

4th July 2009

**Aventis Pharma Limited**

**CMP Rs. 1,110.0 | Accumulate**

Summary	Page 3
Company Profile	Page 4
Product List	Page 5
Tracking the Performance	Page 6
About the parent company	Page 8
Fellow Subsidiary	Page 10
Risks and Concerns	Page 11
Valuation	Page 12
Quarterly Performance	Page 13
Financials	Page 14

## Aventis Pharma Limited

CMP Rs. 1,110.0

Initiating Coverage

**ACCUMULATE**

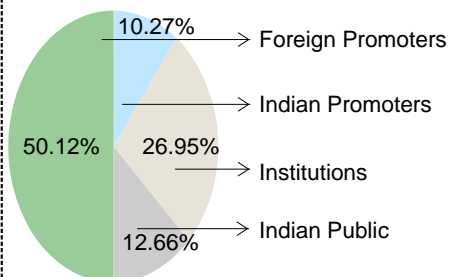
### Stock Codes

Bloomberg	: HOEC.IN
Reuters	: AVPH.BO
BSE Code	: 500674
NSE Code	: AVENTIS
BSE Group	: B

### Stock Data

Benchmark	: BSE Mid Cap
52 Week H/L	: Rs. 1,310.0/662.0
Float	: 11.49 Mn
Mkt Cap	: Rs. 25,564 Mn
Face Value	: Rs. 10.0

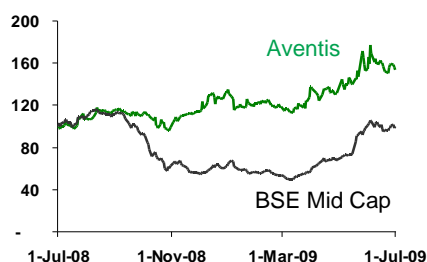
### Shareholding Pattern (as on Mar 09)



### Stock Returns

	1 Mth	3 Mths	6 Mths
Aventis	-0.24	11.92	13.97
BSE MID	-1.47	70.25	54.48

### Price Comparison



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- Aventis Pharma Ltd. (APL) is the Indian subsidiary of the global pharmaceutical giant Sanofi-Aventis S.A. The parent ranks amongst the top 3 pharmaceutical companies of the world & holds about 50% in Aventis Pharma Ltd. Sanofi-Aventis lends strong support to Aventis Pharma, in terms of new product introductions in the Indian domestic markets from its product basket & easy access to its strong & rich product pipeline. The parent has also looked at increasing its stake in the Indian subsidiary.
- APL has transformed itself into a company catering to the chronic & critical-care therapeutic segments. It has several products that are market leaders within their respective segments & have grown at double digits over the years. APL is also achieving better results on the exports front year after year. We believe these products to continue their growth momentum & help the company to achieve higher profitability going forward.
- With consistently growing brands in its product basket & new product launches every year, the company generates huge cash flows. As of December 2008, APL has net cash balance of Rs. 4,973.7 Mn. on its Balance Sheet, translating to Rs. 216.0 per share. This free cash can be used by the company for suitable acquisitions within the Indian pharma space. Over the years, APL has maintained a constant dividend payout in the range of 20-25%.

### Valuations

We expect the company to achieve 8 - 10% CAGR growth in its top-line & bottom-line over the next couple of years. Besides, cash rich & debt free status adds to the defensive nature of the stock. At CMP of Rs. 1,110.0, the scrip trades at 14.3x CY09E & 12.9x CY10E earnings. We initiate coverage on the stock with an ACCUMULATE rating.

### Summary Financials

Particulars (Rs. Mn.)	CY04	CY05	CY06	CY07	CY08	CY09E	CY10E
Total Revenues	7,349.9	8,078.4	8,839.3	8,735.4	9,832.7	10,547.7	11,338.8
EBITDA	2,363.3	2,536.2	2,677.3	2,414.9	2,782.0	2,958.4	3,265.6
PAT	1,485.0	1,450.8	1,692.9	1,444.2	1,662.0	1,789.2	1,985.0
PAT (%)	20.2%	18.0%	19.2%	16.5%	16.9%	17.0%	17.5%
EPS (Rs.)	64.5	63.0	73.5	62.7	72.2	77.7	86.2
P/E (x)	17.2	17.6	15.1	17.7	15.4	14.3	12.9
ROCE (%)	52.0%	45.1%	41.1%	31.6%	31.4%	28.5%	27.3%
RONW (%)	33.6%	27.7%	27.8%	20.4%	20.0%	18.5%	17.7%
DPS (Rs.)	16.0	16.0	32.0	16.0	16.0	16.0	16.0
Dividend Payout (%)	24.8%	25.4%	43.5%	25.5%	22.2%	20.6%	18.6%

Aventis Pharma Ltd. (APL) is the Indian arm of one of the world's leading pharmaceutical company Sanofi-Aventis. Sanofi-Aventis S.A, along with its 100% subsidiary Hoechst GmbH, holds about 50.12% in APL's paid-up capital of Rs. 230.3 Mn. Aventis Pharma Ltd. clocked a turnover of Rs. 9,832.7 Mn. for the year ended 31st December 2008, achieving a growth of more than 12% over 2007. With 35% of its products falling under the DPCO net, APL currently enjoys a market share of 2.26% & ranks 16th in the Indian domestic market.

In India, APL operates in seven major therapeutic areas, replicating the parent's areas of operations. Focus therapeutic areas include Cardiovascular Diseases, Thrombosis, Metabolic Disorders, Oncology, Central Nervous System, Internal Medicines & Vaccines. Its Internal Medicines portfolio includes drugs for a wide range of general medical conditions such Allergies & Bacterial Infections. Many of the company's brands like Cardace, Combiflam, Amaryl, Lantus & Allegra feature in the top 100 brands of the retail market & rank in the top 3 within their respective segments.

APL has two world class manufacturing facilities in India, for the manufacture of API & Formulations. These are located at Ankleshwar in Gujarat (for chemicals & pharmaceuticals) & at Verna in Goa (for pharmaceuticals). Both these manufacturing sites are ISO 14001:2004 certified & also by other regulatory authorities like WHO, TGA (Australia), MCC (South Africa) etc. & have been identified as global sourcing units by the parent Sanofi-Aventis. APL is one of the only MNC pharma companies that focuses on exports equally & exports API & Formulations to the parent & fellow subsidiaries worldwide.

## Background

Aventis Pharma Ltd. was incorporated in May 1956, under the name of Hoechst Fedco Pharma Pvt. Ltd. Over the years, its name was changed to Hoechst Pharmaceuticals Pvt. Ltd., Hoechst India Ltd. and Hoechst Marion Roussel Ltd. With effect from 11 July 2001, the company got its current name – Aventis Pharma Ltd. In the year 2004, the company came under the control of Sanofi-Synthelabo, now called Sanofi-Aventis, which acquired indirect control of 50.1% of APL's paid-up capital. In 2006, Sanofi-Aventis increased its stake from 50.1% to 50.12% (4,865 shares) through an open offer at a price of Rs. 792.2 per share.

1

## Cardiovascular Diseases

1. Lasix (frusemide)
2. Clexane (enoxaparin sodium)
3. Cardace (ramipril)

2

## Metabolics

1. Amaryl (glimepiride)
2. Cetapin XR (metformin)
3. Daonil (glibenclamide)
4. Daonil M (glibenclamide + metformin)
5. Insuman (NPH Human Insulin)
6. Trental 400 (pentoxifylline)
7. Lantus (insulin glargine)

3

## Oncology

1. Taxotere (docetaxel)
2. Granocyte (lenograstim - rHUG-CSF)

4

## Respiratory System

1. Allegra (fexofenadine hydrochloride)
2. Allegra Suspension (fexofenadine HCl)
3. Avil (pheniramine maleate)

5

## Central Nervous System

1. Frisium (clobazam)

6

## Dermatology

1. Sofracort (framycetin sulphate, gramicidin, dexamethasone)
2. Soframycin (framycetin sulphate)

7

## Analgesics

1. Combiflam (ibuprofen, paracetamol)
2. Combiflam Cream (Methyl Salicylate, Menthol & Camphor)
3. Baralgin M (analgin)
4. Novalgin (analgin)

8

## Anti-Infectives

1. Targocid (teicoplanin)
2. Cefrom (cefpirome sulphate)
3. Tavanic (levofloxacin)
4. Tarivid (ofloxacin)
5. Hostacycline (tetracycline HCl)

9

## Bone & Joint

1. Arava (leflunomide)
2. Actonel (risedronate sodium)

APL has a long standing operating history in the Indian domestic pharma space. Over the years, APL has transformed itself into a company catering to the chronic (diabetes, cardiovascular) & critical-care therapeutic segments. The company has been aggressive in launching new products in the Indian domestic markets, even before the product patent regime came into effect. Aventis Pharma has received active support from its parent for launching of new products, which can be gauged from the fact that 6 out of the top 15 products of the parent company have been launched in India.

## Recent Products Launched

Product Name	Therapeutic Area	Year of Launch	Remarks
Combiflam Cream	Analgesics	2009	
Lantus Solostar	Anti-Diabetes	2008	Line-extension for Lantus
Apidra Solostar	Anti-Diabetes	2008	Line-extension for Apidra
Apidra	Anti-Diabetes	2008	
Cosavil Flu Tablets	Flu Vaccine	2008	
Baralgan D	Analgesics	2008	
Metformin	Oral anti-diabetes	2007	Line-extension for Cetapin XR
Amaryl M	Metabolics	2007	Line-extension for Amaryl
Daonil M	Metabolics	2007	Line-extension for Daonil
Cardace H (10mg.)	CVS	2007	Line-extension for Cardace
Allegra Suspension	Anti-histamine	2006	Line-extension for Allegra
Cetapin XR (500mg & 1g)	Oral anti-diabetes	2006	
Lantus	Anti-Diabetes	2003	World's only once a day insulin, world no. 1 insulin brand
Actonel	Osteoporosis	2003	

Source: Company, PPFAS Research

## Products Performance

APL has an impeccable track record of brand building in the Indian domestic market with its strategic brands recording double digit growth consistently. Brand building & spreading awareness about its products has been key to the strong performance of the company's products. For CY2008, Domestic Sales grew by 10% from Rs. 7,031 Mn. to Rs. 7,730 Mn. In the key therapeutic areas that APL operates in, the top 6 brands of the company have grown faster than their respective markets & have maintained their leadership positions, achieving a growth of 21.6% over 2007.

## Products Performance

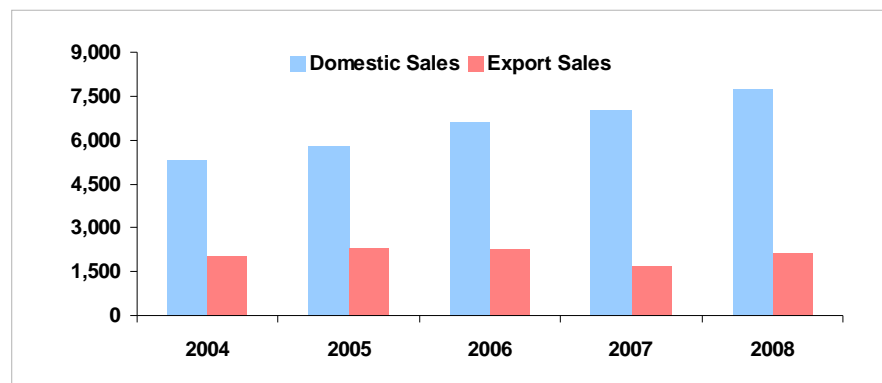
Product Name	Therapeutic Area	Y-o-Y Growth	Market Share	Remarks
Targocid	Anti-infectives	15.00%	49.00%	No. 1 in defined market
Clexane	CVS	16.00%	32.00%	No. 1 in injectible anticoagulant market
Cardace	CVS	17.50%	26.30%	No. 1 brand in CVS market
Lantus	Metabolics	36.40%	7.20%	5th largest insulin brand in India
Allegra	Anti-histamine	18.00%		No. 1 in antihistaminic market
Allegra Suspension	Anti-histamine			Ranked No. 3 in liquid antihistaminic market
Amaryl	Metabolics	27.00%		One of the five most prescribed brands in oral anti-diabetic market
Soframycin	Dermatology	5.00%	10.80%	
Combiflam	Analgesics			Sales of 1.6 Billion tablets
Avil tablets	Anti-histamine			Volume leadership with over 1 Billion tablets
Taxotere	Oncology	29.00%		

Source: Company, PPFAS Research

## Export Performance

Aventis Pharma has been one of the only MNC pharmaceutical companies operating in India that focuses equally on exports as well. Both its manufacturing plants at Ankleshwar & Verna, have been identified by the parent – Sanofi-Aventis as global sourcing units, whereby APL is able to export a number of bulk drugs manufactured from these facilities to the parent & fellow subsidiaries across the globe. APL also exports products to other countries like Russia, Ukraine, Germany, Australia, U.K. etc. For the full year ended 2008, the company achieved Export Sales of Rs. 2,102 Mn., marking a sterling performance of 23% over 2007. We expect the company to continue its focus on exports in the future as well.

### Exports & Domestic Sales Mix



Sales Break up	Q1CY09	Q1CY08	CY08	CY07
Domestic Sales	1,713.0	1,775.0	7,729.9	7,030.1
% of Net Sales	74.8%	81.8%	78.6%	80.5%
% Growth Y-o-Y	-3.5%		10.0%	
Export Sales	576.0	394.0	2,102.8	1,705.3
% of Net Sales	25.2%	18.2%	21.4%	19.5%
% Growth Y-o-Y	46.2%		23.3%	
<b>Total Sales</b>	<b>2,289.0</b>	<b>2,169.0</b>	<b>9,832.7</b>	<b>8,735.4</b>
% Growth Y-o-Y	5.5%		12.6%	

Source: PPFAS Research

## JV – Chiron Behring Vaccines Pvt. Ltd.

Aventis Pharma has a joint venture (49% holding) with Novartis Vaccines & Diagnostics Inc. named Chiron Behring Vaccines Pvt. Ltd. (CBVPL). During 1997-98, this joint venture company started to manufacture an anti-rabbies vaccine – “Rabipur”. Under this JV agreement, Aventis Pharma had exclusive rights for the distribution of Rabipur in India & Nepal for 10 years. Rabipur has been one of the top brands for the company over the years & crossed sales mark of Rs. 1 Bn. in 2005. Sales of Rabipur for 2008 stood at Rs. 1,179.43 Mn. (approx. 12% of total revenues).

This agreement has not been renewed with effect from 1st May 2008 & the arbitration proceedings were pending in the Supreme Court, who had referred the case to an Arbitrator. However, the Arbitrator awarded the case against APL & effective 19th Feb 2009, APL has stopped the distribution of Rabipur. For the first quarter, the company reported domestic sales of Rabipur at Rs. 92 Mn. We believe that the loss of distribution rights for Rabipur, might have a significant impact on the company's revenues going forward.



## Sanofi-Aventis S.A

Sanofi-Aventis S.A. is one of the leading global healthcare companies, engaged in research, development, manufacture & marketing of healthcare products, headquartered in Paris, France. It ranks amongst the top three pharmaceuticals companies worldwide, with commercial presence in more than 100 countries across the globe, employing around 17,000 scientists & over 100,000 employees. For the year ended December 2008, Sanofi-Aventis clocked a turnover of € 27,568 Mn. & Net Income of € 7,186 Mn. Sanofi-Aventis, along with its 100% subsidiary, Hoechst GmbH, holds 50.12% paid-up capital of Aventis Pharma Ltd.

Sanofi-Aventis has its business diversified into Pharmaceuticals including prescription drugs, OTC & generics; Vaccines & Animal Health.

**Pharmaceuticals** – Within the pharmaceutical space, the company operates in six therapeutic areas of Thrombosis, Cardiovascular Diseases, Diabetes, Oncology, Central Nervous System & Internal Medicine. The Sanofi-Aventis portfolio of marketed products includes several medicines that are world leaders in their respective classes. For the year 2008, Net Sales from pharmaceutical business stood at €24,707 Mn., up 3.1% over 2007.

**Vaccines** – Sanofi-Pasteur, the fully integrated vaccines division of the Sanofi-Aventis group, is the world leader in the vaccines industry, offering the broadest range of vaccines in five areas: Influenza, Pediatric combinations & Poliomyelitis vaccines, Adult & Adolescent booster vaccines, Meningitis as well as Travel, Endemic & Measles, Mumps, Rubella (MMR) vaccines. For 2008, the vaccines business achieved Net Sales of €2,861 Mn., 7.9% higher over 2007.

**Animal Health** – Within the animal healthcare space, Sanofi-Aventis has a 50:50 JV with Merck & Co. Inc. US, named Merial. Merial is one of the world's leading animal health companies dedicated to the research, development, manufacture & delivery of innovative pharmaceuticals & vaccines used by veterinarians, farmers & pet owners. Non-consolidated 2008 sales of Merial stood at USD 2,643 Mn., 7.9% higher over 2007.

Sanofi-Aventis' presence is well-balanced between traditional (Europe, North America and Japan) and emerging markets & is the established leader in emerging markets, holding top positions in the main countries. The company's extensive portfolio of prescription medicines, vaccines, consumer healthcare (OTC) products & generics, along with a balanced presence in both mature & emerging markets strengthens its global position & standing.



## Research & Development

Sanofi-Aventis currently possesses one of the richest, diversified & most innovative portfolios in the industry. With more than 20 research centres on three continents, Sanofi-Aventis coordinates its Research and Development activities on a worldwide basis. The company's annual R&D budget exceeds € 4 Bn. and ranks amongst the three largest budgets of the global pharmaceutical industry. For the year ended December 2008, the Group invested €4,575 Mn. (16.6% of Revenues) in Research & Development.

Sanofi-Aventis currently has 65 drugs in its pipeline. Here is a glimpse of the company's R&D pipeline:

Therapeutic Area	Phase I	Phase II	Phase III	Registration	Total
Cardiovascular Diseases	1	1	2	1	5
Metabolic Disorders	2	-	2	1	5
Oncology	1	2	7	1	11
Central Nervous System	5	5	1	1	12
Thrombosis	-	1	4	1	6
Internal Medicine	2	2	2	2	8
Vaccines	4	6	7	1	18
<b>Total</b>	<b>15</b>	<b>17</b>	<b>25</b>	<b>8</b>	<b>65</b>

This rich & diversified product pipeline will help the Indian subsidiary – Aventis Pharma Ltd. in the long run. Although, clarity on launch of these drugs will emerge only over a period of time, we believe that some of these products could be relevant for the Indian markets and are likely to be launched in India with a time-lag.

## Recent Acquisitions

Sanofi-Aventis has been growing organically as well as inorganically in the recent past. Since the beginning of 2009, the parent company has strengthened its position with the following acquisitions:

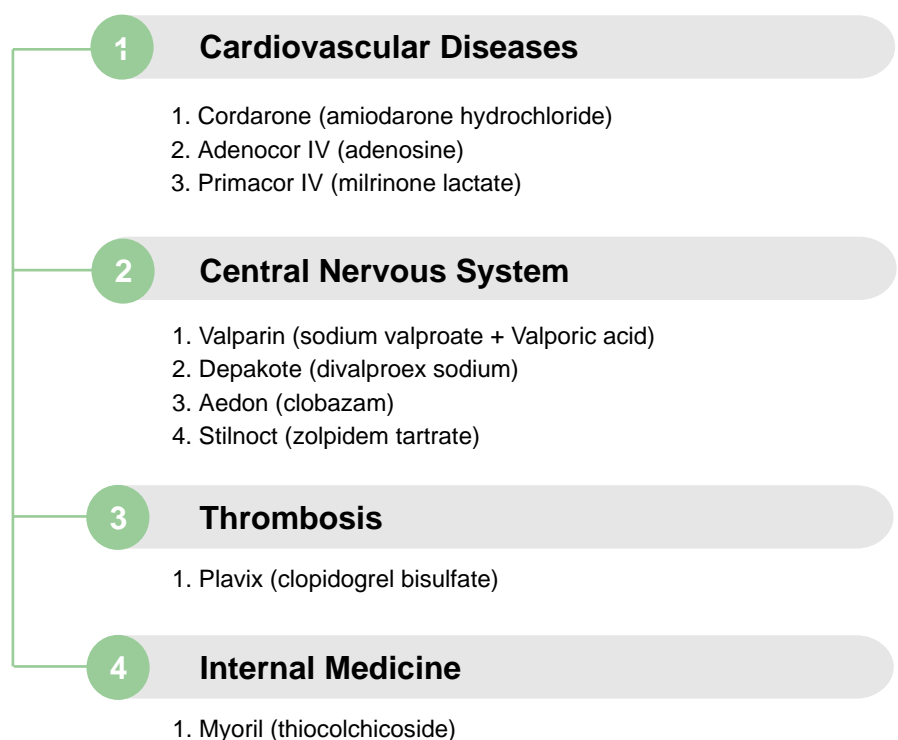
- Zentiva N.V., Europe, which will provide a platform for growth in branded generics in Central & Eastern Europe, Turkey & Russia.
- Kendrick, Mexico & Medley, Brazil, both again in branded generics. Based on pro-forma 2008 sales, these three acquisitions would make Sanofi-Aventis group the 11th global generics player & increase its Net Sales from Generics business to €1.2 Bn. from €349 Mn. in 2008.
- BiPar Sciences Inc., a privately held US biopharmaceutical company, engaged in development of novel tumor-selective approaches for treatment of different types of cancers.

## Sanofi-Synthelabo (India) Ltd.

In India, the parent company Sanofi-Aventis operates through two entities – Aventis Pharma Ltd. & Sanofi-Synthelabo (India) Ltd. APL is a 50.12% subsidiary of Sanofi-Aventis, whereas Sanofi-Synthelabo (India) Ltd. is a 100% unlisted subsidiary of the parent company.

Sanofi-Synthelabo (India) Ltd. was incorporated in June 1996 under the name Sanofi Torrent (India) Pvt. Ltd. Its name was changed to Sanofi-Synthelabo (India) Ltd. in May 2002. The company currently has around 275 employees in India & operates in co-ordination with Aventis Pharma Ltd.

It operates as a pharmaceutical company in India, specializing in various therapeutic groups, such as Thrombosis, Cardiovascular & Neurology. The main products of the company are:



The company is mainly engaged in the marketing of the parent's products in India, especially in the Cardiovascular (CVS) & Central Nervous System (CNS) segments. However, there seems to be very little overlap (except in the CVS segment) between APL's & Sanofi-Synthelabo's product portfolio in the Indian market.

## **New Pharmaceutical Policy 2006**

The new National Pharmaceutical Policy 2006 remains a big concern for the pharmaceutical industry as a whole. This new policy proposes to bring all 354 medicines on the National List of Essential Medicines under the DPCO net, from 74 drugs currently. The policy is being considered by a Group of Ministers (GoM) which was constituted in January 2007. There is still no clarity on this front.

However, the policy has found stiff competition from the pharmaceutical industry, since it would have a significant effect on the fortunes of the industry players, impacting their top-lines going forward.

## **Loss of Rabipur distribution**

The anti-rabbies vaccine – Rabipur was one of the top selling products for Aventis Pharma Ltd. It had strong growth year-on-year & made significant contribution to the company's top-line. However, the company has stopped the distribution of Rabipur effective 19th February 2009, due to the non-renewal of the agreement with the JV company – CBVPL.

We believe that the loss of distribution rights for Rabipur would have a significant impact on APL's sales turnover & profitability going forward.

## **Competition from Generics**

Aventis Pharma's global blockbuster basal insulin brand – Lantus is facing competition from the generic players of the Indian pharmaceutical market. A generic version of this brand has been launched in the market at a lower price, which could have negative effects on the products sales, thereby impacting the overall turnover of the company.

## **Fully-owned subsidiary**

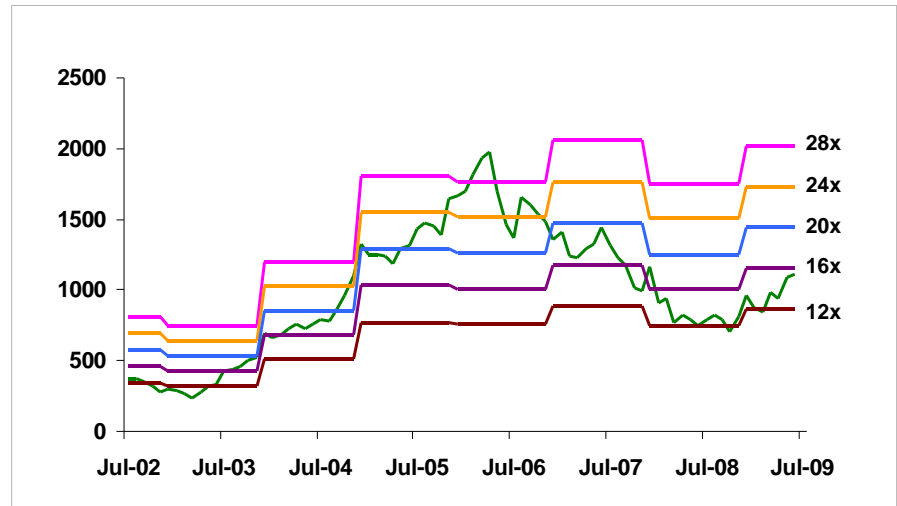
As discussed earlier, the parent company - Sanofi-Aventis, has a fully owned subsidiary named Sanofi-Synthelabo (India) Ltd. operating alongside Aventis Pharma in the Indian domestic pharma market. Even though, there seems to be very little overlap in the product portfolios of the two Indian subsidiaries, we believe that the presence of a fully-owned subsidiary, can be a cause of concern for the listed entity Aventis Pharma.

Aventis Pharma Ltd. has been one of the larger MNC pharma companies operating in the Indian domestic markets. The company has been growing steadily over the years achieving an 8% CAGR top-line growth over CY04-08 period. Also focus on domestic & export markets, helps the company maintain its growth momentum. The company has many brands that are market leaders in their respective segments & have consistently grown at double digits year after year. Besides, the global parent company has been a strong support for the company in terms of new product introductions in the domestic market.

APL's continued focus on brand building in the chronic segment, powerful marketing network & close alignment with the parent company works in its favor. Consistent operating performance with steadily increasing cash flows, debt free status & steady dividend payouts add to the positives of the stock. The company has maintained a dividend of 160% of face value over several years, which we believe to continue in the future as well. The company had pure cash balance of Rs. 216 per share as of December 2008 & we expect this to increase to around Rs. 350 per share by CY10E.

At CMP of Rs. 1,110.0, the scrip trades at 14.3x CY09E & 12.9x CY10E earnings of Rs. 77.7 & Rs. 86.2 respectively. We initiate coverage on the stock with an ACCUMULATE rating.

## PE Band



Aventis Pharma Ltd. reported good numbers for first quarter of 2009 compared to the same period last year. Net Revenues were up 5.5% from Rs. 2,169 Mn. in Q1CY08 to Rs. 2,289 Mn. in Q1CY09. With Employee Costs rising by more than 15% Y-o-Y, the company saw its Operating Profits dip to Rs. 390 Mn. in Q1CY09 from Rs. 405 Mn. in the year ago period. OPM was down about 163 bps at 17% for Q1CY09. However, with almost 70% jump in Other Income to Rs. 320 Mn. for Q1CY09, APL reported Net Profits of Rs. 405 Mn. for Q1CY09, 17.4% higher from Rs. 345 Mn. for Q1CY08. EPS for the quarter stood at Rs. 17.6.

The results were disappointing on a Q-o-Q basis. APL saw its top-line decline by over 15% Q-o-Q, from Rs. 2,699 Mn. for Q4CY08 to Rs. 2,289 Mn. for Q1CY09. Discontinuation of Rabipur could be one of the reasons for this decline in revenues. Operating Margins saw a minor dip of about 23 bps from 17.3% in Q4CY08 to 17% in Q1CY09. Other Income was higher by 11% Q-o-Q at Rs. 320 Mn. However, the company reported a decline of more than 10% in its bottom-line from Rs. 453 Mn. in Q4CY08 to Rs. 405 Mn. in Q1CY09.

<b>Earnings Statement</b>					
YE Dec. (Rs. Mn.)	Q1CY09	Q4CY08	Q-Q(%)	Q1CY08	Y-Y(%)
Net Revenues	2,289.0	2,699.0	-15.2%	2,169.0	5.5%
Cost of Materials	1,110.0	1,338.0	-17.0%	1,034.0	7.4%
Gross Profit	1,179.0	1,361.0	-13.4%	1,135.0	3.9%
Staff Costs	326.0	324.0	0.6%	283.0	15.2%
Other Expenses	463.0	571.0	-18.9%	447.0	3.6%
Total Expenditure	789.0	895.0	-11.8%	730.0	8.1%
Operating Profit	390.0	466.0	-16.3%	405.0	-3.7%
OPM (%)	17.0%	17.3%	(22.8)	18.7%	(163.4)
Other Income	320.0	288.0	11.1%	189.0	69.3%
EBITDA	710.0	754.0	-5.8%	594.0	19.5%
Depreciation	42.0	44.0	-4.5%	51.0	-17.6%
EBIT	668.0	710.0	-5.9%	543.0	23.0%
Interest	0.0	2.0		0.0	
PBT	668.0	708.0	-5.6%	543.0	23.0%
Tax	263.0	255.0	3.1%	198.0	32.8%
Current Tax	263.0	255.0	3.1%	202.0	30.2%
Fringe Benefit Tax	0.0	0.0		13.0	
Deferred Tax	0.0	0.0		(17.0)	
PAT	405.0	453.0	-10.6%	345.0	17.4%
Equity Capital	230.0	230.0		230.0	
EPS	17.6	19.7	-10.6%	15.0	17.4%
<b>Ratio Analysis</b>					
<b>Profitability</b>					
YE Dec.	Q1CY09	Q4CY08	Q-Q(%)	Q1CY08	Y-Y(%)
OPM (%)	17.0%	17.3%	(22.8)	18.7%	(163.4)
EBITDA (%)	31.0%	27.9%	308.2	27.4%	363.2
EBIT (%)	29.2%	26.3%	287.7	25.0%	414.8
PAT (%)	17.7%	16.8%	90.9	15.9%	178.7

Earnings Statement							
Particulars (YE Dec. Rs. Mn.)	CY04	CY05	CY06	CY07	CY08	CY09E	CY10E
Total Revenues	7,349.9	8,078.4	8,839.3	8,735.4	9,832.7	10,547.7	11,338.8
- Growth (%)		9.9%	9.4%	-1.2%	12.6%	7.3%	7.5%
Total Expenditure	5,186.4	5,873.5	6,612.3	7,060.0	7,976.4	8,434.8	9,023.9
Operating Profit	2,163.6	2,204.9	2,227.1	1,675.4	1,856.4	2,112.9	2,314.9
Forex Gain/(Loss)	(18.5)	24.7	(21.1)	1.7	5.7	0.0	0.0
Other Income	218.2	306.6	471.4	737.8	920.0	845.5	950.7
EBITDA	2,363.3	2,536.2	2,677.3	2,414.9	2,782.0	2,958.4	3,265.6
Depreciation	168.4	171.8	178.5	184.5	182.1	205.7	211.7
EBIT	2,194.9	2,364.3	2,498.9	2,230.3	2,599.8	2,752.7	3,053.9
Interest	1.0	0.5	1.8	1.9	3.4	0.0	0.0
PBT	2,193.9	2,363.9	2,497.0	2,228.4	2,596.4	2,752.7	3,053.9
Tax	777.0	913.1	804.1	784.2	934.4	963.4	1,068.8
PAT Before EI	1,416.9	1,450.8	1,692.9	1,444.2	1,662.0	1,789.2	1,985.0
- Growth (%)		2.4%	16.7%	-14.7%	15.1%	7.7%	10.9%
Extra-ordinary Items	68.1	0.0	0.0	0.0	0.0	0.0	0.0
PAT	1,485.0	1,450.8	1,692.9	1,444.2	1,662.0	1,789.2	1,985.0

Ratio Analysis							
Particulars	CY04	CY05	CY06	CY07	CY08	CY09E	CY10E
OPM (%)	29.4%	27.3%	25.2%	19.2%	18.9%	20.0%	20.4%
EBITDA (%)	32.2%	31.4%	30.3%	27.6%	28.3%	28.0%	28.8%
PBIT (%)	29.9%	29.3%	28.3%	25.5%	26.4%	26.1%	26.9%
PAT (%)	20.2%	18.0%	19.2%	16.5%	16.9%	17.0%	17.5%
Interest Cover (x)	2,208.1	5,151.1	1,374.5	1,159.2	763.5	-	-
EPS (Rs.)	64.5	63.0	73.5	62.7	72.2	77.7	86.2
P/E (x)	17.2	17.6	15.1	17.7	15.4	14.3	12.9
P/BV (x)	6.1	4.9	4.2	3.6	3.1	2.6	2.3
BVPS (Rs.)	183.2	227.4	264.1	306.9	360.0	419.0	486.4
Market Cap (Rs. Mn.)	25,564.0	25,564.0	25,564.0	25,564.0	25,564.0	25,564.0	25,564.0
M Cap/Sales (x)	3.5	3.2	2.9	2.9	2.6	2.4	2.3
EV (Rs. Mn.)	23,768.7	22,506.2	21,563.6	21,657.8	20,590.3	19,007.2	17,449.9
EV/EBITDA (x)	10.1	8.9	8.1	9.0	7.4	6.4	5.3
EV/Sales (x)	3.2	2.8	2.4	2.5	2.1	1.8	1.5
ROCE (%)	52.0%	45.1%	41.1%	31.6%	31.4%	28.5%	27.3%
RONW (%)	33.6%	27.7%	27.8%	20.4%	20.0%	18.5%	17.7%
Debt/Equity Ratio (x)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inventory T/o Days	50.5	61.6	65.6	75.5	64.1	65.0	65.0
Debtors T/o Days	45.6	23.1	28.3	24.0	33.2	30.0	30.0
Advances T/o Days	18.9	22.0	27.6	52.2	50.6	40.0	40.0
Creditors T/o Days	33.0	38.2	45.6	47.9	51.4	45.0	45.0
Working Cap T/o Days	129.9	167.6	183.4	227.3	244.8	276.9	311.2
Fixed Assets T/o (Gross)	2.7	2.9	3.1	2.9	3.1	3.1	3.2
DPS (Rs.)	16.0	16.0	32.0	16.0	16.0	16.0	16.0
Dividend Payout (%)	24.8%	25.4%	43.5%	25.5%	22.2%	20.6%	18.6%
Dividend Yield (%)	1.4%	1.4%	2.9%	1.4%	1.4%	1.4%	1.4%

Balance Sheet							
Particulars (YE Dec. Rs. Mn.)	CY04	CY05	CY06	CY07	CY08	CY09E	CY10E
Equity Capital	230.3	230.3	230.3	230.3	230.3	230.3	230.3
Reserves	3,988.0	5,007.5	5,851.8	6,838.2	8,060.7	9,418.9	10,972.8
Shareholders Funds	4,218.3	5,237.8	6,082.1	7,068.5	8,291.0	9,649.2	11,203.1
Borrowed Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred Tax Liability	(5.3)	(57.2)	(131.1)	(126.2)	(153.2)	(153.2)	(153.2)
<b>Total Liabilities</b>	<b>4,213.0</b>	<b>5,180.6</b>	<b>5,951.0</b>	<b>6,942.4</b>	<b>8,137.9</b>	<b>9,496.0</b>	<b>11,049.9</b>
Fixed Assets	1,544.5	1,418.4	1,456.2	1,449.9	1,490.8	1,442.5	1,330.7
Investments	52.9	53.1	53.1	53.1	51.9	51.9	51.9
<i>Quoted Investments</i>	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Current Assets							
Inventory	1,016.5	1,363.4	1,588.0	1,808.0	1,725.5	1,878.4	2,019.2
Sundry Debtors	918.2	510.3	684.9	575.1	895.0	866.9	932.0
Loans & Advances	381.4	487.3	668.6	1,249.4	1,363.2	1,155.9	1,242.6
Cash & Bank Balance	1,795.3	3,057.8	4,000.4	3,906.2	4,973.7	6,556.8	8,114.1
Current Liabilities							
Sundry Creditors	664.7	845.6	1,104.2	1,145.7	1,384.4	1,300.4	1,397.9
Provisions	831.1	864.1	1,395.9	953.5	977.9	1,155.9	1,242.6
Net Current Assets	2,615.6	3,709.1	4,441.7	5,439.4	6,595.2	8,001.7	9,667.3
<b>Total Assets</b>	<b>4,213.0</b>	<b>5,180.6</b>	<b>5,951.0</b>	<b>6,942.4</b>	<b>8,137.9</b>	<b>9,496.0</b>	<b>11,049.9</b>

Cash Flow							
Particulars (YE Dec. Rs. Mn.)	CY04	CY05	CY06	CY07	CY08	CY09E	CY10E
Opening Cash & Bank	1,371.2	1,795.3	3,057.8	4,000.4	3,906.2	4,973.7	6,556.8
Profit After Tax	1,485.0	1,450.8	1,692.9	1,444.2	1,662.0	1,789.2	1,985.0
Investment Income	(218.2)	(306.6)	(471.4)	(737.8)	(920.0)	(845.5)	(950.7)
Interest Paid	1.0	0.5	1.8	1.9	3.4	0.0	0.0
Miscellaneous Exp W/Off	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation	168.4	171.8	178.5	184.5	182.1	205.7	211.7
Deferred Taxation	5.0	(51.9)	(73.9)	14.3	(27.0)	0.0	0.0
Others	(176.1)	(7.7)	(51.0)	(24.5)	(87.6)	0.0	0.0
Change in Working Cap	(591.3)	168.9	210.0	(1,091.9)	(88.3)	176.6	(108.4)
CF - Operating Activities	673.7	1,425.8	1,486.9	(209.2)	724.7	1,326.1	1,137.7
Change in Fixed Assets	(49.4)	(38.1)	(165.2)	(163.2)	(135.5)	(157.5)	(100.0)
Change in Investments	0.0	(0.1)	0.0	0.0	1.2	0.0	0.0
Investment Income	218.2	306.6	471.4	737.8	920.0	845.5	950.7
CF - Investing Activities	168.9	268.3	306.2	574.7	785.7	688.1	850.7
Increase in Equity	0.0	(8.4)	(8.3)	(26.7)	(8.4)	(0.0)	(0.0)
Changes in Borrowings	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest Paid	(1.0)	(0.5)	(1.8)	(1.9)	(3.4)	0.0	0.0
Dividend Paid	(417.4)	(422.9)	(840.3)	(431.1)	(431.1)	(431.1)	(431.1)
CF - Financing Activities	(418.4)	(431.7)	(850.5)	(459.7)	(442.9)	(431.1)	(431.1)
Net Change in Cash	424.2	1,262.4	942.6	(94.2)	1,067.6	1,583.1	1,557.3
Closing Cash & Bank Balance	1,795.3	3,057.8	4,000.4	3,906.2	4,973.7	6,556.8	8,114.1



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## Disclosure of Interest Statement

1. Analyst Ownership of the scrip
2. PPFAS ownership of the scrip
3. PMS ownership of the scrip

Aventis Pharma

NO  
YES  
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