February 9, 2018

Rating matrix		
Rating	:	Buy
Target	:	₹ 715
Target Period	:	12-15 months
Potential Upside	:	14%

What's Changed?	
Target	Changed from ₹ 560 to ₹ 715
EPS FY18E	Changed from ₹ 18.3 to ₹ 21.4
EPS FY19E	Changed from ₹ 33.2 to ₹ 37.6
EPS FY20E	Changed from ₹ 37.2 to ₹ 44.7
Rating	Changed from Hold to Buy

Standalone Quarterly Performance

	Q3FY18	Q3FY17	YoY (%)	Q2FY18	QoQ (%)
Revenue	859.2	750.7	14.4	864.3	-0.6
EBITDA	161.2	110.4	46.0	149.0	8.2
EBITDA (%)	18.8	14.7	406 bps	17.2	152 bps
Reported PAT	105.6	41.4	155.1	96.5	9.4

Key Financials

(₹ crore)	FY17	FY18E	FY19E	FY20E
Revenues	3210.6	3270.7	3741.6	4233.4
EBITDA	444.8	467.1	697.1	804.3
Net Profit	194.5	270.3	474.2	564.5
EPS (₹)	15.4	21.4	37.6	44.7
Adj. EPS (₹)	15.4	21.4	37.6	44.7

Valuation summary

	FY17	FY16	FY19E	FY20E
PE (x)	40.6	84.8	16.7	14.0
Target PE (x)	46.4	33.4	19.0	16.0
EV to EBITDA (x)	19.0	29.7	11.5	9.5
Price to book (x)	3.2	3.5	2.6	2.2
RoNW (%)	7.9	4.1	15.4	15.9
RoCE (%)	8.7	4.5	15.5	16.7

Stock data

Particular	Amount
Market Capitalisation	₹ 7898 crore
Debt (FY17)	₹ 716 crore
Cash (FY17)	₹ 36 crore
EV	₹ 8578 crore
52 week H/L (₹)	658/400
Equity capital	₹ 25.2 crore
Face value	₹ 2

Price performance (%)

	1M	3M	6M	1Y
Ipca Labs	5.7	12.0	40.2	16.3
Ajanta Pharma	-5.9	17.3	16.6	-21.0
Alembic Pharma	-2.7	5.7	3.6	-1.6

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Ipca Laboratories (IPCLAB)

₹ 626

Upbeat numbers with margin expansion…

- Revenues grew 14% YoY to ₹ 859 crore (I-direct estimate: ₹ 814 crore) due to 12% growth in domestic formulations to ₹ 383 crore (I-direct estimate: ₹ 402 crore) and 17% growth in export formulations to ₹ 273 crore (I-direct estimate: ₹ 227 crore). API sales grew 16% YoY to ₹ 192 crore (I-direct estimate: ₹ 172 crore)
- EBITDA margins improved 406 bps to 18.8% YoY (I-direct estimate: 16.0%) mainly due to 1.7% decline in other expenditure. EBITDA increased 46% YoY to ₹162 crore (I-direct estimate: ₹ 130 crore)
- PAT grew 140% YoY to ₹ 106 crore (I-direct estimate: ₹ 77 crore) mainly due to strong operational performance and lower tax rate

Exports formulations main catalyst for growth

Exports formulations (31% of FY17 turnover) have grown 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 which is the only API source for Silvassa and Pithampur (Indore) formulations plants, along with Silvassa and Pithampur (Indore) plants that are specifically earmarked for US business, besides third party sales, thus affecting US visibility. However, we expect a likely recovery in Q1FY19 from the WHO tender front and revival in the UK sales, is expected to mitigate the US void. We expect export formulations to grow at 14% CAGR in FY17-20E to ₹ 1473 crore, driven by branded formulation exports and recovery in the tender and generic exports business.

Growth in ex-antimalarial portfolio to counter antimalarial volatility

Domestic formulations comprise 31% of total FY17 revenues. During FY13-17 this segment grew at 12% 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. However, with incremental growth in other therapies, especially pain management and cardiology, the overall portfolio is poised for steady growth. ~25% of the domestic portfolio is under NLEM. We expect Indian formulations to grow at 10% CAGR in FY17-20E to ₹ 1823 crore.

US void not a dampener anymore; other segments come to the fore

Domestic performance post-GST transition seems to be returning to normalcy. The inventory days have reached 30 days and are expected to recover 10-15% from here although the management does not expect it to reach the pre- GST levels of 40 days. The management expects the tender business to generate ₹ 400-500 crore of revenue over next two to three years, assuming it gets pre-qualification of certain products. Also, fortunes of API exports, domestic formulations and branded formulation exports look promising over the next two years. The current capacity utilisation (operating leverage) remains low and is expected to increase with growing revenues. On the USFDA re-inspection front, the company has completed remedial at three locations and has invited USFDA officials for re-inspection. However, the resolution seems months away. With growing influence of ex-US segments in the earnings, the company once again becomes a compelling bet at this level given the FY17– 20E growth prospects- Sales, EBITDA and PAT CAGR of 10%,22% and 43% respectively. Our new target price is ₹ 715 (~16x FY20E EPS of ₹ 44.7).

Variance analysis

	Q3FY18	Q3FY18E	Q3FY17	Q2FY18	YoY (%)	QoQ (%)	Comments
Revenue	859.2	814.3	750.7	864.3	14.4	-0.6	YoY increase was mainly due to 12% and 17% increase in the domestic and export formulations respectively
Raw Material Expenses	293.9	285.0	253.7	295.0	15.8	-0.4	
Employee Expenses	182.4	179.1	161.1	187.2	13.2	-2.6	
Other Expenditure	221.8	219.9	225.6	233.0	-1.7	-4.8	Includes ₹24 crore of plant related to compliance costs
Operating Profit (EBITDA)	161.2	130.3	110.4	149.0	46.0	8.2	
EBITDA (%)	18.8	16.0	14.7	17.2	406 bps	152 bps	Stronger margins YoY vis-à-vis I-direct estimates mainly due to strong gross margin performance and lower other expenditure
Interest	5.6	5.3	5.7	6.4	-0.9	-12.4	
Depreciation	43.8	33.9	43.2	44.1	1.6	-0.5	
Other Income	11.0	10.3	5.9	11.0	85.0	-0.3	
Forex	0.0	0.0	3.9	0.0	0.0	0.0	
EO	0.0	0.0	0.0	0.0	0.0	0.0	
PBT	122.8	101.4	63.6	109.6	93.1	12.0	
Tax	17.2	24.3	22.2	13.1	-22.7	30.9	
Tax Rate (%)	14.0	24.0	34.9	12.0	-2093 bps	202 bps	Lower tax rate was mainly due to higher deferred tax
Reported PAT	105.6	77.1	41.4	96.5	155.1	9.4	
PAT (Ex forex)	105.6	77.1	43.9	96.5	140.3	9.4	Higher PAT YoY and vis-à-vis I-direct estimates was due to better operational performance and lower taxation
EPS (₹)	8.4	6.1	3.5	7.6	140.3	9.4	
Key Metrics							
Domestic formulations	382.9	402.3	343.0	424.7	11.6	-9.9	Excluding excise impact, like-to-like domestic growth was 14% YoY. Pain segment and Cardio segment, which contribute 44% and 21% respectively to the domestic revenues, grew at 18% and 17-18% respectively
API	191.5	171.9	164.8	193.8	16.2	-1.2	
Export Formulations	272.8	227.3	233.5	234.1	16.8	16.6	Higher Yoy and beat via-a-vis estimates mainly due to strong growth in the Institutional and branded businesses

Source: Company, ICICIdirect.com Research

Change in estimates

(₹ Crore)	Old	New	% Change	Old	New	% Change	Comments
Revenue	3,207.5	3,270.7	2.0	3,635.7	3,741.6	2.9	
EBITDA	431.4	467.1	8.3	677.3	697.1	2.9	
EBITDA Margin (%)	13.5	14.3	83 bps	18.6	18.6	0 bps	
PAT	230.7	270.3	17.1	418.7	474.2	13.3	
EPS (₹)	18.3	21.4	17.1	33.2	37.6	13.3	Changed mainly in sync with lower tax guidance

Source: Company, ICICIdirect.com Research

Assumptions

			Current		Earlier		
	FY16	FY17	FY18E	FY19E	FY18E	FY19E	
Domestic formulations	1,209.0	1,379.1	1,420.8	1,627.4	1,440.2	1,649.1	
Export formulations	918.0	995.9	1,018.7	1,230.8	957.7	1,127.5	Estimates revised mainly due to better institutional, generic exports outlook
API	653.7	707.3	718.3	754.2	698.7	733.6	

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 ~44% of FY17 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.

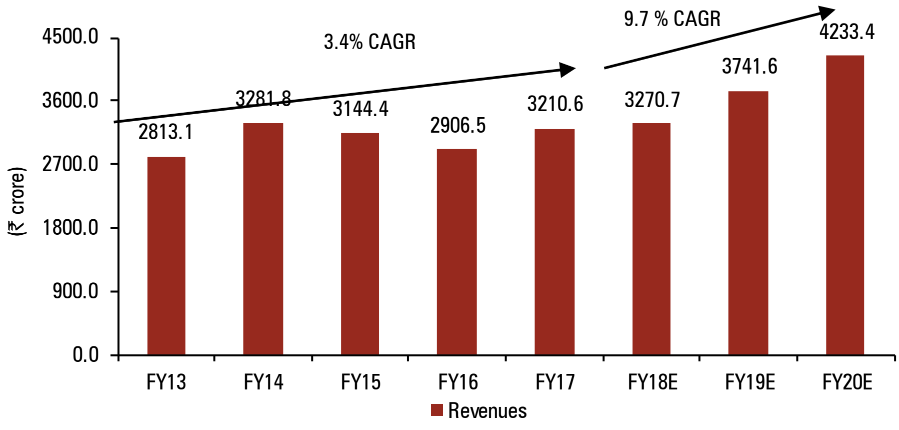
In domestic formulations, the company owns a field force of 5000 MRs covering 12 therapy focused marketing divisions.

Major therapies in domestic formulations are-1) pain management- 44% of domestic formulations, 2) anti-malarial- 8% of domestic formulations, 3) Cardiovascular (CVS)- 21% 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 FY17-20E to ₹ 4233 crore driven mainly by domestic formulations and recovery institutional tender business.

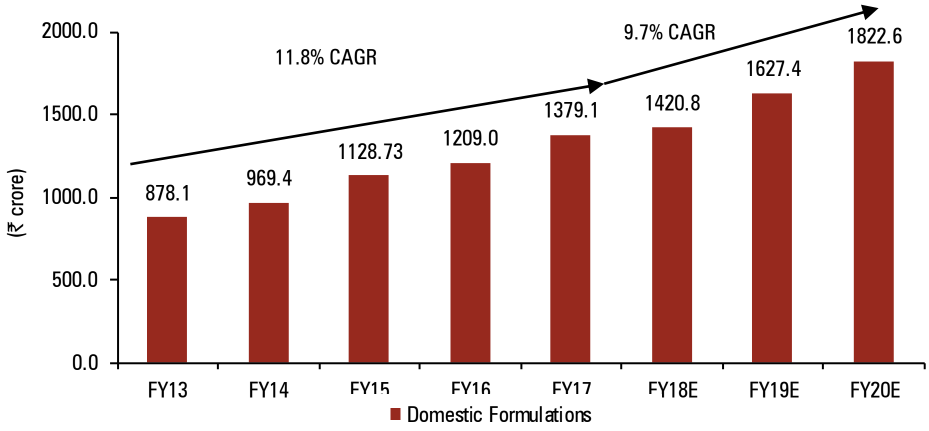
Exhibit 1: Exports and domestic formulations to drive growth



Source: Company, ICICIdirect.com Research

Domestic formulations comprise 31% of total revenues. During FY13-17 this segment has grown at a CAGR of 12% 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. ~25% of the domestic portfolio is under NLEM. We expect Indian formulations to grow at CAGR of 10% in FY17-20E to ₹ 1823 crore.

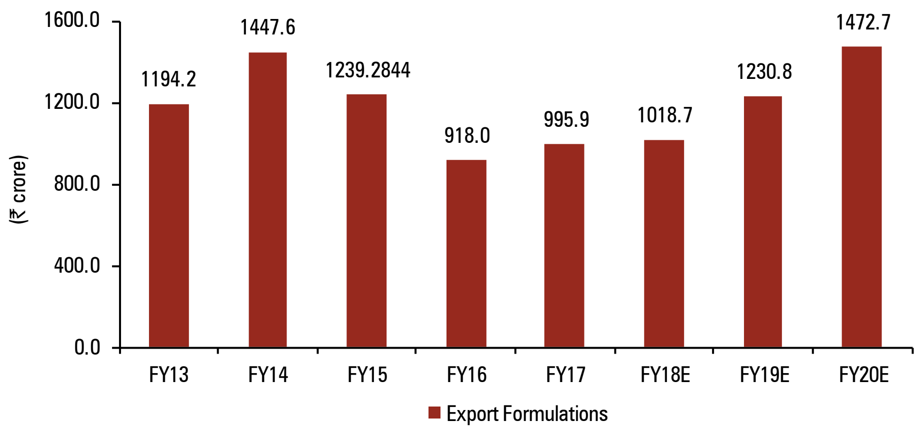
Exhibit 2: Domestic formulations to grow at CAGR of 10% in FY17-20E



Source: Company, ICICIdirect.com Research

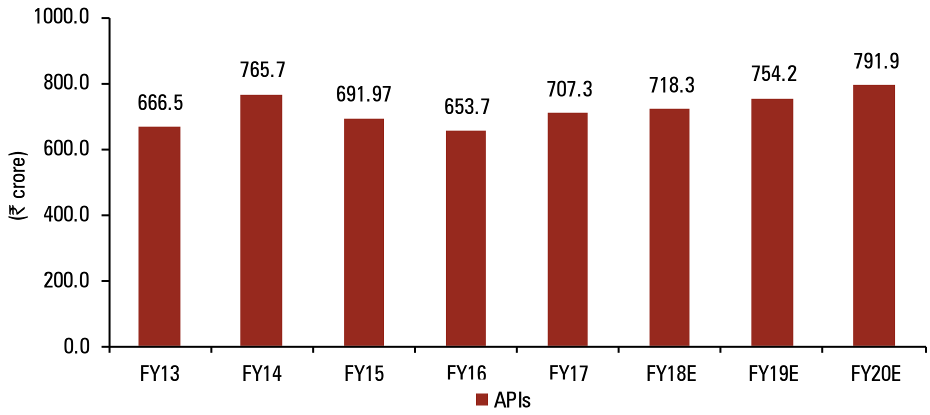
Exports formulations (31% of FY17 turnover) have grown at 6.3% CAGR in FY11-17. Growth in exports formulations was on the back of growth in both international generics and international branded formulations. The international anti-malarial institutional business has also contributed substantially to overall exports growth. US traction will take more time than earlier estimated due to USFDA import alerts for the Ratlam facility which is the only API source for Silvassa and Pithampur (Indore) 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. However, we expect a likely recovery in Q1FY18 from the WHO tender front (, assuming its product get prequalification from the WHO) and revival in the UK sales, which is also expected to mitigate the US impact. We expect export formulations to grow at 14% CAGR in FY17-20E to ₹ 1473 crore to be driven by branded formulation exports and recovery in the tender and generic exports business.

Exhibit 3: Export formulations to grow at CAGR of 14% in FY17-20E



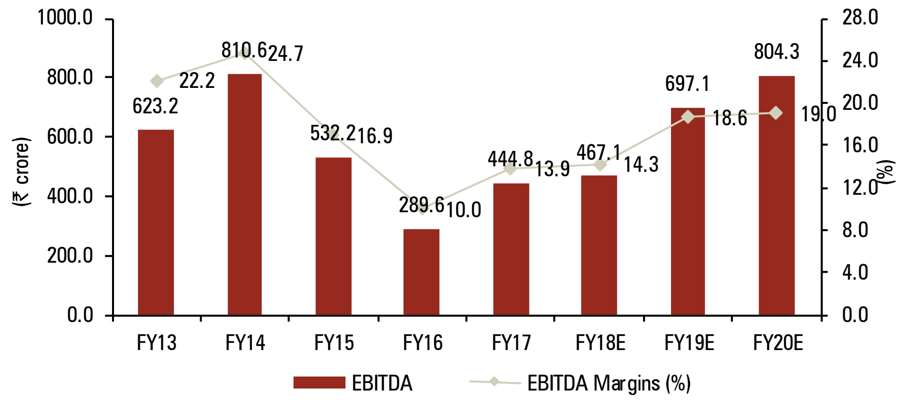
Source: Company, ICICIdirect.com Research

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



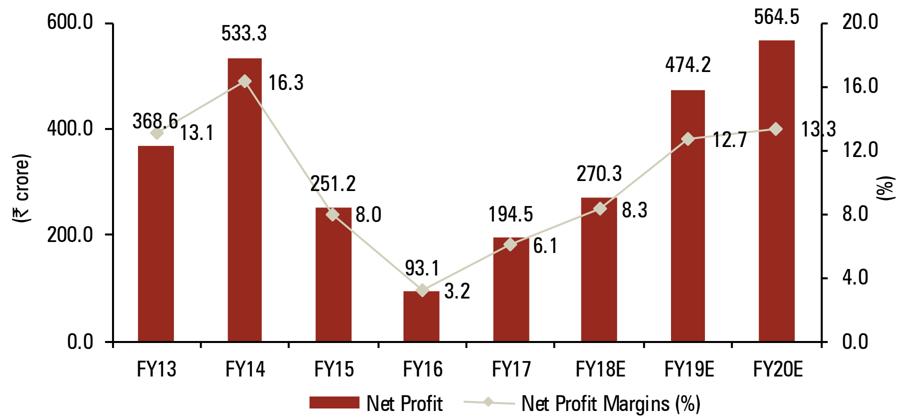
Source: Company, ICICIdirect.com Research

Exhibit 5: EBITDA to grow at CAGR of 22% in FY17-20E



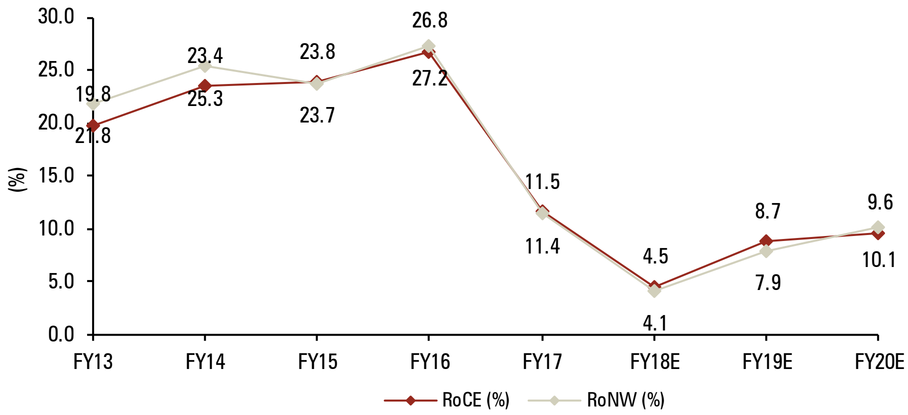
Source: Company, ICICIdirect.com Research

Exhibit 6: Adjusted net profit to grow at CAGR of 43% 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	Q3FY15	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	YoY (%)	QoQ (%)
Net Sales	734.1	622.7	751.0	742.8	683.0	619.5	619.5	834.0	865.9	741.8	665.8	702.3	852.6	847.2	14.2	-0.6
Other Operating Incom	6.5	5.2	7.0	10.9	11.3	12.3	12.3	20.6	19.1	8.9	0.0	10.6	13.6	13.6	52.0	NA
Revenues	740.7	627.9	758.0	753.7	694.3	631.9	631.9	854.7	885.1	750.7	665.8	713.0	866.2	860.7	14.7	-0.6
Raw Material Expense	272.6	256.9	297.3	287.5	259.4	217.7	217.7	313.2	332.7	253.7	231.9	267.6	295.0	293.9	15.8	-0.4
% of Revenue	36.8	40.9	39.2	38.1	37.4	34.5	34.5	36.6	37.6	33.8	34.8	37.5	34.1	34.1	35bps	8bps
Gross Profit	468.0	371.1	460.7	466.2	434.9	414.1	414.1	541.5	552.4	497.1	433.9	445.4	571.2	566.9	14.1	-0.8
GPM (%)	63.2	59.1	60.8	61.9	62.6	65.5	65.5	63.4	62.4	66.2	65.2	62.5	65.9	65.9	-35bps	-8bps
Employee Expenses	134.4	128.8	158.0	147.8	148.9	148.9	148.9	179.1	176.0	161.1	158.7	174.7	187.2	182.4	13.2	-2.6
% of Revenue	18.1	20.5	20.8	19.6	21.4	23.6	23.6	21.0	19.9	21.5	23.8	24.5	21.6	21.2	-27bps	-43bps
Other expenditure	212.5	208.6	220.5	234.3	196.6	194.5	194.5	242.4	248.4	225.6	207.5	249.2	233.0	221.8	-1.7	-4.8
% of Revenue	28.7	33.2	29.1	31.1	28.3	30.8	30.8	28.4	28.1	30.0	31.2	34.9	26.9	25.8	-428bps	-113bps
Total Expenditure	619.5	594.3	675.8	669.7	604.8	561.1	561.1	734.7	757.0	640.3	598.1	691.4	715.3	698.0	9.0	-2.4
% of Revenue	83.6	94.6	89.2	88.8	87.1	88.8	88.8	86.0	85.5	85.3	89.8	97.0	82.6	81.1	-420bps	-148bps
EBIDTA	121.1	33.7	82.2	84.1	89.5	70.8	70.8	120.0	128.0	110.4	67.7	21.5	151.0	162.7	47.4	7.8
EBIDTA Margin (%)	16.4	5.4	10.8	11.2	12.9	11.2	11.2	14.0	14.5	14.7	10.2	3.0	17.4	18.9	420bps	148bps
Depreciation	42.0	57.7	42.1	36.9	40.0	39.2	39.2	42.2	42.9	43.2	42.8	43.3	44.1	43.8	1.6	-0.5
Interest	5.9	8.3	5.5	7.3	8.9	8.1	8.1	6.1	6.8	5.7	4.4	5.6	6.4	5.6	-0.9	-12.4
Other Income	6.4	14.3	4.1	5.6	4.8	8.7	8.7	4.9	6.2	5.9	5.2	6.2	11.0	11.0	85.0	-0.3
Forex gain/(loss)	-11.2	22.5	-11.6	-23.9	-0.7	-2.8	-2.8	0.0	7.8	-3.9	0.0	0.0	0.0	0.0	-100.0	#DIV/0!
PBT	68.6	4.6	27.1	21.6	44.6	29.4	29.4	76.6	92.4	63.6	25.7	-21.2	111.5	124.3	95.5	11.4
Tax	27.0	-3.2	8.2	9.5	9.5	-15.6	-15.6	29.0	37.4	22.2	-18.7	-1.0	13.1	17.2	-22.7	30.9
Tax Rate (%)	39.4	-70.5	30.4	43.9	21.4	-53.2	-53.2	37.9	40.5	34.9	-72.7	4.6	11.8	13.8	NA	NA
PAT	41.5	7.8	18.9	12.1	35.1	45.0	45.0	47.6	55.0	41.4	44.4	-20.2	98.4	107.1	158.9	8.8
PAT Margin (%)	5.6	1.2	2.5	1.6	5.1	7.1	7.1	5.6	6.2	5.5	6.7	-2.8	11.4	12.4	693bps	108bps
EPS (₹)	3.3	0.6	1.5	1.0	2.8	3.6	3.6	3.8	4.4	3.3	3.5	-1.6	7.8	8.5	158.9	8.8

Source: Company, ICICIdirect.com Research

Conference call Highlights

- IPCA management has guided EBITDA margins at 18-18.5% in FY19
- YoY anti-malarial segment has reduced to 8% of the domestic portfolio, whereas pain segment has improved to 44%, followed by Cardio segment at 21%, thereby lowering the portfolio from historical anti-malarial volatility in sales (earlier anti-malarial contribution was at 13%)
- On the generic exports segment, UK sales continued to remain subdued. However, higher Canadian sales led by increased product launches, strong 46% EU growth and 15% Australia and New Zealand growth led to higher generic exports segments growth. The management continues to remain positive on the above segment and expects the UK sales to rebound in FY19
- On the Institutional exports segment, the management expects the WHO anti-malarial tender to kick start from Q1FY19. The management expects DT business to begin in H2FY19 and injectables launch in H2FY20
- On the branded business, the management expects to grow at 20-25% in FY19
- US total cumulative filings stood at 47, of which 18 are approved
- Health Canada has successfully inspected all 3 of IPCAs facilities during the quarter
- The management expects stable CRAMs numbers from H2FY20
- The management has guided for effective tax rate at ~17-18% for FY19
- The management expects capex for FY19 at similar levels to FY18 i.e. 130-140 crore
- The company has completed remediation at its three facilities and has invited USFDA officials for inspection

Exhibit 9: Facilities

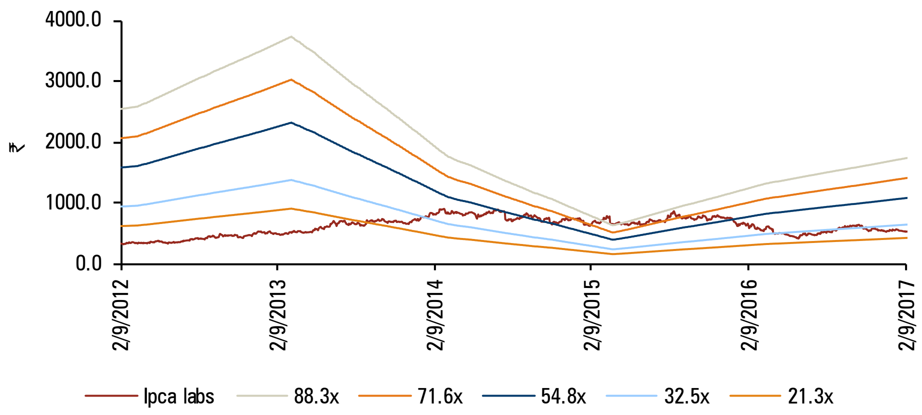
Location	Segment	Regulatory Approvals	Type
Ankleshwar, Gujarat	API	PMDA Japan	
Aurangabad	APIs and Intermediates		
Baroda	APIs and Intermediates		
Indore	APIs and Intermediates	WHO-India	
Mahad	Intermediates		
Ratlam	APIs	USFDA, TGA Australia, EDQM-Europe, EU cGMP, PMDA Japan, KFDA Korea	
Athal, Silvassa	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, Oinlment
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

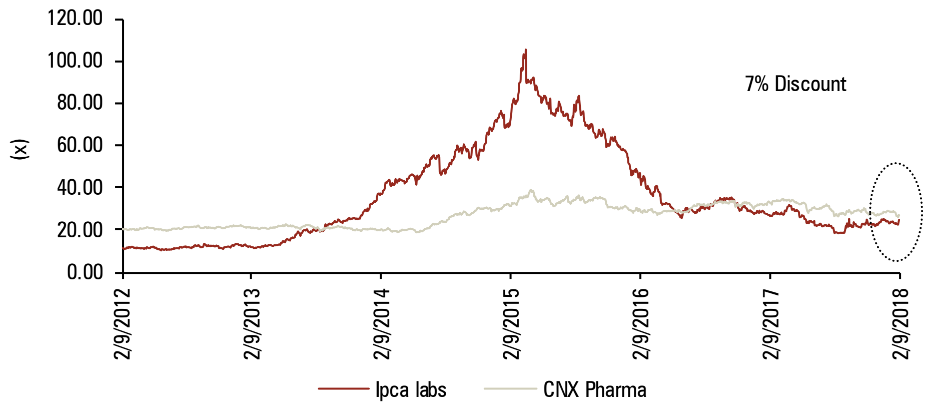
Domestic performance post-GST transition seems to be returning back to normalcy. The inventory days have reached back to 30 days and are expected to recover 10-15% from here although the management does not expect it to reach the pre- GST levels of 40 days. The management expects the tender business to generate ₹ 400-500 crore of revenue over next 2-3 years, assuming it gets pre-qualification of certain products. Also, the fortunes of API exports, domestic formulations and branded formulation exports look promising over the next two years. The current capacity utilisation (operating leverage) remains low and is expected to increase with growing revenues. On the USFDA re-inspection front, the company has completed remedial at three locations and has invited USFDA officials for re-inspection, however, the resolution seems months away. With growing influence of ex-US segments in the earnings, the company once again becomes a compelling bet at this level given the FY17– 20E growth prospects- Sales, EBITDA and PAT CAGR of 10%,22% and 43% respectively. Our new target price is ₹ 715 (~16x FY20E EPS of ₹ 44.7).

Exhibit 10: One year forward PE



Source: Company, ICICIdirect.com Research

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



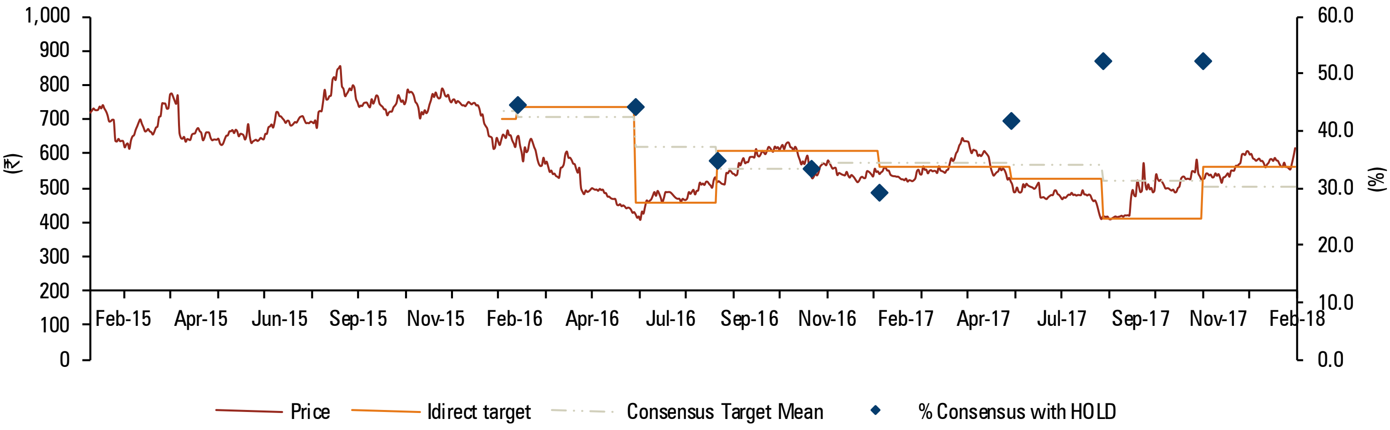
Source: Company, ICICIdirect.com Research

Exhibit 12: Valuation

	Revenues (₹ crore)	Growth (%)	Adj. EPS (₹)	Growth (%)	P/E (x)	EV/EBITDA (X)	RoNW (%)	RoCE (%)
FY17	3211	10.5	15.4	108.9	40.6	19.0	7.9	8.7
FY18E	3271	1.9	21.4	38.9	29.2	17.7	10.1	9.6
FY19E	3742	14.4	37.6	75.5	16.7	11.5	15.4	15.5
FY20E	4233	13.1	44.7	19.0	14.0	9.5	15.9	16.7

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; volantarily 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 Silvasa 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
Jun-17	USFDA bans imports from Ratlam, Pithampur and Silvassa facility citing violations of cGMP standards

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-Dec-17	21.4	27.0m	0.0m
2	Kaygee Laboratories Pvt. Ltd.	31-Dec-17	6.6	8.3m	0.0m
3	ICICI Prudential Asset Management Co. Ltd.	31-Dec-17	6.5	8.2m	-2.4m
4	Chandurkar Investments Pvt. Ltd.	31-Dec-17	5.5	7.0m	0.0m
5	HDFC Asset Management Co., Ltd.	31-Dec-17	5.4	6.8m	-0.2m
6	DSP BlackRock Investment Managers Pvt. Ltd.	31-Dec-17	4.2	5.3m	0.1m
7	Paschim Chemicals Pvt. Ltd.	31-Dec-17	4.0	5.0m	0.0m
8	Lavender Investments, Ltd.	31-Dec-17	4.0	5.0m	0.0m
9	Franklin Templeton Asset Management (India) Pvt. Ltd.	31-Dec-17	2.3	3.0m	-0.2m
10	Godha (Premchand)	31-Dec-17	2.1	2.7m	0.0m

Source: Reuters, ICICIdirect.com Research

Shareholding Pattern

(in %)	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17
Promoter	46.0	46.1	46.1	46.1	46.1
Others	54.0	53.9	53.9	53.9	53.9

Recent Activity

Buys			Sells		
Investor name	Value ($)	Shares	Investor name	Value ($)	Shares
L&T Investment Management Limited	11.3m	1.2m	ICICI Prudential Asset Management Co. Ltd.	-22.1m	-2.4m
Canara Robeco Asset Management Company Ltd.	6.0m	0.6m	Reliance Nippon Life Asset Management Limited	-2.1m	-0.3m
DSP BlackRock Investment Managers Pvt. Ltd.	1.2m	0.1m	Invesco Hong Kong Limited	-1.7m	-0.2m
LIC Mutual Fund Asset Management Company Ltd.	0.1m	0.0m	Franklin Templeton Asset Management (India) Pvt. Ltd.	-2.1m	-0.2m
BlackRock Institutional Trust Company, N.A.	0.1m	0.0m	HDFC Asset Management Co., Ltd.	-2.0m	-0.2m

Source: Reuters, ICICIdirect.com Research

Financial summary

Profit and loss statement				₹ Crore
(Year-end March)	FY17	FY18E	FY19E	FY20E
Revenues	3,210.6	3,270.7	3,741.6	4,233.4
Growth (%)	10.5	1.9	14.4	13.1
Raw Material Expenses	1,110.2	1,147.3	1,248.5	1,397.0
Employee Expenses	696.0	727.1	785.7	889.0
Other Expense	959.7	929.2	1,010.2	1,143.0
Total Operating Expenditure	2,765.9	2,803.7	3,044.5	3,429.0
EBITDA	444.8	467.1	697.1	804.3
Growth (%)	53.6	5.0	49.2	15.4
Interest	24.1	23.2	17.9	12.7
Depreciation	173.0	165.1	144.0	152.4
Other Income	22.6	37.9	36.1	40.9
Forex (gain)/loss	0.0	0.0	0.0	0.0
PBT after EO/Forex	270.3	316.7	571.3	680.1
Total Tax	67.5	46.5	97.1	115.6
MI & Profit from associates	-8.3	0.0	0.0	0.0
PAT	194.5	270.3	474.2	564.5
Growth (%)	108.9	38.9	75.5	19.0
Adjusted PAT	194.5	270.3	474.2	564.5
EPS	15.4	21.4	37.6	44.7
EPS (Adjusted)	15.4	21.4	37.6	44.7

Source: Company, ICICIdirect.com Research

Cash flow statement				₹ Crore
(Year-end March)	FY17	FY18E	FY19E	FY20E
Profit after Tax	188.3	262.6	463.0	551.6
Add: Depreciation	171.0	165.1	144.0	152.4
(Inc)/dec in Current Assets	-138.2	-49.0	-214.1	-228.9
Inc/(dec) in CL and Provisions	3.9	19.3	75.4	80.7
Others	51.4	23.2	17.9	12.7
CF from operating activities	276.4	421.1	486.3	568.5
(Inc)/dec in Fixed Assets	-107.2	-150.0	-150.0	-150.0
(Inc)/dec in Investments	-110.0	50.0	0.0	0.0
Others	-6.0	3.8	5.6	6.0
CF from investing activities	-223.2	-96.2	-144.4	-144.0
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	-151.4	-50.0	-150.0	-150.0
Dividend paid & dividend tax	-18.5	-39.4	-69.4	-82.7
Other	128.5	26.8	132.1	137.3
CF from financing activities	-192.9	-112.6	-237.4	-245.5
Net Cash flow	-139.7	212.4	104.5	179.0
Opening Cash	175.5	35.9	248.3	352.8
Closing Cash	35.9	248.3	352.8	531.8
Free Cash Flow	169.3	271.1	336.3	418.5

Source: Company, ICICIdirect.com Research

Balance sheet				₹ Crore
(Year-end March)	FY17	FY18E	FY19E	FY20E
Equity Capital	25.2	25.2	25.2	25.2
Reserve and Surplus	2,430.0	2,653.2	3,046.7	3,515.6
Total Shareholders funds	2,455.3	2,678.4	3,072.0	3,540.9
Total Debt	715.8	665.8	515.8	365.8
Deferred Tax Liability	175.7	184.5	197.4	211.3
LTP & Other LTL	26.2	27.5	29.4	31.5
Total Liabilities	3,372.9	3,556.2	3,814.6	4,149.3
Gross Block - Fixed Assets	2,271.0	2,421.0	2,571.0	2,721.0
Accumulated Depreciation	335.0	500.1	644.0	796.4
Net Block	1,936.1	1,921.0	1,927.0	1,924.6
Capital WIP	94.6	94.6	94.6	94.6
Total Fixed Assets	2,030.7	2,015.6	2,021.6	2,019.3
Goodwill on Consolidation	47.2	47.2	47.2	47.2
Investments	135.8	85.8	85.8	85.8
LT L&A,Non Current Assets	125.4	131.7	140.9	150.8
Inventory	882.2	907.1	1,034.2	1,170.2
Debtors	500.2	514.2	586.3	663.4
Loans and Advances	2.1	2.2	2.4	2.5
Other Current Assets	200.1	210.1	224.8	240.5
Cash	35.9	248.3	352.8	531.8
Total Current Assets	1,620.4	1,881.9	2,200.5	2,608.4
Creditors	457.7	470.6	536.5	607.0
Provisions	66.1	69.4	74.2	79.4
Other current libilities	62.9	66.1	70.7	75.6
Total Current Liabilities	586.7	606.0	681.4	762.1
Net Current Assets	1,033.8	1,275.9	1,519.0	1,846.3
Application of Funds	3,372.9	3,556.2	3,814.6	4,149.3

Source: Company, ICICIdirect.com Research

Key ratios				
(Year-end March)	FY17	FY18E	FY19E	FY20E
Per share data (₹)				
Adjusted EPS	15.4	21.4	37.6	44.7
BV per share	194.6	212.3	243.5	280.7
Dividend per share	1.5	3.1	5.5	6.6
Operating Ratios (%)				
Gross Profit Margins	65.4	64.9	66.6	67.0
EBITDA Margins	13.9	14.3	18.6	19.0
PAT Margins	6.1	8.3	12.7	13.3
Inventory days	100.3	101.2	100.9	100.9
Debtor days	56.9	57.4	57.2	57.2
Creditor days	52.0	52.5	52.3	52.3
Asset Turnover	1.4	1.4	1.5	1.6
EBITDA conversion Rate	62.1	90.2	69.8	70.7
Return Ratios (%)				
RoE	7.9	10.1	15.4	15.9
RoCE	8.7	9.6	15.5	16.7
RoIC	9.2	10.2	17.8	20.0
Valuation Ratios (x)				
P/E	39.7	28.5	16.3	13.7
EV / EBITDA	18.6	17.3	11.2	9.3
EV / Net Sales	2.6	2.5	2.1	1.8
Market Cap / Sales	2.4	2.4	2.1	1.8
Price to Book Value	3.1	2.9	2.5	2.2
Solvency Ratios				
Debt / EBITDA	1.6	1.4	0.7	0.5
Debt / Equity	0.3	0.2	0.2	0.1
Current Ratio	2.7	2.7	2.7	2.7

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 (%)			
						FY17	FY18E	FY19E	FY20E	FY17	FY18E	FY19E	FY20E	FY17	FY18E	FY19E	FY20E	FY17	FY18E	FY19E	FY20E
Ajanta Pharma	AJAPHA	1421	1,515	Hold	12502.5	57.4	57.0	63.5	75.7	24.8	24.9	22.4	18.8	42.3	34.6	31.5	30.2	33.7	26.8	24.4	23.9
Alembic Pharma	ALEMPHA	545	570	Hold	10274.1	21.2	23.7	23.0	28.6	25.7	23.0	23.7	19.1	25.3	19.6	17.6	19.7	21.0	19.9	16.8	18.0
Apollo Hospitals	APOHOS	1123	1,060	Hold	15617.5	15.9	13.4	24.2	34.4	70.7	83.5	46.3	32.7	6.1	7.5	9.9	12.1	6.0	4.9	8.2	10.7
Aurobindo Pharma	AURPHA	586	665	Hold	34309.3	38.8	42.6	38.0	41.5	15.1	13.7	15.4	14.1	24.4	23.5	18.4	17.9	24.2	21.3	16.1	15.2
Biocon	BIOCON	609	680	Buy	36522.0	8.5	8.4	11.9	16.9	71.8	72.8	51.3	36.0	9.6	10.2	13.9	17.1	10.5	9.6	12.3	15.4
Cadila Healthcare	CADHEA	395	405	Hold	40468.5	14.5	16.6	18.1	20.3	27.2	23.7	21.9	19.4	13.1	17.6	16.7	17.3	21.4	20.7	19.2	18.6
Cipla	CIPLA	613	640	Hold	49382.4	12.5	19.6	26.8	32.1	48.9	31.4	22.9	19.1	7.7	9.7	14.5	16.0	8.0	11.4	13.9	14.7
Divi's Lab	DIVLAB	1014	1,070	Hold	26925.2	39.9	32.7	40.7	48.7	25.4	31.0	24.9	20.8	25.3	19.3	21.2	22.2	19.8	14.7	16.2	16.9
Dr Reddy's Labs	DRREDD	2194	2,520	Hold	36384.5	78.0	59.4	93.4	140.2	28.1	36.9	23.5	15.7	7.3	6.8	9.5	12.1	10.5	7.5	10.8	14.2
Glenmark Pharma	GLEPHA	538	670	Hold	15187.7	42.2	30.2	36.8	42.1	12.7	17.8	14.6	12.8	19.5	14.6	16.2	17.1	26.5	16.1	16.6	16.1
Indoco Remedies	INDREM	268	280	Hold	2465.5	8.4	4.8	12.2	15.4	32.0	55.4	21.9	17.4	8.7	5.4	11.2	13.8	11.8	6.5	14.5	16.0
Ipca Laboratories	IPCLAB	626	715	Buy	7716.7	15.4	21.4	37.6	44.7	40.6	29.2	16.7	14.0	8.7	9.6	15.5	16.7	7.9	10.1	15.4	15.9
Jubilant Life	JUBLIF	949	1,090	Buy	15114.2	36.1	46.9	68.0	85.3	26.3	20.2	14.0	11.1	13.8	14.7	18.4	20.4	16.8	18.1	21.0	21.0
Lupin	LUPIN	818	850	Hold	36978.3	56.7	30.2	35.1	45.2	14.4	27.1	23.3	18.1	16.6	10.0	10.9	13.7	19.0	9.3	10.0	11.6
Narayana Hrudalaya	NARHRU	300	360	Buy	6130.8	4.1	3.8	6.4	9.7	72.6	79.3	46.6	30.9	12.5	10.5	14.1	18.4	8.8	7.4	11.2	14.5
Natco Pharma	NATPHA	812	910	Hold	14979.9	26.3	34.8	41.5	26.7	30.8	23.4	19.6	30.4	33.6	26.7	28.1	16.7	29.5	21.4	21.9	12.9
Sun Pharma	SUNPHA	578	485	Hold	138748.6	29.0	14.7	18.2	22.2	19.9	39.4	31.7	26.0	20.3	10.7	12.2	13.5	19.0	9.1	10.3	11.4
Syngene Int.	SYNINT	594	680	Buy	11875.0	14.4	13.6	19.0	22.7	41.6	41.6	31.4	26.3	16.8	16.2	20.3	21.7	20.3	16.4	18.8	18.5
Torrent Pharma	TORPHA	1368	1,369	Hold	23157.0	55.2	39.4	66.7	79.8	24.8	34.8	20.5	17.1	18.9	19.4	21.2	22.9	21.5	13.7	19.8	20.1

Source: Company, ICICIdirect.com Research

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