



Tuesday, April 11, 2006

- BS Online
- Companies & Industry
- Economy & Policy
- Banking & Finance
- Life & Leisure
- Opinion & Analysis
- Markets & Investing
- Management & Mktg
- BS Motoring
- Tech World

MARKETS & INVESTING

FEATURES

SUBLINKS

- Section Home
- News
- Features
- Daily Stockwatch
- Market Technicals
- Market Trends
- Stock Performance
- Company Fundamental
- Research & Analysis
- Mutual Funds
- Personal Finance
- Commodities

Money & Forex

BS Headlines

Home

NRIs!

HOUSING & REAL ESTATE
POWERED BY HDFC

investmentz.com
Online trading & more
Mutual Fund
Click Here

Plethora of opportunities

IPO REVIEW

Vinod Iyer / Mumbai April 10, 2006

Plethico Pharma does not seem a bad bet considering the valuation of its peers.

As the India story unfolds, the knowledge sector is considered the flag-bearer. The herbal health products and nutraceuticals space is one such growth area, given the vast traditional know-how in Indian medicines.

In a sector with players like Dabur, Zandu, Emami and JB Chemicals, Plethico Pharmaceuticals is the new kid on the block, the taste of whose lozenges may linger.

Currently, the global herbal products market is valued at \$60 billion, of which Europe accounts for about 46 per cent and Asia only 18 per cent, according to an IMS health survey.

"The herbal products market is going to grow at a rate of 20 per cent CAGR to about \$1.5 trillion by 2050, according to World Health Organisation estimates," says Shashikant Patel, MD, Plethico Pharmaceuticals.

The company exports to over 45 countries including Russia and in regions like CIS, Africa, Latin America, the Middle East and Southeast Asia. In FY05, exports contributed about 68 per cent of its total sales.

Its manufacturing joint venture agreement with a local partner in Kenya translates into direct preferential entry into 17 other Comesa (common market of eastern and southern Africa) countries, according to Patel.

Up its sleeves

The company is planning to raise around Rs 110 crore through its IPO. It intends to allot 39.28 lakh shares at the lower end and 36.66 lakh shares at the upper end of the price band.

Of the proceeds, the company will use Rs 25.7 crore for upgrading the Kalaria plant in Indore, making it UK MHRA-compliant, Rs 30.8 crore for organic farming and setting up a GMP (good manufacturing practices) compliant plant in Jammu and Kashmir and Rs 28 crore for making brand acquisitions in the nutraceutical or herbal segment.

Patel says, "We believe that only herbs from the same field are of standard quality; so, we are investing in captive organic farming. For venturing into the US market, organic farming is a must."

In India, the company has adopted the branded generics model for marketing allopathic formulations. Branded generics are a makeover of an ordinary generic product and may differ in terms of bio-availability – the rate at which the drug is available in a particular organ. The company is planning to replicate this model in other countries too.

"We are also planning to give a major thrust to effervescent tablets, which are special tablets that need to be stored in an atmosphere of less humidity," says Chirag Patel, CEO, Plethico Pharma.

Keyword Search

Site Search



Advanced Search

TIPS: Type in the Keywords or search by entering the company name.

MARKET INDICES



Sensex	11662 (73)
Nifty	3478 (23)
Rs-\$	44.85
Nikkei	17325 (-131)
Nasdaq	2333 (-6)

Last Updated :
11-April -2006 08:42 hrs
IST

Business Standard

SUBSCRIBE &

ACCESS LATEST BUSINESS ANALYSIS AND MUCH MORE

OUR PUBLICATIONS

-----Select-----

About Us

Partner with Us

Jobs@BS

Advertise with Us

Terms and Conditions

Effervescent tablets may become popular, as their dissolution in the body is faster. A common example is Dispirin. However, daily liquid consumption for effervescent tablets should be 1.5-2 litres in adults.

PEER PRESSURE

	EPS (annualised)	Price (7 April)	P/E
Dabur Pharma	1.21	57.95	47.89
Emami	6.49	208.75	32.16
Zandu Pharma	184.53	4,278.80	23.18
JB chemicals	14.02	119.15	8.49

Increased intake is required during excessive fluid loss caused by events such as intensive physical activity, diarrhoea or high temperatures in summer.

Established in 1963, Plethico Pharmaceuticals employs about 250 sales personnel, of which 150 are employed in markets outside India. It has two fully integrated state-of-the-art manufacturing units located near Indore. The company currently has three strategic business units in the OTC (over-the-counter) segment – nutrascience, confectionary and foot care & oral care. The product range includes herbal and allopathic formulations, consumer health care products and nutraceuticals, confectionary, disposables and hospital consumables, apart from a range of sports nutrition products launched in India such as Coach's Formula.

The company has a portfolio of 400-plus formulations in more than 39 therapeutic segments like cough and cold, anti-infectives, anti-inflammatory/analgesics/ anti-spasmodics, gastrointestinal, cardiovasculars, anti-tuberculosis, anti-malarials, oral contraceptives and nutritional supplements.

Plethico was amongst the first to launch products like doxycycline and cotrimoxazole in the domestic market. In FY05, the cough & cold and the laxative segments were the major contributors to its revenues, at about 46.71 per cent and 36.21 per cent respectively.

Under the Travasil brand, the company has a range of herbal products in the cough and sore throat category. Its cough syrup – Cold Rus – is also marketed under the Travasil umbrella.

"The Travasil brand competes with Strepsils in the lozenges category," says Patel. Some of the products in the gastrointestinal segment are antiulcerants, antiemetics, antacids, antidiarrhoeals, laxatives, enzyme preparations and antispasmodics.

Among the major herbal raw materials used in the company's products are pipal, garlic, ashwagandha, isabgol, tulshi and ashok.

Financials & valuations

Plethico's financials look reasonable. During the last five years, sales have grown at a CAGR of 14.46 per cent and PAT increased at a CAGR of 29.72 per cent. Exports in the herbal and the nutraceutical segments were the major contributors at 47 per cent of the company's total sales in FY05. Its P/E, post-equity dilution, at the upper and the lower bands are estimated to be 16.98x and 15.72x respectively.

These multiples are based on earnings of the trailing 12 months ended December 2005. Its sales were around Rs 63 crore for the December FY06 quarter and operating profit was Rs 21.3 crore, while the net profit was Rs 18.5 crore.

VALUATIONS

	EPS (post dilution)	P/E
Higher end (Rs)	17.66	16.98



**SUBSCRIBE TO
BS SERVICES
NEWSLETTERS**

BS Opinion Poll*

**Will you continue to bank
with State Bank of India if
you are a customer?**

- Yes
 No

>> **SUBMIT**

Recent Poll Results >>



**BE UPFRONT AND
HIGHLIGHTED
ADVERTISE
WITH
US**

300)

Lower end (Rs
280)

17.80

15.72

The company does not seem a bad bet when valued on the same platform with its peers like JB Chemicals (engaged in exports herbal formulations in the semi and unregulated markets), Dabur (active in the nutraceuticals and the sports nutrition segments with Dabur Chyavanprash) and Zandu Pharma (engaged in the herbal markets with Zandu Kesari Jeevan).

As compared to Plethico's multiple of around 15-16, Dabur trades at 47.1x, Emami at 27.69x, Zandu Pharma at 21.14x. JB Chemicals looks the cheapest of the lot at 8.8x earnings of the trailing 12 months ended December 2005.

★ ADD TO FAVOURITES

