



JOINDRE CAPITAL SERVICES LTD.

SEBI REGN NO. INH000002061 / INB 230766739 / INB 011107555

RESEARCH REPORT

9th Jan 2018

BLISS GVS PHARMA LTD

BSE : BLISSGVS

Sector: PHARMA & HEALTHCARE

BSE: 506197

View - BUY

CMP: Rs. 208

Target Price: Rs 350 (In next 12 to 18 mths)

BUSINESS BACKGROUND

Bliss GVS Pharma Ltd. is an Indian pharmaceutical company headquartered in Mumbai, India. BgvsI primarily develops, manufactures and markets products across various therapeutic categories including Anti-fungal, Contraceptive, Laxative, Anti-haemorrhoidal, Anti-spasmodic, Anti-malarial, Anti-biotic, Anti-microbial, Anti-inflammatory, Antipyretic, Analgesic and several others. BGVSL is among the world leaders in Suppositories and Pessaries dosage forms with one of the largest portfolios in this segment. It has three decades of experience in suppositories and pessaries. BGVSL most unique product is 'Today Vaginal Contraceptive', a safe female contraceptive.

It is the only EU-GMP certified suppositories and pessaries manufacturer in India. & its portfolio comprises 250+ products that are consumed across 64 countries. Specifically, for the Suppositories and Pessaries dosage form and its brands are recognized among the leading ones in the generic anti-malarial segment in most African countries. .

INVESTMENT HIGHLIGHTS

Steady Financials for BGVSL as on H1 FY18 –

In H1 of FY18 it has recorded a net turnover of Rs 452 crs as compared to Rs 310 crs – up by 46% EBIDTA at Rs 111.54 crs as against Rs 81.94 crs earned in H1 last year – up by 37% YoY followed by a PAT of Rs 76.39 crs as compared to PAT of Rs 48.54 crs in H1 last year – up by 58% YoY. As per the management, the demand scenario continues to be good and it expects H2FY18 to be much better than H1FY18 with revenue growth expected to be strong.

For FY17, Bliss GVS Pharma has posted a Topline of close to Rs 799.74 crs, a EBIDTA of Rs 193.62 crs with EBIDTA margins of 24.21% and a PBT of Rs 179.17 crs followed by a PAT of Rs 85.61 crs, Bliss GVS Pharma declared a dividend of 60% for FY17.

BGVSL has a well diversified product basket in the Suppositories and Pessaries dosage forms segments –

BGVSL is among the world leaders in Suppositories and Pessaries dosage forms with one of the largest portfolios in this segment. It is also a brand leader in the Anti-malarial products across most African markets. Additionally it is a contract-manufacturer for leading players like Sanofi, Sun Pharma, Alkem, Mankind and Intas. In terms of products manufactured BGVSL has over 250 products across 20 therapeutic areas like Anti-malarial, Women's Health and Gastro-Intestinal & 16 dosage forms. BGVSL operates in over 64 countries across the globe including Romania, Russia, Middle East, Africa & CIS, Latin America & South Asian Countries

KEY DATA

FACE VALUE	Rs	1.00
DIVID YIELD %		0.28
52 WK HI/LOW		220/129
NSE CODE		BLISSGVS
BSE CODE		506197
MARKET CAP		RS 2144 CRS

SHAREHOLDING PATTERN

PROMOTERS	-	60%
BANKS, MFs & DIIs	-	1%
FIIs	-	11%
PUBLIC	-	28%

KEY FUNDAMENTALS

YE	FY18	FY19	FY20
Rev Gr%	30	30	25
EBIDTA Gr%	24	32	25
PAT Gr%	82	22	19
EPS Gr%	82	22	19
EPS (Rs)	15	18	21.88
ROE %	28	26	24
ROCE %	24	25	27
P/E(x)		11	10



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BGVSL has the state of Art Manufacturing Facilities and R &D Capabilities –

BGVSL has 3 manufacturing Units in Palghar, 1 each in Thane and Daman. BGVSL follows European GMP Standards for manufacturing suppositories.

Also its manufacturing plants are GMP compliant by local and international standards: EU GMP, WHO GMP, OHSAS-18001 : 2007 and ISO-14001 : 2004. BGVSSL is also the only EU-GMP certified suppositories and Pessaries manufacturer in India.

BGVSL has continued to grow geographies in Kenya, Nigeria and France on the back of contract manufacturing and new product launch. Also BGVSL's manufacturing facility (Unit-II) situated at Palghar, Maharashtra has successfully completed the re-audit as per EU - GMP guidelines by European Authorities. This inspection was completed without any deficiencies, hence a smooth flow of operations can be expected for the coming terms

BGVS Pharma is a dominant player in Therapeutic Areas which is expected to grow at a healthy rate going ahead also –

BGVSL has a wide range of Therapeutic products like Anti-haemorrhoidal, Erectile Dysfunction, Laxatives, Anti-inflammatory, Anti-emetic, Anti-depressant, Antimigraine, female Contraceptives, Antifungal, Anti-bacterial, Anti-spasmodic, Lubricant, Anti-malarial, Anti-infective, Haematinic, Appetiser, Vitamin Supplement, Nutritional Supplement, Antacid Analgesic, Anti-helmintic, Anti-pyretic, Health Suppliments, Anit-Biotics, Anti-Ulcer, Anti-Septic, Laryngitis , Pharyngitis etc.

BGVS's global product range includes the following products –

Tablets Suppository & Pessary Oral Suspension, Dry Syrup Syrups, Sachet, Capsules, Injectable, Creams & Ointments Ophthalmic Solution, Gels, Liquids, Lotions, Inhalers, Lozenges, Cosmetics, Sanitary Items,

Anti Malarials Antifungal & Anti Bacterial Anti Inflammatory Antibiotic Antipyretic Women's Health, Supplementary Drugs, Laxatives, Cold and Cough, Antiulcer Anti Haemorrhoidal Erectile Dysfunction Anti Spasmodic & Antidiabetic products.

BGVSL is a large player in Managed Healthcare Services –

Bliss GVS Healthcare Limited (BGHL) is the preferred provider of managed healthcare services in Kenya. BGHL seeks to improve accessibility of essential healthcare services, an aspect which is central to Bliss GVS group's continuous efforts to improve quality of life

BGHL ventured into the Healthcare segment with the launch of ten medical centers in 2013 in Kenya. In a short span of five years, BGHL has emerged as the largest and fastest growing Healthcare chain in Kenya. The Company currently has over 70 clinics treating over 80,000 patients every month.

BGHL provides a wide range of services from pharmacy to pathology and from imaging to radiology. It also offers a range of specialized services. BGHL medical centers are accredited to international standards and deliver the best-in-class quality of service.

BGHL offers customized packages for corporate clients. It has over 1.8 million members in its corporate healthcare businesses.



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Bliss GVS Pharma's corporate clients include some of the top names like AON, Britam, Madison Insurance, Nairobi City Council, AAR, Daystar University, KCAA, Alexander Forbes and Resolution Insurance.

BGVSL enjoys a strong R & D Base –

IT has a dedicated R & D Centre for development of Suppositories, Semi Solids and Oral Solids.

It also has a experienced team of Scientists for formulations as well as development and analytical method development.

Over 40 experience team of professionals are also present and certified by Department of Scientific & Industrial Research (DSIR), Government of India.

Growth Prospects for BGVSL look bright both from the Global and Domestic Markets going ahead –

Bliss GVS is a fast-growing Company with a proven track record of developing, manufacturing and marketing high quality pharmaceutical formulations and offering healthcare services at affordable prices for the global market.

Today, Bliss GVS is among the world leaders in the Suppositories and Pessaries dosage forms with one of the largest product portfolios in this segment. The Company's thirty two years of experience in suppository manufacturing has resulted in developing an extensive product offering in suppositories and pessaries across various therapeutic categories. Bliss GVS manufacturing plants are certified to be cGMP compliant by local and international standards: EU GMP, WHO GMP, OHSAS-18001: 2007 and ISO-14001: 2004.

BGVSSL is also constantly looking to raise the bar in terms of developing innovative products and quality standards which keeps it ahead of competition

Over the last decade, Bliss GVS has acquired definitive knowhow in other dosage forms & therapeutic segments, which is exemplified by its ever-expanding product offering across more than sixty countries. More recently, Bliss GVS has also made successful inroads in managed healthcare services. Bliss GVS Healthcare Limited (BGHL) operates an innovative Public-Private engagement model to address unmet healthcare requirements in Kenya through its chain of clinics and partner service providers. With significant expansion across both Pharmaceutical & Healthcare verticals, BGVSS is now looking new markets in the coming years

The Indian pharmaceutical industry was estimated to be worth US\$ 20 billion in 2015 and is expected to touch US\$ 100 billion by 2025. By 2020, India is likely to be among the top three pharmaceutical markets in the globe and these headwinds will also boost long term prospects for Bliss.

The Company's established brand operations in existing markets provide an ideal platform to extend the Bliss GVS product portfolio and build new revenue streams. Over the past year, the Company has added to its front-end setup by hiring medical and marketing experts who will lead campaigns for existing and new brands across therapeutic categories. This will not only continue to build the Bliss GVS brand, but also further diversify the Company's product portfolio.

The Company's investment in managed healthcare services has delivered encouraging results during the year as it won a USD 111.40 Million contract from Aon. This presents a great platform for the unit to build on its recent success to successfully bid for other such contracts. In addition to the synergies with the pharmaceutical



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business, Bliss GVS is also receiving interest in the managed healthcare model from other countries in Sub-Saharan Africa, where its pharmaceutical operations are well established

The current pipeline of projects includes development of innovative FDC (Fixed Dose Combinations) products to meet the emerging medical challenges, and also to meet its needs the company is continuously investing in new advanced machinery and more man-power.

African Market presents a Big Opportunity for Bliss GVS going ahead –

Africa is the 2nd World's Second fastest growing pharmaceuticals market. Market growing at CAGR of 10.6%, Africa comes second only to Asia Pacific region 10.5%

Expected to reach market size of Rs 2.9 trillion by 2020

Pharmaceuticals sales in Africa's Top & high growth markets includes Nigeria (13%) and Kenya (17%); together these countries accounted for Rs 168 billion Current Trend of greater investment by pharmaceutical companies in manufacturing facilities in Middle East and Africa.

According to BMI, global pharmaceutical market is expected to record a 2.6% CAGR between 2016 and 2020, whereas Middle East North Africa (MENA) region's pharmaceutical market to post CAGR of 8.3% between 2016 and 2019 with Middle East sub-region posting 8.2% CAGR and the North Africa sub-region experiencing a 8.5% CAGR in the same period.

In comparison, the Sub-Saharan Africa (SSA) region's pharmaceutical market is projected to post a CAGR of 6.9% between 2016 and 2019 with the West Africa subregion posting a 7.3% CAGR and the East and Central Africa sub-region posting a 8.4% CAGR in the same period Infusion of Global fund like USAID, PEPFAR etc. will contribute to Africa pharmaceutical industrial growth resulting in support to BGPL to grow in African market

Bliss GVS enjoys a reasonably good balance sheet and both Topline and Bottomline growth is likely to remain strong going ahead –

In terms of financial performance for FY17, Bliss GVS Pharma has posted a Topline of close to Rs 799.74 crs, a EBIDTA of Rs 193.62 crs with EBIDTA margins of 24.21% and a PBT of Rs 179.17 crs followed by a PAT of Rs 85.61 crs,

In H1 of FY18 it has recorded a net turnover of Rs 452 crs as compared to Rs 310 crs – up by 46% EBIDTA at Rs 111.54 crs as against Rs 81.94 crs earned in H1 last year – up by 37% YoY followed by a PAT of Rs 76.39 crs as compared to PAT of Rs 48.54 crs in H1 last year – up by 58% YoY. As per the management, the demand scenario continues to be good and it expects H2FY18 to be much better than H1FY18 with revenue growth expected to be strong.

For FY17 ROE and ROCE stood at 27% and 23% respectively and by FY20 we expect the ROE and ROCE to touch 24% and 27% respectively. DE is at 0.38 :1 as on Mar 2017 and the management is actively looking at reducing interest costs in the next 2 years going ahead largely by higher internal accruals.

We expect that going ahead overall bottomline growth in the next 3 years starting FY17 onwards should easily increase at a CAGR of 30-35% and going ahead also we believe that net cash flows generated will remain healthy going ahead.



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Business Outlook & Stock Valuation –

On a rough cut basis, in FY18, Revenue is expected to touch Rs 1039 crs.

On the bottomline level we expect the company to record a PAT of Rs 155 crs in FY18E. Thus on a conservative basis, Bliss GVS should record a EPS of Rs 15 for FY18E. For FY19E and FY20E our expectation is that earnings traction for Bliss GVS will continue to remain strong wherein we expect a EPS of Rs 18 and Rs 21.88 respectively.

Bliss GVS has established brand operations in existing markets that provide an ideal platform to extend the Bliss GVS product portfolio and with that, build new revenue streams. On the back of significant expansion across both Pharmaceutical & Healthcare verticals, the Company could be poised for an accelerated growth

We expect that going ahead overall bottomline growth in the next 3 years starting FY17 onwards should easily increase at a CAGR of 30-35% with the ROE and ROCE is also expected to improve to 26% and 24% and 25% and 27% by FY19 and FY20.

The Bliss GVS stock trades at a P/E of 11x and 10x based on FY19E and FY20E, which does not look very expensive looking at future potential for the domestic prospects for the company going ahead.

Looking at Bliss GVS's healthy financials and strong return ratios we expect the company to do well in future also. Bliss GVS Pharma sells in over 35 countries but nearly 90% of its revenue comes from Africa. The company manufactures suppositories, pessaries, anti-malarial tablets, dry syrups, injectables and ointments. It has a portfolio of some 60 products in the anti-malarial segment. Its most popular drug is Lonarta, which is sold in African markets such as Ghana, Rwanda and Tanzania. Suppositories and pessaries is a niche segment with limited competition. Zydus Cadila is the only Indian rival in this segment.

Hence we believe that the Bliss GVS stock should be purchased at the current price for a price target of around Rs 350 over the next 12 to 18 months.

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FINANCIALS

For the Year Ended March RsCrs	FY17A	FY18E	FY19E	FY20E
Net Sales	799.74	1039.66	1351.56	1689.45
EBIDTA	193.62	240.4	317.62	397.02
EBIDTA %	24.21	23.12	23.50	23.50
Interest	19.92	25.1	28.1	26.5
Depreciation	20.11	26.00	32.00	38.00
Non Operational Other Income	25.58	25.00	25.00	25.00
Profit Before Tax	179.17	215.3	289.52	370.52
Profit After Tax	85.61	155.4	190.00	225.6
Diluted EPS (Rs)	8.30	15.07	18.43	21.88
Equity Capital	10.31	10.31	10.31	10.31
Reserves	472.91	621.81	804.81	1023.41
Borrowings	186.92	252.00	227.00	177.00
GrossBlock	259.18	275.1	305.10	340.10
Investments	0.10	0.10	0.10	0.10

Source Company our Estimates

KEY CONCERNS

Slowdown in the Export Market especially the African market can impact the financials of Bliss GVS negatively.

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