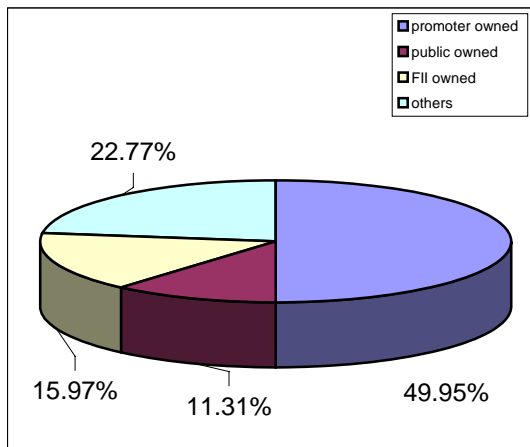


Stock statistics	19 December 2007
Market Cap (Rs Mn)	: 78378.75
52-Week high/low (Rs)	: 383/195
Face value	: 2
BSE Code	: 500302
NSE Code	: NICOLASPIR
Industry	: PHARMA
Shares outstanding	: 20,90,13,133
Avg. daily vol. (30 days)	: 52.3

**Shareholding Pattern (as on 30 sept. '07)**



**Key Statistics (as on 19 December 2007)**

CMP	: 375
BV (FY'07)	: 50.54
PE	: 42.23
PB	: 7.41
Beta	: 1.01
Turnover (Rs Mn)	: 83.04
Net worth (Rs Mn)	: 10563.9

**BUSINESS BACKGROUND**

Nicholas Piramal, Flagship Company of the Piramal group is into the sector of branded formulations and custom manufacturing. The company has marked its presence over domestic formulation business in the acute (anti-infective, respiratory, gastro intestinal), chronic (cardiovascular, central nervous system, anti-diabetic) and specialty (nutritional and dermatology) segment. NPIL has a long track record of successful collaboration with innovator companies. Since 2003, the Company has made significant investments to become a global custom-manufacturing organization for large and medium-sized innovator companies. Nicholas Piramal has a global CMO footprint across North America, Europe & Asia, and is committed to respecting Intellectual Property.

**INDUSTRY OUTLOOK**

The Indian pharmaceutical industry, divided into bulk drugs and formulations is all set for a revival. The industry was trapped into the clutches of generic drugs production but now the Indian companies are all set to make extensive R&D expenditure and broaden their activities from mere copy cat generics production to contract manufacturing and extensive research and other activities. The life saving drugs category finds the maximum market space in the domestic arena. The pharmaceutical companies are now expecting an outburst of immense opportunities in the sector, since most of the patents are headed towards expiry in near term. The companies have also got into the new chemical entities (NCE) adding on another queue of additional opportunities.

**INVESTMENT RATIONALE**

- The company has received the product patent from the US Patent & Trademark office. The granted claims of the patent cover the novel compounds, including NPIL's clinical candidate P-276-00, and processes for their preparation. These compounds are being developed as therapeutic agents useful in the treatment of cancer.
- The company has also entered into R&D collaboration agreement with the Indian subsidiary of Merck Ltd, MSD Pharmaceuticals for developing two products identified by the latter. This is going to serve as an additional opportunity for the R&D wing of the company.
- The company is also all set to complete its clinical trials and launch its much-awaited anti-cancer compound soon. This product is expected to pay huge amount to the company and mark its benign presence in the \$ 2.6 million market of anti cancer compounds.
- The company has witnessed an advance in the Phensedyl revenues which faced a decline previously due to supply shortage of codeine but now the situation seems to improve as evident by the Q2FY08 results.

## FINANCIAL STATEMENT ANALYSIS

Rs. mn

Particulars	Q2FY07	Q3FY07	Q4FY07	Q1FY08	Q2FY08
Revenues	4417.90	4080.30	3865.60	3950.20	5318.20
Growth (%)	--	(7.64)	(5.26)	2.19	34.63
Total Expenditure	3383.50	3327.10	3391.80	3340.80	4209.50
Operating Profit	1034.40	753.20	473.80	609.40	1108.70
Growth (%)	--	(27.18)	(37.10)	28.62	81.93
OPM	23.41	18.46	12.26	15.43	20.85
Other Income	9.50	0.10	6.50	20.70	--
EBIDTA	1043.90	753.30	480.30	630.10	1108.70
Interest	21.30	34.80	33.80	46.80	32.80
Depreciation	174.60	189.80	172.30	191.50	198.60
PBT	848.00	528.70	274.20	391.80	877.30
Tax	177.40	95.70	5.00	47.90	67.50
Adjusted PAT	670.60	433.00	269.20	343.90	809.80
Growth (%)	--	(35.43)	(37.83)	27.75	135.48
Adjusted NPM	15.18	10.61	6.96	8.71	15.23
Reported PAT	670.60	433.00	269.20	343.90	809.80
EPS	3.21	2.07	1.29	1.65	3.87
Equity Capital	418.00	418.00	418.00	418.00	418.00

The company has posted exuberant results for the quarter-ended Sep 07 with the net sales rising to Rs 5318 million in Q2FY08. The tremendous growth posted by the company in its topline can be attributed towards the acquisition of the manufacturing unit of Pfizer. Net sales have reported a robust growth of 34.63% on QoQ basis while the relative figure on YoY basis remained at 20.38%. The operating profit for the company stood at Rs 1108.70 million in the quarter-ended Sep 07 against the figure of 1034 million in the corresponding quarter last year. The operating profit margin of the company stood at 20.85% against 15.43% posted in the quarter ended June 07. The EBIDTA stood at Rs 1108.70 million for Q2FY08 compared to the figure of Rs 1043.90 million depicting a decent growth. The EBITDA margins have increased to 20.85 % in the quarter ended Sep 07 compared to 15.95% in the previous quarter. On comparing the bottom line, we find a sharp growth in the figures on QoQ as well as YoY basis. The net profit for the company stood at Rs 809.80 million against Rs 670.60 million posted in the corresponding quarter in the previous period showing a growth of 20.75%. The net profit margins of the company for the quarter ended stood at 15.23% marginally higher than the NPM for Q2FY07 hovering at 15.18%. The earning per share of the company comes out to Rs 8.88(calculated on TTM basis).

### VALUATION

NPIL has been a pioneer in the domestic formulations segment. The company is planning to separate its R&D division into a separate entity, which will serve as a value-unlocking device for the company. The company is into the race for acquiring the Ireland unit of Pfizer, which if bagged by company shall be able to increase its operations in the global arena and raise additional revenues. The company has been a renowned name through its handsome acquisition moves which have not only added to the company's reach but have also enabled the company to move towards higher rungs of success. The nod from the US patent and trademark for the cancer compound is expected to fetch huge returns to the company in near future.

The stock of the company, which is presently hovering at Rs 375, is trading at 7.41 times to its book value of Rs 50.54 and at 42.23 times to its earnings. The bright future prospects of the company make it an ideal BUY.

We recommend a buy signal on the stock with a target price of Rs 475 in the medium term investment horizon, which provides a room for 26% appreciation from its current level.

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