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Business Line

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REL to make Rs 8,000-cr pref issue

Our Bureau
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Reliance Energy Ltd has decided to make a Rs 8,000-crore preferential issue of equity shares to its promoters and long-term institutional investors.

The company board on Sunday approved the issue, which would increase the promoter Anil Dhirubhai Ambani Group's stake in the company to 44 per cent from 36 per cent now. The issue will be priced at Rs 1,812 per share, a premium of 5 per cent to the current market price.

The shares of Reliance Energy ended on Friday at Rs 1,738.10 on BSE, 4.47 per cent up from the previous close at Rs 1,663.70.

Besides the ADAG group, the preferential offer will also be made on the same terms and conditions to Life Insurance Corporation, New India Assurance, Oriental Insurance, General Insurance Corporation, National Insurance, and United India Insurance, which collectively hold around 18 per cent of equity.

Small-cap pharma stocks outshine Sensex

Despite poor earnings show, throwaway prices lure investors

Kumar Shankar Roy
BL Research Bureau

When it comes to pharma stocks, 'small' has turned out to be beautiful. While investors in pharma biggies such as Dr Reddy's, Ranbaxy or GlaxoSmithKline Pharma may have seen their stocks straggling behind the markets in the past year, a host of small-cap pharma stocks have turned out to be multi-baggers!

In fact, small-cap pharma stocks, with a 44 per cent return over the year, beat the Sensex (38 per cent).

Little-known companies such as Bliss GVS Pharma, Killitch Drugs, Gennex Laboratories and **Twilight Litaka** rose fourfold or more in this

Pharma gainers		How they stack up	
Company	Returns (%)*		Returns (%)*
Bliss GVS Pharma	1077	Large-cap stocks	-9
Killitch Drugs	421	Mid-cap stocks	19
Gennex Labs	358	Small-cap stocks	44
Twilight Litaka	327	Sensex	38
Shree Pacetronix	325		

*Nov 23, 2006 to Nov 23, 2007

period. Significantly, over the same period, larger pharma companies (with a market capitalisation of Rs 10,000 crore or more) have declined by 9 per cent on an average.

In fact, even mid-cap pharma stocks (market cap of Rs 2,500-10,000 crore) haven't fared too well. Just three of these stocks - Divi's Labora-

tories (158 per cent), Glenmark Pharmaceuticals (72 per cent) and Biocon (60 per cent) - managed to beat the Sensex.

However, investor fancy for small-cap pharma stocks wasn't driven by a favourable turn in their fortunes, because their earnings picture over the last two years has not been that great. Eleven out of the 38

small-cap companies that outperformed the Sensex have, in fact, recorded losses on a standalone basis in the recent year. But that hasn't deterred investors from betting on shares of companies such as Shree Pacetronix, Parenteral Drugs, Bharat Immunologicals, Ambalal Sarabhai and BDH Industries; these stocks gained 172-325 per cent.

While the smaller pharma companies did not report great numbers, their less fancied mid-sized peers have delivered reasonable profit growth. Net sales for the 13 mid-cap pharma companies grew by around 25 per cent, while net profits expanded by a robust 54 per cent over the

past 12 months. That the small-cap pharma stocks were available at throwaway prices could have swung the scales for them with investors.

Stocks that recorded the top-ten returns were each available for less than Rs 50 a year ago. Of the 38 stocks that outperformed Sensex, one-fourth was available for less than Rs 10 a year ago.

However, the flip side of this picture is that stocks that performed the worst during this period were also from this set. Over 40 small-cap companies have registered negative returns, giving company to investors in five mid-cap and three large-cap companies.