

Strong Q2 with significant margin expansion...

About the stock: Apollo is one of the leading integrated healthcare service provider with avenues like hospitals, pharmacies, primary care & diagnostic clinics.

- Group capacity of 10,231 beds across 71 hospitals in India. Total 8858 beds owned in 44 hospitals; 278 beds in 11 cradles; 244 beds in 11 day-care/short surgical stay centres; 851 beds in five hospitals under O&M contracts
- It has got a digital presence with "ASK Apollo" & digital health platform "Apollo 24/7". Apollo Hospitals is the exclusive supplier for APL, which operates India's largest standalone pharmacy chain with 4,292 outlets
- Apollo Health & Lifestyle Ltd runs the largest chain of standardised primary healthcare models, multi-specialty clinics under the brand: Apollo Clinics in India and Middle East, diabetes management clinics: Apollo Sugar, diagnostic centres: Apollo Diagnostics, specialty formats: Apollo Cradle for women & children, Apollo Spectra for planned surgery

Q2FY22 Results: Apollo reported strong Q2FY22 results.

- Sales were steady at ₹ 3717.1 crore (marginal decline of 1% QoQ)
- EBITDA was at ₹ 615 crore, up 18.3% QoQ with margins at 16.5%
- Consequent adjusted PAT was at ₹ 247.8 crore (up 1.9% QoQ)

What should investors do? Apollo's share price has grown by ~3.7x over the past five years (from ~₹ 1361 in July 2016 to ~₹ 5100 levels in November 2021).

- Upgrade from HOLD to BUY due to resurgence in elective surgeries, better than expected margin expansion and impending value unlocking

Target Price and Valuation: We value Apollo at ₹ 5930 based on SOTP valuation.

Key triggers for future price performance:

- Apollo is undergoing optical transformational journey towards creating an omni-channel healthcare platform that could set the platform for tapping new-age investors enabling rapid scale up of the digital healthcare platform
- Business normalisation in healthcare is expected to continue with further momentum due to lifting of travel restrictions, international patients. Also with strong healthcare pedigree & asset base, the company is on course to integrate all entities digitally to leverage its brand and physical presence
- The new hospitals, ventures are turning profitable on the back of a judicious case mix besides better occupancy & ramp up at new hospitals and AHLL

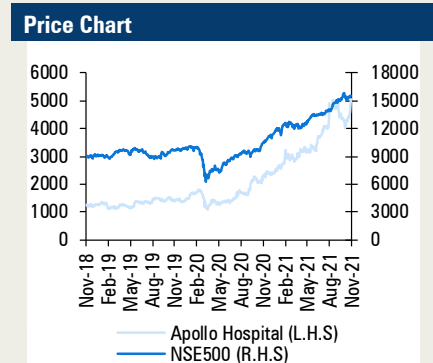
Alternate Stock Idea: Apart from Apollo, in our hospital coverage we like Narayana

- Narayana operates a dual model, which perfectly blends established "Asset-right" India business (more focus towards oncology, transplants etc. besides cardiac pedigree) with a hospital in Cayman Islands
- BUY with a target price of ₹ 650



Particulars	
Particular	Amount
Market Capitalisation	₹ 73330 crore
Debt (FY21)	₹ 2860 crore
Cash (FY21)	₹ 724 crore
EV	₹ 75465 crore
52 week H/L (₹)	5183/2111
Equity capital	₹ 71.9 crore
Face value	₹ 5

Shareholding pattern					
(in %)	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
Promoter	30.8	30.8	29.8	29.8	29.8
Others	69.2	69.2	70.2	70.2	70.2



- ### Recent Event & Key risks
- Acquired a majority stake in 180-bed Excelcare Hospitals in Guwahati
 - Key Risk:** (i) Slower ramp up in elective surgeries (ii) Another Covid-19 wave and lockdowns

Research Analyst
Siddhant Khandekar
siddhant.khandekar@icicisecurities.com

Key Financial Summary

Key Financials (₹ crore)	FY19	FY20	FY21	5 year CAGR (FY16-21)	FY22E	FY23E	2 year CAGR (FY21-23E)
Net Sales	9617.4	11246.8	10560.0	11.2	14765.8	16131.6	23.6
EBITDA	1064.6	1583.4	1137.4	10.6	2374.0	2834.6	57.9
EBITDA margins (%)	11.1	14.1	10.8		16.1	17.6	
PAT	236.0	324.7	113.0	-5.0	1048.6	1429.1	255.6
EPS (₹)	16.4	22.6	7.9		72.9	99.4	
PE (x)	310.7	161.2	487.6		57.9	51.3	
P/BV (x)	22.0	22.0	15.9		13.0	10.7	
RoE (%)	7.1	9.7	2.5		18.6	20.9	
RoCE (%)	8.8	10.2	6.3		18.1	21.7	

Key takeaways of recent quarter & conference call highlights

Q2FY22 Results: Robust performance continues

- Consolidated revenues de-grew 1% QoQ to ₹ 3717 crore (but well above I-direct estimate of ₹ 3148 crore) due to 23% de-growth in pharmacy distribution to ₹ 1167 crore (I-direct estimate: ₹ 1209 crore). Hospitals segment, on the other hand, grew 11.8% QoQ to ₹ 2168.8 crore vs. I-direct estimate of ₹ 1681.7 crore while AHLL revenues grew 23% QoQ to ₹ 381 crore (I-direct estimate: ₹ 257 crore). EBITDA margins improved 272 bps QoQ to 16.5% (I-direct estimate: 15%) mainly due to better gross profit margins, which is attributable to case mix. EBITDA in absolute terms grew 18.3% QoQ to ₹ 615 crore (I-direct estimate: ₹ 473.4 crore). Adjusted net profit for the quarter was at ₹ 247.8 crore vs. profit of ₹ 243.2 crore in Q1FY22 (I-direct estimate: ₹ 185.2 crore). Delta vis-à-vis EBITDA was mainly due to higher tax rate and lower other income
- Apollo Hospitals' Q2FY22 results were a comprehensive beat vis-a-vis I-direct estimates underpinned by strong performance on the hospitals front. After Covid related hindrances last year, the healthcare business is more or less back to normalcy due to rebound in patient visit and elective procedures. Structurally, cost reduction drives, expanding of complex procedures and profitability of new hospitals and AHLL remain key management focus areas. The pharmacy business remains a steady growth engine albeit in a changed structure

Q2FY22 Earnings Conference Call highlights

- The management believes there is still significant headroom for growth in volumes and occupancy in both mature and new hospitals as surgical cases continue to grow and international patients come back
- Q2FY22 occupancy: 4984 beds (65%); Mature hospitals: 3518 beds (65%); New hospitals: 1466 beds (66%)
- Inpatient volumes in Q2FY22 increased by 46% YoY to 120105
- ARPOB (excluding vaccination) in H1FY22 was at ₹ 44186
- Of the 8858 owned hospital beds capacity, 7647 beds were operational and had an occupancy of 65 % in Q2FY22
- International patient as percentage of revenue ~ 1% (Normalised level ~ 10%); local travel patients also below pre-Covid levels and management expects this to normalise, going forward
- Surgical and high-end procedures 5-6% below level of FY20
- Hospital pharmacy revenue – 18% of hospital revenue in Q2FY22
- ARPOB has gone up because –
 - Focus on centres of excellence. High end work like, transplants, TAVI, TAVR, high end cardiac work, minimally invasive
 - Also, 20% premium rooms where the pricing is at a premium
 - Reduced ALOS and patients are there for a less period of time and therefore the revenue intensity.
- Apollo Hospitals acquired a majority stake in 180 bed Excelcare Hospitals in Guwahati
- In Bangalore, the management is looking at brownfield expansion. From the current 500 beds, looking to increase to 800 beds in the next two years
- Also looking at revenue share model and guided for a 400 bedded hospitals coming up in Central Mumbai, supported by the hospital in Navi Mumbai
- Digital healthcare app Apollo 24/7 ~ over 2 lakh digital consults during the quarter

- Healthcare Service Group (HCS) revenue grew by 75% in Q2FY22
- HCS EBITDA at ₹ 505.9 crore Q2FY22
 - Mature HCS EBITDA at ₹ 3644 crore (25.0% margin)
 - New HCS EBITDA at ₹ 1277 crore (19.2% margin)
- AHLL – Cradle & clinics reported revenue of ₹ 381.4 crore, EBITDA of ₹ 62.1 crore (16.3% margin)
- H1 margin on the units is ~ 15%, and Ex-Covid on a steady state ~ 9% to 10%. Guidance of ~ 12% to 14% (Mature Centres ~ 17%)
- Cradles: EBITDA margins ~ 14% (Guidance: 18%), Utilisation ~ 60% (Guidance: 75-80%)
- Looking at an expansion through asset-light managed network in the Apollo Spectra (OT utilisation ~ 50%)
- Q2FY22 was driven by a rapid jump up in diagnostics, as well as primary care business, and the rebound on the secondary care format, which are inching closer to the pre-pandemic levels
- Diagnostics witnessed a significant growth in quarter two, registering a 52% YoY increase to ₹ 93 crores, including 56% YoY in non-Covid business, driven by network expansion in new and existing geographies
- Diagnostic revenue from non-Covid from grew 22% QoQ
- Guidance of ~ 25% CAGR growth in next three years with goal to reach ₹ 1000 crore revenue from diagnostics
- The total number of pharmacies as at 4292. Gross additions of 147 stores and closed 18 stores. Net addition of 129 stores in Q2FY22 and 174 stores in H1FY22
- The combined pharmacy platform business reported revenue of ₹ 1529.6 crore in Q2FY22 compared to a revenue of ₹ 14738 crore in Q2FY21, 4% growth. Normalised for Covid sales spurt in Q2FY21, YoY growth is ~11%
- Private label sales at 11.26% of revenues in Q2FY22
- The management believes that pharmacy performance will normalise in Q3, and is committed to a growth of close to 20% overall in the offline business. Number of daily footfalls has moved from 4,00,000 footfalls to 5,27,000 footfalls per day
- In pharmacy, ~ 50% of revenue coming from loyalty circle members (offline & online)
- Apollo 24/7 continue to improve on its consumer acquisition trajectory, with over 12 million registrations and increase in the number of pin codes to over 19,000. Break-even for the company is expected in two to three years from now
- Apollo 24/7 fundraise plan is on track and the management guided to announce two significant partnerships by the end of this calendar year

Variance Analysis

	Q2FY22	Q2FY22E	Q2FY21	Q1FY22	YoY (%)	QoQ (%)	Comments
Revenue	3,717.1	3,148.5	2,760.7	3,760.2	34.6	-1.1	Steady QoQ amid rebound in patient visit and elective procedures offsetting decline in Covid revenue
Raw Material Expenses	1,872.3	1,694.7	1,505.1	2,062.0	24.4	-9.2	
Employee Expenses	456.8	477.3	411.6	443.5	11.0	3.0	
Other expenditure	772.9	503.0	544.2	734.9	42.0	5.2	
EBITDA	615.0	473.4	299.8	519.9	105.1	18.3	
EBITDA (%)	16.5	15.0	10.9	13.8	568 bps	272 bps	QoQ improvement amid change in mix towards high margins elective surgeries
Interest	95.4	84.8	122.3	94.7	-22.0	0.7	
Depreciation	144.8	140.6	149.5	140.6	-3.1	3.0	
Other Income	5.6	20.6	11.3	24.6	-50.3	-77.2	
PBT before EO & Forex	380.5	268.6	39.4	309.3	865.7	23.0	
EO	0.0	0.0	-35.4	-294.1	0.0	0.0	
PBT after Exceptional lte	380.5	268.6	74.8	603.4	408.4	-36.9	
Tax	115.6	80.6	6.6	98.6	1,651.2	17.3	
Tax rate (%)	30.4	30.0	8.8	16.3	244.5	86.0	
Net Profit	247.8	185.2	60.3	489.3	311.2	-49.4	
Adj. Net Profit	247.8	185.2	28.0	243.2	786.5	1.9	QoQ Delta vis-à-vis EBITDA amid higher tax rate and other income
EPS (₹)	17.2	12.9	4.2	34.0	311.2	-49.4	
Key Metrics							
Hospitals	2168.6	1681.7	1237.4	1939.2	75.3	11.8	Total ₹ 140 crore revenues derived from Covid cases
Pharmacy	1167.1	1209.3	361.2	1512.0	223.1	-22.8	QoQ decline amid loss in Covid opportunities
AHLL	381.4	257.4	171.6	309.0	122.3	23.4	QoQ increase due to increase in patient footfalls

Source: Company, ICICI Direct Research

Exhibit 1: Change in estimates

(₹ Crore)	FY22E			FY23E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	13,546.8	14,765.8	9.0	14,605.0	16,131.6	10.5	Changed mainly due to better than expected growth in H1FY22
EBITDA	2,021.0	2,374.0	17.5	2,367.1	2,834.6	19.7	Changed mainly due to better than expected growth in H1FY22
EBITDA Margin (%)	14.9	16.1	118 bps	16.2	17.6	137 bps	Changed due to guidance and better ARPOB and margins in Q2FY22
Adjusted PAT	868.2	1,048.6	20.8	1,104.9	1,429.1	29.3	Changed mainly in sync with EBITDA
EPS (₹)	60.4	72.9	20.7	76.8	99.4	29.4	

Source: ICICI Direct Research

Exhibit 2: Assumptions

(% Growth)	Current			Earlier			
	FY20	FY21	FY22E	FY23E	FY22E	FY23E	
Healthcare Services	5,729.8	5,002.2	8,361.1	8,972.8	7,239.4	7,369.4	Increased mainly due to higher than expected sales in H1FY22
Pharmacy	NA	NA	4,929.7	5,312.2	5,129.4	5,724.2	
AHLL	696.4	681.8	1,475.1	1,846.6	1,178.1	1,511.4	Increased mainly due to higher than expected sales in H1FY22

Source: ICICI Direct Research

Exhibit 3: Financial Summary

	Revenues	Growth	EPS	Growth	P/E	EV/EBITDA	RoNW	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY20	11247	16.9	22.6	37.6	151.3	45.4	9.7	10.2
FY21	10560	-6.1	7.9	-65.2	457.6	62.3	2.5	6.3
FY22E	14766	39.8	72.9	827.8	54.3	29.5	18.6	18.1
FY23E	16132	9.3	99.4	36.3	48.2	24.3	20.9	21.7

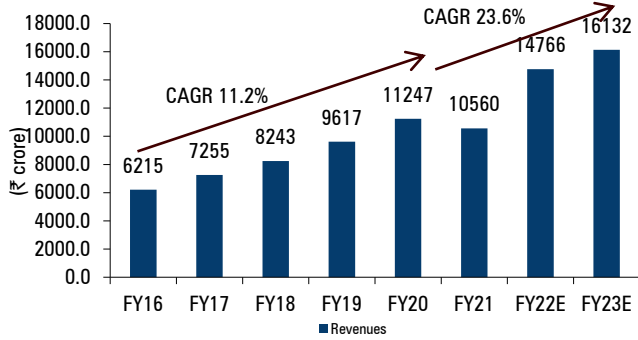
Source: ICICI Direct Research

Exhibit 4: Trends in Quarterly Performance

(₹ crore)	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	YoY (%)	QoQ (%)
Total Operating Incom	2401.6	2495.0	2499.5	2571.9	2840.7	2911.7	2922.4	2171.5	2760.7	2759.8	2868.0	3760.2	3717.1	34.6	-1.1
Raw Material Expense	1227.1	1210.1	1198.7	1237.8	1372.9	1417.2	1471.1	1217.5	1505.1	1486.5	1475.0	2062.0	1872.3	24.4	-9.2
as % revenues	51.1	48.5	48.0	48.1	48.3	48.7	50.3	56.1	54.5	53.9	51.4	54.8	50.4		
Gross Profit	1174.5	1285.0	1300.8	1334.1	1467.9	1494.6	1451.4	954.0	1255.6	1273.3	1392.9	1698.3	1844.7	46.9	8.6
GPM (%)	48.9	51.5	52.0	51.9	51.7	51.3	49.7	43.9	45.5	46.1	48.6	45.2	49.6		
Employee Expenses	367.1	418.1	425.6	433.4	468.7	475.4	475.5	448.6	411.6	352.4	388.4	443.5	456.8	11.0	3.0
as % revenues	15.3	16.8	17.0	16.9	16.5	16.3	16.3	20.7	14.9	12.8	13.5	11.8	12.3		
Other expenditure	535.5	587.8	581.5	546.4	580.2	589.2	595.8	469.9	544.2	530.7	592.7	734.9	772.9	42.0	5.2
as % revenues	22.3	23.6	23.3	21.2	20.4	20.2	20.4	21.6	19.7	19.2	20.7	19.5	20.8		
Total expenditure	2129.7	2215.9	2205.8	2217.6	2421.7	2481.7	2542.4	2136.0	2460.9	2369.6	2456.1	3240.3	3102.1	26.1	-4.3
EBITDA	271.9	279.1	293.7	354.3	419.0	430.0	380.1	35.5	299.8	390.3	411.8	519.9	615.0	105.1	18.3
EBITDA Margins (%)	11.3	11.2	11.8	13.8	14.7	14.8	13.0	1.6	10.9	14.1	14.4	13.8	16.5	568 bps	272 bps
Depreciation	93.6	98.4	104.9	144.0	154.5	157.3	163.9	160.2	149.5	125.0	138.5	140.6	144.8	-3.1	3.0
Interest	79.1	84.4	85.4	125.8	134.3	137.4	135.2	127.4	122.3	101.0	98.6	94.7	95.4	-22.0	0.7
Other Income	6.3	12.5	11.8	9.9	3.5	9.7	4.0	7.7	11.3	5.5	20.5	24.6	5.6	-50.3	-77.2
PBT	105.6	108.7	115.2	94.4	133.7	144.9	84.9	-244.4	39.4	169.8	195.2	309.3	380.5	865.7	23.0
Less: Exceptional Iterr	0.0	0.0	0.0	0.0	0.0	0.0	198.3	0.0	35.4	0.0	25.2	294.1	0.0		
Total Tax	34.8	53.1	39.1	45.3	50.6	55.4	74.0	-40.8	6.6	51.2	67.7	98.6	115.6	1,651.2	17.3
Tax rate (%)	33.0	48.9	33.9	47.9	37.8	38.2	87.2	16.7	16.8	30.1	34.7	31.9	30.4		
PAT	80.3	57.0	84.9	57.2	86.2	92.1	219.4	-208.2	60.3	130.5	167.9	489.3	247.8	311.2	-49.4
Net Profit Margin (%)	3.3	2.3	3.4	2.2	3.0	3.2	7.5	-9.6	2.2	4.7	5.9	13.0	6.7		
EPS (Adjusted)	5.6	4.0	5.9	4.0	6.0	6.4	15.3	-14.5	4.2	9.1	11.7	34.0	17.2		

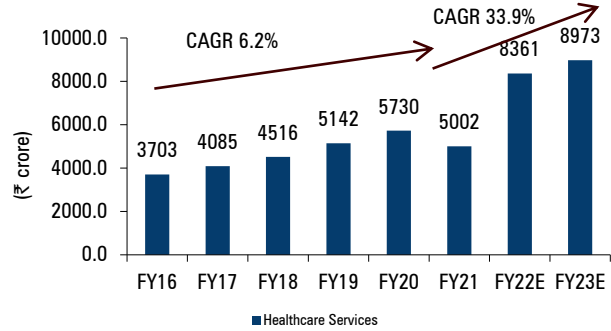
Source: ICICI Direct Research

Exhibit 5: Revenues to grow at CAGR of 24% over FY21-23E



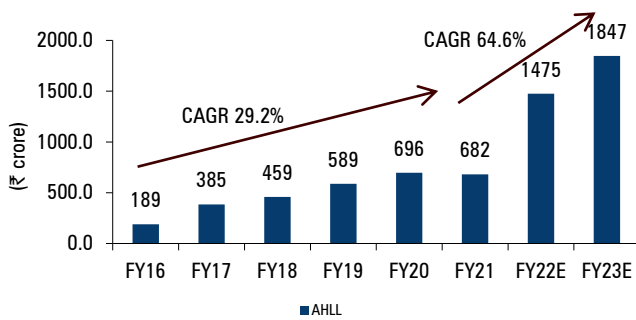
Source: ICICI Direct Research, Company

Exhibit 6: Hospitals to grow at CAGR of 34% over FY21-23E



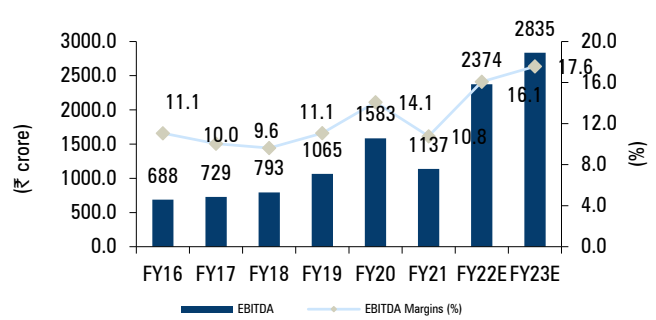
Source: ICICI Direct Research, Company

Exhibit 7: AHLL to grow at CAGR of ~65% over FY21-23E



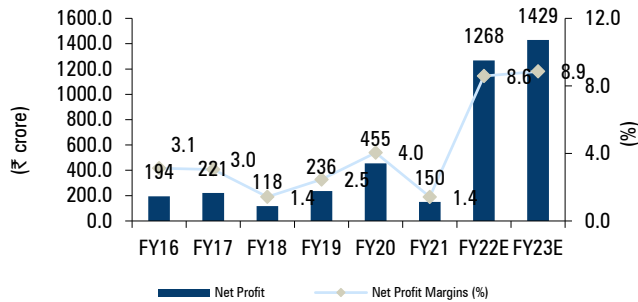
Source: ICICI Direct Research, Company

Exhibit 8: EBITDA & EBITDA margins trend



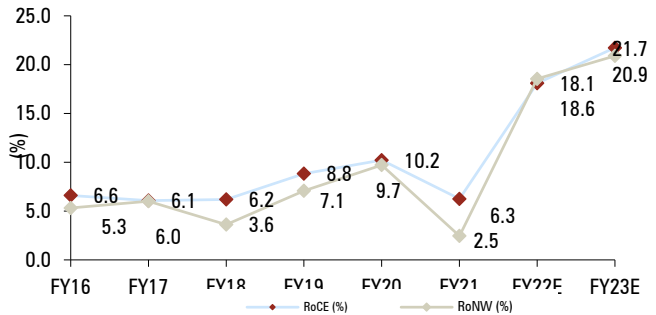
Source: ICICI Direct Research, Company

Exhibit 9: PAT & PAT margins trend



Source: ICICI Direct Research, Company

Exhibit 10: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 11: Valuation

Particulars	FY23E (₹ cr)	Valuation Matrix	Multiple (x)	EV (₹ cr)
Healthcare (Existing Hospitals & JV)	1588.2	EV/EBITDA	22.0	34,941
Healthcare (New Hospitals)	2842.9	EV/Sales	4.0	11,372
Pharmacy	5192.2	EV/Sales	4.0	20,769
AHLL	1846.6	EV/Sales	10.0	18,466
Net Debt FY23E (₹ cr)				304.8
Targeted MCap (₹ cr)				85,243
No of shares (cr)				14.4
Per Share Value (₹)				5,930

Source: ICICI Direct Research

Exhibit 12: ICICI Direct Universe Coverage (Healthcare)

Company	I-Direct Code	CMP (₹)	TP Rating	M Cap (₹ cr)	EPS (₹)				PE(x)				RoCE (%)				RoE (%)				
					FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	
Ajanta Pharma	AJAPHA	2174	2,500	Buy	18816	53.4	74.0	79.3	89.3	40.7	29.4	27.4	24.3	24.7	29.0	25.2	23.8	18.1	21.8	19.9	19.2
Alembic Pharma	ALEMPHA	789	790	Hold	15518	44.4	59.9	33.3	39.6	17.8	13.2	23.7	19.9	21.0	24.2	11.9	13.9	27.1	23.0	11.7	12.6
Apollo Hospitals	APOHOS	5100	5,930	Buy	73330	22.6	7.9	72.9	99.4	225.8	648.8	69.9	51.3	10.2	6.3	18.1	21.7	9.7	2.5	18.6	20.9
Aurobindo Pharma	AURPHA	693	795	Hold	40594	48.8	55.0	50.3	61.2	14.2	12.6	13.8	11.3	17.2	16.9	13.8	15.2	17.0	14.7	11.9	12.8
Biocon	BIOCON	356	380	Hold	42702	5.8	6.1	5.4	9.3	61.2	58.5	66.1	38.4	10.2	7.6	7.8	10.0	10.4	9.6	7.9	12.2
Cadila Healthcare	CADHEA	493	563	Hold	50419	14.0	21.5	21.9	22.8	35.3	22.9	22.4	21.6	10.7	12.6	13.7	14.0	13.8	16.9	15.3	14.1
Cipla	CIPLA	927	1,085	Buy	74759	19.2	29.9	34.6	41.8	48.3	31.0	26.8	22.2	12.0	16.3	17.8	18.4	9.8	13.1	13.7	14.6
Divis Lab	DIVLAB	4860	5,815	Buy	129022	51.9	74.7	94.7	116.3	93.7	65.0	51.3	41.8	23.9	27.6	28.8	29.2	18.8	21.3	22.5	23.0
Dr Reddy's Labs	DRREDD	4855	5,170	Hold	80761	121.8	117.3	181.2	204.2	39.9	41.4	26.8	23.8	9.6	13.1	16.3	17.3	13.0	11.1	14.9	14.7
Glenmark Pharma	GLEPHA	524	580	Hold	14786	26.4	32.9	37.7	43.7	19.9	15.9	13.9	12.0	12.7	13.9	15.3	15.9	12.2	13.1	12.5	12.7
Hikal	HIKCHE	507	640	Buy	6249	8.1	10.8	17.2	21.4	62.6	46.9	29.5	23.7	12.8	15.1	17.7	18.5	12.2	14.3	18.7	19.1
Ipca Laboratories	IPCLAB	2213	2,560	Buy	28074	47.6	89.9	89.6	102.4	46.5	24.6	24.7	21.6	17.6	27.1	22.5	21.4	16.6	24.2	19.6	18.3
Jubilant Pharmova	JUBLIF	608	625	Hold	9686	44.6	37.4	44.0	62.6	13.6	16.3	13.8	9.7	11.7	13.7	14.9	18.1	12.7	12.6	13.0	15.7
Lupin	LUPIN	949	1,015	Hold	43094	-12.7	26.9	43.8	36.9	NA	35.4	21.7	25.7	9.7	9.1	8.0	12.6	-4.6	8.8	15.8	11.6
Narayana Hrudalaya	NARHRU	551	650	Buy	11250	6.4	-0.7	16.4	18.3	86.7	NA	33.6	30.1	11.0	1.2	17.5	18.4	11.4	-1.3	23.3	20.9
Natco Pharma	NATPHA	844	925	Hold	15381	25.3	24.2	17.1	20.1	33.4	34.9	49.4	41.9	14.0	13.1	8.4	9.9	12.2	10.7	7.2	8.0
Sun Pharma	SUNPHA	809	965	Buy	194106	16.8	30.0	30.6	32.2	48.2	26.9	26.4	25.1	10.0	14.2	16.7	16.3	8.9	15.5	14.2	13.2
Syngene Int.	SYNINT	589	710	Buy	23576	10.3	10.1	9.8	13.9	57.2	58.2	60.3	42.3	14.5	11.5	12.6	15.5	16.8	13.5	13.2	14.9
Torrent Pharma	TORPHA	2790	3,110	Hold	47213	60.6	74.0	78.3	103.7	46.1	37.7	35.6	26.9	15.4	17.7	21.0	22.6	21.2	21.4	19.4	21.5
Shalby	SHALIM	148	170	Hold	1615	2.6	3.9	4.3	5.7	57.8	37.6	34.0	26.0	7.2	6.5	8.9	8.8	3.5	5.1	5.4	6.7
Aster DM	ASTDM	206	250	Buy	9191	5.7	3.0	10.6	17.2	36.1	69.6	19.5	12.0	7.2	5.4	8.7	12.1	8.7	4.4	13.5	18.0
Indoco Remedies	INDREM	414	575	Buy	4226	2.6	10.1	17.3	23.9	158.1	41.0	23.9	17.3	4.6	11.7	19.8	21.5	3.5	12.1	17.6	20.2
Caplin Point	CAPPOI	873	1,080	Buy	6278	28.4	32.0	38.3	45.0	30.7	27.3	22.8	19.4	26.5	25.4	25.1	24.8	22.7	20.4	20.1	19.4
Granules India	GRANUL	302	350	Hold	7850	12.4	22.2	15.0	23.3	24.3	13.6	20.1	13.0	15.2	24.0	16.1	21.7	16.7	25.3	14.8	18.9
Laurus Labs	LAULAB	481	670	Buy	26570	4.8	18.3	17.6	23.9	101.1	26.2	27.3	20.1	13.0	31.7	25.1	28.0	14.4	37.9	27.4	27.9

Source: ICICI Direct Research

Financial Summary

Exhibit 13: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Revenues	11,246.8	10,560.0	14,765.8	16,131.6
Growth (%)	16.9	-6.1	39.8	9.3
Raw Material Expenses	5,498.9	5,684.2	7,592.0	7,943.4
Employee Expenses	1,852.9	1,601.0	1,796.1	1,962.2
Other expenditure	2,311.6	2,137.4	3,003.7	3,391.4
Total Operating Expenditure	9,663.4	9,422.6	12,391.7	13,297.1
EBITDA	1,583.4	1,137.4	2,374.0	2,834.6
Growth (%)	48.7	-28.2	108.7	19.4
Depreciation	619.7	573.1	574.8	599.8
Interest	532.8	449.2	380.9	257.9
Other Income	27.0	45.0	41.3	96.8
PBT before exceptionals	457.9	160.1	1,459.7	2,073.6
Less: Exceptional Items	-198.3	-60.6	-294.1	0.0
PBT	656.2	220.7	1,753.8	2,073.6
Total Tax	225.2	84.7	448.0	622.1
MI & Profit from Associates	23.9	14.4	-38.2	-22.5
Adjusted PAT	324.7	113.0	1,048.6	1,429.1
Growth (%)	37.6	-65.2	827.8	36.3
EPS (Adjusted)	22.6	7.9	72.9	99.4

Source: Company, ICICI Direct Research

Exhibit 14: Cash flow statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Profit/(Loss) after taxation	259.4	172.1	1,267.6	1,429.1
Add: Depreciation & Amortization	619.7	573.1	574.8	599.8
Working Capital Changes	-83.1	-72.1	-164.5	-51.3
CF from operating activities	796.0	673.1	1,677.9	1,977.6
Change in Capex	-510.0	247.4	-500.0	-400.0
(Inc)/dec in Investments	229.6	-942.5	-300.0	-300.0
Others	19.9	19.3	73.3	64.7
CF from investing activities	-260.5	-675.8	-726.7	-635.3
Issue of Equity	0.0	1,152.0	0.0	0.0
Inc/(dec) in loan funds	-57.1	-898.5	-700.0	-700.0
Dividend paid & dividend tax	-155.1	-38.3	-217.7	-245.5
Others	-697.3	-555.3	0.0	0.0
CF from financing activities	-909.6	-340.1	-917.7	-945.5
Net Cash flow	-374.1	-342.8	33.5	396.8
Opening Cash	347.0	466.8	724.4	757.9
Closing Cash	-27.2	124.0	757.9	1,154.8
Free Cash Flow	285.9	920.5	1,177.9	1,577.6

Source: Company, ICICI Direct Research

Exhibit 15: Balance Sheet				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Equity Capital	69.6	71.9	71.9	71.9
Reserve and Surplus	3,269.5	4,530.7	5,580.5	6,764.1
Total Shareholders funds	3,339.1	4,602.6	5,652.4	6,836.0
Total Debt	3,595.6	2,859.6	2,159.6	1,459.6
Deferred Tax Liability	294.2	260.5	265.7	271.0
Minority Interest	130.7	199.9	241.5	274.1
Long term provisions	10.1	22.3	22.8	23.2
Other Non Current Liabilities	2,375.0	1,820.3	1,856.7	1,893.9
Total Liabilities	9,744.7	9,765.2	10,198.7	10,757.8
Gross Block - Fixed Assets	7,429.2	7,713.6	8,213.6	8,613.6
Accumulated Depreciation	1,996.6	2,299.5	2,874.3	3,474.2
Net Block	5,432.6	5,414.1	5,339.3	5,139.4
Capital WIP	235.5	233.9	233.9	233.9
Goodwill on Consolidation	346.2	375.3	375.3	375.3
Total Fixed Assets	7,661.7	7,006.9	6,932.0	6,732.2
Investments	440.0	1,347.9	1,647.9	1,947.9
Inventory	737.8	249.5	348.8	381.1
Debtors	1,027.2	1,331.2	1,861.3	2,033.5
Loans & Advances, & other CA	456.4	645.6	332.1	294.9
Cash	466.8	724.4	757.9	1,154.8
Total Current Assets	2,572.0	2,643.7	3,313.5	3,921.7
Creditors	908.8	1,159.9	1,621.9	1,771.9
Provisions & Other CL	393.0	410.6	426.2	474.9
Total Current Liabilities	1,593.7	1,651.7	2,123.5	2,283.5
Net Current Assets	978.3	992.0	1,190.0	1,638.1
Long term loans & advances	615.1	393.3	401.2	409.2
Deferred Tax Assets	49.6	25.2	27.7	30.4
Application of Funds	9,744.7	9,765.2	10,198.7	10,757.8

Source: Company, ICICI Direct Research

Exhibit 16: Key ratios				
(Year-end March)	FY20	FY21	FY22E	FY23E
Per share data (₹)				
Adjusted EPS	22.6	7.9	72.9	99.4
BV per share	232.2	320.1	393.1	475.4
Dividend per share	7.2	3.0	15.1	17.1
Cash Per Share	32.5	50.4	52.7	80.3
Operating Ratios (%)				
Gross Profit Margins	51.1	46.2	48.6	50.8
EBITDA margins	14.1	10.8	16.1	17.6
Net Profit margins	2.9	1.1	7.1	8.9
Inventory days	23.9	8.6	8.6	8.6
Debtor days	33.3	46.0	46.0	46.0
Creditor days	29.5	40.1	40.1	40.1
Asset Turnover	1.5	1.4	1.8	1.9
EBITDA Conversion Rate	50.3	59.2	70.7	69.8
Return Ratios (%)				
RoE	9.7	2.5	18.6	20.9
RoCE	10.2	6.3	18.1	21.7
RoIC	10.9	6.5	19.8	24.2
Valuation Ratios (x)				
P/E	161.2	487.6	57.9	51.3
EV / EBITDA	48.2	66.2	31.4	25.9
EV / Net Sales	6.8	7.1	5.1	4.6
Market Cap / Sales	6.5	6.9	5.0	4.5
Price to Book Value	22.0	15.9	13.0	10.7
Solvency Ratios				
Debt / EBITDA	2.3	2.5	0.9	0.5
Debt / Equity	1.1	0.6	0.4	0.2
Net Debt / Equity	1.0	0.6	0.4	0.2
Current Ratio	1.3	1.2	1.2	1.2

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

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Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruiti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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