

Jubilant Organosys: high on acquisitions

Edelweiss Securities reiterates its "value buy" on Jubilant Organosys. The company has acquired a 100 per cent stake in Target Research Associates Inc for \$ 33.5 million. With Target's healthy EBITDA margins of 26 per cent 2005E, the price is a reasonable 1.4x EVales (2005E). Jubilant will fund this by \$ 13.5 million of equity and \$ 20 million as debt. The report views this news as positive and has raised its EPS estimates by Rs 2.6 in FY06 and by Rs 7.5 in FY07. Target acquisition enables Jubilant to be a full-service CRAMS (contract research and manufacturing services) player. Its recent acquisition of Trinity Labs strengthened the last link in the value chain- formulations. With this acquisition, it is now a full-service CRO as well. Jubilant is expected to realise synergies from conducting clinical trials in India and providing high-quality cost-effective data management services from India. The stock trades at 18.7x FY06E and 12.7x FY07E. *25/05/05*