

Investment Memo

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Subject: Quantitative Equity Screen: Indian Pharmaceutical Sector

1. Executive Summary

This memo presents the results of a quantitative screen of over 200 publicly listed companies in the Indian Pharmaceutical sector. The objective was to identify a high-conviction shortlist of companies that exhibit a superior combination of sustained growth, high profitability, prudent financial leverage, and reasonable valuation. The data-driven analysis was conducted using a custom Python script, resulting in a final shortlist of two compelling companies: Zydus Lifesciences and J B Chemicals & Pharmaceuticals.

2. Methodology & Screening Criteria

A dataset comprising 200+ companies was sourced and analyzed using a Python script leveraging the Pandas library. This approach ensured an objective and efficient application of a multi-factor screening model. A company was required to meet all of the following five criteria to pass the screen:

- Scale (Market Capitalization): > ₹20,000 Cr**
 - To focus on established, liquid companies.
- Growth (3-Year Sales Growth): > 15%**
 - To identify companies with a proven track record of sustained top-line growth.
- Profitability (Return on Capital Employed): > 15%**
 - To select for businesses that generate high returns on the total capital they employ.
- Solvency (Debt to Equity Ratio): < 0.5**
 - To ensure financial prudence and a low-risk balance sheet.
- Valuation (Price-to-Earnings Ratio): < 50**
 - To avoid companies with excessively high valuations.

3. Results: Shortlisted Companies

The screening process yielded the following two companies that successfully met every established criterion.

Name	Market Capitalization (Cr)	P/E Ratio	Debt to Equity	Sales Growth (3Yrs)	ROCE (%)
Zydus Lifesciences	100,192.08	21.58	0.13	15.43	24.31
J B Chemicals & Pharmaceuticals	28,188.60	44.08	0.01	17.35	25.79

4. Analysis & Recommended Next Steps

The screen successfully identified two businesses that represent a "sweet spot" of financial strength. Both Zydus Lifesciences and J B Chemicals & Pharmaceuticals demonstrate robust growth and excellent profitability while maintaining exceptionally healthy balance sheets (Debt to Equity of 0.13 and 0.01, respectively).

This quantitative screen serves as a powerful starting point. A complete analysis would require the following next steps:

- Qualitative Analysis:** A deep dive into each company's business model, management quality, product pipeline, and competitive advantages.
- Valuation Modeling:** Building a detailed 3-statement and Discounted Cash Flow (DCF) model to determine an intrinsic value for each firm.
- Catalyst Identification:** Researching upcoming events or industry trends that could positively or negatively impact the companies' future performance.