

BUZZING

STOCK

Strides Arcolab Ltd.

CMP – Rs.382

Analyst

Amit Hiremath
 amit.hiremath@idbicapital.com
 +91-22-6637 1188

Key Stock Data

Sensex	14115
Nifty	4080
Sector	Pharmaceuticals
Bloomberg	NSTR@IN
Reuters	STAR.BO
No. of shares (m)	35
Market Cap (Rs m)	13,157
Market Cap (US\$ m)	297
52-week H/L	Rs.379/206

Shareholding Pattern (%)

Promoters	18.83
Mutual Funds	5.28
FII's	69.10
Corporate Bodies	1.05
Pubic & Others	5.75

The Bangalore based Strides Arcolab Ltd. fits into stature of one of the largest exporters of branded generic pharmaceuticals from India. With 14 state-of-art manufacturing plants spread across the globe, it has partnered with organizations like UNICEF, WHO-Global Drug Facility along with multinational corporations, private labelers and distribution chains. Strides has got product registrations in 37 countries while its sales force operates in 50 countries.

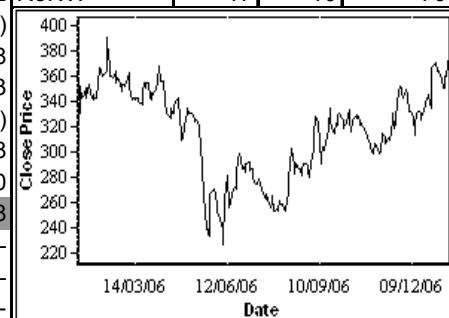
Expansion of Product Pipeline – Strides Arcolab and US based Akorn entered into a joint venture that was funded by both the participants. Under this agreement, Strides has been developing ANDA injectable drug products while Akorn files the regulatory submissions. In a recent development, both the companies have agreed to fund, develop and commercialize additional 10 ANDA injectable drug products, which will take the total count of ANDA to 29. Most of the ANDA deal with the fast growing therapeutic areas like anti-infectives, analgesics and CNS. Stride's partner, Akorn is a US based company, which manufactures and markets diagnostic and therapeutic pharmaceuticals in speciality areas like ophthalmology, rheumatology, anesthesia and antidotes

Strengthening Anti-retroviral Portfolio – Strides has been developing a comprehensive range of bio-equivalent anti-HIV drugs including second line protease inhibitors. It's anti-HIV combination of lamivudine/zidovudine was added to pre-qualification list of WHO where it was already having four of its drugs. The list of WHO provides choice to the countries for purchasing the drug for anti-HIV campaign. In the month of August, Strides also got a tentative approval for another anti-retroviral, Nevirapine.

Valuation – Strides put a lean result for Q3CY06. The revenues for Q3CY06 increased by 33YoY at Rs.1.2bn. But the EBITDA showed a decline of 23%YoY at Rs.183m due to increase in almost all cost heads. This resulted in a substantial decline of operating margin by 11.3 percentage points. The PAT also took a beating due to financial charges and depreciation reducing it by 39% YoY at Rs.89m. The stock is currently trading at 37x its Q3CY06 annualized EPS of Rs.10.

Financial Snapshot

Strides Arcolab Ltd.							Rs.m		Ratios (%)		
Financial Year End:	Q3 FY06	Q3 FY05	Chg. (%)	FY05	FY04	Chg. (%)		FY05	FY04	Chg.(%)	
Net Sales	1178	887	33	3311	3053	8	Debt -Equity	0.9	0.8	11	
Other Income	0	0	0	27	9	219	PBIDTM	26.9	27.5	(2)	
Total Income	1178	887	33	3338	3062	9	PBDTM	19	17	11	
Total Expenditure	995	649	53	2552	2288	12	RoCE	13	13	0	
PBIDT	183	238	(23)	786	774	2	RoNW	17	10	70	
Interest	56	42	33	174	257	(32)					
PBDT	127	196	(35)	612	517	18					
Depreciation	40	37	9	125	121	3					
Tax	2	27	(93)	24	78	(69)					
Reported Profit After Tax	89	147	(39)	461	292	58					
Extra -ordinary Items	0	0	0	0	0	0					
Adj. Profit After Extra-ordinary item	89	147	(39)	461	292	58					
No. of shares (m)	35	35	-	35	35	-					
EPS (annualised.) (Rs.)	10	17	-	13	7	-					
P/E	37.4	22.8	-	29.0	55.3	-					



For further clarifications contact: Anita Bhat; anita.bhat@idbicapital.com; 91-22-6637 1187 / S. Narasimhan Rao; narasimhan.rao@idbicapital.com; 91-22-6637 1165

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