

Ipca Laboratories (IPCLAB)

₹ 725

Management confident of resolving Ratlam issues

- Revenues grew ~16% to ₹ 934 crore (I-direct estimate: ₹ 966 crore) on the back of 21% growth in export formulations and 10% growth in the domestic formulations business
- EBITDA margins increased ~314 bps to 24.7% (I-direct estimate: 24.0%) mainly on the back of an improvement in gross profit margins and savings in manufacturing expenses. EBITDA grew 35% to ₹ 230.9 crore
- Net profit increased ~103% to ₹ 145.5 crore (I-direct estimate: ₹ 149.8 crore) on the back of higher EBITDA margins and favourable currency benefits (gains vs. loss in Q1FY14)

Exports formulations growth robust despite slow start in the US

Exports formulations (44% of the turnover) have grown at a CAGR of 27% in the last five years and surpassed domestic formulations (30% of the turnover) in the process. 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. Bottlenecks on the US front by the company were made good by strong traction in this business. Indore SEZ clearance has come in as a shot in the arm as this will expedite US launches. This facility can bolster US\$100 million incremental capacity at optimum level. We expect export formulations to grow at a CAGR of 14% between FY14 and FY16E to ₹ 1879 crore.

Indian formulations growth steady despite higher acute proportion

With a market share ~1.8%, Ipca ranks 21st in the domestic formulations market as per AIOCD. The acute: chronic ratio for the company is 72:28. It has a dominating presence in therapies such as anti-malarials and pain management. Besides these therapies other important therapies are CVS, GI and anti-infectives. Almost 18% of its portfolio has been covered under DPCO 2013. Domestic formulations comprise 30% of total revenues. ~During FY09-14, this segment has grown at a CAGR of 15% backed by new launches and field force addition. We expect Indian formulations to grow at a CAGR of 16% between FY14 and FY16E to ₹ 1308 crore.

Performance consistency, strong operating margins, healthy return ratios, management transparency- attributes for strong investor confidence

Despite having a marginal presence in the US and the lumpy anti-malarial (non-tender) forming substantial part of the domestic portfolio, the company has demonstrated consistent performance over the years. Revenues, EBITDA and sales have grown at a CAGR of 21%, 25% and 36%, respectively, during FY09-14. At the time, RoE, RoCEs improved almost 800 bps to 24%, 29%, respectively, during the same period. Ipca's management remains one of the most transparent in the industry. Things can only improve from here once the Indore SEZ starts on full steam.

Well prepared for adverse consequences; maintain BUY

We expect revenues, EBITDA and adjusted net profit to grow at a CAGR of 13%, 13% and 17%, respectively, in FY14-16E. This is our second revision after the management call to address the Ratlam 483 letter few days back. We have better clarity on the issues after the Q1FY15 earnings call and believe the management is reasonably prepared for any adverse eventualities in the form of warning letter or import alert from the USFDA. All our qualitative assumptions, except this aspect, remain constant. Our revised target price is ₹ 827 based on 16x FY16E (revised) EPS of ₹ 51.7.

Rating matrix

Rating	:	Buy
Target	:	₹ 827
Target Period	:	12 months
Potential Upside	:	14%

What's Changed?

Target	Changed from ₹ 812 to ₹ 827
EPS FY15E	Changed from ₹ 40.8 to ₹ 42.2
EPS FY16E	Changed from ₹ 50.8 to ₹ 51.7
Rating	Maintain Buy

Standalone Quarterly Performance

	Q1FY15	Q1FY14	YoY (%)	Q4FY14	QoQ (%)
Revenue	936.0	805.6	16.2	749.6	24.9
EBITDA	230.9	171.0	35.0	182.3	26.6
EBITDA (%)	24.7	21.2	344 bps	24.3	35 bps
Net Profit	145.5	71.8	102.7	137.0	6.2

Key Financials

(₹ crore)	FY13	FY14	FY15E	FY16E
Revenues	2813.1	3281.8	3568.5	4192.8
EBITDA	623.2	810.6	845.7	1027.2
Net Profit	323.6	478.5	532.4	651.8
EPS (₹)	25.6	37.9	42.2	51.7
Adj. EPS (₹)	29.2	42.3	42.2	51.7

Valuation summary

	FY13	FY14	FY15E	FY16E
PE (x)	28.3	19.2	17.2	14.1
Target PE (x)	32.2	21.8	19.6	16.0
EV to EBITDA (x)	15.6	11.9	11.3	9.2
Price to book (x)	5.9	4.7	3.8	3.1
RoNW (%)	20.8	24.4	22.1	21.9
RoCE (%)	24.7	27.6	23.8	25.0

Stock data

Particular	Amount
Market Capitalisation	₹ 9175 crore
Debt (FY14)	₹ 603 crore
Cash (FY14)	₹ 76 crore
EV	₹ 9701 crore
52 week H/L	907/609
Equity capital	₹ 25.2 crore
Face value	₹ 2

Price performance (%)

	1M	3M	6M	1Y
Ipca Labs	-19.5	-15.5	-14.8	5.9
Aurobindo Pharma	-3.9	24.3	51.0	320.7
Biocon	-11.4	-0.2	7.8	49.2
Torrent Pharma	4.7	28.7	37.9	73.4

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Variance analysis

	Q1FY15	Q1FY15E	Q1FY14	Q4FY14	YoY (%)	QoQ (%)	Comments
Revenue	936.0	965.6	805.6	749.6	16.2	24.9	The growth in sales was driven by 21.2% growth in export formulations and 10.2% growth in domestic formulations business
Raw Material Expenses	342.6	328.3	323.8	242.1	5.8	41.5	Gross profit margins increased by 360 bps on the back of improvement in the product mix and favorable currency
Employee Expenses	138.9	144.8	114.4	118.4	21.5	17.3	Spike in employee cost was on the back of higher incentives given to the field force in the branded formulations space both for domestic and exports
Other Expenditure	223.5	260.7	196.4	206.7	13.8	8.1	
EBITDA	230.9	231.7	171.0	182.3	35.0	26.6	
EBITDA (%)	24.7	24.0	21.2	24.3	344 bps	35 bps	EBITDA margins up due to saving in material cost and manufacturing expenses besides better product mix
Interest	5.7	6.8	7.1	6.3	-19.8	-8.9	
Depreciation	37.9	34.1	24.1	26.0	57.2	45.9	spike in depreciation due to reduction in usefull life of some pharma machines from 20 years to 15 years
Other Income	6.3	4.0	4.5	6.2	41.3	1.0	
Forex	-2.3	0.0	48.0	-18.2	PL	NA	
EO	0.0	0.0	0.0	0.0	0.0	0.0	
PBT	195.8	194.8	96.3	174.5	103.4	12.2	
Tax	50.4	46.7	24.5	37.5	105.5	34.4	
Tax Rate (%)	25.7	24.0	25.4	21.5	1.0	19.7	
Net Profit	145.5	148.0	71.8	137.0	102.7	6.2	Improvement in EBITDA margins and favourable forex (gains as against losses) boosted net profit
EPS (₹)	11.5	11.7	5.7	10.9	102.7	6.2	
Key Metrics							
Export APIs	183.1	191.6	166.6	133.5	9.9	37.1	The lower growth in sales attributable to high base
Export formulations	387.7	422.4	330.0	373.2	17.5	3.9	The growth was driven by ~58% growth in branded formulations (₹116 crore) and ~35% growth in Institutional generic business (₹ 113.6 crore)
Domestic APIs	64.1	51.2	46.5	36.5	37.8	75.6	
Domestic formulations	293.2	290.4	250.4	196.6	17.1	49.2	The growth was on the back of 21%, 16% and 15% growth in Pain management, CVS and Anti-malarials respectively

Source: Company, ICICIdirect.com Research

Change in estimates

(₹ Crore)	FY15E			FY16E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	3,510.3	3,568.5	1.7	4,118.3	4,192.8	1.8	We have increased FY15 & FY16 revenues marginally due to better clarity regarding cGMP issues and to factor revenue growth guidance of 12-13%.
EBITDA	818.8	845.7	3.3	1,009.0	1,027.2	1.8	
EBITDA Margin (%)	23.3	23.7	37 bps	24.5	24.5	0 bps	
PAT	514.4	532.4	3.5	640.3	651.8	1.8	
EPS (₹)	40.8	42.2	3.4	50.8	51.7	1.8	

Source: Company, ICICIdirect.com Research

Assumptions

	FY13		Current		Earlier		Comments
	FY13	FY14	FY15E	FY16E	FY15E	FY16E	
Export APIs	521.9	600.2	654.6	755.2	651.9	751.1	
Export formulations	1,194.2	1,447.6	1,565.8	1,879.1	1,533.7	1,837.8	We have increased FY15, FY16 estimates on the back of better clarity regarding cGMP issues
Domestic APIs	144.6	164.5	183.1	210.7	160.2	184.9	
Domestic formulations	878.1	969.4	1,127.3	1,307.7	1,124.5	1,304.5	

Source: Company, ICICIdirect.com Research

Company Analysis

Established in 1949, Ipca is known for its dominance in the anti-malarials business. It has come a long way from being an anti-malarial player to a player offering a gamut of other therapeutic products.

Currently, anti-malarials account for ~30% of revenues encompassing various sub heads. This is followed by CVS - 27% and pain management- 22%.

Overall formulations to API ratio stands at 76:24. A further break-up of formulations is- 1) domestic formulations- 40%, 2) export formulations- 60%. Further breakup of APIs- 1) domestic APIs- 22%, 2) export APIs- 78%.

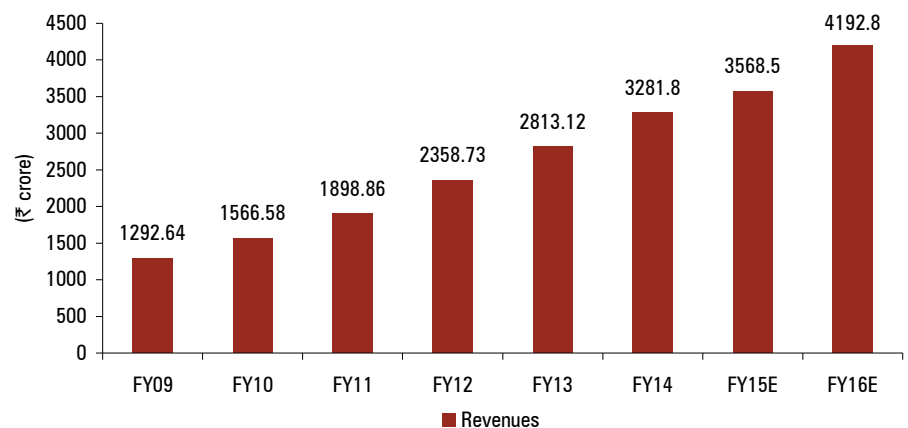
Export formulations are further divided into- 1) branded formulations- 24% of exports formulations, 2) generic formulations- 46% of exports formulations and 3) institutional business- 30% of export formulations. The US business is being accounted into the generic exports formulation category.

In domestic formulations, the company owns a field force of 4200 MRs covering 12 therapy focused marketing divisions.

Major therapies in domestic formulations are-1) anti-malarials- 22% of the domestic formulations, 2) pain management- 22% of the domestic formulations, 3) cardiovascular (CVS)- 17% of the domestic formulations, 4) gastrointestinal (GI)- 8% of domestic formulations.

Overall, we expect revenues to grow at a CAGR of 13% in FY14-16E to ₹ 4192.8 crore driven mainly by formulation exports and domestic formulations.

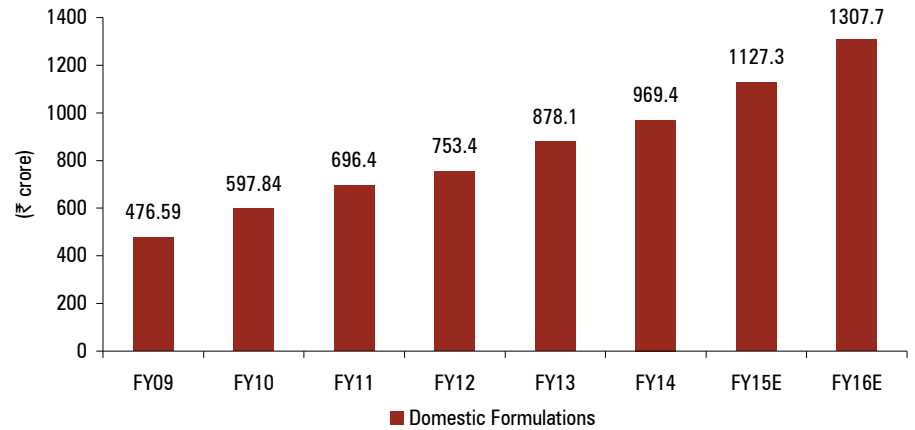
Exhibit 1: Exports and domestic formulations to drive growth



Source: Company, ICICIdirect.com Research

With a market share of ~1.8%, Ipca ranks 21st in the domestic formulations market as per AIOCD. The acute-chronic ratio for the company is 72:28. It has a dominating presence in therapies like anti-malarials and pain management. Besides these therapies, other important ones are CVS, GI and anti-infectives. Almost 18% of its portfolio has been covered under DPCO 2013. Domestic formulations comprise 30% of total revenues. During FY09-14, this segment has grown at a CAGR of 15% backed by new launches and field force addition. We expect Indian formulations to grow at a CAGR of 16% in FY14-16E to ₹ 1308 crore.

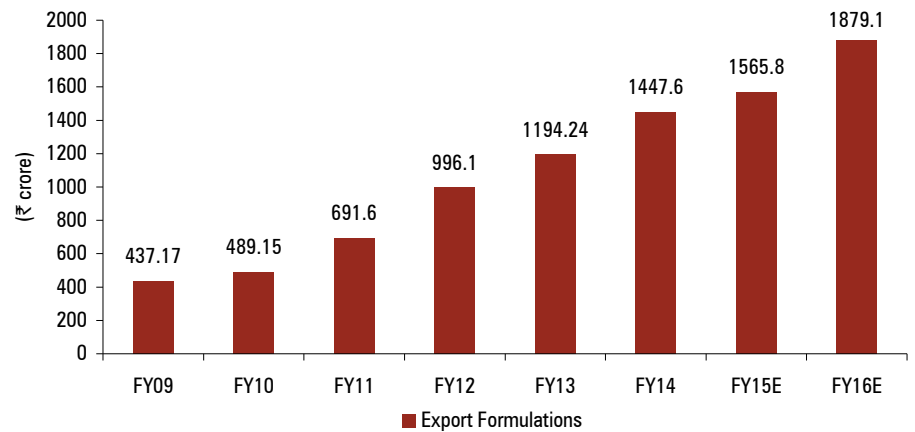
Exhibit 2: Domestic formulations to grow at CAGR of 16% in FY14-16E



Source: Company, ICICIdirect.com Research

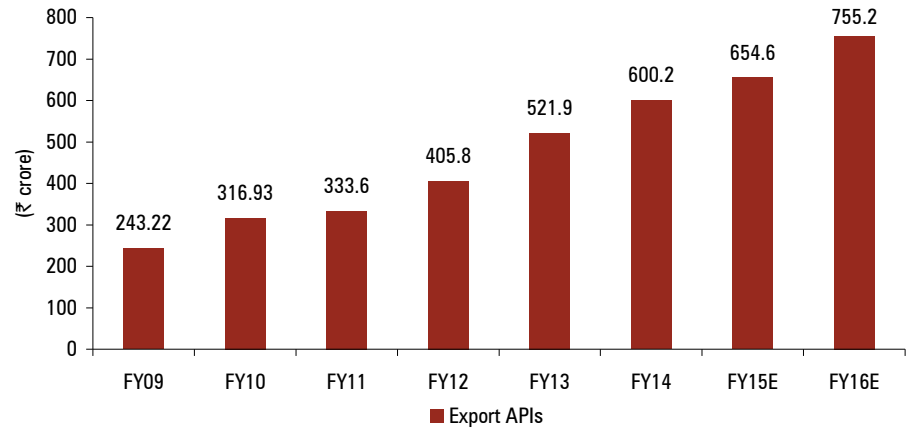
Exports formulations (44% of the turnover) have grown at a CAGR of 27% in the last five years and surpassed domestic formulations (30% of the turnover) in the process. Growth in exports formulations was on the back of growth in both international generics and international branded formulations. The international anti-malarial institutional business has also contributed substantially to overall exports growth. Bottlenecks on the US front for the company were made good by strong traction in this business. Indore SEZ clearance has come in as a shot in the arm as this will expedite US launches. This facility can bolster US\$100 million incremental capacity at optimum level. We expect export formulations to grow at a CAGR of 14% between FY14-16E to ₹ 1879.1 crore.

Exhibit 3: Export formulations to grow at CAGR of 14% in FY14-16E



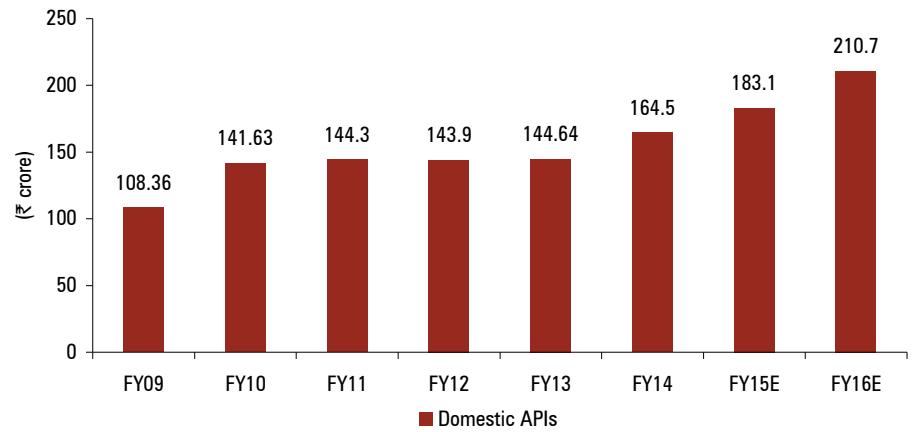
Source: Company, ICICIdirect.com Research

Exhibit 4: Export APIs to grow at CAGR of 12.2% in FY14-16E



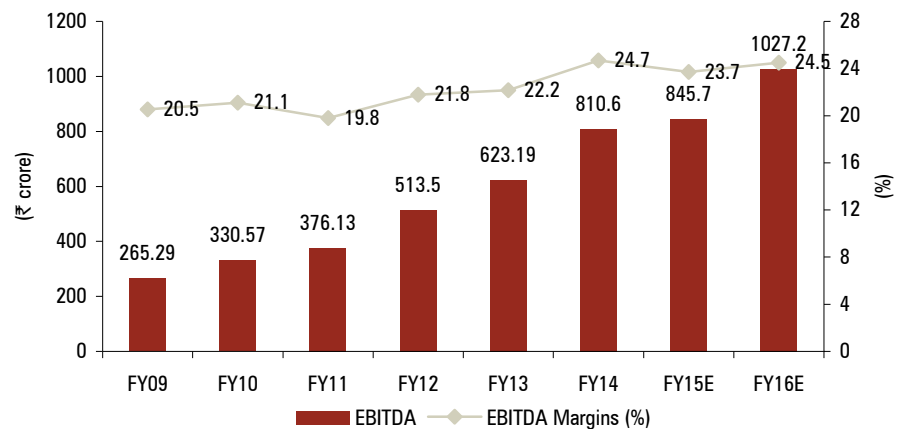
Source: Company, ICICIdirect.com Research

Exhibit 5: Domestic APIs to grow at CAGR of 13.2% FY14-16E



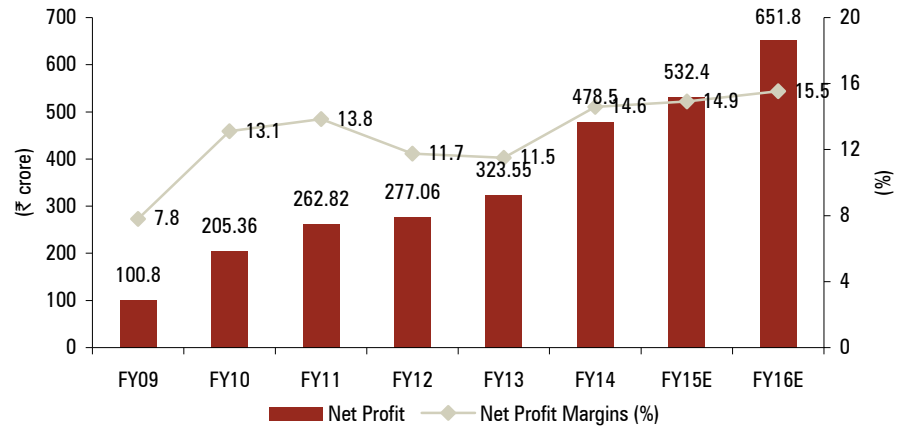
Source: Company, ICICIdirect.com Research

Exhibit 6: EBITDA to grow at CAGR of 12.6% in FY14-16E



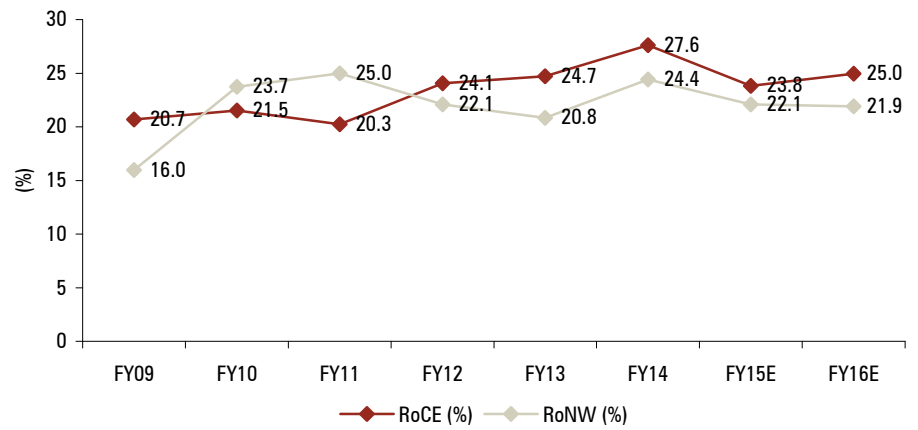
Source: Company, ICICIdirect.com Research

Exhibit 7: Adjusted net profit to grow at CAGR of 16.7% in FY14-16E



Source: Company, ICICIdirect.com Research

Exhibit 8: Trends in return ratios



Source: Company, ICICIdirect.com Research

Exhibit 9: Trends in quarterly financials

₹ Crore	Q1FY12	Q2FY12	Q3FY12	Q4FY12	Q1FY13	Q2FY13	Q3FY13	Q4FY13	Q1FY14	Q2FY14	Q3FY14	Q4FY14	Q1FY15	YoY (%)	QoQ (%)
Net Sales	526.3	618.0	601.8	553.1	630.3	757.5	692.4	658.6	792.5	834.3	815.2	743.8	928.2	17.1	24.8
OOI	3.6	5.5	13.1	8.0	7.4	10.6	8.6	13.1	13.0	12.4	17.8	5.9	7.8	-40.4	32.4
Revenues	529.9	623.5	614.8	561.1	637.6	768.1	701.02	671.7	805.6	846.7	833.0	749.61	935.96	16.2	24.9
Raw material cost	210.4	243.5	234.2	219.3	249.0	307.8	276.2	258.1	323.8	283.4	278.1	242.1	342.6	5.8	41.5
% of Revenue	39.7	39.0	38.1	39.1	39.0	40.1	39.4	38.4	40.2	33.5	33.4	32.3	36.6		
Gross Profit	319.5	380.0	380.7	341.9	388.7	460.3	424.9	413.6	481.7	563.3	554.9	507.5	593.4	23.2	16.9
GPM (%)	60.3	61.0	61.9	60.9	61.0	59.9	60.6	61.6	59.8	66.5	66.6	67.7	63.4		
Employee cost	83.6	71.0	82.2	85.5	91.6	97.8	98.3	88.9	114.4	120.8	124.3	118.4	138.9	21.5	17.3
% of Revenue	15.8	11.4	13.4	15.2	14.4	12.7	14.0	13.2	14.2	14.3	14.9	15.8	14.8		
Other expenditure	141.7	152.5	148.0	144.7	155.2	183.7	168.2	182.4	196.4	208.0	213.2	206.7	223.5	13.8	8.1
% of Revenue	26.7	24.5	24.1	25.8	24.3	23.9	24.0	27.1	24.4	24.6	25.6	27.6	23.9		
Total Expenditure	435.6	467.0	464.3	449.5	495.8	589.3	542.6	529.4	634.5	612.2	615.6	567.3	705.0	11.1	24.3
% of Revenue	82.2	74.9	75.5	80.1	77.8	76.7	77.4	78.8	78.8	72.3	73.9	75.7	75.3		
EBIDTA	94.3	156.6	150.5	111.7	141.8	178.8	158.4	142.3	171.0	234.5	217.3	182.3	230.9	35.0	26.6
EBIDTA Margin (%)	17.8	25.1	24.5	19.9	22.2	23.3	22.6	21.2	21.2	27.7	26.1	24.3	24.7		
Depreciation	15.4	17.6	18.1	14.2	19.9	20.9	21.6	21.6	24.1	25.2	25.6	26.0	37.9	57.2	45.9
Interest cost	7.4	10.7	10.2	11.1	9.5	8.9	7.4	5.5	7.1	5.7	5.4	6.3	5.7	-19.8	-8.9
Other Income	2.7	3.1	4.0	3.7	3.0	9.2	4.0	2.6	4.5	5.3	5.4	6.2	6.3	41.3	1.0
Forex gain/(loss)	9.1	-27.2	-39.9	5.1	-58.9	6.4	-18.6	7.8	-48.0	-39.9	-2.4	18.2	2.3	-104.7	-87.6
PBT	83.2	104.2	86.4	95.2	56.5	164.6	114.8	125.5	96.3	169.0	189.3	174.50	195.84	103.4	12.2
Tax	21.5	26.2	22.5	18.6	13.5	39.5	26.9	50.1	24.5	39.6	50.2	37.5	50.4	105.5	34.4
Tax Rate (%)	25.9	25.2	26.0	19.5	23.9	24.0	23.4	39.9	25.4	23.4	26.5	21.5	25.7		
PAT	61.7	78.0	63.9	76.6	43.0	125.1	87.9	75.4	71.8	129.5	139.1	137.0	145.49	102.7	6.2
PAT Margin (%)	11.6	12.5	10.4	13.7	6.7	16.3	12.5	11.2	8.9	15.3	16.7	18.3	15.5		
EPS (₹)	4.9	6.2	5.1	6.1	3.4	9.9	7.0	6.0	5.7	10.3	11.0	10.9	11.5		

Source: Company, ICICIdirect.com Research

SWOT Analysis

Strengths - Performance consistency, strong operating margins, healthy return ratios, comfortable leverage ratios, management transparency.

Weakness - Late entrant in the US generics space. Anti-malarial space is lumpy in nature.

Opportunities- Exports market, incremental off-take from the Indore SEZ

Threats - Increased USFDA scrutiny across the globe regarding cGMP issues and consolidation in the US pharmacy space. The company has received 483 letter from the USFDA for its Ratlam API facility, which is a core facility as it exports API to the US and also supplies to other formulations facility which in turn supply formulations to the US.

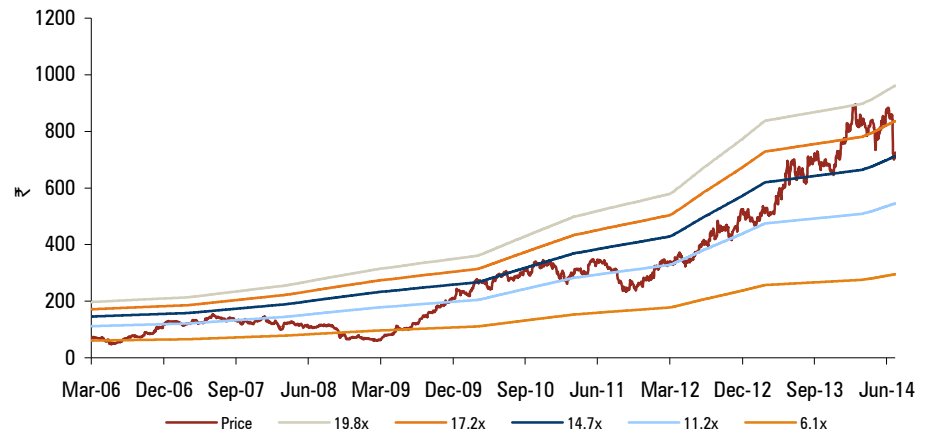
Conference call highlights

- De-growth of ~8% in the generic business was due to ~11% decline in Europe. This is attributable to disturbances in supplies due to temporary shutdown for modification in some of the packing lines. Supplies are expected to get normalised by September
- In the exports formulations (branded) space, the CIS region grew 94% whereas SE Asia grew 26%
- Institutional business is likely to grow 10% YoY to ₹ 480 crore, to be driven by 20% volume growth, as per management. Ipca currently has ~30% market share in the anti-malarial tender business
- The revenue growth guidance for FY15E has been cut to 12-13% from earlier 15-17% due to voluntary stoppage to address Ratlam 483 letter. Similarly, the EBITDA guidance has been cut to 24% from 25-25.5% earlier
- The management expects a resolution of the Ratlam issue in the next six months as guided by the appointed US-based consultants. The revenue guidance is based on this assumption
- The management does not expect any significant outgo towards remedial measures. It has pegged US\$1 million towards this
- The 12-13% revenue growth will be driven by 15-16% growth in domestic formulations, 20-25% growth in RoW export formulations (both branded and generics), 10% growth in the institutional business and 12-13% growth in domestic APIs
- In case the company receives warning letter/import alert, the Indore capacity can be utilised for UK and EU markets subject to approvals. The Silvassa facility is entirely earmarked to the US, hence, cannot be used for alternative purpose. However, the facility is very small
- It filed three ANDAs during the quarter taking total ANDA filing count to 43
- Ratlam revenues for FY14 were ~₹ 300 crore
- Ratlam facility exports APIs to more than 100 countries
- Regarding 505(b)(2), the first formulation is likely to start clinical trials by December, which is likely to take at least six months. It will take another one or two month for the first NDA filing.

Valuation

We expect revenues, EBITDA and adjusted net profit to grow at a CAGR of 13%, 13% and 17%, respectively, in FY14-16E. This is our second revision after the management call to address the Ratlam 483 letter a few days back. We have better clarity of the issues after the Q1FY15 earnings call and believe the management is reasonably prepared for any adverse eventualities in the form of warning letter or import alert from the USFDA. All our qualitative assumptions except this aspect remain constant. Our revised target price is ₹ 827 based on 16x FY16E (revised) EPS of ₹ 51.7.

Exhibit 10: One year forward PE



Source: Company, ICICIdirect.com Research

Exhibit 11: One year forward PE of company vs. BSE Healthcare Index



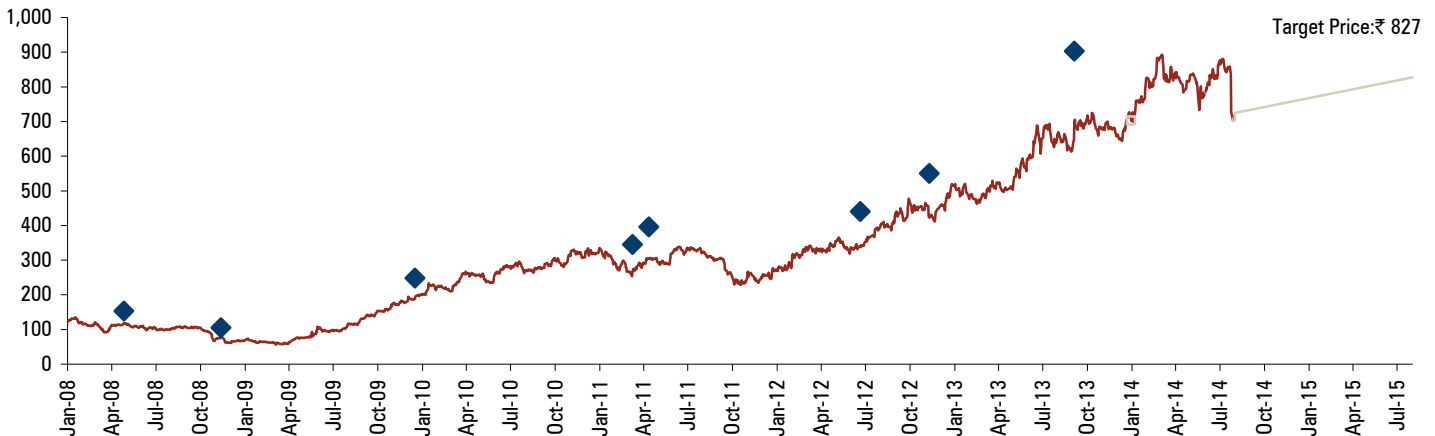
Source: Company, ICICIdirect.com Research

Exhibit 12: Valuation

	Revenues (₹ crore)	Growth (%)	Adj. EPS (₹)	Growth (%)	P/E (x)	EV/EBITDA (X)	RoNW (%)	RoCE (%)
FY13	2813	19	25.6	17	24.8	15.6	20.8	24.7
FY14	3282	17	37.9	48	17.1	11.9	24.4	27.6
FY15E	3568	9	42.2	11	17.2	11.3	22.1	23.8
FY16E	4193	17	51.7	22	14.0	9.2	21.9	25.0

Source: Company, ICICIdirect.com Research

Company snapshot



Source: Bloomberg, Company, ICICIdirect.com 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 buy back offer for acquiring maximum 10 lacs (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	UK MHRA 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 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

Source: Company, ICICIdirect.com Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Kaygee Investments Pvt. Ltd.	31-Mar-14	21.41	27.0	0.0
2	Exon Laboratories Pvt. Ltd.	31-Mar-14	6.55	8.3	0.0
3	Chandurkar Investments Pvt. Ltd.	31-Mar-14	5.53	7.0	0.0
4	Paschim Chemicals Pvt. Ltd.	31-Mar-14	3.98	5.0	0.0
5	HDFC Asset Management Co., Ltd.	31-Mar-14	3.09	3.9	-0.4
6	Norges Bank Investment Management (NBIM)	31-Mar-14	2.91	3.7	0.9
7	Lavender Investments, Ltd.	31-Mar-14	2.64	3.3	0.0
8	William Blair & Company, L.L.C.	31-Mar-14	2.15	2.7	-0.6
9	Godha (Premchand)	31-Mar-14	2.12	2.7	0.0
10	Chandurkar (M R)	31-Mar-14	1.70	2.2	0.0

Source: Reuters, ICICIdirect.com Research

Shareholding Pattern

(in %)	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14
Promoter	45.9	45.9	45.9	45.9	45.9
FII	23.0	25.2	25.4	25.3	25.3
DII	13.5	12.3	12.0	11.5	11.0
Others	17.7	16.6	16.7	17.4	17.9

Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
Bellevue Asset Management AG	20.77m	1.89m	T. Rowe Price Associates, Inc.	-12.89m	-1.10m
Norges Bank Investment Management (NBIM)	12.03m	0.85m	William Blair & Company, L.L.C.	-7.69m	-0.55m
APG Asset Management	7.42m	0.63m	HDFC Asset Management Co., Ltd.	-5.60m	-0.40m
HDFC Standard Life Insurance Company Limited	3.89m	0.28m	BlackRock Asset Management North Asia Limited	-3.21m	-0.23m
Franklin Templeton Asset Management (India) Pvt. Ltd.	3.62m	0.27m	DNB Asset Management (Asia) Limited	-2.10m	-0.20m

Source: Reuters, ICICIdirect.com Research

Financial summary

Profit and loss statement		₹ Crore			
(Year-end March)	FY13	FY14	FY15E	FY16E	
Revenues	2,813.1	3,281.8	3,568.5	4,192.8	
Growth (%)	19.3	16.7	8.7	17.5	
Raw Material Expenses	1,096.6	1,136.6	1,246.1	1,425.5	
Employee Expenses	391.8	498.0	533.8	628.9	
Other expenditure	701.5	836.6	942.8	1,111.1	
Total Operating Expenditure	2,189.9	2,471.2	2,722.7	3,165.5	
EBITDA	623.2	810.6	845.7	1,027.2	
Growth (%)	21.4	30.1	4.3	21.5	
Interest	33.4	26.9	29.1	22.2	
Depreciation	86.7	103.1	127.9	159.4	
Other Income	14.3	22.3	18.3	16.0	
Forex (gain)/loss	63.1	72.2	0.0	0.0	
EO	0.0	0.0	0.0	0.0	
PBT after EO/Forex	454.3	630.6	707.0	861.7	
Total Tax	129.9	152.4	174.6	209.9	
MI & Profit from associates	-0.8	0.3	0.0	0.0	
PAT	323.6	478.5	532.4	651.8	
Growth (%)	16.8	47.9	11.3	22.4	
Adjusted PAT	368.6	533.3	532.4	651.8	
EPS (₹)	25.6	37.9	42.2	51.7	
Adjusted EPS (₹)	29.2	42.3	42.2	51.7	

Source: Company, ICICIdirect.com Research

Balance sheet		₹ Crore			
(Year-end March)	FY13	FY14	FY15E	FY16E	
Equity Capital	25.2	25.2	25.2	25.2	
Reserve and Surplus	1,528.5	1,934.4	2,385.7	2,948.9	
Total Shareholders funds	1,553.7	1,959.7	2,410.9	2,974.1	
Total Debt	617.0	602.6	602.6	502.6	
Deferred Tax Liability	130.4	147.1	147.1	147.1	
MI	0.0	0.0	0.0	0.0	
LTP & Other LTL	12.92	16.23	36.23	56.23	
Total Liabilities	2,314.0	2,725.6	3,196.8	3,680.0	
Gross Block	1,555.5	1,897.6	2,397.6	2,897.6	
Less: Acc Depreciation	474.8	578.5	706.4	865.8	
Net Block	1,080.6	1,319.2	1,691.2	2,031.8	
Capital WIP	129.2	164.9	134.9	104.9	
Total Fixed Assets	1,209.8	1,484.1	1,826.1	2,136.7	
Good Will on Consolidation	23.6	34.4	34.4	34.4	
Investments	9.0	9.2	9.2	9.2	
LT L&A, Non Current Assets	57.4	80.5	120.1	138.7	
Inventory	741.0	847.6	899.6	1,058.1	
Debtors	417.8	449.5	483.7	568.9	
Loans and Advances	41.6	67.3	60.0	70.6	
Other Current Assets	138.5	161.5	169.5	195.2	
Cash	58.16	76.3	198.8	192.5	
Total Current Assets	1,397.1	1,602.2	1,811.6	2,085.3	
Creditors	268.4	341.3	338.6	409.6	
Provisions	42.1	55.6	54.2	65.5	
Other current Liabilities	72.3	87.8	211.8	249.2	
Total Current Liabilities	382.8	484.7	604.6	724.3	
Net Current Assets	1,014.2	1,117.5	1,207.0	1,361.0	
Application of Funds	2,314.0	2,725.6	3,196.8	3,680.0	

Source: Company, ICICIdirect.com Research

Cash flow statement		₹ Crore			
(Year-end March)	FY13	FY14	FY15E	FY16E	
Profit after Tax	323.6	478.5	532.4	651.8	
Add: Depreciation	86.7	103.1	127.9	159.4	
(Inc)/dec in Current Assets	-141.2	-187.0	-86.9	-280.0	
Inc/(dec) in CL and Provisions	13.5	101.9	119.8	119.7	
CF from operating activities	282.66	496.6	693.3	650.9	
(Inc)/dec in Fixed Assets	-281.54	-377.37	-470	-470	
(Inc)/dec in Investments	25.1	-0.1	0.0	0.0	
Inc/(dec) def. tax liability & MI	37.2	16.7	0.0	0.0	
LT L& A & Other non cur. Liab.	-12.6	-23.1	-39.6	-18.7	
Others	3.1	-7.54	20	20	
CF from investing activities	-228.78	-391.4	-489.6	-468.7	
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0	
Inc/(dec) in loan funds	-77.7	-85.4	0.0	-100.0	
Dividend paid & dividend tax	-58.9	-73.8	-81.2	-88.6	
Inc/(dec) in Sec. premium	0.4	0.0	0.0	0.0	
Exchange rate Fluctuation	34.7	1.2	0.0	0.0	
Other	93.6	70.9	0.0	0.0	
CF from financing activities	-7.8	-87.1	-81.2	-188.6	
Net Cash flow	46.0	18.1	122.6	-6.3	
Opening Cash	12.1	58.2	76.3	198.8	
Closing Cash	58.2	76.3	198.8	192.5	

Source: Company, ICICIdirect.com Research

Key ratios					
(Year-end March)	FY13	FY14	FY15E	FY16E	
Per share data (₹)					
EPS	25.6	37.9	42.2	51.7	
Adjusted EPS	29.2	42.3	42.2	51.7	
BV	123.2	155.3	191.1	235.8	
DPS	4.0	5.0	5.5	6.0	
Cash EPS	32.5	46.1	52.3	64.3	
Operating Ratios (%)					
EBITDA Margin	22.2	24.7	23.7	24.5	
PBT / Revenues	16.1	19.2	19.8	20.6	
PAT Margin	13.1	16.3	14.9	15.5	
Inventory days	98	97	93	93	
Debtor days	55	51	50	50	
Creditor days	36	39	35	36	
Return Ratios (%)					
RoE	20.8	24.4	22.1	21.9	
RoCE	24.7	27.6	23.8	25.0	
RoIC	25.2	28.5	25.1	25.7	
Valuation Ratios (x)					
P/E	28.3	19.1	17.2	14.0	
EV / EBITDA	15.6	11.9	11.3	9.2	
EV / Revenues	3.5	3.0	2.7	2.3	
Market Cap / Revenues	3.3	2.9	2.6	2.2	
Price to Book Value	5.9	4.7	3.8	3.1	
Solvency Ratios					
Debt/EBITDA	1.0	0.7	0.7	0.5	
Debt / Equity	0.4	0.3	0.2	0.2	
Current Ratio	3.6	3.3	3.0	2.9	
Quick Ratio	1.7	1.6	1.5	1.4	

Source: Company, ICICIdirect.com Research

ICICIdirect.com coverage universe (Healthcare)

Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹ Cr)	EPS (₹)			PE(x)			EV/EBITDA (x)			RoCE (%)			RoNW (%)		
						FY14E	FY15E	FY16E	FY14E	FY15E	FY16E	FY14E	FY15E	FY16E	FY14E	FY15E	FY16E	FY14E	FY15E	FY16E
Apollo Hospitals	APOHOS	999	896	HOLD	13,899	22.8	25.4	34.5	43.9	39.4	29.0	22.1	18.7	14.4	11.6	12.2	14.8	10.6	11.0	13.5
Aurobindo Pharma	AURPHA	707	619	HOLD	20,613	47.3	39.9	51.6	15.0	17.7	13.7	11.3	11.7	9.5	24.6	21.0	23.1	31.3	24.1	24.1
Biocon	BIOCON	465	447	HOLD	9,302	20.7	24.8	29.8	22.5	18.8	15.6	13.8	11.3	9.4	13.4	16.4	18.5	13.7	14.8	15.9
Cadila Healthcare	CADHEA	1091	1059	HOLD	22,333	39.2	51.1	66.2	27.8	21.3	16.5	20.3	15.1	11.7	15.9	19.0	21.7	23.4	24.6	25.4
Cipla	CIPLA	443	403	HOLD	35,529	17.3	17.8	22.4	25.6	24.9	19.8	17.1	15.5	12.2	15.4	15.3	17.9	13.8	12.6	13.9
Divi's Laboratories	DIVLAB	1496	1425	HOLD	19,856	59.6	63.8	79.2	25.1	23.5	18.9	19.0	16.2	14.1	30.4	28.8	29.5	26.1	23.6	24.4
Dr Reddy's Labs	DRREDD	2759	2970	HOLD	46,992	126.7	129.4	148.5	21.8	21.3	18.6	14.2	13.5	11.7	19.2	18.2	19.4	23.7	20.0	19.2
Glenmark Pharma	GLEPHA	680	644	HOLD	18,440	20.0	29.8	35.8	34.0	22.9	19.0	16.0	13.7	10.4	16.0	21.8	23.7	18.3	22.9	23.1
Indoco Remedies	INDREM	245	221	HOLD	2,254	6.3	10.1	14.7	38.9	24.2	16.6	19.4	14.0	10.3	16.6	21.1	25.2	12.7	17.3	20.6
Ipca Laboratories	IPCLAB	725	812	BUY	9,147	37.9	40.5	50.7	19.1	17.9	14.3	11.9	11.7	11.2	27.6	23.1	24.7	24.4	21.4	21.7
Jubilant Life Sciences	VAMORG	191	202	HOLD	3,041	6.8	24.5	35.8	27.9	7.8	5.3	6.9	5.5	4.2	10.1	11.9	14.9	4.2	13.3	16.9
Lupin	LUPIN	1165	1289	HOLD	52,274	41.0	49.1	58.6	28.5	23.7	19.9	17.9	13.4	11.9	34.5	36.0	34.1	26.5	25.4	24.4
Sun Pharma	SUNPHA	769	686	HOLD	159,231	15.5	26.0	28.6	49.7	29.6	26.9	19.9	19.6	17.6	34.3	33.0	30.0	17.0	24.9	22.3
Torrent Pharma	TORPHA	745	748	HOLD	12,615	39.2	45.3	49.9	19.0	16.4	15.0	13.4	11.3	9.9	28.5	24.8	25.9	34.9	31.3	27.6
Unichem Laboratories	UNILAB	208	198	HOLD	1,884	18.7	14.1	16.5	11.1	14.7	12.6	10.4	9.0	7.7	15.7	16.9	18.6	20.7	14.5	15.7

Source: Company, ICICIdirect.com Research

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