

Research Report

Ipca Laborities Ltd



Prepared by
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About

Ipca Laboratories is engaged in the manufacturing and marketing of pharmaceuticals. For more than 60 years, Ipca has been a crucial healthcare partner in over 120 countries across the 6 continents. We are a fully-integrated pharmaceutical company that manufactures over 350 formulations and 80 APIs for various therapeutic segments.

API Business

Ipca produces over 80 APIs, nearly 79% of the APIs and Intermediates business is from exports making them one of India's top exporters of APIs, serving over 100 countries around the globe. The core strategic focus has been on backward integration, resulting in superior supply chain reliability and cost competitiveness.

Manufacturing Facilities

The Company has 18 manufacturing units in India manufacturing APIs and formulations for the world market and Leading brands in Pain, Rheumatology, Antimalarials, and Haircare therapy in India.

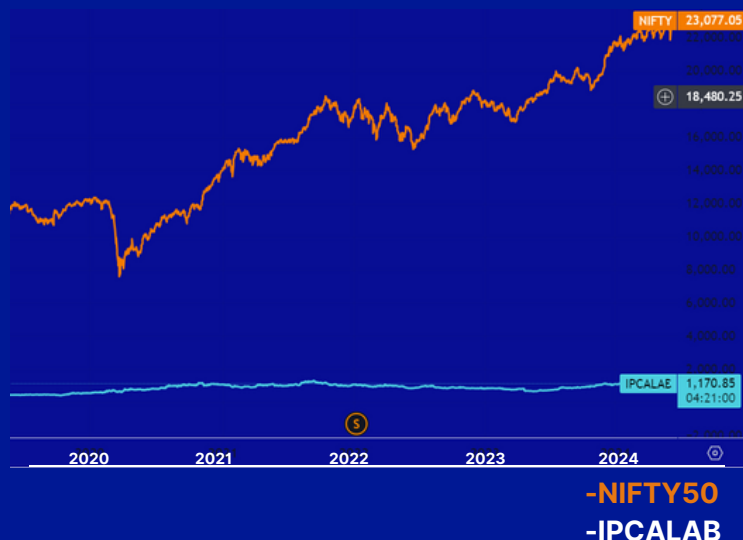
Synopsis of Financials

- Sales has increased due to increase in sale of products.
- Moreover, Revenue has increased from sale of services.
- Majorly Profit of the company sale of products.

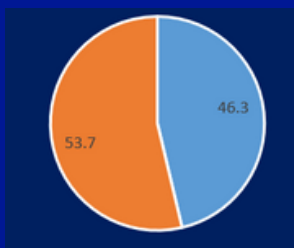
Stock data (as on 7th June 2024)

Nifty Price	: 23,178.05
52 week High (in Rs.)	: 1,375
52 week Low (in Rs.)	: 691
Market Cap. (in Crore)	: 29,426Cr.
NSE Code	: IPCALAB

Stock data (2020-2024)



Shareholding Pattern (March 2024)



-PUBLIC GROUP
-PROMOTER GROUP

Financial Summary

Particulars	March 2024	March 2023	March 2022
Sales	7,705	6,204	5,797
Sales Growth %	24.19%	7.03%	7.45%
Operating Profit	1,321	932	1,325
OPM %	17%	15%	23%
Profit before tax	843	745	1,136
YOY Growth	-	7%	7%
EPS in Rs	21.57	18.58	34.85

Synopsis Quarter Results

Con-Call Q4FY24: Key Highlights

Domestic Formulation Business:

- Achieved a growth of around 13% for the quarter and 12% for the whole year.
- Ranked as the 16th pharmaceutical company in the Indian market.
- Beat both chronic and acute therapies in Q4, with a growth of 15% according to IQVIA.
- Market share improved to 2.04% as of March 2024.
- Focused on top cities, resulting in a growth of 16% in top 6 metros.
- Continuously beating the overall market growth in the domestic market.
- Expecting a business growth of around 10.5% to 11% for FY '25.

Export Formulation Business:

- Recorded a growth of around 9% for the quarter.
- Experienced challenges in the promotional market in Russia and West Africa.
- Margins improved with EBITDA margin at 18.5% for the quarter and 19.29% for the full year.
- Material cost to sales ratio improved to 32.08% from 35.58% in FY '23.
- Expecting EBITDA margins to further improve to 20.5% to 21% for FY '25.

Future Guidance:

- Expecting consolidated business to grow at around 14% to 14.25% for FY '25.
- Anticipating consolidated EBITDA to improve further to around 18% for FY '25.
- Working on cost reduction strategies and operational efficiency improvements.
- Integration benefits from Unichem acquisition are expected to enhance procurement efficiencies.
- Focusing on expanding Unichem's product portfolio in various markets like Europe, Australia, New Zealand, Canada, and South Africa.
- Initiatives ongoing for API cost reduction and market extensions to drive future growth.

Challenges and Opportunities:

- Facing challenges in the promotional market in Russia and West Africa.
- Working on stability and data compilation for U.S. filings, expecting a gradual ramp-up.
- Utilizing Unichem acquisition synergies for procurement efficiencies and operational improvements.
- Optimistic about achieving integration benefits and cost reductions in the future.

Integration of Unichem:

- Unichem is present in Europe and marketing 5-6 products, while in the U.S. market they have over 80 products.
- Currently selling more than 50 products in the U.S.
- Integration with Unichem will be a key driver for growth.
- EBITDA margin guidance of 18% for FY '25.
- Unichem expected to achieve around INR225 crores of EBITDA in FY '25.
- Ipca's EBITDA margins expected to increase from 19.29% to around 20.5-21%

Quarterly Results

Particular	Sep 2022	Dec 2022	Mar 2023	Jun 2023	Sep 2023	Dec2023	Mar 2024
Sales	1,600.95	1,546.00	1,511.63	1,585.21	2,033.96	2,052.86	2,033.01
Expenses	1,341.24	1,330.14	1,330.59	1,277.59	1,712.69	1,721.98	1,711.11
Operating Profit	259.71	215.86	181.04	307.62	321.27	330.88	321.90
OPM %	16.22%	13.96%	11.98%	19.41%	15.80%	16.12%	15.83%
Other Income	36.23	30.89	36.39	44.85	38.55	90.91	-117.80
Interest	9.31	10.84	18.45	31.38	44.12	33.40	29.37
Depreciation	63.74	66.57	69.54	69.27	90.34	99.50	98.13
Profit before tax	222.89	169.34	129.44	251.82	225.36	288.89	76.60
Tax %	34.55%	31.73%	37.37%	34.00%	39.01%	22.93%	96.20%
Net Profit	145.89	109.72	78.14	164.10	136.49	221.00	1.33

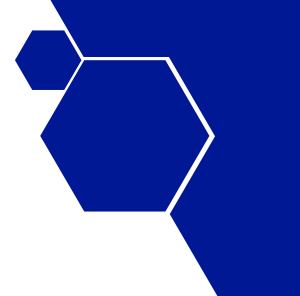
Source: Screener

Key Ratios

Ratio	Numerator/ Denominator	Units	31 st March, 2023	31 st March, 2022	% Variance
Current Ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	No. of times	2.91	3.13	-7%
Debt Equity Ratio	$\frac{\text{Total Debt}}{\text{Shareholder's Equity}}$	No. of times	0.24	0.14	71%
Net Profit Ratio	$\frac{\text{Net Profit}}{\text{Net Sales}}$	Percentage	8.75%	16.01%	-45%
Return on Equity	$\frac{\text{Net Profit after taxes}}{\text{Average Shareholder's Equity}}$	Percentage	8.91%	16.88%	-47%
Return on Capital Employed	$\frac{\text{EBIT}}{\text{Capital employed}}$	Percentage	10.62%	16.91%	-37%
Return on Investment	$\frac{\text{Interest on Mutual Fund, F.D.R \& I.C.D}}{\text{Average amount of Mutual Fund, F.D.R \& I.C.D}}$	Percentage	4.01%	3.19%	26%
Trade Receivable Turnover Ratio	$\frac{\text{Net Credit Sales}}{\text{Average Account Receivable}}$	No. of times	6.60	6.70	-1%
Trade payable Turnover Ratio	$\frac{\text{Net Credit Purchase}}{\text{Average Trade Payable(incl. services)}}$	No. of times	4.11	3.94	5%
Inventory Turnover Ratio	$\frac{\text{Cost of goods Sold}}{\text{Average Inventory}}$	No. of times	1.20	1.08	12%
Net capital turnover ratio	$\frac{\text{Net Sales}}{\text{Average Working Capital}}$	No. of times	1.90	2.11	-10%

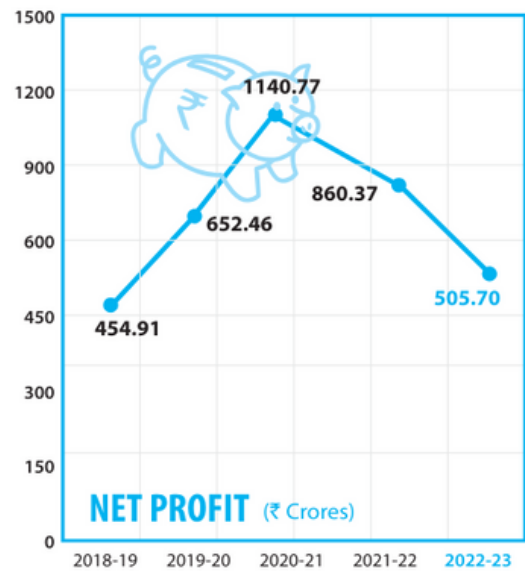
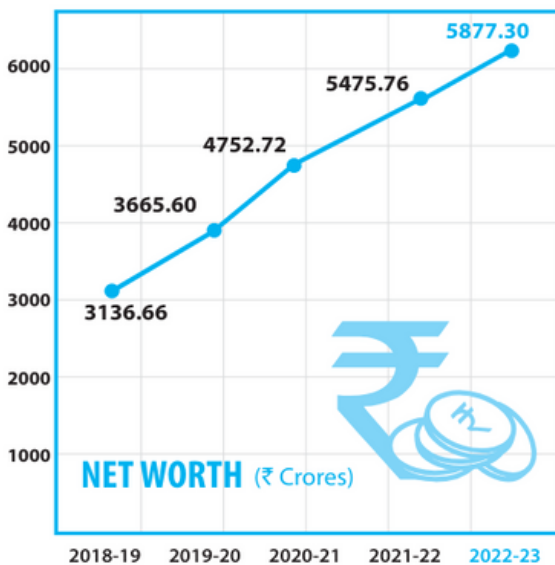
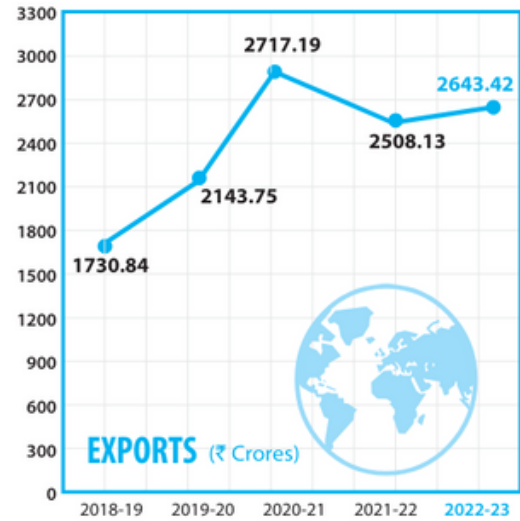
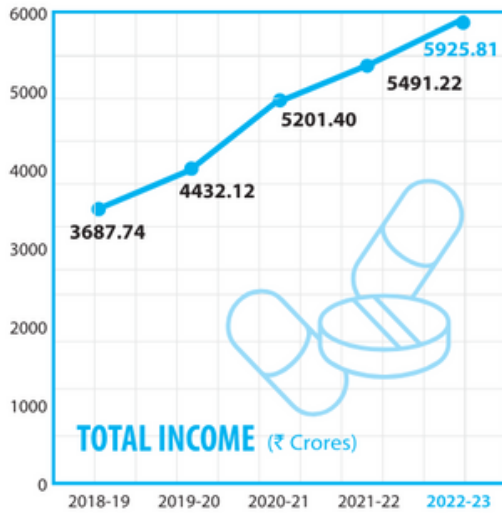
Source: Annual Report

Yearly Results

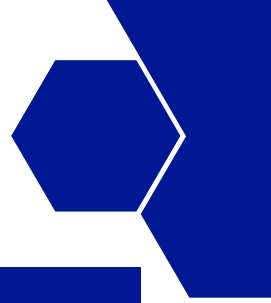


Particulars	Mar 2022	Mar 2023	Mar 2024
Equity Capital	25	25	25
Reserves	5,439	5,817	6,307
Borrowings	807	1,481	1,438
Other Liabilities	1,349	1,300	3,331
Total Liabilities	7,622	8,623	11,101
Fixed Assets	2,402	2,751	4,573
CWIP	306	140	324
Investments	989	626	862
Other Assets	3,924	5,105	5,343
Total Assets	7,622	8,623	11,101

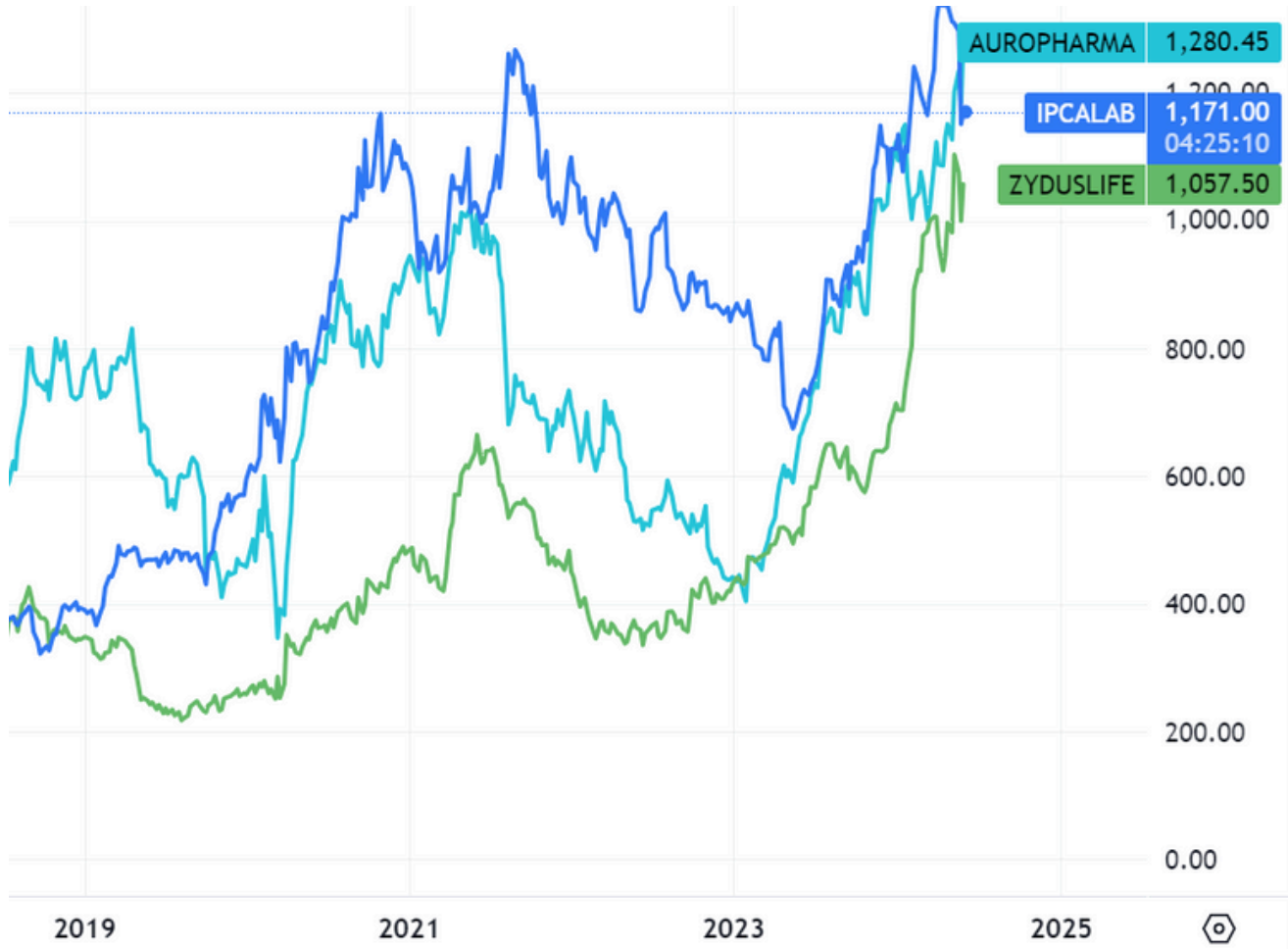
Financial Performance



Peer Comparison



Peer Stock Performance (5Y) Indexed



Source: Trading View

Peer Financial Performance

Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
Sun Pharma.Inds.	1478.80	35.48	354813.65	0.77	2658.74	28.70	11982.90	9.63	17.31
Cipla	1489.15	28.24	120233.19	0.57	931.87	48.80	6163.24	7.39	23.08
Zydus Lifesci.	1049.65	27.39	105619.36	0.28	1246.10	94.59	5533.80	10.44	22.40
Dr Reddy's Labs	5945.50	17.79	99181.77	0.68	1309.80	36.42	7113.80	12.65	26.86
Mankind Pharma	2174.80	47.73	87130.14	0.00	454.17	61.63	2152.69	14.99	26.11
Lupin	1627.30	38.76	74164.24	0.25	368.22	52.33	4960.79	11.98	15.90
Aurobindo Pharma	1258.60	22.48	73746.24	0.36	907.35	92.29	7580.15	17.10	14.17
Ipca Labs.	1159.85	49.86	29425.90	0.33	1.33	-15.89	2033.01	34.49	13.15

Source: Screener

Final Outlook



IPCALAB: Hold | LTP:1,160

Ipca Laboratories shares continued to trade in negative territory. During market hours on Wednesday, May 29, Ipca Labs reported a 22.12 per cent year-on-year (YoY) fall in Q4FY24 consolidated net profit to ₹59.59 crore compared to a profit of ₹76.52 crore in the same period last year. However, the company's revenue rose 34.5 per cent YoY to ₹2,033.01 crore compared with ₹1,511.63 crore in the same quarter last year. Manufacturing sector growth expected to be slightly slower in the coming year. Focus on cost efficiency and consolidation continuing in the market. Positive outlook for Europe market performance. But Fundamentally the revenue of ipca lab is going downwards from last 3 years. so recommendation is to hold it as the future accept is good of the company.