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Solvay Pharma India Ltd— BUY—1760—INR

Sector — Pharmaceuticals (MNC)
Regd.Off.— 86 S G Marg, Prabhadevi, Mumbai, Maharashtra - 400025
Listed — BSE.

Company overview—

Solvay Pharma India Ltd. is a part of an international chemical and pharmaceutical group with headquarters in Brussels. Group employs around 30,000 people in over 50 countries with 400 production centers. Group has its presence in its three sectors Chemicals, Pharmaceuticals and Plastics. In India, Solvay is present in the Pharmaceutical sector through its group company Solvay Pharma India Ltd. In India, the company existed since 1951 as International Franchise Pvt. Ltd founded by late Dr. D.V.K. Raju. Solvay Pharma India Ltd. (previously, Duphar Pharma India Ltd.) was formed as a consequence of the demerger of Pharma business of Duphar-Interfran ltd. Solvay Pharma India Ltd. is head quartered at Mumbai and employs more than 450 people throughout India. It operates through two sales divisions and has over 1100 distributors to reach out its customers across the country. Company invests more than 15 percent of sales revenue in research and development activities. Solvay pharmaceutical has a history of innovative drug development, including first to market and category leading products among its core therapeutic areas. Solvay Pharma India Limited ranks 41 amongst the Indian Pharma Industry as per the latest ORG IMS Oct 2009 report. With research as the backbone, most of the products are brand leaders in their respective therapeutic segments. Four of its brands feature in top 180 brands of the industry.

Products & Services—

Solvay Pharma India Ltd. is a leader in various therapeutic groups' viz. antivertigo treatment (Vertin), pancreatic enzymes (Pankreoflat, Creon), Lactulose (Duphalac) and women's health products. Company has also launched its flu vaccine (Influvac) in the Indian Market. Today Solvay Pharma India Ltd. is amongst the top 41 companies in the Indian Pharma market, with a market share of 0.54% and has created a place of its own as a highly reputed company for its dealings and quality products. Solvay Pharma India Ltd. is leader in various therapeutic segments with its Products such as Duphaston, Creon, Colospa, Duphalac, Udiliv, and Vertin etc. Solvay Pharmaceuticals focuses on therapeutic group Women's Health, Psychiatry/ENT/Neurology, Gastroenterology, and Vaccines.

Psychiatry— Company proved itself an innovator in psychiatry with the market launch of the very first Selective Serotonin Reuptake Inhibitors (SSRI) UVOX (Fluvoxamine). This class of compounds has grown immensely popular for the treatment of depression, anxiety and other related disorders. Solvay continues to strengthen its portfolio in this area and now develops treatments for depression and anxiety, psychosis, and Parkinson's disease. Solvay is also a leading player in the field Meniere disease or Vestibular Vertigo with its brand VERTIN (Betahistine) which has been prescribed to over 45 million people worldwide. The product is currently registered and marketed in more than 80 countries worldwide and is also known as SERC or BETASERC.

Gastroenterology— Solvay has a leading position in gastroenterology with its treatments for pancreatic enzyme deficiency, IBS (irritable bowel syndrome) and constipation and has major R&D projects running for the development of new drugs treating IBS, obesity and several functional disorders.

Hormone Therapies— Solvay has built an extensive expertise in hormone therapy, most of it relieving menstrual or menopausal symptoms in women.

Other Therapies— Solvay has other local products, which fall in to various categories such as Hepatology, Perinatology, Burns and muscle relaxants.

Financials—

Quarterly results for Jul-sep 2009

Description	Amount (Million Rs.)
Net Sales / Interest Earned / Operating Income	638.28
Other Income	11.95
Total Income	650.23
Expenditure	-474.38
Interest	-0.02
Profit Before Depreciation and Tax	175.83
Depreciation	-11.10
Profit before Tax	164.72
Tax	-52.29
Net Profit	112.44
Equity Capital	50.50
Nos. of Shares - Public	1,573,072.00
Percent of Shares-Public	31.15
Operating Profit Margin	27.55
Net Profit Margin	17.62
Cash EPS	24.46

Recent Developments—

In September, Solvay Pharma India has decided to sell its entire pharmaceutical business to Abbott for a total enterprise value of about EUR 5.2 billion. This includes a purchase price of EUR 4.5 billion in cash and additional potential payments of up to EUR 300 million if certain milestones are met between 2011 and 2013. It also includes the assumption of certain liabilities, which Solvay today values at approximately EUR 400 million. This decision is the outcome of the thorough and in-depth analysis and evaluation of the different strategic options for the pharmaceuticals sector. In addition the transaction provides for the transfer of all employees of the pharmaceutical business with their current employment conditions. This transaction is expected to be closed in the first quarter of 2010, pending the approval by the relevant competition authorities. Solvay will communicate the impact of the transaction on its results when finalized.

Valuation—

At current market price, stock is trading at 16.69 P/E multiple of its FY2010 Estimated EPS. We recommend investors to buy “Solvay Pharma India Ltd.” with medium to long-term investment horizon.

We invite Readers to send Valuable feedback, stock and subscription queries at E-mail investment_guru1@yahoo.com

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