

Ipca Laboratories (IPCLAB)

₹ 753

Robust margin performance; revenues in line

- Q3FY19 results were a comprehensive beat vis-a-vis I-direct estimates on the profitability front due to strong EBITDA margins (24.5% vs. I-direct estimate of 17.7%). Revenues grew 10.3% YoY to ₹ 947.6 crore (I-direct estimate: ₹ 939.1 crore) due to 10% growth in domestic formulations to ₹ 421.6 crore
- EBITDA margins improved 569 bps YoY to 24.5% (I-direct estimate: 17.7%) due forex gain, strong gross margins and lower employee cost. EBITDA grew 43.7% YoY to ₹ 231.7 crore (I-direct estimate: ₹ 166.3 crore)
- Net profit grew 51.7% to ₹ 160.2 crore (I-direct estimate: ₹ 107.2 crore) mainly due to a strong operational performance

Export formulations main catalyst for growth

Export formulations (30% of FY18 revenue) grew at ~6% CAGR in FY11-18. 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. This was due to USFDA import alerts for the Ratlam facility that 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, a likely recovery from FY20 on the WHO tender front along with revival in EU sales, is expected to mitigate the US void. We expect export formulations to grow at 14.2% CAGR in FY18-21E to ₹ 1482 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 43% of FY18 revenues. During FY14-18, this segment grew at 10% CAGR backed by new launches and field force addition. However, the domestic performance has been volatile at times due to the significant presence of anti-malarials in the portfolio. However, with incremental growth in other therapies, especially non-communicable diseases like pain management CVS, the overall portfolio is poised for steady growth. We expect Indian formulations to grow at 13.4% CAGR in FY18-21E to ₹ 2077.

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

Q3 revenues were in line and a comprehensive beat on the margins front led by a better product mix, forex gain and lower incentives to MRs. Domestic markets reported double digit growth across segments excluding anti malaria in 9MFY19. On the exports front, dispersible tablets (DT) and injectable tender could propel growth in the overall tender business from FY120. The Sartan opportunity is also likely to support the generic business. The fortunes of API exports and branded formulation exports look promising over the next two to three years. The current capacity utilisation (operating leverage) remains low and is expected to increase with growing revenues. Overall, things are looking much stable over the course of the next two to three years both on the revenues and margins front. With growing influence of ex-US segments in earnings, the company will continue to remain a compelling bet at this level given the FY18-21E growth prospects - sales, EBITDA and PAT CAGR of 14%, 18% and 20%, respectively. We arrive at our target price of ₹ 900 (17x FY21E EPS of ₹ 53.0).

Rating matrix	
Rating	: Buy
Target	: ₹ 900
Target Period	: 12-15 months
Potential Upside	: 19%

What's Changed?	
Target	Changed from ₹ 845 to ₹ 900
EPS FY19E	Changed from ₹ 27.7 to ₹ 36.9
EPS FY20E	Changed from ₹ 42.2 to ₹ 43.2
EPS FY21E	Introducing at ₹ 53.0
Rating	Unchanged

Standalone Quarterly Performance					
	Q3FY19	Q3FY18	YoY (%)	Q2FY19	QoQ (%)
Revenue	947.6	859.2	10.3	1,013.6	-6.5
EBITDA	231.7	161.2	43.7	188.6	22.9
EBITDA (%)	24.5	18.8	569 bps	18.6	585 bps
Reported PAT	160.2	105.6	51.7	135.5	18.2

Key Financials				
(₹ crore)	FY18	FY19E	FY20E	FY21E
Revenues	3283.6	3753.5	4319.3	4867.2
EBITDA	454.7	699.1	842.3	973.4
Net Profit	239.4	465.4	544.9	668.9
EPS (₹)	19.0	36.9	43.2	53.0
Adj. EPS (₹)	19.0	36.9	43.2	53.0

Valuation summary				
	FY18	FY19E	FY20E	FY21E
PE (x)	39.7	20.4	17.4	14.2
Target PE (x)	47.4	24.4	20.8	17.0
EV to EBITDA (x)	21.8	13.7	11.0	8.9
Price to book (x)	3.5	3.1	2.7	2.3
RoNW (%)	8.9	15.1	15.4	16.4
RoCE (%)	9.1	15.3	17.1	18.8

Stock data	
Particular	Amount
Market Capitalisation	₹ 9517 crore
Debt (FY18)	₹ 528 crore
Cash (FY18)	₹ 348 crore
EV	₹ 9697 crore
52 week H/L (₹)	826/590
Equity capital	₹ 25.3 crore
Face value	₹ 2

Price performance (%)				
	1M	3M	6M	1Y
Ipca Labs	-5.1	2.5	0.4	16.0
Ajanta Pharma	-13.0	-6.2	-10.9	-28.7
Alembic Pharma	-6.8	-6.8	-1.5	-0.7

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Variance analysis

	Q3FY19	Q3FY19E	Q3FY18	Q2FY19	YoY (%)	QoQ (%)	Comments
Revenue	947.6	939.1	859.2	1,013.6	10.3	-6.5	YoY growth mainly due to 10% growth in domestic formulations, 40% growth in export APIs and 41% growth in export branded business
Raw Material Expenses	299.7	290.3	293.9	313.4	2.0	-4.4	Better product mix led to 277 bps YoY improvement in gross margins to 68.4%
Employee Expenses	176.3	197.2	182.4	203.8	-3.3	-13.5	YoY decline mainly due to reduction in incentives to MRs in domestic markets
Other Expenditure	239.9	285.3	221.8	307.9	8.2	-22.1	forex gain was ₹ 28.5 crore vs ₹ 10.0 crore in Q3FY18. Adjusting forex element YoY increase in other expenditure is 15.8%
Operating Profit (EBITDA)	231.7	166.3	161.2	188.6	43.7	22.9	
EBITDA (%)	24.5	17.7	18.8	18.6	569 bps	585 bps	YoY improvement mainly due to improvement in gross margins, higher forex gains and lower employee cost. Beat vis-à-vis I-direct estimates mainly due to higher forex gains
Interest	4.9	2.4	5.6	2.4	-12.0	107.1	
Depreciation	42.6	43.2	43.8	43.2	-2.7	-1.3	
Other Income	12.6	14.9	11.0	13.8	15.1	-8.1	
PBT	196.8	135.7	122.8	156.8	60.3	25.5	
Tax	36.6	28.5	17.2	21.3	113.2	72.2	
Tax Rate (%)	18.6	21.0	14.0	13.6	461 bps	504 bps	
Reported PAT	160.2	107.2	105.6	135.5	51.7	18.2	
PAT (Ex forex)	160.2	107.2	105.6	135.5	51.7	18.2	Delta vis-à-vis EBITDA and I-direct estimates was mainly due to lower tax rate
EPS (₹)	12.7	8.5	8.4	10.7	51.7	18.2	
Key Metrics							
Domestic formulations	421.6	428.8	382.9	468.6	10.1	-10.0	Excluding anti malaria and certain old portfolio products, reported double digit growth across segments
Export - Generic	139.0	141.0	141.0	161.2	-1.4	-13.8	YoY decline mainly due to lower sales in UK and absence of US sales
Export - Institutional	38.9	50.4	56.0	43.8	-30.6	-11.3	YoY decline mainly due to volatility in tender business
Export - Branded	104.6	82.9	74.0	83.2	41.3	25.6	Reported robust growth across geographies led by CIS and west Africa
API	230.1	221.2	191.5	225.2	20.1	2.2	

Source: Company, ICICI Direct Research

Change in estimates

(₹ Crore)	FY19E			FY20E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	3,658.6	3,753.5	2.6	4,205.8	4,319.3	2.7	
EBITDA	580.7	699.1	20.4	804.1	842.3	4.7	
EBITDA Margin (%)	15.9	18.6	273 bps	19.1	19.5	40 bps	Improved mainly due to better-than-expected margins in 9MFY19 and management guidance
PAT	349.2	465.4	33.3	532.7	544.9	2.3	
EPS (₹)	27.7	36.9	33.2	42.2	43.2	2.3	Changed mainly in sync with EBITDA and lower tax rate

Source: Company, ICICI Direct Research

Assumptions

	Current				Earlier		
	FY17	FY18	FY19E	FY20E	FY19E	FY20E	
Domestic formulations	1,379.1	1,425.4	1,655.9	1,854.6	1,650.0	1,848.0	
Export formulations	995.9	994.0	1,088.0	1,279.0	1,060.1	1,309.8	
API	707.3	748.7	884.1	1,041.4	852.7	938.0	Increased as per management guidance

Source: Company, ICICI Direct 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.

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- 43%, 2) export formulations-30%. Further break-up of APIs- 1) Domestic APIs- 24%, 2) Export APIs- 76%.

Exports formulations are further divided into- 1) branded formulations- 32% of exports formulations, 2) generic formulations- 52% of exports formulations and 3) institutional business- 16% of exports formulations. The US business is being accounted for in the generic exports formulation category.

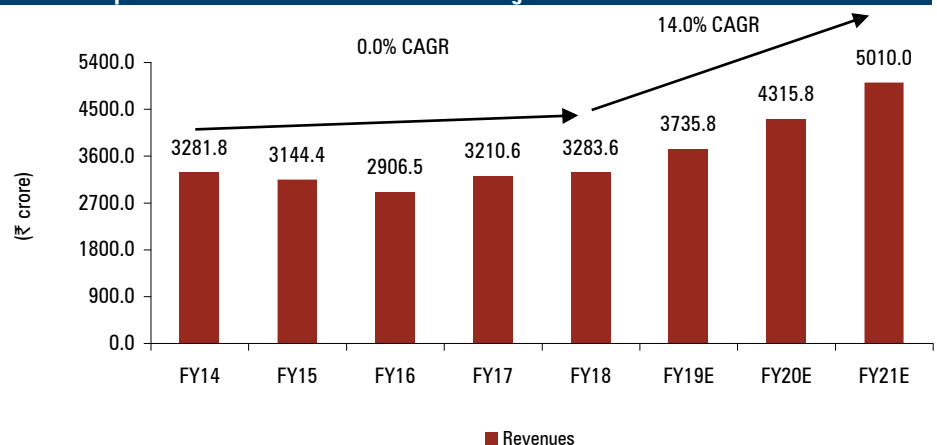
In domestic formulations, the company owns a field force of 4000 MRs covering 12 therapy focused marketing divisions.

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 and 4) gastrointestinal (GI)

Of late, the company has been 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.

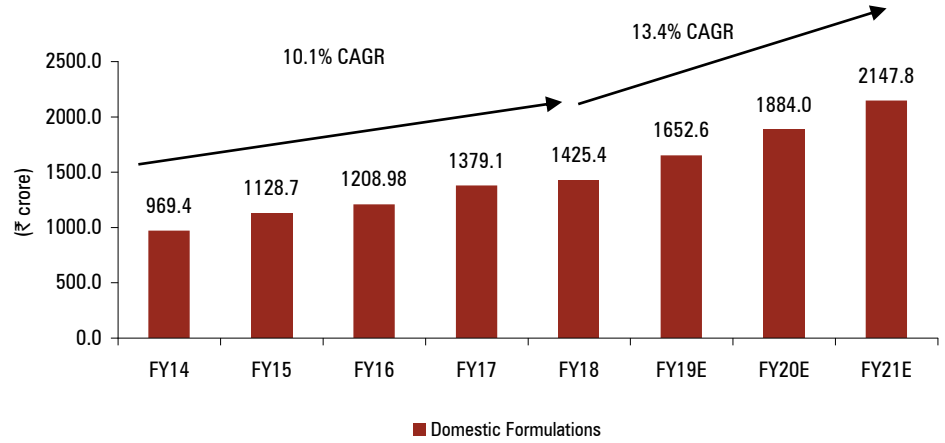
Overall, we expect revenues to grow at a CAGR of 14.0% in FY18-21E to ₹ 4867 crore driven mainly by domestic formulations and recovery institutional tender business.

Exhibit 1: Exports and domestic formulations to drive growth



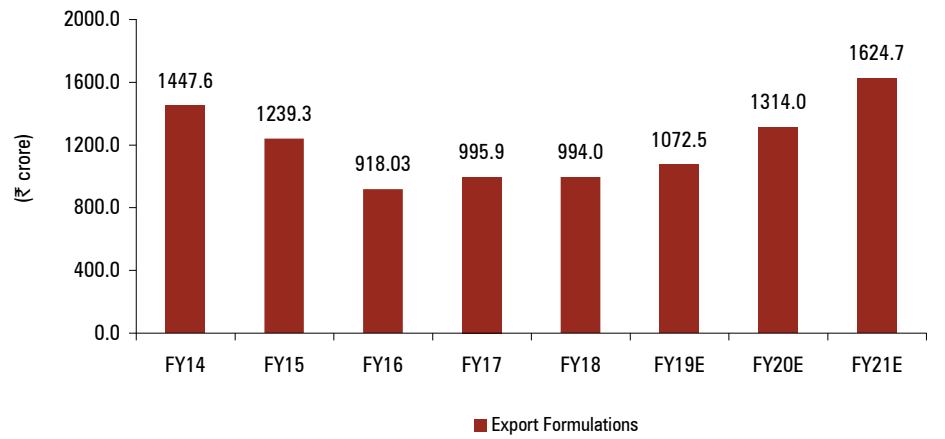
Source: Company, ICICI Direct Research

Exhibit 2: Domestic formulations to grow at CAGR of 13.4% in FY18-21E



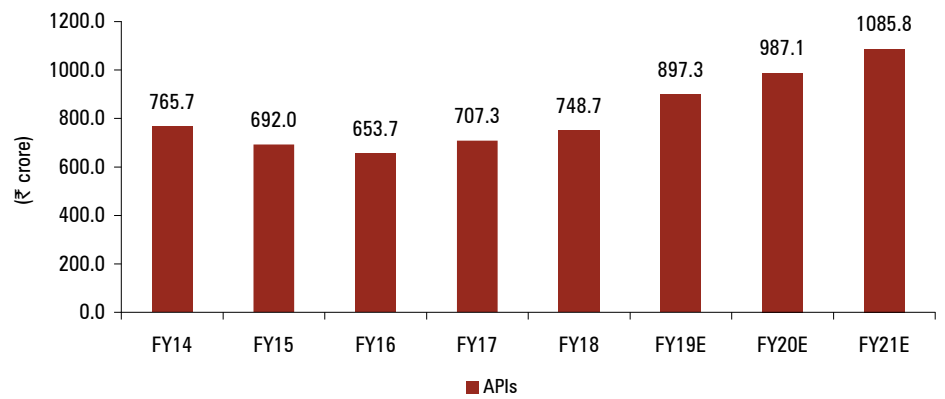
Source: Company, ICICI Direct Research

Exhibit 3: Export formulations to grow at CAGR of 14.2% in FY18-21E



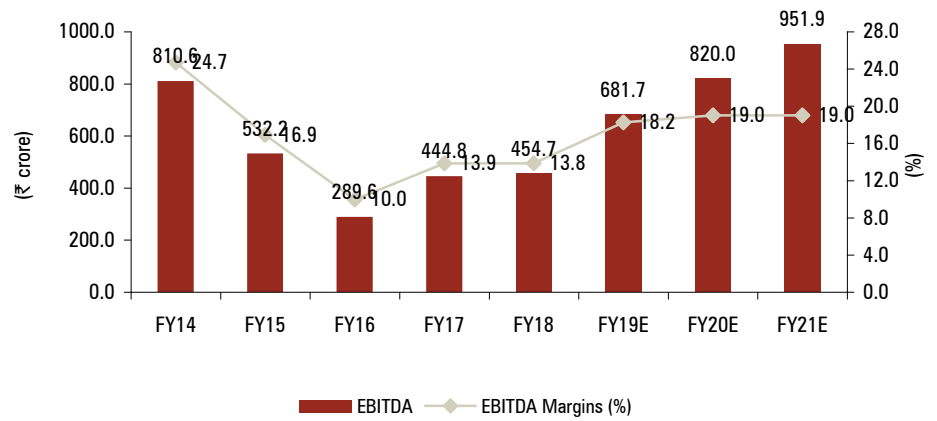
Source: Company, ICICI Direct Research

Exhibit 4: APIs to grow at CAGR of 15.2% in FY18-21E



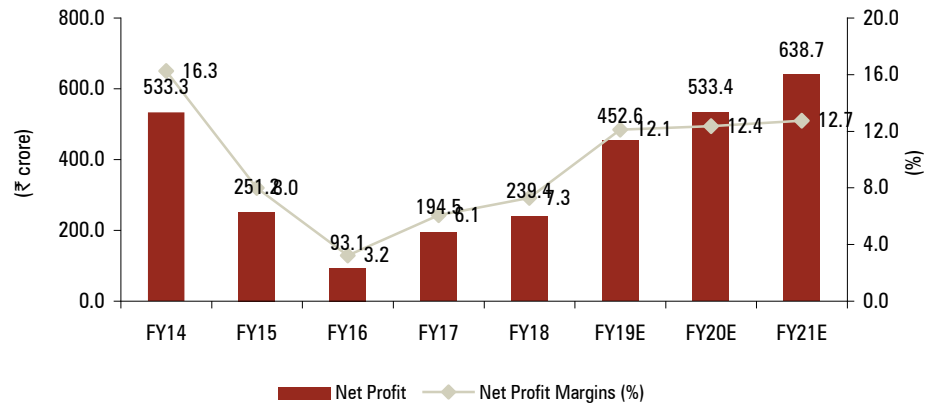
Source: Company, ICICI Direct Research

Exhibit 5: EBITDA to grow at CAGR of 28.9% in FY18-21E

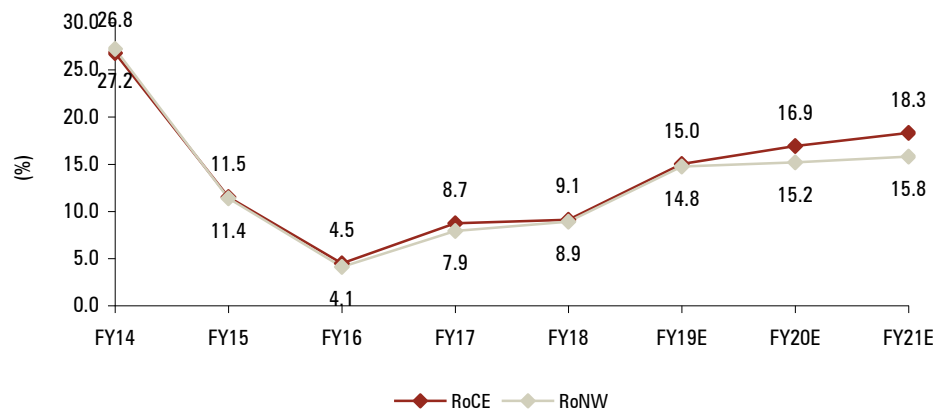


Source: Company, ICICI Direct Research

Exhibit 6: Adjusted net profit to grow at CAGR of 40.8% in FY18-21E



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	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	YoY (%)	QoQ (%)
Net Sales	683.0	619.5	619.5	834.0	865.9	741.8	665.8	702.3	852.6	847.2	782.8	853.9	997.8	934.0	10.2	-6.4
Other Operating Incom	11.3	12.3	12.3	20.6	19.1	8.9	0.0	10.6	13.6	0.0	16.8	11.2	15.8	13.6	#DIV/0!	NA
Revenues	694.3	631.9	631.9	854.7	885.1	750.7	665.8	713.0	866.2	847.2	799.6	865.2	1013.6	947.6	11.9	-6.5
Raw Material Expense:	259.4	217.7	217.7	313.2	332.7	253.7	231.9	267.6	295.0	293.9	256.0	277.7	313.4	299.7	2.0	-4.4
% of Revenue	37.4	34.5	34.5	36.6	37.6	33.8	34.8	37.5	34.1	34.7	32.0	32.1	30.9	31.6	-306bps	71bps
Gross Profit	434.9	414.1	414.1	541.5	552.4	497.1	433.9	445.4	571.2	553.3	543.6	587.5	700.3	647.9	17.1	-7.5
GPM (%)	62.6	65.5	65.5	63.4	62.4	66.2	65.2	62.5	65.9	65.3	68.0	67.9	69.1	68.4	306bps	-71bps
Employee Expenses	148.9	148.9	148.9	179.1	176.0	161.1	158.7	174.7	187.2	182.4	168.6	195.4	203.8	176.3	-3.3	-13.5
% of Revenue	21.4	23.6	23.6	21.0	19.9	21.5	23.8	24.5	21.6	21.5	21.1	22.6	20.1	18.6	-292bps	-150bps
Other expenditure	196.6	194.5	194.5	242.4	248.4	225.6	207.5	249.2	233.0	221.8	248.3	266.8	307.9	239.9	8.2	-22.1
% of Revenue	28.3	30.8	30.8	28.4	28.1	30.0	31.2	34.9	26.9	26.2	31.1	30.8	30.4	25.3	-86bps	-506bps
Total Expenditure	604.8	561.1	561.1	734.7	757.0	640.3	598.1	691.4	715.3	698.0	672.9	739.9	825.0	715.9	2.6	-13.2
% of Revenue	87.1	88.8	88.8	86.0	85.5	85.3	89.8	97.0	82.6	82.4	84.2	85.5	81.4	75.5	-684bps	-585bps
EBIDTA	89.5	70.8	70.8	120.0	128.0	110.4	67.7	21.5	151.0	149.2	126.7	125.3	188.6	231.7	55.3	22.9
EBIDTA Margin (%)	12.9	11.2	11.2	14.0	14.5	14.7	10.2	3.0	17.4	17.6	15.8	14.5	18.6	24.5	684bps	585bps
Depreciation	40.0	39.2	39.2	42.2	42.9	43.2	42.8	43.3	44.1	43.8	43.2	44.5	43.2	42.6	-2.7	-1.3
Interest	8.9	8.1	8.1	6.1	6.8	5.7	4.4	5.6	6.4	5.6	6.5	4.9	2.4	4.9	-12.0	107.1
Other Income	4.8	8.7	8.7	4.9	6.2	5.9	5.2	6.2	11.0	11.0	11.4	13.6	13.8	12.6	15.1	-8.1
Forex gain/(loss)	-0.7	-2.8	-2.8	0.0	7.8	-3.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NA	NA
PBT	44.6	29.4	29.4	76.6	92.4	63.6	25.7	-21.2	111.5	110.7	88.5	89.5	156.8	196.8	77.7	25.5
Tax	9.5	-15.6	-15.6	29.0	37.4	22.2	-18.7	-1.0	13.1	17.2	20.4	12.7	21.3	36.6	113.2	72.2
Tax Rate (%)	21.4	-53.2	-53.2	37.9	40.5	34.9	-72.7	4.6	11.8	15.5	23.0	14.2	13.6	18.6	NA	NA
PAT	35.1	45.0	45.0	47.6	55.0	41.4	44.4	-20.2	98.4	93.6	68.1	76.8	135.5	160.2	71.2	18.2
PAT Margin (%)	5.1	7.1	7.1	5.6	6.2	5.5	6.7	-2.8	11.4	11.0	8.5	8.9	13.4	16.9	586bps	353bps
EPS (₹)	2.8	3.6	3.6	3.8	4.4	3.3	3.5	-1.6	7.8	7.4	5.4	6.1	10.7	12.7	71.2	18.2

Source: Company, ICICI Direct Research

Conference call Highlights

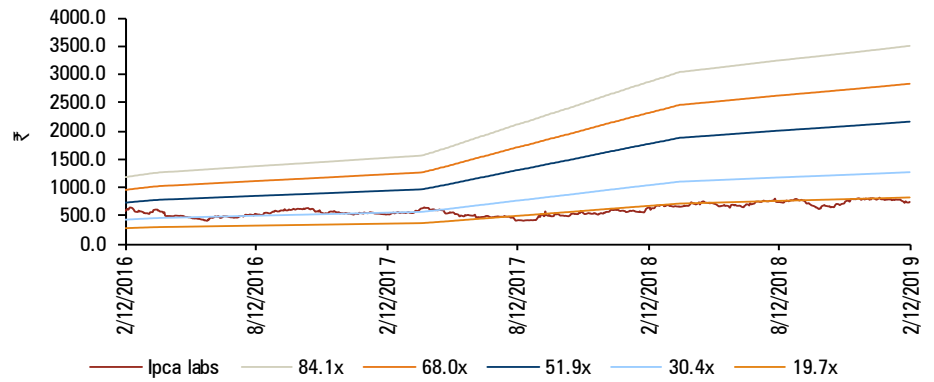
- For the institutional business, the management has maintained ₹ 180 crore revenues guidance for FY19, which will be driven by country specific tenders. Global Fund sponsored tenders are expected to materialise in FY20. The management has guided for good growth for FY20 in this segment
- The company has completed most of the remediation work on the USFDA front and expects re-inspection in FY20
- Ipca has spent ₹ 45 crore on the remedial work in 9MFY19 and expects to spend another ₹ 15 crore in Q4. In FY20, this component is likely to go down further to ₹ 20-25 crore
- In domestic formulations, except anti-malarial, all therapies have been growing in double digits. The company has ~60% market share in the rheumatoid arthritis sub-segment
- R&D spend for FY19 is likely to remain at 3% for FY19 as well as in FY20. The company is spending more on geographies such as Europe, Canada, Russia and South Africa. Current spend on the US is almost nil
- According to the management, raw material supply issues emanating from China have more or less been streamlined but prices have remained at elevated levels. The management expects prices to go down, going ahead
- The management expects ramp up in Losartan and Valsartan APIs (both CVS), going ahead
- The company is currently incurring ₹ 50 crore towards maintenance of the two formulations plants and another ₹ 20 crore towards filing from these plants
- The management has guided for ₹ 130-140 crore towards capex for FY20

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

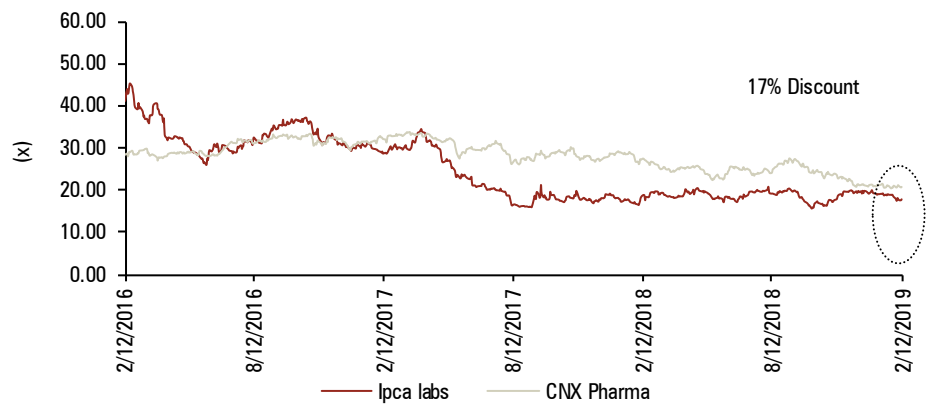
Source: Company, ICICI Direct Research

Exhibit 10: One year forward PE



Source: Company, ICICI Direct Research

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



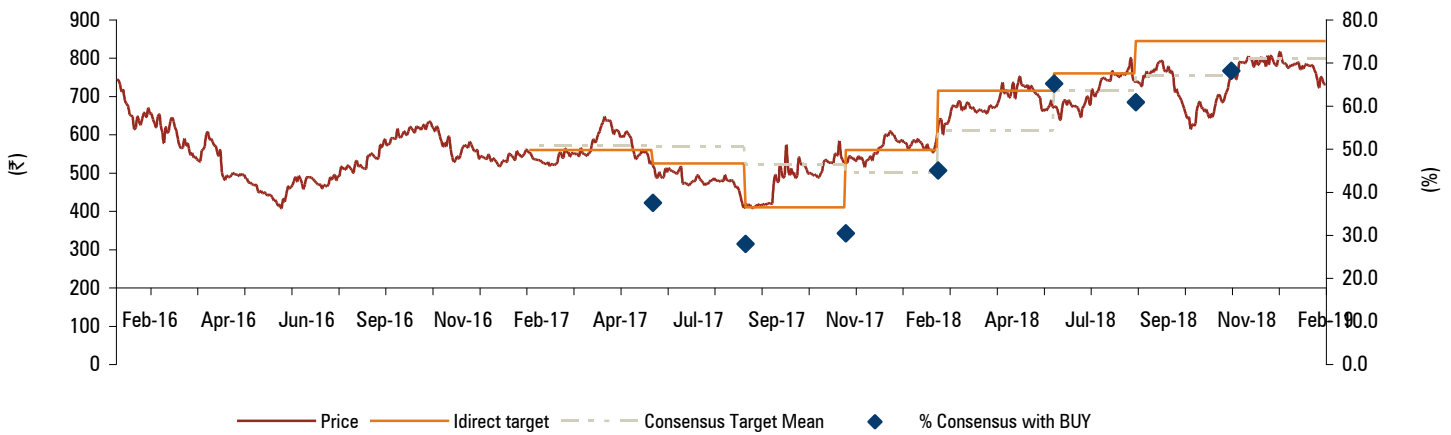
Source: Company, ICICI Direct Research

Exhibit 12: Valuation

	Revenues (₹ crore)	Growth (%)	Adj. EPS (₹)	Growth (%)	P/E (x)	EV/EBITDA (X)	RoNW (%)	RoCE (%)
FY18	3284	2.3	19.0	23.1	39.7	21.8	8.9	9.1
FY19E	3754	14.3	36.9	94.4	20.4	13.7	15.1	15.3
FY20E	4319	15.1	43.2	17.1	17.4	11.0	15.4	17.1
FY21E	4867	12.7	53.0	22.8	14.2	8.9	16.4	18.8

Source: Company, ICICI Direct Research

Recommendation history vs. Consensus



Source: Reuters, Company, ICICI Direct 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 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.
Jun-17	USFDA bans imports from Ratlam, Pithampur and Silvassa facility citing violations of cGMP standards
Oct-18	Acquires 80% stake in US based Bayshore Pharmaceuticals LLC for US\$10.286 million (~₹ 75 crore)

Source: Company, ICICI Direct Research

Top 10 Shareholders

Rank	Investor Name	Latest Filing Date	% O/S	Position	Position Char
1	Kaygee Investments Pvt. Ltd.	31-Dec-18	28.0	35.3m	0.0m
2	DSP Investment Managers Pvt. Ltd.	31-Dec-18	6.7	8.4m	0.1m
3	HDFC Asset Management Co., Ltd.	30-Sep-17	5.6	7.1m	0.7m
4	Chandurkar Investments Pvt. Ltd.	31-Dec-18	5.5	7.0m	0.0m
5	Paschim Chemicals Pvt. Ltd.	31-Dec-18	4.0	5.0m	0.0m
6	Lavender Investments, Ltd.	31-Dec-18	3.4	4.3m	-0.6m
7	ICICI Prudential Asset Management Co. Ltd.	30-Nov-18	3.3	4.2m	-0.5m
8	UTI Asset Management Co. Ltd.	31-Dec-18	2.3	2.9m	0.0m
9	Godha (Premchand)	31-Dec-18	2.1	2.7m	0.0m
10	L&T Investment Management Limited	30-Nov-18	2.1	2.7m	0.0m

Source: Reuters, ICICI Direct Research

Shareholding Pattern

(in %)	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Promoter	46.1	46.1	46.1	46.1	46.1
Others	53.9	53.9	53.9	53.9	53.9

Recent Activity

Buys			Sells		
Investor name	Value (\$)	Shares	Investor name	Value (\$)	Shares
Norges Bank Investment Management (NBIM)	3.8m	0.3m	Goldman Sachs Asset Management International	-7.4m	-0.8m
IDFC Asset Management Company Private Limited	1.4m	0.1m	Morgan Stanley Investment Management (Singapore)	-7.7m	-0.8m
DSP Investment Managers Pvt. Ltd.	0.7m	0.1m	Lavender Investments, Ltd.	-6.6m	-0.6m
India Infoline Asset Management Company Limited	0.6m	0.0m	ICICI Prudential Asset Management Co. Ltd.	-5.2m	-0.5m
Nuveen LLC	0.4m	0.0m	SBI Funds Management Pvt. Ltd.	-1.8m	-0.2m

Source: Reuters, ICICI Direct Research

Financial summary

Profit and loss statement		₹ Crore			
(Year-end March)	FY18	FY19E	FY20E	FY21E	
Revenues	3,283.6	3,753.5	4,319.3	4,867.2	
Growth (%)	2.3	14.3	15.1	12.7	
Raw Material Expenses	1,124.8	1,195.4	1,403.8	1,581.8	
Employee Expenses	735.9	772.2	863.9	973.4	
Other Expense	968.2	1,086.8	1,209.4	1,338.5	
Total Operating Expenditure	2,828.9	3,054.4	3,477.0	3,893.8	
EBITDA	454.7	699.1	842.3	973.4	
Growth (%)	2.2	53.8	20.5	15.6	
Interest	24.0	17.2	14.0	8.4	
Depreciation	177.7	172.9	180.3	188.8	
Other Income	41.8	54.1	41.7	70.6	
PBT after EO/Forex	294.8	563.2	689.7	846.7	
MI & Profit from associates	-4.2	0.0	0.0	0.0	
PAT	239.4	465.4	544.9	668.9	
Growth (%)	23.1	94.4	17.1	22.8	
Adjusted PAT	239.4	465.4	544.9	668.9	
EPS	19.0	36.9	43.2	53.0	
EPS (Adjusted)	19.0	36.9	43.2	53.0	

Source: Company, ICICI Direct Research

Cash flow statement		₹ Crore			
(Year-end March)	FY18	FY19E	FY20E	FY21E	
Profit after Tax	233.1	456.6	532.0	654.1	
Add: Depreciation	177.7	172.9	180.3	188.8	
(Inc)/dec in Current Assets	-111.1	-232.9	-267.0	-266.5	
(Inc)/dec in CL and Provisions	31.0	75.0	141.0	161.8	
Others	10.4	17.2	14.0	8.4	
CF from operating activities	341.1	488.8	600.2	746.6	
(Inc)/dec in Fixed Assets	-135.6	-110.0	-125.0	-125.0	
(Inc)/dec in Investments	6.6	0.0	0.0	0.0	
Others	33.0	4.1	4.4	4.7	
CF from investing activities	-96.0	-105.9	-120.6	-120.3	
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0	
(Inc)/dec in loan funds	-92.6	-100.0	-150.0	-150.0	
Dividend paid & dividend tax	-15.3	-68.5	-79.8	-98.1	
Other	70.2	82.8	136.0	141.6	
CF from financing activities	-130.4	-185.7	-243.8	-256.5	
Net Cash flow	114.7	197.3	235.9	369.8	
Opening Cash	35.9	150.6	347.8	583.7	
Closing Cash	150.6	347.8	583.7	953.5	
Free Cash Flow	205.6	378.8	475.2	621.6	

Source: Company, ICICI Direct Research

Balance sheet		₹ Crore			
(Year-end March)	FY18	FY19E	FY20E	FY21E	
Equity Capital	25.2	25.2	25.2	25.2	
Reserve and Surplus	2,663.3	3,051.5	3,503.7	4,059.6	
Total Shareholders funds	2,688.6	3,076.7	3,528.9	4,084.9	
Total Debt	627.6	527.6	377.6	227.6	
Deferred Tax Liability	158.0	169.1	180.9	193.6	
LTP & Other LTL	27.4	29.4	31.4	33.6	
Total Liabilities	3,501.6	3,802.7	4,118.8	4,539.6	
Gross Block - Fixed Assets	2,417.1	2,527.1	2,652.1	2,777.1	
Accumulated Depreciation	511.5	684.4	864.7	1,053.5	
Net Block	1,905.7	1,842.8	1,787.4	1,723.6	
Capital WIP	73.0	73.0	73.0	73.0	
Total Fixed Assets	1,978.7	1,915.8	1,860.4	1,796.6	
Goodwill on Consolidation	47.2	47.2	47.2	47.2	
Investments	86.9	86.9	86.9	86.9	
LT L&A, Non Current Assets	126.7	135.6	145.1	155.2	
Inventory	880.6	1,008.8	1,156.6	1,303.3	
Debtors	602.3	690.0	791.0	891.4	
Loans and Advances	2.9	3.1	3.3	3.5	
Other Current Assets	239.8	256.6	274.6	293.8	
Cash	150.6	347.8	583.7	953.5	
Total Current Assets	1,876.1	2,306.3	2,809.2	3,445.5	
Creditors	423.5	485.1	611.8	758.4	
Provisions	67.2	71.9	76.9	82.3	
Other current liabilities	123.3	132.0	141.2	151.1	
Total Current Liabilities	614.0	689.0	830.0	991.8	
Net Current Assets	1,262.1	1,617.3	1,979.2	2,453.7	
Application of Funds	3,501.5	3,802.7	4,118.8	4,539.6	

Source: Company, ICICI Direct Research

Key ratios					
(Year-end March)	FY18	FY19E	FY20E	FY21E	
Per share data (₹)					
Adjusted EPS	19.0	36.9	43.2	53.0	
BV per share	213.1	243.9	279.7	323.8	
Dividend per share	3.0	5.4	6.3	7.8	
Operating Ratios (%)					
Gross Profit Margins	65.7	68.2	67.5	67.5	
EBITDA Margins	13.8	18.6	19.5	20.0	
PAT Margins	7.3	12.4	12.6	13.7	
Inventory days	97.9	98.1	97.7	97.7	
Debtor days	66.9	67.1	66.8	66.8	
Creditor days	47.1	47.2	51.7	56.9	
Asset Turnover	1.4	1.5	1.6	1.8	
EBITDA conversion Rate	75.0	69.9	71.3	76.7	
Return Ratios (%)					
RoE	8.9	15.1	15.4	16.4	
RoCE	9.1	15.3	17.1	18.8	
RoIC	9.1	16.8	20.7	24.2	
Valuation Ratios (x)					
P/E	39.7	20.4	17.4	14.2	
EV / EBITDA	21.8	13.7	11.0	8.9	
EV / Net Sales	3.0	2.6	2.1	1.8	
Market Cap / Sales	2.9	2.5	2.2	2.0	
Price to Book Value	3.5	3.1	2.7	2.3	
Solvency Ratios					
Debt / EBITDA	1.4	0.8	0.4	0.2	
Debt / Equity	0.2	0.2	0.1	0.1	
Current Ratio	2.8	2.8	2.7	2.5	

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	1009	1,100	Hold	8878.9	57.4	53.0	43.1	50.5	17.6	19.0	23.4	20.0	41.3	30.0	21.6	21.7	32.3	23.0	16.4	16.8
Alembic Pharma	ALEMPHA	550	620	Hold	10376.9	21.2	21.9	30.4	27.1	26.0	25.1	18.1	20.3	25.3	18.0	19.9	17.2	21.0	18.6	21.4	16.6
Apollo Hospitals	APOHOS	1132	1,400	Buy	15752.4	15.9	8.5	20.3	39.5	71.3	133.9	55.7	28.7	6.1	6.3	8.8	13.0	6.0	3.6	8.1	14.0
Aurobindo Pharma	AURPHA	768	915	Buy	44991.8	38.8	41.6	44.2	52.9	19.8	18.5	17.4	14.5	24.4	20.0	18.5	17.0	24.2	20.7	18.4	18.3
Biocon	BIOCON	644	760	Buy	38613.0	8.5	6.2	12.8	17.3	75.9	103.7	50.3	37.2	9.4	8.1	13.1	15.4	10.5	7.2	12.8	15.0
Cadila Healthcare	CADHEA	320	370	Buy	32718.8	14.5	17.5	17.8	18.4	22.0	18.2	17.9	17.4	13.1	16.7	13.3	12.7	21.4	20.5	18.0	16.2
Cipla	CIPLA	543	545	Hold	43773.4	12.5	18.3	17.5	20.4	43.5	29.6	31.0	26.6	7.7	9.6	10.9	12.5	8.0	10.4	9.2	9.8
Divi's Lab	DIVLAB	1638	1,800	Buy	43486.4	39.9	33.3	53.5	60.5	41.0	49.2	30.6	27.1	25.3	20.0	26.4	25.2	19.8	14.9	20.2	19.3
Dr Reddy's Labs	DRREDD	2653	2,870	Hold	44033.1	78.0	57.0	107.1	128.6	34.0	46.5	24.8	20.6	7.3	6.1	9.5	11.9	10.5	7.2	12.2	13.1
Glenmark Pharma	GLEPHA	601	660	Hold	16969.6	42.2	28.5	32.9	36.8	14.2	21.1	18.3	16.4	19.5	14.6	16.0	15.2	26.5	15.6	14.9	14.5
Indoco Remedies	INDREM	175	195	Hold	1614.0	8.4	4.8	-1.8	7.4	20.9	36.2	-96.0	23.6	8.7	6.5	-0.1	8.3	11.8	6.6	-2.6	9.4
Ipca Laboratories	IPCLAB	753	900	Buy	9516.8	15.4	19.0	36.9	43.2	48.8	39.7	20.4	17.4	8.7	9.1	15.3	17.1	7.9	8.9	15.1	15.4
Jubilant Life	JUBLIF	719	905	Buy	11459.5	36.9	41.3	59.7	73.9	19.5	17.4	12.1	9.7	13.8	14.9	18.8	20.7	16.8	15.7	18.7	19.0
Lupin	LUPIN	811	840	Hold	36691.6	56.7	20.8	19.6	31.3	14.3	39.1	41.4	25.9	16.6	10.4	9.7	11.1	19.0	6.9	6.3	9.2
Narayana Hrudalaya	NARHRU	197	250	Buy	4031.0	4.1	2.5	2.3	6.6	47.8	78.8	84.9	29.9	12.5	6.3	7.1	12.0	8.8	4.9	4.4	11.1
Natco Pharma	NATPHA	667	860	Buy	12318.1	26.3	37.7	41.7	24.9	25.3	17.7	16.0	26.8	33.6	27.4	26.6	14.8	29.5	22.7	21.2	11.6
Sun Pharma	SUNPHA	446	460	Hold	106911.4	29.0	13.0	17.2	18.6	15.4	34.4	25.9	24.0	20.3	9.8	11.6	11.8	19.0	8.2	10.2	10.0
Syngene Int.	SYNINT	595	675	Buy	11900.0	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	1799	2,175	Buy	30442.2	55.2	40.1	52.3	64.9	32.6	44.9	34.4	27.7	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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