

Piramal Enterprises

₹2495

*Diversified Business...!!!***Buy**

Mar 16, 2018

Company Background

Piramal Enterprises is the flagship company of the Piramal Group. Started from the mid-1980s, PEL has shifted its focus from the textiles industry to establish Pharma, Information Management, and Financial Services. When Indian pharma industry was focused on international generics, it invested in domestic formulation businesses. Company anticipated the potential of financial services and invested in non-banking financial companies to leverage a financially under-served India. When the world was talking about critical healthcare, PEL realised the power of information and invested in healthcare analytics. Company work is a reflection of its core values-Knowledge, Action, Care and Impact. It develop and consolidate an international business network by partnering with global market leaders, committed to creating long-term value to all stakeholders. Company generates more than 51% of its revenues from international markets. PEL is a world leader in glass packaging solutions for the Cosmetics & Perfumery, Pharma, Specialty Foods & Beverages industries. Piramal Glass is the largest specialty glass player in Asia and has been the fastest growing glass company in the world, in the past decade. It has glass manufacturing units in India, USA and Sri Lanka.

Key Highlights

- ➔ Company plans to launch first generic version of Desflurane, latest generation inhalation anaesthesia product, in FY 2018.
- ➔ During the year, it added two niche differentiated product portfolios in Global Pharma products business; injectable anaesthesia & pain management.
- ➔ India Consumer Product business expanded its geographical presence to 4,20,000 outlets across 2,000 towns of India. To use this large distribution network, it has added more products both organically & through acquisitions.
- ➔ Company has total three business areas; pharama 47%, Financial Services 39% and Healthcare Insight & Analytics 14% contributions to total revenue.
- ➔ Post demonetisation and introduction of Real Estate Regulation Act in FY 2017, Indian real estate industry has matured considerably with enhanced transparency.

Key Financials

Year Ended 31 st	Mar 15	Mar 16	Mar 17
Revenue (INR mn)	57,744.4	39,690.3	41,664.6
Rev. growth (%)	147.90	(31.27)	4.97
EBITDA (INR mn)	5,188.0	10,421.3	18,500.8
Net profit (INR mn)	3,727.4	9,957.0	7,767.8
Shares outstanding (mn)	172.6	172.6	172.6
EPS (INR)	17.5	57.7	45.0
EPS growth (%)	0.00	229.21	(21.99)
P/E (x)	49.28	17.85	42.00
RONW (%)	1.97	8.21	5.71
ROCE (%)	4.31	8.47	8.21

Nishant Chopra

nishantc@indiratrade.com

Info Codes

Reuters	: PIRA.BO
Bloomberg	: PIEL IN
NSE	: PEL
BSE	: 500302

Market Data

52 Wk Range (₹)	: 1808/3065
Shares in Issue (mn)	: 172.60
Market. Cap (bn)	: 449.63
BSE 2 Wk Avg Vol	: 17,000

Share Holding Pattern (%)

Promoters Holding	: 51.34
Public & Others	: 13.32
Corporate Holding	: 01.50
Foreign Institution	: 29.78
Institutions	: 04.06
Government	: 00.00

Investment Theme

Indian pharma market is the third largest in terms of volume and thirteenth largest in terms of value, and it accounts for 20 % in the volume terms and 1.4 % in value terms of the Global Pharma Industry. India's pharmaceutical exports stood at \$ 16.8 bn in 2016-17 and are expected to grow by 30 % over the next three years to reach \$ 20 bn by 2020. During the 2Q of 2018, company announced that its wholly owned subsidiary in the US has entered into an agreement to acquire 100% stake in Ash Stevens Inc., a US based Contract Development & Manufacturing Organization, in a cash deal for a consideration of \$ 42.95 mn plus an earn-out consideration capped at \$10 mn. NHB has granted certificate in August 2017 to commence Housing Finance Business. Income from Financial Services was up by 93% at ₹ 33,520 mn for FY 2017.

50 Acquisitions till date...!!!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 15	Mar 16	% Chg	Mar 17	% Chg
Net Sales	24,014.1	33,843.5	40.9	37,662.1	11.3
Other Income	33,372.7	5,447.1	(83.7)	3,571.5	(34.4)
Change in Stocks	51.5	444.3	762.7	(190.6)	(142.9)
Raw Material Con.	8,780.4	9,298.0	5.9	9,188.2	(1.2)
Employee Exp.	2,771.3	3,611.9	30.3	3,706.3	2.6
Indirect Taxes	357.6	399.7	11.8	431.0	7.8
Other Exp.	35,107.7	7,924.5	(77.4)	5,789.9	(26.9)
Operating Exp.	47,017.0	21,234.1	(54.8)	19,115.4	(10.0)
Operating Profit	10,421.3	18,500.8	77.5	21,927.6	18.5
Total Interest	3,069.1	7,868.8	156.4	11,783.4	49.7
Gross Profit	7,352.2	10,632.0	44.6	10,144.2	(4.6)
Net Dep.	888.4	795.5	(10.5)	944.9	18.8
Total Taxation	2,736.4	(120.5)	(104.4)	1,431.5	(1,288.0)
Net Profit/Loss	3,727.4	9,957.0	167.1	7,767.8	(22.0)

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 14	Mar 15	Mar 16	Mar 17
SOURCES OF FUNDS	1,50,995.5	1,54,059.7	2,64,056.8	2,47,145.2
Equity Share capital	345.1	345.1	345.1	345.0
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	90,925.7	1,14,123.3	1,27,661.0	1,43,880.9
Secured Loans	4,079.1	4,699.3	23,437.7	19,504.1
Unsecured Loans	55,645.6	34,892.0	1,12,613.0	83,415.2
USES OF FUNDS	1,50,995.5	1,54,059.7	2,64,056.8	2,47,145.2
Gross Block	13,655.8	14,614.7	10,320.6	12,463.6
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	5,853.2	7,053.8	776.2	1,715.6
Net Block	7,802.6	7,560.9	9,544.4	10,748.0
Capital Work in Progress	1,622.9	614.1	1,028.8	6,018.6
Investments	1,15,861.6	1,02,226.8	1,80,538.2	1,72,742.1
Current Assets	35,687.0	41,672.0	27,348.3	22,266.0
Less : Current Liabilities	18,290.9	10,266.1	7,115.2	7,601.9
Total Net Current Assets	17,396.1	31,405.9	20,233.1	14,664.1
Misc. Expenses not writtenoff	8,312.3	12,252.0	52,712.3	42,972.4
NOTE				
Book Value of Unquoted Investments	1,14,866.1	72,003.3	1,80,538.2	1,72,742.1
Market Value of Quoted Investments	1,068.3	44,633.4	41,910.6	46,171.8
Contingent Liabilities	54,097.1	43,377.0	31,215.2	15,162.0
Dividend (%)	2,625.0	1,000.0	875.0	1,050.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Mar 17	Jun 17	Sep 17	Dec 17
Net Sales	9,239.4	6,123.1	8,022.5	8,710.6
Cost Of Sales	7,225.5	4,753.7	4,880.7	5,235.4
Operating Profit	2,013.9	1,369.4	3,141.8	3,475.2
Other Income	504.6	1,732.6	1,779.0	267.3
Adjusted PBDIT	2,518.5	3,102.0	4,920.8	3,742.5
Financial Expenses	2,041.6	2,206.3	2,423.9	2,509.4
Depreciation	246.4	249.2	257.7	297.6
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	230.5	646.5	2,239.2	935.5
Tax Charges	116.6	230.0	732.6	125.0
Reported Profit	113.9	416.5	1,506.6	810.5
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	113.9	416.5	1,506.6	810.5

52 Week Index Relative Percentage Appreciation



Piramal vs SENSEX

Risks Associated

- ➔ Indian pharma industry is highly fragmented, it causes to instability, volatility and uncertainty. The market is overloaded with generic manufacturers.
- ➔ Main issue raised by most of the pharma companies is that the profits which companies are earning is not sufficient enough. Companies sight that the reforms of the Government for the essential medicines has caused to lower the price of drugs.
- ➔ Indian approvals are very slow to patents and trade marks, while in developed countries is much faster than India. In India it will take 6-8 years to get patent approvals, but in Developed countries it is with in 2-3 years.

Scope of Growth

- ➔ Recently one of the subsidiary of PEL announced to invest ₹ 3,000 cr initially, in affordable and mid-income housing projects across major cities.
- ➔ Consumer Products Division announces the acquisition of Digeplex & associated brands from Shreya Lifesciences. This acquisition will boost company in the Gastro-Intestinal segment and is complementary to its existing brands.
- ➔ Piramal Finance Limited is a subsidiary of PEL, has entered into the hospitality sector. The platform has committed ₹ 650 cr towards two marquee hotel assets in North India, followed by another ₹ 550 cr across another two assets in Bangalore and Pune, respectively.
- ➔ Piramal Critical Care is only global company with all 4 generations of inhalation anaesthetic products with presence in 118 countries, including a strong presence across major markets such as US, Europe and Japan.
- ➔ Government of India is planning to set up an electronic platform to regulate online pharmacies under a new policy, in order to stop any misuse due to easy availability.

Piramal Enterprises

In a Nutshell

Piramal Enterprises is one of India's largest diversified company, with a presence in Healthcare, Healthcare Information Management and Financial Services. In Healthcare, PEL is one of the leading players globally in CRAMS as well as in the critical care segment of inhalation and injectable anaesthetics. It also has a strong presence in the OTC segment in India. Financial Services of PEL, including through its subsidiaries, provides comprehensive financing solutions to real estate companies. Company also has strategic alliances with top global funds such as CPPIB Credit Investment Inc., APG Asset Management and Bain Capital Credit. PEL also has long term equity investments in Shriram Group. Piramal bought five anaesthesia and pain management drugs from Belgian drugmaker Janssen Pharmaceutica NV in an all-cash deal. Those five brands will add 33%, or ₹ 289 cr, worth of sales to critical care division of Piramal. Acquisition does not include the transfer of any manufacturing facilities or employees to Piramal. Janssen will continue to supply finished dosage forms for up to three years and API for up to five years. And upfront payment of \$155 mn, Janssen Pharma will receive up to \$20 mn more, if the product portfolio achieves certain agreed financial milestones over the next 30 months. During the year, company has acquired the Digeplex and the associated brands from Shreya Lifesciences for an undisclosed sum to expand its consumer products business. Specifically, this acquisition would help with expanding the gastro-intestinal product portfolio of Piramal Enterprises. According to the management, the gastro-intestinal market has been growing at 11% every year.

Indira Group Offices

Registered Office : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007

Tel : 022-66224202 **Fax** : 022-66224201 **Email** : ie@indiratrade.com

Administrative Office : 204-205 "Amardarshan" 28/2 Old Palasia, Indore (MP) 452018

Tel : 0731-4097170 **Fax** : 0731-4215999 **Email** : customercare@indiratrade.com

Institutional Dealing Unit : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007

Tel : 022-66224209 **Fax** : 022-66224201 **Email** : ie@indiratrade.com

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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