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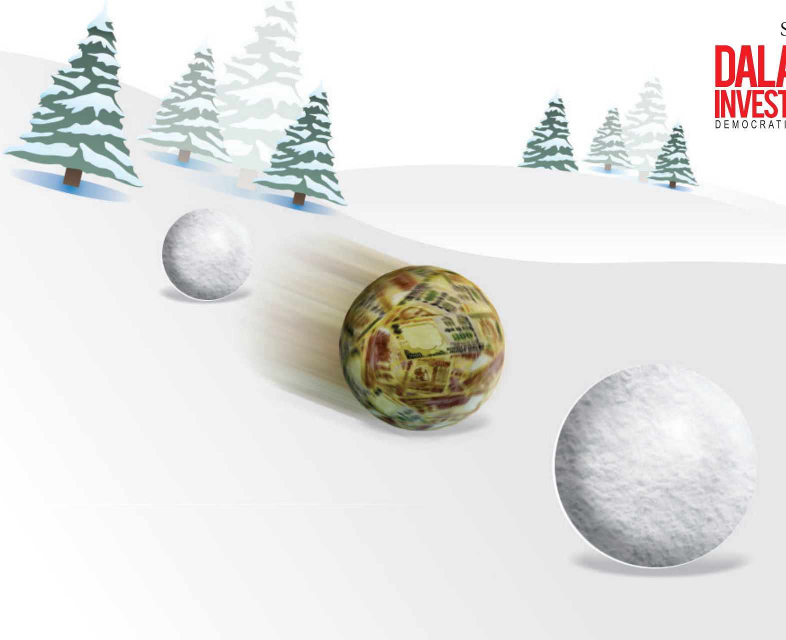
MID BRIDGE
THE MIDCAP MARVEL

January 2021



COMPANY NAME	:	**Poly Medicure Ltd**
BSE Code	:	**531768**
Time Duration	:	**1 year**
CMP	:	**₹517.15 (as on 21 Jan., 2021)**
Target Price	:	**₹680**

Mid Bridge recommendation for this month is Poly Medicure Limited. The company is engaged in the development, manufacturing and marketing of quality disposable medical devices. It manufactures and supplies products for India and abroad. The company has a diverse portfolio of disposable medical devices in the product verticals of infusion therapy, blood management, gastroenterology, surgery, wound drainage, anaesthesia & urology. Besides, Poly Medicure has been recognised as the largest exporter of medical devices from India for the past eight years.

Global footprints:

The company sells its products in more than 110 countries. Exports contribute to approximately 70 per cent of the revenue, while the remaining revenue comes from India business, which is supported by over 250 people engaged in sales & marketing, product trainings, clinical trainings and supply chain managements. The products of the company are used in more than 4,000 hospitals in the country. The supply chain network is ably supported by distributors, dealers and agents across the country.

The company has a strong track record of manufacturing high quality medical devices in seven state-of-the-art manufacturing facilities in India & abroad including one joint venture. They have 3 manufacturing facilities in Faridabad and 1 each in Jaipur & Haridwar. Apart from having 5 manufacturing plants in India, it has one manufacturing facility in China. The company also holds 23 per cent equity shares in 'Ultra', a joint venture in Egypt, which operates a manufacturing facility in Asyut for disposable medical devices. It also has a wholly owned step-down subsidiary, Plan1 Health SRL, which is an Italy-based manufacturing company.

Poly Medicure manufactures more than 125 products using state-of-the-art technology in ultra-modern facilities covering over 4,00,000 square feet of manufacturing floor space with about 1,00,000 square feet of clean rooms of class 1,00,000 to class 1,000 (ISO Class 7 & 8).

Strategic expansion:

Phase II of IMT, Faridabad plant along with a new manufacturing plant in Mahindra SEZ, Jaipur will become operational shortly. These two expansion projects will further augment the manufacturing capacities of existing as well as new products. The company is also exploring new opportunities in Europe & USA markets. The new products recently launched have received the EU approval (CE mark) and will be launched in select markets in a few months. Apart from this, the company is also planning to expand its distribution network to expand its reach in the tier-II and tier-III cities of the country. The company is also investing more in clinical activities and product trainings to further expand its presence domestically as well as internationally.

Demand outlook:

India emerged as among the top 20 markets for medical devices in the world and the fourth largest market for medical devices in Asia. India imports more than 70 per cent of its medical device needs. A transforming medical technology landscape, improving healthcare delivery, financing mechanisms, and changing patient profile are driving growth in the medical device industry. The growth over the last decade has been tremendous and the current trend shows even greater potential in the coming years. Government of India recognised the dependency of the country on the imports and announced PLI scheme for domestic manufacturers along with setting up of four new medical devices park. The PLI scheme is launched by the Prime Minister of India. It has allotted 1.46 lakh crore to 10 sectors and focusses on incentivising firms to grow fast and also, boost the exports of the country. The increased public spending in healthcare, economic growth leading to higher disposable income, increased penetration of health insurance especially after the pandemic, increased private investment in healthcare. Besides, the emergence of new models will further drive demand for Poly Medicure's products.

Financial performance:

The topline of the firm has been growing at an attractive rate of ~12 per cent on a compounding basis for the past 5 years. The sales of the company grew by ~15 per cent YoY and were at Rs 199.63 crore on a consolidated basis for the quarter ended Sep-

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tember 2020. EBITDA for September 2020 ending quarter stood at Rs 56.52 crore, which was 35 per cent greater from EBITDA of Rs 41.84 crore, a year ago. EBITDA margins also improved from 24.06 per cent to 28.31 per cent, mainly due to the reduced manufacturing expenses. PAT also grew by 23.69 per cent and was at Rs 34.58 crore as against 27.96 crore, a year ago. PAT margin was at 17.32 per cent for Q2FY21. It increased by 771 basis points YoY and 1,343 basis points QoQ. The increase in the margins can also be attributed to better management and productivity efficiencies.

Ratios & Outlook:

The EPS for Q2FY21 on a trailing twelve-month (TTM) basis was at Rs 12.40, as against Rs 9.72 a year ago. The company's shares are trading at a TTM P/E multiple of 40, higher than the average P/E multiple of 32 for the last 4 years. The higher P/E multiple can be attributed to accelerating earnings growth in the most recent quarter (EPS grew by 27 per cent in theSeptember quarter on a TTM basis compared to an increase of 18 per cent for the last 4 years) and expectations of this higher growth over the medium term. The average ROE of the company for the past 5 years stood at 21.54 per cent and it also has a low D/E ratio of 0.47. The ROCE ratio for the company stood at 24.43 per cent, which is in line with the average ROCE ratio of 24.39 per cent for the last 5 years. The company plans to launch new products every quarter, which has a great customer interest around these products. Many of these new product ideas are being generated with the help of specialists and key opinion leaders, which will help them to maintain leadership position in the medical technology space in the coming years. Looking at the government's initiative and support for Atmanirbhar Bharat, the company has garnered lots of government support. The demand for disposable medical equipment is continuously on the rise and as India look to reduce its dependency on the import of these goods, the company is likely to gain advantage from this. With the following perspective, we recommend a BUY call on this stock with a price target of Rs 680.

Inc/Exp Statement (Consolidated)					
Description	202003	201903	201803	201703	201603
Net Sales	687.24	610.83	520.42	455.01	412.26
Total Income	705.70	629.31	534.79	468.54	420.52
Total Expenditure	521.11	479.59	398.46	361.54	324.50
PBIDT	184.59	149.71	136.33	107.00	96.02
PAT	93.74	64.00	69.35	54.54	47.47
Dividend %	40.00	40.00	40.00	50.00	60.00
Adj. EPS(Rs)	10.86	7.41	8.00	6.25	5.47

Quarter On Quarter (Consolidated)					
Particulars	202009	202006	Q on Q Var %	201909	Y on Y Var %
Net Sales	199.63	170.38	17.17	173.88	14.8
Total Expenditure	143.11	124.53	14.92	132.04	8.38
PBIDT (Excl OI)	56.52	45.85	23.26	41.84	35.08
PAT	34.58	26.02	32.92	27.96	23.69
PBIDTM% (Excl OI)	28.31	26.91	5.2	24.06	17.66
PBIDTM%	29.93	28.95	3.39	26.95	11.06
PATM%	17.32	15.27	13.43	16.08	7.71
Adj. EPS(Rs)	3.97	3.03	31.02	3.22	23.29

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- **Sell:** The intended audience is being informed that they can consider selling the shares of the said company
- **Hold:** The intended audience is being informed that they can consider to neither purchase or sell but continue to hold, if any, the shares of the said company