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## **Orchid Chem. & Pharma. Ltd— BUY—190—INR**

Sector — Pharmaceuticals  
Regd.Off. — 152, Village Road, Nugambakkam, Chennai, TN - 600034  
Listed — NSE, BSE.

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### **Company overview—**

Orchid Chemicals & Pharmaceuticals Ltd was established in the year 1992 as a 100% Export Oriented Unit. Commencing operations in February 1994, company achieved rapid growth to emerge as the eleventh largest company in the Indian pharmaceutical industry in a short span of years. Company employs over 2600 people; over 600 of them are scientists, technologists and other professionals. Company's subsidiaries are Orchid Europe (Previously known as Orchid Nutricare Ltd), UK, Ognafarma, Brazil, Gene Arrays Inc, USA and Orchid Pharmaceuticals Inc, USA. Orchid Nutricare was established in UK as a joint venture to market certain nutraceutical products, which has become the wholly owned subsidiary of the company. Orchid has established a manufacturing and marketing joint venture in China for anti-infectives. In 2006, company has increased its Total installed capacity of Formulations to 748 Million Nos.

### **Products & Services—**

Orchid is globally recognized, integrated pharmaceutical company with core competencies in the development and manufacture of Active Pharmaceutical Ingredients (APIs) and Finished Dosage Forms as well as in drug discovery. Company has been investing aggressively and continually for establishing modern research and manufacturing facilities aimed at global markets, thus emerging as a world-class pharmaceutical company covering the entire value chain from Discovery to Delivery.

In formulations company manufactures anti-infective, Anti-inflammatory, Anti-oxidants, Anti-ulcerant, CNS, CVS, Nutraceuticals, Oral Anti-Diabetic. Company has two manufacturing sites for APIs at Alathur, Chennai and Aurangabad and three manufacturing sites for Dosage forms, besides two R&D centres at Sholinganallur and Irungattukottai. It's facilities are state-of-the-art and have several international regulatory approvals, including the USFDA. Company's API facilities are ISO certified for their quality and environmental management systems. Orchid has a subsidiary in the US for Drug Discovery and a Joint Venture in China for manufacturing APIs.

Company has long-term exclusive agreements with reputed companies such as Apotex, Par, Alpharma, Stada and Mayne for distribution of Orchid's products in the regulated markets of US and Europe. Orchid, at its R&D Centers and along with its US subsidiary for drug discovery, is actively involved in discovery of new drugs. Company's anti-diabetes molecule, which has advanced into human clinical, is unique for its efficacy and safety. It not only reduces blood glucose levels in diabetic patients but also controls hyperlipidemia and hypertension. Besides this, Orchid has lead compounds from six discovery programs in various stages of pre-clinical evaluation.

**Financials—**Financial results for 1<sup>st</sup> Quarter 2007-2008

Financial Results	Rs.lakhs
Net Sales	23819.64
Other Income	5316.27
Gross Income	29135.91
Increase/Decrease in Stock	-3190.97
Consumption of Raw Materials	10132.64
Staff Cost	2227.48
Total Expenditure (Excluding Other Expenditure)	9169.15
Other Expenditure	8428.99
Total Expenditure	17598.14
Interest	1648.16
Profit Before Depreciation & Taxes	9889.61
Depreciation	2298.76
Profit Before Tax	7590.85
Provision for Taxation	2461.05
Net Profit	5129.80
Adjusted Net Profit	5129.80
Face Value of Share (in Rs.)	10.00
Paid-up Equity Share Capital	6582.24
Basic EPS (in Rs.)	7.79

**Recent developments—**

Orchid Chemicals & Pharmaceuticals bagged formal approval from the Canadian TPD (therapeutic product directorate) for 2 of its ANDS (abbreviated new drug submission) applications. These approvals correspond to two generic formulations, Cefoxitin and Ceftriaxone. These products are covered under the exclusive marketing arrangement that the company has with the leading Canadian generics major, Apotex. The company would be enhancing its market presence further in Canada by launching other generic formulations in the cephalosporin and other product segments based on specific product filings and approvals in future.

Orchid Chemicals & Pharmaceuticals received a tentative approval from the USFDA for its Abbreviated New Drug Application (ANDA) for terbinafine HCL 250 mg tablets. This is company's first ANDA approval in the non-penicillin, non-cephalosporin (NPNC) space. Terbinafine is the AB-rated generic equivalent of novartis's lamisil tablets. An anti-fungal molecule, terbinafine has a current US retail market size of USD 650 million. The company also received approval from the USFDA for its abbreviated new drug application (ANDA) for Cefepime injection. The product is available in three dosage strengths, 500 mg/vial, 1 gram/vial, and 2 grams/vial. Cefepime injection is a life saving cephalosporin antibiotic drug used in hospital setting. Recently, company received approval from the US FDA for its Abbreviated New Drug Application (ANDAs) for Cefdinir, for capsules 300 mg and Cefdinir for oral suspension 125 mg/5

ml and 250 mg/5 ml. Cefdinir is a life saving cephalosporin antibiotic drug which became generic only recently. The product had a retail market sale of around USD 1 billion.

#### **Valuation—**

Orchid Chemicals and Pharmaceuticals is one of the youngest pharmaceutical firms in India and the largest manufacturer and exporter of Cephalosporin bulk actives in India. It is ranked amongst the top 5 Cephalosporin producers globally. Company's new favorable partnerships with established global generic companies for product distribution in regulated markets to help gain market share. At CMP, Stock is trading at 7.9 X of its FY2008 E earnings. We recommend investors to "BUY" "Orchid chemicals and pharmaceuticals limited" with medium to long-term investment prospective.

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