

FDC Ltd.

₹ 229

*The Leader in ORS!***Buy**

Dec 11, 2015

Company Background

FDC was incorporated as Fairdeal Corporation Pvt. Ltd. and was listed as FDC Ltd. in 1990. It operates in the healthcare sector for over 7 decades ever since the founder set up Fairdeal Corporation to import drugs, infant foods and surgical appliances for distribution in India. It is a forerunner in manufacturing and marketing of Oral Rehydration Salts (ORS) and Ophthalmics. FDC has also set-up globally approved, multi-location manufacturing facilities for Active Pharmaceuticals Ingredients (APIs) as well as Finished Dosage Forms. These facilities are located at Roha, Waluj and Sinnar in Maharashtra, Verna in Goa and Baddi in Himachal Pradesh. FDC markets more than 300 products in India and exports many of these to over 50 countries. The major products of the company can be classified into 3 types: Therapeutic Formulations, Nutraceuticals & Foods and Active Pharmaceutical Ingredients.

Key Highlights

- ➔ FDC products and manufacturing facilities have been inspected and approved multiple times by major Regulatory bodies. FDC facilities have undergone over 30 extensive audits by regulatory authorities including the US-FDA, UK-MHRA, SA-MCC and ANVISA (Brazil) & WHO-GMP. Most importantly, its facilities have been approved by these authorities on every occasion.
- ➔ With growth envisaged in the nutraceutical markets, FDC has recently upgraded its facility at Sinnar, Nashik to a state-of-the-art food products manufacturing facility with modern amenities.
- ➔ FDC is a pioneer in the manufacture of specialized formulations, and the world's leading manufacturer of ORS (Oral Rehydration Salts) since 1972.
- ➔ Till date FDC has developed over twenty-three APIs of which fourteen have already been commercialized and exported across the world. It has filed 11 USDMFs and 6 CEPs for APIs. It also has 16 more API's under development.
- ➔ FDC operates through 7 divisions including 2 new specialty divisions, one with a basket of Cardiovascular & Anti-diabetic products & the other covers ophthalmic products reaching 12,200 of Top Ophthalmologists. Overall, FDC product basket covers 14 therapeutic segments with a strong brand portfolio.

Key Financials

Year Ended 31 st	Mar 13	Mar 14	Mar 15
Revenue (INR mn)	8,116.3	8,787.5	9,222.9
Rev. growth (%)	11.45	8.27	4.95
EBITDA (INR mn)	2,302.1	2,249.2	2,422.7
Net profit (INR mn)	1,583.3	1,344.2	1,459.1
Shares outstanding (mn)	180.8	177.8	177.8
EPS (INR)	8.8	7.6	8.2
EPS growth (%)	20.70	(13.67)	8.55
P/E (x)	10.52	16.66	18.48
RONW (%)	21.62	19.07	16.46
ROCE (%)	21.57	19.04	16.44

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Info Codes

Reuters	: FDC.BO
Bloomberg	: FDCLT@IN
NSE	: FDC
BSE	: 531599

Market Data

52 Wk Range (₹)	: 145 / 274
Shares in Issue (mn)	: 177.8
Mkt. Cap (₹ bn)	: 41.35
BSE 2 Wk Avg Vol	: 29000

Share Holding Pattern (%)

Promoters	: 68.89
FII's	: 9.26
DII's	: 4.50
Others	: 17.35

Investment Theme

FDC is a pioneer in the manufacture of specialized formulations, and the world's leading manufacturer of ORS (Oral Rehydration Salts) since 1972. It's a fully-integrated Pharmaceutical Company, with US-FDA and UK-MHRA approved API and formulations manufacturing facilities. FDC was the first in South East Asia to offer ophthalmic formulations, using Blow-Fill-Seal (BFS) technology. It has presence in many segments viz.: anti-infectives, gastrointestinals, ophthalmologicals, vitamins / minerals / dietary supplements, cardiac, anti-diabetes, respiratory, gynaecology, dermatology, analgesics and others with many leading brands in their respective segments in India. FDC also has a wide range of functional foods and beverages. with many well known brands. We feel FDC has a good future considering the growth expected in the Pharma Sector in the coming years.

Known brands, Unkown Company !

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 13	Mar 14	% Chg	Mar 15	% Chg
Total Sales + Excise	7,802.7	8,537.6	9.4	8,967.7	5.0
Other Income	475.1	190.3	(59.9)	447.9	135.4
Change in Stocks	(74.7)	31.2	(141.8)	81.0	159.6
Raw Material Con.	1,625.8	1,874.1	15.3	1,957.6	4.5
Employee Exp.	1,064.3	1,207.4	13.4	1,362.4	12.8
Indirect Taxes	188.9	186.8	(1.1)	214.2	14.7
Other Exp.	3,230.2	3,440.3	6.5	3,745.8	8.9
Operating Exp.	6,183.9	6,677.4	8.0	7,199.0	7.8
Operating Profit	1,618.8	1,860.2	14.9	1,768.7	(4.9)
Total Interest	15.1	30.1	99.3	17.5	(41.9)
Gross Profit	2,078.8	2,020.4	(2.8)	2,199.1	8.8
Net Dep.	69.2	75.5	9.1	186.6	147.2
Total Taxation	426.3	600.7	40.9	553.4	(7.9)
Net Profit/Loss	1,583.3	1,344.2	(15.1)	1,459.1	8.5

4 Years Balance Sheet

(₹ mn)

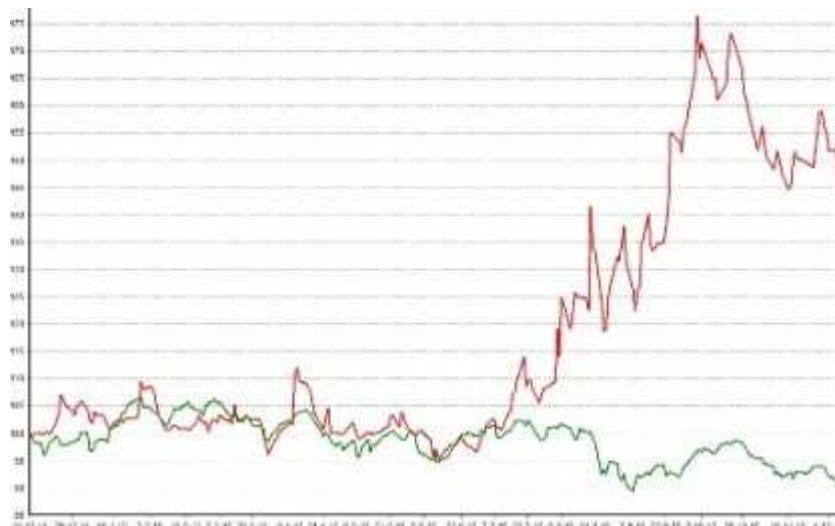
Balance Sheet as on 31 st	Mar 12	Mar 13	Mar 14	Mar 15
SOURCES OF FUNDS	6891.1	7805.7	8412.5	9301.7
Equity Share capital	183.7	181.6	178.6	178.6
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	6690.2	7609.7	8221.4	9112.4
Long Term Loans	17.2	14.4	12.5	10.7
Short Term Loans	0.0	0.0	0.0	0.0
USES OF FUNDS	6891.1	7805.7	8412.5	9301.7
Gross Block	4141.5	4371.8	4545.7	6137.5
Less : Revaluation Reserves	6.5	5.7	4.9	4.9
Less : Accumulated Depreciation	1341.5	1606.1	1824.3	2324.0
Net Block	2793.5	2760.0	2716.5	3808.6
Capital Work in Progress	107.2	72.2	181.1	288.1
Investments	3495.1	4329.1	4232.2	4956.1
Current Assets	2199.0	2517.2	3544.6	2373.3
Less : Current Liabilities	1710.0	1878.3	2267.0	2129.1
Total Net Current Assets	489.0	638.9	1277.6	244.2
Misc. Expenses not writtenoff	6.3	5.5	5.1	4.7
NOTE				
Bk Val Unquoted Investments	918.4	221.0	279.3	567.4
Mkt Val. Quoted Investments	2550.2	3337.4	3883.3	4450.8
Contingent Liabilities	175.7	129.6	285.7	212.3
Dividend (%)	200.0	225.0	225.0	225.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Dec 14	Mar 15	Jun 15	Sep 15
Net Sales	2,025.4	2,164.8	2,605.9	2,593.8
Cost Of Sales	1,579.4	1,765.5	2,007.7	1,994.7
Operating Profit	446.0	399.3	598.2	599.1
Other Income	57.5	141.0	116.8	132.3
Adjusted PBDIT	503.5	540.3	715.0	731.4
Financial Expenses	3.3	3.8	3.7	3.5
Depreciation	84.0	86.3	84.6	88.8
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	416.2	450.2	626.7	639.1
Tax Charges	117.0	111.3	189.5	178.3
Adjusted PAT	299.2	338.9	437.2	460.8
Non Recurring Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Net Profit	299.2	338.9	437.2	460.8

52 Week Index Relative Percentage Appreciation



FDC vs SENSEX

Risks Associated

- The Company has operations in many countries around the world. Each such country poses its own challenges in terms of the economic and political conditions of that country. Any adverse political and/or economic development in these countries may affect the business of the Company in those countries.
- The Company is present in the generics segment of pharmaceutical markets in different countries. The generics market is characterized by the presence of a large number of players who compete with each other continuously to increase their respective market shares. This competition puts constant pressure on the prices which the Company charges to its customers. Apart from this, the governments of different countries apply periodic price cuts on the pharmaceutical products so as to keep the healthcare cost under control.
- Stringent regulations and quality standards are prescribed by the regulatory authorities across the globe for the pharmaceutical products and their manufacturing and supply chain processes in order to protect the interests of the patients. Any deviation from the prescribed regulations or any variation in the quality from the prescribed standards may lead to punitive actions by the regulatory authorities.
- Competitors & innovator pharmaceutical companies holding patents for products and processes may sue the Company if the Company's products or processes are claimed to be infringing upon their intellectual property rights.

In a Nutshell

FDC started as just an import house for medicines and nutraceuticals and today as a corporate it is ranked at 25th position, recording a growth of 8.1% and a domestic market share of 1.01%. In the last 7 decades has nicely established its presence. The company has since then launched products in various therapeutic areas. It has developed formulations as collaboration project with overseas Companies and the dossiers of products have been submitted for registration. It has also developed novel drug delivery technologies and patents for Gastro retention dosage form multilayer tablets, floating suspensions and matrix system. The Company's main focus is on the development of cost-effective processes for generic APIs, based on patent expiry. FDC now operates through 7 marketing divisions including 2 new specialty divisions. Apart from the consumer division it is also focussing on the Institutional sales and has launched an Institutional vertical. FDC also continues to supply innovative Active Pharmaceutical Ingredients (APIs) and finished formulations to its esteemed customers, worldwide. Most of the brands of FDC like Electral are very popular in domestic markets. The Indian Pharmaceutical Market grew by 12.9% to touch the market size of Rs. 864.1 bn, during the year ended March 2015. It is still among the most promising sector the markets look upto. FDC should receive a fair share of this growth pie. We therefore recommend to Buy this stock.

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Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months

Accumulate : Expected to appreciate 10% to 20% over 12-months

Trade Buy : Expected to appreciate more than 10% over 45-days

Reduce : Expected to depreciate up to 10% over 12-months

Sell : Expected to depreciate 10% or more over 12-months

Trade Sell : Expected to depreciate more than 10% over 45-days

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