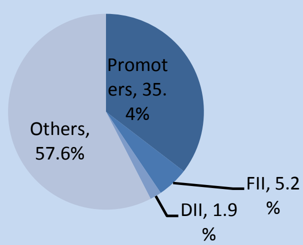
As on Aug 17, 2010.	
Market Price (17/08/10)	501
Market Cap. (₹. Cr.)	1,134
52 Week High/Low	600/352
Face Value	10.00
Book Value per Share	248
Target Price	663

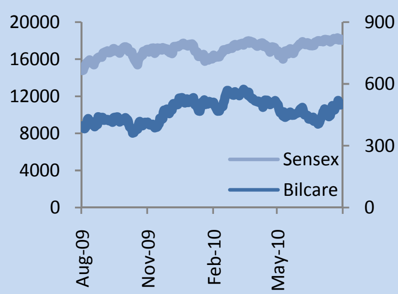
Codes	
BSE Code	526853
ISIN No	INE986A01012
Bloomberg Code	BILC.IN
Reuters Code	BIL.BO

Reco Date	Reco Price	Target
9thDec 2009	461	553
2nd Feb 2010	515	553
22 Mar 2010	557	692
19 May 2010	483	663
17 Aug 2010	501	663

Shareholding pattern as on 30th June 2010



Share Price Data



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Going strong: Bilcare's earnings marginally missed our estimates, mainly on account of higher than anticipated interest costs. Revenue growth was strong across geographies, led by a robust 40% YoY growth in International revenues at ₹ 1.5 bn and 20% YoY growth in Domestic revenues at ₹ 1.5 bn. Margin expansion of 310 bps to 25% was helped by lower other expenditure. We expect stronger quarters ahead, with higher international revenues driving profitability and, hence, we retain our forecast of 31% profit growth in FY11. We reiterate our Buy rating with a target price of ₹ 663/sh (on 10x FY11E), implying 33% upside potential.

Continues to dominate the domestic blister barrier market: With ~60% market share, Bilcare continues to dominate the domestic blister barrier market. India sales grew 20% as against the 15%+ growth reported by most pharmaceutical peers. The company has grown well in this market over the past quarters, and we expect a ramp up in the anti-counterfeit technology to further propel this momentum. The company enjoys healthy margins of ~30% in this market. We expect Management to achieve the upper end of its guidance of 15-20% in this market.

Ramping up internationally too: Bilcare's International revenues has grown 29% YoY in FY10 to ₹ 4.9 bn and is further expected to ramp up with the revival in the GCS segment. In 1QFY11, growth was strong at 40% YoY driven by revenues from newly signed contracts. EBIDTA margins in International business stood at 20%, mainly on account of higher fixed costs in the GCS business. Management expects to grow by 30-35% in this market, quite achievable in our view.

INEOS - A long term strategic Asset: We believe that INEOS is a good strategic fit from a long term perspective, and consolidates Bilcare's regulated market strategy to grow inorganically. Given INEOS's dominant position globally, BILC is now positioned as a very strong player in the ~US$ 30 bn+ high growth Pharmaceutical packaging market. Bilcare will likely consolidate INEOS numbers from 3Q onwards and we will revise our numbers once we have better clarity from the management after closure of the deal.

Valuations and Outlook: We maintain our Buy rating on Bilcare with a target price of ₹ 663/share implying a 33% upside from current levels. Ramp up in anti-counterfeit technology revenues, revenue traction from new contracts and a recovery in the GCS segment will be the key triggers going forward. At CMP of ₹ 501, the stock is trading at 8x FY11E EPS of Rs 66.

(Rs mn)	1QFY10	1QFY11	*YoY (%)*	FY10	*YoY (%)*	FY11E	*YoY (%)*	FY12E	*YoY (%)*
Sales	2385	3085	*29*	10,475	*22.4*	12,988	*24.0*	16,341	*24.0*
EBITDA	525	776	*48*	2,417	*29.6*	3,086	*27.7*	4,182	*27.7*
EBITDA (%)	22.0	25.2	-	23.1	-	23.8	-	25.6	-
Oth Inc	33	-12	*34.3*	180	*133.3*	91	*(49.2)*	100	*(49.2)*
Interest	97	169	*75*	439		443	*1.0*	443	*1.0*
Depn	131	160	*22*	537	*41.8*	555	*3.5*	560	*3.5*
PBT	330	436	*32*	1,621	*38.4*	2,179	*34.4*	3,279	*34.4*
Tax	101	129	*27*	453	*32.5*	654	*44.4*	984	*44.4*
PAT	228	307	*34*	1,168	*40.8*	1,525	*30.6*	2,295	*30.6*
PAT (%)	9.6	9.9	-	11.2	-	11.7	-	14.0	-

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Income Statement				
Year ended 31 Mar (₹ m)	FY09	FY10A	FY11E	FY12E
Net sales	**8,560**	**10,475**	**12,988**	**16,341**
growth (%)	*31.6*	*22.4*	*24.0*	*25.8*
Operating expenses	-6,695	-8,058	-9,902	-12,159
Operating profit	**1,865**	**2,417**	**3,086**	**4,182**
Other operating income	0	0	0	0
EBITDA	**1,865**	**2,417**	**3,086**	**4,182**
growth (%)	*30.0*	*29.6*	*27.7*	*35.5*
Depreciation	-378	-537	-555	-560
Other income	77	180	69	100
EBIT	**1,564**	**2,060**	**2,599**	**3,722**
Interest paid	-393	-439	-560	-560
Pre-tax profit (before non-recurring i	**1,171**	**1,621**	**2,040**	**3,162**
Non-recurring items	0	0	0	0
Tax on non-recurring items	0	0	0	0
Pre-tax profit (after non-recurring ite	**1,171**	**1,621**	**2,040**	**3,162**
Tax (current + deferred)	-342	-453	-612	-949
Net profit	**829**	**1,168**	**1,428**	**2,213**
Adjusted net profit	**829**	**1,168**	**1,428**	**2,213**
growth (%)	*1.8*	*40.8*	*22.2*	*55.0*
Prior period adjustments	0	0	0	0
Minority interests	0	0	0	0
Preference dividend				
Net income	**829**	**1,168**	**1,428**	**2,213**

Balance Sheet				
Year ended 31 Mar (₹ m)	FY09	FY10A	FY11E	FY12E
Current assets	6,483	8,150	9,993	12,936
Investments	1,455	0	0	0
Net fixed assets	8,444	8,879	9,223	8,763
Other non-current assets	0	0	0	0
Total assets	**16,381**	**17,029**	**19,216**	**21,699**
Current liabilities	1,168	1,597	1,562	1,832
Total Debt	9,505	5,993	6,893	6,893
Other non-current liabilities	984	984	984	984
Total liabilities	**11,657**	**8,574**	**9,439**	**9,709**
Share capital	172	227	227	227
Reserves & surplus	4,788	8,500	9,822	12,036
Less: Misc. expenditure	-235	-272	-272	-272
Shareholders' funds	**4,725**	**8,455**	**9,777**	**11,990**
Minorities interests	0	0	0	0
Total equity & liabilities	**16,381**	**17,029**	**19,216**	**21,699**

Cash Flow Statement				
Year ended 31 Mar (₹ m)	FY09	FY10A	FY11E	FY12E
Pre-tax profit	1,171	1,621	2,040	3,162
Depreciation	357	537	555	560
Chg in working capital	-1,339	-894	-1,541	-1,808
Total tax paid	-16	-453	-612	-949
Other operating activities	0	0	0	0
Cash flow from operations (a)	**173**	**811**	**442**	**966**
Capital expenditure	-3,118	-972	-900	-100
Chg in investments	-227	1,455	0	0
Other investing activities	0	0	0	0
Cash flow from investing (b)	**-3,345**	**483**	**-900**	**-100**
Free cash flow (a+b)	**-3,172**	**1,294**	**-458**	**866**
Equity raised/(repaid)	423	2,668	0	0
Chg in minorities	0	0	0	0
Debt raised/(repaid)	2,468	-3,511	900	0
Dividend (incl. tax)	-80	-50	-106	-106
Other financing activities	0	0	0	85
Cash flow from financing (c)	**2,811**	**-894**	**794**	**-21**
Net chg in cash (a+b+c)	**(361)**	**400**	**337**	**846**

Key ratios				
Year ended 31 Mar (₹ m)	FY09	FY10A	FY11E	FY12E
EPS (Rs)	48.2	51.5	62.9	97.6
EPS growth (%)	-2.7	6.8	22.2	55.0
EBITDA margin (%)	21.8	23.1	23.8	25.6
EBIT margin (%)	18.3	19.7	20.0	22.8
ROCE (%)	11.8	13.4	15.7	19.8
Net debt/Equity (%)	178.9	53.7	52.2	36.2

Valuations				
Year ended 31 Mar (₹ m)	FY09	FY10A	FY11E	FY12E
PER (x)	10.4	9.7	8.0	5.1
PCE (x)	7.2	6.7	5.5	4.0
Price/Book (x)	1.9	1.7	1.3	1.0
Yield (%)	0.6	0.9	0.9	0.9
EV/Net sales (x)	1.8	1.3	1.1	0.8
EV/EBITDA (x)	8.4	5.7	4.5	3.2

Du Pont Analysis - ROE				
Year ended 31 Mar (₹ m)	FY09	FY10A	FY11E	FY12E
Net margin (%)	9.7	11.2	11.0	13.5
Asset turnover (x)	0.6	0.6	0.7	0.8
Leverage factor (x)	3.4	2.5	2.0	1.9
Return on equity (%)	19.7	17.7	15.7	20.3

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