

### IPCA Laboratories

**BUY**  
**CMP ₹240**

We recently interacted with Ipca's management to get a sense of the recent amalgamation of Tonira Pharma and the acquisition of a research company, Onyx Scientific. The management's decisions are well complemented with the growth strategy. We expect the acquisitions together will add ₹700-800mn in top-line and ~₹4-5mn in bottom-line. Ipca had consistently grown above the Indian pharmaceutical market. Though there would be some near term headwinds, we expect robust performance to continue. Ipca has a strong franchise in Indian branded business coupled with high margin exports. We expect 20% CAGR in revenues even after factoring slowdown in domestic business and delay in Indore SEZ approval. We revise our 9-month rating from MP to BUY. We believe the valuations are attractive at 9x FY13E EPS. We revise our target price to ₹332 from earlier target ₹358.

#### Ready to capitalize on Anti-Malarial brand

Ipca has received the approval for Anti-malarial finished dose combination formulation (Artemether + Lumefantrin) under WHO's prequalification programme. Ipca is all set to capitalize on this opportunity and aims for ₹4bn revenue by participating in tender process (FY11 sales at ₹1.2bn). We expect FY12 to witness more than ₹2bn revenue from this segment.

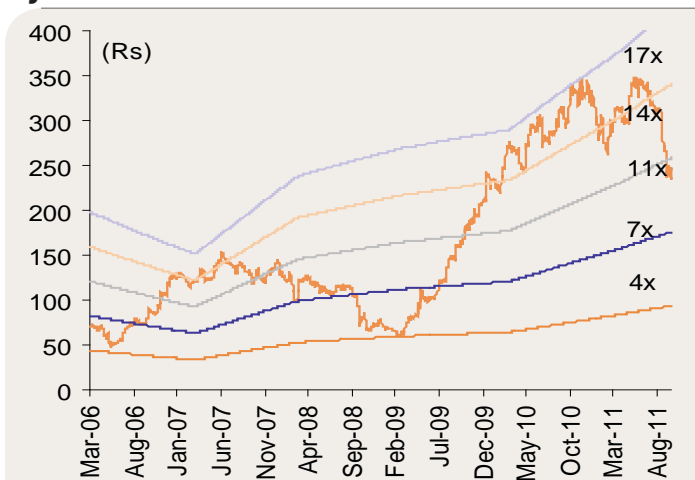
#### FDA approval continues to be eagerly waited

Ipca has been facing capacity issues for the last few quarters. The new facility at SEZ Indore is still awaiting the US FDA approval. Management comments that they have yet not received a notice for inspection inspite of having filed products under PEPFAR (President's Emergency Plan for AIDS Relief) which usually triggers quick inspection. The incremental revenue from the US is highly dependent on the approval for SEZ Indore.

#### Focused approach towards domestic market to induce growth

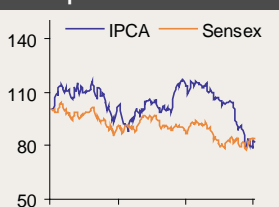
Ipca is one of the few companies which has outperformed Indian Pharmaceutical Market (IPM) CAGR of ~14% by ~600 bps over FY06-11. Currently with a market share of 1.7%, the company is struggling hard to keep pace with IPM because of

#### 1 year forward PE



Source: Company, India Infoline Research

Sector: Pharmaceuticals		Shareholding pattern	
BSE code:	524494	June'11	(%)
NSE code:	IPCALAB	Promoters	46.1
52 Week h/l (₹):	352 / 225	Institutions	32.1
Market cap (₹cr):	3,020	Non promoter corp	10.1
FV (₹):	2	Public & others	11.8

Performance rel. to sensex				Share price chart	
(%)	1m	3m	1yr		
IPCA	(7.8)	(20.2)	(2.7)		
Cipla	2.8	0.1	(0.3)		
Torrent	(0.5)	(4.7)	20.0		
Unichem	(5.4)	(6.1)	(24.2)		

intense competition in pricing as well as war at the penetration front. In FY11, the company added ~1000 new MRs (Medical Representatives) taking the total headcount to ~5000 MRs. The move resulted in lower productivity of (MRs) and margin pressure in recent quarters. But, we expect margins to stabilize by FY12 end. Ipca launched 25 products in FY11 and is confident to launch 8-10 products every year to strengthen the drug portfolio. We expect 14% revenue CAGR over FY11-13 in domestic formulations.

#### Valuation attractive; recommend BUY

We estimate revenue and PAT CAGR of 20% and 17% respectively over FY11-13. Ipca has a strong franchise in Indian branded business (55% of total business) coupled with high margin exports. Early Indore SEZ approval will trigger immediate positive stock reaction as the delay has already been factored in (down by ~30%).

#### Valuation summary

Y/e 31 Mar (₹ m)	FY10	FY11	FY12E	FY13E
Revenues	15,666	18,989	22,785	27,312
yoy growth (%)	21.2	21.2	20.0	19.9
Operating profit	3,335	3,756	4,625	5,681
OPM (%)	21.3	19.8	20.3	20.8
Pre-exceptional PAT	2,016	2,177	2,801	3,484
Reported PAT	2,050	2,612	2,801	3,484
yoy growth (%)	104.9	27.4	7.2	24.4
EPS (₹)	16.1	17.3	22.2	27.7
P/E (x)	15.4	14.3	11.1	9.0
Price/Book (x)	3.6	3.0	2.4	2.0
EV/EBITDA (x)	10.7	9.7	7.9	6.5
Debt/Equity (x)	0.5	0.5	0.4	0.4
RoE (%)	27.0	22.7	24.0	24.5
RoCE (%)	22.7	21.4	22.6	23.5

Source: Company, India Infoline Research

# India Infoline Weekly Wrap

## Market Outlook

After a choppy week, Indian markets could witness some more volatility and uncertainty as participants brace for the outcome of the much-hyped eurozone summit besides the RBI's policy meeting. Both these key events will have a definite bearing on the sentiment, as will the F&O expiry and corporate earnings.

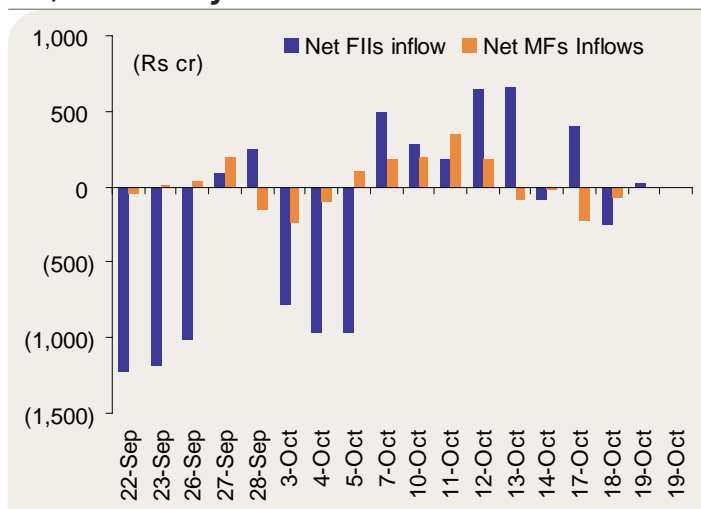
Next week will be a truncated one due to Diwali holidays. Of course, there will be the special Mahurat session on Diwali.

Whether the markets will get the much-needed spark would hinge on the outcome of the two big events mentioned above. Any hint of a pause from the RBI could fire up the markets. One must also keep an eye on the rupee, which has broken below the 50-per-dollar mark.

Earnings will also play a role in determining the short-term prospects for the markets following a few negative surprises. Trend in FIIs flows is another significant factor that one should keep on one's radar.

Overall, the key indices should trade in the 4800-5200 range. Further direction could be decided on the breakout of this range.

### FIIs/MFs activity



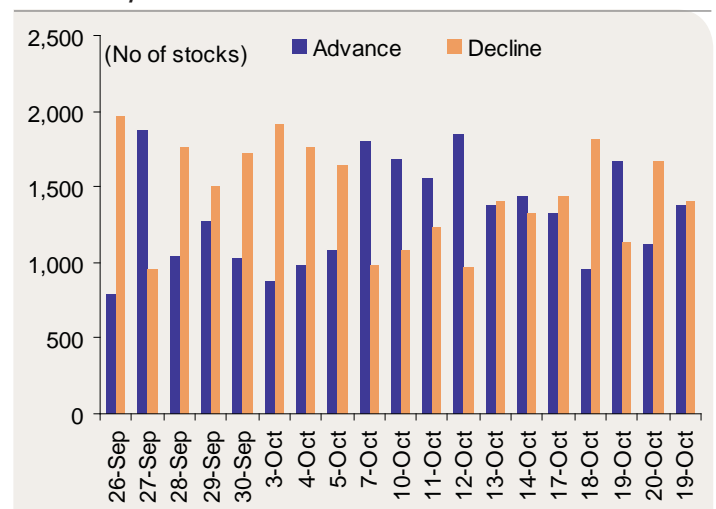
### Technical View

Markets for the week remained listless as trading activity was range bound between 5025-5160. A directional move for Nifty is likely to emerge on a breakout beyond this range. On the medium term chart it portrays that current decline can be attributed as 50% retracement of the earlier week bullish candle. Hence any move below 5000 levels would negate the bullish implication and Nifty could be heading towards 4900 in the near term.

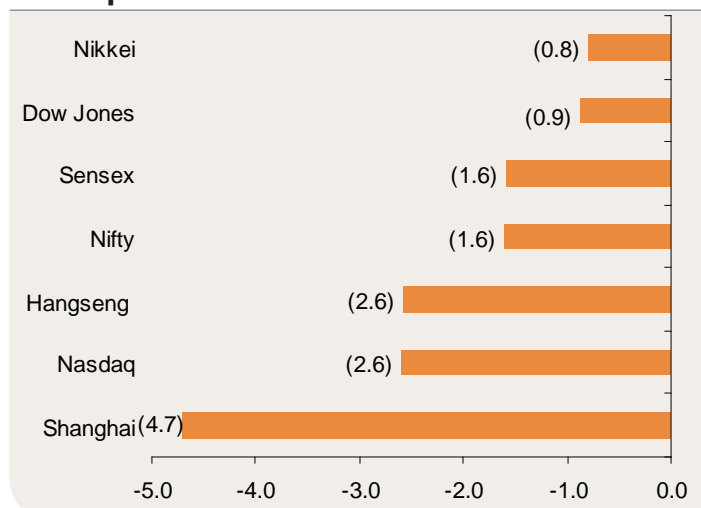
### F&O View

Nifty has rolled ~ 44% vs 40%. In yesterday trade, FIIs sold index future ~ ₹6.3bn which we believe was majorly due to long unwinding in Bank Nifty Oct Future. Call buying was seen in November 5100 & 5200 and on put side buying was witnessed in 5000 strike of November and December. In addition, Bank Nifty and Nifty has seen some short rollover in Friday's trade. Prudent strategy for the expiry would be Long strangle i.e Buying October 5100CE & 5000PE.

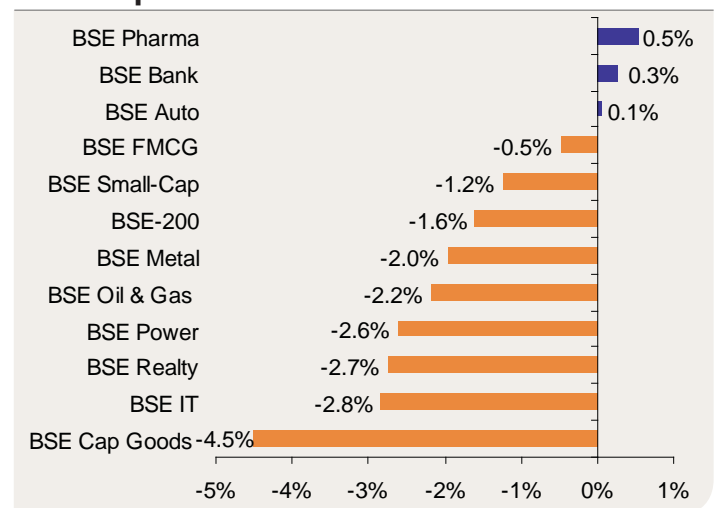
### Advance/Decline



### Global performance



### Sectoral performance



# India Infoline Weekly Wrap

## Technical Check

### Nifty 50 & CNX 500 top 10 gainers

NSE Nifty			CNX 500		
Company	CMP (₹)	% Chg	Company	CMP (₹)	% Chg
Maruti Suzuki	1,094	6.5	Moser Baer	28	24.3
SBI	1,949	3.4	Raymond	385	15.0
HDFC Bank	488	3.0	Patni	330	14.0
Hero Motocorp	2,053	3.0	KPIT	168	10.7
Axis Bank	1,124	1.9	Uflex	170	9.7
Sun Pharma	488	1.7	Balrampur Chini	53	9.2
Gail	420	1.1	Venky	503	9.2
Ambuja Cements	151	0.9	Tvs Motor	67	8.9
Jindal S & P	529	0.8	Fag Bearings	1,330	8.2
Dr Reddy	1,533	0.7	Parsvnath	77	7.9

### Nifty 50 & CNX 500 top 10 Losers

NSE Nifty			CNX 500		
Company	CMP (₹)	% Chg	Company	CMP (₹)	% Chg
TCS	1,051	(7.3)	Karuturi Global	4	(21.2)
Sesa Goa	206	(6.2)	Crompton Grv	138	(14.0)
Reliance Infra	399	(5.9)	Jain Irrigation	123	(11.8)
Hcl Tech	414	(5.5)	Exide Indus	118	(11.7)
Hindalco	122	(5.5)	GTL Infra	10	(11.1)
L&T	1,332	(5.4)	Motilal Oswal	82	(10.8)
JP Assoc	70	(5.0)	Chambal Fert	90	(10.7)
Reliance Com	74	(4.8)	Panacea Bio	103	(10.3)
HDFC	637	(4.5)	Simplex Infra	203	(9.8)
Reliance Cap	334	(4.4)	Honeywell	2,350	(9.6)

### Technically strong

Company	CMP (₹)	10 days Moving Average (₹)	Total Traded Qty (lacs)	10 days Average Traded Qty (lacs)
Fed Bank	384	378	0.3	0.1
Bharat Forge	284	279	1.0	0.2
Castrol India	481	472	0.8	0.1
United Brew	420	407	0.8	0.5
Bombay Dyeing	406	392	1.1	0.9

### Technically weak

Company	CMP (₹)	10 days Moving Average (₹)	Total Traded Qty (lacs)	10 days Average Traded Qty (lacs)
JSW Ispat	13	13	5.7	5.5
Chambal Fert	90	93	14.9	11.7
Larsen & Toubro	1,336	1,397	12.0	2.6
Irb Infra	160	167	2.8	16.4
Asian Paints	3,015	3,147	0.2	0.0

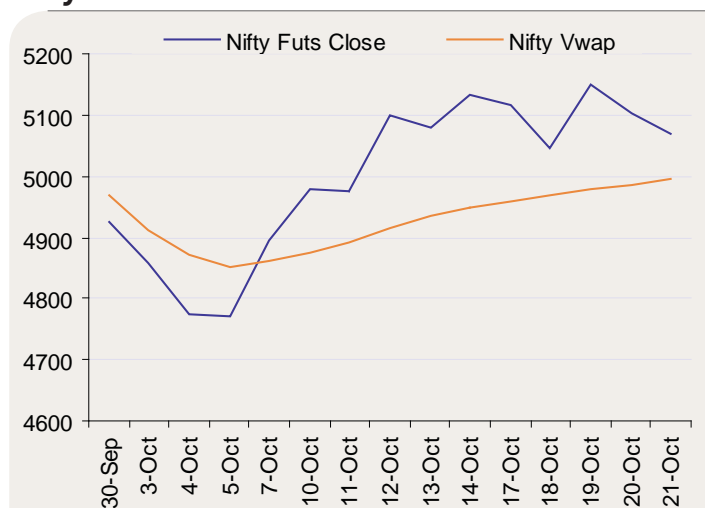
### Bulk deals

Date	Institution	Scrip name	B/S	Qty (lacs)	Price
19-Oct	India Max invst	Flexituff Inter	B	4.4	157
19-Oct	Merrill Lynch	Flexituff Inter	S	6.4	159.9
19-Oct	RBS	Flexituff Inter	S	2.0	158.0
20-Oct	Merrill Lynch	Apollo Tyres Ltd	S	26.7	52.1
20-Oct	RCapital	Marg Limited	S	2.4	88.8

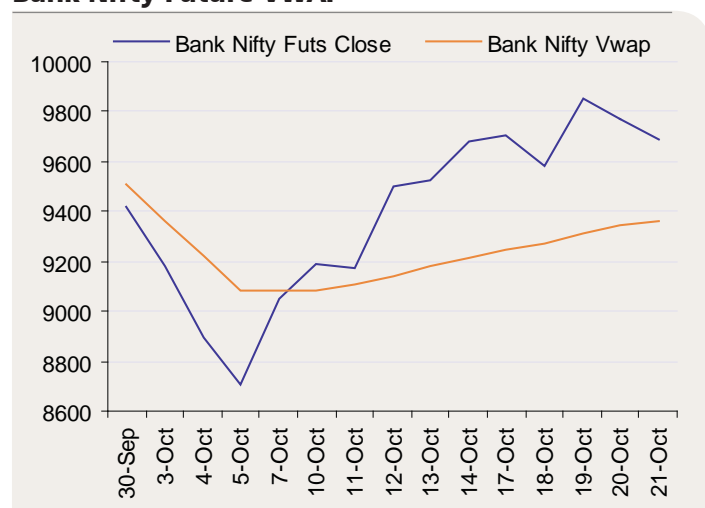
### Book closure and record date

Company	Date	Purpose
Hindustan Zinc	25 Oct 2011	Interim Dividend
TCS	25 Oct 2011	Interim Dividend
CRISIL	28 Oct 2011	Interim Dividend
Innovative Tech	28 Oct 2011	Stock Split
Kale Consl	28 Oct 2011	Dividend
-	-	-

### Nifty Future VWAP



### Bank Nifty Future VWAP



# India Infoline Weekly Wrap

## Commodity Corner

### Base metals

LME base metals registered severe losses this week, with annihilation witnessed across the board. The complex was adversely influenced by the uncertainty over debt crisis in Euro zone and slowdown in Chinese economic growth. In this respect, China's third-quarter gross domestic product rose 9.1% from a year earlier, as compared with a second quarter growth of 9.5%. Poor US economic outlook also dented by the buying sentiment, with Federal Reserve in its "Beige Book survey" stating that that U.S. economic growth prospects grew dimmer in September. Copper, the leader of the complex failed to derive support from supply issues in Indonesia and Peru. Zinc and Lead prices also witnessed heavy losses, weighed down by easing global supply. Meanwhile, WBMS reported that the global copper market witnessed a 312,500 tons surplus during January to August. The global aluminum market saw a 552,700 ton surplus during the same period. The zinc market was in surplus by 541,000 tons during January to August, while the global lead market was in surplus by 48,600 tons.

We reiterate with our "Sell on rally" trading strategy for the base metals complex. Prevailing macroeconomic backdrop continue to cast dark clouds on the global growth prospects. In light of such scenario, industrial metal prices will continue to remain under pressure.

*Note: This market commentary is written at 12:30 PM IST*

### LME prices

Base Metals (US\$/ton)	High	Low	LTP*	Chg(%)
Copper	7,660	6,710	6,960	(7.9)
Nickel	19,200	17,900	18,211	(3.5)
Zinc	1,957	1,719	1,778	(7.9)
Aluminium	2,257	2,078	2,118	(4.8)
Lead	2,053	1,772	1,825	(9.9)

Precious Metals (US\$/ounce)	High	Low	LTP*	Chg(%)
COMEX Gold	1,697	1,605	1,621	(3.7)
COMEX Silver	33	30	31	(5.1)

\* Last Traded Price

### LME Copper



### Precious metals

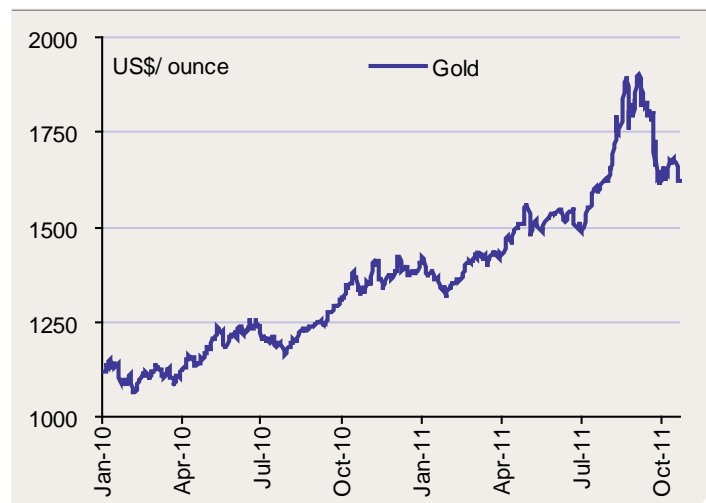
Precious metals traded on a weaker note this week, accompanied with substantial degree of volatility. Gold prices traded in a US\$100 broad range, registering a high of US\$1,697/ounce and a low of US\$1,605/ounce. Gold prices remained under pressure, impacted by a stronger US dollar and the uncertainty regarding the outcome of the Group 20 meeting. Monetary-policy officials from the major economies are scheduled to meet this weekend, where they would devise a comprehensive plan to avert Europe's debt contagion. In this respect, speculation is rife that the European officials may garner as much as 940bn euros (US\$1.3 trillion), as a measure to boost the European Financial Stability Facility(EFSF) rescue fund. On the domestic front, the decline in gold prices was limited, as depreciating Indian rupee was able to offset the sharp fall in international prices.

We believe that gold price levels are turning attractive, as the downside in the yellow metal is constrained to support levels of US\$1,580/ounce. The fact that we are at the outset of the festive and wedding season in India also justifies the long term bullish stance on gold prices. Moreover, prevailing loose monetary policies on the both sides of the Atlantic (Europe and US) also underpins the bullish price projections.

### Weekly inventory update

	Tons	Abs Chg.	Chg (%)
Copper (LME)	447,800	(2,400)	(0.5)
Nickel (LME)	86,820	(4,656)	(5.1)
Zinc (LME)	790,100	(8,775)	(1.1)
Aluminium (LME)	4,564,975	16,400	0.4
Lead (LME)	387,950	(550)	(0.1)
Tin (LME)	17,500	(1,585)	(8.3)
Shanghai Copper	87,726	(11,935)	(12.0)
Shanghai Zinc	381,795	(13,226)	(3.3)
Shanghai Aluminium	118,036	904	0.8

### COMEX Gold



# India Infoline Weekly Wrap

## Mutual Fund Round-up

### India Infoline picks

Mutual Funds	Assets (₹ Cr)	NAV (₹)	Absolute return (%) as on October 21, 2011							
			1wk	1mth	3mth	6mth	1yr	2yr	3yr	5yr
HDFC Top 200 Fund (G)	11,065	190.7	(0.7)	(2.0)	(9.0)	(12.7)	(16.3)	9.0	88.0	86.2
ICICI Prudential Dynamic - (G)	3,814	98.6	(0.4)	(0.6)	(8.4)	(10.8)	(10.7)	16.6	87.9	70.6
IDFC Small & Midcap Fund (G)	1,155	17.5	(0.8)	(4.7)	(7.8)	(7.0)	(13.7)	23.6	132.9	NA
Fidelity Tax Advantage (G)	1,239	20.5	(0.7)	(1.6)	(6.1)	(9.6)	(13.7)	18.0	92.9	82.0
HDFC Prudence Fund (G)	6,407	203.6	(0.5)	(2.3)	(6.6)	(6.5)	(8.2)	23.2	107.5	93.3
Reliance equity opportunities(G)	3,032	34.0	(0.6)	(1.0)	(8.1)	(7.0)	(12.6)	29.8	131.4	76.8
IDFC Premier Equity-A(G)	2,411	32.4	(0.2)	(1.9)	(3.2)	(1.4)	(9.9)	32.3	136.0	181.4

### Funds this week: HDFC Top 200 Fund

Fund snapshot		Asset allocation (%)	
Fund Manager	Prashant Jain	Equity	92.0
Latest NAV	₹190.74	Debt	2.5
NAV 52 high/low	₹236/187	Cash/call	5.5
Latest AUM (cr)	₹11,065	Top 5 holdings (%)	
Type	Open-ended	State Bank Of India	6.9
Class	Equity - Diversified	ICICI Bank Ltd.	6.4
Options	Growth & dividend	Infosys Ltd.	5.9
Min investment	₹5,000	ITC Ltd.	4.6
Benchmark	BSE 200	Reliance Industries Ltd.	4.1
No. of stocks	66	Top 3 sectors (%)	
No. of sectors	30	Banks	23.1
Expense ratio	1.8%	Consumer Non Durables	11.1
Exit load	1% before 1 year	Software	10.8

### Reliance equity opportunity fund

Fund snapshot		Asset allocation (%)	
Fund Manager	Viral Belawala	Equity	93.3
Latest NAV	₹33.97	Debt	0.0
NAV 52 high/low	₹39.86/31.80	Cash/call	6.7
Latest AUM (cr)	₹3,032	Top 5 holdings (%)	
Type	Open-ended	Divi'S Laboratories Ltd.	5.1
Class	Equity - Diversified	Aventis Pharma Ltd.	4.8
Options	Growth, Dividend & Bonus	Infosys Technologies Ltd.	6.7
Min investment	₹5,000	ICICI Bank Ltd.	5.9
Benchmark	BSE 100	HDFC Bank	4.3
No. of stocks	34	Top 3 sectors (%)	
No. of sectors	21	Banks	22.1
Expense ratio	1.85%	Consumer Non Durables	10.8
Exit load	1% before 1 year	Software	9.9

### NFO update

Fund Name	Close	Type	Class
Sundaram Capital Protection Oriented Fund 5 Years (Series 3)	31-Oct	CE	Debt-Hybrid
IDFC FMP Yearly Series 52	31-Oct	CE	Debt-FMP
ICICI Prudential Fixed Maturity Plan - Series 57- 3 Years Plan C	04-Nov	CE	Debt - FMP
Birla SL Fixed Term Plan - Series DR	31-Oct	CE	Debt-FMP

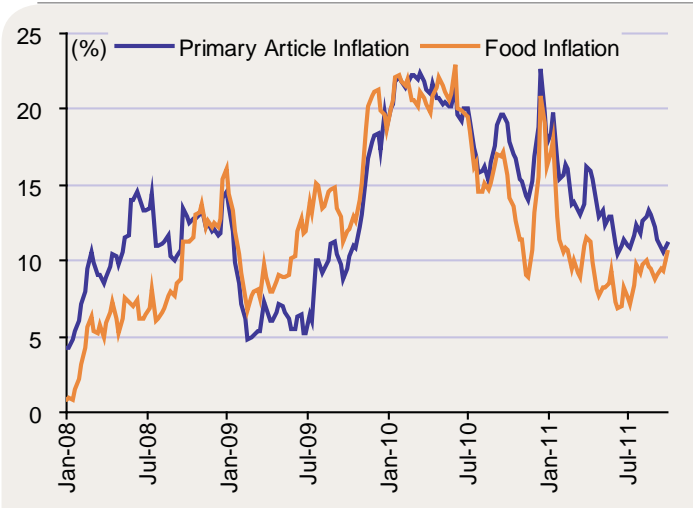
### Dividend update

Mutual Fund	Dividend %	Record date	Class
UTI Fixed Maturity Plan-Yearly Series (YFMP 09/10)	100% of distributable surplus	24-Oct	Debt
Kotak FMP 370 Days Series 9	100% of distributable surplus	25-Oct	Debt

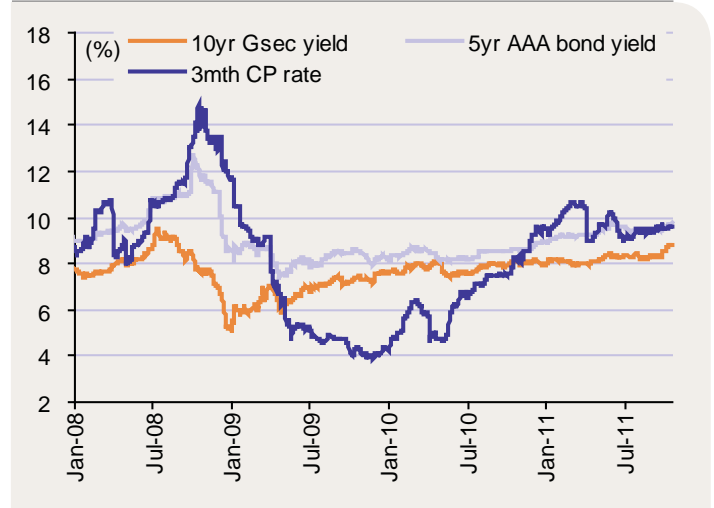
# India Infoline Weekly Wrap

## Chartbook

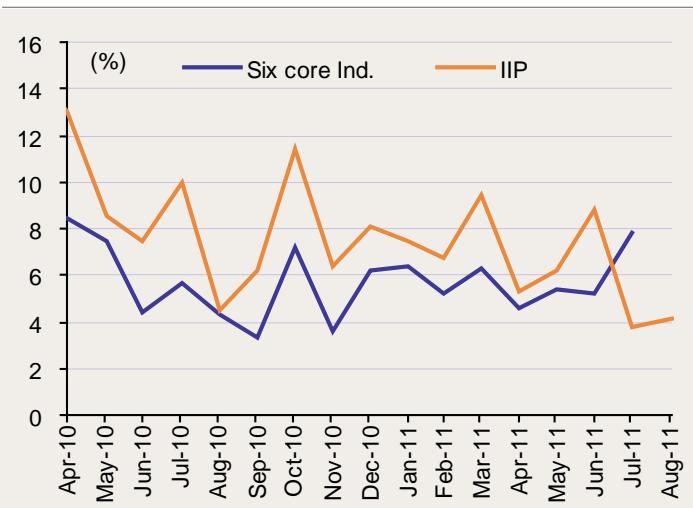
### Weekly Inflation



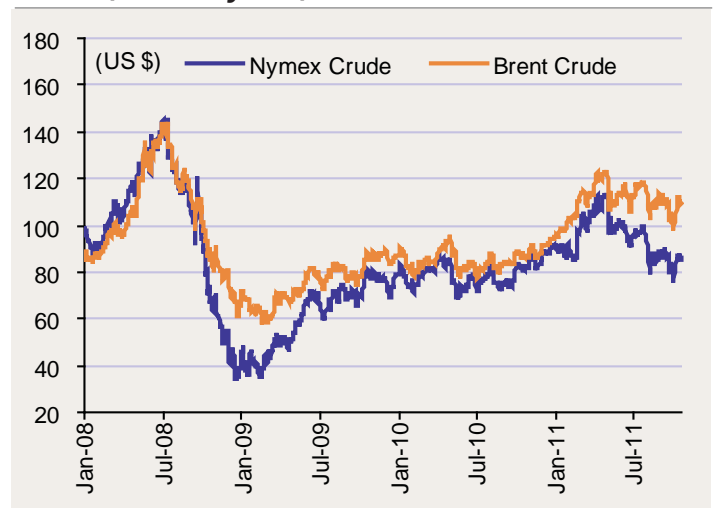
### Interest Rate



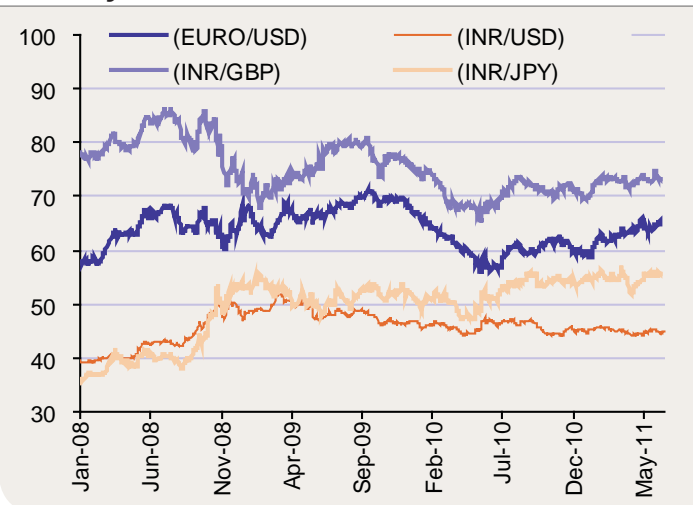
### IIP and Six core Industries



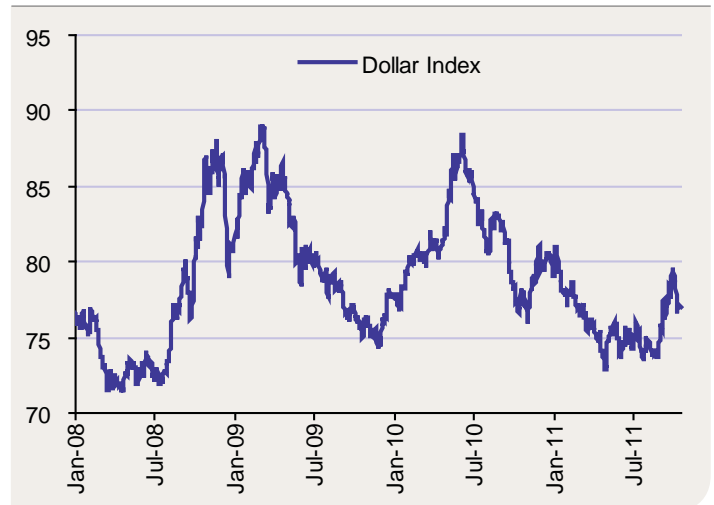
### Crude (Brent/ Nymex)



### Currency Movements



### Dollar Index

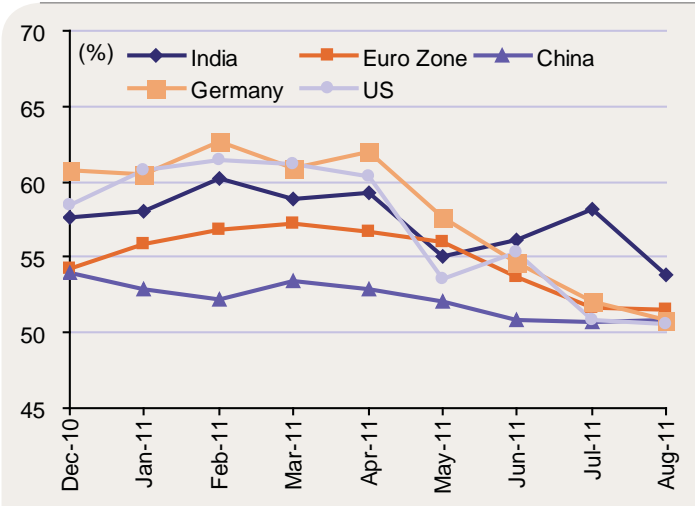


Source: Bloomberg

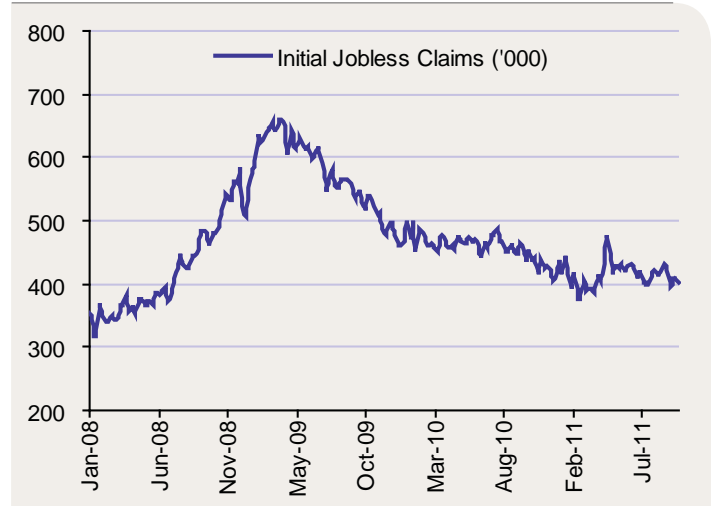
# India Infoline Weekly Wrap

## Chartbook...

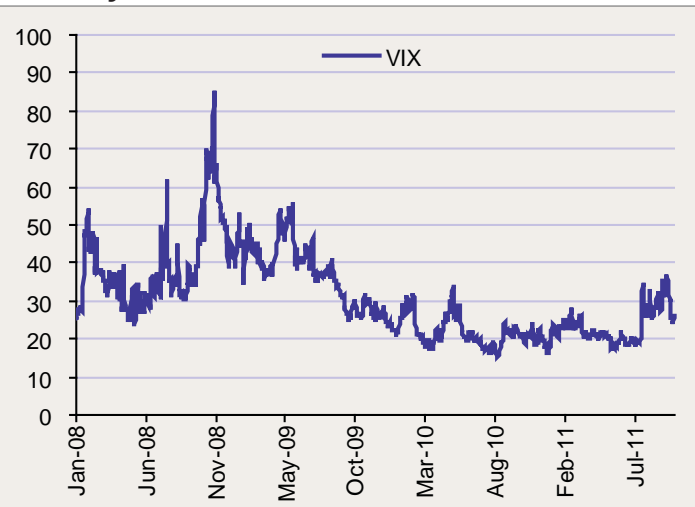
**PMI**



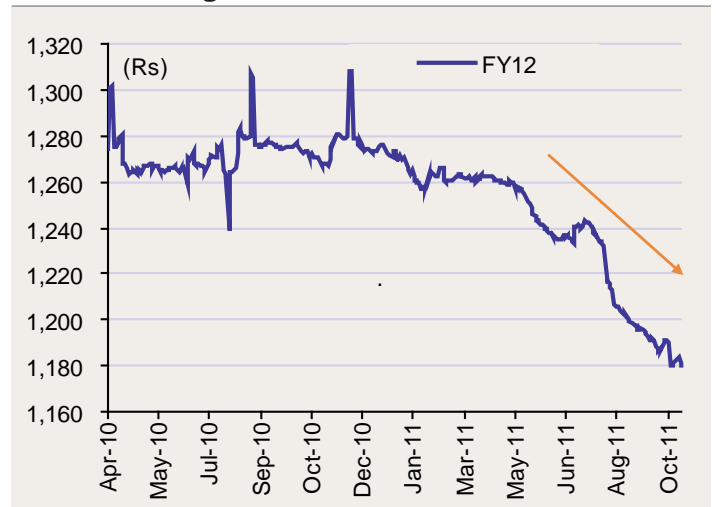
**US Initial Jobless Claims**



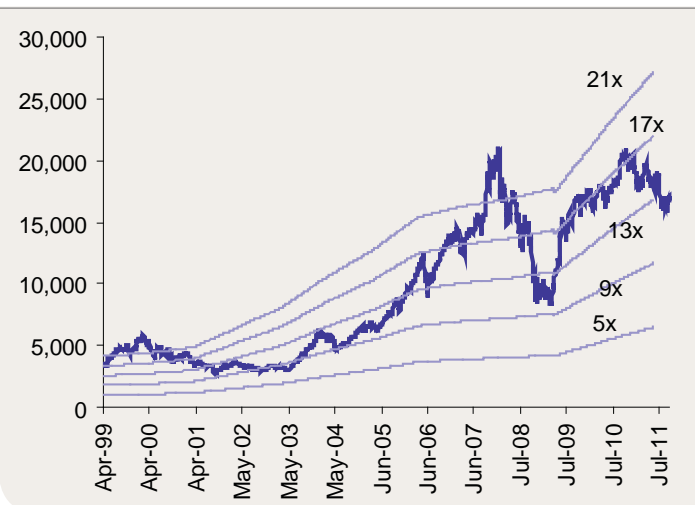
**Volatility Index**



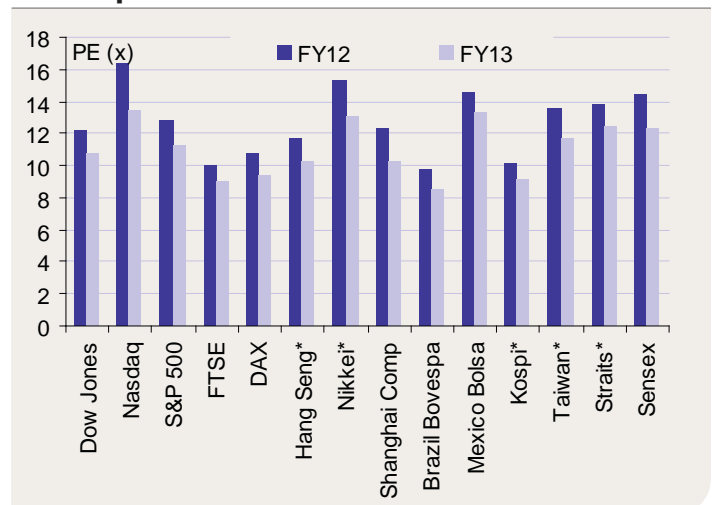
**Sensex Earning Estimates**



**Sensex PE Band**



**PE Comparison**



Source: Bloomberg

# India Infoline Weekly Wrap

## News Recap

### Govt to miss GDP, fiscal deficit goals

Finance Minister Pranab Mukherjee and PMEAC chairman Dr. Rangarajan said that key targets for FY12 like GDP growth, budget deficit and disinvestment will not be met. Still, the FM said that India will not blindly follow other nations in cutting interest rates as inflation remains sticky. Dr. Rangarajan too defended the RBI's actions, saying that the steep drop in industry growth is not completely due to hardening borrowing costs. He also proposed a hike in diesel prices once inflation moderates to acceptable levels of around 7%. The Oil Minister, meanwhile ruled out any relief in fuel prices citing a weaker rupee.

### Food inflation back above 10%...RBI may hike rates again

Food inflation jumped back above the dreaded 10% mark, while fuel inflation continued to hover around 15% just days ahead of the RBI's policy meet on Oct. 25. The latest inflation data has raised the specter of yet another 25 bps rate hike by the RBI.

### Rupee falls below 50...Hits 30-month low

The rupee fell to a 30-month low versus the US dollar on Friday, as global investors flocked to the safety of the greenback and the Japanese yen ahead of this weekend's eurozone summit in Brussels. The Indian currency breached the 50-per-dollar level for the first time since May 2009.

### Eurozone to hold second summit on Oct. 26: reports

Eurozone leaders, who are struggling to cope with the region's deepening debt crisis, have reportedly scheduled a second meeting no later than October 26. A wide-ranging plan would now be announced no later than Wednesday. The plan for a second eurozone summit comes as prospects fade for a comprehensive agreement on checking the debt crisis at this Sunday summit in Brussels.

### Gaddafi killed in mysterious circumstances

Libya's dictatorial leader Col. Muammar Gaddafi was killed following his capture near his home town of Sirte. Gaddafi, who came to power in a coup in 1969, was toppled from power in August. But, questions remain over the circumstances in which he died amid conflicting accounts of his death emerging.

## Event Calender

### Period : 24<sup>th</sup> - 28<sup>th</sup> Oct

#### US

- ⊕ Aug House Price Index MoM (25 Oct)
- ⊕ Sept Durable Goods Orders (26 Oct)
- ⊕ Q3 GDP QoQ (Annualized) (27 Oct)
- ⊕ Sept Pending Home Sales YoY (27 Oct)
- ⊕ Q3 Employment Cost Index (28 Oct)

#### India

- ⊕ RBI Policy Meet (25 Oct)
- ⊕ Primary Articles WPI yoy (27 Oct)
- ⊕ Food Articles WPI yoy (27 Oct)

#### China

- ⊕ Sept Leading Index (25-28 Oct)
- ⊕ Sept Industrial Profits YoY (28 Oct)

#### Euro Zone

- ⊕ Aug Industrial New Orders NSA YoY (24 Oct)
- ⊕ Euro-Zone Govt Debt/GDP Ratio (24 Oct)
- ⊕ Oct PMI Manufacturing (24-28 Oct)

### Period : 31<sup>st</sup> Oct - 04<sup>th</sup> Nov

#### US

- ⊕ Oct Total Vehicle sales (2 Nov)
- ⊕ FOMC rate decision (2 Nov)
- ⊕ Q3 Nonfarm Productivity (3 Oct)
- ⊕ Sept Factory Orders (3 Nov)
- ⊕ Oct unemployment rate (4 Oct)

#### India

- ⊕ Sept Exports YoY% (1 Nov)
- ⊕ Sept Imports YoY% (1 Nov)
- ⊕ Primary Articles WPI YoY (3 Nov)
- ⊕ Food Articles WPI YoY (3 Nov)

#### China

- ⊕ Oct PMI Manufacturing (1 Nov)
- ⊕ Oct China Non-manufacturing PMI (3 Nov)

#### Euro Zone

- ⊕ Sept Euro-Zone Unemployment Rate (31 Oct)
- ⊕ Oct PMI Manufacturing (1 Nov)
- ⊕ ECB Announces Interest Rates (3 Nov)

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