

BUZZING

STOCK

# Krebs Biochemicals & Industries Ltd

CMP – Rs.69

**Analyst**

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**Key Stock Data**

Sensex	13929
Nifty	4120
Sector	Pharmaceuticals
Bloomberg	KBC IN
Reuters	KREB.BO
No. of shares (m)	7
Market Cap (Rs m)	483
Market Cap (US\$ m)	12
52-week H/L	Rs.121/56

**Shareholding Pattern (%)**

Promoters	46.32
Mutual Funds	0.00
FII's	0.24
Corporate Bodies	7.45
Pubic & Others	38.5

**Overview** – Krebs Biochemicals and Industries Ltd is a company involved in establishing biotech processes with applications in medicine and agriculture industry. It is a leading manufacturer of anti-asthmatic drugs like ephedrine and pseudo-ephedrine and specializes in manufacturing of statins also. Unit-I located at Nellore (Andhra Pradesh) manufactures bulk ephedrine and pseudo-ephedrine while Unit-II at Vizag (Andhra Pradesh) produces Simvastatin, Lovastatin and Vitamin E. Third Unit located at Hyderabad is into non-biotech business dedicated for production of food products.

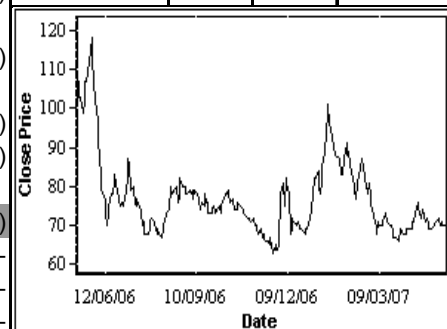
**Statin Advantage** – Due to its expertise in statins manufacturing, Ranbaxy has acquired a strategic stake of 15% in Krebs Biochemicals in February this year. Ranbaxy has been marketing generic Simvastatin in US markets and likely to source cheaper API from Krebs facility. Ranbaxy is also a supplier of Lovastatin to generic players and therefore Krebs may contribute some of its exports also.

Statins come under the therapeutic segment of anti-hyperlipidemic agents, which have got the biggest market size of USD 35bn on global level. This market has grown by 7.5% in CY06. Anti-hyperlipidemic agents segment is mostly dominated by statins, which had blockbuster sales. Patents of most of the statins have expired except Atorvastatin (Lipitor). The generic version necessitates availability of cheaper API where domestic players play an important role in supplies.

**Valuation** – Krebs has been showing an exceptionally good performance as far as revenue is concerned. 9MFY07 revenue of Rs.398m has improved by 89% YoY. Q3FY07 revenue also appreciated by 253% YoY at Rs.143m. EBIDTA for Q3FY07 is Rs.50m where the margin has improved by hefty 32 percentage points. This is the result of lower cost of raw materials along with positive stock adjustment. It has incurred a loss of Rs.3m for this quarter. However, there has been a gradual improvement where it incurred a loss of Rs.16m in Q1FY07 and Rs.9m in Q2FY07. It has managed to pull back the losses from Rs.49m in 3QFY06 to loss of Rs.3m in Q3FY07. Lower interest cost and depreciation has also helped reducing the losses.

**Financial Snapshot**

Krebs Biochemicals & Industries Ltd.							Ratios (%)			
	Q3 FY07	Q3 FY06	Chg. (%)	FY06	FY05	Chg. (%)		FY06	FY05	Chg.(%)
<b>Financial Year End: March</b>										
Net Sales	143	40	253	316	793	(60)	Debt -Equity	1.2	1.1	10
Other Income	0	5	(96)	14	7	111	PBIDTM	8	36	(77)
Total Income	143	45	215	330	799	(59)	PBDTM	(20)	27	(175)
Total Expenditure	93	44	111	306	522	(41)	RoCE	0	10	-
PBIDT	50	1	4409	23	277	(92)	RoNW	0	7	-
Interest	26	21	24	86	68	26				
PBDT	24	(20)	(218)	(63)	209	(130)				
Depreciation	26	29	(9)	91	83	10				
Tax	0	0	-	0	10	(97)				
Reported Profit After Tax	(3)	(49)	(95)	(142)	74	(292)				
Extra -ordinary Items	-	-	-	-	0	-				
Adj. Profit After Extra-ordinary item	(3)	(49)	(95)	(142)	74	(292)				
No. of shares (m)	7	6	-	6	6	-				
EPS (annualised.) (Rs.)	0.0	0.0	-	-	12	-				
P/E	-	-	-	-	5.6	-				



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