



INVESTOR'S DELIGHT

2ND FEBRUARY, 2011

COMPANY	BILCARE LTD.
BSE Code	532660
Promoter's holding	34.1%
FV	Rs. 10
Book value	Rs. 350
Equity Capital (Rs in mn)	226.9
Market Capitalization (Rs in mn)	11,799
CMP	Rs. 520
Target Price	Rs. 740
Upside	42%

ABOUT THE COMPANY

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 activities (clinical trials) for pharma companies.

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.

INVESTMENT RATIONALE

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.

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.

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 beneficiary 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).

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 led to rerating of the stock.

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.

OUTLOOK AND VALUATION

At CMP, the stock trades at a P/E of 15x on trailing twelve months EPS. 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 healthy positive cashflows at the operating level (FY09 and FY10).

With due consideration to factors like a) innovative packaging solutions offered by the company, b) non clonable ID technology packaging solutions, c) INEOS acquisition to be earnings accretive, we recommend a '**BUY**' with a target price of Rs.740 (11x at annualized FY11 EPS) for investors with a six – nine months horizon.



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