

BUZZING

STOCK

Zenotech Laboratories Ltd.

CMP – Rs.148

Analyst

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Key Stock Data

Sensex	18,280
Nifty	5,327
Sector	Pharmaceutical-Biotech
Bloomberg	
Reuters	ZENL.BO
No. of shares (m)	28.8
Market Cap (Rs m)	4256.64
Market Cap (US\$ m)	107.9
52-week H/L	Rs.183/64

Shareholding Pattern (%)

Promoters	57.11
Mutual Funds	0.00
FII's	1.05
Corporate Bodies	12.38
Pubic & Others	29.03

Stake increased by Ranbaxy – Ranbaxy laboratories which earlier held 7% stake in Zenotech Laboratories would be increasing its stake to 45% at a price of Rs.160 per share which would aggregate to Rs.2.14 billion. This would involve purchase of shares from the promoters and preferential offer to Ranbaxy by Zenotech. Ranbaxy has earlier signed a pact with Zenotech for global development and marketing for G-CSF, a biosimilar product. It has also got an agreement with Ranbaxy for developing and marketing 14 injectables including 7 in oncology for USA and Canada

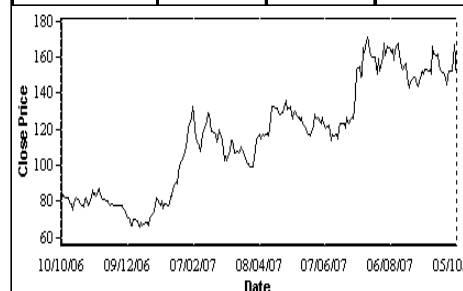
Formidable research pipeline – Zenotech's operations are focused on developing new biological entities in the areas of oncology and neurology. Currently, Zenotech is having 10 candidates in its research pipeline. This pipeline is well diversified in different therapeutic categories like oncology, immunosuppressants, neurology, cardiology and rheumatoid arthritis. But oncology projects command almost 55% of the total pipeline. Its pipeline addresses to the drugs whose cumulative innovator's market size comes to be USD 21 billion.

Positive Outlook of Biosimilars – Biopharmaceuticals market is emerging as a fastest growing segment in regulated markets like US and Europe. Currently biopharmaceuticals comprise 10% market share in the total Pharma market. Valued at USD 65 billion, it is going at a CAGR of 22%. US and Europe command almost 90% the market share. Alliance with Ranbaxy focuses on concentrating marketing biosimilars in these regulated territories. Three of its candidates in pipeline are for generating new monoclonal antibodies for three specific receptor targets are in the optimization stage.

Valuation – Zenotech's business model considers stable cash flow generating segments. Its generic injectables fetch early cash flows where late cash flows will be generated from biosimilar. Revenue for Q1FY08, Rs.37 million was up by 20% YoY. However, rise in the employee costs as well as other expenses leads to rise in total expenditure by 14% YoY. EBITDA is therefore negative at Rs.4 million. Therefore, PAT also turns negative at Rs.17 m.

Financial Snapshot

Zenotech Laboratories Ltd.							Ratios (%)			
	Rs.m			Ratios (%)						
Financial Year End:	Q1 FY08	Q1 FY07	Chg. (%)	FY07	FY06	Chg. (%)	FY07	FY06	Chg. (%)	
Net Sales	36	28	25	130	124	5	Debt -Equity	0.0	0.6	0
Other Income	2	1	70	93	1	10233	PBIDTM	0.0	1.8	0
Total Income	37	29	27	223	125	79	PBDM	0.0	(0.2)	0
Total Expenditure	41	36	14	175	122	43	RoCE	0.0	0.0	-
PBIDT	(4)	(7)	(41)	48	2	1908	RoNW	0.0	0.0	-
Interest	7	3	158	21	5	298				
PBDT	(11)	(10)	14	27	(3)	1035				
Depreciation	7	1	475	18	3	600				
Tax	0	0	0	2	1	100				
Reported Profit After Tax	(18)	(11)	65	36	(7)	591				
Extra -ordinary Items	0	0	0	0	0	0				
Adj. Profit After Extra-ordinary item	(18)	(11)	65	36	(7)	591				
No. of shares (m)	29	16		29	27					
EPS (annualised.) (Rs.)	-	-	-	-	-	-				
P/E	-	-	-	-	-	-				



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