

## Result Update

Rating matrix	
Rating	: Buy
Target	: ₹ 1780
Target Period	: 15-18 months
Potential Upside	: 37%

What's Changed?	
Target	Changed from ₹ 1900 to ₹ 1780
EPS FY16E	Changed from ₹ 44.8 to ₹ 44.1
EPS FY17E	Changed from ₹ 54.3 to ₹ 49.3
EPS FY18E	Changed from ₹ 67.9 to ₹ 63.6
Rating	Unchanged

Quarterly Performance				
	Q3FY16	Q3FY15	YoY (%)	Q2FY16
Revenue	472.8	407.9	15.9	437.7
EBITDA	163.5	144.8	12.9	153.8
EBITDA (%)	34.6	35.5	-91 bps	35.1
Adj. Net Profit	111.3	93.1	19.6	100.0
				11.3

Key Financials				
(₹crore)	FY15	FY16E	FY17E	FY18E
Revenues	1480.6	1717.0	1904.3	2289.4
EBITDA	505.2	582.3	657.6	790.6
Net Profit	309.9	389.5	436.0	562.1
EPS (₹)	36.0	44.1	49.3	63.6

Valuation summary				
	FY15	FY16E	FY17E	FY18E
PE (x)	37.2	29.6	26.4	20.5
M.Cap/ Revenues (x)	7.8	6.7	6.0	5.0
EV to EBITDA (x)	22.6	19.4	17.0	13.9
Price to book (x)	13.7	10.0	7.7	5.9
RoNW (%)	37.8	33.8	29.0	28.8
RoCE (%)	50.3	45.5	40.2	37.0

Stock data				
Particular	Amount			
Market Capitalisation	₹ 11467 crore			
Debt (FY15)	₹ 72 crore			
Cash (FY15)	₹ 137 crore			
EV	₹ 11403 crore			
52 week H/L	1720/969			
Equity capital	₹ 17.6 crore			
Face value	₹ 2 crore			

Price performance (%)				
	1M	3M	6M	1Y
Ajanta Pharma	-7.9	-20.5	-21.0	15.5
Alembic Pharma	-15.9	-12.5	-21.4	21.2
Torrent Pharma	-5.4	-13.4	-1.0	14.2

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## Ajanta Pharmaceuticals (AJAPHA) ₹ 1303

### Growth maintained but new challenges ahead

- Revenues grew 15.9% YoY to ₹ 472.8 crore (I-direct estimate: ₹ 457.3 crore) on the back of 15.7% growth in exports to ₹ 332.2 crore (I-direct estimate: ₹ 316.5 crore). Domestic formulation sales grew 17.4% to ₹ 128.0 crore (I-direct estimate: ₹ 121.6 crore)
- EBITDA margins remained healthy at 34.6% (35.5% in Q3FY15), higher than I-direct estimate of 34.0%
- Net profit increased 19.6% YoY to ₹ 111.3 crore, (I-direct estimate: ₹ 103.8 crore) on the back of a robust operational performance

### Domestic formulations - focus on new launches, few therapies

Domestic branded formulations constitute 32.7% of the total consolidated turnover (FY15). 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 ~189 actively marketed brands, ~135 brands were first in India. The focus on specialty therapies and niche products led APL to post strong growth at a CAGR of 29.6% in FY11-15, far higher than industry growth of ~12%. Going ahead we expect domestic formulations to grow at a CAGR of 17.5% in FY15-18E to ₹ 778.0 crore driven by a mix of existing products and new launches.

### Exports traction mainly from emerging markets

Export formulations constitute 65% of the total consolidated turnover (FY15). APL is currently deriving almost its entire export revenues from emerging regions like Africa (Franco Africa), Asia and LatAm having a presence in more than 35 countries. As opposed to the common practice of forging alliances with regional pharmaceutical players, APL's front-end marketing team interacts directly with doctors. The company has consistently introduced new products in these markets. Overall export formulations have grown at a CAGR of 31.4% in FY11-15 to ₹ 978.1 crore. We expect exports to grow at a CAGR of 14.5% in FY15-18E to ₹ 1466.5 crore driven by consistent product launches.

### Low profile but focused; US foray important for scalability

With focus on niche therapies in domestic formulations and a calculated approach in exports market, APL remains an interesting candidate in the midcap pharma space with high growth rate, strong margin, commendable return ratios and light balance sheet. Defying the normal trend of targeting developed markets for generic generics initially, APL focused on branded generics in semi-regulated markets. At this juncture, the company is well poised to foray in the US market especially once the newly constructed Dahej plant gets USFDA approval. APL has filed 26 ANDAs with the USFDA and received seven product approvals.

### Visibility intact amid near term challenges; maintain BUY

The company is entering into a stretched phase of capex (₹ 700-800 crore spread across two-three years) to bolster the domestic business as well as exports franchise, especially the US. This, we believe, is a calculated move as the company prepares to scale up in the backdrop of 1) challenges in the domestic derma space 2) currency translation issues in the emerging markets and 3) slower-than-expected offtake in the US. With a strong balance sheet and high return ratios, we believe the time is ripe for the company to enter the capex cycle the benefit from which is likely to pan out beyond FY18. However, this will have some impact on our earlier assumptions. We have reduced our EPS assumptions by 2%, 9% and 6% for FY16, FY17E and FY18E, respectively. We have ascribed a target price of ₹ 1780 based on 28x FY18E EPS of ₹ 63.6.

**Variance analysis**

	Q3FY16	Q3FY16E	Q3FY15	Q2FY16	YoY (%)	QoQ (%)	Comments
Revenue	472.8	457.3	407.9	437.7	15.9	8.0	YoY growth in revenues on account of 17.4% growth in domestic formulations and 15.8% growth in export formulations. Beat vis-à-vis our expectations was mainly due to higher-than-expected African tender sales
Raw Material Expenses	115.5	109.8	101.3	99.5	14.0	16.0	
Employee Expenses	64.9	68.6	52.1	63.8	24.7	1.7	
Other Expenditure	128.9	123.5	109.7	120.5	17.5	7.0	
Total Operating Expenditure	309.3	301.8	263.1	283.8	17.6	9.0	
EBITDA	163.5	155.5	144.8	153.8	12.9	6.3	
EBITDA (%)	34.6	34.0	35.5	35.1	-91 bps	-57 bps	Beat vis-à-vis our expectations due to lower-than-expected employee expenses
Interest	1.5	1.1	1.4	1.1	10.9	43.0	
Depreciation	11.7	11.5	13.1	11.0	-10.7	6.9	
Other income	1.6	5.4	4.5	5.4	-64.8	-70.4	
PBT before EO	151.8	148.3	134.8	147.2	12.6	3.1	
Less: Exceptional Items	0.0	0.0	0.0	0.0	0.0	0.0	
PBT	151.8	148.3	134.8	147.2	12.6	3.1	
Tax	40.5	44.5	41.7	47.2	-2.9	-14.2	
MI & Share of loss/ (gain) asso.	0.0	0.0	0.0	0.0	0.0	0.0	
Adj. Net Profit	111.3	103.8	93.1	100.0	19.6	11.3	Strong YoY growth mainly on account of strong operational performance and lower taxation
Key Metrics							
Domestic	134.0	137.6	132.0	131.0	1.5	2.3	YoY growth driven by 29% growth in cardiology segment. Miss vis-à-vis our expectation due to lower-than-expected tender business growth
Exports	332.3	316.5	287.0	332.3	15.8	0.0	The growth was driven by ~32% YoY growth in Africa and ~9% growth in Asian sales. Beat vis-à-vis our expectations was mainly due to higher-than-expected African tender sales

Source: Company, ICICIdirect.com Research

**Change in estimates**

₹ Crore)	FY17E			FY18E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	2,048.4	1,904.3	-7.0	2,483.2	2,289.4	-7.8	Trimmed mainly due to slower-than-expected US sales, adverse currency impact and lower offtake in domestic tender business
EBITDA	681.4	657.6	-3.5	826.5	790.6	-4.3	
EBITDA Margin (%)	33.3	34.5	123 bps	33.3	34.5	123 bps	Improvement in margin expectation on the back of improved product mix
PAT	479.6	436.0	-9.1	599.9	562.1	-6.3	
EPS (₹)	54.3	49.3	-9.1	67.9	63.6	-6.3	EBITDA improvement likely to be offset by increase in depreciation

Source: Company, ICICIdirect.com Research

**Assumptions**

₹ crore)	Current			Earlier		Comments	
	FY15	FY16E	FY17E	FY18E	FY17E	FY18E	
Branded - domestic	417.6	495.8	608.9	763.6	610.4	766.2	
Institutions- domestic	61.4	34.7	14.4	14.4	62.4	62.4	Reduced as per management guidance
Exports Total	978.1	1,163.3	1,243.6	1,466.5	1,335.5	1,605.9	Reduced due to lower-than-expected US sales and adverse currency impact

Source: Company, ICICIdirect.com Research

## Company Analysis

Established in 1973, APL is mainly into exports as well as domestic formulations. As of FY15, the exports: domestic formulation ratio was at 65:35. 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. The rest are all formulations. The consolidated revenues, EBITDA and PAT have grown at a CAGR of 30.9%, 51.3% and 57.2%, respectively, in FY11-15. APL had come out with its maiden IPO in March 2000. It raised ₹ 68 crore, which was earmarked for capacity expansion and debt repayment.

Domestic formulations constitute 35% of the total consolidated turnover (FY15). This segment has been further segregated into two sub-segments - 1) branded formulations and 2) institutional business. Initially, the company was catering to the institutional business. The institutional sub-segment accounts for ~13% of domestic formulations and is mainly confined to government and institutional tenders. It is only in the last 10 years that the focus has shifted to the branded formulations business, which now accounts for ~87% of domestic formulations.

The company focuses on only a few so called specialty therapies – ophthalmology, dermatology and cardiology. Together, these therapies constitute ~79% 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, branded formulations have grown at a CAGR of 38% to ₹ 417.6 crore in FY15. Till date, the company has launched 188 products out of which 129 are first time launches. The current MR strength is ~3000. Overall, domestic formulations have grown at 29.6% CAGR in FY11-15 to ₹ 479 crore. The company has only one product under the National List of Essential Medicines (NLEM) 2011 list.

Export formulations constitute 65% of the total consolidated turnover (FY15). Exports are mainly confined to emerging markets and constitute branded generics. APL exports its products in ~35 emerging markets with significant presence in Franco African countries and Philippines.

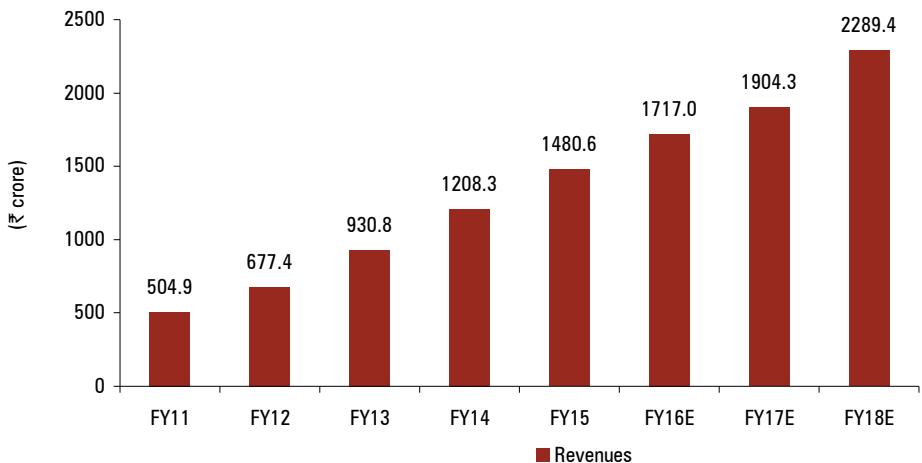
Africa accounts for ~56% of export formulations followed by Asia. The company also participates in anti-malarial tenders in Africa. It operates through 450+ MRs in these emerging markets and owns a portfolio of 1423 registered brands in these markets encompassing major therapies such as anti-infectives, anti-malarials, ophthalmic, dermatology, cardiovascular, GI, etc. The company also has a marginal presence in Latin America. It has also forayed into regulated markets like the US where it has filed 26 ANDAs, received approval for seven and launched four products. Overall export formulations have grown at a CAGR of 29.4% in FY11-15 to ₹ 951.8 crore.

Ajanta Pharma has five subsidiaries including one step-down subsidiary 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 15.6% to ₹ 2289.4 crore in FY15-18E, on the back of strong growth in both exports and domestic formulation segments. Exports are likely to grow at a CAGR of 14.5% to

₹ 1466.5 crore in the same period to be driven by growth in the legacy export markets of Africa, Asia and commencement of US shipments. Similarly, the domestic formulations segment is likely to register a CAGR of 17.5% to ₹ 778.0 crore in the same period, to be driven by branded formulations.

**Exhibit 1: Revenue growth trend**



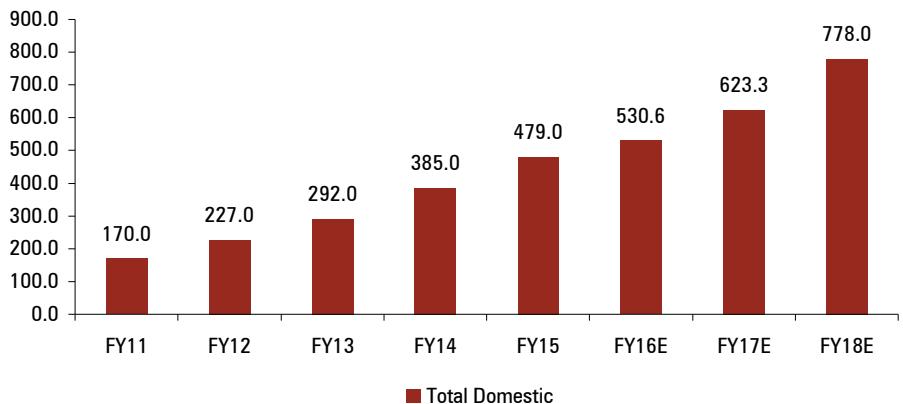
*Source: Company, ICICIdirect.com Research*

**Domestic formulations** - APL operates in the branded (prescription: Rx, 87% of domestic sales) and tender business (13% of domestic sales). In the branded space, it has a presence in fast growing specialty therapies viz. ophthalmology, dermatology, chronic therapies like cardiovascular (CVS). In the acute space, it has a marginal presence in pain management and gastrointestinal. APL currently markets 188 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 like Metoprolol (CVS), Rosuvastatin + Clopidogrel (CVS), Hydroquinone + Mometasone + Tretinoin (Derma), etc, in the Indian market. The company's first differentiated (NDDS) product Nimesulide (pain) daily was once launched under the brand name of Nimplodi in FY02. Out of ~189 actively marketed brands, ~135 were first launches in India. The focus on specialty therapies and niche products led APL to post a strong CAGR of 29.6% in FY11-15, which is far higher than the industry growth of ~12% (AIOCD data).

As per latest AIOCD data, APL ranks 42nd in the Indian pharmaceutical market with a market share 0.48%. Currently, only 12% of total domestic sales are under NLEM and are mainly from the CVS category.

The company markets CVS, ophthalmology and dermatology products under divisions of Anvaxx, Illuma and Anscia. Till FY15, it has launched 58 brands in dermatology, 61 brands in ophthalmic and 32 brands in CVS. Of this, 40, 51 and 11 were first launches in India. The company launches ~20 new products every year including line extensions. We expect APL to continue with 15-20 product launches every year. Overall, we expect domestic sales to grow at a CAGR of 17.5% to ₹ 778 crore in FY15-18E.

**Exhibit 2: Domestic formulation growth likely at CAGR of 17.5% in FY15-18E**


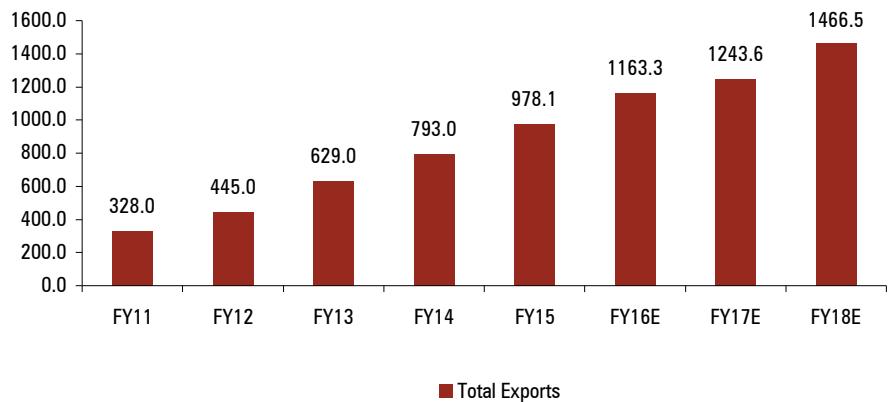
Source: Company, ICICIdirect.com Research

**Formulation exports**

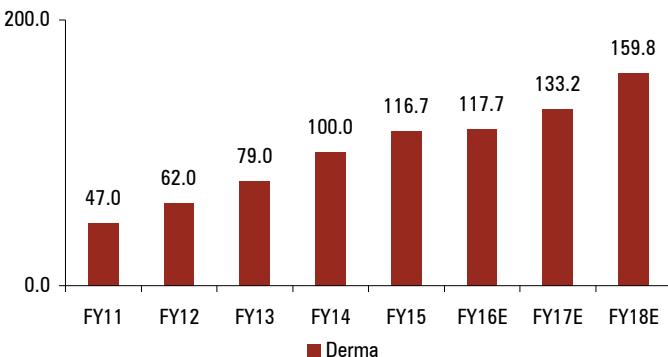
Exports account for 65% of revenues. APL currently derives almost its entire export revenues from emerging regions like Africa (Franco Africa), Asia and the LatAm having a presence in more than 35 countries. Exports have grown at 29.4% CAGR in FY10-15.

The company markets its products through a team of 450+ MRs. At present, APL is marketing 200+ products in these regions. In all, the company owns 1423 registered brands while another 1817 brands are under registration.

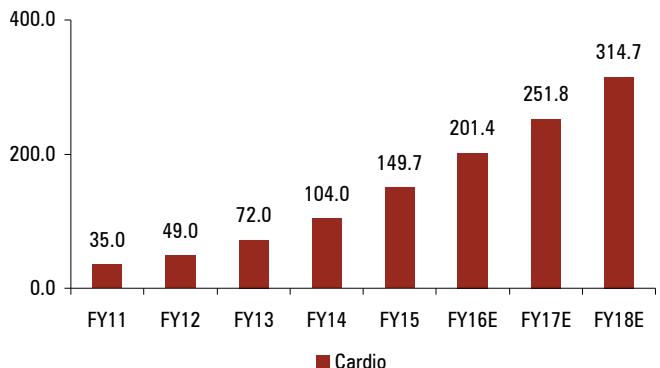
APL's success story in emerging markets was carved out of the so called differentiated approach. According to this, products were developed on the basis of unmet medical needs in a particular geography. As a result, the product basket varied from nation to nation. Similarly, the company resorted to a 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 14.5% to ₹ 1466.5 crore in FY15-18E.

**Exhibit 3: Exports to grow at CAGR of 14.5% in FY15-18E**


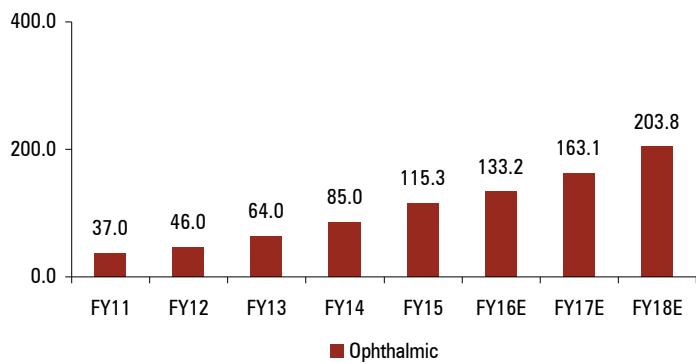
Source: Company, ICICIdirect.com Research

**Exhibit 4: Derma sales(domestic) to grow at CAGR of 11.0% in FY15-18E**


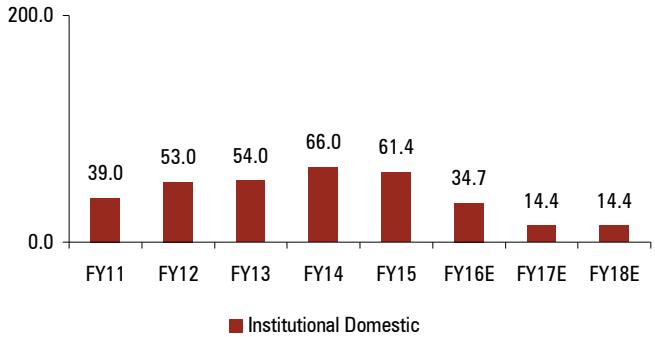
Source: Company, ICICIdirect.com Research

**Exhibit 5: Cardio sales(domestic) to grow at 28.1% CAGR in FY15-18E**


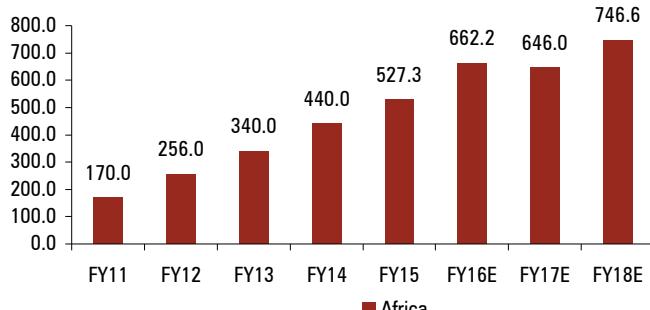
Source: Company, ICICIdirect.com, Research

**Exhibit 6: Ophthalmic sales (domestic) at 20.9% CAGR in FY15-18E**


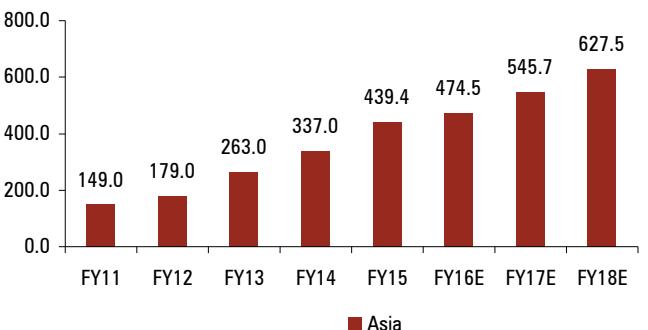
Source: Company, ICICIdirect.com, Research

**Exhibit 7: Institutional domestic business**


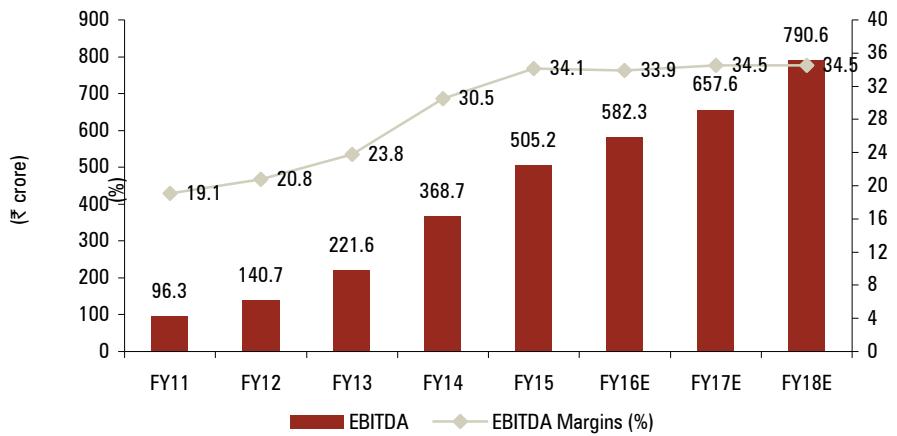
Source: Company, ICICIdirect.com, Research

**Exhibit 8: Africa sales exports growth at 12.3% CAGR in FY15-18E**


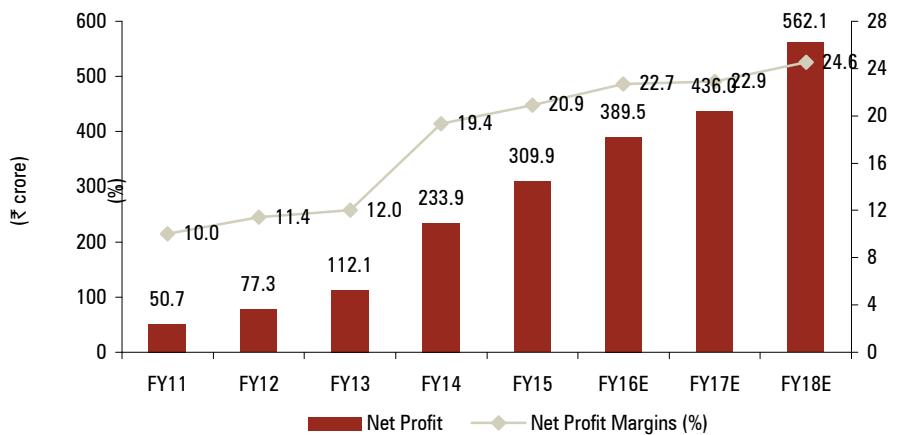
Source: Company, ICICIdirect.com, Research

**Exhibit 9: Asia exports growth at 12.6% CAGR in FY15-18E**


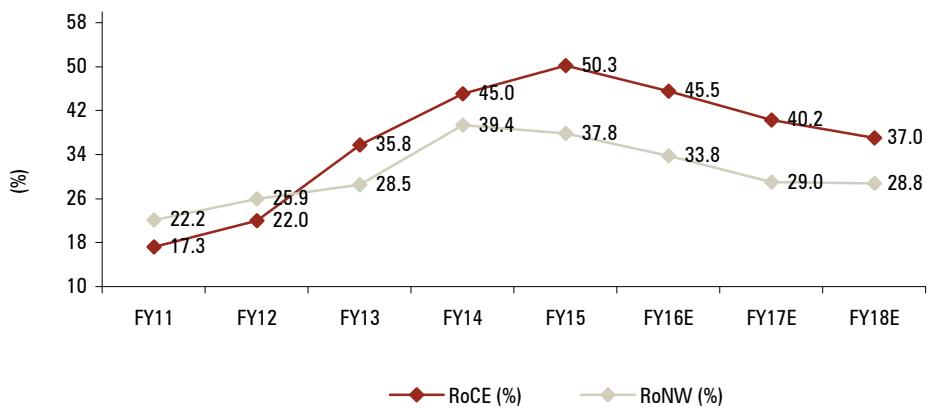
Source: Company, ICICIdirect.com, Research

**Exhibit 10: EBITDA to grow at CAGR of 16.1% in FY15-18E**


Source: Company, ICICIdirect.com Research

**Exhibit 11: Net profit to grow at CAGR of 22.0% in FY15-18E**


Source: Company, ICICIdirect.com Research

**Exhibit 12: Trends in return ratios**


Source: Company, ICICIdirect.com Research

**Exhibit 13: Trends in quarterly financials**

(₹ crore)	Q1FY15	Q2FY15	Q3FY15	Q4FY15	Q1FY16	Q2FY16	Q3FY16	YoY (%)	QoQ (%)
Net Sales	315.0	365.8	401.6	365.7	385.7	434.5	465.7	16.0	7.2
Other Operating Income	6.7	6.1	6.3	8.5	5.7	3.2	7.1	12.4	120.9
Total Operating Income	321.7	371.9	407.9	374.2	391.4	437.7	472.8	15.9	8.0
Raw Material Expenses	79.7	94.8	101.3	89.6	103.4	99.5	115.5	14.0	16.0
% of Revenue	24.8	25.5	24.8	24.0	26.4	22.7	24.4	-42 bps	169 bps
Gross Profit	242.0	277.1	306.5	284.5	288.0	338.2	357.3	16.6	5.7
Gross Profit Margin (%)	75.2	74.5	75.2	76.0	73.6	77.3	75.6	42 bps	-169 bps
Employee Expenses	46.0	47.9	52.1	54.7	59.2	63.8	64.9	24.7	1.7
% of Revenue	14.3	12.9	12.8	14.6	15.1	14.6	13.7	96 bps	-85 bps
Other Expenditure	99.1	100.4	109.7	96.7	106.2	120.5	128.9	17.5	7.0
% of Revenue	30.8	27.0	26.9	25.9	27.1	27.5	27.3	37 bps	-26 bps
Total Expenditure	224.8	243.1	263.1	241.1	268.8	283.8	309.3	17.6	9.0
% of Revenue	69.9	65.4	64.5	64.4	68.7	64.9	65.4	91 bps	57 bps
EBITDA	96.9	128.8	144.8	133.1	122.6	153.8	163.5	12.9	6.3
EBITDA Margin (%)	30.1	34.6	35.5	35.6	31.3	35.1	34.6	-91 bps	-57 bps
Other Income	4.5	4.4	4.5	5.0	6.6	5.4	1.6	-64.8	-70.4
Interest	1.1	1.1	1.1	1.1	1.1	1.1	1.1	0.0	0.0
Depreciation	12.6	12.7	13.1	13.2	10.3	11.0	11.7	-10.7	6.9
PBT (bef Excep's)	87.8	119.5	135.1	123.8	117.8	147.2	152.3	12.7	3.5
Less: Exceptional Items	0.0	0.0	0.0	8.5	0.0	0.0	0.0		
PBT	87.8	119.5	135.1	132.3	117.8	147.2	152.3	12.7	3.5
Total Tax	27.7	36.0	41.7	40.8	33.8	47.2	40.5	-2.9	-14.2
Tax rate (%)	31.5	30.2	30.9	30.8	28.7	32.1	26.6	-427 bps	-548 bps
PAT	59.7	83.0	93.1	74.1	83.8	100.0	111.3	19.6	11.3
PAT Margin (%)	18.5	22.3	22.8	19.8	21.4	22.8	23.5	72 bps	70 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

**Threats** - extension of NLEM scope to include some of its flagship products, government driven price controls in some export markets

### Conference call highlights

- The sequential dip in Asian sales was due to translation loss. The company expects African and Asian businesses to be impacted by currency fluctuation for another two or three quarters
- The company has reduced its FY17 domestic institutional business guidance to ₹ 10-15 crore (due to feasibility issues in the business)
- Africa business included ₹ 120 crore from tenders for Q3FY16 and ₹ 300 crore for 9MFY16. The increase in African institutional business was on account of windfall gains due to Ipc'a's cGMP issues and the resultant loss in the tender business sponsored by global funds. The company expects ₹ 60-70 crore sales from this segment in Q4FY16. The company gave a guidance of ₹ 300-325 crore for FY17 African institutional business (assuming Ipc'a re-entry in the global fund sponsored tender business)
- It expects ~US\$2 million US sales for FY16E and US\$5-7 million sales for FY17E. It has maintained its EBITDA margin guidance of 34% for FY16E
- MR strength in the domestic market is more than 3000
- Total 26 ANDAs have been filed in the US market including 17 pending approvals. It has launched four products in the quarter
- It aims to file around eight to 12 ANDAs every year
- The company has guided for ₹ 300-350 crore of capex each for FY17E and FY18E. This will be towards the development of Guwahati plant (₹ 300 crore), new corporate office, capitalisation of R&D (₹ 100 crore for next two years) and maintenance capex (₹ 50-60 crore annually)
- For the Guwahati facility, the company will be entitled to 100% tax exemption for the next 10 years post commencement
- The company has guided for R&D expenses at 6-6.5% of sales for FY16E and FY17E, respectively
- Six new products were launched in Q3FY16 in the domestic market (13-14 products in 9MFY16). Five of these products were first time launches
- It expects to receive USFDA approval for its Dahej plant by the end of FY17E

**Exhibit 14: Brand introduction in export markets**

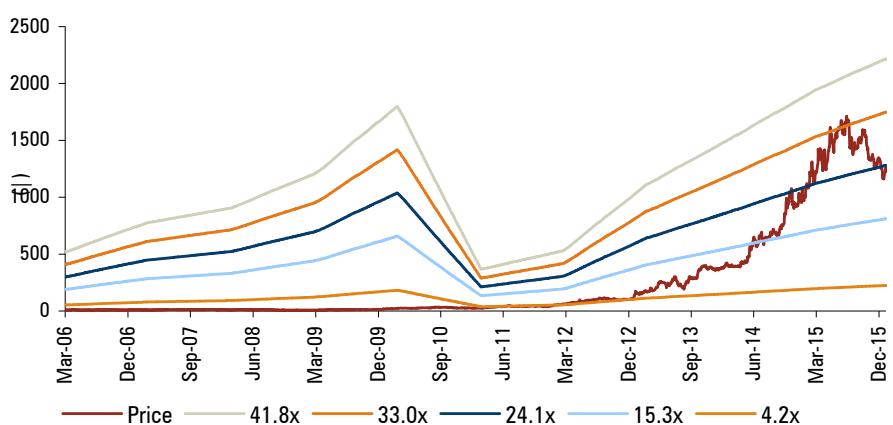
Region	Brands Registered	Under Registration	Major Segments
Africa	1109	1335	Antibiotic, Anti-malaria, Cardiac, Gynocology
Asia	289	472	Antibiotic, Derma, Pain, OTC, Ophthal, Cardiac, GI
Latam	25	10	Ophthal, MED, GI
<b>Total</b>	<b>1423</b>	<b>1817</b>	

*Source: Company, ICICIdirect.com Research*

## Valuation

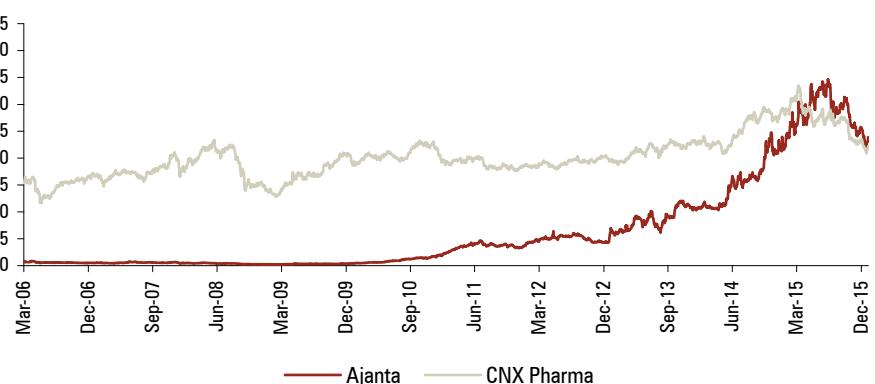
The company is entering into a stretched phase of capex (₹ 700-800 crore spread across two to three years) to bolster the domestic business as well as exports franchise especially the US. This, we believe is a calculated move as the company prepares to scale up in the backdrop of 1) challenges in the domestic derma space, 2) currency translation issues in the emerging markets and 3) slower-than-expected offtake in the US. With a strong balance sheet and high return ratios, we believe the time is ripe for the company to enter the capex cycle the benefit of which is likely to pan out beyond FY18. However, this will have some impact on our earlier assumptions. We have reduced our EPS assumptions by 2%, 9% and 6% for FY16, FY17E and FY18E, respectively. We have ascribed a target price of ₹ 1780 based on 28x FY18E EPS of ₹ 63.6.

**Exhibit 15: One year forward PE**



Source: Company, ICICIdirect.com Research

**Exhibit 16: One year forward PE of company vs. CNX Pharma Index**

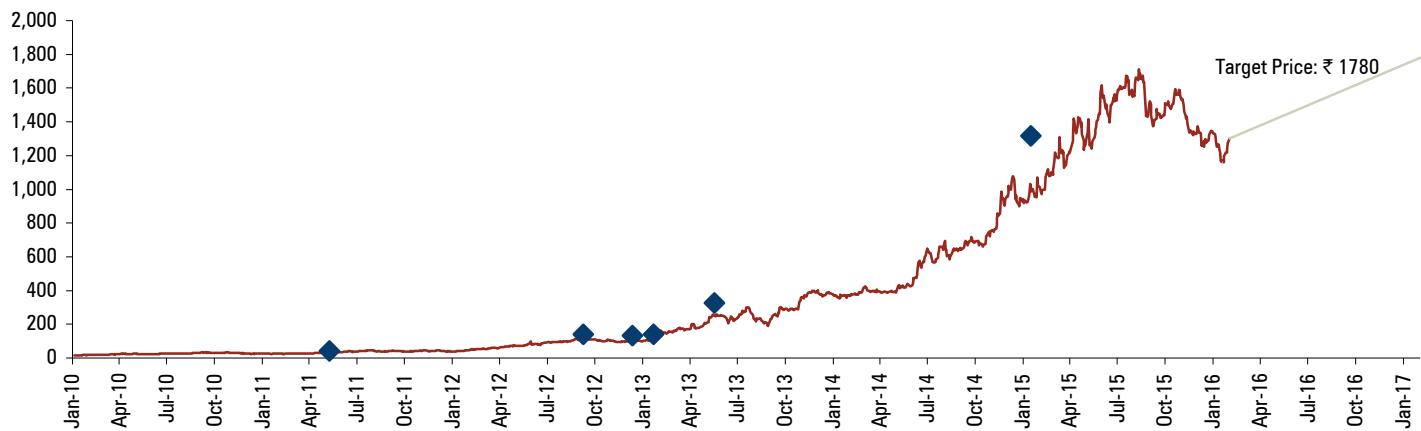


Source: Company, ICICIdirect.com Research

**Exhibit 17: Valuation**

	Revenues (₹ crore)	Growth (%)	EPS (₹)	Growth (%)	P/E (x)	EV/EBITDA (X)	RoNW (%)	RoCE (%)
FY15	1481	23	36.0	32	37.2	22.6	37.8	50.3
FY16E	1717	16	44.1	26	29.6	19.4	33.8	45.5
FY17E	1904	11	49.3	12	26.4	17.0	29.0	40.2
FY18E	2289	20	63.6	29	20.5	13.9	28.8	37.0

Source: Company, ICICIdirect.com Research

**Company snapshot**


Source: Bloomberg, Company, ICICIdirect.com Research

**Key events**

Date	Event
Jun-08	Commences 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

Source: Company, ICICIdirect.com Research

**Top 10 Shareholders**

Rank	Investor Name	Latest Filing Date	% O/S	Position	Position Change
1	Gabs Investments Pvt. Ltd.	30-Sep	9.5	8.4m	0.0m
2	Agrawal (Rajesh)	30-Sep	7.3	6.4m	0.0m
3	Agrawal (Yogesh Mannalal)	30-Sep	7.3	6.4m	0.0m
4	Agrawal (Mannalal B)	30-Sep	6.1	5.4m	0.0m
5	Agrawal (Purushottam B)	30-Sep	6.1	5.4m	0.0m
6	Agrawal (Madhusudan B)	30-Sep	6.1	5.4m	0.0m
7	Agrawal (Mansiha Yogesh & Richa Ravi & Aayi	30-Sep	5.8	5.1m	0.0m
8	Matthews International Capital Management, L.	31-Mar	3.6	3.2m	0.5m
9	Agrawal (Madhusudan B) HUF	30-Sep	3.5	3.1m	0.0m
10	Agrawal (Mannalal B) HUF	30-Sep	3.5	3.1m	0.0m

**Shareholding Pattern**

(in %)	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15
Promoter	73.8	73.8	73.8	73.8	73.8
FII	7.3	7.6	8.6	7.6	8.9
DII	1.5	1.6	1.5	1.6	1.8
Others	17.4	17.0	17.4	17.0	15.5

Source: Reuters, ICICIdirect.com Research

**Recent Activity**

Investor name	Buys		Sells		
	Value (\$)	Shares	Investor name	Value (\$)	Shares
William Blair Investment Management, LLC	8.1m	0.4m	William Blair & Company, L.L.C.	-8.1m	-0.4m
Motilal Oswal Asset Management Company Ltd.	3.7m	0.2m	Franklin Templeton Asset Management (India) Pvt. Ltd.	-2.2m	-0.1m
Artisan Partners Limited Partnership	1.8m	0.1m	Grandeur Peak Global Advisors, LLC	-1.3m	-0.1m
OppenheimerFunds, Inc.	1.0m	0.0m	State Street Global Advisors (US)	-0.1m	0.0m
Shelke (Raosaheb Dashrath)	0.4m	0.0m	Cornerstone Capital Management Holdings LLC	-0.1m	0.0m

Source: Reuters, ICICIdirect.com Research

## Financial summary

Profit and loss statement		₹ Crore			
(Year-end March)/ (₹ crore)		FY15	FY16E	FY17E	FY18E
<b>Total Operating Income</b>		1,480.6	1,717.0	1,904.3	2,289.4
Growth (%)		22.5	16.0	10.9	20.2
<b>Raw Material Expenses</b>		365.4	419.7	523.7	641.0
<b>Gross Profit</b>		1,115.1	1,297.2	1,380.6	1,648.4
<b>Gross Profit Margins (%)</b>		75.3	75.6	72.5	72.0
<b>Employee Expenses</b>		200.6	246.1	271.1	320.5
<b>Other Expenditure</b>		409.3	468.9	451.9	537.2
<b>Total Operating Expenditure</b>		975.3	1,134.7	1,246.7	1,498.8
<b>EBITDA</b>		505.2	582.3	657.6	790.6
Growth (%)		37.0	15.3	12.9	20.2
Interest		5.9	5.3	1.6	1.6
Depreciation		51.6	44.7	66.2	89.4
Other Income		16.8	19.2	33.1	40.0
<b>PBT before Exceptional Items</b>		464.5	551.5	622.8	739.6
Less: Exceptional Items		8.5	0.0	0.0	0.0
<b>PBT after Exceptional Items</b>		456.0	551.5	622.8	739.6
<b>Total Tax</b>		146.2	162.0	186.8	177.5
<b>PAT before MI</b>		309.9	389.5	436.0	562.1
<b>PAT</b>		309.9	389.5	436.0	562.1
Growth (%)		32.5	25.7	11.9	28.9
<b>EPS (Adjusted)</b>		36.0	44.1	49.3	63.6

Source: Company, ICICIdirect.com Research

Cash flow statement		₹ Crore			
(Year-end March)/ (₹ crore)		FY15	FY16E	FY17E	FY18E
<b>Profit/(Loss) after taxation</b>		309.9	389.5	436.0	562.1
<b>Add: Depreciation &amp; Amortization</b>		51.6	44.7	66.2	89.4
<b>Net Increase in Current Assets</b>		-77.3	-113.2	-60.8	-136.9
<b>Net Increase in Current Liabilities</b>		-6.7	129.3	84.2	91.7
<b>Add: Interest Paid</b>		5.9	5.3	1.6	0.0
<b>CF from Operating activities</b>		283.5	455.6	527.2	606.3
<b>Long term Loans &amp; Advances</b>		-2.0	-50.3	-11.5	0.0
<b>Investments</b>		-4.5	-50.0	0.0	0.0
<b>(Purchase)/Sale of Fixed Assets</b>		-103.6	-200.0	-300.0	-300.0
<b>Deferred Tax Liabilities &amp; LT Provisions</b>		1.9	0.0	0.0	0.0
<b>CF from Investing activities</b>		-101.9	-300.3	-311.5	-300.0
<b>(inc)/Dec in Loan</b>		-58.1	-25.0	-20.0	0.0
<b>Dividend &amp; Dividend tax</b>		-41.1	-77.8	-87.0	-112.2
<b>Other</b>		-6.0	-5.3	-1.6	0.0
<b>CF from Financing activities</b>		-105.2	-108.1	-108.7	-112.2
<b>Net Cash Flow</b>		76.4	47.2	107.0	194.1
<b>Cash and Cash Equivalent at the beginning</b>		60.4	136.7	184.0	291.0
<b>Cash</b>		136.7	184.0	291.0	485.0
<b>Free Cash Flow</b>		179.9	255.6	227.2	306.3

Source: Company, ICICIdirect.com Research

Balance sheet		₹ Crore			
(Year-end March)/ (₹ crore)		FY15	FY16E	FY17E	FY18E
<b>Equity Capital</b>		17.7	17.7	17.7	17.7
<b>Reserve and Surplus</b>		823.4	1,135.1	1,484.1	1,933.9
<b>Total Shareholders funds</b>		841.1	1,152.8	1,501.7	1,951.6
<b>Total Debt</b>		72.4	47.4	27.4	27.4
<b>Deferred Tax Liability</b>		15.2	15.2	15.2	15.2
<b>Long-Term Provisions</b>		4.8	4.8	4.8	4.8
<b>Other Non Current Liabilities</b>		2.5	2.5	2.5	2.5
<b>Source of Funds</b>		935.9	1,222.6	1,551.5	2,001.4
<b>Gross Block</b>		549.9	609.9	709.9	1,009.9
<b>Accumulated Depreciation</b>		261.8	306.5	372.7	462.1
<b>Net Block</b>		288.1	303.4	337.2	547.8
<b>Capital WIP</b>		170.2	310.2	510.2	510.2
<b>Fixed Assets</b>		458.3	613.6	847.4	1,058.0
<b>Investments</b>		59.5	109.5	109.5	109.5
<b>Long Term Loans and Advances</b>		9.3	59.6	71.2	71.2
<b>Other non-Current Assets</b>		5.3	5.3	5.3	5.3
<b>Inventory</b>		159.0	255.2	281.3	338.2
<b>Debtors</b>		258.8	273.8	296.7	356.7
<b>Loans and Advances</b>		50.5	59.6	71.2	91.2
<b>Other Current Assets</b>		8.9	1.7	2.0	2.0
<b>Cash</b>		136.7	184.0	291.0	485.0
<b>Total Current Assets</b>		613.9	774.4	942.2	1,273.1
<b>Creditors</b>		109.1	208.8	255.7	307.5
<b>Provisions</b>		64.3	85.6	113.0	133.0
<b>Other Current Liabilities</b>		37.1	45.3	55.2	75.2
<b>Total Current Liabilities</b>		210.5	339.8	423.9	515.7
<b>Net Current Assets</b>		403.5	434.6	518.2	757.5
<b>Application of Funds</b>		935.9	1,222.6	1,551.5	2,001.4

Source: Company, ICICIdirect.com Research

Key ratios					
(Year-end March)		FY15	FY16E	FY17E	FY18E
<b>Per share data (₹)</b>					
Reported EPS		35.1	44.1	49.3	63.6
Cash EPS		29.1	35.3	39.5	50.9
BV per share		95.2	130.5	170.0	220.9
Cash per Share		15.5	20.8	32.9	54.9
Dividend per share		7.0	8.8	9.9	12.7
<b>Operating Ratios (%)</b>					
Gross Profit Margins		75.3	75.6	72.5	72.0
EBITDA margins		34.1	33.9	34.5	34.5
PAT Margins		21.5	22.7	22.9	24.6
Inventory days		39.2	54.3	53.9	53.9
Debtor days		63.8	58.2	56.9	56.9
Creditor days		26.9	44.4	49.0	49.0
Asset Turnover		1.6	1.4	1.2	1.1
EBITDA conversion Rate		56.1	78.2	80.2	76.7
<b>Return Ratios (%)</b>					
RoE		37.8	33.8	29.0	28.8
RoCE		50.3	45.5	40.2	37.0
RoIC		74.4	81.6	86.9	74.9
<b>Valuation Ratios (x)</b>					
P/E		37.2	29.6	26.4	20.5
EV / EBITDA		22.6	19.4	17.0	13.9
EV / Net Sales		7.7	6.6	5.9	4.8
Market Cap / Sales		7.8	6.7	6.0	5.0
Price to Book Value		13.7	10.0	7.7	5.9
<b>Solvency Ratios</b>					
Debt / EBITDA		0.1	0.1	0.0	0.0
Debt / Equity		0.1	0.0	0.0	0.0
Current Ratio		2.3	1.7	1.5	1.5
<b>Quick Ratio</b>		1.5	1.0	0.9	0.9

Source: Company, ICICIdirect.com Research

**ICICIdirect.com coverage universe (Healthcare)**

	Code	(₹)	(₹)	(₹ Cr)	FY15	FY16E	FY17E	FY15	FY16E	FY17E	FY15	FY16E	FY17E	FY15	FY16E	FY17E	FY15	FY16E	FY17E	
Ajanta Pharma	AJAPHA	1303	1,780	Buy	11467.0	36.0	44.1	49.3	36.2	29.6	26.4	22.6	19.4	17.0	50.3	45.5	40.2	37.8	33.8	29.0
Apollo Hospitals	APOHOS	1498	1,340	Hold	20843.0	23.7	28.8	34.1	63.1	52.1	43.9	29.6	25.0	20.5	9.9	11.5	12.9	10.4	11.5	12.3
Aurobindo Pharma	AURPHA	801	990	Buy	46832.4	28.1	32.5	37.5	28.5	24.6	21.3	30.7	25.7	21.9	23.4	25.3	26.6	31.7	27.9	24.8
Alembic Pharma	ALEMPHA	626.8	790	Buy	11815.2	15.1	39.0	28.5	41.6	16.1	22.0	32.2	12.8	17.5	30.7	56.7	33.0	32.1	52.2	30.1
Biocon	BIOCON	486	510	Hold	9726.0	20.4	23.5	26.3	23.8	20.7	18.5	7.6	6.7	5.7	10.4	11.7	13.1	12.5	12.6	12.8
Cadila Healthcare	CADHEA	318.8	415	Buy	32636.9	11.2	14.6	16.1	28.5	21.8	19.8	20.0	14.9	13.8	20.7	25.9	25.0	27.0	27.9	25.0
Cipla	CIPLA	598	750	Buy	48022.6	14.7	22.3	28.2	40.6	26.8	21.2	24.5	18.2	14.7	13.8	15.9	18.1	10.9	14.6	16.0
Divi's Laboratories	DIVLAB	1139	1,340	Buy	30240.9	32.1	41.2	47.3	35.5	27.6	24.1	25.4	21.2	17.9	29.4	31.7	31.0	24.4	26.2	25.3
Dr Reddy's Labs	DRREDD	3050	4,080	Buy	52035.3	129.0	144.3	148.8	23.6	21.1	20.5	15.0	12.7	11.8	16.7	17.2	16.8	22.3	20.0	17.1
Glenmark Pharma	GLEPHA	793.9	1,140	Buy	22400.5	23.1	34.1	44.7	34.3	23.3	17.8	24.0	17.3	13.7	13.3	20.2	23.4	21.7	25.7	25.6
Indoco Remedies	INDREM	322	389	Buy	2967.2	9.0	9.6	15.4	35.8	33.6	21.0	18.3	16.8	12.5	16.4	15.9	22.0	16.0	15.1	20.5
Ipca Laboratories	IPCLAB	655.4	700	Hold	8270.5	19.9	13.8	31.4	32.9	47.6	20.9	18.7	25.3	14.6	11.5	7.1	14.2	11.4	7.5	14.9
Jubilant Life Sciences	VAMORG	358	460	Hold	5697.4	-0.6	30.0	42.5	NA	11.9	8.4	16.0	8.3	6.8	5.8	13.3	15.3	NA	16.6	19.4
Lupin	LUPIN	1701	2,200	Buy	76651.5	53.6	45.0	67.3	31.7	37.8	25.3	21.6	25.6	16.6	35.1	20.4	28.1	27.1	19.2	23.2
Natco Pharma	NATPHA	521	630	Buy	9070.1	8.3	7.9	11.1	62.7	66.2	46.7	51.8	41.7	33.4	15.4	13.4	15.8	17.9	10.5	13.2
Sun Pharma	SUNPHA	870.2	825	Hold	209428.1	19.8	19.3	25.8	43.9	45.0	33.7	23.6	23.1	17.8	18.8	18.0	20.8	18.6	15.9	18.1
Torrent Pharma	TORPHA	1396	1,800	Buy	23619.7	44.4	99.0	71.0	31.5	14.1	19.6	26.1	10.3	14.4	20.1	39.7	24.1	30.2	45.4	26.2
Unichem Laboratories	UNILAB	240.7	310	Buy	2186.6	8.3	11.0	15.7	29.0	21.9	15.3	20.9	13.6	10.6	8.5	13.1	16.6	8.7	10.6	13.7

Source: Company, ICICIdirect.com Research

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Buy: >10%/15% for large caps/midcaps, respectively;

Hold: Up to +/-10%;

Sell: -10% or more;



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