

**'India Unlimited'
Investor conference**

The Ritz Carlton,
Millenia Singapore
March 5-6

Market data as on Feb 22, 2007

INDICES		
		% chg (DoD)
BSE Sensex	14021	(1.18)
S&P CNX Nifty	4040	(1.37)
BSE 100	7036	(1.25)
BSE 200	1662	(1.24)
Instanex Skindia DR	2417	(0.56)
Mindex	5985	(0.68)

OVERSEAS MARKETS

		% chg (DoD)
Dow Jones	12686	(0.41)
Nasdaq Comp.	2525	0.26
S&P 500	1456	(0.09)
Hang Seng	20809	0.76
Nikkei	18109	1.09

ADVANCES/DECLINES (BSE)

Group	A	B1	B2
Advances	47	161	239
Declines	157	460	447
Unchanged	0	16	19

**FII TURNOVER (BSE+NSE)*
(Rs mn)**

	Bought	Sold	Net
	22,400	22,902	(402)

NEW HIGHS AND LOWS (BSE)

Group	A	B1	B2
Highs	2	8	27
Low	1	9	5

CURRENCY

US\$1 = Rs44.25

* FII turnover (BSE + NSE) as on
February 21, 2007

India Update

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Buy

Highlights

Sector/event	Impact
PHARMA: Wockhardt – Q4CY06 results review	In Q4CY06, Wockhardt registered a 19% YoY rise in consolidated recurring net profits to Rs871mn, ahead of our estimates. This was primarily due to higher-than-expected growth in EU sales and EBITDA margin. Total operating revenues rose 44% YoY to Rs5.26bn, mainly fuelled by an 81% surge in its largest market EU to Rs2.9bn and a 22% YoY growth in domestic dosage form sales. Excluding acquisitions, sales growth was healthy at 22% YoY to Rs4.5bn. From a 12-15 months perspective, the stock could benefit from strong growth in the US & biogenerics business and consolidation of acquisitions. Trading at CY07E P/E of 11.8x, valuations are quite attractive. Maintain BUY.

News Snippets

Economy

- The Union Cabinet has approved the reduction of central sales tax to 3% from 4% from April '07 and will phase it out completely in the next few years. (The Financial Express)

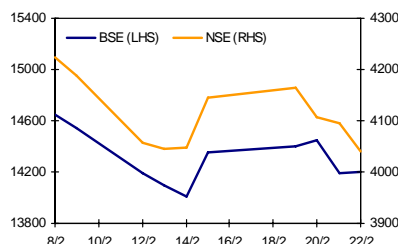
Sectoral

- Hexaware Technologies plans to buy an IT company based in Europe or the US for US\$20-40mn. (Business Standard)
- BSNL is aiming for a turnover of US\$20bn over the next three years at an implied CAGR of 27%. (Business Line)
- Morgan Stanley and JM Financial have announced that they will be ending their seven-year partnership in the investment banking and securities businesses. (Business Line)

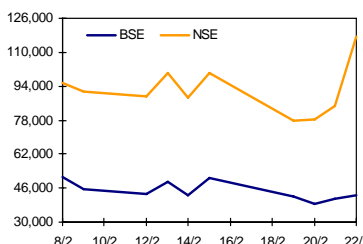
Corporate

- Apollo Hospitals may bid for the UK-based Abbey Hospitals (part of Covenant, the British healthcare group), which operates a chain of six hospitals, for US\$100-150mn. (The Economic Times)
- The Government has invited bids from public sector financial institutions and mutual funds for its remaining 10.27% stake in Maruti Udyog, expected to be valued at Rs27bn. (The Financial Express)

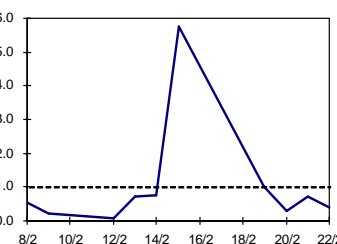
Market movement over last fortnight



Volumes in Rs mn (BSE and NSE)



Advances & Declines ratio (BSE)



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Wockhardt (Buy)

PHARMA

Q4CY06 RESULTS REVIEW

Recovery in sight

Rs331

Rajesh Vora

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In Q4CY06, Wockhardt registered a 19% YoY rise in consolidated recurring net profits to Rs871mn, ahead of our estimates. This was primarily due to higher-than-expected growth in EU sales and EBITDA margin. Total operating revenues rose 44% YoY to Rs5.26bn, mainly fuelled by an 81% surge in its largest market EU to Rs2.9bn and a 22% YoY growth in domestic dosage form sales. Excluding acquisitions, sales growth was healthy at 22% YoY to Rs4.5bn. From a 12-15 months perspective, the stock could benefit from strong growth in the US & biogenerics business as well as consolidation of acquisitions. Trading at CY07E P/E of 11.8x, valuations are quite attractive. Maintain BUY.

Table 1: Valuation summary

		Y/E Dec	EPS (Rs)	P/E (x)	EV/E (x)		
Price (22/2/07)(Rs)	331	2003	10.5	31.5	21.2	BSE Sensex	14021
52 wk Range (Rs)	562/318	2004	16.5	20.0	14.0	Mkt.Cap (Rs bn)	36
DPS CY06 (Rs)	4.0	2005	22.2	14.9	11.6	Mkt.Cap (US\$mn)	819
Dividend yield (%)	1.2	2006	24.3	13.6	9.0	Shares out.(mn)	109
Face value (Rs)	5.0	2007E	28.0	11.8	7.9	Free float (%)	26.2

Source: Company data, i-SEC Research

- **Sales surged 44%YoY to Rs5.26bn.** Excluding acquisitions (Pinewood Labs and Nutrition business), sales growth was healthy at 22% YoY to Rs4.5bn driven by a strong 30% rise in EU sales, ahead of our estimates. Domestic dosage form sales (excluding the Nutrition business) witnessed a healthy 10% growth to Rs1.43bn on the back of continued focus on power brands. Dosage form exports to the US rose 15%, while dipped 21% to the rest of the world.
- **EBITDA margin was almost flat at 23.2%** pulled down by: i) consolidation of the acquired businesses with lower margins and ii) higher other expenditure due to commencement of production at the new biotech park. However, reduction in R&D costs (20% YoY and 54% QoQ) to RsRs130mn (much lower than our estimates) and tight control over other expenditure helped the company offset the pressure on margins. The depreciation charge more than doubled to Rs212mn and income tax provision rate was lower at 10.4% versus 12.2% a year ago. The company has not disclosed forex details. Consequently, consolidated recurring net profits rose 19% to Rs871mn, ahead of our estimates.
- **CY06 – A washout year.** In CY06, Wockhardt's performance was much below peers with 6% decline in reported consolidated net profits to Rs2.4bn. Excluding non-recurring expenditure of Rs491mn {on account of a chargeback (Rs367mn) on US sales; acquisition-related costs (bidding for Andrx and AlphaPharma's US generics businesses) of Rs228mn and gain of Rs113mn due to change in accounting policy relating to R&D expenditure for ANDAs}, recurring net profits rose 10% to Rs2.9bn. EBITDA margin declined 75bps to 22.5% on the back of 22% YoY sales growth to Rs17.3bn. We shall revisit our earnings forecast after attending the investor meet today.
- **The worst seems to be over; reiterate BUY.** With CY06 being a poor year for Wockhardt, the company is looking to step-up its efforts to come out of the woods. It acquired Dumex and Pinewood Labs to further boost its headline growth and expand product and geographic coverage. The stock is currently trading at an attractive valuation of CY07E P/E of 11.8x; reiterate BUY.

Table 2: Q4CY06 results review (Consolidated)*(Rs mn, year ending December 31)*

	Q4CY06	Q4CY05	% chg (YoY)	CY06	CY05	% chg (YoY)
Income from operations	5,264	3,659	43.9	17,277	14,121	22.3
Raw Materials	2,115	1,339	58.0	6,678	5,771	15.7
Personnel Cost	822	531	54.8	2,532	2,096	20.8
Other Expenses	976	776	25.8	3,453	2,284	51.2
R&D	130	162	(19.8)	723	683	5.9
Total Expenses	4,043	2,808	44.0	13,386	10,834	23.6
EBITDA	1,221	851	43.5	3,891	3,287	18.4
Interest	115	(51)	(325.5)	26	261	(90.0)
Depreciation	212	98	116.3	621	426	45.7
Other Income	78	27	188.9	190	427	(55.5)
Recurring pre-tax income	972	831	17.0	3,434	3,027	13.5
Exceptional items	-	-		(491)	(81)	
Taxation	101	101	0.0	530	374	41.7
- Current	57	116	(50.9)	269	356	(24.5)
- Deferred	44	(15)	(393.3)	261	18	1354.8
Reported net profit	871	730	19.3	2,413	2,571	(6.2)
Recurring net profit	871	730	19.3	2,904	2,642	9.9
Ratios (%)			bps			bps
EBITDA margins	23.2	23.3	(6)	22.5	23.3	(75)
Net profit margins	16.5	20.0	(340)	16.8	18.7	(190)

Source: Company data, i-SEC Research

Table 3: Revenue mix*(Rs mn, year ending December 31)*

	Q4CY06	Q4CY05	% chg (YoY)	CY06	CY05	% chg (YoY)
Domestic	1,659	1,357	22.3	6,752	5,264	28.3
Bulk	82	59	39.0	257	181	42.0
Formulations	1,577	1,298	21.5	6,495	5,083	27.8
Exports	3,605	2,302	56.6	10,525	8,857	18.8
Bulk	328	289	13.5	1,423	1,473	(3.4)
EU	31	11	181.8	162	247	(34.4)
US	144	105	37.1	596	494	20.6
Other markets	153	173	(11.6)	665	732	(9.2)
Formulations	3,277	2,013	62.8	9,102	7,384	23.3
EU	2,888	1,597	80.8	7,197	5,516	30.5
US	193	167	15.6	1,092	1,004	8.8
Other markets	196	249	(21.3)	813	864	(5.9)
Total	5,264	3,659	43.9	17,277	14,121	22.3

Source: Company data, i-SEC Research

Recent reports/updates		
Analyst	Company/Sector	Date
S. Ramesh	Netback margin monthly: Refining sweetens the pot	Feb 21
S. Ramesh	Oil&Gas sector update: Halcyon days ahead	Feb 15
Rajesh Vora	Dr. Reddy's Lab: Bolstering the base	Feb 9
Amar Kedia	Aviation Sector: Clear horizons	Feb 9
Anand Shah	Godrej Consumer: Outshining the rank	Feb 6
Poonam Nishal	Bharti Airtel: Ringing in success	Feb 5
Vinay Patel	Monetary policy review: Yet another surprise	Feb 1
Shekhar Singh	Mphasis: In the fray	Feb 1
S. Ramesh	Netback margin monthly: Exploding margins	Jan 24
Shekhar Singh	Satyam Computer: Tangy Flavor	Jan 19
S. Ramesh	Reliance Industries: Refined surprise	Jan 19
Shekhar Singh	Infotech Enterprises: Minor roadblock	Jan 17
Shekhar Singh	Wipro: Getting back on track	Jan 17
Vinay Patel	Market Strategy: Still packs a punch	Jan 16
Shekhar Singh	HCLT: Upbeat Mood	Jan 16
Shekhar Singh	TCS: Robust Performance	Jan 16
Shekhar Singh	Infosys Technologies: In line with expectations	Jan 11
Anand Shah	FMCG Quarterly results preview: Keep the faith	Jan 9
S. Ramesh	Oil&Gas Quarterly results preview: Steals the show	Jan 5
Shilpa Gupta	Automobile Quarterly results preview: Upbeat tempo	Jan 5
Shekhar Singh	Technology Quarterly results preview: Time for prudence	Jan 4
Rajagopal Ramanathan	Banking Quarterly results preview: Triumphant act	Jan 4
Omprakash / Amarnath	Media Quarterly results preview: Buzzmakers	Jan 4
Poonam Nishal / R. Amarnath	Utilities Quarterly results preview: Brimming with energy	Jan 3
Rajesh Vora	Pharma Quarterly results preview: On growth wavelength	Jan 2

Quarterly results date reckoner		
No.	Companies	Date of result
1	Gujarat Gas	February 23
2	Aventis Pharma	Date awaited
3	Nestle India	Date awaited

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