

31 August 2010
Key Data

BSE Code	531683
NSE Symbol	ANKURDRUGS
Reuters Code	ANDP.BO
Bloomberg Code	MRP IN
Sensex	18032
CMP, (₹)	131
Target Price (₹)	170
Face Value (₹)	10
Mcap, (₹ in Cr.)	252.8
52 week H/L (₹)	251/111
2 Wk Avg Qty	5, 00, 000

Share Holding, 31-06- 2010

	% Holding
Promoters	32.5
DII's	2.5
FII's	14.1
Foreign Corp. Bodies	5.5
Bodies Corporate	24.7
Public & Others	20.7
Total	100%

Performance (%)

	3M	6M	12M
Stock (ADPL)	-28.4	-32.5	-22.9
BSE 200	7.3	9.3	19.6
BSE 500	7.8	10.0	20.9

Key Financial
(₹ crore)

Year End March	Q1FY11	FY10	FY11E	FY12E
Income	279.8	1067.5	1150.0	1290.0
PBIDT	56.3	229.2	230.0	251.6
Interest	25.2	79.0	100.0	96.0
PBDT	31.1	150.2	130.0	155.6
Depreciation	9.8	26.8	37.0	37.0
Tax	4.2	34.0	28.0	32.0
PAT	17.1	89.4	65.0	86.6
Equity		19.3	19.3	21.8
Reserves		337.3	402.3	527.7
BV (₹)		184.8	218.4	252.1
EPS (₹)	8.9	48.0	33.7	39.7
OPM (%)	20.1	21.5	20.0	19.5
NPM (%)	6.1	8.4	5.7	6.7
P/E			3.9	3.3

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Company Description:

Incorporated in 1995, ADPL set-up is new Greenfield manufacturing facility at a capital outlay of over ₹400 crore at Baddi. The company has also established dedicated manufacturing facility for rapid films and patches at a capital outlay of ₹120 crore. ADPL's business segment is pharmaceutical formulations in the form of tablets, capsules, liquid orals, oral powder, dry syrups, ointments both manufactured and outsourced. The manufacturing units at three locations in Baddi and Daman conform to US FDA to international cGMP standards and comply with almost all the regulatory requirements wherein manufacture of high value products on contract basis have been lined up for Global Pharma MNCs. ADPL derives around 75% of its revenues from contract manufacturing and 25% from Government supplies (Central and State governments). ADPL has acquired a facility of TVC Life Sciences located at Baddi for ₹15 crore, which now plans to manufacture ayurvedic formulations.

Investment Rationale:

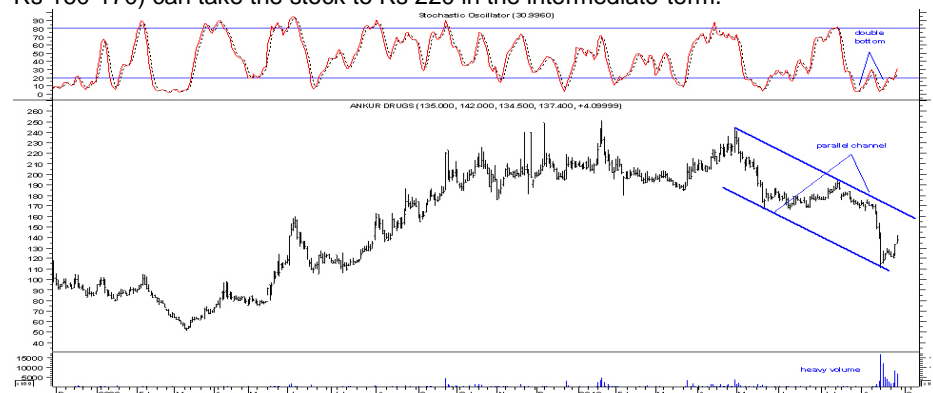
ADPL has entered into long-term contract manufacturing agreements of 5 years with reputed pharmaceutical companies. Major customers of ADPL include Ranbaxy Laboratories, Cipla, Dr. Reddy's Labs, Cadila Healthcare, Piramal Healthcare, Glenmark Pharma, Torrent Pharma, Wockhardt, Novartis, Elder Pharma, Blue Cross Labs, Abbott Labs, Sanofi Aventis, Bayer Healthcare, Lyka Hetero Healthcare, Lyka Labs, Shreya Life Sciences, Marksons Pharma, Makers Labs, Khandelwal Labs, Synthiko Formulations and Parenteral Drugs.

Novartis AG, Switzerland had entered into a long-term supply agreement with ADPL to outsource various products for its global requirements. The supplies of its Voveran range have already commenced. Moreover, Novartis India has commenced outsourcing of six products from ADPL. It acquired rapid film and skin patches patented technology from APR, Switzerland, and Labtec, Germany. Rapid film trial runs are successfully done at the Baddi plant. Commercial launch of these products is expected in the near future. ADPL will supply them in these products in India and 15 neighboring countries.

From a market size of around \$7 billion, the Indian pharmaceutical market is projected to grow to about \$20 billion by 2015 maintaining 12.3% CAGR, growing more than 300% from \$6 billion in 2005. In fact the incremental growth of \$13 billion is likely to be the 3rd largest among all markets after US and China. Currently, India's contribution to the global CRAMS markets accounts to about 3%. The overall CRAMS business worldwide estimated at \$25 billion is targeted \$31 billion by 2011. In fact, Indian CRAMS segment, which earned revenues of \$895 million in 2006 and is expected to reach to close to \$7 billion by 2013.

ADPL has outstanding FCCB of \$28m. Out of these, \$8m will get converted in May'11 at Rs 165 per share and \$20m in Dec'12 at Rs 280 per share. This will raise the equity capital to Rs 21.8 crore in FY11 and Rs 24.7 crore in FY13.

ADPL is likely to post an EPS of ₹34 in FY11 and ₹40 in FY12. At the CMP of ₹131, the share is trading at a P/E of 3.9x on FY11E and 3.3x on FY12E. We recommend BUY with a target of ₹170 in the medium term. ADPL has corrected from ₹240 to Rs 110 and is contained within a parallel channel. After hitting a short-term bottom, heavy volume build-up is seen. Stochastic oscillator has formed a double bottom. These developments can pull the stock towards the upper trend line of the parallel channel at around Rs 160-170. An upside breakout from the parallel channel (above Rs 160-170) can take the stock to Rs 220 in the intermediate-term.





SUNIDHI SECURITIES & FINANCE LTD

Member: National Stock Exchange (Capital, F&O & Debt Market) & The Stock Exchange, Mumbai

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