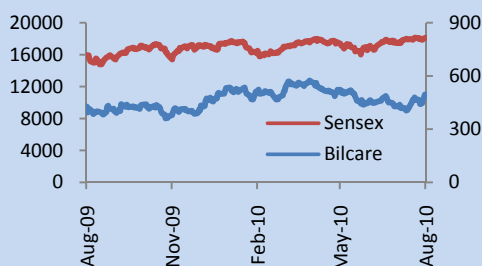




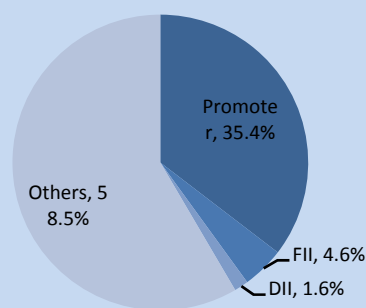
As on Aug 04, 2010.	
Market Price (04/08/10)	482
Market Cap. (₹. Cr.)	1,095
52 Week High/Low	590/290

Codes	
BSE Code	526853
ISIN No	INE986A01012
Bloomberg Code	BILC.IN
Reuters Code	BIL.BO
Book Value per Share	248
Face Value	10.00
Target Price	692

Share Price Data



Shareholding pattern as on 31st Mar 2010



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Acquires Global Films business of INEOS Group for €100 mn(₹6.07 bn): Bilcare (BILC) announced a binding agreement to buy the global films business of INEOS Group for €100 mn(₹ 6.07 bn), in an all cash deal. This deal gives BILC a strong position in the ~US\$ 30 bn+ high growth Pharmaceutical packaging market, which at a valuation of 0.4x revenues, is a steal, in our view. INEOS is to transfer its business, assets including 5 facilities in EU, 2 in India and 1 in US, and 1300 personnels related to its operations in North America, Europe, and Asia. The deal closure is likely by end August.

About INEOS: INEOS films is one of the leading global manufacturers of rigid PVC films. It is engaged in pharmaceutical blister packaging, films for printing & decoration, shrink film for sleeves, capsules and plastic credit cards. The company has total production capacity of 1,40,000 tonnes of films and currently operates in India through a listed subsidiary, Caprihans (CPRI IN).

Rationale for the deal: Having gained a dominant position in the domestic blister barrier market (market share of ~60%), this deal consolidates Bilcare's strategy for the regulated markets to grow inorganically with a spate of international acquisitions (acquired 4 companies since 2006) and gain a dominant position in the global pharmaceutical packaging market. From INEOS's perspective, this deal will enable them to focus on their core Petrochemical business. We believe this deal will set a new benchmark for potential acquirers in the pharmaceutical packaging space going forward.

Open Offer for Caprihans is unlikely: As a part of the deal, Bilcare will now hold 51% stake in Caprihans, the listed subsidiary of INEOS films in India. An open offer, as expected by a section of the market, is however not likely, since it's a merger and hence is exempted from open offers under the SEBI takeover codes.

Funding is likely through a mix of debt and internal accruals: The deal is likely to be funded through a mixture of internal accruals (1/3rd) and debt (2/3rd). As on March 31st, 2010, cash (including investments) stands at ₹ 1.5 bn and debt stands at ₹ 6 bn with a D/E ratio of 0.7x. Assuming ₹ 4 bn of debt (2/3rd of total cost), the D/E ratio will go up to 1.1x, still at comfortable levels, in our view.

Service offerings:

- Trading, Advisory & Depository Services
- Equity Research
- Financial Planning & Mutual Fund Distribution

We present a sensitivity analysis assuming various scenarios..

Scenario 1:

Key Assumptions: 1) Interest cost at 10% 2) EBIDTA @ 10%

	Best Case No debt	Normal case 2/3rd debt	Worst Case Entire debt
Old FY11 EPS	66.3	66.3	66.3
News FY11 EPS	70.0	69.0	68.5
Old FY12 EPS	99.8	99.8	99.8
New FY12 EPS	106.1	104.4	103.5

Scenario 2:

Key Assumptions: 1) 2/3rd Debt at ₹ 4046 mn 2) Interest @ 10%

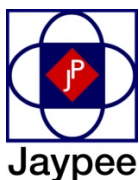
	Best Case 15%	Normal case 10%	Worst Case 5%
EBIDTA @	15%	10%	5%
Old FY11 EPS	66.3	66.3	66.3
News FY11 EPS	70.8	69.0	67.1
Old FY12 EPS	99.8	99.8	99.8
New FY12 EPS	107.5	104.4	101.2

Scenario 3:

Key Assumptions: 1) 2/3rd Debt at ₹ 4046 mn 2) EBIDTA @ 10%

	Best Case 5%	Normal case 8%	Worst Case 10%
Interest @	5%	8%	10%
Old FY11 EPS	66.3	66.3	66.3
News FY11 EPS	69.5	69.2	69.0
Old FY12 EPS	99.8	99.8	99.8
New FY12 EPS	105.2	104.7	104.4

Outlook and Valuation: Given the lack of clarity on the margins of the target company, we keep our numbers intact at this point of time. We will revise our numbers once we have further clarity on the margin profile and the funding of this transaction. At this point, we maintain our Buy rating on the stock with a target price of ₹ 663. At the CMP of ₹ 482, the stock is trading at 7x FY11E EPS of ₹ 66.



Bilcare Update

Aug 04 '10

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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 item)	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 items)	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)	10.0	9.4	7.7	4.9
PCE (x)	6.9	6.5	5.3	3.9
Price/Book (x)	1.8	1.6	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

meet
opportunity

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Bilcare Update

Aug 04 '10

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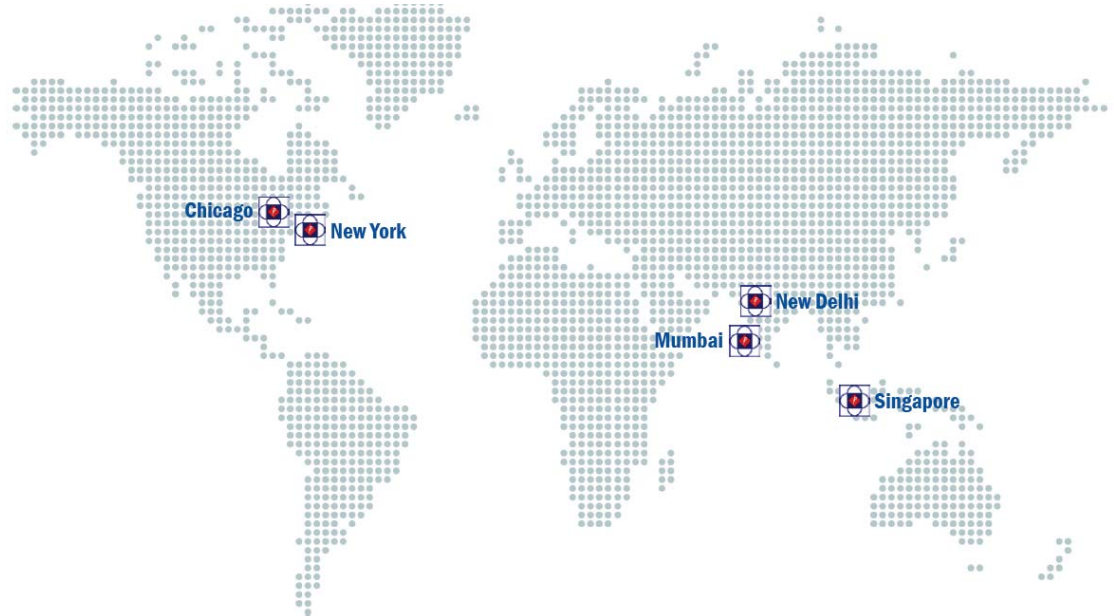
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