

Gusher of a time

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Plethico Pharmaceuticals has positioned itself as a player in the herbal and nutraceuticals segment and has over 400 different formulations in more than 39 therapeutic segments.

For the last quarter (year ended September 2006) the company reported a 37% growth in net profit to Rs 25.9 crore. Its revenues were up 74% at Rs 161 crore and operating profit stood at Rs 28.2 crore.

Plethico's exports stood at Rs 33 crore; within that the break-up would be Rs 24 crore from contract manufacturing and Rs 9 crore from consumer product division. The sale was purely driven by exports of herbals/nutraceuticals and domestic contract manufacturing revenue.

Material cost to sales has increased to 55.7% (FY 2006) from 53.1% (FY 2005) despite similar product/market-mix. Also the growth has come from volumes play, which increased by 30% and not the pricing, which merits attention.

The company's Kalaria plant investment, Kenya JV project and R&D project are on schedule.

The stock closed at Rs 375.95 on Monday, which is up 25% from the issue price (though below the listing price).

The company is also looking at two acquisitions in near future, though no formal announcements have been made regarding the same.

The stock is trading at an expected PE of 12.8 as per the management guidance for year ending September 2007.

It will take time for the new initiatives to translate into growth for the company and it operates in a space, which does hold potential. However the stock needs more than a bull market, to reward its shareholders.

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