

Ajanta Pharmaceuticals (AJAPHA) ₹ 1211

GST transition drags Q1 performance...

- Revenues remained flat YoY at ₹ 473 crore (I-direct estimate: ₹ 486 crore). Domestic growth was impacted by GST transition while export formulation growth was driven by robust growth in the US
- EBITDA margins declined 802 bps YoY to 26.8% (I-direct estimate: 31%) mainly due to the impact of GST transition and higher fixed overheads due to commissioning of new plants
- Adjusted net profit declined 21% YoY to ₹ 95 crore (I-direct estimates: ₹ 100 crore). Lower tax rate (20% against 24% in Q1FY17) partly offset the lower operational performance)

Domestic formulations- Focus on new launches, few therapies

Domestic branded formulations constitute 31% of FY17 revenues. The main distinguishing factor is the uncanny knack of launching maximum number of first time launches with focus on new drug delivery system (NDDS). Of the 200+ actively marketed brands, 70% brands were introduced for the first time in India. The focus on specialty therapies and niche product led APL to post strong growth at a CAGR of 22% in FY12-17, far higher than industry growth of ~12%. Going ahead, we expect domestic formulations to grow at a CAGR of 15% in FY17-19E to ₹ 814 crore driven by a mix of existing products + new launches.

Exports traction manly from emerging markets; US segment shaping up

Export formulations constitute 66% of FY17 revenues. The company is currently deriving export revenues from emerging markets such as Africa (Franco Africa), Asia, LatAm and more recently from US. In emerging markets, as opposed to the common practice of forging alliances with regional pharmaceutical players, APL's front-end marketing team interacts directly with doctors. The US foray is also getting momentum. Currently, US accounts for ~12% of sales. Overall export formulations have grown at 24% CAGR in FY12-17 to ₹ 1319 crore. We expect exports to grow at a CAGR of 7% in FY17-19E to ₹ 1499 crore driven by US launches.

One of the best matrixes among peers

With focus on niche therapies in domestic formulations and a calculated approach in export market, APL remains an interesting candidate from the midcap pharma space with high growth rates, strong margins, commendable return ratios and lighter balance sheet. At this juncture, the company is well poised to foray in the US market with its own sales team in the foray. The company has filed 33 ANDAs and received 18 product approvals. US sales are likely jump from a mere ₹ 14 crore in FY16 to ₹ 315 crore by FY19 on the back of consistent launches on lower base. Approval for Dahej facility is also likely to support growth.

GST impact on expected lines, exports get US booster; maintain BUY

GST transition impacted domestic branded formulations and, in turn, overall financials. However, strong growth in the US drove exports sales, which otherwise would have been impacted by lower anti-malarial tender offtake in Africa. Despite a challenging environment in the US, the management expects decent growth on the back of product launches in the next 18-24 months. On the domestic front, the management expects FY18 growth to be impacted due to GST transition but return to growth trajectory in FY19. Despite capex intensity, the company remains on track to generate similar kind of FCF, reflecting the core strength in earnings besides healthy return ratios. We maintain **BUY** rating with a target price of ₹ 1420 based on 20x FY19E EPS of ₹ 71.0.

Rating matrix	
Rating	: Buy
Target	: ₹ 1420
Target Period	: 12-15 months
Potential Upside	: 17%

What's Changed?	
Target	Changed from ₹ 1880 to ₹ 1420
EPS FY18E	Changed from ₹ 61.7 to ₹ 57.1
EPS FY19E	Changed from ₹ 72.4 to ₹ 71
Rating	Unchanged

Quarterly Performance					
	Q1FY18	Q1FY17	YoY (%)	Q4FY17	QoQ (%)
Revenue	473.1	475.9	-0.6	476.8	-0.8
EBITDA	127.5	166.0	-23.2	160.9	-20.8
EBITDA (%)	26.9	34.9	-793 bps	33.7	-680 bps
Adj. Net Profit	99.5	122.0	-18.4	114.0	-12.7

Key Financials				
(₹ crore)	FY16	FY17	FY18E	FY19E
Revenues	1573.6	1822.7	2074.3	2393.8
EBITDA	522.6	636.0	628.0	780.8
Net Profit	422.0	499.8	504.8	626.9
EPS (₹)	110.0	56.6	57.1	71.0

Valuation summary				
	FY16	FY17	FY18E	FY19E
PE (x)	11.0	21.4	21.2	17.1
M.Cap/ Revenues (x)	6.8	5.9	5.2	4.5
EV to EBITDA (x)	20.4	16.5	16.6	13.1
Price to book (x)	4.1	7.1	5.6	4.4
RoNW (%)	37.3	33.2	26.5	26.0
RoCE (%)	46.2	41.8	33.1	32.4

Stock data	
Particular	Amount
Market Capitalisation	₹ 10656 crore
Debt (FY17)	₹ 6 crore
Cash (FY17)	₹ 9 crore
EV	₹ 10652 crore
52 week H/L	2150/1151
Equity capital	₹ 17.7 crore
Face value	₹ 2

Price performance (%)				
	1M	3M	6M	1Y
Ajanta Pharma	-21.1	-24.1	-32.1	-33.6
Alembic Pharma	2.1	-12.1	-5.3	-16.9
Torrent Pharma	-5.6	-8.0	-1.6	-16.0

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Variance analysis

	Q1FY18	Q1FY18E	Q1FY17	Q4FY17	YoY (%)	QoQ (%)	Comments
Revenue	473.1	485.9	475.9	476.8	-0.6	-0.8	GST impact in domestic market was largely offset by strong growth in the US
Raw Material Expenses	93.6	106.9	99.4	92.3	-5.8	1.5	
Employee Expenses	86.7	77.7	70.3	75.5	23.3	14.8	YoY increased mainly due to commissioning of new plants
Other Expenditure	165.4	150.6	140.3	148.2	17.9	11.6	YoY increased mainly due to commissioning of new plants
Total Operating Expenditure	345.7	335.3	309.9	315.9	11.5	9.4	
EBITDA	127.5	150.6	166.0	160.9	-23.2	-20.8	YoY increased mainly due to commissioning of new plants. Miss vis-a-vis I-direct estimates was mainly due to higher-than-expected employee cost and other expenditure
EBITDA (%)	26.9	31.0	34.9	33.7	-793 bps	-680 bps	
Interest	0.1	0.9	1.0	0.4	-93.1	-82.1	
Depreciation	13.4	20.6	13.0	18.9	3.2	-29.1	YoY increased mainly due to commissioning of new plants
Other income	4.8	2.4	5.5	2.4	-12.8	99.2	
PBT before EO	118.7	131.6	160.5	144.0	-26.0	-17.5	
Less: Exceptional Items	0.0	0.0	0.0	0.0	0.0	0.0	
PBT	118.7	131.6	160.5	144.0	-26.0	-17.5	
Tax	23.9	32.0	38.5	30.0	-37.8	-20.1	
MI & Share of loss/ (gain) asso.	0.0	0.0	0.0	0.0	0.0	0.0	
Adj. Net Profit	99.5	99.5	122.0	114.0	-18.4	-12.7	Delta vis-à-vis EBITDA growth was largely due to lower taxation
Key Metrics							
Domestic	143.0	137.7	162.0	140.0	-11.7	2.1	YoY growth adversely impacted due to de-stocking by the distribution channel on account of GST
Exports	320.0	331.7	297.0	316.0	7.7	1.3	US sales increased to ₹ 54 crore against ₹ 10 crore in Q1FY17. Asia business grew 4% YoY to ₹ 96 crore while African business declined 13% YoY to ₹ 168 crore.

Source: Company, ICICIdirect.com Research

Change in estimates

(₹ Crore)	FY18E			FY19E			
	Old	New	% Change	Old	New	% Change	
Revenue	2,173.4	2,074.3	-4.6	2,453.6	2,393.8	-2.4	
EBITDA	749.8	628.0	-16.2	871.0	780.8	-10.4	
EBITDA Margin (%)	34.5	30.3	-422 bps	35.5	32.6	-288 bps	Trimmed mainly due to increase in fixed cost owing to commissioning of new plants and GST impact in Q1FY18
PAT	545.4	504.8	-7.4	639.3	626.9	-1.9	Delta vis-à-vis EBITDA was due to reduce in tax rate and increase in other income
EPS (₹)	61.7	57.1	-7.4	72.4	71.0	-2.0	

Source: Company, ICICIdirect.com Research

Assumptions

(₹ crore)	Current				Earlier		
	FY16	FY17	FY18E	FY19E	FY18E	FY19E	
Branded - domestic	503.7	593.0	639.7	791.3	686.5	795.0	Changed mainly due to GST impact in Q1FY18
Exports Total	1,176.8	1,319.0	1,341.8	1,498.9	1,395.3	1,557.4	

Source: Company, ICICIdirect.com Research

Company Analysis

Established in 1973, APL is mainly into exports as well as domestic formulations. As of FY17 the exports: domestic formulation ratio was at 68:32. The company owns five manufacturing facilities- four in Aurangabad, Maharashtra and one in Mauritius. Of these five facilities, only one in Aurangabad is an API facility, rest all are formulations. Consolidated revenues, EBITDA and PAT have grown at a CAGR of 24%, 37% and 51%, respectively, in FY12-17. APL had come out with a maiden IPO in March 2000. It raised ₹ 68 crore which was earmarked for capacity expansion and debt repayment.

Domestic formulations constitute 31% of the total consolidated turnover (FY17). This segment has been further segregated into two sub-segments- 1) Branded formulations and 2) Institutional business. Initially the company was catering to institutional business. Institutional sub-segment accounts for ~7% of the domestic formulations and mainly confined to government and institutional tenders. It is only in the last 10 years that the focus was shifted to branded formulations business, which now accounts for ~93% of the domestic formulations.

The company focuses on only few so called specialty therapies – ophthalmology, dermatology and cardiology. Together, these therapies constitute ~89% of domestic branded formulations. The company invested heavily in the technology and field force especially in the first five years after the changed focus. The focus was also to offer novel delivery system. From ₹ 17 crore in FY05, the branded formulations have grown at a CAGR of 28% to ₹ 593 crore in FY17. Till date the company has launched ~200+ products out of which 70% are first time launches. The current MR strength is ~3000+. Overall, domestic formulations have grown at a CAGR of 22% in FY12-17 to ₹ 614 crore. The company has only one product under the National List of Essential Medicines (NLEM) 2011 list.

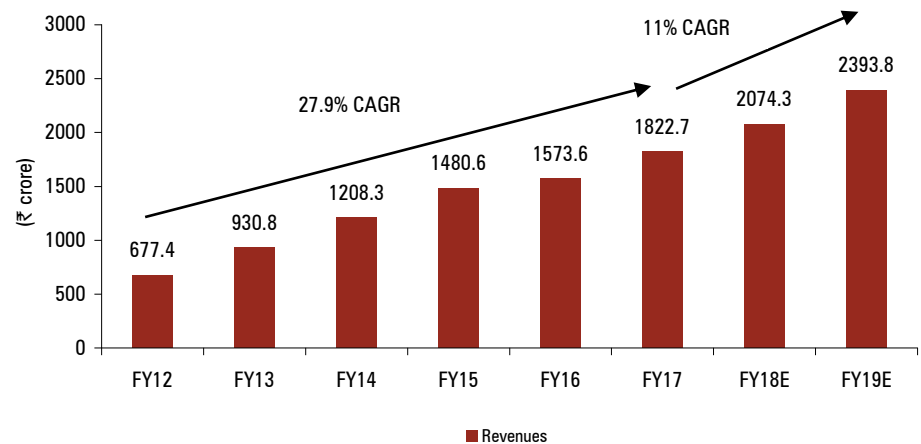
Export formulations constitute 66% of total consolidated turnover (FY17). Exports are mainly confined to emerging markets and constitute branded generics. APL exports its products in ~31 emerging markets with significant presence in Franco African countries and Philippines.

Africa accounts for ~54% of export formulations followed by Asia. The company also participates in anti-malarial tenders in Africa. It operates through 710+ MRs in these emerging markets and owns a portfolio of 1550 registered brands in these markets encompassing major therapies such as anti-infectives, anti-malarials, ophthalmic, dermatology, cardiovascular, GI etc. The company also has a marginal presence in Latin America. It has also forayed into regulated markets such as US where it has filed 33 ANDAs and received approvals for 18. Overall export formulations have grown at a CAGR of 24% in FY12-17 to ₹ 1557 crore.

Ajanta Pharma has five subsidiaries including one step down subsidiary located in Mauritius, Philippines and the US. The Mauritius subsidiary with an independent manufacturing base mainly caters to the Franco African markets. The subsidiary in Philippines, which is a marketing arm, caters to the Philippines market. The US subsidiary is an administrative office to facilitate US operations.

We expect revenues to grow at a CAGR of 11% to ₹ 2454 crore in FY17-19E, on the back of strong growth in both exports and domestic formulation segments. Exports are likely to grow at a CAGR of 9% to ₹ 1557 crore during the same period to be driven by growth in the legacy export markets of Africa and Asia and commencement of US shipments. Similarly, the domestic formulations segment is likely to register a CAGR of 15% to ₹ 814 crore in the same period, to be driven by branded formulations.

Exhibit 1: Revenues growth trend



Source: Company, ICICIdirect.com Research

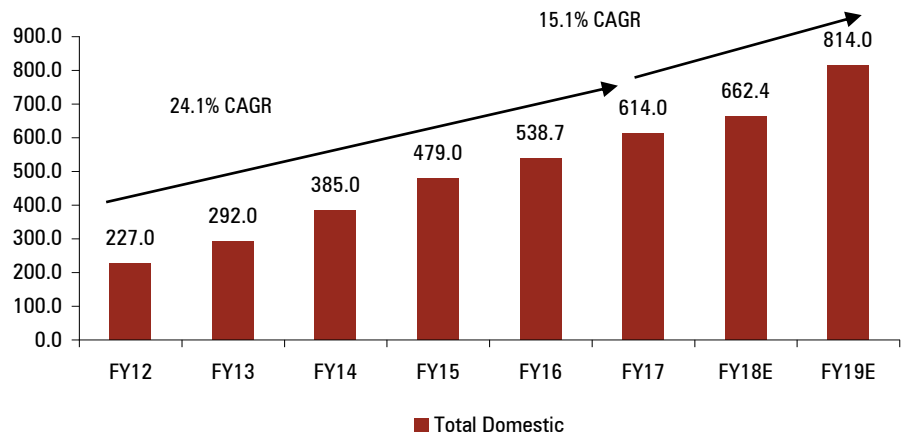
Domestic formulations- APL operates in branded (prescription: Rx, 93.4% of domestic sales) and tender business (6.6% of domestic sales). In the branded space, it has presence in fast growing specialty therapies viz. ophthalmology, dermatology, chronic therapies such as cardiovascular (CVS). In the acute space, it has a marginal presence in pain management and gastrointestinal. APL currently markets ~200+ brands through 3000+ medical representatives (MRs) covering 3 lakh doctors.

Over the years, the company has developed a knack of launching maximum number of first launches with focus on new drug delivery system (NDDS). It was one of the very few companies to launch products such as Metoprolol (CVS), Rosuvastatin + Clopidogrel (CVS), Hydroquinone + Mometasone + Tretinoin (Derma), etc, in the Indian market. The company's first differentiated (NDDS) product Nimesulide (pain) daily once was launched under the brand name of Nimlodi in FY02. Out of 200+ actively marketed brands, 70% brands were first launches in India. The focus on specialty therapies and niche product led APL to post a strong CAGR of 22% in FY12-17, which is far higher than the industry growth of ~12% (AIOCD data).

As per the latest AIOCD data, APL ranks No. 33 in the Indian pharmaceutical market with market share 0.62%. Approximately 12% of total domestic sales are under NLEM. They are mainly from CVS category.

The company markets CVS, ophthalmology and dermatology products under the divisions of Anvaxx, Illuma and Anasca. The company launches ~20 new products every year including line extensions. We expect the company to continue with 12-15 product launches every year. Overall we expect domestic formulation sales to grow at a CAGR of 15% to ₹ 814 crore in FY17-19E.

Exhibit 2: Domestic formulation growth likely to be at a CAGR of 15% in FY17-19E



Source: Company, ICICIdirect.com Research

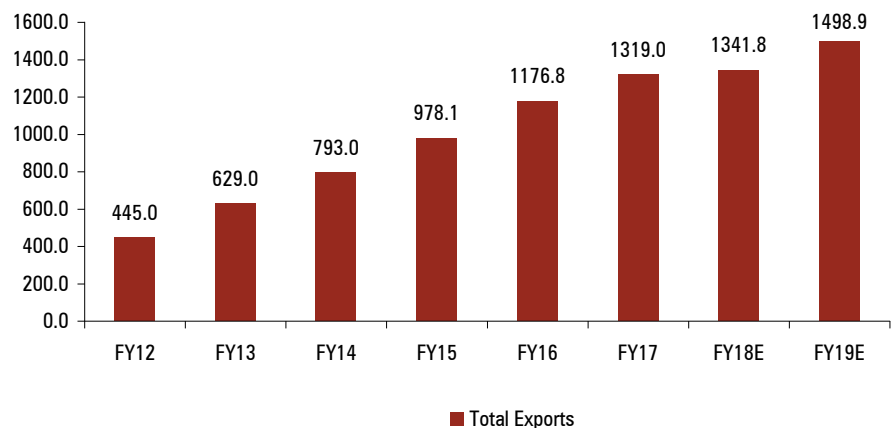
Formulation Exports

Exports account for 66% of the revenues. APL currently derives almost its entire export revenues from emerging regions like Africa (Franco Africa), Asia and the LatAm having a presence in more than 31 countries. Exports have grown at 24% CAGR in FY12-17.

The company markets its products through a team of 710+ MRs. At present, the company is marketing 1550+ products in these regions.

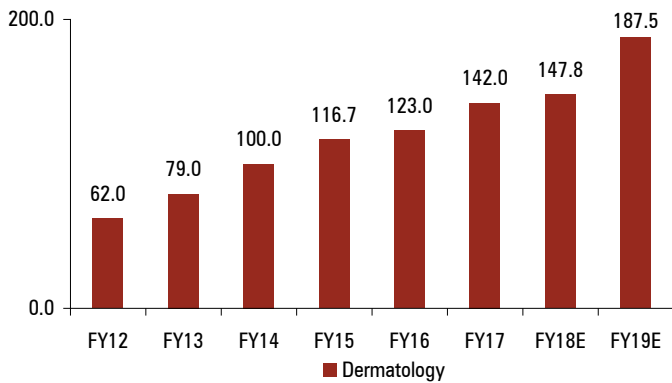
APL's success story in emerging markets was carved out of the so called differentiated approach. According to this, products were developed on the basis of unmet medical needs in a particular geography. As a result, the product basket varied from nation to nation. Similarly, the company resorted to a different strategy of product marketing. As opposed to the common practice of forging alliances with local/regional pharmaceutical players, APL's front-end marketing team interacts directly with doctors. The company has consistently introduced new products in these markets. Overall, we expect export sales to grow at a CAGR of 7% to ₹ 1499 crore in FY17-19E.

Exhibit 3: Exports to grow at CAGR of 7% in FY17-19E



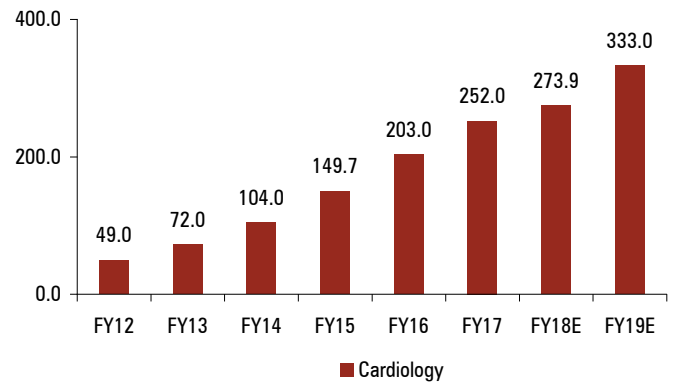
Source: Company, ICICIdirect.com Research

Exhibit 4: Derma sales(dom) to grow at CAGR of 15% in FY17-19E



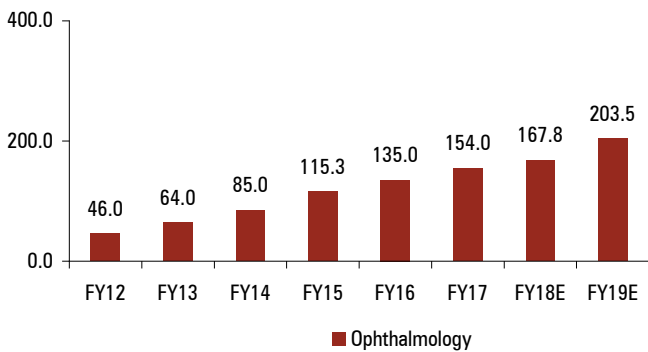
Source: Company, ICICIdirect.com Research

Exhibit 5: Cardio sales(dom) to grow at CAGR of 15% in FY17-19E



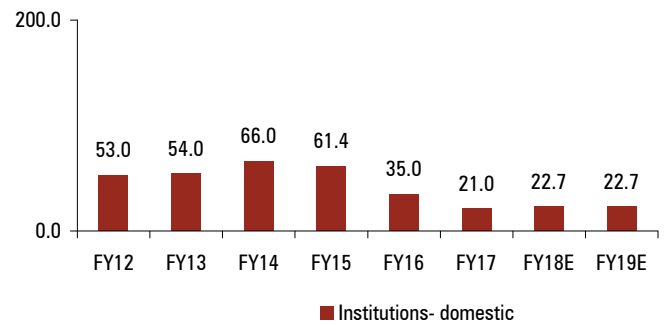
Source: Company, ICICIdirect.com, Research

Exhibit 6: Ophthalmic sales (domestic) at CAGR 15% in FY17-19E



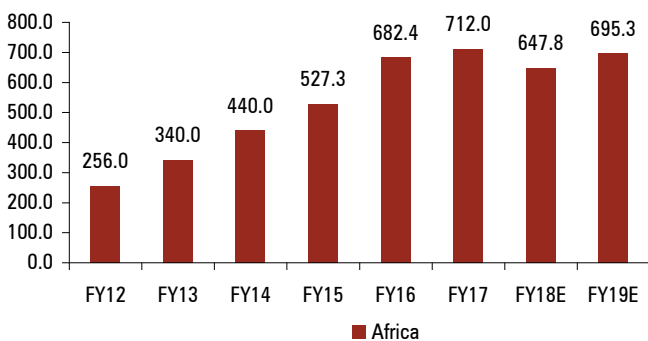
Source: Company, ICICIdirect.com, Research

Exhibit 7: Institutional domestic business



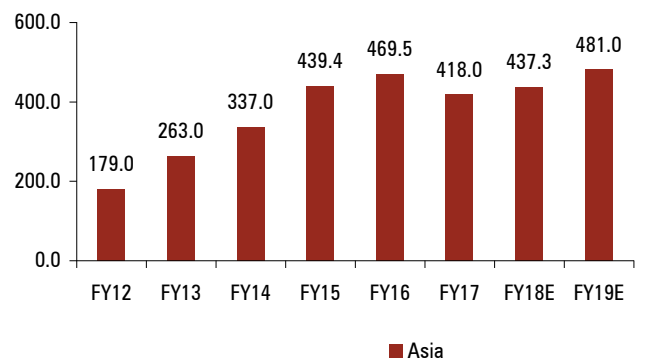
Source: Company, ICICIdirect.com, Research

Exhibit 8: Africa sales exports growth at CAGR -1% in FY17-19E



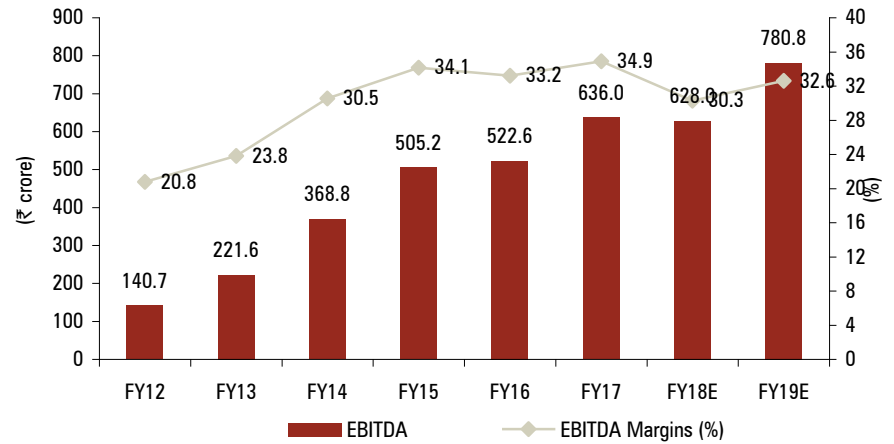
Source: Company, ICICIdirect.com, Research

Exhibit 9: Asia exports growth at CAGR 7% in FY17-19E



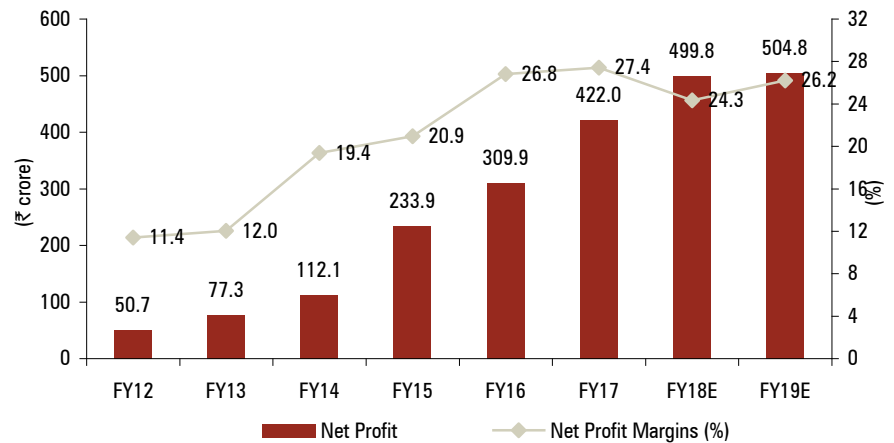
Source: Company, ICICIdirect.com, Research

Exhibit 10: EBITDA to grow at CAGR of 10.8% in FY17-19E



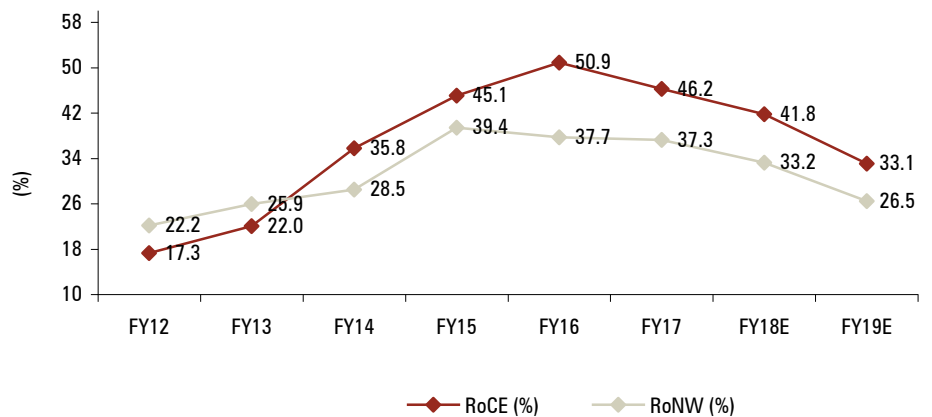
Source: Company, ICICIdirect.com Research

Exhibit 11: Net profit to grow at CAGR of 9.4% in FY17-19E



Source: Company, ICICIdirect.com Research

Exhibit 12: Trends in return ratios



Source: Company, ICICIdirect.com Research

Exhibit 13: Trends in quarterly financials

(₹ crore)	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	YoY (%)
Net Sales	385.7	434.5	469.6	419.2	454.2	502.4	515.0	456.1	463.0	10.4
Other Operating Income	5.7	3.2	7.1	6.5	16.8	13.4	18.1	20.7	16.2	148.2
Total Operating Income	391.4	437.7	476.6	425.7	471.0	515.8	533.1	476.8	479.2	12.6
Raw Material Expenses	103.4	99.5	115.5	95.5	99.4	116.6	106.4	92.3	93.6	-1.9
% of Revenue	26.4	22.7	24.2	22.4	21.1	22.6	20.0	19.3	19.5	-289 bps
Gross Profit	288.0	338.2	361.2	330.3	371.7	399.3	426.7	384.6	385.6	16.8
Gross Profit Margin (%)	73.6	77.3	75.8	77.6	78.9	77.4	80.0	80.7	80.5	289 bps
Employee Expenses	59.2	63.8	64.8	69.0	70.3	72.2	77.4	75.5	86.7	25.7
% of Revenue	15.1	14.6	13.6	16.2	14.9	14.0	14.5	15.8	18.1	189 bps
Other Expenditure	106.2	120.5	132.5	120.7	140.3	144.1	171.3	148.2	165.4	37.0
% of Revenue	27.1	27.5	27.8	28.3	29.8	27.9	32.1	31.1	34.5	616 bps
Total Expenditure	268.8	283.8	312.8	285.1	309.9	332.8	355.1	315.9	345.7	21.2
% of Revenue	68.7	64.9	65.6	67.0	65.8	64.5	66.6	66.3	72.1	516 bps
EBITDA	122.5	153.8	163.9	140.6	161.1	183.1	178.0	160.9	133.5	-5.0
EBITDA Margin (%)	31.3	35.1	34.4	33.0	34.2	35.5	33.4	33.7	27.9	-516 bps
Other Income	8.0	5.4	2.3	2.6	5.5	6.7	19.2	2.4	4.8	82.4
Interest	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	0.0
Depreciation	10.3	11.0	11.7	12.1	13.0	14.0	15.3	18.9	13.4	11.4
PBT (bef Excep's)	119.1	147.2	153.4	130.1	152.5	174.7	180.8	143.3	123.8	-4.8
Less: Exceptional Items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
PBT	119.1	147.2	153.4	130.1	152.5	174.7	180.8	143.3	123.8	-4.8
Total Tax	33.0	47.2	38.7	24.9	38.5	34.5	38.5	30.0	23.9	-3.9
Tax rate (%)	27.7	32.1	25.2	19.1	25.2	19.7	21.3	20.9	19.3	19 bps
PAT	89.6	100.0	114.3	107.5	122.0	140.5	142.6	114.0	94.8	-11.8
PAT Margin (%)	22.9	22.8	24.0	25.3	25.9	27.2	26.7	23.9	19.8	-547 bps

Source: Company, ICICIdirect.com Research

SWOT Analysis

Strengths- Industry beating growth on a consistent basis, Focused approach in the exports space, high return ratios, knack of launching new products on a consistent basis.

Weakness- High Product concentration.

Opportunities- The US Generics space.

Industry specific threats- Increased USFDA scrutiny across the globe regarding cGMP issues, pricing pressure due to client consolidation in the US. Increased competition in the domestic formulations space

Conference call Highlights

- India MR strength was at 3000+
- Cumulative ANDAs status was at 15 pending ANDAs with two under tentative approval. The approved ANDAs were at 18. In FY18, the company expects to file 12-15 ANDAs
- The capex for FY17 was at ₹ 300 crore. Q1FY18 capex was in the vicinity of ₹ 65-70 crore
- Africa business included ₹ 95 crore from anti-malarial tenders for Q1FY18 as against ₹ 120 crore in Q1FY17
- Overall African anti-malaria tender size has reduced. Hence, the company expects the African tender business to decline by 15-20% in FY18. Ex-tender business African business grew 5-7% in constant currency.
- Asian business grew 10% in constant currency. The company has guided for 10-12% constant currency growth for FY18
- The company expects 30% margins in FY18. For FY 19 the company expects 100-200 bps YoY improvement in EBITDA margins
- The company has guided for 22% and 21% tax rate for FY18 and 19 respectively. Beyond FY19 the company expects MAT tax rate.
- Asian revenues of ₹ 85 crore comprise of South East Asia (40-45%), MENA (45%) and Central Asia (10-15%)
- Sequential growth in US was mainly due to higher off tack in gAbilify (CNS) sales
- Cash was at ₹ 225 crore as of end of Q1FY18

Exhibit 14: Brand Introduction in Export markets

Region	Brands Registered	Major Segments
Africa	1310	Anti Malaria, Multivitamin, Cardio, Antibiotic, Gynaec, MED, Pain
Asia	349	Cardio, Pain, MED, GI, Antibiotic, Derma, Anti Histamine

Source: Company, ICICIdirect.com Research

Exhibit 15: Facilities

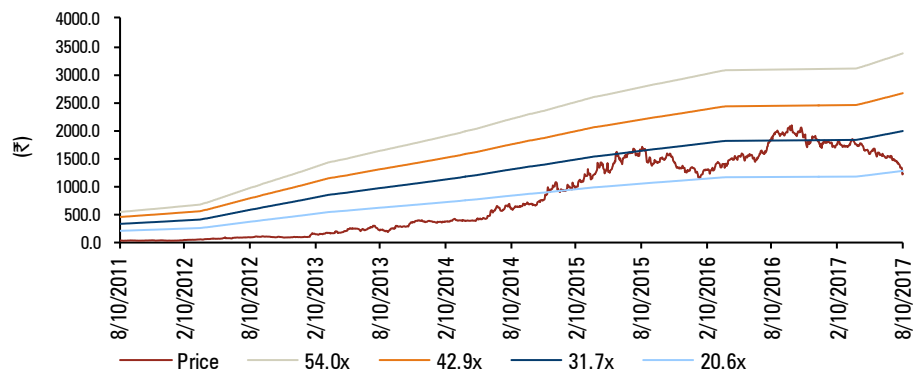
Location	Segment	Regulatory Approvals	Type
Paithan, India (3 Aurangabad facilities)	Formulations	US FDA, UK MHRA, health authorities of Brazil and Colombia, WHO pre-qualification	tablets, capsules, ointments, injections and dry powder
Mauritius	Formulations		
Dahej (upcoming)	Formulations	US FDA	
Guwahati (upcoming)	Formulations		
Aurangabad	API	WHO	

Source: Company, ICICIdirect.com Research

Valuation

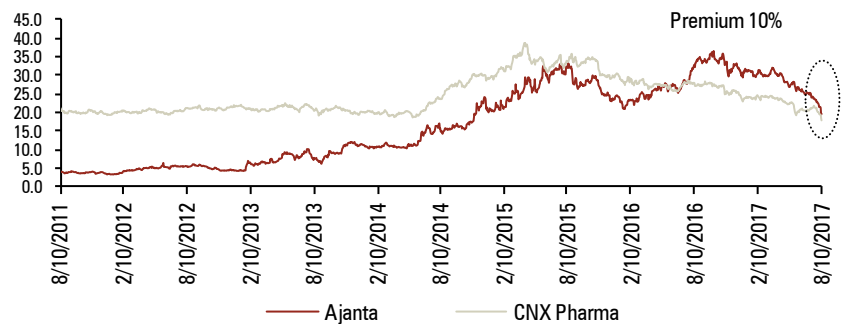
GST transition impacted domestic branded formulations and, in turn, overall financials. However, strong growth in the US drove exports sales, which otherwise would have been impacted by lower anti-malarial tender offtake in Africa. Despite a challenging environment in the US, the management expects decent growth on the back of product launches in the next 18-24 months. On the domestic front, the management expects FY18 growth to be impacted due to GST transition but return to growth trajectory in FY19. Despite capex intensity, the company remains on track to generate similar kind of FCF, reflecting the core strength in earnings besides healthy return ratios. We maintain **BUY** rating with a target price of ₹ 1420 based on 20x FY19E EPS of ₹ 71.0.

Exhibit 16: One year forward PE



Source: Company, ICICIdirect.com Research

Exhibit 17: One year forward PE of company vs. CNX Pharma Index



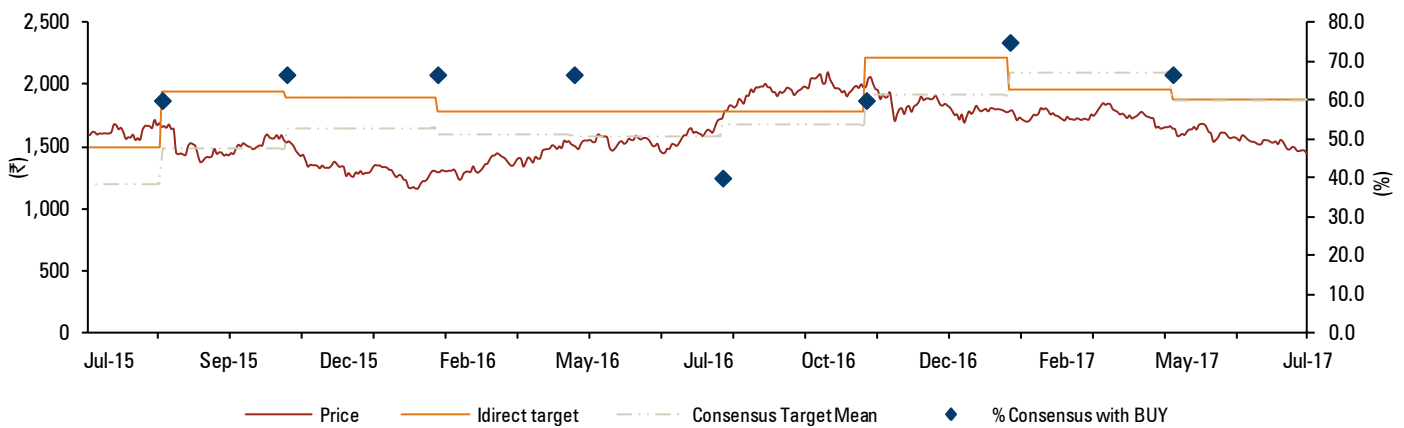
Source: Company, ICICIdirect.com Research

Exhibit 18: Valuation

	Revenues (₹ crore)	Growth (%)	EPS (₹)	Growth (%)	P/E (x)	EV/EBITDA (X)	RoNW (%)	RoCE (%)
FY16	1574	6.3	110.0	36.2	11.1	20.6	37.3	46.2
FY17	1823	15.8	56.6	18.5	21.7	16.7	33.2	41.8
FY18E	2074	13.8	57.1	1.0	21.4	16.8	26.5	33.1
FY19E	2394	15.4	71.0	24.2	17.3	13.2	26.0	32.4

Source: Company, ICICIdirect.com Research

Recommendation history vs. Consensus



Source: Reuters, Company, ICICIdirect.com Research; Initiated on September 22, 2014

Key events

Date	Event
Jun-08	Commissions dedicated R&D facility in Kandivali, Mumbai
Mar-09	Enters the Philippines market via incorporation of a subsidiary
Mar-09	USFDA approves Paithan facility
Mar-10	Acquires formulation facility near Aurangabad to cater to ROW markets
Dec-12	Enters regulated markets with first product approval in the US and one for Europe.
Mar-13	Launches first product in the US
Jan-15	Board approves subdivision of shares from ₹ 5 to ₹ 2
Mar-16	Aurangabad facility receives EIR with no observations
Mar-16	Dahej facility receives one USFDA 483 observation
Apr-17	Dahej facility was cleared by USFDA without any form 483 observations

Source: Company, ICICIdirect.com Research

Top 10 Shareholders

Rank	Investor Name	Latest Filing Date	% O/S	Position	Position Change
1	Agrawal (Ayush Madhusudan)	11-Jul	14.6	12.9m	0.0m
2	Agrawal (Rajesh)	11-Jul	14.6	12.8m	0.0m
3	Agrawal (Yogesh Mannalal)	11-Jul	14.6	12.8m	0.0m
4	Agrawal (Ravi P)	11-Jul	14.6	12.8m	0.0m
5	Gabs Investments Pvt. Ltd.	11-Jul	9.5	8.4m	0.0m
6	Matthews International Capital Management, L.	11-Jul	2.8	2.5m	0.0m
7	Ganga Exports	11-Jul	2.8	2.4m	-2.7m
8	Motilal Oswal Asset Management Company Ltd	30-Jun	1.6	1.4m	0.0m
9	SBI Funds Management Pvt. Ltd.	11-Jul	1.5	1.4m	1.3m
10	Kotak Mahindra Asset Management Company L	11-Jul	1.1	1.0m	0.0m

Source: Reuters, ICICIdirect.com Research

Shareholding Pattern

(in %)	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Promoter	73.8	73.8	73.8	73.8	73.8
Others	26.2	26.2	26.2	26.2	26.2

Recent Activity

Buys			Sells		
Investor name	Value (\$)	Shares	Investor name	Value (\$)	Shares
SBI Funds Management Pvt. Ltd.	27.4m	1.3m	Agrawal (Purushottam B)	-73.4m	-2.7m
Pictet Asset Management Ltd.	6.0m	0.2m	Agrawal (Madhusudan B)	-73.4m	-2.7m
Fundsmith LLP	3.6m	0.1m	Agrawal (Mannalal B)	-73.4m	-2.7m
Matthews International Capital Management, L.L.C.	1.0m	0.0m	Ganga Exports	-58.8m	-2.7m
William Blair & Company, L.L.C.	0.7m	0.0m	Grandeur Peak Global Advisors, LLC	-2.4m	-0.1m

Source: Reuters, ICICIdirect.com Research

Financial summary

Profit and loss statement		₹ crore			
(Year-end March)/ (₹ crore)	FY16	FY17	FY18E	FY19E	
Total Operating Income	1,573.6	1,822.7	2,074.3	2,393.8	
Growth (%)	6.3	15.8	13.8	15.4	
Raw Material Expenses	414.0	439.8	492.4	583.7	
Gross Profit	1,159.6	1,382.9	1,581.9	1,810.1	
Gross Profit Margins (%)	73.7	75.9	76.3	75.6	
Employee Expenses	235.0	269.8	294.0	311.2	
Other Expenditure	402.0	477.1	659.8	718.1	
Total Operating Expenditure	1,051.0	1,186.7	1,446.3	1,613.0	
EBITDA	522.6	636.0	628.0	780.8	
Growth (%)	3.4	21.7	-1.3	24.3	
Interest	4.2	2.8	0.3	0.3	
Depreciation	42.7	59.5	53.7	66.1	
Other Income	86.9	67.0	68.6	79.1	
PBT before Exceptional Items	562.6	640.7	642.6	793.5	
Less: Exceptional Items	0.0	0.0	0.0	0.0	
PBT after Exceptional Items	562.6	640.7	642.6	793.5	
Total Tax	140.6	140.8	137.9	166.6	
PAT before MI	422.0	499.8	504.8	626.9	
PAT	422.0	499.8	504.8	626.9	
Growth (%)	36.2	18.5	1.0	24.2	
EPS (Adjusted)	110.0	56.6	57.1	71.0	

Source: Company, ICICIdirect.com Research

Balance sheet		₹ crore			
(Year-end March)/ (₹ crore)	FY16	FY17	FY18E	FY19E	
Equity Capital	17.7	17.7	17.7	17.7	
Reserve and Surplus	1,114.0	1,486.3	1,890.3	2,392.0	
Total Shareholders funds	1,131.7	1,503.9	1,907.9	2,409.7	
Total Debt	67.2	5.5	5.5	5.5	
Deferred Tax Liability	23.6	27.4	27.9	28.5	
Long-Term Provisions	2.6	3.2	3.2	3.3	
Other Non Current Liabilities	0.5	0.1	0.1	0.1	
Source of Funds	1,225.5	1,540.1	1,944.7	2,447.1	
Gross Block - Fixed Assets	679.2	859.3	1,084.3	1,309.3	
Accumulated Depreciation	246.4	286.4	340.0	406.1	
Net Block	432.8	572.9	744.3	903.1	
Capital WIP	239.8	339.3	414.3	489.3	
Fixed Assets	672.6	912.2	1,158.5	1,392.4	
Investments	94.0	198.8	298.8	498.8	
Other non-Current Assets	25.4	23.0	23.5	24.0	
Inventory	189.8	179.3	204.9	236.4	
Debtors	350.5	336.0	384.0	443.1	
Other Current Assets	59.9	66.6	68.0	69.3	
Cash	21.4	8.9	12.6	13.9	
Total Current Assets	621.6	590.8	669.4	762.8	
Creditors	145.0	138.8	158.6	183.0	
Provisions	11.4	12.8	13.1	13.3	
Other Current Liabilities	31.8	33.2	33.9	34.5	
Total Current Liabilities	188.2	184.8	205.5	230.9	
Net Current Assets	433.5	406.1	463.9	531.9	
Application of Funds	1,225.5	1,540.1	1,944.7	2,447.1	

Source: Company, ICICIdirect.com Research

Cash flow statement		₹ crore			
(Year-end March)/ (₹ crore)	FY16	FY17	FY18E	FY19E	
Profit/(Loss) after taxation	422.0	499.8	504.8	626.9	
Add: Depreciation & Amortization	42.7	59.5	53.7	66.1	
Net Increase in Current Assets	-207.9	-48.9	-74.9	-92.1	
Net Increase in Current Liabilities	33.2	-3.4	20.7	25.4	
Others	4.2	2.8	0.3	0.3	
CF from Operating activities	294.1	509.8	504.5	626.6	
Long term Loans & Advances	0.0	0.0	0.0	0.0	
Investments	-11.7	-104.8	-100.0	-200.0	
(Purchase)/Sale of Fixed Assets	-237.9	-279.5	-300.0	-300.0	
Others	110.2	34.7	0.2	0.2	
CF from Investing activities	-139.4	-349.7	-399.8	-499.8	
(inc)/Dec in Loan	10.0	-61.7	0.0	0.0	
Dividend & Dividend tax	-134.2	-128.7	-100.8	-125.1	
Other	-3.5	-3.0	-0.3	-0.3	
CF from Financing activities	-127.7	-193.4	-101.1	-125.4	
Net Cash Flow	27.1	-33.3	3.6	1.3	
Cash and Cash Equivalent at the beginning	10.6	37.6	8.9	12.6	
Cash	37.6	4.4	12.6	13.9	
Free Cash Flow	56.2	230.3	204.5	326.6	

Source: Company, ICICIdirect.com Research

Key ratios					
(Year-end March)	FY16	FY17	FY18E	FY19E	
Per share data (₹)					
Reported EPS	110.0	56.6	57.1	71.0	
Cash EPS	75.0	42.0	45.7	56.8	
BV per share	295.1	170.2	216.0	272.7	
Cash per Share	5.6	1.0	1.4	1.6	
Dividend per share	35.0	14.6	11.4	14.2	
Operating Ratios (%)					
Gross Profit Margins	83.5	75.9	76.3	75.6	
EBITDA margins	33.2	34.9	30.3	32.6	
PAT Margins	26.8	27.4	24.3	26.2	
Inventory days	44.0	35.9	36.1	36.1	
Debtor days	81.3	67.3	67.6	67.6	
Creditor days	33.6	27.8	27.9	27.9	
Asset Turnover	2.3	2.1	1.9	1.8	
EBITDA conversion Rate	56.3	80.2	80.3	80.3	
Return Ratios (%)					
RoE	37.3	33.2	26.5	26.0	
RoCE	46.2	41.8	33.1	32.4	
RoIC	54.1	57.1	46.5	48.9	
Valuation Ratios (x)					
P/E	11.1	21.7	21.4	17.3	
EV / EBITDA	20.6	16.7	16.8	13.2	
EV / Net Sales	6.9	5.8	5.1	4.3	
Market Cap / Sales	6.9	5.9	5.2	4.5	
Price to Book Value	4.2	7.2	5.7	4.5	
Solvency Ratios					
Debt / EBITDA	0.1	0.0	0.0	0.0	
Debt / Equity	0.1	0.0	0.0	0.0	
Current Ratio	3.2	3.1	3.2	3.2	
Quick Ratio	2.2	2.2	2.2	2.2	

Source: Company, ICICIdirect.com Research

ICICIdirect.com coverage universe (Healthcare)

Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹ Cr)	EPS (₹)				PE(x)			RoCE (%)			RoE (%)					
						FY16	FY17E	FY18E	FY19E	FY16	FY17E	FY18E	FY19E	FY16	FY17E	FY18E	FY19E	FY16	FY17E	FY18E	FY19E
Ajanta Pharma	AJAPHA	1211	1,420	Buy	10655.8	110.0	56.6	57.1	71.0	11.0	21.4	21.2	17.1	46.2	41.8	33.1	32.4	37.3	33.2	26.5	26.0
Alembic Pharma	ALEMPHA	524	570	Hold	9881.1	38.2	21.2	19.1	28.6	13.7	24.7	27.4	18.3	52.2	25.3	18.7	23.9	45.1	21.0	16.5	20.8
Apollo Hospitals	APOHOS	1210	1,400	Buy	16836.2	13.2	12.8	16.5	33.3	91.7	94.3	73.2	36.3	6.6	6.0	6.7	10.8	5.3	4.9	5.9	10.9
Aurobindo Pharma	AURPHA	685	755	Hold	40147.6	33.9	38.8	47.0	41.8	20.2	17.7	14.6	16.4	23.1	24.4	25.6	19.7	27.2	24.2	23.0	17.2
Biocon	BIOCON	331	380	Hold	19866.0	7.7	11.0	7.8	13.5	42.9	30.2	42.6	24.6	9.3	11.9	10.1	15.9	11.5	13.6	9.0	13.9
Cadila Healthcare	CADHEA	466	420	Hold	47721.8	15.0	14.5	15.4	20.5	31.2	32.1	30.2	22.7	24.9	13.1	15.2	18.5	34.4	21.4	19.4	21.6
Cipla	CIPLA	548	470	Hold	44112.2	18.5	12.9	17.8	25.3	29.6	42.6	30.7	21.7	12.0	8.0	11.0	14.5	12.5	8.1	10.4	13.1
Divi's Lab	DIVLAB	626	665	Hold	16621.0	41.5	39.3	34.6	41.5	15.1	15.9	18.1	15.1	30.5	25.0	20.3	21.5	25.7	19.5	15.4	16.4
Dr Reddy's Labs	DRREDD	1949	2,400	Hold	32305.0	141.4	70.6	72.4	126.2	13.8	27.6	26.9	15.4	15.3	6.1	6.8	11.9	19.2	9.5	9.0	13.9
Glenmark Pharma	GLEPHA	613	730	Hold	17289.9	32.2	46.0	38.7	40.6	19.0	13.3	15.8	15.1	16.2	18.9	15.9	15.5	21.2	25.5	17.9	15.9
Indoco Remedies	INDREM	193	180	Hold	1776.7	9.4	8.4	7.3	14.9	20.5	23.1	26.5	12.9	12.9	8.4	6.8	12.0	14.8	12.0	9.6	17.1
Ipca Laboratories	IPCLAB	420	525	Hold	5297.3	7.4	15.4	17.6	27.9	56.9	27.2	23.8	15.0	4.5	8.7	9.3	13.2	4.1	7.9	8.4	12.0
Jubilant Life	JUBLIF	643	845	Buy	10236.2	26.0	36.1	44.3	59.1	24.7	17.8	14.5	10.9	12.0	13.3	14.8	17.6	14.2	16.8	17.3	19.0
Lupin	LUPIN	937	1,070	Hold	42315.2	50.4	56.6	41.4	53.4	18.6	16.5	22.6	17.5	17.8	16.6	12.4	15.5	20.3	18.9	12.4	14.2
Natco Pharma	NATPHA	697	955	Hold	12143.2	9.0	27.0	25.5	16.0	77.0	25.8	27.3	43.5	16.0	33.0	27.6	16.2	12.2	28.8	22.6	12.8
Sun Pharma	SUNPHA	461	550	Hold	110557.3	23.4	29.0	20.3	25.5	19.7	15.9	22.7	18.1	18.6	19.8	13.5	15.0	18.0	19.0	12.0	13.4
Syngene Int.	SYNINT	439	490	Hold	8789.0	11.1	14.3	14.3	17.4	43.6	33.6	33.6	27.7	14.1	16.8	16.2	17.8	21.6	20.3	17.2	17.4
Torrent Pharma	TORPHA	1229	1,250	Hold	20795.0	110.9	55.2	48.3	65.8	11.1	22.3	25.4	18.7	46.5	18.9	17.6	20.7	53.7	21.5	16.5	19.2
Unichem Lab	UNILAB	245	235	Hold	2227.1	12.3	12.0	17.3	23.6	19.9	20.4	14.2	10.4	13.8	11.8	11.6	13.9	11.7	10.2	13.1	15.5

Source: Company, ICICIdirect.com Research

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