

Ipca Laboratories (IPCLAB)

₹ 490

Weak formulation exports drag numbers...

- Revenues grew 5% YoY to ₹ 666 crore (I-direct estimate: ₹ 701 crore) driven by 9% growth in domestic formulations to ₹ 277 crore (I-direct estimate: ₹ 285 crore) and 27% growth in APIs to ₹ 154 crore
- EBITDA margins declined 104 bps to 10.2% mainly due to adverse product mix
- Net profit declined 10% YoY at ₹ 44 crore (I-direct estimate: ₹ 36 crore) mainly due to a lower-than-expected operational performance, lower other income and higher depreciation

Exports formulations main catalyst for growth but challenges await

Exports formulations (31% of turnover) have growth at 6.3% CAGR in FY11-17. Growth in exports formulations was on the back of growth in both international generics and international branded formulations. The international anti-malarial institutional business has also contributed substantially to overall exports growth. US traction will take more time than earlier estimated due to USFDA import alerts for the Ratlam facility that is the only API source for Silvassa and Indore SEZ formulations plants, along with Silvassa and Pithampur (Indore) plants that are specifically earmarked for US business, besides third party sales. Offtake from the Indore SEZ for the US market is now delayed, thus affecting US visibility and overall company multiple. The institutional business also suffered a major setback recently when Switzerland based Global Fund, a major contractor for Ipca's anti-malarial tender for African markets terminated the contract in light of the warning letter issued to Ipca by USFDA. Exposure to Russia has affected offtake of its branded sales. All these issues are likely take some time to get resolved. We expect export formulations to grow at 11% CAGR in FY17-19E to ₹ 1226 crore.

Indian formulations steady but anti-malarial dependence still high

Domestic formulations comprise 31% of total revenues. During FY12-17 this segment grew at 13% CAGR backed by new launches and field force addition. However, the domestic performance has been volatile at times due to significant presence of anti-malarials in the portfolio. Due to the seasonality of this therapeutic segment, the overall performance has remained lumpy. Currently ~25% of the domestic portfolio is under NLEM. We expect Indian formulations to grow at 11% CAGR in FY17-19E to ₹ 1663 crore.

Full recovery still "work in progress"; maintain HOLD

Q4FY17 margins were subdued mainly due to an adverse product mix and currency impact in the UK. The company remains in course correction mode as remedial measures at the three facilities to address the USFDA warning letters/import alerts are still under way. Suffice to say the resolution is still months away. On the bright side, the Global Fund, post its recent inspection, has allowed the company to participate in Artesunate injection (anti-malarial) tender, which runs for three years. Apart from this, the existing tender business is mostly country based, which is normally lumpy. However, fortunes of API exports, domestic formulations and branded formulation exports look promising with growth prospects ranging from 10% to 25% over the next two years. However, the current capacity utilisation (operating leverage) remains low. Any meaningful margin expansion is still some distance away. Our new target price is ₹ 525 (18x FY19E EPS of ₹ 29.2). An improvement in operating leverage and development on the global fund tender business and USFDA front will be key aspects to look at.

Rating matrix	
Rating	: Hold
Target	: ₹ 525
Target Period	: 12-15 months
Potential Upside	: 7%

What's Changed?	
Target	Changed from ₹ 560 to ₹ 525
EPS FY18E	Changed from ₹ 24.1 to ₹ 18.8
EPS FY19E	Changed from ₹ 31.2 to ₹ 29.2
Rating	Unchanged

Standalone Quarterly Performance					
	Q4FY17	Q4FY16	YoY (%)	Q3FY17	QoQ (%)
Revenue	665.8	631.9	5.4	750.7	-11.3
EBITDA	67.7	70.8	-4.4	110.4	-38.7
EBITDA (%)	10.2	11.2	-104 bps	14.7	-454 bps
Reported PAT	44.4	45.0	-1.3	41.4	7.3

Key Financials				
(₹ crore)	FY16	FY17E	FY18E	FY19E
Revenues	2906.5	3210.6	3414.4	3872.6
EBITDA	289.6	444.8	488.2	674.8
Net Profit	93.1	194.5	237.1	369.0
EPS (₹)	7.4	15.4	18.8	29.2
Adj. EPS (₹)	7.4	15.4	18.8	29.2

Valuation summary				
	FY16	FY16	FY18E	FY19E
PE (x)	66.4	66.4	26.1	16.8
Target PE (x)	71.1	34.0	27.9	18.0
EV to EBITDA (x)	23.5	23.5	13.2	9.3
Price to book (x)	2.7	2.7	2.3	2.1
RoNW (%)	4.1	4.1	9.0	12.5
RoCE (%)	4.5	4.5	9.8	13.7

Stock data	
Particular	Amount
Market Capitalisation	₹ 6186 crore
Debt (FY16)	₹ 715 crore
Cash (FY16)	₹ 242 crore
EV	₹ 6660 crore
52 week H/L (₹)	658/402
Equity capital	₹ 25.2 crore
Face value	₹ 2

Price performance (%)				
	1M	3M	6M	1Y
Ipca Labs	-18.6	-12.0	-16.2	13.8
Ajanta Pharma	-6.2	-9.8	-18.4	0.7
Alembic Pharma	-12.0	-7.1	-18.6	1.2

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Variance analysis

	Q4FY17	Q4FY17E	Q4FY16	Q3FY17	YoY (%)	QoQ (%)	Comments
Revenue	665.8	700.6	631.9	750.7	5.4	-11.3	YoY growth mainly due to 9% growth in domestic formulations and 27% growth in APIs
Raw Material Expenses	231.9	263.5	217.7	253.7	6.5	-8.6	Decline sequentially and miss vis-à-vis I-direct estimates mainly due to adverse product mix
Employee Expenses	158.7	138.7	148.9	161.1	6.6	-1.5	
Other Expenditure	207.5	199.7	194.5	225.6	6.7	-8.0	
Operating Profit (EBITDA)	67.7	98.6	70.8	110.4	-4.4	-38.7	
EBITDA (%)	10.2	14.1	11.2	14.7	-104 bps	-454 bps	QoQ decline and miss vis-à-vis I-direct estimates mainly due to lower gross margins performance
Interest	4.4	5.7	8.1	5.7	-45.6	-22.1	
Depreciation	42.8	43.4	39.2	43.2	9.2	-0.9	
Other Income	5.2	5.6	8.7	5.9	-39.9	-12.0	
Forex	0.0	0.0	2.8	3.9	0.0	0.0	
EO	0.0	0.0	0.0	0.0	0.0	0.0	
PBT	25.7	55.2	29.4	63.6	-12.4	-59.6	
Tax	-18.7	19.3	-15.6	22.2	NA	PL	Cash tax rate was ~22%. Deferred tax was ₹ 24 crore during the quarter
Tax Rate (%)	NA	35.0	NA	34.9	NA	NA	
Reported PAT	44.4	35.9	45.0	41.4	-1.3	7.3	
PAT (Ex forex)	44.4	35.9	49.3	43.9	-10.0	1.0	YoY decline mainly due to lower operational performance, lower other income and higher depreciation. Beat vis-à-vis I-direct estimates mainly due to lower taxation
EPS (₹)	3.5	2.8	3.9	3.5	-10.0	1.0	
Key Metrics							
Domestic formulations	276.7	284.5	254.4	335.2	8.8	-17.5	
Generic	107.0	151.0	126.0	155.0	-15.1	-31.0	YoY decline mainly due to lower sales in UK and US. In UK, growth was impacted due to currency. Beat vis-à-vis I-direct estimates mainly due to lower-than-expected growth in US and UK
Institutional	31.0	42.3	47.0	21.0	-34.0	47.6	Miss vis-à-vis I-direct estimates mainly due to sequential fluctuation in tender business
Branded	83.0	77.7	73.0	58.0	13.7	43.1	
API	153.8	134.7	120.9	162.1	27.3	-5.1	

Source: Company, ICICIdirect.com Research

Change in estimates

(₹ Crore)	Old	New	% Change	Old	New	% Change	
Revenue	3,612.7	3,414.4	-5.5	4,075.1	3,872.6	-5.0	Reduced mainly due to likely GST implementation disruption in domestic market and lower-than-expected sales in export generic segment in Q4FY17
EBITDA	581.0	488.2	-16.0	709.1	674.8	-4.8	
EBITDA Margin (%)	16.1	14.3	-178 bps	17.4	17.4	2 bps	Reduced FY18 margins as per management guidance
PAT	303.5	237.1	-21.9	392.1	369.0	-5.9	
EPS (₹)	24.1	18.8	-21.9	31.1	29.2	-5.9	Changed in sync with EBITDA

Source: Company, ICICIdirect.com Research

Assumptions

	Current				Earlier		Comments
	FY16	FY17E	FY18E	FY19E	FY18E	FY19E	
Domestic formulations	1,209.0	1,361.5	1,484.6	1,662.8	1,561.0	1,779.5	Trimmed mainly due to GST impact estimated in H1FY18
Export formulations	918.0	995.9	1,039.5	1,226.3	1,164.7	1,316.1	Trimmed mainly due to lower-than-expected sales in Q4FY17 and currency impact in UK
API	653.7	702.0	772.2	849.4	751.2	826.3	

Source: Company, ICICIdirect.com Research

Company Analysis

Established in 1949, Ipca is known for its dominance in the anti-malarial business. It has come a long way from being an anti-malarial player to a player offering a gamut of other therapeutic products.

Currently, pain management accounts for ~26% of revenues encompassing various sub-heads. This is followed by anti-malarials- 19% and CVS-17%.

Overall formulations to API ratio are 77:23. Further break-up of formulations- 1) domestic formulations- 58%, 2) export formulations-42%. Further break-up of APIs- 1) Domestic APIs- 19%, 2) Export APIs- 81%.

Exports formulations are further divided into- 1) branded formulations- 29% of exports formulations, 2) generic formulations- 58% of exports formulations and 3) institutional business- 13% of exports formulations. The US business is being accounted for in the generic exports formulation category.

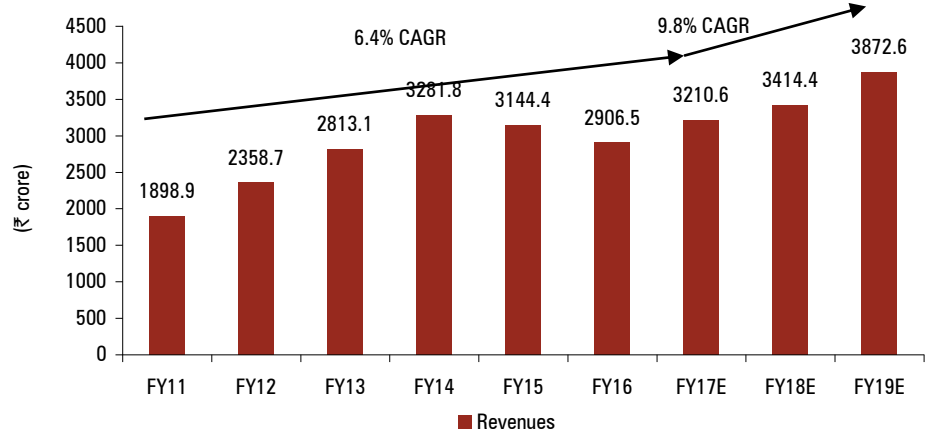
In domestic formulations, the company owns a field force of 5000 MRs covering 12 therapy focused marketing divisions.

Major therapies in domestic formulations are-1) pain management- 40% of domestic formulations, 2) anti-malarial- 12% of domestic formulations, 3) Cardiovascular (CVS)- 24% of domestic formulations, 4) Gastrointestinal (GI)

Of late, the company is struggling on three fronts – 1) USFDA import alerts for three of Ipca's plants (Ratlam, Indore SEZ and Silvassa), 2) roadblocks in the anti-malarial institutional business due to quality issues, and 3) currency issues in some of the branded exports markets.

Overall, we expect revenues to grow at a CAGR of 10% in FY17-19E to ₹ 3873 crore driven mainly by domestic formulations.

Exhibit 1: Exports and domestic formulations to drive growth

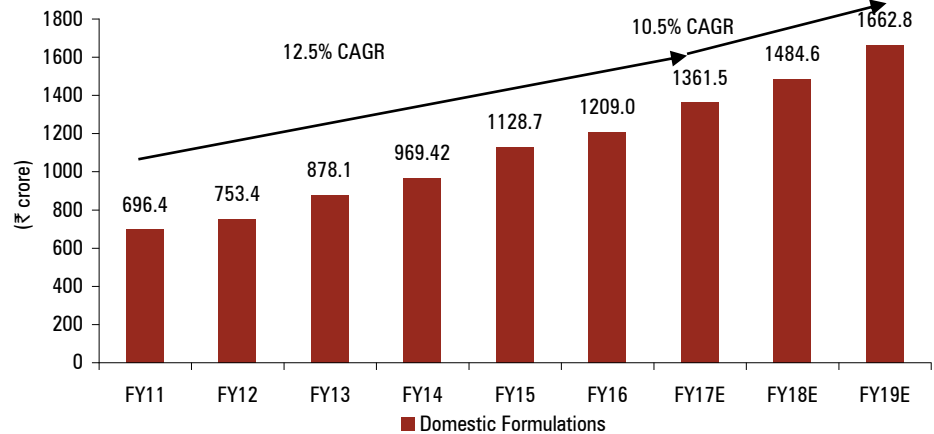


Source: Company, ICICIdirect.com Research

Domestic formulations comprise 31% of total revenues. During FY12-17 this segment has grown at a CAGR of 13% backed by new launches and field force addition. However, the domestic performance has been volatile at times due to significant presence of anti-malarials in the portfolio. Due to the seasonality of this therapeutic segment the overall performance has remained lumpy. Currently ~25% of the domestic portfolio is under

NLEM. We expect Indian formulations to grow at CAGR of 11% in FY17-19E to ₹ 1663 crore.

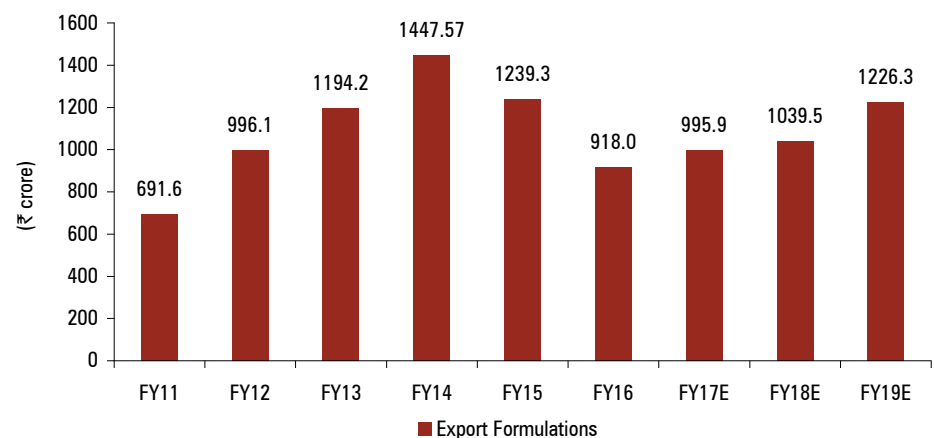
Exhibit 2: Domestic formulations to grow at CAGR of 11% in FY17-19E



Source: Company, ICICIdirect.com Research

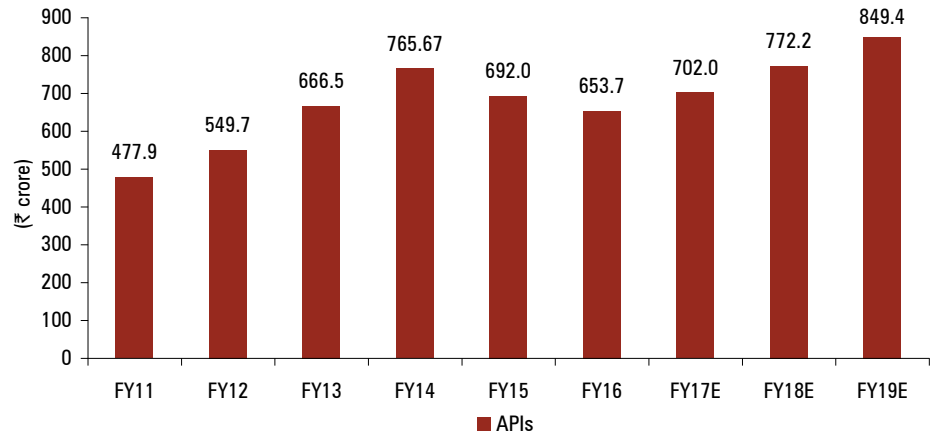
Exports formulations (31% of the turnover) have growth at a rate of 6.3% CAGR in FY11-17. Growth in exports formulations was on the back of growth in both international generics and international branded formulations. The international anti-malarial institutional business has also contributed substantially to overall exports growth. The US traction will take more time than earlier estimated due to USFDA import alerts for the Ratlam facility, which is the only API source for Silvassa and Indore SEZ formulations plants, along with Silvassa and Pithampur (Indore) plants, which are specifically earmarked for US business, besides third party sales. Offtake from the Indore SEZ for the US market has now been delayed, thus affecting US visibility and the overall company multiple. The institutional business also faced a major setback recently when the Switzerland based Global Fund, a major contractor for Ipca's anti-malarial tender for African markets, terminated the contract in light of the warning letter issued to the company by USFDA. Exposure to Russia has affected the offtake of its branded sales. All these issues are likely to take some time to get resolved. We expect export formulations to grow at a CAGR of 11% in FY17-19E to ₹ 1226 crore.

Exhibit 3: Export formulations to grow at CAGR of 11% in FY17-19E



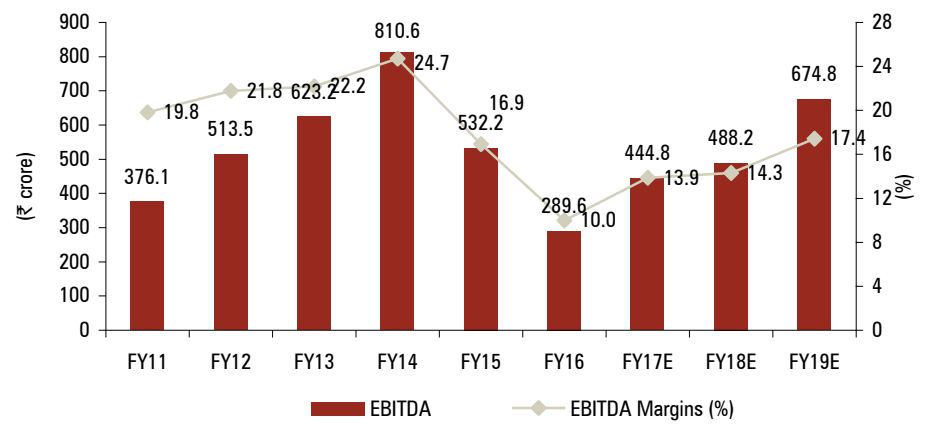
Source: Company, ICICIdirect.com Research

Exhibit 4: APIs to grow at CAGR of 10% in FY17-19E



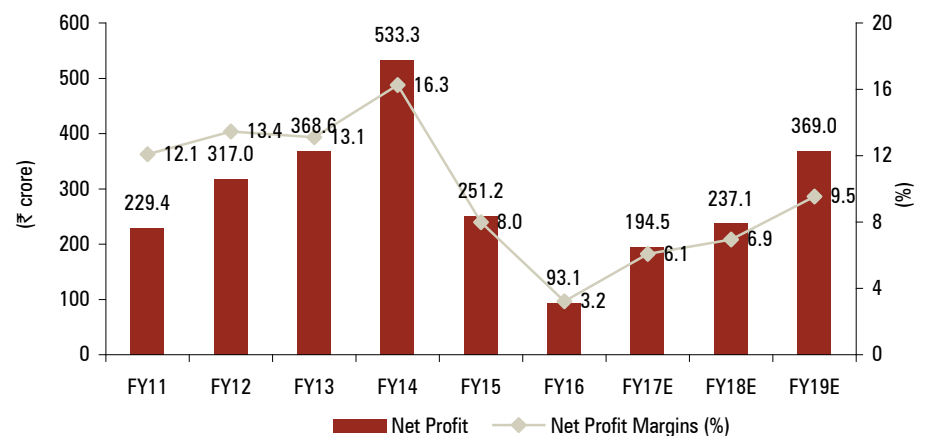
Source: Company, ICICIdirect.com Research

Exhibit 5: EBITDA to grow at CAGR of 23% in FY17-19E



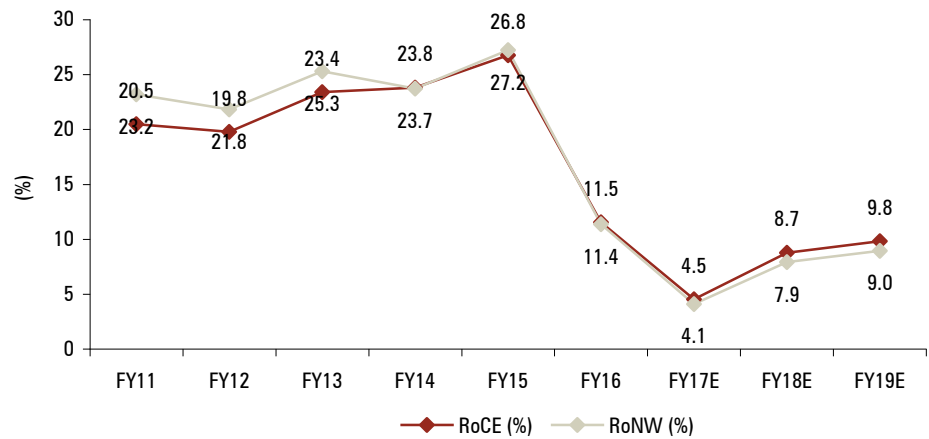
Source: Company, ICICIdirect.com Research

Exhibit 6: Adjusted net profit to grow at CAGR of 38% in FY17-19E



Source: Company, ICICIdirect.com Research

Exhibit 7: Trends in return ratios



Source: Company, ICICIdirect.com Research

Exhibit 8: Trends in quarterly financials

₹ Crore	Q4FY14	Q1FY15	Q2FY15	Q3FY15	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	YoY (%)	QoQ (%)
Net Sales	739.8	928.2	774.9	734.1	622.7	751.0	742.8	683.0	619.5	619.5	821.5	865.9	741.8	665.8	7.5	-10.2
Other Operating Incom	9.8	7.8	5.7	6.5	5.2	7.0	10.9	11.3	12.3	12.3	20.6	19.1	8.9	0.0	-100.0	-100.0
Revenues	749.6	936.0	780.6	740.7	627.9	758.0	753.7	694.3	631.9	631.9	842.2	885.1	750.7	665.8	5.4	-11.3
Raw Material Expense:	242.1	342.6	271.0	272.6	256.9	297.3	287.5	259.4	217.7	217.7	313.2	332.7	253.7	231.9	6.5	-8.6
% of Revenue	32.3	36.6	34.7	36.8	40.9	39.2	38.1	37.4	34.5	34.5	37.2	37.6	33.8	34.8	37bps	103bps
Gross Profit	507.5	593.4	509.6	468.0	371.1	460.7	466.2	434.9	414.1	414.1	529.0	552.4	497.1	433.9	4.8	-12.7
GPM (%)	67.7	63.4	65.3	63.2	59.1	60.8	61.9	62.6	65.5	65.5	62.8	62.4	66.2	65.2	-37bps	-103bps
Employee Expenses	118.4	138.9	137.5	134.4	128.8	158.0	147.8	148.9	148.9	148.9	179.1	176.0	161.1	158.7	6.6	-1.5
% of Revenue	15.8	14.8	17.6	18.1	20.5	20.8	19.6	21.4	23.6	23.6	21.3	19.9	21.5	23.8	28bps	238bps
Other expenditure	206.7	223.5	237.3	212.5	208.6	220.5	234.3	196.6	194.5	194.5	221.3	248.4	225.6	207.5	6.7	-8.0
% of Revenue	27.6	23.9	30.4	28.7	33.2	29.1	31.1	28.3	30.8	30.8	26.3	28.1	30.0	31.2	38bps	112bps
Total Expenditure	567.3	705.0	645.8	619.5	594.3	675.8	669.7	604.8	561.1	561.1	713.7	757.0	640.3	598.1	6.6	-6.6
% of Revenue	75.7	75.3	82.7	83.6	94.6	89.2	88.8	87.1	88.8	88.8	84.7	85.5	85.3	89.8	104bps	454bps
EBIDTA	182.3	230.9	134.8	121.1	33.7	82.2	84.1	89.5	70.8	70.8	128.5	128.0	110.4	67.7	-4.4	-38.7
EBIDTA Margin (%)	24.3	24.7	17.3	16.4	5.4	10.8	11.2	12.9	11.2	11.2	15.3	14.5	14.7	10.2	-104bps	-454bps
Depreciation	26.0	37.9	39.6	42.0	57.7	42.1	36.9	40.0	39.2	39.2	42.2	42.9	43.2	42.8	9.2	-0.9
Interest	6.3	5.7	5.7	5.9	8.3	5.5	7.3	8.9	8.1	8.1	6.5	6.8	5.7	4.4	-45.6	-22.1
Other Income	6.2	6.3	8.7	6.4	14.3	4.1	5.6	4.8	8.7	8.7	4.9	6.2	5.9	5.2	-39.9	-12.0
Forex gain/(loss)	18.2	2.3	-9.4	-11.2	22.5	-11.6	-23.9	-0.7	-2.8	-2.8	-8.1	7.8	-3.9	0.0	-100.0	-100.0
PBT	174.5	195.8	88.8	68.6	4.6	27.1	21.6	44.6	29.4	29.4	76.6	92.4	63.6	25.7	-12.4	-59.6
Tax	37.5	50.4	27.5	27.0	-3.2	8.2	9.5	9.5	-15.6	-15.6	29.0	37.4	22.2	-18.7	19.7	-184.2
Tax Rate (%)	21.5	25.7	31.0	39.4	-70.5	30.4	43.9	21.4	-53.2	-53.2	37.9	40.5	34.9	-72.7	NA	NA
PAT	137.0	145.5	61.3	41.5	7.8	18.9	12.1	35.1	45.0	45.0	47.6	55.0	41.4	44.4	-1.3	7.3
PAT Margin (%)	18.3	15.5	7.8	5.6	1.2	2.5	1.6	5.1	7.1	7.1	5.6	6.2	5.5	6.7	-45bps	116bps
EPS (₹)	10.9	11.5	4.9	3.3	0.6	1.5	1.0	2.8	3.6	3.6	3.8	4.4	3.3	3.5	-1.3	7.3

Source: Company, ICICIdirect.com Research

SWOT Analysis

Strengths - Performance consistency, strong operating margins, healthy return ratios, comfortable leverage ratios, management transparency.

Weakness - Late entrant in the US generics space. Anti-malarial space is lumpy in nature.

Opportunities- Exports markets, incremental offtake from the Indore SEZ

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. The company has received an import alert for its Ratlam API facility, which is a core facility as it exports API to the US and also supplies to other formulations facility, which, in turn, supplies formulations to the US. Recently, the Indore SEZ and Silvassa facilities also received import alerts from the USFDA. The global anti-malarial institutional business has also come across detailed testing and witnessed order termination (recent Global Fund termination).

Conference call highlights

- The company plans to invite USFDA for re-inspection of Silvassa in June 2017 and Pithampur in Q2FY18. For the Ratlam API plant, the remediation work is expected to be complete by the end of Q2FY18. Post that, it plans to invite USFDA for re-inspection
- The management expects to file five to six ANDAs in FY18
- On the domestic revenue growth fund, the management has guided for 10-12% in FY18, adjusting for the impact of GST, which the management expects to last for a quarter
- On the Africa tender business front, the management has seen a reduction in donor funding in Q4FY17. The dosage procurement has gone down as well
- Segment wise, pain comprises 40% of Ipca's domestic sales, cardio & diabetes at 24% and anti-malarials at 12%
- The company has filed one ANDA in the US in FY17. Overall, the company has filed 43 ANDA and has 25 pending ANDAs
- FY17 R&D was at 4% of sales (₹ 135 crore). The management expects similar R&D spending for FY18
- The management expects to participate in the August 2017 global fund three years tender for Artesunate injectable (currently only one supplier). However, supplies will begin in FY19. The injectable has been filed and the facility is expected to be inspected in August 2017 by WHO. The company expects to garner US\$15-20 million annually from this tender
- Overall debt was at ₹ 715 crore in FY17 (mostly dollar denominated)
- The company has paid US\$4-5 million to consultants in FY17
- The management expects to improve EBITDA by 1.8-2% annually

Exhibit 9: Facilities

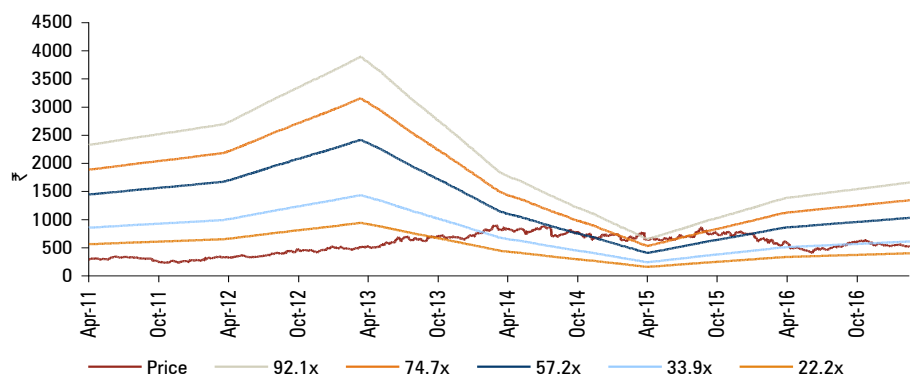
Location	Segment	Regulatory Approvals	Type
Ankleshwar, Gujarat	API	PMDA Japan	
Aurangabad	APIs and Intermediates		
Baroda	APIs and Intermediates		
Indore	APIs and Intermediates	WHO-India	
Mahad	Intermediates		
Ratlam	APIs	USFDA, TGA Australia, EDQM-Europe, EU cGMP, PMDA Japan, KFDA Korea	
Athal, Silvassa	Formulations	MHRA-UK, TGA-Australia, MCC-South Africa, ANVISA-Brazil	Oral Solids
Dehradun, Uttaranchal	Formulations	WHO GMP-India, Ivory Coast, NDA-Uganda, FDB-Ghana, MOH-Kenya	Oral Solids, Dry Powder, Ointment
Jorthang, Sikkim	Formulations		
Kandla, Gujarat	Formulations	MHRA-UK, TGA-Australia, MCC-South Africa	Betalactam Oral Solids and Dry Powder
Piparia, Silvassa	Formulations	USFDA, UKMHRA, TGA-Australia, HPFB Canada	Oral Solids
Pithampur, MP	Formulations	USFDA, UKMHRA, WHO India	Oral Solids
Ratlam, MP	Formulations	ANVISA-Brazil, MCC-South Africa, WHO-Geneva	Oral Solids, Liquids and Injectables

Source: Company, ICICIdirect.com Research

Valuation

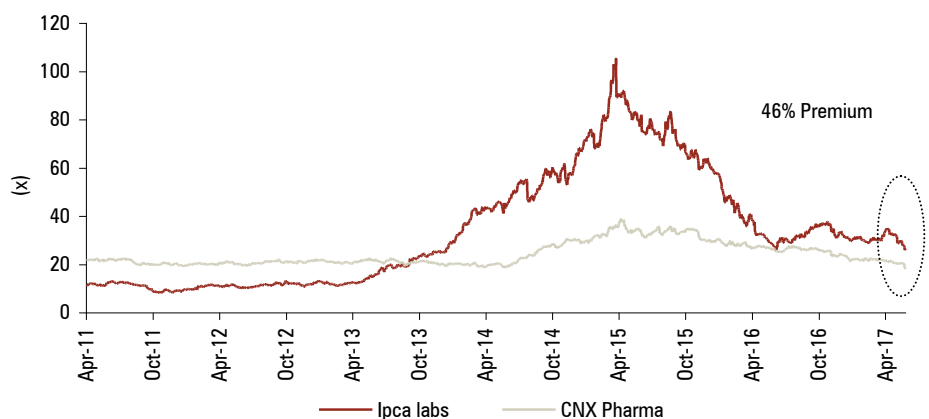
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Exhibit 10: One year forward PE



Source: Company, ICICIdirect.com Research

Exhibit 11: One year forward PE of company vs. CNX Pharma



Source: Company, ICICIdirect.com Research

Exhibit 12: Valuation

	Revenues (₹ crore)	Growth (%)	Adj. EPS (₹)	Growth (%)	P/E (x)	EV/EBITDA (X)	RoNW (%)	RoCE (%)
FY16	2907	-7.6	7.4	-62.9	66.4	23.5	4.1	4.5
FY17E	3211	10.5	15.4	108.9	31.8	15.0	7.9	8.7
FY18E	3414	6.3	18.8	21.9	26.1	13.2	9.0	9.8
FY19E	3873	13.4	29.2	55.6	16.8	9.3	12.5	13.7

Source: Company, ICICIdirect.com Research

Recommendation history vs. Consensus



Source: Reuters, Company, ICICIdirect.com Research

Key events

Date	Event
Apr-08	Receives WHO approval for its anti-malarial drug artesunate + amodiaquine. Ipca is the 2nd company globally to have pre qualification for the product.
Nov-08	Announces buyback offer for acquiring maximum 10 lakh (4% of total number of equity shares) shares from open market
Dec-09	Receives WHO pre-qualification anti-malarial finished dose combination formulations Artemether + Lumefantrine.
Mar-11	UKMHRA grants approval for SEZ manufacturing facility at Indore
Apr-11	Acquires UK based Onyx Scientific, a contract manufacturing company which is having a manufacturing facility in UK.
Jun-12	Receives USFDA approval to Indore SEZ
Nov-12	Voluntarily informs USFDA of a few non conformances at its Indore SEZ
Sep-13	Receives approval from the USFDA to launch products from Indore facility to the US market
Jul-14	Receives 483 from the USFDA for Ratlam (API) facility; voluntarily shut downs its Ratlam (API) facility
Oct-14	Receives 483 from the USFDA for Pithampur (Formulations) facility; acquires manufacturing unit from Alpa Labs for ₹ 71.7 crore
Jan-15	USFDA bans imports from Ratlam facility citing violations of standard production practices
Mar-15	Receives import alerts on Silvassa and Pithampur facilities from USFDA
Feb-16	Ipca receives warning letter from US FDA for Ratlam (Madhya Pradesh), SEZ Indore (Pithampur) and Piparia (Silvassa) manufacturing units
Apr-16	Global Fund to not source malaria drug from Ipca Labs as the company has received a warning letter from USFDA for three of its facilities.
Feb-17	USFDA clears Aurangabad intermediate plant without observations

Source: Company, ICICIdirect.com Research

Top 10 Shareholders

Rank	Investor Name	Latest Filing Date	% O/S	Position	Position Char
1	Kaygee Investments Pvt. Ltd.	31-Mar-17	21.4	27.0m	0.0m
2	Exon Laboratories Pvt. Ltd.	31-Dec-16	6.6	8.3m	0.1m
3	Kaygee Laboratories Pvt. Ltd.	31-Mar-17	6.6	8.3m	8.3m
4	Chandurkar Investments Pvt. Ltd.	31-Mar-17	5.5	7.0m	0.0m
5	HDFC Asset Management Co., Ltd.	31-Mar-17	4.7	5.9m	0.9m
6	Paschim Chemicals Pvt. Ltd.	31-Mar-17	4.0	5.0m	0.0m
7	Lavender Investments, Ltd.	31-Mar-17	4.0	5.0m	0.0m
8	DSP BlackRock Investment Managers Pvt. Ltd.	31-Mar-17	3.2	4.0m	1.1m
9	Godha (Premchand)	31-Mar-17	2.1	2.7m	0.0m
10	Axis Asset Management Company Limited	31-Mar-17	1.8	2.3m	-0.3m

Source: Reuters, ICICIdirect.com Research

Shareholding Pattern

(in %)	Mar-16	Jun-16	Sep-16	Dec-16	Mar-16
Promoter	45.9	45.9	46.0	46.1	46.1
Others	54.1	54.1	54.0	53.9	53.9

Recent Activity

Buys			Sells		
Investor name	Value (\$)	Shares	Investor name	Value (\$)	Shares
Kaygee Laboratories Pvt. Ltd.	80.0m	8.3m	Norges Bank Investment Management (NBIM)	-3.7m	-0.5m
DSP BlackRock Investment Managers Pvt. Ltd.	10.5m	1.1m	Axis Asset Management Company Limited	-2.5m	-0.3m
HDFC Asset Management Co., Ltd.	8.5m	0.9m	SBI Funds Management Pvt. Ltd.	-2.4m	-0.3m
Tata Asset Management Limited	0.8m	0.1m	Reliance Nippon Life Asset Management Limited	-1.3m	-0.2m
Exon Laboratories Pvt. Ltd.	0.4m	0.1m	Columbia Threadneedle Investments (US)	-0.4m	0.0m

Source: Reuters, ICICIdirect.com Research

Financial summary

Profit and loss statement		₹ Crore			
(Year-end March)	FY16	FY17E	FY18E	FY19E	
Revenues	2,906.5	3,210.6	3,414.4	3,872.6	
Growth (%)	-7.6	10.5	6.3	13.4	
Raw Material Expenses	1,058.4	1,110.2	1,274.2	1,369.9	
Employee Expenses	625.6	696.0	652.2	724.2	
Other Expense	932.9	959.7	999.8	1,103.7	
Total Operating Expenditure	2,616.9	2,765.9	2,926.2	3,197.8	
EBITDA	289.6	444.8	488.2	674.8	
Growth (%)	-45.6	53.6	9.8	38.2	
Interest	31.9	24.1	20.1	20.1	
Depreciation	163.3	173.0	177.4	189.7	
Other Income	22.2	22.6	29.7	33.6	
Forex (gain)/loss	0.0	0.0	0.0	0.0	
PBT after EO/Forex	116.6	270.3	320.4	498.6	
Total Tax	20.4	67.5	83.3	129.6	
MI & Profit from associates	-3.1	-8.3	0.0	0.0	
PAT	93.1	194.5	237.1	369.0	
Growth (%)	-63.4	108.9	21.9	55.6	
Adjusted PAT	93.1	194.5	237.1	369.0	
EPS	7.4	15.4	18.8	29.2	
EPS (Adjusted)	7.4	15.4	18.8	29.2	

Source: Company, ICICIdirect.com Research

Balance sheet		₹ Crore			
(Year-end March)	FY16	FY17E	FY18E	FY19E	
Equity Capital	25.2	25.2	25.2	25.2	
Reserve and Surplus	2,258.6	2,427.7	2,623.3	2,928.7	
Total Shareholders funds	2,283.8	2,453.0	2,648.5	2,954.0	
Total Debt	803.1	715.3	615.3	615.3	
Deferred Tax Liability	170.1	170.5	179.0	187.9	
LTP & Other LTL	23.8	26.1	26.1	26.1	
Total Liabilities	3,280.8	3,364.9	3,469.0	3,783.4	
Gross Block	2,896.8	2,948.4	3,168.4	3,388.4	
Accumulated Depreciation	912.4	1,083.4	1,260.8	1,450.5	
Net Block	1,984.4	1,865.0	1,907.6	1,937.9	
Capital WIP	128.9	94.7	94.7	94.7	
Total Fixed Assets	2,113.4	1,959.7	2,002.3	2,032.5	
Goodwill on Consolidation	34.4	23.6	23.6	23.6	
Investments	21.9	22.2	12.2	12.2	
LT L&A, Non Current Assets	98.6	125.4	138.4	151.4	
Inventory	843.7	882.2	903.1	1,024.3	
Debtors	376.8	500.2	451.5	512.1	
Loans and Advances	29.5	32.0	37.0	42.0	
Other Current Assets	131.7	170.2	190.2	210.2	
Cash	176.0	241.8	376.6	546.9	
Total Current Assets	1,557.7	1,826.3	1,958.4	2,335.5	
Creditors	426.7	457.7	491.2	557.1	
Provisions	19.3	66.1	76.1	86.1	
Other current liabilities	99.1	68.6	98.6	128.6	
Total Current Liabilities	545.1	592.3	665.9	771.8	
Net Current Assets	1,012.6	1,234.0	1,292.6	1,563.7	
Application of Funds	3,280.8	3,364.9	3,469.0	3,783.4	

Source: Company, ICICIdirect.com Research

Cash flow statement		₹ Crore			
(Year-end March)	FY16	FY17E	FY18E	FY19E	
Profit after Tax	86.0	188.3	230.1	359.3	
Add: Depreciation	172.2	171.0	177.4	189.7	
(Inc)/dec in Current Assets	71.7	-202.9	2.8	-206.7	
(Inc)/dec in CL and Provisions	110.0	47.2	73.6	105.9	
Others	51.6	23.3	20.1	20.1	
CF from operating activities	491.5	227.0	503.9	468.3	
(Inc)/dec in Fixed Assets	-245.7	-17.3	-220.0	-220.0	
(Inc)/dec in Investments	9.6	-0.4	10.0	0.0	
Others	27.5	-13.3	-4.5	-4.1	
CF from investing activities	-208.7	-31.0	-214.5	-224.1	
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0	
(Inc)/dec in loan funds	-164.8	-87.8	-100.0	0.0	
Dividend paid & dividend tax	-15.3	-19.1	-34.5	-53.9	
Other	132.7	64.4	79.9	-20.1	
CF from financing activities	-212.3	-130.2	-154.6	-74.0	
Net Cash flow	70.5	65.8	134.9	170.3	
Opening Cash	105.5	176.0	241.8	376.6	
Closing Cash	176.0	241.8	376.6	546.9	
Free Cash Flow	245.8	209.7	283.9	248.3	

Source: Company, ICICIdirect.com Research

Key ratios		₹ Crore			
(Year-end March)	FY16	FY17E	FY18E	FY19E	
Per share data (₹)					
Adjusted EPS	7.4	15.4	18.8	29.2	
BV per share	181.0	194.4	210.0	234.2	
Dividend per share	1.7	1.5	2.7	4.3	
Operating Ratios (%)					
Gross Profit Margins	63.6	65.4	62.7	64.6	
EBITDA Margins	10.0	13.9	14.3	17.4	
PAT Margins	3.2	6.1	6.9	9.5	
Inventory days	106.0	100.3	96.5	96.5	
Debtor days	47.3	56.9	48.3	48.3	
Creditor days	53.6	52.0	52.5	52.5	
Asset Turnover	0.9	1.0	1.0	1.0	
EBITDA conversion Rate	169.7	51.0	103.2	69.4	
Return Ratios (%)					
RoE	4.1	7.9	9.0	12.5	
RoCE	4.5	8.7	9.8	13.7	
RoIC	4.4	9.4	11.0	16.3	
Valuation Ratios (x)					
P/E	66.4	31.8	26.1	16.8	
EV / EBITDA	23.5	15.0	13.2	9.3	
EV / Net Sales	2.3	2.1	1.9	1.6	
Market Cap / Sales	2.1	1.9	1.8	1.6	
Price to Book Value	2.7	2.5	2.3	2.1	
Solvency Ratios					
Debt / EBITDA	2.8	1.6	1.3	0.9	
Debt / Equity	0.4	0.3	0.2	0.2	
Current Ratio	2.5	2.7	2.4	2.3	

Source: Company, ICICIdirect.com Research

ICICIdirect.com coverage universe (Healthcare)

	Code	(₹)	(₹)		(₹ Cr)	FY16	FY17E	FY18E	FY19E	FY16	FY17E	FY18E	FY19E	FY16	FY17E	FY18E	FY19E	FY16	FY17E	FY18E	FY19E
Ajanta Pharma	AJAPHA	1536	1,880	Buy	13520.2	45.4	58.5	61.7	72.4	33.8	26.3	24.9	21.2	42.9	40.6	33.8	31.7	34.2	32.6	27.0	25.2
Alembic Pharma	ALEMPHA	535	615	Hold	10083.7	38.2	21.4	23.4	30.2	14.0	25.0	22.9	17.7	51.5	26.1	22.3	24.7	44.9	21.4	20.0	21.8
Apollo Hospitals	APOHOS	1213	1,440	Buy	16876.6	26.7	20.9	24.2	35.6	45.4	58.2	50.2	34.1	9.2	7.5	8.4	11.4	10.8	7.9	8.4	11.2
Aurobindo Pharma	AURPHA	560	753	Buy	30020.6	33.9	38.3	37.0	41.8	16.5	14.6	15.1	13.4	23.3	24.8	19.6	20.0	28.1	23.9	19.0	17.9
Biocon	BIOCON	946	1,020	Hold	18919.0	23.1	31.0	25.5	40.8	40.9	30.5	37.0	23.2	9.1	11.4	10.4	15.3	11.4	13.5	10.2	14.5
Cadila Healthcare	CADHEA	456	420	Hold	46667.3	15.0	13.7	16.8	20.9	30.5	33.2	27.2	21.8	26.7	13.4	16.7	19.0	28.6	20.2	20.8	21.7
Cipla	CIPLA	505.4	470	Hold	40657.9	18.5	12.9	19.3	26.1	27.3	39.3	26.2	19.3	12.0	8.0	11.7	14.9	12.5	8.1	11.1	13.4
Divi's Lab	DIVLAB	570	625	Hold	15118.4	41.5	39.7	41.8	44.8	13.7	14.4	13.6	12.7	30.5	25.1	23.1	21.7	25.7	19.7	18.0	16.9
Dr Reddy's Labs	DRREDD	2426	2,610	Hold	40190.4	141.4	68.6	106.1	137.3	17.2	35.3	22.9	17.7	17.3	6.3	10.8	13.7	20.6	9.4	13.0	14.7
Glenmark Pharma	GLEPHA	611	910	Buy	17251.8	32.2	46.9	47.2	50.5	19.0	13.0	13.0	12.1	16.2	19.2	18.6	18.0	21.2	25.9	20.9	18.4
Indoco Remedies	INDREM	190	180	Hold	1750.9	9.4	8.4	8.3	12.0	20.2	22.7	22.8	15.8	12.9	8.4	9.4	12.6	14.8	12.0	10.9	14.0
Ipca Laboratories	IPCLAB	490	525	Hold	6186.2	7.4	15.4	18.8	29.2	66.4	31.8	26.1	16.8	4.5	8.7	9.8	13.7	4.1	7.9	9.0	12.5
Jubilant Life	JUBLIF	686.3	810	Buy	10931.5	26.0	36.1	48.8	66.0	26.4	19.0	14.1	10.4	12.0	13.3	15.1	18.4	14.2	16.8	18.7	20.4
Lupin	LUPIN	1110	1,335	Buy	50144.5	50.4	56.6	56.2	66.8	22.0	19.6	19.8	16.6	18.6	17.2	16.7	19.0	20.7	19.1	16.4	16.8
Natco Pharma	NATPHA	888.8	870	Buy	15492.5	8.7	26.7	14.5	17.9	102.6	33.3	61.1	49.6	16.0	33.7	17.1	18.8	12.2	28.3	13.6	14.7
Sun Pharma	SUNPHA	503	550	Buy	120645.4	23.4	29.0	20.9	25.7	21.4	17.3	24.1	19.6	18.6	19.8	14.0	15.2	18.0	19.0	12.3	13.4
Syngene Int.	SYNINT	457	515	Hold	9131.0	11.1	14.3	14.4	18.4	40.5	31.2	31.0	24.3	13.2	16.8	16.0	18.1	21.0	21.9	18.4	19.1
Torrent Pharma	TORPHA	1220	1,200	Hold	20641.9	107.9	57.4	49.2	63.1	11.3	21.2	24.8	19.3	46.8	20.3	17.7	20.5	53.9	22.5	16.8	18.6
Unichem Lab	UNILAB	241.9	285	Hold	2198.9	12.3	14.3	17.4	23.5	19.7	16.9	13.9	10.3	13.8	14.0	15.9	18.7	11.7	12.2	13.1	15.4

Source: Company, ICICIdirect.com Research

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