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Plethico Pharma Ltd.**(Rs. 355.00, FY08E - P/E 8.1 x, BUY with a Target Price of Rs. 569)**

In the recent market corrections, Herbals and Nutraceuticals pharmaceutical major, Plethico Pharma Ltd fell by over 18% from our recommended price of Rs 436. We initiated coverage on the company with a BUY recommendation and a target price of Rs 569. Post recommendation the scrip touched the peak of Rs 522. We believe that there is no change in the fundamentals of the company and the recent correction in the scrip has made its valuations further attractive. We continue to maintain 'BUY' recommendation and previous target price of Rs 569.

Unlike other pharmaceutical players in the Indian market who are fighting for a pie of the available export generics opportunity, Plethico Pharma Ltd (PPL) has adopted a completely different path by focusing on high margin Herbals and Nutraceuticals in the International markets. After initially focusing on the unregulated markets such as the CIS and Africa, the company is now all set to enter the regulated markets like the US and Europe. PPL recently acquired Natrol Inc., a leading manufacturer and marketer of nationally branded nutritional products in USA. We believe there is a huge untapped potential for the company. PPL is planning to manufacture Natrol's top brand in India and sell them to India and other semi-regulated markets along with US markets. This will help to improve its margins going forward.

The company's medicated lozenges and confectionary has always been a high revenue-earning generator segments. These segments are growing at a very fast space for all the markets of the company including India. Due to tremendous growth in demand of these segments, the company has started facing capacity crunch. In order to overcome capacity constraints, the management has finalized that the manufacturing facility shall be established in the Dubai. Dubai, by virtue of its strategic geographical location, will provide proximity to larger markets of Commonwealth of Independent States (CIS), Europe, South Asia and Africa. Also, this new unit will be entitled to zero tax -benefits. The company has planned to invest ~ Rs 1 billion to set up a unit at Dubai. The plant is expected to be operational by mid-2009 or latest by 2010. Considering that sales from the US market are expected to gather momentum in by FY08E and given the company's continued strong performance in other markets, the outlook for Plethico appears quite optimistic. We expect PPL to report strong growth in revenues of CAGR 36% during FY07-FY09E. We expect the company to record net profit growth of CAGR 17% during FY07- FY09E.

Plethico recently acquired Natrol Inc., USA to foray into US and European markets apart from unregulated markets

Plethico is planning new facility at Dubai

Dubai facility will provide proximity to CIS, Europe, South Asia and Africa

Financial Estimates :

Particulars	FY08E	FY09E
Net Sales (Rs Mn)	8146.4	9451.3
EBITDA (Rs Mn)	1982.0	2306.3
EBDITA (%)	24.3	24.4
PAT (Rs Mn)	1703.3	2001.9
EPS (Rs)	43.8	51.5
P/E at Rs 355	8.1	6.9

Source: Emkay PCG Research

Contd...

We maintain BUY with a target price of Rs 569

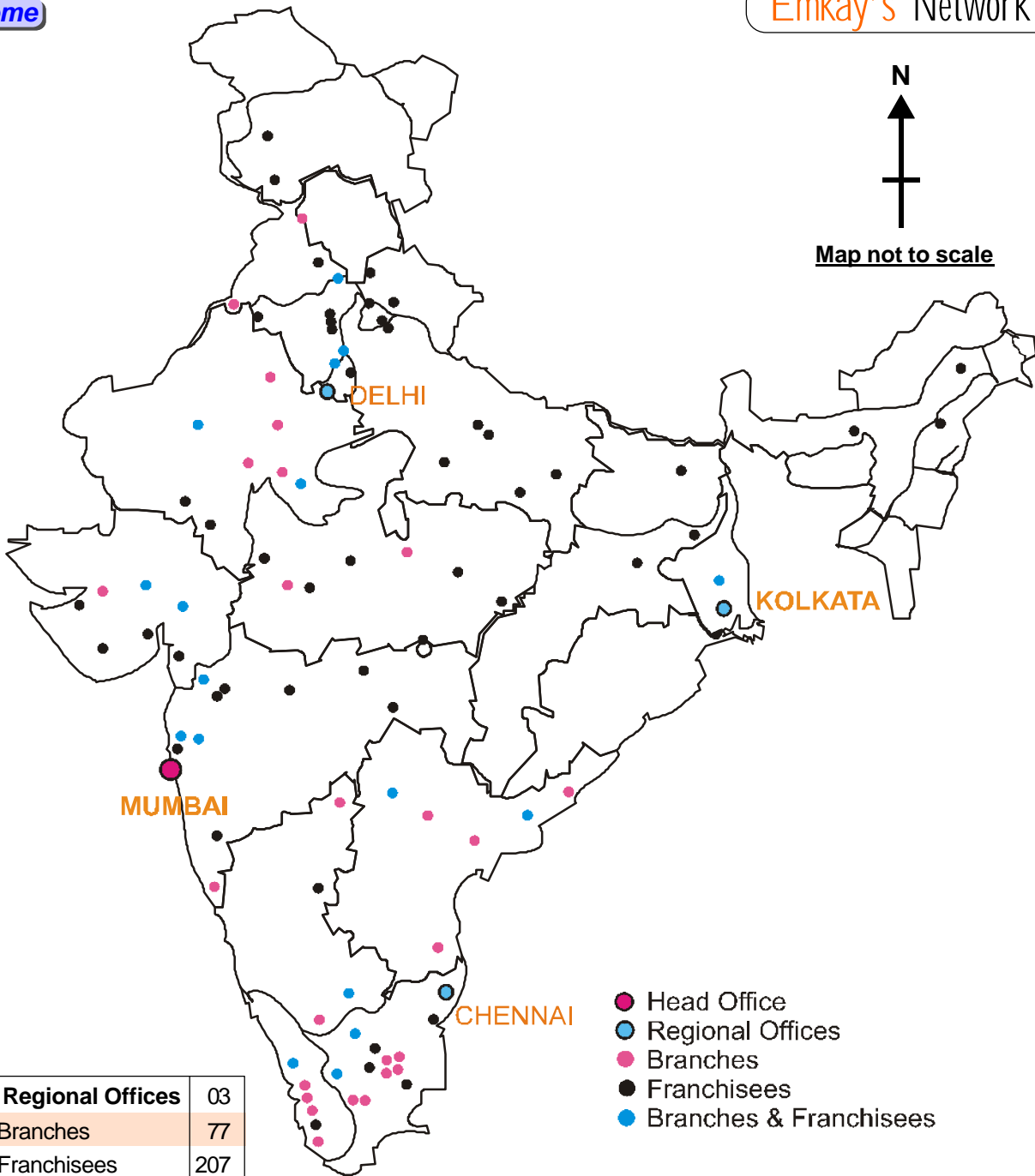
The stock is currently trading at 8.1x FY08E EPS of Rs 43.8 and 6.9x FY09E EPS of Rs. 51.5. It is trading at 7.5x FY08E and 5.6x FY09E EV/EBDITA. We believe these valuations are attractive and offer excellent long term investment opportunity considering its strong presence in niche segments, higher EBDITA margins, increasing global demand for herbals/ neutraceuticals, strong expected growth from regulated and semi-regulated markets and its potential to improve its revenues and operating margins going forward. We believe there is still room for upward revision of target price. We maintain 'BUY' on the stock with a target price of Rs. 569.

[Home](#)

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Map not to scale



- Head Office
- Regional Offices
- Branches
- Franchisees
- Branches & Franchisees

Total Regional Offices	03
Total Branches	77
Total Franchisees	207

Regional Offices

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[Home](#)

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