

Strides Arcolab

We had retained BUY on Strides Arcolab in our call update dated **November 28, 2014** for a target of Rs920. The stock has surpassed our target delivering a ~35% return in less than a month. We remain positive on the stock on the back of Sovaldi opportunity and advise clients to remain invested with revised 9-12mth target of Rs1,020.

Previous Reco Price:	Rs830
Previous Target Price:	Rs920
Return Achieved:	10.8%
New target price:	Rs1,020
Expected Return:	10.9%

Call Success & Update

Strides Arcolab

We had recommended a BUY on Strides Arcolab in our Q2 FY15 result update dated **November 10, 2014** for a target of Rs830. The stock has surpassed our target delivering a ~22% return in less than a month. We remain positive on the stock on the back of sustainable earnings growth and advise clients to remain invested with revised 9-12mth target of Rs920.

Change in Estimates Rating Target

Q2 FY15

Strides Arcolab

Standalone revenues, margins miss forecast; consolidated revenues up 19% yoy

Global pharma revenue growth of 19.2% yoy driven by robust emerging market (+31.5% yoy) and regulated markets' growth

Consolidated EBITDA jumps 60% yoy while margin improves to 21% from 16% a year ago

Cone pharma business deserves rerating; assign BUY for 9-12mth target of Rs920

Particulars	Q2 FY15	Q2 FY14	% Chg	Q2 FY14	% yoy
Net sales	2,168	2,008	8.0	2,009	3.8
Adj. RM	(5,136)	(574)	14.6	(765)	45.8
Purchase of traded goods	(74)	(83)	(11.4)	(459)	(84.0)
Staff	(293)	(277)	5.7	(296)	48.4
Other expenditure	(366)	(350)	4.6	(317)	15.4
Operating profit	309	323	(1.3)	352	(9.2)
OPM (%)	14.7	16.1	(1.8)	16.8	(20.0)
Depreciation	(127)	(108)	17.2	(93)	36.1
Interest	(97)	(86)	12.2	(55)	(65.6)
Other income	272	255	7.8	165	64.9
PBT	369	384	(4.0)	379	113.4
Tax	(83)	(111)	-	(32)	-
Extra ordinary items	3,844	(8)	-	(119)	-
Reported PAT	3,385	268	-	22	-

Strides standalone revenues miss forecast

Strides standalone Q2 revenues grew 8% qoq and 3.8% yoy, below our estimates while consolidated sales increased 19% yoy to Rs2.9bn driven by robust 31.5% yoy rise in emerging market sales (35% of revenues). The trial production at dedicated manufacturing facility in Bangalore for Africa commenced during the quarter while packaging facilities in Namibia and Botswana are ready for commercial use. Regulated markets, which accounted for 37% of total revenues, grew 5.9% yoy; company received US FDA approval for its anxiety drug Buspirone Hydrochloride tablets (~US\$65mn market value) and launched 2 new products in US. Institutional business, 28% of the total, grew 3% yoy; company has partnered with Gilead Sciences to bring the latter's Hepatitis C drug Sofosbuvir to 91 developing countries. Strides also received orders in lieu of anti-malarial global fund tenders and would start supplies in H2 FY15. At the end of quarter, GMS Holdings acquired 25.1% stake in Stelis Biopharma, Strides' Biotech subsidiary, for US\$21.9mn. In the pharma business, R&D spending at Rs77mn and Rs123mn in H1 FY15; company had one product filing with US FDA and received 5 approvals for US in H1 FY15.

Rating: BUY

Target: Rs830

CMR: Rs683

Upside: 21.7%

Sector: Pharmaceuticals

Sector view: Positive

Sensex: 27,875

52 Week h/l (Rs): 804 / 335

Market cap (Rscr): 4,067

6m Avg vol ('000Nos): 230

Bloomberg code: STR IB

BSE code: 532531

NSE code: STAR

FV (Rs): 10

Price as on November 28, 2014

Company rating grid

Low → High

	1	2	3	4	5
Earnings Growth				4	
Cash Flow				4	
B/S Strength				4	
Valuation appeal				4	
Risk		1			

Share price trend

Share holding pattern

%	Mar-14	Jun-14	Sep-14
Promoters	27.7	27.7	27.7
Insti	51.9	50.7	46.8
Others	20.4	21.6	25.5

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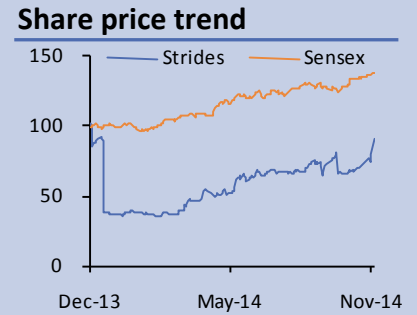
November 28, 2014

Sector:	Pharmaceuticals
Sector view:	Positive
Sensex:	28,453
52 Week h/l (Rs):	928 / 335
Market cap (Rscr) :	5,480
6m Avg vol ('000Nos):	230
Bloomberg code:	STR IB
BSE code:	532531
NSE code:	STAR
FV (Rs):	10
<i>Price as on December 03, 2014</i>	

Company rating grid

Low → High

	1	2	3	4	5
Earnings Growth				4	
Cash Flow				4	
B/S Strength				4	
Valuation appeal				4	
Risk		1			



Share holding pattern

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IIFL Research won 3 awards at India's Best Market Analyst Awards 2013 by Zee Business for Banking, Oil & Gas and Pharma.

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'Best Broker in India' – Finance Asia, 2011

IIFL has been awarded the 'Best Broker in India' by Finance Asia. The award is the result of Finance Asia's annual quest for the best financial services firms across Asia, which culminated in the Country Awards 2011.

Other awards



Recommendation parameters for fundamental reports:

Buy – Absolute return of over +15%

Accumulate – Absolute return between 0% to +15%

Reduce – Absolute return between 0% to -10%

Sell – Absolute return below -10%

Call Failure - In case of a Buy report, if the stock falls 20% below the recommended price on a closing basis, unless otherwise specified by the analyst; or, in case of a Sell report, if the stock rises 20% above the recommended price on a closing basis, unless otherwise specified by the analyst

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