



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

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## Result update@ Dalal & Broacha

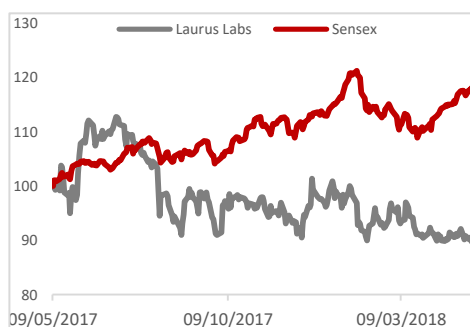
### BUY

Current Price	488
Target Price	654
Upside/Downside	34%
52 Week Range	634/480

### Key Share Data

Market Cap (Rs.bn)	51.6
Market Cap (US\$ mn)	765.71
No of o/s shares (mn)	105.8
Face Value	10
Monthly Avg.vol (BSE+NSE) Nos'000	145
BSE Code	540222
NSE Code	LAURUSLABS
Bloomberg	LAURUS:IN

### Price performance



% Shareholding	Mar-18	Dec-17
Promoters	30.6	30.57
FII	7.8	10.45
DII	41.5	40.15
Others	20.1	18.83
<b>Total</b>	<b>100</b>	<b>100</b>

### Key Financials

Year	Sales	% Growth	EBIDTA	OPM (%)	PAT	% Growth	EPS	PE (x)	RoE (%)	RoCE (%)
FY16	17775.8	34%	3622.0	20.4%	1337.4	95%	12.65	5.8	17%	15%
FY17	19046.5	7%	4076.4	21.4%	1902.8	42%	17.99	27.1	14%	15%
FY18	20690.0	9%	4133.2	20.0%	1676.1	-12%	15.81	30.9	11%	13%
FY19E	25842.4	25%	5311.2	20.6%	2369.9	41%	22.35	21.8	14%	14%
FY20E	32807.1	27%	7254.4	22.1%	3605.3	52%	34.00	14.4	18%	19%

Laurus Labs Q4FY18 results were better than expectations. . The price erosion in Hep C business which was a cause for concern, marginally recovered qoq. The robust growth in ARVs, oncology custom synthesis and ingredients helped in restoring profitability. The company commissioned its Formulations plant during the quarter.

### Robust revenue growth, qoq recovery in Hep C improves performance

Revenues grew 18% yoy (17% qoq) to Rs 5602 mn. While API business grew 16% to Rs 4930 mn, custom synthesis increased 70% on a low base to Rs 448 mn and ingredients grew 35% to Rs 224 mn.

EBITDA was 1% lower yoy (+33% qoq) at Rs 1169 mn due to increased employee costs (30%) in view of employee addition and opex of the new plant. EBITDA margins were 410 bps lower (+270 bps qoq) at 20.9% in view of higher ARV sales.

PAT was -39% yoy (+29% qoq) at Rs 450.8 mn due to higher taxes. EPS for the quarter was at Rs 4.25.

### Key takeaways from the concall

- ✓ Oncology APIs grew 54% to Rs 392 mn.
- ✓ Hep C degrew 20% yoy (+64% qoq) to Rs 392 mn.
- ✓ ARVs grew 29% to Rs 3698 mn.
- ✓ During the quarter, Laurus filed 9 ANDAs, 1 NDA for US, 2 dossiers in Europe, 3 dossiers with WHO, 2 in South Africa and 15 in ROW.
- ✓ The company expects to incur a capex of Rs 2000 mn in FY19 towards the expansion of its API facilities and debottlenecking of the formulations plant.
- ✓ Laurus expects 3 approvals from USFDA during FY19.

### Outlook & Valuation

We are positive on the developments at Laurus Labs. The commissioning of FDF plant and launch of Tenofovir in US and Canada marks a new beginning to its business. New approvals and supplies to US, as well as scale up in custom synthesis will help improve profitability and earnings. We have revised our estimates in view of the price erosion in Hep C.

At Rs 488, Laurus Labs trades at 14x FY20E EPS of Rs 34. We recommend investors to BUY Laurus Labs with a long term target price of Rs 654.



Rs in mn	Q4FY18	Q3FY18	Q4FY17	yoy	qoq	FY18	FY17	Var %
<b>Income from operations</b>	<b>5602.4</b>	<b>4789.3</b>	<b>4735.2</b>	<b>18%</b>	<b>17%</b>	<b>20690.0</b>	<b>19046.5</b>	<b>9%</b>
Material Cost	2909.2	2457.5	2253.7			10765.4	9967.7	
Employee Cost	672.3	647.3	589.3			2580.5	2462.3	
Other expenses	852.1	811.1	707.5			3,211.0	2,540.2	
<b>EBITDA</b>	<b>1168.8</b>	<b>873.5</b>	<b>1184.8</b>	<b>-1%</b>	<b>34%</b>	<b>4133.2</b>	<b>4076.4</b>	<b>1%</b>
<i>EBITDA margin</i>	<i>20.9%</i>	<i>18.2%</i>	<i>25.0%</i>			<i>20.0%</i>	<i>21.4%</i>	
Depreciation	346.1	309.8	266.9			1254.5	1059.8	
Interest	232.6	177.6	148.4			796.4	999.0	
Other Income	50.8	99.4	89.3			291.9	334.4	
<b>Profit before tax</b>	<b>640.9</b>	<b>485.5</b>	<b>858.9</b>	<b>25%</b>	<b>32%</b>	<b>2374.2</b>	<b>2352.0</b>	<b>1%</b>
Tax	190.1	136.8	118.3			698.1	438.6	
Share of Profit/(Loss)	0.0	0.0	0.0			0.0	-10.6	
<b>Profit after tax</b>	<b>450.8</b>	<b>348.7</b>	<b>740.6</b>	<b>39%</b>	<b>29%</b>	<b>1676.1</b>	<b>1902.8</b>	<b>12%</b>
Equity	1060.3	1060.3	1057.6			1060.3	1057.6	
Number of shares	106.0	106.0	105.8			106.0	105.8	
EPS - Diluted(Rs)	4.3	3.3	7.0			15.8	18.0	



## LAURUS LABS FINANCIALS

PROFIT & LOSS (Rs mn)	FY16	FY17	FY18	FY19E	FY20E	CASH FLOW	FY16	FY17	FY18E	FY19E	FY20E
<b>Revenue from Operations (Net)</b>	17775.8	19046.5	20690.0	25842.4	32807.1	<b>Profit After Tax</b>	1337.4	1902.8	1676.1	2369.9	3605.3
Raw Material Costs	10081.6	9967.7	10765.4	13308.9	16731.6	Add: Depreciation	864.1	1059.8	1254.5	1496.3	1631.3
<b>Gross Profit</b>	<b>7694.2</b>	<b>9078.8</b>	<b>9924.7</b>	<b>12533.6</b>	<b>16075.5</b>	<b>Cash Profits</b>	<b>2201.4</b>	<b>2962.6</b>	<b>2930.6</b>	<b>3866.1</b>	<b>5236.6</b>
<i>Gross Margins</i>	43.3%	47.7%	48.0%	48.5%	49.0%	<b>(Increase)/ Decrease in:-</b>					
Employee Benefits Expenses	1,885.2	2,462.3	2,580.5	2,967.5	3,561.0	Trade receivables	-1,597.9	-1,227.5	-29.8	-1,374.2	-1,908.1
Other Manufacturing Expenses	757.4	781.1	805.5	829.7	854.6	Long Term Loans & Advances	1,185.6	88.0	-5.5	-1.7	-2.0
Research & Development Expenses	796.2	1,402.0	1,196.0	1,550.5	1,968.4	Short Term Loans & Advances	-268.0	118.8	-382.8	-168.9	-228.3
Operating and Selling Expenses	633.5	357.1	1,209.5	1,874.7	2,437.0	Other current assets	-268.0	118.8	-382.8	-168.9	-228.3
<b>EBITDA</b>	<b>3622.0</b>	<b>4076.4</b>	<b>4133.2</b>	<b>5311.2</b>	<b>7254.4</b>	Inventories	-116.0	-219.5	-757.4	-1,444.7	-1,875.5
Depreciation and Amortisation	864.1	1059.8	1254.5	1496.3	1631.3	Trade payables	168.0	154.9	492.3	705.3	984.6
<b>EBIT</b>	<b>2757.9</b>	<b>3016.5</b>	<b>2878.7</b>	<b>3814.9</b>	<b>5623.1</b>	Short term provisions	-15.5	-29.5	-2.3	11.1	15.1
Finance Expenses	1,111.1	999.0	796.4	786.1	852.1	Other current liabilities	-1,161.9	413.1	253.0	208.6	282.0
Other Income	43.6	334.4	291.9	262.7	236.5	Other Non Current Assets	-450.4	140.7	9.4	-44.0	-48.4
<b>Profit Before Tax</b>	<b>1690.4</b>	<b>2352.0</b>	<b>2374.2</b>	<b>3291.5</b>	<b>5007.4</b>	Other Long Term Liabilities	-281.9	466.1	16.3	64.7	71.2
<b>Tax Expense</b>	<b>349.0</b>	<b>438.6</b>	<b>698.1</b>	<b>921.6</b>	<b>1402.1</b>	Long Term Provision	16.5	78.2	62.5	51.9	70.1
Share of results of associate	-4.02	-10.55	0	0	0	<b>Working Capital change</b>	<b>-2,789.6</b>	<b>102.1</b>	<b>-727.1</b>	<b>-2,160.8</b>	<b>-2,867.6</b>
<b>Profit for the year</b>	<b>1337.4</b>	<b>1902.8</b>	<b>1676.1</b>	<b>2369.9</b>	<b>3605.3</b>	<b>Net Cash generated from operations</b>	<b>979.0</b>	<b>3,149.8</b>	<b>2,561.3</b>	<b>2,022.1</b>	<b>2,759.9</b>
						<b>Net Cash from Investing activities</b>	<b>-2667.0</b>	<b>-3854.4</b>	<b>-3959.6</b>	<b>-3272.8</b>	<b>-2304.9</b>
						<b>Net Cash (used in)/ generated from financing activities</b>	<b>1,386.9</b>	<b>959.3</b>	<b>1,330.1</b>	<b>1,401.9</b>	<b>-372.2</b>
<b>BALANCE SHEET</b>						<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>-301.1</b>	<b>254.8</b>	<b>-68.2</b>	<b>151.2</b>	<b>82.9</b>
Share Capital	157.7	1057.6	1060.3	1060.3	1060.3	<b>Cash &amp; Cash equivalents at the beginning of the year</b>	588.9	287.7	40.9	30.6	137.4
Reserves & Surplus	7,744.2	12,246.9	13,766.1	15,887.8	19,121.0	<b>Cash &amp; Cash equivalents at the end of the year</b>	287.7	542.5	-27.3	181.8	220.2
<b>Net Worth</b>	<b>7901.9</b>	<b>13304.5</b>	<b>14826.4</b>	<b>16948.1</b>	<b>20181.3</b>						
Preference Shares	666.1	0.0	0.0	0.0	0.0	<b>Ratios</b>					
Long term Borrowings	4,597.4	1,245.6	1,416.6	3,066.6	3,066.6	OPM	20.4%	21.4%	20.0%	20.6%	22.1%
Short term Borrowings	4,814.2	6,441.7	7,585.2	7,585.2	7,585.2	NPM	7.5%	10.0%	8.1%	9.2%	11.0%
<b>TOTAL DEBT</b>	<b>9,411.6</b>	<b>7,687.3</b>	<b>9,001.8</b>	<b>10,651.8</b>	<b>10,651.8</b>	Tax rate	21%	19%	29%	28%	28%
Other Long-term liabilities	164.7	630.7	647.0	711.7	782.8						
Deferred tax Liabilities (Net)	0.0	0.0	0.0	0.0	0.0	<b>Growth Ratios (%)</b>					
<b>CAPITAL EMPLOYED</b>	<b>18144.2</b>	<b>21622.5</b>	<b>24475.1</b>	<b>28311.6</b>	<b>31615.9</b>	Net Sales	34%	7%	9%	25%	27%
Tangible assets - Gross	12,860.0	15,896.9	19,667.0	22,167.0	24,167.0	Operating Profit	81%	13%	1%	28%	37%
Acc. Depreciation	2,713.6	3,773.4	5,028.0	6,524.2	8,155.5	PAT	95%	42%	-12%	41%	52%
<b>Net Block - Tangibles</b>	<b>10,146.4</b>	<b>12,123.4</b>	<b>14,639.0</b>	<b>15,642.7</b>	<b>16,011.4</b>						
<b>Net Block - Intangibles</b>	<b>63.9</b>	<b>78.5</b>	<b>71.6</b>	<b>75.2</b>	<b>78.9</b>	<b>Per Share (Rs.)</b>					
Capital Work in Progress	696.0	1432.6	1631.8	1000.0	1000.0	<b>Net Earnings (EPS) - Diluted</b>	12.6	18.0	15.8	22.4	34.0
<b>Total Fixed Assets</b>	<b>10,906.3</b>	<b>13,634.5</b>	<b>16,342.4</b>	<b>16,717.9</b>	<b>17,090.4</b>	Cash Earnings (CPS) - Diluted	20.8	28.0	27.7	36.6	49.5
<b>Goodwill</b>	<b>0.00</b>	<b>97.39</b>	<b>97.39</b>	<b>97.39</b>	<b>97.39</b>	Number of shares	15.8	105.8	106.0	106.0	106.0
Non-current Investment	70.5	34.1	34.1	34.1	34.1	Book Value	501.2	125.8	139.8	159.8	190.3
Other non-current assets	1146.3	1161.0	978.9	1023.9	1073.4	Free Cash Flow	-87.4	18.4	10.3	-18.3	3.7
Current Investments	0.0	0.0	0.0	1400.0	1700.0						
<b>Current assets</b>						<b>Valuation Ratios</b>					
Inventories	4,870.9	5,090.5	5,847.8	7,292.5	9,168.0	<b>P/E(x)</b>	5.8	27.1	30.9	21.8	14.4
Trade receivables	4,448.6	5,676.1	5,705.9	7,080.1	8,988.2	<b>P/B(x)</b>	6.5	3.9	3.5	3.0	2.5
<b>Cash and bank balance</b>	<b>287.7</b>	<b>40.9</b>	<b>30.6</b>	<b>137.4</b>	<b>171.4</b>	<b>EV/EBIDTA(x)</b>	16.8	14.5	14.7	11.7	8.6
<b>Total Loans &amp; Advances</b>	<b>90.7</b>	<b>2.8</b>	<b>8.3</b>	<b>9.9</b>	<b>11.9</b>	<b>EV/SALES (x)</b>	3.4	3.1	2.9	2.4	1.9
Other current assets	414.3	295.4	678.2	847.1	1,075.4	<b>FCF Yield(%)</b>	-3%	4%	2%	-4%	1%
<b>Total Current assets</b>	<b>9,824.5</b>	<b>11,064.7</b>	<b>12,240.2</b>	<b>15,229.7</b>	<b>19,243.6</b>						
<b>Current liabilities</b>						<b>Return Ratios (%)</b>					
Trade payables	2476.1	2631.0	3123.3	3828.6	4813.2	<b>ROE</b>	17%	14%	11%	14%	18%
Other current liabilities	1470.7	2087.7	2315.7	2672.1	3116.6	<b>ROCE</b>	15%	15%	13%	14%	19%
Short term provisions	76.5	47.1	44.7	55.9	70.9						
Long term provisions	67.7	145.9	208.4	260.3	330.4						
<b>Total Current Liabilities</b>	<b>4091.0</b>	<b>4911.7</b>	<b>5692.1</b>	<b>6816.8</b>	<b>8331.2</b>						
Working Capital	5733.5	6153.1	6548.1	8412.9	10912.4						
<b>CAPITAL DEPLOYED</b>	<b>18,144.2</b>	<b>21,121.0</b>	<b>24,031.4</b>	<b>27,823.5</b>	<b>31,079.0</b>						



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