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## A healthy option

NOEMIE BISSERBE

TIMES NEWS NETWORK [ MONDAY, APRIL 10, 2006 12:01:16 AM ]

### NRIs Free money transfers.Free DD

Herbal drugs company Plethico Pharma has approached the capital market with a Rs 110-crore initial public offering (IPO) with a price band of Rs 280 to Rs 300 per share. The IPO opens today and will close on April 17. Retail investors can consider subscribing to the issue since the company is attractively priced compared to industry peers.

Of the total money raised, Rs 25.7 crore will be used to upgrade the company's Kalaria plant for making it UK-MHRA compliant, Rs 30.9 crore will go towards the setting up of a plant in Jammu and Kashmir, which is WHO GMP-compliant.

Plethico Pharma currently has three business segments — herbals/nutraceuticals, allopathic/disposables and contract manufacturing — accounting for 50.25%, 20.78% and 28.98% of the company's revenues respectively. It has a strong thrust on exports, representing 68.1% of its turnover.

Plethico Pharma exports products to 45 countries across Africa, South East Asia, the Confederation of Independent States, the Gulf Co-operation Council and Latin America, and holds stakes in six overseas marketing and distribution companies. Herbal and nutraceutical products represent 69% of the company's exports, while allopathic drugs and disposables such as gloves, syringes and condoms account for 31% of the export revenues.

In India, contract manufacturing accounts for 91% of the company's revenues, while OTC drugs sales account for the remaining 9% of domestic revenues. Plethico Pharma has three SBUs in the OTC segment — Nutriscience (sports nutrition and supplement), confectionary (herbal candies) and the foot care and oral care segment.

Net sales grew 39% to Rs 222.2 crore in '04-05, from Rs 160 crore in '04-05. Cost of goods sold was at 60% and indirect expenses moved marginally to Rs 30.2 crore from Rs 29.9 crore in '03-04. The EBIDTA was 30% and operating profit was 28%.

This was higher on both counts compared to the previous year due to higher contribution from exports of herbal formulations. The company's sales stood at Rs 63.1 crore in the quarter ended December '05,

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while net profit amounted to Rs 18.5 crore. The issue is attractive, quoting a relatively low price-to-earnings multiple.

On the basis of the company's earnings for the year ended September '05, the share is quoting at a P/E of 17.2, which is substantially lower than those of its peers. Zandu Pharma Works and Dabur Pharma, for instance, despite lower sales and margins, quote at 22.2 and 36.6 respectively.

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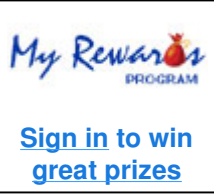
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