Investor's Delight

7th January, 2011

Company	Bilcare Ltd
BSE Code	532660
FV	Rs. 10
Equity Capital (Rs in mn)	226.9
Reserves (Rs in mn)	8,500
Market Capitalization (Rs in mn)	14,320
Book Value	Rs. 384
CMP	Rs. 628
Target Price/Fair Value	Rs. 740
Upside	18%

A) About the company

Background

Incorporated in 1995, Bilcare is engaged in Pharma Packaging, Global Clinical Supplies. The company offers innovative packaging solutions like blister films, aluminium foils, cold formed blisters and many more. It is also engaged in drug development acitivities (clinical trials) for

It has operations spread over four continents with more than 500 customers globally. The manufacturing plants are in Pune (India), Singapore and research centers in US & UK. In the domestic market, the company has a share of 62% blister packaging space.

The company derives 55% of revenue from the domestic market and balance from international markets. 85% of revenue is accounted by packaging solution business and 15% is accounted by global clinical supply business.

B) Investment Rationale

1) **Major beneficiary of opportunity in US:** Pharma players in US are expected to shift from high cost bottle packaging to low cost blister packaging by 2012. This will generate large demand for blister packaging from generic pharma companies. ~50 global pharma companies have audited Bilcare manufacturing facilities and is expecting long term contracts with generic players.

2) **Innovative packaging solutions to do well:** The company offers timely and cost effective packaging solutions through its solution 'Optima' which offers stability test in 4-6 weeks which is lower as compared to conventional methods.

3) **Non Clonable ID technology based solutions to drive growth:** Bilcare has developed anti counterfeit solutions in packaging using non clonable security technology which helps to protect the profitability of pharma companies from the presence of fake/spurious drugs. Non pharma space is also a major beneficary of Non Clonable ID technology. In the non pharma

space, the company has already taken an initiative by collaborating with Sanden Japan (US$2.36bn auto ancillary company and a major supplier of automotive compressors).

4) **Financial restructuring completed:** In Q4FY10, the company completed the buyback of FCCBs worth US$116 mn (US$90mn Bilcare, Singapore and US$26mn Bilcare, India). ~US$12mn worth of FCCB's is outstanding. We believe, this has lead to rerating of the stock.

5) **INEOS acquisition to be earning driver:** In August 2010, it acquired global packaging films business of 'INEOS', having operations in Asia, North America and Europe. With this acquisition, the company would develop new client relationships. INEOS size of business is much higher than Bilcare. This would help the company to gain scalability in packaging solution business.

   About INEOS – It is a leading global producer of high quality polymer films. In 2009, it enjoyed a turnover of Euro 240 mn having manufacturing sites in Germany, Italy, India and USA.

C) Outlook and Valuation

At CMP, the stock trades at a P/E of 10x. We believe that the company is well placed to cater companies present in pharma space with its innovative packaging solutions. On a standalone basis, the company enjoys healthy OPM of 29.9% and PAT margin of 12.7%. In the past, it has witnessed positive operating cashflow (FY09 and FY10).

With due consideration to factors like a) innovative packaging solutions, b) non clonable ID technology, c) INEOS acquisition, we recommend a 'BUY' with a target price of Rs.740 (11.4x at annualized FY11 EPS) for investors with a six months horizon.

Disclaimer

This document has been prepared by Ajcon Global Services Ltd and is meant for the recipient for use as intended and not for circulation. This document should not be reported or copied or made available to others. The information contained herein is from the public domain or sources believed to be reliable. While reasonable care has been taken to ensure that information given is at the time believed to be fair and correct and opinions based thereupon are reasonable, due to the very nature of research it cannot be warranted or represented that it is accurate or complete and it should not be relied upon as decision such. Ajcon Global, its directors and employees, will not in any way be responsible for the contents of this report. This is not an offer to sell or a solicitation to buy any securities. The securities discussed in this report may not be suitable for all investors. Investors must make their own investment based on their own investment objectives, goals and financial position and based on their own analysis.