INVESTMENT RESEARCH

FUNDAMENTAL COVERAGE - PANACEA BIOTEC LIMITED

Dated : 27th Nov. 2017

BUY	
Price ₹	278
Fair Value	310
Upside	12%
Div Yield	-
Tenure	1 Year
Sensex	33646.12
Nifty	10373.40
Group/Index	B / S&P BSE Small Cap

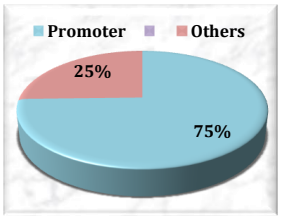
Stock	
M.cap (₹ in cr)	1701
Equity (₹ In cr)	6.13
52 wk H/L ₹	299/109.10
Face Value ₹	1.00
NSE code	PANACEABIO
BSE code	531349

Key Valuation Ratios	
RONW	-
P/E	-
P/BV	4.3
EV/EBIDTA	40.58

IN ₹

Key Financial Data	
EV (₹in cr)	2588.78
BV (₹in cr)	63.91
NW(₹in cr)	391.76
EPS (TTM)	-

Share Holding Pattern



Investment Rationale

Robust product pipeline of promising niche products to fuel long term future growth, Strong Product Portfolio with significant brand market share in respective therapeutic segment, PANACEA is amongst the top 50 innovators in India with strong foundation of over two decades.

Eyeing on Recent updates & highlights

- *Amongst* **6** *WHO pre-qualified Suppliers of pentavalent vaccine*
- *US ANDAs -* **3** *approved;* **3** *pending for approval;* **23** *under development*
- *Launched world's* **first wP** *based fully liquid hexavalent vaccine* **EasySixTM** *in India in March 2017*
- *Secured order for supply of 65mn doses worth c.INR 320mn from Government of India for 2017-18 in addition to the earlier order of ₹144mn*
- **1,500+** *Patents filed globally,* **460+** *granted approval,* **9** *Vaccines under development,*
- *Growing collaborations and alliances with renowned National and International bodies*
- *Launched its second product, a generic of Rizatriptan Tablets, for acute treatment of migraine in adults and pediatric patients, in the USA in collaboration with Bionpharma Inc*
- *Established R&D capabilities with* **4** *multi-disciplinary R&D centers*
- *Received a notification from PAHO for c.5mds of Easyfive-TT through December 2019, Overall value of these awards is US$20mn*

USFDA NOD- Prasugrel Tablets

First-to-file abbreviated new drug application (ANDA) of ***Prasugrel 5 mg and 10 mg tablets- an important milestone to achieve growth in US business,*** *has been approved from the US health regulator (as on 24th oct,17), used for preventing blood clots in people with acute coronary syndrome, in the American market. The company is also entitled for 180 days of shared market exclusivity for the Prasugrel HCL tablets. The annual sale of Prasugrel prior to entry of generics in the market was around USD 600 million in the US market. The tablets are indicated for reduction of thrombotic cardiovascular events in people with acute coronary syndrome.*

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PAN INDIA DISTRIBUTION NETWORK

Company has an extensive sales, marketing and distribution network- has 600 medical representative involved in sales & marketing, 30+ Exports to US, Germany & other countries, 1500 distributors for pharma formulations, 325 distributors for vaccines

⇨ Expertise in cold chain management for storage and distribution of vaccines for sending temperature controlled products overseas and across India directly from its Vaccine Formulation Facility at Baddi

⇨ has Good Distribution and Storage Practices followed at all the warehouses,

⇨ Well-established supply chain management system designed for creating end to end visibility and controls right from sourcing of materials till collection of receivables for both the pharmaceuticals and vaccines products,

⇨ Direct online sales to patients at affordable prices providing benefits to socially economically weaker patients



Source: Google

Corporate Governance Transparency Ratio's

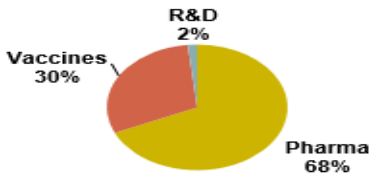
Year End	201703	201603	201503	201403
Tax Rate %	-	-	-	-
Receivable day	114	79	52	68
Div. Payout %	-	-	-	-

RESULTS CORNER

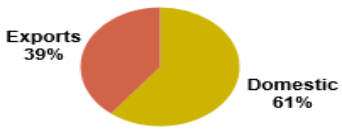
Market cap *as on Oct.17*
INR 14 Bn
FY 17 EBITDA Margin
20%
Net Worth *as on march.17*
INR 4 Bn

For the quarter ended 30-09-2017, the company has reported a Standalone sales of ₹ 152.57 Crore, up 46.32% from last quarter Sales of ₹ 104.27 Crore and up 11.24 % from last year same quarter Sales of ₹ 137.15 Crore. Company has reported net profit after tax of ₹ -5.63 Crore in latest quarter. Panacea Biotec has reduced its losses in the Q2FY18 by posting loss at ₹ 5.6 crore against Rs 47.9 crore in the year ago period.

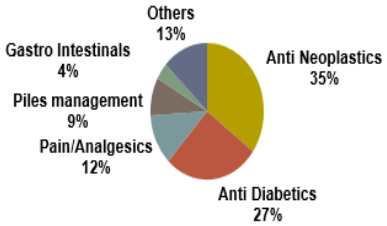
Operating Revenues diversification (consolidated)



Business segment (INR 5,448mn)



Geography (INR 5,448mn)



Therapeutic areas –domestic INR 3,484mn

Based on FY 17 Revenues

FY17 HIGHLIGHTS

- Initiates supply of OPV to Govt. of India from Vaccine Formulation Facility at Baddi
- Launch of generic version of Rizatriptan Benzoate Tablets in collaboration with Bionpharma Inc.
- Expansion of collaboration with Apotex for Launch of Prasugrel in US
- Launch of World's first wP based fully liquid Tetravalent & Hexavalent Vaccines Easyfour & EasySix
- Expansion of collaboration with Bionpharma Inc. – 7 more complex generic pharmaceutical products added
- Received USFDA approval for its Oncology and Oral Solid Dosage pharmaceutical facility at Baddi

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Graphical presentation

Quarterly & Yearly Results Analysis

Results Snapshot — **₹ in crores**

Particulars	Quarter Ended			% Change (Y-o-Y)	% Change (Q-o-Q)	Half Year Ended		% Change
	Q2 FY 18	Q2 FY 17	Q1 FY 18			FY 18	FY 17	
Revenue	152.57	137.15	104.27	11.24%	46.32%	260.21	266.88	-2.50%
EBITDA	38.71	30.99	-6.02	24.91%	-743.02%	36.06	58.47	-38.33%
EBITDA %	**25.37%**	**22.60%**	**-5.77%**	-	-	**13.86%**	**21.91%**	-
PBT	-2.21	-11.75	-46.32	-81.19%	-95.23%	-48.53	-32.57	49.00%
PBT%	**-1.45%**	**-8.57%**	**-44.42%**	-	-	**-18.65%**	**-12.20%**	
PAT	-5.63	-4.95	-47.99	13.74%	-88.27%	-53.62	-25.44	110.77%
PAT %	**-3.69%**	**-3.61%**	**-46.02%**	-	-	**-20.61%**	**-9.53%**	
EPS	-0.92	-0.81	-7.8	13.58%	-88.21%	-8.8	-4.15	112.05%

Strong Product Portfolio – Domestic

Brands	Therapy	AIOCD Rank	Sales FY17 (INRmn)	5 year CAGR%	% of Total Sales[1]
Glizid Family	Anti Diabetic	1	751	7%	28%
PanGraf	Anti-Neoplastics	1	443	10%	17%
Mycept & Mycept S	Anti-Neoplastics	1	215	4%	8%
Sitcom Family	Piles Management	5	153	17%	6%
Nimulid Family	Pain / Analgesics	3	125	(3%)	5%
Panimun Bioral	Anti-Neoplastics	1	117	(3%)	4%
PacliAll	Anti-Cancer	2	115	15%	4%
Thank OD Family	Piles Management	7	107	13%	4%
Livoluk Family	Gastro Intestinal	5	66	(2%)	3%
EpoTrust	Blood Related	11	59	1%	2%
Total			**INR 2,151mn**		**80%**

4 brands are ranked 1st in their respective therapy area

8 brands feature amongst top 5 ranks in their respective therapy area

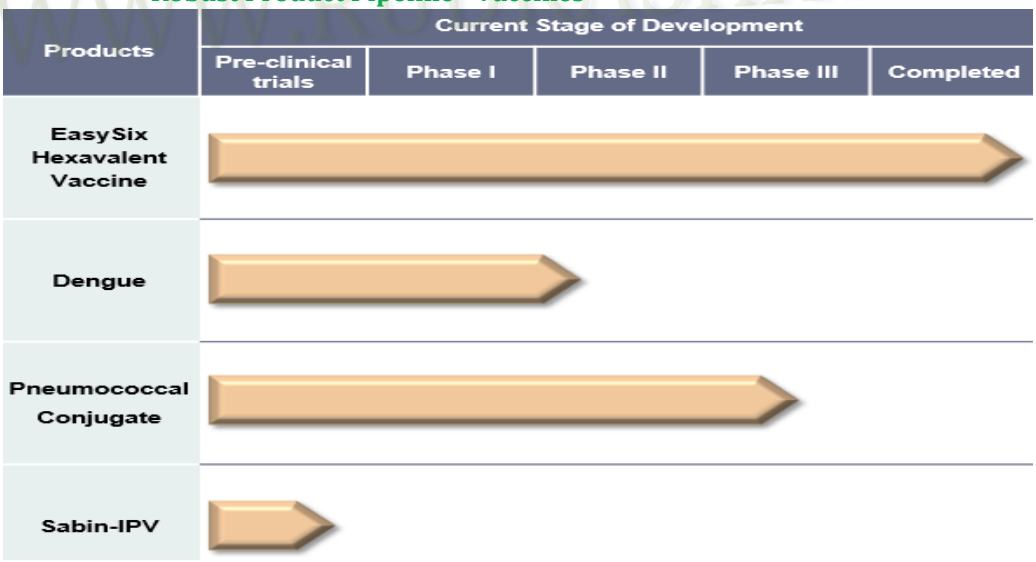
9 brands feature amongst top 10 ranks in their respective therapy area

Top 10 brands account for 80% of total domestic pharma sales

Company depicted Strong performance of new brand launched EasySix with sales of 200 Mn in FY17 & 2nd AIOCD Rank

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Robust Product Pipeline - Vaccines



Launched in India in March 2017 .
Registration in developing countries initiated.

Technology in-licensed from National Institutes of Health (USA)
Funding of ₹290mn sanctioned

Phase I/II studies completed on 10 valent vaccine in Adult and pediatric

Technology in-licensed from Intravacc, Netherlands through WHO
Technology Transfer completed

Robust Product Pipeline - Pharma

Products	Current Stage of Development	Status
Prasugrel Tablets	Final Approval received from USFDA and launched in USA	• *Partnered with Apotex* • *Shared First to File ("FTF")*
Doxorubicin Liposome	Pilot Bio studies completed and Pivotal Bio to be initiated	*Partnered with Apotex for US, ANZ, Canada*
Memantine ER Capsules	ANDA filed with USFDA	*Approval expected from USFDA*
Bendamustine Injection	ANDA filed with USFDA	*Already commercialized in India Approval expected from USFDA*
Albumin bound Paclitaxel	ANDA filed with USFDA	• *Partnered with Apotex for the USA, ANZ, Canada* • *Largest selling product in India* • *Exporting to Sri Lanka, Turkey too* • *Dossier filing for other countries in progress*

- *23 ANDAs (12 partnered) under development*
- *16 products under development for the EU*
- *25 products under development for other emerging markets*

Strategic Alliances

APOTEX ADVANCING GENERICS	Research, development, license and supply of two drug delivery-based generic products in the US, Canada, Australia and New Zealand. Collaboration recently expanded to launch Prasugrel, a shared First to File ("FTF") opportunity in the USA in Oct-17
BIONPHARMA	Collaboration to market generic Tacrolimus and Rizatriptan Benzoate Tablets in the USA. Collaboration recently expanded for Development, Manufacturing, Supply and sales of 7 more complex generic pharmaceuticals products for the USA
NIH National Institutes of Health Turning Discovery Into Health	For in-licensing of technology for development and commercialization of tetravalent dengue vaccine
intravacc	For in-licensing of proprietary know-how for production of sIPV vaccine for commercialization in India and other international markets
SANDOZ, BAYER, gsk	Strategic manufacturing collaboration for some of their products for India and other countries
Zydus, Biocon, Mylan, Abbott	Out-licensing of Company's product on nonexclusive basis for marketing in India

Roadmap ahead

	Pharma Business	Vaccines Business
Short term (1-2 years)	Growth in Pharma exports to emerging markets, Scaling up existing business and launch of Prasugrel in the USA , Growth in domestic pharma business	Initiating supplies of Oral Polio Vaccine to Govt. of India, Scaling up sales of **Easy Six** vaccine in India, Participation in UNICEF / PAHO business for pentavalent vaccine
Medium Term (3-5 years)	Launch of ANDAs in the USA under existing collaborations with Apotex, Bionpharma Inc., Launch of new products in existing emerging markets and expanding in new markets, Launch of new products in domestic market	Launch of **Dengue Vaccine** in India Launch of **Pneumococcal Vaccine** in India Sales of EasySix vaccine to Govt. of India and UNICEF / PAHO
Long Term (5 years +)	Launch of more ANDAs in the USA market which are currently under development, Launch of products in the EU, Japan etc.	Sales of Dengue vaccine and Pneumococcal vaccine to Govt. of India, UNICEF / PAHO etc., Launch of Sabin IPV based combination vaccines, Launch of other vaccines which are currently under advanced stage of preclinical studies

Company Overview

Panacea Biotec is one of India's leading research based health management companies with established capabilities in research & development, manufacturing and marketing of pharmaceutical formulations, vaccines and biopharmaceuticals. Panacea Biotec consistently focuses on providing novel and innovative products at affordable prices by merging the cutting-edge science and technology with its unwavering commitment to spread good health and healthy living within the reach of the millions of families across the world to meet the unmet needs of patients. The company has collaborations and tie-ups with leading national and international research and commercial organizations and pharmaceutical companies to achieve the mutual aim of better quality healthcare. The Company has established sales and marketing set-up in India and also exports its products to more than 30 countries.

VALUATION CONCLUSION

The Global Vaccine Market has been one of the fastest growing segments of the global healthcare industry. It was estimated at US$ 32 billion in 2016 and is expected to grow to US$ 52 billion by 2022 growing at a CAGR of 8.3%, probably penlights the Make in India programme. According to Quintiles IMS Institute, the global medicine spending will reach nearly US$ 1.5 trillion by 2021 on an invoice price basis, growing at a CAGR of 4-7%, up nearly US$ 370 billion from 2016 estimated spending level.

Company's strong brand portfolio, growing collaborations & alliances, established R&D capabalities, Robust product pipeline of promising niche products to fuel long term future growth, we are estimating the share price of the company for next 1 year tenure to be ₹ 310. We recommend to BUY this script.

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