

## Divi's Laboratories (DIVLAB)

**₹ 1605**

### Strong growth trend continues...

- Q3FY19 results were slightly better than I-direct estimates on the revenues and EBITDA front while net profit was lower due to lower other income (impact of adverse forex)
- Revenues grew ~29% YoY to ₹ 1343 crore against I-direct estimates of ₹ 1308 crore on the back of strong traction in both the business segments (CS and Generics)
- EBITDA margins improved 755 bps to 39.0% (I-direct estimates of 39.0%) mainly due to strong gross margins and despite forex losses. EBITDA grew ~61% YoY to ₹ 523.3 crore
- Net profit grew ~69% to ₹ 379.5 crore (I-direct estimate: ₹ 410 crore) mainly due to a strong operational performance

#### Established CRAMS player

The company has two main segments - generics (~56% of FY18 revenues) and custom synthesis (CRAMS; 44% of FY18 revenues). The custom synthesis (CS) business is a margin accretive one but at times lumpy as it depends on offtake from customers (global top 20 big pharma). This business faced a difficult time in FY10 and FY11 as most customers resorted to de-stocking due to the global slowdown. However, this business has shown a good recovery on account of an improved business environment. Strong R&D capabilities and India cost arbitrage along with IP adherence are some legacy strengths, which will drive incremental assignments from MNCs. The recent lifting of import alert has led to improved sentiments in the near future. We expect CS to grow at a CAGR of 17.4% to ₹ 2732 crore in FY18-21E.

#### Focus API player; Chinese supply constraint likely to propel growth

The company remains committed to only a few research driven niche opportunities as was the case when it started commercial operations in early nineties. Thus, it has filed just ~42 DMFs with USFDA and does not want to increase its count drastically. Two generics, Naproxen (pain management) and Dextromethorphan (cough suppressant) account for ~26% of overall revenues. Divi's enjoys ~70% global market share in these two products. These products are already mature with limited competitors having other priorities. Divi's is also increasing its presence in another niche area of carotenoids after acquiring requisite capabilities. It has developed various types of carotenoids including beta-carotene, the largest in the group. Recent supply constraints from China are likely to propel growth in this segment. With focus on brownfield expansion the management is committed to address the capacity constraints. We expect sales from generics (includes Carotenoids) segment to grow at a CAGR of 18.3% to ₹ 3125 crore in FY18-21E.

#### Capacity augmentation to tap growing opportunities

With ~32% growth in 9MFY19, the company has effectively captured opportunities with planned bottlenecking in the last three years albeit on a lower base and currency tailwinds. To further augment the capacities besides preparing for growing opportunities arising due to China factor, the company has earmarked an aggressive capex of ~₹ 1500 crore (including maintenance capex), over and above ~₹ 1000 crore spent in the last three years. The greenfield expansion at Kakinada is still some time away but this delay is unlikely to have material impact on the growth due de-bottlenecking at existing plants. Margins are also likely to get support from extensive backward integration, product mix and operating leverage. We ascribe a target price of ₹ 1800 based on 26x FY21E EPS of ₹ 69.2.

Rating matrix	
Rating	: Buy
Target	: ₹ 1800
Target Period	: 12-15 months
Potential Upside	: 12%

What's Changed?	
Target	Changed from ₹ 1700 to ₹ 1800
EPS FY19E	Changed from ₹ 55 to ₹ 53.5
EPS FY20E	Changed from ₹ 65.5 to ₹ 60.5
Rating	Unchanged

Quarterly Performance					
	Q3FY19	Q3FY18	YoY (%)	Q2FY19	QoQ (%)
Revenue	1,342.9	1,037.9	29.4	1,285.0	4.5
EBITDA	523.3	326.1	60.5	514.1	1.8
EBITDA (%)	39.0	31.4	755 bps	40.0	-104 bps
Net Profit	379.5	224.7	68.9	397.7	-4.6

Key Financials				
(₹ crore)	FY18	FY19E	FY20E	FY21E
Revenues	3912.8	4928.8	5511.1	6337.7
EBITDA	1268.4	1884.0	2121.8	2471.7
Adj. Net Profit	883.7	1421.4	1607.2	1838.1
Adjusted EPS (₹)	33.3	53.5	60.5	69.2

Valuation summary				
	FY18	FY19E	FY20E	FY21E
PE (x)	48.2	30.0	26.5	23.2
Target PE (x)	54.1	33.6	29.7	26.0
EV to EBITDA (x)	32.0	21.0	18.4	15.5
Price to book (x)	7.2	6.1	5.1	4.3
RoNW (%)	14.9	20.2	19.3	18.7
RoCE (%)	20.0	26.4	25.2	24.4

Stock data	
Particular	Amount
Market Capitalisation	₹ 42614 crore
Debt (FY18)	₹ 63 crore
Cash & cash equivalents (FY18)	₹ 2585 crore
EV	₹ 40092 crore
52 week H/L	1620/978
Equity capital	₹ 53.1 crore
Face value	₹ 2

Price performance (%)				
	1M	3M	6M	1Y
Divi's Labs	10.0	7.2	34.0	57.4
Aurobindo	5.5	-1.8	23.1	26.9
Dr Reddy's Labs	5.8	13.5	20.5	30.7

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### Variance analysis

	Q3FY19	Q3FY19E	Q3FY18	Q2FY19	YoY (%)	QoQ (%)	Comments
Revenue	1,342.9	1,308.2	1,037.9	1,285.0	29.4	4.5	Strong growth on the back of 1) lower base 2) capacity addition, 3) advantage of supply constraints from China and 4) currency tailwinds
Raw Material Expenses	480.2	497.1	408.4	473.2	17.6	1.5	Improvement in product mix led to 359 bps YoY improvement in gross margins to 64.2%
Employee Expenses	136.5	143.9	115.0	134.7	18.7	1.3	
Other Expenditure	203.0	157.0	188.4	163.0	7.7	24.5	Included forex losses of ₹ 41 crore
Total Expenditure	819.6	798.0	711.7	770.9	15.2	6.3	
EBITDA	523.3	510.2	326.1	514.1	60.5	1.8	
EBITDA (%)	39.0	39.0	31.4	40.0	755 bps	-104 bps	YoY improvement due to 1) better product mix 3) currency tailwinds and 3) advantage of backward integration
Interest	2.5	0.2	0.3	0.2	869.2	950.0	
Depreciation	42.5	42.4	37.4	42.4	13.6	0.2	
Other income	34.6	78.5	17.0	80.1	103.2	-56.8	
PBT Before EO	512.9	546.1	305.5	551.6	67.9	-7.0	
EO	0.0	0.0	0.0	0.0	NA	NA	
PBT	512.9	546.1	305.5	551.6	67.9	-7.0	
Tax	133.4	136.5	80.8	153.9	65.0	-13.3	
Net Profit	379.5	409.6	224.7	397.7	68.9	-4.6	YoY growth was largely in sync with EBITDA. Miss vis-à-vis I-Direct estimates lower other income

Key Metrics							
Generic	678.5	635.7	508.6	637.0	33.4	6.5	
CS	577.5	570.8	456.7	540.0	26.4	6.9	
Carotenoid	87.0	101.7	72.7	110.0	19.7	-20.9	

Source: Company, ICICI Direct Research

### Change in estimates

₹ Crore)	FY19E			FY20E			
	Old	New	% Change	Old	New	% Change	
Revenue	4,952.4	4,928.8	-0.5	5,950.9	5,511.1	-7.4	Changed as per management guidance
EBITDA	1,881.4	1,884.0	0.1	2,291.1	2,121.8	-7.4	Changed as per management guidance
EBITDA Margin (%)	38.0	38.2	22 bps	38.5	38.5	0 bps	
Net Profit	1,461.2	1,421.4	-2.7	1,739.2	1,607.2	-7.6	Changed as per management guidance
EPS (₹)	55.0	53.5	-2.7	65.5	60.5	-7.6	

Source: Company, ICICI Direct Research

### Assumptions

₹ Crore)	FY19E		Current		Earlier		
	FY17	FY18	FY19E	FY20E	FY19E	FY20E	
Generic API & Intermediates	2,027.8	1,886.8	2,429.6	2,717.4	2,413.4	2,904.9	Changed FY20 sales as per management guidance
Carotenoids	218.0	260.7	381.4	418.0	403.8	472.8	Decreased FY19 sales mainly due to lower-than-expected Q3 sales. Changed FY20 sales as per management guidance
Custom Synthesis	1,799.8	1,687.1	2,119.9	2,375.7	2,137.2	2,573.2	Changed FY20 sales as per management guidance

Source: Company, ICICI Direct Research

## Company Analysis

Established in 1990, Divi's Laboratories is engaged in the manufacture of generic APIs and intermediates, custom synthesis of active ingredients and advanced intermediates for pharma MNCs, other speciality chemicals like Carotenoids and complex compounds like peptides and Nucleotides. After successfully developing and marketing generics and intermediates for generic players, the company started custom synthesis of NCEs developed by MNCs by providing generics and advanced intermediates. The company started Carotenoid supplies in FY09. Promoted by Dr Murali K Divi, the company raised ₹ 17 crore through its maiden IPO in March 2003.

Divi's product portfolio comprises two broad segments- (i) generics including nutraceuticals and (ii) custom synthesis of generics, intermediates and speciality ingredients for innovator pharma MNCs. It also includes peptide building blocks.

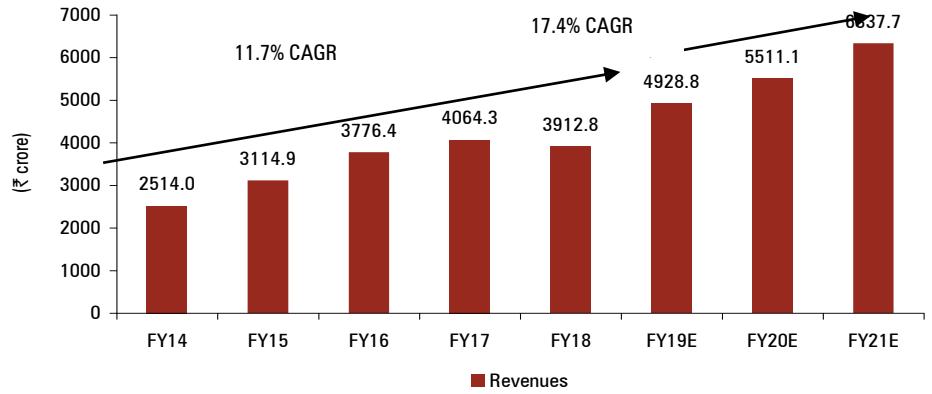
To enter the custom synthesis space in the nineties, the company made its own case to innovators, which, until then, were relying on services provided by major players such as BASF, Degussa, etc. As these players grew and became as big as the innovators themselves, companies like Divi's, on account of their capabilities and commitment towards the strict IP regime, started getting assignments.

The custom synthesis business is a high margin one but at times lumpy as it depends on offtake from customers (global top 20 big pharma). This business had a difficult time during FY10 and FY11 as most customers resorted to de-stocking due to the global slowdown. However, this business has shown a good recovery due to improved business environment. Strong R&D capabilities and India based cost arbitrage along with IP adherence are some key strengths of Divi's, which will drive incremental assignments from MNCs. We expect CS to grow at a CAGR of 17.4% to ₹ 2732 crore in FY18-21E.

In the generics segment, two generics, Naproxen (pain management) and Dextromethorphan (cough suppressant) account for ~30% of overall revenues. Divi's enjoys ~70% global market share in these two products. These products are already mature with limited competitors having other priorities. Divi's is also increasing its presence in another niche area of Carotenoids after acquiring the requisite capabilities. It has developed various types of Carotenoids including Beta-carotene, the largest in the group. We expect sales from generics (includes Carotenoids) segment to grow at a CAGR of 18.3% to ₹ 3125 crore in FY18-20E.

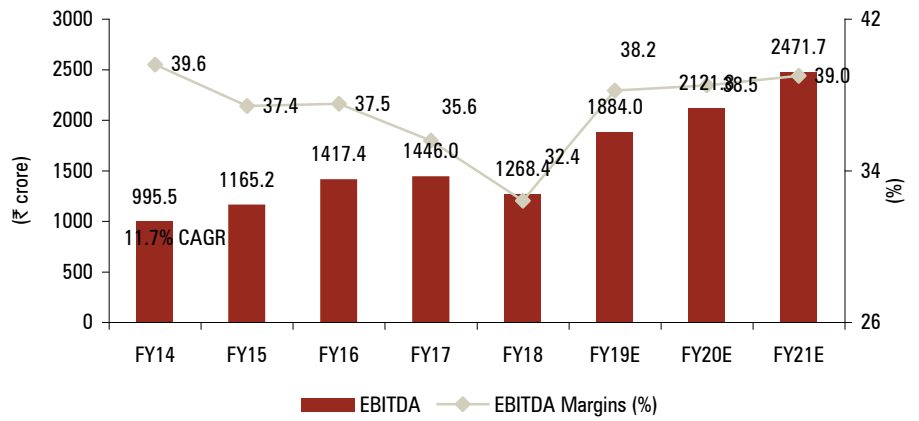
Overall, we expect revenues to grow at a CAGR of 17.4% in FY18-21E to ₹ 6338 crore.

**Exhibit 1: Revenue to grow at CAGR of 17.4% in FY18-21E**



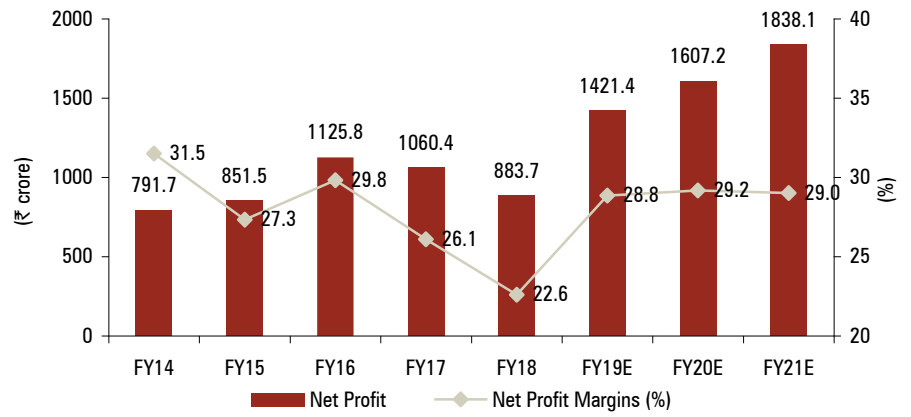
Source: Company, ICICI Direct Research

**Exhibit 2: EBITDA to grow at CAGR of 24.9% in FY18-21E**



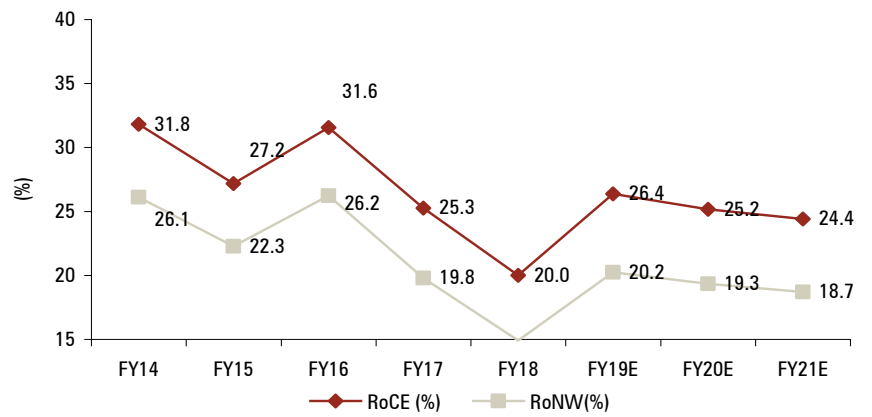
Source: Company, ICICI Direct Research

**Exhibit 3: Net profit to grow at CAGR of 27.7% in FY18-21E**



Source: Company, ICICI Direct Research

**Exhibit 4: Trends in return ratios**



Source: Company, ICICI Direct Research

**Exhibit 5: Trends in quarterly financials**

(₹ crore)	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	YoY (%)	QoQ (%)
Net Sales	851.8	1101.4	1006.0	1003.1	973.4	1063.1	821.2	887.5	1037.9	1088.0	995.3	1285.0	1342.9	29.4	4.5
Other Operating Income	1.1	2.0	2.1	2.4	3.0	3.5	2.2	2.7	0.0	0.0	0.0	0.0	0.0	#DIV/0!	NA
Total Operating Income	852.9	1103.4	1008.1	1005.4	976.5	1066.7	823.4	890.2	1037.9	1088.0	995.3	1285.0	1342.9	29.4	4.5
Raw Material Expenses	317.5	471.1	385.2	384.7	350.6	421.0	331.6	357.3	408.4	407.6	381.4	473.2	480.2	17.6	1.5
% of revenues	37.2	42.7	38.2	38.3	35.9	39.5	40.3	40.1	39.3	37.5	38.3	36.8	35.8	-359.0	-107.0
Gross Profit	535.4	632.3	622.9	620.7	625.9	645.6	491.8	532.9	629.5	680.3	613.9	811.8	862.7	37.0	6.3
Gross Profit Margin (%)	62.8	57.3	61.8	61.7	64.1	60.5	59.7	59.9	60.7	62.5	61.7	63.2	64.2	359.0	107.0
Employee Expenses	91.2	98.7	96.1	179.6	98.1	99.9	95.3	104.8	115.0	125.8	121.3	134.7	136.5	18.7	1.3
% of revenues	10.7	8.9	9.5	17.9	10.0	9.4	11.6	11.8	11.1	11.6	12.2	10.5	10.2	-91.8	-31.9
Other Expenses	121.9	134.4	132.2	149.8	146.9	183.7	149.5	150.9	188.4	168.1	140.7	163.0	203.0	7.7	24.5
% of revenues	14.3	12.2	13.1	14.9	15.0	17.2	18.1	16.9	18.2	15.4	14.1	12.7	15.1	-303.8	243.0
Total Expenditure	530.6	704.2	613.4	714.2	595.7	704.7	576.4	613.0	711.7	701.5	643.5	770.9	819.6	15.2	6.3
% of revenues	62.2	63.8	60.9	71.0	61.0	66.1	70.0	68.9	68.6	64.5	64.6	60.0	61.0	-754.5	104.1
EBITDA	322.3	399.2	394.6	291.2	380.8	362.0	247.1	277.2	326.1	386.5	351.9	514.1	523.3	60.5	1.8
EBITDA Margins (%)	37.8	36.2	39.1	29.0	39.0	33.9	30.0	31.1	31.4	35.5	35.4	40.0	39.0	754.5	-104.1
Interest	0.2	2.2	0.4	0.4	0.4	1.0	0.5	0.8	0.3	-0.2	0.6	0.2	2.5	869.2	950.0
Depreciation	29.9	29.2	30.1	30.8	31.0	31.4	32.3	33.9	37.4	38.8	41.6	42.4	42.5	13.6	0.2
Other Income	15.2	17.3	16.3	20.3	18.5	20.9	29.7	33.6	17.0	48.2	48.8	80.1	34.6	103.2	-56.8
PBT before forex & EO	307.4	385.1	380.5	280.3	367.9	350.5	243.9	276.1	305.5	396.1	358.4	551.6	512.9	67.9	-7.0
Total Tax	60.8	63.1	87.8	56.5	99.6	91.2	65.2	69.3	80.8	134.5	92.3	153.9	133.4	65.0	-13.3
Tax rate (%)	19.8	16.4	23.1	20.2	27.1	26.0	26.7	25.1	26.5	33.9	25.7	27.9	26.0	-45.2	-189.3
PAT	246.6	322.0	292.7	223.9	268.3	259.3	178.8	206.8	224.7	261.6	266.2	397.7	379.5	68.9	-4.6
PAT Margin (%)	28.9	29.2	29.0	22.3	27.5	24.3	21.7	23.2	21.6	24.0	26.7	30.9	28.3	661.2	-268.8
EPS (₹)	9.3	12.1	11.0	8.4	10.1	9.8	6.7	7.8	8.5	9.9	10.0	15.0	14.3		

Source: Company, ICICI Direct Research

**SWOT Analysis**

**Strengths** - Despite being in the CRAMS space, the company is a zero-debt cash rich company. Its EBITDA margins are among the best in the industry

**Weakness** - The CRAMS business, which a high-margin high risk business comprises ~50% of the business. This segment is lumpy at times

**Opportunities** - The US generics space for generic shipment. Opportunities in the Carotenoid space

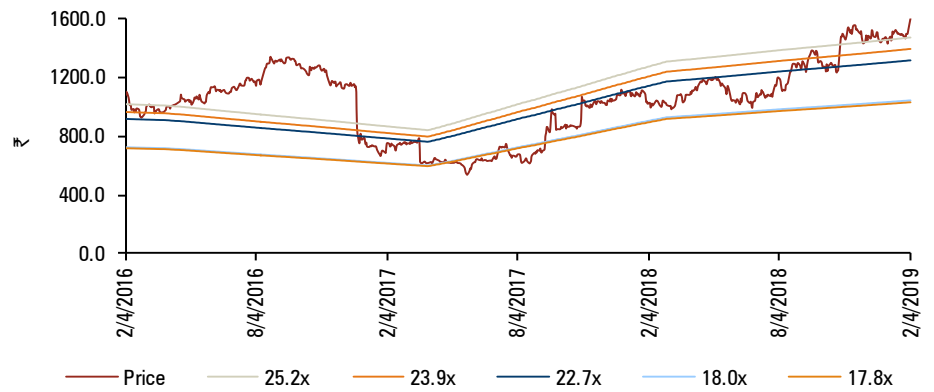
**Threats** - Increased USFDA scrutiny across the globe regarding cGMP issues. The company's Vizag plant has recently received import alert from the USFDA.

**Exhibit 6: Facilities**

Location	Segment	Regulatory Approvals
Hyderabad	API	USFDA
Vizag, Vishakapatnam	API	USFDA

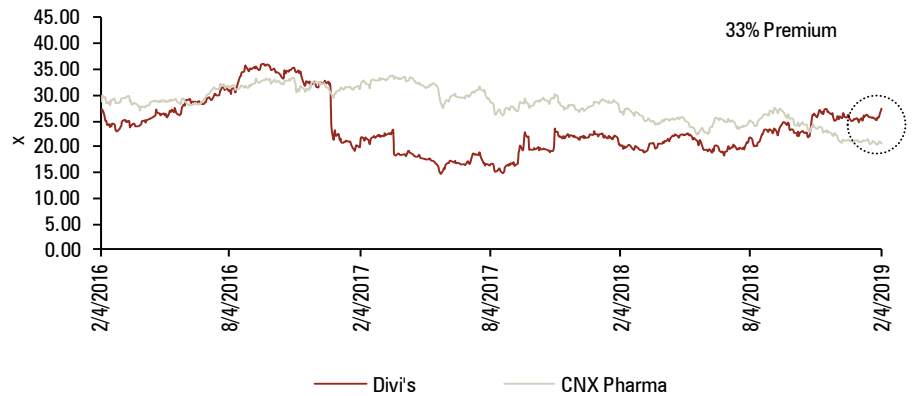
Source: Company, ICICI Direct Research

**Exhibit 7: One year forward PE**



Source: Company, ICICI Direct Research

**Exhibit 8: One year forward PE of company vs. CNX pharma**



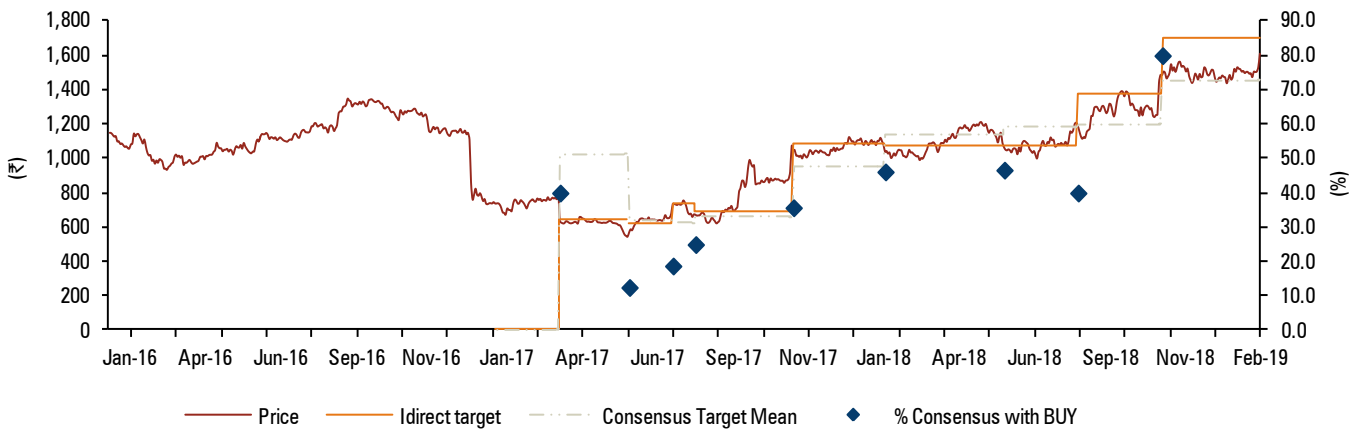
Source: Company, ICICI Direct Research

**Exhibit 9: Valuation**

	Revenues (₹ crore)	Growth (%)	EPS (₹)	Growth (%)	P/E (x)	EV/EBITDA (X)	RoNW (%)	RoCE (%)
FY18	3913	-3.7	33.3	-16.7	48.2	32.0	14.9	20.0
FY19E	4929	26.0	53.5	60.9	30.0	21.0	20.2	26.4
FY20E	5511	11.8	60.5	13.1	26.5	18.4	19.3	25.2
FY21E	6338	15.0	69.2	14.4	23.2	15.5	18.7	24.4

Source: Company, ICICI Direct Research

### Recommendation history vs. Consensus



Source: Reuters, Company, ICICI Direct Research

### Key events

Date	Event
Feb-08	USFDA inspects Unit 1 manufacturing facility without any observations
Jul-08	Gives sales warning on possible slowdown at the client's end after it posts strong growth of 45% in net profit and 17% growth in sales for the quarter ending June 2008
Jun-09	Issues bonus shares in the ratio of 1:1
Apr-10	Receives approval from the development commissioner of Visakhapatnam SEZ for setting up and development a new manufacturing facility
Mar-12	USFDA inspects neutraceutical and API units at the Vizag's DSN SEZ unit and gives approval for the same
Jun-14	Receives USFDA clearance for all four facilities
Aug-15	Issues bonus shares in the ratio of 1:1
Dec-16	Receives five Form 483 observations from USFDA for its active pharmaceutical ingredient plant in Visakhapatnam
Mar-17	Divi's Lab's unit-II of Vizag API plant in Andhra Pradesh received an import alert from the USFDA
Jul-17	USFDA lifts Import Alert 99-32 Vizag unit 2
Sep-17	USFDA revisits unit 2 (Visakhapatnam) and issues new 5 observations. Earlier issued 6 observations are cleared by the USFDA
Nov-17	USFDA informs Divis its intention to lift Import Alert 66-40 and close out the warning letter
May-18	USFDA clears unit I at Hyderabad without any observations

Source: Company, ICICI Direct Research

### Top 10 Shareholders

Top 10 Shareholders						Shareholding Pattern					
Rank	Investor Name	Latest Filing Date	% O/S	Position	Position Char	(in %)	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
1	Divi (Satchandra Kiran)	31-Dec-18	20.3	54.0m	0.0m	Promoter	52.1	52.1	52.0	52.0	52.0
2	Motaparti (Nilima)	31-Dec-18	20.3	54.0m	0.0m	Others	47.9	48.0	48.0	48.0	48.0
3	Divi (Swarna Latha)	31-Dec-18	5.3	14.0m	0.0m						
4	Divis Biotech Pvt. Ltd.	31-Dec-18	3.0	8.0m	0.0m						
5	Divi (Murali Krishna Prasad)	31-Dec-18	2.9	7.6m	0.0m						
6	Norges Bank Investment Management (NBIM)	31-Dec-18	1.7	4.6m	0.0m						
7	L&T Investment Management Limited	30-Sep-18	1.2	3.3m	0.0m						
8	PineBridge Investments Asia Limited	31-Dec-18	1.2	3.1m	0.0m						
9	The Vanguard Group, Inc.	31-Dec-18	1.1	2.8m	0.0m						
10	Mirae Asset Global Investments (India) Pvt. Ltd.	31-Dec-18	1.0	2.7m	0.3m						

Source: Reuters, ICICI Direct Research

### Recent Activity

Buys			Sells		
Investor name	Value (\$)	Shares	Investor name	Value (\$)	Shares
Mirae Asset Global Investments (India) Pvt. Ltd.	6.6m	0.3m	ICICI Prudential Asset Management Co. Ltd.	-21.8m	-1.1m
ClariVest Asset Management LLC	3.3m	0.2m	Baron Capital Management, Inc.	-16.1m	-0.9m
Daiwa Asset Management (Singapore) Ltd.	2.3m	0.2m	Capital World Investors	-13.3m	-0.6m
BlackRock Asset Management North Asia Limited	1.1m	0.1m	Fidelity Management & Research Company	-6.8m	-0.3m
APG Asset Management	0.7m	0.0m	Fidelity Investments Canada ULC	-4.7m	-0.3m

Source: Reuters, ICICI Direct Research



## Financial summary

Profit and loss statement		₹ Crore			
(Year-end March)	FY18	FY19E	FY20E	FY21E	
Revenues	3,912.8	4,928.8	5,511.1	6,337.7	
Growth (%)	-3.7	26.0	11.8	15.0	
Raw Material Expenses	1,548.7	1,804.9	2,066.6	2,345.0	
Employee Expenses	456.1	536.1	606.2	697.1	
Other Expenses	639.7	703.9	716.4	823.9	
<b>EBITDA</b>	<b>1,268.4</b>	<b>1,884.0</b>	<b>2,121.8</b>	<b>2,471.7</b>	
Growth (%)	-12.3	48.5	12.6	16.5	
Depreciation	142.5	169.0	169.3	237.2	
Interest	1.3	3.6	0.9	0.9	
Other Income	113.4	215.6	220.4	250.3	
PBT	1,238.0	1,927.0	2,172.0	2,483.9	
Total Tax	354.3	505.6	564.7	645.8	
<b>Adjusted PAT</b>	<b>883.7</b>	<b>1,421.4</b>	<b>1,607.2</b>	<b>1,838.1</b>	
Growth (%)	-16.7	60.9	13.1	14.4	
<b>EPS (Adjusted)</b>	<b>33.3</b>	<b>53.5</b>	<b>60.5</b>	<b>69.2</b>	

Source: Company, ICICI Direct Research

Cash flow statement		₹ Crore			
(Year-end March)/(₹ crore)	FY18	FY19E	FY20E	FY21E	
Profit/(Loss) after taxation	960.1	1,421.4	1,607.2	1,838.1	
Add: Depreciation & Amortization	142.5	169.0	169.3	237.2	
(Inc)/dec in Current Assets	-184.1	-547.6	-364.3	-510.5	
Inc/(dec) in CL and Provisions	9.7	138.5	86.1	115.2	
Other Operating Activities	-152.3	3.6	0.9	0.9	
<b>CF from operating activities</b>	<b>775.9</b>	<b>1,184.9</b>	<b>1,499.3</b>	<b>1,681.0</b>	
(Inc)/dec in Fixed Assets	-273.8	-290.2	-750.0	-750.0	
(Inc)/dec in Investments	-231.1	-67.1	-828.9	-255.9	
Other Investing Activities	76.9	78.8	542.3	-28.8	
<b>CF from investing activities</b>	<b>-428.0</b>	<b>-278.5</b>	<b>-1,036.6</b>	<b>-1,034.7</b>	
inc/(dec) in Loan	6.4	0.0	0.0	0.0	
Dividend & Dividend tax	-319.2	-319.5	-319.5	-319.5	
Others	-1.3	-3.6	-0.9	-0.9	
<b>CF from financing activities</b>	<b>-314.2</b>	<b>-323.2</b>	<b>-320.5</b>	<b>-320.5</b>	
Net Cash flow	33.7	583.2	142.3	325.8	
Opening Cash	78.7	112.5	695.7	838.0	
<b>Closing Cash</b>	<b>112.5</b>	<b>695.7</b>	<b>838.0</b>	<b>1,163.8</b>	
Free Cash Flow	502.1	894.7	749.3	931.0	
FCF Yield %	1.2	2.1	1.8	2.2	

Source: Company, ICICI Direct Research

Balance sheet		₹ Crore			
(Year-end March)/(₹ crore)	FY18	FY19E	FY20E	FY21E	
<b>Liabilities</b>					
Equity Capital	53.1	53.1	53.1	53.1	
Reserve and Surplus	5,871.7	6,973.6	8,261.3	9,779.9	
Total Shareholders funds	5,924.8	7,026.7	8,314.4	9,833.0	
Total Debt	63.1	63.1	63.1	63.1	
Deferred Tax Liability	192.7	215.8	241.7	270.7	
Non CL & Long Term Provisions	15.0	16.7	18.8	21.0	
<b>Total Liabilities</b>	<b>6,195.5</b>	<b>7,322.4</b>	<b>8,638.0</b>	<b>10,187.8</b>	
<b>Assets</b>					
Gross Block - Fixed Assets	2,373.5	2,453.5	2,453.5	3,953.5	
Accumulated Depreciation	377.4	546.3	715.6	952.8	
Net Block	1,996.2	1,907.2	1,737.9	3,000.7	
Capital WIP	119.8	330.0	1,080.0	330.0	
Total Fixed Assets	2,116.0	2,237.2	2,817.9	3,330.7	
Investments	1,889.3	1,889.3	2,189.3	2,489.3	
Inventory	1,350.7	1,588.6	1,776.2	2,042.7	
Debtors	1,014.4	1,303.8	1,457.8	1,676.5	
Loans and Advances	0.2	0.2	0.2	0.2	
Other Current Assets	168.2	188.4	211.0	236.3	
Cash	112.5	695.7	838.0	1,163.8	
Total Current Assets	2,645.8	3,776.7	4,283.2	5,119.5	
Creditors	411.2	528.6	591.0	679.6	
Provisions	0.9	1.1	1.2	1.3	
Other current Liabilities	175.5	196.5	220.1	246.5	
Total Current Liabilities	587.6	726.1	812.3	927.5	
Net Current Assets	2,058.2	3,050.5	3,471.0	4,192.0	
Other Non CA & LT L & A	132.1	145.3	159.8	175.8	
<b>Application of Funds</b>	<b>6,195.5</b>	<b>7,322.4</b>	<b>8,638.0</b>	<b>10,187.8</b>	

Source: Company, ICICI Direct Research

Key ratios					
(Year-end March)	FY18	FY19E	FY20E	FY21E	
<b>Per share data (₹)</b>					
Adjusted EPS	33.3	53.5	60.5	69.2	
BV per share	223.2	264.7	313.2	370.4	
Dividend per share	12.0	12.0	12.0	12.0	
Cash Per Share	4.2	26.2	31.6	43.8	
<b>Operating Ratios (%)</b>					
Gross margins	61.5	63.4	62.5	63.0	
EBITDA margins	32.4	38.2	38.5	39.0	
Net Profit margins	22.6	28.8	29.2	29.0	
Inventory days	126.0	117.6	117.6	117.6	
Debtor days	94.6	96.6	96.6	96.6	
Creditor days	38.4	39.1	39.1	39.1	
Asset Turnover	1.6	2.0	2.2	1.6	
EBITDA conversion rate	61.2	62.9	70.7	68.0	
<b>Return Ratios (%)</b>					
RoE	14.9	20.2	19.3	18.7	
RoCE	20.0	26.4	25.2	24.4	
RoIC	28.6	44.4	50.2	40.9	
<b>Valuation Ratios (x)</b>					
P/E	48.2	30.0	26.5	23.2	
EV / EBITDA	32.0	21.0	18.4	15.5	
Price to Book Value	7.2	6.1	5.1	4.3	
EV / Net Sales	10.4	8.0	7.1	6.0	
Market Cap / Sales	10.9	8.6	7.7	6.7	
<b>Solvency Ratios</b>					
Debt / EBITDA	0.0	0.0	0.0	0.0	
Debt / Equity	0.0	0.0	0.0	0.0	
Current Ratio	4.3	4.2	4.2	4.3	

Source: Company, ICICI Direct Research

## ICICI Direct coverage universe (Healthcare)

Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹ Cr)	EPS (₹)				PE(x)			RoCE (%)			RoE (%)					
						FY17	FY18	FY19E	FY20E	FY17	FY18	FY19E	FY20E	FY17	FY18	FY19E	FY20E	FY17	FY18	FY19E	FY20E
Ajanta Pharma	AJAPHA	955	1,225	Buy	8405.8	57.4	53.0	43.1	50.5	16.6	18.0	22.2	18.9	41.3	30.0	21.6	21.7	32.3	23.0	16.4	16.8
Alembic Pharma	ALEMPHA	589	620	Hold	11104.5	21.2	21.9	30.4	27.1	27.8	26.9	19.4	21.8	25.3	18.0	19.9	17.2	21.0	18.6	21.4	16.6
Apollo Hospitals	APOHOS	1283	1,440	Buy	17849.1	15.9	8.5	26.6	48.2	80.8	151.7	48.2	26.6	6.1	6.3	9.8	13.7	6.0	3.6	10.4	16.4
Aurobindo Pharma	AURPHA	768	915	Buy	45018.2	38.8	41.6	42.6	53.1	19.8	18.5	18.0	14.5	24.4	20.0	18.0	16.7	24.2	20.7	17.8	18.4
Biocon	BIOCON	652	760	Buy	39132.0	8.5	6.2	12.8	17.3	76.9	105.1	51.0	37.7	9.4	8.1	13.1	15.4	10.5	7.2	12.8	15.0
Cadila Healthcare	CADHEA	317	415	Buy	32473.1	14.5	17.5	16.5	18.9	21.8	18.1	19.2	16.8	13.1	16.7	14.2	13.1	21.4	20.5	16.8	16.8
Cipla	CIPLA	507	510	Hold	40879.6	12.5	18.3	17.5	23.1	40.6	27.7	28.9	22.0	7.7	9.6	11.0	13.9	8.0	10.4	9.2	11.0
Divi's Lab	DIVLAB	1605	1,800	Buy	42614.3	39.9	33.3	53.5	60.5	40.2	48.2	30.0	26.5	25.3	20.0	26.4	25.2	19.8	14.9	20.2	19.3
Dr Reddy's Labs	DRREDD	2749	2,870	Buy	45642.5	78.0	57.0	107.1	128.6	35.3	48.2	25.7	21.4	7.3	6.1	9.5	11.9	10.5	7.2	12.2	13.1
Glenmark Pharma	GLEPHA	645	660	Hold	18190.0	42.2	28.5	32.9	36.8	15.3	22.6	19.6	17.5	19.5	14.6	16.0	15.2	26.5	15.6	14.9	14.5
Indoco Remedies	INDREM	180	195	Hold	1655.5	8.4	4.8	-1.8	7.4	21.5	37.2	-98.5	24.2	8.7	6.5	-0.1	8.3	11.8	6.6	-2.6	9.4
Ipca Laboratories	IPCLAB	740	845	Buy	9350.1	15.4	19.0	32.4	42.3	48.0	39.0	22.8	17.5	8.7	9.1	13.8	17.1	7.9	8.9	13.5	15.4
Jubilant Life	JUBLIF	725	920	Buy	11539.9	36.9	41.3	62.5	76.6	19.6	17.6	11.6	9.5	13.8	14.9	19.4	21.3	16.8	15.7	19.4	19.4
Lupin	LUPIN	852	870	Hold	38530.8	56.7	20.8	27.6	39.1	15.0	41.0	30.8	21.8	16.6	10.4	10.4	12.4	19.0	6.9	8.6	11.0
Narayana Hrudalaya	NARHRU	191	270	Buy	3903.3	4.1	2.5	2.3	6.6	46.3	76.3	82.2	29.0	12.5	6.3	7.1	12.0	8.8	4.9	4.4	11.1
Natco Pharma	NATPHA	687	860	Buy	12683.7	26.3	37.7	41.7	24.9	26.1	18.2	16.5	27.6	33.6	27.4	26.6	14.8	29.5	22.7	21.2	11.6
Sun Pharma	SUNPHA	411	460	Hold	98621.9	29.0	13.0	14.7	21.1	14.2	31.7	28.0	19.4	20.3	9.8	10.2	13.3	19.0	8.2	8.8	11.5
Syngene Int.	SYNINT	597	675	Buy	11938.0	14.4	15.3	16.3	17.5	40.8	38.4	35.9	33.5	16.0	15.9	16.8	16.5	20.3	17.7	16.1	14.8
Torrent Pharma	TORPHA	1835	2,175	Buy	31051.4	55.2	40.1	52.3	64.9	33.3	45.8	35.1	28.3	18.9	11.2	14.2	17.1	21.5	14.7	16.7	17.9

Source: Company, ICICI Direct Research

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