



Research



FUNDAMENTAL RESEARCH:-AARTI DRUGS LIMITED: - FOLLOW-UP

Book Profit

CMP: 135

Date::19th June 2010

Book Profit

STOCK INFO (FY2010)

Sector	Pharma
Market cap (Rs Mn)	1641.5
Equity Capital	121.1mn
Face value	Rs10
Book value	Rs116.51
EPS	Rs.22.08
Price/Book value	1.16
Sales Growth	25.21%
Dividend	50%
Incorporation	1984
52 week H/L	127.50/40.10
Avg Daily Vol	88962(2 Wk avg)
Managing Director	PM Patil
Promoter Holding	50.03%
FII's/MF Holding	0.65%/5.87%

Fairwealth Research Desk initiated a Buy on Aarti Drugs Limited at Rs 104 on 9th April 2010.

We Recommend to Book profit as the Scrip has achieved its Target Price of Rs 135.

Aarti Drugs Annual Results Highlights:

The top-line of the company grew by 25.21% YoY to Rs 4714.2mn` as against Rs 3765.0mn

The EBITDA expanded by 26.70%Y-O-Y to Rs.720.9mn.

The net profit improved by 73.60% on Y-o-Y basis to Rs.261.1mn due to lower interest rate.

The Company announced a dividend of Rs.5 per share. The current dividend yield stands at 3.70%.

COMPANY PROFILE

Aarti Drugs Ltd (ADL) is a part of the Rs.12.65 Bn Aarti Group. ADL was established in 1984. The company focuses on anti-diarrhea, anti-inflammatory therapeutic groups. ADL is into manufacturing of APIs and intermediates. The customer profile of ADL includes Pfizer, Searle, Knoll Pharmaceuticals, Glaxo, Etc. The company is a market leader in anti-diarrhea, anti-inflammatory & anti-biotic therapeutic segment. Two of its major API's, Ciprofloxacin Base used for Anti Biotic Segment and Diloxanide Furoate used for Antidiarrhoeals Segment are among the top exported Bulk Drugs in India.

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RESULT ANALYSIS

PARTICULARS (Mn)	QUARTERLY RESULTS					YEARLY RESULTS		
	Mar-10	Mar-09	VAR % Q-O-Q	Dec-09	VAR% Q-O-Q	FY10	FY09	VAR% Y-O-Y
NET SALES	1269.2	1068	18.84	1170.3	8.45	4714.2	3765	25.21
ADD: Other Income	1.1	0.1	-	0.3	-	4.5	1.7	-
Total Income	1270.3	1068.1	18.93	1170.6	8.52	4718.7	3766.7	25.27
Less: Expenditure	1084.3	904.4	19.89	1022.3	6.06	3997.8	3197.7	25.02
PBIDT	186	163.7	13.62	148.3	25.42	720.9	569	26.70
Less: Interest	33.1	50.8	-34.84	31.1	6.43	147.4	227.2	-35.12
Less: Depreciation	34.8	31.9	9.09	34.1	2.05	135.2	110.4	22.46
PBT	118.1	81	45.80	83.1	42.12	438.3	231.4	89.41
Less: Tax	45.8	35.4	29.38	35.1	30.48	177.2	81	118.77
PAT	72.3	45.6	58.55	48	50.63	261.1	150.4	73.60
AEPS	5.97	3.9	53.08	3.96	50.76	22.08	12.85	71.83
ACEPS	0.88	0.64	58.63	0.68	30.45	3.27	2.15	51.96
OPM %	14.65	15.33	-	12.67	-	15.29	15.11	-
NPM %	5.70	4.27	-	4.10	-	5.54	3.99	-

During the quarter ended 31st March, 2010, the net sales of the company appreciated 18.84% on y-o-y basis to Rs 1269.2Mn as against Rs 1068mn during the corresponding quarter last year.

The operating performance of the company witnessed an increment of 13.62% YoY to Rs 186mn as against Rs 163.7mn. This is due to higher raw material cost during the quarter which resulted in a decline in OPM by 68bps to 14.65% as against 15.3% during the similar period last year. The raw material cost increased 27.5% to Rs 593.2mn as against Rs 465.1mn during the corresponding quarter last year.

The bottom-line of the company expanded by an impressive 58.55% Y-o-Y to Rs 72.3mn as against Rs 45.6mn during the quarter, largely on account of a fall in interest cost by 35% to Rs 33.1mn as against Rs 50.8mn. The effective tax rate fell by 500bps to 38.7% from 43.7% during the corresponding period last year.

On a Q-o-Q basis, the top-line of the company reported a marginal growth of 8.5% to Rs 1269.2mn as against Rs 1170.3mn, the operating profit of the company expanded by a massive 25.42% to Rs 186mn as against Rs 148.3mn largely due to improved top-line and better operating margins. The OPM for the quarter improved 198bps to 14.65% against 12.67% on a sequential basis.

The net profit of the company grew impressively by 50.63% to Rs 72.3mn as against Rs 48mn on sequential basis. This can be attributed to higher operating profit coupled with lower effective tax rate.

Notes: Figures are sourced from www.bseindia.com & capital market

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