

Piramal Healthcare Ltd

22nd May 2010

Hold

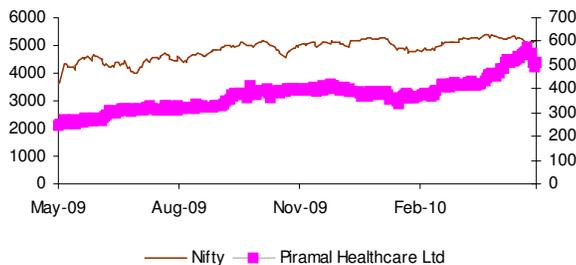
Industry	Pharmaceuticals
CMP	INR 502
52 week High/Low	INR 581/235
Market Cap	INR 104990
Average Weekly Volumes	866618
Industry P/E	22.5
Piramal Health P/E (Annualized EPS)	21.7

Source: Capitaline, unicon research

Shareholding Pattern (as on 31/03/2010)

Promoters	49.24
Institutional Investor	34.82
Public	10.06
Others	5.88

Stock Performance (Last one year)



Source: Capitaline, unicon research

Performance (%)

	1Month	3 Month	12Month
Piramal	11.83	37.36	105.13
NIFTY	-2.71	7.29	42.46

Source: Capitaline, unicon research

Analyst

Rabindra Basu

Q4FY10	Actual Results	Unicon Estimates
Revenues	9418	10084
EBITDA	2212	2001
PAT	1543	1498

Q4FY10 Result update:

- Net sales in Q4FY10 have grown by 11 % to INR 9418 mn vs INR 8509 mn. This subdued growth was witnessed as the CRAMS business played a laggard. This was below Unicon's estimate of INR 10084 mn
- Increase in net sales have been on account of a 37% growth in domestic formulation business vs the industry growth of 18%. This was due to a better penetration in tier II and tier III cities coupled with new product launches.
- CRAMS business is expected to pick up in the coming year
- Piramal has renewed its Pfizer contract for a longer tenure and increased number of products and acquired some new contracts at its Indian facilities.
- Contribution from Minrad is expected to increase on back of increased volumes of Sevoflurane - targeting veterinary segment and has started filing for products set to be launched in Europe during FY11. Desflurane is expected to be launched in the next 12-18 months in the US which has a market size of USD 250mn. Sevoflurane's US market share has increased to 18% from 5% earlier.
- EBITDA stood at INR 2212 mn in Q4FY10 vs INR 1953 mn, a growth of 13% above Unicon's estimate of INR 2001 mn
- Margins were at 23.5%, an increase by 50 bps on account of reduction in raw material cost and better contribution from its domestic formulation business
- PAT grew by 34% to INR 1543 mn in Q4FY10 vs INR 1149 mn inline with Unicon's estimate of INR 1498mn and margins at 17% an increase 290 bps on back of reduced interest charges

Valuation and outlook

At CMP of INR 502 the stock trades at 21.7x annualized earnings of INR 23.1. Going forward we expect Piramal to improve its earnings on account of better performance of the domestic formulation business through newer product launches, better tier II and tier III penetration and margins to improve through better cost containment measures. Better contribution from Minrad and CRAMS business is expected to improve its revenue stream in the next couple of quarters. We maintain **Hold** on the stock with a target price of INR 451



Piramal Healthcare Ltd

	Q4 FY10	Q4 FY09	Growth % Y-o-Y	FY10	FY09	Growth % Y-o-Y
Net Sales	9418.2	8509.1	10.7	36710.5	32811.0	11.9
Total Expenditure	7206.4	6555.7	9.9	29301.2	26997.5	8.5
EBIDTA	2211.8	1953.4	13.2	7409.3	5813.5	27.4
EBIDTA %	23.5	23.0	50bps	20.2	17.7	250bps
Depreciation	232.7	343.1	-32.2	1426.5	1195.7	19.3
EBIT	1979.1	1610.3	22.9	5982.8	4617.8	29.6
EBIT %	21.0	18.9	210bps	16.3	14.1	220bps
Other Income	0.0	72.1	-100.0	0.4	73.8	-99.5
Interest	192.2	286.3	-32.9	916.4	838.0	9.4
Exceptional Items	65.5	310.0	-78.9	69.1	446.1	-84.5
Tax	178.1	-53.0	-436.0	180.3	219.4	-17.8
Minority Interest	0.1	-9.9	-101.0	-1.6	25.6	-106.3
PAT	1543.2	1149.0	34.3	4819.0	3162.5	52.4
PAT %	16.4	13.5	290bps	13.1	9.6	350bps
EPS	7.4	5.5	34.5	23.1	15.1	53.0



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Unicon Investment Ranking Methodology

Rating	Buy	Accumulate	Hold	Reduce	Sell
Return Range	>= 20%	10% to 20%	-10% to 10%	-10% to -20%	<= -20%

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