



Dalal & Broacha
Stock Broking Pvt. Ltd.

Indoco Remedies Ltd.

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OUT PERFORM

CMP (Rs)	415.0
Recommendation	BUY
52 week range	Rs 433.0/ Rs 120.0
Target Price	615.0
% Upside	48.2%

KEYSHARE DATA

Market Cap	Rs 5099.0 MN / \$ 110.8MN
EV / Sales	1.3
EV / EBIDTA	8.6
Volume(BSE+NSE)	31662.0
No of Shares o/s	12.3
Face Value	10.0
Book Value	254.0
BSE / NSE	532612 / INDOCO
Bloomberg	INDR IN Equity

Share Holding

	Dec-09	Mar-10
Promoters	61.0%	60.5%
Public	24.0%	24.5%
Institutions	9.2%	9.7%
FII	3.3%	3.5%
Corprates	2.6%	1.9%



Indoco Remedies Q4 & FY10 results are in line with our expectations.

The company's net sales for Q4FY10 has grown by 28.1% to Rs. 1088.7 mn from Rs. 849.9 mn, over same quarter previous year. The increase in turnover was mainly due to increase in domestic formulation business by 24.46% and exports business by 42.23% over the same quarter previous year.

Company is in the process to switch over the power service provider which will result in reduction of power cost from Q1FY11 onwards.

PAT for the quarter is Rs. 82.3 mn compared to Rs. 39.2 mn during Q4FY09.

In FY11 we expect the company to grow by 25%+ in the topline. This will be driven by 20% growth in domestic business and 35-40% growth in exports. Company has already launched a new division, EXTEND, and plans to launch another division CRONA by mid year, to cater to domestic business. Contract with Aspen and WATSON will start contributing from FY11. The company has received 20% (of total deal size) upfront payment from Watson.

EBIDTA margins are expected to expand on the back of decrease in power & fuel cost along with other cost cutting measures. We expect margins to be in the range of 16-17.5 %.

We expect the company to pay full tax from FY12 onwards. So, earnings growth in FY12 is expected to remain muted.

Valuation:

At CMP of Rs 415, the stock trades at 8.0x its FY11E EPS of Rs 51.9 and 7.8x its FY11E EPS of Rs 53.5.

We continue to remain bullish on the stock and recommend BUYING the stock at current levels.

We have revised our target price upward to Rs 615, a 48.2% potential upside from current levels.

Year	Net sales	%Growth	EBIDTA	OPM (%)	PAT	%Growth	EPS	PE (x)	RoE (%)	RoCE (%)
FY09	3,506.4	33.5	462.1	13.2	314.4	4.5	25.6	16.2	11.3	9.8
FY10 E	3,960.9	13.0	587.9	14.8	420.0	33.6	34.2	12.1	13.5	10.9
FY11 E	4,966.5	25.4	840.6	16.9	637.2	51.7	51.9	8.0	17.7	14.0
FY12 E	6,258.2	26.0	1,155.1	18.5	655.8	2.9	53.4	7.8	16.0	19.1

Dalal & Broacha Research is available on Bloomberg DBVS <GO>.



Particulars	Q4FY10	Q4FY09	%Change	FY10	FY09	%Change
Gross Sales	1100.3	858.0	28.2%	4023.6	3552.6	13.3%
Less: Excise Duty	(11.6)	(8.1)	43.2%	(40.2)	(46.2)	-12.9%
Net Sales	1088.7	849.9	28.1%	3983.4	3506.4	13.6%
Other income	15.9	14.3	11.2%	49.9	39.3	27.0%
Total income	1104.6	864.2	27.8%	4033.3	3545.7	13.8%
Raw Material Consumed	(443.0)	(326.5)	35.7%	(1490.2)	(1186.3)	25.6%
Purchase of Finished goods	(73.2)	(49.0)	49.4%	(252.2)	(309.4)	-18.5%
Employee Expenses	(148.7)	(129.6)	14.7%	(564.2)	(479.4)	17.7%
Other Expenses	(313.5)	(277.6)	12.9%	(1144.7)	(1069.1)	7.1%
Total Exp	(978.4)	(782.7)	25.0%	(3451.3)	(3044.2)	13.4%
PBDIT	126.2	81.5	54.8%	582.0	501.5	16.0%
OPM(Ex - OI) (%)	10.1%	7.9%		13.4%	13.2%	
OPM (%)	11.6%	9.6%		14.6%	14.3%	
Interest	(7.2)	(12.9)	-44.2%	(29.1)	(58.5)	-50.3%
Depreciation	(33.8)	(30.0)	12.7%	(121.0)	(111.6)	8.4%
Profit before tax	85.2	38.6	120.7%	431.9	331.4	30.3%
Tax	(2.9)	0.8	-462.5%	(11.0)	(17.0)	-35.3%
Profit After tax	82.3	39.4	108.9%	420.9	314.4	33.9%
Minority Interest	0.0	0.0		0.0		
Forex Gain / (Loss)	0.0	0.0		0.0		
Adjusted PAT	82.3	39.4	108.9%	420.9	314.4	33.9%
NPM (%)	7.6%	4.6%		10.6%	9.0%	
Adj. NPM (%)	7.6%	4.6%		10.6%	9.0%	
EPS (Rs)	6.7	3.2	108.9%	34.2	25.6	33.9%
Adj EPS (Rs)	6.7	3.2	108.9%	34.2	25.6	33.9%



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Result Update @ Dalal & Broacha

INDOCO REMEDIES FINANCIALS									
P&L (Rs mn)	FY09P	FY10E	FY11E	FY12E	Cash Flow St. (Rs. mn)	FY09P	FY10E	FY11E	FY12E
Net Sales	3,506.4	3,960.9	4,966.5	6,258.2	Net Profit	314.4	420.0	637.2	655.8
Raw materials	(1,495.7)	(1,663.6)	(2,135.6)	(2,691.0)	Add: Dep. & Amort.	111.6	138.3	162.2	183.6
Employee costs	(479.4)	(565.7)	(678.8)	(848.5)	Cash profits	425.9	558.3	799.3	839.3
Other Expenses	(1,069.3)	(1,143.7)	(1,311.6)	(1,563.5)	(Inc)/Dec in				
Cost of sales	(3,044.3)	(3,372.9)	(4,126.0)	(5,103.1)	-Sundry debtors	74.3	80.9	(98.1)	(179.7)
Operating Profit	462.1	587.9	840.6	1,155.1	-Inventories	(81.5)	(22.0)	(133.6)	(176.9)
Depreciation	(111.6)	(138.3)	(162.2)	(183.6)	-Loans/advances	(105.8)	(20.8)	(21.8)	(22.9)
PBIT	350.5	449.6	678.4	971.6	-Sundry creditors	(28.6)	52.7	111.4	127.8
Other income	39.3	37.8	52.7	56.9	-Others	(10.1)	112.2	139.0	66.1
Interest	(58.5)	(45.3)	(60.3)	(45.3)	Change in working capital	(151.8)	203.1	(3.1)	(185.6)
Profit before tax	331.4	442.1	670.7	983.1	CF from Oper. activities	274.1	761.4	796.3	653.8
Provision for tax	(17.0)	(22.1)	(33.5)	(327.4)	CF from Inv. activities	(299.4)	(400.0)	(500.0)	(450.0)
Reported PAT	314.4	420.0	637.2	655.8	CF from Fin. activities	154.3	117.8	91.4	(407.4)
Extraordinary Items	-	-	-	-	Cash generated/(utilised)	129.0	479.2	387.6	(203.6)
Adjusted PAT	314.4	420.0	637.2	655.8	Cash at start of the year	161.2	290.2	769.4	1,157.1
					Cash at end of the year	290.2	769.4	1,157.1	953.5
Balance Sheet	FY09P	FY10E	FY11E	FY12E	Ratios	FY09P	FY10E	FY11E	FY12E
Equity capital	122.9	122.9	122.9	122.9	OPM	13.2	14.8	16.9	18.5
Reserves	2,661.6	2,997.5	3,475.4	3,967.2	NPM	8.9	10.5	12.7	10.4
Net worth	2,784.4	3,120.4	3,598.3	4,090.1	Tax rate	(5.1)	(5.0)	(5.0)	(33.3)
Def. Tax Liab.+Minority Int.	230.0	230.4	231.1	237.7	Growth Ratios (%)				
Secured loans	397.6	627.6	877.6	627.6	Net Sales	33.5	13.0	25.4	26.0
Unsecured loans	157.9	127.9	127.9	127.9	Operating Profit	8.0	27.2	43.0	37.4
Total debt	555.5	755.5	1,005.5	755.5	PAT	4.5	33.6	51.7	2.9
CAPITAL EMPLOYED	3,570.0	4,106.4	4,834.9	5,083.3	Per Share (Rs.)				
Gross block	2,343.2	2,906.0	3,406.0	3,856.0	Net Earnings (EPS)	25.6	34.2	51.9	53.4
Accumulated depreciation	(583.9)	(722.2)	(884.4)	(1,067.9)	Cash Earnings (CPS)	34.7	45.4	65.1	68.3
Net block	1,759.4	2,183.8	2,521.7	2,788.1	Dividend	5.2	6.8	13.0	13.3
Capital WIP	162.8	-	-	-	Book Value	226.6	254.0	292.9	332.9
Total fixed assets	1,922.2	2,183.8	2,521.7	2,788.1	Free Cash Flow	(2.1)	29.4	24.1	16.6
Goodwill					Valuation Ratios				
Investments	0.2	0.2	0.2	0.2	P/E(x)	16.2	12.1	8.0	7.8
Inventories	524.8	546.8	680.3	857.3	P/B(x)	1.8	1.6	1.4	1.2
Sundry debtors	1,003.3	922.4	1,020.5	1,200.2	EV/EBIDTA(x)	11.6	8.6	5.9	4.2
Cash & bank	290.2	769.4	1,157.1	953.5	EV/SALES(x)	1.5	1.3	1.0	0.8
Loans & advances	415.1	435.9	457.7	480.6	Div. Yield(%)	1.3	1.6	3.1	3.2
Other current assets	-	-	-	1.0	FCF Yield(%)	(0.5)	7.1	5.8	4.0
Sundry creditors	(327.4)	(380.1)	(491.5)	(619.3)	Return Ratios (%)				
Acceptances	(196.0)	(235.2)	(282.2)	(338.7)	ROE	11.3	13.5	17.7	16.0
Provisions	(63.9)	(136.9)	(228.9)	(238.6)	ROCE	9.8	10.9	14.0	19.1
Working capital	1,646.2	1,922.3	2,313.0	2,295.0					
Deferred Tax Assets	-	-	-	1.0					
Miscellaneous exp.	1.4	-	-	-					
CAPITAL DEPLOYED	3,570.0	4,106.4	4,834.9	5,084.3					

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