

Sep 20, 2013

IPCA Laboratories Ltd.

BSE Code: 524494 NSE Code: IPCALAB Reuters Code: IPCA.NS Bloomberg Code: IPCA:IN

Ipca laboratories Ltd (IPCALAB) is one of the world's largest manufacturers and suppliers of over a dozen APIs. IPCALAB is a fully-integrated Indian pharmaceutical company manufacturing over 350 formulations and 80 APIs for various therapeutic segments and partnering healthcare globally in over 110 countries and in markets as diverse as Africa, Asia, Australia, Europe and the US. In Sep 2013, the Company has received USFDA approval for the company's oral solid dosage formulations manufacturing facility situated at Pharmazone, SEZ Indore, Pithampur, Madhya Pradesh.

Investor's Rationale

Topline grew 26.30% YoY led by growth in across segments – IPCALAB registered a healthy growth in its topline by 26.3% YoY at ₹8,055.60 mn in Q1FY'14 against ₹6,376.11mn on standalone basis primarily on account of robust growth in all key verticals (Domestic formulation by 12% at ₹2,503.6 mn and in Export formulation by 47% at ₹3299.5 mn despite implementation of new pharma pricing policy (DPCO 2013) and trader strike in Maharashtra which led to disruption in the sales.

EBITDA margin contracted 101bps due to higher raw material consumption and Employee cost – The EBITDA of the company increased by 20.6% YoY at ₹1,710.2 mn. While, OPM declined 101bps at 21.2% against 22.2% mainly due to higher purchase of raw material by 8.8% at ₹27,462.0 mn and higher employee cost by 24.80% at ₹1,143.50 mn.

Bottom-line increased 67% YoY, due to robust sales growth – In line with EBITDA the company also posted a 67% (YoY) increased in its net profit at ₹717.7 mn assisted by robust sales growth and 50% increase in its other income. As a result the NPM during the quarter rose 215 bps YoY at 8.9% from 6.7%.

Focused towards R&D activities and contract research - The company further expanded its therapeutic coverage with introduction of new formulations, both in the domestic and export markets, especially in the fast growing life style related segments. The company is in the process of setting up a new Research Centre at Kandivli, Mumbai and in Gujarat also for biotech research & development activities.

Market Data

Rating	BUY
CMP (₹)	690
Target Price	810
Stop Loss	630
Duration	Short-term
52-week High-Low (₹)	730.00/400.90
Rise from 52WL (%)	72.5
Correction from 52WH (%)	5.5
Beta	0.26
1 year Average Volume (mn)	0.2
	3M- (0.34)
Stock Return (%)	6M- 29.12
	1Y- 52.49
Market Cap (₹bn)	86.97
Book Value (₹)	124.39

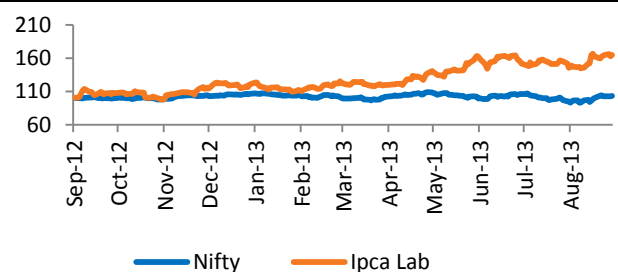
Shareholding Pattern

	Jun'13	Mar'13	Chg
Promoters (%)	45.89	45.89	0.00
FII (%)	22.96	20.79	2.17
DII (%)	13.5	15.77	(2.27)
Public & Others (%)	17.65	17.55	0.10

Quarterly Performance (Standalone)

(₹Mn)	Q1 FY'14	Q1 FY'13	Q4 FY'13	YoY Change(%)	QoQ Change (%)
Sales	8,055.6	6,376.1	6,717.1	26.3	19.9
Op. exp	6,345.4	4,958.3	5,293.9	28.0	19.9
EBITDA	1,710.2	1,417.8	1,423.2	20.6	20.2
OPM (%)	21.2	22.2	21.2	(101bps)	4.2
Net profit	717.7	429.8	754.3	67.0	(4.9)
NPM (%)	8.9	6.7	11.2	215.1bps	(232.7)
EPS (₹)	5.7	3.4	6.0	66.9	(4.8)

One Year Price Chart





Indbank Merchant Banking Services Ltd.
I Floor, Khiviraj Complex I,
No.480, Anna Salai, Nandanam, Chennai 600035
Telephone No: 044 – 24313094 - 97
Fax No: 044 – 24313093
www.indbankonline.com

Disclaimer

@ All Rights Reserved

This report and Information contained in this report is solely for information purpose and may not be used as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. The investment as mentioned and opinions expressed in this report may not be suitable for all investors. In rendering this information, we assumed and relied upon, without independent verification, the accuracy and completeness of all information that was publicly available to us. The information has been obtained from the sources that we believe to be reliable as to the accuracy or completeness. While every effort is made to ensure the accuracy and completeness of information contained, Indbank Limited and its affiliates take no guarantee and assume no liability for any errors or omissions of the information. This information is given in good faith and we make no representations or warranties, express or implied as to the accuracy or completeness of the information. No one can use the information as the basis for any claim, demand or cause of action.

Indbank and its affiliates shall not be liable for any direct or indirect losses or damage of any kind arising from the use thereof. Opinion expressed is our current opinion as of the date appearing in this report only and are subject to change without any notice.

Recipients of this report must make their own investment decisions, based on their own investment objectives, financial positions and needs of the specific recipient. The recipient should independently evaluate the investment risks and should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document and should consult their advisors to determine the merits and risks of such investment.

The report and information contained herein is strictly confidential and meant solely for the selected recipient and is not meant for public distribution. This document should not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced, duplicated or sold in any form.