

Growth Engine Intact

CMP: Rs 407
Target Price: Rs 485
52wk H/L: Rs 520/ Rs 313

Lupin Ltd. (LPC) has engineered a balanced business mix with its sizeable yet profitable domestic franchise complemented by an equally stable growth-oriented export strategy. We expect LPC to demonstrate strength of its otherwise under-rated business model with superior profitable growth. The run on the stock in response to subdued branded sales in the US provides a strong medium-term opportunity to enter the stock. We initiate coverage with a BUY recommendation and a 12-month target price of Rs.485.

US delivery to foster – against all odds

LPC's export strategy for the US has been under scrutiny with a recent dip in its branded sales in 3QFY11. A closer look at LPC's US portfolio suggests enough counter-offensive in protecting its turf (through Citizen Petition and a proactive switch through line extensions). Further, the new generic launches in the market would help increase profit by USD97 mn, easily offsetting the dip of USD36 mn in the branded franchise in FY13.

Under-rated export strategy – enough hidden aces

LPC has expanded its geographic presence through six small acquisitions in the past couple of years in various EMs such as Australia, Philippines, and South Africa (combined total sales of 7.5% of the total, growing at 20%+ levels) and in Japan (Acq. Kyowa, ~11% of total sales). Our analysis points to Japan as a crucial growth driver for LPC. We expect revenue from this geography to grow to USD176 mn by FY13 from USD119 mn in FY10 and gross margin to expand to 60%+ from the current 40% level.

Domestic business going great – will get even better

LPC has been among the Top 5 domestic distribution companies. It has put in place a strategy to consolidate its position through: a pipeline of new products launches, focus on chronic therapy segments, razor-sharp marketing strategies, and a well-oiled distribution engine (complemented with field force of 4183), supplemented by a well defined in-licensing strategy. We expect LPC to record more than ~18% CAGR in domestic sales over FY10-13E.

Financials and Valuations

LPC is in its last lap of evolving into a top-tier Indian pharma company. It has to its credit a proven and established framework that enables it to deliver right products for the right market at the right time with the right focus. We expect LPC to experience a phase of sustained earnings upgrades to more than make up for its current valuation differential with sector leaders. We initiate coverage on the stock with a BUY rating and target price of Rs.485 (21x FY12E).

Exhibit 1: Financials & Valuation metrics

Rs mn

Y/E March	FY09	FY10	FY11E	FY12E	FY13E
Total Revenue	38,666	48,652	57,159	65,772	79,067
Growth (%)	33.7	25.8	17.5	15.1	20.2
EBITDA	7,393	9,783	11,863	13,795	18,454
EBITDA (%)	19.1	20.1	20.8	21.0	23.3
Growth (%)	19.0	32.3	21.3	16.3	33.8
Adj. PAT	5,347	6,883	8,530	10,300	14,373
PAT (%)	13.8	14.1	14.9	15.7	18.2
Growth (%)	23.6	36.3	23.9	20.7	39.6
Adj. EPS (Rs)	12.86	15.48	19.13	23.10	32.23
BV/S (Rs.)	34.27	57.74	70.61	89.20	117.10
P/E (x)	31.6	26.3	21.3	17.6	12.6
P/B (x)	11.9	7.0	5.8	4.6	3.5
EV/EBITDA (x)	25.8	19.5	16.1	13.8	10.4
Dividend yield (%)	0.50	0.60	0.69	0.86	1.11
RoE (%)	37.5	26.8	27.1	25.9	27.5
RoCE (%)	26.7	24.2	25.7	26.3	29.2
D/E (x)	0.86	0.44	0.33	0.23	0.16

Source: Company, Almondz Research

Market data

Sensex	17,988
Nifty	5,414

Stock data

Market Cap (Rs bn)	181
Market Cap (USD mn)	4,024
Shares Outstanding (mn)	446
Free Float (%)	53.0
3M avg. daily vol.('000)	958
Bloomberg Code	LPC.IN
Reuters Code	LUPN.BO

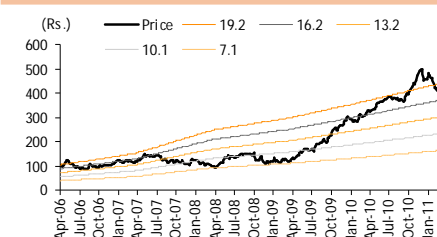
Shareholding Pattern (%) - Dec 2010

Promoter	47.0
Institutions	42.0
Public & Others	11.0

Stock Performance

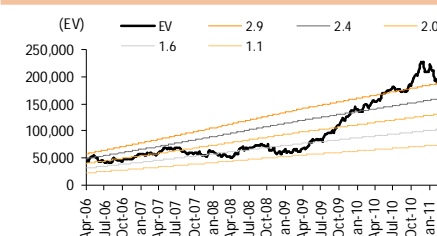
Return (%)	1m	3m	6m	12m
Absolute	-1.5	-9.8	5.5	23.6
Relative	0.2	0.4	15.3	20.3

P/E (x) band



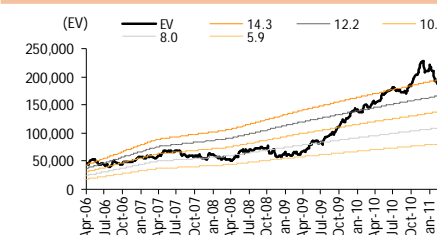
Source: Bloomberg, Almondz Research

Ev/ Sales (x) band



Source: Bloomberg, Almondz Research

EV/EBITDA (x) band



Source: Bloomberg, Almondz Research

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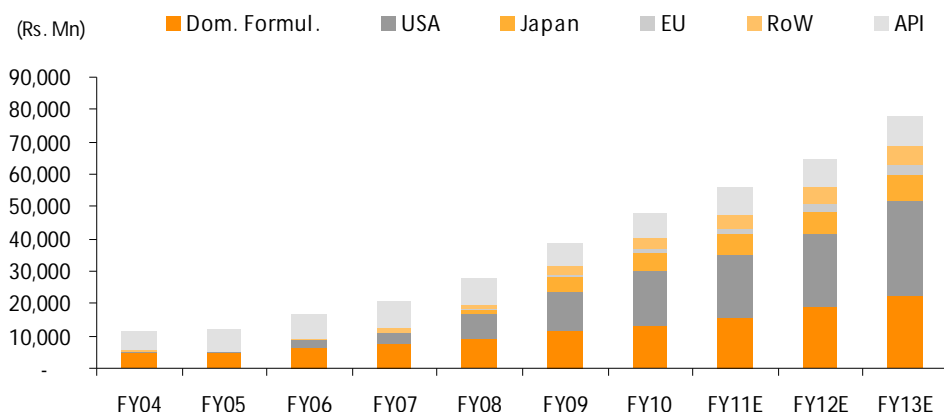
Company Description

Established in 1968, Lupin Ltd. (LPC IN) has over the years transformed into a significant contender in the global generics space. LPC has leadership in most markets in which it has a presence. It is ranked among the top five players in India (AIOCD); it has one of the fastest-growing generic businesses in the US and is ranked the 9th largest generic player in terms of prescription base; it is among the top 10 generic players in Japan and South Africa (IMS).

LPC has significant presence in CVS (prils and statins), diabetology, asthma, pediatrics, CNS, GI, anti-infectives and NSAIDs and leadership in its legacy business, anti-TB.

With strengths in manufacturing and IP-driven products, the company has expanded its geographic reach to Rest of the World (RoW) markets as well as advanced markets like EU. Formulations comprise 85% of its business and the balance comes from API. LPC's R&D endeavors have resulted in progress in its NCE program. Its foray into Advanced Drug Delivery Systems resulted in development of platform technologies used to develop value-added generic pharmaceuticals.

Exhibit 2: Segmental sales performance



Source: Company, Almondz Research

Exhibit 3: Recent Acquisitions

Co. Name	Country
2008	
Kyowa	Japan
Rubamin	India
2009	
Multicare Pharmaceuticals	Philippines
Pharma Dynamics	South Africa
Harmosan Pharma GmbH	Germany
Generic Health	Australia

Source: Company, Almondz Research

Investment Argument

US growth momentum will be driven by combination of Branded Franchise and Generics

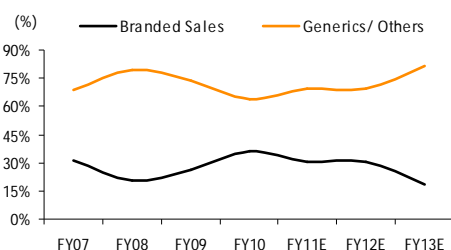
US franchise will continue to deliver, recent hiccup in branded sales a short term blip; growth will be driven by a combination of branded and generic strategy:

LPC's US business is built around a cleverly executed strategy of developing a differentiated generic portfolio around its branded franchise – which is now under threat. The recent dip in branded sales in 3QFY11 (↓26% YoY – was mainly due to change in rebate accounting and inventory destocking in the channel). However, it has caused enough panic, triggering a correction in the stock price. We believe the reaction is overdone.

The successful navigation of generic threat and the life cycle management of **Suprax** (cefexime USP, urinary tract infections, USD132 mn or ~12% of top line and 20-25% of operating profit) through (a) Citizen Petition and (b) Switchover to higher-dosage forms through line extensions has thwarted the generic threat for some more time (expected in 2HFY12). The recently acquired two products **Antara** (Peak Sales of USD50 mn) and **Allernaze** (going off patent in 2012) would give some help in the interim.

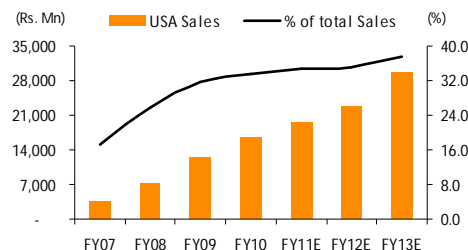
However, the real boost to LPC's US business will come from niche product launches in the generic segment, beginning FY12. We expect the decline of USD36 mn in branded profit in FY13 to be offset by profit of USD97 mn from new generic launches, which is sustainable over medium term.

Exhibit 4: USA sales split



Source: Company, Almondz Research

Exhibit 5: USA mkt will continue to aid top line growth



Source: Company, Almondz Research

US business mix to shift in favor of generics

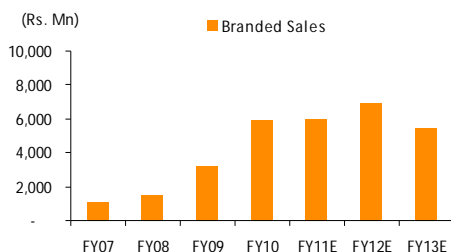
Existing US branded franchise could be further bolstered through brand acquisitions

Meanwhile, LPC's management has indicated boosting US branded franchise, although we expect Generics to drive growth from here on...

LPC's management has indicated maintaining 30/70 ratio between branded franchise and generics over the medium and long term. However our estimates indicate that this split would shift in favor of generics at 18/68 by FY13. This clearly indicates that the company may take the inorganic route to bolster its product offerings.

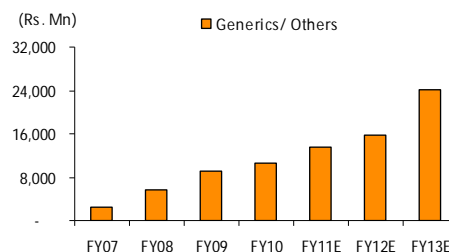
While such a possibility remains, there are not many low hanging fruits in the segment and its two recent acquisitions (Antara/ Allernaze) indicate that an acquisition like Suprax could only be a distant possibility. (LPC made USD450 mn from the product for which it paid only USD15 mn). However, there is tremendous scope for generating operating leverage with an existing specialist field force of 160.

Exhibit 6: Branded sales performance



Source: Company, Almondz Research

Exhibit 7: Generic sales performance



Source: Company, Almondz Research

Lupin Ltd.

At segment level we expect the US market to grow at 21% over FY10-13E

We believe that Generics will continue to demonstrate robust performance. Branded franchise growth outpaced Generics by 74%:61% during FY06-10. We expect the trend to change to -3.1%:32% in favor of Generics over FY10-13E. LPC offers the most visible product launch trajectory over the next three years (>30 products). Overall, at a segment level, we expect the US franchise to grow at 21% CAGR over FY10-13E.

Exhibit 8: Market share by Rx's of top 10 USA generic manufacturers

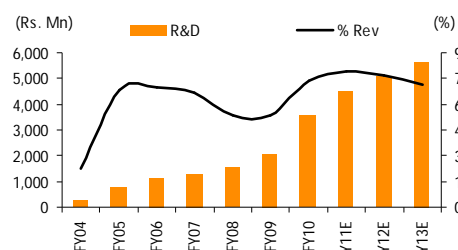
2009			
Manufacturer	Total Rx's	% change	% share
Teva	634,415	1.7%	25.2%
Mylan	331,562	11.9%	13.6%
Watson	251,970	6.4%	10.3%
Sandoz	218,891	10.9%	9.0%
Qualitest	109,802	11.3%	4.5%
Greenstone	102,316	24.8%	4.2%
Apotex	99,841	4.8%	4.1%
Lupin	92,757	51.1%	3.8%
Malinkdrodt	90,824	-4.9%	3.7%
Actavis Purepac	73,524	-10.0%	3.0%

Source: Almondz Research, Company

...LPC is gradually building credible portfolio for USA market

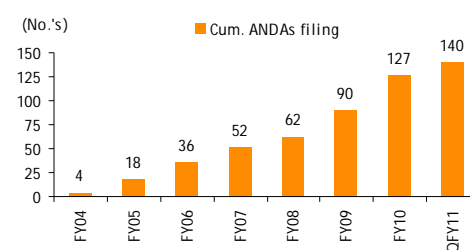
LPC currently has a cumulative filing of ~140 ANDAs (with >90 ANDAs pending approval), including 32 Para IVs and 24 Oral Contraceptive products (OCs). The company has increased its filing rate in the recent times with ~37 ANDA filing in FY10 alone, most of which will be in the limited competition space like OCs and controlled release drugs; For FY11 LPC intends to file additional 30 new ANDAs (so far filed 10).

Exhibit 9: R&D spend adding strength



Source: Company, Almondz Research

Exhibit 10: Major generic co.'s in Japan



Source: Company, Almondz Research

LPC has spent ~Rs.10 bn on R&D in last 5 years, set to spend 1.5x that amount over next 3 years

The company has nearly 120 generic drugs under various stages of development, targeting various therapy areas such as Ophthalmology, Oral Contraceptives, Derma, and Controlled release drugs – which they plan to file over next 3 years. Also the R&D expenditure have been stepped-up considerable, LPC is looking to spend 7-8% of its top line for this purpose; Over the last 5 years the company has spent nearly Rs.10 bn on its R&D, we expect the company to spend additional Rs.15 bn on its R&D over FY11-13E.

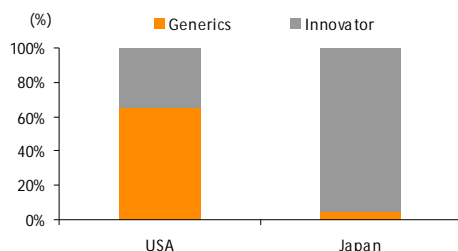
LPC's new chemical entity (NCE) pipeline is currently focusing on three different disease areas of Migraine, Psoriasis, and Tuberculosis. We believe this pipeline is still in the early stages and will take some time before we can have some meaningful assessment on its commercial potential.

Only 5% of total sales constitute Generics in Japan vs. 65% in US

Japanese generic opportunity offers long-term growth potential:

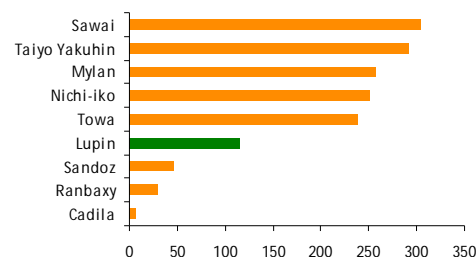
Japanese pharmaceuticals market is seeing a paradigm shift. The Japanese government is looking to reduce healthcare costs. Consequently, it has been introducing a slew of reforms over the past 2-3 years to help generics grow to 30% by volume by 2012 (vs. the current 5%), translating into a value proposition of USD ~6.5bn.

Exhibit 11: Current generic penetration



Source: Sandoz presentation, IMS

Exhibit 12: Major generic co.'s in Japan (indicative)



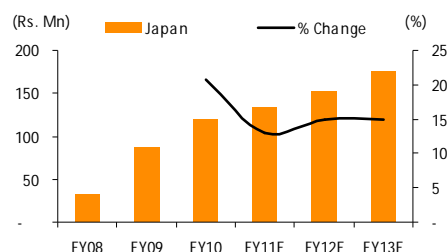
Source: Market

LPC can participate in this opportunity owing to its opportunistic acquisition of Kyowa (among the top 10 generic companies with a focus on Neurology, CVS, GI, and respiratory). LPC has been able to set up a significant strategic base in the critical Japanese generic market through this acquisition. Kyowa has sales force of 75.

Margin growth will be crucial from here on, we expect gross margins to expand to 60% from current 40% by FY13

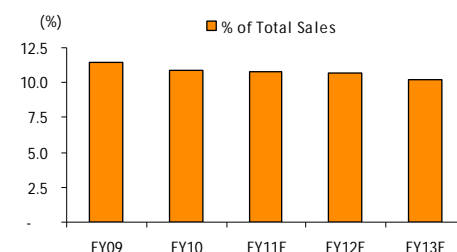
LPC clocked top line of USD119 mn in FY10 with gross margin of ~40% (vs. 33% in FY09). Meaningful margin expansion will be visible only in FY13 when new product launches reach a good size and processes are optimized. Currently this segment contributes 10.8% to total sales. Given our growth estimate of ~14% over FY10-13E, we expect LPC to reach to top line of USD176 mn by FY13E.

Exhibit 13: Japan sales in USD mn and % change YoY



Source: Company, Almondz Research

Exhibit 14: As a % of total sales



Source: Company, Almondz Research

LPC has prudently expanded its global footprint by 6 small acquisitions over last 3 years

EU and RoW markets too will join the party, albeit on a lower base:

The recent robust performance of ~34% top line growth and ~52% PAT growth over FY05-10 is driven by a healthy mix of organic and inorganic initiatives by LPC. Over the past three years, LPC expanded its geographic presence with six acquisitions and in the process gained the necessary scale essential to succeed.

Exhibit 15: Recent Acquisitions

Co. Name	Country
2008	
Kyowa	Japan
Rubamin	India
2009	
Multicare Pharmaceuticals	Philippines
Pharma Dynamics	South Africa
Harmosan Pharma GmbH	Germany
Generic Health	Australia

Source: Company, Almondz Research

LPC has successfully deployed a strategy of acquiring smaller companies across geographies, to get the understanding of the relevant markets – before making big moves, without making big commitments in a single asset (unlike its peers).

This has resulted in evolution of a business model, which places LPC's favorably vis-à-vis peers due to the following reasons –

- Higher contribution from branded/ formulation sales
 - Critical size in the US market and decent base in the crucial Japanese generic market
 - Diversified presence across other crucial EU and EM geographies
- Even as it made considerable progress on the domestic front (emerged the fifth largest domestic company) and development of product pipeline.

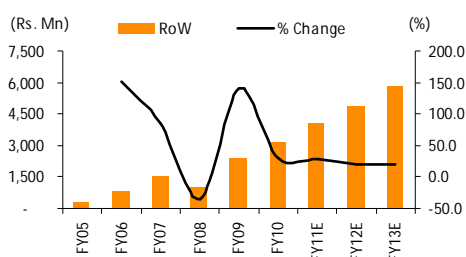
RoW markets gaining in scale...

LPC has set up its base through small acquisitions in markets such South Africa, Philippines, and Australia; currently these markets contribute 6.5% of total sales and have grown at 57% over FY05-10. We expect LPC to maintain the growth momentum in these segments through incremental product launches; we have modeled CAGR of 23% for FY10-13E.

EU markets will deliver despite LPC's cautious approach...

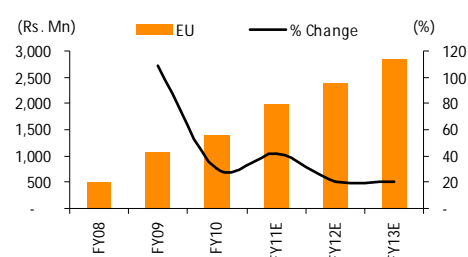
LPC's low-cost approach to EU market will give it a first hand experience of these critical markets without any upfront and big cost commitments. EU as a market contributes ~3.5% of LPC's total sales; LPC currently operates in Germany, the UK, and France. LPC has recorded commendable performance in these markets (65% over FY08-10) despite heavy pricing cuts caused by government agencies, especially in Germany. We expect this segment to grow at 27% over FY10-13E.

Exhibit 16: RoW sales performance



Source: Company, Almondz Research

Exhibit 17: EU sales performance



Source: Company, Almondz Research

LPC is the 5th largest company in domestic pharmaceutical market and has more robust growth trajectory amongst the large caps

Domestic business going great – will get even better:

At 22.3% CAGR over FY05-10, LPC had been one of the fastest-growing companies among the big league. Currently it is the fifth-largest pharmaceutical company in India with market share of 3.5% (AIOCD, January 2011). While growth rates are off from the previous high average growth rates of ~22% over the past five years, we expect growth to retrace to high teens following two recent quarters of sluggish growth caused due to efficiency measures introduced by the company to improve distribution channels.

LPC's multi-pronged strategy for the IPM caused a structural shift in the company's resultant pegging vis-à-vis peers:

- mainly through aggressive launch of new products – overall 50+ over the past two years
- heightened focus on chronic therapy segments
- incisive marketing strategies
- development of significant outreach through a field force of 4,183
- In-licensing of novel products.

Exhibit 18: Therapy-wise contribution

Therapy	% contribution
CVS	21
Anti TB	11
Anti Asthma	9
Antibiotics	18
GI	6
Anti Diabetic	6
CNS	5
Nsaids	2
Others	10
Generics (incl. inst)	12

Source: Annual Report

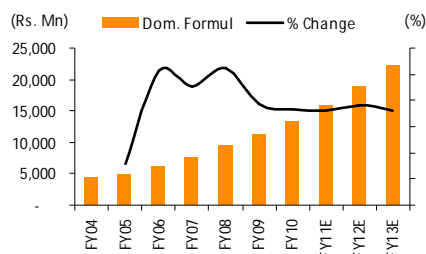
Exhibit 19: Top 10 brands, all with sales of >Rs250 mn

Product	Therapy	Ranking
Tonact	CVS	3
Gluconorm	Anti-diabetic	2
Rablet	Gastro Intestinal	2
R-Cinex	Anti-TB	1
AKT	Anti-TB	1
Ramistar	CVS	2
Clopitab	CVS	3
L-Cin	Levofloxacin	1
Odoxil	Anti-infective	1
DOXCEF	Cehpodoxime Solids	7

Source: Annual Report

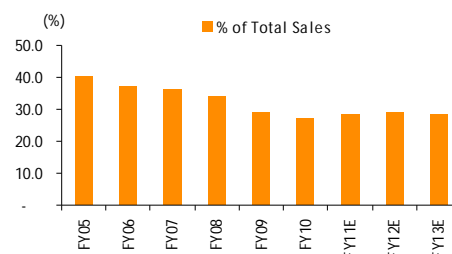
We have modeled growth of 18.4% over FY10-13E for this segment; with higher portion of sales coming from the chronic therapies (currently 47% of total sales come from the chronic segment).

Exhibit 20: Domestic sales performance



Source: Company, Almondz Research

Exhibit 21: % of total sales



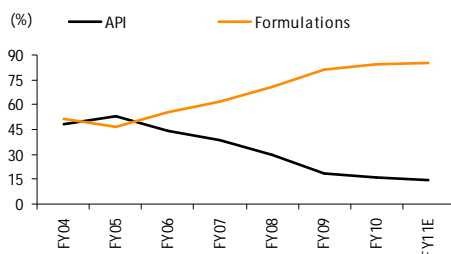
Source: Company, Almondz Research

Financial Overview and Valuations

Firm level financials

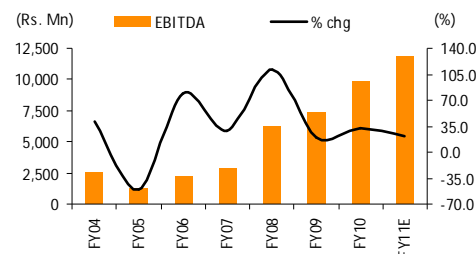
LPC's overall business mix composition has undergone a significant shift over the last five years from being a major API supplier to an integrated Pharma outfit with a global presence (Formulations/ API – 47%/ 53% in FY05 to 84%/ 16% in FY10) this is also reflected in its market cap (↑340% in last five years). While the company has demonstrated a robust growth of ~32% over FY05-10, we expect it to deliver a topline growth of ~17%, even on the current high base over FY10-13E.

Exhibit 22: Business mix shift



Source: Company, Almondz Research

Exhibit 23: EBITDA growth trend



Source: Company, Almondz Research

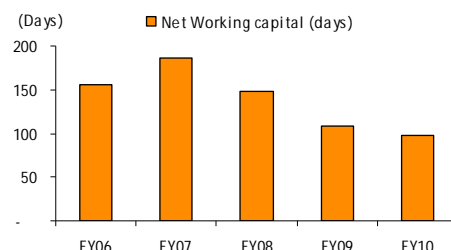
LPC's PE has expanded by 80% over the last three years

The resultant EBITDA margin accretion over last six years - 10.9%/ 14.2%/ 14.9%/ 21.5%/ 19.1%/ 20.1% in FY05/ FY06/ FY07/ FY08/ FY09/ FY10 has helped the re-rating (~80%↑ in implied valuations). LPC is now trading at only a marginal discount to the frontlines. Also with one of the most robust and visible PAT growth in the offering amongst the frontline Pharma augur well for the long term potential of the company.

We expect 23.9% PAT growth in FY11, 20.7% in FY12, and a higher growth of 39.6% in FY13, mainly aided by changing business mix, higher growth in export sales, and reduced tax rate (aided by sales from EoU and SEZ SEZ). We expect normalized PAT growth of ~28% over FY11-13E.

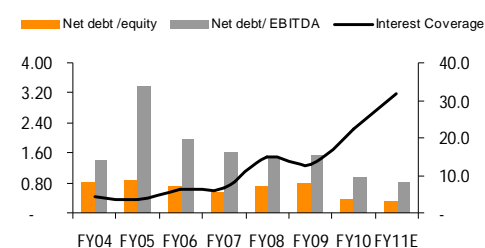
LPC's PE has expanded by 80% over the last three years

Exhibit 24: Net working capital days



Source: Company, Almondz Research

Exhibit 25: Solvency ratios (x)



Source: Company, Almondz Research

We expect a FCF generation of Rs.13.8 bn over the next three years

LPC draws a considerable strength from its balance sheet, despite six acquisitions in the last two years the D/e stands at 0.33x in FY11E; LPC has done a capex of Rs.15 bn over the last five years (FY06-10) which impacted the FCF generation (Rs.2 bn over FY06-10). We estimate a capex of another Rs.15 bn over the next three years but with the increased estimated FCF generation of Rs.13bn – with a help of the franchise that it has set up in domestic and overseas markets, lends strength to the balance sheet.

Exhibit 26: Cash flow allocation (Rs. Mn)

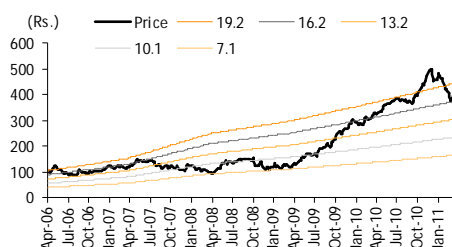
	FY06 - 10	FY11 - 13E
OCF	17139	28860
Capex	-15059	-15000
FCF	2081	13860
Borrowings (net)	8409	-2800
Total Dividend Outflows	3317	5623

Source: Almondz Research, Company

Valuations and Recommendations

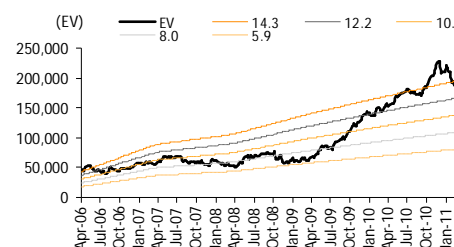
LPC is in its last lap of evolving into a top-tier of Indian pharma company. It has to its credit a proven established framework that enables to deliver the right products for the right market at the right time and with the right focus. We expect LPC to experience a phase of sustained earnings upgrades, which would more than make up for its current valuation differential vis-à-vis sector leaders. We initiate coverage on the stock with a BUY rating and a target price of Rs.485 (21x FY12E).

Exhibit 27: Rolling PE



Source: Company, Almondz Research

Exhibit 28: Rolling Ev/ EBITDA



Source: Company, Almondz Research

Key Concerns

Risk from competition

Navigation of generic threat to Suprax, scale-up of branded generic business in the US (medium term effect), and increased pricing pressure on currently marketed products are the key risks.

Integration risks

Over the past two years, LPC has made many small and prudent acquisitions in the EMs and in Japan; the integration and uptake of these businesses will be crucial for LPC's long-term growth visibility.

Regulatory risk

LPC has operations in few of the most difficult markets such as Japan, the US and EU. Any setback due to regulatory scrutiny of operations, facilities, and products and potential risk arising from them would threaten our assumptions.

Forex risk

Approximately 66% of the total top line comes from overseas markets; hence adverse movements in currency will impact financials.

Peer Valuations

Exhibit 29: Relative Valuations

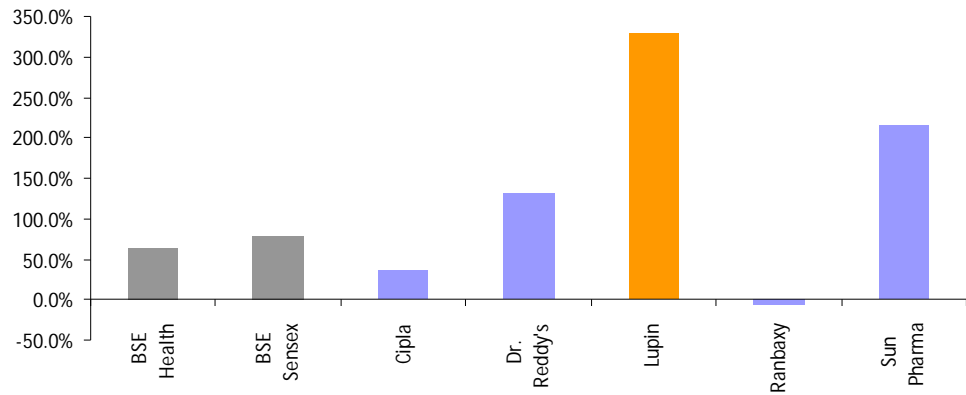
	Mkt Cap	EV	PER (x)			Ev/ Sales (x)			Ev/ EBITDA (x)			RoE (%)		
	(USD Mn)	(USD Mn)	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E
Large Cap Generics														
Cipla	5,322	5,256	23.3	18.2	13.5	3.9	3.4	2.9	16.8	14.0	11.1	16.0	16.7	17.8
Dr. Reddy's	5,711	5,815	23.8	17.9	15.6	3.5	2.9	2.6	17.3	13.1	11.5	23.9	26.3	23.2
Lupin	4,024	4,236	21.2	17.6	12.6	3.3	2.9	2.4	16.1	13.8	10.3	27.1	25.9	27.5
Sun Pharma	10,079	9,619	26.1	22.1	18.8	7.6	6.1	5.2	22.2	18.8	15.9	19.9	20.2	20.2
Mean			23.6	19.0	15.1	4.6	3.8	3.3	18.1	14.9	12.2	21.7	22.3	22.2
Median			23.5	18.1	14.5	3.7	3.2	2.8	17.1	13.9	11.3	21.9	23.0	21.7
Mid Cap Generics														
Aurobindo	1,305	1,769	10.6	9.0	7.8	1.9	1.6	1.4	8.6	7.2	6.4	26.1	24.0	23.3
Cadila	3,424	3,611	22.9	18.6	15.3	3.7	3.1	2.7	16.7	13.8	11.7	34.5	32.2	30.8
Glenmark	1,643	2,054	16.4	14.1	11.6	3.2	2.7	2.3	12.0	10.6	9.0	17.1	17.0	17.3
Torrent	983	986	14.9	12.1	10.2	2.0	1.7	1.5	10.4	8.6	7.3	31.5	30.7	28.0
Mean			16.2	13.4	11.2	2.7	2.3	2.0	11.9	10.0	8.6	27.3	26.0	24.9
Median			15.7	13.1	10.9	2.6	2.2	1.9	11.2	9.6	8.1	28.8	27.4	25.7
CRAMs														
Biocon	1,471	1,468	18.4	15.6	13.7	2.4	2.2	1.9	11.4	9.8	8.6	18.4	18.3	18.3
Dishman	170	333	12.5	10.3	7.4	1.7	1.5	1.3	9.8	7.4	6.3	7.7	8.7	10.6
Divi's	1,828	1,733	22.7	18.2	14.3	6.8	5.6	4.5	17.4	13.7	11.3	21.7	22.9	23.9
Jubilant	568	1,154	10.8	8.5	5.8	1.5	1.3	1.2	8.9	7.5	6.2	10.5	11.8	14.5
Mean			16.1	13.2	10.3	3.1	2.6	2.2	11.9	9.6	8.1	14.6	15.4	16.8
Median			15.4	12.9	10.5	2.0	1.8	1.6	10.6	8.6	7.4	14.4	15.0	16.4

Source: Almondz Research, Bloomberg

Absolute Stock Price Performance

Exhibit 30: 5-year absolute stock price performance

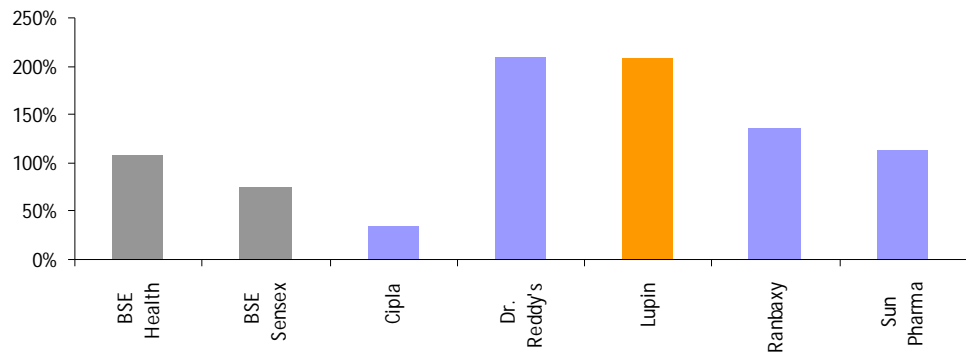
LPC has been the best performing stock amongst current large caps



Source: Almondz Research, Bloomberg

Appreciation in the market cap was mainly led by the PE re-rating

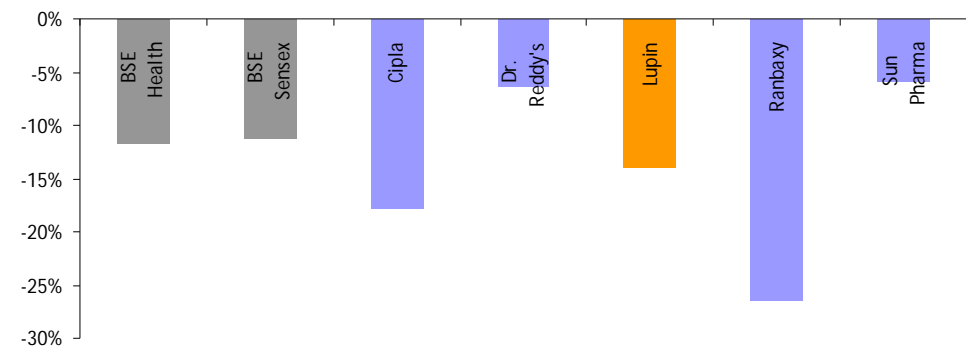
Exhibit 31: 2-year absolute stock price performance



Source: Almondz Research, Bloomberg

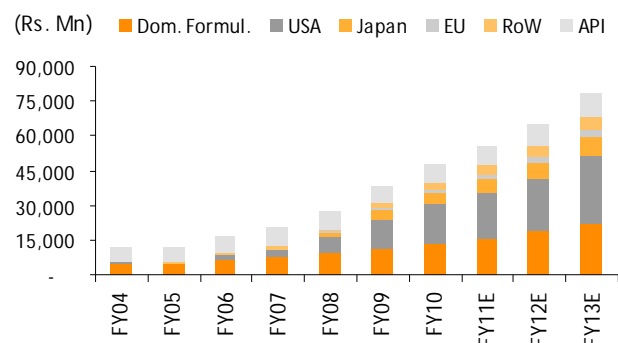
Subdued performance in US markets, gives favorable entry point in the stock

Exhibit 32: YTD absolute stock price performance

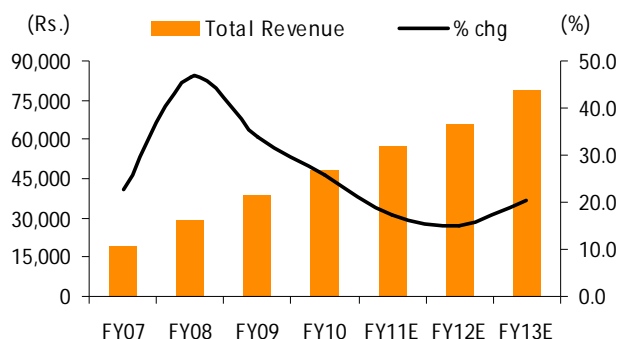


Source: Almondz Research, Bloomberg

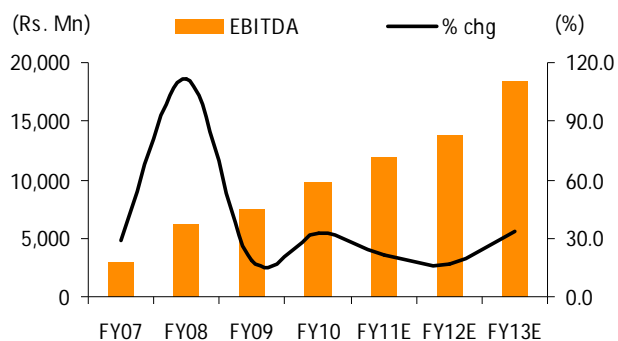
Annexure I - Financial Charts – Annual Trend

Exhibit 33: Sales break-up (Rs. Mn)


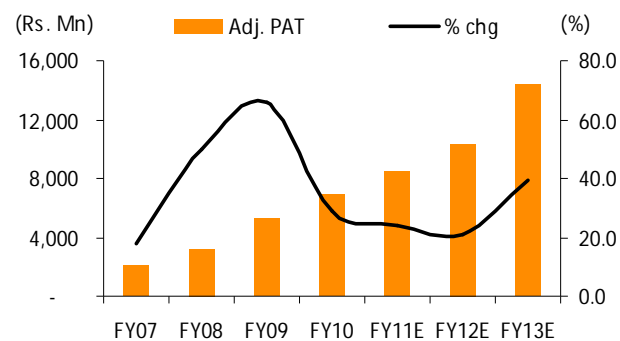
Source: Company, Almondz Research

Exhibit 34: Total revenue trend


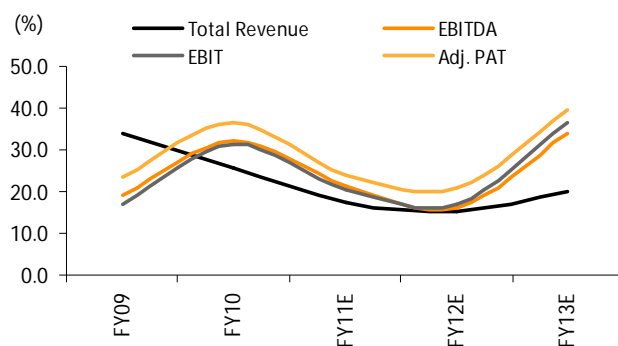
Source: Company, Almondz Research

Exhibit 35: EBITDA trend


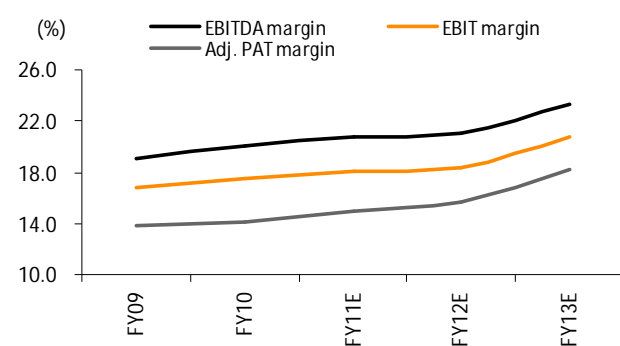
Source: Company, Almondz Research

Exhibit 36: PAT trend


Source: Company, Almondz Research

Exhibit 37: Growth Outlook (%)


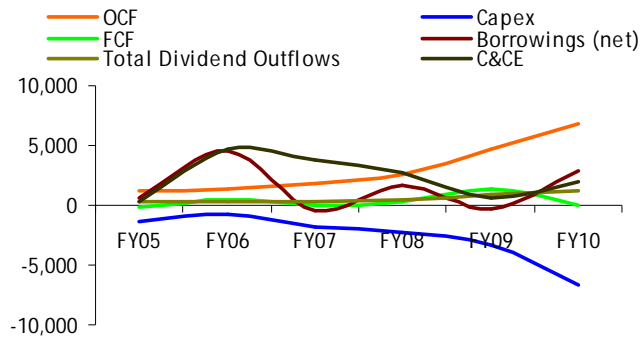
Source: Company, Almondz Research

Exhibit 38: Margin Outlook (%)


Source: Company, Almondz Research

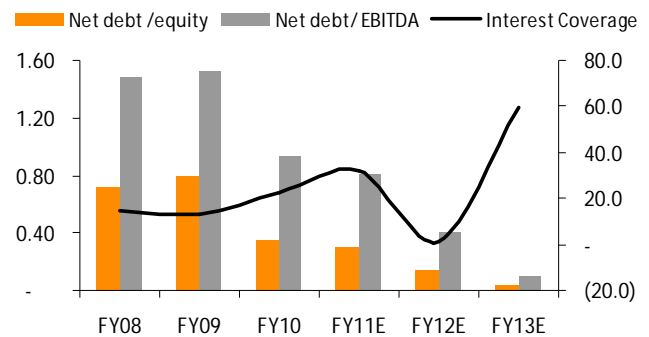
Annexure II - Financial Charts – Annual Trend

Exhibit 39: Cash flow allocation (Rs. Mn)



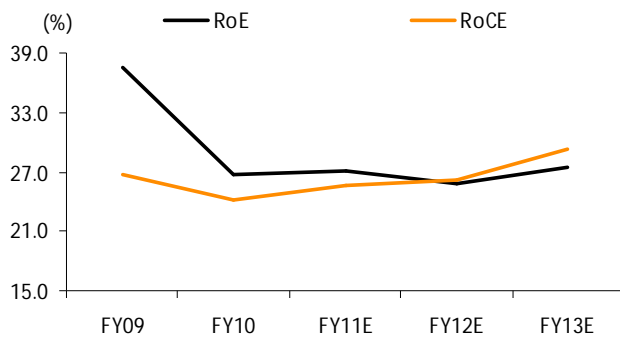
Source: Company, Almondz Research

Exhibit 40: Solvency ratios (x)



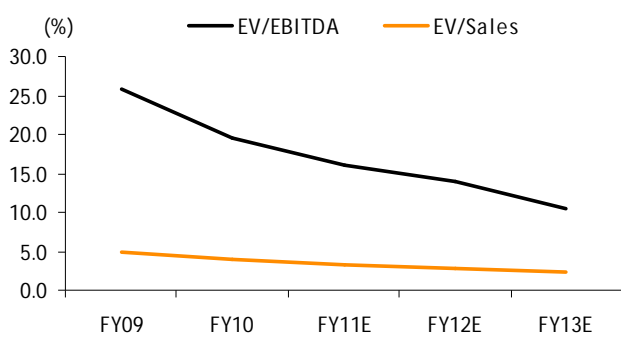
Source: Company, Almondz Research

Exhibit 41: Profitability trend



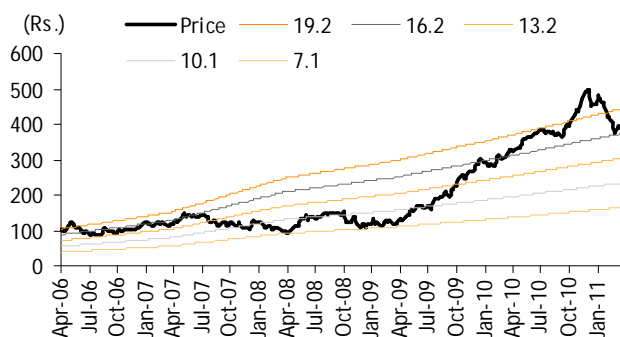
Source: Company, Almondz Research

Exhibit 42: Valuations



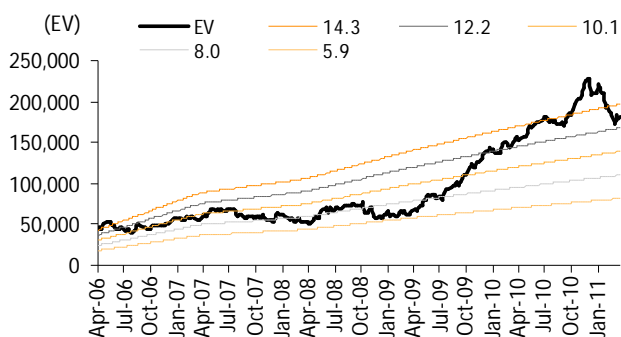
Source: Company, Almondz Research

Exhibit 43: Rolling PE



Source: Company, Almondz Research

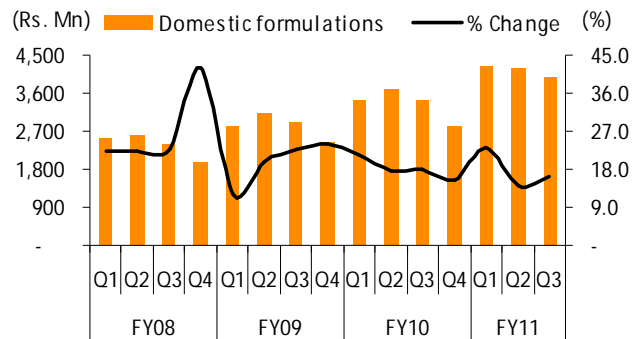
Exhibit 44: Rolling Ev / EBITDA



Source: Company, Almondz Research

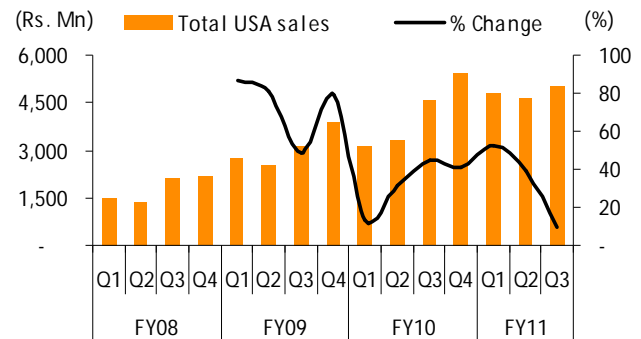
Annexure III - Financial Charts – Quarterly Trend

Exhibit 45: Domestic sales performance



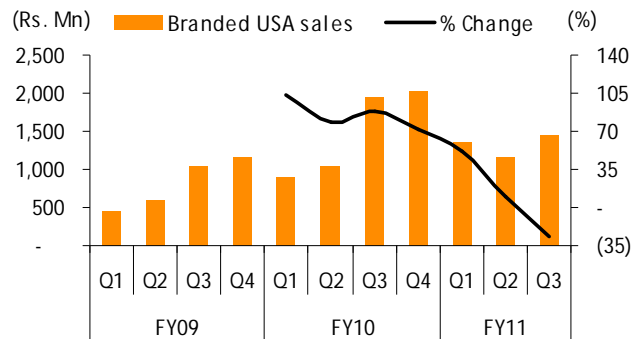
Source: Company, Almondz Research

Exhibit 46: USA – sales performance



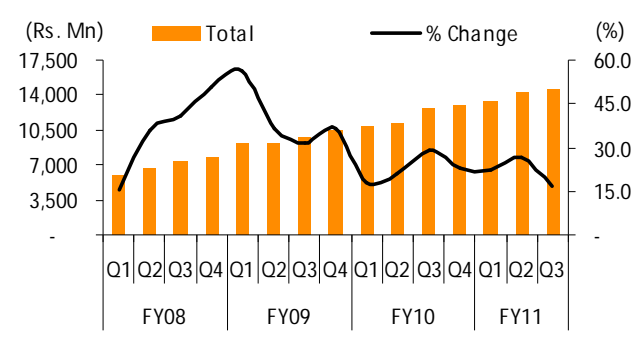
Source: Company, Almondz Research

Exhibit 47: USA branded sales performance



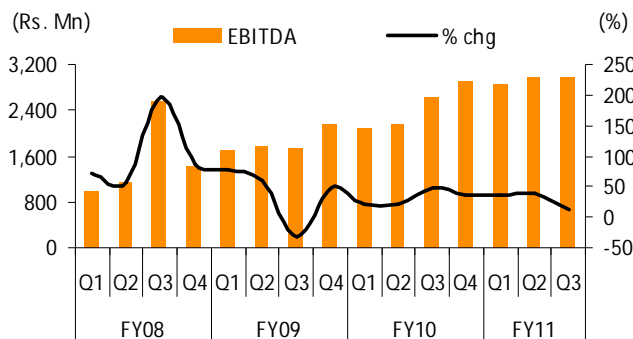
Source: Company, Almondz Research

Exhibit 48: Total sales performance



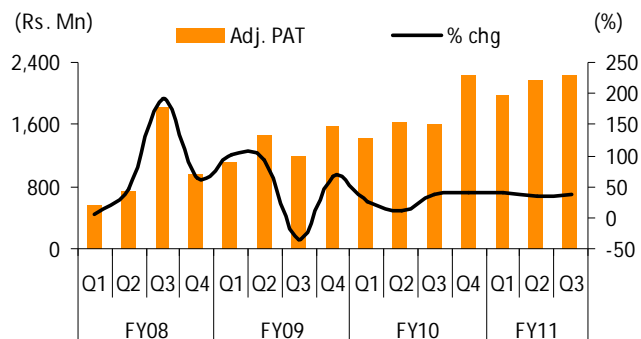
Source: Company, Almondz Research

Exhibit 49: EBITDA trend



Source: Company, Almondz Research

Exhibit 50: Adj PAT trend



Source: Company, Almondz Research

Financial summary

Profit & Loss Statement (Rs mn)					
	FY09	FY10	FY11E	FY12E	FY13E
Net Sales	37,759	47,405	55,908	64,532	77,867
Other Opr Inc.	908	1,247	1,251	1,240	1,200
Total Revenue	38,666	48,652	57,159	65,772	79,067
CoGS	16,043	19,694	21,405	24,336	28,464
% sales	42.5	41.5	38.3	37.7	36.6
Staff Cost	4,871	5,872	7,614	8,772	9,883
% sales	12.9	12.4	13.6	13.6	12.7
Other Expenditure	10,359	13,303	16,277	18,869	22,266
% sales	27.4	28.1	29.1	29.2	28.6
EBITDA	7,393	9,783	11,863	13,795	18,454
% revenue	19.1	20.1	20.8	21.0	23.3
Depreciation	880	1,239	1,565	1,750	1,984
EBIT	6,513	8,544	10,299	12,045	16,470
% revenue	16.8	17.6	18.0	18.3	20.8
Other Income	46	198	91	134	314
Net Interest Exp.	499	385	325	301	277
PBT	6,060	8,357	10,065	11,878	16,507
Less: Tax	983	1,360	1,371	1,425	1,981
Effective taxes (%)	16.2	16.3	13.6	12.0	12.0
Eol	297.4	-	-	-	-
MI	28.0	113.0	162.9	153.2	153.2
Reported PAT	5,049	6,883	8,530	10,300	14,373
% revenue	13.1	14.1	14.9	15.7	18.2
Adjusted PAT	5,347	6,883	8,530	10,300	14,373
% revenue	13.8	14.1	14.9	15.7	18.2

Balance Sheet (Rs mn)					
	FY09	FY10	FY11E	FY12E	FY13E
Share Capital	828	889	889	889	889
Reserves	13,420	24,789	30,594	38,887	51,326
Net worth	14,248	25,678	31,483	39,776	52,215
MI	143	255	255	255	255
Loan Funds	12,233	11,399	10,299	9,199	8,599
Def Tax Liabilities	1,387	1,630	1,725	1,812	1,934
Current liabilities	13,331	11,893	14,500	14,768	19,209
Liabilities	11,504	9,649	12,201	12,411	16,794
Provisions	1,827	2,243	2,299	2,357	2,416
Total liabilities	41,342	50,855	58,262	65,809	82,212
Gross Block	18,200	22,937	27,937	32,937	37,937
Acc. Depreciation	6,188	7,072	8,637	10,387	12,370
Net Block	12,012	15,865	19,300	22,550	25,567
CWIP	2,240	3,579	2,000	1,500	1,500
Goodwill	3,174	3,197	3,197	3,197	3,197
Investments	216	264	264	1,764	3,264
Current assets	23,478	27,755	33,305	36,602	48,489
Inventories	9,572	9,715	13,432	13,154	18,976
Sundry Debtors	10,349	11,266	14,290	16,114	20,162
C&CE	778	2,015	492	1,936	3,516
Other CA	2,780	4,759	5,091	5,398	5,835
Total assets	41,342	50,855	58,262	65,809	82,212

Cash Flow Statement (Rs mn)					
	FY09	FY10	FY11E	FY12E	FY13E
PBT	6,060	8,357	10,065	11,878	16,507
Depreciation	880	1,239	1,565	1,750	1,984
WC changes	(1,739)	(1,366)	(4,190)	(1,336)	(5,487)
Others	(506)	(1,466)	(1,046)	(1,124)	(1,704)
CF from operations	4,695	6,764	6,393	11,167	11,300
Capital expenditure	(3,399)	(6,709)	(5,000)	(5,000)	(5,000)
Inc/Dec in Invest.	(183)	(27)	-	(1,500)	(1,500)
Others	(1,514)	(64)	-	-	-
CF from investing	(5,096)	(6,799)	(5,000)	(6,500)	(6,500)
Inc/Dec in Equity	54	107	-	-	-
Chng in borrowings	(246)	2,895	(1,100)	(1,100)	(600)
Dividends (incl. tax)	(983)	(1,262)	(1,458)	(1,822)	(2,343)
Others	(496)	(379)	(325)	(301)	(277)
CF from financing	(1,671)	1,361	(2,883)	(3,223)	(3,220)
Δ in C&CE	(2,072)	1,325	(1,490)	1,444	1,580
Opening C&CE	2,753	656	1,982	492	1,936
Closing C&CE	681	1,982	492	1,936	3,516

Ratio analysis					
	FY09	FY10	FY11E	FY12E	FY13E
Per share ratio (Rs)					
Adj. EPS (Rs.)	12.86	15.48	19.13	23.10	32.23
EPS growth (%)	36.16	20.36	23.59	20.74	39.55
Cash EPS (Rs.)	14.98	18.27	22.64	27.02	36.68
BVPS (Rs.)	34.27	57.74	70.61	89.20	117.10
DPS (Rs.)	2.02	2.43	2.80	3.50	4.50
Payout (%)	16.7	15.7	14.6	15.2	14.0
Valuation (x)					
P/E (on adjusted EPS)	31.6	26.3	21.3	17.6	12.6
P/FCF	130.5	3272.9	130.3	29.4	28.8
P/BV	11.9	7.0	5.8	4.6	3.5
EV/EBITDA	25.8	19.5	16.1	13.8	10.4
EV/Sales	4.9	3.9	3.3	2.9	2.4
Dividend yield (%)	0.5	0.6	0.7	0.9	1.1
Profitability ratios (%)					
RoE	37.5	26.8	27.1	25.9	27.5
RoCE	26.7	24.2	25.7	26.3	29.2
Turnover ratios					
Debtors (days)	84	81	82	84	84
Inventory (days)	82	72	74	74	74
Creditor (days)	199	196	186	185	187
Net WC (days)	109	98	111	113	118
Asset turnover (x)	1.07	1.05	1.02	1.00	1.04
Solvency ratio (x)					
Gross debt /equity	0.86	0.44	0.33	0.23	0.16
Net debt /equity	0.79	0.36	0.30	0.14	0.03
Net debt/ EBITDA	1.52	0.93	0.80	0.40	0.10
Interest Coverage	13.06	22.20	31.70	1.00	59.48
Growth ratios (%)					
Total Revenue	33.7	25.8	17.5	15.1	20.2
EBITDA	19.0	32.3	21.3	16.3	33.8
EBIT	17.0	31.2	20.5	17.0	36.7
Adj. PAT	23.6	36.3	23.9	20.7	39.6
Operating ratios (%)					
EBITDA margin	19.1	20.1	20.8	21.0	23.3
EBIT margin	16.8	17.6	18.0	18.3	20.8
Adj. PAT margin	13.8	14.1	14.9	15.7	18.2
Other income/PBT	0.8	2.4	0.9	1.1	1.9
Effective Tax rate	16.2	16.3	13.6	12.0	12.0

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