

May 31, 2024

Q4FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	REDUCE		HOLD	
Target Price	1,150		1,060	
Sales (Rs. m)	92,664	1,05,026	94,861	1,08,205
% Chng.	(2.3)	(2.9)		
EBITDA (Rs. m)	17,011	20,965	18,605	22,907
% Chng.	(8.6)	(8.5)		
EPS (Rs.)	32.0	41.4	35.1	45.6
% Chng.	(8.7)	(9.3)		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	62,443	77,050	92,664	1,05,026
EBITDA (Rs. m)	9,582	12,882	17,011	20,965
Margin (%)	15.3	16.7	18.4	20.0
PAT (Rs. m)	4,713	6,551	8,121	10,497
EPS (Rs.)	18.6	25.8	32.0	41.4
Gr. (%)	5.9	39.0	24.0	29.3
DPS (Rs.)	7.0	2.0	5.0	7.0
Yield (%)	0.6	0.2	0.4	0.6
RoE (%)	8.3	10.8	12.1	13.9
RoCE (%)	10.3	12.4	16.2	19.4
EV/Sales (x)	5.0	4.2	3.5	3.0
EV/EBITDA (x)	32.3	25.0	18.9	15.1
PE (x)	67.3	48.4	39.0	30.2
P/BV (x)	5.4	5.0	4.5	4.0

Key Data

IPCA.BO | IPCA IN

52-W High / Low	Rs.1,375 / Rs.683
Sensex / Nifty	73,886 / 22,489
Market Cap	Rs.317bn / \$ 3,806m
Shares Outstanding	254m
3M Avg. Daily Value	Rs.630.43m

Shareholding Pattern (%)

Promoter's	46.30
Foreign	10.51
Domestic Institution	34.05
Public & Others	9.14
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(6.7)	10.3	81.7
Relative	(5.9)	-	54.9

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Muted FY25 guidance

Quick Pointers:

- Expects 6-7 launches US in FY25.
- Guided for Rs 2.25bn EBITDA levels from Unichem business.

Ipca Labs (IPCA) Q4 EBITDA of Rs3.1bn was 5% below our estimate. Management guidance of 11% revenue growth (excluding Unichem) was below our estimate. Our FY25E and FY26E EPS stands changed by 8-9%. Domestic formulation business continues to outperform and grow at healthy levels. However, recovery in API segment along with resumption of US sales is likely to be gradual. At CMP, the stock is trading at 30x PE and 16x EV/EBITDA on FY26E. We downgrade our rating from 'Hold' to 'Reduce' with revised TP of Rs1,150/share, valuing at 15x FY26E EV/EBITDA.

- In-line Revenues, domestic formulations remain healthy:** IPCA's revenues came in at Rs 20.3bn, up 34.5% YoY broadly in line with our est. Adjusted for Unichem sales up 6% YoY. Domestic formulations remained healthy at 13.5% YoY to Rs6.9bn, we est 12%. Export formulation improved by 10% YoY to Rs 4.7bn against our est of Rs 4.8bn. Branded business delivered moderate growth up 3.5% YoY while generics witnessed healthy growth of 15% YoY. Institutional business witnessed growth of 8% YoY. API business witnessed decline by 4% YoY to Rs 3.34bn, below our est. Export API was up 2.2% YoY whereas domestic API corrected by 19% YoY. Revenues from subsidiaries came in at Rs 5.2bn aided by Unichem consolidation.
- Ex-Unichem OPM at 17.4%:** Consolidated gross margins stood at Rs 66.3%, up 540bps YoY, flat QoQ in line with our est. There was a forex gain of Rs 173mn booked under other expenses in Q4FY24. Adj for forex; other expenses were up 2% QoQ and 36% YoY. EBITDA adj for forex gain came in at Rs 3.1bn up 79% YoY (we est Rs 3.2bn). OPM came in at 15%, up 370bps YoY. Unichem margins stood at 5.9%. Adj for Unichem EBITDA came in at 2.73bn with OPM at 17.4%. There was exceptional item to tune of Rs1260mn which includes provision for any potential EU commission fine towards ongoing litigation related to Unichem. Adjusted PAT came in at Rs596mn.
- Key Concall takeaways: (1) Domestic market** Achieved ~16% growth in top six metros, surpassing market growth. **(2) Unichem** – Maintains its guidance of Rs 20bn topline and guided for Rs 2.25bn EBITDA in FY25. Business to touch margins of ~10% levels. Unichem portfolio integration expected to benefit, with products entering markets like Europe, Australia, New Zealand, Canada, South Africa. **(3) US** – Received 4 approvals in the current month. Experiencing price stability for its raw materials. Expects to launch 6-7 products in FY25 from 18 approved products. Ipca's products will be distributed in the U.S. through Bayshore Pharma. **(4) Branded formulation business:** Overall growth affected by challenges in markets (Russia, West Africa) and decline in institutional generic biz. **(5) API:** Efforts continues on cost reduction. Major impact in API business was due to a single product, Losartan. **(6) Subsidiary** Onyx Scientific which focuses on OSDs continues to perform well. It has 2-3 new commercial APIs in the pipeline and is developing new drugs. Avik Pharma (steroid business) is profitable whereas Krebs Bio remains unprofitable. **(7) Other:** Pithampur facility being utilized for markets like Australia, New Zealand, Europe, with current capacity utilization around 35%. Capex of Rs 5bn at consolidated levels in FY25. R&D spend stood at Rs 2.5bn (3.5% of sales). Increased field force strength in metro cities. **(8) Guidance-** Consol revenues growth at 13-14%, Institutional biz at 14% whereas API biz by 7-8% in FY25. Margins expected to improve by 100-150bps annually for next 2-3years.

Exhibit 1: 4QFY24 Result Overview (Rs mn): Revenues in line, Miss on EBITDA front

Y/e March	Q4FY24	Q4FY23	YoY gr. (%)	Q3FY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Net Sales	20,330	15,116	34.5	20,529	(1.0)	77,054	62,443	23.4
Raw Material	6,859	5,912	16.0	6,970	(1.6)	25,758	23,065	11.7
<i>% of Net Sales</i>	<i>33.7</i>	<i>39.1</i>		<i>34.0</i>		<i>33.4</i>	<i>36.9</i>	
Personnel Cost	4,660	3,273	42.4	4,590	1.5	17,084	12,876	32.7
<i>% of Net Sales</i>	<i>22.9</i>	<i>21.7</i>		<i>22.4</i>		<i>22.2</i>	<i>20.6</i>	
Others	5,765	4,226	36.4	5,659	1.9	21,741	16,919	28.5
<i>% of Net Sales</i>	<i>28.4</i>	<i>28.0</i>		<i>27.6</i>		<i>28.2</i>	<i>27.1</i>	
Total Expenditure	17,284	13,411	28.9	17,219	0.4	64,582	52,861	22.2
EBITDA	3,046	1,705	78.6	3,310	(8.0)	12,472	9,582	30.2
<i>Margin (%)</i>	<i>15.0</i>	<i>11.3</i>		<i>16.1</i>		<i>16.2</i>	<i>15.3</i>	
Depreciation	981	695	41.1	995	(1.4)	3,572	2,616	36.6
EBIT	2,065	1,010	104.4	2,315	(10.8)	8,899	6,967	27.7
Other Income	362	469	(22.8)	228	58.8	1,248	1,256	(0.7)
Forex	173	105		4		330	(315)	
Interest	294	185	59.2	334	(12.1)	1,383	455	203.6
PBT	2,133	1,295	64.8	2,209	(3.4)	8,435	7,453	13.2
Extra-Ord. Inc./Exps.	1,367	-		680		-	-	
Total Taxes	737	484	52.3	662	11.2	3,135	2,534	23.7
<i>ETR (%)</i>	<i>34.5</i>	<i>37.4</i>		<i>30.0</i>		<i>37.2</i>	<i>34.0</i>	
Reported PAT	29	811	(96.4)	2,226	(98.7)	5,300	4,919	7.7
Minority Interest	567	(46)		(428)		(203)	206	
Total Comprehensive Income	596	765	(22.1)	1,799	(66.9)	5,503	4,713	16.7

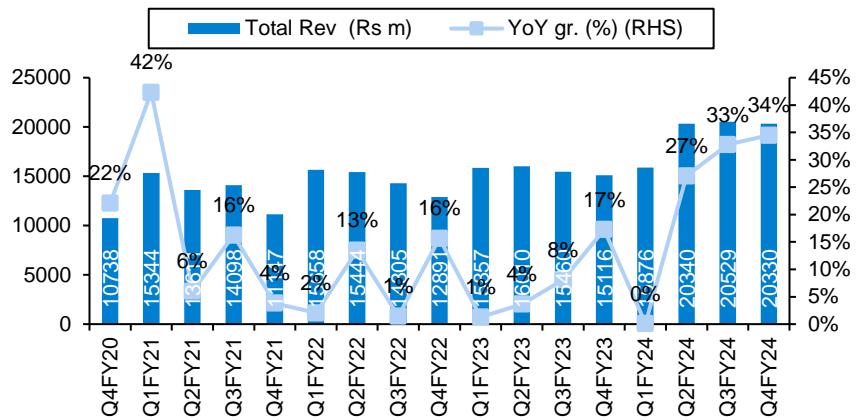
Source: Company, PL

Exhibit 2: Momentum continues in domestic formulations

Major sources of revenues	Q4FY24	Q4FY23	YoY gr. (%)	Q3FY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Domestic	7,664	7,027	9.1	8,573	(10.6)	34,141	31,197	9.4
Formulations	6,898	6,079	13.5	7,796	(11.5)	30,972	27,607	12.2
APIs	766	948	(19.1)	777	(1.4)	3,169	3,590	(11.7)
Exports	7,314	6,849	6.8	6,403	14.2	27,077	26,407	2.5
Formulations	4,737	4,326	9.5	4,331	9.4	17,753	16,392	8.3
APIs	2,577	2,522	2.2	2,073	24.3	9,324	10,015	(6.9)
Subsidiaries	5,224	1,100		5,460		15,386	4,467	
Net Sales	20,202	14,976	34.9	20,437	(1.1)	76,604	62,070	23.4

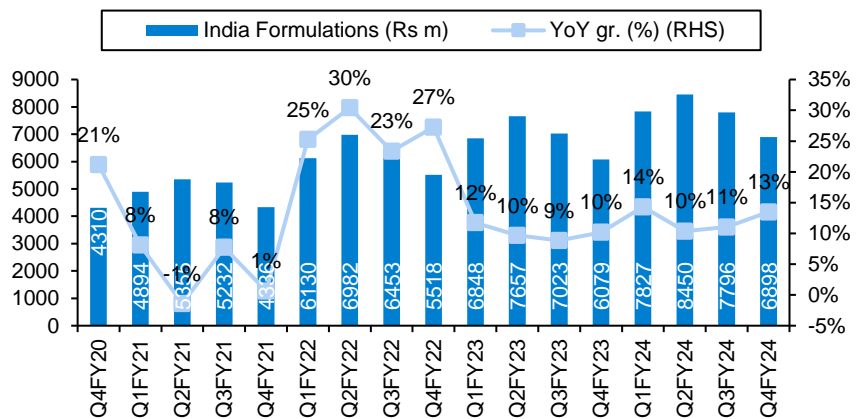
Source: Company, PL

Exhibit 3: Sustained growth led by domestic biz and Unichem integration



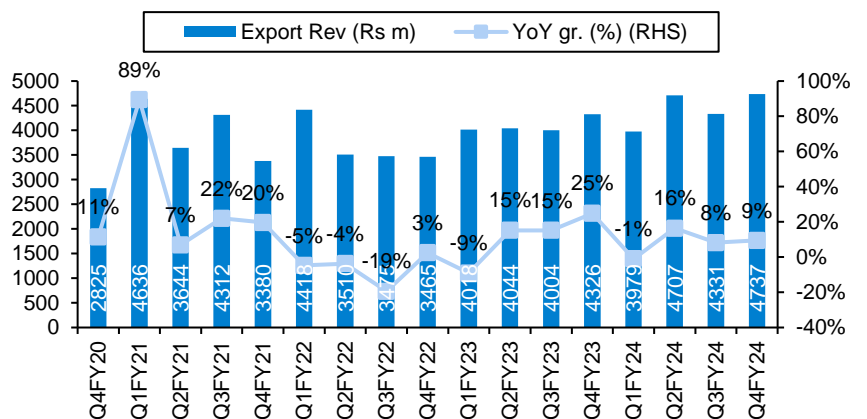
Source: Company, PL

Exhibit 4: Growth trajectory continues YoY



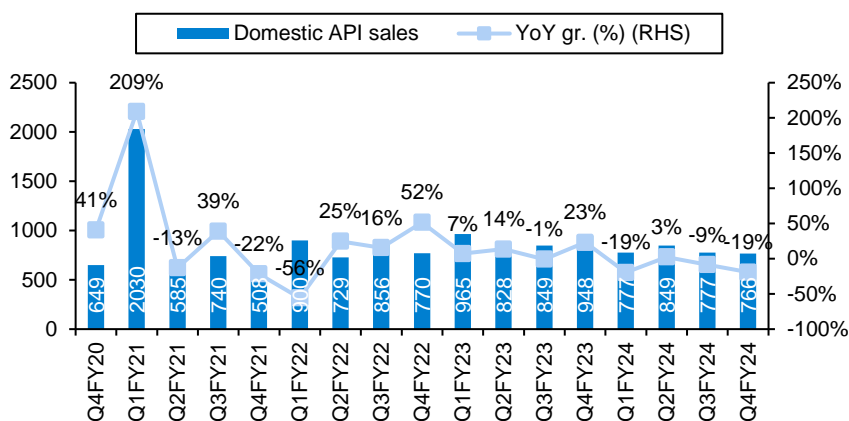
Source: Company, PL

Exhibit 5: API biz impacted, offset by growth in generic biz



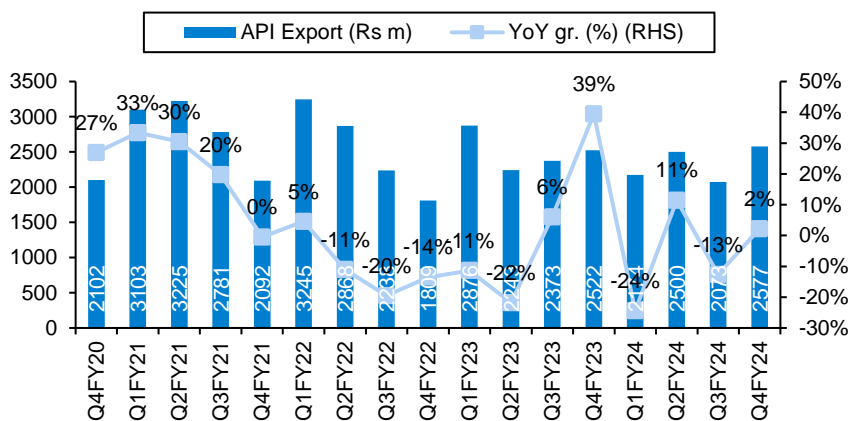
Source: Company, PL

Exhibit 6: Down 19% YoY



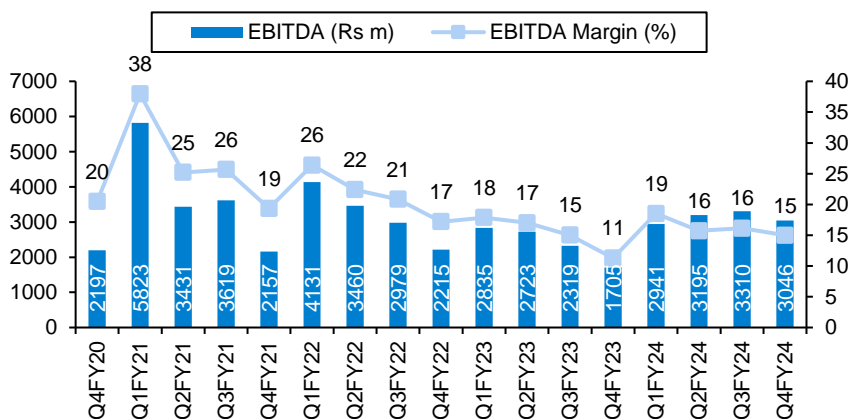
Source: Company, PL

Exhibit 7: Moderate growth YoY



Source: Company, PL

Exhibit 8: Margins down QoQ led by seasonality



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	62,443	77,050	92,664	1,05,026
YoY gr. (%)	7.1	23.4	20.3	13.3
Cost of Goods Sold	28,386	31,013	36,729	41,976
Gross Profit	34,057	46,038	55,936	63,050
Margin (%)	54.5	59.8	60.4	60.0
Employee Cost	12,876	17,084	20,453	22,424
Other Expenses	11,599	16,071	18,472	19,661
EBITDA	9,582	12,882	17,011	20,965
YoY gr. (%)	(25.1)	34.4	32.1	23.2
Margin (%)	15.3	16.7	18.4	20.0
Depreciation and Amortization	2,616	3,572	4,144	4,392
EBIT	6,966	9,310	12,868	16,572
Margin (%)	11.2	12.1	13.9	15.8
Net Interest	455	1,383	1,400	1,000
Other Income	942	1,577	900	1,000
Profit Before Tax	7,453	9,504	12,368	16,572
Margin (%)	11.9	12.3	13.3	15.8
Total Tax	2,534	3,135	3,710	4,972
Effective tax rate (%)	34.0	33.0	30.0	30.0
Profit after tax	4,919	6,370	8,657	11,600
Minority interest	-	-	-	-
Share Profit from Associate	(206)	181	(536)	(1,103)
Adjusted PAT	4,713	6,551	8,121	10,497
YoY gr. (%)	(47.0)	39.0	24.0	29.3
Margin (%)	7.5	8.5	8.8	10.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	4,713	6,551	8,121	10,497
YoY gr. (%)	(47.0)	39.0	24.0	29.3
Margin (%)	7.5	8.5	8.8	10.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,713	6,551	8,121	10,497
Equity Shares O/s (m)	254	254	254	254
EPS (Rs)	18.6	25.8	32.0	41.4

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	43,194	64,262	68,262	72,262
Tangibles	43,194	64,262	68,262	72,262
Intangibles	-	-	-	-
Acc: Dep / Amortization	16,061	19,634	23,778	28,170
Tangibles	16,061	19,634	23,778	28,170
Intangibles	-	-	-	-
Net fixed assets	27,132	44,628	44,484	44,092
Tangibles	27,132	44,628	44,484	44,092
Intangibles	-	-	-	-
Capital Work In Progress	1,404	3,429	3,429	3,429
Goodwill	381	906	906	906
Non-Current Investments	3,027	3,036	3,036	3,036
Net Deferred tax assets	(1,856)	(3,062)	(3,062)	(3,062)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	3,233	5,584	5,584	5,584
Inventories	17,434	24,696	28,161	31,923
Trade receivables	9,890	16,865	20,481	23,217
Cash & Bank Balance	18,532	2,968	993	2,947
Other Current Assets	2,309	6,252	6,252	6,252
Total Assets	86,229	1,10,971	1,16,064	1,24,259
Equity				
Equity Share Capital	254	254	254	254
Other Equity	58,167	63,068	70,260	79,810
Total Networkth	58,420	63,322	70,514	80,063
Non-Current Liabilities				
Long Term borrowings	6,518	5,804	5,804	5,804
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	8,058	8,071	5,571	3,071
Trade payables	5,251	7,761	8,161	9,307
Other current liabilities	6,127	22,951	22,951	22,951
Total Equity & Liabilities	86,229	1,10,971	1,16,063	1,24,259

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	7,421	10,692	14,268	17,572
Add. Depreciation	2,616	3,572	4,144	4,392
Add. Interest	(455)	(1,383)	(1,400)	(1,000)
Less Financial Other Income	942	1,577	900	1,000
Add. Other	1,018	444	-	-
Op. profit before WC changes	10,600	13,326	17,011	20,965
Net Changes-WC	(305)	(916)	(6,811)	(5,488)
Direct tax	(2,237)	(2,963)	(3,710)	(4,972)
Net cash from Op. activities	8,058	9,447	6,490	10,505
Capital expenditures	(6,894)	(19,891)	(4,000)	(4,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Inv. activities	(6,894)	(19,891)	(4,000)	(4,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	6,577	(3,038)	(2,500)	(2,500)
Dividend paid	(1,015)	(507)	(1,465)	(2,051)
Interest paid	801	(135)	(500)	-
Others	4,599	(560)	(879)	-
Net cash from Fin. activities	10,962	(4,241)	(5,344)	(4,551)
Net change in cash	12,126	(14,685)	(2,854)	1,953
Free Cash Flow	3,113	5,341	2,490	6,505

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Net Revenue	15,876	20,340	20,529	20,330
YoY gr. (%)	0.1	27.0	32.8	34.5
Raw Material Expenses	5,153	6,776	6,970	6,859
Gross Profit	10,723	13,564	13,559	13,471
Margin (%)	67.5	66.7	66.0	66.3
EBITDA	2,941	3,195	3,310	3,046
YoY gr. (%)	3.8	17.3	42.7	78.6
Margin (%)	18.5	15.7	16.1	15.0
Depreciation / Depletion	693	903	995	981
EBIT	2,249	2,291	2,315	2,065
Margin (%)	14.2	11.3	11.3	10.2
Net Interest	314	441	334	294
Other Income	583	403	228	362
Profit before Tax	2,518	2,254	2,209	2,133
Margin (%)	15.9	11.1	10.8	10.5
Total Tax	856	879	662	737
Effective tax rate (%)	34.0	39.0	30.0	34.5
Profit after Tax	1,662	1,374	1,546	1,396
Minority interest	13	(76)	428	(567)
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,649	1,451	1,119	1,963
YoY gr. (%)	15.3	0.8	3.7	156.5
Margin (%)	10.4	7.1	5.4	9.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,649	1,451	1,119	1,963
YoY gr. (%)	15.3	0.8	3.7	156.5
Margin (%)	10.4	7.1	5.4	9.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,649	1,451	1,119	1,963
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	6.5	5.7	7.1	2.3

Source: Company Data, PL Research

Key Financial Metrics

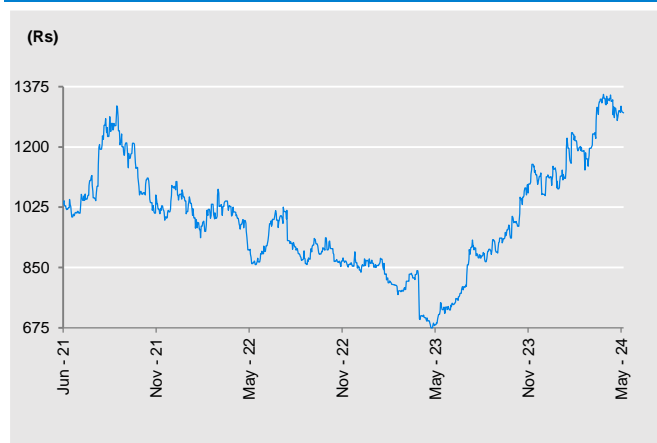
Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	18.6	25.8	32.0	41.4
CEPS	28.9	39.9	48.3	58.7
BVPS	230.3	249.6	277.9	315.6
FCF	12.3	21.1	9.8	25.6
DPS	7.0	2.0	5.0	7.0
Return Ratio(%)				
RoCE	10.3	12.4	16.2	19.4
ROIC	10.8	9.1	11.8	14.3
RoE	8.3	10.8	12.1	13.9
Balance Sheet				
Net Debt : Equity (x)	(0.1)	0.1	0.1	-
Net Working Capital (Days)	129	160	159	159
Valuation(x)				
PER	67.3	48.4	39.0	30.2
P/B	5.4	5.0	4.5	4.0
P/CEPS	43.3	31.3	25.9	21.3
EV/EBITDA	32.3	25.0	18.9	15.1
EV/Sales	5.0	4.2	3.5	3.0
Dividend Yield (%)	0.6	0.2	0.4	0.6

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Domestic Formulations	27,607	30,972	34,688	39,198
Domestic API	3,731	3,169	3,391	3,730
Export Formulations	16,392	17,726	20,981	24,962
Export API	10,042	9,324	9,883	11,168

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Apr-24	Hold	1,060	1,315
2	16-Feb-24	Hold	1,060	1,152
3	08-Jan-24	Hold	1,060	1,119
4	11-Nov-23	Hold	1,060	1,052
5	07-Oct-23	Hold	880	934
6	13-Aug-23	Hold	880	905
7	06-Jul-23	Hold	750	760

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	7,050	6,259
2	Aster DM Healthcare	BUY	515	457
3	Aurobindo Pharma	Accumulate	1,300	1,196
4	Cipla	Accumulate	1,405	1,340
5	Divi's Laboratories	Accumulate	4,350	4,122
6	Dr. Reddy's Laboratories	Reduce	5,700	6,258
7	Eris Lifesciences	BUY	1,100	908
8	Fortis Healthcare	BUY	515	462
9	Glenmark Pharmaceuticals	Reduce	570	1,017
10	HealthCare Global Enterprises	BUY	420	368
11	Indoco Remedies	Accumulate	335	320
12	Ipca Laboratories	Hold	1,060	1,315
13	J.B. Chemicals & Pharmaceuticals	BUY	1,920	1,774
14	Jupiter Life Line Hospitals	BUY	1,360	1,275
15	Krishna Institute of Medical Sciences	BUY	2,100	1,950
16	Lupin	Hold	1,675	1,611
17	Max Healthcare Institute	BUY	925	803
18	Narayana Hrudayalaya	BUY	1,335	1,237
19	Sun Pharmaceutical Industries	BUY	1,710	1,539
20	Sunteck Realty	BUY	565	452
21	Torrent Pharmaceuticals	BUY	2,900	2,613
22	Zydus Lifesciences	Accumulate	1,130	1,104

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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