

July 22, 2015

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Rating	BUY
Price	Rs198
Target Price	Rs310
Implied Upside	56.6%
Sensex	28,182
Nifty	8,529

(Prices as on July 21, 2015)

Trading data

Market Cap. (Rs bn)	30.6
Shares o/s (m)	154.5
3M Avg. Daily value (Rs m)	290.6

Major shareholders

Promoters	54.02%
Foreign	21.76%
Domestic Inst.	0.71%
Public & Other	23.51%

Stock Performance

(%)	1M	6M	12M
Absolute	17.5	16.4	1.9
Relative	14.4	18.8	(7.7)

How we differ from Consensus

EPS (Rs)	PL	Cons.	% Diff.
2016	22.8	18.5	23.4
2017	28.8	28.3	2.0

Price Performance (RIC: JULS.BO, BB: JOL IN)



Source: Bloomberg

Overcoming strong headwinds across business verticals in Pharma and Chemical segments, Jubilant Life (JOL) is set to achieve turnaround on the back of CMO, Radiopharma and Symtet. The company's Nutritional products and Radiopharma sales are expected to gain further momentum with price rise and approvals in Rubi-Fill and Magnevist in FY16E-17E. With price rise in value-added products of Pyridine, JOL invests in pyridine consuming front-end products which will benefit in better realizations in global markets including China.

While JOL's revenues are likely to improve at 13% CAGR, we estimate EBITDA to grow at 42% CAGR in FY15-17E due to a) rise in CMO profitability, b) break-even in Symtet, c) higher realisation in Radio Pharma and d) no further recurrence of remediation costs (as it was Rs1.05bn in FY15). With achievement of milestones in key business verticals, we believe the high discount of JOL valuation vis-a-vis peers will be narrowed down and gradually re-rated to its normalised 1-yr forward PE 12x-14x by FY17 from the current PE 6x-8x. With increase in earnings estimates by 10% and 25%, JOL trades at PE 9.5x and 7.6x of FY16E and FY17E, respectively. We upgrade our recommendation to 'BUY' and increase TP to Rs310.

- We estimate EBITDA margin of 17% and 17.5% in FY16E and FY17E, respectively, though the company's average EBITDA margin is at 18-20% with its normalised business in Pharma and Chemical (LSI) business.
- Normalised PAT to grow at 8% CAGR in FY16E-17E, respectively, with assumptions of 25% effective tax rate. Higher probability of profit in subsidiary with previous operating losses to provide upside potentials to our estimates.
- Maintain JOL's guidance of annual capex of Rs4.5-5bn in FY16E-17E. High capex due to new pyridine-based project to increase ROE back-ended, while ROCE will grow faster with strong improvement in operating leverage.

Key financials (Y/e March)	2014	2015	2016E	2017E
Revenues (Rs m)	57,216	57,761	65,443	73,547
Growth (%)	11.9	1.0	13.3	12.4
EBITDA (Rs m)	9,259	6,392	11,125	12,871
PAT (Rs m)	3,235	(97)	3,634	4,594
EPS (Rs)	20.9	(0.6)	22.8	28.8
Growth (%)	(3.2)	NA	NA	26.4
Net DPS (Rs)	3.0	3.0	3.0	3.0

Profitability & Valuation	2014	2015	2016E	2017E
EBITDA margin (%)	16.2	11.1	17.0	17.5
RoE (%)	12.7	(0.4)	13.6	14.8
RoCE (%)	8.1	3.5	9.3	10.3
EV / sales (x)	1.2	1.2	1.0	0.9
EV / EBITDA (x)	7.5	10.9	6.0	4.9
PE (x)	9.4	NA	8.7	6.9
P / BV (x)	1.2	1.3	1.1	1.0
Net dividend yield (%)	1.5	1.5	1.5	1.5

Source: Company Data; PL Research

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Problems of business verticals behind JOL

With completion of majority of correction measures and addressing concerns, JOL is expected to improve revenues in business verticals which have been the key reasons for its worst sales growth and operating margin in FY15. The company's sales grew by 1%, while EBITDA decreased by 31%, which implied adj. EBITDA margin of 11.1% in FY15. JOL's severe beating in financial performance (since FY05) was led by multiple headwinds:

- a)** CMO business was impacted due to cGMP non-compliance and plant shutdown, Rs1.18bn.
- b)** Lower utilisation of Symtet production capacity due to stability issues in the plant, Rs350mn.
- c)** Slump in global prices of Pyridine to US\$3.5, which has been lowest in the price range US\$3.5-5/kg of Pyridine that prevailed over the past five years, Rs1.4bn.

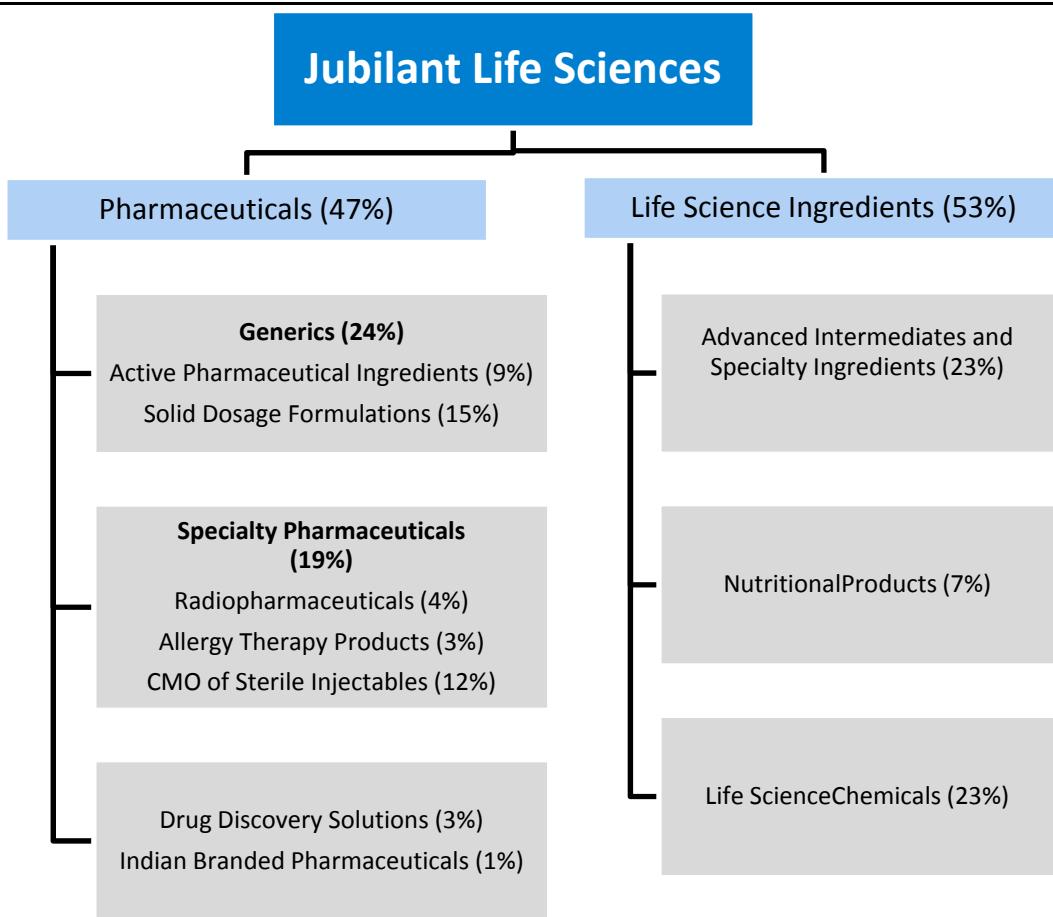
Hence, the overall EBITDA impact for the company was Rs9.3bn in FY15.

Exhibit 1: Jubilant's Revenue, growth, EBITDA margin

	FY10	FY11	FY12	FY13	FY14	FY15
Gross sales	33,859	34,464	42,780	51,660	58,030	58,263
Rev, gr (%)	13.9	1.8	24.1	20.8	12.3	0.4
Adj. EBITDA margin (%)	21.3	16.3	20.5	20.4	17.4	11.8

Source: Company Data, PL Research

Exhibit 2: Jubilant Business structures



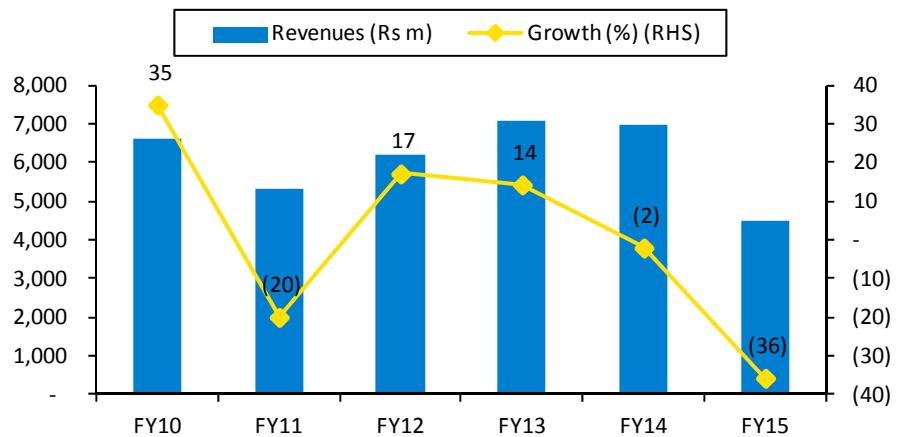
Source: Company Data, PL Research

Analysing JOL's measures to address key concerns

Contract manufacturing (CMO) business faces tough time in FY15

JOL received warning letters from USFDA for its two plants in Quebec (Canada) and Spokane (USA) in Feb 2013 and Nov 2013, respectively. This has led to comprehensive remediation measures, especially in Spokane, which was shutdown for 3-4 months. The plants also took longer-than-expected time to stabilise post remediation and impacted productivity in CMO business. Lower productivity significantly reduced sales (by 38% in US\$) to Rs4.4bn (US\$72m) and profitability in FY15.

Exhibit 3: CMO set to overcome plant related issues in FY16



Source: Company Data, PL Research

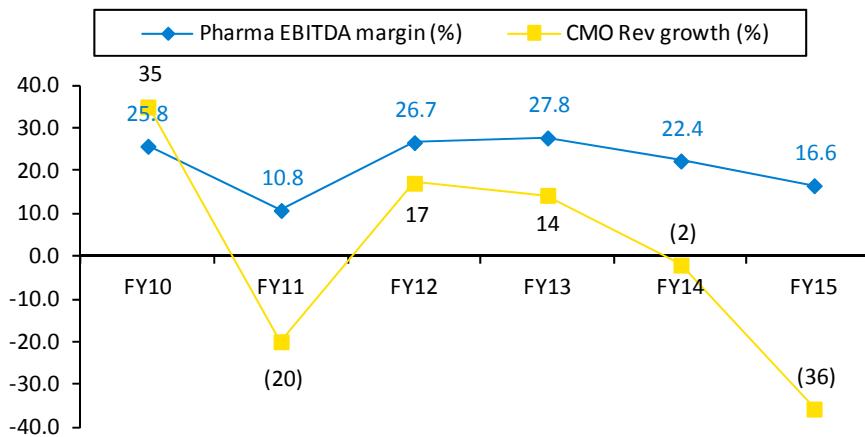
Current regulatory status of the CMO plants

With proactive initiative in achieving remediation milestone, JOL successfully achieved resolution for Quebec plant and improved regulatory status of Spokane plant within 16-18 months of receipt of the warning letter from USFDA. The regulator issued resolution (close out) letter for Quebec plant in Sep 2014 and upgraded Spokane plant to VAI (Voluntary action indicated) from OAI (Official action indicated) which paves the way for final resolution in the near term.

Current production to ramp-up faster with better profitability

While warning letter intends to put no restriction on production and supply, JOL has resorted to precautionary remediation measures which led to reduced productivity in CMO in FY15. With resolutions in the two plants, JOL's CMO has been returning back into normalised production process in CMO which is noticed in Pharma sales growth of 8% to Rs7.6bn in Q4FY15. **Spokane facility has also set up a second production line** which will benefit higher revenues in FY16E-17E. Jubilant's current backlog of orders and improving plant stability will help in faster ramp-up utilisation rate of CMO business.

Exhibit 4: Sensitivity in Pharma business is largely influenced by CMO



Source: Company Data, PL Research

With normalised sales of Rs7bn in CMO, JOL lost sales of Rs2.4bn and lost operating profit of Rs1.18bn, which also included one-off remediation costs in FY15. With gradual rise in utilization and stability, we expect CMO revenues to grow by 35% and 50% in FY16E and FY17E, respectively.

Symtet plant stability issue to be resolved with operating break-even in FY16E

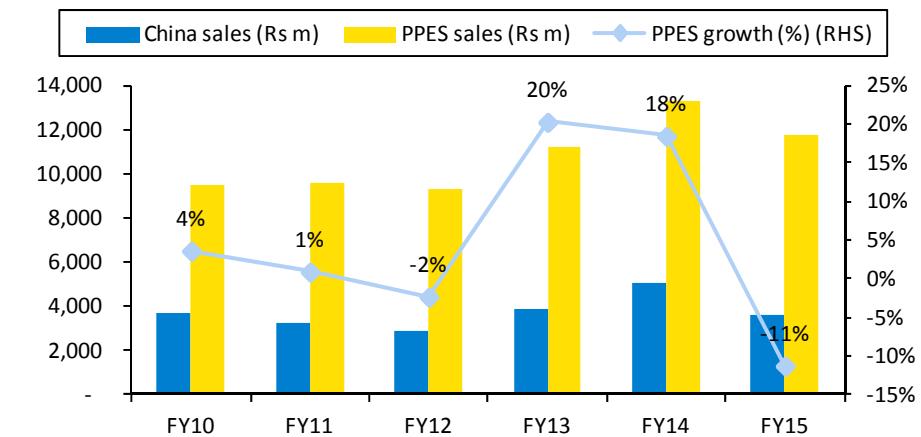
Encouraged by the strong success of the pilot project, JOL commissioned two manufacturing lines (24,000 MT) for commercial productions of Symtet in FY13. The company has a contractual supply agreement with Dow Chemical as Symtet constitutes key ingredient for agro-chemical products of the company. The Symtet plant, however, has been struggling to achieve stability since commissioning for commercial productions. We believe that **improvement in Symtet capacity utilization** is the **key for better financial performance of LSI business** and **higher captive use of pyridine** when global realisation from unit sales of Pyridine is at the lowest range in the last five years.

JOL has been able to utilize 15% capacity and incur annual operating loss of Rs350-400m. JOL identified usage of acetyl in production of Symtet causing corrosion which lead to lack of stability in higher utilization of plant. Management expects current remediation measures to address the root cause of stability issues and increase utilisations in FY16E-17E. With sensitivity of Rs20m operating profit/loss for 1% rise/fall in utilization, we expect JOL to achieve operating break-even in 30% capacity utilization in FY16E. Management expects to achieve 50% utilization in FY17E with higher profitability.

Pyridine: Impacted by multiple factors led by China

JOL's Pyridine business was impacted due to three main reasons **a)** China imposed anti-dumping duty of 24.6% on JOL's export, **b)** China govt's ban on liquid Paraquat and **c)** Global slump in Pyridine price. These multiple factors impacted JOL's PPES revenues by 14% (in US\$) YoY and decreased profitability of LSI business by 550bps in FY15.

Exhibit 5: China sales is strongly contributed by Pyridine prices and exports



Source: Company Data, PL Research

Despite MOFCOM's (Chinese regulator) imposition of anti-dumping duty on low cost import of Pyridine, JOL maintained quantity of supply to China though at a lower profitability. The scenario, however, worsened further, post China govt's decision to impose ban on the production of liquid Paraquat due to its toxicity and instructed agro-chemical industry for use of alternatives. Pyridine being one of the key ingredients of Paraquat, the ban strongly misbalances demand-supply economy of Pyridine in China. With more-than-required supply in China, the global price of Pyridine came down to its lowest average price in five years as China is the largest consumer and leading determinant of global price.

Exhibit 6: JOL's offer of pyridine portfolio and industry usage

Industry application	Pyridine portfolio
Agro-chemicals	Pyridine
Pharmceuticals	Alpha picoline
Anti-dandruff shampoos	Beta picoline
Photographic Chemicals	Gamma picoline
Dyestuffs & Textiles	2-Cyanopyridine
Rubber chemicals	3-Cyanopyridine
Metal finishes	4-Cyanopyridine
Marine paints	Piperidine
Electronics	

Source: Company Data, PL Research

Pyridine issues: Multiple strategies to reduce dependence on China exports

With 30% reduction in revenues from China, JOL's management identified multiple strategies to control Chinese exports of Pyridine, which determine global pyridine price and indirectly impacts JOL's export in non-China market. While **MOFCOM has accepted JOL's application (in Nov 2014) to reconsider rationale of anti-dumping duty**, it allowed solid Paraquat for domestic use and liquid Paraquat only for exports. As a result, JOL reshuffles its strategies for Pyridine business without impacting volume of productions, which are:

- **Captive use:** Driving for more captive use of pyridines with investments in new ventures for value-added products which consume pyridines as major raw materials. Management has planned capex of Rs4.5-5bn each for FY16E and FY17E, with an aim to establish many ventures where pyridines constitute major raw material consumptions. For example, JOL has commissioned Zinc Pyrithione plant for production of value-added (front-end) products utilising Pyridines as major raw material in Q4FY15. Similarly, higher demand of JOL's nutritional products, Niacinamide and better utilisation of Symtet will also address additional captive consumptions of Pyridine, going forward.

Exhibit 7: Pyridine consumption by usage

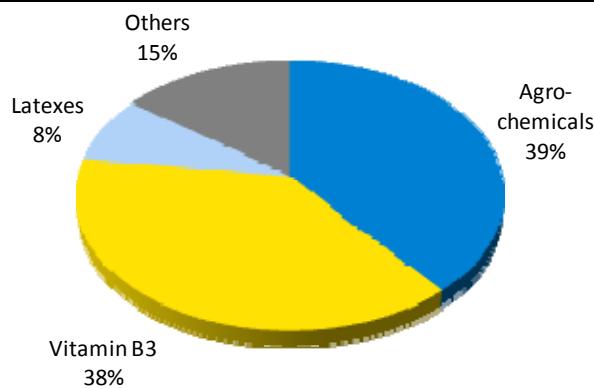
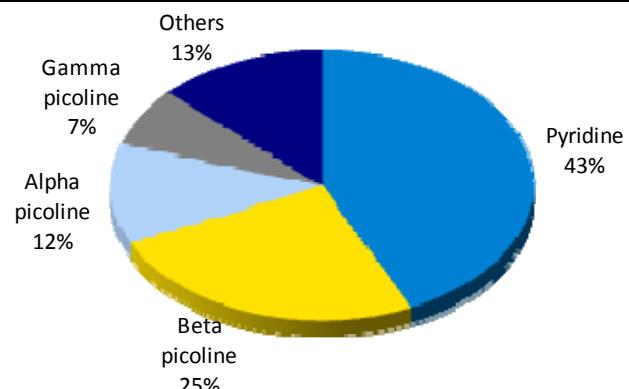


Exhibit 8: Pyridine consumption by products



Source: Company Data, PL Research

Source: Company Data, PL Research

- **Controlled supply in China to improve global price:** Management plans to supply only required quantity of pyridines for Chinese market without flooding the market and help to improve price scenario in China and global market. Though solid Paraquat is allowed, there are no solid paraquat available globally and farmers in China are using alternative herbicides such as Diquat and Glyphosate. JOL reduces quantum of pyridine exports to China which will meet required quantity for productions of alternative herbicides and liquid Paraquat for exports.

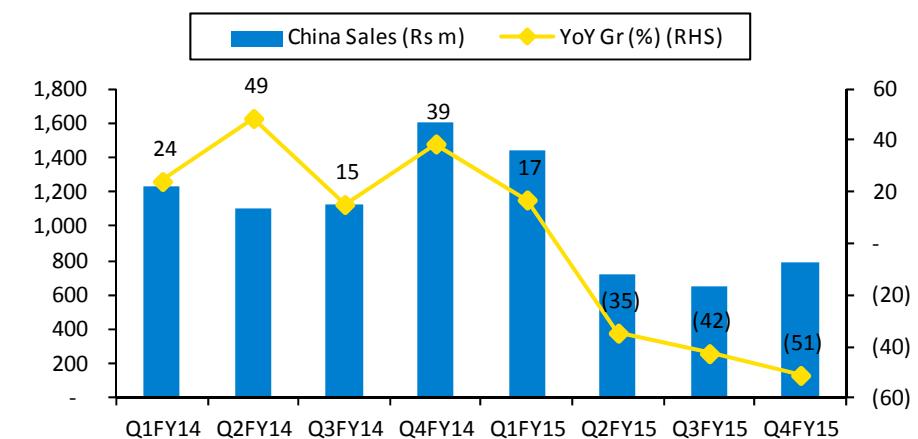
Exhibit 9: Global major producers of Pyridines

Company	Capacity (MT)	Contribution
Vertellus	59,000	33%
Jubilant Life	42,000	24%
Lonza	25,000	14%
Red Sun	12,000	7%
Others	40,000	22%
Total production	178,000	100%

Source: Company Data, PL Research

- **Exploring new geography:** JOL being one of the top-3 producers of pyridines and major supplier to China has decided to expand substantially in other geographies along with controlled export to China. The exploration strategy will address two objectives— **a)** avoid concentration of pyridine supply in few markets and help in better realisations and **b)** determinant power of China to be reduced with lower consumption of pyridines. This will also improve realisation from pyridine sales in China.

Exhibit 10: Ban on Paraquat impacted China sales and growth post Q1FY15

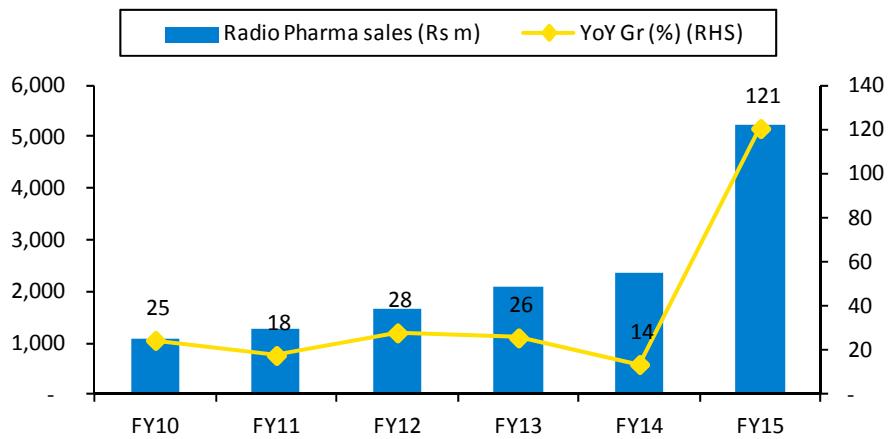


Source: Company Data, PL Research

Current growth drivers to improve further

Radio Pharma business to ramp-up further on new approvals

With resolution of manufacturing challenges of DTAA and MAA in Radio Pharma, Jubilant achieved 114% YoY revenue growth in Radio Pharma in FY15. With USFDA resolution on cGMP issues of Quebec plant, we expect 20% growth of Radio Pharma sales in FY16E and new approvals of Rubi-Fill and Magnevist to help further growth of 22% in FY17E onwards.

Exhibit 11: Radio Pharma: Sales ramps up faster post resolution of manufacturing issues

Source: Company Data, PL Research

With TAD (Target action day) from USFDA, we believe JOL could launch Rubi-Fill (Rubidium Chloride RB-82) generic in Q4FY16E or Q1FY17E while approval for Magnevist (Gadopentetate Dimeglumine) is expected in H2FY17E. JOL applied generic Rubi-Fill through 505(b)(2) route for NDA application, which will lead to faster approval for non-AB rated generic. With weak visibility of generic application from competitors for Rubi-Fill, we expect JOL's established channel partners (for current product Sestamibi) and sales team to gain major benefits from originator's US\$70m Rubi-Fill market in US. As non-AB rated drugs are not replaceable with patented drug by pharmacists, JOL plans to market its generic with brand and dedicated sales team as soon as the approval to be given in US.

Exhibit 12: Competitors in sestamibi (JOL's current prod) market in the US

Companies	Approvals	Briefs
Mallinckrodt	Sep-08	Marketing and distribution partnership with Covidien for US market
Jubilant Life Sciences	Apr-09	Marketing and distribution partnership with GE for US market
Cardinal Health	Apr-09	Own distribution network for radiopharmaceutical products
Pharmalucense	Jul-09	Delayed launches in August 2009

Source: Company Data, PL Research

Exhibit 13: JOL's product pipeline in Radiopharma in US

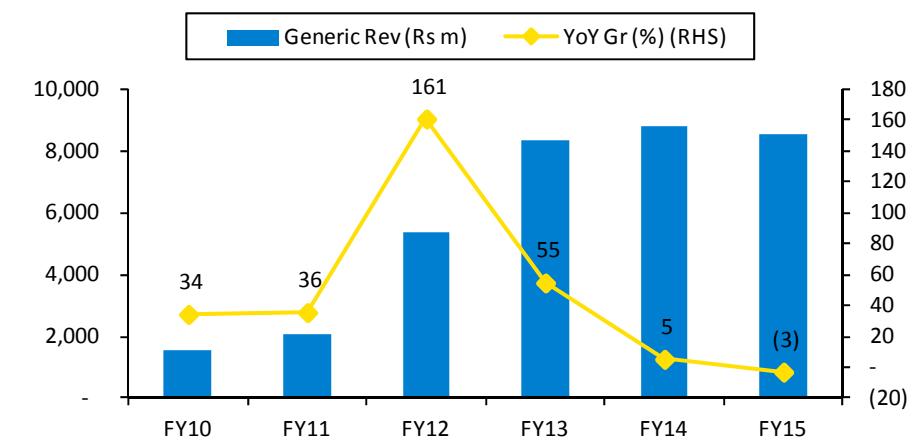
Products	Product detail
Cardiolite (generic) sestamibi kit (Launched)	Myocardial perfusion kit
Ruby-fill technetium generator	Cardiac imaging
Magnevist (generic)	MRI contrast imaging
Moly-fill technetium generator	Nuclear medical application

Source: Company Data, PL Research

US generics set to grow with better approval rate in US FDA

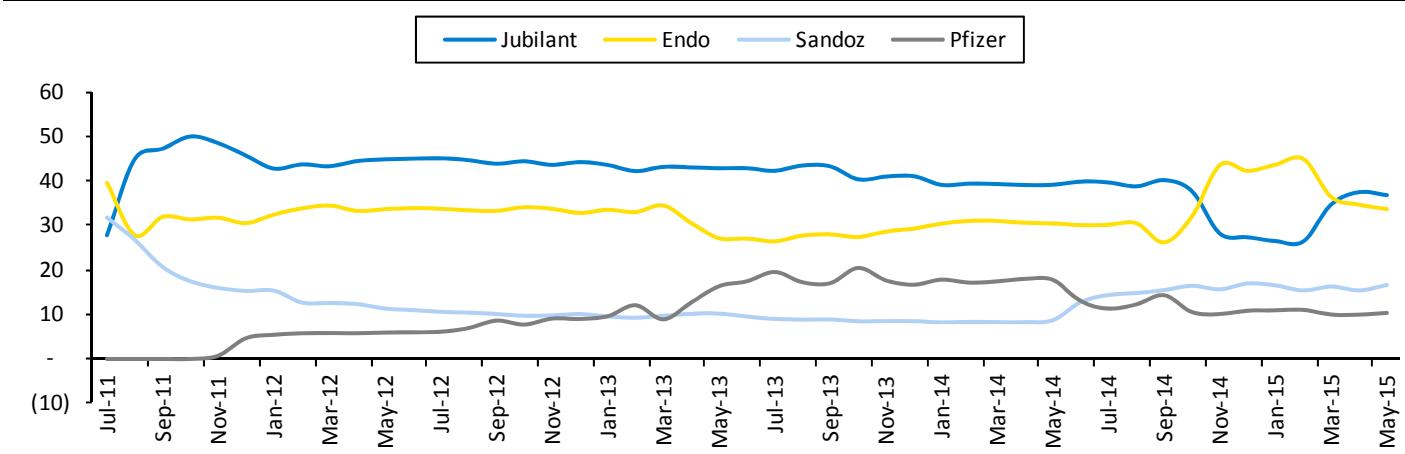
While Methylprednisolone, Terazosin and Lamotrigine remain three major sales drivers, JOL expects better revenue growth in FY16E-17E with improvement in rate of approvals by USFDA. The company also receives approval on day-one generic competition (such as Diovan) post exclusivity in US. The company however faced challenging scenario in its key generics in US, which led to insipid sale growth in Dosage formulations in FY14 and FY15. Increasing competition in JOL's dominant market share in limited competition drugs such as Methylprednisolone and Terazosin in US were the reasons for declining sales in Dosage formulations. With new approvals in day-one generics and stable market share in limited competition portfolio, we expect 6% and 8% revenue growth in global formulations in FY16E and FY17E. JOL expects Mycophenolate Mofetil and Rizatriptan launch in Q1FY16E and Q2FY16E to be the key drivers in US generics in medium term.

Exhibit 14: Dosage formulations to grow on new approvals in US



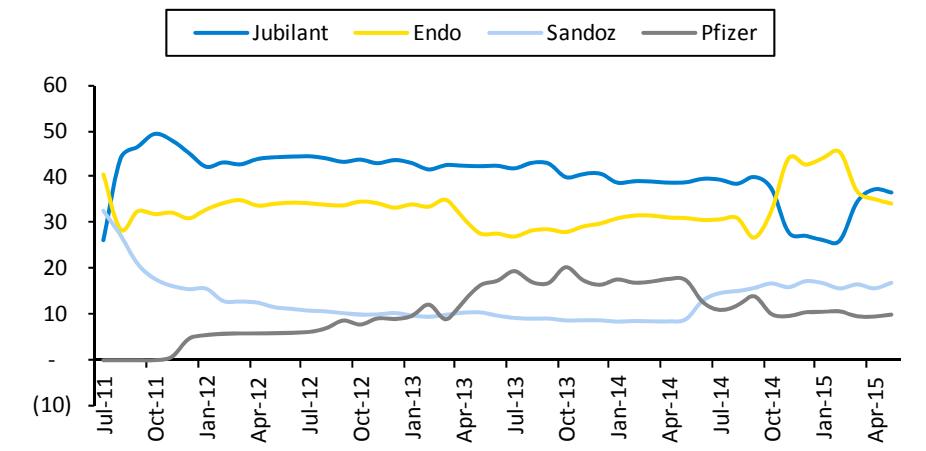
Source: Company Data, PL Research

Exhibit 15: Methylprednisolone (including all strengths): Entry of new generics led to stable Rx share



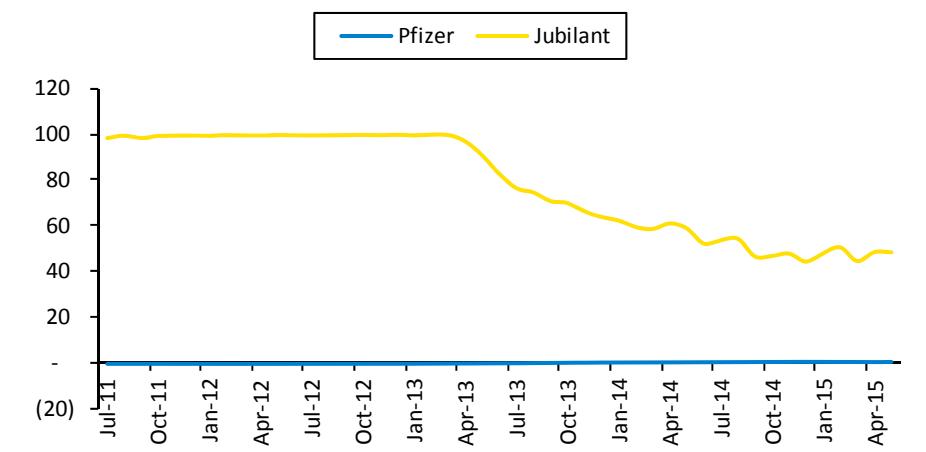
Source: Wolters Kluwer, PL Research

Exhibit 16: Methylprednisolone 4mg remains competitive as ever



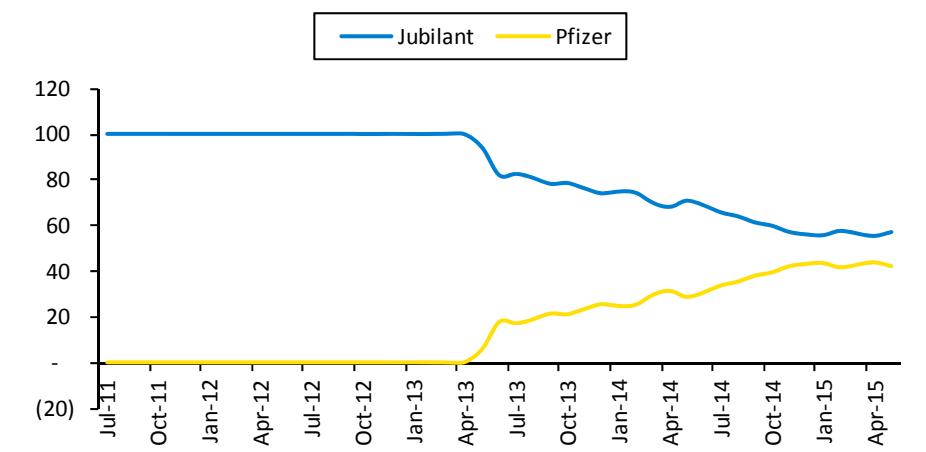
Source: Wolters Kluwer, PL Research

Exhibit 17: Importance of Methylprednisolone 8mg is reduced for JOL with limited Rx



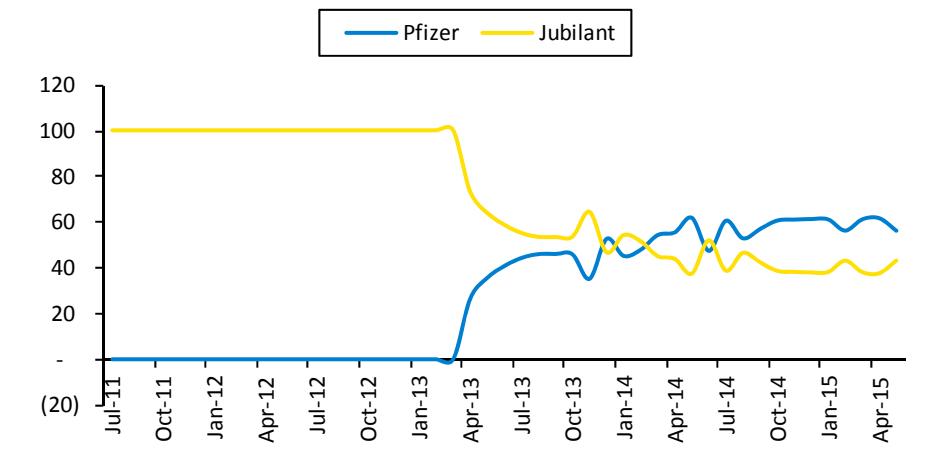
Source: Wolters Kluwer, PL Research

Exhibit 18: Re-entry of competitor normalises growth in Methylprednisolone 16mg



Source: Wolters Kluwer, PL Research

Exhibit 19: JOL stabilises its Rx share in Methylprednisolone 32mg since Q1FY14

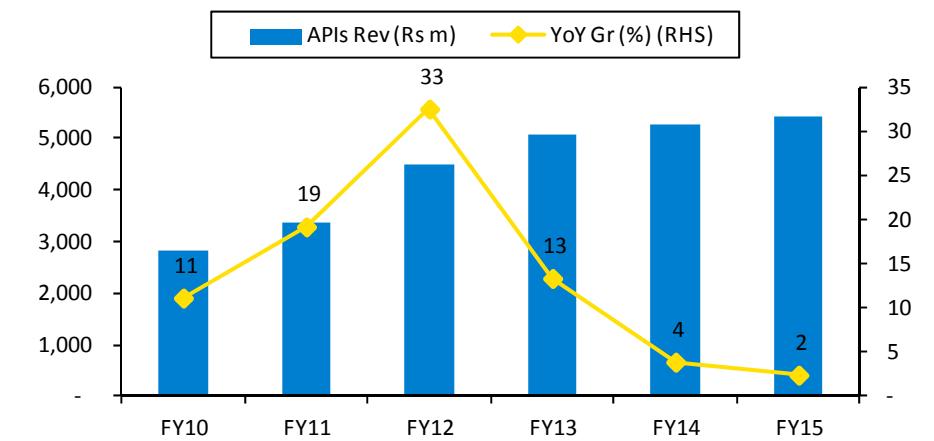


Source: Wolters Kluwer, PL Research

APIs—Maintain track record

With filing of two additional APIs in Q4FY15, JOL has commercialised 39 APIs in global markets including 21 in US/North America, 24 in EU and 26 in ROW markets. Overall, the company has commercialised five products in the past three years and expect similar success in API commercialisations in key regulated markets. JOL has 77 DMFs filed in the US, of which, 47 are pending approvals including high value opportunities such as Aripiprazole (Abilify) and Esomeprazole (Nexium). The company expects revenues from supply of Abilify APIs in medium term, while supply of Nexium API is likely to be the growth driver post September 2015 when new generics are expected post exclusivity of Teva.

Exhibit 20: Key opportunities in Abilify, Nexium to drive growth in FY16-17E



Source: Company Data, PL Research

JOL's volume leadership in CVS and CNS drugs are conventional growth drivers of the company's API business. In CNS drugs, JOL is the largest producer of Carbamazepine, Oxcarbazepine, Citalopram and Lamotrigine, while it remains in the top three producers for Risperidone, Donepezil and Olanzapine. In CVS drugs, JOL established niche in Sartan drugs such as Valsartan, Losartan, Candesartan and Irbesartan.

Exhibit 21: JOL's leading API growth drivers other than Sartans

Brands	Originators	Patent Expiry	Molecules	Market Size (USD mn)	Therapeutic areas
Aricept	Eisai	May-11	Donepezil Hcl	1500	CNS
Zyprexa	Eli Lilly	Oct-11	Olanzapine form-I	2800	CNS
Lexapro	Forest Labs	Mar-12	Escitalopram Oxalate	2700	CNS
Geodon	Pfizer	Mar-12	Ziprasidone Hcl usp	1300	CNS
Invega	Johnson & Johnson	Apr-12	Paliperidone	357	CNS
Seroquel	Astrazeneca	Apr-12	Quetiapine Fumarate	3750	CNS
Lipitor	Pfizer	May-12	Atorvastatin Calcium (Amorphous)	8120	CVS
Plavix	Sanofi	May-12	Clopidogrel Bi-sulfate usp	7000	CVS
Zometa	Novartis	Sep-12	Zoledronic Acid	775	CVS
Aciphex	Eisai	Jun-13	Rabeprazole Sodium	1230	GI
Nexium	Astrazeneca	May-14	Esomeprazole Magnesium	6300	GI
Actonel	Warner Chilcott	Jun-14	Risedronate Sodium	1100	Osteoporosis
Abilify	Otsuka	Apr-15	Aripiprazole	1733	CNS
Vesicare	Astellas	Dec-15	Solifenacin Succinate	1000	Antimuscarinic

Source: Company Data, PL Research

Domestic formulations—Foraying into new venture

JOL has forayed into domestic formulations with more than 200 reps in FY15 post sale of its healthcare business. With revenues of Rs70m in FY15 and estimated 20% CAGR in FY15-17E, we believe domestic formulations requires 24-36 months to achieve sizeable contribution to JOL's financial performance.

Exhibit 22: JOL's Revenue Break-up

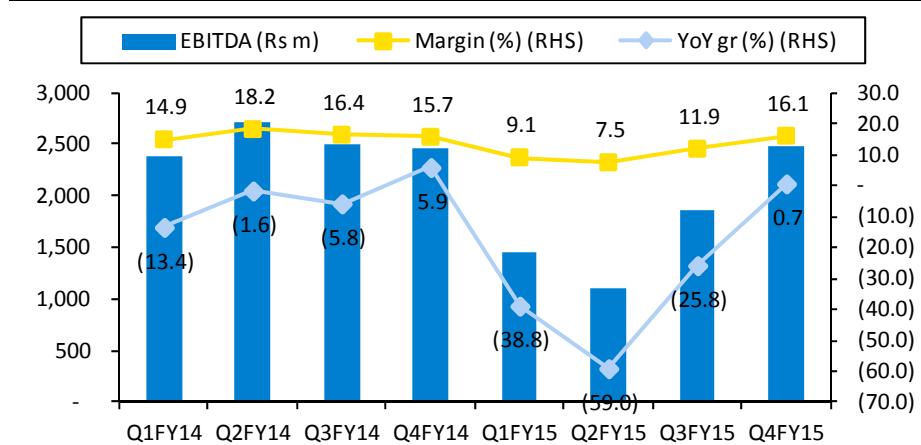
Y/e March	FY13	FY14	FY15	FY16E	FY17E
Pharmaceuticals Business (Pharma)	26,620	27,274	26,820	31,040	36,970
API (CRAMS)	5,080	5,280	5,410	5,936	6,530
Generics	12,170	13,000	15,630	17,561	19,742
Radio Pharmaceuticals (Specialty pharma)	2,090	2,380	5,250	6,401	7,809
Allergenic Extracts (Specialty Pharma)	1,770	1,860	1,870	1,995	2,035
Dosage forms	8,310	8,760	8,510	9,165	9,898
CMO of sterile/ non-Sterile Products (CRAMS)	7,100	6,960	4,480	6,145	9,217
Drug Discovery services (DDDS)	2,080	1,840	1,230	1,312	1,378
Healthcare	190	194	70	86	103
Life Science Ingredients (LSI)	25,040	30,760	31,442	34,403	36,577
PPES	11,210	13,280	11,790	12,697	13,332
Nutritional Ingredients	2,650	3,960	4,860	5,925	6,518
Life science Chemicals (Acetates, Acetyl)	11,180	13,520	14,792	15,780	16,727
Net Sales	51,660	58,034	58,263	65,443	73,547
YoY gr	20.8%	12.3%	0.4%	12.3%	12.4%

Source: Company Data, PL Research

Better profitability to improve EBITDA growth and margin

With better utilisation of CMO plants and Symtet facility, there is an opportunity for JOL to recover Rs1.6bn EBITDA in FY16E, including non-recurrence of one-off costs of Rs1,050m. Our estimates of 17% and 17.5% EBITDA margin in FY16E and FY17E, respectively, includes recovery of profitability in CMO, break-even in Symtet, 6% upside in global pyridine price and 10% upside in Niacinamide price. We estimate 19% and 16% YoY growth in normalised EBITDA for FY16E and FY17E, respectively.

Exhibit 23: EBITDA shows initial turnaround since Q4FY15



Source: Company Data, PL Research

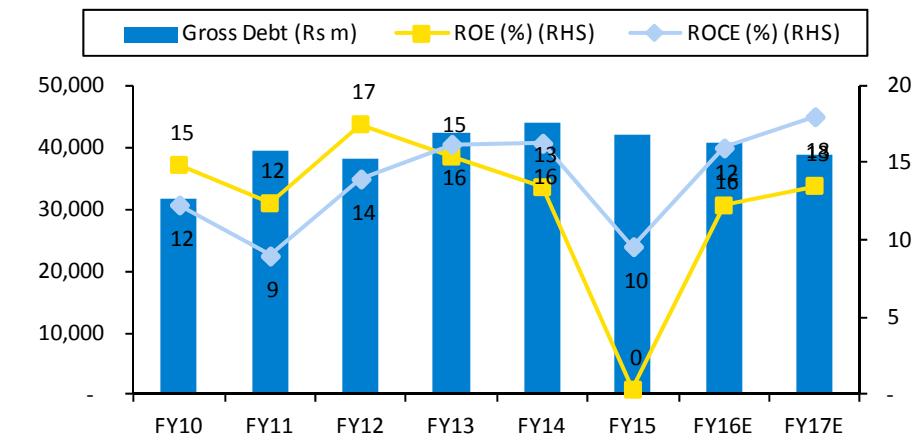
Gradual reductions of debt with better FCFs

Currently, JOL has adjusted gross debt of Rs42.8bn, contributed by INR loan of Rs15.1bn and forex loan of Rs27.7bn (US\$443m). The company has converted US\$186m forex loan into INR loan which was swapped in to USD loan in FY13. As a result, forex loan contributes 60% of current debt portfolio and consequently its blended interest rate becomes 7.2% in FY16E and FY17E. With average FCF of Rs6.3bn, we expect overall gross debt to be US\$619m in FY17E from US\$673m in FY15 and Debt-Equity ratio to be 1.2x in FY17E from 1.7x in FY15.

Return ratios to improve gradually

While capex plan (Rs3.55bn) was trimmed to match lower cash flow in strong business headwinds in FY15, management plans to expand annual capex plan to Rs4.5-5bn each in FY16E and FY17E with better cash flow from turnaround business. We believe that higher capex plan is required to take benefit of price rise in Nutritional business and foray into high-end ingredient business for higher captive use of pyridines. As a result, JOL's normalised ROE and ROCE to improve to its average return of 15% and 10% respectively by FY17E.

Exhibit 24: ROE and ROCE to improve at a different pace with reducing debt profile



Source: Company Data, PL Research

Valuations

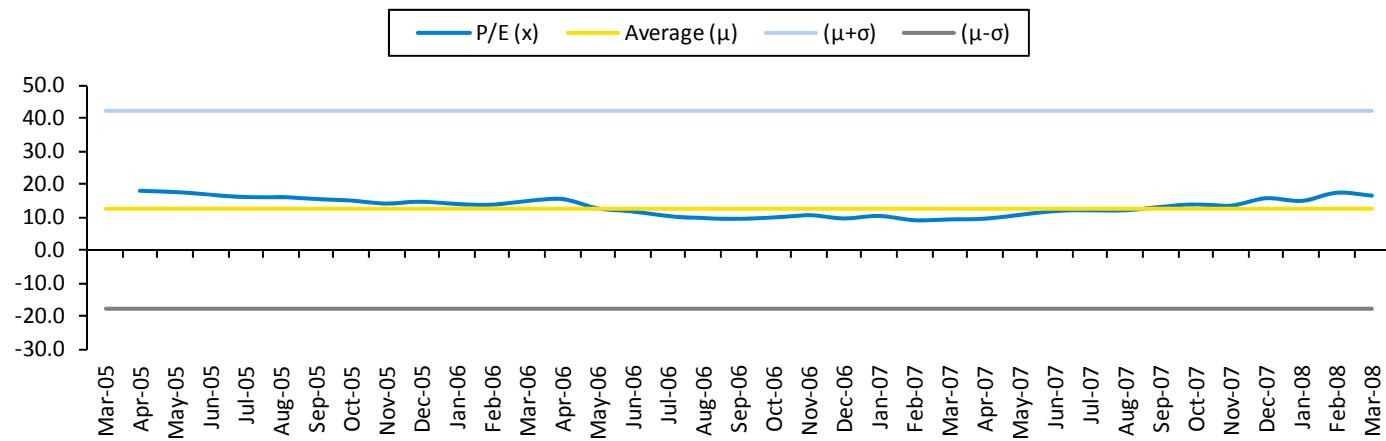
With JOL's average PER within +/-1sigma and PE 9.5x and 7.6x of FY16E and FY17E, we believe that the company's turnaround is not yet reflected in its valuation. JOL's prolonged setback in multiple business verticals has reduced normalized 1-yr forward PEx to 6x-8x since FY11. While the current valuation continues to discount downside potentials, we expect JOL's PEx to be re-rated to the company's normalized PEx of 12x-14x over FY16E-17E, once key businesses turn around with better profitability. With average of FCFF and PEx, we have reached our TP of the company at Rs310 and hence, upgrade recommendation to 'BUY'. Our TP at Rs310 implies 11.1x PE of FY17E.

Exhibit 25: JOL's Sales, EPS—PL vs. Consensus

	Sales		EPS		Diff (%)	
	PL	Consensus	PL	Consensus		
FY16E	65,443	65,586	(0.2)	22.3	18.5	20.4
FY17E	73,547	74,357	(1.1)	27.9	28.3	(1.5)

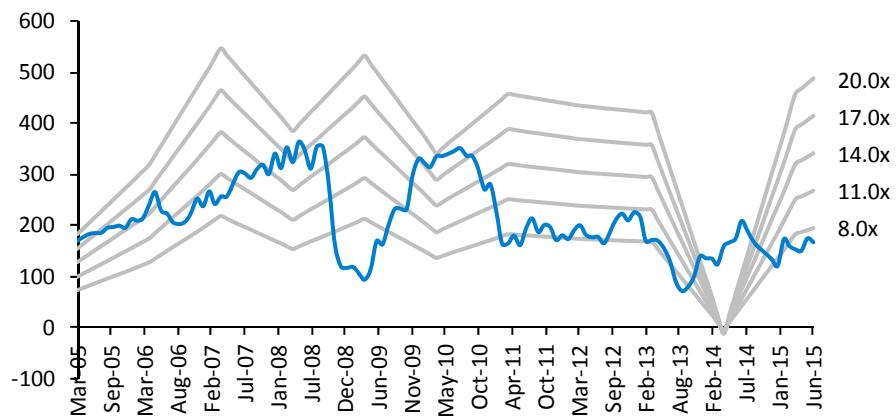
Source: Company Data, Bloomberg, PL Research

Exhibit 26: JOL remains highly undervalued, not yet reflecting changing fundamental for better performance



Source: Company Data, Bloomberg, PL Research

Exhibit 27: One Year Forward Price / Earnings



Source: Company Data, Bloomberg, PL Research

Income Statement (Rs m)

Y/e March	2014	2015	2016E	2017E
Net Revenue	57,216	57,761	65,443	73,547
Raw Material Expenses	24,421	26,617	27,420	30,669
Gross Profit	32,796	31,144	38,022	42,878
Employee Cost	11,052	10,903	12,041	13,238
Other Expenses	12,485	13,850	14,855	16,769
EBITDA	9,259	6,392	11,125	12,871
Depr. & Amortization	2,812	2,880	3,304	4,015
Net Interest	3,237	3,553	3,910	3,674
Other Income	1,008	926	935	944
Profit before Tax	4,218	884	4,846	6,125
Total Tax	696	805	1,211	1,531
Profit after Tax	3,521	79	3,634	4,594
Ex-Od items / Min. Int.	(4,004)	(786)	—	—
Adj. PAT	3,235	(97)	3,634	4,594
Avg. Shares O/S (m)	154.5	159.3	159.3	159.3
EPS (Rs.)	20.9	(0.6)	22.8	28.8

Balance Sheet Abstract (Rs m)

Y/e March	2014	2015	2016E	2017E
Shareholder's Funds	26,265	24,535	29,097	33,115
Total Debt	43,953	42,085	39,036	35,789
Other Liabilities	6,260	3,449	3,796	4,198
Total Liabilities	76,478	70,068	71,929	73,102
Net Fixed Assets	55,712	55,079	56,775	57,760
Goodwill	—	—	—	—
Investments	340	395	407	419
Net Current Assets	17,153	11,026	11,142	11,391
<i>Cash & Equivalents</i>	<i>4,795</i>	<i>3,943</i>	<i>3,988</i>	<i>4,024</i>
<i>Other Current Assets</i>	<i>24,485</i>	<i>23,336</i>	<i>24,048</i>	<i>25,209</i>
<i>Current Liabilities</i>	<i>12,128</i>	<i>16,254</i>	<i>16,893</i>	<i>17,842</i>
Other Assets	3,274	3,569	3,604	3,532
Total Assets	76,478	70,068	71,929	73,102

Cash Flow Abstract (Rs m)

Y/e March	2014	2015	2016E	2017E
C/F from Operations	8,026	3,585	10,087	11,424
C/F from Investing	(1,744)	(3,473)	(4,966)	(4,966)
C/F from Financing	(4,447)	(5,997)	(5,076)	(6,422)
Inc. / Dec. in Cash	1,834	(5,884)	45	36
Opening Cash	2,786	4,735	3,943	3,988
Closing Cash	4,735	(1,149)	3,988	4,024
FCFF	1,115	(2,823)	1,867	3,397
FCFE	2,616	(4,691)	(1,182)	149

Quarterly Financials (Rs m)

Y/e March	Q2FY15	Q3FY15	Q4FY15	Q1FY16E
Net Revenue	13,711	14,455	15,365	15,886
EBITDA	1,110	1,853	2,474	2,986
<i>% of revenue</i>	<i>8.1</i>	<i>12.8</i>	<i>16.1</i>	<i>18.8</i>
Depr. & Amortization	692	795	662	682
Net Interest	743	858	792	794
Other Income	47	(42)	(4)	(3)
Profit before Tax	(278)	158	1,017	1,508
Total Tax	645	202	251	377
Profit after Tax	(941)	(112)	427	769
Adj. PAT	(941)	(112)	427	769

Key Financial Metrics

Y/e March	2014	2015	2016E	2017E
Growth				
Revenue (%)	11.9	1.0	13.3	12.4
EBITDA (%)	(7.7)	(31.0)	74.1	15.7
PAT (%)	(6.2)	NA	NA	26.4
EPS (%)	(3.2)	NA	NA	26.4
Profitability				
EBITDA Margin (%)	16.2	11.1	17.0	17.5
PAT Margin (%)	5.7	(0.2)	5.6	6.2
RoCE (%)	8.1	3.5	9.3	10.3
RoE (%)	12.7	(0.4)	13.6	14.8
Balance Sheet				
Net Debt : Equity	1.5	1.6	1.2	1.0
Net Wrkng Cap. (days)	145	125	123	112
Valuation				
PER (x)	9.4	NA	8.7	6.9
P / B (x)	1.2	1.3	1.1	1.0
EV / EBITDA (x)	7.5	10.9	6.0	4.9
EV / Sales (x)	1.2	1.2	1.0	0.9
Earnings Quality				
Eff. Tax Rate	16.5	91.0	25.0	25.0
Other Inc / PBT	23.9	104.7	19.3	15.4
Eff. Depr. Rate (%)	3.8	4.6	4.9	5.5
FCFE / PAT	80.9	NA	(32.5)	3.2

Source: Company Data, PL Research.
Key Operating Metrics (Rs m)

Y/e March	2014	2015	2016E	2017E
Pharmaceuticals	27,274	26,820	31,040	36,970
LSI	30,760	31,442	34,403	36,577

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