics segment and improvement in product mix drives Q1
- With better visibility, the company has optically accelerated the scalability capex and R&D that is likely to push related expenses higher in the near term
- Biosimilar launches in the developed as well as emerging markets and Syngene's performances remain key levers for the company
- Maintain BUY

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Key Financial Summary

(Year End March)	FY18	FY19	FY20E	FY21E	CAGR (FY19-21E) %
Revenues (₹ crore)	4129.7	5514.4	6858.4	8507.2	24.2
EBITDA (₹ crore)	829.1	1361.2	1935.6	2416.8	33.2
EBITDA margins (%)	20.1	24.7	28.2	28.4	
Net Profit (₹ crore)	372.4	744.8	943.0	1131.1	23.2
EPS (₹)	3.1	6.2	7.9	9.4	
P/E (x)	76.9	31.6	30.4	25.3	
RoCE (%)	8.1	10.9	14.0	15.9	
RoE (x)	34.5	21.4	15.1	11.9	

Exhibit 1: Variance Analysis

	Q1FY20	Q1FY20E	Q1FY19	Q4FY19	YoY (%)	QoQ (%)	Comments
Revenue	1,465.9	1,573.3	1,123.8	1,528.8	30.4	-4.1	YoY growth mainly due to 96% growth in biologics segment. Miss vis-à-vis I-direct estimates due to lower-than-expected Syngene sales
Raw Material cos	424.5	497.2	433.8	487.9	-2.1	-13.0	YoY improvement mainly due to better product mix
Employee cost	341.0	334.5	261.4	320.6	30.5	6.4	
R & D Expenditure	79.0	89.2	44.0	92.0	79.5	-14.1	Gross R&D spend was ₹ 110 crore in Q1FY20
Other Expenditure	183.9	236.8	146.7	225.3	25.4	-18.4	Sequential decline mainly due to higher profit sharing and lower other expenditure in Syngene
Total Expenditure	1,028.4	1,157.7	885.9	1,125.8	16.1	-8.7	
EBITDA	437.5	415.6	237.9	403.0	83.9	8.6	
EBITDA (%)	29.8	26.4	21.2	26.4	868 bps	348 bps	YoY improvement and beat vis-à-vis I-direct estimates mainly due to higher gross margins
Interest	16.6	17.1	17.6	15.9	-5.7	4.4	
Depreciation	124.2	121.7	99.1	119.8	25.3	3.7	
Other income	24.1	26.7	68.8	28.2	-65.0	-14.5	
EO	0.0	0.0	0.0	0.0	0.0	0.0	
PBT	320.8	303.6	190.0	295.5	68.8	8.6	
Tax	85.2	69.8	52.1	40.9	63.5	108.3	
MI	21.4	32.1	18.6	29.7	15.1	-27.9	
Adj. PAT	206.3	202.6	119.8	213.7	72.2	-3.5	Strong growth mainly due to a strong operational performance
Key Metrics							
Small Molecules	473.0	442.4	395.0	465.0	19.7	1.7	YoY growth and beat vis-à-vis I-direct estimates due to robust performance of generic formulations and APIs. Beat vis-à-vis I-direct estimates mainly due to higher-than-expected sales in APIs
Biologics	490.0	462.5	250.0	451.0	96.0	8.6	YoY growth on the back of strong sales of biosimilars led by market share gain and increased penetration. Beat vis-à-vis I-direct estimates mainly on higher-than-expected profit sharing received from Mylan
Branded Formulati	133.0	139.7	147.0	133.0	-9.5	0.0	YoY decline and miss vis-à-vis I-direct estimates mainly due to uncertainty in the UAE market including delays in product registrations and repricing of branded generic products by the Ministry of Health
Contract Research	421.0	523.7	406.0	534.0	3.7	-21.2	Slow growth mainly due to project phasing in development and manufacturing services segment and high base of ₹ 40 crore of one-off raw material pass through in Q1FY19. Miss vis-à-vis I-direct estimates mainly due to lower-than-expected growth in development and manufacturing services segment
Licensing income	7.0	5.0	5.0	7.0	40.0	0.0	

Source: ICICI Direct Research

Exhibit 2: Change in Estimates

(₹ Crore)	FY20E			FY21E			Comments
	Old	New	% Change	Old	New	% Change	
Revenues	7,197.4	6,858.4	-4.7	9,120.5	8,507.2	-6.7	Changed mainly due to trimming of projections in biologics, branded formulations and Syngene
EBITDA	1,817.3	1,935.6	6.5	2,384.8	2,416.8	1.3	
EBITDA Margin (%)	25.2	28.2	297 bps	26.1	28.4	226 bps	Changed as per management guidance and improvement in product mix
Net Profit	931.8	943.0	1.2	1,119.1	1,131.1	1.1	
EPS (₹)	7.8	7.9	1.2	9.3	9.4	1.1	

Source: ICICI Direct Research

Exhibit 3: Change in Estimates

Growth (%)	Current			Earlier			Comments
	FY18	FY19	FY20E	FY21E	FY20E	FY21E	
Small Molecules	1,484.9	1,749.0	1,989.5	2,228.2	1,958.9	2,193.9	
Biologics	770.2	1,517.0	2,151.4	3,011.9	2,273.0	3,409.5	Changed mainly due to expected competition in new launches mainly in FY21
Branded Formulations	611.5	656.0	602.0	650.2	689.4	744.5	Changed mainly due to uncertainty in the UAE market including delay in product registrations and repricing of branded generic products by the Ministry of Health
Contract Research	1,423.1	1,826.0	2,151.7	2,596.9	2,256.1	2,752.5	Changed mainly due to lower-than-expected sales in Q1FY20

Source: ICICI Direct Research

Conference Call Highlights

- R&D outlook- Gross spend as a percentage of revenues (ex-Syngene) is expected to be around 15% in FY20. (FY19-13-14%). The spend will be mainly on biosimilars, ANDAs and novel biologics. Capitalised portion of the R&D would be around ₹ 120-150 crore
- As per management, Fulphila (bPegfilgrastim) has captured 21% market share in syringes market in the US
- Ogivri, co-developed by Biocon and Mylan, has become the first biosimilar Trastuzumab to be approved in Canada
- The company has initiated a greenfield project for a fermentation-based manufacturing at Visakhapatnam, Andhra Pradesh with an outlay of ₹ 600 crore to cater to the anticipated volume growth in the small molecules APIs and generic formulations business. This facility is likely to on stream over the next three years
- The management does not expect any change to partner Mylan's commercialisation plans for Insulin Glargine in the US despite 12 observations being issued to its Malaysian Insulin facility by the USFDA
- The branded business in UAE continues to be impacted by repricing of branded generic products mandated by the Ministry of Health. The scenario is likely to persist for another couple of quarters. Indian branded formulations, on the other hand, continue to do better. The management expects double digit growth in FY20
- The management expects margin performance (Q1FY20 core EBITDA margins 36%) to sustain through FY20

Exhibit 4: Trends in quarterly performance

(₹ Crore)	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	YoY (%)	QoQ(%)
Revenues	992.0	954.1	1044.4	931.1	933.7	968.6	1057.9	1169.5	1123.8	1321.0	1540.8	1528.8	1465.9	30.4	-4.1
Raw Material Cost	400.2	353.8	374.7	348.4	365.8	377.6	423.8	475.2	433.8	446.7	528.1	487.9	424.5	-2.1	-13.0
% to revenues	40.3	37.1	35.9	37.4	39.2	39.0	40.1	40.6	38.6	33.8	34.3	31.9	29.0		
Gross Profit	591.8	600.3	669.7	582.7	567.9	591.0	634.1	694.3	690.0	874.3	1012.7	1040.9	1041.4	50.9	0.0
Gross Profit Margin (%)	59.7	62.9	64.1	62.6	60.8	61.0	59.9	59.4	61.4	66.2	65.7	68.1	71.0	964 bps	296 bps
Employee cost	178.5	180.4	194.2	193.9	213.3	225.5	235.3	257.0	261.4	288.9	294.4	320.6	341.0	30.5	6.4
% to revenues	18.0	18.9	18.6	20.8	22.8	23.3	22.2	22.0	23.3	21.9	19.1	21.0	23.3	0 bps	229 bps
R & D	51.4	65.0	85.0	65.0	58.2	53.9	52.9	51.0	44.0	77.0	77.0	92.0	79.0		
% to revenues	5.2	6.8	8.1	7.0	6.2	5.6	5.0	4.4	3.9	5.8	5.0	6.0	5.4	147 bps	-63 bps
Other Expenditure	98.8	114.9	114.4	136.3	104.3	129.3	124.2	153.3	146.7	168.8	260.6	225.3	183.9	25.4	-18.4
% to revenues	10.0	12.0	11.0	14.6	11.2	13.3	11.7	13.1	13.1	12.8	16.9	14.7	12.5	-51 bps	-219 bps
Total Expenditure	728.9	714.1	768.3	743.6	741.6	786.3	836.2	936.5	885.9	981.4	1160.1	1125.8	1028.4	16.1	-8.7
% to revenues	73.5	74.8	73.6	79.9	79.4	81.2	79.0	80.1	78.8	74.3	75.3	73.6	70.2		
EBIDTA	263.1	240.0	276.1	187.5	192.1	182.3	221.7	233.0	237.9	339.6	380.7	403.0	437.5	83.9	8.6
EBITDA Margin (%)	26.5	25.2	26.4	20.1	20.6	18.8	21.0	19.9	21.2	25.7	24.7	26.4	29.8	868 bps	348 bps
Depreciation	66.1	68.3	70.3	72.5	98.8	93.6	97.4	95.3	99.1	112.2	116.7	119.8	124.2	25.3	3.7
Interest	5.7	6.5	8.8	5.0	16.1	13.8	14.7	16.9	17.6	18.8	18.6	15.9	16.6	-5.7	4.4
OI	40.9	38.4	47.5	43.2	54.0	50.8	33.9	67.5	68.8	54.4	25.6	28.2	24.1	-65.0	-14.5
PBT	232.2	203.6	244.5	153.2	131.2	125.7	143.5	188.3	190.0	263.0	271.0	295.5	320.8	68.8	8.6
Tax	55.2	41.7	54.4	10.3	37.6	42.5	36.1	40.7	52.1	73.2	46.1	40.9	85.2	63.5	108.3
Tax Rate (%)	23.8	20.5	22.2	6.7	28.7	33.8	25.2	21.6	27.4	27.8	17.0	13.8	26.6		
PAT	177.0	161.9	190.1	142.9	93.6	83.2	107.4	147.6	137.9	189.8	224.9	254.6	235.6	70.8	-7.5
PAT Margin (%)	17.8	17.0	18.2	15.3	10.0	8.6	10.2	12.6	12.3	14.4	14.6	16.7	16.1		
Exceptional Items (EI)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-188.8	-5.8	0.0	0.0		
Net Profit before MI	177.0	161.9	190.1	142.9	93.6	83.2	107.4	147.6	137.9	378.6	230.7	254.6	235.6	70.8	-7.5
Add/(less) MI	15.8	19.8	19.5	20.9	16.4	20.3	21.7	22.3	18.6	23.0	26.0	29.7	21.4		
Net Profit after MI	161.2	142.1	170.6	122.0	77.2	62.9	85.7	125.3	119.3	355.6	204.7	224.9	214.2	79.5	-4.8
Net Profit (excl.EI)	161.2	142.1	170.6	122.0	77.2	62.9	85.7	125.3	119.3	166.8	198.9	224.9	214.2	79.5	-4.8

Source: ICICI Direct Research

Company Background

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

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

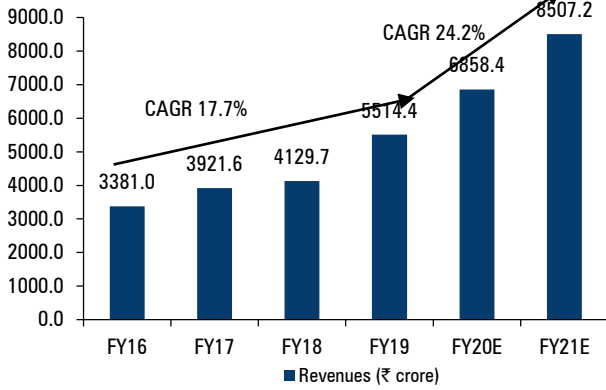
Recently, the company also entered into a partnership with Sandoz, a Novartis division and a global leader in biosimilars, for an exclusive portfolio of next-generation biosimilars in the area of immunology and oncology. This synergistic partnership will leverage the capabilities of both partners for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

Exhibit 5: Progress in Biosimilar

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

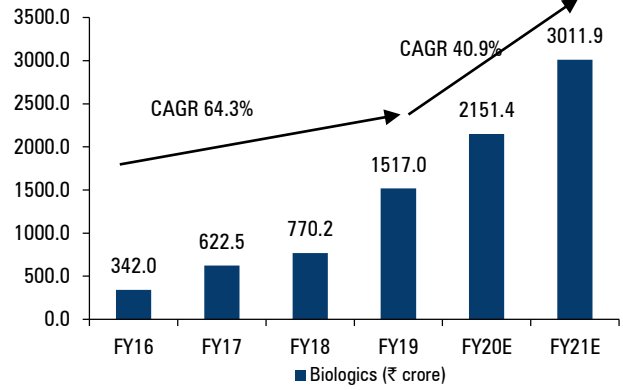
Source: ICICI Direct Research, Company

Exhibit 6: Revenues to grow at 24% CAGR over FY19-21E



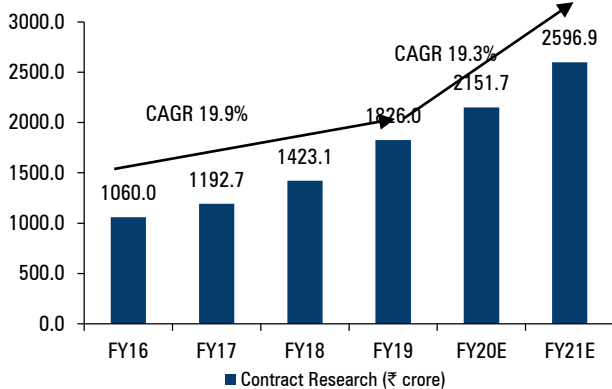
Source: ICICI Direct Research, Company

Exhibit 7: Biologics to grow at 41% CAGR over FY19-21E



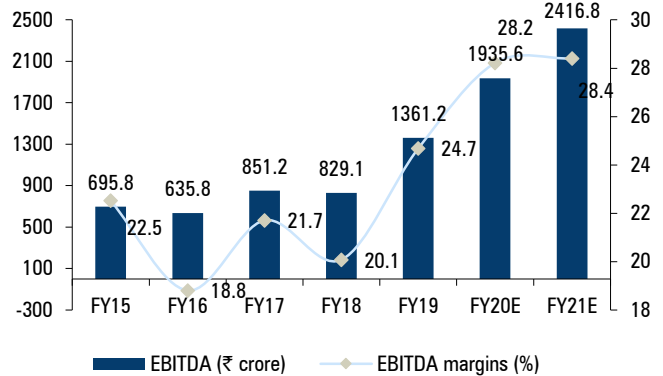
Source: ICICI Direct Research, Company

Exhibit 8: Syngene to grow at 19% CAGR over FY19-21E



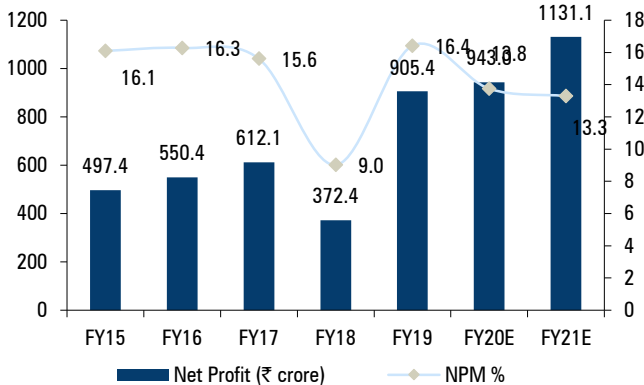
Source: ICICI Direct Research, Company

Exhibit 9: EBITDA & margins trend



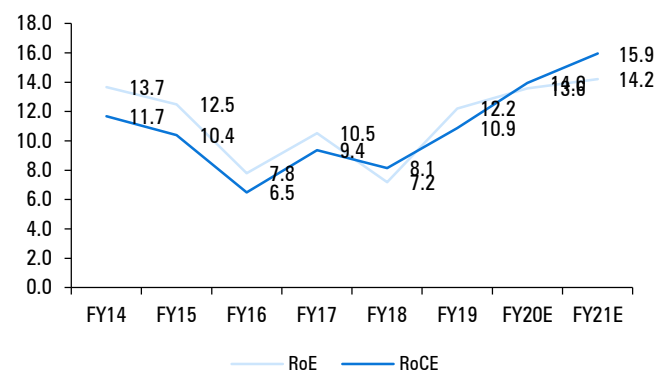
Source: ICICI Direct Research, Company

Exhibit 10: Net profit & margins trend



Source: ICICI Direct Research, Company

Exhibit 11: RoCE & RoE (%)



Source: ICICI Direct Research, Company

Exhibit 12: Revenue Bifurcation

₹ crore	FY16	FY17	FY18	FY19	FY20E	FY21E	CAGR FY16-19	CAGR 19-21E
Small Molecules	1387.0	1607.5	1484.9	1749.0	1989.5	2228.2	8.0	12.9
Biologics	342.0	622.5	770.2	1517.0	2151.4	3011.9	64.3	40.9
Branded Formulations	440.0	548.9	611.5	656.0	602.0	650.2	14.2	(0.4)
Contract Research	1060.0	1192.7	1423.1	1826.0	2151.7	2596.9	19.9	19.3
Licensing income	108.0	144.2	22.8	24.0	22.0	20.0	(39.4)	(8.7)
Total Revenues	3381.0	3921.6	4129.7	5514.4	6858.4	8507.2	17.7	24.2

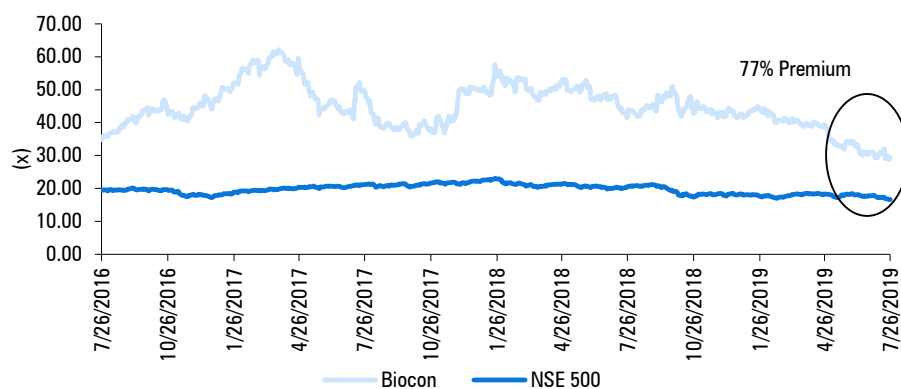
Source: ICICI Direct Research, Company

Exhibit 13: Valuation

Particulars	FY21E EPS (₹ cr)	Multiple (x)	Per share (₹)
Biocon (ex Syngene)	8.4	22.0	184.2
Syngene			
Targeted Market Cap			14400
Biocon's Holding			71.1%
Holding Company Discount			20.0%
Syngene valuation			8186
Per share valuation			68
NPV (Biosimilars)			77
SOTP valuation			330

Source: ICICI Direct Research

Exhibit 14: One-year rolling forward PE vs. NSE 500



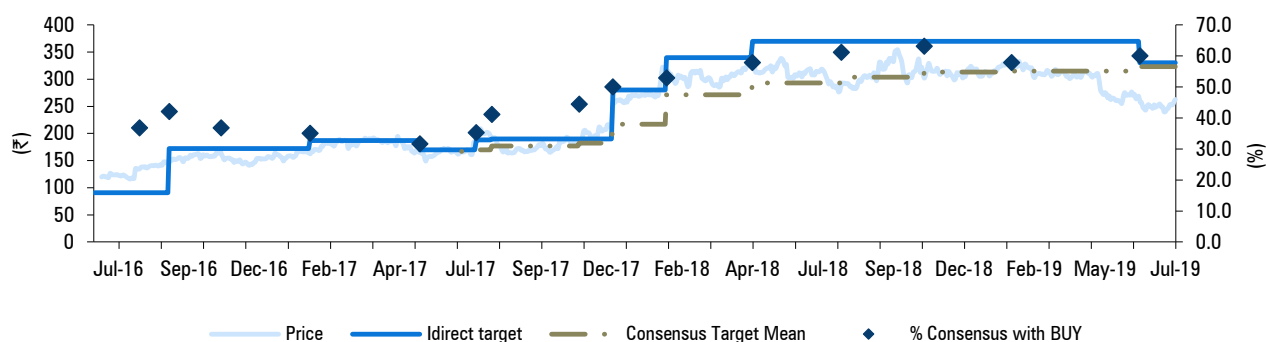
Source: ICICI Direct Research, Bloomberg

Exhibit 15: Financial Summary

	Revenues (₹ crore)	Growth (%)	EPS (₹)	Growth (%)	P/E V/EBITDA (x)	RoNW (X)	RoNW (%)	RoCE (%)
FY18	4130	5.3	3.1	-26.8	76.9	34.5	7.2	8.1
FY19	5514	33.5	6.2	100.0	31.6	21.4	12.2	10.9
FY20E	6858	24.4	7.9	26.6	30.4	15.1	13.6	14.0
FY21E	8507	24.0	9.4	19.9	25.3	11.9	14.2	15.9

Source: ICICI Direct Research

Exhibit 16: Recommendation history vs. Consensus



Source: ICICI Direct Research, Reuters

Exhibit 17: Top 10 Shareholders

Rank	Investor Name	Filing Date	% O/S	Position	Change
1	Shaw (Kiran Mazumdar)	20-Jun-19	40.2	475.7m	0.0
2	Glentec International	20-Jun-19	20.0	237.2m	0.0
3	OppenheimerFunds, Inc.	20-Jun-19	3.4	40.0m	-9.0
4	Biocon India Ltd Employee Welfare Trust	26-Jun-19	1.4	16.1m	-0.6
5	Chandavarkar (Arun Suresh)	20-Jun-19	1.1	13.2m	0.0
6	Jupiter Asset Management Ltd.	20-Jun-19	1.1	13.1m	0.0
7	Reliance Nippon Life Asset Management Li	20-Jun-19	1.1	12.7m	0.0
8	Templeton Asset Management Ltd.	31-May-19	1.0	11.5m	0.0
9	ICICI Prudential Asset Management Co. Ltd	30-Jun-19	0.9	10.3m	1.6
10	The Vanguard Group, Inc.	30-Jun-19	0.8	9.9m	0.0

Source: ICICI Direct Research, Reuters

Exhibit 18: Recent Activity

BUYS			SELLS		
Investor Name	Value (\$ mn)	Shares	Investor Name	Value (\$ mn)	Shares
Aberdeen Standard Investments (Asia) Limited	6.87	1.76	OppenheimerFunds, Inc.	-32.57	-8.96
ICICI Prudential Asset Management Co. Ltd.	5.66	1.56	Norges Bank Investment Management (NBIM)	-10.10	-2.23
PGGM Vermogensbeheer B.V.	2.13	0.47	Driehaus Capital Management, LLC	-7.80	-2.00
Goel (Anuj)	1.64	0.45	CPP Investment Board	-4.26	-0.97
Kotak Mahindra Asset Management Company Ltd.	1.53	0.39	Biocon India Ltd Employee Welfare Trust	-2.15	-0.59

Source: ICICI Direct Research, Reuters

Exhibit 19: Shareholding Pattern

(in %)	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Promoter	60.7	60.7	60.7	60.7	60.7
Public	39.3	39.3	39.3	39.3	39.3

Source: ICICI Direct Research, Company

Financial Summary

Exhibit 20: Profit and loss statement				
	₹ crore			
Year-end March	FY18	FY19	FY20E	FY21E
Total Operating Income	4129.7	5514.4	6858.4	8507.2
Growth (%)	5.3	33.5	24.4	24.0
Raw Material Expenses	1642.4	1896.5	2093.7	2533.1
Employee Expenses	931.1	1165.3	1452.3	1802.9
R&D Expenditure	215.8	290.0	390.3	531.9
Other Expenditures	511.3	801.4	986.6	1222.4
Total Operating Expenditure	3300.6	4153.2	4922.8	6090.4
Operating Profit (EBITDA)	829.1	1361.2	1935.6	2416.8
Growth (%)	-2.6	64.2	42.2	24.9
Depreciation	385.1	447.8	539.0	644.1
Interest	61.5	70.9	66.4	77.8
Other Income	206.2	177.0	115.8	144.6
PBT before Exceptional Items	588.7	1019.5	1446.0	1839.5
Less: Exceptional Items	0.0	-194.6	0.0	0.0
Total Tax	156.9	212.3	344.0	423.1
PAT before MI	431.8	1001.8	1102.0	1416.4
Minority Interest	80.7	97.3	127.3	158.9
Adjusted PAT	372.4	744.8	943.0	1131.1
Growth (%)	-26.8	100.0	26.6	19.9
EPS (Adjusted)	3.1	6.2	7.9	9.4

Source: ICICI Direct Research

Exhibit 21: Cash Flow Statement				
	₹ crore			
Year-end March	FY18	FY19	FY20E	FY21E
Profit/(Loss) after taxation	453.1	711.1	943.0	1131.1
Add: Depreciation & Amortization	385.1	447.8	539.0	644.1
Net Increase in Current Assets	-248.7	-637.4	-724.3	-893.5
Net Increase in Current Liabilities	128.4	608.3	548.5	673.1
Other Operating Activities	-55.8	24.8	66.4	77.8
CF from operating activities	662.1	1154.6	1372.6	1632.6
(Purchase)/Sale of Fixed Assets	-913.1	-1491.6	-1250.0	-1050.0
(Increase)/Decrease in Investme	168.9	768.5	0.0	-500.0
Increase/ (Decrease) in Minority	0.0	0.0	60.9	67.0
Other Investing Activities	600.3	-385.2	-68.8	-95.8
CF from investing activities	-143.9	-1108.3	-1258.0	-1578.8
Proceeds from issues of Equity	16.8	-69.2	0.0	0.0
Inc/(dec) in loan funds	-114.1	7.5	-200.0	0.0
(Payment) of Dividend and Divid	-78.7	-79.3	-94.3	-113.1
Interest Paid	-63.7	-100.7	-66.4	-77.8
Other Financing Activities	0.0	0.0	0.0	0.0
CF from financing activities	-239.7	-241.7	-360.7	-190.9
Net Cash flow	278.5	-195.4	-246.0	-137.1
Opening Cash	974.1	1252.6	1057.2	811.2
Closing Cash	1252.6	1057.2	811.2	674.1
Free Cash Flow	831.0	1923.1	1372.6	1132.6

Source: ICICI Direct Research

Exhibit 22: Balance Sheet				
	₹ crore			
Year-end March	FY18	FY19	FY20E	FY21E
Liabilities				
Equity Capital	600.0	300.0	600.0	600.0
Reserve and Surplus	4580.8	5798.0	6346.8	7364.7
Total Shareholders funds	5180.8	6098.0	6946.8	7964.7
Total Debt	1920.1	2423.0	2223.0	2223.0
Minority Interest	467.7	608.9	669.8	736.8
Other NCL & LT Provisions	410.1	906.3	996.9	1096.6
Source of Funds	7978.7	10036.2	10836.5	12021.1
Assets				
Gross Block - Fixed Assets	5847.4	7068.6	8509.4	9909.4
Accumulated Depreciation	2174.3	2624.0	3163.0	3807.1
Net Block	3673.1	4444.6	5346.4	6102.3
Capital WIP	1302.8	1898.9	1708.1	1358.1
Total Fixed Assets	4975.9	6343.5	7054.5	7460.4
Goodwill on Consolidation	26.4	26.4	26.4	26.4
Investments	675.2	1011.8	1011.8	1511.8
Inventory	722.5	1031.6	1283.0	1591.5
Debtors	1063.9	1291.8	1606.7	1992.9
Cash	1322.8	1057.2	811.2	674.1
Other Current Assets	428.0	612.9	771.0	969.8
Total Current Assets	3537.2	3993.5	4471.8	5228.2
Creditors	1005.3	1198.3	1490.4	1848.6
Provisions	46.5	80.5	110.7	140.8
Other Current Liabilities	959.2	877.4	1103.7	1388.3
Total Current Liabilities	2011.0	2156.2	2704.7	3377.7
Net Current Assets	1526.2	1837.3	1767.1	1850.4
Deferred Tax Assets	193.4	324.7	357.2	392.9
Other Non Current assets	581.6	492.5	619.5	779.3
Application of Funds	7978.7	10036.2	10836.5	12021.1

Source: ICICI Direct Research

Exhibit 23: Ratio Analysis				
	₹ crore			
Year-end March	FY18	FY19	FY20E	FY21E
Per share data (₹)				
Reported EPS	3.1	7.5	7.9	9.4
BV per share	43.2	50.8	57.9	66.4
Dividend per share	0.2	0.6	0.8	0.9
Cash Per Share	11.0	8.8	6.8	5.6
Operating Ratios (%)				
Gross Margin	60.2	65.6	69.5	70.2
EBITDA margin	20.1	24.7	28.2	28.4
EBIT Margin	10.8	16.6	20.4	20.8
PAT Margin	9.0	13.5	13.8	13.3
Inventory days	63.9	68.3	68.3	68.3
Debtor days	94.0	85.5	85.5	85.5
Creditor days	88.9	79.3	79.3	79.3
Asset Turnover	0.5	0.5	0.6	0.7
EBITDA Conversion Ratio	79.9	84.8	70.9	67.6
Return Ratios (%)				
RoE	7.2	12.2	13.6	14.2
RoCE	8.1	10.9	14.0	15.9
RoIC	9.8	15.5	19.7	21.5
Valuation Ratios (x)				
P/E	76.9	31.6	30.4	25.3
EV / EBITDA	34.5	21.4	15.1	11.9
EV / Net Sales	6.9	5.3	4.3	3.4
Market Cap / Sales	6.9	5.2	4.2	3.4
Price to Book Value	5.5	4.7	4.1	3.6
Solvency Ratios				
Debt / EBITDA	2.3	1.8	1.1	0.9
Debt / Equity	0.4	0.4	0.3	0.3
Current Ratio	1.1	1.4	1.4	1.3

Source: ICICI Direct Research

Exhibit 24: ICICI Direct Coverage Universe (Healthcare)

Company	I-Direct Code	CMP (₹)	TP Rating	M Cap (₹ cr)	EPS (₹)				PE(x)				RoCE (%)				RoE (%)				
					FY18	FY19	FY20E	FY21E	FY18	FY19	FY20E	FY21E	FY18	FY19	FY20E	FY21E	FY18	FY19	FY20E	FY21E	
Ajanta Pharm:	AJAPHA	882	1,060	Hold	7699	53.0	43.5	47.5	60.2	16.6	20.3	18.6	14.7	30.0	21.8	20.8	22.4	23.0	17.1	16.4	18.0
Alembic Pharm:	ALEMPHA	537	620	Hold	10119	21.9	31.3	27.4	25.4	24.5	17.1	19.6	21.2	18.0	21.3	17.4	17.3	18.6	22.8	16.7	15.3
Apollo Hospita	APOHOS	1344	1,450	Buy	18693	8.5	17.7	35.3	48.1	158.9	76.0	38.0	27.9	6.3	8.8	12.1	15.7	3.6	7.4	13.2	15.7
Aurobindo Ph:	AURPHA	554	705	Buy	32454	41.6	42.1	48.6	54.3	13.3	13.1	11.4	10.2	20.0	15.9	14.7	15.1	20.7	17.7	17.1	16.2
Biocon	BIOCON	239	330	Buy	28632	3.1	6.2	8.2	9.1	76.9	38.4	29.2	26.2	8.1	10.9	14.4	15.7	7.2	12.2	14.1	13.7
Cadila Healthc	CADHEA	230	370	Buy	23567	17.5	18.1	16.3	18.7	13.1	12.7	14.2	12.3	16.7	13.0	11.4	12.3	20.5	17.8	14.2	14.5
Cipla	CIPLA	537	580	Hold	43245	18.3	18.8	24.0	29.1	29.3	28.6	22.3	18.5	9.6	10.9	13.3	14.5	10.4	10.1	11.7	12.6
Divi's Lab	DIVLAB	1642	1,900	Buy	43583	33.3	51.0	56.2	67.8	49.3	32.2	29.2	24.2	20.0	25.5	23.7	24.3	14.9	19.4	18.3	18.7
Dr Reddy's La	DRREDD	2654	2,770	Hold	44074	57.0	108.6	120.3	153.8	46.5	24.4	22.1	17.3	6.1	10.6	11.6	14.9	7.2	12.9	12.7	14.3
Glenmark Pha	GLEPHA	426	565	Hold	12009	28.5	26.9	34.2	40.3	14.9	15.8	12.4	10.5	14.6	14.5	15.3	16.1	15.6	13.5	14.8	15.0
Hikal	HIKCHE	149	200	Buy	2152	6.3	8.4	10.7	13.7	23.8	17.8	13.9	10.9	12.2	15.0	16.2	18.1	11.5	13.6	15.3	16.9
Ipca Laborato	IPCLAB	945	1,130	Buy	11936	19.0	35.1	45.6	56.4	49.8	26.9	20.7	16.7	9.1	15.4	18.4	20.4	8.9	14.2	16.0	17.1
Jubilant Life	JUBLIF	449	710	Buy	7157	41.3	52.1	57.7	70.8	10.9	8.6	7.8	6.3	14.9	14.4	15.6	16.8	15.7	16.9	15.9	16.5
Lupin	LUPIN	773	810	Hold	34988	20.8	16.5	30.6	40.4	37.3	46.7	25.3	19.1	10.4	9.5	12.3	14.1	6.9	5.4	9.3	11.1
Narayana Hru	NARHRU	221	250	Buy	4524	2.5	2.3	6.2	9.0	88.4	97.6	35.5	24.5	6.3	7.6	11.9	14.7	4.9	4.3	10.5	13.3
Natco Pharm:	NATPHA	511	595	Hold	9339	37.7	34.9	37.1	26.7	13.5	14.6	13.8	19.2	27.4	21.3	20.0	13.2	22.7	18.5	16.6	10.7
Sun Pharma	SUNPHA	437	460	Hold	104884	13.0	15.9	17.9	23.4	33.7	27.6	24.4	18.7	9.8	10.4	11.5	12.7	8.2	9.2	9.5	11.1
Syngene Int.	SYNINT	309	360	Buy	12376	7.6	8.3	9.9	10.3	40.6	37.4	31.3	30.0	15.1	14.8	14.5	13.8	17.7	16.8	16.8	15.0
Torrent Pharm	TORPHA	1625	1,940	Buy	27492	40.1	48.9	57.9	77.6	40.5	33.2	28.1	20.9	11.2	14.8	17.0	20.6	14.7	17.5	17.9	20.4

Source: ICICI Direct Research, Bloomberg

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