



## ACCUMULATE

Price	Rs1,033
Target Price	Rs1,157
Investment Period	12 months

### Stock Info

Sector	Pharmaceutical
Market Cap (Rs cr)	2,405
Beta	0.3
52 WK High / Low	1128/662
Avg. Daily Volume	2454
Face Value (Rs)	10
BSE Sensex	12,135
Nifty	3,646
BSE Code	500674
NSE Code	AVENTIS
Reuters Code	AVPH.BO
Bloomberg Code	HOEC@IN

### Shareholding Pattern (%)

Promoters	60.4
MF/Banks/Indian FIs	25.1
FII/ NRIs/ OCBs	7.1
Indian Public/others	7.4

Abs.	3m	1yr	3yr
Sensex (%)	31.9	(31.1)	(1.7)
Aventis (%)	18.6	26.7	(49.1)

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## Performance Highlights

■ **Net Sales rises 5.5%:** For 1QCY2009, Aventis posted Net Sales of Rs228.9cr, a growth of 5.5% yoy and was higher than our estimate. Top-line growth came on the back of robust Exports and a lower-than-expected fall in the Domestic Segment. Domestic Sales de-grew 3.5% due to the loss of distribution rights of *Rabipur*, an anti-rabies vaccine, in February 2009. The ongoing dispute between the company and CBVL (a joint venture between the company and Novartis Vaccines & Diagnostic) regarding non-renewal of the distribution agreement for *Rabipur* vaccines finally ended with the Arbitrator passing an award regarding non-renewal of the Distribution agreement for *Rabipur*. As a result, *Rabipur* Sales fell to Rs9.2cr (Rs36.1cr).

However, the shortfall was partially compensated by growth in the Domestic Segment (other than the *Rabipur* vaccine) by 14.6% yoy to Rs162.1cr. Exports also clocked strong growth of 46.2% to Rs228.9cr primarily led by Rupee depreciation.

■ **Operating Margins remain flat:** Aventis reported OPM of 17.0%, which was flat on a yoy basis and higher than our estimate. However, the company's Gross Margins improved by 260bp, which was however negated by the increase in Employee costs and Other Expenses by 15.2% and 14.9%, respectively.

■ **Net Profit rises by 18.8%:** For 1QCY2009, Aventis reported Net Profit of Rs40.5cr, which increased by 18.8% yoy buoyed by Other Income of Rs32cr, up 69.3% yoy.

### Key Financials

Y/E Dec (Rs cr)	CY2007	CY2008	CY2009E	CY2010E
<b>Net Sales</b>	<b>874</b>	<b>983</b>	<b>969</b>	<b>1085</b>
% chg	(1.2)	12.6	(1.5)	12.0
<b>Net Profit</b>	<b>144.4</b>	<b>166.2</b>	<b>157.3</b>	<b>177.4</b>
% chg	(14.7)	15.1	(5.4)	12.8
<b>EPS</b>	<b>62.8</b>	<b>72.3</b>	<b>68.4</b>	<b>77.1</b>
EBITDA Margin (%)	19.3	18.9	19.5	20.3
P/E (x)	16.5	14.3	15.1	13.4
RoE (%)	22.0	22.8	20.1	21.8
RoCE (%)	36.8	38.1	32.4	35.1
P/BV (x)	2.5	2.4	2.2	3.2
EV/Sales (x)	1.6	1.4	1.3	1.2
EV/EBITDA (x)	8.3	8.0	6.7	5.8

Source: Company, Angel Research

## Outlook and Valuation

For CY2010, we estimate the company's Net Sales to post growth of 12% to Rs1,085.3cr on the back of strong growth in Exports. Further, we expect Aventis to report OPM of 20% and EPS of Rs77.1 for CY2010. At current valuations of Rs1,033, the stock is trading at 15.1x CY2009E and 13.4x CY2010E Earnings with cash of Rs216 per share on its books. **We recommend an Accumulate on the stock, with a Target Price of Rs1,157.**

### Exhibit 1: 1QCY2009 Performance

Y/E Dec (Rs cr)	1QCY2009	1QCY2008	% chg	CY2008	CY2007	% chg
<b>Net Sales</b>	<b>228.9</b>	<b>216.9</b>	<b>5.5</b>	<b>983.3</b>	<b>873.5</b>	<b>12.6</b>
Other Income	32.0	18.9	69.3	92.6	74.0	25.1
<b>Total Income</b>	<b>260.9</b>	<b>235.8</b>	<b>10.6</b>	<b>1075.9</b>	<b>947.5</b>	<b>13.6</b>
<b>PBIDT</b>	<b>39.0</b>	<b>37.5</b>	<b>4.0</b>	<b>185.5</b>	<b>167.5</b>	<b>10.7</b>
<b>OPM (%)</b>	<b>17.0</b>	<b>17.3</b>	<b>(0.2)</b>	<b>18.9</b>	<b>19.2</b>	
Interest	0.0	0.0		0.3	0.2	50.0
Depreciation & Amortisation	4.2	5.1	(17.6)	18.2	18.5	(1.6)
PBT & Exceptional Items	66.8	51.3	30.2	259.6	222.8	16.5
Less : Exceptional Items	0.0	0.0		0.0	0.0	
Profit before tax	66.8	51.3	30.2	259.6	222.8	16.5
Provision for Taxation	26.3	17.2	52.9	93.4	78.4	19.1
<b>Net Profit</b>	<b>40.5</b>	<b>34.1</b>	<b>18.8</b>	<b>166.2</b>	<b>144.4</b>	<b>15.1</b>
<b>EPS (Rs)</b>	<b>17.6</b>	<b>14.8</b>		<b>72.3</b>	<b>62.8</b>	

Source: Company, Angel Research



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Ratings (Returns) : **Buy (Upside > 15%)**  
**Reduce (Downside upto 15%)**

**Accumulate (Upside upto 15%)**  
**Sell (Downside > 15%)**

**Neutral (5 to -5%)**