

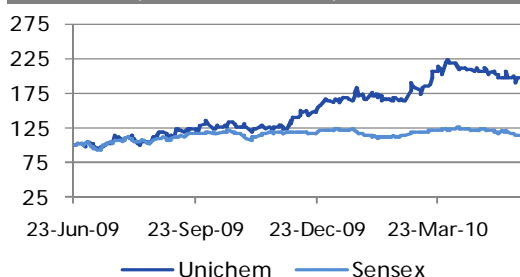
CMP Rs. 492

June 23, 2010

BSE Code	506690
BSE ID	UNICHEMLAB
High/Low 1Y (Rs.)	507 / 189
Avg. vol (3m)	25,615
Market Cap (Rs Cr)	1,774
Net IB Debt (Rs Cr)	4
Enterprise value(Rs Cr)	1,779

Shareholding %	Dec-09	Mar-10
Promoters	48.42	48.44
MFs/ FIIs/ Banks	15.79	13.72
FIIs	1.45	2.56
Public & Others	34.34	35.28

Stock Chart (Relative to Sensex)



Stock Perfm.(%)	1M	6M	1Yr
Absolute	23.5	56.9	144.2
Rel. to Sensex	15.6	53.9	120.3

Financials (Rs.Cr)	03/08	03/09	03/10
Revenue	587.8	656.9	690.6
y-o-y	5.7%	11.8%	5.1%
EBITDA	111.4	154.2	179.3
y-o-y	-6.9%	38.4%	16.3%
PAT	77.7	124.8	133.9
EPS (Dil.)	21.6	34.6	36.9
y-o-y	-13.8%	60.4%	6.7%
EBITDA Margin	18.9%	23.5%	26.0%
PAT Margin	13.2%	19.0%	19.4%
D/E(x)	0.05	0.05	N.A
P/E(x)	22.8x	14.2x	13.3x
EV/EBITDA(x)	16.0x	11.5x	9.9x
ROCE	22.9%	13.9%	N.A
ROE	20.0%	19.6%	N.A

Financial year ends at March 31

Qtry Fin	06/09	09/09	12/09	03/10
Revenue	169	175	173	174
PAT	32	34	34	34
EPS	9.0	9.4	9.3	9.3

All figures in Rs. crores except for per share data
Financials are standalone figures

Unichem Laboratories Ltd.

Company Overview

Incorporated in 1962, Unichem Laboratories Ltd. (Unichem) is an India-based pharmaceutical company, engaged in manufacturing of formulations and active pharmaceutical ingredients (API). It has a presence in numerous therapeutic segments such as cardiovascular, diabetes, psychiatry, neurology, gastro-intestinal, anti-infective and women's health. In India, the company has six manufacturing facilities spread across Maharashtra, Goa, Madhya Pradesh, Uttar Pradesh, Sikkim and Himachal Pradesh. The company has four wholly owned subsidiaries in South Africa, Brazil, USA and UK.

Key Business Highlights

Domestic Business –Key growth driver

Domestic business contributes close to 75 per cent to the total revenues of Unichem. The company plans to maintain its focus on the domestic market and has increased its focus on the growing chronic segment. Unichem's revenue from the domestic market is estimated at Rs. 630 crore and has grown at 22.1 per cent, ahead of the domestic formulation market growth of 17.7 per cent in FY09.

US Generics to drive exports

Unichem's pipeline of fifteen ANDA (Abbreviated new drug application) filing in the US market with eight approvals holds significant earning visibility on the exports front. The management's revenue guidance from the US market in FY11E stands at USD 3-4 million and USD 9-10 million in FY12E, on account of nearly six to eight ANDA filings per annum, resulting in more products being commercialised.

Niche Generics – Turnaround expected in FY11

Niche Generics, Unichem's wholly owned UK subsidiary develops, manufactures and sells pharmaceutical formulations in the European Union. The management expects a turnaround in Niche Generics operation in FY11 on the back of improved product mix, cost rationalisation and increased sourcing from India.

Established brands in product portfolio

Unichem has some well established brand names like Losar, Ampoxin and Trika in its kitty. The company is specifically focusing on development of a second tier of power brands as a part of its marketing strategy to reduce its reliance on the leading brands.

Key Risks

- The new pharmaceutical pricing policy is yet to see the light of day, and is expected to impact margins and business.
- Dependency on the domestic markets.

Valuations

The stock is currently trading at a P/E multiple of 13.3x on its FY10 EPS of Rs. 36.9 and 9.9x EV/EBITDA multiple based on FY10 EBITDA of Rs. 179.3 crores.

Business Description

Incorporated in 1962 and promoted by Mr. Amrut Mody, Unichem Laboratories Ltd is an India-based pharmaceutical company engaged in manufacturing of formulations and active pharmaceutical ingredients (APIs or bulk actives). It has several pharma products that address relevant and growing therapeutic areas like gastroenterology, cardiology, diabetology, psychiatry, neurology, anti-bacterials, anti-infectives and pain management, among others. The company has six manufacturing facilities located at Roha in Maharashtra, Goa, Ghaziabad in Uttar Pradesh, Sikkim, Pithampur in Madhya Pradesh and Baddi in Himachal Pradesh.

The company has a diversified product portfolio, across relevant and growing therapeutic areas

Unichem's manufacturing facilities

Location	Plant - Formulation/ API	Description	Regulatory approvals by	Capacity Utilization for FY10
Goa	Formulation	Entire production for exports	US FDA, UK MHRA, MCC South Africa, TGA - Australia and WHO	100%
Baddi, Himachal Pradesh	Formulation	Beta-lactum & Cephalosporins – domestic and exports	UK MHRA, MCC South Africa and WHO	-
Ghaziabad	Formulation	Both for domestic & exports	US FDA, UK MHRA, MCC South Africa, ANVISA-Brazil and WHO	25%
Sikkim	Formulation	Entire production for domestic market, commercialized in April'10	-	-
Roha	API	Cater to European and domestic markets	US FDA, UK MHRA, TGA - Australia and WHO	100%
Pithampur	API	DMF & ANDA's filed from this plant and will cater to US markets	-	25%

Source: Company Website

Ghaziabad plant will be used in future for contract manufacturing

In the year 1997, the company successfully commissioned and started commercial production at its state-of-the-art formulation plant at Bardez, Goa. During the year 1998-99, the plant at Baddi, Himachal Pradesh for antibiotics was completed and followed by the commissioning of the modern multipurpose bulk drug plant at Roha. The capacity at Unichem's Pithampur plant is under utilised, the key reason being that the company is awaiting approvals and commercialisation of ANDA's (Abbreviated new drug application) filed in the US market. The Ghaziabad plant is also kept under utilised, with a long term