

Wockhardt Pharma

Wockhardt Pharma is one of India's leading pharmaceuticals company. It produces finished dosage forms (formulations), API, and biotechnology products, with focus on India, Europe, and US. It has 3 research centres and 14 manufacturing plants. It has a leading presence in insulin supplies and onf the few companies to have developed recombinant insulin, Wosulin, and the first to have developed and marketed long acting insulin analogue, Glargine.

The company posted good 3QFY13 results. The revenues for 3QFY13 came at Rs 1435 Cr up by 19% YoY led by increasing sales in US and India. US sales saw growth at 47%, while India sales growth came in at 14%. EU which contributes almost 26% to the ropline, grew more modestly at 3%, chiefly led by continued dissappointment of its French subsidiary.

The company ended FY12 with topline of Rs 4613cr (YoY growth of 23%) and PAT of -Rs 192cr as a result of the hedges it had undertaken in the past and the CDR it underwent through. For the 9MFY13, topline of the company has already crossed Rs 4124 cr while PAT has reached Rs 1244 cr.

The company's top product remains Toprol (used to treat angina and high blood pressure) and contributes about 14% to its overall topline. With a 20% market share in US, it also contributes 45% to US sales, with little or no competition (ostensibly it is a difficult to manufacture drug).

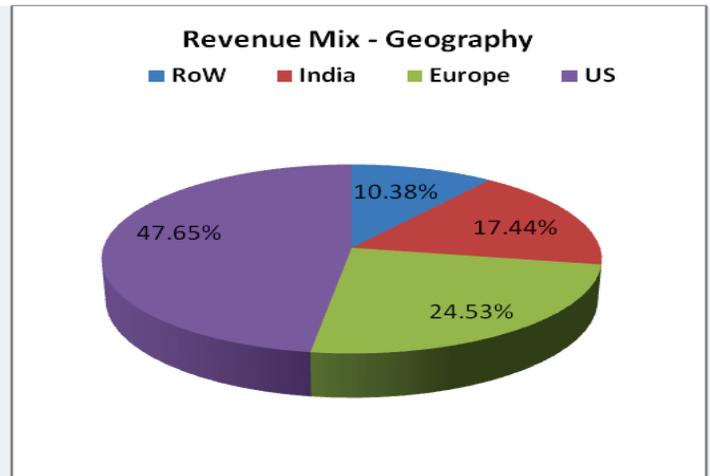
Company 's EBITDA for the 3QFY13 came in at Rs 545 Cr, up 45% YoY. **This quarter also saw EBITDA margin expand by 7% YoY**; As mentioned before, the ramp up in US sales again being a major contributor. **The company's RM cost as % of sales stood at 21.7% and employee cost at 12.4%**

The net profits came at Rs 428cr which was up 71% YoY, as exceptional items on account of past hedges keep getting reduced.The net profit margin for the company stood at 30.4%, which was up 10% YoY and 2% QoQ

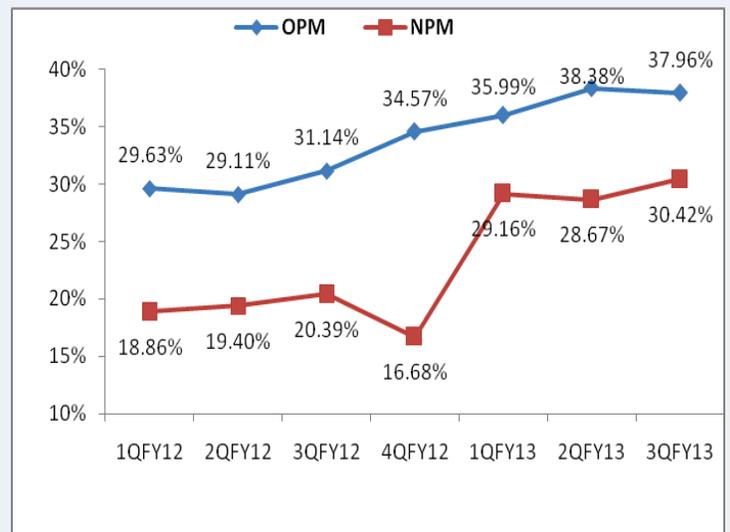
As on 30 Sep 2012 the total cash and cash equivalents for the company stands at Rs 1938 Cr while borrowings and loans stood Rs 2400 Cr, giving the company a net Debt-equity ratio of 0.5.

The company has till date filed 119 ANDAs and has received 87 approvals, meaning 32 are pending. During the quarter it filed 4 ANDA and received 2 approvals.

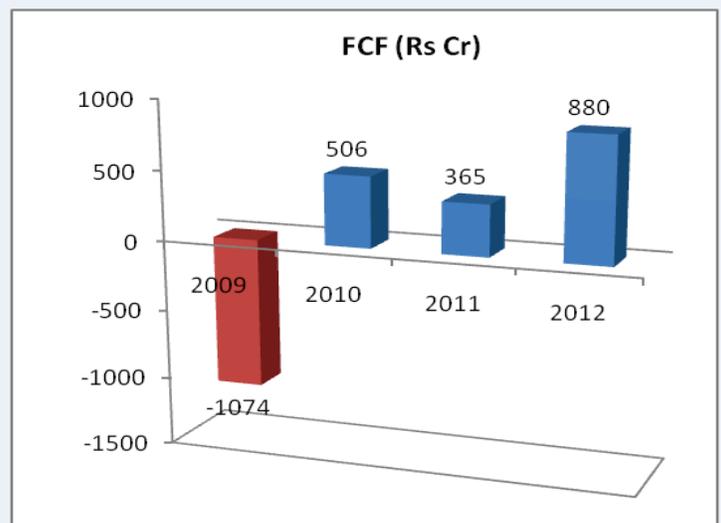
The company has recovered from the triple onslaught of CDR, FCCB repayment, and business restructuring. The sale of its nutrition business to Danone fetched Rs 1200 cr (contributed Rs 250 cr to topline and Rs 50cr EBITDA), as part of its restructuring. Further it has started expensing R&D expenses instead of capitalizing it from 2QFY13 onwards, and suggest P&L strength returning. With industry margins the seconf best after Sun Pharma, Wockpharma has kept getting rerated, and is likely to in the future. At CMP of Rs 1920, it trades at 12.8x FY14 EPS. We recommend BUY with a target price of Rs 2400.



(Source: Company/Eastwind)



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