

Emcure[®]

SUCCESS THROUGH INNOVATION



Issue Opens - July 3, 2024 to July 5, 2024

Price Band
₹960 to ₹1008

Face Value

₹10

Lot Size

14 Shares

Issue Size

₹1,952.03 Cr

Issue Type

Book Built

research@ganeshstock.com

Important Events



Issue Size

19,365,346 shares / ₹1,952.03 Cr

Fresh Issue

7,936,507 shares / ₹800.00 Cr

Offer for Sale

11,428,839 shares of ₹10/ ₹1,152.03 Cr

Basis of Allotment

Monday, July 8, 2024

Initiation of Refunds

Tuesday, July 9, 2024

Credit of Shares to Demat

Tuesday, July 9, 2024

Emcure Pharma. Listing Day

Wednesday, July 10, 2024

Objects of The Offer

The Company proposes to utilise the Net Proceeds towards funding the following objects:

- Repayment and/ or prepayment of all or a portion of certain outstanding borrowings availed by the company; and
- General corporate purposes.

Brief profiles of the Directors



Berjis Minoo Desai is the Chairman and Non-Executive Director of our Company, serving since April 3, 1997. He holds a bachelor's degree in law from Government Law College (University of Bombay) and a master's degree in law from the University of Cambridge. With experience in private client practice, business laws, and dispute resolution, he was previously the managing partner at J. Sagar Associates.

Satish Ramanlal Mehta, the Managing Director and CEO, has been with the Company since its inception on April 16, 1981. He holds a master's degree in science (chemistry) from the University of Pune and a postgraduate diploma in business administration from IIM Ahmedabad, bringing extensive pharmaceutical industry experience.

Sunil Rajanikant Mehta, a Whole-time Director since February 1, 1985, holds a bachelor's degree in commerce from B.M. College of Commerce (University of Pune) and a master's diploma in business administration from the Institute of Management Development and Research, Pune.

Namita Vikas Thapar, also a Whole-time Director, has been with the Company since August 1, 2006. A qualified chartered accountant, she holds a bachelor's degree in commerce from the University of Pune and an MBA from the Fuqua School of Business, Duke University.

Samit Satish Mehta, a Whole-time Director since July 28, 2022, has been with the Company since April 1, 2003, in roles such as manager of business development and president of operations. He holds a bachelor's degree in commerce from B.M. College of Commerce (University of Pune) and an MBA from the Wharton School, University of Pennsylvania.

Samonnoi Banerjee is a Non-Executive Director of our Company. He holds a bachelor's degree in engineering and a master's degree in science from the Birla Institute of Technology and Science, Pilani. He holds a master's degree in business administration from the Wharton School of the University of Pennsylvania, Philadelphia.



About The Company

Emcure Pharmaceuticals Limited is a leading Indian pharmaceutical company known for its research and development. They offer a wide range of medications across various therapeutic areas, including gynecology and HIV/AIDS antivirals where they hold the top spot in India. They are rapidly growing with a strong presence in over 70 countries, particularly India, Europe, and Canada. Their focus on chronic illnesses positions them well for future growth in the Indian market.

Description Of Their Business

They are an Indian pharmaceutical company that develops, manufactures, and markets a wide range of pharmaceutical products globally across various major therapeutic areas. Focused on research and development (R&D), they offer a differentiated product portfolio that includes orals, injectables, and biotherapeutics, allowing them to reach target markets in over 70 countries, with a strong presence in India, Europe, and Canada. In the MAT Financial Year 2024, they were ranked as the 13th largest pharmaceutical company in India by Domestic Sales, the 4th largest by market share in Covered Markets by Domestic Sales, and the largest in gynecology and HIV antivirals therapeutic areas by Domestic Sales. The company is led by experienced Promoters and supported by a strong professional management team.

Therapy Segment	Emcure MAT Financial Year 2024 (₹ in millions)	IPM MAT Financial Year 2024 (₹ in millions)	Emcure MAT 5-Year CAGR ⁽¹⁾ (%)	IPM MAT 5-Year CAGR ⁽¹⁾ (%)	Emcure MAT 3-Year CAGR ⁽²⁾ (%)	IPM MAT 3-Year CAGR ⁽²⁾ (%)
Acute	29,623.90	932,933.87	7.99%	7.67%	8.07%	6.83%
Chronic (including sub-chronic)	25,460.48	1,046,529.38	11.94%	8.66%	4.48%	9.11%
Total Domestic Sales	55,096.85⁽³⁾	1,979,762.15⁽³⁾	9.73%	8.19%	6.38%	8.03%

Track Record Of Financial Performance



(in ₹ million)

Particulars	For the financial year ended March 31, 2024	For the financial year ended March 31, 2023	For the financial year ended March 31, 2022
Revenue:			
Revenue from operations	66,582.51	59,858.11	58,553.87
Other income	569.90	459.05	634.73
Total income	67,152.41	60,317.16	59,188.60
Expenses:			
Cost of materials consumed	13,331.26	11,465.92	12,961.01
Purchases of stock-in-trade	13,324.83	10,472.45	10,824.50
Changes in inventories of finished goods, work-in-progress and stock-in-trade	(1,901.92)	666.90	(1,453.95)
Employee benefit expenses	12,920.80	11,173.32	10,118.20
Depreciation and amortisation expense	3,124.07	2,601.18	2,448.55
Finance cost	2,371.47	2,136.08	1,759.78
Other expenses	16,610.31	14,267.70	12,805.03
Total expenses	59,780.82	52,783.55	49,463.12
Profit before exceptional items and tax	7,371.59	7,533.61	9,725.48
Exceptional items	99.31	61.46	-
Profit before tax	7,272.28	7,472.15	9,725.48
Tax expenses			
Current tax	2,096.39	1,732.96	2,860.53
Deferred tax	(99.86)	120.74	(160.61)
Total tax expenses	1,996.53	1,853.70	2,699.92
Profit for the year	5,275.75	5,618.45	7,025.56
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement of post-employment benefit obligations	(22.45)	74.52	(52.24)
Tax on post-employment benefit obligations	5.72	(18.78)	13.57


Other comprehensive income
Items that will not be reclassified to profit or loss

Remeasurement of post-employment benefit obligations	(22.45)	74.52	(52.24)
Tax on post-employment benefit obligations	5.72	(18.78)	13.57
Changes in the fair value of equity instruments at FVOCI	(65.80)	-	-
Income tax relating to these items	16.56	-	-

Items that will be reclassified subsequently to profit or loss

Exchange differences in translating financials statement of foreign operations	222.25	108.32	(51.67)
Income tax relating to these items	-	-	-

Total other comprehensive income / (loss) for the year	156.28	164.06	(90.34)
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Total comprehensive income for the year	5,432.03	5,782.51	6,935.22
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Profit attributable to:

Owners of the holding company	4,981.83	5,320.19	6,622.00
Non-controlling interests	293.92	298.26	403.56

Other comprehensive income/(loss) attributable to:

Owners of the holding company	158.81	161.01	(84.70)
Non-controlling interests	(2.53)	3.05	(5.64)

Total comprehensive income attributable to:

Owners of the holding company	5,140.64	5,481.20	6,537.30
Non-controlling interests	291.39	301.31	397.92

Earnings per share:

Basic	27.54	29.42	36.62
Diluted	27.54	29.42	36.62



Key Financial data for the nine months ended December 31, 2023 and Fiscals 2023, 2022 and 2021 are as below as per the Restated Consolidated Financial Statements:

	As of and for the Financial Year ended March 31,		
	2024	2023	2022
<i>(₹ in millions, except percentages)</i>			
Revenue from operations	66,582.51	59,858.11	58,553.87
Percentage of revenue from operations attributable to sales in India	48.28%	53.16%	54.73%
Percentage of revenue from operations attributable to sales outside India	51.72%	46.84%	45.27%
Profit for the year	5,275.75	5,618.45	7,025.56
PAT Margin ⁽¹⁾	7.86%	9.31%	11.87%
RoE ⁽²⁾	16.90%	21.20%	33.23%
RoCE ⁽³⁾	19.37%	22.01%	29.69%
EBITDA ⁽⁴⁾	12,767.82	12,209.41	13,933.81
EBITDA Margin ⁽⁵⁾	19.01%	20.24%	23.54%
Capital expenditure incurred ⁽⁶⁾	3,141.87	4,261.49	4,083.99

The following tables set forth a break-down of their revenue from sales in India and sales outside India, in absolute terms and as a percentage of revenue from operations, for the years indicated:

	For the Financial Year ended March 31,					
	2024		2023		2022	
<i>(₹ in millions, except percentages)</i>						
Sales in India	32,148.98	48.28%	31,818.18	53.16%	32,046.66	54.73%
Sales outside India	34,433.53	51.72%	28,039.93	46.84%	26,507.21	45.27%
Europe	14,235.72	21.38%	11,873.26	19.84%	8,968.17	15.32%
North America	9,279.09	13.94%	7,294.21	12.19%	6,794.50	11.60%
Other continents	10,918.72	16.40%	8,872.46	14.81%	10,744.54	18.35%
Revenue from operations	66,582.51	100.00%	59,858.11	100.00%	58,553.87	100.00%



Strengths

1. Positioned to capitalize on our strong domestic market presence.
2. Proven track record of successful brand development.
3. Broad, diverse, and rapidly expanding product portfolio in international markets.
4. Robust R&D capabilities fostering a unique product lineup.
5. Extensive and varied manufacturing capacity.
6. Highly qualified, experienced, and entrepreneurial management team and board.

Threats

1. The company is heavily regulated by governments in India and international markets.
2. It requires high working capital.
3. It has experienced negative cash flows in the past.
4. A significant portion of its revenue in India comes from a limited number of therapeutic areas.
5. Its international operations involve complex management, legal, tax, and economic risks.
6. It is vulnerable to forex fluctuations.
7. Its EBITDA and PAT have declined in recent financial years.

Valuation and Outlook



The expected share price for Emcure Pharma Limited IPO is set between ₹960 to ₹1008 per share. The company's valuation shows a Price-to-Earnings (P/E) ratio of 36.60x, based on a price above ₹1008, and FY23 EPS is ₹27.54 whereas the industry P/E 40.41x.

Peer Analysis

Name of the Company	Revenue from operations (in ₹ million)	Face value per equity share (₹)	Closing price on June 21, 2024 (₹) per equity share	P/E (x)	EPS (Basic) (₹ per share)	EPS (Diluted) (₹ per share)	RoNW	Net Asset Value "NAV" (₹ in million)	Net Asset Value "NAV" (₹ per share)
Emcure Pharmaceuticals Limited*	66,582.51	10	N.A	36.6	27.54	27.54	16.87	29,522.83	163.22
Dr. Reddy's Laboratories Limited	2,80,111.00	5	6,000.50	17.93	335.22	334.59	19.74	2,82,548.00	1,693.75
Cipla Limited	2,57,740.90	2	1,535.15	30.1	51.05	51.01	15.43	2,67,064.30	330.78
Alkem Laboratories Limited	1,26,675.80	2	5,085.00	33.86	150.19	150.19	17.41	1,03,120.60	862.46
Torrent Pharmaceuticals Limited	1,07,280.00	5	2,825.60	57.74	48.94	48.94	24.15	68,560.00	202.57
Mankind Pharma Limited	1,03,347.75	1	2,160.00	45.3	47.75	47.68	20.43	93,630.88	233.73
Abbott India Limited	58,489.10	10	26,811.00	47.43	565.28	565.28	32.48	36,988.90	1,740.71
J. B. Chemicals & Pharmaceuticals Limited	34,841.80	1	1,759.75	50.49	35.66	34.85	18.9	29,233.30	188.37

Emcure Pharma, a prominent pharmaceutical company with specialized products and global reach, has seen revenue growth but net income decline due to increased interest and depreciation expenses. While the stock appears fairly valued based on FY24 earnings, debt reduction following the IPO is likely to boost its bottom line.

We assign a **"Subscribe"** grade for this issue.

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