

July 25, 2024

Q1FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	320		335	
Sales (Rs. m)	18,910	21,558	19,936	22,238
% Chng.	(5.1)	(3.1)		
EBITDA (Rs. m)	2,713	3,571	3,176	3,777
% Chng.	(14.6)	(5.5)		
EPS (Rs.)	8.6	15.5	14.1	18.2
% Chng.	(38.7)	(15.0)		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	16,686	18,173	18,910	21,558
EBITDA (Rs. m)	2,861	2,443	2,713	3,571
Margin (%)	17.1	13.4	14.3	16.6
PAT (Rs. m)	1,423	855	795	1,424
EPS (Rs.)	15.4	9.3	8.6	15.5
Gr. (%)	(8.1)	(39.9)	(7.0)	79.3
DPS (Rs.)	2.3	2.3	2.3	2.3
Yield (%)	0.7	0.7	0.7	0.7
RoE (%)	14.7	8.0	7.0	11.6
RoCE (%)	17.3	9.8	9.0	12.3
EV/Sales (x)	2.0	2.0	1.9	1.7
EV/EBITDA (x)	11.4	14.7	13.4	10.2
PE (x)	20.9	34.7	37.3	20.8
P/BV (x)	2.9	2.7	2.5	2.3

Key Data

INRM.BO | INDR IN

52-W High / Low	Rs.417 / Rs.287
Sensex / Nifty	80,149 / 24,414
Market Cap	Rs.30bn/ \$ 355m
Shares Outstanding	92m
3M Avg. Daily Value	Rs.50.11m

Shareholding Pattern (%)

Promoter's	58.76
Foreign	1.48
Domestic Institution	18.67
Public & Others	21.07
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(1.9)	(13.3)	(2.4)
Relative	(5.3)	(23.1)	(19.1)

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Indoco Remedies (INDR IN)

Rating: ACCUMULATE | CMP: Rs322 | TP: Rs320

Another muted quarter

Quick Pointers:

- Mgmt expects Goa site II clearance in H2FY25.
- US sales got impacted due to plant shutdown for refurbishment

We cut our FY25/FY26 EPS by ~37%/14% to factor in low margins and lower sales across key markets. Our numbers do factor in margin recovery with reduction in remediation cost from H2FY25. Indoco Remedies' (INDR) Q1FY25 EBITDA was sharply below our estimates led by muted US sales and lower GMs. The recent OAI to its Goa unit-2 is negative and will restrict growth in US sales in FY25. We expect 30% PAT CAGR over FY24-26E given low base. At CMP, stock is trading at 20.5x FY26E EPS. We maintain our Accumulate with revised TP of Rs320 valuing at 20x (18x earlier) FY26E EPS. Timely resolution of Goa facility unit-2 is a key for re-rating.

- **Lower US sales impacted revenue's YoY:** Consolidated revenues ex-other operating income increased by mere 2% YoY to Rs 4.2bn, below our estimates. Domestic formulations sales showed growth of 6.6% YoY to Rs 2.3bn; in line with our estimate. Key therapies like Gastro, Anti infectives as well as Stomatologicals reported healthy growth, while Respiratory continues to underperform YoY. Regulated business showed de-growth of 5% YoY to Rs 1.27bn, whereas EM business revenues improved by 18% YoY to Rs 298mn. EU sales were down 10% YoY, whereas US sales were down 43% QoQ. Overall API sales declined by 13% YoY.
- **Lower GMs led to EBITDA miss:** INDR reported EBITDA (incl other operating income) at Rs 478mn; below our est Rs 600mn. Other operating income came in higher at Rs72mn; down 25% YoY. Reported OPM of 11.1%, flat QoQ. Employee expense came grew by 6% YoY. Gross margins declined 250bps YoY and 130bps QoQ at 66.5%. R&D cost stood at Rs 247mn; 5.8% of sales, up 3% YoY. Reported PAT adj for minority came in at Rs 26mn sharply below our est.
- **Key concall takeaways: (1)** Slowdown in Anti-diabetic, opthal and Respiratory therapies impacted domestic formulations. Major brands Cyclopam and Sensoform delivered healthy double digit growth YoY. Oxipod has picked up whereas Febrex plus declined YoY. **(2)** Remediation cost continued during the quarter at Rs 40mn. Mgmt cited on such cost to continue in Q2FY25. **(3) US market:** The business was impacted largely due to plant shutdown for refurbishment. Company has taken steps to enhance automation, upgradation and capacity increase. Sales should improve from H2FY25. Mgmt expects Goa site II clearance in H2FY25. GM's from US business to improve **(4) EU market:** Order book remains healthy. Expects 15-20% growth with 4 new launches in FY25. **(5) EM's:** Guided for 18-20% CAGR growth over 2 years. **(6)** Invested Rs 1bn in API facility through its subsidiary WRPL. Focus remains on increasing production and export potential **(7)** Intends to further raise Rs 1bn in debt to fund the ongoing capex. **(8)** Reiterates EBITDA guidance of 17-18% by FY26. **(9)** Long term debt stands at Rs 3bn. **(10)** Other expenses will remain at current levels of Rs1.2bn/qtr for FY25.

Exhibit 1: 1QFY25 Result Overview (Rs mn): Revenues impacted, Lower GMs and US sales dents profitability

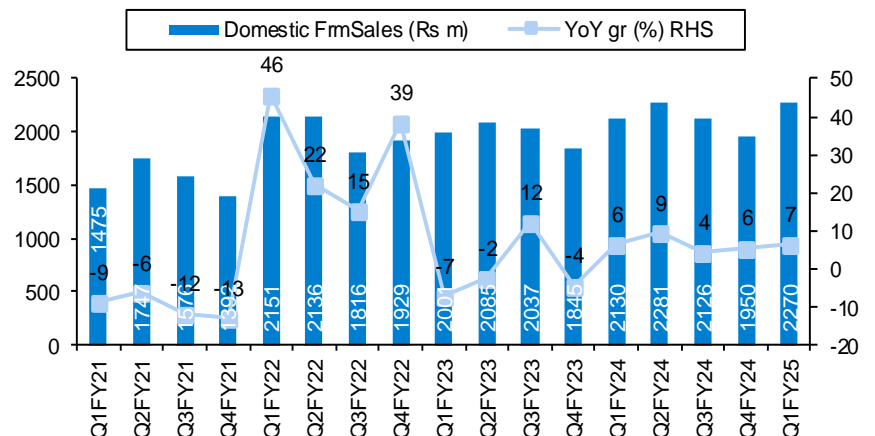
Y/e March (Rs in mn)	Q1FY25	Q1FY24	YoY gr. (%)	Q4FY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Net Sales	4,315	4,265	1.2	4,496	(4.0)	18,173	16,686	8.9
Raw Material	1,415	1,287	10.0	1,409	0.4	5,592	5,213	7.3
<i>% of Net Sales</i>	<i>32.8</i>	<i>30.2</i>		<i>31.3</i>		<i>30.8</i>	<i>31.2</i>	
Personnel Cost	973	915	6.2	883	10.1	3,619	3,219	12.4
<i>% of Net Sales</i>	<i>22.5</i>	<i>21.5</i>		<i>19.6</i>		<i>19.9</i>	<i>19.3</i>	
Others	1,450	1,451	(0.1)	1,716	(15.5)	6,519	5,393	20.9
<i>% of Net Sales</i>	<i>33.6</i>	<i>34.0</i>		<i>38.2</i>		<i>35.9</i>	<i>32.3</i>	
Total Expenditure	3,837	3,653	5.0	4,008	(4.3)	15,730	13,825	13.8
EBITDA	478	612	(21.9)	489	(2.3)	2,443	2,861	(14.6)
<i>Margin (%)</i>	<i>11.1</i>	<i>14.3</i>		<i>10.9</i>		<i>13.4</i>	<i>17.1</i>	
Depreciation	275	199	38.4	262	4.9	919	706	30.1
EBIT	202	413	(51.0)	226	(10.6)	1,524	2,155	(29.3)
Other Income	10	4	151.2	27	(61.3)	99	23	320.9
Interest	143	78	83.7	121	18.8	380	250	51.9
PBT	70	339	(79.4)	133	(47.4)	1,243	1,928	(35.5)
Extra-Ord. Inc./Exps.	-	-		197		115	-	
Total Taxes	52	97	(47.1)	110	(53.0)	388	505	(23.2)
<i>ETR (%)</i>	<i>73.9</i>	<i>28.7</i>		<i>82.6</i>		<i>31.2</i>	<i>26.2</i>	
Minority Interest	(8)	(2)		(7)		(10)	-	
Reported PAT	26	240	(89.0)	(168)	(115.7)	980	1,423	(31.1)

Source: Company, PL

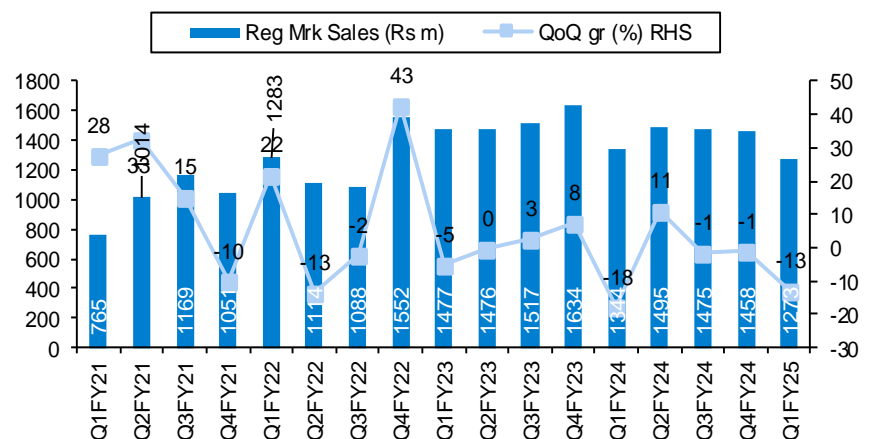
Exhibit 2: Muted performance from US sales

Major sources of revenues	Q1FY25	Q1FY24	YoY gr. (%)	Q4FY24	QoQ gr. (%)	FY24	FY23	YoY Gr %
Domestic	2,345	2,264	3.6	2,032	15.4	9,020	8,299	8.7
Formulations	2,270	2,130	6.6	1,950	16.4	8,487	7,967	6.5
APIs	75	134	(44.0)	82	(8.5)	533	332	60.6
Exports	1,808	1,820	(0.7)	2,275	(20.5)	8,365	7,911	5.7
Formulations	1,571	1,597	(1.6)	2,140	(26.6)	7,633	7,537	1.3
Reg mkt	1,273	1,344	(5.3)	1,458	(12.7)	5,772	6,104	(5.4)
Non-reg mkt (Emerging mkt)	298	253	17.8	682	(56.3)	1,861	1,432	30.0
APIs	237	223	6.1	135	75.6	732	375	95.1
CRO	57	48	19.5	83	(31.3)	274	170	60.7
Net Revenues	4,210	4,132	1.9	4,390	(4.1)	17,658	16,381	7.8

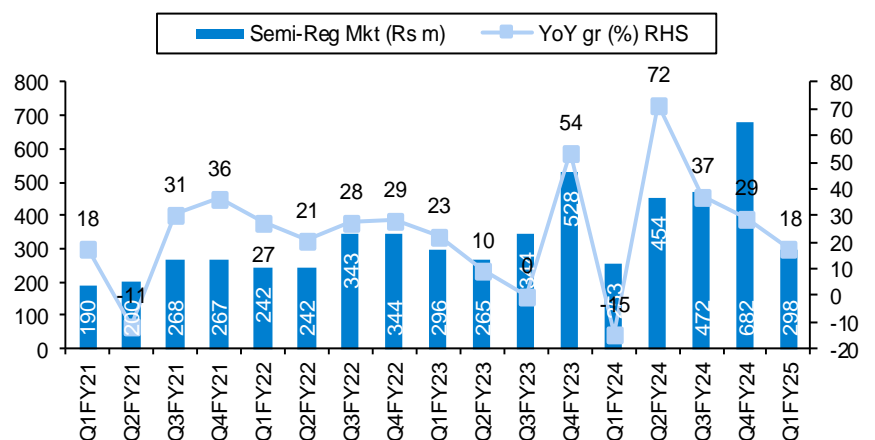
Source: Company, PL

Exhibit 3: India Formulations: Stable performance, below est


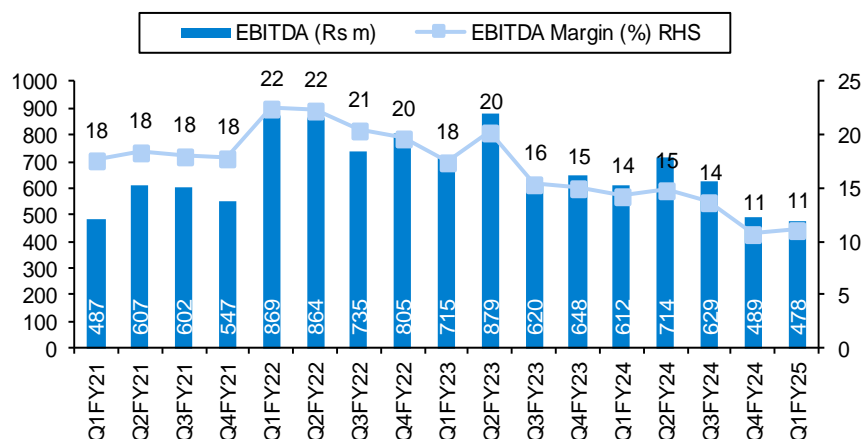
Source: Company, PL

Exhibit 4: Slowdown in US impacted largely from plant shutdown


Source: Company, PL

Exhibit 5: Sustained EM performance


Source: Company, PL

Exhibit 6: Lower GMs dented EBITDA YoY


Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	16,686	18,173	18,910	21,558
YoY gr. (%)	8.3	8.9	4.1	14.0
Cost of Goods Sold	5,213	5,592	6,158	6,819
Gross Profit	11,473	12,581	12,752	14,740
Margin (%)	68.8	69.2	67.4	68.4
Employee Cost	3,226	3,619	3,981	4,379
Other Expenses	5,386	6,519	6,058	6,789
EBITDA	2,861	2,443	2,713	3,571
YoY gr. (%)	(12.6)	(14.6)	11.1	31.6
Margin (%)	17.1	13.4	14.3	16.6
Depreciation and Amortization	706	919	1,084	1,165
EBIT	2,155	1,524	1,629	2,406
Margin (%)	12.9	8.4	8.6	11.2
Net Interest	250	380	564	604
Other Income	23	99	70	110
Profit Before Tax	1,928	1,243	1,135	1,912
Margin (%)	11.6	6.8	6.0	8.9
Total Tax	506	388	341	488
Effective tax rate (%)	26.2	31.2	30.0	25.5
Profit after tax	1,423	855	795	1,424
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,423	855	795	1,424
YoY gr. (%)	(8.1)	(39.9)	(7.0)	79.3
Margin (%)	8.5	4.7	4.2	6.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,423	855	795	1,424
YoY gr. (%)	(8.1)	(39.9)	(7.0)	79.3
Margin (%)	8.5	4.7	4.2	6.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,423	855	795	1,424
Equity Shares O/s (m)	92	92	92	92
EPS (Rs)	15.4	9.3	8.6	15.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	14,969	18,071	20,071	21,571
Tangibles	14,969	18,071	20,071	21,571
Intangibles	-	-	-	-
Acc: Dep / Amortization	7,605	8,524	9,608	10,773
Tangibles	7,605	8,524	9,608	10,773
Intangibles	-	-	-	-
Net fixed assets	7,364	9,547	10,463	10,798
Tangibles	7,364	9,547	10,463	10,798
Intangibles	-	-	-	-
Capital Work In Progress	554	1,029	1,029	1,029
Goodwill	1	215	215	215
Non-Current Investments	10	72	72	72
Net Deferred tax assets	(61)	(118)	(118)	(118)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	15	15	15	15
Inventories	3,260	3,531	3,730	4,253
Trade receivables	3,509	4,062	4,192	4,787
Cash & Bank Balance	133	243	256	881
Other Current Assets	1,701	2,670	2,536	2,409
Total Assets	16,582	21,430	22,555	24,505
Equity				
Equity Share Capital	184	184	184	184
Other Equity	10,098	10,915	11,522	12,755
Total Networkth	10,283	11,099	11,707	12,939
Non-Current Liabilities				
Long Term borrowings	1,435	3,517	3,517	3,517
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	1,710	3,034	3,534	4,034
Trade payables	1,235	1,536	1,554	1,772
Other current liabilities	1,859	2,119	2,119	2,119
Total Equity & Liabilities	16,582	21,430	22,555	24,505

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	1,928	1,243	1,135	1,912
Add. Depreciation	706	919	1,084	1,165
Add. Interest	250	380	564	604
Less Financial Other Income	23	99	70	110
Add. Other	303	193	(45)	(90)
Op. profit before WC changes	3,187	2,734	2,738	3,591
Net Changes-WC	(782)	(872)	(178)	(773)
Direct tax	(617)	(295)	(341)	(488)
Net cash from Op. activities	1,788	1,567	2,219	2,331
Capital expenditures	(2,073)	(4,273)	(2,000)	(1,500)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Invt. activities	(2,073)	(4,273)	(2,000)	(1,500)
Issue of share cap. / premium	-	-	-	-
Debt changes	319	3,404	500	500
Dividend paid	(207)	(207)	(212)	(212)
Interest paid	(250)	(380)	(564)	(604)
Others	359	0	70	110
Net cash from Fin. activities	220	2,816	(206)	(206)
Net change in cash	(64)	110	13	625
Free Cash Flow	(284)	(2,706)	219	831

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Net Revenue	4,817	4,594	4,496	4,315
YoY gr. (%)	11.2	15.1	5.0	1.2
Raw Material Expenses	1,473	1,423	1,409	1,415
Gross Profit	3,344	3,171	3,088	2,900
Margin (%)	69.4	69.0	68.7	67.2
EBITDA	714	629	489	478
YoY gr. (%)	(18.8)	1.4	(24.5)	(21.9)
Margin (%)	14.8	13.7	10.9	11.1
Depreciation / Depletion	214	244	262	275
EBIT	500	386	226	203
Margin (%)	10.4	8.4	5.0	4.7
Net Interest	81	101	121	143
Other Income	44	24	27	10
Profit before Tax	463	308	133	70
Margin (%)	9.6	6.7	2.9	1.6
Total Tax	110	71	110	52
Effective tax rate (%)	23.9	22.9	82.6	73.9
Profit after Tax	352	238	23	18
Minority interest	2	-	7	8
Share Profit from Associates	-	-	-	-
Adjusted PAT	351	238	16	10
YoY gr. (%)	(29.5)	(15.6)	(93.7)	(95.8)
Margin (%)	7.3	5.2	0.4	0.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	351	238	16	10
YoY gr. (%)	(29.5)	(15.6)	(93.7)	(95.8)
Margin (%)	7.3	5.2	0.4	0.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	351	238	16	10
Avg. Shares O/s (m)	92	92	92	92
EPS (Rs)	3.8	1.7	2.3	0.2

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	15.4	9.3	8.6	15.5
CEPS	23.1	19.2	20.4	28.1
BVPS	111.6	120.4	127.0	140.4
FCF	(3.1)	(29.4)	2.4	9.0
DPS	2.3	2.3	2.3	2.3
Return Ratio(%)				
RoCE	17.3	9.8	9.0	12.3
ROIC	13.1	7.2	7.3	10.2
RoE	14.7	8.0	7.0	11.6
Balance Sheet				
Net Debt : Equity (x)	0.3	0.6	0.6	0.5
Net Working Capital (Days)	121	122	123	123
Valuation(x)				
PER	20.9	34.7	37.3	20.8
P/B	2.9	2.7	2.5	2.3
P/CEPS	13.9	16.7	15.8	11.5
EV/EBITDA	11.4	14.7	13.4	10.2
EV/Sales	2.0	2.0	1.9	1.7
Dividend Yield (%)	0.7	0.7	0.7	0.7

Source: Company Data, PL Research

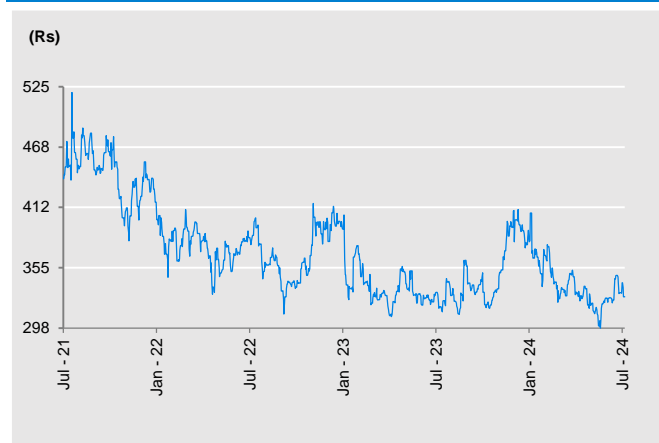
Key Operating Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Domestic Formulations	7,967	8,448	9,124	10,036
Export Formulations	7,537	7,634	7,646	9,199
APIs	707	1,265	1,328	1,474

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jul-24	Accumulate	335	348
2	17-May-24	Accumulate	335	320
3	08-Apr-24	Accumulate	380	350
4	24-Jan-24	Accumulate	380	369
5	08-Jan-24	BUY	385	390
6	19-Oct-23	BUY	385	350
7	07-Oct-23	BUY	380	332
8	26-Jul-23	BUY	380	324

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	7,050	6,335
2	Aster DM Healthcare	BUY	400	340
3	Aurobindo Pharma	Accumulate	1,300	1,304
4	Cipla	Accumulate	1,405	1,510
5	Divi's Laboratories	Accumulate	4,350	4,626
6	Dr. Reddy's Laboratories	Reduce	5,700	6,520
7	Eris Lifesciences	BUY	1,100	1,012
8	Fortis Healthcare	BUY	515	460
9	Glenmark Pharmaceuticals	Reduce	570	1,017
10	HealthCare Global Enterprises	BUY	420	377
11	Indoco Remedies	Accumulate	335	348
12	Ipca Laboratories	Reduce	1,150	1,193
13	J.B. Chemicals & Pharmaceuticals	BUY	1,920	1,743
14	Jupiter Life Line Hospitals	BUY	1,360	1,330
15	Krishna Institute of Medical Sciences	BUY	2,200	2,135
16	Lupin	Hold	1,675	1,770
17	Max Healthcare Institute	BUY	925	914
18	Narayana Hrudayalaya	BUY	1,335	1,246
19	Sun Pharmaceutical Industries	BUY	1,710	1,568
20	Sunteck Realty	BUY	600	471
21	Torrent Pharmaceuticals	Accumulate	3,300	3,162
22	Zydus Lifesciences	Accumulate	1,130	1,162

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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