

Aventis Pharma Limited

CMP Rs. 1,145.0
ACCUMULATE

Result Update
Q2CY09

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Aventis Pharma Ltd. (APL), the Indian arm of the global pharmaceutical giant – Sanofi-Aventis, reported decent set of numbers for the second quarter ended 30th June 2009. The MNC pharma reported a growth of more than 9% in its top-line to Rs. 2,499 Mn. in Q2CY09 from Rs. 2,289 Mn. in Q1CY09. This was in spite the loss of distribution rights of Rabipur vaccine. With a slight dip of 2% in Total Expenditure, the company registered more than 35% rise in Operating Income to Rs. 529 Mn. for the second quarter. APL was also able to improve its Operating Profit Margin by 413 bps from 17% in Q1CY09 to 21.2% in Q2CY09. However, Other Income for Q2CY09 dipped by more than 22% to Rs. 249 Mn. compared to Rs. 320 Mn. in the previous quarter. Aventis Pharma reported a PAT of Rs. 471 Mn. for Q2CY09 vis-à-vis Rs. 405 Mn. for Q1CY09, marking a growth of 16.3% Q-o-Q. The company declared an Interim Dividend of Rs. 3.5 per share for the half year ended 30th June 2009.

APL was able to maintain its top-line for Q2CY09 in comparison to the same quarter last year, in spite the loss in sales of Rabipur. Despite a 20% Y-o-Y increase in Staff Costs to Rs. 352 Mn., the company was able to achieve a 5% rise in Operating Profits for the second quarter. Other Income also increased by 27% to Rs. 249 Mn. for Q2CY09 vis-à-vis Rs. 196 Mn. for Q2CY08. This helped the pharmaceutical company to report a growth of 12.7% in its bottom-line from Rs. 418 Mn. in Q2CY08 to Rs. 471 Mn. in Q2CY09. The company also achieved significant improvement in its margins. The EPS for the quarter stood at Rs. 20.5 compared to Rs. 18.2 for the year ago period.

Segmental Analysis

Net Sales Break up								
Particulars (Rs. Mn)	Q2CY09	Q1CY09	Q-Q(%)	Q2CY08	Y-Y(%)	6MCY09	6MCY08	Y-Y(%)
Domestic Sales-Others	1,888.0	1,621.0	16.5%	1,679.0	12.4%	3,509.0	3,093.0	13.4%
Domestic Sales-Rabipur	0.0	92.0		309.0		92.0	670.0	-86.3%
Export Sales	611.0	576.0	6.1%	498.0	22.7%	1,187.0	892.0	33.1%
Total Sales	2,499.0	2,289.0	9.2%	2,486.0	0.5%	4,788.0	4,655.0	2.9%

The second quarter of the current year has been even better for Aventis Pharma, in terms of Domestic Sales (excl. Rabipur) which stood at Rs. 1,888 Mn. for Q2CY09, registering a growth of 16.5% Q-o-Q over Rs. 1,621 Mn. for Q1CY09. Aventis stopped the distribution of the anti-rabies vaccine – Rabipur, effective 19th February 2009, till which time the company had reported sales of Rs. 92 Mn. for the vaccine. Domestic Sales (excl. Rabipur) was also higher by 12.4% Y-o-Y. This shows that other strong brands of Aventis Pharma have been growing significantly & doing well. They have been able to more than compensate for the loss of distribution rights of Rabipur.

On the Exports front too, Aventis has been able to report decent growth for the quarter ended June 2009. Export Sales increased to Rs. 611 Mn. in Q2CY09 from Rs. 576 Mn. in Q1CY09, marking an increase of 6.1% Q-o-Q. Export Sales were higher by 22.7% compared to the same quarter last year.

Our View

We continue to remain positive about the future prospects of the MNC pharma company. Despite the loss in sales of one of the major products Rabipur, Aventis has been able to show decent growth. It has also been able to grow its exports steadily. Further, the zero debt status, huge cash balances & steady dividends makes APL a good investment candidate. At CMP of Rs.1,145.0, the scrip trades at 14.7x CY09E & 13.3x CY10E earnings. Maintain ACCUMULATE.

Aventis Pharma: Quarterly Financials

Earnings Statement								
YE Dec. (Rs. Mn.)	Q2CY09	Q1CY09	Q-Q(%)	Q2CY08	Y-Y(%)	6MCY09	6MCY08	Y-Y(%)
Net Revenues	2,499.0	2,289.0	9.2%	2,486.0	0.5%	4,788.0	4,655.0	2.9%
Cost of Materials	1,197.0	1,110.0	7.8%	1,235.0	-3.1%	2,307.0	2,269.0	1.7%
Gross Profit	1,302.0	1,179.0	10.4%	1,251.0	4.1%	2,481.0	2,386.0	4.0%
Staff Costs	352.0	326.0	8.0%	294.0	19.7%	678.0	577.0	17.5%
Other Expenses	421.0	463.0	-9.1%	453.0	-7.1%	884.0	900.0	-1.8%
Total Expenditure	773.0	789.0	-2.0%	747.0	3.5%	1,562.0	1,477.0	5.8%
Operating Profit	529.0	390.0	35.6%	504.0	5.0%	919.0	909.0	1.1%
OPM (%)	21.2%	17.0%	413.0	20.3%	89.5	19.2%	19.5%	(33.4)
Other Income	249.0	320.0	-22.2%	196.0	27.0%	569.0	385.0	47.8%
EBITDA	778.0	710.0	9.6%	700.0	11.1%	1,488.0	1,294.0	15.0%
Depreciation	43.0	42.0	2.4%	44.0	-2.3%	85.0	95.0	-10.5%
EBIT	735.0	668.0	10.0%	656.0	12.0%	1,403.0	1,199.0	17.0%
Interest	0.0	0.0		0.0		0.0	0.0	
PBT	735.0	668.0	10.0%	656.0	12.0%	1,403.0	1,199.0	17.0%
Tax	264.0	263.0	0.4%	238.0	10.9%	527.0	436.0	20.9%
Current Tax	264.0	263.0	0.4%	221.0	19.5%	527.0	423.0	24.6%
Fringe Benefit Tax	0.0	0.0		15.0		0.0	28.0	
Deferred Tax	0.0	0.0		2.0		0.0	(15.0)	
PAT	471.0	405.0	16.3%	418.0	12.7%	876.0	763.0	14.8%
Equity Capital	230.0	230.0		230.0		230.0	230.0	
EPS	20.5	17.6	16.3%	18.2	12.7%	38.1	33.2	14.8%
Ratio Analysis								
Profitability								
YE Dec.	Q2CY09	Q1CY09	Q-Q(%)	Q2CY08	Y-Y(%)	6MCY09	6MCY08	Y-Y(%)
OPM (%)	21.2%	17.0%	413.0	20.3%	89.5	19.2%	19.5%	(33.4)
EBITDA (%)	31.1%	31.0%	11.5	28.2%	297.5	31.1%	27.8%	328.0
EBIT (%)	29.4%	29.2%	22.9	26.4%	302.4	29.3%	25.8%	354.5
PAT (%)	18.8%	17.7%	115.4	16.8%	203.3	18.3%	16.4%	190.5
Operational Parameters								
YE Dec.	Q2CY09	Q1CY09	Q-Q(%)	Q2CY08	Y-Y(%)	6MCY09	6MCY08	Y-Y(%)
RM Consumed	47.9%	48.5%	(59.4)	49.7%	(177.9)	48.2%	48.7%	(56.0)
Staff Costs	14.1%	14.2%	(15.6)	11.8%	225.9	14.2%	12.4%	176.5
Other Expenses	16.8%	20.2%	(338.0)	18.2%	(137.5)	18.5%	19.3%	(87.1)
Effective Tax Rate	35.9%	39.4%	(345.3)	36.3%	(36.2)	37.6%	36.4%	119.9

Aventis Pharma: Main Financials

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%

Aventis Pharma: Main Financials

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)
Total Liabilities	4,213.0	5,180.6	5,951.0	6,942.4	8,137.9	9,496.0	11,049.9
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
Total Assets	4,213.0	5,180.6	5,951.0	6,942.4	8,137.9	9,496.0	11,049.9

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
YES

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