SUMMER INTERNSHIP REPORT

Project Report

On

‘Equity Research of the FMCG and Pharmaceutical Industry’

ACUMEN CAPITAL MARKET (INDIA) LTD.

SUBMITTED TO:
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MBA(FT) 2019-2021

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Purpose of the Report: To share my learning and accomplishments that I have acquired during the summer internship and brief the Institute of the same

Prepared for: Institute of Management, Nirma University

Prepared Under the Guidance of: Prof. Harismita Trivedi (Faculty Mentor)

Organization Mentor: Mr. Pratheesh K.P

ACKNOWLEDGEMENT

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I would also like to thank my faculty mentor **Prof. Harismita Trivedi**, for her persistent help, guidance and encouragement. Her valuable insights and comments have greatly benefitted me and helped complete the project successfully.

I am highly obliged to and would like to express my profound gratitude towards **Mr. Akshay Kirti Agrawal**, Managing Director, Acumen Capital Market (India) Ltd., for allowing me to do my project at his esteemed organization, as a two-month internship. I would like to extend my gratitude to **Mr. Pratheesh K.P.**, my organizational guide, for his constant guidance throughout my project. I would also like to extend my heartfelt thanks to all other organizational members for their constant support and help.

I sincerely thank my parents and friends for their constant support, encouragement and appreciation during the project. Finally, I extend my gratitude towards everyone who has directly or indirectly helped me in completing the project successfully.

Anchal Agarwal

191407

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EXECUTIVE SUMMARY

This internship report is based my two-month long internship which I have successfully completed with Acumen Capital Market (India) Ltd under the Research Department. The project that I carried out is based on the equity research of two industries, namely, Fast Moving Consumer Goods Industry and Pharmaceuticals Industry. The report also includes information about the company and its major competitors. This internship has helped me gain practical exposure and has helped in applying the theoretical knowledge into practice.

Firstly, fundamental analysis was carried for both industries. Under fundamental analysis, first the industry analysis was carried out. This included the PESTEL analysis and the Porter's Five Force Framework. Followed by that, an analysis of the top five companies, by market capitalization, of the two industries was carried out. This included the SWOT analysis, Cash Flow Statement analysis and analysis of a few key ratios.

Secondly, technical analysis was carried out. For this, three main indicators were used. These included the oscillator indicator Relative Strength Index, Moving Averages and the Moving Average Convergence Divergence. This analysis helped in identifying which stocks to buy and which to sell and also at what price.

ORGANIZATIONAL PROFILE

ACUMEN CAPITAL MARKET (INDIA) LTD.

Acumen Capital Market (India) Ltd. is a non-government company providing stock broking services. It is a Public company, listed by shares. The company was incorporated on 17 February, 1995 at Kochi, Kerala. Their major products include equity trading, commodity trading, currency trading, mutual funds and margin funding. The company's authorized share capital stands at 1,500 lakhs and has a paid-up capital at 750.21 lakhs.

The company acts as a subsidiary of Acumen Group, which was established in 2004 by a group of professional stock brokers with a dream to promote the investment culture in the country and make it a pleasant experience.

The company offers round the clock access to the various nation-wide commodity exchanges in India through the National Stock Exchange (NSE), Bombay Stock Exchange (BSE) and the National Commodities and Derivatives Exchange (NCDEX).

The current directors of the company are:

1. Giby Mathew
2. Akshay Kirti Agrawal (Managing Director)
3. George Iype
4. Akhilesh Agarwal
5. Mithun Davis
6. Santhosh Kumar Agrawal
7. Rajalakshmi Somasundaran Nair

The company's mission is 'WE CREATE WEALTH THROUGH RESEARCH, KNOWLEDGE AND ETHICS'. They have over 100,000 loyal customers. The company's headquarters are in Kochi, Kerala. However, it has offices in other parts of the state too. Also, it has branches in Maharashtra, Telengana, Andhra Pradesh, Tamil Nadu and Karnataka.

Acumen Capital Market (India) Ltd.'s tagline says "Dream, Plan and Achieve". They believe that life is about dreaming a big dream, planning in order make the dream come true and finally working towards achieving that dream.

BASIC INFORMATION

Name of the Organization	Acumen Capital Market (India) Ltd.
Type of Organization	Financial Services
Years of Functioning	1995-Present
Company Category and Sub-Category	Listed by Shares; Non-Government company
Total Annual Turnover	1500 crores approx.
Total Number of Employees	215

SERVICES PROVIDED BY THE COMPANY

The company's main services include:

1. Stock broking – The Company is mainly in stock broking, that is, they act as the intermediary body between the client and the exchanges (capital markets). Stock brokers are regulated by the SEBI Regulations, 1992.
2. DEMAT services – The Company helps their clients in opening trading and DEMAT accounts. They also help the clients in the management of their investment portfolios.
3. Equity Trading – The Company has membership in various exchanges like the NSE and BSE for enabling the equity trading for its clients.
4. Commodity Trading – The Company has membership in various commodity exchanges like the NCDEX and MCX for ensuring smooth servicing for the clients in commodity and agro trading.
5. Currency Trading – For currency trading, the company has membership in currency exchanges like the NSE, BSE and MCX-SX.
6. Mutual Funds – For services in mutual funds, the company has tie ups with various ACMs for distributing their products to the clients.

7. Margin Funding – Margin funding is a facility offered wherein the investors can buy shares and securities by allowing them to pay a fraction of the total amount called margin. It can be in the form of cash margins or shares as collateral. So, in this transaction, the stock brokers balance the amount.

The company also provides services like using a chartered software for a detailed technical analysis, they also have a mobile application for all services, they also have a mobile application for trading and mutual funds, they also provide documentary services, the company has a paperless account opening facility. The company also conducts technical analysis classes and investor awareness programs. They also conducted classes for the orientation of those interested in writing the NISM (National Institute of Securities Market) exam, which is a compulsory criterion for opening franchises of the company.

COMPETITORS

The main competitors of the company are:

- **Geojit Financials:** The Company is a leading investment firm in the country and it has a growing presence in the Middle East as well. The Company is listed on the NSE and BSE and also has memberships in the two stock exchanges of the country.

- **Capstocks & Securities (India) Pvt. Ltd.:** Capstocks is a broking company, with an experience of over 29 years in this field. The Company has over 115 outlets across the country. The Company provides both, online and offline trading facilities.

- **Angel Broking Ltd.:** It is a technology-led financial service company. They provide services through online and digital platforms as well as through their sub-brokers. The company has over 2 decades of experience in this industry.

- **Motilal Oswal Financial Services Ltd.:** With over 30 years of experience in this field, the company is an Indian diversified financial service firm, offering a range of financial products and services.

- **Karvy Stock Broking:** Headquartered at Hyderabad, the company has over 35 years of experience in this field. The company has over 900 offices in over 400 cities and towns. The company provides services in countries like USA, Dubai, Malaysia, Philippines and Bahrain.

INTRODUCTION

People invest in stocks with an aim to earn high returns and wish to do so at the least risk possible. However, it gets difficult to meet your financial goal if you don't know where to invest and when to invest. It is necessary to understand which sector and which company to invest in. Also, investing all your resources in one stock can be very risky and thus it becomes important to diversify your portfolio and manage your risk.

Investment should not be made based on intuitions and feelings. In order to gain maximum returns and minimize the risk, it is important to understand, analyze, interpret and then invest in the various stocks. Not all people know how to scientifically go about investing in stocks. And so it becomes necessary to bridge this knowledge gap. Thus, the primary objective of this project is bridging this gap.

This project mainly focused at two industries – FMCG and Pharmaceutical. It involved conducting industry analysis of the two industries and further, the analysis of the top 5 companies in each of the two industries. This project emphasizes on understanding the two industries in depth as well as the top 5 companies of the industries. It further helps in understanding the potential investment options in the two industries.

EQUITY RESEARCH

Equity research basically refers to studying and understanding the stocks or equity of companies. It helps in determining how attractive an investment is and making informed decisions regarding a particular investment. Equity research involves both qualitative and quantitative analysis. There are two kinds of analysis' that are carried out under equity research – Fundamental Analysis and Technical Analysis.

FUNDAMENTAL ANALYSIS

Fundamental analysis is the method used to evaluate the intrinsic value of a security by studying the related economic and financial factors. It involves the study of all factors that might potentially affect the stock, including both, macroeconomic as well as microeconomic factors.

There are two approaches available for conducting any fundamental analysis. They are – the 'top-down' approach and 'bottom-up' approach. Top-down approach is studying the macro environment first and then moving on to the micro environment. Bottom-up approach involves studying the company first then moving on to studying the industry.

Fundamental analysis includes analysis of the economy, the industry and the company. On the basis of these three, we understand the feasibility and the probability of earning returns in the future. It helps in analyzing the fundamentals of the company and the potential of the industry growth in the future times, based on present and historical data.

Fundamental analysis can be classified into two types – qualitative and quantitative analysis. Qualitative analysis includes the study of the growth and growth potential of the industry and company, the market share of the company, the competition, industry wide regulations, percentage of exports, past performance of the company and industry and so on. It involves studying the macro-economic factors affecting the business.

Quantitative analysis on the other hand is more company specific and involves analysis of the financial statements of the company and the analysis of the various ratios like Return on Equity, Return on Assets, Operating Profit Margin and so on.

TECHNICAL ANALYSIS

Technical analysis is a discipline for the analysis of a security, which is based on forecasting investment opportunities by understanding the trading activities like price movements and volume. It mainly sees how the supply and demand for a company's stocks affects its price, volume and volatility of a stock.

It mainly studies the past behavior and trading activities as well as price changes, which can help in predicting the future trend of price of a security.

Technical analysis helps in understanding at what price a particular stock may be bought or sold. For conducting technical analysis, various indicators such as Relative Strength Index (RSI), Moving Averages (MA) and Moving Average Convergence Divergence (MACD) are looked into to be able to make proper buy and sell decisions.

RSI is an oscillator indicator, oscillating between 0 and 100, which indicates the overbought and oversold shares in relation to current price levels. RSI above 70 is considered overbought and below 30 is considered oversold. A bullish market is indicated when RSI is between 40 & 90 and a bearish market is signaled when RSI is between 10 & 60. It calculates the price gains and losses over a period of time and the default time period is 14 periods.

Moving Average constantly averages out the prices for smoothening out the price data. It helps in removing the impact of short-term fluctuations of price over a specified period of time. Usually, the 50-day MA and the 200-day MA are considered as important trading signals. The shorter the time frame, the more sensitive the MA would be to the price changes and the longer the time frame, the less price sensitive it would be. When the short-term MA crosses the long-term MA, it’s a buy signal. This cross is also known as the golden cross. On the other hand, when the long-term MA crosses below the short-term MA, it’s a sell signal and this cross is known as death cross.

MACD shows the relationship between two moving averages of a security’s price. It is an indicator to measure the trend-following momentum. The MACD is calculated by subtracting the 26 period EMA from the 12 period EMA. The resultant of this is the MACD line. On top of the MACD line, a “signal line” is plotted, which is a nine-day EMA of the MACD line. This helps in figuring out when to buy and sell the securities. The securities are bought when the MACD crosses the signal line from below and are sold when the MACD crosses above the signal line.

METHODOLOGY

All the data for the project have been sourced from secondary sources. No primary data has been collected for the project. Various secondary sources like the company annual reports and websites, other websites like Money Control and Screener as well as reports published by the Government of India, Crisil, IBEF, Motilal Oswal etc. were used.

The data collected for the project have been of both, qualitative and quantitative in nature. Qualitative data was used for conducting industry analysis, which included the Porter’s Five Force Model and PESTEL analysis. Qualitative data was also used for company analysis, which included SWOT analysis. Quantitative data was used in fundamental and technical analysis. For the fundamental analysis, cash flow statements of the company and various ratios were analysed. For the technical analysis, stock prices were analysed using various indicators.

For the purpose of fundamental analysis, cash flow statements were analysed and various ratios were calculated and analysed. The ratios included Operating Profit Margin, Asset Turnover Ratio, Return on Equity, Cash Conversion Cycle and so on. For the purpose of technical analysis, various statistical instruments and indicators like Moving Averages, Moving Average Convergence Divergence and Relative Strength Index were used.

CONTEXT OF INDUSTRY PROBLEM

In the past decade, we can notice a rise in the income levels of the citizens of the country. Therefore, more people are interested in investing their idle or extra money in order to get returns on that money. The investors aim at getting higher returns at low risks. However, there are not many research reports available which people can use as reference to make investments or even understand how to make such judgments on their own. Thus, this report aims at providing detailed insights into the Fast Moving Consumer Goods industry and the Pharmaceutical industry, so as to help the investors get an idea about the sector and where to invest. The report has been prepared using authentic resources and has been analysed without any biases.

PRESENTATION AND ANALYSIS OF DATA

FAST MOVING CONSUMER GOODS INDUSTRY

4th largest sector

Current Growth rate is 9-10% Expected is 11-12%

Contributes 10% to Indian GDP

100% FDI in Cash and Carry Model

51% FDI in Multi-brand retail

Govt. has reduced the GST levied on all items

As per the Indian Government, Personal Care and Household segments account for nearly 50% of the sales in FMCG sector. The FMCG market includes all those products that the customers are required to purchase at short, regular intervals. It includes all groceries, essential items and other such products for the day to day usage.

The industry has three major segments – **food and beverages (19%)**, **healthcare (31%)** and **household and personal care (50%)**. The **urban segment** contributes to almost **55%** of the total revenue and the **rural segment** contributes the rest of the **45%**.

The key growth drivers of this sector include the increasing urbanization, growing awareness among people, changing lifestyles, easier access because of technological advancements and increasing purchasing power of the people. Though the urban sector seems to be the largest contributor to the FMCG sector, the rural and semi-urban areas are quickly picking up the pace and are growing at a good pace.

As per a report published by Crisil, the next fiscal year (2021) would see a growth rate of 11-12% as compared to 2020 with an 8-9% growth rate. This would be largely driven by better agricultural GDP growth, higher spending by the Government on rural infrastructure, which in turn would result in better rural incomes and thus increased spending on FMCG products.

The share of the unorganized retail segment is falling and the share of organized retail sector is increasing, with increase in brand awareness and consciousness. Also, the online portals are playing a big role in helping with this transformation as it a more convenient and cheaper means of reaching out to your customers.

FUNDAMENTAL ANALYSIS

INDUSTRY ANALYSIS

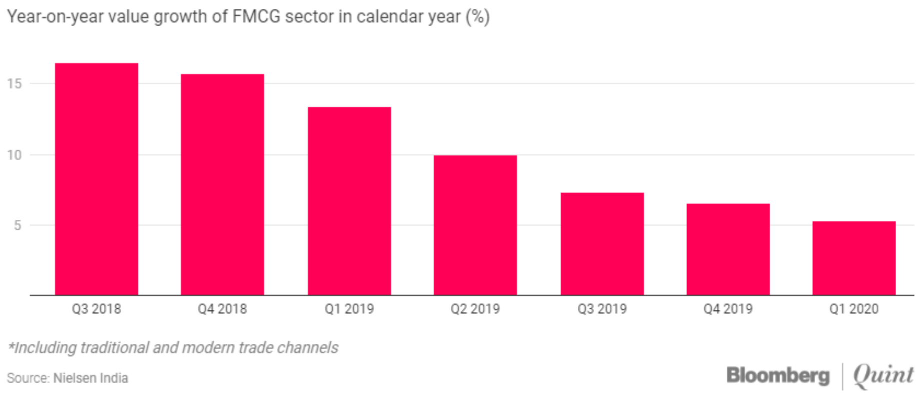
Pestle Analysis

Political Factors

In India, the government has taken many measures to boost the FMCG sector of the country. It has allowed **100% FDI in the cash and carry segment** as well as the **single brand retail** and has allowed **51% FDI in the multi-brand retail**. Also, the GST has been beneficial for this sector as many products like **soaps and hair oil** which was earlier almost 23-24% tax rate, is now in the **18%** tax bracket, whereas **food products and hygiene products** have reduced to **0-5%** from earlier 12-18% respectively. The government's focus on MSMEs, agriculture, healthcare, tax rebate etc. would help in increasing the disposable income of the citizens. The government is also focusing on improving the infrastructure and transportation facilities, not just in urban but rural areas as well, which has improved the distribution network to large extents.

Economic Factors

Recently, the country has been witnessing a slowdown and that has impacted all the industries, including the FMCG sector as well. The sector has seen a slowdown in the past few quarters. According to Nielsen India, the sector had reached the nascent stages of growth and recovery in the start of 2020, but the pandemic situation has made matters worse. Nielsen has now reduced the growth rate to 5-6% from the 9-10% earlier.



The value growth was at 6.4% in the first two months of 2020 but it fell to 3.3% in March as per a report by Bloomberg. The economic slowdown along with the lockdown situations has brought down the business activities and thus led to increased unemployment and decreased consumer spending power; this in turn has negatively impacted the sector.

Social Factors

In the recent past, the country has seen major changes in terms of living style of the consumers due to **rapid urbanization** and **increasing literacy rates**. People have become more health conscious and the consumers have become more hygiene oriented. Also, we have seen **a rise in the working women population** of the country, which in turn has brought about lot of changes in the consumption patterns. People now prefer packed food items, ready to eat snacks and instant mixes due to lack of time. There has also been a rise in the demand for organic food items in the recent past. Also, with the COVID-19 pandemic, we have seen a large increase in the importance that the consumers are placing in hygiene, so the purchase of related products have gone up drastically.

The FMCG companies are focusing greatly on the **rural segment** and trying to capture the market by issuing smaller sized packages of various products, also known as **single-use packets**. This increases the chances of purchases and stimulates trials amongst the population.

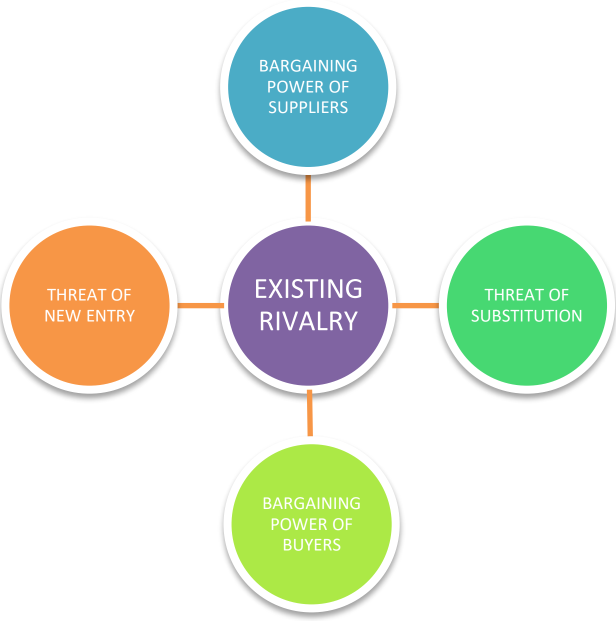
Technological Factors

Technological advancement has helped in increasing the productivity and has also improved the quality of the products and services rendered by the companies. Many companies are using **online portals** to sell their products through various distribution networks. Companies are indulging in **supply chain optimization tools** and spending huge amounts on research and development for understanding the consumers' needs and wants. It has also helped in enhancing the packaging as well as improved the marketing efforts of the companies.

Legal Factors

There are many legal frameworks laid out for the protection of the consumers as well as the employees working in the companies and all FMCG companies are required to abide by these frameworks. The **Consumer Protection Bill** has been formulated to ensure that the consumers are not exploited by any means and there is no misleading that places. There are **labour laws, health and safety laws** etc. in place for the protection of the employees working in the companies.

Porter's Five Force Model



Competition amongst Existing Players

The competition among the existing players is **very high**. The industry is highly fragmented, with increasing number of MNCs and private labels entering into the industry. All companies are getting more aggressive with their strategies and spending large amounts of money on advertising and trying to outperform their competitors. There are various factors that affect the level of rivalry amongst the existing firms, like the number of competitors, differentiation, switching costs, industry growth rate etc. The product differentiation options are limited, switching costs are low in this segment and so the customers can easily shift from one brand to another brand even for small differences in prices.

Threat of New Entrant

The threat of new entrants in an industry depends on various entry barriers present in the industry. The FMCG sector has low entry barriers and thus, it is **comparatively easier to**

enter in this segment. Thus, it is said that the impact of this force on the industry is medium. The various entry barriers include economies of scale, government protection, product differentiation, switching costs, access to technology and distribution channels of the industry and so on. The economies of scale in this sector are highly attractive as the production volumes are usually high because these goods are purchased at short intervals of time and frequently by the consumers. However, there is a need of aggressive marketing spending and huge investments are involved in setting up the distribution network and promoting the brand. On the other hand, since the product differentiation opportunities are limited, switching costs are also low and this can make it attractive for new entrants, as it is easier to get established.

Threat of Substitution

The threat of substitution in this sector is **pretty high**. This is mainly because of large number of competitors and ease of availability of the products as well as low differentiation points. Also, since the switching cost is low, there is ease of substitution. Also, since these are essential goods, the consumers are highly elastic and shift easily from one brand to another, which can sometimes lead to price wars.

Bargaining Power of Buyers

The bargaining power of the buyers is **high** in this industry. This is mainly because of low differentiation among the products and thus, lower switching costs for the customers. Also, the presence of huge number of buyers and sellers make it is easy for buyers to shift from one seller to another. This also increases the power of the buyers. Also, there is a high influence of the marketing strategies adopted by the companies on the customers.

Bargaining Power of Suppliers

The bargaining power of the suppliers in this industry is **low**. The big firms are able to dictate the prices that they would like to procure the material at, from the suppliers. Also, due to the long term relationships with and number of suppliers and their substitutes, the firms are able to negotiate the price with the suppliers. The suppliers' threat of forward integration is quite low as compared to the threat of backward integration of the firms'; this too reduces the bargaining power of the suppliers.

Hindustan Unilever

- Largest FMCG Company in India
- 35 brands under 20 categories
- Has a positive cash flow
- Has a negative cash conversion cycle (14.87 days)
- Highest ROA, ROE, ROCE and OPM
- Virtually debt free company

Hindustan Unilever was started in the year 1933 by the Lever Brothers. It is the Indian subsidiary of Unilever PLC, with Unilever having 67% shareholding in the company. It is headquartered in Mumbai, Maharashtra. The company has products spanning from food & beverages to cleaning agents to personal care to consumer goods to water purifiers. The company has a very diverse portfolio and houses brands like Lux, Close up, Axe, Brook Bond, Knorr, Kwality Walls, Pureit, Lakme, Surf Excel and so on. The company **employees over 21,000** people and it clocked **sales worth Rs. 38273 crores in FY2019-20**.

SWOT Analysis

Strengths

The company has a **very good brand visibility** and is the **market leader**. According to a report published by Nielsen India, 2 out of every 3 Indians use HUL products. The brand has a **high share of wallet** as it caters to all kinds of customers by offering products of different price ranges in the same category. The company is **financially very strong** and has a **high market share** due to high market penetration, even in rural India. It has an **extensive and integrated distribution network.** They have **improving annual net profits and ROE**.

Weakness

HUL as a company has very few weaknesses. Firstly, the company is witnessing **decreasing market share** due to increased competition. Secondly, it has a diverse portfolio, thus their **positioning gets confusing** for the consumers. The company also has a few **dog products** such as Taaza, Bru and Brook Bond Sehatmand. The company has seen **declining revenues** for past 3 quarters and **declining net cash flows**.

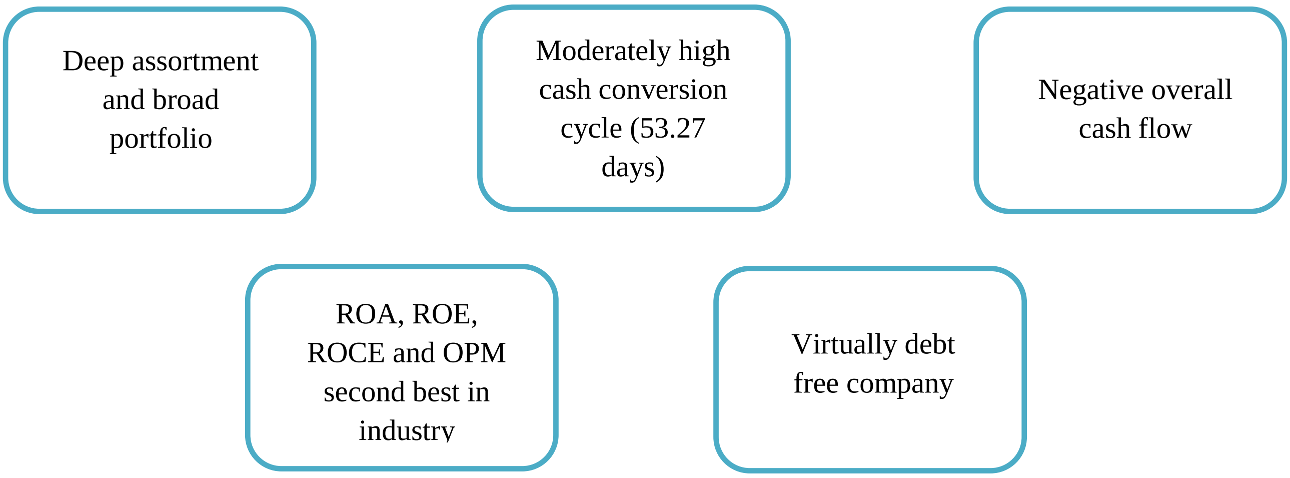
Opportunities

There are a few opportunities like **untapped potential in the rural segment** and **increased disposable income** of the population in the past decade which can prove advantageous for the company as it leads to increased demand.

Threats

Increasing competition is one of the major threats faced by the company. The products have **low differentiation**. **Low switching costs** make the consumers highly elastic and even small price differences make them shift to other brands. There is increased competition from **private labels** and **local and unorganized sector**. **FDI in single and multi-brand retailing** can also prove to be a threat.

Nestle India



Nestle India is a subsidiary of Nestle S.A. of Switzerland. Nestle is engaged in the **food & beverage** business. Its brands include Nescafe, Maggi, Kit Kat, Milkmaid etc. The company was incorporated in India in 1959 and is headquartered at Gurgoan, Haryana. Today, it has **8 manufacturing facilities** and **4 branch offices**. Nestle has a **deep product portfolio** which includes beverages, breakfast cereals, chocolates & confectionaries, dairy products, food products and baby food.

SWOT Analysis

Strengths

Being a global brand, it has **reduced risks** and can withstand economic pressures. It has **unmatched R&D capabilities** which helps them in creating nutritious food items. The company has a **broad product portfolio** and **deep assortment** which helps them satisfy needs of all customers. The brand has an extensive distribution network with presence even in remote rural areas. It has a **decentralized supply chain** and has a **locally adapted distribution network**, which has helped the brand penetrate well in the urban as well as rural markets. They have an **improving ROA, ROCE and annual net profits.**

Weakness

There are many different brands under its umbrella, making it **difficult to manage them effectively** and leads to **confusion the consumers' mind**. The brand has also faced many **controversies** like ones related to Maggi, baby food formula etc. The brand also houses **dog products** like Nestle Milo which is just a cash trap and is not bringing any significant revenues; in fact is just pulling it down. They have **declining net cash flows**.

Opportunities

People are getting more health conscious so they can also venture into the **healthy breakfast segment**. Nestle also has opportunities in terms of **expanding its market**. There is an increased demand for **packaged food** with changing life styles and increasing number of working women. The **increase in the disposable income** of consumers is another opportunity. Nestle currently sells tea, coffee and malt based beverages only; however it can expand its market by selling other kinds of beverages also.

Threats

Increased competition from the organized and unorganized retail segment and private labels are a major threat. There are limited possibilities of differentiation, low switching costs and the **customers are very elastic**.

Dabur India Ltd.

Over 136 years since establishment	Over 250 herbal and ayurvedic products	Negative overall cash flow
Virtually debt free company	Very huge cash conversion cycle (111.46 days)	Low ROE, ROA, ROCE and OPM too

Dabur India Ltd. was established in 1884 and it is headquartered in Ghaziabad, Uttar Pradesh. It is the **largest Ayurvedic and Natural Health Care Company in the world**. Its major brands include Dabur, Fem, Real, Hajmola, Odomos and Vatika. Its businesses include personal care, digestives, health supplements, hair oils, shampoos, skin care, oral care, OTC products and beverages. They have transformed from being a family run business to a professionally managed business.

SWOT Analysis

Strengths

Being an **indigenous brand**, it has a good understanding of the Indian market, much better than most MNCs, giving it an upper hand. It is a **well-established brand** and has a heritage of more than 100 years, thus it is a very **trusted name**. The **Real fruit juice** is one of its major strengths, with its USP being 'no added preservatives'. It is a global brand with **operations in more than 100 countries** and also it has an **extensive distribution network**, with close to 50 carrying & forwarding agents. They have an **improving annual net profit**.

Weakness

Dabur is associated with the medical industry thus **launch of Real Fruit Juices was difficult**. Also, its **Real juices** are comparatively **costlier than most aerated drinks,** making it a major challenge for the company. They have certain **dog products** like baby products and certain skin care products. They have **declining cash flows**, **operating profit margins** and **net profits**.

Opportunities

Indian **habits are changing**; earlier juices were only served to guests but now it's being used for personal consumption as well. This is a huge opportunity as the segment is worth more than Rs. 100 crores and is expected to grow at around 18%. **Real Activ** – the sugar free version - would help them capture a larger market share. The **government support** through 'Make in India' and 'Be Vocal about Local', are major opportunities as it promotes Indian companies. People are becoming more health conscious and so there is an **increasing demand** for ayurvedic products as they have less or no side effects.

Threats

The brand is facing **stiff competition** from a few players like Himalaya and Patanjali. Another threat is that the **allopathic competitors** invest heavily on advertising and distribution through medical representatives. The **fruit juice segment** has very **low barriers to entry**. Some of the **Ayurvedic doctors prescribe loose medicines or their own medicines**. People prefer to go to Kerala, the Ayurvedic hub, directly for treatment.

Britannia Industries Ltd.

Overall positive cash flow	Small cash conversion cycle (11.83 days)	Has the lowest OPM amongst the top 5 companies
Has the least Days' Inventory (43.47 days)	Has a moderate ROCE, ROE and ROA	Company is low on debt

Britannia Industries Ltd. was founded in the year 1892 and it is headquartered in Kolkata, West Bengal. It is now a part of the Wadia Enterprise. Britannia houses brands like Tiger, Good Day, NutriChoice, Bourbon, Milk Bikis and Marie Gold. It is in the business of selling biscuits, breads, rusks, cakes and dairy products like milk, cheese, yoghurt and beverages. They **sell in almost 60 countries** across the globe. Britannia had become the **country's first Zero Trans Fat Company**. The company also owns the Britannia Nutrition Foundation which looks into matters related to malnutrition of underprivileged children and women.

SWOT Analysis

Strengths

The company has a **strong brand portfolio** and offers products for people from all income groups, thus is able to capture a **greater share of wallet**. It has almost **30% share in the biscuit market**. Britannia also has a **high brand recall** and **Top of the Mind Awareness**, with its jingle at the tongues of every person. This has been a result of their **successful marketing strategies**. The company has a **strong distribution network**, with its presence in even the most remote areas of the country. They have **improving annual net profits** and **Operating Profit Margins**.

Weakness

Britannia is **overly dependent on its biscuit business**, with a contribution of 75% to total revenue. Other companies produce similar products causing **some brands to get commoditized**; also the **switching costs are low** causing **loss of sales** for the company. They shed huge amounts on advertising and marketing its products. Britannia's **dairy business** is not performing exceptionally and contributes just 5% to the total revenue.

Opportunities

The **changing lifestyle** and shift towards the healthier life is a great opportunity as it might even help in **pushing its dog product NutriChoice to the star segment**. There is a huge scope for the company in the **overseas market**. It can even go for **product line extensions** as it is a well-known and well-established brand. It does not have many large competitors in the **dairy segment**, thus it can gain market share.

Threats

There has been an **increase of competition** from the big MNCs, local players and private labels, making it difficult to stay on top. The bakery segment fetches a large share of its annual turnover, but with **increasing number of local bakeries** has become a major threat to the brand's breads. Also, due to the **limited opportunities of product differentiation** and **low switching costs**, the consumers easily shift from one brand to another.

Godrej Consumer Products Ltd.

Over 123 years since establishment in the country

The overall cash flow is negative

The best growth in past 5 year profits as compared to the other top 4

Moderately high cash conversion cycle (57.62 days)

Amongst the lowest ROCE, ROA, ROE and OPM

Company is low on debt

Founded in 1897, Godrej Industries is an Indian Conglomerate, headquartered at Mumbai, Maharashtra. The 123 year old company operates in sectors like consumer products, real estate, furniture, agricultural products, engineering products, appliances and security. Godrej Group has 3 major subsidiaries, namely, Godrej Consumer Products, Godrej Properties and Godrej Agrovet.

Godrej Consumer Products Ltd. was founded in 2001 after its demerger from Godrej Soaps Ltd. The major categories under GCPL are Hair Care, Home Care and Personal Care. GCPL employs over **21,000 employees**. The major brands under GCPL include Good Knight, Hit, Godrej Ezee, Godrej No.1, Cinthol etc.

SWOT Analysis

Strengths

GCPL has a **strong product portfolio**. According to their estimates, over 600 million people use their products daily. They hold a **strong position in the soap segment** and are amongst the top in the **liquid detergent segment** as well as **household insecticides**. They are extensively **focused global markets** and almost 47% of their revenue was generated from the overseas market in FY2015. They are also **highly focused on R&D** and continuously invest in new product development and brand extensions. They also have a **strong distribution network** with more than 1200 distributors and 33 Carrying & Forwarding agents. They have an **improving ROE and ROA**.

Weakness

GCPL has a **lack of scale** unlike HUL and ITC, which gives it a **cost disadvantage**. Therefore, it has **lesser financial strength** to diversify its business unlike its other big competitors. Thus, it reduces its effectiveness as well as market share. They have a **declining OPM, net profits and cash flows**.

Opportunities

GCPL is engaging in **inorganic expansion** by acquiring companies in expanding markets like Kenya and South Africa. There has been an **increase in the rural demand** in the past decade, which is an opportunity for them. In the recent past, India has witnessed a **changing lifestyle** of people and **increasing disposable incomes** of the people. People are getting more conscious about their personal care and which is an opportunity for the company.

Threats

The company faces **fierce competition** from other MNCs, domestic players and local competitors, which results in price wars at times. Also, the presence of **counterfeit products** reduces the brand image of the company. The **allowance of FDI in retail** would lead to increased competition in the market, with international companies entering the country with their deep pockets. There has been **degradation in their profits, revenues and OPM**.

RATIO ANALYSIS

	HUL	Nestle	Dabur	Britannia	GCPL
Market Cap	495108.93	159050.26	80516.27	80942.83	62034.16
Profit Growth last 5 years	**13.33**	**10.70**	**10.69**	**20.28**	**23.34**
YOY Quarterly Profit Growth	**-3.39**	**13.55**	**-31.03**	**26.16**	**-70.24**
YOY Quarterly Sales Growth	-9.70	10.73	-12.35	2.46	-12.18
Operating Profit Margin	**24.58**	**23.14**	**20.59**	**15.89**	**21.54**
Return on Equity	**85.62**	**70.27**	**26.41**	**30.25**	**31.55**
Return on Assets	**65.95**	**35.59**	**22.76**	**28.48**	**19.76**
Inventory Turnover	5.84	3.89	2.41	9.15	2.90
Receivables Turnover	34.63	99.45	10.21	28.03	7.98
Payable Turnover	4.04	6.36	4.66	8.17	3.22
Days' Inventory	64.79	107	154.09	43.47	124.911
Days' Receivables	10.54	3.67	35.73	13.02	45.75
Days' Payable	90.20	57.40	78.36	44.66	113.04
Cash Conversion Cycle (Days' Inventory + Days' Receivables - Days' Payables)	**-14.87**	**53.27**	**111.46**	**11.83**	**57.62**
ROCE	**117**	**98**	**29**	**37**	**20**

From the above table, we can see that HUL has clearly outperformed the other companies in terms of the ROE and ROA. The company's operating profit margins are also high. Although all the FMCG companies are cash rich, the cash conversion cycle of HUL is negative, which means that it gets its cash in advance. Also, the ROCE is the highest, which means the capital is being used efficiently.

Nestle is the second best performing company as we can see that the company's ROE, ROA, ROCE and operating profit margins are higher as compared to the other 3 companies. The cash conversion cycle, however, is pretty high but still lower than GCPL and Dabur.

Dabur has performed pretty poorly as its cash conversion cycle is also very high and its ROE, ROA, ROCE and operating profit margins are also not the amongst the best. The company also has a negative sales growth and highest Days' Inventory among the 5 companies.

CASH FLOW STATEMENT ANALYSIS

The **overall cash flow of HUL is negative**. Their net cash flow from **operating activities is positive** which means that the company is generating cash from its operations. The cash flow from **investing activities is negative** which indicates that the company has spent money on purchase of various investments and fixed assets and is also receiving interest and dividend. However, the fixed asset purchases and sales made are lesser than last years and the investments purchased and sold are greater compared to last year. The cash flow from **financing activity is negative** which means that the company is paying its interests and dividends, which is a positive sign. ***(Annexure 1)***

Nestlé's **overall cash flow is positive**. The cash flow from **operating activities is positive**, which indicates that the company is generating sufficient cash from its operations. The cash flow from **investing activities is negative**. They have purchased a greater amount of investments but fewer fixed assets as compared to last year and interest and dividends received are higher. The cash flow from **financing activity is negative**. The company has paid greater dividends and interests as compared to last year. ***(Annexure 2)***

The net cash flow of Dabur from **all 3 activities is negative**. **Operating activity's cash flow is positive**, indicating that it has inflow of cash from its operations. Also, its receivables are greater than payables. The cash flow from **investing activities is also positive**. This is mainly because, the company sold more investments than it purchased and also has received interest on its investments. The cash flow from **financing activities is negative**, which means the company is paying its dividends to the shareholders and interests on its borrowings. ***(Annexure 3)***

The **net cash flow from all 3 activities is negative** for Britannia as well. The cash flow from **operations is positive** whereas from that of **investing and financing activities is negative**. The company has purchased fewer assets and investments and has also received greater interests. Also, the company has paid greater dividends and interests, also has repaid its borrowings. ***(Annexure 4)***

The **overall net cash flow of GCPL is negative**. The cash flow from **operating activities investing activities is positive**. The company has not invested much in purchase of investments whereas they have sold certain investments and received interest because of which the cash flow is positive. The cash flow from **financing activities is negative** as the company has paid higher dividends and interests on borrowings. ***(Annexure 5)***

TECHNICAL ANALYSIS

Most technical indicators of HUL continue to be in bullish mode. Based on the MACD on daily chart, we notice that when the stock prices were at around 2070, the MACD line crossed the signal and gave another opportunity to enter the stock. Oscillator indicator RSI above 50 shows the speed and change of price movements and indicates an uptrend. This is another buy signal. Also, we can see that the 50 day exponential moving average is well above the 200 day exponential moving average, which also indicates a buy signal. Thus, all the 3 indicators gave a strong buy signal. The 3 indicators continue to indicate that the stock is continuing in a bullish trend and thus can be bought at the dips. ***(Annexure 6)***

For the Nestle India, according to the MACD line, the best buy signal was indicated around when the prices of the stock was around 15200 as the MACD line had crossed the signal line and made a large angle. Also, we can notice a rise in the RSI indicating a bullish trend and 50 day EMA was also well above the 200 day EMA. All these signals indicated a buy signal. In the current scenario, the MACD line is moving very close to the signal line, this is not a clear buy signal and the RSI is also around 50 and thus is not giving clear indications. The 50 day EMA is well above the 200 day EMA, which is a bullish sign. The stock prices of the company have shown a Double Bottom pattern at 16100 levels, which is a bullish sign. Once the price crosses 17500 levels, fresh buy can be initiated. ***(Annexure 6)***

For Britannia, a buy signal was indicated at the time when the stock price was close to 2400. The MACD line crossed the signal line from below and the RSI also indicated uptrend. However, the 50 day EMA was below the 200 day EMA indicating that short term trend is worse than the long term trend, indicating a death cross. However, the 50 day EMA crossed and went over the 200 day EMA line around when the stock price was 3125 and indicated a buy signal. But, the MACD line is moving along with the signal line therefore not giving any clear indications of buy or sell. Thus, it is best to wait and watch for a while. ***(Annexure 6)***

GCPL and Dabur are in a death cross and so it is recommended to sell their shares. The other 3 companies are continuing in the buy trend based on the MA crossovers. ***(Annexure 6)***

PHARMACEUTICAL INDUSTRY

3rd largest in world in terms of volume & 10th largest in terms of value

Contributes 1.72% to the GDP of India

100% FDI in Greenfield through automatic route

100% in brownfield with 74% automatic and 26% govt. approval

46.5% of the total value of the industry is from exports

Competitive advantage due to lower price and higher quality (33% lower than USA)

Many Govt. initiatives to boost this industry further

Using digital platforms to make processes more efficient

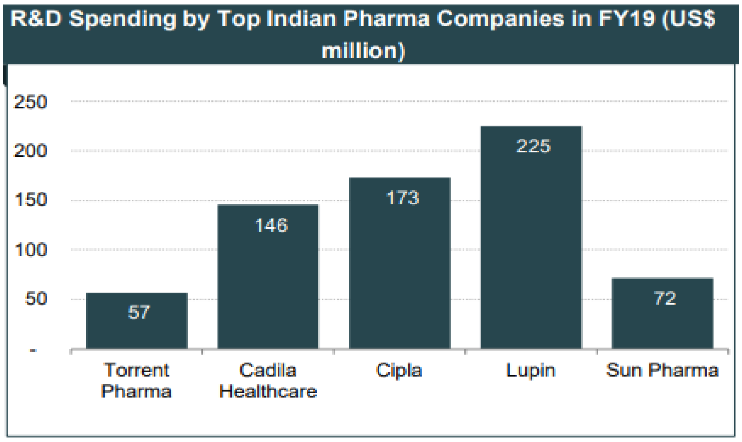
The Indian pharmaceutical industry accounts for **10% of the global production by volume** and **1.5% in terms of value**. It is also the **largest supplier of generic medicines in the world**, with a share of **20% of the global supply in terms of volume**. The industry also supplies to **62% of the global demand of vaccines**. India thus has an important position in the global market and its presence and prominence is on the rise.

As per The Hindu Business Line, the industry is **worth US$43 billion**, of which, **exports account for US$20 billion**. India **exports to more than 200 countries** across the globe, including countries like US, Europe, Japan and Australia. The country is **home to more than 3,000 Pharma companies** and has a strong network with almost **10,500 manufacturing facilities**. Currently, the industry **supplies more than 80% of the anti-retro-viral drugs**, which is used to fight against AIDS. The industry had a **growth rate of 7-8%** year-on-year in 2019 in the **drug secto**r and **15-16% in the medical device sector** and it is expected to continue growing at this rate further. Moreover, with the current scenario of spread of Corona virus, the demand for drugs has shot up considerably and has also opened up opportunities for the Indian Pharmaceutical industry to grow further.

This industry not only impacts the public health of the country but also contributes greatly to the Indian economy. It **directly and indirectly employs more than 2.7 million** people in high skill areas like R&D and manufacturing as per FICCI.

The industry comprises of generic drugs (71%), anti-infective (13.6%), cardiac (12.4%) and gastro intestinal (11.5%). The Ayurveda segment reached USD 4.4 billion in 2018 and is expected to grow at a CAGR of 16%. The Indian medicines are preferred all over the world, therefore the country is also known as the **"Pharmacy of the World"**.

Research and Development form a major part of this industry. According to reports published by HDFC Securities, approximately 8.4% of the sales account for the investments made in R&D by the various pharmaceutical companies across the country. According to reports published by Crisil and HDFC Securities, we can see in the graph below, in the FY19, the highest expenditure on R&D was made by Lupin and was followed by Cipla.



FUNDAMENTAL ANALYSIS

INDUSTRY ANALYSIS

PESTEL Analysis

Political Factors

The Government has introduced many initiatives to promote this industry. The government had launched '**Pharma Vision 2020'** to make India the leader in drug manufacturing and has also taken measures to reduce the approval time for new facilities to boost investments in this sector. The Drug Controller General of India (DCGI) had announced the introduction of a **single window for all approvals, consents and other information**. They also plan to set up an **online platform** to regulate the companies selling drugs online. The government has **introduced measures** like Drug Price Control Order and National Pharmaceutical Pricing Authority **to handle matters related to affordability and availability of drugs**. The government also plans to set up **Pharmaceutical Parks** to reduce the dependency of the industry on imports of raw materials from other countries. In the Union Budget 2020-21, **USD 9.3 billion has been allocated to Ministry of Health and Family Welfare**.

Economic Factors

The Indian population has always been sceptical about visiting the doctor and avoid it till it is an emergency. They spend a very small part of their income on healthcare and instead prefer using home remedies. However, recently, the situation is changing and people are getting very conscious of their health and prefer taking medical assistance and professional advice before consuming anything. This thus has **increased the spending on healthcare** and given a boost to the industry.

Social Factors

There have been **major shifts in the socio-cultural environment** of the country. The people have become extremely **health conscious** and prefer **spending on proper medical assistance and professional advices**, rather than blindly following the home remedies, especially in the urban areas. According to a report published by the FICCI, the patients are getting **more involved and empowered**. According to a study conducted in Gurgaon, it was revealed that over 60% of the patients checked on Google regarding their doctor and hospital choices before visiting and about the drugs prescribed, after the visit. Another change in the lifestyle has been **increasing drinking, smoking and chewing of pan masala, causing health issue**s. Also, the population has been on the rise and even today, especially in the rural areas, people still live in joint families thus it is easy for communicable diseases to spread. Among the young and middle-aged urban population **leading a healthy lifestyle has become a trend** and they engage in regular exercising and following a healthy diet, which **can prove to be negative for the industry in the long run**. In the recent past, the country has witnessed an **increase in fatal diseases and stress-related diseases**, especially due to the changes in lifestyle.

Technological Factors

There has been a great advancement in technology in the past few years. This has helped in increasing the productivity and reducing the costs drastically. In March 2017, the government had decided to launch an **online platform** to keep the **online medical stores** in check. The aim is to ensure that the prices are regulated and the quality is also good. There has been a **boost in the biotechnology** segment of the industry. The Biotechnology Industry Research Assistance Council **(BIRAC) was set up** to promote the biotechnology industry by providing funding for conducting research studies and for innovation. There are many new and emergent technologies that can be used in the industry to make it more efficient, reduce the costs and encourage innovation. Technologies like using autonomous robots for enabling flexible manufacturing, using smart sensors and robust tracking systems.

Legal Factors

The pharmaceutical industry is a **highly regulated industry**. Thus, there are many policies and regulations and compliances which have to be adhered to. The **Central Drug Standards Control Organization** (CDSCO) is the **drug regulatory body** of the country. All drugs are subjected to the **Drug Price Control Order** (DPCO) under the Essential Commodities Act, 1955. The **prices** of these drugs are **regulated by the National Pharmaceutical Pricing Authority**. They ensure that the drug prices are under control and affordable. The government mandates the **drugs being prescribed with the International Non-proprietary Name** (INN) to ensure that the poor people can get access to low cost medicines. The government also mandates **bio-equivalence studies** to be conducted to ensure the good quality of medicines. There is also the **Drug and Cosmetics Rules, 1945** and **National Pharmaceutical Policy, 2017** which need to be adhered to. They also ensure that the companies **do not sell the same drug under multiple brand names at different prices**.

Environmental Factors

Drug manufacturing **leads to lot of pollution**, especially with harmful effluents being left in various water bodies is a major cause of pollution. The Active Pharmaceutical Ingredients **(API) discharges from factories cause immense pollution** if not treated properly. This causes reduction in the water quality and can lead to respiratory problems and skin diseases. Also, the **public health workers and scientists become resistant to antibiotics** due to exposure to pharmaceutical residue. Thus, the laws related to regulation of the waste disposal have become more stringent. In 2005, the government introduced amendments in the Drugs and Cosmetics Act, 1940 and the Drug and Cosmetics Rules, 1945 which necessitates all pharmaceutical companies to **abide by the regulations set by Central Pollution Control Board of India** and the provisions of **Bio-Medical Waste Rules, 1996.**

PORTER'S FIVE FORCE MODEL

Existing Rivalry

The competition among the existing players is **very high**. In fact, the industry is highly fragmented too. The top 300 of the 24,000 companies earn 80% of the revenue. The major driving factor towards this industry is its stable growth rate and markets. However, the lack of opportunity for product differentiation is a discouraging factor in the industry. Cost competitiveness one of the key drivers of this industry.

Threat of New Entrant

The new entrants do have **high barriers to entry**. The established companies enjoy economies of scale in manufacturing, proper R&D facilities and financial and capital requirements. It is difficult for new entrants to create awareness and gain trust of doctors, pharmacists and people in general. With the growing trend of self-medication, people prefer buying medicines which they have been using and are aware of. It also takes time to build efficient distribution networks. Another discouraging factor for new players is the number of regulations, stringent policies and rules that the government has imposed. There are licensing issues, patents and R&D costs etc. which all act as hindrances.

Threat of Substitution

The threat of substitution is **moderate** in this industry. The major substitute in the synthetic pharmaceutical industry is the emergence of biotechnology chemicals. Also, Ayurvedic and Homeopathic medicines act as substitutes in this industry. The threat of substitution is higher in the generic or unbranded medicines segment as compared to the branded or bio-similar where it is usually the doctors who can substitute one drug for another.

Bargaining Power of Buyers

In the generic, OTC and unbranded medicine segment, there is ease of substitution and people can easily switch from one medicine to another. However, it is unlikely for the customers to switch often. Also, since the government imposes price regulations, the buyers do not have much power. However, if the buyer is a **hospital or some other such healthcare organization**, then they do **have bargaining power** and they can exert pressure on the pharmaceutical companies. **End users have no bargaining power** and have to go with the medicines prescribed by the doctors, who are the influencers.

Bargaining Power of Suppliers

The organic chemical industry is also highly fragmented and there are a large number of suppliers of raw material in the market. Thus, the pharmaceutical companies can easily shift from one supplier to another without incurring much cost. Also, the chemicals that these suppliers sell are largely commodities. Therefore, the bargaining power of the suppliers is **low**. However, certain large suppliers may pose the threat of forward integration.

Sun Pharmaceuticals Industries Ltd.

Largest in the country in terms of Market Cap

More than 2000 products in 150 markets

Company has reduced debt

Has an overall negative cash flow

Company has a negative profit growth in past years but a good OPM

Company has amongst the worst performing ROE, ROA and ROCE

Sun Pharma, an Indian multinational pharmaceutical company, was established in 1983. Headquartered at Mumbai, Maharashtra, after the acquisition of Ranbaxy in 2013, it became the **fifth largest specialty generic pharmaceutical company in the world**. It has more than **48 manufacturing sites** and **30 of its brands are a part of the Top 300 Pharma brands**. The company sells pharmaceutical formulations for various therapeutic areas like cardiology, neurology etc. and APIs. **72% of their sales are from the overseas market**, with US primarily accounting for almost 60% of the sales, making it the single largest market.

SWOT Analysis

Strengths

The company is highly regarded for its **ability to launch new products with speed and consistency**. They have become the **largest** after the acquisition of Ranbaxy in 2013. The company also has **low debt** and their **annual profits have been improving**. The company's **book value per share has also been improving** for past 2 years.

Weakness

The company has been seeing a **decline in their Net Cash Flows and Cash from Operating Activities** for the past 2 years. They also have **poor cash generation from their core business**. They face **stiff competition** from other Indian and global brands. They are also facing issues of **declining Net Profits**.

Opportunities

The **stocks are at 52 week high** with significant volumes. The company also has an opportunity to grow by **venturing further into more markets**. The **generics drug market** has been expanding **in the USA**; this is also an opportunity for the company. Also the brokers have **upgraded the recommendation or target prices** in the past 3 months which could fetch them more investments.

Threats

There are **stringent regulations** by the government. Even with regard to the patents, the government has made the regulations stricter. The company has firms linked to **on-going regulatory investigations and legal cases**.

Dr.Reddy's Laboratories Ltd.

Portfolio has over 200 products covering all areas of treatment	7 brands are amongst Top 300 Pharma brands	Has been reducing debt and has become a virtually debt free company
Overall cash flow is positive	Has poor OPM and negative growth since last 5 years	Has poor ROE, ROA, OPM and ROCE

Dr. Reddy's Laboratories was founded in 1984 and is headquartered at Hyderabad, Telangana. They have drugs for cardiology, gastronomy, oncology, dermatology etc. the company serves **25 countries** across the globe, with **86% of its sales coming from overseas market**. North America is its single largest market with almost 47% of its total turnover arising from this market. Their markets include India, USA, Russia, Germany, UK, Venezuela etc. The company has over **1200 scientists** under its umbrella, **23 manufacturing facilities**, **5 technology development centres**, **2 integrated product development facilities** and **3 R&D centres** across the globe. The company is mainly in 3 businesses, namely, Pharmaceutical services and Active Ingredients, Global Generics and Proprietary Products.

SWOT Analysis

Strengths

The company has **rising cash flows and cash from operating activities**. They are **low on debts** and their **book value per share has been improving** for past 2 years. The company's stock prices are witnessing a 52 week high and there have been **growth in their net profits** with **increasing profit margins**. The company also has a **good distribution network** and

successful product innovations. The use of **automation** has brought in **consistency in their product quality**. This has also let them have a **flexible manufacturing structure**.

Weakness

The company's **day's inventory is high** as compared to other companies; this thus requires higher amounts of capital investments. The company has been facing a **high attrition rate** and thus are required to spend more on training and development of their employees. They also have certain **gaps in their product portfolio**.

Opportunities

The company has witnessed a **negative to positive growth in sales and profit**. The brokers have upgraded the recommendation or target prices in the past 3 months, which could fetch them more investments. They have seen a **turnaround from losses to profits** in the past 7 years. The company can further increase their **geographic diversification**. They can further use the **advantage of technology** and reduce manual interventions by increasing the digitization and giving more shop floor training to the employees.

Threats

The company faces the issue of having links to firms with **on-going regulatory investigation and legal cases**. Also, they have been witnessing an **increasing trend in the non-core income**. Another threat is the **rising levels of counterfeit products** with lower quality. The increasing levels of **stringent policies and regulations** imposed by the government are also a major threat to the company.

Divis Laboratories Ltd.

Has over 150 brands and 73% revenue comes from overseas sales

Has reduced debt and is now virtually debt free

Has overall positive cash flow

Has highest ROE, ROA, ROCE and OPM

Cash conversion cycle is pretty high

Headquartered at Hyderabad, Telangana, the company was established in 1990. The company's main areas of business include manufacture of generic Active Pharmaceutical

Ingredients (APIs), custom manufacturing of APIs for other pharma companies, nutraceuticals and speciality chemicals. The company mainly sells in India, USA and Europe. The company recently became one of the **top 3 manufacturers of API across the globe** and **among the top API manufacturers in Hyderabad**. The company has more than **350 scientists** and **11,000 professionals** under its umbrella. They have **2 world class manufacturing facilities** and a third one under progress, **3 R&D centres** and **38 process patents.**

SWOT Analysis

Strengths

The company has been having consistent **highest returns on stock for past 5 years**. The company is **low on debt** and has been witnessing a **growth in Net Profits** with increasing margin. There is an **improvement in the book value per share** for past 2 years. The company has procedures and processes that ensure the **products are of high quality**. They also have **triple Certification and efficient technology** for large number of generic drugs. They have **one of the largest distribution networks**.

Weakness

The company has been witnessing a **decline in their quarterly net profits**, **operating profit margins and net profits**. The company faces the issue of **higher employee cost** and they have more **expenditure on power and fuel**.

Opportunities

The brokers have upgraded the recommendation or target price in the past three months, which could fetch them more investments. The company has been witnessing a **strong demand for its APIs** as well as **custom synthesis** and this has further helped them due to supply constraints from China and product shortages in USA. With the recent outbreak of COVID-19, there are huge opportunities.

Threats

The company’s stocks have a **high Price Earnings Ratio**. The company’s major revenues are generated from the overseas market. Thus, **changes in the global market** and changing dynamics can have impact on the business. It faces **increased competition** from various players in the domestic as well as foreign markets. High risks relating to the **regulatory compliances** inherent in the business.

Cipla Ltd.

Has more than 1500 products for various therapeutic categories

Has a negative overall cash flow

Has poor ROE, ROA, ROCE and OPM

Best Days' Inventory (250.18) and Cash Conversion cycle (289.17)

Negative quarterly sales growth

Cipla is an Indian pharmaceutical and biotechnology company with a presence in over **80 countries** across the globe. The company was founded in 1935 and it is headquartered at Mumbai, Maharashtra. Cipla mainly sells its products in India, USA, Australia, Europe and South Africa. The company has **46 manufacturing facilities** for APIs as well as Formulations and employees over **25,000 people**. The company's main strengths include respiratory, anti-retroviral, urology, cardiology and CNS segments. The company aims to make affordable medicines for all the people across the globe.

SWOT Analysis

Strengths

The company is **low on debt** and has been witnessing an **improvement in its book value per stock** for past 2 years. Their **return on equity has been improving** for past 2 years. The company has **strong R&D facilities** and are focused on creating new products and improving the delivery systems. Cipla has a **wide portfolio**, with more than 1500 products with more than 50 dosage forms. They have **brought in lots of advancements in terms of technology**, especially with its 'No Touch Breast Scan'. Its **products are recognized by many regulatory bodies of various countries**.

Weakness

The company has been witnessing **declining Net Profits** and **Net Cash Flows**. They have faced **negative publicity** for its pricing of AIDS drugs, which were unaffordable for many people in need of it. Cipla also faces **stiff competition** from domestic and foreign players.

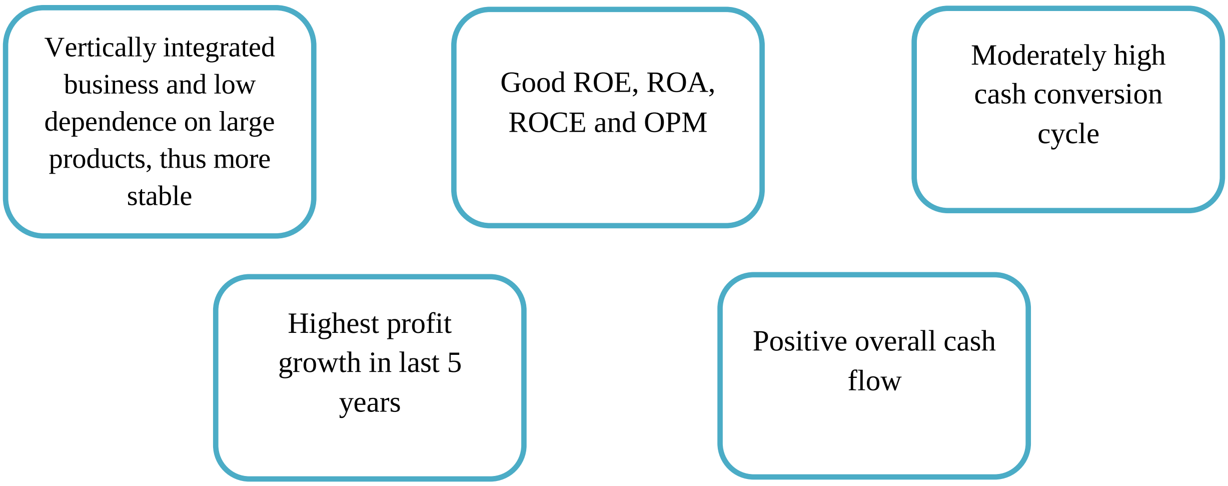
Opportunities

There are many opportunities for the company in India and South African region. Also, there are **emerging markets** in Middle East, Asia-Pacific and rest of the world. There are opportunities in the US market as well and it can further grow through **strategic alliances**. They have opportunities in terms of enhancing cost and operational efficiencies through use of **lean model, AI and advanced analytics**.

Threats

The company faces the threat of the **regulatory and competitive developments** in India. There is also the threat of **uncertainty of growth in the US market**. There is the issue of **increasing costs** and **growing business complexity**, especially due to tightening of regulatory norms in China. There are **geopolitical risks** and **risks related to environment, health and safety** too. There are **risks of disruption in the supply chain and quality** as well. Quality is of prime importance as it poses a significant risk on to the patients.

Aurobindo Pharma Ltd.



Found in 1986, Aurobindo Pharma is a multinational pharmaceutical company, headquartered at Hyderabad, Telangana. They have presence in various therapeutic areas like neurology, cardiovascular, antibiotics, antiretroviral, anti-diabetics and gastroenterology. The company exports its products to **155 countries** across the globe and has **27 manufacturing facilities**. The company manufactures over **33 billion diverse dosage forms**. The company has **16 formulation centres** and **7 R&D centres** across the globe and over **1,600 members** in the R&D team.

SWOT Analysis

Strength

The company is **low on debt** and has been witnessing an **increase in the quarterly profits** for the past 4 quarters. There has also been an **improvement in the book value per share** in the past 2 years. They have a **vertically integrated business model** and a **lower dependence**

on the large products, which helps in providing stability to the base business of the company. They have **regulatory expertise** and **large R&D capabilities**. They have a **diversified portfolio**.

Weakness

The company has an inefficient use of shareholders' funds as well as assets, which has resulted in **declining Return on Equity** and **Return on Assets**. The company also has poor cash generation from the core business leading to **declining cash flows from operating activities**. The company also has **no presence in the domestic branded business**.

Opportunities

The company's **stocks** have witnessed the **highest recovery in the past 52 weeks**. Also, the brokers have upgraded recommendation or target price in the past 3 months, which could get them more investments. **Growing USA and Europe markets** are an opportunity for them as 46% of the revenue is contributed by the US. **Introduction of new products** like inhalers, nasals and transdermal patches and topical is another opportunity.

Threats

The industry has been witnessing **stagnation** recently. However, it has started recovering now slowly. **Increasing scrutiny by the various regulatory bodies** is another threat. There is also the **threat of business cycles** as the company sells in many countries.

RATIO ANALYSIS

	Sun Pharma	*Dr. Reddy's Lab*	*Divis Labs*	*Cipla*	*Auro Pharma*
Market Cap	115192.07	66600.94	63582.38	51891.60	45216.88
Profit Growth last 5 years	**-5.96**	**-1.40**	**11.78**	**0.20**	**15.65**
YOY Quarterly Profit Growth	**-2.03**	**71.52**	**32.97**	**-33.02**	**37.63**
YOY Quarterly Sales Growth	14.25	10.41	9.67	-0.63	16.37
Operating Profit Margin	**21.29**	**14.08**	**33.67**	**18.71**	**20.74**
Return on Equity	**9.19**	**13.61**	**21.01**	**9.62**	**19.01**
Return on Assets	**6.70**	**10.02**	**20.69**	**7.18**	**12.99**
Inventory Turnover	1.07	1.43	1.19	1.44	1.33
Receivables Turnover	3.27	3.87	4.25	3.94	5.73
Payable Turnover	5.47	8.97	6.24	6.81	5.83
Days' Inventory	365.79	272.68	364.84	250.18	303.54
Days' Receivables	111.56	94.20	85.85	92.59	63.69
Days' Payable	66.67	40.67	58.47	53.60	62.59
Cash Conversion Cycle (Days' Inventory + Days' Receivables - Days' Payables)	**410.68**	**326.21**	**392.22**	**289.17**	**304.64**
ROCE	**11**	**12**	**29**	**11**	**18**

By seeing the above ratios, we can see that Divis Laboratories have performed the best among the 5 companies, even though their cash conversion cycle is high, they have the highest ROE, ROA and operating profit margin. The company has also shown a high growth in their profits over the last 5 years. The company's ROCE is also the best.

Aurobindo Pharma has performed the second best and it has a considerably good ROE, ROA, operating profit margin as well as ROCE. The company's cash conversion cycle is a little high though. The company has shown a good growth in profit over the past 5 years and also its quarterly growth has been good.

Sun Pharma has been amongst the worst performing company in terms of the ROE, ROA and ROCE. The company's profit growth over the past 5 years has also been very poor and the quarterly growth has also not been very satisfactory. However, the company has a good operating profit margin.

CASH FLOW STATEMENT ANALYSIS

The **net cash flow of Sun Pharma is negative**. Their cash flow from **operating activity is positive** thereby indicating profits from operations. It has greater receivables as compared to payables. The **investing activity has a negative** cash flow more fixed assets were purchased and fewer were sold as compared to last year. The company has received greater interest and sold fewer investments and assets. The cash flow from **financing activity is also negative**, as dividends and interests on borrowings were paid. ***(Annexure 7)***

Net cash flow of Dr. Reddy's Lab is negative. Its cash flow from **operating activity was positive** and that from **investing and financing activities were negative**. This was mainly because the company has invested in purchase of fixed assets and investments and sold fewer. The company was successfully able to pay out the dividends, interests and repaid its borrowings, which resulted in the negative cash flow from financing activities. ***(Annexure 8)***

The **net cash flow of Divis Labs is positive**. The cash flow from **operating activities is positive** as its operations are generating profits. The cash flow **from investing activities is negative** as the company has invested in the purchase of investments and fixed assets. The company has also received interest and dividends and has sold fewer investments. **Financing activities has negative cash flow** as the company have paid their dividends. ***(Annexure 9)***

The net cash flow of Cipla from all **3 activities is negative**. The cash flow from **operating activities is positive** and that from **investing and financing activities is negative**. The country has earned good profits from operations. The company has invested in purchase of fixed assets, investments as well as has acquired a company as well. The financing activity cash flow is negative as the company has repaid its borrowings, paid interest on borrowed capital and paid dividends as well. ***(Annexure 10)***

The **net cash flow of Auro Pharma is positive**. The cash flows from **operating and financing activities are positive** and that of **investing activity is negative**. The company has been earning profits from its operations and has heavily invested in purchase of fixed assets. They have also invested in acquisition of companies. The main reason for cash flow from financing activity to be positive is because the company has borrowed large sums of money from institutions. However, the company has still paid its dividends and interests as well as some parts of the borrowings. ***(Annexure 11)***

TECHNICAL ANALYSIS

Sun Pharmaceuticals was in a death cross till the stock price reached near 460. The MA crossovers and the oscillator indicator RSI are indicating an uptrend in the stock of Sun Pharma, thereby reflecting a bullish market. However, the MACD line is moving with the signal line thereby not giving a clear buy signal. It is thus recommended to not buy the stock now. ***(Annexure 12)***

From the above graph of Divis Labs, we can see that around 1900, there was a clear buy signal as the MACD is crossing over the signal line. Also, the 50 day EMA was well above the 200 day EMA. The oscillator indicator RSI has been consistent around 50, showing an uptrend. Thus, indicating a bullish trend. Currently, the MACD line is below the signal line, thus it is recommended to sell the stock. ***(Annexure 12)***

Aurobindo Pharma was in a death cross for a while but it recovered after reaching near 650. The MACD line however is moving along with the signal line and is in fact below it, thus it is recommended not to buy the stock now. However, the company’s stock is bullish and it is indicated even by the oscillator indicator RSI, which is around 60. ***(Annexure 12)***

Dr. Reddy’s stocks at the current price of 3998, is recommended to not buy as the MACD line is below the signal line. Similarly, Cipla’s stock shall not be bought at the current level of 635 as the MACD line is below the signal line, indicating a bearish trend. ***(Annexure 12)***

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ANNEXURES

ANNEXURE 1: Cash Flow Statement of HUL

		Year ended 31st March 2019	Year ended 31st March 2018
A	**CASH FLOW FROM OPERATING ACTIVITIES:**		
	Profit before tax	**8,604**	**7,304**
	Adjustments for:		
	Depreciation and amortisation expenses	565	520
	(Profit) / loss on sale of property, plant and equipment	39	30
	Government grant accrued (net)	(66)	(172)
	Contingent Consideration true up for business combination	57	48
	Finance Income	(307)	(260)
	Dividend income	(1)	0
	Fair value (gain)/loss on investments	(168)	(122)
	Interest expense	33	26
	Profit on disposal of surplus properties	-	(13)
	Profit on disposal of joint venture	-	(72)
	Provision for expenses on employee stock options	10	11
	Impairment of non-current investments	-	0
	Inventory written off net of Provision/write back for Inventory	134	173
	Bad debts/assets written off net of Provision/(write back)	(2)	13
	Mark-to-market (gain)/loss on derivative financial instruments	11	(1)
	Cash Generated from operations before working capital changes	**8,909**	**7,485**
	Adjustments for:		
	(Increase)/decrease in Non-Current assets	(66)	(39)
	(Increase)/decrease in Current Assets	(13)	(657)
	(Increase)/decrease in inventories	(195)	(146)
	(Increase)/decrease in Non-Current Liabilities	278	250
	Increase/(decrease) in Current Liabilities	(346)	1,428
	Cash generated from operations	**8,567**	**8,321**
	Taxes paid (net of refunds)	(2,767)	(2,264)
	Profit from discounted operations	0	2
	Net cash (used in) / generated from operating activities - [A]	**5,800**	**6,059**
B	**CASH FLOW FROM INVESTING ACTIVITIES:**		
	Purchase of property, plant and equipment	(695)	(888)
	Sale proceeds of property, plant and equipment	13	17
	Purchase of Intangible assets	(72)	(7)
	Contingent Consideration paid on business combination	(13)	-
	Sale proceeds of non-current investments	-	4
	Purchase of current investments	(74,365)	(51,855)
	Sale of current investments	74,691	52,893
	Investment in bank deposits (having original maturity of more than 3 months)	(4,343)	(2,812)
	Redemption/maturity of bank deposits (having original maturity of more than 3 months)	4,056	1,200
	Investment in non-current deposits with banks	-	(0)
	Interest received	289	297
	Consideration received on disosal of surplus properties	-	15
	Consideration received on disposal of joint venture	-	73
	Dividend received from others	1	0
	Net cash (used in) / generated from investing activities - [B]	**(438)**	**(1,063)**
C	**CASH FLOW FROM FINANCING ACTIVITIES:**		
	Dividends paid	(4,554)	(3,911)
	Dividend distribution tax paid	(928)	(781)
	Amount (repaid) / taken for short term purpose	99	(277)
	Interest paid	(7)	(6)
	Proceeds from share allotment under employee stock options/ performance share schemes	0	0
	Net cash (used in) / generated financing activities - [C]	**(5,390)**	**(4,975)**
	Net increase/(decrease) in cash and cash equivalents - [A+B+C]	**(28)**	**21**
	Add: Cash and cash equivalents at the beginning of the year (refer Note 12)	649	628
	Cash and cash equivalents at the end of the year (refer Note 12)	**621**	**649**

ANNEXURE 2: Cash Flow Statement of Nestle India

		31 December 2018 (₹ in million)	31 December 2017 (₹ in million)
A	**CASH FLOWS FROM OPERATING ACTIVITIES**		
	Profit Before Tax	24,289.5	18,393.0
	Adjustments for :		
	Depreciation and Amortisation	3,356.7	3,422.5
	Impairment loss on property, plant and equipment	110.8	371.8
	Deficit/ (Surplus) on property, plant and equipment sold/scrapped/written off (net)	(10.3)	50.2
	Other income	(2,589.2)	(1,769.2)
	Interest on bank overdraft and others	40.5	6.6
	Unrealised exchange differences	11.6	(5.8)
	Operating profit before working capital changes	25,209.6	20,469.1
	Adjustments for working capital changes:		
	Decrease/(increase) in trade receivables	(359.0)	84.3
	Decrease/(increase) in inventories	(630.8)	375.9
	Decrease/(increase) in loans, other financial assets & other assets	59.1	25.4
	Increase/(decrease) in trade payable	2,572.7	1,850.2
	Increase/(decrease) in other financial liabilities & other liabilities	518.7	(729.4)
	Increase/(decrease) in provision for contingencies	1,036.8	876.6
	Increase/(decrease) in provision for employee benefits	930.5	1,266.5
	Cash generated from operations	29,337.6	24,218.6
	Income taxes paid (net of refunds)	(8,813.1)	(6,040.7)
	Net cash generated from operating activities	20,524.5	18,177.9
B	**CASH FLOWS FROM INVESTING ACTIVITIES**		
	Purchase of property, plant and equipment	(1,659.8)	(1,985.6)
	Sale of property, plant and equipment	32.0	27.1
	Purchase of tax free long term bonds and treasury bills	(1,603.9)	(1,118.1)
	Decrease/(increase) in loans to employees	150.4	71.4
	Dividend received on mutual funds	185.4	161.3
	Interest received on bank deposits, investments, tax free bonds, employee loans etc.	2,371.8	1,538.3
	Net cash used in investing activities	(524.1)	(1,305.6)
C	**CASH FLOWS FROM FINANCING ACTIVITIES**		
	Increase in deferred VAT liabilities under state government schemes	-	19.9
	Interest on bank overdraft and others	(40.5)	(6.6)
	Dividends paid	(10,895.0)	(8,291.8)
	Dividend distribution tax paid	(2,238.7)	(1,687.7)
	Net cash used in financing activities	(13,174.2)	(9,966.2)
	NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	6,826.2	6,906.1

ANNEXURE 3: Cash Flow Statement of Dabur

Particulars	31 March, 2019	31 March, 2018
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	1,724.87	1,693.09
Adjustments for:		
Depreciation and amortization expense	176.90	162.18
(Gain)/ loss on disposal / impairment of property, plant and equipment (net)	(0.71)	3.44
Share based payment expense	77.33	3.51
Provision for disputed liability	8.94	6.02
Allowance for expected credit loss	4.32	4.23
Provisions for employee benefits	8.73	12.66
Finance costs	49.20	42.38
Unrealised foreign exchange (gain)/ loss (net)	(3.45)	3.48
Interest income	(249.39)	(241.52)
Share of profit of joint venture	(0.96)	(0.24)
(Gain)/ loss on fair valuation of financial instruments (net)	(0.79)	3.69
Net gain on sale of financial assets measured at FVTPL	(6.15)	(19.12)
Net gain on sale of financial assets measured at FVOCI	(1.45)	(19.87)
Effect of exchange rates on translation of operating cashflows	5.21	9.70
Exceptional items	75.34	14.54
Operating profit before working capital changes and other adjustments	**1,867.94**	**1,678.17**
Working capital changes and other adjustments:		
Inventories	(44.35)	(149.47)
Trade receivables	(130.25)	(59.89)
Current and non-current financial assets	24.13	(26.41)
Other current and non-current assets	23.38	(147.22)
Trade payables	45.11	85.75
Other current and non-current financial liabilities	28.78	31.50
Other current and non-current liabilities and provisions	35.12	3.99
Cash flow from operating activities post working capital changes	**1,849.86**	**1,416.42**
Direct taxes paid (net of refund)	(350.73)	(324.92)
Net cash flow from operating activities (A)	1,499.13	**1,091.50**
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment, capital work-in-progress, investment properties and intangible assets	(234.35)	(206.96)
Proceeds from disposal of property, plant and equipment, capital work-in-progress, investment properties and intangible assets	9.34	6.67
Purchases of investments/ bank deposits	(5,392.77)	(9,001.06)
Proceeds from sale of investments	5,710.25	8,417.64
Interest received	244.44	243.72
Net cash flow from / (used in) investing activities (B)	**336.91**	**(539.99)**
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of equity share capital	0.48	-
Repayments of non-current borrowing (including current maturities)	(271.96)	(61.57)
Proceeds from current borrowings (net)	31.81	4.30
Dividend paid	(1,324.71)	(396.34)
Dividend distribution tax paid	(272.30)	(80.69)
Finance costs paid	(51.52)	(42.81)
Net cash used in financing activities (C)	**(1,888.20)**	**(577.11)**
Decrease in cash and cash equivalents (A+B+C)	(52.16)	(25.60)
Cash and cash equivalents at the beginning of the year	89.21	115.75
Net unrealised foreign exchange (gain)/loss	0.67	(0.94)
Cash and cash equivalents at the end of the year	**37.72**	**89.21**

ANNEXURE 4: Cash Flow Statement of Britannia Industries

₹ in Crores

For the year ended	31 March 2019	31 March 2018
Cash flows from operating activities		
Profit before share of profits / (loss) of associates	1,768.90	1,518.36
Adjustments for :		
Depreciation and amortisation expenses	161.88	142.07
Share based payment expense	16.12	8.64
Net gain on financial asset measured at fair value through Statement of Profit and Loss	(63.85)	(55.24)
Profit on disposal of property, plant and equipment	(0.97)	(0.43)
Interest income	(136.77)	(104.03)
Finance costs	9.09	7.59
Changes in		
Inventories	(127.21)	8.76
Trade receivables	(86.67)	(125.22)
Loans receivable, other financial assets and other assets	10.90	82.15
Accounts payables, other financial liabilities, other liabilities and provisions	200.49	262.58
Cash generated from operating activities	**1,751.91**	**1,745.23**
Income-tax paid, net of refund	(596.13)	(496.46)
Net cash from operating activities	**1,155.78**	**1,248.77**
Cash flow from investing activities		
Acquisition of property, plant and equipment and other intangible assets	(401.21)	(422.93)
Proceeds from sale of property, plant and equipment	1.82	1.76
Purchase of investments, net	(334.12)	(537.37)
Inter-corporate deposits placed	(874.30)	(767.22)
Inter-corporate deposits redeemed	635.40	660.39
Interest received	116.88	109.11
Net cash used in investing activities	**(855.53)**	**(956.26)**
Cash flow from financing activities		
Proceeds from share allotment	29.79	15.06
Interest paid	(9.38)	(7.48)
(Repayment) of / proceeds from borrowings	(41.91)	67.25
Contribution from non-controlling interest	23.20	10.80
Dividends paid (including dividend distribution tax)	(354.38)	(317.38)
Net cash used in financing activities	**(352.68)**	**(231.75)**
Net change in cash and cash equivalents	**(52.43)**	**60.76**
Effect of exchange rate changes on cash and cash equivalents	3.31	(0.26)
Cash and cash equivalents at the beginning of the year	107.84	47.34
Cash and cash equivalents at the end of year	**58.72**	**107.84**
Cash and cash equivalents at the end of the year [Refer note 15]	60.32	129.91
Book overdraft [Refer note 28]	(1.60)	(13.06)
Bank overdraft [Refer note 26]	-	(9.01)
	58.72	**107.84**
Debt reconciliation statement in accordance with Ind AS 7		
Current borrowings		
Opening balance	84.64	84.31
(Repayment) of / proceeds from borrowings	(13.03)	-
Exchange fluctuation	4.49	0.33
Closing balance	**76.10**	**84.64**
Non current borrowings and current maturities of long term borrowings		
Opening balance	110.01	42.72
(Repayment) of / proceeds from borrowings	(28.88)	67.25
Exchange fluctuation	-	0.04
Closing balance	**81.13**	**110.01**

ANNEXURE 5: Cash Flow Statement of GCPL

		Year ended March 31, 2019	Year ended March 31, 2018
A.	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Profit Before Exceptional Items and Tax	**1,832.77**	1,859.32
	Adjustments for :		
	Depreciation and amortization expenses	**169.98**	155.68
	Bad Debts Written off	**6.41**	6.00
	Provision / (Write-back) for Doubtful Debts / Advances	**6.89**	12.67
	Write back of Old Balances	**(0.21)**	(0.78)
	Expenses on Employee Stock Grant Scheme (ESGS)	**9.12**	8.71
	(Profit)/ Loss on sale of Property, Plant & Equipment and Intangible assets (net)	**0.59**	(4.35)
	Finance cost	**224.25**	160.74
	Interest Income	**(86.76)**	(68.50)
	Share of profit of equity accounted investees	**(0.63)**	(1.08)
	Fair value (Gain) / Loss on financial assets measured at FVTPL (net)	**(0.01)**	8.14
	Profit on Sale of Investments (net)	**(8.03)**	(18.54)
	Adjustment due to hyperinflation	**13.23**	-
	Unrealised foreign exchange (Gain)/ Loss	**13.78**	29.06
		348.61	287.75
	Operating Cash Flows Before Working Capital Changes	**2,181.38**	2,147.07
	Adjustments for :		
	Increase in inventories	**(20.01)**	(165.22)
	Increase in trade receivables	**(174.20)**	(245.47)
	(Increase)/Decrease in loans	**(0.74)**	1.13
	(Increase)/ Decrease in other financial assets	**39.74**	(19.04)
	Increase in other non-current assets	**(4.58)**	(0.72)
	(Increase)/Decrease in other current assets	**21.62**	(184.27)
	Increase in trade and other payables	**274.22**	613.22
	Decrease in other financial liabilities	**(17.66)**	(30.83)
	Increase/ (Decrease) in other liabilities and provisions	**(117.82)**	15.66
		0.57	(15.54)
	Cash Generated from Operating Activities	**2,181.95**	2,131.53
	Income Taxes paid (net)	**(435.07)**	(392.75)
	Cash Flow before exceptional items	**1,746.88**	1,738.78
	Exceptional Items:		
	Restructuring Cost	**(18.03)**	(15.43)
	Net Cash Flow from Operating Activities (A)	**1,728.85**	1,723.35
B	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Purchase of Property, Plant & Equipment and Intangible assets (net)	**(207.73)**	(311.49)
	Investments in Mutual Funds (net)	**106.80**	349.15
	Investments in Deposits with NBFCs (net)	**192.43**	(90.14)
	Investments in Non Convertible Debentures with NBFCs (net)	**86.06**	(212.20)
	Investments in Commercial Papers	**97.04**	(97.04)
	Sale of investment in equity accounted investees	**2.28**	-
	Payment for Business Acquisitions	**(425.33)**	-
	Divestment of business unit, net of cash disposed of	**278.22**	-
	Investments in Fixed Deposits having maturities greater than 3 months (net)	**29.68**	(44.58)
	Interest Received	**92.10**	66.47
	Net Cash Flow used in Investing Activities (B)	**251.55**	(339.83)
C	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Proceeds from Allotment of Equity Shares under ESGS	**0.01**	0.01
	Loans and borrowings (net)	**(344.69)**	(487.56)
	Expenses on issue of bonus shares	**(0.75)**	(0.70)
	Finance Cost	**(214.67)**	(157.82)
	Dividend Paid	**(1,226.52)**	(613.12)
	Dividend Distribution Tax Paid	**(252.11)**	(124.82)
	Net Cash Flow from/ (used in) Financing Activities (C)	**(2,038.73)**	(1,384.01)
	NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	**(58.33)**	(0.49)
	CASH AND CASH EQUIVALENTS:		
	As at the beginning of the year *(Refer Note 14A)*	**898.02**	895.05
	Less: Cash credit	**(3.42)**	(0.84)
	Effect of exchange difference on translation of cash and cash equivalents on consolidation	**20.19**	0.88
	As at the end of the year* *(Refer Note 14A)*	**862.21**	898.02
	Less: Cash credit	**(5.75)**	(3.42)
	NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**(58.33)**	(0.49)

ANNEXURE 6: Charts for Technical Analysis (FMCG Industry)


DABUR
RSI (14)
MACD (12,26,9)
ZERODHA
460.50
54.61
2020
14
Feb
14
Mar
14
Apr
May
14
Jun
14
28
1D
5D
1M
3M
6M
YTD
1Y
5Y
All


BRITANNIA
RSI (14)
MACD (12,26,9)
ZERODHA
3454.00
3242.24
3055.14
64.04
2020
14
Feb
14
Mar
14
Apr
May
14
Jun
14
28
1D
5D
1M
3M
6M
YTD
1Y
5Y
All


GODREJCP
750.00
700.00
685.50
650.00
626.63
550.00
500.00
450.00
RSI (14)
71.70
20
MACD (12,26,9)
0
-25
-50
ZERODHA
2020
14
Feb
14
Mar
14
Apr
May
14
Jun
14
28
1D
5D
1M
3M
6M
YTD
1Y
5Y
All

ANNEXURE 7: Cash Flow Statement of Sun Pharma

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	38,102.0	34,789.8
Adjustments for:		
Depreciation and amortisation expense	17,532.5	14,998.4
Impairment of property, plant and equipment, goodwill and other intangible assets	12.9	26.7
Loss on sale / write off of property, plant and equipment and other intangible assets, net	665.6	201.6
Finance costs	5,552.5	5,175.7
Interest income	(6,692.1)	(5,197.6)
Dividend income on investments	(223.8)	(371.6)
Net (gain) / loss arising on financial assets measured at fair value through profit or loss	(1,433.6)	(1,236.6)
Net gain on sale of financial assets measured at fair value through profit or loss	(180.3)	(234.0)
Net loss on sale of financial assets measured at fair value through other comprehensive income	0.1	7.5
Provision / write off / (reversal) for doubtful trade receivables / advances	(339.4)	1,095.9
Sundry balances written back, net	(64.5)	(170.6)
Income recognised in respect of share based payments to employees	-	(1.0)
Impairment in value of investments, net	-	(725.7)
Effect of exchange rate changes	4,856.7	253.5
Operating profit before working capital changes	**57,788.6**	**48,612.0**
Movements in working capital:		
(Increase) / Decrease in inventories	(7,090.0)	(40.0)
(Increase) / Decrease in trade receivables	(8,578.4)	(7,730.1)
(Increase) / Decrease in other assets	993.7	(1,163.3)
Increase / (Decrease) in trade payables	(8,544.6)	3,830.4
Increase / (Decrease) in other liabilities	137.2	(217.4)
Increase / (Decrease) in provisions	(3,877.9)	3,197.3
Cash generated from operations	**30,828.6**	**46,488.9**
Income tax paid (net of refund)	(8,864.1)	(7,417.4)
Net cash generated from operating activities (A)	**21,964.5**	**39,071.5**
B. CASH FLOW FROM INVESTING ACTIVITIES		
Payments for purchase of property, plant and equipment (including capital work-in-progress, other intangible assets and intangible assets under development)	(32,128.2)	(19,607.8)
Proceeds from disposal of property, plant and equipment and other intangible assets	504.7	664.9
Loans / inter corporate deposits		
Given / placed	(783.3)	(25,847.2)
Received back / matured	1,230.7	13,230.0
Purchase of investments	(353,957.3)	(405,866.8)
Proceeds from sale of investments	352,070.3	349,923.7
Bank balances not considered as cash and cash equivalents		
Fixed deposits / margin money placed	(4,486.1)	(16,812.3)
Fixed deposits / margin money matured	23,897.5	65,987.1
Net cash outflow on acquisition of subsidiary (Refer note 76)	(228.0)	(855.0)
Interest received	6,843.4	5,103.7
Dividend received	223.8	371.6
Net cash used in investing activities (B)	**(6,812.5)**	**(33,708.1)**
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings	176,975.2	122,061.7
Repayment of borrowings	(168,073.7)	(127,811.2)
Payment for buy-back of equity shares of parent and buy-back of equity shares held by non-controlling interests of subsidiaries	(6,088.2)	(6,754.5)
Dividend payment to non-controlling interests	(8,455.5)	(152.8)
Net increase / (decrease) in working capital demand loans	(11,273.5)	11,625.7
Proceeds from issue of equity shares on exercise of stock options / share application money received	3.8	9.1
Finance costs	(4,606.6)	(4,765.2)
Dividend paid	(4,801.8)	(7,981.4)
Dividend distribution tax	(984.9)	(1,624.0)
Net cash used in financing activities (C)	**(27,305.2)**	**(15,392.6)**
Net (decrease) / increase in cash and cash equivalents (A+B+C)	**(12,153.2)**	**(10,029.2)**
Cash and cash equivalents at the beginning of the year	79,064.5	86,423.6
Cash and cash equivalents taken over on acquisition of subsidiary (Refer note 76)	455.2	1,197.3
Effect of exchange differences on restatement of foreign currency cash and cash equivalents	3,256.5	1,472.8
Cash and cash equivalents at the end of the year	**70,623.0**	**79,064.5**

ANNEXURE 8: Cash Flow Statement of Dr. Reddy's Lab

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Cash flows from/(used in) operating activities		
Profit before tax	**22,920**	**13,504**
Adjustments:		
Depreciation and amortisation expense	11,348	10,772
Impairment loss on other intangible assets	116	53
Equity settled share-based payment expense	389	454
Fair value gain on financial instruments at fair value through profit or loss	(307)	(75)
Profit on sale of mutual funds, net	(466)	(806)
Foreign exchange loss/(gain), net	(1,574)	(281)
(Gain)/loss on sale/disposal of property , plant and equipment and other intangible assets, net	(1,257)	55
Interest income	(770)	(540)
Finance costs	889	788
Refund liability	3,592	2,702
Inventory write-downs	4,016	2,946
Allowances for credit losses, net	371	169
Allowances for doubtful advances, net	49	16
Changes in operating assets and liabilities:		
Trade receivables	1,797	(2,097)
Inventories	(8,496)	(3,233)
Trade payables	398	2,550
Other assets and other liabilities, net	530	(6,186)
Cash generated from operations	33,545	20,791
Income tax paid, net	(4,841)	(2,761)
Net cash from operating activities	**28,704**	**18,030**
Cash flows from/(used in) investing activities		
Proceeds from sale of property, plant and equipment	1,265	139
Proceeds from sale of other intangible assets	885	-
Expenditures on property, plant and equipment	(6,955)	(9,291)
Expenditures on other intangible assets	(1,421)	(1,752)
Purchase of investments	(78,573)	(68,291)
Proceeds from sale of investments	76,291	64,038
Interest income received	781	274
Net cash used in investing activities	**(7,727)**	**(14,883)**
Cash flows from/(used in) financing activities		
Proceeds from issuance of equity shares	-*	1
Purchase of treasury shares	(535)	-
Proceeds from/(repayment of) short-term loans and borrowings, net (Refer note 2.9 (h))	(15,126)	(18,025)
Proceeds from/(repayment of) long-term loans and borrowings, net (Refer note 2.9 (h))	(56)	18,907
Dividends paid (including corporate dividend tax)	(4,002)	(3,992)
Interest paid	(1,607)	(1,331)
Net cash used in financing activities	**(21,326)**	**(4,440)**
Net decrease in cash and cash equivalents	(349)	(1,293)
Effect of exchange rate changes on cash and cash equivalents	35	57
Cash and cash equivalents at the beginning of the year (Refer note 2.6 D)	2,542	3,778
Cash and cash equivalents at the end of the year (Refer note 2.6 D)	**2,228**	**2,542**
* Rounded off to millions.		

ANNEXURE 9: Cash Flow Statement of Divis Labs

	Note	For the Year ended March 31, 2019	For the Year ended March 31, 2018
Cash flow from operating activities			
Profit before income tax		1,85,507	1,23,133
Adjustments for:			
Depreciation and amortisation expense	30	16,890	14,249
Unrealised foreign exchange loss (net)		2,939	(3,535)
Interest Income	25	(748)	(435)
Dividend classified as investing cash flows	25	(8,406)	(7,612)
Gain on sale of investments	25	(97)	(8)
Provision for doubtful debts	31	339	61
Provisions / Liabilities no longer required written back	25	(429)	-
Finance costs	29	350	133
Changes in fair value of mutual funds	25	(2,625)	(260)
Loss on disposal / discard of assets	31	139	626
Government grant	25	(1)	-
		1,93,858	**1,26,352**
Change in operating assets and liabilities			
(Increase) in trade receivables	11	(18,548)	(6,908)
(Increase) in inventories	9	(42,167)	(2,424)
Increase / (Decrease) in trade payables	21	8,416	(4,127)
Decrease in other non current Loans	6	9	612
Decrease / (Increase) in other non current assets	8	246	(243)
(Increase) /Decrease in Current Loans and other current financial assets	14,15	819	(139)
(Increase) in other current assets	16	(4,058)	(8,938)
Payment towards long term employee benefit obligation	18	(22)	(35)
Increase in short term employee benefit obligation	18	141	33
Increase/ (Decrease) in other financial liabilities	22	2,219	(439)
Increase in other current liabilities	23	2,961	697
Cash generated from operations		**1,43,874**	**1,04,441**
Income taxes paid including withholding tax and net of refunds		(48,444)	(26,855)
Net cash inflow from operating activities		**95,430**	**77,586**
Cash flows from investing activities			
Payments for property, plant and equipment		(73,307)	(27,388)
Proceeds from sale of property, plant and equipment		2	13
Gain on Sale of investments	25	97	8
Payments for purchase of Investments	5,10	(86,404)	(74,500)
Proceeds out of sale of Investments	5,10	83,399	48,904
Dividend received	25	8,406	7,612
Interest received	25	654	472
Investment in deposits	13	(1,387)	(2,951)
Net cash (outflow) from investing activities		**(68,540)**	**(47,830)**
Cash flows from financing activities			
Proceeds from working capital loans	20	7,760	641
Interest paid	29	(350)	(133)
Dividends paid to company's shareholders (Including Corporate Dividend tax)		(32,004)	(31,924)
Net cash inflow / (outflow) from financing activities		**(24,594)**	**(31,416)**
Net increase (decrease) in cash and cash equivalents		**2,296**	**(1,660)**
Cash and cash equivalents at the beginning of the financial year		(2,086)	(426)
Cash and cash equivalents at end of the year		**210**	**(2,086)**
Reconciliation of Cash and cash equivalents as per the Cash Flow Statement			
Cash and cash equivalents as per above comprise of the following:			
Cash and cash equivalents (Refer Note 12)		1,300	2,515
Bank Overdrafts (Refer Note 20)		(1,090)	(4,601)
Balances as per Statement of Cash flows		**210**	**(2,086)**

ANNEXURE 10: Cash Flow Statement of Cipla

Particulars	For the year ended 31st March, 2019	For the year ended 31st March, 2018
Cash flow from operating activities		
Profit before tax	2,079.14	**1,669.46**
Adjustments for :		
Depreciation, impairment and amortisation expense	1,326.31	1,322.82
Interest expense	168.43	114.23
Unrealised foreign exchange (gain)/loss (net)	11.77	2.67
Share based payments expense	24.11	41.28
Allowances for credit loss (net)	76.56	33.21
Interest on income tax refund	(22.09)	-
Interest income	(37.77)	(29.64)
Dividend income	(34.44)	(3.54)
Sundry balance written back	(26.92)	(4.77)
Net gain on sale of current investment carried at fair value through profit or loss	(100.98)	(72.96)
Net gain on sale of non-current investments	(84.05)	(76.53)
Fair value gain on financial instruments at fair value through profit or loss	(22.74)	(2.32)
Net (gain)/loss on sale/disposal of property, plant and equipment	(3.30)	(24.66)
Rent income	(6.12)	(5.97)
Adjustments for working capital:		
Decrease /(increase) in inventories	103.84	(559.34)
Increase in trade and other receivables	(1,014.87)	(854.77)
Decrease /(increase) in trade payables and other liabilities	(152.51)	635.63
Cash generated from operations	2,284.37	**2,184.80**
Income taxes paid (including tax deducted at source)	(593.23)	(722.04)
Net cash flows from operating activities	1,691.14	**1,462.76**
Cash flow from investing activities		
Purchase of property, plant and equipment (Note 2)	(360.07)	(705.76)
Purchase of intangible assets (including intangible asset under development)	(167.07)	(110.45)
Proceeds from sale of property, plant and equipment (Note 2)	23.37	76.75
Proceeds from sale of investments in subsidiaries	-	142.56
Consideration paid on acquisition of subsidiaries (net of cash acquired on acquisition)	(179.13)	(14.27)
Investment in associates	(242.04)	-
Proceeds from sale of non-current investments	84.05	10.31
Purchase of non-current investments	(10.50)	-
(Purchase)/sale of current investments (net)	(899.88)	(189.54)
Change in other bank balance and cash not available for immediate use	4.27	(102.76)
Interest received	37.77	29.64
Dividend received	34.44	3.54
Rent received	6.12	5.97
Net cash flow used in investing activities	(1,668.68)	**(854.01)**
Cash flow from financing activities		
Proceeds from issue of equity shares (ESOSs)	0.12	0.12
Transaction with non-controlling interest (net)	154.07	(44.07)
Repayment of current borrowings (net)	(2.25)	(31.98)
Proceeds from non-current borrowings	48.00	-
Repayment of non-current borrowings	(106.00)	(2.50)
Interest paid	(158.57)	(117.78)
Dividend paid	(241.57)	(160.94)
Tax paid on dividend	(42.52)	(28.33)
Net cash flow used in financing activities	(348.72)	**(385.48)**
Net (decrease)/increase in cash and cash equivalents	(326.25)	**223.27**
Cash and cash equivalents at the beginning of the year	853.46	610.35
Exchange difference on translation of foreign currency cash and cash equivalents	(18.85)	19.84
Cash and cash equivalents at the end of the year (refer note 15)	508.36	**853.46**

ANNEXURE 11: Cash Flow Statement of Aurobindo Pharma

			Year ended 31 March 2019	Year ended 31 March 2018
1.	**CASH FLOW FROM OPERATING ACTIVITIES**			
	Net profit before tax		30,913.5	32,411.8
	Adjustment to reconcile profit before tax to net cash flows:			
	Depreciation and amortisation expense		6,679.5	5,579.7
	Allowance for doubtful receivables/(written back), net		66.3	(95.9)
	Liabilities no longer required written back (net)		(222.3)	(371.4)
	Bad debts/advances written off		18.8	-
	Product destruction expenses / stock written off		30.9	109.4
	Mark-to-market (gain)/loss on derivative financial instruments		(64.4)	23.3
	Unrealised foreign exchange gain (net)		(97.6)	(867.9)
	Loss on sale / write-off of property, plant and equipment (net)		194.9	163.5
	Share of profit of joint ventures		(27.0)	(31.4)
	Share based payment		-	0.1
	Change in fair value of current investment		-	0.1
	Finance costs		1,507.8	628.9
	Interest income		(137.8)	(120.2)
	Effect of exchange rate changes		158.6	332.0
	Operating profit before working capital changes		39,021.2	37,762.0
	Movements in working capital:			
	Increase in inventories		(8,860.4)	(14,126.7)
	Increase in trade receivables		(176.1)	(681.6)
	Increase in other financial assets		(5,885.3)	(708.9)
	Increase in other current / non-current assets		(1,664.9)	(2,945.4)
	(Increase)/decrease in loans		(26.3)	25.0
	(Decrease)/increase in trade payables		(3,743.4)	3,966.9
	Decrease in provision for retirement benefits		(341.2)	(244.3)
	Increase in other current/non-current liabilities		3,039.2	2,060.0
	Increase in other financial liabilities		2,555.8	1,423.8
	Cash generated from operating activities		23,918.6	26,530.8
	Direct taxes paid (net of refunds)		(7,698.3)	(6,985.6)
	Net cash generated from operating activities	A	16,220.3	19,545.2
2.	**CASH FLOW FROM INVESTING ACTIVITIES**			
	Purchase of property, plant and equipment, including movement in capital work-in- progress, capital advances and capital creditors		(14,256.8)	(13,229.4)
	Purchase of intangible assets and intangible assets under development		(1,334.2)	(2,069.8)
	Proceeds from sale of property, plant and equipment		222.0	2,892.9
	Acquisition of business		(12,116.2)	-
	Acquisition of subsidiaries, net of cash and cash equivalents acquired		(1082.8)	(6,355.3)
	Purchase of non-current investments made in joint ventures (refer Note "c" below)		(463.1)	(677.6)
	Loan given to joint venture		-	(1,065.2)
	Loan repaid by joint venture (refer Note "c" below)		-	960.0
	Interest received (refer Note "c" below)		125.0	115.1
	Dividend received from joint venture		137.8	163.4
	Net cash used in investing activities	B	(28,768.3)	(19,265.9)
3.	**CASH FLOW FROM FINANCING ACTIVITIES**			
	Proceeds from issuance of equity share capital		0.6	2.3
	Proceeds from non-current borrowings (refer Note "d" below)		-	9,164.2
	Repayment of non-current borrowings (refer Note "d" below)		(3,938.3)	(9,370.9)
	Proceeds from current borrowings (net) (refer Note "d" below)		26,242.2	12,228.9
	Finance costs paid		(1,515.1)	(741.7)
	Dividends paid on equity shares		(1,460.2)	(2,194.0)
	Tax paid on equity dividend		(138.6)	(447.3)
	Net cash generated from financing activities	C	19,190.6	8,641.5
	Net increase in cash and cash equivalents (A + B + C)		6,642.6	8,920.8
	Cash and cash equivalents at the beginning of the year		12,099.4	3,180.3
	Effect of exchange differences on cash and cash equivalents		13.8	(1.7)
	Cash and cash equivalents at the end of the year		18,755.8	12,099.4

ANNEXURE 12: Charts for Technical Analysis (Pharmaceutical Industry)


DIVISLAB
2500.00
2350.75
2310.54
2250.00
2042.19
2000.00
1750.00
RSI (14)
50.52
MACD (12,26,9)
100
75
50
25
-25
-50
ZERODHA
2020
14
Feb
14
Mar
14
Apr
May
14
Jun
14
28
1D
5D
1M
3M
6M
YTD
1Y
5Y
All


CIPLA
650.00
634.90
603.91
550.00
529.40
500.00
450.00
400.00
RSI (14)
52.00
MACD (12,26,9)
50
40
30
20
12.62
10
0
-10
-20
ZERODHA
2020
14
Feb
14
Mar
14
Apr
May
14
Jun
14
28
1D
5D
1M
3M
6M
YTD
1Y
5Y
All


AUROPHARMA
800.00
780.10
591.56
500.00
400.00
300.00
RSI (14)
60.02
MACD (12,26,9)
50
0
-25
-50
ZERODHA
2020
14
Feb
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Mar
14
Apr
May
14
Jun
14
28
1D
5D
1M
3M
6M
YTD
1Y
5Y
All

LEARNINGS FROM THE SUMMER TRAINING

1. Practical application of concepts learnt: Through this internship, I was able to learn the practical application of many concepts that I had learnt in the first year of the MBA course. Got hands-on experience on the use of various ratios and valuations and their impact on the financial markets. Also, applied the analysis of various financial statements. The fundamental analysis conducted in the internship was pure application on the 'corporate finance' course learnt in MBA. Applied various concepts of the subjects 'industry analysis' and 'strategic management', in the industry and company analysis.
2. Conducting industry analysis: Over the two months, industry analysis was conducted for 2 industries, namely, FMCG and Pharmaceuticals. Under this, PESTEL analysis was undertaken. Along with that, Porter's Five Force Model was used for conducting the industry analysis.
3. Conducting company analysis: Over the 2 month internship, company analysis of 10 companies was conducted, 5 in the FMCG and 5 in the Pharmaceutical industry. Thus, a deep insight into company analysis was gained. Mainly, SWOT analysis was used for conducting the company analysis.
4. Observation of Stocks and Indices: Tracked the market for conducting technical analysis. Also, learnt the importance of every corporate action taken and how it impacts the stock prices of the company, including the publishing of the quarterly results of the company (as it portrays the performance of the company).
5. Conducting fundamental analysis of companies: Had to conduct fundamental analysis of 10 companies through ratio analysis and cash flow statement analysis. And also analyzed the various financials of the company.
6. Conducting technical analysis: Learnt how to conduct analysis, which basically helped me in understanding what stock price to invest at and what stock price to withdraw at. This also helped in understanding the stock price fluctuations and reasons behind them. Every small decision of the corporate and publication of results have major impacts on the stocks.
7. Also learnt that investments in stocks should be based on analysis of the company and its future prospects and no one should invest based on sentiments, emotional reasons or advice from friends and colleagues.
8. Also, learnt how to communicate more professionally since had to constantly be in touch with co-workers and managers. And learnt how no task is small and each task

has its own significance and importance. This has also helped me in understanding and honing good business ethics in me.

9. Another important lesson that I learnt was that listening skills are very crucial and can help you in gaining new insights, perspectives and also feedback.
10. Keeping an eye for detail is also important as it helps you in getting better understanding of things and you can analyze the things better.
11. Another important lesson was regarding the work-life balance. In the situation of the lockdown, the entire internship was work from home. Thus it was very easy for the professional and personal life to get mixed up. But, this internship has helped me in managing my time better and being able to handle my professional as well as personal life simultaneously.