

Indoco Remedies (INDREM)

₹ 189

Beats estimates but pain remains...

- Q3FY19 numbers were higher than I-direct estimates on all fronts mainly due to better-than expected export formulation sales and margins. Revenues de-grew 5.6% YoY to ₹ 262.6 crore (I-direct estimate: ₹ 239 crore). Domestic formulations declined 2.2% to ₹ 152.5 crore (I-direct estimate: ₹ 155.9 crore). Export business declined 31.1% to ₹ 68.5 crore (I-direct estimate: ₹ 54.7 crore)
- EBITDA margins were at 9.4% against 15.5% in Q3FY18 (I-direct estimates of 7.2%) due to negative operational leverage. EBITDA declined 42.7% to ₹ 11.8 crore (I-direct estimate: ₹ 17.2 crore)
- Net profit was at ₹ 5.3 crore against ₹ 22.7 crore in Q3FY18 (I-direct net loss estimate: ₹ 3.8 crore) due to lower operational performance

Indian formulation growth core to overall growth

Domestic formulations (~57% of FY18 revenues) have grown at 9% CAGR in FY13-18. The subdued growth can be attributed to high concentration of acute therapies that account 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 like stomatologicals. However, with a positive outcome of restructuring exercise and improvement in MR productivity, we expect Indian formulations to deliver ~9% growth in FY18-20E to ₹ 706 crore.

Exports formulations growth challenging amid regulatory concerns

Exports formulations (~33% of overall FY18 sales) have grown at 11% CAGR in FY13-18 driven by 17% growth in US. 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 48 ANDAs with the USFDA and received approval for 10 products. Of these, 18 were filed under the Actavis deal. However, regulatory issues pertaining to regulated market portfolio have somewhat blurred the near term visibility. We expect exports to remain muted over FY18-20E to ₹ 357 crore.

Domestic franchisee to be valuation lever amid turbulence in exports

The performance continues to be weighed down by exports that are under pressure due to regulatory hurdles. On the domestic front, the management has maintained double digit domestic growth guidance for FY20 and is looking for field force productivity improvement. On the exports front, regulatory headwinds continue to weigh as sales fell 37% in 9MFY19 with regulated markets facing the maximum heat. The US business continues to face headwinds like Goa warning letter (plant II and III), pricing pressure in the US base business. Similarly, issues raised by UK-MHRA are also a matter of concern as this may have implications on the European business. However, recent inspections by the USFDA and UK-MHRA definitely hold promise for likely resolution of Goa II (critical plant). Going by the management's optimism about Goa I/II and positive outcome from UK-MHRA inspection for Baddi I/III, things are expected to improve in the next few quarters. Due to the negative operating leverage, we believe the PE is not a right approach to value the company. Thus, decent domestic business valuation on EV/sales basis is likely to be the valuation parameter for the time being. Accordingly, we value the stock on an SOTP basis by valuing the domestic business at 2.5x FY20E EV/sales, export formulations at 0.5x FY20E and API business at 1.0x FY20E EV/sales. We arrive at a target price of ₹ 195.

Rating matrix	
Rating	: Hold
Target	: ₹ 195
Target Period	: 12-15 months
Potential Upside	: 3%

What's Changed?	
Target	Unchanged
EPS FY19E	Unchanged
EPS FY20E	Changed from ₹ 7.2 to ₹ 7.4
Rating	Unchanged

Quarterly Performance					
	Q3FY19	Q3FY18	YoY (%)	Q2FY19	QoQ (%)
Revenue	262.6	278.1	-5.6	235.6	11.4
EBITDA	24.8	43.2	-42.7	11.8	109.8
EBITDA (%)	9.4	15.5	-609.9	5.0	442.6
Net Profit	5.3	22.7	-76.4	-7.8	-168.5

Key Financials				
(₹ Crore)	FY17	FY18	FY19E	FY20E
Revenues	1096.8	1045.3	965.5	1176.8
EBITDA	156.5	138.3	66.9	168.6
Adjusted PAT	77.1	44.5	-16.8	68.3
EPS (Adjusted)	8.4	4.8	-1.8	7.4

Valuation summary				
	FY17	FY18	FY19E	FY20E
PE (x)	22.6	39.1	-103.6	25.5
Target PE (x)	23.3	40.8	-108.0	26.6
EV to EBITDA (x)	12.3	14.2	29.2	11.5
Price to book (x)	2.7	2.6	2.6	2.4
RoNW (%)	11.8	6.6	-2.6	9.4
RoCE (%)	8.7	6.5	-0.1	8.3

Stock data	
	Amount
Market Capitalisation	₹ 1742 crore
Debt (FY18)	₹ 233 crore
Cash (FY18)	₹ 12 crore
EV	₹ 1963 crore
52 week H/L (₹)	283/149
Equity capital	₹ 18.4 crore
Face value	₹ 2
MF Holding (%)	10.9
FII Holding (%)	8.3

Price performance (%)				
	1M	3M	6M	1Y
Indoco Remedies	-12.7	0.1	-6.5	-30.9
Unichem Labs	4.1	-8.4	-13.0	-43.2
Natco Pharma	1.1	-8.9	-11.9	-26.6

Research Analyst	
Siddhant Khandekar	siddhant.khandekar@icicisecurities.com
Mitesh Shah	mitesh.shah@icicisecurities.com

Variance analysis

	Q3FY19	Q3FY19E	Q3FY18	Q2FY19	YoY (%)	QoQ (%)	Comments
Revenue	262.6	239.0	278.1	235.6	-5.6	11.4	YoY de-growth was due to decline across geographies. Beat vis-à-vis I-direct estimates mainly due to higher-than-expected sales in export formulations
Raw Material Expenses	88.2	80.8	90.5	79.6	-2.5	10.8	141 bps improvement to 66.2% in gross margins mainly due to higher contribution of domestic sales
Employee Expenses	58.9	59.8	57.9	58.5	1.7	0.7	
Other Expenditure	78.2	69.3	72.1	73.0	8.5	7.2	
R&D	12.4	12.0	14.4	12.8	-13.6	-2.4	
EBITDA	24.8	17.2	43.2	11.8	-42.7	109.8	
EBITDA (%)	9.4	7.2	15.5	5.0	-610 bps	443 bps	Subdued margins mainly due to negative operating leverage. However, operating leverage was better than I-Direct estimates
Interest	3.7	5.0	2.1	5.0	75.5	-25.7	
Depreciation	17.7	17.7	17.3	17.7	2.5	0.5	
Other Income	0.6	0.3	0.6	0.3	3.6	72.7	
PBT before EO & Forex	3.9	-5.1	24.3	-10.5	-84.0	-137.1	
Forex & EO	0.0	0.0	0.0	0.0	NA	NA	
PBT	3.9	-5.1	24.3	-10.5	-84.0	-137.1	
Tax	-1.4	-1.3	1.7	-2.7	-185.7	-47.3	
Net Profit	5.3	-3.8	22.7	-7.8	-76.4	-168.5	YoY de-growth due to lower operational performance. Beat vis-à-vis I-direct estimates due to better than expected EBITDA
Key Metrics							
Domestic Formulations	152.5	155.9	155.9	159.0	-2.2	-4.1	YoY decline mainly due to high base of restocking post GST implementation
Export formulations	68.6	54.7	99.5	52.8	-31.1	29.8	YoY decline due to a sharp decline in overall export sales. US sales declined 66.2% to ₹ 2.6 crore, Europe sales declined 42% to ₹ 31 crore and South Africa, Australia & New Zealand declined 11.3% YoY to ₹ 14 crore. Beat vis-à-vis I-direct estimates was mainly due to Higher-than-expected sales in Europe and South Africa, Australia & New Zealand
APIs	22.2	19.7	15.8	19.1	41.1	16.3	

Source: Company, ICICI Direct Research

Change in estimates

(₹ Crore)	FY19E			FY20E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	960.1	965.5	0.6	1,190.9	1,176.8	-1.2	
EBITDA	72.7	66.9	-8.0	171.0	168.6	-1.4	
EBITDA Margin (%)	7.6	6.9	-67 bps	14.4	14.3	-8 bps	
PAT	-16.2	-16.8	3.7	66.5	68.3	2.7	
EPS (₹)	-1.8	-1.8	3.7	7.2	7.4	2.7	

Source: Company, ICICI Direct Research

Assumptions

(₹ crore)	FY19E		Current		Earlier		Comments
	FY17	FY18	FY19E	FY20E	FY19E	FY20E	
Domestic Formulations	585.2	594.9	624.4	705.5	655.6	740.8	Changed mainly due to lower-than-expected sales in 9MFY19 and increased competition in stomatology segment
US Formulations	124.9	40.4	17.2	24.5	23.0	25.8	Changed mainly due to lower-than-expected sales in Q3FY19
Export Formulations(Ex US)	277.0	306.9	209.6	356.5	183.2	351.8	Changed mainly due to higher-than-expected sales in Q3FY19
APIs	61.5	60.9	72.1	75.7	66.5	69.8	

Source: Company, ICICI Direct 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. Indoco has signed supply agreements with companies like Watson, Aspen and DSM to supply formulations to advanced and emerging markets.

For FY18, domestic formulations accounted for ~57% of revenues. Major therapies and their respective contribution to domestic formulations are: respiratory, anti-infectives, stomatologicals, gastrointestinal (GI). With a market share of 0.7%, the company is ranked 31 in domestic formulations. The acute-chronic-sub chronic ratio for the company is 88:5:7 (AIOCD March, 2018).

Formulation exports account for ~33% of revenues. Of these, exports to regulated markets constitute ~79% of formulation exports while the remaining comes from emerging markets.

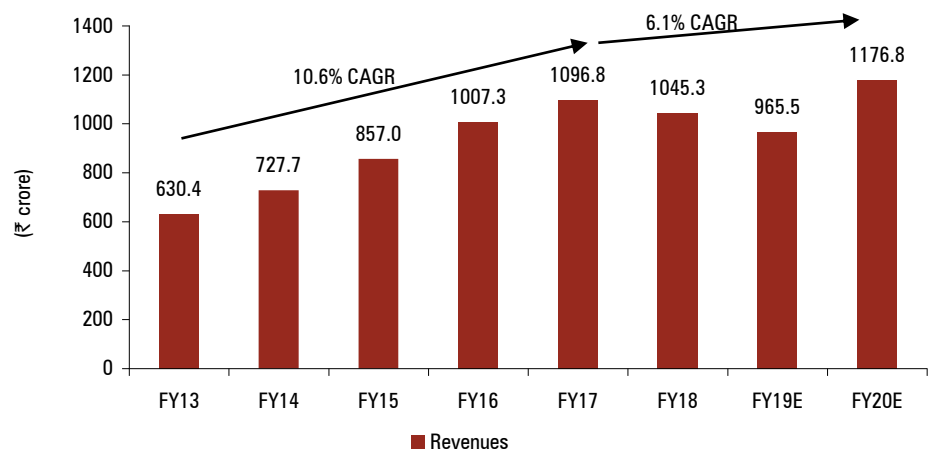
Watson (Actavis) deal - The company licenses out technology to US based Watson (now Actavis). Under the terms of the profit sharing agreement, Indoco will develop, manufacture and supply a basket of sterile products to Watson for the US market. Currently, nine products are under development.

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.

Goa Plant (2&3) warning letter – The USFDA issued a warning letter to the Goa Plant 2 and 3 in April 2017 in response to the inspection carried out by the USFDA during August 31-September 4, 2016 and issued six Form 483 observations. The overall US exposure of Indoco Remedies was ₹ 106 crore (11% of FY16 total revenues), of which plant 2 and 3 contributed ₹ 95-100 crore. Currently, the company is in dialogue with the USFDA with respect to the resolution of the warning letter.

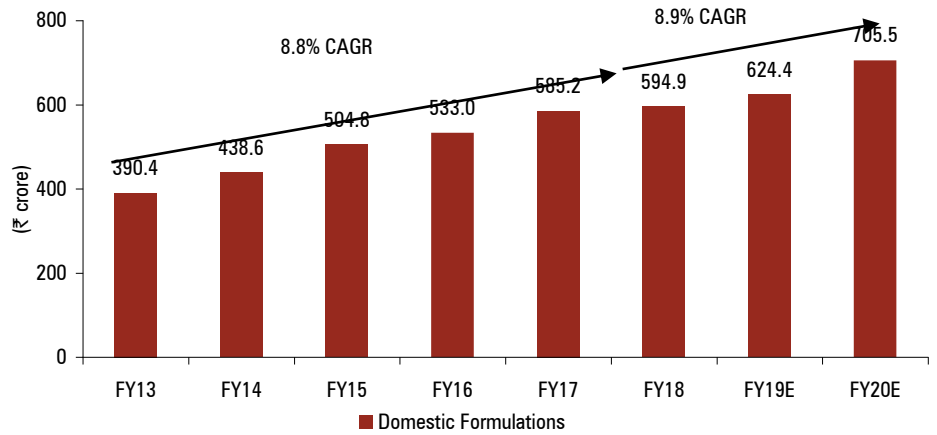
Overall, we expect revenues to grow at 6.1% CAGR in FY18-20E to ₹ 1179 crore.

Exhibit 1: Revenues to grow at CAGR of 6% in FY18-20E



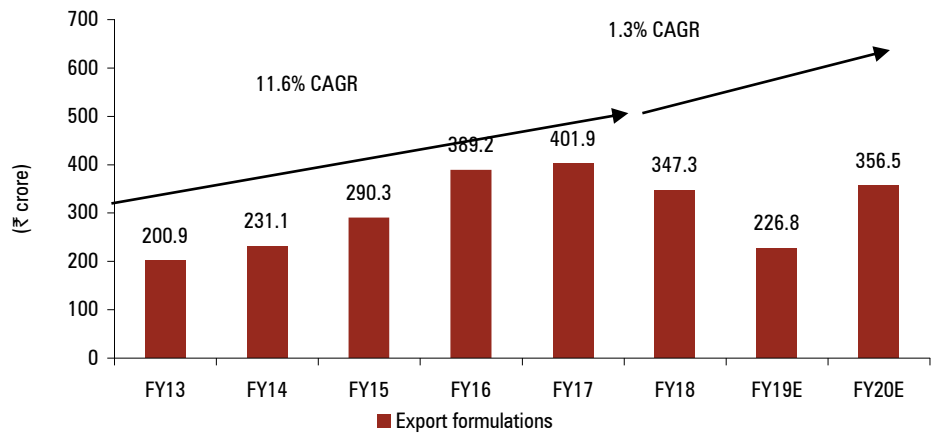
Source: Company, ICICI Direct Research

Exhibit 2: Domestic formulation sales to grow at CAGR of 8.9% in FY18-20E



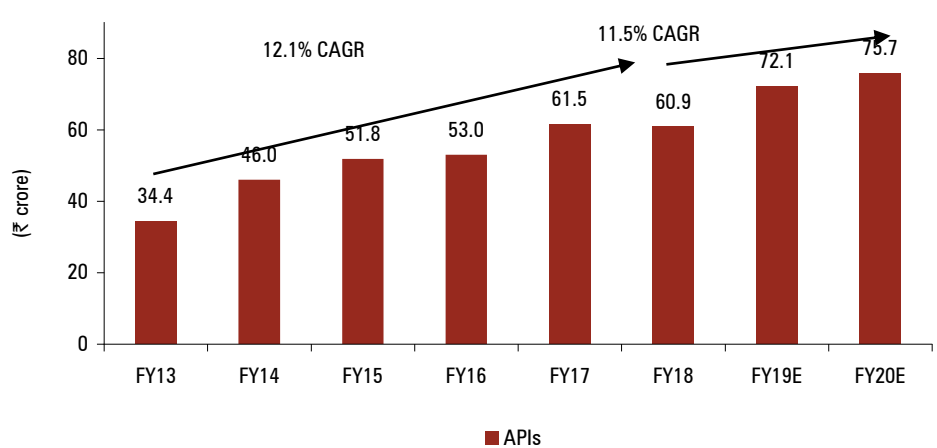
Source: Company, ICICI Direct Research

Exhibit 3: Export business to grow at CAGR of 1.3% in FY18-20E



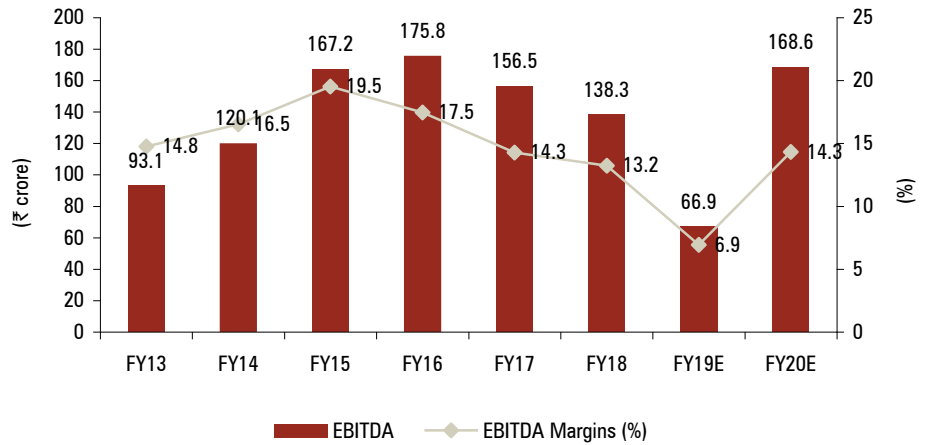
Source: Company, ICICI Direct Research

Exhibit 4: APIs to grow at CAGR of 11.5% in FY18-20E



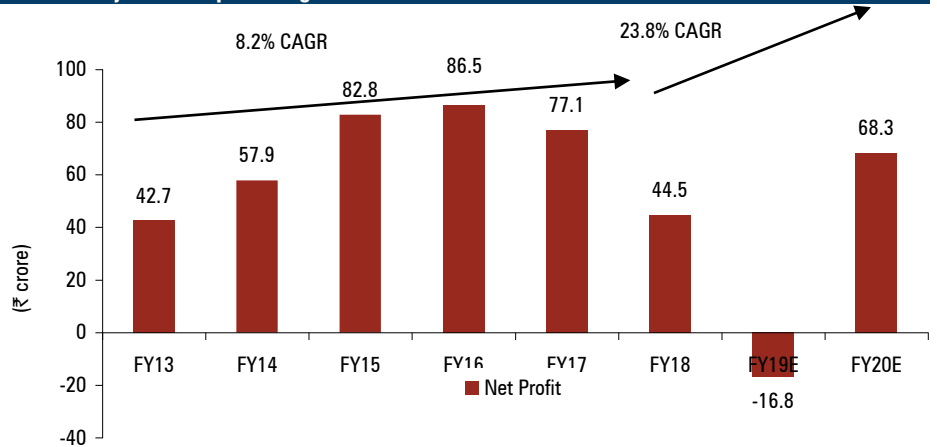
Source: Company, ICICI Direct Research

Exhibit 5: EBITDA to grow at CAGR of 10.4% in FY18-20E



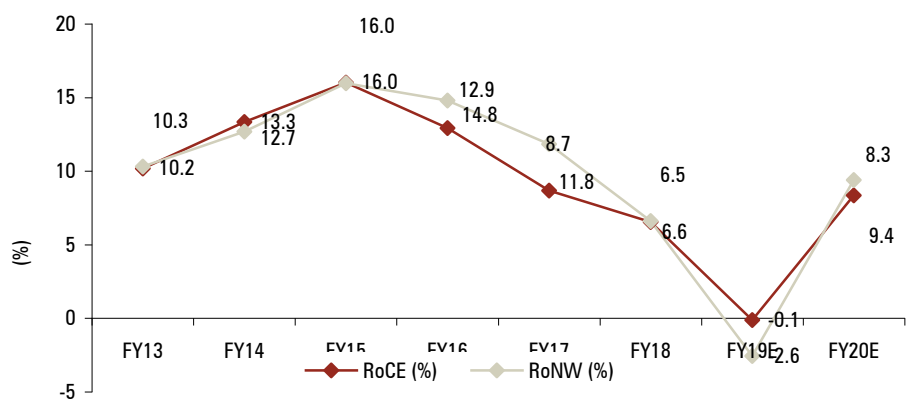
Source: Company, ICICI Direct Research

Exhibit 6: Adjusted net profit to grow at CAGR of 23.8% in FY18-20E



Source: Company, ICICI Direct Research

Exhibit 7: Trends in return ratios



Source: Company, ICICI Direct Research

Exhibit 8: Trends in quarterly financials

(₹ Crore)	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	YoY (%)	QoQ (%)
Net Sales	258.1	255.0	252.5	276.4	272.2	265.6	204.2	280.0	274.2	258.9	212.5	235.9	248.0	-9.6	5.1
Other Operating Income	4.0	8.5	5.2	4.6	6.0	11.4	4.8	4.8	3.9	10.8	5.0	-0.3	14.6	270.5	-5300.0
Revenues	262.1	263.4	257.7	281.0	278.2	276.9	209.0	284.8	278.1	269.6	217.5	235.6	262.6	-5.6	11.4
Raw Material Expenses	92.4	82.4	89.1	97.1	98.3	97.2	71.1	100.3	90.5	87.5	71.3	79.6	88.2	-2.5	10.8
% of Revenues	35.2	31.3	34.6	34.5	35.3	35.1	34.0	35.2	32.5	32.5	32.8	33.8	33.6	106 bps	-19 bps
Gross Profit	169.8	181.0	168.6	183.9	179.9	179.7	137.9	184.6	187.6	182.1	146.2	156.0	174.3	-7.1	11.7
Gross Profit Margin (%)	64.8	68.7	65.4	65.5	64.7	64.9	66.0	64.8	67.5	67.5	67.2	66.2	66.4	-106 bps	19 bps
Employee Expenses	45.4	49.9	50.7	53.4	55.1	56.8	56.3	55.4	57.9	50.8	56.1	58.5	58.9	1.7	0.7
% of Revenues	17.3	19.0	19.7	19.0	19.8	20.5	26.9	19.4	20.8	18.8	25.8	24.8	22.4	161 bps	-239 bps
Research & Development	8.9	18.9	12.0	12.0	13.8	13.9	13.6	11.8	14.4	13.8	13.2	12.8	12.4	-13.6	-2.4
% of Revenues	3.4	7.2	4.7	4.3	5.0	5.0	6.5	4.1	5.2	5.1	6.1	5.4	4.7	-44 bps	-67 bps
Other Manufacturing Expenses	68.9	71.4	63.6	76.5	71.5	76.5	66.7	76.5	72.1	68.1	65.4	73.0	78.2	8.5	7.2
% of Revenues	26.3	27.1	24.7	27.2	25.7	27.6	31.9	26.9	25.9	25.3	30.0	31.0	29.8	386 bps	-117 bps
Total Expenditure	215.5	222.6	215.4	239.1	238.7	244.4	207.7	243.9	234.9	220.2	206.0	223.8	237.8	1.2	6.2
% of Revenues	82.2	84.5	83.6	85.1	85.8	88.2	99.4	85.6	84.5	81.7	94.7	95.0	90.6	610 bps	-443 bps
EBITDA	46.6	40.8	42.3	42.0	39.5	32.6	1.3	40.9	43.2	49.4	11.6	11.8	24.8	-42.7	109.8
EBITDA Margin (%)	17.8	15.5	16.4	14.9	14.2	11.8	0.6	14.4	15.5	18.3	5.3	5.0	9.4	-610 bps	443 bps
Depreciation	15.2	15.3	16.8	16.7	14.4	15.4	16.9	17.2	17.3	16.3	16.7	17.7	17.7	2.5	0.5
Interest	2.8	4.7	2.9	1.6	2.9	-1.6	6.1	7.0	2.1	8.3	7.2	5.0	3.7	75.5	-25.7
Other Income	0.2	0.5	0.3	1.0	1.1	1.7	0.9	2.3	0.6	1.0	0.3	0.3	0.6	3.6	72.7
PBT	28.8	21.5	22.9	24.7	23.4	20.4	-20.8	19.1	24.3	25.8	-12.0	-10.5	3.9	-84.0	-137.1
Total Tax	4.9	1.4	3.1	2.6	5.8	2.4	0.9	-0.7	1.7	5.3	0.0	-2.7	-1.4	-185.7	-47.3
Tax Rate (%)	16.9	6.7	13.5	10.5	24.7	12.0	-4.4	-3.5	6.9	20.5	0.0	26.0	-36.9	-4383 bps	-6287 bps
Net Profit	23.9	20.0	19.8	22.1	17.6	17.9	-21.7	19.8	22.7	20.5	-12.0	-7.8	5.3	-76.4	-168.5
PAT Margin (%)	9.1	7.6	7.7	7.9	6.3	6.5	-10.4	6.9	8.1	7.6	-5.5	-3.3	2.0	-611 bps	534 bps
EPS (₹)	2.6	2.2	2.1	2.4	1.9	1.9	-2.4	2.1	2.5	2.2	-1.3	-0.8	0.6	-76.4	-168.5

Source: Company, ICICI Direct Research

SWOT Analysis

Strengths - Tie-ups with MNCs. Leader in stomatologicals in 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 management has maintained double digit growth guidance in the domestic formulations for FY20
- The sterile manufacturing facility at Goa Plant II (under warning letter) was re-inspected by USFDA in November 2018, which was concluded with two observations (Form 483s). The management expects EIR in the near future. The Company has received Prior Approval Supplement (PAS) for Brimonidine from the USFDA
- The management expects three-four sterile products approval assuming satisfactory resolution of plant II

- Goa Plant I was inspected by the USFDA (surprise inspection) in January and was issued six Form 483 observations
- As per management, Teva still remains partner for ophthalmic products
- Based on European Qualified Person's (QP) report, the UK-MHRA conducted a 'Focus Audit' of Goa Plant I in October 2018. The audit completed with no critical observations
- The management expects full GMP audit by European QP and UKMHRA in few days
- The UK-MHRA also inspected Goa Plant II in September 2018, which concluded with no critical observations and compliance response has been submitted
- The Baddi plant I and plant III (Microlabs facility) were inspected by the UK-MHRA in October 2018 with no critical observations

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, ICICI Direct Research

Exhibit 10: Financial Matrix

	Revenues (₹ crore)	Growth (%)	Adj. EPS (₹)	Growth (%)	P/E (x)	EV/EBITDA (X)	RoE (%)	RoCE (%)
FY17	1097	8.9	8.4	-10.9	22.6	12.3	11.8	8.7
FY18	1045	-4.7	4.8	-42.2	39.1	14.2	6.6	6.5
FY19E	966	-7.6	-1.8	-137.7	-103.6	29.2	-2.6	-0.1
FY20E	1177	21.9	7.4	-506.4	25.5	11.5	9.4	8.3

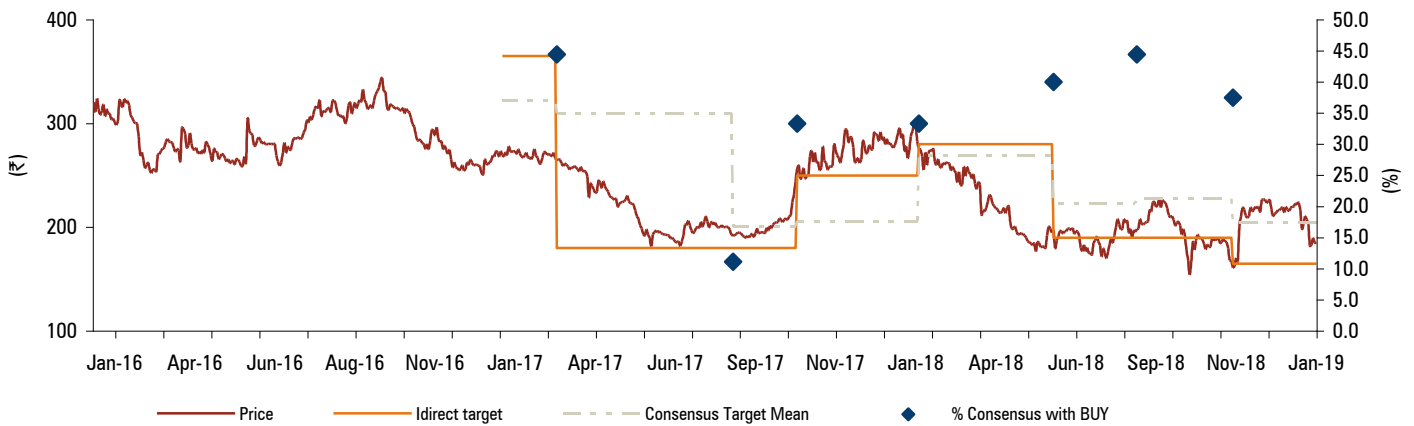
Source: Company, ICICI Direct Research

Exhibit 11: Valuation

Particulars	Valuation Matrix	Multiple (x)	Enterprise value (₹ cr)
Domestic formulations	EV/Sales	2.5	1,763.8
Export Formulations	EV/Sales	0.5	178.2
API	EV/Sales	1.0	75.7
Net Debt			221.3
Targeted Mcap (₹ cr)			1,796.5
Per Share Value (₹)			195.0

Source: Company, ICICI Direct Research

Recommendation history vs. Consensus



Source: Bloomberg, Company, ICICI Direct 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.
Mar-17	Receives warning letter from USFDA for Goa plant II and III
Mar-18	Receives seven observations for Plant I, Goa from UK-MHRA

Source: Company, ICICI Direct Research

Top 10 Shareholders

Rank	Investor Name	Latest Filing Date	% O/S	Position	Position Char
1	SPA Holdings Pvt. Ltd.	31-Dec-18	19.90	18.3	0.0
2	Shanteri Investment Pvt. Ltd.	31-Dec-18	17.12	15.8	0.0
3	Reliance Nippon Life Asset Management Limited	31-Dec-18	6.49	6.0	0.0
4	Panandikar (Aditi Milind)	31-Dec-18	6.03	5.6	0.0
5	Ramani (Madhura Anup)	31-Dec-18	5.63	5.2	0.0
6	Kare (Aruna Suresh)	31-Dec-18	5.20	4.8	0.0
7	Kare (Suresh Govind)	31-Dec-18	4.41	4.1	0.0
8	HDFC Asset Management Co., Ltd.	31-Dec-18	2.13	2.0	0.5
9	DSP Investment Managers Pvt. Ltd.	31-Dec-18	2.00	1.8	0.0
10	IDFC Asset Management Company Private Limited	31-Dec-18	1.98	1.8	0.0

Source: Reuters, ICICI Direct Research

Shareholding Pattern

(in %)	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Promoter	58.9	58.9	58.9	58.9	58.8
Others	40.9	41.1	41.1	41.1	41.2

Recent Activity

Buys			Sells		
Investor name	Value (\$ mn)	Shares	Investor name	Value (\$ mn)	Shares
HDFC Asset Management Co., Ltd.	1.6	0.5	UTI Asset Management Co. Ltd.	-0.9	-0.3
Agarwal (Ashish)	0.2	0.1	BNP Paribas Asset Management Asia Limited	-0.1	0.0
Tata Asset Management Limited	0.2	0.1	Mellon Investments Corporation	0.0	0.0
IDFC Asset Management Company Private Limited	0.1	0.0	Reliance Nippon Life Asset Management Limited	0.0	0.0
Kare (Aruna Suresh)	0.0	0.0			

Source: Reuters, ICICI Direct Research

Financial summary

Profit and loss statement		₹ Crore			
(Year-end March)	FY17	FY18	FY19E	FY20E	
Revenues	1,096.8	1,045.3	965.5	1,176.8	
Growth (%)	8.9	-4.7	-7.6	21.9	
Raw Material Expenses	383.3	347.8	322.8	388.4	
Employee Expenses	216.7	220.9	233.4	252.5	
Other Manufacturing Expenses	288.6	284.8	291.5	314.4	
Total Operating Expenditure	940.3	907.0	898.6	1,008.2	
EBITDA	156.5	138.3	66.9	168.6	
Growth (%)	-11.0	-11.6	-51.6	152.0	
Interest	6.2	23.5	19.6	14.9	
Depreciation	63.3	67.7	69.8	72.8	
Other Income	4.0	4.7	1.5	2.4	
PBT	90.9	51.8	-21.0	83.3	
Total Tax	13.9	7.2	-4.2	15.0	
PAT	77.1	44.5	-16.8	68.3	
Adjusted PAT	77.1	44.5	-16.8	68.3	
Growth (%)	-10.9	-42.2	-137.7	-506.4	
EPS	8.4	4.8	-1.8	7.4	
EPS (Adjusted)	8.4	4.8	-1.8	7.4	

Source: Company, ICICI Direct Research

Balance sheet		₹ Crore			
(Year-end March)	FY17	FY18	FY19E	FY20E	
Equity Capital	18.4	18.4	18.4	18.4	
Reserve and Surplus	633.1	656.6	639.7	708.0	
Total Shareholders funds	651.6	675.0	658.2	726.5	
Total Debt	250.7	233.2	233.2	233.2	
Deferred Tax Liability	0.0	0.0	0.0	0.0	
Other Non Current Liabilities	11.4	9.6	10.1	10.6	
Long term Provisions	17.9	12.7	13.3	14.0	
Source of Funds	931.5	930.5	914.8	984.3	
Gross Block - Fixed Assets	769.9	885.0	925.0	965.0	
Accumulated Depreciation	330.1	396.3	466.0	538.8	
Net Block	439.8	488.8	459.0	426.3	
Capital WIP	90.6	135.6	140.6	150.6	
Net Fixed Assets	530.5	624.3	599.6	576.8	
Investments	1.4	0.0	0.0	0.0	
Inventory	187.0	193.4	178.6	217.7	
Cash	62.6	11.9	20.8	40.8	
Debtors	215.7	207.8	192.0	234.0	
Loans & Advances & Other CA	107.2	124.2	156.9	179.5	
Total Current Assets	572.4	537.3	548.3	672.0	
Creditors	164.0	149.5	138.1	168.4	
Provisions & Other CL	101.4	156.2	164.0	172.2	
Total Current Liabilities	265.4	305.8	302.1	340.6	
Net Current Assets	307.0	231.5	246.1	331.4	
LT L&A, Other Assets	60.4	43.2	34.6	38.0	
Deferred Tax Assets	31.9	31.3	34.4	37.9	
Application of Funds	931.5	930.5	914.8	984.3	

Source: Company, ICICI Direct Research

Cash flow statement		₹ Crore			
(Year-end March)	FY17	FY18	FY19E	FY20E	
Profit/(Loss) after taxation	77.1	38.3	-16.8	68.3	
Add: Depreciation & Amortization	63.3	67.7	69.8	72.8	
Net Increase in Current Assets	-74.6	-27.3	-2.1	-103.7	
Net Increase in Current Liabilities	35.7	14.1	-3.6	38.4	
Other	-12.8	30.0	19.6	14.9	
CF from operating activities	88.6	122.7	66.9	90.7	
(Inc)/dec in Investments	16.5	0.0	0.0	0.0	
(Inc)/dec in Fixed Assets	-189.6	-137.3	-45.0	-50.0	
Others	-8.2	2.6	6.6	-5.7	
CF from investing activities	-181.3	-134.6	-38.4	-55.7	
Inc / (Dec) in Equity Capital	0.0	0.0	0.0	0.0	
Proceeds/(Repayment) Loan	147.1	-2.0	0.0	0.0	
Others	-2.4	-36.8	-19.6	-14.9	
CF from financing activities	144.7	-38.8	-19.6	-14.9	
Net Cash flow	52.1	-50.7	8.9	20.1	
Opening Cash	10.5	62.6	11.9	20.8	
Closing Cash	62.6	11.9	20.8	40.8	
Free Cash flow	-100.9	-14.5	21.9	40.7	

Source: Company, ICICI Direct Research

Key ratios					
(Year-end March)	FY17	FY18	FY19E	FY20E	
Per share data (₹)					
EPS	8.4	4.8	-1.8	7.4	
BV per share	70.7	73.2	71.4	78.8	
Dividend per share	2.4	1.2	0.0	0.0	
Operating Ratios (%)					
EBITDA margins	14.3	13.2	6.9	14.3	
Net Profit margins	7.0	4.3	-1.7	5.8	
Inventory days	62	68	68	68	
Debtor days	72	73	73	73	
Creditor days	55	52	52	52	
Asset Turnover	1.0	0.9	0.9	1.0	
EBITDA conversion rate	56.7	88.7	100.0	53.8	
Return Ratios (%)					
RoE	11.8	6.6	-2.6	9.4	
RoCE	8.7	6.5	-0.1	8.3	
RoIC	13.6	10.0	-0.4	13.4	
Valuation Ratios (x)					
P/E	22.6	39.1	-103.6	25.5	
EV / EBITDA	12.3	14.2	29.2	11.5	
EV / Net Sales	1.8	1.9	2.0	1.6	
Market Cap / Sales	1.6	1.7	1.8	1.5	
Price to Book Value	2.7	2.6	2.6	2.4	
Solvency Ratios					
Debt / Equity	0.4	0.3	0.4	0.3	
Debt / EBITDA	1.6	1.7	3.5	1.4	
Current Ratio	1.9	1.7	1.7	1.9	

Source: Company, ICICI Direct Research

ICICI Direct coverage universe (Healthcare)

Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹ Cr)	EPS (₹)				PE(x)				RoCE (%)				RoE (%)			
						FY17	FY18	FY19E	FY20E	FY17	FY18	FY19E	FY20E	FY17	FY18	FY19E	FY20E	FY17	FY18	FY19E	FY20E
Ajanta Pharma	AJAPHA	1037	1,225	Buy	9124.9	57.4	53.0	47.9	61.5	18.1	19.5	21.7	16.9	41.3	30.0	22.8	24.5	32.3	23.0	17.2	18.7
Alembic Pharma	ALEMPHA	603	620	Hold	11369.4	21.2	21.9	30.4	27.1	28.5	27.6	19.9	22.3	25.3	18.0	19.9	17.2	21.0	18.6	21.4	16.6
Apollo Hospitals	APOHOS	1316	1,440	Buy	18304.7	15.9	8.5	26.6	48.2	82.8	155.6	49.4	27.3	6.1	6.3	9.8	13.7	6.0	3.6	10.4	16.4
Aurobindo Pharma	AURPHA	782	915	Buy	45835.6	38.8	41.6	42.6	53.1	20.2	18.8	18.4	14.7	24.4	20.0	18.0	16.7	24.2	20.7	17.8	18.4
Biocon	BIOCON	650	760	Buy	38991.0	8.5	6.2	12.8	17.3	76.7	104.7	50.8	37.5	9.4	8.1	13.1	15.4	10.5	7.2	12.8	15.0
Cadila Healthcare	CADHEA	319	415	Buy	32693.2	14.5	17.5	16.5	18.9	22.0	18.2	19.3	16.9	13.1	16.7	14.2	13.1	21.4	20.5	16.8	16.8
Cipla	CIPLA	506	510	Hold	40750.7	12.5	18.3	17.5	23.1	40.5	27.6	28.8	21.9	7.7	9.6	11.0	13.9	8.0	10.4	9.2	11.0
Divi's Lab	DIVLAB	1498	1,700	Buy	39776.5	39.9	33.3	55.0	65.5	37.5	45.0	27.2	22.9	25.3	20.0	26.8	26.3	19.8	14.9	20.7	20.5
Dr Reddy's Labs	DRREDD	2664	2,700	Buy	44220.6	78.0	57.0	97.0	134.8	34.2	46.7	27.5	19.8	7.3	6.1	8.9	11.9	10.5	7.2	11.2	13.7
Glenmark Pharma	GLEPHA	641	660	Hold	18096.9	42.2	28.5	32.9	36.8	15.2	22.5	19.5	17.4	19.5	14.6	16.0	15.2	26.5	15.6	14.9	14.5
Indoco Remedies	INDREM	189	195	Hold	1741.6	8.4	4.8	-1.8	7.4	22.6	39.1	-103.6	25.5	8.7	6.5	-0.1	8.3	11.8	6.6	-2.6	9.4
Ipca Laboratories	IPCLAB	782	845	Buy	9874.4	15.4	19.0	32.4	42.3	50.7	41.2	24.1	18.5	8.7	9.1	13.8	17.1	7.9	8.9	13.5	15.4
Jubilant Life	JUBLIF	707	920	Buy	11262.0	36.9	41.3	62.5	76.6	19.1	17.1	11.3	9.2	13.8	14.9	19.4	21.3	16.8	15.7	19.4	19.4
Lupin	LUPIN	873	870	Hold	39517.1	56.7	20.8	27.6	39.1	15.4	42.1	31.6	22.3	16.6	10.4	10.4	12.4	19.0	6.9	8.6	11.0
Narayana Hrudalaya	NARHRU	188	270	Buy	3842.0	4.1	2.5	2.3	6.6	45.5	75.1	80.9	28.5	12.5	6.3	7.1	12.0	8.8	4.9	4.4	11.1
Natco Pharma	NATPHA	686	860	Buy	12667.1	26.3	37.7	41.7	24.9	26.0	18.2	16.5	27.5	33.6	27.4	26.6	14.8	29.5	22.7	21.2	11.6
Sun Pharma	SUNPHA	416	460	Hold	99809.6	29.0	13.0	14.7	21.1	14.3	32.1	28.4	19.7	20.3	9.8	10.2	13.3	19.0	8.2	8.8	11.5
Syngene Int.	SYNINT	575	675	Buy	11499.0	14.4	15.3	16.3	17.5	40.8	38.4	35.9	33.5	16.0	15.9	16.8	16.5	20.3	17.7	16.1	14.8
Torrent Pharma	TORPHA	1836	2,175	Buy	31070.8	55.2	40.1	52.3	64.9	33.3	45.8	35.1	28.3	18.9	11.2	14.2	17.1	21.5	14.7	16.7	17.9

Source: Company, ICICI Direct Research

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Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

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

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