



IBL HealthCare Ltd. (IBLHL) – Unique selling proposition | Earnings growth of 28% on the cards....

IBL HealthCare Ltd. is involved in the marketing, sales and distribution of a wide range of healthcare products, constantly striving to provide premium quality healthcare products to serve the Pakistan health care market. We see 28% earnings growth for FY13 wherein the company is showing noticeable revenue owing to USP (we see 52% revenue growth).

IBLHL also enunciates dividend yield of 11.5% (based on our call of Rs 3/sh cash dividend; this however spells boon for SEARL itself which is one of the majority holders).

IBL HealthCare holds unique portfolio divided into three distinct categories, namely Nutritional Products, Plasma Protein Components and hospital disposables. The company has the expertise in their respective fields of health care products.

Trigger...

We believe that IBLHL will be generating more income in 3Q and 4Q for the FY13 and cumulative will result in the net profit by 25- 30% on year. **Revenue increase is mainly on the basis of our analogy of price increase of 15% -20% like what we have seen in the case of SEARL.**

We expect that IBLHL will be making its average 25-30% gross margin in FY13, and this will result in EPS upto Rs.5.03/sh and may announce a cash dividend of Rs 3/sh for full year FY13 as it is also mentioned that 25% dividend was announced in FY12.

Searle – Holding Company of IBL Health Care

Searle Company limited holds the 50% shares of IBL Health care.

Growth in nutritional segment

IBLHL has performed well in term of sales in first two quarters of FY13, which was due to sales of Infants' Nutritional and Adult Nutritional Segments products sales rose by 25- 40 percent and company is enforcing this segment. Complain, Enfagrow and Enfakid products have good demand in the market due to fewer substitutes available in the market.

IBL HealthCare

Quarterly P&L	P&L Statement				
	1QFY13	2QFY13	FY13E	FY12	Change
Rs '000					
Revenue	194,988	245,423	1,099,126	723,387	52%
Cost of Sales	142,099	191,578	794,778	505,580	57%
Gross Profit	52,889	53,845	304,349	217,807	40%
Selling & Distribution Cost	21,627	21,403	112,495	95,436	18%
Administrative expenses	3,329	6,382	26,179	16,605	58%
Amortization	2,175	2,175	8,700	8,700	0%
Other Operating Income	832	3,240	6,826	4,443	54%
Operating Income	26,590	27,125	163,801	101,509	61%
Finance Cost	1,531	781	8,899	13,783	-35%
Profit Before Tax	25,059	26,344	154,902	87,726	77%
Taxation	3,568	2,325	54,216	9,366	479%
Profit for the period	21,491	24,019	100,686	78,360	28%
EPS (PKR)	1.07	1.20	5.03	3.92	28%
DPS (PKR)	-	-	3.0	2.5	

Source: Standard Capital Research

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IBLHL – a subsidiary of Searle Company (SEARL)...

Searle holds 10mn shares (50%) of IBLHL and growth in the profit of IBLHL will also impact on the profit of Searle, so for that we expect that Searle will get approx Rs2.5million (exclusive taxes) as cash dividend from IBL HealthCare, which will also have good impact on the year end earning of Searle.

Price increase

IBL HealthCare has also increased prices of its key flag products by 15- 20% in the wake of drastic fluctuations in exchange rates which resulted in increased cost, which resulted to increased its total revenue in previous two quarters.

Forecasted revenue

By analyzing company's previous financial statement we have come to know that sales in the 2nd quarter are growing by 40-50% as compare to First quarter and then its increase with slightly low rate and we expect that company's revenue will increase by 22 %in third quarter and 20% in fourth quarter.

And we expect that selling and distribution cost will also increase by 10- 13% due to constant increase in the fuel and energy prices, where as we assume lower finance cost as compare to last year, because the finance costs are charged on the short term loans taken by the company due to shortage of cash, but if revenue is increasing and company will not be required much cash borrowing for its operational expenses.

Valuation

IBLHL is spelling FY13 PE of 5x and almost in line with SEARL PE. As we said earlier, IBLHL could be a very good dividend yield proposition of 11% which is a good omen. We recommend BUY

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