

## Ajanta Pharmaceuticals (AJAPHA) ₹ 1659

### Upbeat numbers driven by Asia and US...

- Revenues grew 12% YoY to ₹ 477 crore (I-direct estimate: ₹ 436 crore) on the back of 14% growth in domestic sales to ₹ 140 crore (I-direct estimate: ₹ 143 crore) and sharp jump in US sales.
- EBITDA margins improved 82 bps YoY to 33.8% (I-direct estimates: 33%) driven by 308 bps increase in gross margins to 80.7%. EBITDA increased 15% YoY to ₹ 161 crore (I-direct estimate: ₹ 144 crore)
- Adjusted net profit increased 6% YoY to ₹ 114 crore (I-direct estimate: ₹ 104 crore)

### Domestic formulations- Focus on new launches and few therapies

Domestic branded formulations constitute 31% of the FY17 revenues. The main distinguishing factor is the uncanny knack of launching maximum number of first time launches with focus on New Drug Delivery System (NDDS). Of the 200+ actively marketed brands, 70% brands were introduced first time in India. The focus on specialty therapies and niche product led APL to post a strong growth at a CAGR of 22% in FY12-17, far higher than industry growth of ~12%. Going ahead we expect domestic formulations to grow at a CAGR of 15% between FY17-19E to ₹ 813 crore driven by a mix of existing products + new launches.

### Exports traction manly from emerging markets

Export formulations constitute 66% of the FY17 revenues. The company is currently deriving almost entire export revenues from emerging regions such as Africa (Franco Africa), Asia, Latam and US having presence in more than 31 countries. As opposed to the common practice of forging alliances with regional pharmaceutical players, APL's front-end marketing team interacts directly with doctors. The company has consistently introduced new products in these markets. Overall export formulations have grown at a CAGR of 24% between FY12-17 to ₹ 1319 crore. We expect exports to grow at a CAGR of 9% between FY17-19E to ₹ 1557 crore driven by US launches.

### One of the best matrix among peers

With focus on niche therapies in the domestic formulations and a calculated approach in the exports market, APL remains an interesting candidate from the mid-cap pharma space with high growth rates, strong margins, commendable return ratios and lighter balance sheet. At this juncture the company is well poised to foray in the US market with its own sales team in the foray. The company has filed 34 ANDAs and has received 17 product approvals. US sales are likely jump from a mere ₹ 14 crore in FY16 to ₹ 313 crore by FY19 on the back of consistent launches on lower base. Approval for Dahej facility is also likely to support growth.

### Good head start in the US but pricing pressure looms; maintain Buy

US sales were down sequentially on account of price erosion and rupee appreciation. However, the current run rate is still strong with scores of products lined up for launch in the next 18-24 months. Repatriation concerns in the Asian markets (middle east in particular) are likely to wane due to stability in crude prices. However the mangement envisages reduction in overall size of African tender business to the tune of 10-12% in FY18. On the domestic front, the management expects 15-16% growth in FY18. Broadly, the company continues to be on a stretched capex mode over the two-three years to bolster the domestic business and US sales. Despite Capex intensity the company remains on track to generate similar kind of FCF, reflecting the core strength in earnings besides healthy return ratios. We maintain BUY with a target price of ₹1880 based on 26x of FY19E EPS of ₹72.4.

#### Rating matrix

Rating	:	Buy
Target	:	₹ 1880
Target Period	:	12-15 months
Potential Upside	:	13%

#### What's Changed?

Target	Changed from ₹ 1960 to ₹ 1880
EPS FY18E	Changed from ₹ 66.3 to ₹ 61.7
EPS FY19E	Changed from ₹ 75.3 to ₹ 72.4
Rating	Unchanged

#### Quarterly Performance

	Q4FY17	Q4FY16	YoY (%)	Q3FY17	QoQ (%)
Revenue	476.8	425.7	12.0	533.1	-10.6
EBITDA	161.4	140.6	14.8	178.0	-9.3
EBITDA (%)	33.8	33.0	82 bps	33.4	46 bps
Adj. Net Profit	114.0	107.5	6.1	142.6	-20.0

#### Key Financials

(₹ crore)	FY16	FY17E	FY18E	FY19E
Revenues	1727.5	1996.8	2173.4	2453.6
EBITDA	580.4	689.0	749.8	871.0
Net Profit	401.4	513.6	545.4	639.3
EPS (₹)	45.4	58.5	61.7	72.4

#### Valuation summary

	FY16	FY17E	FY18E	FY19E
PE (x)	36.5	28.4	26.9	22.9
M.Cap/ Revenues (x)	8.5	7.3	6.7	6.0
EV to EBITDA (x)	25.2	20.9	19.0	16.0
Price to book (x)	12.5	9.2	7.2	5.8
RoNW (%)	34.2	32.6	27.0	25.2
RoCE (%)	42.9	40.6	33.8	31.7

#### Stock data

Particular	Amount
Market Capitalisation	₹ 14600 crore
Debt (FY17)	₹ 7 crore
Cash (FY17)	₹ 76 crore
EV	₹ 14531 crore
52 week H/L	2150/1399
Equity capital	₹ 17.7 crore
Face value	₹ 2

#### Price performance (%)

	1M	3M	6M	1Y
Ajanta Pharma	-8.4	-4.8	-16.8	7.4
Alembic Pharma	5.0	6.5	-7.7	-0.8
Torrent Pharma	0.5	8.6	-1.1	-2.3

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### Variance analysis

	Q4FY17	Q4FY17E	Q4FY16	Q3FY17	YoY (%)	QoQ (%)	Comments
Revenue	476.8	436.1	425.7	533.1	12.0	-10.6	YoY growth on the back of 14% growth in domestic branded formulations and sharp jump in US sales. Beat vis-à-vis I-Direct estimates was mainly due to higher-than-expected Asian sales
Raw Material Expenses	92.3	100.3	95.5	106.4	-3.4	-13.3	308 bps YoY increase in gross margins mainly due to improvement in product mix
Employee Expenses	75.5	61.1	69.0	77.4	9.5	-2.5	
Other Expenditure	147.7	130.8	120.7	171.3	22.3	-13.8	Includes ₹ 16 crore of forex loss
Total Operating Expenditure	315.4	292.2	285.1	355.1	10.6	-11.2	
EBITDA	161.4	143.9	140.6	178.0	14.8	-9.3	
EBITDA (%)	33.8	33.0	33.0	33.4	82 bps	46 bps	YoY improvement in gross margins and lower employee expenditure partially offset by forex loss
Interest	0.9	0.8	1.1	0.8	-20.5	8.5	
Depreciation	18.9	15.3	12.1	15.3	57.0	23.7	
Other income	2.4	8.7	2.6	19.2	-8.4	-87.5	
PBT before EO	144.0	136.5	132.4	181.1	8.7	-20.5	
Less: Exceptional Items	0.0	0.0	0.0	0.0	0.0	0.0	
PBT	144.0	136.5	132.4	181.1	8.7	-20.5	
Tax	30.0	32.8	24.9	38.5	20.3	-22.1	
MI & Share of loss/ (gain) asso.	0.0	0.0	0.0	0.0	0.0	0.0	
Adj. Net Profit	114.0	103.8	107.5	142.6	6.1	-20.0	Delta vis-à-vis EBITDA growth was largely due to higher depreciation, taxation and lower other income
<b>Key Metrics</b>							
Domestic	140.0	142.9	122.7	154.0	14.1	-9.1	YoY growth driven by 24% growth each in in Cardiology and ophthalmology segment to ₹ 57 crore and ₹ 36 crore respectively. Dermatology grew mere 3% YoY to ₹ 31 crore while pain management segment declined 23% YoY to ₹ 9 crore.
Exports	316.0	280.5	300.0	361.0	5.3	-12.5	US sales increased to ₹ 45 crore against ₹ 5 crore in Q4FY16. Asia business grew 15% YoY to ₹137 crore while African business declined 24% YoY to ₹ 132 crore. Beat vis-à-vis I-Direct estimates was mainly due to higher-than-expected Asian market sales

Source: Company, ICICIdirect.com Research

### Change in estimates

(₹ Crore)	FY18E			FY19E			
	Old	New	% Change	Old	New	% Change	
Revenue	2,357.0	2,173.4	-7.8	2,654.3	2,453.6	-7.6	Trimmed US and African tender business as per management guidance
EBITDA	813.2	749.8	-7.8	915.7	871.0	-4.9	
EBITDA Margin (%)	34.5	34.5	0 bps	34.5	35.5	100 bps	Expect better operating leverage in FY19E
PAT	585.8	545.4	-6.9	665.3	639.3	-3.9	Changed in sync with EBITDA and changes in tax rate
EPS (₹)	66.3	61.7	-6.9	75.3	72.4	-3.9	

Source: Company, ICICIdirect.com Research

### Assumptions

(₹ crore)	Current				Earlier		
	FY16	FY17E	FY18E	FY19E	FY18E	FY19E	
Branded - domestic	503.7	593.0	686.5	795.0	710.0	822.7	
Exports Total	1,176.8	1,319.0	1,395.3	1,557.4	1,494.6	1,654.1	Trimmed US sales and African tender business sales as per management guidance

Source: Company, ICICIdirect.com Research

## Company Analysis

Established in 1973, APL is mainly into exports as well as domestic formulations. As of FY17 the Exports: Domestic formulation ratio stood at 68:32. The company owns five manufacturing facilities- four in Aurangabad, Maharashtra and one in Mauritius. Of this five facilities, only one in Aurangabad in an API facility, rest all formulations. The consolidated revenues, EBITDA and PAT have grown at a CAGR of 24%, 37% and 51%, respectively, in FY12-17. APL had come out with a maiden IPO in March 2000. It raised ₹ 68 crore which was earmarked for capacity expansion and debt repayment.

Domestic formulations constitute 31% of the total consolidated turnover (FY17). This segment has been further segregated into two sub-segments- 1) Branded formulations and 2) Institutional business. Initially the company was catering to institutional business. Institutional sub-segment accounts for ~7% of the domestic formulations and mainly confined to government and institutional tenders. It's only in the last ten years that the focus was shifted to branded formulations business which now accounts for ~93% of the domestic formulations.

The company focuses on only few so called Specialty therapies – Ophthalmology, Dermatology and Cardiology. Together these therapies constitute ~89% of the domestic branded formulations. The company invested heavily in the technology and field force especially in the first five years after the changed focus. The focus was also to offer novel delivery system. From ₹ 17 crore in FY05, the branded formulations have grown at a CAGR of 28% to ₹ 593 crore in FY17. Till date the company has launched ~200+ products out of which 70% are first time launches. The current MR strength is ~3000+. Overall the domestic formulations have grown at a CAGR of 22% between FY12-17 to ₹ 614 crore. The company has only one product under the National List of Essential Medicines (NLEM) 2011 list.

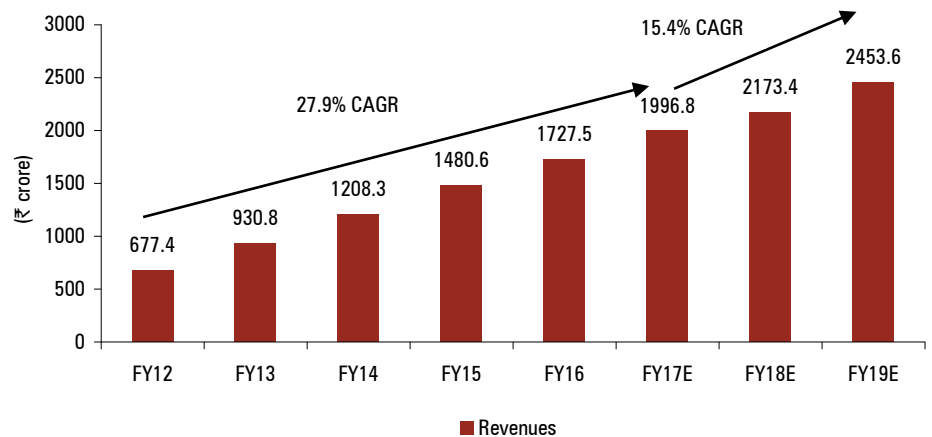
Export formulations constitute 66% of the total consolidated turnover (FY17). Exports are mainly confined to emerging markets and constitute branded generics. APL exports its products in ~31 emerging markets with significant presence in Franco African countries and Philippines.

Africa accounts for ~54% of the Export formulations followed by Asia. The company also participates in Anti-malarial tenders in Africa. It operates through 710+ MRs in these emerging markets and owns a portfolio of 1550 registered brands in these markets encompassing major therapies such as Anti-infectives, Anti-malarials, Ophthalmic, Dermatology, Cardiovascular and GI etc. The company also has marginal presence in Latin America. It has also forayed into regulated markets such as US where it has filed 34 ANDAs and received approvals for 17. Overall export formulations have grown at a CAGR of 24% between FY12-17 to ₹ 1557 crore.

Ajanta Pharma has 5 subsidiaries including one step down subsidiary located in Mauritius, Philippines and the US. The Mauritius subsidiary with an independent manufacturing base mainly caters to the Franco African markets. The subsidiary in Philippines, which is a marketing arm, caters to the Philippines market. The US subsidiary is an administrative office to facilitate US operations.

We expect revenues to grow at a CAGR of 11% to ₹ 2454 crore in FY17-19E, on the back of strong growth in both exports and domestic formulation segments. Exports are likely to grow at a CAGR of 9% to ₹ 1557 crore during the same period to be driven by growth in the legacy export markets of Africa and Asia and commencement of US shipments. Similarly the domestic formulations segment is likely to register a CAGR of 15% to ₹ 813 crore during the same period, to be driven by branded formulations.

**Exhibit 1: Revenues growth trend**



Source: Company, ICICIdirect.com Research

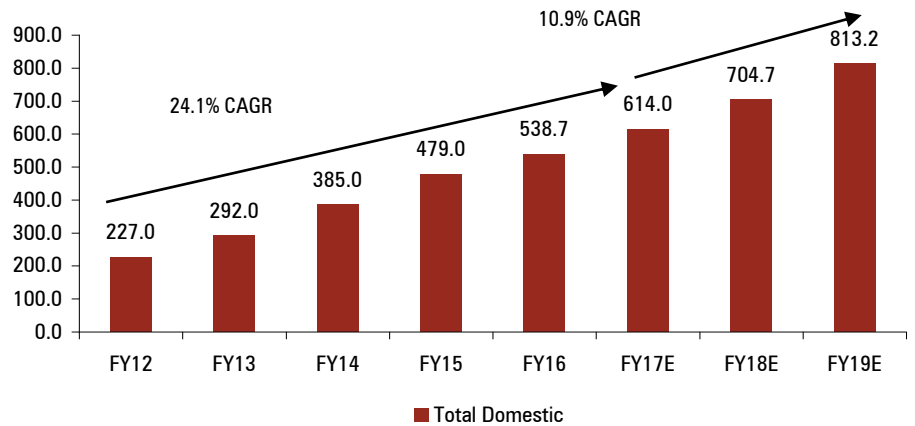
**Domestic formulations-** APL operates in branded (Prescription: Rx, 93.4% of domestic sales) and tender business (6.6% of domestic sales). In the branded space, it has presence in fast growing specialty therapies namely Ophthalmology, Dermatology, chronic therapies such as Cardiovascular (CVS) and in the acute space it has marginal presence in Pain management and Gastrointestinal. APL currently markets ~200+ brands through 3000+ medical representatives (MRs) covering 3 lakh doctors.

Over the years the company has developed a knack of launching maximum number of first launches with focus on New Drug Delivery System (NDDS). It was one of the very few companies to launch products such as Metoprolol (CVS), Rosuvastatin + Clopidogrel (CVS), Hydroquinone + Mometasone + Tretinoin (Derma) etc in the Indian market. The company's first differentiated (NDDS) product Nimesulide (Pain) daily once was launched under the brand name of Nimlodi in FY02. Out of 200+ actively marketed brands, 70% brands were first launches in India. The focus on specialty therapies and niche product led APL to post a strong CAGR of 22% in FY12-17, which is far higher than the industry growth of ~12% (AIOCD data).

As per the latest AIOCD data, APL ranks 33rd in Indian pharmaceutical market with market share 0.62%. Approximately 12% of total domestic sales are under NLEM and they are mainly from CVS category.

The company markets CVS, Ophthalmology and Dermatology products under the divisions of Anvaxx, Illuma and Anasca.. The company launches ~20 new products every year including line extensions. We expect company to continue with 12-15 product launches every year. Overall we expect domestic formulation sales to grow at a CAGR of 15% to ₹ 813 crore in FY17-19E.

**Exhibit 2: Domestic formulation growth likely to be at a CAGR of 15% in FY17-19E**



Source: Company, ICICIdirect.com Research

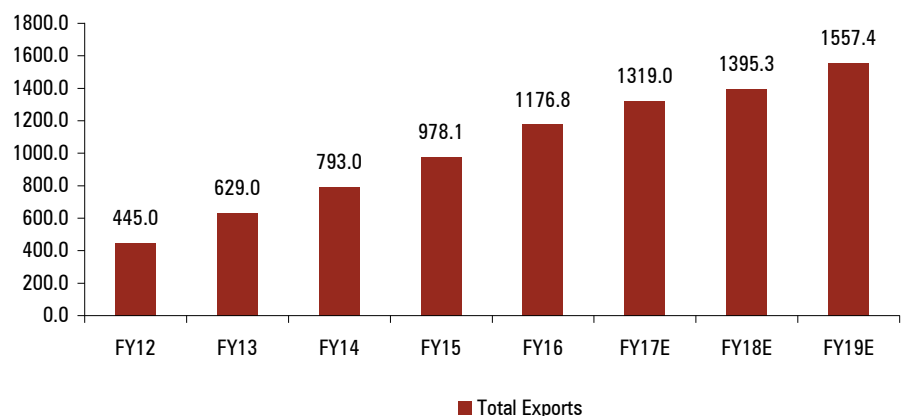
### Formulation Exports

Exports account for 66% of the revenues. APL currently derives almost its entire export revenues from emerging regions like Africa (Franco Africa), Asia and the LatAm having a presence in more than 31 countries. Exports have grown at 24% CAGR in FY12-17.

The company markets its products through a team of 710+ MRs. At present, the company is marketing 1550+ products in these regions.

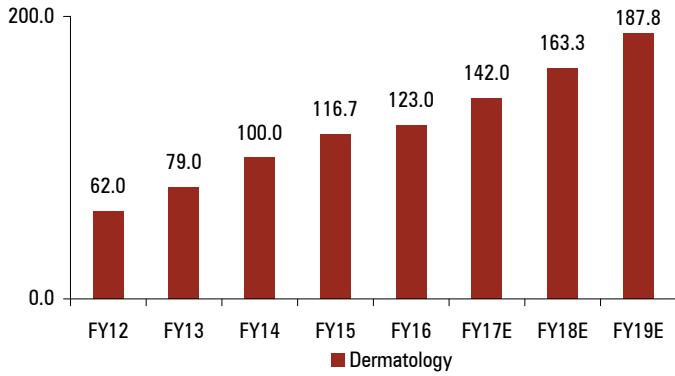
APL's success story in emerging markets was carved out of the so called differentiated approach. According to this, products were developed on the basis of unmet medical needs in a particular geography. As a result, the product basket varied from nation to nation. Similarly, the company resorted to a different strategy of product marketing. As opposed to the common practice of forging alliances with local/regional pharmaceutical players, APL's front-end marketing team interacts directly with doctors. The company has consistently introduced new products in these markets. Overall, we expect export sales to grow at a CAGR of 9% to ₹ 1557 crore in FY17-19E.

**Exhibit 3: Exports to grow at a CAGR of 9% in FY17-19E**



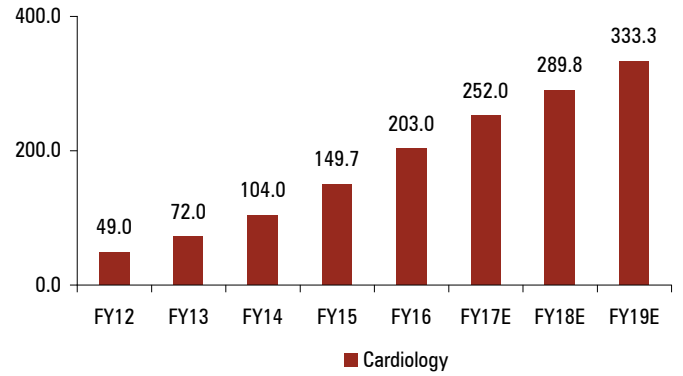
Source: Company, ICICIdirect.com Research

**Exhibit 4: Derma Sales(Dom) to grow at a CAGR of 15% in FY17-19E**



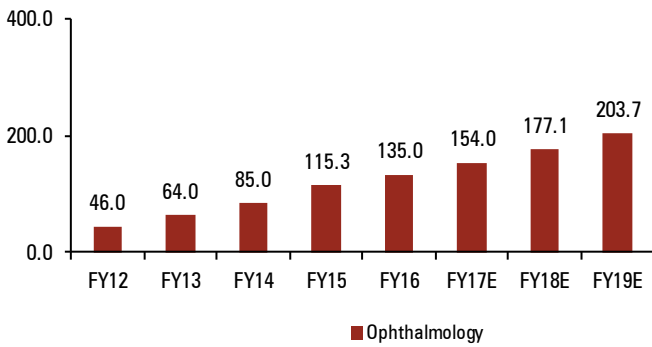
Source: Company, ICICIdirect.com Research

**Exhibit 5: Cardio Sales(Dom) to grow at a CAGR of 15% in FY17-19E**



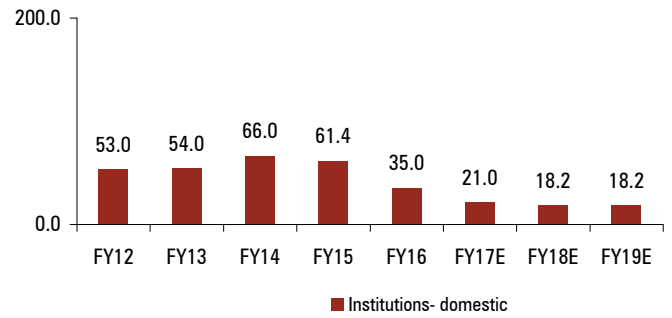
Source: Company, ICICIdirect.com, Research

**Exhibit 6: Ophthalmic Sales (Domestic) at CAGR 15% in FY17-19E**



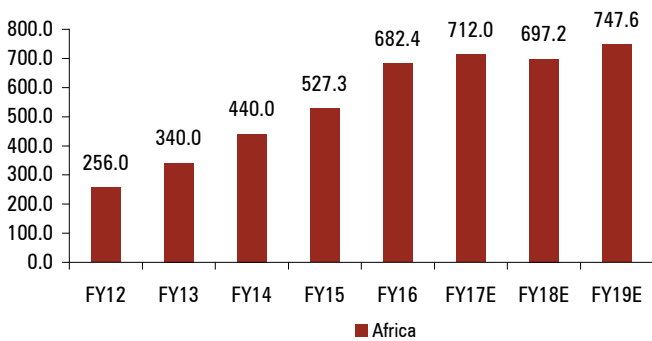
Source: Company, ICICIdirect.com, Research

**Exhibit 7: Institutional Domestic Business**



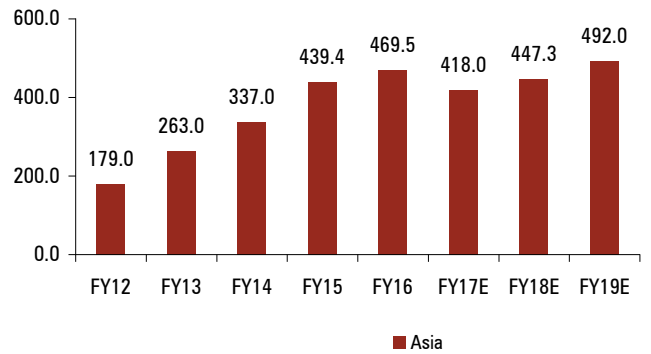
Source: Company, ICICIdirect.com, Research

**Exhibit 8: Africa Sales Exports growth at CAGR 2.5% in FY17-19E**



Source: Company, ICICIdirect.com, Research

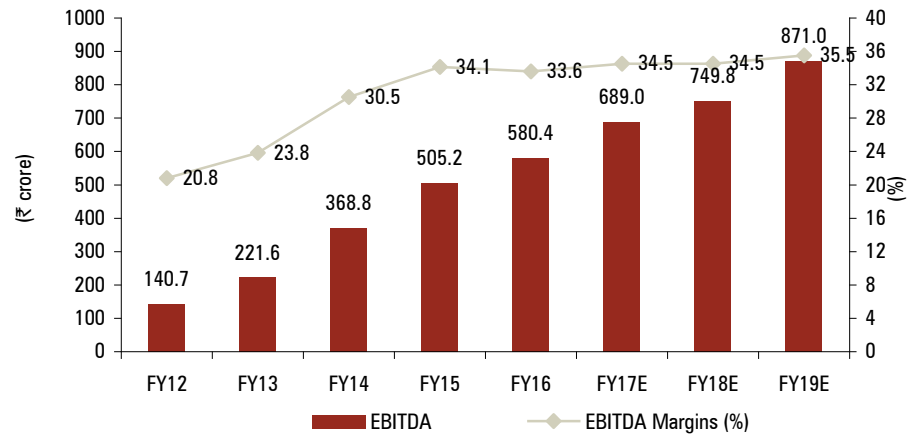
**Exhibit 9: Asia Exports growth at CAGR 8.5% in FY17-19E**



Source: Company, ICICIdirect.com, Research

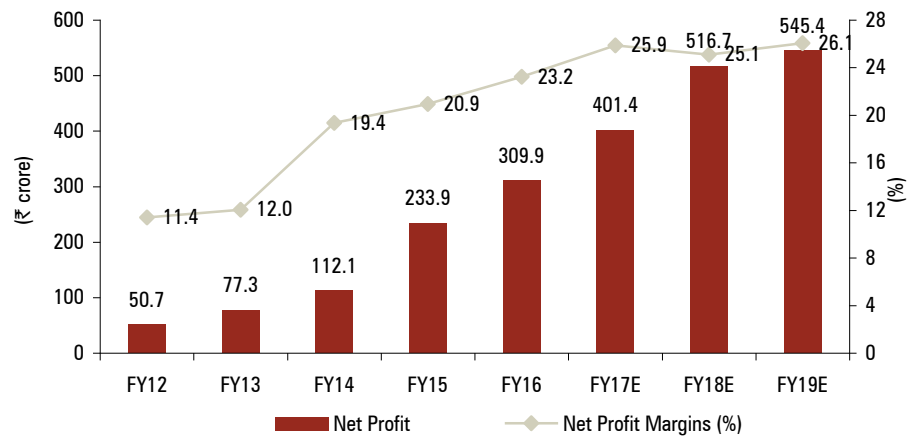


**Exhibit 10: EBITDA to grow at a CAGR of 12.4% in FY17-19E**



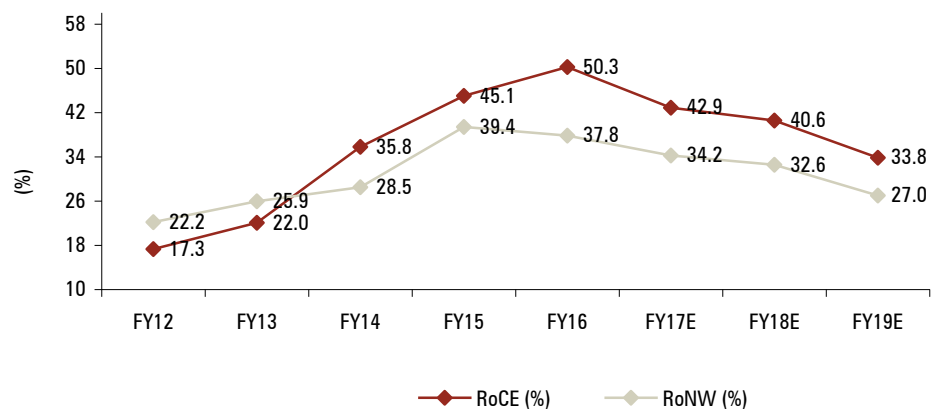
Source: Company, ICICIdirect.com Research

**Exhibit 11: Net profit to grow at a CAGR of 16.6% in FY17-19E**



Source: Company, ICICIdirect.com Research

**Exhibit 12: Trends in return ratios**



Source: Company, ICICIdirect.com Research

**Exhibit 13: Trends in quarterly financials**

(₹ crore)	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	YoY (%)
Net Sales	363.0	385.7	434.5	469.6	419.2	454.2	502.4	515.0	456.1	-2.9
Other Operating Income	8.5	5.7	3.2	7.1	6.5	16.8	13.4	18.1	20.7	192.6
Total Operating Income	371.5	391.4	437.7	476.6	425.7	471.0	515.8	533.1	476.8	0.0
Raw Material Expenses	89.6	103.4	99.5	115.5	95.5	99.4	116.6	106.4	92.3	-20.1
% of Revenue	24.1	26.4	22.7	24.2	22.4	21.1	22.6	20.0	19.3	-488 bps
Gross Profit	281.9	288.0	338.2	361.2	330.3	371.7	399.3	426.7	384.6	6.5
Gross Profit Margin (%)	75.9	73.6	77.3	75.8	77.6	78.9	77.4	80.0	80.7	488 bps
Employee Expenses	54.7	59.2	63.8	64.8	69.0	70.3	72.2	77.4	75.5	16.5
% of Revenue	14.7	15.1	14.6	13.6	16.2	14.9	14.0	14.5	15.8	223 bps
Other Expenditure	96.7	106.2	120.5	132.5	120.7	134.8	144.1	171.3	147.7	11.5
% of Revenue	26.0	27.1	27.5	27.8	28.3	28.6	27.9	32.1	31.0	318 bps
Total Expenditure	241.1	268.8	283.8	312.8	285.1	304.5	332.8	355.1	315.4	0.9
% of Revenue	64.9	68.7	64.9	65.6	67.0	64.6	64.5	66.6	66.2	53 bps
EBITDA	130.4	122.5	153.8	163.9	140.6	166.6	183.1	178.0	161.4	-1.5
EBITDA Margin (%)	35.1	31.3	35.1	34.4	33.0	35.4	35.5	33.4	33.8	-53 bps
Other Income	5.0	8.0	5.4	2.3	2.6	2.4	6.7	19.2	2.4	3.0
Interest	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	0.0
Depreciation	13.2	10.3	11.0	11.7	12.1	13.0	14.0	15.3	18.9	61.3
PBT (bef Excep's)	121.1	119.1	147.2	153.4	130.1	154.9	174.7	180.8	143.8	-6.3
Less: Exceptional Items	8.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
PBT	129.6	119.1	147.2	153.4	130.1	154.9	174.7	180.8	143.8	-6.3
Total Tax	40.8	33.0	47.2	38.7	24.9	38.5	34.5	38.5	30.0	-22.5
Tax rate (%)	31.4	27.7	32.1	25.2	19.1	24.8	19.7	21.3	20.8	-437 bps
PAT	71.5	89.6	100.0	114.3	107.5	119.6	140.5	142.6	114.0	-0.2
PAT Margin (%)	19.2	22.9	22.8	24.0	25.3	25.4	27.2	26.7	23.9	-6 bps

Source: Company, ICICIdirect.com Research

### SWOT Analysis

**Strengths-** Industry beating growth on a consistent basis, Focused approach in the exports space, high return ratios, knack of launching new products on a consistent basis.

**Weakness-** High Product concentration.

**Opportunities-** The US Generics space.

**Threats-** Increased USFDA scrutiny across the globe regarding cGMP issues, pricing pressure due to client consolidation in the US, pricing probe by the Department of Justice (DoJ) in the US, proposed tightening by the new regime by adapting to the bidding process and imposition of border adjustment tax on imported drugs in the US. Increased competition in the domestic formulations space.



### Conference call Highlights

- India MR strength stood at 3000+
- Cumulative ANDAs status stood at 15 pending ANDAs and 2 under tentative approval. The approved ANDAs stood at 17. In FY18, the company expects to file 12-15 ANDAs
- The capex for FY17 stood at ₹ 300 crore and the company expects similar capex spending in FY18
- Africa business included ₹ 80 crore from anti-malarial tenders for Q4FY17 as against ₹ 140 crore in Q3FY17
- Overall African Anti-Malaria tender size has reduced. Hence, the company expects the African tender business to decline by 10-12% in FY18
- Guwahati plant has been partly commissioned (first phase) and second phase commissioning by H2FY18, whereas Dahej facility has been fully commissioned in FY17
- The management has guided for 8% R&D in FY18
- Asian revenues of ₹ 134 crore comprise of South East Asia (40-45%), MENA (45%) and Central Asia (10-15%)
- Forex loss for the quarter stood at ₹ 16 crore and for the year it stood at ₹ 12 crore
- The company is witnessing increased price erosion in US business especially in gZegerid (GI) and gAbilify (CNS)
- Cumulative dividend paid per share (interim + final) for FY17 stood at ₹ 13

#### Exhibit 14: Brand Introduction in Export markets

Region	Brands Registered	Major Segments
Africa	1191	Antibiotic, Anti-malaria, Cardiac, Gynecology
Asia	359	Antibiotic, Derma, Pain, OTC, Ophthal, Cardiac, GI

Source: Company, ICICIdirect.com Research

#### Exhibit 15: Facilities

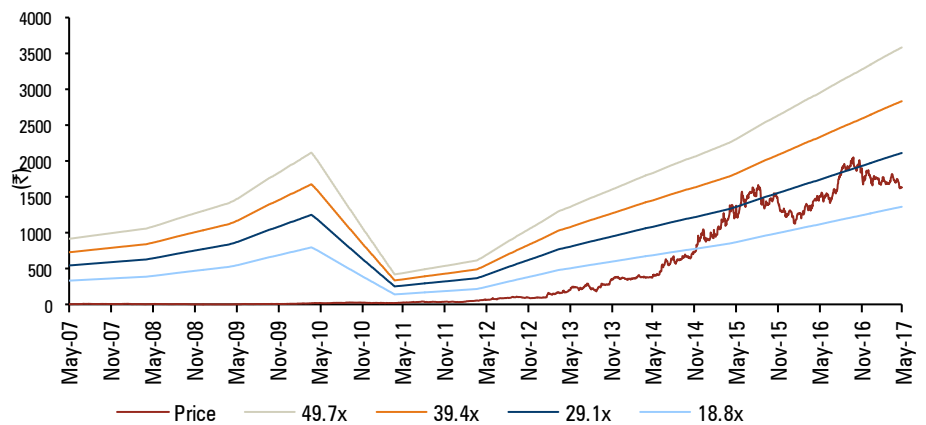
Location	Segment	Regulatory Approvals	Type
Paithan, India (3 Aurangabad facilities)	Formulations	US FDA, UK MHRA, health authorities of Brazil and Colombia, WHO pre-qualification	tablets, capsules, ointments, injections and dry powder
Mauritius	Formulations		
Dahej (upcoming)	Formulations	US FDA	
Guwahati (upcoming)	Formulations		
Aurangabad	API	WHO	

Source: Company, ICICIdirect.com Research

## Valuation

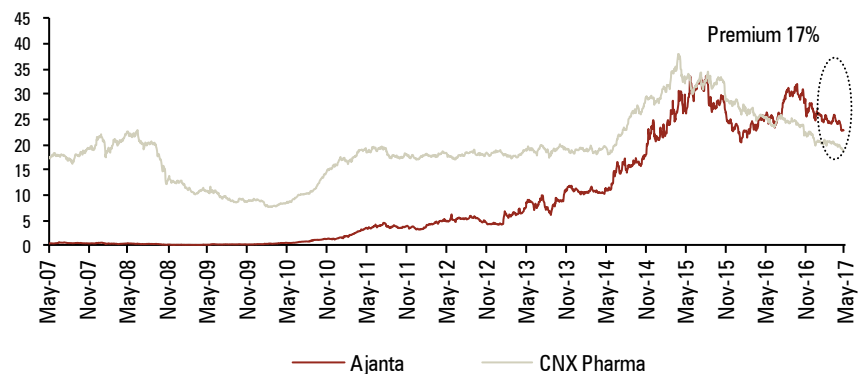
US sales were down sequentially on account of price erosion and rupee appreciation. However, the current run rate is still strong with scores of products lined up for launch in the next 18-24 months. Repatriation concerns in the Asian markets (middle east in particular) are likely to wane due to stability in crude prices. However the management envisages reduction in overall size of African tender business to the tune of 10-12% in FY18. On the domestic front, the management expects 15-16% growth in FY18. Broadly, the company continues to be on a stretched capex mode over the two-three years to bolster the domestic business and US sales. Despite Capex intensity the company remains on track to generate similar kind of FCF, reflecting the core strength in earnings besides healthy return ratios. We maintain BUY with a target price of ₹1880 based on 26x of FY19E EPS of ₹72.4.

**Exhibit 16: One year forward PE**



Source: Company, ICICIdirect.com Research

**Exhibit 17: One year forward PE of company vs. CNX Pharma Index**



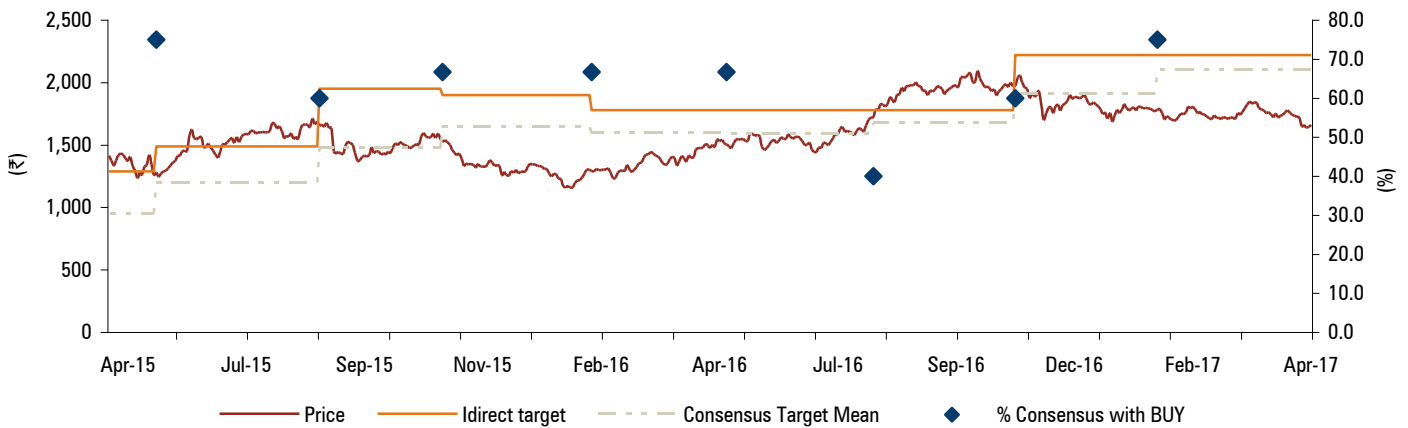
Source: Company, ICICIdirect.com Research

**Exhibit 18: Valuation**

	Revenues (₹ crore)	Growth (%)	EPS (₹)	Growth (%)	P/E (x)	EV/EBITDA (X)	RoNW (%)	RoCE (%)
FY16	1728	16.7	45.4	29.5	36.5	25.2	34.2	42.9
FY17E	1997	15.6	58.5	28.0	28.4	20.9	32.6	40.6
FY18E	2173	8.8	61.7	6.2	26.9	19.0	27.0	33.8
FY19E	2454	12.9	72.4	17.2	22.9	16.0	25.2	31.7

Source: Company, ICICIdirect.com Research

### Recommendation history vs. Consensus



Source: Reuters, Company, ICICIdirect.com Research; Initiated on September 22, 2014

### Key events

Date	Event
Jun-08	Commissions dedicated R&D facility in Kandivali, Mumbai
Mar-09	Enters the Philippines market via incorporation of a subsidiary
Mar-09	USFDA approves Paithan facility
Mar-10	Acquires formulation facility near Aurangabad to cater to ROW markets
Dec-12	Enters regulated markets with first product approval in the US and one for Europe.
Mar-13	Launches first product in the US
Jan-15	Board approves subdivision of shares from ₹ 5 to ₹ 2
Mar-16	Aurangabad facility received EIR with no observations
Mar-16	Dahej facility received one USFDA 483 observation

Source: Company, ICICIdirect.com Research

### Top 10 Shareholders

Rank	Investor Name	Latest Filing Date	% O/S	Position	Position Change
1	Agrawal (Rajesh)	31-Dec	13.1	11.5m	0.0m
2	Agrawal (Yogesh Mannalal)	31-Dec	13.1	11.5m	0.0m
3	Agrawal (Ravi P)	31-Dec	11.5	10.1m	0.0m
4	Agrawal (Ayush Madhusudan)	31-Dec	11.5	10.1m	0.0m
5	Gabs Investments Pvt. Ltd.	31-Dec	9.5	8.4m	0.0m
6	Agrawal (Mansiha Yogesh & Richa Ravi & Aayu)	30-Sep	5.8	5.1m	0.0m
7	Ganga Exports	31-Dec	5.8	5.1m	5.1m
8	Agrawal (Purushottam B)	31-Dec	3.1	2.7m	0.0m
9	Agrawal (Mannalal B)	31-Dec	3.1	2.7m	0.0m
10	Agrawal (Madhusudan B)	31-Dec	3.1	2.7m	0.0m

Source: Reuters, ICICIdirect.com Research

### Shareholding Pattern

(in %)	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Promoter	73.8	73.8	73.8	73.8	73.8
Others	26.2	26.2	26.2	26.2	26.2

### Recent Activity

Buys			Sells		
Investor name	Value (\$)	Shares	Investor name	Value (\$)	Shares
Ganga Exports	134.8m	5.1m	Agrawal (Manisha Yogesh)	-205.6m	-6.8m
Invesco Hong Kong Limited	3.5m	0.2m	Agrawal (Madhusudan B) HUF	-92.7m	-3.1m
Union Investment Luxembourg S.A.	3.6m	0.1m	Agrawal (Mannalal B) HUF	-92.3m	-3.1m
William Blair & Company, L.L.C.	1.5m	0.1m	Agrawal (Purushottam B) HUF	-91.6m	-3.0m
UTI Asset Management Co. Ltd.	1.1m	0.0m	Agrawal (Mamta M)	-54.6m	-1.8m

Source: Reuters, ICICIdirect.com Research

## Financial summary

Profit and loss statement		₹ crore			
(Year-end March)/ (₹ crore)	FY16	FY17E	FY18E	FY19E	
Total Operating Income	1,727.5	1,996.8	2,173.4	2,453.6	
Growth (%)	16.7	15.6	8.8	12.9	
Raw Material Expenses	413.8	414.6	489.0	552.1	
Gross Profit	1,313.7	1,582.2	1,684.4	1,901.5	
Gross Profit Margins (%)	76.0	79.2	77.5	77.5	
Employee Expenses	257.0	295.4	304.3	343.5	
Other Expenditure	476.3	597.7	630.3	687.0	
Total Operating Expenditure	1,147.2	1,307.8	1,423.6	1,582.6	
EBITDA	580.4	689.0	749.8	871.0	
Growth (%)	14.9	18.7	8.8	16.2	
Interest	4.9	3.5	0.3	0.3	
Depreciation	45.1	61.2	72.1	87.8	
Other Income	17.0	30.7	21.7	36.8	
PBT before Exceptional Items	547.4	655.0	699.2	819.7	
Less: Exceptional Items	0.0	0.0	0.0	0.0	
PBT after Exceptional Items	547.4	655.0	699.2	819.7	
Total Tax	146.0	141.3	153.8	180.3	
PAT before MI	401.4	513.6	545.4	639.3	
PAT	401.4	513.6	545.4	639.3	
Growth (%)	29.5	28.0	6.2	17.2	
EPS (Adjusted)	45.4	58.5	61.7	72.4	

Source: Company, ICICIdirect.com Research

Balance sheet		₹ crore			
(Year-end March)/ (₹ crore)	FY16	FY17E	FY18E	FY19E	
Equity Capital	17.7	17.7	17.7	17.7	
Reserve and Surplus	1,154.4	1,567.9	2,004.4	2,516.1	
Total Shareholders funds	1,172.1	1,585.6	2,022.1	2,533.8	
Total Debt	92.9	6.5	6.5	6.5	
Deferred Tax Liability	20.0	27.0	34.7	43.8	
Long-Term Provisions	2.6	2.7	2.9	3.0	
Other Non Current Liabilities	0.5	0.5	0.5	0.5	
Source of Funds	1,288.0	1,622.3	2,066.7	2,587.5	
Gross Block	724.2	917.2	1,142.2	1,367.2	
Accumulated Depreciation	272.6	333.8	405.9	493.7	
Net Block	451.6	583.4	736.3	873.5	
Capital WIP	239.8	344.0	419.0	494.0	
Fixed Assets	691.4	927.4	1,155.3	1,367.5	
Investments	66.4	181.6	381.6	581.6	
Long Term Loans and Advances	21.9	26.3	31.5	37.8	
Other non-Current Assets	4.3	5.1	6.2	7.4	
Inventory	204.6	211.0	229.9	259.5	
Debtors	372.4	321.8	350.6	395.8	
Loans and Advances	64.9	71.4	78.5	86.3	
Other Current Assets	0.7	0.9	1.1	1.3	
Cash	55.0	76.3	55.9	108.2	
Total Current Assets	697.5	681.4	715.9	851.1	
Creditors	145.6	139.7	152.2	171.8	
Provisions	11.4	16.0	19.1	23.0	
Other Current Liabilities	36.5	43.8	52.5	63.1	
Total Current Liabilities	193.4	199.4	223.9	257.8	
Net Current Assets	504.1	482.0	492.1	593.2	
Application of Funds	1,288.0	1,622.3	2,066.6	2,587.5	

Source: Company, ICICIdirect.com Research

Cash flow statement		₹ crore			
(Year-end March)/ (₹ crore)	FY16	FY17E	FY18E	FY19E	
Profit/(Loss) after taxation	401.4	516.7	545.4	639.3	
Add: Depreciation & Amortization	45.1	61.2	72.1	87.8	
Net Increase in Current Assets	-172.1	37.4	-54.9	-82.9	
Net Increase in Current Liabilities	-17.1	6.0	24.4	34.0	
Add: Interest Paid	4.9	3.5	0.3	0.3	
CF from Operating activities	262.2	624.8	587.3	678.6	
Long term Loans & Advances	-12.6	-4.4	-5.3	-6.3	
Investments	-6.9	-115.2	-200.0	-200.0	
(Purchase)/Sale of Fixed Assets	-244.0	-297.2	-300.0	-300.0	
Deferred Tax Liabilities & LT Provisions	-2.2	7.2	7.8	9.2	
CF from Investing activities	-277.5	-410.4	-498.5	-498.4	
(inc)/Dec in Loan	20.6	-86.4	0.0	0.0	
Dividend & Dividend tax	-82.1	-103.1	-108.9	-127.6	
Other	-4.9	-3.5	-0.3	-0.3	
CF from Financing activities	-66.5	-193.0	-109.2	-128.0	
Net Cash Flow	-81.8	21.4	-20.4	52.2	
Cash and Cash Equivalent at the beginning	136.8	55.0	76.3	55.9	
Cash	55.0	76.3	55.9	108.2	
Free Cash Flow	18.2	327.6	287.3	378.6	

Source: Company, ICICIdirect.com Research

Key ratios					
(Year-end March)	FY16	FY17E	FY18E	FY19E	
Per share data (₹)					
Reported EPS	45.4	58.5	61.7	72.4	
Cash EPS	36.1	46.8	49.4	57.9	
BV per share	132.7	179.5	228.9	286.8	
Cash per Share	6.2	8.6	6.3	12.2	
Dividend per share	9.3	11.7	12.3	14.4	
Operating Ratios (%)					
Gross Profit Margins	76.0	79.2	77.5	77.5	
EBITDA margins	33.6	34.5	34.5	35.5	
PAT Margins	23.2	25.9	25.1	26.1	
Inventory days	43.2	38.6	38.6	38.6	
Debtor days	78.7	58.8	58.9	58.9	
Creditor days	30.8	25.5	25.6	25.6	
Asset Turnover	1.3	1.2	1.1	0.9	
EBITDA conversion Rate	45.2	90.7	78.3	77.9	
Return Ratios (%)					
RoE	34.2	32.6	27.0	25.2	
RoCE	42.9	40.6	33.8	31.7	
RoIC	57.8	61.5	56.0	55.8	
Valuation Ratios (x)					
P/E	36.5	28.4	26.9	22.9	
EV / EBITDA	25.2	20.9	19.0	16.0	
EV / Net Sales	8.5	7.2	6.5	5.7	
Market Cap / Sales	8.5	7.3	6.7	6.0	
Price to Book Value	12.5	9.2	7.2	5.8	
Solvency Ratios					
Debt / EBITDA	0.2	0.0	0.0	0.0	
Debt / Equity	0.1	0.0	0.0	0.0	
Current Ratio	3.3	3.0	2.9	2.9	
Quick Ratio	2.3	2.0	1.9	1.9	

Source: Company, ICICIdirect.com Research

## ICICIdirect.com coverage universe (Healthcare)

Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹ Cr)	EPS (₹)				PE(x)			RoCE (%)			RoE (%)					
						FY16	FY17E	FY18E	FY19E	FY16	FY17E	FY18E	FY19E	FY16	FY17E	FY18E	FY19E	FY16	FY17E	FY18E	FY19E
Ajanta Pharma	AJAPHA	1655	1,180	Buy	14563.9	45.4	58.5	61.7	72.4	36.4	28.3	26.8	22.9	42.9	40.6	33.8	31.7	34.2	32.6	27.0	25.2
Alembic Pharma	ALEMPHA	615	615	Hold	11589.0	38.2	22.1	24.6	30.7	16.1	27.9	25.0	20.0	51.5	26.1	23.2	24.8	44.9	21.9	20.8	22.0
Apollo Hospitals	APOHOS	1230	1,440	Buy	17111.7	22.2	22.5	35.2	50.0	55.4	54.6	35.0	24.6	8.2	8.1	11.1	14.7	8.9	8.4	11.8	14.7
Aurobindo Pharma	AURPHA	608	965	Buy	35598.2	33.9	38.7	39.5	49.1	17.9	15.7	15.4	12.4	23.3	23.6	20.9	22.6	28.1	24.6	20.3	20.5
Biocon	BIOCON	1100	1,020	Hold	22079.0	23.1	31.0	25.5	40.8	47.5	35.5	43.1	27.0	9.1	11.4	10.4	15.3	11.4	13.5	10.2	14.5
Cadila Healthcare	CADHEA	445	425	Hold	45556.5	15.0	12.2	16.9	21.5	29.8	36.4	26.3	20.7	26.7	15.2	20.1	23.0	28.6	19.9	22.9	23.8
Cipla	CIPLA	556.5	575	Hold	44767.0	18.5	17.2	24.3	31.4	30.1	32.4	22.9	17.7	12.0	10.5	13.9	16.4	12.5	10.6	13.2	14.9
Divi's Lab	DIVLAB	634	700	Hold	16830.7	41.8	41.1	42.8	47.8	15.2	15.4	14.8	13.3	30.7	26.8	24.4	23.7	25.9	21.6	19.3	18.6
Dr Reddy's Labs	DRREDD	2613	2,930	Hold	43291.1	141.4	74.7	114.7	154.5	18.5	35.0	22.8	16.9	17.3	7.0	11.5	15.1	20.6	10.0	13.6	15.8
Glenmark Pharma	GLEPHA	895	1,155	Buy	25263.9	32.2	61.9	54.0	60.4	27.8	14.5	16.6	14.8	16.2	26.9	20.7	21.9	21.2	29.3	20.5	18.8
Indoco Remedies	INDREM	226	235	Hold	2082.6	9.4	8.7	12.7	15.6	24.1	25.9	17.8	14.5	12.9	9.5	13.9	16.1	14.8	12.4	15.8	16.8
Ipca Laboratories	IPCLAB	595	560	Hold	7512.9	10.0	15.0	24.1	31.1	59.4	39.6	24.7	19.2	5.7	9.8	12.7	14.8	5.5	7.8	11.3	13.0
Jubilant Life	JUBLIF	767	810	Buy	12216.9	26.0	37.0	51.1	68.0	29.5	20.8	15.0	11.3	12.0	14.1	15.6	18.5	14.2	17.1	19.4	20.7
Lupin	LUPIN	1341	1,760	Buy	60541.7	50.4	61.7	67.2	83.6	26.6	21.7	19.9	16.0	18.6	20.2	20.8	23.9	20.7	20.9	19.2	19.9
Natco Pharma	NATPHA	926	870	Buy	16140.9	8.5	25.3	14.8	18.2	109.2	36.6	62.8	50.9	16.0	33.0	17.6	19.2	11.9	27.2	14.0	15.0
Sun Pharma	SUNPHA	640	765	Buy	153526.8	23.4	30.3	29.9	35.3	27.3	21.1	21.4	18.1	18.6	19.3	17.3	17.9	18.0	19.4	16.5	16.8
Syngene Int.	SYNINT	498	515	Hold	9950.0	11.1	14.3	14.0	18.4	45.0	34.7	35.5	27.1	13.2	16.8	16.0	19.9	21.0	21.9	17.9	19.4
Torrent Pharma	TORPHA	1408	1,475	Buy	23825.7	107.8	57.0	62.1	77.4	13.1	24.7	22.7	18.2	46.7	21.5	23.7	26.4	53.8	23.5	21.4	22.2
Unichem Lab	UNILAB	278	285	Hold	2527.1	12.3	12.9	17.4	23.5	22.6	21.5	16.0	11.8	13.8	14.3	16.1	18.8	11.7	11.1	13.3	15.6

Source: Company, ICICIdirect.com Research

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