

Asian markets: Still sunny for foreign money

Uttam Galva blessed
with the Mittal touch



OUTLOOK Profit

Rs 50

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TCI BARTRONICS INDIA AGRO TECH FOODS GATI KAVERI SEED



GENUS POWER JON EXCHANGE RIDDHI SIDDHI VENKY'S MAXWELL IND

17 Bilcare has created an enviable position for itself in the pharma packaging space

This small company has scripted a success story by carving a niche for itself in an unusual business. Bilcare primarily makes packaging for medicines and of late has started providing clinical research services to drug-makers both in India and abroad. It has a global footprint with operations in the US, UK, Germany, Singapore and Brazil. Currently, pharma packaging brings in the bulk of revenues – about 85 per cent – and the clinical services business contributes the rest. Between the two, the latter is more profitable and growing faster.

Pharma packaging, because of the sensitive nature of drugs, requires a level of complexity and sophistication that places a high degree of entry barrier in this business. Bilcare has developed the expertise to deliver the right packaging for the right drug attracting almost all leading pharma companies like Pfizer, Glaxo, Merck, Novartis and the local players like Ranbaxy and Cipla as repeat customers. Keeping up its lead, Bilcare is currently developing a non-clonable technology that will be effective in combating counterfeit products. “A pilot run is currently going on at a few pharma and automobile ancillary companies and the company should be launching this technology in the market shortly,” says Mohan Bhandari, chairman.

Last fiscal, 55 per cent of Bilcare’s consolidated sales of Rs 859 crore were contributed by the domestic arm, while the rest came from its overseas business. Over the years, the revenue mix between Bilcare’s domestic and international business has changed in favour of the latter growing at 70 per cent over the past three years. India will continue to grow at 10-15 per cent y-o-y, but over-



Margins will show improvement with overseas business reaching steady state

Mohan Bhandari,
Chairman, Bilcare Ltd

seas business will be the key growth driver. Currently, the operating margin in domestic business is 28 per cent, while for the overseas business it is 15 per cent. “Our consolidated margins will show improvement going forward with the overseas business reaching steady state,” says Bhandari.

The global clinical services (GCS) business seems promising too. This business now accounts for about 15 per cent of consolidated sales and is growing at over 40 per cent on a y-o-y basis. Through this division, Bilcare serves the global pharmaceutical and bio-pharmaceutical industries with clinical trial materials support, services and complete project management. With best-in-class manufacturing plants and facilities on three continents, Bilcare GCS delivers end-to-end solutions that support a client’s drug through the entire clinical trial life cycle.

Bilcare has been consistently delivering return on equity upwards of 25 per cent backed by healthy cash flows, except last year when mounting interest costs ate into earnings. Because of its aggressive investments abroad, its consolidated debt currently stands at an elevated Rs 950 crore which is a matter of concern considering the networth currently stands at Rs 500 crore. A blessing in disguise is more than half of this debt is convertible debt (\$128 million or Rs 640 crore). The company intends to buyback this debt or have them converted and thereby bring down the leverage “substantially.” But the management refused to give any further details on this matter. Debt addressed, the company should start throwing cash back as the focus in the coming couple of years will now be on making the best of its investments rather than invest further.

Leading investor Rakesh Jhunjhunwala has been an early investor in this stock and holds about 11.75 per cent stake currently.

Well packaged

in Rs cr	FY08	FY09	FY10E
Sales	408	651	856
Change (%)	55	60	32
Ebitda	107	158	192
Change (%)	61	49	21
Net profit	59	82	83
Change (%)	52	39	2
EPS (Rs)	41.3	49.6	48.2
Book value (Rs)	220.3	246.7	288.2
ROE (%)	25.0	22.7	18.4



The stock has good support at Rs 372-399

