

Company	Target Price (Rs)	Reco
Ajanta Pharma	1,569	HOLD
Alembic Pharma	412	HOLD
Aurobindo Pharma	1,154	BUY
Biocon	479	HOLD
Cadila	1,553	BUY
Cipla	632	HOLD
Divis Lab	1,802	HOLD
Dr Reddy	3,453	BUY
Glenmark	775	HOLD
Ipsca Lab	868	BUY
JB Chemicals	295	BUY
Jubilant LifeSciences	154	HOLD
Lupin	1,545	BUY
Sharon Bio-medicine	140	BUY
Shilpa Medicare	542	HOLD
Sun Pharma	754	HOLD
Torrent	964	HOLD

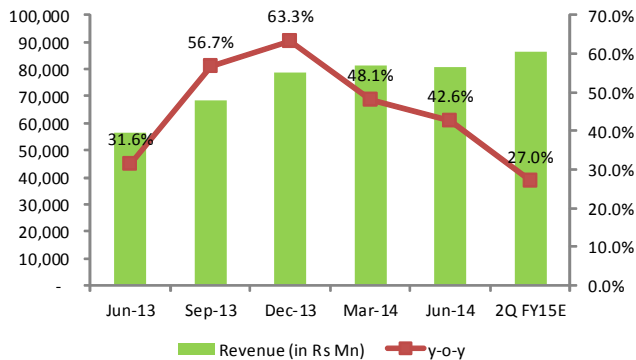
Source: IndiaNivesh Research

Aggregate y-y growth in earnings to slow down a bit on high base of past year; however outlook remains promising

We expect 17 companies under INSPL pharma universe to deliver 20% y-y and 15% y-y growth in sales and adjusted PAT respectively for 2Q FY15. The major companies in the pack – Sun Pharma (SUNP IN) and Dr. Reddy's Lab (DRRD IN), which contributes 32% and 12% to the aggregate adjusted PAT, are expected to show muted growth of 13% y-y and (11% y-y) for the quarter. This is due to lesser number of limited competition products and few launches in US market for SUNP as well as DRRD. However, the other major companies – Lupin and Aurobindo Pharma, which contributes 11% and 8% to the aggregate adjusted PAT are expected to show superior growth in earnings due to strong execution in US market. Lupin is expected to show robust growth in domestic formulation market as well. EBITDA margin is expected to remain stable at 25.9% for the quarter. The rupee has appreciated by ~3% y-y and remained at similar rate sequentially. This would have adverse impact on earnings compared to previous quarters, when companies had benefit of rupee depreciation.

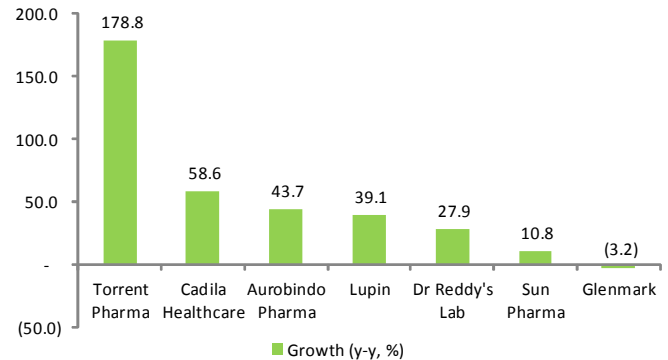
US generics is expected to grow by 27% y-y for the quarter: US generics remains the interesting opportunity for most of the Indian pharma players. In addition to plain vanilla generics and para IV filings, pharma companies have already started investing heavily in limited competition complex molecules. These opportunities have higher as well as sustained profitability unlike limited period profitability seen in FTF exclusivities. Though the opportunity remains promising, there could be quarterly volatility depending on product approvals from USFDA. As a result, we may see relatively lower y-y growth during the quarter.

High base of past year may result in downtrend in y-y growth in US generic segment



Source: Company; IndiaNivesh Research

Torrent Pharma is expected to show superior growth compared to peers



Note: Revenue growth in Rupee terms

Source: Company; IndiaNivesh Research

Daljeet S. Kohli
Head of Research

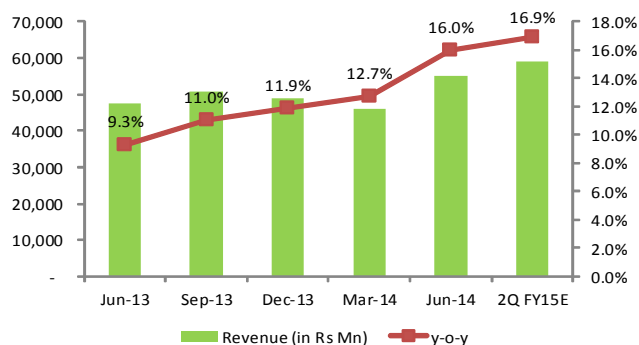
Mobile: +91 77383 93371, 99205 94087
Tel: +91 22 66188826
daljeet.kohli@indianivesh.in

Tushar Manudhane
Research Analyst

Mobile: +91 75066 45373
Tel: +91 22 66188835
tushar.manudhane@indianivesh.in

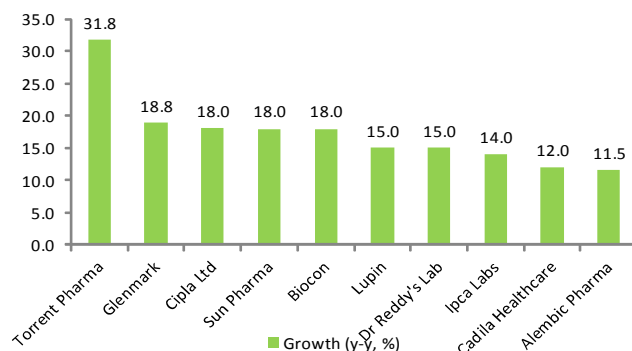
Aggregate domestic formulation is expected to grow by 17% y-y: After four quarters of slow growth till 4Q FY14, due to pricing cuts, domestic formulation segment is expected to show better performance in 2Q FY15. Domestic formulation segment has already showed improvement in 1Q FY15 and we expect this recovery to continue. Apart from new product launches and volume growth, pricing growth would also support the overall growth in domestic formulation going forward. The companies like Glenmark, Cipla and Sun Pharma would show superior growth compared to peers due to higher exposure to chronic portfolio.

Domestic formulation growth on revival path for INSPIL pharma universe



Source: Company; IndiaNivesh Research

Addition of Elder products may result in abnormal y-y growth for Torrent Pharma



Source: Company; IndiaNivesh Research

Though this quarter could be an aberration in terms of growth in earnings, we remain bullish on the sector as there are ample opportunities yet to be tapped by Indian pharma companies. The Indian pharma companies are building the foundation in terms of R&D and marketing to take the advantage of the opportunities in regulated as well as emerging markets. Our top picks are Aurobindo Pharma, Lupin, Cadila Healthcare, JB Chemicals, Sharon Bio-medicine and have BUY rating on the stocks. We continue to like Ajanta Pharma, Alembic Pharma, Divis Lab, Shilpa Medicare and Torrent Pharma. However, we have HOLD rating based on valuation.

Valuations & Recommendation:

Company	Sales (Rs mn)		EBITDA Margin(%)		Adj. PAT (Rs mn)		EPS (Rs)		ROE (%)		P/E (x)		Target Price (Rs)	Reco
	FY15E	FY16E	FY15E	FY16E	FY15E	FY16E	FY15E	FY16E	FY15E	FY16E	FY15E	FY16E		
Ajanta Pharma	13,935	16,466	30.2	30.3	2,772	3,262	78.4	92.3	32.9	28.9	21.7	18.4	1,569	HOLD
Alembic Pharma	22,694	26,585	20.3	21.0	3,124	3,834	16.6	20.3	28.7	25.1	23.4	19.0	412	HOLD
Aurobindo Pharma	121,260	137,339	21.4	22.2	15,470	18,650	53.2	64.1	30.5	28.0	17.6	14.6	1,154	BUY
Biocon	33,263	38,801	23.5	23.1	4,608	5,320	23.0	26.6	13.8	14.3	20.9	18.1	479	HOLD
Cadila	84,145	99,115	19.2	19.2	10,287	10,287	50.2	64.7	24.5	25.6	26.3	20.4	1,553	BUY
Cipla	112,980	136,037	21.6	24.0	14,240	20,305	17.7	25.3	16.9	21.0	33.4	23.4	632	HOLD
Divis Lab	31,786	38,011	42.7	43.1	9,951	11,962	75.0	90.1	28.7	27.2	23.5	19.6	1,802	HOLD
Dr Reddy	150,023	169,881	22.6	22.2	22,035	24,401	129.4	143.3	21.0	20.2	23.2	20.9	3,453	BUY
Glenmark	69,747	80,060	21.3	21.4	8,965	10,460	33.2	38.8	26.7	25.0	21.4	18.3	775	HOLD
Ipca Lab	35,985	40,434	23.8	25.2	5,501	6,847	43.6	54.3	32.4	32.1	17.1	13.7	868	BUY
JB Chemicals	11,282	12,734	16.1	16.6	1,559	1,784	18.4	21.1	18.6	20.8	12.4	10.9	295	BUY
Jubilant LifeSciences	62,022	70,639	11.2	15.3	1,127	2,638	7.1	16.6	4.7	13.9	20.6	8.8	154	HOLD
Lupin	135,950	158,435	26.3	26.6	24,357	28,859	54.3	64.4	27.1	25.2	24.4	20.6	1,545	BUY
Sharon Bio-medicine	1,590	1,908	13.2	15.2	113	173	8.0	14.0	5.4	7.6	8.9	5.1	140	BUY
Shilpa Medicare	7,441	9,421	20.7	21.0	994	1,306	25.8	33.9	20.2	21.2	21.0	15.9	542	HOLD
Sun Pharma	186,025	202,012	43.2	41.7	62,357	65,078	30.1	31.4	44.3	43.2	27.2	26.1	754	HOLD
Torrent	48,834	48,834	25.3	25.3	7,826	7,826	46.2	46.2	31.1	31.1	18.3	18.3	964	HOLD

Source: IndiaNivesh Research

Ajanta Pharma Ltd: CMP= Rs 1700 Reco= HOLD, TP= Rs 1569

(Rs. In Mn.) SA	Q2FY15E	Q2FY14A	Q1FY15A	Y-o-Y Ch. (%)	Q-o-Q Ch. (%)
SALES	3,474	2,708	2,808	28.3	23.7
EBITDA	1,059	751	830	41.1	27.6
Adj Net Profit	758	554	586	36.9	29.2
Forex (loss) Gain	-	5	1	-	-
Reported Net profit	758	558	588	35.8	29.0
Adj. EPS (Rs)	21.4	15.6	16.6	36.9	29.2
				bps	bps
EBITDA Margins	30.5	27.7	29.6	277	93
Net Margins	21.8	20.4	20.9	137	93

Source: Company; IndiaNivesh Research

We expect Ajanta Pharma (AJP IN) to sustain the growth momentum with 28%y-y and 37% y-y growth in sales and adjusted PAT, respectively. Domestic formulation, Asia and Africa would drive growth in revenue as well as profitability for the quarter. EBITDA margin is expected to improve by 277bps on the back of improved operating leverage.

Key factors to watch: Update of number of ANDAs filed and status of execution of new facility in Gujarat.

Alembic Pharmaceuticals Ltd: CMP = Rs 387, Reco= HOLD, TP = Rs 412

Rs Mn	Q2FY15E	Q2FY14A	Q1FY15A	Y-o-Y Ch. (%)	Q-o-Q Ch. (%)
Sales	5,651	4,859	4,937	16.3	14.5
EBITDA	1,140	973	967	17.2	17.9
Adj Net Profit	760	662	647	14.9	17.6
Forex (loss) Gain	-	-	-	-	-
Reported Net Profit	760	662	647	14.9	17.6
Adj EPS (Rs.)	4.03	3.51	3.43	14.9	17.6
				bps	bps
EBITDA margins	20.2	20.0	19.6	15	59
PAT Margins	13.5	13.6	13.1	(17)	36

Source: Company; IndiaNivesh Research

Alembic Pharmaceuticals (ALPM IN) is expected to show sales of Rs5.6bn with 16.3% y-y growth for the quarter. The y-y growth would be mainly driven by higher exports, backed by new product approvals (Telmisartan) during the quarter. US sales are expected to grow at a strong rate of 42% y-y to US\$26mn for the quarter. This would help ALPM to enhance EBITDA margin marginally to 20.2% and enable adjusted PAT to grow by 15% y-y to Rs760mn.

Key factors to watch: Progress of execution of generic business. Pricing and volume growth in domestic formulation would also be the key factor to watch out.

Aurobindo Pharma: CMP= Rs 938, Reco=BUY, TP= 1154

(Rs Mn)	Q2FY15E	Q2FY14A	Q1FY15A	Y-o-Y Ch.(%)	Q-o-Q Ch. (%)
Sales	28,980	18,975	28,946	52.7	0.1
EBITDA	6,243	4,384	6,582	42.4	(5.1)
Net Profit	4,057	3,022	4,129	34.3	(1.7)
Forex (loss) Gain/other	-	(672)	26	(100.0)	(100.0)
Net Profit Reported	4,057	2,350	4,154	72.7	(2.3)
Adj EPS (Rs.)	13.94	10.38	14.19	34.3	(1.7)
				bps	bps
EBITDA Margins (%)	21.5	23.1	22.7	(156)	(120)
Net Margins (%)	14.0	15.9	14.3	(193)	(26)

Source: Company; IndiaNivesh Research

We expect Aurobindo Pharma (ARBP IN) to deliver robust performance during the quarter led by strong execution in US generics segment. We expect US generics sales to maintain strong momentum and grow by 48% y-y to US\$175mn due to new product launches and increased market share in existing products. Overall sales are expected to grow by 53% y-y to Rs29bn and PAT to grow by 34% y-y to Rs4bn. However, the q-q EBITDA margin is expected to slip 120bps due to higher exclusivity related sales during 1Q FY15.

Key factors to watch: progress on turnaround of acquired Actavis operations and performance in US market.

Biocon Ltd: CMP = Rs 482 , Reco= HOLD, TP = Rs 479

BIOS IN (in Rs Mn)	Q2FY15E	Q2FY14A	Q1FY15A	Y-o-Y Ch. (%)	Q-o-Q Ch. (%)
Out-licensing income	40	34	190		
Core sales	8,099	7,304	6,996	10.9	15.8
NET SALES	8,139	7,338	7,186	10.9	13.3
EBITDA	1,823	1,688	1,673	8.0	9.0
Adj Net Profit	1,175	1,022	1,030	14.9	14.0
Rep Net Profit	1,175	1,022	1,030	14.9	14.0
EPS (Rs.)	5.87	5.11	5.15	14.9	14.0
				bps	bps
Adj EBITDA Margins (%)	22.0	22.6	21.2	(63)	82
Net Margins (%)	14.0	13.5	12.0	48	200

Source: Company; IndiaNivesh Research

Biocon is expected to show decent growth of 11% y-y in net sales and 15% y-y in adjusted PAT to Rs8bn and Rs1.2bn, respectively. The q-q performance is expected to be much better as 1Q FY15 was impacted by political issues in MENA region. Branded domestic formulation is expected to continue to do well in 2Q FY15, however, the growth rate would look high at 18% y-y due to low base of past year.

Key factors to watch: Performance in domestic branded formulation segment, R&D spend, progress on various products in pipeline and performance in CRAMS business.

Cadila Healthcare: CMP = Rs 1323, Reco = BUY, TP=Rs 1553

CDH IN (Rs Mn)	Q2FY15E	Q2FY14A	Q1FY15A	Y-o-Y Ch. (%)	Q-o-Q Ch.
Sales	20,939	17,254	20,204	21.4	3.6
EBITDA	3,947	2,794	3,761	41.2	4.9
Adj Net Profit	2,551	1,897	2,414	34.5	5.7
Forex (loss) Gain	-	(63)	(12)	-	-
Rep Net Profit	2,551	1,834	2,402	39.1	6.2
EPS (Rs.)	12.46	9.26	11.79	34.5	5.7
				bps	bps
EBITDA Margins (%)	18.8	16.2	18.6	265	23
Net Margins (%)	12.2	11.0	11.9	119	24

Source: Company; IndiaNivesh Research

We expect Cadila Healthcare to report revenue growth of 21.4% y-y and adjusted PAT growth of 35% y-y, led by strong execution in US generics. We expect US generics sales to grow by 62% y-y to US\$125mn for the quarter. EBITDA margin is expected to remain stable at 18.8%, sequentially. We expect gradual pick up in revenues from domestic formulation segment.

Key factors to watch: Progress on ANDA approvals and revival in growth of domestic formulation segment.

Cipla Ltd: CMP= Rs 592, Reco= HOLD, TP = Rs 632

CIPLA IN (Rs Mn)	Q2FY15E	Q2FY14A	Q1FY15A	Y-o-Y Ch. (%)	Q-o-Q Ch. (%)
Sales	28,226	24,632	26,472	14.6	6.6
EBITDA	6,129	5,642	5,418	8.6	13.1
Adj Net Profit	3,615	3,205	2,696	12.8	34.1
Forex (loss) Gain/Exceptional	-	400	400	-	-
Rep Net Profit	3,615	3,605	2,946	0.3	22.7
EPS (Rs.)	4.50	3.99	3.36	12.8	34.1
				bps	bps
EBITDA Margins (%)	21.7	22.9	20.5	(119)	125
Net Margins (%)	12.8	13.0	10.2	(20)	262

Source: Company; IndiaNivesh Research

We expect Cipla to show decent growth of 15% y-y and 13% y-y to Rs28bn and Rs3.6bn, respectively. The growth would be driven by domestic formulation and exports. EBITDA margin is expected to slip 119bps y-y due to higher expense related to building front end in US market.

Key factors to watch: Progress on Inhaler launches in key European markets and building front end in US market.

Divis Lab (SA): CMP= Rs 1765, Reco= HOLD, TP= Rs 1802

DIVI IN (SA Rs Mn)	Q2FY15E	Q2FY14A	Q1FY15A	Y-o-Y Ch. (%)	Q-o-Q Ch. (%)
Sales	7,074	5,659	6,398	25.0	10.6
EBITDA	3,006	2,477	2,323	21.4	29.4
Adj Net Profit	2,224	1,739	1,666	27.9	33.5
Forex (loss) gain	-	310	14	-	(100.0)
Rep Net profit	2,224	2,049	1,679	8.5	32.4
Adj EPS (Rs.)	16.75	13.10	12.55	27.9	33.5
				bps	bps
EBITDA Margins	42.5	43.8	36.3	(126)	619
Net Margins	31.4	30.7	26.0	70	540

Source: Company; IndiaNivesh Research

Divis Laboratories is expected to show 25% y-y increase in sales to Rs7bn on account of increased contract orders from its customers. Relatively higher margin contracts would also result in improving EBITDA margins sequentially to 42.5% for the quarter and adjusted PAT to grow by 28% to Rs2.2bn.

Key factors to watch: Revenue growth and improvement in EBITDA margins

Dr Reddy's Lab: CMP= Rs 3000, Reco= BUY, TP= Rs 3453

DRRD IN (Rs Mn)	Q2FY15E	Q2FY14A	Q1FY15A	Y-o-Y Ch. (%)	Q-o-Q Ch. (%)
SALES	38,667	33,575	35,175	15.2	9.9
Operating Profit (EBIT)	7,019	6,723	6,289	4.4	11.6
Adj Net Profit	5,818	6,508	5,503	(10.6)	5.7
Forex (loss) gain/ other	-	394	21	NA	-
Rep Net Profit	5,818	6,903	5,526	(15.7)	5.3
EPS (Rs.)	34.25	38.32	32.40	(10.6)	5.7
				bps	bps
EBIT Margins (%)	18.2	20.0	17.9	(187)	27
Net Margins (%)	15.0	19.4	15.6	(434)	(60)

Source: Company; IndiaNivesh Research

Dr. Reddy's Laboratories is expected to show 11% y-y decline in adjusted PAT to Rs5.8bn. Though sales are expected to grow by 15% y-y, EBITDA margin is expected to decline 187bps y-y due to higher limited competition products sales in 2Q FY14. US sales are expected to grow at moderate rate of 30% y-y to US\$280mn due to lesser number of limited competition product launches during the quarter.

Key factors to watch: performance in PSAI segment, domestic formulation segment and US market. R&D spend would also be the key factor to watch.

Glenmark Pharmaceuticals Ltd: CMP= Rs 711, Reco= HOLD, TP=Rs 775

GNP IN (Rs Mn)	Q2FY15E	Q2FY14A	Q1FY15A	Y-o-Y Ch.	Q-o-Q Ch.
Core sales	15,869	14,512	14,570	9.3	8.9
Out-licensing income	-	118	299	-	-
Total sales	15,869	14,630	14,869	8.5	6.7
EBITDA	3,476	3,039	3,124	14.4	11.3
Adj Net Profit	1,934	1,425	1,550	35.7	24.8
Forex (loss)	-	-	-	-	NA
Rep Net Profit	1,934	1,543	1,849	25.3	4.6
Adj EPS (Rs.)	7.1	5.3	5.7	35.7	24.8
				bps	bps
EBITDA Margins (%)	21.9	20.9	21.0	97	89
Net Margins (%)	12.2	9.7	10.4	245	176

Source: Company; IndiaNivesh Research

Glenmark Pharmaceuticals is expected to show strong growth of 36% y-y in adjusted PAT partly on account of low base of past year and improvement in growth of domestic formulation segment. Though there were new product launches in US market, US sales is expected to remain stable y-y at US\$90mn due to high base of past year. We expect domestic formulation sales to increase by 19% y-y to Rs5bn on the back of increased traction in existing products as well as new product launches. Overall sales are expected to grow by 9% y-y for the quarter.

Key factors to watch: Revenue performance across the markets, EBITDA margins & any data point on R&D front.

Ipca Labs (SA): CMP= Rs 744, Reco= BUY, TP= Rs 868

IPCA IN (Rs Mn)	Q2FY15E	Q2FY14A	Q1FY15A	Y-o-Y Ch. (%)	Q-o-Q Ch. (%)
Sales	9,409	8,343	9,282	12.8	1.4
EBITDA	2,299	2,345	2,309	(2.0)	(0.4)
Adj Net Profit	1,507	1,694	1,432	(11.0)	5.2
Forex (loss) gain	-	(399)	23	-	(100.0)
Rep Net profit	1,507	1,295	1,455	16.4	3.6
Adj EPS (Rs)	11.94	13.42	11.35	(11.0)	5.2
				bps	bps
EBITDA Margins (%)	24.4	28.1	24.9	(367)	(44)
Net Margins (%)	16.0	20.3	15.4	(428)	59

Source: Company; IndiaNivesh Research

We expect IPCA to show decent growth of 13% y-y in sales to Rs9.4bn, led by domestic branded and CIS branded segment. However, high base of past year is expected to result in adjusted PAT to decline by 11% to Rs1.5bn.

Key factor to watch: Progress of clearance of USFDA issues at Ratlam facility.

JB Chemicals & Pharmaceuticals Ltd (SA): CMP= Rs 229, Reco=,BUY, TP= Rs 295

JBCL IN Rs Mn (SA)	Q2FY15E	Q2FY14A	Q1FY15A	Y-o-Y Ch. (%)	Q-o-Q Ch. (%)
Sales	2,821	2,475	2,567	14.0	9.9
EBITDA	524	446	420	17.6	24.9
Adj Net Profit	440	407	276	8.2	59.2
Forex (loss) gain/other	-	(75)	42	-	(100.0)
Rep Net Profit	440	332	318	32.6	38.3
Adj EPS	5.2	4.8	3.8	8.2	38.3
				bps	bps
EBITDA Margins (%)	18.6	18.0	16.4	56	224
Net Margins (%)	15.6	16.4	10.8	(83)	483

Source: Company; IndiaNivesh Research

JB Chemicals is expected to show 14% y-y growth in sales, driven by healthy growth in exports as well as domestic formulation. Increased operating leverage is expected to result in EBITDA margin to improve from 16.4% to 18.6%. Adjusted PAT is expected to show relatively lower growth of 8.2% due to higher tax rate.

Key factors to watch: Expansion in EBITDA margins & revenue growth in domestic market.

Jubilant Life Sciences Ltd: CMP= Rs 146, Reco= HOLD, TP=Rs 154

JOL IN (Rs Mn)	Q2FY15E	Q2FY14A	Q1FY15A	Y-o-Y Ch.	Q-o-Q Ch. (%)
Sales	15,040	14,243	14,605	5.6	3.0
EBITDA	1,767	2,596	1,329	(31.9)	32.9
Adj Net Profit	199	696	235	(71.4)	(15.1)
Forex (loss) gain	-	(1,502)	(187)	-	-
Rep Net Profit	199	(806)	48	NA	316.5
Adj EPS	1.2	4.4	1.5	(71.4)	(15.1)
				bps	bps
EBITDA Margins (%)	11.7	18.2	9.1	(648)	265
Net Margins (%)	1.3	4.9	1.6	(356)	(28)

Source: Company; IndiaNivesh Research

We expect Jubilant Life Sciences to show 71% y-y decline in adjusted PAT due to subdued performance in lifescience ingredients as well as pharmaceuticals business. The pharma segment was impacted in 1Q FY15 due to shut down at Montreal facility after USFDA warning letter. The site was closed for 10 weeks. We expect gradual improvement in sales from this site and as a result, the performance for the quarter is expected to be subdued. Sales are expected to grow by 5%y-y to Rs15bn and EBITDA is expected to decrease 276bps y-y to 15.5%.

Key factors to watch: Pricing & volume growth, EBITDA margins, pricing scenario in chemical business and Syntet capacity utilization.

Lupin Ltd: CMP= Rs 1328, Reco= BUY, TP= Rs 1545

LPC IN (Rs Mn)	Q2FY15E	Q2FY14A	Q1FY15A	Y-o-Y Ch. (%)	Q-o-Q Ch. (%)
Sales	32,462	26,315	32,840	23.4	(1.2)
EBITDA	9,286	6,232	10,579	49.0	(12.2)
Adj Net Profit	5,478	4,062	6,248	34.9	(12.3)
Forex (loss) gain/exceptional	-	-	-	-	-
Rep Net Profit	5,478	4,062	6,248	34.9	(12.3)
Adj EPS (Rs.)	12.25	9.09	13.98	34.9	(12.3)
				bps	bps
EBITDA Margins (%)	28.60	23.68	32.21	492	(361)
Net Margins (%)	16.88	15.44	19.03	144	(215)

Source: Company; IndiaNivesh Research

We expect Lupin to deliver sustained growth in earnings, with 24% y-y growth in sales and 35% y-y growth in adjusted PAT to Rs32.5bn and Rs5.5bn, respectively. This would be driven by healthy growth in domestic formulation and strong growth in US market. We expect US sales to grow by 44% y-y to US\$240mn led by increased traction in existing products.

Key factors to watch: Progress on approvals of key products in US market and performance in domestic formulation segment.

Sharon Biomedicine: CMP=Rs 71, Reco=BUY, TP= Rs 140

SBML IN (Rs Mn)	Q1FY15E	Q1FY14A	Q4FY14A	Y-o-Y Ch.(%)	Q-o-Q Ch. (%)
Sales	372	315	350	18.0	6.5
EBITDA	45	34	44	30.8	0.5
Adj Net Profit	25	16	22	53.0	14.7
Reported Net Profit	25	15	21	63.3	22.8
Adj EPS (Rs.)	2.4	1.5	2.1	63.3	14.7
				bps	bps
EBITDA Margins (%)	12.0	10.8	12.7	117	(72)
Net Margins (%)	6.8	5.2	6.3	155	48

Note: Year ending June

Source: Company; IndiaNivesh Research

Sharon Biomedicine is expected to show 18% y-y growth in revenue and 63% y-y growth in adjusted PAT to Rs347mn and Rs25mn, respectively. Improved operating leverage and low base of past year would result in such high growth in adjusted PAT.

Key factors to watch: Update of USFDA inspection, revenue growth and EBITDA margin.

Shilpa Medicare Ltd : CMP=Rs 540, Reco=HOLD, TP= 542

SLPA IN (Rs Mn)	Q2FY15E	Q2FY14A	Q1FY15A	Y-o-Y Ch. (%)	Q-o-Q Ch. (%)
Sales	1,685	1,359	1,389	24.0	21.3
EBITDA	364	279	295	30.4	23.5
Adj PAT	239	175	171	36.1	39.8
Forex (loss) gain/other	-	39	-	-	-
Rep Net Profit	239	136	171	75.6	39.8
Adj EPS (Rs.)	6.19	4.55	4.43	36.1	39.8
				bps	bps
EBITDA Margins (%)	21.6	20.6	21.2	106	38
Net Margins (%)	14.2	12.9	12.3	126	187

Source: Company; IndiaNivesh Research

We expect Shilpa Medicare to show strong growth of 24% y-y and 36% y-y in sales and adjusted PAT for the quarter on the back increased traction in oncology products and higher CRAMS business. EBITDA margin is expected to improve from 20.6% to 21.6% led by higher operating leverage.

Key factors to watch: Growth in revenue and EBITDA, update on USFDA re-inspection at API unit in Raichur.

Sun Pharmaceutical Industries Ltd: CMP=Rs 819, Reco = HOLD,TP= Rs754

SUNP IN (Rs Mn)	Q2FY15E	Q2FY14A	Q1FY15A	Y-o-Y Ch. (%)	Q-o-Q Ch. (%)
Sales	47,562	41,921	39,269	13.5	21.1
EBITDA	20,556	18,284	17,239	12.4	19.2
Adj Net Profit	15,382	13,623	13,905	12.9	10.6
Forex/exceptional item	-	-	-	-	-
Rep Net Profit	15,382	13,623	13,905	12.9	10.6
Adj EPS (Rs.)	7.7	4.9	7.39	56.9	3.7
				bps	bps
EBITDA Margins (%)	43.2	43.6	43.9	(39)	(68)
Net Margins (%)	32.3	32.5	35.4	(16)	(307)

Source: Company; IndiaNivesh Research

We expect Sun Pharmaceuticals to show 13.5% y-y and 13% y-y growth in sales and adjusted PAT, driven by healthy performance in domestic formulation. The high base effect in US market would result in relatively low growth in US markets. As a result, we expect US sales to grow at moderate rate of 14% y-y to US\$ 478mn. Out of US\$478mn, we expect Taro to contribute US\$214mn for the quarter. We expect Taro sales to grow at modest rate of 4% y-y for the quarter due to high base of past year. We expect EBITDA margin to sustain at 43.2% due to superior product mix.

Key factors to watch: Performance in key markets of India and US.

Torrent Pharmaceutical Ltd: CMP=Rs 845, Reco=HOLD, TP = Rs 964

TRP IN (Rs Mn)	Q2FY15E	Q2FY14A	Q1FY15A	Y-o-Y Ch.	Q-o-Q Ch.
Sales	12,927	9,360	10,920	38.1	18.4
EBITDA	2,800	1,430	3,230	95.8	(13.3)
Adj Net Profit	1,796	1,030	2,560	74.3	(29.9)
Forex (loss) gain	-	-	-	-	-
Rep Net profit	1,871	1,130	2,560	65.5	(26.9)
Adj EPS (Rs.)	10.61	6.09	12.23	74.3	(13.3)
				bps	bps
EBITDA Margins (%)	21.7	15.3	29.6	638	(792)
Net Margins (%)	13.9	11.0	23.4	288	(955)

Source: Company; IndiaNivesh Research

We expect Torrent Pharmaceuticals to deliver strong growth of 38% y-y and 74% y-y in sales and adjusted PAT to Rs12.9bn and Rs1.9bn, respectively. This would be driven by superior growth in US market, addition of acquired business of Elder and healthy growth in its domestic formulation segment. We expect US sales to grow at significant rate of 184% y-y to US\$47mn for the quarter. However, we expect sequential decline in EBITDA margin due to limited competition product in 1Q FY15.

Key factors to watch: Progress on ANDA filing in US market and status of synergy post acquisition of Elder's portfolio.



IndiaNivesh Securities Private Limited

601 & 602, Sukh Sagar, N. S. Patkar Marg, Girgaum Chowpatty, Mumbai 400 007.

Tel: (022) 66188800 / Fax: (022) 66188899

e-mail: research@indianivesh.in | Website: www.indianivesh.in

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