

Retail Equity Research (South India Focus)

SUVEN LIFE SCIENCES LTD

Pharmaceuticals

BSE CODE : 530239 NSE CODE: SUVEN
BLOOMBERG CODE: SVLS:IN SENSEX : 36,975

BUY

Rating as per Mid cap 12 month investment period

CMP Rs220 TARGET Rs260 RETURN 19% ↑

An Emerging Player in Contract Research...

Suven Life Sciences is a pharmaceutical research expert that is in the business of Contract Research And Manufacturing Services (CRAMS).

- High emphasis on R&D to provide long term stability while entry to formulations will bring margin benefits in future.
- CRAMS to provide steady revenue growth with 116+ active projects while a promising NCE (New Chemical Entity) pipeline of 13 molecules to drive the momentum.
- SUV 502, their latest molecule for mild Alzheimer' is currently undergoing Phase II study and if successful can generate upfront cash flows.
- We expect PAT to grow at a CAGR of 17% (FY19-21E) and EBITDA margin to remain stable around 32-35% given improving product mix and a healthy balance sheet.
- We value Suven at 18x on FY21E EPS and arrive at a target price of Rs260 and recommend 'Buy' rating.

An Exciting Company in the R&D space...

Suven has a strong R&D team comprising of well qualified personnel (400+ scientists) and a well-integrated CRAMS & Discovery services. Suven is one of the few players in the world in the CNS (Central Nervous System) research which is the second largest and fastest growing segment in the sector. Rising demand for effective therapeutic options is making companies like Suven a sort after entity. Currently they expenses all R&D in P&L.

Promising NCE pipeline on the way...

Of the 13 molecules they have in pipeline, four molecules are under various stages of clinical trials. Their innovative molecule SUV 502 for mild Alzheimer' is currently undergoing Proof-of-Concept Phase II study and could fetch more than Rs300crs upfront if successful. SUVN-G3031 and SUVN-D4010 are other two prospective molecule moving to phase 2.

CRAMS to provide steady income..

So far they have Undertaken 800+ CRAMS projects since inception and have around 116 active projects in this segment and enjoys healthy relationships with 30 global pharmaceutical companies. Currently they have 76 projects in phase 1, 35 in phase 2 and 1 in phase 3. CRAMS constitute 50% of the revenue for Suven and witnessed 52% YoY growth rate in FY2018.

Foray into formulation segment- widening the opportunities...

As a starting Suven has filed one ANDA with the regulatory authorities which is awaiting approval. They are presently working on another 8-10 formulated products, which will be filed in a phased manner. Combination of quality in-house research and vertical integration is a winning formula for the future growth. Currently they are providing CRAMS service only in API while the commissioning of the plant at Pashamylaram will enable them to make formulations which gives higher margins .

Valuations...

Suven is currently trading at a 1 yr Forward P/E of 18x. The company's sales registered a CAGR of 11% during the period FY2016-18, while EBITDA margins grew from 26.1% in FY16 to 37.1% in FY18 during the same period indicating a clear increase in profitability due to better product mix and efficiency. We forecast sales and PAT to grow at a CAGR of 13% and 17% respectively (FY19-21E) and on a multiple of 18x we recommend Buy rating with a target price of Rs260.

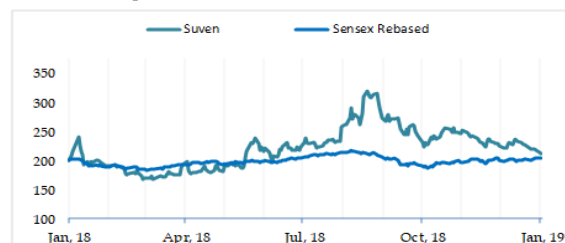
Company Data

Market Cap (cr)	Rs. 2,804
Enterprise Value (cr)	Rs. 2,814
Outstanding Shares (cr)	12.7
Free Float	40%
Dividend Yield	.68%
52 week high	Rs. 338
52 week low	Rs. 163
6m average volume (cr)	.099
Beta	1.08
Face value	Rs. 1

Shareholding (%)	Q1FY19	Q2FY19	Q3FY19
Promoters	60.0	60.0	60.0
FII's	4.51	5.95	6.26
MFs/Insti	2.01	1.51	1.73
Public	33.3	32.1	32.0
Total	100.0	100.0	100.0

Price Performance	3 month	6 Month	1 Year
Absolute Return	-8.7%	-7.8%	5.6%
Absolute Sensex	7.1%	-1.5%	1.8%
Relative Return*	-14.8%	-6.5%	3.7%

over or under performance to benchmark index



Standalone (Rs.cr)	FY19E	FY20E	FY21E
Sales	623	695	796
Growth (%)	(0.3)	12	15
EBITDA	194	225	274
EBITDA Margins%	31.2	32.4	34.4
PAT Adj.	133	152	186
Growth (%)	(15.4)	14.2	20.2
Adj.EPS	10.5	12.0	14.4
Growth (%)	(15.4)	14.2	20.2
P/E	21	18.4	15.3
P/B	2.9	2.6	2.3
EV/EBITDA	14.5	12.4	10.1
ROE (%)	14.5	14.8	15.7
D/E	0.0	0.0	0.0

Dilish K Daniel
Research Analyst

Suven has so far undertaken 1247 product patents, 37 product inventions, 46 process patents and 11 process inventions.

CRAMS is further subdivided into core and commercial with 50% of the total revenue coming from this segment.

About the Company

Suven Life Sciences is a pharmaceutical research expert that is in the business of Contract Research And Manufacturing Services (CRAMS) and uses its innovation capability to undertake New Chemical Entity (NCE) based CRAMS projects. Suven is headquartered in Hyderabad, Telangana with its R&D facilities in Hyderabad and Medak and has 3 manufacturing locations at Medak, Nalgonda and Visakhapatnam. The company has a 950+ member team which includes 400 member strong R&D team comprising of 35 PhDs. Suven focuses in the research intensive areas of analytical development, drug discovery, process R&D and formulations development. They have fifteen years of drug discovery and development experience and their first discovery project is SUVN-502 (5-HT6 receptor antagonist for Alzheimer's Disease) and phase II POC of this molecule in aged population is currently going in USA with the results being positive so far. They also have three more internally discovered molecules (SUVN-G3031, SUVN-D4010 and SUVN-911) and are presently being evaluated in human clinical trials.

An innovation oriented enterprise...

Suven had invested US\$ 5.35 million in 2017- 18 for developing its NCE pipeline in Phase 2A and has achieved considerable progress in that direction. The company has so far undertaken 1247 product patents, 37 product inventions, 46 process patents and 11 process inventions. Of the 13 molecule pipeline, they have four molecules that are under various stages of clinical trials. If approved, these molecules will be the main growth drivers of the company. They also have strong research facilities which drives their growth. They are working on approximately 8-10 formulation products, the ANDAs of which will be filed in a phased manner from 2020 onwards.

Major business Segments...

The Company has primarily 2 business segments as previously mentioned namely: 1) CRAMS 2) NCE

CRAMS- Suven's 'CRAMS' services include custom synthesis, processed R&D, scale up and contract manufacturing of intermediates, APIs and formulations. CRAMS is further subdivided into Core and Commercial. Around 50% of the total revenue of Suven comes from this segment.

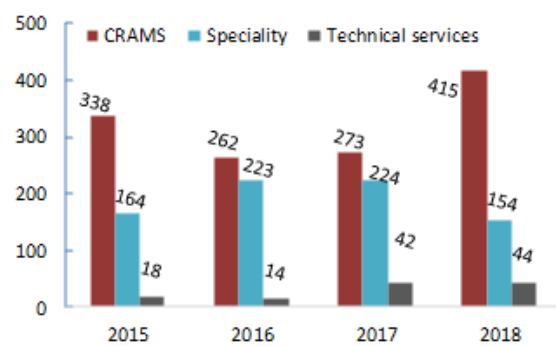
NCE- Suven is one of the few players in the world in the CNS (Central Nervous System) research which is the second largest and fastest growing segment in the pharma industry. They entered this segment in 2005 and has been able to come up with 13 molecules so far. Currently, molecules thus developed are monetised after phase 2 by way of 3rd party licensing.

Main revenue generating verticals...

Within the CRAMS, the company generates revenue from the following segments :

- a) Base CRAMS- Suven partners with global innovator companies for developing and supplying intermediates for their NCE programme.
- b) CRAMS for commercial products- This is a high-value, high margin vertical where the company supplies intermediates for NCEs that are launched globally.
- c) Supply of specialty chemicals- The company supplies complex specialty intermediary which is not easy to develop.
- d) Contract Technical Services: This comprises fees for technical services provided by the company to global pharmaceutical companies and fee from its exclusive marketing license for the Malathion lotion (a formulated product) to Taro Pharmaceuticals in the US and Canada.

Segment wise sales data (Crs)



Source: Company, Geojit Research.

The global CNS therapeutic market is expected to reach USD 128.9 billion by 2025.

Growing geriatric population prone to various CNS diseases including Alzheimer's & schizophrenia will create more sector specific demand.

Low cost of production is an extra advantage for Indian pharma companies.

Prominent player in the CNS space...

Expanding old age population and rising prevalence of lifestyle related nervous disorders are increasing global demand for CNS therapeutics. Rising prevalence of mental illnesses and increasing awareness regarding psychiatric disorders are other factors driving the market growth. As per a latest report by Grand View Research, Inc, the global CNS therapeutic market is expected to reach USD 128.9 billion by 2025.

Suven's discovery assets address niche areas of cognitive impairment associated with neurodegenerative disorders like Alzheimer's, Attention Deficient Hyperactivity Disorder (ADHD), Huntington's chorea, Parkinson's, schizophrenia and sleep disorders. It is expected that the global demand for the treatment of Parkinson's and Alzheimer's diseases are anticipated to witness extensive growth over the next 10 years.

Strong CSR orientation...

SUVEN's CSR policy focuses on building economic, social and environmental capital. Suven has Initiated CSR activity in 2014 and till March 2018 end, they have spent Rs7.19crs towards different activities in the regions of Telangana & Andhra Pradesh. It includes educational scholarships, tuition support, promotion of road safety awareness, safe drinking water promotion, rural development project & environmental sustainability, mid-day meal program as well as supplementing of State Govt. schemes for drinking water, health and education.

Expanding CNS Market to aid growth momentum...

According to the Grand View Research, the global Central Nervous System (CNS) therapeutic market size was worth USD 77.2 billion in 2016 and is anticipated to grow at a CAGR of 5.9% during the forecast period. Advancements in diagnostics, therapeutics, and drug discovery techniques are primarily driving the growth. Moreover, rising demand for effective therapeutic options are motivating major pharmaceutical companies to invest on the R&D space, thus creating future growth opportunities. In addition, growing geriatric population prone to various CNS diseases including Alzheimer's & schizophrenia as well as diseases associated with sedentary lifestyle & chronic mental disorders opens up many avenues. Suven Life Sciences is in an advantageous position as they have the necessary infrastructure, capabilities and experience to tap into this ever expanding market and reap the fruits of its labour

About the Industry...

The CDMO (Contract Development and Manufacturing Organisation) industry started out decades ago as a niche service, offering additional manufacturing capacity or specialty services to pharmaceutical companies. The rise of the CDMOs was fueled by failure stories in the pharmaceutical industry. In the past, pharmaceutical companies often installed dedicated manufacturing capacities for innovative drugs in development, only to see them fail during phase III of clinical research trials. Thus, the additional manufacturing capacity for the specific drugs was no longer needed.

The global CDMO industry is currently experiencing a high single digit growth rate, and Ernst & Young forecasts a 7.5% compound annual growth rate for this market in the period from 2015-2019, driven by three key factors: increased outsourcing of manufacturing by pharmaceutical companies to optimise costs, improve quality and focus resources on their core interests; an underlying increase in the use of pharmaceuticals; and worldwide growth of generics firms, which often rely on third-party manufacturers.

Advantage for Indian pharma sector...

High economic growth along with increasing reach of health insurance to the general public via different government policies are opening up ways for the sector to have higher penetration. Besides Government of India has envisioned a commendable plan named 'pharma vision 2020' which aims to make India a leader in drug manufacturing. Additionally, low cost of production is an extra advantage we have been enjoying.

To reduce the risk of expensive overcapacities, the demand for outsourced manufacturing has been rising continually. At a time when pharmaceutical companies were facing increasing price pressures around the globe from key players, including public and government insurance systems, reducing operational expenses is a major driver of outsourcing pharmaceutical manufacturing to CDMOs. Also, an increasing number of pharmaceutical companies are refocusing on their core capabilities and strengths, leading to divestments of in-house manufacturing capacities in some areas and to a growing reliance on CDMOs in other areas.

Business Model in a Capsule



Key Features

CRAMS

- Leader and innovator for NCE based intermediaries
- Includes project research, custom synthesis, formulation development & manufacturing cum packing
- Currently has 600+ projects and Employs 400+ R&D professionals

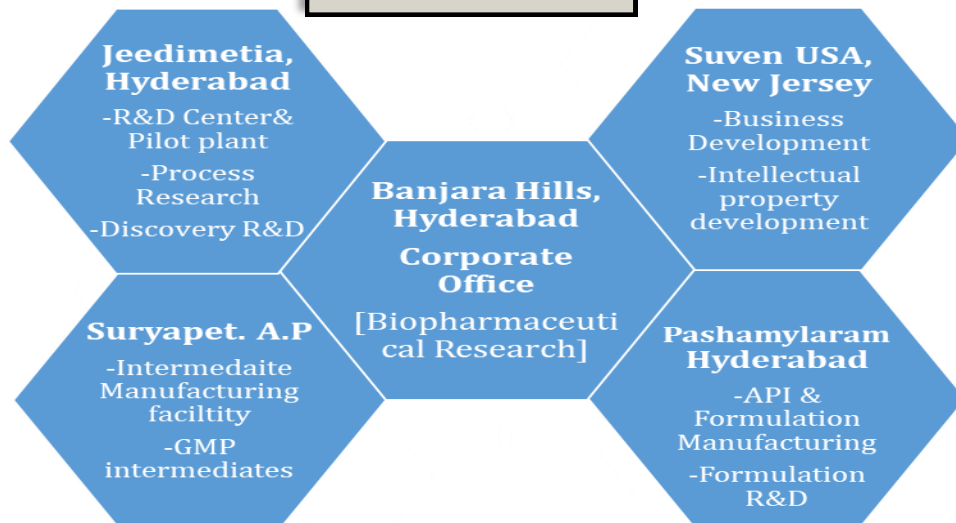
DDDSS

- Leader in CNS based internal discovery in India
- Consists of lead identification & optimisation along with pre-clinical tests
- Possess state of art facility and models

CRP

- Relationship with more than 22 global pharmaceutical

FACILITIES



Source: Company, Geojit research

Enjoys healthy relationship with 30 global pharmaceutical companies and has negligible debt.

CNS is currently the second largest and fastest growing segment in the pharma sector

Rationale for Investing

Proven Track Record & Reliability...

Having successfully undertaken more than 800 projects over two decades for 70+ global pharmaceutical companies, Suven has earned the respect of global innovators and pharmaceutical players as a reliable research partner. These credentials and strong business relations will facilitate the company in securing a larger number of CRAMS projects. Being an established player in this industry, one of their major advantage is in securing contracts. They currently enjoys healthy relationship with 30 global pharmaceutical companies and boasts a very healthy balance sheet with negligible debt.

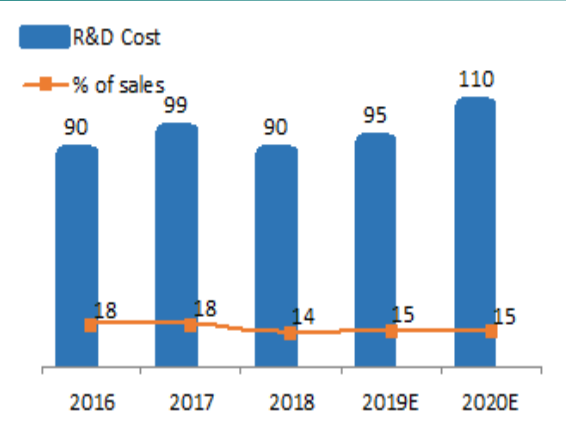
CNS Segment- A relatively unexplored territory...

The global CNS therapeutic market is expected to reach USD 128.9 billion by 2025, according to a new report by Grand View Research, Inc. The industry in Asia Pacific is expected to report the fastest growth owing to various developments across major economies of the region, especially in the mental health sector. Suven is one of the few players in the world in the CNS segment research, which happens to be the second largest and fastest growing one.

Provides world-class R&D solutions...

Suven discovery research is focused on discovering and developing NCEs in nervous system therapies for the treatment of cognitive, sleep, psychiatric, gastro-intestinal motility and major depressive disorders. Their main R&D facility is functioning at Jeedumetla, Hyderabad catering to Discovery and Analytical R&D. As of now, they have one molecule in phase 2, two in phase 1 and one in pre-clinical stage.

Research expenditure as a % of sales



Source: Company, Geojit Research.

Satisfying progress with SUVN-502...

SUVN-502, a drug for treating patients with moderate Alzheimers has almost reached the last stage in Phase 2. Since 2003, no molecules have been discovered for this type of Alzheimers. As per the management the potential market size of this single molecule can go up to a maximum of \$5 billion per year . The last molecule out-licensed was, to Otsuka by Lundbeck and that time they reported an upfront payment of \$150 million and downstream payments of \$680 million, out of which the management guesses that they have received about \$300 million(approx.). But the product failed in Phase-3.

So, if SUVN-502 completes all the phases successfully, it would definitely raise the company to new levels. They have recently achieved the milestone of enrolling the last patient. And the most important thing; the safety of the molecule is now well established as the drug safety monitory board met three times during the trial and they never raised any questions on any side effects. The company is thus optimistic and expects further clarity by mid-CY19.

In 2018, Alzheimer's and other Dementias will cost the nation

\$227 BILLION

By 2050, these costs could rise as high as

\$1.1 TRILLION



5.7
MILLION

Americans are living with Alzheimer's

By 2050, this number is projected to rise to nearly

14
MILLION



Source: Suven Annual Report, 2018

Future Prospective molecules in pipeline...

Suven is one of the leading company from India focusing on treatments in unmet medical needs for mental health. Suven's discovery assets address the niche areas of cognitive impairment associated with neurodegenerative disorders like Alzheimer's, Attention Deficient Hyperactivity Disorder (ADHD), Huntington's chorea, Parkinson's and Sleep Disorders.

Present Stage of innovation molecules

Candidate	Pre- (Clinical)	Phase 1 (Clinical)	Phase 2 (Clinical)	Phase 3 (Clinical)
SUVN-502	→			
SUVN-G3031	→			
SUVN-D4010	→			
SUVN-911	→			
SUVN-I6107	→			

Source: Company, Geojit Research

Of the 13 molecules they have in pipeline, four molecules are under various stages of clinical trials.

- SUVN-G3031: Completed Phase I clinical trial in the US in the year of 2016-17. Phase 2 will be conducted specifically for testing sleep related disorders and it is expected to be initiating Phase II Clinical Trial during Q3/Q4 2018-19.
- SUVN-D4010: Known as a disease modifying and symptomatic treatment molecule for Alzheimer's Disease. It is presently undergoing Phase I enabling studies after successfully going through pre Clinical Trial in 2016-17 and will be ready for Phase II Clinical Trial in 2019.
- SUVN-911: A molecule for the treatment of Major Depressive Disorders (MDD) and is presently undergoing Phase I clinical trials in USA.
- SUVN-I6107: A molecule for the treatment of cognitive deficits and is undergoing Phase I enabling GLP toxicology studies in USA.

A cash surplus company with Rs.300+ crs as of today.

Expected to incur CAPEX of Rs 220crs in FY19

Revenue growth expected to revamp from FY20 after a flat FY19.

One of the main theme of Suven is to evolve themselves in to a high quality research company and succeed in effectively coming out with new niche molecules. Any one molecule's successful transfer to phase 3 will result in an opportunity to either produce the molecule in house or or out license it for a lump sum amount.

A company with surplus cash...

Suven enjoys a surplus cash balance to the range of Rs300+ crore as of today. As other business verticals continue to show better results going forward we remain confident of strengthening organisational liquidity. This additional cash surplus could be used for funding their R&D expense. Management has already expressed confidence that they will be able to handle all major expenses for the next 3 years without going for any additional dilution or borrowings. We hope that increased approvals and marketing tie-up for its formulated products over the medium term should further strengthen the organisational liquidity.

Capex to focus on building high margin FD plants...

The company is set to incur a CAPEX of Rs220crores in FY19 in order to further bolster its capabilities and also to adhere to USFDA norms which will be beneficial to the company in the long run. The Pashamylaram unit that specialises in Discovery & process Research as well as in formulation of R&D and IP Management will incur around Rs. 120 crores outlay. Out of which Rs. 50 crores has been already spent and another Rs.70 crores will be fully spent during FY19.



And third investment will be in Vizag were they have started a brand new multi-purpose plant with an outlay projection of Rs70crs to Rs80crs, to be spent within next 15 months. And all the money will be spent from the accruals only and no loans will be taken for the same. Currently they are working on 8-10 formulated products, the ANDAs for which will be filed in a phased manner from 2020 onwards and the management is confident of turning this new vertical into a robust growth driver over the next 5yr horizon.

Expert Management team guiding the company...

Shri Venkateswarlu Jasti : He is the founder & managing director and holds a dual PG degree in pharmacy from Andhra University, Visakhapatnam, India and St. John University, USA. He has specialized in Industrial Pharmacy and worked as a registered pharmacist, were he managed the Clinton Bergen Drug Company, Park Way Central Pharma and Kayes Drug Company, USA, and has 40+ years of experience.

Dr. N. V. S. Ramakrishna : Holds a M.Sc. and Ph.D. and has been the Vice President of discovery research at Suven Life Sciences Limited since March 03, 2002. Previously he has served as Vice President of - Discovery Chemistry of zydus cadila and possess 17 years of experience.

Mr M R Naidu: Holds a Doctorate in science and graduate in Mechanical Engineering and is known as a distinguished scholar. Prior to his career at Suven's, he has been the chairman and managing director of Bharat Heavy Plates and Vessels Limited (BHPV) and Hindustan Machine Tools Limited (HMT). He currently presides over technical aspects of the company

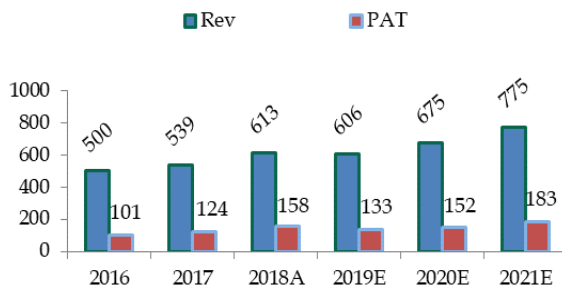
Financials

Revenue and Profits witnessing a steady rise...

Suven has seen revenue growth in all the previous years except in FY16 which saw a de-growth on account of lower core CRAMS primarily attributed to two customers who withdrew the orders subsequently. Revenue witnessed a steady CAGR growth of 12% in FY16-18 owing to healthy order receipts. FY16 also saw a jump in revenue from technical services which rose by ~200%. H1FY19 saw a slight de- growth of 8% due to zero revenue generation from commercial CRAMS in Q2FY19 which is now scheduled to coming quarters. We expect a good Q4FY19 and sales to see higher growth in FY20.

Speciality segment projected to grow at 16% in FY20

Revenue and PAT on YoY basis(Crs)

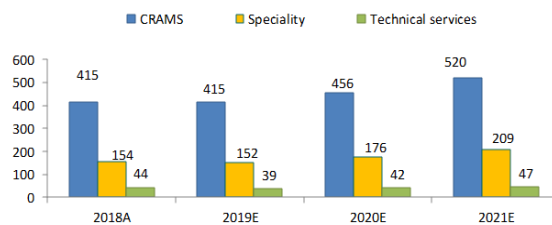


Source: Company, Geojit Research.

Better product mix - The key to higher growth...

Core CRAMS profitability increased in FY18 owing to an improvement in the product mix. We expect the same to continue in FY19. It is expected that supply of commercial quantities will reach steady state by end of FY19 and is estimated to generate stable revenue for the next 2-3 years. We forecast speciality segment to grow at 16%&19% resp. for FY20 and 2021 and predict a conservative rate for technical services as royalty income from Taro is decreasing due to higher competition.

Product mix projections (Crs)

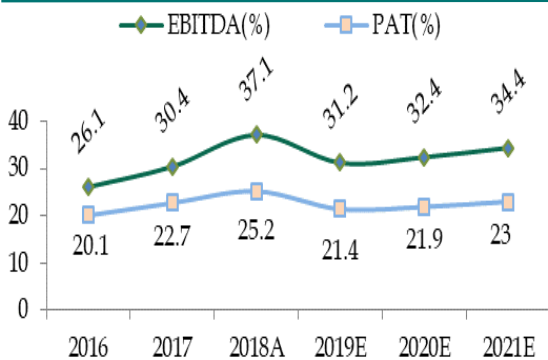


Source: Company, Geojit Research.

Stable margins to provide strong cushion...

Suven has been able to bring its EBITDA margins to ~32% levels in the last two years. Net profit margin has also improved and is around ~22%. We believe that this trend is going to continue as Suven is catering to a challenging segment of CDMO. However, on a consolidated basis cost of doing clinical trial is going up and since no other income is generated from the subsidiary during research phase, there is risk of margin congestion. However, Suven's management has expressed confidence in maintaining the current margins for atleast next 2 years and therefore we thus factor a 32-35% EBITDA margin range for FY18-20.

EBITDA/ PAT Margins



Source: Company, Geojit Research.

We factor a 32-35% EBITDA margin range for FY18-20.

In last 3 years 1 year forward P/E peaked at 29x in FY19 while low was 16x in FY16

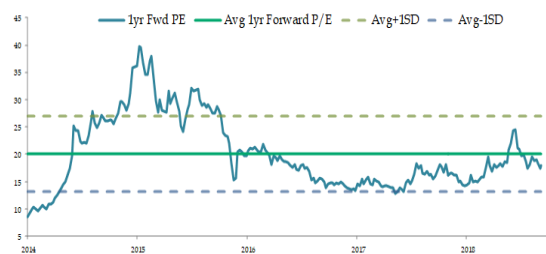
We expect the revenue to grow at 13% CAGR over FY19-21E and PAT to grow at a CAGR of 17% during the same period and EBITDA margin to stabilize around 33%.

Valuations

Steady Growth with Long Term Prospects...

Suven is currently trading at a 1 yr Forward P/E of 18x. 5yr average P/E stands at 16x with a high of 29 in FY19 and low of 16 in FY16(last 3 years). The company's sales registered a CAGR of 12% during the period FY2016-18, while EBITDA margins grew from 26.1% in FY16 to 37.1% in FY18. Adjusted PAT increased from Rs100.6crs to Rs157.8crs during the same period indicating a clear increase in profitability. During H1FY19, the company posted 14% (YoY) topline growth while bottomline saw degrowth of 7%(YoY) due to poor commercial sales.

1 Yr fwd P/E band



Source: Bloomberg, Geojit Research.

We value at 18x...

We believe that Suven is heading towards a new growth phase as it focuses on niche molecules which are not easy to develop. Foray into formulation segment will add flexibility to their business model. We foresee pick up in their CRAMS business due to high emphasis on research and vertical integration they could achieve later in future. We expect the revenue to grow at 13% CAGR over FY19-21E and PAT to grow at a CAGR of 17% during the same period. We also expect EBITDA margin to stabilize around 33%.

We anticipate the industry growth to be stable for the next couple of years even in the scenario of certain drugs becoming generic. As the new molecules gets approved, it will become a revenue booster for the company. Hence we value Suven at 18x on FY21E EPS and arrive at a target price of Rs260 and recommend 'Buy' rating at CMP.

Peer Comparison...

Company	Sales (cr)			EBITDA Margin %		
	FY18A	FY19E	FY20E	FY18A	FY19E	FY20E
Suven	625	675	754	37.1	32.2	34.4
Syngene	1,423	1,714	2,178	33	30	31
Divis lab	3,913	4,678	5,379	33	38	39
Jubilant Life	7,424	9,010	10,073	21	20	21

Company	Sales CAGR(%)	EBITDA CAGR(%)
	FY 18-20E	FY 18-20E
Suven	10	6
Syngene	24	21
Divis Lab	17	27
Jubilant Life	16	18

Company	P/E			ROE%		
	FY18A	FY19E	FY20E	FY18A	FY19E	FY20E
Suven	17	18	15	20	16	17
Syngene	38	36	30	18	16	16
Divis Lab	31	32	27	16	19	20
Jubilant Life	13	12	10	17	19	20

Source: Bloomberg, Geojit Research

Key Risks...

- Compliance risk: Any unexpected issues from USFDA inspections or other international bodies could directly impact their sales revenue.
- Growth risk: Maintaining the historical growth momentum could appear a challenge unless Suven is able to generate it from other verticals.
- Contract risk: Inability to secure contract research projects could jeopardise the Company's growth.
- Profitability risk: Maintaining the high profitability margin could be challenging for the company especially when many drugs turn generic.
- Cash flow risk: Generating an increased cash flow is necessary for sustaining the company's NCE pipeline and research expenses.
- People Risk: Suven focusses on quality research and lack of personal or unexpected attrition can be detrimental.

Standalone Financials

PROFIT & LOSS

Y.E March (Rs Cr)	FY17A	FY18A	FY19E	FY20E	FY21E
Sales	544	625	623	695	796
% change	9.0	14.8	(0.3)	11.6	14.5
EBITDA	166	232	194	225	274
% change	27.1	40.2	(16.3)	15.9	21.6
Depreciation	21	21	25	30	35
EBIT	144	211	169	195	239
Interest	6	5	3	2	2
Other Income	21	23	24	25	25
PBT	160	230	191	218	262
% change	26.4	43.8	(17.0)	14.2	20.2
Tax	36	72	57	65	78
Tax Rate (%)	22.5%	31.3%	30.0%	30.0%	30.0%
Reported PAT	124	158	133	152	183
Adj.*	-	-	-	-	-
Adj. PAT	124	158	133	152	183
% change	23.1	27.4	(15.4)	14.2	20.2
No. of shares (cr)	12.7	12.7	12.7	12.7	12.7
Adj EPS (Rs)	9.7	12.4	10.5	12.0	14.4
% change	23.1	27.4	(15.4)	14.2	20.2
DPS (Rs)	0.96	1.50	2.00	2.00	2.00

BALANCE SHEET

Y.E March (Rs Cr)	FY17A	FY18E	FY19E	FY20E	FY21E
Cash	4	13	11	23	42
Accounts Receivable	46	62	61	63	72
Inventories	93	139	143	149	170
Other Cur. Assets	6	7	7	8	9
Investments	366	381	400	415	455
Gross Fixed Assets	348	373	463	543	623
Net Fixed Assets	305	305	370	420	465
CWIP	10	25	20	20	20
Intangible Assets	1	3	5	8	8
Def. Tax (Net)	2	(23)	(13)	2	17
Other Assets	44	74	79	90	104
Total Assets	876	985	1,083	1,197	1,361
Current Liabilities	80	83	81	74	85
Provisions	7	8	9	10	11
Debt Funds	26	1	0	0	0
Other Liabilities	2	1	1	1	1
Equity Capital	13	13	13	13	13
Reserves & Surplus	719	854	957	1,078	1,230
Shareholder's Fund	732	867	969	1,091	1,243
Total Liabilities	876	986	1,084	1,197	1,362
BVPS	57	68	76	86	98

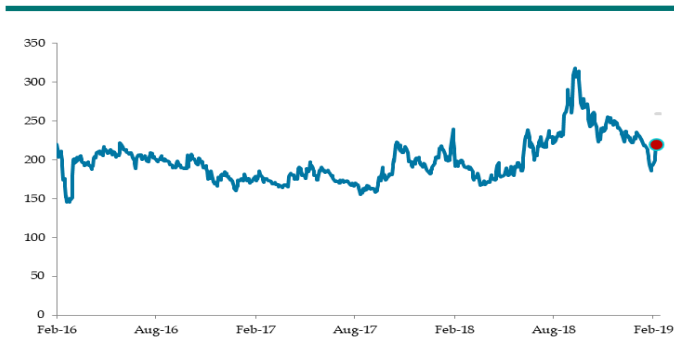
CASH FLOW

Y.E March (Rs Cr)	FY17A	FY18E	FY19E	FY20E	FY21E
Net inc. + Depn.	19	25	22	25	30
Non-cash adj.	5.0	3.7	0.1	-1.4	-9.1
Changes in W.C	1	(9)	(1)	(1)	(2)
C.F-Operation	15	10	15	17	20
Capital exp.	(3)	(4)	(9)	(8)	(8)
Change in inv.	(32)	0	(2)	(2)	(4)
Other invest.CF	-	-	(0)	(1)	(1)
C.F - investment	(35)	(4)	(11)	(11)	(13)
Issue of equity	-	-	-	-	-
Issue/repay debt	(9)	(30)	(1)	-	-
Dividends paid	(1)	(2)	-	-	-
Other finance.CF	(6)	(5)	(2)	(2)	-
C.F - Finance	(3)	(6)	(4)	(5)	(5)
Chg. in cash	(235)	9	(2)	12	19
Closing cash	4	13	11	23	42

RATIOS

Y.E March	FY17A	FY18E	FY19E	FY20E	FY21E
Profitab. & Return					
EBITDA margin (%)	30.4	37.1	31.2	32.4	34.4
EBIT margin (%)	26.5	33.7	27.2	28.0	30.0
Net profit mgn.(%)	22.7	25.2	21.4	21.9	23.0
ROE (%)	18.3	19.7	14.5	14.8	15.7
ROCE (%)	19.7	24.3	17.5	17.9	19.2
W.C & Liquidity					
Receivables (days)	33.3	31.3	36.0	32.6	30.9
Inventory (days)	59.0	67.7	82.8	76.7	73.1
Payables (days)	4.1	1.1	1.0	0.9	0.8
Current ratio (x)	1.8	2.4	2.5	2.9	3.1
Quick ratio (x)	0.7	0.9	0.9	1.2	1.3
Turnover &Leverage					
Gross asset T.O (x)	1.6	1.7	1.5	1.4	1.4
Total asset T.O (x)	0.7	0.7	0.6	0.6	0.6
Int. covge. ratio (x)	25.5	45.9	64.8	83.0	106.4
Adj. debt/equity (x)	0.1	0.0	0.0	0.0	0.0
Valuation					
EV/Sales (x)	5.2	4.5	4.5	4.0	3.5
EV/EBITDA (x)	17.2	12.1	14.5	12.4	10.1
P/E (x)	22.6	17.7	21.0	18.4	15.3
P/BV (x)	3.8	3.2	2.9	2.6	2.3

PRICE HISTORY



Source: Bloomberg, Geojit Research.

Dates	Rating	Target
7 th February	Buy	260

Investment Rating Criteria

Large Cap Stocks;		Mid Cap and Small Cap;			
Buy	-	Upside is above 10%.	Buy	-	Upside is above 15%.
Hold	-	Upside is between 0% - 10%.	Accumulate	-	Upside is between 10% - 15%.
Reduce	-	Downside is more than 0%.	Hold	-	Upside is between 0% - 10%.
Neutral	-	Not Applicable	Reduce/Sell	-	Downside is more than 0%.
			Neutral	-	Not Applicable

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Neutral- The analyst has no investment opinion on the stock under review

General Disclosures and Disclaimers

CERTIFICATION

I, Dilish K Daniel, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

COMPANY OVERVIEW

Geojit Financial Services Limited (hereinafter Geojit), a publically listed company, is engaged in services of retail broking, depository services, portfolio management and marketing investment products including mutual funds, insurance and properties. Geojit is a SEBI registered Research Entity and as such prepares and shares research data and reports periodically with clients, investors, stake holders and general public in compliance with Securities and Exchange Board of India Act, 1992, Securities And Exchange Board Of India (Research Analysts) Regulations, 2014 and/or any other applicable directives, instructions or guidelines issued by the Regulators from time to time.

DISTRIBUTION OF REPORTS

This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Geojit will not treat the recipients of this report as clients by virtue of their receiving this report.

GENERAL REPRESENTATION

The research reports do not constitute an offer or solicitation for the purchase or sale of any financial instruments, inducements, promise, guarantee, warranty, or as an official confirmation of any transaction or contractual obligations of any kind. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. We have also reviewed the research report for any untrue statements of material facts or any false or misleading information. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

RISK DISCLOSURE

Geojit and/or its Affiliates and its officers, directors and employees including the analyst/authors shall not be in any way be responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Investors may lose his/her entire investment under certain market conditions so before acting on any advice or recommendation in these material, investors should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. This report does not take into account the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this report (including the merits and risks involved). The price, volume and income of the investments referred to in this report may fluctuate and investors may realize losses that may exceed their original capital.

FUNDAMENTAL DISCLAIMER

We have prepared this report based on information believed to be reliable. The recommendations herein are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/return/lack of clarity/event we may revisit rating at appropriate time. The stocks always carry the risk of being upgraded to buy or downgraded to a hold, reduce or sell. The opinions expressed are subject to change but we have no obligation to tell our clients when our opinions or recommendations change. This report is non-inclusive and does not consider all the information that the recipients may consider material to investments. This report is issued by Geojit without any liability/undertaking/commitment on the part of itself or any of its entities. We may have issued or may issue on the companies covered herein, reports, recommendations or information which is contrary to those contained in this report.

The projections and forecasts described in this report should be evaluated keeping in mind the fact that these are based on estimates and assumptions and will vary from actual results over a period of time. The actual performance of the companies represented in the report may vary from those projected. These are not scientifically proven to guarantee certain intended results and hence, are not published as a warranty and do not carry any evidentiary value whatsoever. These are not to be relied on in or as contractual, legal or tax advice. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice.

JURISDICTION

The securities described herein may not be eligible for sale in all jurisdictions or to all categories of investors. The countries in which the companies mentioned in this report are organized may have restrictions on investments, voting rights or dealings in securities by nationals of other countries. Distributing/taking/sending/dispatching/transmitting this document in certain foreign jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe any such restrictions. Failure to comply with this restriction may constitute a violation of any foreign jurisdiction laws. Foreign currencies denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. Investors in securities such as ADRs, the value of which are influenced by foreign currencies effectively assume currency risk.

REGULATORY DISCLOSURES:

Geojit's Associates consists of privately held companies such as Geojit Technologies Private Limited (GPL- Software Solutions provider), Geojit Credits Private Limited (GCPL- NBFC Services provider), Geojit Investment Services Limited (GISL- Corporate Agent for Insurance products), Geojit Financial Management Services Private Limited (GFMSL) & Geojit Financial Distribution Private Limited (GFDPL), (Distributors of Insurance and MF Units). In the context of the SEBI Regulations on Research Analysts (2014), Geojit affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

1. Disclosures regarding Ownership*:

Geojit confirms that:

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein.

It/its associates have no actual beneficial ownership greater than 1% in relation to the subject company (ies) covered herein.

Further, the Analyst confirms that:

he, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company.

he, his associates and his relatives have no actual/beneficial ownership greater than 1% in the subject company covered

2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

3. Disclosure by Geojit regarding the compensation paid to its Research Analyst:

Geojit hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that the I, Dilish K Daniel, Research Analyst(s) of Geojit have not served as an officer, director or employee of the subject company

5. Disclosure regarding Market Making activity:

Neither Geojit/its Analysts have engaged in market making activities for the subject company. Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

Geojit Financial Services Ltd. (formerly known as Geojit BNP Paribas Financial Services Ltd.), Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: www.geojit.com. For investor queries: customer@geojit.com, For grievances: grievances@geojit.com, For compliance officer: compliance@geojit.com.

Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: IN-H200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226