

November 9, 2017

## Indoco Remedies (INDREM)

₹ 266

### Domestic growth recovers but exports tumble...

- Revenues remained flat YoY at ₹ 285 crore (I-direct estimate: ₹ 291 crore). Export formulations declined 20% YoY to ₹ 74 crore (I-direct estimate: ₹ 94 crore) while domestic formulations grew 12% to ₹ 188 crore (I-direct estimate: ₹ 177 crore)
- EBITDA margins declined 56 bps YoY to 14.4% (I-direct estimate of 14.2%) mainly on account of lower gross margins (64.8% in Q2FY18 vs. 65.5% in Q2FY17). EBITDA declined 2.4% YoY to ₹ 41 crore (I-direct estimate: ₹ 41 crore)
- PAT declined 11% YoY to ₹ 19.8 crore and came in below I-direct estimates, primarily due to higher interest expense

### MNC deals, US filings core to overall growth

Exports formulations (~39% of overall FY17 sales) have grown at a CAGR of 18% in FY12-17 driven by 19% growth in regulated markets. The growth in regulated markets was driven by growth in the US, Europe and South Africa. German Metformin tenders also contributed to regulated markets growth. It has filed 42 ANDAs with the USFDA and received approval for 10 products. Of these, 18 were filed under the Actavis deal. However, the USFDA warning letter for Goa (unit 2 & 3) has somewhat blurred the near term visibility. We expect exports to grow at 7% CAGR in FY17-20E to ₹ 495 crore, driven by growth in ex-US export markets.

### Indian formulation growth slowly picking up

Domestic formulations (~55% of overall FY17 sales) have grown at 12% CAGR in FY12-17. The subdued growth can be attributed to high concentration of acute therapies, which accounts for ~80% of overall formulations. With a market share of ~0.7% and overall rank of 31, the company is still a marginal player with some top brands in smaller categories such as stomatologicals. However, with positive outcome of restructuring exercise and improvement in MR productivity we expect Indian formulations to deliver growth of 15% in FY17-20E to ₹ 894 crore.

### Consistency in margin improvement to be crucial

After languishing at 13-15% for quite some time, EBITDA margins improved from FY15. However, in FY17, margins once again saw a slowdown due to higher R&D spend and staff costs. Margins are still lumpy but operating leverage is expected to pan out by way of improved capacity utilisation.

### Sharp stock run-up fully captures fundamentals; maintain HOLD

Q2 numbers have seen a revival in domestic sales post-GST event, whereas exports sales showed a subdued performance mainly due to lower-than-expected US sales. Regarding GST related disruption the management has hinted improvement in distributor inventory days from a bottom of 17 days during June to 32 days as of now. The management expects the antibiotics and anti-infectives segments to start showing traction from Q3 onwards and further support domestic sales. However, on the exports front, the company is facing headwinds like Goa warning letter, pricing pressure in the US base business and structural issues in some semi-regulated markets. In this backdrop, the management is emphasising on cost aspects. Accordingly, measures to improve margins and doing away with non-core capex are some tasks undertaken by the management. We have ascribed a target price of ₹ 250 based on 16x FY20E EPS of ₹ 15.4.

#### Rating matrix

Rating	:	Hold
Target	:	₹ 250
Target Period	:	15-18 months
Potential Upside	:	-6%

#### What's Changed?

Target	Changed from ₹ 180 to ₹ 250
EPS FY18E	Changed from ₹ 4.9 to ₹ 5.3
EPS FY19E	Changed from ₹ 12.1 to ₹ 12.5
EPS FY20E	Introduced at ₹ 15.4
Rating	Unchanged

#### Quarterly Performance

	Q2FY18	Q2FY17	YoY (%)	Q1FY18	QoQ (%)
Revenue	284.8	281.0	1.4	209.0	36.3
EBITDA	40.9	42.0	-2.4	1.3	3,072.9
EBITDA (%)	14.4	14.9	-55.7	0.6	1,375.4
Net Profit	19.8	22.1	-10.7	-21.7	-190.9

#### Key Financials

(₹ Crore)	FY17	FY18E	FY19E	FY20E
Revenues	1096.8	1104.6	1299.7	1480.5
EBITDA	156.5	141.0	216.8	253.4
Adjusted PAT	77.1	48.7	115.6	141.5
EPS (Adjusted)	8.4	5.3	12.5	15.4

#### Valuation summary

	FY17	FY18E	FY19E	FY20E
PE (x)	31.8	50.3	21.2	17.3
Target PE (x)	29.9	47.7	20.1	16.4
EV to EBITDA (x)	16.9	19.2	12.4	10.4
Price to book (x)	3.8	3.6	3.1	2.8
RoNW (%)	11.8	7.1	14.8	15.9
RoCE (%)	8.7	6.1	11.4	13.5

#### Stock data

	Amount
Market Capitalisation	₹ 2451 crore
Debt (FY17)	₹ 251 crore
Cash (FY17)	₹ 63 crore
EV	₹ 2639 crore
52 week H/L (₹)	303/178
Equity capital	₹ 18.4 crore
Face value	₹ 2
MF Holding (%)	10.9
FII Holding (%)	8.3

#### Price performance (%)

	1M	3M	6M	1Y
Indoco Remedies	14.5	28.1	14.8	-6.2
Unichem Labs	10.7	11.2	10.7	8.9
Natco Pharma	-6.0	1.3	3.1	64.9

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## Variance analysis

	Q2FY18	Q2FY18E	Q2FY17	Q1FY18	YoY (%)	QoQ (%)	Comments
Revenue	284.8	291.1	281.0	209.0	1.4	36.3	YoY revenue growth muted as 12% domestic formulations growth was offset by 20% exports formulations de-growth
Raw Material Expenses	100.3	97.0	97.1	71.1	3.3	41.0	
Employee Expenses	55.4	58.2	53.4	56.3	3.7	-1.7	
Other Expenditure	76.5	81.5	76.5	66.7	0.0	14.6	
R&D	11.8	13.1	12.0	13.6	-2.4	-13.4	
EBITDA	40.9	41.3	42.0	1.3	-2.4	3,072.9	
EBITDA (%)	14.4	14.2	14.9	0.6	-56 bps	1375 bps	Marginally higher EBITDA margins vis-a-vis I-direct estimates as lower gross margins (64.8% in Q2FY18 vs 66.7%) was offset by lower other expenditure
Interest	7.0	1.0	1.6	6.1	343.9	14.4	
Depreciation	17.2	16.9	16.7	16.9	3.2	2.0	
Other Income	2.3	1.5	1.0	0.9	129.4	172.1	
PBT before EO & Forex	19.1	24.9	24.7	-20.8	-22.8	-191.7	
Forex & EO	0.0	0.0	0.0	0.0	NA	NA	
PBT	19.1	24.9	24.7	-20.8	-22.8	-191.7	
Tax	-0.7	3.5	2.6	0.9	-125.9	-172.8	
Net Profit	19.8	21.4	22.1	-21.7	-10.7	-190.9	Miss vis-a-vis I-direct estimates was mainly due to lower operational performance and higher interest cost
Key Metrics							
Domestic Formulations	188.2	177.3	168.8	99.7	11.5	88.8	On a like-to-like basis domestic formulations grew 16-17% YoY
Export formulations	74.3	94.1	92.5	86.0	-19.7	-13.6	YoY decline mainly due to 70% decline in the US sales to ₹ 7.9 crore
APIs	14.7	14.3	13.6	14.9	8.2	-1.3	

Source: Company, ICICIdirect.com Research

## Change in estimates

(₹ Crore)	FY18E			FY19E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	1,070.6	1,104.6	3.2	1,260.3	1,299.7	3.1	Revenues increased due to strong domestic growth prospects
EBITDA	124.5	141.0	13.2	208.6	216.8	3.9	
EBITDA Margin (%)	11.6	12.8	116 bps	16.5	16.7	18 bps	Changed mainly due lower-than-expected other expenses
PAT	44.9	48.7	8.5	111.5	115.6	3.6	
EPS (₹)	4.9	5.3	7.9	12.1	12.5	3.6	FY18 estimates changed due to increased H2FY18 margin estimates and FY19 changed mainly in sync with revenues

Source: Company, ICICIdirect.com Research

## Assumptions

(₹ crore)	FY16		FY17		Current		Earlier		
	FY16	FY17	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E	
Domestic Formulations	533.0	585.2	637.2	777.7	583.9	721.9			Increased mainly due to better than estimated revenue guidance
US Formulations	106.3	124.9	83.2	91.7	95.1	101.5			Revised downwards mainly due to higher than estimated price competition in the US
Export Formulations(Ex US)	282.9	277.0	297.6	342.3	307.5	353.6			
APIs	53.0	61.5	58.6	61.6	58.2	61.1			

Source: Company, ICICIdirect.com Research

## Company Analysis

The company was established in 1947. Indoco is a small-sized pharma company engaged in manufacture, marketing and distribution of pharmaceutical products and services in the domestic & international markets. Through its eight marketing divisions viz. - Indoco, Spade, Warren, Xtend, Excel, Eterna, Indoco CND and Spera, the company serves a range of doctor specialties. The company has signed supply agreements with companies like Watson, Aspen and DSM to supply formulations to advanced and emerging markets.

For FY17, domestic formulations account for ~55% of revenues. Major therapies and their respective contribution to domestic formulations are: respiratory - 18%, anti-infectives - 18%, stomatologicals - 16%, gastrointestinal (GI) - 14%. With a market share of 0.7%, the company is ranked thirty-first in domestic formulations. The acute-chronic-sub chronic ratio for the company is 82:6:12 (AIOCD June, 2017).

Formulation exports account for ~39% of revenues. Of these, exports to regulated markets constitute ~84% of formulation exports while the remaining 16% comes from emerging markets.

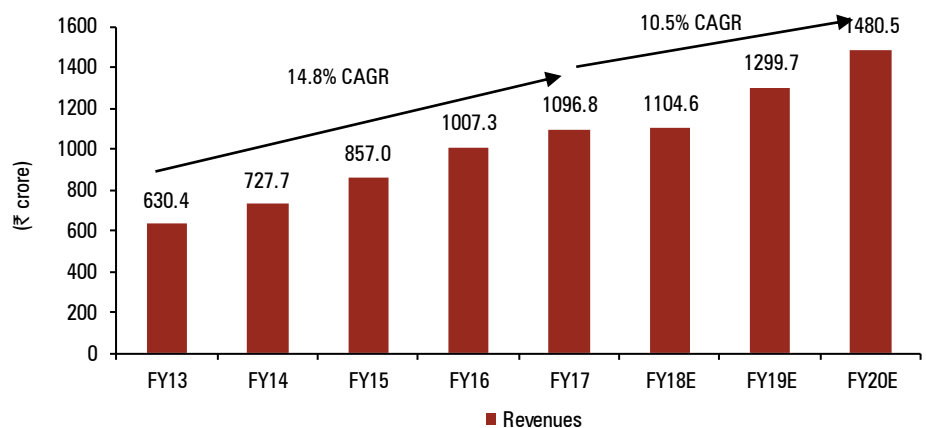
**Watson (Actavis) deal** - The company licenses out technology to US based Watson (now Actavis). Under the terms of profit sharing agreement, Indoco will develop, manufacture and supply a basket of sterile products to Watson for the US market. Currently, nine products are under development.

**Aspen deal** - Under the Aspen (South Africa) deal, the company licenses out dossiers for marketing its products in emerging markets covering 30 countries, including South Africa, Brazil, Mexico, Venezuela, Russia and Australia.

**DSM deal** - The company has also signed an agreement with Netherlands based DSM for the commercialisation of eight APIs according to which DSM will market the APIs manufactured by Indoco.

Overall, we expect revenues to grow at a CAGR of 11% in FY17-20E to ₹ 1481 crore.

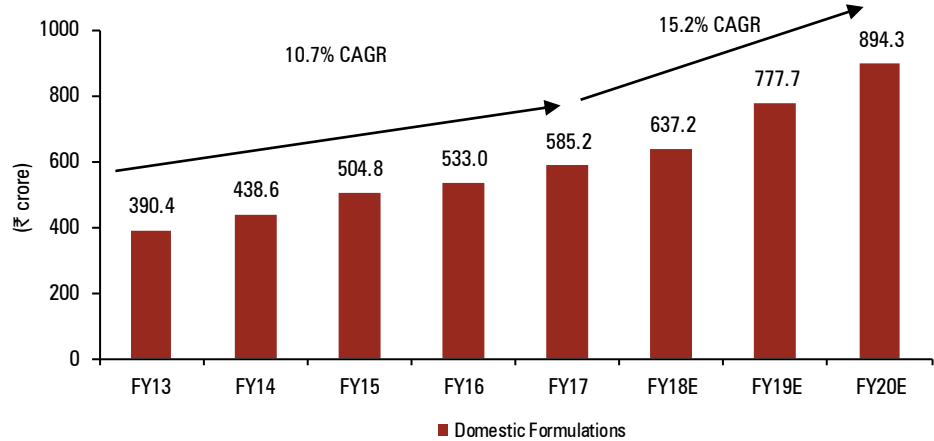
**Exhibit 1: Revenues to grow at CAGR of 11% in FY17-20E**



Source: Company, ICICIdirect.com Research

Domestic formulations (~55% of overall sales) have grown at a CAGR of 11.6% in the last five years vis-à-vis overall sales growth of 14.2% during the same period. The subdued growth can be attributed to high concentration of acute therapies that account for 82% of overall formulations. With a market share of 0.7% and overall rank of 31, the company is still a marginal player with some top brands in smaller categories such as stomatologicals. NLEM blues, distributor issues are likely overhangs in the short-term. We expect Indian formulations to grow at a CAGR of 15% in FY17-20E to ₹ 894 crore on the back of new launches.

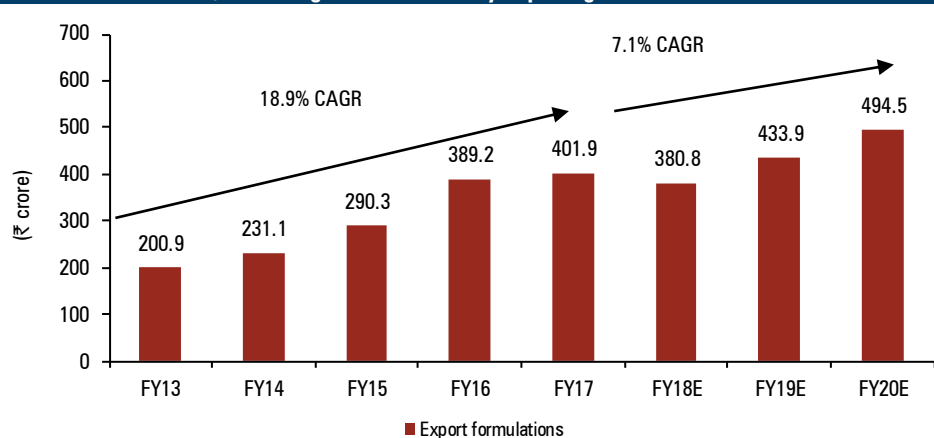
**Exhibit 2: Domestic formulations sales to grow at CAGR of 15% in FY17-20E**



Source: Company, ICICIdirect.com Research

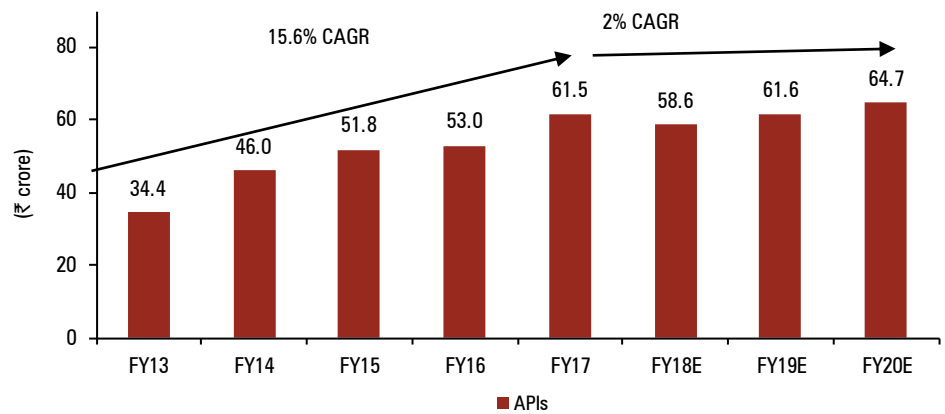
Export formulations (~38% of overall sales) have grown at a CAGR of 18% in FY12-17 driven by 19% growth in regulated markets. The growth in regulated markets was driven by growth in the US, UK and South Africa. German Metformin tenders also contributed to regulated markets growth. It has filed 45 ANDAs with the USFDA and received approval for 0 products (including two tentative approvals). Of these, 18 were filed under the Actavis deal. The Aspen deal for the semi-regulated market is also likely to drive exports. We expect exports to grow at a CAGR of 7% to ₹ 495 crore in FY17-20E, driven by 1) growth in regulated market base business and 2) revenues under CRAMS deal with Watson (Allergan).

**Exhibit 3: Watson deal, own filings to cause healthy exports growth**



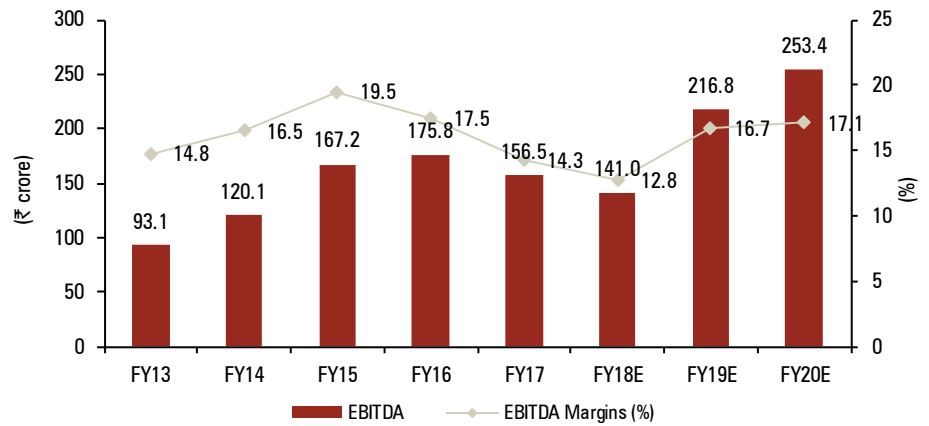
Source: Company, ICICIdirect.com Research

**Exhibit 4: APIs to grow at CAGR of 2% in FY17-20E**



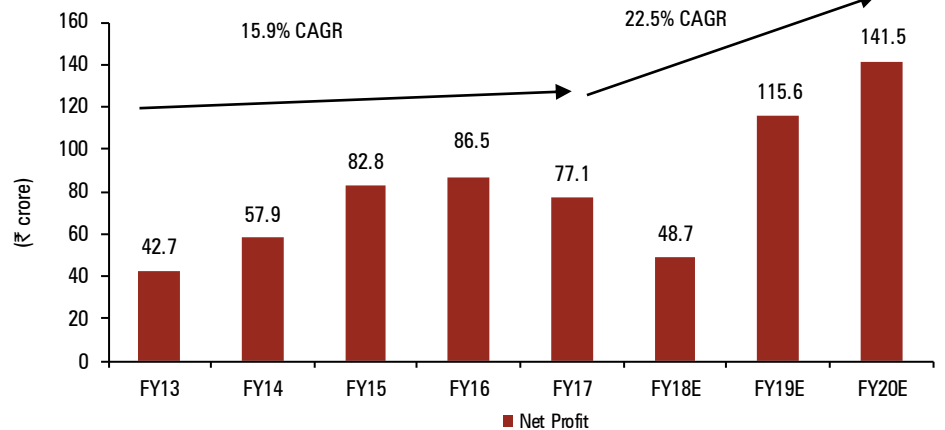
Source: Company, ICICIdirect.com Research

**Exhibit 5: EBITDA to grow at CAGR of 17% in FY17-20E**



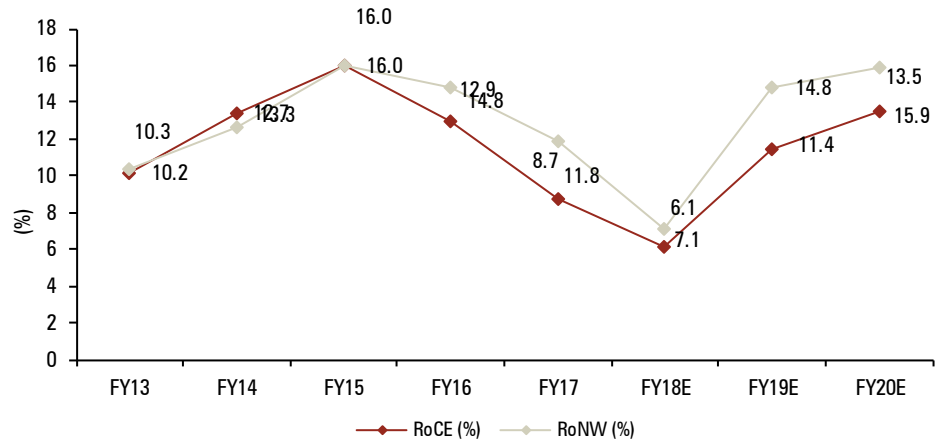
Source: Company, ICICIdirect.com Research

**Exhibit 6: Adjusted net profit to grow at CAGR of 23% in FY17-20E**



Source: Company, ICICIdirect.com Research

**Exhibit 7: Trends in return ratios**



Source: Company, ICICIdirect.com Research

**Exhibit 8: Trends in quarterly financials**

(₹ Crore)	Q2FY15	Q3FY15	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	YoY (%)	QoQ (%)
Net Sales	226.4	212.9	211.6	216.0	251.2	258.1	255.0	252.5	276.4	272.2	265.6	204.2	280.0	1.3	37.1
Other Operating Income	2.0	3.7	-1.7	7.4	7.3	4.0	8.5	5.2	4.6	6.0	11.4	4.8	4.8	3.2	-0.4
Revenues	228.4	216.7	209.9	223.4	258.4	262.1	263.4	257.7	281.0	278.2	276.9	209.0	284.8	1.4	36.3
Raw Material Expenses	79.7	77.7	68.5	76.4	88.2	92.4	82.4	89.1	97.1	98.3	97.2	71.1	100.3	3.3	41.0
% of Revenues	34.9	35.9	32.6	34.2	34.1	35.2	31.3	34.6	34.5	35.3	35.1	34.0	35.2	66 bps	118 bps
Gross Profit	148.7	139.0	141.4	147.0	170.3	169.8	181.0	168.6	183.9	179.9	179.7	137.9	184.6	0.3	33.8
Gross Profit Margin (%)	65.1	64.1	67.4	65.8	65.9	64.8	68.7	65.4	65.5	64.7	64.9	66.0	64.8	-66 bps	-118 bps
Employee Expenses	36.0	34.7	35.0	41.5	46.1	45.4	49.9	50.7	53.4	55.1	56.8	56.3	55.4	3.7	-1.7
% of Revenues	15.7	16.0	16.7	18.6	17.9	17.3	19.0	19.7	19.0	19.8	20.5	26.9	19.4	43 bps	-750 bps
Research & Development	4.9	5.0	7.5	6.5	8.9	8.9	18.9	12.0	12.0	13.8	13.9	13.6	11.8	-2.4	-13.4
% of Revenues	2.1	2.3	3.5	2.9	3.5	3.4	7.2	4.7	4.3	5.0	5.0	6.5	4.1	-16 bps	-237 bps
Other Manufacturing Expenses	59.2	56.6	61.7	57.4	66.0	68.9	71.4	63.6	76.5	71.5	76.5	66.7	76.5	0.0	14.6
% of Revenues	25.9	26.1	29.4	25.7	25.5	26.3	27.1	24.7	27.2	25.7	27.6	31.9	26.9	-37 bps	-507 bps
Total Expenditure	179.8	174.0	172.6	181.8	209.2	215.5	222.6	215.4	239.1	238.7	244.4	207.7	243.9	2.0	17.4
% of Revenues	78.7	80.3	82.2	81.4	80.9	82.2	84.5	83.6	85.1	85.8	88.2	99.4	85.6	56 bps	-1375 bps
EBITDA	48.6	42.7	37.3	41.6	49.3	46.6	40.8	42.3	42.0	39.5	32.6	1.3	40.9	-2.4	3072.9
EBITDA Margin (%)	21.3	19.7	17.8	18.6	19.1	17.8	15.5	16.4	14.9	14.2	11.8	0.6	14.4	-56 bps	1375 bps
Depreciation	13.2	12.0	12.5	15.0	14.9	15.2	15.3	16.8	16.7	14.4	15.4	16.9	17.2	3.2	2.0
Interest	2.7	2.7	2.2	2.2	2.6	2.8	4.7	2.9	1.6	2.9	-1.6	6.1	7.0	343.9	14.4
Other Income	0.6	0.2	0.4	0.2	0.3	0.2	0.5	0.3	1.0	1.1	1.7	0.9	2.3	129.4	172.1
PBT	33.4	28.2	22.9	24.7	32.0	28.8	21.5	22.9	24.7	23.4	20.4	-20.8	19.1	-22.8	-191.7
Total Tax	11.0	6.6	4.2	5.4	5.9	4.9	1.4	3.1	2.6	5.8	2.4	0.9	-0.7	-125.9	-172.8
Tax Rate (%)	32.8	23.3	18.3	21.9	18.5	16.9	6.7	13.5	10.5	24.7	12.0	-4.4	-3.5	-1399 bps	91 bps
Net Profit	22.4	21.6	18.8	19.3	26.1	23.9	20.0	19.8	22.1	17.6	17.9	-21.7	19.8	-10.7	-190.9
PAT Margin (%)	9.8	10.0	8.9	8.6	10.1	9.1	7.6	7.7	7.9	6.3	6.5	-10.4	6.9	-94 bps	1733 bps
EPS (₹)	2.4	2.3	2.0	2.1	2.8	2.6	2.2	2.1	2.4	1.9	1.9	-2.4	2.1	-10.7	-190.9

Source: Company, ICICIdirect.com Research

### SWOT Analysis

**Strengths** - Tie-ups with the MNCs. Leader in stomatologicals in the domestic formulations

**Weakness** - Higher acute composition in domestic formulations and one of the least productive sales force (MR productivity- ₹ 18.0 lakh)

**Opportunities** - The US generics space in which the company intends to launch products via Watson tie-up and on its own

**Industry Specific Threats** - Increased USFDA scrutiny across the globe regarding cGMP issues, pricing pressure due to client consolidation in the US. There is intense competition in acute therapies in domestic formulations. Any alteration or cancellation of Watson deal altogether could adversely impact earnings as well as multiple.

#### Conference call highlights

- The pre-GST 40 days' inventory at the distributor level had dipped to 17 days during June 2017 (GST began on July 1, 2017). At present, the inventory level has reached 32 days
- During the quarter, the company launched a new product, Bactogard-CV 100 DS in the Anti-Infective segment category in India
- Europe segment constituted 51% of exports formulation sales. The company has strong order book in Europe
- Validation batches to initiate the inspection by EU Regulatory authority have been completed at the newly acquired facility at Baddi
- The company has won tenders in South Africa for Ciprofloxacin tablets & eye drops and for Allopurinol tablets in New Zealand
- Regarding restarting Latanoprost supply to Teva, the management has stressed that it needs to resolve the container issue first to commence the supply
- The management has guided for 15-20% tax rate in FY19 and FY20
- They are awaiting a response from the USFDA to lift the warning letter from its Goa plant
- The management expects to file six to eight ANDAs in FY18. Going ahead, it expects to file eight to 10 ANDAs
- They expect to incur a total of ₹ 4-5 crore as remediation costs towards clearing the warning letter. It has till now spent 70% of the said amount
- The company has filed for six ophthalmic products in EU

#### Exhibit 9: Major Facilities

Location	Regulatory Approvals	Type
Baddi Plant	UKMHRA, WHO, Ministry of Health-Nepal, Ministry of Health-Slovenia	Solid Orals (Tablets), Liquid Orals, External Preparations (Creams, Ointments), Oral Hygiene Preparations
Baddi Plant (Microlabs Ltd)		Solid Orals (Tablets)
Goa Plant 1	USFDA, UKMHRA, MCC-SA, TGA-Aus, Darmstadt Germany	Solid Orals (Tablets Coated / Uncoated), Liquid Orals, Creams & Ointments, Capsules (Hard Gelatin)
Goa Plant 2	USFDA, MCC-SA, Ministry of health-Tanzania	Ophthalmics and Injectables
Goa Plant 3	USFDA, TGA-Aus, Bavarian Health Authority-Germany	Tablets
Waluj Plant	WHO, national Drug Authority-Uganda, Ministry of Health-ukraine, Drug Regulatory Unit-Botswana	Solid Orals (Tablets), liquid Orals, External Preparations

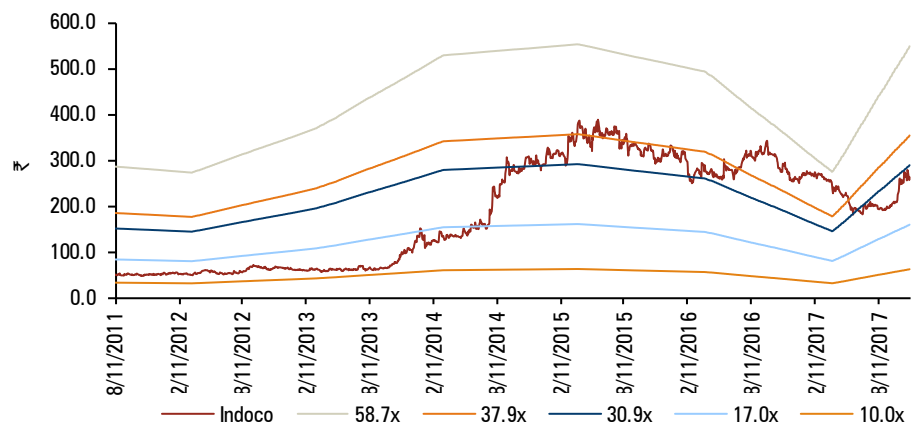
Source: Company, ICICIdirect.com Research



## Valuation

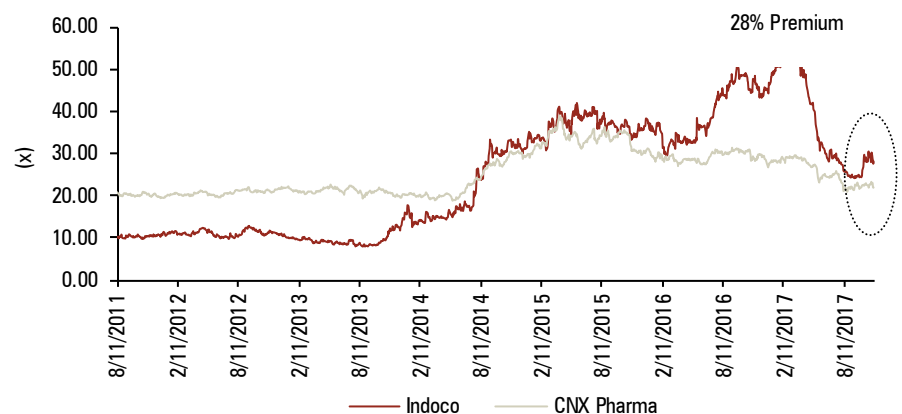
Q2 numbers have seen a revival in domestic sales post-GST event, whereas exports sales showed a subdued performance mainly due to lower-than-expected US sales. Regarding GST related disruption the management has hinted improvement in distributor inventory days from a bottom of 17 days during June to 32 days as of now. The management expects the antibiotics and anti-infectives segments to start showing traction from Q3 onwards and further support domestic sales. However, on the exports front, the company is facing headwinds like Goa warning letter, pricing pressure in the US base business and structural issues in some semi-regulated markets. In this backdrop, the management is emphasising on cost aspects. Accordingly, measures to improve margins and doing away with non-core capex are some tasks undertaken by the management. We have ascribed a target price of ₹ 250 based on 16x FY20E EPS of ₹ 15.4.

**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

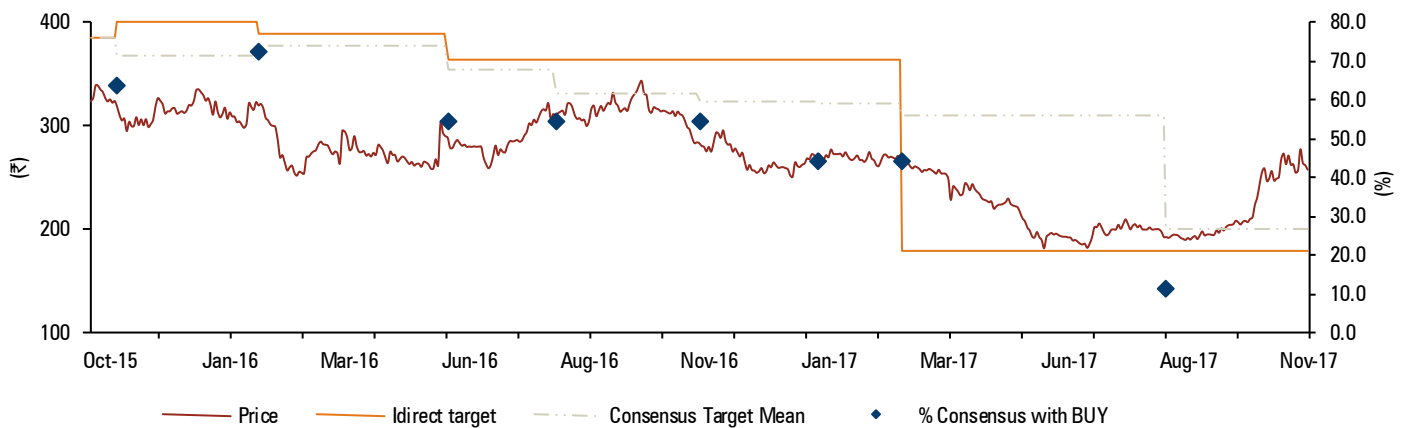
**Exhibit 12: Valuation**

	Revenues (₹ crore)	Growth (%)	Adj. EPS (₹)	Growth (%)	P/E (x)	EV/EBITDA (X)	RoNW (%)	RoCE (%)
FY17	1097	8.9	8.4	-10.9	31.8	16.9	11.8	8.7
FY18E	1105	0.7	5.3	-36.8	50.3	19.2	7.1	6.1
FY19E	1300	17.7	12.5	137.2	21.2	12.4	14.8	11.4
FY20E	1480	13.9	15.4	22.5	17.3	10.4	15.9	13.5

Source: Company, ICICIdirect.com Research



## Recommendation history vs. Consensus



Source: Bloomberg, Company, ICICIdirect.com Research

## Key events

Date	Event
Oct-05	Signs agreement with Watson Pharmaceuticals to manufacture and supply sterile products for the US market
Feb-11	Enters into a long term drug supply agreement with Aspen Pharmaceuticals for emerging markets
Aug-13	Enters into a strategic business alliance with DSM Pharmaceutical to supply eight active pharma ingredients to be marketed in Europe
Sep-13	Proposes stock split and bonus issue (1:2)
Oct-13 & Nov-13	Receives approval for its first ANDA of anti-diabetic product Glimepride tablets from the USFDA
Jul-14	Receives EIR from the USFDA for sterile manufacturing facility (plant II) and approval for solid dosage manufacturing facility (plant III) at Goa
Apr-15	Indoco buys Piramal's Clinical/Contract Research Organisation (CRO) business
Mar-16	Receives establishment inspection report (EIR) from USFDA for its sterile and solid dosages facility (Goa Plant I)
May-16	Receives establishment inspection report (EIR) from USFDA for its sterile and solid dosages facility (Goa Plant II)
Sep-16	Acquires solid dosage manufacturing facility located at Baddi of Microlabs Ltd.

Source: Company, ICICIdirect.com Research

## Top 10 Shareholders

Rank	Investor Name	Latest Filing Date	% O/S	Position	Position Char
1	SPA Holdings Pvt. Ltd.	30-Sep-17	19.90	18.3	0.0
2	Shanteri Investment Pvt. Ltd.	30-Sep-17	17.12	15.8	0.0
3	Panandikar (Aditi Milind)	30-Sep-17	6.03	5.6	0.0
4	Ramani (Madhura Anup)	30-Sep-17	5.63	5.2	0.0
5	Kare (Aruna Suresh)	30-Sep-17	5.20	4.8	0.0
6	DSP BlackRock Investment Managers Pvt. Ltd.	30-Sep-17	4.80	4.4	0.0
7	Kare (Suresh Govind)	30-Sep-17	4.41	4.1	0.0
8	First State Investments (HK) Ltd.	30-Sep-17	3.45	3.2	3.2
9	First State Investments (Singapore)	30-Jun-17	3.45	3.2	0.6
10	Barclays Mercantile Business Finance Limited	30-Jun-17	3.02	2.8	0.0

Source: Reuters, ICICIdirect.com Research

## Shareholding Pattern

(in %)	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17
Promoter	59.2	59.2	59.2	59.1	58.9
Others	40.8	40.8	40.9	40.9	40.9

## Recent Activity

Buys			Sells		
Investor name	Value (\$ mn)	Shares	Investor name	Value (\$ mn)	Shares
First State Investments (HK) Ltd.	10.1	3.2	Sells		Sells
Barclays Merchant Bank (Singapore) Ltd.	8.9	2.8	Stewart Investors	-8.1	-2.5
First State Investments (Singapore)	1.9	0.6	SBI Funds Management Pvt. Ltd.	-1.6	-0.5
HDFC Asset Management Co., Ltd.	0.3	0.1	BlackRock Institutional Trust Company, N.A.	-0.1	0.0
			BOI AXA Investment Managers Private Limited	-0.2	0.0

Source: Reuters, ICICIdirect.com Research

## Financial summary

Profit and loss statement ₹ Crore				
(Year-end March)	FY17	FY18E	FY19E	FY20E
Revenues	1,096.8	1,104.6	1,299.7	1,480.5
Growth (%)	8.9	0.7	17.7	13.9
Raw Material Expenses	383.3	379.0	441.9	506.2
Employee Expenses	216.7	227.7	246.9	281.3
Other Manufacturing Expenses	288.6	304.1	339.6	377.5
Total Operating Expenditure	940.3	963.6	1,082.9	1,227.0
EBITDA	156.5	141.0	216.8	253.4
Growth (%)	-11.0	-9.9	53.8	16.9
Interest	6.2	16.3	6.5	5.5
Depreciation	63.3	68.5	74.9	81.4
Other Income	4.0	6.3	9.1	10.4
PBT	90.9	62.4	144.5	176.9
Total Tax	13.9	13.7	28.9	35.4
PAT	77.1	48.7	115.6	141.5
Adjusted PAT	77.1	48.7	115.6	141.5
Growth (%)	-10.9	-36.8	137.2	22.5
EPS	8.4	5.3	12.5	15.4
EPS (Adjusted)	8.4	5.3	12.5	15.4

Source: Company, ICICIdirect.com Research

Cash flow statement ₹ Crore				
(Year-end March)	FY17	FY18E	FY19E	FY20E
Profit/(Loss) after taxation	77.1	48.7	115.6	141.5
Add: Depreciation & Amortization	63.3	68.5	74.9	81.4
Net Increase in Current Assets	-74.6	-51.3	-80.3	-74.4
Net Increase in Current Liabilities	35.7	-44.1	39.1	36.2
Other	-12.8	0.0	0.0	0.0
CF from operating activities	88.6	21.8	149.3	184.7
(Inc)/dec in Investments	16.5	0.0	-20.0	-20.0
(Inc)/dec in Fixed Assets	-189.6	-90.0	-90.0	-90.0
Others	-8.2	6.0	6.0	6.0
CF from investing activities	-181.3	-84.0	-104.0	-104.0
Inc / (Dec) in Equity Capital	0.0	0.0	0.0	0.0
Proceeds/(Repayment) Loan	147.1	50.0	-40.0	-40.0
Others	-2.4	-10.7	-25.4	-31.1
CF from financing activities	144.7	39.3	-65.4	-71.1
Net Cash flow	52.1	-22.9	-20.0	9.7
Opening Cash	10.5	62.6	39.7	19.7
Closing Cash	62.6	39.7	19.7	29.4
Free Cash flow	-100.9	-68.2	59.3	94.7

Source: Company, ICICIdirect.com Research

Balance sheet ₹ Crore				
(Year-end March)	FY17	FY18E	FY19E	FY20E
Equity Capital	18.4	18.4	18.4	18.4
Reserve and Surplus	633.1	671.1	761.3	871.8
Total Shareholders fund	651.6	689.6	779.8	890.2
Total Debt	250.7	300.7	260.7	220.7
Deferred Tax Liability	0.0	4.8	9.7	14.5
Other Non Current Liabilities	11.4	11.6	11.8	12.0
Long term Provisions	17.9	18.9	19.9	20.9
Source of Funds	931.5	1,025.6	1,081.8	1,158.3
Gross Block - Fixed Assets	769.9	849.9	929.9	1,009.9
Accumulated Depreciation	330.1	398.6	473.5	554.9
Net Block	439.8	451.3	456.4	455.0
Capital WIP	90.6	100.6	110.6	120.6
Net Fixed Assets	530.5	552.0	567.0	575.6
Investments	1.4	1.4	21.4	41.4
Inventory	187.0	181.2	213.2	242.8
Cash	62.6	39.7	19.7	29.4
Debtors	215.7	207.1	243.7	277.6
Loans & Advances & Other CA	107.2	172.9	184.6	195.5
Total Current Assets	572.4	600.9	661.1	745.2
Creditors	164.0	144.0	169.4	193.0
Provisions & Other CL	101.4	77.3	91.0	103.6
Total Current Liabilities	265.4	221.3	260.4	296.6
Net Current Assets	307.0	379.5	400.7	448.6
LT L& A, Other Assets	60.4	60.4	60.4	60.4
Deferred Tax Assets	31.9	31.9	31.9	31.9
Application of Funds	931.5	1,025.6	1,081.8	1,158.3

Source: Company, ICICIdirect.com Research

Key ratios				
(Year-end March)	FY17	FY18E	FY19E	FY20E
Per share data (₹)				
EPS	8.4	5.3	12.5	15.4
BV per share	70.7	74.8	84.6	96.6
Dividend per share	2.4	1.2	2.8	3.4
Operating Ratios (%)				
EBITDA margins	14.3	12.8	16.7	17.1
Net Profit margins	7.0	4.4	8.9	9.6
Inventory days	62	60	60	60
Debtor days	72	68	68	68
Creditor days	55	48	48	48
Asset Turnover	1.0	0.9	1.0	1.1
EBITDA conversion rate	56.7	15.4	68.9	72.9
Return Ratios (%)				
RoE	11.8	7.1	14.8	15.9
RoCE	8.7	6.1	11.4	13.5
RoIC	13.6	9.1	16.5	18.8
Valuation Ratios (x)				
P/E	31.8	50.3	21.2	17.3
EV / EBITDA	16.9	19.2	12.4	10.4
EV / Net Sales	2.4	2.5	2.1	1.8
Market Cap / Sales	2.2	2.2	1.9	1.7
Price to Book Value	3.8	3.6	3.1	2.8
Solvency Ratios				
Debt / Equity	0.4	0.4	0.3	0.2
Debt / EBITDA	1.6	2.1	1.2	0.9
Current Ratio	1.9	2.5	2.5	2.4

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	1207	1,300	Hold	10619.8	47.0	57.4	49.3	61.5	25.6	21.0	24.5	19.6	46.0	42.3	30.9	30.2	36.7	33.7	23.8	24.3
Alembic Pharma	ALEMPHA	514	530	Hold	9690.7	38.2	21.2	20.4	25.3	13.5	24.3	25.1	20.3	52.2	25.3	18.9	20.8	45.1	21.0	17.5	18.6
Apollo Hospitals	APOHOS	992	1,180	Hold	13802.6	13.2	15.9	6.9	19.5	75.2	62.5	144.4	50.9	6.6	6.0	5.8	8.9	5.3	6.0	2.5	6.7
Aurobindo Pharma	AURPHA	793	745	Hold	46460.5	33.9	38.8	46.1	40.6	23.4	20.4	17.2	19.5	23.1	24.4	25.2	19.3	27.2	24.2	22.7	16.8
Biocon	BIOCON	411	380	Hold	24657.0	5.2	8.5	8.2	11.7	78.3	48.5	50.4	35.2	6.5	9.6	10.3	14.1	7.8	10.5	9.4	12.2
Cadila Healthcare	CADHEA	500	440	Hold	51171.8	15.0	14.5	19.4	22.8	33.4	34.4	25.8	22.0	24.9	13.1	17.3	19.8	34.4	21.4	23.5	22.9
Cipla	CIPLA	630	650	Hold	50691.2	18.5	12.5	22.0	27.2	34.1	50.3	28.6	23.1	11.8	7.7	13.1	14.6	12.9	8.0	12.7	13.9
Divi's Lab	DIVLAB	1027	1,090	Hold	27263.6	42.4	39.9	34.6	43.1	24.2	25.7	29.7	23.8	31.6	25.3	20.1	22.1	26.2	19.8	15.4	16.9
Dr Reddy's Labs	DRREDD	2388	2,520	Hold	39591.1	125.0	78.0	63.5	94.0	19.1	30.6	37.6	25.4	15.3	7.3	6.5	9.4	17.0	10.5	8.0	10.8
Glenmark Pharma	GLEPHA	601	670	Hold	16968.2	26.4	42.2	34.7	36.6	22.8	14.2	17.3	16.4	15.7	19.5	16.0	15.9	20.5	26.5	18.1	16.2
Indoco Remedies	INDREM	266	250	Hold	2451.2	9.4	8.4	5.3	12.5	28.3	31.8	50.3	21.2	12.9	8.7	6.1	11.4	14.8	11.8	7.1	14.8
Ipca Laboratories	IPCLAB	561	410	Hold	7082.7	7.4	15.4	12.4	25.5	76.0	36.4	45.3	22.0	4.5	8.7	6.9	12.5	4.1	7.9	6.1	11.3
Jubilant Life	JUBLIF	632	815	Buy	10066.6	24.6	36.1	40.5	54.0	25.7	17.5	15.6	11.7	11.8	13.8	13.5	16.0	13.2	16.8	16.0	17.8
Lupin	LUPIN	867	890	Hold	39150.5	50.4	56.7	35.5	38.5	17.2	15.3	24.4	22.5	17.8	16.6	11.0	12.0	20.3	19.0	10.8	10.7
Natco Pharma	NATPHA	940	1,190	Buy	16384.9	8.9	27.9	48.0	64.4	105.9	33.8	19.6	14.6	15.7	33.6	43.6	44.8	11.9	29.5	36.7	35.6
Sun Pharma	SUNPHA	543	445	Hold	130219.1	23.4	29.0	14.6	19.8	23.2	18.7	37.3	27.4	18.6	19.8	9.7	12.2	18.0	19.0	9.0	11.1
Syngene Int.	SYNINT	505	580	Buy	10100.0	12.0	14.4	16.0	20.4	42.6	35.7	32.2	25.1	15.3	16.8	18.6	20.9	23.5	20.3	18.8	19.5
Torrent Pharma	TORPHA	1272	1,365	Hold	21524.3	110.9	55.2	53.3	66.5	11.5	23.1	23.9	19.1	46.5	18.9	19.3	20.7	53.7	21.5	17.9	19.2

Source: Company, ICICIdirect.com Research

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