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Equity Research

Wyeth Limited—BUY—550—INR

Sector — Pharmaceuticals
Regd.Off. — Mahindra Towers, 4th Floor, Worli, Mumbai, M.H. - 400 018
Listed — NSE, BSE.

Company overview—

Wyeth Lederle Limited (WLL) was originally incorporated in 1947 as Lederle Laboratories (I) Limited. Subsequently, the name was changed to Cynamid India Limited after its conversion into a public limited company on November 1, 1965. Subsequently, as part of restructuring, the agro-chemical business of Cynamid India Limited was transferred to Cynamid Agro Limited. In April 1997, Cynamid India Limited merged with the Wyeth Group of companies, Wyeth Laboratories Limited, John Wyeth (I) Limited and Wyeth India (P) Limited. Subsequently, the name of the company was changed to Wyth Lederle Limited. American Home Products, one of the largest pharmaceutical multinationals in the world, indirectly has the largest share holding in WLL, with the Maheswari family (which owns Atul Limited) holding the rest. According to IMS, the company ranks 21st in the domestic pharma industry. Its plants are located at Valsad in Gujarat and at Ghatkopar in Maharashtra. The company's exports are predominantly to Europe and Japan.

Products & Services—

The company manufactures and markets drugs, pharmaceuticals and agrochemical products in addition to animal health-care products. The pharmaceuticals business of the company comprises bulk drugs and formulations, like oral contraceptives, hormone replacement therapy, antibiotics, vaccines, steroids and other prescription medicines. The company also manufactures OTC pharmaceuticals, cosmetics, toiletries and other allied consumer products.

WLL has many established brand names in the formulations segments of anti-infectives, gynaecologicals, corticosteroids and tranquilisers. Some of the prominent brand names of the company include Wymox (antibiotic), Wysolone (corticosteroid), Ultragin (analgesic) and Ovaral (contraceptive). The company has gained immensely after the merger, in terms of increase in product portfolio and market share. Formulations contribute about 70% to company's total turnover. Exports account for about 30% of its total turnover and yield relatively higher realizations.

WLL has a well-diversified product portfolio and strong brand names. The company has sustained relatively high levels of growth and margin so far. The returns offered by the company are considerably higher than the industry average. The company has been considering various options for introduction of new OTC products and line extensions of existing OTC products from the portfolio of Whitehall International Inc (Whitehall), a subsidiary of American Home Products Corporation (AHPC).

Financials—

Financials for 2006-2007

Financial Results	Rs.lakhs
Net Sales	28813.00
Other Income	1734.00
Gross Income	30547.00
Increase/Decrease in Stock	-507.00
Consumption of Raw Materials	7797.00
Staff Cost	3628.00
Total Expenditure Excluding Other Expenditure	10918.00
Other Expenditure	7862.00
Total Expenditure	18780.00
Interest	35.00
Profit Before Depreciation & Taxes	11732.00
Depreciation	621.00
Profit Before Tax	11111.00
Provision for Taxation	1875.00
Net Profit	9236.00
Adjusted Net Profit	9236.00
Face Value of Share (in Rs.)	10.00
Paid-up Equity Share Capital	2272.00
Dividend (%)	300.00
Basic EPS (in Rs.)	40.65

Recent Developments—

Company has assigned its leasehold interest in the land at Plot No. 81, MIDC Industrial Area, Satpur, Nashik, and vacant buildings and structures standing thereon, to Mahindra & Mahindra Limited for a consideration of Rs. 2.50 crores. Forhans toothpaste and toothpowder were manufactured at this premise. The Forhans brand has been assigned, and know-how to manufacture the above, licensed to John Oak Remedies Pvt. Ltd., for a consideration of Rs. 2.25 crores.

Wyeth is all set to launch “Tygacil” in India. Tygacil (Tigecycline) is a novel intravenous antibiotic with a broad spectrum of ant microbial activity against drug-resistant bacteria. It is the first antibiotic in a new class called glycylyccline. Tygacil is indicated for the treatment of complicated skin and skin structure infections and intra -abdominal infections

Valuation—

The parent company is looking to make India a major hub for clinical trials in South and South-East Asia and is trying to identify opportunities for outsourcing in both pharmaceuticals and fine chemicals. The parent company is also planning to launch a number of its global blockbuster products in the market through its local subsidiary. At CMP, stock is currently trading at only 13.8 X for its FY2008 E EPS. We recommend investors to "BUY "Wyeth Ltd." with a medium to long term investment prospective.

**We invite Readers to send Feedback, stock and subscription queries at E-mail Id-
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