

Initiating Coverage

PHARMACEUTICALS



Pharmaceuticals

Domestic formulations sector: secular growth stories

The India Pharma Market (IPM) has maintained a steady ~10% CAGR from FY12 to FY23, despite various disruptions, driven mainly by volume expansion ranging between 5-10% during FY12-18, which subsequently tapered to 2-3% from FY19-23, primarily due to generic competition (FY22 growth was on a low base due to the COVID-19 pandemic). However, this deceleration in volume growth has been somewhat offset by 5-6% price growth annually, since FY19. We expect IPM growth to remain steady at 8-10% over the next few years, with companies boasting strong franchises and brands likely to see faster growth. This growth trajectory will be propelled by (1) continued price growth of 4-5%, (2) gradual volume growth and recovery in the acute segment, and (3) launches of new products. Similarly, leading companies are poised to surpass the IPM through strategies like M&As, expanding field forces, and new launches. We like domestically-focused companies due to their strong pricing power, better margins, and healthy cash reserves/RoCEs, which have led to a recent rerating among domestic peers. We consider the volume recovery in the IPM as a crucial earnings driver, essential for sustaining a premium over the Nifty index. Without it, additional earnings upgrades are unlikely. In light of these factors, we are initiating coverage with a BUY rating for ERIS (TP of INR 1,070) and an ADD rating for ALKEM (TP of INR 5,520), MANKIND (TP of INR 2,360), and TRP (TP of INR 2,970).

Domestic formulations resilient despite hurdles: Disruptions like demonetisation, GST, NLEM, FDC ban, and COVID notwithstanding, the IPM has steadily grown at ~10% CAGR in the last decade. This growth has been led by steady volume and price trends (three-year CAGR at ~10% and 9MFY24 growth at 8% YoY). Notably, recent growth recovery has been led by steady traction in the chronic, which outperformed IPM growth by ~1.3x, and recovery in the acute following a sluggish H1FY24.

Recent trends in domestic formulation promising: In the last 3-5 years, price hikes have been the main driver of IPM growth, likely to continue at 4-6%, on annual price hikes across the portfolio and minor increases in NLEM segment (muted WPI). The overall IPM volume growth was a bit erratic with three phases of growth: (1) a dip during COVID (in FY21), (2) a strong recovery in FY22, and (3) muted growth in FY23. However, in MAT Jan'24, volume growth was steady at ~3% YoY, as volume recovery in chronic was offset by muted volume in acute due to a weak seasonality (dips in anti-infectives, gastro, and pain), although the recent volume pick-up was positive. We monitor volume trends closely and remain positive on overall growth for the IPM.

Domestic formulation has an edge: Domestic formulations (forming 20-100% of company sales) offer a superior business model in the pharma sector. They consistently drive earnings with steady growth, higher return ratios, and strong cash flow. Key growth drivers for domestic-focused companies include: (1) developing flagship brands (sales of INR 500 mn to INR 2 bn), (2) expanding field force to tier 2/3 cities, (3) strategic M&As, and (4) foray into the wellness segment with an OTC focus.

Outlook and valuation: We expect domestic formulation to maintain a steady growth trajectory over the next few years, led by price increases, volume recovery, and new launches. This, coupled with the visibility of margin improvement, underscores a positive outlook for the industry. We initiate coverage with a (1) BUY for ERIS, given its steady growth (led by M&As, chronic focus) and margin improvement prospects and (2) an ADD for ALKEM, given its growth recovery in India (acute), leading to enhanced margin, MANKIND, based on its steady growth path (led by chronic scale-up) and an expected gradual improvement in margin, and TRP, based on its consistent growth in branded generics (~70+% of sales).

Coverage snapshot

YE March (INR bn)	Rec.	TP (Rs/share)	EPS CAGR FY23-26E	PE (x)		EV/EBITDA (x)	
				FY25E	FY26E	FY25E	FY26E
ALKEM	ADD	5,520	31	28.8	25.1	22.9	19.8
ERIS	BUY	1,070	15	25.9	20.7	13.5	11.8
MANKIND	ADD	2,360	24	39.1	32.9	28.8	24.7
TRP	ADD	2,970	28	43.4	34.4	24.1	20.9

Source: Companies, HSIE Research, Note: EPS adjusted for one-offs, Target price on FY26E EPS

YE March (INR bn)	Rec.	TP (Rs/share)
ALKEM	ADD	5,520
ERIS	BUY	1,070
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TRP	ADD	2,970

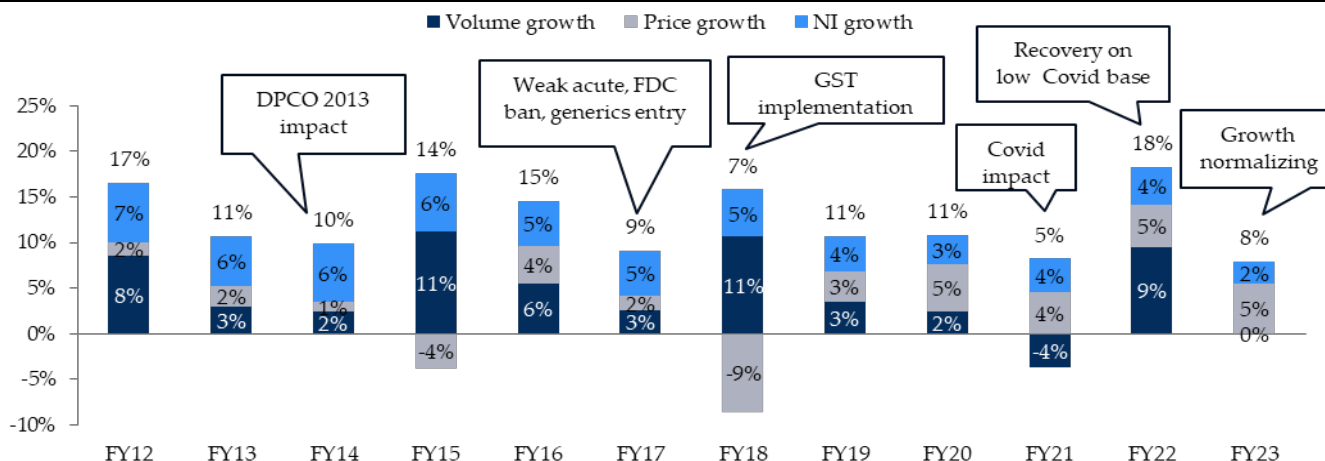
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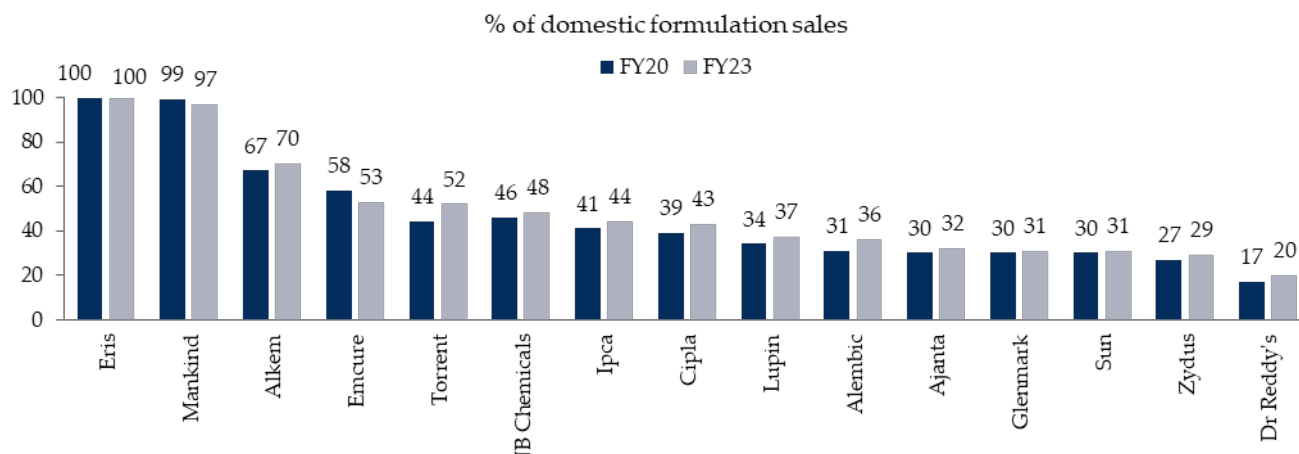
Key charts: Domestic formulation saw steady growth

Exhibit 1: Steady volume/price growth over last 10 years despite disruptions



Source: IQVIA, HSIE Research

Exhibit 2: Leading companies have 20-100% sales coming from domestic formulation business



Source: Companies, HSIE Research, Note: Emcure numbers are from DRHP filing

Exhibit 3: Chronic growth is steadier; acute segment to recover

Value YoY growth %	% FY23 share	FY20	FY21	FY22	FY23	9M'24	Q3'24	Jan-24
Cardiac	12%	12	13	11	9	10	9	12
Anti-Infectives	12%	13	(12)	35	6	7	9	2
Gastro Intestinal	11%	9	6	17	12	8	9	9
Anti Diabetic	9%	12	9	8	7	6	5	9
Respiratory	9%	15	(8)	44	7	5	5	1
Pain / Analgesics	8%	12	(1)	22	12	9	8	9
Vitamins/Minerals/Nutrients	8%	10	11	16	3	7	8	8
Derma	7%	9	6	10	6	6	3	7
Neuro / Cns	6%	10	10	11	12	9	9	8
Gynaec.	5%	9	3	16	16	6	6	7
IPM	100%	11	5	18	8	8	8	8

Source: IQVIA, HSIE Research

Key charts: Leading companies see steady growth and gained market share

Exhibit 4: Company-wise growth trend

Value YoY growth %	FY20	FY21	FY22	FY23	9M'24	Q3'24	Jan'24
India Pharma							
Alkem	17	0	28	13	8	9	6
Alembic Pharma	6	1	23	8	6	6	2
Cipla	8	7	16	7	8	9	10
Dr Reddy's	7	5	22	2	7	6	8
Eris Life	7	7	10	8	7	8	9
Glenmark	15	14	26	(4)	8	11	10
IPCA	19	11	20	14	13	14	14
Lupin	10	3	15	6	6	6	7
Sun Pharma	10	5	16	11	9	9	9
Torrent Pharma	8	8	11	13	8	9	9
Zydus	8	5	15	7	6	6	6
Aristo Pharma	20	6	25	7	11	12	5
Ajanta Pharma	13	7	18	16	10	6	11
Emcure	12	5	22	4	6	7	7
Intas Pharma	14	6	18	16	12	13	14
JB Chemical	15	9	27	22	12	13	11
Macleods	10	(0)	25	12	10	10	9
Mankind	13	11	18	11	9	9	9
Micro Labs	13	(2)	37	3	3	1	(0)
USV	10	10	13	9	8	8	8
MNC Pharma							
Abbott	8	3	14	10	9	9	10
GSK Pharma	6	(1)	14	7	1	(0)	1
IPM	11	5	18	8	8	8	8

Source: IQVIA, HSIE Research

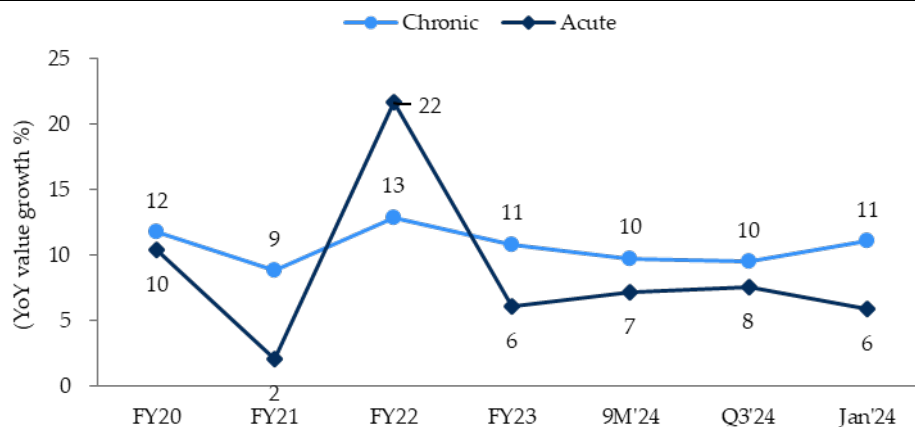
Exhibit 5: Company-wise market share trend gainers and losers

Market share (value)	FY23 Rank	FY19	FY20	FY21	FY22	FY23	9M'24	Q3'24	Jan'24	FY19- FY23 (bps)
Gained market share										
Alkem*	5	3.6%	3.8%	3.6%	3.9%	4.1%	4.1%	4.1%	3.9%	51
Mankind	4	4.0%	4.1%	4.3%	4.3%	4.4%	4.4%	4.5%	4.5%	40
Aristo Pharma*	11	2.5%	2.7%	2.8%	2.9%	2.9%	3.0%	3.0%	2.7%	38
Intas Pharma*	7	3.1%	3.2%	3.2%	3.2%	3.4%	3.5%	3.6%	3.6%	35
Ipcalabs	17	1.5%	1.6%	1.7%	1.7%	1.9%	2.0%	2.0%	2.0%	34
Jb Pharma*	24	0.8%	0.8%	0.8%	0.9%	1.0%	1.0%	1.0%	1.1%	24
Macleods Pharma	9	3.2%	3.1%	3.0%	3.2%	3.3%	3.4%	3.4%	3.3%	15
Glenmark Pharma	15	1.9%	2.0%	2.2%	2.3%	2.0%	2.0%	2.1%	2.2%	13
Ajanta Pharma	27	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.8%	8
Sun*	1	7.6%	7.5%	7.6%	7.4%	7.7%	7.7%	7.7%	7.8%	6
Emcure*	14	2.0%	2.0%	2.1%	2.1%	2.0%	2.0%	2.0%	1.9%	2
Lost market share										
Torrent Pharma*	8	3.4%	3.3%	3.4%	3.2%	3.4%	3.4%	3.4%	3.4%	(1)
Alembic	21	1.6%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	(6)
Eris Lifesciences*	23	1.1%	1.1%	1.1%	1.0%	1.0%	1.0%	1.0%	1.1%	(9)
Zydus Cadila*	12	3.0%	3.0%	3.0%	2.9%	2.9%	2.8%	2.8%	2.8%	(16)
Cipla	3	5.5%	5.3%	5.4%	5.3%	5.3%	5.3%	5.7%	6.0%	(17)
Dr Reddys Labs	10	3.1%	3.0%	3.0%	3.1%	2.9%	2.9%	2.9%	2.9%	(18)
Lupin Limited	6	3.7%	3.7%	3.6%	3.5%	3.5%	3.4%	3.4%	3.5%	(23)
Abbott*	2	6.6%	6.4%	6.3%	6.1%	6.2%	6.2%	6.1%	6.1%	(37)
Glaxosmithkline*	13	3.0%	2.9%	2.7%	2.6%	2.6%	2.4%	2.4%	2.3%	(44)

Source: IQVIA, HSIE Research

Key charts: Chronic growth steady and acute to recover, M&A-led growth

Exhibit 6: Steady growth in chronic segment, acute saw recovery



Source: IQVIA, HSIE Research

Exhibit 7: M&A activities in the domestic space over the last few years

Date	Acquiring Company	Target product/portfolio/company	Acquired from	Annual sales (INR mn)	Acquisition cost (INR mn)	EV/Sales (x)
May-10	Abbott	Pharma business in India, made it largest player with 7% MS	Piramal India	~USD 410 mn	USD 3.7 bn	9x sales; 27x EBITDA
Jan-14	Torrent	portfolio of 30 brands in women's healthcare, pain management and nutraceuticals	Elder	~Rs 5.5 bn	Rs 20 bn	~3.6x sales;
Apr-14	Sun Pharma	100% stake -made it 5th largest global specialty generics pharma company, largest company in IPM	Ranbaxy	~USD 1.8 bn	USD 4 bn	2.2x sales
May-16	Dr Reddy's	Brand equity in Derma, Respiratory and Pediatrics	UCB	~Rs 1.5 bn	Rs 8 bn	~5.3x sales
Dec-17	Torrent	Domestic business - 120 brands and Sikkim manufacturing facility	Unichem	~Rs 8.5 bn	Rs 36 bn	4.2x sales
Jun-20	Dr Reddy's	Portfolio of 62 brands in respiratory, neurology, VMS, dermatology, gastro, pain and vaccines	Wockhardt	~Rs 5 bn	Rs 18.5 bn	3.7x sales; 15x EBITDA
Jan-22	JB Chemical	Probiotics, nutra & reproductive brands	Sanzyme	1,600	6,280	3.9
Feb-22	Mankind	Domestic brands** for India, Nepal	Panacea	2,640	18,720	7.1
Feb-22	Dr Reddy's	Distribution of Voveran, calcium range, Methergine	Novartis	~3,600	ND	NA
Apr-22	Dr Reddy's	Cidmus (cardio - heart failure)	Novartis AG	1,360	4,560	3.4
May-22	Eris	Oaknet Healthcare	Oaknet	1,950	6,500	3.3
Sep-22	Torrent	Curatio Healthcare	Curatio	2,240	18,850	8.4
Aug-23	Lupin	Anti-diabetes brands - Ondero, Ondero - Met	Boehringer	1,580	2,350	1.5
Dec-23	JB Chemicals	Novartis's opthal brands (3 years in license then acquisition in Jan'27, Rs 9.6 bn payable by Dec'26)	Novartis	2,100	10,850	5.2
Feb-24	Eris Life	Acquired 51% stake in Swiss Parenterals Limited; An additional 19% stake in Swiss will be acquired at Closing by the Eris Promoter Group for INR 2,375 mn -hence collectively 70% equity stake to be acquired by Eris and its Promoter Group	Swiss Parenterals	2,803	6,375	2.3

Source: IQVIA, HSIE Research

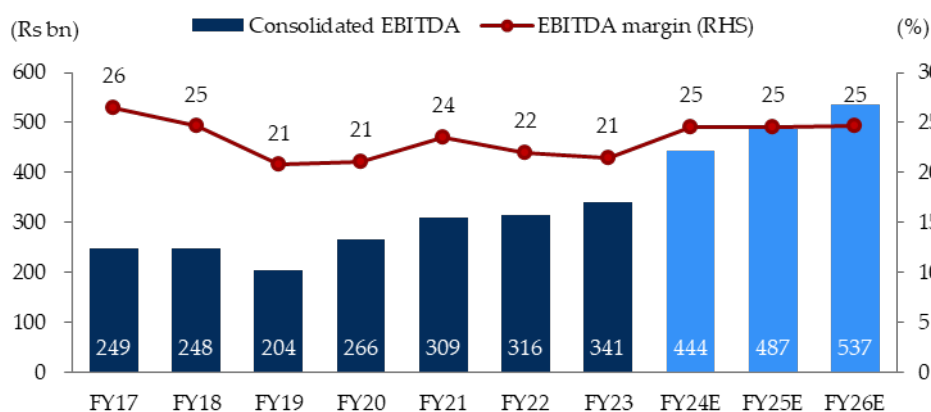
Performance of coverage companies

Exhibit 8: India business to see steady growth over the next few years

(INR bn)	FY11	FY16	5-yr CAGR	FY17	FY23	YoY %	5-yr CAGR	FY24E	YoY %	FY25E	YoY %	FY26E	YoY %	FY23-26E CAGR
Alkem Labs	15	36	20%	43	80	8%	12%	86	8%	96	11%	106	11%	10%
Torrent Pharma	8	18	17%	20	50	16%	16%	57	15%	65	13%	73	13%	14%
Mankind	-	-	-	-	85	11%	13%	96	14%	110	14%	125	14%	14%
Eris Lifesciences	3	7	21%	7	17	23%	17%	19	16%	23	18%	26	13%	15%
Dr. Reddys	12	21	13%	23	49	17%	16%	48	-2%	54	12%	60	11%	7%
Lupin	16	34	17%	38	61	1%	8%	67	10%	74	11%	82	10%	10%
Sun Pharma	24	71	25%	77	136	7%	11%	149	10%	165	11%	184	11%	10%
Zydus Life	16	30	13%	32	49	2%	8%	54	10%	60	11%	67	11%	11%
Total	93	219	19%	241	526	9%	16%	577	10%	646	12%	722	12%	11%

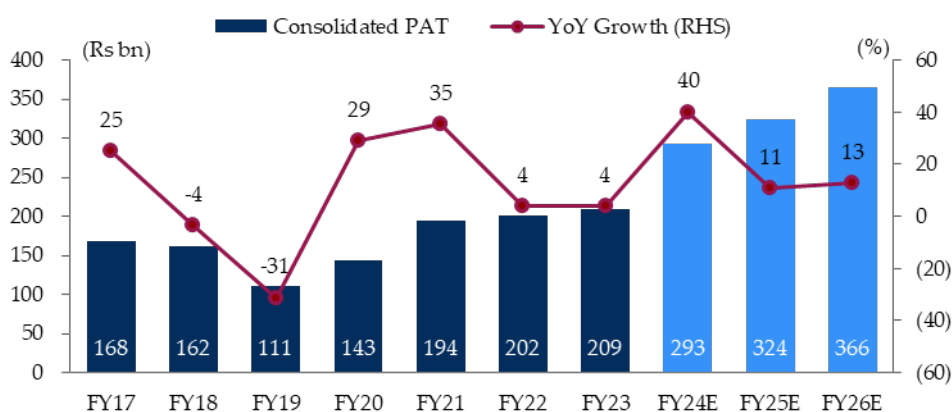
Source: Companies, HSIE Research, Mankind CAGR over FY20-23

Exhibit 9: Margin to see gradual improvement



Source: Companies, HSIE Research

Exhibit 10: Steady profit growth over next few years



Source: Companies, HSIE Research

Exhibit 11: Return ratio improving for the coverage companies

RoCE (%)	FY11	FY16	5-yr avg	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
India Pharma												
SUNP	22	19	28	10	11	10	13	17	16	17	19	19
DRRD	20	19	24	8	13	20	19	18	26	27	20	18
LPC	24	23	31	10	9	8	10	3	5	15	16	18
ARBP	19	27	21	23	18	18	18	13	9	13	13	14
ZYDUSLIF	29	27	23	18	15	11	14	12	13	20	18	18
ALKEM	32	23	17	17	16	18	21	18	13	19	20	21
TRP	49	47	34	12	14	16	18	17	20	22	26	29
MANKIND	-	-	-	-	-	40	38	33	22	26	26	26
ERIS	108	52	92	35	28	26	26	24	16	15	18	20
Average	23	23	29	14	13	14	15	13	14	18	17	17

Source: Companies, HSIE Research

Exhibit 12: Coverage companies – valuation snapshot

Companies	MCAP (USD bn)	Rating	TP Multiple	CMP (Rs)	TP (Rs)	EPS (Rs)				P/E (x)				EV/EBITDA (x)				RoCE (%)			
						FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E
Aurobindo	7.7	ADD	18x	1,084	1,150	33	52	59	65	33	21	18	17	17	11	10	9	9	13	13	14
Dr. Reddy's	12.7	REDUCE	24x	6,306	5,650	211	320	288	284	30	20	22	22	16	13	13	13	26	27	20	18
Lupin	9.2	REDUCE	26x	1,679	1,470	8	44	49	59	199	38	34	28	46	21	19	17	5	15	16	18
Sun Pharma	44.9	BUY	31x	1,574	1,650	36	40	48	55	43	39	32	29	31	27	24	22	16	17	19	19
Zydus Life	11.6	BUY	25x	954	930	23	34	35	38	41	28	27	25	27	19	19	18	13	20	18	18
Large Cap										58	33	29	26	29	22	20	18	15	18	18	18
Alkem	7.4	ADD	27x	5,096	5,520	90	161	178	204	57	32	29	25	37	26	23	20	13	19	20	21
Eris Life	1.5	BUY	25x	889	1,070	28	30	34	43	32	29	26	21	24	18	13	12	16	15	18	20
Mankind	10.4	ADD	36x	2,161	2,360	34	46	55	66	63	47	39	33	45	34	29	25	22	26	26	26
Torrent Pharma	11.0	ADD	38x	2,662	2,970	37	47	62	78	72	57	43	34	34	28	24	21	20	22	26	29
Domestic formulation heavy										62	45	36	29	34	27	23	19	17	20	23	25

Source: Companies, HSIE Research, Bloomberg, Note: Price as on 5-Mar-2024, Target multiples at FY26E for Alkem, Eris Life, Mankind, and Torrent Pharma, and target multiple based on Dec'25E for Aurobindo, Dr Reddy's, Lupin, Sun Pharma, and Zydus Life. Dr Reddy's TP includes Rs 150/ share for gRevlimid

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Executive summary

Domestic formulations remain on a steady growth path

The India Pharma Market (IPM) Despite facing setbacks such as GST, FDC bans, NLEM revisions, Jan Aushadhi initiatives, generic-generics competition, and the COVID-19 pandemic, the IPM maintained a robust 10% CAGR from FY12 to FY20. There has been a notable shift in growth drivers, transitioning from volume and new launch dominance in the past (FY12-17/18) to price-led growth in the last five years. Price growth averaged 4-5% in the last 4-5 years, thanks to improved price control by leading players, while volume growth tapered to 1-2% over the same period. New launches continued to contribute 2-3% growth to the IPM.

During the second wave of COVID-19 in FY22, volume growth surged but failed to sustain in FY23, remaining at 0%. Additionally, H1FY24 volume was impacted by erratic monsoons and issues related to generics/NLEM/scale-up in trade generics, notably affecting the acute segment. However, there was a recovery in unit volume growth in Sep'23/Oct'23 (attributed to delayed seasonality), which reversed in the last three months with a decline of ~3% (9M'24 volume declined by ~1%).

Overall, the chronic segment's share in the IPM is increasing and is expected to continue outperforming the IPM in the coming years. We maintain a positive outlook on IPM growth, largely driven by price increases and recovery in volume (led by acute segment recovery), along with steady contributions from new launches. In MAT Jan'24, volume growth remained steady at ~3% (compared to a 2.4% decline YoY), with recovery in the chronic segment (led by CVS) offsetting muted volume in the acute segment due to seasonal dips in anti-infectives, gastro, and pain medications. We closely monitor volume trends and remain optimistic about overall IPM growth.

Key structural trends that drive growth

- volume recovery-led growth aided by price and new launches.
- share of chronic therapies increasing in IPM to 38% in FY23 from ~35% in FY18.
- new market opening up—tier 2/3 cities and rural areas are expected to witness strong growth given increasing awareness, adoption of self-medication and digital reach,
- M&A—consolidation to plug brands, therapeutic gaps: With improving cash flow and lower capex investment, companies have higher free cash and are looking to use it for acquisitions in the domestic formulations market.
- better pricing power in the branded generic space and relatively better positioned compared to volatile international business.

Coverage Universe

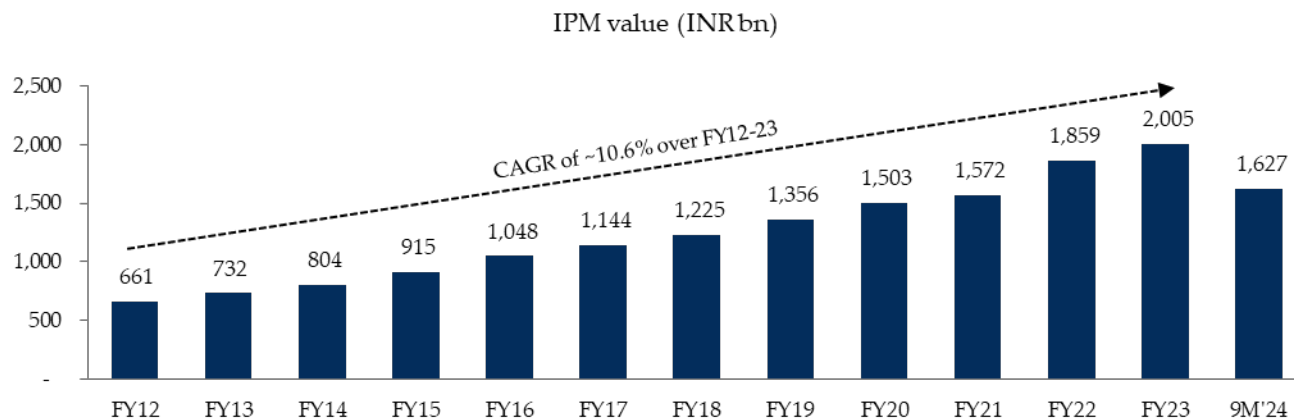
We initiate coverage with a

- (1) **BUY** rating on ERIS with TP of Rs 1,070 (25x FY26E) implies EV/EBITDA of 14x FY26E.
- (2) **ADD** rating on ALKEM with TP of Rs 5,520 (27x FY26E) implies EV/EBITDA of 21x FY26E, MANKIND with TP of Rs 2,360 (36x FY26E) implies EV/EBITDA of 26x FY26E, and TRP with TP of Rs 2,970 (38x FY26E) implies EV/EBITDA of 22x FY26E.

Domestic formulation business to see steady growth

Despite encountering numerous disruptions, the IPM achieved a steady 10% CAGR from FY12 to FY23, resulting in an overall market size of approximately INR 2,005 bn in FY23, up from INR 661 bn in FY12. In 9M'24, the IPM continued its steady growth trajectory with an approximately 8% increase, reaching INR 1,627 bn. Year-to-date (YTD) Jan'24 base IPM sales stood at INR 1,806 bn, reflecting an 8% YoY growth, while IPM growth for January 2024 was also at ~8% YoY.

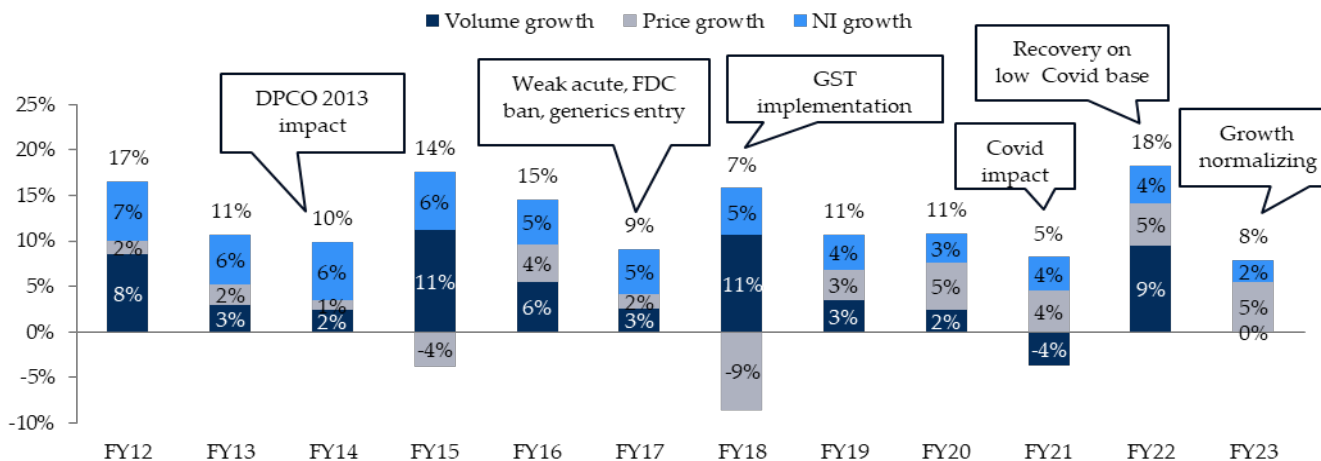
Exhibit 13: IPM witnessed ~10.6% CAGR over FY12-23 to reach INR 2,005 bn value in FY23



Source: Companies, HSIE Research

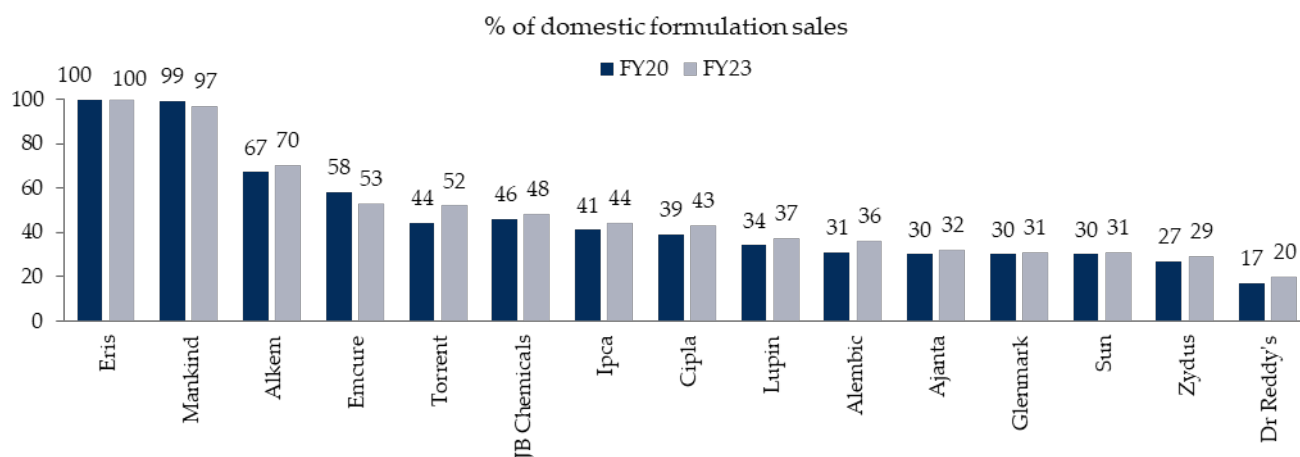
IPM growth was primarily driven by robust volume expansion during FY12-18, which gradually tapered off and gave way to price-led growth from FY19 onwards (with earlier price growth averaging 2-4%). The decline in volume growth was largely attributed to factors such as generic competition (including trade generics and Jan Aushadhi) and the implementation of GST.

Exhibit 14: Steady volume/ price growth over last 10 years despite disruptions



Source: IQVIA, HSIE Research

Leading domestic peers typically derive 20-100% of their total revenue from domestic formulation sales. India sales serve as the primary earnings driver for most pharmaceutical companies due to their steady growth prospects, higher return ratios, and superior Free Cash Flow (FCF).

Exhibit 15: Leading companies have 20-100% sales coming from domestic formulation business

Source: Companies, HSIE Research, Note: Emcure numbers are from DRHP filing

Therapy-wise growth trend reflects the outperformance of chronic segment

Key chronic therapies such as cardiovascular (CVS) and central nervous system (CNS) treatments continue to exhibit steady growth, outpacing IPM growth by 1.1 times, despite the impact of COVID-19 during FY21/22. However, anti-diabetic growth was subdued in FY23 and 9M'24 due to price reductions following patent expirations for DPP-4 molecules (vildagliptin/combinations, sitagliptin, linagliptin) and SGLT-2 inhibitor dapagliflozin between FY21-23.

Conversely, key acute therapies like anti-infectives, gastro, and vitamins, minerals, and nutrients (VMN) either matched or lagged behind IPM growth, partly due to a high base effect in FY23 and weak seasonality in 9M'23. In FY22, leading acute therapies such as anti-infectives and gastro were significantly impacted by lower demand during the COVID-19 pandemic but rebounded strongly in FY22. Other key therapies include:

- (1) Pain management: muted in FY21, followed by robust recovery in FY22, and maintained stability in FY23 and 9M'24. The chronic segment of the pain management category witnessed strong growth in FY22/23.
- (2) Respiratory treatments: declined by approximately 8% in FY21, saw a substantial growth of around 44% in FY22, and are now growing in line with IPM rates. The chronic segment of respiratory treatments maintained steady growth over FY21-23.
- (3) VMN: experienced steady growth in FY21 and FY22 but was subdued in FY23.

Exhibit 16: Chronic growth is steadier; acute segment to recover

Value YoY growth %	% FY23 share	FY20	FY21	FY22	FY23	9M'24	Q3'24	Jan-24
Cardiac	12%	12	13	11	9	10	9	12
Anti-Infectives	12%	13	(12)	35	6	7	9	2
Gastro Intestinal	11%	9	6	17	12	8	9	9
Anti Diabetic	9%	12	9	8	7	6	5	9
Respiratory	9%	15	(8)	44	7	5	5	1
Pain / Analgesics	8%	12	(1)	22	12	9	8	9
Vitamins/Minerals/Nutrients	8%	10	11	16	3	7	8	8
Derma	7%	9	6	10	6	6	3	7
Neuro / Cns	6%	10	10	11	12	9	9	8
Gynaec.	5%	9	3	16	16	6	6	7
IPM	100%	11	5	18	8	8	8	8

Source: IQVIA, HSIE Research

Unit growth in CVS treatments was robust at 3-5% in FY20/21, largely driven by aggressive buying during the COVID-19 lockdown. However, growth slowed in

FY22/23 due to reduced demand stemming from COVID-19-related fatalities in the comorbid cohort, which saw growth stabilize at ~2% in 9M'24, with unit growth in January 2024 at ~4% YoY. For anti-infectives, volume growth was muted (at ~0%) in FY23 due to a high base effect and failed to recover in 9M'24 (declining by ~3%). In January 2024, unit growth declined by ~6% YoY.

Exhibit 17: Unit growth was muted in key acute therapies

Unit YoY growth %	% FY23 share	FY20	FY21	FY22	FY23	9M'24	Q3'24	Jan-24
Cardiac	10%	3	5	(0)	(1)	2	2	4
Anti-Infectives	10%	5	(16)	26	(0)	(3)	0	(6)
Gastro Intestinal	16%	3	(3)	10	4	(0)	4	0
Anti Diabetic	6%	3	5	2	1	1	0	3
Respiratory	12%	6	(18)	34	3	(3)	(2)	(5)
Pain / Analgesics	11%	6	(7)	21	(3)	(2)	0	(1)
Vitamins/Minerals/Nutrients	8%	0	1	9	(8)	(7)	(4)	(6)
Derma	6%	(1)	2	(6)	(4)	(4)	(5)	(1)
Neuro / Cns	6%	0	5	3	1	(1)	(1)	(0)
Gynaec.	3%	2	(0)	6	3	(3)	(2)	(0)
IPM	100%	3	(4)	12	(0)	(1)	(0)	(1)

Source: IQVIA, HSIE Research

Market share trend across therapies; chronic share increasing in the IPM

From FY19 to FY23, the respiratory segment emerged as the key segment to increase its market share, followed by CVS, gastroenterology, and pain management. Conversely, segments such as dermatology, anti-infectives, and anti-diabetics experienced a decline in market share over the same period.

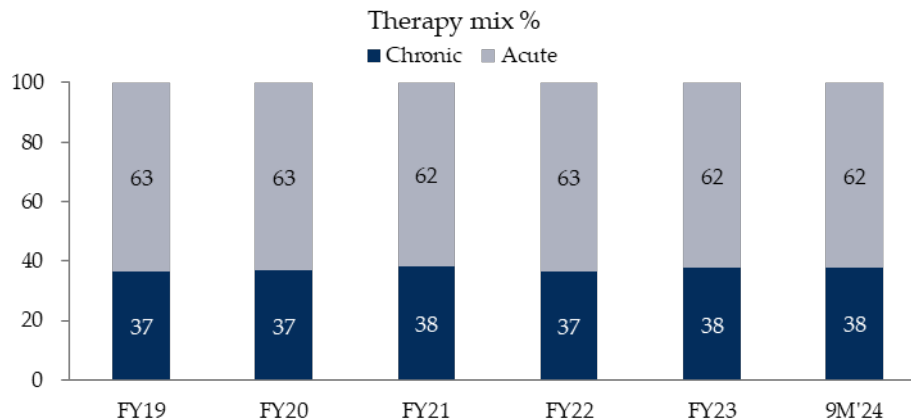
Exhibit 18: Therapy-wise market share trend –gainer and losers

Market share (value)	FY23 Rank	FY19	FY20	FY21	FY22	FY23	9M'24	Q3'24	Jan'24	FY19-FY23 (bps)
Gained market share										
Respiratory	5	7.9%	8.2%	7.2%	8.7%	8.7%	7.7%	9.5%	9.6%	75
Antineoplast/Immunomodulator	11	1.7%	1.8%	1.9%	1.9%	2.2%	2.5%	2.5%	2.5%	50
Cardiac	1	11.8%	11.9%	12.9%	12.0%	12.1%	12.2%	12.3%	13.3%	30
Gastro Intestinal	3	10.3%	10.1%	10.3%	10.2%	10.6%	10.8%	9.9%	10.1%	28
Pain / Analgesics	6	7.7%	7.8%	7.4%	7.6%	7.9%	8.1%	7.9%	7.6%	22
Urology	12	1.8%	1.9%	1.9%	1.8%	2.0%	2.1%	2.1%	2.2%	16
Gynaec.	10	5.0%	4.9%	4.9%	4.8%	5.1%	5.1%	4.8%	4.8%	12
Stomatologicals	19	0.7%	0.7%	0.7%	0.7%	0.8%	0.8%	0.8%	0.8%	10
Hepatoprotectives	16	1.0%	1.1%	1.1%	1.1%	1.1%	1.2%	1.2%	1.1%	8
Parenteral	22	0.2%	0.2%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	7
Neuro / Cns	9	5.9%	5.8%	6.1%	5.8%	6.0%	6.0%	5.9%	6.1%	6
Ophthal / Otologicals	13	1.9%	1.9%	1.8%	1.8%	2.0%	2.0%	1.8%	1.8%	6
Anti-Parasitic	21	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.2%	1
Others	18	0.8%	0.8%	0.8%	0.8%	0.8%	0.9%	0.9%	0.8%	-
Lost market share										
Sex Stimulants / Rejuvenators	25	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	(2)
Hormones	14	1.6%	1.6%	1.6%	1.5%	1.6%	1.5%	1.6%	1.6%	(4)
Blood Related	17	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	(4)
Anti-Tb	23	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	(8)
Vitamins/Minerals/Nutrients	7	7.9%	7.8%	8.3%	8.2%	7.8%	8.0%	7.6%	7.3%	(9)
Anti Malarials	24	0.3%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.1%	(15)
Antiviral	20	0.8%	0.6%	1.5%	1.4%	0.5%	0.6%	0.6%	0.6%	(28)
Anti-Infectives	2	12.0%	12.2%	10.3%	11.8%	11.6%	11.4%	11.9%	10.7%	(37)
Anti Diabetic	4	9.5%	9.6%	10.0%	9.1%	9.0%	8.8%	8.6%	9.1%	(46)
Vaccines	15	1.8%	1.8%	1.8%	1.6%	1.4%	1.4%	1.5%	1.4%	(48)
Derma	8	7.6%	7.5%	7.6%	7.0%	6.9%	6.9%	6.8%	6.8%	(71)

Source: IQVIA, HSIE Research

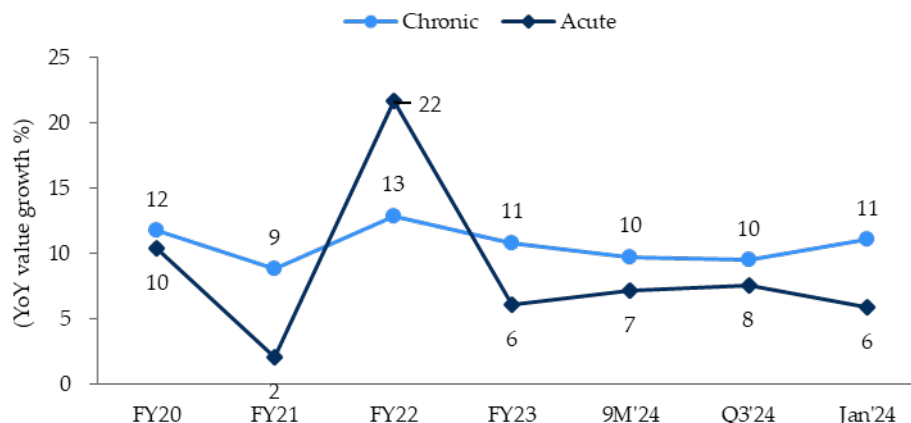
The share of chronic therapies in the IPM increased to 38% in FY23, primarily driven by steady growth in key therapies such as CVS and anti-diabetics. This trend was further supported by a shift in focus towards the chronic business by leading Indian pharmaceutical companies, with select firms like Alkem, Mankind, and Cipla scaling up their operations in this segment.

Exhibit 19: Chronic share gradually improving



Source: IQVIA, HSIE Research

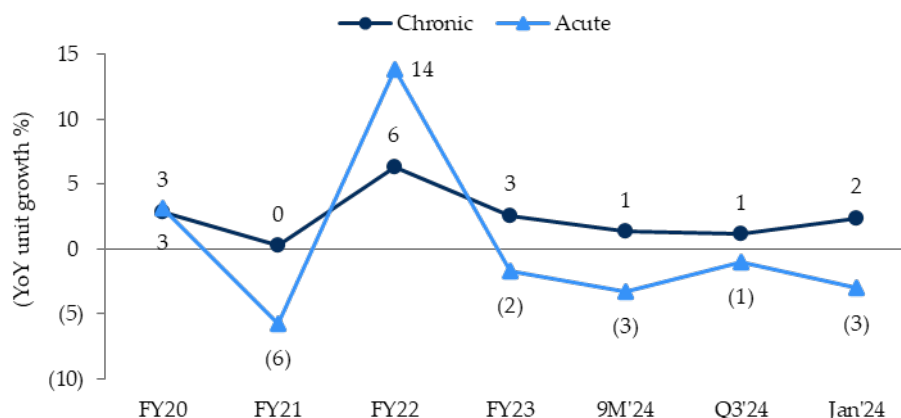
Exhibit 20: Steady growth in chronic segment, acute saw recovery



Source: IQVIA, HSIE Research

Volume growth surged during the second wave of COVID-19 in FY22 but couldn't maintain momentum in FY23, stagnating at 0%. Moreover, H1FY24 volume was impacted by erratic monsoons and the effects of generics/NLEM/scale-up in trade generics, particularly affecting the acute segment. However, there was a recovery in unit volume growth in Sep'23/Oct'23 due to delayed seasonality, followed by a decline of ~3% in the last three months (9M'24 volume declined by about 1%).

We maintain a positive outlook on IPM growth, primarily driven by price increases and volume recovery (especially in the acute segment), alongside a consistent contribution from new launches over the next few years. In MAT Jan'24, volume growth remained steady at approximately 3% (compared to a 2.4% decline YoY), with recovery in the chronic segment (led by CVS) offsetting muted volume in the acute segment due to weak seasonality (including declines in anti-infectives, gastro, and pain medications), although recent months showed a positive volume uptick.

Exhibit 21: Recovery in the unit growth after the high base of FY22

Source: IQVIA, HSIE Research

Companies such as Alkem, Cipla, Dr. Reddy's, Eris, Glenmark, Lupin, J.B. Chemicals, Mankind, and others are intensifying their efforts to expand their chronic business through M&As and new product launches, particularly targeting key therapies such as CVS, anti-diabetics, and CNS treatments.

Exhibit 22: Chronic share has increased across leading companies and for the IPM

% Share	Chronic share					Acute share				
	FY19	FY20	FY21	FY22	FY23	FY19	FY20	FY21	FY22	FY23
India Pharma										
Alkem	16%	16%	16%	15%	17%	84%	84%	84%	85%	83%
Alembic Pharma	30%	30%	32%	29%	30%	70%	70%	68%	71%	70%
Cipla	54%	56%	58%	56%	59%	46%	44%	42%	44%	41%
Dr Reddy's	29%	30%	31%	30%	31%	71%	70%	69%	70%	69%
Eris Life	54%	54%	55%	55%	56%	46%	46%	45%	45%	44%
Glenmark	37%	38%	38%	35%	43%	63%	62%	62%	65%	57%
IPCA	34%	33%	33%	30%	32%	66%	67%	67%	70%	68%
Lupin	58%	60%	64%	63%	63%	42%	40%	36%	37%	37%
Sun Pharma	52%	52%	54%	51%	51%	48%	48%	46%	49%	49%
Torrent Pharma	56%	56%	57%	54%	54%	44%	44%	43%	46%	46%
Zydus	36%	36%	38%	39%	40%	64%	64%	62%	61%	60%
Aristo Pharma	18%	19%	21%	20%	21%	82%	81%	79%	80%	79%
Ajanta Pharma	43%	42%	45%	43%	42%	57%	58%	55%	57%	58%
Emcure	27%	27%	31%	30%	27%	73%	73%	69%	70%	73%
Intas Pharma	62%	62%	66%	64%	65%	38%	38%	34%	36%	35%
JB Chemical	41%	43%	46%	46%	47%	59%	57%	54%	54%	53%
Macleods	35%	37%	41%	37%	36%	65%	63%	59%	63%	64%
Mankind	32%	32%	34%	33%	34%	68%	68%	66%	67%	66%
Micro Labs	43%	41%	47%	41%	42%	57%	59%	53%	59%	58%
USV	84%	85%	85%	85%	87%	16%	15%	15%	15%	13%
MNC Pharma										
Abbott	46%	45%	46%	43%	44%	54%	55%	54%	57%	56%
GSK Pharma	7%	6%	6%	5%	5%	93%	94%	94%	95%	95%
IPM	37%	37%	38%	37%	38%	63%	63%	62%	63%	62%

Source: IQVIA, HSIE Research

Company-wise growth trends, therapy focus leading to market share gain

After the strong growth momentum in FY22, leading companies are witnessing moderate growth in FY23 due to a high base and select companies saw growth recovery in 9M'24. As per IQVIA data, companies like Alkem, Cipla, Eris, IPCA, Sun Pharma, Torrent Pharma, Zydus Life, Mankind Pharma, Aristo, Ajanta Pharma, Emcure, Intas, and JB Chemicals have outperformed or are growing at par with the IPM over FY20-23/9M'24. On the other hand, Alembic, Dr Reddy's, Lupin, and Glaxo are the few companies which have underperformed IPM over the same period.

We note that while for companies like Alkem, Cipla, IPCA, Sun, Ajanta Pharma, and Mankind Pharma, growth was supported by steady 2-5% unit growth, companies like Eris, Lupin, Torrent Pharma, Zydus Life, and Glaxo saw their unit growth decline.

Exhibit 23: Company-wise growth trend

Value YoY growth %	FY20	FY21	FY22	FY23	9M'24	Q3'24	Jan'24
India Pharma							
Alkem	17	0	28	13	8	9	6
Alembic Pharma	6	1	23	8	6	6	2
Cipla	8	7	16	7	8	9	10
Dr Reddy's	7	5	22	2	7	6	8
Eris Life	7	7	10	8	7	8	9
Glenmark	15	14	26	(4)	8	11	10
IPCA	19	11	20	14	13	14	14
Lupin	10	3	15	6	6	6	7
Sun Pharma	10	5	16	11	9	9	9
Torrent Pharma	8	8	11	13	8	9	9
Zydus	8	5	15	7	6	6	6
Aristo Pharma	20	6	25	7	11	12	5
Ajanta Pharma	13	7	18	16	10	6	11
Emcure	12	5	22	4	6	7	7
Intas Pharma	14	6	18	16	12	13	14
JB Chemical	15	9	27	22	12	13	11
Macleods	10	(0)	25	12	10	10	9
Mankind	13	11	18	11	9	9	9
Micro Labs	13	(2)	37	3	3	1	(0)
USV	10	10	13	9	8	8	8
MNC Pharma							
Abbott	8	3	14	10	9	9	10
GSK Pharma	6	(1)	14	7	1	(0)	1
IPM	11	5	18	8	8	8	8

Source: IQVIA, HSIE Research

Exhibit 24: Company-wise unit growth trend

Value YoY growth %	FY20	FY21	FY22	FY23	9M'24	Q3'24	Jan'24
India Pharma							
Alkem	10	(5)	21	3	(3)	1	(3)
Alembic Pharma	(1)	(10)	20	(1)	(3)	(2)	(6)
Cipla	5	(11)	19	7	2	3	2
Dr Reddy's	(2)	(4)	16	(5)	0	1	2
Eris Life	2	3	(1)	(3)	(7)	(3)	(0)
Glenmark	10	(6)	17	4	4	4	(3)
IPCA	8	(0)	12	1	2	3	3
Lupin	(3)	(10)	9	(3)	0	2	3
Sun Pharma	1	(3)	7	3	1	1	(0)
Torrent Pharma	(3)	(1)	2	0	(3)	(2)	(2)
Zydus	1	(7)	11	(6)	(4)	(3)	(5)
Aristo Pharma	12	(2)	20	(4)	(1)	(0)	(6)
Ajanta Pharma	0	(3)	10	4	3	(1)	4
Emcure	3	(7)	11	(3)	(5)	(5)	(7)
Intas Pharma	(3)	1	8	1	(1)	(1)	2
JB Chemical	5	(4)	9	(1)	(2)	3	5
Macleods	5	(8)	21	6	2	1	(1)
Mankind	5	5	8	3	0	1	2
Micro Labs	10	(4)	42	(8)	(8)	(9)	(10)
USV	4	5	6	0	1	1	0
MNC Pharma							
Abbott	(2)	(5)	11	(2)	(2)	1	(0)
GSK Pharma	(4)	(12)	7	(7)	(6)	(6)	(5)
IPM	3	(4)	12	(0)	(1)	(0)	(1)

Source: IQVIA, HSIE Research

Despite slower growth in key therapies (vs. IPM) of Alkem, IPCA, and Mankind, their leadership position in respective therapies has enabled them to increase their market share, largely led by the price increase in leading brands (in key therapies), which compensated for the weakness in therapies. Other companies like Sun Pharma were able to increase market share after the dip over FY19-22, largely led by the MR addition and expanding market reach. Other leading companies like Lupin, Dr Reddy's, and Abbott lost market share, largely due to the impact of patent expiry in leading brands in therapies like CNS, CVS, and anti-diabetics.

Exhibit 25: Company-wise market share trend gainers and losers

Market share (value)	FY23 Rank	FY19	FY20	FY21	FY22	FY23	9M'24	Q3'24	Jan'24	FY19-FY23 (bps)
Gained market share										
Alkem*	5	3.6%	3.8%	3.6%	3.9%	4.1%	4.1%	4.1%	3.9%	51
Mankind	4	4.0%	4.1%	4.3%	4.3%	4.4%	4.4%	4.5%	4.5%	40
Aristo Pharma*	11	2.5%	2.7%	2.8%	2.9%	2.9%	3.0%	3.0%	2.7%	38
Intas Pharma*	7	3.1%	3.2%	3.2%	3.2%	3.4%	3.5%	3.6%	3.6%	35
Ipcalabs	17	1.5%	1.6%	1.7%	1.7%	1.9%	2.0%	2.0%	2.0%	34
Jb Pharma*	24	0.8%	0.8%	0.8%	0.9%	1.0%	1.0%	1.0%	1.1%	24
Macleods Pharma	9	3.2%	3.1%	3.0%	3.2%	3.3%	3.4%	3.4%	3.3%	15
Glenmark Pharma	15	1.9%	2.0%	2.2%	2.3%	2.0%	2.0%	2.1%	2.2%	13
Ajanta Pharma	27	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.8%	8
Sun*	1	7.6%	7.5%	7.6%	7.4%	7.7%	7.7%	7.7%	7.8%	6
Emcure*	14	2.0%	2.0%	2.1%	2.1%	2.0%	2.0%	2.0%	1.9%	2
Lost market share										
Torrent Pharma*	8	3.4%	3.3%	3.4%	3.2%	3.4%	3.4%	3.4%	3.4%	(1)
Alembic	21	1.6%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	(6)
Eris Lifesciences*	23	1.1%	1.1%	1.1%	1.0%	1.0%	1.0%	1.0%	1.1%	(9)
Zydus Cadila*	12	3.0%	3.0%	3.0%	2.9%	2.9%	2.8%	2.8%	2.8%	(16)
Cipla	3	5.5%	5.3%	5.4%	5.3%	5.3%	5.3%	5.7%	6.0%	(17)
Dr Reddys Labs	10	3.1%	3.0%	3.0%	3.1%	2.9%	2.9%	2.9%	2.9%	(18)
Lupin Limited	6	3.7%	3.7%	3.6%	3.5%	3.5%	3.4%	3.4%	3.5%	(23)
Abbott*	2	6.6%	6.4%	6.3%	6.1%	6.2%	6.2%	6.1%	6.1%	(37)
Glaxosmithkline*	13	3.0%	2.9%	2.7%	2.6%	2.6%	2.4%	2.4%	2.3%	(44)

Source: IQVIA, HSIE Research

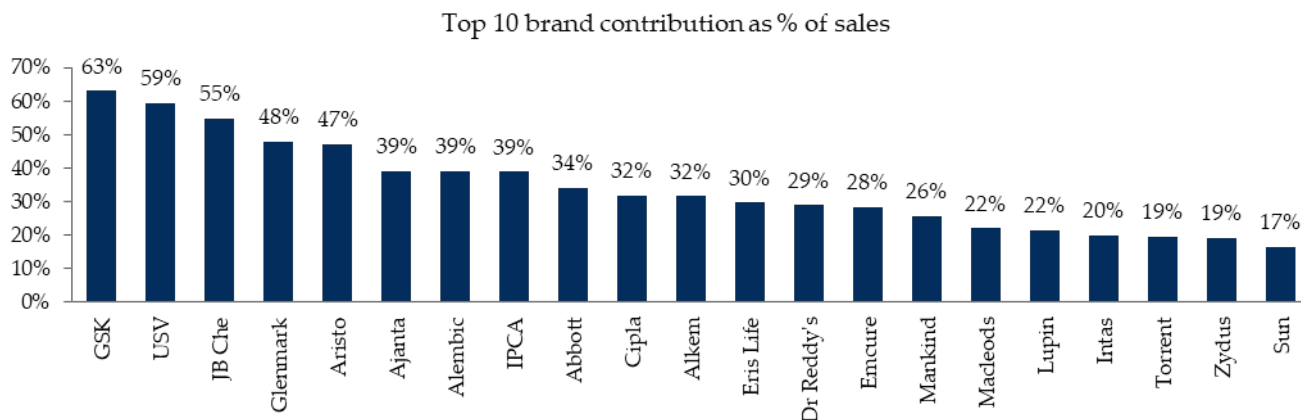
Exhibit 26: Company-wise market share trend gainers and losers—unit share

Market share (Unit)	FY23 Rank	FY19	FY20	FY21	FY22	FY23	9M'24	Q3'24	Jan'24	FY19-FY23 (bps)
Gained market share										
Mankind	4	5.1%	5.2%	5.7%	5.5%	5.7%	5.8%	5.8%	5.9%	60
Cipla	3	6.9%	7.1%	6.6%	7.0%	7.5%	7.4%	8.8%	9.4%	59
Alkem*	5	3.2%	3.4%	3.3%	3.6%	3.7%	3.7%	3.7%	3.6%	55
Aristo Pharma*	11	3.2%	3.5%	3.6%	3.9%	3.7%	3.8%	3.7%	3.4%	51
Micro Labs*	18	1.6%	1.7%	1.7%	2.1%	2.0%	1.9%	1.9%	1.8%	40
Macleods Pharma	9	2.9%	2.9%	2.8%	3.0%	3.2%	3.3%	3.4%	3.4%	35
Ipcalabs	17	1.8%	1.8%	1.9%	1.9%	1.9%	2.1%	2.0%	2.0%	18
Glenmark Pharma	15	1.0%	1.1%	1.1%	1.1%	1.2%	1.2%	1.3%	1.4%	16
U S V	16	2.5%	2.5%	2.8%	2.6%	2.6%	2.7%	2.6%	2.7%	12
Ajanta Pharma	27	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	-
Lost market share										
Jb Pharma*	24	1.5%	1.6%	1.6%	1.5%	1.5%	1.5%	1.5%	1.5%	(2)
Alembic	21	1.2%	1.1%	1.0%	1.1%	1.1%	1.1%	1.2%	1.2%	(4)
Eris Lifesciences*	23	0.8%	0.8%	0.9%	0.8%	0.8%	0.7%	0.7%	0.8%	(7)
Emcure*	14	1.1%	1.1%	1.1%	1.1%	1.1%	1.0%	1.0%	1.0%	(7)
Intas Pharma*	7	2.3%	2.1%	2.2%	2.2%	2.2%	2.2%	2.2%	2.3%	(8)
Sun*	1	5.8%	5.7%	5.8%	5.5%	5.7%	5.9%	5.9%	6.0%	(11)
Dr Reddys Labs	10	2.6%	2.4%	2.4%	2.5%	2.4%	2.4%	2.4%	2.4%	(15)
Torrent Pharma*	8	3.1%	2.9%	3.0%	2.7%	2.7%	2.7%	2.6%	2.7%	(34)
Abbott*	2	4.7%	4.5%	4.5%	4.4%	4.3%	4.3%	4.3%	4.3%	(39)
Lupin Limited	6	2.7%	2.6%	2.4%	2.4%	2.3%	2.3%	2.4%	2.5%	(42)

Source: IQVIA, HSIE Research

Brand and therapy-specific concentration present a risk to sales and earnings growth upon entry of new competitors. Companies such as Sun Pharma, Zydus Life, Torrent Pharma, Mankind, Eris, Alkem, and Lupin have a lower risk of brand concentration compared to certain MNCs like Glaxo and USV, as well as a few Indian companies like J.B. Chemicals and Glenmark. Nevertheless, these companies demonstrate market leadership in their respective therapies, providing them with stronger pricing power, which in turn supports their growth prospects.

Exhibit 27: Share of top-10 brands in domestic sales: JB Chemical, Glenmark and few MNC players have significant brand concentration



Source: Companies, HSIE Research

Exhibit 28: Brand concentration for most companies is 12-65% of FY23 sales

Brand concentration	Therapy	% of FY23 sales	Brand concentration	Therapy	% of FY23 sales	Brand concentration	Therapy	% of FY23 sales
Alkem			Lupin			Intas Pharma		
Clavam	Anti-Infectives	7%	Gluconorm-G	Anti Diabetic	4%	Levera	Neuro / Cns	4%
Pan	Gastro Intestinal	7%	Budamate	Respiratory	3%	Zoryl-M	Anti Diabetic	3%
Pan-D	Gastro Intestinal	6%	Huminsulin	Anti Diabetic	3%	Gabapin Nt	Neuro / Cns	3%
Taxim-O	Anti-Infectives	4%	Ivabrad	Cardiac	2%	Looz	Gastro Intestinal	2%
A To Z Ns	Vitamins/Minerals/ Nutrients	3%	Ajaduo	Anti Diabetic	2%	Folisurge	Gynaec.	2%
Top 5		27%	Top 5		14%	Top 5		14%
Top 10		32%	Top 10		22%	Top 10		20%
Alembic Pharma			Sun Pharma			JB Chemical		
Azithral	Anti-Infectives	15%	Levipil	Neuro / Cns	2%	Rantac	Gastro Intestinal	17%
Wikoryl	Respiratory	4%	Rosuvastatin	Cardiac	2%	Cilacar	Cardiac	16%
Althrocin	Anti-Infectives	4%	Volini	Pain / Analgesics	2%	Metrogyl	Anti-Parasitic	9%
Gestofit	Gynaec.	3%	Gemer	Anti Diabetic	2%	Nicardia	Cardiac	7%
Brozeet-Ls	Respiratory	2%	Susten	Gynaec.	2%	Cilacar-T	Cardiac	7%
Top 5		29%	Top 5		11%	Top 5		57%
Top 10		39%	Top 10		17%	Top 10		55%
Cipla			Torrent Pharma			Mankind		
Foracort	Respiratory	7%	Shelcal	Vitamins/Minerals/ Nutrients	6%	Manforce	Urology	5%
Duolin	Respiratory	4%	Chymoral	Pain / Analgesics	4%	Moxikind-Cv	Anti-Infectives	4%
Budocort	Respiratory	4%	Nexpro-Rd	Gastro Intestinal	3%	Unwanted-Kit	Gynaec.	2%
Seroflo	Respiratory	3%	Shelcal Xt	Vitamins/Minerals/ Nutrients	2%	Dydroboon	Gynaec.	2%
Montair-Lc	Respiratory	3%	Nikorin	Cardiac	2%	Prega News	Others	2%
Top 5	Top 5	21%	Top 5		18%	Top 5		16%
Top 10	Top 10	32%	Top 10		19%	Top 10		26%

Brand concentration	Therapy	% of FY23 sales	Brand concentration	Therapy	% of FY23 sales	Brand concentration	Therapy	% of FY23 sales
Dr Reddy's			Zydus			Macleods		
Voveran	Pain / Analgesics	4%	Deriphyllin	Respiratory	4%	Thyrox	Hormones	3%
Omez	Gastro Intestinal	3%	Atorva	Cardiac	3%	Panderm ++	Derma	3%
Cidmus	Cardiac	3%	Thrombophob	Others	2%	Omnacortil	Hormones	2%
Atarax	Respiratory	3%	Skinlite	Derma	2%	Meromac	Anti-Infectives	2%
Econorm	Gastro Intestinal	3%	Amicin	Anti-Infectives	2%	It-Mac	Derma	2%
Top 5		17%	Top 5		13%	Top 5		13%
Top 10		29%	Top 10		19%	Top 10		22%
Eris Life			Aristo Pharma			USV		
Renerve Plus	Vitamins/Minerals/ Nutrients	6%	Monocef	Anti-Infectives	10%	Glycomet-Gp	Anti Diabetic	20%
Glimisave Mv	Anti Diabetic	5%	Mikacin	Anti-Infectives	6%	Ecosprin-Av	Cardiac	9%
Glimisave-M	Anti Diabetic	5%	Pantop	Gastro Intestinal	6%	Glycomet Trio	Anti Diabetic	6%
Zomelis-Met	Anti Diabetic	2%	Pantop-D	Gastro Intestinal	5%	Glycomet	Anti Diabetic	5%
Remylin D	Vitamins/Minerals/ Nutrients	2%	Monocef-Sb	Anti-Infectives	4%	Jalra-M	Anti Diabetic	5%
Top 5		21%	Top 5		31%	Top 5		45%
Top 10		30%	Top 10		47%	Top 10		59%
Glenmark			Ajanta Pharma			Abbott		
Telma	Cardiac	10%	Met Xl	Cardiac	11%	Mixtard	Anti Diabetic	7%
Telma-H	Cardiac	7%	Melacare	Derma	5%	Thyronorm	Hormones	5%
Telma-Am	Cardiac	6%	Feburic	Pain / Analgesics	5%	Udiliv	Hepatoprotectives	4%
Ascoril-Ls	Respiratory	6%	Atorfit-Cv	Cardiac	5%	Novomix	Anti Diabetic	4%
Candid	Derma	4%	Cinod	Cardiac	3%	Ryzodeg	Anti Diabetic	4%
Top 5		33%	Top 5		28%	Top 5		22%
Top 10		48%	Top 10		39%	Top 10		34%
IPCA			Emcure			GSK Pharma		
Zerodol-Sp	Pain / Analgesics	12%	Orofer-Xt	Gynaec.	6%	Augmentin	Anti-Infectives	16%
Zerodol-P	Pain / Analgesics	7%	Bevon	Vitamins/Minerals/ Nutrients	4%	Calpol	Pain / Analgesics	9%
Hcqs	Pain / Analgesics	5%	Orofer Fcm	Gynaec.	4%	T-Bact	Derma	7%
Folitrax	Antineoplast/Immu nomodulator	3%	Zostum	Anti-Infectives	3%	Ceftum	Anti-Infectives	6%
Zerodol-Th	Pain / Analgesics	3%	Maxtra	Respiratory	3%	Betnovate-N	Derma	5%
Top 5		29%	Top 5		19%	Top 5		44%
Top 10		39%	Top 10		28%	Top 10		63%

Source: IQVIA, HSIE Research

Exhibit 29: Therapy concentration for most companies is 40-90% of FY23 sales

Therapy concentration	% of FY23 sales	Therapy concentration	% of FY23 sales	Therapy concentration	% of FY23 sales
Alkem		Lupin		Intas Pharma	
Anti-Infectives	38%	Cardiac	22%	Neuro / Cns	30%
Gastro Intestinal	19%	Anti Diabetic	21%	Cardiac	12%
Pain / Analgesics	11%	Respiratory	15%	Anti Diabetic	10%
Top 3	67%	Top 3	57%	Top 3	51%
Alembic Pharma		Sun Pharma		JB Chemical	
Anti-Infectives	23%	Neuro / Cns	17%	Cardiac	44%
Cardiac	15%	Cardiac	17%	Gastro Intestinal	29%
Respiratory	14%	Gastro Intestinal	13%	Anti-Parasitic	9%
Top 3	52%	Top 3	47%	Top 3	83%
Cipla		Torrent Pharma		Mankind	
Respiratory	38%	Cardiac	27%	Anti-Infectives	15%
Anti-Infectives	15%	Gastro Intestinal	18%	Cardiac	13%
Cardiac	11%	Neuro / Cns	14%	Gastro Intestinal	11%
Top 3	64%	Top 3	59%	Top 3	39%
Dr Reddy's		Zydus		Macleods	
Gastro Intestinal	16%	Respiratory	14%	Anti-Infectives	29%
Respiratory	15%	Anti-Infectives	13%	Cardiac	12%
Cardiac	12%	Cardiac	11%	Respiratory	9%
Top 3	44%	Top 3	38%	Top 3	50%
Eris Life		Aristo Pharma		USV	
Anti Diabetic	28%	Anti-Infectives	45%	Anti Diabetic	49%
Cardiac	19%	Gastro Intestinal	18%	Cardiac	37%
Vitamins/Minerals/Nutrients	16%	Cardiac	9%	Vitamins/Minerals/Nutrients	5%
Top 3	63%	Top 3	72%	Top 3	92%
Glenmark		Ajanta Pharma		Abbott	
Cardiac	29%	Cardiac	37%	Anti Diabetic	24%
Derma	24%	Ophthal / Otologicals	28%	Gastro Intestinal	15%
Respiratory	23%	Derma	19%	Anti-Infectives	9%
Top 3	77%	Top 3	84%	Top 3	47%
IPCA		Emcure		GSK Pharma	
Pain / Analgesics	39%	Gynaec.	23%	Derma	28%
Cardiac	12%	Cardiac	14%	Anti-Infectives	26%
Anti-Infectives	8%	Anti-Infectives	11%	Pain / Analgesics	12%
Top 3	60%	Top 3	48%	Top 3	66%

Source: IQVIA, HSIE Research

Growth and market share trend of leading companies in top therapies

The recent patent expirations of key molecules such as Dapagliflozin and its combinations, Vildagliptin and its combinations, Sitagliptin and its combinations, Dydrogesterone, and Sacubitril/Valsartan have presented significant opportunities for companies to scale up their business. Additionally, companies are focusing on filling portfolio gaps and extending their existing portfolios by entering new therapeutic categories.

Many companies, including Alkem and Mankind, have experienced notable growth in the chronic segment in recent years, along with expanding their field force and pursuing M&As to enter new categories such as dermatology, respiratory, CNS, and gastro. Similarly, companies like Eris and Torrent Pharma have gained traction in recent years by venturing into these new therapeutic areas.

Exhibit 30: Cardiac—steady growth by top 5 companies; others are scaling up

Cardiac therapy YoY %	% of FY23 sales	FY20	FY21	FY22	FY23	9M'24	Q3'24
Sun*	11%	10%	7%	11%	12%	10%	8%
Torrent Pharma*	8%	7%	10%	2%	9%	7%	8%
Lupin Limited	6%	8%	13%	13%	7%	8%	8%
U S V	6%	13%	16%	15%	14%	13%	12%
Cipla	5%	10%	8%	5%	10%	11%	11%
Glenmark Pharma	5%	17%	14%	16%	21%	18%	20%
Mankind	5%	20%	22%	13%	17%	18%	17%
Jb Pharma*	4%	24%	15%	24%	23%	14%	8%
Intas Pharma*	3%	11%	10%	8%	12%	7%	6%
Macleods Pharma	3%	16%	16%	2%	4%	11%	11%
Abbott*	3%	0%	16%	10%	12%	10%	13%
Dr Reddys Labs	3%	14%	18%	11%	8%	-14%	-23%
Zydus Cadila*	3%	5%	10%	4%	5%	4%	5%
Micro Labs*	2%	5%	11%	20%	1%	4%	3%
Emcure*	2%	6%	22%	13%	-17%	8%	9%
Other	31%	14%	14%	12%	6%	10%	10%
Cardiac total	100%	12%	13%	11%	9%	10%	9%
Top 5 company share		36%	35%	35%	35%	35%	35%
Top 6-10 company share		18%	18%	19%	20%	20%	20%

Source: IQVIA, HSIE Research

Top 5 and top 10 company shares in the CVS sector remain stable, indicating high entry barriers. Notable performers such as Mankind, Glenmark, J B Chemical, and USV are experiencing accelerated growth

Exhibit 31: Anti-infectives – Alkem, Cipla, Sun saw gradual recovery; Zydus, Mankind, Aristo, Macleods outperformed

Anti-Infectives therapy YoY %	% of FY23 sales	FY20	FY21	FY22	FY23	9M'24	Q3'24
Alkem*	13%	21%	-10%	34%	9%	5%	7%
Aristo Pharma*	11%	23%	-3%	35%	3%	13%	16%
Macleods Pharma	8%	14%	-17%	51%	21%	15%	15%
Cipla	7%	2%	-13%	25%	5%	4%	6%
Sun*	6%	11%	-12%	33%	15%	4%	6%
Mankind	6%	13%	-8%	31%	13%	13%	14%
Glaxosmithkline*	6%	14%	-3%	20%	24%	-7%	-8%
Abbott*	5%	19%	-8%	49%	15%	7%	16%
Zydus Cadila*	3%	10%	-15%	37%	0%	9%	16%
Alembic	3%	13%	0%	34%	-4%	2%	4%
Lupin Limited	2%	5%	-19%	12%	-2%	8%	8%
Emcure*	2%	17%	-20%	35%	4%	7%	12%
Micro Labs*	2%	18%	-23%	58%	-1%	-3%	1%
Glenmark Pharma	2%	13%	-7%	35%	-4%	6%	22%
Ipsa Labs	1%	41%	-7%	44%	3%	4%	11%
Other	23%	9%	-16%	37%	-2%	7%	9%
Anti-Infectives total	100%	13%	-12%	35%	6%	7%	9%
Top 5 company share		43%	44%	44%	46%	46%	45%
Top 6-10 company share		20%	22%	21%	22%	23%	23%

Source: IQVIA, HSIE Research

The share of the top 5 companies seems consistent, while companies ranked 6-10 are seeing an increase. Leading players like Alkem, Cipla, Sun Pharma, Alembic, and IPCA show some underperformance compared to therapy growth in 9M'24

Exhibit 32: Gastro—top companies outperformed; muted growth for few other companies

Gastro therapy YoY %	% of FY23 sales	FY20	FY21	FY22	FY23	9M'24	Q3'24
Sun*	9%	11%	8%	20%	16%	11%	12%
Abbott*	8%	9%	12%	15%	13%	8%	12%
Alkem*	7%	11%	8%	22%	17%	11%	14%
Torrent Pharma*	6%	13%	9%	22%	15%	8%	10%
Aristo Pharma*	5%	11%	18%	17%	11%	10%	10%
Dr Reddys Labs	5%	9%	4%	21%	4%	11%	1%
Mankind	4%	12%	9%	14%	10%	7%	13%
Jb Pharma*	3%	10%	11%	22%	21%	10%	21%
Lupin Limited	3%	8%	4%	17%	15%	9%	10%
Cipla	3%	11%	-1%	18%	16%	-3%	0%
Zydus Cadila*	3%	8%	3%	14%	9%	-2%	-2%
Macleods Pharma	2%	4%	3%	26%	17%	5%	6%
Intas Pharma*	2%	7%	3%	15%	13%	7%	8%
Alembic	1%	-3%	11%	18%	2%	6%	9%
Ipc Labs	1%	8%	10%	15%	11%	2%	5%
Other	38%	8%	3%	15%	11%	7%	9%
Gastro total	100%	9%	6%	17%	12%	8%	9%
Top 5 company share		33%	34%	35%	35%	36%	35%
Top 6-10 company share		18%	18%	18%	18%	18%	17%

Source: IQVIA, HSIE Research

Despite a competitive market, the top 5 companies have managed to sustain growth and market share. Sun Pharma, Alkem, Dr Reddy's, JB Chemicals, and Aristo have outpaced therapy growth, while companies like Mankind, Cipla, Zydus, IPCA, and Alembic have underperformed in 9M'24

Exhibit 33: Anti-diabetic—top three companies struggling for growth; strong growth for Mankind, Eris, Torrent, and recovery for Sun Pharma

Anti diabetic therapy YoY %	% of FY23 sales	FY20	FY21	FY22	FY23	9M'24	Q3'24
Abbott*	16%	8%	2%	7%	11%	9%	4%
U S V	11%	10%	8%	10%	11%	5%	5%
Lupin Limited	8%	18%	13%	8%	1%	-1%	0%
Sun*	6%	13%	4%	2%	-2%	9%	17%
Mankind	4%	11%	28%	12%	9%	13%	13%
Intas Pharma*	4%	20%	22%	17%	16%	11%	11%
Eris Lifesciences*	3%	10%	9%	11%	20%	14%	13%
Cipla	2%	7%	-2%	13%	9%	-2%	4%
Torrent Pharma*	3%	19%	14%	9%	14%	15%	13%
Micro Labs*	3%	10%	13%	15%	8%	4%	0%
Macleods Pharma	2%	29%	30%	20%	12%	11%	10%
Alkem*	2%	29%	18%	26%	29%	23%	16%
Dr Reddys Labs	2%	9%	15%	16%	7%	10%	10%
Glenmark Pharma	2%	23%	12%	6%	4%	-19%	-20%
Alembic	1%	3%	11%	16%	12%	4%	6%
Other	32%	12%	8%	4%	2%	2%	3%
Anti diabetic total	100%	12%	9%	8%	7%	6%	5%
Top 5 company share		46%	45%	45%	45%	45%	46%
Top 6-10 company share		13%	13%	14%	15%	16%	16%

Source: IQVIA, HSIE Research

Recent patent expirations have led to market share gains for the top 6-10 companies and other players. Prominent companies like Abbott, USV, and Lupin have experienced muted growth in 9M'24

Exhibit 34: Respiratory – Cipla outperformed market; strong scale-up for Glenmark, Dr Reddy's, Sun Pharma, Macleods

With respiratory care emerging as a key focus area, the share of other companies in this segment is gradually increasing

Respiratory therapy YoY %	% of FY23 sales	FY20	FY21	FY22	FY23	9M'24	Q3'24
Cipla	23%	13%	4%	30%	11%	11%	11%
Lupin Limited	6%	14%	-1%	33%	8%	9%	7%
Glenmark Pharma	5%	23%	-10%	57%	8%	11%	16%
Dr Reddys Labs	5%	11%	-8%	48%	-2%	10%	14%
Sun*	5%	18%	3%	45%	15%	10%	12%
Zydus Cadila*	5%	10%	-2%	32%	10%	8%	4%
Mankind	5%	22%	-9%	59%	8%	0%	-1%
Macleods Pharma	3%	24%	-15%	73%	13%	15%	14%
Alembic	2%	14%	-26%	59%	14%	4%	5%
Abbott*	3%	-5%	-30%	68%	5%	-17%	-20%
Aristo Pharma*	2%	22%	-18%	67%	14%	8%	7%
Alkem*	2%	19%	-14%	56%	15%	1%	2%
Emcure*	2%	20%	-27%	55%	20%	-4%	-5%
Glaxosmithkline*	2%	-3%	-20%	32%	11%	-6%	-2%
Ipsa Labs	1%	18%	-11%	64%	24%	4%	7%
Other	30%	16%	-13%	46%	1%	0%	-1%
Respiratory total	100%	15%	-8%	44%	7%	5%	5%
Top 5 company share		42%	46%	43%	44%	44%	44%
Top 6-10 company share		18%	16%	18%	18%	19%	19%

Source: IQVIA, HSIE Research

Exhibit 35: Pain – IPCA continue to see strong growth; few of the companies like Zydus, Cipla, Emcure, Abbott saw healthy scale-up

The top 10 peers maintain a steady market share. However, the pain segment remains competitive, with other companies controlling ~41% of the market

Pain therapy YoY %	% of FY23 sales	FY20	FY21	FY22	FY23	9M'24	Q3'24
Ipsa Labs	9%	19%	22%	20%	21%	15%	14%
Sun*	7%	8%	7%	12%	13%	9%	12%
Alkem*	6%	11%	-2%	22%	18%	6%	3%
Dr Reddys Labs	4%	1%	4%	11%	6%	8%	8%
Micro Labs*	4%	29%	5%	76%	-2%	4%	0%
Glaxosmithkline*	4%	20%	-6%	67%	-7%	1%	1%
Torrent Pharma*	4%	7%	2%	14%	17%	9%	10%
Macleods Pharma	3%	7%	-2%	15%	16%	7%	6%
Intas Pharma*	3%	12%	-5%	27%	20%	10%	7%
Zydus Cadila*	3%	8%	-2%	11%	12%	11%	8%
Abbott*	3%	8%	-14%	16%	10%	16%	21%
Cipla	3%	17%	-12%	23%	23%	12%	13%
Mankind	3%	9%	-2%	16%	3%	1%	7%
Emcure*	2%	8%	-4%	20%	26%	9%	11%
Lupin Limited	2%	8%	-12%	12%	11%	3%	1%
Other	41%	13%	-3%	20%	13%	9%	8%
Pain total	100%	12%	-1%	22%	12%	9%	8%
Top 5 company share		27%	29%	30%	30%	30%	29%
Top 6-10 company share		17%	17%	18%	17%	17%	17%

Source: IQVIA, HSIE Research

Exhibit 36: Neuro – Steady growth for top 3 companies and scale-up in Cipla; While Lupin, Dr Reddy's were muted, Mankind, saw strong recovery

Neuro/ CNS therapy YoY %	% of FY23 sales	FY20	FY21	FY22	FY23	9M'24	Q3'24
Sun*	22%	9%	11%	8%	11%	10%	10%
Intas Pharma*	17%	15%	16%	11%	17%	12%	12%
Torrent Pharma*	8%	6%	13%	12%	16%	10%	10%
Abbott*	8%	6%	7%	5%	8%	2%	1%
Cipla	3%	9%	9%	7%	8%	11%	11%
Lupin Limited	3%	10%	12%	9%	9%	5%	1%
Alkem*	3%	14%	-3%	18%	20%	8%	4%
Dr Reddys Labs	3%	0%	8%	19%	3%	0%	6%
Micro Labs*	2%	6%	10%	23%	4%	-6%	-9%
Mankind	2%	12%	24%	8%	-1%	6%	12%
Aristo Pharma*	1%	27%	23%	14%	16%	10%	10%
Ipca Labs	1%	26%	17%	25%	25%	11%	13%
Eris Lifesciences*	1%	3%	18%	20%	16%	8%	9%
Macleods Pharma	1%	9%	20%	6%	-1%	11%	10%
Emcure*	1%	-2%	2%	8%	9%	8%	0%
Other	24%	10%	5%	14%	10%	9%	10%
Neuro/ CNS total	100%	10%	10%	11%	12%	9%	9%
Top 5 company share		58%	59%	57%	58%	59%	59%
Top 6-10 company share		12%	12%	13%	12%	12%	12%

Source: IQVIA, HSIE Research

Top-tier players exhibit steady market share and consistent growth over the past few years, posing challenges for new entrants given high entry barriers

Exhibit 37: VMN – recovery for leading players like Abbott, Alkem, Eris, Dr Reddy's; Emcure, Zydus saw muted growth

VMN therapy YoY %	% of FY23 sales	FY20	FY21	FY22	FY23	9M'24	Q3'24
Abbott*	7%	7%	24%	16%	-5%	12%	10%
Alkem*	5%	21%	27%	30%	3%	8%	12%
Mankind	5%	8%	21%	8%	-1%	5%	9%
Torrent Pharma*	4%	9%	14%	12%	16%	8%	10%
Sun*	4%	10%	13%	21%	5%	3%	9%
Lupin Limited	2%	8%	2%	20%	-6%	3%	8%
Dr Reddys Labs	2%	-1%	6%	29%	2%	3%	15%
Eris Lifesciences*	2%	12%	15%	14%	-1%	10%	15%
Emcure*	2%	13%	18%	14%	-7%	3%	4%
Glaxosmithkline*	2%	-5%	9%	12%	12%	5%	11%
Intas Pharma*	2%	8%	0%	7%	13%	14%	17%
Macleods Pharma	2%	9%	5%	33%	7%	-1%	0%
Zydus Cadila*	2%	7%	6%	4%	-7%	-2%	-5%
Aristo Pharma*	1%	24%	6%	17%	0%	4%	3%
U S V	1%	5%	8%	15%	-1%	4%	5%
Other	56%	10%	8%	16%	5%	8%	8%
VMN total	100%	10%	11%	16%	3%	7%	8%
Top 5 company share		23%	26%	26%	25%	25%	25%
Top 6-10 company share		11%	11%	11%	11%	10%	10%

Source: IQVIA, HSIE Research, Note: Vitamins/ Minerals/ Nutrients

The top 10 peers continue to hold a steady market share. However, the VMN segment remains competitive, with other companies controlling ~56% of the market

Exhibit 38: Derma – While leading companies saw muted growth, other companies like Torrent, Dr Reddy's, IPCA, and Intas saw steady growth

Derma therapy YoY %	% of FY23 sales	FY20	FY21	FY22	FY23	9M'24	Q3'24
Glaxosmithkline*	10%	7%	13%	6%	14%	3%	-4%
Glenmark Pharma	7%	7%	3%	4%	9%	8%	4%
Sun*	5%	0%	1%	12%	5%	1%	1%
Mankind	4%	6%	13%	2%	-10%	0%	2%
Torrent Pharma*	3%	9%	-1%	20%	17%	13%	9%
Dr Reddys Labs	3%	8%	-2%	15%	11%	14%	12%
Macleods Pharma	3%	-8%	6%	-3%	-5%	-5%	-11%
Abbott*	3%	0%	-8%	-1%	5%	1%	0%
Zydus Cadila*	3%	5%	1%	5%	5%	0%	4%
Cipla	2%	10%	8%	1%	5%	13%	7%
Intas Pharma*	2%	13%	-4%	26%	6%	11%	12%
Ajanta Pharma	2%	6%	2%	17%	26%	16%	15%
Eris Lifesciences*	2%	11%	5%	2%	12%	-13%	-13%
Alkem*	2%	15%	-14%	20%	16%	9%	4%
Ipca Labs	1%	42%	14%	43%	20%	21%	15%
Other	46%	13%	9%	12%	4%	7%	5%
Derma total	100%	9%	6%	10%	6%	6%	3%
Top 5 company share		30%	30%	29%	30%	29%	29%
Top 6-10 company share		17%	16%	15%	15%	14%	14%

Source: IQVIA, HSIE Research

While the top 5 companies maintain a stable share, companies ranked 6-10 are losing market share to other players

Exhibit 39: Gynec – Growth tapering down after the strong growth over FY22/23

Gynaec therapy YoY %	% of FY23 sales	FY20	FY21	FY22	FY23	9M'24	Q3'24
Emcure*	9%	13%	5%	28%	21%	1%	0%
Mankind	7%	15%	43%	21%	27%	5%	4%
Sun*	6%	16%	2%	21%	14%	4%	4%
Abbott*	5%	13%	-12%	7%	15%	5%	15%
Alembic	4%	1%	9%	17%	32%	17%	14%
Zydus Cadila*	4%	6%	1%	22%	16%	1%	1%
Intas Pharma*	4%	27%	-19%	35%	28%	17%	17%
Lupin Limited	4%	7%	-4%	27%	27%	11%	7%
Alkem*	3%	8%	20%	21%	28%	5%	7%
Aristo Pharma*	2%	34%	15%	23%	28%	16%	14%
Macleods Pharma	2%	-2%	-2%	14%	25%	14%	11%
Cipla	2%	-11%	-10%	15%	9%	-1%	-3%
Torrent Pharma*	2%	16%	8%	24%	29%	-3%	6%
Eris Lifesciences*	1%	5%	7%	11%	37%	20%	13%
Jb Pharma*	1%	29%	-9%	39%	33%	22%	29%
Other	44%	7%	3%	11%	8%	6%	5%
Gynaec total	100%	9%	3%	16%	16%	6%	6%
Top 5 company share		28%	29%	30%	31%	31%	32%
Top 6-10 company share		15%	15%	16%	17%	17%	17%

Source: IQVIA, HSIE Research

The top 10 companies retain a steady market share. Nonetheless, the gynaec segment remains competitive, with other companies controlling ~44% of the market

Trade generics model and Jan Aushadhi expand amid challenges

The INR 100 bn generic-generics market forms a small segment of IPM dominated by Cipla, Alkem, etc and Jan Aushadhi scheme. Jan Aushadhi scheme under the Government of India has been relaunched as Pradhan Mantri Bhartiya Janaushadhi Pariyojana (PMBJP) in Sep'16 to provide quality medicines at affordable prices (by at least 50% and in some cases up to 80-90%). The scheme has been approved for continuation with a financial outlay of INR 4.9 bn for FY21-25. The target is to open 10,500 PMBJP Kendras in the country by March 2025. It has also been decided to enhance the product basket up to 2,000 medicines and 300 surgicals by Mar'25.

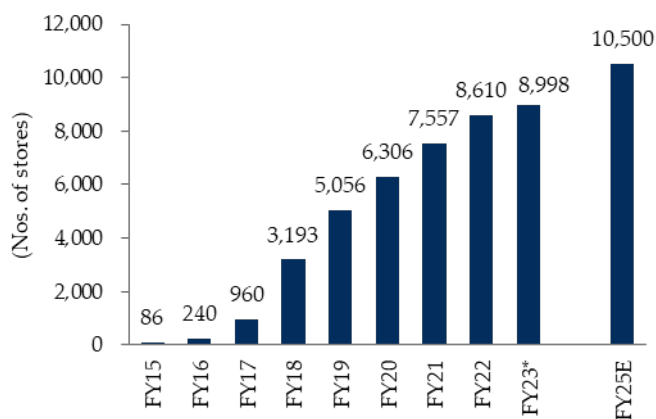
Objectives of the Jan Aushadhi scheme include:

- Providing quality medicines, consumables, and surgical items at affordable prices to reduce out-of-pocket expenses for consumers/patients.
- Popularizing generic medicines among the masses and dispelling misconceptions about their quality and effectiveness.
- Ensuring easy access to menstrual health services for all women across India.
- Generating employment opportunities by engaging individual entrepreneurs in the establishment of PMBJP Kendras.

Our view: generics model ramping up quickly amid sustainability challenges

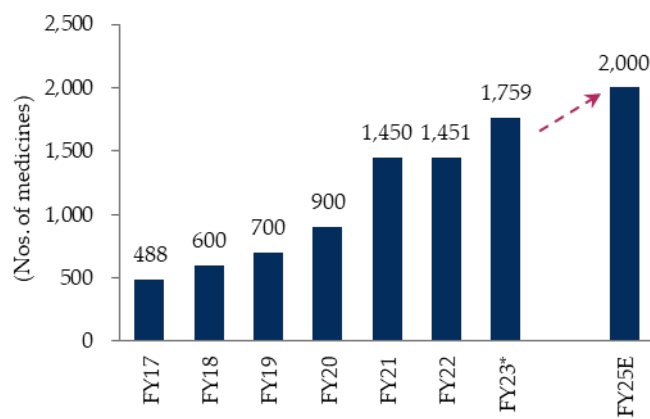
- **Infrastructure expansion and supply shortages persist:** The number of Jan Aushadhi stores has increased approximately ninefold in the last five years, with sales reaching INR 8.5 bn as of December 2022 and drug coverage expanding by 3.6 times to 1,759. However, shortages of medicines and stock-keeping units (SKUs) persist. Additionally, expenditure allocation has seen a 1.6-fold increase during the interim union budget, reaching INR 2.8 bn for FY24-25, up from the revised allocation of INR 1.1 bn in FY23-24.
- **Quality concerns deter patients and doctors:** Patients and doctors often associate low-cost medicines with poor quality, creating a mental barrier that may delay the acceptance of generic medicines to some extent.
- **Inefficient supplies pose losses for store owners:** The shipping of near-term expiry medicines to stores without recourse results in losses for store owners. Continued practice of this nature will keep margins under pressure. The sales per store has remained relatively low at INR 0.9-1 mn over the past 8-9 years.

Exhibit 40: Jan Aushadhi store count ramping up with...



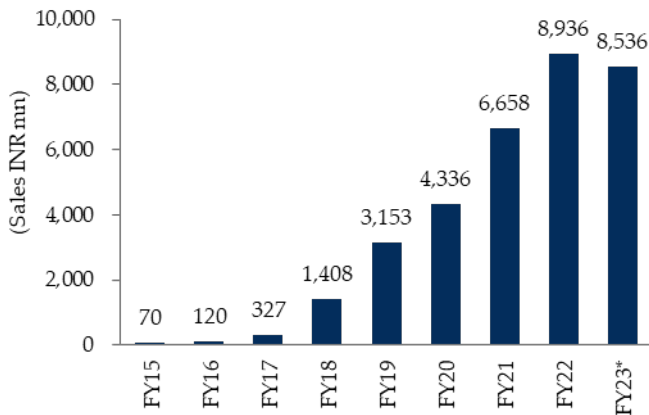
Source: Department of Pharma, HSIE Research, FY23 data till Dec'22

Exhibit 41: ...increasing drug basket...



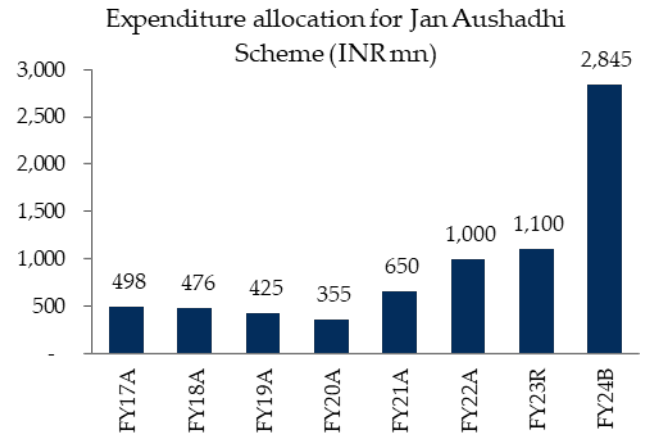
Source: Department of Pharma, HSIE Research, FY23 data till Dec'22

Exhibit 42: ...led to sales growth over last few years



Source: Department of Pharma, HSIE Research, FY23 data till Dec'22

Exhibit 43: Expenditure allocation to support scale-up

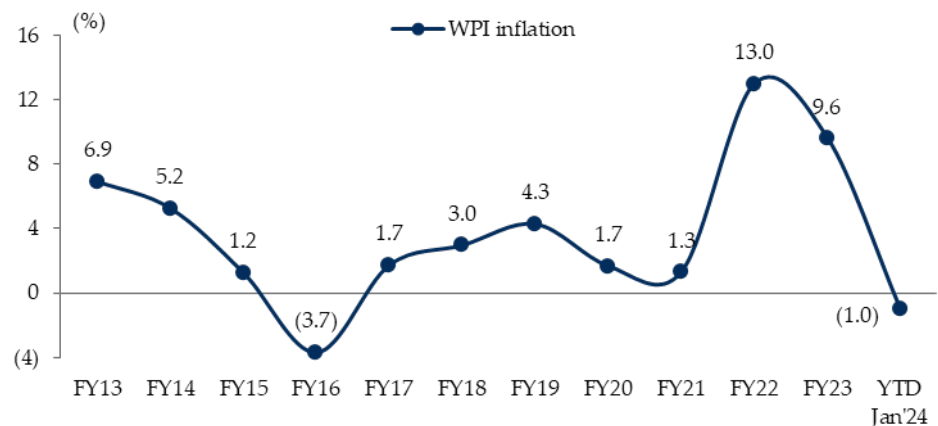


Source: <https://www.indiabudget.gov.in/>, HSIE Research

National List of Essential Medicines (NLEM)

- Every year, the National Pharma Pricing Authority (NPPA) announces a calculated ceiling based on the Wholesale Price Index (WPI) of the previous calendar year, which limits the percentage hike drug companies can take on their portfolio under NLEM starting April.
- On 27 Mar 2023, NPPA announced the calculated annual change in WPI as 12.1% for CY22 over CY21. This would translate to yet another significant price hike of ~12% (~10.8% in FY22) vs a normal hike of 2-3% for 800+ scheduled drugs and medical devices from 1 Apr 2023. Price benefits started reflecting in 9M'24 performance.
- Of ~6,000 formulations, the average NLEM exposure of domestic formulation companies is nearly 20%.
- In 9M'24, WPI was in a negative zone at ~-1.1% - which will limit the price hike for the NLEM portfolio in FY25.

Exhibit 44: Negative WPI implies limited scope of price increase in FY25



Source: Companies, HSIE Research

Focus on M&A to accelerate growth in India market

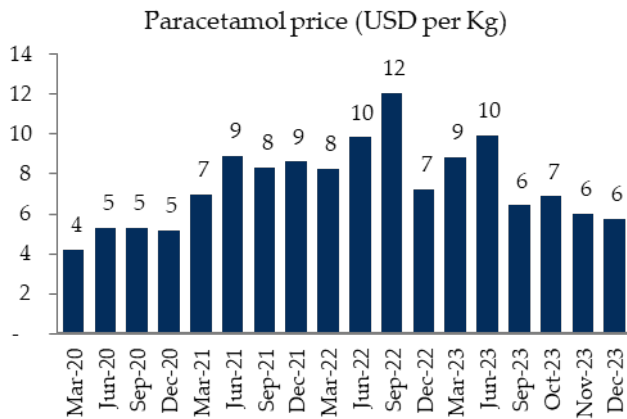
Exhibit 45: Pick-up in M&A activities in domestic space over the last few years

Date	Acquiring Company	Target product/portfolio/company	Acquired from	Annual sales (INR mn)	Acquisition cost (INR mn)	EV/Sales (x)
May-10	Abbott	Pharma business in India, made it largest player with 7% MS	Piramal India	~USD 410 mn	USD 3.7 bn	9x sales; 27x EBITDA
Jan-14	Torrent	portfolio of 30 brands in women's healthcare, pain and nutraceuticals	Elder	~Rs 5.5 bn	Rs 20 bn	~3.6x sales;
Apr-14	Sun Pharma	100% stake -made it 5th largest global specialty generics and largest in IPM	Ranbaxy	~USD 1.8 bn	USD 4 bn	2.2x sales
May-16	Dr Reddy's	Brand equity in Derma, Respiratory and Pediatrics	UCB	~Rs 1.5 bn	Rs 8 bn	~5.3x sales
Nov-17	Eris	Domestic branded generic business (130+ brands)	Strides	~Rs 1.81 bn	~Rs 5 bn	~2.8x sales
Dec-17	Torrent	Domestic business - 120 brands and Sikkim manufacturing facility	Unichem	~Rs 8.5 bn	Rs 36 bn	4.2x sales
Oct-18	Zydus Wellness (with Cadila Healthcare/Zydus Life)	Brands like Complian, Glucon D, Nycil and Sampri Ghee and 2 manufacturing facilities	Heinz India	~Rs 11.5 bn	Rs 46 bn	4x sales; 20x EBITDA
Jun-20	Dr Reddy's	Portfolio of 62 brands in respiratory, neurology, VMS, dermatology, gastro, pain and vaccines	Wockhardt	~Rs 5 bn	Rs 18.5 bn	3.7x sales; 15x EBITDA
Feb-21	Encube Ethicals	Soframycin, Sofradex brands for India and Sri Lanka	Sanofi India	~Rs 755 mn	Rs 1250 mn	~1.65x sales
Sep-21	Integrace	Mifegest and Cytolog brands	Zydus Life	~Rs 2bn	undisclosed	NA
Nov-21	Ipca Lab	26.6% stake; injectables, lyophilized injectables and topical formulations + Majorly India and RoW business + Ankleshwar facility	Lyka Labs	Rs 2.2 bn	Rs 979 mn	1.7x sales
Jan-22	JB Chemical	Probiotics, nutra & reproductive brands	Sanzyme	1,600	6,280	3.9
Jan-22	Lupin	Vitamins & CNS segment	Anglo-French	946	3,250	3.4
Feb-22	Mankind	Domestic brands** for India, Nepal	Panacea	2,640	18,720	7.1
Feb-22	Dr Reddy's	Distribution of Voveran, calcium range, Methergine	Novartis	~3,600	ND	NA
Feb-22	Mankind	Combihale and Daffy brand	Dr Reddy's	237	390	1.6
Mar-22	Aurobindo	Domestic branded generic business	Veritaz	1270	1,710	1.3
Apr-22	JB Chemical	Azmarda (cardio - heart failure)	Novartis AG	768	2,460	3.2
Apr-22	Dr Reddy's	Cidmus (cardio - heart failure)	Novartis AG	1,360	4,560	3.4
May-22	Torrent Pharma	Styptovit-E, Finast, Finast-T and Dynapres brands	Dr Reddy's	464	ND	NA
May-22	Eris	Oaknet Healthcare	Oaknet	1,950	6,500	3.3
Jun-22	Aurobindo	51% stake: for oncology products in India	GLS Pharma	258	281	1.8
Jun-22	JB Chemical	Z&D, Pedicloryl, Pecef and Ezinapi paediatric brands	Dr Reddy's	330	983	3.0
Sep-22	Torrent~	Curatio Healthcare	Curatio	2,240	18,850	8.4
Dec-22	JB Chemical	Razel brand (Rosuvastatin and combos)	Glenmark	661	3,137	4.7
Jan-23	Eris Life	9 derma brands	Glenmark	873	3,400	3.9
Mar-23	Eris Life	9 derma brands	Dr Reddy's	500	2,750	5.5
Aug-23	Lupin	Anti-diabetes brands - Ondero, Ondero - Met	Boehringer	1,580	2,350	1.5
Sep-23	Lupin	5 brands - Piclin, Menoctyl, Sucramal O, Pyridium and Distaclor	Menarini	322	1,010	3.1
Sep-23	Nirma	Glenmark Life - 75% stake	Glenmark Pharma	21,610	75,350	3.5
Nov-23	Eris Life	Nephro (12 brands) and derma (9 brands) units	Biocon Biologics	1,000	3,660	3.7
Dec-23	JB Chemicals	Novartis's ophthal brands (3 years in license then acquisition in Jan'27, Rs 9.6 bn payable by Dec'26)	Novartis	2,100	10,850	5.2
Feb-24	Eris Life	Acquired 51% stake; An additional 19% stake will be acquired at closing by the Eris Promoter Group for INR 2,375 mn – hence collectively 70% equity stake to be acquired by Eris and its Promoter Group	Swiss Parenterals	2,803	6,375	2.3

Source: IQVIA, HSIE Research

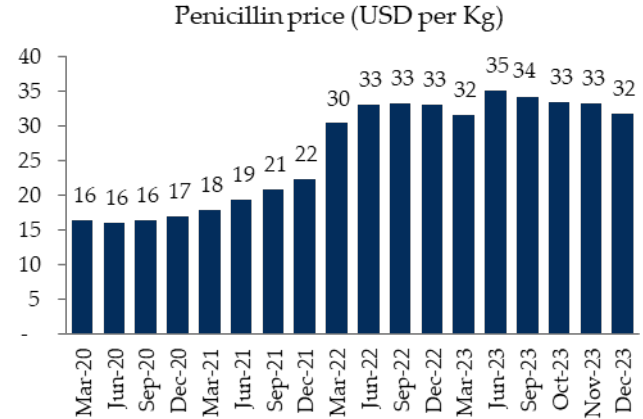
The trend in select input and other cost items

Exhibit 46: Paracetamol (import) prices softening in last few months



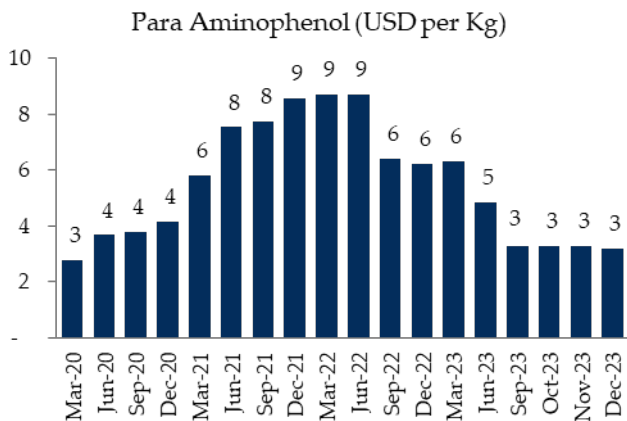
Source: HSIE Research, Ministry of commerce and Industry

Exhibit 47: Penicillin price stabilizing



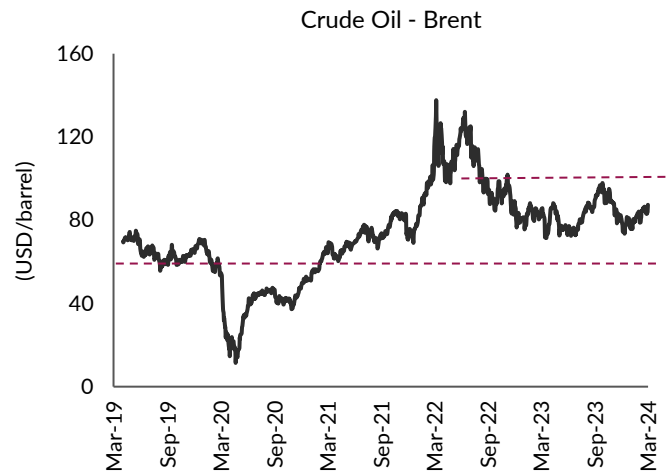
Source: HSIE Research, Ministry of commerce and Industry

Exhibit 48: Para aminophenol price normalized at pre-Covid level



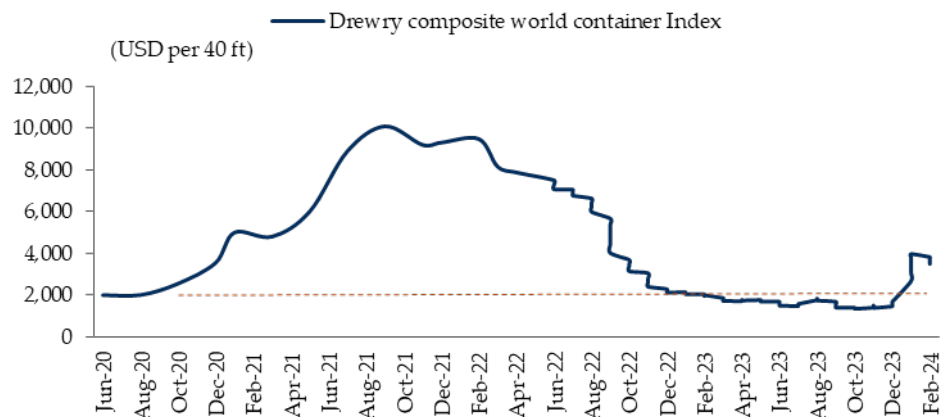
Source: HSIE Research, Ministry of commerce and Industry

Exhibit 49: Cude oil price steady at 80-85 USD / barrel



Source: HSIE Research, Bloomberg

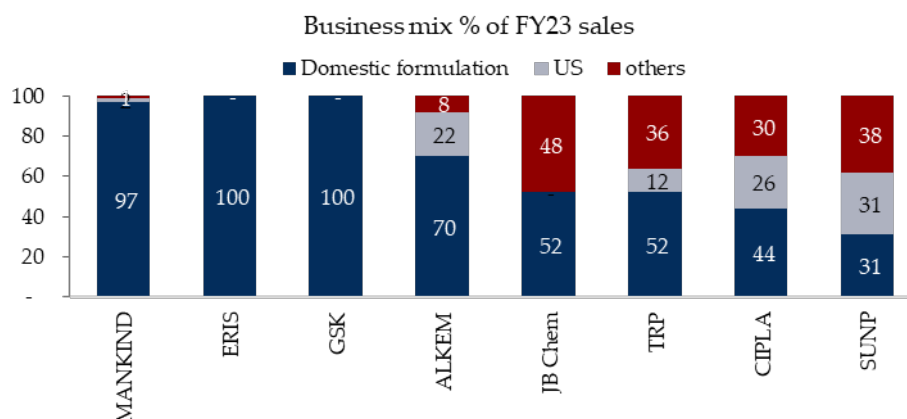
Exhibit 50: Container cost reached at pre-Covid level, increasing from Jan'24



Source: HSIE Research, Drewry, USD per 40 ft container; latest data as of 29 Feb 2024

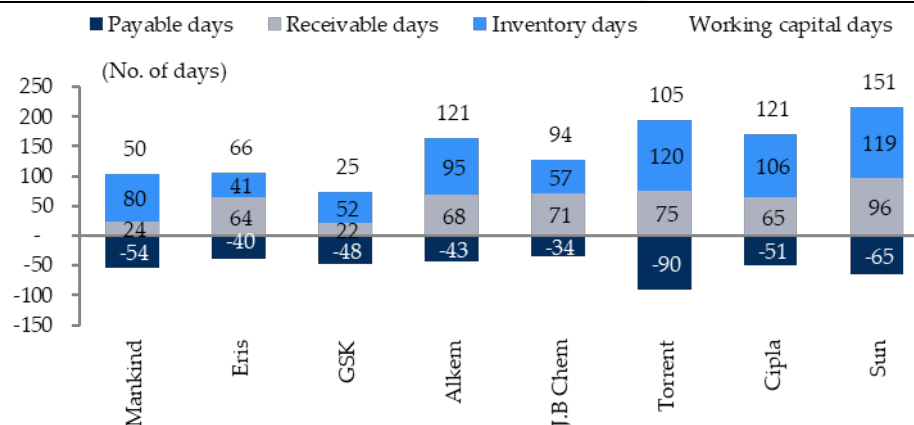
Domestic formulation peer comparison

Exhibit 51: Business mix—Domestic formulations is a leading growth driver



Source: Companies, HSIE Research

Exhibit 52: Higher India sales led to lower working capital cycle



Source: Companies, HSIE Research, as of FY23

Exhibit 53: Gross margin of key domestic heavy companies

Gross margin (%)	FY20	FY21	FY22	FY23
Mankind	68.0	71.3	68.9	66.7
Eris	84.0	80.3	80.8	79.1
GSK	59.4	57.0	58.6	60.5
Alkem	59.9	60.5	60.7	57.7
J.B Chem	64.5	65.7	65.2	62.9
Torrent	72.7	73.2	71.3	71.6
Cipla	65.0	61.6	61.0	63.7
Sun	71.9	74.1	73.2	75.7

Source: Companies, HSIE Research

Exhibit 54: EBITDA margin of key domestic heavy companies

EBITDA margin (%)	FY20	FY21	FY22	FY23
Mankind	26.0	26.8	25.6	23.0
Eris	34.3	35.5	36.0	31.9
GSK	20.4	20.4	23.2	24.7
Alkem	17.7	21.9	19.3	14.0
J.B Chem	21.3	27.4	22.4	22.1
Torrent	27.3	31.0	28.6	29.7
Cipla	18.7	22.2	21.8	23.0
Sun	21.2	25.3	26.5	26.8

Source: Companies, HSIE Research

Exhibit 55: OCF to EBITDA conversion for the key domestic heavy companies

OCF to EBITDA (%)	FY20	FY21	FY22	FY23
Mankind	70%	68%	46%	95%
Eris	74%	87%	78%	54%
GSK	75%	97%	106%	60%
Alkem	40%	65%	54%	103%
J.B Chem	73%	56%	31%	90%
Torrent	64%	81%	74%	83%
Cipla	96%	91%	74%	70%
Sun	94%	73%	88%	42%

Source: Companies, HSIE Research

Exhibit 56: Leverage of key domestic heavy companies

Net debt/ EBITDA (x)	FY20	FY21	FY22	FY23
Mankind	-0.6	-1.0	-0.2	-0.7
GSK	-1.6	-1.9	-3.7	-2.1
Eris	-0.4	-0.2	-0.1	1.5
Alkem	0.2	-0.2	-0.0	-0.9
J.B Chem	0.0	0.0	-0.1	0.7
Torrent	2.4	1.7	1.4	1.6
Cipla	0.2	-0.4	-0.6	-0.7
Sun	-0.4	-0.7	-1.1	-0.7

Source: Companies, HSIE Research

Exhibit 57: FCF generation for the key domestic heavy companies

FCF (INR bn)	FY20	FY21	FY22	FY23
Mankind	8	8	-14	10
Eris	1	3	3	-12
GSK	3	5	8	4
Alkem	2	11	8	14
J.B Chem	2	3	-5	-1
Torrent	10	17	16	-2
Cipla	21	30	28	25
Sun	50	49	67	-18

Source: Companies, HSIE Research

Performance of coverage companies

Exhibit 58: India business to see steady growth over the next few years

(INR bn)	FY11	FY16	5-yr CAGR	FY17	FY23	YoY %	5-yr CAGR	FY24E	YoY %	FY25E	YoY %	FY26E	YoY %	FY23-26E CAGR
Alkem Labs	15	36	20%	43	80	8%	12%	86	8%	96	11%	106	11%	10%
Torrent Pharma	8	18	17%	20	50	16%	16%	57	15%	65	13%	73	13%	14%
Mankind	-	-	-	-	85	11%	13%	96	14%	110	14%	125	14%	14%
Eris Lifesciences	3	7	21%	7	17	23%	17%	19	16%	23	18%	26	13%	15%
Dr. Reddys	12	21	13%	23	49	17%	16%	48	-2%	54	12%	60	11%	7%
Lupin	16	34	17%	38	61	1%	8%	67	10%	74	11%	82	10%	10%
Sun Pharma	24	71	25%	77	136	7%	11%	149	10%	165	11%	184	11%	10%
Zydus Life	16	30	13%	32	49	2%	8%	54	10%	60	11%	67	11%	11%
Total	93	219	19%	241	526	9%	16%	577	10%	646	12%	722	12%	11%

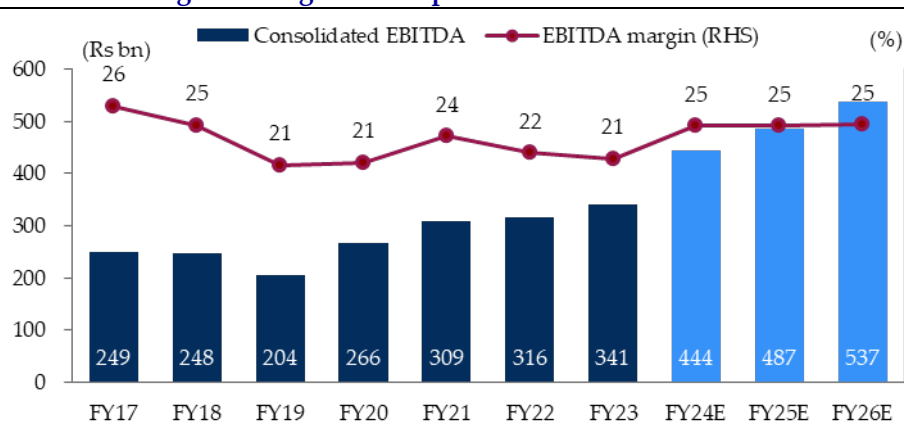
Source: Companies, HSIE Research, Mankind CAGR over FY20-23

Exhibit 59: US business to recovery for Alkem and Torrent Pharma to support overall growth

US revenue (USD mn)	FY11	FY16	5-yr CAGR	FY18	FY23	FY18-23 CAGR	FY24E	(YoY %)	FY25E	(YoY %)	FY26E	(YoY %)	FY23-26E CAGR
Large Caps													
SUNP	494	2,066	33	1,357	1,684	4	1,859	10	2,059	11	2,240	9	10
DRRD	416	1,153	23	928	1,265	6	1,553	23	1,493	-4	1,445	-3	5
LPC	456	906	15	914	674	-6	858	27	922	7	1,004	9	14
ARBP	261	929	29	1,155	1,450	5	1,713	18	1,774	4	1,816	2	8
ZYDUSLIF	209	614	24	898	926	1	1,006	9	1,095	9	1,157	6	8
ALKEM	10	151	71	212	313	8	338	8	365	8	385	5	7
TRP	24	408	76	171	145	-3	132	-8	151	14	169	12	5
Total	1,870	6,228	27	5,635	6,457	3	7,460	16	7,860	5	8,216	5	8

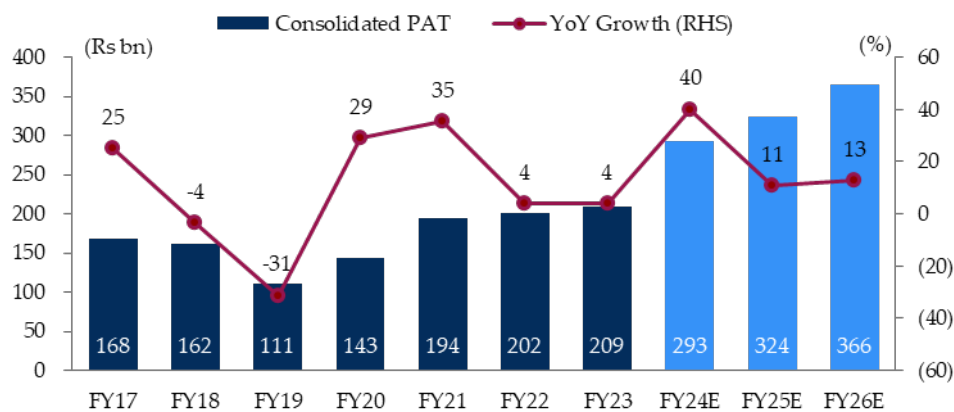
Source: Companies, HSIE Research

Exhibit 60: Margin to see gradual improvement



Source: Companies, HSIE Research

Exhibit 61: Steady profit growth over next few years



Source: Companies, HSIE Research

Exhibit 62: Return ratio improving for the coverage companies

RoCE (%)	FY11	FY16	5-yr avg	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
India Pharma												
SUNP	22	19	28	10	11	10	13	17	16	17	19	19
DRRD	20	19	24	8	13	20	19	18	26	27	20	18
LPC	24	23	31	10	9	8	10	3	5	15	16	18
ARBP	19	27	21	23	18	18	18	13	9	13	13	14
ZYDUSLIF	29	27	23	18	15	11	14	12	13	20	18	18
ALKEM	32	23	17	17	16	18	21	18	13	19	20	21
TRP	49	47	34	12	14	16	18	17	20	22	26	29
MANKIND	-	-	-	-	-	40	38	33	22	26	26	26
ERIS	108	52	92	35	28	26	26	24	16	15	18	20
Average	23	23	29	14	13	14	15	13	14	18	17	17

Source: Companies, HSIE Research

Exhibit 63: Coverage companies – valuation snapshot

Companies	MCAP (USD bn)	Rating	TP Multiple	CMP (Rs)	TP (Rs)	EPS (Rs)				P/E (x)				EV/EBITDA (x)				RoCE (%)			
						FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E
Aurobindo	7.7	ADD	18x	1,084	1,150	33	52	59	65	33	21	18	17	17	11	10	9	9	13	13	14
Dr. Reddy's	12.7	REDUCE	24x	6,306	5,650	211	320	288	284	30	20	22	22	16	13	13	13	26	27	20	18
Lupin	9.2	REDUCE	26x	1,679	1,470	8	44	49	59	199	38	34	28	46	21	19	17	5	15	16	18
Sun Pharma	44.9	BUY	31x	1,574	1,650	36	40	48	55	43	39	32	29	31	27	24	22	16	17	19	19
Zydus Life	11.6	BUY	25x	954	930	23	34	35	38	41	28	27	25	27	19	19	18	13	20	18	18
Large Cap										58	33	29	26	29	22	20	18	15	18	18	18
Alkem	7.4	ADD	27x	5,096	5,520	90	161	178	204	57	32	29	25	37	26	23	20	13	19	20	21
Eris Life	1.5	BUY	25x	889	1,070	28	30	34	43	32	29	26	21	24	18	13	12	16	15	18	20
Mankind	10.4	ADD	36x	2,161	2,360	34	46	55	66	63	47	39	33	45	34	29	25	22	26	26	26
Torrent Pharma	11.0	ADD	38x	2,662	2,970	37	47	62	78	72	57	43	34	34	28	24	21	20	22	26	29
Domestic formulation heavy										62	45	36	29	34	27	23	19	17	20	23	25

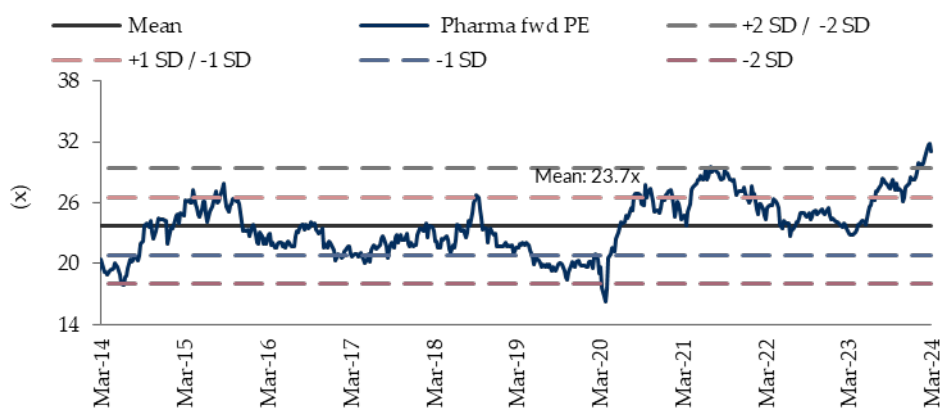
Source: Companies, HSIE Research, Bloomberg, Note: Price as on 5-Mar-2024, Target multiples at FY26E for Alkem, Eris Life, Mankind, and Torrent Pharma, and target multiple based on Dec'25E for Aurobindo, Dr Reddy's, Lupin, Sun Pharma, and Zydus Life. Dr Reddy's TP includes Rs 150/ share for gRevlimid

Exhibit 64: BSE Healthcare outperformed Sensex by 11/37% in past 6/12 month

Companies	Price (Rs)	Absolute performance (%)					
		1 month	3 months	6 months	1 year	3 years	5 years
Pharmaceuticals							
Alembic	1,030	7%	35%	32%	105%	12%	89%
Alkem	5,100	4%	10%	40%	61%	83%	191%
Aurobindo	1,084	6%	6%	27%	136%	26%	49%
Biocon	280	-2%	15%	5%	24%	-29%	-8%
Cipla	1,473	3%	20%	19%	68%	83%	172%
Divis	3,484	-6%	-7%	-4%	22%	0%	111%
Dr Reddy's	6,303	3%	9%	13%	42%	40%	135%
Eris Lifesciences	885	0%	-4%	9%	41%	54%	43%
Gland	1,756	-13%	-3%	4%	37%	N.A	N.A
Glenmark	917	4%	18%	16%	120%	96%	50%
IPCA	1,190	5%	4%	33%	49%	24%	173%
Lupin	1,679	7%	33%	50%	153%	62%	112%
Mankind	2,167	5%	11%	22%	NA	NA	NA
Natco Pharma	983	13%	26%	9%	75%	18%	73%
Piramal Pharma	128	-8%	2%	24%	NA	NA	NA
Sun Pharma	1,574	8%	27%	39%	63%	158%	249%
Syngene	693	-7%	-6%	-14%	21%	27%	136%
Torrent	2,662	1%	27%	42%	78%	115%	200%
Zydus Lifesciences	954	25%	50%	50%	102%	116%	192%
Healthcare services							
Apollo	6,061	-3%	9%	22%	37%	110%	411%
Aster DM	453	7%	12%	35%	99%	218%	189%
Max Health	730	-8%	7%	23%	72%	N.A.	N.A.
Medplus	692	2%	-12%	-16%	-1%	N.A.	N.A.
DLPL	2,238	-8%	-17%	1%	14%	-3%	121%
Metropolis	1,667	0%	0%	19%	27%	-14%	N.A.
BSE HC	34,708	1%	14%	23%	60%	64%	148%
Sensex	73,677	3%	6%	12%	23%	46%	101%

Source: HSIE Research, Bloomberg, Price as of 5 Mar 2024

Exhibit 65: Pharma sector (BSEHC) PE (vs 10-year mean)



Source: HSIE Research, Bloomberg, Price as of 5 Mar 2024, SD = standard deviation

Companies

Alkem Laboratories

Strong India franchise; margin recovery key

Alkem Labs (ALKEM) holds the fifth position in the IPM, boasting an acute-heavy portfolio (anti-infectives, gastro, and pain), alongside expanding its presence in the chronic segment (in anti-diabetics and CNS). With its market share increasing to ~4.1% as of FY23 (up from ~3.6% in FY19), ALKEM has primarily driven growth through organic means and scaling up in the chronic segment. The journey of ALKEM's US generic division began with the acquisition of S&B Pharma in FY11 and further expanded via Long Pharma M&A in FY16 and subsequent new launches. We expect steady growth for ALKEM, propelled by the recovery in the acute segment (~83% of sales), led by expected volume rebound in the IPM post a subdued FY24, bolstered by its leadership in brands (with 19 brands among the top 300 in the IPM) and therapies (ranking 1st in anti-infectives, 2nd in VMN, and 3rd in gastro/pain). Further, the chronic segment scaling up through new launches and steady growth in trade generics are expected to contribute positively. EBITDA margin is expected to improve by ~500 bps to ~19% in FY26E (from ~14% in FY23), led by increasing chronic share, cost control initiatives (productivity improvement, process optimisation to improve efficiencies, and divestment of less profitable US plant), and decreasing input costs (paracetamol, penicillin). We initiate coverage with an ADD rating and a TP of INR 5,520, based on a 27x FY26E EPS on steady earnings, healthy balance sheet/FCF generation, and improving return ratios. Scale-up and monetization of Enzene Bio (the biosimilar business) could unlock value.

Strong India franchise with an expected recovery in acute segment: ALKEM's strong position in the acute segment (anti-infective ~38%, gastro ~19% of FY23 sales) in its domestic formulation business (~70% of sales) has been the key growth driver. While FY24 growth is likely to be moderate (low single digit) on slower growth in anti-infectives, it expects to see recovery FY25 onwards on steady volume and price/new product launches. Given its brand (19 brands in the top 300 brands in the IPM with annual sales of INR 1+ bn including mega-brands like Clavam, Pan, Pan-D, and Taxim-O) and therapy leadership, IPM's acute segment recovery will help ALKEM see steady growth. Its trade generics business (~18% of sales) is likely to remain steady.

Scale-up in the chronic segment: Over the last 7-8 years, the company has been scaling up its chronic segment (to ~17% of sales in FY23 vs ~9-10% in FY15/16) with a focus on key therapies like anti-diabetics, CNS, CVS, and Derma. ALKEM expects to outperform IPM in key therapies, led by new launches and improving productivity; it expects to increase chronic share to ~20% of sales in the next few years.

US generics to see steady growth: ALKEM has a focus on improving the filing and launching better products to improve profitability (rationalize products/plant divestment). Given a relatively smaller base, we see ALKEM's US business seeing steady high-single-digit growth, led by new launches (~30 pending approvals) and moderation in price erosion (single-digit erosion in FY24).

Outlook and valuation: We expect ALKEM to see 11/23/31% sales/EBITDA/PAT CAGRs over FY23-26E, led by growth recovery in India and steady growth in the US business. We see EBITDA margin improve by ~500 bps to 19% by FY26E (from 14% in FY23), led by increasing chronic share (~14% in FY23), cost control initiatives (productivity improvement, process optimisation to improve efficiencies, and divestment of less profitable US plant), and decreasing input costs. We initiate coverage with an ADD and a TP of INR 5,520 (implied EV/EBITDA of 21x).

Financial Summary

YE March (INR bn)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
India sales (INR bn)	55	57	74	80	86	96	106
Net Sales	83	89	106	116	130	143	158
EBITDA	15	19	21	16	23	26	30
APAT	11	15	17	11	19	21	24
Diluted EPS (INR)	91.3	129.2	138.9	90.0	161.0	178.0	204.4
P/E (x)	55.8	39.4	36.7	56.6	31.7	28.6	24.9
EV / EBITDA (x)	41.7	31.3	29.8	37.1	25.9	22.3	19.1
RoCE (%)	16	21	18	13	19	20	21

Source: Company, HSIE Research

ADD

CMP (as on 5 Mar 2024)	INR 5096
Target Price	INR 5520
NIFTY	22,356

KEY STOCK DATA

Bloomberg code	ALKEM IN
No. of Shares (mn)	120
MCap (INR bn) / (\$ mn)	605/7,297
6m avg traded value (INR mn)	1,204
52 Week high / low	INR 5,520/3,042

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	8.7	38.8	60.1
Relative (%)	2.3	26.7	36.9

SHAREHOLDING PATTERN (%)

	Sep-23	Dec-23
Promoters	56.74	56.74
FIs & Local MFs	17.64	15.91
FPIs	6.03	8.49
Public & Others	19.59	18.86
Pledged Shares	-	-

Source: BSE

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Exhibit 1: Revenue, EBITDA and PAT assumptions

(INR mn)	% of FY23 sales	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Domestic formulations	69	44,899	48,742	54,540	56,996	74,045	80,011	86,412	95,917	1,06,468
YoY growth		5%	9%	12%	5%	30%	8%	8%	11%	11%
International business	30	18,231	23,917	27,380	30,288	31,075	34,393	41,047	45,608	49,890
YoY growth		22%	31%	14%	11%	3%	11%	19%	11%	9%
- US (USD mn)		212	271	310	330	312	313	338	365	385
YoY growth		18%	28%	14%	6%	-5%	0%	8%	8%	5%
- US (Rs mn)	22	13,667	18,967	21,997	24,512	23,291	25,134	28,085	30,702	32,748
YoY growth		14%	39%	16%	11%	-5%	8%	12%	9%	7%
- Other international formulation business	8	4,565	4,950	5,383	5,776	7,784	9,259	12,962	14,906	17,142
YoY growth		57%	8%	9%	7%	35%	19%	40%	15%	15%
Total revenues		64,012	73,572	83,444	88,650	1,06,342	1,15,993	1,29,626	1,43,365	1,58,390
YoY growth		9%	15%	13%	6%	20%	9%	12%	11%	10%
Gross Profit		40,184	44,122	49,994	53,666	64,539	66,924	77,516	86,592	96,618
Gross margin		62.8%	60.0%	59.9%	60.5%	60.7%	57.7%	59.8%	60.4%	61.0%
EBITDA		10,089	11,148	14,734	19,424	20,546	16,283	22,814	26,092	30,094
YoY growth		1%	10%	32%	32%	6%	-21%	40%	14%	15%
EBITDA margin		15.8%	15.2%	17.7%	21.9%	19.3%	14.0%	17.6%	18.2%	19.0%
Adj PAT		6,194	7,500	10,909	15,448	16,608	10,756	19,245	21,274	24,441
YoY growth		-31%	21%	45%	42%	8%	-35%	79%	11%	15%

Source: Company, HSIE Research, EBITDA/ PAT adjusted for forex and one-offs.

The overall outlook for ALKEM

We expect ALKEM to see steady revenue growth over FY23-26E, led by

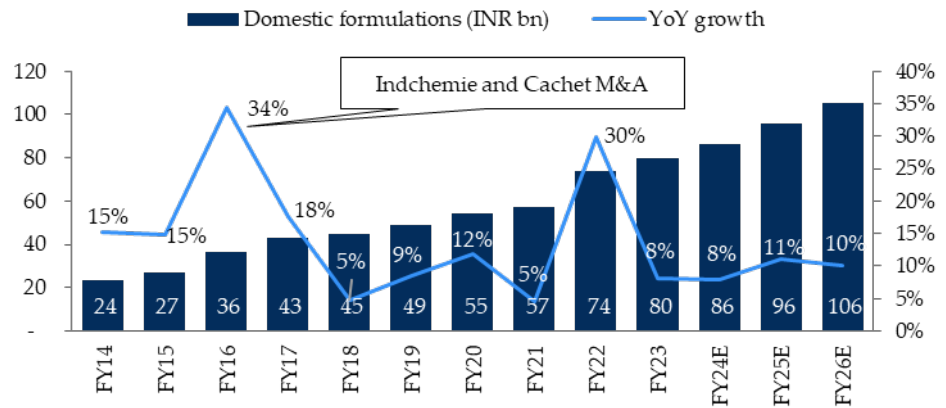
- A dominant presence in critical acute segments such as anti-infectives (contributing approximately 38% of sales; ranked 1st in the IPM), Gastro (contributing around 19% of sales; ranked 3rd in the IPM), pain (contributing roughly 11% of sales; ranked 3rd in the IPM), and VMN (contributing about 10% of sales; ranked 2nd in the IPM).
- Expected recovery in volume-led demand within the IPM, especially in the acute segment, which will aid ALKEM's business rebound over the next few years, leveraging its leadership position in these respective categories.
- Robust India franchise, boasting 19 brands among the top 300 pharma brands and 6 brands among the top 100 pharma brands, collectively generating sales of approximately INR 1 bn. Key brands such as Clavam, Pan, Pan-D, Taxim-O, A To Z NS, Xone, Taxim, etc., which are poised for growth recovery in the upcoming years.
- Consistent performance of trade generics (~20-21% of India sales).
- The growth trajectory will be buoyed by an expansion in critical chronic therapies such as anti-diabetics, CNS, CVS, and Derma. ALKEM anticipates surpassing IPM growth rates through new product launches and enhanced productivity measures. It aims to elevate the chronic segment's contribution to ~20% of sales in the coming years.
- In the US generic segment, which accounted for about 20% of FY23 sales, sustained growth is expected, driven by new launches (with ~30 pending approvals) and a moderation in price erosion. Moreover, the absence of significant plant-related issues with the USFDA strengthens the company's position. ALKEM's strategic focus in the US market revolves around enhancing overall profitability, evident in initiatives like product rationalisation and the closure of the St. Louis plant.
- The company's other international operations, comprising approximately 8% of sales, primarily target markets in Latin America, Australia, and Europe. Expansion into new geographies and product launches are poised to sustain growth momentum.

- Expectations are for the EBITDA margin to surge by approximately 500 bps to 19% by FY26E, up from 14% in FY23. This improvement is attributed to the growing share of chronic therapies (which stood at around 14% in FY23), cost-control endeavours (including productivity enhancements, process optimisation, and divestment of low-profit US plants), and declining input costs (paracetamol and penicillin). ALKEM aims for an EBITDA margin of around 17% in FY24 (versus ~18.9% in 9M'24) with a gradual improvement of 50-100 bps over the next few years while maintaining stable gross margins at 59-61%.

Strong India franchise: acute-heavy business to see recovery

ALKEM is the fifth-largest player in the Indian Pharma market (IPM) with an acute-heavy portfolio (anti-infectives, gastro and pain), scaling up in the chronic segment (anti-diabetics and CNS), and it is amongst the bigger players in the trade generics (~17-18% of sales). Earlier, growth was supported by select M&As (of Indchemie and Cachet Pharma in FY15). Since then, growth has been largely organic, led by steady traction in the acute segment, scale-up in chronic, MR addition, and new launches.

Exhibit 2: India business grew organically



Source: Company, HSIE Research

ALKEM’s rank in the IPM across the leading therapies is largely unchanged. While it has outperformed IPM in key therapies like gastro, derma, and anti-diabetics, in other therapies like anti-infectives, pain, cardiac, and respiratory, it has underperformed the IPM, and VMN and CNS growth was at par with the IPM in 9M'24.

Exhibit 3: ALKEM growth was largely price drive in last few quarters

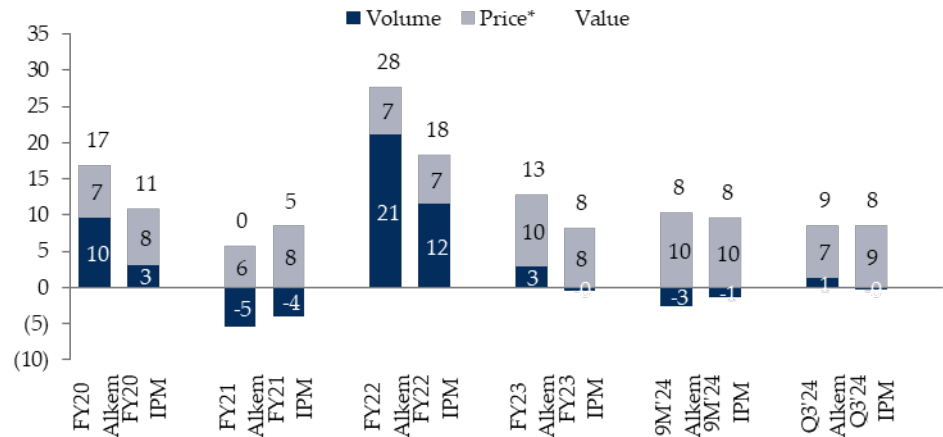
Therapy segment	Rank (9M'24)	Change in rank	Alkem YoY growth	IPM YoY growth
Anti-infectives	1	unchanged	5%	7%
Gastro	3	unchanged	11%	8%
Pain	3	unchanged	6%	9%
VMN	2	unchanged	8%	8%
CNS	7	unchanged	9%	9%
Derma	19	unchanged	9%	6%
Cardiac	27	+1	8%	10%
Respiratory	15	unchanged	1%	5%
Anti-diabetic	15	+1	23%	6%
Total	5	unchanged	8%	8%

Source: IQVIA, HSIE Research, Note: *Price calculated as the difference between Value and Volume

ALKEM’s growth over the last few years was largely a price-led growth as the volume in their key acute therapies was muted after the strong traction during Covid (in FY22; the second wave of Covid). Since then, the volume across the key acute therapies has been muted due to a high base (in FY23) and weak seasonality (in 9M'24). Price growth

has been steady over the same period. The expected volume recovery in leading acute therapies and ALKEM's strong positioning in respective therapies will help ALKEM experience steady growth over the next few years.

Exhibit 4: ALKEM growth was largely price drive in last few quarters



Source: IQVIA, HSIE Research, Note: *Price calculated as difference between Value and Volume

ALKEM's leading therapies like anti-infective (~38% of sales) had a different phase of growth with a 10% decline in FY21 due to the Covid-led lockdown, followed by strong recovery (+34% YoY) in FY22 and modest growth of ~9% in FY23 (outperformed the IPM by ~1.4x); however, it failed to sustain growth momentum in 9M'24 due to weak seasonality (grew 5% YoY which was underperformance to the IPM anti-infective growth of 7% YoY in 9M'24). In the gastro segment, ALKEM continued to maintain its outperformance to IPM by 1.3x over FY19-23, VMN outpaced the IPM growth by ~2x over FY19-23, and the pain segment grew at par with the IPM. On the other hand, chronic therapies had strong traction with anti-diabetic beating the IPM by ~2.9x and derma, CVS, and CNS growing better than the IPM over the same period. The company expects to see steady growth in the focused acute therapies (on volume recovery) and chronic space, mainly driven by new launches.

Exhibit 5: Leading acute therapies like anti-infective, pain and VMS were muted; Gastro steady growth; chronic space outperformed the IPM

Alkem therapy YoY %	% of sales							
	FY23	FY20	FY21	FY22	FY23	9M'24	Q3'24	Jan-24
Anti-Infectives	38%	21%	-10%	34%	9%	5%	7%	1%
Gastro Intestinal	19%	11%	8%	22%	17%	11%	14%	7%
Pain / Analgesics	11%	11%	-2%	22%	18%	6%	3%	7%
Vitamins/Minerals/Nutrients	10%	21%	27%	30%	3%	8%	12%	17%
Gynaec.	4%	8%	20%	21%	28%	6%	7%	5%
Anti-Diabetic	4%	29%	18%	26%	29%	23%	16%	16%
Neuro / Cns	4%	14%	-3%	18%	20%	8%	4%	3%
Respiratory	3%	19%	-14%	56%	15%	1%	2%	-1%
Derma	3%	15%	-14%	20%	16%	9%	4%	9%
Cardiac	2%	24%	15%	8%	1%	8%	6%	11%
Alkem total	100%	17%	0%	28%	13%	8%	9%	6%

Source: IQVIA, HSIE Research

ALKEM has gained ~51 bps market share over FY19-23 to ~4.1% in FY23, largely led by ~135 bps gain in anti-infective (ranked 1st with a market share of ~13.2%) over FY19-23, ~154 bps gain in VMN (ranked 2nd with a market share of ~5.4%), ~79 bps gain in gastro and ~18 bps gain in pain segment. In the chronic segment, the company gained ~79 bps market share in anti-diabetics (to 1.8% in FY23) but was flattish in others like CNS, CVS, and derma. For 9M'24, the market share was steady across key therapies.

Exhibit 6: ALKEM gained market share over the last few years

Market share (value)	FY23 Rank	FY19	FY20	FY21	FY22	FY23	9M'24	Q3'24	Jan'24	FY19- FY23 (bps)
Gained market share										
Alkem*	5	3.6%	3.8%	3.6%	3.9%	4.1%	4.1%	4.1%	3.9%	51
Mankind	4	4.0%	4.1%	4.3%	4.3%	4.4%	4.4%	4.5%	4.5%	40
Aristo Pharma*	11	2.5%	2.7%	2.8%	2.9%	2.9%	3.0%	3.0%	2.7%	38
Intas Pharma*	7	3.1%	3.2%	3.2%	3.2%	3.4%	3.5%	3.6%	3.6%	35
Ipca Labs	17	1.5%	1.6%	1.7%	1.7%	1.9%	2.0%	2.0%	2.0%	34
Jb Pharma*	24	0.8%	0.8%	0.8%	0.9%	1.0%	1.0%	1.0%	1.1%	24
Macleods Pharma	9	3.2%	3.1%	3.0%	3.2%	3.3%	3.4%	3.4%	3.3%	15
Glenmark Pharma	15	1.9%	2.0%	2.2%	2.3%	2.0%	2.0%	2.1%	2.2%	13
Ajanta Pharma	27	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.8%	8
Sun*	1	7.6%	7.5%	7.6%	7.4%	7.7%	7.7%	7.7%	7.8%	6
Emcure*	14	2.0%	2.0%	2.1%	2.1%	2.0%	2.0%	2.0%	1.9%	2
Lost market share										
Torrent Pharma*	8	3.4%	3.3%	3.4%	3.2%	3.4%	3.4%	3.4%	3.4%	(1)
Alembic	21	1.6%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	(6)
Eris Lifesciences*	23	1.1%	1.1%	1.1%	1.0%	1.0%	1.0%	1.0%	1.1%	(9)
Zydus Cadila*	12	3.0%	3.0%	3.0%	2.9%	2.9%	2.8%	2.8%	2.8%	(16)
Cipla	3	5.5%	5.3%	5.4%	5.3%	5.3%	5.3%	5.7%	6.0%	(17)
Dr Reddys Labs	10	3.1%	3.0%	3.0%	3.1%	2.9%	2.9%	2.9%	2.9%	(18)
Lupin Limited	6	3.7%	3.7%	3.6%	3.5%	3.5%	3.4%	3.4%	3.5%	(23)
Abbott*	2	6.6%	6.4%	6.3%	6.1%	6.2%	6.2%	6.1%	6.1%	(37)
Glaxosmithkline*	13	3.0%	2.9%	2.7%	2.6%	2.6%	2.4%	2.4%	2.3%	(44)

Source: IQVIA, HSIE Research

Exhibit 7: Gaining share across key therapies

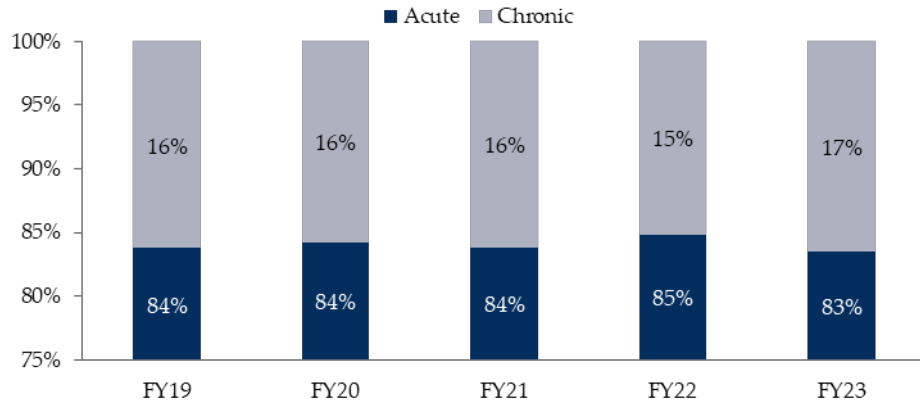
Alkem therapy MS %	% of FY23 sales	FY19	FY20	FY21	FY22	FY23	9M'24	Q3'24	Jan-24
Anti-Infectives	38%	11.9	12.7	13.0	12.9	13.2	13.1	12.8	12.8
Gastro Intestinal	19%	6.3	6.4	6.5	6.8	7.1	7.3	7.6	7.3
Pain / Analgesics	11%	5.4	5.4	5.3	5.3	5.6	5.5	5.5	5.4
Vitamins/Minerals/Nutrients	10%	3.8	4.2	4.8	5.4	5.4	5.6	5.6	5.3
Gynaec.	4%	2.4	2.4	2.8	2.9	3.2	3.2	3.1	2.5
Anti-Diabetic	4%	1.0	1.2	1.3	1.5	1.8	2.1	2.1	2.1
Neuro / Cns	4%	2.5	2.6	2.3	2.4	2.6	2.6	2.6	2.6
Respiratory	3%	1.4	1.4	1.3	1.5	1.6	1.5	1.6	1.5
Derma	3%	1.6	1.7	1.4	1.5	1.6	1.7	1.7	1.8
Cardiac	2%	0.8	0.8	0.9	0.8	0.8	0.8	0.8	0.8
Alkem total	100%	3.6	3.8	3.6	3.9	4.1	4.1	4.1	3.8

Source: IQVIA, HSIE Research

Focus on scaling up the chronic segment

Over the last 7-8 years, the company has been scaling up its chronic segment (to ~17% of sales in FY23 vs ~9-10% in FY15/16) with a focus on key therapies like anti-diabetics, CNS, CVS, and Derma. ALKEM saw ~14% CAGR over FY19-23 in the chronic segment and outperformed the IPM by ~1.3x (~11% CAGR for the IPM over FY19-23), led by outperformance across key therapies like anti-diabetics (with the launch of DPP-4 and SGLT-2 molecules). Other segments like CVS, CNS, and derma beat the IPM by ~1.1x over the same period. ALKEM expects to outperform IPM in key therapies led by new launches and improving productivity; it expects to increase chronic share to ~20% of sales in the next few years. In addition to the success in established therapy areas in the chronic space, the company has made significant strides in emerging segments such as Respiratory, Urology and Stomatology (saw strong 16%, 24% and 15% CAGR over FY19-23, respectively).

Exhibit 8: Chronic is expected to improve to ~20% over the next few years



Source: IQVIA, HSIE Research

Strong position in acute segment with leading brands

ALKEM with one of the largest field forces (11,500+ MRs) and a pan-India network (7,500+ stockiest) is focusing on creating mega brands. It has 19 brands in the top 300 IPM brands and six brands in the top 100 IPM brands with an annual sales rate of ~INR 1+ bn. The company has 30+ brands featuring the leadership position in their respective markets. ALKEM’s leading anti-infective brands like Clavam saw muted growth in the last few quarters. This was after the strong growth during FY22/23. Other anti-infective brands like Taxim franchisee, Pipzo have shown strong performance over the last few years. In the gastro segment, its leading brands like Pan-D had a strong performance but Ondem’s growth was muted in the last few quarters.

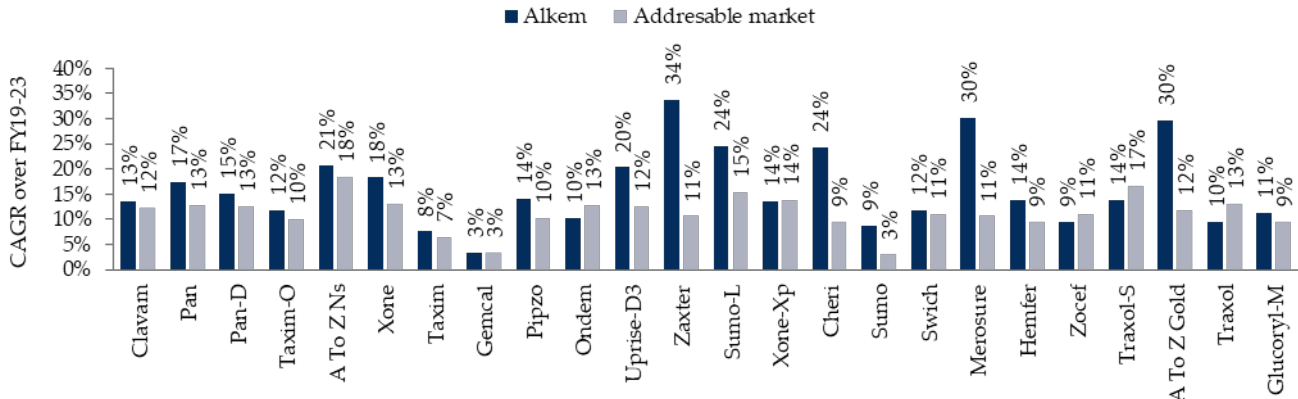
Apart from the top 10, ALKEM’s portfolio has other key brands such as Uprise-D3 (VMN), Zaxter (Anti-Infectives), Sumo-L (Pain), Xone-XP (Anti-Infectives), Cheri (Gynaec), Sumo (Pain), Swich (Anti-Infectives), and Merosure (Anti-Infectives), which have monthly sales rate of ~INR 100 mn.

Exhibit 9: Steady growth in leading brands

Alkem brands YoY	Therapy	% of FY23 sales	FY23 sales (Rs bn)	FY20	FY21	FY22	FY23	9M'24	Q3'24	Dec-23
Clavam	Anti-Infectives	7%	6.0	21%	-11%	22%	26%	1%	-5%	-6%
Pan	Gastro Intestinal	7%	5.5	18%	10%	25%	21%	12%	15%	11%
Pan-D	Gastro Intestinal	6%	4.7	10%	13%	17%	20%	14%	17%	16%
Taxim-O	Anti-Infectives	4%	3.2	22%	-8%	25%	15%	-1%	7%	15%
A To Z Ns	Vitamins/Minerals/Nutrients	3%	2.8	27%	33%	38%	-9%	-1%	9%	18%
Xone	Anti-Infectives	3%	2.6	40%	-10%	53%	1%	10%	19%	9%
Taxim	Anti-Infectives	2%	1.9	19%	-10%	15%	8%	-1%	5%	4%
Gemcal	Pain / Analgesics	2%	1.8	-7%	4%	9%	10%	-3%	1%	2%
Pipzo	Anti-Infectives	2%	1.6	11%	3%	38%	8%	29%	36%	36%
Ondem	Gastro Intestinal	2%	1.4	19%	-5%	28%	10%	1%	5%	4%
Top 10 brands		32%	25.8	18%	0%	26%	12%	8%	11%	10%
11-25 brands		17%	14.1	24%	5%	39%	11%	8%	7%	-1%
26-50 brands		12%	9.9	24%	-4%	29%	19%	9%	7%	2%
Above 50 brands		39%	31.9	12%	0%	25%	13%	7%	7%	5%
Alkem total		100%	81.8	17%	0%	28%	13%	8%	9%	6%

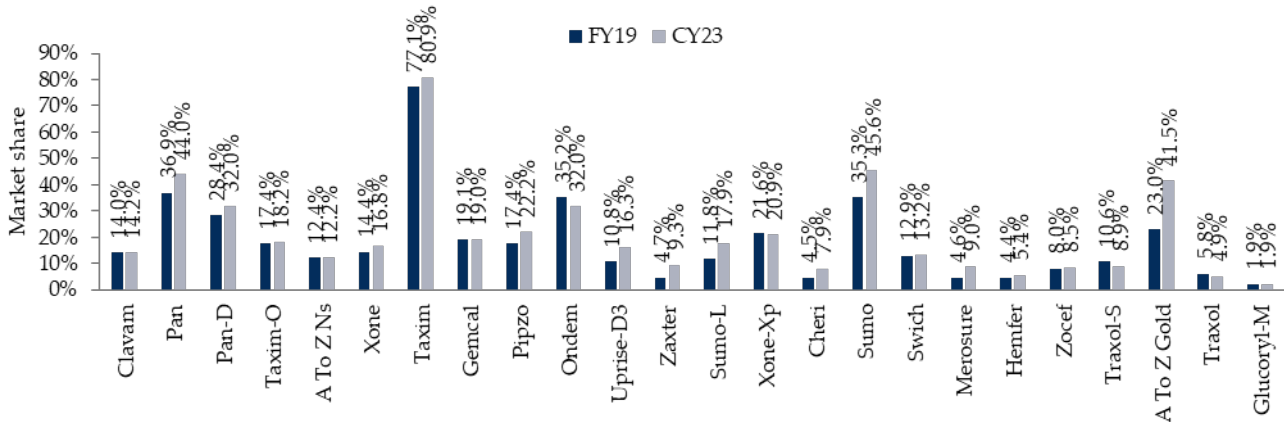
Source: IQVIA, HSIE Research

Exhibit 10: Growth trend in the leading brands



Source: IQVIA, HSIE Research

Exhibit 11: Market share improving in several leading brands



Source: IQVIA, HSIE Research

Enzene Biosciences scales up to unlock value

Enzene is an innovation-driven biotech company and a subsidiary (99.8% stake) of ALKEM with a focus on developing biosimilars, novel biologics, synthetic peptides and phytopharmaceuticals. Enzene also offers biologics CDMO and CMO services with capabilities supported by bio-reactor capacities ranging from 20 litres to 2,000 litres. Enzene has plans to set up an R&D and manufacturing center in the US which will replicate these capabilities in the next few years, helping it to expand its footprint globally. The company raised ~USD 50 mn from ALKEM and Healthcare investors, Eight Roads Ventures, and F-Prime Capital –to fund to enhance its manufacturing capabilities and drive expansion plans in the US. In India, it has a total of seven products approved as of Dec’24, and launched Teriparatide, Denosumab, and Romiplostim in the past and was able to increase market share in FY23. Also, it received approval for Adalimumab, Cetuximab and Bevacizumab in India.

Exhibit 12: Enzene to see steady scale-up over the next few years

Enzene key financials (INR mn)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Sales	-	-	53	3	97	297	872	1,440
YoY growth	NA	NA	NA	NA	NA	208%	193%	65%
PBT	-346	-346	-404	-657	-559	-1022	-701	-463
PBT margin	NA	NA	NA	NA	-578.7%	-343.5%	-80.3%	-32.2%
PAT	-286	-346	-404	-657	-559	-1022	-701	-170
PAT margin	NA	NA	NA	NA	100.0%	100.0%	100.0%	-11.8%

Source: Company, HSIE Research

US business to see steady growth

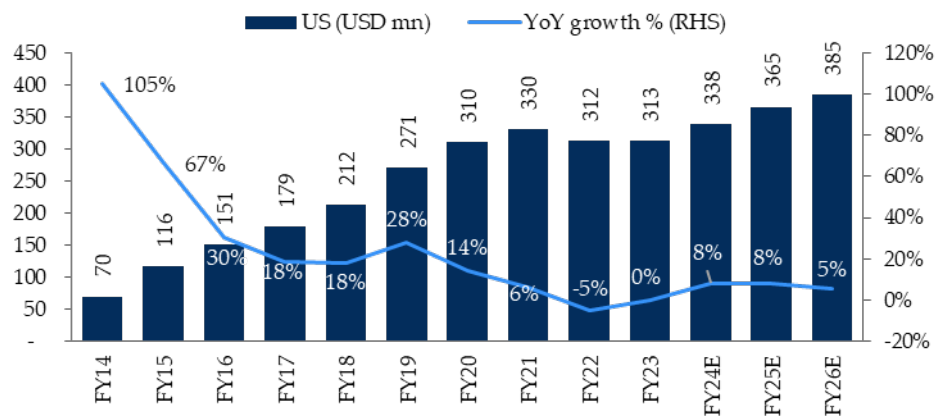
ALKEM was the late entrant in the US with the acquisition of PharmaNetwork (PN), the holding company of Ascend, in July 2010 through which it markets and sells in the US. Following this, it acquired manufacturing assets from NORAC Inc. in the US, which is focused primarily on manufacturing specialty APIs and providing CRAMS services. It further diversified its business with an acquisition of a formulation manufacturing facility in the US that has semi-solids, liquid, and nasal formulation manufacturing capabilities.

Exhibit 13: US business key timelines

Year	Particulars
Jul-10	Alkem acquired The Pharamanetwork LLC in the US, the holding company of Ascend, which provided it the commercial platform through which it was able to market and sell its portfolio of products in the US
Dec-12	Acquired manufacturing assets from NORAC Inc. in the US, which is focused primarily on manufacturing specialty APIs and providing contract research and manufacturing services
Jun-15	Acquired a formulation manufacturing facility in the US that has semi-solids, liquid, and nasal formulation manufacturing capabilities
Dec-23	As part of the company’s operational strategy, the operations of the company carried out at the St. Louis manufacturing facility situated in USA owned by S&B Pharma are closed and divested to New Mill Capital Holdings for consideration of USD 7.96 mn; the plant divestment will have sales impact of ~USD 3.85 mn

Source: Company, HSIE Research

Exhibit 14: US growth to see improvement from FY25



Source: Company, HSIE Research

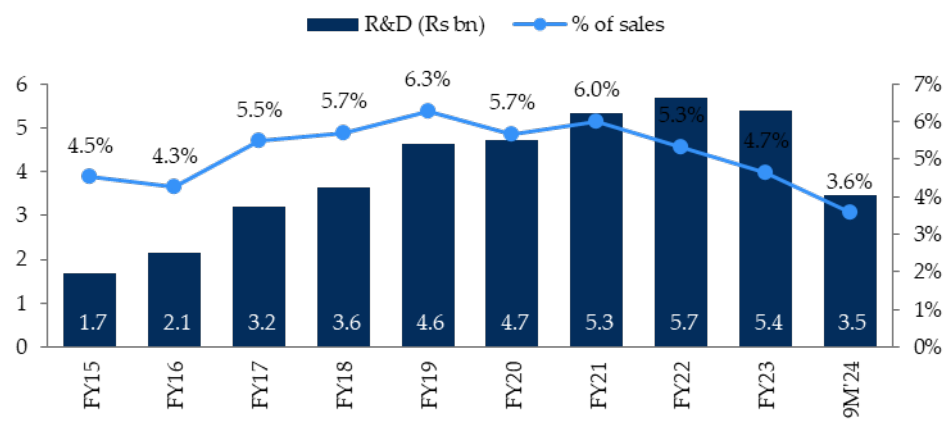
Multiple interesting launches in the last 8-10 years such as gCellcept, gCrestor, gSolodyn, gVytorin, gAzor, gNexium, gAbilify, gToprol XL etc. have helped the company to ramp up its US business from ~USD 10 mn FY11 to ~USD 313 mn in FY23; it clocked sales of ~USD 260 mn (grew 8% YoY) in 9M’24 and was able to sustain quarterly sales rate of USD 80+ mn. ALKEM has a focus on improving the filing, launching better products, and improving profitability (rationalising products /plant divestment). Given a relatively smaller base, we see ALKEM’s US business experiencing steady high-single-digit growth led by new launches (~30 pending approvals) and moderation in price erosion (single-digit erosion in FY24). The company expects high-single-digit to low double-digit growth in the US business over the next couple of years.

Exhibit 15: A few of the plants like Baddi, Daman, and California (US) are due for inspection

Facility	Type	Last Inspection	Update
Mandva (India)	APIs	Dec-23	Inspection done with 3 Form 483 observations. The Company has already submitted a detailed response to the USFDA on the corrective and preventive action plan. EIR in Feb'24 and observations classified as Voluntary Action Indicated (VAI).
Ankleshwar (India)	APIs	Apr-23	EIR in Jul'23
Taloja (India)	Bioequivalence Centre	Oct-22	Successfully closed without any observations.
Indore (India)	Formulations	Jul-22	EIR in Feb'23 (had received 1 observation)
Baddi (India)	Formulations	Feb-20	EIR in Mar'20
Daman (India)	Formulations	Aug-19	EIR in Oct'19
California (US)	APIs	Aug-18	EIR in Oct'18
Mandva (India)	APIs	Sep-15	EIR in Mar'16

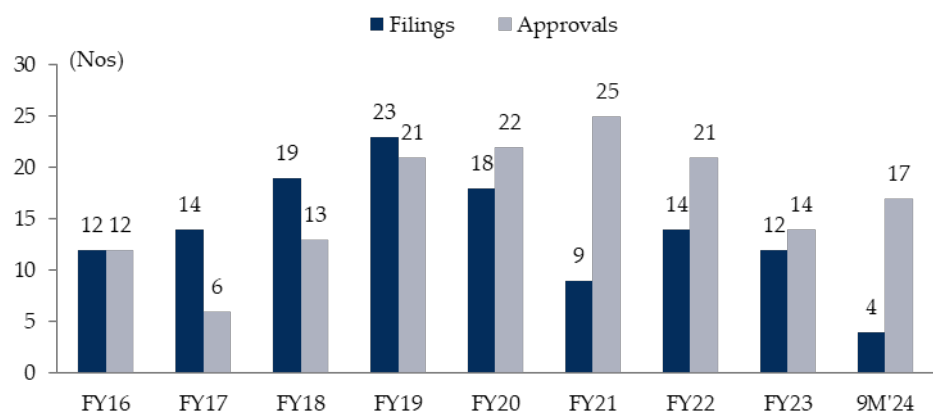
Source: Company, HSIE Research, USFDA

Exhibit 16: R&D to remain at ~4-5% of the sales in the near term



Source: Company, HSIE Research

Exhibit 17: ANDA filing and approval rate to improve

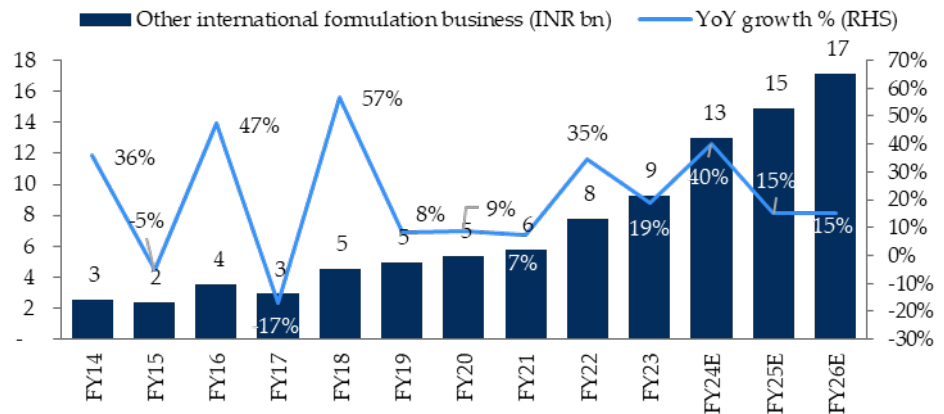


Source: Company, HSIE Research

Other international business to maintain growth momentum

The company has a global presence in over 40 international markets, selling its products through its subsidiaries and partner companies. Its key markets include Australia, Chile, the UK, Kazakhstan, and the Philippines. The company will continue to expand its position in international markets with its focus on select geographies, strengthening its local presence and offering differentiated products. It is open to partnerships for in-licensing and out-licensing to capture more market share.

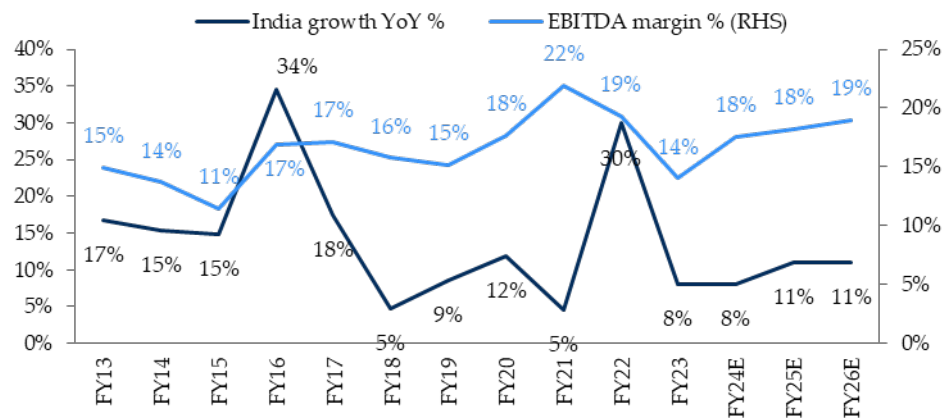
Exhibit 18: Non-US formulation business to sustain steady growth



Source: Company, HSIE Research

EBITDA margin to improve, FCF generation enables M&A and dividend

Exhibit 19: India growth to drive margins



Source: Company, HSIE Research

Exhibit 20: Strong FCF generation

(INR mn)	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Operating profit before working capital changes	4,430	9,140	9,977	10,425	11,710	15,157	20,067	20,529	16,291	22,879	26,602	30,619
Changes in working capital	(119)	101	(2,626)	(5,732)	(1,403)	(6,472)	(3,412)	(5,450)	3,268	(1,965)	(5,097)	(5,799)
Cash generated from operations	4,311	9,240	7,351	4,692	10,308	8,685	16,656	15,079	19,559	20,914	21,504	24,819
Less: Direct taxes paid	(1,056)	(1,982)	(2,640)	(2,032)	(2,511)	(2,834)	(4,007)	(3,969)	(2,734)	(2,223)	(3,768)	(4,669)
Cash from operations (CFO)	3,255	7,258	4,711	2,660	7,797	5,851	12,649	11,110	16,825	18,691	17,736	20,151
Capex	(3,456)	(2,572)	(6,448)	(6,838)	(5,292)	(3,631)	(1,949)	(3,389)	(2,329)	(4,800)	(3,550)	(3,550)
Free Cash Flow (FCF)	(201)	4,686	(1,737)	(4,177)	2,505	2,220	10,700	7,721	14,496	13,891	14,186	16,601
OCF as % of EBITDA	76%	85%	47%	26%	70%	40%	65%	54%	103%	82%	68%	67%

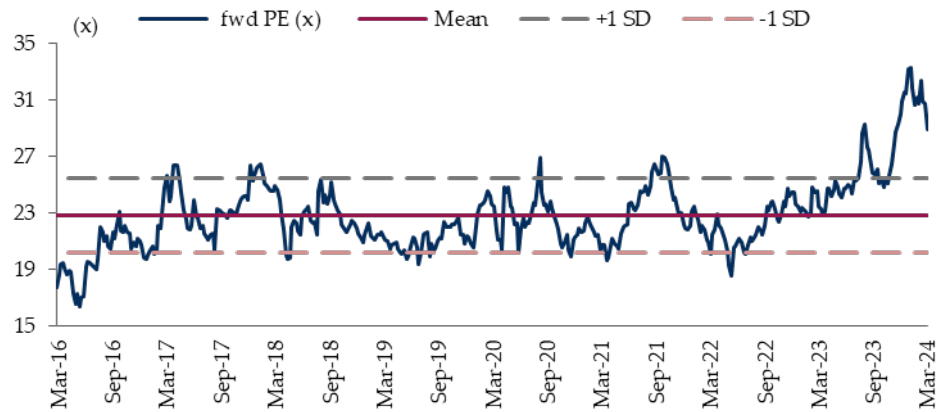
Source: Company, HSIE Research

Outlook and valuation

We believe ALKEM to see steady growth led by a recovery in the acute segment (~83% of sales) on expected acute volume recovery in the IPM (after muted FY24), leadership in brands (19 brands under top 300 brands in the IPM) and therapies (ranked first in anti-infectives, second in VMN, and third in gastro/pain), scale-up in the chronic segment (new launches), and steady growth in trade generics. We expect ALKEM to see 11/23/31% sales/EBITDA/PAT CAGRs over FY23-26E, led by growth recovery in India and steady growth in the US business. We see EBITDA margin improve by ~500 bps to 19% by FY26E (from 14% in FY23), led by increasing chronic share (~14% in FY23), cost control initiatives (productivity improvement, process optimization to improve efficiencies, and divestment of the less-profitable US plant), and decreasing input costs (paracetamol and penicillin).

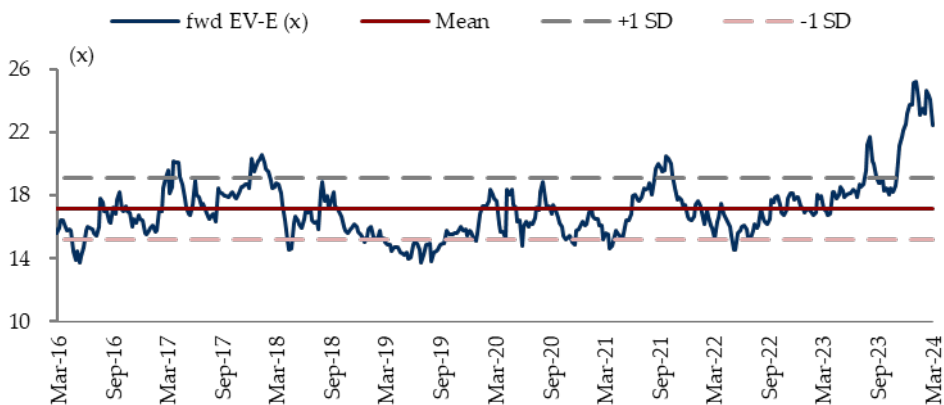
We initiate coverage with an ADD rating and a TP of INR 5,520, based on a 27x FY26E EPS (implied EV/EBITDA of 21x) on steady earnings, healthy balance sheet/FCF generation, and improving return ratios. Scale-up and monetization of Enzene Bioscience (biosimilar business) could unlock value.

Exhibit 21: PE chart



Source: Bloomberg, HSIE Research

Exhibit 22: EV/ EBITDA chart



Source: Bloomberg, HSIE Research

Financials (Consolidated)

Profit & loss (INR mn)

March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net sales	72,659	81,920	87,284	1,05,120	1,14,404	1,27,459	1,41,525	1,56,358
Other operating income	913	1,524	1,366	1,222	1,589	2,167	1,840	2,033
Total operating income	73,572	83,444	88,650	1,06,342	1,15,993	1,29,626	1,43,365	1,58,390
Cost of goods sold	-29,450	-33,449	-34,985	-41,803	-49,068	-52,110	-56,772	-61,772
Gross profit	44,122	49,994	53,666	64,539	66,924	77,516	86,592	96,618
Gross margin (%)	60	60	61	61	58	60	60	61
Total operating expenses	-32,975	-35,260	-34,242	-44,010	-50,830	-54,702	-60,500	-66,524
EBITDA	11,148	14,734	19,424	20,529	16,095	22,814	26,092	30,094
EBITDA margin (%)	15.2	17.7	21.9	19.3	13.9	17.6	18.2	19.0
Depreciation	-1,932	-2,528	-2,746	-3,040	-3,104	-2,861	-2,996	-3,138
EBIT	9,216	12,206	16,678	17,490	12,990	19,953	23,096	26,957
Net interest	-546	-651	-589	-524	-1,074	-1,102	-865	-727
Other income	747	997	1,874	1,627	2,161	2,747	2,887	2,949
Profit before tax	9,417	12,552	17,963	18,742	15,107	22,027	25,119	29,179
Total taxation	-1,810	-1,105	-2,243	-1,640	-2,980	-2,223	-3,768	-4,669
Tax rate (%)	19	9	12	9	20	10	15	16
Profit after tax	7,607	11,448	15,719	17,102	12,128	19,804	21,351	24,510
Minorities	-131	-222	-328	-347	-226	-85	-77	-69
Profit/ Loss associate co(s)	0	0	0	0	0	0	0	0
Adjusted net profit	7,500	10,909	15,448	16,608	10,756	19,245	21,274	24,441
Adj. PAT margin (%)	10	13	18	16	9	15	15	16
Net non-recurring items	105	362	403	-151	-914	-384	0	0
Reported net profit	7,605	11,271	15,850	16,456	9,842	18,861	21,274	24,441

Balance sheet (INR mn)

March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Paid-up capital	239	239	239	239	239	239	239	239
Reserves & surplus	54,154	61,368	73,528	86,140	90,214	1,01,531	1,14,295	1,28,960
Net worth	55,720	63,090	75,580	88,473	94,350	1,05,590	1,18,431	1,33,165
Borrowing	9,026	15,774	17,920	26,682	13,967	14,311	12,351	10,392
Other non-current liabilities	158	1,333	278	242	1,983	2,704	2,783	2,866
Total liabilities	82,082	99,455	1,15,193	1,40,692	1,37,567	1,53,327	1,65,440	1,79,900
Gross fixed assets	26,455	32,085	33,735	37,825	36,371	41,171	44,721	48,271
Less: Depreciation	-4,957	-6,989	-9,759	-12,839	-13,674	-16,535	-19,532	-22,669
Net fixed assets	21,499	25,096	23,976	24,986	22,697	24,635	25,189	25,601
Add: Capital WIP	4,930	3,630	3,933	3,395	3,232	2,680	2,680	2,680
Total fixed assets	26,428	28,725	27,909	28,381	25,929	27,315	27,869	28,281
Total Investment	3,236	2,614	3,328	3,710	6,218	6,255	6,255	6,255
Inventory	14,999	18,188	23,124	30,055	26,075	26,645	28,275	30,798
Debtors	12,484	16,494	16,072	18,846	21,322	25,205	27,877	30,798
Cash & bank	6,616	10,922	19,905	25,786	26,169	34,341	39,571	46,134
Loans & advances	444	386	268	283	148	210	224	240
Current liabilities	17,179	19,259	21,415	25,294	27,267	30,722	31,875	33,477
Total current assets	40,019	53,464	67,580	83,041	84,205	97,061	1,07,807	1,21,003
Net current assets	22,840	34,205	46,165	57,747	56,938	66,339	75,932	87,526
Other non-current assets	8,593	10,668	12,422	21,529	17,083	18,541	19,353	20,205
Total assets	82,082	99,455	1,15,193	1,40,692	1,37,567	1,53,327	1,65,440	1,79,900

Source: Company, HSIE Research

Cash flow (INR mn)

March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Profit before tax	9,417	12,552	17,963	18,742	15,107	22,027	25,119	29,179
Depreciation & Amortisation	-1,932	-2,528	-2,746	-3,040	-3,104	-2,861	-2,996	-3,138
Chg in working capital	-1,403	-6,472	-3,412	-5,450	3,268	-1,965	-5,097	-5,799
CF from operations	7,797	5,851	12,649	11,110	16,825	18,691	17,736	20,151
Capital expenditure	-5,292	-3,631	-1,949	-3,389	-2,329	-4,800	-3,550	-3,550
CF from investing	-3,164	-7,414	-9,985	-14,351	1,128	-5,292	-3,550	-3,550
Equity raised/ (repaid)	0	0	0	0	0	0	0	0
Debt raised/ (repaid)	-1,057	5,838	1,170	8,416	-13,023	344	-1,961	-1,958
Dividend paid	-2,166	-3,587	-3,348	-4,185	-5,261	-7,545	-8,510	-9,776
CF from financing	-3,789	792	-2,718	3,796	-17,608	-7,200	-10,470	-11,735
Net chg in cash	843	-771	-54	555	345	6,200	3,716	4,866

Key ratios

March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OPERATIONAL								
FDEPS (INR)	62.7	91.3	129.2	138.9	90.0	161.0	178.0	204.4
CEPS (INR)	79.8	115.4	155.5	163.1	108.3	181.7	203.0	230.7
DPS (INR)	18.1	30.0	28.0	35.0	44.0	63.1	71.2	81.8
Dividend payout ratio (%)	28.5	31.8	21.1	25.4	53.5	40.0	40.0	40.0
GROWTH								
Net sales (%)	15.1	12.7	6.5	20.4	8.8	11.4	11.0	10.5
EBITDA (%)	10.5	32.2	31.8	5.7	(21.6)	41.8	14.4	15.3
Adj net profit (%)	21.1	45.5	41.6	7.5	(35.2)	78.9	10.5	14.9
FDEPS (%)	21.1	45.5	41.6	7.5	(35.2)	78.9	10.5	14.9
PERFORMANCE								
RoE (%)	14.6	17.7	22.8	20.7	12.2	20.0	19.7	20.1
RoCE (%)	16.1	16.5	21.3	18.3	13.4	19.5	20.3	21.4
EFFICIENCY								
Asset turnover (x)	3.0	2.8	2.7	2.9	3.1	3.3	3.3	3.4
Sales/ total assets (x)	0.9	0.9	0.8	0.8	0.8	0.9	0.9	0.9
Working capital/ sales (x)	0.2	0.2	0.3	0.3	0.3	0.2	0.2	0.2
Receivable days	63	73	67	65	68	72	72	72
Inventory days	88	97	122	128	95	91	88	88
Payable days	56	51	56	50	43	42	40	39
FINANCIAL STABILITY								
Total debt/ equity (x)	0.2	0.3	0.3	0.3	0.2	0.1	0.1	0.1
Net debt/ equity (x)	0.0	0.1	(0.1)	(0.0)	(0.2)	(0.2)	(0.3)	(0.3)
Current ratio (x)	2.3	2.8	3.2	3.3	3.1	3.2	3.4	3.6
Interest cover (x)	16.9	18.8	28.3	33.4	12.1	18.1	26.7	37.1
VALUATION								
PE (x)	81.2	55.8	39.4	36.7	56.6	31.7	28.6	24.9
EV/ EBITDA (x)	54.8	41.7	31.3	29.8	37.1	25.9	22.3	19.1
EV/ Net sales (x)	8.4	7.5	7.0	5.8	5.2	4.6	4.1	3.7
PB (x)	11.2	9.9	8.3	7.1	6.7	6.0	5.3	4.7
Dividend yield (%)	0.4	0.6	0.5	0.7	0.9	1.2	1.4	1.6
Free cash flow yield (%)	0.4	0.4	1.8	1.3	2.4	2.3	2.3	2.7

Source: Company, HSIE Research

Eris Lifesciences

Chronic-focused inorganic expansion for growth

Eris Lifesciences (ERIS) is emerging as one of the leading players in the IPM, with a strong focus on chronic segment (~56% of its sales). In FY23, ERIS climbed from 32nd to 23rd in rank with its market share has surged to ~1% as of 9M'24 (from~0.7% in FY14), led by strong performance in the anti-diabetic and CNS segments, surpassing IPM by 1.3x, and acquisitions such as Strides India and Kinedex, which have aided key therapy areas. Moreover, ERIS has diversified its portfolio by venturing into derma through the Oaknet acquisition in FY23. In Feb 2024, ERIS made a global debut by acquiring Swiss Parenterals, a prominent injectable company with a presence in over 80 RoW markets. Looking ahead, ERIS's growth trajectory could be sustained by the Oaknet (derma) business expansion, new launches, the expected launch of Glargine and Liraglutide via the MJ Biopharma JV, and seamless integration of the Swiss business. Despite some plateauing in legacy brands, these initiatives are expected to drive steady growth in the coming years. With focused investments totalling ~INR 30 bn from FY17 to 9M'24 (with ~INR 22.7 bn invested in FY23-9M'24), coupled with new launches, ERIS is poised for long-term growth, targeting INR 50 bn in sales by FY29. Recent acquisitions are expected to contribute to margin expansion, with Oaknet and Swiss operating at margins of 35-37%, potentially elevating the overall margin to ~36.8% in FY26E from 31.9% in FY23. However, increasing depreciation and interest costs (debt-funded M&A), and a rise in the tax rate to 25-26% from <10%, to dampen earnings growth. We initiate coverage with a BUY and a TP of INR 1,070, based on a 25x FY26E EPS.

Well-positioned in IPM chronic segment: ERIS with its core focus on chronic therapies (~56% of sales) like anti-diabetics (28% of sales) and CVS (19% of sales) is well-positioned to see steady growth. The growth is expected to be led by steady traction in existing brands (although growth is plateauing in brands like Glimisave-M, Tendia M, Eritel CH, LN Bloc, LN Beta, Tayo 60), new launches in core therapies (pipeline across anti-diabetics, CVS, gynaecology), and scale-up in recent launches (strong growth in Dydrogesterone, launched 2 FDC in the anti-diabetic segment).

Focused M&A provides long-term growth visibility: Since inception, ERIS's focus has been on M&As—over FY16-17, it acquired Amay (anti-diabetic, CVS), UTH (for VMN), Strides India (CVS, CNS, Gyanec, and Gastro), and Kinedex (Ortho) to scale up in a competitive market. Further, ERIS had multiple M&As: (1) in FY20, it acquired Zomelis (Vildagliptin) from Novartis; (2) in FY21, it formed a JV with MJ Bio for insulins; and (3) in FY23, it acquired Oaknet to strengthen its presence in derma; to support franchise, it acquired nine derma brands from Dr Reddy's and Glenmark, and in FY24, it acquired 12 nephro and nine derma brands from Biocon. Further, to diversify exports, ERIS acquired a 51% stake in Swiss Parenterals (an injectable company with a presence in 80+ RoW markets) in FY24; it plans to foray into the domestic injectable business (with Swiss products) and OSD business in RoW (ERIS brands). It spent ~INR 30 bn over FY17 to 9M'24 (~INR 22.7 bn in FY23-9M'24) on M&As to create long-term growth visibility. It aims to reach ~INR 50 bn sales by FY29.

Outlook and valuation: We expect ERIS to see 21/26% sales/EBITDA CAGRs over FY23-26E, led by steady traction in core business and scale-up in M&As. We see EBITDA margin improving (Oaknet and Swiss are at 35-37% margin) by ~500 bps to ~36.8% in FY26E. However, the increase in depreciation and interest costs and the increase in the tax rate will lead to a PAT CAGR of 15% over FY23-26E. We initiate coverage with a BUY and a TP of INR 1,070 (implied EV/EBITDA of 14x).

Financial Summary

YE March (INR bn)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
India sales (INR bn)	11	12	13	17	19	23	26
Net Sales	11	12	13	17	20	26	30
EBITDA	4	4	5	5	7	10	11
APAT	3	4	4	4	4	5	6
Diluted EPS (INR)	21.8	26.1	29.9	28.1	30.4	34.3	42.8
P/E (x)	40.8	34.0	29.8	31.6	29.2	25.9	20.8
EV / EBITDA (x)	32.5	27.9	24.8	24.0	18.8	13.7	11.8
RoCE (%)	24	26	24	16	15	18	20

Source: Company, HSIE Research

BUY

CMP (as on 5 Mar 2024)	INR 889
Target Price	INR 1070
NIFTY	22,356

KEY STOCK DATA

Bloomberg code	ERIS IN
No. of Shares (mn)	136
MCap (INR bn) / (\$ mn)	121/1,454
6m avg traded value (INR mn)	190
52 Week high / low	INR 972/551

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(3.6)	8.9	41.2
Relative (%)	(10.0)	(3.2)	17.9

SHAREHOLDING PATTERN (%)

	Sep-23	Dec-23
Promoters	54.91	54.9
Fls & Local MFs	14.53	14.56
FPIs	13.2	13.14
Public & Others	17.36	17.4
Pledged Shares	10.95	10.95

Source : BSE

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Exhibit 1: Revenue, EBITDA and PAT assumptions

(INR mn)	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Total revenues	8,556	9,822	10,741	12,119	13,470	16,851	19,806	26,267	29,504
YoY growth	14%	15%	9%	13%	11%	25%	18%	33%	12%
Gross profit	7,215	8,285	9,025	9,736	10,885	13,328	16,217	21,495	24,196
Gross Margin (%)	84.3%	84.4%	84.0%	80.3%	80.8%	79.1%	81.9%	81.8%	82.0%
EBITDA	3,220	3,449	3,684	4,306	4,850	5,367	7,024	9,558	10,865
YoY growth	20%	7%	7%	17%	13%	11%	31%	36%	14%
EBITDA Margin (%)	37.6%	35.1%	34.3%	35.5%	36.0%	31.9%	35.5%	36.4%	36.8%
Adj PAT	2,941	2,908	2,965	3,551	4,061	3,822	4,134	4,672	5,824
YoY growth	19%	-1%	2%	20%	14%	-6%	8%	13%	25%

Source: Company, HSIE Research, EBITDA/ PAT adjusted for forex and one-offs.

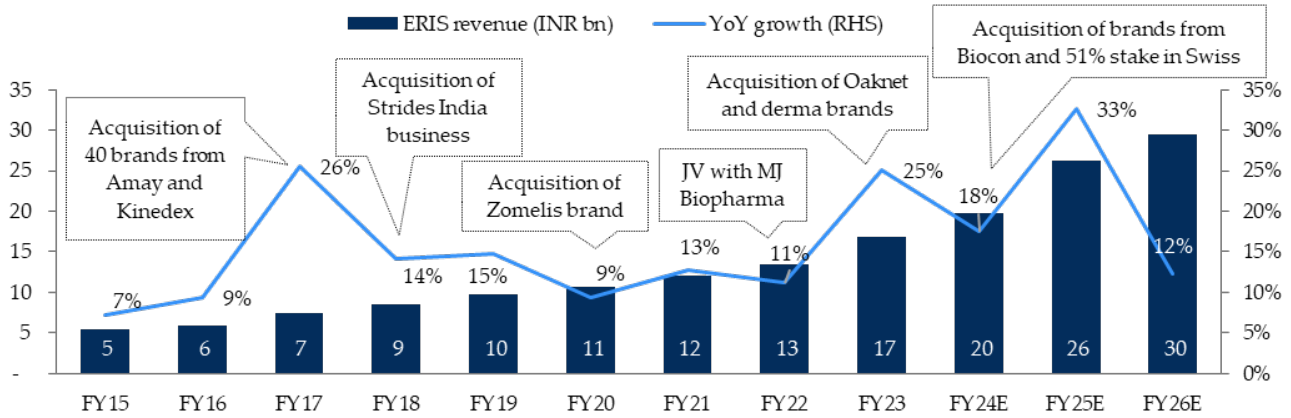
Growth strategies for ERIS

- **Growth in base business:** ERIS expects to see steady growth in its top tier brands (its 14 brands out of top 20 are ranked among the top-5 in their respective segments). Within top 20 brands, it has four brands with ~INR 1+ bn sales rate, five brands with sales rate of INR 0.7-1 bn, and four brands have INR 0.5-0.7 bn sales rate. It expects to sustain market share in the leading brands. Steady growth in these brands will help ERIS to generate high margin and strong cashflow—for future growth investments.
- **New product pipeline:** ERIS in the past has demonstrated its ability to be in market-leading positions in patent expiry opportunities through launches (like Zomelis, Gluxit, Glura, Zayo, Raricap etc). It expects to continue leveraging more such opportunities over the next 2-3 years. It has expanded its own R&D pipeline to 26 candidates including several first-in-market FDCs for the Indian market. It plans to launch insulin glargine and Liraglutide from MJ Bio's pipeline in Q4 FY24. Also, it is focusing on new product launches in Paediatric Dermatology and Cosmetology—leveraging its Oaknet franchise.
- **Expansion of physician coverage:** ERIS expanded its field force by ~1,850 to ~3,352 MRs as of Dec'23 (1,501 MRs in FY17). This has helped the company expand its market coverage. Going ahead, ERIS will continue to expand its coverage of specialists and consulting physicians.
- **Therapeutic diversification:** ERIS's core therapies' (ant-diabetes, CVS and VMN) contribution reduced from 76% earlier to 63% of revenue in FY23 with focus on key four emerging therapies like Derma, CNS, Women's Health and Nephro, which now account for ~ 30% of the revenues.
- **Inorganic opportunities:** Since inception, ERIS's focus has been on M&As—over FY16-17, it acquired Amay (anti-diabetic, CVS), UTH (for VMN), Strides India (CVS, CNS, Gyanec, and Gastro), and Kinedex (Ortho) to scale up in a competitive market. Further, ERIS had multiple M&As: (1) in FY20, it acquired Zomelis (Vildagliptin) from Novartis; (2) in FY21, it formed a JV with MJ Bio for insulins; and (3) in FY23, it acquired Oaknet to strengthen its presence in derma; to support franchise, it acquired nine derma brands from Dr Reddy's and Glenmark, and in FY24, it acquired 12 nephro and nine derma brands from Biocon. Further, to diversify exports, ERIS acquired a 51% stake in Swiss Parenterals (an injectable company with a presence in 80+ RoW markets) in FY24; it plans to foray into the domestic injectable business (with Swiss products) and OSD business in RoW (ERIS brands). It spent ~INR 30 bn over FY17 to 9M'24 (~INR 22.7 bn in FY23-9M'24) on M&As to create long-term growth visibility. It aims to reach ~INR 50 bn sales by FY29.

Well-positioned in the chronic segment

ERIS started its journey with a focus on chronic segments like anti-diabetic and CVS as core therapies. Over the last few years, the growth was steady, largely led by steady traction in core business (anti-diabetic, CVS, and VMN) and multiple M&As over the last 5-8 years. Over the last few years, the company has been able to expand its covered market by 2.6x to ~INR 900 bn (~45% of the IPM) in FY23, from INR 340 bn in FY17.

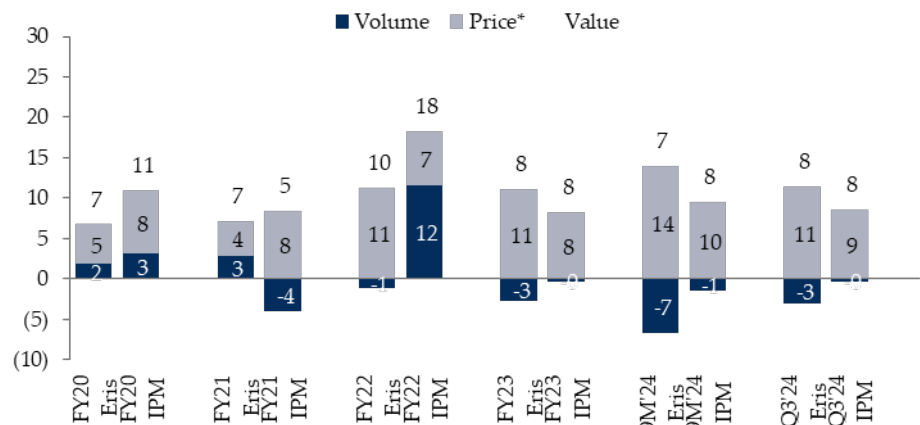
Exhibit 2: Steady growth over the last few years



Source: Company, HSIE Research

ERIS has consistently performed at par with the IPM, largely due to lower or muted volume growth, which was offset by price growth over the last few years. The expected volume recovery in the chronic space as well as in other key segments like VMN will help ERIS register better growth in subsequent years.

Exhibit 3: ERIS growth was largely led by price as volume was muted



Source: IQVIA, HSIE Research, Note: *Price calculated as difference between Value and Volume

Core therapies saw steady growth

ERIS's growth was largely led by the steady growth in its core therapies (63% of sales) like anti-diabetic, CVS and VMN. The company has outperformed the IPM in the anti-diabetic segment over the last 2-3 years, largely led by the new launches in SGLT-2 as well as the DPP-4 molecules category and the acquisition of Zomelis brand from Novartis in FY20. CVS's growth was at par with the IPM largely due to growth moderation in a few of the key brands. VMN segment outperformed the IPM with steady growth in its top brands. On the other hand, CNS and gynaec continue to outperform the IPM given a relatively smaller base as ERIS focuses on scaling up the emerging therapies. The derma segment is emerging as one of the key focus areas for future growth.

Exhibit 4: Steady growth in key therapies

Eris therapy YoY %	% of FY23 sales	FY20	FY21	FY22	FY23	9M'24	Q3'24	Jan-24
Anti-Diabetic	28%	10%	9%	11%	20%	14%	13%	14%
Cardiac	19%	10%	13%	10%	-2%	9%	13%	7%
Vitamins/Minerals/Nutrients	16%	12%	15%	14%	-1%	10%	15%	14%
Derma	14%	11%	5%	2%	12%	-13%	-13%	1%
Neuro / Cns	7%	3%	18%	20%	16%	8%	9%	5%
Gynaec.	6%	5%	7%	11%	37%	20%	13%	10%
Gastro Intestinal	4%	-6%	2%	8%	-10%	3%	9%	8%
Pain / Analgesics	3%	-19%	-33%	13%	9%	20%	23%	19%
Respiratory	1%	-8%	-6%	8%	-4%	-6%	-3%	0%
Blood Related	1%	13%	4%	0%	3%	1%	7%	10%
Eris total	100%	7%	7%	10%	8%	7%	8%	9%

Source: IQVIA, HSIE Research, Derma segment FY19-22 adjusted for Oaknet base.

Exhibit 5: Outperformed IPM in top therapies

Therapy	FY20 YoY (%)		FY21 YoY (%)		FY22 YoY (%)		FY23 YoY (%)		9M'24 YoY (%)		Eris (INR mn) (FY23)*	% of revenue
	Eris	IPM	Eris	IPM	Eris	IPM	Eris	IPM	Eris	IPM		
Anti-diabetics	10%	12%	9%	9%	11%	8%	20%	7%	14%	6%	5,845	28%
Cardiac	10%	12%	13%	13%	10%	11%	-2%	9%	9%	10%	3,938	19%
Vitamins	12%	10%	15%	11%	14%	16%	-1%	3%	10%	7%	3,205	16%
CNS	3%	10%	18%	10%	20%	11%	16%	12%	8%	9%	1,360	7%
Gynaecology	5%	9%	7%	3%	11%	16%	37%	16%	20%	7%	1,297	6%
Total	7%	11%	7%	5%	10%	18%	8%	8%	7%	8%	20,622	100%

Source: IQVIA, HSIE Research

Growth moderation in a few legacy brands offset by new launches

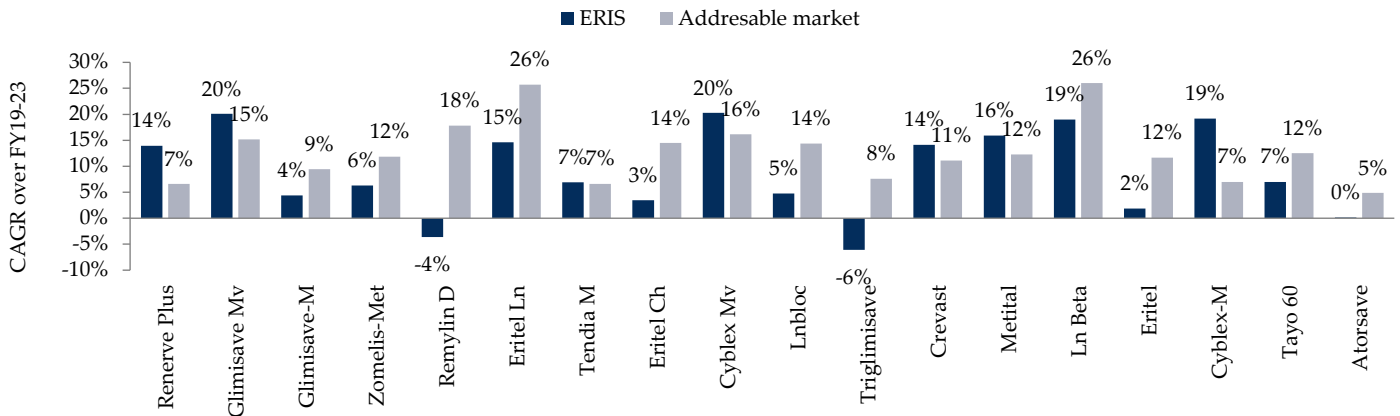
We note that there has been a moderation in growth for some of ERIS's legacy brands, which is being offset by new product launches. While leading brands like Renerve Plus, Glimisave MV, and Cyblex M have been gaining market share over the past five years, others such as Glimisave-M, Zomelis-Met, Remylin D, Eritel LN, LN Bloc, and LN Beta are experiencing a decline. Additionally, brands like Tendia M, Crevast, Tayo 60, and Atorsave are either plateauing or struggling to maintain market share. Despite this, the contribution of the top 25 brands to sales has remained relatively stable at ~47% over recent years. Consequently, ERIS's market share has remained relatively flat over the last 3-4 years.

Exhibit 6: Steady growth in top brands, few are slowing down

Eris brands YoY	Therapy	% of FY23 sales	FY23 sales (Rs bn)	FY20	FY21	FY22	FY23	9M'24	Q3'24	Dec-23
Renerve Plus	Vitamins/Minerals/Nutrients	6%	1.3	17%	12%	6%	22%	5%	-1%	-5%
Glimisave Mv	Anti-Diabetic	5%	1.1	29%	25%	10%	18%	16%	13%	12%
Glimisave-M	Anti-Diabetic	5%	1.0	9%	8%	-1%	2%	3%	1%	5%
Zomelis-Met	Anti-Diabetic	2%	0.5	4%	-17%	29%	15%	5%	0%	-12%
Remylin D	Vitamins/Minerals/Nutrients	2%	0.4	1%	3%	-9%	-9%	14%	12%	7%
Eritel Ln	Cardiac	2%	0.4	14%	21%	15%	9%	17%	13%	12%
Tendia M	Anti-Diabetic	2%	0.4	31%	12%	-13%	3%	-19%	-13%	-18%
Eritel Ch	Cardiac	2%	0.4	13%	10%	-4%	-4%	7%	4%	-1%
Cyblex Mv	Anti-Diabetic	2%	0.3	30%	33%	15%	5%	12%	20%	16%
Gluxit	Anti-Diabetic	1%	0.3	NA	NA	197%	-11%	-19%	-16%	-19%
Top 10 brands		30%	6.1	15%	14%	8%	8%	8%	6%	3%
11-25 brands		18%	3.6	5%	6%	3%	12%	6%	3%	-2%
26-50 brands		17%	3.5	10%	8%	16%	7%	5%	8%	10%
Above 50 brands		36%	7.4	1%	3%	13%	8%	9%	13%	14%
Eris total		100%	20.6	7%	7%	10%	8%	7%	8%	7%

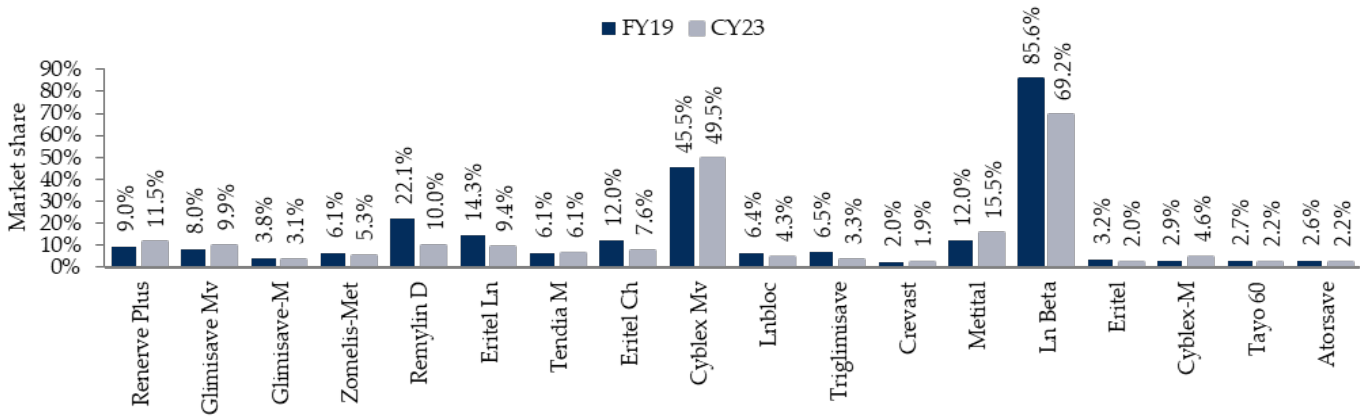
Source: IQVIA, HSIE Research

Exhibit 7: Mixed bed- few leading brands have outperformed the market, some saw muted growth



Source: IQVIA, HSIE Research

Exhibit 8: ERIS's market share in the leading brands



Source: IQVIA, HSIE Research

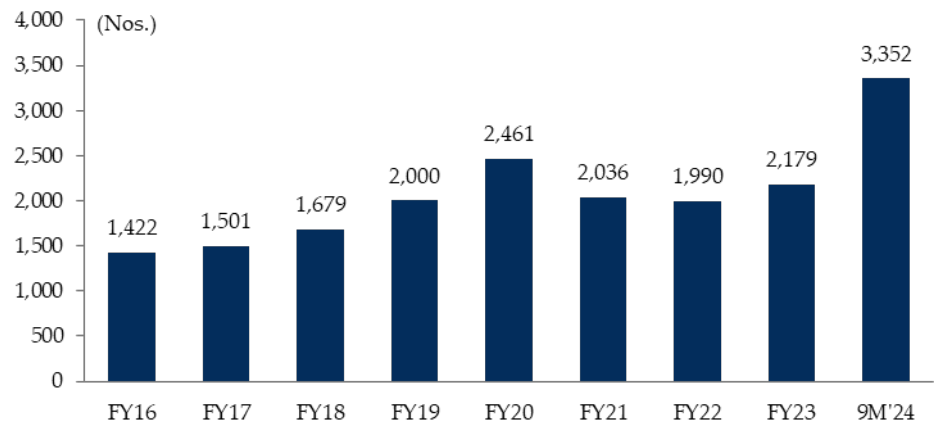
We believe the company will see better growth, led by the new launches. ERIS continues to invest in its R&D and it has created an active pipeline of 26 products, which includes 17 fixed-dose combinations and nine new drugs across therapies (like anti-diabetics, CVS, gastro, CNS, ortho, pain, etc.) and expects to launch these products in FY25. The company has recently launched Gliclazide + Dapagliflozin and Gliclazide + Sitagliptin to support growth. Moreover, ERIS is developing five FDCs in Dapagliflozin comprised of Dapagliflozin + Gliclazide, Dapagliflozin + Telmisartan (cardio-renal protection), Dapagliflozin + Pioglitazone (blood sugar and insulin resistance), Dapagliflozin + Metoprolol/Bisoprolol (heart failure), these drugs are expected to get launch over next 12-24 months – to support the organic growth for the company over the next few years.

Exhibit 9: ERIS pipeline for the future growth

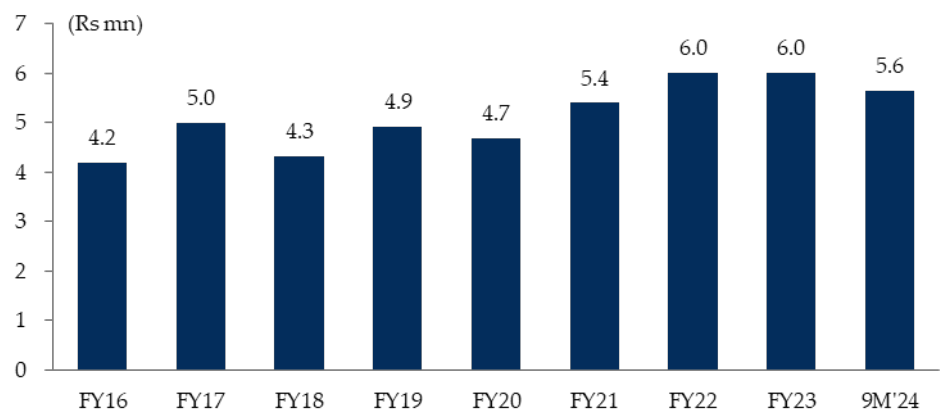
Candidates/Therapy	Status	Expected launch
2 FDCs in Oral Anti-diabetes (Dapa)	Approved by DCGI	Q3FY24
2 FDCs in Cardiovascular Disease	Clinical Trials	Q1FY25
4 FDCs in Diabetes Disease	Clinical Trials (BE)	Q2FY25
1 FDC in Diabetes Disease	Clinical Trials	Q3FY25
1 FDC CKD related complication	Clinical Trials	Q4FY25
4 FDCs in CKD Gastro-intestinal		
2 FDCs in Gynaecology	Development	FY25
1 FDC in Cardiovascular Disease		
2 New Drugs* in Gastro-intestinal		
2 New Drugs* in Neurology		
1 New Drug* in CVD Disease		
1 New Drug* in Oncology	Development	FY25
1 New Drug* in CKD		
1 New Drug* in Ortho		
1 New Drug* in Pain Management		

Source: IQVIA, HSIE Research

ERIS has expanded its presence across the market, largely supported by field force addition over the last several years. The company has doubled its strength which helped to expand its coverage of specialists and consulting physicians.

Exhibit 10: Expanding field force

Source: Company, HSIE Research, Note: FY23 consolidated MR strength was at ~2,900 including Oaknet

Exhibit 11: Despite several M&As productivity was steady

Source: Company, HSIE Research, Note: *represents consolidated data, with Oaknet transferred to standalone Eris from Q1FY24

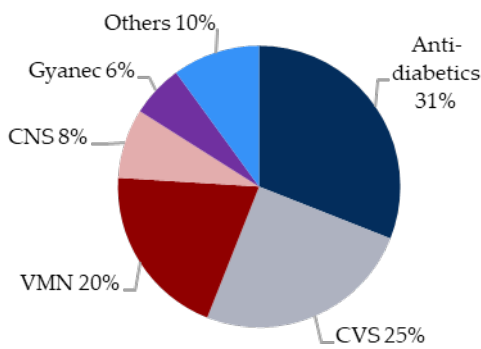
Inorganic growth to diversify the presence; visibility of long-term growth

Since inception, ERIS's focus has been on M&As—over FY16-17, it acquired Amay (anti-diabetic, CVS), UTH (for VMN), Strides India (CVS, CNS, Gyanec, and Gastro), and Kinedex (Ortho) to scale up in a competitive market. Further, ERIS had multiple M&As: (1) in FY20, it acquired Zomelis (Vildagliptin) from Novartis; (2) in FY21, it formed a JV with MJ Bio for insulins; and (3) in FY23, it acquired Oaknet to strengthen its presence in derma; to support franchise, it acquired nine derma brands from Dr Reddy's and Glenmark, and in FY24, it acquired 12 nephro and nine derma brands from Biocon. Further, to diversify exports, ERIS acquired a 51% stake in Swiss Parenterals (an injectable company with a presence in 80+ RoW markets) in FY24; it plans to foray into the domestic injectable business (with Swiss products) and OSD business in RoW (ERIS brands). It spent ~INR 30 bn over FY17 to 9M'24 (~INR 22.7 bn in FY23-9M'24) on M&As to create long-term growth visibility. It aims to reach ~INR 50 bn sales by FY29.

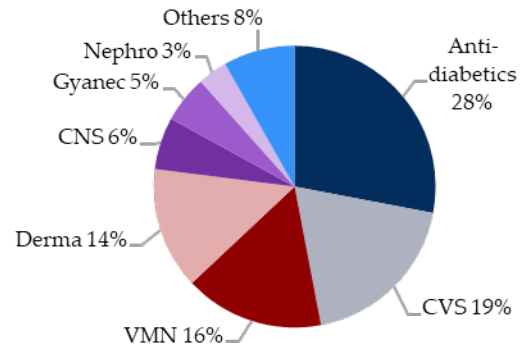
Exhibit 12: Diversifying its therapeutic presence with...

Exhibit 13: ...increasing share in the emerging therapies

Therapy-wise composition of revenue in CY21



Therapy-wise composition of revenue in CY23



Source: Company, IQVIA, HSIE Research

Exhibit 14: M&A timeline

Year	Deal	Rational	Cost of acquisition (INR mn)	Annual sales (INR mn)	Valuations
Jul-16	40 brands from Amay Pharma	Complimentary portfolio of Cardiometabolic products	329	193	EV/Sales at 1.7x
Dec-16	Kinedex Healthcare	Foray into Ortho segment	1,095	830	EV/Sales at 1.2x (Initially acquired 75.5% stake and balance stake acquisition was over next 2 years)
Oct-17	100% UTH Healthcare	Entry into VMN segment	129	256	EV/Sales at 1.2x (EV including debt)
Nov-17	Acquired Domestic Formulations portfolio of Strides Shasun	-Entry into CNS therapy -Flagship Rernerve brand group	5,000	1810	EV/ sales at 2.77x
Dec-19	Acquired Zomelis (Vildagliptin) brand from Novartis	Strengthen position in the lucrative DPP4 inhibitors market	932	639.6	EV/ sales at 1.4x
Dec-21	Equity Alliance with MJ Biopharm	Entry into Human Insulin, Analogues and GLP1 Agonists	NA	NA	70% Eris and 30% MJ Biopharma
May-22	Acquired Oaknet Healthcare	Entry into Derma and addition to women's health portfolio	6,500	1,950	EV/ sales at 3.3x FY22P and 3.5x FY21 sales
Jan-23	Acquired 9 derma brands from Glenmark	Deepen presence in medical derma segments	3,400	873	EV/ sales at 3.9x
Mar-23	Acquired 9 derma brands from Dr Reddy's	Deepen presence in cosmetic derma segments	2,750	500	EV/ primary sales at 5.5x
Nov-23	Acquire nephro (12 brands) and derma (9 brands) India units of Biocon Biologics	Entry into nephro and strengthen derma presence	3,660	1000	EV/ primary sales at 3.66x
Feb-24	51% stake in Swiss Parenterals	Entry into 80+ RoW markets and sterile injectables in India market post integration	6,375	2800	EV/sales at 4.5x

Source: IQVIA, HSIE Research

While we believe that the recent acquisition of Oaknet (in May'22) aligns with ERIS's strategy to strengthen its position in the dermatology segment, ERIS's execution remains crucial for future growth given the significant opportunity ahead. Oaknet has demonstrated strong performance in recent years, with steady sales growth and a notable journey towards margin improvement, expected to reach approximately 34% in FY24E from 25% in FY23 and around 10% in FY22.

ERIS's strategic focus is on enhancing its product mix by shifting towards a higher proportion of specialty prescriptions from dermatologists, compared to general practitioners (GPs), aiming to boost revenue per prescription. Over the past few years, the company has successfully improved its prescription mix from dermatologists: GPs at 33%:67% earlier to 48%:52% now, while also expanding dermatologist coverage from 4,629 to 7,140. Moreover, ERIS has expanded its presence from primarily tier 2-4 cities to include metro and tier 1 cities, increasing its metro presence from 24% to 40%. This expansion is supported by a 50% increase in the field manager count, from 48 to 72.

Going ahead, ERIS plans to further diversify its presence in the dermatology space by entering new categories such as psoriasis and vitiligo, while also deepening its presence in anti-fungal and melasma treatments.

To bolster its growth trajectory, ERIS acquired nine dermatology brands from Dr. Reddy's (generating sales of approximately INR 500 million) and Glenmark (with sales of ~ INR 873 mn). While the performance of the acquired portfolio of 18 brands has been subdued in recent years, this may be attributed to their non-core status within the respective companies. ERIS intends to capitalise on its Oaknet field force to scale up these brands over the coming years.

For Glenmark's portfolio, which boasts approximately 75% dermatologist perception share, ERIS anticipates around 10% growth in FY24, with further improvement expected from FY25 onwards, driven by enhanced market share in key brands such as Demelan, Halovate, Onabet, and Sorvate. Conversely, the acquired brands from Dr. Reddy's are projected to remain relatively flat in FY24, with gradual improvement anticipated, particularly with brands like Revibra and Avarta venturing into the cosmetic dermatology sector, and Revilus making inroads into the hair fall segment.

Additionally, in November 2024, ERIS expanded its portfolio by acquiring 12 nephrology and nine dermatology brands from Biocon.

Exhibit 15: Dr Reddy's brands were muted, ERIS expects to see a gradual improvement in FY25

Dr Reddy's brand sales (INR mn)	CY19	CY20	CY21	CY22	CY23	CY19-23 CAGR (%)	CY19-22 CAGR (%)	FY23 YoY ch (%)
Hydroheal	172	163	186	200	158	-2%	5%	-21%
Gris	177	189	144	135	86	-17%	-8%	-37%
Revilus	46	44	70	75	50	2%	18%	-33%
Avarta	38	33	46	48	34	-2%	8%	-29%
Salicylix	26	27	30	31	26	0%	6%	-16%
Revibra	37	28	42	40	24	-10%	3%	-39%
Acrofy	18	17	20	23	17	-1%	9%	-25%
Clearz	32	31	33	33	16	-16%	1%	-52%
Aquaderm	22	22	20	17	12	-13%	-8%	-27%
Total	567	553	592	603	424	-7%	2%	-30%

Source: IQVIA, HSIE Research

Exhibit 16: Glenmark's portfolio to see strong growth

Glenmark brand sales (INR mn)	CY19	CY20	CY21	CY22	CY23	CY19-23 CAGR (%)	CY19-22 CAGR (%)	FY23 YoY ch (%)
Aceret	16	11	12	16	13	-4%	-1%	-15%
Demelan	92	92	119	119	160	15%	9%	34%
Dosetil	54	50	61	69	59	2%	9%	-15%
Halovate	219	230	257	262	249	3%	6%	-5%
Luligee	109	95	86	109	54	-16%	0%	-51%
Onabet	525	455	412	402	393	-7%	-9%	-2%
Powercort	16	31	37	34	27	14%	29%	-21%
Revize	27	23	33	34	35	6%	8%	3%
Sorvate	22	21	25	28	22	1%	9%	-20%
Total	1,080	1,008	1,042	1,073	1,012	-2%	0%	-6%

Source: IQVIA, HSIE Research

Exhibit 17: Biocon's branded portfolio to support growth

Biocon's key brand sales (INR mn)	CY19	CY20	CY21	CY22	CY23	CY19-23 CAGR (%)	CY19-22 CAGR (%)	FY23 YoY ch (%)
Derma								
Calpsor	4	4	9	14	18	43%	49%	27%
Picon	53	31	55	81	87	13%	15%	7%
Tbis	54	39	70	96	88	13%	21%	-9%
Nephrology								
Bionesp	24	25	21	33	43	16%	12%	30%
Cytosorb	23	29	29	36	42	15%	15%	15%
Erypro	132	140	146	92	16	-41%	-11%	-82%
Psorid	157	163	204	259	279	15%	18%	8%
Renodapt	57	83	97	92	128	22%	17%	39%
Tacrograf	159	284	283	316	312	18%	26%	-1%

Source: IQVIA, HSIE Research

In FY21, ERIS formed a JV (ERIS 70% and 30% MJ Biopharma) with MJ Biopharma. The company has started with the launch of Human Insulin (Xsulin launched in Feb'22), Further launches include its own Glargine, a key insulin analogue in CY23 (currently in-licensed from Biocon), and Liraglutide, a GLP1 Agonist in CY24 and potentially other biopharmaceutical products.

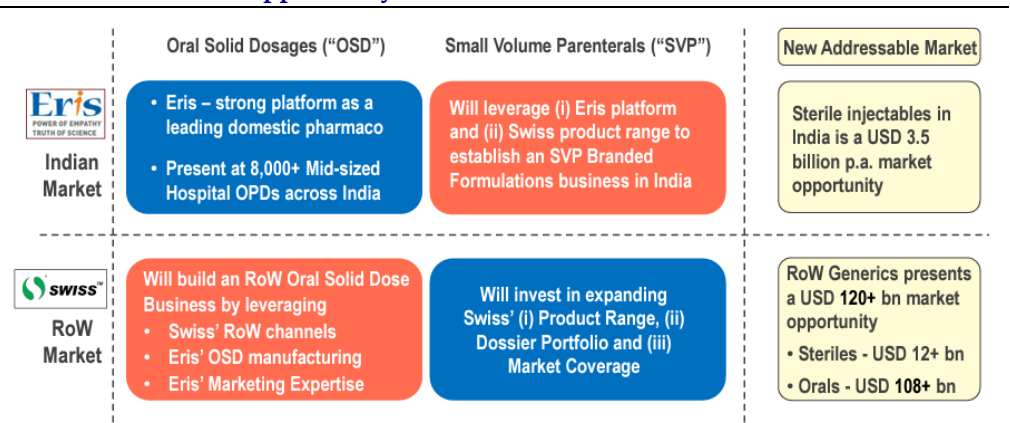
Foray into the export business with Swiss Parenterals acquisition

In Feb'24, ERIS entered into a definitive agreement for the acquisition of a 51% equity stake in Swiss Parenterals (completed in Feb'24) for the consideration of ~INR 6.37 bn. The deal valued Swiss Parenterals (SP) at INR 12.5 bn, which implies EV/EBITDA of 11-12x of FY24E. SP is a dossier-driven business in generic and specialty injectables focused on RoW markets. The funding for the acquisition will be in two tranches, with (1) INR 2 bn paid at transaction closing (debt funded) and (2) the remaining INR 4.37 bn will be paid after a year (one-year renewable NCDs extended by Eris with a coupon of 8%). An additional 19% stake in SP will be acquired at closing by the Eris promoter group for INR 2.37 bn; hence, collectively 70% equity stake is to be acquired by Eris and its promoter group, thereby minimizing the additional debt on the Eris balance sheet. The remaining 30% stake will be held by Naishadh Shah, Director of SP, who will be a long-term equity partner in the business and in charge of day-to-day operations and growth.

Key rationale

- **Sterile injectable exports to RoW:** Swiss derives ~ 100% of its business from the export of sterile Injectables to 80+ RoW markets in Africa, Asia-Pac, Middle East, and LatAm.
- **Platform for an India sterile injectables play:** With a strong product portfolio and manufacturing capability, Swiss provides the ideal platform for ERIS to launch an India-focused sterile injectables business. Also, ERIS is looking to expand its exiting branded generic OSD portfolio in the RoW markets over the next few years.
- **Manufacturing with marquee regulatory accreditations:** Swiss manufactures the widest range of SVPs in its two manufacturing units in Gujarat; these are accredited by ~50+ regulatory agencies worldwide, including the EU-GMP, Brazilian Anvisa, Mexican Cofepris, and Australian TGA.
- **IP-driven business robust pipeline:** Swiss' product range comprises ~ 1,000+ active dossiers across 190+ molecules. Growth pipeline - another 1,000+ dossiers across existing and 40+ new molecules.
- **Complex technologies:** 15-member R&D team with significant sterile development capability including liposomal, microsphere, oil-based, and depot injections.
- **Strong financials:** FY23 revenue INR 2.8 bn, 37% EBITDA margin, and 25% PAT margin. Debt-free and cash accretive business model.

Exhibit 18: Growth opportunity for ERIS and Swiss



Source: IQVIA, HSIE Research

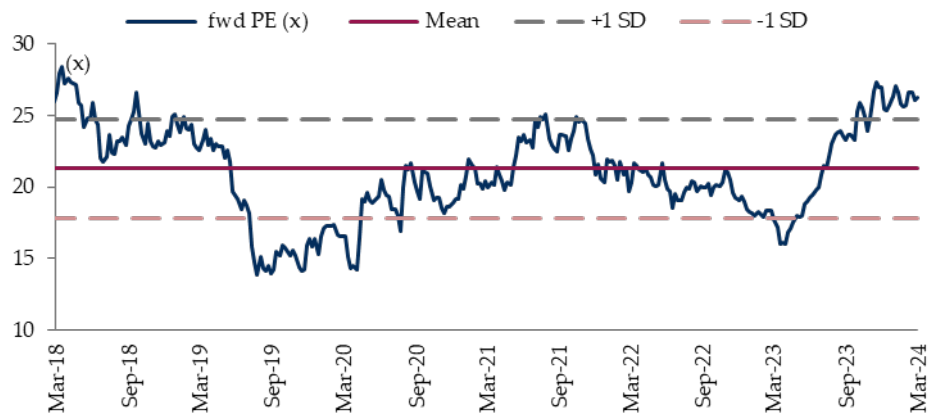
Outlook and valuation

We anticipate that while growth in some of ERIS’s legacy brands may be plateauing, the introduction of new launches, traction in the MJ Biopharma JV (with the expected launch of Glargine and Liraglutide), expansion of the Oaknet (derma) business, and integration of the Swiss business will drive steady growth over the next few years. With focused investments totaling approximately INR 30bn from FY17 to 9M’24 (with around INR 22.7bn in FY23-9M’24) and ongoing new launches, ERIS is poised for long-term growth, targeting INR 50 bn in sales by FY29.

We project ERIS to achieve 21/26% sales/EBITDA CAGRs over FY23-26E, driven by consistent traction in the core business and scale-up in M&As. Furthermore, we anticipate EBITDA margins to improve, reaching around 36.8% in FY26E, supported by the favorable margins of Oaknet and Swiss (at 35-37%). However, the increase in depreciation and interest costs (largely due to debt-funded M&A) and a rise in the tax rate (to 25-27% from <10% earlier) are expected to result in a PAT CAGR of 15% over FY23-26E.

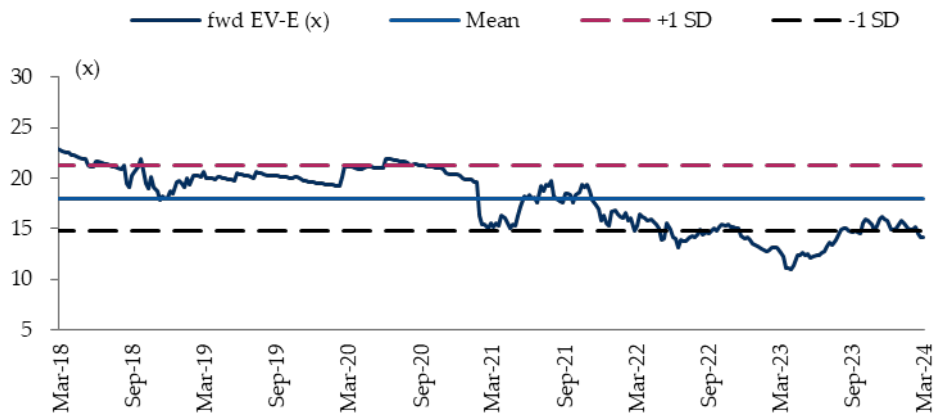
Given these factors, we initiate coverage with a BUY rating and a TP of INR 1,070, based on a 25x FY26E EPS (implying an EV/EBITDA of 14x).

Exhibit 19: PE chart



Source: Bloomberg, HSIE Research

Exhibit 20: EV/ EBITDA chart



Source: Bloomberg, HSIE Research

Financials (Consolidated)

Profit & loss (INR mn)

March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net sales	9,672	10,582	11,926	13,262	16,618	19,629	26,059	29,270
Other operating income	150	159	192	209	233	177	208	234
Total operating income	9,822	10,741	12,119	13,470	16,851	19,806	26,267	29,504
Cost of goods sold	-1,537	-1,715	-2,383	-2,585	-3,524	-3,589	-4,772	-5,308
Gross profit	8,285	9,025	9,736	10,885	13,328	16,217	21,495	24,196
Gross margin (%)	84	84	80	81	79	82	82	82
Total operating expenses	-4,836	-5,342	-5,430	-6,036	-7,961	-9,193	-11,936	-13,331
EBITDA	3,449	3,684	4,306	4,850	5,367	7,024	9,558	10,865
EBITDA margin (%)	35.1	34.3	35.5	36.0	31.9	35.5	36.4	36.8
Depreciation	-364	-503	-430	-647	-1,171	-1,811	-2,193	-2,286
EBIT	3,086	3,181	3,876	4,203	4,197	5,213	7,365	8,579
Net interest	-229	-22	-18	-41	-262	-734	-1,040	-753
Other income	317	154	87	261	112	115	148	144
Profit before tax	3,174	3,314	3,945	4,422	4,046	4,594	6,474	7,969
Total taxation	-262	-348	-394	-364	-305	-505	-1,748	-1,992
Tax rate (%)	8	11	10	8	8	11	27	25
Profit after tax	2,911	2,965	3,551	4,058	3,742	4,089	4,726	5,977
Minorities	-4	-0	0	3	80	45	-54	-153
Profit/ Loss associate co(s)	0	0	0	0	0	0	0	0
Adjusted net profit	2,908	2,965	3,551	4,061	3,822	4,134	4,672	5,824
Adj. PAT margin (%)	30	28	30	31	23	21	18	20
Net non-recurring items	0	0	0	0	0	0	0	0
Reported net profit	2,908	2,965	3,551	4,061	3,822	4,134	4,672	5,824

Balance sheet (INR mn)

March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Paid-up capital	138	136	136	136	136	136	136	136
Reserves & surplus	11,368	12,828	15,628	18,947	21,824	24,717	27,521	31,015
Net worth	11,688	12,963	15,764	19,085	22,207	25,013	27,871	31,518
Borrowing	3	121	68	844	8,767	11,132	13,219	9,531
Other non-current liabilities	614	662	634	588	2,798	2,853	3,002	3,162
Total liabilities	15,537	15,523	18,348	22,725	36,673	42,449	47,999	48,564
Gross fixed assets	7,447	8,904	9,123	9,985	25,113	32,468	33,918	35,418
Less: Depreciation	-777	-1,090	-1,519	-1,740	-2,751	-4,522	-6,662	-8,889
Net fixed assets	6,669	7,814	7,604	8,245	22,363	27,946	27,256	26,529
Add: Capital WIP	27	44	16	270	217	103	103	103
Total fixed assets	6,697	7,857	7,620	8,515	22,580	28,050	27,359	26,633
Total Investment	3,559	780	2,940	5,204	367	219	219	219
Inventory	827	695	945	1,179	1,314	1,430	2,189	2,623
Debtors	840	1,569	1,405	1,610	2,927	3,411	4,962	5,737
Cash & bank	75	673	383	523	585	260	3,151	2,718
Loans & advances	21	53	95	258	50	51	65	72
Current liabilities	3,231	1,777	1,882	2,208	2,902	3,451	3,908	4,353
Total current assets	2,667	4,078	4,216	5,306	7,357	7,763	13,934	15,156
Net current assets	-564	2,301	2,334	3,099	4,455	4,312	10,026	10,802
Other non-current assets	1,678	1,873	2,637	2,762	3,051	3,099	3,168	3,238
Total assets	15,537	15,523	18,348	22,721	36,673	42,449	47,999	48,564

Source: Company, HSIE Research

Cash flow (INR mn)

March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Profit before tax	3,174	3,314	3,945	4,422	4,046	4,594	6,474	7,969
Depreciation & Amortisation	-364	-503	-430	-647	-1,171	-1,811	-2,193	-2,286
Chg in working capital	-532	-527	53	-299	-1,755	-174	-2,743	-1,121
CF from operations	2,230	2,712	3,754	3,783	2,917	6,364	5,088	7,772
Capital expenditure	-487	-1,727	-258	-1,210	-14,969	-7,355	-1,450	-1,500
CF from investing	-51	1,232	-3,234	-3,196	-9,821	-7,616	-1,450	-1,500
Equity raised/ (repaid)	9	0	0	0	0	0	0	0
Debt raised/ (repaid)	-2,002	-1,841	-59	335	7,763	2,365	2,087	-3,688
Dividend paid	0	-470	-747	-816	-999	-1,240	-1,869	-2,330
CF from financing	-2,211	-3,346	-824	-447	6,880	1,125	218	-6,017
Net chg in cash	-31	598	-304	140	-23	-127	3,856	255

Key ratios

March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OPERATIONAL								
FDEPS (INR)	21.4	21.8	26.1	29.9	28.1	30.4	34.3	42.8
CEPS (INR)	24.1	25.5	29.3	34.6	36.7	43.7	50.5	59.6
DPS (INR)	0.0	3.5	5.5	6.0	7.3	9.1	13.7	17.1
Dividend payout ratio (%)	0.0	15.8	21.0	20.1	26.2	30.0	40.0	40.0
GROWTH								
Net sales (%)	16.9	9.4	12.7	11.2	25.3	18.1	32.8	12.3
EBITDA (%)	7.1	6.8	16.9	12.6	10.7	30.9	36.1	13.7
Adj net profit (%)	(1.1)	2.0	19.8	14.4	(5.9)	8.2	13.0	24.7
FDEPS (%)	(1.1)	2.0	19.8	14.4	(5.9)	8.2	13.0	24.7
PERFORMANCE								
RoE (%)	28.9	22.9	24.7	23.3	18.6	17.7	17.8	19.8
RoCE (%)	27.8	24.3	26.2	24.1	15.9	14.6	18.1	19.8
EFFICIENCY								
Asset turnover (x)	1.3	1.3	1.3	1.4	0.9	0.7	0.8	0.8
Sales/ total assets (x)	0.6	0.7	0.7	0.6	0.6	0.5	0.6	0.6
Working capital/ sales (x)	(0.1)	0.0	0.2	0.2	0.2	0.2	0.2	0.3
Receivable days	32	54	43	44	64	63	69	72
Inventory days	47	36	44	50	42	41	48	51
Payable days	48	52	48	50	40	46	40	40
FINANCIAL STABILITY								
Total debt/ equity (x)	0.0	0.0	0.0	0.0	0.4	0.5	0.5	0.3
Net debt/ equity (x)	(0.3)	(0.1)	(0.1)	(0.0)	0.4	0.5	0.4	0.2
Current ratio (x)	0.8	2.3	2.2	2.4	2.5	2.2	3.6	3.5
Interest cover (x)	13.5	147.1	215.1	101.4	16.0	7.1	7.1	11.4
VALUATION								
PE (x)	41.6	40.8	34.0	29.8	31.6	29.2	25.9	20.8
EV/ EBITDA (x)	34.2	32.5	27.9	24.8	24.0	18.8	13.7	11.8
EV/ Net sales (x)	12.2	11.3	10.1	9.1	7.8	6.7	5.0	4.4
PB (x)	10.5	9.3	7.7	6.3	5.5	4.9	4.4	3.9
Dividend yield (%)	0.0	0.4	0.6	0.7	0.8	1.0	1.5	1.9
Free cash flow yield (%)	1.4	0.8	2.9	2.1	(10.0)	(0.8)	3.0	5.2

Source: Company, HSIE Research

Mankind Pharma

Strong India business; scale-up in chronic is key

Mankind Pharma (MANKIND) has ascended to the position of the fourth-largest company in the Indian Pharma market (IPM), rising from 8th place in FY12. Its market share has jumped to ~4.4% as of 9M'24 (vs. ~3.3% in FY14). This was largely led by outperformance in the acute (by 1.3x) and scale-up in the chronic (by 1.4x). Therapies like CVS and anti-diabetics have seen notable traction, thanks to their strong brand-building capabilities. Its low-price strategy (offering discounts compared to peers in similar categories) was the key differentiator that increased its volume share to ~5.7% in 9M'24 (vs. 3.9% in FY14). Our outlook rests on key factors: (1) volume-led strategy and brand-building capabilities supporting sales growth; (2) steady acute business and strong scale-up in chronic space (with the share increasing from 28% of FY18 sales to 35% in 9M'24) positioning it to outperform IPM; (3) integration of recent M&As (Panacea's India business, few brands) and strong FCF and balance sheet enabling M&As; (4) expansion in exports (largely US-led); and (5) continued focus in India business ensuring steady margins and return ratios. This strategic approach will bolster market share across key therapies, further supported by its strong focus on metros (55% of sales vs 70% in IPM). Given the visibility of growth and margin improvement, we are initiating coverage with an ADD rating and a TP of INR 2,360, based on a 36x FY26E EPS.

Strong position in the Indian formulation market: MANKIND with its domestic formulation-focused business (~97% of FY23 sales) is well-placed to leverage its pan-India presence (15,000+ field force, 13,000+ stockists), which provides steady growth visibility. It has outperformed the IPM by 1.7x over FY20-23 and increased value share to ~4.4% (from ~3.3%) and volume share to 6.6% (from 3.9%) in 9M'24. This was led by steady acute business (~65% of 9M'24 sales) and strong scale-up in the chronic segment (share rose to 34% in FY23 and 35% in 9M'24), a 1.4x beat to the IPM.

Focus on chronic, metros, brand-building, and M&As: MANKIND's focus is to increase its covered market presence in IPM (~64.6% in FY14 vs ~68% as of 9M'24) by increasing penetration in chronic segments through sales channels expansion (in anti-diabetic, CVS, CNS and respiratory). Its acquisition of Panacea's India business (in Feb'22; for a niche area of transplant, oncology) will enhance its presence in the chronic space. It is focusing on increasing presence in metro/tier-1 cities (55% sales vs 64% in IPM) by engaging key opinion leaders, tying up with hospitals, and specialty division launches (added 10+ in the last 3 years). Also, its capabilities of building mega brands (22 brands bring in >INR 1 bn in sales vs. 13 in FY18) is expected to support growth.

Strong growth momentum in exports: Although export is a small part of the revenue, MANKIND has delivered a strong performance in 9M'24 (+154% YoY), led by limited competition ANDA launches in the US market. With scale-up in ANDA filing and approvals, the export business is expected to remain on a strong footprint for growth.

Outlook and valuation: We expect MANKIND to see 15/22/24% sales/EBITDA/PAT CAGRs over FY23-26E, as it can improve market share across key therapies through its brand-building capability and low-price model (which allows it to take higher price hikes than peers), volume growth (as IPM volume to normalize) and increasing its covered market, supported by its increased sales force (800+ in last 18 months) and strong focus on chronic and metros. Strong cash generation enables M&As. We see EBITDA margin expanding by 350-400 bps over FY23-26E (from 21.7% in FY23). We are initiating coverage with an ADD and a TP of INR 2,360 (implied EV/E of 26x).

Financial Summary

YE March (INR bn)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
India sales (INR bn)	58	60	76	85	96	110	125
Net Sales	59	62	78	87	104	117	133
EBITDA	15	17	20	19	25	30	34
APAT	11	13	14	14	18	22	26
Diluted EPS (INR)	27.4	31.9	35.8	34.2	45.7	55.2	65.6
P/E (x)	78.9	67.7	60.4	63.1	47.3	39.2	33.0
EV / EBITDA (x)	56.2	51.0	43.4	44.9	33.8	28.0	23.6
RoCE (%)	40	38	33	22	26	26	26

Source: Company, HSIE Research

ADD

CMP (as on 5 Mar 2024)	INR 2161
Target Price	INR 2360
NIFTY	22,356

KEY STOCK DATA

Bloomberg code	MANKIND IN
No. of Shares (mn)	401
MCap (INR bn) / (\$ mn)	865/10,438
6m avg traded value (INR mn)	1,398
52 Week high / low	INR 2,297/1,241

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	10.8	21.9	-
Relative (%)	4.4	9.8	-

SHAREHOLDING PATTERN (%)

	Sep-23	Dec-23
Promoters	76.5	76.5
FIs & Local MFs	4.56	9.79
FPIs	4.18	6.74
Public & Others	14.76	6.97
Pledged Shares	-	-

Source : BSE

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Exhibit 1: Revenue, EBITDA and PAT assumptions

(INR mn)	% of FY23 sales	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
--India formulations	89%	53,196	55,314	70,057	77,610	89,306	1,02,091	1,16,694
YoY growth			4%	27%	11%	15%	14%	14%
--Consumer healthcare	8%	4,692	4,972	5,890	6,920	7,058	7,764	8,541
YoY growth			6%	18%	17%	2%	10%	10%
Total India sales	97%	57,888	60,285	75,947	84,530	96,364	1,09,855	1,25,235
YoY growth			4%	26%	11%	14%	14%	14%
Exports	3%	764	1,859	1,868	2,960	7,341	7,414	8,230
YoY growth			143%	0%	58%	148%	1%	11%
Total revenues		58,652	62,144	77,816	87,494	1,03,705	1,17,269	1,33,465
YoY growth			6%	25%	12%	19%	13%	14%
Gross profit		39,872	44,338	53,598	58,358	71,142	80,330	91,423
Gross Margin (%)		68.0%	71.3%	68.9%	66.7%	68.6%	68.5%	68.5%
EBITDA		15,274	16,658	19,894	20,156	24,889	29,552	34,434
YoY growth			9%	19%	1%	23%	19%	17%
EBITDA Margin (%)		26.0%	26.8%	25.6%	23.0%	24.0%	25.2%	25.8%
Adj PAT		10,970	12,790	14,335	13,720	18,302	22,100	26,264
YoY growth			17%	12%	-4%	33%	21%	19%

Source: Company, HSIE Research, EBITDA/ PAT adjusted for forex and one-offs.

The strategic focus of MANKIND

- **Increase the value of prescriptions in existing markets:** MANKIND intends to increase its value share in IPM by expanding market coverage (CVM moved from 64.6% in FY14 to 68% in 9M'24), which will be largely led by increasing penetration in the chronic segment over next few years.
- **Increasing share of the chronic segment:** The company is focusing on scaling up the chronic business by growing its presence in existing therapies (CVS, anti-diabetes, respiratory—inhalers) and expanding into new therapies like CNS, transplant, urology, and oncology. In 9M'24, the market share in CVS and anti-diabetic has reached ~5% and 4.4% respectively.
- **Increase penetration in metros/tier-1:** MANKIND is focused on increasing its presence in metro and tier-1 cities (55% sales vs 70% in IPM, MAT Dec'23, as per IQVIA) by engaging key opinion leaders, tying up with hospitals and specialty division launches (10+ divisions launched in the last three years).
- **International DMF Quality API:** MANKIND's focus is on introducing DMF quality medicines at Indian prices (140+ SKUs launched to date); a recent example is the launch of Dydrogesteron (Dydroboon) in India, developed in-house with DMF quality base API.
- **Building mega brands:** Over the last few years, the company has developed mega brand families (22 brands bring in >INR 1 bn in sales vs. 7 in FY20).
- **M&A:** MANKIND is looking to pursue inorganic growth via M&A and in-licensing with a focus on the chronic and consumer healthcare segment. In FY22, MANKIND's three broad strategies for inorganic growth are: (1) **Company:** Acquisition of Panacea's India and Nepal business (Feb'22) for a presence in transplant and oncology as well as other chronic space, (2) **Brands:** Acquisition of brands such as Combihale (respiratory - inhaler) and Daffy (dermatology) in Feb'22 from Dr Reddy's — to fill portfolio gaps in respective therapies, and (3) **In-licensing:** Over last 3-4 years, MANKIND has multiple in-licensing arrangements such as Remogliflozin Etabonate tablet (SGLT-R; anti-diabetic) from Glenmark in 2019, and Sacubitril/Valsartan tablet (Neptaz; CVS) from Novartis in 2022.

- **Build alternative channels:** MANKIND is in pursuit of increasing market share, and it is looking to grow alternate channels including modern trade and other contemporary trade channels (~6% in 9M'24) to support growth.
- **Grow consumer healthcare business:** The company is looking to leverage its existing brand equity (male condom category: Manforce, Pregnancy detection kit category: Prega News, Emergency contraceptives category: Unwanted-72 brand), additional distribution models (like modern trade), and focus on Rx to OTx to OTC switching to introduce new products.
- Continue to develop digital platforms to enhance doctor engagement in medical content; launch of next-generation AI-based sales force automation tools.

Strong positioning in the steadily growing India formulation market

MANKIND has emerged as the 4th largest company (from 8th in FY12 and 7th in FY14) in the Indian Pharma market (IPM) with its market share jumping to ~4.4% as of 9M'24 (from ~3.3% in FY14). This was largely led by outperformance in the acute segment (by 1.3x) and strong scale-up in the chronic segment (outperformed IPM by 1.4x) in therapies like CVS and anti-diabetics, given strong brand-building capabilities. Low price strategy (discounts to peers in similar categories) was the key differentiator, which led to an increase in volume share to ~5.7% in 9M'24 (vs. 3.9% in FY14).

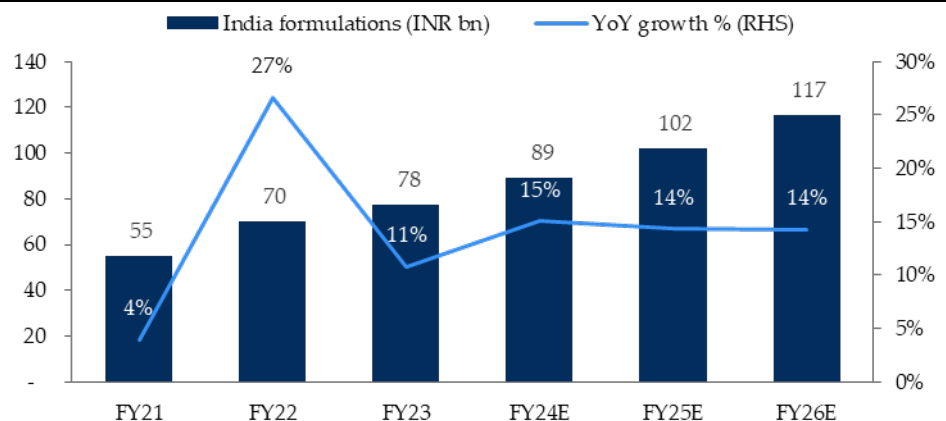
Exhibit 2: MANKIND snapshot

Key Therapeutic Segments	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Value Growth YoY in IPM (%)	7.3	19.3	24.2	9.8	11.3	12.6	12.5	11.1	17.7	10.6
Market Share by Value in IPM (%)	3.3	3.5	3.8	3.8	3.9	4.0	4.1	4.3	4.3	4.4
Market Ranking by Value in IPM (x)	7	5	4	4	4	4	4	4	4	4
Covered Market Share in total IPM (%)	64.6	64.1	64.8	63.5	60.2	61.6	62.4	62.2	65.4	68.1
Market Share in Covered Market (%)	5.1	5.5	5.8	5.9	6.6	6.5	6.5	6.9	6.6	6.5
Covered Market Rank (x)	3	2	2	2	2	2	2	2	2	2
Volume Share in IPM (%)	3.9	4.3	4.7	4.4	4.8	5.1	5.2	5.7	5.5	5.7
Market Ranking by Volume in IPM (x)	6	6	5	5	5	3	3	3	3	3
Chronic Share in total portfolio (%)	19.6	20.4	25.3	26.7	27.9	31.9	32.2	34.1	32.9	33.9
Chronic Growth YoY (%)	14.6	23.8	53.9	16.0	16.4	28.6	13.5	17.6	13.6	14.1
Metro & Class 1 Share (%)	NA	51.6	50.3	50.7	49.9	49.2	48.1	51.8	52.9	53.2

Source: Company, IQVIA, HSIE Research

MANKIND's India-focused business (~97% of FY23 sales; 89% formulations, 8% consumer healthcare) is well-placed to leverage its pan-India presence and strong brand equity. MANKIND had a steady growth in Indian business, largely led by strong growth in the chronic segment and supported by steady acute growth. While FY21 growth was impacted due to COVID-19, revenue saw strong growth in FY22 onwards.

Exhibit 3: India growth to outperform IPM



Source: Company, HSIE Research

It has consistently outperformed the IPM as well as a few of its large peers over the last few years, led by its market coverage. It has outperformed IPM by 1.7x over FY20-23, driven by steady acute business (~65% of 9M'24 sales) and strong scale-up in the chronic space (share increased to 34% in FY23 and 35% in 9M'24 vs 28% in), which is a 1.4x beat to the IPM.

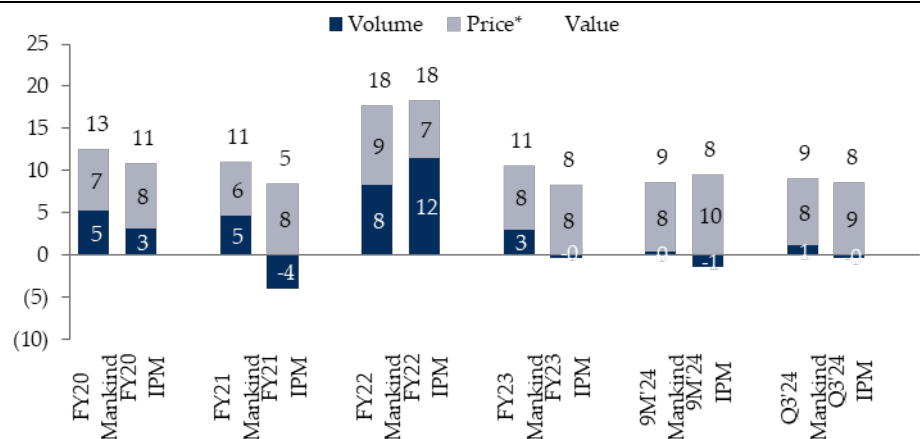
Exhibit 4: MANKIND has outperformed IPM over last few years

Value YoY growth %	FY20	FY21	FY22	FY23	9M'24	Q3'24	Jan'24
India Pharma							
Alkem	17	0	28	13	8	9	6
Alembic Pharma	6	1	23	8	6	6	2
Cipla	8	7	16	7	8	9	10
Dr Reddy's	7	5	22	2	7	6	8
Eris Life	7	7	10	8	7	8	9
Glenmark	15	14	26	(4)	8	11	10
IPCA	19	11	20	14	13	14	14
Lupin	10	3	15	6	6	6	7
Sun Pharma	10	5	16	11	9	9	9
Torrent Pharma	8	8	11	13	8	9	9
Zydus	8	5	15	7	6	6	6
Aristo Pharma	20	6	25	7	11	12	5
Ajanta Pharma	13	7	18	16	10	6	11
Emcure	12	5	22	4	6	7	7
Intas Pharma	14	6	18	16	12	13	14
JB Chemical	15	9	27	22	10	11	11
Macleods	10	(0)	25	12	10	10	9
Mankind	13	11	18	11	9	9	9
Micro Labs	13	(2)	37	3	3	1	(0)
USV	10	10	13	9	8	8	8
MNC Pharma							
Abbott	8	3	14	10	9	9	10
GSK Pharma	6	(1)	14	7	1	(0)	1
IPM	11	5	18	8	8	8	8

Source: IQVIA, HSIE Research

MANKIND's growth over the last few years was price and volume-balance-led growth. It has outperformed the IPM volume growth over the last few years despite muted volume across its key therapies (anti-infectives, gastro, and VMN). Going ahead, with anticipation of gradual volume recovery in IPM, MANKIND is expecting to continue to outperform IPM. Also, price growth in select portfolios with the fact that it's cautious on its affordable price strategy (at a discount to the category peers) will support growth.

Exhibit 5: MANKIND saw steady volume and price growth



Source: IQVIA, HSIE Research, Note: *Price calculated as difference between Value and Volume

MANKIND’s volume-driven strategy is supported by its pan-India presence (13,000+ stockiest), large field force (15,000+) and strong presence in non-metro cities (~45% of India sales vs IPM average at 70% as of MAT Dec’23, as per IQVIA). It has helped it to expand its volume share in IPM. In terms of volume, MANKIND is the third largest company in India with a market share of ~5.8% in 9M’24– improved from the sixth largest with a market share of ~4.8% in FY18.

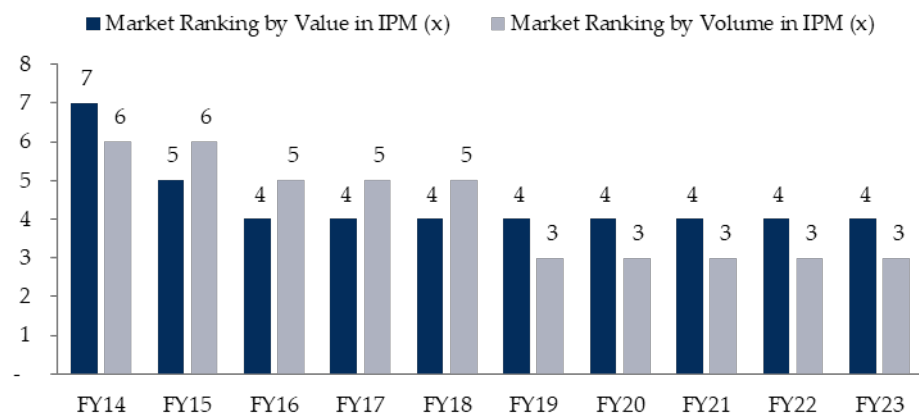
Exhibit 6: Volume share increasing over the last few years

Market share (Unit)	FY23 Rank	FY19	FY20	FY21	FY22	FY23	9M’24	Q3’24	Jan’24	FY19- FY23 (bps)
Gained market share										
Mankind	4	5.1%	5.2%	5.7%	5.5%	5.7%	5.8%	5.8%	5.8%	60
Cipla	3	6.9%	7.1%	6.6%	7.0%	7.5%	7.4%	8.8%	9.1%	59
Alkem*	5	3.2%	3.4%	3.3%	3.6%	3.7%	3.7%	3.7%	3.5%	55
Aristo Pharma*	11	3.2%	3.5%	3.6%	3.9%	3.7%	3.8%	3.7%	3.3%	51
Micro Labs*	18	1.6%	1.7%	1.7%	2.1%	2.0%	1.9%	1.9%	1.8%	40
Macleods Pharma	9	2.9%	2.9%	2.8%	3.0%	3.2%	3.3%	3.4%	3.3%	35
Ipca Labs	17	1.8%	1.8%	1.9%	1.9%	1.9%	2.1%	2.0%	1.8%	18
Glenmark Pharma	15	1.0%	1.1%	1.1%	1.1%	1.2%	1.2%	1.3%	1.4%	16
U S V	16	2.5%	2.5%	2.8%	2.6%	2.6%	2.7%	2.6%	2.8%	12
Ajanta Pharma	27	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	-
Lost market share										
Jb Pharma*	24	1.5%	1.6%	1.6%	1.5%	1.5%	1.5%	1.5%	1.5%	(2)
Alembic	21	1.2%	1.1%	1.0%	1.1%	1.1%	1.1%	1.2%	1.1%	(4)
Eris Lifesciences*	23	0.8%	0.8%	0.9%	0.8%	0.8%	0.7%	0.7%	0.8%	(7)
Emcure*	14	1.1%	1.1%	1.1%	1.1%	1.1%	1.0%	1.0%	1.0%	(7)
Intas Pharma*	7	2.3%	2.1%	2.2%	2.2%	2.2%	2.2%	2.2%	2.3%	(8)
Sun*	1	5.8%	5.7%	5.8%	5.5%	5.7%	5.9%	5.9%	6.0%	(11)
Dr Reddys Labs	10	2.6%	2.4%	2.4%	2.5%	2.4%	2.4%	2.4%	2.4%	(15)
Torrent Pharma*	8	3.1%	2.9%	3.0%	2.7%	2.7%	2.7%	2.6%	2.7%	(34)
Abbott*	2	4.7%	4.5%	4.5%	4.4%	4.3%	4.3%	4.3%	4.1%	(39)
Lupin Limited	6	2.7%	2.6%	2.4%	2.4%	2.3%	2.3%	2.4%	2.5%	(42)
Zydus Cadila*	12	4.0%	3.9%	3.8%	3.8%	3.5%	3.4%	3.5%	3.4%	(46)
Glaxosmithkline*	13	4.9%	4.6%	4.2%	4.1%	3.8%	3.6%	3.6%	3.4%	(117)

Source: IQVIA, HSIE Research

The gain in market share and steady growth momentum have helped the company improve its rank in the IPM. Over the last 10-12 years, the company has improved its rank from 7th to 4th in terms of value and 6th to 3rd in terms of volume. Over the last five years, MANKIND was ranked 1 in terms of prescriptions.

Exhibit 7: Improved rank over the last 10 years

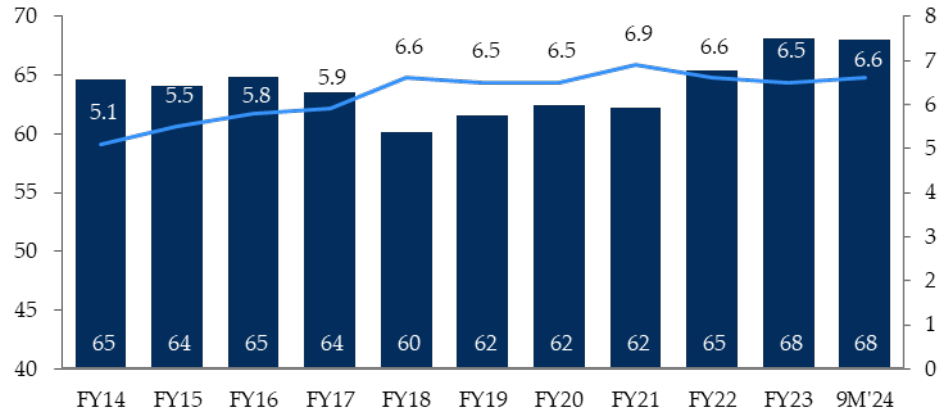


Source: Company, IQVIA, HSIE Research

MANKIND working towards expanding the covered market

The company plans to increase its covered market presence in IPM (~62% to ~68% over FY20-23, which was steady at ~68% in 9M'24) through increasing penetration in chronic. The focus is to deepen its presence in existing markets and facilitate entry into new markets as well as therapy coverages via new launches, line extensions, and new therapies. Moreover, MANKIND aims to increase its market share in IPM by expanding its product portfolio to increase sales, with a focus on chronic therapies. In addition to consolidating presence in existing brands and therapies, it also intends to focus on pursuing opportunities in therapeutic areas such as CVS, anti-diabetic, respiratory, critical care, ophthalmology, neuro/CNS, and gynaecology.

Exhibit 8: The company focus to expand market coverage (FY23-9M'24 not visible)

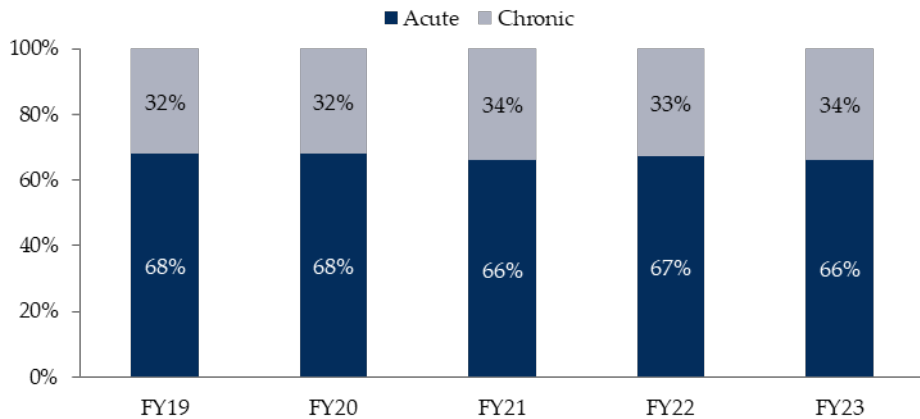


Source: Company, IQVIA, HSIE Research

Focus on chronic segment and metros to drive value growth

MANKIND's chronic sales, accounting for 32.6% and 33.9% of domestic sales in FY22 and FY23 respectively (source: IQVIA), demonstrated a notable CAGR of approximately 15% over FY20-23, representing around 1.4 times the IPM. This growth can be attributed to the expansion of sales channels through the introduction of new divisions, including new product launches, and the expansion of the field force targeting more doctors, thus enhancing geographic reach. These efforts have been focused across various chronic therapeutic areas such as anti-diabetic, cardiovascular, neuro/CNS, and respiratory segments.

Exhibit 9: Chronic-acute split evening gradually



Source: IQVIA, HSIE Research

The primary point of differentiation lies in MANKIND's leading presence in the chronic segment. Over FY20-23, MANKIND significantly outpaced IPM in key areas: (1) in the CVS segment, achieving approximately 1.6x growth with a CAGR of ~18% over FY19-23 (compared to IPM's CAGR of approximately 11%) and (2) in the anti-diabetics segment, demonstrating around 1.7x growth with a CAGR of ~15% over FY19-23 (against IPM's CAGR of approximately 9%). Further, in other pivotal therapeutic domains such as respiratory, MANKIND surpassed IPM by 1.4x, exhibiting a CAGR of ~18% over FY19-23 (versus IPM's CAGR of ~13%), led by the acquisition of Dr. Reddy's inhaler brand and robust traction in gynecology, surpassing IPM by 2.4x and achieving a CAGR of ~26% over FY19-23 (against IPM's CAGR of ~11%), largely attributed to the launch of Dydrogesteron (Dydroboon) in FY20. Conversely, steady growth in the acute segment, coupled with robust scaling in the chronic segment and recent mergers and acquisitions, as well as new product launches, have contributed to the company's robust growth trajectory. Notably, MANKIND's leading therapies like anti-infective have outperformed IPM over FY20-23 by 1.3x (growing by 13% compared to IPM's growth of 8% in 9M'24), while Gastro has witnessed growth on par with IPM over the same period.

Exhibit 10: Steady growth in key therapies like anti-infective and gastro; strong growth in CVS and anti-diabetic

Mankind therapy YoY %	% of							
	FY23 sales	FY20	FY21	FY22	FY23	9M'24	Q3'24	Jan-24
Anti-Infectives	15%	13%	-8%	31%	13%	13%	14%	6%
Cardiac	13%	20%	22%	13%	17%	18%	17%	22%
Gastro Intestinal	11%	12%	9%	14%	10%	7%	13%	8%
Respiratory	9%	22%	-9%	59%	8%	0%	-1%	-3%
Vitamins/Minerals/Nutrients	8%	8%	21%	8%	-1%	5%	9%	7%
Anti-Diabetic	8%	11%	28%	12%	9%	13%	13%	19%
Gynaec.	8%	15%	43%	21%	27%	5%	4%	10%
Derma	6%	6%	13%	2%	-10%	0%	2%	8%
Urology	5%	22%	5%	12%	35%	9%	3%	9%
Pain / Analgesics	5%	9%	-2%	16%	3%	1%	7%	5%
Mankind total	100%	13%	11%	18%	11%	9%	9%	9%

Source: IQVIA, HSIE Research

MANKIND has significantly expanded its market share across various therapeutic areas in the past 3-4 years, resulting in a gain of approximately 40 bps over FY19-20. Its leading therapies have seen notable shifts: anti-infective, for instance, experienced a gain of around 43 bps in market share over the same period, reaching ~5.7% by FY23, while gastro and VMN remained relatively stable with unchanged market share over FY19-23.

The substantial market share growth primarily occurred in key chronic therapy segments:

- Cardiovascular (CVS) – The market share increased by around 100 bps over FY19-23 to 4.6% by FY23, further rising to 4.9% in 9M'24, driven by new launches such as Sacubitril + Valsartan.
- Anti-diabetics – Market share grew by ~76 bps over FY19-23 to 4.0% by FY23, further increasing to 4.3% in 9M'24, fueled by traction in new launches including Vildagliptin/Sitagliptin combinations, Teneligliptin, Dapagliflozin, and Remogliflozin + Vildagliptin, among others.
- Respiratory – The segment gained around 74 bps in market share over FY19-23 to 4.8% by FY23, with a slight decrease to 4.6% in 9M'24.

- Gynaecology – Market share surged by ~269 bps over FY19-23 to 6.6% by FY23, maintaining stability at 6.5% in 9M'24, primarily led by strong traction in Dydrogesteron.
- Urology – Market share increased by ~207 bps over FY19-23 to 12.3% by FY23, but declined to 11.3% in 9M'24, largely due to steady traction in its leading brand Manforce Rx.

Exhibit 11: Gaining share across leading therapies

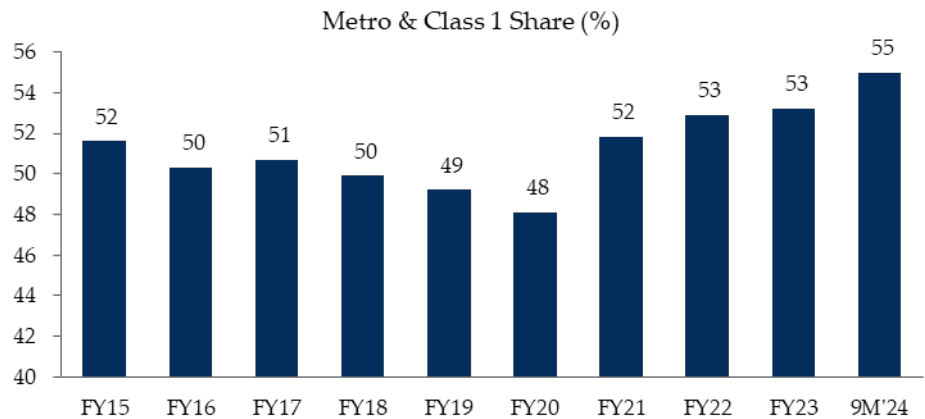
Mankind therapy MS %	% of sales								
	FY23	FY19	FY20	FY21	FY22	FY23	9M'24	Q3'24	Jan-24
Anti-Infectives	15%	5.3	5.3	5.5	5.4	5.7	5.9	6.3	6.2
Cardiac	13%	3.6	3.9	4.2	4.3	4.6	4.9	5.0	5.2
Gastro Intestinal	11%	4.5	4.6	4.7	4.6	4.5	4.4	4.5	4.0
Respiratory	9%	4.1	4.3	4.3	4.7	4.8	4.6	4.7	4.5
Vitamins/Minerals/Nutrients	8%	5.0	4.9	5.4	5.0	4.8	4.8	4.8	4.5
Anti-Diabetic	8%	3.2	3.2	3.7	3.9	4.0	4.3	4.4	4.5
Gynaec.	8%	4.0	4.2	5.8	6.1	6.6	6.5	6.7	7.6
Derma	6%	4.7	4.6	4.9	4.5	3.9	3.8	3.9	3.6
Urology	5%	10.1	10.8	10.8	10.6	12.2	11.3	11.5	12.5
Pain / Analgesics	5%	3.3	3.2	3.2	3.0	2.8	2.6	2.6	2.5
Others	3%	8.8	10.0	11.2	10.5	14.5	15.5	13.6	16.9
Neuro / Cns	3%	2.0	2.0	2.2	2.2	1.9	1.9	1.9	1.9
Mankind total	100%	4.0	4.1	4.3	4.3	4.4	4.4	4.5	4.4

Source: IQVIA, HSIE Research

MANKIND is strategically enhancing its footprint in metro and Tier-1 cities, where it currently accounts for 55% of sales compared to 70% in the IPM (MAT Dec'23, based on IQVIA data). This expansion is being pursued through various initiatives such as engaging key opinion leaders, establishing hospital tie-ups, and launching specialty divisions (with over 10 divisions launched in the last three years). To foster collaborative relationships across these cities, MANKIND is implementing a dedicated strategy. By March 2023, MANKIND had recruited 12 regional medical advisors tasked with focusing on key areas like Delhi NCR, Bengaluru, Mumbai, Hyderabad, Cochin, Chennai, and Kolkata. Plans are underway to onboard additional advisors to further extend coverage. Moreover, MANKIND has appointed a dedicated sales team to specifically address the critical care segment within in-patient departments, aimed at enhancing business relationships with hospitals in these metropolitan and Tier-1 cities.

Notably, MANKIND's sales in metro and Tier-1 cities have demonstrated a robust CAGR of ~15% over FY19-23, with a long-term CAGR standing at ~14% over FY15-23.

Exhibit 12: Expanding presence in metros



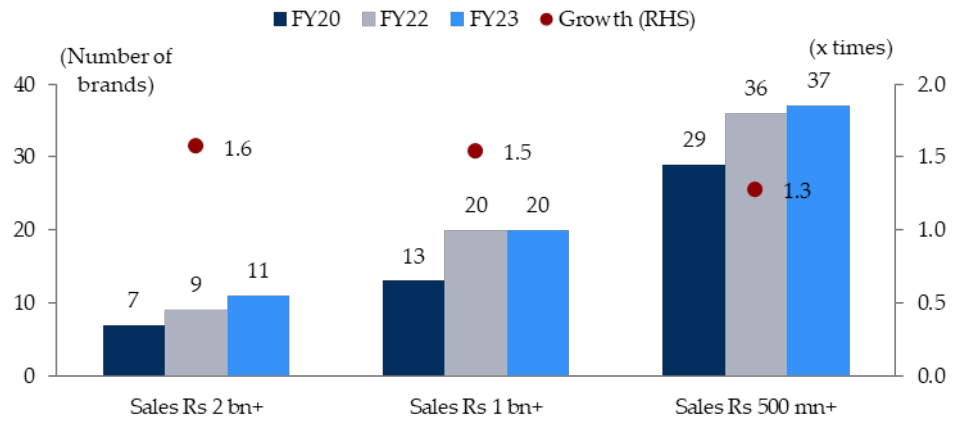
Source: Company, IQVIA, HSIE Research

Brand-building capabilities are the key differentiator

The company has diligently worked towards establishing 'Mankind' as a widely recognised brand in India. It boasts a proven track record of cultivating sizable brands, each with domestic sales exceeding INR 1 bn. As of MAT Mar'23, an impressive 19 out of its 20 highest-selling brands ranked among the top 3 within their respective molecule groups in the IPM, while a total of 22 brands were listed among the 300 highest-selling brands in the IPM during FY23 (Source: IQVIA).

Leveraging one of the largest field forces in the industry, coupled with an extensive network of stockists and a nationwide presence, the company has effectively transformed its brands into mega brands.

Exhibit 13: Building mega brands through strong execution



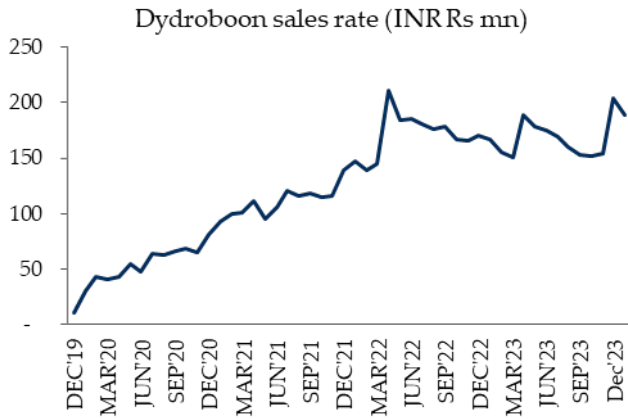
Source: Company, IQVIA, HSIE Research

Exhibit 14: Steady growth in the leading brands

MKND brands YoY	Therapy	% of FY23 sales	FY23 sales (Rs bn)	FY20	FY21	FY22	FY23	9M'24	Q3'24	Dec-23
Manforce	Urology	5%	4.3	23%	4%	14%	48%	15%	6%	16%
Moxikind-Cv	Anti-Infectives	4%	3.5	12%	-10%	25%	28%	12%	8%	2%
Unwanted-Kit	Gynaec.	2%	2.2	11%	26%	9%	24%	15%	2%	12%
Dydroboon	Gynaec.	2%	2.1	NA	580%	73%	42%	-5%	1%	19%
Prega News	Others	2%	2.1	22%	29%	13%	38%	14%	0%	6%
Amlokind-At	Cardiac	2%	1.9	27%	17%	6%	11%	23%	21%	25%
Gudcef	Anti-Infectives	2%	1.8	23%	-9%	44%	19%	13%	15%	2%
Candiforce	Derma	2%	1.7	18%	13%	-13%	5%	8%	5%	13%
Glimestar-M	Anti-Diabetic	2%	1.7	16%	26%	5%	11%	14%	10%	11%
Codistar	Respiratory	2%	1.5	20%	28%	69%	8%	NA	NA	NA
Top 10 brands		26%	22.7	20%	15%	18%	25%	12%	8%	11%
11-25 brands		19%	16.6	18%	12%	20%	15%	12%	12%	8%
26-50 brands		15%	13.0	14%	13%	14%	9%	3%	-3%	-6%
Above 50 brands		41%	36.0	7%	8%	18%	2%	7%	13%	12%
Mankind total		100%	88.2	13%	11%	18%	11%	9%	9%	9%

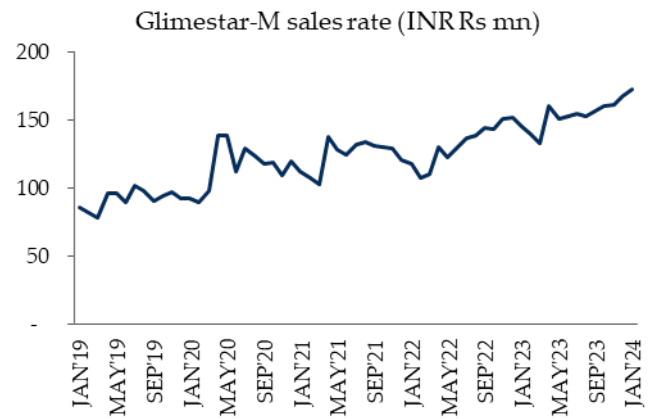
Source: IQVIA, HSIE Research

Exhibit 15: Strong scale-up in brands in new launches...



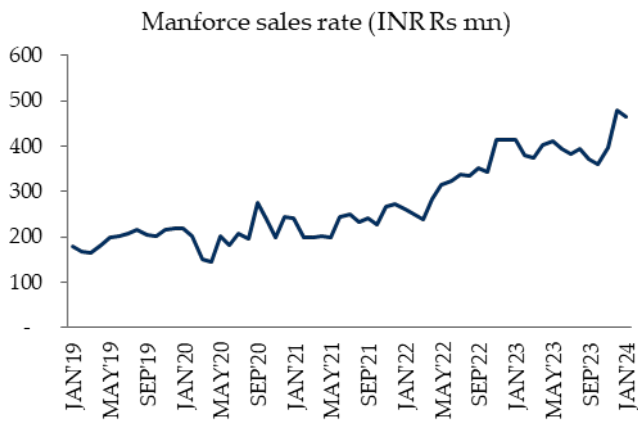
Source: IQVIA, HSIE Research

Exhibit 16: ...as well as in existing brands



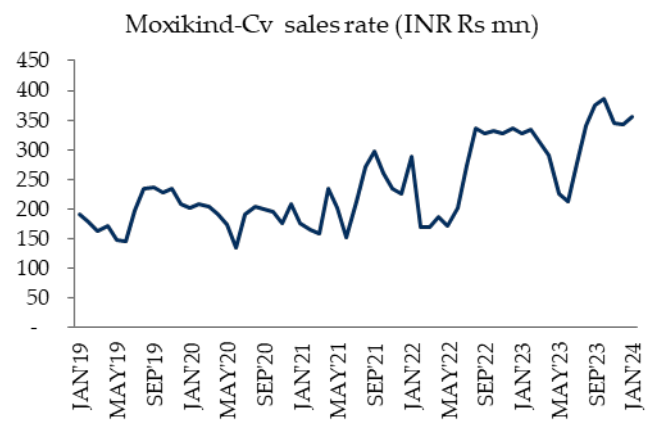
Source: IQVIA, HSIE Research

Exhibit 17: Legacy brands continue to see steady growth...



Source: IQVIA, HSIE Research

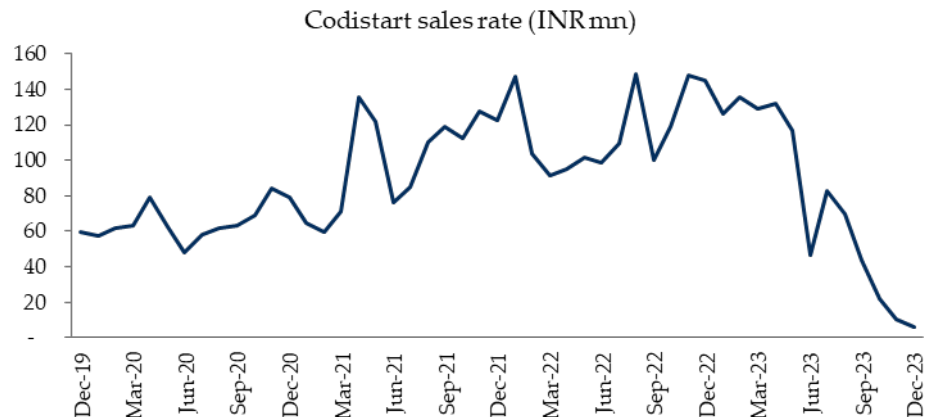
Exhibit 18: ...over last few years



Source: IQVIA, HSIE Research

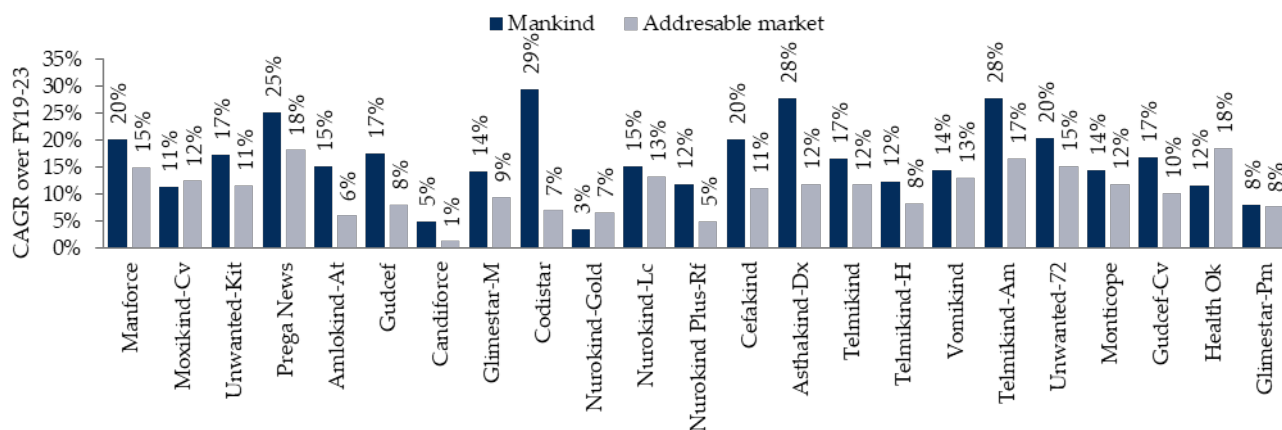
This enabled the company to mitigate the impact of the Codistar setback resulting from the DCGI ban on FDCs, which was counteracted by the introduction of new products within the same category. Despite this challenge, the company has managed to regain its sales momentum since January 2024, achieving an improved sales rate of ~INR 60 mn per month. This stands in comparison to the previous sales rate of ~INR 80-90 mn per month before the FDC ban.

Exhibit 19: Impact of Codistar—the company expects to improve sales rate



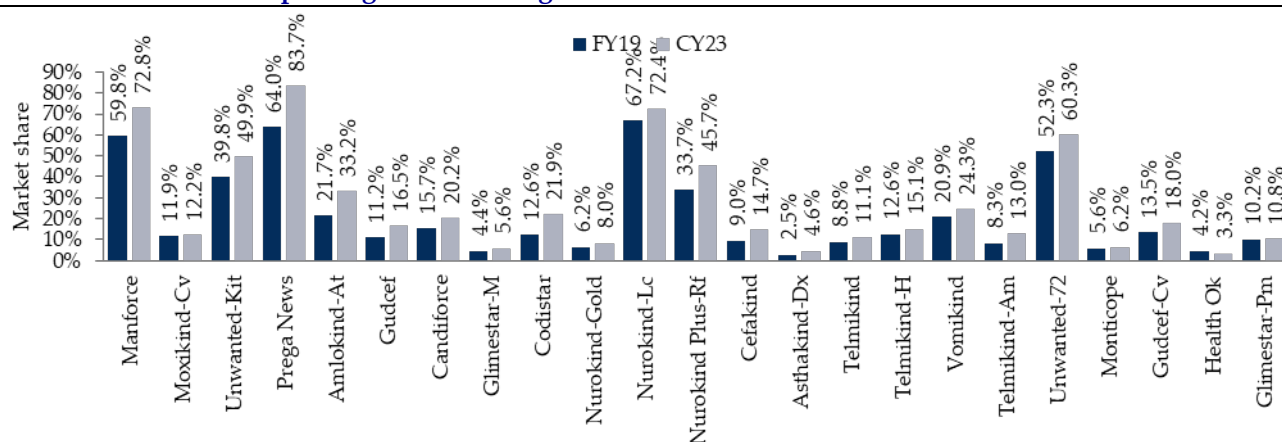
Source: IQVIA, HSIE Research

Exhibit 20: Outperformed across key brands



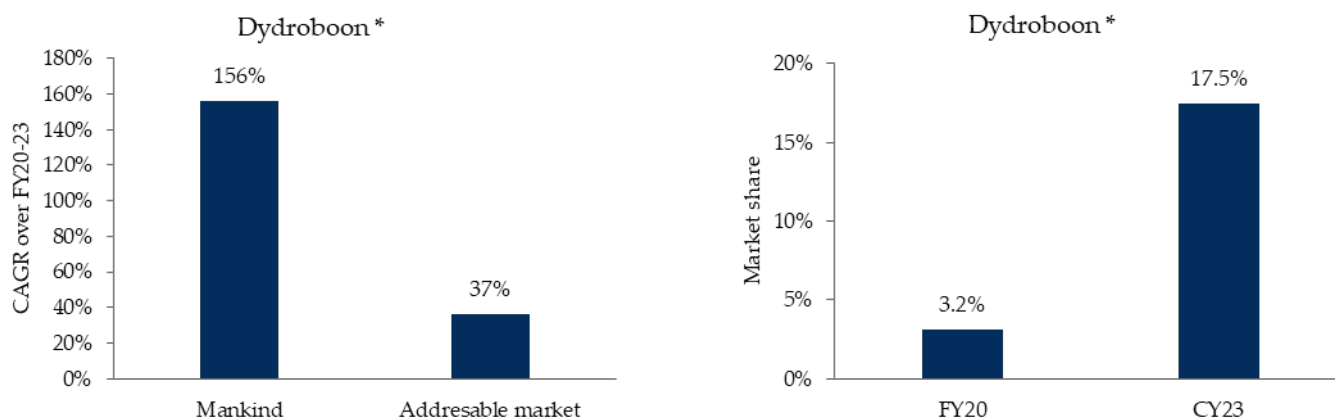
Source: IQVIA, HSIE Research

Exhibit 21: Market share improving in the leading brands



Source: IQVIA, HSIE Research

Exhibit 22: Strong traction in its DMP API based launch



Source: IQVIA, HSIE Research

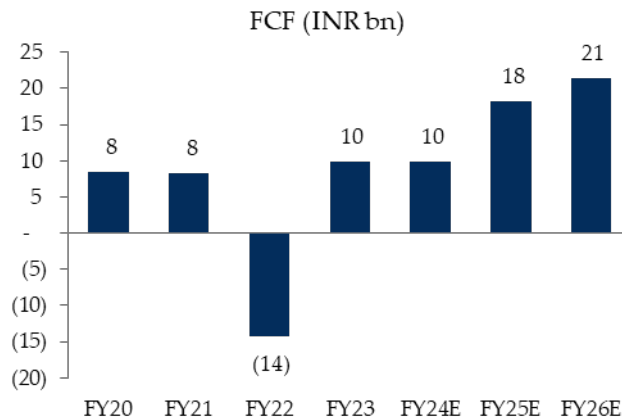
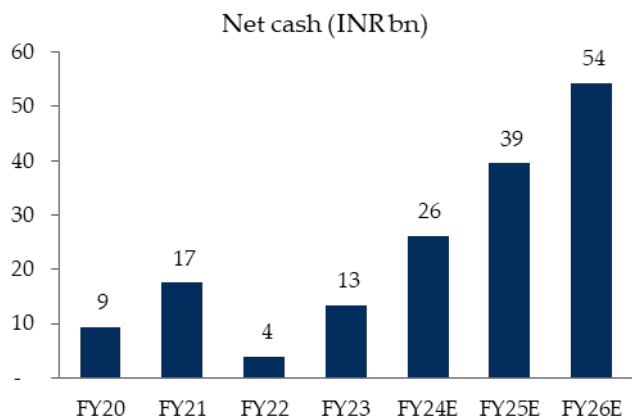
The focus is on inorganic growth

MANKIND, being financially robust with a significant net cash position and a commendable track record of generating free cash flow (except for FY22, impacted by the Panacea deal), is strategically positioned for expansion. The company aims to capitalise on its financial strength by actively seeking opportunities to acquire brands and companies across key markets. Additionally, it is exploring avenues for in-licensing and co-development collaborations to broaden its therapeutic portfolio.

Continuing to leverage its well-established sales, marketing, and distribution infrastructure, MANKIND aims to position itself as a preferred partner for pharmaceutical companies. In line with this strategy, it has already initiated in-licensing agreements with other pharmaceutical firms to introduce differentiated molecules with growth potential in India, particularly in the anti-diabetic and CVS therapy segments.

Exhibit 23: Healthy cash position over the last few years

Exhibit 24: Strong FCF generation



Source: IQVIA, HSIE Research

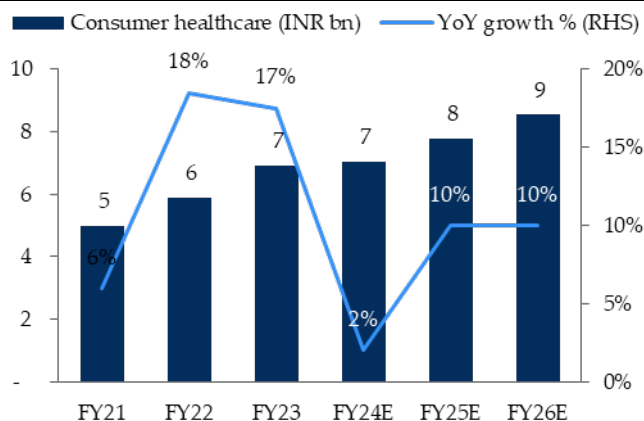
Source: IQVIA, HSIE Research

Other business—steady growth in consumer wellness and robust exports

Consumer wellness business (~8% of FY23 sales): Since entering the consumer healthcare industry in 2007, MANKIND has successfully cultivated numerous distinctive brands across various categories. Notable among these are Manforce in male condoms, Prega News in pregnancy detection, Unwanted-72 in oral contraceptives, Gas-O-Fast in antacid powders, Health Ok in vitamin and mineral supplements, and AcneStar in anti-acne preparations. The growth of these brands has been propelled by a combination of product innovation, targeted marketing initiatives, and strategic distribution channel selection, all of which have contributed to establishing a robust connection with customers. However, in 9M'24, growth was muted at ~2% YoY to INR 5.5 bn, largely due to initiatives taken towards the optimisation of channel inventory and implementation of IT tools aimed at facilitating software consolidation. It is expected to see steady growth from FY25.

Exhibit 25: Sales growth to normalise from FY25

Exhibit 26: Gaining market share in leading brands

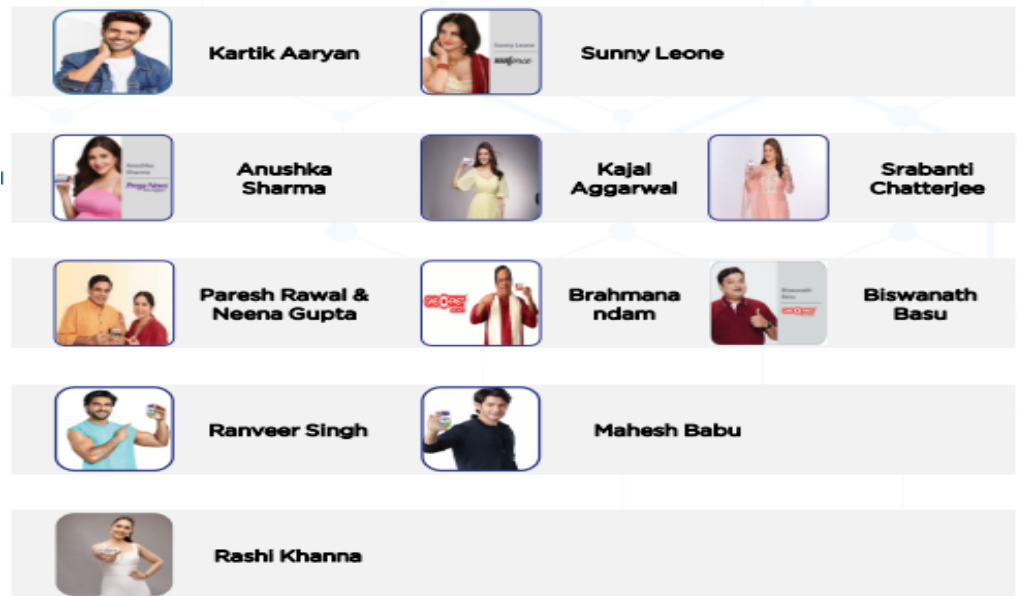


Market share %	FY22	9M'23
Manforce condom	30%	31%
Prega News	80%	85%
Gas-O-Fast	4%	9%
Health OK	3%	2%
AcneStar	13%	34%
Unwanted-72	59%	61%

Source: IQVIA, HSIE Research

Source: IQVIA, HSIE Research

Exhibit 27: Creating strong brand equity
Consumer Healthcare Brand Ambassadors



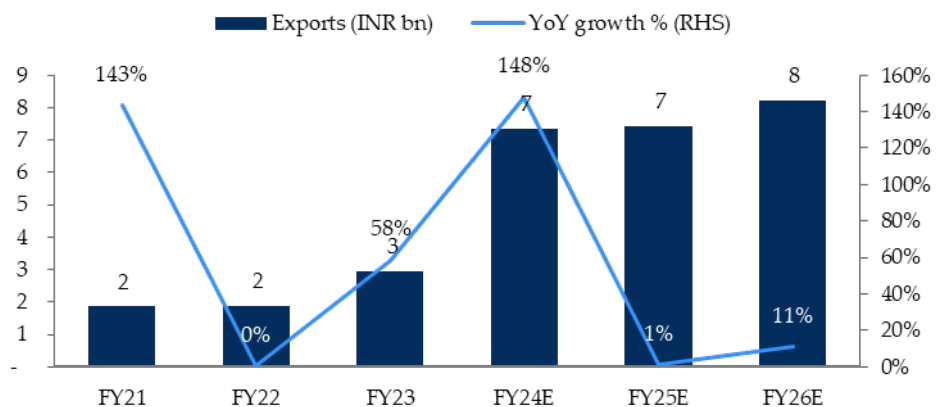
Source: IQVIA, HSIE Research

Export business (~3% of FY23 sales): MANKIND predominantly operates in regulated markets such as the US and emerging markets (EMs) like Latin America, Southeast Asia, Africa, and the Middle East. Its sole USFDA approved plant, located in Paonta Sahib, Himachal Pradesh, produces oral solid dosage (OSD) forms and injectables, last inspected in Jun'22. Additionally, its API plants in Behroor, Rajasthan, and Vizag, Andhra Pradesh, were last inspected by the USFDA in Jun'22 and Sep'22 respectively.

Recent approvals and launches in the US market, including Phenylephrine HCL (ophthalmic drops approval for 10% and 2.5% strength) along with other new launches, contributed to robust growth of approximately 154% YoY to INR 5.46 bn in 9M'24. Despite the normalisation of one-off supply opportunities in the US market, the company anticipates sustaining growth momentum.

Regarding the Dydrogesterone opportunity, the Dydrogesterone facility in Udaipur, Rajasthan, became operational in Q2FY24, with commercial supplies already initiated and the facility currently in the scaling-up phase. MANKIND anticipates full-scale operations from Q1FY25, catering to both domestic and international demand for Dydrogesterone, with a focus on markets such as China, Russia, and Southeast Asia.

Exhibit 28: Strong growth visibility in exports



Source: IQVIA, HSIE Research

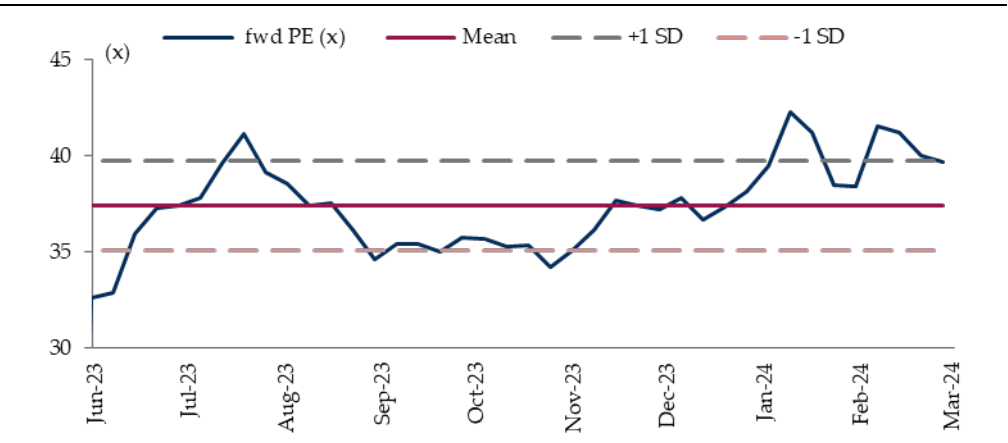
Outlook and valuation

Our outlook rests on key factors: (1) volume-led strategy and brand-building capabilities (22 brands bring in >INR 1 bn in sales) supporting sales growth; (2) steady acute business and strong scale-up in chronic space (with the share increasing from 28% of FY18 sales to 34% in FY23 and 35% in 9M'24) positioning it to outperform IPM; (3) strong FCF and balance sheet enabling M&As for further growth and integration of recent M&As (Panacea's India business, few brands); (4) expansion in exports (largely US-led); and (5) continued focus in India business (97% of FY23 sales) ensuring steady margins and return ratios. This strategic approach will bolster market share across key therapies, further supported by its strong focus on metros (55% of sales vs 70% in IPM). With an enhanced emphasis on metros, which contribute 55% of its sales compared to 70% in the IPM, we expect to improve market share across key therapies. Additionally, its low-price model allows for higher price hikes compared to peers, further supporting market share expansion.

We anticipate a 15/22/24% sales/EBITDA/PAT CAGR over FY23-26E, driven by its brand-building capabilities, volume growth, and expanded sales force. We project EBITDA margin expansion by 350-400 bps over FY23-26E (from 21.7% in FY23).

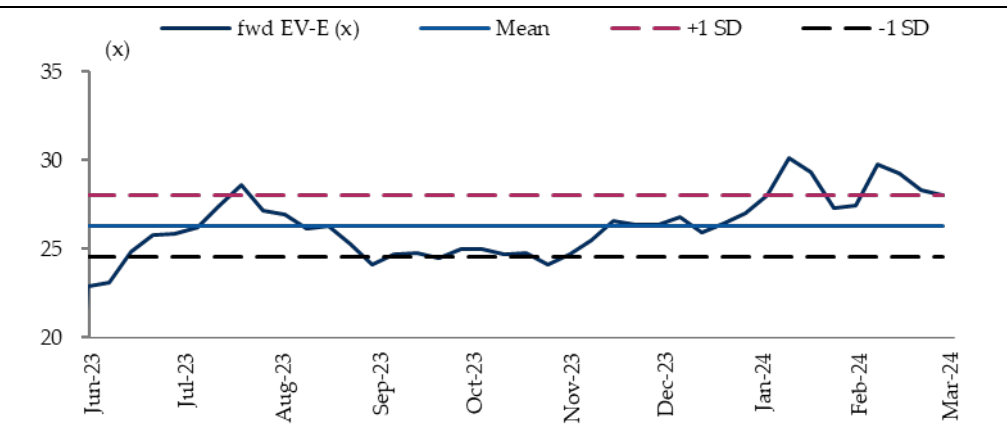
Initiating coverage with an ADD rating, we set a target price of INR 2,360 based on 36x FY26E EPS (implied EV/EBITDA of 26x).

Exhibit 29: PE chart



Source: Bloomberg, HSIE Research

Exhibit 30: EV/ EBITDA chart



Source: Bloomberg, HSIE Research

Financials (Consolidated)

Profit & loss (INR mn)

March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net sales	58,652	62,144	77,816	87,494	1,03,705	1,17,269	1,33,465
Other operating income	0	0	0	0	0	0	0
Total operating income	58,652	62,144	77,816	87,494	1,03,705	1,17,269	1,33,465
Cost of goods sold	-18,781	-17,806	-24,217	-29,136	-32,563	-36,940	-42,041
Gross profit	39,872	44,338	53,598	58,358	71,142	80,330	91,423
Gross margin (%)	68	71	69	67	69	69	69
Total operating expenses	-24,598	-27,680	-33,705	-39,352	-46,252	-50,778	-56,989
EBITDA	15,274	16,658	19,894	19,006	24,889	29,552	34,434
EBITDA margin (%)	26	27	26	22	24	25	26
Depreciation	-991	-1,190	-1,666	-3,259	-4,041	-4,126	-4,245
EBIT	14,283	15,468	18,227	15,747	20,848	25,426	30,189
Net interest	-220	-201	-586	-445	-330	-220	-182
Other income	1,104	1,709	1,960	1,286	2,556	2,618	2,872
Profit before tax	14,262	16,799	19,602	16,588	23,074	27,824	32,880
Total taxation	-3,816	-3,986	-5,216	-3,616	-4,653	-5,759	-6,818
Tax rate (%)	27	24	27	22	20	21	21
Profit after tax	10,446	12,814	14,385	12,973	18,421	22,065	26,062
Minorities	-257	-276	-195	-278	-312	-234	-175
Profit/ Loss associate co(s)	115	117	144	124	193	270	377
Adjusted net profit	10,970	12,790	14,335	13,720	18,302	22,100	26,264
Adj. PAT margin (%)	19	21	18	16	18	19	20
Net non-recurring items	-665	-135	0	-901	0	0	0
Reported net profit	10,304	12,654	14,335	12,819	18,302	22,100	26,264

Balance sheet (INR mn)

March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Paid-up capital	401	401	401	401	401	401	401
Reserves & surplus	34,453	46,819	61,152	73,952	91,338	1,09,019	1,28,717
Net worth	36,716	48,629	63,163	76,233	93,931	1,11,845	1,31,719
Borrowing	1,309	2,407	8,731	1,704	1,666	1,023	430
Other non-current liabilities	926	330	909	1,491	3,311	3,377	3,444
Total liabilities	50,733	63,726	91,477	97,154	1,18,583	1,37,356	1,58,500
Gross fixed assets	19,659	21,362	42,198	51,989	58,046	62,762	67,517
Less: Depreciation	-3,923	-4,977	-6,575	-9,736	-13,777	-17,903	-22,148
Net fixed assets	15,736	16,385	35,623	42,253	44,269	44,859	45,369
Add: Capital WIP	3,170	3,720	7,015	5,501	2,179	2,500	2,500
Total fixed assets	18,906	20,105	42,638	47,754	46,447	47,359	47,869
Total Investment	8,350	15,175	11,149	13,518	20,472	21,344	22,259
Inventory	8,991	11,835	17,602	14,985	17,275	18,745	21,163
Debtors	5,311	3,306	3,882	5,764	11,081	12,851	14,992
Cash & bank	4,199	7,007	4,059	4,532	10,590	22,439	35,685
Loans & advances	703	512	381	1,678	1,279	1,446	1,645
Current liabilities	11,783	12,361	18,675	17,727	19,675	21,112	22,907
Total current assets	22,249	27,196	36,295	34,359	49,600	66,405	85,918
Net current assets	10,466	14,836	17,620	16,632	29,925	45,293	63,011
Other non-current assets	1,229	1,251	1,396	1,523	2,063	2,249	2,454
Total assets	50,733	63,726	91,477	97,154	1,18,583	1,37,356	1,58,500

Source: Company, HSIE Research

Cash flow (INR mn)

March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Profit before tax	14,262	16,799	19,602	16,588	23,074	27,824	32,880
Depreciation & Amortisation	-991	-1,190	-1,666	-3,259	-4,041	-4,126	-4,245
Chg in working capital	-1,452	-946	-5,861	1,667	-6,699	-3,504	-4,455
CF from operations	10,697	11,372	9,198	18,133	15,894	22,786	25,921
Capital expenditure	-2,280	-3,123	-23,455	-8,321	-6,000	-4,500	-4,500
CF from investing	-4,392	-12,222	-13,691	-10,541	-6,000	-4,500	-4,500
Equity raised/ (repaid)	0	0	0	0	0	0	0
Debt raised/ (repaid)	-1,445	1,090	6,219	-6,982	-100	-650	-600
Dividend paid	-3,643	0	0	0	0	0	0
CF from financing	-5,307	-78	6,046	-7,397	-231	-749	-669
Net chg in cash	998	-928	1,553	194	9,663	17,537	20,751

Key ratios

March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OPERATIONAL							
FDEPS (INR)	27.4	31.9	35.8	34.2	45.7	55.2	65.6
CEPS (INR)	28.2	34.6	39.9	40.1	55.8	65.5	76.2
DPS (INR)	9.1	0.0	0.0	0.0	2.3	11.0	16.4
Dividend payout ratio (%)	35.4	0.0	0.0	0.0	5.0	20.0	25.0
GROWTH							
Net sales (%)	-	6.0	25.2	12.4	18.5	13.1	13.8
EBITDA (%)	-	9.1	19.4	(4.5)	31.0	18.7	16.5
Adj net profit (%)	-	16.6	12.1	(4.3)	33.4	20.8	18.8
FDEPS (%)	-	16.6	12.1	(4.3)	33.4	20.8	18.8
PERFORMANCE							
RoE (%)	31.5	31.2	26.4	20.2	22.0	22.0	22.0
RoCE (%)	39.5	38.0	32.5	22.4	26.2	26.1	26.3
EFFICIENCY							
Asset turnover (x)	3.0	3.0	2.4	1.9	1.9	1.9	2.0
Sales/ total assets (x)	-	1.1	1.0	0.9	1.0	0.9	0.9
Working capital/ sales (x)	-	0.1	0.1	0.1	0.2	0.2	0.2
Receivable days	33	19	18	24	39	40	41
Inventory days	76	95	111	80	80	78	78
Payable days	63	54	68	54	54	54	54
FINANCIAL STABILITY							
Total debt/ equity (x)	-	0.1	0.2	0.0	0.0	0.0	0.0
Net debt/ equity (x)	-	(0.4)	(0.1)	(0.2)	(0.3)	(0.4)	(0.4)
Current ratio (x)	1.9	2.2	1.9	1.9	2.5	3.1	3.8
Interest cover (x)	65.0	76.8	31.1	35.4	63.2	115.5	166.2
VALUATION							
PE (x)	78.9	67.7	60.4	63.1	47.3	39.2	33.0
EV/ EBITDA (x)	56.2	51.0	43.4	44.9	33.8	28.0	23.6
EV/ Net sales (x)	14.6	13.7	11.1	9.8	8.1	7.1	6.1
PB (x)	24.8	18.3	14.1	11.6	9.4	7.9	6.7
Dividend yield (%)	0.4	0.0	0.0	0.0	0.1	0.5	0.8
Free cash flow yield (%)	1.0	1.0	(1.6)	1.1	1.1	2.1	2.5

Source: Company, HSIE Research

Torrent Pharma

Positioned for chronic, branded generic growth

Torrent Pharma (TRP) has ascended to become the eighth-largest player (15th in FY15) in the Indian Pharma market (IPM). Its market share has surged to ~3.4% as of FY23 (up from ~2% in FY15), led by (1) market share gains in the chronic segment (CVS and CNS) and (2) strategic acquisitions of Elder Pharma (in FY15), Unichem (in FY18), and Curatio (in FY23). Also, it has seen an uptick in its branded generic business across India, Brazil, and RoW, which now accounts for ~73% of FY23 sales (from ~55% in FY15; led by better margins). Its generics business (~22% of FY23 sales) is muted as US business was impacted by the USFDA scrutiny at its plants (OAI at Dahej and warning letter at Indrad) and the Germany business was impacted by supply chain issues and exit from a few tenders. However, both businesses are recovering now. We believe TRP is well-positioned to see steady growth, led by its strong branded franchisee (new launches, MR addition, consumer wellness foray, traction in Brazil—new launches/field force expansion in chronic) and turnaround in the generics business in the US (new launches from Dahej from FY25, oncology filings) and Germany (tender wins) and a steady margin at 32-33% over the next few years. Given steady earnings, potential M&As (India-focused) and healthy return ratios (20+%/FCF generation, we initiate coverage with an ADD rating and a TP of INR 2,970, based on a 38x FY26E EPS.

India to see steady growth; focus on building brands, new launches: TRP's focus is on building brands in key therapies (CVS, CNS, VMN, and gastro), which are ~70% of its portfolio; this has led to steady growth in these therapies over the last few years. TRP has seen steady traction in its leading brands (Shelcal, Chymoral, Nexpro, Nikoran, Unienzyme, and Nebicard) and its tier 2 brands (Veloz-D, Dilzem, Lamitor, and Serta) have also continued to see strong growth in the last few years (improved monthly sales rate to INR 500 mn-1 cr). Also, the Curatio acquisition (in Oct'22) has helped the company enhance its presence in the derma segment (cosmetic/paediatric; its market share increased to ~3% in FY23 from ~1.5%). TRP is expected to accelerate new launches in focused therapies like anti-diabetic, CVS, gastro, VMN and pain. Moreover, its MR addition (in the last two years) provides headroom for steady volume growth. Its wellness foray (added four brands Shelcal, Tedibar, Unienzyme and Ahaglow; to expand further in the near term) could also support growth.

Steady traction in branded generics business (BG): TRP has scaled up its BG across India, Brazil, and RoW in the last few years (~73% of FY23 sales vs 55% in FY15). It expects Brazil to outperform market growth, led by steady growth in the base business, new launches, and MR addition (in CNS, CVS, and anti-diabetics) through.

A turnaround in US generics and Germany: TRP's had a muted show in the US (Dahej/Indrad plant issues, price erosion) and Germany (supply chain issue) over the last 3-4 years. Now, it is seeing a turnaround with the US (new launches from Dahej plant, oncology filing, awaits Indrad inspection) and Germany (tender wins, scale-up OTC/non-tender business) both scaling up to improve the overall margin.

Outlook and valuation: We expect TRP to see 13/17/28% sales/EBITDA/PAT CAGRs over FY23-26E, led by steady BG growth/US turnaround. EBITDA margin to move towards ~33% by FY26E (from 29.7% in FY23) on lower input costs, improving MR productivity, change in product mix, cost optimization, and operational leverage. TRP's net debt has reduced more in the last few years due to acquisitions, going to ~0.8x of EBITDA as of Dec'23 from ~1.6x in FY23 and ~2.4x earlier, which is a positive. We initiate coverage with an ADD and a TP of INR 2,970 (implied EV/EBITDA of 22x).

Financial Summary

YE March (INR bn)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
India sales (INR bn)	35	37	43	50	57	65	73
Net Sales	79	80	85	96	108	123	140
EBITDA	22	25	24	28	34	40	46
APAT	10	12	11	13	16	21	26
Diluted EPS (INR)	28.2	36.2	31.1	37.2	47.3	62.0	78.2
P/E (x)	94.5	73.5	85.6	71.7	56.3	42.9	34.1
EV / EBITDA (x)	43.2	38.0	38.5	33.3	27.5	23.0	19.4
RoCE (%)	17	18	17	20	22	26	29

Source: Company, HSIE Research

ADD

CMP (as on 5 Mar 2024)	INR 2662
Target Price	INR 2970
NIFTY	22,356

KEY STOCK DATA

Bloomberg code	TRP IN
No. of Shares (mn)	338
MCap (INR bn) / (\$ mn)	911/11,135
6m avg traded value (INR mn)	702
52 Week high / low	INR 2,733/1,470

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	26.1	47.3	80.2
Relative (%)	18.8	34.7	56.7

SHAREHOLDING PATTERN (%)

	Sep-23	Dec-23
Promoters	71.25	71.25
FIs & Local MFs	8.00	7.21
FPIs	13.15	14.09
Public & Others	7.60	7.45
Pledged Shares	-	-

Source : BSE

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Exhibit 1: Revenue, EBITDA and PAT assumptions

(INR mn)	% of FY23 sales	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
India	52%	23,510	32,340	35,170	37,390	42,860	49,840	57,316	64,767	73,187
YoY growth		19%	38%	9%	6%	15%	16%	15%	13%	13%
Brazil	10%	7,095	6,890	7,150	6,300	7,420	9,350	11,127	13,018	15,231
YoY growth		1%	-3%	4%	-12%	18%	26%	19%	17%	17%
Other countries	11%	5,220	6,900	7,660	8,200	8,810	10,600	11,660	13,409	15,420
YoY growth		9%	32%	11%	7%	7%	20%	10%	15%	15%
Total branded generics	73%	35,825	46,130	49,980	51,890	59,090	69,790	80,103	91,194	1,03,838
YoY growth		14%	29%	8%	4%	14%	18%	15%	14%	14%
US	12%	10,997	15,890	15,230	12,610	10,670	11,620	10,991	12,712	14,378
YoY growth		-18%	44%	-4%	-17%	-15%	9%	-5%	16%	13%
US (USD mn)		171	227	215	170	143	145	132	151	169
YoY growth		-15%	33%	-5%	-21%	-16%	1%	-8%	14%	12%
Germany	10%	8,600	10,090	9,470	10,380	9,660	9,280	10,765	12,164	13,746
YoY growth		6%	17%	-6%	10%	-7%	-4%	16%	13%	13%
Contract manufacturing	5%	3,996	4,603	4,612	5,064	5,472	4,817	5,539	6,149	6,825
YoY growth		-25%	15%	0%	10%	8%	-12%	15%	11%	11%
Others	1%	80	15	101	102	189	695	834	917	1,009
YoY growth		-42%	-81%	581%	1%	85%	268%	20%	10%	10%
Total revenues	100%	59,498	76,728	79,393	80,046	85,080	96,202	1,08,231	1,23,136	1,39,796
YoY growth		2%	29%	3%	1%	6%	13%	13%	14%	14%
Gross profit		42,764	54,531	57,724	58,582	60,660	68,850	80,849	92,106	1,05,126
Gross Margin (%)		71.9%	71.1%	72.7%	73.2%	71.3%	71.6%	74.7%	74.8%	75.2%
EBITDA		13,493	19,842	21,704	24,801	24,313	28,601	33,876	39,650	45,853
YoY growth		-2%	47%	9%	14%	-2%	18%	18%	17%	16%
EBITDA Margin (%)		22.7%	25.9%	27.3%	31.0%	28.6%	29.7%	31.3%	32.2%	32.8%
Adj PAT		5,054	7,145	9,533	12,257	10,526	12,574	15,999	20,993	26,455
YoY growth		-38%	41%	33%	29%	-14%	19%	27%	31%	26%

Source: Company, HSIE Research, EBITDA/ PAT adjusted for forex and one-offs.

The overall outlook for TRP

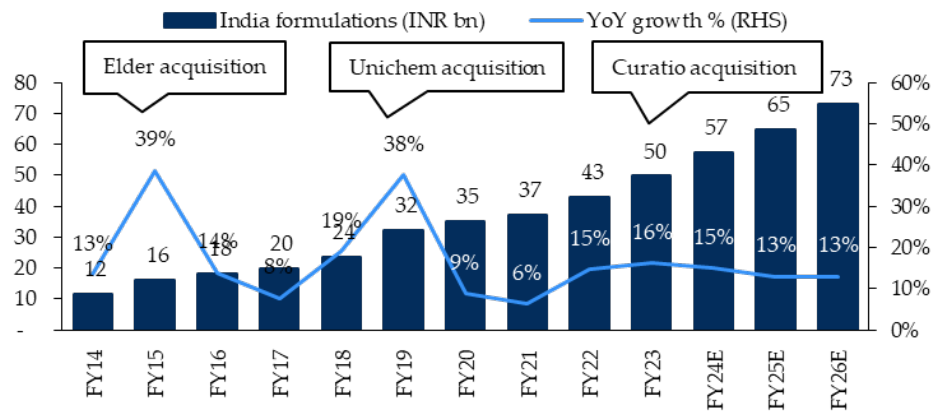
We expect TRP to see mid-teen revenue growth over FY23-26E, led by

- its strong positioning in branded generics business (~73% of FY23 sales). (1) India will see steady growth (to outperform IPM by ~200-300 bps), led by traction in the chronic segment, new launches in focused therapies (anti-diabetic, CVS, gastro, VMN and pain), MR addition, and scale-up in Curatio business. (2) Brazil to sustain growth momentum on the back of new launches, field force expansion in CNS (now has three sales teams with two in CNS and one in cardio diabetes; total MRs at 318 as of Dec’23) to help TRP to expand its reach and support new product launches. Growth will also be supported by increasing traction in its consumer wellness foray (added four brands Shelcal, Tedibar, Unienzyme and Ahaglow; to expand in the near term).
- a turnaround in the generic segments (~22% of FY23 sales) with gradual scale-up in the US business (new launches from Dahej starting FY23; given USFDA plant clearance, new oncology facility, awaiting USFDA inspection at Indrad). Germany business growth will be led by new tender wins, better conversion of tender renewals, and a focus on cost optimization to increase the value of tenders.
- the EBITDA margin moving up towards ~33% by FY26E (from ~29.7% FY24E), supported by the gradual improvement in the gross margin (lower input costs and change in product mix), cost optimization (especially in Germany), improving MR productivity (for MRs added over last 1-2 years, synergy with Curatio), and operational leverage (exit from US liquid formulation business, USFDA clearance to Dahej plant – to start generating revenues).
- strengthening balance sheet (net debt reduced to 0.8x of EBITDA as of Dec’23 vs 2.4x earlier) and strong CFO generation, which enable potential M&As (largely focused on India).

Strong India franchise with chronic focus and brand-building

TRP has emerged as the eighth largest player (from 15th in FY15) in IPM and witnessed strong growth over the last decade, largely led by the (1) market share gain in the chronic segment (CVS and CNS) and (2) acquisition Elder Pharma (in FY15), Unichem (in FY18), and Curatio (in FY23). Despite muted growth during the COVID period (in FY20/21), the company has seen a strong recovery in the overall India growth, led by the improving traction in its core therapies (CVS, CNS, VMS, and gastro) as well as scale-up in the other therapies like pain and anti-diabetics due to new launches. The company expects to outperform IPM by 200-300 bps (it expects IPM growth to be at 8-10%) for the next few years, largely led by traction in chronic segment (CVS, CNS) and other key therapies (VMN, Gastro), new launches in focused therapies (anti-diabetic, CVS, gastro, VMN and pain), MR addition, scale-up in Curatio business (derma franchisee), and recent consumer wellness foray and its scale-up to support growth over the next few years.

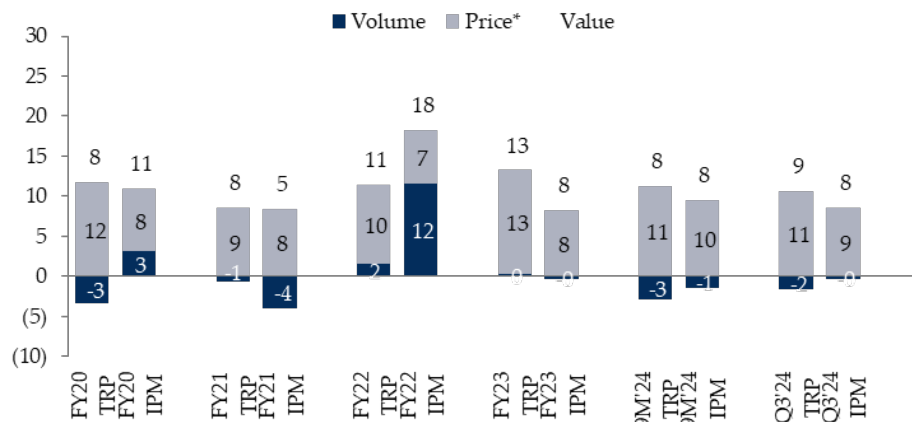
Exhibit 2: India growth was led by chronic focus approach and M&As



Source: Company, HSIE Research

TRP growth over the last few years was largely a price-led growth as volume in their key chronic therapies was muted due to COVID-19, followed by gradual recovery in individual therapies. Also, the weak acute season during FY23/9M'24 led to muted volume growth (in VMN, Gastro). Going ahead, TRP expects to see 2-3% volume-led growth, 5-6% price growth, and new launch-led growth to contribute 2-3%.

Exhibit 3: TRP growth was largely price drive in last few quarters

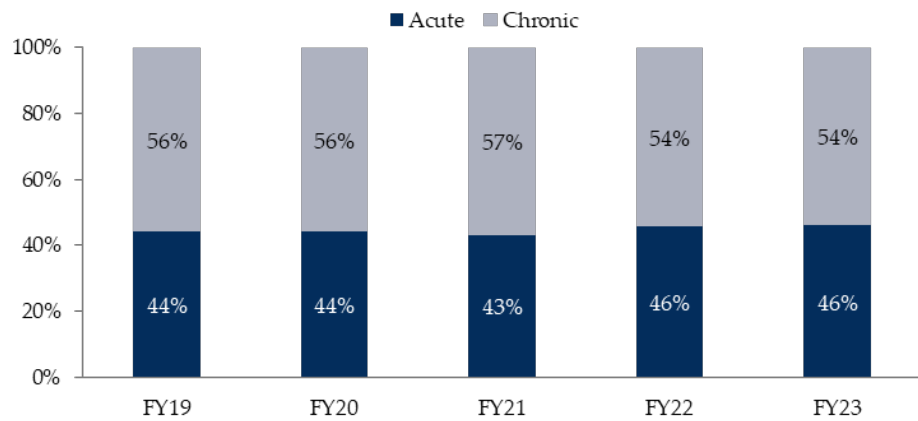


Source: IQVIA, HSIE Research, Note: *Price calculated as difference between Value and Volume

TRP's India business mix is getting even with a balanced mix of chronic and acute therapies, a diversion from the earlier chronic heavy mix. This is led by M&A activities like Unichem's India business (in FY18) with a large portfolio in the gastro space and Curatio (in FY23), which enhanced TRP's derma segment in cosmetics and paediatrics.

Moreover, better traction in key brands like Shelcal franchisee, Chymoral, Unienzyme, Ampoxin, Pruvict etc. has led to a change in the business mix over the last few years.

Exhibit 4: Chronic-acute split, evening out gradually



Source: IQVIA, HSIE Research

TRP’s leading therapies like CVS had underperformed IPM over FY20-23 and the underperformance continued in 9M’24 due to increasing competition. On the other hand, other leading therapies like CNS, Gastro, VMN, and pain have outperformed IPM by 1.2-2x over the same period. The company expects to see steady growth in focused therapies, largely led by new launches.

Exhibit 5: Steady growth in key therapies like CVS, gastro, and CNS

Torrent Ph. therapy	YoY %	% of FY23 sales	FY20	FY21	FY22	FY23	9M’24	Q3’24	Jan-24
Cardiac		27%	7%	10%	2%	9%	7%	8%	9%
Gastro Intestinal		18%	13%	9%	22%	15%	8%	10%	7%
Neuro / Cns		14%	6%	13%	12%	16%	10%	10%	11%
Vitamins/Minerals/Nutrients		10%	9%	14%	12%	16%	8%	10%	11%
Pain / Analgesics		8%	7%	2%	14%	17%	9%	10%	6%
Anti Diabetic		8%	19%	14%	9%	14%	15%	13%	13%
Derma		6%	9%	-1%	20%	17%	13%	9%	7%
Anti-Infectives		3%	-4%	-17%	10%	-5%	2%	4%	10%
Gynaec.		2%	16%	8%	24%	29%	-3%	6%	3%
Urology		1%	5%	-1%	5%	5%	1%	-3%	-1%
Torrent Ph. Total		100%	8%	8%	11%	13%	8%	9%	9%

Source: IQVIA, HSIE Research

While TRP has lost market share in CVS over the last 2-3 years to ~7.6% in FY23 (~7.3% in 9M’24) from ~8.8% in FY19, largely due to muted performance in its Losar franchisee, it continued to gain share in other key therapies like gastro, CNS, VMN, and derma (led by Curatio acquisition in FY23). Overall market share for the company has increased its market share to ~3.4% as of FY23 (from ~2% in FY15). This was led by (1) market share gain in the chronic segment (CNS) and (2) the acquisition of Elder Pharma (in FY15; VMN and pain), Unichem (in FY18; gastro), and Curatio (in FY23, derma). Also looking to expand presence in urology and gynaecology with the acquisition of four brands (Styptovit-E, Finast, Finast-T, and Dynapress) from Dr Reddy’s in FY23.

Exhibit 6: Gained share in therapies like gastro, CNS, and VMS; lost share in CVS

Torrent Ph. therapy MS %	% of FY23 sales	FY19	FY20	FY21	FY22	FY23	9M'24	Q3'24	Jan-24
Cardiac	27%	8.8	8.5	8.2	7.6	7.6	7.3	7.2	7.2
Gastro Intestinal	18%	4.9	5.1	5.3	5.5	5.6	5.6	5.9	5.8
Neuro / Cns	14%	7.9	7.6	7.8	7.8	8.1	8.3	8.3	8.4
Vitamins/Minerals/Nutrients	10%	3.9	3.8	3.9	3.8	4.3	4.4	4.5	4.7
Pain / Analgesics	8%	3.8	3.6	3.7	3.5	3.6	3.6	3.6	3.6
Anti Diabetic	8%	2.6	2.7	2.8	2.9	3.1	3.3	3.4	3.3
Derma	6%	2.8	2.8	2.6	2.8	3.1	3.3	3.4	3.5
Anti-Infectives	3%	1.4	1.2	1.2	0.9	0.8	0.8	0.8	0.9
Gynaec.	2%	1.2	1.3	1.3	1.4	1.6	1.5	1.7	1.6
Urology	1%	1.4	1.3	1.2	1.1	1.0	0.9	0.9	0.8
Torrent Ph. total	100%	3.4	3.3	3.4	3.2	3.4	3.4	3.4	3.5

Source: IQVIA, HSIE Research

TRP saw steady traction in its leading brands (Shelcal, Chymoral, Nexpro, Nikoran, Unienzyme, and Nebicard) and the tier 2 brands (Veloz-D, Dilzem, Lamitor, and Serta) have continued to see strong growth in the last few years (improved monthly sales rate to INR 500 mn-1 cr). Apart from existing brands, the company entered into a strategic alliance with Boehringer Ingelheim India to co-market Cospiaq (Empagliflozin), Cospiaq Met™ (Empagliflozin+ Metformin) and Xilingio (Empagliflozin+ Linagliptin) in India—in the anti-diabetic space in FY23 and in-licensed Zydus’s Saroglitazar in FY24. Also, it entered various segments linked to patent expiration launches, like Sitagliptin, Vortioxetine, Apixaban, Sacubitril Valsartan, Vildagliptin + Dapagliflozin, Hair Serum, Bampedoic Acid with combination, onco triple drug FDC in FY23.

Exhibit 7: Steady growth in the leading brands

Torrent Ph. brands YoY	Therapy	% of FY23 sales	FY23 sales (Rs bn)	FY20	FY21	FY22	FY23	9M'24	Q3'24	Dec-23
Shelcal	Vitamins/Minerals/Nutrients	6%	4.2	5%	18%	7%	14%	3%	5%	7%
Chymoral	Pain / Analgesics	4%	2.7	10%	8%	16%	23%	16%	15%	11%
Nexpro-Rd	Gastro Intestinal	3%	1.8	21%	19%	24%	18%	12%	15%	11%
Shelcal Xt	Vitamins/Minerals/Nutrients	2%	1.7	50%	12%	35%	33%	26%	25%	25%
Nikoran	Cardiac	2%	1.6	6%	15%	6%	13%	13%	12%	10%
Unienzyme	Gastro Intestinal	2%	1.6	9%	17%	9%	17%	7%	16%	26%
Nebicard	Cardiac	2%	1.3	10%	11%	2%	7%	7%	10%	10%
Losar	Cardiac	2%	1.3	6%	12%	-6%	8%	6%	5%	2%
Losar-H	Cardiac	2%	1.2	-4%	7%	-5%	2%	0%	3%	1%
Azulix-Mf	Anti Diabetic	2%	1.2	14%	4%	3%	3%	-5%	-7%	-12%
Top 10 brands		19%	13.1	12%	11%	11%	15%	10%	11%	10%
11-25 brands		17%	11.9	13%	12%	13%	11%	8%	9%	6%
26-50 brands		14%	9.5	16%	15%	15%	13%	5%	5%	1%
Above 50 brands		49%	33.4	4%	4%	10%	13%	9%	9%	3%
Torrent Ph. total		100%	67.9	8%	8%	11%	13%	8%	9%	5%

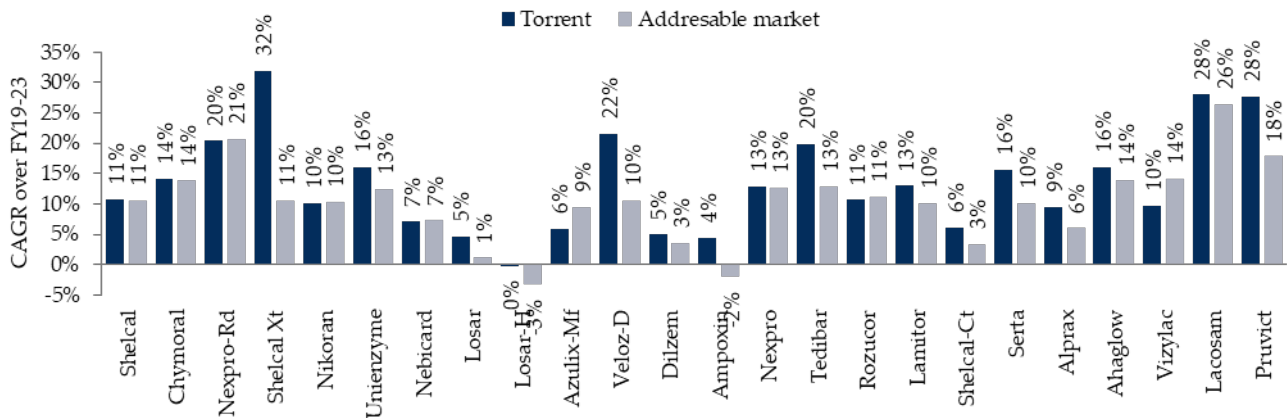
Source: IQVIA, HSIE Research

Exhibit 8: Tier-II brands had a strong performance

Torrent Ph. brands YoY	Therapy	% of FY23 sales	FY23 sales (Rs bn)	FY20	FY21	FY22	FY23	9M'24	Q3'24	Dec-23
Azulix-Mf	Anti Diabetic	2%	1.2	14%	4%	3%	3%	-5%	-7%	-12%
Veloz-D	Gastro Intestinal	2%	1.2	32%	16%	26%	13%	6%	2%	-6%
Dilzem	Cardiac	2%	1.1	5%	7%	-4%	12%	4%	0%	1%
Amproxin	Anti-Infectives	1%	1.0	8%	0%	12%	-10%	1%	3%	3%
Nexpro	Gastro Intestinal	1%	0.9	15%	11%	16%	10%	11%	10%	5%
Tedibar	Derma	1%	0.9	23%	35%	19%	4%	38%	30%	31%
Rozucor	Cardiac	1%	0.8	9%	12%	8%	13%	3%	1%	0%
Lamitor	Neuro / Cns	1%	0.8	14%	11%	9%	18%	8%	5%	-2%
Shelcal-Ct	Pain / Analgesics	1%	0.7	0%	4%	8%	12%	-4%	-5%	-3%
Serta	Neuro / Cns	1%	0.6	14%	19%	9%	20%	21%	32%	26%
Alprax	Neuro / Cns	1%	0.6	9%	27%	7%	-3%	5%	16%	16%
Ahaglow	Derma	1%	0.6	29%	-1%	27%	27%	2%	1%	-1%
Vizylac	Gastro Intestinal	1%	0.6	9%	4%	12%	14%	4%	20%	17%
Lacosam	Neuro / Cns	1%	0.6	35%	12%	36%	29%	31%	34%	23%
Deplatt-Cv	Cardiac	1%	0.6	2%	11%	1%	3%	NA	NA	NA
Pruvict	Gastro Intestinal	1%	0.6	34%	21%	35%	21%	14%	11%	4%
Torrent Ph. Total		100%	67.9	8%	8%	11%	13%	8%	9%	5%

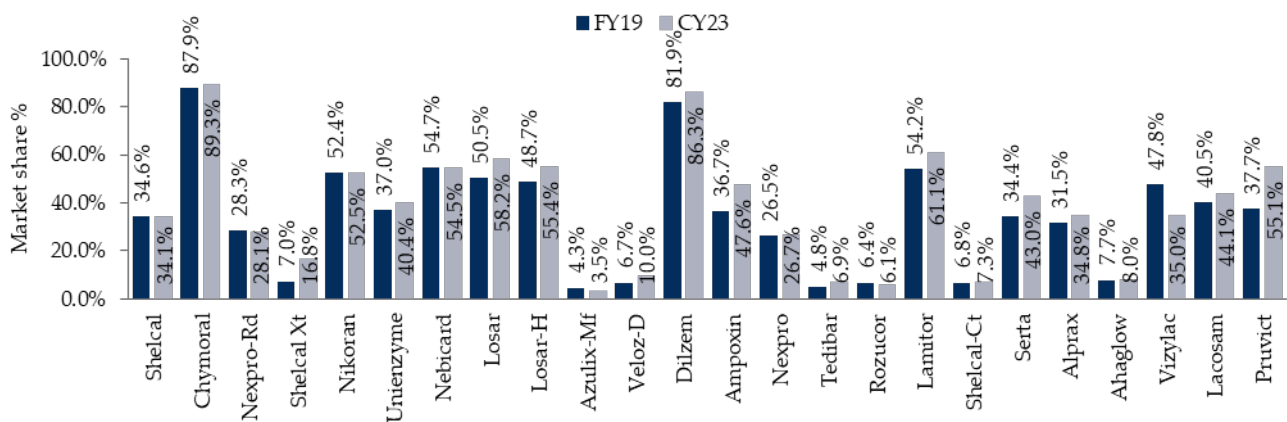
Source: IQVIA, HSIE Research

Exhibit 9: Top brands outperformed addressable market growth



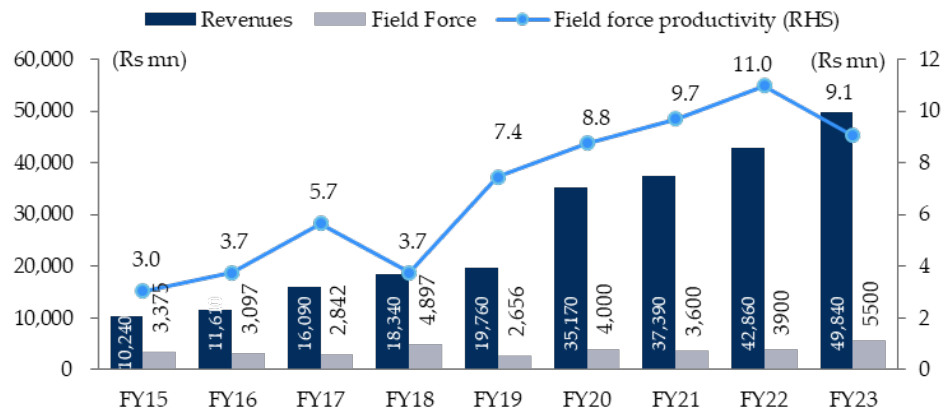
Source: IQVIA, HSIE Research

Exhibit 10: Market share is either steady or improving



Source: IQVIA, HSIE Research

Exhibit 11: Focus to improve field force productivity to drive margin



Source: Company, HSIE Research

Key focus area for domestic formulation business

TRP expects steady growth in its domestic formulation business and its key focus will be on

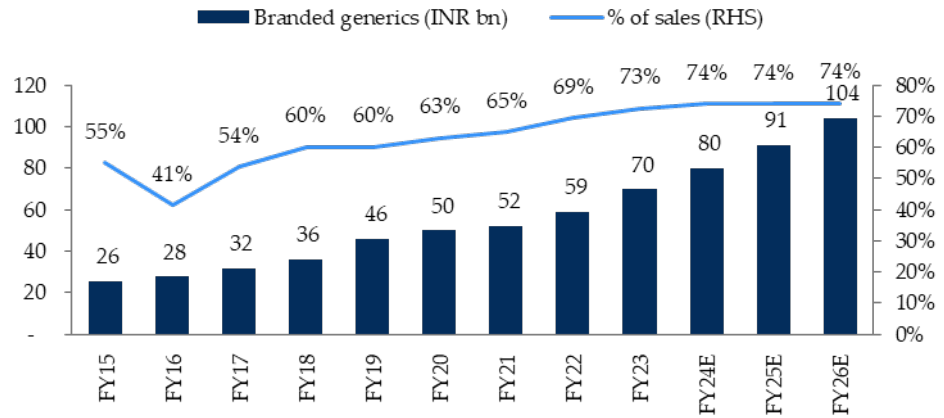
- (1) **Specialty:** Increasing prescription share and building bigger brands through specialised efforts.
- (2) **New product offerings:** New introductions, particularly in the space of NDDS, FDC and line extensions to capitalise on expiring patents in chronic treatments.
- (3) **Market share gain:** Maintaining competitive position in key therapy areas (CVS, CNS, GI, and VMN) and establish presence where TRP’s market share is relatively low like in gyanec and urology).
- (4) **Field-force expansion and productivity:** Expanding field force to increase prescription base and reach, while maintaining current productivity levels in medium-term basis with focus on specific regions with high prescription rates for TRP’s brands.
- (5) **Trade generics:** Expanding the trade-generic market with a portfolio that does not overlap with branded generics. As of Dec’23, trade generic contribution is ~2-3% of the sales and it expects faster growth over the next few years.
- (6) **M&A Integration:** Integrating the Curatio portfolio to drive revenue and margin synergies.

Branded generic business to drive growth

TRP has scaled up its branded generics business (India, Brazil, and RoW) over the last few years (~73% of FY23 sales vs 55% in FY15; 9M’24 was at ~74%). The branded generics business has witnessed ~11% CAGR over FY19-23 (TRP overall CAGR was at ~6% over FY19-23), largely led by strong India growth (M&A led) and steady growth in Brazil and the RoW market.

We expect the growth momentum in branded generics to continue over the next few years, led by new launches, field force expansion, and potential M&A.

Exhibit 12: Branded generic share to remain 74+% of sales



Source: Company, HSIE Research

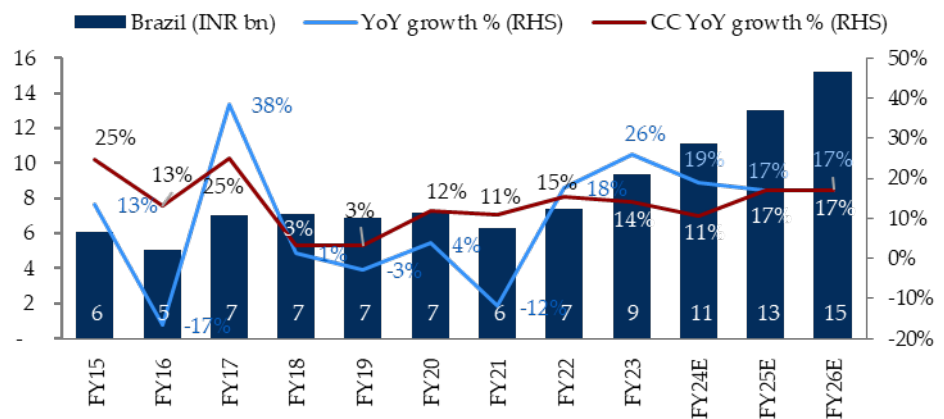
Within branded generics—Brazil business to sustain growth momentum

TRP is among the top 25 companies in Brazil’s total pharma market and ranked 20th in the branded generic market. Among the Indian companies, in terms of value, TRP ranks No. 1 (IQVIA dataset). Currently, it has commercialised 23 branded generics and 16 generic products. In its branded generic portfolio, the company has 15 filings awaiting approval and a further 11 new filings planned in the next 12 months. In addition, TRP has been building its portfolio in the generic segment with parallel filings and launches of its branded generic products.

TRP expects Brazil to outperform market growth, led by market share gains through specialty focus, enhanced existing field force productivity and reach and new product launches. The company has also launched an additional sales force team for CNS to support the growth of mature brands and new launches. It is also preparing for entry into newer therapeutic segments by 2024. Now TRP has three sales teams: two in CNS and one in cardio diabetes and total MRs stand at 318, as of Dec’23.

TRP’s focus areas for the Brazil business are growing the base business through portfolio expansion and coverage in current core therapeutic (CVS, anti-diabetes, and CNS), expanding the generics business, entering into new therapies, building large brands (replicating India model), and expanding the field force.

Exhibit 13: Steady growth momentum in the Brazil business



Source: Company, HSIE Research

US business to see growth recovery from FY25

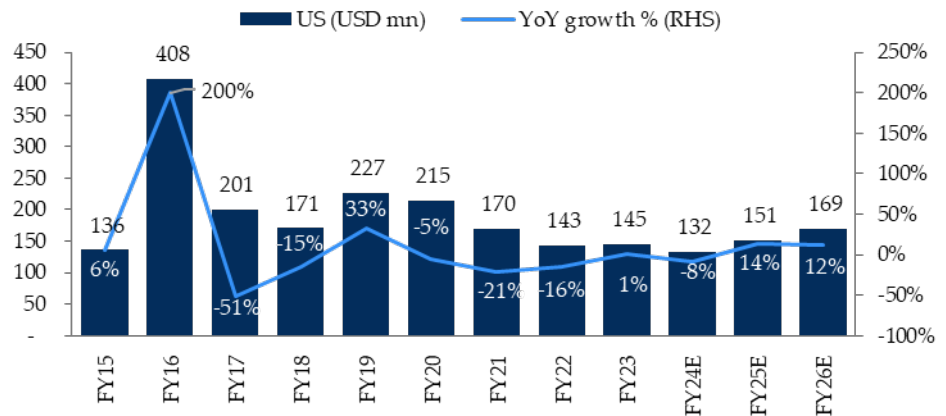
TRP entered the US market relatively late, achieving its first US revenue in FY08. However, it quickly gained momentum, with a remarkable CAGR of 59% from FY10 to FY14, reaching USD 410 million in FY16. This growth was supported by favourable market conditions and limited competition, particularly during FY14-16 with the introduction of generic versions of drugs like gAbilify and gCymbalta. However, challenges emerged in FY17 and FY18, with a significant decline in US revenue by 50% and 18% respectively. This decline was attributed to the entry of generic competition in key molecules such as gAbilify, combined with industry-wide pricing pressures.

Additionally, TRP faced setbacks after the USFDA issues at its Dahej and Indrad plants, resulting in a lack of new approvals and price erosion in its base business, particularly in the Sartan portfolio. These factors collectively impacted TRP’s performance in the US market during this period.

TRP is currently poised for a turnaround, with plans to bolster its presence in the US market, driven by the scale-up of operations in the US, particularly through new product launches from its Dahej plant, with expectations to introduce 3-5 products annually starting from FY25. Additionally, the company has gained launch visibility for its oncology filings, supported by progress at its oral-oncology plant in Bileshwarpura, Gujarat, which received only 5 PAI observations from a USFDA inspection conducted in Dec’23.

Furthermore, TRP has approximately 40 ANDAs pending approval as of Dec’23, further bolstering its pipeline. The company also awaits inspection by the USFDA at its Indrad plant, which, upon clearance, is expected to enhance visibility for new product launches and contribute to the turnaround efforts.

Exhibit 14: US growth to see improvement from FY25

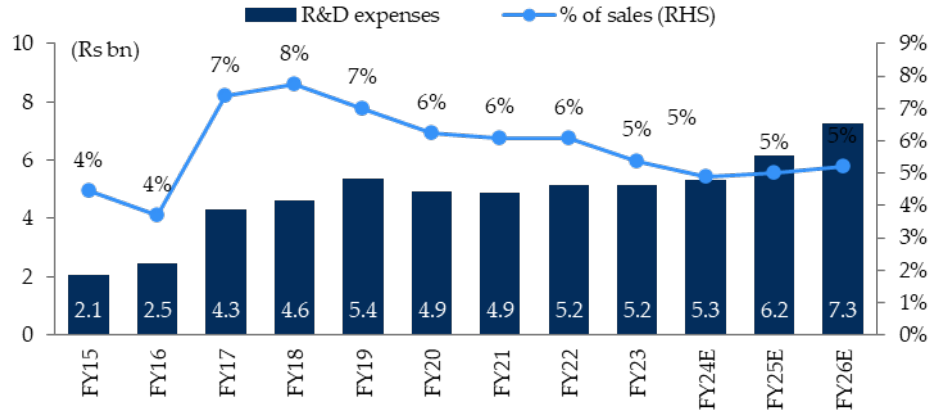


Source: Company, HSIE Research

TRP is focusing on the following:

- (1) **Quality:** it has invested significantly in upgrading its quality systems at its facilities around the world. The goal is to remain in full compliance with the current and future expectations of the most demanding regulators in the world.
- (2) **Base business growth:** growing base business through market share gain in existing molecules and optimisation of product mix.
- (3) **Profitability and cost competitiveness:** to mitigate the impact of price erosion-led profitability on the base business, TRP optimises its product portfolio and continuously takes initiatives to reduce costs.
- (4) **Optimising US capital efficiency:** TRP has no current plans to invest or allocate any sizeable capital to the US. Its focus is on ramping up existing facilities to improve overall profitability for the US business.

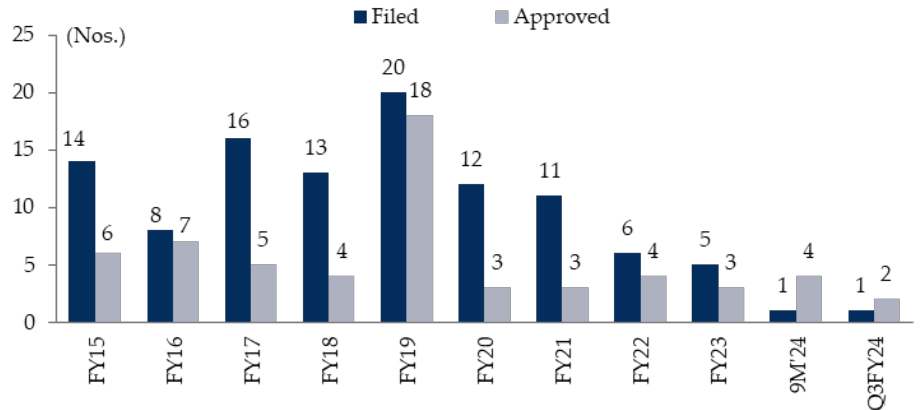
Exhibit 15: R&D to remain at ~5-5.5% of sales in the near term



Source: Company, HSIE Research

TRP’s focus area is specialty complex generics like oncology products, and in FY23, three oncology products were filed in the US. The company has plans to file complex generics, as well as 505(b)2 products with the rationale of targeting unmet medical needs.

Exhibit 16: ANDA filing and approval rate to improve



Source: Company, HSIE Research

Exhibit 17: Dahje plant out of the USFDA scrutiny, Indrad awaits inspection

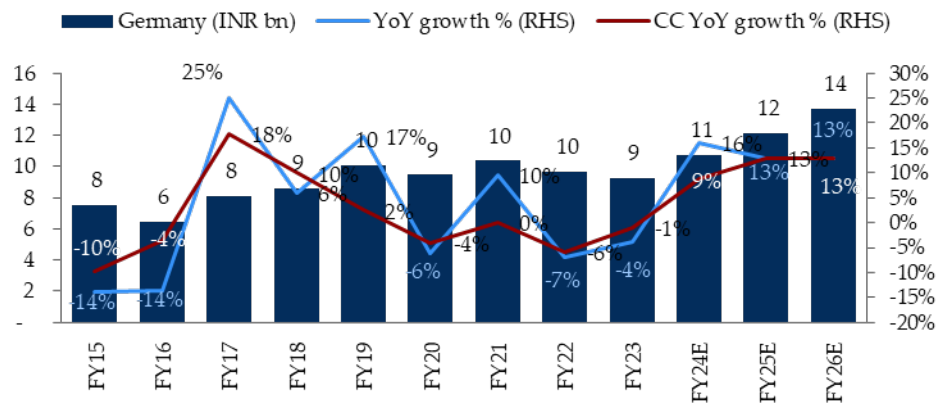
Company	Inspection Date	Facility	No. of observations	Facility Status
Torrent	Dec-23	Bileshwarpura, Gujarat (oral-onco)	5 (PAI)	-
	May-23	Dahej	2	EIR + VAI (Aug'23) OAI (Jul-19)
	Mar-23	Bileshwarpura, Gujarat (oral-onco)	1 (PAI)	EIR (Jun'23)
	Sep-22	Indrad	3	OAI (Jan'23) 4 observations (Apr'19)-> OAI (Aug'19) -> WL (Oct-19)

Source: Company, HSIE Research, USFDA

Germany business to see steady growth

Germany's business model has primarily relied on tenders, which drove steady growth from FY16 to FY18 through new launches and tender wins. However, recent years have seen challenges, including delays in product releases due to quality management upgrades (FY19/20), the impact of COVID-19 (FY21), muted market growth, inventory normalization, and heightened competition in key tenders (FY22). Despite these disruptions, new tender wins in H2FY23 partially mitigated the impact of exiting select tenders. Looking ahead, we anticipate Germany's growth to be fueled by new tender wins, improved tender renewal conversions, and a focus on cost optimization. Strategies include aggressive tender bidding, enhancing cost competitiveness, expanding coverage of the generics market to 65% (from ~55% in FY23), expanding the OTC business, targeting high-volume products and day-one launches, diversifying the portfolio into specialty channels and hospitals, and venturing into new market segments such as institutional business and hospitals. These initiatives aim to strengthen TRP's position in Germany and drive sustained growth in the near to medium term.

Exhibit 18: Steady growth visibility in Germany



Source: Company, HSIE Research

The other business could largely remain steady

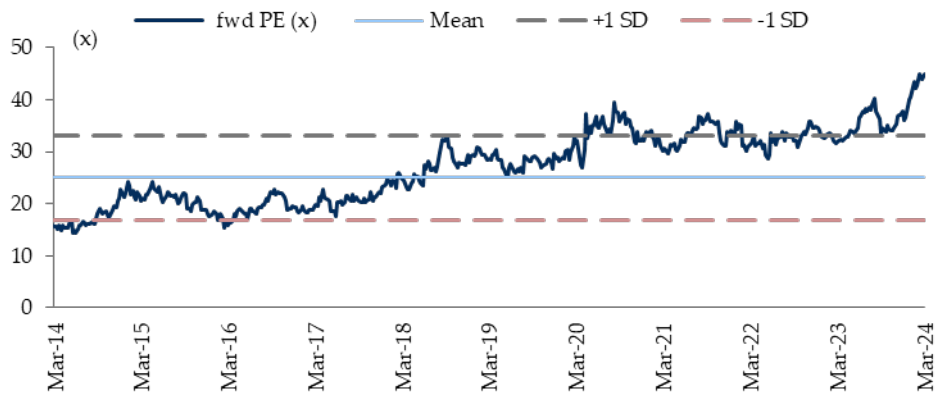
Apart from key business segments, TRP has a RoW presence through its branded generic portfolio across markets comprised of 40+ countries, with key markets being the Philippines, Mexico, Russia, Malaysia, Sri Lanka, etc. This business is expected to sustain steady growth led by new launches, market share gain in existing products, and geographical expansion. TRP also has a contract manufacturing business largely dedicated to manufacturing human insulins for Novo Nordisk for the Indian market (partnership since 1993). There was a decline in FY18 revenue, primarily due to capacity expansions which led to a temporary slowdown in sales on plant shutdown which normalised in the following year. We believe this business will remain lumpy with a stable margin over the next few years.

Outlook and valuation

TRP is well-positioned to see steady growth, led by its strong branded franchisee, which includes new launches, MR addition, consumer wellness foray, traction in Brazil with new launches and field force expansion in chronic. Additionally, the turnaround in its generics business in key markets like the US, with new launches from Dahej slated for FY25, coupled with USFDA clearance in Aug'23 and oncology filings, as well as tender wins in Germany, further strengthens its prospects. We expect TRP to see 13/17/28% sales/EBITDA/PAT CAGRs over FY23-26E, led by steady BG growth (India, Brazil) / turnaround in the US and the Germany. EBITDA margin is expected to move towards ~33% by FY26E (from 29.7% in FY23), attributed to lower input costs, improving MR productivity, change in product mix, cost optimization, and operational leverage. TRP's net debt reduction over the last few years (was higher due to acquisitions) to ~0.8x of EBITDA as of Dec'23 (from ~1.6x in FY23 and ~2.4x earlier) was positive.

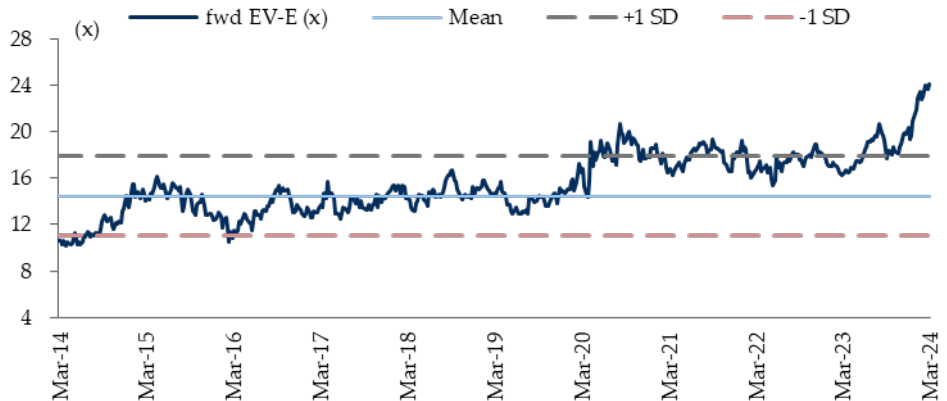
We initiate coverage with an ADD and a TP of INR 2,970 based on 38x FY26E EPS (implied EV/EBITDA of 22x).

Exhibit 19: PE chart



Source: Bloomberg, HSIE Research

Exhibit 20: EV/ EBITDA chart



Source: Bloomberg, HSIE Research

Financials (Consolidated)

Profit & loss (INR mn)

March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net sales	74,618	77,800	78,862	84,188	94,637	1,08,231	1,23,136	1,39,796
Other operating income	2,110	1,593	1,183	892	1,565	0	0	0
Total operating income	76,728	79,393	80,046	85,080	96,202	1,08,231	1,23,136	1,39,796
Cost of goods sold	-22,197	-21,669	-21,464	-24,420	-27,352	-27,382	-31,030	-34,669
Gross profit	54,531	57,724	58,582	60,660	68,850	80,849	92,106	1,05,126
Gross margin (%)	71	73	73	71	72	75	75	75
Total operating expenses	-34,701	-36,020	-33,781	-36,348	-40,429	-46,972	-52,456	-59,273
EBITDA	19,831	21,704	24,801	24,313	28,421	33,876	39,650	45,853
EBITDA margin (%)	25.8	27.3	31.0	28.6	29.5	31.3	32.2	32.8
Depreciation	-6,177	-6,544	-6,578	-6,622	-7,066	-8,190	-8,249	-8,366
EBIT	13,654	15,160	18,223	17,691	21,355	25,686	31,401	37,487
Net interest	-5,038	-4,507	-3,529	-2,551	-3,334	-3,541	-2,546	-1,777
Other income	571	386	249	270	451	711	923	1,289
Profit before tax	5,617	11,038	14,943	10,564	18,472	23,736	29,778	37,000
Total taxation	-1,254	-1,619	-2,744	-4,487	-6,019	-7,121	-8,784	-10,545
Tax rate (%)	22	15	18	42	33	30	30	29
Profit after tax	4,363	9,420	12,199	6,076	12,452	16,615	20,993	26,455
Minorities	-0	0	0	0	0	0	0	0
Profit/ Loss associate co(s)	0	0	0	0	0	0	0	0
Adjusted net profit	7,145	9,533	12,257	10,526	12,574	15,999	20,993	26,455
Adj. PAT margin (%)	10	12	16	13	13	15	17	19
Net non-recurring items	-2,782	715	262	-2,754	-122	616	0	0
Reported net profit	4,363	10,247	12,519	7,772	12,452	16,615	20,993	26,455

Balance sheet (INR mn)

March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Paid-up capital	846	846	846	846	1,692	1,692	1,692	1,692
Reserves & surplus	46,397	47,386	57,526	58,683	60,288	70,361	85,159	1,03,781
Net worth	47,244	48,232	58,372	59,530	61,981	72,053	86,852	1,05,473
Borrowing	48,470	43,661	48,741	40,697	53,686	44,817	35,865	26,917
Other non-current liabilities	1,088	1,539	670	2,445	4,556	5,847	6,423	7,055
Total liabilities	1,41,209	1,40,097	1,40,747	1,30,998	1,50,119	1,52,486	1,62,991	1,77,900
Gross fixed assets	96,006	99,920	1,01,703	1,04,687	1,24,741	1,34,251	1,37,461	1,40,671
Less: Depreciation	-21,877	-28,010	-34,469	-43,055	-46,902	-54,958	-63,533	-72,269
Net fixed assets	74,129	71,910	67,234	61,632	77,840	79,294	73,929	68,402
Add: Capital WIP	6,171	7,119	8,894	6,298	7,654	3,517	2,887	2,887
Total fixed assets	80,300	79,030	76,128	67,930	85,494	82,811	76,816	71,289
Total Investment	3,534	21	1,811	2,263	1,988	2,767	2,767	2,767
Inventory	19,352	21,482	26,812	24,623	22,296	21,947	24,627	27,959
Debtors	14,357	16,493	15,234	16,325	19,438	17,437	19,496	21,746
Cash & bank	8,160	6,667	6,035	4,034	5,715	11,275	22,359	36,399
Loans & advances	64	59	51	44	42	30	31	33
Current liabilities	44,407	46,665	32,964	28,327	29,896	29,769	33,852	38,454
Total current assets	46,888	49,832	53,862	51,124	51,756	55,768	71,902	91,953
Net current assets	2,481	3,167	20,898	22,797	21,860	26,000	38,050	53,499
Other non-current assets	7,139	7,794	5,533	7,086	7,506	7,770	8,136	8,521
Total assets	1,41,209	1,40,097	1,40,747	1,30,998	1,50,119	1,52,486	1,62,991	1,77,900

Source: Company, HSIE Research

Cash flow (INR mn)

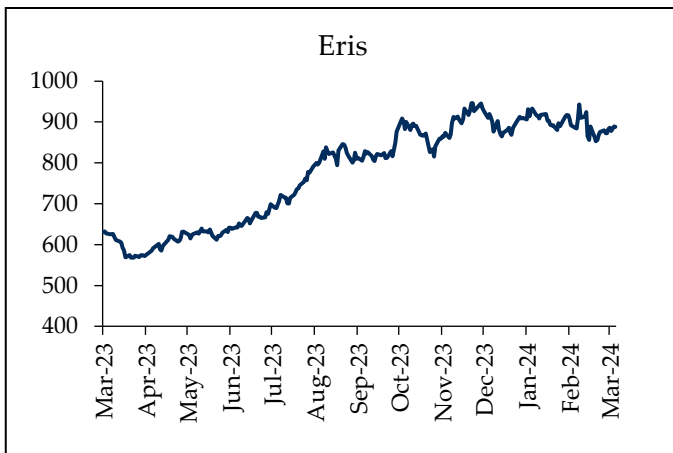
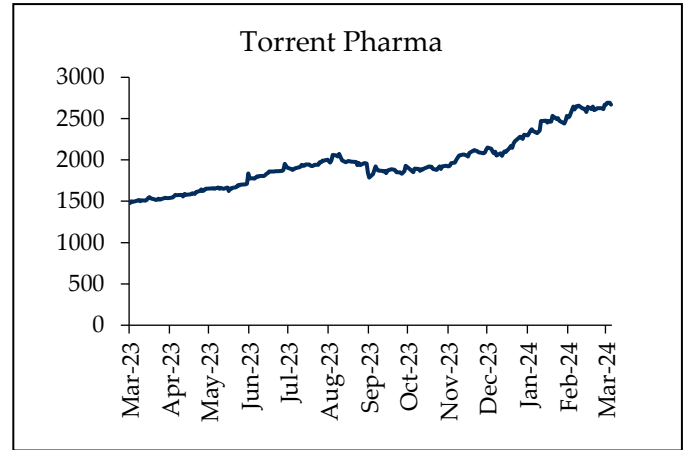
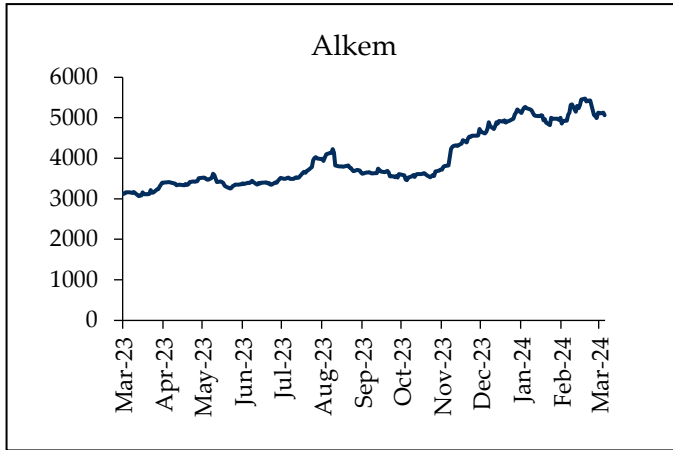
March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Profit before tax	5,617	11,038	14,943	10,564	18,472	23,736	29,778	37,000
Depreciation & Amortisation	-6,177	-6,544	-6,578	-6,622	-7,066	-8,190	-8,249	-8,366
Chg in working capital	994	-3,858	-3,383	-3,519	-182	1,782	-2,299	-2,856
CF from operations	17,981	13,929	20,054	18,030	23,681	29,527	28,677	32,564
Capital expenditure	-6,628	-4,068	-3,352	-2,026	-25,739	-9,510	-3,210	-3,210
CF from investing	-2,413	1,986	-4,494	-1,966	-24,153	-12,873	-3,840	-3,210
Equity raised/ (repaid)	0	0	0	0	0	0	0	0
Debt raised/ (repaid)	2,385	-4,510	-5,429	-10,330	4,232	-8,869	-8,952	-8,948
Dividend paid	-3,672	-7,344	-3,385	-6,769	-8,630	-6,646	-6,298	-7,937
CF from financing	-13,145	-15,490	-16,508	-17,811	774	-15,515	-15,250	-16,885
Net chg in cash	2,424	425	-949	-1,747	302	1,140	9,587	12,469

Key ratios

March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OPERATIONAL								
FDEPS (INR)	21.1	28.2	36.2	31.1	37.2	47.3	62.0	78.2
CEPS (INR)	31.1	49.6	56.4	42.5	57.7	73.3	86.4	102.9
DPS (INR)	10.8	21.7	10.0	20.0	25.5	19.6	18.6	23.4
Dividend payout ratio (%)	84.2	71.7	27.0	87.1	69.3	40.0	30.0	30.0
GROWTH								
Net sales (%)	28.1	4.3	1.4	6.8	12.4	14.4	13.8	13.5
EBITDA (%)	47.0	9.4	14.3	(2.0)	16.9	19.2	17.0	15.6
Adj net profit (%)	41.4	33.4	28.6	(14.1)	19.5	27.2	31.2	26.0
FDEPS (%)	41.4	33.4	28.6	(14.1)	19.5	27.2	31.2	26.0
PERFORMANCE								
RoE (%)	15.3	19.8	23.0	17.9	20.7	23.9	26.4	27.5
RoCE (%)	14.1	16.6	18.4	17.1	19.6	21.7	25.7	28.9
EFFICIENCY								
Asset turnover (x)	0.8	0.8	0.8	0.8	0.8	0.8	0.9	1.0
Sales/ total assets (x)	0.5	0.6	0.6	0.6	0.7	0.7	0.8	0.8
Working capital/ sales (x)	(0.0)	(0.1)	0.1	0.2	0.2	0.1	0.1	0.1
Receivable days	70	77	71	71	75	59	58	57
Inventory days	124	136	177	148	120	108	108	109
Payable days	135	130	137	101	90	81	84	86
FINANCIAL STABILITY								
Total debt/ equity (x)	1.0	0.9	0.9	0.7	0.9	0.7	0.5	0.3
Net debt/ equity (x)	0.8	0.8	0.8	0.6	0.8	0.5	0.1	(0.1)
Current ratio (x)	1.1	1.1	1.6	1.8	1.7	1.9	2.1	2.4
Interest cover (x)	2.7	3.4	5.2	6.9	6.4	7.3	12.3	21.1
VALUATION								
PE (x)	126.1	94.5	73.5	85.6	71.7	56.3	42.9	34.1
EV/ EBITDA (x)	47.3	43.2	38.0	38.5	33.3	27.5	23.0	19.4
EV/ Net sales (x)	12.6	12.1	11.9	11.1	10.0	8.6	7.4	6.4
PB (x)	19.1	18.7	15.4	15.1	14.5	12.5	10.4	8.5
Dividend yield (%)	0.4	0.8	0.4	0.8	1.0	0.7	0.7	0.9
Free cash flow yield (%)	1.3	1.1	1.9	1.8	(0.2)	2.2	2.8	3.3

Source: Company, HSIE Research

1 Yr Price Movement



Rating Criteria

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: > 10% Downside return potential

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