

POLY MEDICURE LTD

Result Update (PARENT BASIS): Q3 FY19

CMP: 217.00

MAR 27th, 2019

Overweight

ISIN:
INE205C01021

Index Details

Stock Data

Sector	Medical Equipment
BSE Code	531768
Face Value	5.00
52wk. High / Low (Rs.)	298.10/176.25
Volume (2wk. Avg.)	6266
Market Cap (Rs. in mn.)	19147.43

Annual Estimated Results(A*: Actual / E*: Estimated)

Years (Rs. in mn)	FY18A	FY19E	FY20E
Net Sales	5096.99	5933.67	6705.05
EBITDA	1342.58	1519.48	1702.45
Net Profit	701.98	646.09	737.38
EPS	7.96	7.32	8.36
P/E	27.27	29.64	25.97

Shareholding Pattern (%)

	As on Dec 18	As on Sep 18
Promoter	48.76	48.76
Public	51.24	51.24
Others	--	--

1 Year Comparative Graph



POLY MEDICURE LTD

S&P BSE SENSEX

SYNOPSIS

- Poly Medicure Limited is an India-based manufacturer and exporter of medical devices. The Company exports plastic medical disposables/surgical devices.
- The standalone revenue stood at Rs.1487.03 million for Q3 FY18-19 as against Rs. 1257.47 million in Q3 FY17-18 recording a growth of 18.26% YOY.
- During the quarter, EBIDTA is Rs. 348.08 million as against Rs. 331.24 million in the corresponding period of the previous year, an increase of 5.09%.
- During Q3 FY19, net profit stood at Rs. 168.33 million as against Rs. 165.36 million in the corresponding quarter ending of previous year.
- EPS of the company stood at Rs. 1.91 a share during the quarter, as against Rs. 1.87 per share over previous year period.
- Poly Medicure Ltd through its WOS Company, Poly Medicure B.V., Netherlands, has acquired 82% shares of Plan1 Health s.r.l. by entering into a Share Purchase Agreement.
- Department of Pharmaceuticals, Ministry of Chemicals & Fertilizers, Govt. Of India has decided to confer the "INDIA MEDICAL DEVICE COMPANY OF THE YEAR AWARD" to the Company.
- Nine months ended 31st Dec, 2018, Net sales of the company were Rs. 4268.21 million as against Rs. 3693.37 million in the Nine months ended 31st Dec, 2017, up by 15.56%.
- In 9M FY19, Net Profit stood at Rs. 449.13 million as against Rs. 471.43 million in 9M FY18.
- Net Sales and PAT of the company are expected to grow at a CAGR of 14% and 12% over 2017 to 2020E, respectively.

PEER GROUPS	CMP	MARKET CAP	EPS(TTM)	P/E (X)(TTM)	P/BV(X)	DIVIDEND
Company Name	(Rs.)	Rs. in mn.	(Rs.)	Ratio	Ratio	(%)
Poly Medicare Ltd	217.00	19147.43	7.70	28.17	5.73	40.00
Vimta labs Ltd	192.35	4252.4	10.68	18.01	2.80	100.00

QUARTERLY HIGHLIGHTS (PARENT BASIS)

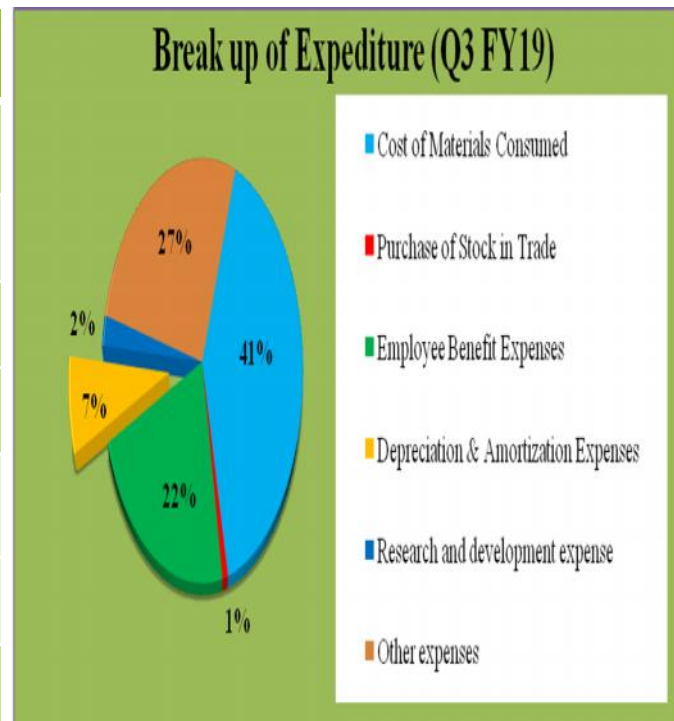
Results updates- Q3 FY19,

Rs. in Million	Dec-18	Dec-17	% Change
Revenue	1487.03	1257.47	18.26%
Net Profit	168.33	165.36	1.80%
EPS	1.91	1.87	1.80%
EBIDTA	348.08	331.24	5.09%

The standalone revenue stood at Rs. 1487.03 million for Q3 FY18-19 as against Rs. 1257.47 million in Q3 FY17-18, recording a growth of 18.26% YOY. During the quarter, net profit jumps to Rs.168.33 million from Rs.15.36 million in the corresponding quarter ending of previous year, an increase of 1.80%. Reported earnings per share of the company stood at Rs.1.91 a share during the quarter, as against Rs. 1.87 per share over previous year period. Profit before interest, depreciation and tax is Rs. 348.08 million as against Rs. 331.24 million in the corresponding period of the previous year, an increase of 5.09%.

Break up of Expenditure

Break up of Expenditure	Value in Rs. Million		
	Q3 FY19	Q3 FY18	% Change
Cost of Materials Consumed	510.64	422.69	21%
Purchase of Stock in Trade	10.74	12.94	-17%
Employee Benefit Expenses	276.83	243.73	14%
Depreciation & Amortization Expenses	93.59	70.78	32%
Research and development expense	29.15	23.90	22%
Other expenses	340.53	309.14	10%



Latest Updates:

- ✓ Poly Medicure Limited through its WOS Company, Poly Medicure B.V., Netherlands, has acquired 82% shares of Plan1 Health s.r.l. by entering into a Share Purchase Agreement.
- ✓ Department of Pharmaceuticals, Ministry of Chemicals & Fertilizers, Govt. Of India has decided to confer the "INDIA MEDICAL DEVICE COMPANY OF THE YEAR AWARD" to the Company.

COMPANY PROFILE

Poly Medicure Limited is an India-based manufacturer and exporter of medical devices. The Company exports plastic medical disposables/surgical devices. It manufactures and supplies approximately 100 types of disposable medical devices in the product verticals of Infusion Therapy, Anesthesia, Urology, Gastroenterology, Blood Management and Blood Collection, Surgery and Wound Drainage, Dialysis and Central Venous Access Catheters. It supplies its products to approximately 100 countries. Its products include Safety I.V. Cannula with Adva Needle Technology, Quick Flashback I.V. Cannula, Style/Mandrin with luer lock, Central Venous Catheters, Suction Catheters, Oxygen Mask with Reservoir, Fixed Concentration Mask, Infant Feeding Tube, Thoracic Drainage Catheter-Straight, Haemodialysis Catheter, Mucus Extractors and Blood Collection Needle. The Company operates over four manufacturing facilities in Faridabad (Haryana), Jaipur (Rajasthan) and Haridwar (Uttarakhand).

FINANCIAL HIGHLIGHT (PARENT BASIS)
(A* - Actual, E* -Estimations & Rs. In Millions)
Balance Sheet as of March 31, 2017 -2020E

	FY17A	FY18A	FY19E	FY20E
ASSETS				
Non-Current Assets				
a) Property, Plant and Equipment	1882.10	2429.38	2575.14	2703.90
b) Capital Work in Progress	117.70	96.64	135.29	158.29
c) Investments Property	6.40	34.90	35.94	38.10
d) Intangible Assets	122.82	131.50	136.76	143.60
e) Intangible Assets Under development	82.27	85.82	89.25	92.82
f) Investments in subsidiaries	56.11	56.11	335.60	352.38
g) Financial Assets				
i) Investments	0.00	20.90	21.74	22.82
ii) Loans	0.10	0.00	0.00	0.00
iii) Other Non - Current Financial Assets	54.50	67.27	131.84	142.39
h) Other Non - Current Assets	165.79	125.74	90.53	101.40
1. Sub Total - Non- Current Assets	2487.77	3048.24	3552.10	3755.70
Current Assets				
a) Inventories	579.08	685.51	781.48	875.26
b) Financial Assets				
i) Investments	0.00	106.18	96.62	102.42
ii) Trade Receivables	952.53	1118.94	1286.78	1428.32
iii) Cash and Cash Equivalents	7.69	36.79	50.03	56.54
iv) Other Bank Balances	216.14	166.86	436.50	488.88
v) Loans	1.24	1.58	4.74	5.02
vi) Other Current Financial Assets	40.81	11.47	13.19	15.04
c) Other Current Assets	203.33	370.77	341.10	361.57
2. Sub Total - Current Assets	2000.83	2498.09	3010.45	3333.06
Total Assets (1+2)	4488.60	5546.34	6562.55	7088.76
EQUITY AND LIABILITIES				
EQUITY				
a) Equity Share Capital	441.13	441.13	441.19	441.19
b) Other Equity	2250.63	2898.55	3333.34	3833.34
1. Total Equity	2691.77	3339.69	3774.52	4274.52
Liabilities				
Non Current Liabilities				
a) Financial Liabilities				
i) Borrowings	476.25	791.16	1083.89	953.82
ii) Other Financial Liabilities	52.73	49.76	55.73	60.18
b) Provisions	33.26	21.02	22.92	24.52
c) Government Grants	5.47	20.35	21.45	22.31
d) Deferred tax liabilities (Net)	147.87	157.20	190.21	226.35
2. Sub Total - Non - Current Liabilities	715.57	1039.49	1374.19	1287.19
Current Liabilities				
a) Financial Liabilities				
i) Borrowings	284.97	267.32	299.40	323.35
ii) Trade Payables	409.82	437.49	424.37	458.74
iii) Other Financial Liabilities	340.72	378.46	597.98	645.81
b) Other Current Liabilities	41.94	80.60	75.76	79.55
c) Provisions	3.48	3.29	3.10	3.32
d) Current Tax Liabilities (Net)	0.35	0.00	13.23	16.27
3. Sub Total - Current Liabilities	1081.27	1167.16	1413.84	1527.04
Total Equity and Liabilities (1+2+3)	4488.60	5546.34	6562.55	7088.76

Annual Profit & Loss Statement for the period of 2017 to 2020E

Value(Rs.in.mn)	FY17A	FY18A	FY19E	FY20E
Description	12m	12m	12m	12m
Net Sales	4463.53	5096.99	5933.67	6705.05
Other income	133.55	143.70	151.21	160.29
Total Income	4597.08	5240.69	6084.89	6865.34
Expenditure	-3539.96	-3898.11	-4565.41	-5162.89
Operating Profit	1057.12	1342.58	1519.48	1702.45
Interest	-64.94	-94.95	-124.09	-142.71
Gross profit	992.18	1247.63	1395.38	1559.74
Depreciation	-229.55	-284.07	-371.54	-423.56
Profit Before Tax	762.63	963.56	1023.84	1136.18
Tax	-200.64	-261.58	-377.76	-398.80
Net Profit	561.99	701.98	646.09	737.38
Equity capital	441.13	441.13	441.19	441.19
Reserves	2250.63	2898.55	3333.34	3833.34
Face value	5.00	5.00	5.00	5.00
EPS	6.37	7.96	7.32	8.36

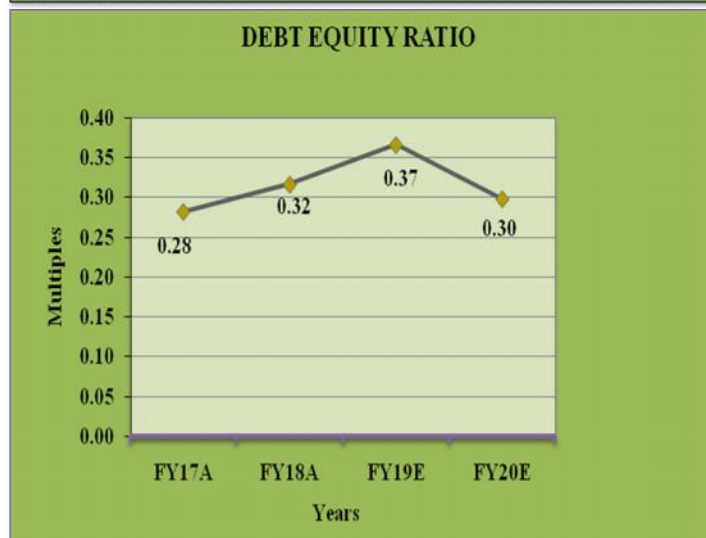
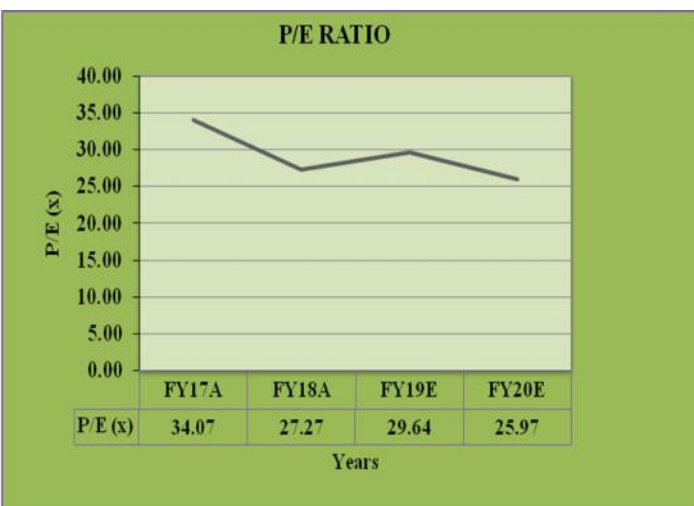
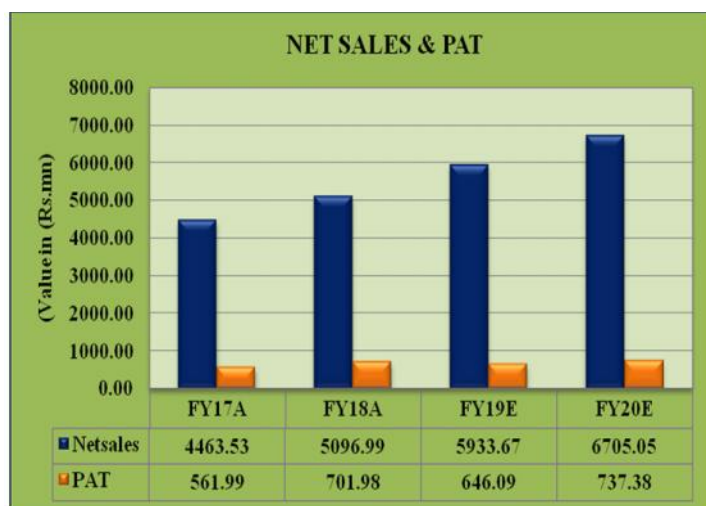
Quarterly Profit & Loss Statement for the period of 30th Jun, 2018 to 31st Mar, 2019E

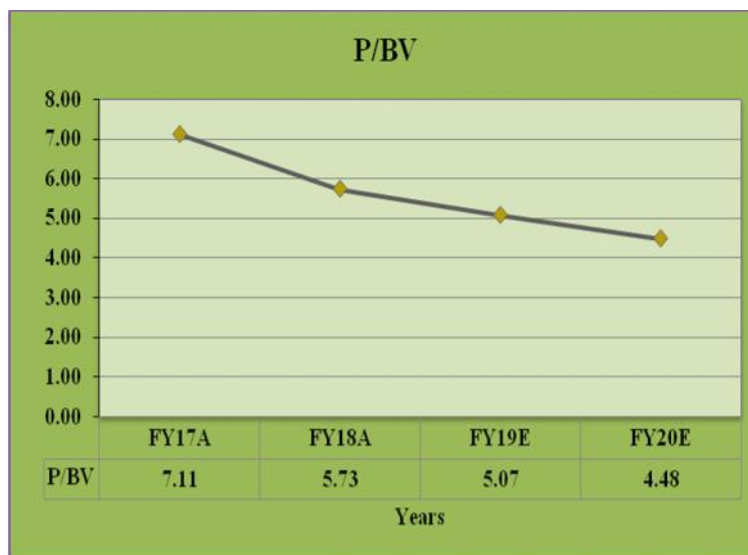
Value(Rs.in.mn)	30-Jun-18	30-Sep-18	31-Dec-18	31-Mar-19E
Description	3m	3m	3m	3m
Net sales	1313.67	1467.51	1487.03	1665.47
Other income	33.33	41.06	37.48	39.35
Total Income	1347.00	1508.57	1524.50	1704.82
Expenditure	-1000.78	-1122.45	-1176.42	-1265.76
Operating profit	346.22	386.11	348.08	439.06
Interest	-38.10	-64.39	8.65	-30.25
Gross profit	308.12	321.72	356.73	408.81
Depreciation	-85.96	-90.91	-93.59	-101.08
Profit Before Tax	222.15	230.81	263.14	307.74
Tax	-85.95	-86.21	-94.82	-110.79
Net Profit	136.20	144.60	168.33	196.95
Equity capital	441.13	441.19	441.19	441.19
Face value	5.00	5.00	5.00	5.00
EPS	1.54	1.64	1.91	2.23

Ratio Analysis

Particulars	FY17A	FY18A	FY19E	FY20E
EPS (Rs.)	6.37	7.96	7.32	8.36
EBITDA Margin (%)	23.68%	26.34%	25.61%	25.39%
PBT Margin (%)	17.09%	18.90%	17.25%	16.95%
PAT Margin (%)	12.59%	13.77%	10.89%	11.00%
P/E Ratio (x)	34.07	27.27	29.64	25.97
ROE (%)	20.88%	21.02%	17.12%	17.25%
ROCE (%)	23.97%	24.07%	22.26%	23.04%
Debt Equity Ratio	0.28	0.32	0.37	0.30
EV/EBITDA (x)	18.62	14.82	13.13	11.62
Book Value (Rs.)	30.51	37.85	42.78	48.44
P/BV	7.11	5.73	5.07	4.48

Charts





OUTLOOK AND CONCLUSION

- At the current market price of **Rs. 217.00**, the stock P/E ratio is at 29.64 x FY19E and 25.97 x FY20E respectively.
- Earning per share (EPS) of the company for the earnings for FY19E and FY20E is seen at Rs. 7.32 and Rs. 8.36 respectively.
- Net Sales and PAT of the company are expected to grow at a CAGR of 14% and 12% over 2017 to 2020E, respectively.
- On the basis of EV/EBITDA, the stock trades at 13.13 x for FY19E and 11.62 x for FY20E.
- Price to Book Value of the stock is expected to be at 5.07 x and 4.48 x for FY19E and FY20E respectively.
- Hence, we say that, we are **Overweight** in this particular scrip for Medium to Long term investment.

INDUSTRY OVERVIEW

Healthcare has become one of India's largest sectors - both in terms of revenue and employment. Healthcare comprises hospitals, medical devices, clinical trials, outsourcing, telemedicine, medical tourism, health insurance and medical equipment. The Indian healthcare sector is growing at a brisk pace due to its strengthening coverage, services and increasing expenditure by public as well private players.

Indian healthcare delivery system is categorised into two major components - public and private. The Government, i.e. public healthcare system comprises limited secondary and tertiary care institutions in key cities and focuses on providing basic healthcare facilities in the form of primary healthcare centres (PHCs) in rural areas. The private sector provides majority of secondary, tertiary and quaternary care institutions with a major concentration in metros, tier I and tier II cities.

India's competitive advantage lies in its large pool of well-trained medical professionals. India is also cost competitive compared to its peers in Asia and Western countries. The cost of surgery in India is about one-tenth of that in the US or Western Europe.

Market Size

The healthcare market can increase three fold to Rs 8.6 trillion (US\$ 133.44 billion) by 2022.

India is experiencing 22-25 per cent growth in medical tourism and the industry is expected to double its size from present (April 2017) US\$ 3 billion to US\$ 6 billion by 2018.

There is a significant scope for enhancing healthcare services considering that healthcare spending as a percentage of Gross Domestic Product (GDP) is rising. The government's expenditure on the health sector has grown to 1.4 per cent in FY18E from 1.2 per cent in FY14. The Government of India is planning to increase public health spending to 2.5 per cent of the country's GDP by 2025.

The hospital and diagnostic centers attracted Foreign Direct Investment (FDI) worth US\$ 5.25 billion between April 2000 and June 2018, according to data released by the Department of Industrial Policy and Promotion (DIPP).

Government Initiatives

Some of the major initiatives taken by the Government of India to promote Indian healthcare industry are as follows:

- On September 23, 2018, Government of India launched Pradhan Mantri Jan Arogya Yojana (PMJAY), to provide health insurance worth Rs 500,000 (US\$ 7,124.54) to over 100 million families every year.
- In August 2018, the Government of India has approved Ayushman Bharat-National Health Protection Mission as a centrally Sponsored Scheme contributed by both center and state government at a ratio of 60:40 for all States, 90:10 for hilly North Eastern States and 60:40 for Union Territories with legislature. The center will contribute 100 per cent for Union Territories without legislature.
- The Government of India has launched Mission Indradhanush with the aim of improving coverage of immunisation in the country. It aims to achieve atleast 90 per cent immunisation coverage by December 2018 which will cover unvaccinated and partially vaccinated children in rural and urban areas of India.

Road Ahead

India is a land full of opportunities for players in the medical devices industry. India's healthcare industry is one of the fastest growing sectors and it is expected to reach \$280 billion by 2020. The country has also become one of the leading destinations for high-end diagnostic services with tremendous capital investment for advanced diagnostic facilities, thus catering to a greater proportion of population. Besides, Indian medical service consumers have become more conscious towards their healthcare upkeep.

Indian healthcare sector is much diversified and is full of opportunities in every segment which includes providers, payers and medical technology. With the increase in the competition, businesses are looking to explore for the latest dynamics



and trends which will have positive impact on their business. The hospital industry in India is forecasted to increase to Rs 8.6 trillion (US\$ 132.84 billion) by FY22 from Rs 4 trillion (US\$ 61.79 billion) in FY17 at a CAGR of 16-17 per cent.

India's competitive advantage also lies in the increased success rate of Indian companies in getting Abbreviated New Drug Application (ANDA) approvals. India also offers vast opportunities in R&D as well as medical tourism. To sum up, there are vast opportunities for investment in healthcare infrastructure in both urban and rural India.

Disclosure Section

The information and opinions in Firstcall Research was prepared by our analysts and it does not constitute an offer or solicitation for the purchase or sale of any financial instrument including any companies scrips or this is not an official confirmation of any transaction. The information contained herein is from publicly available secondary sources and data or other secondary sources believed to be reliable but we do not represent that it is accurate or complete and it should not be relied on as such. Firstcall Research or any of its affiliates shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Firstcall Research and/or its affiliates and/or employees will not be liable for the recipients' investment decision based on this document.

Analyst Certification

The following analysts hereby state that their views about the companies and sectors are on best effort basis to the best of their knowledge. Unless otherwise stated, the individuals listed on the cover page of this report are research analysts. The analyst qualifications, sectors covered and their exposure if any are tabulated hereunder:

Name of the Analyst	Qualifications	Sectors Covered	Exposure/Interest to company/sector Under Coverage in the Current Report
Dr.C.V.S.L. Kameswari	M.Sc, PGDCA, M.B.A, Ph.D (Finance)	Pharma & Diversified	No Interest/ Exposure
U. Janaki Rao	M.B.A	Capital Goods	No Interest/ Exposure
B. Anil Kumar	M.B.A	Auto, IT & FMCG	No Interest/ Exposure
V. Harini Priya	M.B.A	Diversified	No Interest/ Exposure

Important Disclosures on Subject Companies

In the next 3 months, neither Firstcall Research nor the Entity expects to receive or intends to seek compensation for any services from the company under the current analytical research coverage. Within the last 12 months, Firstcall Research has not received any compensation for its products and services from the company under the current coverage. Within the last 12 months, Firstcall Research has not provided or is providing any services to, or has any client relationship with, the company under current research coverage.

Within the last 12 months, Firstcall Research has neither provided or is providing any services to and/or in the past has not entered into an agreement to provide services or does not have a client relationship with the company under the research coverage.

Certain disclosures listed above are also for compliance with applicable regulations in various jurisdictions. Firstcall Research does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, No-Weight and Underweight are not the equivalent of buy, hold and sell. Investors should carefully read the definitions of all weights used in Firstcall Research. In addition, since Firstcall Research contains more complete information concerning the analyst's views, investors should carefully read Firstcall Research, in its entirety, and not infer the contents from the weightages assigned alone. In any case, weightages (or research) should not be used or relied upon as investment advice. An investor's decision to buy or sell should depend on individual circumstances (such as the investor's own discretion, his ability of understanding the dynamics, existing holdings) and other considerations.

Analyst Stock Weights

Overweight (O): The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E): The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

No-weight (NR): Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Underweight (U): The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Unless otherwise specified, the weights included in Firstcall Research does not indicate any price targets. The statistical summaries of Firstcall Research will only indicate the direction of the industry perception of the analyst and the interpretations of analysts should be seen as statistical summaries of financial data of the companies with perceived industry direction in terms of weights.

Firstcall Research may not be distributed to the public media or quoted or used by the public media without the express written consent of Firstcall Research. The report of Firstcall Research are for Information purposes only and is not to be construed as a recommendation or a solicitation to trade in any securities/instruments. Firstcall Research is not a brokerage and does not execute transactions for clients in the securities/instruments.

Firstcall Research - Overall Statement		
S.No	Particulars	Remarks
1	Comments on general trends in the securities market	Full Compliance in Place
2	Discussion is broad based and also broad based indices	Full Compliance in Place
3	Commentaries on economic, political or market conditions	Full Compliance in Place
4	Periodic reports or other communications not for public appearance	Full Compliance in Place
5	The reports are statistical summaries of financial data of the companies as and where applicable	Full Compliance in Place
6	Analysis relating to the sector concerned	Full Compliance in Place
7	No material is for public appearance	Full Compliance in Place
8	We are no intermediaries for anyone and neither our entity nor our analysts have any interests in the reports	Full Compliance in Place
9	Our reports are password protected and contain all the required applicable disclosures	Full Compliance in Place
10	Analysts as per the policy of the company are not entitled to take positions either for trading or long term in the analytical view that they form as a part of their work	Full Compliance in Place
11	No conflict of interest and analysts are expected to maintain strict adherence to the company rules and regulations.	Full Compliance in Place
12	As a matter of policy no analyst will be allowed to do personal trading or deal and even if they do so they have to disclose the same to the company and take prior approval of the company	Full Compliance in Place
13	Our entity or any analyst shall not provide any promise or assurance of any favorable outcome based on their reports on industry, company or sector or group	Full Compliance in Place

14	Researchers maintain arms length/ Chinese wall distance from other employees of the entity	Full Compliance in Place
15	No analyst will be allowed to cover or do any research where he has financial interest	Full Compliance in Place
16	Our entity does not do any reports upon receiving any compensation from any company	Full Compliance in Place

Firstcall Research Provides

Industry Research on all the Sectors and Equity Research on Major Companies forming part of Listed and Unlisted Segments

*For Further Details Contact:
Mobile No: 09959010555*

*E-mail: info@firstobjectindia.com
info@firstcallresearch.com
www.firstcallresearch.com*