



IPO Note

Emcure Pharmaceuticals Limited

Track Record, Sustainable Growth

Recommendation: **APPLY!**

Company Background -

- Incorporated in 1981, Emcure Pharmaceuticals Limited, an Indian pharmaceutical company, develops, manufactures, and globally markets a wide range of pharmaceutical products across several major therapeutic areas.
- They filed over 1,800 documents globally, including 204 in the EU and 133 in Canada. They had 201 granted patents, 33 pending patent applications, and submitted 102 drug master files.
- Emcure Pharmaceuticals has 13 manufacturing facilities in India.
- As of September 30, 2023, the company's marketing and distribution network in India included over 5,000 stockists, served by 37 carry-and-forward agents.
- As of September 30, 2023, Emcure Pharma employed 552 scientists and operated five research facilities in India.

Objects of the Issue -

- Repayment and/ or prepayment of all or a portion of certain outstanding borrowings availed by the company.
- General Corporate Purposes.

Promoters Name -

Satish Ramanlal Mehta, Sunil Rajanikant Mehta, Namita Vikas Thapar and Samit Satish Mehta.

Rationale for recommendation -

- ✓ The company has diversified and educated management.
- ✓ Positive Cash Flow from Operations.
- ✓ Good track record.
- ✓ Sustainable sales growth.
- ✓ Low Threat of New Entrants.
- ✓ Good industry prospects and support from government.
- ✓ Sufficient capacity for near future growth opportunities.

IPO Details

Opening Date	July 03, 2024
Closing Date	July 05, 2024
Allotment Date	July 08, 2024
Listing Date	July 10, 2024
Stock Exchange	BSE, NSE
Lot Size	14 Shares
Issue Price Per Share	₹960 to ₹1008
Issue Size	1,952.03 Cr.
Fresh Issue	800.00 Cr.
Offer for Sale	1,152.03 Cr.
Application Amt	₹ 14,112 (14 shares) – 1,97,568 (196 shares)

KPIs

KPI's	2021	2022	(In Rs Cr) Dec-2023
Revenue	5,855.39	5,985.81	6,658.25
EBITDA	1,329.91	1,181.18	1,229.72
Net Profit	702.56	561.85	527.58
RoCE	35.02%	25.21%	19.96%
ROE	35.35%	22.46%	17.87%
P/E	27.53	34.26	36.60

Promoter Share Holding Pattern

Pre-Issue	Post Issue
83.21%	78.24%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	29.12	27.90
BVPS	44.16	42.31
P/E	34.61	36.13
P/BV	22.83	23.83
Mkt Cap (In Cr)	18,260.13	19,060.13

Lead Managers -

Kotak Mahindra Capital Company Limited

Axis Capital Limited

Jefferies India Private Limited

J. P. Morgan India Private Limited

Registrar -

Link Intime India Private Limited

Business Overview -

The company is an Indian pharmaceutical firm specializing in R&D, manufacturing, and global marketing of diverse pharmaceutical products across over 70 countries. With a strong presence in India, Europe, and Canada, it ranks prominently in therapeutic areas like gynecology and HIV antivirals. It has demonstrated robust growth in domestic sales, outpacing the market average. Internationally, it leverages partnerships for distribution. The company emphasizes R&D, holding numerous patents and DMFs, and operates 13 manufacturing facilities in India.

It holds the global patent for Tenecteplase's use in Acute Ischemic Stroke and has a robust portfolio of biologics. Notable brands like Orofer-XT, Tenectase, Maxtra, and Bevon have shown substantial growth in domestic sales, supported by strategic marketing campaigns and educational initiatives. With a strong presence in women's healthcare, the company focuses on raising awareness and improving treatment outcomes in this sector.

The company has expanded its global footprint through strategic acquisitions and in-licensing agreements, enhancing its presence in Canada and Europe. It markets a diverse range of products across retail, hospital, and OTC segments, with significant filings and approvals in these regions. Notably, its product offerings include formulations (solid orals, oral liquids, injectables) and APIs, emphasizing eco-friendly manufacturing practices. With 13 advanced manufacturing facilities in India, the company maintains vertical integration to ensure quality and cost-effective production of specialty pharmaceuticals and biotherapeutics.

The company has expanded its manufacturing capacity with recent additions to facilities in India, including specialized plants for injectables and oncology products. These developments aim to meet increasing demand and penetrate new markets. With a strong focus on R&D, the company employs advanced technologies to reduce environmental impact, enhance product efficiency, and develop innovative formulations. Regulatory compliance and quality assurance remain pivotal, supported by multiple approvals and a robust R&D team dedicated to pharmaceutical innovation and global market expansion.

The company has pioneered perfusion-based bioreactor systems, adopting continuous bio-manufacturing practices in India to enhance manufacturing cost-efficiencies. Their AI ML-driven processes optimize operations, reducing capital and operating expenditures while increasing yields. The company's API research focuses on developing robust synthetic routes for various molecules, specializing in complex chiral, iron, cytotoxic, and antiretroviral APIs. Advanced technologies like flow chemistry and photo-chemistry are utilized to improve drug quality and affordability, complemented by robust intellectual property protection and stringent quality assurance practices.

Revenue bifurcation (Domestic-Export)

For the Financial Year ended March 31, 2024		
	(In Rs. Cr)	
Sales in India	3,214.90	48.28%
Sales outside India	3,443.35	51.72%
Europe	1,423.57	21.38%
North America	927.91	13.94%
Other continents	1,091.87	16.40%
Revenue from operations	6,658.25	100.00%

R&D as a % of Revenue

For the Financial Year ended March 31,			
	FY 24	FY23	FY22
R&D expenditure (₹ in millions)	309.99	302.21	340.44
As a percentage of revenue from operations (%)	4.66%	5.05%	5.81%

Competition -

The company faces competition from diverse players across markets, therapeutic areas, and product categories, including leading Indian firms like Dr. Reddy's Laboratories, Cipla, and Alkem Laboratories, along with multinational pharmaceutical companies.

Competition intensifies based on dosage strengths and drug delivery methods.

To maintain a competitive edge, the company regularly upgrades its manufacturing technology, focuses on cost efficiency, and pursues new product registrations and regulatory approvals to expand its product portfolio.

Business Strategies -

Focus on Construction and Development: Focus on growing market share in key therapeutic areas by enhancing prescriber base, launching new products, and expanding sales force effectiveness, especially in rural and semi-rural markets.

Deepen and Expand Our International Presence with a Focused Go-to-Market Approach Expand in 70+ countries with differentiated, technology-driven products.

Strategic Expansion through Acquisitions and Partnerships: Acquire companies, products, and facilities while forming alliances to strengthen market presence and enter new therapeutic areas efficiently.

Risk Factors -

Litigations	Criminal proceedings	Tax matters	Action taken by or statutory regulatory authorities	Material civil litigation	Total aggregate amount involved (in ₹ Cr)
By their Company	22	Nil	Nil	Nil	3.406
Against their Company	1	36	5	1	214.69
Against their directors	7	Nil	5	1	5.361
Against their Promoters	3	Nil	5	1	5.361
By their Subsidiaries	23	Nil	Nil	1	106.71
Against their Subsidiaries	2	42	1	1	136.83
Total					472.356

There are significant proceedings currently open against and by the company, promoters, directors and its subsidiaries. This can have an adverse effect on the operations of the company.

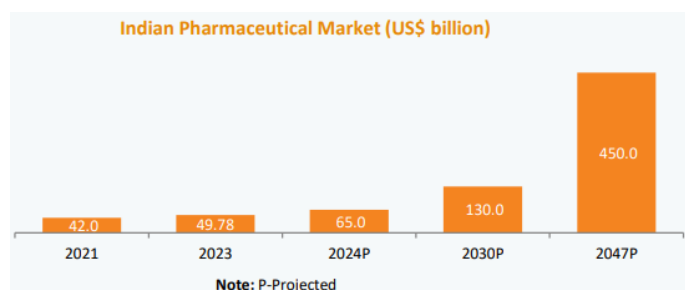
PEER ANALYSIS

Particulars	Emcure Pharmaceuticals Limited			Abbott India Limited			Mankind Pharma Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	12.00%	9.39%	7.92%	15.92%	17.16%	19.70%	17.94%	14.42%	17.99%
EBITDA Margin	22.71%	19.73%	18.47%	23.23%	24.57%	27.90%	27.54%	22.98%	26.63%
RoCE	35.02%	25.21%	19.96%	36.37%	38.51%	42.33%	31.37%	21.95%	24.72%
ROE	35.35%	22.46%	17.87%	28.32%	29.78%	32.48%	23.29%	17.24%	20.25%
EPS (INR)	36.62	29.42	27.54	275.00	325.00	410.00	35.78	32.00	47.75
P/E	27.53	34.26	36.60	54.47	53.88	53.81	-	-	48.18

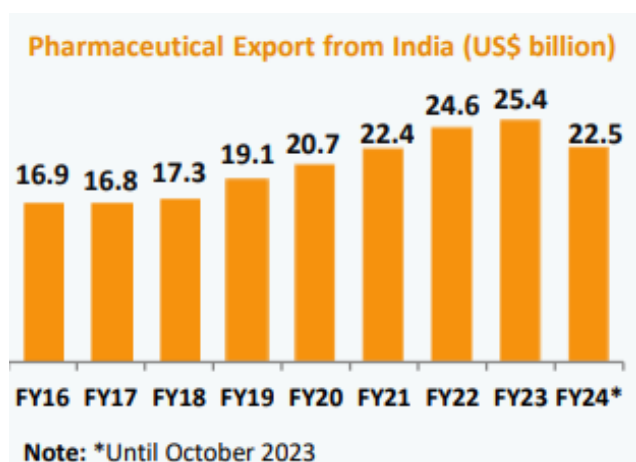
Indian Pharmaceutical Industry -

Introduction and Market Profile -

The Indian pharmaceutical industry is the world's third largest by volume and was valued at ₹3.6-3.8 trillion of the Financial Year 2024. The industry can be broadly classified into formulations (divided into domestic and export, both having an equal share) and bulk drugs. At present, low-value generic drugs constitute a large part of Indian exports. India accounts for approximately 3.5% of total drugs and medicines exported globally, and exports pharmaceuticals to more than 200 countries and territories.



The Indian domestic formulation market has seen healthy growth in the recent times. Indian domestic formulations market (consumption) grew at a healthy rate at a CAGR of 8.5% from the Financial Year 2019 to the Financial Year 2024. The Indian domestic formulations segment (consumption) is expected to grow at a CAGR of 8-9% over the next five years from the Financial Year 2024 to reach approximately ₹2.9-3.0 trillion in the Financial Year 2029, aided by strong demand because of rising incidence of chronic diseases, increased awareness and access to quality healthcare.

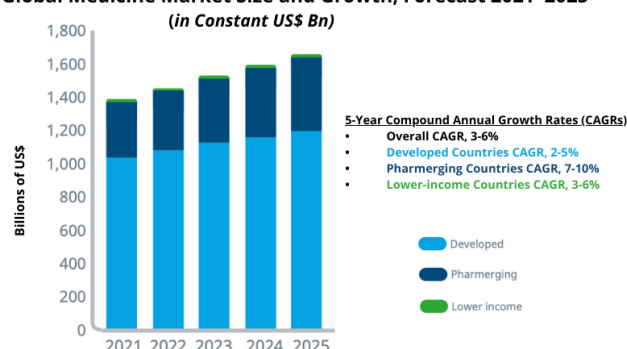


Global Pharmaceutical Market -

The global pharmaceuticals market logged a 4% CAGR from approximately US\$1,200 billion (approximately ₹82 trillion) in 2018 to approximately US\$1,494 billion (approximately ₹123 trillion) in 2023. However, the market is expected to sustain a 5.0-5.5% CAGR between 2023 and 2028 to reach approximately US\$1,900 to US\$1,950 billion (approximately ₹157-161 trillion) by 2028.

Globally, pharmaceuticals companies are offering drugs for customised treatment and precision medicine for different diseases (providing medical care according to a patient's characteristics, needs, preferences and genetic make-up). Also, generic medicines are seeing increased uptake with cost advantages and effective treatment options. Subsequently, global pharmaceutical market has seen an uptick in the capex investments to sustain revenue as well as increase product portfolio.

Figure 1: Global Medicine Market Size and Growth, Forecast 2021-2025



Trends in Indian Pharmaceutical Industry -

• Vertical integration among pharma players

Reason for vertical integration can be the better control over supply chain and drug development process especially for development of generics drugs.

• New Drug Delivery Systems in injectables

Injectables industry has seen new forms of drug delivery systems as well as emergence of self-administered injectables.

• Indian pharmaceutical companies building specialty and complex generics capabilities

Companies are increasingly focusing on building capabilities in complex and niche molecules. These products are relatively untapped in comparison with conventional generics and offer huge realization as they are difficult to crack.

Key Management -



Key Management Persons Name -	Berjis Minoo Desai
Age	67
Designation and No. of years of experience	Chairman and Non-Executive Director
Qualification	Bachelor's degree in law, Master's Degree in Law
Roles and Responsibility	-
Other Directorships	Jubilant FoodWorks Limited, The Great Eastern Shipping Company Limited and Man Infraconstruction Limited

Key Management Persons Name -	Satish Ramanlal Mehta
Age	73
Designation and No. of years of experience	Promoter, Managing Director and CEO
Qualification	Master's degree in science (chemistry), PGD in Business Administration
Roles and Responsibility	-
Other Directorships	Gennova Biopharmaceuticals Limited and Zuventus Healthcare Limited

Key Management Persons Name -	Sunil Rajanikant Mehta
Age	61
Designation and No. of years of experience	Promoter and Whole-Time Director
Qualification	B. Com Degree, Master's diploma in business administration
Roles and Responsibility	-
Other Directorships	Gennova Biopharmaceuticals Limited

Key Management Persons Name -	Namita Vikas Thapar
Age	47
Designation and No. of years of experience	Promoter and Whole - Time Director,
Qualification	CA, B. Com Degree and MBA Degree
Roles and Responsibility	-
Other Directorships	Zuventus Healthcare Limited, Thapar Ventures Private Limited and Incredible Ideas Private Limited

Key Management Persons Name -	Samit Satish Mehta
Age	44
Designation and No. of years of experience	Promoter and Whole-Time Director
Qualification	B. Com Degree and MBA degree
Roles and Responsibility	-
Other Directorships	Uth Beverage Factory Private Limited, Gennova Biopharmaceuticals Limited and Emcure Pharma UK Limited

Key Management Persons Name -	Mukund Keshao Gurjar
Age	71
Designation and No. of years of experience	Whole-Time Director, 15+ years of experience
Qualification	B. Com Degree, M. Sc, Doctor of Philosophy
Roles and Responsibility	-
Previous Associations	National Chemical Laboratory

Key Management Persons Name -	Samonnoi Banerjee
Age	48
Designation and No. of years of experience	Non-Executive Director
Qualification	Bachelor's degree in Engineering, M. Sc, and MBA
Roles and Responsibility	-
Previous Associations	McKinsey & Company, Inc. and Accenture India Private Limited

Key Management Persons Name -	Palamadai Sundararajan Jayakumar
Age	62
Designation and No. of years of experience	Independent Director
Qualification	CA, M. Com Degree, PGD in business administration
Roles and Responsibility	-
Previous Associations	Citibank, VBHC Value Homes Private Limited and Bank of Baroda

FINANCIAL SNAPSHOT
Statement of Profit and Loss
Amt in Cr.

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	5,855.39	5,985.81	6,658.25
Other Income	63.47	45.91	56.99
Total Income	5,918.86	6,031.72	6,715.24
Expenses			
Purchase of stock-in-trade	1,082.45	1,047.25	1,332.48
Cost of Material Consumed	1,296.10	1,146.59	1,333.13
Changes in Inventories of WIP, Finished Goods & Stock in Trade	-145.40	66.69	-190.19
Employee benefits	1,011.82	1,117.33	1,292.08
Finance Cost	175.98	213.61	237.15
Depreciation and Amortization expense	244.86	260.11	312.41
Other expenses	1,280.50	1,426.77	1,661.03
Total Expenses	4,946.31	5,278.35	5,978.08
Earnings Before Interest, Taxes, Depreciation & Amortization	1,329.91	1,181.18	1,229.72
EBITDA Margin	22.71%	19.73%	18.47%
Profit/(Loss) before exceptional items and tax	972.55	753.37	737.16
Exceptional Items	-	6.15	9.93
Profit/(Loss) before tax	972.55	747.22	727.23
Tax Expense			
Short/excess Provision for Taxation			
Current tax	286.05	173.30	209.64
Deferred Tax Expenses/(credit)	-16.06	12.07	-9.99
Tax adjustments in respect of earlier years			
Total Tax Expense	269.99	185.37	199.65
Profit/(Loss) for the year	702.56	561.85	527.58
Net Profit Margin	11.87%	9.32%	7.86%

Statement of Cashflows
Amt in Cr.

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	768.21	746.85	1,097.24
Net Cash Flow from Investing Activities	-788.79	-467.69	-712.51
Net Cash Flow from Financing Activities	-151.85	-145.40	-164.21

Statement of Assets and Liabilities

Amt in Cr.

Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	180.85	180.85	181.15
Other Equity	1,806.70	2,320.27	2,771.13
Total Equity	1,987.548	2,501.126	2,952.283
Minority Interest	126.594	148.534	169.482
Total Equity	2,114.142	2,649.660	3,121.765
2. Non-current liabilities			
Long Term Borrowings	717.28	744.14	766.60
Lease Liabilities	111.28	115.18	215.74
Other non-current financial liabilities	43.98	49.51	294.58
Long Term Provisions	42.11	39.67	43.32
Deferred tax liabilities	42.61	38.90	137.42
Other Non Current Liabilities	27.24	16.29	16.27
Total Non-current liabilities	984.498	1,003.679	1,473.925
3. Current liabilities			
Financial Liabilities			
(i) Short Term Borrowings	1,366.35	1,450.80	1,320.72
(ii) Lease Liabilities	22.30	24.19	31.92
(iii) Trade Payables	-	-	-
(a) Outstanding Dues to Micro Enterprise & Small Enterprises	33.09	19.05	16.91
(b) Outstanding Dues to other than Micro Enterprise & Small Enterprises	1,092.10	1,067.06	1,292.46
(iv) Other Financial Liabilities	270.62	280.59	304.42
Other Current Liabilities	74.36	88.64	144.87
Provisions	43.86	40.09	45.74
Current tax liabilities	62.15	48.78	53.45
Total Current liabilities	2,964.829	3,019.192	3,210.473
Total Liabilities	3,949.327	4,022.871	4,684.398
Total Equity and Liabilities	6,063.469	6,672.531	7,806.163
ASSETS			
1. Non-current assets			
Property, Plant and Equipment	1,470.28	1,604.63	1,948.57
Capital Work-in-progress	309.80	403.53	132.35
Right of use assets	205.38	206.59	316.29
Goodwill	217.40	217.74	378.69
Other intangible assets	151.26	117.93	481.00
Intangible assets under development	10.10	7.88	26.77
Financial Assets	-	-	-
(i) Investments	25.00	25.00	18.42
(ii) Other non-current financial assets	47.79	64.58	40.77
Deferred tax Assets (Net)	116.08	99.13	96.80
Income Tax Assets (net)	51.00	63.31	87.25
Other non-current assets	35.30	26.30	19.36
Total Non-Current assets	2,639.370	2,836.619	3,546.248
2. Current assets			
Investments	-	-	299.65
Inventories	1,449.42	1,383.03	1,525.10
Financial Assets	-	-	-

Particulars	FY 22	FY 23	FY 24
(i) Trade receivables	1,308.51	1,648.30	1,858.81
(ii) Cash and cash equivalents	162.85	242.34	169.00
(iii) Bank balances other than cash and cash equivalents	150.45	215.91	63.41
(iv) Other current financial assets	55.58	58.93	68.95
Other current assets	297.30	287.40	269.58
Assets classified as held for sale	-	-	5.42
Total Current assets	3,424.099	3,835.912	4,259.915
Total Assets	6,063.469	6,672.531	7,806.163

Key Ratios

Particulars	FY 22	FY 23	FY 24
Per Share Data			
Diluted EPS	36.62	29.42	27.54
BV per share	109.72	138.07	162.97
Operating Ratios			
EBITDA Margins	22.71%	19.73%	18.47%
PAT Margins	11.87%	9.32%	7.86%
Inventory days	90.35	84.33	83.60
Debtor days	81.57	100.51	101.90
Creditor days	162.89	181.56	183.50
Return Ratios			
RoCE	35.02%	25.21%	19.96%
RoE	35.35%	22.46%	17.87%
Valuation Ratios (x)			
EV/EBITDA	2.94	3.77	3.96
Market Cap / Sales	3.26	3.18	2.86
P/E	27.53	34.26	36.60
Price to Book Value	9.19	7.30	6.19
Solvency Ratios			
Debt / Equity	1.05	0.88	0.71
Current Ratio	1.15	1.27	1.33
Quick Ratio	0.67	0.81	0.85
Asset Turnover	0.97	0.90	0.85
Interest Coverage Ratio	6.17	3.66	4.54

LEAD MANAGER TRACK RECORD -

The lead managers to the issue are Kotak Mahindra Capital Company Limited, Axis Capital Limited, Jefferies India Private Limited and J. P. Morgan India Private Limited. A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Managers in recent times –

Kotak Mahindra Capital Company Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Aadhar Housing Finance Limited	3000.00	315.00	May 15, 2024	408.45
2.	Indegene Limited	1841.76	452.00	May 13, 2024	556.15
3.	India Shelter Finance Corporation Limited	1200.00	493.00	Dec 20, 2023	711.80

Kotak Mahindra Capital Company Limited has had 23 mandates in the last three years (including current year).

Axis Capital Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Stanley Lifestyles Limited	537.02	369.00	June 28, 2024	474.00
2.	Le Travenues Technology Ltd	740.10	93.00	June 18, 2024	156.81
3.	Awfis Space Solutions Limited	598.93	383.00	May 30, 2024	511.25

Axis Capital Limited has had 34 mandates in the last three years (including current year).

Jefferies India Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	TBO Tek Limited	1550.81	920.00	May 15, 2024	1903.20
2.	Vodafone Idea Limited	18000.00	11.00	April 25, 2024	17.90
3.	Entero Healthcare Solutions Limited	1600.00	1258.00	Feb 16, 2024	1040.10

Jefferies India Private Limited has had 6 mandates in the last three years (including current year).

J. P. Morgan India Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Indegene Limited	1841.76	452.00	May 13, 2024	556.15
2.	Honasa Consumer Limited	1701.44	324.00	Nov 07, 2023	433.75
3.	Blue Jet Healthcare Limited	840.27	346.00	Nov 01, 2023	403.95

J. P. Morgan India Private Limited has had 8 mandates in the last three years (including current year).

*CMP for the above-mentioned companies is taken as of 1st July 2024.

As per the offer document, from the above-mentioned mandates Entero Healthcare Solutions Limited opened at discount and the remaining all opened at premiums.

Recommendation -

Despite recent declines in PAT and EBITDA margins, the company operates in a robust and growing industry with favourable government support. It maintains a positive cash flow from operations, indicative of strong financial management.

The company's diversified management structure and good industry prospects further enhance its appeal. With low threats from new entrants and sustainable revenue growth, the company is well-positioned for future success. Although there are challenges such as declining margins, the overall outlook remains positive due to these strategic advantages.

Therefore, investors looking for long-term growth potential in a stable and promising sector should consider **APPLYING** for this IPO. The company's established presence, coupled with supportive industry conditions and effective management, suggests it could deliver favourable returns over time.

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