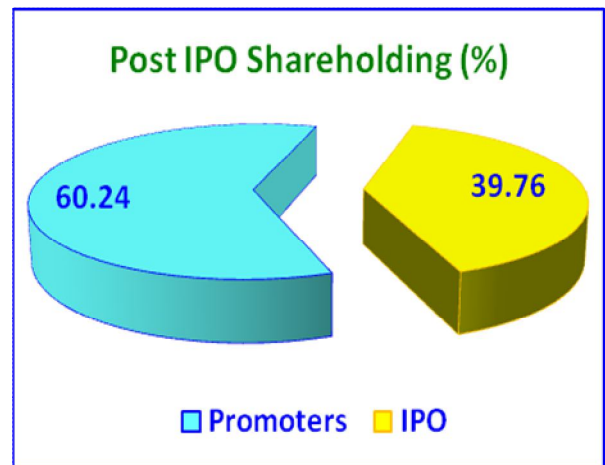




Aanjaneya Lifecare Limited (ALC)

INR 228-240 (FV 10)

Sector	Healthcare
Website	www.aanlife.com
Issue Opens	9 May 2011
Issue Closes	12 May 2011
Issue	50 Lakhs
Price Band (Rs.)	228-240
Aggregating	120 Crore
Key Executives	Kashi Vishwanathan, Kannan K. Vishwanath Prabhat K. Goyal, Shashikant B. Shinde
Registrar	Link Intime
BRLM	IDBI Capital, Anand Rathi
Post Issue Equity	INR 12.58 Crore



Assuming Issue at Rs.240/Share Upper Band

Company Background

Incorporated in 2006, Mumbai based Aanjaneya Lifecare Ltd a leading research based integrated pharmaceutical company with established research, manufacturing & marketing capabilities. Company's product portfolio includes Bulk Drugs, Finished Dosage Forms, Herbal Medicines, Inhalers, Lozenges and Animal Health.

Aanjaneya has a manufacturing facility in Mahad near Mumbai. This facility provides multi-therapeutic product offerings comprising high-end Alkaloids, Quinine Salts, and Veterinary APIs & Cytotoxic API's.

Company also has a Finished Dosages Facility at Perungut Pune. This facility is for manufacturing various types of dosage forms such as Liquid Syrups, oral tablets, lozenges and Gels in several product categories complying with international standards. Aanjaneya's manufacturing facilities are ISO 9001-2000 and WHO GMP certified

Objectives of the Issue

The company plans to raise about Rs.120 crore (at upper band) from the issue proceeds. It plans to utilize the amount as:

Particulars (INR Crore)	Estimated Cost
Capacity Expansion	92
Branding & Product Registration	10
Total Cost (INR Crore)	102

Besides, it plans to meet Corporate Expenses, Issue Expenses etc. from the IPO proceeds.

Highlights

- The Indian Pharmaceutical industry has been witnessing phenomenal growth in recent years, driven by rising consumption levels in the country and strong demand from export markets. The pharmaceutical industry in India is estimated to be worth about US\$ 10 billion, growing at an annual rate of 9%. In world rankings, the domestic industry stands fourth in terms of volume and 13th in value terms. The ranking in value terms may also be a reflection of the low prices at which medicines are sold in the country.



- The industry has seen tremendous progress in terms of infrastructure development, technology base and the wide range of products manufactured. Demand from the exports market has been growing rapidly due to the capability of Indian players to produce cost-effective drugs with world class manufacturing facilities. Bulk drugs of all major therapeutic groups, requiring complicated manufacturing processes are now being produced in India. Pharma companies have developed Good Manufacturing Practices (GMP) compliant facilities for the production of different dosage forms.
- In addition to having GMP, WHO, several Indian companies have also been getting plant approvals from international regulatory agencies like US FDA, MCA (UK), TGA (Australia), MCC (South Africa). India possesses the highest number of US FDA approved manufacturing facilities outside the USA and currently tops in filing the drug master files (DMF) with the US FDA. This has also facilitated the domestic industry to attract contract manufacturing opportunities in the rapidly growing generics market.
- India itself is emerging as big Pharma market, as with purchasing power growth there is growth in life style diseases. Also, poverty, health & hygiene etc are long time issues in India. There is wide spread of diseases like Malaria, fever, jaundice, malnutrition etc. The Government at national level and respective state levels are carrying out various healthcare programmes.
- ALC is a vertically integrated pharmaceutical company with manufacturing and marketing capabilities in APIs (Active Pharmaceutical Ingredients) with focus on anti-malarial, and Finished Dosage Forms (FDFs) catering to various therapeutic segments.
- The Company's present product portfolio consists of second generation, quinine based anti malarial APIs and third generation artemisinin based anti malarial APIs, niche APIs and FDFs. With the expansion of the existing facility and the acquisition of the formulation unit at Pune, The Company's product portfolio will consist of APIs and FDFs which shall be marketed in domestic and international markets as branded generics.
- It has an established R&D centre at our existing facility at Mahad and Pune, Maharashtra. Through the proceeds of the Issue, it proposes to expand R&D centre at Mahad and Pune, Maharashtra. The R&D centre is focused on improving the existing processes of drug development and reducing the production time and cost. At present, it has 5 patents registered and 5 patents applied in the name of Company in India, further, it has also acquired rights for 3 patent applications filed for improved and non infringing process for producing anti cancer APIs namely Gemicitabine Hydrochloride, Capacitabine and Docetaxel which are yet to be granted.

Financial Highlights

₹ Crore	FY 10	10 M FY 2011	FY 11 E
Total Sales	169.35	292.58	351.68
Operating Expenses	139.6	232.6	281.34
Operating Profits	29.75	59.98	70.34
Interest	6.03	10.78	13.25
Depreciation	0.87	2.06	2.65
PBT	22.85	47.14	54.44
Tax	7.15	16.03	18.51
PAT	15.7	31.11	35.93
Equity (FV 10)	5.78	7.58	12.58
EPS (Rs. Not Annualized)	27.16	41.04	28.56
PE @ Rs. 240	8.84	5.85	8.40



Peerset Comparison

Crore (FY 10)	ALC	Indoco Remedy	IPCA lab	Torrent Pharma
FY 11 Total Sales ESTIMATES	351.68	487	1893	1850
FY 11 PAT Estimates	35.93	51	260	330
Equity	12.58	12.29	25	42.31
Face Value	10	10	2	5
EPS	28.56	41.50	20.80	39.00
CMP	240	420	295	604
PE	8.40	10.12	14.18	15.49
Market Cap	301.92	516.18	3687.50	5111.05
M Cap/FY 10 Sales	0.86	1.06	1.95	2.76
PAT (%)	10.22	10.47	13.73	17.84

Note: Indoco Results are actual FY 2011 Numbers, Others are FY 2011 estimates

Risks

- There are corporate Governance issues with the company. As there is a BSE listed entity AASDA LIFECARE from same promoters and its performance has been very poor.
- The sudden and sharp jump in 10 months FY 2011 numbers, looks a mere exercise to get through the IPO.
- When companies are steeply pricing their IPOs, ALC has presented it at lower valuations (less than 1 times Market Cap/Sales) to hide its poor Corporate Governance.
- The issue is given concerning “2/5” by FITCH and “1/5” by CRISIL.

Valuation & Recommendation: This Medicine can have severe side effects.

Aanjaneya Lifecare Ltd is a small Pharma company. The IPO though looks attractively priced, BUT there are Corporate Governance Issues with promoters. The Financial numbers look more like “Window Dressing” **This can be Very High Risk Issue. Yes, promoters have vested interests, there could be good listing also as the IPO is launched in Bearish market.**

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