

Summary:

The Joy of Growing Together.

MOREPEN LABORATORIES LIMITED**Recommendation: Buy**

CMP: Rs.17.45 **TARGET: Rs. 24/-**

SENSEX: 38164 **NIFTY: 11456**

KEY STOCK STATISTICS:

Market Capitalization (crs): 784/-

Book Value: Rs. 5.25/-

Face Value: Rs. 2/-

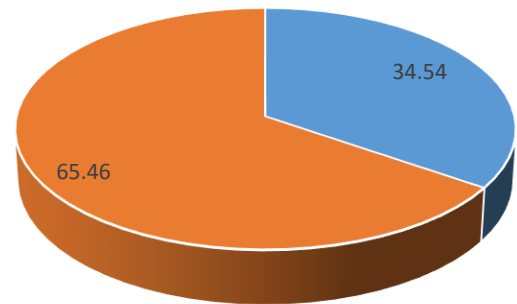
52 week High/Low: 41.30/14.70

P/E Ratio: 31.20

Industry P/E:29.23

Company Background:

- ✓ Morepen Laboratories Ltd is 31-year-old company.
- ✓ Company went to public in 1993.
- ✓ The first Morepen manufacturing plant was set up on the foothills of the Himalayas in the idyllic surrounding of Parwanoo.
- ✓ More pen's state of art manufacturing facility in the picturesque environs of Baddi comprises a scientifically integrated complex of 10 plants, each with a specific product profile.
- ✓ The company's extensive R &D facilities and factories are manned by a dedicated team of professionals who ensure stringent quality standards.
- ✓ Morepen is exporting products to several countries round the global.
- ✓ The company has shown its presence worldwide by touching almost 40 countries worldwide.
- ✓ The brand name of Dr. Morepen has a front ranking presence in the Wellness category.
- ✓ Its spectrum of popular OTC products, amongst which Burnol, Lemolate, Isabgol.

SHAREHOLDING PATTERN

■ Promoter ■ Public

Source: Company, KFO Research

RETURNS (%):

	3 MONTHS	6 MONTHS	12 MONTHS
SENSEX	-2.50	4.55	6.67
Morepen	-21.40	-27.26	-43.57

Source: Company, KFO Research

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GROWING BRANDED PORTFOLIO:

- Dr. Morepen brand basket has grown from Rs.74.30 crores to Rs. 89.03 crores for the Q3’FY19 and has registered an upside of 20% as compared Q3’Fy18.
- Within the basket, Diagnostic Devices business has registered a growth of 53% while Finished Dosages has registered a minor growth of 0.6%.
- Dr. Morepen Over the counter (OTC) products have slightly declined by 0.8% in Q3’FY19.

Devices Business – Growth Driver

- Home Devices portfolio has been growing with fast pace and has recorded a growth of 53% during the quarter.
- Blood Glucose Monitors have marked a growth of 77% in Q3’FY19 as against Q3’FY18. Total Glucose Monitors installed during Q3’FY19 were double than Q3’FY18 and have crossed 2 million target.
- The company has achieved a milestone of having sold 280 million glucose-testing strips (tests). No. of strips sold during the Q3’FY19 were 90% more than Q3’FY18.
- Thermometer’s sales have grown by 101% during the Quarter as compared to Q3’FY18.

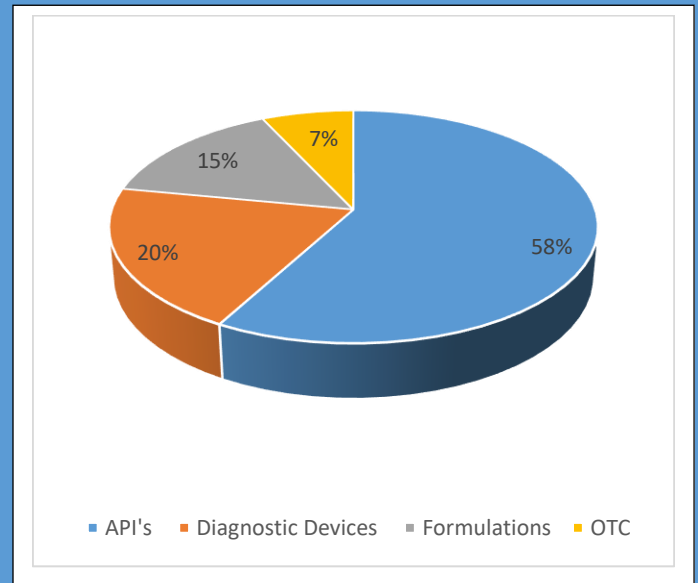
Finished Dosages:

- Finished Dosages has reported slight increase of 0.6% in Q3FY’19 as compared to last year same quartered.
- Branded Prescription (Rx) products has grown by 15% during the Q3’FY’19.
- Good growth is seen in Antibiotics (45%) products and Gastrointestinal (10%).

OTC Business:

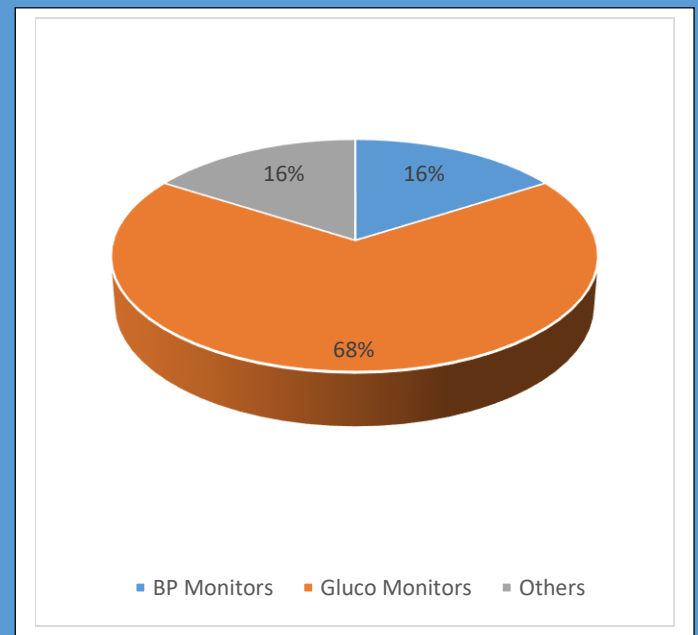
- The company has launched a new product “Forever Young” packed with 21 powerful herbs and minerals, in sexual wellness category this quarter, which is expected to give good boost to Dr. Morepen presence in the category.
- Lemolate sales have gone up strongly by 14% during Q3’FY’19.

SEGMENT WISE REVENUE



Source: Company, KFO Research

HOMEHEALTH BUSINESS BREAK UP



Source: Company, KFO Research



KEY STRENGTHS

- API Export has shown extremely good results having grown at 84% for the Q3'FY19. Total API business contributed 58% to the quarterly sales.
- Home Diagnostic Devices business, which contributes 20% of the topline, has registered good growth of 53% in Q3FY19.
- Finished dosage business having 15% contribution in the quarterly sales has maintained almost the same pace for Q3'FY19 as compared to Q3'FY18.
- Dr. Morepen branded portfolio has grown up by 20%.
- OTC business registered a minor fall of 0.8% in Q3'FY19 as compared to Q3'FY'18.
- API export has a jump of 84% during the Q3'FY'19 as compared to Q3'FY18 while total API business has grown by 50%.
- Loratadine sales has grown by 64% in Q3'FY19. Export of Loratadine has gone up by 54% this quarter Q3'FY19.
- Montelukast export has registered an jump of 213% in Q3'FY19 as compared to Q3'FY18. Trial shipments to US markets have started post USFDA approval of the plant in April this year in the domestic market.

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 24/-** share an upside of 30% from current levels.

IDENTITY / SCOPE

API: Manufacturer and Exporter of complex and high margins molecules (APIs/Intermediates) for regulated markets of USA, Europe, Russia, Canada and for non-regulated markets.

Domestic Formulations:

Markets over 100 branded formulations in 8 major therapeutic segments.

Diagnostics:

Markets under its own brand name Clinical & Home Health devices and Blood Banking machines.

OTC:

Markets brands like Burnol, Lemolate, Sat- Isabgol, Option-72, Head -X, Fever-X, C-Candy and others Over the Counter (OTC) products.

Manufacturing Facilities:

'Morepen' has 3 manufacturing facilities, for manufacture of API, formulations and OTC products with international standings, all set amidst green, pollution-free surroundings on the foothills of the majestic Himalayas, located in the state of Himachal Pradesh.

R & D Strength:

72 Process / Polymorph Patents Filed

23 DMF / COS Filed

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