

## Pharmaceuticals

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# Q2FY18 Review- Weakening structural dynamics; valuations factor in negatives for time being

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- Our Emkay Pharma universe saw revenue growth of 11% qoq (1% yoy), EBITDA growth of 35% qoq (drop of 11% yoy), whereas APAT grew by 55% qoq (fall of 10% yoy).
- **Q2FY18 results look optically better for the following reasons;** coming quarters would be a challenge for core earnings:
  - **Cost-cutting measures:** Most generic companies are now cutting overall expected R&D run-rate. Thus, while R&D is still growing, the pace is slowing down significantly from the scorching pace of the past few years.
  - **There are signs of cut backs in other SG&A spends as well.** This too have supported overall margins.
  - **Most companies saw GST-led India business rebound companies;** this has somewhat trumped underlying margin pressures.
  - Across many companies, we saw **EM/ROW/API business supporting topline growth;** consistent growth in these geographies/areas will be difficult to sustain.
- **Our core thesis remains consistent:**
  - PBM consolidation driven pricing pressure is now passe; **long-term issues staring at industry is: USFDA's propensity to ensure every off-patent product has at least 3 competitors, which is enough to destroy high margin/ROE dynamics of the sector.**
  - As pricing pressure abates, **the fact that there is greater frequency of accelerated price declines, i.e. 12%+ now vs. earlier 5-7% itself puts industry earnings at risk; long-term multiples do not yet reflect this reality.**
  - We believe that sector M&A is the only way to relieve industry pressure, but meaningful M&As are gridlocked.
- **A cyclical sector-level rebound is likely** but structural dynamics continue to deteriorate.
- **Our top sector picks are ARBP (ACCUMULATE, TP Rs820) and GRAN (BUY, TP Rs155).**

## Results Review - Summary

Company	Net sales (Rs mn)			Growth		EBITDA (Rs mn)			Growth		EBITDA margins (%)			Growth (bps)		APAT (Rs mn)			Growth	
	Q2FY18	Q1FY18	Q2FY17	YoY	QoQ	Q2FY18	Q1FY18	Q2FY17	YoY	QoQ	Q2FY18	Q1FY18	Q2FY17	YoY	QoQ	Q2FY18	Q1FY18	Q2FY17	YoY	QoQ
Aurobindo Pharma	44,359	36,788	37,755	17%	21%	11,169	8,416	9,292	20%	33%	25%	23%	25%	57 bps	230 bps	7,800	5,185	5,857	33%	50%
Cadila Healthcare	32,340	22,288	24,035	35%	45%	8,571	2,773	5,160	66%	209%	27%	12%	21%	503 bps	1406 bps	5,033	1,384	3,377	49%	264%
Cipla	40,824	35,251	37,510	9%	16%	8,044	5,935	6,807	18%	36%	20%	17%	18%	156 bps	287 bps	4,350	3,558	3,543	23%	22%
Divi's Lab	8,902	8,212	10,054	-11%	8%	2,772	2,448	3,702	-25%	13%	31%	30%	37%	-568 bps	133 bps	2,068	1,765	3,029	-32%	17%
Dr. Reddy's Lab	35,460	33,159	35,857	-1%	7%	6,634	3,058	6,367	4%	117%	19%	9%	18%	95 bps	949 bps	2,849	591	3,295	-14%	382%
Glenmark Pharma	22,566	23,630	22,241	1%	-5%	3,884	5,774	4,488	-13%	-33%	17%	24%	20%	-297 bps	-723 bps	2,142	3,334	2,237	-4%	-36%
Granules India	3,926	3,860	3,638	8%	2%	769	769	741	4%	0%	20%	20%	20%	-78 bps	-34 bps	403	368	408	-1%	10%
Ipca Lab	8,643	7,130	8,851	-2%	21%	1,490	215	1,280	16%	593%	17%	3%	14%	278 bps	1422 bps	965	(202)	471	105%	NM
Lupin	39,520	38,696	42,905	-8%	2%	8,531	7,684	8,082	6%	11%	22%	20%	19%	275 bps	173 bps	4,569	3,580	2,825	62%	28%
Sun Pharma	66,503	62,088	77,814	-15%	7%	13,756	10,957	28,079	-51%	26%	21%	18%	36%	-1540 bps	304 bps	9,121	5,256	18,753	-51%	74%
Torrent Pharma	14,290	13,740	14,290	0%	4%	3,290	2,970	3,300	0%	11%	23%	22%	23%	-7 bps	141 bps	2,040	1,880	2,070	-1%	9%
<b>Total</b>	<b>317,332</b>	<b>284,840</b>	<b>314,950</b>	<b>1%</b>	<b>11%</b>	<b>68,910</b>	<b>50,999</b>	<b>77,298</b>	<b>-11%</b>	<b>35%</b>	<b>22%</b>	<b>18%</b>	<b>25%</b>	<b>-283 bps</b>	<b>381 bps</b>	<b>41,339</b>	<b>26,699</b>	<b>45,865</b>	<b>-10%</b>	<b>55%</b>

## Change in earnings estimate

Company	FY18E			FY19E			FY20E
	Before	After	% change	Before	After	% change	Introducing
Aurobindo Pharma	42.3	44.8	6%	48.5	48.5	0%	54.4
Cadila Healthcare	18.0	18.6	3%	25.8	22.3	-14%	23.7
Cipla	20.2	20.0	-1%	29.1	26.3	-10%	32.4
Divi's Lab	34.5	30.7	-11%	35.1	41.0	17%	46.1
Dr. Reddy's Lab	72.8	64.6	-11%	118.9	115.0	-3%	136.5
Glenmark Pharma	37.7	35.7	-5%	37.8	38.6	2%	42.4
Granules India	8.9	6.3	-29%	11.7	9.4	-20%	12.0
Ipca Lab	20.1	18.4	-8%	26.6	26.6	0%	34.8
Lupin	42.9	43.5	1%	53.2	49.3	-7%	59.0
Sun Pharma	14.5	15.3	6%	19.8	18.6	-6%	22.0
Torrent Pharma	45.5	48.4	6%	59.6	56.1	-6%	64.4

## Valuation Summary

Company	Price (Rs)	Mkt cap (Rs bn)	Reco	Target Price	Sales			Growth		
					FY18	FY19	FY20	FY18	FY19	FY20
Aurobindo Pharma	708	415	Accumulate	820	166,707	187,664	201,202	10%	13%	7%
Cadila Healthcare	446	457	Hold	430	121,700	133,765	142,871	26%	10%	7%
Cipla	606	487	Hold	580	159,670	176,621	191,659	9%	11%	9%
Divi's Lab	1,014	269	Hold	830	37,282	46,170	49,725	-8%	24%	8%
Dr. Reddy's Lab	2,319	385	Hold	2,460	140,887	155,555	172,556	0%	10%	11%
Glenmark Pharma	581	164	Hold	720	93,065	105,498	116,278	1%	13%	10%
Granules India	122	31	Buy	155	15,545	18,812	22,363	8%	21%	19%
Ipca Lab	527	66	Hold	555	31,908	35,697	40,076	-1%	12%	12%
Lupin	828	374	Hold	1,060	164,254	182,404	201,807	-6%	11%	11%
Sun Pharma	517	1,240	Reduce	460	270,098	296,254	326,059	-14%	10%	10%
Torrent Pharma	1,260	213	Sell	1,160	58,688	66,495	72,562	0%	13%	9%

## Valuation Summary

Company	EBITDA			Growth			EPS			Growth		
	FY18	FY19	FY20	FY18	FY19	FY20	FY18	FY19	FY20	FY18	FY19	FY20
Aurobindo Pharma	40,340	44,579	49,340	17%	11%	11%	44.8	48.5	54.4	14%	8%	12%
Cadila Healthcare	30,190	35,279	37,597	59%	17%	7%	18.6	22.3	23.7	28%	20%	7%
Cipla	27,235	36,133	42,564	10%	33%	18%	20.0	26.3	32.4	60%	32%	23%
Divi's Lab	11,054	15,209	17,237	-24%	38%	13%	30.7	41.0	46.1	-23%	34%	13%
Dr. Reddy's Lab	25,912	37,177	42,963	0%	43%	16%	64.6	115.0	136.5	-23%	78%	19%
Glenmark Pharma	18,506	20,433	22,460	-9%	10%	10%	35.7	38.6	42.4	-15%	8%	10%
Granules India	2,899	4,264	5,581	-3%	47%	31%	6.3	9.4	12.0	-12%	49%	28%
Ipca Lab	4,125	5,552	7,096	-7%	35%	28%	18.4	26.6	34.8	19%	44%	31%
Lupin	36,922	42,662	49,598	-17%	16%	16%	43.5	49.3	59.0	-22%	13%	20%
Sun Pharma	58,233	69,927	83,503	-42%	20%	19%	15.3	18.6	22.0	-47%	21%	19%
Torrent Pharma	13,218	15,737	17,908	-4%	19%	14%	48.4	56.1	64.4	-12%	16%	15%

## Valuation Summary

Company	EBITDA margin (%)			PAT margin (%)			ROE (%)			ROCE (%)			P/E (x)			EV/EBITDA (x)		
	FY18	FY19	FY20	FY18	FY19	FY20	FY18	FY19	FY20	FY18	FY19	FY20	FY18	FY19	FY20	FY18	FY19	FY20
Aurobindo Pharma	24.2	23.8	24.5	15.7	15.1	15.8	24.8	21.7	20.1	26.4	25.6	24.9	15.8	14.6	13.0	10.6	9.3	8.0
Cadila Healthcare	24.8	26.4	26.3	15.5	16.9	17.0	24.8	24.5	21.8	19.5	19.5	17.7	24.0	20.0	18.8	16.5	14.2	13.1
Cipla	17.1	20.5	22.2	10.2	12.0	13.6	12.1	14.3	15.5	12.1	14.3	15.9	30.3	23.0	18.7	19.3	13.7	11.3
Divi's Lab	29.7	32.9	34.7	21.8	23.6	24.6	14.6	17.7	17.7	18.7	22.5	22.7	33.1	24.8	22.0	22.9	16.6	14.2
Dr. Reddy's Lab	18.4	23.9	24.9	7.6	12.3	13.1	8.4	13.7	14.5	8.2	13.4	14.6	35.9	20.2	17.0	15.7	10.7	8.9
Glenmark Pharma	19.9	19.4	19.3	10.8	10.3	10.3	20.4	18.5	17.3	16.7	16.6	16.5	16.3	15.1	13.7	11.0	9.9	8.9
Granules India	18.6	22.7	25.0	8.6	10.1	11.5	16.5	20.8	22.1	13.0	16.2	17.4	19.3	13.0	10.1	13.4	9.3	7.2
Ipca Lab	12.9	15.6	17.7	7.3	9.4	11.0	9.1	11.9	13.8	8.8	13.1	15.2	28.7	19.8	15.1	16.8	12.5	9.6
Lupin	22.5	23.4	24.6	12.0	12.3	13.3	14.2	14.4	15.4	12.9	13.2	15.1	19.0	16.8	14.0	11.5	10.0	8.4
Sun Pharma	21.6	23.6	25.6	15.0	16.3	18.2	9.8	11.1	12.0	9.6	11.0	12.5	33.8	27.8	23.5	19.3	15.8	12.5
Torrent Pharma	22.5	23.7	24.7	14.0	14.3	15.0	17.7	18.0	18.2	18.1	17.0	17.1	26.0	22.5	19.6	16.9	13.9	12.0

Name			Sep'17	Jun'17	Sep'16	% Chg YoY	% Chg QoQ	Actual v/s Expect	Comments
<b>Aurobindo Pharma</b>								↑	Revenue and net income growth came in much stronger than expected, with overall numbers supported by higher-than-expected organic growth in Europe and ROW markets. Strong quarter in US business in view of the limited competition launch of gRenvela. While revenue was better/ahead of estimates, due to a number of unquantified provisions in both, raw material cost as well as other expenditure clouded the reported numbers. We anticipate higher-than-expected pricing pressure and delays in key product approvals remain key risks. We value ARBP at PE of 15x on FY20E earnings (earlier on FY19E) and downgrade our rating from Buy to Accumulate.
CMP(Rs)	696	Net Sales (Rs mn)	44,359	36,788	37,755	17.5%	20.6%		
Mkt Cap (Rs bn)	408	EBITDA (Rs mn)	11,169	8,416	9,292	20.2%	32.7%		
Reco	Accumulate	EBITDA Margin (%)	25.2	22.9	24.6	57 bps	230 bps		
Target Price (Rs)	820	PAT (Rs mn)	7,800	5,185	5,857	33.2%	50.4%		
% Upside	18%	EPS (Rs)	13.3	8.9	10.0	33.2%	50.4%		
<b>Cadila Healthcare</b>								↔	Overall Q2FY18 result is disappointing, as upside from gLialda launch and India restocking has not translated into stronger margins as well as net income growth. Even underlying core margins seem to be under pressure after adjusting for one-time gLialda impact. CDH has provided a strong launch outlook, including switch of own gAsacol HD, gPrevacid ODT, gToprol XL as well as commercialization of the transdermal portfolio. Given the current trend of complex products becoming highly competitive, launch upsides will fade quickly. Overall, we see a strong cyclical recovery in earnings for generic companies, but continue to believe that structural underpinnings remain weaker than ever. We have Hold rating on the stock and value CDH at P/E of 18x FY20E (earlier FY19E) EPS of Rs24 with target price of Rs430.
CMP(Rs)	439	Net Sales (Rs mn)	32,340	22,288	24,035	34.6%	45.1%		
Mkt Cap (Rs bn)	450	EBITDA (Rs mn)	8,571	2,773	5,160	66.1%	209.1%		
Reco	Hold	EBITDA Margin (%)	26.5	12.4	21.5	503 bps	1,406 bps		
Target Price (Rs)	430	PAT (Rs mn)	5,033	1,384	3,377	49.0%	263.7%		
% Upside	-2%	EPS (Rs)	4.9	1.4	3.3	49.0%	263.7%		
<b>Cipla</b>								↔	Cipla posted stable set of numbers with revenue, EBITDA and net profit in line with expectations. We see the steady Q2FY18 numbers anchoring strong earnings growth expectations for the next 1-2 years. Overall growth guidance remains strong, with scheduled launch of one high-value niche product every quarter for the next 2 years. However, structurally, industry remains extremely vulnerable to price erosion in base business with even niche opportunities likely to be commoditized rapidly. We have maintained our Hold rating on the stock and value CIPLA at P/E of 18x FY20E (earlier FY19E) EPS of Rs32 with target price of Rs580.
CMP(Rs)	594	Net Sales (Rs mn)	40,824	35,251	37,510	8.8%	15.8%		
Mkt Cap (Rs bn)	478	EBITDA (Rs mn)	8,044	5,935	6,807	18.2%	35.5%		
Reco	Hold	EBITDA Margin (%)	19.7	16.8	18.1	156 bps	287 bps		
Target Price (Rs)	580	PAT (Rs mn)	4,350	3,558	3,543	22.7%	22.2%		
% Upside	-2%	EPS (Rs)	5.4	4.4	4.4	22.7%	22.2%		



Name		Sep'17	Jun'17	Sep'16	% Chg YoY	% Chg QoQ	Actual v/s Expect	Comments
<b>Divi's Lab</b>							↓	Overall numbers were below our expectations though they give enough hint of volume recovery from the bottom hit in Q1FY18. The biggest risk to DIVI's remains USFDA inspection at Unit 1, which has not been audited now for nearly 3 years. We value DIVI's at P/E of 18x FY20E (earlier FY19E) EPS of Rs46 with target price of Rs830.
CMP(Rs)	1,016	Net Sales (Rs mn)	8,902	8,212	10,054	-11.5%	8.4%	
Mkt Cap (Rs bn)	270	EBITDA (Rs mn)	2,772	2,448	3,702	-25.1%	13.2%	
Reco	Hold	EBITDA Margin (%)	31.1	29.8	36.8	-568 bps	133 bps	
Target Price (Rs)	830	PAT (Rs mn)	2,068	1,765	3,029	-31.7%	17.1%	
% Upside	-18%	EPS (Rs)	7.8	6.7	11.4	-31.7%	17.1%	
<b>Dr Reddy's Lab</b>							↑	Dr. Reddy's Lab (DRRD) posted stronger-than-estimated Q2FY18 earnings which was supported by rebound in PSAI business as well as better India/Europe formulations revenue. While decline in US revenue was also not as sharp as feared following the results posted by comparable peers. Cost cutting/deferment measures also helped support margins, including lower qoq R&D cost (down 17% qoq) and decline in SGA expense (down 3% qoq). Concall commentary suggests that R&D spend will rebound sharply, which should be a dampener for margin expansion. DRRD has a number of potential high-value launches scheduled over the next 12 months, though there are regulatory uncertainties over the approval timeline. We have maintained our Hold rating on the stock, valuing DRRD at P/E of 18x FY20E (earlier FY19E) with target price of Rs2,460.
CMP(Rs)	2,310	Net Sales (Rs mn)	35,460	33,159	35,857	-1.1%	6.9%	
Mkt Cap (Rs bn)	383	EBITDA (Rs mn)	6,634	3,058	6,367	4.2%	116.9%	
Reco	Hold	EBITDA Margin (%)	18.7	9.2	17.8	95 bps	949 bps	
Target Price (Rs)	2,460	PAT (Rs mn)	2,849	591	3,295	-13.5%	382.1%	
% Upside	6%	EPS (Rs)	17.2	3.6	19.9	-13.5%	382.1%	
<b>Glenmark Pharma</b>							↓	Revenue came in at Rs22.6bn (our estimate: Rs22.3bn), EBITDA stood at Rs3.9bn (our est.: Rs4.2bn) and net profit was Rs2.1bn (our est.: Rs2.3bn). Cost declined marginally qoq, which seems to have supported EBITDA margin. On the face of it, the US revenue picture does not appear dire. Revenue appears to be marginally down qoq after adjusting for Zetia revenue in Q1FY18, which indicates that price erosion (at least for GNP) has not been as severe as expected. Overall revenue for Q2FY18 was supported by non-India, non-US growth. Thus, LATAM grew by 24% qoq while Europe was up 23% qoq. Short-term US revenue guidance is strong, but we still see structural industry-wide problems persisting. Maintain earnings estimates and Hold rating, valuing GNP at 17xPE on FY20E EPS of Rs42.4 (earlier FY19E).
CMP(Rs)	583	Net Sales (Rs mn)	22,566	23,630	22,241	1.5%	-4.5%	
Mkt Cap (Rs bn)	165	EBITDA (Rs mn)	3,884	5,774	4,488	-13.5%	-32.7%	
Reco	Hold	EBITDA Margin (%)	17.2	24.4	20.2	-297 bps	-723 bps	
Target Price (Rs)	720	PAT (Rs mn)	2,142	3,334	2,237	-4.3%	-35.8%	
% Upside	23%	EPS (Rs)	7.6	11.8	7.9	-4.3%	-35.8%	

Name		Sep'17	Jun'17	Sep'16	% Chg YoY	% Chg QoQ	Actual v/s Expect	Comments
<b>Granules India</b>							↔	Revenue stood at Rs3.9bn, which was broadly in line with our expectation of Rs4.0bn while EBITDA grew by 4% yoy to Rs769mn vs our estimate of Rs804mn. However, EBITDA margin declined by 78bps yoy (34bps qoq). Key molecules like Paracetamol and Metformin grew significantly compared to previous quarters. Sharp revenue acceleration was seen in FD segment. Omnicem JV expansion delayed due to limited off take by partners, though revenue from GRAN's capacity expansion is expected to kick in from Q3FY18/Q4FY18 onwards. Launch of gEffient with more ANDAs from US pharma JV to also drive earnings. We maintain BUY with TP of Rs155 (earlier Rs152), valuing GRAN at P/E multiple of 13x on FY20E (earlier on FY19E EPS) with earnings estimate of Rs12/share.
CMP(Rs)	121	Net Sales (Rs mn)	3,926	3,860	3,638	7.9%	1.7%	
Mkt Cap (Rs bn)	31	EBITDA (Rs mn)	769	769	741	3.8%	0.0%	
Reco	Buy	EBITDA Margin (%)	19.6	19.9	20.4	-78 bps	-34 bps	
Target Price (Rs)	155	PAT (Rs mn)	403	368	408	-1.0%	9.6%	
% Upside	28%	EPS (Rs)	1.6	1.5	1.8	-11.0%	9.6%	
<b>IPCA Lab</b>							↑	Q2 is a seasonally strong quarter for Ipca Laboratories Ltd (IPCA). Q2FY18 was no exception, driven by higher India Branded revenue (up 43% qoq). GST-led re-stocking also seems to have helped, along with a small recovery in India API sales. Overall, India business recovery for IPCA is still suspect given the sluggish IPM growth rate. Bottom-line was also supported by a lower tax rate and a decline in other expenditure. Awarding of WHO tenders for the supply for Anti-malaria Formulations could be a near term trigger, but the order size is still uncertain as is the overall opportunity size, which now appears much smaller. Maintain our HOLD rating with a revised TP of Rs555 as we roll over valuation to FY20E from FY19E earlier.
CMP(Rs)	528	Net Sales (Rs mn)	8,643	7,130	8,851	-2.3%	21.2%	
Mkt Cap (Rs bn)	67	EBITDA (Rs mn)	1,490	215	1,280	16.4%	592.5%	
Reco	Hold	EBITDA Margin (%)	17.2	3.0	14.5	278 bps	1,422 bps	
Target Price (Rs)	555	PAT (Rs mn)	965	-202	471	104.6%		
% Upside	5%	EPS (Rs)	7.6	-1.6	3.7	104.6%		
<b>Lupin</b>							↓	US business continues to see significant pricing pressure, with Q2FY18 revenue down 32% yoy and 15% qoq. Concall commentary indicates US revenue fall was largely attributed to gFortamet/Glumetza erosion and base business decline. While India and Emerging markets growth shored up overall revenue, India revenue grew by 16% yoy/24% qoq and LATAM revenue notched up by 41% yoy/10% qoq. Strong cost cutting/cost deferment measures also helped support EBITDA margins despite sequential weakness in gross margins. EBITDA margins expanded by 170bps QoQ despite a 70bps fall in gross margins. Overall US growth trajectory is uncertain going ahead. We maintain Hold rating and value LPC at P/E multiple of 18x FY20E (earlier FY19E) with earnings estimate of Rs59/share.
CMP(Rs)	824	Net Sales (Rs mn)	39,520	38,696	42,905	-7.9%	2.1%	
Mkt Cap (Rs bn)	372	EBITDA (Rs mn)	8,531	7,684	8,082	5.5%	11.0%	
Reco	Hold	EBITDA Margin (%)	21.6	19.9	18.8	275 bps	173 bps	
Target Price (Rs)	1,060	PAT (Rs mn)	4,569	3,580	2,825	61.7%	27.6%	
% Upside	29%	EPS (Rs)	10.1	7.9	6.3	61.7%	27.6%	

Name			Sep'17	Jun'17	Sep'16	% Chg YoY	% Chg QoQ	Actual v/s Expect	Comments
<b>Sun Pharma</b>								↔	Overall numbers are in line though a beat on net profit was driven by higher other income and lower tax rate. Higher India growth was offset by weaker-than-expected US revenue. Some of the softness in US revenue is attributable to supplies deferment to 2HFY18. SUNP maintained guidance for FY18 at mid-single digit revenue decline. SUNP believes 2HFY18 will be stronger, but also does not rule out possible underperformance, highlighting the challenging nature of the US business environment. We fine tune FY18 estimates for Halol and maintain our Reduce rating with new a TP of Rs460 on rolling over to FY20E (earlier FY19E).
CMP(Rs)	505	Net Sales (Rs mn)	66,503	62,088	77,814	-14.5%	7.1%		
Mkt Cap (Rs bn)	1,212	EBITDA (Rs mn)	13,756	10,957	28,079	-51.0%	25.6%		
Reco	Reduce	EBITDA Margin (%)	20.7	17.6	36.1	-1,540 bps	304 bps		
Target Price (Rs)	460	PAT (Rs mn)	9,121	5,256	18,753	-51.4%	73.5%		
% Upside	-9%	EPS (Rs)	3.8	2.2	7.8	-51.4%	73.5%		
<b>Torrent Pharma</b>								↓	Torrent Pharma Q2FY18 revenue disappointed marginally, with India growth continuing to recovery while US and Brazil posted weaker revenue numbers. TRP faces twin challenges – in medium term to integrate acquisition of Unichem's domestic branded business while in long term revamp US growth plans, which have been set back by the significant pricing pressure over the past 1 year. Unichem's branded business to be earnings dilutive for at least the next 2 years, as TRP works on raising MR productivity as well as streamlining synergies across manufacturing, distribution etc. Maintain our SELL rating with marginally lower estimates. Value TRP at 18x PE on FY20E EPS of Rs65 (earlier FY19E). Our new TP is Rs1,160 (earlier Rs1,075).
CMP(Rs)	1,252	Net Sales (Rs mn)	14,290	13,740	14,290	0.0%	4.0%		
Mkt Cap (Rs bn)	212	EBITDA (Rs mn)	3,290	2,970	3,300	-0.3%	10.8%		
Reco	Sell	EBITDA Margin (%)	23.0	21.6	23.1	-7 bps	141 bps		
Target Price (Rs)	1,160	PAT (Rs mn)	2,040	1,880	2,070	-1.4%	8.5%		
% Upside	-7%	EPS (Rs)	12.1	11.1	12.2	-1.4%	8.5%		

## Emkay Rating Distribution

BUY	Expected total return (%) (Stock price appreciation and dividend yield) of over 25% within the next 12-18 months.
ACCUMULATE	Expected total return (%) (Stock price appreciation and dividend yield) of over 10% within the next 12-18 months.
HOLD	Expected total return (%) (Stock price appreciation and dividend yield) of upto 10% within the next 12-18 months.
REDUCE	Expected total return (%) (Stock price depreciation) of upto (-) 10% within the next 12-18 months.
SELL	The stock is believed to underperform the broad market indices or its related universe within the next 12-18 months.

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