

**Summary:**

Hikal is a company built on enduring relationships.

**HIKAL LIMITED**

**Recommendation: Buy**

**CMP: Rs. 182.70/-                      TARGET: Rs. 220/-**

**SENSEX: 39275                              NIFTY: 11787**

**KEY STOCK STATISTICS:**

Market Capitalization (crs): 1803/-

Book Value: Rs. 54.29/-

Face Value: Rs. 2/-

52 week High/Low: 207/130

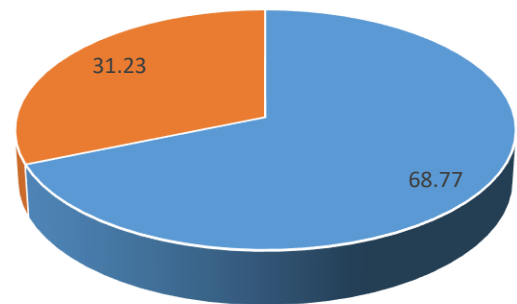
P/E Ratio: 18.97

Industry P/E:29.09

**Company Background:**

- ✓ Established in 1988, Hikal is a company built on enduring relationships.
- ✓ Leading sustainable technology driven company serving the Crop Protection & Pharmaceutical Industries.
- ✓ Amongst the few Global Company to offer customized, cost effective and sustainable solutions from R & D to commercial manufacturing.
- ✓ One of very few global and only Indian company to provide Active Ingredients for both Pharmaceuticals Agrochemical – Hybrid Model.
- ✓ Preferred supplier to Large Global customers across the Regulated Markets.
- ✓ First Responsible Care custom manufacturing life science company in India.
- ✓ First Indian company to be member of Rx-360, a global pharmaceutical supply chain consortium for upholding world quality standards.
- ✓ Hikal wins Indian chemical Council's (ICC) Acharya P.C. Ray award for Development of Indigenous technology.
- ✓ Hikal wins Aditya Birla Award for " Best Responsible Care Company" in India.

## SHAREHOLDING PATTERN



■ Promoters ■ Public

Source: Company, KFO Research

## RETURNS (%):

	3 MONTHS	6 MONTHS	12 MONTHS
SENSEX	-2.50	4.55	6.67
HIKAL	-13.87	-38.66	-3445

Source: Company, KFO Research

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**GLOBAL PHARMACEUTICAL INDUSTRY**

- ✓ The global pharmaceutical sector is at a crossroads. The marketplace is heavily disrupted, characterized by the shifting payer attitudes and patient empowerment. Several undercurrents are shaping the industry.
- ✓ The first shift is the balance of power across the healthcare value chain as governments and insurers take the Centre-stage, pressuring pharma companies to reduce prices and demonstrate greater value from their therapies.
- ✓ The second shift is emerging from treatments linked to prevention, diagnostics and cure which is the direct result of innovation.
- ✓ The growth resulting from these shifts will be driven by ground –breaking new therapies, advances in technology and the consumerization of health through increased access to data by patients.

**Indian Pharmaceutical Market**

- ✓ The Indian pharmaceutical sector is estimated to account for 3.1% – 3.6% of the global pharmaceutical industry in value terms and 10% in volume terms.
- ✓ It is expected to grow to US\$100 billion by 2025.
- ✓ The market is expected to grow to US\$55billion by 2020, thereby emerging as the sixth largest pharmaceutical market globally by absolute size.
- ✓ The union cabinet has given its nod for the amendment of the existing Foreign Direct Investment (FDI) policy in the pharmaceutical sector in order to allow FDI for up to 100% under the automatic route for manufacturing of medical devices subject to certain conditions.
- ✓ The Indian Government has taken many steps to reduce costs and bring down healthcare expenses.
- ✓ Speedy introduction of generic drugs into the market has remained in focus and is expected to benefit the Indian pharmaceutical companies.
- ✓ The thrust of rural health programmes, lifesaving drugs and preventive vaccines also augurs well for pharmaceutical companies.

**WORLDWIDE PRESCRIPTION DRUG SALES  
2018-2024 IN FIGURES**



Will payer pressure put a half on drug budget growth	+6.4% CAGR 2018-24
Sales at risk between 2018 & 2024 due to patent expires	\$ 251bn
Average R&D spend per NME since 2007, suggesting more efficiency needed in R&D	\$3.9bn
R &D as a proportion of prescription sales in 2024, down from 20.9% in 2017with a possible reduction in innovation	16.9%



New FDA approvals in 2017, rebounding from 27 in 2016	55
Additional sales in 2024 from orphan drugs	\$124bn
2017-2024 CAGR for oncology	+12%
Additional sales in 2024 from advanced therapies	\$5bn

Source: Company, KFO Research

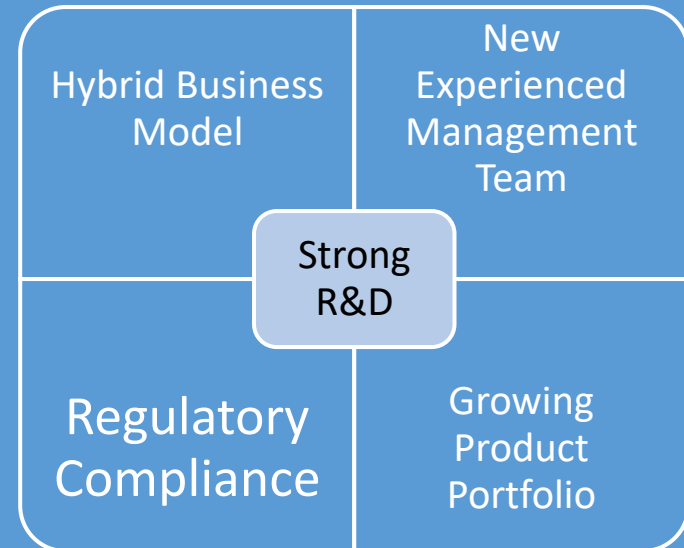
**KEY STRENGTHS**

- ✓ Hikal is gaining traction by selling products in the domestic market to local formulators.
- ✓ The company are expanding their presence by targeting local manufacturers who are looking for quality products to sell in the market.
- ✓ Capacity expansion: Commissioned a new state of the art plant in Mahad to manufacture an advanced intermediate for a key herbicide for a global innovator client.
- ✓ Diversifying Products & Clients: several Projects have been completed on development and pilot plant level.
- ✓ Clients: Japanese, European and mid-size specialty chemical companies.
- ✓ Products – Advanced Intermediates to final Actives and are Herbicides, Fungicides and Insecticides.
- ✓ Aggressive growth in Pharmaceuticals, Animal Health & Crop Protection.
- ✓ Support NCE & Gx Molecules serving a large range of Customers.
- ✓ Develop own portfolio of products next wave of hikal growth.
- ✓ Positive track record with existing customers to expand the relationships and target new customers.

**VALUATIONS:**

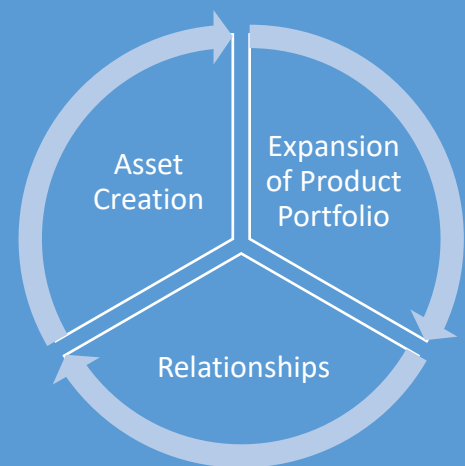
- ✓ On the basis of Discount Cash Flow Valuation Method, we are recommending 'Buy' for the stock. Since the stock offers good opportunity, we initiate a '**BUY**' signal on the stock with 12-month price target of **Rs 220/-** share an upside of 20% from current levels.

KEY STRENGTHS



Source: Company, KFO Research

Growth Drivers



Source : Company, KFO Research

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