



**(Investment Idea)**

**Fulford (India) Ltd.**

Fulford India is subsidiary of Schering Plough – USA, a US \$ 11 billion pharma MNC, which upped its holding in the Indian company from 40% to 53.93%.

Company has put up an excellent performance in Q3 CY 2007. Net Sales increased by 3% to Rs.46.54 crore (Rs.43.46 crore). OPM% improved significantly to 19.8% (12.2%) mainly due to decline in raw material costs to 44.69% (52.57%) as a result of strengthening of the rupee. Other income spurted to Rs.2.39 crore (Rs.58 lakh) on account of additional interest earned on proceeds of Rs.40.25 crore received on preferential allotment made to the promoter. Consequently, PBT almost doubled to Rs.10.8 crore (Rs.5.5 crore). A higher tax rate of 34.6% (31.2%) restricted growth in PAT to 90.9% to Rs.6.9 crore (Rs.3.6 crore).

For 9 months ended September 2007, Net Sales improved to 6.3% to Rs.121.2 crore (Rs.114.05 crore). OPM% improved impressively to 16.7% (12.6%). Improved margins coupled with higher other income of Rs.5.49 crore (Rs.1.84 crore) led to 61.6% spurt in PBT to Rs.24.73 crore (Rs.15.30 crore) and 60.2% jump in PAT to Rs.15.78 crore (Rs.9.85 crore).

Fulford India is present in therapeutic segments of allergy & respiratory, arthritis & immunology, anti-cancer, cardiovascular, hepatitis, sun care, skin disorders, and systemic anti-infectives. Company is involved in developing advanced therapies for management of rheumatoid arthritis and psoriasis, while strengthening its position in hepatitis therapy.

Company has successfully introduced 3 new products in 2006 and is exploring opportunities to launch a few new products to strengthen its product portfolio. Going forward, company is expected to use preferential allotment proceeds to strengthen its position in the market and act on strategic business growth opportunities, including participating in conducting global support services including clinical trials and obtaining mandate for external collaborations (in-licensing opportunities) in the post-product patent regime. The pace of clinical trials in India is accelerating and the Health sector is gaining priority, which will benefit the entire pharma industry as well as Fulford.

Fulford is a cash rich company. At CMP of Rs.530.2, the share is trading at 10 times CY 2007 expected EPS of Rs.50.2 and 9 times CY2008 expected EPS of Rs.59. We recommend to “BUY” at CMP.

**Disclosures:**

*The author may have held / hold the above-mentioned securities in their personal accounts or on behalf of the clients. The information contained has been obtained from sources believed to be reliable. While taking utmost care in making the report, the authors or the company does not take responsibility for the consequences of the report. All investment and information and opinion are subject to change without notice. The investment recommendations may not be suitable to all the investors.*

*October 25, 2007*