

News monitored for: Granules India

Recommendations

Equity

GRANULES INDIA WINNING FORMULA

CHOICE

1 Year Investment Horizon

India is among the top six global pharmaceutical producers in the world. Indian vaccines are exported to 150 countries. Approximately 70 per cent of the patients in developing countries receive Indian medicines. India is expected to rank among the top three pharmaceutical markets in terms of incremental growth by 2020. In this emerging pharmaceutical market, Granules India (GIL) has had a strong presence since the last many years in the Indian market.

GIL is a leading pharmaceutical company that produces active pharmaceutical ingredients (APIs), pharmaceutical formulation intermediates (PFIs) and finished dosages (FDs). Over the years the company has been moving up the value curve. The company started with manufacturing APIs, then added granulation on an outsourced basis and after expanding its manufacturing integration, now sells finished dosage formulations. The company is now moving towards manufacturing more complex and high-yielding products.

Realising the need to move into higher value and higher profitability business segments, GIL has continuously been stepping up its contribution of finished dosage products to total sales. Interestingly, it is among the very few Indian players to have

scaled up PFIs to a meaningful level. The company has expanded its formulations' facility, taking the total capacity from 6 billion to 18 billion tablets at its Gagilapur plant. The company is in the process of further increasing its PFI capacity to 18,000 tonnes per year by the end of 2015. The expansion would help in increasing its growth momentum over the next 2-3 years, along with margin expansion due to faster growth in high-margin businesses and greater capacity utilisation.

On the financial front, in Q1 FY16, GIL performed well. The total income from its operations rose by 11.23 per cent to ₹346 crore in Q1 FY16 as against Q1 FY15. The EBITDA rose by 17 per cent and the EBITDA margin expanded by 88 basis points to 17.86 per cent. The net profit of the company stood at ₹27.15 crore, having increased by 18.71 per cent on a yearly basis. GIL also performed very well in FY15. Its total income grew by 17.98 per cent to ₹1,293 crore, the EBITDA rose by 31.79 per cent and the EBITDA margin expanded by 169 basis points to 16.13 per cent on a yearly basis. The net profit increased by 20.84 per cent to ₹90.91 crore in FY15 on a YoY basis.

The company acquired an API company called Auctus Pharma in February 2014 for ₹120 crore, having revenues of ₹109 crore. The acquisition fits into GIL's scheme of business and provides a ready platform for expanding its base. The company has also entered into a 50-50 JV with Ajinomoto OmniChem, providing it a de-risk strategy and a steady stream of revenues with healthy margins. Considering the recent acquisitions, JVs and strong financial performance, we recommended our readers to buy this stock for good returns over a long-term period.

HERE IS WHY

Capacity expansion in high-margin PFI business.

Strong financial performance.

Creating long-term value addition through JVs and acquisitions.

Best of LAST ONE Year			
Name of Company	Reco Price (₹)	CMP (₹)	Gain (%)
CCL Products	114.00	236.50	107.46
Can Fin Homes	615.00	910.00	47.97
Indo National	776.00	1041.00	34.15
WABCO India	5388.00	6879.00	27.67
Shemaroo Entertainment	219.00	274.00	25.11

(Closing price as of Sept 29, 2015)



Note: The stocks recommended under this section are fundamentally strong stocks. However investors are advised to wait for the correct opportunity to enter these stocks considering the market sentiment right now.

Shareholding Pattern		Last Five Quarters (₹/Cr)					
30/06/2015		Particulars	Jun-15	Mar-15	Dec-14	Sep-14	Jun-14
Promoter	48.47	Total Income	345.94	354.60	319.67	307.63	311.02
FII	2.85	Other Income	2.13	2.51	0.87	0.54	0.42
DII	0.20	Operating Profit	63.93	51.52	55.32	52.89	53.23
Others	48.48	Interest	8.31	7.97	8.93	8.03	7.43
Total	100	Net Profit	27.15	22.40	23.56	22.08	22.87
		Equity	20.48	20.43	20.43	20.41	20.36