

BUZZING

STOCK

# Shasun Chemicals and Drugs Ltd.

CMP – Rs.120

**Analyst**

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**Key Stock Data**

Sensex	14478
Nifty	4196
Sector	Pharmaceuticals - Bulk
Bloomberg	SSCD@IN
Reuters	SHAS.BO
No. of shares (m)	48
Market Cap (Rs m)	5821
Market Cap (US\$ m)	132
52-week H/L	Rs.136/60

**Shareholding Pattern (%)**

Promoters	42.72
Mutual Funds	12.38
FII's	17.2
Corporate Bodies	4.47
Pubic & Others	23.24

**Overview** - Chennai based Shasun Chemicals and Drugs Ltd. is one of the leading CRAMS players in India. Shasun offers an integrated business model by furnishing services and products in research, development and manufacturing (including Contract Research and Manufacturing Services) of intermediates, APIs and of finished dosages.

**Rhodia Acquisition** - Shasun acquired business and assets of UK-based Rhodia Pharma through the wholly owned subsidiary Shasun Pharma Solutions Ltd (SPSL). Rhodia has two bulk manufacturing plants in Dudley and Annan present in UK and has 12 commercial products under its belt and 14 molecules under phase II B and phase III waiting for commercial approval and launch by its partners. The acquisition seems to be synergistic with the strategy of Shasun. With this model, research practices can be sourced from Indian center while development in kilo labs and pilot plant can be done in UK and India whereas the final product manufacturing will be done at UK facilities.

**Manufacturing Infrastructure** – Shasun has got eight facilities located across the globe. The API facility located at Pondicherry manufactures Ibuprofen that is sold in more than 40 countries and approved by FDA and MCA. The multi-product facility at Cuddalore in Tamil Nadu manufactures API and excipients. The Biotech center at Velachery in the same state works on protein processing solutions, which caters other biotech and pharmaceutical companies. Research center at Chennai houses 100 scientists, associates and managers who focus on process development, quality labs, kilo labs and engineering support.

**Shasun's CRAMS Edge** – The cost of putting up an FDA approved plant is half of that in USA. Shasun enjoys the expertise of technology and the ability to handle large volumes developed through the years which makes it an attractive counter for big pharma companies. The acquisition of Rhodia further strengthens its presence enabling it to become a one-stop shop for CRAMS operations. Through Rhodia's patented technologies like HKR, ABF and trifluoromethylation, Shasun is very well placed to cater its services to innovators as well as emerging pharma companies.

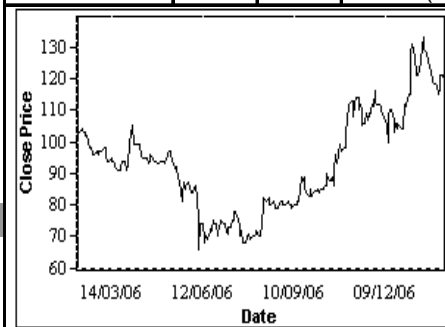
**Product Wise Performance** – Shasun's mainstay segment of CRAMS has been performing well which accounted for 40% of the total turnover for 9MFY07 stood at Rs.2.2bn. This upside was spurred by Rhodia acquisition against the revenue of Rs.309m generated in 9MFY06. Ibuprofen and its derivatives garnered sales of Rs.1.7bn, contribution of which has fallen to 32% in 9MFY07 from 50% to the total turnover of 9MFY06. The sales figures of ranitidine hydrochloride and nizatidine in 9MFY07 were better than their 9MFY06 figures but their contribution took a toll due to aggressive rise in CRAMS income as well as sales generated from other products and trade sales.

**Region Wise Performance** - Shasun's domestic business has been growing constantly which contributes almost half of the revenue stood at Rs.427m in Q3FY07. Its US sales have been growing aggressively showed an upside of 64% on sequential basis in Q3FY07 at Rs.300m. Only Asia Pacific business is loosing the steam with a gradual fall in the business for consecutive three quarters. Almost 62% of Q3FY07 revenue was realized from Asian continent biased by domestic sales, which is in line with the earlier pie of 61% for Asian region in FY06. The strong US continent growth is further confirmed by 30% revenue contribution for this quarter solely backed by USA sales.

**Valuation** - The consolidated revenue at Rs.1.9bn of Shasun increased by 86% YoY. The 9MFY07 sales also showed a good growth of 37% YoY at Rs.3.8bn. The EBITDA of Rs.433 also increased considerably by 47% YoY with an improvement of 120 bps in the margin. The 9MFY07 PAT at Rs.367m showed an upside of 51% YoY. The stock is currently trading at 17x its 9MFY07 EPS of Rs.7.8.

## Financial Snapshot

Shasun Chemicals & Drugs Ltd.						Rs.m	Ratios (%)			
Financial Year End: March	Q3 FY07	Q3 FY06	Chg. (%)	FY06	FY05	Chg. (%)		FY06	FY05	Chg.(%)
Net Sales	981	993	(1)	3578	3271	9	Debt -Equity	0.5	0.6	(9)
Other Income	12	2	379	13	8	63	PBIDTM	20	22	(7)
Total Income	993	995	0	3592	3279	10	PBDDTM	19	21	(9)
Total Expenditure	805	789	2	2880	2587	11	RoCE	20	24	(18)
PBIDT	188	206	(9)	712	692	3	RoNW	23	25	(7)
Interest	16	13	26	49	34	46				
PBDT	171	193	(11)	662	658	1				
Depreciation	67	61	9	231	216	7				
Tax	0	3	(90)	60	70	(14)				
Reported Profit After Tax	100	129	(22)	365	310	18				
Extra -ordinary Items	0	0	0	0	0	0				
Adj. Profit After Extra-ordinary item	100	129	(22)	365	310	18				
No. of shares (m)	48	48	-	48	9	-				
EPS (annualised.) (Rs.)	8	11	-	8	34	-				
P/E	14.5	11.2	-	15.8	3.5	-				



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