22 April 2019

Update | Sector: Healthcare

Ipca Laboratories

BSE SENSEX	S&P CNX
38,645	11,594

Stock Info

Bloomberg	IPCA IN
Equity Shares (m)	126
M.Cap.(INRb)/(USDb)	121.6 / 1.7
52-Week Range (INR)	1042 / 590
1, 6, 12 Rel. Per (%)	2/31/25
12M Avg Val (INR M)	149
Free float (%)	53.9

Financials Snapshot (INR b)

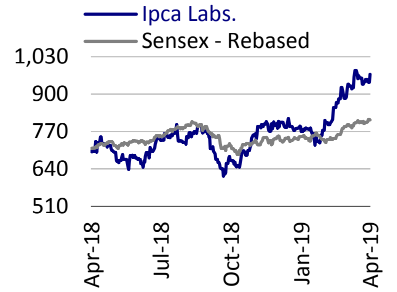
Y/E MARCH	2019E	2020E	2021E
Net Sales	37.2	43.4	50.2
EBITDA (INR b)	7.1	8.9	10.4
NP	4.6	5.7	6.9
EPS	36.8	45.3	54.4
EPS Gr (%)	94.1	23.1	20.1
BV/Share (INR)	246.6	285.1	331.4
P/E (x)	26.1	21.2	17.7
P/BV (x)	3.9	3.4	2.9
RoE (%)	16.0	17.0	17.7
RoCE (%)	14.1	15.2	15.8

Shareholding pattern (%)

As On	Mar-19	Dec-18	Mar-18
Promoter	46.1	46.1	46.1
DII	24.9	24.8	23.4
FII	14.9	15.8	16.6
Others	14.2	13.4	14.0

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR963 TP: INR1,145(+19%) Buy

Promising outlook for the next 2-3 years

Branded generics/API/Anti-Malaria to drive earnings delta

- **Sustained outperformance in branded domestic formulation (DF) space coupled with enhanced opportunities in the API segment and additional business from institutional Anti-Malaria segment shows that IPCA has enough headroom to be on a strong earnings trajectory over the next 2-3 years.**
- **We expect IPCA to end FY19 with earnings similar to that in FY14 (pre-import alert from USFDA); despite the USFDA issues being unresolved. This implies healthy performance in the branded generics segment.**
- **We raise our EPS estimate by 6%/7% to INR45.3/INR54.4 for FY20/21. We continue to value IPCA at 21x 12M forward earnings to arrive at a price target of INR1,145 (from INR970 earlier). Re-iterate BUY.**

Enhanced medical representative (MR) efforts to drive volumes in DF

IPCA is well placed to outperform the industry in the branded domestic formulation (DF) market (46% of sales), led by superior execution in Pain, Derma and Urology therapies. IPCA delivered 17% YoY growth in this segment for 9MFY19, compared to industry growth of 9.5-10% during the same period. Though secondary sales data from AIOCD and brand analysis indicates that molecules in IPCA's Pain segment are well-established in terms of prescription, it is mainly the marketing effort of IPCA that has resulted in a strong brand recall among doctors. The share of the Pain segment within DF has increased from 30% in FY12 to ~45% at end-9MFY19. We expect IPCA to perform well in Derma and Urology on the back of introduction of new combinations and partly on a low base. Also, the share of Derma and Urology segment within DF has increased from 4% in FY12 to ~9% at end-9MFY19. On an overall basis, we expect IPCA to deliver 16% sales CAGR at INR22b over FY19-21E.

Global Fund and increased product offering to drive Institutional Anti-Malaria business

We expect IPCA's institutional Anti-Malaria business to revive meaningfully FY20 onwards led by re-orders from Global fund and business from new molecules. IPCA is already selected for supplying medicines and is awaiting orders from Global Fund. In addition, IPCA has also completed the registration process for supplying dispersible tablet (DT) of Artemether and Lumefantrine combinations. It is in process to complete registration for the injectable version of Artesunate in order to participate in country-specific tenders as well as institutional tenders. Accordingly, we expect this business to ramp up from INR1.8b in FY19E to INR3.5b by FY21E.

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Favorable environment to keep API business upbeat for IPCA

IPCA's API business was more or less steady at an annual run-rate of ~INR7b till FY18. However, IPCA garnered business of INR6.7b, growing at 21% YoY during 9MFY19 due to better pricing and on volume off-take. This was largely on the back of supply disruption due to environment led issues in China and regulatory issues for peers. We expect this momentum to sustain as resolution of issues would be a gradual exercise. We expect IPCA to deliver 16% sales CAGR in the API business to ~INR10.5b by FY21E.

Raise earnings estimates; Re-iterate BUY

We raise our earnings estimate by 6%/7% to INR5.7b/INR6.9b for FY20/21E to factor in (a) the improvement in operating leverage in DF, (b) incremental business in institutional Anti-Malaria/API segment, and (c) reduced remediation cost. Accordingly, we revise our price target to INR1,145 (from INR970 earlier), valuing at 21x (unchanged) 12M forward earnings. Resolution of the USFDA issues could provide further upside. Re-iterate BUY.

Key Risks

- Lack of clearance by other regulators would impact the exports business outlook.
- Further addition of drugs in DPCO coverage could hurt the domestic business.
- Weakness in emerging market currencies could impair growth prospects.

Sustained industry outperformance in DF

- **We expect IPCA to sustain its growth momentum in the DF segment due to introduction of new combinations and improved marketing efforts by MRs.**
- **Accordingly, we expect sales to hit INR22b (16% CAGR) over FY19-21E.**

Pain therapy to remain the key growth driver in DF

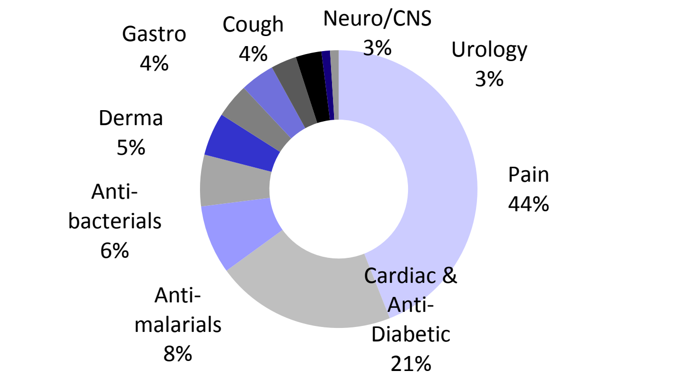
In FY18, IPCA's domestic formulation business (45% of total sales) stood at INR14.2b, witnessing revenue CAGR of 10% over FY13-18. Pain Management continued as the top contributing therapy (44% of total DF sales), followed by Cardiac and Anti-Diabetic (21% of DF sales), Anti-Malarials (8% of DF sales) and Anti-Bacterials (6% of DF sales).

However, IPCA witnessed a muted 3% YoY growth in FY18 on account of GST and demonetization led disruption in its supply system.

For 9MFY19, sales growth was strong at 17% YoY due to (a) the low base of FY18, and (b) the robust growth in Pain Management, Urology and Derma portfolios mainly on the back of improved MR productivity. There were no significant new launches during 9MFY19.

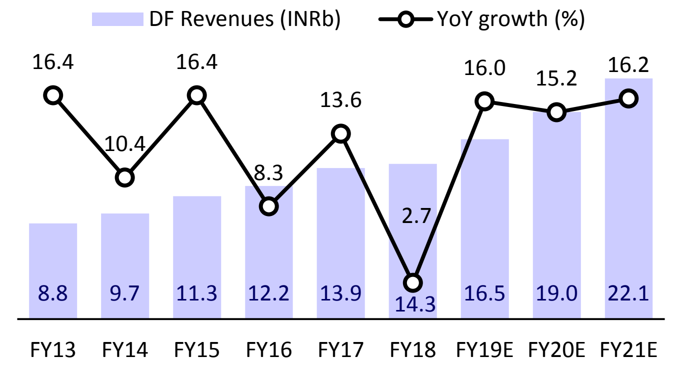
Overall, we expect 16% CAGR in revenues over FY19-21E due to sustained high growth in the Pain segment, in addition to excellent contribution from smaller therapies like Urology and Derma. But, growth will be slightly offset by Cardiac and Anti-Malarial — both slower growing therapies.

Exhibit 1: Pain dominates the DF portfolio



Source: Company, MOFSL

Exhibit 2: We expect industry outperformance over FY19-21E



Source: Company, MOFSL

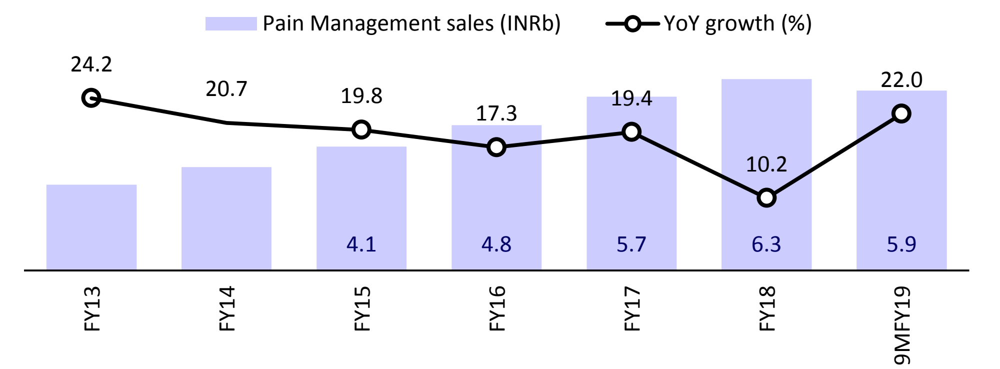
Zerodol group — the top performer in Pain therapy

IPCA's Pain portfolio serves as the base business, contributing 44% to total DF sales in FY18; revenues from Pain therapy were at INR6.7b (17% CAGR) over FY13-18.

The strong performance is due to the high growth seen in IPCA's top brands. For instance, secondary sales of Zerodol SP (Ranked-1 in company portfolio), which contributes 32% to the Pain Portfolio, saw 24% CAGR (molecule CAGR - 15%), while Zerodol Th (Ranked-6), which contributes 9% to the Pain portfolio, saw 19% CAGR (molecule CAGR – 8%) for MAT Feb'2015-19. On YoY basis, Zerodol SP grew 40%, Zerodol P (21% of Pain portfolio) grew 25% and Zerodol Th grew 33% in value terms for MAT Feb'19. In volume terms, Zerodol SP grew 32% YoY and Zerodol P grew 16% YoY. Zerodol's molecules are well established in the market (based on our interaction with doctors), which suggests increased MR productivity is leading to more than molecule growth for these brands.

The top-5 brands (Zerodol SP, Zerodol P, Zerodol Th, Zerodol, and Zerodol MR) within the Pain portfolio saw 17% CAGR for MAT Feb'2015-19, thus, supporting overall growth within the segment. On a YoY basis, the top-5 brands within the segment saw growth of ~31% YoY for MAT Feb'19. Other brands like Pacimol, Lefno and Etova saw >25% YoY growth during the same period.

Exhibit 3: Pain therapy sales saw 17% CAGR over FY13-18 and 22% YoY growth in 9MFY19



Source: MOFSL, Company

Exhibit 4: Top-5 brands in Pain management together saw 31% YoY growth for MAT Feb'19

	Value						Volume	
	Share in company portfolio	IPCA YoY growth MAT Feb-19	Molecule YoY MAT Feb-19	IPCA CAGR MAT Feb15-19	Molecule CAGR MAT Feb15-19	% share in molecule	CAGR MAT Feb 15-19	MAT UNIT GR FEB 19
Zerodol SP	9.2%	40%	24%	23.6%	15.0%	53.0%	9%	32%
Zerodol P	6.2%	25%	13%	14.1%	8.0%	41.0%	5%	16%
Zerodol TH	2.5%	33%	21%	19.2%	13.0%	42.0%	14%	25%
Zerodol	1.9%	12%	5%	3.6%	0.0%	47.0%	-1%	5%
Zerodol MR	1.6%	23%	9%	9.5%	22.0%	98.0%	2%	14%
Pacimol	1.3%	31%	10%	8.6%	16.0%	12.0%	7%	21%
Lefno	1.1%	28%	19%	14.3%	9.0%	41.0%	14%	26%
Etova	1.0%	25%	18%	15.4%	14.0%	47.0%	9%	19%

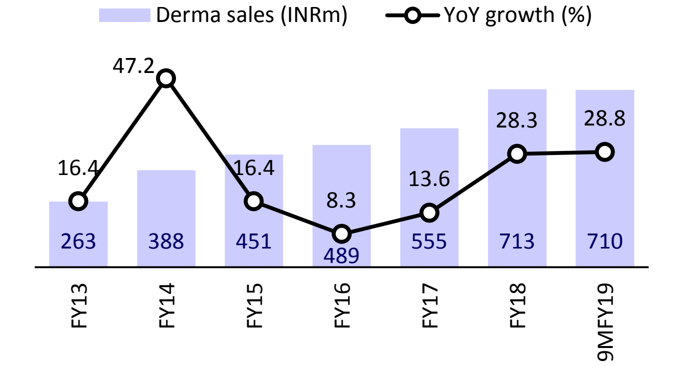
Source: MOFSL, Company

In FY18, YoY growth for the company declined to 10% from ~19% in FY17 on account of disruption in supply chain due to GST implementation. But, sales for IPCA's top-10 molecules within the Pain therapy has currently picked up with growth of 30% YoY for MAT Feb'19 v/s CAGR of only 17% for MAT Feb 2015-19.

Dermatology and Urology growing at a rapid pace with increased traction

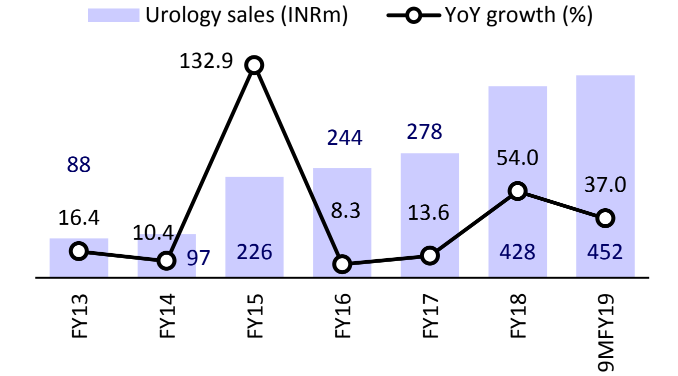
In FY18, IPCA's Dermatology portfolio (5% of DF sales) sales stood at INR713m, witnessing 22% CAGR over FY13-18. On YoY basis, the Derma segment grew 28% YoY. This high growth was due to its top brands gaining traction during the year. For instance, Keraglo (ranked-1 in Derma; 30% of derma portfolio) and Keraglo Anti-Dandruff (ranked-3; 12% of Derma portfolio) saw growth upwards of 20% YoY (respective molecules grew 12% and 9% YoY). Acne UV (ranked-4) reported growth of 87% YoY for Mat Feb'19 v/s molecular growth of only 17% YoY.

Exhibit 5: Derma and Urology displayed high growth YoY…



Source: MOFSL, Company

Exhibit 6: …with its top brands seeing a pick-up in sales



Source: MOFSL, Company

Urology sales (3% of DF sales) during FY18 stood at INR428m and grew 54% YoY; this segment saw 37% CAGR in revenues over FY13-18. Both its top brands – Rapilif D (ranked-1; 38% of Urology portfolio) and Rapilif (ranked-2; 35% of Urology portfolio) are now gaining traction, seeing a high growth of 46% YoY and 28% YoY, respectively, for MAT Feb'19 (respective molecules grew 48% and 31% YoY).

High growth in Urology and Derma brands is due to the low base of the previous year and increased MR focus.

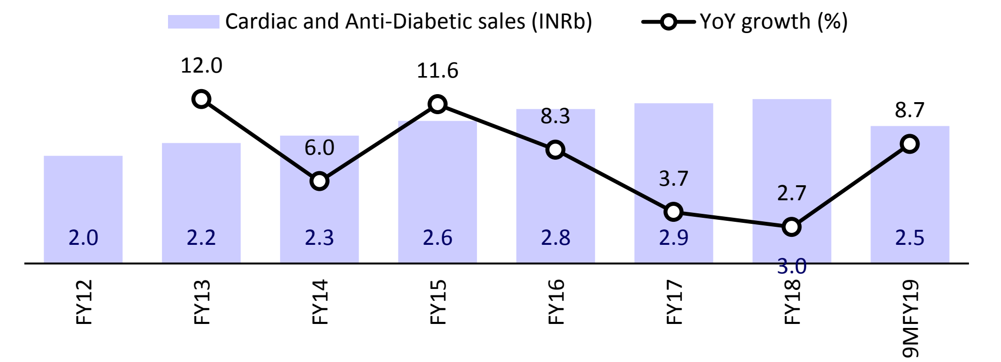
Growth recovery seen in Cardiac therapy…

IPCA's Cardiac and Anti-Diabetic therapies' (21% of DF sales) revenue came in at INR2.9b in FY18 and saw 6% CAGR over FY13-18.

High growth in Cardiac's top-2 brands during MAT Feb 2015-19 — CTD (ranked-1, CAGR – 28%, contribution to Cardiac – 15%), and CTD-T (ranked-2, CAGR - 40%, contribution to Cardiac – 13%) were offset by smaller brands, which led to overall slow growth for the therapy. For Instance, Revelol AM (ranked-3) grew only 9% (molecule growth - 7%) during this period, while Revelol-Xl, Tenoric, and XTOR saw subdued growth of 0-5%. Ramcor and Tenolol saw a decline in revenues (respective molecules also saw a decline).

However, on YoY basis for MAT Feb'19, growth in Cardiac picked up with top-2 brands (CTD and CTD-T) growing >40%. Revelol AM also saw high growth of 19%. Tenoric too saw revival in growth and grew 11% YoY. Other brands such as Vinicor AM (22% YoY) and Metagard (34% YoY) too witnessed robust growth.

Exhibit 7: Cardiac and Anti-Diabetic therapy saw modest revenue CAGR of 6% for FY13-18



Source: MOFSL, Company

…as well as in Anti-Diabetic portfolio

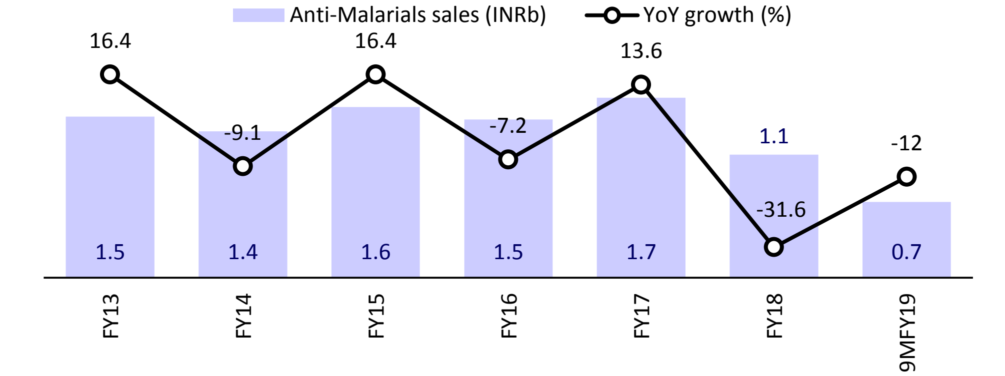
The top-3 brands within the Anti-Diabetic portfolio saw subdued growth during FY13-18. For instance, Glycinorm M (ranked-1; 53% contribution to Anti-Diabetic portfolio) saw only 5.7% CAGR in revenues for MAT Feb 2015-19 while Glycinorm (ranked-2; 16% contribution to Anti-Diabetic) and Glyree M (ranked-3; 9% contribution to Anti-Diabetic) saw even slower growth of 6.3% and 4.9%, respectively, during the same period. However, growth has picked up on YoY basis for MAT Feb'19 for Glycinorm (10% YoY) and Glyree M (19% YoY). Smaller brands like Glycinorm Total (ranked-4) and Glyree MV (ranked-5) grew at a high rate of 35% and 48% on YoY basis for MAT Feb-19, while seeing 17% and 68% CAGR in revenues for MAT Feb 2015-19.

Anti-Malarials see decline in sales due to lower customer base

Anti –Malarials (8% of DF sales) reported 32% YoY decline in revenues to INR1.1b in FY18 due to lower number of patients diagnosed with Malaria during the year. The market for Anti-Malarials covered by IPCA grew at a subdued 2% YoY due to better hygiene conditions prevailing in the country currently as compared to preceding years. Overall the market covered by IPCA saw 5% CAGR decline in Anti-Malarials for the period MAT Feb 2015-19.

Brand-wise, HCQS (ranked-1; 37% of Anti-Malarial portfolio) saw a robust 21.4% YoY growth (molecular growth – 19% YoY) for MAT Feb'19, despite the industry facing tough times. Lariago (ranked-3; 14% of Anti-Malarial portfolio) is another drug, which saw high growth of ~19% YoY (molecular growth – 10% YoY) during the same period. However, this growth was offset by 2% YoY decline in Larinate (ranked-2; 19% of Anti-Malarial portfolio) and 11% YoY decline in Rapither (ranked-4; 12% of Anti-Malarial portfolio).

Exhibit 8: Anti-Malarials saw ~32% YoY/12% YoY decline in revenues in FY18/9MFY19



Source: MOFSL, Company

Exhibit 9: IPCA outperformed its covered market growth significantly on YoY basis for MAT Feb'19

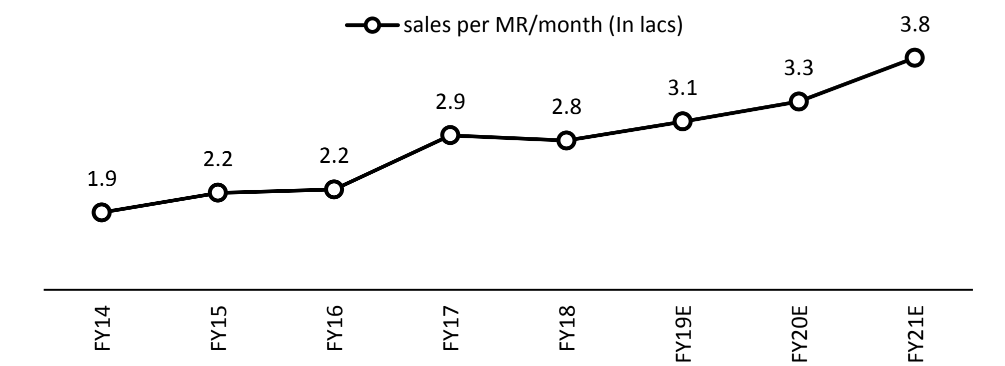
Therapy	FY18 sales (INR m)	CVM CAGR MAT Feb 15-19	IPCA CAGR MAT Feb 15-19	CVM YoY MAT Feb-19	IPCA YoY MAT Feb-19
Pain / Analgesics	6,272	9.7%	**14.2%**	12.8%	**26.9%**
Cardiac & Anti Diabetic	2,993	7.6%	**7.5%**	9.5%	**19.9%**
Anti Malarials	1,140	-5.4%	**-1.2%**	1.7%	**8.3%**
Gastro Intestinal	570	8.2%	**4.1%**	8.0%	**15.2%**
Derma	713	18.0%	**13.6%**	17.3%	**26.9%**
Urology	428	16.6%	**18.4%**	21.1%	**40.7%**

Source: MOFSL, Company

MR productivity on an uptrend

IPCA's MR productivity has been on a gradual uptrend with the Pain portfolio seeing strong CAGR of 17% during FY13-18. In FY18, sales per MR/month stood at INR2.8lacs, which is further expected to increase to INR3.8lacs in FY21 on the back of 16% CAGR expected in domestic formulation sales over FY19-21E.

Exhibit 10: MR productivity on a rise



Source: MOFSL, Company

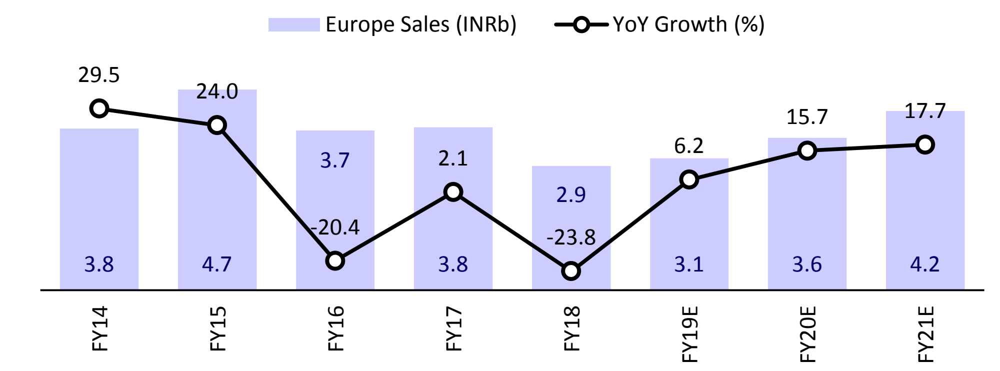
Visibility improves for international business

- **One of IPCA's distributors in the UK market resolved the pending regulatory issues against it. Thus, we expect a gradual ramp-up in the UK business.**
- **Re-order from Global Fund and increased product offerings should drive the institutional Anti-Malaria business hereon.**
- **Most of the remediation measures have been implemented by IPCA at sites under import alert from the USFDA, with even the required data being submitted to the USFDA. Successful inspection outcome would be the key to resolve regulatory issues.**

EU business to improve on distributor overcoming regulatory hurdles

In FY18, EU revenues (9% of sales) for the company stood at INR2.9b and declined 24% YoY. Even for 9MFY19, the EU business was stable at INR1.9b (muted ~4% YoY growth). This was on account of the regulator's imposition against one of IPCA's major customers, which adversely impacted the company's generic formulations business in the UK.

Exhibit 11: EU formulation revenues to see 17% CAGR over FY19-21E



Source: MOFSL, Company

As of FY18, IPCA developed and submitted 62 generic formulation dossiers for registration in Europe; of this, 61 dossiers are registered.

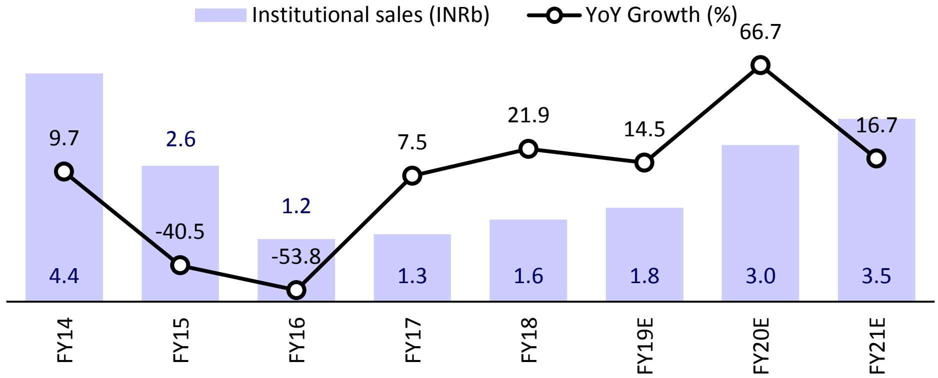
The regulatory intervention at the distributors end is now complete. Thus, we expect EU sales to pick up gradually, with a CAGR of 17% for FY19-21E to INR4.2b.

Institutional Anti-Malaria segment to see high growth over FY19-21E

The Institutional segment (5% of total sales) saw 40% YoY decline in sales in FY15 to INR2.6b and 54% YoY decline in sales in FY16 to INR1.2b on account of reduced Anti-Malaria formulations business in Africa. The USFDA issues led to a stoppage of procurement by Global Fund as well. Since then, there has been gradual improvement in revenue from this business, largely on the back of country-specific tenders. For 9MFY19, the institutional business grew 9.6% YoY to INR1.2b.

Once again, IPCA has been selected as the panel supplier for Anti-Malarial medicines to the Global Fund Pooled Procurement mechanism and for private sector co-payment mechanism for an initial period of three years in FY19. Thus, we expect the Institutional business to see strong CAGR of 39% for FY19-21E to INR3.5b.

Exhibit 12: Institutional business to see strong CAGR of 39% over FY19-21E



Source: MOFSL, Company

Remediation measures almost done; awaits USFDA inspection

The company has spent considerable amount towards remediation cost for these facilities. IPCA has submitted response to all queries of USFDA related to all its three sites, with no queries pending currently. Therefore, we expect the USFDA to inspect facilities. Successful inspection outcome would be the key to resolve regulatory issues. Thus, we are yet to factor in any meaningful business from the US market as we await clarity on the inspection outcome.

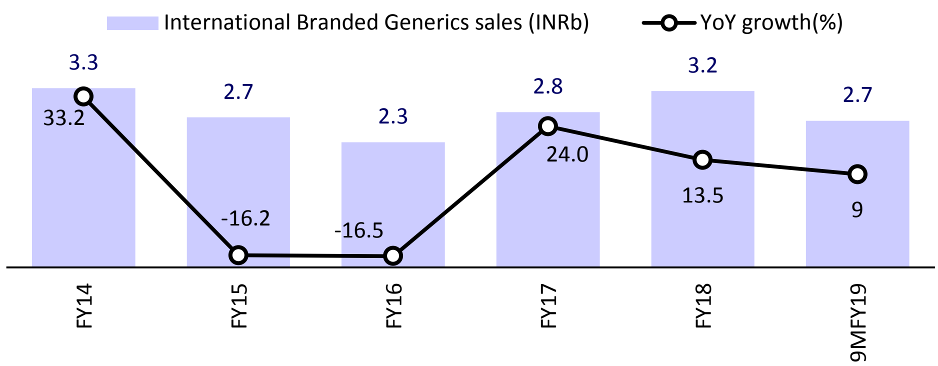
New product launches and newer geographies aid branded formulations growth in Asia, Africa and CIS

The Asia branded generics' (2% of sales) revenues for FY18 stood at INR0.7b, declining 6% YoY. The company exports formulations in countries like Nepal, Sri Lanka, Myanmar, Philippines and Vietnam with a dedicated field force to market its branded formulations.

Additionally, IPCA markets its branded formulations in Africa (3% of sales) through a dedicated field force in countries like Uganda, Ghana, Ivory Coast, Burkina Faso, Sudan, Tanzania, Kenya, Ethiopia and Nigeria. IPCA is expanding its branded formulations business in Africa by launching new products and entering into newer geographies. Even in the CIS region, we expect healthy traction on the back of new launches and increased market share in existing products.

On an overall basis, we expect the branded generics business at INR4.7b with CAGR of 15% over FY19-21E.

Exhibit 13: Growth in branded generics moderated to 9% in 9MFY19



Source: MOFSL, Company

Robust earnings momentum over FY19-21E

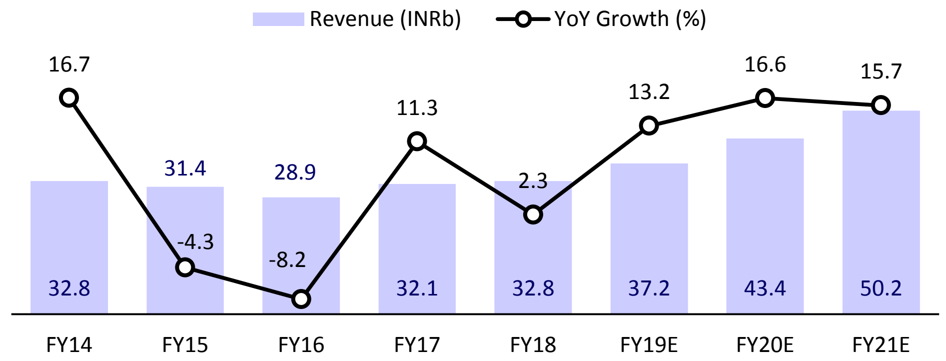
- **Region-specific multiple headwinds impacted revenue growth and profitability for IPCA over FY15-18.**
- **With most issues behind (except for import alert from USFDA), we expect IPCA to be back on the earnings growth path (22% PAT CAGR) over FY19-21E. Even its 9MFY19 performance reflects the same to some extent.**

Business in key geographies adversely impacted during FY15-18

IPCA's financial performance was affected due to:
- Import alert issued by the USFDA since Mar'15
- Reduced business in institutional Anti-Malaria segment
- GST/Demonetization led disruption in DF segment (FY18)

There has been a recovery in financial performance during 9MFY19, with sales growth of 14.8% YoY to INR27.9b. This growth was mainly due to the 17% YoY growth in the DF business and 21% YoY growth in the API segment.

Exhibit 14: Revenue growth muted in the last four years, but should see a gradual pick-up



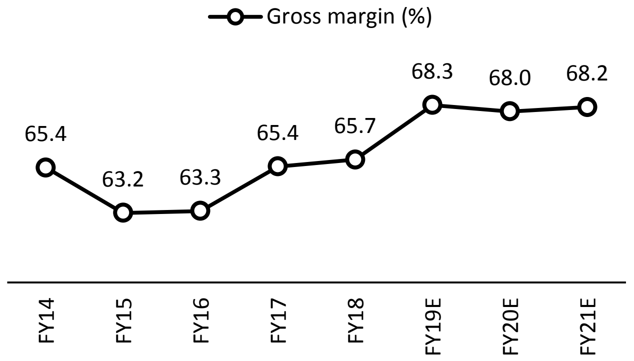
Source: MOFSL, Company

Healthy recovery in 9MFY19; expect momentum to continue

We expect IPCA to further build on the growth trajectory with revenue CAGR of ~16% for FY19-21E on the back of:
- Strong performance in its DF business
- Re-order from Global Fund and business from new product offerings
- Improved business opportunity in the API segment

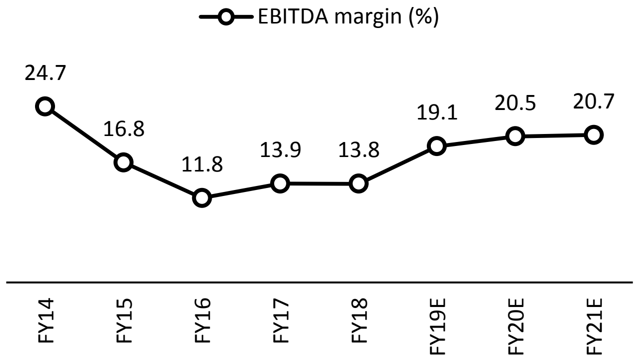
With increased share of branded formulation, better pricing of APIs and reduced remediation cost, we expect EBITDA margin to improve 160bp to 20.7% over FY19-21E.

Exhibit 15: GM improving with better geography mix



Source: MOFSL, Company

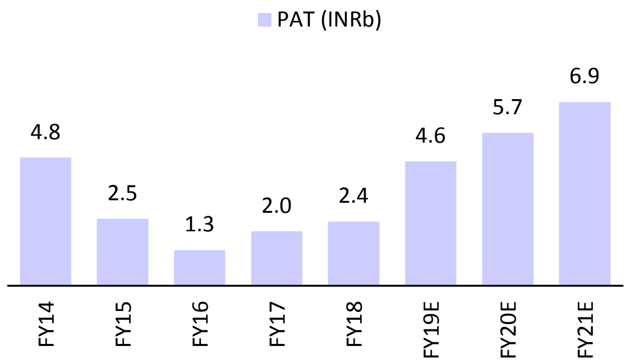
Exhibit 16: EBITDA margin to improve ~170bp over FY19-21E



Source: MOFSL, Company

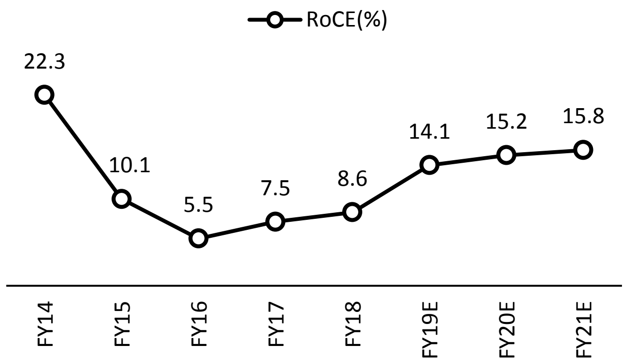
Accordingly, we expect ROCE to improve from 14% to 15.8% over FY19-21E. Though there is a strong earnings recovery, ROCE improvement would be gradual as considerable asset built for the US market is yet to get utilized meaningfully.

Exhibit 17: Though earnings will see 22% CAGR over FY19-21E…



Source: MOFSL, Company

Exhibit 18: …ROCE should improve gradually



Source: MOFSL, Company

Financials and Valuations

Income Statement (INR Million)

Y/E March	2014	2015	2016	2017	2018	2019E	2020E	2021E
Net Revenues	**32,818**	**31,418**	**28,850**	**32,106**	**32,836**	**37,182**	**43,367**	**50,196**
Change (%)	16.7	-4.3	-8.2	11.3	2.3	13.2	16.6	15.7
EBITDA	**8,106**	**5,291**	**3,417**	**4,448**	**4,547**	**7,102**	**8,890**	**10,391**
Margin (%)	24.7	16.8	11.8	13.9	13.8	19.1	20.5	20.7
Depreciation	1,031	1,796	1,722	1,730	1,777	1,742	1,872	1,921
EBIT	**7,074**	**3,495**	**1,695**	**2,718**	**2,770**	**5,360**	**7,018**	**8,470**
Int. and Finance Charges	269	284	316	241	240	157	254	258
Other Income - Rec.	-500	358	169	226	418	500	430	430
PBT before EO Expense	**6,306**	**3,569**	**1,548**	**2,703**	**2,948**	**5,703**	**7,194**	**8,642**
EO Expense/(Income)	0	-42	395	0	0	-338	0	0
PBT after EO Expense	**6,306**	**3,611**	**1,153**	**2,703**	**2,948**	**6,041**	**7,194**	**8,642**
Current Tax	1,357	747	228	533	614	912	1,331	1,599
Deferred Tax	167	272	-42	142	-102	143	144	173
Tax	1,524	1,019	186	675	511	1,055	1,475	1,772
Tax Rate (%)	24.2	28.6	12.0	25.0	17.3	18.5	20.5	20.5
Reported PAT	**4,782**	**2,592**	**967**	**2,028**	**2,436**	**4,986**	**5,719**	**6,870**
Less: Minority Interest	-3	49	35	0	42	0	0	0
Net Profit	**4,785**	**2,542**	**933**	**2,028**	**2,394**	**4,986**	**5,719**	**6,870**
Adj PAT	**4,785**	**2,501**	**1,328**	**2,028**	**2,394**	**4,648**	**5,719**	**6,870**
Adj PAT growth (%)	47.9	-47.7	-46.9	52.8	18.1	94.1	23.1	20.1

Balance Sheet (INR Million)

Y/E March	2014	2015	2016	2017	2018	2019E	2020E	2021E
Equity Share Capital	252	252	252	252	252	252	252	252
Total Reserves	19,344	21,832	22,340	24,300	26,633	30,871	35,732	41,572
Net Worth	**19,597**	**22,084**	**22,592**	**24,553**	**26,886**	**31,123**	**35,985**	**41,824**
Deferred liabilities	1471	1743	1565	1705	1580	1722	1866	2039
Total Loans	4,379	8,286	6,691	5,290	4,731	5,089	5,501	5,976
Capital Employed	**25,447**	**32,113**	**30,848**	**31,548**	**33,196**	**37,935**	**43,352**	**49,839**
Gross Block	19,321	25,463	22,121	23,508	24,969	26,469	27,969	29,469
Less: Accum. Deprn.	5,785	7,459	1,628	3,350	5,127	6,869	8,741	10,662
Net Fixed Assets	**13,536**	**18,004**	**20,493**	**20,158**	**19,842**	**19,600**	**19,227**	**18,807**
Capital WIP	1,649	2,672	936	621	418	418	418	418
Investments	92	162	258	1,358	869	869	869	869
Curr. Assets	**16,827**	**17,285**	**17,230**	**17,458**	**20,027**	**24,148**	**31,117**	**39,329**
Inventory	8,476	9,266	8,374	8,822	8,806	11,318	14,398	16,805
Account Receivables	4,495	3,530	4,459	5,002	6,023	5,762	7,919	9,444
Cash and Bank Balance	763	1,248	1,755	359	1,506	3,673	4,840	8,496
Loans & Advances	3,093	3,242	2,641	3,276	3,693	3,395	3,960	4,583
Curr. Liability & Prov.	**6,656**	**6,011**	**8,069**	**8,047**	**7,960**	**7,099**	**8,279**	**9,583**
Account Payables	5,950	5,471	7,245	7,141	7,029	6,379	7,439	8,611
Provisions	706	540	824	906	931	720	840	972
Net Current Assets	**10,171**	**11,275**	**9,160**	**9,410**	**12,068**	**17,049**	**22,838**	**29,746**
Appl. of Funds	**25,447**	**32,113**	**30,848**	**31,548**	**33,196**	**37,935**	**43,352**	**49,839**

Financials and Valuations

Ratios

Y/E March	2014	2015	2016	2017	2018	2019E	2020E	2021E
EPS (INR)	**37.9**	**19.8**	**10.5**	**16.1**	**19.0**	**36.8**	**45.3**	**54.4**
Cash EPS	46.1	34.4	21.0	29.8	33.1	53.3	60.2	69.7
BV/Share	155.3	175.0	179.0	194.6	213.0	246.6	285.1	331.4
DPS	5.9	1.2	0.0	2.3	2.9	5.9	6.8	8.2
Payout (%)	15.4	5.9	0.0	14.4	14.7	15.0	15.0	15.0
Valuation (x)								
P/E		48.6	91.4	59.9	50.7	26.1	21.2	17.7
P/BV		5.5	5.4	4.9	4.5	3.9	3.4	2.9
EV/Sales		3.1	3.3	2.9	2.8	2.5	2.1	2.7
EV/EBITDA		18.3	27.7	21.3	20.4	12.8	10.2	11.0
Dividend Yield (%)		0.1	0.0	0.2	0.3	0.6	0.7	0.9
Return Ratios (%)								
RoE	27.2	12.0	5.9	8.6	9.3	16.0	17.0	17.7
RoCE	22.3	10.1	5.5	7.5	8.6	14.1	15.2	15.8
RoIC	24.9	9.8	5.3	7.1	7.7	13.8	15.9	17.4
Working Capital Ratios								
Fixed Asset Turnover (x)	2.7	2.0	1.5	1.6	1.6	1.9	2.2	2.6
Debtor (Days)	50	41	56	56	66	56	66	68
Inventory (Days)	94	108	106	100	98	111	121	122
Working Capital Turnover (Days)	105	116	94	103	117	131	151	155
Leverage Ratio (x)								
Interest Cover Ratio	26.3	12.3	5.4	11.3	11.5	34.1	27.6	32.8
Debt/Equity	0.2	0.4	0.3	0.2	0.2	0.2	0.2	0.1

Cash Flow Statement (INR Million)

Y/E March	2014	2015	2016	2017	2018	2019E	2020E	2021E
Oper. Profit/(Loss) before Tax	8,106	5,291	3,417	4,448	4,547	7,102	8,890	10,391
Interest/Dividends Recd.	-500	358	169	226	418	500	430	430
Direct Taxes Paid	-1,357	-747	-364	-535	-636	-912	-1,331	-1,599
(Inc)/Dec in WC	-339	-619	2,622	-1,647	-1,510	-2,813	-4,623	-3,252
CF from Operations	**5,910**	**4,282**	**5,844**	**2,491**	**2,819**	**3,876**	**3,367**	**5,970**
CF from Oper. incl EO Exp.	**5,910**	**4,324**	**5,449**	**2,491**	**2,819**	**4,214**	**3,367**	**5,970**
(inc)/dec in FA	-3,887	-7,166	5,079	-1,072	-1,258	-1,500	-1,500	-1,500
Free Cash Flow	**2,023**	**-2,842**	**10,527**	**1,420**	**1,561**	**2,714**	**1,867**	**4,470**
(Pur)/Sale of Investments	-1	-70	-96	-1,100	489	0	0	0
CF from Investments	**-3,888**	**-7,236**	**4,982**	**-2,172**	**-768**	**-1,500**	**-1,500**	**-1,500**
Issue of shares	0	0	0	0	0	0	0	0
(Inc)/Dec in Debt	-854	3,906	-1,594	-1,401	-560	359	412	474
Interest Paid	-269	-284	-316	-241	-240	-157	-254	-258
Dividend Paid	-738	-152	0	-292	-359	-748	-858	-1,031
Others	20	-73	-8,013	217	256	0	0	0
CF from Fin. Activity	**-1,841**	**3,398**	**-9,923**	**-1,717**	**-903**	**-546**	**-700**	**-815**
Inc/Dec of Cash	**180**	**486**	**508**	**-1,397**	**1,147**	**2,168**	**1,167**	**3,656**
Add: Beginning Balance	582	763	1,248	1,755	359	1,506	3,673	4,840
Closing Balance	**763**	**1,248**	**1,756**	**358**	**1,506**	**3,673**	**4,840**	**8,496**

NOTES

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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