28 October 2014

Granules India

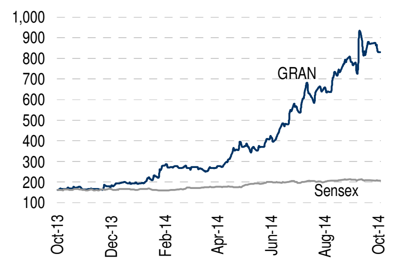
Riding a multi-year growth wave; initiating with a Buy

Rating: **Buy**
Target Price: ₹1,185
Share Price: ₹788

Key data	GRAN IN / GRAN.BO
52-week high / low	₹941 / ₹163
Sensex / Nifty	26753 /7992
3-m average volume	US$0.6m
Market cap	₹16bn / US$260m
Shares outstanding	20.4m

Shareholding pattern (%)	Sep'14	Jun'14	Mar'14
Promoters	48.63	48.74	48.86
- of which, Pledged	*15.16*	*15.16*	*24.68*
Free Float	51.37	51.26	51.14
- Foreign Institutions	6.08	4.05	1.69
- Domestic Institutions	0.21	0.44	0.18
- Public	45.08	46.77	49.27

Relative price performance



Source: Bloomberg

Key takeaways

Successful business-model transformation. Granules India has built up strong operations across the pharma value chain: APIs (active pharmaceutical ingredients), PFIs (pharmaceutical formulation ingredients) and finished dosages (formulations). It is also a preferred vertically-integrated manufacturer globally. It has successfully transformed its business model in the past few years—from low-margin APIs to medium-margin PFIs to high-margin formulations, fuelled by capacity creation and regulatory filings.

Capacity addition to augment growth and margins. The company recently expanded its PFI capacity from 9,840 tpa to 14,400 tpa, and its formulations capacity from 6bn to 18bn tablets per annum. This would help in augmenting its growth momentum over the next 2-3 years, along with margin expansion due to faster growth in the high-margin businesses and greater capacity utilization. Over the years, the percentage of formulation revenue to total revenue has shot up – from 8% in FY10 to 32% in FY14. We expect it to rise to 40% in FY17.

Acquisition and JVs to be add on. Granules acquired Auctus (an API company) in Feb'14, adding 12 APIs in anti-histamines and anti-fungals to its product offerings. The joint venture with Ajinomoto Omnichem to supply high-value APIs and intermediates would be a sustainable revenue stream with higher-than-current margins of Granules.

Greater profitability and expanding return ratios. EBIDTA margin has improved 260bps over FY11-14 to14.4%, fuelled by the better revenue-mix. We expect it to further improve to 17.3% by FY17. Further, we expect adjusted PAT to register a 32% CAGR over FY14-17, which would help improve RoE and RoCE to 25.5% and 18%, respectively, by FY17.

Our take. Significant turnaround in business model towards a higher-value chain would improve profitability, hence, lead to a valuation re-rating in our view. We initiate coverage on the stock with Buy and target price of ₹1,185 based on 14x FY17e. **Risks:** Currency fluctuations and regulatory hurdles.

Key financials (YE Mar)	FY13	FY14	FY15e	FY16e	FY17e
Sales (₹m)	7,644	10,959	13,883	16,365	19,374
Net profit (₹m)	326	752	1,013	1,295	1,717
EPS (₹)	16.2	37.1	49.9	63.9	84.7
Growth (%)	8.7	131.0	34.6	27.9	32.6
PE (x)	5.9	6.9	15.8	12.3	9.3
EV/EBITDA (x)	21.2	12.4	8.8	7.1	5.5
P/B (x)	5.8	4.5	3.5	2.7	2.1
RoE (%)	12.5	23.9	24.9	24.8	25.5
RoCE (%)	8.8	13.1	14.6	15.7	18.0
Dividend yield (%)	2.1	1.4	0.6	0.7	1.0
Net gearing (%)	94.9	115.2	89.7	69.9	40.9

Source: Company

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Quick Glance – Financials and Valuations

Fig 1 – Income statement (₹ m)

Year-end: Mar	FY13	FY14	FY15e	FY16e	FY17e
Net revenues	7,644	10,959	13,883	16,365	19,374
Revenue growth (%)	16.9	43.4	26.7	17.9	18.4
- Oper. expenses	6,794	9,376	11,662	13,665	16,032
EBIDTA	**850**	**1,583**	**2,221**	**2,700**	**3,342**
EBITDA margin (%)	11.1	14.4	16.0	16.5	17.3
- Interest expenses	177	204	328	328	288
- Depreciation	231	298	425	482	534
+ Other income	21	43	43	43	43
- Tax	138	371	499	638	846
Effective tax rate (%)	29.7	33.0	33.0	33.0	33.0
Reported PAT	326	752	1,013	1,295	1,717
+/- Extraordinary items	0	0	0	0	0
+/- Minority interest	0	0	0	0	0
Adjusted PAT	326	752	1,013	1,295	1,717
Adj. FDEPS (₹/sh)	16.2	37.1	49.9	63.9	84.7
Adj. FDEPS growth (%)	8.7	131.0	34.6	27.9	32.6

Source: Company, Anand Rathi Research

Fig 2 – Balance sheet (₹ m)

Year-end: Mar	FY13	FY14	FY15e	FY16e	FY17e
Share capital	201	203	203	203	203
Reserves & surplus	2,547	3,357	4,370	5,665	7,382
Net worth	2,749	3,560	4,572	5,868	7,585
Minority interest	0	0	0	0	0
Total debt	2,610	4,102	4,102	4,102	3,102
Def. tax liab. (net)	245	303	303	303	303
Capital employed	**5,603**	**7,964**	**8,977**	**10,272**	**10,990**
Net fixed assets	3,723	6,070	6,646	7,163	7,629
Investments	97	2	2	2	2
- of which, Liquid	95	0	0	0	0
Net working capital	1,367	1,474	1,818	2,131	2,491
Cash and bank balance	417	417	511	976	867
Capital deployed	**5,603**	**7,964**	**8,977**	**10,272**	**10,990**
Net debt	2,098	3,684	3,591	3,126	2,235
WC days	60.9	46.5	46.3	47.6	47.4
Book value (₹/sh)	136.6	175.5	225.5	289.3	374.0

Source: Company, Anand Rathi Research

Fig 3 – Cash-flow statement (₹ m)

Year-end: Mar	FY13	FY14	FY15e	FY16e	FY17e
PAT	326	752	1,013	1,295	1,717
+Non-cash items	245	298	425	482	534
Cash profit	570	1,050	1,437	1,777	2,251
- Incr./(Decr.) in WC	(97)	108	237	176	180
Operating cash flow	667	943	1,201	1,602	2,072
-Capex	1,156	2,646	1,000	1,000	1,000
Free-cash-flow	(489)	(1,703)	201	602	1,072
-Dividend	47	83	107	136	181
+ Equity raised	3	11	-	-	-
+ Debt raised	709	1,492	0	0	(1,000)
-Investments	95	(95)	0	0	0
-Misc. items	(17)	(189)			
Net cash-flow	97	0	94	465	(109)
+Opening cash	320	417	417	511	976
Closing cash	417	417	511	976	867

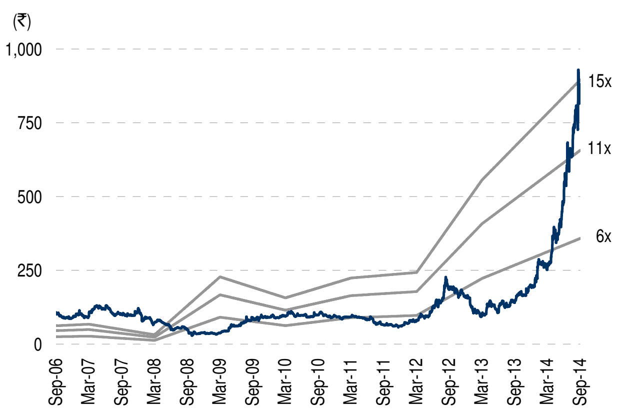
Source: Company, Anand Rathi Research

Fig 4 – Ratio analysis @ ₹788

Year-end: Mar	FY13	FY14	FY15e	FY16e	FY17e
P/E (x)	48.7	21.2	15.8	12.3	9.3
P/B (x)	5.8	4.5	3.5	2.7	2.1
EV/EBITDA (x)	21.2	12.4	8.8	7.1	5.5
RoE (%)	12.5	23.9	24.9	24.8	25.5
RoCE (%)	8.8	13.1	14.6	15.7	18.0
Dividend yield (%)	2.1	1.4	0.6	0.7	1.0
Dividend payout (%)	0.2	0.3	0.4	0.6	0.8
Asset turnover (x)	3.0	2.9	2.7	2.9	3.1
Net Debt/Equity (x)	0.8	1.0	0.8	0.5	0.3
Net debt/EBITDA (x)	2.5	2.3	1.6	1.2	0.7
Net debt/Op. CF (x)	3.1	3.9	3.0	2.0	1.1
Interest coverage (x)	3.5	6.3	5.5	6.8	9.7
P/CEPS (x)	28.5	15.2	11.1	9.0	7.1
EV/ sales (x)	2.6	1.8	1.4	1.1	0.0
M-cap/sales (x)	2.1	1.5	1.2	1.0	0.8

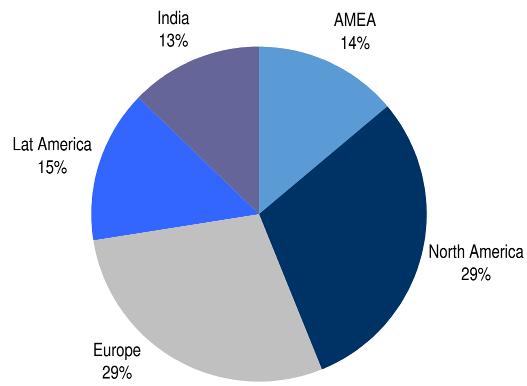
Source: Company, Anand Rathi Research

Fig 5 – PE band



Source: Bloomberg, Anand Rathi Research

Fig 6 – Geographical revenue break-up (FY14)

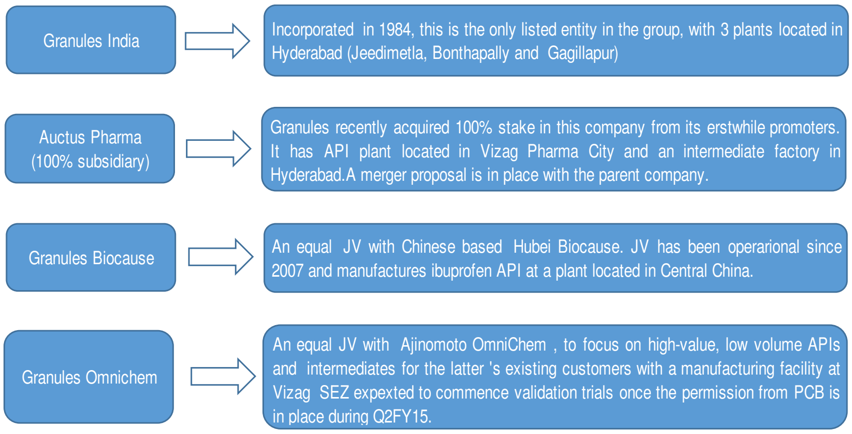


Source: Company

Transformed business model

Granules has built healthy operations across the pharmaceutical value chain: APIs, PFIs and formulations. Supported by long-term partnerships, it is the preferred vertically-integrated manufacturer for customers, globally. In the past few years, it has successfully transformed its business model from low-margin APIs through medium-margin PFIs to high-margin formulations. This has been possible by investment in creating the requisite capacities, product-development capabilities and management's emphasis on improving the business mix.

Fig 7 – Granules snapshot

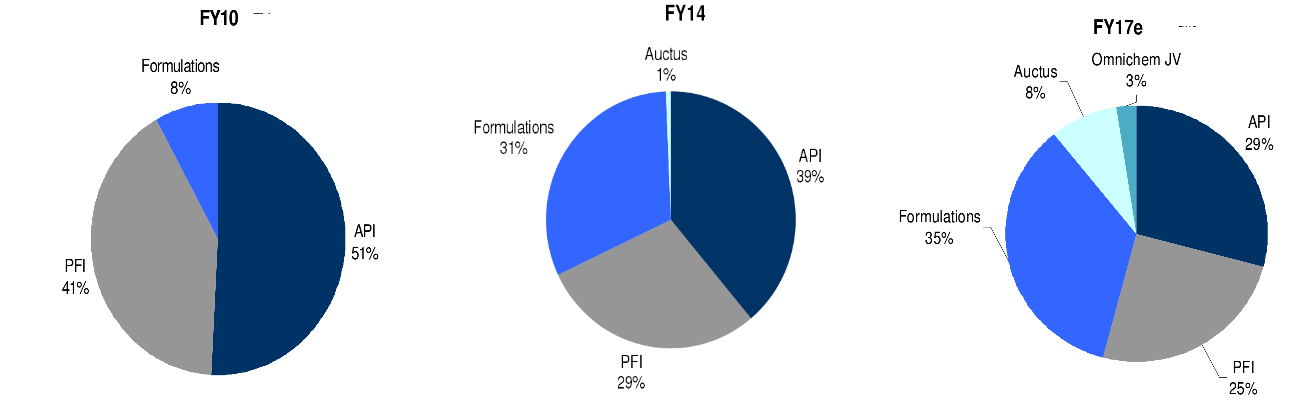


Product Category	Facility Location	Approvals
API	Bonthapally	U.S. FDA, EDQM, WHO GMP, ISO 14001:2004, OHSAS 18001:2007
	Jeedimetla	U.S. FDA, KFDA, TGA, EDQM
	Jingmen, China	U.S. FDA, MHRA, EDQM, TGA, KFDA, Health Canada
PFI	Gagillapur	U.S. FDA, EDQM, TGA, GHCA
	Jeedimetla	HHA (Germany)
FD	Gagillapur	U.S. FDA, EDQM, TGA, GHCA
API (CRAMs)	Vizag	Construction in progress (US FDA compliant)
API (Auctus)	Vizag & Hyderabad	U.S. FDA, EDQM, KFDA, WHO GMP, Health Canada

Source : Company, Anand Rathi Research

Further, it recently acquired Auctus (an API company), adding 12 APIs to its basket of products. The joint venture with Ajinomoto Omnichem for high-value APIs would start generating revenue from FY16 and, on the low base, would grow rapidly. We believe that the acquisition and joint venture would help diversify its revenue stream. Its focus on formulations development from Auctus APIs would strengthen its operations in the higher-value chain. The Auctus acquisition and the Omnichem joint venture would bring in more than 10% revenue in FY17. Excluding this, we expect the share of formulations to revenue to increase to 40% in FY17, from 32% now.

Fig 8 – Segment-wise revenue contribution



Source: Company, Anand Rathi Research

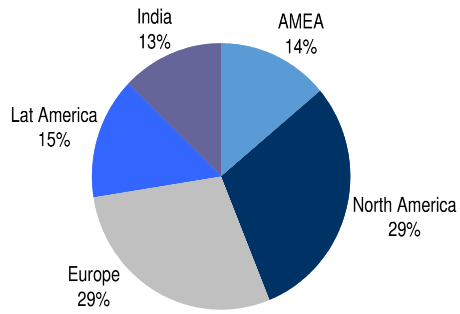
Fig 9 – Product basket

APIs	PFIs		FDs	
	Single active	**Multiple active**	**Single active**	**Multiple active**
Paracetamol	Paracetamol	Paracetamol and Chlorpheniramine Maleate	Paracetamol	Ibuprofen and Methocarbamol
Ibuprofen	Ibuprofen	Paracetamol and Diphenhydramine HCl	Ibuprofen	Ibuprofen and Pseudoephedrine HCl
Metformin HCl	Metformin HCl	Paracetamol, Chlorpheniramine Maleate and Phenylephrine	Metformin HCL	Ibuprofen, Pseudoephedrine HCl and Chlorpheniramine Maleate
Guaifenesin	Guaifenesin	Guaifenesin and Ephedrine HCl	Guaifenesin	Paracetamol and Diphenhydramine HCl
Methocarbamol	Methocarbamol	Ibuprofen and Pseudoephedrine HCl	Naproxen Sodium	Paracetamol and Methocarbamol
	Naproxen	Trimethoprim and Sulphamethoxazole	Diphenhydramine	Paracetamol, Phenylephrine HCl and Chlorpheniramine Maleate
	Naproxen Sodium			Paracetamol, Phenylephrine HCl and Dextromethorphan HBr
	Ciprofloxacin HCl			
	Gemfibrozil			Paracetamol and Phenylephrine HCl
	Analgin			

Source: Company

Largely an export-oriented company, Granules exports to more than 300 customers in 60 countries. Nearly 87% of its revenue arises from exports, the balance from the home market. Regulated markets such as North America and Europe account for ~60% of its revenue; the balance stems from quality-conscious customers in Latin America and RoW.

Fig 10 – Geographical revenue break-up (FY14)



Source: Company, Anand Rathi Research

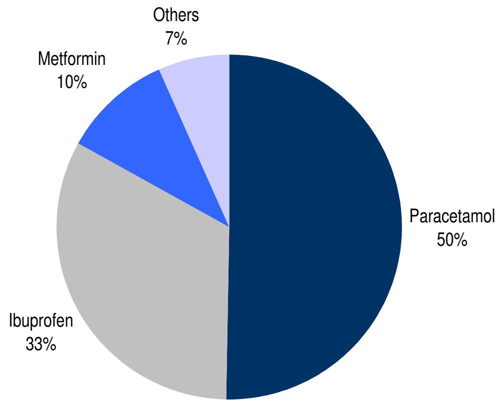
Capacity addition augurs well

The company recently expanded its PFI capacity from 9,840 tpa to 14,400 tpa, and its formulations capacity from 6bn to 18bn tablets per annum. This would help it maintain growth momentum and expand margin over the next 2-3 years because of faster growth in the high-margin businesses and higher capacity utilisation.

Pharmaceutical formulation intermediates (PFIs) fall between APIs and finished dosages. The company has the largest PFI facility in the world with 6MT batch size at Gagillapur near Hyderabad. Global pharma companies benefit from the use of PFIs since they result in considerable time and cost savings. Over FY12-14, Granules' PFI production has climbed from 7,538MT to 10,166MT; in 1QFY15 production was 2,242MT.

Its PFI segment registered 14% revenue CAGR over FY10-14, contributing 29% to revenue in FY14. Of this, exports constituted 96%, domestic sales the rest. In exports, the major contribution came from paracetamol (51%) and ibuprofen (34%).

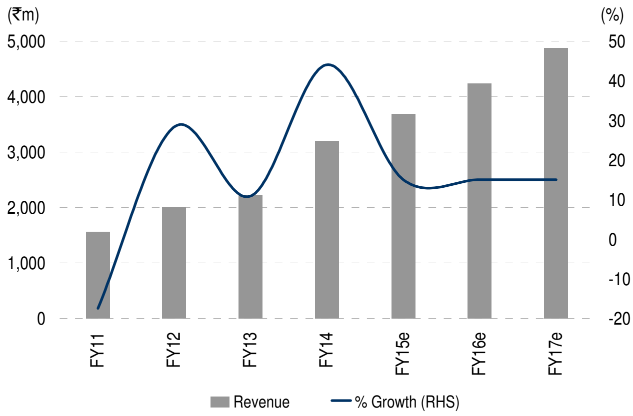
Fig 11 – Product-wise revenue share of PFI (FY14)



Source: Company

We expect 15% revenue CAGR over FY14-17 in the PFI segment because of the recent capacity addition and the shift of a few products from APIs to PFIs at customers' requests. The contribution of PFI to revenue would come down to 25% by FY17 because of higher growth in formulations and to additional revenue from the Auctus acquisition and the Omnichem joint venture.

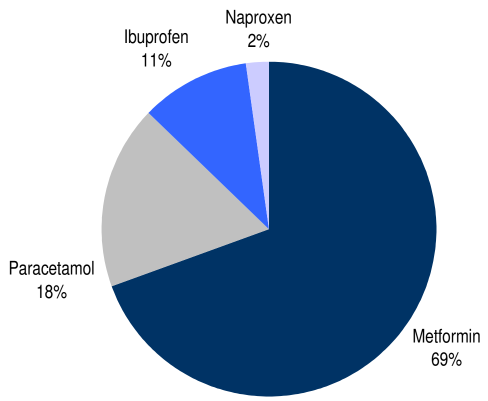
Fig 12 – Revenue growth in PFI



Source: Company, Anand Rathi Research

As a part of its strategy to improve its business mix, the company started manufacturing formulations in FY10 meaningfully, recording 74.3% revenue growth in this segment over FY10-14 driven by product approvals by customers and regulatory authorities. Granules offers various finished-dosage formats: tablets, caplets and press-fit capsules in bulk, blister packs and bottles. It is the only Indian pharmaceutical to manufacture press-fit dosages (rapid-release tablets) and one of the few in India to manufacture bi-layered tablets. Its production of formulations increased ~67% over FY12-14. Metformin is the largest product in formulations for Granules and contributed 69.5% to FY14 formulations sales.

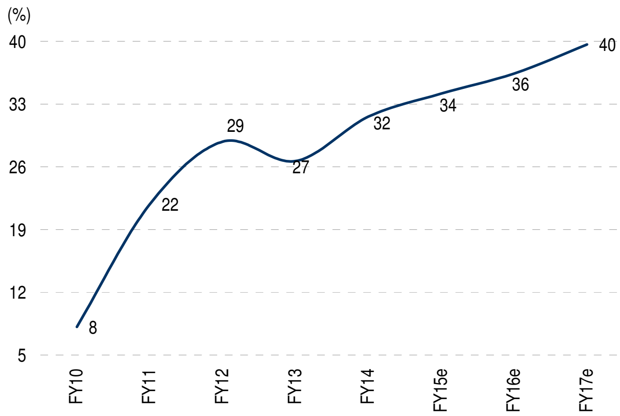
Fig 13 – Product-wise revenue share in formulations (FY14)



Source: Company

Formulations contributed ~32% to overall revenue, and 100% of formulations are exported against 8% four years ago. We expect the proportion of the formulations business to rise to 35% in FY17. However, excluding the Auctus acquisition and the Omnichem joint venture, the percentage would increase to 40% of sales.

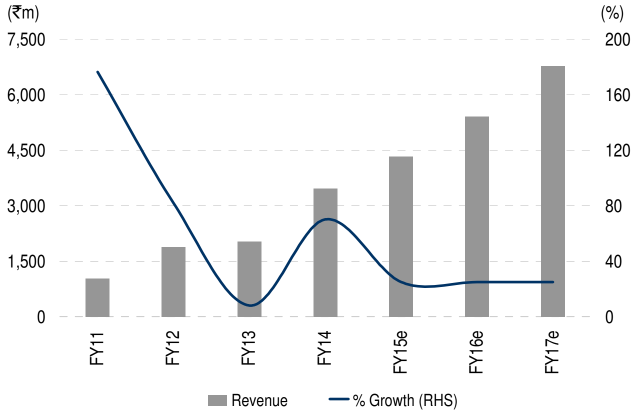
Fig 14 – Contribution of formulations segment to total revenue



Source: Company, Anand Rathi Research

During FY14, Granules expanded its FD capacity from 6bn to 18bn tablets per annum. This would help maintain the strong growth momentum in coming years on an increased base. We expect the company to register a 25% CAGR in revenue over FY14-17, driven by the greater capacity, product development in Auctus APIs and new customer orders.

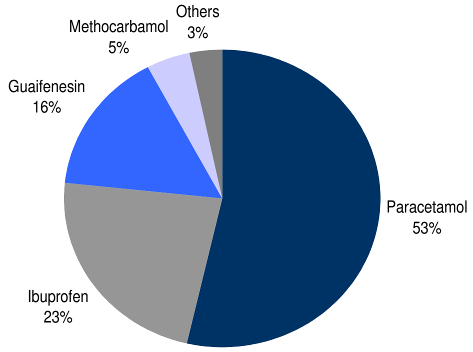
Fig 15 – Revenue growth momentum in formulations



Source: Company, Anand Rathi Research

Granules is one of the largest producers of APIs in key product categories with installed capacity of 22,760 tpa for APIs, and is one of the global leaders in ibuprofen, paracetamol, metformin, guaifenesin and methocarbamol. In Jun'14, its API manufacturing plant at Bonathapally for paracetamol cleared US FDA inspection without attracting "483" observations. This is the world's largest single API production line, by volume, with installed capacity of 14,400 tpa. With the recent approval by the US FDA, we expect an upswing in paracetamol API exports to the US generic market, thereby nurturing the company's API growth outlook.

Fig 16 – Product-wise revenue contribution in API segment (FY14)



Source: Company

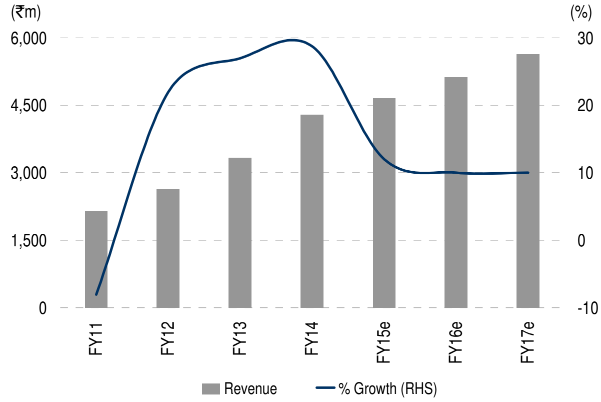
Fig 17 – Major APIs producers globally and capacity details

API	Suppliers	Capacity, tpa	% of capacity
Paracetamol	Mallinckrodt	25,000	56
	Granules	**13,200**	**30**
	Novocel	6,000	14
Ibuprofen	Shasun	6,000	20
	IOL Chemicals	6,000	20
	Albemarle	5,200	17
	BASF	5,000	17
	Granules-Biocause	**4,800**	**16**
Metformin	**Granules**	**1,800**	**5**
	USV Ltd	10,100	28
	Wanbury	9,000	25
	Harman	6,000	17
Methocarbamol	**Granules**	**200**	**20**
	Synthochem	250	25
Guaifenesin	**Granules**	**1,200**	**26**
	Synthochem	800	17

Source: Company

The API business of Granules registered a 16.3% CAGR in revenue over FY10-14. The API segment brought in 39% to revenue in FY14, with 62% and 38% from exports and the domestic market, respectively. The proportion of API revenue has slipped from 51% in FY10 to 39% in FY14 as the growth in formulations and PFIs was higher than revenue growth in API. This was in line with the management's strategy of improving the business mix in order to enhance profitability. We expect an 10% CAGR in revenue over FY14-17 in APIs.

Fig 18 – Revenue growth momentum in APIs



Source: Company, Anand Rathi Research

Acquisition and JVs to add on

Granules acquired Auctus Pharma (an API company) in Feb'14, adding 12 APIs in anti-histamines and anti-fungals to its product kitty. The joint venture with Ajinomoto Omnichem to supply high-value APIs and intermediates would constitute a sustainable revenue stream with higher margins.

Turning around the Auctus acquisition

The recent Auctus Pharma acquisition for ₹1.2bn would give Granules the opportunity to become a high-end regulated-market exporter, with stronger margins, as the focus would be on developing formulations from Auctus APIs. Since Auctus already had an approved plant for regulated markets, this acquisition allowed Granules to reduce the time-to-market by around four years compared with a greenfield project.

Auctus has 22 regulatory filings including eight European, four US DMFs, three South Korean DMFs, three IDL China, two Health Canada, one Italy and one Spain. It manufactures 14 products in therapeutic areas such as antihistaminics, antihypertensives, antithrombotics, anticonvulsants, antivirals, platelet aggregation inhibiters, analgesics, antifungals, anti-ulceratives, neuropathic pain agents, anti-infectives and antivirals.

Granules offers five APIs to its customers: paracetamol, metformin, ibuprofen, guaifenesin and methocarbamol. With the acquisition of the API business of Auctus in Feb'14, it has added 12 APIs to its product basket, with all of them registering significant volume growth. Global value for its overall range of products is pegged at ~$37bn. The company will be filing ANDAs based on these APIs, which would help expand the high-margin formulations business, backed by in-house APIs. The strategy is to continue producing APIs in-house, then gradually shift to formulations of the same molecule. By doing so, the company is securing API supply and making high-value FDs along with supplying long-standing customers not only APIs but also formulations. The company will have direct API sales for certain customers while catering to other customers in the more lucrative FDs We expect it to increase its client base through the addition of Auctus' products.

Fig 19 – Auctus product basket and target market size

Product	Value ($ bn)	Volume (tons)
Valsartan	8.7	1,054
Clopidogrel	5.2	572
Pregabalin	4.8	342
Olmesartan	4.5	97
Pantoprazole	3.4	338
Losartan	3.2	662
Telmisartan	3.1	259
Cetirizine	1	58
Fluconazole	1	87
Rifaximin	0.8	85
Levocetirizine	0.6	15
Doxylamine	0.6	40

Source: Company

A loss-suffering company, Auctus reported a ₹64m loss in FY14 on ₹1.08bn revenue. Given Granules' operations and marketing strengths, the company hopes to turn around Auctus' operations by addressing manufacturing and procurement inefficiencies. The latter has not been very well managed so far. Going by Granules' ability to scale up market shares for its products, clubbed with a strong customer base, we believe Auctus could prove a profitable acquisition by FY16. In addition, Granules will focus on exports that command higher realisations and profitability. We expect Granules to boost its revenue by ₹1.2bn, ₹1.4bn and ₹1.6bn in FY15, FY16 and FY17, respectively, with products added through the Auctus acquisition.

Ajinomoto OmniChem JV – Strategic fit in CRAMS

A Belgian company, Ajinomoto OmniChem specialises in contract manufacturing of intermediates and APIs for innovator companies. The Granules OmniChem joint venture with Ajinomoto Omnichem formed in 2011, would give Granules entry into the high-margin CRAMS market without significant outlay in R&D. In addition, Granules will be working with an established CRAMS company, which has over 40 years experience in the segment and an established customer base. Granules OmniChem (a 50:50 JV), focused on complex APIs in therapeutic segments such as CVS, CNS and oncology, has a multi-product API plant at the Vizag SEZ. From this JV, we expect Granules to generate revenue of ₹200m and ₹500m in FY16 and FY17, respectively. We believe revenue would grow rapidly beyond FY17, considering Ajinomoto's presence and a deal for complex APIs. This would lead to healthy margins for Granules.

JV with Hubei Biocause

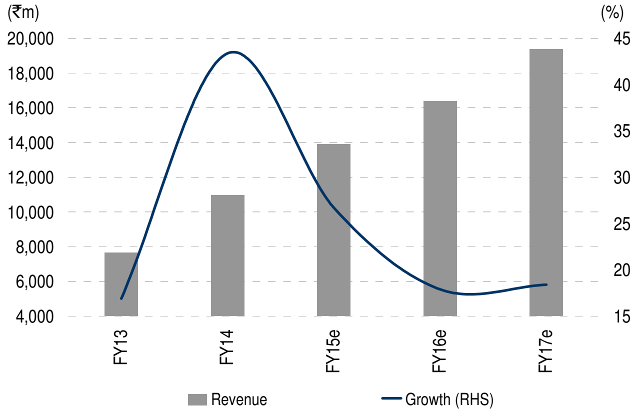
In 2007, Granules entered into a 50:50 joint venture with Hubei Biocause, China, which manufactures ibuprofen at a plant in central China. Hubei is one of the premier ibuprofen manufacturers in China, with installed capacity of 4,800 tpa. The JV was primarily to ensure supply of raw materials to support Granules' increased finished-dosage sales of ibuprofen. This JV provides the company with access to quality ibuprofen API and strengthens its PFIs and FDs. The JV is currently profitable.

Financials

21% CAGR in revenue over FY14-17

Strong growth in all three segments (driven by the expanded capacity in PFIs and finished dosages, coupled with the Auctus acquisition and the company's entry into CRAMS) lead us to estimate a 21% CAGR in consolidated revenue over FY14-17, to ₹19.4bn. The growth would be fuelled by a 25% CAGR in formulations revenue, 15% in PFI and 10% in API.

Fig 20 – Revenue growth trend



Source: Company, Anand Rathi Research

Fig 21 – Revenue break-up

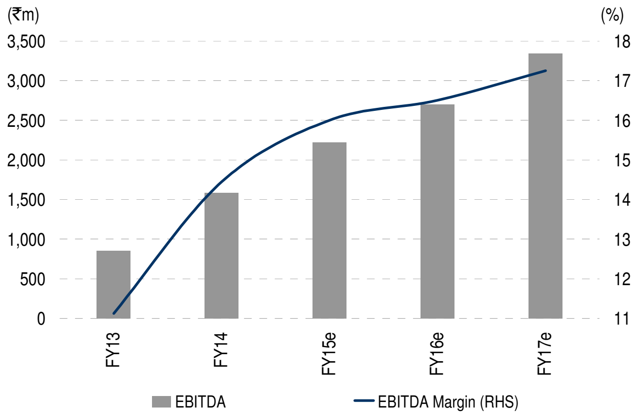
(₹ m)	FY13	FY14	FY15e	FY16e	FY17e
API	3,333	4,290	4,653	5,118	5,630
% growth	26.9	28.7	12.0	10.0	10.0
% of total sales	43.6	39.1	33.5	31.3	29.1
PFI	2,224	3,202	3,682	4,235	4,870
% growth	10.9	44.0	15.0	15.0	15.0
% of total sales	29.1	29.2	26.5	25.9	25.1
Finished Dosage	2,035	3,462	4,328	5,410	6,762
% growth	8.1	70.1	25.0	25.0	25.0
% of total sales	26.6	31.6	31.2	33.1	34.9
Others (exports)	52	5	5	5	5
% growth	NA	NA	NA	NA	NA
% of total sales	0.68	0.04	0.03	0.03	0.02
Total	**7,644**	**10,959**	**12,668**	**14,768**	**17,267**
Auctus			1,215	1,397	1,607
Omnichem				200	500
Total Revenue	**7,644**	**10,959**	**13,883**	**16,365**	**19,374**

Source: Company, Anand Rathi Research

EBITDA margin to register steady improvement

We expect a 281-bp improvement in EBITDA margin over FY14-17, from 14.4%, to 17.3%, driven by added capacity and the entry into the new segment, CRAMS, coupled with the Auctus acquisition. The company is now focused on high-value products, which would aid profitability. In absolute terms, we expect EBITDA to register a 28.3% CAGR over FY14-17, led by strong revenue growth and better EBITDA margin.

Fig 22 – EBITDA and margin trend

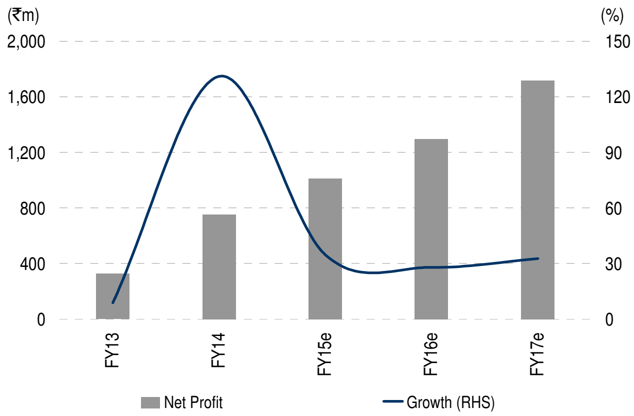


Source: Company, Anand Rathi Research

32% adjusted net-profit CAGR

We expect the company to register a 32% CAGR over FY14-17 in adjusted net profit, to ₹1.72bn, boosted by strong revenue growth and EBITDA margin expansion. The growth in net profit, we estimate, would be considerably more than that in revenue, largely because of the EBITDA-margin expansion and no major increase in depreciation charge. The net-profit margin is likely to improve 200bps over FY14-17, to 8.9%, fueled by strong profit growth.

Fig 23 – Improving profitability

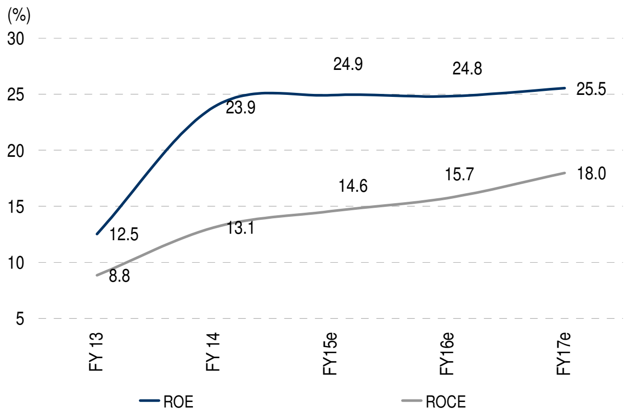


Source: Company, Anand Rathi Research

Expanded return ratios

Considering the strong net-profit growth and better margins in the next three years, we expect substantial improvement in the return ratios. We estimate the RoE and RoCE in FY17 to improve to 25.5% and 18% from the present 23.9% and 13.1%, respectively.

Fig 24 – Return ratios

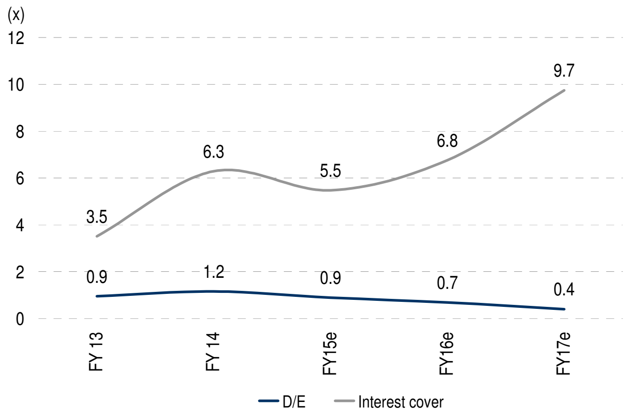


Source: Company, Anand Rathi Research

Leverage position to soften

On the recent Auctus Pharma acquisition and capacity addition in FY14, the balance sheet has been stretched to some extent, with the debt-to-equity ratio rising to 1.2x. However, considering a 32% PAT CAGR over FY14-17 and free-cash-flow generation in coming years, we expect debt-to-equity to slide to 0.4x by end-FY17. The interest-coverage ratio would also improve to 10x in FY17, from 6.3x now.

Fig 25 – Leverage position



Source: Company, Anand Rathi research

Company Background & Management

Company overview

Incorporated in 1991, Granules India, a pharmaceutical company, manufactures and sells active pharmaceutical ingredients (APIs), pharmaceutical formulation intermediates (PFIs) and finished dosages (FDs). The company has multiple finished-dosage formats: tablets, caplets and press-fit capsules in bulk, blister packs and bottles. It has more than 300 customers in over 60 countries, and a workforce of 1,660. Some of its major customers are GlaxoSmithKline, Mylan, Parago, Tevas and Activis.

The company recently (Feb'14) acquired the Andhra-Pradesh-based Auctus Pharma, a leading API manufacturer, for ₹1.2bn. Auctus has a manufacturing plant at Vizag and an intermediates plant at Hyderabad. Also, in a 50:50 joint venture with Ajinomoto Omnichem, Granules entered the high-margin CRAMS business. The JV manufacturing plant at Vizag is expected to commence production in 2HFY15. The company also established a 50:50 joint venture with Hubei Biocause, China, in 2007 manufacturing ibuprofen at a plant in central China.

Fig 26 – Management and Board of Directors

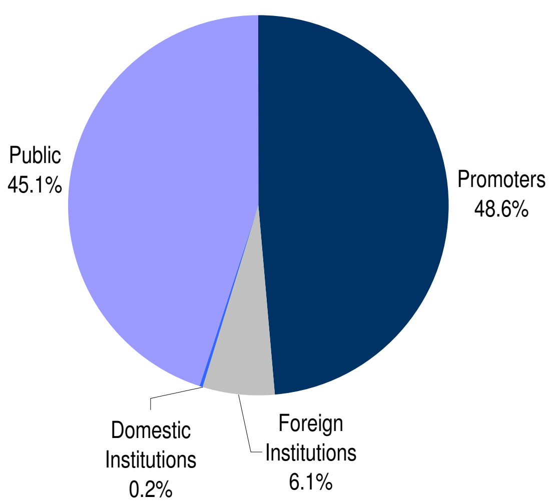
Name	Position	Profile
C. Krishna Prasad	Managing Director	Founded the company. Three decades' experience in pharmaceuticals. Set up a paracetamol manufacturing plant in 1984. Pioneered and popularized pharmaceutical-formulation intermediates (PFI) as a cost-efficient product for global manufacturers. Responsible for growth and long-term strategy
Harsha Chigurupati	Executive Director	With the company since 2005. CMO from 2006 to 2010. Instrumental in commercialising the finished-dosage division in regulated markets. Bachelor's degree in business management from Boston University. Earlier with Orchid Pharmaceuticals and Dr Reddy's Laboratories
Madhusudan Rao	Chief Operating Officer	More than two decades' experience with global pharmaceutical companies. Previously, COO of global generics at Orchid Pharmaceuticals. Prior to that, at Dr Reddy's

Source: Company

Auditors

M/s. Kumar & Giri

Fig 27 – Shareholding patter



Source: BSE