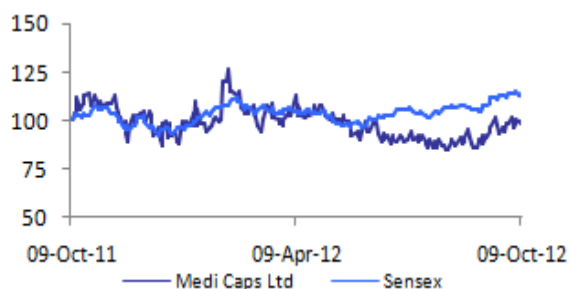


October 9, 2012

***CMP** **Rs. 51.0**

BSE Code	MEDICAPQ
BSE ID	523144
High/Low 1Y (Rs.)	69.95/39.00
Average Volume (3M)	1,268
Market Cap (Rs. Cr.)	16

Shareholding %	Jun-12	Mar-12
Promoters	49.89	49.89
DII [#]	0.27	0.27
FII [#]	-	-
Public & Others	49.84	49.84

Stock Chart (Relative to Sensex)


Stock Perfm.(%)	1M	6M	1Yr
Medi Caps Ltd	6.8	-4.7	-1.9
Sensex	5.8	9.0	13.6

Financials	FY10	FY11	FY12
Revenue	20.5	26.1	26.0
Y-o-Y	-0.4%	27.0%	-0.4%
EBITDA	3.6	5.2	4.1
Y-o-Y	-17.6%	42.5%	-21.2%
Net Profit	3.6	2.7	1.5
Y-o-Y	1.2%	-25.3%	-43.6%
EPS (Dil.)	11.63	8.68	4.89
EBITDA Margin	17.7%	19.8%	15.7%
Net Profit Margin	17.7%	10.4%	5.9%
P/E(x)	4.5x	6.0x	10.6x

Financial year ends at March 31 on consolidated basis for FY12;

FY10 & FY11 figures are on standalone basis.

All figures in Rs. crore except for per share data

[#] FII^s- Foreign Institutional Investors

[#] DII^s- Domestic Institutional Investors

*CMP as on 09 Oct 12

Medi Caps Limited.

Company Overview

Incorporated in 1982 by Mr. S. L. Mittal as private limited company, Medi Caps Limited (MCL) was later converted into a public limited company in March 1986. The company is engaged in the production of empty hard gelatin capsules, which is procured by the pharmaceutical companies for dosaged medicines meant for oral administration. The company's manufacturing unit is located at Pithampur, Madhya Pradesh. MCL is involved in export of products to countries such as China, Thailand, Dubai, Malaysia, South Africa and Philippines, serving around 40 customers such as US Vitamins, SOL Pharmaceuticals, Dr Reddy's Laboratories, Lupin Laboratories, Aristo Pharmaceuticals.

Company Fundamentals

Increased raw material prices led to dip in the profit margins for FY12

Total revenue for FY12 stood at Rs 26.0 crore against Rs 26.1 crore during the previous financial year, translating into a decline of 0.4% Y-o-Y. The outbreaks of BSE (Bovine Spongiform Encephalopathy) has resulted in temporary tightness for bovine sources and pushed up the raw material prices. This coupled with crippled business climate had squeezed the company's EBITDA margin to some extent during FY12. The same had a cascading effect on the net margins as well. For modernization of existing facility, MCL funds through internal accruals which resulted in nil gearing for the company.

The company is involved in investment activities by utilizing its surplus funds in long-term investment in various mutual funds and other securities. However, during the year under review, the market value of the quoted investments in equity shares as well as mutual funds fell drastically due to market downturn witnessed across the globe.

Operational Performance

Number of hard gelatin capsule shells produced during FY12 stood at 39,137 lakh units compared to the previous year's production of 41,579 lakh units, posting a de-growth of 5.9% Y-o-Y. The quantity sold during the year under review stood at 38,455 lakh units compared to 41,620 lakh units during the previous financial year, showing a decrease of 7.6% Y-o-Y. The company has registered a capacity utilization of 93.2% in FY12 against 99.0% in FY11.

Future Plans

With strong in-house R&D facility, the company is in the continuous process of launching new variety of empty capsules and variants in order to meet the demand in the future as well as plans to expand its geographic reach across the globe. Medgel Pvt Ltd, a joint venture of MCL, which is into manufacturing of soft gelatine, has commenced operations during mid FY12 and is likely to increase volume and revenue in near future.

Key Strengths

- Immense demand foreseen in gelatin capsule segment, driven by high growing pharmaceutical industries
- Strong clientele base and in-house R&D facility

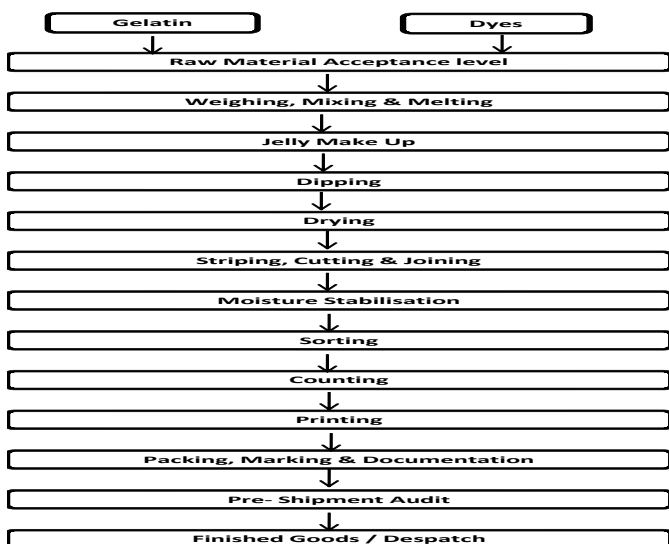
Company Business

The company is engaged in the business of producing empty hard gelatin capsules with its product range consisting of six sizes ranging from 00,0el, 0, 1el, 1,2,3,4 elongated, fortified with more than 1000 shades. The hard gelatine capsule acts as a versatile container which can be filled with active substances in the form of granules, powders, pallet, semi-liquid and liquid formulations which is widely used in the pharma industry. MCL is involved in the manufacturing of different varieties of hard gelatine capsule shells namely:

- Halal gelatine capsule – MCL sources halal gelatin from Halagel which distributes the best quality of edible and pharmaceutical grade gelatin from bovine sources
- Preservative capsule
- Sodium lauryl sulphate (SLS) free capsule
- Liquid fill capsules - capsules available in the form of Licaps (two-piece capsules for liquid and semi-solids) and Liquid filled and sealed hard gelatine capsules which are best suited in pharmaceutical, herbal, nutraceutical, agricultural and cosmetic industry;
- Pearlz capsules - unique capsules with a 'Pearl' finish and is a product differentiator for cosmetic products
- Flavoured capsules
- Sweet caps
- V caps from plant origin
- NP caps (Non-animal Polymer capsules)

Process Flow Chart

Source: Company Website



Operational Performance

Particulars	FY10	FY11	FY12
HGCS Produced (Nos in Lacs)	34,594	41,579	39,137
Growth %	-	20.2%	-5.9%
HGCS sold (Nos in Lacs)	34,791	41,620	38,455
Growth %	-	19.6%	-7.6%
HGCS sold (Rs crore)	21.8	27.9	27.6
Sales realization	6,254	6,708	7,168
Growth %	-	7.25%	6.86%
Installed Capacity (Nos in Lacs)	36,000	42,000	42,000
Capacity Utilisation	96.1%	99.0%	93.2%

Source: Company Annual Report; HGCS stands for Hard Gelatin Capsule Shell

Industry Overview

The Indian pharmaceutical industry is estimated to touch \$74 billion in sales by 2020, growing at about 8% to 9% annually, according to CCI report*. The Indian pharmaceutical industry is highly fragmented with more than 20,000 registered units and faces severe price competition and Government price control. The pharmaceutical industry meets around 70% of the country's demand for bulk drugs, drug intermediates, pharmaceutical formulations, chemicals, tablets, capsules, orals and injectibles. There are approximately 250 large units and about 8000 small scale units, which form the core of the pharmaceutical industry in India (including 5 Public Sector Units). Indian pharmaceutical market is expected to grow at a CAGR of 15.3% between 2011-12 and 2013-14, according to a Barclays Capital Equity Research report on India Healthcare & Pharmaceuticals.

Generics will continue to dominate the market while patent-protected products are likely to constitute 10% of the pie till 2015, according to McKinsey report 'India Pharma 2015 - Unlocking the potential of Indian Pharmaceuticals market'. India tops the world in exporting generic medicines worth \$11 billion. India's exports of drugs, pharmaceutical and fine chemicals grew by 27% to Rs 60,000 crore (\$ 10.85 billion) for the year ended March 2012, according to data compiled by Pharmaceutical Exports Council of India (Pharmaxcil).

Gelatin market: The worldwide gelatin market is forecast to reach 395.84 thousand metric tons by the year 2017**, fuelled by ageing population, focus on healthcare and increasing demand from end-use industries such as food & beverage, nutraceuticals and pharmaceuticals. In pharmaceutical industry, gelatin is widely used as an adhesive agent for tableting medicines in the form of both hard and soft capsules. Additionally, rising standards of living, shift to vegetarian gelatin options, easy affordability and greater awareness in emerging economies such as China and India will promote further growth. Despite the bright outlook, consumer concerns related to the safety and social aspects of using products derived from animal body parts continue to affect industry prospects.

Source: *'A Brief Report on Pharmaceutical Companies in India March 2012' – Corporate Catalyst India **Global Analyst Industry Inc., report

Competitor Analysis

We have compared Medi Caps Ltd. with its close peers in the pharmaceutical industry.

Company	Year End	CMP*	M Cap	Revenue	EBIT Margin	EPS	P/E
Medi Caps Ltd	Mar-12	51.0	16	26.0	15.7%	4.89	10.6x
Sandu Pharmaceuticals Ltd	Mar-11	14.4	10	21.6	8.5%	1.16	12.4x
Coral Laboratories Ltd	Mar-11	69.9	23	32.4	20.7%	11.43	6.1x
Panchsheel Organics Ltd	Mar-11	20.5	10	26.4	8.6%	1.75	11.7x

Source: Company Financials, BSE and Capitaline, ICRA Online Research Market cap and Revenue in Rs. Crore, *CMP as on 09 Oct 2012

Summary Financials

Particulars (Rs crore)	FY10	FY11	FY12
Net Sales	20.5	26.1	26.0
Other Op. Revenue			
Total Revenue	20.5	26.1	26.0
<i>Growth (%)</i>	<i>-0.4%</i>	<i>27.0%</i>	<i>-0.4%</i>
Cost of Goods Sold	-10.0	-12.0	-12.4
Gross Profit	10.6	14.1	13.6
Employee Costs	-3.1	-3.9	-4.5
Other Expenditure	-3.8	-5.1	-5.0
EBITDA	3.6	5.2	4.1
<i>Growth (%)</i>	<i>-17.6%</i>	<i>42.5%</i>	<i>-21.2%</i>
Depreciation	-0.8	-0.9	-1.7
EBIT Profit	2.8	4.3	2.3
Finance cost	0.0	-0.1	-0.1
Other Income	1.8	0.0	0.1
Exceptional Items	0.0	0.0	0.0
PBT	4.6	4.2	2.4
<i>Growth (%)</i>	<i>-2.2%</i>	<i>-10.1%</i>	<i>-42.8%</i>
Income Tax	-1.0	-1.5	-1.5
Profit after Tax	3.6	2.7	0.9
Extra Ordinary Items	0.0	0.0	0.6
Net Profit	3.6	2.7	1.5
<i>Growth (%)</i>	<i>1.2%</i>	<i>-25.3%</i>	<i>-43.6%</i>
Rep. Basic EPS	11.63	8.68	4.89
Rep. Diluted EPS	11.63	8.68	4.89
Equity Capital	3.1	3.1	3.1
Face value	10	10	10

Ratio Analysis	FY10	FY11	FY12
Margins			
EBITDA Margin (%)	17.7%	19.8%	15.7%
Net Profit Margin (%)	17.7%	10.4%	5.9%
Valuation			
P/E (x)	4.5	6.0	10.6
P/BV (x)	0.3	0.3	0.2
Profitability			
ROCE (%) *	-	6.8%	2.9%
RONW (%)	6.3%	4.3%	1.9%
Solvency Ratio			
Debt/ Equity Ratio (x)	0.0	0.0	0.0
Interest Cover (x)	-	30.0	35.9

*Bifurcation between Long Term and Short Term debt is not available for FY10

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