

BUZZING

STOCK

Parenteral Drugs (I) Ltd.

CMP – Rs.120

Analyst

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Key Stock Data

| | |
|---------------------|-----------------|
| Sensex | 19401 |
| Nifty | 5787 |
| Sector | Pharmaceuticals |
| Bloomberg | PDI IN |
| Reuters | PADG.BO |
| No. of shares (m) | 56 |
| Market Cap (Rs m) | 6,720 |
| Market Cap (US\$ m) | 171 |
| 52-week H/L | Rs.120/29 |

Shareholding Pattern (%)

| | |
|------------------|-------|
| Promoters | 81.35 |
| Mutual Funds | 0.07 |
| FII's | 0.03 |
| Corporate Bodies | 1.76 |
| Pubic & Others | 16.78 |

Overview – Parenteral Drugs is a pharma company involved in manufacturing of IV fluids in polypropylene bottles. It is further diversifying its operations into ophthalmic products and formulations. It's a market leader in IV fluids segment in India where the total market size is Rs.7.5 billion. Parenteral Drugs commands almost 35-40% of the total market size. It has also got a very strong marketing and distribution network. This constitutes of 500 medreps across the country with 35 sales depots enabled by a network of more than 4,000 dealers. It also exports its products to CIS countries, Middle East, Sri Lanka and Africa, which contribute 10-15% of the total revenue.

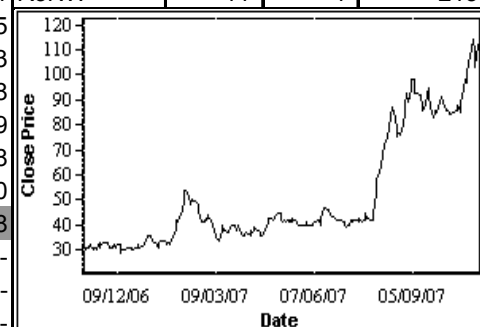
Increasing Capacities – PDIL has got three manufacturing plants located at Baddi (HP), Indore (MP) and Jalandhar (Punjab). The plant in Baddi is manufacturing formulations, which serves diversification initiative of PDIL. Being situated into tax free zone, it will further allow the company to strengthen its bottomline. PDIL is planning to invest about Rs.500m in its Baddi plant to increase its capacity. The other two plants located at Indore and Jalandhar are manufacturing IV fluids and have been certified by ISO 9002: 2001 and WHO GMP. It is also planning to modernize its Indore facility.

Product Profile – Mainstay of PDIL's revenue stream are IV Fluid products. It has got a capacity of producing 6,000 bottles of IV fluids per day. It is the first company to introduce 400mg ciprofloxacin in 200ml with 5% dextrose in India. It uses polypropylene as a packing material instead of glass for convenience and uses fully automated machine imported from Italy. First single use eye/ear drop dispensers were launched in 1996 using FFS technology and it has also launched multi-dose eye/ear drops in plastic containers.

Valuation – PDIL has posted strong results in Q2FY08. Its revenue of Rs.526m has grown by 20% YoY. EBITDA of Rs.108m jumped by 188% YoY and the margin also improved by 12 percentage points due to flat raw material cost and decrease in other expenses. PAT of Rs.57m appreciated by 446% YoY. The stock is currently trading 3x its Q2FY08 annualized EPS of Rs.40.6.

Financial Snapshot

| Parenteral Drugs India Ltd. | | | | | | Rs.m | | Ratios (%) | | | |
|---------------------------------------|---------|---------|----------|------|------|----------|--------------|------------|------|---------|--|
| | Q2 FY08 | Q2 FY07 | Chg. (%) | FY07 | FY06 | Chg. (%) | | FY07 | FY06 | Chg.(%) | |
| Financial Year End: March | | | | | | | | | | | |
| Net Sales | 526 | 439 | 20 | 1735 | 1323 | 31 | Debt -Equity | 2.0 | 1.6 | 25 | |
| Other Income | 3 | 0 | 525 | 11 | 6 | 84 | PBIDTM | 10 | 8 | 29 | |
| Total Income | 528 | 440 | 20 | 1745 | 1329 | 31 | PBDTM | 6 | 3 | 73 | |
| Total Expenditure | 420 | 402 | 4 | 1576 | 1230 | 28 | RoCE | 12 | 8 | 47 | |
| PBIDT | 108 | 38 | 188 | 169 | 99 | 71 | RoNW | 11 | 4 | 213 | |
| Interest | 31 | 18 | 74 | 66 | 53 | 25 | | | | | |
| PBDT | 77 | 20 | 290 | 103 | 46 | 123 | | | | | |
| Depreciation | 9 | 6 | 52 | 28 | 23 | 18 | | | | | |
| Tax | 11 | 3 | 232 | 27 | 9 | 219 | | | | | |
| Reported Profit After Tax | 57 | 10 | 446 | 48 | 14 | 238 | | | | | |
| Extra -ordinary Items | 0 | 0 | 0 | 0 | 0 | 0 | | | | | |
| Adj. Profit After Extra-ordinary item | 57 | 10 | 446 | 48 | 14 | 238 | | | | | |
| No. of shares (m) | 56 | 56 | - | 56 | 56 | - | | | | | |
| EPS (annualised.) (Rs.) | 40.6 | 7.4 | - | 8.5 | 2.5 | - | | | | | |
| P/E | 3.0 | 16.2 | - | 14.1 | 47.6 | - | | | | | |



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