

# Emcure Pharmaceuticals Limited

Pharmaceuticals | India

IPO | 02 July 2024



## About the Company

Emcure Pharmaceuticals Limited (EPL) is the 13th largest pharmaceutical company in India in terms of domestic sales for MAT FY24 engaged in developing, manufacturing & globally marketing a broad range of pharmaceutical products. EPL is the largest company in the gynecology and HIV therapeutic areas in terms of domestic sales for MAT FY24. EPL operates through its 13 manufacturing facilities across the various states capable of producing pharmaceutical products of a wide range of dosage forms, including oral solids, oral liquids, injectables, including complex injectable products.

## Diversified revenues and strong brands

EPL has a balanced revenue with 48.3% from the domestic market while the balance from exports serving to more than 70 countries. EPL has outgrown IPM across acute and chronic with a strong position in a number of therapeutic areas with an outperformance of 1.20x. EPL has a strong focus on growing women's healthcare market in India. We are a market leader in the gynecology therapeutic area in the IPM, where being ranked 1st and have a 13.53% market share in terms of domestic sales for MAT FY24, and our market share was 1.70 times the market share of our next largest competitor in this therapeutic area in the IPM. EPL has six brands ranked among the 300 highest selling brands in the IPM market for FY24.

## Healthy Growth Trends

The Indian domestic formulations segment is expected to grow at 8-9% CAGR over the next five years from FY24 while acute and chronic segments are expected to grow by 8-9% CAGR as INDIA is expected to become one of the leading countries in the world in terms of spending on medicine over the next few years. EPL spends 4.6% on R&D as % of sales for FY24 as it has strong R&D capabilities driving a differentiated portfolio of products with an extensive and diversified manufacturing capacity developing multiple products on the platforms.

## R&D capabilities driving differentiated portfolio of products

EPL follows an R&D driven model with a differentiated product portfolio including orals, injectables & biotherapeutics with a strong presence in India, Europe, and Canada. EPL R&D efforts are focused towards (i) complex molecules, including highly complex APIs that require multi-step transformation, (ii) differentiated pharmaceutical formulations, in multiple dosage forms and novel drug delivery systems, which are capable of greater efficacy and better patient compliance, (iii) continuous product and process improvements to achieve better quality and productivity, and (iv) niche biotherapeutics formulations.

## Financials in Brief

On the financial front, revenue of the company has grown from 5855.4 Cr in FY22 to 6658.3 Cr in FY24. On the consolidated basis PAT has decreased from 702.6 Cr to 527.6 Cr for the same period. The PAT margins have decreased from 12% to 8% for the same period though the company was in a full invested mode in the FY24. The company's EPS has also decreased from 36.6 to 27.5 for the same time period but is expected to grow after the 4 new manufacturing facilities brought up in FY24 starts working with optimized capacities and more products for various verticals.

## Our View

EPL is one of the top companies in covered markets and market leader in gynecology therapeutic areas with a strong domestic and international presence. EPL will focus on pharmaceutical products used in chronic (including sub-chronic) therapeutic areas which are expected to register higher growth than acute therapeutic areas over the next five financial years. EPL significant investments in new manufacturing facilities and initiatives to increase sales force effectiveness will drive higher growth in the coming years building strong brands. With improving life expectancy, rising incidence of chronic diseases, and improving awareness will keep the domestic tailwinds stronger, deepening the international presence with a focused Go to market approach will improve the financial matrix over the years. **Hence, we recommend a SUBSCRIBE to the issue.**

### IPO Details

Price Band (Rs)	960-1008
Face Value (Rs)	10
Issue Open/Closing Date	3-July-24/5-July-24
Fresh Issues (Cr)	800.0
OFS (Cr)	1152
<b>Total Issue (Cr)</b>	<b>1952</b>
Minimum Bid Qty. (Nos)	14
QIB / HNI / Retail	50%/15%/35%
<b>Implied Market Cap (Rs Crs)*</b>	<b>19030</b>

\*At higher band

### Object of the Issue

- ▶ Repayment/Prepayment of all or a portion of borrowings.
- ▶ Investing in R&D and innovating more new products.
- ▶ General corporate purposes.

### Strengths

- ▶ Strong market presence in gynecology and HIV antivirals and significant growth driven by innovative products.
- ▶ Demonstrated capabilities with a proven track record of building brands.
- ▶ Large, Diversified and Fast-Growing product portfolio in international markets
- ▶ Strong R&D capabilities with 13 extensive manufacturing capacities
- ▶ Business led by a highly qualified, experienced management team and board.

### Key Risks

- ▶ Fluctuations in raw material prices and not able to manage inventory based on demand.
- ▶ Delay in ramp of production and capacity utilization from new plants.

### Key Financials

(Rs Crs)	FY22(12)	FY23(12)	FY24(12)
Revenue	5,855	5,986	6,658
EBITDA	1,393	1,221	1,277
EBITDA Margin (%)	23.8	20.4	19.2
PAT	703	562	528
PAT Margin (%)	12.0	9.4	7.9
EPS (Rs)	37.2	29.8	28.0
RoE (%)	33.2	21.2	16.9
RoCE (%)	29.7	22.0	19.4
Net Worth	1,988	2,501	2,952
Total Borrowings	2,103	2,202	2,092

Source: RHP

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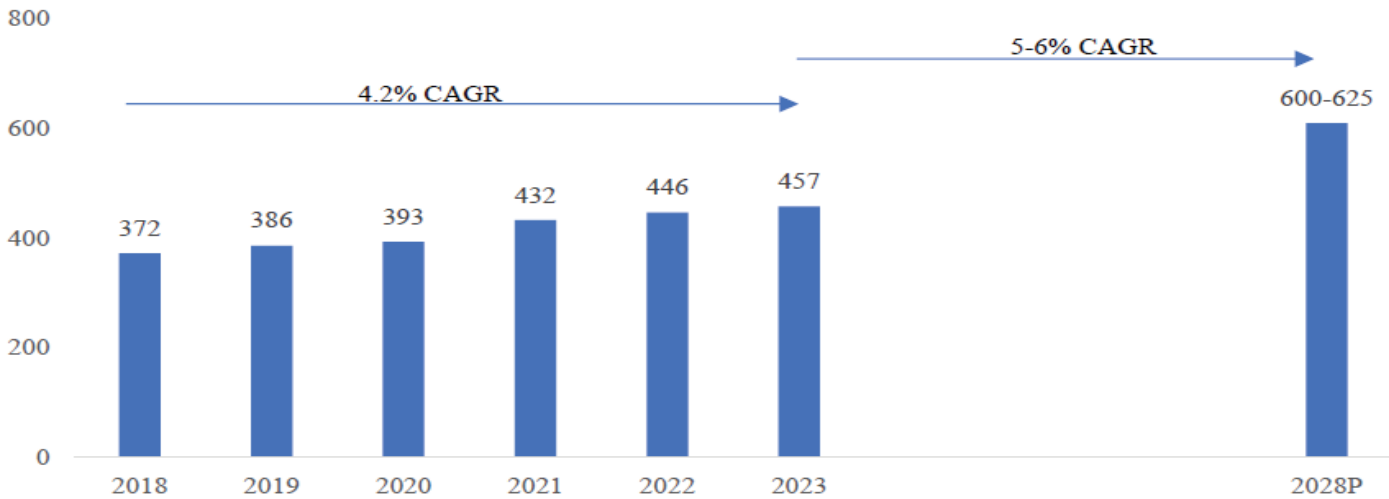
Email : vikas.i.jain@relianceada.com

Exhibit 1: Segmentation of global pharmaceutical market (2023)



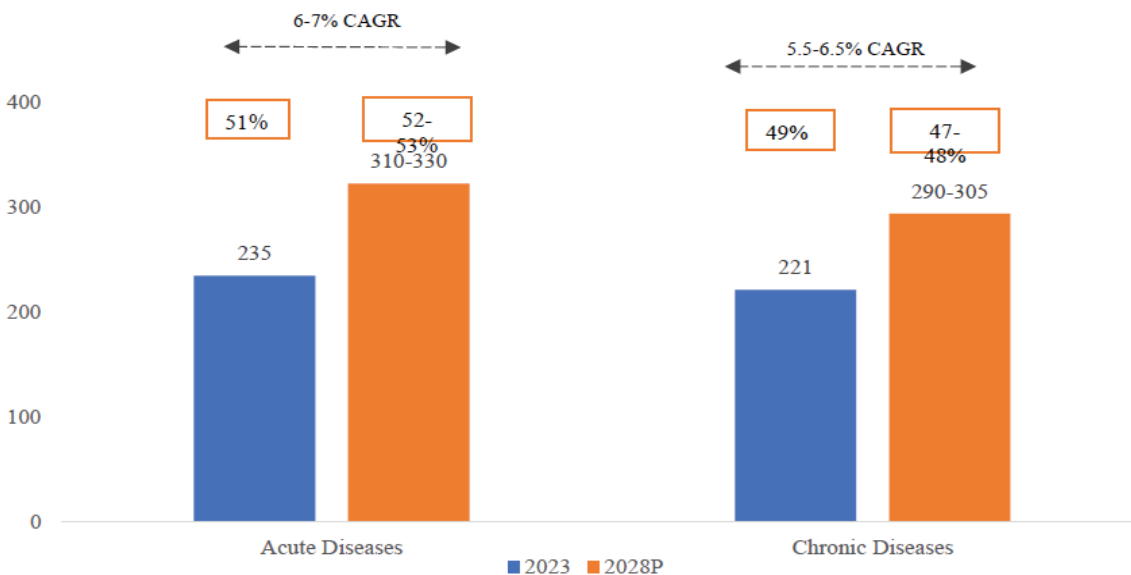
Source: RHP, CRISIL MI&A

Exhibit 2: Review and outlook on Rest of the World market



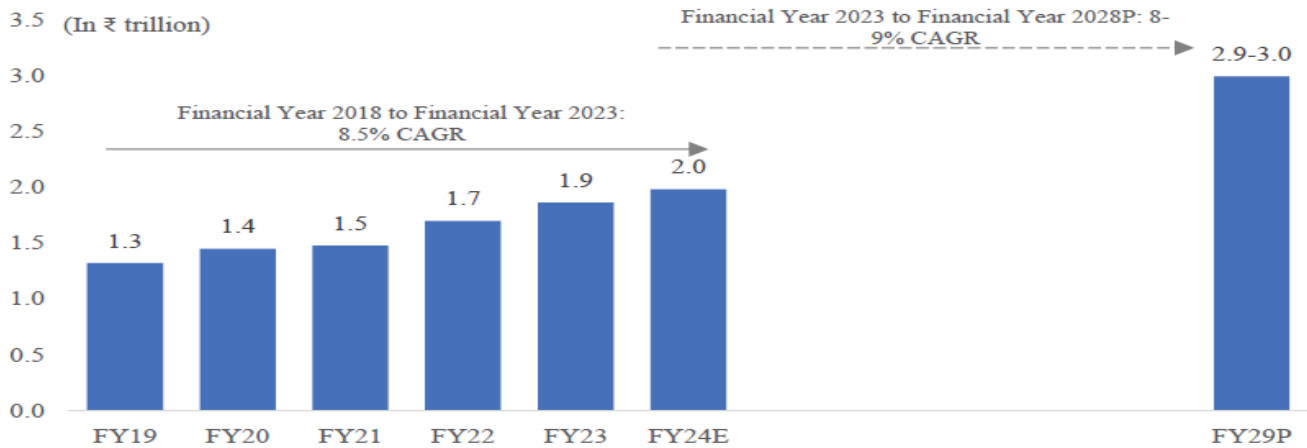
Source: RHP, CRISIL MI&A

Exhibit 3: Segmentation of Rest of World market based on acute versus chronic



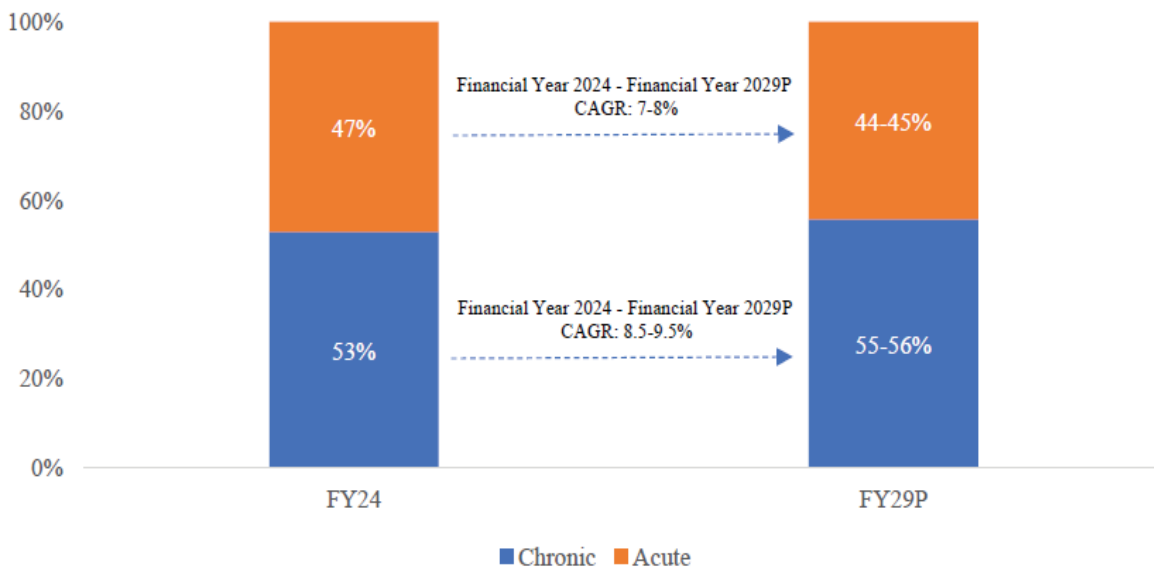
Source: RHP, CRISIL MI&A

Exhibit 4: Review and outlook of Indian domestic formulation market



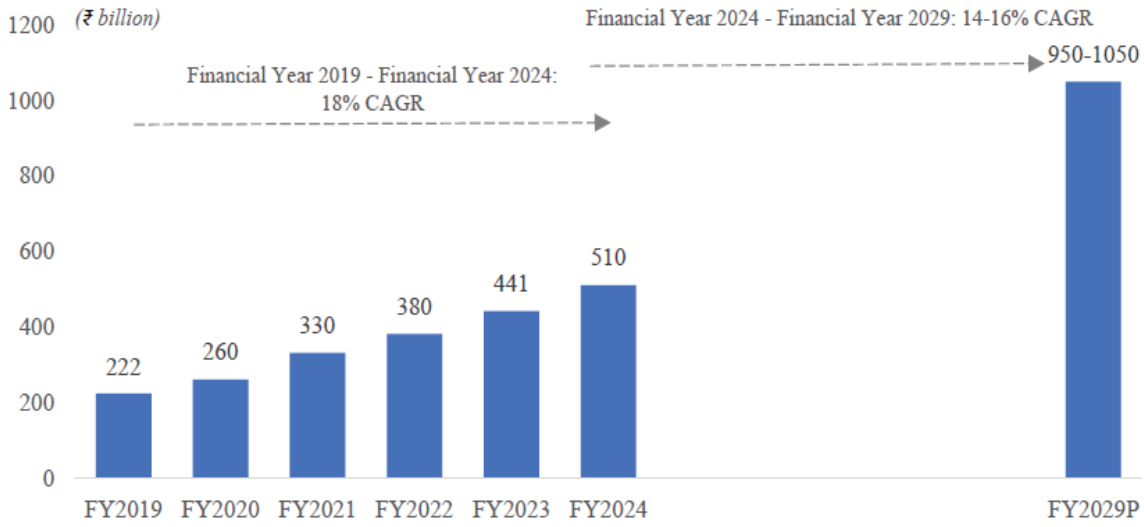
Source: RHP, AIOCD AWACS, CRISIL MI&A

Exhibit 5: Chronic versus acute split in Indian domestic formulation market



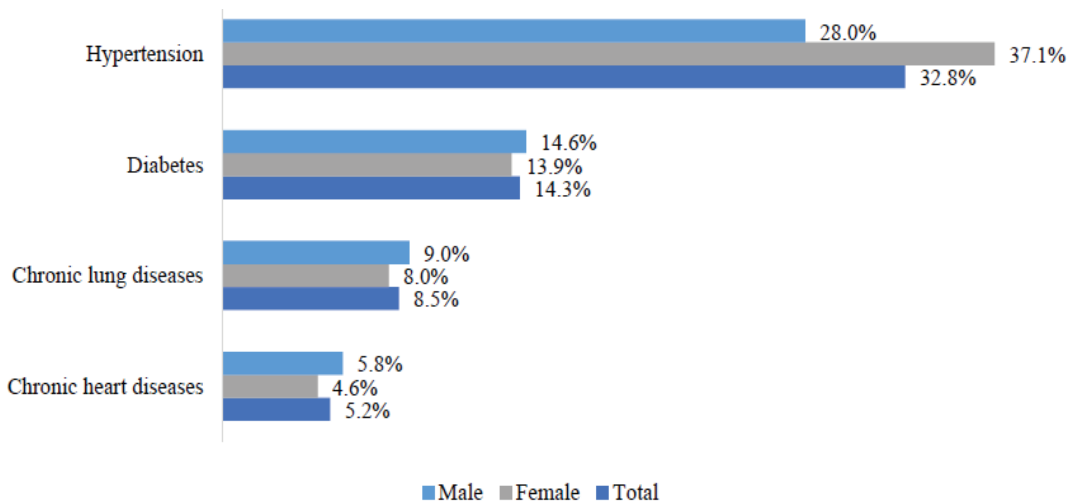
Source: RHP, CRISIL MI&A

Exhibit 6: InReview and outlook of Indian biopharmaceutical industry



Note: Market includes domestic and export sales of biopharmaceuticals  
 Source: RHP, CRISIL MI&A

Exhibit 7: Comparison of key health indicators for women’s health (Prevalence of major diseases)



Source: RHP, International Institute for Population Sciences, CRISIL MI&A

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