

Pharmacy continues to impress in difficult quarter...

Q1 results witnessed the full impact of Covid-related challenges. Despite the significant drop in hospital occupancies, revenue drop was arrested by a significant uptick in pharmacy revenues. Revenues de-grew 15.6% YoY to ₹ 2172 crore due to a 41.2% YoY decline in hospital revenues to ₹ 795 crore amid the pandemic. On the other hand, Pharmacy segment posted strong revenue growth of 21.0% YoY to ₹ 1279 crore. EBITDA margins dropped to 1.6% vs. 13.8% in Q1FY20 due to negative operating leverage. Subsequently, EBITDA de-grew 90% YoY to ₹ 35.5 crore. Reported loss for the quarter was at ₹ (208) crore vs. net profit of ₹ 57 crore in Q1FY20.

Healthcare expansion moderates; focus on asset sweating

Notwithstanding short-term fluctuations stemming from Covid, rapid expansion, maturity of older hospitals have kept overall growth tempo at 12-14% per annum. After an intense capex cycle, especially in FY14-18, the company is focusing on profitability, return ratios with calculated capex moderation. This reflected in a marked improvement in both EBITDA margins, RoCE. The new hospitals and ventures are turning profitable ahead of schedule on the back of a judicious case mix besides better occupancy and other matrix. We expect healthcare sales to grow at ~8% CAGR in FY20-22E to ₹ 7544 crore mainly due to growth at new hospitals, AHLL.

Pharmacy business EBITDA continues to improve

The pharmacy business (43% of FY20 revenues) has grown at ~22% CAGR in the last five years on the back of consistent addition of new pharmacies and timely closure of non-performing pharmacies. FY20 margins were at 9.2%. We expect the pharmacy business to grow at ~12% CAGR in FY20-22E to ₹ 6040 crore mainly on the back of new addition and improvement in realisation owing to ramp up in private label contribution. Apollo has received NCLT approval for its front-end pharmacy demerger, which is likely to be completed by year end.

Valuation & Outlook

The impact of Covid pandemic was seen across the hospital sector in Q1. While business normalisation in the healthcare segment is expected to be visible from H2FY21 onwards, Apollo's management has already charted a way to reduce costs by 15-20% in the short-term. On the other hand, structural cost saving initiatives are also underway to reduce costs in the long-term. We remain positive on the company as besides strong healthcare pedigree and asset base the company owns one of the best pharmacy models in the world, which provides overall cushion in difficult times. We value the stock on an SOTP basis by valuing the healthcare business (existing hospitals & JV) at 13x FY22E EV/EBITDA, healthcare (new hospitals) and pharmacy business at 1.5x and 2x FY22E EV/sales respectively. We have a target price of ₹ 1970.



Particulars

Particular	Amount
Market Capitalisation	₹23274 crore
Debt (FY 20)	₹3526 crore
Cash (FY 20)	₹467 crore
EV	₹26332 crore
52 week H/L (₹)	1814/1047
Equity capital	₹69.6 crore
Face value	₹5

Key Highlights

- Q1 results witnessed the full impact of Covid-related challenges. Despite the significant drop in hospital occupancies, revenue drop was arrested by significant uptick in pharmacy revenues
- Cost saving measures for short and long-term already underway
- The company owns one of the best integrated business models in the healthcare space with strong management pedigree
- Maintain BUY

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Key Financial Summary

	FY19	FY20	FY21E	FY22E	CAGR (FY20-22E) %
Net Sales	9617.4	11246.8	11209.1	13583.9	9.9
EBITDA	1064.6	1583.4	1004.2	2117.2	15.6
EBITDA margins (%)	11.1	14.1	9.0	15.6	
PAT	236.0	324.7	-159.0	420.9	13.9
EPS (₹)	17.0	23.3	-11.4	30.3	
PE (x)	98.6	51.2	143.1	55.3	
P/BV (x)	7.0	7.0	6.7	6.1	
RoE (%)	7.1	9.7	-4.6	11.0	
RoCE (%)	8.8	10.2	4.0	15.5	

Source: ICICI Direct Research; Company

Exhibit 1: Variance Analysis

	Q1FY21	Q1FY21E	Q1FY20	Q4FY20	YoY (%)	QoQ (%)	Comments
Revenue	2,171.5	2,284.4	2,571.9	2,922.4	-15.6	-25.7	YoY decline mainly due to sharp fall in footfalls in hospitals and clinics amid Covid-19
Raw Material Expenses	1,217.5	1,256.4	1,237.8	1,471.1	-1.6	-17.2	
Employee Expenses	448.6	456.9	433.4	475.5	3.5	-5.6	
Other expenditure	469.9	527.2	546.4	595.8	-14.0	-21.1	
EBITDA	35.5	43.9	354.3	380.1	-90.0	-90.7	
EBITDA (%)	1.6	1.9	13.8	13.0	-1214 bps	-1137 bps	Decline amid negative operating leverage
Interest	127.4	126.6	125.8	135.2	1.3	-5.8	
Depreciation	160.2	172.2	144.0	163.9	11.2	-2.2	
Other Income	7.7	18.3	9.9	4.0	-21.7	95.4	
PBT before EO & Forex	-244.4	-236.6	94.4	84.9	PL	PL	
EO	0.0	0.0	0.0	-198.3	0.0	0.0	
PBT after Exceptional lte	-244.4	-236.6	94.4	283.2	PL	PL	
Tax	-40.8	-82.8	45.3	74.0	PL	PL	
Tax rate (%)	16.7	35.0	47.9	26.1			
Adj. Net Profit	-208.2	-157.4	57.2	72.9	PL	PL	Sharp decline in net profit in line with operational performance
EPS (₹)	-15.0	-11.3	4.1	15.8	PL	PL	
Key Metrics							
Hospitals	789.9	839.0	1352.9	1396.6	-41.6	-43.4	YoY decline mainly due to sharp fall in footfalls amid Covid-19
Pharmacy	1279.1	1309.2	1056.8	1358.5	21.0	-5.8	YoY growth driven by stores addition and 12% growth in realisation
AHLL	102.4	136.2	162.2	167.3	-36.9	-38.8	YoY decline mainly due to sharp fall in footfalls amid COVID 19

Source: ICICI Direct Research

Conference Call Highlights

- Q1FY21 was impacted due to a decline in out-patient volumes, postponement of elective as well as mild/moderate surgeries
 - Occupancy: July-47%, August – 55%; current average - 52% (Tamil Nadu occupancy above 60%)
 - Apollo treated 37000 Covid patients and has conducted ~1.5 lakh Covid test
 - Covid beds are ~2250 with +65% occupancy, non-Covid bed utilisation at ~55%
- Cost savings for FY21 to be ~₹ 200 crore, likely ~ ₹ 100 crore in FY22
 - The company saved ~₹ 100 crore in costs (20% QoQ cost reduction) on the back of short-term cost reduction measures such as rent renegotiation, salary cuts and reduced guarantee money for doctors
 - Structural changes such as reducing cost of HR, consumables, power, fuel & water to provide cost savings of up to 20% of fixed costs in the long-term
- Consolidated net debt as on June 20: ₹ 3297 crore. Gross debt: ₹ 3708 crore
- Hospitals - Of the 8816 owned hospital beds capacity, 7267 beds were operational and had an occupancy of 38% in Q1FY21. A 30 bed hospital in Chennai has been closed in Q1FY21
 - Mature hospitals revenue de-grew 47.4% YoY to ₹ 543 crore in Q1FY21
 - New hospitals (excluding Proton) reported an EBITDA loss of ₹ (32.5) crore in Q1FY21 vs. EBITDA of ₹ 21.3 crore in Q1FY20
 - Proton reported EBITDA (pre-Ind AS 116) loss of ₹ (5.1) crore in Q1FY21 vs. EBITDA loss of ₹ (8.1) crore in Q1FY20
- Pharmacy - SAP EBITDA of ₹ 80.4 crore (6.3% margin) in Q1FY21 as compared to ₹ 58.7 crore (5.6% margin) in Q1FY20
 - Total number of pharmacies as on June 20 was 3780. Net addition of 14 stores in Q1FY21
 - Private label sales were at 9% in Q1FY21. It could move to 12% over the next two years
 - NCLT approval for pharmacy demerger has come in, which is likely to be completed by December 2020
- AHLL – Cradle & Clinics reported EBITDA loss of ₹ 19.1 crore vs. loss of ₹ 4.7 crore in Q1FY20
- Overall inpatient volume across the group declined 45% and ARPOB registered growth of 2.4% to ₹ 38065/day (Covid ARPOB ~₹ 27000/day)
- Some international patients from neighbouring countries are coming in. It is expected to improve over time
- A 24x7 digital initiative used for tele-consultation enabling conversion of out-patients to in-patients

Exhibit 2: Trend in standalone quarterly financials

(₹crore)	11FY18	12FY18	13FY18	14FY18	11FY19	12FY19	13FY19	14FY19	11FY20	12FY20	13FY20	14FY20	11FY21	YoY (%)	QoQ (%)
Total Operating Income	1903.2	2092.8	2139.1	2109.3	2210.5	2401.6	2495.0	2499.5	2571.9	2840.7	2911.7	2922.4	2171.5	-15.6	-25.7
Raw Material Expenses	999.9	1069.3	1117.4	1109.3	1078.3	1227.1	1210.1	1198.7	1237.8	1372.9	1417.2	1471.1	1217.5	-1.6	-17.2
as % revenues	52.5	51.1	52.2	52.6	48.8	51.1	48.5	48.0	48.1	48.3	48.7	50.3	56.1		
Gross Profit	903.3	1023.5	1021.7	1000.0	1132.2	1174.5	1285.0	1300.8	1334.1	1467.9	1494.6	1451.4	954.0	-28.5	-34.3
GPM (%)	47.5	48.9	47.8	47.4	51.2	48.9	51.5	52.0	51.9	51.7	51.3	49.7	43.9		
Employee Expenses	295.1	319.9	320.1	329.3	366.8	367.1	418.1	425.6	433.4	468.7	475.4	475.5	448.6	3.5	-5.6
as % revenues	15.5	15.3	15.0	15.6	16.6	15.3	16.8	17.0	16.9	16.5	16.3	16.3	20.7		
Other expenditure	443.3	478.8	484.5	484.3	536.1	535.5	587.8	581.5	546.4	580.2	589.2	595.8	469.9	-14.0	-21.1
as % revenues	23.3	22.9	22.6	23.0	24.3	22.3	23.6	23.3	21.2	20.4	20.2	20.4	21.6		
Total expenditure	1738.3	1868.0	1921.9	1923.0	1981.2	2129.7	2215.9	2205.8	2217.6	2421.7	2481.7	2542.4	2136.0	-3.7	-16.0
EBITDA	164.9	224.8	217.2	186.3	229.3	271.9	279.1	293.7	354.3	419.0	430.0	380.1	35.5	-90.0	-90.7
EBITDA Margins (%)	8.7	10.7	10.2	8.8	10.4	11.3	11.2	11.8	13.8	14.7	14.8	13.0	1.6	-1214 bps	-1137 bps
Depreciation	83.9	83.9	88.8	76.4	95.1	93.6	98.4	104.9	144.0	154.5	157.3	163.9	160.2	11.2	-2.2
Interest	83.9	83.9	88.8	88.8	76.2	79.1	84.4	85.4	125.8	134.3	137.4	135.2	127.4	1.3	-5.8
Other Income	5.3	5.5	5.6	5.5	4.6	6.3	12.5	11.8	9.9	3.5	9.7	4.0	7.7	-21.7	95.4
PBT	2.4	62.5	45.2	26.6	62.7	105.6	108.7	115.2	94.4	133.7	144.9	84.9	-244.4	PL	PL
Less: Exceptional Items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	198.3	0.0		
Total Tax	0.7	17.6	13.6	8.0	39.3	34.8	53.1	39.1	45.3	50.6	55.4	74.0	-40.8	PL	PL
Tax rate (%)	29.3	28.1	30.0	30.0	62.8	33.0	48.9	33.9	47.9	37.8	38.2	87.2	16.7		
PAT	-0.9	-48.8	-43.8	-42.1	-34.1	-80.3	-57.0	-84.9	-57.2	-86.2	-92.1	-219.4	208.2	LP	LP
Net Profit Margin (%)	0.0	-2.3	-2.0	-2.0	-1.5	-3.3	-2.3	-3.4	-2.2	-3.0	-3.2	-7.5	9.6		
EPS (Adjusted)	-0.1	-3.5	-3.1	-3.0	-2.4	-5.8	-4.1	-6.1	-4.1	-6.2	-6.6	-15.8	15.0		

Source: ICICI Direct Research, Company

Company Background

Established in 1983, the company is one of the few listed players in the healthcare space. It derives revenues from two broader segments in the standalone accounts - 1) healthcare services i.e. hospitals and 2) standalone pharmacies. In the consolidated accounts, other reporting segments are – 1) hospital revenues from JVs/subsidiaries and associates, 2) Apollo-Munich Health insurance JV, 3) Apollo Health & Lifestyle Ltd, which is the retail healthcare business of Apollo Hospitals.

Apollo owns 70 hospitals with total bed capacity of 10197 beds. Of these 70 hospitals, 44 are owned by the company (including JVs, subsidiaries and associates) while five are managed by the company with 851 beds while 11 are day care/short surgical stay centres with 270 beds and 10 cradles with 260 beds.

In case of managed hospitals, the company charges 5-6% management fees for third party hospitals for project management and consultancy covering all facets of development and operation of a hospital, including market research, technical design, arranging finance, hiring manpower and running the facility.

The healthcare segment has been divided into four clusters- 1) Tamil Nadu region (Chennai and others), 2) AP, Telangana region (Hyderabad and others) 3) Karnataka region (Bangalore and others) and 3) others that include hospitals in Bhubaneswar, Bilaspur, Nashik and Navi Mumbai.

In June 2015, the company acquired a 51% stake in Assam Hospitals Ltd, which runs a 220 bed hospital in Guwahati.

Apollo Healthcare and Lifestyle (AHLL) subsidiary covers the retail healthcare business of the Apollo group, comprising Apollo Clinics, Apollo Sugar, White Dental, Apollo Day Surgery centres and Apollo Cradle. AHLL reported ₹ 696 crore of sales in FY20.

Apollo Sugar Clinics is a one-stop shop for diabetics and offer packages to better manage diabetes through a combination of prescriptions, dietary, exercise regimens and other lifestyle changes apart from management of diabetes related complications. Sanofi has 20% stake in Apollo Sugar Clinics business. The company has 30 Apollo Sugar Clinics.

Apollo Day Surgery centres focus on planned surgeries done in a day/short stay basis. The company has 11 centres as of FY20.

Apollo Cradle denotes lifestyle birthing centres. It launched the first Apollo Cradle in Delhi a decade ago and currently has twelve cradles in the network.

In FY15, AHLL acquired 11 day and short stay surgery centres (over 350 beds) from Nova Specialty Hospitals with a presence in eight cities across India. This acquisition provides APL an opportunity to provide quality healthcare delivery closer to home and also entry in new markets such as Mumbai, Jaipur and Kanpur.

In case of standalone pharmacies, which are basically drug stores chain selling prescription, OTC and private label FMCG products, the company owned 3766 stores as of FY20. In FY15, the company acquired Hyderabad-based Hetero Med Solutions Ltd (HMSL). HMSL has ~320 stores across Telangana, Andhra Pradesh and Tamil Nadu.

The Apollo board has decided to segregate the front-end retail pharmacy business carried out in the standalone pharmacy segment into a separate company Apollo Pharmacies (APL) as part of the proposed reorganisation.

APL would focus on- 1) Building a growth platform for the standalone pharmacies business to get to a medium-term target of over 5000 pharmacy outlets over five years with a goal of over ₹ 10,000 crore sales and 30% RoCE for the standalone pharmacy business in five years, 2) enabling foray into digital commerce as part of AHLL's omni-channel strategy to provide consumers increased convenience and ability to choose between online and physical stores, 3) enhancing the private label business further from the

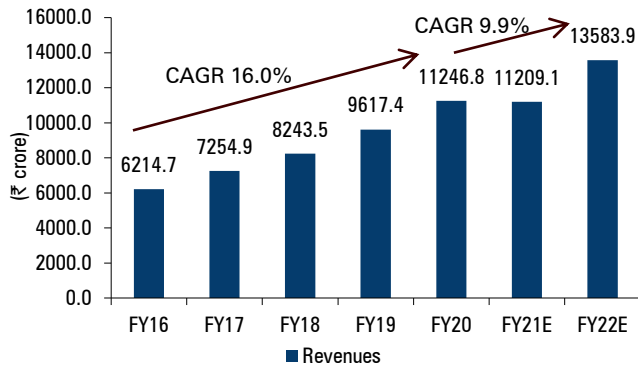
current ~9% levels to over 12% in two years through a combination of both broadening and deepening the product portfolio.

APL will become a wholly-owned subsidiary of Apollo Medicals Pvt Ltd (AMPL). The entire shareholding of AMPL will be held by AHEL and certain identified investors. AHEL will hold 25.5% of total share capital of AMPL with other investors collectively holding the remaining share capital of AMPL. Specifically, Jhelum Investment Fund 1 will hold 19.9%, Hemendra Kothari will hold 9.9% while Enam Securities Pvt Ltd will hold 44.7% of total share capital of AMPL.

AHEL shall have the right to acquire the shares of AMPL from investors in compliance with the regulatory framework. AHEL will be the exclusive supplier for APL under a long-term supplier agreement while AHEL will enter into a brand licencing agreement with APL to licence the "Apollo Pharmacy" brand to the frontend stores and online pharmacy operations. The proposed reorganisation is not expected to have a material impact on the financials of AHEL as the backend business related to the standalone pharmacies, which represents ~85% of the business economics, will continue to be held by AHEL. The structure is likely to take AHEL one step closer to a potential unlocking of value in the standalone pharmacy segment.

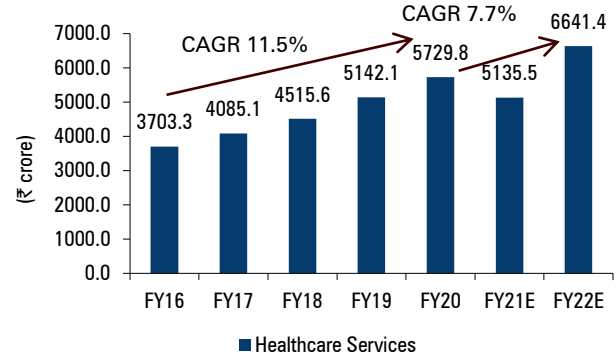
For the purposes of effectuating the restructuring, AHEL will transfer the business of the front-end retail pharmacy business carried out in the standalone pharmacy segment to APL by way of slump sale under a scheme of arrangement with such transfer being effective from April 1, 2019. The slump sale has been decided at ₹ 527.8 crore.

Exhibit 3: Revenues to grow at CAGR of 10% over FY20-22E



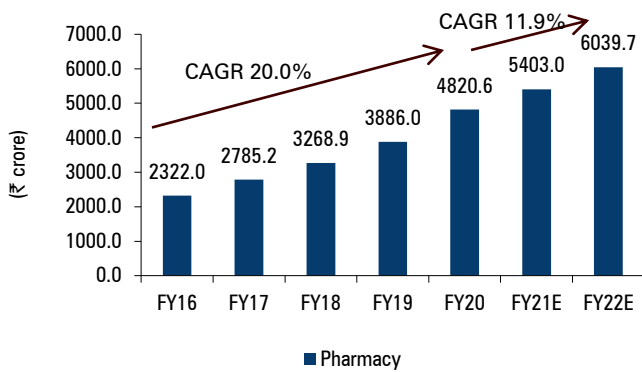
Source: ICICI Direct Research, Company

Exhibit 4: Hospitals to grow at CAGR of 8% over FY20-22E



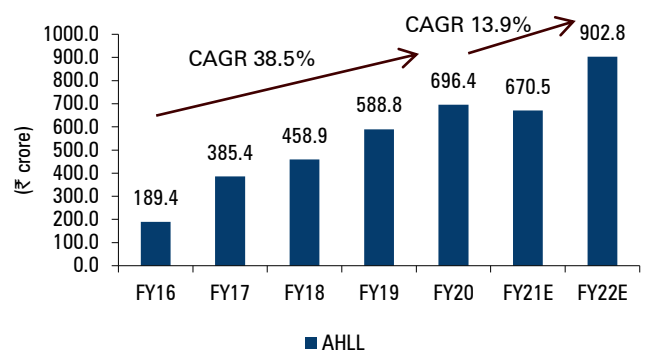
Source: ICICI Direct Research, Company

Exhibit 5: Pharmacy to grow at CAGR of 12% over FY20-22E



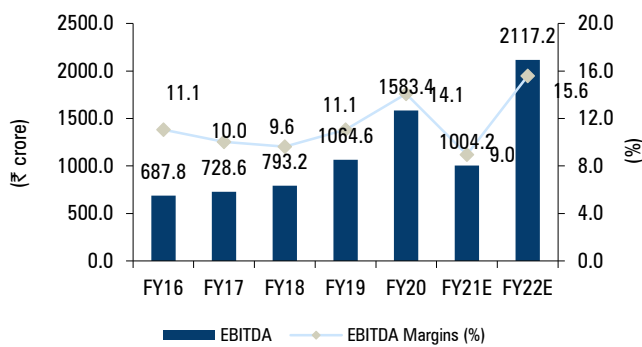
Source: ICICI Direct Research, Company

Exhibit 6: AHLL to grow at CAGR of 14% over FY20-22E



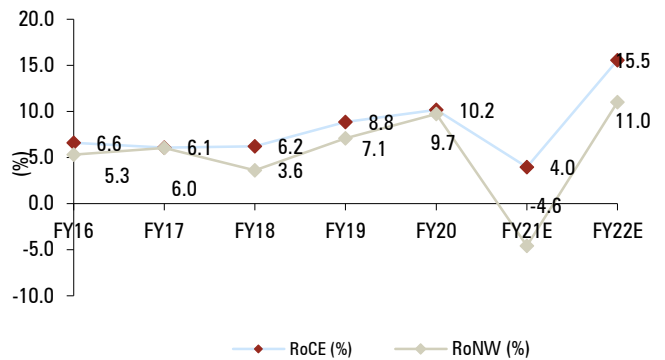
Source: ICICI Direct Research, Company

Exhibit 7: EBITDA & EBITDA margins trend



Source: ICICI Direct Research, Company

Exhibit 8: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 9: Valuation

Particulars	Valuation Matrix	Multiple (x)	EV (₹cr)
Healthcare (Existing Hospitals & JV)	EV/EBITDA	13.0	15,851
Healthcare (New Hospitals)	EV/Sales	1.5	2,359
Pharmacy	EV/Sales	2.0	10,267
Others	EV/Sales	1.0	1,238
Net Debt FY 22E (₹cr)			2,369.3
Targeted MCap (₹cr)			27,347
No of shares (cr)			13.9
Per Share Value (₹)			1,970

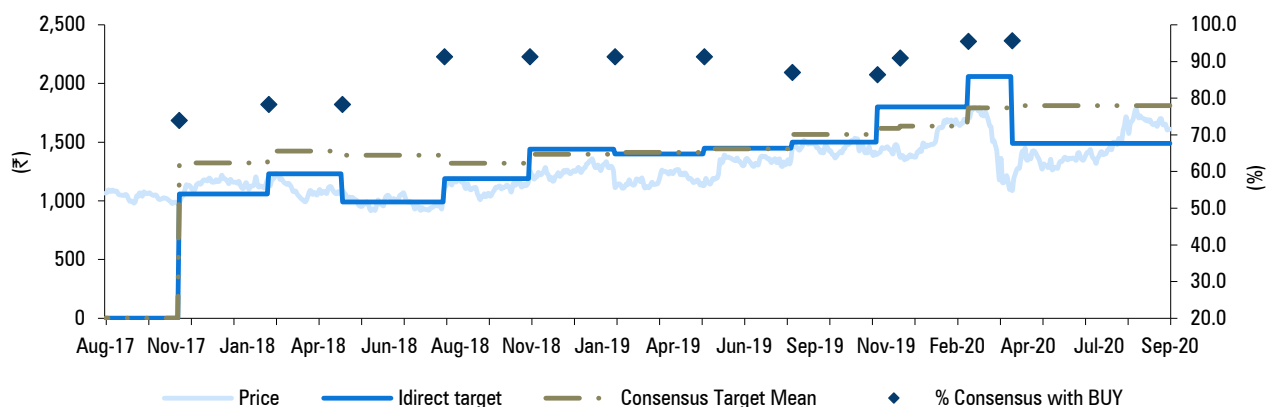
Source: ICICI Direct Research, Bloomberg

Exhibit 10: Summary

	Revenues (₹crore)	Growth (%)	EPS (₹)	Growth (%)	P/E (x)	EV/EBITDA (X)	RoNW (%)	RoCE (%)
FY 19	9617	16.7	17.0	100.6	98.6	24.9	7.1	8.8
FY 20	11247	16.9	23.3	37.6	51.2	16.6	9.7	10.2
FY 21E	11209	-0.3	-11.4	-149.0	143.1	25.8	-4.6	4.0
FY 22E	13584	21.2	30.3	-364.7	55.3	12.1	11.0	15.5

Source: ICICI Direct Research, Bloomberg

Exhibit 11: Recommendation History vs. Consensus



Source: ICICI Direct Research, Bloomberg

Exhibit 12: Top 10 Shareholders

Rank	Investor Name	Filing Date	% O/S	Position (m)	Change
1	PCR Investments Ltd	31-Mar-20	19.6	27.22m	0.00m
2	Apollo Hospitals Ent	31-Mar-18	14.5	20.19m	20.19m
3	Sands Capital Manage	16-Jan-20	5.0	6.97m	0.00m
4	Schroders PLC	30-Jun-20	4.9	6.77m	(0.10)m
5	Life Insurance Corp	31-Mar-20	3.9	5.44m	(2.46)m
6	Reddy Suneeta	31-Mar-20	3.2	4.38m	0.00m
7	Vanguard Group	30-Jun-20	2.6	3.61m	(0.14)m
8	Alliance Bernstein	30-Jun-20	2.3	3.25m	(0.73)m
9	Aditya Birla Sun Life	30-Jun-20	2.1	2.97m	(0.21)m
10	Copthall Mauritius	31-Mar-20	2.0	2.83m	0.20m

Source: ICICI Direct Research, Bloomberg

Exhibit 13: Shareholding Pattern

(in %)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoter	34.4	30.8	30.8	30.8	30.8
Others	65.6	69.2	69.2	69.2	69.2

Source: ICICI Direct Research, Company

Financial Summary

Exhibit 14: Profit & Loss				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
Revenues	9,617.4	11,246.8	11,209.1	13,583.9
Growth (%)	16.7	16.9	-0.3	21.2
Raw Material Expenses	4,660.9	5,498.9	5,829.9	6,641.5
Employee Expenses	1,598.2	1,852.9	1,937.6	2,348.1
Other expenditure	2,293.7	2,311.6	2,437.4	2,477.0
Total Operating Expenditure	8,552.8	9,663.4	10,204.9	11,466.6
EBITDA	1,064.6	1,583.4	1,004.2	2,117.2
Growth (%)	34.2	48.7	-36.6	110.8
Depreciation	395.5	619.7	643.5	662.1
Interest	327.0	532.8	507.1	402.0
Other Income	31.4	27.0	25.8	27.2
PBT before exceptionals	373.5	457.9	-120.6	1,080.3
Less: Exceptional Items	0.0	-198.3	-520.0	0.0
PBT	373.5	656.2	399.4	1,080.3
Total Tax	173.4	225.2	152.4	378.1
MI & Profit from Associate	35.9	23.9	-84.4	-281.3
Adjusted PAT	236.0	324.7	-159.0	420.9
Growth (%)	100.6	37.6	-149.0	-364.7
EPS (Adjusted)	17.0	23.3	-11.4	30.3

Source: ICICI Direct Research

Exhibit 16: Balance Sheet				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
Equity Capital	69.6	69.6	69.6	69.6
Reserve and Surplus	3,263.9	3,269.9	3,404.5	3,753.2
Total Shareholders funds	3,333.5	3,339.4	3,474.1	3,822.7
Total Debt	3,673.1	3,525.6	3,375.6	2,675.6
Deferred Tax Liability	314.9	294.3	300.2	306.2
Minority Interest	135.5	130.6	124.5	179.4
Long term provisions	11.4	10.1	10.3	10.5
Other Non Current Liabilities	480.3	2,501.8	2,551.8	2,602.8
Total Liabilities	7,948.6	9,801.7	9,836.4	9,597.3
Gross Block - Fixed Assets	6,252.9	7,429.2	7,829.2	8,089.2
Accumulated Depreciation	1,624.0	1,996.6	2,640.1	3,302.2
Net Block	4,628.9	5,432.6	5,189.1	4,787.0
Capital WIP	821.8	235.6	35.6	35.6
Goodwill on Consolidation	346.2	346.2	346.2	346.2
Total Fixed Assets	5,796.8	7,661.8	7,218.4	6,816.3
Investments	468.2	439.9	739.9	1,039.9
Inventory	584.8	737.8	735.4	891.1
Debtors	1,023.2	1,027.2	1,023.8	1,240.7
Loans & Advances, & other	456.4	645.6	332.1	294.9
Cash	347.0	466.8	636.3	306.3
Total Current Assets	2,212.9	2,572.1	2,742.5	2,792.1
Creditors	713.1	908.6	905.5	1,097.4
Provisions & Other CL	393.0	410.6	426.2	474.9
Total Current Liabilities	1,234.5	1,536.8	1,546.3	1,750.9
Net Current Assets	978.4	1,035.3	1,196.2	1,041.2
Long term loans & advances	687.8	615.0	627.3	639.9
Deferred Tax Assets	17.4	49.6	54.6	60.1
Application of Funds	7,948.6	9,801.7	9,836.4	9,597.3

Source: ICICI Direct Research

Exhibit 15: Cash Flow Statement				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
Profit/(Loss) after taxation	7.7	259.4	162.6	420.9
Add: Depreciation & Amortization	395.5	619.7	643.5	662.1
Working Capital Changes	-45.8	-83.1	8.6	-175.0
CF from operating activities	357.5	796.0	814.7	908.0
Change in Capex	-672.0	-510.0	-200.0	-260.0
(Inc)/dec in Investments	-103.6	229.6	-300.0	-300.0
Others	14.9	19.8	32.7	94.2
CF from investing activities	-760.7	-260.6	-467.3	-465.8
Issue of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	234.7	-57.1	-150.0	-700.0
Dividend paid & dividend tax	-83.7	-155.1	-27.9	-72.3
Others	-365.5	-697.3	0.0	0.0
CF from financing activities	-214.5	-909.6	-177.9	-772.3
Net Cash flow	-617.8	-374.2	169.5	-330.0
Opening Cash	417.3	347.0	466.8	636.3
Closing Cash	-200.5	-27.2	636.3	306.3
Free Cash Flow	-314.6	285.9	614.7	648.0

Source: ICICI Direct Research

Exhibit 17: Key Ratios				
(Year-end March)	FY19	FY20	FY21E	FY22E
Per share data (₹)				
Adjusted EPS	17.0	23.3	-11.4	30.3
BV per share	239.6	240.0	249.7	274.8
Dividend per share	6.9	7.2	2.0	5.2
Cash Per Share	24.9	33.5	45.7	22.0
Operating Ratios (%)				
Gross Profit Margins	51.5	51.1	48.0	51.1
EBITDA margins	11.1	14.1	9.0	15.6
Net Profit margins	2.5	2.9	-1.4	3.1
Inventory days	22.2	23.9	23.9	23.9
Debtor days	38.8	33.3	33.3	33.3
Creditor days	27.1	29.5	29.5	29.5
Asset Turnover	1.5	1.5	1.4	1.7
EBITDA Conversion Rate	33.6	50.3	81.1	42.9
Return Ratios (%)				
RoE	7.1	9.7	-4.6	11.0
RoCE	8.8	10.2	4.0	15.5
RoIC	10.1	10.8	4.0	16.0
Valuation Ratios (x)				
P/E	98.6	51.2	143.1	55.3
EV / EBITDA	24.9	16.6	25.8	12.1
EV / Net Sales	2.8	2.3	2.3	1.9
Market Cap / Sales	2.4	2.1	2.1	1.7
Price to Book Value	7.0	7.0	6.7	6.1
Solvency Ratios				
Debt / EBITDA	3.5	2.2	3.4	1.3
Debt / Equity	1.1	1.1	1.0	0.7
Net Debt / Equity	1.1	1.0	0.9	0.7
Current Ratio	1.5	1.4	1.4	1.4

Source: ICICI Direct Research

Exhibit 18: ICICI Direct Coverage Universe (Healthcare)

Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹cr)	EPS (₹)				PE(x)				RoCE (%)				RoE (%)			
						FY19	FY20	Y21E	Y22E	FY19	FY20	FY21E	Y22E	FY19	FY20	'21E	'22E	FY19	FY20	'21E	Y22E
Ajanta Pharma	AJAPHA	1512	1,810	Buy	13192	43.5	53.4	60.2	72.5	34.7	28.3	25.1	20.9	21.8	24.7	23.4	24.3	17.1	18.1	17.7	18.4
Alembic Pharma	ALEMPHA	927	1,140	Buy	18216	31.4	46.3	52.6	51.9	29.5	20.0	17.6	17.9	19.6	21.0	21.9	20.1	21.8	27.1	24.1	19.7
Apollo Hospital	APOHOS	1673	1,970	Buy	23274	17.0	23.3	-11.4	30.3	98.6	71.7	NA	55.3	8.8	10.2	4.0	15.5	7.1	9.7	-4.6	11.0
Aurobindo Pharma	AURPHA	819	1,100	Buy	47977	41.9	48.8	60.9	73.2	19.6	16.8	13.4	11.2	15.9	17.2	20.0	21.5	17.7	17.0	17.7	17.8
Biocon	BIOCON	440	490	Buy	52806	6.2	5.8	11.5	21.0	70.9	75.6	38.3	21.0	10.9	10.2	16.1	23.3	12.2	10.4	17.4	24.6
Cadila Healthcare	CADHEA	375	470	Buy	38395	18.1	14.0	18.1	21.3	20.8	26.8	20.7	17.6	12.8	10.7	12.9	13.9	17.8	13.8	15.7	16.1
Cipla	CIPLA	742	900	Buy	59866	18.6	19.2	30.3	36.0	40.0	38.7	24.5	20.6	10.9	12.0	16.4	17.3	10.0	9.8	13.7	14.2
Divi's Lab	DIVLAB	3185	3,260	Buy	84550	51.0	51.9	71.2	85.8	62.5	61.4	44.7	37.1	25.5	23.9	27.2	26.5	19.4	18.8	21.3	21.0
Dr Reddy's Lab	DRREDD	4442	5,000	Buy	73852	114.7	121.9	161.3	200.0	38.7	36.4	27.5	22.2	10.7	9.6	18.4	19.7	13.6	13.0	15.0	16.0
Glenmark Pharma	GLEPHA	494	560	Buy	13928	26.9	26.4	32.8	39.9	18.3	18.7	15.0	12.4	15.3	12.7	13.8	14.9	13.5	12.2	13.3	14.0
Hikal	HIKCHE	164	165	Buy	2026	8.4	8.1	10.8	13.8	19.7	20.3	15.2	11.9	14.3	13.0	14.2	15.7	13.6	12.2	14.2	15.6
Ipca Laboratories	IPCLAB	2158	2,400	Buy	27260	35.1	47.8	90.4	92.3	61.5	45.1	23.9	23.4	15.0	17.4	26.3	22.1	14.2	16.6	24.1	19.8
Jubilant Life	JUBLIF	798	1,060	Buy	12715	54.9	59.9	62.1	91.3	14.6	13.3	12.9	8.7	14.3	14.4	15.8	20.6	17.8	16.6	14.8	18.0
Lupin	LUPIN	1001	1,030	Buy	45354	16.5	-12.7	26.0	39.7	60.5	NA	38.5	25.2	9.4	9.7	10.5	14.0	5.4	-4.6	8.7	11.8
Narayana Hrudayam	NARHRU	345	340	Buy	7052	2.9	6.4	-3.1	9.6	118.9	54.3	NA	35.9	7.7	11.0	0.0	14.2	5.5	11.4	-5.8	15.7
Natco Pharma	NATPHA	795	950	Buy	14468	35.4	25.3	31.0	29.7	22.5	31.4	25.7	26.8	21.3	14.0	16.1	14.2	18.5	12.2	13.4	11.6
Sun Pharma	SUNPHA	506	625	Buy	121499	15.9	16.8	21.8	24.1	31.9	30.2	23.3	21.0	10.3	10.0	10.7	13.0	9.2	8.9	11.2	11.1
Syngene Int.	SYNINT	562	485	Buy	22472	8.3	10.3	9.2	12.8	67.9	54.5	60.9	43.9	14.8	14.5	13.1	16.4	16.8	15.7	14.5	16.8
Torrent Pharmaceuticals	TORPHA	2851	2,865	Buy	48237	48.9	60.6	72.2	95.5	58.2	47.1	39.5	29.9	14.2	15.4	18.6	21.8	17.5	21.2	21.3	23.2
Shalby	SHALIM	79	70	Hold	853	2.9	2.6	0.7	4.0	26.9	30.9	107.5	19.6	6.8	7.2	1.8	7.0	4.1	3.5	1.0	5.2
Aster DM	ASTDM	132	160	Buy	6594	6.7	5.5	-1.4	9.6	19.8	23.8	NA	13.7	8.3	7.5	2.6	9.7	10.4	8.5	-2.2	13.1
Indoco Remedies	INDREM	268	330	Buy	2473	-0.3	2.6	11.0	15.0	NA	102.6	24.4	17.8	1.0	5.1	13.5	16.9	-0.4	3.5	13.2	15.6
Caplin Point	CAPPOI	584	670	Buy	4420	23.3	28.4	33.2	44.6	25.0	20.6	17.6	13.1	34.6	26.5	26.0	28.0	27.9	22.7	21.4	22.7

Source: ICICI Direct Research, Bloomberg

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