

July 29, 2019

Numbers miss; management mulls separation...

Revenues grew 5.0% YoY to ₹ 2182 crore (I-direct estimate: ₹ 2410 crore). Revenues in pharma business grew 11.8% YoY to ₹ 1321 crore (I-direct estimate: ₹ 1477 crore) on the back of strong growth in CDMO segment. Life science ingredients (LSI) revenues fell 5.0% YoY to ₹ 805 crore (I-direct estimate: ₹ 847 crore). EBITDA margins fell 133 bps YoY to 19.9% (I-direct estimate: 18.2%) mainly due to higher other expenditure and employee cost. EBITDA de-grew 0.7% YoY to ₹ 434.6 crore (I-direct estimate: ₹ 437.6 crore). Net profit de-grew 8% to ₹ 185 crore (I-direct estimate of ₹ 201 crore) mainly due to a below expected operational performance.

Pharmaceuticals business segment growth likely to be healthy

Recent long term contracts in the radiopharma business as well as approval for Rubyfill in the US are expected to strengthen the speciality sub-segment growth, which is likely to grow at 12.3% CAGR in FY19-21E to ₹ 3572 crore on the back of strong growth in the radiopharma business and consolidation of pharmacy business. CDMO business is witnessing strong traction on the back of robust order book and incremental realisation in API segment. The generic business is also registering decent growth on the back of base business besides one-off opportunities. We expect the pharma business to grow at 8.5% CAGR in FY19-21E to ₹ 6261 crore.

LSI segment slightly volatile

Life science ingredients (LSI) segment, which includes specialty intermediates, nutritional products and life science chemicals, has demonstrated good potential in the past but remains more or a less a commodity play the prospects of which hinge upon global commodity cycle. Hence, growth and EBITDA margins have always been lumpy and volatile. LSI is likely to grow at ~1% CAGR in FY19-21E to ₹ 3632 crore.

Outlook & Valuation

Q1FY20 numbers were lower than I-direct estimates on the revenue and net profit front while EBITDA margins were better than I-direct estimates mainly due to a strong gross margin performance. We expect specialty pharma to maintain growth momentum thanks to strong growth and prospects for CDMO business. However, official action indicated (OAI) status to Nanjangud API facility is likely to be a stumbling block in the near term. Similarly, on the generics front, we expect some slowdown and costs escalation on account of warning letter to Roorkee facility. On the LSI front, the performance continues to be lumpy. However, with the intention of the management to separate these two segments, we expect strategic overhauling. We await further clarity and action plans in this direction. In this backdrop, we have an **UNDER REVIEW** recommendation on the stock.



Particulars

Particular	Amount
Market Capitalisation	₹ 7102 crore
Debt (FY19)	₹ 4743 crore
Cash (FY19)	₹ 1370 crore
EV	₹ 10475 crore
52 week H/L (₹)	₹ 899/₹ 425
Equity capital	₹ 15.9 crore
Face value	₹ 1

Key Highlights

- Q1FY20 numbers were lower than I-direct estimates on revenues and net profit front
- Expect specialty pharma to maintain growth momentum thanks to strong growth and prospects of CDMO business
- On LSI front, things are unlikely to improve in next few quarters
- Changed from Buy to Under Review

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Key Financial Summary

(₹ crore)	FY18	FY19	FY20E	FY21E	CAGR (FY19-21E) %
Revenues	7557.8	9110.8	9333.2	10302.4	6.3
EBITDA	1518.4	1739.0	1826.8	2079.1	9.3
EBITDA Margins (%)	20.1	19.1	19.6	20.2	
Net Profit	642.8	577.0	843.4	1011.3	32.4
EPS (₹)	41.3	37.0	54.1	64.9	
Adjusted EPS (₹)	41.3	52.1	54.1	64.9	
PE (x)	10.8	12.0	8.2	6.9	
Target P/E (Diluted)	17.2	19.2	13.1	10.9	
EV/EBITDA (x)	6.6	5.9	5.6	4.7	
Price to book (x)	1.7	1.4	1.2	1.1	
RoE (%)	15.7	16.9	15.1	15.4	
RoCE (%)	14.9	14.4	15.4	16.2	

Source: ICICI Direct Research; Company

Exhibit 1: Variance Analysis

	Q1FY20	Q1FY20E	Q1FY19	Q4FY19	YoY (%)	QoQ (%)	Comments
Revenue	2,181.9	2,409.7	2,078.7	2,385.6	5.0	-8.5	YoY growth driven by 11.8% growth in pharma business, partly offset by a decline in LSI business. Miss vis-à-vis I-direct estimates due to lower-than-expected sales in both segments
Raw Material Expenses	755.2	918.2	796.2	972.6	-5.2	-22.4	
Employee Expenses	504.1	499.4	451.6	496.8	11.6	1.5	
Other Expenditure	376.0	340.3	293.5	445.3	28.1	-15.6	
Power cost	112.0	214.2	99.7	112.9	12.3	-0.8	
Total Expenditure	1,747.3	1,972.1	1,641.1	2,027.6	6.5	-13.8	
EBITDA	434.6	437.6	437.6	358.0	-0.7	21.4	
EBITDA (%)	19.9	18.2	21.1	15.0	-113 bps	491 bps	YoY contraction mainly due to lower margins in API segment and one-off charges to the tune of ₹ 40 crore. Beat vis-à-vis I-direct estimates mainly due to higher-than-expected margins in LSI business
Interest	72.6	60.8	72.7	61.6	-0.2	17.8	
Depreciation	102.7	101.5	88.0	95.0	16.7	8.1	
Other income	9.7	11.9	9.5	-6.6	2.4	LP	
Exceptional Items	0.0	0.0	0.0	234.8	0.0	0.0	
PBT after Exceptional Items	269.0	287.2	286.4	-40.0	-6.1	LP	
Tax	84.1	86.2	86.0	60.7	-2.3	38.5	
Tax Rate (%)	31.2	30.0	30.0	-151.8			
PAT before MI	185.0	201.0	200.4	-100.7	-7.7	LP	
MI	0.0	0.0	-0.6	-1.4	0.0	0.0	
Adj. Net Profit	185.0	201.0	201.0	135.5	-8.0	36.5	YoY decline and miss vis-à-vis I-direct estimates mainly due to lower-than-expected operational performance

Key Metrics

Pharmaceuticals	1,321.0	1,476.7	1,181.3	1,399.0	11.8	-5.6	YoY growth driven by strong growth in CMO and allergy segments. Miss vis-à-vis I-direct estimates mainly due to lower-than-expected growth in radio pharma and API businesses
Life Science Ingredients	805.0	847.0	847.0	912.0	-5.0	-11.7	YoY decline and miss vis-à-vis I-direct estimates mainly due to a decline in lifescience chemical business

Source: ICICI Direct Research

Exhibit 2: Change in Estimates

(₹ Crore)	FY20E			FY21E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	10,218.6	9,333.2	-8.7	11,448.1	10,302.4	-10.0	Changed mainly due to slower-than-expected growth in Radio Pharma, API and lifescience chemical businesses
EBITDA	1,878.0	1,826.8	-2.7	2,192.7	2,079.1	-5.2	
EBITDA Margin (%)	18.4	19.6	119 bps	19.2	20.2	103 bps	Changed mainly due to better-than-expected margin improvement in both segments
PAT	895.5	843.4	-5.8	1,102.1	1,011.3	-8.2	
EPS (₹)	57.5	54.1	-5.8	70.7	64.9	-8.2	Delta vis-à-vis EBITDA mainly due to increase in depreciation and financial changes due to implementation of Ind-As 116

Source: ICICI Direct Research

Exhibit 3: Change in Estimates

	Current			Earlier			Comments
	FY18	FY19	FY20E	FY21E	FY20E	FY21E	
Pharma	4,013.0	5,321.0	5,531.7	6,261.0	6,157.5	6,978.3	Changed mainly due to lower-than-expected sales in API and radio pharma businesses
Life Science Ingredients	3,370.6	3,545.0	3,458.7	3,631.6	3,679.9	4,047.9	Changed mainly due to higher-than-expected decline in life science chemicals business

Source: ICICI Direct Research

Conference Call Highlights

- The management is planning to split pharma and LSI segments to optimise focus and capital. It is likely to take up this matter in the next board meeting
- In the CMO business, the company has already started a 24/7 shift in one line in FY19. It is planning to start another line from Q3FY20. The company has installed lyophilisation equipment, which is expected to get commercialised in H2FY20. These initiatives are likely to increase capacity by over 30% translating into annual additional potential revenue of ~US\$30 million. Current capacity utilisation reached more than 90% in the CMO business
- The API business was impacted mainly due to additional quality checks in Sartans to meet enhanced regulatory requirements
- Jubilant radiopharmacy (Triad) is expected to reach breakeven by the end of FY20
- The management has guided at ~₹ 500 crore of capex and ₹ 200-250 crore of addition product development spend for FY20
- Acetic acid prices have crashed ~37% YoY mainly due to lower demand in China. The management is not expecting a further fall in prices. The company is likely to commercialise a new acetic anhydride plant in Q2FY20
- The management expects a recovery in life science chemical segment from H2FY20
- Specialty intermediates in nutrition products business has witnessed both price and volume growth in Q1
- Net debt of the company was at ₹ 3286 crore while gross debt was at ₹ 4602 crore
- About warning letter at Roorkee plant, the company has submitted its response to USFDA and is awaiting the response. The company has also hired a third party consultant and is working towards resolution of OAI at Nanjangud
- One-off expense of ₹ 40 crore in Q1FY20 was related to exchange fluctuation on restatement of deposits, litigation, penalty for non-supplies and site remediation costs
- The company has received CE certificate allowing Ruby-Fill to be introduced in the EU market

Exhibit 4: Quarterly Trend

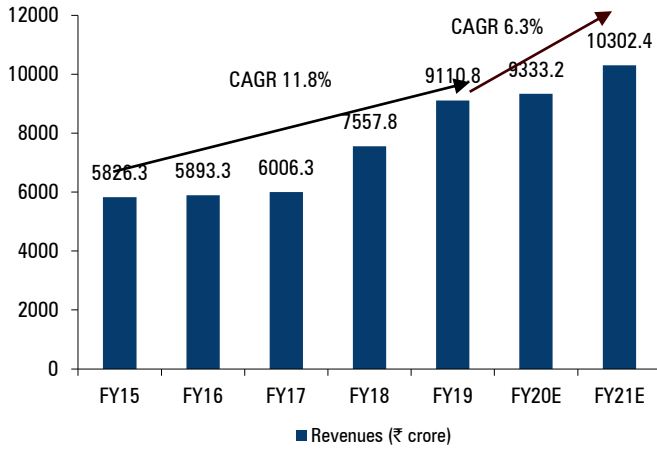
(₹ crore)	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	YoY (%)	QoQ (%)
Net Sales	1209.6	1393.5	1472.2	1609.0	1578.1	1621.4	2041.5	2223.8	2079.3	2270.0	2353.1	2352.2	2152.8	3.5	-8.5
Other Operating Incom	12.6	25.8	19.4	32.4	17.9	20.7	26.3	28.2	32.4	23.9	24.0	33.4	29.1	-10.1	-13.0
Total Operating Incom	1222.2	1419.3	1491.6	1641.4	1596.1	1642.0	2067.8	2252.0	2111.6	2293.9	2377.1	2385.6	2181.9	3.3	-8.5
Raw Material Expens	456.1	455.3	523.0	633.7	583.6	607.6	786.8	890.8	796.2	877.2	875.8	972.6	755.2	-5.2	-22.4
% of revenues	37.3	32.1	35.1	38.6	36.6	37.0	38.1	39.6	37.7	38.2	36.8	40.8	34.6	-310 bps	-616 bps
Gross Profit	766.1	964.0	968.6	1007.7	1012.5	1034.4	1281.0	1361.1	1315.4	1416.8	1501.3	1412.9	1426.7	8.5	1.0
Gross Margins (%)	62.7	67.9	64.9	61.4	63.4	63.0	61.9	60.4	62.3	61.8	63.2	59.2	65.4	310 bps	616 bps
Power cost	85.5	77.2	82.8	93.0	90.5	102.9	119.7	111.9	99.7	119.1	134.7	112.9	112.0	12.3	-0.8
% to revenues	7.0	5.4	5.6	5.7	5.7	6.3	5.8	5.0	4.7	5.2	5.7	4.7	5.1	41 bps	40 bps
Employee Expenses	244.0	301.4	309.2	324.5	310.3	368.8	422.9	453.8	451.6	478.0	499.7	496.8	504.1	11.6	1.5
% to revenues	20.0	21.2	20.7	19.8	19.4	22.5	20.5	20.2	21.4	20.8	21.0	20.8	23.1	172 bps	228 bps
Selling & Admin exper	161.2	211.2	244.9	285.3	234.4	256.5	321.5	337.6	293.5	345.1	373.7	445.3	376.0	28.1	-15.6
% to revenues	13.2	14.9	16.4	17.4	14.7	15.6	15.5	15.0	13.9	15.0	15.7	18.7	17.2	333 bps	-143 bps
Total Expenditure	946.9	1045.2	1159.8	1336.4	1218.7	1335.8	1650.9	1794.1	1641.1	1819.3	1883.8	2027.6	1747.3	6.5	-13.8
% to revenues	77.5	73.6	77.8	81.4	76.4	81.3	79.8	79.7	77.7	79.3	79.2	85.0	80.1	237 bps	-491 bps
EBITDA	275.4	374.2	331.8	305.0	377.4	306.3	416.8	457.9	470.6	474.6	493.3	358.0	434.6	-7.6	21.4
EBITDA Margins (%)	22.5	26.4	22.2	18.6	23.6	18.7	20.2	20.3	22.3	20.7	20.8	15.0	19.9	-237 bps	491 bps
Depreciation	62.0	72.0	72.7	75.2	72.5	79.0	81.8	181.7	88.0	89.5	98.4	95.0	102.7	16.7	8.1
Interest	70.1	80.0	98.2	80.2	68.7	66.0	77.1	72.5	72.7	62.7	68.3	61.6	72.6	-0.2	17.8
Other Income	3.5	4.9	5.1	10.5	6.8	7.1	3.2	22.9	9.5	3.8	29.0	-6.6	9.7	2.4	-247.4
PBT before EO	146.7	227.1	166.1	160.1	243.0	168.4	261.2	226.6	319.3	326.2	355.6	194.8	269.0	-15.8	38.1
Less: Exceptional lten	47.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-234.8	0.0		
PBT after EO	193.8	227.1	166.1	160.1	243.0	168.4	261.2	226.6	319.3	326.2	355.6	-40.0	269.0	-15.8	-772.9
Total Tax	35.3	49.7	48.0	11.1	59.5	42.7	48.3	74.2	86.0	92.0	88.1	60.7	84.1	-2.3	38.5
Tax Rate (%)	18.2	21.9	28.9	6.9	24.5	25.3	18.5	32.7	26.9	28.2	24.8	-151.8	31.2		
PAT	158.5	177.4	118.1	149.0	183.5	125.7	212.8	152.4	233.3	234.2	267.5	-100.7	185.0	-20.7	-283.8
Minority Interest	6.5	-1.1	-1.3	-1.1	-3.4	-2.8	0.3	-2.5	-0.6	0.0	6.7	-1.4	0.0	NA	NA
Net Profit	152.0	178.5	119.4	150.1	186.9	128.5	212.5	154.9	234.0	234.2	260.8	-99.3	185.0	-20.9	-286.3
EPS (₹)	9.5	11.2	7.5	9.4	11.7	8.1	13.3	9.7	14.7	14.7	16.4	-6.2	11.6		

Source: ICICI Direct Research

Company Background

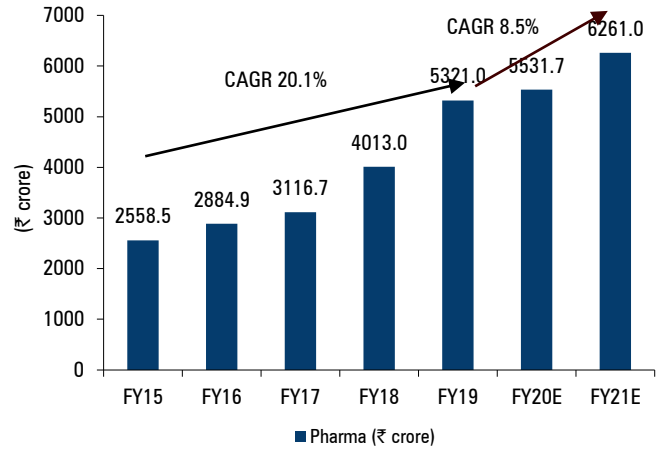
Incorporated in 1978, Jubilant Life Sciences (JLS; formerly Jubilant Organosys), is a mid-sized integrated chemicals turned pharmaceuticals player. It started as a full-fledged chemical company by entering the vinyl acetate monomer (VAM) business in 1983. Broadly, the company operates through two business segments - pharmaceuticals (55% of the turnover) and life science ingredients (45% of turnover). The pharmaceuticals segment consists of sub segments like 1) generics 2) specialty pharma - radio pharma and allergy therapy products and 3) CDMO - contract manufacturing (CMO) of sterile injectables and API. EBITDA margins in the pharmaceuticals segment are normally much higher due to the presence of formulations and specialty pharma. The LSI segment consists of sub segments like 1) advanced intermediates and specialty ingredients, 2) nutrition products and 3) life science chemicals. This segment caters to more routine customers with committed requirements. Due to the commodity nature, margins in this segment are relatively low.

Exhibit 5: Revenues to grow at CAGR of 6% over FY19-21E



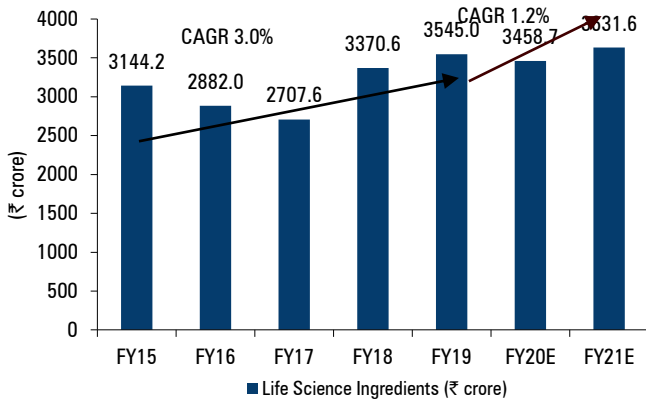
Source: ICICI Direct Research, Company

Exhibit 6: Pharma to grow at CAGR 9% over FY19-21E



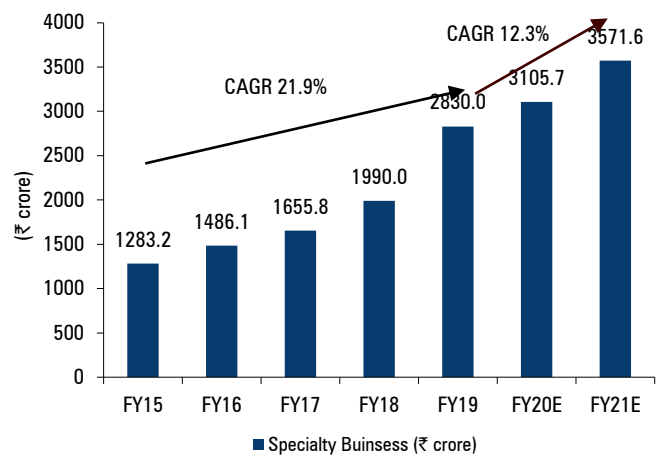
Source: ICICI Direct Research, Company

Exhibit 7: LSI to grow at CAGR of 1% over FY19-21E



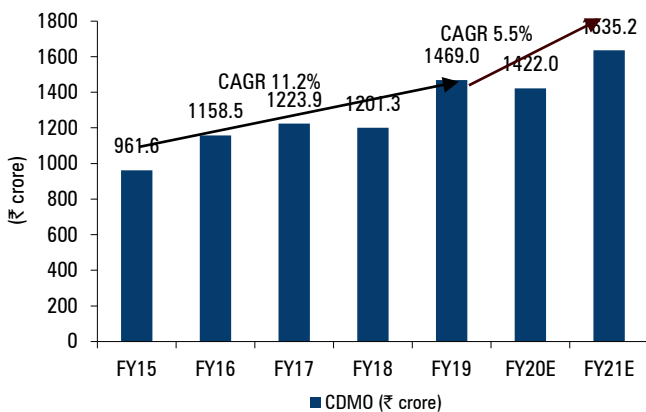
Source: ICICI Direct Research, Company

Exhibit 8: Speciality to grow at CAGR of 12% over FY19-21E



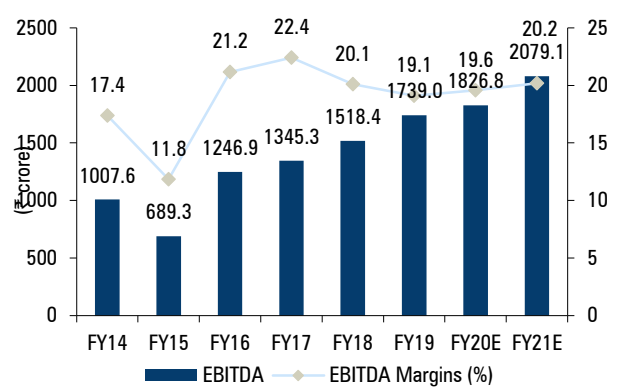
Source: ICICI Direct Research, Company

Exhibit 9: CDMO to grow at CAGR of 6% over FY19-21E



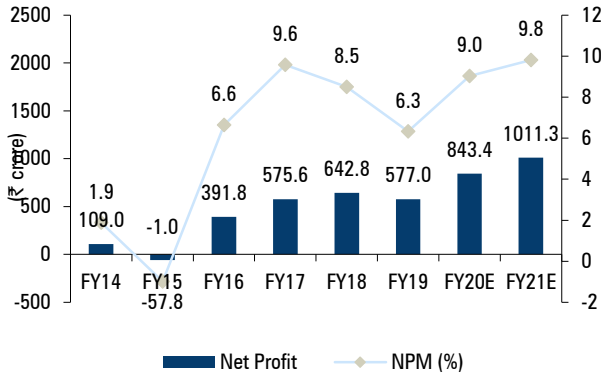
Source: ICICI Direct Research, Company

Exhibit 10: EBITDA & EBITDA margins trend



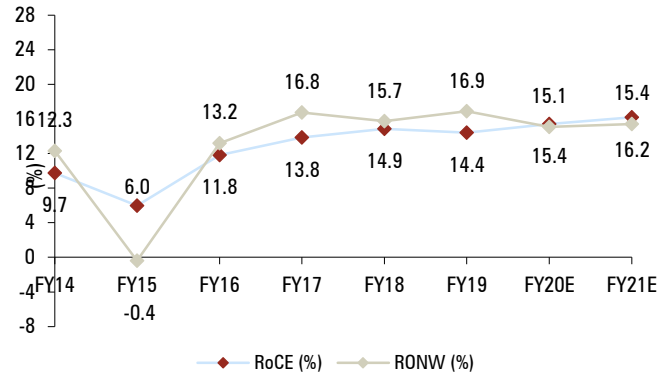
Source: ICICI Direct Research, Company

Exhibit 11: Net profit & NPM trend



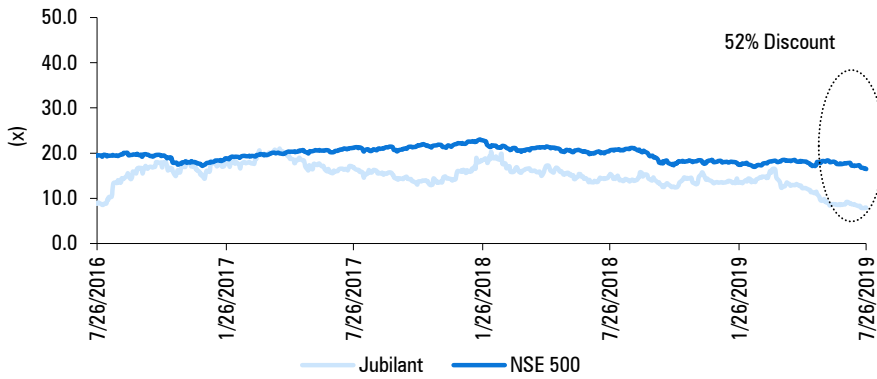
Source: ICICI Direct Research, Company

Exhibit 12: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 13: One year forward PE of company vs. NSE 500



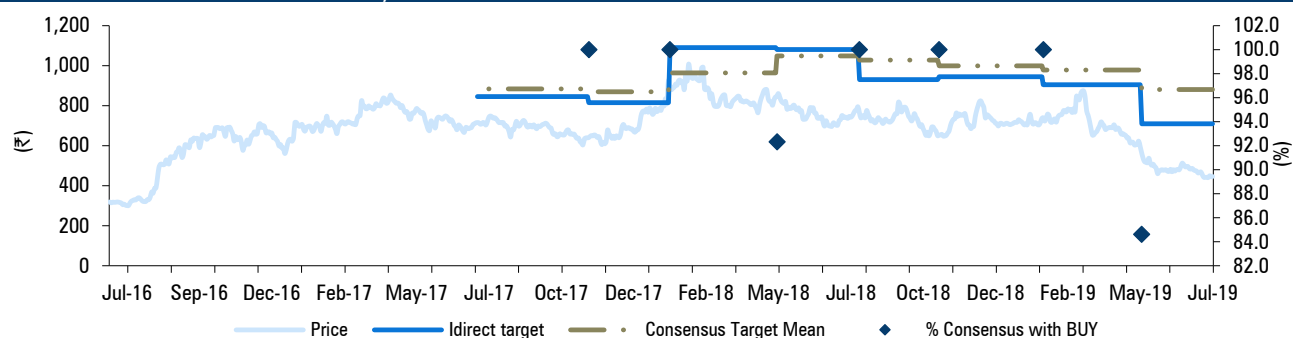
Source: ICICI Direct Research, Bloomberg

Exhibit 14: Valuation (₹ crore)

	Revenues (₹ crore)	Growth (%)	Adj. EPS (₹)	Growth (%)	P/E (x)	EV/EBITDA (X)	RoNW (%)	RoCE (%)
FY18	7558	25.8	41.3	NA	10.8	6.6	15.7	14.9
FY19	9111	20.5	52.1	-10.2	12.0	5.9	16.9	14.4
FY20E	9333	2.4	54.1	46.2	8.2	5.6	15.1	15.4
FY21E	10302	10.4	64.9	19.9	6.9	4.7	15.4	16.2

Source: ICICI Direct Research

Exhibit 15: Recommendation history vs. Consensus



Source: ICICI Direct Research; Reuters

Exhibit 16: Top 10 Shareholder

Rank	Name	Filing date	% O/S	Position (m)	Change (m)
1	Jubilant Stock Holding Pvt. Ltd.	31-Mar-19	14.1	22.5	0.7
2	Jubilant Capital Pvt. Ltd.	31-Mar-19	13.2	21.0	0.0
3	Jubilant Securities Pvt. Ltd.	31-Mar-19	11.7	18.7	0.0
4	East Bridge Capital Management L.P.	31-Mar-19	4.6	7.4	0.0
5	MAV Management Advisors L.L.P.	31-Mar-19	3.3	5.3	0.0
6	Miller Holdings (International) Pty. Ltd.	21-Jun-19	3.1	4.9	2.6
7	Motilal Oswal Asset Management Company Ltd	31-Mar-19	2.8	4.4	0.2
8	Norges Bank Investment Management (NBIM)	31-Mar-19	2.6	4.2	1.4
9	Nikita Resources Pvt. Ltd.	31-Mar-19	2.2	3.5	0.0
10	Jubilant Bhartia Group	31-Mar-19	1.8	2.8	0.0

Source: ICICI Direct Research, Reuters

Exhibit 17: Recent Activity

Buys			Sells		
Investor name	Value (\$)	Shares	Investor name	Value (\$)	Shares
Miller Holdings (International) Pty. Ltd.	19.3	2.6	Jubilant Consumer Pvt Ltd	-27.2	-2.8
Norges Bank Investment Management (NBIM)	13.5	1.4	Invesco Hong Kong Limited	-10.7	-1.1
Jubilant Stock Holding Pvt. Ltd.	6.2	0.7	Cumin Investments, Ltd.	-4.8	-0.7
OrbiMed Advisors, LLC	1.6	0.2	Jhunjunwala (Rakesh Radheshyam)	-3.8	-0.4

Source: ICICI Direct Research, Reuters

Exhibit 18: Shareholding Pattern

(in %)	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Promoter	50.7	50.7	50.7	50.7	50.7
Others	49.3	49.3	49.3	49.3	49.3

Source: ICICI Direct Research, Company

Financial summary

Exhibit 19: Profit & Loss (₹ crore)

(Year-end March)	FY18	FY19	FY20E	FY21E
Revenues	7,557.8	9,110.8	9,333.2	10,302.4
Growth (%)	25.8	20.5	2.4	10.4
Raw Material Expenses	2,908.7	3,521.8	3,433.0	3,873.8
Employee Expenses	1,555.9	1,926.0	1,948.5	1,990.6
Selling & Admin expenses	1,149.9	1,457.6	1,495.3	1,575.3
Power cost	424.9	466.4	629.7	783.7
Total Operating Expenditure	6,039.4	7,371.8	7,506.5	8,223.3
EBITDA	1,518.4	1,739.0	1,826.8	2,079.1
Growth (%)	12.9	14.5	5.0	13.8
Depreciation	415.1	370.9	407.1	466.8
Interest	284.3	265.3	255.0	243.3
Other Income	40.0	35.7	45.0	81.4
PBT before EO	859.1	1,138.6	1,209.6	1,450.4
Less: Exceptional Items	0.0	234.8	0.0	0.0
Total Tax	224.7	326.8	366.2	439.1
Minority Interest	-8.4	0.0	0.0	0.0
PAT	642.8	577.0	843.4	1,011.3
Growth (%)	NA	-10.2	46.2	19.9
EPS	41.3	37.0	54.1	64.9
Adjusted PAT	642.8	811.8	843.4	1,011.3
EPS (Adjusted)	41.3	52.1	54.1	64.9

Source: ICICI Direct Research

Exhibit 20: Cash Flow Statement (₹ crore)

(Year-end March)	FY18	FY19	FY20E	FY21E
Profit/(Loss) after taxation	601.2	577.0	843.4	1,011.3
Add: Depreciation	415.0	370.9	407.1	466.8
Add: Interest paid	284.3	265.3	255.0	243.3
(Inc)/dec in Current Assets	-275.3	-273.4	-63.6	-300.4
Inc/(dec) in CL and Provisions	289.4	-169.8	50.8	145.5
Other Operating Activities	0.0	0.0	0.0	0.0
CF from operating activities	1,314.7	769.9	1,492.8	1,566.4
(Purchase)/Sale of FA	-614.2	-777.9	-700.0	-500.0
Deferred Tax Liability	0.0	39.3	6.1	6.3
Minority Interest	0.0	51.6	0.0	0.0
Investments	-11.6	8.4	-300.0	-300.0
Other Investing Activities	13.0	-99.7	-13.3	-14.7
CF from investing activities	-612.9	-778.3	-1,007.2	-808.5
Inc/(Dec) in Equity Capital	0.0	0.0	0.0	0.0
Inc/(Dec) in Loan Funds	-627.8	1,449.9	-1,000.0	0.0
Dividend & Dividend tax	-56.0	-54.7	-54.7	-54.7
Less: Interest Paid	-284.3	-265.3	-255.0	-243.3
Others	67.0	0.0	0.0	0.0
CF from financing activities	-901.1	1,130.0	-1,309.7	-298.0
Net Cash flow	-199.3	1,121.6	-824.1	460.0
Opening Cash	459.6	248.8	1,370.4	546.3
Closing Cash	260.3	1,370.4	546.3	1,006.3
Free Cash Flow	700.5	-8.0	792.8	1,066.4

Source: ICICI Direct Research

Exhibit 21: Balance Sheet (₹ crore)

(Year-end March)	FY18	FY19	FY20E	FY21E
Equity Capital	15.6	15.9	15.9	15.9
Reserve and Surplus	4,071.0	4,793.0	5,581.7	6,538.3
Total Shareholders funds	4,086.5	4,808.9	5,597.6	6,554.2
Total Debt	3,292.7	4,742.6	3,742.6	3,742.6
Deferred Tax Liability	163.1	202.4	208.4	214.7
Minority Interest	-51.5	0.1	0.1	0.1
Other Non CL & LT Provisions	367.0	124.5	128.3	132.1
Total Liabilities	7,857.8	9,878.5	9,677.0	10,643.7
Gross Block - Fixed Assets	4,401.2	4,948.7	5,798.7	6,648.7
Accumulated Depreciation	888.3	1,259.2	1,666.3	2,133.1
Net Block	3,512.9	3,689.4	4,132.3	4,515.5
Capital WIP	671.0	901.4	751.4	401.4
Total Fixed Assets	4,183.8	4,590.9	4,883.7	4,916.9
Investments	123.5	115.1	415.1	715.1
Goodwill on Consolidation	1,887.7	1,958.9	1,958.9	1,958.9
Inventory	1,391.4	1,417.4	1,442.6	1,592.4
Debtors	1,130.8	1,271.6	1,294.2	1,428.5
Cash	248.8	1,370.4	546.3	1,006.3
Other current Assets	418.8	525.5	541.2	557.4
Total Current Assets	3,189.8	4,584.8	3,824.2	4,584.6
Creditors	1,136.2	1,020.1	1,038.3	1,146.1
Provisions	41.7	68.7	86.4	108.6
Other Current Liabilities	582.0	501.2	516.2	531.7
Total Current Liabilities	1,759.8	1,590.0	1,640.9	1,786.4
Net Current Assets	1,429.9	2,994.8	2,183.4	2,798.2
Deferred Tax Assets	160.4	149.6	164.5	181.0
LT L & A, Other Non CA	72.4	69.3	71.3	73.5
Application of Funds	7,857.8	9,878.5	9,677.0	10,643.7

Source: ICICI Direct Research

Exhibit 22: Key Ratios (₹ crore)

(Year-end March)	FY18	FY19	FY20E	FY21E
Per share data (₹)				
Reported EPS	41.3	37.0	54.1	64.9
Adjusted EPS	41.3	52.1	54.1	64.9
BV per share	262.3	308.7	359.3	420.7
Dividend per share	3.5	3.5	3.5	3.5
Cash Per Share	16.0	88.0	35.1	64.6
Operating Ratios (%)				
Gross Profit Margins	61.5	61.3	63.2	62.4
EBITDA Margins	20.1	19.1	19.6	20.2
PAT Margins	8.5	8.9	9.0	9.8
Inventory days	67.2	56.8	56.4	56.4
Debtor days	54.6	50.9	50.6	50.6
Creditor days	54.9	40.9	40.6	40.6
Asset Turnover	1.9	1.4	1.9	1.4
EBITDA conversion Rate	86.6	44.3	81.7	75.3
Return Ratios (%)				
RoE	15.7	16.9	15.1	15.4
RoCE	14.9	14.4	15.4	16.2
RoIC	14.8	16.4	15.8	17.0
Valuation Ratios (x)				
P/E	10.8	12.0	8.2	6.9
EV / EBITDA	6.6	5.9	5.6	4.7
EV / Net Sales	1.3	1.1	1.1	0.9
Market Cap / Sales	0.9	0.8	0.7	0.7
Price to Book Value	1.7	1.4	1.2	1.1
Solvency Ratios				
Debt / Equity	0.8	1.0	0.7	0.6
Debt / EBITDA	2.2	2.7	2.0	1.8
Current Ratio	1.7	2.0	2.0	2.0

Source: ICICI Direct Research

Exhibit 23: 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	900	1,060	Hold	7852	53.0	43.5	47.5	60.2	17.0	20.7	18.9	15.0	30.0	21.8	20.8	22.4	23.0	17.1	16.4	18.0
Alembic Pharm:	ALEMPHA	539	620	Hold	10161	21.9	31.3	27.4	25.4	24.6	17.2	19.7	21.3	18.0	21.3	17.4	17.3	18.6	22.8	16.7	15.3
Apollo Hospita	APOHOS	1347	1,450	Buy	18740	8.5	17.7	35.3	48.1	159.3	76.2	38.1	28.0	6.3	8.8	12.1	15.7	3.6	7.4	13.2	15.7
Aurobindo Ph:	AURPHA	553	705	Buy	32375	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	237	330	Buy	28434	3.1	6.2	8.2	9.1	76.4	38.2	29.0	26.0	8.1	10.9	14.4	15.7	7.2	12.2	14.1	13.7
Cadila Healthc	CADHEA	228	370	Buy	23341	17.5	18.1	16.3	18.7	13.0	12.6	14.0	12.2	16.7	13.0	11.4	12.3	20.5	17.8	14.2	14.5
Cipla	CIPLA	524	580	Hold	42213	18.3	18.8	24.0	29.1	28.6	27.9	21.8	18.0	9.6	10.9	13.3	14.5	10.4	10.1	11.7	12.6
Divi's Lab	DIVLAB	1650	1,900	Buy	43802	33.3	51.0	56.2	67.8	49.6	32.4	29.4	24.3	20.0	25.5	23.7	24.3	14.9	19.4	18.3	18.7
Dr Reddy's La	DRREDD	2649	2,770	Hold	43984	57.0	108.6	120.3	153.8	46.4	24.4	22.0	17.2	6.1	10.6	11.6	14.9	7.2	12.9	12.7	14.3
Glenmark Pha	GLEPHA	420	565	Hold	11858	28.5	26.9	34.2	40.3	14.7	15.6	12.3	10.4	14.6	14.5	15.3	16.1	15.6	13.5	14.8	15.0
Hikal	HIKCHE	152	200	Buy	2152	6.3	8.4	10.7	13.7	24.2	18.2	14.2	11.1	12.2	15.0	16.2	18.1	11.5	13.6	15.3	16.9
Ipca Laborato	IPCLAB	947	1,130	Buy	11962	19.0	35.1	45.6	56.4	49.9	27.0	20.8	16.8	9.1	15.4	18.4	20.4	8.9	14.2	16.0	17.1
Jubilant Life	JUBLIF	446	NA	UR	7102	41.3	52.1	54.1	64.9	10.8	8.6	8.2	6.9	14.9	14.4	15.4	16.2	15.7	16.9	15.1	15.4
Lupin	LUPIN	760	810	Hold	34393	20.8	16.5	30.6	40.4	36.6	45.9	24.8	18.8	10.4	9.5	12.3	14.1	6.9	5.4	9.3	11.1
Narayana Hru	NARHRU	224	250	Buy	4577	2.5	2.3	6.2	9.0	89.5	98.8	35.9	24.8	6.3	7.6	11.9	14.7	4.9	4.3	10.5	13.3
Natco Pharm:	NATPHA	520	595	Hold	9501	37.7	34.9	37.1	26.7	13.8	14.9	14.0	19.5	27.4	21.3	20.0	13.2	22.7	18.5	16.6	10.7
Sun Pharma	SUNPHA	431	460	Hold	103457	13.0	15.9	17.9	23.4	33.2	27.2	24.1	18.4	9.8	10.4	11.5	12.7	8.2	9.2	9.5	11.1
Syngene Int.	SYNINT	316	360	Buy	12650	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	1649	1,940	Buy	27907	40.1	48.9	57.9	77.6	41.2	33.7	28.5	21.3	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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