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# Lauras Labs Ltd

"SUBSCRIBE"
7th Dec 2016

*IPO Note*

## Issue Detail

| | |
|---|---|
| Type | 100% Book Building |
| Issue Size | Rs. 1350 Crore |
| Offer Price | *Rs (426 - 428)/Equity Share |
| Min App Size | 35 Shares |
| Issue Open | 6-Dec-16 |
| Issue Close | 8-Dec-16 |
| Shares Offer | 3.115 |
| Face Value | Rs 10 |
| Lead Mgrs | Citigroup Global Markets India Pvt Ltd, Jefferies India Pvt Ltd , Kotak Mahindra Capital Company Ltd. |
| Listing | NSE,BSE |
| Registrar | Karvy Computershare Pvt Ltd |
| Market Cap (Post Issue) | 4527.8 |

## No of shares ( Post & Pre Issue)

| | |
|---|---|
| No of Shares (Pre Issue) | 987,46,904 |
| Offer for Sale | 241,07,440 |
| Fresh Issue made | 7042253 |
| No of Shares (Post Issue) | 105789157 |

## Bid allocation pattern

| | |
|---|---|
| QIB | 50% |
| Non-Institutional | 15% |
| Retail | 35% |

## Company Overview

Laurus Labs Ltd was incorporated in 2005 which is Hyderabad based pharmaceutical company. Laurus Labs is in the business of manufacturing generic active pharmaceutical ingredients (APIs) for therapeutic areas of antiretrovirals (ARVs) and Hepatitis C. Company also manufacture APIs in oncology and other therapeutic areas.
Company operate in four buisness : Generics - APIs , Generics - FDFs , Synthesis and Ingredients.

Generics -API business comprises the development , manufacture and sale of APIs and advanced intermediates . Generics FDF business comprises the development and manufacturing oral solid formulation. Synthesis business includes contact development and manufacturing services for global pharmaceutical companies . Ingredients business comprises the manufacture & sale of speciality ingredients for use in the nutraceutical and cosmeceutical sectors. Company has lunched 59 products . company's key customers Asper pharmacare Ltd , Auropharma , Cipla , Mylan , Natco , Strides shasun Ltd . Company owned 32 patents and had 150 pending patent application in several countries . Company has three manufaturing facilities in visakhapatnam , andhra Pradesh. Company sells its products in 32 countries in sub saharan africa , south east asis and Latin America.

## Company Strategies

> Company is a leading developer and manufacturer of generics APIs in select , high- growth therapeutics areas of ARV and Hepatitis C.

> Company has strong R&D capabilities & process chemistry skills . Company is focused on undertaking dedicated R&D in existing products where company believe there is significant growth potential.

> Copany has maintained long standing relationship with multi national pharmaceutical companies . Company cumulative revenue from such customers has grown year over year for the last three financial years.

> Company experienced Promoters and Qualified Operational Personnel

## Risk

> Any manufacturing or quality control problems may subject us to regulatory action, damage our reputation and have an adverse effect on business, results of operations, financial condition and cash flows.

> Company derive a significant portion of revenue from a few customers, most of whom Company do not have long term contractual arrangements with, and the loss of one or more such customers, the deterioration of their financial condition or prospects, or a reduction in their demand for our products could adversely affect business, results of operations, financial condition and cash flows

## Objects of the Issue:

| Particulars |
|---|
| Pre-payment of term loans |
| General corporate purposes. |

## Recommendation

**Company strategic and early investments in R&D and manufacturing infrastructure has enabled to become one of the leading suppliers of APIs in the ARV therapeutic area to reap long term benefits on account of a robust business model, healthy balance sheet, strong business prospects in terms of multiple levers in place for growth and ability of the management to leverage its capabilities in a bid to cultivate its business.**
**At the higher end of the price band of Rs 428, the IPO is valued at 12.6x EV/EBITDA and 34.1x P/E on FY16 basis. We believe the company is being offered at upper band of its valuations. We maintain "SUBSCRIBE" on this IPO.**

# Lauras Labs Ltd

***Financials***

**Yearly Profit & Loss Account (Consolidated Figure)**

**Figure in Rs (Crore)**

| | 30th Sept 2016 | 31 March 2016 | 31 March 2015 | 31 March 2014 |
|---|---|---|---|---|
| Total Income | 942 | 1,791 | 1,361 | 1,169 |
| EBITDA | 209 | 380 | 234 | 218 |
| PAT | 75 | 133 | 68 | 97 |
| EBITDA Margin | 22% | 21% | 17% | 19% |
| PAT Margin | 8% | 7% | 5% | 8% |
| No of Shares | 10.57 | 10.57 | 10.57 | 10.57 |
| Post Issue Diluted EPS | 14.21 | 12.55 | 6.47 | 9.20 |
| Price | Rs 426 - 428 | | | |
| P/E( At upper price band) | 34.1 | | | |
| P/E( At lower price band) | 33.9 | | | |
| EV/EBITDA( At upper price band), X | 12.85 | | | |
| EV/EBITDA( At lower price band), X | 12.80 | | | |
| ROE % | 16% | 15.6% | 9.5% | 27.1% |

**Balance Sheet**

**Figure in Rs (Crore)**

| | 30th Sept 2016 | 31 March 2016 | 31 March 2015 | 31 March 2014 |
|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | |
| Share capital | 99 | 82 | 82 | 78 |
| Reserves and surplus | 830 | 769 | 640 | 281 |
| **Shareholders' funds** | **929** | **852** | **722** | **358** |
| Long-term borrowings | 283 | 461 | 304 | 188 |
| Short-term borrowings | 576 | 481 | 432 | 312 |
| **Total Borrowing** | **859** | **942** | **735** | **500** |
| Deferred tax liability (net) | 60 | 45 | 10 | 12 |
| Long-term provisions | 8 | 7 | 5 | 4 |
| Other Long Term Liabilities | 38 | 44 | 45 | 0 |
| **Non - current liabilities** | **106** | **96** | **60** | **16** |
| Trade payables | 308 | 249 | 231 | 227 |
| Other current liabilities | 354 | 145 | 133 | 164 |
| Short-term provisions | 25 | 20 | 7 | 7 |
| **Current liabilities** | **687** | **413** | **371** | **399** |
| **TOTAL Liabilities** | **2581** | **2303** | **1888** | **1273** |
| **Fixed assets** | 1276 | 1155 | 911 | 615 |
| Long-term loans and advances | 152 | 129 | 94 | 69 |
| Non current investment | 6 | 7 | 7 | 0 |
| Other non-current assets | 13.74 | 9.06 | 13.97 | 14.53 |
| **Non-current assets** | **1447** | **1300** | **1026** | **698** |
| Inventory | 521 | 487 | 475 | 328 |
| Trade receivables | 533 | 445 | 285 | 195 |
| Cash and bank balances | 14 | 28 | 59 | 23 |
| Short-term loans and advances | 39 | 30 | 31 | 25 |
| Other Current Assets | 26 | 13 | 12 | 4 |
| **Current assets** | **1134** | **1003** | **862** | **575** |
| **Total** | **2581** | **2303** | **1888** | **1273** |