

July 27, 2018

## Q1FY19 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

|                     | Current    |        | Previous   |          |
|---------------------|------------|--------|------------|----------|
|                     | FY19E      | FY20E  | FY19E      | FY20E    |
| <b>Rating</b>       | ACCUMULATE |        | ACCUMULATE |          |
| <b>Target Price</b> | 880        |        | 937        |          |
| Sales (Rs. m)       | 86,133     | 95,151 | 90,676     | 1,02,099 |
| % Chng.             |            |        | (5.0)      | (6.8)    |
| EBITDA (Rs. m)      | 15,168     | 18,935 | 17,228     | 20,420   |
| % Chng.             |            |        | (12.0)     | (7.3)    |
| EPS (Rs.)           | 48.8       | 65.6   | 58.9       | 73.0     |
| % Chng.             |            |        | (17.2)     | (10.2)   |

### Key Financials

|                | FY17   | FY18   | FY19E  | FY20E  |
|----------------|--------|--------|--------|--------|
| Sales (Rs. m)  | 59,102 | 74,648 | 86,133 | 95,151 |
| EBITDA (Rs. m) | 12,491 | 11,825 | 15,168 | 18,935 |
| Margin (%)     | 21.1   | 15.8   | 17.6   | 19.9   |
| PAT (Rs. m)    | 5,756  | 4,099  | 7,596  | 10,213 |
| EPS (Rs.)      | 37.0   | 26.3   | 48.8   | 65.6   |
| Gr. (%)        | 46.6   | (28.8) | 85.3   | 34.4   |
| DPS (Rs.)      | -      | -      | -      | -      |
| Yield (%)      | -      | -      | -      | -      |
| RoE (%)        | 18.0   | 10.9   | 17.1   | 19.4   |
| RoCE (%)       | 12.8   | 10.3   | 15.3   | 18.6   |
| EV/Sales (x)   | 2.7    | 2.1    | 1.7    | 1.5    |
| EV/EBITDA (x)  | 12.8   | 13.0   | 9.8    | 7.6    |
| PE (x)         | 21.5   | 30.2   | 16.3   | 12.1   |
| P/BV (x)       | 3.6    | 3.0    | 2.6    | 2.2    |

### Key Data

|                     | JULS.BO   JUBILANT IN |
|---------------------|-----------------------|
| 52-W High / Low     | Rs.1,039 / Rs.600     |
| Sensex / Nifty      | 37,337 / 11,278       |
| Market Cap          | Rs.127bn/ \$ 1,841m   |
| Shares Outstanding  | 159m                  |
| 3M Avg. Daily Value | Rs.659.43m            |

### Shareholding Pattern (%)

|                         |       |
|-------------------------|-------|
| Promoter's              | 52.88 |
| Foreign                 | 23.95 |
| Domestic Institution    | 5.35  |
| Public & Others         | 17.82 |
| Promoter Pledge (Rs bn) | 2.25  |

### Stock Performance (%)

|          | 1M  | 6M     | 12M   |
|----------|-----|--------|-------|
| Absolute | 9.6 | (11.9) | 8.2   |
| Relative | 3.4 | (15.0) | (6.1) |

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## Lack of vitamins causes shortfall to estimates

- Lower sales of vitamins led to miss sales, profitability:** JOL sales, EBITDA and PAT missed our estimates by 9%, 2% and 7% in Q1FY19. JOL's below-par performance was caused by lower demand of its vitamin-B3 products which led to adj. sales growth of 13% YoY. Pharma (ex-Triad) and LSI businesses grew by 15% each along with research service business growth of 12% YoY. Adj. EBITDA margin of JOL was 21.5%, including margins of Pharma and LSI of 29% and 13% respectively. With 30% effective tax rate, PAT grew by 31% QoQ.
- Pharma (ex-Triad) continues to shine on specialty, US generics:** JOL continues to ride on its success in Radiopharma business in US as it (ex-Triad) grew 14% YoY. Its API and generic formulations grew 7% YoY due to recovery of sales in US generic sales in Q1FY19. Its generic sales in US boosted post withdrawal of products by key players (such as Teva and Sandoz) from highly commoditized generics. With fully integrated to its captive API for export formulations, JOL drew benefits of operating leverage and increased EBITDA margin of API and generics to 19.8% in Q1FY19 vs. 13.5% in Q1FY18. Specialty pharma business (including Radiopharma, Triad) posted EBITDA margin of 33.1% though its margin ex-Triad remained at 46% in Q1FY19.
- Chemical (LSI) business impacted from lower vitamin sales:** JOL sold lower volume of vitamin B3 (in Nutrition business) in Q1FY19 due to lower supply and sales of vitamin A and E as Vitamin B3 is used as supplementary products in the productions of animal feeds. While incidence of fire at BASF plant caused short supply of vitamins A and E in markets, management guided that normalized supply from BASF is expected from H2FY19E onwards.
- JOL's rise of average LSI sales to Rs9.5bn/quarter from Rs7.5bn/quarter since H2FY18 was contributed by price/volume growth of Vitamin B3, price rise in Acetic anhydride (LSC) and voluminous supply of ethanol.** The rise however has come down to Rs8.5/quarter post setback in Nutrition business and the loss of sales continues to impact sales and margin in Q2FY19E. While there were 11% impact in LSI sales due to lower revenues from vitamins, the bigger impact however reflected in EBITDA margin as it declined to 12.8% in Q1FY19 from 19.3% in Q4FY18. One of the major reasons for lower margin was unable to pass on the sharp increase in the input price of Acetic acid to the price of vitamin B3.
- Valuation: Maintain 'Accumulate', reduce TP to Rs880 on lower EBITDA:** Management expects to gain benefits in US generics in FY19E post rationalisation of its own portfolio and additional benefits due to withdrawal of products by generic majors. Excluding Nutrition (vitamin B3) business, we expect moderate improvement in demand and realisation of key LSI products mainly due to shut down of a large Chinese chemical company. Acetic Anhydride from JOL's LSC business, is one of those products continues to reap benefits from Chinese shut down. We however believe that the loss of sales in vitamins is unlikely to be recoverable in FY19 and may not reach its peak sales in FY20E either. We continue to assume Pharma business to grow at 18% CAGR in FY18-20E, due to strong support of growth Radiology products. Our estimates of sales and PAT decline by average 6% and 14% due to higher impact of vitamins in profitability. Our SOTP valuations of EV/EBITDA of pharma and LSI derives TP of Rs880. We maintain 'Accumulate' while reduce TP (to Rs880) by 6%.

## Key takeaways from Conference call:

- With major growth in Specialty Pharma Injectables, JUBL's Pharma segment sales at Rs11.8bn grew 45% YoY Q1FY19. Management mentioned that the specialty pharma revenues increased 74% YoY (11% YoY adjusted for revenues from acquired Triad portfolio) to Rs8.2bn, contributing 69% to pharma segment sales
- LSI business grew 15% YoY to Rs8.5bn. EBITDA margin for LSI business declined to 12.8% in Q1FY19 as compared to 14.6% in Q1FY18 on account of unfavourable pricing regime and higher inventory of Vitamins. JOL commissioned the new Chlorinated Pyridine plant in Q1FY19. Management guided for 6 specialty intermediate products to be launched in FY19E. JOL commercialized one product and is on track to launch the others in the coming months
- Management guided for commissioning of new Acetic Anhydride plant by end of Q3FY19E which will aid in achieving additional revenues of Rs3bn per annum at full capacity utilization
- Management stated that government has decided to raise Ehtanol prices by Rs2.85 per litre applicable for supply commencing after 1<sup>st</sup> Dec, 2018. JOL is the 4<sup>th</sup> largest supplier of Ehtanol in the government blending program
- Management guided to launch 5 new products in the Radiopharmaceuticals segment in 5 years.
- JOL completed successful USFDA inspection of Jubilant Cadista and CMO Montreal facilities; and received Establishment Inspection Report (EIR) for CMO Montreal
- Management guided that Rubyfill installations in US are on track and capacity addition at Rourkee plant for Generics is progressing as per the timeline
- The company incurred capex of Rs1.38bn in Q1FY19. R&D expenditure was 5.3% of segment sales at Rs580m in Q1FY19 of which R&D charged to P&L was Rs440m (3.7% of segment sales)
- Management guided for capex at Rs5.5bn (to be financed through internal accruals) and Rs3bn in R&D in FY19E
- Tax rate is expected to be at similar levels at 26% in FY19E
- Average blended interest rate for Q1FY19 was 6.03% with Re loans at 8.37% and US\$ loans at 4.75%. JOL decreased net debt by Rs250m in Q1FY19. Its current net debt is Rs32bn. Going forward, management has guided to maintain focus on reducing debt and improving the return ratios
- Management guided that any fund raising which may be undertaken by JPL will be by way of an IPO and that the maximum dilution of the JOL's shareholding in JPL in the IPO (including any sale of shares of JPL by the Company) will be up to 20% of the fully diluted issued and paid-up equity share capital of JPL

**Exhibit 1: Q1FY19 Result Overview (Rs m)**

| Y/e March             | Q1FY19        | Q1FY18        | YoY gr. (%) | Q4FY18        | FY19E         | FY18          | YoY gr. (%)   |
|-----------------------|---------------|---------------|-------------|---------------|---------------|---------------|---------------|
| <b>Net Sales</b>      | <b>20,787</b> | <b>15,961</b> | <b>30.2</b> | <b>22,520</b> | <b>90,676</b> | <b>74,648</b> | <b>21.5</b>   |
| Raw Material          | 8,959         | 7,138         | 25.5        | 10,027        | 39,897        | 33,337        | 19.7          |
| <i>% of Net Sales</i> | <i>43.1</i>   | <i>44.7</i>   |             | <i>44.5</i>   | <i>44.0</i>   | <i>44.7</i>   |               |
| Personnel Cost        | 4,516         | 3,103         | 45.5        | 4,538         | 18,135        | 15,559        | 16.6          |
| <i>% of Net Sales</i> | <i>21.7</i>   | <i>19.4</i>   |             | <i>20.2</i>   | <i>20.0</i>   | <i>20.8</i>   |               |
| Others                | 2,935         | 2,344         | 25.2        | 3,376         | 15,415        | 11,499        | 34.1          |
| <i>% of Net Sales</i> | <i>14.1</i>   | <i>14.7</i>   |             | <i>15.0</i>   | <i>17.0</i>   | <i>15.4</i>   |               |
| Total Expenditure     | 16,411        | 12,584        | 30.4        | 17,941        | 73,447        | 60,394        | 21.6          |
| <b>EBITDA</b>         | <b>4,376</b>  | <b>3,376</b>  | <b>29.6</b> | <b>4,579</b>  | <b>17,228</b> | <b>14,253</b> | <b>20.9</b>   |
| <i>Margin (%)</i>     | <i>21.1</i>   | <i>21.2</i>   |             | <i>20.3</i>   | <i>19.0</i>   | <i>19.1</i>   |               |
| Depreciation          | 880           | 725           | 21.4        | 1,817         | 3,716         | 4,151         | (10.5)        |
| <b>EBIT</b>           | <b>3,496</b>  | <b>2,651</b>  | <b>31.9</b> | <b>2,761</b>  | <b>13,513</b> | <b>10,103</b> | <b>33.8</b>   |
| Other Income          | 95            | 68            | 39.1        | 229           | 1,179         | 1,331         | (11.4)        |
| Interest              | 727           | 687           | 5.8         | 725           | 2,457         | 2,843         | (13.6)        |
| <b>PBT</b>            | <b>2,864</b>  | <b>2,032</b>  | <b>40.9</b> | <b>2,266</b>  | <b>12,235</b> | <b>8,591</b>  | <b>(42.4)</b> |
| Minority Interest     | 21            | 34            | (37.9)      | (25)          | -             | (84)          |               |
| Total Taxes           | 860           | 595           | 44.5        | 742           | 3,059         | 2,247         | 36.1          |
| <i>ETR (%)</i>        | <i>30.0</i>   | <i>29.3</i>   |             | <i>32.7</i>   | <i>25.0</i>   | <i>26.2</i>   |               |
| <b>Reported PAT</b>   | <b>2,025</b>  | <b>1,471</b>  | <b>37.6</b> | <b>1,549</b>  | <b>9,176</b>  | <b>6,428</b>  | <b>(42.7)</b> |

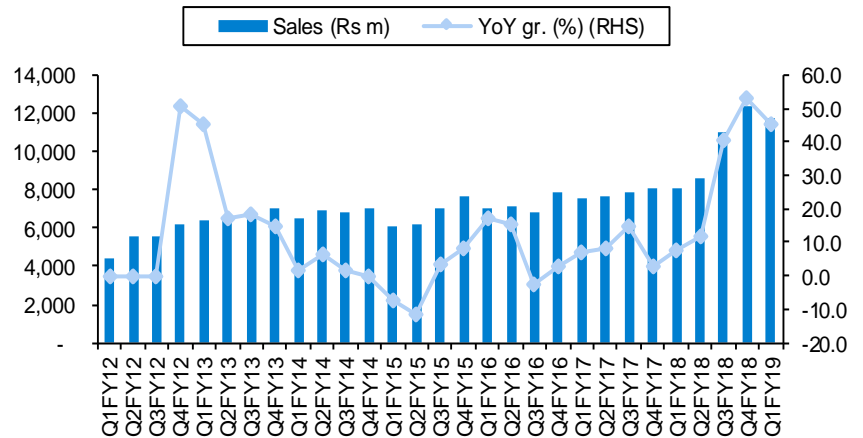
Source: Company, PL

**Exhibit 2: Major Sources of Revenue**

| Y/e March                | Q1FY19      | Q1FY18      | YoY gr. (%) | Q4FY18      | FY19E       | FY18        | YoY gr. (%) |
|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Pharmaceuticals          | 11,786      | 8,124       | 45.1        | 12,377      | 50,274      | 40,140      | 25.2        |
| <i>% of Net Sales</i>    | <i>56.7</i> | <i>50.9</i> |             | <i>55.0</i> | <i>54.9</i> | <i>53.4</i> |             |
| Life Science ingredients | 8,493       | 7,383       | 15.0        | 9,675       | 39,497      | 33,280      | 18.7        |
| <i>% of Net Sales</i>    | <i>40.9</i> | <i>46.3</i> |             | <i>43.0</i> | <i>43.1</i> | <i>44.3</i> |             |
| Drug Discovery Solutions | 508         | 454         | 12.0        | 467         | 1,820       | 1,760       | 3.4         |
| <i>% of Net Sales</i>    | <i>2.4</i>  | <i>2.8</i>  |             | <i>2.1</i>  | <i>2.0</i>  | <i>2.3</i>  |             |
| Gross Sales              | 20,787      | 15,961      | 30.2        | 22,520      | 91,591      | 75,180      | 21.8        |

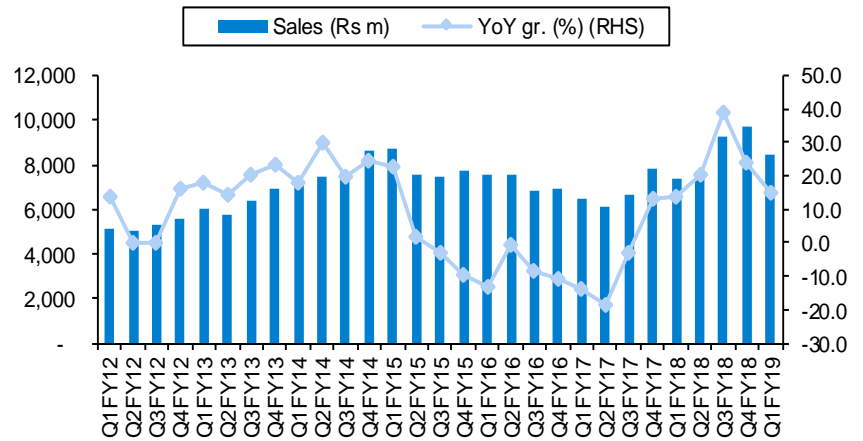
Source: Company, PL

**Exhibit 3: Pharma Sales and growth**



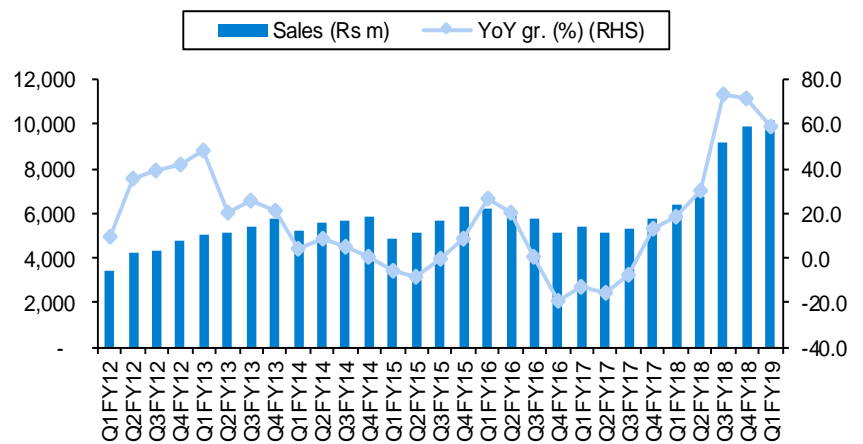
Source: Company, PL

**Exhibit 4: LSI Sales and growth**



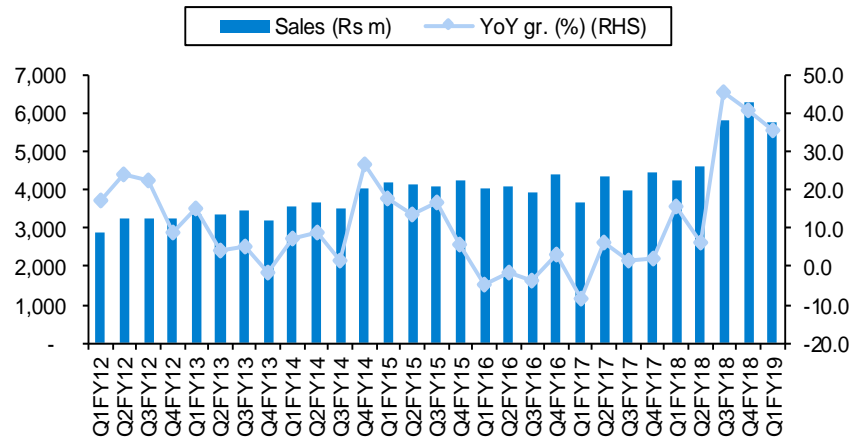
Source: Company, PL

**Exhibit 5: US Sales and growth**



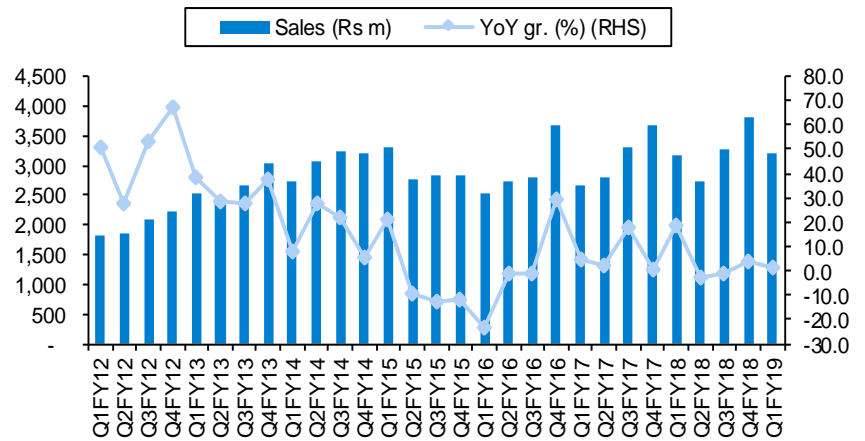
Source: Company, PL

**Exhibit 6: India Sales and growth**



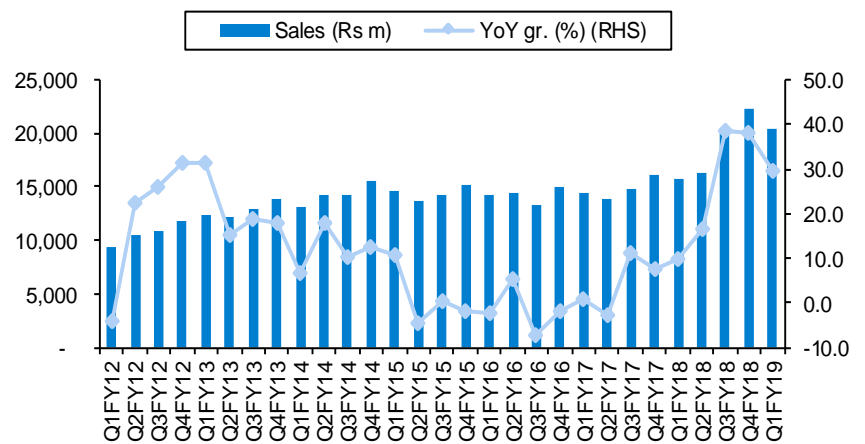
Source: PL, Company

**Exhibit 7: EU, Japan Sales and growth**



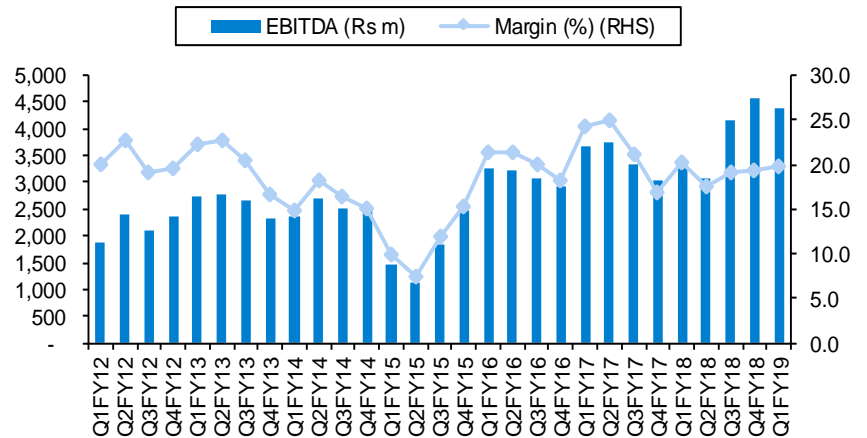
Source: Company, PL

**Exhibit 8: Overall Sales and growth**



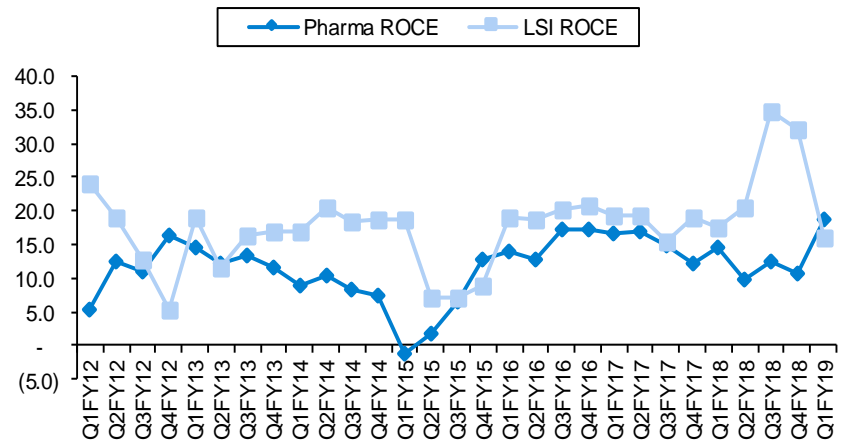
Source: Company, PL

**Exhibit 9: EBITDA and margin**



Source: Company, PL

**Exhibit 10: ROCE: Pharma and LSI**



Source: Company, PL

## Financials

### Income Statement (Rs m)

| Y/e Mar                       | FY17          | FY18          | FY19E         | FY20E         |
|-------------------------------|---------------|---------------|---------------|---------------|
| <b>Net Revenues</b>           | <b>59,102</b> | <b>74,648</b> | <b>86,133</b> | <b>95,151</b> |
| YoY gr. (%)                   | 4.7           | 26.3          | 15.4          | 10.5          |
| Cost of Goods Sold            | 19,995        | 31,116        | 32,730        | 35,206        |
| Gross Profit                  | 39,107        | 43,532        | 53,402        | 59,945        |
| Margin (%)                    | 66.2          | 58.3          | 62.0          | 63.0          |
| Employee Cost                 | 13,758        | 15,559        | 17,227        | 18,079        |
| Other Expenses                | 1,230         | 2,370         | 3,015         | 3,092         |
| <b>EBITDA</b>                 | <b>12,491</b> | <b>11,825</b> | <b>15,168</b> | <b>18,935</b> |
| YoY gr. (%)                   | 9.1           | (5.3)         | 28.3          | 24.8          |
| Margin (%)                    | 21.1          | 15.8          | 17.6          | 19.9          |
| Depreciation and Amortization | 2,914         | 4,151         | 3,716         | 4,273         |
| <b>EBIT</b>                   | <b>9,577</b>  | <b>7,675</b>  | <b>11,452</b> | <b>14,662</b> |
| Margin (%)                    | 16.2          | 10.3          | 13.3          | 15.4          |
| Net Interest                  | 3,411         | 2,843         | 2,457         | 2,169         |
| Other Income                  | 1,210         | 1,331         | 1,133         | 1,124         |
| <b>Profit Before Tax</b>      | <b>7,376</b>  | <b>6,163</b>  | <b>10,128</b> | <b>13,617</b> |
| Margin (%)                    | 12.5          | 8.3           | 11.8          | 14.3          |
| Total Tax                     | 1,630         | 2,148         | 2,532         | 3,404         |
| Effective tax rate (%)        | 22.1          | 34.9          | 25.0          | 25.0          |
| <b>Profit after tax</b>       | <b>5,746</b>  | <b>4,015</b>  | <b>7,596</b>  | <b>10,213</b> |
| Minority interest             | (10)          | (84)          | -             | -             |
| Share Profit from Associate   | -             | -             | -             | -             |
| <b>Adjusted PAT</b>           | <b>5,756</b>  | <b>4,099</b>  | <b>7,596</b>  | <b>10,213</b> |
| YoY gr. (%)                   | 46.9          | (28.8)        | 85.3          | 34.4          |
| Margin (%)                    | 9.7           | 5.5           | 8.8           | 10.7          |
| Extra Ord. Income / (Exp)     | -             | -             | -             | -             |
| <b>Reported PAT</b>           | <b>5,756</b>  | <b>4,099</b>  | <b>7,596</b>  | <b>10,213</b> |
| YoY gr. (%)                   | 46.9          | (28.8)        | 85.3          | 34.4          |
| Margin (%)                    | 9.7           | 5.5           | 8.8           | 10.7          |
| Other Comprehensive Income    | -             | -             | -             | -             |
| Total Comprehensive Income    | 5,756         | 4,099         | 7,596         | 10,213        |
| <b>Equity Shares O/s (m)</b>  | <b>156</b>    | <b>156</b>    | <b>156</b>    | <b>156</b>    |
| <b>EPS (Rs)</b>               | <b>37.0</b>   | <b>26.3</b>   | <b>48.8</b>   | <b>65.6</b>   |

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

| Y/e Mar                               | FY17          | FY18          | FY19E         | FY20E           |
|---------------------------------------|---------------|---------------|---------------|-----------------|
| <b>Non-Current Assets</b>             |               |               |               |                 |
| <b>Gross Block</b>                    | <b>39,102</b> | <b>44,936</b> | <b>52,437</b> | <b>57,937</b>   |
| Tangibles                             | 35,344        | 39,342        | 46,043        | 50,743          |
| Intangibles                           | 3,758         | 5,594         | 6,394         | 7,194           |
| <b>Acc: Dep / Amortization</b>        | <b>5,657</b>  | <b>9,807</b>  | <b>13,523</b> | <b>17,796</b>   |
| Tangibles                             | 4,304         | 7,416         | 10,320        | 13,883          |
| Intangibles                           | 1,353         | 2,391         | 3,202         | 3,913           |
| <b>Net fixed assets</b>               | <b>33,445</b> | <b>35,129</b> | <b>38,914</b> | <b>40,140</b>   |
| Tangibles                             | 31,040        | 31,925        | 35,722        | 36,860          |
| Intangibles                           | 2,405         | 3,203         | 3,192         | 3,281           |
| Capital Work In Progress              | 6,838         | 6,710         | 3,500         | 3,500           |
| Goodwill                              | 17,622        | 18,877        | 18,877        | 18,877          |
| Non-Current Investments               | 1,156         | 1,385         | 1,455         | 1,527           |
| Net Deferred tax assets               | (445)         | (26)          | (26)          | (26)            |
| Other Non-Current Assets              | 445           | 573           | 579           | 608             |
| <b>Current Assets</b>                 |               |               |               |                 |
| Investments                           | -             | -             | -             | -               |
| Inventories                           | 12,204        | 13,914        | 13,923        | 16,163          |
| Trade receivables                     | 10,053        | 11,308        | 11,327        | 12,252          |
| Cash & Bank Balance                   | 4,596         | 2,488         | 3,873         | 3,379           |
| Other Current Assets                  | 2,247         | 3,259         | 3,911         | 4,889           |
| <b>Total Assets</b>                   | <b>90,406</b> | <b>96,176</b> | <b>98,938</b> | <b>1,04,011</b> |
| <b>Equity</b>                         |               |               |               |                 |
| Equity Share Capital                  | 156           | 156           | 156           | 156             |
| Other Equity                          | 34,205        | 40,710        | 47,731        | 57,369          |
| <b>Total Networkth</b>                | <b>34,360</b> | <b>40,865</b> | <b>47,886</b> | <b>57,524</b>   |
| <b>Non-Current Liabilities</b>        |               |               |               |                 |
| Long Term borrowings                  | 35,050        | 30,478        | 25,906        | 22,020          |
| Provisions                            | 807           | 1,071         | 1,156         | 1,249           |
| Other non current liabilities         | 97            | 78            | 70            | 42              |
| <b>Current Liabilities</b>            |               |               |               |                 |
| ST Debt / Current of LT Debt          | 5,390         | 2,449         | 2,204         | 1,983           |
| Trade payables                        | 7,495         | 11,362        | 12,743        | 13,034          |
| Other current liabilities             | 3,874         | 6,237         | 5,613         | 5,052           |
| <b>Total Equity &amp; Liabilities</b> | <b>90,406</b> | <b>96,176</b> | <b>98,938</b> | <b>1,04,011</b> |

Source: Company Data, PL Research

**Cash Flow (Rs m)**

| Y/e Mar                              | FY17           | FY18            | FY19E          | FY20E          |
|--------------------------------------|----------------|-----------------|----------------|----------------|
| PBT                                  | 7,376          | 8,591           | 10,128         | 13,617         |
| Add. Depreciation                    | 2,914          | 4,151           | 3,716          | 4,273          |
| Add. Interest                        | 3,411          | 2,843           | 2,457          | 2,169          |
| Less Financial Other Income          | 1,210          | 1,331           | 1,133          | 1,124          |
| Add. Other                           | 54             | 116             | (430)          | (419)          |
| Op. profit before WC changes         | 13,755         | 15,700          | 15,870         | 19,640         |
| Net Changes-WC                       | 369            | (658)           | 655            | (3,947)        |
| Direct tax                           | (1,439)        | (1,976)         | (2,330)        | (3,132)        |
| <b>Net cash from Op. activities</b>  | <b>12,685</b>  | <b>13,066</b>   | <b>14,196</b>  | <b>12,562</b>  |
| Capital expenditures                 | (4,623)        | (3,500)         | (5,500)        | (5,500)        |
| Interest / Dividend Income           | 33             | 22              | 22             | 22             |
| Others                               | 86             | (1,463)         | (81)           | (990)          |
| <b>Net Cash from Inv. activities</b> | <b>(4,504)</b> | <b>(4,941)</b>  | <b>(5,559)</b> | <b>(6,468)</b> |
| Issue of share cap. / premium        | 77             | 0               | -              | -              |
| Debt changes                         | (4,088)        | (7,514)         | (3,640)        | (3,844)        |
| Dividend paid                        | (559)          | (575)           | (575)          | (575)          |
| Interest paid                        | (2,291)        | (2,843)         | (2,457)        | (2,169)        |
| Others                               | 2              | -               | -              | -              |
| <b>Net cash from Fin. activities</b> | <b>(6,859)</b> | <b>(10,932)</b> | <b>(6,672)</b> | <b>(6,587)</b> |
| <b>Net change in cash</b>            | <b>1,322</b>   | <b>(2,806)</b>  | <b>1,965</b>   | <b>(494)</b>   |
| Free Cash Flow                       | 8,062          | 9,566           | 8,696          | 7,062          |

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

| Y/e Mar                           | Q2FY18        | Q3FY18        | Q4FY18        | Q1FY19        |
|-----------------------------------|---------------|---------------|---------------|---------------|
| <b>Net Revenue</b>                | <b>16,420</b> | <b>20,678</b> | <b>22,520</b> | <b>20,787</b> |
| YoY gr. (%)                       | -             | -             | -             | 30.2          |
| Raw Material Expenses             | 6,076         | 7,868         | 8,908         | 7,962         |
| Gross Profit                      | 10,344        | 12,810        | 13,611        | 12,824        |
| Margin (%)                        | 63.0          | 61.9          | 60.4          | 61.7          |
| <b>EBITDA</b>                     | <b>3,061</b>  | <b>4,168</b>  | <b>4,579</b>  | <b>4,376</b>  |
| YoY gr. (%)                       | (9.3)         | 36.2          | 9.8           | (4.4)         |
| Margin (%)                        | 18.6          | 20.2          | 20.3          | 21.1          |
| Depreciation / Depletion          | 790           | 818           | 1,817         | 880           |
| <b>EBIT</b>                       | <b>2,271</b>  | <b>3,350</b>  | <b>2,761</b>  | <b>3,496</b>  |
| Margin (%)                        | 13.8          | 16.2          | 12.3          | 16.8          |
| Net Interest                      | 560           | 571           | 725           | 727           |
| Other Income                      | (29)          | (168)         | 229           | 95            |
| <b>Profit before Tax</b>          | <b>1,681</b>  | <b>2,612</b>  | <b>2,266</b>  | <b>2,864</b>  |
| Margin (%)                        | 10.2          | 12.6          | 10.1          | 13.8          |
| Total Tax                         | 427           | 483           | 742           | 860           |
| Effective tax rate (%)            | 25.4          | 18.5          | 32.7          | 30.0          |
| <b>Profit after Tax</b>           | <b>1,255</b>  | <b>2,128</b>  | <b>1,524</b>  | <b>2,004</b>  |
| Minority interest                 | (28)          | 3             | (25)          | (21)          |
| Share Profit from Associates      | -             | -             | -             | -             |
| <b>Adjusted PAT</b>               | <b>1,283</b>  | <b>2,125</b>  | <b>1,549</b>  | <b>2,025</b>  |
| YoY gr. (%)                       | -             | -             | -             | 37.6          |
| Margin (%)                        | 7.8           | 10.3          | 6.9           | 9.7           |
| Extra Ord. Income / (Exp)         | -             | -             | -             | -             |
| <b>Reported PAT</b>               | <b>1,283</b>  | <b>2,125</b>  | <b>1,549</b>  | <b>2,025</b>  |
| YoY gr. (%)                       | -             | -             | -             | 37.6          |
| Margin (%)                        | 7.8           | 10.3          | 6.9           | 9.7           |
| Other Comprehensive Income        | 802           | (409)         | (133)         | -             |
| <b>Total Comprehensive Income</b> | <b>2,084</b>  | <b>1,716</b>  | <b>1,416</b>  | <b>2,025</b>  |
| Avg. Shares O/s (m)               | 156           | 156           | 156           | 156           |
| <b>EPS (Rs)</b>                   | <b>8.2</b>    | <b>13.6</b>   | <b>9.9</b>    | <b>13.0</b>   |

Source: Company Data, PL Research

**Key Financial Metrics**

| Y/e Mar                    | FY17  | FY18  | FY19E | FY20E |
|----------------------------|-------|-------|-------|-------|
| <b>Per Share(Rs)</b>       |       |       |       |       |
| EPS                        | 37.0  | 26.3  | 48.8  | 65.6  |
| CEPS                       | 55.7  | 52.9  | 72.6  | 93.0  |
| BVPS                       | 220.6 | 262.3 | 307.4 | 369.2 |
| FCF                        | 51.8  | 61.4  | 55.8  | 45.3  |
| DPS                        | -     | -     | -     | -     |
| <b>Return Ratio(%)</b>     |       |       |       |       |
| RoCE                       | 12.8  | 10.3  | 15.3  | 18.6  |
| ROIC                       | 10.6  | 7.0   | 12.1  | 14.6  |
| RoE                        | 18.0  | 10.9  | 17.1  | 19.4  |
| <b>Balance Sheet</b>       |       |       |       |       |
| Net Debt : Equity (x)      | 1.0   | 0.7   | 0.5   | 0.4   |
| Net Working Capital (Days) | 91    | 68    | 53    | 59    |
| <b>Valuation(x)</b>        |       |       |       |       |
| PER                        | 21.5  | 30.2  | 16.3  | 12.1  |
| P/B                        | 3.6   | 3.0   | 2.6   | 2.2   |
| P/CEPS                     | 55.7  | 52.9  | 72.6  | 93.0  |
| EV/EBITDA                  | 12.8  | 13.0  | 9.8   | 7.6   |
| EV/Sales                   | 2.7   | 2.1   | 1.7   | 1.5   |
| Dividend Yield (%)         | -     | -     | -     | -     |

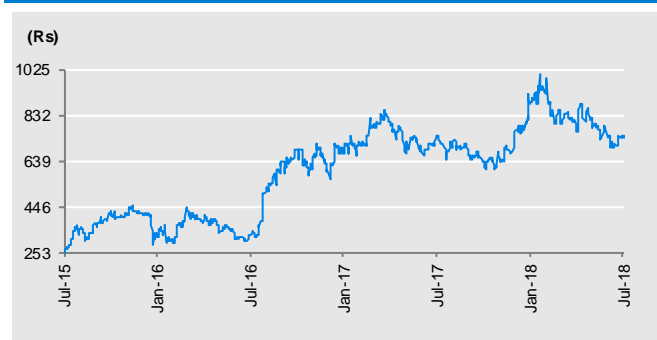
Source: Company Data, PL Research

**Key Operating Metrics**

| Y/e Mar         | FY17   | FY18   | FY19E  | FY20E  |
|-----------------|--------|--------|--------|--------|
| Pharmaceuticals | 32,987 | 41,900 | 52,094 | 58,571 |
| LSI             | 27,076 | 33,280 | 34,908 | 37,433 |

Source: Company Data, PL Research



**Price Chart**

**Recommendation History**

| No. | Date      | Rating     | TP (Rs.) | Share Price (Rs.) |
|-----|-----------|------------|----------|-------------------|
| 1   | 9-Oct-17  | Accumulate | 806      | 665               |
| 2   | 31-Oct-17 | Accumulate | 707      | 640               |
| 3   | 10-Jan-18 | Accumulate | 806      | 787               |
| 4   | 18-Jan-18 | Accumulate | 861      | 921               |
| 5   | 13-Apr-18 | Accumulate | 861      | 806               |
| 6   | 27-Apr-18 | Accumulate | 861      | 877               |
| 7   | 9-May-18  | Accumulate | 937      | 847               |
| 8   | 10-Jul-18 | Accumulate | 937      | 695               |

**Analyst Coverage Universe**

| Sr. No. | CompanyName                   | Rating     | TP (Rs) | Share Price (Rs) |
|---------|-------------------------------|------------|---------|------------------|
| 1       | Aurobindo Pharma              | BUY        | 909     | 627              |
| 2       | Cadila Healthcare             | Accumulate | 437     | 387              |
| 3       | Cipla                         | Reduce     | 525     | 640              |
| 4       | Dr. Lal PathLabs              | Accumulate | 1,009   | 941              |
| 5       | Dr. Reddy's Laboratories      | Reduce     | 1,766   | 2,133            |
| 6       | Eris Lifesciences             | Accumulate | 885     | 703              |
| 7       | Glenmark Pharmaceuticals      | Reduce     | 472     | 589              |
| 8       | Indoco Remedies               | Reduce     | 184     | 180              |
| 9       | Ipca Laboratories             | BUY        | 829     | 679              |
| 10      | Jubilant Life Sciences        | Accumulate | 937     | 695              |
| 11      | Lupin                         | Reduce     | 727     | 903              |
| 12      | Sun Pharmaceutical Industries | Reduce     | 484     | 574              |

**PL's Recommendation Nomenclature (Absolute Performance)**

|                          |                                   |
|--------------------------|-----------------------------------|
| <b>Buy</b>               | : > 15%                           |
| <b>Accumulate</b>        | : 5% to 15%                       |
| <b>Hold</b>              | : +5% to -5%                      |
| <b>Reduce</b>            | : -5% to -15%                     |
| <b>Sell</b>              | : < -15%                          |
| <b>Not Rated (NR)</b>    | : No specific call on the stock   |
| <b>Under Review (UR)</b> | : Rating likely to change shortly |



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