

## Equities

6 December 2010 | 5 pages

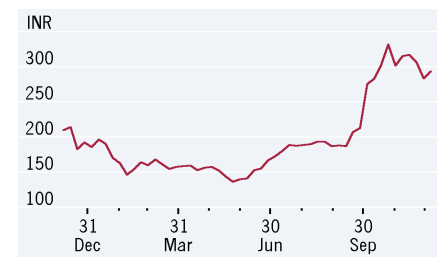
# Orchid Chemicals & Pharmaceuticals (ORCD.BO)

## Analyzed Non-Rated Snapshot

- Takeaways from Mumbai** — Orchid Chemicals & Pharmaceuticals presented at our India Min-Conference in Mumbai. Below are key takeaways.
- Growth outlook** — Orchid expressed confidence on achieving revenue growth of 40% (on the base adjusted for business sale to Hospira) & faster growth in net income in FY11 - despite subdued numbers in 1HFY11. It also expects momentum to sustain over the longer term, driven by its deal with Hospira, and key product opportunities such as penems and Tazo-Pip.
- US: a key growth driver** — Orchid's US pipeline has 38 ANDA filings (of which 21 have been approved) including 8 FTFs (addressable market: US\$8bn). It is also developing more products, with a cumulative market size of US\$75bn. Most of the FTFs would play out over the FY13-14 time frame. Generic Zosyn (Tazo Pip) is one of its key products in the US, with its partner (Hospira) having a 40% market share in the US.
- Penems: A key opportunity** — Orchid is targeting the penems opportunity in Europe and US - Meropenem and Imipenem being the key near-term opportunities. Combined sales in these markets stand at cUS\$1bn, and this is likely to be a limited competition space. Orchid's partner (Hospira) has already launched Meropenem in the US. Orchid believes it is the only supplier, expects high margins (>40%) and does not expect competition for the next 12-18 months. Imipenem launch can also happen in the next 3-6 months.
- Balance sheet** — Orchid currently has a Debt Equity ratio of 1.2x and is comfortable with keeping this around the 0.7x range. It expects to reach this mark over the next three quarters. The company also does not expect to incur any significant capex over the next 2 years and intends to focus on improving utilisation going forward.

Price (06 Dec 10)	Rs293.70
Shares Outstanding	70M
Free Float (%)	46
Fiscal Year End	31 Mar
Market Cap	Rs20,689M US\$461M

### Price Performance (RIC: ORCD.BO, BB: OCP IN)



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See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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## Orchid Chemicals & Pharmaceuticals

(ORCD.BO)

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## Orchid Chemicals & Pharmaceuticals

(ORCD.BO)

6 December 2010

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