

Wanbury

Financials

Rs crore	Q2 FY 09	Annual FY 08	Annual FY 09(E)
Net sales	92.70	412.33	440.00
Op profit	11.76	58.37	66.00
Net profit	6.57	21.03	39.60
EPS (Rs)	4.47	14.32	26.98
Capital	14.69	14.69	14.69

Market details

Current mkt price (Rs)	Price earnings	Book value (Rs)
42.70	2.98	106.88
Enterprise value (Rs crore)	Market cap (Rs crore)	Price/book value
256.72	62.72	0.40

Share price on BSE



Shareholding pattern

as on Sept 30, 2008 (%)



Wanbury's a strong formulations shot

BSE code: 524212
NSE code: WANBURY

Ujval Jauharri

Wanbury manufactures pharmaceuticals and active ingredients. It was formed by the merger of Wander Ltd and Pearl Organics. Wander, an ethically branded formulations marketing company, had a strong presence in India, while Pearl was an active bulk drug company with international presence. The Mumbai-based firm has grown at a CAGR of 74% over the last five years. It acquired Spain-based Cantabria Pharma in 2006. The deal gave it a toehold in the European generics market and access to the strong-growth diabetic market of Spain.

Business: Wanbury's formulation division, which has been carved out of erstwhile Wander, caters to the domestic market. Wander had strong brands such as Ovaltine, Triminic and other diabetic brands. This range has been strengthened and expanded to anti-diabetics, nutraceuticals, antibiotics, cough & cold preparations and anti-inflammatory & analgesics.

Investment rationale: In the API market, Wanbury continues its leadership in Metformin. Products as Tramadol and Salsalate have also performed well. Backward integration in Metformin process would help save up to Rs 9 crore per annum, according to company sources. Its profit enhancement programme has helped improve productivity by about Rs 6 crore per annum. Capex allocation of Rs 30 crore is being utilised for this and for expand-

ing capacities for existing products and for new launches.

Wanbury also launched the "Surgelife" division catering to surgery and gastro intestinal segment. It plans to launch three more divisions by FY10 taking the total number of divisions to six. It plans to launch 20 products. With the launch of new products and new divisions, the formulations division is likely to grow at over 40%. Total capex expenditure for the next two years would be Rs 100-120 crore, said Ashok Shinkar, director, corporate finance, Wanbury.

Concerns: Large revenues for Wanbury from API, CRAMS and the Spanish arm are in foreign currencies. Exchange rate fluctuations have their own bearings.

Valuations: Wanbury posted an impressive topline of Rs 92.70 crore at the end of September 2008, up 62% y-o-y. Net profit rose 8.77% at Rs 6.57 crore. Margins remained under stress partly because of increased raw material cost. Operating margin, at 12.69%, reduced by 261 basis points pulling down the profit margins to 7.09%. Raw material prices have already shown a decline, bringing respite.

This, coupled with backward integration in Metformin and cost reduction measures, is likely to improve margins. With good growth expected from the formulations division, supported by APIs, CRAMS and Cantabria, Wanbury has good medium-to-long-term prospects.

Disclaimer- The author does not hold any shares in the company

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