STEWART & MACKERTICH
LEGACY | TRUST | GROWTH

10th April 2018

IPCA
LABORATORIES LIMITED

INITIATING COVERAGE REPORT

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Contents

IPCA Laboratories Limited

Sector: Healthcare

CMP (INR) (As on 9th April 2018)	671.95
Target Price (INR)	824
Upside(%)	22.6%
Recommendation	**STRONG BUY**

BSE Code	524494
NSE Code	IPCALAB
Reuter Code	IPCA.BO
Bloomberg Ticker	IPCA IN

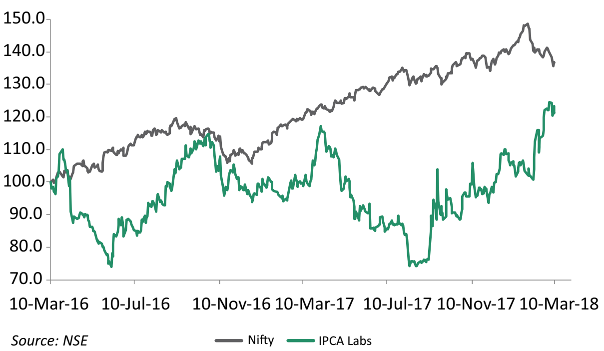
Stock Scan

Market cap (INR Cr.)	8466.57
Outstanding Shares (Cr.)	12.6
Face Value (INR)	2
Dividend Yield (%)	0.16
P/E(x)	45.03
Industry P/E(x)	30.52
Debt/Equity	0.14
Beta v/s Nifty	0.69
52 Week High/ Low (INR)	695.9/400
Avg. Daily Volume (NSE)/1Yr.	285265

Shareholding Pattern (%)

	Dec-17	Sep-17	Jun-17
Promoters	46.13	46.13	46.13
Institutions	39.48	38.81	38.58
Non-institutions	14.39	15.06	15.29

Stock v/s Nifty (Relative Returns)



Source: NSE

IPCA Labs; A Turnaround Story

Stewart & Mackertich Research initiates coverage on IPCA Laboratories Ltd with a **Strong Buy** rating. IPCA is a Pharmaceutical Ingredients & Formulation manufacturing company doing business globally. The company earns around 48% revenue from the domestic business & around 52% revenue from the export business. Due to US regulatory ban on manufacturing compliance company's business got affected during 2014-2016 & net profit plunged 46.3% & 63.9% respectively during 2015 & 2016. Through implementing a marketing strategy capturing global market outside US & emphasizing domestic business, company seems to be turning around. The net profit of the company jumped 103.5% during FY17. The company is likely to continue in the growth path & also likely to boost its business further.

Investment Rationale

- Turnaround after falling profit level & stressed margin for consecutive three years during 2014-2016.
- Expanding export business outside US, capturing new markets by deploying dedicated sales force.
- Completed remediation process of disputed manufacturing facilities & already invited USFDA for inspection.
- Backward integrated branded formulation a competitive advantage.
- Market leader in Anti-malarial drug.

Valuation: The company is turning around after three consecutive years of sluggish revenue growth, falling profit & compressed margin and it is likely to continue its recovery process. We have valued the company on the basis of weighted average of Discounted Cash Flow(DCF), EV/EBITDA, EV/Sales, P/E to arrive a Target Price of **INR824**.

Financial Performance at a glance (Standalone)

Particulars (INR Cr)	FY16	FY17	FY18E	FY19E	FY20E
Net Sales	2843.1	3156.7	3296.5	3626.1	3988.7
Growth %	*-7.8%*	*11.0%*	*4.4%*	*10.0%*	*10.0%*
EBITDA	273.6	430.3	479.1	563.0	707.7
EBITDA Margin (%)	9.62%	13.63%	14.53%	15.53%	17.74%
Net Profit	92.5	188.3	246.1	302.1	389.5
Net Profit Margin (%)	*3.25%*	*5.96%*	*7.46%*	*8.33%*	*9.76%*
EPS	7.33	14.92	19.50	23.94	30.86
P/E (x)	91.65	45.03	34.46	28.06	21.77
P/BV (x)	3.24	3.20	3.17	2.87	2.56
EV/EBITDA (x)	32.2	20.5	18.21	15.06	11.52
ROE (%)	4.05%	7.61%	9.09%	10.11%	11.61%
RoCE (%)	3.8%	8.6%	10.6%	12.3%	14.9%

Source: Company Data, SMIFS Research

Investment Thesis

Sectoral headwind due to channel consolidation, price erosion & stringent USFDA drug manufacturing norms

Turning around after a continued falling profit level for consecutive three years: During 2014,2015 & 2016 the company had subdued revenue growth, falling profit level & contracted margins due to import ban by United States Federal Drug Regulatory Authority(USFDA). The sector has been facing headwind due to channel consolidation, price erosion & stringent US regulatory pharmaceutical manufacturing norm. It's API manufacturing facility in Ratlam received 6 inspection observations by USFDA on 24th July 2014. The company temporarily suspended API shipment for the US market till the issue would be addressed. Company's formulation export to US also got affected adversely as the company's formulation manufacturing units in Piparia (Silvassa) & SEZ Indore (Pithampur) use API manufactured from the Ratlam Plant .

Import alert on formulation facilities in Ratlam Plant

The company further received import alert from USFDA on 22nd Jan.2015, for its Ratlam plant. However, they received exemption for four APIs manufactured at the said manufacturing facility which are Hydroxychloroquine Sulfate, Propanolol ,Trimethoprim Ondansetron .

On March 24th, 2015, the company further received import alert by USFDA for its formulation manufacturing facilities at Piparia (Silvassa) & SEZ Indore (Pithampur) .

On April 4, 2016, the Global fund of Switzerland informed the company that in the light of the warning letter issued by USFDA, they have decided not to purchase any volume of Artemisinin based Combination Therapy (ACTs) from the Company.

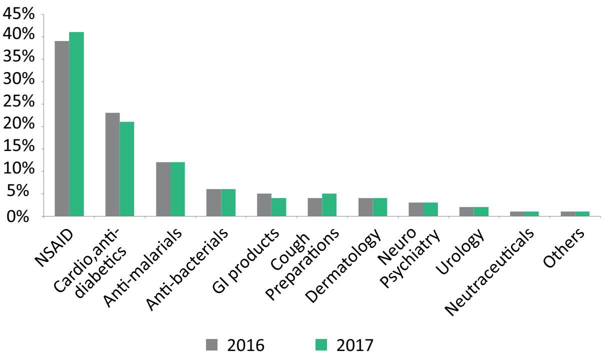
Strategy to capture new Markets deploying own sales force

All these issues impacted company's business adversely. The company adopted effective business strategies to capture new market by actively deploying own sales force since 2017. Domestic business of the company also started growing significantly backed by increased healthcare spending in the country including increased Govt. spending in the sector. Company's business has started reviving fast.

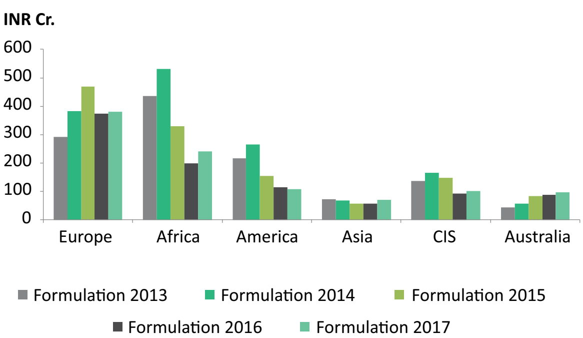
Domestic Business has gone up at CAGR 10.59% in last 5 yrs

Robust Domestic business growth: The domestic pharma market is expected to grow in the double digits, rebounding from GST led disruption. Company's India business has gone up significantly at a CAGR 10.59% from 2012-13 to 2016-17. During 2016-17 the company earned around 51% revenue from domestic business whereas during 2012-13 they had 39% revenue earned in India. The domestic formulation business has gone up at a CAGR 12.14% from 2012-13 to 2016-17. Ipca has strong presence in Anti-diabetic, Anti-infective,

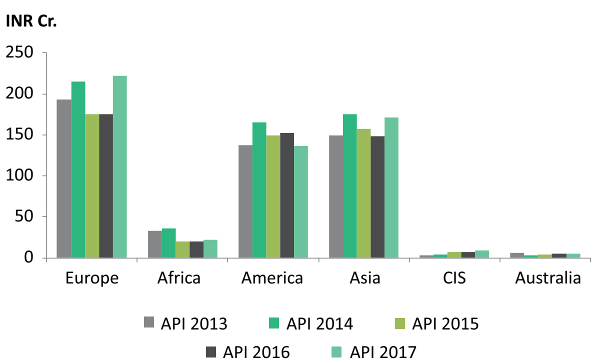
Therapeutic Area wise Domestic Revenue Share



Geography Wise Formulation Export



Geography Wise API Export



Source: Company Data, SMIFS Research

Anti-malarial, Anti-parasitic drugs. The company also manufactures & sells medicines for Hemostatic, Cardiac, DMRDs, Dermatologica, Gastro-intestinal, Urologicals, Hepatoprotectives, Steroid, Biologicals, Neuropsychiatric, Opthalomological, Pain management, Respiratory, Anti-allergic & other therapeutic categories. The company launched 12 new brands & line extensions in Indian market during 2016-17. They earned 41% revenue from Anti-inflammatory drugs & 21% revenue from cardio-vascular & anti-diabetics drugs in the said period. Chlorthalidone, Lisinopril & Hydrochlorothiazide in the cardio vascular anti hypertensive category performed as the key driver for growth.

According to the pharmaceutical industry research firm ORG-IMS Research, IPCA ranked 21st in India during Dec.2017. The company had 25 Depots & 2 C&F agents in the said period for distributing their products in Indian market. By Dec 2017 the company deployed 13 therapy focused marketing divisions and deployed 4243 sales persons & 2000 wholesalers in India. During 2016-17, 3 Brands of the company (HCQS, Zerodol-P & Zerodol–SP) stood among top 300 brands of the country.

The company has set up marketing offices in Russia, Ukraine, Vietnam, Philippines, Kenya, Columbia, Sri Lanka, Malaysia, & Nigeria to promote their brands. Company's formulation dossiers for branded formulations registered in 65 countries.

Geographical Distribution outside US, capturing new markets by deploying dedicated sales force: As USFDA issued warning letter & import alert to the company's manufacturing facilities, IPCA Lab's revenue from US business went down. Since 2012-13 to 2016-17, company's formulation business experienced de-growth of almost 16%. API revenue remained almost flat during the said period.

Still IPCA earned almost 49% of its revenue from export business. As per Dec.2017, the company has exported their products to 120 countries. The company has deployed dedicated sales force to over 30 countries including CIS, South–East Asia, Middle-East, Latin America. The Company also markets branded formulations in countries like Uganda, Ghana, Ivory Coast, Burkina Faso, Sudan, Tanzania, Kenya, Ethiopia and Nigeria through dedicated field force. As per Dec.2017 data, the company has 61 products registered in UK/Europe, 64 in Australia & New Zealand, 42 in South Africa & 33 in US & Canada. The company has 29 products pending for registration in US, 1 in Europe, 5 in Australia & 21 in South Africa at the said time. The formulation business in Europe grew at CAGR 6.86% & in Australia grew at CAGR 21.79% during the said 5 yrs. period. In the export market among Branded formulation

Cardio-vascular & Anti-diabetics earned 32%, Anti-inflammatory earned 23%, anti-malarial earned 16% & Anti-bacterial earned 13% of the entire export revenue.

Company's API revenue from Europe grew at CAGR 3.51% since 2012-13 to 2016-17. CIS region has witnessed a phenomenal API growth of CAGR ~28.9% during the said 5 yrs. The company has a diversified & handsome basket of active pharmaceutical ingredients.

The company has 43 USFDA approved APIs, 8 approved APIs in Europe, 20 approved APIs by Canda-HPFB, 8 APIs approved by WHO, 15 by Japan-PMDA,13 approved APIs in Australia & 43 by European Directorate for the Quality of Medicines & HealthCare (EDQM) .

Market Leader in Anti-malarial Drugs: The company has a prolonged history of Anti-malarial drugs. They are the leader in this niche market. The company markets Anti-malarial dosages under the brand name of Betamotil, cinkona, Lariago, Laridox, Larinate, Larither, Lufi, Lumerax, Malirid, Rapither. With going down incidences of malaria worldwide, the company is gradually switching their vision of growth to other therapeutic areas. During 2016-17 the company earned 13% of export revenue & 12% of its domestic revenue from this segment.

The company has a strong client base: IPCA's domestic API clientele contains includes Abbott, AstraZeneca, Bayer, Cipla, Dr. Reddy's, Sun pharma, Merck, Pfizer, Wockhardt. Company's global client list contains global pharmaceutical giants like AstraZeneca, GlaxoSmithKline, Merck, Roche , Sanofi Aventis.

Inspite of USFDA ban of Ratlam plant, API chloroquine Phosphate got an exemption: During Jan.2015, IPCA's Ratlam plant received import alert. However, they received exemption on four products, HCQS, Propranolol hcl, Trimethoprim, Ondansetron. In June 2017, the FDA withdraws the exemption list but approved API chloroquine Phosphate manufactured from Ratlam plant.

Vertically integrated product line is IPCA's competitive advantage: Company's most of the formulations are backed by APIs manufactured in its own plants. The company has 7 API manufacturing facilities in different parts of the country.

Take over of US based Pisgah Lab is a strategic move to capture losing streak in the US Market: In Jan,2018 the company acquired Pisgah Labs Inc. in US which performs contract manufacturing & produces API for the US market. Pisgah had USD2.89 millions of revenue and USD1.14 million of EBITDA in March 2017. The company is a debt free chemistry solutions provider.

The company has deployed dedicated sales force in 30 countries

Market leader in Anti-malarial

IPCA's client list contains Abbott, Bayer, Cipla, Dr. Reddy's, Sun pharma, Merck, Pfizer, Wockhardt, AstraZeneca, Glaxo SmithKline, Merck, Roche , Sanofi Aventis

Take over of US based Pisgah Lab is a strategic move

Take over of US based Pisgah Lab is a strategic move

USFDA inspection clearance may be a trigger

Sikkim plant started production: The Company has recently commissioned new formulation manufacturing unit at Sikkim. It has already commenced manufacturing operations here.

Completed remediation process of disputed manufacturing facilities & already invited USFDA for inspection: IPCA received USFDA warning & import alert for its API manufacturing facility in Ratlam plant(MP) & formulation manufacturing facilities in SEZ Indore (Pithampur) & Silvassa plant (Piparia) during 2014-15 & 2015-16. The company has already completed its remediation process for all three manufacturing facilities under dispute & invited the regulatory authority for inspection. USFDA inspection clearance may be a trigger for the revival of the company's business.

Patent expirations coupled with rising prevalence of chronic diseases will create opportunities: According to the National Pharmaceutical Services, US; 31 drugs are going off patent in 2018. Another 19 drugs in 2019, 12 drugs in 2020, 9 in 2021 & 7 in 2022 are going off-patent which would create immense opportunity for the generic players.

According to the Indian Brand Equity Foundation (IBEF), around 120 drugs will go off-patent in next 10 years with expected revenue between USD80 billion to USD 250 billion.

According to World Health Organization (WHO), the burden of chronic diseases is rapidly increasing worldwide. It has been calculated that, in 2001, chronic diseases claimed approximately 60% of the 56.5 million total reported life loss in the world and approximately 46% of the global burden of disease. The proportion of this burden is expected to increase to 57% by 2020. Almost half of the total chronic disease death is attributable to cardiovascular diseases. Obesity and diabetes are also showing worrying trends.

Company Overview

IPCA Laboratories is an Indian Pharmaceutical company manufacturing Active Pharmaceutical Ingredients (API), Branded Formulation and Generic drugs. The company has 9 formulation manufacturing facilities & 7 API manufacturing facilities in India.

IPCA earns more than 50% of its revenue from export

Plant Location	Facility
Sejavata, Ratlam, Madhya Pradesh	API
Pologround, Indore, Madhya Pradesh	API
SEZ Indore, Pithampur, Madhya Pradesh	Formulation
Sector III, Pithampur, Madhya Pradesh	Formulation
Gandhidham, Gujarat	API
Nandesari, Gujarat	API
Ankleshwar, Gujarat	API
Village Ranu, Tehsil Padra, District Vadodara, Gujarat	API
Athal, Silvassa (D & NH)	Formulation
Dandudyog Industrial Estate, Silvassa (D&NH)	Formulation
Aurangabad, Maharashtra (Unit I & Unit II)	API
Mahad, Maharashtra	API
Tarapur, District Palghar, Maharashtra	Formulation
Dehradun, Uttarakhand	Formulation
Gom Block, Bharikhola, South Sikkim (Unit I & Unit II)	Formulation

Source: Company Data, SMIFS Research

The company has a network of over 2000 wholesalers & more than 4000 sales & marketing personnel

The company has vertically integrated & well diversified product portfolio and the company earns more than 50% of its revenue from export. Almost 1500 products of the company is registered in 70 countries. The company sells its finished formulations in over 5 lakh retail shops through a network of over 2000 wholesalers & more than 4000 sales & marketing personnel.

History

- The company was incorporated as 'The Indian Pharmaceutical Combine Association Limited' in the year 1949. The name of the company was changed to IPCA Laboratories Ltd in the year 1964.
- The company commissioned its first modern pharmaceutical manufacturing facility in Mumbai in the year 1965.
- In 1975 the management of the company was taken over by Amitabh Bachchan, Ajitabh Bachchan, Jaya Bachchan, M.R. Chandurkar, P.C.Godha.
- In the year 1994, the Company undertook to set up a modern plant at Athal, Silvassa for manufacturing formulations.

Received 'Lifetime Achievement Award' for the year 2002-03

One among the First 200 'Best Under A Billion Company' in Asia by Forbes in 2004

Ipca became the Second company in the world and the First Indian company to receive a pre-qualification from WHO

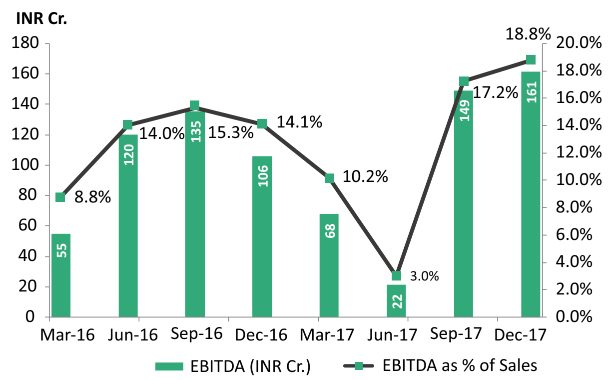
- In 2003, the company launched its new domestic marketing division, ACTIVA , dedicated to Rheumatology Care, being the first Company in India to have such division for marketing super-specialty molecules .
- In the same year the company launched its marketing division, Hy Care dedicated to Cardio-Diabetology segments.
- In 2003, Forbes, the leading US business magazine, selected IPCA among its top 200 successful, rising companies outside USA, with sales under USD1 billion.
- Received 'Lifetime Achievement Award' for the year 2002-03 from CHEMEXIL(Basic Chemicals,Pharmaceuticals & Cosmetics Export Promotion Council) for export promotion over the years.
- In 2004, Ipca unveils novel injectable antibiotic combination of cefotaxime sodium with sulbactam sodium for the first time in the country under the brand name 'Sultax'.
- In 2004, Forbes Asia, a leading US business magazine, selected Ipca for the second consecutive year as one among the first 200 'Best under A Billion Company' in Asia.
- During 2005, the Company has entered into a Joint Venture (JV) agreement with Chongqing Holley Holding Company Ltd of China.
- In the year 2006, Ipca Laboratories Entered into a strategic alliance with Ranbaxy Pharmaceuticals Inc. for the US Market. Ipca's new plant at Dehradun commenced operation on 5th May, 2006.
- During 2007, Ipca-Ranbaxy Alliance received USFDA marketing approval for Atenolol Tablets. In the same year Ipca Laboratories granted USFDA approval for Hydroxychloroquine sulfate tablet.
- In 2008, Ipca Laboratories receives US FDA approval for Propranolol Hydrochloride Tablets. Ipca received the best Patent Award during the year 2007-08.
- In the same year, WHO pre-qualifies Ipca's dossier of ARTESUNATE & AMODIAQUINE Co Blister. With this Ipca became the second company in the world and the first Indian company to receive this pre-qualification.
- During 2011 Ipca labs bags nod to amalgamate Tonira Pharma.
- During 2013, IPCA received Corporate Citizen Award for the best corporate governance practice.

The Company won Intellectual Property Excellence Award 2016

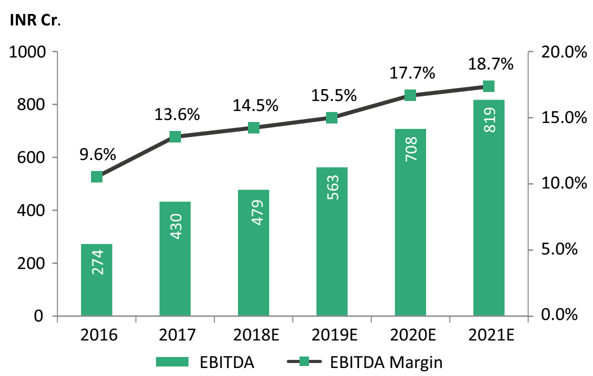
- During 2014, IPCA has entered into an alliance with Oncobiologics Inc. USA for the development, manufacture and commercialization of biosimilar monoclonal antibody products.
- IPCA acquired formulations manufacturing unit located at Tarapur, Dist. Palghar, Maharashtra in the year 2014.
- Ipca was awarded by 'Indian Drug Manufacturers Association (IDMA) as the Best Formulation Patent 2014-15,for its formulation patent of Hydroxychloroquine and its combinations.
- Ipca Laboratories has been conferred with Intellectual Property (IP) Excellence Award 2016 for adopting the best practices in IP.

Financial Performance

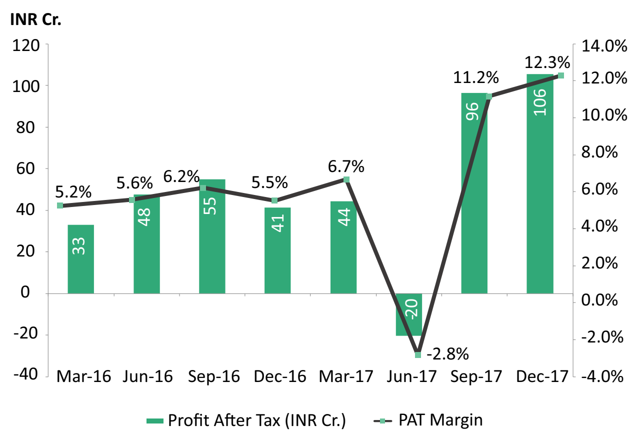
Quarterly EBITDA & EBITDA as %Sales



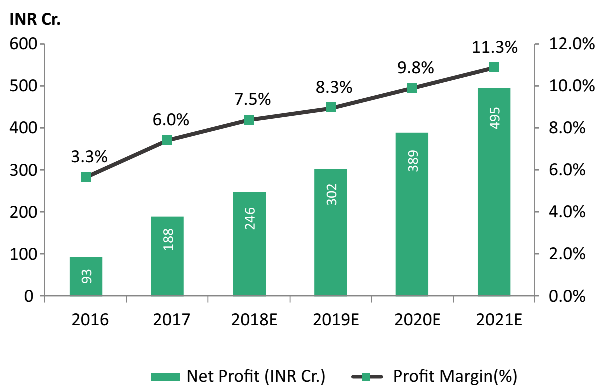
Annual EBITDA & EBITDA Margin



Quarterly Net Profit & Profit Margin



Annual Net Profit & Profit Margin



Source: Company Data, SMIFS Research

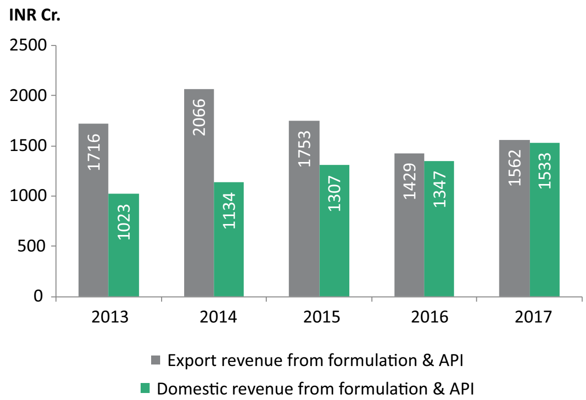
During FY17 the Company reported 103.5% jump in the Net Profit

- Ipca reported de-growth of revenue by 8.9% & 7.9% respectively during 2015 & 2016 on account of US regulatory ban due to fail to meet manufacturing compliance. Bottom-line of the company was also heavily down by 46.3% & 63.9% respectively in the said period. With change in the marketing strategy & emphasizing domestic business, the business of the company seems to have turned around. During FY17 annual result, the company reported 11% growth in revenue & 103.5% jump in the net profit.

- IPCA reported steady quarterly numbers during FY18. The company reported its total sales of INR859.2 crore during Q3FY18 which is a 15% growth YoY. The company reported a 52% YoY jump in its EBITDA number at INR161.2 crore. The bottom line also jumped 155% YoY at INR105.6 crore in the stated period.

Revenue Break-Up

Domestic & Export Revenue



During financial year ended March 2017, IPCA reported 77% of its revenue earned from the formulation business & rest 23% from the API business. In the stated period, the company earned almost 51% of its revenue from domestic business & rest near to 49% from the export business.

Almost 91% of its domestic revenue came from the formulation business where rest 9% was generated from the API business. Company's domestic business has significantly grown at a CAGR 10.59% over last 5years. In exports, 64% comes from formulation sales & rest 36% is generated from API sales.

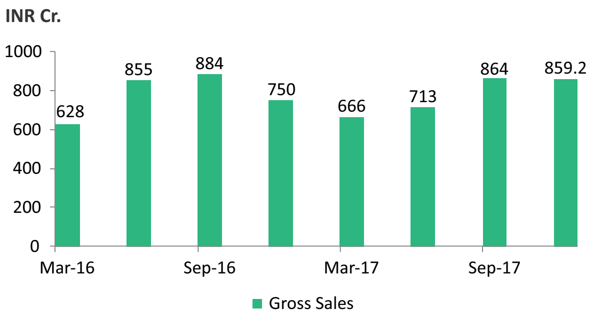
The major driver of growth was Non-steroidal anti-inflammatory (NSAID) drugs which accounted for 41% of its total domestic formulation revenue during the financial year ended 2017 followed by Cardio vascular & Anti-diabetic which accounted for 25%, Anti-malarial which accounted for 12% & Anti-bacterial which accounted for 6%.

Cardio-vascular & Anti-diabetic drugs contributed 31% of total export revenue

In the export market, the biggest driver of revenue for IPCA was Cardio-vascular & Anti-diabetic drugs which contributed 31% of total export revenue, followed by NSAID 25%, Anti-malarial 12%,Anti-bacterial which accounted for 12% during 2016-17.

The company is expecting a 11-12% topline growth in FY19 & FY20. It is likely to revive its business from strong performance of cardio-vascular, NSAID, Anti-diabetic, rheumatoid arthritis drugs. The strong domestic formulation business & penetration of new markets in the emerging countries are likely to compensate the lost revenue in US. Chlorthalidone, Lisinopril,Hydro-chlorothiazide, Hydrochloroquiquine are likely to be the key driver of growth. The company has 1 product under registration in UK, 5 in Australia & New Zealand, 21 in South Africa & 29 in US. Approval of those pending products will increase company's sales. The company is targeting filing 8 –10 ANDA in US every year. The company is also exploring the opportunities of contract development & manufacturing opportunities.

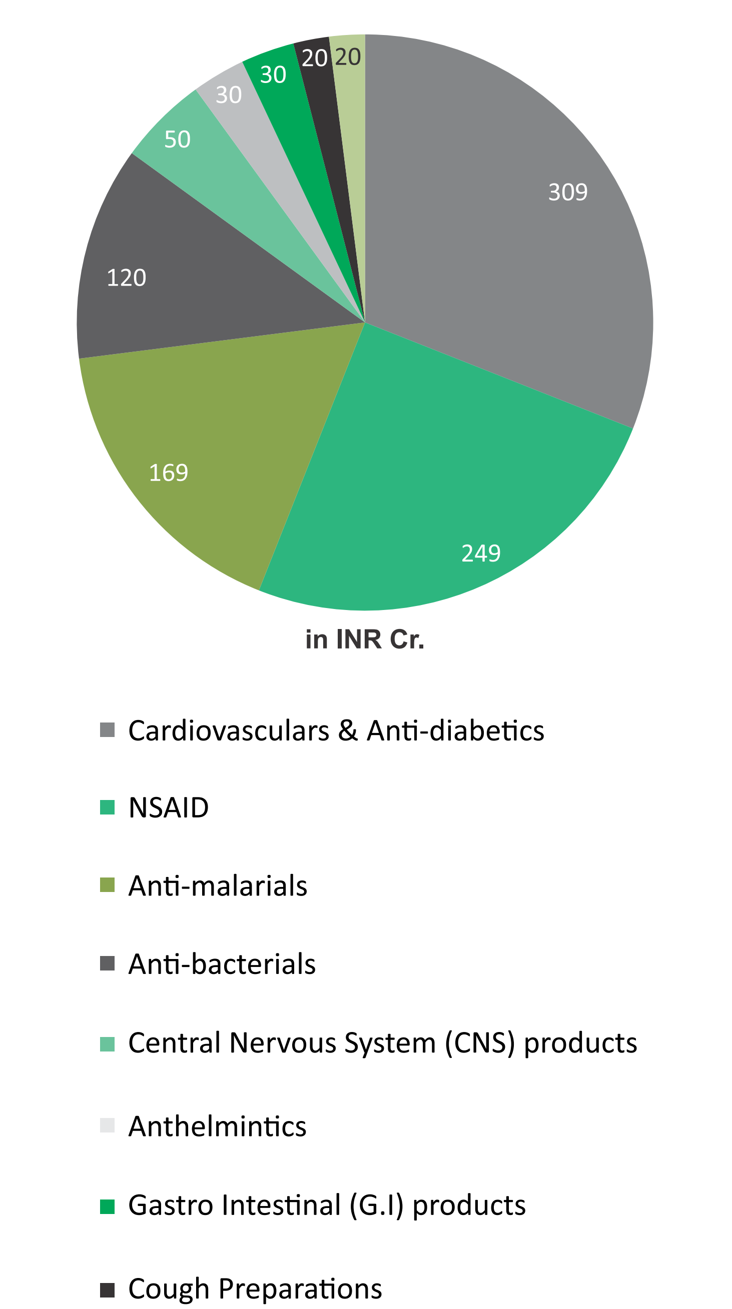
Quarterly Gross Sales



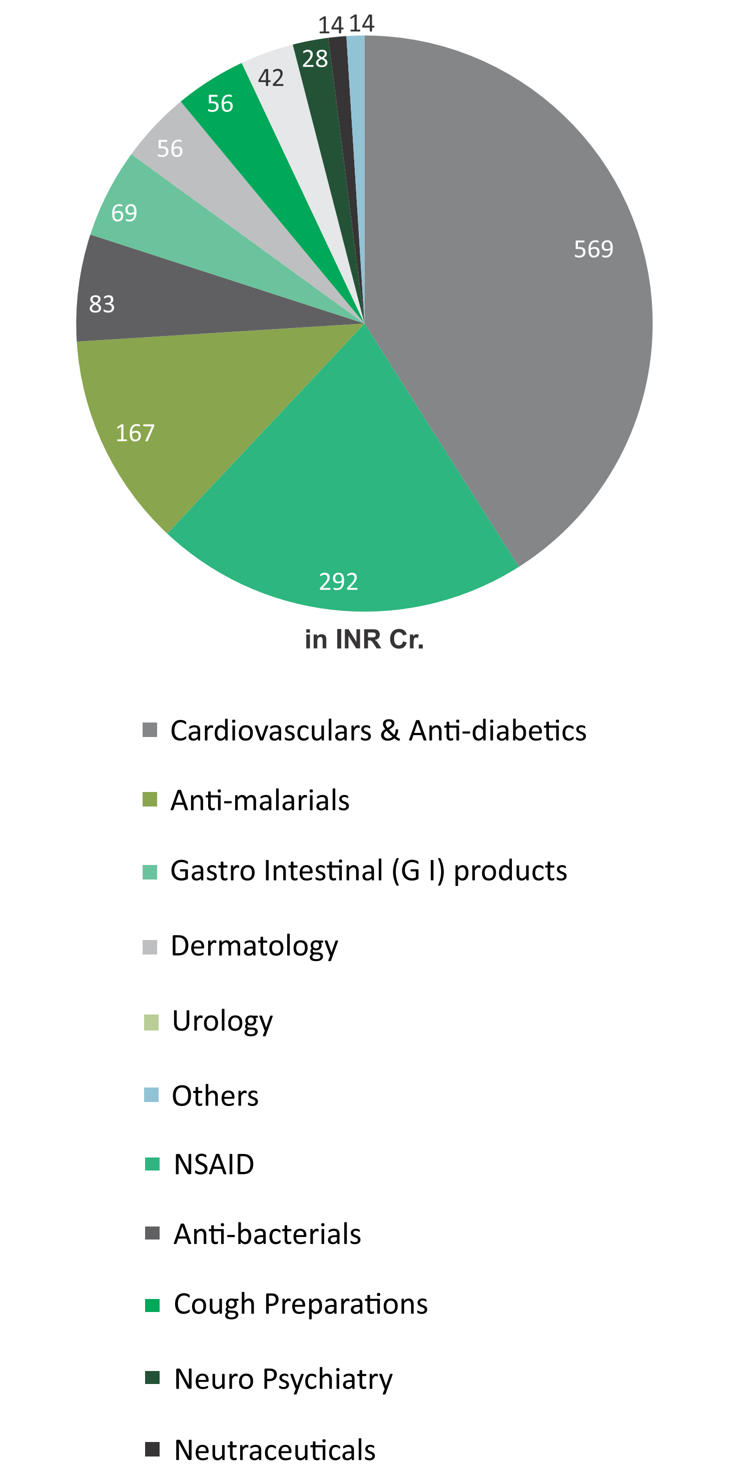
The company has established bio-tech/fermentation research facility. Presently that unit is working under contract research on two products. This will help the company to generate other sources of revenue than seling API & formulation.

Source: Company Data, SMIFS Research

Export Formulation Revenue Break-up-2017



Domestic Formulation Revenue Break-up-2017



Source: Company Data, SMIFS Research

List of APIs approved by Regulatory Bodies

Active Pharmaceutical Ingradients	USFDA	EU	Canada-HPFB	WHO	Japan-PMDA	Australia	EDQM
Atenolol	Y		Y		Y	Y	Y
Artemether				Y		Y	
Artesunate				Y			
Artesunate Sterile				Y			
Amodiaquine Hcl				Y			
Amlodipine Besylate Amlodipine Besylate	Y						Y
Allopurinol	Y		Y			Y	Y
Beventalol Hcl					Y		
Benzarone					Y		
Benzbromarone					Y		
Bendroflumethiazide							Y
Bisoprolol Fumarate	Y		Y				Y
Carvedilol	Y		Y				Y
Cetrizine Dihydrochloride	Y					Y	Y
Chloroquine Phosphate	Y						Y
Chloroquine Sulphate		Y					
Chlorthalidone	Y		Y				Y
Citalopram HBR							Y
Dihydroartemesinin				Y			
Etodolac	Y						Y
Famotidine Famotidine		Y			Y		Y
Fenofibrate	Y						Y
Fluconazole							Y
Flumequine							Y
Furosemide	Y		Y		Y	Y	Y
Glimepiride	Y				Y		Y
Hydrochlorothiazide	Y		Y		Y	Y	Y
Hydroxyzine Di Hcl	Y						Y
Hydroxychloroquine Sulphate	Y	Y	Y				
Indapamide	Y		Y				Y
Losartan Potassium	Y		Y			Y	Y
Lumefantrine		Y		Y			
Methylphenidate			Y				Y
Mesalamine/ Mesalazine	Y						Y
Metformin HCL	Y		Y				Y
Metoclopramide HCl Metoclopramide HCl	Y		Y			Y	Y
Metoclopramide Base					Y		
Metoprolol Succinate	Y						Y
Metoprolol Tartrate	Y	Y			Y		Y

Source: Company Data, SMIFS Research

Active Pharmaceutical Ingradients	USFDA	EU	Canada-HPFB	WHO	Japan-PMDA	Australia	EDQM
Midodrine Hydrochloride	Y						
Nabumetone	Y						Y
Nifedipine					Y		Y
Ondansetron Hydrochloride	Y	Y					Y
Ondansetron Base	Y						
Paroxetine Hcl							Y
Primaquine Phosphate	Y	Y				Y	
Piperaquine Phosphate				Y			
Probenecid	Y						
Proguanil Hydrochloride	Y						Y
Propranolol HCl	Y				Y	Y	Y
Pyrantel Pamoate Pyrantel Pamoate	Y						Y
Pyrimethamine Hcl	Y						Y
Promethazine Hydrochloride	Y						
Quetiapine Fumarate	Y	Y					
Risperidone	Y						
Residronate Sodium	Y						
Ractopamine Hcl	Y						
Sodium Alendronate	Y				Y		Y
Sulfadoxine		Y		Y			
Telmisartan	Y						
Torsemide	Y						Y
Tramadol Hydrochloride	Y		Y				Y
Trimethoprim	Y				Y	Y	Y
Triamterene							Y
Triclabendazole	Y	Y					
Valsartan Valsartan	Y						Y
Venlafexine	Y						
Warfarin Sodium Clathrate	Y						Y
Warfarin Sodium						Y	Y
Zaltoprofen					Y		
Zoledronic Acid	Y						

Source: Company Data, SMIFS Research

Product Portfolio

ANTI-DIABETIC BRANDS	ANTI-INFECTIVES BRANDS	ANTI-MALARIAL BRANDS
HYQ 400	AZIBACT	CINKONA
GLYCINORM	AZIFAST	LARIAGO
GLYCINORM TOTAL	BACSTOL	LARIDOX
GLYCINORM-M	CLARBACT	LARI
GLYREE	CNN	LARIMEF
GLYREE-M	ELTOCIN	LARINATE
GLYREE-MV	FASTCLAV	LARINATE XP
PIOMED	FASTGARD	LARINATE KIT
PIOMED-M	FOLOUP	LARINATE-MF
ZILAST	FOLOUP-CV	LARITHER
DMARD BRANDS	KEFTRA	LUMERAX
HCQS	KEFTRAGARD	MALIRID
FOLITRAX	LACTAGARD	RAPITHER-AB
SAAZ	OLFICEF	**OPTHALMOLOGY BRAND**
LEFNO	OLFI-POD	AQUASURGE
MMF	NIFUTIN	AQUASURGE MAX
MMF S	TAZOFAST	BESIVANCE
EBUXO		BROMVUE
		MOXISURGE
		RIMOFLO SOFT
		RIMOFLO - T

Source: Company Data, SMIFS Research

CARDIO BRANDS	NEURO PSYCHIATRY BRAND	Derma BRANDS
ACE REVELOL	CITINOVA	ACNE - UV
CALCHEK	DIVALRATE	ACUTRET
CALCHEK - L	EDINOVA	ADIFF
CALCHEK - T	EMOTRIP	ALLSUTH
CTD	EPICTAL	AZIFAST
CTD L	INOSERT	CUTIMAX
CTD - C	INSPIRAL	CUTINORM
CTD - M	LAMEPIL	CUTIRINZ
CTD - O	OZAPIN MD	CUTISOFT
CTD - T	OZEPAM	CUTIYT TOTAL
ISORDIL	PARI	HALOTOP
LISORIL	PARI - CR	HALOTOP - S
LOSANORM	PARI - CR PLUS	HYPHORAL
LOSANORM - CH	PARI - CR FORTE	KERA XL
LOSANORM - H	PEG - SR	KERABLAK
METAGARD	PEG - SR - M	KERAGLO AD
MONO ISORDIL	PIRAMENT	KERAGLO - EVA
OLMEGLARE	QUEL	KERAGLO - MEN
OLMEGLARE - A	RECITA	KERAWASH
OLMEGLARE - H	RECITA FORTE	LACSOFT
RAMCOR	RECITA-LITE	LACSOFT C
RAMCOR - H	SOVE	UV2IR
REVELOL	SYMPTA	**UROLOGICALS BRAND**
REVELOL - AM	VALRATE	ALKASTON
REVELOL - CH	VALRATE SYRUP	ALKASTON - B6
REVELOL - H	VENPOWER	CRANPAC
RXTOR	**GASTRO INTESTINAL BRANDS**	CRANPAC - D
RXTOR - F	ACERA	CRANPAC - KM
TELMINORM - AM	ACERA - D	BACSTOL

Source: Company Data, SMIFS Research

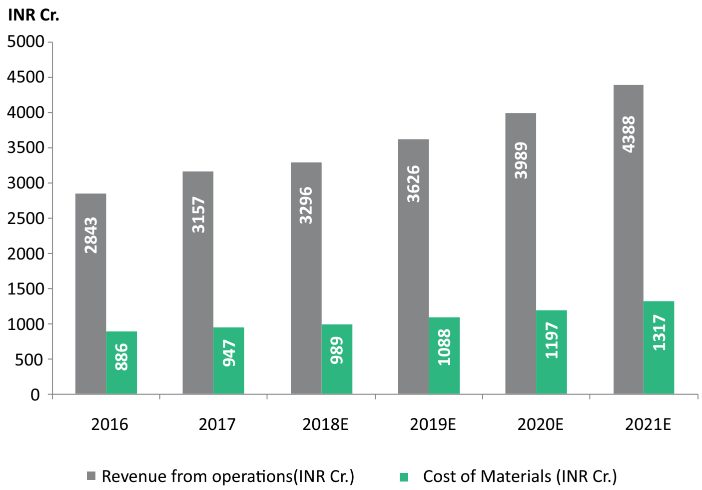
TELMINORM - BXL	ACERA - L	NIFUTIN
TEL-REVELOL	BLOKCID	TOLU
TENO	BLOKCID - D	RAPILIF
TENOCHEK	BLOKCID - L	RAPILIF - D
TENOLOL	ZERODOL - SPAS	TASULIN
TENOLOL - AM	ELECTROSIP	TASULIN - D
TENORIC	OLFI - O	**NUTRITIONALS BRAND**
VINICOR - AM	PERINORM	CALTEN - D 500
VINICOR - D	PERISET	CARDIOPLUS
VINICOR - XL	VOMIHALT	NERVON FORTE
XTOR	PROTOCHEK	RXPLUS CAPSULE
XTOR - EZ	PROTOCHEK - D	RXPLUS SYRUP
XTOR - F		RXPLUS DROPS

PAIN MANAGEMENT BRANDS	PAIN MANAGEMENT BRANDS	RESPIRATORY BRAND
CELEDOL	PACIMOL	BROMHEXINE
DONICA	PACIMOL ACTIVE	M - SOLVIN
DUOVOLT	PACIMOL MF	RINOSOLVIN
ETOVA	PACIMOL PLUS	SOLVIN COLD
ETOVA - AQ Inj	TOLYDOL	SOLVIN DECONGESTANT
ETOVA - MR	ZERODOL	SOLVIN COLD - AF
ETOVA - P	ZERODOL - MR	SOLVIN COUGH
IDENTI - CAL	ZERODOL - P	SOLVIN LS
IDENTI - CAL K2	ZERODOL - PG	SOLVIN NASAL SPRAY
MOVON	ZERODOL - PT	SOLVIN VAPOCAPS
MOVON - MR	ZERODOL - S	TADACT
MOVON - P	ZERODOL - SP	
MOVON - S	ZERODOL - TH	
MOVON - SP	DROLGAN	
NIMICA	AQUASHOT	
NIMICA PLUS		

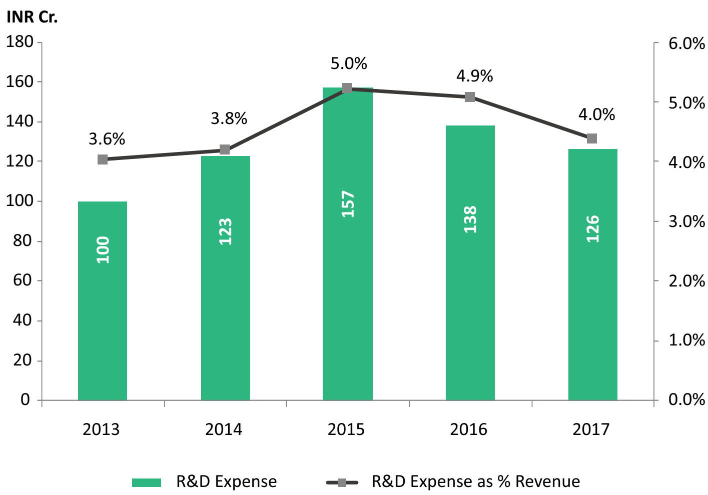
Source: Company Data, SMIFS Research

Trend of Expenditure & Borrowings

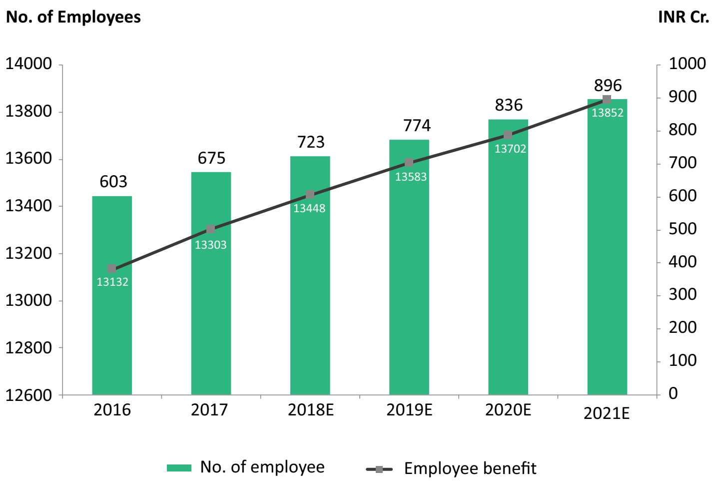
Revenue & Cost of Materials



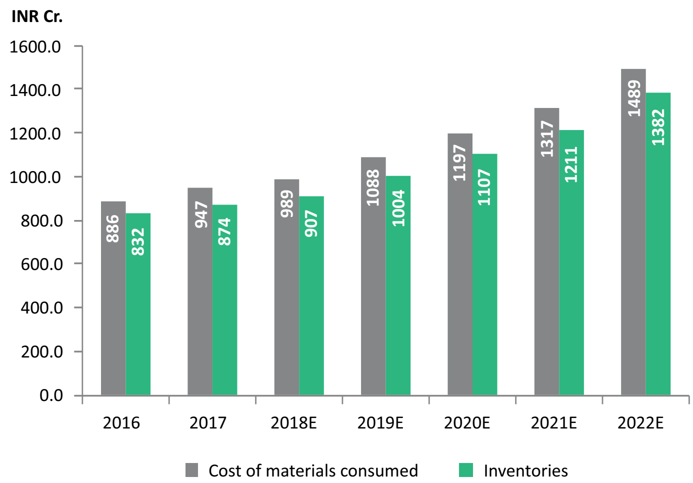
R & D Expenses



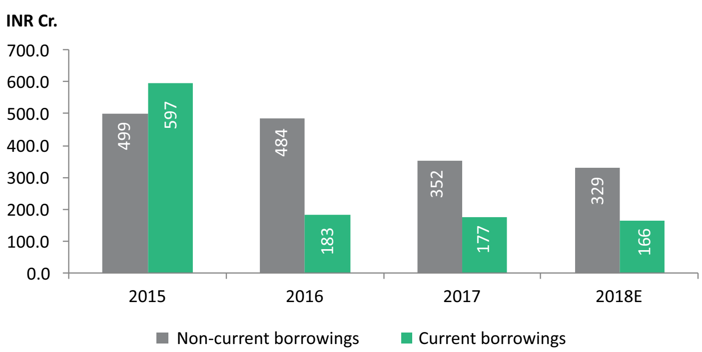
No. of Employees & Employee Cost



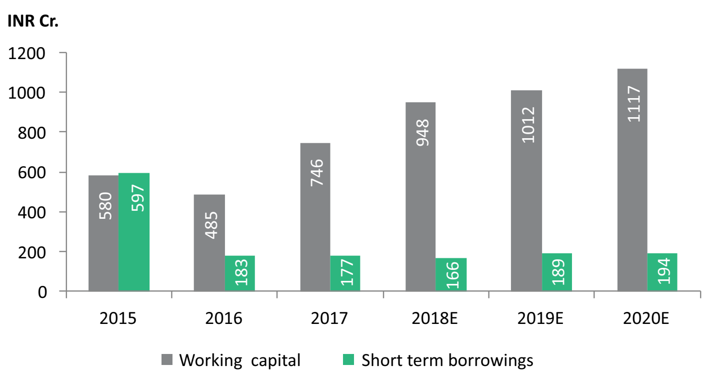
Cost of Materials & Inventories



Brrorrowings Trend

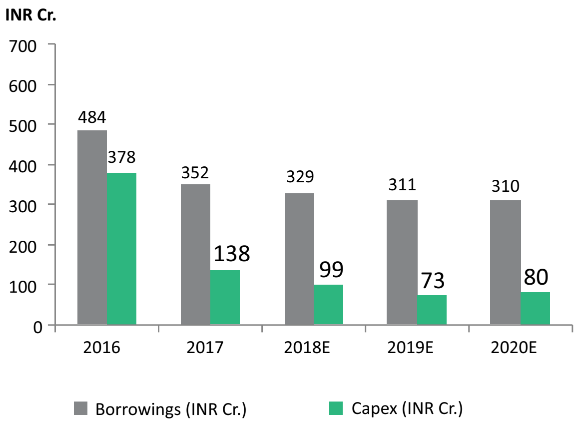


Working Capital & Current Borrowings



Source: Company Data, SMIFS Research

Brorrowings & Capex



Source: Company Data, SMIFS Research

Retained previous credit rating AA & A1+ by CARE for its INR1140 crore bank facilities

- On account of regulatory ban IPCA's revenue & profitability got a bad hit during 2014-16. Its margin & ratios also got impacted adversely. Now the company has started turning around with growth in the top line, revival in the bottom line, improvement in the margins & it is likely to continue in the growth trajectory in the upcoming years.
- The company had a higher spending due to higher Capex on account of the remediation process of its manufacturing facilities during 2014-2016. It has already completed the remediation process & invited USFDA for inspection of its facilities & waiting for clearance of the regulatory glut.
- IPCA is gradually lowering its borrowings over the period of time.
- Credit ratings on borrowings: On 22nd March, 2018 IPCA received reaffirmation of its previous credit ratings AA (stable) & A1+ by CARE for its INR1140 crore bank facilities
- The company has a steady R&D spending which varied around 3-5% of its total sales.

Awards

- IPCA won Fastest Growing Business Award 2017
- Ipca's Revelol Am NH2 Programme (National Healthy Heart Programme) has entered Limca Book of Records-December 2017

Industry Overview

India has the 2nd Largest number of USFDA-approved Manufacturing Plants outside US

Around 120 drugs will go Off-patent in next 10 yrs.

Indian Generics accounts for 20% of Global Exports in terms of Volume

According to All India Organization of Chemists and Druggists (AIOCD) Indian pharmaceutical market size was INR1.16 trillion in March 2017. The pharmaceutical industry in India ranks 3rd in the terms of world volume and 13th in terms of value. According to a report by the Indian Brand Equity foundation (IBEF) Indian pharmaceutical industry is likely to become USD55 billion which is almost equal to INR3.575 trillion by 2020.

The Indian Pharmaceutical market is highly fragmented with around 24000 organized & unorganized players. Indian Pharmaceutical market is majorly dominated by branded generic drugs which accounts for nearly 70% of the market size, around 9% over-the counter (OTC) medicines & nearly 1% patented drugs. As per the Index of Industrial Production (IIP) in Jan.2018 pharmaceutical manufacturing has recorded a growth of 22% year on year.

According to the credit rating organization Crisil, Indian pharmaceutical market grew at CAGR 11% during FY12-FY17. The sector's revenue is seen growing at around 9% per annum over three years ending fiscal 2020. According to Crisil's Report in March 2018, pharmaceutical industry appears set for a sharp turnaround in FY19 backed by strong growth in the overseas market & continued growth in the domestic market. Official Action Indication(OAI) also reduced significantly from 28 in 2014 to 16 in 2017 on account of effective remediation by the manufacturers. The key therapeutic areas like Cardio-vascular, Anti-diabetic, Oncology is likely to outperform in the coming fiscal & onwards.

According to the Indian Brand Equity Foundation (IBEF), around 120 drugs will go off-patent in next 10 years with expected revenue between USD80 billion to USD 250 billion.India is the largest provider of generic drugs globally. Indian generics accounts for 20% of global export revenue in terms of volume. India has the second largest number of USFDA approved manufacturing sites outside US. According to the Pharmaceuticals Export Promotion Council of India (PHARMEXCIL) India's pharmaceutical exports stood at USD16.4 billion in 2016-17 and are expected to grow by 30% over the next three years to reach USD20 billion by 2020.

According to IBEF, during April to November 2017, India has exported pharmaceutical products worth INR549.56 billion (USD8.49 billion) & the number is expected to reach USD40 billion by 2020. Around 40.6% of India's USD16.8 billion pharmaceutical exports during 2016-17 were to the American continent, followed by a 19.7% to Europe, 19.1% to Africa and 18.8% to Asian

National Drug Pricing Policy is impacting the Profit Margin adversely

countries. The pharma industry growth will be driven mainly by population growth, ageing of the population, growing number of fatal & stress related diseases, increased healthcare spending, increased penetration of health insurance, better diagnostic facilities. US pharmaceutical market holds almost 45% of total global pharma sales.

However, Indian pharmaceutical manufactures have been facing headwinds due to strigent manufacturing norm by USFDA, channel consolidation and pricing pressure in US resulted de-growth of their revenue & profit.

National price control policy by National Pharmaceutical Pricing Authority (NPPA) is impacting the profit margin of the drug manufacturing companies.

Favourable Govt. Policies to support growth

Govt. of India to set up Electronic Platform to regulate online Pharmacies

Govt. of India to set up Mega Bulk Drug Parks in order to reduce industry's dependency on Raw Material Imports

- To ensure ease of doing business, the Central Drugs Standard Control Organization (CDSCO) recently has waived the provision of procuring no-objection certificate (NOC) by pharmaceutical companies for exporting drugs, medical devices & cosmetics.
- Government of India is planning to set up Mega Bulk Drug Parks in order to reduce industry's dependency on raw material import.
- Government of India is planning to set up an electronic platform to regulate online pharmacies under a new policy.
- The Industry–Academia mission was launched in June 2017 to boost development of biopharmaceuticals in India.
- In Union Budget 2018-19, the allocation to the health and family Welfare has increased by 11.5% to INR52,800 crore (USD8.16 billion).
- As per Union Budget 2018-19, the National Health Protection Scheme, the largest government funded healthcare programme in the world, is expected to benefit 100 million poor families in the country by providing a health insurance coverage of up to INR5 lakh (USD7723.2) per family per year for secondary and tertiary care hospitalization.
- A medical technology park has already been set up at Visakhapattanam, Andhra Pradesh with an investment of USD183.31 million.
- German technical services provider TUV Rheinland's Indian subsidiary has partnered with Andhra Pradesh MedTech Zone.

In Union Budget 2018-19, the allocation to the health and family Welfare has been increased by 11.5% to INR52800 crore

Proposed Single-window clearance for all Bio-safety products

- Andhra Pradesh Med Tech Zone (AMTZ) to create an infrastructure for Electro-Magnetic Interference (EMI/EMC) at an investment of USD12.64 million over a course of four to five years.
- As per NBDS, a proposal has been made to set up the National Biotechnology Regulatory Authority (NBRA) to provide a single-window clearance mechanism for all bio-safety products to create efficiencies & streamline the drug approval process
- The Andhra Pradesh government in 2015 formulated a new policy which covers the benefits for the following categories: Incubation Centres, Biotech manufacturing industries, Life Science Park, Life Science Knowledge Centre, Research & Development Centers.
- The Tamil Nadu government announced a biotech policy in 2014 which aims to encourage new companies to operate in Tamil Nadu, thereby increasing the R&D & manufacturing activities in the sector.
- The Biotechnology Policy of Gujarat established in 2015, promises to provide financial incentives up to USD3.81 million & capital assistance up to USD7.63 million would be given to biotechnology parks & biotechnology companies.

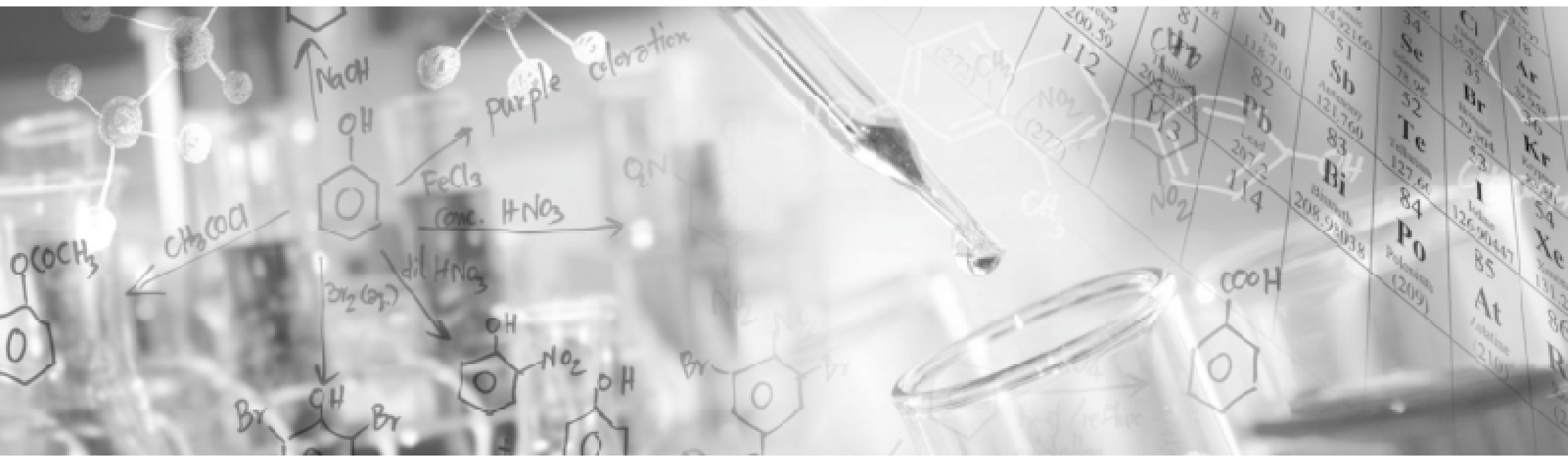
IPCA Subsidiaries

Recently acquired Subsidiary Pisgah Lab, USA is an API Manufacturing & Contract Manufacturing Firm

So far 97.6% of the total revenue of the company is generated from its standalone business. But the company is gradually emphasizing to expand its reach through its subsidiaries. In January 2018, the company acquired 100% share capital of Pisgah Labs Inc, US by IPCA Pharmaceutical Inc., USA, the wholly owned subsidiary of the company & Onyx Scientific Ltd, UK (another wholly owned subsidiary of the company). Pisgah Lab is a North Carolina based API manufacturing & contract manufacturing firm. It's a chemistry solution provider for over three decades, established in 1981 during financial year ended 30th April,2017, Pisgah had a total income of USD2.89 million & EBITDA of USD1.14 million.

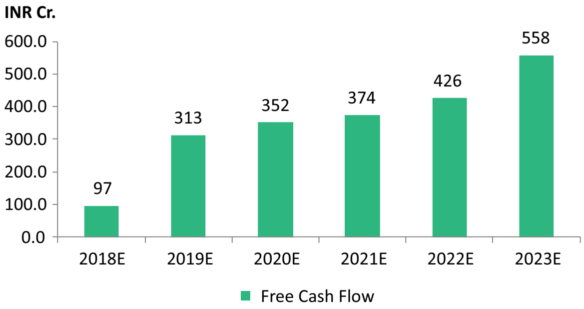
IPCA Subsidiaries (INR cr.)	Total Income	PBT	PAT
Ipca Pharma Nigeria	14.9	-1.2	-1.3
Ipca Pharmaceuticals Inc. USA	5.0	0.8	0.8
Ipca Pharmaceuticals Ltd. SA de CV, Mexico	0.0	0.0	0.0
Ipca Pharma (Australia)Pty. Ltd., Australia	0.5	0.2	0.1
Ipca Pharma (NZ) Pty.Ltd., New Zealand	0.0	0.0	0.0
Ipca Laboratories (UK)Ltd., UK	6.4	5.7	5.6
Onyx Scientific Ltd., UK	49.4	8.3	10.8
Tonira Exports Limited	0.0	0.0	0.0
Total	**76.2**	**13.7**	**16.1**

Source: Company Data, SMIFS Research

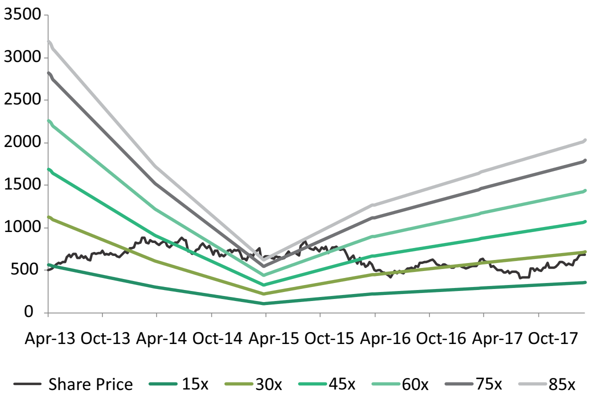


Outlook & Valuation

Free Cash Flow



P/E Band



Source: Company Data, SMIFS Research

Considering US as the biggest pharmaceutical destination of Indian pharma manufacturing companies, current circumstances of pharmaceutical sector performance is stressed & subdued on the backdrop of US price erosion, failing to meet manufacturing compliances set by the pharma regulators & high competition. But Indian pharmaceutical market & many other emerging markets still look attractive & likely to provide good opportunities in near future. Considering IPCA's strategy to capture global markets outside US & holding a dominant position in India, we are bullish in the stock.

We have valued the company on the basis of weighted average of Discounted Cash Flow (DCF), EV/EBITDA, EV/Sales, P/E multiple.

- On the basis of discounted cash flow (DCF) considering 7.5% weighted cost of capital & 3% terminal growth rate, We arrive at a price of INR808.9.
- On the basis of EV/EBITDA we assign a multiple of 18x on FY2020E EBITDA & applying 12% discount on the industry average, We arrive price of INR872.7.
- On the basis of P/E we assign a multiple of 27x on FY20E EPS, applying 15% discount on the industry average and arrive a price of INR713.5.
- On the basis of EV/Sales we assign a multiple of 5.54x on FY2020E EBITDA & applying a discount of 25% on the industry average to arrive a price of 944.3.

Finally on the basis of weighted average of all of four methods we arrive at a price target of **INR824**.

Valuation Matrix

Method	Target Price (INR)	Weight	Weighted Price (INR)
DCF	809	55%	445
EV/EBITDA	873	15%	131
EV/Sales	944	15%	142
P/E	714	15%	107
Target Price (INR)			**824**

Source: Company Data, SMIFS Research

Key Risks

Any further observation by USFDA to either of its manufacturing facilities is a risk

Pricing control in Indian Market is a point of concern

US-China Trade war may become detrimental for Multilateral Trading System

- **Complex generics getting delayed:** There has been focus from the US regulator to reduce hurdles for complex generic development , they have also been seeking more data before approving first time generics.

- **The key headwinds:** US price erosion, slower pipeline monetization & regulatory compliance overhang don't seem to be abating in a hurry.

- **Loosing anti-malaria business:** IPCA is the market leader in Anti-malarial drugs. Falling incidences of malaria world-wide creates a risk of loosing business for the company.

- **Stringent Good Manufacturing Practice (GMP) by USFDA:** With stringent manufacturing norm, pharma regulators are closely observing the manufacturing facilities of all pharma manufacturers. Any fresh observation on either of the manufacturing facilities may impact company's growth process seriously.

- **Pricing policy in India:** National Pharmaceutical Pricing Authority (NPPA) has issued latest Drug Price Control Order (DPCO) in 2013. It has a list of 384 drugs. On 4 December 2017, it has announced a multi-disciplinary committee of experts for consultation on matters pertaining to implementation of drug price control order (DPCO) including technicalities involved in pricing. Pricing control in Indian market is a risk for the company as a significant revenue of the company is generated from domestic sales.

- **Exchange rate risk:** The company earns a major part of the revenue from export business hence exchange rate risk can't be ignored.

- **Credit Risk:** The Company has exposure to credit risks associated with sales to various developing countries. To mitigate these credit risks the Company obtains credit insurance on a regular basis after evaluating the credit risk associated with a country. Countries where no credit insurance is available, the Company closely monitors such risk however the possibility of any payment default by the debtors can't be ruled out.

- **Impact of US-China battle on IP Practices:** The annual special 301 report identifies trade barriers to US companies to Intellectual property laws of other countries including China & India. India is among countries which have serious intellectual property rights deficiencies and do not give adequate protection to American firms. According to United

US Sanction of Exemption to close Allies is a Threat to the Multilateral Trading System

challenges facing US business in India include those which make it difficult for innovators to receive & maintain patents for pharmaceuticals & software, enforcement action & policies that are insufficient to curb the problem, copyright policies that don't properly incentivize the creation & commercialization of content & an outdated & insufficient trade secrets legal framework.

- **Bilateral consultation is a threat to Multi-lateral trading system:** Recently US imposed import duty on many items is a violation of multilateral trade agreements of WTO. More over US sanction of exemption to close allies like South Korea, Australia , Mexico is a threat to multilateral trading system.

Financial Details

Income statement (standalone)						
Particulars (in INR crore)	**FY16**	**FY17**	**FY18E**	**FY19E**	**FY20E**	**FY21E**
Revenue from operations	**2843.1**	**3156.7**	**3296.5**	**3626.1**	**3988.7**	**4387.6**
% revenue growth	*-7.8%*	*11.0%*	*4.4%*	*10.0%*	*10.0%*	*10.0%*
Cost of materials consumed	886.0	947.3	989.3	1088.2	1197.0	1316.7
Purchase of stock-in-trade	138.3	161.8	169.0	185.9	204.5	224.9
Employee benefit expenses	603.4	674.9	692.3	761.5	837.6	921.4
Other expenses	919.5	944.0	991.2	1030.8	1066.9	1120.3
Total Expense	**2569.5**	**2726.3**	**2817.3**	**3063.1**	**3281.1**	**3568.9**
% growth rate	*0.4%*	*6.1%*	*3.3%*	*8.7%*	*7.1%*	*8.8%*
EBITDA	**273.6**	**430.3**	**479.1**	**563.0**	**707.7**	**818.7**
% growth rate	*-47.9%*	*57.3%*	*11.3%*	*17.5%*	*25.7%*	*15.7%*
EBITDA Margin(%)	9.6%	13.6%	14.5%	15.5%	17.7%	18.7%
Depreciation & Amortization	161.2	171.0	135.5	133.2	130.6	152.1
EBIT	**112.4**	**259.3**	**343.6**	**429.9**	**577.0**	**666.6**
interest	28.6	23.3	23.1	21.8	21.7	41.4
Other income	27.7	22.2	16.5	23.6	25.9	26.3
EBT	**111.5**	**258.2**	**337.1**	**431.6**	**581.3**	**651.6**
Current Tax	21.6	57.0	91.0	129.5	191.8	156.4
Short/ (excess) provision of earlier years	0.0	0.0	0.0	0.0	0.0	0.0
Deferred tax	-2.7	13.0	0.0	0.0	0.0	0.0
Net Profit	**92.5**	**188.3**	**246.1**	**302.1**	**389.5**	**495.2**
% PAT growth	*-63.9%*	*103.5%*	*30.7%*	*22.8%*	*28.9%*	*27.2%*
PAT Margin (%)	3.3%	6.0%	7.5%	8.3%	9.8%	11.3%
Shares outstanding	12.6	12.6	12.6	12.6	12.6	12.6
EPS	7.3	14.9	19.5	23.9	30.9	39.2

Balance Sheet (Standalone)

Particulars (INR Cr.)	FY16	FY17	FY18E	FY19E	FY20E	FY21E
Property, Plant & Equipment	1927.9	1899.7	1871.9	1820.4	1779.2	1847.6
Capital work-in-progress	93.8	62.3	37.4	54.6	53.4	81.3
Goodwill	23.6	23.6	23.6	23.6	23.6	23.6
Other Intangible Assets	25.1	22.7	23.8	24.8	26.2	38.4
Intangible Assets under development	35.1	32.5	16.6	21.0	22.7	36.4
Investments in Subsidiary/ JV/ Associate	97.4	98.0	98.0	98.0	98.0	98.0
Other Investments	0.1	0.1	0.1	0.1	0.1	0.1
Loans	71.7	96.7	98.9	108.8	79.8	65.8
Others	2.5	2.2	2.2	2.2	2.2	2.2
Other Non-current Assets	27.8	26.3	28.0	30.8	31.9	39.5
Inventories	831.9	873.5	906.8	1003.6	1107.2	1210.6
Investments	0.0	113.6	230.8	217.6	239.3	263.3
Trade Receivables	441.5	502.0	512.8	574.1	631.5	694.7
Cash and cash Equivalents	155.3	11.1	82.2	313.8	639.2	1176.4
Other Bank Balances	6.7	6.4	6.4	6.4	6.4	6.4
Loans	2.9	2.1	2.1	2.1	2.1	2.1
Others	15.6	29.9	31.2	34.3	37.7	41.5
Current tax Assets (net)	0.0	0.0	0.0	0.0	0.0	0.0
Other Current Assets	145.9	165.4	197.8	199.4	211.4	245.7
Total Asset	**3904.6**	**3968.0**	**4170.5**	**4535.6**	**4992.0**	**5873.6**
Total Equity	2283.1	2475.1	2706.0	2989.6	3354.7	3819.6
Non-current Borrowings	484.3	351.7	329.3	311.2	310.0	591.0
Other Financial Liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Non-current Provisions	20.2	24.6	25.2	27.7	25.1	27.6
Deferred tax Liabilities (net)	155.6	168.6	168.6	168.6	168.6	168.6
Other Non-current Liabilities	1.6	1.6	1.6	1.6	1.6	1.6
Current Borrowings	182.9	177.3	166.2	189.4	193.6	244.3
Trade payables	415.2	449.2	469.9	513.9	571.9	618.1
Other Current Financial Liabilities	250.5	212.4	197.8	217.6	239.3	263.3
Other Current Liabilities	45.6	36.1	33.0	36.3	39.9	43.9
Provisions	62.2	66.1	67.8	74.5	82.0	90.2
Current tax Liabilities (net)	3.5	5.2	5.2	5.2	5.2	5.2
Total Equities & Liabilities	**3904.6**	**3968.0**	**4170.5**	**4535.6**	**4992.0**	**5873.5**

Cash Flow Statement (Standalone)

Particulars (INR Cr.)	FY16	FY17	FY18E	FY19E	FY20E	FY21E
Net cash from Operating activities	696.0	265.7	134.7	399.7	475.8	604.4
Net cash from/ (used) in Investing activities	-213.6	-139.9	-116.5	-109.6	-103.3	-276.5
Net cash from (used in) Financing activities	-414.2	-156.4	-60.6	-58.4	-47.3	209.4
Net Change in Cash Flow	68.2	-30.6	-42.5	231.7	325.3	537.2
Cash and cash equivalents at beginning of year	87.1	155.3	124.7	82.2	313.8	639.2
Cash and cash equivalents at end of year	**155.3**	**124.7**	**82.2**	**313.8**	**639.2**	**1176.4**

Source: Company Data, SMIFS Research

Key Ratios (Standalone)						
Particulars	**FY16**	**FY17**	**FY18E**	**FY19E**	**FY20E**	**FY21E**
Solvency Ratios						
Current ratio	1.7	1.8	2.1	2.3	2.5	2.9
Quick ratio	0.8	0.9	1.1	1.3	1.6	1.9
Interest coverage ratio	3.9	11.1	14.9	19.7	26.6	16.1
Margin						
EBITDA Margin	9.6%	13.6%	14.5%	15.5%	17.7%	18.7%
Net Profit margin	3.3%	6.0%	7.5%	8.3%	9.8%	11.3%
Growth Rates						
Revenue growth(%)	-7.8%	11.0%	4.4%	10.0%	10.0%	10.0%
EBITDA growth rate(%)	-47.9%	57.3%	11.3%	17.5%	25.7%	15.7%
Operating Efficiency						
Total asset turnover	0.73	0.80	0.79	0.80	0.80	0.75
Equity turnover	1.25	1.28	1.22	1.21	1.19	1.15
Operating Profitability						
EBITDA Profit Margin	9.6%	13.6%	14.5%	15.5%	17.7%	18.7%
EBIT Margin	4.0%	8.2%	10.4%	11.9%	14.5%	15.2%
Net Profit Margin	3.3%	6.0%	7.5%	8.3%	9.8%	11.3%
Performance Ratios						
ROE (Net Income / Common Equity)	4.1%	7.6%	9.1%	10.1%	11.6%	13.0%
RoCE	3.8%	8.6%	10.6%	12.3%	14.9%	14.5%
DuPont Analysis						
Profit Margin	0.03	0.06	0.07	0.08	0.10	0.11
Asset Turnover	0.73	0.80	0.79	0.80	0.80	0.75
Financial Leverage	1.71	1.60	1.54	1.52	1.49	1.54
ROE	4.1%	7.6%	9.1%	10.1%	11.6%	13.0%
Financial Risk Ratios						
Debt to equity ratio	0.21	0.14	0.12	0.10	0.09	0.15

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Stock Recommendation	Expected absolute returns (%) over 12 months
Strong Buy	>20%
Buy	between 12% and 20%
Accumulate	between 6% and 12%
Hold	between 0% and 6%
Sell	0 to -10%
Neutral	No Rating

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