

Jubilant Life Sciences (JUBLIF)

₹ 742

In line numbers; pharma continues to shine...

- The Q3FY19 numbers were operationally in-line with I-direct estimates, with revenues up 15.0% YoY to ₹ 2377.1 crore (I-direct estimates: ₹ 2436.5 crore). Revenues in the pharma business grew 28.8% YoY to ₹ 1418 crore (I-direct estimate: ₹ 1497 crore) on the back of strong growth across segments. Life science ingredients (LSI) revenues fell 2.9% YoY to ₹ 899 crore (I-direct estimate: ₹ 865 crore)
- EBITDA margins improved 59 bps YoY to 20.8% (I-direct estimate: 19.8%) mainly due to an improvement in gross margins. EBITDA grew 18.3% YoY to ₹ 493.3 crore (I-direct estimate: ₹ 482.5 crore)
- Net profit grew 22.7% to ₹ 260.8 crore (I-direct estimate of ₹ 241.8 crore) mainly due to a strong operational performance

Pharmaceutical business segment growth likely to be healthy

The pharma business has grown at 12% CAGR in FY14-18 driven by generics and specialty pharma. Recent long term contracts in the radiopharma business as well as approval for Rubyfill in the US will strengthen the speciality sub-segment growth, which is likely to grow at ~20.5% CAGR in FY18-21E to ₹ 3856 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 20% CAGR in FY18-21E to ₹ 7097 crore.

LSI segment showing turnaround in performance

LSI has grown at a CAGR of 2% in FY14-18. Despite near term concern on the raw materials front, the company is expecting a good demand and pricing environment, on the back of a slowdown in Chinese speciality chemicals exports & new product launches coupled with de-bottlenecking of facilities. LSI is likely to grow at 9% CAGR in FY18-21E to ₹ 4336 crore.

Debt no more fear factor

In its pursuit of building capacity and creating multiple revenue heads, the debt situation had got complicated over the years. With an improvement in operational performance, the free cash flow situation has improved. As the capex cycle moderates in the medium term, the company expects to utilise maximum FCF for debt repayment. We expect the net D/E ratio to further go down to almost nil by FY21E from 1.1x in FY18. We have not yet considered the likely proceeds from proposed overseas pharma IPO.

Performance solid albeit with some concerns on LSI margins...

Q3 growth was largely driven by the all-round performance of the pharma segment while the LSI business was muted due to base effect. We expect specialty pharma to maintain growth momentum thanks to healthy CMO order book and robust growth in radio pharma. Led by a demand pick-up, the LSI segment is also showing strong traction. Due to an improvement in product mix, we expect overall margins to continue to improve henceforth. Overall, with improved visibility in both speciality pharma and LSI, we expect a continuous improvement in free cash flow generation and sustained debt repayment. The proposed overseas pharma IPO can improve the gearing further. However, likely dilution in EPS and uncertainty on regulatory issues at the Roorkee facility can weigh in the near term. We arrive at our target price of ~₹ 905 based on 10x FY21E EPS of ₹ 90.4.

Rating matrix	
Rating	: Buy
Target	: ₹ 905
Target Period	: 12-15 months
Potential Upside	: 22%

What's Changed?	
Target	Changed from ₹ 945 to ₹ 905
EPS FY19E	Changed from ₹ 62.5 to ₹ 59.7
EPS FY20E	Changed from ₹ 76.6 to ₹ 73.9
EPS FY21E	Changed from ₹ 94.5 to ₹ 90.4
Rating	Unchanged

Quarterly Performance					
	Q3FY19	Q3FY18	YoY (%)	Q2FY19	QoQ (%)
Revenue	2,377.1	2,067.8	15.0	2,269.5	4.7
EBITDA	493.3	416.8	18.3	450.2	9.6
EBITDA (%)	20.8	20.2	59 bps	19.8	91 bps
Adj. Net Profit	260.8	212.5	22.7	209.8	24.3

Key Financials				
(₹ crore)	FY18	FY19E	FY20E	FY21E
Revenues	7557.8	9189.3	10339.3	11570.0
EBITDA	1518.4	1891.1	2170.8	2497.0
Net Profit	642.8	929.8	1151.6	1408.5
EPS (₹)	41.3	59.7	73.9	90.4
Adjusted EPS (₹)	41.3	59.7	73.9	90.4

Valuation summary				
	FY18	FY19E	FY20E	FY21E
PE (x)	18.0	12.4	10.0	8.2
Target P/E (Diluted)	21.9	15.2	12.2	10.0
EV/EBITDA (x)	9.6	7.5	6.3	5.1
Price to book (x)	2.8	2.3	1.9	1.6
RoE (%)	15.7	18.7	19.0	19.0
RoCE (%)	14.9	18.8	20.7	22.5

Stock data	
Particular	Amount
Market Capitalisation	₹ 11821 crore
Debt (FY18)	₹ 3035 crore
Cash (FY18)	₹ 396 crore
EV	₹ 14461 crore
52 week H/L (₹)	₹ 1039/₹ 586
Equity capital	₹ 15.9 crore
Face value	₹ 1

Price performance (%)				
	1M	3M	6M	1Y
Jubilant Life Sciences	5.3	3.3	1.1	-21.7
Divi's Labs	11.1	10.7	35.4	58.1
Aurobindo Pharma	4.0	-3.0	21.3	23.3

Research Analyst	
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Variance analysis

	Q3FY19	Q3FY19E	Q3FY18	Q2FY19	YoY (%)	QoQ (%)	Comments
Revenue	2,377.1	2,436.5	2,067.8	2,269.5	15.0	4.7	YoY growth driven by strong growth in pharma business
Raw Material Expenses	875.8	913.7	786.8	877.2	11.3	-0.2	
Employee Expenses	499.7	536.0	422.9	478.0	18.1	4.5	
Other Expenditure	373.7	377.6	321.5	345.1	16.2	8.3	
Power cost	134.7	126.6	119.7	119.1	12.5	13.1	
Total Expenditure	1,883.8	1,953.9	1,650.9	1,819.3	14.1	3.5	
EBITDA	493.3	482.5	416.8	450.2	18.3	9.6	
EBITDA (%)	20.8	19.8	20.2	19.8	59 bps	91 bps	YoY improvement and beat vis-à-vis I-direct estimates mainly due to better-than expected gross margins
Interest	68.3	64.5	77.1	62.7	-11.4	8.8	
Depreciation	98.4	89.5	81.8	89.5	20.3	10.0	
Other income	29.0	12.1	3.2	3.8	801.2	657.7	Includes forex gains of ₹ 25 crore on account of loan restatement
Exceptional Items	0.0	0.0	0.0	0.0	0.0	0.0	
PBT after Exceptional Items	355.6	340.6	261.2	301.8	36.2	17.8	
Tax	88.1	98.8	48.3	92.0	82.2	-4.3	
Tax Rate (%)	24.8	29.0	18.5	30.5			
PAT before MI	267.5	241.8	212.8	209.8	25.7	27.5	
MI	6.7	0.0	0.3	0.0	2,126.7	0.0	
Adj. Net Profit	260.8	241.8	212.5	209.8	22.7	24.3	YoY growth mainly due to a strong operational performance and lower financial cost. Beat vis-à-vis I-direct estimates mainly due to lower-than-expected tax rate
Key Metrics							
Pharmaceuticals	1,418.0	1,496.8	1,100.7	1,326.0	28.8	6.9	YoY growth driven by strong growth across segments
Life Science Ingredients	899.0	864.7	925.7	887.0	-2.9	1.4	YoY decline mainly due to high base of Q3FY18

Source: Company, ICICI Direct Research

Change in estimates

(₹ Crore)	FY19E			FY20E		
	Old	New	% Change	Old	New	% Change
Revenue	9,533.4	9,189.3	-3.6	10,701.1	10,339.3	-3.4
EBITDA	1,939.9	1,891.1	-2.5	2,206.5	2,170.8	-1.6
EBITDA Margin (%)	20.3	20.6	28 bps	20.6	21.0	40 bps
PAT	973.1	929.8	-4.5	1,193.6	1,151.6	-3.5
EPS (₹)	62.5	59.7	-4.5	76.6	73.9	-3.5

Source: Company, ICICI Direct Research

Assumptions

	FY19E		Current		Earlier		Comments
	FY17	FY18	FY19E	FY20E	FY19E	FY20E	
Pharma	3,116.7	4,013.0	5,361.3	6,049.2	5,624.1	6,391.6	Changed mainly due to slower-than-expected ramp up in specialty business
Life Science Ingredients	2,707.6	3,370.6	3,584.1	3,942.5	3,596.1	3,955.7	

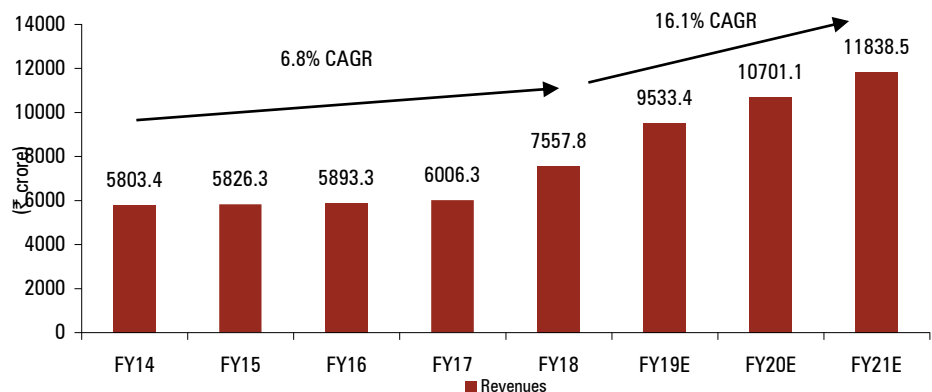
Source: Company, ICICI Direct Research

Company Analysis

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.

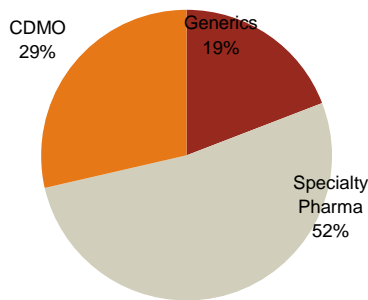
Overall, we expect revenues to grow at 15% CAGR in FY18-21E to ₹ 11570 crore. The main drivers are expected to be specialty pharma, CMO, nutrition products and LSI division.

Exhibit 1: Revenues to grow at CAGR of 16% in FY18-20E



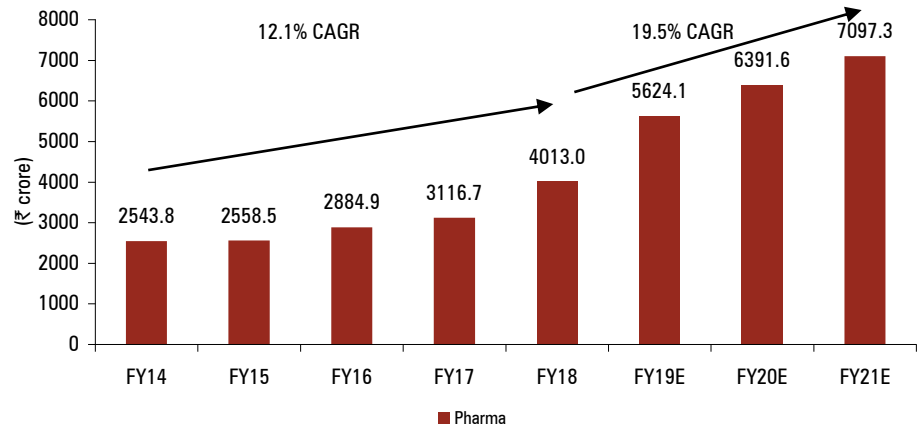
Source: Company, ICICI Direct Research

Pharma segment revenue analysis (FY18)



Source: Company, ICICI Direct Research

Exhibit 2: Pharma segment to grow at CAGR of 19.5% in FY18-21E



Source: Company, ICICI Direct Research

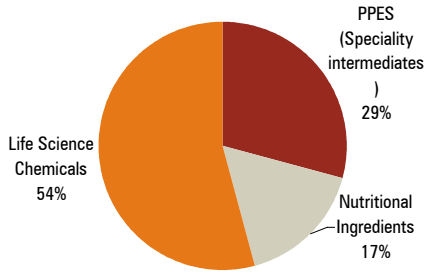
Jubilant Life sciences (Jubilant), through one of its units Jubilant DraxImage Inc Montreal Canada, has received USFDA 505 (b)(2) approval (new drug application) of Ruby-fill (Rubidium 82 Generator and Elution System). Ruby-fill is used for nuclear cardiology diagnostic positron emission tomography (PET) procedure to evaluate regional myocardial perfusion in adult patients with suspected or existing coronary artery disease. As per management estimates, the current US market size is US\$76 million (mn). It has the potential to grow to US\$250 mn annually in the next five years. Currently, Italy based Bracco Diagnostics is selling Rubidium 82 in the US under Cardiogen-82 brand.

Radiopharma segment (~43% of pharma business) grew ~63.7% in FY14-18E. Jubilant is the only listed Indian company that has strong exposure in the niche Radiopharma segment. We believe Ruby-fill 505 (b)(2) approval is a key milestone for the company in the US. In the US, we expect the product to contribute US\$7-10 million of revenues in FY18, which is likely to grow to US\$25-35 million in the next five years. Apart from the US, the company has received approvals in Germany, Switzerland and Canada. Jubilant has also recently signed long term contracts with distribution networks in the US to supply all approved radio pharma products over 39 months. The company has seven approved products in the US and two pending approvals.

The company has signed an asset purchase agreement with Triad Isotopes and its parent Isotope Holdings to acquire substantially all of the assets that comprise the radio pharmacy business of Triad. The acquisition will be funded through JPL's internal accruals. The deal was closed in Q2FY18. Triad recorded revenues of ₹ 767 crore in FY18 with a marginal loss in EBITDA. It operates the second largest network of radiopharmacy in the US with more than 50 pharmacies distributing nuclear medicine products to the largest national GPOs, regional health system, standalone imaging canter, cardiologist and hospitals.

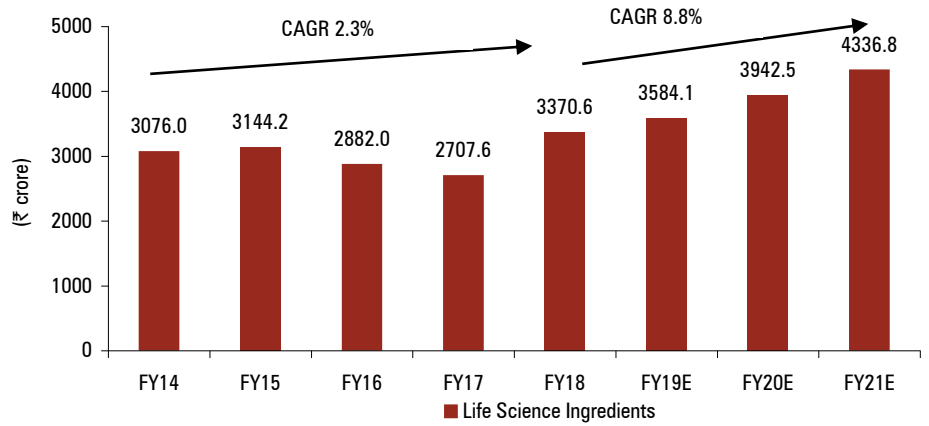
We expect the speciality segment to grow at 20.5% CAGR in FY18-21E to ₹ 3856 crore.

LSI segment revenue analysis (FY18)



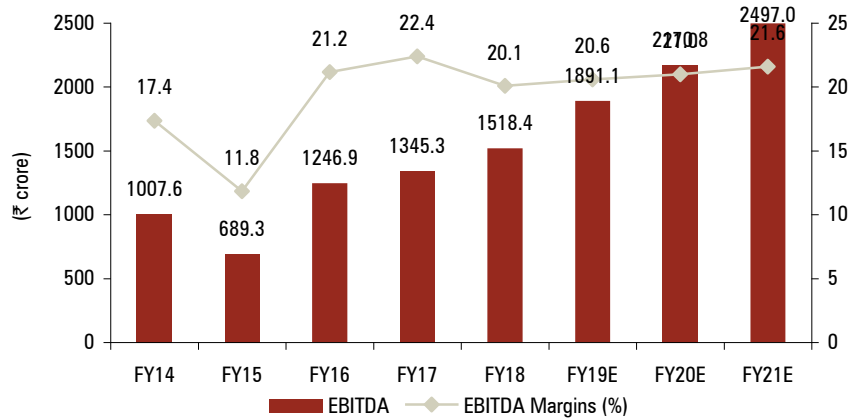
Source: Company, ICICI Direct Research

Exhibit 3: LSI segment to grow at CAGR of 9%



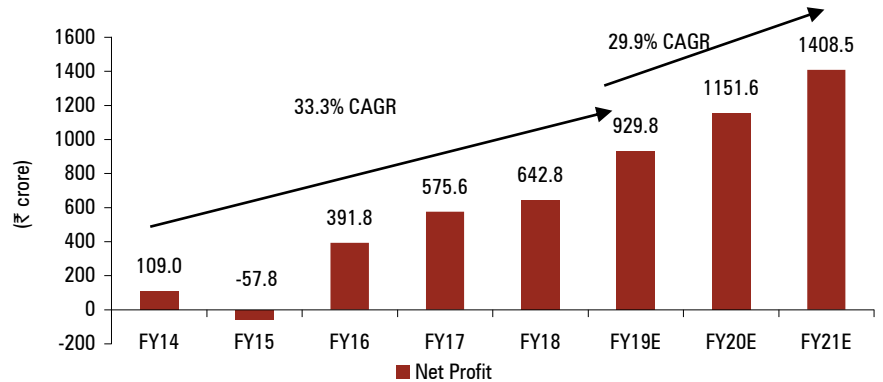
Source: Company, ICICI Direct Research

Exhibit 4: EBITDA to see improvement

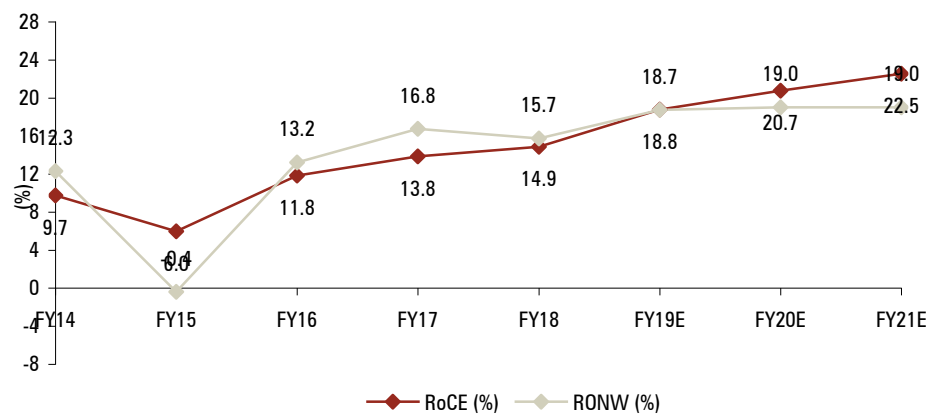


Source: Company, ICICI Direct Research

Exhibit 5: Improvement in operating margins to improve net profit



Source: Company, ICICI Direct Research

Exhibit 6: Trends in return ratios


Source: Company, ICICI Direct Research

Exhibit 7: Trends in quarterly financials

(₹ crore)	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	YoY (%)	QoQ (%)
Net Sales	1209.6	1494.5	1435.4	1393.5	1472.2	1609.0	1578.1	1621.4	2041.5	2223.8	2079.3	2270.0	2353.1	15.3	3.7
Other Operating Income	12.6	21.3	18.6	25.8	19.4	32.4	17.9	20.7	26.3	28.2	32.4	23.9	24.0	-8.6	0.4
Total Operating Income	1222.2	1515.8	1453.9	1419.3	1491.6	1641.4	1596.1	1642.0	2067.8	2252.0	2111.6	2293.9	2377.1	15.0	3.6
Raw Material Expenses	456.1	599.5	498.5	455.3	523.0	633.7	583.6	607.6	786.8	890.8	796.2	877.2	875.8	11.3	-0.2
% of revenues	37.3	39.5	34.3	32.1	35.1	38.6	36.6	37.0	38.1	39.6	37.7	38.2	36.8	-121 bps	-139 bps
Gross Profit	766.1	916.3	955.4	964.0	968.6	1007.7	1012.5	1034.4	1281.0	1361.1	1315.4	1416.8	1501.3	17.2	6.0
Gross Margins (%)	62.7	60.5	65.7	67.9	64.9	61.4	63.4	63.0	61.9	60.4	62.3	61.8	63.2	121 bps	139 bps
Power cost	85.5	78.7	80.6	77.2	82.8	93.0	90.5	102.9	119.7	111.9	99.7	119.1	134.7	12.5	13.1
% to revenues	7.0	5.2	5.5	5.4	5.6	5.7	5.7	6.3	5.8	5.0	4.7	5.2	5.7	-12 bps	48 bps
Employee Expenses	244.0	287.1	295.9	301.4	309.2	324.5	310.3	368.8	422.9	453.8	451.6	478.0	499.7	18.1	4.5
% to revenues	20.0	18.9	20.4	21.2	20.7	19.8	19.4	22.5	20.5	20.2	21.4	20.8	21.0	57 bps	18 bps
Selling & Admin expens	161.2	257.7	210.7	211.2	244.9	285.3	234.4	256.5	321.5	337.6	293.5	345.1	373.7	16.2	8.3
% to revenues	13.2	17.0	14.5	14.9	16.4	17.4	14.7	15.6	15.5	15.0	13.9	15.0	15.7	17 bps	67 bps
Total Expenditure	946.9	1222.9	1085.8	1045.2	1159.8	1336.4	1218.7	1335.8	1650.9	1794.1	1641.1	1819.3	1883.8	14.1	3.5
% to revenues	77.5	80.7	74.7	73.6	77.8	81.4	76.4	81.3	79.8	79.7	77.7	79.3	79.2	-59 bps	-6 bps
EBITDA	275.4	292.9	368.2	374.2	331.8	305.0	377.4	306.3	416.8	457.9	470.6	474.6	493.3	18.3	3.9
EBITDA Margins (%)	22.5	19.3	25.3	26.4	22.2	18.6	23.6	18.7	20.2	20.3	22.3	20.7	20.8	59 bps	6 bps
Depreciation	62.0	126.8	71.5	72.0	72.7	75.2	72.5	79.0	81.8	181.7	88.0	89.5	98.4	20.3	10.0
Interest	70.1	99.4	82.8	80.0	98.2	80.2	68.7	66.0	77.1	72.5	72.7	62.7	68.3	-11.4	8.8
Other Income	3.5	2.2	4.3	4.9	5.1	10.5	6.8	7.1	3.2	22.9	9.5	3.8	29.0	801.2	657.7
PBT before EO	146.7	69.0	218.2	227.1	166.1	160.1	243.0	168.4	261.2	226.6	319.3	326.2	355.6	36.2	9.0
Less: Exceptional Items	47.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
PBT after EO	193.8	69.0	218.3	227.1	166.1	160.1	243.0	168.4	261.2	226.6	319.3	326.2	355.6	36.2	9.0
Total Tax	35.3	58.1	54.2	49.7	48.0	11.1	59.5	42.7	48.3	74.2	86.0	92.0	88.1	82.2	-4.3
Tax Rate (%)	18.2	84.3	24.9	21.9	28.9	6.9	24.5	25.3	18.5	32.7	26.9	28.2	24.8	626.3	-344
PAT	158.5	10.9	164.0	177.4	118.1	149.0	183.5	125.7	212.8	152.4	233.3	234.2	267.5	25.7	14.2
Minority Interest	6.5	-0.4	2.4	-1.1	-1.3	-1.1	-3.4	-2.8	0.3	-2.5	-0.6	0.0	6.7	NA	NA
Net Profit	152.0	11.3	161.6	178.5	119.4	150.1	186.9	128.5	212.5	154.9	234.0	234.2	260.8	22.7	11.4
EPS (₹)	9.5	0.7	10.1	11.2	7.5	9.4	11.7	8.1	13.3	9.7	14.7	14.7	16.4		

Source: Company, ICICI Direct Research

SWOT Analysis

Strengths - Vertically integrated model. Proven capabilities in the CRAMS space

Weakness - Too many revenue heads, struggling to cope up with margin pressure and above all a huge debt burden. Commoditised nature of the LSI segment

Opportunities - Radiopharmaceutical business, incremental CRAMS orders

Threats - Increased USFDA scrutiny across the globe regarding cGMP issues, pricing pressure due to client consolidation in the US.

Conference call highlights

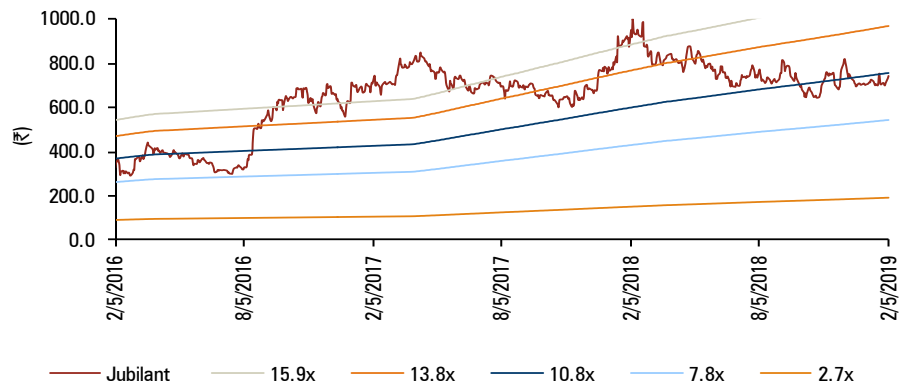
- In the CMO business, the company has increased production capacity by increasing shifts to 24/7 at Spokane (US) during the quarter to cater to the incremental demand
- The company is also augmenting capacities at Roorkee to cater to increasing demand for generics from EU and ROW markets besides US
- The USFDA has assigned official action initiated (OAI) status to the company's Roorkee post its inspection (August 2018) and subsequent replies from the company in December 2018
- Capex for the quarter and for 9MFY19 was at ₹ 134 crore and ₹ 402 crore, respectively
- Pharma R&D for 9MFY19 was at ₹ 177 crore, of which ₹ 138 crore (3.5% of pharma sales) was debited to P&L
- The management expects some stagnation in the growth of allergy therapy business, going ahead
- The management expects higher installation of Rubyfill in FY20 vis-à-vis FY19
- The company has provided for US\$102 million on the books as a provision towards non-commitment of Pharma IPO

Exhibit 8: Product pipeline as of Q3FY19

Region	Oral Solids			Sterile Products		
	Filings	Approved	Pending	Filings	Approved	Pending
US	96	61	35	15	13	2
Canada	23	22	1	16	16	0
Europe	34	32	2	4	3	1
ROW	42	35	7	9	9	0
Total	195	150	45	44	41	3

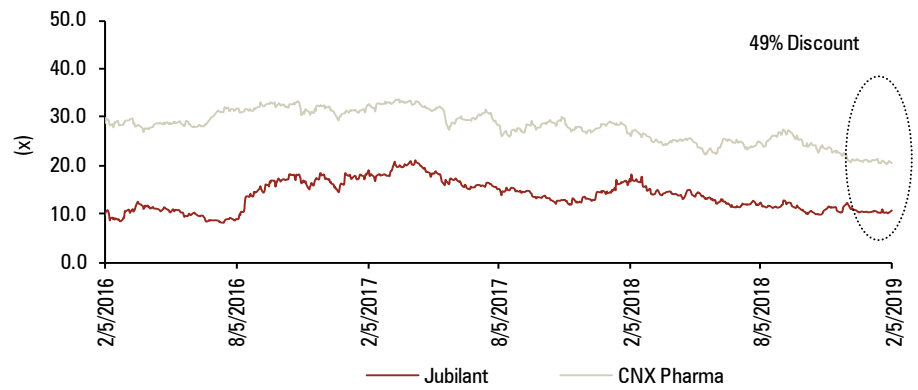
Source: Company, ICICI Direct Research

Exhibit 9: One year forward PE



Source: Company, ICICI Direct Research

Exhibit 10: One year forward PE of company vs. CNX Pharma



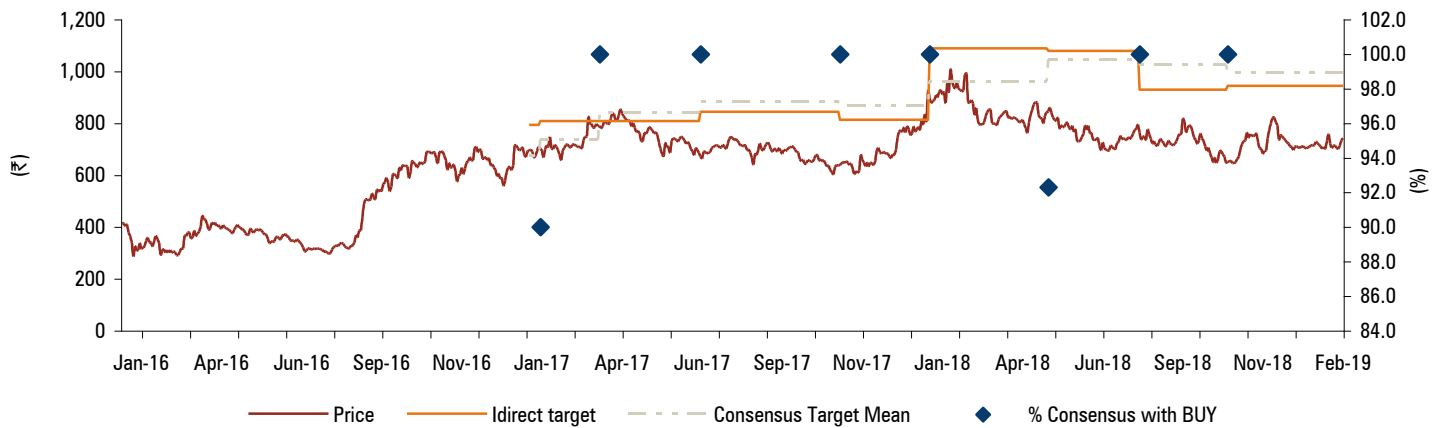
Source: Company, ICICI Direct Research

Exhibit 11: Valuation

	Revenues (₹ crore)	Growth (%)	Adj. EPS (₹)	Growth (%)	P/E (x)	EV/EBITDA (X)	RoNW (%)	RoCE (%)
FY18	7558	25.8	41.3	NA	18.0	9.6	15.7	14.9
FY19E	9189	21.6	59.7	44.6	12.4	7.5	18.7	18.8
FY20E	10339	12.5	73.9	23.9	10.0	6.3	19.0	20.7
FY21E	11570	11.9	90.4	22.3	8.2	5.1	19.0	22.5

Source: Company, ICICI Direct Research

Recommendation history vs. Consensus



Source: Reuters, ICICI Direct Research

Key events

Date	Event
May-11	Repays FCCB debt worth US\$202 million including yield to maturity of US\$60 million
Feb-13	Receives warning letter from USFDA for its Montreal facility
Jul-13	China imposes anti dumping duty margin of 24.6% to 57.4% for Pyridine imported from India
Dec-13	USFDA issues warning letter for Spokane facility
Feb-14	Jubilant receives establishment inspection report from USFDA for its Montreal facility
Mar-14	Sells hospitals business to Narayana Health for ₹ 45 crore
May-14	IFC grants loan of US\$200 million to company's wholly-owned subsidiary Jubilant Pharma
Jun-15	US based Spokane facility (CMO) receives USFDA clearance
Oct-16	Receives USFDA 505 (b)(2) approval (new drug application) of Rubyfill Rubidium 82 Generator and Elution System
Jan-17	Signs long term contracts with distribution networks in the US for supply of approved radiopharma products over a period of 39 months
Sep-17	Signs an asset purchase agreement with Triad Isotopes to acquire the radiopharmacy business of Triad
Dec-18	USFDA classified its Roorkee OSD facility as "Official Action Indicated" (OAI)

Source: Company, ICICI Direct Research

Top 10 Shareholders

Rank	Name	Latest Filing date	% O/S	Position (m)	Change (m)
1	Jubilant Stock Holding Pvt. Ltd.	30-Sep-18	13.7	21.9	0.0
2	Jubilant Capital Pvt. Ltd.	30-Sep-18	13.2	21.0	0.0
3	Jubilant Securities Pvt. Ltd.	30-Sep-18	11.7	18.7	0.0
4	East Bridge Capital Management L.P.	30-Sep-18	4.6	7.4	0.0
5	MAV Management Advisors L.L.P.	30-Sep-18	3.3	5.3	0.0
6	Motilal Oswal Asset Management Company Ltd.	30-Sep-18	2.7	4.3	-1.0
7	Nikita Resources Pvt. Ltd.	30-Sep-18	2.2	3.5	0.0
8	Jubilant Employees Welfare Trust	29-Nov-18	2.2	3.5	0.0
9	Dimensional Fund Advisors, L.P.	31-Dec-18	1.8	2.9	0.0
10	Jubilant Bhartia Group	30-Sep-18	1.8	2.8	0.0

Source: Reuters, ICICI Direct Research

Shareholding Pattern

(in %)	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Promoter	54.0	50.7	50.7	50.7	50.7
Others	46.0	49.3	49.3	49.3	49.3

Recent Activity

Buys	mil		Sells	mil	
	Value (\$)	Shares		Value (\$)	Shares
Investor name			Investor name		
APG Asset Management	6.2	0.5	Motilal Oswal Asset Management Company Ltd.	-9.2	-0.9
Goldman Sachs Asset Management (US)	1.1	0.1	Canara Robeco Asset Management Company Ltd.	-2.7	-0.3
Copper Rock Capital Partners LLC	0.6	0.1	Nuveen LLC	-1.1	-0.1
The Vanguard Group, Inc.	0.6	0.1	Florida State Board of Administration	-1.1	-0.1
AQR Capital Management, LLC	0.6	0.1	Sectoral Asset Management Inc.	-0.6	-0.1

Source: Reuters, ICICI Direct Research

Financial summary

Profit and loss statement		₹ Crore			
(Year-end March)	FY18	FY19E	FY20E	FY21E	
Revenues	7,557.8	9,189.3	10,339.3	11,570.0	
Growth (%)	25.8	21.6	12.5	11.9	
Raw Material Expenses	2,908.7	3,473.2	3,888.4	4,351.2	
Employee Expenses	1,555.9	1,971.3	2,114.8	2,250.8	
Selling & Admin expenses	1,149.9	1,394.3	1,567.2	1,753.8	
Power cost	424.9	459.4	598.1	717.1	
Total Operating Expenditure	6,039.4	7,298.2	8,168.5	9,073.0	
EBITDA	1,518.4	1,891.1	2,170.8	2,497.0	
Growth (%)	12.9	24.5	14.8	15.0	
Depreciation	415.1	374.3	417.2	475.6	
Interest	284.3	264.4	195.9	133.9	
Other Income	40.0	46.5	51.1	80.1	
PBT before EO	859.1	1,298.9	1,608.8	1,967.6	
Less: Exceptional Items	0.0	0.0	0.0	0.0	
Total Tax	224.7	369.1	457.2	559.1	
Minority Interest	-8.4	0.0	0.0	0.0	
PAT	642.8	929.8	1,151.6	1,408.5	
Growth (%)	NA	44.6	23.9	22.3	
EPS	41.3	59.7	73.9	90.4	
Adjusted PAT	642.8	929.8	1,151.6	1,408.5	
EPS (Adjusted)	41.3	59.7	73.9	90.4	

Source: Company, ICICI Direct Research

Balance sheet		₹ Crore			
(Year-end March)	FY18	FY19E	FY20E	FY21E	
Equity Capital	15.6	15.6	15.6	15.6	
Reserve and Surplus	4,071.0	4,946.1	6,043.0	7,396.8	
Total Shareholders funds	4,086.5	4,961.6	6,058.6	7,412.4	
Total Debt	3,292.7	3,035.1	2,305.1	1,575.1	
Deferred Tax Liability	163.1	168.0	173.0	178.2	
Minority Interest	-51.5	-41.2	-33.0	-26.4	
Other Non CL & LT Provisions	367.0	378.1	389.4	401.1	
Total Liabilities	7,857.8	8,501.5	8,893.1	9,540.3	
Gross Block - Fixed Assets	4,401.2	4,801.2	5,351.2	6,101.2	
Accumulated Depreciation	888.3	1,262.6	1,679.7	2,155.4	
Net Block	3,512.9	3,538.6	3,671.4	3,945.8	
Capital WIP	671.0	821.0	671.0	321.0	
Total Fixed Assets	4,183.8	4,359.5	4,342.4	4,266.8	
Investments	123.5	123.5	423.5	723.5	
Goodwill on Consolidation	1,887.7	1,887.7	1,887.7	1,887.7	
Inventory	1,391.4	1,703.9	1,905.3	2,132.1	
Debtors	1,130.8	1,384.8	1,548.4	1,732.7	
Cash	248.8	395.6	292.6	477.1	
Other current Assets	418.8	431.4	444.3	457.6	
Total Current Assets	3,189.8	3,915.7	4,190.6	4,799.4	
Creditors	1,136.2	1,391.4	1,555.8	1,741.0	
Provisions	41.7	45.1	48.8	52.8	
Other Current Liabilities	582.0	599.4	617.4	635.9	
Total Current Liabilities	1,759.8	2,035.9	2,222.0	2,429.7	
Net Current Assets	1,429.9	1,879.7	1,968.6	2,369.7	
Deferred Tax Assets	160.4	176.5	194.1	213.6	
LT L & A, Other Non CA	72.4	74.5	76.8	79.1	
Application of Funds	7,857.8	8,501.5	8,893.1	9,540.3	

Source: Company, ICICI Direct Research

Cash flow statement		₹ Crore			
(Year-end March)	FY18	FY19E	FY20E	FY21E	
Profit/(Loss) after taxation	601.2	929.8	1,151.6	1,408.5	
Add: Depreciation	415.0	374.3	417.2	475.6	
Add: Interest paid	284.3	264.4	195.9	133.9	
(Inc)/dec in Current Assets	-275.3	-579.1	-377.9	-424.4	
Inc/(dec) in CL and Provisions	289.4	276.1	186.1	207.7	
Other Operating Activities	0.0	0.0	0.0	0.0	
CF from operating activities	1,314.7	1,265.5	1,572.9	1,801.2	
(Purchase)/Sale of FA	-614.2	-550.0	-400.0	-400.0	
Deferred Tax Liability	0.0	4.9	5.0	5.2	
Minority Interest	0.0	10.3	8.2	6.6	
Investments	-11.6	0.0	-300.0	-300.0	
Other Investing Activities	13.0	-7.2	-8.5	-10.0	
CF from investing activities	-612.9	-542.0	-695.3	-698.3	
Inc/(Dec) in Equity Capital	0.0	0.0	0.0	0.0	
Inc/(Dec) in Loan Funds	-627.8	-257.6	-730.0	-730.0	
Dividend & Dividend tax	-56.0	-54.7	-54.7	-54.7	
Less: Interest Paid	-901.1	-576.6	-980.6	-918.6	
Others	683.9	312.2	784.7	784.7	
CF from financing activities	-901.1	-576.6	-980.6	-918.6	
Net Cash flow	-199.3	146.8	-103.0	184.4	
Opening Cash	459.6	248.8	395.6	292.6	
Closing Cash	260.3	395.6	292.6	477.1	
Free Cash Flow	700.5	715.5	1,172.9	1,401.2	

Source: Company, ICICI Direct Research

Key ratios					
(Year-end March)	FY18	FY19E	FY20E	FY21E	
Per share data (₹)					
Reported EPS	41.3	59.7	73.9	90.4	
Adjusted EPS	41.3	59.7	73.9	90.4	
BV per share	262.3	318.5	388.9	475.8	
Dividend per share	3.5	3.5	3.5	3.5	
Cash Per Share	16.0	25.4	18.8	30.6	
Operating Ratios (%)					
Gross Profit Margins	61.5	62.2	62.4	62.4	
EBITDA Margins	20.1	20.6	21.0	21.6	
PAT Margins	8.5	10.1	11.1	12.2	
Inventory days	67.2	67.7	67.3	67.3	
Debtor days	54.6	55.0	54.7	54.7	
Creditor days	54.9	55.3	54.9	54.9	
Asset Turnover	1.9	1.8	1.9	1.8	
EBITDA conversion Rate	86.6	66.9	72.5	72.1	
Return Ratios (%)					
RoE	15.7	18.7	19.0	19.0	
RoCE	14.9	18.8	20.7	22.5	
RoIC	14.8	19.1	20.9	22.8	
Valuation Ratios (x)					
P/E	18.0	12.4	10.0	8.2	
EV / EBITDA	9.6	7.5	6.3	5.1	
EV / Net Sales	1.9	1.5	1.3	1.1	
Market Cap / Sales	1.5	1.3	1.1	1.0	
Price to Book Value	2.8	2.3	1.9	1.6	
Solvency Ratios					
Debt / Equity	0.8	0.6	0.4	0.2	
Debt / EBITDA	2.2	1.6	1.1	0.6	
Current Ratio	1.7	1.7	1.8	1.8	

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	934	1,225	Buy	8218.7	57.4	53.0	43.1	50.5	16.3	17.6	21.7	18.5	41.3	30.0	21.6	21.7	32.3	23.0	16.4	16.8
Alembic Pharma	ALEMPHA	588	620	Hold	11075.3	21.2	21.9	30.4	27.1	27.7	26.8	19.3	21.7	25.3	18.0	19.9	17.2	21.0	18.6	21.4	16.6
Apollo Hospitals	APOHOS	1293	1,440	Buy	17989.6	15.9	8.5	26.6	48.2	81.4	152.9	48.5	26.8	6.1	6.3	9.8	13.7	6.0	3.6	10.4	16.4
Aurobindo Pharma	AURPHA	755	915	Buy	44230.2	38.8	41.6	42.6	53.1	19.5	18.1	17.7	14.2	24.4	20.0	18.0	16.7	24.2	20.7	17.8	18.4
Biocon	BIOCON	654	760	Buy	39210.0	8.5	6.2	12.8	17.3	77.1	105.3	51.1	37.8	9.4	8.1	13.1	15.4	10.5	7.2	12.8	15.0
Cadila Healthcare	CADHEA	317	415	Buy	32452.6	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	506	510	Hold	40774.8	12.5	18.3	17.5	23.1	40.5	27.6	28.8	21.9	7.7	9.6	11.0	13.9	8.0	10.4	9.2	11.0
Divi's Lab	DIVLAB	1626	1,800	Buy	43157.2	39.9	33.3	53.5	60.5	40.7	48.8	30.4	26.9	25.3	20.0	26.4	25.2	19.8	14.9	20.2	19.3
Dr Reddy's Labs	DRREDD	2797	2,870	Buy	46431.8	78.0	57.0	107.1	128.6	35.9	49.0	26.1	21.7	7.3	6.1	9.5	11.9	10.5	7.2	12.2	13.1
Glenmark Pharma	GLEPHA	639	660	Hold	18037.6	42.2	28.5	32.9	36.8	15.1	22.4	19.5	17.4	19.5	14.6	16.0	15.2	26.5	15.6	14.9	14.5
Indoco Remedies	INDREM	180	195	Hold	1658.7	8.4	4.8	-1.8	7.4	21.5	37.3	-98.7	24.3	8.7	6.5	-0.1	8.3	11.8	6.6	-2.6	9.4
Ipca Laboratories	IPCLAB	734	845	Buy	9273.0	15.4	19.0	32.4	42.3	47.6	38.7	22.6	17.4	8.7	9.1	13.8	17.1	7.9	8.9	13.5	15.4
Jubilant Life	JUBLIF	742	905	Buy	11821.0	36.9	41.3	59.7	73.9	20.1	18.0	12.4	10.0	13.8	14.9	18.8	20.7	16.8	15.7	18.7	19.0
Lupin	LUPIN	839	870	Hold	37960.7	56.7	20.8	27.6	39.1	14.8	40.4	30.3	21.4	16.6	10.4	10.4	12.4	19.0	6.9	8.6	11.0
Narayana Hrudalaya	NARHRU	197	270	Buy	4030.0	4.1	2.5	2.3	6.6	47.8	78.8	84.8	29.9	12.5	6.3	7.1	12.0	8.8	4.9	4.4	11.1
Natco Pharma	NATPHA	681	860	Buy	12578.5	26.3	37.7	41.7	24.9	25.9	18.1	16.3	27.4	33.6	27.4	26.6	14.8	29.5	22.7	21.2	11.6
Sun Pharma	SUNPHA	413	460	Hold	99101.8	29.0	13.0	14.7	21.1	14.2	31.8	28.2	19.5	20.3	9.8	10.2	13.3	19.0	8.2	8.8	11.5
Syngene Int.	SYNINT	603	675	Buy	12062.0	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	1830	2,175	Buy	30967.6	55.2	40.1	52.3	64.9	33.2	45.7	35.0	28.2	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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