

Ticker Symbol: HITK

July 17, 2003

Current Data

Current Price	\$ 33.52
52-Week Range	50-6
Shares Out (Mill)	7.4
Ave Volume LTM	232,784
Market Capitalization	\$ 249.3
LTD/Tot Cap	0.0%
Institutional Holdings	26.0%
Insider Buys-Sells	-9.0
Book Value	\$ 4.53

Valuation

P/E (Last FY)	45.92
P/B	7.40
Price/Sales	5.49
PEG (2003)	na

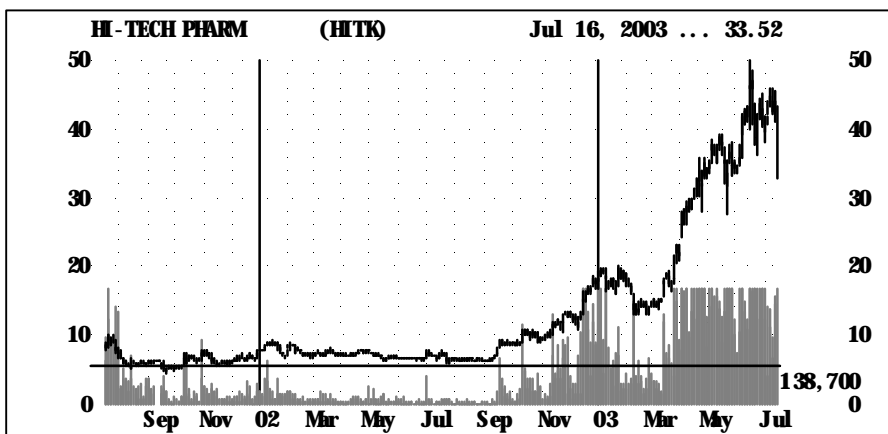
Operating Data

Sales Growth	14.0%
EBITDA Margin Growth	102.0%
Net Inc. Growth	91.10%

EPS-Cal yr.

2002	\$ 0.73
2003e	-
2004e	-

Stock Falls After FY03 Results: Sign of Bear Market?



Annual Results (FY-April)

	1999	2000	2001	2002	4/02	4/03
Sales (\$Million)	\$23.3	\$26.4	\$29.6	\$33.3	\$9.6	\$10.9
Gr Margin	49.4%	48.5%	52.7%	51.1%	52%	25%
EBITDA	19.7%	15.9%	17.9%	20.7%	27%	55%
EPS	\$0.25	\$0.36	\$0.47	\$0.74	\$0.13	\$0.24
LTD/Cap.	5.5%	3.1%	0.9%	0.4%	0.4%	0.0%
Times Int	16	28	40	57	na	na

Impact of 4Q03 Earnings Announcement

While operating results appear as strong as ever, the stock was down 21% (as of Wednesday's close) from Monday's close. During mid-day trading today, the stock was down an additional 12.47% (to \$29.34) from yesterday's close.

Operating Results

FY03 Sales increased 43% and EPS increased 54% to \$0.72 versus \$0.48 in 2002. Perhaps what spooked the market was that despite a 13.7% increase in sales, 4Q03 EPS was "only" \$0.16 versus \$0.15. The "downer" was that in eeh 4Q HITK incurred a non-cash \$362,000 charge (about \$0.03 per share) related to options granted in 2000/01. The concern may be that there may be more of these charges in future quarters which, despite being non-cash, will restrain future GAAP EPS growth.

Stock Performance

The most likely explanation for the stock's fall is profit-taking, and HITK may not be the only victim. HITK is still up 125% (mid-day price) from a low of \$13.05 set on 2/27/03. With an increasingly nervous market, its no wonder that some traders are taking profits. My concern is that HITK may not be the only "victim."

I have seen many other orphaned nano-cap stocks experience big rises during the last two months, many without research coverage. While this has been good for investors, it is evidence that the market is ahead of itself. HITK may still be undervalued on a fundamental basis, but the market knows a profit when it sees one and locking in a triple digit return is a good strategy in this market. The bigger risk is that this could also happen to many other stocks and the negative momentum could result in a relapse to a bear market.

-Rick Wayman, CFA (rwayman@researchstock.com)

Company Description

Hi-Tech Pharmaceutical Co., Inc. manufactures prescription, over-the-counter and nutritional products. The company markets its generic pharmaceuticals under the brand names H-T and RX Choice. It markets a line of branded products primarily for people with Diabetes, including Diabetic Tussin, DiabetiDerm, DiabetiSweet, DiabetiGest and DiabetiRinse. In addition, Hi-Tech markets other over-the-counter brands to the general healthcare marketplace under such brands as Kosher Care, Nasal Ease, and Soothing Comfort. The company's customers include chain drug stores, drug wholesalers, generic distributors, mass merchandisers, mail-order pharmacies and certain Federal government agencies.

Operating Data-LTM

Company	Symbol	Sales(MM)	Sales Growth	Gross Margin	EBITDA Margin	\$ Flow /Share	LT Dbt/ Tot Cap	ROE
HI-TECH PHARM	HITK	\$47	43%	52.0%	21.3	\$ 0.90	0.0	19.6
Peer Group Avg*		\$44	20%	52.1%	19.1	\$ 0.24	4.3	10.5
Industry Average		na	4%	na	31.6	\$ 19.41	19.0	36.1
Selected Peers								
CIMA LABS	CIMA	\$55	59%	51.4%	37.7	\$ 1.48	0.0	8.7
DISCOVERY PARTNERS	DPII	\$44	6%	40.9%	-	\$ (0.17)	0.0	-
DRAXIS HEALTH	DRAX	\$39	1%	-14.7%	-	\$ (0.03)	25.0	11.3

Valuation Data

	Price	CY P/E			Price/			
		2002	2003e	2004e	\$ Flow	Sales	Book	
HI-TECH PHARM	HITK	\$33.52	45.7	-	-	37.2	5.3	7.4
Peer Group Avg*		\$14.32	78.8	50.0	37.6	53.9	5.3	5.9
Industry Average		\$350.57	21.9	19.9	17.3	18.1	4.1	6.9
Selected Peers								
CIMA LABS	CIMA	\$28.11	22.0	25.6	22.5	19.0	7.3	1.9
DISCOVERY PARTNERS	DPII	\$5.23	-	130.8	87.2	-	2.9	1.3
DRAXIS HEALTH	DRAX	\$2.08	29.7	23.1	18.9	-	2.0	2.8

*Peer Group includes companies with LTM sales between \$35 to \$45 million.

Source: Baseline

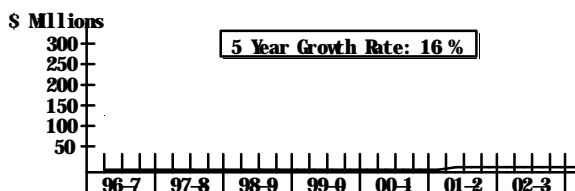
Price Performance

	TKR	Last Close	3 mos.	6 mos.	YTD	LTM
HI-TECH PHARM	HITK	\$33.52	10.8	93.4	96.0	381.1
Peer Average		\$11.81	54.5	40.9	48.9	5.1
S&P 500	SPX	\$994.00	13.0	6.7	13.0	10.3
NASDAQ 100 TR UNIT	QQQ	\$32.16	22.7	18.8	32.0	27.7
Peer Group						
CIMA LABS	CIMA	\$28.11	27.3	1.5	16.2	24.3
DISCOVERY PARTNERS	DPII	\$5.23	82.2	77.9	88.1	4.2
DRAXIS HEALTH	DRAX	\$2.08	54.1	43.4	42.5	-13.3

Source: Baseline

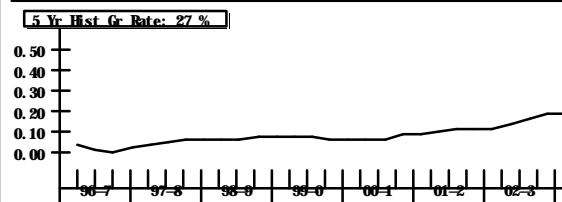
HI - TECH PHARM(HITK)

Revenues - 4 Quarter Moving Average



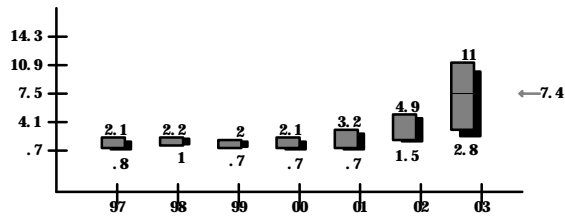
HI - TECH PHARM(HITK)

Earnings - 4 Quarter Moving Average



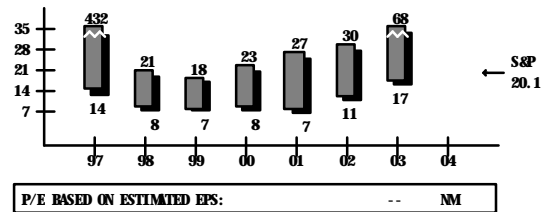
HI - TECH PHARM(HITK)

Price to Book



HI - TECH PHARM(HITK)

P/E Range



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