

Ajanta Pharmaceuticals (AJAPHA) ₹ 1676

Growth tempo maintained amid export slowdown

- Revenues grew 19.2% YoY to ₹ 340.6 crore (I-direct estimate: ₹ 386.7 crore) on account of 21% growth in the domestic market and 17.5% growth in export markets. The miss vis-à-vis our expectation was due to lower-than-expected African non-tender sales
- EBITDA margins improved 147 bps YoY to 32.2% lower-than-I-direct estimate of 34.0% owing to lower employee cost
- Adjusted net profit increased 42.6% YoY to ₹ 81.1 crore vs. I-direct estimate of ₹ 88.8 crore

Domestic formulations - Focus on new launches, few therapies

Domestic formulations constitute 32.7% of the total consolidated turnover (FY15). The main distinguishing factor compared to its peers is the uncanny knack of launching maximum number of first time launches with focus on new drug delivery system (NDDS). Of the 188 actively marketed brands, 129 brands were first in India. The focus on specialty therapies and niche product led APL to post strong growth at a CAGR of 26.5% in FY10-15, far higher than industry growth of ~12%. Going ahead, we expect domestic formulations to grow at a CAGR of 22.6% in FY15-18E to ₹ 882.4 crore driven by a mix of existing products + new launches.

Exports traction mainly from emerging markets

Export formulations constitute 65% of the total consolidated turnover (FY15). APL is currently deriving almost 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 29.4% in FY10-15 to ₹ 952 crore. We expect exports to grow at a CAGR of 20.2% in FY15-18E to ₹ 1651.4 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 from the midcap pharma space with high growth rates, strong margins, commendable return ratios and lighter balance sheet. Defying the normal trend of targeting developed markets for generic generics initially, the company focused on branded generics in the 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. Ajanta has filed 25 ANDAs with USFDA and received five product approvals.

FMCG attributes in pharma mould justify high valuation; maintain BUY

The company has maintained its strong growth trajectory in Q1 although the numbers came in below our expectations due to exports miss. In domestic formulations, however, there was a beat as the company continued to introduce new products. Slowdown in exports space (ex-tender) can be attributed to seasonality. The management expects to improve in subsequent quarters. Expected US traction especially from FY17E onwards is an added plus. Brand focus, consistent growth, strong margins, robust return ratios and debt-free status are some of the core attributes of Ajanta. Due to better visibility and confidence in management execution, we roll over our estimates to FY18. Accordingly, we have ascribed a target of ₹ 1950 based on 28x FY18E EPS of ₹ 69.6.

Rating matrix

Rating	:	Buy
Target	:	₹ 1950
Target Period	:	15-18 months
Potential Upside	:	16%

What's Changed?

Target	Changed from ₹ 1488 to ₹ 1950
EPS FY16E	Changed from ₹ 45.6 to ₹ 45.9
EPS FY17E	Changed from ₹ 53.1 to ₹ 57.1
EPS FY18E	Introducing at ₹ 69.6
Rating	Unchanged

Quarterly Performance

	Q1FY16	Q1FY15	YoY (%)	Q4FY15	QoQ (%)
Revenue	340.6	285.7	19.2	368.5	-7.6
EBITDA	109.8	87.9	24.9	140.4	-21.8
EBITDA (%)	32.2	30.8	147 bps	38.1	-586 bps
Adj. Net Profit	81.1	56.9	42.6	88.4	-8.3

Key Financials

(₹crore)	FY15	FY16E	FY17E	FY18E
Revenues	1480.6	1725.0	2119.8	2584.4
EBITDA	505.2	605.7	742.8	906.5
Net Profit	309.9	405.7	504.4	615.3
EPS (₹)	36.0	45.9	57.1	69.6

Valuation summary

	FY15	FY16E	FY17E	FY18E
PE (x)	45.8	35.0	28.1	23.0
M.Cap/ Revenues (x)	50.5	43.4	35.3	28.9
EV to EBITDA (x)	147.9	123.1	100.0	81.4
Price to book (x)	16.9	12.2	9.0	6.9
RoNW (%)	37.8	34.8	32.1	29.8
RoCE (%)	50.3	46.9	42.8	40.0

Stock data

Particular	Amount
Market Capitalisation	₹ 14887 crore
Debt (FY15)	₹ 72 crore
Cash (FY15)	₹ 137 crore
EV	₹ 14823 crore
52 week H/L	1720/580
Equity capital	₹ 17.7 crore
Face value	₹ 2

Price performance (%)

	1M	3M	6M	1Y
Ajanta Pharma	5.0	32.2	56.1	187.2
Ipca Labs	11.2	17.8	13.3	7.8
Torrent Pharma	14.0	20.0	32.0	104.9

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Variance analysis

	Q1FY16	Q1FY16E	Q1FY15	Q4FY15	YoY (%)	QoQ (%)	Comments
Revenue	340.6	386.7	285.7	368.5	19.2	-7.6	YoY growth in revenues was on account of 21% growth in domestic formulation and 17.5% growth in export formulations. Miss vis-à-vis our expectations was mainly due to lower than expected sales in African non tender sales.
Raw Material Expenses	94.1	110.1	80.3	103.3	17.2	-8.9	
Employee Expenses	54.6	55.1	42.8	50.8	27.3	7.4	
Other Expenditure	82.1	94.4	74.6	74.0	10.0	11.0	
Total Operating Expenditure	230.8	259.5	197.8	228.1	16.7	1.2	
EBITDA	109.8	131.5	87.9	140.4	24.9	-21.8	
EBITDA (%)	32.2	34.0	30.8	38.1	147 bps	-586 bps	YoY improvement in margins was mainly due to lower other expenditure. Miss vis-à-vis our expectations was due to higher-than-expected employee cost
Interest	1.0	1.2	1.4	1.1	-27.5	-1.9	
Depreciation	9.7	13.3	12.0	12.6	-19.4	-23.0	
Other income	13.5	7.6	8.6	2.3	57.7	478.2	
PBT before EO	112.6	126.8	83.0	129.1	35.6	-12.8	
Less: Exceptional Items	0.0	0.0	-0.1	6.5	0.0	0.0	
PBT	112.6	126.8	83.1	122.7	35.4	-8.2	
Tax	31.6	38.0	26.2	38.7	20.4	-18.4	
MI & Share of loss/ (gain) asso.	0.0	0.0	0.0	0.0	0.0	0.0	
Adj. Net Profit	81.1	87.2	56.9	88.4	42.6	-8.3	Strong YoY growth was mainly due to a robust operational performance, higher other income and lower taxation
Key Metrics							
Domestic	144.0	114.0	119.0	114.0	21.0	26.3	The growth was driven by therapies like cardiology (22%), ophthalmology (17%), dermatology (22%) and pain management (49%). Delta vis-à-vis our expectations was on account of better-than -expected sales in Cardiology, Pain management and institutional business
Exports	188.0	245.0	160.0	245.0	17.5	-23.3	The growth was driven by ~15% YoY growth in Africa and ~22% growth in Asian Sales. Miss vis-à-vis our expectations was mainly due to lower than expected sales in African non tender sales

Source: Company, ICICIdirect.com Research

Change in estimates

(₹ Crore)	FY16E			FY17E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	1,735.9	1,725.0	-0.6	2,071.7	2,119.8	2.3	
EBITDA	598.9	605.7	1.1	704.4	742.8	5.5	
EBITDA Margin (%)	34.5	35.1	61 bps	34.0	35.0	104 bps	We have revised upward our EBITDA margin expectations on the back of an improvement in operational efficiency, better product mix and rupee depreciation
PAT	402.7	405.7	0.7	469.6	504.4	7.4	
EPS (₹)	45.6	45.9	0.7	53.1	57.1	7.5	

Source: Company, ICICIdirect.com Research

Assumptions

(₹ crore)	Current		Earlier		Comments	
	FY14	FY15	FY16E	FY17E		
Branded - domestic	319.0	417.6	519.4	650.0	529.5	663.2
Institutions- domestic	66.0	61.4	67.4	67.4	61.4	61.4
Exports Total	793.0	951.8	1,105.4	1,360.9	1,113.3	1,309.1

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 stood 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. Consolidated revenues, EBITDA and PAT have grown at a CAGR of 29%, 46% and 58%, respectively, in FY10-15. 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 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 ~3,000. Overall, domestic formulations have grown at a CAGR of 26.5% in FY10-15 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 a significant presence in Franco African countries and Philippines.

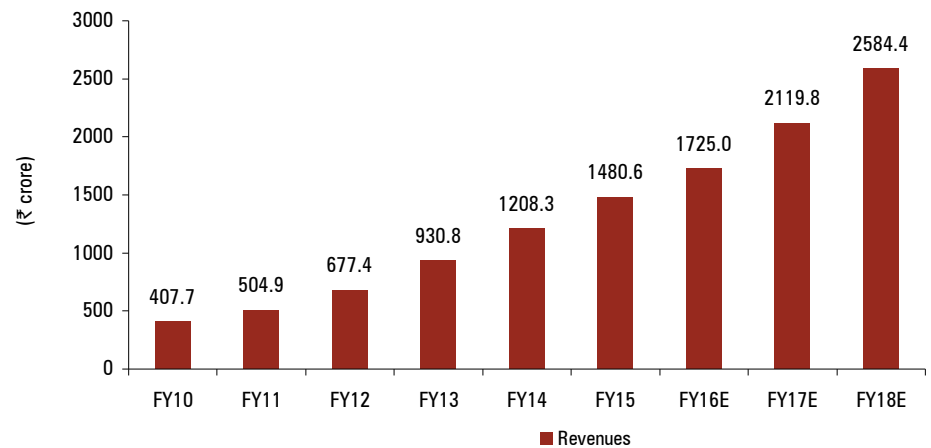
Africa accounts for ~56% of export formulations followed by Asia. The company also participates in anti-malarial tenders in Africa. It operates through 450+ MRs in these emerging markets and owns a portfolio of 1476 registered brands in these markets encompassing major therapies such as anti-infectives, 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 the US where it has filed 25 ANDAs, received approvals for five and launched one product. Overall export formulations have grown at a CAGR of 29.4% in FY10-15 to ₹ 951.8 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 20.4% to ₹ 2584.4 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 20.2% to ₹ 1651.4 crore during the same period 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 22.6% to ₹ 882.4 crore in the same period, to be driven by branded formulations.

Exhibit 1: Revenue growth trend



Source: Company, ICICIdirect.com Research

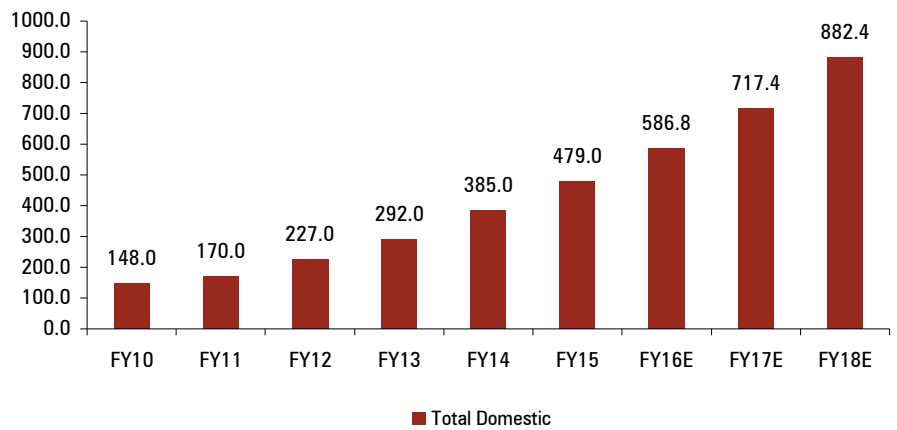
Domestic formulations – The India business contributed ~35% of sales. APL operates in branded (prescription: Rx, 87% of domestic sales) and tender business (13% of domestic sales). In the branded space, it has a presence in the fast growing specialty therapies viz. ophthalmology, dermatology, chronic therapies like cardiovascular (CVS) while 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 for 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 181 actively marketed brands, 127 brands were first launches in India. The focus on specialty therapies and niche product led APL to post a strong CAGR of 26.5% in FY10-15, which is far higher than the industry growth of ~12% (AIOCD data).

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

The company markets CVS, ophthalmology and dermatology products under the divisions of Anvaxx, Illuma and Anasca. Till FY15, it had launched 58 brands in dermatology, 61 in ophthalmic and 32 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 the company to continue with 15-20 product launches every year. Overall, we expect domestic sales to grow at a CAGR of 22.6% to ₹ 882.4 crore in FY15-18E.

Exhibit 2: Domestic formulation growth likely to be at CAGR of 22.6% in FY15-18E



Source: Company, ICICIdirect.com Research

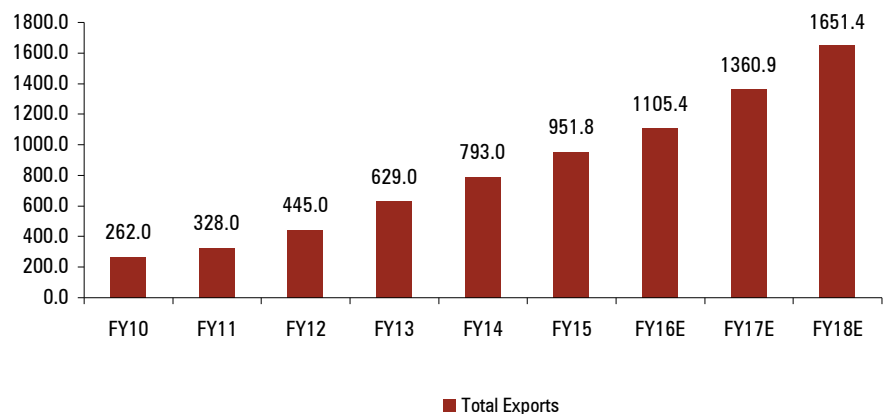
Formulation exports

Exports account for 65% of revenues. APL currently derives almost its entire export revenues from emerging regions like Africa (Franco Africa), Asia and LatAm with 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, the company is marketing 200+ products in these regions. In all, the company owns 1476 registered brands while another 1632 brands are under registration.

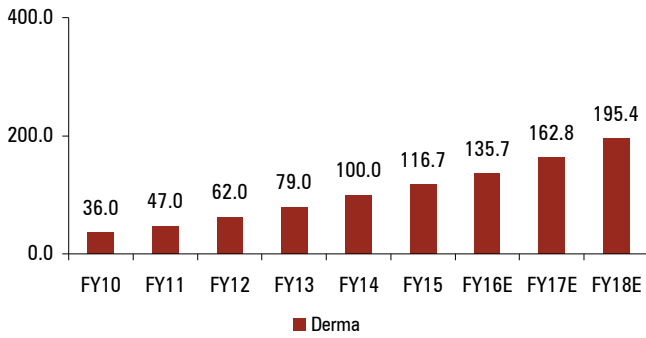
APL’s success story in emerging markets was carved out of the so-called differentiated approach. According to this, products were developed on the basis of unmet medical needs in a particular geography. As a result, the product basket varied from nation to nation. Similarly, the company resorted to a 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 20.2% to ₹ 1651.4 crore in FY15-18E.

Exhibit 3: Exports to grow at CAGR of 20.2% in FY15-18E



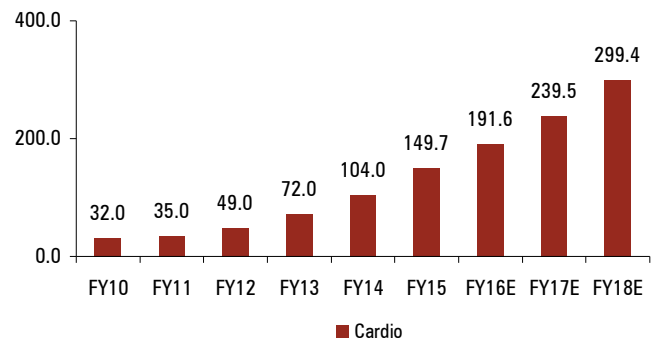
Source: Company, ICICIdirect.com Research

Exhibit 4: Derma sales(Dom) to grow at CAGR of 18.7% in FY15-18E



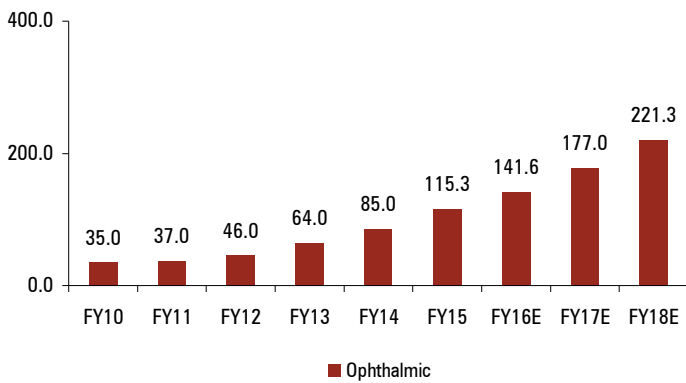
Source: Company, ICICIdirect.com Research

Exhibit 5: Cardio sales(Dom) to grow at CAGR of 26% in FY15-18E



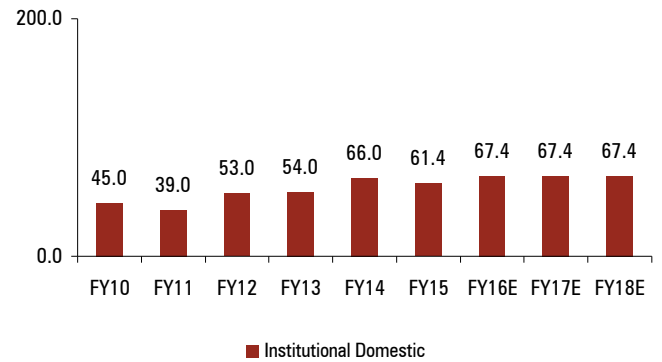
Source: Company, ICICIdirect.com, Research

Exhibit 6: Ophthalmic sales (domestic) at CAGR of 24.3% in FY15-18E



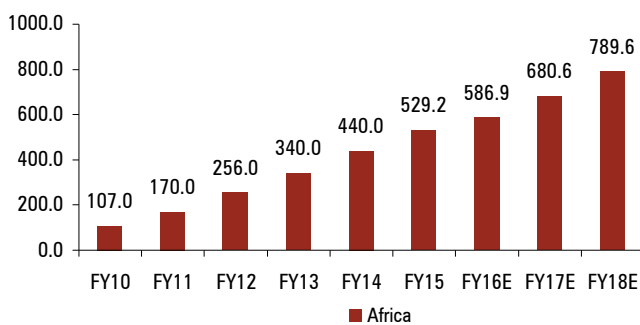
Source: Company, ICICIdirect.com, Research

Exhibit 7: Institutional domestic business



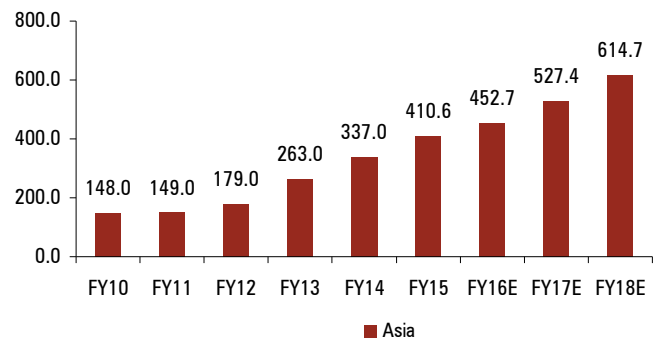
Source: Company, ICICIdirect.com, Research

Exhibit 8: Africa sales exports growth at 14.3% CAGR in FY15-18E



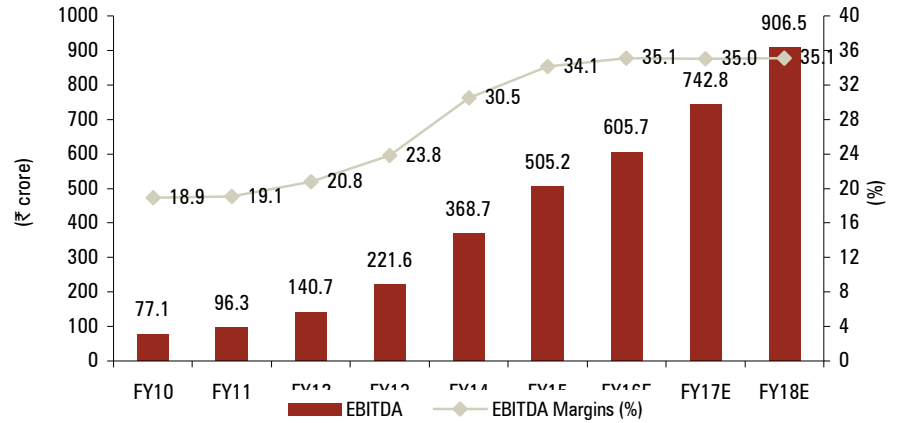
Source: Company, ICICIdirect.com, Research

Exhibit 9: Asia exports growth at CAGR of 14.4% in FY15-18E



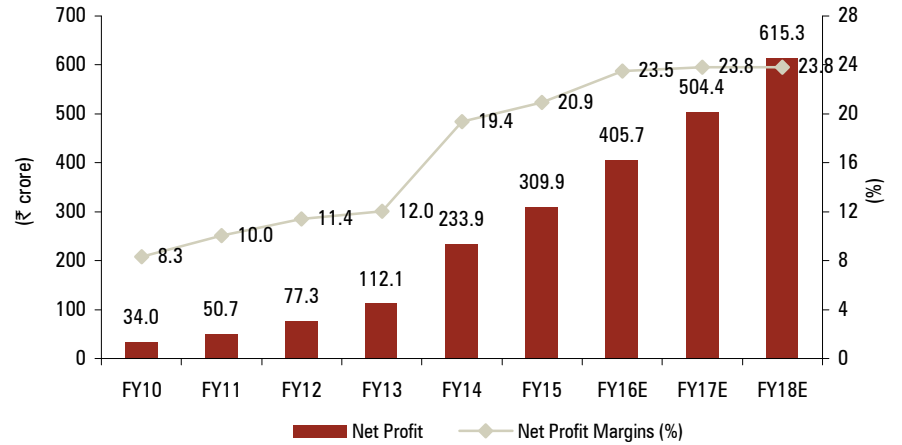
Source: Company, ICICIdirect.com, Research

Exhibit 10: EBITDA to grow at CAGR of 21.5% in FY15-18E



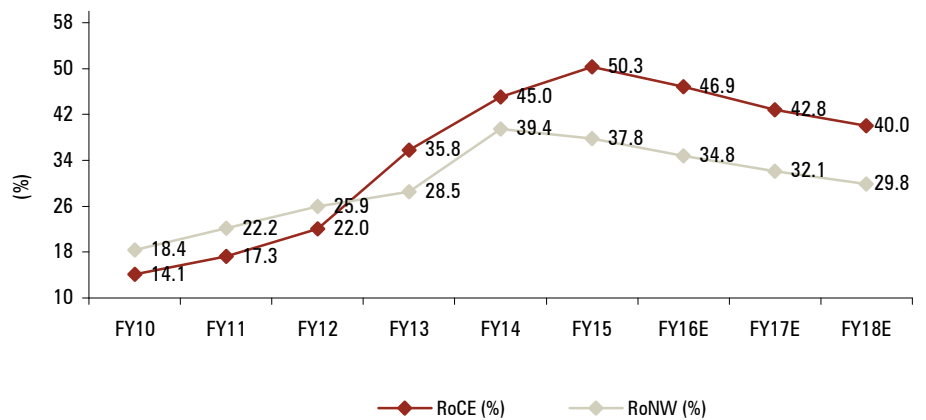
Source: Company, ICICIdirect.com Research

Exhibit 11: Net profit to grow at CAGR of 25.7% 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)	Q1FY13	Q2FY13	Q3FY13	Q4FY13	Q1FY14	Q2FY14	Q3FY14	Q4FY14	Q1FY15	Q2FY15	Q3FY15	Q4FY15	Q1FY16	YoY (%)	QoQ (%)
Net Sales	171.8	183.7	225.7	249.2	215.4	270.8	292.6	301.1	280.8	331.2	356.3	360.0	334.9	19.3	-7.0
Other Operating Income	2.3	2.7	3.7	0.2	3.6	9.1	8.3	9.9	6.7	6.1	6.3	8.5	5.7	-14.9	-32.8
Total Operating Income	174.1	186.4	229.3	249.4	218.9	279.8	300.9	311.1	287.5	337.3	362.6	368.5	340.6	18.5	-7.6
Raw Material Expenses	65.1	60.3	85.2	89.4	74.6	92.9	91.5	88.7	80.3	96.7	100.3	103.3	94.1	17.2	-8.9
% of Revenue	37.4	32.3	37.2	35.8	34.1	33.2	30.4	28.5	27.9	28.7	27.7	28.0	27.6	-30 bps	-40 bps
Gross Profit	108.9	126.1	144.1	160.1	144.4	186.9	209.4	222.3	207.2	240.7	262.3	265.2	246.5	19.0	-7.1
Gross Profit Margin (%)	62.6	67.7	62.8	64.2	65.9	66.8	69.6	71.5	72.1	71.3	72.3	72.0	72.4	30 bps	40 bps
Employee Expenses	25.6	27.5	27.8	34.5	33.9	37.4	38.4	37.7	42.8	44.5	48.2	50.8	54.6	27.3	7.4
% of Revenue	14.7	14.7	12.1	13.8	15.5	13.3	12.8	12.1	14.9	13.2	13.3	13.8	16.0	112 bps	223 bps
Other Expenditure	46.2	55.3	55.7	56.5	59.4	65.4	71.8	72.3	74.6	85.4	82.7	74.0	82.1	10.0	11.0
% of Revenue	26.5	29.6	24.3	22.6	27.1	23.4	23.9	23.3	26.0	25.3	22.8	20.1	24.1	-186 bps	403 bps
Total Expenditure	137.0	143.2	169.5	181.0	165.8	195.2	203.6	200.5	197.8	226.6	231.2	228.1	230.8	16.7	1.2
% of Revenue	78.7	76.8	73.9	72.6	75.7	69.8	67.7	64.5	68.8	67.2	63.8	61.9	67.8	-104 bps	586 bps
EBITDA	37.1	43.2	59.8	68.4	53.1	84.6	97.2	110.6	89.7	110.7	131.4	140.4	109.8	22.4	-21.8
EBITDA Margin (%)	21.3	23.2	26.1	27.4	24.3	30.2	32.3	35.5	31.2	32.8	36.2	38.1	32.2	104 bps	-586 bps
Other Income	9.8	0.4	0.5	6.3	4.8	5.8	4.0	3.0	8.6	14.7	3.6	2.3	13.5	57.7	478.2
Interest	16.0	4.6	3.4	5.4	1.6	2.2	2.2	2.2	1.4	1.3	1.2	1.1	1.1	-26.1	0.0
Depreciation	7.8	7.9	8.1	9.0	8.6	9.0	9.5	14.9	12.0	12.2	12.6	12.6	9.7	-19.4	-23.0
PBT (bef Excep's)	23.1	31.1	48.9	60.4	47.7	79.3	89.6	96.5	84.8	111.9	121.2	129.1	112.6	32.7	-12.8
Less: Exceptional Items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	1.2	2.7	6.5	0.0		
PBT	23.1	31.1	48.9	60.4	47.7	79.3	89.6	96.5	84.9	113.1	123.9	135.6	112.6	32.6	-17.0
Total Tax	3.5	9.3	16.3	33.3	15.2	23.5	27.2	26.4	26.2	34.5	39.2	38.7	31.6	20.4	-18.4
Tax rate (%)	15.3	29.7	33.4	55.1	31.8	29.6	30.3	27.4	30.9	30.5	31.6	28.5	28.0	-284 bps	-49 bps
PAT	19.6	21.9	32.6	27.1	32.5	55.8	62.4	70.1	58.7	78.6	84.7	84.0	81.1	38.0	-3.5
PAT Margin (%)	11.2	11.7	14.2	10.9	14.9	19.9	20.7	22.5	20.4	23.3	23.4	22.8	23.8	338 bps	100 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 of the export markets.

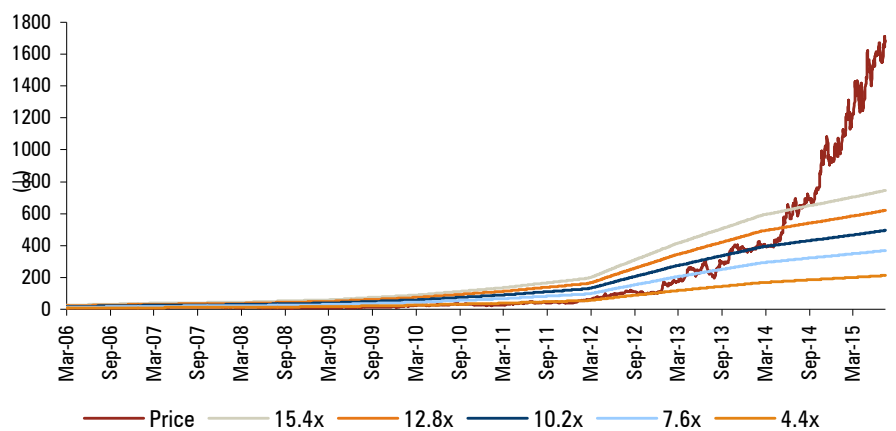
Conference call highlights

- The company has maintained its guidance of 32-34% EBITDA margins for FY16 with 16-18% revenue growth
- It has launched seven new products in India during this quarter, out of which two were first to market launches
- The MR strength in the domestic market is 3000
- The African division has 1156 registered brands, 1167 brands under registration. Major segments in the African markets are antibiotic, anti-malarial and ortho
- The Asian market has 287 registered brands and 455 brands under registration
- In this quarter, one new product was launched in the African market and eight in the Asian markets
- Total 25 ANDAs have been filed in the US market, out of which three were approved during the quarter taking total approval count to five. The company is planning to launch four products shortly. Sales during this quarter accounted for ₹ 3 crore
- It aims to file more than six ANDAs every year. The expected size of ANDAs filed till now is approximately US\$1.5 billion
- The tax rate would remain same at the current level (full tax) but will go down in FY17 by 300-400 bps due to commencement of the Savli facility
- The management does not see any negative currency impact as its Franco-Africa sales are in euros while Asia sales are in US dollars
- The USFDA has inspected the company's sites in March, 2015 without any observation

Valuation

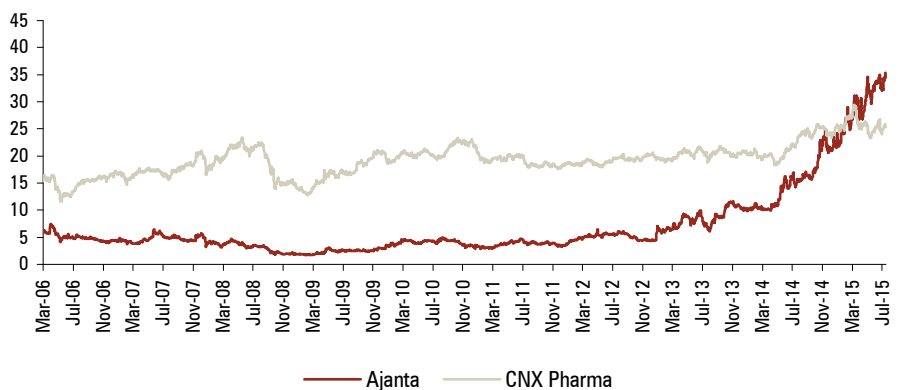
The company has maintained its strong growth trajectory in Q1 although the numbers came in below our expectations due to the exports miss. In domestic formulations, however, there was a beat as the company continued to introduce new products. The slowdown in the export space (ex-tender) was due to seasonality. The management expects it to improve in subsequent quarters. Expected US traction, especially from FY17E onwards, is an added plus. Brand focus, consistent growth, strong margins, robust return ratios and debt-free status are some of the core attributes of Ajanta. Due to better visibility and confidence in management execution, we roll over our estimates to FY18. Accordingly, we have ascribed a target price of ₹ 1950 based on 28x FY18E EPS of ₹ 69.6.

Exhibit 14: One year forward PE



Source: Company, ICICIdirect.com Research

Exhibit 15: One year forward PE of company vs. CNX Pharma Index



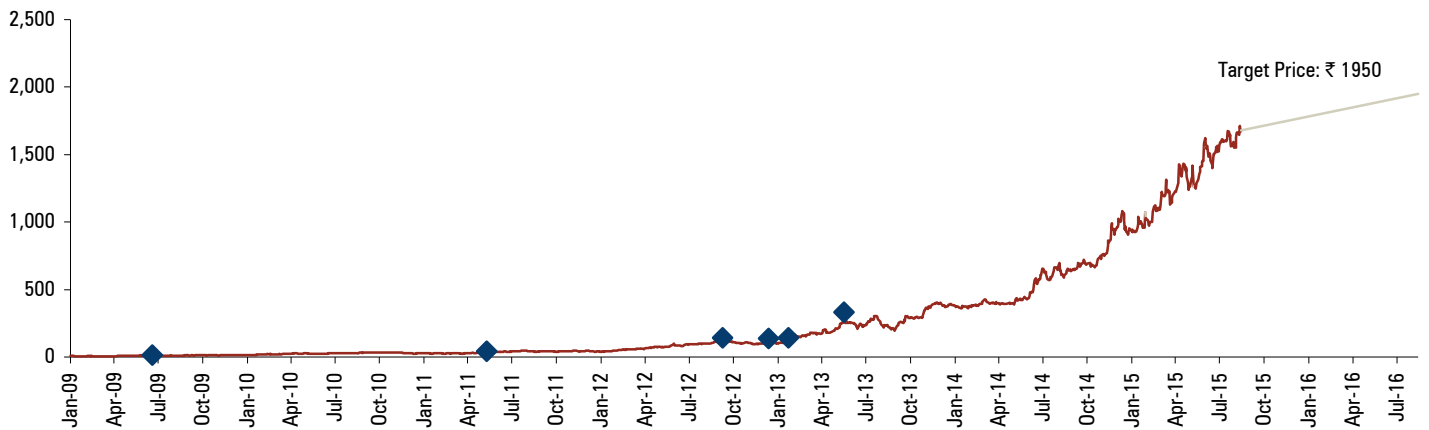
Source: Company, ICICIdirect.com Research

Exhibit 16: Valuation

	Revenues (₹ crore)	Growth (%)	EPS (₹)	Growth (%)	P/E (x)	EV/EBITDA (X)	RoNW (%)	RoCE (%)
FY15	1481	23	36.0	32	45.8	147.9	37.8	50.3
FY16E	1725	17	45.9	31	35.0	123.1	34.8	46.9
FY17E	2120	23	57.1	24	28.1	100.0	32.1	42.8
FY18E	2584	22	69.6	22	23.0	81.4	29.8	40.0

Source: Company, ICICIdirect.com Research

Company snapshot



Source: Bloomberg, Company, ICICIdirect.com Research

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

Source: Company, ICICIdirect.com Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Position Change (m)
1	Gabs Investments Pvt. Ltd.	30-Jun	9.54	8.39	0
2	Agrawal (Rajesh)	30-Jun	7.29	6.41	0
3	Agrawal (Yogesh Mannalal)	30-Jun	7.25	6.38	0
4	Agrawal (Mannalal B)	30-Jun	6.14	5.41	0
5	Agrawal (Purushottam B)	30-Jun	6.12	5.39	0
6	Agrawal (Madhusudan B)	30-Jun	6.12	5.39	0
7	Agrawal (Mansih Yogesh & Richa Ravi & Aayush Madh)	30-Jun	5.84	5.14	5.14
8	Agrawal (Vimal & Mamata)	31-Mar	5.84	5.14	0
9	Matthews International Capital Management, L.L.C.	30-Jun	3.53	3.1	-0.05
10	Agrawal (Madhusudan B) HUF	30-Jun	3.49	3.08	0

Source: Reuters, ICICIdirect.com Research

Shareholding Pattern

(in %)	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15
Promoter	73.6	73.8	73.8	73.8	73.8
FII	7.9	7.4	7.3	7.6	8.6
DII	0.8	1.3	1.5	1.6	1.5
Others	17.7	17.5	17.4	17.0	17.4

Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
Agrawal (Mansih Yogesh & Richa Ravi & Aayush Madhusudan)	126.75m	5.14m	Agarwal (Narendra Kumar)	-22.34m	-1.13m
The Vanguard Group, Inc.	3.28m	0.13m	Grandeur Peak Global Advisors, LLC	-17.49m	-0.88m
William Blair & Company, L.L.C.	2.27m	0.09m	Van Eck Associates Corporation	-5.82m	-0.39m
OppenheimerFunds, Inc.	0.62m	0.03m	Franklin Templeton Asset Management (India) Pvt. Ltd.	-4.29m	-0.17m
TIAA-CREF	0.50m	0.02m			

Source: Reuters, ICICIdirect.com Research

Financial summary

Profit and loss statement		₹ Crore			
(Year-end March)/ (₹ crore)	FY15	FY16E	FY17E	FY18E	
Total Operating Income	1,480.6	1,725.0	2,119.8	2,584.4	
Growth (%)	22.5	16.5	22.9	21.9	
Raw Material Expenses	365.4	474.9	582.9	723.6	
Gross Profit	1,115.1	1,250.1	1,536.9	1,860.8	
Gross Profit Margins (%)	75.3	72.5	72.5	72.0	
Employee Expenses	200.6	248.9	296.8	361.8	
Other Expenditure	409.3	395.6	497.3	592.4	
Total Operating Expenditure	975.3	1,119.3	1,377.0	1,677.9	
EBITDA	505.2	605.7	742.8	906.5	
Growth (%)	37.0	19.9	22.6	22.0	
Interest	5.9	3.2	1.6	1.6	
Depreciation	51.6	52.1	71.7	88.3	
Other Income	16.8	25.7	21.4	26.3	
PBT before Exceptional Items	464.5	576.1	690.9	842.8	
Less: Exceptional Items	8.5	0.0	0.0	0.0	
PBT after Exceptional Items	456.0	576.1	690.9	842.8	
Total Tax	146.2	170.4	186.5	227.6	
PAT before MI	309.9	405.7	504.4	615.3	
Minority Interest	0.0	0.0	0.0	0.0	
PAT	309.9	405.7	504.4	615.3	
Growth (%)	32.5	30.9	24.3	22.0	
EPS (Adjusted)	36.0	45.9	57.1	69.6	

Source: Company, ICICIdirect.com Research

Balance sheet		₹ Crore			
(Year-end March)/ (₹ crore)	FY15	FY16E	FY17E	FY18E	
Equity Capital	17.7	17.7	17.7	17.7	
Reserve and Surplus	823.4	1,148.1	1,551.8	2,044.2	
Total Shareholders funds	841.1	1,165.8	1,569.4	2,061.9	
Total Debt	72.4	47.4	27.4	27.4	
Deferred Tax Liability	15.2	15.2	15.2	15.2	
Long-Term Provisions	4.8	4.8	4.8	4.8	
Other Non Current Liabilities	2.5	2.5	2.5	2.5	
Source of Funds	935.9	1,235.6	1,619.2	2,111.7	
Gross Block	549.9	609.9	819.9	879.9	
Accumulated Depreciation	261.8	313.8	385.5	473.9	
Net Block	288.1	296.0	434.3	406.0	
Capital WIP	170.2	310.2	225.2	225.2	
Fixed Assets	458.3	606.2	659.5	631.2	
Investments	59.5	109.5	409.5	809.5	
Long Term Loans and Advances	9.3	59.6	71.2	71.2	
Other non-Current Assets	5.3	5.3	5.3	5.3	
Inventory	159.0	255.0	313.2	381.8	
Debtors	258.8	273.5	330.2	402.6	
Loans and Advances	50.5	59.6	71.2	91.2	
Other Current Assets	8.9	1.7	2.0	2.0	
Cash	136.8	204.6	210.1	272.2	
Total Current Assets	613.9	794.5	926.7	1,149.9	
Creditors	109.1	208.6	284.7	347.1	
Provisions	64.3	85.6	113.0	133.0	
Other Current Liabilities	37.1	45.3	55.2	75.2	
Total Current Liabilities	210.5	339.5	452.9	555.3	
Net Current Assets	403.5	454.9	473.8	594.6	
Application of Funds	935.9	1,235.6	1,619.2	2,111.7	

Source: Company, ICICIdirect.com Research

Cash flow statement		₹ Crore			
(Year-end March)/ (₹ crore)	FY15	FY16E	FY17E	FY18E	
Profit/(Loss) after taxation	309.9	405.7	504.4	615.3	
Add: Depreciation & Amortization	51.6	52.1	71.7	88.3	
Net Increase in Current Assets	-77.3	-112.7	-126.8	-161.0	
Net Increase in Current Liabilities	-6.7	129.1	113.3	102.4	
Add: Interest Paid	5.9	3.2	1.6	0.0	
CF from Operating activities	283.5	477.3	564.3	645.0	
Long term Loans & Advances	-2.0	-50.3	-11.5	0.0	
Investments	-4.5	-50.0	-300.0	-400.0	
(Purchase)/Sale of Fixed Assets	-103.6	-200.0	-125.0	-60.0	
Deferred Tax Liabilities & LT Provisions	1.9	0.0	0.0	0.0	
Others	6.3	0.0	0.0	0.0	
CF from Investing activities	-101.9	-300.3	-436.5	-460.0	
(inc)/Dec in Loan	-58.1	-25.0	-20.0	0.0	
Dividend & Dividend tax	-41.1	-81.0	-100.7	-122.8	
Other	-6.0	-3.2	-1.6	0.0	
CF from Financing activities	-105.2	-109.1	-122.3	-122.8	
Net Cash Flow	76.4	67.9	5.4	62.2	
Cash and Cash Equivalent at the beginning	60.4	136.8	204.6	210.1	
Cash	136.7	204.6	210.1	272.2	

Source: Company, ICICIdirect.com Research

Key ratios					
(Year-end March)	FY15	FY16E	FY17E	FY18E	
Per share data (₹)					
Reported EPS	35.1	45.9	57.1	69.6	
Cash EPS	29.1	36.7	45.7	55.7	
BV per share	95.2	131.9	177.6	233.4	
Cash per Share	29.6	35.5	43.6	53.6	
Dividend per share	7.0	9.2	11.4	13.9	
Operating Ratios (%)					
EBITDA margins	34.1	35.1	35.0	35.1	
PAT Margins	21.5	23.5	23.8	23.8	
Inventory days	39.2	54.0	53.9	53.9	
Debtor days	63.8	57.9	56.9	56.9	
Creditor days	26.9	44.1	49.0	49.0	
Asset Turnover	1.6	1.4	1.3	1.2	
Return Ratios (%)					
RoE	37.8	34.8	32.1	29.8	
RoCE	50.3	46.9	42.8	40.0	
RoIC	74.4	85.0	82.4	96.8	
Valuation Ratios (x)					
P/E	45.8	35.0	28.1	23.0	
EV / EBITDA	147.9	123.1	100.0	81.4	
EV / Net Sales	50.5	43.2	35.0	28.6	
Market Cap / Sales	50.5	43.4	35.3	28.9	
Price to Book Value	16.9	12.2	9.0	6.9	
Solvency Ratios					
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	1.6	1.6	
Quick Ratio	1.5	1.0	0.9	0.9	

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 (%)		
						FY15	FY16E	FY17E	FY15	FY16E	FY17E	FY15	FY16E	FY17E	FY15	FY16E	FY17E	FY15	FY16E	FY17E
Ajanta Pharma	AJAPHA	1684	1950	BUY	14675.5	36.0	45.6	53.1	33.1	27.8	23.9	7.8	6.5	5.3	50.6	48.7	46.4	41.9	38.5	35.9
Apollo Hospitals	APOHOS	1337	1400	HOLD	18964.2	23.7	30.9	41.0	55.0	43.5	32.8	27.5	21.8	17.0	9.9	12.4	15.2	10.4	12.4	14.7
Aurobindo Pharma	AURPHA	736	840	BUY	43455.7	28.0	36.7	42.0	27.9	20.5	17.9	10.1	7.8	6.3	23.5	25.5	25.0	30.3	29.9	26.1
Biocon	BIOCON	462.9	469	HOLD	9227.0	20.4	23.0	28.0	23.0	20.4	16.7	6.9	5.4	4.2	10.4	11.8	13.3	12.5	12.7	13.9
Cadila Healthcare	CADHEA	1945	2280	BUY	41189.3	56.2	75.1	95.6	20.8	15.6	12.2	14.7	11.2	8.6	21.3	24.6	26.6	26.4	27.3	26.8
Cipla	CIPLA	725.5	650	HOLD	56831.7	14.9	22.3	29.5	30.1	20.1	15.2	3.4	2.8	2.2	13.2	17.6	19.9	10.8	14.3	16.2
Dr Reddy's Labs	DRREDD	4292	4600	BUY	72913.5	130.6	159.9	191.6	21.6	17.7	14.7	13.9	11.2	9.2	17.0	19.3	20.6	19.9	20.1	19.8
Glenmark Pharma	GLEPHA	1059	1000	HOLD	29183.4	16.5	33.7	47.5	38.6	18.9	13.4	16.5	11.6	8.7	12.6	23.7	29.5	14.3	24.0	26.7
Indoco Remedies	INDREM	342	385	BUY	3218.8	9.0	12.6	19.2	24.3	17.4	11.3	12.4	10.0	7.1	19.8	22.3	28.0	16.0	19.0	23.4
Ipca Laboratories	IPCLAB	771.2	665	HOLD	9706.0	20.2	25.0	41.5	18.7	17.0	11.6	3.2	2.9	2.4	11.5	11.0	16.6	11.5	11.0	16.6
Jubilant Life Sciences	VAMORG	322	336	HOLD	4963.2	-3.7	13.2	23.6	0.0	11.8	6.6	9.5	7.2	5.3	5.7	8.9	12.1	-2.4	8.2	13.4
Lupin	LUPIN	1643	1885	BUY	77484.7	53.6	55.7	75.4	30.7	29.5	21.8	-0.4	0.8	0.2	31.1	29.2	30.4	25.3	22.8	23.6
Natco Pharma	NATPHA	2280	2200	HOLD	8026.9	31.2	46.4	67.1	23.0	15.5	10.7	15.9	12.2	9.2	15.6	19.6	23.0	12.4	16.6	19.8
Sun Pharma	SUNPHA	879.1	850	HOLD	208438.7	19.8	20.5	32.6	44.2	46.9	25.5	24.6	24.0	16.6	19.0	18.3	22.8	20.8	18.5	23.6
Torrent Pharma	TORPHA	1516	1660	BUY	25754.9	44.4	94.4	79.0	32.0	15.0	18.0	13.6	5.1	6.6	19.8	44.9	30.3	30.2	44.4	29.0
Unichem Laboratories	UNILAB	236.5	214	HOLD	2136.2	8.3	14.8	21.4	24.8	13.9	9.6	17.9	9.4	6.5	8.4	17.1	21.5	8.7	14.5	18.5

Source: Company, ICICIdirect.com Research

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