

Wanbury's a strong formulations shot

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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 diabetes market of Spain.

Wanbury is the leader in the market for anti-diabetes drug metformin hydrochloride and has a strong presence in formulations.

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 diabetes brands. This range has been strengthened and expanded to anti-diabetes, nutraceuticals, antibiotics, cough & cold preparations and anti-inflammatory & analgesic drugs.

The ethical branded formulations or branded generic business has grown by over 75% in the last two years. At the end of the 18 months to September 2008, domestic formulations contributed around 36% to the company's

standalone revenues.

Active pharma ingredients (API) division, which was erstwhile Pearl Organics, is the bulk drugs division. It caters to over 50 countries and over 65% of sales are from regulated markets.

Wanbury is a bulk drug supplier to three of the five major generic players in the USA. Apart from being the largest producer of Metformin, it is known for manufacturing of mefenamic acid, ibuprofen, glucosamine, promethazine, amitryptalline, tramadol etc.

APIs contributed 65% to standalone revenues of Wanbury at the end of 18 months ended September 2008.

Wanbury looks aggressively towards contract research and manufacturing services (CRAMS), offering a

single point of contract for research, process and production.

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 expanding capacities for existing products and for new launches.

For raw material procurement, Wanbury opened a new office in China.

It had filed four new drug master files (DMFs) for losartan potas-

■ 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



sium, levetiracetam, mefenamic acid and sertaline HCL. With this, the total number of DMFs filed rises to 27.

The Spanish subsidiary Cantabria has undergone a reorganisation of business. Focus lies on launching more products in the central nervous system, cardiovascular, respiratory and pain management segments. It launched three new products — Epilmax, Flaxen and Nasotricin — each of which have a sales potential of over €1 million. It hopes to get regulatory approvals for eight new branded generics in the next financial year. Discussions on in-licensing are likely to result in the launch of three brands in next 6-12 months.

Cost cutting initiatives are likely to help save €0.5 million by

June 2009. Wanbury plans to boost sales up to €50 million in two years.

Domestic formulations are also performing well. Its four brands are among the top three in their respective segments. It launched Cdense and Nitrofur SR recently. Nitrofur is a unique new drug delivery system while Cdense is a unique calcium supplement. Both new products add to its basket of already existing products for gynaecologists namely Cpink and Folinine. Nitrofur is expected to provide Rs 10 crore of sales in the first year while Cdense will contribute Rs 14 crore.

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%.

Wanbury has opened a Swiss office for marketing CRAMS. This is adding new projects and clients to the order book. The company is looking at opportunities from inorganic growth to take the CRAMS business to \$100 million in the next three years.

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.

Disclosure: The author does not hold any shares in the company