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BUY: Divi's Laboratories

CMP	1230
52 Weeks High	1930
52 Weeks Low	565

Outlook:

Divi's Laboratories known as research center in its early years. The company is established in 1990. The years spent as a research center went a long way in choosing the right areas to enter for manufacturing, establishing processes that were mature and ensuring that the guidelines expected for manufacturing quality products were complied with. It is with rich experience and deliberation that Divi's started its manufacturing activities. Today the company has two manufacturing facilities.

The company's first manufacturing plant came up on a 300 acre land at Hyderabad, and its second facility is at Visakhapatnam, on a 314 acre site. It has also set up a SEZ at Chippada in Visakhapatnam. It manufactures API's for generics, intermediates, chiral synthesis and carotenoids.

The company's main forte is its R&D, with the main focus on developing new processes for the production of Active Pharma Ingredients (APIs) & Intermediates. The company in a matter of short time expanded its breadth of operations to provide complete turnkey solutions to the domestic Indian pharmaceutical industry.

The manufacture of niche segments such as the peptides and carotenoids products are expected to dominate the earnings in the coming months. Peptide drugs are one of the emerging areas of drug discovery, mainly in cancer medicines, with Western companies completely outsourcing the peptide segment to Asia. Divi's currently has exposure to around 90 peptide building blocks.

Market Data:

Latest Equity	12.91
Latest Reserve	2570.33
Latest Book value.	419.83
Latest EPS.	55.79
Latest P/E Ratio	22.17
52 Week High	1930
52 Week Low	565
Market Capitalization	7908.89

(Source: moneycontrol.com) Latest Data As On 29/02/2008

Now the most interesting part is that 12.63% is held by mutual funds and of this 7.22% is held by Reliance Capital Trustee Company and 4.25% by HDFC Trustee Company. The fact that mutual funds have bought so heavily in the stock, reiterates the potential of the stock.

The financial performance of the company has been more than exuberant. For the third quarter ended 31st December 2007, on a YoY, the consolidated total income for the quarter grew by 90% at Rs.284.13 crore.

Financial Performance:

Divi's Lab. Ltd. earned a PAT of Rs.99 cr on a consolidated basis for Q3 ended 31st December, 2007, as against Rs.31.39 cr in Q3 FY07, **around 215% of Rise**. On equity of Rs.12.91 cr, basic EPS is at Rs.15.35 for Q3 FY08.

For the 9-month period of the current year, Divi's earned a PAT of Rs.255 cr on Sells of Rs.764 cr as against a PAT of Rs.87 cr and Sells of Rs.482 cr during the corresponding period last year. EPS stands at Rs.39.

Recommendation: BUY

Pharma stocks have been relegated to the background since the past few months. It is only now that analysts and investors are realizing the value of these pharma stocks. More so, after the Union Budget of 2008-09, which has been very kind to the pharma units, especially those with R&D facilities. Excise duty was reduced on all pharma goods from 16% to 8% This cut in the duties is expected to benefit Divis further in the coming fiscal.

With more income expected to come from its carotenoids unit, which has high margin. Hence we strongly recommend you to Buy this exciting Pharma stock with a short term view.

Confirm your order ASAP.

**Thanks & Regards,
PMS Department**