

Analyst & Advisor: Abhishek Jain
www.stocksidea.com
+91-98260-41144

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Equity Research

NICHOLAS PIRAMAL—STRONG BUY—340—INR

Sector— Pharmaceuticals
Regd.off— Ganpatrao Kadam Mg Lower Parel, Mumbai, M.H. - 400013
Listed— BSE, NSE

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Company overview—

Nicholas Piramal India was formed when the Piramal Group acquired Nicholas Laboratories, a small formulations company in 1988 from Sara Lee. It has followed a multi-pronged strategy to integrate and maximize synergies with the planned acquisitions and develop and consolidate its major strength in marketing to therapeutic niches. Managed by a team of highly proficient industry professionals, NPIL's key strengths come from its strong brand building, selling and distribution, manufacturing and alliance/partnership management skills. The last, especially, are quite unique in the Indian context - few Indian Pharmaceutical have exhibited such a strong and consistent record in successfully and ethically managing JVs/Alliances and Partnerships as NPIL has. NPIL is the flagship company of the Rs. 2800 crore Piramal Enterprises (PEL), one of India's largest diversified business houses.

Nicholas Piramal had earlier acquired major companies i.e. Nicholas Laboratories, Roche Products, Boehringer Mannheim and an R & D unit of Hoechst Marion Rousell. It has also formed strategic alliances and joint ventures, viz. Scholl Piramal, Alergan, Sarabhai Piramal, Reckitt Piramal, Solumiks Pirmal, Boots Piramal and Charak Piramal. Company through its subsidiary, NPIL Fininvest acquired Rhone Poulenc in 2000-01. The acquisition has made NPIL the second largest Indian pharmaceutical company in terms of market share.

Products & Services—

Nicholas Piramal India is a major player in formulations; diagnostics and vitamins in the Indian pharma industry besides having well export presence. The company has a portfolio of around 170 brands. Nicholas Piramal India Limited is one of India's largest companies with an unmatched record of managing JVs/Alliances/Partnerships, and a proven commitment to IPR. With strong brand management and sales capabilities, a US FDA site-approved plant for on-and-off patent APIs and Intermediates, Basic Research, Process Innovation, Custom Chemical Synthesis, Formulations R&D, NDDS, and a world-class, accredited Clinical Research Organisation, NPIL is poised to emerge as India's pharma powerhouse.

NPIL has emerged among the leaders in Indian pharma with a unique mix of inorganic and organic growth fuelled through a strategy of acquisitions, brand building and focused selling, and manufacturing. The company has one of the widest product portfolios in India, spanning nine key therapeutic areas, including the Cardio-vascular, Neuro-psychiatry, Oncology, Diabetes Management, Respiratory, Anti-infectives, Gastro-intestinals, Dermatology and NSAIDS.

Research & Development—

NPIL's R&D focus is designed to maximize opportunities all through the research value chain at a time when the pharma industry is poised at its most exciting juncture with biotechnology and genetic engineering opening up new avenues. Global spending on R&D is likely to grow 10-12 per cent by 2010 and trends indicate that up to 30 per cent of global research expenditure will be outside established corporate boundaries on a contract or part time investment basis. NPIL therefore intends to harness India's considerable skills in research-based activities like informatics, structure-based design and synthesis, and molecular biology. NPIL's aim is to be an integrated pharmaceutical company with a commitment to discovery, development, manufacture and marketing of indigenous pharmaceutical products for the global marketplace.

Financials—

Financial Results for 01-APR-2007 to 31-MAR-2008

| Financial Results | (Rs.lakhs) |
|--|------------|
| Net Sales/Income from Operations | 287284.00 |
| Other Income | 607.00 |
| Total Income | 287891.00 |
| Increase/Decrease in Stock | 827.00 |
| Consumption of Raw Materials | 82140.00 |
| Purchase of traded goods | 26323.00 |
| Employees Cost | 47093.00 |
| Depreciation | 9473.00 |
| Other Expenditure | 76726.00 |
| Total Expenditure | 242582.00 |
| Interest | 4631.00 |
| Exceptional items | 3393.00 |
| Profit from Ordinary Activities before tax | 37285.00 |
| Tax Expense | 3766.00 |
| Net Profit for the period | 33519.00 |
| Minority Interest | 141.00 |
| Consolidated Net Profit for the period | 33378.00 |
| Face Value | 2.00 |
| Paid-up Equity Share Capital | 4180.00 |
| Basic EPS | 15.90 |

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Valuation—

For FY2009-12E we expect the Company to post a CAGR of 18.4%. At the CMP, the stock is trading at 16.2 P/E multiple of FY2009E and 14.6 multiple of FY2010E Earnings. The company is strong in marketing and has many alliances with MNCs to sell their products. It is now also giving more emphasis on R & D. Hence; one can expect sustained healthy growth in the medium-to-long term. We recommend investors to BUY "Nicholas Piramal" with medium to long-term investment prospective.

We invite Readers to send Valuable feedback, stock and subscription queries at E-mail Id—investment_guru1@yahoo.com

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