Shilpa Medicare Ltd

Bloomberg Code: SLPA IN

India Research - Stock Broking

HOLD

Time to reap returns from the assets/opportunities built-up:

- **Unlocking full potential of base business:** SLPA plans to enter the largest pharma market of the world, USA. SLPA had been inspected by US-FDA for two plants in Mar'15, it has 17 US-DMFs filed and 15 in pipeline. The off patent APIs address a market size of USD 3 Bn, while patented APIs address USD 1 Bn. On regulatory approval, we expect incremental sales of Rs 2000 Mn by FY17E.
- **Upgrading a successful venture:** Raichem Medicare, a 60% subsidiary of SLPA, is taking its long relation in custom synthesis to a higher size. SLPA has created dedicated facilities, expected to fully commercialize by FY16E.
- **Asset build up:** SLPA has been in a capex phase since the last three years, investing close to Rs 2600 Mn. Apart from expanded custom synthesis, formulation unit at Jadcherla is being built with commercialization expected by FY17E supporting the 10 US-ANDA the company plans to file. The company also invested in 2 other subsidiaries for thin strip formulation and drug development.
- **Consistent and Robust Financials:** EBITDA margins have been in the range of 19.5% in the last three years and we expect further 200 bps improvement as product mix improves. The low debt-equity ratio (0.50x) in spite of the high capex period reflects the financial and strategic discipline of the company. We expect improved RoE as the asset utilization improves after the capex phase.

Valuation and Outlook

At the current market price of Rs. 946, the company is traded at 22x FY17E EPS of Rs. 43. The company is at the early stages of foraying into the next phase of growth. The valuations have factored in the growth prospects fairly including formulations, US-API, ARV supplies and expanded custom synthesis. We are initiating the coverage on SLPA with a HOLD rating valuing it at average last 6 quarter PE of 25x (when the opportunities were in the visible range for the investors) for a target price of Rs.1,065 representing an upside of 12.6% from the CMP.

Key Risk

1. A significant up/downside potential is hinged on the upcoming FDA approvals
2. Market penetration associated with new avenues of formulations, ARV supplies and US-APIs
3. Patent expiration and following ramp-up in supplies.

Exhibit 1: Valuation Summary (Rs. Mn)

YE Mar	FY13	FY14	FY15E	FY16E	FY17E
Net Sales	3713	5714	6188	7642	10561
EBITDA	689	1160	1283	1685	2452
EBITDA Margin (%)	18.5	20.3	20.7	22.1	23.2
Adj. Net Profit	473	757	720	1030	1642
EPS (Rs.)	12.9	20.6	18.7	26.7	42.6
RoE (%)	15.5	20.6	15.1	17.5	23.0
PE (x)*	13.2	20.1	50.6	35.4	22.2

*Source: Company, Karvy Research; * For FY13, FY14 PE multiples are on historic basis*

Recommendation (Rs.)

CMP *(as on Apr 17, 2015)*	946
Target Price	1065
Upside (%)	13

Stock Information

Mkt Cap (Rs.mn/US$ mn)	36454 / 585
52-wk High/Low (Rs.)	1091 / 340
3M Avg. daily volume (mn)	0.1
Beta (x)	0.6
Sensex/Nifty	28442/8606
O/S Shares(mn)	38.6
Face Value (Rs.)	2

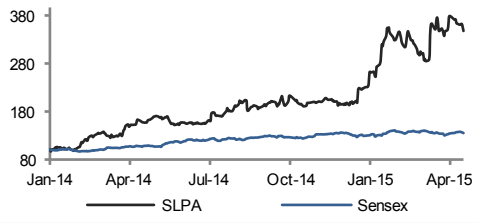
Shareholding Pattern (%)

Promoter	53.1
FIIs	14.8
DIIs	0.1
Others	32.1

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(6)	7	83	122
Relative to Sensex	(5)	6	68	77

Relative Performance*



*Source: Bloomberg; *Index 100*

Technical View

The stock is trading in secular long term uptrend on monthly charts. Momentum indicators are showing some weakness in short term and stock can fall to 900 levels in coming trading sessions as overall pharma sector is witnessing correction. Medium term investors can hold the stock with stop loss of 880.

Analyst Contact

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Company Financial Snapshot (Y/E Mar)

Profit & Loss (Rs.mn)

	FY15E	FY16E	FY17E
Net sales	6188	7642	10561
Optg. Exp (Adj for OI)	4905	5957	8109
EBITDA	1283	1685	2452
Depreciation	208	250	253
Other Income	30	60	100
Interest	32	26	23
PBT	1073	1469	2277
Tax	354	441	637
PAT	720	1030	1642
Profit & Loss Ratios			
EBITDA margin (%)	20.7	22.1	23.2
Net Profit margin (%)	11.6	13.5	15.6
P/E (x)	50.6	35.4	22.2
EV/EBITDA (x)	28.9	21.6	14.4
Dividend yield (%)	0.1	0.1	0.1

Source: Company, Karvy Research

Company Background

Shilpa Medicare (SLPA) began its operations in 1987 as an Active Pharmaceutical Ingredient (API) manufacturer. The company continues to be an API manufacturer specially focussed on Oncology segment and plans to foray in formulation sales as well. SLPA has a significant revenue contribution from custom synthesis segment, contributing to 40% of revenues in FY14. The company has 4 subsidiaries and one associate company. The company has 17 US-DMF (Drug master File) filings, 2 plants audited by US-FDA (for which results are awaited) and 15 more filings in the pipeline to enter the US-API market. The company has 10 ANDA filings in pipeline to support formulation side. The company has a long standing supply relation with an Italian company and plans on increasing the size of the same. SLPA has also signed an agreement with United Nations backed Medicines patent pool and Gilead Sciences for increasing supplies in the ARV space.

Balance Sheet (Rs.mn)

	FY15E	FY16E	FY17E
Total Assets	**7889**	**8851**	**10683**
Net Fixed assets	4670	4774	4664
Current assets	2762	3673	5629
Other assets	457	404	390
Total Liabilities	**7889**	**8851**	**10683**
Networth	5438	6368	7887
Debt	930	696	462
Current Liabilities	1262	1528	2074
Deferred Tax	259	259	259
Balance Sheet Ratios			
RoE (%)	15.1	17.5	23.0
RoCE (%)	12.9	15.6	21.5
Net Debt/Equity(x)	0.2	0.1	0.1
Equity/Total Assets(x)	0.7	0.7	0.7
P/BV (x)	6.7	5.7	4.6

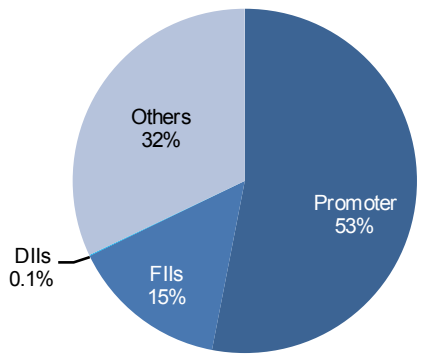
Source: Company, Karvy Research

Cash Flow (Rs.mn)

	FY15E	FY16E	FY17E
EBITDA	1283	1685	2452
Other Income	30	60	100
Tax	(354)	(441)	(637)
Changes in WC	(87)	(136)	(564)
CF from Operations	**871**	**1169**	**1352**
Capex	(999)	(404)	(213)
Investment	0	0	0
CF from Investing	**(999)**	**(404)**	**(213)**
Change in Equity	746	0	0
Change in Debt	(290)	(263)	(259)
Dividends	(46)	(46)	(46)
CF from Financing	**411**	**(309)**	**(305)**
Change in Cash	283	455	833

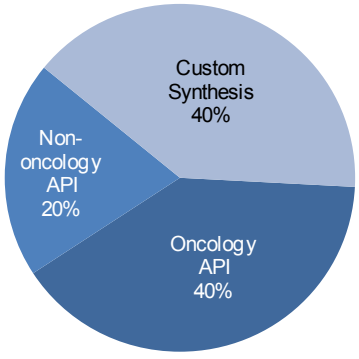
Source: Company, Karvy Research

Exhibit 2: Shareholding Pattern (%)



Source: Company, Karvy Research

Exhibit 3: Revenue Break-up (%)



Source: Company, Karvy Research

US Markets - An opportunity to double the size:

Two of its plants were inspected by US-FDA recently in March-15, after an initial attempt in May-13 (which resulted in 6 Form-483 observations). The company generated close to Rs. 2000 Mn of API sales without tapping the single largest pharmaceuticals market, that is USA. Therein lies the large opportunity for the company if it clears the regulatory hurdles. Considering the revised attempt for FDA approval and existing approvals for the Raichur plant-I (WHO, Europe, Japan, Australia and Korea), US-FDA approval would be the only remaining hurdle. The company has a real opportunity to double the API size upon successful completion of the approval.

The company has already 17 DMFs (Drug Master Files) approved, of which 12 are patent expired. The remaining filings are targeted at expiries in the next three-four years, which is when the company will have a high chance of forming a supply relation with generic formulation manufacturers. The API-DMFs filed address a formulation market of USD 6 Billion (including expiries) annually in the next three years and on an average the company is amongst 20 other filers for API-DMFs for those formulations. The company can add incremental revenues of Rs. 1000-2000 Mn on a conservative estimate in the first two years of operations.

The company can leverage its existing supply and client relations; and in some cases it would remain a matter of scaling up the supplies when the FDA approval is received.

The company plans on adding more API-DMFs to its pipeline which are mostly patent protected and expiries expected around a mean of FY21. These are comparable to the existing portfolio in terms of market size but could face discounts post patent expiries. Even still, the company has a future line-up of products also in place to maximize the utility of an US-FDA approval when it happens.

Exhibit 4 (a): US-API Portfolio: Addressing a significant market.

Submit Date	Product	Brand	Therapy	Mkt Size (USD Mn)	Patent Status	Filers
23-Sep-09	Anastrozole	Arimidex	Breast Cancer-Post	288	Expired	23
22-Jan-10	Temozolomide	Temodar	Brain Tumor/Melonoma	300	Expired	15
23-Feb-10	Irinotecan	Camptosar	Colon Cancer	200	Expired	30
23-Feb-10	Oxaliplatin	Eloxatin	Colon Cancer	210	Expired	24
04-Mar-11	Gemcitabine	Gemzar	Chemotherapy	600	Expired	27
24-Mar-11	Capecitabine	Xeloda	Chemotherapy	566	Expired	26
11-May-11	Bicalutamide	Casodex	Prostate Cancer	200	Expired	29
23-Aug-11	Bortezomib	Velcade	Multiple Myeloma	784	03-May-17	14
21-Sep-11	Pemetrexed	Alimta	Lung Cancer	960	24-Jan-17	19
09-Nov-11	Bendamustine Hcl	Treanda	Lymphocytic Leukemia	767	01-Apr-16	21
08-Dec-11	Busulfan Usp	Myleran	Myeloid Leukemia	100	Expired	10
18-Jul-12	Zoledronic Acid	Zometa	Osteoporosis	200	Expired	25
23-Sep-13	Azacitidine	Vidaza	MDS	302	Expired	11
26-Sep-13	Decitabine	Dacogen	MDS	156	Expired	12
26-Sep-13	Letrozole	Femara	Breast Cancer	646	Expired	24
28-Mar-14	Imatinib Mesylate	Gleevec	Cancer	2,000	01-Feb-16	26
30-May-14	Fingolimod	Gilenya	MS	1,125	18-Feb-19	18

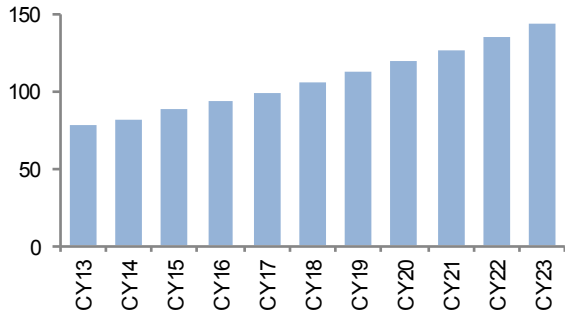
Source: US-FDA, Karvy Research

Exhibit 4 (b) Products in Pipeline

Submit Date	Product	Brand	Therapy	Mkt Size (USD Mn)	Patent Status	Filers
To be filed	Abiraterone Acetate	Zytiga	Prostrate Cancer	Addressing a Cumulative Market Size of USD 5 Billion	13-Dec-16	17
To be filed	Bosutinib	Bosulif	Cancer		27-Mar-18	0
To be filed	Enzalutamide	Xtandi	Prostrate Cancer		20-Feb-20	0
To be filed	Exemestane	Aromasin	Breat Cancer		Expired	15
To be filed	Lapatinib Ditosylate	Tykerb	Breast Cancer		20-Feb-20	3
To be filed	Procarbazine	Matulane	Hodgins Lymphoma		Expired	4
To be filed	Regorafenib	Stivarga	Colorectal Cancer		12-Jan-20	0
To be filed	Vemurafenib	Zelboraf	Melanoma		22-Oct-26	0
To be filed	Axitinib	Inlyta	Renal Cell Carcinoma		30-Jun-20	0
To be filed	Crizotinib	Xalkori	NSCLC		26-Aug-25	0
To be filed	Estramustine	Emcyt	Prostrate Cancer		Expired	1
To be filed	Nilotinib	Tasigna	Cancer		04-Jul-23	4
To be filed	Pralatrexate	Folotyn	Cancer		16-Jul-22	2
To be filed	Temsirolimus	Torisel	Renal Cell Carcinoma		15-Aug-19	4

Source: US-FDA, Karvy Research

Exhibit 5: Growing Oncology segment (USD Bn)



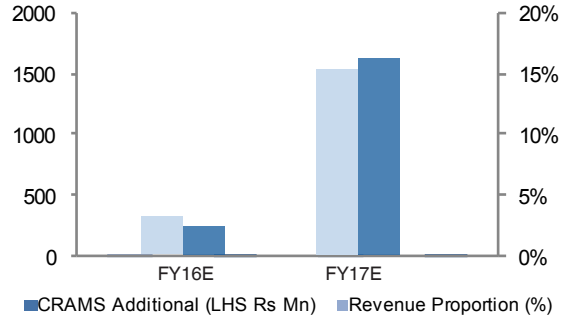
Source: Company, Karvy Research

Exclusive focus on Oncology:

SLPA's existing portfolio and pipeline of APIs are concentrated on the Oncology segment alone. This allows the company to direct its limited research and management bandwidth on a single segment, specialized position in the vendor network and accelerated learning curve. Cancer is the leading cause of death (8.2 million worldiwde in 2012) ahead of AIDS, Malaria and Tuberculosis, affecting both developed and developing nations. The largely unment need is evident in the escalating cost of care from USD 5,000 to 10,000 in five years. The oncology segment is expected to grow at a CAGR of 7% to 120 billion by FY20. The big pharma companies are also focusing on this segment to replenish the fast shrinking pool of patent protected blockbusters. Driven by higher incidence, aging population, increasing cost to society, and expedited approvals by regulators, SLPA has chosen oncology segment to maximize returns to itself and the community as a whole

Increasing the scope of a long-standing supply agreement:

Exhibit 6: Contribution from custom synthesis



Source: Company, Karvy Research

Even as APIs have been the mainstay of the company, a CRAMS agreement with an Italian company has been the largest revenue contributor. The company commenced these operations with two Italian companies Industria Chimica SRL (ICE) and Prodoti Chini Alimetars, SPA (PCA) both based in Italy in 2009.The company derives close to 40% of its revenues from the CRAMS segment.

The company has plans to upgrade this venture by creating dedicated facilities for the same under the joint venture Raichem Medicare Pvt Ltd (RMPL). As on March 31, 2014 ICE had an outstanding loan of Rs. 300 million for the creation of such facilities with an estimated project cost of Rs. 1500 million. The additional facility will act as dedicated facility for the ICE supplies which was being serviced from existing facilities, which will also free up the facilities to take any additional production in APIs.

Formulations, ARVs and other opportunities: The company is focused on creating multiple fronts on different time-lines. The medium term opportunities of USA and ICE detailed above are on track for commercialization by FY16E. The company is also opening other opportunities both large and small in size for a medium to long time horizon. Formulations, ARVs are built on existing strengths while the subsidiaries of Nu Therapeutics, Makindus are relatively fresh avenues for the company.

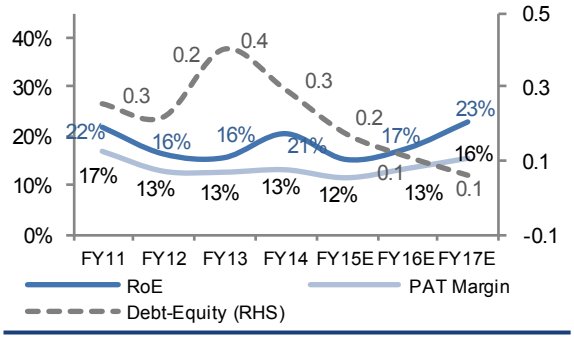
ARV Manufacturing: The company is a part of a Medicines Patent Pool backed by United Nations and Gilead sciences signed in June-2013. Under this agreement, the company can manufacture 4 primary ARVs (Anti-Retro Viral) of Tenofovir, Entricitabine, Cobicistat and Elvitegravir known as the primary Quad against ARV. The company will get the required technology to manufacture at a lower cost and market it across 100 countries under this agreement, which will improve the asset utilization and exposure across marketing.

Formulations: The company plans on entering formulations space. It has merged a subsidiary to expand into formulations and is also developing a formulation facility at Jadcherla for oral and injectable oncology products. The company is planning to file for 10 US-ANDAs to market across USA. In the company's repository of API-DMFs nine of the 17 are injectables. The prime hurdle is of US-FDA audit in regulatory space and developing marketing capabilities for the same in the operational space. The company also has to balance formulations segment with API supplies as its vendors would be its competitors going forward.

The company's subsidiaries include Nu Therapeutics and Makindus Pharma. While Nu Therapeutics is into manufacturing thin strip fast dissolving formulations, and is awaiting government approvals, Makindus is developing an orphan drug designated in Phase-III clinical trials for Stargradt's disease through 505 (b) (2) route to prove improved performance.

Consistent and Robust Financials:

Exhibit 7: Improving Financials



Source: Company, Karvy Research

The company has maintained strong financials in its investment phase reflected in the strong balance sheet and sustained growth in operating metrics. This indicates the planned approach of the company towards its short and long term objectives. The company has planned and initiated entry in to US-API and formulations both independent of each other, set up a dedicated formulation and custom synthesis facilities paving way for increased asset utilization from its pending products in pipeline and ARV supplies as they begin. It has invested in subsidiaries different from its line of operations as thin strip manufacturing and developing an orphan drug. Such expansion has not been at the cost of financial strain. The debt-equity ratio is modest, the revenue growth, EBITDA & PAT margins have been on the uptrend, asset utilization (fixed assets) and working capital days have been improving consistently and equity dilution has not been at the cost of promoter stake. All the above parameters of financial health will improve further as the investments crystallize.

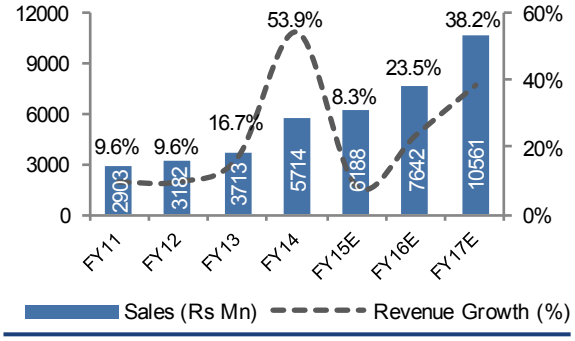
Exhibit 8: Business Assumptions

Y/E Mar (Rs. Mn)	FY14	FY15E	FY16E	FY17E	Comments
Revenues					
Total Revenues	5714	6188	7642	10561	We expect a normal growth in the base business. We expect additions from formulation, US-API sales, incremental sales from custom synthesis facility and finally ARV supplies in the next couple of years, to drive the majority of the revenue growth.
Revenue Growth (%)	53.9	8.3	23.5	38.2	
Expenditure as % of sales					
COGS	55.0	55.0	54.7	54.4	The company operates at significantly higher gross margins in its existing business and we expect marginal improvement in the same as the product mix improves with addition of new segments.
Employee cost	11.9	12.4	11.7	11.5	With additional facilities and expansion in the operations in the current period, we expect the employee cost to normalize with commercialization.
EBITDA Margins	20.3	20.7	22.1	23.2	As discussed the EBITDA margins which were high to begin with, will improve further as the scale of operations increase and high margin products are introduced into the product mix.
EBITDA Growth (%)	68.5	10.5	31.4	45.5	
PAT (normalized)	757	720	1030	1642	SLPA has operated at higher PAT margins in earlier periods consisting of API operations and custom synthesis alone. Now with probable addition of formulations and ARVs to an increased scope in APIs and custom synthesis, we expect strong growth in the bottom line. As we expect investment period to wind down and returns period to start we expect significant growth in free cash for the company.
Fully Diluted EPS	20.6	19.1	26.7	42.6	
Fully Diluted EPS Growth (%)	59.8	(9.2)	43.2	59.4	
Capex (ex. Acquisition) - cash capex	1378	1300	600	310	
Net CFO	702	871	1169	1352	
Net Debt	(213)	(258)	(236)	(236)	
Free Cash Flow	489	614	932	1116	

Source: Company, Karvy Research

Significant scale up in revenue growth going forward

Exhibit 9: Revenue growth in bursts



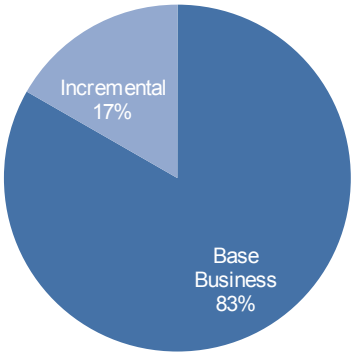
Source: Company, Karvy Research

The company reported a revenue growth of CAGR 25%in the period FY11-14, driven by the increased product portfolio exports and increasing scope of custom synthesis and supported by asset build which also increased by 25% in the period. Going by the high asset utilization (sales/assets of average 2.2x in FY11-14) trend of the company, it would suggest revenue growth out-pacing asset growth as assets built up is fully commercialized in the medium term. We forecast a revenue CAGR of 22% in FY14-17E based on incremental additions from custom synthesis, ARV supplies, formulations and an eventual opening of US-API market. We expect 32% revenue contribution from these segments by FY17E.

Apart from physical assets build up, which are expected to be online by FY16-17E, the company is already doing exhibition batches in the formulation division, for a full fledged supply by FY17E. The ARV supplies are also expected to operationalize by that period. The company's API supplies with current primary exposure to Europe can double on clearing the US-FDA hurdle and exports to USA begin. We also expect full scale operations for the custom synthesis unit by FY16E.

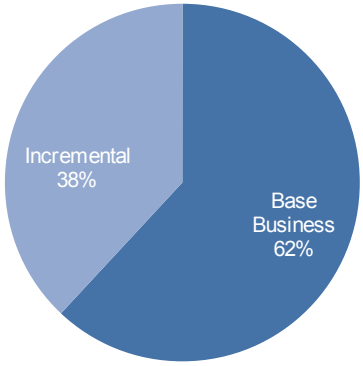
The company is on the cusp of a major overhaul in the form of opening major revenue fronts. The execution of the same should be the deciding factor in launching the company to the next levels of valuation.

Exhibit 10: FY16E Sales Contribution



Source: Company, Karvy Research

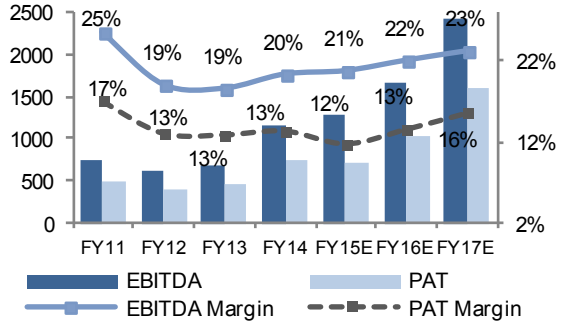
Exhibit 11: FY17E Sales Contribution



Source: Company, Karvy Research

High margins and further expansion

Exhibit 12: Step-up in product mix to Trickle down to Margins

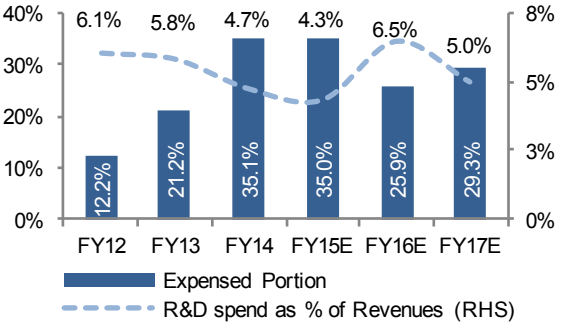


Source: Company, Karvy Research

The company has had stable EBITDA margins in FY12-14 at an average 19.5% even as the revenue scaled up in the period, indicating a healthy and reliable scale-up of operations and not at the cost of margin performance. We expect further expansion of margins as the incremental revenues are from formulations and US market, where the product mix will favorably impact the margins higher than the revenue impact. We expect an average EBITDA margin of 22% in FY15-17E. The company's low financial leverage ensures a healthy conversion of operational margins to the bottom line as the PAT margin in the period FY12-14 is at an average 13%, which we expect will expand to 13.6% in FY15-17E. We expect the increased size will provide an operational and financial leverage as well to an extent.

Minimal spending on R&D

Exhibit 13: R&D spending and Capitalization

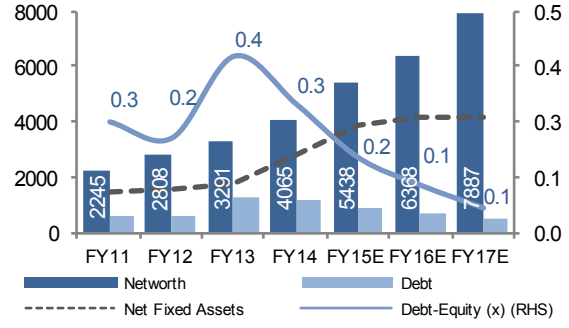


Source: Company, Karvy Research

Spending on R&D has increased in the last three years at 6.1% in FY12 and declining to 4.7% of sales in FY14. The increase was on account of API-DMF filing process amongst other R&D expenses. The company expenses a fifth of these and capitalizes the remaining. The company's R&D expense is towards developing APIs primarily which faces a lower risk of failure and hence write-off, compared to other pharma companies.

Strong balance sheet

Exhibit 14: Capital Structure (Rs Mn)



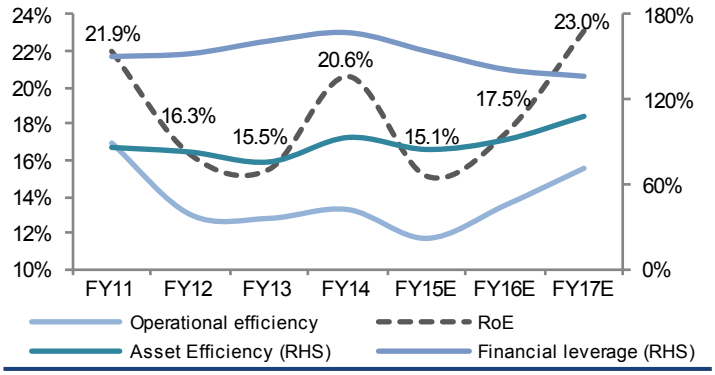
Source: Company, Karvy Research

The company's capital structure was more equity oriented from the earlier periods. Even during the capital intensive period of the last three years, the debt-equity ratio, which also includes the unsecured loan from its partner ICE, Italy, was below 0.5x for the company. As the capex intensive period is tapering off, we expect further decline in the debt-equity ratio. The company has issued additional equity of Rs. 750 million to qualified investors in FY15 further strengthening the capital structure.

Uptrend expected in returns

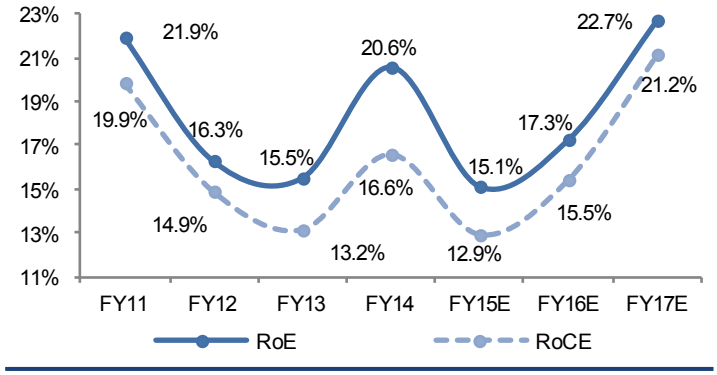
The returns generated in the last three years declined as the company was into an investment and capital expenditure phase and reducing the asset utilization rate. We expect the returns to improve as the operational efficiency and asset utilization improve in the next three years. The company conservative capital structure, which we expect will further strengthen, also limits the leveraged returns of the company.

Exhibit 15: Dupont breakup of RoE



Source: Company, Karvy Research

Exhibit 16: RoE & RoCE



Source: Company, Karvy Research

Exhibit 17: Company Snapshot (Ratings)

	Low				High
	1	2	3	4	5
Quality of Earnings				✓	
Domestic Sales			✓		
Exports			✓		
Net Debt/Equity				✓	
Working Capital requirement				✓	
Quality of Management				✓	
Depth of Management				✓	
Promoter				✓	
Corporate Governance				✓	

Source: Company, Karvy Research

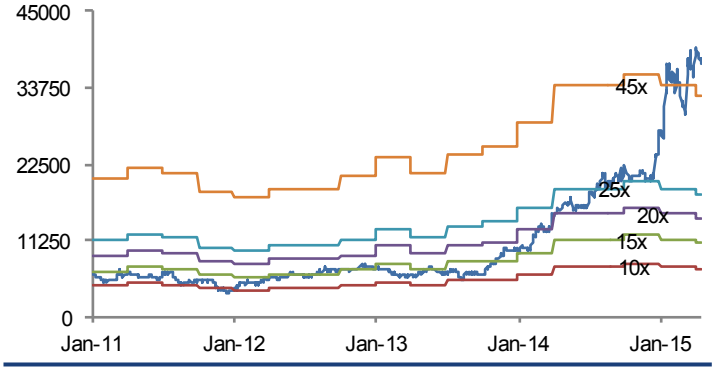
- The revenues and earnings have been stable. The volatility associated with unexpected surge in R&D expenses present in other companies is not significant with SLPA allowing for a less volatile earnings.
- The company earned close to 60% in FY14 and 66% of FY13 revenues from exports. Even in the remaining domestic sales, a significant portion would be deemed for exports.
- The company's board composition is positively independent with only 25% being promoters and 75% being non-executive independent directors.

Valuation & Outlook

In the base business, SLPA is looking to expand the API supplies to USA and increase the scope of custom synthesis. Incrementally the company is expecting to start up in the formulations space and also ARV supplies backed by UN agreement and increased product line. The company is on the cusp of a major overhaul in the size of operations and hence valuations. The company has its strength in manufacture and sale of Oncology APIs across Europe, partnering international companies for custom synthesis. The company has also geared up for the expansion improving the asset base in the last three years. The current valuations are riding on the company's ability to execute the above plans based on the strengths accumulated.

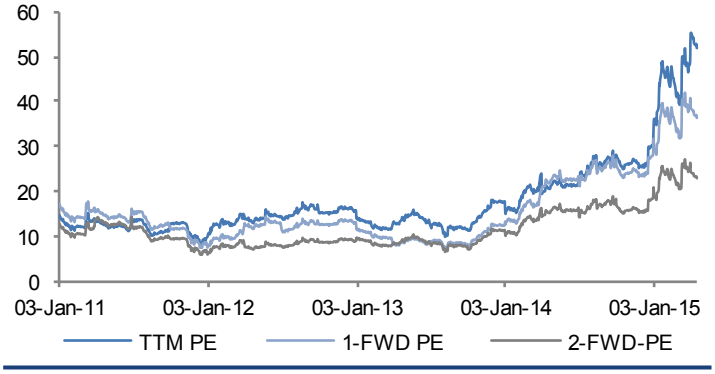
Historically, the company has been trading between 10-15x TTM PE and started ascending from Sep-13, reaching 15x, 20x and 25x gradually till Dec-14 and shot to 45x later on. The average valuation metric in the last 30, 90 and 150 days are 47x, 40x and 35x respectively. The company is currently valued at 52x TTM EPS of Rs. 20.7 and 22x FY17E EPS of Rs. 43. The company valuation in the recent period has expanded significantly reflecting the opportunities facing the company. We are valuing the company at 25x FY17E EPS of Rs. 43 and target price of Rs.1,065, considering the opportunities of the company allowing it to double the EPS in the next three years. We are initiating our coverage of SLPA with a HOLD rating and an upside of 13% to the current valuations.

Exhibit 18: PE Band (x) Vs Market Capitalization (Rs Mn)



Source: Company, Karvy Research

Exhibit 19: Trailing and forward PE (x)



Source: Company, Karvy Research

Key Risks

- **Significant upside/downside risk hinged on US-FDA approval:** The current valuations are built on expectations of API and formulation sales to USA in the medium term. SLPA has had a second round of US-FDA audit in March-15 and earlier in May-13, for a regulatory approval in exports to USA. The company can fully utilize the API portfolio it has developed on gaining access to the largest pharma market, USA, which alone accounts for 40% of world's pharmaceutical sales.
- **Market penetration:** Even as the company has been an active supplier of Oncology APIs to Europe and other regions, it still has to penetrate in new markets of US for APIs and formulations, the penetration into US market carries a certain risk even for established suppliers like SLPA.
- **Patent Expiries:** The company as an API supplier will have significant opportunities as the original patent expires and generics are allowed into the market. Any delay or a new patent restricting the entry of generics will have an impact on the revenue potential of the company.
- **Foreign currency fluctuations:** As mentioned, the company earns close to 60-65% of revenues from exports exposing it to significant currency fluctuation risk.

Financials

Exhibit 20: Income Statement

YE Mar (Rs. Million)	FY13	FY14	FY15E	FY16E	FY17E
Revenues	3713	5714	6188	7642	10561
Growth (%)	16.7	53.9	8.3	23.5	38.2
Operating Expenses	3025	4554	4905	5957	8109
EBITDA	689	1160	1283	1685	2452
Growth (%)	13.6	68.5	10.5	31.4	45.5
Depreciation & Amortization	153	232	208	250	253
Other Income	50	91	30	60	100
EBIT	584	990	1104	1495	2300
Interest Expenses	14	35	32	26	23
PBT	570	955	1073	1469	2277
Tax	95	203	354	441	637
Adjusted PAT	473	757	720	1030	1642
Growth (%)	15.4	58.3	(4.4)	43.0	59.4

Source: Company, Karvy Research

Exhibit 21: Balance Sheet

YE Mar (Rs. Million)	FY13	FY14	FY15E	FY16E	FY17E
Cash & Equivalents	169	93	377	832	1665
Sundry Debtors	418	680	740	894	1252
Inventory	743	1233	1334	1574	2223
Loans & Advances	433	599	517	525	626
Investments	504	103	103	103	103
Gross Block	4247	5464	6462	6866	7080
Net Block	3098	4054	4801	4904	4794
Miscellaneous	149	16	17	18	19
Total Assets	**5514**	**6778**	**7889**	**8851**	**10683**
Current Liabilities & Provisions	1238	1668	1561	1763	2344
Long term Debt	705	675	496	312	0
Other Liabilities	280	371	394	408	452
Total Liabilities	2223	2714	2451	2484	2796
Shareholders Equity	49	74	77	77	77
Reserves & Surplus	3242	3991	5361	6290	7810
Total Networth	**3291**	**4065**	**5438**	**6368**	**7887**
Total Networth & Liabilities	**5514**	**6778**	**7889**	**8851**	**10683**

Source: Company, Karvy Research

Exhibit 22: Cash Flow Statement

YE Mar (Rs. Million)	FY13	FY14	FY15E	FY16E	FY17E
PBT	570	955	1073	1469	2277
Depreciation	153	232	208	250	253
Interest	14	35	32	26	23
Tax Paid	(110)	(216)	(354)	(441)	(637)
Inc/dec in Net WC	(139)	(233)	(86)	(134)	(560)
Other Income	13	6	1	2	3
Other non cash items	(66)	(77)	(2)	(4)	(6)
Cash flow from operating activities	**436**	**702**	**871**	**1169**	**1352**
Inc/dec in capital expenditure	(974)	(1041)	(999)	(404)	(213)
Inc/dec in investments	177	402	0	0	0
Others	(155)	150	0	0	0
Cash flow from investing activities	**(952)**	**(489)**	**(999)**	**(404)**	**(213)**
Inc/dec in borrowings	666	(213)	(258)	(236)	(236)
Issuance of equity	33	0	746	0	0
Dividend paid	(25)	(37)	(46)	(46)	(46)
Interest paid	(22)	(35)	(32)	(26)	(23)
Others	12	2	0	0	0
Cash flow from financing activities	**663**	**(283)**	**411**	**(309)**	**(305)**
Net change in cash	147	(71)	283	455	833

Source: Company, Karvy Research

Exhibit 23 Key Ratios

YE Mar (%)	FY13	FY14	FY15E	FY16E	FY17E
EBITDA Margin (%)	18.5	20.3	20.7	22.1	23.2
EBIT Margin (%)	15.7	17.3	17.8	19.6	21.8
Net Profit Margin (%)	12.7	13.2	11.6	13.5	15.6
Dividend Payout Ratio (%)	3.5	2.7	2.7	2.6	2.6
Net Debt/Equity	0.4	0.3	0.2	0.1	0.1
RoE (%)	15.5	20.6	15.1	17.5	23.0
RoCE (%)	13.2	16.6	12.9	15.6	21.5

Source: Company, Karvy Research

Exhibit 24: Valuation Parameters

YE Mar	FY13	FY14	FY15E	FY16E	FY17E
EPS (Rs.)	12.9	20.6	18.7	26.7	42.6
DPS (Rs.)	1.3	1.0	1.0	1.0	1.0
BV (Rs.)	89.5	110.5	141.1	165.2	204.6
PE (x)*	13.2	20.1	50.6	35.4	22.2
P/BV (x)*	1.9	3.7	6.7	5.7	4.6
EV/EBITDA (x)*	10.7	14.1	28.9	21.6	14.4
EV/Sales (x)*	2.0	2.9	6.0	4.8	3.3

*Source: Company, Karvy Research; *Represents multiples for FY13 & FY14 are based on historic market price*

Stock Ratings		Absolute Returns
Buy	:	> 15%
Hold	:	5-15%
Sell	:	<5%

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