

Kuber Chauhan
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Issue Details

Issue Details	
Issue Size (Value in ₹ million, Upper Band)	19,520
Fresh Issue (No. of Shares in Lakhs)	79.2
Offer for Sale (No. of Shares in Lakhs)	114.3
Bid/Issue opens on	03-July-24
Bid/Issue closes on	05-July-24
Face Value	Rs.10
Price Band	960-1008
Minimum Lot	14

Objects of the Issue

- **Fresh issue: ₹ 8,000 million**
Repayment and/or prepayment of all / portion of certain outstanding borrowings availed by the Company.
General corporate purposes.
- **Offer for sale: ₹ 11,520 million**

Book Running Lead Managers	
Axis Capital	
Kotak Mahindra Capital	
Jefferies India	
J.P Morgan India	
Registrar to the Offer	
Link Intime Pvt Limited	

Capital Structure (₹ million)	Aggregate Value
Authorized share capital	2500.0
Subscribed paid up capital (Pre-Offer)	1811.5
Paid up capital (post-Offer)	1890.9

Share Holding Pattern %	Pre-Issue	Post Issue
Promoters & Promoter group	83.2%	78.24%
Public - Selling Shareholders	16.8%	7.37%
Public - Others	-	14.39%
Total	100%	100%

Financials

Particulars (₹ In million)	FY24	FY23	FY22
Revenue from operations	66,583	59,858	58,554
Operating expenses	54,285	48,046	45,255
EBITDA	12,297	11,812	13,299
Other Income	570	459	635
Depreciation	3,124	2,601	2,449
EBIT	9,743	9,670	11,485
Interest	2,371	2,136	1,760
PBT	7,372	7,534	9,725
Exceptional items	99	61	-
Tax	1,997	1,854	2,700
PAT	5,276	5,618	7,026
Ratios	FY24	FY23	FY22
EBITDAM	18.47%	19.73%	22.71%
PATM	7.92%	9.39%	12.00%
Sales growth	11.23%	2.23%	NA

Company Description

The Company was incorporated as 'Emcure Pharmaceuticals Pvt Ltd' in 1981. Subsequently, the Company was converted into a public company and the name of the Company was changed to 'Emcure Pharmaceuticals Ltd', in 2001. Emcure Pharmaceuticals is engaged in developing, manufacturing and globally marketing a broad range of pharmaceutical products across several major therapeutic areas.

The company is a research and development driven company with a differentiated product portfolio including orals, injectables and biotherapeutics. The company is focused on pharmaceutical products used in chronic (including sub-chronic) therapeutic areas.

Emcure Pharmaceuticals is the 13th largest pharmaceutical company in India in terms of Domestic Sales for Moving Annual Total (MAT) FY24, and the 4th largest pharmaceutical company by market share in its Covered Markets in terms of Domestic Sales for MAT FY24. Further, the company is the largest pharmaceutical company in the gynecology and human immunodeficiency virus ("HIV") antivirals therapeutic areas in India in terms of Domestic Sales for MAT FY24.

As of March 31, 2024, the company had filed over 1,800 dossiers globally including 209 in the European Union and 142 in Canada. Further, as of March 31, 2024, the company had been granted 220 patents and had 30 pending patent applications in several countries and had submitted 102 drug master files ("DMFs") for APIs with the U.S. Food and Drug Administration ("USFDA").

Emcure Pharmaceuticals has a strong focus in the women's healthcare market, and it is a market leader in the gynecology therapeutic area in the IPM, with a 13.53% market share, in terms of Domestic Sales for MAT FY24. The company's market share was 1.70 times the market share of the next largest competitor in this therapeutic area in the IPM.

The company has 13 manufacturing facilities across the states of Maharashtra, Gujarat, Sikkim and Karnataka and the union territory of Jammu and Kashmir, in India. The company's facilities are capable of producing pharmaceutical products of a wide range of dosage forms, including oral solids, oral liquids, injectables, including complex injectables such as liposomal and lyophilized injectables, biotherapeutics and complex APIs, including chiral molecules, iron molecules and cytotoxic products.

The company has invested domestically as well as internationally in establishing new manufacturing facilities and for strategic acquisitions. During the past Financial Years, the total Capital expenditure incurred amounted to ₹ 1,148.74 Cr.

Valuation & Outlook

Emcure Pharmaceuticals is engaged in developing, manufacturing and globally marketing a broad range of pharmaceutical products across several major therapeutic areas. The company is a research and development driven company with a differentiated product portfolio including orals, injectables and biotherapeutics, which has enabled the company to reach a range of target markets across over 70 countries, with a strong presence in India, Europe and Canada.

On the valuation front, at an upper band, company is fairly priced at P/E of 36x post issue of equity shares on FY24 earning basis. We believe that the company has a scope of business improvement on the back of industry tailwinds and business scalability.

Thus, we recommend an "SUBSCRIBE - long term" rating to the IPO.

Company's Operations

Emcure Pharmaceuticals is engaged in developing, manufacturing and globally marketing a broad range of pharmaceutical products across several major therapeutic areas. The company is a research and development driven company with a differentiated product portfolio including orals, injectables and biotherapeutics. The company is focused on pharmaceutical products used in chronic (including sub-chronic) therapeutic areas. The company has a strong presence in India, Europe and Canada and target market is spread over 70 countries.

Emcure Pharmaceuticals is the 13th largest pharmaceutical company in India in terms of Domestic Sales for Moving Annual Total (MAT) FY24, and the 4th largest pharmaceutical company by market share in its Covered Markets in terms of Domestic Sales for MAT FY24. Further, the company is the largest pharmaceutical company in the gynecology and human immunodeficiency virus ("HIV") antivirals therapeutic areas in India in terms of Domestic Sales for MAT FY24.

Emcure Pharmaceuticals' India sales contributed 48.28% of its total revenue from operations for the FY24. Between MAT FY20 and MAT FY24, the company's Domestic Sales grew at a CAGR of 9.73%, outperforming the Indian pharmaceutical market. The company had a Covered Market presence of 52.66% of the IPM in terms of Domestic Sales for MAT FY24.

The company believes that it derives competitive advantage in the domestic market due to its differentiated product portfolio, which has allowed the company to establish its presence in most of the major therapeutic areas, including gynecology, cardiovascular, vitamins, minerals and nutrients, HIV antivirals, blood-related and oncology/antineoplastics.

Sales of the company's iron, chiral, biotherapeutics, injectables and photo-chemistry products contributed to 52.97% of its revenue from sales in India for the FY24, demonstrating the company's approach towards establishing a differentiated product portfolio. The company is focused on pharmaceutical products used in chronic (including sub-chronic) therapeutic areas.

The company also sells its portfolio of differentiated products internationally in 70+ countries. The company has established an international presence by either developing its own front-end distribution capabilities or focusing on alliances with local and MNCs that have an established presence in the therapeutic areas of the company's focus. The company's sales outside India contributed to 51.72% of its total revenue from operations for the FY24. Moreover, the company's exports grew at a CAGR of 19.51%, outperforming the overall Indian pharmaceutical exports, which grew at a CAGR of 12.21% during FY20-24.

The company's core strength is the ability to research, develop and manufacture in-house specialty pharmaceutical products for high-growth therapeutic areas, for which there is limited competition and high barriers to entry. As of March 31, 2024, the company had a team of 548 qualified scientists and 5 dedicated R&D facilities in India. As of March 31, 2024, the company had filed over 1,800 dossiers globally including 209 in the European Union and 142 in Canada. Further, as of March 31, 2024, the company had been granted 220 patents and had 30 pending patent applications in several countries and had submitted 102 drug master files ("DMFs") for APIs with the U.S. Food and Drug Administration ("USFDA").

The company has 13 manufacturing facilities across India, capable of producing pharmaceutical and biopharmaceutical products across a wide range of dosage forms, including oral solids, oral liquids, injectables, including liposomal and lyophilized injectables, biotherapeutics and complex APIs, including chiral molecules, iron molecules and cytotoxic products.

The company has invested domestically as well as internationally in establishing new manufacturing facilities and for strategic acquisitions. During the past 3 Financial Years, the total Capital expenditure incurred amounted to ₹ 1,148.74 Cr.

Particulars	FY24	FY23	FY22
Sales in India	48.28%	53.16%	54.73%
Sales outside India	51.72%	46.84%	45.27%
Europe	21.38%	19.84%	15.32%
North America	13.94%	12.91%	11.60%
Other continents	16.40%	14.81%	18.35%
Revenue from operations	100%	100%	100%

Products and services

Domestic Business: In India, the company focused on chronic (including sub-chronic) therapeutic areas, such as the gynecology, cardiovascular, oncology/anti-neoplastics, HIV, blood-related therapeutic areas.

Gynecology: The gynecology portfolio includes Hematinics and Iron combinations, Progestogen and similar combinations. The key brands in the gynecology therapeutic area include Orofer-XT, Orofer-FCM, Orofer-S, Ferium-XT, Feronia, Galact and Emprogest. One of the other key brands in the gynecology therapeutic area is a Dydrogesterone product under the brand Dydrofem, which treats female infertility and relieves various menstrual related problems. The company ranked 1st in the gynecology therapeutic area in terms of Domestic Sales for MAT FY24.

Cardiovascular: The cardiovascular portfolio includes chiral pure molecules, calcium channel blockers, beta blockers, anti-hypersensitive combinations, statins, anti-coagulants and diuretic combinations. The key brands in the cardiovascular therapeutic area include Metpure, Eslo, Elaxim, Lomoh and Asomex. The newest launches in the cardiovascular therapeutic area include Rivaroxaban, an anticoagulant medication used to treat and prevent blood clots, Efnocar, a calcium channel blocker used to manage hypertension, and Exduo, a combination medicine used to treat heart failure. The company was ranked 11th in the cardiovascular therapeutic area in terms of Domestic Sales for MAT Financial Year 2024

Anti-infectives: The anti-infectives portfolio comprises cephalosporins and ampicillin (also known as amocycillin). The key brands in the anti-infectives therapeutic area include Zostum, Augpen, Merotec, Tazotum and Scavista. The company was ranked 13th in the anti-infectives therapeutic area in terms of Domestic Sales for MAT Financial Year 2024. (Source: CRISIL Report).

Vitamins, minerals and nutrients: The vitamins, minerals and nutrients portfolio includes multi-vitamins with nutrients, metabolites and protein supplements. The key brands in the vitamins, minerals and nutrients therapeutic area include Bevon, Zinconia, Coralium D3, Zu-C 500 and Vitanova. The company was ranked 8th in the vitamins, minerals and nutrients therapeutic area in terms of Domestic Sales for MAT Financial Year 2024.

HIV antivirals: The HIV portfolio comprises antiretrovirals. The key brands in the HIV antivirals therapeutic area include Spegra, Instgra, Vonavir, Viropil and Atazor-R. The company was ranked 1st in the HIV antivirals therapeutic area in terms of Domestic Sales for MAT Financial Year 2024.

Respiratory: The respiratory portfolio includes cold preparations, cough preparations and antihistamines. The company ranked 11th in the respiratory therapeutic area in terms of Domestic Sales for MAT Financial Year 2024. The key brands in the respiratory therapeutic area include Maxtra and Soventus.

Gastrointestinal: The gastrointestinal portfolio includes anti-peptic ulcerants, ofloxacin combinations, laxatives. The key brands in the gastrointestinal therapeutic area include Maxiliv, Zoreso-D and EvaNew, Lornit and Ursomax. The gastrointestinal therapeutic area is a relatively new focus area for us, and the company were ranked 19th in the gastrointestinal therapeutic area in terms of Domestic Sales for MAT FY24.

Pain and analgesics: The pain and analgesics portfolio includes anti-rheumatic, anti-osteoporosis, muscle relaxants. The key brands in the pain and analgesics therapeutic area include Emanzen, Proxym and Myotop. The company was ranked 16th in the pain and analgesics therapeutic area in terms of Domestic Sales for MAT FY24.

Blood-related: The company's blood-related portfolio includes antifibrinolytics and Erythropoietin. The key brands in the blood-related therapeutic area include Pause, Vintor, Sylate and Eporise. The company was ranked 2nd in the blood-related therapeutic area in terms of Domestic Sales for MAT Financial Year 2024.

Oncology/Anti-neoplastics: The oncology/anti-neoplastics portfolio comprises key injectable molecules such as Filgrastim, Peg-Filgrastim, Pegaspargase, Oxaliplatin. The key brands in the oncology/anti-neoplastics therapeutic area include Oxa, Citafine, Xgrast, Hamsyl and Emgrast. The company was ranked 6th in the oncology/antineoplastics therapeutic area in terms of Domestic Sales for MAT Financial Year 2024 .

Anti-diabetic: The anti-diabetic portfolio comprises oral anti-diabetic products which include key molecules such as Glimepride (Plain and Metformin combination) and Vildagliptin (plain and metformin combination). The recent launches in the anti-diabetic therapeutic area include Hosit-FCM, an iron replacement injection, and Emsita and Emildap, both of which are used to treat type 2 diabetes. The key brands in the anti-diabetic therapeutic area include Vylda, Vylda M and XiLia.

Hormones: The hormones portfolio comprises oral hormonal products which include key molecules such as Deflazacort, Teriparatide and Cetorelix. The key brands in the hormones therapeutic area include Cortimax, Osteri and Ciscure. The company was ranked 7th in the hormones therapeutic area in terms of Domestic Sales for MAT Financial Year 2024.

Neurology/CNS: The company's neurology/CNS portfolio includes a third generation thrombolytic Tenecteplase to treat Acute Ischemic Stroke as a second indication, for which the company hold the global patent.

International Markets

In addition to India, the company also sell products internationally in over 70 countries as of March 31, 2024, with Europe and Canada as its primary international markets. The have made strategic acquisitions of companies such as Marcan in Canada in 2015 and Tillomed Laboratories in the United Kingdom in 2014.

In Canada, the company sells a range of differentiated products through its own front-end distribution capabilities. As of March 31, 2024, the company had filed 142 products for regulatory approval in Canada, of which 120 have been approved and 105 have been launched.

In Europe, the company has grown its presence in both the retail and hospital segments; the company distributes its products through its own front-end capabilities as well as through partnerships. As of March 31, 2024, the company had filed 209 products for regulatory approval in Europe, of which 186 have been approved and 122 have been launched.

As of March 31, 2024, the company had a sales team of 253 personnel for the international markets. The company has established subsidiaries, including in Italy, Dubai, South Africa, Peru, Mexico, Germany, Brazil, the Philippines, Kenya, Nigeria, Canada, the United Kingdom, Spain, Malta, France, Chile, Australia and the Dominican Republic, which play an important role in liaising and managing the operations in these markets.

Product offerings

The company offers two types of products, namely formulations and APIs. For FY 2024, 2023 and 2022, a substantial portion of the revenue was attributable to sales of formulations.

	FY24	FY23	FY22
Formulations:			
General products	40.13%	34.24%	31.20%
Branded products	52.84%	56.54%	60.11%
Branded patented products	2.76%	3.86%	4.57%
API's	4.27%	5.36%	4.12%
Revenue from operations	100%	100%	100%

Solid orals: The company manufactures a significant amount of tablets annually as well as a wide range of dissolvable and chewable tablets and capsules with a focus on controlled release.

Oral liquids: The company has dedicated liquid manufacturing lines that are equipped with manufacturing blocks for the production of dry syrups such as beta lactam and cephalosporin antibiotics.

Injectables: The company manufactures injectable products in different packaging formats, such as vials and pre-filled syringes, and forms, such as lyophilized, liquid and sterile powder fill.

Active Pharmaceutical Ingredients

The company develops, manufactures and markets non-commoditized APIs. As of March 31, 2024, the company had a total of 62 commercialized APIs. Going forward, the company plans to scale its API product offerings. As the company manufactures a wide range of APIs predominantly for use in manufacturing of pharmaceutical products, the company is able to use its own APIs in the manufacturing of its pharmaceutical products.

Strengths

➤ **Large, Diversified and Fast-Growing Product Portfolio in International Markets**

The company has grown its presence in new markets through inorganic expansions. The company's sales outside India contributed to 51.72% of the total revenue from operations for the FY24, and no single geography outside of India, Europe and Canada accounted for more than 5.00% of the revenue from operations for each of the financial years 2024, 2023 and 2022. The company's product portfolio in the international markets comprises a mix of specialty branded generics, injectables and generic products.

The company acquired Marcan Pharmaceuticals Inc. in Canada in 2015 and Tillomed Laboratories Ltd in UK in 2014. Post acquiring Tillomed Laboratories, the company has grown portfolio from 2 products in 2014 to 150 products in 2024, in the retail and hospital segments. Moreover, in November 2023, Marcan acquired a majority stake in Mantra Pharma Inc. ("Mantra"), a Canada-based company engaged in the sale and distribution of pharmaceutical finished formulation products, natural health products and medical devices, primarily in the Quebec region of Canada.

The company has also launched its biotherapeutic products and chirally pure products in many countries, including Brazil, Mexico, Russia, Algeria, Saudi Arabia and South Korea. Between the FY 2022 to 2024, the company's revenue from sales outside India grew at a CAGR of 13.97% from ₹ 2,650.72 Cr to ₹ 3,443.35 Cr.

➤ **Extensive and Diversified Manufacturing Capacity**

Emcure Pharmaceuticals started as a contract development and manufacturing organization ("CDMO") business catering to MNCs, which has helped the company to handle complex manufacturing processes at scale. The company has 13 manufacturing facilities across the states of Maharashtra, Gujarat, Sikkim and Karnataka and the union territory of Jammu and Kashmir, in India. The company's facilities are capable of producing pharmaceutical products of a wide range of dosage forms, including oral solids, oral liquids, injectables, including complex injectables such as liposomal and lyophilized injectables, biotherapeutics and complex APIs, including chiral molecules, iron molecules and cytotoxic products. Further, the company is subject to audits by regulators, including the USFDA, the United Kingdom's Medicines and Healthcare Products Regulatory Agency ("U.K. MHRA"), the Health Product Compliance Directorate of Canada ("Health Canada") and the European Directorate for the Quality of Medicines & HealthCare ("EDQM"), among others. The company has been found to be in compliance with the standards of such regulators.

➤ **Experienced and Entrepreneurial Management Team and Board**

The company's business and operations are led by a qualified, experienced and capable management team, who come from diverse backgrounds and various fields of expertise, comprising scientists, engineers, finance professionals, lawyers and management school graduates. The company also has experienced professionals leading various key aspects of the business. In addition, the company is led by a diverse and experienced Board of Directors, having diverse experience across R&D, pharmaceutical sciences, organic chemistry, business development, organization building, management, finance, legal, taxation, mergers and acquisitions, international business, risk management, and social and governance.

➤ **Strong R&D capabilities driving differentiated portfolio of products**

The company has strong in-house R&D expertise through which it has developed a differentiated portfolio of pharmaceutical products that gives the company a competitive advantage in the markets in which the company operates. The company's R&D strategy is to establish differentiated technology platforms and once established, develop multiple products on the platforms. Out of the 5 R&D facilities, 3 facilities are focused on formulations research, 1 facility is focused on API research and 1 facility is focused on biopharmaceuticals research. As of March 31, 2024, the company had 548 qualified scientists, of which 11 are post doctorates, 48 hold Ph.Ds, 391 are post graduates, and the remaining are graduates. As of March 31, 2024, the company has been granted 220 patents and had 30 pending patent applications in several countries and had submitted 102 DMFs for APIs with the USFDA. Further, due to the company's differentiated portfolio, it benefits from having limited exposure to the Government of India's National List of Essential Medicines, 2022 ("NLEM"), which imposes price controls of certain pharmaceutical products, and only 17.39% of the company's domestic sales for MAT FY24 was attributed to sales of products listed on the NLEM. The following are the highlights of R&D operations:

Complex molecules: The company has a portfolio of 9 chiral molecules, of which 6 were the first to be launched in India. Additionally, the company has developed and commercialized complex generic APIs in the domestic market. The company is also working on advancing its photo-chemistry technology and has developed and commercialized Dydrogesterone using this technology.

Differentiated pharmaceutical formulations: The company has successfully commercialized multiple oncology products, which requires a 45-step synthesis process. The company was also the first to launch chemotherapy drug used to treat ovarian cancer, in India. The company has launched complex injectables, such as Carmustine, a chemotherapy drug used to treat brain tumors, in the international markets. The company was the first in India to launch Instgra and Spegra in the Dolutegravir molecule, for the treatment of HIV.

Continuous product and process improvements: The company has developed and optimized new manufacturing processes for antiretroviral APIs, which has allowed the company to reduce its production costs and supply such APIs at more competitive prices.

Niche biotherapeutic formulations: The company has developed its own microbial and mammalian-based platforms, through which it has developed the portfolio of 6 commercialized biologics products in the Indian domestic formulation market

Key Strategies

➤ Deepen and expand the international presence with a focused go-to-market approach

As of March 31, 2024, the company was present in a total of 19 therapeutic areas and sells and markets its products in 70 countries. The company has 1,800 dossiers globally for products offered through differentiated product platforms, such as chiral molecules, complex chemistry products, complex injectables including liposomal and lyophilized injectables, extended release, iron molecules and biotherapeutics products. The company plans to increase its sales in all its target international markets by registering more of its products and increasing its customer penetration, through either developing its own on-the-ground sales force or establishing partnerships, in these markets.

➤ Increase the market share in the domestic market

The Indian domestic formulations market is expected to grow at a CAGR of approximately 8-9% over the next 5 years and reach ₹ 2.9 -₹ 3.0 trillion in the FY 2029, led by strong demand from the rising incidence of chronic diseases as well as increased awareness and access to quality healthcare. The company plans to capitalize on the opportunity through investment in capabilities and growing the specialty product portfolio. The company will continue to consolidate its position and increase its market share in key and leading therapeutic areas, such as gynecology, cardiovascular, anti-infectives, HIV, blood-related, oncology/anti-neoplastics, hormones and vitamins, minerals and nutrients. The company plans to increase its Covered Market share by launching new products and leveraging its leadership position to penetrate the therapeutic areas. For the period between November 2023 to February 2024, 17.50% of prescribers in the IPM prescribed over 5 of the company's products, whereas 25%+ of prescribers in the IPM prescribed over 6 products for certain of the company's peers. The company plans to increase its domestic market share through developed and recognized brands, focused strategy on improving productivity, leading to better connectivity with doctors and patients and drive better growth and margins.

➤ Continue to invest in research & development and manufacturing capabilities to enhance and grow the differentiated product portfolio

The company has invested and plans to further invest towards (i) developing, and increasing the manufacturing capabilities for, novel drug delivery systems, and (ii) increasing the biotherapeutics manufacturing capabilities to facilitate the launch of new biotherapeutics in the global markets. The company plans to continue developing and increase manufacturing capabilities for novel drug delivery systems, including controlled release and high-potency injectables in lyophilized, nanoparticles, liposomal form, in-situ suspension, depot formulation, micro-sponges and lipid formulation. Further the company plan to continue developing its pipeline of biotherapeutics projects, which it plans to first launch in India and, subsequently, in various international markets. The company has already commercialized 6 in-house manufactured biotherapeutics through its microbial and mammalian-based platforms. Additionally, in the last 24 months, the company has begun commercial production at 4 manufacturing facilities and expanded manufacturing capacities of orals, injectables and biotherapeutics.

➤ Pursue Strategic Acquisitions, Partnerships and In-Licensing Arrangements

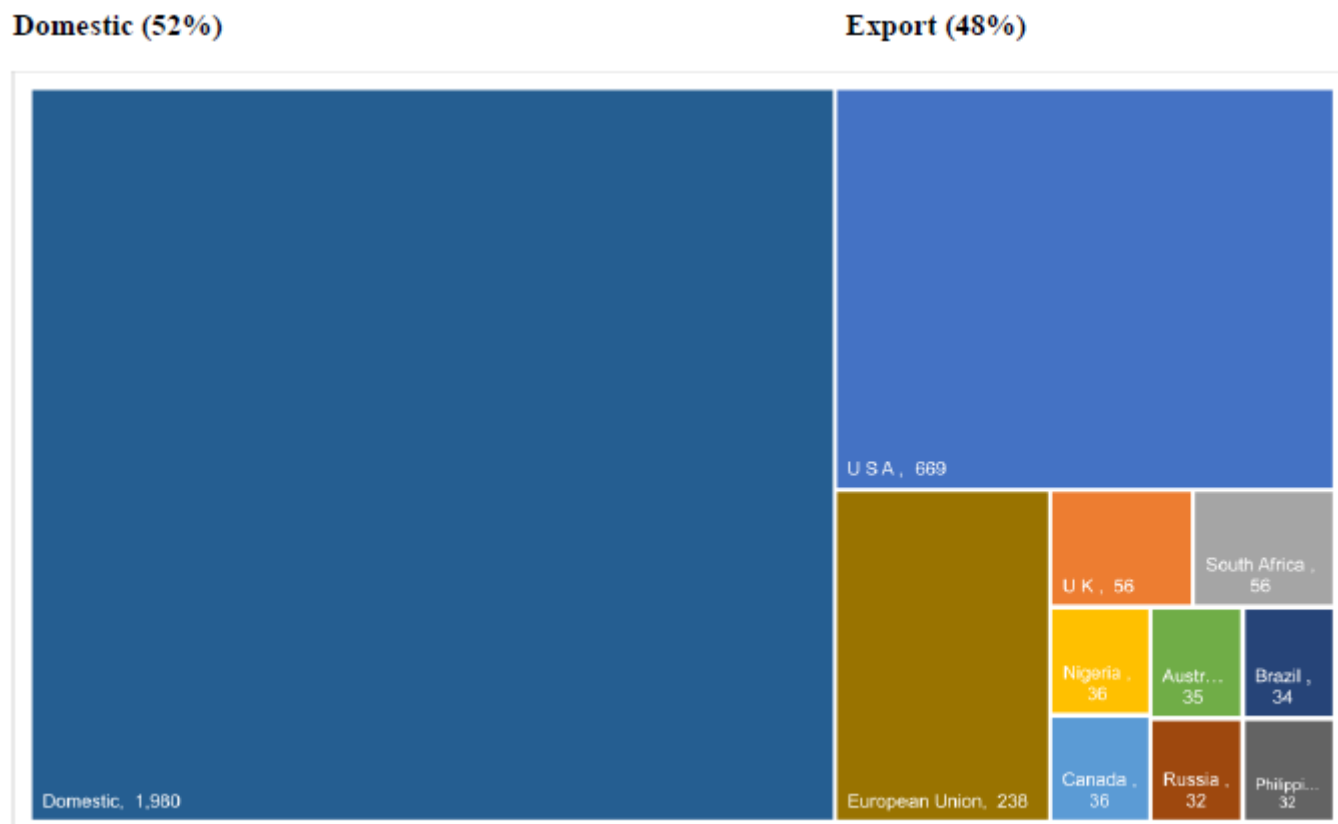
Emcure Pharmaceuticals has strategically acquired companies, such as Tillomed Laboratories in the UK in 2014 and Marcan in Canada in 2015. The company has recently strengthened its presence in Canada via acquisition of Mantra in November 2023. Further, on March 13, 2024, the company entered into agreements with Sanofi India Ltd and Sanofi Healthcare India Pvt Ltd to exclusively distribute and promote their products, which include brands such as Cardace, Clexane, Targocid, Lasix, Lasilactone, Cordarone, Plavix and Synvisc, in India. The company will continue to pursue strategic acquisitions of companies, products and facilities across key markets as well as in-license pharmaceutical products of other companies for key and focus therapeutic areas, to expand presence in existing markets and new markets.

Industry Snapshot

India's pharmaceutical market

The Indian pharmaceutical industry is the world's third largest by volume and was valued at ₹3.6-3.8 trillion (including bulk drugs and formulation exports) as of the Financial Year 2024. The industry can be broadly classified into formulations and bulk drugs. Formulations can further be divided into domestic formulations and export formulations, both having almost an equal share in the market. At present, low-value generic drugs constitute a large part of Indian exports. India accounts for approximately 3.5% of total drugs and medicines exported globally, and exports pharmaceuticals to more than 200 countries and territories, including highly regulated markets such as the US, the UK, the European Union and Canada. India has a complete ecosystem for the development and manufacturing of pharmaceuticals, with companies having state-of-the-art

facilities and skilled/ technical manpower. Moreover, the country has several renowned pharmaceutical educational and research institutes and a robust ecosystem of allied industries.



Note: Total exports from India in FY24 stood at ₹1,830 billion. The above chart only represents top 10 export destinations.
Source: Directorate General of Foreign Trade, CRISIL MI&A

India has witnessed significant growth in residential properties, especially mid end, high end, and luxury/premium properties, which clearly indicates a higher demand for holistic living among buyers. Share of luxury/premium properties has increased from 1.7% of the total housing sales/construction to 2.8% from Fiscal 2019 to Fiscal 2023 with a growth rate of 22%.

Overview and outlook of Indian domestic formulation market

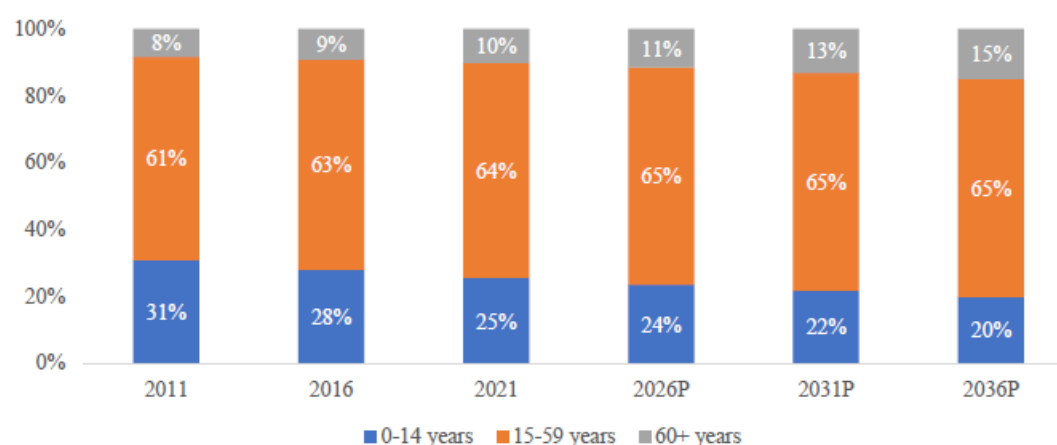
One of the key growth drivers for the Indian pharmaceutical industry is the increasing prevalence of noncommunicable diseases such as cardiovascular disease, stroke, cancer, diabetes and chronic lung diseases. The chronic segment in general is expected to grow at a CAGR of 8.5-9.5% from the Financial Year 2024 to the Financial Year 2029. In addition, a growing population and, in turn, growing demand for medicine generally, is expected to fuel the growth of the Indian pharmaceutical industry. India is expected to become one of the leading countries in the world in terms of spending on medicine over the next few years. Along with the abovementioned factors, favourable initiatives and schemes from the Government of India to encourage companies to manufacture ingredients domestically (PLI scheme) will also support the growth of the domestic pharmaceutical industry.

Key growth drivers for the Indian domestic formulation industry

With life expectancy improving and changing demographic profile, healthcare services a must

With improving life expectancy, the demographic of the country is also witnessing a change. As of 2011, nearly 8% of the Indian population was of 60 years or more, and this is expected to surge to 11% by 2026 and 13% by 2031. According to the Report on Status of Elderly in Select States of India, published by the UNFPA in September 2023, chronic ailments such as arthritis, hypertension, diabetes, asthma, and heart diseases were commonplace among the elderly, over 30% of the elderly women and 28% of the men suffered from one chronic morbid condition and nearly one-fourth (across both sexes) suffered from more than two morbid conditions. With the Indian population expected to grow to approximately 1.4 billion by 2026, it is imperative to ensure availability of healthcare services to this vast populace. This is expected to present substantial growth potential for the Indian domestic formulation industry.

Trend and outlook on age-group wise segmentation of Indian population



Source: Census, CRISIL MI&A

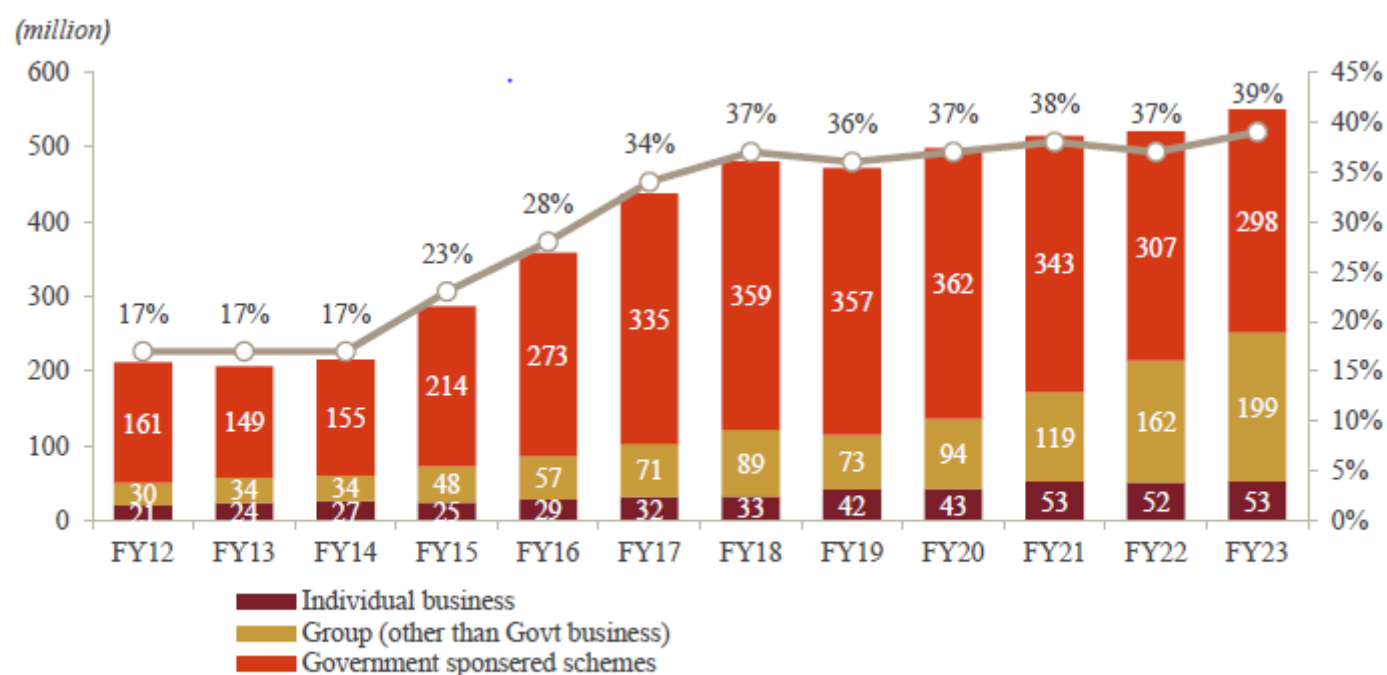
Growth in chronic segment to continue to boost growth in medium term with long term treatments and prescriptions

Chronic disease care drugs (meant to treat many non-communicable diseases) are seeing high growth rates. The treatment for chronic diseases requires medium to long term treatment where medical practitioners prescribe chain of prescriptions to treat these diseases. Also, with chronic diseases these prescriptions are used more frequently as pharmacies dispense these medications with network effect across the pharmaceutical supply chain. The rise in chronic diseases is primarily due to growth in the urban population, better awareness on healthcare, and greater penetration of services. Disability-adjusted life years lost for the Indian population reflect the shift in disease profile. The metric, published by the WHO, is the number of life years lost due to premature mortality plus the number of years lived with disability. The data indicates a rise in the number of life years lost due to noncommunicable diseases such as cancer, cardiovascular ailments, diabetes, and mental disorders between 2009 and 2019 in India. Conversely, life years lost due to diarrhoea, tuberculosis, and respiratory infections in India across the same period have dropped. CRISIL expects this shift in the disease profile to continue in the future.

Improvement in health insurance penetration in India

The health insurance penetration in India has seen improvement in recent years. As per the Insurance Regulatory and Development Authority ("IRDA"), nearly 550 million people have health insurance coverage in India (as of the Financial Year 2023), as compared to 288 million (as of the Financial Year 2015). Despite this robust growth, health insurance penetration in India stood at only 39% in the Financial Year 2023. With growing awareness for healthcare and government sponsored schemes, health insurance penetration in India is expected to reach approximately 46% in the Financial Year 2025. This is expected to aid growth in the overall healthcare industry in India.

Population-wise distribution amongst various insurance business (in million)



Note: Coverage represents insurance penetration levels in India, i.e., number of individuals covered.
Source: IRDA, CRISIL MI&A

Government or government-sponsored schemes such as the Central Government Health Scheme, Employee State Insurance Scheme, Rashtriya Swasthya Bima Yojana, Rajiv Arogyasri (Andhra Pradesh government), Kalaingar (Tamil Nadu government), and etc. account for 60% of health insurance coverage provided. The remaining is through commercial insurance providers, both government (Oriental Insurance, New India Assurance, etc.) and private (ICICI Lombard, Bajaj Allianz, etc.).

Accounting ratios

Particulars	FY24	FY23	FY22
Revenue from Operations	66,583	59,858	58,554
Growth in revenue from operations (%)	11.23	2.23	NA
Adj EBITDA	12,297	11,812	13,299
Adj EBITDA Margin (%)	18.47	19.73	22.71
Profit before tax	7,372	7,534	9,725
PAT/Net loss	5,276	5,618	7,026
PAT Margin (%)	7.92	9.39	12.00
ROE (%)	16.9	21.2	33.2

Comparison with listed entity

Name of the company	Latest FY	Face value	P/E	EPS (Basic) (₹)	EPS (Diluted) (₹)	RONW (%)	NAV per equity share (₹)
Emcure Pharmaceuticals Ltd	Consolidated	10	27.9*	27.54	27.54	16.87	163.22
Listed peers							
Dr. Reddy's Laboratories Ltd	Consolidated	5	19.0	335.22	335.22	19.74	1693.7
Cipla Ltd	Consolidated	2	28.0	51.05	51.05	15.43	330.7
Alkem Laboratories	Consolidated	2	31.3	150.19	150.19	17.41	862.4
Torrent Pharmaceuticals	Consolidated	5	58.8	48.94	48.94	24.15	202.5
Mankind Pharmaceuticals	Consolidated	1	46.8	47.75	47.75	20.43	233.7
Abbott India	Standalone	10	48.8	565.28	565.28	32.48	1740.7
JB Chemicals & India	Consolidated	1	50.7	35.66	35.66	18.9	188.37

Note: 1) P/E Ratio has been computed based on the closing market price of equity shares on NSE on Jul 1, 2024.

2) * P/E of company is calculated on EPS of FY24 and post issue no. of equity shares issued

Key Risks

- The company needs a significant amount of money for its working capital expenditure. The company has a capital-intensive business, and insufficient cash flows can prove to be a major threat to its operations.
- Dependency on third-party suppliers for the manufacturing of some of its products and delays on the supply end could also negatively impact the business.
- The company's inability to comply with quality standards can result in major product liability claims, the risk increases with the development of new products.
- The pharmaceutical company can be subject to regulatory action in case of quality control issues, damaging the company's reputation, business and financial condition.

Valuation & Outlook

Emcure Pharmaceuticals is engaged in developing, manufacturing and globally marketing a broad range of pharmaceutical products across several major therapeutic areas. The company is a research and development driven company with a differentiated product portfolio including orals, injectables and biotherapeutics, which has enabled the company to reach a range of target markets across over 70 countries, with a strong presence in India, Europe and Canada.

On the valuation front, at an upper band, company is fairly priced at P/E of 36x post issue of equity shares on FY24 earning basis. We believe that the company has a scope of business improvement on the back of industry tailwinds and business scalability.

Thus, we recommend an “**SUBSCRIBE – long term**” rating to the IPO.

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	Buy	Hold	Sell
Large Caps (Top 100 companies)	>15%	0%-15%	Below 0%
Mid-Caps (101st-250th company)	>20%	0%-20%	Below 0%
Small Caps (251st company onwards)	>25%	0%-25%	Below 0%

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