

FDC Ltd.

₹243

Faste growing Sector...!!!

Buy



Jan 12, 2018

Company Background

FDC manufactures Electral, oral rehydration salt, being a leader in this segment with market share has improved from 1.24% to 1.32% and its market rank has improved from 25th to 22nd. It manufactures bulk drugs, formulations and food products. Company tries to explore, innovate & integrate solutions with modern technology, empowering talent and expanding healthcare horizons for a better quality of life to millions. It has totally 5 plants in India, Roha unit manufactures pharma dosage forms, food products and bulk drugs. Goa plant manufacture of tablet dosage forms. The plant is designed to meet UK/US standards on solid dosage form. Ophthalmics, Oral liquids, Oral powders and External powders are produced in Waluj plant and this products are exporting to US, Europe, South America, Asia-Pacific and African countries. Sinner plant is one of the largest facility for the manufacture of Oral Rehydration salts with exports to almost the entire globe. This plant is approved by UNICEF, W.H.O, MSF, Tanzania FDA, PMPB Malawi, Ethiopia and the IDA Netherlands. Baddi unit deals with Cephalosporins and its combination products. The plant has the capacity to manufacture Solid and Liquid dosage forms of Cephalosporins. FDC markets more than 300 products in India & exports to more than 50 countries.

Key Highlights

- ➔ For FY 2016-17 company posted Net sales by 2.2% growth to ₹ 10089.10 mn, other income rose by 24.20% to ₹ 496.50 mn, operating profit improved by 7% to ₹ 2857.20 mn and net profit also jumped by 10.8% to ₹ 1870.70 mn on YoY basis.
- ➔ For Q2 Net sales rose by 28.65% to ₹ 3046.30 mn, operating profit was spiked by 153.22% to ₹ 900.20 mn, and financial charges was declined by 5.88% to ₹ 3.2 mn net profit increased by 121.63% to ₹ 648.70 mn on quarterly basis.
- ➔ During the year company has launched various Products in the market such as Ten DC & Ten DCM, Vitcofol Hb, Zocon KZ Shampoo, etc.
- ➔ Company has launched recently, the Enerzal 500 ml in pet bottle as well as 1 Litre in Tetrapak with Orange and Apple flavour.

Key Financials

Year Ended 31 st	Mar 15	Mar 16	Mar 17
Revenue (INR mn)	9,411.3	10,498.7	10,956.7
Rev. growth (%)	5.52	11.55	4.36
EBITDA (INR mn)	2,445.4	2,411.0	2,669.4
Net profit (INR mn)	1,459.1	1,689.0	1,870.7
Shares outstanding (mn)	178.6	178.6	178.6
EPS (INR)	7.7	9.5	10.5
EPS growth (%)	7.98	22.70	10.68
P/E (x)	19.67	19.58	18.14
RONW (%)	16.50	16.84	15.99
ROCE (%)	22.87	23.23	21.44

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Info Codes

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

Market Data

52 Wk Range (₹)	: 164/270
Shares in Issue (mn)	: 178.60
Market. Cap (bn)	: 43.25
BSE 2 Wk Avg Vol	: 8938

Share Holding Pattern (%)

Promoters Holding	: 69.00
Public & Others	: 14.00
Corporate Holding	: 02.00
Foreign Institution	: 10.00
Institutions	: 05.00

Investment Theme

Indian pharmaceutical sector is estimated to account for 3.1-3.6% of the global pharmaceutical industry in value terms and 10% in volume terms. Indian pharma industry is expected to expand at a CAGR of 12.89% over 2015-20 to reach \$ 55 bn, grew by 10.3% to reach the market size of ₹1,11,135 cr, during the year ended March 31, 2017. India is the second largest contributor of global biotech and pharmaceutical workforce. Indian healthcare sector, one of the fastest growing sector, is expected to cross \$ 372 bn by 2022. By 2024-25, India's biotech industry is estimated to increase to \$ 100 bn from \$ 11 bn in FY 2015-16. Around 3,297 products were introduced during the year. Company total income of 10956.70 mn as against 10498.70 in the previous year, growth was 4.36%. Net Profit was 1870.70 mn as against 1689 mn in the previous year.

Being a leader in Oral Rehydration Salt...!!!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 15	Mar 16	% Chg	Mar 17	% Chg
Net Sales	8,776.4	9,868.1	12.4	10,089.1	2.2
Other Income	443.6	399.8	(9.9)	496.5	24.2
Change in Stocks	80.9	65.0	(19.7)	23.3	(64.2)
Raw Material Con.	3,411.8	3,613.6	5.9	3,390.6	(6.2)
Employee Exp.	1,362.4	1,745.3	28.1	1,899.3	8.8
Indirect Taxes	191.3	230.8	20.6	371.1	60.8
Other Exp.	1,924.4	2,073.7	7.8	2,090.7	0.8
Operating Exp.	6,889.9	7,663.4	11.2	7,751.7	1.2
Operating Profit	2,411.0	2,669.5	10.7	2,857.2	7.0
Total Interest	17.5	14.0	(20.0)	14.1	0.7
Gross Profit	2,393.5	2,655.5	10.9	2,843.1	7.1
Net Dep.	385.0	336.2	(12.7)	345.2	2.7
Total Taxation	549.4	630.3	14.7	627.2	(0.5)
Net Profit/Loss	1,459.1	1,689.0	15.8	1,870.7	10.8

4 Years Balance Sheet

(₹ mn)

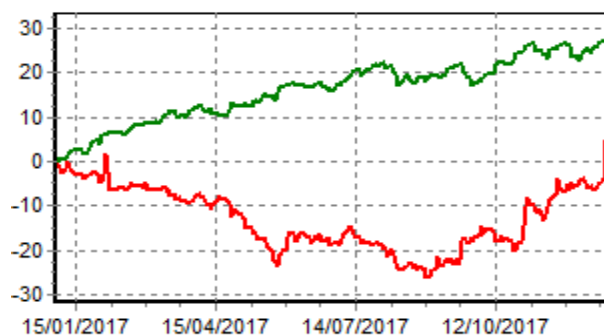
Balance Sheet as on 31 st	Mar 14	Mar 15	Mar 16	Mar 17
SOURCES OF FUNDS	8,417.4	9,312.1	10,779.3	12,648.7
Equity Share capital	178.6	178.6	178.6	178.6
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	8,226.3	9,117.2	10,586.7	12,458.6
Secured Loans	0.0	0.0	0.0	0.0
Unsecured Loans	12.5	16.3	14.0	11.5
USES OF FUNDS	8,417.4	9,312.1	10,779.3	12,648.7
Gross Block	4,545.7	6,137.6	7,042.6	7,421.0
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	1,824.3	2,323.9	333.6	676.1
Net Block	2,721.4	3,813.7	6,709.0	6,744.9
Capital Work in Progress	180.9	288.1	199.3	63.4
Investments	4,232.2	4,956.0	3,251.7	4,913.5
Current Assets	2,072.2	2,256.8	2,346.4	2,664.4
Less : Current Liabilities	1,793.5	1,855.6	1,620.1	1,665.7
Total Net Current Assets	278.7	401.2	726.3	998.7
Misc. Expenses not writtenoff	1,004.2	(146.9)	(107.0)	(71.8)
NOTE				
Book Value of Unquoted Investments	2,578.3	3,292.2	3,236.8	4,727.8
Market Value of Quoted Investments	1,584.3	1,725.9	14.9	185.7
Contingent Liabilities	250.6	209.9	317.4	246.4
Dividend (%)	225.0	225.0	225.0	225.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Dec 16	Mar 17	Jun 17	Sep 17
Net Sales	2,146.7	2,491.8	2,367.9	3,046.3
Cost Of Sales	1,779.7	1,953.4	2,012.4	2,146.1
Operating Profit	367.0	538.4	355.5	900.2
Other Income	53.2	160.7	138.2	110.2
Adjusted PBDIT	420.2	699.1	493.7	1,010.4
Financial Expenses	3.6	2.9	3.4	3.2
Depreciation	89.4	88.4	92.9	89.4
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	327.2	607.8	397.4	917.8
Tax Charges	106.9	117.0	104.7	269.1
Reported Profit	220.3	490.8	292.7	648.7
Extra Ordinary Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Adjusted Net Profit	220.3	490.8	292.7	648.7

52 Week Index Relative Percentage Appreciation



FDC Ltd. vs SENSEX

Risks Associated

- ➔ Forex currency exchange risk is arising, when there is a changes in currency rates due to company is involving in exports.

Scope of Growth

- ➔ India's cost of production is approximately 33% lower than that of the US, emerging as a leading destination for medical tourism.
- ➔ Growth opportunities for pharma is expected to grow in next few years, with many drugs going off-patent in the US and other countries, thus increasing competition.
- ➔ Company's export turnover for the financial year March 31, 2017 of API and Finished formulations was ₹ 1557.65 mn, 14.21% of total revenue.
- ➔ Company has launched various Products in the market such as Ten DC & Ten DCM, Vitcofol Hb, Zocon KZ Shampoo and Enerzal 500 ml in pet bottle as well as 1 Litre in Tetrapak with Orange and Apple flavour.
- ➔ Roha facility is manufacturing APIs, 90% of APIs are exporting to USA, Canada, Japan, Malaysia, Europe and the Middle East countries.
- ➔ Sinner plant is one of the largest facility for the manufacture of Oral Rehydration salts with exports to almost to entire globe. FDC marketing more than 300 products in India and exports many of these to more than 50 countries.
- ➔ FDC is a fully integrated, research-oriented pharmaceutical company its R&D centres are located at Mumbai, Goa and Roha, the R&D activity is on Formulations and Biotechnology.

In a Nutshell

FDC manufactures Electral, oral rehydration salt, being a leader in this segment with market share has improved from 1.24% to 1.32%. It has 5 plant at Roha, Waluj, Goa, Sinnar and Baddi. Roha plant dedicated for Bulk APIs and Foods manufacturing. Waluj manufactures Ophthalmics, Oral liquids, Oral powders and External powders. Goa facility for Tablets, Capsules and Oral Rehydration Salts. Sinnar plant is one of the largest facilities for the manufacture of Oral Rehydration salts with exports to almost the entire globe. Baddi facility is dedicated to manufacturing Cephalosporins and its combination products. Company's top brands namely ELECTRAL and ZIFI continues to feature in the list of top 300 brands. During the year it has launched various Products in the market such as Ten DC & Ten DCM, Vitcofol Hb, Zocon KZ Shampoo, etc. R&D centers located at Mumbai and Roha, Raigad are engaged in process development of niche products, particularly in area of Ophthalmic, Antihypertensive, Antifungal and New Chemical entity. During the year, Company has launched the Enerzal 500 ml in pet bottle as well as 1 litre in Tetrapak with Orange and Apple flavour. To expand product of Infant Milk Substitute, the division is working on development for range of Simyl MCT with some added micro nutrients like Nucleotides, Amino Acids and Omega3, O6 and also has developed MUM MUM 2, which is under study. Company's export income for the financial year March 31, 2017 of API and Finished formulations was ₹ 1557.65 mn as compared to ₹ 1452.46 mn for the financial year March 31, 2016. Board of Directors are recommend the final dividend of ₹ 2.25 per equity share for the financial year March 31, 2017.

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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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